

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ALTERNATIVE RATE ADJUSTMENT)	CASE NO.
)	2021-00434
)	

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 an electronic version of the following information. The information requested is due on January 24, 2022. 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 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.

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).

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. Provide in written verified form the direct testimony of each witness that Kentucky-American intends to rely on in this matter.

2. Provide a copy of the general ledgers for Kentucky-American's sewer division for calendar years 2020 and 2021. The general ledgers shall include all check registers and spreadsheets used to record and track financial transactions. If available, provide a copy of the requested general ledgers in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

3. a. Provide a copy of the Adjusted Trial Balances for Kentucky-American's sewer division showing unaudited account balances, audit adjustments, and

audited balances for the calendar years 2020 and 2021. The trial balances shall be traced and referenced directly to the general ledgers that are requested in Item 2.

b. Provide a schedule tracing the unadjusted account balances from the Adjusted Trial Balance provided in response to 3.a. to the General Ledgers provided in response to Item 2.

c. Provide a schedule tracing the adjusted account balances from the Adjusted Trial Balance provided in response to 3.a. to the actual test-year reported in the Application, Attachment 4, Schedule of Adjusted Operations.

d. Provide copies of the responses to Item 3.a, Item 3.b., and Item 3.c in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

4. Refer to the Application, the PDF schedules entitled: Schedule of Adjusted Operations – Sewer Utility; Sewer Operations and Maintenance Expenses; Revenue Requirement Calculation – Operating Ratio Method; and Depreciation, Interest, Capital Structure. Provide the workpapers that support the listed PDF schedules in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

5. Refer to the Application, the PDF schedules entitled: Schedule of Adjusted Operations – Sewer Utility; Sewer Operations and Maintenance Expenses; Revenue Requirement Calculation – Operating Ratio Method; Depreciation, Interest, Capital Structure and Reasons for the Application. In its reasons for its application, Kentucky-American explains that it is currently operating five separate wastewater treatment plants.

a. Provide the following schedules in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible separately for each wastewater treatment plant.

- (1) Revenue Requirement Calculation.
- (2) Pro Forma Income Statement.
- (3) Net Investment Rate Base.
- (4) Capital Structure.

b. Provide the requested schedules in Item 6.a. in the table format below.

Waste Water Treatment Plants						Application Schedule
Plant 1	Plant 2	Plant 3	Plant 4	Plant 5	Total	

6. a. Using a table format, provide the following information for each Kentucky-American employee identified by employee number and job title: job description, date hired, date terminated (if applicable), and pay rates for each employee on December 31 for calendar years 2019 through 2021. Provide the requested tables in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. Identify any employees listed in the response to 6.a. that are no longer employed. State if the vacant positions have been filled and provide the information requested in 6(a) for the new employee(s). If the position has not been filled state when you expect to hire a new employee or state if the position will remain vacant.

7. Using a table format, provide the regular hours and overtime hours for each employee identified in Kentucky-American's response to Item 6.a. for the calendar years 2019 through 2021. Provide the requested table in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible in table format below.

Employee Number	Position	Sewer Division		Water Division		Total	
		Regular	Overtime	Regular	Overtime	Regular	Overtime

8. Using a table format, provide the following actual full-year salary information for each employee listed in Item 6.a. above, identified by employee number and job title, for the calendar years 2017 through 2021 (in gross dollars—not hourly or monthly rates). The employee salary information for each year shall be provided by division and in a separate table for each year. Provide the requested tables in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

a. Regular salary or pay.

b. Overtime pay.

c. Vacation payout.

d. Standby/Dispatch pay.

a. Bonus and incentive pay.

b. Any other forms of incentives (may include stock options or forms of deferred compensation).

e. Other amounts paid and reported on the employees' W-2 (specify).

9. Using a table format, provide the following actual full-year benefit information for each employee listed in Item 6.a. above, identified by employee number and job title, for the calendar years 2017 through 2021. The employee's benefit information for each year shall be provided by division and in a separate table for each year. Provide the requested tables in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

a. Health care benefit cost for each employee.

(1) Amount paid by Kentucky-American.

(2) Amount paid by each employee.

b. Dental benefits cost for each employee.

- (1) Amount paid by Kentucky-American.
 - (2) Amount paid by each employee.
- c. Vision benefits cost for each employee.
 - (1) Amount paid by Kentucky-American.
 - (2) Amount paid by each employee.
- d. Life insurance cost for each employee.
 - (1) Amount paid by Kentucky-American.
 - (2) Amount paid by each employee.
- e. Accidental death and disability benefits for each employee.
 - (1) Amount paid by Kentucky-American.
 - (2) Amount paid by each employee.
- f. Defined Contribution - 401(k) or similar plan cost for each employee.

Provide the amount paid by Kentucky-American.

- g. Defined Benefit Retirement cost for each employee.
 - (1) Amount paid by Kentucky-American.
 - (2) Amount paid by each employee.
- h. Cost of any other benefit available to an employee (specify).

10. Provide a listing of all health care plan categories available to Kentucky-American's employees, i.e., single, married no dependents, single parent with dependents, family, etc. For each employee listed in Item 12 above, identify the type of health insurance coverage each employee was provided.

11. Identify the amounts of incentive pay that are included in test-year labor and Service Company costs. Describe the incentive pay plans and explain why such a plan is necessary and reasonable.

a. List each Kentucky-American employee who is eligible to participate in the incentive pay program.

b. State the level of incentive pay awarded to all individuals participating in the program for the previous five calendar years compared to the level of incentive pay available to each participant in the forecasted period.

c. For the previous five calendar years, provide a comparison of the incentive pay that was budgeted to the actual amounts paid in each year. Include detailed explanations for any variance between the budgeted and actual payments.

12. For each employee listed in the responses to Item 6.a and Item 9, describe how Kentucky-American allocated each employee's payroll and payroll overhead charges between the sewer and water divisions in the calendar years 2020 and 2021. This response should include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

13. Refer to the Application, the PDF schedule entitled Depreciation, Interest, Capital Structure, Cost of Capital Summary and the *Annual Report of Kentucky-American Water Company Sewer Division to the Public Service Commission for the Calendar Year Ended December 31, 2021* at 13.

a. Provide explanations for the differences between the following account balances reported in the Cost of Capital Summary and the 2013 Annual Report.

	Class of Capital	Capital Summary	Difference	2013 Annual Report
(1)	Short-Term Debt	31,195,453	21,029,647	52,225,100
(2)	Long-Term Debt	218,953,592	2,665,617	221,619,209
(3)	Preferred Stock	2,243,852	6,148	2,250,000

b. Provide copies of all workpapers, assumptions, and calculations used by the Kentucky-American to calculate the following cost rates.

(1)	Short-Term Debt	0.24%
(2)	Long-Term Debt	4.24%
(3)	Preferred Stock	8.51%

14. Refer to the Application, the PDF schedule entitled Depreciation, Interest, Capital Structure. Using Kentucky-American's requested revenue requirement, the test-year rate base, and the test-year cost of capital summary calculate the Sewer Division's return on rate base and the imputed return of common equity. Provide the requested tables in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

15. Refer to the Application, the PDF schedule entitled Reasons for the Application. Kentucky-American explains that the only adjustments proposed were taken from Kentucky-American's adjustments that were made in Case No. 2018-00358² for the allocation of management's salaries and benefits, service company, and general and workers compensation insurance expenses.

a. Provide updated allocation adjustments using the historical 2021 test-year information.

b. Provide the requested updated allocation adjustments in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

c. Provide copies of all workpapers, assumptions, and calculations used by the Kentucky-American to calculate the updated allocation adjustments.

² See Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019).

16. Refer to the Application, the PDF schedule entitled Depreciation, Interest, Capital Structure, Depreciation Schedule per ARF Form-1 Item 14 and to *O&M Guide for the Support of Rural Water-Wastewater Systems* by the Commission for Rural Water, Chicago, Illinois, 1974, Table 44, Average Service Lifetimes, Major Systems Components, Wastewater systems at 246-247 (Commission for Rural Water O&M Guide) attached hereto as an Appendix.

a. Provide a schedule in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that compares the depreciation lives for all asset categories in Kentucky-American's Proposed 2021 Depreciation Schedule for its sewer division to the average service life ranges in the Commission for Rural Water O&M Guide.

b. Using the midpoint depreciation life of the average service life ranges in the Commission for Rural Water O&M Guide recalculate Kentucky-American's pro forma depreciation expense for its sewer division for each asset category. Provide the recalculation of pro forma depreciation expense in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

17. a. Provide a schedule detailing each test-period expenditure related to the application filed in this proceeding. Provide in the schedule the nature and amounts of each charge.

b. Provide the vendor invoice for each expenditure listed in response to Item 17.a. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.

c. Provide a monthly update of the schedule requested in Item 17.a. that shows total costs incurred as of that date and that includes the supporting detailed vendor invoices as requested in Item 17.b

18. Provide a detailed explanation of any cost containment actions that Kentucky-American's sewer division has implemented in calendar years 2019 through 2021. Quantify the financial impact that each cost containment action had on Kentucky-American's financial condition.

19. Refer to the Application, the PDF entitled Proposed Tariffs.

a. Refer to Original Sheet No. 21. Provide support for the \$20.00 per thousand gallons of material delivered waste fee for the Owenton wastewater treatment system.

b. Refer to Original Sheet No. 26. Provide support for the \$56.00 reconnection fee.

c. Refer to Original Sheet No. 27. Provide support for the \$12.00 insufficient funds charge.

d. Refer to Original Sheet No. 28. Provide support for the \$28.00 activation/new account set up fee.

e. Refer to Original Sheet No. 29. Provide support for the 5 percent late fee charge.

20. Refer to the Application, the PDF entitled Reasons for Application.

a. Kentucky-American states that in the last five years the sewer operations have operated at a loss. Explain why Kentucky-American did not come in for a rate increase sooner.

b. Kentucky-American states that it plans to complete a comprehensive planning study for all sewer system areas to determine a long-range capital plan.

(1) Provide when this plan is expected to be completed.

(2) Explain whether Kentucky-American or an independent consulting firm is completing this study.

(3) If an independent consulting firm is completing this study, explain if KAW is issuing a request for proposal.

c. Kentucky-American states that it plans to complete SCADA for sewer plants. Provide the estimated completion date.

d. Provide Kentucky-American's forecasted capital budget plans for the sewer system.

e. Kentucky-American states that consolidated pricing creates benefits in the long run for all customers. Provide all studies that support this statement.

21. Refer to the Application, the PDF entitled Reasons for Application. Kentucky-American states that it did not perform a cost of service study (COSS).

a. Provide all documentation supporting the proposed unified rate structure.

b. Kentucky-American is proposing to phase-in its unified rates over a four year period.

(1) Explain and provide support for why a four-year period was chosen.

(2) Explain and provide support how the amount of increase in rates was chosen for each of the four years.

c. In the past, the Commission has found that an across-the-board percentage increase in rates is appropriate when a COSS has not been performed. Explain why the Commission should accept Kentucky-American's proposed rates instead of an across-the-board percentage increase.

d. Kentucky-American states that customers that have a meter larger than one inch typically have a higher cost of service allocation, so Kentucky-American is proposing a higher minimum bill for those customer. Provide support that this is the case for each sewer system.

22. Refer to the Application, the PDF entitled Bill Analysis Attachment.

a. Refer to the billing analysis for Rockwell. Provide supporting documentation for the proposed rates and the declining block rate design.

b. Refer to the billing analysis for Owenton. Provide supporting documentation for the proposed rates and the declining block rate design.

c. Refer to the billing analysis for Millersburg. Provide supporting documentation for the proposed rates and the declining block rate design.

- d. Refer to the billing analysis for North Middleton. Provide supporting documentation for the proposed rates and the declining block rate design.
- e. Refer to the billing analysis for Ridgewood Subdivision.
 - (1) Explain why the Ridgewood Subdivision service area was not included in the proposed unified rate structure and left its rate as a flat monthly rate for all usage.
 - (2) Provide supporting documentation for the proposed rates and the declining block rate design.
- f. Provide the entire PDF in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.



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cc: Parties of Record

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