

Christopher Troy Payton
132 Fallow Circle
Georgetown, Ky 40324

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PUBLIC SERVICE
COMMISSION

Kentucky Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602

**Re: Formal Request for Intervention – Bluegrass Water Utility Operating Company, LLC
Proposed Wastewater Rate Adjustment (Filed December 11, 2025)**

Dear Commissioners:

Pursuant to **KRS 278.260**, and the Commission’s statutory duty to ensure that utility rates are **fair, just, reasonable, and non-discriminatory**, I hereby submit this formal request for intervention in the above-referenced proceeding.

I am a residential customer of Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water”) residing in a 1-person household with low and consistent wastewater usage. The proposed residential rate increase of approximately **46.6%** is excessive, inequitable, and unsupported by proportional cost causation, and therefore violates both **KRS Chapter 278** and long-standing Kentucky precedent.

Statutory Violations

Under **KRS 278.030(1)**, utility rates must be “fair, just, and reasonable,” and utilities are prohibited from charging rates that are unjustly discriminatory. Additionally, **KRS 278.170(1)** prohibits utilities from subjecting any customer or class of customers to unreasonable disadvantage.

The proposed increase relies heavily on inflated minimum charges that disconnect the price paid from actual wastewater usage. As a result, low-usage residential customers such as myself are forced to subsidize costs unrelated to their contribution to system demand, placing us at an unreasonable disadvantage in violation of statute.

Kentucky Case-Law and PSC Precedent

Kentucky courts have repeatedly affirmed that utilities bear the burden of proving that proposed rates are reasonable and properly allocated:

- In **Kentucky Industrial Utility Customers, Inc. v. Public Service Commission**, the Kentucky Supreme Court held that the Commission must ensure rates are supported by substantial evidence and are not excessive or unfairly allocated among customer classes.
- In **Cincinnati Bell Telephone Co. v. Public Service Commission**, the Court reaffirmed that rates must reflect a rational relationship between cost causation and customer charges, and that the PSC has a duty to protect consumers from unreasonable rate designs.
- The Commission has further recognized in numerous rate orders that **minimum charges must be narrowly tailored** and may not be used to impose disproportionate costs on customers who do not materially drive system expenses.

Collectively, this precedent establishes that rate structures which obscure cost responsibility, penalize conservation, or impose excessive burdens on low-usage customers are inconsistent with Kentucky law.

Failure of Proof and Public Interest Concerns

While infrastructure investment may be a legitimate utility objective, Kentucky law is clear that:

- Costs must be **prudently incurred**;
- Rate impacts must be **reasonably distributed**; and
- Utilities must demonstrate that **less burdensome alternatives** have been fully considered.

Bluegrass Water has not met this burden. A nearly 50% increase in wastewater rates for an essential service—without adequate usage-based justification—would be confiscatory in effect for small households and contrary to the public interest the Commission is charged with protecting under **KRS 278.040(2)**.

Request for Relief

For the foregoing reasons, I respectfully request that the Commission:

1. Grant this request for intervention pursuant to **KRS 278.260**;
2. Require Bluegrass Water to submit detailed cost-of-service and rate-design justification;
3. Reject or substantially reduce the proposed residential rate increase; and
4. Direct the utility to develop a rate structure consistent with Kentucky statutory and case law.

Please confirm receipt of this request and include me on the service list for all future filings in this matter.

Respectfully submitted,

Christopher Troy Payton