

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WATER)	
SERVICE CORPORATION OF KENTUCKY)	CASE NO.
FOR A GENERAL ADJUSTMENT IN)	2018-00208
EXISTING RATES)	

ORDER

On February 27, 2019, Water Service Corporation of Kentucky (Water Service Kentucky) filed a petition for rehearing, pursuant to KRS 278.400, requesting that the Commission grant rehearing on its February 11, 2019 Order. Water Service Kentucky requests the Commission modify its Order on the following issues: (1) the Contribution-in-Aid of Construction (CIAC) amortization; (2) proposed tariff amendments; (3) the TCJA refund reconciliation; (4) correction to reflect the correct test year in ordering paragraph 1; (5) grant additional rate case expense for rehearing; and (6) include CIAC amortization and rate case expense as a component of taxable income. The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), did not file a response to Water Service Kentucky's petition for rehearing.

DISCUSSION AND FINDINGS

Contribution-in-Aid of Construction Amortization

Water Service Kentucky states that because the Commission adjusted its current depreciation rates to be based on the average life range for each asset group found appropriate in the 1979 report published by the National Association of Regulatory Utility

Commissioners (NARUC), the amortization period for Water Service Kentucky's CIAC should also receive a commensurate change. Water Service Kentucky states that this is consistent with Commission's prior practice in Water Service Kentucky rate cases and results in a credit balance of \$9,599.

Having reviewed the petition, and being otherwise sufficiently advised, the Commission finds that rehearing should be granted to include the commensurate change in amortization of Water Service Kentucky's CIAC in the final order on rehearing.

Proposed Tariff Amendments

In its application, Water Service Kentucky proposed several tariff changes, which were not addressed in the final order. These tariff changes include two new provisions that authorize Water Service Kentucky to recover the costs associated with relocating or raising Water Service Kentucky's portion of the service line so to allow the utility to recoup expense from the cost-causer. A further revision is a provision that allows Water Service Kentucky to require an encasement pipe on a Customer's service line to protect against damage. An encasement pipe is typically used when a customer's line is under vehicle traffic. The final tariff revision will authorize the utility to recover all costs associated with having to repair and replace meters and fixtures when a customer tampers with the meter. Having reviewed the petition, and being otherwise sufficiently advised, the Commission finds that rehearing should be granted to include all these proposed tariff amendments in the final order on rehearing.

TCJA Refund Reconciliation

Water Service of Kentucky is requesting a true-up if the amount refunded exceeds a 5 percent variance of the \$54,199 the Commission ordered to be refunded through

the TCJA surcredit. Water Service Kentucky requests that the true-up amount be refunded in one billing cycle and will provide documentation to verify the amount of the true-up and refund. Having reviewed the petition, and being otherwise sufficiently advised, the Commission finds that rehearing should be granted to allow the record to be more fully developed on the issue of TCJA refund reconciliation. Once this issue is more fully developed, the Commission will be able to determine whether a TCJA refund reconciliation should be included in the final order on rehearing.

Correction to Reflect the Correct Test Year.

The final order inadvertently stated, “the 12-month period ending June 30, 2017” in paragraph number 1 on page 24 of the February 11, 2019 Order. Water Service Kentucky requests that this clerical error should be revised to state “the 12-month period ending December 31, 2017.” Having reviewed the petition, and being otherwise sufficiently advised, the Commission finds that rehearing should be granted to include the correct 12-month period ending December 31, 2017, in enumerated paragraph number 1 on page 24 in the final order.

Rate Case Expense for Rehearing

Water Service Kentucky argues that it is incurring prudent and reasonable rate case expenses by requesting rehearing and has requested to recover \$4,196 in rate case expenses related to the post-hearing petition but notes the number may change. KRS 278.400 states, “any party may offer additional evidence that could not with reasonable diligence have been offered on the former hearing.” Water Service Kentucky presents evidence that was not in existence at the time of the hearing and, therefore, does not qualify as such additional evidence. Having reviewed the petition, and being otherwise

sufficiently advised, the Commission finds that actual rate case expense was fully recovered in the final order and rehearing should be denied on the issue of additional rate case expense pursuant to KRS 278.400.

Amortization of CIAC and Rate Case Expense Tax Impacts

Water Service Kentucky argues expenses arising from the amortization of the CIAC and the rehearing rate case expenses should be included in taxation calculation. Having reviewed the petition, and being otherwise sufficiently advised, the Commission finds that rehearing should be denied on the issue of amortization of rate case expense tax impacts and granted to allow the record to be more fully developed on the issue of amortization of CIAC tax impact. Once this issue is more fully developed, the Commission will be able to determine whether expenses arising from the amortization of the CIAC should be included in the final order on rehearing.

Having considered the petition, the Commission finds this case is the appropriate forum to litigate the issues for which we now grant rehearing to further develop the record. Once this rehearing record is fully developed and the Commission is able to determine what adjustments, if any, are reasonable and appropriate to include in the final order on rehearing.

IT IS THEREFORE ORDERED that:

1. Water Service Kentucky's petition for rehearing is granted in part and denied in part.
2. Water Service Kentucky's petition for rehearing on the issue of CIAC amortization is granted.

3. Water Service Kentucky's petition for rehearing on the issue of proposed tariff amendments is granted.

4. Water Service Kentucky's petition for rehearing on the issue of TCJA refund reconciliation is granted.

5. Water Service Kentucky's petition for rehearing on the issue of including the correct test year period is granted to the limited extent that the sentence enumerated paragraph 1 on page 24 of the February 11, 2019 Order is amended, *nunc pro tunc*, as follows: "The 12-month period ending December 31, 2017, should be used as the test year to determine the reasonableness of Water Service Kentucky's current and proposed rates." With this amendment to the February 11, 2019 Order, this issue is closed.

6. Water Service Kentucky's petition for rehearing on the issue of rate case expense for rehearing is denied.

7. Water Service Kentucky's petition for rehearing on the issue of amortization of CIAC for income tax purposes is granted.

8. Water Service Kentucky's petition for rehearing on the issue of amortization of rate case expense for income tax purposes is denied.

9. Water Service Kentucky, pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the information requested in the attached Appendix.

10. Intervenors may file requests for information to Water Service Kentucky no later than seven days from the date of this Order. Responses to these requests shall be due no later than seven days after receipt of the requests for information.

11. The information requested herein is due 14 days after the date this Order is entered.

12. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked.

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

14. Water Service Kentucky shall make timely amendment to any prior response if Water Service Kentucky obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Water Service Kentucky fails or refuses to furnish all or part of the requested information, Water Service Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

15. Careful attention shall be given to copied 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, Water Service Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

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By the Commission

ENTERED
MAR 15 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00208

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00208 DATED **MAR 15 2019**

1. Refer to the responses to the Commission Staff's First Request for Information (Staff's First Request), Item 3, Excel workbook "Filing Template", Tab "wp-I-Computers" and to the responses to the Commission Staff's Second Request for Information (Staff's Second Request), Item 24.d, Excel workbook "Response to PSC DR 2-24 (D&A Summary)", Tab "ID&A 24d".

a. Provide a schedule reconciling the allocated utility plant in service as of December 31, 2017, in Tab "wp-I-Computers" to the amounts listed for computers in Account No. 340 in the depreciation calculation in Tab "ID&A 24d".

b. Confirm that the recalculation of depreciation expense in Tab "ID&A 24d," using the mid-point depreciation life of the average service life ranges and the net salvage values in the National Association of Regulatory Utility Commissions (NARUC) survey includes the cost of computers that had been fully depreciated.

c. Using the mid-point depreciation life of the average service life ranges and the net salvage values in the NARUC survey and eliminating the cost of the computers that have been fully depreciated, recalculate Water Service Kentucky's pro forma depreciation expense for the allocated computers. Provide the recalculation in an Excel spreadsheet format with all formulas unprotected and with all rows and columns accessible.

d. Provide the estimated impact the depreciation recalculation, made in the response to Item 1.c above, has on Water Service Kentucky's revenue requirement

that was authorized in the February 11, 2019 Order. Provide the calculation of the revenue requirement impact in an Excel spreadsheet format with all formulas unprotected and with all rows and columns accessible.

2. Refer to the responses to the Commission Staff's First Request for Information (Staff's First Request), Item 3, Excel workbook "Filing Template", Tab "wp-f-depr new rates." Provide a separate itemized schedule for each contribution listed below that reports the date the Water Service Kentucky recorded each contribution.

a.	CIAC-METERS	\$	83,141
b.	CIAC-OTHER TANGIBLE PLT W	\$	104,819
c.	CIAC-WATER-TAP	\$	189,326

3. For each separate Contribution In Aid of Construction (CIAC) listed in the schedule provided in the response to Item 2 above, provide the accumulated amortization and the net CIAC balance's as of December 31, 2018.

4. Provide documentation to show that Water Service Kentucky did not claim a federal income tax deduction for depreciation of its utility plant in service that was funded by the contributions listed Item 2 above.

5. Explain whether the inclusion of the CIAC amortization in the income tax calculation removes the depreciation on plant funded by the CIAC from the calculation.

6. Water Service Kentucky requests that a true-up of the TCJA sucredit be refunded if the refund exceeds a 5 percent variance of the \$54,199 ordered to be refunded. Explain whether Water Service Kentucky considered establishing a regulatory asset or liability for any over or under collection of this refund.

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