

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BLUEGRASS	)	
WATER UTILITY OPERATING COMPANY, LLC	)	CASE NO.
FOR AN ADJUSTMENT OF SEWAGE RATES	)	2022-000432

**SCOTT COUNTY, KENTUCKY  
INITIAL REQUESTS FOR INFORMATION TO  
BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC**

Comes now Scott County, Kentucky (“Scott County”), by and through counsel, and, pursuant to the Kentucky Public Service Commission’s (“PSC” or “Commission”) Order dated April 14, 2023,<sup>1</sup> files into the record in the instant proceeding its Initial Requests for Information to Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water” or “Company”) for response by Bluegrass Water in accordance with that Order and the instructions below.

- 1) In each case in which a request seeks information provided in response to a request of Commission Staff or another party, reference to the Company’s response to the appropriate request will be deemed a satisfactory response.
- 2) Please identify the Company’s witness who will be prepared to answer questions concerning the request during an evidentiary hearing.
- 3) These requests shall be deemed continuing and require further and supplemental responses if the Company receive or generate additional information within the

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<sup>1</sup> Scott County, Kentucky has a Motion for Intervention pending with this Commission.

scope of these request between the time of the response and the time of any evidentiary hearing held by the Commission.

- 4) If any request appears confusing, please request clarification directly from Counsel for Scott County.
- 5) To the extent that the specific document, workpaper, or information as requested does not exist, but a similar document, workpaper, or information does exist, provide the similar document, workpaper, or information.
- 6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.
- 7) If the Company has any objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify Counsel for Scott County as soon as possible.
- 8) For any document withheld on the basis of privilege, state the following: Date; author; addressee; indicated or blind copies; all person to whom distributed, shown, or explained; and the nature and legal basis for the privilege asserted.
- 9) In the event that any document called for has been destroyed or transferred beyond the control of the Company, state: The identity of the person by whom it was destroyed or transferred and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the policy.

- 10) As the Company discovers errors in its filing and/or responses, please provide an update as soon as reasonable that identifies such errors and provide the document(s) to support any changes.
- 11) If the Company adds, amends, or withdraws any part of the application and the changes results in a change in a Company response to a request for information, please provide an updated response.

WHEREFORE, Scott County respectfully submits its Initial Requests for Information to Bluegrass Water.

Respectfully submitted,

/s/ Randal A. Strobo

Randal A. Strobo

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**NOTICE AND CERTIFICATION FOR FILING**

Undersigned counsel provides notice that the electronic version of the paper has been submitted to the Commission by uploading it using the Commission's E-Filing System on this 28<sup>th</sup> day of April, 2023, in conformity with the Commission's April 14, 2023 Order of procedure in the instant case. Pursuant to the Commission's Orders in Case No. 2020-00085, *Electronic Emergency Docket Related to Novel Coronavirus Covid-19*, the paper, in paper medium, is not required to be filed.

/s/ Randal A. Strobo

**NOTICE AND CERTIFICATION CONCERNING SERVICE**

No party has been excused from the electronic filing procedures in the instant proceeding.

/s/ Randal A. Strobo

**SCOTT COUNTY, KENTUCKY  
INITIAL REQUESTS FOR INFORMATION TO  
BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC**

1. Reference: Application, page 3, numbered paragraph 6. Please provide:
  - a. Bluegrass Water's definition of a "stranded investment"; and
  - b. The facts and reasoning serving as the basis for position that Bluegrass Water may seek to recover a potential "stranded investment" associated with the Randview System transaction through rates.
2. Reference: Application, pages 5 and 6, numbered paragraph 20. Please describe the deliberative process and the complete factual basis and reasoning for the proposal to move all the systems receiving wastewater service from Bluegrass Water to a unified rate schedule through the application in the instant case.
3. Reference: Application, page 6, numbered paragraph 21. For each of the five (5) Bluegrass Water residential wastewater systems identified in this paragraph, state whether, and if applicable how, Bluegrass Water considered elements of gradualism, preventing rate shock, economic development, and/or affordability when designing rates proposed for these customers in the instant case.
4. Reference: Application, page 6, numbered paragraph 22. Please explain the basis for Bluegrass Water maintaining a "multifamily unit rate, which only affects the Brocklyn system."
5. Reference: Application, page 6, numbered paragraph 23. Please provide:
  - a. The derivation of the fixed monthly charge for the commercial customers of the Delaplain system including any supporting workpapers;

- b. The derivation of the usage charge for the commercial customers of the Delaplain system including any supporting workpapers;
  - c. The rationale for using both a fixed monthly charge and a usage charge for the commercial customers of the Delaplain system; and
  - d. State whether, and if applicable how, Bluegrass Water considered elements of gradualism, preventing rate shock, economic development, and/or affordability when designing rates proposed for the commercial customers of the Delaplain system.
6. Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 8, lines 19 through 22. Please fully explain the basis and rationale of Bluegrass Water's decision for seeking "to unify the terms of service and consolidate rates statewide" through the proposals in the instant Application.
7. Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 11, lines 21 through 23. Please specifically identify both the Bluegrass Water's systems that are the "worst systems" as well as those systems falling within the subset category of "some of the worst systems" as the phrases are used in the statement "the expenditures and investments necessary to bring some of the worst systems into compliance" in this testimony.
8. Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 12, lines 6 through 15. Please refer to page 9 of the Public Service Commission's August 2, 2021, Order in Case No. 2020-00290,<sup>2</sup> and fully explain how the period of time

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<sup>2</sup> *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Rates and Approval of Construction*, (Ky. P.S.C. Aug. 2, 2021).

since Mr. Cox's representation in that proceeding (documented through the Commission's Order in Case No. 2020-00290) is sufficient to support a proposal for a unified rate in the instant case.

9. Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 13, lines 13 and 14. Please fully define and/or describe each of the time frames (length by months or years, etc.) corresponding to Mr. Cox's phrases "short run" and "longer-term" as those phrases are used in his testimony.
10. Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 14, lines 4 through 6. Please identify and quantify, by quarter, for the period beginning January 1, 2020 through the end of the test-year in the instant application, the "economies of scale" Bluegrass Water has been able to achieve.
11. Reference: Application, Exhibit 5, Direct Testimony of Jacob Freeman, pages 10 and 11; and page 31, lines 14 through 20. Please provide any update or amendment to this testimony necessary for any developments since Bluegrass Water tendered the instant application.
12. Reference: Application, Exhibit 5, Direct Testimony of Jacob Freeman, page 39, lines 3 through 5. Please fully explain:
  - a. How Bluegrass Water is "working to resolve these issues," and
  - b. How Bluegrass Water will "hold accountable commercial connections" as stated in the testimony.
13. Reference: Application, Exhibit 5, Direct Testimony of Jacob Freeman, page 44, lines 7 through 14. Please identify and provide the corresponding estimated cost of the "other items" planned for Delaplain facility.

14. Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, page 26, footnote 11. Please fully explain why Bluegrass Water believes that it should be allowed to pursue rate recovery of any alleged “stranded investment.”
15. Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, pages 28 and 29. In view of the evidence supplied in support of in the instant application concerning the condition of the various facilities, including but not limited to the descriptions provided in the Direct Testimony of Jacob Freeman, please explain why Bluegrass Water paid any amount in excess of the net book value of any system described by Bluegrass Water as having been in poor, distressed, or noncompliant condition at the time of the purchase.
16. Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, pages 30 and 31. Please, by pertinent docket approving the application for transfer or ownership of each system acquired by Bluegrass Water, provide:
- a. The Commission Order in which a utility plant acquisition adjustment, system-by-system, was identified at the time of the final Order and/or closing of the transaction;
  - b. The utility plant acquisition adjustment recorded on the books of Bluegrass Water for each system (including the date of the recordation); and
  - c. The amount of the utility plant acquisition adjustment, system-by-system, proposed through the instant application.
17. Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, page 32. Please provide a quantification of economies of scale created or realized by



Bluegrass Water since January 1, 2020 through the end of the test-year in the instant application.

18. Reference: Application, Exhibit 11, Direct Testimony of Timothy Lyons, Exhibit 1, Direct Schedule TSL-1. Please provide:

- a. From the testimonies summarized on pages 2 through 7, a copy of Timothy Lyons' testimony submitted in each docket in which water and/or wastewater rates were at issue in the proceeding; and
- b. For each of the testimonies identified in sub-part a (above), the date of the final order in the proceeding.

19. Reference: Application, Exhibit 3, Central States Water Resources Corporate Entity Organization Chart; and Exhibit 11, Direct Testimony of Timothy Lyons, pages 4 and 5. Please provide:

- a. For any other entity appearing on Exhibit 3 operating in another jurisdiction ("CSWR, LLC Entity"), provide the most recent cost of service study for any entity using a "traditional class cost of service study" in support of an application to adjust rates; and
- b. For the commercial/non-residential class and multifamily class equivalencies identified on page 5 at lines 1 through 3, identify any other CSWR, LLC Entity operating in another jurisdiction that uses equivalencies that differ from either or both equivalencies proposed for Kentucky through the instant application and identify and provide the other equivalencies.

20. Reference: Exhibit 11, Direct Testimony of Timothy Lyons, pages 6 through 8. Please provide:

- a. For a scenario in which the Public Service Commission approves an overall revenue requirement less than the revenue requirement proposed through the instant application, is it Bluegrass Water's position that the reduction should be accomplished by a corresponding pro rata decrease in each proposed rate of Bluegrass Water? (Otherwise stated: If the Commission determines a revenue requirement less than the revenue requirement proposed, does Bluegrass Water maintain that it is fair, just, and reasonable to apply the same across-the-board percentage decrease to each of the proposed rates?) Fully explain why or why not.
- b. For a scenario in which the Public Service Commission approves an overall revenue requirement in excess of the revenue requirement proposed through the instant application, is it Bluegrass Water's position that any increase in revenue should be accomplished by a corresponding pro rata increase in each proposed rate of Bluegrass Water? Fully explain why or why not.
- c. Explain what is meant on page 7, line 1 by the phrase "potential bill continuity concerns."
- d. Please explain why the method for determining the proposed fixed charge for commercial sewer service for Persimmon Ridge is appropriate for determining the proposed fixed charge for commercial service in the Delaplain service area.

- e. Explain how the principles of gradualism, preventing rate shock, economic development, and/or affordability were incorporated into Bluegrass Water's rate design in the instant application.
- f. For any other CSWR, LLC Entity operating in another jurisdiction, identify each instance in which an entity has proposed a rate design that incorporates principles of gradualism, preventing rate shock, economic development and/or affordability and provide a copy of the pertinent section of the application and/or docket through which the proposal was made.
- g. For any regulatory agency, commission, or board that has jurisdiction over the rates of a CSWR, LLC Entity operating in another jurisdiction, identify each instance in which a regulatory authority has entered a final order in which the principles of gradualism, preventing rate shock, economic development and/or affordability have been incorporated into the rates approved for the entity and, for each instance, provide a copy of the pertinent section(s) of the order discussing the application of the principle(s).

21. Reference: Application, Exhibit 13, Auditor Report, page 11, Note 2, Preliminary Survey and Investigation Charges. For any expenditures made for the purpose determining the feasibility of acquiring any of the systems now in Bluegrass Water's service areas that were capitalized, please provide, system-by-system, the corresponding amount of the expenditure that was capitalized.