

CASE NO. 2018-00208
WATER SERVICE CORPORATION OF KENTUCKY
CORRECTED RESPONSES TO COMMISSION STAFF'S THIRD INFORMATION REQUEST

1. Refer to Water Service Kentucky's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 5.b. which included an attached file labeled "Captive GL Detail".

a. State the nature of the work of the amounts included in tab "2017 345 UE 6165 Direct Captive".

b. State the nature of the work of the amounts included in tab "2017 345 UE 6165 Alloc Captive".

c. Reconcile the amounts included in this file with the proposed adjustment of \$103,218 in Water Service Kentucky's Operating Income Statement, Schedule B, that was included in its Application.

Response:

a. Please see columns I, J, and K of the file labeled "Response to PSC DR 3-1 (Captive Descriptions)".

b. The allocated entries are for various capitalizable time for employees who work for the cost centers that is placed in suspense until the related project opens. Once the projects close, the captive in suspense is reclassified to the project; thus, it is proper to remove the captive.

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- c. The amount included in the response to Staff's Second Request Item 5.b. is the direct captime of \$103,654.22 plus the allocated captime of \$7,078.61. This amount equals the amount of captime incurred during the test year. The proposed captime included as a reduction to salaries in the income statement \$6,091.79 for captime related to deferred maintenance tank painting projects in Kentucky and captime for the GIS project in Kentucky and is the total of the entries provided in the attachment to PSC DR 3-1 a. above.

Witness: Rob Guttormsen

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15. Provide the information requested below for all mains that Water Service Kentucky has retired in the last ten years.

a. The date the main was placed into service and the original cost that was recorded in Utility Plant In Service.

b. The date the main was retired.

c. Whether the main was removed from the ground and the cost that Water Service Kentucky incurred to remove the main

Response:

Please see the file "Response to PSC DR 2-15 (Retirements 2008-2017)" previously filed on September 21, 2018.

a. The date that the main was placed in service is the same as the date located in the column titled "Eliminated PIS Year". The estimated original cost is equal to the retirement amount in the column titled "Retirement Amount".

b. The date the main was retired is located in the column titled "Retirement Date".

c. Cost of removal information was not available for any of the replacements reviewed.

Witness: Rob Guttormsen

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18. Refer to the Application, Exhibit CEH-1, Schedule B, page 4. Provide support for any allocation of the costs associated with office furniture and equipment, computers, and communication equipment to anywhere other than Water Service Kentucky's fixed costs.

Response:

The costs associated with office furniture and equipment, computers, and communication equipment are fixed costs. The cost allocation presented in Exhibit CEH-1 is not intended to allocate costs based on whether costs are fixed or variable costs. The cost allocation methodology is based on the AWWA M1 Manual Principles of Water Rates, Fees and Charges, Seventh Edition (the Manual) which allocates costs by class based on their function. The Manual recommends allocating administrative costs such as office furniture and equipment using a composite factor which is based on the overall allocation of operation and maintenance costs (other than administrative and general costs) less power and chemicals. Power and Chemicals are typically large expenses that require little administrative and general costs. This method of allocation does not consider if a cost is fixed or variable. As stated in response to Staff Third Information Request data request 16, the customer cost calculation based on Manual does not include much of these other fixed costs which could be recovered in the customer charge.

Witness: Constance Heppenstall