

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY FOR A) Case No. 2015-00382
GENERAL RATE ADJUSTMENT IN)
EXISTING RATES)

ATTORNEY GENERAL'S SUPPLEMENTAL REQUESTS FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Supplemental Requests for Information to Water Service Corporation of Kentucky ("WSCK") to be answered under oath and by the date specified in the Commission's Order of Procedure, and in accord with the following instructions:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness (es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Joint Applicants with an electronic version of these data requests, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or 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.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and

caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide all spreadsheets used in responses to these requests for information in excel format with all cells unlocked and functional.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

1. Reference WSCK response to AG 1-23.
 - a. In the accompanying Excel file (AG DR 1-23 – Revenue Requirement by System) on the Operating Income tab, why does the calculation of O&M and TOTI (taxes other than income) for Clinton (cells C5 and C6) include the net of sewer revenues and expenses?
 - b. Please confirm that including sewer revenues and expenses in the calculation of the Clinton water revenue requirement reduces the revenue requirement for Clinton water by approximately \$90,700. If this is not confirmed, please state the correct figure and show the supporting calculation.
 - c. Why is there no D&A (depreciation and amortization) for Clinton sewer shown in this file?
 - d. Does the rate base for Clinton on the Rate Base tab include any rate base for Clinton sewer? If so, please identify the specific amounts (by account). If not, why are sewer expenses and revenues included in the Clinton water revenue requirement, but return on sewer rate base is not included in the calculation?
 - e. Are any WSCK costs allocated to Clinton sewer? If so, please provide a workpaper showing the calculation, since Clinton sewer does not appear as a separate entry on the Operating Income tab. If not, why not?
 - f. Please confirm that if Clinton sewer revenues and expenses are excluded from the calculation that the Revenue Need per Customer on the Revenue Requirements tab would be \$556.44, resulting in the Middleboro cost per customer being 37% less than the cost in Clinton. If this is not confirmed, please explain why and provide a version of the Excel file showing what WSCK believes to be the correct calculation.
2. Reference WSCK response to AG 1-25. Please provide the basis (including any data, analyses or reports) for the company's belief that "customers with like meter sizes and like classifications have similar consumption behaviors."
3. Reference WSCK response to Staff 2-6.
 - a. Please provide a copy of the "historical service agreement" involving the industrial customer.
 - b. What is the customer's meter size?
 - c. Is the customer billed for water consumption using tariffed rates or using rates set forth in the service agreement?
 - d. Does the customer's water consumption appear in the billing and revenue analyses provided by the Company? If not, please provide the customer's annual

usage by tier and annual adjusted revenues for the same time period used in the Company's filing.

4. Refer to the response to Staff 2-3, acquisition adjustment.
 - a. Please identify exactly what utility property was acquired, which led to the Company recording the acquisition adjustment.
 - b. What was the date of the acquisition of public utility property which led to the Company recording the acquisition adjustment?
 - c. When were the journal entries listed in the response to Staff DR 2-03a recorded?
 - d. The response to Staff DR 2-03c indicates an "Amort Start Date" of 1/31/2013. When did the Company commence amortization of the \$183,025 acquisition adjustment amount?
5. Refer to the response to Staff 2-3. Please provide the test year general ledger pages showing (1) the balance of the acquisition adjustment (2) the related accumulated amortization balances and (3) the amortization expense (or expense credits).
6. The response to Staff DR 2-03c shows an "Amortization Schedule" for years 2003 through 2052. What is the basis for that period? Explain fully and provide the related documentation.
 - a. How do the dates shown on that "Amortization Schedule" relate to the "Amort Start Date" of 1/31/2013 shown on that same page?
7. Refer to the response to Staff 2-3. Did the Company reflect the acquisition adjustment in rate base; and if so, how and in what amount did the Company reflect the acquisition adjustment in rate base?
8. Refer to the response to Staff 2-3. Did the Company reflect amortization of this acquisition adjustment in its requested cost of utility service?
 - a. If not, explain fully why not.
 - b. If so, explain fully and show in detail how and where that was reflected.
9. Refer to the response to Staff 2-3. Was any portion of this acquisition adjustment reflected in rate base in any of the Company's prior rate cases?
 - a. If not, explain fully why not.
 - b. If so, explain fully and show in detail how and where that was reflected.
10. Refer to the response to Staff 2-3. Was any amortization of this acquisition adjustment reflected in the operating income statement or in the cost of service in any of the Company's prior rate cases?

- a. If not, explain fully why not.
 - b. If so, explain fully and show in detail how and where that was reflected.
11. Refer to the response to Staff 2-06, Middlesboro Municipal Fire Protection WIND.
- a. Please provide the "historical service agreement."
 - b. Please provide copies of the test year billings.
12. Refer to the response to Staff 2-07.
- a. Does the Company maintain an inventory of the chemicals that are "purchased in bulk"? If not, explain.
 - b. Are the chemicals expensed when purchased?
 - c. Identify the bulk purchases of chemicals that occurred during the test year, and show in detail how those bulk purchases of chemicals were accounted for.
13. Refer to the response to Staff 2-08 regarding "out of period adjustments."
- a. Is it typical to have some "out-of-period adjustments" recorded on the Company's books in any year?
 - b. Were there any "out-of-period" items or adjustments in 2015 that related to test year activity? If so, please explain and provide the details of those.
14. Refer to the response to Staff 2-08(c) regarding the Clinton Detention Center.
- a. What quantities of water are provided to the office space?
 - b. It states that "the building is still functional and the owner of the property could re-purpose the property." Is the Company aware of any such re-purposing efforts by the property owner? Please explain.
 - c. Please update the tables provided in the responses to Staff 2-08(c) (4) and (5) to include the water consumption and billing amounts for the months from July through December 2015.
15. Refer to the response to Staff 2-09(c) regarding vacant positions.
- a. Has the Financial Analyst I position been filled? If so, please identify the salary for the filled position.
 - b. What is the salary for the filled Billing Specialist position that was hired 12/10/2015.

- c. Has WKSJ experienced any additional vacancies? If so, please identify and describe them.
16. Refer to the response to Staff 2-13.
- a. Is any of the \$372,831 project cost expected to qualify for 2015 bonus tax depreciation?
 - i. If not, explain fully why not.
 - ii. If so, identify the amount that is expected to qualify for 2015 bonus tax depreciation.
 - b. Does the Company intend to claim 2015 bonus tax depreciation on this plant?
 - i. If not, explain fully why not.
 - c. Under what MACRS group or tax depreciation rates does the Company anticipate that it will use for the 2015 tax year for this project? Explain fully and provide the tax depreciation rates.
 - d. What book depreciation rate(s) has the Company applied to this project?
17. Refer to the response to Staff 2-14c.
- a. Identify the make, model, year of the "Bruce Haas' vehicle" if anything other than a 2014 Chevy Equinox as listed in the response to Staff 2-24.
 - b. What is the total annual operating cost of "Bruce Haas' vehicle" and how was that allocated to WSKY? Show the total cost and the allocation to WSKY in detail.
18. Refer to the response to Staff 1-16b.
- a. Show in detail how the \$25,641 was derived
 - b. Provide the analysis from which the Company concluded that "capitalized time in the test-year was abnormally high due to capital project work which had been completed by WSKY operational employees ..."
19. Refer to the Company's responses to Staff 1-17b and d.
- a. Identify the employees who worked on the 2013 Rate Case Appeal and the 2014 Show Cause.
 - b. Did the employees who worked on the 2013 Rate Case Appeal or the 2014 Show Cause incur any overtime (for any reason) during the test year?
 - c. If the response to part b is affirmative, identify the overtime hours and related payroll costs, for the test year.

20. Refer to the Company's responses to Staff 1-17b and d. If overtime payroll dollars in the test year are adjusted, does that impact any other expenses, such as, but not limited to, payroll taxes, any types of employee benefits that are directly related to payroll?
 - a. If not, explain fully why not.
 - b. If so, identify, quantify and explain the impact on other expenses that would result from adjusting payroll overtime dollars that are in the test year.
21. Refer to the response to Staff 2-18. Does the \$2 check collection fee apply to both water utility service and to the services provided by WSKY related to Clinton Sewer Operations?
 - a. If not, explain fully why not.
 - b. If so, identify and explain how the Company differentiated between the water and sewer related check collection fees.
22. Refer to the response to Staff 2-18. What is the total amount of Clinton check collection fees that WSKY is requesting? Show how that requested amount is derived by multiplying the fee by the number of check collections.
23. Refer to the response to Staff 2-18. Do any Clinton customers have the option of paying by cash, by credit card, by wire transfer or by direct deposit, or by any means other than check?
 - a. If so, explain and identify the number of Clinton customers who paid during the test year by means other than by check.
24. Refer to the response to Staff 2-19b. "In Case 2015-00382 WSCK eliminated similar types of expenses in order to reduce contested issue[s] and reduce rate case expense." By approximately how much have rate case expenses been reduced in the current case?
25. Refer to the response to Staff 2-22.
 - a. Referring to the response to Staff 2-22c, when did WSCK first start using the depreciation rates that are based on the 1979 NARUC study?
 - b. How often are the depreciation rates in the NARUC study updated?
 - c. When was the last update?
 - d. What would be the impact on WSCK's requested revenue requirement if the current depreciation rates were used? Please show calculations.
26. Refer to the response to Staff 2-23.
 - a. How much of the 2015 post-test year plant additions expected to qualify for 2015 bonus tax depreciation? Identify the total amount of 2015 post-test year plant

additions that is being requested by the Company and out of that amount, how much is expected to qualify for 2015 bonus tax depreciation.

- b. Does the Company intend to claim 2015 bonus tax depreciation on all 2015 plant in service additions?
 - i. If not, explain fully why not.
 - ii. If so, identify the amounts of estimated 2015 bonus tax depreciation.
 - c. Under what MACRS group or tax depreciation rates does the Company anticipate that it will use for the 2015 tax year for each of its 2015 plant additions? Explain fully and provide the tax depreciation rates.
27. Refer to the response to Staff 2-23. Identify the specific vehicles, by make, model, year, and cost that are included in the \$114,286 in additional vehicle spending from 7/1/2015 through 11/30/2015.
 28. Refer to the response to Staff 2-23. The last part of the response to Staff 2-23 indicates that the Company is making "an effort to avoid filing another rate case in the near-term." Explain the Company's plans for filing its next rate case, including what criteria the Company uses to file a rate case and whether there are any thresholds of any amounts, such as net income, earned return, etc. that trigger when the Company files rate cases.
 29. Refer to the response to AG1-32. Explain the process the Company used to decide to file this rate case, include any relevant documents and whether there are any thresholds of amounts such as net income, earned return, etc. that trigger when the Company files rate cases.
 30. Refer to the response to Staff 2-23. If the company believes that frequent rate cases are necessary, yet wishes to avoid rate case expenses, explain why the company does not avail itself of the Alternative Rate Adjustment Procedure for Small Utilities, as outlined in 807 KAR 5:076.
 31. Refer to the response to Staff 2-24. Does the listing of vehicles provided in response to Staff 2-24 represent all of the vehicles for which cost is charged to the Company during the test year? If not, please provide a complete listing of the vehicles for which cost is charged to the Company during the test year, showing the make, model, year, cost and approximately usage of each.
 32. How much revenue was received by the Company for sewer service to Clinton during the test year?
 - a. Show in detail how the Company has determined its cost to provide sewer services to Clinton.

- b. Is the Company fully recovering from the sewer service charges its cost of service to provide sewer service to Clinton? If not, explain fully why not.
33. How does the Company justify to its management and its parent company management and ultimately to shareholders the collection of \$32,217 in revenue for sewer service to Clinton (per Staff 2-27a and 2-27h) and an expense reduction of \$154,344 related to Clinton Sewer Operations? Provide any related documents.
34. Refer to the response to Staff 2-12.
- a. The response states that the tank was first placed into service on November 23, 2015, but the response also states that the tank was last painted (prior to the 2015 painting) in 2002. Please explain and reconcile this discrepancy.
- b. To support its proposed 10 year amortization period for the tank painting project, the response states that the average life of tank painting assets is approximately 10 years. However, as noted above the tank was last painted in 2002, or 13 years prior to the tank being painted in 2015. Please explain and reconcile this discrepancy.
35. Refer to the response to Staff 2-12. Please cite by date and docket number, all Commission Orders of which the Company is aware, that authorized a 10-year amortization period for the tank painting costs.
36. Refer to the response to Staff 2-12. As it relates to the smaller pro forma deferred assets, specifically the tank cleaning and sealing the driveway at Middlesboro, please cite by date and docket number, all Commission Orders of which the Company is aware, that authorized a three-year amortization period for these costs.
37. Refer to the responses to AG 1-43 and AG 1-44 and the table below.

Description	2013	2014	2015	Total
Actual Capital Expenditures per AGDR 1.43	\$ 260,551	\$ 469,130	\$ 721,858	\$ 1,451,539
Actual Plant Additions per AGDR 1.44	\$ 327,267	\$ 461,197	\$ 450,329	\$ 1,238,793
Difference	\$ (66,716)	\$ 7,933	\$ 271,529	\$ 212,746

As shown in the table, for each year 2013, 2014 and 2015, the responses to AG 1-43 and AG 1-44 indicate different amounts for actual capital expenditures and actual plant additions. Please explain and reconcile these discrepancies. Identify, quantify and explain each reconciling item.

38. Are any of the costs included in WSCK's filing related to stock-based compensation that was provided to the Company's employees? If so, please answer the following:
- a. List, by amount and account, all stock-based compensation expense charged to WSCK during the test year, including but not limited to executive stock options,

performance share awards, accruals made pursuant to ASC 718 (formerly SFAS 123R) and any other stock-based compensation awards that resulted in costs being charged to WSCK during the test year.

- b. Same question as part "a" above except as relates to WSC related stock-based compensation that was charged and/or allocated to WSCK during the test year.
 - c. Please provide a description of each distinct stock-based compensation program that resulted in charges to WSCK during the test year. This applies to stock-based compensation that was direct charged to WSCK and /or that was also allocated to WSCK from WSC.
 - d. List, by amount and account, all stock-based compensation expense in WSCK's cost of service for the rate effective period, including but not limited to executive stock options, performance share awards, accruals made pursuant to ASC 718 and any other stock-based compensation awards included in the Company's filing for the rate effective period.
 - e. If different than what was requested in part "c", provide a description of each distinct stock-based compensation program that is included in the charges to WSCK during the rate effective period. This applies to both stock-based compensation that was direct charged to WSCK and /or also allocated to WSCK from WSC.
39. Refer to the response to AG 1-28.
- a. Please explain fully and in detail why depreciation expense has increased by \$151,000 since the Company's last rate case.
 - b. Please explain fully and in detail why total salaries and wages have increased by \$53,000 since the Company's last rate case.
 - c. Please explain fully and in detail why pension and other benefits have increased by \$43,000 since the Company's last rate case.
40. Refer to the response to AG 1-29.
- a. Please state whether the test year uncollectible expense of \$41,829 is reflective of net write-offs (i.e., net of the collection of previously written off amounts). If not, explain fully why not.
 - b. If the answer to part "a" is "no", please quantify what the test year uncollectibles expense would be net of collection of previously written off amounts. Show detailed calculations.
41. Refer to the response to AG 1-30. Please quantify and explain fully and in detail the impact that the steps described in the referenced response had on uncollectibles expense since the Company's last rate case. Show detailed calculations. In addition, please

provide the uncollectibles expense that was claimed by the Company in its last general rate case.

42. Refer to the response to AG 1-35. For each year 2013, 2014 and 2015, please provide the allocation factor that was used to allocate WSC's costs to WSCK, based on the Company's customer base as a percentage of UI's customer base and show how this amount was derived. Show detailed calculations.
43. Refer to the response to AG 1-35. Please provide the allocation factor that is being used to allocate WSC's costs to WSCK during 2016.
44. Refer to the response to AG 1-35. Please supplement this response to include the WSC amounts that were charged to WSCK in December 2015.
45. Refer to the response to AG 1-35. Please explain fully and in detail why the WSC costs charged to WSCK in December 2014 (primarily in the areas of Employee Benefits and Outside Service Expense) were so much higher than in the other months during the period 2013 through 2015.
46. Refer to the response to AG 1-36. Clarify which personnel are union and which are non-union.
47. Refer to the response to AG 1-36.
 - a. Please explain fully and in detail why Stephen R. Vaughn was granted salary and wage increases of 13.35% on both April 23, 2013 and April 24, 2013 (as indicated in the referenced response).
 - b. As it relates to the salary/wage increases granted on April 9, 2014 and April 9, 2015, please explain fully and in detail why Stephen R. Vaughn was granted salary/wage increases of 4.48% and 4.00%, respectively, when the remaining employees' salary/wage increases ranged from 2.01% to 3.26%.
 - c. Please explain fully and in detail why Michael W. Partin was granted a salary/wage increase of 13.26% on July 10, 2015 when (1) he was granted a wage increase of only 3.14% on April 9, 2014, and (2) he was granted a wage increase of only 2.99% on April 9, 2015 (3 months prior to the noted 13.26% increase).
48. Refer to the response to AG 1-36. Please state whether the salary/wage increases indicated for April 2014, April 2015 and July 2015 in this response are reflected in the Company's filing. Explain how they are reflected.
49. Refer to the responses to AG 1-36 and AG 1-37. The response to AG 1-36 indicates an employee complement of 15 for the period April 16, 2013 through July 10, 2015. However, the response to AG 1-37 indicates an employee complement of 11 for each of the last three years (2013-2015).

- a. Please explain and reconcile this discrepancy. Identify, quantify and explain each reconciling item.
 - b. Please provide the estimated number of employees for each month of 2016.
 - c. Please provide the job title of each employee listed in the response to AG 1-36.
50. Refer to the response to AG 1-38. For Middlesboro, please explain fully and in detail
 - a. Why the water losses were so much higher in February, March and May 2015 as compared to the other months of the test year.
 - b. How there were negative percentages for water loss in September 2014 (-1.02%) and April 2015 (1.77%).
51. Refer to the response to AG 1-38. For Clinton, please explain fully and in detail
 - a. Why the water losses were so much higher in July and August 2014 as well as January, February and March 2015 as compared to the other months of the test year.
 - b. How there was a negative percentage for water loss in October 2014 (-1.01%).
52. Refer to the responses to AG 1-38 and AG 1-39.
 - a. Please state when the WSCK Leak Detection Program was implemented.
 - b. Please state whether the 12 components of the Water Loss Prevention Program (as listed on the Water Proof Summer 2006 article that was provided in the response) have been implemented by WSCK. If not, explain fully why not.
 - c. Please explain fully and in detail whether the components of the WSCK Leak Detection Program as well as the 12 components of the Water Loss Prevention Program (per the 2006 article) were in place and being practiced during the test year (the time in which the water losses listed in AG 1-38 were incurred). If not, explain fully why not.
 - d. If the answer to part "c" is "no", please state whether the components of the WSCK Leak Detection Program as well as the 12 components of the Water Loss Prevention Program will be in place and practiced during the rate effective period. If not, explain fully why not.