

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 OF PUBLIC CONVENIENCE )  
AND NECESSITY FOR INSTALLATION OF ADVANCED ) CASE NO. 2023-00191  
METERING INFRASTRUCTURE, APPROVAL OF )  
REGULATORY AND ACCOUNTING TREATMENTS, )  
AND TARIFF REVISIONS )

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**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S  
FIRST REQUEST FOR INFORMATION**

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In accordance with the Public Service Commission's ("Commission") July 21, 2023 Order, Lexington-Fayette Urban County Government ("LFUCG") propounds the following data requests upon the Applicant Kentucky-American Water Company ("KAWC"). KAWC shall respond to these requests in accordance with the provisions of the Commission's Order, applicable regulations, and the instructions set forth below.

**INSTRUCTIONS**

1. Please provide written responses, together with any and all exhibits pertaining thereto, separately indexed and tabbed by each response.
2. The responses provided should restate LFUCG's request and also identify the witness(es) responsible for supplying the information.
3. If any request appears confusing, please request clarification directly from counsel for LFUCG.
4. Please answer each designated part of each information request separately. If you do not have complete information with respect to any item, please so state and give as much

information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.

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

6. 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.

7. If KAWC objects to any request on any grounds, please notify counsel for LFUCG as soon as possible.

8. For any document withheld on the basis of privilege, state the following: date; author; addressee; blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

9. In the event any document called for has been destroyed or transferred beyond the control of the company, state the following: 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.

10. 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.

Respectfully submitted,



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## **Requests for Information**

1. Please provide the total number of water service meters assigned to Lexington as a customer in the base period and in the forecasted test period, and the total revenue requirement assigned to Lexington as a customer in the base period and the forecasted test period.

2. Under how many different types of customer rate classes does Lexington currently make payments to KAWC? For each type of class, please provide the following information:

- (a) The type of customer rate class;
- (b) The number of accounts in each such class;
- (c) Whether such accounts are metered;
- (d) The account numbers for each separate account;
- (e) The physical location, by street address, GPS marker (or other easily understood designation) of each separate account;
- (f) The basis and explanation for treating the account as a separate account, whether it is because it is separately metered or otherwise;
- (g) The total amount paid by Lexington to KAWC for the provision of water for each of its separate accounts for each year, going back the inception of KAWC's last approved rate increase; and
- (h) The total net projected impact for each such class under the proposed rate increase.

3. Does KAWC believe that the filing and/or proposed rate increases will in any way change the types of services for which it pays franchise fees to Lexington? If so, please explain.

4. Confirm that the franchise fee assessed by Lexington applies to revenue KAWC receives to the proposed Qualified Infrastructure Program (QIP) within Fayette County?

5. Please list all of the tariffs applicable to the use or consumption of water in Fayette County for which KAWC does not currently pay Lexington a franchise fee.

6. Does KAWC or any other American Water Company subsidiary have a tariff, contract or other arrangement under which the costs related to public fire hydrants are passed through to one or more of the other customer classes? If so, please list the name of the jurisdiction and provide the details of the arrangement, including any relevant supporting documents.

7. Do any American Water Company subsidiaries currently have a contract under which they provide sewer billing services on behalf of a local government? If so, please provide the name of the subsidiary and local government and provide a copy of each contract.

8. Please describe in detail any ongoing efforts of KAWC to expand its sale or

provision of water.

9. Please describe in detail any ongoing efforts of KAWC to expand its involvement with the Partnership for Safe Water or any other treatment programs established by the Environmental Protection Agency.

10. Please describe in detail any and all lead testing services offered by KAWC to residential customers in Fayette County.

11. Please provide all information relating to prospective sales of water to communities or facilities outside Fayette County, and more specifically, whether such efforts are being increased due to additional water availability. If not, please explain. Please also explain any marketing or other efforts in detail and provide copies of any business or marketing plans.

12. How many KAWC employees are located in Lexington, Kentucky? Please provide a description of the number and types of position for each. If KAWC anticipates any change within the next five (5) years, please provide the specific details.

13. How many public fire hydrants are currently in use? How many of these hydrants are billed to Lexington?

14. How many public fire hydrants are projected to be in use during the forecasted test period? How many of these hydrants are projected to be billed to Lexington?

(a) Please provide a list of all of the ratepayers (other than Lexington) who pay for any public fire hydrants.

(b) What percentage of gross revenue does KAWC derive from public and private fire protection charges/rates, or similar charges/rates?

15. Is the Public Fire Service Revenue component of the cost of service study comprised of anything other than the total number of public fire hydrants and the tariff (KAWC Exhibit 36; KAWC Exhibit 37, Schedule M-3)?

(a) What is the total number of public fire hydrants in the base period?

(b) What is the total number of public fire hydrants in the forecasted test year?

16. Please provide a breakdown of the total number of the following fire hydrants in Fayette County: (a) public fire hydrants, (b) fire hydrants that are owned and maintained by KAWC, but located on private property, and (c) hydrants for which KAWC is not the owner. If possible, please provide the location of each hydrant. If this information is not available, please explain what action, if any, KAWC is taking to track this information going forward in time.

17. Please describe the process that is undertaken before a privately owned fire hydrant is added to KAWC's system. Please provide a copy of any contracts or other documents that are required to be followed or executed by the owner of the hydrant.

18. Please provide the following information with respect to public fire hydrant charges:

- (a) The total number of hydrants charged to Lexington during the base period;
- (b) The total number of hydrants charged to Lexington during the forecasted test period;
- (c) The basis for the projection of the number of hydrants charged to Lexington during the forecasted test period;
- (d) Any adjustment to hydrant charges to reflect system uses of hydrants, including but not limited to flushing the KAWC system; and
- (e) Please provide the number (quantity), type, and location (by street address or other easy to identify locator) of each fire hydrant for which Lexington currently pays a monthly tariff.

19. Please detail the administrative cost component attributable to public fire protection, and provide any applicable work papers showing how the cost component is calculated.

20. What is the cost to KAWC (per unit) to acquire each type of fire hydrant?

- (a) Would the creation of a tariff under which a public utility owned its fire hydrants result in a reduction in the existing public fire hydrant tariff?
- (b) Why or why not?

21. How many additional new fire hydrants does KAWC anticipate being installed in Fayette County over the next 5 years for which Lexington would be billed? Please net out any hydrants that would be removed from the system as part of this calculation.

22. For the billing period ending June 29, 2023, LFUCG's cost for leasing public fire hydrants was \$374,396.34 (reference account ending -6506). Please calculate a hypothetical bill for the same billing period, applying the changes proposed in this rate case. Provide the hypothetical cost as a total dollar amount and as a percent increase from the actual bill.

23. Provide examples, if any, of how revenue generated by the QIP has enhanced available fire flows.

24. Please describe any and all efforts by KAWC to improve public fire protection service since the last rate case.

25. Please explain in detail KAWC's current policies, procedures, practices, and/or guidelines for testing, maintaining and/or replacing fire hydrants in Fayette County and provide copies of the same.

26. Please describe in detail all inspections, maintenance, or testing that must be performed by KAWC on each type of fire hydrant to ensure that it operates properly, and provide a list breaking down each of the components of the above and its cost, as well as how frequently each of the above must be performed, or actually is performed. Also describe in detail all maintenance that must be performed by KAWC on the public fire system to ensure that it operates properly. Please explain how KAWC maintains any such records.

27. Please provide the standard(s) that KAWC is using to determine that a fire hydrant is leaking, failed or obsolete. If a hydrant is identified in such a condition, is it still billed to the customer, or is immediately removed from future billing until corrected?

28. Is there a minimum flow rate at which KAWC deems a fire hydrant not to be useful? What if anything, is done with respect to such hydrants, when they are identified? If there is a difference in how different types of hydrants are treated, please explain.

29. Does KAWC require its privately-owned fire hydrant or service customers to provide any evidence or documentation that such systems are being adequately maintained, inspected, or tested on regular basis, or does KAWC ever perform any testing? Please explain.

(a) What, if anything, does KAWC do if it comes to its attention that a privately owned fire hydrant is no longer operable?

30. Would KAWC object to the PSC implementing additional minimum requirements with respect to maintenance, performance, or operational standards for all fire hydrants in Fayette County? Please provide a detailed response.

(a) Does your answer differ depending upon the type of hydrant involved (public, private, and privately owned)? If so, please explain why.

31. Are all privately-owned water lines metered at some point? If not, please explain how a determination is made with respect to whether such a line is metered.

32. Please refer to KAWC Tariff "Classification of Service – Service Classification No. 4."

(a) How many customers have meters installed by KAWC because of suspicion of usage other than fire extinguishment? Does LFUCG have any of its accounts for First Service with such a meter? If so, please identify the account location and number.

(b) How many "special connections" with service contracts does KAWC have? Does LFUCG have any of its accounts serviced through such a contract? If so, please attach a copy of each such contract.

33. What depreciable life basis (if any) for each type of fire hydrant does KAWC utilize? Is this the industry standard service? If not, please explain.

36. What is the individual fire flow requirement to which KAWC's water system in

Fayette County has been designed and/or built?

(a) Does this differ in any way from the historical or current actual performance level of the system?

(b) How often is this tested?

(c) Are these results provided to the LFUCG Division of Fire and Emergency Services?

37. What is the minimum fire flow protection required to meet ISO guidelines? Please provide any supporting documentation.

38. Please provide the annual use of water for public and private fire service for calendar years 2019-2022, inclusive, and for each month as it is or becomes available during the base period. If water use for public and/or private fire service has been projected for the forecasted test period, please provide those projections as well.

39. What is the basis for the 12,000 gpm of fire flow (KAWC Exhibit 36, Tab: Usage Statistics)?

40. What is the basis for utilizing a 6-hour demand for fire flow on KAWC Exhibit 36, Tab: Usage Statistics?

41. Does KAWC have any plans to acquire any additional water or wastewater facilities during the forecast period? If so, please provide a detailed explanation.

42. Please provide a list of all local governments and water utilities in Kentucky (other than Lexington) who obtain water from KAWC and the terms of each such arrangement. As KAWC adds additional customers of this type, please explain whether such customers will reduce the burden of the Kentucky River Station II Water Treatment Plant and associated pipeline on existing customers, or whether they will in any way reduce the cost of future water rates.

43. For each year from 2015 – 2022, please provide a comparison of total projected water use established in the prior year and the total actual water use. For example, for 2015, provide the forecasted total water use established in 2014 for 2015, and the actual total water use in 2015.

(a) To what extent are current consumption and demand rates consistent with the projections KAWC has submitted in PSC proceedings since 2002?

44. Please provide the total amount of water supplied by KAWC to its customers on an annual basis since 2010. To the extent possible, please provide the same information broken down into counties or regions.

(a) Please provide this information for each category of ratepayer.



45. Does KAW have an estimate of how much water has been lost due to leaking KAWC infrastructure? Please provide this information for the previous 5 calendar years by volume and percentage of treated water.

46. Please describe what processes are in place to identify a potentially stuck meter or unknown leak (e.g., automated review of meter data).

47. Does KAWC have a formal policy or informal practice regarding expenses incurred by a customer due to an unknown leak? Does KAWC grant customers leniency in this situation? If so, please describe.

48. Identify the percentage of KAWC's non-revenue water for each of the last 60 months. Include within your response the formula of how KAWC calculates this percentage.

49. Please describe existing or planned water conservation programs aimed at end customers and the respective annual funding for such programs. For each such program, please provide an annual estimate of the quantity, in volume and percentage of treated water, of water which will not be consumed as result of the program.

50. Please refer to the testimony of Shelly E. Porter in response to the Question appearing on line 17, page 13.

(a) Please provide a listing of all of the capital investments the Company has invested or plans to invest since the last rate case totaling "approximately \$329.6 million."

(b) For each such investment, please list the amount of the investment in each project by year "since the last rate case"; provide the description of the project; provide the location of the project; and provide the expenditure for each project by year.

51. Please refer to the testimony of Shelly E. Porter beginning on line 4, page 5. Please list each segment of pipe that is in need of replacement. For each such segment, please provide:

- (a) description of the segment to be replaced;
- (b) the location of said segment;
- (c) its total useful life in years;
- (d) the number of years it has been in service;
- (e) the date on which replacement is expected to begin; and
- (f) the estimated cost of replacement.

52. Please refer to page 9, line 12 of the testimony of Krista E. Citron. Please quantify the rate of acceleration in investment necessary to meet the "need to further accelerate the rate of investment to replace our water infrastructure."

53. Has KAWC had difficulty attracting capital either internally from American Water or from outside capital? If yes, please provide evidence of this.

54. Please refer to page 10, line 7 of Ann E. Buckley's testimony. Please provide any evidence, data supported or not, as to why KAWC must "compete directly for capital with other investments of similar risk, which include other water, natural gas, and electric utilities."

55. Please refer to Exhibit 1 to the testimony of Shelley W. Porter, and also Exhibit 11 to the Application filed herein:

56. Please refer to the testimony of Constance F. Heppenstall in Case No. 2018-00358 dated November 28, 2018, and the testimony of Charles B. Rea in the case at hand, No. 2023-00191:

(a) Explain in detail how and why the sum of the monthly costs for a 5/8-inch meter increased from \$15.00 to \$20.00, a 33% increase.

(b) Did you use any different methodology in preparing your cost-of-service study than was used in preparing the cost-of-service study prepared by Constance F. Heppenstall, referenced above?

57. Please provide the authority to support KAWC's position that all fire hydrants are only billed a demand charge.

58. Who made the decision to increase the demand charges on public fire hydrants a greater percentage than private fire hydrants and when was that decision made?

59. Please state why the increase in rates for Public Authorities exceeded the system's average proposed increase by 41.3%? In answering this DR, please refer to the specific pages and exhibits of the Cost of Service study.

60. Refer to the testimony of Patrick Baryenbruch at 8, line 3. Did Mr. Baryenbruch compare KAWCs cost-per-customer for its Service Company in relation to any other water utilities? If not, why not?

61. Refer to the testimony of Patrick Baryenbruch and the related study. Explain how Mr. Baryenbruch can verify that the services provided by comparison utilities' Services Companies are similar to the services provided by American Water's Service Company?

62. Refer to the testimony of Patrick Baryenbruch and page 7 of his study. Why would it be difficult for KAWC to find local service providers with the same specialized experience?

63. Explain whether KAWC provides any relief to a customer who proves that a water leak occurs on a line downstream of the meter but on a section of a line outside of the customer's control. For example, would KAWC provide relief to an apartment-complex tenant who is a customer if the leak is proven to be on a section of water line downstream of the meter but in the common area of the apartment complex.

64. Refer to paragraph 21 of the Application. Identify how KAWC determined \$28

is reasonable for the monthly opt-out fee for AMI metering.

65. State whether the AMI metering proposed by KAWC will have the capability to shut off and restore water service from a remote location.

66. If AMI metering is approved, state whether KAWC anticipates recovering salvage value for the meters that are replaced?

67. Refer to Application Exhibit A at page 3, where it states that “meter and endpoint replacements in the normal course of business.” Confirm that KAWC’s normal course of business is to replace meters and their endpoints as the meters reach their testing limit, which is every 15 years for a 5/8” meter.

68. Approximately how many meters would KAWC replace in the years 2024-2028 if it were to maintain its current practice of replacing meters and their endpoints as the meters reach their testing limit, which is every 15 years for a 5/8” meter.

69. Identify the number of meters that have been replaced for each calendar year since 2009.

70. Refer to Application Exhibit A at page 10, where it states, “KAWC has observed an increase in meter reading challenges.”

- a. Please explain what meter reading challenges KAWC has observed and state approximate dates when these challenges began.
- b. Provide all reports, memorandum, and other documentation detailing these meter reading challenges. Include within your response KAWC’s “analysis of that vintage of meters’ performance,” referenced on page 40 of Mr. Lewis’s testimony.

71. Refer to Application Exhibit A at page 11, where it indicates that KAWC proposes to replace approximately 42,000 meters in 2024 and approximately 18,000 meters in 2025. State how many meters the expenses of which are included in this rate case for the test year of February 1, 2024 to January 31, 2025.

72. Regarding KAWC’s existing Automated Meter Reading (“AMR”) equipment,

- a. Explain when KAWC began using AMR equipment.
- b. Explain how long it took KAWC to deploy AMR equipment throughout its system.
- c. State whether KAWC received a certificate of public convenience and necessity for deployment of its AMR equipment. If so, identify the PSC Case Number in which approval was sought.

73. Will KAWC generate revenue through the sale to a third party of data obtained through the AMI program? If so, how much revenue does KAWC anticipate receiving through such a sale?

74. Regarding American Water affiliates who have deployed or sought approval for deploying AMI equipment,

- a. Identify each American Water affiliate who has deployed AMI equipment and the approximate percentage of deployment through its system.
- b. Identify each American Water affiliate who has sought regulatory approval for AMI deployment and was denied approval by the regulatory agency.

75. Provide all reports, studies, or analysis performed by American Water regarding AMI equipment.

76. State whether KAWC's cost-benefit analysis for the deployment of AMI equipment includes cost savings recognized by acquisition of larger quantities by partnering with American Water or its affiliates.

77. Identify the dollar-amount change in Depreciation Expense for the test year ending January 31, 2025, in comparison to the base period ending September 20, 2023, that is related to KAWC's proposed AMI program.

78. Identify the dollar-amount change in Operation and Maintenance Expense for the test year ending January 31, 2025, in comparison to the base period ending September 20, 2023, that is related to KAWC's proposed AMI program.

79. Identify the dollar-amount change in New Original Cost Rate Base for the test year ending January 31, 2025, in comparison to the base period ending September 20, 2023, that is related to KAWC's proposed AMI program.

80. Refer to the Direct Testimony of Jeffrey Newcomb at page 15, line 5. Provide a copy of the referenced email.

81. Refer to Direct Testimony of John M. Watkins at page 16, line 23. State whether KAWC made any adjustments to the test year uncollectible expense in consideration of any potential impact the Covid-19 pandemic may have had on collections. State within your response why adjustments were or were not made.

82. Provide the percentage of uncollectible accounts for each individual year 2018 through 2022 and to date in 2023. In addition, provide these percentage calculations in electronic format with all formulas intact.

83. Refer to Direct Testimony of Shelly W. Porter at Exhibit 1.

- a. Provide a table listing each category of the Recurring Projects (e.g, A1 Mains – New, A2 Mains – Replaced/Restored, etc.) and the actual dollar amount spend by KAWC for those categories for the years 2019, 2020, 2021, and 2022.
  - b. With respect to Item J1 “Meters – Replaced,” confirm that the significant increase from 2023 to 2024 is driven by KAWC’s AMI proposal.
  - c. With respect to Item O1 “Vehicles”, please provide the number of vehicles to be purchased; the year, make and model of each; and the cost of each.
  - d. Confirm that KAWC plans to increase its Capital Project Spending from \$59,709,133 in 2023 to \$85,596,903 in 2024.
  - e. Confirm that increased Capital Project Spending is incorporated into the test-year revenue requirement, as opposed to being included in a future QIP surcharge.
84. Refer to Direct Testimony of Shelly W. Porter at page 16, line 11. State whether the Department of Transportation paid for or reimbursed KAWC for the relocation of the 20-inch water main as a result of the Department of Transportation’s widening project.
85. Refer to Direct Testimony of Shelly W. Porter at page 21, line 7.
- a. State the number of meters KAWC has tested at its facilities each year since and including 2020.
  - b. State the circumstances under which KAWC tests meters.
86. Refer to Direct Testimony of Shelly W. Porter at page 25, line 25.
- a. Explain why the current purchase source for Millersburg does not meet the current demand of Millersburg and KAWC’s wholesale customers.
  - b. State whether KAWC has considered requesting approval of a surcharge to recover expenses associated with construction of a Millersburg transmission main to be charged to customers receiving water through that transmission line.
  - c. Identify the prior annual purchased water expense in 2020, 2021, 2022, and to date in 2023 associated with KAWC customers that would be served by the proposed transmission line.
87. State when the following capital projects were placed in service:
- a. I12-020037 Kentucky River Station Chemical Storage and Feed Improvements
  - b. I12-020055 New Circle Road Phase 2

- c. I12-020067 Richmond Road Station Chemical Facility Upgrade
- d. I12-020074 Athens Boonesboro Main Extension – Phase II
- e. I12-020076 KRS1 Replace Incline Car
- f. I12-020079 Jacobson Reservoir Pump Station Improvements
- g. I12-020094 Cox Street Booster
- h. I12-020095 Mercer Road Booster Station
- i. I12-020099 Kentucky River Station 1 High Service Pumps No. 13 Replacement
- j. I12-300008 Owenton Maintenance Garage

88. Refer to the Direct Testimony of Charles Rea at page 22, line 5. Explain how KAWC estimated that there are approximately 11,000 water customers with household incomes at or below 100% of FPL?

89. Refer to the Direct Testimony of Charles Rea at page 24, lines 10-12.

- a. When KAWC assumed a 10% participation rate, state whether that is a 10% participation rate of the estimated 11,000 eligible water customers or whether that is based on the total KAWC water customer base.
- b. Identify the basis for the assumption of a 10% participation rate.
- c. Provide all calculations and workpapers that a 10% participation rate would impact revenue by \$116,000.
- d. Explain the process through which customers would verify eligibility for the Universal Affordability Tariff.

90. Refer to Exhibit 37, Schedule 37, D-2 at page 5.

- a. Confirm that the KAWC is proposing to recover rate case expenses to be amortized over 24 months.
- b. State the rationale for KAWC's requested amortization period for rate case expense.

91. Refer to the Direct Testimony of Citron at page 8, lines 6-9. Provide all documentation, analysis, reports, summaries, and underlying support for KAWC's conclusion that "repair[ing] a main break is over \$1,000 per linear foot compared to \$331 per linear foot for a planned main replacement project."

92. Refer to the Direct Testimony of Kathryn Nash starting at page 12, line 22, in which she states, "the Company is proposing one small step towards implementing the QIP as it was originally designed by expanding 1 the QIP from an annual replacement of 10-13 miles of cast iron main to 27-34 miles of any material of main." Identify the anticipated increase in annual expenses to KAWC in 2024, 2025, and 2026 if the Commission approves an increase in

replacement of 27-34 miles of cast iron main, in comparison to replacement of 10-13 miles of cast iron main.

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