

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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 is due on February 28, 2022. The Commission directs Kentucky-American to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> 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

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<sup>1</sup> 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 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 Kentucky-American's Response to Commission Staff's First Request for Information (filed Jan. 24, 2022) (Staff's First Request), Item 16.a., Excel Workbook: KAW\_R\_PSCDR1\_NUM016\_012422\_Attachment\_A.xlsx, Item 16.b., Excel Workbook: KAW\_R\_PSCDR1\_NUM016\_012422\_Attachment\_B.xlsx, and to the Application, the PDF schedule entitled Depreciation, Interest, Capital Structure, Depreciation Schedule per ARF Form-1 Item 14.

a. The total for the column Asset Original Cost at 12/31/20 in the response Item 16.a. and in PDF Depreciation Schedule in the Application is \$13,669,258, but the total for the column Asset Original Cost at 12/31/20 in Item 16.b. is \$13,551,797. Confirm the reason for the differences in Asset Original Cost at 12/31/20 totals is because the following asset accounts were not included in Kentucky-Americans response to Item 16.b.

Utility Account	Utility Account Description	Asset Original Cost at 12/31/20
395000	Power Operated Equip	42,900.00
393000	Tool Shop & Garage Equip	45,679.00
397000	Misc Equipment	28,882.00

b. If the response to Item 1.a. is no, provide a detailed explanation for the difference in asset totals.

c. As shown in the schedule provided in the Appendix attached hereto, revising Kentucky-American's depreciation schedule provided in its response to Item 16.b. to include Kentucky-American's depreciation service lives and calculated rates results in an annual depreciation expense of \$1,064,974, which is \$534,455 greater than the depreciation expense reported in the depreciation schedule provided in Kentucky-American's Application. Provide a detailed explanation for each noted difference.

2. Refer to Kentucky-American's response to Staff's First Request, Item 16.a., Excel Workbook: Item 16.b., Excel Workbook: KAW\_R\_PSCDR1\_NUM016\_012422\_Attachment\_B.xlsx.

a. Provide a schedule in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that contains the information as requested in the table below.

Utility Account #	Utility Account Description	Asset			
		Original Cost at 12/31/2020	Assets Fully Depreciated	Assets Retired in 2020	Assets Added in 2020

b. For each asset listed in the response to Item 2.a. that was retired in 2020, identify the month the asset was retired, if the asset is also included in the column assets fully depreciated and if depreciation for the asset is included in test-year depreciation expense of \$530,477.

c. For each asset listed in the response to Item 2.a. that was added in 2020, identify the month the asset was placed in service and the amount of depreciation (full-year-partial-year) for the asset was included in test-year depreciation expense of \$530,477.

3. Refer to the Application, the PDF schedule entitled Depreciation, Interest, Capital Structure, Depreciation Schedule, Interest Expense Attachment to Revenue Requirement.

a. Kentucky-American's reported Accumulated Cost of Removal (COR) of \$2,386,695 is 32.09 percent<sup>2</sup> of its test-year rate base of \$7,437,100. Provide a detailed explanation as to why the percentage of test-year COR is such a high percentage of rate base.

b. Provide Kentucky-American's base year and forecasted test-year COR in Case No. 2018-00358.<sup>3</sup> Also include in the response the calculations of the ratio of the COR to rate base for each period.

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<sup>2</sup> \$2,386,695 (COR) ÷ \$7,437,100 (Test-Year Rate Base) = 32.09%.

<sup>3</sup> Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019).

c. Provide a schedule in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that contains the COR for each plant asset listed in the Kentucky-American's response to Item 2.a.

d. Provide documentation to support each COR Kentucky-American provided in its response to Item 3.c.

4. Refer to Kentucky-American's Response to Staff's First Request, Item 16.a., Excel Workbook: Item 5.b., Excel Workbook: KAW\_R\_PSCDR1\_NUM005\_012422.xlsx; Tab: Int Exp. Provide a detailed explanation as to why test-year COR of \$2,386,695 is not allocated to all of Kentucky-American's five wastewater plants.

5. Refer to Kentucky-American's Response to Staff's First Request, Item 15.a. Provide the basis and the calculation of the 98.5 percent salary allocation rate.

6. Refer to Kentucky-American's responses to Staff's First Request, Item 2, Excel Workbook: KAW\_R\_PSCDR1\_NUM002\_012422.xlsx. For each expense account listed in the table, provide a schedule in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that contains an itemized list of the amounts recorded in that account by vendor. For any amount identified on each expense account spreadsheet, include a detailed description of the expenditure; identify if any of the expenditure has been capitalized; and copies of all invoices or work orders related to that expenditure.

	<u>Account</u>	<u>Amount</u>
a.	62002300 M&S Maint - Water Treatment	\$ 10,890.10
b.	62520700 Misc Maint Paving/Backfill	\$ 20,675.00
c.	63150023 Contract Svc-Other Maint - Water Treatment	\$ 60,289.92
d.	53150013 Contract Svc-Other - Water Treatment	\$ 67,900.03
e.	53152000 Contract Svc-Lab Testing - Water Treatment	\$ 63,631.75
f.	52001300 M & S Oper - Water Treatment	\$ 12,410.52

7. Refer to the Application, 12\_KAWC\_Case\_No\_2021-00434\_Proposed\_Tariffs.pdf.
  - a. Refer to PSC Sheet No. 4, Original Sheet 20, Classification of Service – Owenton Connection Fee. Provide support for the following:
    - (1) Residential Connection Fee of \$625.00.
    - (2) Apartment buildings having 3 to 8 units Connection Fee of \$1,250.00 per building.
    - (3) Apartment Buildings having 9 to 16 units Connection Fee of \$1,500.00 per building.
    - (4) Apartment buildings having 17 or more units Connection Fee of \$125.00 per unit.
    - (5) Commercial and Industrial Connection Fee of \$3,000.00.
    - (6) Transient Commercial/Government Residential connection fee of \$900.00 and additional room Connection Fee of \$100.00 per room.
  - b. Explain why the other wastewater systems do not have a similar connection fee tariff.
  - c. Explain whether or not a customer connecting to the Owenton Wastewater System (Owenton) pays other fees when requesting service.
8. Refer to Kentucky-American’s Response to Staff’s First Request, Item 4, KAW\_R\_PSCDR1-NUM0004\_122422.xlsx, Tab Cost of Capital.
  - a. Using the December 2020 Capitalization and the return on equity granted in Case No. 2018-00358, provide the weighted average cost of capital (WACC).
  - b. Provide the revenue requirement using rate base and the WACC calculated above.

9. Refer to Kentucky-American's Response to Staff's First Request, Item 5. For each wastewater system and the calculated revenue requirement and increase, provide a proposed rate schedule for each system.

10. Refer to Kentucky-American's response to Staff's First Request, Item 19.

- a. For the delivered waste service fee, provide updated support for the fee.
- b. Using the Commission cost justification sheets, provide an update for the following:
  - (1) Reconnection Fee.
  - (2) Insufficient funds fee.
  - (3) Activation/new account set up fee.
- c. For each nonrecurring charge, provide the number of occurrences during the test year for each of the charges, and the total dollar amount billed and the total dollar amount collected during the test year.

11. Refer to Kentucky-American's response to Staff's First Request, Item 21.

- a. Refer to Kentucky-American's response to Item 21a. Kentucky-American states that the goal was to match the North Middletown Wastewater System rate structure (North Middletown), as it is the most representative structure of the five existing rate designs. Explain and provide support as to why North Middletown is the most representative.

- b. Refer to Kentucky-American's response to Item 21.c. Kentucky-American claims that cost of service studies (COSS) are generally not used in wastewater rate design. The proposed rate design includes a customer charge, which Millersburg

Wastewater System does not currently assess, and increases to the customer charge for other wastewater systems that are not cost supported for both residential and nonresidential customer classes. In addition, the proposed rate design includes declining usage block rates for systems that currently do not offer declining block rates which are not cost supported. Provide a COSS supporting the proposed rate design.

12. Refer to Kentucky-American's response to Staff's First Request, Item 22, KAW\_R\_PSCDR1\_NUM22\_012422\_Attachment\_A.xlsx.

a. Explain what the table and graph representing the Average Residential Bill Actual 2020 Usage represents and provide supporting data.

b. Explain what the table and graph representing the Average Non-Residential Bill Actual 2020 Usage represents and provide supporting data.

13. Refer to Kentucky-American's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 3. Provide in detail how Kentucky-American is working to allow sewer customers to participate in the Low-Income Home Water Assistance Program and the anticipated time frame that participation will be allowed.

14. Refer to Kentucky-American's Response to the Attorney General's First Request, Item 8.b., specifically Exhibit KAW\_R\_AGDR1\_NUM0008\_012422\_Attachment\_1.xlsx, 2022 projects. Explain why the majority of the capital budget is for the Owenton.

15. Refer to Kentucky-American's Response to the Attorney General's First Request, Item 8b, specifically Exhibit KAW\_R\_AGDR1\_NUM0008\_012422\_Attachment\_1.xlsx, 2023 projects.



a. Regarding the Engineering Study for the North Middletown of \$100,000:

(1) Explain for what the Engineering Study for North Middletown is.

(2) Explain whether or not Kentucky-American issued a request for proposal for this study.

(3) Provide support for the estimated \$100,000 cost.

b. Define what the Millersburg Wastewater System improvement of \$200,000 consists of.

16. Refer to Kentucky-American's Response to the Attorney General's First Request, Item 9b. Provide a breakdown of Other Revenue Wastewater – Misc Service of (\$7,600).

17. Refer to the Direct Testimony of Tricia Sinopole (Sinopole Testimony), page 6, lines 19-21. Provide estimated cost savings Kentucky-American will realize if a unified rate schedule is approved.

18. Refer to the Sinopole Testimony, page 9, lines 4-14 and Kentucky-American's Response to the Attorney General's First Request, Item 5d.

a. Confirm that the Ridgewood customers do not have a meter in place that accounts for volumetric use.

b. Explain why Kentucky-American has not engaged with discussion with the Ridgewood's water provider regarding this issue since the 2016 acquisition.

19. Refer to the Sinopole Testimony, page 11, lines 13-14. Regarding the waste fee,

a. Explain if Kentucky-American has reviewed this fee since acquiring Owenton.

b. Explain how the fee is cost based if the fee was adopted.



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DATED FEB 10 2022

cc: Parties of Record

Case No. 2021-00434

APPENDIX

APPENDIX TO A REQUEST FOR INFORMATION OF THE KENTUCKY  
PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00434 DATED FEB 10 2022

Line #	Utility Account #	Utility Account Description	Corrected	Kentucky-American Depreciation Rates and Lives			Depreciation		Differences
			Response 16.b.	Response 16.a.		Expense			
			Asset Original Cost at 12/31/2020	Calculated Rates	Service Life	Calculated Depreciation	Application		
1	394000	Laboratory Equipment	\$ 14,117.29	20.00%	5.00	\$ 2,823	\$ 2,823	\$ -	
2	363000	Services Sewer	211,948.22	2.00%	50.00	4,239	4,239	0	
3	389600	Other P/E - CPS <sup>(2)</sup>	360,620.60	10.00%	10.00	36,062	36,062	0	
4	395000	Labatory Equipment	42,900.00	10.00%	10.00	4,290	4,290	0	
5	361101	Collecting Mains Other	660,102.91	2.00%	50.00	13,202	13,297	95	
6	360000	Collection Sewers Forced	1,027,493.61	2.00%	50.00	20,550	21,595	1,045	
7	371200	Pump Equip Oth Pwr	5,914.14	5.00%	20.00	296	296	0	
8	354300	Struct & Imp Pumping	1,818,045.99	3.00%	40.00	54,541	43,778	(10,763)	
9	364000	Flow Measuring Devices	13,490.56	2.00%	50.00	270	270	0	
10	361100	Collecting Mains	2,273,393.28	3.00%	40.00	68,202	45,468	(22,734)	
11	396000	Communication Equip	10,834.46	10.00%	10.00	1,083	1,083	0	
12	354500	Struct & Imp General	339,664.76	10.00%	10.00	33,966	33,966	0	
13	393000	TD Equipment	45,678.66	20.00%	5.00	9,136	4,568	(4,568)	
14	380000	TD Equipment <sup>(3)</sup>	1,617,360.23	20.00%	5.00	323,472	119,719	(203,753)	
15	390300	Computer Software <sup>(2)</sup>	1,527.77	7.00%	14.56	107	105	(2)	
16	353500	Land & Ld Rights Gen.	39,244.00				0	0	
17	354200	Struct & Imp Collection	207,763.26	5.00%	20.00	10,388	25,449	15,061	
18	354400	Struct & Imp Treatment	4,405,588.97	10.00%	10.00	440,559	131,771	(308,788)	
19	371160	Pump Eqp Elect	77,496.23	20.00%	5.00	15,499	15,499	0	
20	381000	Plant Sewers	3,884.68	5.00%	20.00	194	146	(48)	
21	397000	Misc Equipment	28,881.77	10.00%	10.00	2,888	2,888	0	
22	371100	Pump Equip Elect	463,306.26	5.00%	20.00	23,165	23,165	0	
23									
24	Total		<u>\$ 13,669,257.65</u>			<u>\$ 1,064,932</u>	<u>\$ 530,477</u>	<u>\$ (534,455)</u>	

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