

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY-AMERICAN )  
WATER COMPANY FOR AN ADJUSTMENT ) CASE NO. 92-452  
OF RATES )

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file the original and 12 copies of the following information with the Commission by no later than June 9, 1993, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copies material to ensure that it is legible. If the information cannot be provided by the stated date, Kentucky-American should submit a motion for an extension of time stating the reason a delay is necessary and a date by which the information will be furnished. Such motion will be considered by the Commission.

1. For the base period and the forecast period, provide workpapers similar to W/P-1-5.1 through W/P-1-5.2 for Utility Plant In Service ("UPIS") by project name and number. The workpapers should show the amounts closed to UPIS accounts and retirements.

2. Bring Kentucky-American's construction activity up to date by project and provide explanations for any budget variances.

3. Refer to the response to Item 46(d) of the Commission's April 8, 1993 Order.

a. Recalculate the revenue requirement and impact for each element of rate base and cost of service as shown on page 1 of 31 as follows:

(1) Remove historical and forecasted balances from Construction Work In Progress ("CWIP") for projects 90-15, Install Jacks Creek Pike Main; 90-14, Evaluate Source of Supply Options; and 92-12, Develop Additional Source of Supply.

(2) Multiply all projected construction budget projects for each month beginning November 92 through the end of the forecasted test period by 73.97 percent.

(3) Provide well documented detailed workpapers that support the calculations.

b. Provide the same information as required in (a) but include project 90-15, Install Jacks Creek Pike Main in CWIP.

4. Refer to the response to Item 120 of the Commission's April 8, 1993 Order.

a. Provide the historical analysis Kentucky-American used in calculating non-scheduled overtime.

b. Provide the analysis or process Kentucky-American used in developing its anticipated employee work schedule. Include Kentucky-American's development of the non-scheduled overtime and payroll capitalization.

5. Refer to the response to Item 38 of the Commission's April 8, 1993 Order.

a. Why did Kentucky-American's workers' compensation experience modification increase from .57 in 1991 to .79 in 1992?

b. When available provide the 1993 workers' compensation experience modification and any retro adjustments received.

c. Why did Kentucky-American base its forecasted workers' compensation adjustment of \$47,918 on its actual insurance losses for the insurance year of 1988?

6. Refer to the response to Item 39 of the Commission's April 8, 1993 Order. Why did Kentucky-American base its forecasted general liability adjustment of \$116,880 on its actual insurance losses for the insurance year of 1988?

7. On page 26 of Grubb's testimony it is stated that a 12 percent increase in health insurance premiums, to be effective October 1993, was assumed in the calculation of pro forma group insurance. Provide a basis for this percentage increase. In your response you should provide all of the assumptions made in the calculation and how those assumptions directly impact the calculated rate of 12 percent increase. Also provide the name of the individual that developed each assumption and their basis for making that assumption. For assumptions that were based on historical data, provide working papers with backup documents supporting those assumptions.

8. On page 26 of Grubb's testimony it is stated that Warren & Welsh calculated a 15 percent increase in health insurance premiums. Why did Kentucky-American not utilize this information in its calculations? Provide detailed explanations and working papers supporting Warren & Welsh's 15 percent increase.

9. Why is Kentucky-American using a 12 percent increase as stated in Grubb's testimony while the medical cost trend factors shown on RLF-D indicates a 15-13 percent rate during that same period of time?

10. Do the calculations contained in exhibit RLF-B assume external funding of SFAS 106 costs as well as those amounts being fully tax deductible? Specifically, do the SFAS 106 accruals reflect these funding assumptions? If they are not fully deductible for tax purposes, provide the amounts that are and are not deductible.

11. In reference to the Commission's March 4, 1993 Order, Item 42, quantify the savings to Kentucky-American as a result of each cost control measure listed. Show the actual annual cost before and after each change. Indicate whether the annual savings will be recognized in the first year of implementation. If not, when?

12. Why is Kentucky-American of the opinion that recovery of the SFAS 106 stub is a reasonable request?

13. Refer to the memo labeled "Expected Impact of SFAS 106 OPEB Expense," which was supplied in response to Item 55 of the Commission's March 4, 1993 Order.

a. Provide working papers for the calculations of the following costs in the appropriate jurisdictions:

Illinois	98,495
West Virginia	1,003,632
Kentucky	435,279
Indiana	405,224

b. Explain why American Water Works ("AWW") is of the opinion that recovery of SFAS 106 costs in the above-mentioned jurisdiction would be disallowed.

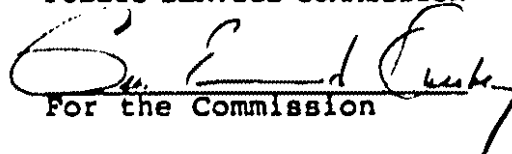
14. With regard to Item 41 of the Commission's March 4, 1993 Order, provide updates of the status of rate proceedings of other AWW subsidiaries operating in other jurisdictions.

15. If available, provide the 1992 SFAS 106 actuarial report.

16. Provide the results of a one percent reduction on all three trend options included in response to Item 57 of the Commission's March 4, 1993 Order. Provide all calculations and final results for AWW as well as the allocations to Kentucky-American.

Done at Frankfort, Kentucky, this 26th day of May, 1993.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Executive Director