

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF AMERICAN	)	
WATER WORKS COMPANY, KENTUCKY-	)	
AMERICAN WATER COMPANY, NEXUS	)	CASE NO.
REGULATED UTILITIES, LLC, AND WATER	)	2025-00171
SERVICE COMPANY OF KENTUCKY FOR	)	
APPROVAL OF THE TRANSFER OF CONTROL	)	
OF WATER SERVICE COMPANY OF KENTUCKY	)	

COMMISSION STAFF'S SECOND 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 July 15, 2025. 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

---

<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).

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.

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 Kentucky-American's response to Commission Staff's First Request for Information (Staff's First Request), Items 4 and 5. Reconcile the assets of Water Service Company of Kentucky (Water Service Kentucky) of \$10,225,788 and the journal entries to be recorded by Kentucky-American totaling \$15,801,791.

2. Refer to Kentucky-American's response to Staff's First Request, Item 5.

a. Reconcile the difference between the journal entries provided and the purchase price.

b. Confirm that “Investments in Affiliated Companies” will not be included in utility assets. If this cannot be confirmed, explain.

3. Refer to Kentucky-American’s response to Staff’s First Request, Items 5 and 11. Provide the information referenced in Item 5, 11(b), and 11(c) in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

4. Refer to Kentucky-American’s response to Staff’s First Request, Item 6. Explain whether and how American Water Works Company (American Water) evaluated Nexus Water Group (Nexus Group) as a going concern prior to and at the time it entered into the Purchase Agreement. If American Water did not perform any such evaluation, explain how American Water determined that the purchase will be beneficial to American Water and specifically to Kentucky-American.

5. Refer to Kentucky-American’s response to Staff’s First Request, Item 6.

a. Explain how the sale amount reflects fair market value, if no appraisal has been obtained.

b. For each asset, explain how the value was determined for the purpose of this transaction.

c. Explain how the transaction amounts will eventually result in fair, just and reasonable rates for current Kentucky-American customers.

6. Refer to Kentucky-American’s Response to Staff’s First Request, Item 6. State how American Water evaluated Nexus Group’s assets associated with the proposed transaction. If no evaluation or appraisal was performed by American Water,

explain how the current purchase price of \$315 million and Kentucky-American's allocation of \$13.671 million are fair, just and reasonable for current Water Service Kentucky and Kentucky-American customers.

7. Refer to Kentucky-American's response to Staff's First Request, Items 6 and 7. Explain how Kentucky-American's allocation of the overall purchase price was calculated and provide the calculations.

8. Refer to Kentucky-American's response to Staff's First Request, Items 6 and 11. Confirm that Kentucky-American is not purchasing Water Service Kentucky's assets for the amount of \$13.6 million, the amount is an allocated portion of the transaction. If not confirmed, reconcile the response with the two referenced responses.

9. Refer to Kentucky-American's response to Staff's First Request, Item 7. Provide the expected rate impact to Kentucky American's customers in light of the statement, "Kentucky American Water will be allocated approximately \$13.6 million of that sale price."

10. Refer to Kentucky-American's response to Staff's First Request, Item 7. Provide a copy of all studies, reports, or related analyses of appraisals or valuations of Nexus as a going concern conducted by or caused to be conducted by American Water.

11. Refer to Kentucky-American's response to Staff's First Request, Item 8. Provide any acquisition-related due diligence communications between American-Water and Nexus. Include in the response any written correspondence, presentations, reports, studies, memos, or other documents that materially discuss the proposed transaction.

12. Refer to Kentucky American's response to Staff's First Request, Item 11(b):

- a. Provide a list of all assets that Kentucky-American will acquire from Water Service Kentucky, as well as a list of all assets that are excluded from the transfer.
- b. Provide depreciation rates and calculations for all Utility Plant in Service assets that Kentucky-American will acquire from Water Service Kentucky.
- c. Provide Kentucky-American's current depreciation rates.
- d. Provide the depreciation rates Kentucky-American will utilize for the assets acquired from Water Service Kentucky. If Kentucky-American will use its own current depreciation rates, provide the dollar amount of difference between using Kentucky-American's current rates and Water Service Kentucky's current rates.
- e. Explain how Kentucky-American will implement its own depreciation rates if they differ from Water Service Kentucky depreciation rates.

13. Refer to Kentucky-American's response to Staff's First Request, Item 11(d). Provide the calculations for Water Service Kentucky's total capital structure balance compared to Nexus Water Group's total capital structure balance.

14. Refer to Kentucky-American's response to Staff's First Request, Item 12.

- a. Provide the estimated cost and timeline for each system improvement identified.
- b. Explain whether meter readers are employees of Water Service Kentucky and confirm whether the meter readers will be employed by Kentucky-American, if the proposed transfer is approved. If confirmed, explain what positions those employees will hold when the meters are replaced, and manual reading is no longer necessary.
- c. Explain how meter replacements will reduce labor expenses.

d. Explain how Kentucky-American's proposed Supervisory Control and Data Acquisition (SCADA) Improvements project will improve the efficiency of the Middlesboro and Clinton systems.

e. State the amount of aging and dilapidated company service lines in the current Middlesboro and Clinton systems that are contributing to water loss.

f. State how much Kentucky-American expects to improve water loss in the current Middlesboro and Clinton systems from the Service Line Replacements Project.

15. Refer to Kentucky-American's response to Staff's First Request, Items 12 and 13. Explain why Water Service Kentucky's system needs service line replacements due to water loss, when Water Service Kentucky's water loss is lower than Kentucky-American's system as a whole and below the threshold for denial of rate recovery.

16. Refer to Kentucky-American's Response to Staff's First Request, Item 13.

a. Explain whether the acquisition of Water Service Kentucky's current systems will help improve Kentucky-American's current rolling Non-Revenue Water loss of 19.0 percent.

b. Provide the monthly water loss percentages used to calculate the rolling average.

17. Refer to Kentucky-American's response to Staff's First Request, Item 14. State how much, if applicable, current Water Service Kentucky employees' salaries and benefits will increase or decrease as a result of the proposed transaction.

18. Refer to Kentucky-American's response to Staff First Request, Item 15. Provide the salary and benefits for the person to be hired as well as whether the position would be permanent or temporary.

19. Refer to Kentucky-American's Response to Staff's First Request, Item 15. Explain the total amount of employees that Kentucky-American expects to hire in order to efficiently operate the current Water Service Kentucky systems.

20. Refer to Kentucky-American's response to Staff's First Request, Item 17. Explain how this transaction "will strengthen KAWC's ability to serve and respond to regulatory inquiries."

21. Refer to Kentucky-American's Response to Staff's First Request, Item 19, Attachment.

a. Explain the title of the tendered tariff, "Customers served in Bell and Hickman Counties, including those previously served by Water Service Corporation of Kentucky."

(1) Provide the number of additional customers Kentucky-American projects to serve in each of those counties by county.

(2) State whether Kentucky-American intends to acquire additional customers not currently served by Water Service Kentucky.

b. Confirm that Kentucky-American currently does not serve any customers in Bell or Hickman counties, Kentucky. If not confirmed, explain the response and include any current customer(s) count as well as the class of service the customer(s) take under.

c. Refer also to the tariff on file with the Commission for Water Service Kentucky, P.S.C. Ky. No. 3 Sheet No. 10. Explain why Kentucky-American's proposed tariff does not address this charge.

22. Refer to Water Service Kentucky's response to Commission Staff's First Request for Information, Item 2. Explain what Kentucky-American plans to do with the customer deposits being transferred from Water Service Kentucky.

23. Refer to Water Service Kentucky's response to Commission Staff's First Request, Item 1. Confirm the transaction involves Bell and Hickman counties, Kentucky. If confirmed, explain if Kentucky-American is requesting to amend its application.



Linda C. Bridwell, PE  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED       JUL 7 2025      

cc: Parties of Record



\*David Pippen  
Kentucky-American Water Company  
2300 Richmond Road  
Lexington, KY 40502

\*M. Todd Osterloh  
Sturgill, Turner, Barker & Moloney, PLLC  
333 West Vine Street  
Suite 1400  
Lexington, KY 40507

\*Kentucky-American Water Company  
2300 Richmond Road  
Lexington, KY 40502

\*Water Service Corporation of Kentucky  
c/o Water Service Corp  
500 West Monroe Street, Suite 3600  
Chicago, IL 60661-3779

\*Lindsey Ingram  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\*Mary Ellen Wimberly  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\*Monica Braun  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\*Rebecca C. Price  
Sturgill, Turner, Barker & Moloney  
155 East Main Street  
Lexington, KY 40507