

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2020-00027**  
**COMMISSION STAFF'S SECOND POST-HEARING REQUEST FOR INFORMATION**

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**Witness: Kurt Stafford**

1. Refer to Case No. 2018-00358,<sup>2</sup> the Direct Testimony of Brent E. O'Neill (O'Neill Testimony), page 17, and to O'Neill Testimony, Exhibit 1, which provides an in-service date of December 2019 for the Cox Street Booster Pump Station (Cox Street Station) project. Also, refer to Case No. 2018-00358, Kentucky-American's response to Commission Staff's First Request for Information (Response to Staff's First Request), Item 13, which provides an in-service date of October 30, 2020, for the Cox Street Station. Finally, refer to Case No. 2018-00358, Kentucky-American's Response to the Attorney General's First Request for Information, Item 59, which does not include the Cox Street Station as one of the investment projects included in the proposed QIP projects.
  - a. Confirm that the Cox Street Station project referenced in the O'Neill Testimony and Response to Staff's First Request is the same project Kentucky-American proposed to include in its Qualified Infrastructure Program (QIP) tariff rider in this proceeding.
  - b. State whether the Cox Street Station project is included in base rates approved in Case No. 2018-00358, and if not, explain how a project included in a capital investment plan, but not the proposed QIP, in Case No. 2018-00358 is not included in base rates approved in Case No. 2018-00358.
  - c. Identify any other construction projects that included in base rates approved in Case No. 2019-00358 that Kentucky-American is including in its QIP tariff rider.

**Response:**

- a. Yes. This is the same project.
- b. The Cox Street Booster was included as an Investment Project or IP in Case No. 2018-00358. However, the Final Order in Case No. 2018-00358 approved a slippage factor for Investment Projects of 81.45% (see page 12 of June 27, 2019 Order in that case). That reduction in planned IP spending meant that the Cox Street Booster Project was reprioritized outside of the rate case period. That is why it is included in the current QIP Application.

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<sup>2</sup> Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC Sept. 8, 2019).

- c. There are no construction projects included in base rates in Case No. 2018-00358 which are included in KAW's QIP Application.

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2. Refer to Case No. 2018-00358, the O'Neill Testimony, Exhibit 2, page 13, which includes main replacement criteria table and an explanation that main replacement prioritization and replacement schedules are developed using an electronic database and external drivers.
  - a. Provide a copy of the database output showing the overall rating and ranking of each main that was developed in Case No. 2018-00358 and the proposed replacement schedule for the initial five-year QIP period.
  - b. Provide a copy of the database output showing the overall rating and ranking of each main that was developed for the QIP proposed in this proceeding.
  - c. Provide the main replacement criteria table implemented for this proceeding, and, if there are differences in criteria between Case No. 2018-00358 and this proceeding, explain the basis for the differing criteria.

**Response:**

- a. Please see attachment KAW\_R\_PSCHDR2\_NUM002A\_052820. This Excel file shows rating and ranking information for the mains discussed in the initial five-year QIP period as shown in Exhibit 2 of Mr. O'Neill's Testimony in Case No. 2018-00358. Additionally, the mains proposed for year one of QIP (Case No. 2020-00027) are also shown within the file and highlighted blue.
- b. The rating and ranking for mains developed for year one of this QIP proceeding are included in Excel attachment KAW\_R\_PSCHDR2\_NUM002A\_052820 and highlighted blue.
- c. Please see attachment KAW\_R\_PSCHDR2\_NUM002B\_052820. These main replacement criteria match the ones utilized in Case No. 2018-00358. Please be aware that this is a living document that is updated at least yearly to ensure data is as up-to-date as possible. Therefore, overall weighted score and rankings can change over time.

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3. Refer to Case No. 2018-00358, the O'Neill Testimony, Exhibit 2, pages 24-25, which projects replacing 42,990 feet of main at a cost of \$6,448,500 in year one of the proposed QIP. In this proceeding, Kentucky-American proposes to replace 32,160 feet of main at a projected cost of \$7,400,000.
  - a. Provide a list of Line B main replacement projects proposed in this proceeding in the same granular detail as was provided in Case No. 2018-00358.
  - b. Explain in detail the basis for the difference between the projected year one QIP projects identified in Case No. 2018-00358 and the Line B main replacement projects identified in this proceeding.
  - c. Identify the projects that were included in or excluded from the Line B main replacement projects in this proceeding as opposed to those proposed in the year one proposed QIP projects in Case No. 2018-00358, and explain why a project was included or excluded.

**Response:**

- a. Pages 24-25 of Mr. O'Neill's Testimony, Exhibit 2, include a map and information (street location, replacement footage and estimated cost) for each projected year-one QIP project shown on the map. Page 24 of Mr. O'Neill's Testimony contains a map highlighting mains to be replaced. As part of the proposed QIP filing, KAW provided individual maps for each of the seven main replacement project areas as Exhibit 3 to the QIP Application. Page 25 of Mr. O'Neill's Testimony contains information on projected year-one QIP projects (street location, replacement footage and estimated cost). KAW provided information for each of the seven main replacement projects proposed in this QIP case in Mr. Stafford's Direct Testimony. Please see pages 8-9 of his testimony setting forth project replacement footages, streets located within the project areas, material and size of mains to be replaced, along with the proposed main replacement pipe material and size. Additionally, in KAW's response to PSC 1-3 in this matter, KAW provided the expected start and completion dates for each of the seven proposed main replacement projects. Later, as part of KAW's response to PSC 2-5, KAW provided the estimated in-service month for each of the seven proposed main replacement projects. Below is a table showing the estimated cost for each of the seven proposed main replacement projects, the total of which is approximately the \$7.4 million amount set forth in Exhibit 1 to Mr. Stafford's Direct Testimony in this matter.

Project	Amount of Main to be Replaced (Feet)	Anticipated Cost
Versailles Road Area - Phase 1	3,300	\$759,000
Versailles Road Area - Phase 2	2,470	\$568,100
State Street - Phase 1	3,750	\$862,500
State Street - Phase 2	3,720	\$855,600
Winchester Road	8,000	\$1,840,000
Castlewood - Phase 1	6,170	\$1,419,100
Castlewood - Phase 2	4,750	\$1,092,500

- b. The projects outlined on pages 24-25 of Mr. O'Neill's Testimony, Exhibit 2, contain smaller segments of main identified by the assessment tool as being in higher need of replacement. On page 13 of Exhibit 2, Mr. O'Neill notes that the assessment tool needs to consider external factors. The seven main replacement projects proposed in the QIP filing represent a balance of external factors and the main replacement assessment tool. External factors that have helped identify these projects include roadway paving schedules, knowledge of upcoming municipal projects, and impact on Customers. The projects were coordinated to ensure that they will not impact recently paved streets or planned paving projects. Additionally, rather than replace shorter segments of main on specific streets, the proposed projects are slightly larger in order to replace all cast iron and asbestos cement mains within a larger footprint. This reduces repeated Customer impacts caused by performing multiple smaller projects in an area. QIP will include the replacement of approximately 300 miles of cast iron water mains over a 25-year time period. This means projects need to be prudently planned to reduce Customer impact while considering applicable external factors and the results of the assessment tool. Please see Attachment KAW\_R\_PSchDR2\_NUM002A\_052820. All the mains shown in this file rank relatively high on the assessment tool. There is generally overlap between the mains identified for replacement in this QIP proceeding and the mains developed for the projected initial five-year QIP period in Case No. 2018-00358. All of the proposed mains to be replaced within this proceeding fall within the total weighted score of the mains developed for the projected initial five-year QIP period in Case No. 2018-00358 with the majority in the top half of the list.

In Case No. 2018-00358, Mr. O'Neill's Testimony, Exhibit 2, showed projects replacing 42,990 feet of main at a cost of \$6,448,500 in year one of the proposed QIP. In this proceeding, KAW is proposing to replace 32,160 feet of main at a projected cost of \$7,400,000. One difference to note here is that the Lexington-Fayette Urban County Government has modified their paving and restoration specifications. This requires additional paving and restoration for projects located within rights-of-way. These modifications include full lane width paving and even up to curb-to-curb paving depending on the amount and extent of pavement cuts. Historically, these paving and restoration requirements were not as extensive when Case No. 2018-00358 was developed. If one compares the average price per foot of main replacement between

Case No. 2018-00358 and the current QIP proceeding, it is \$150 per foot versus \$230 per foot, respectively. The main difference in these two estimates is related to additional paving and restoration requirements within rights-of-way.

- c. As discussed in item b above, all the mains proposed to be replaced within this proceeding fall within the total weighted score of the mains developed for the projected initial five-year QIP period in Case No. 2018-00358 with the majority in the top half of the list. The assessment tool is only a tool which also needs to consider other external factors described in part b above. Therefore, KAW believes the seven main replacement projects outlined in this filing represent cast iron mains in high need of replacement.

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**Witness: Elaine Chambers**

4. Provide a revised copy of Elaine Chambers Workpaper KAW\_DT\_EKC\_WP\_030220.xlsx limiting the Qualified Infrastructure Program (QIP) Rider to the recovery of line items B-Mains Replaced and C-Mains Unscheduled. The revised workpaper and any supporting calculations should be provided in an Excel format with all formulas intact and cells unprotected.

**Response:**

Please see KAW\_R\_PSCHDR2\_NUM004\_052820\_Attachment.xlsx.