

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY FOR AN)	
ADJUSTMENT OF RATES, A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY FOR)	CASE NO.
INSTALLATION OF ADVANCED METERING)	2023-00191
INFRASTRUCTURE, APPROVAL OF)	
REGULATORY AND ACCOUNTING)	
TREATMENTS, AND TARIFF REVISIONS)	

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

Kentucky-American Water Company (Kentucky-American), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due no later than December 22, 2023. The Commission directs Kentucky-American to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ 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

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).

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 Kentucky-American 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 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 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, 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. For the capital projects included in the test year, provide a schedule that indicates whether the project will be completed with in-house or contractor labor. If any project uses both, provide the relative proportion of each.

2. For each of the last ten years provide:

a. A list of capital projects that utilized in-house labor and the total capital expenditure for each of those projects. If the in-house labor is a part of a capitalized maintenance Recurring Project (RP) line that does not have individual projects, provide the total amount of capital expenditures on that RP line for the year, and the total amount of in-house labor charged to that line. Further identify whether the in-house labor is charged directly or allocated based on a capitalization formula on each project. If the RP line is broken into individual projects, provide the total capital expenditure of each project within that RP line. If a capital project was solely for the purchase of a capital asset that did not require direct labor (i.e. purchase of vehicles), do not include that capital project.

b. A list of capital projects that utilized contract labor and the total capital expenditures for each of those projects. If the contract labor is a part of a capitalized maintenance RP line that does not have individual projects, provide the total amount of capital expenditures on that RP line for the year, and the total amount of contract labor on charged to that RP line. If the RP line is broken into individual projects, provide the total capital expenditure of each project within that RP line. If a capital project was solely for the purchase of a capital asset that did not require direct labor (i.e. purchase of vehicles), do not include that capital project.

c. Based on the information in parts a. and b. above, provide a schedule that indicates the ratio of capital expenditures that used in-house to contract labor to complete Kentucky-American's capital projects for the last ten years.

3. Provide an update on the status of the six unfilled positions and explain whether any other positions have become vacant since November 8, 2023.

4. Provide the adjustment to remove the proposed Advanced Metering Infrastructure project from Kentucky-American's forecasted test year.

5. Provide the amount in the forecasted test year related to the American Water Employee Stock Purchase Program and explain whether this amount is reflected in the capital structure or elsewhere.

6. Refer to Kentucky-American's response to Commission Staff's Third Request for Information, Item 2.

a. Confirm that Kentucky-American has included Construction Work in Progress (CWIP) in rate base since at least Case No.1995-00554.²

b. Explain how Kentucky-American removes Allowance for Funds Used During Construction (AFUDC) related to plant included in CWIP from rate base in subsequent rate cases.

c. Confirm that failing to remove AFUDC related to plant that was included in CWIP would require customers to pay those financing costs through rates twice.

d. This response only provided the AFUDC related to plant included in CWIP from Kentucky-American's most recent rate case. Explain whether Kentucky-American has the information to provide all AFUDC still included in rate base for all plant included in CWIP in previous rate cases.

e. Provide all AFUDC still included in rate base for all plant included in CWIP in previous rate cases.

² Case No. 1995-00554, *Notice of Adjustment of the Rates of Kentucky-American Water Company Effective on and After February 29, 1996* (Ky. PSC Sept. 11, 1996).

7. Assuming the Commission makes an adjustment to wages and salaries, provide factors that would need to be applied to the adjustment to account for payroll taxes, pensions, 401(k) matching, group insurance, and any other expense that varies with wages and salaries.

8. Refer to the Rebuttal Testimony of John Watkins, page 3. In the same format as JMW-2, provide the capitalization ratios for the past ten years.

9. Explain the categories of positions that are included in union, non-union hourly, and non-union salaried.

10. Provide a schedule that shows the specific inflation factors used, to which account they are applied, and the workpaper in which the calculation is made.

11. Provide the adjustment necessary to remove all inflation factors from Kentucky-American's forecasted test year.

12. Provide the following information concerning the cost of preparing this case:

- a. A detailed schedule of expenses incurred to date and estimated for the following categories. For each category, the schedule should include the date of each transaction, check number or other document reference, the vendor, the hours worked, the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of any invoices, contracts, or other documentation that support charges incurred in the preparation of this rate case. Indicate any costs incurred for this case that occurred during the test year.

- (1) Accounting;
- (2) Engineering;
- (3) Legal; and

(4) Consultants; and Other Expenses (Identify separately).

b. An itemized estimate of the total cost to be incurred for this case.

Expenses should be broken down into the same categories as identified in (a) above, with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting workpapers and calculations.

13. Provide documentation showing evidence of the update to the annual performance plan (APP) related to changes in the earnings per share (EPS) clause that witness Kathryn Nash referenced in her hearing testimony.

a. Explain why American Waterworks removed the EPS requirement for the APP.

b. Provide documentation that the APP awards will no longer be issued based on EPS targets.

c. Confirm that the growth category is still based on EPS targets. If this cannot be confirmed, explain.

14. Provide a copy of the request for proposals (RFP) related to installation and labor for the AMI system including the bid sheets, the criteria for selection, the bid tabulation sheet, and an explanation why the chosen vendor was selected.

15. Explain in detail how the RFP was publicized and provide copies of notices for the RFP.

16. For Kentucky-American's rebuttal testimony and base period update, provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

17. Provide a comparison of the forecasted portion of the base period and the actuals in the same format as the Application, Exhibit 37, Schedules A, B-1, B-2.1, B-3, B-4, C-1, and C-2. Provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

18. Provide a schedule of increases to the common equity component of capitalization from the end of the base period to the end of the forecasted period.

19. Provide a schedule of Kentucky-American's dividend payments for the last five years.

20. Several witnesses stated that an adjustment to overtime and contract labor would be necessary if vacancies were removed. When Kentucky-American created the forecasted test year, explain whether an adjustment was made to overtime and contract labor to account for Kentucky-American forecasting a full complement of employees.

21. Provide three representative cases in which Mr. Kennedy provided testimony and the utility commission ultimately ordered a recovery methodology for the changes to meter retirements other than changing the rate within the mass plant account depreciation rates.

22. Provide the annual miles of main that have been replaced due to age or condition for the last ten years.



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cc: Parties of Record

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