

**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 COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION**

Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water” or the “Company”), by counsel, files its responses to Commission Staff’s Second Requests for Information, issued in the above-captioned case on February 13, 2026.

FILED: March 6, 2026

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING
COMPANY, LLC FOR AN ADJUSTMENT OF WATER AND SEWAGE RATES,
CASE NO. 2025-00354

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REQUEST NO. 2-20: Refer to the O'Reilly Direct Testimony, page 8, lines 7–11, which states that the PCE Price Index was utilized to project maintenance and administrative costs.

- a. Explain why the PCE Index, which is described as taking a broader, more comprehensive approach than the Consumer Price Index (CPI), was chosen specifically for these utility-specific cost categories.**
- b. Provide a comparison of the impact on the revenue requirement if the standard CPI had been used in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.**

RESPONSE:

- a. The PCE Index monitors changes in prices of goods and services consumed by all household and nonprofit institutions serving households, whereas the CPI index only monitors change in out-of-pocket expenditures for all urban households for a particular set of goods. Most of the customers that Bluegrass Water serves are in rural communities, and such data is not included in the CPI index. Secondly, the PCE Index also includes more changes relating to out-of-pocket expenses in its calculation than the CPI. Lastly, PCE Index percentages are generally lower than the CPI percentages, which is attributable in large part to the fact the PCE excludes food and energy where prices tend to swing up or down more dramatically. Using

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the CPI could result in higher forecasted expenses. For the forward-looking test period, the PCE rates are forecasted at 3.0%, 2.6%, 2.1% and 2.0% while the CPI are forecasted at 3.0%, 2.8%, 2.4% and 2.2%.

- b. Please see attached Exhibit PSC 2-20 Financial Work (CPI vs PCE) for comparison on Excel tabs labeled "Revenue Requirement," "Revenue Requirement Water," and "Revenue Requirement WW."

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

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REQUEST NO. 2-37: Refer to the Howard Direct Testimony, pages 5-6. Explain the shift toward more expensive equity financing which proposed a common equity ratio increase from 47.81 percent in the Base Year to 50.80 percent in the Test Year.

RESPONSE: The increase in the proposed common equity ratio from 47.81 percent in the Base Year to 50.80 percent in the Test Year is attributable to the reclassification of the temporary working capital funding provided by CSWR, LLC. The working capital funding was initially recorded as intercompany debt; however, it was subsequently determined that Bluegrass Water lacked the ability to repay this funding and that the capital was permanent in nature. As a result, the balance of the temporary working capital account was reclassified from intercompany debt to equity.

Witness: Brent Thies, Vice President and Corporate Controller

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REQUEST NO. 2-38: Refer to the Direct Testimony of Todd Thomas (Thomas Direct Testimony), Exhibit TT-3 and the Application, Exhibit 9 (Financial Workbook). The total operations & maintenance (O&M) pro forma adjustment for the Test Year is \$2,473,551. Explain how much of this figure is allocated to fixed contract fees versus the Additional Work rates.

RESPONSE: Total O&M includes fixed contract fees, additional work rates and other non-contracted costs. Please see Exhibit PSC 2-38 Test Year O&M, for a complete breakdown of each item for the Test Year.

Witness: Emily Harlow, Manager of Rates and Revenue

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**REQUEST NO. 2-44: Refer to Application, Exhibit 9 (Financial Workbook), Cash
Working Capital (CWC) calculation.**

- a. Explain why Bluegrass Water should use 45 days for the Lead-Lag factor.
- b. Address the degree of precision of the 1/8 method in comparison to a lead-lag study.

RESPONSE:

- a. Bluegrass Water has used a 45-day Lead-Lag factor because it produces a reasonable working capital adjustment without the need to conduct an expensive lead/lag study. In Bluegrass Water's last rate case, Case No. 2022-00432, the Commission found that the 45-day Lead-Lag factor was reasonable, based on Bluegrass Water's size and relative sophistication.¹
- b. While the degree of precision of the 1/8 method is lower than a lead-lag study, the cost of a formal lead-lag study and the size of an entity should also be considered in determining which method to utilize. Given Bluegrass Water's size and desire to avoid unnecessary costs of commissioning a formal lead-lag study, the Company proposes using the same convention in this case.

¹ *In the Matter of: Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Sewage Rates*, Case No. 2022-00432 (Ky. PSC Feb. 14, 2024), Order at 41.

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Witness: Brent Thies, Vice President and Corporate Controller

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REQUEST NO. 2-45: Refer to the Application, Exhibit 9 (Financial Workbook),

Balance Sheet Summary.

- a. Provide a balance sheet separated by water and waste water.**
- b. Explain the drivers of the \$602,204 reduction in Other Non-Current Assets between the base period and the forecasted period.**
- c. Explain the drivers of the \$655,465 increase in Depreciation Reserve between the base period and the forecasted period.**
- d. Explain the drivers of the \$988,732 reduction in Payable to Associated Companies between the base period and the forecasted test period.**
- e. Explain the drivers of the \$3,085,666 increase in Paid-in Capital between the base period and the forecasted test period.**
- f. Explain the drivers of the \$3,091,258 reduction in Retained Earnings between the base period and the forecasted test period.**

RESPONSE:

- a. Please see attached Exhibit PSC 2-45a – Balance Sheet.
- b. Bluegrass Water has determined the \$602,204 reduction in Other Non-Current Assets (Account No. 186001) is due to a decrease of Deferred Rate Case expense of \$584,863 (fully amortized prior to forecasted period) and a decrease of Other

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Deferred Debits (Account No. 186010) of \$17,341 (Randview one year amortization).

- c. The \$655,465 increase in Depreciation Reserve (Account No. 108000) is primarily driven by increased depreciation cost due to the expectation of additional plant in service, including the completion of the construction at Delaplain.
- d. The decrease in the amount payable to associated companies is due to Bluegrass Water needing less assistance from Associated Companies as a result of additional revenues generated from a requested rate increase.
- e. The increase in Paid in Capital is due to equity infusions from Bluegrass Water's parent, CSWR, LLC, into the account Common Stock Issued (Account No. 201000).
- f. Retained Earnings are the cumulative net income of the company. The reduction is due to negative net income forecasted from the base period to the forecasted period.

Witness: Brent Thies, Vice President and Corporate Controller

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REQUEST NO. 2-46: Refer to Application, Exhibit 9 (Financial Workbook), Capital Structure. Payable to Associated Companies carries a cost of 8.5 percent, which is significantly higher than the Long-Term Debt cost of 6.7 percent.

RESPONSE: Request 2-46 does not contain a question that requires a response. Please see the Company's Response to PSC 2-47 for further explanation regarding the 8.5% debt cost.

Witness: Brent Thies, Vice President and Corporate Controller

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REQUEST NO. 2-47: State whether this 8.5 percent aligns with benchmarked market rates for similar risk-adjusted utility management services. Provide the names of the affiliated companies and the associated amount of debt.

RESPONSE: The 8.5 percent aligns with the market rate that CSWR, LLC, received under its debt facility that was obtained after engaging in a bid process among prospective lenders. The affiliated company to whom the amounts are payable is CSWR, LLC. All amounts included as Payable to Associated Companies are owed to CSWR, LLC. Please see Exhibit 9, Balance Sheet Summary line 34 Payable to Associated Companies for the amount of debt Bluegrass Water owes to CSWR ,LLC.

Witness: Brent Thies, Vice President and Corporate Controller

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REQUEST NO. 2-48: Refer to the Application, Exhibit 9 (Financial Workbook), Summary of the Income Statement (IS). The total general and administrative (G&A) is forecasted at \$1,081,278 for the Test Year. Explain what percentage of this expense is dedicated to the managerial oversight provided by CSWR affiliates.

RESPONSE: CSWR, LLC is the only affiliated entity that provides services and allocates costs to Bluegrass Water. The portion of CSWR, LLC costs allocated to Bluegrass Water, that relates to managerial oversight, is recorded in Account 922 on Bluegrass Water's general ledger. For the forecasted test year, this amount is \$382,256, representing 35% of Bluegrass Water's total G&A.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

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**REQUEST NO. 2-49: Refer to the Application, Exhibit 9 (Financial Workbook),
Summary of IS. Explain the Test Year Interest Expense of \$847,998 and its associated
components.**

RESPONSE: Bluegrass Water's calculation of test-year interest expense consists of Long-
Term debt interest of \$176,289 and Intercompany loan interest of \$671,709.

Witness: Caitlin O'Reilly, Accounting Manager – Regulatory Accounting

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**REQUEST NO. 2-50: Refer to the Application, Exhibit 9 (Financial Workbook),
Summary of IS. Explain the \$120,091 adjustment to Amortization of Regulatory Expense.**

RESPONSE: The \$120,091 adjustment consists of the difference between the prior rate case expense amortization approved by the Commission and the current estimated amortization for rate case expenses incurred in this case. Please see the attached Exhibit PSC 2-50 – Amort Reg Expense.

Witness: Brent Thies, Vice President and Corporate Controller

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**REQUEST NO. 2-51: Refer to the Application, Exhibit 9 (Financial Workbook), RB
TY 13-month Avg. Provide the location and amount(s) of each acquisition adjustments.**

RESPONSE: Bluegrass Water did not include acquisition adjustments in
CONFIDENTIAL Exhibit 9 to the Application – Financial Workbook, on Excel tab labeled “RB
TY 13-month Avg.” The Company is requesting the acquisition adjustment amount of \$12,755
from the Commonwealth Wastewater Systems acquisition. Please see the attached Exhibit PSC 2-
51 – Commonwealth Acquisition Adjustment, for the impact of the premium and associated
amortization on the revenue requirement.

Witness: Brent Thies, Vice President and Corporate Controller

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REQUEST NO. 2-52: Refer to the Application, Exhibit 9 (Financial Workbook), RBTY 13-month Avg. and Case No. 2022-00432, Feb. 14, 2024 Order, page 42.² Provide the drivers of the approximately \$9 million increase to plant in service between the test year in Case No. 2022-00432 and the beginning of the forecasted period in this case.

RESPONSE: In the course of responding to data request responses, the Company discovered that the approximately \$9 million increase to plant in service may be a mathematical error in Application Exhibit 9. The Company is seeking to discover the source of any error and will supplement in due course.

Witness: Brent Thies, Vice President and Corporate Controller

² Case No. 2022-00432, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Sewage Rates* (Ky. PSC Feb. 14, 2024).

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REQUEST NO. 2-58: Refer to Freeman Direct Testimony, page 5, points (3) and (4), and pages 14-118. Provide copies of the receipts, invoices or other forms of verifiable payments made for all capital improvements for each system and categorize by system and date.

- a. From February 27, 2023, the date Bluegrass Water tendered its application in Case No. 2022-00432, to December 11, 2025, the date Bluegrass Water tendered its application this matter.
- b. From the purchase date for the three new systems, to December 11, 2025.

RESPONSE:

- a. Please see Exhibit PSC 2-58 for the list of assets, the invoices associated with these assets, and copies of the invoices.
- b. Please see Exhibit PSC 2-58 for the list of assets, the invoices associated with these assets, and copies of the invoices.

Witness: Brent Thies, Vice President and Corporate Controller

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VERIFICATION

I, Emily Harlow, 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.

Emily Harlow

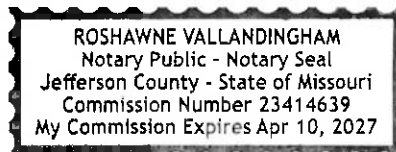
Emily Harlow
Manager of Rates and Revenue
Bluegrass Water Utility Operating Company, LLC

STATE OF MISSOURI)
) ss:
COUNTY OF ST. LOUIS)

SUBSCRIBED AND SWORN TO before me by Emily Harlow on this the 3RD day of March, 2026.

My commission expires: 04-10-2027

Roshawne Vallandingham
Notary Public



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VERIFICATION

I, Matthew Howard, 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.



Matthew Howard
Director,
Scott Madden, Inc.

COMMONWEALTH OF MASSACHUSETTS)
) ss:
COUNTY OF MIDDLESEX)

SUBSCRIBED AND SWORN TO before me by M. Howard on this the 3 day of March, 2026.

My commission expires: March, 2, 2029


Notary Public

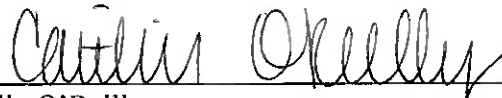


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VERIFICATION

I, Caitlin O'Reilly 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.

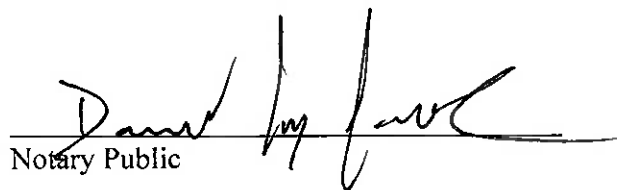
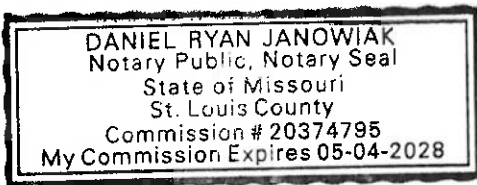


Caitlin O'Reilly
Accounting Manager – Regulatory Accounting
Bluegrass Water Utility Operating Company, LLC

STATE OF MISSOURI)
) ss:
COUNTY OF ST. LOUIS)

SUBSCRIBED AND SWORN TO before me by Caitlin O'Reilly on this the 3rd day of March, 2026.

My commission expires: 5/4/28



Notary Public

