

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 WATER AND ) 2025-00354  
SEWAGE RATES )

O R D E R

This matter arises upon Bluegrass Water Utility Operating Company, LLC's (Bluegrass Water), December 11, 2025, motion for deviation from filing requirements for its application for adjustment of water and sewage rates (Motion). Bluegrass Water's application was tendered pursuant to 807 KAR 5:001, Section 16, and seeks to increase rates for its drinking water and wastewater treatment service. In the Motion, Bluegrass Water requested deviation from 807 KAR 5:001, Sections 16(7)(s), 16(7)(f), 16(7)(l), 16(8)(k), 16(7)(d), 16(7)(n), 16(7)(o) filing requirements.

LEGAL STANDARD

Pursuant to 807 KAR 5:001 Section 16(10), an applicant may request for a waiver from the requirements of the section and the Commission shall grant the request upon good cause shown by the utility. The regulation indicates that

In determining if good cause has been shown, the Commission shall consider:

- (a) If other information that the utility would provide if the waiver is granted is sufficient to allow the commission to effectively and efficiently review the rate application;
- (b) If the information that is the subject of the waiver request is normally maintained by the utility or reasonably available to it from the information that it maintains; and

(c) The expense to the utility in providing the information that is the subject of the waiver request.

After an application is submitted, pursuant to 807 KAR 5:001, Section 16(9), the Commission “shall notify the applicant of any deficiencies in the application within thirty (30) days of the application’s submission. An application shall not be accepted for filing until the utility has cured all noted deficiencies.”

#### DISCUSSION AND FINDINGS

In support of its Motion, Bluegrass Water argued that it should be granted a deviation from the requirement of 807 KAR 5:001, Section 16(7)(s)<sup>1</sup> to provide a depreciation study for its water assets and argued that it was justified in an effort to reduce rate case expenses.<sup>2</sup> Based upon a review of the Motion and being otherwise sufficiently advised, the Commission finds that Bluegrass Water has established good cause to deviate from the filing requirements in 807 KAR 5:001, Section 16(7)(s), given the size of its water operations, the likely cost of a depreciation study, and the effect that cost would likely have on Bluegrass Water’s small number of water customers.<sup>3</sup>

However, the Commission is granting this and other deviations herein with respect to the filing requirements only. Bluegrass Water bears the burden of proof to show that its proposed rate increase is just and reasonable pursuant KRS 278.190(3). This deviation should not be construed as a finding that Bluegrass Water has met that burden.

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<sup>1</sup> 807 KAR 5:001, Section 16(7)(s): Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include . . . (s) The summary of the latest depreciation study with schedules itemized by major plant accounts. If the required information has been filed in another commission case, a reference to that case’s number shall be sufficient.

<sup>2</sup> Motion at 2.

<sup>3</sup> The National Association of Regulatory Utility Commissioners (NARUC) publication titled *Depreciation Practices for Small Water Utilities* (NARUC Study) of August 15, 1979, can be used.

Bluegrass Water requested a partial waiver of 807 KAR 5:001, Section 16(7)(f)(3) and (4)<sup>4</sup> and 807 KAR 5:001, Section 16(7)(g)<sup>5</sup> to the extent they require Bluegrass Water to identify its allowance for funds used during construction (AFUDC) or interest during construction credit (IDCC) for capital projects identified pursuant to those regulations. Specifically, Bluegrass Water indicated that it does not have AFUDC or IDCC, and therefore, that there is none to report but requests a deviation to the extent that it is still required to provide AFUDC or IDCC based on the argument that none exists.<sup>6</sup> The Commission finds that as Bluegrass Water does not have AFUDC or IDCC for the construction projects and capital spending that must be reported pursuant to 807 KAR 5:001, Section 16(7)(f), and 807 KAR 5:001, Section 16(7)(g), it does not require a deviation from the requirements that provide those amounts.

Bluegrass Water seeks a waiver of 807 KAR 5:001, Section 16(7)(l),<sup>7</sup> and argued that it has not provided any such annual reports to its members for the last two years, and therefore, has no such documents to provide.<sup>8</sup> Bluegrass Water argued that in the previous rate case, the Commission found that a deviation from the requirement to

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<sup>4</sup> 807 KAR 5:001, Section 16(7)(f): For each major construction project that constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast, the following information shall be filed: (1) The date the project was started or estimated starting date; (2) The estimated completion date; (3) The total estimated cost of construction by year exclusive and inclusive of allowance for funds used during construction ("AFUDC") or interest during construction credit; and (4) The most recent available total costs incurred exclusive and inclusive of AFUDC or interest during construction credit.

<sup>5</sup> 807 KAR 5:001, Section 16(7)(g): For all construction projects that constitute less than five (5) percent of the annual construction budget within the three (3) year forecast, the utility shall file an aggregate of the information requested in [807 KAR 5:001 Section 16(7)(f)].

<sup>6</sup> Motion at 3; see also Direct Testimony of Jacob Freeman at 5, Exhibit JF-1.

<sup>7</sup> 807 KAR 5:001, Section 16(7)(l): The annual report to shareholders or members and the statistical supplements covering the most recent two (2) years from the application filing date.

<sup>8</sup> Motion at 3.

provide an annual report to shareholders or members was unnecessary because those documents do not exist.<sup>9</sup>

Bluegrass Water seeks a waiver of 807 KAR 5:001, Section 16(8)(k)<sup>10</sup> due to the fact it does not have comparative financial data and earnings measures for the ten most recent calendar years because it began operating Kentucky utilities in 2019. Bluegrass Water did supply comparative financial data and earnings measures dating back to when it began operating Kentucky utilities in 2019.<sup>11</sup>

The Commission finds that due to the lack of an existence of annual report to shareholders, pursuant to 807 KAR 5:001 Section 16(7)(l), and the lack of existence of comparative financial data and earnings measures for the ten most recent calendar years pursuant to 807 KAR 5:001 Section 16(8)(k), Bluegrass Water's tendered application has complied with these provisions and a deviation is not necessary.<sup>12</sup>

Bluegrass Water requested a deviation from having to comply with 807 KAR 5:001 Sections 16(7)(d),<sup>13</sup> 16(7)(n)<sup>14</sup> and 16(7)(o).<sup>15</sup> Bluegrass Water argued that it has filed the necessary information with data through October 2025, but has not yet finalized its

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<sup>9</sup> Motion at 4, reference to Case No. 2022-00432, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Sewage Rates* (Ky. PSC Apr. 14, 2023), Order at 6.

<sup>10</sup> 807 KAR 5:001 Section 16(8)(k) Comparative financial data and earnings measures for the ten (10) most recent calendar years, the base period, and the forecast period.

<sup>11</sup> Motion at 4-5.

<sup>12</sup> Case No. 2022-00432, (Ky. PSC Apr. 14, 2023), Order at 6.

<sup>13</sup> 807 KAR 5:001 Section 16(7)(d): The utility's annual and monthly budget for the twelve (12) months preceding the filing date, the base period, and forecasted period.

<sup>14</sup> 807 KAR 5:001 Section 16(7)(n): The latest twelve (12) months of the monthly managerial reports providing financial results of operations in comparison to the forecast.

<sup>15</sup> 807 KAR 5:001 Section 16(7)(o): Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available.

numbers for November 2025, and it will provide the November 2025 data as it becomes available.<sup>16</sup> The Commission finds that Bluegrass Water's requested deviation from having to comply with 807 KAR 5:001 Sections 16(7)(d), 16(7)(n) and 16(7)(o) by supplementing the November 2025 data as it becomes available should be granted.

Finally, the Commission reviewed Bluegrass Water's application pursuant to 807 KAR 5:001, Section 16 (9). Following that review, the Commission notes that the application is deficient for failing to comply with 807 KAR 5:001, Section 17(4) and 807 KAR 5:011 Section 8 due to the lack of the proposed inspection fee and an explanation of the connection services in the notices.<sup>17</sup> Accordingly, Bluegrass Water's application should not be accepted as filed until all deficiencies have been cured.

IT IS THEREFORE ORDERED that:

1. Bluegrass Water's December 11, 2025 Motion is granted.
2. Bluegrass Water's application is found deficient for failure to comply with 807 KAR 5:001, Section 17(4), and 807 KAR 5:011 Section 8.
3. Bluegrass Water's application shall not be accepted as filed until all deficiencies have been cured.
4. The statutory time for a final order to be issued in response to this application shall not begin to run until all deficiencies have been resolved and the application is deemed filed.

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<sup>16</sup> Motion at 5.

<sup>17</sup> Rate is broadly defined, pursuant to KRS 278.010(12), as "...any individual or joint fare, toll, charge, rental, or other compensation for service rendered or to be rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof."

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
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