

# EXHIBIT

7

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

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

**IN THE MATTER OF:**

**ELECTRONIC APPLICATION OF )**  
**BLUEGRASS WATER UTILITY ) Case No. 2025-00354**  
**OPERATING COMPANY, LLC FOR )**  
**AN ADJUSTMENT TO ITS RATES )**

**DIRECT TESTIMONY**  
**OF**  
**BRENT THIES**  
**ON BEHALF OF**  
**BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC**

**FILED: DECEMBER 11, 2025**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**DIRECT TESTIMONY OF**

**BRENT THIES**

**Table of Contents**

I. INTRODUCTION ..... 3

II. DEVELOPMENT OF THE FORWARD-LOOKING TEST PERIOD  
COST OF SERVICE ..... 9

III. MINIMUM STANDARD FILING REQUIREMENTS ..... 12

IV. REVENUE REQUIREMENT AND REVENUE DEFICIENCY ..... 12

V. RATE BASE ..... 15

    1. UTILITY PLANT IN SERVICE (“UPIS”) ..... 17

    2. ACQUISITION ADJUSTMENT ..... 22

    3. ACCUMULATED DEPRECIATION ..... 31

    4. WORKING CAPITAL ALLOWANCE ..... 33

    5. CONTRIBUTIONS IN AID OF CONSTRUCTION (“CIAC”) ..... 36

    6. RATE BASE CALCULATION ..... 37

VI. RANDVIEW STRANDED INVESTMENT ..... 38

VII. DEPRECIATION EXPENSE ..... 44

VIII. INCOME TAXES ..... 45

IX. LATE FEES ..... 46

X. CONCLUSION ..... 53

1  
2  
3  
4  
5  
6  
7  
8

**DIRECT TESTIMONY OF  
BRENT THIES**

9  
10

**I. INTRODUCTION**

11  
12

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

13  
14  
15  
16

A. My name is Brent G. Thies, and my business address is 1630 Des Peres Rd., Suite 140, St. Louis, MO 63131.

17  
18  
19

**Q. WHAT IS YOUR POSITION WITH BLUEGRASS WATER UTILITY OPERATING COMPANY?**

20  
21  
22

A. I am employed by CSWR, LLC (“CSWR”). My current position is Vice President & Corporate Controller.

23  
24

**Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?**

25  
26

A. I am filing on behalf of Bluegrass Water Utility Operating Company, Inc. (“Bluegrass Water” or “Company”), which is a subsidiary of CSWR, LLC.

**Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?**

A. Yes, I previously testified before the Kentucky Public Service Commission (“Commission”) in both of the Company’s prior rate cases, Case Nos. 2020-00290 and 2022-00432. I have also filed testimony before the state utility commissions of Arizona, Florida, Louisiana, Mississippi, Missouri, North Carolina, Tennessee, and Texas.

1 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
2 **EXPERIENCE.**

3  
4 A. I hold a Bachelor of Arts in Communications/Public Relations from Missouri Baptist  
5 University in St. Louis, Missouri, and a Bachelor of Science in Accounting from  
6 Liberty University in Virginia. I also hold a Master of Divinity degree from  
7 Midwestern Baptist Theological Seminary in Kansas City, Missouri and a Master of  
8 Business Administration degree from the University of Missouri-St. Louis. I am  
9 licensed as a Certified Public Accountant in the state of Missouri.  
10

11 I have been employed in the Accounting and Finance department of CSWR  
12 since July 2017. I started at CSWR as the Senior Accountant, responsible for  
13 monthly accounting work for CSWR and its regulated utility subsidiaries. This  
14 included analysis and reporting related to regulatory requirements. I was promoted  
15 to the position of Controller in October 2018 and Vice President & Corporate  
16 Controller in February 2022. While at CSWR, I have contributed to the financial  
17 analysis, planning and filing requirements for multiple rate case filings in other  
18 jurisdictions and various data requests and analysis items in acquisition cases in the  
19 jurisdictions where CSWR subsidiaries operate.  
20  
21

22 Prior to my time at CSWR, I was employed as the Controller of a multi-entity  
23 non-profit in St. Louis, Missouri. During my time at CSWR, I completed the  
24 Fundamentals, Intermediate and Advanced Regulatory Studies Programs through the  
25 Institute of Public Utilities at Michigan State University.  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. WHAT ARE YOUR DUTIES AS VICE PRESIDENT & CORPORATE CONTROLLER?**

A. As Vice President & Corporate Controller, I am responsible for the accounting books and records of CSWR and its regulated utility subsidiaries. This includes setting financial controls and accounting policy along with the responsibility for the accurate recording of revenues, expenses and capital expenditures. With my team, I am also responsible for billing operations, preparing and filing regulatory annual reports, and responding to certain data requests for the regulated utility subsidiaries of CSWR. My responsibilities also include preparation of monthly and quarterly management reports and interfacing with external auditors and tax professionals.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

A. With the assistance of Company witnesses Caitlin O'Reilly and Emily Harlow, who both operate under my direct supervision, my testimony will support the following topics:

1. Development of the Forward-Looking Test Period Cost of Service
2. Minimum Standard Filing Requirements
3. Revenue Requirement and Revenue Deficiency
4. Rate Base including Accounting for Acquisition of Systems
5. Randview Stranded Investment
6. Depreciation Expense

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

7. Income Taxes

8. Late Fee Revenues and Liability

As described in her testimony, Ms. O'Reilly will address operating expenses, including the projected level of operating expenses for purposes of the forward-looking test period. Additionally, as more fully described in her testimony, Ms. Harlow will address operating revenues, including the projected level of revenues, on a per-system basis, for purposes of the forward-looking test period.

**Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

A. Yes. I am sponsoring, for both the base period and for the forward-looking test period, the following exhibits.

- Exhibit BT-1A: Summary of Revenue Requirement-Sewer
- Exhibit BT-1B: Summary of Revenue Requirement-Water
- Exhibit BT-2A: Income Statement-Sewer
- Exhibit BT-2B: Income Statement-Water
- Exhibit BT-3A: Base Year and Forward-Looking Adjustments-Sewer
- Exhibit BT-3B: Base Year and Forward-Looking Adjustments-Water
- Exhibit BT-4A: Utility Rate Base (Forward-Looking Test Year)-Sewer
- Exhibit BT-4B: Utility Rate Base (Forward-Looking Test Year)-Water
- Exhibit BT-5A: Working Capital (Forward-Looking Test Year)-Sewer
- Exhibit BT-5B: Working Capital (Forward-Looking Test Year)-Water

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

- Exhibit BT-6A: Utility Rate Base (Base Year)-Sewer
- Exhibit BT-6B: Utility Rate Base (Base Year)-Water
- Exhibit BT-7A: Utility Plant in Service Summary (Base Year)-Sewer
- Exhibit BT-7B: Utility Plant in Service Summary (Base Year)-Water
- Exhibit BT-8A: Contributions in Aid of Constructions (Base Year)-Sewer
- Exhibit BT-8B: Contributions in Aid of Constructions (Base Year)-Water
- Exhibit BT-9A: Working Capital (Base Year)-Sewer
- Exhibit BT-9B: Working Capital (Base Year)-Water
- Exhibit BT-10A: Income Tax Summary-Sewer
- Exhibit BT-10B: Income Tax Summary-Water
- Exhibit BT-11: Income Conversion Factor
- Exhibit BT-12: Revenue Conversion Factor
- Exhibit BT-13: Rate Case Expenses

**Q. WAS THE INFORMATION CONTAINED IN THE EXHIBITS OBTAINED OR DERIVED FROM THE BOOKS AND RECORDS OF BLUEGRASS WATER?**

A. Yes.

**Q. WERE YOUR TESTIMONY AND THE EXHIBITS YOU SPONSOR PREPARED BY YOU OR BY SOMEONE UNDER YOUR DIRECT SUPERVISION?**

A. Yes.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. WOULD YOU DESCRIBE ANY DIFFERENCES BETWEEN THIS CASE AND THE COMPANY’S LAST RATE CASE?**

A. Yes. There are two primary differences between this case and the Company’s last rate case (Case No. 2022-00432). First, the last rate case only addressed a proposed rate increase for the Company’s wastewater operations. In this case, Bluegrass Water proposes an increase for both its water and wastewater operations. Second, in its last rate case, Bluegrass Water utilized a historical test period for purposes of calculating its revenue deficiency. As will be discussed more fully in the following section, the Company is proposing to utilize a forward-looking test period in this case.



1 September 2025) and six months of estimated data (October 2025 – March 2026).  
2 Consistent with the forward-looking test period requirements, Bluegrass Water will  
3 replace the estimated data with actual results by May 15, 2026.  
4

5 The base period data is adjusted in various ways to project for the forward-  
6 looking test period. Specifically, as described more fully in the testimony of  
7 Ms. Harlow, the Company has undertaken an analysis of historic customer and usage  
8 figures to project revenues for the forward-looking test period. Similarly, as  
9 described by Ms. O'Reilly, the Company has also analyzed each of its Operations  
10 and Maintenance (“O&M”) accounts to determine how to properly forecast those  
11 items for the forward-looking test period. Finally, as I will describe later in my  
12 testimony, I address the adjustment of rate base values for the base period to project  
13 to the forward-looking test period.  
14  
15

16 **Q. DID THE COMPANY HAVE TO ANNUALIZE ANY BASE PERIOD DATA**  
17 **IN ORDER TO ACCOUNT FOR SYSTEMS THAT WERE ACQUIRED**  
18 **WITHIN THE LAST YEAR.**  
19

20 **A.** No. Unlike the last case in which the Company acquired the Darlington Creek  
21 system during the historical test period, all the systems in this case have been owned  
22 and operated for more than twelve months. Specifically, the Company’s last  
23 acquisition (Magruder Village) closed on January 29, 2024. Therefore, Bluegrass  
24 Water has sufficient operating data by which to include all systems in the revenue  
25 requirement without undertaking any annualizations.  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. WHY DID THE COMPANY UTILIZE A FORWARD-LOOKING TEST PERIOD IN THIS CASE?**

A. As will be discussed more fully in the testimony of Mr. Jacob Freeman, this case is largely driven by the large capital addition associated with the Delaplain system. Specifically, the Delaplain capital project is expected to cost \$2,224,000. Recognizing that the Company has a base period wastewater rate base of \$12,522,950, this capital addition constitutes an increase of 16.47% to the Bluegrass Water wastewater rate base. The Company expects the Delaplain project to be completed by the end of the base period in this case.

Under a historical test period approach, the Company would have to place the item in service and then wait the necessary period to process its next rate case before incorporating the financial impact of the capital addition into rates. In the meantime, the Company: (1) would not be earning a return on capital investment and (2) would be suffering from the booking of depreciation expense on its financial books from the in-service date of the capital asset. Both factors would negatively impact the Company's net income. For this reason, Bluegrass Water is proposing a forward-looking test period in this case.

**Q. DO YOU BELIEVE THAT THE FORWARD-LOOKING TEST PERIOD ENDED JULY 31, 2027, IS INDICATIVE OF ONGOING OPERATIONS FOR BLUEGRASS WATER?**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

A. Yes. A forward-looking test period ending July 31, 2027, accounts for all projected changes to the Company’s financial picture and should be indicative of operations during that period of time.

**III. MINIMUM STANDARD FILING REQUIREMENTS**

**Q. PLEASE DESCRIBE HOW THE COMPANY COMPLIED WITH THE COMMISSION’S MINIMUM STANDARD FILING REQUIREMENTS.**

A. Consistent with Kentucky law regarding forward-looking test period rate cases, the Company has provided several exhibits to the Application. Please see Exhibit 4 to the Application for Bluegrass Water’s Statutory and Regulatory Filing Requirements Checklist.

**IV. REVENUE REQUIREMENT AND REVENUE DEFICIENCY**

**Q. PLEASE GENERALLY DESCRIBE THE DERIVATION OF THE REVENUE REQUIREMENT.**

A. It is well established that the revenue requirement is the revenue total that the utility needs to collect and is generally set to cover the utility’s cost of service. The cost of service is the sum of: (1) operations and maintenance expense, (2) depreciation expense, (3) income taxes and other types of taxes, and (4) a reasonable return on the utility’s rate base. Formulaically, the cost of service equation is:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

$$RR = E + d + T + R(V-D)$$

- Where: RR = Revenue Requirement
- E = Operating Expenses
- d = Depreciation Expense
- T = Taxes
- R = Rate of Return
- V = Valuation of Utility Plant and other allowed assets, generally  
Original Cost
- D = Accumulated Depreciation
- (V-D) = Rate Base
- R(V-D) = Earnings Allowed on Rate Base.

To the extent that the revenue requirement exceeds the utility’s revenues at present rates, a revenue deficiency exists, and a rate increase is needed.

**Q. WHAT IS BLUEGRASS WATER’S WASTEWATER REVENUE REQUIREMENT IN THIS PROCEEDING?**

A. The revenue requirement in this proceeding for wastewater operations is \$5,514,629. This represents an increase above revenues at current rates of \$2,802,466. This increased revenue requirement is driven primarily by two factors. First, Bluegrass Water has made significant amounts of investment and incurred large amounts of operating costs to bring its systems into regulatory compliance. The capital improvement projects that have been completed are discussed in detail in the

1 testimony of Mr. Freeman. In addition to operating expenses and capital  
2 improvements, Bluegrass Water is also entitled to the opportunity to earn a fair return  
3 on the value of the capital investments that support the improvements. The rate of  
4 return used in my calculations is supported in the testimony of expert witness  
5 Matthew Howard.  
6

7 Second, the systems that were acquired since the Company's last rate case did  
8 not have rates that represent the current, true cost of service required to provide safe  
9 and reliable wastewater service. For instance, the Commonwealth Wastewater  
10 system, acquired on December 7, 2023, has not had a rate increase since September  
11 15, 2008. Because the Company adopted the rates already in place for these newly  
12 acquired systems, an increase is necessary to cover the true cost of service.  
13 Ultimately, Bluegrass Water seeks recovery of its revenue requirement through the  
14 ratemaking process. The revenue requirement accomplishing the cost recovery is  
15 found on **Exhibit BT-1**.  
16  
17

18 **Q. WHAT IS THE COMPANY'S WATER REVENUE REQUIREMENT IN**  
19 **THIS PROCEEDING?**  
20

21 A. The revenue requirement in this proceeding for water operations is \$362,305. This  
22 represents an increase over revenues at current rates of \$100,928. As with  
23 wastewater operations, the need for a water rate increase is driven by higher  
24 operating expenses and increased investment.  
25  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**V. RATE BASE**

**Q. HOW DO YOU INTEND TO ADDRESS RATE BASE?**

A. In the last case (Case No. 2022-00432), the Commission established a rate base for Bluegrass Water’s wastewater operations as of the end of the historical test period in that case (June 30, 2022). In the decision in that case, the Commission undertook an extensive review of each component of the Company’s rate base and arrived at the wastewater rate base. Specifically, the Commission established a wastewater rate base of \$4,199,357.<sup>1</sup>

Similarly, in Case No. 2020-00290, the Commission established a rate base for the Company’s water operations as of the end of the forward-looking test period in that case (April 30, 2022). Again, the Commission’s rate base determination was reached after an extensive review of all rate base components. Specifically, as of April 30, 2022, the Commission determined that the Company’s rate base was \$562,971.<sup>2</sup>

Given the Commission’s extensive discussion of its rate base finding in both the previously cited cases, and to avoid relitigating any of the issues addressed in each of those cases, the Company is accepting the rate base determinations in those cases as the starting point for determining rate base in this case. As such, my

---

<sup>1</sup> Order, Case No. 2022-00432, issued February 14, 2024, at page 42 (“2022 Order”).  
<sup>2</sup> Order, Case No. 2020-00290, issued August 2, 2021, at page 58 (“2020 Order”).

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

testimony will address incremental additions to the Commission’s rate base determinations.

**Q. WHAT ARE THE COMPONENTS OF RATE BASE INCLUDED IN THIS FILING?**

A. Major components of rate base include:

- Utility Plant in Service
- Acquisition Adjustments
- Accumulated Depreciation
- Working Capital Allowance
- Contributions in Aid of Construction (“CIAC”)

Each of these major components is described in the testimony below.

**Q. OVER WHAT TIME PERIOD DID YOU CALCULATE RATE BASE?**

A. As reflected in Exhibits, BT-4A, BT-4B, BT-5A, and BT-5B, each of the rate base components were calculated using a thirteen-month average. The use of a 13-month average for rate base is a regulatory practice that helps utilities to more accurately reflect the investment in their facilities and equipment used to provide service. This method smooths out fluctuations in the rate base, caused both by capital additions and depreciation, providing a more stable and reliable basis for setting rates.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

1. Utility Plant in Service (“UPIS”)

**Q. PLEASE DESCRIBE UPIS.**

A. UPIS includes the original cost of any acquired systems along with post-acquisition improvements necessary to provide safe and reliable water and sewer service. UPIS also includes consideration of any assets that were retired during the relevant time period.

**Q. WHAT IS THE ACCOUNTING TREATMENT THAT BLUEGRASS WATER HAS USED IN RECORDING HISTORICAL ASSET VALUES FOR ITS ACQUISITIONS?**

A. The Company’s determination of accurate net book values begins with an examination of the historical values of acquired assets using books and records provided by prior owners, including the annual reports provided to the Commission, when available. Where these values were available in sufficient detail, they were the primary source of the information used to initially record the amounts of the acquired assets. This is in keeping with the Utility Plant Instructions contained in the Uniform System of Accounts published by NARUC, which is the system of accounts this Commission directs water and sewer utilities to use in Kentucky. As it relates to an acquired system, the instructions state, “all amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost

1 incurred by the person who first devoted the property to utility service.”<sup>3</sup> Where  
2 detailed annual reports were available, Bluegrass Water adjusted the balances for  
3 any known and measurable changes that have occurred since the annual report was  
4 filed and used the adjusted values to create acquisition date accounting entries on its  
5 books.<sup>4</sup>

7 **Q. HOW DID THE COMPANY ADDRESS SITUATIONS IN WHICH**  
8 **ADEQUATE PLANT RECORDS WERE UNAVAILABLE?**  
9

10 A. In some of the Company’s acquisitions, primarily those of the unregulated systems,  
11 no asset records were available from the prior owner. In these cases, the Company  
12 sought to establish its reasonable estimate of net book value using depreciated  
13 original cost studies and other appraisal methods. Where these studies produced  
14 detailed information on the plant assets, the purchase price was allocated to these  
15 assets based on the estimated value.  
16

17 **Q. WHAT ARE THE DATA SOURCES FOR THE THREE WASTEWATER**  
18 **SYSTEMS THAT THE COMPANY HAS ACQUIRED SINCE ITS LAST**  
19 **RATE CASE?**  
20

21 A. Commonwealth Wastewater – The data source for valuing the assets of the  
22 Commonwealth Wastewater system was the fiscal year 2022 Annual Report filed  
23

---

24 <sup>3</sup> Uniform System of Accounts for Class A Water Utilities. National Association of Regulated Utility Commissioners,  
25 Washington, D.C., p. 20 (1996).

26 <sup>4</sup> Please note that the known and measurable changes in this instance consisted primarily of adjusting the accumulated  
depreciation reserve by calculating depreciation expense between the date of the annual report used to obtain asset  
account balances and the date of acquisition.

1 with the Commission. The Annual Report appears to indicate that the value of the  
2 assets is fully and exactly offset by the balance of Contributions in Aid of  
3 Construction (“CIAC”). The Company has included the values of the assets and  
4 CIAC found in the Annual Report along with an amount booked to Account 114 –  
5 Acquisition Adjustments equal to \$12,000, which is the purchase price of the system.  
6

7 Magruder Village – Bluegrass Water paid the minimal consideration of \$1.00  
8 for the acquisition of the Magruder Village system. This effectively means that there  
9 was no book value remaining in the assets of the system and, correspondingly, no  
10 value was assigned to the assets on the books of the Company at acquisition.  
11

12 Yung Farm Estates – Similar to Magruder Village, Bluegrass Water paid  
13 \$1.00 for the assets of the Yung Farm system and therefore assigned no value to the  
14 assets at acquisition.  
15

16 **Q. PLEASE DESCRIBE THE COMPANY’S PROCEDURES FOR**  
17 **ACCOUNTING FOR ASSET RETIREMENTS.**

18 A. As construction projects are completed and new equipment is installed, it is  
19 necessary to retire utility plant in service that has been recorded on the Company’s  
20 books. The accounting and engineering staff of CSWR work together to determine  
21 whether the new assets or newly constructed items have replaced an asset. When it  
22 is determined that an asset has been replaced, financial balances for that asset must  
23 be retired.  
24  
25  
26

1 **Q. WHAT WAS THE COMMISSION'S DETERMINATION OF UPIS**  
2 **BALANCES IN THE LAST CASE?**

3  
4 A. In Case No. 2020-00290, the Commission found that, as of April 30, 2022, Bluegrass  
5 Water's UPIS balance for water operations was \$419,882.<sup>5</sup> Similarly, in the  
6 Company's last rate case, the Commission found that the UPIS balance for  
7 wastewater operations, as of June 30, 2022, was \$6,452,271.<sup>6</sup>

8  
9 **Q. WHAT WAS THE TOTAL AMOUNT OF UPIS ADDED BY THE COMPANY**  
10 **SINCE THE COMMISSION'S LAST DETERMINATION?**

11 A. As mentioned previously, given the utilization of both actual and estimated data,  
12 there are two relevant dates for the determination of rate base during the base period  
13 in this case. First, as dictated by relevant statutes, the Company is providing actual  
14 data for the period ended September 30, 2025. Second, the Company is providing  
15 estimated data for the period ended March 31, 2026.

16  
17 **Q. HOW DID YOU PROJECT UPIS ADDITIONS THROUGH THE END OF**  
18 **THE BASE PERIOD (MARCH 31, 2026)?**

19  
20 A. The UPIS additions added through the end of the base period came from internal  
21 engineering tracking of what capital projects would be completed by March 31,  
22 2026.

23  
24  
25  
26 

---

<sup>5</sup> 2020 Order, page 58.

<sup>6</sup> 2022 Order, page 42.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. WHAT WERE THE COMPANY’S PROJECTED UPIS ADDITIONS FOR THE SIX MONTHS BETWEEN OCTOBER 1, 2025, THROUGH MARCH 31, 2026?**

A. The Company does not project any additional plant in service from October 1, 2025, through March 31, 2026, for water systems. That said, however, it does project an additional \$2,554,883 of UPIS, net of retirements, for wastewater systems. Importantly, since the Company does not anticipate acquiring any other systems during this period, this projected UPIS investment does not include any additional acquisition costs.

**Q. HOW DID YOU PROJECT UPIS ADDITIONS FOR THE FORWARD-LOOKING TEST PERIOD?**

A. Like the project additions through the end of the test period, Bluegrass Water engineering and construction management teams compiled a list of capital projects, net of retirements, that would be completed between August 1, 2026- July 31, 2027, for both water and wastewater systems. Importantly, since the Company did not seek to project any additional acquisitions for this period, the projected UPIS investment does not include any additional acquisition costs. Please see the table below for a summarization of total additions for the second portion of the base period and for the forward-looking test period, as well as the month that the additions are projected.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Month	Estimated Cost
December 2025	280,883
January 2026	2,224,000
March 2026	50,000
December 2026	175,000
January 2027	86,000
Total	2,815,883

**Q. WHAT WERE THE COMPANY’S PROJECTED UPIS ADDITIONS FOR THE FORWARD-LOOKING TEST PERIOD?**

A. Bluegrass Water projects that the UPIS water balance as of July 31, 2027, will be \$1,353,301. Furthermore, the Company anticipates that the wastewater UPIS as of July 31, 2027, will be \$16,317,526.

2. Acquisition Adjustment

**Q. HOW DOES THE COMPANY ACCOUNT FOR ANY PURCHASE PRICE IN EXCESS OF HISTORIC NET BOOK VALUE?**

A. As previously mentioned, Bluegrass Water acquired three additional distressed sewer systems (Commonwealth Wastewater, Magruder Village, and Yung Farms Estates) since the last rate case. The Company identified these systems through various means and negotiated the purchase price in an arm’s-length transaction with the prior owner.

The quantification of purchase price begins with an assessment of the historic net book value of the system with special attention given to any Annual Reports filed

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

with the Commission.<sup>7</sup> Importantly, the Company attempts to minimize any rate impact on customers by negotiating the lowest possible acquisition price. Given this goal, of the three systems acquisitions since the last case, two (Magruder Village and Yung Farms Estates) were acquired for \$1each.

In some cases, however, the negotiated purchase price may be higher than the historic net book value of the acquired assets as reported in Annual Reports filed with the Commission. This can occur for several reasons. First, given the nature of the systems, as well as the fact that they were often poorly managed and operated, the books and records may have been poorly kept. As such, some expenditures that should have been capitalized were not. This has the practical effect of reducing the net book reported in the utility’s Annual Report.

In other cases, acquired assets that are used and useful in the provision of utility service were never added to the utility’s books and records. This includes the value of land and easements acquired in the transaction. Again, failing to include these amounts in plant in service understates the asset values reported in the Annual Report.

Finally, since many owners pay themselves to operate the facility and are reaping other financial benefits associated with ownership, the previous owners will

---

<sup>7</sup> Non-regulated systems, such as Magruder Village and Yung Farm Estates would not have annual reports filed with the Commission.

1 often demand a high purchase price to account for the loss of this personal income  
2 stream.

3  
4 **Q. PLEASE QUANTIFY THE PROPOSED ACQUISITION ADJUSTMENTS.**

5 A. As mentioned, the Company purchased Magruder Village and Yung Farm Estates  
6 for \$1 each. In the case of Commonwealth Wastewater, however, the Company  
7 negotiated a purchase price that was above the net book value reported in Annual  
8 Reports filed by the previous owners. Recognizing that the prior owners only  
9 reported structures and improvements, the Company believes that any purchase price  
10 in excess of net book value is primarily related to the prior owner's failure to include  
11 land values in its quantification of net book value.

12  
13 **Q. IS THE COMPANY REQUESTING A POSITIVE ACQUISITION  
14 ADJUSTMENT FOR THE COMMONWEALTH WASTEWATER SYSTEM?**

15  
16 A. Yes. As explained later in my testimony, the Company is seeking, pursuant to KRS.  
17 278.295(2), a positive acquisition adjustment with regard to the Commonwealth  
18 Wastewater transaction.

19  
20 **Q. DO YOU BELIEVE THAT IT IS APPROPRIATE TO ALLOW BLUEGRASS  
21 WATER TO RECOVER THIS POSITIVE ACQUISITION ADJUSTMENT?**

22 A. Yes. Especially when considering the acquisition of distressed water and wastewater  
23 systems, the recovery of an acquisition adjustment is often appropriate. Otherwise,  
24 if denied recovery of reasonable acquisition adjustments acquiring companies will  
25

26

1 be hesitant to take on the business and regulatory risk associated with such  
2 acquisitions.

3  
4 This challenge has been repeatedly noted in publications by the National  
5 Regulatory Research Institute.<sup>8</sup> For instance, in 1992, NRRI pointed out that  
6 “[c]ertain ratemaking methods (such as acquisition adjustments) can provide  
7 restructuring incentives. Most larger water utilities would argue that they should be  
8 rewarded with an acquisition adjustment for taking on the added risk and  
9 responsibility that comes with absorbing a troubled water system.”<sup>9</sup>  
10

11 Still again, NRRI concluded:

12 One incentive considered by states is “acquisition adjustment.” To  
13 persuade an existing owner to part with his water system, the acquirer  
14 may have to pay an acquisition premium – the excess of purchase price  
15 over book value. The acquirer will hesitate to pay this extra cost  
16 without assurance of rate recovery. State commissions hesitate to  
17 allow an acquisition premium in rates because it disconnects  
18 infrastructure value from infrastructure costs – from the customer’s  
19 perspective, there has been no change in assets or operations after the  
20 acquisition, yet the rates have gone up. **In the context of small water  
21 systems, some commissions set aside this concern in the hopes of  
22 attracting acquirers able to exploit economies of scale associated  
23 with owning multiple systems.**<sup>10</sup>

24 As NRRI recognizes, this is a policy decision for the individual state commissions  
25 that may depend on what that individual state’s goals are with regard to encouraging  
26

---

<sup>8</sup> The National Regulatory Research Institute is the research arm to NARUC and its members, the utility regulatory commissions of the fifty states and the District of Columbia.

<sup>9</sup> See, *Viability Policies and Assessment Methods for Small Water Utilities*, The National Regulatory Research Institute, published June 1992, (“NRRI 1992 Publication”), at pages 105-106.

<sup>10</sup> See, *Small Water Systems: Challenges and Recommendations*, The National Regulatory Research Institute, published February 7, 2008, at page 18 (emphasis added).

1 the acquisition of troubled systems and the potential economies of scale associated  
2 with multiple system ownership. “Selecting a treatment is a matter of public policy  
3 that in some cases may go beyond traditional boundaries of regulatory policy in the  
4 interest of achieving long-term policy goals.”<sup>11</sup>  
5

6 **Q. DO YOU BELIEVE THAT BLUEGRASS WATER’S ACQUISITION OF**  
7 **DISTRESSED WATER AND WASTEWATER SYSTEMS HAS CREATED**  
8 **BENEFITS FOR CUSTOMERS AND HAS PRODUCED ECONOMIES OF**  
9 **SCALE?**  
10

11 A. Absolutely. In just six years, Bluegrass Water has acquired twenty-two troubled  
12 Kentucky wastewater and four distressed water systems. On a larger scale, when  
13 considered within the entire CSWR umbrella, these Kentucky systems are now part  
14 of an entity consisting of approximately 1,030 small water and wastewater systems  
15 across eleven states. This consolidation of small system acquisitions across a multi-  
16 state footprint has allowed CSWR to create economies of scale for legal,  
17 engineering, accounting, human resources, customer experience, and other business  
18 services that would not otherwise be accessible to individual, stand-alone water and  
19 wastewater companies. Because of the acquisition by CSWR-affiliated companies,  
20 customers served by these systems have realized benefits in every aspect of operating  
21 and managing a small water or wastewater system. These benefits warrant the  
22  
23  
24  
25

26 <sup>11</sup> NRRI 1992 Publication at page 106.

1 authorization of an acquisition adjustment in situations where purchase price exceeds  
2 net book value.

3  
4 **Q. WHAT IS YOUR UNDERSTANDING OF THE REQUIREMENTS OF KRS**  
5 **278.295(2) FOR A POSITIVE ACQUISITION ADJUSTMENT?**

6 A. It is my understanding that KRS. 278.295(2) codifies a Commission-established test  
7 known as the *Delta* test. The statute provides five factors that should be analyzed by  
8 the Commission in its consideration of acquisition adjustments. Those five elements  
9 are:

- 10  
11 (a) The asset acquisition price was established by arms length negotiations;  
12 (b) The asset acquisition price plus the cost of restoring the acquired facilities  
13 to required standards will not materially adversely impact the overall costs or  
14 rates of the acquiring utility's existing and new customers;  
15 (c) Acquisition of the asset will result in operational economies;  
16 (d) The purchase prices of the utility and non-utility assets are clearly  
17 identified, and where practical, separated; and  
18 (e) The acquisition will result in overall financial and service benefits of the  
19 acquiring utility's operations.  
20  
21

22 I further understand that KRS. 278.295(4) authorizes a utility to seek an acquisition  
23 adjustment utilizing these factors as part of its first application for a change in base  
24 rates following the acquisition of the relevant assets. This is Bluegrass Water's first  
25  
26

1 application for a change in base rates since acquiring the Commonwealth  
2 Wastewater system.

3  
4 **Q. PLEASE ADDRESS THE FIRST FACTOR REGARDING WHETHER THE**  
5 **PURCHASE PRICE WAS ESTABLISHED THROUGH AN ARM’S LENGTH**  
6 **TRANSACTION.**

7 A. When evaluating a system for acquisition, Bluegrass Water routinely consults  
8 publicly available documents (such as Commission Annual Reports and information  
9 available from health and environmental regulators) and conducts site visits to gauge  
10 for itself the plant configuration, the condition of equipment, and the system’s ability  
11 to meet environmental limits. Such information is valuable in assessing the  
12 reasonableness of a purchase offer.

13  
14 A final purchase price, however, is determined based on arm’s-length  
15 negotiations between the parties, with the Company’s objective being to pay the least  
16 amount a utility/seller will accept. Recognizing that Bluegrass Water and the owners  
17 of Commonwealth Wastewater were unrelated, Bluegrass Water and the seller both  
18 acted in their own self-interest throughout these transactions. Thus, the purchase  
19 price was unquestionably determined through arm’s-length negotiations.

20  
21  
22 **Q. PLEASE ADDRESS THE SECOND FACTOR, WHICH REQUIRES THAT**  
23 **THE INITIAL INVESTMENT PLUS THE COST OF RESTORING THE**  
24 **FACILITIES TO REQUIRED STANDARDS “NOT MATERIALLY**

1                   **ADVERSELY IMPACT” THE OVERALL COSTS AND RATES OF THE**  
2                   **EXISTING AND NEW CUSTOMERS.**

3  
4       A.     The Commonwealth Wastewater system was acquired, including all closing costs,  
5             for \$12,723. Since that time, the Company has made \$77,576 of improvements to  
6             the system. As such, the total initial investment plus the cost of restoring the  
7             facilities is \$90,299. This total amount represents approximately 0.89% of the total  
8             wastewater rate base as of September 30, 2025. In fact, the total acquisition  
9             adjustment (\$12,755) represents only 0.13% of the total rate base. For this reason,  
10            the impact of the acquisition adjustment will not materially adversely impact the  
11            overall rates of the existing and new wastewater customers.

12  
13       **Q.     PLEASE ADDRESS THE THIRD FACTOR: OPERATIONAL ECONOMIES**  
14       **CAN BE ACHIEVED THROUGH THE ACQUISITION.**

15  
16       A.     As indicated, economies of scale have been created for every operational aspect of  
17             the Commonwealth Wastewater system including legal, engineering, accounting,  
18             human resources, customer experience, and other business services. These  
19             economies benefit the Commonwealth Wastewater customers as the services  
20             necessary to provide wastewater service can be provided both more professionally  
21             and at a lower cost by the CSWR entity than if Commonwealth Wastewater had been  
22             required to obtain or provide those services on a stand-alone basis. These cost  
23             reductions translate into rates that are lower than would have been the case if the  
24             small utility provided the same quality and quantity of services by itself.  
25  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. PLEASE ADDRESS THE FOURTH FACTOR: WHETHER THE PURCHASE PRICE OF UTILITY AND NON-UTILITY PROPERTY CAN BE CLEARLY IDENTIFIED.**

A. In the purchase of the Commonwealth Wastewater system, the Company only acquired utility assets and did not acquire any non-utility property. Therefore, the fourth factor has been satisfied.

**Q. PLEASE ADDRESS THE FIFTH FACTOR: WHETHER THE PURCHASE WILL RESULT IN OVERALL BENEFITS IN THE FINANCIAL AND SERVICE ASPECTS OF THE UTILITY'S OPERATIONS.**

A. As established through my previous testimony, as well as that provided by Messrs. Thomas, Freeman, and Silas, benefits in every aspect of the Company's operations have flowed to customers from CSWR / Bluegrass Water's acquisition of small systems, including the Commonwealth Wastewater system. In addition, financial benefits have also resulted from these acquisitions. Specifically, because of the financial results possible from the creation of a 26-system utility in Kentucky, the Company was able to secure debt financing in December 2022.<sup>12</sup> These benefits clearly are sufficient to satisfy this final factor.

**Q. HOW IS BLUEGRASS WATER PROPOSING TO TREAT THE POSITIVE ACQUISITION ADJUSTMENT FROM A RATEMAKING PERSPECTIVE?**

---

<sup>12</sup> Case No. 2022-00217.

1 A. Bluegrass Water proposes to include the positive Commonwealth Wastewater  
2 acquisition adjustments in rate base and amortize the adjustment over the average  
3 useful life of the Company's assets.  
4

5 3. Accumulated Depreciation

6 **Q. PLEASE DESCRIBE ACCUMULATED DEPRECIATION.**  
7

8 A. Accumulated depreciation consists of the historical accumulation of total monthly  
9 UPIS depreciation expense. Since depreciation represents a return to the Company  
10 for the diminution in asset value consumed through the provision of utility service,  
11 accumulated depreciation represents a reduction in the rate base calculation.  
12

13 Where available, initial accumulated depreciation balances associated with  
14 assets acquired by Bluegrass Water from the prior owners have been carried forward  
15 on the books of Bluegrass Water. Additionally, these acquired assets, and any asset  
16 improvements subsequently made by Bluegrass Water, have been depreciated with  
17 the depreciation expense recorded in the accumulated depreciation balance.  
18

19 **Q. WHAT WAS THE AMOUNT OF ACCUMULATED DEPRECIATION**  
20 **PREVIOUSLY FOUND BY THE COMMISSION?**  
21

22 A. In Case No. 2022-00432, the Commission found that accumulated depreciation for  
23 wastewater assets through June 30, 2022, was \$2,690,581.<sup>13</sup> Similarly, the  
24  
25

26 

---

<sup>13</sup> 2022 Order, page 42.

1 Commission found that accumulated depreciation for water assets through April 30,  
2 2020, was \$11,667.<sup>14</sup>

3  
4 **Q. WHAT WAS THE AMOUNT OF ACCUMULATED DEPRECIATION**  
5 **RECORDED THROUGH SEPTEMBER 30, 2025?**

6 A. Additional accumulated depreciation since the Commission's previous decisions  
7 consists of three components. *First*, the accumulated depreciation includes the  
8 additional depreciation expense for the UPIS included in the previous Commission  
9 orders since that date. *Second*, accumulated depreciation for wastewater systems  
10 also includes the amount of accumulated depreciation as of the date of acquisition  
11 for the three wastewater systems acquired since the Company's last general rate case  
12 (Commonwealth Wastewater, Magruder Village, and Yung Farms Estates). *Third*,  
13 accumulated depreciation for wastewater systems includes additional depreciation  
14 expense for the three acquired systems since the date of their acquisition.  
15  
16

17 As of September 30, 2025, the accumulated depreciation for wastewater  
18 assets was \$2,964,422 and the accumulated depreciation for water assets was  
19 \$319,109.  
20

21 **Q. HOW DID YOU DETERMINE ACCUMULATED DEPRECIATION AS OF**  
22 **MARCH 31, 2026, AND THROUGH THE END OF THE FORWARD-**  
23 **LOOKING TEST PERIOD?**  
24  
25

26 

---

<sup>14</sup> 2020 Order, page 58.

1 A. Accumulated depreciation for these periods was determined in a similar fashion.  
2 Each month, the depreciation rate was applied to the Company's monthly UPIS  
3 balance, which includes depreciation on assets existing as of the start of the month  
4 as well as depreciation expense on any assets placed into service during the month.  
5 The accumulated depreciation balance as of any point in time is simply the  
6 accumulation of the monthly depreciation expense for each month up to that date.  
7 Using this methodology, the accumulated depreciation balance for wastewater assets  
8 for March 31, 2026, and July 31, 2027, was \$3,212,401 and \$3,817,324, respectively.  
9 Similarly, the accumulated depreciation balance for water assets as of March 31,  
10 2026, and July 31, 2027, was \$338,063 and \$388,605, respectively.  
11

12  
13  
14 4. Working Capital Allowance

15 **Q. HOW DID YOU CALCULATE THE WORKING CAPITAL ALLOWANCE**  
16 **IN THIS CASE?**

17  
18 A. Cash working capital is the capital that is required to bridge the gap between when  
19 cash is paid for expenses necessary to provide safe and reliable service and when  
20 cash is received from customers for that service. As such, a value for cash working  
21 capital is included in rate base and is permitted to earn a return because this amount  
22 of capital must be supplied by investors as part of their investment.  
23

24 While known methods, such as lead/lag studies, are sometimes used to  
25 calculate the working capital allowance, Bluegrass Water has opted to use the 45-  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

day convention, also known as the 1/8 convention. This convention multiplies a Company’s operating expenses by one eighth to produce a working capital amount to be included in rate base. Many jurisdictions use a 45-day convention to produce a reasonable working capital adjustment without the need to conduct an expensive lead/lag study. According to Hahne and Aliff, “the wide acceptance of the 1/8 formula resulted from the fact that it was determined to be a reasonable estimate of what a lead-lag study would produce without the related expense of a lead-lag study...”<sup>15</sup>

**Q. HAS THE COMMISSION PREVIOUSLY APPROVED THE APPLICATION OF THE 1/8 CONVENTION FOR CALCULATION OF WORKING CAPITAL?**

A. Yes. In the Company’s last rate case, the Commission stated, “[t]he Commission finds the 1/8th approach to be a reasonable approach for Bluegrass Water, particularly given its size and relative sophistication.”<sup>16</sup>

**Q. WHAT WAS THE WORKING CAPITAL BALANCE UTILIZED BY THE COMMISSION IN THE LAST CASE?**

---

<sup>15</sup> Hahne, Robert L. & Aliff, Gregory E. (2021). “Accounting for Public Utilities, Vol. 1”. LexisNexis. Pp. 5.04[1].  
<sup>16</sup> 2022 Order, page 41. The Commission also approved the 1/8 convention for calculating cash working capital in Case No. 2020-00290. 2020 Order, page 54.

1 A. In Case No. 2022-00432, the Commission found that working capital for wastewater  
2 operations was \$451,796.<sup>17</sup> Similarly, in Case No. 2020-00290 the Commission  
3 found that working capital for water operations was \$32,042.<sup>18</sup>  
4

5 **Q. HOW DID YOU CALCULATE WORKING CAPITAL FOR THIS CASE?**

6 A. As mentioned, cash working capital is calculated based upon a percentage of the  
7 operating expenses for a particular time period. Given that the operating expenses  
8 from the previous cases are no longer relevant to the immediate case, the working  
9 capital allowance for the previous cases was removed and replaced by a working  
10 capital allowance reflective of the operating expenses for the time periods in this  
11 case.  
12

13 **Q. WHAT WAS THE WORKING CAPITAL ALLOWANCE AS OF**  
14 **SEPTEMBER 30, 2025?**

15  
16 A. The working capital allowance, as of September 30, 2025, for wastewater and water  
17 operations was \$273,371 and \$17,096, respectively.  
18

19 **Q. WHAT WAS THE WORKING CAPITAL ALLOWANCE AS OF MARCH 31,**  
20 **2026, AND FOR THE END OF THE FORWARD-LOOKING TEST PERIOD?**

21 A. Utilizing the projected operating expenses calculated by Ms. O'Reilly for the various  
22 time periods, the working capital allowance, as of March 31, 2026, for wastewater  
23 operations and water operations assets, is projected to be \$280,697 and \$14,593,  
24

25  
26 

---

<sup>17</sup> 2022 Order, page 42.  
<sup>18</sup> 2020 Order, page 58.

1 respectively. Similarly, the projected working capital allowance as of July 31, 2027,  
2 for wastewater and water operations is \$289,718 and \$11,661.  
3

4 5. Contributions in Aid of Construction (“CIAC”)

5 **Q. PLEASE DESCRIBE CIAC IN RATE BASE.**

6 A. CIAC reflects property or money received from third parties related to the  
7 establishment of service. For ratemaking purposes, it is not considered to be  
8 investor-supplied capital. Therefore, utilities are not permitted to include this  
9 amount in rate base and earn a return on it. To the extent that development occurs  
10 with the Company’s service area, and to the extent authorized in approved tariffs,  
11 Bluegrass Water would receive CIAC from amounts paid for sewer and water tap-  
12 ins. Bluegrass Water’s CIAC balances are amortized monthly as an offset to  
13 depreciation expense and the net amount of CIAC reduces rate base.  
14  
15

16 **Q. WHAT WAS THE CIAC BALANCE UTILIZED BY THE COMMISSION IN**  
17 **THE LAST CASE?**

18 A. In Case No. 2022-00432, the Commission found that CIAC balance for wastewater  
19 operations was \$104,299.<sup>19</sup> Similarly, in Case No. 2020-00290 the Commission  
20 found that the CIAC balance for water operations was \$89,322.<sup>20</sup>  
21  
22

23 **Q. WHAT WAS THE CIAC BALANCE AS OF SEPTEMBER 30, 2025?**  
24  
25

26 <sup>19</sup> 2022 Order, page 42.  
<sup>20</sup> 2020 Order, page 58.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

A. Given the impact of the monthly amortization of the CIAC balance, as well as the fact that the Company has not collected further CIAC amounts associated with additional growth, the amount of CIAC has declined. The CIAC balance, as of September 30, 2025, for wastewater and water operations was \$83,368 and \$59,490, respectively.

**Q. HOW DID YOU PROJECT THE CIAC BALANCE AS OF MARCH 31, 2026?**

A. Consistent with Ms. Harlow’s conclusion that the Company will not experience any customer growth, Bluegrass Water did not project any new tap ins or additional CIAC through March 31, 2026. Therefore, I simply projected the CIAC balance by applying the monthly amortization to the September 30, 2025, CIAC balance.

**Q. HOW DID YOU PROJECT THE CIAC BALANCE AS OF THE END OF THE FORWARD-LOOKING TEST PERIOD?**

A. Given the lack of customer growth and the belief that the Company will not collect additional CIAC balances, the Company simply reduced the September 30, 2025, CIAC balance by the monthly CIAC amortization through the end of the forward-looking test period.

6. Rate Base Calculation

**Q. BASED UPON THE INDIVIDUAL COMPONENTS PREVIOUSLY DISCUSSED, WOULD YOU CALCULATE THE COMPANY’S RATE BASE AS OF EACH OF THE RELEVANT DATES?**

1 A. As mentioned, the Company utilized a 13-month average for the calculation of rate  
 2 base in the revenue requirement calculation. That said, however, the wastewater rate  
 3 base as of each date is as follows:  
 4

	<b>September 30, 2025</b>	<b>March 31, 2026</b>	<b>July 31, 2027</b>
UPIS	12,857,209	15,412,091	15,608,526
Accumulated Depreciation	(2,964,422)	(3,212,401)	(3,817,324)
Net Utility Plant in Service	9,892,787	12,199,690	11,791,203
Working Capital	273,371	280,697	289,718
CIAC	(83,368)	(72,832)	(46,492)
Acquisition Adjustments	102,926	102,926	102,926
Jurisdictional Rate Base	\$10,185,716	\$12,510,481	\$12,137,355

10 Similarly, the water rate base as of each of the dates is as follows:  
 11

	<b>September 30, 2025</b>	<b>March 31, 2026</b>	<b>July 31, 2027</b>
UPIS	1,353,301	1,353,301	1,353,301
Accumulated Depreciation	(319,109)	(338,063)	(388,605)
Net Utility Plant in Service	1,034,191	1,015,238	964,695
Working Capital	17,096	14,593	11,661
CIAC	(59,490)	(53,647)	(39,038)
Acquisition Adjustments	-	-	-
Jurisdictional Rate Base	\$991,797	\$976,184	\$937,318

18 **VI. RANDVIEW STRANDED INVESTMENT**

19 **Q. WHAT IS RANDVIEW?**

20 A. Randview Septic Corporation (“Randview”) was a non-profit corporation formed on  
 21 August 3, 1994, for the purpose of owning and operating a wastewater system for  
 22 owners of lots in the Randview Subdivision in Graves County, Kentucky. The  
 23 system was initially designed to be interconnected with the City of Mayfield;  
 24 however, the City of Mayfield did not receive the necessary authorization for that  
 25  
 26

1 extension. As such, the system operated as a stand-alone non-profit sewer utility.  
2 Recognizing that the system was non-discharging, the Kentucky Department of  
3 Environmental Protection did not regulate it. Instead, the system was regulated by  
4 the Graves County Health Department.  
5

6 **Q. WHEN WAS RANDVIEW PURCHASED BY BLUEGRASS WATER?**

7 A. The system operated as a non-profit sewer utility for over 30 years until June 14,  
8 2019, when Central States, the managing entity of Bluegrass Water executed an  
9 agreement to acquire the Randview system. At the time that it was acquired,  
10 Randview had fifty-five customers. On June 19, 2020, the Commission issued its  
11 Order, approving Bluegrass Water's acquisition of Randview.<sup>21</sup>  
12

13 **Q. WHAT CONDITION WAS RANDVIEW IN AT THE TIME THAT IT WAS**  
14 **ACQUIRED BY BLUEGRASS WATER?**

15 A. Generally, the Randview equipment and facilities had been "very poorly maintained  
16 and overgrown."<sup>22</sup> Preliminary site visits indicated that the second lagoon cell was  
17 overflowing a berm into a crop field. This constituted an illegal, unauthorized  
18 discharge of wastewater. This site was littered with piles of debris and the systems  
19 appears to have been "essentially abandoned from an operations and maintenance  
20 standpoint."<sup>23</sup>  
21  
22  
23

24  
25 <sup>21</sup> Order, Case No. 2020-00028, issued June 19, 2020 ("We find, however, that Bluegrass Water's acquisition of  
Arcadia Pines, Carriage Park, Marshall Ridge, and Randview should be approved.").

26 <sup>22</sup> See, *Freeman Direct*, Case No. 2020-00290, filed October 1, 2020, at page 29.

<sup>23</sup> *Id.*, pages 29-30.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. WHAT IMPROVEMENTS WERE MADE BY THE COMPANY AT RANDVIEW?**

A. Initial improvements to the system were largely focused on restoring access to the system, removing vegetation, and assessing the most economical route to environmental compliance.

Prior to seeking Commission approval to make process improvements to the system, however, the Company was approached by Mayfield seeking to acquire the Randview system. Given the Commonwealth’s stated goal of encouraging “regionalization, consolidation, and partnerships” of wastewater treatment, the Company eventually executed an agreement by which Mayfield would acquire the Randview system for \$100,000. On May 5, 2023, the Commission approved the sale of Randview to Mayfield.<sup>24</sup>

**Q. WAS THE CITY OF MAYFIELD PURCHASE PRICE REFLECTIVE OF THE RANDVIEW SYSTEM’S NET BOOK VALUE?**

A. No. At the time of the sale, the Company’s total investment in Randview, net of accumulated depreciation, was \$173,410. As such, Bluegrass Water continues to carry \$173,410 of investment on its books associated with Randview.

**Q. HOW DOES THE COMPANY PROPOSE TO TREAT THE \$173,410 OF UNRECOVERED RANDVIEW INVESTMENT?**

---

<sup>24</sup> Order, Case No. 2022-00218, issued May 5, 2023.

1 A. The Company requests that it be allowed to recover this Randview investment  
2 through a ten-year amortization with the unrecovered balance included in rate base.

3  
4 **Q. WHY DO YOU BELIEVE THAT AN AMORTIZATION OF THE**  
5 **UNRECOVERED RANDVIEW INVESTMENT IS APPROPRIATE?**

6 A. As Mr. Cox relates, the Company's focus is to acquire distressed Kentucky water  
7 and wastewater systems, introduce professional operations, and make investments in  
8 system processes to make such systems compliant with environmental regulations.  
9 The Company's investment was made in furtherance of this goal.

10  
11 The Company had no knowledge that the City of Mayfield wanted to acquire  
12 the Randview system. As previously stated, the Randview system was constructed  
13 in 1994 with the goal of connecting to the City of Mayfield system. For over thirty  
14 years, however, it does not appear that City of Mayfield or the prior Randview  
15 owners took any steps to accomplish that goal. Even in 2020, when the Company  
16 filed its application to acquire the Randview system, Mayfield never indicated an  
17 interest in the system. Later, in the same year, the Company filed its first rate case,  
18 which included the Randview system. Still, the City of Mayfield gave no sign of its  
19 interest in owning the Randview system. Clearly then, the City of Mayfield was  
20 repeatedly made aware of Bluegrass Water's interest in acquiring, owning, investing  
21 in, and operating the Randview system, but never informed Bluegrass Water of its  
22 interest. As such, Bluegrass Water acquired the system and made improvements  
23  
24  
25  
26

1 without any belief that City of Mayfield would eventually seek to acquire the  
2 system.<sup>25</sup>

3  
4 **Q. COULD BLUEGRASS WATER HAVE RECEIVED A HIGHER PURCHASE**  
5 **PRICE FROM A COMPETING BUYER?**

6 A. No. There were no other neighboring systems that could economically have  
7 purchased and connected to the Randview system. Moreover, given the stated public  
8 policy to encourage regionalization of wastewater systems, the City of Mayfield  
9 represented the only potential purchaser. Ultimately, given the public goal of  
10 regionalization, Mayfield had all the leverage in minimizing the potential purchase  
11 price. It is my belief that the Company maximized the price at which it sold the  
12 Randview system.  
13

14  
15 **Q. DO YOU BELIEVE THERE ARE PUBLIC POLICY REASONS FOR THE**  
16 **COMMISSION TO ALLOW RECOVERY OF THE UNRECOVERED**  
17 **RANDVIEW INVESTMENT?**

18 A. Yes. It is well established that the United States, and the Commonwealth, suffers a  
19 great deal of fragmentation in the water/wastewater industry. Land developers,  
20 focused on developing neighborhoods, construct wastewater treatment facilities  
21 primarily to promote the sale of houses. Typically, those land developers have no  
22 interest in operating those systems in a professional manner. As such, the wastewater  
23  
24  
25

26 <sup>25</sup> The Company was first approached by Mayfield regarding the Randview system in mid-2021.

1 industry is replete with small, distressed wastewater systems. Undoubtedly, it is  
2 recognition of this problem that led to the Commonwealth's stated goal of  
3 interconnection and regionalization.  
4

5 Interconnection with other systems is oftentimes not feasible. As such, many  
6 systems continue to suffer from unprofessional operations, inadequate investment,  
7 and an inability to meet increasingly stringent environmental standards. Given the  
8 lack of interconnection options, the only practical solution becomes acquisition by  
9 well capitalized, professional wastewater companies like Bluegrass Water. Given  
10 this, many state commissions have stated policies to encourage third-party  
11 acquisitions.  
12

13 Denying third parties the ability to recover its costs in situations like this  
14 would be contrary to the public interest in acquisition of distressed water and  
15 wastewater systems. Certainly, third parties would be hesitant to acquire distressed  
16 systems and invest capital if a neighboring system could subsequently assert an  
17 interest and leave the acquirer with unrecovered investment. Effectively, absent a  
18 decision allowing recovery of this stranded investment, companies like Bluegrass  
19 Water would be expected to invest in troubled systems with the constant fear that a  
20 neighboring system could subsequently seek to acquire the system thereby stranding  
21 investment.  
22  
23  
24

25 **Q. WHAT IS THE RATEMAKING IMPLICATION OF THE COMPANY'S**  
26 **PROPOSAL?**

1 A. As mentioned, I propose that the Company be allowed to recover the \$173,410 of  
2 unrecovered Randview investment over a 10-year period, therefore \$17,341 / year  
3 via expense and \$15,181 via return on investment. In this case, the Company is  
4 seeking an overall wastewater revenue requirement of \$5,514,629. Therefore, the  
5 amortization of the unrecovered Randview investment represents only 0.59% of the  
6 total requested revenue requirement.  
7  
8

9 **VII. DEPRECIATION EXPENSE**

10 **Q. HAS THE COMPANY PERFORMED A DEPRECIATION STUDY IN**  
11 **ANTICIPATION OF THIS RATE CASE?**  
12

13 A. No. The Company performed a depreciation study for its wastewater assets in Case  
14 No. 2022-00432 and the Commission approved depreciation rates in that case.<sup>26</sup>  
15 Given the recency of that study, and the cost of performing another study, the  
16 Company asks that the Commission utilize the depreciation rates approved in Case  
17 No. 2022-00432 for its wastewater assets.  
18

19 Similarly, given its minimal water assets, the Company has not performed a  
20 depreciation study for its water assets. Considering the cost of performing such a  
21 study, including the cost of testimony and witness attendance at a hearing, as well as  
22 the limited number of water customers, the Company has applied rates typically used  
23  
24  
25

26 

---

<sup>26</sup> See, 2022 Order, page 49.

1 in the industry. The Company asks the Commission to utilize those rates for its water  
2 assets.

3  
4  
5 **VIII. INCOME TAXES**

6 **Q. WHAT IS THE FEDERAL TAX CLASSIFICATION OF BLUEGRASS**  
7 **WATER?**

8  
9 A. While Bluegrass Water is organized as a limited liability company, it has elected  
10 treatment as a C-Corporation for federal and state tax purposes. The entity is  
11 required to file Form 1120 annually with the Internal Revenue Service.

12 **Q. HOW HAS BLUEGRASS WATER CALCULATED INCOME TAX IN ITS**  
13 **REVENUE REQUIREMENT?**

14  
15 A. The income tax rates used by Bluegrass Water are 21% for federal income and 5%  
16 for Kentucky state income. Income tax has been calculated by first calculating the  
17 estimated equity return on rate base included in our revenue requirement and  
18 multiplying that return by an Income Conversion Factor of 1.35.

19  
20 **Q. WHAT IS THE GROSS INCOME CONVERSION FACTOR?**

21 A. Each dollar of equity return granted to Bluegrass Water also carries a tax  
22 responsibility for both federal and state income tax. The Gross Income Conversion  
23 Factor incorporates the federal and state tax rates, along with an allowance for bad  
24 debt of 1%, into an income multiplier. The Income Conversion Factor used in this  
25 filing is 1.35 and its calculation can be found in **Exhibit BT-11**.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**IX. LATE FEES**

**Q. PLEASE EXPLAIN WHAT NON-RECURRING CHARGES ARE?**

A. Non-Recurring charges are those charges included in the Company’s tariffs, which are not directly related to the provision of utility service. That is to say, the Commission has authorized certain charges that are not applied on a recurring basis to customers but are authorized in certain situations. For instance, the Commission has authorized late payment charges when a customer fails to pay its bill by the specified date.

**Q. HAS THE COMMISSION AUTHORIZED ANY NON-RECURRING CHARGES FOR THE COMPANY?**

A. Yes. Relevant to this discussion, in Bluegrass Water’s last rate case the Commission authorized a late payment and returned check charges for the Company’s consolidated wastewater operations.

**Q. DOES THE COMPANY SEEK TO CHANGE ITS LATE PAYMENT OR RETURNED CHECK CHARGE?**

A. The Company does not seek to change the amount of the late payment (10%) or returned check (\$15.00) charges. Since the last case was only applicable to wastewater operations, however, those non-recurring charges are only applicable to

1 wastewater customers. In this case, the Company seeks to apply those same charges  
2 to its water operations.

3  
4 **Q. WHY SHOULD THE COMMISSION EXTEND THE CURRENT LATE**  
5 **PAYMENT CHARGE AND RETURN CHECK CHARGE TO WATER**  
6 **CUSTOMERS?**

7 A. The logic expressed in the Commission’s decision regarding late payment and  
8 returned check charges for wastewater operations in the last case is equally  
9 applicable to the Company’s water operations. Specifically, the Commission  
10 pointed out that the Company had provided “cost justification supporting the  
11 proposed Returned Check Charge of \$15.00.”<sup>27</sup> That cost justification was founded  
12 in the fact that the Company is charged a returned check fee from its bank when an  
13 insufficient check is deposited. The cost justification provided by the Company in  
14 the last case has not changed. As such, the Company requests that the Commission  
15 apply the \$15.00 returned check charge to the Company’s water operations.<sup>28</sup>

16  
17  
18  
19 Regarding late payment fees, the Commission pointed out that “late fees are  
20 an important tool for a sewage utility to discourage untimely payments due to  
21 difficulties in terminating sewer service in the event of non-payment.”<sup>29</sup> Moreover,  
22

23  
24 <sup>27</sup> 2022 Order, page 97.

25 <sup>28</sup> Indeed, as I pointed out in my testimony in the last case, the returned check charge only covers the incremental cost  
26 that Bluegrass Water incurs from its bank for returned checks. Beyond that incremental external charge, however,  
Bluegrass Water also incurs internal costs when a check is returned. Specifically, Bluegrass Water must divert internal  
financial resources away from other duties to properly account for the returned check charge and to enter the necessary  
information into the billing system.

<sup>29</sup> 2022 Order, page 43.

1 in the absence of a charge, late payment situations create costs “that could ultimately  
2 be paid by other customers.”<sup>30</sup>  
3

4 While the termination of water service is easier, the value of a late payment  
5 fee is equally applicable. Specifically, for Bluegrass Water, the disconnection of a  
6 customer would require the preparation and mailing of a customer notice as well as  
7 a truck roll by the Company’s third-party operator to discontinue service. Thus, the  
8 late payment fee is designed to prevent these expensive disconnection measures.  
9

10 **Q. ARE LATE PAYMENTS USED IN OTHER INDUSTRIES?**

11 A. Late payment charges are prevalent through all aspects of the American economy.  
12 For instance, late payment charges are assessed for late payments of credit card  
13 balances as well as the late payment of bills for the provision of virtually all goods  
14 and services. Similarly, regulated utilities typically charge customers for failure to  
15 pay for utility service in a timely fashion. As such, late payment charges provide an  
16 incentive for customers to pay their bills in a timely fashion.  
17

18 **Q. WHAT IS YOUR RECOMMENDATION?**

19 A. The Company recommends that the Commission extend the 10% late payment fee,  
20 and \$15.00 returned check charge, both currently authorized for wastewater  
21 operations, to the Company’s water operations.  
22  
23  
24  
25

26 

---

<sup>30</sup> *Id.*, page 44.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**Q. WAS THERE AN ISSUE WITH THE CREATION OF A LATE PAYMENT CHARGE IN THE LAST CASE?**

A. Yes. In the last case, the Commission recognized that the authorization of a late payment charge creates a revenue stream that should reduce the revenue requirement necessary from base rates.<sup>31</sup>

The magnitude of this revenue stream is dependent, however, on the number of instances that customers fail to pay by the due date as well as the unpaid balance for those customers. In the last case, there was significant disagreement between the estimates provided by the Company and the Attorney General as to the expected magnitude of the late payment charge revenue stream. The Commission recognized that, if the estimate were set too low, the Company could realize increased revenues. But, if the estimate were set too high, the Commission realized that the failure to recover the expected level of late payment revenues could have a detrimental effect on “Bluegrass Water’s financial condition.”<sup>32</sup>

For this reason, the Commission included the test year level of late fee situations and revenues of \$14,244 (\$1,187 / month) as an offset to the Company’s revenue requirement. That said, however, the Commission also ordered the

---

<sup>31</sup> 2022 Order, page 43.  
<sup>32</sup> *Id.*, page 44.

1 Company to “track all invoice late fees and record them as a regulatory asset or  
2 liability to the extent that they exceed the \$14,244 in late fee revenues.”<sup>33</sup>

3  
4 **Q. HAS THE COMPANY TRACKED THE INSTANCES OF LATE FEES AND**  
5 **THE ASSOCIATED REVENUES GENERATED?**

6 A. Yes. The Commission’s order in the last case became effective on December 1,  
7 2023, the amount of monthly late payment revenues are as follows:<sup>34</sup>

8

	2023	2024	2025
9 January		\$521	\$4,984
10 February		\$361	\$5,908
11 March		\$353	\$6,747
12 April		\$5,040	\$5,010
13 May		\$5,442	\$4,686
14 June		\$5,846	\$4,551
15 July		\$4,978	\$4,639
16 August		\$4,946	\$4,370
17 September		\$4,592	\$4,621
18 October		\$5,339	\$3,773
19 November		\$4,591	
20 December	\$0	\$4,906	

21 **Q. HAVE YOU QUANTIFIED THE AMOUNT BY WHICH LATE FEE**  
22 **REVENUES VARIED FROM THE AMOUNT INCLUDED IN RATES IN**  
23 **CASE NO. 2022-00432?**

24 A. Yes. For 2024, the actual late fees collected from customers exceeded the amount  
25 included in rates by \$32,670. For 2025, the Company anticipates actual late fees will

26 <sup>33</sup> *Id.*

<sup>34</sup> There was a large jump in late payment revenues in April 2024 as it took some time after the issuance of the 2022 Order on February 14, 2024, to include in the billing system.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

exceed the amount included in rates by \$44,542. As ordered by the Commission, Bluegrass Water has recorded the 2024 difference as a regulatory liability and will similarly record the 2025 difference at year's end.

**Q. HOW DOES THE COMPANY PROPOSE TO ADDRESS THIS REGULATORY LIABILITY?**

A. The Company recommends that the Commission take no action on the regulatory liabilities recorded for late fees – i.e., not require Bluegrass Water to refund those amounts to customers. The final order in Case No. 2022-00423 suggests the Commission was concerned that by collecting more late fees than were included in the revenue requirement would adversely affect ratepayers by requiring them to overcompensate the Company for its actual cost of service. However, even though Bluegrass Water collected more in late fees than was anticipated, customers have not been adversely affected because total revenue collected from customers in 2024 and anticipated for 2025 is well below the amount assumed for ratemaking purposes in the last case.

Revenue collected for 2024 and forecasted to be collected in 2025 is \$2,765,670 and \$2,702,753, respectively. Each of these amounts is well below the \$2,905,451 the Commission assumed for ratemaking purposes in the prior case. Therefore, additional late fees did not result in customers overcompensating the Company. Instead, the additional late fees simply mitigated the gap between the

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

assumed level of revenues provided for in the Commission order and the amount of revenue the Company actually recovered through rates.

To eliminate or mitigate a similar result in the future, Bluegrass Water is requesting in the forward-looking test period that the full amount of expected late fees of \$51,983 not be considered an offset to the revenue requirement.

**Q. WOULD THE SAME CONCERN APPLY IF THE COMMISSION EXTENDED THE 10% LATE FEE TO WATER OPERATIONS?**

A. Yes.

**Q. HAS THE COMPANY PERFORMED AN ANALYSIS OF EXPECTED LATE PAYMENT REVENUES BASED UPON THE RECENT LEVEL OF LATE PAYMENTS?**

A. Yes. As explained in Ms. Harlow’s testimony, based upon the 12-month period (November 2024 - October 2025), the Company had 647 customers that failed to pay by the bill due date. Utilizing the amount due at the time for each of those customers, and the requested 10% late payment fee, a water late payment charge would have created \$5,023 of late payment revenues. Given the limited number of water customers, the Company recommends that the Commission utilize this amount of late payment revenues in its revenue requirement calculations and forego the need for additional reporting on this issue.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**X. CONCLUSION**

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IN THIS CASE?**

A. I recommend that the Commission grant the Company’s request for an increase to revenue as summarized on Exhibit BT-1 and allow it to begin assessing the requested late payment fee and returned check charge for water operations.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes.

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

**VERIFICATION**

I, Brent Thies, Vice President & Corporate Controller, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry on this 8<sup>th</sup> day of December, 2025.



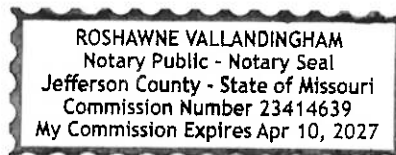
Brent Thies  
Vice President & Corporate Controller

STATE OF MISSOURI            )  
  )  
COUNTY OF ST. LOUIS        )

SUBSCRIBED AND SWORN TO before me on this 8<sup>th</sup> day of December, 2025.

*Roshawne Vallandingham*  
Notary Public, State of Missouri

My Commission expires: 04-10-2027



**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Revenue Requirement - Wastewater**

Exhibit BT-1A

Line Number (A)	Description (B)	12/31/2025 Forecast (C)	12/31/2026 Forecast (D)	12/31/2027 Forecast (E)	12/31/2028 Forecast (F)	3/31/2026 Base Year (G)	7/31/2027 Test Year (H)
1							
2	<b>Total Original Cost Rate Base</b>	<b>\$10,532,945</b>	<b>\$12,413,051</b>	<b>\$12,902,157</b>	<b>\$13,028,305</b>	<b>\$12,626,313</b>	<b>\$12,740,548</b>
3							
4	<b>Net Income at Present Rates</b>	<b>(\$1,045,432)</b>	<b>(\$1,206,823)</b>	<b>(\$1,159,082)</b>	<b>(\$1,202,327)</b>	<b>(\$1,022,667)</b>	<b>(\$1,277,815)</b>
5							
6	<b>Earned Rate of Return</b>	<b>-9.9%</b>	<b>-9.7%</b>	<b>-9.0%</b>	<b>-9.2%</b>	<b>-8.1%</b>	<b>-10.0%</b>
7							
8	<b>Requested Rate of Return</b>	<b>9.9%</b>	<b>9.7%</b>	<b>9.7%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.8%</b>
9							
10	<b>Required Return on Rate Base</b>	<b>\$1,044,271</b>	<b>\$1,205,180</b>	<b>\$1,257,504</b>	<b>\$1,270,283</b>	<b>\$1,222,536</b>	<b>\$1,244,596</b>
11							
12	<b>Weighted Return on Equity</b>	<b>6.5%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>5.5%</b>	<b>5.8%</b>
13							
14	<b>Operating Income Deficiency</b>	<b>\$2,089,703</b>	<b>\$2,412,003</b>	<b>\$2,416,586</b>	<b>\$2,472,610</b>	<b>\$2,245,203</b>	<b>\$2,522,411</b>
15							
16	<b>Net Income Required for Return on Equity</b>	<b>\$685,600</b>	<b>\$696,361</b>	<b>\$736,548</b>	<b>\$740,425</b>	<b>\$694,236</b>	<b>\$744,370</b>
17							
18	<b>Gross Revenue Conversion Factor</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>
19	<b>Gross Income Conversion Factor</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>
20							
21	<b>Revenue Deficiency</b>	<b>\$2,344,906</b>	<b>\$2,674,609</b>	<b>\$2,692,768</b>	<b>\$2,750,754</b>	<b>\$2,505,137</b>	<b>\$2,802,466</b>
22							
23	<b>Pro Forma Revenue at Present Rates</b>	<b>\$2,761,504</b>	<b>\$2,712,163</b>	<b>\$2,712,163</b>	<b>\$2,712,163</b>	<b>\$2,757,916</b>	<b>\$2,712,163</b>
24							
25	<b>Total Revenue Requirement</b>	<b>\$5,106,410</b>	<b>\$5,386,772</b>	<b>\$5,404,930</b>	<b>\$5,462,917</b>	<b>\$5,263,053</b>	<b>\$5,514,629</b>
26							

**Bluegrass Operating Company, LLC  
2025-00354**

**Exhibit BT-1B**

**Revenue Requirement - Water**

<b>Line Number (A)</b>	<b>Description (B)</b>	<b>12/31/2025 Forecast (C)</b>	<b>12/31/2026 Forecast (D)</b>	<b>12/31/2027 Forecast (E)</b>	<b>12/31/2028 Forecast (F)</b>	<b>3/31/2026 Base Year (G)</b>	<b>7/31/2027 Test Year (H)</b>
1							
2	<b>Total Original Cost Rate Base</b>	<b>\$996,064</b>	<b>\$964,670</b>	<b>\$938,796</b>	<b>\$913,807</b>	<b>\$981,765</b>	<b>\$956,713</b>
3							
4	<b>Net Income at Present Rates</b>	<b>(\$7,548)</b>	<b>\$21,249</b>	<b>\$11,624</b>	<b>\$11,006</b>	<b>\$8,863</b>	<b>\$12,290</b>
5							
6	<b>Earned Rate of Return</b>	<b>-0.8%</b>	<b>2.2%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>0.9%</b>	<b>1.3%</b>
7							
8	<b>Requested Rate of Return</b>	<b>9.9%</b>	<b>9.7%</b>	<b>9.7%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.8%</b>
9							
10	<b>Required Return on Rate Base</b>	<b>\$98,753</b>	<b>\$93,660</b>	<b>\$91,499</b>	<b>\$89,098</b>	<b>\$95,059</b>	<b>\$93,459</b>
11							
12	<b>Weighted Return on Equity</b>	<b>6.5%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>5.5%</b>	<b>5.8%</b>
13							
14	<b>Operating Income Deficiency</b>	<b>\$106,301</b>	<b>\$72,411</b>	<b>\$79,875</b>	<b>\$78,092</b>	<b>\$86,195</b>	<b>\$81,169</b>
15							
16	<b>Net Income Required for Return on Equity</b>	<b>\$64,835</b>	<b>\$54,117</b>	<b>\$53,593</b>	<b>\$51,934</b>	<b>\$53,981</b>	<b>\$55,896</b>
17							
18	<b>Gross Revenue Conversion Factor</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>	<b>1.01</b>
19	<b>Gross Income Conversion Factor</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>
20							
21	<b>Revenue Deficiency</b>	<b>\$129,363</b>	<b>\$91,469</b>	<b>\$98,845</b>	<b>\$96,482</b>	<b>\$105,369</b>	<b>\$100,928</b>
22							
23	<b>Pro Forma Revenue at Present Rates</b>	<b>\$262,167</b>	<b>\$261,377</b>	<b>\$261,377</b>	<b>\$261,377</b>	<b>\$261,792</b>	<b>\$261,377</b>
24							
25	<b>Total Revenue Requirement</b>	<b>\$391,530</b>	<b>\$352,846</b>	<b>\$360,221</b>	<b>\$357,859</b>	<b>\$367,161</b>	<b>\$362,305</b>
26							





**Bluegrass Operating Company, LLC  
Wastewater Forecast at Current Rates**

807 KAR 5:001 Section 16 (8)(d)

Exhibit BT-3A

Bluegrass Filin 2025-00354

Line Number	NARUC Acct. No.	Description	Forecasted Present Rates 2025	Forecasted Present Rates 2026	Forecasted Present Rates 2027	Forecasted Present Rates 2028	Forecast Workpaper Name	Adjustments to Base Year	Adjustment Workpaper
1		<b>Revenues</b>							
2	521.000	Sewer - Unmetered Revenue	\$0	\$0	\$0	\$0			
3	521.100	Sewer - Unmetered Residential	\$529,115	\$2,118,897	\$2,118,897	\$2,118,897	KY Revenue Forecast		
4	521.200	Sewer - Unmetered Commercial	\$592	\$2,369	\$2,369	\$2,369	KY Revenue Forecast		
5	521.300	Sewer - Unmetered Industrial	\$0	\$0	\$0	\$0			
6	521.500	Sewer - Unmetered Multi-Family	\$16,974	\$67,902	\$67,902	\$67,902	KY Revenue Forecast		
7	522.000	Sewer - Metered Revenue	\$0	\$0	\$0	\$0			
8	522.100	Sewer - Metered Residential	\$0	\$0	\$0	\$0			
9	522.200	Sewer - Metered Commercial	\$156,150	\$508,751	\$508,751	\$508,751	KY Revenue Forecast		
10	522.300	Sewer - Metered Industrial	\$0	\$0	\$0	\$0			
11	532.000	Sewer - Late Fees	(\$35,045)	\$14,244	\$14,244	\$14,244	KY Revenue Forecast		
12	536.000	Sewer - Misc. Service Revenue	\$0	\$0	\$0	\$0			
13		Total Revenue	\$667,787	\$2,712,163	\$2,712,163	\$2,712,163		\$0	
14									
15		<b>Expenses</b>							
16		<u>G&amp;A - General &amp; Admin:</u>							
17	408.100	Taxes - Other	\$0	(\$4,189)	(\$4,386)	(\$4,386)	25.11 PSC Regulatory Fees		
18	408.160	Taxes - Property	(\$35,707)	(\$143,107)	(\$148,784)	(\$158,358)	Property Tax Forecast	(\$11,902)	Property Tax Forecast
19	408.200	Taxes - Income	\$0	\$0	\$0	\$0			
20	903.100	Cust Record Collect (Billing)	(\$15,504)	(\$67,381)	(\$68,796)	(\$70,172)	KY Rate Case Financial Workbook/Inflationary Factors & KY Intelogix Cost Savings	\$5,231	KY Intelogix Cost Savings
21	903.200	Customer Collection Expenses	\$0	\$0	\$0	\$0		\$255	Remove all cost
22	903.280	Cust Record Collect (Bank Fees)	(\$16,825)	(\$53,901)	(\$55,033)	(\$56,134)	KY Rate Case Financial Workbook/Inflationary Factors		
23	904.000	Uncollectible Accounts	\$0	\$0	\$0	\$0			
24	921.110	Office Exp - Meals and Travel	\$0	(\$2,462)	(\$2,514)	(\$2,564)	KY Rate Case Financial Workbook/Inflationary Factors		
25	921.500	Office Exp - Communication	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
26	921.800	Office Exp - Supplies	\$0	(\$130)	(\$132)	(\$135)	KY Rate Case Financial Workbook/Inflationary Factors		
27	922.000	Admin Expenses Transferred	(\$172,488)	(\$338,432)	(\$345,539)	(\$352,450)	KY Rate Case Financial Workbook/Inflationary Factors		
28	922.001	Admin Expenses Transferred-Direct	\$0	(\$110,093)	(\$112,405)	(\$114,654)	KY Rate Case Financial Workbook/Inflationary Factors		
29	923.100	OSS - Bank Fees	\$0	(\$9,504)	(\$9,704)	(\$9,898)	KY Rate Case Financial Workbook/Inflationary Factors		
30	923.300	OSS - Engineering Consult	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
31	923.400	OSS - Legal	(\$890)	(\$38,729)	(\$39,543)	(\$40,334)	KY Rate Case Financial Workbook/Inflationary Factors	\$6,674	Reduce Legal by 50%
32	923.500	OSS - Audit and Accounting	(\$2,905)	(\$3,820)	(\$3,900)	(\$3,978)	KY Rate Case Financial Workbook/Inflationary Factors		
33	923.600	OSS - MGMT Consult	\$0	(\$551)	(\$563)	(\$574)	KY Rate Case Financial Workbook/Inflationary Factors		
34	923.900	OSS - IT	(\$3,902)	(\$19,836)	(\$20,253)	(\$20,658)	KY Rate Case Financial Workbook/Inflationary Factors		
35	924.400	Property Insurance - Commercial	(\$25,274)	(\$116,716)	(\$125,618)	(\$129,897)	KY Property Tax Forecast		
36	928.100	Regulatory Expense - DNR	(\$15,526)	(\$38,462)	(\$39,270)	(\$40,055)	KY Rate Case Financial Workbook/Inflationary Factors		
37	928.300	Regulatory Expense - Other	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
38	928.400	Regulatory Expense - Ground Water Conservation	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
39	930.200	Misc. General Exp	(\$4,120)	(\$6,733)	(\$6,874)	(\$7,011)	KY Rate Case Financial Workbook/Inflationary Factors		
40	930.300	Customer Courtesy Credit	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
41		Total G&A - General & Admin	(\$293,141)	(\$954,047)	(\$983,313)	(\$1,011,258)		\$259	
42									
43		<u>Ops &amp; Maint - Operations &amp; Maintenance:</u>							
44	710.000	Sewer - Purchased Treatment	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
45	711.000	Sewer - Sludge Removal	\$0	\$0	\$0	\$0	Included with 730.000		

**Bluegrass Operating Company, LLC  
Wastewater Forecast at Current Rates**

807 KAR 5:001 Section 16 (8)(d)

Exhibit BT-3A

Bluegrass Filin 2025-00354

Line Number	NARUC Acct. No.	Description	Forecasted Present Rates 2025	Forecasted Present Rates 2026	Forecasted Present Rates 2027	Forecasted Present Rates 2028	Forecast Workpaper Name	Adjustments to Base Year	Adjustment Workpaper
46	715.000	Sewer - Purchased Power	(\$89,274)	(\$353,905)	(\$353,905)	(\$353,905)	KY Purchase Power Forecast		
47	715.300	Sewer - Purchased Power - Pumping	\$0	\$0	\$0	\$0	KY Purchase Power Forecast		
48	715.500	Sewer - Purchased Power - Treatment and Disposal	\$0	\$0	\$0	\$0	KY Purchase Power Forecast		
49	716.000	Sewer - Fuel for Power Production	(\$3,019)	(\$11,009)	(\$11,241)	(\$11,465)	KY Rate Case Financial Workbook/Inflationary Factors		
50	718.000	Sewer - Chemicals	\$0	\$0	\$0	\$0	Included with 730.000		
51	718.500	Sewer - Chemicals - Treatment and Disposal	\$0	\$0	\$0	\$0	Included with 730.000		
52	720.000	Sewer - Materials and Supplies	\$385	(\$1,719)	(\$1,755)	(\$1,790)	KY Rate Case Financial Workbook/Inflationary Factors	\$1,580	Reduce Maintenance by 50%
53	720.100	Sewer - Materials and Supplies - Collection Ops	(\$275)	(\$282)	(\$288)	(\$294)	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
54	720.200	Sewer - Materials and Supplies - Collection Maint	\$41	\$42	\$43	\$44	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
55	720.300	Sewer - Materials and Supplies - Pumping Ops	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
56	720.400	Sewer - Materials and Supplies - Pumping Maint	\$43	\$44	\$45	\$46	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
57	720.500	Sewer - Materials and Supplies - T&D Ops	\$119	\$93	\$95	\$97	KY Rate Case Financial Workbook/Inflationary Factors	\$28	Reduce Maintenance by 50%
58	720.600	Sewer - Materials and Supplies - T&D Maint	(\$436)	(\$579)	(\$592)	(\$603)	KY Rate Case Financial Workbook/Inflationary Factors	(\$14)	Reduce Maintenance by 50%
59	729.000	Sewer - Mowing and Lawn maintenance	\$0	\$0	\$0	\$0		\$80,672	Remove One-Time Items
60	730.000	Sewer - Contract Operations	(\$453,141)	(\$1,848,814)	(\$1,866,940)	(\$1,866,940)	Contract Ops		
61	730.100	Sewer - Contract Operations - Collection Ops	\$0	\$0	\$0	\$0	Included with 730.000		
62	730.200	Sewer - Collection Maintenance	(\$276)	(\$6,549)	(\$6,687)	(\$6,820)	KY Rate Case Financial Workbook/Inflationary Factors	\$5,231	Reduce Maintenance by 50%
63	730.201	Sewer - Collection Maint - Plant S&I	\$0	(\$616)	(\$629)	(\$641)	KY Rate Case Financial Workbook/Inflationary Factors	\$598	Reduce Maintenance by 50%
64	730.202	Sewer - Collection Maint - Pumping Equip Maint	(\$347)	(\$1,621)	(\$1,655)	(\$1,688)	KY Rate Case Financial Workbook/Inflationary Factors	\$843	Reduce Maintenance by 50%
65	730.203	Sewer - Collection Maint - Maint of Meters	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
66	730.204	Sewer - Collection Maint - Maint of Mains	\$95	(\$136)	(\$139)	(\$142)	KY Rate Case Financial Workbook/Inflationary Factors	\$89	Reduce Maintenance by 50%
67	730.205	Sewer - Collection Maint - Other Collection Plant Maint	\$54	(\$931)	(\$950)	(\$969)	KY Rate Case Financial Workbook/Inflationary Factors	\$827	Reduce Maintenance by 50%
68	730.206	Sewer - Collection Maint - Maint Customer Services	(\$1,291)	(\$1,661)	(\$1,696)	(\$1,730)	KY Rate Case Financial Workbook/Inflationary Factors	(\$186)	Reduce Maintenance by 50%
69	730.300	Sewer - Contract Operations - Pumping Ops	\$0	\$0	\$0	\$0	Included with 730.000		
70	730.400	Sewer - Pumping Maintenance	\$2,028	\$1,490	\$1,522	\$1,552	KY Rate Case Financial Workbook/Inflationary Factors	\$409	Reduce Maintenance by 50%
71	730.500	Sewer - T&D Ops	(\$732)	(\$1,858)	(\$1,897)	(\$1,935)	KY Rate Case Financial Workbook/Inflationary Factors	\$965	Reduce Maintenance by 50%
72	730.600	Sewer - T&D Maintenance	\$1,161	(\$8,402)	(\$8,579)	(\$8,750)	KY Rate Case Financial Workbook/Inflationary Factors	\$6,537	Reduce Maintenance by 50%
73	730.601	Sewer - T&D Maint - Plant S&I	(\$47)	(\$493)	(\$503)	(\$513)	KY Rate Case Financial Workbook/Inflationary Factors	\$431	Reduce Maintenance by 50%
74	730.602	Sewer - T&D Maint - Pumping Equip Maint	\$0	(\$340)	(\$347)	(\$354)	KY Rate Case Financial Workbook/Inflationary Factors	\$330	Reduce Maintenance by 50%
75	730.603	Sewer - T&D Maint - Other T&D Plant Maint	\$737	(\$7,858)	(\$8,023)	(\$8,184)	KY Rate Case Financial Workbook/Inflationary Factors	\$5,573	Reduce Maintenance by 50%
76	731.000	Sewer - Contract Svcs - Engineering	\$0	\$0	\$0	\$0	Included with 730.000		
77	741.000	Sewer - Rents - Property	\$0	\$0	\$0	\$0		\$750	Remove One Time items
78	742.000	Sewer - Rents - Equipment	\$0	\$0	\$0	\$0		\$119	Remove One Time items
79	735.000	Sewer - Contract Svcs - Testing	\$0	\$0	\$0	\$0	Included with 730.000		
80	767.000	Sewer - Regulatory Exp	(\$2,393)	(\$9,157)	(\$9,349)	(\$9,536)	KY Rate Case Financial Workbook/Inflationary Factors		
81	770.000	Sewer - Bad Debt Exp	(\$7,058)	(\$26,979)	(\$26,979)	(\$26,979)	KY Revenue Forecast	(\$4,130)	Adjust to Bad Debt Expense of 1% of Revenue
82	775.100	Sewer - Misc. Expense - Collection Ops	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
83	775.000	Sewer - Misc. Expense	(\$11,677)	(\$49,222)	(\$50,256)	(\$51,261)	KY Rate Case Financial Workbook/Inflationary Factors		
84	775.500	Sewer - Misc. Expense - T&D Ops	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
85		<b>Total Ops &amp; Maint - Operations &amp; Maintenance</b>	<b>(\$565,301)</b>	<b>(\$2,330,463)</b>	<b>(\$2,350,704)</b>	<b>(\$2,352,762)</b>		<b>\$100,654</b>	
86									
87		<u>Depr &amp; Amort - Depreciation &amp; Amortization:</u>							
88	403.000	Depreciation Expense	(\$113,601)	(\$538,108)	(\$543,223)	(\$582,926)	KY Asset-Accum Depr		
89	403.200	Depreciation Expense Salvage Reserve	\$0	\$0	\$0	\$0			
90	405.120	Amortization of Deferred Debits	\$0	(\$8,671)	(\$60,694)	(\$416,185)	Theis Testimony 10 year Amortization Abandon Plant		
91	403.100	Depreciation Expense CIAC	\$5,268	\$21,072	\$21,072	\$21,072	KY CIAC Forecast		

**Bluegrass Operating Company, LLC**  
**Wastewater Forecast at Current Rates**

807 KAR 5:001 Section 16 (8)(d)

Exhibit BT-3A

Bluegrass Filin **2025-00354**

Line Number	NARUC Acct. No.	Description	Forecasted Present Rates 2025	Forecasted Present Rates 2026	Forecasted Present Rates 2027	Forecasted Present Rates 2028	Forecast Workpaper Name	Adjustments to Base Year	Adjustment Workpaper
92	405.000	Amortization Expense	\$0	\$0	\$0	\$0			
93	405.100	Amortization of Regulatory Assets Exp	(\$121,002)	(\$556,261)	(\$384,172)	(\$18,256)	Continue amortization of 186001		
94		<i>Total Depr &amp; Amort - Depreciation &amp; Amortization</i>	(\$229,335)	(\$1,081,968)	(\$967,017)	(\$996,295)		\$0	
95									
96									
97		<u>Interest Expense</u>							
98	427.000	Interest Expense	(\$41,530)	(\$162,774)	(\$157,153)	(\$151,162)	KY CoBank Amort Schedule		
99	427.001	Interest Expense - Intercompany	(\$81,411)	(\$486,016)	(\$708,456)	(\$853,427)	KY CoBank Amort Schedule		
100		<i>Total Interest Expense</i>	(\$122,941)	(\$648,791)	(\$865,609)	(\$1,004,589)			
101									
102		Total Expenses	(\$1,210,717)	(\$5,015,269)	(\$5,166,643)	(\$5,364,904)		\$100,912	
103									
104	414.000	Gain/Loss of Utility Property	\$0	\$0	\$0	\$0			
105	414.001	Gain/Loss - other	\$0	\$0	\$0	\$0			
106	405.200	Amortization of Debt Discount Exp	(\$246)	(\$984)	(\$984)	(\$984)			
107									
108		<b>Net Income</b>	(\$542,931)	(\$2,303,106)	(\$2,454,480)	(\$2,652,741)		<b>\$100,912</b>	
109									

Bluegrass Operating Company, LLC  
Water Forecast at Current Rates

807 KAR 5:001 Section 16 (8)(d)

Exhibit BT-3B

Bluegrass Filing 2025-00354

Line Number	NARUC Acct. No.	Description	Forecasted Present Rates 2025	Forecasted Present Rates 2026	Forecasted Present Rates 2027	Forecasted Present Rates 2028	Forecast Workpaper Name	Adjustments to Base Year	Adjustment Workpaper
1		<b>Revenues</b>							
3	460.000	Water - Unmetered Revenue	\$0	\$0	\$0	\$0			
4	460.100	Water - Unmetered Residential	\$66,122	\$261,377	\$261,377	\$261,377	KY Revenue Forecast/Revenue Forecast - Detail		
5	460.200	Unmetered Commercial	\$0	\$0	\$0	\$0			
6	461.100	Water - Metered Residential	\$0	\$0	\$0	\$0			
7	461.200	Water - Metered Commercial	\$0	\$0	\$0	\$0			
8	461.400	Water - Metered Public Authorities	\$0	\$0	\$0	\$0			
9	465.000	Water - Irrigation Customers	\$0	\$0	\$0	\$0			
10	470.000	Water - Late Fees	\$0	\$0	\$0	\$0			
11	471.000	Water - Misc Service Revenues	\$0	\$0	\$0	\$0			
12		Total Revenue	\$66,122	\$261,377	\$261,377	\$261,377		\$0	
13									
14		<b>Expenses</b>							
15		<u>G&amp;A - General &amp; Admin:</u>							
16	408.100	Taxes - Other	\$0	(\$418)	(\$417)	(\$417)	KY PSC Regulatory Fees		
17	408.160	Taxes - Property	(\$3,847)	(\$15,387)	(\$15,387)	(\$15,387)	KY Property Tax Forecast	(\$1,282)	KY Property Tax Forecast
18	408.200	Taxes - Income	\$0	\$0	\$0	\$0			
19	426.000	Misc. Income Deductions	\$0	\$0	\$0	\$0			
20	903.100	Cust Record Collect (Billing)	(\$223)	(\$6,477)	(\$6,613)	(\$6,745)	KY Rate Case Financial Workbook/Inflationary Factors & KY Intelogix Cost Savings	\$644	KY Intelogix Cost Savings
21	903.200	Customer Collection Expenses	\$0	\$0	\$0	\$0	Remove all cost	\$31	Remove all cost
22	903.280	Cust Record Collect (Bank Fees)	(\$2,054)	(\$6,464)	(\$6,600)	(\$6,732)	KY Rate Case Financial Workbook/Inflationary Factors		
23	904.000	Uncollectible Accounts	\$0	\$0	\$0	\$0			
24	921.110	Office Exp - Meals and Travel	\$0	(\$123)	(\$126)	(\$129)	KY Rate Case Financial Workbook/Inflationary Factors		
25	921.500	Office Exp - Communication	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
26	921.800	Office Exp - Supplies	\$0	(\$15)	(\$16)	(\$16)	KY Rate Case Financial Workbook/Inflationary Factors		
27	922.000	Admin Expenses Transferred	(\$20,862)	(\$40,565)	(\$41,417)	(\$42,246)	KY Rate Case Financial Workbook/Inflationary Factors		
28	922.001	Admin Expenses Transferred-Direct	\$0	(\$13,212)	(\$13,490)	(\$13,759)	KY Rate Case Financial Workbook/Inflationary Factors		
29	923.100	OSS - Bank Fees	\$0	(\$1,143)	(\$1,167)	(\$1,191)	KY Rate Case Financial Workbook/Inflationary Factors		
30	923.300	OSS - Engineering Consult	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
31	923.400	OSS - Legal	(\$79)	(\$5,954)	(\$6,079)	(\$6,200)	KY Rate Case Financial Workbook/Inflationary Factors	\$3,177	Reduce Legal by 50%
32	923.500	OSS - Audit and Accounting	(\$356)	(\$464)	(\$474)	(\$483)	KY Rate Case Financial Workbook/Inflationary Factors		
33	923.600	OSS - MGMT Consult	\$0	(\$65)	(\$66)	(\$67)	KY Rate Case Financial Workbook/Inflationary Factors		
34	923.900	OSS - IT	(\$565)	(\$2,934)	(\$2,996)	(\$3,056)	KY Rate Case Financial Workbook/Inflationary Factors		
35	924.400	Property Insurance - Commercial	(\$2,660)	(\$10,641)	(\$10,641)	(\$10,641)	KY Property Tax Forecast		
36	928.100	Regulatory Expense - DNR	(\$210)	(\$753)	(\$769)	(\$784)	KY Rate Case Financial Workbook/Inflationary Factors		
37	928.200	Regulatory Expense - Business License	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
38	928.300	Regulatory Expense - Other	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
39	930.200	Misc. General Exp	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
40	930.300	Customer Courtesy Credit	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
41		Total G&A - General & Admin	(\$30,856)	(\$104,616)	(\$106,256)	(\$107,852)		\$2,570	
42									
43		<u>Ops &amp; Maint - Operations &amp; Maintenance:</u>							
44	610.000	Water - Purchased Water	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
45	611.000	Water - Water Rights	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
46	615.000	Water - Purchased Power	(\$2,887)	(\$11,702)	(\$11,702)	(\$11,702)	KY Purchase Power Forecast		
47	615.100	Water - Purchased Power - Source of Supply	\$0	\$0	\$0	\$0	KY Purchase Power Forecast		
48	618.000	Water - Chemicals	\$0	\$0	\$0	\$0	included with Contract Ops 630.000		
49	618.300	Water - Chemicals - Treatment/Purification	\$0	\$0	\$0	\$0	included with Contract Ops 630.000		
50	618.500	Water - Chemicals - T&D	\$0	\$0	\$0	\$0	included with Contract Ops 630.000		
51	620.000	Water - Materials and Supplies	\$168	\$44	\$45	\$46	KY Rate Case Financial Workbook/Inflationary Factors	\$26	Reduce Maintenance by 50%
52	620.100	Water - Materials and Supplies - SoS Ops	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
53	620.200	Water - Materials and Supplies - SoS Maint	(\$99)	(\$102)	(\$104)	(\$106)	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%

Bluegrass Operating Company, LLC  
Water Forecast at Current Rates

807 KAR 5:001 Section 16 (8)(d)

Exhibit BT-3B

Bluegrass Filings 2025-00354

Line Number	NARUC Acct. No.	Description	Forecasted Present Rates 2025	Forecasted Present Rates 2026	Forecasted Present Rates 2027	Forecasted Present Rates 2028	Forecast Workpaper Name	Adjustments to Base Year	Adjustment Workpaper
54	620.400	Water - Materials and Supplies - Treatment Maint	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
55	620.500	Water - Materials and Supplies - T&D Ops	\$21	\$21	\$22	\$22	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
56	620.600	Water - Materials and Supplies - T&D Maint	(\$149)	(\$61)	(\$62)	(\$63)	KY Rate Case Financial Workbook/Inflationary Factors	(\$40)	Reduce Maintenance by 50%
57	629.000	Water - Mowing and Lawn Maintenance	\$0	\$0	\$0	\$0		\$2,965	Remove One-time Items
58	630.000	Water - Contract Operations	(\$16,775)	(\$68,444)	(\$69,115)	(\$69,115)	KY Contract Ops		
59	630.100	Water - Source of Supply Ops	(\$85)	(\$222)	(\$227)	(\$231)	KY Rate Case Financial Workbook/Inflationary Factors	\$131	Reduce Maintenance by 50%
60	630.200	Water - Source of Supply Maintenance	(\$152)	(\$96)	(\$98)	(\$100)	KY Rate Case Financial Workbook/Inflationary Factors	(\$58)	Reduce Maintenance by 50%
61	630.201	Water - SoS Maint - Plant Maint S&I	(\$345)	(\$2,689)	(\$2,745)	(\$2,800)	KY Rate Case Financial Workbook/Inflationary Factors	\$764	Reduce Maintenance by 50%
62	630.202	Water - SoS Maint - Pumping Equip Maint	(\$85)	(\$1,079)	(\$1,101)	(\$1,123)	KY Rate Case Financial Workbook/Inflationary Factors	\$908	Reduce Maintenance by 50%
63	630.203	Water - SoS Maint - Wells and Springs	(\$502)	(\$745)	(\$761)	(\$776)	KY Rate Case Financial Workbook/Inflationary Factors	\$223	Reduce Maintenance by 50%
64	630.204	Water - SoS Maint - Lake, River, and Other Intake	(\$305)	\$27	\$28	\$28	KY Rate Case Financial Workbook/Inflationary Factors	(\$165)	Reduce Maintenance by 50%
65	630.300	Water - Treatment Ops	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
66	630.302	Water - Treatment - Purification Labor	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
67	630.400	Water - Treatment Maintenance	(\$10)	\$95	\$97	\$98	KY Rate Case Financial Workbook/Inflationary Factors	(\$51)	Reduce Maintenance by 50%
68	630.401	Water - Treatment Maint - Plant Maint S&I	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
69	630.402	Water - Treatment Maint - Pumping Equip Maint	\$0	(\$52)	(\$53)	(\$55)	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
70	630.404	Water - Treatment Maint - Supervision/Engineering	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
71	630.405	Water - Treatment Maint - Maint of Purification Equip	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
72	630.500	Water - T&D Ops	(\$1,113)	(\$1,964)	(\$2,005)	(\$2,045)	KY Rate Case Financial Workbook/Inflationary Factors	\$310	Reduce Maintenance by 50%
73	630.600	Water - T&D Maintenance	\$0	(\$401)	(\$409)	(\$417)	KY Rate Case Financial Workbook/Inflationary Factors	\$87	Reduce Maintenance by 50%
74	630.601	Water - T&D Maint - Plant Maint S&I	\$0	(\$262)	(\$267)	(\$272)	KY Rate Case Financial Workbook/Inflationary Factors	\$63	Reduce Maintenance by 50%
75	630.602	Water - T&D Maint - Pumping Equip Maint	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
76	630.603	Water - T&D Maint - Hydrant Maint	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
77	630.604	Water - T&D Maint - Maps and Records	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
78	630.605	Water - T&D Maint - Meter Maint	(\$45)	(\$46)	(\$47)	(\$48)	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
79	630.606	Water - T&D Maint - Maint of Customer Services	(\$397)	(\$520)	(\$531)	(\$542)	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
80	630.607	Water - T&D Maint - Maint of Mains	(\$1,627)	(\$2,822)	(\$2,881)	(\$2,939)	KY Rate Case Financial Workbook/Inflationary Factors	\$212	Reduce Maintenance by 50%
81	630.608	Water - T&D Maint - Other Distribution Plant Maint	(\$170)	(\$174)	(\$178)	(\$182)	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
82	630.610	Water - T&D Maint - Power Production Equip Maint	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors	\$0	Reduce Maintenance by 50%
83	635.000	Water - Testing	\$0	\$0	\$0	\$0	included with Contract Ops 630.000		
84	636.000	Water - Other Contract Services	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
85	641.000	Water - Rents - Property	\$0	\$0	\$0	\$0		\$100	Remove One Time items
86	642.000	Water - Rents - Equipment	\$0	\$0	\$0	\$0		\$100	Remove One Time items
87	667.000	Water - Regulatory Expense	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
88	670.000	Water - Bad Debt	(\$661)	(\$2,614)	(\$2,614)	(\$2,614)	KY Revenue Forecast	(\$2,103)	Adjust to Bad Debt Expense of 1% of Revenue
89	675.000	Water - Misc Expense	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
90	675.100	Water - Misc Expense - Source of Supply	\$0	\$0	\$0	\$0	KY Rate Case Financial Workbook/Inflationary Factors		
91		Total Ops & Maint - Operations & Maintenance	(\$25,218)	(\$93,806)	(\$94,709)	(\$94,935)		\$3,472	
92									
93		<u>Depr &amp; Amort - Depreciation &amp; Amortization:</u>							
94	403.000	Depreciation Expense	(\$9,477)	(\$37,907)	(\$37,907)	(\$36,933)	KY Asset-Accum Depr		
95	403.200	Depreciation Expense Salvage Reserve	\$0	\$0	\$0	\$0			
96	405.120	Amortization of Deferred Debits	\$0	\$0	\$0	\$0			
97	403.100	Depreciation Expense CIAC	\$2,922	\$11,687	\$11,687	\$11,687	KY CIAC Forecast		
98	405.000	Amortization Expense	\$0	\$0	\$0	\$0			
99	405.100	Amortization of Regulatory Assets Exp	\$0	(\$7,607)	(\$18,256)	(\$18,256)			
101		Total Depr & Amort - Depreciation & Amortization	(\$6,555)	(\$33,827)	(\$44,477)	(\$43,502)		\$0	
102									
103		<u>Interest Expense</u>							
104	427.000	Interest Expense	(\$4,363)	(\$17,087)	(\$16,497)	(\$15,868)	KY CoBank Amort Schedule		
105	427.001	Interest Expense - Intercompany	(\$10,020)	(\$59,821)	(\$87,199)	(\$105,043)	KY CoBank Amort Schedule		
106		Total Interest Expense	(\$14,384)	(\$76,907)	(\$103,696)	(\$120,911)		\$0	
107									

**Bluegrass Operating Company, LLC**  
**Water Forecast at Current Rates**

807 KAR 5:001 Section 16 (8)(d)

Exhibit BT-3B

Bluegrass Filing 2025-00354

Line Number	NARUC Acct. No.	Description	Forecasted Present Rates 2025	Forecasted Present Rates 2026	Forecasted Present Rates 2027	Forecasted Present Rates 2028	Forecast Workpaper Name	Adjustments to Base Year	Adjustment Workpaper
108		Total Expenses	(\$77,013)	(\$309,157)	(\$349,138)	(\$367,200)		\$6,042	
109									
110	414.000	Gain/Loss of Utility Property	\$0	\$0	\$0	\$0			
111	414.001	Gain/Loss - other	\$0	\$0	\$0	\$0			
100	405.200	Amortization of Debt Discount Exp	(\$26)	(\$104)	(\$104)	(\$104)			
2	421.000	Non-Utility Income	\$5,484	\$21,935	\$21,935	\$21,935			
112									
113		<b>Net Income</b>	<b>(\$5,433)</b>	<b>(\$25,949)</b>	<b>(\$65,930)</b>	<b>(\$83,992)</b>		<b>\$6,042</b>	
114									

Bluegrass Operating Company, LLC  
2025-00354

Exhibit BT-4A

Rate Base Wastewater  
Test Year 13-Month Average

Line Number	Description	7/31/2026	8/31/2026	9/30/2026	10/31/2026	11/30/2026	12/31/2026	1/31/2027	2/28/2027	3/31/2027	4/30/2027	5/31/2027	6/30/2027	7/31/2027	13-month Avg
(A)	(B)	(C)	(C)	(D)	(E)	(F)	(G)	(H)	(C)	(D)	(E)	(F)	(G)	(H)	
1															
2	Utility Plant in Service	\$15,463,091	\$15,463,091	\$15,463,091	\$15,547,336	\$15,547,336	\$15,731,526	\$16,067,526	\$16,067,526	\$16,067,526	\$16,317,526	\$16,317,526	\$16,317,526	\$16,317,526	\$16,317,526
3															
4	Accumulated Provision for Depreciation	(\$3,391,694)	(\$3,436,518)	(\$3,481,341)	(\$3,526,164)	(\$3,570,988)	(\$3,596,776)	(\$3,548,683)	(\$3,594,080)	(\$3,638,729)	(\$3,683,378)	(\$3,728,036)	(\$3,772,675)	(\$3,817,324)	
5															
6	Accumulated Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7															
8	Deferred Debits - Abandoned Plant	\$173,410	\$171,965	\$170,520	\$169,075	\$167,630	\$166,185	\$164,740	\$163,295	\$161,850	\$160,404	\$158,959	\$157,514	\$156,069	
9															
10	Net Utility Plant	\$12,244,807	\$12,198,539	\$12,152,270	\$12,190,247	\$12,143,978	\$12,300,935	\$12,683,583	\$12,636,740	\$12,590,647	\$12,794,553	\$12,748,449	\$12,702,365	\$12,656,272	
11															
12	<b>Less:</b>														
13	Contributions in Aid of Construction, net	\$65,808	\$64,052	\$62,296	\$60,540	\$58,784	\$57,028	\$55,272	\$53,516	\$51,760	\$50,004	\$48,248	\$46,492	\$44,736	
14	Advances in Aid of Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
15															
16	Subtotal:	\$65,808	\$64,052	\$62,296	\$60,540	\$58,784	\$57,028	\$55,272	\$53,516	\$51,760	\$50,004	\$48,248	\$46,492	\$44,736	
17															
18	<b>Add:</b>														
19	Cash Working Capital	\$287,778	\$287,353	\$285,519	\$286,153	\$286,705	\$287,317	\$287,883	\$288,478	\$289,063	\$289,638	\$289,675	\$289,699	\$289,718	
20	Prepayments	\$33,528	\$29,785	\$26,514	\$46,708	\$50,998	\$90,827	\$45,498	\$51,861	\$46,300	\$41,026	\$20,236	\$39,786	\$34,233	
21															
22	Subtotal:	\$321,306	\$317,138	\$312,034	\$332,860	\$337,703	\$378,144	\$333,381	\$340,339	\$335,363	\$330,664	\$309,912	\$329,485	\$323,951	
23															
24	<b>Total Original Cost Rate Base</b>	<b>\$12,500,305</b>	<b>\$12,451,625</b>	<b>\$12,402,008</b>	<b>\$12,462,567</b>	<b>\$12,422,897</b>	<b>\$12,622,051</b>	<b>\$12,961,691</b>	<b>\$12,923,563</b>	<b>\$12,874,249</b>	<b>\$13,075,212</b>	<b>\$13,010,113</b>	<b>\$12,985,358</b>	<b>\$12,935,486</b>	<b>\$12,740,548</b>

807 KAR 5:001 Section 16 (7)(h)12  
807 KAR 5:001 Section 16 (8)(b)







**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Rate Base Wastewater**

**Exhibit BT-6A**

Line Number (A)	Description (B)	12/31/2025 Forecast (C)	12/31/2026 Forecast (D)	12/31/2027 Forecast (E)	12/31/2028 Forecast (F)	3/31/2026 Base Year (G)	7/31/2027 Test Year (H)
1							
2	Utility Plant in Service	\$13,138,091	\$15,522,526	\$16,451,926	\$17,155,161	\$15,412,091	
3							See RB 13-
4	Accumulated Provision for Depreciation	(\$3,078,347)	(\$3,596,776)	(\$4,045,203)	(\$4,628,129)	(\$3,212,401)	Month Avg
5							
6	Accumulated Amortization	\$0	\$0	\$0	\$0	\$0	
7							
8	Deferred Debits - Abandoned Plant	\$173,410	\$166,185	\$148,844	\$131,503	\$173,410	
9							
10	Net Utility Plant	\$10,233,154	\$12,091,935	\$12,555,567	\$12,658,535	\$12,373,101	
11							
12	<b>Less:</b>						
13	Contributions in Aid of Construction, net	\$78,100	\$57,028	\$35,956	\$14,885	\$72,832	
14	Advances in Aid of Construction	\$0	\$0	\$0	\$0	\$0	
15							
16	Subtotal:	\$78,100	\$57,028	\$35,956	\$14,885	\$72,832	
17							
18	<b>Add:</b>						
19	Cash Working Capital	\$289,366	\$287,317	\$289,813	\$290,067	\$280,697	
20	Prepayments	\$88,525	\$90,827	\$92,734	\$94,589	\$45,347	
21							
22	Subtotal:	\$377,891	\$378,144	\$382,547	\$384,655	\$326,044	
23							
24	<b>Total Original Cost Rate Base</b>	<b>\$10,532,945</b>	<b>\$12,413,051</b>	<b>\$12,902,157</b>	<b>\$13,028,305</b>	<b>\$12,626,313</b>	
25							

**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Rate Base Water**

**Exhibit BT-6B**

Line Number (A)	Description (B)	12/31/2025 Forecast (C)	12/31/2026 Forecast (D)	12/31/2027 Forecast (E)	12/31/2028 Forecast (F)	3/31/2026 Base Year (G)	7/31/2027 Test Year (H)
1							
2	Utility Plant in Service	\$1,353,301	\$1,353,301	\$1,353,301	\$1,353,301	\$1,353,301	
3							
4	Accumulated Provision for Depreciation	(\$328,586)	(\$366,493)	(\$404,400)	(\$441,333)	(\$338,063)	See RB 13- Month Avg
5							
6	Accumulated Amortization	\$0	\$0	\$0	\$0	\$0	
7							
8	Deferred Debits - Abandoned Plant	\$0	\$0	\$0	\$0	\$0	
9							
10	Net Utility Plant	\$1,024,715	\$986,808	\$948,901	\$911,968	\$1,015,238	
11							
12	<b>Less:</b>						
13	Contributions in Aid of Construction, net	\$56,569	\$44,882	\$33,195	\$21,508	\$53,647	
14	Advances in Aid of Construction	\$0	\$0	\$0	\$0	\$0	
15							
16	Subtotal:	\$56,569	\$44,882	\$33,195	\$21,508	\$53,647	
17							
18	<b>Add:</b>						
19	Cash Working Capital	\$17,022	\$11,565	\$11,676	\$11,704	\$14,593	
20	Prepayments	\$10,896	\$11,179	\$11,414	\$11,642	\$5,582	
21							
22	Subtotal:	\$27,918	\$22,744	\$23,091	\$23,347	\$20,174	
23							
24	<b>Total Original Cost Rate Base</b>	<b>\$996,064</b>	<b>\$964,670</b>	<b>\$938,796</b>	<b>\$913,807</b>	<b>\$981,765</b>	
25							

**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Utility Plant In Service - Wastewater**

**Exhibit BT-7A**

<b>Line Number</b> <b>(A)</b>	<b>NARUC Acct. No</b> <b>(B)</b>	<b>Account Title</b> <b>(C)</b>	<b>12/31/2025 Forecast</b> <b>(D)</b>	<b>12/31/2026 Forecast</b> <b>(E)</b>	<b>12/31/2027 Forecast</b> <b>(F)</b>	<b>12/31/2028 Forecast</b> <b>(G)</b>	<b>3/31/2026 Base Year</b> <b>(H)</b>	<b>07/31/2027 Test Year</b> <b>(I)</b>
1								
2	351.000	Sewer - Organization	\$0	\$0	\$0	\$0	\$0	See Test Year
3	351.001	Sewer - Organization - 0 Years	\$20,323	\$20,323	\$20,323	\$20,323	\$20,323	13-Month Avg
4	353.000	Sewer - Land and Land Rights	\$936,661	\$936,661	\$936,661	\$936,661	\$936,661	
5	354.000	Sewer - S&I	\$0	\$0	\$0	\$0	\$0	
6	354.004	Sewer - S&I - 30 Years	\$2,699,920	\$3,315,940	\$3,315,940	\$3,339,175	\$3,280,920	
7	354.005	Sewer - S&I - 40 Years	\$0	\$0	\$0	\$0	\$0	
8	360.000	Sewer - Collection Sewers - Force	\$0	\$0	\$0	\$0	\$0	
9	360.001	Sewer - Collection Sewers - Force - 50 Years	\$2,093,745	\$3,000,745	\$3,000,745	\$3,240,745	\$2,971,745	
10	361.000	Sewer - Collection Sewers - Gravity	\$0	\$0	\$0	\$0	\$0	
11	361.001	Sewer - Collection Sewers - Gravity - 50 Years	\$2,084,551	\$2,084,551	\$2,234,551	\$2,674,551	\$2,084,551	
12	363.000	Sewer - Services to Customers	\$767,423	\$767,423	\$767,423	\$767,423	\$767,423	
13	363.001	Sewer - Services to Customers - 38 Years	\$0	\$0	\$0	\$0	\$0	
14	364.000	Sewer - Flow Measuring Devices	\$0	\$0	\$0	\$0	\$0	
14	364.001	Sewer - Flow Measuring Devices - 10 Years	\$0	\$0	\$0	\$0	\$0	
15	364.002	Sewer - Flow Measuring Devices - 30 Years	\$99,683	\$99,683	\$135,683	\$135,683	\$99,683	
16	364.004	Sewer - Flow Measuring Devices - 5 Years	\$0	\$0	\$0	\$0	\$0	
17	370.000	Sewer - Receiving Wells	\$0	\$0	\$0	\$0	\$0	
18	371.000	Sewer - Pumping Equip	\$0	\$0	\$0	\$0	\$0	
19	371.002	Sewer - Pumping Equip - 10 Years	\$1,181,649	\$1,184,894	\$1,184,894	\$1,184,894	\$1,181,649	
20	380.000	Sewer - Treatment & Disposal Equip	\$0	\$0	\$0	\$0	\$0	
21	380.003	Sewer - Treatment & Disposal Equip - 20 Years	\$2,850,732	\$3,708,903	\$4,442,303	\$4,442,303	\$3,665,732	
22	381.001	Sewer - Plant Sewers - 40 Years	\$4,779	\$4,779	\$4,779	\$4,779	\$4,779	
23	381.003	Sewer - Plant Sewers - 20 Years	\$0	\$0	\$0	\$0	\$0	
24	382.000	Sewer - Outfall Sewer Lines	\$0	\$0	\$0	\$0	\$0	
25	382.001	Sewer - Outfall Sewer Lines - 50 Years	\$110,904	\$110,904	\$120,904	\$120,904	\$110,904	
26	390.000	Sewer - Office Furniture and Equipment	\$0	\$0	\$0	\$0	\$0	
27	390.003	Sewer - Office Furniture and Equip - 15 Years	\$0	\$0	\$0	\$0	\$0	
27	390.004	Sewer - Office Furniture and Equip - 20 Years	\$2,440	\$2,440	\$2,440	\$2,440	\$2,440	
28	393.002	Sewer - Tools, Shop, and Garage Equip - 10 Years	\$13,444	\$13,444	\$13,444	\$13,444	\$13,444	
28	394.000	Sewer - Lab Equip	\$0	\$0	\$0	\$0	\$0	
29	394.001	Sewer - Lab Equip - 10 Years	\$0	\$0	\$0	\$0	\$0	

**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Utility Plant In Service - Wastewater**

**Exhibit BT-7A**

<b>Line Number</b> <b>(A)</b>	<b>NARUC Acct. No</b> <b>(B)</b>	<b>Account Title</b> <b>(C)</b>	<b>12/31/2025 Forecast</b> <b>(D)</b>	<b>12/31/2026 Forecast</b> <b>(E)</b>	<b>12/31/2027 Forecast</b> <b>(F)</b>	<b>12/31/2028 Forecast</b> <b>(G)</b>	<b>3/31/2026 Base Year</b> <b>(H)</b>	<b>07/31/2027 Test Year</b> <b>(I)</b>
29	395.000	Sewer - Power Operated Equip	\$0	\$0	\$0	\$0	\$0	\$0
30	395.002	Sewer - Power Operated Equip - 10 Years	\$4,479	\$4,479	\$4,479	\$4,479	\$4,479	\$4,479
31	396.001	Sewer - Communication Equip - 15 Years	\$267,358	\$267,358	\$267,358	\$267,358	\$267,358	\$267,358
32	396.002	Sewer - Communication Equip - 10 Years	\$0	\$0	\$0	\$0	\$0	\$0
33	397.001	Sewer - Misc Equipment - 10 Years	\$0	\$0	\$0	\$0	\$0	\$0
34								
35			<b>\$13,138,091</b>	<b>\$15,522,526</b>	<b>\$16,451,926</b>	<b>\$17,155,161</b>	<b>\$15,412,091</b>	
36								

**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Utility Plant In Service - Water**

**Exhibit BT-7B**

<b>Line Number</b>	<b>NARUC Acct. No</b>	<b>Account Title</b>	<b>12/31/2025 Forecast</b>	<b>12/31/2026 Forecast</b>	<b>12/31/2027 Forecast</b>	<b>12/31/2028 Forecast</b>	<b>3/31/2026 Base Year</b>	<b>07/31/2027 Test Year</b>
<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>	<b>(F)</b>	<b>(G)</b>	<b>(H)</b>	<b>(I)</b>
1								
2	301.000	Water - Organization	\$0	\$0	\$0	\$0	\$0	See Test Year 13-
3	301.001	Water - Organization - 0 Years	\$0	\$0	\$0	\$0	\$0	Month Avg
4	302.000	Water - Franchise - 10 Years	\$0	\$0	\$0	\$0	\$0	
5	302.001	Water - Franchise - 0 Years	\$0	\$0	\$0	\$0	\$0	
6	303.000	Water - Land and Land Rights	\$50,590	\$50,590	\$50,590	\$50,590	\$50,590	
7	304.000	Water - S&I	\$0	\$0	\$0	\$0	\$0	
8	304.005	Water - S&I - 30 Years	\$458,878	\$458,878	\$458,878	\$458,878	\$458,878	
9	304.006	Water - S&I - 40 Years	\$0	\$0	\$0	\$0	\$0	
10	304.007	Water - S&I - 50 Years	\$0	\$0	\$0	\$0	\$0	
11	304.300	Water - S&I Treatment Plant	\$0	\$0	\$0	\$0	\$0	
12	307.000	Water - Wells and Springs	\$0	\$0	\$0	\$0	\$0	
13	307.001	Water - Wells and Springs - 30 Years	\$0	\$0	\$0	\$0	\$0	
14	307.003	Water - Wells and Springs - 50 Years	\$6,852	\$6,852	\$6,852	\$6,852	\$6,852	
15	309.000	Water - Supply Mains	\$0	\$0	\$0	\$0	\$0	
16	310.000	Water - Power Generation Equip	\$0	\$0	\$0	\$0	\$0	
17	310.003	Water - Power Generation Equip - 20 Years	\$0	\$0	\$0	\$0	\$0	
18	311.000	Water - Pumping Equip	\$0	\$0	\$0	\$0	\$0	
19	311.002	Water - Pumping Equip - 10 Years	\$14,730	\$14,730	\$14,730	\$14,730	\$14,730	
20	311.007	Water - Pumping Equip - 12 Years	\$0	\$0	\$0	\$0	\$0	
21	311.011	Water - Pumping Equip - 8 Years	\$0	\$0	\$0	\$0	\$0	
22	320.000	Water - Treatment Equip	\$0	\$0	\$0	\$0	\$0	
23	320.001	Water - Treatment Equip - 5 Years	\$0	\$0	\$0	\$0	\$0	
24	320.002	Water - Treatment Equip - 20 Years	\$91,206	\$91,206	\$91,206	\$91,206	\$91,206	
25	320.007	Water - Treatment Equip - 10 Years	\$0	\$0	\$0	\$0	\$0	
26	320.009	Water - Treatment Equip - 30 Years	\$0	\$0	\$0	\$0	\$0	
27	330.000	Water - Dist, Reservoirs, Standpipes	\$0	\$0	\$0	\$0	\$0	
28	330.002	Water - Dist, Reservoirs, Standpipes - 40 Years	\$0	\$0	\$0	\$0	\$0	
29	330.003	Water - Dist, Reservoirs, Standpipes - 50 Years	\$126,092	\$126,092	\$126,092	\$126,092	\$126,092	
30	330.006	Water - Dist, Reservoirs, Standpipes - 45 Years	\$0	\$0	\$0	\$0	\$0	
31	330.007	Water - Dist, Reservoirs, Standpipes - 20 Years	\$0	\$0	\$0	\$0	\$0	

**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Utility Plant In Service - Water**

**Exhibit BT-7B**

<b>Line Number</b>	<b>NARUC Acct. No</b>	<b>Account Title</b>	<b>12/31/2025 Forecast</b>	<b>12/31/2026 Forecast</b>	<b>12/31/2027 Forecast</b>	<b>12/31/2028 Forecast</b>	<b>3/31/2026 Base Year</b>	<b>07/31/2027 Test Year</b>
<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>	<b>(F)</b>	<b>(G)</b>	<b>(H)</b>	<b>(I)</b>
32	331.000	Water - Transmission & Distribution Mains	\$0	\$0	\$0	\$0	\$0	\$0
33	331.002	Water - Transmission & Distribution Mains - 50 Years	\$534,470	\$534,470	\$534,470	\$534,470	\$534,470	\$534,470
34	331.003	Water - Transmission & Distribution Mains - 30 Years	\$0	\$0	\$0	\$0	\$0	\$0
35	333.000	Water - Services to Customers	\$0	\$0	\$0	\$0	\$0	\$0
35	333.001	Water - Services to Customers - 20 Years	\$44,336	\$44,336	\$44,336	\$44,336	\$44,336	\$44,336
36	333.002	Water - Services to Customers - 40 Years	\$0	\$0	\$0	\$0	\$0	\$0
37	333.003	Water - Services to Customers - 50 Years	\$0	\$0	\$0	\$0	\$0	\$0
38	333.007	Water - Services to Customers - 30 Years	\$0	\$0	\$0	\$0	\$0	\$0
39	333.008	Water - Services to Customers - 12 Years	\$0	\$0	\$0	\$0	\$0	\$0
40	334.000	Water - Meters and Installation	\$0	\$0	\$0	\$0	\$0	\$0
41	334.001	Water - Meters and Installation - 10 Years	\$18,166	\$18,166	\$18,166	\$18,166	\$18,166	\$18,166
42	334.008	Water - Meters and Installation - 12 Years	\$0	\$0	\$0	\$0	\$0	\$0
43	334.009	Water - Meters and Installation - 50 Years	\$0	\$0	\$0	\$0	\$0	\$0
44	335.000	Water - Hydrants	\$0	\$0	\$0	\$0	\$0	\$0
45	335.002	Water - Hydrants - 50 Years	\$0	\$0	\$0	\$0	\$0	\$0
46	336.000	Water - Backflow Prevention Devices	\$0	\$0	\$0	\$0	\$0	\$0
47	339.000	Water - Other Plant and Misc Equip	\$0	\$0	\$0	\$0	\$0	\$0
48	339.001	Water - Other Plant and Misc Equip - 15 Years	\$0	\$0	\$0	\$0	\$0	\$0
49	340.000	Water - Office Furniture and Equip	\$0	\$0	\$0	\$0	\$0	\$0
50	340.001	Water - Office Furniture and Equip - 5 Years	\$0	\$0	\$0	\$0	\$0	\$0
51	340.003	Water - Office Furniture and Equip - 15 Years	\$0	\$0	\$0	\$0	\$0	\$0
52	341.000	Water - Transportation Equip	\$0	\$0	\$0	\$0	\$0	\$0
53	341.001	Water - Transportation Equip - 5 Years	\$0	\$0	\$0	\$0	\$0	\$0
54	341.002	Water - Transportation Equip - 10 Years	\$0	\$0	\$0	\$0	\$0	\$0
55	343.000	Water - Tools, Shop, Garage Equip	\$0	\$0	\$0	\$0	\$0	\$0
56	343.001	Water - Tools, Shop, Garage Equip - 10 Years	\$0	\$0	\$0	\$0	\$0	\$0
57	343.002	Water - Tools, Shop, Garage Equip - 20 Years	\$0	\$0	\$0	\$0	\$0	\$0
58	345.000	Water - Power Operated Equip	\$0	\$0	\$0	\$0	\$0	\$0
59	345.001	Water - Power Operated Equip - 15 Years	\$0	\$0	\$0	\$0	\$0	\$0
60	345.003	Water - Power Operated Equip - 20 Years	\$0	\$0	\$0	\$0	\$0	\$0
61	346.000	Water - Communication Equip	\$7,981	\$7,981	\$7,981	\$7,981	\$7,981	\$7,981

**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Utility Plant In Service - Water**

**Exhibit BT-7B**

<b>Line Number</b>	<b>NARUC Acct. No</b>	<b>Account Title</b>	<b>12/31/2025 Forecast</b>	<b>12/31/2026 Forecast</b>	<b>12/31/2027 Forecast</b>	<b>12/31/2028 Forecast</b>	<b>3/31/2026 Base Year</b>	<b>07/31/2027 Test Year</b>
<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>	<b>(F)</b>	<b>(G)</b>	<b>(H)</b>	<b>(I)</b>
62	346.001	Water - Communication Equip - 10 Years	\$0	\$0	\$0	\$0	\$0	\$0
63	347.001	Water - Misc Equip - 10 Years	\$0	\$0	\$0	\$0	\$0	\$0
64	348.000	Water - Other Tangible Plant	\$0	\$0	\$0	\$0	\$0	\$0
65	348.002	Water - Other Tangible Plant - 10 Years	\$0	\$0	\$0	\$0	\$0	\$0
66	348.004	Water - Other Tangible Plant - 50 Years	\$0	\$0	\$0	\$0	\$0	\$0
67								
68			<b>\$1,353,301</b>	<b>\$1,353,301</b>	<b>\$1,353,301</b>	<b>\$1,353,301</b>	<b>\$1,353,301</b>	<b>\$1,353,301</b>
69								





**Bluegrass Operating Company, LLC  
2025-00354  
Working Capital - Wastewater**

**Exhibit BT-9A**

<b>Line Number (A)</b>	<b>Description (B)</b>	<b>12/31/2025 Forecast (C)</b>	<b>12/31/2026 Forecast (D)</b>	<b>12/31/2027 Forecast (E)</b>	<b>12/31/2028 Forecast (F)</b>	<b>3/31/2026 Base Year (G)</b>	<b>7/31/2027 Test Year (H)</b>
1							
2	<b>Operating Expenses - Monthly Avg</b>	\$195,590	\$194,205	\$195,892	\$196,063	\$189,730	
3							
4	<b>Lead Lag Days</b>	45	45	45	45	45	See Test Year 13- Month Avg
5							
6	<b>Total Working Capital</b>	\$289,366	\$287,317	\$289,813	\$290,067	\$280,697	
7							

**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Working Capital Water**

**Exhibit BT-9B**

<b>Line Number (A)</b>	<b>Description (B)</b>	<b>12/31/2025 Forecast (C)</b>	<b>12/31/2026 Forecast (D)</b>	<b>12/31/2027 Forecast (E)</b>	<b>12/31/2028 Forecast (F)</b>	<b>3/31/2026 Base Year (G)</b>	<b>7/31/2027 Test Year (H)</b>
1							
2	<b>Operating Expenses Month Average</b>	\$11,505	\$7,817	\$7,892	\$7,911	\$9,864	
3							See Test Year 13-
4	<b>Lead Lag Days</b>	45	45	45	45	45	Month Avg
5							
6	<b>Total Working Capital</b>	\$17,022	\$11,565	\$11,676	\$11,704	\$14,593	
7							





**Bluegrass Operating Company, LLC**  
**2025-00354**  
**Income Conversion Factor**

**Exhibit BT-11**

Line Number (A)	Gross Income Conversion Factor Calculation (B)	Total Rate (C)	Conversion Factor % (D)	Total Conversion Factor (E)
1				
2	Gross Income from Revenue		100.000%	
3	Less: Bad Debt	1.00%	<u>1.000%</u>	3.872%
4	Net Income After Bad Debt		<u>99.000%</u>	
5				
6	Less: Regulatory Assessment Fee	0.16%	<u>0.160%</u>	0.620%
7	Total Before State and Federal Tax Gross UP		<u>98.840%</u>	
8				
9	Less: State Income Tax	5.00%	<u>4.950%</u>	19.166%
10	Net Income After Bad Debt and State Tax		<u>93.890%</u>	
11				
12	Less: Federal income Tax @ 21%	21.00%	<u>19.717%</u>	<u>76.343%</u>
13				
14	Net Income After Bad Debt, State and Federal Income Taxes:		<u>74.173%</u>	<u>100.000%</u>
15				
16	Operating Income Conversion Factor (1/Line 12)		<u>134.820%</u>	
17				

Bluegrass Operating Company, LLC  
 2025-00354  
 Revenue Conversion Factor

Exhibit BT-12

Line Number	Gross Revenue Conversion Factor Calculation	Total Rate	Conversion Factor %	Total Conversion Factor
(A)	(B)	(C)	(D)	(E)
1				
2	Gross Income from Revenue		100.000%	
3	Less: Bad Debt	1.000%	1.000%	86.207%
4	Less: Regulatory Assesment Fee	0.160%	0.160%	13.793%
5	Net Income After Bad Debt		<u>98.840%</u>	
6				
7				
8	Gross Revenue Conversion Factor (1/Line 12)		<u>101.174%</u>	
9	100 % Kentucky 807 KAR 5:001 Section 16 (8)(h)			

**Bluegrass Operating Company, LLC**  
**Rate Case Expense**

**Exhibit BT-13**

Woodsmall Law		\$	65,000	
Scott Madden		\$	60,000	
Dinsmore		\$	<u>450,000</u>	
Total		\$	575,000	
3-year Amortiazion				\$ 191,667
Water	9.5%	\$	18,256	
Sewer	90.5%	\$	173,410	
Monthly Amortization				\$ 15,972
Water	9.5%	\$	1,521.37	
Sewer	90.5%	\$	14,450.85	