

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)
AMERICAN WATER COMPANY FOR AN)
ADJUSTMENT OF RATES, A CERTIFICATE) CASE NO. 2023-00191
OF PUBLIC CONVENIENCE AND NECESSITY)
FOR INSTALLATION OF ADVANCED)
METERING INFRASTRUCTURE, APPROVAL)
OF REGULATORY AND ACCOUNTING)
TREATMENTS, AND TARIFF REVISIONS)

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

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), and submits the Second Request for Information to Kentucky-American Water Company (hereinafter “Kentucky American” or the “Company”) to be answered by September 21, 2023, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private

corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout, which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical

and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained;

and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

DANIEL J. CAMERON
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Certificate of Service and Filing

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that the foregoing electronic filing was transmitted to the Commission on September 7, 2023, and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 7th day of September, 2023,



Assistant Attorney General

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1. Refer to Kentucky American’s response to the Attorney General’s First Request for Information (“Attorney General’s First Request”), Item 1(a). Explain what each number in parentheses is indicative of, which are contained under certain position titles.
2. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 2(b). Provide Kentucky American’s actual number of customers from 2013 – September 2023, using the most updated data.
3. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 2(d). Provide Kentucky American’s total annual water sales for the years 2013 – September 2023, using the most updated data.
4. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 3(h).
 - a. Confirm that according to the most recent data from the Bureau of Labor Statistics, the average share of premiums paid by the employer for single coverage in private industry is 78%.¹
 - b. Provide the percentage of premiums that Kentucky American pays toward single coverage health insurance for its exempt employees.
 - c. Confirm that according to the most recent data from the Bureau of Labor Statistics, the average share of premiums paid by the employer for family coverage in private industry is 67%.²

¹ https://www.bls.gov/news.release/archives/ebs2_09222022.htm, Table 3.

² https://www.bls.gov/news.release/archives/ebs2_09222022.htm, Table 4.

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- d. Provide the percentage of premiums that Kentucky American pays toward family coverage health insurance for its exempt employees.
5. Refer to Kentucky American's response to the Attorney General's First Request, Item 4(h).
 - a. Provide the percentage of premiums that Kentucky American pays toward single coverage health insurance for its non-union employees.
 - b. Provide the percentage of premiums that Kentucky American pays toward family coverage health insurance for its non-union employees.
6. Refer to Kentucky American's response to the Attorney General's First Request, Item 5(h).
 - a. Provide the percentage of premiums that Kentucky American pays toward single coverage health insurance for its hourly employees.
 - b. Provide the percentage of premiums that Kentucky American pays toward family coverage health insurance for its hourly employees.
7. Refer to Kentucky American's response to the Attorney General's First Request, Items 6(a), (b), and (c).
 - a. Explain how many External Directors are on the Board of Directors. In the response to (a) it states there is one External Director, but in the response to (c) Kentucky American states that it plans on reducing the number of External Directors to two.
 - b. Explain whether the Internal Directors also receive an Annual Retainer and a Per Meeting Fee. If not, explain why the Board of Directors' fees for the forecasted test period is \$99,023.

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- c. Based upon the planned updates to the Annual Retainer and Per Meeting Fee, as well as the removal of the inflationary adjustment, confirm that Kentucky-American's Board of Director forecasted fees should be reduced from \$99,023 to \$25,000. If not confirmed, explain why not in detail.
 - d. Explain in detail the process of how Kentucky American employees are chosen as Internal Directors on the Board of Directors, and if there is a specific time limit on the appointment. Provide a copy of all pertinent documentation.
 - e. Explain in detail the process of how an individual is chosen to be an External Director on the Board of Directors, and if there is a specific time limit on the appointment. Provide a copy of all pertinent documentation.
 - f. Provide the names/positions/resumes of each current Internal and External Director, along with the date of appointment and the date that the appointment ends.
8. Refer to Kentucky American's response to the Attorney General's First Request, Item 7. The Company asserts that there is no Supplemental Executive Retirement Plan ("SERP") costs included in the test year operating and maintenance ("O&M") expenses.
- a. Explain in detail whether SERP is provided to Kentucky American employees, or any employees whose costs are allocated to the Company. If so, provide a detailed explanation of the offered SERP benefits. Provide all pertinent documentation.
 - b. Explain in detail whether SERP is provided to any employees whose costs are allocated to the Company. If so, provide a detailed explanation of the offered SERP benefits. Provide all pertinent documentation.

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9. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 8.
Confirm that no formal study was conducted to specifically compare Kentucky American’s wage and benefit information to the local wage and benefit information, including non-utility companies, for the geographic area in which Kentucky American operates.
10. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 10.
If a position becomes vacant throughout the pendency of this case, consider this an ongoing request.
11. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 13.
As originally requested, provide copies of the J.D. Power Customer Satisfaction Study for 2022 and 2023, which includes either American Water Works Company, Inc. (“American Water”) and/or Kentucky American.
12. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 15.
 - a. Explain what is meant by Service Company referral bonuses.
 - b. Explain what is meant by Service Company contract services-outplacements.
13. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 17.
The Attorney General requested for the Company to provide a list that identifies all miscellaneous costs for the test year, including but not limited to dinners (including all holiday dinners), gifts, donations, membership dues, annual meeting costs, etc. For each cost indicate whether it was removed from or included in the requested revenue requirement. Kentucky American responded by stating that it, “did not forecast the miscellaneous costs at a detail transaction level for the test year. Please see

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KAW_R_AGDR1_NUM017_081823_Attachment 1 for a listing of transaction details for the actual period of 01/01/2022 through 12/31/2022, which was the basis for the forecasted test year. Charitable Contributions were removed and Inventory Physical Write-off Scrap was normalized before applying inflation factor to calculate the forecasted test year.”

- a. If Kentucky American did not forecast the miscellaneous costs at a detailed transaction level for the test year then explain how a determination can be made as to whether costs that are normally excluded for ratemaking purposes have been included in the proposed revenue requirement.
 - b. Explain how the inclusion of dinners (including all holiday dinners), gifts, donations, membership dues, and annual meeting costs complies with Commission precedent.³
 - c. Refer to KAW_R_AGDR1_NUM017_081823_Attachment 1, and provide a detailed list of what type of expense could fall under each type of “Name of offsetting account.” For example, explain what type of expense would fall under Employee Expense, Labor Natural Account, Customer Education, Community Relations, Regulatory Exp- Amortization, Co Dues/Membership Dues, Low Income Pay Program, etc.
14. Refer to the Kentucky American’s response to the Attorney General’s First Request, Items 21 – 24. Explain in detail how the Company’s inclusion of dues in the revenue requirement

³ Case No. 2003-00433, *An Adjustment of the Gas and Electric Rates, Terms, and Conditions of the Louisville Gas and Electric Company*, (Ky. PSC June 30, 2004), Order at 49 – 52; Case No. 2003-00434, *An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, (Ky. PSC June 30, 2004), Order at 42 – 45.

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that are or may be used for legislative advocacy, regulatory advocacy, and public relations complies with Commission precedent.⁴

15. Refer to the Application generally. Explain in detail whether Kentucky American included any business development costs, either direct or allocated costs, in the revenue requirement.

- a. If so, provide the total amount of business development costs, a description for each cost, and a breakdown of the costs by category.
- b. If business development costs were included in the revenue requirement, explain in detail how it complies with Commission precedent.⁵

16. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 26(g).

- a. Explain why the forecasted annual cost of the Qualified Infrastructure Program (“QIP”) Rider for 2024 is \$20.7 million, while the forecasted annual cost of the QIP for 2025 – 2028 is between \$42.5 million and \$46 million.
- b. Kentucky American asserts that, “QIP to date has been primarily cast iron water mains, there are other material types in KAWC’s system that are also aging past their useful life and are also prone to leaking or breaking and in need of replacement.” Explain in detail the other material types that Kentucky American

⁴ Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019), Order at 40 – 41; Case No. 2003-00433, *An Adjustment of the Gas and Electric Rates, Terms, and Conditions of the Louisville Gas and Electric Company*, (Ky. PSC June 30, 2004), Order at 49 – 52; Case No. 2003-00434, *An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, (Ky. PSC June 30, 2004), Order at 44 – 45.

⁵ Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019), Order at 40 – 41.

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states are aging past their useful life and are prone to leaking and breaking and in need of replacement.

17. Refer to Kentucky American's response to the Attorney General's First Request, Item 26(j). As originally requested, if Kentucky American's QIP is not modified in the pending case, what is the replacement cycle for the infrastructure in the Company's water system? For example, is the Company's water system on a 200-year replacement cycle, 300-year replacement cycle, etc.?
18. Refer to Kentucky American's response to the Attorney General's First Request, Item 26(k). As originally requested, if Kentucky American's QIP is modified and accelerated in the pending case, what is the replacement cycle for the infrastructure in the Company's water system? For example, would the Company's water system be on a 100-year replacement cycle, 200-year replacement cycle, etc.?
19. Refer to Kentucky American's response to the Attorney General's First Request, Items 26(j) and (k). Explain in detail what replacement cycle for a utility's water infrastructure system is generally accepted by experts as reasonable. For example, a 100-year replacement cycle, 200-year replacement cycle, etc. Provide a copy of all supporting documentation regarding the same.
20. Refer to Kentucky American's response to the Attorney General's First Request, Items 28 (a) and (b).

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- a. If the Commission were to approve of Kentucky American's request to expand its QIP, provide the proposed estimated annual QIP rate and equivalent annual dollar amount for the average residential customer for each of the next five years.
 - b. Provide the annual QIP rate and equivalent annual dollar amount that the average residential customer has paid for each year since the inception of the QIP Rider.
21. Refer to Kentucky American's response to the Attorney General's First Request, Item 31. Explain in detail whether Kentucky American has a plan(s) to address the unaccounted-for water loss stemming from the 270 Special Connections. Provide a copy of the plan(s). If no plan is in place to address this issue, explain in detail why not.
22. Refer to Kentucky American's response to the Attorney General's First Request, Items 30(a) and (b). Consider these questions as ongoing requests throughout the pendency of this case.
23. Refer to Kentucky American's response to the Attorney General's First Request, Item 32(b).
 - a. Explain in detail why there is such a large difference in the water loss percentage for 2023 thus far, ranging from a low of 14.69% in June, up to a high of 31.78% in April.
 - b. Continue to provide updated water loss percentages for 2023 throughout the pendency of this case.
24. Refer to Kentucky American's response to the Attorney General's First Request, Item 32(c). Provide a citation to all Commission precedent that Kentucky American relies upon

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for its pending request for deviation from the 15% unaccounted-for water loss requirement pursuant to 807 KAR 5:066, Section 6(3).

25. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 33(b).

- a. Kentucky American asserts that the Help to Others (“H2O”) program has had an unusually high balance of funds for the past two years. Explain what happens to the balance of funds at the end of the year. Ensure to discuss whether the unused balance is rolled over to the next year, or if it is returned to the shareholders or customers who donated the funds, etc.
- b. If the unused balance is rolled over from year to year, provide the balance at the end of each year from 2018 – 2022, and include the most updated current balance of the H2O program for 2023.
- c. Due to the unused balances over the past two years, does Kentucky American envision extending the increased grant allowance of \$250, instead of \$125, past December 2023? If not, explain why not.
- d. Kentucky American asserts that, “[i]n compliance with PSC Order the Company must fund the program annually with a minimum donation of \$74,264 regardless of the customer demand for funds.” Provide the case citation that Kentucky American is referring to in the aforementioned statement.

26. Refer to Kentucky American’s response to the Attorney General’s First Request, Items 34.

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- a. Explain whether there are any open cases/investigations concerning Kentucky American’s request to utilize Backflow Solutions, Inc. (“BSI”) to serve as a third-party administrator of the cross-connection control annual certification process. If so, provide the corresponding case citation(s).
- b. In the final Order in Case No 2022-00425,⁶ the Commission stated the following, in part:

Based upon a review of the tariff filing and being otherwise sufficiently advised, the Commission finds that Kentucky-American’s proposed revisions are not fair, just or reasonable, and should be denied for the following reasons. The proposed revisions appear to move the testing and approval from Kentucky-American, to a scheme required by Kentucky-American. Customers would then be subject to costs and expenses charged by a third party, with such charges not being subject to Commission jurisdiction. Such concern is amplified by the fact that Kentucky-American has indicated that a customer’s service would be terminated if they did not follow the proposed procedure. The current tariff language allows customers to choose their own third party for testing. While they still may be able to do so under the proposed tariff, another layer has been added which could subject customers to additional fees.⁷

Explain in detail whether the pending request addresses any of the Commission’s aforementioned concerns, and if so, provide a detailed explanation of each concern that has been addressed and how. If not, explain in detail why not.

- c. Explain in detail how the pending request is different in any way than the request the Company made in Case No. 2022-00425.

⁶ Case No. 2022-00425, *Electronic Tariff Filing of Kentucky-American Water Company to Revise its Cross-Connection Policy* (Ky. PSC Dec. 22, 2022), Order at 3.

⁷ *Id.* at 3.

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27. Refer to Kentucky American's response to the Attorney General's First Request, Item 35(a). As originally requested, provide the monetary amount that Kentucky American included in the revenue requirement for all payment processing fees (e.g. cash, check, debit card, credit card, e-check, direct debit, etc.), with a breakdown between each payment type.
28. Refer to Kentucky American's response to the Attorney General's First Request, Item 35(c). Kentucky American asserts that regardless of the customer's payment method, there is a cost to process the customer's payment.
- a. Provide a detailed list of all accepted payment methods with Kentucky American's associated cost to process each type of payment (e.g. cash, check, debit card, credit card, e-check, direct debit, etc.)
 - b. Provide a detailed list of all payment methods that Kentucky American accepts with the corresponding associated fee that the customer is required to pay in order to utilize that specific payment type.
29. Refer to Kentucky-American's response to the Attorney General's First Request, Item 35(d). Provide a detailed list of the third-party locations in which customers can pay their water bills with no additional fees.
30. Refer to Kentucky-American's response to the Attorney General's First Request, Item 35(e). Kentucky American confirms that to its knowledge all other investor-owned utilities in Kentucky charge a fee to customers who pay their utility bill using a credit card.

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- a. Provide an explanation as to why Kentucky-American believes that all other investor-owned utilities in Kentucky charge a fee for a customer to use a credit card to pay the utility bill.
 - b. Confirm that the monetary amount to process a credit card or e-check is greater than the monetary amount to process cash or check. If not confirmed, explain in detail why not.
31. Refer to Kentucky American's response to the Attorney General's First Request, Item 37(e).
- a. Confirm that Kentucky American is including \$116,000 in the revenue requirement to cover the proposed low-income rate. If not confirmed, provide the amount included in the revenue requirement to cover the proposed low-income rate.
 - b. If the participation rate were higher than Kentucky American's estimates, explain whether the amount included to cover the proposed low-income rate could be higher than \$116,000. If so, explain whether there is a proposed cap on the amount that would be included in the revenue requirement to cover the proposed low-income rate.
 - c. If Kentucky American's H2O program, to which customers and the Company's shareholders voluntarily donate funds, has had a high balance of unused funds for the past two years, explain why the Company is proposing a low-income rate in the pending case.

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32. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 38(b). Kentucky American states that it plans to utilize a third-party vendor to conduct income verification for the proposed low-income rate, but no costs are currently included in the revenue requirement. However, administrative costs will be included in the revenue requirement and recovered from customers in the future. Provide the estimated monetary amount for all administrative costs of the proposed low-income rate that the customers will be forced to pay for through rates.
33. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 39(b). As originally requested, confirm or deny that Kentucky American’s current meters are providing reliable service to its customers. If denied, explain in detail why.
34. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 39(e). Kentucky American states that, “there are some field service representative labor benefits and associated vehicle benefits that are captured in the Cost Benefit Analysis in 2024 and 2025.”
- a. Provide the monetary amount of savings associated with the proposed Advanced Metering Infrastructure (“AMI”) that Kentucky American included in the proposed revenue requirement, if any.
 - b. Provide a breakdown of the monetary amount of savings associated with the proposed AMI that Kentucky American included in the proposed revenue requirement, if any.

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35. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 40(b).
- a. Kentucky American asserts that as of December 31, 2022, the net book value of the Company’s existing meters are \$30,826,926, but the future accrual requirement is \$36,441,998. Explain the different in the two amounts.
 - b. Due to the fact that Kentucky American’s existing meters still have such a large balance that the customers will be required to pay for, instead of accelerating a full replacement of all existing meters to AMI meters, explain why it is not more reasonable to replace current meters with AMI technology only when the current meters fail or are to be retired.
36. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 51. Explain what AMI remote “partial shut off” technology is, and how it will be used if approved by the Commission.
37. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 11. Provide all funds received by Kentucky American from local government agencies for construction projects that required KAW to relocate or replace existing mains. Provide the information for each year from 2018 – 2023.
38. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 18. Provide a breakdown of all affiliate charges to Kentucky American by direct charges, allocated costs, pass-through charges, etc.

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39. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 36.
Provide copies of the two special contracts with Harrison County Water Association and Nicholas County Water District.
40. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 39.
Do AMR meters require a meter reader to read the meters? If not, explain in detail how the meter usage is obtained to process an individual bill.
41. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 54.
Provide the average tenure for Kentucky American employees eligible for the Long-Term Performance Plan (“LTPP”) for the years 2018 – 2022. Provide annual tenures separately by year.
42. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 56.
During the time frame 2018 – 2022, did Kentucky American acquire/sell any utility systems or add any new unregulated systems to its portfolio? Identify each such occurrence and the year it transpired.
43. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 65.
Provide the actual and weather normalized usage per customer totals for each year on Chart 11 of Mr. Rea’s direct testimony.
44. Refer to Kentucky American’s response to the Attorney General’s First Request, Item 69.
What is the planned in-service date for the sludge dewatering facilities? If the sludge dewatering system is not scheduled to be in service within 90 days of Project 112-020107, explain in detail the reason for the delay.

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45. Refer to Kentucky American's response to the Attorney General's First Request, Item 72.

Provide the percentage of service company charges that relate to in-home labor, outside consultants, and other operation and maintenance expenses.

46. Refer to Kentucky American's response to the Attorney General's First Request, Item 73.

Explain in detail how the prepayment of charges for service company functions reduces the cost of the services provided.

47. Refer to Kentucky American's response to the Attorney General's First Request, Item 89.

Is it the Company's position that when each meter is replaced with an AMI meter, that the old meter will have accumulated depreciation expense during its service life to equate to the total cost of the old meter? Explain the response in detail.