

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

**In the Matter of:**

**ELECTRONIC APPLICATION OF )  
BLUEGRASS WATER UTILITY )  
OPERATING COMPANY, LLC FOR AN ) Case No. 2022-00432  
ADJUSTMENT OF SEWAGE RATES )**

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

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Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water” or the “Company”), by counsel, and pursuant to KRS 278.030, KRS 278.040(2), KRS 278.180, KRS 278.190, 807 KAR 5:001, 807 KAR 5:071, and other applicable law, hereby applies for approval from the Kentucky Public Service Commission (“Commission”) to adjust its rates for wastewater service. In this Application, Bluegrass Water respectfully asks the Commission to approve its proposed wastewater rates, and as grounds therefore respectfully states as follows.

**I. INTRODUCTION**

1. Since its entry into the Kentucky market, Bluegrass Water has brought, and continues to bring, desperately needed improvements to a host of wastewater systems across the Commonwealth. For the most part, the systems Bluegrass Water acquires have experienced a significant degree of operational neglect. Unfortunately, many of the systems have recorded numerous violations of health and environmental regulations, which Bluegrass Water is working diligently to bring into compliance.

2. The Company specializes in using technology and innovation to invest in its systems and works to bring safe, reliable, and environmentally-responsible service for its

customers in the Commonwealth. As a result, the Commission has previously approved the Company moving many of its customers to a unified rate across various wastewater systems. At the same time, however, some of the systems acquired by the Company are still charging pre-acquisition rates that are no longer sufficient to sustain the Company's safe, reliable, and environmentally-responsible mission.

3. The current wastewater rates of Bluegrass Water, especially those systems where Bluegrass Water is charging pre-acquisition rates, are not sufficient for safe operation, which is likely why the systems acquired by Bluegrass Water have frequently been in disrepair and out of compliance with applicable law. For example, upon acquiring new systems Bluegrass Water has in many instances entered into Agreed Orders with the Division of Water of the Kentucky Energy and Environment Cabinet to establish procedures for remedying the issues as quickly as possible, some of which have been met through the construction projects approved by the Commission in various CPCN proceedings.

4. In this Application, Bluegrass Water seeks authorization to increase certain rates. The requested rate increase will result in fair, just, and reasonable rates that allow Bluegrass Water to make the necessary improvements to its systems and operate the systems in a manner that will result in the provision of safe, reliable, and environmentally responsible services.

5. As explained below, Bluegrass Water has two pending certificate of public convenience and necessity ("CPCN") applications.<sup>1</sup> It does not currently seek to include in its revenue requirement costs to be incurred relating to the two pending CPCN applications. If the Commission were to issue final orders approving either of the CPCN applications during the

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<sup>1</sup> *In the Matter of: Electronic Application for Certificate of Public Convenience and Necessity and for Limited Waiver of Daily Inspections*, Case No. 2022-216; *In the Matter of: Application for Certificate of Public Convenience and Necessity for Delaplain*, Case No. 2022-104.

pendency of this case, Bluegrass Water reserves the right to revise its request to account for the Commission's final orders entered in the CPCN proceedings.

6. Likewise, Bluegrass Water has a pending joint application with the City of Mayfield seeking approval to transfer the Randview system to the City of Mayfield.<sup>2</sup> In recognition that the Commission has not yet approved that transfer, Bluegrass Water has included the operational expenses associated with the Randview System in its revenue requirement and rate design. However, if the Commission were to approve the transfer of the Randview system during the pendency of this rate proceeding, Bluegrass Water reserves the right to revise its request to account for the fact that those operational expenses would no longer be incurred. However, Bluegrass Water would seek to recover the "stranded investment" resulting from that transaction.

7. Simply put, Bluegrass Water files this Application seeking approval to increase its sewage rates as a result of necessary investment to ensure the safe, reliable, and environmentally responsible provision of wastewater services in Bluegrass Water's service area across the Commonwealth. Bluegrass Water's investments to date have been desperately needed and have improved the services provided to its customers, while simultaneously remedying many environmental issues at the plants Bluegrass Water acquired.

8. The overall successes of Bluegrass Water and its affiliated entities across the United States, as well as a summary of the relief requested in this proceeding, which is requested to allow Bluegrass Water to continue improving its wastewater systems, is more fully set forth in the Direct Testimony of Josiah Cox, attached hereto as Exhibit 2.

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<sup>2</sup> See *In the Matter of: Electronic Joint Application of Bluegrass Water Utility Operating Company, LLC and The Electric Plant Board of Mayfield, Kentucky for Approval of Acquisition and Transfer of Ownership and Control of Wastewater Facilities Serving Randview Estates Subdivision in Graves County, Kentucky*, Case No. 2022-218.

## II. BACKGROUND

9. In accordance with 807 KAR 5:001, Section 14(1), Bluegrass Water's full name is Bluegrass Water Utility Operating Company, LLC. Its mailing address is 1630 Des Peres Road, Suite 140, St. Louis, Missouri 63131. Its email address for purposes of this proceeding is [regulatory@cswrgroup.com](mailto:regulatory@cswrgroup.com).

10. In accordance with 807 KAR 5:001, Section 14(3), Bluegrass Water is a limited liability company that was organized under Kentucky law on March 21, 2019. It is currently in good standing with the Kentucky Secretary of State.

11. Bluegrass Water is a manager-managed limited liability company. Its manager is Central States Water Resources, Inc. ("Central States"), which is an affiliate entity incorporated under Missouri law.

12. As reflected in the attached Corporate Entity Organizational Chart, marked as Exhibit 3 (and also provided as Exhibit JC-1 to the Testimony of Josiah Cox), Bluegrass Water's sole member is Bluegrass Water Utility Holding Company, LLC, whose sole member is Kentucky Central States Water Resources, LLC, which are each organized under Kentucky law. The sole member of Kentucky Central States Water Resources, LLC is CSWR, LLC.

13. Bluegrass Water provides water and wastewater services in communities across the Commonwealth. It owns and operates wastewater facilities in Bullitt, Franklin, Garrard, Graves, Hardin, Jessamine, Madison, Marshall, McCracken, Oldham, Scott, and Shelby counties and a water utility in Calloway County.

14. Bluegrass Water currently has 2,488 wastewater connections.

### **III. GENERAL FILING REQUIREMENTS**

15. KRS 278.030 permits a utility to require customers to pay “fair, just and reasonable rates” for the utility’s services. A utility wanting to change its rates must show “that the increased rate or charge is just and reasonable...” KRS 278.190(3).

16. In accordance with 807 KAR 5:071, Section 3(2), and 807 KAR 5:001, Section 12, Bluegrass Water provides as Exhibit 4 its Financial Exhibit. Pursuant to 807 KAR 5:001, Section 12, the Financial Exhibits attached hereto cover a 12-month period, the period ending not more than 90 days prior to the filing of this Application.

17. 807 KAR 5:071, Section 3(2), 807 KAR 5:001, Section 14(1), KRS 278.190(3) and its related sections, as well as 807 KAR 5:001 and 5:071 and their related sections, authorize the relief Bluegrass Water seeks in this Application.

18. In addition, and in accordance with 807 KAR 5:001, Section 14(1), Bluegrass Water’s Application contains the facts on which this Application is based (Section IV), as well as the Direct Testimony attached hereto, and a request for the relief desired (Section XII).

19. Bluegrass Water has included a table showing its compliance with the statutory and regulatory requirements for this Application. *See* Exhibit 1.

### **IV. FACTS ON WHICH BLUEGRASS WATER BASES APPLICATION**

20. Bluegrass Water asks the Commission to approve a 15% rate increase to those wastewater systems that are on Bluegrass Water’s unified wastewater rates, as approved by the Commission in Case No. 2020-00290. This requested relief would result in an increase to the fixed monthly charge from \$85.97 to \$99.37. Through this proceeding, Bluegrass Water requests that the Commission approve moving all of its systems to Bluegrass Water’s unified rate for wastewater service. The systems currently not on Bluegrass Water’s unified rate are presently still

being charged the rates under the terms of the tariffs when those systems were acquired by Bluegrass Water, some of which have not had rates increased in decades.

21. Bluegrass Water's residential wastewater systems that are not currently on the unified wastewater rate are: Darlington Creek, Delaplain, Herrington Haven, Springcrest, and Woodland Acres. Bluegrass Water's proposal to move these residential customers to the unified rate would result in the following rate changes:

- a. Darlington Creek: \$45.00 fixed charge to \$99.37 fixed charge, a 120.8% increase.
- b. Delaplain: \$12.50 fixed charge to \$99.37 fixed charge, a 695% increase.
- c. Herrington Haven: \$49.66 fixed charge to \$99.37 fixed charge, a 100.1% increase.
- d. Springcrest: \$27.43 fixed charge to \$99.37 fixed charge, a 262.3% increase.
- e. Woodland Acres: \$19.47 fixed charge to \$99.37 fixed charge, a 410.4% increase.

22. In addition to residential rates, Bluegrass Water also proposes a rate increase to its multifamily unit rate, which only affects the Brocklyn system. The proposed rate change to Bluegrass Water's multifamily unit rate would result in a rate increase from a fixed charge of \$64.48 to \$74.53, which is a 15.6% increase.

23. Bluegrass Water has a commercial rate in effect at the Delaplain system. The proposed rate increase to the commercial customers at the Delaplain system is to add a fixed monthly charge of \$248.43 and to increase the usage charge from \$8.89 per 1000 gallons to \$14.91 per 1000 gallons. Based upon average customer usage, this results in a 90.6% increase on the average commercial customer bill.

24. Finally, Bluegrass Water currently has a non-residential fixed rate at the Persimmon Ridge system of \$214.93. Bluegrass Water proposes that the fixed rate be increased to \$248.43, which represents a 15.6% increase.

25. The increases requested herein are necessary for Bluegrass Water to continue providing safe, reliable, and environmentally responsible service for its customers across the Commonwealth.

26. As the Commission may recall, Bluegrass Water's systems in the Commonwealth are new acquisitions. Before Bluegrass Water bought these systems, many experienced a significant degree of operational neglect. Unfortunately, many of Bluegrass Water's systems have had a history of health and environmental compliance issues.

27. Bluegrass Water has worked diligently to bring its systems into compliance throughout the Commonwealth. That painstaking work has resulted in real progress, though the work is not over. A detailed explanation of the efforts Bluegrass Water has undertaken to improve its wastewater systems is set forth in the Direct Testimony of Jacob Freeman, attached hereto as Exhibit 5.

28. The Commission has noted Bluegrass Water's efforts to bring its systems into compliance. First, for Bluegrass Water's Woodland Acres site, the Commission recently noted, "[t]he undisputed evidence indicates that the Woodland Acres system has exceeded permit limits for a number of months or years ... and that action is needed to ensure compliance with applicable laws."<sup>3</sup> Bluegrass Water received Commission approval for projects designed to bring Woodland Acres into environmental compliance.

29. Second, for Bluegrass Water's Herrington Haven site, the Commission noted, "in the last three years, Herrington Haven has been cited for five exceedances associated with ammonia limits, six exceedances associated with total suspended solids (TSS) limits, two

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<sup>3</sup> See *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for a Certificate of Public Convenience and Necessity for Projects at the Woodland Acres Site*, Order at 9 (Sep. 1, 2022).

exceedances of *E. coli* limits, and two exceedances of total residual chlorine limits.”<sup>4</sup> Like Woodland Acres, Bluegrass Water received Commission approval for projects designed to bring Herrington Haven into compliance.

30. Third, for Bluegrass Water’s Persimmon Ridge site, the Commission noted “that the Persimmon Ridge wastewater treatment plant (WWTP) was cited for seven permit limit effluent exceedances from January 2019 to March 2021, including three ammonia exceedances and one biochemical oxygen demand (BOD) exceedance.”<sup>5</sup>

31. The Company also relies on technological upgrades, such as the remote monitoring project for which Bluegrass Water seeks Commission approval.<sup>6</sup> These technological advancements ensure that Bluegrass Water continues to provide safe, reliable, and environmentally responsible service to the Commonwealth in the twenty-first century.

32. The Commission has previously noted Bluegrass Water’s plans to bring centralized operations and economies of scale to its multiple systems in an effort to recognize operational improvements and other efficiencies. The rate increase sought in this Application directly serves those objectives.<sup>7</sup>

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<sup>4</sup> See *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for Certificates of Convenience and Necessity for Projects at the Herrington Haven Site*, Case No. 2022-102 Order at 3 (Nov. 7, 2022).

<sup>5</sup> See *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for Certificates of Public Convenience and Necessity for Projects at the Persimmon Ridge Site*, Case No. 2022-46 Order at 2 (Nov. 3, 2022).

<sup>6</sup> See *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for a Certificate of Public Convenience and Necessity for the Installation of Monitoring Equipment and for a Corresponding Limited Waiver of Daily Inspection Requirements*, Case No. 2022-216 (filed Aug. 8, 2022).

<sup>7</sup> See *In the Matter of: Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC*, Case No. 2019-360, Order at 12 (Feb. 17, 2020).

33. Ultimately, Bluegrass Water's proposed rate increase is necessary for the Company to continue providing safe, reliable, and environmentally-responsible service throughout the Commonwealth.

34. Bluegrass Water acknowledges that it recently received authority to issue evidences of indebtedness in a recent application.<sup>8</sup> As is described in the Direct Testimony of Dylan D'Ascendis, this transaction has allowed Bluegrass Water to move its debt-to-capitalization percentage to 38.84% debt to 61.16% equity.<sup>9</sup> Its proposed rate increase serves the goals outlined in a prior proceeding.<sup>10</sup>

#### **V. 807 KAR 5:001, § 16 RATE CHANGE APPLICATION REQUIREMENTS**

35. In accordance with 807 KAR 5:001, Section 16(1)(a) and 807 KAR 5:071, Section 3(2), Bluegrass Water seeks an adjustment to its wastewater rates based on a 12-month historical test period, with pro forma adjustments for known and measurable changes.

36. In accordance with 807 KAR 5:001, Section 16(1)(b)(1), Bluegrass Water states that the reason it requires a rate adjustment is to increase revenues as it brings its systems into compliance. Its current rates, including a number of systems still operating on pre-acquisition rates, are not sufficient to serve its mission of providing safe, reliable, and environmentally-responsible service for its Kentucky customers. A full explanation of the reasons the current rates are not sufficient is set forth in the Direct Testimony in support of this Application.

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<sup>8</sup> See *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for Approval to Issue Evidences of Indebtedness*, Case No. 2022-00217, Order at 5 (Sept. 28, 2022).

<sup>9</sup> Exhibit 6, Direct Testimony of Dylan D'Ascendis, at 2-3.

<sup>10</sup> See *In the Matter of: Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC*, et al., Case No. 2019-000104, Order at 18 (Aug. 14, 2019).

37. The assumed name certificate required by 807 KAR 5:001, Section 16(1)(b)(2) does not apply because Bluegrass Water does not operate under an assumed name in Kentucky.

38. In accordance with 807 KAR 5:001, Section 16(1)(b)(3), Bluegrass Water provides revised tariff sheets as Exhibit 7, with an effective date of March 31, 2023, which is no later than 30 days from the date Bluegrass Water files this Application.

39. In accordance with 807 KAR 5:001, Section 16(1)(b)(4), Bluegrass Water provides revised tariff sheets as Exhibit 8, with such copies indicating the proposed additions, deletions, and revisions to the present tariff.

40. In accordance with 807 KAR 5:001, Section 16(1)(b)(5), Bluegrass Water states that it provided notice to its customers of the requested rate increase in compliance with 807 KAR 5:001, Section 17. A copy of the applicable Customer Notice sent to each Bluegrass Water customer by system is attached to the Affidavit of Aaron Silas, attached hereto as Exhibit 9.

## **VI. 807 KAR 5:001, § 16(2) & (3) NOTICE OF INTENT REQUIREMENTS**

41. In accordance with 807 KAR 5:001, Section 16(2), Bluegrass Water notified the Commission of its intent to file for a rate change on December 28, 2022, which is at least 30, but no more than 60 days from the date of this Application.<sup>11</sup>

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<sup>11</sup> See Notice of Intent, Case No. 2022-00432 (Dec. 28, 2022) [https://psc.ky.gov/pscecf/2022-00432/kerry.ingle%40dinslaw.com/12282022103949/Notice\\_of\\_Intent\\_%28Bluegrass\\_Water\\_-\\_Rate\\_Application%29\\_%2812.28.2022%29.pdf](https://psc.ky.gov/pscecf/2022-00432/kerry.ingle%40dinslaw.com/12282022103949/Notice_of_Intent_%28Bluegrass_Water_-_Rate_Application%29_%2812.28.2022%29.pdf). The 60th day prescribed by 807 KAR 5:001, Section 16(2) fell on Sunday, February 26, 2023, which is not included in the calculation pursuant to 807 KAR 5:001, Section 4(7)(b). (“(b) The last day of the period so computed shall be included, unless it is a Saturday, a Sunday, a legal holiday, or other day commission offices are legally closed, in which event the period shall run until the end of the next day that is not a Saturday, a Sunday, a legal holiday, or other day commission offices are legally closed.”).

42. In accordance with 807 KAR 5:001, Section 16(2)(a), the Notice indicated that Bluegrass Water would rely on a historical test period. Bluegrass Water did not seek permission to use an abbreviated newspaper notice as allowed by 807 KAR 5:001, Section 16(2)(b).

43. In accordance with 807 KAR 5:001, Section 16(2)(c), undersigned counsel verifies that, as legal counsel for Bluegrass Water, it served the Attorney General's Office of Rate Intervention the Notice of Intent filed with the Commission via electronic mail in portable document format on December 28, 2022.

44. On January 3, 2023, the Attorney General, by the Office of Rate Intervention, moved to intervene in this proceeding and that Motion was granted by the Commission on January 10, 2023.

#### **VII. 807 KAR 5:001, § 16(4) HISTORICAL TEST PERIOD REQUIREMENTS**

45. In accordance with 807 KAR 5:001, Section 16(4)(a), Bluegrass Water includes as Exhibit 10 of this Application the Testimony of Brent Thies, who provides the description and explanation of all proposed adjustments with proper support. These changes are further supported by the written testimony attached hereto as Exhibits, in compliance with 807 KAR 5:001, Section 16(4)(c).<sup>12</sup>

46. In accordance with 807 KAR 5:001, Section 16(4)(d), Bluegrass Water states that it estimates that the effect each new rate will have upon its revenues:

- a. Bluegrass Water's current sewer revenues are \$2,421,133. In this proceeding Bluegrass Water seeks approval of a revenue requirement of \$3,712,623, which is a \$1,291,491 increase.<sup>13</sup>

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<sup>12</sup> Because Bluegrass Water has revenues of less than \$5,000,000, 807 KAR 5:001, Section 16(4)(b) does not apply.

<sup>13</sup> See Exhibit 11, Direct Testimony of Timothy S. Lyons, at Schedule TSL-3.

- b. This requested revenue requirement represents a 53.3% increase to current sewer revenues.<sup>14</sup>
- c. The effect each new rate will have on the revenue, by system and customer class (where applicable) is contained within Schedule TSL-4 to the Direct Testimony of Timothy S. Lyons, attached hereto as Exhibit 11, under the “Difference” column.

47. In accordance with 807 KAR 5:001, Section 16(4)(e), Bluegrass Water provides Schedule TSL-4 to the Direct Testimony of Timothy S. Lyons, attached hereto as Exhibit 11, which is a bill impact analysis for each Bluegrass Water system, depicting the current and proposed rate for each system in United States Dollars, as well as showing the percentage increase to each system, by customer class (where applicable).

48. In accordance with 807 KAR 5:001, Section 16(4)(g), Bluegrass Water provides Schedule TSL-4 to the Direct Testimony of Timothy S. Lyons, attached hereto as Exhibit 11, which depicts the revenues generated by each system, broken down by customer class (where applicable), under the “Proposed Total Charge” and the “Current Total Charge” column.

49. In accordance with 807 KAR 5:001, Section 16(4)(h), Bluegrass Water provides the testimony of Brent Thies, attached hereto as Exhibit 10, and the testimony of Dylan D’Ascendis, attached hereto as Exhibit 6. More specifically, the testimony of Mr. Thies includes a summary, with supporting schedules, of how Bluegrass Water determined its revenue requirements. The testimony of Mr. D’Ascendis includes a summary, with supporting schedules and analysis, of the requested return. Further, the testimony of Quentin M. Watkins, attached hereto as Exhibit 12, sponsors a Wage and Benefit Study, explaining that the wages and benefits

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<sup>14</sup> *Id.*

for which Bluegrass Water seeks recovery in its revenue requirement are comparable to those offered by private entities.

50. In accordance with 807 KAR 5:001, Section 16(4)(i), Bluegrass Water provides the testimony of Brent Thies, attached as Exhibit 10. Section IX of Mr. Thies's testimony, and corresponding Exhibits attached to Mr. Thies's testimony, contains a detailed explanation of how Bluegrass Water reconciled its rate base and capital to arrive at its requested revenue requirement, with supporting Schedules.

51. In accordance with 807 KAR 5:001, Section 16(4)(j), Bluegrass Water states that its current chart of accounts is attached hereto as Exhibit 27.

52. In accordance with 807 KAR 5:001, Section 16(4)(k), Bluegrass Water provides as Exhibit 13 an independent auditor's annual opinion report for calendar year 2021. An independent auditor's annual opinion report for calendar year 2022 will not be made available to Bluegrass Water until March or April 2023, at which point Bluegrass Water will provide a copy.

53. In accordance with 807 KAR 5:001, Sections 16(4)(l) and (m), Bluegrass Water states that as a wastewater utility, it is not subject to regulation by the Federal Energy Regulatory Commission or Federal Communications Commission, and therefore, the audit reports and financial reports are not required.

54. In accordance with 807 KAR 5:001, Section 16(4)(n), Bluegrass Water provides as Exhibit 14, the Direct Testimony of John Spanos, the summary of its latest depreciation study with schedules by major accounts.

55. In accordance with 807 KAR 5:001, Section 16(4)(o), Bluegrass Water provides as Exhibit 15 a list of its computer software, programs, and models used to develop the papers for this Application.

56. In accordance with 807 KAR 5:001, Section 16(4)(p), Bluegrass Water states that as a limited liability company, it does not issue stocks or bonds and therefore does not have prospectuses for stock or bond offerings.

57. In accordance with 807 KAR 5:001, Section 16(4)(q), Bluegrass Water states that it has not provided an annual report to its Members. To the extent the Commission deems it necessary, Bluegrass Water seeks a deviation from this filing requirement in its Motion for Deviation from Filing Requirements.

58. In accordance with 807 KAR 5:001, Section 16(4)(r), Bluegrass Water provides as Exhibit 16 its monthly managerial reports providing financial results of operations for the 12-month test period.

59. In accordance with 807 KAR 5:001, Section 16(4)(s), Bluegrass Water states that because it is not a publicly-traded company, it does not file a Form 10-K with the Securities and Exchange Commission, nor has it issued a Form 8-K or 10-Q.

60. In accordance with 807 KAR 5:001, Section 16(4)(t), Bluegrass Water through the testimony of Brent Thies, attached hereto as Exhibit 10, provides a detailed description of the method and amounts allocated or charged; an explanation for how the allocation was determined; and the facts Bluegrass Water relies upon to demonstrate the reasonableness of the charge for all amounts charged or allocated to Bluegrass by an Affiliate.<sup>15</sup>

61. In accordance with 807 KAR 5:001, Section 16(4)(u), Bluegrass Water states that because its annual gross revenues are less than \$5,000,000, a cost of service study is not required. Further, as is detailed in the Direct Testimony of Timothy S. Lyons, a traditional class cost of service study is impracticable and Bluegrass Water's historical customer equivalencies fairly

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<sup>15</sup> See Exhibit 10, Direct Testimony of Brent Thies, at Section VI.

allocate costs. To the extent the Commission deems it necessary, Bluegrass Water seeks a deviation from this filing requirement in its Motion for Deviation from Filing Requirements.

### **VIII. PRO FORMA ADJUSTMENTS**

62. In accordance with 807 KAR 5:001, Section 16(5), Bluegrass Water respectfully submits that, for the reasons set forth in the Testimony of Brent Thies, good cause is shown to allow Bluegrass Water to recover pro forma adjustments to the historical test period for known and measurable changes.

63. In accordance with 807 KAR 5:001, Section 16(5)(a), Bluegrass Water provides as Exhibit 25 an income statement reflecting the impact of its pro forma adjustments and as Exhibit 26 a balance sheet reflecting the impact of its proposed pro forma adjustments.

64. In accordance with 807 KAR 5:001, Section 16(5)(b), Bluegrass Water provides as Exhibit 17 its most recent capital budget for at least the period of time as proposed for pro forma adjustments for plant additions. In compliance with 807 KAR 5:001, Section 16(5)(c), for each pro forma reflecting plant additions, Exhibit 18 hereto includes the information required by 807 KAR 5:001, Section 5(c)(1) – (8).

65. In accordance with 807 KAR 5:001, Section 16(5)(d), Bluegrass Water provides as Exhibit 19 the operating budget for each month of the period encompassing the pro forma adjustments.

66. In accordance with 807 KAR 5:001, Section 16(5)(e), Bluegrass Water provides the Direct Testimony of Brent Thies, which includes an explanation and supporting schedules for the pro forma adjustments, as well as Exhibit 20, which consists of supporting work papers. As part of its pro forma adjustments, Bluegrass Water did not add any customers to its test year. As a result, the end level of customers is 2,488.

**IX. 807 KAR 5:001, § 17 CUSTOMER NOTICE REQUIREMENTS**

67. In accordance with 807 KAR 5:001, Section 17(1), Bluegrass Water states that it publicly posted a notice about its proposed rate change at its place of business and on its website no later than when it submitted this Application to the Commission. Bluegrass Water also states that it posted the notice to its website within 5 business days of when it submitted this Application to the Commission and included a hyperlink to the location on the Commission's website where the case documents are available.

68. In accordance with 807 KAR 5:001, Section 17(2)(b) and (3), Bluegrass Water provides as Exhibit 9, the Affidavit of Aaron Silas, certifying that the required Customer Notice was mailed to each customer on Monday, February 27, 2023, the same date that Bluegrass Water submitted this Application. A true and accurate copy of the Customer Notice sent to each of Bluegrass Water's customers, by system, is attached to the Affidavit of Aaron Silas. Bluegrass Water respectfully submits that each of the Customer Notices provided in Exhibit 9 contain all of the information required by 807 KAR 5:001 Section 17(4)(a) – (i).

69. In accordance with 807 KAR 5:001, Section 17(2)(c), Bluegrass Water operates in more than one county and, through Exhibit 9, Affidavit of Aaron Silas, certifies that it notified each affected customer by mailing written notice on February 27, 2023.

**X. 807 KAR 5:071, § 3(2) REQUIREMENTS**

70. In accordance with 807 KAR 5:071, Section 3(2), Bluegrass Water provides as Exhibit 4 its Financial Exhibit, which complies with 807 KAR 5:001, Section 12.

71. In accordance with 807 KAR 5:071, Section 3(2)(a), Bluegrass Water provides as Exhibit 21 a third-party beneficiary agreement guaranteeing the continued operation of sewage treatment facilities or other evidence of financial integrity.

72. In accordance with 807 KAR 5:071, Section 3(2)(b) and (c), Bluegrass Water provides as Schedule BT-2 and to Direct Testimony of Brent Thies, and Exhibit 25, comparative income statements, showing its test period and a detailed analysis of the expenses contained in the comparative income statement.

73. In accordance with 807 KAR 5:071, Section 3(2)(d), Bluegrass Water provides a depreciation study prepared by John Spanos, which is attached to the Direct Testimony of Mr. Spanos (Exhibit 14) and simultaneously files a request for waiver of the requirement that it provide a “detailed depreciation schedule of all treatment plant properties and facilities, listing all major components of ‘package;’ treatment plants separately,” to the extent the Commission determines a deviation is necessary.

74. In accordance with 807 KAR 5:071, Section 3(2)(e), Bluegrass Water provides as Exhibit 22 its service contracts for outside services, including operation and maintenance, sludge hauling, billing, collection, repairs, etc. Testimony regarding Bluegrass Water’s process for entering into many of the attached service contracts is included within the Direct Testimony of Todd Thomas, attached hereto as Exhibit 23.

75. In accordance with 807 KAR 5:071, Section 3(2)(f), a general description of Bluegrass Water’s property and facilities is provided throughout the Application and the Direct Testimony in support thereof. The estimated net original cost of the properties is \$1,652,828, which is also the cost of the properties to Bluegrass Water. A breakdown of the contributed property by system owned by Bluegrass Water is set forth on Schedule BT-13 to the Direct Testimony of Brent Thies, in the column “CIAC,” with the total amount of contributed property valued at \$104,299.

76. In accordance with 807 KAR 5:071, Section 3(2)(g), Bluegrass Water provides Schedule TSL-4, attached to the Direct Testimony of Timothy S. Lyons, Exhibit 11, a detailed customer list showing the number of customers in each class, by system. The vast majority of Bluegrass Water's sewer customers receive unmetered service, so Bluegrass Water is unable to provide the average water consumption by class. The only current class receiving metered service is the Delaplain commercial class, which consumed an average of 122,002 gallons of wastewater services during the test year.<sup>16</sup>

77. In accordance with 807 KAR 5:071, Section 3(2)(i),<sup>17</sup> Bluegrass Water provides as Exhibit 24 its latest federal and state tax returns. Bluegrass Water simultaneously asks the Commission to treat these documents as confidential, as more fully explained in its Motion for Confidential Treatment filed with this Application.

78. In accordance with 807 KAR 5:071, Section 3(2)(j), Bluegrass Water provides as Exhibit 3 its organizational chart for the Commission's full and complete understanding. The business relationship between Bluegrass Water and its manager, CSWR, LLC, is further explained in the Direct Testimony of Brent Thies.

## **XI. REQUEST FOR AUTHORIZATION**

79. Bluegrass Water seeks the Commission's approval to increase its wastewater rates. Bluegrass Water's proposed rates, as proposed herein, are fair, just and reasonable, and the Commission should approve them. KRS 278.190(3).

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<sup>16</sup> See Exhibit 11, Direct Testimony of Timothy S. Lyons, at Schedule TSL-4 (49,777 x 1000 gallons = 49,777,000 / 408 bills = 122,002.451 average usage).

<sup>17</sup> 807 KAR 5:071, Section 3(2)(h) does not apply because Bluegrass Water does not have billing and collection services provided by Louisville Water Company.

## **XII. RELIEF SOUGHT**

80. For the foregoing reasons, Bluegrass Water respectfully asks that the Commission issue an order:

- a. Finding that Bluegrass Water's proposed rate increase is fair, just and reasonable in accordance with KRS 278.190(3);
- b. Granting Bluegrass Water the authority to increase its wastewater rates;
- c. Approving Bluegrass Water's tariffs as proposed in this proceeding; and
- d. Awarding all other appropriate relief to which Bluegrass Water is entitled.

This the 27th day of February, 2023.

Respectfully submitted,

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**Certification**

I hereby certify that a copy of this filing has been served electronically on all parties of record through the use of the Commission's electronic filing system, and there are currently no parties that the Commission has excused from participation by electronic means. Pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, a paper copy of this filing has not been transmitted to the Commission.

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## Exhibit List

1. Statutory and Regulatory Checklist
2. Direct Testimony of Josiah Cox
3. Organizational Chart
4. Financial Exhibit
5. Direct Testimony of Jacob Freeman
6. Direct Testimony of Dylan D'Ascendis Testimony
7. Proposed Tariff Sheets
8. Proposed Revised Tariff Sheets in Comparative Form
9. Affidavit of Aaron Silas, and Corresponding Customer Notices
10. Direct Testimony of Brent Thies
11. Direct Testimony of Timothy Lyons
12. Direct Testimony of Quentin Watkins
13. Auditor's Report for 2021
14. Direct Testimony of John Spanos
15. List of Computer Software Used in Preparing Requested Relief
16. Monthly Managerial Reports
17. Most Recent Capital Budget
18. Each Pro Forma Reflecting Plant Additions
19. Operating Budget for each month encompassing pro forma adjustments
20. Revenue Requirement with pro forma adjustment workpapers
21. Guaranty Agreement
22. Service Contracts
23. Direct Testimony of Todd Thomas
24. Federal and State Tax Returns
25. Income Statement Reflecting Pro Forma Adjustments
26. Balance Sheet Reflecting Pro Forma Adjustments
27. Chart of Accounts