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PSC Issues Order in Bluegrass Water Rate Case

FRANKFORT, Ky. (August 2, 2021) – Today, the Kentucky Public Service Commission (PSC) issued a final order in Case No. 2020-00290 regarding Bluegrass Water Utility Operating Company, LLC's (Bluegrass Water) application for a water and sewer rate increase and for certificates of public convenience and necessity for proposed construction projects.

Bluegrass Water's application proposed a unified flat rate of \$105.84 per month for its water customers and a unified flat rate of \$96.14 per month for its residential sewer system customers. Bluegrass Water currently charges customers separate, distinct rates based on the rates of the systems that provided service at the time Bluegrass Water acquired them, so residential customers of the sewer systems at issue in this matter currently pay rates that vary significantly between about \$15.00 per month and \$55.85 per month and residential water customers currently pay a flat rate of \$22.79 per month.

Bluegrass Water indicated that the proposed rate increase was necessary due to significant capital investment Bluegrass Water has or will make through the forecasted period, which it contends is needed to maintain capacity and basic functionality, or to achieve compliance with environmental regulations or operational efficiencies on systems that have had very little investment in past years.

In today's Order, the PSC rejects Bluegrass Water's proposed rates and instead approves a unified flat rate of \$77.63 per month for water customers and a unified flat rate of \$85.97 per month for residential sewer customers. Today's Order also rejects a proposed multi-family sewer rate of \$72.11 per month and a proposed commercial rate of \$240.36 per month, and instead approves flat monthly rates of \$64.48 per month and \$214.93 per month, respectively. The PSC also denies Bluegrass Water's unified sewer tap fee of \$750.00, and denies approval for several construction projects proposed by Bluegrass Water based on findings that Bluegrass Water failed to establish that the projects would not result in wasteful duplication.

In approving the unified rates, the Commission notes, "A separate rate for each geographically distinct merged system . . . would create unreasonable and undue hardship to individuals in some areas served by Bluegrass Water." Additionally, the Commission has historically supported unified rate structures to encourage consolidation of smaller systems to improve the quality of service provided to customers.

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In a separate dissenting opinion, Vice Chairman Kent Chandler disapproves of the rates in the final Order, stating Bluegrass Water did not meet its statutory burden of proof to show an increase in rates is just and reasonable and that the case record did not support a change in rates.

The rates in today's Order do not apply to the systems Bluegrass Water was approved to purchase in Case No. 2020-00297 (those previously owned by the Delaplain Disposal Company, Herrington Haven Wastewater Company, Inc., Springcrest Sewer Company, Inc., and Woodland Acres Utilities, LLC), which Bluegrass Water did not own at the time the application in this case was filed. Rather, the Order states that Bluegrass Water shall continue to charge the rates of the utilities that previously operated those systems, which Bluegrass Water adopted pursuant to PSC regulations, until a subsequent tariff proposing to amend those rates is filed.

The rates approved in today's Order will be effective for service rendered on or after August 2, 2021. On June 30, 2021, Bluegrass Water filed a notice of intent to implement its proposed rates, which were suspended in a previous Commission Order, on August 1, 2021 pending a final Order and subject to refund as required by statute.

Intervenors in the case are the Attorney General, by and through the Office of Rate Intervention; and the following Joint Intervenors: The Homestead Home Owners Association; Deer Run Estates Homeowners Association; Longview Homeowners Association; Arcadia Pines Sewer Association; Carriage Park Neighborhood Association; Marshall Ridge Sewer Association; and Randview Septic Corporation.

The PSC conducted public meetings on May 10, 11, and 12, and the evidentiary hearing on May 18-20.

Today's Order and other records in the case are available at psc.ky.gov. The case number is 2020-00290.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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