

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

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

**ATTORNEY GENERAL’S RESPONSE TO DATA REQUESTS
OF BLUEGRASS WATER**

The Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”) submits these Responses to the Data Requests submitted by Bluegrass Water Operating Company, LLC (hereinafter “Bluegrass Water,” “Bluegrass,” or the “Company”) on July 25, 2023.

Respectfully submitted,

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Certificate of Service and Filing

Pursuant to the Commission's Orders in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that, on August 14, 2023, a copy of the forgoing was served by electronic mail via the Commission's electronic filing system.

this 14th day of August, 2023.

A handwritten signature in blue ink, appearing to read "J. Michael New". The signature is written in a cursive style with a long horizontal stroke at the end.

Assistant Attorney General

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

Response to Data Requests

1. Refer to Dittmore Supplemental Testimony at 3:18 and 4:1–2. Explain how the source of equity financing changes whether Bluegrass Water makes a “profit” or the amount of such “profit.”

Response: The premise in the question is that all financing received from Bluegrass affiliates is equity financing. The referenced testimony supports the position that we don’t know whether the financing provided by Bluegrass affiliates is debt or equity. If the financing provided by the Bluegrass affiliate is primarily debt financing, the proposed return divided by this relatively small level of equity would provide a return on equity beyond what is reasonable.

Response by Dave Dittmore

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

2. Refer to Dittimore Supplemental Testimony at 4:5–16. Explain the expected impact on a Company’s credit ratings if the Commission were to apply a hypothetical lower cost of financing than the Company’s actual financing costs?

Response: The question is hypothetical since the Company has refused to provide information demonstrating its actual financing costs. Notwithstanding this if the Commission adopted a capital structure that produced returns less than the Company’s actual financing costs, the expected impact on the Company’s credit rating would be negative. Conversely if the Commission adopted a hypothetical capital structure that produced returns in excess of the Company’s actual financing costs, excessive rates would result.

Response by Dave Dittimore

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

3. Please provide all calculations, workpapers, and other documents used to derive each adjustment shown in the Exhibit SDND-1. Please provide these documents in electronic format with all formulas intact. For each input and for each amount listed in the exhibit, provide the source of the input or amount and a record citation.

Response: Please see the attached file.

Response by Dave Dittimore

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

4. Refer to Dittimore Supplemental Testimony at 5:4-8. Please provide all evidence available to Mr. Dittimore to suggest that Bluegrass Water's capital structure contains "double leveraging." If Mr. Dittimore has no evidence to suggest that double leveraging is occurring, please indicate as such.

Response: The Company has not provided the necessary information to confirm that its capital structure contains double leveraging. However, since the Company's capital structure assumes that all financing that is not represented by Bluegrass debt issuance, is equity, it is reasonable to conclude that double leveraging exists within the proposed capital structure.

Response by Dave Dittimore

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

5. Refer to Dittimore Supplemental Testimony at 5:18-19. Please provide all studies, research, literature, or articles to support Mr. Dittimore's application of a hypothetical assumption that the "residual financing" is actually 75% debt and 25% equity.

Response: The testimony referenced in the question was for illustration purposes. The Company has not provided information that would allow the determination of the actual sources of Bluegrass financing. Therefore, there is no information confirming that residual financing is comprised of 75% debt and 25% equity.

Response by Dave Dittimore