

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO	)	
KENTUCKY-AMERICAN WATER COMPANY'S	)	CASE NO.
PROPOSAL TO IMPLEMENT A RATE	)	2020-00091
MECHANISM RELATED TO COST SAVINGS	)	
FROM REFINANCING OF LONG-TERM DEBT	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company (Kentucky-American), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on April 27, 2020. The Commission directs Kentucky-American to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses 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.

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

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

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.

Kentucky-American shall make timely amendment to any prior response if it 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 Kentucky-American fails or refuses to furnish all or part of the requested information, Kentucky-American shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

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, Kentucky-American 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 the June 27, 2019 Order Case No. 2018-00358,<sup>2</sup> page 55, Kentucky-American's authorized forecasted capital structure, and page 66, the assigned cost rates for the forecasted capital structure.

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<sup>2</sup> Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, (Ky. PSC Jun. 27, 2019).

a. Provide a revised Cost of Capital Summary similar to Exhibit 37, Schedule J of the application for Case No. 2018-00358 reflecting the impact the November 14, 2019 Long-Term Debt refinancing of \$71,390,000 (November 2019 Refinancing) would have on the weighted cost of long-term debt of 5.86 percent and the Commission's authorized overall weighted cost of capital of 7.69 percent.

b. Provide a schedule comparing Kentucky-American's forecasted capital structure and assigned cost rates to the capital structure and cost rates that would have been authorized if the November 2019 Refinancing had been included in Kentucky-American's forecast.

c. The schedules and supporting calculations provided in the responses to Item 1.a and Item 1.b, should be in an Excel format with all formulas intact and cells unprotected.

2. Refer to the June 27, 2019 Order in Case No. 2018-00358, page 66, the Commission's calculation of Kentucky-American's Operating Deficiency of \$9,944,052. Provide a schedule comparing Kentucky-American's calculation of its Operating Deficiency using the overall weighted cost of capital calculated in its response to Item 1.b to the Operating Deficiency calculation contained in the Commission's Order. The comparative schedule and any supporting calculations should be provided in an Excel format with all formulas intact and cells unprotected.

3. Kentucky-American determined that its November 2019 Refinancing resulted in an interest expense savings of \$1,331,165 for November 14, 2019, through June 30, 2020, and proposed to return those savings to its ratepayers via a one-time line item credit on bills beginning on or about July 1, 2020. Describe the mechanism

Kentucky-American proposes to use to return to its ratepayers the interest expense savings from the November 2019 Refinancing for the period from July 1, 2020, until the filing of its next rate case. The schedules and supporting calculations provided in this response should be in an Excel format with all formulas intact and cells unprotected.

4. Refer to Case No. 2020-00027,<sup>3</sup> Kentucky-American's Application request for Commission authorization of its Qualified Infrastructure Program (QIP) Rider, Direct Testimony of Elaine Chambers, Workpaper KAW\_DT\_EKC\_WP\_030220.xlsx (Chambers Workpaper Spreadsheet).

a. Provide a detailed explanation of how the November 2019 Refinancing impact of Kentucky-American's overall weighted cost of capital as calculated in the response to Item 1.b will have on Kentucky-American's requested QIP Rider.

b. Provide a revised copy of the Chambers Workpaper Spreadsheet reflecting the weighted cost of capital as calculated in the response to Item 1.b. The revised workpaper and any supporting calculations should be provided in an Excel format with all formulas intact and cells unprotected.

5. Refer to Kentucky-American's Proposal, page 2. Explain how Kentucky-American calculated the 16 percent credit of each customer's total bill. Provide any supporting calculations in Excel format with all formulas intact and cells unprotected.

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<sup>3</sup> Case No. 2020-00027, *Electronic Application of Kentucky-American Water Company to Amend Tariff for the Establishment of Qualified Infrastructure Program Charge* filed Mar. 2, 2020.

6. Refer to the August 30, 2018 Order in Case No. 2018-00042,<sup>4</sup> page 5. For the change in rates due to the Tax Cuts and Job Act, Kentucky-American estimated the tax savings, determined the proportional amount of savings for each customer class based on each class's test-year revenue, and then calculated the rate. Explain whether Kentucky-American supports a similar rate design for the impact of the November 2019 Refinancing.



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Public Service Commission  
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DATED APR 15 2020

cc: Parties of Record

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<sup>4</sup> Case No. 2018-00042, *Electronic Investigation of the Impact of the Tax Cuts and Job Act on the Rates of Kentucky-American Water Company* (Ky. PSC Dec. 21, 2018).

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