

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE)	
CORPORATION OF KENTUCKY FOR A)	CASE NO.
GENERAL ADJUSTMENT IN EXISTING)	2015-00382
RATES)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO WATER SERVICE CORPORATION OF KENTUCKY

Water Service Corporation of Kentucky ("WSKY"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before January 19, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. WSKY shall, in accordance with 807 KAR 5:001, Section 7(2)(c), file each paper in type no smaller than twelve (12) point, except footnotes, which may be in type no smaller than ten (10) point. WSKY shall, in accordance with 807 KAR 5:001, Section 8(7)(a), certify that the electronic version of the paper is a true and accurate copy of each paper filed in paper medium. 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.

WSKY shall make timely amendment to any prior responses 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 WSKY fails or refuses to furnish all or part of the requested information, it 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 filing a paper containing personal information, WSKY 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 Commission's July 24, 2014 Order in Case No. 2013-00237¹ and to the Application in the instant proceeding, page 3, Item 15. In its Order, the Commission granted WSKY a rate increase that would increase annual revenues by 3.95 percent. At Item 15, WSKY states that the requested rates in this proceeding will generate additional annual revenues in the amount of \$516,989, a 24.62 percent increase. Identify, discuss, and quantify each change to WSKY's operations that has

¹ *Application of Water Service Corporation of Kentucky for an Adjustment of Rates* (Ky. PSC July 24, 2014).

occurred since Case No. 2013-00237 that contributes to the need for such a significant rate increase at this time.

2. Refer to the Application, Exhibit 3, and to the Application, Exhibit 5, Direct Testimony of Brian N. Halloran (“Halloran Testimony”), Page 15, lines 6–12. As shown on Exhibit 3, consolidating WSKY’s current rates will result in a 29.31 percent rate increase to a typical residential customer in WSKY’s Middlesboro service territory, but will result in a 14.80 percent rate decrease to a typical residential customer in WSKY’s Clinton service territory. On page 15, Mr. Halloran states that rate consolidation is appropriate “because many of the operational and management costs are common amongst both territories.”

a. Given the significant difference the proposed rate consolidation would have on the rates of the customers in WSKY’s two service territories, discuss the consideration WSKY gave to gradually moving toward cost-based rates over multiple future rate filings instead of immediate implementation through this Application.

b. Discuss whether WSKY believes that a gradual move toward consolidated rates would reduce rate shock on its customers and, therefore, be more appropriate than an immediate implementation of consolidated rates.

c. Provide all documentation, e-mails, correspondence, or work papers that detail the consideration given to a gradual move toward consolidated rates.

3. Refer to the Application, Exhibit 4, Schedule A. An acquisition adjustment is reported in the amount of \$137,269.

a. Provide the original entry used to record the acquisition adjustment.

b. Discuss the details of the acquisition made by WKSJ that required the recording of the acquisition adjustment.

c. Provide an amortization schedule that shows the acquisition adjustment's entire life.

4. Refer to the Application, Exhibit 4, Schedule A. Deferred Charges are reported at \$224,617. List each deferred charge included in this balance. For each deferred charge provide the following:

a. a description of each charge;

b. an amortization schedule for the charge's entire life.

5. Refer to the Application, Exhibit 4, Schedule D and Workpaper s. Column G on Schedule D demonstrates that WSKY's unadjusted test-year billing determinants (minimum bills and gallons sold) produce \$2,100,262 in annual water sales revenue when billed at present rates; however, Workpaper s demonstrates that pro forma present rate revenues are equal to \$2,100,262 after adjustments are made to test-year revenues to remove sales to the Clinton Detention Center and to reduce test-year sales for the "Usage Normalization Adjustment" proposed by WSKY.

a. State whether the billing determinates shown in Schedule D are the actual test-year amounts, or whether they are the test-year amounts after adjustments were made to remove sales to the detention center and to account for the "Usage Normalization Adjustment."

b. If Schedule D shows the unadjusted test-year billing determinants, explain why the resulting test-year revenue total of \$2,100,262 is equal to the adjusted amount shown on Workpaper s.

c. If Schedule D shows the test-year billing determinants after adjustments were made to remove sales to the detention center sales and the “Usage Normalization Adjustment,” provide a billing analysis that shows separately the actual test-year billing determinants and the adjustments made thereto.

6. Refer to the Application, Exhibit 4, Schedule D, Middlesboro Municipal Fire Protection WIND.

a. Provide a detailed explanation of this information.

b. Explain where this rate is in the current tariff on file with the Commission.

7. Refer to the Application Exhibit 4, Workpaper s and the Halloran Testimony, Page 4.

a. Provide a copy of the consumption analysis for July 2008, through June 2015 (“consumption analysis”) that is referred to on Page 4.

b. State the reason why WSKY began the analysis with July 2008, instead of an earlier date.

c. For any decline in consumption shown in the consumption analysis, identify and explain the reasons for the decline and provide evidence that additional consumption decline will continue into the future for each stated reason.

d. On Workpaper s, WSKY reduces “Per Books” revenue by \$13,737 to account for a “Usage Normalization Adjustment.” Provide work papers that show the derivation of the \$13,737 adjustment using the results of the consumption analysis.

e. State whether any of Utilities, Inc.’s (“UI”) other regulated subsidiaries have requested adjustments similar to the “Usage Normalization

Adjustment” in rate applications filed with other state regulatory commissions. If yes, provide a copy of all commission orders that either authorized or denied the adjustment.

f. State whether WSKY agrees that, if the Commission accepts the proposed “Normalization Revenue Adjustment,” matching adjustments are also warranted to decrease test-year purchased water, purchased power for pumping, and chemicals. If WSKY does not agree, explain. If WSKY agrees, quantify the adjustments that WSKY finds is appropriate, provide the calculation for each adjustment, and explain why WSKY did not propose each adjustment in its Application.

8. Refer to the Application, Exhibit 4, Workpaper s.

a. “Per Books” Water Revenue-Accruals are stated at (\$4,653). Describe and discuss the nature of this amount and explain why its removal from test-year operations is appropriate.

b. In Column D, the effects of “Out-of Period Adj” are removed from the amounts reported “Per Books.” Describe the nature of each “Out-of Period Adj” and explain why its removal from test-year operations is appropriate.

c. In Column E, “Per Books” revenues are reduced by \$8,809 to remove sales to the Clinton Detention Center.

1) State the date that water service to the detention center was discontinued.

2) State the reason that water service to the detention center was discontinued.

3) State the date that water service to the detention center is expected to resume. If it is not expected to resume, state the reason.

4) Provide the monthly water sales volumes by WSKY to the detention center for each month of the test year.

5) Provide the amount billed for water sold by WSKY to the detention center for each month of the test year.

9. Refer to the Application, Exhibit 4, Schedule B, Lines 9 and 23, and to WSKY's response to the Commission's First Request for Information that was attached as Appendix B to the Commission's December 9, 2015 Order ("Commission's First Request for Information"), Item 9.a.

a. Test-year salaries and wages shown on Schedule B total \$676,553 (\$510,822 shown on Line 9 + \$165,731 shown on Line 23). Using the same format of the three Excel worksheets provided in response to Item 9.a that are titled "WSC Salaries 2015," "wp-b4 office salaries," and "wp-b Salary," show the recalculation of test-year wages. The recalculation Excel worksheets should show for each employee: 1) test-year wage rates; 2) test-year regular and overtime hours worked; 3) test-year allocation factors; and 4) total test-year wages. The recalculated test-year wages for all employees should total \$676,553.

b. From review of the three aforementioned Excel worksheets that were provided in response to Item 9.a., it appears that WSKY accounts for a 3 percent wage increase in pro forma wages for all employees.

1) State the date that the 3 percent wage rate increase went into effect.

2) Explain why, in light of the present economic conditions, both locally and nationally, the wage increases are reasonable and appropriate.

c. From review of the three aforementioned Excel worksheets that were provided in response to Item 9.a., it is apparent that WSKY seeks rate recovery of wages for employee positions that were vacant at the time WSKY filed its Application.

1) State whether additional employee positions have become vacant since WSKY filed its Application, and identify those positions.

2) Identify the vacant employee positions shown on these worksheets that have been filled since WSKY filed its Application, and state the date that each position was filled.

d. From review of the three aforementioned Excel worksheets that were provided in response to Item 9.a., it is apparent that Customer Service Personnel located in Florida, North Carolina, Nevada, and West Virginia had pro forma wages allocated to WSKY.

1) Describe the customer service facilities that are located in each of these states.

2) Describe the services provided to WSKY by each customer service facility located in these states.

3) Explain why the Equivalent Residential Customer Count is the most appropriate method to allocate the wage costs of each of the customer service facilities.

10. Refer to the Application, Exhibit 5, Direct Testimony of Steven M. Lubertozi ("Lubertozi Testimony"), page 5, Lines 20–23 and page 6, Lines 1–11 and to the work papers provided in response to Item 9.a., above, where test-year wages

were recalculated. On pages 5 and 6, Mr. Lubertozi discusses a reorganization of UI that occurred since WSKY's last rate case.

- a. Provide a detailed discussion of how and why UI was reorganized.
- b. Discuss how the reorganization benefitted WSKY and its customers.
- c. Make all changes necessary to the work papers provided in response to Item 9.a, above, to reallocate all test-year wages to WSKY as though the reorganization had not occurred.
- d. Other than wages identified in Item 10.c., above, identify and quantify all other changes to WSKY test-year costs, including wage overhead charges, that occurred as a result of the reorganization.
- e. State whether any new employee positions that were created as a result of the reorganization remain vacant.

11. Refer to the Application, Exhibit 4, Workpaper j.

- a. "Deferred Maintenance Expense" is stated at \$19,977. Identify each deferred item included in this amount and for each item: state its amount; provide a detailed description; and explain why its removal from test-year operations is appropriate.
- b. "Current Deferred Assets" is stated at \$20,106. Identify each deferred item included in this amount and for each item: state its amount; provide a detailed description; and explain why its inclusion in pro forma operations is appropriate.

c. "Pro Forma Deferred Assets" is stated at \$14,027. Identify each deferred item included in this amount and for each item: state its amount; provide a detailed description; and explain why its inclusion in pro forma operations is appropriate.

12. Refer to the Halloran Testimony, Page 8, Lines 1–8. Mr. Halloran refers to a Clinton tank-painting project that is expected to be completed by December 31, 2015, and he refers to "smaller pro forma deferred assets."

a. In regard to the tank painting.

1) Provide the tank's street address or other description of its geographic location.

2) State the date that the tank was first placed into service.

3) State the tank's anticipated remaining life.

4) State the last date that the tank was painted prior to the 2015 painting.

5) Provide a copy of the advertisement for contractor bids to paint the tank.

6) Provide a copy of all contractor bids that were received by WSKY in response to the bid advertisement.

7) Indicate which contractor bid was accepted.

8) State the date that the tank painting was completed.

9) Provide a complete description of all the work that was necessary to perform the tank painting and state the type of paint used for the interior and exterior painting.

10) State the basis for the ten-year amortization period proposed for the 2015 tank-painting costs and state why this amortization period is reasonable.

- b. In regard to the “smaller pro forma deferred assets.”
 - 1) Provide a description of each asset.
 - 2) Provide the cost of each asset.
 - 3) State the date that each asset was placed into service.
 - 4) State each asset's amortization period.
 - 5) Provide annual amortization schedules for each asset.

13. Refer to the Application, Exhibit 4, Workpaper k and to the Halloran Testimony, Page 8, Lines 8–14. On Workpaper k, test-year chemicals expense is decreased by \$18,357. In his testimony, Mr. Halloran states that the reduction was to account for the completion of the Plate Settler Project (“Project”).

- a. State the date that the Project was placed into service.
- b. State the Project's original cost.
- c. Provide a detailed description of the Project.
- d. Provide a copy of the advertisement for contractor bids to construct the Project.
- e. Provide copies of all contractor bids that were received in response to the advertisement for bid.
- f. Indicate which bid was accepted.
- g. Explain why the Project's construction did not require the Commission's approval pursuant to KRS 278.020(1).

h. Explain how WSKY determined that the Project would save 40 percent of the Calcium Hypochlorite and Powder Activated Carbon used at the plant.

i. Provide an analysis comparing the amount of each chemical used at the Middlesboro plant for the 24 months before the Project's completion date and for all of the months thereafter. The analysis should show the gross volume of chemicals used and the amount of chemicals used per 1,000 gallons of water treated.

14. Refer to the Application, Exhibit 4, Workpaper I.

a. Provide calculations of the amounts shown in Column D and provide a detailed discussion of the nature of each amount, the reasons that each amount was reported in WSKY's test-year operations, and the reasons why each amount was removed from test-year operations.

b. Provide calculations for the amounts shown in Column E and provide a detailed discussion of the nature of each amount, the reasons that each amount was reported in WSKY's test-year operations, and the reasons why each amount was removed from test-year operations.

c. Provide the calculations of the amounts shown in Column F and explain why it is appropriate to include these amounts in WSKY's pro forma operations.

15. Refer to the Application, Exhibit 4, Schedule B, Line 17, "Operating Exp. Charged to Plant" in the amount of \$159,698.

a. Provide a detail of the plant items included in this amount.

b. Explain why each item included in this amount was originally expensed rather than capitalized.

16. Refer to the Halloran Testimony, page 9, Lines 1–2.

a. Show the calculation of the \$4,449 decrease to the test-year amount.

b. Explain why the test-year “capitalized time of employees” is anticipated to decrease in pro forma operations.

17. Refer to the Application, Exhibit 4, Workpaper n.

a. Provide vendor invoices that support the “2013 Rate Case Appeal Costs” in the amount of \$23,078.

b. State whether WSKY employees expended any time or whether WSKY expended any other resources during the test-year to address the 2013 rate case appeal. If so, quantify those costs and explain how they were allocated to WSKY and its subsidiaries during the accounting process.

c. Provide vendor invoices that support the “2014 Show Cause Costs” in the amount of \$10,610.

d. State whether WSKY employees expended any time or whether WSKY expended any other resources during the test year to address the 2014 show cause proceeding. If yes, quantify those costs and explain how they were allocated to WSKY and its subsidiaries during the accounting process.

18. Refer to the Application, Exhibit 4, Workpaper r.

a. State the reason that WSKY pays Clinton a check-collection fee.

b. Explain why the rate increased from \$1 per check to \$2 per check.

c. State the amount of the current check-collection fee paid by WSKY.

19. Refer to the Application, Exhibit 4, Workpaper m. For each item removed from test-year operations, provide the following:

- a. A detailed description;
- b. An explanation for its removal from the test year; and
- c. An explanation for why it was reported by WSKY.

20. Refer to the Application, Exhibit 4, Schedule B, Page 1 of 2. Pension and Other Benefits for test-year and pro forma operations are stated at \$158,342 and \$204,117. Provide a list of employees who have benefits included in these amounts and state the amount of each benefit included the amounts for each employee.

21. Refer to the Application, Exhibit 4, Schedule B, Page 1 of 2, Line 35. Provide the calculation of test-year depreciation expense in the amount of \$335,723.

22. Refer to the Application, Exhibit 4, Workpapers f, o, and p; the Halloran Testimony, page 12; and the Application, Exhibit 12. On Page 12, Mr. Halloran states that the “depreciation rates proposed by the Company are consistent with the National Association of Regulatory Utility Commissioners (“NARUC”) Study.” The requested rates are listed on Exhibit 12.

- a. Confirm that WSKY has historically applied a 2 percent composite depreciation rate to each of its utility plant account group’s original cost to accrue depreciation for accounting and ratemaking purposes.

- b. State whether WSKY has ever requested that the Commission allow it to adjust the 2 percent composite depreciation rate.

- c. Explain why WSKY requests to adjust the 2 percent composite depreciation rate in this proceeding.

d. Provide all analyses and studies that demonstrate that the reserve for depreciation that has accumulated using the 2 percent composite depreciation rate is insufficient and that an adjustment to this rate is, therefore, appropriate.

e. Confirm that none of the depreciation rates proposed by WSKY contain a component of salvage value or cost of removal and that each rate can be converted to a useful service life stated in years by dividing each rate into the number 1. For example, the 1.60 percent rate requested for Account 1125, Trans. & distr. Mains, can be converted to a 62.5 (1 / 1.60), year useful life.

f. If none of the depreciation rates requested by WSKY contain a component of salvage value or cost of removal, explain how the depreciation rates requested for the accounts listed below are consistent with the NARUC Study.

Account ID	Account Description	WSKY Requested Rate	Converted to Years
1095	Power Generation Equipment	10.0%	10
1150	Backflow Prevention Device	10.0%	10
1555	Transportation Equipment	25.0%	4
1580	Mainframe Computer	25.0%	4
1585	Mini Computers	20.0%	5
1590	Computer System Cost	12.5%	8
1595	Mirco System Cost	33.0%	3

23. Refer to the Application, Exhibit 4, Workpaper f and to the Halloran Testimony, page 13.

a. Column D of Workpaper f is labeled as the “06/30/2015 Pro Forma Amount.” Confirm that the date shown in Column D’s label, 06/30/2015, is inaccurate and that it should have been labeled as 12/31/2015 to coincide with the Halloran Testimony.

b. Provide and discuss the calculation of each pro forma amount listed in Workpaper f, Column D.

c. In his testimony, Mr. Halloran states that WSKY is “proposing to update...rate base to December 31, 2015,” which is six months beyond the end of the test year.

1) Provide a citation to the statute or regulation that authorizes WSKY to adjust rate base for changes that occur beyond the end of the historic test year proposed in this proceeding.

2) State whether WSKY is aware that the Commission has denied adjustments to historic test-year operations to account for post-test-year capital additions, finding that these adjustments violate the “matching principle” long recognized by the Commission.²

24. Refer to the Application, Exhibit 4, Workpaper p.

a. Identify each vehicle that is listed on Line Nos. 1–3, Line Nos. 5–16; and Line 21 that is currently in service.

b. For each vehicle that is still in service state: the names of its primary driver(s); how the vehicle is used to carry out WSKY’s daily operations; and the miles driven during the test year (state the approximate mileage if the actual mileage is unknown).

c. Depreciation expense accrued during the test year resulted in full depreciation of each vehicle listed on Line Nos. 9–11 as of December 31, 2015.

² Case No. 2011-00096, *Application of South Kentucky Rural Electric Cooperative Corporation for an Adjustment of Rates* (Ky. PSC Mar. 30, 2012) at 7.

Explain why WSKY did not propose to remove depreciation accrued on these vehicles from test-year operations.

d. For each vehicle listed on Line Nos. 17–20.

1) State its actual, or anticipated, in service date.

2) State why it is needed and how it will be used in WSKY's

daily operations.

25. Refer to the Application, Exhibit 4, Workpaper o. Six separate computer accounts are listed. For each account, provide the following:

a. A description of all computer hardware and software included in the account;

b. The location of the computer hardware identified in response to 25.a;

c. A description of the functions performed by the computer hardware and software identified in response to 25.a; and

d. A description of how the computer hardware and software identified in response to 25.a. benefits WSKY's customers.

26. Refer to the Application, Exhibit 4, Workpaper e. Provide copies of the tax assessment statements that support the test-year expense for Utility/Commission Tax, Real Estate Tax, Personal Property Tax, and Property/Other General Tax in the amounts of \$7,990, \$56,190, \$15,051, and \$5,505, respectively.

27. Refer to the Application, Exhibit 4, Schedule B, Line 38, "Expense Reduction Related to Clinton Sewer Operations" in the amount of \$154,344.

a. Using an income statement account format, provide a detailed listing of each expense included in this amount and show how the amount of each expense account was determined.

b. Provide the service contract between WSKY and the city of Clinton.

c. State the number of customers served by the city of Clinton's sewer system.

d. Provide the names of all employees of Water Service Corporation, its subsidiaries and affiliates, that are located in or outside of Kentucky that provided services to the city of Clinton during the test year pursuant to the service contract.

e. State whether each employee that provided service to the city of Clinton used direct time reporting to assign their actual work time to the contracted operations.

1) If direct time reporting was used during the test year, provide a copy of each employee's time sheet for the second pay period of March, 2015.

2) If direct time reporting was not used during the test year, explain how WSKY ensures that time is accurately reported to contracted operations.

f. Identify all assets of UI, and its subsidiaries, that are used to provide contracted services to the city of Clinton.

g. State the name of the entity that records the revenue derived from the Clinton Contract.

h. State the amount of the revenue derived from the Clinton Contract during the test year.

28. Refer to the Application, Exhibit 4, Schedule B, Line 50, "Interest During Construction" in the amount of \$5,026.

- a. Provide the calculation of this amount.
- b. Discuss the methods generally used by WSKY to calculate the amount of interest capitalized.

29. Refer to the Application, Exhibit 4, Schedule C and Workpaper f. On Column B of Schedule C, Gross Plant as of June 30, 2015, is stated in Column B at \$11,829,534. On Column C of Workpaper f, Total Plant as of June 30, 2015, is stated at \$10,396,783. Reconcile these amounts and describe each reconciling item.

30. Refer to the Application, Exhibit 4, Workpaper c, Column E. Show how Gross Plant in Service and Accumulated Depreciation in the amounts of \$172,624 and \$4,599, respectively, were determined and explain what they represent.

31. The table below compares the gross plant in service balances reported by WSKY in its annual reports for the previous three years and in its Application.

Plant Balance Annual Report 12/31/12	Net Increase	Plant Balance Annual Report 12/31/13	Net Increase	Plant Balance Annual Report 12/31/14	Net Increase	Plant Balance Application 06/30/15
\$ 10,657,790	\$ 281,406	\$ 10,939,196	\$ 500,663	\$ 11,439,859	\$ 389,675	\$ 11,829,534

- a. For each net increase shown in the comparison, provide a list of each plant addition project and each plant retirement project and include a description of each project and state each project's total cost.
- b. Separate each addition and retirement project's total cost into the following categories:

1) wages and wage overhead charges (i.e. health insurance, retirement, etc.) that were directly assigned to the project for an employee of Water Service Corporation, or its subsidiary, who is located in Kentucky;

2) wages and wage overhead charges (i.e., health insurance, retirement, etc.) that were directly assigned to the project for an employee of Water Service Corporation, or its subsidiary, who is located outside of Kentucky;

3) wages and wage overhead charges (i.e., health insurance, retirement, etc.) that were allocated to the project for an employee of Water Service Corporation, or its subsidiary, who is located in Kentucky;

4) Contract labor;

5) Transportation;

6) Equipment;

7) Engineering and Design;

8) Capitalized Interest; and

9) Other (Specify).

32. Refer to the Application, Exhibit 4, Schedule C, Line 9, Accumulated Deferred Income Taxes in the amount of \$836,172. Provide work papers showing separately the accumulation of the balances for state and federal deferred income taxes.

33. Refer to the Application, Exhibit 4, Schedule E, Line 14. Provide the calculation of the "Gross-up Factor."

34. Refer to the Application, Exhibit 4, Cost of Service Study (COSS), w/p [t-1].

- a. Explain why the Fire Protection Rates were not a part of the COSS.
- b. Explain why it is appropriate to increase the current Fire Protection

rates by 24.62 percent in light of having done a cost-of-service study.

35. Refer to the Application, Exhibit 4, COSS. Explain how the rates being proposed were calculated. Provide the work papers that detail the calculation of the proposed rates.

36. Refer to the Halloran Testimony, page 14, Lines 15–22. Mr. Halloran states that the COSS is modeled after one that was used by Utility Services of Illinois, Inc., in a consolidated rate case that was submitted to the Illinois Commerce Commission docketed as Docket Number 14-0741. Mr. Halloran continues by stating that this COSS model “calculates rates and allocates the revenue requirement to the customers’ base facility charge and the customers’ per gallon charge, which is based on a 40/60 fixed to variable ratio.”

- a. Identify all other COSS models considered for WSKY.
- b. Provide a detailed explanation for each alternative model and explain why it was not chosen.
- c. If no other models were considered, explain why this model was the only model that was considered.
- d. Discuss all fixed to variable ratios that were considered for WSKY.

37. Refer to the Halloran Testimony Page 16, Lines 8–12 and page 17, Lines 1–2. Mr. Halloran states that WSKY is removing the usage tiers because: 1) “The tiered system of rates didn’t treat high usage customers and low usage customers equally; and 2) “any gallonage over the minimum usage threshold should be charged the same

usage rate per 1,000 gallons.” Discuss in detail whether WSKY believes that replacing its declining block rates with a single volumetric usage rate is a method to promote water conservation to its customers.

38. Refer to the Application, Exhibit 11, page 14.

a. Provide a copy of the unsecured revolving credit facility agreement that details the financial covenants to which UI and its subsidiaries are subject.

b. For each month of the 12-month period ending June 30, 2015, state the outstanding balance of the revolving credit facility that was owed by UI and state the effective interest rate for each month. Show the components (prime, LIBOR, and spread) of each month’s interest rate separately.

c. Provide a copy of the Master Note Purchase Agreement for the issuance of collateral trust notes in the aggregate amount of up to \$400,000,000.

d. Provide a copy of the Master Note Purchase Agreement documents that were executed upon the initial issuance of \$180,000,000.

39. Refer to WSKY’s response to Item 2.b. of the Commission’s First Request for Information. The Commission requested that a description be provided for all regulated and nonregulated business activities of each company listed on the organizational chart and that the description include the amount of revenues and expenses recognized for each regulated and nonregulated activity during the 12-month period ending June 30, 2015. In its response, WSKY did not describe any of its, or its affiliates,’ regulated and nonregulated operations, nor did it separate regulated and nonregulated revenues and expenses.

a. Provide the information that was requested.

b. For each regulated operation included on the list provided in response to Item 39.a., above, provide the following:

1) The number of rate increase applications filed in the previous ten years;

2) The docket number of the most recent rate filing and the date it was filed; and

3) The total amount of rate case expense requested for recovery and the amount allowed by the regulatory agency. This response shall separate rate-case expense into these cost categories: legal fees, consulting fees, customer notice, travel, Water Service Corporation's personnel, miscellaneous.

40. Refer to WSKY's response to the Commission's First Request for Information, Item 6.a. The general ledger provided in this response is sorted by date, not by account title. Provide a general ledger that is sorted by account title and demonstrate that the balance for each account ties to the test-year balance sheet accounts and income statement accounts shown in WSKY's Application.

41. Refer to WSKY's Response to the Commission's First Request for Information, Item 13.

a. Demonstrate and explain how the AWWA 2014 Compensation Survey supports Water Service Corporation's employee compensation levels.

b. WSKY references information titled "Mercer Data (Custom Survey, 2014)," but WSKY did not provide a copy of this information.

1) Provide the Mercer Data.

2) Demonstrate and explain how the Mercer Data supports Water Service Corporation's employee compensation levels.

42. Provide a copy of the water loss/use report for each month of the 12-month period ending June 30, 2015.


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DATED: JAN 04 2016

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