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November 19, 2020

PARTIES OF RECORD

Re: Case No. 2020-00290

Attached is a copy of a memorandum, which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter.

If you have any questions, please contact Benjamin A. Bellamy, Staff Attorney, at 502-782-2584.

Sincerely,



Lindsey L. Flora
Executive Director

bab

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2020-00290

FROM: Benjamin Bellamy, Staff Attorney III

DATE: November 10, 2020

Re: Informal Conference of October 30, 2020

An informal conference (IC) was conducted telephonically on October 30, 2020 at the request of Bluegrass Water Utility Operating Company, LLC (Bluegrass Water) with the agreement of representatives from the Office of Rate Intervention of the Kentucky Attorney General, which has been granted intervention in this matter to represent the interest of Bluegrass Water's customers. The purpose of the IC was to discuss the filing deficiencies identified by Commission Staff in a letter dated October 30, 2020 and the deficiencies identified in the Commission's order entered on October 30, 2020 in this matter. Commission Staff, representatives from Bluegrass Water, and representatives from the Office of Rate Intervention of the Kentucky Attorney General were in attendance. A sign-in/attendance sheet identifying each person who attended the telephonic IC and their affiliation is attached hereto as an appendix.

At the IC, Bluegrass Water first requested some clarification from Commission Staff regarding why Bluegrass Water's application was found deficient for failing to provide the documents and information required by 807 KAR 5:001 Section 16(7)(n), 807 KAR 5:001 Section 16(7)(o), 807 KAR 5:001 Section 16(8)(m), and 807 KAR 5:001 Section 16(8)(n) and how it could correct those deficiencies. Commission Staff noted that Section 16(7)(n) and (o), respectively, require a utility to file historical managerial reports and monthly budget variance reports, with a narrative explanation of historical variances in budgeted spending versus actual spending, for the periods identified in each requirement, and that utilities typically satisfied those requirements by providing responsive documents prepared in the ordinary course of business, or if applicable, by reporting that no such documents exist. Commission Staff explained that such documents were important for assessing the quality of a utility's projections in a forecasted test period.

Commission Staff noted that Section 16(8)(m) and (n), respectively, require a utility to file a revenue summary with a detailed billing analysis for each customer class for both the base and the forecasted period and a bill comparison under present and proposed rates for each customer class. Commission Staff noted that customers of Bluegrass Water's various systems have different rates such that even residential customers of the different systems would be considered distinct classes during the base period and at current rates. Commission Staff noted that the revenue summary and billing analysis for the base period and the comparisons of typical bills at present and proposed rates should

reflect the rates of each type of customer within each system. Commission Staff also noted that although Bluegrass Water indicated that it did not have specific usage information regarding its customers that the billing analysis should at minimum include some explanation for how it calculated residential equivalents for its nonresidential customers.

Bluegrass Water next sought confirmation that it had correctly understood the process outlined in the October 30, 2020 order for including systems it was approved to purchase in Case No. 2020-00028¹ in this application for a rate adjustment in this matter. To include those systems in this matter, Bluegrass Water indicated that they read the order as requiring that they complete the purchase of systems, file a tariff with the rates approved in Case No. 2020-00028, and provide the customers of those systems proper notice of the proposed rate adjustments herein before correcting the filing deficiencies identified by Commission Staff. Bluegrass Water also sought to confirm that if it simply proceeded with curing the deficiencies identified by Commission Staff that the application would be accepted for filing but that it would not be considered an application to adjust the rates of the systems at issue in 2020-00028. Commission Staff indicated that Bluegrass Water's explanation was consistent with the order, but cautioned that the Commission speaks through its orders.

Commission Staff did indicate that they believed the notice that would be required for customers of the systems at issue in Case No. 2020-00028 would be similar to the notice provided to other customers in this matter except Staff observed that the notice provided to other customers did not include information regarding the rates of the customers of those systems. Further, Commission Staff noted that the fact that the application includes revenue and expenses for systems for which the rates may ultimately not be at issue in this matter would not be considered a filing deficiency in this matter and could be addressed in discovery.

Bluegrass Water asked Commission Staff about the procedure for including the systems it is seeking authority to purchase in Case No. 2020-00297² as part of the rate application in this matter and the proposed unified rate. Commission Staff noted that the Commission had only discussed such a procedure in the October 30, 2020 order to the extent that it referred to and interpreted Commission regulations and relevant statutes regarding a purchaser adopting and modifying the tariff of a utility it is purchasing. Commission Staff noted that the regulation allows for deviations from the process outlined therein. However, Commission Staff noted that since the Commission has not addressed any request for a deviation or tariff filing with respect to those utilities that it would not be

¹ Case No. 2020-00028, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC of Wastewater System Facilities and Subsequent Tariffed Service to Users Presently Served by Those Facilities*, Order (Ky. PSC June 19, 2020).

² Case No. 2020-00297, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by: Delaplain Disposal Company; Herrington Haven Wastewater Company, Inc.; Springcrest Sewer Company, Inc; and Woodland Acres Utilities, LLC* (filed Sept. 16, 2020), Joint Application.

proper for Commission Staff to give any opinion on that issue other than to direct Bluegrass Water to the regulations and the discussion of the regulations in the October 30, 2020 order.

There being no further material discussions, the informal conference was then adjourned.

CC: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BLUEGRASS)	
WATER UTILITY OPERATING COMPANY, LLC)	CASE NO
FOR AN ADJUSTMENT OF RATES AND)	2020-00290
APPROVAL OF CONSTRUCTION)	

Sign in/attendance sheet for October 30, 2020 telephonic informal conference:

<u>NAME</u>	<u>ON BEHALF OF</u>
Benjamin Bellamy	Public Service Commission
Eddie Beavers	Public Service Commission
Travis Leach	Public Service Commission
CJ Mance	Public Service Commission
Kathryn Eckert	Counsel for Bluegrass Water
Katie Yunker	Counsel for Bluegrass Water
Mike Duncan	Bluegrass Water
Russ Mitten	Bluegrass Water
Brent Thies	Bluegrass Water
John Horne	Attorney General, Office of Rate Intervention
Michael West	Attorney General, Office of Rate Intervention
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