COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES

CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO COMMISSION STAFF'S POST HEARING <u>REQUEST FOR INFORMATION</u>

Bluegrass Water Utility Operating Company, LLC, ("Bluegrass Water" or the "Company")

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by counsel, files its responses to the Commission Staff's Post Hearing Request for Information,

issued in the above-captioned case on September 22, 2023.

FILED: October 6, 2023

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE COMMISSION STAFF'S POST HEARING REQUEST FOR INFORMATION

<u>REQUEST NO. 1:</u> Provide any operator contracts or contract extensions that have been entered into since April 7, 2022, by Bluegrass Water for systems it has acquired in Kentucky.

RESPONSE: The operator contracts or contract extensions that have been entered into since April 7, 2022 consist of: (1) an amendment with Midwest Water Operations, dated February 17, 2023, by which the term of the agreement was extended until March 31, 2024, which may be found at Application Exhibit 22, Pages 28-29; (2) an Assignment and Assumption of Contract, dated April 1, 2023, by which the April 7, 2022 Midwest agreement, as amended, was assigned and assumed by Clearwater Solutions, LLC, which was produced as Exhibit PSC 2-19; and (3) a Second Amended and Restated Agreement, dated August 1, 2023, under which the Agreement was formally placed into Clearwater's name and operations were removed for the Randview system that had been sold. A copy of this Agreement is attached hereto as CONFIDENTIAL Exhibit PSC PH-1.

Witness: Todd Thomas

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE COMMISSION STAFF'S POST HEARING REQUEST FOR INFORMATION

<u>**REQUEST NO. 2:</u>** Refer to the Acquisition Related Cost tab of the Excel spreadsheet titled "Exhibit_PSC_3-9_-_Plant_in_Service_Breakdown.xlsx" filed with Bluegrass Water's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 9. Refer also to Commission Staff's Hearing Exhibit 1.</u>

a. Provide a table, in Excel spreadsheet format with all formulas, rows, and columns intact, unprotected and fully accessible, that totals the costs in the Acquisition Related Cost tab by vender and system in the same manner done in Commission Staff's Hearing Exhibit 1.

b. Identify and explain any material differences in your table and Commission Staff's Hearing Exhibit 1.

c. Explain any costs in the Acquisition Related Cost tab for which no vender is identified.

<u>RESPONSE:</u> (a) See Exhibit PSC PH-2.

(b) Commission Staff's Hearing PSC Exhibit 1 excludes \$15,000 of cost from the vendor, Beckemeier Law Firm. This amount can be seen on Page 3 of Staff's Hearing Exhibit 1 where the far-right column states "false."

(c) See blank vendors tab for updated information in Exhibit PSC PH-2. As is set forth in Exhibit PSC PH-2, an invoice from vendor Agility Closing & Title Services was identified and added to Exhibit PSC PH-2. The remaining "blank" invoices were for work attributable to Bluegrass Water, but were not specific to any particular system, and were therefore allocated by CSWR evenly to each applicable Kentucky system in 2019. The "Acquisition Total" (Line 14, Column D of the Bank Vendor Tab on Exhibit PSC PH-2) depicts the amount allocated to each applicable system.

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<u>REQUEST NO. 3:</u> Refer to the Acquisition Related Cost tab of the Excel spreadsheet titled "Exhibit_PSC_3-9_-_Plant_in_Service_Breakdown.xlsx" filed with Bluegrass Water's response to Staff's Third Request, Item 9.

a. Provide an Excel spreadsheet, with all formulas, rows, and columns intact, unprotected and fully accessible, reflecting the plant accounts into which the acquisition related costs were booked when they were moved to plant in service.

b. If the costs were booked to more than one account, explain specifically how Bluegrass Water determined how costs should be allocated between accounts.

<u>RESPONSE:</u> (a) See Exhibit PSC PH-3.

(b) Invoices that had cost booked to more than one account are first booked at the service area and then, if applicable, are allocated between Collection Sewers-Force and Collection Sewers-Gravity due to having both force and gravity components of the system and closing related cost are booked to land.

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<u>REQUEST NO. 4</u>: Refer to the Acquisition Related Cost tab of the Excel spreadsheet titled "Exhibit_PSC_3-9_-_Plant_in_Service_Breakdown.xlsx" filed with Bluegrass Water's response to Staff's Third Request, Item 9. Refer also to Bluegrass Water's response to Commission Staff's Fourth Request for Information (Staff's Fourth Request), Item 5(a), Confidential Exhibit PSC 4-5(a), Parts 1-13. Explain how the invoices provided in response to Staff's Fourth Request can be tied to the costs in the Acquisition Related Cost tab of Exhibit_PSC_3-9_-_Plant_in_Service_Breakdown.xlsx. If additional information is needed to tie the invoices to the spreadsheet, provide any such additional information.

RESPONSE: Each of the assets in Exhibit PSC 3-9 are made up of multiple invoices. Where an invoice is applicable to a single service area, those costs are allocated to that service area; however, many of the invoices may have included costs that were allocated to multiple service areas and assets. Therefore, a summarization of both the assets and the invoices is required. Exhibit PSC PH-4 contains the following: a tab that includes the same list of acquisition related cost invoices as provided in Exhibit PSC 3-9 and a tab that includes a summarization of invoices by asset number in Table 1 and a summarization of asset numbers by vendor and invoice in Table 2. Table 1 contains a total of all costs placed into each account, separated by vendor and corresponding vendor invoice from which those costs were incurred. Table 2 includes the total costs of each vendor, by each invoice, and shows the account into which applicable portions of each invoice were placed. Cross-referencing Table 1 with the invoice summarizations in Table 2, will provide a reconciliation of the invoices provided in PSC 4-5. An example is highlighted in yellow on the tables tab.

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REQUEST NO. 5: Provide the full text of the standard for NARUC Account 183 that Brent Thies referred to at the hearing as supporting the capitalization of the costs in the Acquisition Related Cost tab of the Excel spreadsheet titled Exhibit_PSC_3-9_-_Plant_in_Service_Breakdown.xlsx.

<u>RESPONSE:</u> "This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc. made for the purpose of determining the feasibility of project under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged."

As part of any acquisition, Bluegrass Water incurs significant costs prior to acquiring many of the water and wastewater systems that it owns. Among other necessary expenditures, these costs were incurred for title, survey and other similar costs necessary to acquire knowledge of property ownership and to secure easements and rights of way required to support utility operations, as well as regulatory approval of the same. These expenditures also include engineering costs for system mapping and initial assessment of the operation and capital requirements for providing safe and reliable service and bringing the plants into compliance. Thus, for purposes of applying the NARUC account instructions, the "project under contemplation" is the acquisition of the system in question and the resulting projects the engineering assessments of the systems reflect are needed to safely and reliably operate the systems purchased.

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<u>REQUEST NO. 6:</u> Refer to the Excel spreadsheet titled "Supplemental_Exhibit_PSC_3-7_- _Revenue_Requirement_Update_23.09.12.xlsx" filed with Bluegrass Water's supplemental response to Staff's Third Request, Item 7.

a. Provide all workpapers in Excel spreadsheet format with all formulas, rows, and columns intact, unprotected and fully accessible used to calculate the supplemental revenue requirement.

b. Provide an itemized breakdown and description of all operation and maintenance expenses that were added or removed to calculate the supplemental revenue requirement.

c. Provide an itemized breakdown and description of all rate base items that were added or removed to calculate the supplemental revenue requirement.

<u>RESPONSE:</u> (a) See Exhibit PSC PH-6(a) for the requested Excel spreadsheet used to calculate the supplemental revenue requirement reflected in Supplemental Exhibit PSC 3-7. Please also see the Company's Response to OAG PH-3 and Exhibit PSC PH-6(b) regarding additional cost removal related to Randview operating expenses.

(b) See Exhibit PSC PH-6(b) for Operating Income Adjustments.

(c) See Exhibit PSC PH-6(b) for Rate Base Adjustments.

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<u>REQUEST NO. 7:</u> Refer to Exhibit OAG 1-119 - CONFIDENTIAL BMS Primary Property1.pdf filed with Bluegrass Water's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 119. Refer also to Rebuttal Testimony of Brent Thies (Thies's Rebuttal Testimony), page 15.

a. Identify each premium in the confidential document by amount and page number that was included in the updated insurance expense used to calculate the insurance expense adjustment in Thies's Rebuttal Testimony.

b. If there is insurance expense included in Brent Thies's updated insurance expense calculation for which no documentation was provided in the confidential attachment, identify the expense and provide such documentation.

<u>RESPONSE:</u> (a) CONFIDENTIAL Exhibit OAG 1-119 does not include all insurance policies issued to CSWR that make up the insurance expense for which Bluegrass Water seeks a proportional recovery. The premium amounts for the policies issued to CSWR that were included in the updated insurance expense and were contained within CONFIDENTIAL Exhibit OAG 1-119 are contained on the following pages of CONFIDENTIAL Exhibit OAG 1-119: Page 2 of 184, Page 78 of 184, and Page 152 of 184. 2023 insurance expense amount is calculated in accordance with the 2023 Schedule of Values (SOV) provided in CONFIDENTIAL Exhibit PSC 4-14(d). The total policy amount represents the total annual cost of the policies for all of CSWR and its subsidiaries. A portion of this cost is allocated to Bluegrass Water based on the Company's total insured value, as outlined in the SOV.

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(b) The insurance expense included in the updated insurance expense calculation includes expenses related to additional policies. Please see CONFIDENTIAL Exhibit PSC PH-7 (Part 1 of 2) for a document containing all costs associated with CSWR's insurance expense, including a schedule of all polices and the costs associated therewith. CONFIDENTIAL Exhibit PSC PH-7 (Part 1 of 2) was entered into by CSWR, not Bluegrass Water, and is payable in less than two years. Please also see CONFIDENTIAL Exhibit PSC PH-7 (Part 2 of 2) for an Insurance Policy summary containing all insurance policies held by CSWR that make up the total insurance expense for which a proportional recovery is sought, the total costs associated with each policy, and where the costs incurred for each policy is reflected.

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REQUEST NO. 8: Refer to the Excel spreadsheet titled "CONFIDENTIAL Exhibit PSC 3-18 - CSWR GL Exclusions – BGUOC.xlsx" filed with Bluegrass Water's response to Staff's Third Request, Item 18.

a. Provide a breakdown showing the allocation of the CSWR GL Expense like that in column D of the OHA Calc tab for "Q3-21" for the first and second quarters of 2021.

b. Provide a detailed general ledger for the first and second quarters of 2021 like that provided in the Detail – CONFIDENTIAL tab.

c. Provide a detailed general ledger for 2020 like that provided in the Detail – CONFIDENTIAL tab. If such a general ledger is not available, provide information for 2020 that is as similar as possible to such information and explain what was provided.

<u>RESPONSE:</u> (a) See CONFIDENTIAL Exhibit PSC PH-8, at Tab "a. OHA Calc."

- (b) See CONFIDENTIAL Exhibit PSC PH-8, at Tab "b. Q1-Q2 2021 Detail."
- (c) See CONFIDENTIAL Exhibit PSC PH-8, at Tab "c. 2020 Detail."

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<u>REQUEST NO. 9:</u> State whether any portion of workers compensation expense was

allocated to business development, and if so, identify the amount that was allocated and explain

how it was allocated.

<u>RESPONSE:</u> All workers compensation expense was excluded from the allocation.

The "Detail" tab of CONFIDENTIAL Exhibit PSC 3-18, column Q shows "EXC" for

exclusion while filtering column M on Missouri Employers Mutual.

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REQUEST NO. 10: Refer to the Excel spreadsheet titled "Exhibit OAG 1-53 CONFIDENTIAL - Salary Allocation Analysis.xlsx" filed with Bluegrass Water's response to the Attorney General's First Request, Item 55.

a. Provide a version of this spreadsheet that identifies the employees not specifically named by their initials and includes additional tabs for 2020 and 2021.

b. Provide an Excel spreadsheet, with all formulas, rows, and columns intact, unprotected and fully accessible, showing the percentage compensation change for each employee in 2020, 2021, and 2022.

<u>RESPONSE</u>: (a) See CONFIDENTIAL Exhibit PSC PH-10, at Tabs "a-2022 Salary Allocation" and "a-2021 Salary Allocation" for a spreadsheet for 2021 and 2022 identifying employees not specifically named by their initials. In 2020, CSWR had not implemented individual timesheets for its employees, and, further, has also updated its allocation methodology through implementation of its Cost Allocation Manual. As a result, the information required to allow Bluegrass Water to provide a similar spreadsheet for the year 2020 does not exist.

(b) Please see CONFIDENTIAL Exhibit PSC PH-10, at Tab "b. Increases."

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<u>REQUEST NO. 11:</u> Refer to the Acquisition Related Cost tab of the Excel spreadsheet titled "Exhibit_PSC_3-9_-_Plant_in_Service_Breakdown.xlsx" filed with Bluegrass Water's response to Staff's Third Request, Item 9. Provide an itemization for any amounts that Bluegrass Water (or CSWR on Bluegrass Water's behalf) has decline to pay from invoices for legal fees for the firms whose fees are included in the "Acquisition Related Cost" tab.

<u>RESPONSE</u>: CSWR has refused to pay invoices in the past, however, none of those disputed invoices relate to invoices for fees included in the "Acquisition Related Cost" tab.

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<u>REQUEST NO. 12</u>: Provide examples of preliminary survey plant expenses initially

booked to NARUC Account 183 that were ultimately not included in plant in service, but rather,

were booked to NARUC Account 426 or 930.

<u>RESPONSE</u>: See Exhibit PSC PH-12, which contains examples of line items that were initially booked to 183 but were ultimately not included in plant in service. Consistent with Account 183(a), these items were booked to the expense accounts 426 or 930 after the test year.

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<u>REQUEST NO. 13</u>: Provide and explain any differences in amount of expense for Elasticity and Ansira's services and provide documentation of the same.

RESPONSE: Please see the attached contracts, CONFIDENTIAL PSC Exhibit PH-13, and the chart below for documentation regarding expenses. Overall, Elasticity provided day-to-day communications project management and strategy consultation. Elasticity also provided services including creative execution, social media strategy, paid media, and website development/management. Elasticity handled posting of all Service Interruption Alerts and Boil Water/Lift Advisories on the associated utility operating company webpages. Elasticity further created content and managed all utility operating company social media platforms including Twitter and Facebook, including creating blog content and posting said content on web and socials. As explained below, CSWR has replaced Elasticity with an internal communications department for high-level strategic decisions and Ansira for technical support and website/social media management.

CSWR has brought aspects of Elasticity's previous responsibilities in-house by creating an internal corporate communications team responsible for developing and implementing a Strategic Communications plan including the tactical, day-to-day project management and project execution. A large majority of the difference in cost seen in the provided contracts is a direct result of bringing this component in-house as shown in the attached chart. The category labeled "In-House Expenses" shows the total compensation associated with the two direct communications employees and 50% of the Director's salary who oversees the department, who took on additional responsibilities to manage corporate

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communications. Note: the Director who oversees this Department is not a new employee. Rather, this Director previously was responsible solely for Regulatory Operations, and has undertaken additional responsibility to oversee corporate communications.

While the internal department is responsible for coordinating all communications going out to customers, Ansira is utilized for the more technical "back office" tasks performed by Elasticity that were not brought in-house. ANSIRA re-designed CSWR's web platform and took ownership of website management including all design and layout, emergency banners, domain name hosting, and more. Ansira also integrated a new Service Advisory Portal that automates service interruption submissions and Boil Water/Lift Advisories by posting service advisories directly onto respective utility operating company pages. Ansira also took ownership of managing CSWR's blog and social media including blog topic research and content creation. They manage utility operating company social media platforms posting content on a regularly scheduled basis including the creation of basic animation video posts.

As the following table details, the decision to replace Elasticity by internalizing certain corporate communications tasks and supplementing with Ansira consultant work has resulted in savings to customers and has led to better communications to customers.

		Total Post-Elasticity		
PH 1-13	Elasticity	Expenses	Post-Elasticity: Ansira	Post-Elasticity: In-House
Monthly		\$		
Cost			\$	\$ 22,053.50
Annual				
Cost			\$	\$ 264,642.00

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE COMMISSION STAFF'S POST HEARING REQUEST FOR INFORMATION

Witness: Aaron Silas

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S **RESPONSES TO THE COMMISSION STAFF'S** POST HEARING REQUEST FOR INFORMATION

VERIFICATION

I, $\frac{Horon}{N}$, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Name: Horan

Title: Director Reg O/S Bluegrass Water Utility Operating Company, LLC

STATE OF MISSOURI

) ss:)

COUNTY OF ST. LOUIS

SUBSCRIBED AND SWORN TO before me on this the 6^{th} day of 0CT, 2023.

My commission expires: April 10, 2027

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Notary Public

ROSHAWNE VALLANDINGHAM Notary Public - Notary Seal Jefferson County - State of Missouri Commission Number 23414639 my Commission Expires Apr 10, 2027

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE COMMISSION STAFF'S POST HEARING REQUEST FOR INFORMATION

VERIFICATION

I, <u>Brent</u>, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Name: Brent Thies Title: VP and Corporate Controller Bluegrass Water Utility Operating Company, LLC

STATE OF MISSOURI

)) ss:)

COUNTY OF ST. LOUIS

SUBSCRIBED AND SWORN TO before me on this the 6^{+h} day of 00+, 2023.

My commission expires: April 10, 2027

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ROSHAWNE VALLANDINGHAM Notary Public - Notary Seal Jefferson County - State of Missouri Commission Number 23414639 My Commission Expires Apr 10, 2027

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S **RESPONSES TO THE COMMISSION STAFF'S** POST HEARING REQUEST FOR INFORMATION

VERIFICATION

I, <u>Todd</u>, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Name: THOMAS ODD Title: 112

Bluegrass Water Utility Operating Company, LLC

STATE OF MISSOURI

COUNTY OF ST. LOUIS

SUBSCRIBED AND SWORN TO before me on this the 6^{th} day of 0cf, 2023.

) ss:

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My commission expires: HDRil 10,205

otary Public

ROSHAWNE VALLANDINGHAM Notary Public - Notary Seal Jefferson County - State of Missouri Commission Number 23414639 My Commission Expires Apr 10, 2027