

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF )  
WATER SERVICE CORPORATION )  
OF KENTUCKY FOR A GENERAL ) CASE NO. 2018-00208  
ADJUSTMENT IN EXISTING RATES )

**ATTORNEY GENERAL’S INITIAL DATA REQUESTS**

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 Water Service Corporation of Kentucky (hereinafter “WSCK” or the “Company”) to be answered by September 10, 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 company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person’s knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from 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 company has 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 company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

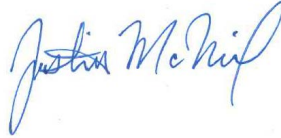
(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(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,

ANDY BESHEAR  
ATTORNEY GENERAL



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1. Refer to the Application, Lubertozi Testimony, pages 9–10. The internship program is described as a way to attract and recruit new talent. Explain more fully how the Company intends to maximize this talent pipeline.
  - a. Does the Company have any issues with employee retention or recruitment to its Operations division? Explain fully and describe any challenges in this area and any other steps it intends to take to mitigate any issues.
  - b. Explain whether the Company has a workforce development program, and if so, how the internship program fits into the overall scheme.
2. Refer to the Application, Guttormsen Testimony, pages 7–8. Explain why the Company believes 30 months is a more realistic estimate of the time that will have elapsed between rate cases.
  - a. When does the Company anticipate filing for another rate increase after the current case?
  - b. Does the Company intend to plan on 30 months between all rate cases moving forward?
3. Refer to the Application, Miller Testimony, pages 6-7, 14; and WSCK Response to Commission’s First Data Request, page 427. Explain the process and timeline the Company used to fully implement the cost reduction for activated carbon material described from when the reduction was first proposed.
  - a. How did the Company go about ensuring that the new carbon material would not materially affect the taste and odor of the water?
  - b. Describe the Company’s efforts to reduce operational costs and promote efficiencies going forward and list any specific projects and/or areas the Company has identified as a focus.
4. Refer to the Application, Miller Testimony, page 9–10, and Guttormsen Testimony, Page 10. Explain the length and terms of the lease for the two new backhoes.
  - a. Explain whether the Company considered purchasing this equipment instead of leasing, and why it decided to lease.
  - b. Provide any relevant cost benefit analyses or discussion of this decision.
  - c. Compare this decision to the purchase of a new service truck.
5. Refer to the Application, Guttormsen Testimony, page 7. Fully explain how WSCK calculated that performing its salary analyses internally saved ratepayers “in excess of \$30,000 in rate-case expenses.”
  - a. Identify the total costs of the salary analyses from the last two rate cases in which an outside consultant performed the studies, and provide a breakdown of the costs of same.
6. Refer to the Application, Dmitrenko Testimony, pages 4–6. Confirm that within the salary and wage reasonableness analysis, which used historical data from 20 Kentucky water

utility companies of similar size to project 2017-2018 salary levels, WSCK's 2018 rate case filing projection was the maximum amount for salaries and wages of officers and directors at \$150,736.

- a. Refer to the Staff DR 1.13 Employee Salary and Benefits Study, Tab Summary 2018. This document seems to refer to 2017 Annual Report Data, and notes WSCK's salaries and wages for officers as \$34,626. Fully explain the projected increase from this number to the prior referenced \$150,736 and the methodology behind the calculations.
  - b. Refer to the Staff DR 1.13 Employee Salary and Benefits Study, Tab Summary 2019. Explain why the amount for WSCK's salaries and wages for officers is projected as \$31,621 for both 2019 and a proposed 2020 rate case filing, and reconcile this projection with the \$150,736 number above.
7. Explain whether any bonuses (as opposed to incentive compensation) have been included in the Company's claim in this case. If so, explain how the amount of bonuses paid is determined and provide copies of all Board of Director minutes in which proposed bonuses were discussed.
  8. Provide a description of all incentive compensation programs provided to employees (non-officers). For each program, provide:
    - a. A description of the program;
    - b. the amount included in the Company's claim; and
    - c. the actual amount incurred in each of the past three years.
  9. Provide a description of all incentive compensation programs provided to officers. For each program, provide:
    - a. a description of the program;
    - b. the performance criteria factors used to determine awards;
    - c. the amount included in the Company's claim;
    - d. the actual amount incurred in each of the past three years; and
    - e. by title, a list of all officers eligible to participate.
  10. Describe any changes to employee incentive programs over the past five years or any that are currently projected for the future.
  11. Identify and quantify all officer compensation by component, including incentive awards and bonuses, paid in each of the past three years and indicate the portion of each component that is included in the Company's proposed revenue requirement. Also identify, by title, the officers whose compensation is included in this response. Include both WSCK officers as well as officers of affiliates whose costs are allocated to WSCK in your response.
  12. Fully describe any Supplemental Executive Retirement Plan ("SERP")—or similar retirement compensation program—the benefits of which costs are included in the

Company's claim. Quantify any SERP costs included in the Company's filing, and describe how the Company's claim for SERP costs was determined. Include both costs that are directly incurred by WSCK as well as costs allocated to the Company.

13. Identify all compensation, bonuses, and benefits provided to Directors in each of the last three years and as included in the Company's filing.
14. Of the increase sought in the instant case, detail how much is charged by affiliated entities.
15. Does the Company have interconnections with other water companies? If so, identify all other water systems with which WSCK is interconnected.
16. Identify all of the Company's Kentucky wholesale customers.
17. Reference Case No. 2012-00133.
  - a. Can the Company certify that neither Corix Utilities nor Utilities, Inc. pushed down to Water Service Corporation any transaction-related costs or any premium that Corix Utilities may have paid for Hydro Star stock? If not, provide all sums that have been pushed down.
  - b. Can Water Service Corp. certify that it did not incur any additional indebtedness, issue any additional securities, or pledge any assets to finance any part of the acquisition of Hydro Star? If not, provide the amount(s) of any such additional indebtedness, additional securities, or assets used to finance that acquisition.
18. Reference Case No. 2012-00133, order dated Aug. 13, 2012, ordering paragraph 24. Provide a copy of the last report referenced in this paragraph.
19. Provide the most recent WSCK two-year capital and O&M budget.
20. Refer to Application Exhibit 11. Provide copies of WSCK's audit reports from 2013–2015, so that the audit reports for the last five (5) years are available.
21. Reference Case No. 2013-00237, Order dated July 24, 2014, page 30. Has WSCK complied with ordering paragraph 20 of the Final Order in Case No. 2012-00133, requiring WSCK to hold annual public meetings with its ratepayers in Clinton and Middlesboro? If so, provide complete details. If not, why not?
22. Identify and provide a breakdown of any and all advertising and charitable expenses for which WSCK seeks recovery in the instant case.
23. State the uncollectible rate WSCK used to calculate uncollectible expense.
  - a. Explain how WSCK determined this was the appropriate rate to use.
  - a. Since the last WSCK general rate case, what additional steps has WSCK taken to limit uncollectible accounts?

24. Provide a description and dollar amount for the three largest expense increases – in order from greatest to least – WSCK has incurred since their last general rate case.
  - a. Explain any and all steps the Company has taken to mitigate such increases.
25. Is any portion of the Phoenix Project included in the Company's rate base or are costs expensed through Service Company charges? If the former, quantify the amount included in rate base. If the latter, provide the amount incurred by WSCK in each year since 2008.
26. Provide the total amount of employee severance expenses in each of the last three years and as reflected in the filing.
  - a. Provide the amount of any severance expense amortizations claimed in the filing and indicate when such costs were incurred and when any amortization will cease.
27. Provide the total relocation expenses in each of the last three years and as reflected in the filing.
28. Provide copies of the most recent actuarial reports for FAS 87 and FAS 106 costs.
29. For each of the past five years, provide:
  - a. the actual pension cost booked by the Company; and
  - b. the amount of any contributions to the pension fund.
30. For each of the last five years, provide:
  - a. the actual post-retirement benefit cost booked by the Company;
  - b. the amount of any contributions to a post-retirement benefit fund; and
  - c. the amount actually paid out in OPEB benefits.
31. Explain how the Company determines the respective employee and employer healthcare benefit contribution costs.
32. Provide a list of all benefits offered to employees.
33. Provide a list of all benefits offered to officers.
34. Describe any changes in benefits offered to
  - a. officers; or
  - b. employees in any of the past 5 years or projected for the future.
35. Provide a three year history of legal costs.
36. Provide a three-year history of any legal settlements paid or received and explain how such amounts are reflected in the filing.



37. Provide, for each of the past three years:
  - a. the amount of bad debts written-off;
  - b. the amount of bad debts written off that were subsequently recovered;
  - c. the amount of any additions to a bad debt reserve, if applicable; and
  - d. the total revenues from water sales.
  
38. Identify any reserves (uncollectibles, injuries and damages, storm damage, etc.) maintained by the Company. For each such reserve:
  - a. provide the balance at December 31 for each of the past three years;
  - b. identify any reserve additions included in the Company's filing; and
  - c. state how the annual reserve additions are determined.
  
39. Provide a three-year history of injuries and damages expenses.
  
40. For each of the past three WSCK rate case filings, provide:
  - a. the amount of the increase requested;
  - b. the percentage increase requested;
  - c. the amount of increase granted;
  - d. whether the case was litigated or settled;
  - e. the total rate case costs incurred; and
  - f. the effective date of new rates.
  
41. Provide a detailed accounting of outside services expense for the test year and the past three years, showing the amounts paid by vendor and a description of the nature of the services provided. Include both costs that are directly incurred by WSCK as well as costs allocated to the Company.
  
42. Provide the amount of expenses for memberships and dues included in the filing indicating the organization paid and the employees who participate (union, management, directors, etc.). Include both costs that are directly incurred by WSCK as well as costs allocated to the Company.
  
43. For each entity for which dues and membership expenses are included in the filing, identify any portion of dues or membership fees that are directed toward lobbying activities by the organization.
  
44. Identify all lobbying costs incurred by the Company in the test year and identify the amount of lobbying costs, if any, included in the Company's claim. Include both costs that are directly incurred by WSCK as well as costs allocated to the Company.
  
45. Provide the December 31 balances for customer deposits at December 31, 2010, 2011, and 2012, as well as the latest amount available.
  
46. For each of the past three years, provide:
  - a. the capital budget as approved by the Board of Directors; and
  - b. the actual capital expenditures.

47. For each of the past three years, provide:
  - a. actual plant-in-service additions; and
  - b. actual retirements.
48. Provide a description of major assets included in intangible plant.
49. Provide the balance in intangible plant in each of the last three years.
50. Identify any plant held for future use included in the Company's rate base. For each such plant asset, include:
  - a. the date that the asset was acquired;
  - b. a description of the asset and its eventual use;
  - c. the date by which the asset is expected to be put into service; and
  - d. a description of any current activities relating to preparing the asset to enter utility service.
51. Does WSCK file its income taxes as part of a consolidated income tax group? If so, provide a list of all companies included in the consolidated income tax return of which WSCK is a member.
52. For each company listed in the response to the previous question:
  - a. state if the company is regulated or non-regulated; and
  - b. provide a brief description of the services provided by each company.
53. If the Company files its taxes as part of a consolidated group, provide a copy of the tax sharing agreement that determines how payments of each entity to the parent company are determined.
54. If the Company files a consolidated income tax return, provide the taxable income or tax loss incurred by each company included in the consolidated income tax return of which WSCK was a member for each of the past five years.
55. If the Company files a consolidated income tax return, provide, for each of the past five years, the actual income taxes paid by the consolidated group to the IRS.
56. If the Company files a consolidated income tax return, provide, for each of the past five years:
  - a. the federal income taxes booked by WSCK; and
  - b. the amount of any payment made by WSCK to the parent company or other entity relating to the tax sharing agreement among members of the consolidated group.
57. If the Company files a consolidated income tax return, quantify the amount of any tax loss carryforward currently available to the consolidated group, and identify the period(s) over which these tax loss carryforwards are available to be used by the consolidated group.