

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 THIRD 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 October 3, 2022. The Commission directs 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, Exhibit Q5, Direct Testimony of Constance Heppenstall, page NKWD 00973, regarding the Operating Revenue.

a. Explain if any other adjustments were made to the water usage for any other customer classification.

b. Explain if no adjustments were made to the water usage for the other customer classification.

2. Refer to Application, Exhibit K, page 5 and Northern Kentucky District's response to Commission Staff's First Request for Information (Staff's First Request), Item 42, Exhibit 42-1, unnumbered pages 1–2.

a. Explain how the revenues were normalized and provide the supporting calculations in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

b. Provide supporting calculations for the adjustment to chemical expenses in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

c. Provide the annual chemical usage, total chemical costs, and gallons treated for the last five years.

d. Explain why the last three years of chemical usage is an appropriate measure for the normalization of chemical expenses.

3. Refer to Northern Kentucky District's response to Staff's First Request, Item 2.

a. Identify all regulatory assets recorded by Northern Kentucky District in the last ten years and provide the beginning and current balance of each.

b. Provide a timeline of events for the reservoir cleaning project from August 2018 to the estimated completion date.

c. Confirm that Northern Kentucky District has recovered \$281,961 in its rates for reservoir cleaning since rates were approved in Case No. 2018-00291.² If

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).

confirmed, explain how Northern Kentucky District accounted for these revenues. If this cannot be confirmed, explain.

d. Explain why Northern Kentucky District proposed to include amortization of a prepaid reservoir-cleaning project in Case No. 2018-00291 but now proposes to defer these costs and record as a regulatory asset. Include a discussion of the basis for the request for regulatory asset treatment.

e. Explain why the reservoir cleaning project should not be capitalized and depreciated as a capitalized improvement.

f. Explain how the reservoir cleaning project has been financed.

4. Refer to Northern Kentucky District's response to Staff's First Request, Item 8a. Northern Kentucky District stated that it is moving half-way towards the residential cost of service of 61.7 percent with a proposed rate revenue from the residential class of 62.3 percent. Explain why it is appropriate for the residential class to subsidize the commercial and industrial classes.

5. Refer to Northern Kentucky District's response to Staff's First Request, Item 8c. Provide all supporting studies that support a maximum hour ratio that is 150 percent of the maximum day ratio.

6. Refer to Northern Kentucky District's response to Staff's First Request, Item 11. Explain if meter reads are conducted by Northern Kentucky District's employees or are conducted by contract labor. If outside contractors are used, provide the two most recent contracts.

7. Refer to Northern Kentucky District's response to Staff's First Request, Item 43.

a. Provide a detailed explanation of the 44 occurrence items included in the schedule for Invoice Billing Policy.

b. Provide an itemized expense record for each of these 44 occurrences.

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

a. For each of the cost justification sheets where a Clerical and Office Expense lists supplies of \$1, provide an explanation of what supply is included in the \$1 expense.

b. For each of the cost justification sheets where a Miscellaneous Expense, Other, Labor Overhead is listed, explain the expense and what is included in this expense.

(1) Explain the reasoning behind the range of Overhead Expense from \$5 to \$18.

9. Refer to Northern Kentucky District's response to Staff's First Request, Item 44, Fire Hydrant Permit. Explain Northern Kentucky District's inclusion of cost justification sheets for one permit, not two, as there are two types of Fire Hydrant Permits listed in Northern Kentucky District's Tariff.

10. Refer to Northern Kentucky District's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 5, Exhibit 5-2, and Item 12.

a. Using the same format as Exhibit 5-2, provide salary and benefit data for the positions identified in Item 12.

b. Using the same format as Exhibit 5-2, provide salary and benefit data for the unadjusted test year.

c. Explain how the adjusted-test year overtime wages were determined.

11. Refer to Northern Kentucky District's response to Staff's Second Request, Item 11. Provide specifics of the supply chain delays.

12. Refer to Northern Kentucky District's response to Staff's Second Request, Item 12.

a. For each position identified, state whether the position has been filled. If so, provide the date hired and the current salary. If not, provide Northern Kentucky District's plans to fill the positions.

b. Provide the budgeted and actual salary and benefit expenses for 2019-2021.

c. Provide Northern Kentucky District's overtime and contract labor expenses for 2019-2021.

13. Refer to Northern Kentucky District's Tariff, Invoice Billing Policy. Explain Northern Kentucky District's decisions for percentages for each of the items listed in this policy and explain how each is applied.

a. "Actual Labor Costs" plus 40 percent of labor cost to cover labor overhead.

b. Material costs plus 15 percent of material cost, plus sales tax when applicable.

c. Equipment Cost at 28 percent of labor cost (before 40 percent is added).

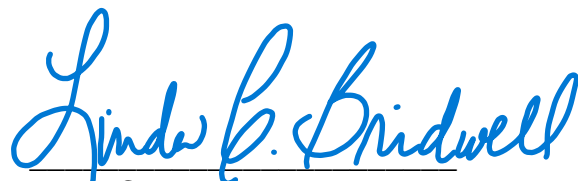
d. Overhead Costs at 10 percent of labor cost (before 40 percent is added).

14. Refer to Northern Kentucky District's Tariff, Invoice Billing Policy. Explain the policy that states, "The District reserves the right to transfer a customer's unpaid invoice to the customer's water account, if an account exists."

15. Provide a proposed rate design where the monthly service rates do not include a minimum bill based upon a threshold of usage, but instead a rate design where there is a customer charge that has no usage minimum and volumetric charge.

16. Provide all efforts made by Northern Kentucky District towards the reduction of water loss.

17. Provide a calculation of rate base for Northern Kentucky District. Using this rate base, provide a reconciliation of rate base to capitalization.



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DATED SEP 16 2022

cc: Parties of Record

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