

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00030
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Witness: Krista E. Citron

4. Refer to the Citron Direct Testimony, pages 14-15.
 - a. Provide the estimated cost impact Kentucky-American's Paving Pilot has had on the cost of QIP 2 and QIP 3 projects.
 - b. Explain the reason for executing a second contract with a paving and restoration contractor. Does this contradict the efficiency cited in the reason for the pilot as having a single point of contact?
 - c. Identify the second paving contractor which Kentucky-American has executed an executed an agreement with.
 - d. Provide copies of the executed the paving contracts for both contractors, the request for proposals (RFP) that were issued by Kentucky-American, and all responses that Kentucky-American received that were referenced in Citron Direct Testimony, pages 14-15.

Response:

a. By contracting with a paving company directly, KAW is saving a contractor mark-up percentage that would typically be charged by a construction firm for managing a sub-contractor. When the construction firms were responsible for paving, their costs could vary from bid to bid. By executing a Master Service Agreement (MSA) with a paving company, KAW is able to negotiate a set price for paving services, which in turn helps with cost estimating at the outset of a project. Additionally, KAW's construction firms were not always able to receive immediate response from their contracted paving companies, regularly leading to the use of temporary cold patch, sometimes through an entire winter until the next paving season. Having a dedicated paving company has essentially eliminated these wait times for paving, as well as the need for temporary cold patch. Overall, KAW has seen a more predictable paving cost on QIP projects, although the extents of the required restoration are still greater than they were at the time the QIP began.

A range of contractor bid prices for 6" concrete base, 2" asphalt pavement, and temporary cold patch is shown below compared to the set pricing for the same items from KAW's primary paving company. The redacted information is confidential and is being filed pursuant to a Petition for Confidential Treatment.

| Item | Unit | Contractor Bid Prices | Paving Company |
|------------------|------|-----------------------|----------------|
| 6" Concrete Base | SF | \$3-\$12 | \$9.28 |

| | | | |
|----------------------|----|---------|--------|
| 2" Asphalt Pavement | SF | \$2-\$8 | \$6.60 |
| Temporary Cold Patch | SF | \$3-\$5 | |
| Contractor Mark-Up | | 5-15% | N/A |

b. The second paving contractor was brought on to provide *supplementary* assistance with KAW paving projects. Tri-State Paving, KAW's primary QIP paving contractor, does not have unlimited capacity. Due to the amount of projects that require paving during the asphalt plant season (roughly end of March through mid-to-end of November), Tri-State Paving is occasionally unable to take on additional projects. When this occurs, KAW utilizes HG Wilson, the secondary QIP paving contractor. Both of these paving companies are contracted directly with KAW. In the past, paving contractors were hired by and contracted to KAW's construction contractors. By contracting with them directly, KAW has reduced the number of parties involved in paving discussions with LFUCG. Even with two paving companies involved, the number of contacts that LFUCG would need to coordinate with has decreased. Furthermore, the creation of the construction project manager position at KAW provides efficiency in channeling communications about construction and paving. Therefore, no, the referenced efficiency is not affected.

c. HG Wilson is the second paving contractor that KAW has brought on to assist with QIP paving. Historically, HG Wilson provided paving services for KAW's field operations group, responding to main breaks, unscheduled roadway cuts, and other as-needed restoration work. Their MSA allowed for the expansion of their role with paving and restoration projects for KAW.

d. The executed contracts for Tri-State Paving and HG Wilson are included in KAW_R_PSCDR1_NUM004_050123_Attachment A and KAW_R_PSCDR1_NUM004_050123_Attachment B, respectively. KAW did not issue an RFP for paving services. The contracts are confidential and are being filed pursuant to a Petition for Confidential Treatment.