

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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**ATTORNEY GENERAL’S FIRST 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 his First Request for Information to Water Service Corporation of Kentucky (hereinafter “Water Service Kentucky” or the “Company”) to be answered by July 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  
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 July 14, 2022, and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 14<sup>th</sup> day of July, 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  
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1. Refer to the Application generally.
  - a. Provide an organizational chart of Water Service Kentucky, and designate whether each position is based in Kentucky or elsewhere.
  - b. Provide an organizational chart of Water Service Corporation (“WSC”), and designate whether each position is based in Kentucky or elsewhere, and what the allocation factor to Water Service Kentucky is for each position.
  - c. Provide an organizational chart of Corix Corporate Support Services, and designate whether each position is based in Kentucky or elsewhere, and what the allocation factor to Water Service Kentucky is for each position.
  - d. Provide an organizational chart of Corix Regulated Utilities (US) Inc. (“CRU”), and designate whether each position is based in Kentucky or elsewhere, and what the allocation factor to Water Service Kentucky is for each position.
  - e. Provide an organizational chart of Corix Infrastructure, Inc. (“CII”) and designate whether each position is based in Kentucky or elsewhere, and what the allocation factor to Water Service Kentucky is for each position.
  - f. Provide an organizational chart of the overall Corix Group of Companies, and the applicable allocation factor to Water Service Kentucky, if any.
  - g. Provide an organizational chart that includes all of the parent companies/holding companies/affiliated companies that are associated with Water Service Kentucky.

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2. Refer to the Application generally. Provide a list of all entities that direct charge or allocate costs to Water Service Kentucky, and include the total amount of costs that are direct charged and/or allocated to the Company in the test year.
3. Refer to the Application generally. Provide the following information for Water Service Kentucky employees, as well as all employees' whose costs are allocated to Water Service Kentucky.
  - a. Provide the position title and salary for each salaried employee for the years 2017 – 2022.
  - b. Provide the average raise that the salaried employees received for the years 2017 – 2022. Ensure to explain whether the annual raise is directly connected to a performance review.
  - c. Provide the average bonus that each salaried employee received for the years 2017 - 2022.
  - d. Provide all awards given to the salaried employees for the years 2017 – 2022.
  - e. Provide all vehicle allowances given to the salaried employees for the years 2017 – 2022.
  - f. Provide all incentive compensation given to the salaried employees for the years 2017 – 2022.
  - g. Provide the average raise, if any, which will be given to salaried employees for 2023.
  - h. Provide the position title and wages for each non-salaried employee for the years 2017 – 2022.

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- i. Provide the average raise provided to the non-salaried employees for the years 2017 – 2022. Ensure to explain whether the annual raise is directly connected to a performance review.
- j. Provide the average bonus provided to the non-salaried employees for the years 2017 – 2022.
- k. Provide all awards given to the non-salaried employees for the years 2017 – 2022.
- l. Provide all vehicle allowances given to the non-salaried employees for the years 2017 – 2022.
- m. Provide all incentive compensation given to the non-salaried employees for the years 2017 – 2022.
- n. Provide the average raise, if any, which will be given to non-salaried employees for 2023.
- o. Provide a detailed explanation of the insurance benefits provided to the Company's employees, including but not limited to health, dental, vision, life insurance, etc. Ensure to include all premiums paid by the Company's employees, premiums paid by the Company or parent company on the employees' behalf, as well as all copays, deductibles, and maximum out of pocket amounts.
- p. Provide a detailed explanation of the retirement benefits provided to the Company's employees, including but not limited to, whether there is a defined benefit plan, 401(k) matching, etc.



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4. Explain in detail whether any expenses have been removed from the proposed rates for ratemaking purposes. Provide a detailed list of the removed expenses, and explain why Water Service Kentucky removed each expense from the rate case.
5. Refer to the Application generally.
  - a. Identify the type of payments that Water Service Kentucky accepts without assessing a fee.
  - b. Identify the type of payments that Water Service Kentucky accepts only with a fee assessment.
6. Refer to the Application generally. Provide a list that specifies all proposed pro forma adjustments, the amount of each pro forma adjustment, along with a description of each adjustment.
7. Refer to the Application generally. Explain whether any vacant position costs are included in the proposed revenue requirement. If so, provide the job title, salary/wage, necessity of the position, date the job was created and vacated, explanation as to why the position is currently vacant, and an estimated date as to when the position will be filled.
8. Refer to the Application generally. Provide a detailed description of Water Service Kentucky's relationship with the cities of Middlesboro and Clinton. Ensure to include whether Water Service Kentucky has a physical office in either city for customers to call for assistance, come in to pay their bill, etc.
9. Refer to the Application generally. Explain in detail whether Water Service Kentucky provides annual reports of any kind to Middlesboro and Clinton. Explain why or why not.

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10. Refer to the Application, page 2, paragraph 4, in which Water Service Kentucky states that it provides water service to approximately 6,147 customers, or 7,047 equivalent residential customers.
- a. Explain in detail the difference between the equivalent residential customers and the actual number of customers.
  - b. Provide the number of actual customers that Water Service Kentucky provided service to for the years 2017 – present date.
  - c. Provide the number of equivalent residential customers that Water Service Kentucky provided water service to for the years 2017 - present date.
  - d. Identify the number of actual customers that Water Service Kentucky provides service to in Middlesboro and Clinton, broken down by each city.
  - e. Identify the number of actual customers that Water Service Kentucky provides service to in Bell County, outside of the Middlesboro city limits.
  - f. Identify the number of actual customers that Water Service Kentucky provides service to in Hickman County, outside of the Clinton city limits.
  - g. Explain in detail if Water Service Kentucky plans to acquire any water or wastewater facilities in Kentucky in the next five years.
11. Refer to the Application, page 2, paragraph 5. Water Service Kentucky states that it is requesting an increase in rates because its existing rates for water service do not afford it the opportunity to recover its reasonable operating costs or to earn a just and reasonable rate of return on the investments made.

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- a. Confirm that Water Service Kentucky was provided a rate increase in Case No. 2020-00160, on December 22, 2020.
  - b. Confirm that Water Service Kentucky was provided a rate increase in Case No. 2018-00208, on February 11, 2019.
  - c. Explain in detail the investments that Water Service Kentucky has made since Case No. 2020-00160.
  - d. Specify how Water Service Kentucky defines a “reasonable rate of return on investments.”
12. Refer to the Application, page 14, paragraph 20. Water Service Kentucky asserts that the initial round of Advanced Metering Infrastructure (“AMI”) is set to begin in January 2023. Confirm that the Company will not roll out AMI unless the Commission issues an Order explicitly approving of the same. If not, provide a detailed response.
13. Refer to the Application, page 15, paragraphs 21 – 24.
- a. Water Service Kentucky states that AMI will compress the meter replacement cycle. Explain how this is beneficial to the customers, if at all.
  - b. Explain in detail how AMI will benefit customer service.
  - c. Identify the “troubled locations, less accessible areas, and more dangerous areas” that the Company plans to initially install AMI.
  - d. Explain in detail what product flexibility Neptune AMI provides the Company.
  - e. Water Service Kentucky states that “Corix was also able to negotiate a discount on nationwide pricing, providing value and annual price certainty.”
    - i. Explain which “Corix” entity is being referred to in this statement.

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- ii. Specify the discount that Corix was able to negotiate with Neptune AMI.
  - f. Provide a breakdown of the proposed total estimated capital cost for the AMI project of \$1,696,462.
- 14. Refer to the Application, Exhibit 3.
  - a. Explain why the Company is proposing to increase the residential monthly customer service charge from \$13.27 to \$17.53, or a 32.1% increase.
  - b. Explain why each customer who resides in the Ambleside subdivision in Middlesboro, Kentucky has to pay a private fire surcharge, which is currently \$3.86 per customer, and is proposed to increase to \$5.10 per customer.
- 15. Refer to the Application, Exhibit 17. Water Service Kentucky specifies that it has 19 employees.
  - a. Provide a breakdown of each employee's position description, a general discussion of the job duties and responsibilities, and the geographical location for each position.
  - b. Refer to Water Service Kentucky's 2021 annual report, page 12 of 74, and explain why it states that the Company only has 12 full-time employees instead of 19 employees.<sup>1</sup>
  - c. Refer to Water Service Kentucky's 2021 annual report, page 13 of 74, and confirm that of the eight contacts including officers and managers listed for the Company, 100% of them have a business address outside of Kentucky.

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<sup>1</sup> [https://psc.ky.gov/UFR\\_PDF/%5CWater%5C2021%5C6000800\\_Water\\_Service\\_Corporation\\_of\\_Kentucky.pdf](https://psc.ky.gov/UFR_PDF/%5CWater%5C2021%5C6000800_Water_Service_Corporation_of_Kentucky.pdf).

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- d. Refer to Water Service Kentucky's 2021 annual report, page 11 of 74, and explain whether it was an error to list the counties that the Company provides water service to as Bell, Clinton, and Hickman.
16. Refer to the Application, Exhibit 31. Provide a general description for each outside expense that is listed, and indicate whether each expense is included or excluded in the proposed rates.
17. Refer to the Application, Exhibit 32.
- a. Provide an explanation for the increase in base wages in the base period from \$756,228 to \$821,306 in the forecast period.
  - b. Provide an explanation for the increase in overtime wages in the base period from \$40,857 to \$44,675 in the forecast period.
  - c. Provide an explanation for the increase in holiday wages in the base period from \$52,385 to \$58,714 in the forecast period.
  - d. Provide an explanation for the increase in deferred compensation in the base period from \$10,756 to \$11,163 in the forecast period.
  - e. 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. Provide an explanation for the increase in 401K Match in the base period from \$20,554 to \$37,276 in the forecast period.
  - g. Provide an explanation for the increase in Health Insurance, Net in the base period from \$155,805 to \$188,595 in the forecast period.

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- h. 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. Provide an explanation for the increase in FICA in the base period from \$64,037 to \$69,712 in the forecast period.
  - j. 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.
  - k. Provide an explanation for the \$52,197 amount located in the Base Wages row, and under the President Base Period column.
  - l. Provide an explanation for the \$43,763 amount located in the Base Wages row, and under the President Forecast Period column.
18. Refer to the Direct Testimony of Seth Whitney (“Whitney Testimony”), page 1.
- a. Explain how Mr. Whitney is both President of Water Service Kentucky and Cleveland Thermal.
  - b. Provide a general description of Cleveland Thermal, and explain whether Cleveland Thermal is an affiliate of Water Service Kentucky.
  - c. Provide the percentage of time that Mr. Whitney is physically at his Middlesboro, Kentucky office versus his office in Cleveland, Ohio.
  - d. Explain in detail whether Mr. Whitney resides in Kentucky or Ohio.
  - e. Explain whether the prior President of Water Service Kentucky was also the President of Cleveland Thermal.
  - f. Explain how Mr. Whitney’s salary and benefits are allocated between Water Service Kentucky and Cleveland Thermal.

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19. Refer to the Whitney Testimony, page 2, in which Mr. Whitney states that Water Service Kentucky provides water service to approximately 6,160 water customers. Reconcile this statement with the Application, page 2, paragraph 4, stating that Water Service Kentucky provides water service to approximately 6,147 customers.

20. Refer to the Whitney Testimony, page 3.

a. Mr. Whitney states that since the last rate case, the Company will have made approximately \$2.2 million in capital investment in Kentucky that is not yet reflected in rates. Provide a breakdown of the approximate \$2.2 million including a general description of each specific project, necessity of the project, and monetary amount for each specific project.

b. Mr. Whitney states that “under present rates and with good management” Water Service Kentucky is not able to cover its operating costs and earn a reasonable return on its investments. Explain in detail what steps management has taken since the Company’s last rate increase on December 22, 2020, to control costs and rein in expenses.

21. Refer to the Whitney Testimony, pages 4 – 7.

a. Mr. Whitney asserts that Water Service Kentucky is a wholly-owned subsidiary of CRU, and that CRU owns water and sewer utilities in 17 other states. Provide a detailed list of all of the water and sewer utilities that CRU owns broken down by state.

b. Mr. Whitney states that WSC is also a wholly-owned subsidiary of CRU, and provides necessary services to Water Service Kentucky pursuant to a contract.

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- i. Provide a list of services that WSC provides to Water Service Kentucky. Include a description as to why each service could not be handled internally by Water Service Kentucky more cost effectively.
  - ii. Explain whether Water Service Kentucky has recently analyzed the cost to either hire in-house operations or third-party vendors versus the costs allocated from WSC and Corix Corporate Support Services for comparable services.
- c. Mr. Whitney asserts that as president of Water Service Kentucky and Cleveland Thermal, he reports to Steve Lubertozi, who is Senior Vice President of CRU's North Region. Mr. Whitney further states that Mr. Lubertozi reports to the Chief Operating Officer of CII, Catherine Heigel. Explain why CRU is reporting to CII.
- d. Mr. Whitney states that the costs of WSC is shared among Water Service Kentucky and the other operating companies. Provide the names of the entities that share in WSC's costs, and the allocation factor that is assigned to each entity.
- e. Mr. Whitney contends that there are measures employed to control the costs of the support services that Water Service Kentucky receives from the Corix companies.
  - i. Explain in detail the measures that are employed.
  - ii. Explain in detail whether Water Service Kentucky has ever refused to pay for an allocation from WSC or the Corix group of companies. If so, provide a detailed list of all allocations that Water Service Kentucky has refused to pay, and explain why each item was not paid.

22. Refer to the Whitney Testimony, page 8.



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- a. Mr. Whitney states that according to a wage and salary study, there will be increases in base salary, on-call/call-out pay, expanded employee recognition and award platforms, and an allowance for paid time-off to volunteer in the community.
  - i. Explain in detail the planned increases in base salary.
  - ii. Explain in detail the planned increases in on-call/call-out pay.
  - iii. Explain in detail the expanded employee recognition and award platforms.
  - iv. Explain in detail the allowance for paid time-off to volunteer in the community.

23. Refer to the Whitney Testimony, pages 9 – 10.

- a. Mr. Whitney states that Water Service Kentucky’s purpose is to help people enjoy a better life and to help communities thrive. Mr. Whitney further states that the Company’s vision is to be the preferred utility delivering solutions the customers want. Explain in detail whether Water Service Kentucky believes it is helping its customers and communities by filing for three large rate increases since 2018.
- b. Explain how Water Service Kentucky plans to improve stakeholder awareness and collaboration.
- c. Explain how Water Service Kentucky plans to pursue growth.
- d. Explain how Water Service Kentucky intends to manage business costs.
- e. Mr. Whitney characterizes the Company’s performance as “excellent” in maintaining high quality water, reducing water quality issues, maintaining high customer satisfaction, completing field activities on time, and community participation.

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- i. Provide all studies and/or analyses that Mr. Whitney is relying upon when assessing the Company's performance as "excellent" in the above-referenced categories.
  - ii. Provide further detail as to why the Company's performance is "excellent" in each of the above-referenced categories.
- f. Mr. Whitney characterizes the Company's performance as "good, showing improvement" in driver safety, improving the Company's on-time and accurate meter reads, and increased customer participation in new online platforms and options.
  - i. Provide all studies and/or analyses that Mr. Whitney is relying upon when assessing the Company's performance as "good, showing improvement" in the above-referenced categories.
  - ii. Provide further detail as to why the Company's performance is "good, showing improvement" in each of the above-referenced categories.

24. Refer to the Whitney Testimony, pages 10 - 11. Mr. Whitney asserts that the proposed AMI meter rollout will improve meter-reading accuracy, facilitate the prompt identification of leaks, eliminate the need for manual meter reads and reduce truck rolls, and allow for redeployment of staff to more important tasks."

- a. Explain how the proposed AMI meter rollout would improve meter-reading accuracy.
- b. Explain how the AMI meter rollout would facilitate the prompt identification of leaks.

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- c. Explain how Water Service Kentucky envisions redeploying staff to more important tasks. Ensure to include in the discussion examples of the “more important tasks.”

25. Refer to the Whitney Testimony, page 11.

- a. Mr. Whitney states that in order to enhance the customers’ engagement and connection with the Company, Water Service Kentucky updated the company logo. Explain how updating the company logo enhances the customer’s engagement and connection to Water Service Kentucky.
- b. Mr. Whitney asserts that the Company maintains a relationship with local city leadership to keep them informed. Explain in detail how Water Service Kentucky maintains a relationship with local city leadership, and the steps that the Company takes to keep them informed.

26. Refer to the Whitney Testimony, page 11. Provide a copy of the Net Promoter Score (“NPS”) survey.

27. Refer to the Whitney Testimony, page 13.

- a. Explain in detail why the Company no longer contractually provides wastewater services for Clinton.
- b. Mr. Whitney asserts that Water Service Kentucky wants to appropriately balance reliable service and affordable rates for the customers. Explain in detail how filing for three large rates cases since 2018 will allow for affordable rates.
- c. Based upon the most recent United States Census information, the poverty rates for the Company’s service area are as follows:

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Hickman County – 20.9%

Bell County – 29.8%.<sup>2</sup>

Confirm that Water Service Kentucky is aware of the extreme poverty that exists in its service territory.

28. Refer to the Direct Testimony of James Kilbane (“Kilbane Testimony”), page 2.

- a. Explain how Mr. Kilbane is both the Financial Planning and Analysis Manager of Water Service Kentucky and Cleveland Thermal.
- b. Provide the percentage of time that Mr. Kilbane is physically at his Middlesboro, Kentucky office versus his office in Cleveland, Ohio.
- c. Explain in detail whether Mr. Kilbane resides in Kentucky or Ohio.
- d. Refer to Water Service Kentucky’s 2021 annual report, and explain why Mr. Kilbane’s email listed is associated with Cleveland Thermal and not Water Service Kentucky.
- e. Explain how Mr. Kilbane’s salary and benefits are allocated between Water Service Kentucky and Cleveland Thermal.

29. Refer to the Kilbane Testimony, page 8, in which he refers to Equivalent Residential Connections as ERCs. Refer also to the Application, page 2, in which Water Service Kentucky refers to Equivalent Residential Customers as ERCs. Explain whether Equivalent Residential Connections are the same or different from Equivalent Residential Customers.

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<sup>2</sup> <https://www.census.gov/quickfacts/fact/table/KY,US/PST045221>

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30. Refer to the Kilbane Testimony, page 15, in which he asserts that Water Service Kentucky is requesting the rate case expense to be allowed recovery in the rates, and amortized over 36 months.

- a. Provide the total rate case expense that has been accrued thus far. Consider this a continuing request.
- b. Provide a breakdown of the total rate case expense that has been accrued thus far by category.
- c. Provide copies of invoices supporting the level of incurred rate case costs to date and supply such new invoices as they become available.
- d. Provide the estimated total rate case expense.
- e. Provide a breakdown of the estimated total rate case expense.

31. Refer to the Kilbane Testimony, page 15.

- a. Explain why Water Service Kentucky has a Railroad Easement fee, and provide a copy of the corresponding agreement regarding the same.
- b. Water Service Kentucky added a CPI inflator of 8.5% to the Railroad Easement fees. Provide the date when Water Service Kentucky will know the actual amount that the Railroad Easement fees will increase, if at all.
- c. Explain why the Middlesboro workshop fee was increased by a 3% inflation assumption.

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32. Refer to the Kilbane Testimony, page 21, in which Mr. Kilbane states that “[w]ith regard to pro-forma depreciation expense on computer assets in this proceeding: Petitioner is seeking approval to reestablish computer asset net book values using the Commission’s recommended deprecation rates for this class of asset.” Explain this request in detail. In the response, ensure to discuss whether Mr. Kilbane is referring to Project Phoenix computer assets, in which the Commission has repeatedly denied recovery in the past, or any computers that the Commission previously ruled were already fully depreciated.
33. Refer to the Application generally. Confirm whether Water Service Kentucky is requesting any costs associated with the J.D. Edwards financial software system or the Oracle customer care and billing system to be included in the revenue requirement in the pending rate case. If so, identify the costs included in the revenue requirement by amount and by type.
34. Refer to the Kilbane Testimony, page 25.
- a. Explain why it is necessary for the Fusion project to be given regulatory asset treatment.
  - b. Provide a breakdown of the \$22,803 in incurred costs for the proposed regulatory asset along with the dates that each of the costs were incurred.
35. Refer to the Kilbane Testimony, page 26.
- a. Provide the total monetary amount that Water Service Kentucky has been allocated for the Oracle Fusion Enterprise Resource Planning system.
  - b. Specify how many years Water Service Kentucky customers will pay for the Oracle Fusion Enterprise Resource Planning system in rates.

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36. Refer to the Kilbane Testimony, page 27. Explain how the proposed annualized revenue requirements for 2023 – 2027 equal to the approximately \$1.7 million in estimated capital costs for the AMI project.
37. Refer to the Direct Testimony of Shawn M. Elicegui (“Elicegui Testimony”), page 5.
- a. Mr. Elicegui states that Water Service Kentucky does not have any employees, and appears to indicate the local Kentucky employees are employed by WSC. Explain why Water Service Kentucky does not employ the local Kentucky employees.
  - b. Mr. Elicegui states there are 13 employees dedicated exclusively to providing service to Water Service Kentucky’s customers. Explain whether these 13 employees are the local employees stationed in Kentucky.
  - c. Mr. Elicegui states there are 6 regional employees who support utility services provided to customers in Kentucky. Provide the job title, job description, percentage of time that each employee works on Water Service Kentucky’s projects, and location of each employee.
38. Refer to the Elicegui Testimony, pages 7 - 9. Explain in full detail why Corix Corporate Support Services is employed by two different corporations (WSC and CII) instead of by one corporation.
39. Refer to the Direct Testimony of Patrick L. Baryenbruch (“Baryenbruch Testimony”), page 5.
- a. Explain why Corporate Support Services and WSC are billing Water Service Kentucky separately if all overhead functions are supposed to be streamlined and merged.

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- b. Provide a detailed list and explanation regarding the different services that Corix Corporate Support Services and WSC provide to Water Service Kentucky.
  - c. Due to WSC providing all of the necessary overhead functions for Water Service Kentucky in the past, explain why the Commission should approve additional costs being allocated to the Company by Corix Corporate Support Services.
40. Refer to the Direct Testimony of Quentin M. Watkins (“Watkins Testimony”), page 3. Mr. Watkins states that he and the Company identified 19 employee positions that were determined to be relevant for the market salary and benefits study, including 6 positions that are allocated in part to Water Service Kentucky by its parent company Corix, and 13 positions which are directly employed by Water Service Kentucky.
- a. Reconcile this statement with Mr. Elicegui’s aforementioned statement that Water Service Kentucky does not have any employees. Explain the response in detail.
  - b. Explain which Corix entity Mr. Watkins is referencing in the above statement.
41. Refer to the Watkins Testimony, page 4.
- a. Confirm that according to the Wage and Benefit Study, as of 2023, Water Service Kentucky’s projected base compensation will be 3% above market midpoint averages.
  - b. Mr. Watkins states that the total compensation in 2022 including salary and health and retirement benefits costs are 7% above the market midpoint. Provide the results for the total compensation including salary and health and retirement benefit costs for 2023.
42. Refer to the Direct Testimony of Colby Wilson (“Wilson Testimony”), page 5.



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- a. Expound upon the leak detection measures that Water Service Kentucky's operations staff conducts.
  - b. Explain the process of monitoring storage tank levels through SCADA.
  - c. Provide Water Service Kentucky's annual water loss percentage for 2017, 2018, 2019, 2020, 2021, and thus far for 2022.
43. Refer to the Wilson Testimony, page 6.
- a. Mr. Wilson asserts that the Company has received 23 water quality complaints in the past 17 months related to "discoloration or taste and order concerns." Explain whether Mr. Wilson intended to state "order concerns" or if this is a typographical error, and if so, provide the correct word.
  - b. Mr. Wilson states that the discoloration complaints may have been due to possible iron leaching from unlined cast-iron water mains. Explain in detail how Water Service Kentucky addressed the discoloration issue.
  - c. Provide a general description and resolution for each of the 23 water quality complaints.
44. Refer to the Wilson Testimony, page 8.
- a. Explain in detail why the proposed Clinton Main Replacement is necessary at this time. Ensure to include in the discussion how the project will provide a loop in the system, and improve water quality to this section of the community.
  - b. Provide the make, model, mileage, and estimated value of the two vehicles that are proposed to be replaced with new vehicles.

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- c. Explain in detail whether Water Service Kentucky intends to sell the two older vehicles, and if so, how it will apply those funds.
  - d. Provide the make, model, and mileage of the two vehicles that Water Service Kentucky proposes to purchase.
45. Refer to the Application generally. Provide the projected lifespan of Water Service Kentucky's current Automated Meter Reading ("AMR") meters and related infrastructure.
46. Refer to the Application generally.
- a. Provide the remaining useful life of the existing AMR infrastructure. If the existing AMR system has not been fully depreciated, explain: (i) how Water Service Kentucky proposes to recover those stranded costs; and (ii) whether the stranded costs were taken into consideration in any cost-benefit analysis the Company may have conducted.
  - b. If the existing AMR system has not been fully depreciated, provide the plant in service, accumulated depreciation, and net book value of the AMR system as of December 31, 2021, the most current month with actual information and projected as of December 31, 2022, and December 31, 2023.
47. Explain whether Water Service Kentucky conducted any cost-benefit analyses regarding the proposed AMI system, or any component parts thereof, which is the subject of the Company's CPCN application in the instant docket. If so:
- a. Provide a copy of all such analyses;
  - b. Ensure that the analyses indicate the source of all cost savings that the AMI deployment will provide; and,

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- c. Explain whether the analyses included potential savings derived from enhanced leak detection capability of an AMI system.
- 48. Provide all technical specifications of the AMI meters that Water Service Kentucky proposes to procure.
  - a. Provide all technical specifications of all component parts of the proposed AMI system, including back-haul equipment and communication modules.
- 49. Provide the expected lifespan of the AMI meters that Water Service Kentucky proposes to procure.
- 50. Explain whether the communications modules for the proposed AMI meters are built-into the meter, or are a separate component.
  - a. If a separate component, provide the expected lifespan of the module.
  - b. If the battery for the communications module is a separate component, provide the projected lifespan of the battery for the communications module.
- 51. Identify the utility(ies) that provides electric service to Water Service Kentucky's service territory.
- 52. Explain the measures Water Service Kentucky took to determine whether any existing communications networks in the Company's service territory have the capabilities of transmitting data between the AMI meters (once deployed) and the Company's offices. In addition, provide the results of any due diligence conducted in this regard.
- 53. Explain whether Water Service Kentucky has considered conducting its Request for Proposals regarding the AMI metering infrastructure on a joint basis with other neighboring water utilities. If not, why not?

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54. Explain whether Water Service Kentucky conducted any due diligence as to utilizing a new all-AMR meter reading system, together with attendant costs. If not, why not?
- a. If Water Service Kentucky conducted any such due diligence, provide all such results.
  - b. Provide a discussion regarding all other alternatives Water Service Kentucky considered.
55. Provide a discussion regarding the degree to which the proposed new AMI infrastructure will be compatible with Water Service Kentucky's current billing, customer service, and other systems. Include in your discussion the extent to which Water Service Kentucky considered interoperability between its existing systems and the proposed AMI infrastructure, together with the potential for obsolescence.
56. Explain whether any of Water Service Kentucky's meters are located in underground vaults. If so, provide a discussion on the difficulties involved with creating an RF network capable of receiving all transmissions from underground meters.
57. In the event the Commission grants the CPCN, explain what Water Service Kentucky will do with its current meter reading personnel. Provide also the monetary savings in meter reading expense Water Service Kentucky expects to achieve through the deployment of the AMI metering infrastructure, and explain whether any of those savings will be related in any manner to the current meter reading personnel. Finally, detail any projected meter reading expense savings included in the Company's filing.
58. Explain whether Water Service Kentucky anticipates utilizing any remote shut-off valves after the AMI infrastructure is installed.

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59. Explain whether Water Service Kentucky anticipates providing to customers any sort of portal or other means to access the customers' usage data.
60. Reference the Wilson Testimony, page 10, wherein he discusses the MyUtilityConnect app to which customers will have access. Explain: (i) how this access will be provided; (ii) over which electronic devices the app will function; and (iii) whether customers will incur any additional costs for using this app, and if so, how much.
61. Refer to the Application generally. In the event the Commission grants the proposed CPCN, explain whether Water Service Kentucky proposes to maintain its current meter testing program.
62. Reference the Wilson Testimony, page 10, lines 15 – 16. Explain the meaning of the sentence, “Manual read meters have begun being installed in the system in 2022 with full retro fit ability.”
- a. Explain why the Company would use what sounds like an interim type of meter before receiving approval to install the proposed AMI infrastructure.
  - b. Explain the additional cost that will be incurred in transitioning from the current AMR metering technology to the “manual read meters.”
63. Refer to the Commission's recent final Orders in Case No. 2021-00190 at 15, and in Case No. 2021-00214 at 18 – 20, regarding the requirements to file lead/lag studies with all non-cash items removed in order to properly determine the level of cash working capital. Provide a lead/lag study with all non-cash items removed.

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64. Provide a copy of the summary pages for all cash working capital lead/lag studies submitted by or on behalf of Water Service Kentucky affiliates in other rate proceedings in other jurisdictions over the last five years and identify the states and case citations for each.
65. Provide a copy of each incentive compensation plan that was in effect during 2021 and 2022 and describe all modifications projected for the test year, if any.
66. Provide the amount of incentive compensation expense pursuant to the each incentive compensation plan included in the test year revenue requirement for each target metric used for this plan during the test year. Separately provide the costs incurred directly by the Company and the costs incurred through affiliate charges from each affiliate. In addition, provide these amounts by O&M and/or A&G expense account and/or capital account.
67. Provide the incentive compensation target metrics for the Company and each other affiliate allocating costs to Water Service Kentucky applicable to the test year, describe how they are calculated and the source of the data used for the calculations, and provide the Company and each affiliate's actual performance against each of these metrics in the test year.
68. Provide the amount of Supplemental Executive Retirement Plan ("SERP") costs included in the test year O&M expenses. Provide the amounts broken down between Water Service Kentucky directly incurred costs and costs allocated separately from each other affiliate.
69. Provide a schedule of the amortization expense associated with each regulatory asset for each year 2018 through 2021, 2022 to date, and the test year. Provide the balance of each regulatory asset at the beginning and end of each of those years, the amortization expense recorded in each of those years, and the authorized amortization period. In addition, source

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the amortization period to the Case No. in which the Commission approved the recovery and the amortization period, if any.

70. Provide a schedule that shows the per books accumulated deferred income tax (“ADIT”) by account/subaccount and by temporary difference at the end of each month December 2020 through the most recent month with available data. Provide the amounts on the books of Water Service Kentucky and the amounts that are allocated from WSC and/or other affiliates.
71. Provide a schedule that shows the projected ADIT by account/subaccount and by temporary difference at the end of each month for the 13 month test year, December 2022 through December 2023. Provide the amounts projected to be on the books of Water Service Kentucky and the amounts projected to be allocated from WSC and/or other affiliates.
72. Refer to the Kilbane Testimony, page 24, regarding the makeup of the ADIT balance forecast for the base and test periods starting with the per books balances as of December 31, 2021. Refer also to the Kilbane Testimony, page 22, regarding the restatement of depreciation expense and net book value using the Commission’s authorized depreciation rates. Refer finally to the reflection of ADIT adjustments and resulting balances found in the Application, Exhibit 28, Schedule A, page 3.

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- a. Indicate whether the Company made a proforma adjustment to increase ADIT based on the restatement of net book value using the Commission’s authorized depreciation rates that it performed. If not, explain why not since there would be a higher book versus tax depreciation amount following the restatement. If so, indicate the amount of the adjustment to ADIT for this purpose and describe how it was made, citing to as filed schedules.
  - b. Refer to the column entitled “2021 Provision Adjustment” related to ADIT accounts 255001 and 255002 in the Application, Exhibit 28, Schedule A, page 3. Describe all aspects of these adjustments and why they were reflected as such in this schedule.
73. Refer to the summary of depreciation expense found in the Application, Exhibit 29.19.
- a. Provide the workpapers associated with this exhibit in electronic format with all formulas in place used to derive the forecast period amounts by account. If already provided, cite to the file name and worksheet tab location.
  - b. Explain why there are large increase adjustments to computer equipment accounts 710504 and 710602 if the longer Commission authorized service lives are being utilized to compute expense.
74. Refer to the Application, Exhibit 26, showing income statement and balance sheet allocation amounts from affiliates. Explain all reasons why there are no ADIT allocation amounts reflected in the balance sheet allocations from WSC.



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75. Refer to Water Service Kentucky's response to the Commission Staff's First Request for Information ("Commission Staff's First Request"), Item 14, wherein the Company stated it had not recorded any Excess ADIT due to the Tax Cut and Jobs Act. Refer also to the comparative balance sheet information provided in the Application, Exhibit 38, page 3, and the ADIT amounts depicted on line 65. Refer further to the same page in Exhibit 38 and to the Operating Income amount reflected on line 73. The ADIT at the end of 2016 was \$1,050,146 and it decreased to only \$669,763 at the end of 2017. Operating income was \$149,928 during 2016 and increased to \$640,419 during 2017.

a. Indicate whether the Company reduced the amount of ADIT at the end of 2017 and recorded the adjustment as an increase to income for 2017. If so, explain why it did so instead of recording a regulatory liability to return Excess ADIT to customers. If not, explain why the Company has not recorded Excess ADIT as a regulatory liability.

b. If the Company made an adjustment to the ADIT balance at the end of 2017 related to the Tax Cut and Jobs Act, provide the accounting entry(ies) that were made at that time to record the adjustment(s).

76. Provide a schedule that shows the projected Excess ADIT due to the Tax Cut and Jobs Act by account/subaccount at the end of each month for the 13 month test year, from December 2022 through December 2023. In addition, indicate how the Excess ADIT and amortization thereof is reflected in the test year filing. If not reflected in the test year filing, explain why.

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77. Provide a copy of the Water Service Kentucky trial balances by month from December 31, 2019, through December 31, 2021, and for each month available in 2022 for all balance sheet and income statement accounts/subaccounts.
78. Refer to the Application generally. Confirm whether Water Service Kentucky is requesting any costs associated with Project Phoenix to be included in the revenue requirement in the pending rate case. If so, identify the costs included in the revenue requirement by amount and by type.
79. Refer to the Whitney Testimony, page 3. Provide a breakdown of the \$2.2 million of capital investments projected that are not included in rates in a format similar to Exhibit 10, which provides an identification of all non-recurring investments.
80. Refer to the comparative income statement information provided in the Application, Exhibit 33. Describe all known major reasons why operating expenses on line 4 increased by \$474,033 (\$2,855,773 - \$2,381,740), approximately 19.9% from 2020 to 2021.
81. Refer to the Whitney Testimony, page 13, regarding no longer providing wastewater services for Clinton as of December 31, 2021.
- a. Provide the amount of revenue and expenses related to these services for each of the years 2018 through 2021 by account number.
  - b. Indicate whether there was any reduction in staffing or other operating expenses related to no longer providing such services. If none, explain the response in detail.
  - c. Explain why such services are no longer contractually provided and describe in more detail the services that had been provided.
  - d. Provide a copy of the expired contract related to these services.

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82. 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 calendar years 2017 through 2021, for the base year, and for the test year.
83. Refer to the TIER 1 and TIER 2 allocations of affiliate costs for the base year and forecast test year provided in the Application, Exhibit 29, Schedule C.
- a. Provide the affiliate charges to Water Service Kentucky by account during 2020, 2021, and for each month in 2022 with available information separated into direct charges, direct assignments, and via each individual allocation factor. Provide in electronic format with all formulas intact.
  - b. Provide the data used by WSC and Corix to calculate the percentage allocations to each affiliate for each allocation method applicable to charges to Water Service Kentucky during 2020, 2021, 2022 to date, and the test year. Provide in electronic format with all formulas intact.
  - c. Provide the computations used by WSC and Corix to calculate the percentage allocations to each affiliate for each allocation method in electronic format with all formulas intact applicable to charges for 2020, 2021, 2022 to date, and the test year. Provide in electronic format with all formulas intact.
  - d. Starting with the beginning of 2020 and projected through the end of 2023, indicate all affiliates that have been or expected to be added or removed from the allocation process. Identify the affiliates and effective dates of these changes.

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84. Refer 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 which depict the same level of detail for each of the calendar years 2017 through 2021, for the base year, and for the test year.
85. Refer to the Kilbane Testimony, page 8, regarding historical Equivalent Residential Connections (“ERCs”) and usage per ERCs from 2013 through 2022 used to project ERCs and usage during the test year. Provide the historic amounts referenced and the calculations of the (0.46%) decline trend for ERCs and the (0.30%) decline trend for usage per ERC in electronic format with all formulas intact.
86. Refer to the Kilbane Testimony, page 9, regarding the average percentage for uncollectible accounts of 3.93% and to the Application, Exhibit 29.2. Refer also to the bad debt reserve data included in Water Service Kentucky’s Excel attachment response to Commission Staff’s First Request, Item 13, entitled “PSC\_DR\_1-13\_-Bad\_Debt\_Expenses” and to the calculation of the three year average of 3.93% included in the Excel attachment response to the Commission Staff’s First Request, Item 50 entitled “PSC\_DR\_1-50\_-Bad\_Debt\_Expense\_Calc.”
- a. Describe what is meant by Line 2 Base Period Uncollectible Accounts of \$127,833.97 in the Application, Exhibit 29.2. In other words, indicate whether that

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is the amount of accounts written off or the provision for expense during the base period or whether it represents something else.

- b. Explain why the current year provision amounts in column D for each year in the bad debt reserve summary (“PSC\_DR\_1-13\_-Bad\_Debt\_Expenses”) do not match the bad debt expense amounts found in the attachment to Commission’s Staff First Request, Item 50 entitled “PSC\_DR\_1-50\_-Bad\_Debt\_Expense\_Calc.” for each year recorded in accounts 61571 – Bad Debt Expense, 627100 – Bad Debt Expense, and 627300 – Uncollectible Accounts Accrual.
- c. Refer to the attachment to Commission’s Staff First Request, Item 50 entitled “PSC\_DR\_1-50\_-Bad\_Debt\_Expense\_Calc.” and further to the annual data included in account 627300 – Uncollectible Accounts Accrual. Explain why an amount of \$202,414 is included in this account in 2021, but there were no amounts included for this account in 2019 and 2020. In addition, explain what the amounts in this account represent.
- d. Refer to the attachment to the Commission Staff’s First Request, Item 50 entitled “PSC\_DR\_1-50\_-Bad\_Debt\_Expense\_Calc.” Provide the same data by revenue and expense account for 2017 and 2018, including the average bad debt expense calculation for those years.
- e. Provide the percentage of uncollectible accounts for each individual year 2017 through 2021 and to date in 2022. In addition, provide these percentage calculations in electronic format with all formulas intact.

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- f. If the calculated 3.93% exceeds calculated bad debt expense amounts prior to the pandemic, explain why the Company projects such a high percentage of uncollectible accounts.
87. Provide a schedule showing the beginning balance of the uncollectible accounts reserve, bad debt expense, bad debt recoveries (recapture), and ending balance uncollectible accounts reserve for each calendar year 2017 through 2021 and for each month during 2022 with available information.
88. Refer to the Application, Exhibit 29.1, which shows service revenues and uncollectible accounts for the actual and estimated portions of the base year. Explain all known reasons why the uncollectible accounts expense is only 2.16% ( $\$35,906.31/\$1,662,014.76$ ) for the actual first six months of the base year and increases significantly to 5.78% ( $\$91,927.66/\$1,592,451.24$ ) for the projected second six months of the base year, especially when actual revenues during the first six months are greater than those for the projected second six months.
89. Refer to the Excel attachment entitled “PSC\_DR\_1-49\_Exhibit\_35\_-\_Schedule\_A\_-\_Cost\_of\_Capital\_Summary\_v2” provided in response to the Commission Staff’s First Request, Item 49.
- a. Provide the basis of the interest rate associated with the \$80 million revolver and describe whether it is variable or fixed.
  - b. Provide the current month interest rate for the \$80 million revolver.

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- c. Describe the Company's plan to reduce the revolver balance to zero as of the end of the base year and immediately issue two \$50 million debt issuances with projected coupon interest rates of 4.05% and 4.30%.
  - d. Provide the basis for the differing projected coupon interest rates of 4.05% and 4.30% for the two \$50 million debt issuances projected during the same month. Include in the description how the Company projects the interest rate will be determined.
90. Refer to the Application, Exhibit 29.1, which shows service revenues for the actual and estimated portions of the base year and for the forecast year.
- a. Explain all reasons why revenues are projected to decrease by approximately \$70K during the last six months of the base year compared to the first six months, even though the summer months are included in those last six months of the base year.
  - b. Explain all reasons why revenues are projected to decrease in the base year and test year by approximately \$152K and \$144K, respectively, compared to the actual revenues reflected in 2021.
  - c. Indicate the effective date of the base rate increase associated with Case No. 2020-00160.
  - d. Indicate the annual effect in revenues of the rate increase authorized as part of Case No. 2020-00160 based on both 2021 actual water sales, base year sales, and test year forecast water sales.
91. Refer to the Application, Exhibit 29.1, which shows service revenues for the actual and estimated portions of the base year and forecast year. Provide a schedule which shows the

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monthly service revenues and net water volume sales amounts recorded by month for 2019, 2020, 2021, and for each month in 2022 with available information. Consider this an ongoing request for supplemental data as it becomes available throughout the remainder of this case.

92. Refer to the Kilbane Testimony, page 8, regarding the base year customer usage forecast based on the average for the last 15 months (January 2021 through March 2022). Provide all inputs and the calculation in electronic format with all formulas intact.
93. Refer to the Application, Exhibit 29, Schedule A, page 6 of 6, which shows historical and projected revenue statistics.
  - a. Provide in the same format the monthly actual and projected data for each month in the as-filed base year. Provide in electronic format with all formulas in place.
  - b. Provide in the same format the monthly actual data for each month April 2022 through the most recent month with available data. Provide in electronic format with all formulas in place.
  - c. Explain all known reasons why the sum of the water sales for all classes in thousands of gallons is much lower in 2021 as compared to each of the other years, 2017-2020, with historical information provided.



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94. Refer to the Application, Exhibit 29.7, which shows among other things the maintenance & repair expenses by account for the actual and estimated portions of the base year. Refer to the amounts for the following accounts for the actual first six months of the base year and for the projected second six months of the base year. For each listed account, explain all known reasons why the expense amount is so much greater in the projected last six months of the base year than in the first six months of the base year that included actual amounts.

	<u>Account</u>	<u>Base Year Actuals First Six Months</u>	<u>Base Year Projected 2<sup>nd</sup> Six Months</u>	<u>Increase Amount</u>
a.	512002	\$2,608.18	\$8,762.82	\$6,154.64
b.	512003	\$695.40	\$3,355.60	\$2,660.20
c.	512014	\$978.65	\$5,115.35	\$4,136.70
d.	512022	\$0	\$7,950.00	\$7,950.00
e.	512900	\$10,467.58	\$22,821.07	\$12,353.49
f.	513900	\$4,573.63	\$8,860.11	\$4,286.48

95. If not already addressed in the response to subpart d. of the previous question, describe in detail the “Other Contracted Workers” in account 512022 amounting to \$7,950.00 in expense projected in the base year and the test year and indicate whether this is a new expense and explain why it is added.

96. Refer to the Application, Exhibit 29.9 which shows among other things the chemical expenses by account for the actual and estimated portions of the base year. Refer to the amounts for the following accounts for the actual first six months of the base year and for

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the projected second six months of the base year. For each listed account, explain all known reasons why the expense amount is so much greater in the projected last six months of the base year than in the first six months of the base year that included actual amounts.

	<u>Account</u>	<u>Base Year Actuals First Six Months</u>	<u>Base Year Projected 2<sup>nd</sup> Six Months</u>	<u>Increase Amount</u>
a.	514001	\$15,468.51	\$23,469.00	\$8,000.49
b.	514900	\$24,382.36	\$37,537.64	\$13,155.28

97. Refer to the Application, Exhibit 29.14, which shows among other things the pensions and other benefits expenses by account for the actual and estimated portions of the base year and for the test year.

- a. Explain all reasons why the 401K Profit Sharing expense in account 531001 is projected to increase by approximately 26.1% (\$5,786.34 increase/\$22,170.94) from the base year to the test year.
- b. Explain all reasons why the 401K Match expense in account 531002 is projected to increase by approximately 81.4% (\$16,722.81 increase/\$20,553.57) from the base year to the test year.
- c. Explain all reasons why Employee Insurance Deductions expense in account 532005 is projected to be \$0 in the test year, when the amount projected for the base year equals (\$48,778.12), which is the equivalent of an increase in expenses of \$48,778.12 in the test year.
- d. Confirm that the Company does not participate in any defined pension and/or OPEB benefit plans. If not confirmed, explain since there are no specific accounts listed for those purposes.

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98. Refer to the Application, Exhibit 29.15 which shows among other things the rent expenses by account for the actual and estimated portions of the base year. Refer to the amounts for the following account for the actual first six months of the base year and for the projected second six months of the base year. For the listed account, explain all known reasons why the expense amount is so much greater in the projected last six months of the base year than in the first six months of the base year that included actual amounts.

<u>Account</u>	<u>Base Year Actuals First Six Months</u>	<u>Base Year Projected 2<sup>nd</sup> Six Months</u>	<u>Increase Amount</u>
571100	\$4,333.34	\$14,445.00	\$10,111.66

99. Refer to the Application, Exhibit 29.16, which shows among other things the insurance expenses by account for the actual and estimated portions of the base year. Refer to the amounts for the following account for the actual first six months of the base year and for the projected second six months of the base year. For the listed account, explain all known reasons why the expense amount is so much greater in the projected last six months of the base year than in the first six months of the base year that included actual amounts.

<u>Account</u>	<u>Base Year Actuals First Six Months</u>	<u>Base Year Projected 2<sup>nd</sup> Six Months</u>	<u>Increase Amount</u>
560400	\$0	\$14,152.18	\$14,152.18

100. Refer to the Application, Exhibit 29.18, which shows among other things the miscellaneous expenses by account for the actual and estimated portions of the base year. Refer to the proforma adjustment in the test year for account 629900 “Other Misc Expense” which adds \$7,975 to test year expense.

- a. Confirm that this is the amount added to the test year expense associated with the AMI project.

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- b. Explain all the components of this new expense and why each component is added to the revenue requirement.

101. Refer to the Application, Exhibit 29.22, which shows among other things the taxes other than income expenses by account for the actual and estimated portions of the base year. Refer to the amounts for the following accounts for the actual first six months of the base year and for the projected second six months of the base year. For the listed account, explain all known reasons why the expense amount is so much greater in the projected last six months of the base year than in the first six months of the base year that included actual amounts.

<u>Account</u>	<u>Base Year Actuals</u> <u>First Six Months</u>	<u>Base Year Projected</u> <u>2<sup>nd</sup> Six Months</u>	<u>Increase</u> <u>Amount</u>
641100	\$25,025.27	\$39,011.42	\$13,986.15

102. Refer to the Application, Exhibit 41, which shows the annual revenue requirements for the AMI program utilizing December 31 balances for each year 2023 through 2027.

- a. In similar format for one year, provide the revenue requirement for the AMI project for the test year based on the 13-month average rate base costs and related expense accounts included in the Company’s filing. Provide in electronic format with all formulas intact.
- b. Indicate the depreciation rate used to project depreciation expense for the AMI project investment and describe how it was determined. If there was a calculation of the rate, provide in electronic format with all formulas in place.

103. Provide a list of the Company’s vehicles which include year, make, and model. In addition, indicate on the list the two vehicles that the Company intends to replace in 2022 and 2023,

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and provide the plant in service amount and accumulated depreciation amount related to those vehicles as of the end of December 2021.

104. Refer to the Application, Exhibit 41, which shows the annual revenue requirements for the AMI program utilizing December 31 balances for each year 2023 through 2027. In similar format for one year, provide the revenue requirement for the Transmission Main Replacement project for the test year based on the 13 month average rate base costs and related expense accounts included in the Company's filing. Provide in electronic format with all formulas intact.

105. Refer to the Kilbane Testimony, page 11, regarding the depiction of "Captime" for the base and projected periods.

- a. Provide the calculation of the Base Period "Captime" amounts in electronic format with all formulas intact and describe the components of the calculation.
- b. Provide the total capital dollars and the "Captime" amounts recorded for each year 2017 through 2021 and to date during 2022.
- c. Provide the estimated "Captime" during the test year separately for the Clinton Water Main project, the AMI meter project, and all others. In addition, provide the calculation of the estimates for each in electronic format with all formulas intact.
- d. Do the "Captime" amounts include a provision for payroll taxes? If so, describe. If not, explain why not.

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106. Refer to the Kilbane Testimony, page 12, regarding the deferred maintenance costs and to the Application, Exhibit 28.8. Provide a schedule that shows the beginning and ending balances and all activity during the year for account 181002 Def Chgs – Tank Maint and Repair and account 182002 Acc. Amort -Def Chgs – Tank Maint and Repair for 2018, 2019, 2020, 2021, and through the most recent month with available data. Identify and separate the balances by specific tank maintenance project, indicate the amortization periods utilized to record amortization for each deferral project, and cite all authorities for those amortization periods.
107. Refer to the Kilbane Testimony, pages 13 and 14, regarding the computations for transportation expense applicable to the Application, Schedule 29.10. Provide the workpaper computations performed in electronic format with all formulas intact.
108. Refer to the Kilbane Testimony, page 20, regarding the computations for property tax. Provide the workpaper computations performed in electronic format with all formulas intact.
109. Refer to the Kilbane Testimony, page 26, and the Application, Exhibit 29, Schedule C, regarding the allocation of capital costs for the Fusion project.
- a. Provide the amortization period of the asset used to determine the amortization expense in the revenue requirement and explain the basis of using that period of time.
  - b. Explain why these capitalized costs are included as a non-current asset, subject to amortization, and not part of plant in service, subject to depreciation.

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110. Refer to the Baryenbruch Testimony, page 15. Expand the table to include the same information for the years 2017, 2018, and 2019.
111. Refer to the Watkins Testimony, page 4. Provide the percentage comparison to the market midpoint for each individual component of total compensation for 2022.
112. Refer to the Watkins Testimony, page 4.
- a. Provide the percentage increases for each position assumed for 2023 in order to take base compensation from 5% below the market midpoint to 3% above the market midpoint.
  - b. Provide the percentage comparison to the market midpoint for each individual component of total compensation projected for 2023.
113. Refer to the monthly variance reports provided as Exhibit 22. A number of the monthly variance reports show that salaries were lower than budget due to two open positions. Describe the positions that were open, the location of each, how long the positions were open, and whether the positions have now been filled.
114. Refer to the Kilbane Testimony, page 10, which discusses base year and forecast year estimates for salaries, taxes, and benefits for employees.
- a. Provide a detailed breakdown of the amounts estimated for the base year and forecast year by employee, including merit raises and competitive wage adjustments assumed, in electronic format with all formulas intact.

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- b. Provide the annual raise that Water Service Kentucky provided to each of its employees as well as the average for all employees for the calendar years 2017, 2018, 2019, 2020, 2021, and 2022. In addition, identify the location of each employee that received an annual raise in the calendar years listed.
  - c. Identify all bonuses that Water Service Kentucky provided to its employees for the calendar years 2017, 2018, 2019, 2020, 2021, and 2022. Identify the location of each employee that received a bonus in the calendar years listed.
115. Refer to the Wilson Testimony, page 5, and further to the tables showing the unaccounted-for-water (“UFW”) statistics for 2021 for Middlesboro and Clinton. Provide in the same format the annual UFW statistics separately for Middlesboro and Clinton for 2017, 2018, 2019, 2020, and thus far for 2022.
116. Refer to the projected balance sheet provided as Application, Exhibit 15, and further to line 53, which shows projected 2023 Other Non Current Liabilities of \$395,726. Provide a breakdown of this projected amount by individual balance and indicate whether each amount was included in rate base, and if not why not.
117. Refer to the corporate and regional income statement allocations of costs from WSC and Corix reflected in the Application, Exhibit 26. Provide the same information related to years 2016, 2017, and 2018.



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118. Refer to the allocations of balance sheet costs from WSC reflected in the Application, Exhibit 26. Provide a breakdown of the allocated long term assets of \$131,323 and long term liabilities of (\$112,056) in the forecast period and indicate whether those amounts are included in the revenue requirement. If included, explain how. If not included, explain why not.
119. Refer to the Direct Testimony of Dylan W. D'Ascendis ("D'Ascendis Testimony"). Provide all workpapers and supporting documentation used and relied upon by Mr. D'Ascendis in the preparation of his Direct Testimony, schedules, and exhibits. Provide all spreadsheets in Excel format with cell formulas intact.
120. Provide copies of all articles and publications cited by Mr. D'Ascendis in his Direct Testimony.
121. Provide Mr. D'Ascendis' exhibits in native spreadsheet format with cell formulas intact.
122. If not provided previously, provide all supporting documentation and spreadsheet analyses for Mr. D'Ascendis' size adjustment, the description of which begins on page 46 of his Direct Testimony.
123. Refer to the D'Ascendis Testimony, page 20. Provide the most recent update to the Blue Chip Financial Forecasts.
124. If not provided previously, provide all supporting spreadsheets, workpapers, and documentation for the risk premium calculations included in the D'Ascendis Testimony, Exhibit 9.5, Schedule DWD-4. Include all source data used in the calculations. Provide all spreadsheets in Excel format with cell formulas intact.

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125. Refer to the D'Ascendis Testimony, page 19, and specifically Mr. D'Ascendis' discussion of the Predictive Risk Premium Model ("PRPM").

- a. Aside from Mr. D'Ascendis, provide names of the other colleagues or rate of return witnesses who have presented the PRPM in proceedings to estimate the risk premium rate of return for regulated utilities. Include in the response the case number, regulatory jurisdiction, and year.
- b. Provide the proceedings of which Mr. D'Ascendis is aware in which regulatory commissions have accepted or rejected the PRPM. Include in the response the case number, year, and a copy of the Commission's Order.
- c. Provide evidence that the PRPM method is widely used and accepted by investors to estimate their required return on equity ("ROE") for regulated utilities.

126. Refer to the D'Ascendis Testimony, page 47, and his recommended ROE of 10.60%. Given Mr. D'Ascendis' recommended adjusted range of 10.63% - 12.72%, explain in detail how Mr. D'Ascendis arrived at his recommended ROE of 10.60%, which is 3 basis points below the low end of his recommended range.

127. Did Mr. D'Ascendis exclude any companies from his water proxy group? If so, provide the names of all companies that were excluded and the reasons for exclusion.