

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
IMPACT OF THE TAX CUTS AND JOB)	CASE NO
ACT ON THE RATES OF WATER SERVICE)	2018-00043
CORPORATION OF KENTUCKY)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO WATER SERVICE CORPORATION OF KENTUCKY

Water Service Corporation of Kentucky ("WSCK"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before March 27, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the 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.

WSCK shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which WSCK fails or refuses

to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, WSCK shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide WSCK’s income statement, balance sheet, and statement of retained earnings for the calendar year ending December 31, 2017.

2. Using the table below, provide the calculation of the gross revenue conversion factor (“GRCF”) including a 35 percent Federal Income Tax (“FIT”) rate.

Line #	Description	Rates	State	Federal
1	Operating Revenue		100.000000%	100.000000%
2	Less: Uncollectible Expense			
3	Less: PSC Assessment			
4	Less: Production Activities Deduction State			
5				
6	Income before State Income Tax		100.000000%	100.000000%
7	State Income Tax		0.000000%	0.000000%
8				
9	Income before Federal Income Tax			100.000000%
10	Federal Income Tax			0.000000%
11				
12	Operating Income Percentage (Line 9 - Line 10)			100.000000%
13				
14	Gross Revenue Conversion FACTOR (Line 1 / Line 12)			1.000000
15				
16	Composite Income Tax Rate (Line 7 + Line 10)			0.000000%
17				
18	Common Equity Gross-up (Line 16 / (1 - Line 16))			0.000000%

3. Using the table in Item 2, provide the calculation of the GRCF including a 21 percent FIT rate.

4. Using WSCK’s responses to this Request for Information and the table below, provide the revenue reduction resulting from the decrease in the FIT rate from 35 percent to 21 percent.

Line No.	Description	35% Federal Income Tax Rate	21% Federal Income Tax Rate	Revenue Impact
1	Operating Expenses Net of Income Taxes			
2	Divide by: 88% Operating Ratio			
3				
4	Required Annual Operating Income Before Taxes (Line 1 / Line 2)			
5	Multiplied by: Income Tax Gross-up Factor			
6				
7	Required Operating Income After Taxes (Line 4 x Line 5)	\$ -	\$ -	
8				
9	Amortization Of Excess ADIT (Protected) - Using ARAM			
10	Amortization Of Excess ADIT (Unprotected)			
11				
12	Total Amortization Of Excess ADIT (Line 9 + Line 10)		-	
13	Gross-Up Factor Using 21% Federal Tax Rate			
14				
15	Total Reduction In Deferred Income Tax Expense (Line 12 x Line 13)			-
16				
17	Total Reduction In Revenue Requirements (Line 7 + Line 15)			\$ -

If WSCK lacks sufficient information to apply the average rate assumption (“ARAM”) method, instead use the Reverse South Georgia Method to calculate the amortization of excess protected accumulated deferred income taxes (“ADIT”) in Line 6 of the above table. If estimates and assumptions were made to calculate the amounts identified in response to this Request, identify and describe any estimates and assumptions.

5. Explain whether any of the expenses charged to WSCK by its affiliates in 2017, contain any FIT implications. If so, state whether WSCK addressed the impacts on its revenue requirements. If not, provide the impact of the FIT implications on WSCK’s 2017 expense and revenue requirement.

6. Have any of WSCK's affiliates resolved or are in process of settling the impact of the Tax Cuts and Job Act on rates in other states. If so, provide the amortization period(s) established for the unprotected excess ADIT.

7. State whether WSCK has received any letter or written opinion from the Internal Revenue Service since January 1, 2010, regarding the treatment of WSCK's excess ADIT and, if so, provide a copy of the letter or written opinion.

8. Provide any and all letters or written opinions prepared by the Internal Revenue Service and relied on by WSCK or its agents to calculate WSCK's excess ADIT or to determine how the excess ADIT may be reimbursed to ratepayers under federal tax law, regardless of whether those letters or written opinions were prepared for or at the request of WSCK.

9. If WSCK's fiscal year is different from the calendar year ending December 31, 2017, provide the fiscal year and identify and describe any effect that a non-calendar fiscal year has on the calculation of excess ADIT or the rate at which it may be reimbursed pursuant to the Tax Cut and Jobs Act.

10. Provide the maximum total amount of excess protected ADIT that WSCK contends may be reimbursed to ratepayers annually in 2018 and for each year thereafter through 2033 using the ARAM method. If WSCK is not able to apply the ARAM method because it lacks the relevant information, separately provide the maximum total amount of excess protected ADIT that WSCK contends may be reimbursed to ratepayers annually in 2018 and for each year thereafter through 2033 using the Reverse South Georgia Method.

11. Identify any and all assets, property, and accounts the depreciation of which gave rise to protected excess ADIT and:

a. Provide the extent to which such assets, property, and accounts were depreciated as of December 31, 2017, in terms of percentage and total value;

b. Provide the annual depreciation schedule for each such asset, piece of property, and account for tax and regulatory purposes through 2034;

c. Provide the excess ADIT that arose from the depreciation of each such assets, property, and account as of January 1, 2018;

d. Provide the total ADIT, including excess ADIT and ADIT that is not excess, attributable to each such asset, property, or account as of December 31, 2017;

e. Identify and provide any other information used by you to calculate the maximum protected excess ADIT that may be reimbursed to ratepayers in 2018 through 2033 using the ARAM method;

f. If the information necessary to use the ARAM method is not available, explain the method and basis for your calculation in response to the preceding Item;

g. If estimates and presumptions were made to calculate the response to the preceding Item, please identify and describe any estimates and assumptions.

12. Identify and describe the source of all unprotected excess ADIT, and if any excess unprotected ADIT arose from the depreciation of any asset, property, or account, state the extent to which such asset, property, or account was depreciated as of December 31, 2017, in percentage terms and total value; identify the date on which each would be fully depreciated based on the current regulatory depreciation schedule; and

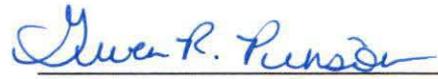
identify the excess unprotected ADIT attributable to each such asset, property, or account as of January 1, 2018.

13. Provide monthly sales and revenues recorded in 2017, by customer class.

14. Provide schedules reflecting both a 5-year and a 15-year amortization period for WSCK's unprotected excess ADIT and the impact each amortization period would have on Columbia Gas's revenue requirement.

15. Provide all supporting schedules, calculations, and documentation in Excel spreadsheet format with formulas intact and unprotected, and all rows and columns fully accessible.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAR 13 2018

cc: Parties of Record

Case No. 2018-00043

*James W Gardner
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street
Suite 1400
Lexington, KENTUCKY 40507

*M. Todd Osterloh
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street
Suite 1400
Lexington, KENTUCKY 40507

*Justin M. McNeil
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Kent Chandler
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Larry Cook
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Mary Myers
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street
Suite 1400
Lexington, KENTUCKY 40507

*Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Water Service Corporation of Kentucky
2335 Sanders Road
Northbrook, IL 60062-6196