

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)
AMERICAN WATER COMPANY FOR AN) Case No. 2021-00434
ALTERNATIVE RATE ADJUSTMENT)

**ATTORNEY GENERAL’S SECOND REQUEST FOR INFORMATION TO
KENTUCKY-AMERICAN WATER COMPANY**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), and submits his Second Request for Information to Kentucky-American Water Company (hereinafter “Kentucky-American” or the “Company”) to be answered by February 28, 2022, 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,

DANIEL J. CAMERON
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Certificate of Service and Filing

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that the foregoing electronic filing was transmitted to the Commission on February 10, 2022, and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 10th day of February, 2022.

Angela M. Aoad

Assistant Attorney General

1. Refer to Kentucky-American's response to the Attorney General's First Request for Information ("Attorney General's First Request"), Item 2. Provide a breakdown of the \$10,573 that American Water Works Service Company charged Kentucky-American wastewater operations for the test year, along with a brief description of each service provided.
2. Refer to Kentucky-American's response to the Attorney General's First Request, Item 3.
 - a. Provide the specific details of the Low-Income Home Water Assistance Program that is available to both water and wastewater customers.
 - b. Provide the specific details of the installment plans and budget billing that is made available to both the water and wastewater customers.
 - c. Provide the specific details of Kentucky-American's shareholder funded H2O Help to Others Program, which is administered by Dollar Energy.
 - i. Specify the annual monetary amount that the shareholders have provided to the H2O Help to Others Program from 2015 – 2022.
 - ii. Specify the monetary amount that Dollar Energy is paid to administer the program.
 - iii. Explain why Kentucky-American chose to allow a third party to administer the H2O Help to Others Program instead of operating it in-house.
 - iv. Explain whether Kentucky-American could operate the H2O Help to Others Program at a lower cost than the third party administrator.

- v. Explain why the H2O Help to Others Program is not available to wastewater customers, and when Kentucky-American envisions that the program will be available to wastewater customers.
3. Refer to Kentucky-American's response to the Attorney General's First Request, Item 5(b), in which Kentucky-American asserts that "at that time, the Commission did not require Commission approval of municipal customers." Explain whether Kentucky-American is implying that Commission precedent has changed concerning the acquisition of municipal customers.
4. Refer to Kentucky-American's response to the Attorney General's First Request, Item 5(d). Kentucky-American asserts that it intends to have discussions with the water provider for Ridgewood customers to determine whether the water usage and meter information can be obtained, which would allow for the possibility of a wastewater rate with a volumetric component, instead of a flat monthly rate. Kentucky-American further states that, at this time, those discussions have not occurred, so the Company proposed a flat monthly rate.
 - a. Provide the water provider for Ridgewood customers.
 - b. Explain why Ridgewood customers do not have water usage and meter information that can be obtained.
 - c. Explain in detail why the discussions with the water provider have not occurred yet.
 - d. Explain in detail how Kentucky-American decided upon the proposed flat monthly rate for Ridgewood customers.

- e. Explain in detail how Kentucky-American determined that the proposed flat monthly rate for Ridgewood customers was fair in relation to the proposed unified minimum bill and volumetric rate for Millersburg, Owenton, North Middletown, and Rockwell.
5. Refer to Kentucky-American's response to the Attorney General's First Request, Item 6. Identify all customers that are under the Other Public Authority ("OPA") tariff in Millersburg, Owenton, and North Middletown, and explain why this classification is necessary.
6. Refer to Kentucky-American's response to the Attorney General's First Request, Item 7(c). Kentucky-American had 1,375 wastewater customers at the end of 2020, 1,364 at the end of 2021, and 1,363 as of January 11, 2022. Explain why the Company has lost 12 customers since the end of 2020, and if it believes the downward trend will continue into the future.
7. Refer to Kentucky-American's response to the Attorney General's First Request, Item 7(f).
 - a. Provide a detailed account of the job duties of the two Kentucky-American employees who handle wastewater operations on a full-time basis.
 - b. Provide a detailed account of the job duties of the 17 Kentucky-American employees who handle wastewater on a part-time basis.
 - c. Explain whether any of the job duties of the full-time and/or part-time employees overlap, and could be handled by fewer employees. For example, there are six operations generalists who work on wastewater part-time.

8. Refer to Kentucky-American's response to the Attorney General's First Request, Item 8(b)(i). Explain in detail whether Kentucky-American plans on filing a request for a certificate of public convenience and necessity ("CPCN") for the future system maintenance and upgrade projects. If not, explain in detail why not.
9. Refer to Kentucky-American's response to the Attorney General's First Request, Item 8(b)(ii). Explain in detail whether Kentucky-American has previously filed a request for a CPCN for the prior system maintenance and upgrade projects since 2015. If not, explain in detail why not.
10. Refer to Kentucky-American's response to the Attorney General's First Request, Item 8(d).
 - a. Explain why there is one residential customer who has a one-inch meter, and thus will be charged a much higher rate than the rest of the residential customers.
 - b. If the one-inch meter is unnecessary for the residential customer, would it be possible to replace it with a meter less than one-inch? Provide a detailed response.
 - c. Has Kentucky-American corresponded with the residential customer with a one-inch meter to discuss the possible replacement of the meter? If not, why not?
 - d. Has Kentucky-American advised the residential customer with a one-inch meter that if the proposed rates go into effect the minimum bill for a one-inch meter will be \$201.68 monthly, versus a meter less than one-inch having a proposed minimum bill of \$37.28 monthly.

11. Refer to Kentucky-American’s response to the Attorney General’s First Request, Item 9(b). Explain what “Other Revenue Wastewater – Misc Service” in the amount of \$7,600 represents, and provide a breakdown of the same.
12. Refer to Kentucky-American’s response to the Attorney General’s First Request, Item 10(a)(i). Explain in detail why Kentucky-American wastewater customers should be allocated portions of the salaries and benefits of all Kentucky-American’s management employees, most of whom do not work on wastewater operations.
13. Refer to Kentucky-American’s response to the Attorney General’s First Request, Item 10(a)(ii). Explain in detail why Kentucky-American wastewater customers should be allocated a benefit load factor for all Kentucky-American’s management employees, most of whom do not work on wastewater operations.
14. Refer to Kentucky-American’s response to the Attorney General’s First Request, Item 10(b). Confirm that if Kentucky-American spends less than the estimated \$35,000 in rate case expense, the lesser amount should be amortized over the proposed four-year period.
15. Refer to Kentucky-American’s response to the Attorney General’s First Request, Item 12(d). As confirmed through discovery, Kentucky-American utilized an 88% operating-ratio methodology to calculate its \$179,192.18 profit in the pending case. If Kentucky-American were ordered to comply with recent Commission precedent¹ and utilize an 89% operating ratio instead of an 88% operating ratio, provide the monetary amount that Kentucky-American would realize in profit.

¹ Case No. 2020-00160, *Electronic Application of Water Service Corporation of Kentucky for a General Adjustment in Existing Rates* (Ky. PSC Dec. 8, 2020) Order at 25 - 32.

16. Refer to Kentucky-American's response to the Attorney General's First Request, Item 12(e). Explain in detail what the excess accumulated depreciation income tax pass-back to customers entails.
17. Refer to Kentucky-American's response to the Attorney General's First Request, Items 13(a) - (c), in which the Company refused to provide the requested information because "Ms. Hill, Mr. Leveridge, and Mr. Adkisson are external board members of KAW meaning they are not KAW employees. Thus the information requested regarding their employment, compensation, and benefits has no relevance to the issues in this case."
 - a. Explain whether the Kentucky-American board members' costs are allocated to the wastewater operations. If so, explain how the salary and benefits that Kentucky-American pays to each board member is not directly relevant to this case.
 - b. If Ms. Hill, Mr. Leveridge, and Mr. Adkisson have no association with the wastewater operations, then why did Kentucky-American file Statement of Disclosure of Related Party Transactions with their names into the pending case? Explain in full detail.
 - c. As originally requested, provide Karen Hill's title and job duties as a board member, yearly salary and benefits that Kentucky-American provides to Ms. Hill, including a breakdown of all amounts. Also, provide the monetary amount that is allocated to the wastewater operations.
 - d. As originally requested, provide Glenn Leveridge's title and job duties as a board member, yearly salary and benefits that Kentucky-American provides

to Mr. Leveridge, including a breakdown of all amounts. Also, provide the monetary amount that is allocated to the wastewater operations.

- e. As originally requested, provide Glenn David Adkisson's title and job duties as a board member, yearly salary and benefits that Kentucky-American provides to Mr. Adkisson, including a breakdown of all amounts. Also, provide the monetary amount that is allocated to the wastewater operations.

18. Refer to Kentucky-American's response to the Attorney General's First Request, Item 14(a).

- a. Explain in full detail whether the Company intends to retire the 6.96 series bond that is due on December 1, 2023.
- b. If the Company does not intend to retire the 6.96 series bond on the due date, explain in detail why not, and how that would be beneficial to the wastewater customers.
- c. If the 6.96 series bond is retired on December 1, 2023, explain whether Kentucky-American would be saving approximately \$489,485 annually in annual interest and issuance expense. If not, provide the amount of annual interest and issuance expense savings.
- d. Specify how much of the annual interest and issuance expense associated with the 6.96 series bond is allocated to the Kentucky-American wastewater operations.

19. Refer to Kentucky-American's response to the Attorney General's First Request, Item 15(a). The Company admitted that depreciation expense for Line #4, Utility

Account 395000, Laboratory Equipment, should not have been included in the depreciation expense as it is already fully depreciated. Provide the downward adjustment that should be made to the revenue requirement to exclude this depreciation expense.

20. Refer to Kentucky-American's response to the Attorney General's First Request, Item 15(b). The Company admitted that depreciation expense for Line #14, Utility Account 393000, TD Equipment, should not have been included in the depreciation expense as it is already fully depreciated. Provide the downward adjustment that should be made to the revenue requirement to exclude this depreciation expense.
21. Refer to Kentucky-American's response to the Attorney General's First Request, Item 15(c). The Company admitted that depreciation expense for Line #14, Utility Account 397000, Misc Equipment, should not have been included in the depreciation expense as it is already fully depreciated. Provide the downward adjustment that should be made to the revenue requirement to exclude this depreciation expense.
22. Refer to Kentucky-American's Depreciation Schedule. Explain whether there are any other depreciation expenses that should be removed for items that have already been fully depreciated.
23. Refer to Kentucky-American's response to the Attorney General's First Request, Items 16(f) and (l).
 - a. Provide a copy of each incentive compensation plan that was in effect during the test year. Further, provide the incentive compensation target

metrics for Kentucky-American, and each affiliate allocating costs to Kentucky-American applicable to the test year.

- b. Describe how the incentive compensation target metrics are calculated and the source of the data used for the calculations.
- c. Provide Kentucky-American and each affiliate's actual performance against each of these metrics in the test year.
- d. Provide the total monetary amount of incentive compensation for both salaried and non-salaried employees that is included in the test year proposed rates for wastewater operations.
- e. Additionally, provide a breakdown of the total monetary amount of incentive compensation included in the test year that is directly connected to financial metrics, customer service, etc.

24. Refer to Kentucky-American's response to the Attorney General's First Request, Item 16(m). Provide all updates to this question.

25. Refer to Kentucky-American's response to the Attorney General's First Request, Item 16(n). Explain whether the formal wage and salary study that the Company conducted compared Kentucky-American's wage and benefit information to the local wage and benefit information for the geographic area in which Kentucky-American operates its wastewater system, per Commission precedent.²

26. Refer to Kentucky-American's response to the Attorney General's First Request, Item 16(p). The response in regard to the insurance and other benefits is incomplete. As previously requested, provide all premiums paid by Kentucky-American's

² *Id.* at 10.

employees as well as the premiums paid by Kentucky-American on the employee's behalf for each provided insurance policy and benefit.

27. Refer to Kentucky-American's response to the Attorney General's First Request, Item 17(b).

- a. Explain in detail why the annual retainer for each board member has risen from \$2,000 in 2018 to \$5,000 in 2021 and 2022. Provide all studies that Kentucky-American relied upon to justify the annual retainer increase.
- b. Explain in detail whether Kentucky-American has discussed any further increases in the annual retainer for board members.
- c. Explain in detail why the per meeting fee for each board member has risen from \$2,500 in 2018 to \$5,000 in 2021 and 2022. Provide all studies that Kentucky-American relied upon to justify the doubling of the per meeting fee.
- d. Explain whether Kentucky-American has discussed any further raises in the per meeting fee.

28. Refer to Kentucky-American's response to the Attorney General's First Request, Item 17(f). The Company asserts that the external board of directors have the desired experience and talent to manage the governance responsibilities of Kentucky-American. Provide the applicable experience for each of the external directors.

29. Refer to Kentucky-American's response to the Attorney General's First Request, Item 18.

- a. Identify whether customers have to use an E-Pump in each of the following locations in which Kentucky-American provides wastewater services: Ridgewood, Millersburg, Owenton, North Middletown, and Rockwell.
 - b. Provide the number of wastewater customers who have to use an E-Pump.
 - c. Are there any cost-efficient alternatives for the customers who are required to install and/or maintain an E-Pump? Explain the response in detail.
30. Refer to Kentucky-American's response to the Attorney General's First Request, Item 19(b).
 - a. Provide a copy of Kentucky-American's most recent lead/lag study.
 - b. Provide evidentiary justification that Kentucky-American requires \$110,979 to be included in the proposed revenue requirement for cash working capital.
31. Refer to the Application generally. Explain in detail the various retirement plans that Kentucky-American offers to its employees including but not limited to: the American Water Savings Plan 401(k), Defined Contribution Account for new hires, Employee Stock Purchase Plan, any Defined Contribution Plan for existing employees, etc. Ensure to include all contributions made by Kentucky-American on the employees' behalf, all matching offers, the employee required contribution, if any, and whether the employee can participate in more than one retirement plan.
32. How many complaints from wastewater customers did Kentucky-American receive each year from 2015 – present? Provide a list of each complaint and how it was resolved.