

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	CASE NO.
AMERICAN WATER COMPANY FOR AN)	2025-00122
ADJUSTMENT OF RATES)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company (Kentucky-American), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on August 4, 2025. 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

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.

Kentucky-American shall make timely amendment to any prior response if Kentucky-American obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete 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 and scanned 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 Application, Direct Testimony of Michi Chao (Chao Direct Testimony). Also refer to Kentucky-American's response to the Commission Staff's First Request for Information (Staff's First Request), Attachment, Item 1, KAW_R_PSCDR1_NUM001_Attachment_PUBLIC, KAWC 2025 Rate Case – Income Statement. Explain why the following expenses are being increased by approximately 6.88 percent instead of the 5.16 percent listed in the Chao Direct Testimony.

- a. Contracted Services
- b. Building Maintenance and Services
- c. Telecommunication Services
- d. Rents
- e. Customer Accounting, Other

2. Refer to Kentucky-American's response to Staff's First Request, Attachment, Item 1, KAW_R_PSCDR1_NUM001_Attachment_PUBLIC, 2025 KAWC Rate Case – KAW O&M Growth Factor Workpaper. Explain Kentucky-American's reasoning for using a single growth factor to forecast certain expense categories but not others.

3. Refer to Kentucky-American's response to Staff's First Request, Attachment, Item 1, KAW_R_PSCDR1_NUM001_Attachment_PUBLIC, 2025 KAWC Rate Case – KAW O&M Growth Factor Workpaper. Explain how Kentucky-American determined which Operating & Maintenance (O&M) expenses would comprise the O&M growth factor.

4. Refer to Kentucky-American's response to Staff's First Request, Attachment, Item 1, KAW_R_PSCDR1_NUM001_Attachment_PUBLIC, 2025 KAWC Rate Case – KAW O&M Growth Factor Workpaper. Also refer to Application, Exhibit 37, Schedule D-2. Explain why Support Services is included in the calculation of the Kentucky-American growth factor when there is no adjustment made to account for the growth factor from the base period to the test period.

5. Refer to Kentucky-American's response to Attorney General's First Request for Information (Attorney General's First Request), Item 22.

a. Explain why Kentucky American's dues for the Downtown Lexington Partnership increased in 2025 as opposed to 2023 and 2024.

b. Confirm whether Kentucky American has fulfilled its annual dues with Downtown Lexington Partnership. If not, explain when that will occur.

c. Explain the \$1,000 increase in Georgetown – Scott City Chamber of Commerce dues in 2024.

d. Explain the \$11,474 increase in Kentucky Environment Project dues in 2024.

6. Refer to the Direct Testimony of Debra Ather (Ather Direct Testimony), Exhibit DFA-1, Chart 1. Explain how Kentucky-American will continue to make water service affordable for its customers when the Average Monthly Bill is anticipated to increase approximately 27.13 percent from 2024 to the forecast year, while Median Household Income is only expected to increase approximately 9.86 percent for the same period.

7. Refer to the Ather Direct Testimony, Exhibit DFA-1. Explain why and how Kentucky-American calculated its Median Household Income adjustment factor to forecast Median Household Income for Kentucky-American customers. Provide all calculations in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

8. Refer to Kentucky-American's response to Attorney General's First Request, Item 27(e). For the following counties, provide the number of Kentucky-American customers by customer class and total households. If these totals are different, please explain the difference and how those differences are determined.

- a. Bourbon County
- b. Clark County
- c. Fayette County
- d. Harrison County
- e. Jessamine County
- f. Nicholas County
- g. Scott County
- h. Woodford County
- i. Gallatin County
- j. Owen County
- k. Grant County
- l. Franklin County
- m. Rockcastle County
- n. Jackson County

9. Refer to Kentucky-American's response to Attorney General's First Request, Item 40(b). Provide all calculations Kentucky-American used in determining the amounts for the Annual Performance Plan and Long-Term Performance Plan in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

10. Refer to Kentucky-American's response to Attorney General's First Request, Item 53. Itemize the expenses associated with "Other" Board of Director Fees and Meeting Costs.

11. Refer to Kentucky-American's response to Attorney General's First Request, Item 98. Explain why the forecast for the Employee Awards expense is being

increased when Kentucky-American expects the number of retirement gifts to decrease. Further, state the number of employees Kentucky-American is forecasting to receive service awards in both the Base Period and the Test Period.

12. Refer to Kentucky-American's response to Lexington-Fayette Urban County Government's (LFUCG) First Request for Information (LFUCG's First Request), Item 26. Explain why hydrant billing is not paused or stopped while repairs or replacements are completed for a fire hydrant that is leaking, failed, or obsolete.

13. Refer to Kentucky-American's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 23. Provide the impact to the overall revenue requirement if Kentucky-American were to amortize the rate case expense over a three-year period instead of the two-year period requested in this case.

14. Refer to Kentucky-American's response to LFUCG's First Request, Item 52.

a. Explain why the unit cost of repairing and replacing water mains increased approximately 31 percent in 2024 when less linear feet of water main was replaced compared to 2023.² Provide all calculations in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. Of the linear feet of water main replaced, as the result of leaks or breaks, in 2023 and 2024, identify how many feet, by year, were included to be replaced in the Qualified Infrastructure Improvement Plan (QIP) for a subsequent year. In addition, include how many linear feet had been replaced as part of the QIP since its approval.

² From 2023 to 2024, there appears to be an approximate 31 percent increase in unit cost, based on the 2023 unit cost of \$1,620, and 2024 unit cost of \$2,124.

15. Refer to Kentucky-American's response to Staff's First Request, Item 1, KAWC 2025 Rate Case – Fuel and Power Exhibit.xlsx. Explain how Kentucky-American intends to address any discrepancies between the actual and forecasted 6.5 percent growth factor.

16. Refer to Kentucky-American's response to Staff's Second Request, Item 10(b).

a. Provide the date of the Value Line information used in the analyses.

b. Provide each of the Value Line Investment Survey company profile sheets, from that date, supporting the return on equity analyses in PDF format.

17. Refer to Kentucky-American's response to Attorney General's First Request, Item 59.

a. Provide descriptions of all infrastructure relocations required to support the work of other public entities and utilities and explain why these relocations are occurring now rather than in the future.

b. Describe in detail and provide examples of the increases in material and labor costs for capital construction projects that are driving higher capital expenditures.

18. Refer to Kentucky-American's response to Staff's First Request, Item 14, Schedule 14b.

a. Provide a detailed explanation of the main causes of capital construction budget overruns from 2015 through 2024, including the most common drivers of variance between budgeted and actual costs.

b. Provide a detailed description of the steps that Kentucky-American has undertaken to reduce budget overruns from 2015 through 2024.

19. Refer to Kentucky-American's response to Staff's Second Request, Item 9. Provide an adjustment to the revenue requirement pursuant to 807 KAR 5:066, Section 6(3), for expenses associated with water loss over 15 percent for the test period. Provide all calculations in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

20. Refer to Kentucky-American's response to Staff's Second Request, Item 3(a). Explain what "normalized" means in the response. Include in the response a specific description of how the value was calculated.

21. Refer to Kentucky-American's response to Staff's Second Request, Item 4. Confirm that "relocation" was meant to be "reallocation". If not confirmed, provide a response to request Item 4 as set forth in Staff's Second Request, Item 4.

22. Refer to Kentucky-American's response to Staff's Second Request, Item 4. Provide the historic yearly actuals for "reallocation" expense for the years 2019, 2020, 2021, 2022, 2023, 2024, and year to date. In addition, provide a description of what is contained in this expense category.

23. Refer to Kentucky-American's response to Staff's Second Request, Item 5. Provide the total bill amount due for electric service, by month, for the period from March 2023 through June 2025.

24. Refer to Kentucky-American's response to Staff's Second Request, Item 8. Provide the actual rent expense by category by month for the period March 2023 through June 2025.

25. Refer to Kentucky-American's response to LFUCG's First Request, Item 1. For each meter provided in the response, for the last 24 months beginning June 2023, identify by month whether the meter for the hydrant was read or estimated.

26. Refer to Kentucky-American's response to LFUCG's First Request, Item 47. Explain, in detail, the circumstances that changed for the cost of service study to allocate the cost of service differently as it relates to the Public Fire class.

27. Refer to Kentucky-American's response to LFUCG's First Request, Item 48.

a. Provide the number of hidden leak adjustments requested, by month, for the period from June 2023 through June 2025.

b. Of the requested adjustments referenced in Kentucky American's response to Staff First Request, Item 31(a), provide the number of actual adjustments made by Kentucky-American by month. Include in the response, the amount of each adjustment.

28. Refer to Kentucky-American's response to LFUCG's First Request, Item 53. Explain how the \$100,000 for deployment of acoustical devices is broken down by expense category. Include in the response the expense category as well as an amount.

29. Refer to Kentucky-American's response to LFUCG's First Request, Item 54. For the following sentence, "[w]hen the meter is interrogated during the monthly, drive-by meter reading cycle, the meter flags the account as having a possible leak" provide the following:

- a. Explain what interrogation means in this context.
- b. Explain how the meter flags the account as having a leak.

c. Explain whose responsibility it is to initiate a leak investigation if an account is flagged.

d. Explain what steps are utilized to initiate a leak investigation and the timeline of those steps.

d. Explain what the parameters of a “leak” are in this context.

e. Explain the logic that the meter uses to flag an account for a leak. Is this logic pre-set by the meter vendor, and if so, can it be adjusted by Kentucky-American?

f. How is the customer notified of a potential leak?

30. Refer to Kentucky-American’s response to Attorney General’s First Request, Item 62. Explain what “reasonable time” is within the context of the following sentence, “[a]ll payments of invoices are made within a reasonable time after receipt of the invoice”.

31. Refer to Kentucky-American’s response to Attorney General’s First Request, Item 62. Provide examples of what the following sentence in the response means, using specific invoices and specific employees: “[i]n addition, depending on the type of service invoiced, different personnel and a different number of personnel are required for approval of each invoice’s payment.”

32. Refer to Kentucky-American’s response to Attorney General’s First Request, Item 63. Explain the following statement in the response, using specific dates as part of the explanation: “[t]he lead days for the payment of Service Company charges have increased since the Company’s previous rate case application.”

33. Refer to Kentucky-American’s response to Attorney General’s First Request, Item 69. Provide the chart in the response but include an additional row

reflecting the projects' expenditures discussed in response to LFUCG's First Request, Item 52, inclusive of all the years provided in response to Item 69.

34. Refer to Kentucky-American's response to Attorney General's First Request, Item 72. Provide specific projected in-service dates, using a month and year, of the projects that make up the \$191.9 million.

35. Refer to Kentucky-American's response to Attorney General's First Request, Item 73.

a. Explain why Kentucky-American assumed 15 miles of water main replacement as part of the QIP when the Commission has approved between 11-13 miles of improvements and has not expanded the program.

b. Provide an updated information and calculations using at most 13 miles of water main replacement. Provide the response in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

36. Refer to Kentucky-American's response to Attorney General's First Request, Item 73. Refer also to KAWC Rate Case – Exhibits (25, 26, 37) Revenue WP Support", Workbook Revenues Tab. Reconcile the information stated in the response: "KAWC used these actual costs as a base for forecasting spend in 2026, with the forecasted spend for 2026 increased to approximately \$3.46 million to account for an expected increase in the number of new service requests resulting from the expansion of the Urban Service Boundary in Fayette County[.]" with the only approximate 3.93 percent total customer count increase by 2029. In the reconciliation, provide the calculation of new service operating expense based solely on the company's projected customer count

increase as provided in the application. Provide the response in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

37. Refer to Kentucky-American's response to Attorney General's First Request, Item 73. Explain what technology projects Enterprise Solutions encompasses, and the amount for this item. Include in the response the allocation percentage used to allocate to Kentucky-American, the allocation of the full amount for each American Water subsidiary, and any benefits or efficiencies that it may create for Kentucky-American rate payers.

38. Refer to Kentucky-American's response to Attorney General's First Request, Item 86. Confirm that Kentucky-American is requesting Commission approval for the 15-year amortization term. If not confirmed, explain why not. If confirmed, provide a list of all regulatory asset projects Kentucky-American is requesting approval for an amortization period. Include in the response a description of the project, the expenses related to the project and the proposed term of amortization related to the expense.

39. Refer to Kentucky-American's response to Attorney General's First Request, Items 97-98. Provide the written policy for all employee awards, including the spot and service awards, as well as the evaluation form or criteria used to make the award determination.

40. For each nonrecurring charge listed in Kentucky-American's tariff, provide:

- a. The cost justification for each,
- b. The number of occurrences for each, by month, for the years 2022, 2023, 2024, and 2025 to date; and

c. Provide the amount collected for each charge for the same periods set forth in Item 45(b).

41. Provide the number of leak adjustments, by month, for the years 2022, 2023, 2024, and 2025 to date with the following information

- a. The total amount of the adjustments, per month;
- b. The reason(s) for the adjustment(s).

42. Refer to the Direct Testimony of Max McClellan, generally. Confirm that the demand information accounted for the water loss percentage. If not confirmed, provide updated demand information where the water loss percentage is accounted for.

43. Refer to Kentucky-American's response to Attorney General's First Request, Item 5. Confirm the amount provided for Utility Water Conservation, total compensation is per employee for the proposed four employees to address the leak issue. If not, explain the amount by component per employee.



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DATED JUL 17 2025

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