TRACI OMLOR
Persimmon Ridge | Louisville, Kentucky 40245
Bluegrass Water Utility Operating Company Customer

September 14, 2026

Kentucky Public Service Commission
Attn: Chair Angie C. Hatton
Commissioner Mary Pat Regan
Commissioner Andrew W. Wood
211 Sower Blvd.
Frankfort, KY 40601-8294

Re: Kentucky PSC Case No. 2025-00354 - Bluegrass Water Utility Operating Company

Dear Chair Hatton and Commissioners Regan and Wood:

I am writing regarding Kentucky PSC Case No. 2025-00354 and Bluegrass Water Utility Operating Company's request for another substantial increase in wastewater rates.

I respectfully ask the Commission **not to approve Bluegrass Water's requested rate increase unless and until the company provides sufficient system-specific financial information to demonstrate that the proposed rates are fair, just, reasonable, and supported by the actual costs of providing service.**

My greatest concern is not simply the amount of the proposed rate increase. It is whether customers of Bluegrass Water's individual wastewater systems are being asked to pay costs that are actually attributable to serving their system—or whether a consolidated rate structure is causing customers of some systems to subsidize the acquisition, rehabilitation, capital investment, or unusually high operating costs of others.

The PSC anticipated this problem in 2019

When the Commission approved Bluegrass Water's acquisitions in 2019, it specifically required Bluegrass Water to maintain its records in a manner that would allow violations, repairs, investments, and other activities to be readily distinguished **for each individual system.**

The Commission explained that this requirement would allow it to review Bluegrass Water's practices and help determine the reasonableness of its expenses in future ratemaking proceedings.

We are now in that future rate proceeding.

Yet when the Attorney General's Office of Rate Intervention requested information concerning revenues, operating costs, capital costs, and customer counts by individual system, Bluegrass Water objected that the request was overly broad and unduly burdensome and did not provide the requested system-level information.

That raises a fundamental question:

If Bluegrass Water has been required since 2019 to maintain records that distinguish costs and investments by individual system, why should producing those records in a rate case now be considered unduly burdensome?

Without this information, how can the Commission determine:

- Which systems are actually responsible for Bluegrass Water's operating expenses and capital investment?
- Whether individual systems are financially sustainable at rates reflecting their own costs?
- Whether customers of one system are subsidizing costs associated with another?
- Whether the consolidated rate fairly reflects cost causation?
- Whether the economies of scale and efficiencies expected from consolidation have actually materialized?

Persimmon Ridge demonstrates why this matters

Persimmon Ridge provides a particularly clear example.

Prior to Bluegrass Water's acquisition, P.R. Wastewater Management had gone nearly 20 years without a rate increase. Its longstanding monthly rate of approximately $26.30 had only recently increased to $35.00.

In the prior Bluegrass Water rate proceeding, former P.R. Wastewater owner/operator Lawren Just told the Commission that the Persimmon Ridge system **"was in good shape when purchased."** She contrasted Persimmon Ridge with other acquired facilities requiring significant rehabilitation and specifically questioned the fairness of combining Persimmon Ridge with systems requiring extensive work.

She asked that Persimmon Ridge's rates reflect the work and costs associated with Persimmon Ridge rather than the costs of other facilities or projected future work elsewhere.

Six years later, that concern remains remarkably relevant.

Persimmon Ridge customers who once paid approximately $26 per month ultimately saw wastewater rates rise to approximately $94 before being reduced to approximately $77. Bluegrass Water is now proposing a rate of approximately **$114 per month**.

A change from approximately $26 to $114 represents an increase of more than **330%** and a monthly charge more than four times the historical rate.

Perhaps Bluegrass Water can demonstrate that the actual cost of operating, maintaining, and appropriately investing in Persimmon Ridge justifies that level of rate.

If so, show us the numbers.

Customers should not be required to simply assume that it does.

This is not only about Persimmon Ridge

Other Bluegrass Water communities may have very different histories, infrastructure conditions, capital requirements, and operating expenses.

That is precisely the point.

A wastewater system requiring substantial rehabilitation is fundamentally different from a well-maintained system requiring relatively modest investment. A system with a few dozen customers is different from a system with hundreds of customers over which fixed costs can be spread.

Those differences disappear when customers are presented only with consolidated financial information and a single rate.

Before approving a consolidated rate, I respectfully ask the Commission to require Bluegrass Water to provide, for **each individual wastewater system**, its revenues, direct operating and maintenance expenses, repair costs, capital expenditures and improvements, rate base, customer count, contract-operator expenses, affiliate charges, corporate and administrative allocations, and other material costs used to establish the revenue requirement.

Only then can the Commission meaningfully determine whether consolidation is producing fair results or inappropriate cross-subsidization among systems.

Corporate and affiliate expenses also deserve scrutiny

I am also concerned about Bluegrass Water's corporate and administrative cost structure.

Bluegrass Water itself has no employees. Many operating functions are performed through contractors, while management, administrative, and other expenses are allocated from the larger CSWR organization.

Before those expenses are recovered from captive Kentucky ratepayers, Bluegrass Water should be required to demonstrate that they are **reasonable, necessary, prudently incurred, appropriately allocated to Kentucky customers, and provide a demonstrable benefit to those customers.**

The Attorney General and Scott County's expert witness has already recommended adjustments to multiple expenses included in Bluegrass Water's requested revenue requirement.

This demonstrates why the Commission should not begin with the assumption that Bluegrass Water's claimed expenses automatically represent the amount customers should be required to fund.

Did consolidation deliver what customers were promised?

Bluegrass Water's acquisition and consolidation model was expected to create efficiencies and economies of scale.

After approximately seven years of operation, customers should be entitled to see measurable evidence of those benefits.

If consolidation is working, the financial records should demonstrate it.

If operating expenses, administrative expenses, affiliate allocations, and customer rates have instead increased substantially, the Commission should determine why.

Most importantly, **the burden should not be placed on customers to prove that Bluegrass Water's costs are unreasonable. Bluegrass Water should be required to demonstrate that the costs it seeks to recover from customers are reasonable and justified.**

If this model cannot be justified, customers deserve to know their alternatives

I also respectfully ask the Commission to consider a larger question.

If Bluegrass Water cannot demonstrate through transparent, system-level financial records that its consolidated ownership and rate structure produces fair, just, and reasonable rates for Kentucky customers, **what alternatives are available to these communities?**

I ask the Commission to examine the lawful mechanisms available for individual Bluegrass Water systems to transition to qualified municipal, public, nonprofit, regional, cooperative, or other responsible utility ownership when such a transfer would better serve customers and the public interest.

This consideration is particularly important for systems that were financially and operationally viable before Bluegrass Water acquired them.

Customers should not be permanently locked into a consolidated private-utility model merely because their wastewater systems were acquired years ago if the company cannot demonstrate that consolidation continues to benefit those customers.

I am not asking the Commission to assume that alternative ownership is appropriate for every Bluegrass Water system.

I am asking the Commission to determine whether **customers have a viable exit path when the consolidated model cannot be demonstrated to serve their interests.**

Therefore, I respectfully ask the Commission to:

1. **Require complete system-level financial and operating information** before approving the requested rate increase.
2. Determine whether customers of individual systems are paying costs reasonably attributable to serving their systems or **subsidizing costs associated with other systems.**
3. Closely scrutinize **affiliate charges, corporate and administrative allocations, management costs, contract operations, professional expenses, and other costs** allocated to Kentucky ratepayers.
4. Require Bluegrass Water to demonstrate, with actual financial evidence, the **economies of scale and efficiencies produced by consolidation.**
5. Examine whether a **single consolidated wastewater rate remains fair and reasonable** given the significant differences in size, condition, capital requirements, and operating costs among Bluegrass Water's systems.
6. Disallow expenses that are **unsupported, inadequately documented, imprudent, excessive, or not demonstrated to benefit Kentucky ratepayers.**
7. If Bluegrass Water cannot demonstrate that its consolidated model produces fair, just, and reasonable rates, **investigate and identify the lawful mechanisms available for affected systems to transition to alternative qualified ownership** when doing so would better protect customers and the public interest.

Bluegrass Water operates monopoly wastewater utilities. Its customers cannot simply select another provider when they believe their rates are unreasonable.

That makes the Commission's oversight particularly important.

Before approving another substantial increase, I respectfully ask the Commission to require Bluegrass Water to answer a very simple request:

Show us the numbers by system.

And if consolidation cannot be demonstrated to benefit Kentucky ratepayers:

Tell customers what lawful options exist to get out of this model.

Thank you for your consideration and for your responsibility to ensure that Kentucky utility rates are fair, just, and reasonable.

Sincerely,

Traci Omlor
Persimmon Ridge
Bluegrass Water Utility Operating Company Customer
Kentucky PSC Case No. 2025-00354