

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
SECOND REQUEST FOR INFORMATION**

In accordance with the Public Service Commission's ("Commission") December 5, 2018 Order, Lexington-Fayette Urban County Government ("LFUCG") propounds the following data requests upon the Applicant Kentucky-American Water Company ("KAWC"). KAWC shall respond to these requests in accordance with the provisions of the Commission's Order, applicable regulations, and the instructions set forth below.

INSTRUCTIONS

1. Please provide written responses, together with any and all exhibits pertaining thereto, separately indexed and tabbed by each response.
2. The responses provided should restate LFUCG's request and also identify the witness(es) responsible for supplying the information.
3. If any request appears confusing, please request clarification directly from counsel for LFUCG.
4. Please answer each designated part of each information request separately. If you do not have complete information with respect to any item, please so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.

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

6. 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.

7. If KAWC objects to any request on any grounds, please notify counsel for LFUCG as soon as possible.

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

9. In the event any document called for has been destroyed or transferred beyond the control of the company, state the following: 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.

10. 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.

Respectfully submitted,



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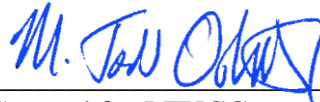
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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that on February 15, 2019, electronic filing of this document is a true and accurate copy of the same document being filed in paper medium; that the electronic filing will be transmitted to the Commission on January 10, 2019; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of this document will be delivered to the Commission within two business days.



Counsel for LFUCG

Requests for Information

1. Refer to City of Georgetown Code of Ordinances Section 7-2 (Ordinances No. 99-045 and No. 2015-010).
 - a. Confirm that the City of Georgetown charges a fee for public fire hydrants on all customers within the area of the City of Georgetown served by KAWC.
 - b. Confirm that KAWC includes the Georgetown's fire-hydrant fee on its water bill to customers within the city's boundaries.
 - c. Confirm that KAWC remits to Georgetown all hydrant-fee payments collected through this program.
 - d. State whether KAWC receives any revenue for billing or collections of Georgetown's hydrant fee.
 1. If yes, please state the amounts of revenue received for the base period and projected for the test year.
 2. If yes, please explain how the amount of the revenue is calculated.
2. Please refer to KAWC's Response to LFUCG 1-8, which indicates that American Water affiliates in Missouri, Tennessee, Iowa, California, West Virginia, and Virginia have public fire protection included in base rates of other customer classes. If KAWC's public fire costs were included within base volumetric rates of other customer classes, what would be the percentage increase for each customer class (based on KAWC's proposed rates in this case)?
3. Please refer to KAWC's Response to LFUCG 1-8. KAWC's response indicates two separate methodologies for recovering costs for public fire protection by American Water's affiliate in West Virginia. Please explain if this is two separate methodologies by two separate utilities in West Virginia. If not, please reconcile this discrepancy.
4. Please refer to KAWC's Response to LFUCG 1-4, which confirms that the franchise fee applies to public fire hydrants. State whether KAWC would be opposed to LFUCG proposing a tariff or other mechanism in the future under which the public fire hydrants in Fayette County that are paid for by LFUCG are exempted from paying the LFUCG franchise fee.
5. Please refer to KAWC's Response to LFUCG 1-10.
 - a. Please describe what comprises "normal business development efforts" of KAWC.
 - b. Do the "normal business development efforts" expand beyond "neighboring" utilities?
 - c. Do "normal business development efforts" include purchasing other utilities?
 - d. Please state the names of all utilities that KAWC has had conversations with concerning buying assets or otherwise taking over the utilities in the last five years.

6. Please refer to the KAWC's Response to LFUCG 1-13.
 - a. Have any asset purchase agreements been discussed or executed in the last five years other than North Middletown and East Rockcastle.
 - b. If yes, please state the name of the utility system and the status of the discussions or agreements. If an additional purchase agreement has been executed, please attach a copy of same.
7. Please refer to the KAWC's Response to LFUCG 1-14. Please list all Kentucky-based employees of the American Water Service Corporation or other KAWC affiliates (such as the Southeast Division) by position and name.
8. Please refer to KAWC's Response to LFUCG 1-23.
 - a. For each of the last 5 calendar years (2014-2018), identify the net increase of hydrants that were installed in the Central Division.
 - b. Describe the development activity that KAWC anticipates in its Central Division service territory between 2019 and 2023. Include within your response any data or materials on which the Company supports its position.
9. Please refer to KAWC's Response to LFUCG 1-28. Does KAWC capitalize salary expense for inspection, maintenance, or testing of hydrants?
10. Please provide a copy of any and all KAWC's policies or procedures regarding when and how KAWC will capitalize employees time and salary expense. If no written policies or procedures exist, please describe the Company's internal policy.
11. Please refer to the KAWC's Response to LFUCG 1-41. Does KAWC have any commitments to acquire additional water or wastewater facilities? If the answer is "Yes," please state the utility and the terms of its commitment.
12. Please refer to KAWC's Response to LFUCG DR 1-42, which states in part: "KAW's entire system of treatment plants, mains and storage tanks is designed and constructed for a capacity to meet KAW's current population and future increases within the area that KAW currently serves through the year 2030." Does "future increases within the area that KAW currently serves" include only population increases within KAWC's current service area, or does it include increases the acquisition of other systems or assets.
13. Please refer to KAWC's Response to LFUCG 1-52. Please provide the source(s) of "Publicly reported utility financial data" with specificity so the data in the chart can be compared to its source.
14. Please refer to the Response to the Capital Investment Table from page 9 of the testimony of Brent E. O'Neill.
 - a. What are "Central Sponsored Projects?"
 - b. Please state the amount to monies expended on these projects by year for 2012-2018.
15. Please refer to KAWC's Response to LFUCG 1-54. Please state the names and position of all employees of KAWC and American Water Works Service Company whose compensation is "indirectly tied" to the approval of the QIP. For each such employee,

please state by what compensation mechanism the compensation “indirectly tied” to the approval of QIP.

16. Please refer to KAWC’s Response to LFUCG 1-57.
 - a. Please provide how the “average forecasted UPIS” for each rate case was computed by categories. For example, does it include net or depreciated Plant in Service plus the forecasted expenditures of Recurring Projects, acquisitions, centrally sponsored projects and investment projects? Please provide a breakdown of the UPIS by categories mentioned above for each case.
 - b. Please provide how much of the UPIS would have not been included if QIP had been in place?
17. Please refer to KAWC’s Response to LFUCG 1-72. Please state the name of all the entities that take service under “Public Authority.”
18. Please refer to KAWC’s Response to LFUCG 1-89(c), which states: “KAW will assume the rates that are currently in place upon closing of the transaction.”
 - a. Please confirm that KAWC intends to assume the current water rates for sales to Judy Water Association set by North Middletown and on file with the Public Service Commission at the time of closing (as opposed to assume the current KAWC water rates for resale for service to Judy Water Association at the time of closing).
 - b. Presuming that the closing of the North Middletown agreement occurs prior to the conclusion of this rate case, confirm that KAWC proposes in this case that the rates for water service in the North Middletown service area will merge with all other KAWC rates at the conclusion of this case.
19. Article 5.1(d) of the Asset Purchase Agreement with North Middletown indicates that, prior to closing, the Buyer (KAWC) shall receive approval from the Public Service Commission allowing adoption of the Seller’s (North Middletown’s) rates at the time of closing.
 - a. State whether KAWC has filed an application or other document seeking approval from the Public Service Commission requesting approval of rates to be charged North Middletown’s by KAWC following the closing.
 - b. If KAWC has not, state when KAWC anticipates filing such an application or formal request.
20. Please refer to KAWC’s Response to PSC 2-12 stating: “Those pages reflect the rates provided in the North Middletown adoption notice filed December 21, 2018.” Provide copies of the adoption notice and any other correspondence related to the adoption notice between KAWC and Public Service Commission.
21. Please refer to KAWC’s Response to LFUCG 1-89(d). Please provide the attached report in Excel format.
22. Please refer to KAWC’s Response to LFUCG 1-93. Please describe the process by which KAWC installed new meters in the Eastern Rockcastle system. Include within

your answer the percentage of customers that received a new meter and the number of meters replaced in each month.

23. In Case No. 2017-00383, Item 5 of Intervenors' Second Request for Information requested information on what improvements KAWC believed could be made to address water loss in the Eastern Rockcastle system. KAWC responded, in part: "Kentucky American Water is aware there are several meters in the system that are not registering properly or have failed. Our initial plan of action includes changing out all of the meters to ensure accurate tracking of NRW and accurate billing." In response to LFUCG 1-92 in the present case, KAWC provided data showing that the Eastern Rockcastle system's water loss percentages for July to December 2017 was 46.9% ($8,343,000 \div 17,804,000$) and for July to December 2018 was 51.7% ($10,133,000 \div 19,614,000$). Given that the water loss percentage was higher in a six-month period following KAWC's installation of new meters, does KAWC agree that Eastern Rockcastle's water loss is not attributable to meters that were underreporting usage?
24. Please refer to KAWC's Response to LFUCG 1-93. Please provide an Excel version of the workpapers that are attached to that response.
25. Please provide a stand-alone revenue requirement for the North Middletown system, similar to the analysis generated by KAWC produced related to the Eastern Rockcastle system in LFUCG 1-93. Include within your response the following:
 - a. What is the amount of the increase to the revenue requirement to KAWC customers living outside of the North Middletown system resulting from the unification of rates with the former Eastern Rockcastle Water Association?
 - b. Please explain how that increase was determined by providing workpapers.
 - c. Please provide the total amount of the increase to each customer class, the increase in rates to each customer class, and the effect on the average bill for each customer class.
26. In February 2019, KAWC announced the appointment of Elaine Chambers as director, rates and regulatory for American Water's Southeast Division, which includes KAWC.
 - a. Identify what position, if any, she held with the Company or its affiliates prior to this position, and explain whether the Company will seek to fill that position.
 - b. Identify the individual, if any, who held this position prior to Ms. Chambers.
 - c. Identify any appropriate changes to the forecasted test-year expenses for this transition.
27. On January 25, 2019, the Kentucky Infrastructure Authority named Linda Bridwell as its new Deputy Executive Director.
 - a. Confirm that Ms. Bridwell is no longer employed by KAWC or its affiliates.
 - b. Identify what position she held with the Company or its affiliates prior to her departure.
 - c. Explain whether her position has or will be filled by another individual.

- d. Identify any appropriate changes to the forecasted test-year expenses for this transition.
28. In January 2019, KAWC announced the appointment of Jasmine Mungo as manager of customer accounts
 - a. Identify what position, if any, she held with the Company or its affiliates prior to this position, and explain whether the Company will seek to fill that position.
 - b. Identify the individual, if any, who held this position prior to Ms. Mungo.
 - c. Identify any appropriate changes to the forecasted test-year expenses for this transition.
29. Identify all KAWC employees and employees of American Water affiliates (such as the American Water's Southeast Division) whose salary expenses were wholly or partially allocated to KAWC that were employed by the Company on November 28, 2018 and are no longer employed by the Company. For each of those employees, please state:
 - a. The employee's name;
 - b. The employee's title;
 - c. The end date of employment;
 - d. Whether KAWC will seek to fill the vacancy, and if so, the progress of filling the vacancy.
30. Identify all current KAWC employees and employees of American Water affiliates (such as the American Water's Southeast Division) whose salary expenses are wholly or partially allocated to KAWC that were not employed by the Company on November 28, 2018 but have been hired by the Company after that date. For each of those employees, please state:
 - a. The employee's name;
 - b. The employee's title;
 - c. The start date of employment.
31. Please refer to KAWC's Response to PSC Staff 2-18, in which KAWC states: the proposed [tariff] language allows the Company to recover the tax expense associated with tapping fees from the cost causers." If KAWC is not able to recover the applicable gross-up amount to recover state or federal taxes it must pay on tap or connection fees, how would KAWC propose to recover those tax expenses in rates?
32. Please refer to KAWC's Response to PSC Staff 2-76 and the Burgess and Nipple Water Demand Study contained therein.
 - a. Explain all efforts taken by Ms. Heppenstall to verify the relevancy and present-day accuracy of data contained in that study containing data from 1999 as it relates to a cost-of-service study prepared nearly 20 years later.
 - b. On page 8 of the Study, it states: "Little Joe's Mobile Home is a more typical commercial customer than Patchen Village Car Wash is." Identify the number of individual connections within Little Joe's Mobile Homes that have received

individual residential accounts since 1999 that are no longer served by a commercial master meter.

- c. Confirm that Spears Water Company is no longer a public utility.

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