

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WATER SERVICE	)	
CORPORATION OF KENTUCKY FOR A GENERAL	)	CASE NO.
ADJUSTMENT IN EXISTING RATES AND A CERTIFICATE	)	2022-00147
OF PUBLIC CONVENIENCE AND NECESSITY TO	)	
DEPLOY ADVANCED METERING INFRASTRUCTURE	)	

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**ATTORNEY GENERAL’S SECOND REQUEST FOR INFORMATION TO  
WATER SERVICE CORPORATION OF KENTUCKY**

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Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), and submits the Second Request for Information to Water Service Corporation of Kentucky (hereinafter “Water Service Kentucky” or the “Company”) to be answered by September 29, 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  
ATTORNEY GENERAL



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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 September 15, 2022, and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 15<sup>th</sup> day of September, 2022.

*Angela M. Aoad*

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Assistant Attorney General

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

1. Refer to Water Service Kentucky’s response to the Attorney General’s First Request for Information (“Attorney General’s First Request”), Item 1(a). Due to the recent personnel changes, provide an updated organizational chart of Water Service Kentucky, and designate whether each position is based in Kentucky or elsewhere.
2. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Items 1(b) – (e). Due to the recent personnel changes, provide an updated organizational chart for each entity, and designate whether each position is based in Kentucky or elsewhere. For each organizational chart, provide the full name of the company instead of abbreviations for the company.
3. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Items 3(j) – (m). The Company asserts that Items (j) – (m) are not applicable. Explain in detail why these items are not applicable to Water Service Kentucky.
4. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 7.
  - a. Explain in detail why the Director of Engineering and Asset Management position has been vacant since November 2021.
  - b. Water Service Kentucky asserts that the Director of Engineering and Asset Management position is expected to be filled by September 30, 2022. Provide an update as to whether an offer has been made to an applicant for this position since the prior response. Consider this a continuing request throughout the pendency of the case.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- c. Identify what city/state the Director of Engineering and Asset Management position is located in and designate which Corix entity the position will be employed under.
  - d. The Company states that the Director of Engineering and Asset Management position is currently posted and available, and the salary of \$133,750 is included in the proposed revenue requirement.
    - i. Explain whether monetary amounts associated with the benefits for the Director of Engineering and Asset Management position are included in the proposed revenue requirement. If so, identify the total monetary amount for the benefits, along with a breakdown of the amount.
    - ii. Explain whether 100% of the salary and benefits for the Director of Engineering and Asset Management position are allocated to Water Service Kentucky, or a different percentage. If 100% of the salary and benefit costs for the Director of Engineering and Asset management position is allocated to Water Service Kentucky, explain why.
  - e. Explain in detail how the Director of Engineering and Asset Management position is “necessary” if the position has been vacant since November 2021.
  - f. Explain why Water Service Kentucky’s customers should be required to pay for the costs associated with the Director of Engineering and Asset Management position even though it has been vacant since November 2021.
5. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 7.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- a. Explain in detail why the Kentucky Operations Apprentice position has been vacant since May 2021.
  - b. Provide the monetary amount for the salary that has been included in the proposed revenue requirement for the Kentucky Operations Apprentice position.
  - c. Provide the monetary amount for the benefits that has been included in the proposed revenue requirement for the Kentucky Operations Apprentice position.
  - d. Water Service Kentucky asserts that the Kentucky Operations Apprentice position is expected to be filled by September 30, 2022. Provide an update as to whether an offer has been made to an applicant for this position since the prior response. Consider this a continuing request throughout the pendency of the case.
  - e. Identify what city the Kentucky Operations Apprentice position is located in and designate which Corix entity the position will be employed under.
  - f. Explain in detail why the Kentucky Operations Apprentice position is necessary if the position has been vacant since May 2021.
  - g. Explain whether any of Water Service Kentucky's operators are planning on leaving or retiring in the near future.
  - h. Explain why Water Service Kentucky's customers should be required to pay for the costs associated with the Kentucky Operations Apprentice position even though it has been vacant since May 2021.
6. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 8.



Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- a. Provide titles and descriptions for the two full-time employment positions in the city of Clinton.
  - b. Provide titles and descriptions for the eleven full-time employment positions in the city of Middlesboro.
7. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 10(a). Explain why it is necessary to convert the number of customer connections to equivalent residential customers based upon the AWWA ratios of meter size flow rates to a standard 5/8" meter.
8. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 10(b). The answer is nonresponsive. As originally requested, provide the number of actual customers that Water Service Kentucky provided service to for each year from 2017 – the present date. Provide the information in a chart similar to Water Service Kentucky's response to the Attorney General's First Request, Item 10(c).
9. Refer to Water Service Kentucky's response to the Attorney General's First Request, Items 10(d), (e), and (f).
  - a. Explain whether the 983 customers outside of the Middlesboro city boundaries as of July 21, 2022, were included or excluded from the response stating that as of June 30, 2022, there were 5,526 active water service customers in Middlesboro.
  - b. Explain whether the 47 customers outside of the Clinton city boundaries as of July 21, 2022, were included or excluded from the response stating that as of June 30, 2022, there were 572 active water service customers in Clinton.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

10. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 13(e)(i). Provide the full name for the Corix entity that was able to negotiate a discount on nationwide pricing with Neptune AMI.
11. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 14(a).
  - a. The answer is nonresponsive. Explain in detail why the Company is proposing a 32.1% increase to the monthly customer charge, instead of either keeping the customer charge the same or proposing a smaller, more manageable increase.
  - b. Explain whether Water Service Kentucky has ever conducted a cost-of-service study ("COSS"). If so, provide a copy and details of the same. If not, explain in detail why not.
12. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 14(b).
  - a. Compare and contrast the Ambleside subdivision's private fire hydrant surcharge current rate of \$3.86 per customer, and proposed rate of \$5.10 per customer, with the Company's charges for other private and public fire hydrants outside of the Ambleside subdivision. If there is a difference in rates charged to the Ambleside subdivision's fire hydrants, explain why in detail.
  - b. Explain the reasoning to require the Ambleside subdivision customers to pay a separate surcharge for the fire hydrants.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

13. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 15(b). Water Service Kentucky states that when the 2021 annual report was filed, one position was vacant.
  - a. Explain which position was vacant.
  - b. Explain whether the prior vacant position has been filled, and if so, provide the date that the position was filled.
  - c. Explain whether Water Service Kentucky is asserting that there are 13 full-time employees working in Kentucky now. If not, explain why not.
  
14. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 16.
  - a. Provide further explanation as to what invoices the City of Clinton processes for a \$2.00 fee and explain why Water Service Kentucky does not process the invoices in-house.
  - b. Explain in full detail what is meant by the response that “[t]he CSC annual invoice is for statutory representation.” Include in the explanation the full name of the abbreviation CSC.
  - c. Confirm that all other expenses located in the Application, Exhibit 31 are not included in the proposed rates except for the invoices from the City of Clinton and CSC.
  
15. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Items 17(a) – (j). These answers are nonresponsive.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- a. As originally requested, provide an explanation for the increase in base wages in the base period from \$756,228 to \$821,306 in the forecast period.
- b. As originally requested, provide an explanation for the increase in overtime wages in the base period from \$40,857 to \$44,675 in the forecast period.
- c. As originally requested, provide an explanation for the increase in holiday wages in the base period from \$52,385 to \$58,714 in the forecast period.
- d. As originally requested, provide an explanation for the increase in deferred compensation in the base period from \$10,756 to \$11,163 in the forecast period.
- e. As originally requested, provide an explanation for the increase in 401K Non-Elective Contribution in the base period from \$22,171 to \$27,957 in the forecast period.
- f. As originally requested, provide an explanation for the increase in 401K Match in the base period from \$20,554 to \$37,276 in the forecast period.
- g. As originally requested, provide an explanation for the increase in Health Insurance, Net in the base period from \$155,805 to \$188,595 in the forecast period.
- h. As originally requested, provide an explanation for the increase in Other Employee Benefits (Vision) in the base period from \$1,282 to \$1,879 in the forecast period.
- i. As originally requested, provide an explanation for the increase in FICA in the base period from \$64,037 to \$69,712 in the forecast period.
- j. As originally requested, provide an explanation for the \$3,617 amount located in the Base Wages row, and under the Senior VP Base period and Forecast period column.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- k. Explain who the Senior VP is as referenced in subpart (j), and which entity this person works for in the Corix group of companies.
  - l. Provide the total base wages for the Senior VP in the base period and the forecast period.
  - m. Provide an explanation for the \$53,763 amount located in the Base Wages row, and under the President Forecast Period column.
  - n. Provide the total base wages for the President for the base period and the forecast period.
16. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 18(b). Provide the response with the full names of the Corix companies instead of abbreviations.
17. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 18(c). The answer is nonresponsive. As originally requested, provide the estimated percentage of time that Mr. Whitney is physically at his Middlesboro, Kentucky office versus his office in Cleveland, Ohio.
18. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 20(b).
- a. The Company states that Water Service Kentucky manages all of its costs on a monthly basis through reviews with FP&A, Water Service Kentucky, and management. Identify what FP&A stands for in the response.
  - b. Provide all opportunities for cost reduction that are discussed, and whether any have been implemented.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

19. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 21(e)(ii). Explain why Water Service Kentucky has never refused to pay for an allocation from WSC or the Corix group of companies.
20. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 22(a)(iii). Expound upon the specific types of recognition and awards that are given to the employees under the new program for anniversaries, birthdays, service awards, etc. Include in the discussion whether monetary awards or the like are provided.
21. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 23(b). Expound upon how Water Service Kentucky plans to improve stakeholder awareness and collaboration with its customers and communities.
22. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 23(f). Provide a detailed explanation of the Drivers Score Summary Report Attachment, including but not limited to, how these statistics are obtained, what each score indicates, and the optimal score for each column heading.
23. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 24(b). Explain in detail how the Advanced Metering Infrastructure (“AMI”) meters will alert Water Service Kentucky of a water leak. In the response, differentiate between leaks attributable to a metered customer, and leaks for which no metered customer is responsible.
24. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Item 24(c). As originally requested, expound upon the examples of the “more important tasks” that the meter reader staff will be deployed to if AMI is approved.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

25. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 25(a). The Company asserts that the updated logo allows Water Service Kentucky's customers to see that their fellow citizens are "managing" the local water system. However, in response to the Attorney General's First Request, Item 15(c), the Company confirmed that 100% of Water Service Kentucky's management lives outside of Kentucky. Reconcile these two responses.
26. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 26. Explain in detail how the Company interprets the Net Promoter Score ("NPS") survey results as a positive response when the customers' concerns were high cost, poor customer service, and a faulty website.
27. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 27(b). Confirm that the low-income rate that Water Service Kentucky proposed in Case No. 2022-00147, was denied by the Commission in the final Order as a matter of law. Specifically, according to the final Order the proposal was in violation of KRS 278.030, as well as KRS 278.170(1). If not confirmed, explain why not in detail.
28. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 28(b). As originally requested, provide the percentage of time that Mr. Kilbane is physically at the Middlesboro, Kentucky office versus his office in Cleveland, Ohio.
29. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 33.
  - a. Explain in detail whether Water Service Kentucky is asserting that due to inadvertently including J.D. Edwards financial software system costs in the pending

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

application, the revenue requirement should be reduced \$1,927 for the base period, and \$1,872 for the forecast period. If not, explain the response in full detail.

- b. Explain in detail whether Water Service Kentucky is asserting that due to inadvertently including Oracle customer care and billing system costs in the pending application, the revenue requirement should be reduced \$2,723 for the base period, and \$2,671 for the forecast period. If not, explain the response in full detail.
30. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 34. In the Direct Testimony of James Kilbane ("Kilbane Testimony"), page 25, Mr. Kilbane stated that the Company was requesting for certain implementation and support costs that have not been capitalized for the Fusion project to be given regulatory asset treatment. However, in response to the Attorney General's First Request, Item 34, and the Commission Staff's Second Request for Information ("Staff's Second Request"), Item 11, Water Service Kentucky states that the Company is asking to establish and amortize the asset in the current case not establish a regulatory asset.
- a. Explain in detail whether the Company is or is not requesting for certain implementation and support costs that have not been capitalized for the Fusion project to be given regulatory asset treatment. If not, explain what treatment is being requested for these costs.
  - b. Based upon this discrepancy, explain whether the Kilbane Testimony needs to be corrected. If not, explain why not.



Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

31. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 42(a). Expound upon the type of leak-detection tools/equipment that Water Service Kentucky's employees use daily.
32. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 42(c). Even though Water Service Kentucky's total water loss percentage appears on the low end for the majority of the years between 2017 and the present date, explain in detail the various fluctuations of the water loss percentages from year to year. Include any specific information that the Company is aware of that caused the water loss percentage to increase and decrease throughout the years of 2017 to the present date.
33. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 44(c). The Company asserts that the 2011 Toyota Prius is not a practical vehicle to suit the operational needs of the water system.
  - a. Based upon this assertion, explain why a Toyota Prius was purchased by the Company if it is not suited to support the operational needs of the water system.
  - b. Discuss the various purposes in which the Water Service Kentucky employees used the Toyota Prius.
34. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 45.
  - a. Explain in detail how the current Automated Meter Reading ("AMR") meters are at the end of their useful life, if the book depreciation life of the meters is 44.444 years. If there is a difference between the useful life and the depreciation life of the AMR meters explain the difference in full detail.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- b. Provide the useful life of Water Service Kentucky's current AMR meters.
  - c. Explain in detail whether the Badger batteries could be changed out with new batteries on the current AMR meters, instead of having to completely replace the AMR meters with AMI meters.
35. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 49. Explain what is covered under Neptune's 20-year AMI warranty with the first 10 years being fully comprehensive and the last 10 years being prorated.
36. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 52. The Company states that due to terrain issues in the service area, cellular data is not a reliable or secure method for transmitting AMI data and is not a viable option for the Company.
- a. Provide a detailed explanation of the terrain issues in the service area.
  - b. If using cellular data is not a reliable or secure method to transmit AMI data, explain in detail how the Company proposes to transmit the AMI data.
37. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 53. Expound upon why a joint AMI project between neighboring water and wastewater systems was not feasible.
38. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 62. Water Service Kentucky states that the only AMR equipment the Company uses is in the Clinton water system.
- a. Provide the specific type(s) of meters that the Company currently has in the city of Clinton, and in Hickman County.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- b. Provide the specific type(s) of meters that the Company currently has in the city of Middlesboro, and in Bell County.
- c. Explain whether the request to deploy AMI is for both the Clinton and Middlesboro water systems.

39. Refer to the Excel file AG\_DR\_1-82\_ and\_ 84\_ IS\_ and\_ DS attached to the response to the Attorney General’s First Request, Items 82 and 84, and further to the worksheet tab Insurance which includes the insurance expenses per year excerpted below. Explain in detail all known reasons why the forecasted period insurance costs allocated to the Company are expected to increase by \$42,453 (59.8%) from 2021 to the forecast period, especially since total insurance expenses are depicted as being fairly consistent in all other years.

Account	Description	2017	2018	2019	2020	2021	Base Period *	Forecasted Period
560100	General Liability Insurance	61,001	62,041	64,812	51,282	18,563	22,852	25,049
560200	Property Insurance	-	-	-	-	22,593	34,921	38,244
560300	Vehicle Insurance	-	-	-	16,559	18,040	19,445	21,295
560400	Uninsured Losses	-	-	-	-	1,837	14,152	14,852
560500	Other Insurance	14,287	15,885	7,617	5,636	9,915	12,895	13,962
	<b>Total Insurance Expense - Water</b>	<b>75,288</b>	<b>77,927</b>	<b>72,429</b>	<b>73,477</b>	<b>70,948</b>	<b>104,265</b>	<b>113,401</b>

40. Refer to the Application, Exhibit 28.8 and the Total Net Deferred Rate Case Expense – Water, as reflected in line 4. Refer also to the Excel file AG\_DR\_1-072\_ - Exhibits\_10-20-28\_ - Schedule\_A\_ - Rate\_Base\_Components\_Updated\_7.28.22 attached to the response to the Attorney General’s First Request, Item 72. Refer also to the Kilbane Testimony at 25, wherein he describes the addition of the \$22,803 in Fusion implementation costs included in account 170009, the Rate Case Being Amortized account.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- a. Provide a breakdown of the 13-month balance of \$423,478 included in rate base between the amount associated with the instant case, the amount associated with Case No. 2020-00160, and the amount associated with the Fusion implementation costs.
  - b. For each of the amounts above in response to subpart (a), indicate whether the Company has reflected the corresponding Accumulated Deferred Income Tax (“ADIT”) as a reduction to rate base. If not, explain why not for each. If so, indicate for each the amount reflected for ADIT in the forecast test year and the worksheet tab and cell references in the referenced Excel file or any other workpaper source that contains documentation for the ADIT reflection.
41. Refer to the Excel file AG DR 1-70 ADIT Rollforward attached to the response to the Attorney General’s First Request, Item 70, which shows a rollforward of ADIT amounts by temporary difference through the end of June 2022. Refer further to the Federal ADIT liability balance for “Rate Case” of \$25,895.91 and State ADIT liability balance for “Rate Case” of \$10,012.85 that were reflected for all month ends starting with December 2021. Provide each of the temporary balances for each individual rate case that were associated with these balances and show how these ADIT amounts were determined. If any portions of these balances were not related to deferred rate case expenses, explain in detail.
42. Refer to Water Service Kentucky’s response to the Staff’s Second Request, Item 7, and the responses to the Attorney General’s First Request, Items 81 (including attachment) and 94 in regard to Clinton Wastewater costs incurred in 2021 that will no longer be incurred due to the termination of the Clinton Wastewater contract termination.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- a. The response to the Attorney General’s First Request, Item 94 indicates three separate maintenance and repair expenses that should be removed from the revenue requirement, \$7,950 in account 512022, \$3,296 in account 512900, and \$295.00 in account 513900. Provide a list of these and all other amounts, separated by account, that should be removed from the projected test year expenses related to the Clinton Wastewater contract expenses that will no longer be incurred.
- b. Refer to the list of expenses associated with the Clinton Wastewater contract expenses each year 2018 through 2021 provided in the attachment response to the Attorney General’s First Request, Item 81. For each of the expense amounts listed for 2021, indicate whether the amount associated with that expense was removed (or otherwise not included) from the projected test year expenses in the filing. If removed, reference the account number and description in which the expense reduction was reflected. If not removed, identify the account number, account description, and amount associated with that expense and provide an explanation as to why the associated amount was not removed from the projected expenses.
- c. The list of 2021 expenses provided in response to the Staff ‘s Second Request, Item 7 sums to \$48,629, while the list of 2021 expenses provided in response to the Attorney General’s First Request, Item 81 sums to \$88,555. Provide a reconciliation of the two sets of expenses including explanations for each individual expense related to each difference. Include in the explanations whether the 2021 incurred expense is expected to reoccur after the end of 2021 and why.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- d. Refer to the list of expenses associated with the Clinton Wastewater contract expenses each year 2018 through 2021 provided in the attachment response to the Attorney General's First Request, Item 81 and further to the amount for 2021 of \$31,133 for salaries and benefits. Describe this amount in regard to which employee(s) performed such services and the approximate hours involved that are no longer required. In addition, describe the functions now performed by this employee(s) now that the work related to the Clinton Wastewater contract is no longer needed.
43. Refer to the Kilbane Testimony, page 13, lines 8 – 12, regarding the level of maintenance testing expense projected for the base year and test year and reflected in the Application, Exhibit 29.8 as being based on the amount recorded for the 12 months ended March 31, 2022. Refer also to the response to the Attorney General's First Request, Item 81 that details \$14,268 spent on testing in 2021 related to the Clinton wastewater contract that ended effective December 31, 2021.
- a. Provide a breakdown of the amounts in each account listed in the Application, Exhibit 29.8 during the 12 months ending March 31, 2022, associated with the Clinton wastewater services, for all other services, and in total.
  - b. Were testing expenses related to the Clinton wastewater services incurred during 2021 removed from the expense total for the 12 months ending March 31, 2022, in the reflection of base year and test year expenses? If so, how much was removed? If not, explain why not.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- c. Provide the monthly amount of maintenance testing by account for each of the months January 2021 through March 2022 that are associated with the Clinton wastewater services.
  
- 44. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 70, Excel file AG DR 1-70 ADIT Rollforward, which shows a rollforward of ADIT amounts by temporary difference through the end of June 2022. Refer also to Water Service Kentucky's response to the Attorney General's First Request, Item 72, Excel file AG\_DR\_1-072\_-\_Exhibits\_10-20-28\_-\_Schedule\_A\_-\_Rate\_Base\_Components\_Updated\_7.28.22.
  - a. Confirm that the only changes made to the projection of ADIT balances to include in rate base for the test year related to the differences projected for book vs. tax depreciation that occurred after the end of 2021. If not confirmed, explain and provide a schedule showing the 13 months of data by temporary difference for state and federal ADIT included in the test year.
  - b. Refer to debit balances of federal and state ADIT associated with bad debt that are reflected throughout the months during 2022 of \$66,133.41 and \$18,083.87, respectively. Explain how those amounts were determined and describe the temporary difference they are related to in detail.
  - c. Refer to debit balances of federal and state ADIT associated with bad debt that are reflected throughout the months during 2022 of \$66,133.41 and \$18,083.87, respectively. Indicate whether the temporary difference(s) related to each balance

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

is removed from rate base. If not, describe why the ADIT should be reflected in rate base when the associated temporary difference is not.

- d. Refer to the debit balances of federal and state ADIT applicable to Net Operating Loss (“NOL”) Carryforward amounts reflected throughout all of the months from December 2020 through June 2022 of \$115,535.69 and \$212,992.41, respectively. Describe the major reasons why the federal and state NOL Carryforward amounts resulted and explain why the amounts reflected for ADIT do not change for any of the months reflected. In particular, explain why the state NOL ADIT amount is so high.
  - e. Refer to the debit balances of federal and state ADIT applicable to NOL Carryforward amounts reflected throughout all of the months from December 2020 through June 2022 of \$115,535.69 and \$212,992.41, respectively. Provide a schedule that shows the derivation of each of the federal and state NOL carryforward amounts and utilization activity of each by year since the NOL carryforwards with remaining balances were created.
45. Refer to Water Service Kentucky’s response to the Attorney General’s First Request, Items 86 and 87, and Excel file AG DR 1-87 Bad Debt history.
- a. Provide an expanded version of the Excel table in cell rows 14-20 based on the format requested by the Commission Staff showing the beginning and ending bad debt reserve amounts and including all activity to include 2017, 2018, 2019, and 2022 activity through June 2022.



Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- b. Provide the amount of total service revenue for each month in 2022 and summed for the first six months of 2022.
46. Refer to the July 2021 trial balance in Water Service Kentucky's response to the Attorney General's First Request, Item 77, Excel attachment AG 1-077. Refer further to the net balance addition of \$152,243.89 in account 627300 in cell row 1086 and in cell column P, bringing the total amount of this uncollectible expense account up to \$173,694.91 as of that point in 2021. Describe all reasons why the expense amount was debited with so much additional expense in July 2021 and provide copies of the journal entry(ies) and related workpapers used to record that entry(ies) for all entries made to that account in July 2021.
47. Refer to the Application generally. Provide the Company's accounts receivable aging balances at the end of each year 2017 through 2021 and through June 2022 divided into categories 0 – 30 days, 31 – 60 days, 61 – 90 days, 91 – 120 days, and over 120 days.
48. Refer to the Application generally. Provide copies of all analyses available that details the Company's average collection lag of two recent monthly periods within the last year.
49. Refer to the Application generally. Explain how the Company determines the amount of bad debt provision to record each month and provide an example of the June 2022, December 2021, and December 2020 calculation as examples in electronic format with all formulas intact.
50. Refer to the Application generally. Describe all changes in the Company's calculation of its bad debt provision that have occurred since 2017. If none, so state. If changes did occur indicate when each one occurred and why.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

51. Refer to the Application generally. Provide a copy(ies) of all internal policies and procedures in place related to the recordation of bad debt expense.
52. Refer to the Application generally. Describe any changes made to the Company's policy on past due accounts resulting from the ramifications of Covid-19 involving such things as delays in disconnections and collections, or debt forgiveness.
53. Refer to the Application generally. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 99. Provide the calculation of the \$14,152 base period uninsured losses expense amount for the Company using the historic averages described in the response.
54. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 80 in regard to the legal expenses in 2021 exceeding those in 2020 by approximately \$20,000 due to "higher activity in increasingly complex legal matters." Refer also to Water Service Kentucky's response to the Attorney General's First Request, Items 82 and 84, and the Excel file AG\_DR\_1-82\_ and\_ 84\_ IS\_ and\_ DS, and further to the worksheet tab Outside Service which shows large increases of legal expense in account 540400 in 2020 of over 300% and increases in 2021 of another nearly 300%.
  - a. Describe the "higher activity in increasingly complex legal matters" in more detail and whether those matters are projected to be recurring in nature in 2022 and 2023.
  - b. Provide copies of all legal bills used to record expenses in 2020 and in 2021.
  - c. Describe all legal matters that were new in both 2020 and 2021 compared to prior years.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- d. Indicate whether any of the legal costs that were incurred during 2020 or 2021 related to the termination of the Clinton Wastewater contract. If so, provide a list of all such expenses by firm and year recorded.
  - e. Provide the amount of legal fee expenses in account 540400 recorded thus far in 2022 by month.
55. Refer to Water Service Kentucky's response to the Attorney General's First Request, Item 105, including the Excel file AG DR 1-105 Captive attached to the response. Refer also to the projected capitalized time expense in account 522001 of (\$138,212), which is a significant increase over prior years, depicted in the Application, Exhibit 29.4. Refer also to the reflection of capitalized labor associated with the AMI project included in the Excel file PSC\_DR\_1-49\_Exhibit\_41\_-AMI\_cost\_impacts\_REDACTED attached to Water Service Kentucky's response to the Commission Staff's First Request for Information ("Staff's First Request"), Item 49, and further to cell G32 in worksheet tab Quote and Details, which shows capitalized time of \$79,476 in 2023 for AMI meter installations. Finally, refer to the depiction of the revenue requirement for the impacts of AMI provided in Water Service Kentucky's response to the Attorney General's First Request, Item 102, which shows nothing related to labor or the effects of capitalized labor reductions for the AMI program.
- a. Confirm that the \$79,476 in capitalized time expense associated with the AMI program is the amount of capitalized labor reflected for the AMI program in the Application, Exhibit 29.4. If not confirmed, provide the correct amount and an explanation of the same.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- b. Explain why there is no reflection of capitalized time expense in either the Application, Exhibit 41, or in the revenue requirement depiction for AMI provided in Water Service Kentucky's response to the Attorney General's First Request, Item 102, and discuss whether there should be such a reflection.
- c. Indicate whether the reflection of both the AMI costs and capitalized time expense in the revenue requirement equates to a decrease in the revenue requirement associated with AMI, or if there would also need to be consideration of the vacant positions and whether the Company should staff back up to the level of 19 employees. Explain the response in full detail.
- d. Describe what employees (by position description) will be involved with the projected 1,913 meter installations in 2023 taking one hour each, which is approximately one full-time equivalent, and how the work will be performed.
- e. Does the Company envision performing all the Phase I meter installations in 2023, or will the installations be spread over 2023 and 2024? If all will be installed in 2023, explain why in detail.
- f. If the Commission denies the proposed AMI project, would the Company still need the approximate one full-time equivalent for other job functions and projected labor costs assuming full staffing levels. If yes, explain why in detail.
- g. If the Commission denies the proposed AMI project, detail the changes that would need to be made to the Company's depiction of the revenue requirement in the test year related to labor expense and capitalized time expense.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- h. Describe how the \$41.65 captive cost per hour rate was determined, which is used in the capitalized labor calculation. Include in the description the group of employees assumed to be included in the calculation of that rate.
56. Refer to the reflection of the proforma income statement in the Application, Exhibit 29. Refer also to the detailed account descriptions and data included in the Application, Exhibits 29.7 (Maintenance and Repair), 29.8 (Maintenance Testing), 29.9 (Chemicals) 29.10 (Transportation), 29.11 (Outside Services), 29.12 (Office Supplies and Other Expense), 29.14 (Pension and Other Benefits), 29.16 (Insurance Expense), 29.17 (Office Utilities), 29.18 (Miscellaneous Expense), and 29.22 (Taxes other than Income). Provide similar schedules for each exhibit noted above which depict the same level of account detail for the sum of 2022 revenues and expenses to date through the most recent month with actual data available. In addition, identify the most recent month with available data.
57. Refer to the projected Income Statement information provided in the Application, Exhibit 29. Provide a similar schedule which shows the same level of detail for each of the months in 2022, and year to date, through the most recent month with actual data available.
58. Refer to the public version of Excel file PSC\_DR\_1-49\_Exhibits\_18-32-29\_-\_Schedule\_B\_-\_SW-Payroll\_Taxes-Benefits\_REDACTED attached to Water Service Kentucky's response to Staff's First Request, Item 49. Refer further to worksheet tab 2023 and further to cell AS1 which depicts an assumed increase in health insurance benefits cost of 6% over base year costs in order to project health insurance costs in the test year. Provide the weighted average actual annual increase percentages in health care premium costs each year starting in 2017 and going through 2022.

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

59. Refer to the public version Excel file PSC DR 1-49 Exhibit 29 - Schedule A - Revenue Build - AS FILED REVISED REDACTED and further to worksheet tab Usage Decline. The annual date reflected shows an increase year over year in usage per ERC starting in 2016 and going through 2019 and then a sharp decrease in 2020 and 2021 before increasing again in 2022. Describe all known reasons for the sharp decline in 2020 and 2021, including the ramifications of Covid-19, compared to the usage per ERC that had been building from 2016 through 2019.
60. Refer to the public version Excel file PSC DR 1-49 Exhibit 29 - Schedule A - Revenue Build - AS FILED REVISED REDACTED and further to worksheet tab Customer Decline. Refer also to the previous question and the small increase in customers depicted for 2022 when compared to 2021. Does the Company believe that it experienced a decline in customers in 2020 and 2021 related to the ramifications of Covid-19? Explain the answer in full detail.
61. Refer to the Excel file AG\_DR\_1-82\_ and\_ 84\_ IS\_ and\_ DS attached to Water Service Kentucky's responses to the Attorney General's First Request, Items 82 and 84, and further to the worksheet tab Pension and Other Benefits and further to the amounts reflected for account 532005 (Employee Insurance Deductions) and account 532006 (Health Insurance Claims) for 2019 through the base year. Refer also to the Excel file PSC\_DR\_1-38\_- \_Schedule\_K\_- \_Payroll\_Info attached to Water Service Kentucky's response to Staff's First Request, Item 38, which shows in different tabs the breakdown of payroll costs, including the Company's and employees' portion of health insurance costs each year for

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

2019 through the base year. Explain all reasons why the amounts between these two sources for each year do not match.

62. Refer to the Excel file PSC\_DR\_1-38\_-\_Schedule\_K\_-\_Payroll\_Info attached to Water Service Kentucky’s response to Staff’s First Request, Item 38 which shows in different tabs the breakdown of payroll costs, including the Company’s and employees’ portion of health insurance costs each year for 2019 through the base year. Refer specifically to the worksheet tabs for 2021 and the base year, which shows the following total costs for each:

	<u>2021</u>	<u>Base Year</u>	<u>Increase %</u>
Health Insurance Costs – Utility	\$140,715	\$177,832	26.4%
Health Insurance Costs – Employee	\$37,933	\$47,888	26.2%

Explain all reasons why the amounts for both the utility and employee responsibilities increase by over 26% from 2021 to the base year.

63. Refer to the Excel file AG\_DR\_1-82\_ and\_ 84\_ IS\_ and\_ DS attached to Water Service Kentucky’s responses to the Attorney General’s First Request, Items 82 and 84, and further to the worksheet tab Income Statement which shows amounts for miscellaneous revenues per year excerpted below. Describe what types of revenue have been or will be recorded each year from 2017 through the test year. Also, explain all known reasons why the amounts for such revenues started decreasing significantly in 2020 and appear to be virtually non-existent in the base year and test year.

	2017	2018	2019	2020	2021	Base Period	Forecasted Period
Miscellaneous Revenues	62,803	56,935	58,287	34,418	7,698	297	297

Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

64. Refer to the Excel file PSC DR 1-50 Fuel Cost Estimated attached to Water Service Kentucky’s response to Staff’s First Request, Item 50, and further to the use of the average per gallon price of \$3.92 as of May 5, 2022, utilized to project the cost of fuel expense in the test year. Provide the most current per gallon price of gas at the stations utilized by the Company and the date in which the price is determined.
65. Refer to the revised Attachment filed in response to the Attorney General’s First Request, Item 41 on August 16, 2022. Refer further to the “WSCK Health Benefit Cost” column of the tab detailing 2022 compensation costs showing the Company’s health benefit costs related to each employee for 2022.
- a. Explain why the amounts for each employee in the “WSCK Health Benefit Cost” column are different and why some amounts are over three times the amount of others.
  - b. For each different amount listed, identify what type of coverage that is included (e.g. employee only, employee plus spouse, employee plus children, family, etc.).
  - c. For each different type of coverage identified in the response to subpart (b), identify the total amount of the coverage costs projected, and the costs projected to be paid for by the Company and the amount paid by the employee.
66. Refer to the Excel attachment entitled “PSC\_DR\_1-49\_Exhibit\_35\_-\_Schedule\_A\_-\_Cost\_of\_Capital\_Summary\_v2’ provided in response to the Staff’s First Request, Item 49 and to Water Service Kentucky’s response to the Attorney General’s First Request, Item 89.



Electronic Application of Water Service Corporation of Kentucky  
for a General Adjustment in Existing Rates and a Certificate of Convenience and Necessity to  
Deploy Advanced Metering Infrastructure  
Case No. 2022-00147

- a. Provide an update as to whether any plans have changed in regard to the payoff of the \$80 million revolver balance and the issuance of two \$50 million debt issuances on October 1, 2022, with projected interest rates of 4.05% and 4.30%. Detail any possible or known changes to any of the projected amounts or interest rates.
  - b. Provide the current interest rate and balance of the \$80 million revolver.
67. Refer to the August 29, 2022 merger announcement between Southwest Water Company and Corix Infrastructure, Inc. with a projected close date by the end of 2023. Describe all changes anticipated to the level of allocated or direct costs applicable to Water Service Kentucky that should be considered as part of the instant case. If there are no changes anticipated explain why in full detail.