

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-	)	
AMERICAN WATER COMPANY TO AMEND	)	CASE NO.
TARIFF TO REVISE QUALIFIED	)	2021-00090
INFRASTRUCTURE PROGRAM CHARGE	)	

COMMISSION STAFF'S SECOND 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 May 3, 2021. 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 association or a governmental agency, be accompanied by a signed certification of the

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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.

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 Kentucky-American obtains information that indicates 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, pages 13–15.
  - a. For the approximately \$800,000 Kentucky-American plans to spend on replacing hydrants and valves under Budget Line F, indicate the amount of that \$800,000 that will be attributable to replacing mains connected to those hydrants and valves.

b. For the approximately \$530,000 Kentucky-American plans to spend on replacing services under Budget Line H, indicate the amount of that \$530,000 that will be attributable to replacing mains connected to those services.

2. Refer to Kentucky-American's Response to Commission Staff's First Request for Information (Staff's First Request), Items 1, 2, and 7.

a. Explain whether contractors who are not pre-qualified may bid on qualified infrastructure plan (QIP) projects and, if not, why not.

b. Identify all pre-qualified contractors.

c. Explain in detail the process for contractors to apply for and become pre-qualified by Kentucky-American, and describe the notice provided to contractors to inform them of the opportunity to become pre-qualified.

3. Refer to Kentucky-American's Response to Staff's First Request, Items 10 and 12.

a. Explain whether the prioritization model has been revised since 2018 and, if so, describe what changes were made and the reason for the change.

b. Provide copies of the documents filed in other cases that Kentucky-American referenced in these responses.

c. Please identify where in Case No. 2018-00358 and in Case No. 2020-00017 that the process for identifying projects to be included in the model has been detailed. The responses refer to the explanation of the main replacement criteria and how projects are identified by the model, but it does not appear to detail how Kentucky American identifies the projects initially.

4. Refer to Kentucky-American's Response to Staff's First Request, Item 14.

a. Explain in detail why QIP construction expenditures increased dramatically between October 2020 and March 2021.

b. Explain and describe in detail why there were only \$634 in QIP expenditures in May 2020 and what projects were completed using those funds.

c. Explain and describe in detail why there were \$2,155,424 in QIP expenditures in March 2021 and what projects were completed using those funds.

d. Explain why there are construction expenditures of \$101,208 outside of the test period. Please identify the specific projects and purposes of those construction expenditures.

5. Refer to Kentucky-American's Response to Staff's First Request, Item 15. Explain why only 10 percent of QIP1 plant additions was placed in service between July 2020 and March 2021, and provide the total expected QIP 1 plant additions that are expected to be in service by June 30, 2021.

6. Refer to Kentucky-American's Response to Staff's First Request, Items 17 and 19. Also refer to Case No. 2018-00358,<sup>2</sup> June 27, 2019 Order, which cited Kentucky-American President Nick Rowe's testimony that Kentucky-American would spend between \$6 million to \$10 million in annual incremental capital spending on QIP projects, and the Commission's finding that it was reasonable to "approve an alternative cost recovery based on smaller, more gradual rate increases" as one of the bases the Commission approved the QIP.

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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 June 27, 2019), Order at 74 and 81.

a. Explain in specific detail what “economies of scale” are achieved by expanding the scope and scale of QIP projects, and provide a schedule of the economies of scale that Kentucky-American expects to achieve with these projects.

b. Provide the expected in-service dates for the QIP2 projects.

c. Explain Kentucky-American’s rationale for doubling-to-tripling the amount projected to be expended annually on QIP projects between Mr. Rowe’s May 13, 2019 hearing testimony and the proposed QIP2 projects filed in April 2021.

d. Provide an estimate of the annual cost for QIP plant additions for QIP 3 in 2022-2023, QIP 4 in 2023-2024, and QIP 5 in 2024-2025.

e. Please explain why projects on QIP Exhibit Maps C, I and J are included in QIP 2 when they appear not to have been included in Exhibit 2 to Mr. O’Neill’s testimony in Case No. 2018-00358.

7. Refer to Kentucky-American’s Response to Staff’s First Request, Item 18. Also refer to Case No. 2018-00358, Kentucky-American’s Post-Hearing Brief,<sup>3</sup> which projected that Kentucky-American would spend an additional \$4 to \$10 million annually to replace aging distribution under the proposed QIP in the first 20 years of its 40 year planning horizon.

a. Explain why Kentucky-American did not revise the estimated cost of the QIP for pavement restoration given that Lexington-Fayette Urban County Government revised the rights-of-way ordinance in March 2019, which was two months before the May 13, 2019 formal hearing in Case No. 2018-00358 and Kentucky-American filed its post-hearing brief on May 31, 2019.

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<sup>3</sup> Case No. 2018-00358, Kentucky-American Post-Hearing Brief (filed May 31, 2019) at 10.

b. State when Kentucky-American began to utilize corrosion control practices, include using a heavier class of ductile iron pipe and a protective zinc coating on the pipe exterior, which increased the price per foot cost from \$150 per foot to \$250 per foot.

c. Has Kentucky-American performed a cost-benefit analysis on these additional corrosion control practices?

d. Has Kentucky-American identified issues with corrosion that were previously not identified?

8. Refer to Kentucky-American’s Response to Staff’s First Request, Item 24. For the hydrants, valves, and services replaced in 2020 that were not part of the QIP1 projects, provide the total cost to replace those hydrants, valves, and services and indicate the amount of the total cost that was attributable to replacing mains connected to those hydrants, valves, and services.

9. Refer to the Direct Testimony of Kurt A. Stafford, pages 13–14 and to Case No. 2020-00027 Direct Testimony of Kurt A. Stafford, pages 12–13. In the table below is a comparison of the projected costs in QIP year 1 and 2 for Line Item F (Hydrants and Valves) and Line Item H (Service Lines). Provide a detailed explanation for the cost installation differences between QIP year 1 and QIP Year 2.

Direct Testimony of Kurt A. Stafford						
CN 2020-00027; QIP 1				CN 2021-00090; QIP 2		
	No.	Amount	Cost per Installation	No.	Amount	Cost per Installation
a. Line F - Valves	70	\$ 500,000	\$ 7,142.86	37	\$ 674,000	\$ 18,216.22
b. Line F - Hydrants	32	\$ 175,000	\$ 5,468.75	23	\$ 126,000	\$ 5,478.26
c. Line H - Service Lines	118	\$ 530,000	\$ 4,491.53	242	\$ 530,000	\$ 2,190.08

10. Please refer to Kentucky-American's Response to Staff's First Request, Item 9. Has any galvanized pipe been identified for any of the projects for replacement? If so, please identify those projects. If not, please explain why not.

11. Please refer to Kentucky-American's Response to Staff's First Request, Item 11 and Kentucky-American's Application, Exhibit 3. Please explain the rationale for including projects on QIP Exhibit Maps D, E and J in QIP2 if there have been no main breaks on those projects in the last 10 years.

12. Please refer to Kentucky-American's Response to Staff's First Request, Item 13.

a. Why is the accumulated depreciation so much less at 12/31/2020 and 6/30/2021 than the amount authorized at 6/30/2020?

b. Why is the accumulated depreciation change more than the change in utility plant at original cost from 6/30/2021 to 6/30/2022 without QIP?

c. Why is the net original cost rate base decreasing from the actual amount at 12/31/2020 through 6/30/2022 without QIP?

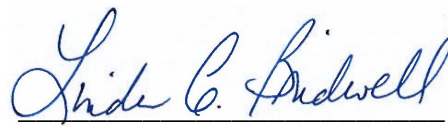
13. Please refer to Kentucky-American's Response to Staff's First Request, Item 17. The response is unresponsive.

a. Please identify in the table whether the proposed scope of the project is less than, the same or greater than the project identified in O'Neill Direct Testimony, Exhibit

b. Please provide a table that includes the amount of pipe to be replaced for each project in QIP2, identified by both size and material, and the estimated

cost of the project, compared to the same information for the projects from O'Neill Direct Testimony, Exhibit 2 identified in the table in Part a.

14. Please refer to Kentucky-American's Response to Staff's First Request, Item 22. Please identify where in the application or the direct testimony filed that Kentucky American identified that it was including categories for capital expenditures for QIP2 that were specifically excluded for QIP1, along with the explanation for the inclusion of those items that were specifically excluded in Case No. 2020-00027. If they were not specifically identified as new exclusions and explained in either the application or the direct testimony, please explain why not.



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DATED APR 26 2021

cc: Parties of Record



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