

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2019-00366
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Witness: Susan L. Lancho

1. Confirm that Kentucky-American's HEA program is a crisis program and does not provide recurring benefits to eligible enrolled applicants.

Response:

Kentucky American Water's low-income assistance program is a crisis program and customers who are granted assistance must meet program criteria at the time they apply for assistance. The maximum grant is \$125 and qualifying customers may receive one grant per calendar year.

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2. Explain how Kentucky-American or Dollar Energy Fund, or both, developed the fixed fees and percentage fee amount in order to administer the HEA program.

Response:

When Kentucky American Water and Dollar Energy Fund discussed Dollar Energy Fund becoming administrator of the Company's program, Dollar Energy advised that many utility partners provide a payment per completed application to partner agencies who help process applications to help with their costs to do so and establish good will.

Dollar Energy Fund has advised that its utility partners provide modest payment to community agencies that serve as intake sites for the program -- between \$0 and \$15 for each application the agency completes. Kentucky American Water pays to participating agencies \$5 per completed application.

The percentage for operating fees is based on the overall budget for the Dollar Energy Fund Hardship Program. Each utility partner pays the same percentage fee based on that budget. Dollar Energy Fund last increased this fee for the 2016-2017 program year. The budget is prepared annually by Dollar Energy's Chief Financial Officer and approved by the Dollar Energy Fund Board of Directors.

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3. Explain whether Kentucky-American conducts or authorizes a third party to conduct an audit of Dollar Energy Fund's administration of the HEA program to ensure funds are spent appropriately.

Response:

Kentucky American Water does not conduct or authorize a third party to conduct an audit of Dollar Energy Fund's administration of the program, but audits are done in-house by Dollar Energy Fund. These audits are primarily done by Dollar Energy's Grants Program Supervisor and Controller with oversight by the Chief Financial Officer.

Dollar Energy Fund has established agency audit guidelines and procedures which set forth specific details regarding auditing the participating agencies. Dollar Energy Fund audits every agency annually and agencies receive notifications regarding their audit scores.

In addition, Dollar Energy Fund is audited annually by external auditors which would include an audit of the operating expenses associated with the Hardship Program. Dollar Energy Fund has received an unmodified audit opinion every year (the highest level of assurance that can be provided in an audit opinion). They also review the agency audits that are done to ensure Dollar Energy Fund is following established procedure.

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4. Refer to Kentucky-American's Response to Commission Staffs First Request (Staff's First Request), Item 1. Explain what Kentucky-American meant when it stated that in the most recent rate case that it "included \$11,764 in its proposed revenue requirement which is now embedded in current rates," and how Kentucky-American is taking steps to use those proceeds to go towards H2O.

Response:

In Case No. 2018-00358, KAW erroneously included \$11,764 of Low Income Program Expense in its revenue requirement. The amount, which was included in the Miscellaneous Expense Workpaper 3-20, should have been removed from the filing.

Kentucky American Water forwarded to Dollar Energy Fund in November 2019 a donation of \$11,764 to be used for the H2O Help to Others Program. This was in addition to the \$62,500 donation forwarded by the Company to Dollar Energy Fund earlier that month for the same program. Kentucky American Water will continue contributing \$74,264 annually for low income bill payment assistance (\$62,500 + \$11,764) until new water rates are established by the Commission.

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5. Refer to Kentucky-American's Response to Staff's First Request, Item 1. Provide the actual administrative fee paid, in absolute terms and as a percentage of disbursements/donations, to Community Action Council from 2010 to 2014.

Response:

Community Action Council's 2010 – 2014 records regarding its administrative fee for the Company's low income assistance program and the total amount of funds granted to customers in need are set forth below. Community Action Council captured this data for its respective fiscal years, which are July 1 through June 30. Kentucky American Water staff calculated the percentage of the stated fee and benefits paid in the fourth column below.

	Admin	Benefits	Percentage
FY 2010	\$6,134	\$58,880	10.4
FY 2011	\$7,934	\$77,229	10.2
FY 2012	\$3,858	\$35,742	10.8
FY 2013	\$6,082	\$56,346	10.8
FY 2014	\$4,459	\$42,144	10.6