

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WATER)	
SERVICE CORPORATION OF KENTUCKY)	CASE NO
FOR A GENERAL ADJUSTMENT IN)	2018-00208
EXISTING RATES)	

COMMISSION STAFF'S POST-HEARING REQUEST FOR INFORMATION
TO WATER SERVICE CORPORATION OF KENTUCKY

Water Service Corporation of Kentucky (Water Service Kentucky), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the following information. The information requested herein is due on January 11, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked.

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.

Water Service Kentucky shall make timely amendment to any prior response if Water Service Kentucky obtains information which 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 Water Service Kentucky fails or refuses to furnish all or part of the requested information, Water Service Kentucky 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Water Service Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Water Service Kentucky's testimony regarding Ambleside, LLC, (Ambleside) monthly fire hydrant charges.
 - a. State the efforts made to collect payment from Ambleside or any other entity from the time that payments stopped.
 - b. Provide Water Service Kentucky's policy for nonpayment of services.
 - c. Provide all documentation or internal correspondence regarding the policy to categorize the fire hydrant charges as bad debt rather than pursue collection proceedings.
 - d. Provide all external correspondence between Water Service Kentucky and entities regarding nonpayment of services, including but not limited to

Ambleside, any homeowners association, and residents served by the private fire hydrants.

e. Calculate and list by year, the unpaid billing for Ambleside from the time that payments stopped.

f. State why Water Service Kentucky did not address the Ambleside area fire hydrants in its prior rate case, Case No. 2015-00382.¹

2. For financial reporting purposes, General Accounting Standards Board Pronouncement No. 68 (GASB 68) requires that an employer participating in a Cost-Sharing Pension Plan recognize on its Balance Sheet its proportionate share of the plan's Net Pension Liability (NPL) and any deferred outflows of resources and deferred inflows of resources related to pensions. Therefore, the Districts and Associations included in your analysis would not only report the actual payments into the County Employment Retirement System (CERS) but also their proportionate share of the CERS unfunded liability. Explain how this reporting requirement would impact the comparison of Water Service Kentucky's retirement contribution to the CERS contributions of the sample group.

3. Refer to Water Service Kentucky's testimony regarding the projects labeled "UCMR4 – One Year to Complete UCMR4 sampling requirements, "Bean's Fork Tank," "Clinton – Grubbs Subdivision" and "ClintonWTP Clearwell" and contained in the file labeled "Staff DR 1.3- Filing Template", Maintenance and Repair adjustment, tab-Ky DEF Assets, Description column.

¹ Case No. 2015-00382, *Application of Water Service Corporation of Kentucky for a General Adjustment of Existing Rates*, (Ky. PSC May 31, 2015).

a. Describe the nature of these projects. Provide the estimates relied upon to consider the projects known and measurable.

b. Provide the expenses to inspect these premises and the inspection schedules, including the frequency of inspection and whether the expenses are normalized.

c. Provide documentation identifying the expected start date for each of these projects.

4. Refer to Water Service Kentucky's testimony by Constance Heppenstall regarding the cost-of-service study (COSS).

a. Provide all the fixed costs used to calculate the monthly service charge proposed by Water Service Kentucky.

b. Explain in detail how a "readiness to serve" charge is calculated.

c. Provide any and all industry best practices standards used for calculating the COSS referenced during testimony, including but not limited to any reference to a "readiness to serve" calculation.

d. Provide a revised COSS illustrating the fixed versus variable costs associated with providing services to the customers of Water Service Kentucky.

5. Refer to the testimony of Perry Brown and Steven Lubertozzi regarding general wage increases and merit wage increases. Provide the external benchmarking study used by Water Service Kentucky to substantiate its market rate general and merit wage increases.

6. Explain why Water Service Kentucky hired John Guastella to perform a depreciation study rather than use the National Association of Regulatory Utility

Commissioners Study of Depreciation Practices for Small Water Utilities, as stipulated in Case No. 2015-00382.²

7. Refer to the direct testimony of John Guastella, application p 271.

a. Distinguish the “comparative analysis” performed by Mr. Guastella from the benchmarking analysis of depreciation practices and methods of 17 regional water utilities in Case No. 2006-00398.³

b. Respond to the concerns expressed by the Commission in Case No. 2006-00398⁴ as applied to Mr. Guastella’s study, specifically address the following:

(1) Whether the study identifies characteristics common to the proxy group and Water Service Kentucky;

(2) Whether the study identifies the method of determining depreciation rates used by each of the utilities in the proxy group; and

(3) Explain why the proxy group did not contain Kentucky water suppliers.



Gwen R. Pinson
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P.O. Box 615
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DATED DEC 20 2018

cc: Parties of Record

² Case No. 2015-00382, *Application of Water Service Corporation of Kentucky for a General Adjustment of Existing Rates*, (Ky. PSC May 31, 2015) at 4.

³ Case No. 2006-00398, *Application of Northern Kentucky Water District for Approval of Depreciation Study*, (filed Aug. 31, 2006).

⁴ See Case No. 2006-00398, *Application of Northern Kentucky Water District for Approval of Depreciation Study*, (Ky. PSC Nov. 21, 2007).

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