

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY TO AMEND)	CASE NO.
TARIFF FOR THE ESTABLISHMENT OF)	2020-00027
QUALIFIED INFRASTRUCTURE PROGRAM)	
CHARGE)	

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 the original and an electronic version of the following information. The information requested herein is due on March 25, 2020. 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.

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.

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 Direct Testimony of Kurt A. Stafford (Stafford Testimony), page 11, line 6, through page 12, line 2, regarding work associated with Line D – Mains Relocated.

a. Explain why municipal or state agencies do not bear the \$500,000 estimated cost of relocating existing Kentucky-American water mains if the relocation is required because of municipal or state agency projects.

b. Provide a detailed description of the “improvements being proposed by a municipal or state agency.”

2. Refer to the Stafford Testimony, page 3, lines 14–15, and Exhibit 1. Provide a copy of all Strategic Capital Expenditure Plans developed by Kentucky-American since 2015.

3. Refer to Stafford Testimony, page 8, line 17, through page 9, line 28. For each of the four projects detailed, provide the expected date that construction will begin, the projected date the construction will be completed, and the final cost of each project.

4. Refer to the Stafford Testimony, page 11, line 1. Provide a detailed explanation of how the forecasted cost of unscheduled main replacements, totaling \$900,000 was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

5. Refer to the Stafford Testimony, page 12, lines 12 and 14.

a. Explain in detail how the forecasted cost of valve replacements, totaling \$315,000 was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

b. Explain in detail how the forecasted cost of hydrant replacements, totaling \$75,000, was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

6. Refer to the Stafford Testimony, page 13, lines 1, 2, 10, 11, and 21.

a. Explain in detail how the forecasted cost of replacing services and laterals, totaling \$530,000, was calculated. Include all calculations, in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

b. Explain in detail how the average cost per service and lateral replacement of \$4,500 was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

c. Explain in detail how the forecasted cost of meter replacements, totaling \$1,200,000, was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

d. Explain in detail how the average cost per meter replacement of \$189.20 was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

e. Explain in detail how the forecasted cost of SCADA improvements, totaling \$325,000, was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

7. Refer to Stafford Testimony, page 13, line 6, which references replacement of existing customer meters. Explain what is meant by “with or without technology changes.”

8. Refer to the Stafford Testimony, page 14, line 13. Explain in detail how the forecasted cost of upgrades to security systems, totaling \$130,000, was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

9. Refer to the Stafford Testimony, page 15, lines 3 and 13.

a. Explain in detail how the forecasted cost of high service moto and starter replacements, totaling \$750,000, was calculated. Include all calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

b. Explain in detail how the forecasted cost of replacing the Cox Street Booster Station, totaling \$1,000,000, was calculated. Include all calculations in Excel

spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

10. Refer to the Direct Testimony of Elaine Chambers, Workpaper KAW_DT_EKC_WP_030220.xlsx (Chambers Workpaper Spreadsheet). Explain the difference between tabs labeled “Placed in Service” and “QIP Spend Jan 20-June 21.”

11. Refer to Chambers Workpaper Spreadsheet, tab labeled “Placed in Service.”

a. Explain whether the monthly totals were calculated by projection of actual costs per month or by allocating a known total project cost to each month.

b. As shown in the tab labeled “Placed in Service,” the plant removal rates as of June 2017 produces a utility plant reduction of \$1,292,015, while the three-year average composite removal rate of 7.27 percent included in the tab labeled “Assumptions” produces a Utility Plant Retirement of \$975,553. Explain in specific detail why Kentucky-American used the composite removal rates in place of the removal rates as of June 2017.

c. Provide updated removal rates for each line item as of June 2018. Include all calculations supporting the 2018 removal rates in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

d. Provide the detailed calculations supporting the 2017 removal rates in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

e. Provide an updated version of the tab labeled “Placed in Service” that reflects the retirement rates as of June 2018.

12. For the schedule below:

a. Provide an explanation for the difference between forecasted QIP costs for each category from Kentucky-American’s most recent rate case, Case No. 2018-00358,¹ and the costs included in the application in this current case.

b. Confirm that categories B and B2 from Case No. 2018-00358 were combined in Chambers Workpaper Spreadsheet, tab labeled “Placed in Service.”

	July 1, 2020 through June 30, 2021		
	Case No. 2018-00358 AG 1st DR; Item 59	KAW_DT_ EKC_WP Tab: Placed In Service	Difference
B - mains replaced	\$ 750,000	\$ 7,300,000	\$ 6,550,000
B2 - Main Replacement Cast Iron	2,250,000		(2,250,000)
C - mains unscheduled	450,000	918,500	468,500
D -mains relocated	200,025	476,000	275,975
F - valves, hydrants and MHs replaced	249,480	515,500	266,020
H - services and laterals replaced	266,250	559,000	292,750
J - meters replaced	571,350	1,225,000	653,650
L - SCADA	166,500	251,800	85,300
M - security	65,000	124,200	59,200
Q - plant equipment	375,000	1,100,000	725,000
Totals	<u>\$ 5,343,605</u>	<u>\$ 12,470,000</u>	<u>\$ 7,126,395</u>

13. Refer to Chambers Workpaper Spreadsheet, tab labeled “Depreciation Exp.”

a. Explain why Kentucky-American used a composite depreciation rate to calculate Depreciation Expense when the rates for each plant account are listed in the tab labeled “Depreciation Rates.”

¹ Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC Aug. 8, 2019).

b. Provide an updated Depreciation Expense total and deferred income taxes using the individual plant depreciation rates.

14. Refer to Chambers Workpaper Spreadsheet, tab labeled “Net Plant Changes.” Explain why Kentucky-American used a composite retirement rate in the calculation of retirements when the individual retirement rates are available in the tab labeled “Place in Service.”

15. Refer to Chambers Workpaper Spreadsheet, tab labeled “Property Tax Ratio.” Provide an updated schedule to reflect 2019 property taxes.

16. Refer to the application, paragraph 8. Explain in specific detail the basis for Kentucky-American’s assertion that the projects included in the QIP are projects for which a Certificate of Public Convenience and Necessity is not required.



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DATED MAR 13 2020

cc: Parties of Record

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