

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF BLUEGRASS</b>	)	
<b>WATER UTILITY OPERATING COMPANY, LLC</b>	)	<b>CASE NO. 2022-00432</b>
<b>FOR ADJUSTMENT OF SEWAGE RATES</b>	)	

**BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC’S  
SECOND SUPPLEMENTAL RESPONSES TO OFFICE OF THE ATTORNEY  
GENERAL’S FIRST REQUEST FOR INFORMATION**

Bluegrass Water Utility Operating Company, LLC, (“Bluegrass Water” or the “Company”) by counsel, files its second supplemental responses to the Office of the Attorney General’s First Request for Information, issued in the above-captioned case on April 28, 2023.

**FILED:        July 6, 2023**

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BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S SECOND  
SUPPLEMENTAL RESPONSES TO THE OFFICE OF ATTORNEY GENERAL'S  
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**REQUEST NO. 1-6:** For CSWR and Bluegrass, provide calculations demonstrating that any charitable, lobbying/political, advertising, dues or membership fees paid to trade groups or law firms, and business development costs have been removed.

a. For each item of dues or membership fees included above the line, explain whether any portion of the dues / fees are utilized to pay for any of the following expenditures, and if so, provide complete details:

- i. Legislative advocacy;
- ii. Regulatory advocacy;
- iii. Public relations;
- iv. Influencing federal or Kentucky legislation or regulations;
- v. Legislative policy research;
- vi. Regulatory policy research;
- vii. Any media advertising campaigns backing the Company's or the Dues Requiring Organization's advocacy positions;
- viii. Contributions from any Dues Requiring Organizations to third-party organizations and contractors including any of the expenditures identified in the subparts to this question, above.

b. For each item of dues or membership fees included above the line:

- i. Provide any and all documents in the Company's possession that depict how each Dues Requiring Organization spends the dues it collects from the Company.
- ii. Provide a detailed description of the services each Dues Requiring Organization provides to the Company.
- iii. Provide a complete copy of invoices received from each Dues Requiring Organization applicable to the test year.

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- c. If any affiliate of the Company pays dues to one or more Dues Requiring Organizations, and a jurisdictional portion of those dues are charged back to the Company, explain whether the dues are being recovered in rates, the amounts thereof, and precisely where they can be found in the application.

**ORIGINAL RESPONSE:** Bluegrass Water objects to this Request as overly broad, unduly burdensome, and seeking information outside the scope of this rate case or information about expenses that are not included in its rate base. Bluegrass Water also objects to the term “regulatory advocacy” as vague and unclear. Moreover, its legal expenses in this rate case are recoverable. Ultimately, utilities like Bluegrass Water “may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered by it to any person.” KRS 278.030(1).

Subject to and without waiver of the foregoing objections, please see the Direct Testimony of Brent Thies, Application Exhibit 10 at page 15, line 14.

**SUPPLEMENTAL RESPONSE:** Bluegrass Water objects to this Request as overly broad, unduly burdensome, and seeking information outside the scope of this rate case or information about expenses that are not included in its rate base. Bluegrass Water also objects to the term “regulatory advocacy” as vague and unclear. Moreover, its legal expenses in this rate case are recoverable. Ultimately, utilities like Bluegrass Water “may demand, collect, and receive fair, just and reasonable rates for the services rendered or to be rendered by it to any person.” KRS 278.030(1).

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**Subject to and without waiver of the foregoing objections, please see the Direct Testimony of Brent Thies, Application Exhibit 10 at page 15, line 14. Furthermore, as part of calculating its revenue requirement, Bluegrass Water did an analysis of the overhead costs allocated to it by CSWR, LLC. As explained in the Cost Allocation Manual (Exhibit PSC 1-1), the overhead costs allocated to Bluegrass Water represent a pro rata share of the total expense. For that reason, this analysis included a review of all expense items on the books of CSWR, LLC and noted certain categories of expense for the purpose of excluding them from the total overhead expense pool available for allocation. Please see CONFIDENTIAL Exhibit OAG 1-6 for information detailing the line items that were excluded from the overhead expense allocated to Bluegrass Water during the test period.**

**SECOND SUPPLEMENTAL RESPONSE: Please see the Direct Testimony of Brent Thies, Application Exhibit 10 at page 15, line 14. Furthermore, as part of calculating its revenue requirement, Bluegrass Water did an analysis of the overhead costs allocated to it by CSWR, LLC. As explained in the Cost Allocation Manual (Exhibit PSC 1-1), the overhead costs allocated to Bluegrass Water represent a pro rata share of the total expense. For that reason, this analysis included a review of all expense items on the books of CSWR, LLC and noted certain categories of expense for the purpose of excluding them from the total overhead expense pool available for allocation. Please see CONFIDENTIAL Supplemental OAG Exhibit 1-6 at Tab '4- Other Line Item exclusions.' For the workpapers utilized to calculate the quarterly Allocated EE Expenses (Line 10 of Tab 'OHA Calc' in CONFIDENTIAL Bluegrass Water's Second Supplemental Response to OAG 1-6**

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**Supplemental Exhibit OAG 1-6), please see CONFIDENTIAL Exhibit OAG 1-6(A). Please  
also see CONFIDENTIAL Exhibit OAG 1-6.**

- (a) There are no such “dues or membership fees included above the line.”**
- (b) There are no such “dues or membership fees included above the line.”**
- (c) There are no such instances.**

**Witness: Brent Thies**

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**REQUEST NO. 1-46:** Regarding business development expense, provide the following:

- a. Identify all business development costs that have been excluded from the pending application and explain how such costs were determined. Identify each employee, including their department, and any outside contractors whose costs were excluded from this filing.
- b. Identify the accounts and amounts charged to business development expense annually for calendar years 2020 through 2022 and monthly for the period January, 2023 through March, 2023.
- c. For any employee whose costs are identified and charged to Business Development Expense during 2022, provide the employee's job description and all job descriptions for those employees whom the "Business Development" employee reports to.
- d. Confirm that no costs allocated through the Massachusetts formula are assigned to the business development function. If this is not confirmed, identify the amount of such common costs assigned to the Business Development function by month for the period January, 2020 through March, 2023.

**ORIGINAL RESPONSE:** Bluegrass Water objects to this request as overly burdensome and not seeking information related to this proceeding. Subject to and without waiver of the foregoing objections, Bluegrass Water does not currently recover any business development expense through its rates, and Bluegrass Water does not seek to recover any business development expense in this proceeding. As to subparagraph (d), as was explained

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**in the Direct Testimony of Brent Thies, Bluegrass Water no longer uses the Massachusetts formula to allocate costs.**

**SUPPLEMENTAL RESPONSE: Bluegrass Water does not currently recover any business development expense through its rates, and Bluegrass Water does not seek to recover any business development expense in this proceeding.**

**(a) Please see CONFIDENTIAL Supplemental Exhibit OAG 1-6 at Tab '3-Exec-BusDev Exclusions.'**

**(b) Please see column G on Tab '3-Exec BusDev Exclusions' of CONFIDENTIAL Supplemental Exhibit OAG 1-6 for the account number.**

**(c) Please see CONFIDENTIAL Exhibit OAG 1-46. A portion of executive expense is excluded from the allocation each month. Please also see Response to OAG 2-26.**

**(d) Confirmed.**

**Witness: Brent Thies**

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**REQUEST NO. 1-61:** Provide the audited financial statements of US Water, LLC for the periods 2021 and 2022. If audited financial statements are not prepared, provide unaudited financial statements for the most recent two fiscal years.

**RESPONSE:** Bluegrass Water objects to this Request as seeking the records of a non-applicant that is not its direct parent.

**SUPPLEMENTAL RESPONSE:** Bluegrass does not possess, and is not in control of, any audited, or unaudited, financial statements for US Water, LLC. To the best of Bluegrass Water's knowledge, such information is maintained solely by US Water, LLC.

**Witness:** Brent Thies



