

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. The net of sewer management revenues and operating expenses for Clinton sewer are treated as a contra-expense in the Company's filing. Please refer to WSCK's application, Exhibit 4, Schedule B, Page 1 of 2, Column B, line number 38 where the contra expense can be seen.
- b. This is not correct, because cash working capital in rate base must also be adjusted, consistent with the filing. The impact is approximately \$91,990.

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c. There is no D&A for Clinton sewer shown in the referenced file because WSCK does not own any of the sewer assets and therefore, notices no D&A expense.

d. An immaterial amount of cash working capital is directly related to the sewer O&M expenses. Sewer revenue and expenses are included in the Clinton revenue requirement because they are included in WSCK's revenue requirement for rate making and are directly related to Clinton. The net of sewer revenue and expenses is the management fee paid to WSCK by the City of Clinton and because the Company is ordered to return its management fees via rate making, it should be included within the City of Clinton's revenue requirement.

e. Yes, costs are allocated and included in the total management fee charged to the City of Clinton. WSCK bills the City of Clinton for any expense that it incurs during the month that is related to the management of the sewer system. Please refer to the file provided in response to "Staff DR 2.27a" for a listing of all invoices charged to the City of Clinton during the test-year.

f. Confirmed. If Clinton sewer revenues and expenses are excluded from the calculation of Revenue Need per Customer on the Revenue Requirements tab, the result would be \$556.44, resulting in the Middlesboro cost per customer being 37% less than the cost in Clinton. Be advised, this is not an appropriate rate making comparison as the City of Clinton sewer management revenues and sewer expenses are a necessary inclusion for rate making.

Witness: Justin Kersey

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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."

Response: The Company's belief is based on the rationale of having its customers grouped by customer classifications and further grouped by meter sizes. Customer classifications are based on premise type and each type of premise has a unique, often similar need for water. A customer's meter size, is also indicative of a unique, often similar need for water, regardless of geographic location.

Meter Sizes: The sole purpose of having a larger meter is so one could pump more water with greater pressure. The higher the customer's need and demand for water, the larger the meter size will need to be. Below is the Company's average consumption for its test year for meter sizes 5/8" through 2", specific to residential, commercial and industrial customers. As shown below, customers with larger meters, on average, consume more water than customers with smaller meters.

Meter Size	Test Year Avg Consumption (gal)
5/8" and 3/4"	38,444
1"	148,507
1.5"	448,792
2"	831,717

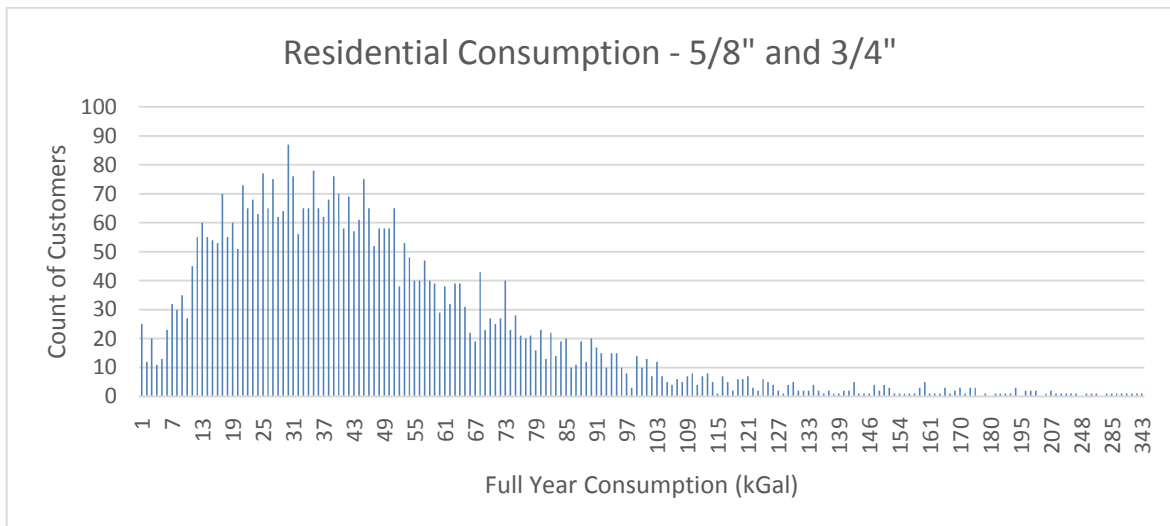
Customer Classifications: Customers are classified based on their premise type and therefore are assumed to have more similarities with like premise types than unlike premise types. For example, residential households most likely do not run a commercial business out of their residence as they are most likely not equipped to do so. Additionally, most residential households have similar needs; washing clothes and dishes, bathing, etc. A

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commercial customer may see a larger volume of water users and industrial customers may be using water in production; both of which are unique to the customer classification. Below is the Company’s average consumption for its test year for customer classes; residential, commercial and industrial with meter sizes 5/8” through 2”. As shown below, the needs of an industrial customer and commercial customer, on average, are greater than the needs of a residential customer.

Classification	Test Year Avg Consumption
Residential	37,745
Commerical	102,906
Industrial	211,391

Putting it all together: As an example, below is a bar graph of Residential consumption behavior for meter sizes 5/8” and 3/4”, for customers with a full year of consumption in WSKY’s test year, all of this data has been provided. The positive skew of the graph indicates the mass of the distribution lies at the front and is followed by the outliers.



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Witness: Justin Kersey

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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.

Response:

- a. There is no copy of this historical service agreement. Please refer to the explanation provided below in response to AG 2.3.c. WSCK has corrected this account when this error in setting up the customer in our billing system was discovered during the preparation of this filing.
- b. This customer has a 2” meter.
- c. This customer was not being billed for water consumption using tariffed rates during the test-year, or prior to that. In August 2015, our billing department was notified that this customer was set-up incorrectly. Since then, the customer has been refunded for the amounts that it was overbilled as a result of being under the minimal usage for a 2” meter size. The customer was being charged a flat rate of \$157.60 per bill, regardless of usage. Since the change, the customer is being charged a minimum bill of \$84.18 for the first 21,400 gallons. As of the latest bill on 1/14/2016, the customer has a credit on their

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account of \$583.36 and is not required to pay for service until the credit is used. Please see the attached file labeled “AG DR 2.3c – Updated Customer Bill” for support of this credit.

d. No, the customer’s water consumption does not appear in the billing and revenue analysis provided by the Company. This customer was incorrectly classified as a hydrant customer. The total consumption by this customer during the test-year was 3,400 gallons as supported on the customer bills provided in response to AG DR 2.11. The total revenue during the test-year for this customer is equal to approximately \$1,891, which was included in the Company’s revenue analysis under the customer classification labeled “Middlesboro Municipal Fire Protection WIND”. This revenue should be removed from this customer classification and be re-calculated under the correct rate structure, 2” Industrial Meter. The resulting re-calculation is equal to the minimum usage bill for 2” Industrial Meter customers, or \$84.18, multiplied by 12 months, for a total of approximately \$1,010. Since the customer was under the minimum usage amount of 21,400 gallons for each of the 12 months during the test-year, the Company is calculating the adjusted revenue based on the minimum usage charge only.

Witness: Brian Halloran

AG DR 2.3c

Updated Customer Bill



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com

Bill Date	Account Number	Due Date	Credit Balance
01/14/2016		2/8/2016	\$-583.36

Name [REDACTED] Primary Telephone # [REDACTED]

Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$-675.12
Payments received as of 01/14/2016	\$0.00
Balance as of 01/14/2016	\$-675.12

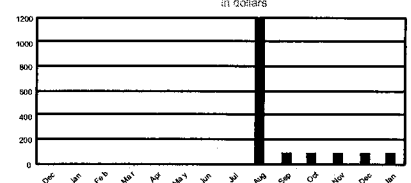
Industrial Water Service

Industrial Minimum Usage Charge	\$84.18
City School Tax at 3%	\$2.53
Kentucky State Tax at 6%	\$5.05
Total Industrial Water Service	\$91.76
Total Amount Due	\$-583.36

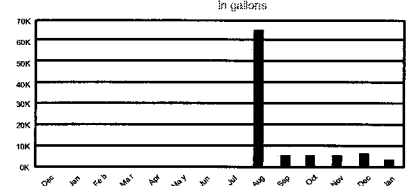
Summary of Service

Meter Reading	Meter #
Current	947100 01/13/2016
Previous	943900 12/13/2015
Usage	3,200 Gallons
Number of Days:	31
Average Daily Use:	103 Gallons
Average Daily Cost:	\$2.96

Billing History



Consumption History



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

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PO BOX 160609
 Altamonte Springs, FL 32716



Account Number:

Due Date: 2/8/2016

Credit Balance \$-583.36

Amount Paid

Do Not Pay

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476



Address correction requested on back

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RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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?

Response:

- a. Utilities, Inc. acquired the WSCK system from US Utilities and took possession of all assets that were in service at the time of the acquisition.
- b. October 1, 2002.
- c. The journal entries listed in the response to Staff DR 2-03a were recorded on 11/30/02.
- d. This was an inadvertent error. The true "Amort Start Date" is 1/31/2003.

Witness: Steve Lubertozi

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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).

Response: Please refer to the attached file labeled "*AG DR 2.5 – PAA GL*" for the Company's response.

Witness: Brian Halloran

AG DR 2.5

PAA GL

(see attached Excel file)

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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?

Response: The basis for the period of amortization is the same for other plant assets that WSCK has, which the majority are amortized at a rate of 2%, or 50 years.

- a. Please refer to the response to AG DR 2.04.d. The correct date should be 1/31/03.

Witness: Brian Halloran

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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?

Response: No, the Company did not include the acquisition adjustment in rate base for rate-making purposes.

Witness: Steve Lubertozi

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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.

Response:

- a. No, the Company did not reflect amortization of this acquisition adjustment in its requested cost of utility service because the Company had previously eliminated the amortization of PAA in prior rate filings and has been commonly accepted by the PSC. Please refer to the final order of Case No. 2013-00237 (page 23) and the final order of Case No. 2010-00476 (page 14). In both instances the Commission states, "...we find the proposed adjustment is reasonable and we accept it."
- b. N/A

Witness: Steve Lubertozi

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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.

Response:

a. No, the Company has not included PAA in rate base in any of the prior rate cases for rate-making purposes.

b. N/A

Witness: Steve Lubertozi

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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.

Response:

- a. No, the amortization of this acquisition adjustment has not been reflected in the operating income statement or in the cost of service in any of the Company's prior rate cases. The Company's treatment of PAA amortization expense is consistent with prior Commission orders.
- b. N/A

Witness: Steve Lubertozi

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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.

Response:

- a. Please refer to the response in AG 2.3a.
- b. Please refer to the attached file labeled "*AG DR 2.11 – Test Year Billings*" for the Company's response.

Witness: Brian Halloran

AG DR 2.11

Test Year Billings



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com

Bill Date 07/14/2014	Account Number	Due Date 8/8/2014	Please Pay: \$343.58
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Name [REDACTED] Primary Telephone # [REDACTED]
 Service Address [REDACTED]

Activity Since Last Bill

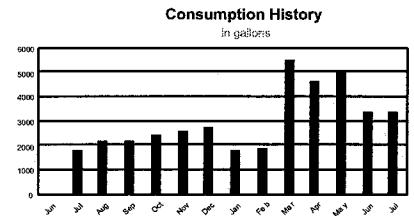
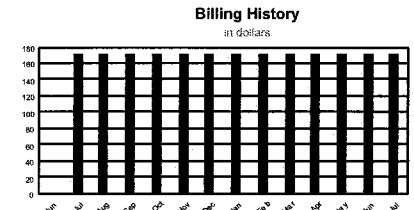
Previous Balance	\$171.79
Payments received as of 07/14/2014	\$0.00
Balance as of 07/14/2014	\$171.79

Industrial 2" Meters

Two 2" Meters	\$157.60
City School Tax at 3%	\$4.73
KY state tax at 6%	\$9.46
Total Industrial 2" Meters	\$171.79
Total Amount Due	\$343.58

Summary of Service

Meter Reading	Meter #	30069793
Current	857300	07/10/2014
Previous	853900	06/09/2014
Usage	3,400 Gallons	
Number of Days:	31	
Average Daily Use:	110 Gallons	
Average Daily Cost:	\$5.54	



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

Our records indicate the prior balance remains unpaid and your account may be subject to disconnection. Please note the due date on this bill refers to the current bill amount and does not extend the time allowed for payment of the prior balance.

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PO BOX 160609
 Altamonte Springs, FL 32716

[REDACTED ADDRESS]



Account Number:

Amount Paid

Due Date: 8/8/2014

Please Pay: \$343.58

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uewater.com
 Summary of Service

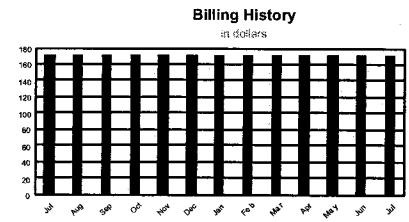
Bill Date	Account Number	Due Date	Please Pay:
08/13/2014		9/8/2014	\$171.79

Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]
 Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$343.58	
Payments received as of 08/13/2014	\$-343.58	
Balance as of 08/13/2014		\$0.00
Industrial 2" Meters		
Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79



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Messages

A rate increase approved by the KY PSC in Case No. 2013-00237 became effective July 24, 2014. The increase has been prorated and was used to calculate this bill.

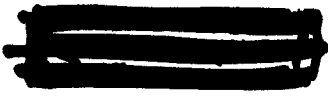
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PO BOX 160609
 Altamonte Springs, FL 32716



Account Number: [REDACTED]
 Due Date: 9/8/2014
 Please Pay: \$171.79
 Amount Paid: [REDACTED]



Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476

Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com
 Summary of Service

Bill Date	Account Number	Due Date	Please Pay:
09/14/2014		10/9/2014	\$171.79

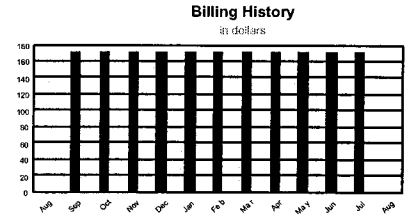
Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]

Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$171.79	
Payments received as of 09/14/2014	\$-171.79	
Balance as of 09/14/2014		\$0.00
Industrial 2" Meters		
Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79



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Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

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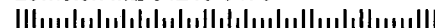
PO BOX 160609
 Altamonte Springs, FL 32716



Account Number: [REDACTED]
 Due Date: 10/9/2014
 Please Pay: \$171.79
 Amount Paid: [REDACTED]



Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com
 Summary of Service

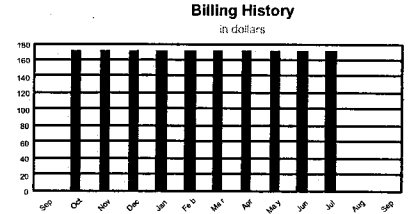
Bill Date	Account Number	Due Date	Please Pay:
10/14/2014		11/10/2014	\$343.58

Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]
 Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$171.79
Payments received as of 10/14/2014	\$0.00
Balance as of 10/14/2014	\$171.79
Industrial 2" Meters	
Two 2" Meters	\$157.60
City School Tax at 3%	\$4.73
KY state tax at 6%	\$9.46
Total Industrial 2" Meters	\$171.79
Total Amount Due	\$343.58



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Messages

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PO BOX 160609
 Altamonte Springs, FL 32716

[REDACTED]



Account Number: [REDACTED]
 Due Date: 11/10/2014
 Please Pay: \$343.58
 Amount Paid: [REDACTED]

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476

Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com
 Summary of Service

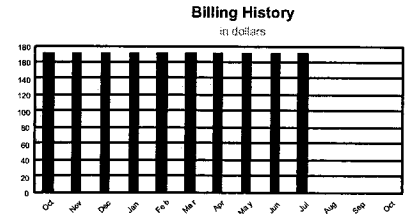
Bill Date	Account Number	Due Date	Please Pay:
11/12/2014	€	12/8/2014	\$171.79

Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]
 Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$343.58	
Payments received as of 11/12/2014	\$-343.58	
Balance as of 11/12/2014		\$0.00
Industrial 2" Meters		
Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79



The payment for this bill is due upon receipt.

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Messages

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PO BOX 160609
 Altamonte Springs, FL 32716

[REDACTED]



Account Number: [REDACTED]
 Due Date: 12/8/2014
 Please Pay: \$171.79
 Amount Paid: [REDACTED]

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476

Address correction requested on back



Water Service Corp of Kentucky

Phone: (844) 310-5556

Collections: (844) 310-5556

Customer Service: (844) 310-5556

www.uiwater.com

Summary of Service

Bill Date	Account Number	Due Date	Please Pay:
12/11/2014		1/5/2015	\$171.79

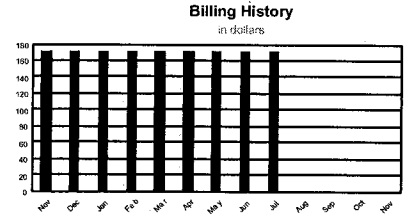
Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone [REDACTED]

Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$171.79	
Payments received as of 12/11/2014	\$-171.79	
Balance as of 12/11/2014		\$0.00
Industrial 2" Meters		
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The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

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PO BOX 160609
 Altamonte Springs, FL 32716

[REDACTED]



Account Number: [REDACTED] Amount Paid: [REDACTED]

Due Date: 1/5/2015

Please Pay: \$171.79

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com

Bill Date	Account Number	Due Date	Please Pay:
01/15/2015		2/9/2015	\$171.79

Summary of Service

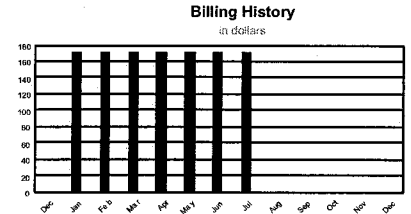
Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]

Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$171.79	
Payments received as of 01/15/2015	\$-171.79	
Balance as of 01/15/2015		\$0.00
Industrial 2" Meters		
Two 2" Meters	\$157.60	
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Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

263



PO BOX 160609
 Altamonte Springs, FL 32716



Account Number: [REDACTED]
 Due Date: 2/9/2015
 Please Pay: \$171.79

Amount Paid: [REDACTED]

[REDACTED]

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com
 Summary of Service

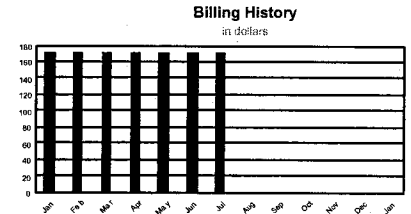
Bill Date	Account Number	Due Date	Please Pay:
02/12/2015		3/9/2015	\$343.58

Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]
 Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$171.79	
Payments received as of 02/12/2015	\$0.00	
Balance as of 02/12/2015		\$171.79
Industrial 2" Meters		
Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$343.58



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

Our records indicate the prior balance remains unpaid and your account may be subject to disconnection. Please note the due date on this bill refers to the current bill amount and does not extend the time allowed for payment of the prior balance.

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PO BOX 160609
 Altamonte Springs, FL 32716

[REDACTED]
 [REDACTED]
 [REDACTED]



Account Number:

Due Date: 3/9/2015

Please Pay: \$343.58

Amount Paid

Water Service Corp of Kentucky

PO Box 11025

Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com
 Summary of Service

Bill Date	Account Number	Due Date	Please Pay:
03/15/2015		4/9/2015	\$171.79

Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]

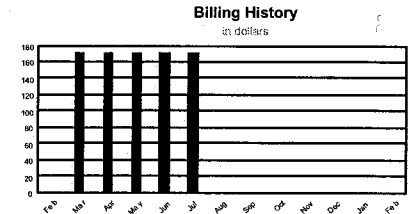
Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$343.58	
Payments received as of 03/15/2015	\$-343.58	
Balance as of 03/15/2015		\$0.00

Industrial 2" Meters

Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

263



PO BOX 160609
 Altamonte Springs, FL 32716

[REDACTED]
 [REDACTED]
 [REDACTED]



Account Number:) Amount Paid
 Due Date: 4/9/2015
 Please Pay: \$171.79

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com

Bill Date	Account Number	Due Date	Please Pay:
04/14/2015		5/11/2015	\$171.79

Summary of Service

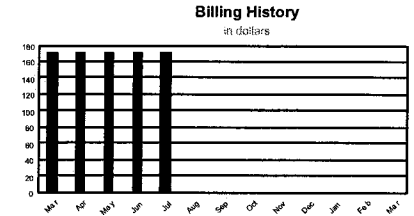
Period
 Number of Days:
 Average Daily Cost:

Name: [REDACTED] Primary Telephone #: [REDACTED]

Service Address: [REDACTED]

Activity Since Last Bill

Previous Balance	\$171.79	
Payments received as of 04/14/2015	\$-171.79	
Balance as of 04/14/2015		\$0.00
Industrial 2" Meters		
Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

263



PO BOX 160609
 Altamonte Springs, FL 32716



Account Number:

Amount Paid

Due Date: 5/11/2015

Please Pay: \$171.79

[REDACTED]

Water Service Corp of Kentucky

PO Box 11025

Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com

Bill Date	Account Number	Due Date	Please Pay:
05/13/2015		6/8/2015	\$171.79

Summary of Service

Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone # [REDACTED]
 Service Address [REDACTED]

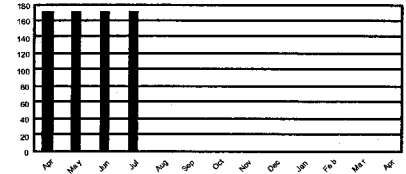
Activity Since Last Bill

Previous Balance	\$171.79	
Payments received as of 05/13/2015	\$-171.79	
Balance as of 05/13/2015		\$0.00

Industrial 2" Meters

Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79

Billing History
in dollars



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

263



PO BOX 160609
 Altamonte Springs, FL 32716



Account Number: Amount Paid

Due Date: 6/8/2015

Please Pay: \$171.79

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476



Address correction requested on back



Water Service Corp of Kentucky
 Phone: (844) 310-5556
 Collections: (844) 310-5556
 Customer Service: (844) 310-5556
 www.uiwater.com
 Summary of Service

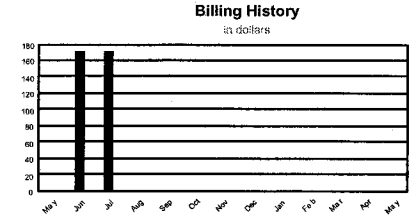
Bill Date	Account Number	Due Date	Please Pay:
06/15/2015		7/10/2015	\$171.79

Period
 Number of Days:
 Average Daily Cost:

Name [REDACTED] Primary Telephone [REDACTED]
 Service Address [REDACTED]

Activity Since Last Bill

Previous Balance	\$171.79	
Payments received as of 06/15/2015	\$-171.79	
Balance as of 06/15/2015		\$0.00
Industrial 2" Meters		
Two 2" Meters	\$157.60	
City School Tax at 3%	\$4.73	
KY state tax at 6%	\$9.46	
Total Industrial 2" Meters		\$171.79
Total Amount Due		\$171.79



The payment for this bill is due upon receipt.

Rate Schedules are available upon request. Make check payable to: Water Service Corp of Kentucky

Messages

263



PO BOX 160609
 Altamonte Springs, FL 32716

[REDACTED]



Account Number: [REDACTED] Amount Paid: [REDACTED]
 Due Date: 7/10/2015
 Please Pay: \$171.79

Water Service Corp of Kentucky
 PO Box 11025
 Lewiston ME 04243-9476

Address correction requested on back

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. Yes, the Company purchases "Coagulant" for use in the Surface Water Treatment Plant. The Middlesboro plant purchases approximately 1,600 gallons every 7 months, depending on the water quality changes. Purchasing in bulk instead of by drum saves the Company approximately 20 percent on Chemical purchases. The Company had \$7,700 in chemical inventory recorded on its Balance Sheet at June 30, 2015.
- b. Yes, chemicals are expensed when purchased.
- c. The Company purchased 15,400 lbs of chemical on 10/24/14, which \$8,316 was expensed. The Company also purchased 17,560 of chemical on 4/28/15, which \$9,482 was expensed. Please refer to the attachment provided in Staff DR 2.13i for support.

Witness: Bruce Haas, Brian Halloran

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. No, it is not typical to have "out-of-period adjustments" recorded on the Company's books in any year.
- b. No, the "out-of-period" items or adjustments in 2015 were not related to test year activity. All "out-of-period" items or adjustments are bills that went out to customers for incorrect billing that occurred on bills prior to July 2014.

Witness: Brian Halloran

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. On January 28, 2016, this customer's meter was replaced with a 3/4" meter. The quantities of water provided to the office space are shown in response to "c" below. The water quantities are minimal when compared to the prior usage of this customer.
- b. No, the Company is not aware of any such re-purposing efforts by the property owner.
- c. Please refer to the updated tables provided in the responses to Staff 2-08(c) (4) and (5) below, which includes the water consumption and billing amounts for the months from July through December 2015.

CASE No. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

Clinton Detention Center
Monthly Water Sales Volumes

<u>Start Date</u>	<u>End Date</u>	<u>Billed Month</u>	<u>Consumption (Gallons)</u>
5/23/2014	6/23/2014	May-15	169,000
6/24/2014	7/22/2014	May-15	144,000
7/23/2014	7/23/2014	Sep-14	510
7/24/2014	8/22/2014	Sep-14	15,290
8/23/2014	9/22/2014	May-15	155,000
9/23/2014	10/20/2014	May-15	135,000
10/21/2014	11/20/2014	May-15	166,000
11/21/2014	12/23/2014	May-15	172,000
12/24/2014	1/22/2015	May-15	160,000
1/23/2015	2/18/2015	May-15	108,000
2/19/2015	3/27/2015	Apr-15	160,000
3/28/2015	4/24/2015	May-15	130,000
4/25/2015	5/22/2015	Jun-15	111,000
5/22/2015	6/23/2015	Jul-15	143,000
6/23/2015	7/24/2015	Aug-15	138,000
7/24/2015	8/24/2015	Sep-15	115,000
8/24/2015	9/25/2015	Oct-15	5,000
9/25/2015	10/27/2015	Nov-15	2,000
10/27/2015	11/23/2015	Dec-15	1,000
11/23/2015	12/22/2015	Jan-16	1,000
12/22/2015	1/28/2016	Feb-16	2,000
			2,032,800

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

Clinton Detention Center

Amount Billed For Water Sold

<u>Start Date</u>	<u>End Date</u>	<u>Billed Month</u>	<u>Amount Billed</u>
5/23/2014	6/23/2014	May-15	\$864.18
6/24/2014	7/22/2014	May-15	\$754.18
7/23/2014	7/23/2014	Sep-14	\$3.89
7/24/2014	8/22/2014	Sep-14	\$121.26
8/23/2014	9/22/2014	May-15	\$834.90
9/23/2014	10/20/2014	May-15	\$743.30
10/21/2014	11/20/2014	May-15	\$885.28
11/21/2014	12/23/2014	May-15	\$912.76
12/24/2014	1/22/2015	May-15	\$857.80
1/23/2015	2/18/2015	May-15	\$619.64
2/19/2015	3/27/2015	Apr-15	\$857.80
3/28/2015	4/24/2015	May-15	\$720.40
4/25/2015	5/22/2015	Jun-15	\$633.38
5/22/2015	6/23/2015	Jul-15	\$779.94
6/23/2015	7/24/2015	Aug-15	\$757.04
7/24/2015	8/24/2015	Sep-15	\$651.70
8/24/2015	9/25/2015	Oct-15	\$125.30
9/25/2015	10/27/2015	Nov-15	\$125.30
10/27/2015	11/23/2015	Dec-15	\$125.30
11/23/2015	12/22/2015	Jan-16	\$125.30
12/22/2015	1/28/2016	Feb-16	\$19.53
			<u>\$11,518.18</u>

Witness: Brian Halloran

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. No, as of January 31, 2016, the position remains vacant. The Company is beginning its second round of interviews with potential candidates in the coming weeks.
- b. \$12.60/hr
- c. Avelina Friedman the "Tax Specialist" listed in "WSC Salaries" retired on 1/8/2016 after 17+ years with Utilities Inc. Currently, a temporary employee is filling the vacancy. Should the current temporary employee prove willing and able to fill the vacancy they will be hired full-time.

Witness: Brian Halloran

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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?

Response:

- a. Yes.
 - i. N/A
 - ii. The amount that is expected to qualify for 2015 bonus tax depreciation is approximately \$372,831.
- b. Yes.
- c. The Company anticipates that this project will be classified to the MACRS asset class 49.3, which is consistent with other water utility assets and have a 25 year life for MACRS. The applicable tax depreciations rates are shown below (Table A-8) under the 25 year column:

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

Table A-8. (Continued)

Year	Recovery periods in years												
	18	19	20	22	24	25	26.5	28	30	35	40	45	50
1	2.78%	2.63%	2.5%	2.273%	2.083%	2.0%	1.887%	1.786%	1.667%	1.429%	1.25%	1.111%	1.0%
2	5.58	5.26	5.0	4.545	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
3	5.58	5.26	5.0	4.545	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
4	5.55	5.26	5.0	4.545	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
5	5.58	5.26	5.0	4.546	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
6	5.55	5.26	5.0	4.545	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
7	5.58	5.26	5.0	4.546	4.167	4.0	3.773	3.572	3.333	2.857	2.50	2.222	2.0
8	5.55	5.26	5.0	4.545	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
9	5.58	5.27	5.0	4.546	4.167	4.0	3.773	3.572	3.333	2.857	2.50	2.222	2.0
10	5.55	5.26	5.0	4.545	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
11	5.58	5.27	5.0	4.546	4.166	4.0	3.773	3.572	3.333	2.857	2.50	2.222	2.0
12	5.55	5.26	5.0	4.545	4.167	4.0	3.774	3.571	3.333	2.857	2.50	2.222	2.0
13	5.58	5.27	5.0	4.546	4.166	4.0	3.773	3.572	3.334	2.857	2.50	2.222	2.0
14	5.55	5.26	5.0	4.545	4.167	4.0	3.773	3.571	3.333	2.857	2.50	2.222	2.0
15	5.58	5.27	5.0	4.546	4.166	4.0	3.774	3.572	3.334	2.857	2.50	2.222	2.0
16	5.55	5.26	5.0	4.545	4.167	4.0	3.773	3.571	3.333	2.857	2.50	2.222	2.0
17	5.58	5.27	5.0	4.546	4.166	4.0	3.774	3.572	3.334	2.857	2.50	2.222	2.0
18	5.55	5.26	5.0	4.545	4.167	4.0	3.773	3.571	3.333	2.857	2.50	2.222	2.0
19	2.78	5.27	5.0	4.546	4.166	4.0	3.774	3.572	3.334	2.857	2.50	2.222	2.0
20		2.63	5.0	4.545	4.167	4.0	3.773	3.571	3.333	2.857	2.50	2.222	2.0
21			2.5	4.546	4.166	4.0	3.774	3.572	3.334	2.857	2.50	2.222	2.0
22				4.545	4.167	4.0	3.773	3.571	3.333	2.857	2.50	2.222	2.0
23				2.273	4.166	4.0	3.774	3.572	3.334	2.857	2.50	2.222	2.0
24					4.167	4.0	3.773	3.571	3.333	2.857	2.50	2.222	2.0
25					2.083	4.0	3.774	3.572	3.334	2.857	2.50	2.222	2.0
26						2.0	3.773	3.571	3.333	2.857	2.50	2.222	2.0
27							3.774	3.572	3.334	2.857	2.50	2.223	2.0
28								3.571	3.333	2.858	2.50	2.222	2.0
29								1.786	3.334	2.857	2.50	2.223	2.0
30									3.333	2.858	2.50	2.222	2.0
31									1.667	2.857	2.50	2.223	2.0
32										2.858	2.50	2.222	2.0
33										2.857	2.50	2.223	2.0
34										2.858	2.50	2.222	2.0
35										2.857	2.50	2.223	2.0
36										1.429	2.50	2.222	2.0
37											2.50	2.223	2.0
38											2.50	2.222	2.0
39											2.50	2.223	2.0
40											2.50	2.222	2.0
41											1.25	2.223	2.0
42												2.222	2.0
43												2.223	2.0
44												2.222	2.0
45												2.223	2.0
46												1.111	2.0
47-50													2.0
51													1.0

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

d. The book depreciation rate applied to this project is 2%, or 50 years.

Witness: Brian Halloran

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. Confirmed, Bruce's vehicle is a 2014 Chevy Equinox.
- b. Please refer to the tab labeled "Donlen Reconciliation" in the file provided in response to Staff DR 1.3 labeled "*Staff DR 1.3 – wpl Transportation Exp*". During the test year, the operating cost of this vehicle was approximately \$6,443. The vehicle was then allocated using the Regional Vice President Allocation Percentage, or 13.94%. The total operating cost allocated to Kentucky was approximately \$898 during the test year.

Witness: Brian Halloran

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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 ..."

Response:

- a. Please refer to the attached file labeled "*AG DR 2.18 – Project Captive Detail*" for support of how the \$25,641 was derived.
- b. The Company proposed pro forma capitalized time by removing project capitalized time that was included in the test year amount, or \$25,641. The total amount of operation's capitalized time proposed is equal to approximately \$128,787. This is consistent with the average capitalized time that the company has incurred since 2011. During the past 5 years, 2011 through 2015, the average amount of non-project capitalized time is equal to approximately \$120,676 per year. In the last rate case, Case No. 2013-00237, the Commission accepted a total operation's capitalized time amount of approximately \$126,460, which consists of all eleven maintenance employees and Bruce T. Haas, Operations Manager. This amount compares directly to the \$128,787 of operation's capitalized time which the Company is currently requesting, which consists of all eleven maintenance employees and Bruce T. Haas, Operations Manager.

Witness: Brian Halloran

AG DR 2.18

*Project Captive Detail
(see attached Excel file)*

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. Steve Lubertozzi, Bruce Haas, and James Leonard.
- b. No, all employees who worked on the 2013 Rate Case Appeal or the 2014 Show Cause are salaried employees.
- c. N/A

Witness: Brian Halloran

CASE NO. 2015-00382
WATER SERVICE CORPORATION OF KENTUCKY
RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. No overtime was paid out because all employees are salaried employees.
- b. N/A

Witness: Brian Halloran

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RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

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.

Response:

- a. N/A
- b. The Company doesn't differentiate between the water and sewer related check collections because customers are paying both on one check.

Witness: Brian Halloran

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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.

Response: Please refer to the file provided in response to Staff DR 1.3 labeled "*Staff DR 1.3 – w p r Clinton Check Collection*" for support of the calculation of Clinton check collection fees that WSKY is requesting. The amount requested is derived by finding the average number of payments per month during the test year, or 276 as shown in Column B Line 14, and multiplying by the fee of \$2 per payment. The Company then annualized this amount (multiplied by twelve) to get to the requested amount of \$6,624.

Witness: Brian Halloran

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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.

Response: Yes, Clinton customers do have the option of paying by means other than check.

a. Please see the table below for a listing of payment methods used by Clinton customers other than checks posted by the City of Clinton. The checks posted by the City of Clinton are the only check payments subject to the \$2 service charge, which is reimbursed to the City of Clinton, and are the only checks considered by the Company in determining “Clinton check collection fees”. Other check payments which are remitted directly to the Company (Lockbox Checks) are not subject to the \$2 service charge and are not considered by the Company in determining “Clinton check collection fees”.

Response to AG DR 2.23

Payment Method	2014						2015					
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Auto Pay Checking	29		59	29	27	33	31	32	33	32	33	34
Cash	117	114	125	102	114	142	116	117	128	98	99	140
Lockbox Check	158	160	161	163	148	166	169	173	172	181	149	179
Electronic Payment	246	227	260	237	226	275	217	257	252	235	206	230
Money Order	2	2		1	2	2	2	2	3	3	2	1
	552	503	605	532	517	618	535	581	588	549	489	584

Witness: Brian Halloran

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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?

Response: The total rate case expense incurred in a case is a function of a variety of components, including the amount of information requested from the Commission, its Staff, and the Attorney General. It is impossible to isolate one specific action (such as the elimination of certain costs for ratemaking purposes) and quantify the amount of time the Company would have spent responding to information requests had it included said, eliminated costs.

Witness: Brian Halloran

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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.

Response:

- a. WSCK has not implemented these depreciation rates. WSCK will implement them when they are approved for ratemaking purposes by the Commission in this case.
- b. The Company was provided these rates from the PSC during Case No. 2013-00237 as part of Staff DR 2.7, attached as an appendix. To the best of the Company's knowledge, these have not been updated since they were provided to the Company in 2013.
- c. Please refer to the response above.
- d. If current depreciation rates were used, WSCK's requested revenue requirement would be approximately \$431,360, or 20.54 percent, which is approximately \$85,629 less than what the Company had originally proposed.

Witness: Brian Halloran

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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.

Response:

a. The total amount of 2015 post-test year plant additions that is being requested by the Company is equal to approximately \$288,624. This amount is comprised of post-test year GL plant additions of \$172,624 and post-test year vehicle additions of \$116,000.

Of the total \$288,624, only \$172,624 of post-test year plant additions will be claimed by the Company to qualify for 2015 bonus tax depreciation.

b. Yes, the Company intends to claim 2015 bonus tax depreciation on all 2015 plant in service additions.

i. N/A

ii. The amount of estimated 2015 bonus tax depreciation is calculated by multiplying the qualifying post-test year plant additions of \$172,624 by 50 percent, which is equal to approximately \$86,312.

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c. Any additions in the accounts 1175 through 1210 will be depreciated over a 7 year life since these assets do not fall under the asset classes as described in AG DR 2.16, since these accounts are general and administrative assets. Please refer to “Table A-1” below for rates under the 7 year column. 50 percent bonus depreciation will apply to these accounts. For vehicles, tax depreciation will follow book depreciation, which is currently depreciating at 20 percent.

Table A-1. **3-, 5-, 7-, 10-, 15-, and 20-Year Property Half-Year Convention**

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	33.33%	20.00%	14.29%	10.00%	5.00%	3.750%
2	44.45	32.00	24.49	18.00	9.50	7.219
3	14.81	19.20	17.49	14.40	8.55	6.677
4	7.41	11.52	12.49	11.52	7.70	6.177
5		11.52	8.93	9.22	6.93	5.713
6		5.76	8.92	7.37	6.23	5.285
7			8.93	6.55	5.90	4.888
8			4.46	6.55	5.90	4.522
9				6.56	5.91	4.462
10				6.55	5.90	4.461
11				3.28	5.91	4.462
12					5.90	4.461
13					5.91	4.462
14					5.90	4.461
15					5.91	4.462
16					2.95	4.461
17						4.462
18						4.461
19						4.462
20						4.461
21						2.231

Witness: Justin Kersey

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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.

Response: Please see the table below for the Company's response.

Response to AG 2.27

<u>Asset #</u>	<u>Unit #</u>	<u>Year</u>	<u>Make</u>	<u>Model</u>	<u>Cost</u>
1007128	1601	2016	Chevrolet	Colorado Ext Cab 4x4	\$ 31,955
1007129	1602	2016	Toyota	Tacoma Ext Cab	\$ 27,239
1007130	1603	2016	Toyota	Tacoma Ext Cab	\$ 27,239
1007132	1552	2015	Chevrolet	Silverado 1500 4WD	\$ 27,853
					<u>\$ 114,286</u>

Witness: Brian Halloran

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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.

Response: The Company's plans to file its next rate case are entirely dependent on the outcome of its current case. One particular threshold the Company utilizes is the cost to file a rate case. If the cost to file a rate case happens to exceed the incremental revenue requirement of the Company, the Company may postpone filing for a rate case. Because the Company has never earned its authorized return, using earned return as a trigger for rate filings would be to the detriment of its customers.

Witness: Justin Kersey

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29. Refer to the response to AG 1-32. 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.

Response: The Company reviews the forecasted availability of its Staff and incremental revenue requirement in comparison to its cost to file. The Company's management team met with the Kentucky Commission Staff and AG representative on July 09, 2015 to discuss the needs of the Company and its plan to file this rate case. Attached is the Meeting Agenda, "AG 2.29 - Agenda for KY PSC Meeting".

In response to AG DR 1.21 the Company submitted its filing template which illustrates its required revenue is greater than it cost to file. Please refer to file, "AG 1.21 - WSC Kentucky - 2015 filing (COSS Adj)". Please refer to tab, "Sch.E-Rev Req" to see how the Company calculated its revenue requirement

Witness: Justin Kersey

AG DR 2.29

Agenda for KY PSC Meeting

Agenda for KY PSC meeting

Date: 7/9/15

Time: 2:00 PM EST

Focus: Upcoming Rate Case Filing, 4Q 2015

Topics:

- A. Future Test Year
- B. Cost of Service Study/Rate Design
- C. Affiliated Transactions
- D. Rate Case Expense

A. Future Test Year

- 1. Test Year to be used
 - a. Consistent with period in which revenue will be recognized
- 2. Forecast Guidelines
 - a. Similar in detail to the Forecast Guidelines provided for Illinois FTY? (Attachment Included)
 - b. Supporting workbooks required or more extensive narrative?
 - c. Any common mistakes to avoid?
 - d. Any preferred method to calculate future rate base components?
- 3. Operating Cost Controls
- 4. Declining Consumption/Usage
- 5. Allowed operating margin has not been recognized
 - a. With and without Project Phoenix

Operating Margin

12 months ended>>	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	May-15
w/ Project Phoenix	8.74%	7.64%	6.70%	7.15%	6.11%	5.66%
w/o Project Phoenix	11.27%	10.04%	9.25%	9.66%	9.01%	8.57%

B. Cost of Service Study/Rate Design

- 1. Consulted multiple experts (some from KY)
 - a. AUS proposal \$25.5K pre-filing per COSS. Cost x2 for full filing.
- 2. Consolidated COSS/Rate Design
 - a. Given the size of Clinton, it does not make economic sense to perform an individual COSS
 - b. Most residential demands are consistent, regardless of geography
 - c. Can potentially propose a new customer class if more fair rate design can be achieved
- 3. Need for new rate design – Data below is based on 2014 results

- a. Current Rate Structure yields 44/56 flat/variable revenues, while operating expense structure is 83/17 flat/variable
- b. Consumption decline trend continues to impede Company's ability to earn authorized return
- c. Current rates are uniform across all customer classes. Cross-class subsidization may be occurring. Cross-system subsidization is already occurring.

Customer Class	Revenue %	Demand %
Residential	67%	61%
Commercial	19%	22%
Industrial	7%	12%
Multi-Family	1%	0%
Public Authority	5%	5%
Fire Service	2%	0%

- d. Declining block structure should be adjusted due changes which no longer require six tiers in each customer class.

Gallons>>>	% of Bills in Tiers 1-6					
	0-1,000	10,000	25,000	50,000	100,000	>100,000
Customer Class	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6
Residential	100.00%	88.49%	4.07%	0.45%	0.09%	0.03%
Commercial	100.00%	71.80%	18.34%	8.78%	4.62%	2.04%
Industrial	100.00%	95.53%	45.81%	35.75%	25.14%	20.11%
Multi-Family	100.00%	98.97%	86.60%	10.31%	0.00%	0.00%

C. Affiliated Transactions

- 1. What additional information will be required to allow recovery of affiliated transactions?
 - a. We currently have James Leonard (Regional Manager) reviewing allocated costs on a monthly basis.
 - i. James can review forecasted WSC expenses for FTY
- 2. Large costs incurred by Company in support of affiliated transactions in prior rate proceedings.

D. Rate Case Expense

- 1. Suggestions to control rate case expense and keep to minimum?
 - a. Should we cease capitalizing time for the rate proceeding?
- 2. Last two rate proceedings have resulted in revenue increases of which ~ 85% offsets the amortization expense of said filings.
 - a. Amortize for a period longer than 3 years?

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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.

Response: In bearing the burden of proof to demonstrate the reasonableness of its rates, WSCK 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. WSCK's application in this matter contains more detailed information on which the Commission can render its decision as compared to the information required to be filed pursuant to the Alternate Rate Adjustment Procedure. In addition, the Alternate Rate Adjustment Procedure does not appear to afford an opportunity to adjust a utility's rate design, as WSCK as proposed to do in this matter. It is also worth noting that there is no guarantee that a rate case processed under 807 KAR 5:076 will result in lower rate case expenses as the question presumes. Even though the Alternate Rate Adjustment application requires fewer documents to file, the Commission may order and any intervenor can request the same information in a case filed under 807 KAR 5:076 as one filed under 807 KAR 5:001. Based on WSCK's previous rate cases, it did not expect that rate case expense would be lower if it filed its application under the Alternate Rate Adjustment Procedure.

Witness: Brian Halloran

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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.

Response: Please see the table below for a complete list of vehicles for which cost is charged to the Company during the test year:

Response to AG 2.31

Unit #	Asset #	Driver	Year	Make	Model	Test Year Usage	Test Year Cost	Test Year Mileage
332	102590	Colby Wilson	2003	CHEV	Silverado 1500	\$ 1,728		5,414
616	102758	Stephen Vaughn	2006	CHEV	Silverado 1500	\$ 3,001		6,573
804	163067	No Longer In Service	2008	CHEV	Colorado	\$ 5,442		14,046
817	163068	Ronnie Rushing	2008	CHEV	Silverado 1500	\$ 2,791		7,947
873	1003734	Gary Mills	2008	CHEV	Silverado 1500	\$ 2,442		12,793
875	1003733	No Longer In Service	2008	CHEV	Colorado	\$ 3,387		10,964
1129	1005436	James Leonard	2011	CHEV	Silverado 1500	\$ 1,159		7,028
1137	1005444	Jacob Zumbrum	2011	CHEV	Silverado 1500	\$ 4,944		13,870
1165	1005689	Pool Vehicle	2011	TOYO	Prius	\$ 1,254		15,068
1439	1007046	John Turner	2014	CHEV	Silverado 1500	\$ 1,365		5,768
1444	1007051	Mike Partin	2014	CHEV	Silverado 1500	\$ 1,777		9,000
9942	102945	Johnson, Harvey H.	1999	CHEV	Blazer	\$ 761		2,183
69	102945	Special Equip (Service Truck)	2000	CHEV	C2500 Chassis	\$ 663		230
70	102945	Spare/Non-Critical	2000	CHEV	Silverado 1500	\$ 839		1,441
71	102945	Special Equip (Service Truck)	2000	FORD	F-350	\$ 532		885
383	102637	Special Equip (Dump Truck)	2003	FORD	F-450 Chassis	\$ 126		207
462	102697	Special Equip (Dump Truck)	2004	CHEV	C7C042	\$ 638		380
						\$ 32,850		113,797
1436	1007004	Haas, Bruce T.	2014	CHEV	Equinox	\$ 6,443		55,030
Allocation Percentage							13.94%	13.94%
Amount Allocated to Kentucky						\$ 898		7,670
Total Amount of Transportation Expense and Mileage for Kentucky						\$ 33,748		121,467

Witness: Brian Halloran

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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.

Response:

- a. Please refer to the response to Staff DR 2.27.a. The Company determines its cost to provide sewer services to Clinton based on the actual costs that the Company incurs during a given month. The Company is reimbursed by the City of Clinton for these costs. The Company charges a fixed and variable component for the management fee, monthly. The variable component is calculated by taking 3% of the gross revenue for sewer per month.
- b. Yes, because the City of Clinton reimburses WSCK for all costs related to the management of the sewer system.

Witness: Brian Halloran

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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.

Response: The Company budgets for management fees and expenses, however all income is returned to customers in rate filings.

Witness: Brian Halloran

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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.

Response:

- a. This was an inadvertent error by the Company. The date of November 23, 2015 is when the most recent tank painting project was placed into service on the Company's books. The tank was first erected in 1958.
- b. Tank inspections must be completed every 5 years for Public Service Commission and Division of Water compliance under the regulation 807 KAR 5:006 Sec. 25 (3). Based on the Company's most recent inspection of the water tank, the Company determined it was appropriate to paint the water tank. The average life of tank painting is about 10 years, which is the standard for most water utilities, however, if the tank was due for a new paint job prior to year 10, the Company would have done it as deemed appropriate by the tank inspection. As a result of our most recent tank inspection, the Company was advised that the tank should be painted, and it just so happened that the tank was last painted 13 years ago. The 10 year period should be used as a guideline and not the general rule since the painting that occurred in 2002 lasted longer than we had anticipated.

Witness: Bruce Haas, Brian Halloran

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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.

Response: Below is a listing of all Commission Orders of which the Company is aware, that authorized a 10-year amortization period for the tank painting costs.

- 1) 06/20/03 (Staff Report), 7/7/03 (Order) – Case No. 2003-00044
- 2) 09/16/02 (Staff Report), 9/27/02 (Order) – Case No. 2002-00108
- 3) 03/31/92 (Staff Report), 05/05/95 (Order) – Case No. 91-462

Witnesses: Brian Halloran, Bruce Haas

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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.

Response: We are not aware of any PSC decisions that have specifically authorized a 3-year amortization period for tank cleaning or driveway sealing, but the PSC regularly approves amortization of expenses that occur periodically. It is anticipated by the Company that these types of expenses associated with tank cleaning and driveway sealing are to occur every three years, so it is reasonable to amortize those expenses over that period.

Witness: Brian Halloran

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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 AG DR 1.43	\$ 260,551	\$ 469,130	\$ 721,858	\$ 1,451,539
Actual Plant Additions per AG DR 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.

Response: Please refer to the attached file labeled “AG DR 2.37 – Additions Reconciliation” for the Company’s response. Please note that 2015 Actual Capital Expenditures per AG DR 1.43 includes costs from 7/1/15 through 12/31/15. AG DR 1.44 has been updated to reflect this time period, see column M on tab labeled “AG DR 2.37”, and the 2015 variance is now \$(60,821), which is the difference between AG DR 1.43 \$721,858 and the updated AG DR 1.44 2015 amount of \$782,679.

The difference between plant in service additions per AG DR 1.44 and capital expenditures per AG DR 1.43, is that capital expenditures is calculated by taking total direct plant additions plus direct work-in-process (“WIP”) additions, while plant in service additions includes allocated plant additions, includes retirements and does not include any WIP additions. The 2013 reconciliation can be found in columns D through G, with comments on the discrepancies located in column G. The 2014 reconciliation can be found in columns H through K, with comments on the discrepancies located in column K. The 2015 reconciliation can be found in columns L through P, with comments on the discrepancies located in Column P.

Witness: Brian Halloran

AG DR 2.37

Additions

Reconciliation

(see Excel file)

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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.

Response: There are no costs included in WSCK's filing that are related to stock-based compensation.

Witness: Steve Lubertozi

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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.

Response:

- a. Depreciation expense has increased by \$151,000 since the last rate case because the Company has increased its depreciable base since last rate case by approximately \$657,000. The increase to the depreciable plant base since the last rate case caused an increased plant depreciation expense of roughly \$74,000. Additionally, the use of the proposed depreciation rates increased plant depreciation expense by roughly \$70,000.
- b. Total salaries and wages have increased by \$53,000 since the last rate case because the Company's salaries have increased on average by 3% each year since the last rate case. Also, employees have obtained additional training and certifications that have merited increases due to increased experience and roles within the Company.
- c. Pension and other benefits have increased by \$43,000 since the last rate case is driven by the Company's costs to provide health insurance. The cost to provide health insurance in the Company's last rate case was based on 12/31/12 costs, which amounted to \$7,482 on a per employee basis. The Company's current case bases

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health care costs on 06/30/15 costs, which amounts to \$10,556 on a per employee basis.

Witness: Brian Halloran

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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.

Response:

- a. True, test year uncollectible expense of \$41,829 is reflective of net write-offs.
- b. N/A

Witness: Brian Halloran

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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.

Response: The Company is unable to quantify the impact of the steps described in AG 1-30 regarding the reduction of the uncollectible expense. In the prior rate case, the Company's uncollectible expense claim was 1.81 percent, which is less than the Company's claim during this rate case of 1.98 percent. However, the Company's claim during this rate case is far less than the Company's 2010 rate case, which saw uncollectible expense claimed at 4.48 percent.

Witness: Brian Halloran

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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.

Response: Please refer to the attached file labeled "*AG DR 2.42 – WSC Allocation Factors*" for the Company's response. The allocation factor is calculated by taking the total ERC count for Kentucky divided by the total ERC count for Utilities, Inc., monthly.

Witness: Brian Halloran

AG DR 2.42

WSC Allocation Factors

(see attached Excel file)

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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.

Response: Please note that the allocation factor that is being used to allocate WSC's costs to WSCK during 2016 will be determined on a monthly basis in 2016.

Witness: Brian Halloran

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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.

Response: Please refer to the attached file labeled “*AG DR 2.44 – 2015 WSC Allocations*” for the Company’s response.

Witness: Brian Halloran

AG DR 2.44

2015 WSC Allocations

Water Service Corporation of Kentucky, Inc. - WSC Allocations

YTD - 2015

WSCKY (WSC Allocation)	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
BAD DEBT EXPENSE	27	(23)	60	53	37	34	29	32	24	36	34	29
BILLING & CUSTOMER SERVICE	2,378	1,560	1,882	2,018	1,748	2,122	1,696	2,268	1,806	1,891	1,696	2,006
EMPLOYEE BENEFITS	18,949	13,545	11,347	10,267	11,550	16,087	11,975	14,009	9,417	13,488	14,007	18,002
INSURANCE EXPENSE	5,170	4,638	5,033	5,578	5,588	6,295	6,577	5,265	6,202	7,651	9,324	4,329
IT DEPARTMENT	1,394	1,435	2,503	2,175	2,163	2,101	1,906	2,324	2,298	2,787	2,362	2,162
MISCELLANEOUS EXPENSE	176	150	1,483	347	225	357	62	135	221	273	263	370
OFFICE EXPENSE	91	263	346	188	157	172	289	85	138	309	271	317
OFFICE UTILITIES/MAINTENANC	2,825	2,972	3,011	3,035	2,951	3,187	3,063	2,947	2,697	3,269	2,975	2,760
OUTSIDE SERVICE EXPENSE	2,335	2,207	2,229	2,230	2,124	2,153	2,454	1,774	2,340	2,708	2,788	2,876
RENT EXPENSE	46	45	46	46	48	48	50	49	49	49	49	97
SALARIES & WAGES	9,512	9,013	9,599	10,481	9,404	9,682	10,269	9,121	9,837	9,696	12,013	9,126
TRAVEL EXPENSE	38	212	728	726	(426)	103	120	49	118	101	200	106
FLEET TRANSPORTATION EXPENS	29	7	5	8	19	24	8	8	7	10	15	8
MAINTENANCE-WTR&SWR PLANT	-	-	8	-	0	60	(6)	-	-	-	-	-
PAYROLL TAXES	1,123	1,079	885	760	653	675	682	630	611	599	588	159
PROPERTY & OTHER TAXES	209	205	204	205	204	205	205	204	203	202	203	(160)
TOTAL O&M/TOTI	44,300	37,308	39,368	38,116	36,446	43,304	39,377	38,901	35,969	43,070	46,786	42,187

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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.

Response: In December 2014, Employee Benefits are higher because of the volume of medical insurance claims by covered employees. Outside Service Expense is higher in December 2014, than in other months, because of the higher tax return review fees.

Witness: Brian Halloran

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46. Refer to the response to AG 1-36. Clarify which personnel are union and which are non-union.

Response: All personnel listed are non-union.

Witness: Brian Halloran

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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).

Response:

- a. This was an inadvertent error in our system. Stephen did not get an increase on both dates. The salary and wage increase of 13.35% occurred on 4/24/2013 only. Stephen's wage prior to the raise going into effect was \$14.98 per hour and on 4/24/2013, Stephen's new wage was \$16.98 per hour, or an increase of 13.35%. Stephen has obtained the highest level of Water Treatment Certification within the Commonwealth of Kentucky, holding a Class IV-A level of Water Treatment. In addition, Stephen has obtained his Class III Water Distribution Certification (2nd highest) within the Commonwealth of Kentucky.
- b. The salary/wage increases were based on employee performance, including Stephen's efforts to obtain additional certifications for the water distribution system and surface water treatment plant as indicated above. Stephen's assistance in working on developing our Asset Maintenance Program, assisting with the operations at the water treatment plant, and general support of the overall operations

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within the Middlesboro and Clinton water systems are some of the other factors in justification of his increase.

- c. Mr. Partin received an annual salary increase in 2014 and 2015 based upon his performance and as an operator of the surface water treatment plant. Effective July of 2015, Mr. Partin was reassigned to oversee the operations of the Middlesboro water distribution system as Lead Operator. These added job duties and responsibilities allow Mr. Partin to cover increased aspects of the Water System Operations, including operating the surface water treatment plant in Middlesboro as a “certified” operator, and this salary/wage increase was to compensate him for the additional job duties and responsibilities and to allow WSCK to retain a highly certified and experienced staff commensurate with his responsibilities. Mr. Partin holds the highest level of Water Treatment Plant Certification (Class IV-A Water Treatment) as well as a Class III Water Distribution License (2nd highest level) within the Commonwealth of Kentucky.

Witness: Brian Halloran

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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.

Response: In response to AG 1-36, the salary/wage increases indicated for July 2015 are reflected in the Company's filing because the Company used current pay rates as of the last pay period in September 2015.

Witness: Brian Halloran

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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.

Response:

- a. There are some individuals on the list of 15 employees that were not included on the headcount. This lists 15 employees that have worked in the area at some point during the period of April 16, 2013 through July 10, 2015. Other employees replaced them as they were terminated, so there were no more than a total of 11 employees at one time. Joe Maguire was terminated on 11/13/15 and did not work a full month, so he was left off the headcount total completely. Bryan Sandefur was terminated on 06/23/2015. Greg Bolt was terminated on 09/17/2015. Joseph Johnston was terminated on 09/25/2015.
- b. The number of employees estimated for each month of 2016 is 11.
- c. Please refer to the table below for the job titles of each employee listed in the response to AG 1-36. Please note that the job title listed is the most recent title for that employee.

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Response to AG DR 2.49.c

Employee Name	Job Title
Bolt, Greg	Field Tech III
Johnson, Harvey	Water-Wastewater Operator II
Johnston, Joseph	Field Tech I
Killion, Jeffrey	Water-Wastewater Operator I
Leonard, James	Regional Manager
Maguire, Joe	Field Tech II
Mills, Wendel	Lead Water-Wastewater Operator
Onkst, James	Field Tech I
Partin, Michael	Water-Wastewater Operator II
Rushing, Ronald	Field Tech I
Sandefur, Bryan	Field Tech I
Turner, John	Water-Wastewater Operator I
Vaughn, Stephen	Lead Water-Wastewater Operator
Wilson, Colby	Water-Wastewater Operator I
Zumbrum, Jacob	Field Tech II

Witness: Brian Halloran

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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%).

Response:

- a. Water losses can occur at any time throughout the year and are a result of many different factors, including type of piping, age and condition of piping, pressures within the system, as well as seasonal temperatures, ground movement due to soil moisture/saturation, drought, rainfall, etc. Soil movements tend to occur more frequently during cold weather months, but can also be more prevalent during other times of the year when changes in moisture levels and temperature in the ground cause movement and can be exacerbated by significant rainfall events, droughts, etc.
- b. The negative percentages for water loss in September 2014 and April 2015 were due to timing issues. Comparing pumped period to billed period is not 100 percent reflective of the customer's service period. These negative percentages can be attributed to the lag between the time the water is pumped and when the pumped water is billed. This is why it is more appropriate to review overall trends in water loss, such as running annual averages (RAA), etc. vs. an immediate snapshot in time.

Witness: Bruce Haas, Brian Halloran

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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%).

Response:

- a. Water losses can occur at any time throughout the year and are a result of many different factors, including type of piping, age and condition of piping, pressures within the system, as well as seasonal temperatures, ground movement due to soil moisture/saturation, drought, rainfall, etc. Soil movements tend to occur more frequently during cold weather months, but can also be more prevalent during other times of the year when changes in moisture levels and temperature in the ground cause movement and can be exacerbated by significant rainfall events, droughts, etc. Clinton had several leaks that were found and repaired during the months of July and August 2014 contributing to the increase in water losses. January through March 2015 water losses were much higher because of the cold weather causing line breaks during the winter months.
- b. Please refer to the response to AG 2.50b.

Witness: Bruce Haas, Brian Halloran

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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.

Response:

- a. The WSCK Leak Detection Program was implemented in 2006, and each year thereafter. When WSCK monthly water loss exceeds 15%, leak detection begins by internal field staff.
- b. No, all 12 components of the Water Loss Prevention Program, as listed on the Water Proof Summer 2006 article that was provided in the response, cannot be followed by each system. For example, component number 2, cannot be implemented in Middlesboro. All the Middlesboro meters cannot be read within a 3 to 5 day window. All the meters can be read in a 15 to 20 day window. The Water Loss Prevention Program and the 12 components are used more as a guideline and are not the general rule.

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c. Yes, most of all the components were in place during the test year with the exception of the meter reading in a 3 to 5 day window, as discussed in the response to AG 2.52.b above.

d. WSCK will always be using the Health Leak Detection listening device system on a semi-annual or annual basis, or when deemed necessary by our operations team.

Witness: Bruce Haas, Brian Halloran