

CASE NO. 2013-00237
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

1. The notice published by WSKY in *The Hickman County Gazette* indicates a new Distribution System Infrastructure Charge Rider and a Purchased Power and Chemical Charge Rider, but these charges are not mentioned in the application.

a. What is WSKY's intention regarding the Distribution System Infrastructure Charge Rider?

b. What is WSKY's intention regarding the Purchased Power and Chemical Charge Rider?

RESPONSE: The Company is no longer pursuing the Distribution System Infrastructure Charge Rider and the Purchased Power and Chemical Charge Rider.

Witness – Lowell Yap

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15. Refer to WSKY's Response to the Commission's First Request, Item 27(a). List each expenditure included in each expense account listed in Table 2 and provide a detailed description of that expenditure and copies of all invoices related to that expenditure.

| | <u>Account #</u> | <u>Account Title</u> | <u>Total</u> |
|----|------------------|-----------------------|--------------|
| a. | 5795 | Contributions | 340 |
| b. | 5810 | Memberships | 243 |
| c. | 6185 | Travel Lodging | 1,880 |
| d. | 6190 | Travel Airfare | 1,417 |
| e. | 6195 | Travel Transportation | 476 |
| f. | 6200 | Travel Meals | 1,410 |
| g. | 6205 | Travel Entertainment | 558 |
| h. | 6207 | Travel Other | 133 |

RESPONSE: Please refer to the corresponding attachment (Excel file "PSC DR2-15"). WSCK is able to provide a sample of invoices from the general ledgers provided in the attachment.

Please note that the columns labeling the months in WSCK's Response to the Commission's First Request, Item 27(a) should have been labeled as (from left to right) January to December and not (from left to right) October thru September.

Note that in Column F of each general ledger, under the heading of "TY," refers to what type of transaction was performed. PV (or OV) is the designation for an invoice transaction and JE is the designation of a journal entry transaction.

WSCKY Allocated GL – General ledger of transactions allocated to WSCK from the various cost centers.

WSC CC GL – General ledger of the Water Service Corporation Cost Center.

State of Kentucky CC GL – General ledger of the State of Kentucky Cost Center.

RVP CC GL – General ledger of the Regional Vice President Cost Center.

Midwest CC GL – General ledger of the Midwest Region Cost Center.

Corporate Project CC GL – General ledger of the Corporate Project Cost Center.

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17. Refer to WSKY's Response to the Commission's First Request, Item 27. Provide the schedules on an electronic storage medium that is capable of being read and manipulated using Microsoft Excel.

RESPONSE: Please see the corresponding electronic attachments for WSCK's Response to the Commission's First Request, Item 27. They are labeled as Excel files "PSC DR2-17 DR-27a" and "PSC DR2-17 DR-27b."

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18. At page 6 of his direct testimony, Lowell Yap states, "Interest on debt is computed using a 52.44%/47.56% debt/equity ratio." Provide a schedule comparing UI's end-of-period capital structures for the calendar years 2008 through 2012 and UI's capital structure for August 31, 2013. Also, include the debt-to-equity ratio for each capital structure provided.

RESPONSE: Please see corresponding attachment that is labeled as Excel file "PSC DR2-18 Capitalization."

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23. A utility can file a rate application under 807 KAR 5:076, alternative rate adjustment procedure for small utilities (“ARF”), if it meets the following conditions: (1) Had gross annual revenue in the immediate past calendar year of \$5,000,000 or less; (2) Maintained adequate financial records fully separated from a commonly-owned enterprise; and (3) Filed with the commission fully completed annual reports for the immediate past year and for the two (2) prior years if the utility has been in existence that long.¹ Given that WSKY meets the listed conditions to file an ARF application, explain why it chose to file under 807 KAR 5:001, Section 16, Applications for General Adjustments of Existing Rates.

RESPONSE: WSCK is seeking recovery for reasonable expenses, such as Project Phoenix expenses, that had been disallowed in past rate cases. In bearing the burden of proof to demonstrate the reasonableness of its rates, WSKY believed that a more thorough application made pursuant to the general adjustment of existing rates would be the best vehicle in presenting its case to the Commission and potential intervenors.

Prior to the filing of WSCK’s rate case application, Commission Staff issued its first request for information, which requested almost identical information as the first request for information in WSCK last general rate case application, PSC Case No. 2010-00476. This signaled to WSCK that the Commission and Commission Staff expected WSCK to file the same, thorough information as has been filed in previous cases, which were not ARF cases. WSCK believed that it would have been inefficient to file an initial ARF application only to be required to file the remainder of information otherwise required in a general rate case at a later date. Such course of action would have increased rate case expense and lengthened the regulatory process.

Witness – Lowell Yap

¹ 807 KAR 5:076.