

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN)	
KENTUCKY WATER DISTRICT FOR AN)	CASE NO.
ADJUSTMENT OF RATES; ISSUANCE OF)	2022-00161
BONDS; FINANCING; AND TARIFF REVISIONS)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO NORTHERN KENTUCKY WATER DISTRICT

Northern Kentucky Water District (Northern Kentucky District), 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 September 2, 2022. The Commission directs the Northern Kentucky District 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

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).

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Northern Kentucky District shall make timely amendment to any prior response if Northern Kentucky District 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 Northern Kentucky District fails or refuses to furnish all or part of the requested information, Northern Kentucky District 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, Northern Kentucky District 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 Application, paragraph 7. Provide the most current interest rates for the proposed financing.
2. Refer to Application, paragraphs 21 and 23.
 - a. Explain why the cost of the sediment removal for the North Reservoir increased from \$2,819,605 to \$4,589,442.

b. Provide a schedule showing the amortization collected and recorded since Case No. 2018-00291² and the balance of the regulatory asset.

3. Refer to Application, paragraphs 21 and 24. Explain the difference between the 10-year amortization period proposed and accepted in Case No. 2018-00291 and the 10-year amortization period proposed in this case.

4. Refer to Application, Exhibit K – Pro Forma Financial Statements, page 3, Pro Forma Statement of Revenues, Expenses, and Changes in Net Position.

a. Confirm that rents from Water Property are not expected to increase or decrease in 2022.

b. Provide a detailed breakout of what comprises the surcharge revenue.

5. Refer to Application, Exhibit K, page 4. Provide detailed calculations supporting the adjustments to operating and maintenance expenses, taxes other than income, and non-operating expenses.

6. Refer to Application, Exhibit K, page 7, and Exhibit N, Schedule B, page 1. Confirm that Pro Forma Operating Expenses do not include any expenses that will be deferred to the sludge removal regulatory asset. If this cannot be confirmed, explain why these expenses should not be removed from the revenue requirement.

7. Refer to Application, Exhibit N, Schedule B, page 3.

a. Provide the calculation of the test year rate case expense, including the amortization period used.

² Case No. 2018-00291, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Mar. 26, 2019).

b. Provide a detailed schedule of the total rate case expense estimated for this case, which shows the estimated expense for accounting, engineering, legal, consultants, and other expenses.

8. Refer to Application, Exhibit N, Cost of Service Allocation Study (COSS).

a. Refer to Schedule A, page 1 of 1. According to the COSS, the residential class revenue is 61.7 percent of the total revenue, yet the proposed revenue allocation results in the residential class contributing to 62.3 percent of the total revenue. Explain why Northern Kentucky District is proposing to have the residential class subsidize the other rate classes.

b. Refer to Schedule C, page 2 of 21. Also refer to Schedule D, page 1 of 1. Schedule C states that the weighting of the factors is based on the maximum day ratio of 1.60 based on a review of the maximum day ratios between 1998 and 2021, or Schedule D. Explain why a maximum day ratio of 1.60 was chosen when the average in Schedule D is 1.43 and the maximum is 1.57.

c. Refer to Schedule C, page 6 of 21. Explain why the maximum hour ratio is 2.4 and provide support for this assumption.

9. Refer to Application, Exhibit R.

a. For each project listed, explain whether or not Northern Kentucky District requested or is requesting a CPCN. If requested, provide the case number. If Northern Kentucky is not requesting a CPCN, provide a detailed explanation why.

b. Regarding the Water Main Replacement Program. Explain how the annual budget is determined.

c. For the overall work plan, explain how projects are determined and prioritized, and how estimates are rendered.

10. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was assessed during the calendar years 2018, 2019, 2020, and 2021.

11. Indicate whether or not Northern Kentucky District included any expense savings from the installation of the automated metering infrastructure.

12. Refer to the Direct Testimony of Kim Clemons, page 2, lines 14-19. Explain and provide support as to why since 2019, the number of budgeted employees have increased.

13. Refer to Northern Kentucky District's response to Commission Staff's First Request for Information, (Staff's First Request), Item 30, Exhibit 30-1, unnumbered page 2 and Item 31, and Case No. 2018-00291, Order at 8.

a. Provide an explanation of any increases in employee contribution rates.

b. Provide the overall employee contribution percentage for family health insurance for the adjusted test year.

c. Provide the test year expense for health insurance separated by single and family coverage.

d. Refer to Northern Kentucky District's response to Staff's First Request, Item 44.

e. Confirm the cost justification sheets are updated with current costs. If not confirmed, provide a revision using current costs.

f. Refer to the Service charge Cost Justification. Explain when this charge is applied.

14. Refer to Northern Kentucky District's response to the Notice of Deficiencies and Exhibits filed July 22, 2022, Exhibit M-2 Proposed Tariff.

a. Refer to the 1st Revised Sheet, No. 5, Section V – Customer Bill of Rights. Explain why Northern Kentucky District is proposing to delete the following in Item 6: In both cases, the customer must apply for the payment agreement prior to termination and 1/3 of the bill must be paid at the time arrangements are made.

b. Refer to the 1st. Revised Sheet No 12, Section VIII – Payment of Bills.

(1) Explain why the deposit language in Items 5 and 6 are being removed.

(2) Explain why the credit card assessment language is being removed in Item 8.

(3) In regards to the language indicating that the third-party payment processor may charge a fee for payment made by electronic means, explain whether the fee would go directly to the third-party payment processor or whether Northern Kentucky District would collect the fee and remit it to the third-party payment processor.

15. Provide an annual water loss for the past ten years.

16. Provide the annual usage per rate class for the last ten years.

17. Provide the annual amount of late fees assessed during the calendar years 2017, 2018, 2019, 2020, and 2021.

18. Provide calculations and support that show Northern Kentucky District will have adequate cash flows from Phase 1 rates to continue its current operations.

19. Refer to Northern Kentucky District's Application for Water Service (Residential), A. Applicant Information, in its current tariff on file with the Commission. For each item below, explain the reasoning for requesting the information and explain the ramifications of a prospective customer failing to provide the information. Also, for the three questions in g. through i. below, explain the ramifications if a prospective customer answers yes to those questions.

- a. Names of Adults Residing at Service Location;
- b. Applicant's Employer;
- c. Applicant's Marital Status;
- d. Name of Spouse;
- e. Spouse's Phone Number;
- f. Spouse's Employer;
- g. Whether the applicant/co-applicant water service has ever been disconnected by Northern Kentucky District for nonpayment of water charges within the past two years;
- h. Whether the applicant/co-applicant has had two or more checks returned by their bank for insufficient funds on any prior account with Northern Kentucky District; and
- i. Whether the applicant/co-applicant has filed for bankruptcy within the last 7 years.

20. Refer to Northern Kentucky District's Application for Water Service (Residential), B. Agreements, subsection e, which states that all adults members of the applicant's household who benefit from the provision of water service are jointly and severally liable for payment of services rendered to that service location and that Northern Kentucky District can deny any future application for water service to any service location by any of those persons until the indebtedness is paid.

a. Explain the legal basis for holding all adult members of the applicant's household jointly and severally liable for the payment of services rendered to that service location, even when they are not considered co-applicants.

b. Explain the legal basis for denying a future application for water service to any service location by any of those persons until the indebtedness is paid, even when they are not considered co-applicants.



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DATED AUG 18 2022

cc: Parties of Record

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