COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	))))	CASE NO. 2018-00358

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 Kentucky-American Water Company (hereinafter "KAWC" or "Kentucky-American") to be answered by January 25, 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,

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1. Provide a schedule showing per books actual O&M expenses by year and by FERC/NARUC O&M/A&G expense account/subaccount for each of the calendar years 2014 through 2017, 2018 to date (identify the last month with actual data), the base year and the test year.

2. Provide a schedule showing all direct assignments and allocations of costs from American Water Works Service Company, Inc. or any other affiliate to the Company by FERC/NARUC O&M, A&G, and each other account for 2014, 2015, 2016, 2017, 2018 to date (identify the last month with actual data), the base year, and the test year. Provide an explanation for each increase from year to year of at least $1 million or 5%, whichever is less.

3. Provide a schedule showing the total costs incurred by American Water Works Service Company, Inc. by cost allocation pool and the amounts charged to each affiliate, sub affiliate, or division by FERC/NARUC O&M and A&G expense account for 2017 and 2018. Be sure to separate out the costs allocated via each of the different allocation factors. Provide the information in electronic format with all formulas intact.

4. Indicate whether American Water Works Service Company, Inc. files a FERC Form 60 or other similar reporting document. If it does, provide copies of such for both 2016 and 2017. If it does not, provide the amounts of direct assignments and allocations of costs from the service company to each affiliate for both years and for 2018 to date (identify the last month with actual data).

5. Confirm that the base year values included in rate base represent the values as of the end of February 2019 and do not represent 13-month averages ending that same period.

6. Provide a trial balance of all income statement and balance sheet accounts for each month from January 2015 through the most recent month for which actual data is available.

7. Provide in an Excel spreadsheet the FTE staffing levels and related payroll (direct and burdens) by month from January 2015 through June 2020. As part of the Excel spreadsheet, include the FTE employee headcounts; related cost, including burdens; and related expense, including burdens. In addition, describe the accounting for the portion of the cost that is not expensed, e.g., to retirement work in progress or accumulated depreciation.

8. Provide a breakdown of the total headcount by department and in total for the Company at December 31 for each of the years 2014–2017, the most current date available, the end of the forecasted base year ended February 29, 2019, the forecasted year ended December 31, 2019, and the end of the forecasted test year ended June 30, 2020.

9. Provide an Excel spreadsheet with the FTE contractor levels, related cost, and related expense by month and by department from January 2015 through June 2020. Describe the accounting for the portion of the cost that is not expensed, e.g., to retirement work in progress or accumulated depreciation.

10. Reference the Direct Testimony of Mr. Kurt Kogler ("Kogler Direct"), at pages 13–14, specifically the discussion of employee participation in defined benefit and 401(k) plans. For employees who participate in a defined benefit plan, provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any 401(k) retirement savings account included in test year expense. This includes amounts of matching contributions for Company employees and for allocations from all other affiliates.

11. Reference Kogler Direct, at pages 4–10, specifically the Annual Performance Plan ("APP") and the Long Term Performance Plan ("LTPP") incentive compensation plans discussed.

    a. Provide copies of both plans.

    b. Provide the amounts of plan payouts for Company employees and for allocations from all other affiliates separately and in total for the APP for 2017, 2018, projected for the base year and for the test year. In addition, provide the jurisdictional expense amount included in the test year.

    c. Provide the amounts of plan payouts for Company employees and for allocations from all other affiliates separately and in total for the LTPP for 2017, 2018, projected for the base year and for the test year. In addition, provide the jurisdictional expense amount included in the test year.

12. Reference the Direct Testimony of Mr. Brent E. O'Neill ("O'Neill Direct"), at pages 4 and 9, which discusses the separation of capital projects into recurring and major investment projects and provides historical capital expenditures from 2012 to 2017. Provide a history of distribution, storage, and all other capital expenditures for plant in service for each calendar year 2012 through 2017, 2018, the base year, and the test year separated into recurring projects and major investment projects (by project) on a total Company basis.

13. Reference O'Neill Direct wherein he discusses the authorization of a Qualified Infrastructure Program ("QIP") and rider. Refer also to the response to the previous question. If the Commission authorizes the QIP and rider, should there be an expected reduction of recurring or major investment projects applicable to base rates only? Describe reasons why or why not as well as the extent of any such reductions.

14. Reference the Direct Testimony of Mr. James S. Pellock ("Pellock Direct") generally, describing levels of base period and forecast period forecast expense for various types of payroll, payroll related, and benefits expense.

    a. Refer further to the top of page 5. Provide the calculations of payroll expense at August 31, 2018, the base year, and the test year separated into union and non-union employees. Provide in spreadsheet format with all formulas intact.

    b. Refer further to page 6, lines 21–23, describing that the total wage expenses are projected in the test year to be $7,802,450, which is $618,326 higher than the projected base period amount of $7,184,124, or an 8.6% increase. Describe all reasons for such a high increase in total wage expense factoring in the wage increases projected in April 2019 and April 2020.

c. Refer further to page 8, lines 12–13, describing that the total Non-OPEB group expenses are projected in the test year to be $1,720,314, which is $304,797 higher than the projected base period amount of $1,415,517, or a 21.5% increase. Describe all reasons for such a high increase in total Non-OPEB group expenses from the base year to the test year.

d. Refer further to page 9, lines 11–13, describing that the total 401(k) expenses are projected in the test year to be $219,120, which is $26,243 higher than the projected base period amount of $192,877, or a 13.7% increase. Describe all reasons for such a high increase in 401(k) expense from the base year to the test year.

e. Refer further to page 9, lines 18–20, describing that the total Defined Contribution Plan expenses are projected in the test year to be $262,375, which is $35,512 higher than the projected base period amount of $226,863, or a 15.7% increase. Describe all reasons for such a high increase in Defined Contribution Plan expense from the base year to the test year.

f. For each of the various types of payroll, payroll related, and benefits expenses quantified for the base year and test year on pages 3–10, provide the expense amount incurred for each type of costs for 2016, 2017, 2018, the base year, and the test year.

14. Reference Pellock Direct at page 13, lines 16–20, describing levels of office supplies and services expense in the base and forecast periods. Expenses are projected in the test year to be $346,815, which is $61,556 higher than the projected base period amount of $285,259, or a 21.6% increase. Describe all reasons for such a high increase in office supplies and services expense from the base year to the test year.

15. Reference Pellock Direct at page 14, lines 6–12, describing levels of employee travel and relocation expense in the base and forecast periods. Expenses are projected in the test year to be $199,691, which is $72,977 higher than the projected base period amount of $126,714, or a 57.6% increase. Describe all reasons for such a high increase in employee travel and relocation expense from the base year to the test year.

16. Reference Pellock Direct at page 14, lines 14–23, describing levels of miscellaneous expense in the base and forecast periods. Expenses are projected in the test year to be $849,435, which is $192,662 higher than the projected base period amount of $656,773, or a 29.3% increase. Describe all reasons for such a high increase in miscellaneous expense from the base year to the test year and provide the amount of expense added associated with the North Middleton acquisition.

17. Reference Pellock Direct, at pages 10–16, and for each of the expense categories separately quantified, provide the expense amounts incurred for each type of costs for 2016, 2017, 2018, the base year, and the test year.

18. Provide an accounting by expense category for each of the expenses added to the test year associated with the February 2019 projected North Middleton acquisition.

19. Provide a copy of the depreciation study utilized to set current depreciation rates and indicate the date in which plant and accumulated depreciation amounts were evaluated. In addition, state whether this study was the same or modified from the version originally filed in Case No. 2015-00418.

20. Reference the Direct Testimony of Mr. Nick O. Rowe ("Rowe Direct"), at page 7. Describe all reasons why a depreciation study was not prepared in the instant case, especially given the large increases of more than $100 million, as stated by Mr. Rowe, of new capital investment since the 2015 rate case.

21. Reference Rowe Direct at page 7, lines 7–17, describing quantifications of the various cost increases driving the Company's proposed rate increase. Provide copies of all comparisons and quantifications in electronic format with all formulas intact used to quantify each of the various costs levels cited.

22. Reference Rowe Direct at page 7, lines 15–17, describing the $1.8 million in "performance compensation costs that the Commission previously has not recognized in rates." Provide a description and quantification for each of the various kinds of costs being cited.

23. Provide the Company's 2017, 2018, and 2019 pension and OPEB actuarial reports as well as the actuarial cost projections for the base year and the test year in a comparable format. Identify all changes in assumptions, including mortality tables used in these actuarial reports compared to the actuarial reports relied on in the prior rate case.

24. Provide the Company's 2019, 2020, and 2021 pension actuarial cost projections.

25. Reference Exhibit 37 Schedule B-4 and the response to Staff 1-15 showing the calculations of Construction Work in Progress including the accumulation of AFUDC. Explain the source of the AFUDC additions, the basis for them, and why CWIP should be included in rate base since the AFUDC costs are being added to many of the projects.

26. Provide the actual ad valorem taxes accrued and paid for the Company during each of the last two fiscal years, 2017 and 2018, by month and by taxing jurisdiction.

27. Provide separately the actual ad valorem taxes expensed and capitalized for the Company during each of the last two fiscal years, 2017 and 2018, by month.

28. Provide copies of the latest tax assessment and billing amount for each of the taxing jurisdictions in Kentucky in excess of $10,000.

29. Provide a schedule showing how property taxes were computed for the test year and include copies of all workpapers used to determine the amount in electronic format with all formulas intact.

30. Provide a schedule of the amortization expense associated with each regulatory asset for (a) each year 2015 through 2018, (b) the base year and (c) the test year. Provide the balance of each regulatory asset at the beginning and end of each of those years, the amortization period that was used in each of those years, and the FERC accounts utilized to record the amortization expense. In addition, source the amortization period to the Case No. in which the Commission approved the recovery and the amortization period, if any.

31. Reference the Direct Testimony of Mr. John R. Wilde ("Wilde Direct"), in regards to the Company's reflection of the excess ADIT and the amortization thereof in the filing related to both the tax rate reduction associated with the Tax Cuts and Jobs Act and the reduction in the state income tax rate from 6% to 5%. Do the cited amounts reflected on page 8 for the estimated protected and unprotected excess ADIT match the amounts that were recorded as a regulatory liability on the books at December 31, 2017? If not explain why not.

32. Reference Attachment JRW-1 of Wilde Direct. Provide the breakdown of the plant related Excess ADIT assumed to be protected between property-related depreciation, repairs deductions, and all other.

33. Reference Wilde Direct in regards to the Company not yet having finalized estimates of excess ADIT and related amortization amounts. Provide copies of the latest estimates for excess ADIT amounts and the annual amortization thereof, separated between protected and unprotected excess ADIT.

34. Reference the Direct Testimony of Ms. Ann E. Bulkley ("Bulkley Direct"), generally. Provide copies of all articles, regulatory commission orders, rating agency reports, and other supporting documentation cited and relied upon by Ms. Bulkley in her Direct Testimony and exhibits. Include copies of all articles, reports, and other documents cited in the footnotes.

35. Provide working spreadsheet copies of Ms. Bulkley's attachments and exhibits with cell formulas intact.

36. Provide all work papers and supporting documentation and data relied upon by Ms. Bulkley in the preparation of her Direct Testimony and attachments and exhibits.

37. Provide the source data and documentation for Figure 2 on page 15 of Ms. Bulkley's Direct Testimony.

38. To the extent not provided previously, provide copies of the Value Line Investment Survey Water Utility Industry reports cited by Ms. Bulkley in her Direct Testimony.

39. Provide a copy of the report cited in footnote 22 of Ms. Bulkley's Direct Testimony.

40. To the extent not provided previously, provide the data and supporting documentation for Figure 5, page 25, of Ms. Bulkley's Direct Testimony.

41. Provide the latest issue of the Blue Chip Financial Forecast available to Ms. Bulkley and/or Kentucky-American.

42. Provide the currently authorized returns on equity for the companies in Ms. Bulkley's proxy groups as well as the effective dates of those authorized returns.

43. If not previously provided, provide the Fitch report cited by Ms. Bulkley in footnote 39 of her Direct Testimony.

44. If not previously provided, provide the reports cited by Ms. Bulkley in footnotes 40 and 41 of her Direct Testimony.

45. If not previously provided, provide the reports cited by Ms. Bulkley in footnotes 46 through 49 of her Direct Testimony.

46. If not previously provided, provide the reports cited by Ms. Bulkley in footnotes 50 through 51 of her Direct Testimony.

47. Provide all bond rating agency reports (S&P, Moody's, Fitch) from 2016 through 2019 for American Water Works Co. ("AWK"), and American Water Capital Corp. ("AWCC").

48. Provide KAWC's capital structure, including common equity, long-term and short-term debt for 2010–2018. Provide all supporting documentation analyses, work papers, and spreadsheets with cell formulas intact.

49. Provide KAWC's monthly cost and amounts of short-term debt from 2010 through 2018. Provide all supporting documentation analyses, work papers, and spreadsheets with cell formulas intact.

50. Provide all supporting work papers and documentation for KAWC's requested cost of debt. Provide all spreadsheets with cell formulas intact.

51. If not previously provided, provide the FERC Order cited by Ms. Bulkley in footnote 83 of her Direct Testimony.

52. If not previously provided, provide the documents cited by Ms. Bulkley in footnotes 86 through 88 of her Direct Testimony.

53. If not previously provided, provide the documents cited by Ms. Bulkley in footnotes 91 through 92 of her Direct Testimony.

54. Provide all data and supporting workpapers for KAWC's requested cost of short-term debt. If the cost of short-term debt includes commitment fees or other fees over and above the pure cost of short-term debt, separate out such additional fees.

55. Provide the historical earned return on equity for KAWC from 2010 through 2018.

56. Provide copies of the AWWA studies and documents cited and relied upon by Mr. O'Neill in his Direct Testimony.

57. Provide a copy of the KAWC report cited by Mr. O'Neill in footnote 4 of his Direct Testimony. Provide the original 2015 study and all subsequent updates.

58. Reference O'Neill Direct, page 38, where Mr. O'Neill discussed the impact of the QIP on O&M expenses over time. Has the Company estimated savings in O&M costs from the adoption of the proposed QIP? If so, provide these estimates, including supporting documentation and workpapers.

59. Provide all projects that KAWC will include in its proposed QIP over the next 5 years. Include the cost of each project and the purpose of each project, i.e., pipe replacement, pumping station replacement, treatment plant replacement, etc.

60. Provide copies of the documents cited in footnotes 7 through 11 of Mr. O'Neill's Direct Testimony.

61. Provide the revenue requirement impact of the QIP during the first five years of its operation. This question seeks the quantification of the additional revenue requirement that would be flowed through the QIP to ratepayers each year. Provide supporting documentation and work papers with spreadsheet cell formulas intact.

62. Reference the Direct Testimony of Patrick L. Baryenbruch ("Baryenbruch Direct"), and the attached study.

    a. Provide a citation to the portion of the analysis that compares the cost per customer of providing all utility service to KAWC customers and the cost(s) or average cost of providing the respective utility service to those customers of companies included in the "electric service company" and "combination electric/gas service company" designations.
    b. Provide a citation to the portion of the analysis that compares the cost of market services as determined by using internal employees instead of outside service providers.
    c. Provide a citation to the portion of the analysis that compares the cost of the services provided by the Service Company compared to the cost of the same services calculated using internal employees or outside service providers on a regional basis (i.e. a regional service company with Tennessee, Georgia, Kentucky, etc.).

63. Reference the Direct Testimony of Ms. Constance E. Heppenstall ("Heppenstall Direct"), at pages 8–9, wherein she states she was directed by Company management to "move the rates for East Rockcastle and North Middletown to Service Area 1 rates."

a. Provide Ms. Heppenstall's cost of service results for East Rockcastle and North Middletown, separately.
b. Why did the Company provide the aforementioned guideline to Ms. Heppenstall?
c. Did the Company make promises or representations to anyone before, during, or after the consummation of either agreement transferring the assets of North Middletown or East Rockcastle that in the Company's next rate case the rates charged to those areas would move to Service Area 1 rates, or otherwise reduced from current rates?
d. Provide Ms. Heppenstall's basis for "support [for] the concept of single-tariff pricing and to maintain the consolidation of the rate divisions achieved in prior cases."
e. Explain Ms. Heppenstall's personal knowledge of the Company's prior separate rate divisions.

64. Reference Heppenstall Direct, page 9, lines 11–15.

a. Provide a description of "readiness to serve costs."
b. Are the costs described here used in the development of the service charge for all rate classes?

65. Reference Heppenstall Direct, page 9, lines 16–25.

a. Explain the sentence "Also, the unrecovered portion of public fire costs are included as a part of the customers costs since these costs are fixed and do not vary with water usage."
b. Is the quote provided in subpart a., above, describing the inclusion of unrecovered public fire costs in the residential and commercial customer charges?

66. Reference Kogler Direct, page 4, lines 10–12. Explain the empirical basis for KAWC believing that using a combination of base and performance pay "is superior to setting base compensation targets at market median and not offering variable compensation."

67. Reference Kogler Direct, page 5, wherein he discusses the APP goals.

a. Provide the total test-year amount attributed to "Financial/Earnings Per Share" in the APP.
b. Further, explain where the amount identified above can be found in the Application or accompanying documents.

68. Reference Kogler Direct, page 5, wherein he discusses the Company's LTPP.

a. Provide the total test-year amount attributed to the LTPP.
b. Further, explain where the amount identified above can be found in the Application or accompanying documents.

69. Reference Kogler Direct, generally.

    a. Explain the process the Company went through to determine if the compensation and benefits proposed for recovery in this matter are in accordance and in-line with Commission precedent on these issues.

70. Reference Kogler Direct, page 14. Explain why participants in the employee stock purchase plan ("ESPP"), who are currently able to acquire shares of American Water common stock at a discount of 10%, will be able to acquire those same shares at a discount of 15% beginning in May 2019.

71. Reference O'Neill Direct, page 3.

    a. Explain why the Company has not completed a Comprehensive Planning Study since 2013.
    b. Provide a copy of the most recent Comprehensive Planning Study.

72. Reference O'Neill Direct, page 4, lines 4–9. Provide examples of recent and/or planned joint improvement projects with both municipalities and other utilities.

73. Reference O'Neill Direct, page 5, lines 18–22.

    a. In the last three years has the Company been found to be in violation of any regulations by the Commission?
    b. If the response to subpart a, above, is in the affirmative, provide citations to same.
    c. Are the "accepted . . . practices" the same as best practices?
    d. If the response to subpart c, above, is in the negative, explain why the Company's engineering criteria is not based on best practices, and explain the basis for the different standard.
    e. Explain what the Company means by "adequate capacity" and "appropriate levels of reliability."

74. Reference O'Neill Direct, pages 6–7, where Mr. O'Neill states that the Company's capital budget is shared with the Service Company for review and suggestions. Explain why, in detail, the Company provides the capital budget with the Service Company.

75. Reference O'Neill Direct, page 6, where Mr. O'Neill discusses the "objective criteria" the Company uses to prioritize projects.

    a. Provide these "objective criteria" and explain how they were formulated.

76. Reference O'Neill Direct, page 7, where Mr. O'Neill discusses the Company's "strategic goals."

a. Explain these "strategic goals" and how they were determined.

77. Reference O'Neill Direct, pages 13–18, where Mr. O'Neill discusses capital projects, particularly ones related to Kentucky River Station 1 and 2 ("KRS 1" and "KRS 2").

a. Briefly describe KRS 1 including its current capacity, current use, and the Company's future expectations for the station.
b. Briefly describe KRS 2 including its current capacity, current use, and the Company's future expectations for the station.
c. Provide the cost-benefit analysis that supports Investment project I12-020037-Kentucky River Station Chemical Storage and Feed Improvements.
d. Confirm that for the "major projects proposed during 2019 and 2020," all of the projects are supported by cost-benefit analyses and that the chosen solution was the least-cost option. If not so confirmed, explain in detail why not, including supporting documentation.

78. Reference O'Neill Direct, page 18, where Mr. O'Neill discusses the "Owenton Maintenance Garage."

a. Explain whether the Company has requested a CPCN for this project.
b. Provide support for the Company's need for the project.

79. Reference O'Neill Direct, pages 13–21, where Mr. O'Neill describes proposed chemical facility upgrades and the expected price increase for the new chemicals that the Company plans to use once it upgrades certain facilities.

a. Provide the annual revenue impact for these proposed facility upgrades, if approved and completed, upon completion, assuming instantaneous ratemaking (i.e. no regulatory lag).

80. Reference O'Neill Direct, page 21.

a. Who is the AWWA?

81. Reference O'Neill Direct, page 28, wherein Mr. O'Neill states that "The 'Nessie' analysis method . . . is regarded as the best baseline indicator of long-term infrastructure replacement needs."

a. Provide support for this assertion.

82. Reference O'Neill Direct, pages 27–28.

a. When did the Company become aware that its system included cast iron and galvanized steel lines?
b. When did the Company become aware that cast iron and galvanized steel lines had higher than average break rates?

83. Reference O'Neill Direct, page 25. Provide KAWC's projected total spend on asbestos cement main replacement during the 40 year period used in the model.

84. Reference O'Neil Direct, page 30, wherein he discusses the "[d]eferral of pipe replacements."

a. Is the Company's current policy the deferral of pipe replacements? Explain any answer.

85. Reference O'Neill Direct, pages 30–31. Has the Company seen an increase in the frequency of water main break and leaks over the past 10 years?

86. Reference O'Neill Direct, page 31, wherein Mr. O'Neill states that "KAWC's non-revenue water is at or below the industry standard."

a. Provide the Company's non-revenue water percentage for the past 10 years.
b. Provide the industry standard non-revenue water percentage for the past 10 years.

87. Reference O'Neill Direct, pages 38–39. For the other American-Water affiliates that have capital replacement riders, such as the proposed QIP, provide the annual O&M reduction for each utility that occurred as a direct or indirect result of the riders' implementation.

88. Reference Rowe Direct, page 8, wherein he states that the Company's 2017 O&M expense is relatively flat as compared to its total 2010 O&M expense.

a. Provide support for this statement.

89. Reference Rowe Direct, pages 5 and 9.

a. Reconcile the fact that the Company's last base rate case, Case No. 2015-00418, used a fully forecasted test year ending August 31, 2017 and Mr. Rowe's statement that "[t]he Company will have invested more than $100 million in capital improvements since the last rate case without realizing any capital cost recovery or depreciation expense on that investment."

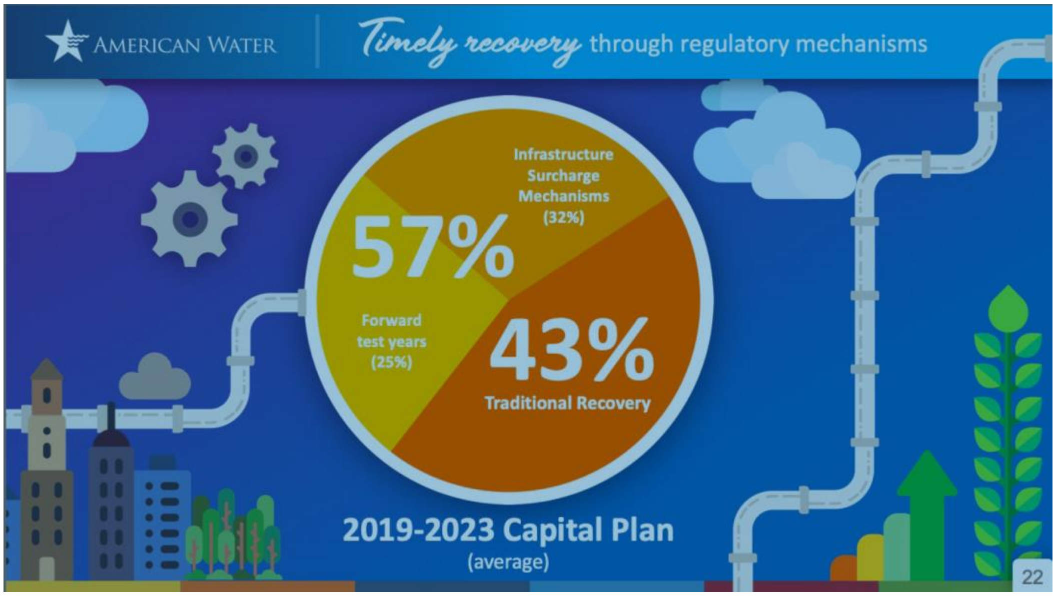
90. Reference Rowe Direct, pages 10–11, wherein Mr. Rowe notes that "one of the reasons KAWC is asking the Commission to approve a QIP" is that "Kentucky's regulatory treatment . . . results in significant and persistent regulatory lag," particularly as compared with other American Water subsidiaries with whom the Company competes.

a. Explain what action Kentucky-American has taken within the American Water organization to request that affiliates seek regulatory changes to be more in line with Kentucky.
b. Explain what action American Water has taken within its organization to request that subsidiaries, and in particular Kentucky-American, seek regulatory changes to reduce regulatory lag.

91. Reference Rowe Direct, page 11.

a. Does Mr. Rowe believe the Commission has not demonstrated commitment to infrastructure replacement?
b. Does Mr. Rowe believe the Company has not demonstrated commitment to infrastructure replacement?

92. Reference Rowe Direct, wherein he discusses the Company's QIP proposal and the below image from American Water's December 11, 2018 investor presentation.[1]



a. Using the terminology provided by American-Water's image, above, confirm that the Company's current method of regulatory rate recovery would be considered "Forward test years."
b. Using the terminology provided by American-Water's image, above, confirm the Company's proposed QIP would be considered "Infrastructure Surcharge Mechanisms."

[1] The original content can be found at the following link: https://ir.amwater.com/cp-content-ms/documents/259581/387129/AWK+2018+Investor+Day+Presentation.pdf/bf8bddc3-ea9e-5480-71bc-17cc806330a7.

93. Reference Rowe Direct, page 15. Explain, in complete detail, how the proposed QIP helps "customers manage costs."

94. Does the Company use credit cards that include rebates? If the response is in the affirmative, provide the following items:

   a. Amount of rebate reflected in the cost of service base year and forecasted period. If the amount is allocated, provide the allocations.
   b. Actual credit card rebates by year for 2016, 2017, 2018, and 2019 YTD. For each year, state the expense accounts where these credit card rebates are reflected and provide a detailed breakdown of those expense accounts.

95. Reference the Direct Testimony of Timothy Willig ("Willig Direct"), generally. Provide a list of the full benefits considered in the Benefits Study.

   a. Refer further to the table, page 3. Explain whether the "Benefit Cost Share as a Percentage of Base Pay" analysis was performed for the benefits not shown. If so, provide those percentages.

96. Reference FR 16(8)(f), KAW_APP_EX37F_112818, and the application in general. Identify any and all organizations, companies, associations or other entities to which KAWC pays any dues [hereinafter collectively referred to as "Dues Requiring Organizations"].

   a. For each such Dues Requiring Organization, identify specifically which ones engage in any or all of: (i) legislative advocacy; (ii) regulatory advocacy; and (iii) public relations [hereinafter jointly referred to as "covered activities"].
   b. For each Dues Requiring Organization identified in subpart a., above, provide the percentage of dues that KAW pays that the Dues Requiring Organization applies toward its expenses for covered activities.

97. Reference FR 16(8)(f), KAW_APP_EX37F_112818, Sch. F-5. Provide a breakout by name for each and every entity that falls within the categories: (i) "Legal;" (ii) "Accounting;" and (iii) "Other."

98. Provide copies of the Annual Reports of every Dues Requiring Organization since the conclusion of Kentucky-American's last rate case.

99. State whether each Dues Requiring Organization provides a break-out of the dues that its members pay by operating expense category. For each Dues Requiring Organization that provides such a break-out, provide a copy of the most recent such break-out.

100. Provide any documents in Kentucky-American's possession that depict how each Dues Requiring Organization spends the dues it collects, including the percentage that applies to all covered activities.

101. For each Dues Requiring Organization, provide: (i) the amount of dues KAWC paid during the base period; and (ii) the amount it is asking to be recovered from customers during the forecasted period. Provide the complete basis for KAWC's determination of whether dues should be recoverable or not recoverable.

102. Provide a copy of the formula(s) used to compute, and the actual calculation of the dues Kentucky-American paid to each Dues Requiring Organization since the conclusion of its last rate case.

103. Is Kentucky-American relying upon any NARUC reports or other studies for the exclusion from or inclusion in rates of a portion of its dues payable to any Dues Requiring Organization? If so, please provide a copy of such report and indicate how the report's recommendations have been included in its filing.

104. Provide a complete copy of invoices received from each Dues Requiring Organization since the conclusion of Kentucky-American's last rate case.

105. Provide a detailed description of the services each Dues Requiring Organization provided to Kentucky-American since the conclusion of its last rate case. Of these services or benefits, state which benefits accrue to ratepayers, and how.

106. State whether Kentucky-American is aware of whether any portion of the dues it pays to any Dues Requiring Organization is utilized to pay for any Covered Activities.

107. List all travel and entertainment expenses that Kentucky-American employees incurred in the base period and are included in the forecast period, or that are expected to be incurred and included in the forecast period, in relation to Dues Requiring Organization activities. Show accounts, amounts, descriptions, person, job title and reason for the expense. Provide a copy of applicable employee time and expense reports and invoices documenting such expenses.

108. Do any of Kentucky-American's personnel actively participate on committees and/or perform any other work for any Dues Requiring Organization or any other industry organization to which the KAWC belongs?

    a. If so, state specifically which employees participate, how they are compensated for their time (amount and source of compensation), and the purpose and accomplishments of any such association related work.
    b. List any and all reimbursements received from industry associations, for work performed for such organizations by Kentucky-American employees.

109. Reference Exhibit 37, Sch. F-3. Provide KAWC's justification for including the advertising expenses identified therein for recovery from ratepayers during the forecasted period.

110. Reference Exhibit 37, Sch. F-2.3. Provide KAWC's justification for including the employee service award expenses identified therein for recovery from ratepayers during the forecasted period.

111. Reference Exhibit 37, Schedules F-1, F-2.1 and F-2.2. Confirm whether any of the donations identified in Schedules F-1 and F-2.1 are being included for recovery from ratepayers.

112. Reference Exhibit 37, Sch. F-7. State whether KAWC is seeking recovery of the $130,812 in civic activities during the forecasted period from ratepayers. If so, provide KAWC's justification.