COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S SEVENTH REQUEST FOR INFORMATION TO BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC

Bluegrass Water Utility Operating Company, LLC (Bluegrass Water), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on September 11, 2026. The Commission directs Bluegrass Water to the Commission's July 22, 2021 Order in Case No. 2020-00085[1] regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the

[1] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Bluegrass Water shall make timely amendment to any prior response if Bluegrass Water obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Bluegrass Water fails or refuses to furnish all or part of the requested information, Bluegrass Water shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Bluegrass Water shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Bluegrass Water's Response to Commission Staff's Fifth Request for Information (Staff's Fifth Request), Item 5. Refer also to Bluegrass Water's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 7(c) and the October 27, 2025 American Water Works Company, Inc. press release.[2]

[2] https://www.amwater.com/press-room/press-releases/corporate/american-water-and-essential-utilities-to-merge-as-a-leading-regulated-us-water-and-wastewater-utility

a. Explain in detail why Bluegrass Water decided to include American Water Works Company (American Water) and Essential Utilities, Inc. (Essential) in its proxy group given the merger between American Water and Essential was announced on October 27, 2025, approximately one month prior to Bluegrass Water filing its initial application seeking a rate increase.

b. Explain in detail whether a proposed proxy group containing four regulated utilities, after excluding three for various circumstances, contains enough data to fully support a Return on Equity (ROE) recommendation.

c. Explain in detail whether Bluegrass Water considered a proxy group consisting of a combination of regulated water utilities and regulated natural gas utilities. If a combination proxy group was not considered in Bluegrass Water's initial ROE analysis, explain in detail why not.

d. Provide a proxy group consisting of a combination of regulated water and regulated natural gas utilities.

2. Refer to Bluegrass Water's Response to Staff's Fifth Request, Item 5. Refer also to Bluegrass Water's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 7(c). Explain in detail how regulated water and wastewater utilities compare to regulated natural gas utilities in terms of their respective risk profiles regarding investors' expectations going forward.

3. Refer to the Direct Testimony of Matthew Howard (Howard Direct Testimony), page 23.

a. Explain in detail why Bluegrass Water utilized a current, 30-day average yield on 30-year Treasury bonds for the calculation of the risk-free rates in its CAPM analyses as opposed to a longer-term average yield.

b. Provide the 3-month average yield on 30-year Treasury bonds.

c. Provide the 6-month average yield on 30-year Treasury bonds.

4. Refer to the Howard Direct Testimony, page 12.

a. Explain in detail whether, over the course of selecting the proxy group used in this proceeding, Bluegrass Water considered excluding utilities who experienced "short-term" events that could lead to volatility in its market expectations.

b. If Bluegrass Water did not consider excluding utilities who experienced "short-term" events, explain why not.

c. If Bluegrass Water did consider excluding utilities who experienced "short-term" events, explain why American Water Works Company, Inc. (American Water) and Essential Utilities, Inc. (Essential) were included within the proxy group in the instant proceeding.

5. Refer to the Howard Direct Testimony, page 19. Refer also to the Howard Direct Testimony, Exhibit 4. Provide the *Value Line* Dividends per Share (DPS), using the most up-to-date *Value Line* profile sheets, for each of the regulated utilities included in Bluegrass Water's proxy group.

6. Refer to the Howard Direct Testimony, page 18.

a. Explain in detail why Bluegrass Water utilized 30-day average closing market prices in its dividend yield analysis, as opposed to a longer term.

b. Provide an updated dividend yield analysis utilizing a 3-month average closing market price for the period ending October 31, 2025, for each utility listed in the proxy group.

c. Provide an updated dividend yield analysis utilizing a 6-month average closing market price for the period ending October 31, 2025, for each utility listed in the proxy group.

7. Refer to the Howard Direct Testimony, Exhibit 5.3 and Exhibit 5.4. Explain in detail why S&P Capital IQ was included in Bluegrass Water's Average Market Return analysis, yet Bluegrass Water only relied on Beta coefficients provided by *Value Line* and Bloomberg.

8. Refer to Howard Direct Testimony, page 55 which states "a size premium of 1.00 percent, based on Kroll's market capitalization data". Refer also to page 57 which states "as company size decreases (increasing size rank), the annualized volatility increases, linking size and risk for utilities". Refer also to page 58 which states "as company size decreases, Safety Ranking degrades, indicating a link between size and risk for utilities". Refer further to Bluegrass Water Response to Staff's Fifth Request, Item 6, which states "Bluegrass Water's sister companies were awarded risk adjustments of 0.30 percent in Tennessee and 0.65 percent in Missouri."

a. Explain why comparing other companies' size versus risk generally is applicable to Bluegrass Water.

b. Provide the initially requested risk adjustments for Bluegrass Water's affiliated companies, including the number of customers served and the number of utilities acquired.

c. Explain why Bluegrass considers the one percent to be appropriate when Bluegrass Water's sister companies were awarded less than one percent.

9. Refer to Howard Direct Testimony, page 24, which states "the Bloomberg coefficients show a 'meaningful divergence' in correlation with the S&P 500 and should be viewed with caution." Refer also to page 26 that attributes this distortion to the Magnificent 7 tech stocks, which currently represent 35.37 percent of the S&P 500's market capitalization. and 32 that states "the Value Line betas capture a more accurate view because they use the NYSE, which smooths out the Mag7 distortion." Provide any calculations or analyses you performed using an equal-weighted S&P 500 index, or a broader index like the Russell 3000, to verify the utility group's risk profile before defaulting to the higher Value Line figures.

10. Refer to the Direct Testimony of Aaron Silas, pages 18–25. Provide the annual volume of sewage treated at the Delaplain system for 2022 through 2026 to date. Include in this response how this annual amount was determined.

11. Refer to the Direct Testimony of Aaron Silas, pages 18–25. Provide the total annual volumetric usage of the Delaplain non-residential customers from 2022 through 2026 to date.

12. Refer to the Direct Testimony of Aaron Silas, pages 18–25. Provide the residential equivalent rate used in this proceeding.

Justin McNeil RP

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DATED AUG 26 2026

cc: Parties of Record

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