

Case No. 2025-00171
Water Service Corporation of Kentucky
Response to Commission Staff's First Request for Information

1-1:

State the current condition of Water Service Kentucky's system.

1. State the current water loss percentage.
2. Explain if there has been any recent degradation of service/reliability, or other major problems.

Response:

1. Average Water Loss from June 2024-May 2025 is 4% for Clinton and 13% for Middlesboro. Average Water Loss for YTD May 2025 is 5% for Clinton and 8% for Middlesboro. Water Service Corporation of Kentucky ("WSCK") commonly refers to its service in Bell County as its Middlesboro system and in Hickman County as its Clinton system, as WSCK primary service areas in those two counties are within the two City limits of Middlesboro and Clinton. The Application in this matter erroneously indicated that WSCK provides service in Clinton County, but it should be corrected to indicate that WSCK provides service in Hickman County rather than Clinton County.
2. There has been no recent degradation of service/reliability of other major problems.

Witness:

Justin Kersey, President Water Service Corporation of Kentucky

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1-2:

Explain whether Water Service Kentucky holds any customer deposits. If so, state the monetary amount that is being held, and, if the merger with Kentucky-American Water Company (Kentucky-American) is approved, whether Water Service Kentucky will: return the deposits that it holds, transfer the deposits to Kentucky-American, or apply or transfer the funds to another use. If the deposits will be applied for another use, identify the other use.

Response:

Water Service Corporation of Kentucky anticipates transferring the deposits to Kentucky-American until the Commission provides alternative guidance.

Witness:

Steven Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

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1-3:

Provide any active notice of violations issued by the Energy and Environment Cabinet (EEC) or the Kentucky Division of Water (DOW) to Water Service Kentucky. Provide copies of each outstanding violation and state how the violations will be resolved.

Response:

There are no active notice of violations issued by the Energy and Environment Cabinet (EEC) or the Kentucky Division of Water (DOW) to Water Service Kentucky.

Witness:

Justin Kersey, President Water Service Corporation of Kentucky

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1-4:

Provide documentation of any communications between the Joint Applicants and the EEC or DOW regarding the Joint Application.

Response:

There has been no communication between the Joint Applicants and the EEC or DOW regarding the Joint Application.

Witness:

Justin Kersey, President Water Service Corporation of Kentucky

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1-5:

Provide a copy of Water Service Kentucky's most current balance sheet and income statement for a period ending not more than 90 days prior to the application date.

Response: See attached.

Witness:

Justin Kersey, President Water Service Corporation of Kentucky

Water Service Corporation of Kentucky
Income Statement
Test Year Ended May 31, 2025

	<u>Allocated</u>
<u>Operating Revenues</u>	
Service Revenues - Water	1,462,728
Service Revenues - Sewer	-
Purchased Water Surcharge	-
Purchased Sewer Surcharge	-
Miscellaneous Revenues	2,070
Uncollectible Accounts	(36,437)
	<u>1,428,360</u>
Total Operating Revenues	
	<u>1,428,360</u>
<u>Maintenance Expenses</u>	
Purchased Power	55,668
Purchased Sewer & Water	51,795
Maintenance and Repair	97,775
Maintenance Testing	9,694
Meter Reading	-
Chemicals	58,307
Transportation	21,497
Operating Exp. Cap time Charged to Plant	(19,102)
Outside Services - Other	173,327
	<u>448,960</u>
Total	
	<u>448,960</u>
<u>General Expenses</u>	
Salaries and Wages	425,259
Office Expense	35,955
Regulatory Commission Exp.	39,757
Pension & Other Benefits	106,733
Rent	5,210
Insurance	37,052
Office Utilities	6,274
Miscellaneous	(3,163)
	<u>653,076</u>
Total	
	<u>653,076</u>
Depreciation	172,713
Amortization of PAA	(1,525)
Taxes Other Than Income	89,525
Income Taxes - Federal	-
Income Taxes - State	-
Excess ADIT	-
Amortization of ITC	-
Amortization of CIAC	(4,633)
	<u>256,079</u>
Total	
	<u>256,079</u>
Total Operating Expenses	
	<u>1,358,116</u>
<u>Net Operating Income</u>	
	<u>70,244</u>
Other Income	1,546
Interest During Construction	(1,800)
Interest on Debt	40,548
	<u>29,951</u>
Net Income	
	<u><u>29,951</u></u>

Water Service Corporation of Kentucky
Balance Sheet
Test Year Ended May 31, 2025

<u>ASSETS</u>			<u>LIABILITIES AND OTHER CREDITS</u>		
Plant In Service			Capital Stock and Retained Earnings		
Water	\$	14,553,475	Common Stock and Paid In Capital	\$	2,835,076
Sewer		-	Retained Earnings		<u>215,363</u>
Other		<u>-</u>			
Total	\$	<u>14,553,475</u>	Total	\$	<u>3,050,439</u>
Accumulated Depreciation-Water		(6,851,662)			
Accumulated Depreciation-Sewer		-	Current and Accrued Liabilities		
Accumulated Depreciation-Other		<u>(98,920)</u>			
Total	\$	<u>(6,950,582)</u>	Accounts Payable and Accrued Expenses		1,533,144
			Taxes Accrued		54,809
Net Utility Plant	\$	<u>7,602,893</u>	Customer Deposits		70,471
			Customer Deposits - Interest		3,697
			A/P - Assoc. Companies		4,374,030
			Deferred Revenue		<u>-</u>
			Total	\$	<u>6,036,152</u>
Plant Acquisition Adjustment-Water		(100,969)			
Plant Acquisition Adjustment-Sewer		<u>-</u>	Advances In Aid of Construction		
Total	\$	<u>(100,969)</u>	Water		-
			Sewer		<u>-</u>
			Total	\$	<u>-</u>
Construction Work In Process-Water		75,646			
Construction Work In Process-Sewer		<u>-</u>	Contributions In Aid of Construction		
Total	\$	<u>75,646</u>	Water		252,649
			Sewer		<u>-</u>
Current Assets			Total	\$	<u>252,649</u>
Cash		1,951,391			
Accounts Receivable - Net		768,089	Accumulated Deferred Income Tax		
A/R - Assoc. Companies		(755,126)			
Other Current Assets		<u>11,646</u>	Unamortized ITC		-
Total	\$	<u>1,976,000</u>	Deferred Tax - Federal		874,814
			Deferred Tax - State		11,734
Deferred Charges		672,218	Total	\$	<u>886,548</u>
TOTAL ASSETS	\$	<u><u>10,225,788</u></u>	TOTAL LIABILITIES AND OTHER CREDITS	\$	<u><u>10,225,788</u></u>

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1-6:

Using Water Service Kentucky's balance sheet provided in response to Item 5, provide the journal entries that Water Service Kentucky will record to reflect the transfer of its assets to Kentucky-American.

Response:

Water Service Corporation of Kentucky does not expect there to be any journal entries recorded on at Water Service Corporation of Kentucky's books and records, as the transaction is the transfer of equity interests.

Witness:

Steven Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

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1-7:

Provide an analysis of Water Service Kentucky's current and long-term debts, including the lender's name, the date the debt was incurred, the original amount of the indebtedness, and the amount outstanding as of the date of the balance sheet provided in the response to Item 5.

Response:

Water Service Corporation of Kentucky does not have any current and long-term debts.

Witness:

Steven Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

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1-8:

Provide copies of any filings or applications regarding the proposed merger that have been filed with any additional regulatory agency on behalf of Water Service Kentucky.

Response:

There are no filings or applications regarding the proposed merger that have been filed with any additional regulatory agency on behalf of Water Service Corporation of Kentucky.

Witness:

Steven Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

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1-9:

Explain how the proposed merger is in the public interest.

Response:

As stated in the Joint Application, this proposed merger will bring significant benefits by combining Water Service with a larger, more robust company—Kentucky American Water (“KAWC”). These benefits include greater access to capital for infrastructure investment, operational efficiencies, and enhanced service quality. WSKC employees will gain access to greater resources and expertise, while customers will benefit from greater access to advanced water treatment capabilities and economies of scale. More importantly, there will be no immediate impact on customer rates or regulatory oversight, and the transaction will strengthen KAWC’s ability to serve and respond to regulatory inquiries. In addition, the proposed transaction is in the public interest because KAWC will have the financial, technical, and managerial expertise to operate and manage the WSKC facilities and to provide reasonable service to the areas currently receiving water service from those facilities as discussed by KAWC in response to Item 1 of the Commission Staff’s Initial Request for Information to KAWC.

Witness:

Steven Lubertozi, Senior Vice President, Rates, Regulatory and Legislative Affairs

VERIFICATION

STATE OF ILLINOIS

)

) SS:

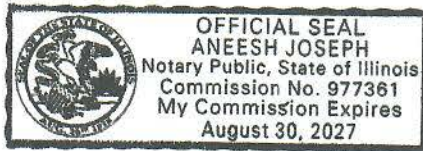
COUNTY OF Kane

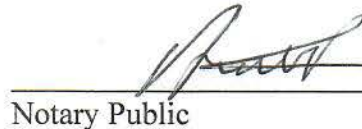
)

The undersigned, Justin Kersey, being duly sworn, deposes and says that he is the President of Water Service Corporation of Kentucky, that he has personal knowledge of the matters set forth in Water Service Corporation of Kentucky's responses to the First Request for Information, and that they are true and correct to the best of his information, knowledge and belief.


Justin Kersey

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 23 day of June, 2025.




Notary Public

My Commission Expires: August 30, 2027

Notary ID No. 977361

VERIFICATION

^{MLA}
STATE OF ~~TEXAS~~ ^{Virginia}

COUNTY OF Chesterfield

)
) SS:
)

The undersigned, Steve Lubertozzi, being duly sworn, deposes and says that he is the President of Water Service Corporation of Kentucky, that he has personal knowledge of the matters set forth in Water Service Corporation of Kentucky's responses to the First Request for Information, and that they are true and correct to the best of his information, knowledge and belief.

Steven M Lubertozzi

Steven Lubertozzi

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 24th day of June, 2025.

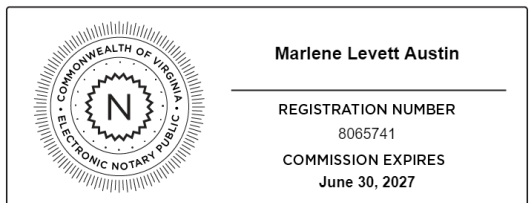
Virginia
Chesterfield

Marlene Levett Austin

Notary Public

My Commission Expires: 06/30/2027

Notary ID No. 8065741



Notarized remotely online using communication technology via Proof.