

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
ATTORNEY GENERAL'S POST-HEARING REQUEST FOR INFORMATION

Witness: Jeffrey Newcomb

1. Refer to the Rebuttal Testimony of Jeffrey Newcomb, page 2, and Kentucky American's Application, Exhibit 7, Customer Notice. Kentucky American updated its requested rate increase from \$26.1 million dollars to \$25.6 million dollars. Based upon this amended rate increase request, provide updated information that is contained in the customer notice. Ensure to include the updated proposed annual revenue increases by customer class, average monthly bill information, proposed rate increase for all customers, consumption charges, miscellaneous charges, fire protection, etc.

Response:

Please see "KAW_R_AGPHDR_NUM001_122223_Attachment" for redline version of Kentucky-American's Application, Exhibit 7, Customer Notice, that reflects the rate increase request as updated when the Company filed its Rebuttal and Base Period Update, including updated proposed annual revenue increases by customer class, average monthly bill information, proposed rate increase for all customers, consumption charges, miscellaneous charges, fire protection, etc.

NOTICE

Kentucky-American Water Company ("Kentucky American Water") expects to file on June 30, 2023, an application with the Kentucky Public Service Commission proposing to increase annual water service revenues by approximately 22.722.3%, net of Qualified Infrastructure Program ("QIP") revenues. The proposed annual revenue increases by customer classification are: Residential - \$14,130,047,13,875,856 (22.822.4%); Commercial - \$6,986,5086,825,344 (23.422.8%); Industrial - \$683,834665,813 (23.823.1%); Other Public Authority - \$1,760,3441,716,679 (23.623.0%); Sales for Resale - \$267,017259,481 (20.820.2%); Private Fire Service and Hydrants - \$851,837851,587 (24.1%); Public Fire Hydrants - \$1,159,966 (23.6%); Miscellaneous ("Bulk Sales of Water through Loading Stations") - \$23,61623,289 (22.221.9%). The proposed effective date of rates is for service rendered on and after July 30, 2023. Kentucky American Water has requested proposed rates be implemented to all customer classifications as shown below:

Average Monthly Bills:

| | <u>Monthly Usage</u> | <u>Current Average Bill</u> | <u>Proposed Average Bill</u> | <u>\$ Change</u> | <u>% Change</u> |
|-----------------------------|----------------------|-----------------------------|------------------------------|-------------------------|-----------------------|
| Residential (5/8") | 3,800 gallons | \$40.77 | <u>\$49.7349.56</u> | <u>\$8.968.79</u> | 22% Increase |
| Commercial (5/8") | 35,516 gallons | 221.05 | <u>271.34269.92</u> | <u>50.2648.87</u> | Increase <u>2322%</u> |
| Industrial (2") | 1,832,715 gallons | 8,855.93 | <u>10,881.2010,823.44</u> | <u>2,025.271,967.51</u> | Increase <u>2322%</u> |
| Other Public Authority (2") | 129,391 gallons | 818.28 | <u>1,002.26997.59</u> | <u>183.98179.31</u> | 22% Increase |
| Sales for Resale (6") | 1,183,706 gallons | 6,369.81 | <u>7,807.227,769.81</u> | <u>1,437.411,400.00</u> | Increase <u>2322%</u> |
| Miscellaneous (1") | 12,000 gallons | 85.67 | <u>104.34103.90</u> | <u>18.6718.23</u> | Increase <u>2221%</u> |
| Private Fire Hydrant | N/A | 84.66 | 104.30 | 19.64 | 23% Increase |
| Public Fire Hydrant | N/A | 53.85 | 66.00 | 12.15 | 23% Increase |
| Private Fire Line (6") | N/A | 87.76 | 107.90 | 20.14 | 23% Increase |

Proposed Rate Increase for all customers:

Monthly Service Charge by Meter Size:

| <u>Meter Size</u> | <u>Present Rate</u> | <u>Proposed Rate</u> | <u>Change</u> | <u>% Increase</u> |
|-------------------|---------------------|----------------------|---------------|-------------------|
| 5/8" | \$ 15.00 | \$ 20.00 | \$ 5.00 | 33% |
| 3/4" | 22.40 | 29.80 | 7.40 | 33% |
| 1" | 37.30 | 49.60 | 12.30 | 33% |
| 1 1/2" | 74.70 | 99.40 | 24.70 | 33% |
| 2" | 119.50 | 158.90 | 39.40 | 33% |
| 3" | 224.00 | 297.90 | 73.90 | 33% |
| 4" | 373.40 | 496.60 | 123.20 | 33% |
| 6" | 746.70 | 993.10 | 246.40 | 33% |
| 8" | 1,194.70 | 1,589.00 | 394.30 | 33% |

Consumption Charges:

| | <u>Current Rate</u> | | <u>Proposed Rate</u> | | <u>\$ Change</u> | | <u>% Increase</u> |
|------------------------|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| | <u>Per 1000 Gallons</u> | <u>Per 100 Gallons</u> | <u>Per 1000 Gallons</u> | <u>Per 100 Gallons</u> | <u>Per 1000 Gallons</u> | <u>Per 100 Gallons</u> | |
| Residential | \$5.7570 | \$0.57570 | <u>\$7.82497.7806</u> | <u>\$0.782490.77806</u> | <u>\$2.06792.0236</u> | <u>\$0.206790.20236</u> | <u>3635%</u> |
| Commercial | 5.2066 | 0.52066 | <u>7.07607.0368</u> | <u>0.707600.70368</u> | <u>1.86941.83020</u> | <u>1.86940.18302</u> | <u>3635%</u> |
| Industrial | 4.3050 | 0.43050 | <u>5.85055.81898</u> | <u>0.585050.581898</u> | <u>1.54551.51400</u> | <u>1.51400.15140</u> | <u>3635%</u> |
| Other Public Authority | 4.7960 | 0.47960 | <u>6.51796.4818</u> | <u>0.651790.64828</u> | <u>1.72191.68580</u> | <u>1.72190.16858</u> | <u>3635%</u> |
| Sales for Resale | 4.2360 | 0.42360 | <u>5.75665.7250</u> | <u>0.575660.57250</u> | <u>1.52061.48900</u> | <u>1.452060.14890</u> | <u>3635%</u> |

| | | | | | | | |
|---------------|----------------|----------------|---------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------|
| | <u>Per 100</u> | <u>Per 50</u> | <u>Per 100</u> | <u>Per 50</u> | <u>Per 100</u> | <u>Per 50</u> | |
| | <u>Gallons</u> | <u>Gallons</u> | <u>Gallons</u> | <u>Gallons</u> | <u>Gallons</u> | <u>Gallons</u> | |
| Miscellaneous | \$3.34800 | \$1.67400 | \$4.561304 <u>304.5249</u> | \$2.280652 <u>2.26245</u> | \$4.213301 <u>1.17690</u> | \$0.606650 <u>0.58845</u> | 36 <u>35</u> % |

Fire Protection:

| <u>Private Fire Line Size</u> | <u>Current Monthly Rate</u> | <u>Proposed Monthly Rate</u> | <u>\$ Change</u> | <u>% Increase</u> |
|-------------------------------|-----------------------------|------------------------------|------------------|-------------------|
| 2" | \$ 8.76 | \$ 11.90 | \$ 3.14 | 36% |
| 4" | 35.28 | 48.00 | 12.72 | 36% |
| 6" | 79.37 | 107.90 | 28.53 | 36% |
| 8" | 141.09 | 191.90 | 50.81 | 36% |
| 10" | 220.51 | 299.90 | 79.39 | 36% |
| 12" | 330.03 | 448.80 | 118.77 | 36% |
| 14" | 317.98 | 432.50 | 114.52 | 36% |
| 16" | 564.63 | 767.90 | 203.27 | 36% |
| Private Fire Hydrant | 76.57 | 104.30 | 27.73 | 36% Increase |
| Public Fire Hydrant | 48.70 | 66.00 | 17.30 | 36% Increase |

Kentucky American Water is proposing to reset the QIP surcharge to zero and incorporate the investment costs into base rates. The average monthly bills shown in this notice include the QIP surcharge in the current average bills and a \$0 amount for the QIP surcharge in the proposed average bills.

Kentucky American Water is also proposing modifications to its QIP and is requesting: a Certificate of Public Convenience and Necessity ("CPCN") to deploy Advanced Metering Infrastructure ("AMI"); addition of an AMI opt-out fee in the amount of \$28.00; an alternative level of reasonable unaccounted-for water loss under 807 KAR 5:066, Section 6(3); approval of a Universal Affordability Program; and certain regulatory and accounting treatments for Production Costs, Pension and Other Post-Employment Benefits, and Tax Expenses (excluding Sales Tax). Modifications to the QIP surcharge tariff would be applied to Residential, Commercial, Industrial, Other Public Authority, Sale for Resale, Public and Private Fire Service classifications for qualified infrastructure investments. The QIP surcharge would be calculated annually based on forecasted qualified infrastructure costs and applied to each customer's monthly bill. The QIP surcharge would then be updated annually until the next rate case, at which time the investment costs would be incorporated into base rates and the surcharge reset to zero. The AMI opt-out fee tariff would apply to all customers electing to opt-out of the AMI program, and the \$28.00 fee would be applied to each opt-out customer's monthly bill for the ongoing opt-out costs, including meter reading costs. The Universal Affordability Program would reduce the 5/8" meter monthly service charge by \$12.00 and the consumption charges rate by ~~\$4.694944~~ 4.66840 per 1,000 gallons (~~\$0.469494~~ 0.466840 per 100 gallons) for qualified Residential customers with household incomes at zero to 50-percent of the federal poverty level and would reduce the 5/8" meter monthly service charge by \$4.00 and the consumption charges rate by ~~\$1.564981~~ 1.55610 per 1,000 gallons (~~\$0.156498~~ 0.155610 per 100 gallons) for qualified Residential customers with household incomes at 50-percent to 100-percent of the federal poverty level. Kentucky American Water is proposing to revise the definition of "current estimated cost" of main extensions in new subdivisions by utilizing current material costs and bids received instead of the preceding year's costs. Finally, Kentucky American Water is proposing to: move Judy Water Association as a standalone customer in its tariff into the general Sale for Resale customer class; add language to the cross-connection portion of its tariff to make it clear that customers are responsible for the expenses for cross-connection testing, including processing fees; and revise language related to private fire service so that payment for such service is payable monthly in advance rather than quarterly in advance.

This application may be examined at the offices of Kentucky American Water located at 2300 Richmond Road in Lexington, Kentucky.

This application may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday through Friday from 8:00 am – 4:30 pm or on the Commission's website at <http://psc.ky.gov>.

Comments regarding this application may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort KY 40602; or through its website at <http://psc.ky.gov>.

The rates contained in this notice are the rates proposed by Kentucky American Water but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Any person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, which establishes the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the providing of this notice, the Public Service Commission may take final action on the application.

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CASE NO. 2023-00191
ATTORNEY GENERAL'S POST-HEARING REQUEST FOR INFORMATION

Witness: John Watkins and Larry Kennedy

2. Refer to Kentucky American's response to the Attorney General's First Request for Information, Item 40(b). Provide the updated net book value of Kentucky American's meters and include the account number, account name, original cost, accumulated depreciation, net book value, and future accrual requirement.

Response:

As of November 30, 2023, the net book value of Accounts 334.100, 334.110, 334.120, 334.130, and 334.131 is \$36,827,504. The net book value is calculated as follows:

| Account Number | Account Name | Original Cost | Accumulated Depreciation | Net Book Value | Future Accrual Requirement * |
|-----------------------|---------------------|----------------------|---------------------------------|-----------------------|-------------------------------------|
| 334.100 | Meters | \$31,120,364 | \$1,190,164 | \$29,930,200 | \$34,598,255 |
| 334.110 | Meters Bronze Case | 2,425,723 | 1,016,027 | 1,409,696 | 1,773,554 |
| 334.120 | Meters Plastic Case | 474,189 | -348,756 | 822,946 | 894,073 |
| 334.130 | Meters Other | 6,671,582 | 2,509,658 | 4,161,925 | 5,162,661 |
| 334.131 | Meter Reading Units | 723,595 | 220,857 | 502,738 | 611,277 |
| | TOTAL | \$41,415,454 | \$4,587,950 | \$36,827,504 | \$43,039,822 |

*Future Accrual Requirement is calculated as (Original Cost * 1.15) - Accumulated Depreciation.

Note: November 2023 Net Book Value as compared to July 2023, increased by \$2,512,982 as Original Cost increased by \$2,154,225 primarily due to November additions for new and replacement meters. In addition, Accumulated Depreciation decreased by \$358,757 due to retirements and cost of removal which exceeded the depreciation provision.

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Witness: William A. Lewis and John Watkins

3. Refer to Kentucky-American's response to the Attorney General's Second Request for Information, Item 10, Attachment, page 2 of 2.
 - a. For the seven vacant positions that were provided in the aforementioned response, provide an update including the following:
 - i. Whether each position is still vacant.
 - ii. If any position has been filled provide the date that the position was filled.
 - iii. Provide the updated salaries and wages and labor related amounts for each position whether the position is still vacant or has been filled.
 - b. Provide all additional positions that have become vacant since the aforementioned discovery response. For each new vacant position provide the position description, the salaries and wages, labor related amounts, date the job was created, date the job was vacated, necessity of each position, and the estimated hiring timeline for each position.

Response:

Please refer to the response to Item 3 of the Commission's Post Hearing Data Requests.

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Witness: William A. Lewis and John Watkins

4. Explain in detail whether Kentucky-American has ever operated with zero vacancies for a full calendar year from 2018 – 2023. If the Company has operated with zero vacancies for a full calendar year then designate the year and provide supporting documentation regarding the same.

Response:

The Company has not operated a full calendar year from 2018-2023 with zero vacancies. Please refer to attachment KAW_R_AGPHDR_004_attachment which does show that since the last rate case effective date of June 28, 2019, the Company was able to report zero vacancies 4 times in 2022-2023 and had more FTEs than authorized in 7 months in 2022-2023. It is reasonable for all companies, such as KAW, to routinely experience employee vacancies as a result of retirements, resignations, promotions, transfers and terminations. Union position vacancies are bid internally and may result in a lower classification vacancy that will ultimately be hired externally. Non-union position vacancies are filled internally with promotions and transfers or externally with a new hire. In either case, a vacancy is likely to result in which there is a time element necessary to interview, select and hire a new employee. Additional time may be necessary in the case of union positions that must bid internally and to meet various job trial periods before a backfill can be hired. As noted in the response to KAW_R_PSCPHDR_NUM003, the Company's overtime hours and contract services costs were reduced. Since the Company is a regulated Company, it is important to set the authorized FTEs at the appropriate level recognizing that decreases in FTEs will result in increases in overtime and contract services. The Company believes its as filed position properly balances all three and therefore should not be adjusted. But if a vacancy adjustment were made, then an increase of \$353,020 and \$306,423 should be made to contract services and overtime expense, respectively.

| | Company | | Actual | Authorized | Variance |
|--------|---------|-------|--------|------------|-------------|
| | FTEs | Temps | FTEs | FTEs | Over(Under) |
| Jan-18 | 132 | 1 | 133 | 161 | (28) |
| Feb-18 | 134 | 1 | 135 | 161 | (26) |
| Mar-18 | 132 | 1 | 133 | 161 | (28) |
| Apr-18 | 132 | 1 | 133 | 161 | (28) |
| May-18 | 133 | 1 | 134 | 161 | (27) |
| Jun-18 | 134 | 1 | 135 | 161 | (26) |
| Jul-18 | 138 | 1 | 139 | 161 | (22) |
| Aug-18 | 138 | 1 | 139 | 161 | (22) |
| Sep-18 | 137 | 1 | 138 | 161 | (23) |
| Oct-18 | 138 | 1 | 139 | 161 | (22) |
| Nov-18 | 138 | 1 | 139 | 161 | (22) |
| Dec-18 | 140 | 1 | 141 | 161 | (20) |
| Jan-19 | 136 | 1 | 137 | 161 | (24) |
| Feb-19 | 141 | 1 | 142 | 161 | (19) |
| Mar-19 | 142 | 1 | 143 | 161 | (18) |
| Apr-19 | 141 | 1 | 142 | 161 | (19) |
| May-19 | 139 | 1 | 140 | 161 | (21) |
| Jun-19 | 142 | 0 | 142 | 161 | (19) |
| Jul-19 | 138 | 0 | 138 | 151 | (13) |
| Aug-19 | 136 | 0 | 136 | 151 | (15) |
| Sep-19 | 140 | 1 | 141 | 151 | (10) |
| Oct-19 | 140 | 1 | 141 | 151 | (10) |
| Nov-19 | 141 | 1 | 142 | 151 | (9) |
| Dec-19 | 141 | 1 | 142 | 151 | (9) |
| Jan-20 | 140 | 1 | 141 | 151 | (10) |
| Feb-20 | 138 | 1 | 139 | 151 | (12) |
| Mar-20 | 142 | 1 | 143 | 151 | (8) |
| Apr-20 | 145 | 1 | 146 | 151 | (5) |
| May-20 | 146 | 1 | 147 | 151 | (4) |
| Jun-20 | 147 | 0 | 147 | 151 | (4) |
| Jul-20 | 146 | 0 | 146 | 151 | (5) |
| Aug-20 | 147 | 0 | 147 | 151 | (4) |
| Sep-20 | 147 | 0 | 147 | 151 | (4) |
| Oct-20 | 145 | 0 | 145 | 151 | (6) |
| Nov-20 | 145 | 0 | 145 | 151 | (6) |
| Dec-20 | 143 | 0 | 143 | 151 | (8) |
| Jan-21 | 143 | 0 | 143 | 151 | (8) |
| Feb-21 | 142 | 0 | 142 | 151 | (9) |
| Mar-21 | 139 | 0 | 139 | 151 | (12) |
| Apr-21 | 139 | 0 | 139 | 151 | (12) |
| May-21 | 139 | 0 | 139 | 151 | (12) |
| Jun-21 | 143 | 0 | 143 | 151 | (8) |
| Jul-21 | 142 | 0 | 142 | 151 | (9) |
| Aug-21 | 144 | 0 | 144 | 151 | (7) |
| Sep-21 | 147 | 0 | 147 | 151 | (4) |
| Oct-21 | 148 | 0 | 148 | 151 | (3) |
| Nov-21 | 146 | 0 | 146 | 151 | (5) |
| Dec-21 | 144 | 0 | 144 | 151 | (7) |
| Jan-22 | 143 | 0 | 143 | 151 | (8) |
| Feb-22 | 144 | 0 | 144 | 151 | (7) |
| Mar-22 | 146 | 0 | 146 | 151 | (5) |
| Apr-22 | 144 | 0 | 144 | 151 | (7) |
| May-22 | 145 | 4 | 149 | 151 | (2) |
| Jun-22 | 149 | 4 | 153 | 151 | 2 |
| Jul-22 | 148 | 3 | 151 | 151 | 0 |
| Aug-22 | 147 | 2 | 149 | 151 | (2) |
| Sep-22 | 149 | 2 | 151 | 151 | 0 |
| Oct-22 | 148 | 2 | 150 | 151 | (1) |
| Nov-22 | 150 | 2 | 152 | 151 | 1 |
| Dec-22 | 150 | 1 | 151 | 151 | 0 |
| Jan-23 | 152 | 1 | 153 | 151 | 2 |
| Feb-23 | 152 | 1 | 153 | 151 | 2 |
| Mar-23 | 151 | 1 | 152 | 151 | 1 |
| Apr-23 | 151 | 1 | 152 | 151 | 1 |
| May-23 | 151 | 1 | 152 | 151 | 1 |
| Jun-23 | 150 | 1 | 151 | 151 | 0 |
| Jul-23 | 148 | 1 | 149 | 151 | (2) |
| Aug-23 | 148 | 1 | 149 | 151 | (2) |
| Sep-23 | 147 | 1 | 148 | 151 | (3) |
| Oct-23 | 145 | 1 | 146 | 151 | (5) |
| Nov-23 | 145 | 1 | 146 | 151 | (5) |
| Dec-23 | 145 | 1 | 146 | 151 | (5) |