

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

In the Matter of:)
)
 Electronic Application of Bluegrass)
 Water Utility Operating Company, LLC)
 For an Adjustment of Water and)
 Sewage Rates) **Case No. 2025-00354**
)

**BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S
RESPONSES TO SCOTT COUNTY'S FIRST REQUESTS FOR INFORMATION**

Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water” or the “Company”), by counsel, files its responses to Scott County, Kentucky’s (“Scott County”) First Requests for Information, issued in the above-captioned case on February 16, 2026.

FILED: March 2, 2026

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
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REQUEST NO. 1-2: Please provide native versions, in electronic format with all formulas intact, of all exhibits to the direct testimony of Mr. Silas.

RESPONSE: Bluegrass Water objects to Request No. 1-2 as overly broad and unduly burdensome in that all of the Exhibits to the Direct Testimony are copies of documents created using a Word processor that do not contain any formulas. Subject to and without waiver of the foregoing objections, please see the Response to PSC No. 2-1 and PSC No. 2-8.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations.

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REQUEST NO. 1-3: In electronic spreadsheet format with formulas intact, please
provide all workpapers supporting Mr. Silas' direct testimony.

RESPONSE: Please see the response provided to PSC 2-10.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and
Regulatory Operations.

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REQUEST NO. 1-4: Please explain whether the Company has ever conducted a wastewater class cost of service study. If so, please provide it in electronic spreadsheet format with all formulas and links intact, and identify the docket number associated with it. If the Company has never conducted a wastewater class cost of service study, please explain why not.

RESPONSE: The Company has not conducted a wastewater class cost of service study because, due to the wastewater systems being unmetered, the Company does not have demand information to perform a traditional class cost of service study. Additionally, there has been no meaningful change in the number of wastewater customers since the Company's last rate case, Case No. 2022-00432, and therefore a cost of service study would not yield any significant differences to the Company's proposed rates.

To assess the approximate cost of serving each class of customers, the Company has proposed using the same class equivalencies used in the Company's last rate case. In the last rate case, Mr. Timothy Lyons provided testimony that Bluegrass Water applies to its commercial/non-residential class an equivalency of 2.5 times that of the residential class, and applies to the multifamily class an equivalency of 0.75 times that of the residential class. Mr. Lyons provided testimony that these equivalencies fairly allocate the cost of service among the Company's various classes of customers. Given that the Company's wastewater operations remain unmetered, and that

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there has not been a significant change in the number of wastewater customers, the Company has proposed using the same equivalencies in this case.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations

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REQUEST NO. 1-5: Identify the portion of the Company's proposed revenue requirement that is comprised of fixed costs that do not change with variations in wastewater flows.

RESPONSE: All cost categories of Bluegrass Water, other than those recorded within the Sewer Operations and Maintenance NARUC accounts, do not vary with changes in wastewater flows. While certain non-O&M cost components may fluctuate due to operational or external conditions, such variations are not attributable to changes in wastewater flow levels.

Witness: Brent Thies, Vice President and Corporate Controller

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REQUEST NO. 1-6: Identify the portion of the Company's proposed revenue requirement that is comprised of variable costs that do change with variations in wastewater flows.

RESPONSE: Bluegrass Water's recorded costs within the Sewer Operations and Maintenance NARUC accounts (701-775) are variable costs that do change with variations in wastewater flows.

Witness: Brent Thies, Vice President and Corporate Controller

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
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REQUEST NO. 1-7: Regarding the 40% allocation of total wastewater revenue requirement to the Delaplain non-residential customers:

- a. Please describe in detail all analyses, studies, workpapers, and models the Company relied upon to support assigning 40 percent of the wastewater revenue requirement to the Delaplain non-residential class.**
- b. For each such analysis, please identify the preparer, the date prepared, the purpose of the analysis, and all key assumptions.**
- c. Please explain how the Company determined that 40 percent, as opposed to any other percentage, is appropriate.**
- d. Please identify the specific costs that are incurred to supply non-residential customers and support a 40 percent allocation of total wastewater revenue requirement to non-residential customers.**

RESPONSE: Bluegrass Water objects to subpart (c) of this Request to the extent that it misstates the standard set forth in KRS 278.030(1). In addition, Bluegrass Water objects to this Request to the extent it seeks information protected by the attorney-client privilege and/or the work product doctrine. Subject to and without waiving the foregoing objections, please refer to the response provided in PSC 2-12.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations

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REQUEST NO. 1-8: Please provide all workpapers, spreadsheets (in native electronic format, with all formulas and links intact), and other supporting documentation used to develop and implement the 40 percent allocation of wastewater revenue requirement to the Delaplain non-residential class.

RESPONSE: Please refer to the response provided in PSC 2-12.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and
Regulatory Operations

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REQUEST NO. 1-9: Please refer to the direct testimony of Aaron Silas at page 23, lines 13-16. Please provide all engineering reports, design memoranda, correspondence, and internal memoranda that the Company contends support the statement that Delaplain has “specialized, high-cost improvements” needed primarily because of the strength and characteristics of the wastewater from non-residential users. Please also explain the capital and operating improvements undertaken to accommodate the strength and characteristics of wastewater from non-residential customers and how those conditions necessitated the associated costs.

RESPONSE: Bluegrass Water objects to this Request to the extent it seeks information protected by the attorney-client privilege and/or the work product doctrine. Subject to and without waiving the foregoing objections, please refer to the CONFIDENTIAL Exhibit SC 1-9 – Delaplain Engineering Memo. Additionally, please see Docket No. 2022-00104 for the Company’s CPCN request relating to the Delaplain system.

Witness: **Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations**

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REQUEST NO. 1-10: Please explain whether the Company performed any sensitivity analysis using Delaplain non-residential revenue-requirement allocations other than 40 percent (e.g., 25, 30, or 35 percent). If so, describe each scenario and provide all associated workpapers, including resulting class revenue recoveries and representative bill impacts.

RESPONSE: Bluegrass Water objects to this Request as unduly burdensome and seeking information that may not be relevant to whether the Company's proposed rates are fair, just, and reasonable. Bluegrass Water further objects to this Request to the extent that it suggests any such analysis is required. Subject to and without waiving the foregoing objections, Bluegrass Water discussed alternative allocation percentages internally but did not perform a formal sensitivity analysis or prepare workpapers reflecting alternative nonresidential revenue requirement allocations or associated bill impacts.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations

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REQUEST NO. 1-11: Please describe in detail how the Company derived and/or selected the customer equivalency factors (e.g., commercial/non-residential = 2.5 times residential; multi-residential = 0.75 times residential), including:

- a. All data sources;
- b. Analytic methods (engineering, statistical, or other) used;
- c. Any reference to industry-accepted wastewater allocation/rate design manuals, industry practice, or other jurisdictions; and
- d. Any updates, validations, or reviews of these factors since PSC Case No. 2022-00432.

RESPONSE: Bluegrass Water objects to subpart (d) of this Request to the extent it calls for legal conclusions, including, but not limited to, conclusions based on issues addressed in PSC Case No. 2022-00432. Bluegrass Water further objects to subpart (d) of this Request to the extent it seeks information protected by the attorney-client privilege and/or the work product doctrine. Subject to and without waiving the foregoing objections, please refer to the response provided in PSC 2-10.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations

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REQUEST NO. 1-12: Please provide all workpapers, consultant reports, and testimony from this and prior rate cases that derive, justify, or critique the 2.5 and 0.75 equivalency factors, including but not limited to any materials prepared by Timothy S. Lyons.

RESPONSE: Please refer to the response provided in PSC 2-10.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations

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REQUEST NO. 1-13: Please explain whether the Company evaluated any alternative equivalency factors (for example, commercial = 2.0 × residential, multi-residential = 1.0 × residential). If so, identify each scenario, describe the impact on class revenue recovery and typical bills, and provide all associated workpapers (in electronic spreadsheet format with all formulas and links intact).

RESPONSE: Bluegrass Water objects to this Request as unduly burdensome and seeking information that may not be relevant to whether the Company's proposed rates are fair, just, and reasonable. Bluegrass Water further objects to this Request to the extent it suggests any such evaluation is required. Subject to and without waiving the foregoing objections, please refer to the response provided in PSC 2-10.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory Operations

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REQUEST NO. 1-14: Please confirm that:

- a. Under the Company's proposal, the Delaplain non-residential monthly customer charge is set equal to the general commercial flat-rate charge elsewhere in the system.
- b. Please explain in detail the rationale for linking these two charges, given the Company's position that Delaplain involves specialized, high-cost facilities driven primarily by its non-residential users (as indicated in the direct testimony of Aaron Silas at page 23, lines 13-16).

RESPONSE:

- a. Confirmed.
- b. Bluegrass Water's proposal is consistent with decisions in prior Bluegrass Water rate cases, which established a uniform commercial base customer charge across Bluegrass Water's systems. For Delaplain, the Company has reflected the specialized, higher-cost facilities primarily driven by non-residential users through an additional usage-based charge applicable only to Delaplain commercial customers, rather than through a separate base customer charge.

Witness: Aaron Silas, Assistant Vice President of Customer Experience and
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REQUEST NO. 1-15: Please indicate whether the Company would be willing, from a rate-design perspective, to set the Delaplain non-residential customer charge at a level different from the commercial customer charge. If the answer is “no,” please explain all reasons. If the answer is “yes,” describe the range of customer-charge levels (e.g., as a percentage above or below the general commercial charge) that the Company believes would be reasonable, assuming the total Delaplain class revenue requirement remains as proposed by the Company.

RESPONSE: Bluegrass Water objects to this Request as overly broad, unduly burdensome, and seeking information that may not be relevant to whether the Company's proposed rates in this case are fair, just, and reasonable. Bluegrass Water further objects to this Request to the extent it calls for legal conclusions as to what constitutes fair, just, and reasonable rates. Subject to and without waiving the foregoing objections, Bluegrass Water is willing to consider alternative rate design approaches for the Delaplain non-residential customer charge, provided such alternatives allow the Company to fairly recover the cost of service to its non-residential customers. Ultimately, Bluegrass Water will implement the rate design approved by the Commission in this case. The Company has not proposed or analyzed a specific alternative range of -customer charge- levels beyond those reflected in its filing.

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Witness: **Aaron Silas, Assistant Vice President of Customer Experience and
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REQUEST NO. 1-16: Please explain whether the Company evaluated alternative

Delaplain rate designs in which:

- a. The customer charge is higher than proposed and the volumetric rate lower; or**
- b. A larger portion of Delaplain revenue requirement is recovered through fixed charges.**
- c. If the responses to parts a and b are affirmative, please describe each alternative, its impact on revenue stability and bill volatility, and provide all workpapers. If not, explain why no such alternatives were evaluated.**

RESPONSE: Bluegrass Water objects to this Request as overly broad, unduly burdensome, and seeking information that may not be relevant to whether the Company's proposed rates in this case are fair, just, and reasonable. Subject to and without waiver of the foregoing objections, the Company states as follows.

(a) - (b) The Company did not evaluate alternative rate designs as described in subparts (a) and (b) of this Request.

(c) Bluegrass Water did not evaluate the alternative rate designs described in parts (a) and (b), as the alternatives are not consistent with the rate design approved by the Commission in Bluegrass Water's prior rate cases. Consistent with prior Bluegrass Water rate cases, the Company has adopted a rate design framework that consolidates the commercial base customer charge across the system. Under that framework, system specific and usage driven cost differences—such as

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those associated with Delaplain—are addressed through additional charges rather than higher fixed customer charges. Accordingly, no alternative scenarios or related workpapers exist.

Witness: **Aaron Silas, Assistant Vice President of Customer Experience and
Regulatory Operations**

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REQUEST NO. 1-17: Please explain how the Company balances the following rate-design objectives for Delaplain non-residential customers:

- a. Revenue sufficiency and stability;**
- b. Alignment of fixed vs. variable recovery with underlying cost structure;**
- c. Providing meaningful price signals with respect to wastewater volume and strength; and**
- d. Avoiding undue discrimination between Delaplain non-residential customers and other commercial customers.**

RESPONSE: Bluegrass Water objects to subparts (a) and (d) of this Request to the extent they call for legal conclusions as to what constitutes fair, just, and reasonable rates and undue discrimination. Bluegrass Water further objects to subpart (c) of this Request because the term “meaningful price signals” is vague and unclear. Bluegrass Water further objects to this Request to the extent that it suggests Bluegrass Water is required to seek to achieve or balance any particular objective when seeking to propose fair, just, and reasonable rates. Subject to and without waiving the foregoing objections, the Company states as follows.

(a) - (d) In general, the Company seeks to establish rates that are fair, just, and reasonable and that recover the Commission approved cost of service in a practical and administrable manner. The proposed Bluegrass Water rate design reflects traditional regulatory objectives, including producing revenues sufficient to recover the approved revenue requirement, promoting reasonable

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revenue stability, and distributing costs in a manner that reasonably reflects underlying cost drivers. As it relates to Delaplain nonresidential customers, the Company has proposed to maintain the currently approved uniform commercial customer charge across all service areas and to address Delaplain-specific characteristics through targeted usage-based recovery rather than separate base rates, supporting consistent treatment of customers and administrative simplicity.

Witness: **Aaron Silas, Assistant Vice President of Customer Experience and
Regulatory Operations**

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REQUEST NO. 1-18: Regarding wastewater cost allocation and rate design:

- a. Please define "Strength and characteristics" as that phrase is used in the direct testimony of Aaron Silas at page 23, lines 13- 16. For example, does this phrase refer to Biochemical Oxygen Demand ("BOD"), Chemical Oxygen Demand ("COD"), and Total Suspended Solids ("TSS")?
- b. Describe how the "strength and characteristics" (as that term is used in the direct testimony of Aaron Silas at page 23, lines 13-16) for Delaplain non-residential customers differs from the "strength and characteristics" of the Company's other customers.
- c. Please explain in detail how the differences in "strength and characteristics" of wastewater have been reflected in the Company's cost allocation and rate design for Delaplain non-residential customers versus all other wastewater customers.
- d. Please explain how the "strength and characteristics" of wastewater differ between customers within the Delaplain non-residential class.
- e. Please explain whether the "strength and characteristics" of wastewater are the same for all Delaplain Non-Residential customers.
- f. Please explain how differences in the "strength and characteristics" of wastewater within the Delaplain non-residential class have been reflected in the Company's proposed rate design.

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- g. Please describe any assumptions or external benchmarks (e.g., state guidelines, industry studies) the Company relies on to define “typical domestic” BOD, COD, and TSS strengths and to identify “high strength” industrial wastewater.**
- h. Please identify any costs associated with treating high strength industrial wastewater (e.g., additional process units, chemicals, energy, biosolids handling) and explain how those costs are assigned to the Delaplain non-residential class versus all other rate classes.**
- i. Please explain why the Company does not have extra-strength surcharges for levels of BOD, COD, and TSS that exceed a “typical” or “baseline” amount, to better align rate design with cost causation for customers within the Delaplain non-residential class.**
- j. Please explain how the Company distinguishes between commercial and industrial customers within the Delaplain non-residential class.**
- k. Please explain why the Company does not have a separate rate for commercial customers within the Delaplain non-residential class.**
- l. Do any of the Delaplain non-residential customers pre-treat their wastewater? If so, please explain how this has been considered in the Company’s cost allocation and rate design for this class.**

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RESPONSE:

a. As used in the Silas Direct Testimony, the phrase “strength and characteristics” refers generally to the volume, flow patterns, and loading characteristics of wastewater entering the Delaplain facility. This includes considerations commonly associated with wastewater treatment—such as organic loading and peak flow conditions—that affect system capacity and treatment requirements, rather than customer specific laboratory measurements.

b. As documented in the Delaplain CPCN application and affirmed in the Commission’s Final Order in Case No. 2022-00104, the Delaplain facility serves a concentrated industrial and commercial service area that produces wastewater with higher volumes and peak flow demands than typical domestic wastewater.¹ These characteristics differ materially from predominantly residential systems and reflect the nature of the non-residential activities served in the Delaplain area.

c. The Company reflects these differences in its cost allocation and rate design at the class level by assigning a greater portion of the Delaplain wastewater revenue requirement to non-residential customers. Within that class, the Company recovers Delaplain-specific costs in part through a usage-based charge calculated using water usage data obtained from the water utility serving the area, which serves as a reasonable proxy for wastewater volume contributed by each customer.

¹ *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for Certificates of Convenience and Necessity for Projects at the Delaplain Site*, Case No. 2022-00104 (Ky. PSC Mar. 30, 2023), Order.

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d. The Company recognizes that volumes and types of wastewater contributions vary among individual customers within the Delaplain nonresidential class based on differences in operations and water usage.

e. The Company does not assert that the strength and characteristics of wastewater are identical for all Delaplain nonresidential customers.

f. Differences in wastewater impact within the Delaplain nonresidential class are reflected through the Delaplain-specific usage charge, which is calculated using water usage data obtained from the water utility serving that area. Customers with lower water usage are subject primarily to the minimum applicable charges, while customers with higher water usage—including industrial users—incur materially higher monthly charges. This volume-based structure allows the Company to reflect relative differences in wastewater impact without relying on customer specific wastewater strength measurements.

g. In referencing “typical domestic” wastewater characteristics, the Company relies on generally accepted engineering and regulatory benchmarks, including Kentucky wastewater planning and design guidance, the Ten State Standards for Wastewater Facilities, and industry standard engineering references commonly used in facility planning and capacity analysis.

h. As reflected in the Delaplain CPCN record, costs associated with treating higher volumes and higher impact wastewater include increased treatment capacity requirements, enhanced biological treatment processes, increased energy usage, and additional solids handling. Accordingly, these system level costs are assigned to the Delaplain nonresidential class through class level allocation and recovery through the Delaplain-specific usage-based charge.

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i. The Company does not propose separate extra strength surcharges for BOD, COD, or TSS because the Delaplain wastewater system is unmetered and does not collect customer specific strength data necessary to administer such charges. Instead, the Company relies on volumetric usage—derived from water usage data—as a reasonable and administrable proxy for relative wastewater impact.

j. For rate design purposes, the Company does not distinguish between commercial and industrial customers within the Delaplain nonresidential class.

k. A separate commercial rate within the Delaplain nonresidential class was not proposed to maintain consistency with prior rate cases and to avoid undue discrimination or unnecessary complexity absent customer specific wastewater strength data.

l. The Company collects non-domestic wastewater surveys to identify the general nature of wastewater discharges and potential compliance considerations, including whether customers employ pretreatment measures such as oil/water separation or grit removal. However, in many instances, customer specific wastewater strength data or quantifications of pollutant loadings do not exist for ratemaking purposes. As a result, pretreatment practices have not been separately reflected in the Company's cost allocation or proposed rate design.

**Witness: Aaron Silas, Assistant Vice President of Customer Experience and
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**REQUEST NO. 1-19: Please provide a copy of the Industrial/Commercial User Policy
referenced in the Company's tariff.**

RESPONSE: Bluegrass Water objects to this Request as seeking information contained
within the public record. Bluegrass Water's Industrial/Commercial User Policy is located in the
Company's tariff, which is available on the Commission's website.

**Witness: Aaron Silas, Assistant Vice President of Customer Experience and Regulatory
Operations**

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**REQUEST NO. 1-20: Please provide, in electronic format with all formulas intact,
the total number of lift systems, by rate class.**

RESPONSE: Bluegrass Water objects to this Request as seeking information that may be irrelevant to whether its proposed rates in this case are fair, just, and reasonable. Subject to and without waiving the foregoing objections, please see attached Exhibit SC 1-20 – Lift Station Report.

Witness: Jake Freeman, Director of Engineering

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REQUEST NO. 1-21: Please provide, in electronic format with all formulas intact, the diameter of mains, by rate class, including total length of mains by diameter and rate class.

RESPONSE: Bluegrass Water objects to this Request as unduly burdensome and seeking information that may be irrelevant to whether its proposed rates in this case are fair, just, and reasonable. Subject to and without waiving the foregoing objections, please see attached Exhibit SC 1-21 – Sanitary Pipes Report.

Witness: Jake Freeman, Director of Engineering

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As to Objections,

/s/ Edward T. Depp

Edward T. Depp

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