

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2025-00122**  
**ATTORNEY GENERAL'S POST-HEARING REQUEST FOR INFORMATION**

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**Witness: Dominic DeGrazia**

1. Refer to the Rebuttal Testimony of Dominic DeGrazia (“DeGrazia Rebuttal”), at page 5. Mr. DeGrazia discusses Mr. Defever’s recommendation to amortize the remaining rate case balance (\$332,246) from Kentucky American’s 2023 rate case over a three-year period.
  - a. Provide the most updated remaining prior rate case balance from Kentucky American’s 2023 rate case.
  - b. Provide the prior rate case balance from Kentucky American’s 2023 rate case for each month through the suspension period in the pending case.

**Response:**

- a. & b. Please refer to KAW\_R\_AGHDR\_NUM001\_100625\_Attachment.xlsx, which contains the full amortization schedule for regulatory expense in the 2023 rate case.

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**Witness: Harold Walker**

2. Refer to the Rebuttal Testimony of Harold Walker, III (“Walker Rebuttal”), at pages 2 – 3. Mr. Walker asserts that Kentucky American does not pay invoices before the service is rendered. However, Mr. Walker then states that Kentucky American pays the Service Company invoices before the midpoint of the service period. As an example, Mr. Walker asserts that the services provided in January are paid for in the middle of January, and the February services are paid for in the middle of February, so on and so forth.
  - a. In the provided example, explain in detail how paying for services provided in January in the middle of January is not prepaying for services rendered during the last two weeks of each month.
  - b. Provide a detailed explanation from a Kentucky American employee who receives invoices and pays invoices from the Service Company as to whether Mr. Walker’s explanation of when Kentucky American receives invoices and pays invoices for services rendered by the Service Company is correct. If Mr. Walker’s explanation is incorrect, provide when Kentucky American receives and pays Service Company invoices and for which month the services are being rendered.
  - c. What day of the month does Kentucky American typically receive the invoice for the Service Company?
  - d. What day of the month would Kentucky American typically pay the invoice from the Service Company?
  - e. For the invoice that Kentucky American receives from the Service Company each month, when are the services rendered for each invoice?

**Response:**

- a. Mr. Walker’s rebuttal testimony paraphrased in the above question responds to page 40 of Mr. Defever’s testimony, where Mr. Defever’s responds to a question which asked, “[s]hould ratepayers be responsible for costs related to early payment or prepayments to Kentucky-American’s service company” and responds, “[r]atepayers should not be responsible for costs related to the Company paying earlier than necessary for service company expenses.” Mr. Walker believes Mr. Defever’s testimony implies payment is made before any service is rendered. Accordingly, Mr. Walker’s testimony clarifies when service is provided and when payment for service is made. Mr. Walker explains that the “Company processes and pays for Service Company expenses in the same manner as it processes and pays for all invoices it receives. That is, payments of all invoices, including Service Company invoices, are made within a reasonable time after receipt of the invoice.” Mr. Walker also explains that in “addition to Service Company invoices, the

Company also pays other vendors' invoices prior to the midpoint of their service periods. For example, according to the lead-lag study, some purchased water invoices are paid before the midpoint of their service periods, as are some contract services invoices, pension invoices, most insurance other than group invoices, most rents invoices, some building maintenance invoices, some telecommunication invoices, some miscellaneous expense invoices, utility tax invoices, some state income taxes (current) invoices, and some federal income taxes (current) invoices."

In the context of working capital, paying for services provided in January in the middle of January is not prepaying for services rendered because "prepaying for services" implies all service is provided after prepayment is made which is not the case for Service Company services.

- b. The Company does not prepay Service Company invoices before the service is rendered. Rather, the Company pays Service Company expense before the midpoint of the service period, not before it receives service. For example, the services provided in January are paid for in the middle of January, and February services are paid for in the middle of February, so on and so forth. See response to KAW\_R\_AGDR2\_NUM077\_080425 for the service month and payment dates of Service Company invoices.
- c. See response to KAW\_R\_AGDR2\_NUM077\_080425 for the service month and payment dates of Service Company invoices. Payment is made typically within a day or so of receipt and verification of invoice.
- d. See response to part "C" of this post-hearing request for information discovery for the requested information.
- e. The Company pays Service Company expense before the midpoint of the service period, not before it receives service. For example, the services provided in January are paid for in the middle of January, etc.

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**Witness: Robert Prendergast**

3. Provide the total number of contracted employees (both direct and allocated) and corresponding expense for the years 2020, 2021, 2022, 2023, 2024, as well as the forecasted test period related to supplementing the Company's labor, not services that are always contracted. At the September 23, 2025 hearing, a Kentucky American witness stated that this information could be found in Exhibit 37(c); however, not all of the requested information can be found at the provided citation.

**Response:**

Please see the table below for the total number of contracted employees for both KAWC and Shared Services (allocated), as well as the corresponding expense for the years requested. The Shared Services (allocated) number of contracted employees is the total contracted employees for the Service Company. Some of these contracted employees listed may not charge time or have time allocated to KAWC.

	2020	2021	2022	2023	2024	Base Year	Forecast Test Year
Shared Services Contracted Labor Expense	\$57,169	\$46,146	\$49,483	\$50,042	\$47,087	\$48,789	\$51,307
Shared Services Contracted Headcount	33	29	38	30	51	37	37
KYAW Contracted Labor Expense	\$0	\$0	\$9,456	\$70,075	\$37,256	\$126,908	\$128,114
KYAW Contracted Labor Headcount	0	0	4	7	4	4	4

It is important to note that the Company performs operations using KAWC direct employees, contracted labor or temporary labor through temp agencies, and through third party vendors. Each of these labor resources allows for the Company to both expense certain type of work and to capitalize work completed on capitalized projects. Time and costs are charged by work order for the work completed and those work orders determine whether the hours and costs are capitalized or expensed.

While KAWC utilizes all three of these means to complete utility work, a majority of its contracted labor is completed through third party vendors, rather than hiring temporary contract employees. In the below table, the contracted labor or temporary employee expense is compared to the third party vendor portion of contracted services. For the period requested, the contracted labor or temporary employee expense on average makes up 4% of the overall contracted services expense.

	2020	2021	2022	2023	2024	Base Year	Forecast Test Year
Contract Labor/Temp Employee Expense	\$0	\$0	\$9,456	\$70,075	\$37,256	\$126,908	\$128,114
3rd Party Contract Services	850,098	850,098	840,643	780,024	812,842	1,561,183	1,600,332
Total Contract Services Expense	\$850,098	\$850,098	\$850,098	\$850,098	\$850,098	\$1,688,091	\$1,728,446
Contract Labor % of Overall Contract Services Expense	0%	0%	1%	8%	4%	8%	7%

As Company witness William A. Lewis states in his Direct Testimony<sup>[1]</sup>, the Company has requested additional headcount to meet new and ongoing O&M obligations and are not intended to replace contracted construction resources, which will continue to be needed for executing the forecasted increase in capital work. The increase in the requested staffing level is driven by increased work requirements in the forecasted test year. These requirements include both an increase in forecasted future construction activity and United States EPA regulatory requirements under the Lead and Copper Revised Rule. While staffing levels are forecasted to increase to meet these new requirements, the contracted services expense is forecasted to remain relatively flat in the forecasted test year.

<sup>[1]</sup> Direct Testimony of William A. Lewis, pp. 34-39.

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**Witness: Robert Prendergast**

4. Explain whether Kentucky American expenses or capitalizes contract labor. If Kentucky American both expenses and capitalizes contract labor then provide how the Company apportions the contract labor between capital and expense.

**Response:**

Please see the Company's response to Attorney General's Post-Hearing Request for Information, Number 3.

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**Witness: Robert Prendergast**

5. Refer to Kentucky American's response to the Attorney General's First Request for Information ("Attorney General's First Request"), Item 145. Refer also to Kentucky American's response to the Attorney General's Second Request for Information ("Attorney General's Second Request"), Item 37. Explain the difference and discrepancy in the amounts of total payroll expense for the forecasted test period between the two referenced responses.

**Response:**

Kentucky American's response to the Attorney General's First Request did not include expenses classified as other benefits, which includes items such as employee stock purchase plan, employee awards, retiree medical expense, training expenses, etc. Kentucky American's response to the Attorney General's Second Request included all labor and labor-related expense.

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**Witness: Robert Prendergast**

6. Refer to Kentucky American's response to the Attorney General's First Request, Item 56(a). Provide a breakdown in the provided expense, between the business development, government affairs, and regulatory policy.

**Response:**

Please see the chart below:

<b>KENTUCKY-AMERICAN</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Base Period</b>	<b>Future Test Year</b>
Business Development	\$73,696	\$98,041	\$149,830	\$135,507	\$181,095	\$219,616	\$243,837
Government Affairs	279,158	343,283	291,648	201,252	207,694	216,034	228,381
<b>Total</b>	<b>\$352,854</b>	<b>\$441,324</b>	<b>\$441,478</b>	<b>\$336,759</b>	<b>\$388,789</b>	<b>\$435,650</b>	<b>\$472,218</b>
<b>SHARED SERVICES</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Base Period</b>	<b>Future Test Year</b>
Business Development	\$103,871	\$79,739	\$93,769	\$119,447	\$213,086	\$204,642	\$212,826
Government Affairs	41	(3)	0	16,188	1,367	663	690
Regulatory Policy	11,007	11,701	1,504	0	924	0	0
<b>Total</b>	<b>\$114,919</b>	<b>\$91,437</b>	<b>\$95,273</b>	<b>\$135,635</b>	<b>\$215,377</b>	<b>\$205,305</b>	<b>\$213,516</b>



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**Witness: Dominic DeGrazia**

7. Refer to the DeGrazia Rebuttal, pages 2 – 5, in which he states that Kentucky American is reflecting specific downward adjustments based upon error corrections and/or agreement with the Attorney General to the following: fuel and power expense; other customer accounting expense; office supplies and services expense; postage, printing and stationary expense; and insurance other than group expense.
  - a. Confirm that the total downward adjustment of the aforementioned expenses is \$393,000. If not confirmed, provide the total downward adjustment of these expenses.
  - b. Explain in detail whether Kentucky American is reducing its original requested rate increase of \$26.9 million downward by \$393,000. If not, explain in detail why not.
  - c. Provide updated information based upon the revised requested rate increase, and preferably in the same format as Kentucky American's Customer Notice in the Application, Exhibit 7. If there is no updated information based upon the revised rate increase, explain in detail why not.

**Response:**

- a. The total downward adjustments in the aforementioned O&M expenses are \$394,035. The approximate amounts were reflected in the rebuttal testimony. Please also see the Summary of Forecast Year Revisions, included in the Company's Base Period Update.
- b. The Company has not reduced its originally requested increase of \$26.9 million. The reason is that along with the downward expense adjustments the Company also reduced the present rate revenue amounts by \$686,891, correcting for the number of private fire hydrants from the original filing. Incorporating these adjustments along with two other rate base adjustments for Deferred Taxes and the Cash Working Capital flow through of the revisions resulted in a revenue deficiency of \$27.2 million. However, as stated in Mr. DeGrazia's rebuttal testimony, KAWC recognizes the originally proposed increase of \$26.9 million applies in this case and KAWC is not seeking an increase above that amount.
- c. Please refer to response to b.