

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF)
THE IMPACT OF THE TAX CUTS)
AND JOB ACT ON THE RATES OF) CASE NO. 2018-00042
KENTUCKY-AMERICAN WATER)
COMPANY)

**ATTORNEY GENERAL’S INITIAL DATA REQUESTS TO
KENTUCKY-AMERICAN WATER**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“Attorney General”), and submits these Initial Data Requests to Kentucky-American Water (hereinafter “KAW” or “Company”) to be answered by March 27, 2018, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the companies receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person’s knowledge, information, and belief formed after a reasonable inquiry.

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

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

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

(9) If the companies have objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words “document” or “documents” are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial

statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

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

(12) In the event any document called for has been destroyed or transferred beyond the control of the companies, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and

method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

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1. Refer to the Direct Testimony of John R. Wilde, page 9, wherein Mr. Wilde states, “KAWC believes that the most efficient way to address the amount of tax expense benefits to customers since January 1, 2018, is to create a deferred liability within 30 days of the effective date of changes that the Commission may authorize, to be included in the next rate case.”
 - a. Provide the expected date KAW intends to file a notice for its next general base rate case.
 - b. Provide the effective date of new rates KAW anticipates in its next general base rate case.
2. Refer to the Direct Testimony of John R. Wilde, page 6, wherein Mr. Wilde states, “KAWC proposes to establish a regulatory liability once the remeasurement of the ADIT is completed and notify the Commission of the initial amount of the regulatory liability established.”
 - a. When does KAW expect it will be able to provide an estimate regarding the level of ADITs?
 - b. Does KAW have an estimate of excess ADITs, subject to re-measurement? If so, provide the estimate, separated by protected and unprotected excess ADITs.
3. Provide Mr. Wilde's exhibits and any accompanying workpapers in native excel format.
4. Refer to the Direct Testimony of John R. Wilde, page 4, wherein Mr. Wilde states, “[t]he calculation of the effect on ADIT balances that need to be normalized into

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future rates and implementing a method to normalize the resulting excess is a complex and involved process.”

- a. Provide KAW's understand of which deferred taxes are considered protected under the Tax Cuts and Jobs Act.
 - b. Explain whether KAW will be able to use the average rate assumption method for the amortization of protected excess ADITs or whether KAW will be forced to use the “alternative method” as described in the Tax Cuts and Jobs Act.
5. Refer to the Direct Testimony of John R. Wilde, page 4, wherein Mr. Wilde states, “utilities will not be able to claim bonus depreciation on property placed in service after September 27, 2017 unless construction had begun before that date, or the property was acquired pursuant to a contract in place prior to that date.”
 - a. Has KAW calculated the effect the loss of bonus depreciation will have on its borrowing needs? If so, provide all such calculations.
 - b. Has KAW calculated the effect of the loss of deduction for “some employee fringe benefits” as described on p. 5 of Mr. Wilde's testimony? If so, provide all such calculations.
 - c. Has KAW calculated the effect the 100% taxability on CIAC and CAC will have on the Company?
6. Explain, in complete detail, why the use of a 12-month period ending August 31, 2017 for water rate calculations and a 12-month period ending December 31, 2013 for sewer rate calculations is reasonable.

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7. Provide the Return on Equity and Rate of Return used to calculate the amounts presented in Exhibit A to Mr. Wilde's testimony.