COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES, APPROVAL OF SYSTEM IMPROVEMENT PROGRAM, AND TARIFF CHANGES	)))))	CASE NO. 2026-00094

COMMISSION STAFF'S THIRD 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 on July 30, 2026. The Commission directs Kentucky-American to the Commission's July 22, 2021 Order in Case No. 2020-00085[1] 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 person supervising the preparation of the response on behalf of the entity that 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).

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. Refer to the Application, Exhibit 37, Schedule B-1. Refer also to Case No. 2025-00122,[2] Application, Exhibit 37, Schedule B-1; Case No. 2023-00191,[3] Application,

[2] Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (filed, May 16, 2025), Application, Exhibit 37, Schedule B-1.

[3] Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (filed July 7, 2023) Application, Exhibit 37, Schedule B-1. The Application and referenced exhibit were tendered on

Exhibit 37, Schedule B-1; Case No. 2018-00358,[4] Application, Exhibit 37, Schedule B-1; Case No. 2015-00418,[5] Application, Exhibit 37, Schedule B-1; and Case No. 2012-00520,[6] Application, Exhibit 37, Schedule B-1. Explain why Materials and Supplies is included as a component to Kentucky-American's rate base in the instant proceeding when Kentucky-American omitted Materials and Supplies from its rate base in its previous five general rate cases.

2. Refer to the Application, Direct Testimony of John Magner, page 34 which states that KANEW modeling is performed on a recurring basis and future projections may differ as changes occur within Kentucky-American's system.

a. Explain how Kentucky-American's projections for its main replacement rate for 2025 through 2074 compares to the projections of other similarly situated water utilities.

b. Provide the timeline for which modeling is performed such that it is performed on a recurring basis.

c. Explain whether the suggested main replacement rate for Kentucky-American has changed since the filing of its application.

June 30, 2023, and was deemed deficient by letter dated July 7, 2023. The deficiency was cured on July 7, 2023, and was deemed filed on that date.

[4] Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (filed Nov. 28, 2018), Application, Exhibit 37, Schedule B-1.

[5] Case No. 2015-00418, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (filed Jan. 29, 2016), Application, Exhibit 37, Schedule B-1.

[6] Case No. 2012-00520, *Application of Kentucky-American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year* (filed Dec. 28, 2012), Application, Exhibit 37, Schedule B-1.

d. Should the modeling result in a material variance in main replacement rate projections from the projections filed in the Application throughout the pendency of this proceeding, provide an update to this discussion. Consider this an ongoing request.

3. Refer to Kentucky-American's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 28. Refer also to Case No. 2025-00122, generally. Given that approximately five months elapsed between the conclusion of Case No. 2025-00122 and Kentucky-American's filing of the application in this proceeding, explain why Kentucky-American did not include the results of the lead-lag study performed in Case No. 2025-00122 in support of its requested working capital allowance.

4. Refer to Kentucky-American's response to Staff's Second Request, Item 58. This answer was not responsive. Provide the calculation showing how Kentucky-American's anticipated capital spend of $108,436,701 in the forecasted test year equates to the approximate $68 million of rate base growth since Kentucky-American's last general rate case.

5. Refer to Kentucky-American's response to Staff's Second Request, Item 30(a). Explain why accumulated depreciation relating to the city of Livingston acquisition was based on the depreciable life of the assets as of December 31, 2024, yet accumulated depreciation relating to the Water Service Corporation of Kentucky acquisition was based on the balance as of December 31, 2025.

6. Refer to Kentucky-American's response to Staff's Second Request, Item 35, Attachment 1.

a. Provide the Attachment in Excel spreadsheet format with all columns, rows, and formulas unprotected and fully accessible. In the response, include all calculations for each applicable value, including but not limited to the calculation of the Year 1 financials and Escalation Factor values.

b. Explain what is meant by "applicable escalation rates" as noted in Note 1 of this Attachment.

7. Refer to Kentucky-American's response to Staff's Second Request, Item 12. Explain whether Kentucky-American attempted to collect more recent information from Black Mountain Utility District before utilizing the 2023 annual report in the development of the cost-of-service study.

8. Refer to Kentucky-American's response to Staff's Second Request, Item 19.

a. Explain in detail what costs Kentucky-American recovers through the Sales for Resale rate.

b. Identify and explain what may drive Kentucky-American's Sales for Resale rate to be higher than the other identified wholesale water providers.

c. Provide all available customer complaint data on the Sales for Resale rate from January 1, 2026, until the issuance of this data request.

9. Refer to Kentucky-American's 2024 Annual Report, page 62.[7]

a. Explain in detail why the average rate per 1,000 gallons for Sales for Resale customers differs by each customer.

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[7] *Annual Report of Kentucky-American Water Division to the Public Service Commission for the Calendar Year Ended December 31, 2024* at 62.

b. Explain what other fees or charges impact the average rate per 1000 gallons for each customer.

10. Refer to Kentucky-American's response to Staff's Second Request, Item 23. The question refers to the rate of return on rate base for each customer class. Confirm whether Kentucky-American can calculate the rate of return on rate base for each customer class at current and proposed rates. If confirmed, provide a responsive table displaying the current and proposed rate of returns on rate base for each customer class.

11. Refer to Kentucky-American's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 38, Attachment KAW_R_AGDR1_NUM038_062626, page 3. Refer also to Kentucky-American's Response to Staff's Second Request, Item 27. For the calendar year 2025, Kentucky-American's forecasted headcount was 166, yet the actual employee count consistently lagged throughout the year, ending with a 153-employee headcount at the beginning of 2026. Provide the exact dollar amount of revenues collected from ratepayers during 2025, on a monthly basis, for these vacant positions in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

12. Refer to Kentucky-American's response to the Attorney General's First Request, Item 38. Kentucky-American states that vacancies are normal due to turnover, and that the company offsets this labor shortfall by utilizing higher overtime hours and third-party contract services. Provide a complete workpaper matching the historical dollar savings realized from vacant payroll positions directly against the corresponding incremental costs incurred for overtime and outside contractors for the years 2024

through 2025 in in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

13. Refer to Kentucky-American's response to Staff's Second Request, Item 26. Kentucky-American states that in 2020, the city of Crab Orchard (Crab Orchard) declined an asset purchase agreement solely because Crab Orchard was unwilling to absorb the ongoing public fire hydrant fee obligations. Explain the basis behind Kentucky-American's proposal to shift hydrant costs away from municipalities and onto general retail customers.

14. Refer to Kentucky-American's response to the Attorney General's First Request, Item 22. Kentucky-American confirmed that no portion of the dues paid to organizations like the Kentucky Chamber of Commerce ($12,050) or Commerce Lexington ($6,278) has been excluded from the requested recovery in this application. Provide specific operational or quantitative evidence demonstrating how lobbying expenses have a direct, localized benefit to a retail water customer.

15. Refer to Kentucky-American's response to Staff's Second Request, Item 50. Refer also to the Direct Testimony of Ann E. Bulkley, pages 18 and 19. Explain why additional criteria for the natural gas distribution companies in the proxy group were not considered.

16. Refer to Kentucky-American's response to the Attorney General's First Request, Item 17 which detailed all expenses removed from the proposed rates and showed $0 removed for Lobbying Expenses. Refer also to Kentucky-American's response to the Attorney General's First Request, Item 132(b) which states that $39,649 in Lobbying Expense in Account No. 78540000 was removed from the base year.

a. Reconcile the differing information between these responses.

b. Explain whether Kentucky-American proposed an adjustment to remove Lobbying Expense from the base year.

c. If no amount of Lobbying Expense was removed from the base year as indicated in Kentucky-American's response to the Attorney General's First Request, Item 17, explain the basis for including all Lobbying Expense in the base year.

17. Refer to Kentucky-American's response to the Attorney General's First Request, Item 28(b). Provide the support for Kentucky-American's 1.405 Median Household Income (MHI) adjustment factor.

18. Refer to Kentucky-American's response to the Attorney General's First Request, Item 37(b). Explain whether the water loss attributable to Kentucky-American's acquired systems[8] was included in Kentucky-American's monthly water loss percentage for 2026.

19. Refer to Kentucky-American's response to the Attorney General's First Request, Item 46(b). Provide the calculations for the estimated incremental annual revenue requirement impact of the system improvement program (SIP) for 2028 through 2032 in Excel spreadsheet format with all rows, columns, and formulas unprotected and fully accessible.

20. Refer to Kentucky-American's response to the Attorney General's First Request, Item 94. Explain what Kentucky-American means by an "expense factor."

[8] "Acquired systems," in this sense, means the water loss attributable to the City of Livingston (Case No. 2025-00364), the Water Service Corporation of Kentucky (Case No. 2025-00171), and the Black Mountain Utility District (Case No. 2026-00097) systems.

21. Further, provide examples of the expense factors utilized in the preparation of the instant case.

Linda Bridwell RP

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DATED JUL 14 2026

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