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From: [PSC Public Information Officer](#)
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Subject: FW: Request For Intervention Regarding Case #2020-00290 Due to False Information by CSWR
Date: Monday, October 19, 2020 11:36:37 AM

From: Gary Esterle [REDACTED]
Sent: Sunday, October 18, 2020 8:13 PM
To: PSC Public Information Officer <PSC.Info@ky.gov>
Subject: Request For Intervention Regarding Case #2020-00290 Due to False Information by CSWR

Attached is a document outlining false Information on Kingwood sewer system sworn testimony by Central States Water Resources employees as recorded on Ky PSC Case No. 2020-290 App. Exh. 8-A to F

Gary Esterle
555 Kingswood Dr, Taylorsville, KY 40071

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Sent from [Mail](#) for Windows 10

Kentucky Public Service Commission
Case #2020-00290

Subject: False Information on Kingwood Sewer System sworn testimony by Central States Water Resources employees as recorded on Ky PSC Case No. 2020-290 App. Exh. 8-A to F

Testimony of Josiah Cox, President of Central States Water Resources and Bluegrass Water Utility Co. to Kentucky Public Service Commission on September 28, 2020 for purpose to increase rates for sewer.

Bluegrass Water Utility is requesting approval for a rate hike of 147.5% from Kingswood customers. In Mr. Cox's sworn testimony, he states the large increase is necessary for the following reasons:

App. Exh. 8-A Page 6

Mr. Cox inserted a video of the issues at each facility at time of purchase. Kingswood is addressed at the time of 10:30 where he shows the following; high grass and rust, improperly stored chemicals and damage to the exterior fence. (Attachment Exh. A - pictures of the issues captured from video)

On pages 40 & 41 (App. Exh. 8-A) he states the problems at time of purchase of being; damaged fence, damaged pipe, overgrowth and clarifier skimmer not reaching edge of chamber. (Attachment Exh. A - pictures filed with testimony)

On pages 42 & 43 (App. Exh. 8-A) he addresses the corrective actions they have taken in the past year at the Kingswood plant which included cleaned and repaired equipment in the blower house, repaired or replaced diffusers, clarifier repaired, replaced damaged valves, adjusted the position of the skimmer, replaced damaged walkway, and placed a backup generator on site for emergency power. (Attachment Exh. B - pictures filed with testimony)

The grass was high at this time due to the landscaper who was cutting the grass for the previous owner stopped cutting at time of purchase. It was three weeks before Bluegrass started cutting. The front got so bad that I cut it twice during this time since I live next to the plant and did not like this appearance. The damage pipe he refers to has not been repaired since it is no longer in use at the plant.

As you can see by the pictures taken October 15, 2020 (Attachment Exh. C), the damaged fence was not repaired just torn down the rest of the way and laying in the grass for the past year. The original improperly stored chemicals are not only still there but additional ones are present today. The backup generator he said was added is not a generator at all but a Hydro Jet Cleaner for clearing sewer lines that has been stored on the property since purchase.

What little that has been done in the past year is regular maintenance and should not be considered an improvement requiring any additional funds.

Testimony of Jacob Freeman, Director of Engineering for CSWR on September 28, 2020, shows on App. Exh. 8-C, page 21 that the Kingswood facility currently meets all limits for effluent quality. He states on page 22 what he considers needed improvements to the Kingswood facility and cost. They are:

Cleanup blower house and equipment \$15,000.

They have already cleaned this building because they use it to store all the chemicals and equipment needed for the other plants inside there. The workers are there regularly loading supplies from the building into their trucks then leaving. This action required no additional cost.

Install Mission Alarm, wiring and mag meter \$11,000.

Mr. Cox stated in his testimony that this has already been installed (App. Exh. 8-A Page 42). This will save Bluegrass Water the cost of manpower to monitor the plant daily and will have a positive ROI as per Mr. Thomas's statement App. Exh. 8-B page 9. Cost of installation or monitoring should not be passed on to the customers.

Replace some diffusers in aeration tankage (assumed) \$10,000.

Mr. Cox testified that some diffusers have already been repaired and replaced. Since Mr. Freeman stated the plant currently meets all limits for effluent quality, I would (assume) all diffusers are working correctly. No cost now and replacement would be routine maintenance in the future.

Replace blower (assumed) \$12,500

The blower house currently has two working blowers. No cost now and replacement would be routine maintenance in the future.

Lift Station Check valves replaced - failed \$2,500

This is routine maintenance.

Air header replacement due to lack of air to aeration \$10,000

Since Mr. Freeman stated the plant currently meets all limits for effluent quality, I would think the aeration is working correctly. The previous owner had the header and all air piping replaced several years ago. I can give you the name and phone number if you want to check this. Also, you can see in the picture (Attachment Exh. C that no air valve is fully open so there must be adequate air supply. The aeration system has been working correctly for the past 22 years and it was not identified as a problem on the engineering report when purchased. No cost necessary.

Smoke Test system (Might be pressure, to verify) \$20,000

Bluegrass Water Utilities did this already in 2019. All homeowners were notified and we observed them doing the smoke test to our system. Why do this again? No cost necessary.

SUBTOTAL \$81,000

Construction Design and Investigative Services \$48,100

What is this? Since Jacob Freeman is already employed by CSWR and is qualified to do this what is this cost for?

TOTAL \$129,100

Testimony of Brent G. Thies, Controller for CSWR on September 28, 2020, states on App. Exh. 8-D pages 6 & 7, that Bluegrass Water proposes that residential customers across its systems be charged a unified tariff rate for sewer service.

This is not a fair practice if they are rolling in the cost for improvements to bring the facilities up to current limit standards for effluent quality. Neighborhoods who have diligently maintained their systems and paid a premium on their lots at time of purchase for a quality and reliable sewer system should not bear the responsibility of having to pay for those who did not. This would be the same as trying to make all the homeowners in a neighborhood pay for the repairs on a home that the owner did not maintain through the years. If some sewer plants require a significant amount of funds to bring their system up to current standards, those homeowners should be assessed a one-time charge to be paid off over time. These are one-time charges not something that will have to be done every year. By rolling it into a fixed monthly payment for life, Bluegrass will make enormous profits in the years to come at the expense of their customers. That is okay for businesses like Amazon where their customers have a choice to purchase or not but not for required utility services.

The monthly rate should be for the general everyday expense of maintaining the facility and a reasonable profit for the owner. Our current monthly rate of \$38.84 has achieved that for the previous owner since 1998. While the cost of supplies and services has increased over the years so did the number of homes connecting to the sewer system as the neighborhood grew.

I feel that since the managers of Central States Water Resources and Bluegrass Water Utility Company are so clearly fabricating facts and withholding truths, they should be held to their commitment made when purchasing the facility "Under the agreement, Bluegrass Water will continue to charge the same rates to customers as previous system owners." As stated on CSWR's page <https://www.centralstateswaterresources.com/2019/09/30/central-states-water-resources-acquires-several-kentucky-wastewater-systems/>

Central States Water Resources and Bluegrass Water Utility Company are currently seeking approval from PSC to purchase additional plants. If these need extensive repair will they again request another rate hike?

Joshua Cox has a history of doing this reported by the St Louis Post-Dispatch (MO), June 13, 2006 where his company, Hillcrest Utility Operating Co, proposed a rate hike from around \$25 a month to nearly \$150 a month for 250 homes in southeastern Missouri. The Missouri Public Service Commission raised questions about the truthfulness of the company's president: Josiah Cox, whether the 14 percent interest rate on a loan made to Hillcrest to fix up the failing water and sewer system is the best deal for ratepayers. They point out that the company that holds the loan to Hillcrest is owned by the same people who hold a majority stake in Hillcrest: Robert and David Glarner, the St. Louis developers behind the Northwest Plaza redevelopment.

Beyond costs to ratepayers, the Office of Public Counsel even presented evidence that Cox may not have disclosed all of his future income and assets during a personal bankruptcy in 2014, raising questions about whether a bankruptcy trustee could reopen the case and put the utility holding company at risk.

"This has not been a very transparent or cooperative relationship so far," said Cydney Mayfield, deputy counsel for the Office of Public Counsel. "When you're working with regulated entities, that transparency and flow of information is critical."

Gary Esterle

555 Kingswood Drive, Taylorsville, KY 40071



Attachments

Attachment Exh. A

Photos of problems at the Kingswood facility at time of purchase presented by CSWR

 <p>TREATMENT PLANT STATUS: RUSTED STRUCTURES, OVERGROWTH THROUGHOUT THE SITE</p>	 <p>TREATMENT PLANT STATUS: IMPROPERLY STORED CHEMICALS, VEGETATION GROWTH IN PLANT</p>
<p>Grass not cut for 3 weeks during transfer of ownership</p>	
 <p>FACILITY PERIMETER STATUS: DAMAGED FENCING</p>	 <p>Vegetation overgrowth damaged fencing around the facility.</p>
<p>Tree fell on fence from storm</p>	<p>Fence not repaired just torn apart and layed in place</p>
 <p>Overgrowth along the facility's fence.</p>	 <p>Clarifier skimmer not reaching the edge of the chamber.</p>

Attachment Ex. B

Pictures of repairs made since purchase presented September 28, 2020 by CSWR



Backup generator on site for emergency power.

This is not a generator. Equipment just stored on site. Hydro Jet Cleaner Mod. # 747-FR2000



Damaged walkway sections replaced to ensure safety



Reworked clarifier functioning properly

Attachment Exh. C

Pictures taken by Gary Esterle October 16, 2020



Fence not repaired just torn down and laying in grass



Same chemicals and more improperly stored



Hydro Jet Cleaner for clearing sewer lines



See no repairs to walkway



No air jet valves in full open position.



No repairs to blower house needed