

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2021-00434
ATTORNEY GENERAL'S THIRD REQUEST FOR INFORMATION

Witness: Tricia Sinopole

1. Refer to the Supplemental Testimony of Tricia Sinopole ("Sinopole Supplemental Testimony"), page 2.
 - a. Explain in full detail how Kentucky-American calculates its wastewater billing determinants, and why customer counts are not used.
 - b. Explain why the wastewater account data does not currently contain meter size information.
 - c. Explain whether Kentucky-American intends to obtain the meter size information for its wastewater customers so this type of error does not occur in the future.
 - d. Explain what "unrelated analysis" was being performed when the billing determinant error was discovered.
 - e. Explain why the proper research was not performed to have accurate billing determinate information before Kentucky-American filed its application to increase wastewater rates.
 - f. Identify the approximate date that the billing determinant error was discovered.
 - g. Does Kentucky-American acknowledge that the increased wastewater rates proposed in the Sinopole Supplemental Testimony will burden its customers more than the originally proposed rates? Explain the response in detail.

Response:

- a. KAW calculated its wastewater billing determinants in this case by using the actual billed data for the test year of January 1, 2020 to December 31, 2020. KAW pulled the billing detail for the test year for each wastewater customer to determine the number of fixed charges billed for the year, as well as the billed volumetric usage. The total of fixed charges and volumetric usage was then reviewed for each customer to identify any potential anomalies in billing for the test period. If any anomalies were identified, the issue was researched by looking at the customer bill for that period to determine if a manual adjustment to the fixed charge or volumetric usage was necessary to normalize the billing determinants for that customer, and thus the billing determinants for the test year. After all necessary adjustments are made, the total billed fixed charges and volumetric usage for all customers are

summed by district to derive the billing determinants to be used in the test year for each wastewater district.

KAW uses the billing detail rather than using customer count to get a more accurate representation of customer trends. In addition, using the actual billed data for the test period allows KAW to reconcile the test year revenue to the actual billed data to validate the billing determinants equal the billed revenue reflected on financial statements. Also, customer trends can be different throughout the year and using a full year of actual billed data rather than customer count helps to more accurately account for the fluctuations in customer usage. It also accounts for any potential vacant residences that KAW may experience throughout the year with customers moving in and out.

- b. Wastewater data does not contain meter size information because wastewater customers are not currently billed by meter size. Meter size data for these customers, to the extent it exists, is stored with the water data as meters and volumetric usage are tracked for water customers. A separate meter is not installed for wastewater, so there is not a meter to attach to wastewater customers. Volumetric usage is billed for wastewater customers based on water usage.
- c. KAW has the meter size information for any wastewater customer that is also a water customer of KAW. Once KAW realized the error, the actual meter size for all KAW wastewater customers who are also water customers was pulled. Based on the actual water meter sizes for each KAW wastewater customer, the billing determinants were updated for those customers with a meter one inch and larger and for those with a meter smaller than one inch. Those updated actual meter sizes were used in the updated billing determinants provided with the Sinopole Supplemental Testimony as attachment KAW_Case No. 2021-00434_Supplemental Bill Analysis_022822.
- d. The unrelated analysis referred to in the Sinopole Supplemental Testimony was an analysis of meter sizes for small commercial customers in Kentucky and other similar states in the American Water system to determine the feasibility of extending the Company's affordability analyses for water service for residential customers to small commercial customers. Because the Company's residential affordability analyses are done at a community level, community-level metering data for small commercial customers was being reviewed in order to develop a methodology for calculating a "typical" small commercial water bill.
- e. Unfortunately, the analysts working on the rate design were not aware that the meter size information for wastewater customers was available for customers who are also KAW water customers. Because the contract account and installation numbers, which identify customers, are different for the same water and wastewater customer, the analysts did not know that the water meter size could be pulled for wastewater customers. As soon as it was verified that meter sizes were estimated

based on usage data rather than the actual water meter size, the actual meter sizes were pulled for each account and KAW made the Commission and Attorney General's office aware of the error. Subsequently, KAW filed the corrected meter size counts with the Sinopole Supplemental Testimony and identified the number of billing determinants that were misclassified.

- f. The approximate date that the billing determinant error was discovered was on February 17, 2022.
- g. Yes, KAW does acknowledge that the increased wastewater rates proposed in the Sinopole Supplemental Testimony will burden its customers more than the originally proposed rates. While there is no impact to revenue requirement, KAW acknowledges the additional increase to customers, as outlined in the additional increase table as presented on page 5 of the Sinopole Supplemental Testimony.

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2. Refer to the Sinopole Supplemental Testimony, Amended Notice. Does Kentucky-American agree that the customers should be notified of the amended proposed wastewater rates as soon as possible? Explain the response in full detail.

Response:

While KAW believes it is important to notify customers of any proposed rate impacts, it is also sensitive to the number of notices provided to customers. KAW defers to the Commission as to the manner and timing of any re-notice.

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Witness: David Farrar

3. Refer to Kentucky-American's response to the Attorney General's Second Request for Information ("Attorney General's Second Request"), Item 1(b).
 - a. Explain whether customers are always required to pay at least 25% of their bill within 48 hours of signing up for an installment plan. If not, provide the criteria that Kentucky-American utilizes to make the determination that a customer can pay less than 25% of their bill within 48 hours of signing up for an installment plan.
 - b. Provide the criteria that Kentucky-American utilizes to determine the time period allowed for each customer installment plan.
 - c. What is the longest period of time that a customer is allowed to enter into an installment plan for past due wastewater bills? Explain the response in detail.
 - d. Explain whether the one-time extension that customers may request if they need a few extra days to pay a bill is once per a certain time period, or only once for the duration of being a customer.

Response:

- a. If there is a good faith payment (within 10 days), a pledge, or a pending payment, then a down payment is not required.
- b. MyWater will display options for standard plans ranging from two months in length to six months in length. Depending on the amount of the total balance, or in the event that an account requires more than a six-month payback (such as a back bill), a non-standard plan can be offered to the customer. If the customer has been back billed, KAW may offer to set the terms up for the length of time on the accumulated balance.
- c. Wastewater and water bills are both eligible for installment plans. Typically, KAW offers plans ranging from two months in length to six months in length. However, depending on the amount of the total balance, or in the event that an account requires more than a six-month payback (such as a back bill), a non-standard plan may be offered to the customer.
- d. There is not a limit to the number of extensions a customer can request, but the entire balance must be current to qualify for an extension.

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4. Refer to Kentucky-American's response to the Attorney General's Second Request, Item 1(c).
- a. Kentucky-American states that the H2O Help to Others program is shareholder funded; however, there is mention in this response to customer contributions. Explain in full detail whether customers contribute to the program as well.
 - b. If customers contribute to the H2O Help to Others program, provide the customer contribution amounts from 2015 – 2022.
 - c. According to the response, the shareholders have contributed a varied amount from 2015 – 2022. Explain in full detail how the shareholders determine the specific monetary amount to contribute to the program each year.

Response:

- a. KAW customers may also elect to make contributions to the H2O Help to Others Program in addition to the funds received from shareholders. Customers may make a one-time contribution through their bill or via the Dollar Energy website or they can add a recurring contribution to each bill.
- b.

<u>Year</u>	<u>Amount</u>
2015	\$360.00
2016	\$213.00
2017	\$90.00
2018	\$220.00
2019	\$384.00
2020	\$360.00
2021	\$320.00

- c. KAW shareholders contribute an annual amount for customer assistance programs based on the amount that was part of the approved settlement of KAW's 2015 rate case (Case No. 2015-00418). There have been some years where KAW shareholders made an additional contribution because all the funding had been used prior to the next year's funding taking place. In the event that there are funds left over at the end of the program year, those funds are rolled over for use the following year; the annual shareholder contribution remains the same.

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Witness: David Farrar

5. Refer to Kentucky-American's response to the Attorney General's Second Request, Item 24. As previously requested, explain in detail whether Kentucky-American has decided what average raise, if any, will be given to salaried and non-salaried employees for 2022, and provide the average raise. If not yet decided, consider this a continuing request.

Response:

The average raise for KAW non-represented employees, which includes salaried and non-salaried employees, was 3.08% and it took effect on March 7, 2022.

The recently negotiated union contract, which is applied to all represented employees (which are non-salaried), contains a 3% general increase on 3/2/22 (after a \$.50 one-time adjustment). Bargaining unit employees will also receive a 3% general increase on 11/1/22. Bargaining unit wages historically increase on 11/1 of each year. Employees did not receive an increase on 11/1/21 due to protracted collective bargaining, hence, they receive two increases in 2022.