

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY FOR AN)	CASE NO.
ADJUSTMENT OF RATES)	2018-00358

COMMISSION STAFF'S POST-HEARING REQUEST FOR INFORMATION
TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company (Kentucky-American), 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 May 24, 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.

Kentucky-American shall make timely amendment to any prior response if it 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 Kentucky-American fails or refuses to furnish all or part of the requested information, Kentucky-American 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, Kentucky-American 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 a copy of the proposed rates in Word format using the same layout as Appendix B filed on August 23, 2016, in Case No. 2015-00418. Omit the header, "Appendix B, Appendix to an Order of the Kentucky Public Service Commission . . ." and the paragraph that states, "The following rates and charges . . ."
2. Provide an updated projection of the short-term interest rate using the LIBOR one-month interest rate for May 15, 2019.
3. Provide the actual interest rate for the \$16 million of long-term debt when the debt is issued.
4. Provide a revised Exhibit 37, Schedule J, Cost of Capital Summary reflecting the revised short-term interest rate using the May 15, 2019 LIBOR one month interest rate and the actual interest rate for the \$16 million long-term debt issuance

authorized by the Commission in Case No. 2019-00083. The schedules should be in Excel format, with all formulas intact and cells unprotected.

5. Provide Kentucky-American's return on equity (ROE) for January, February, March, and April 2018.

6. Provide a schedule with the calculation of the impact on revenue requirement for the adjustment to deferred maintenance related to two new projects, hydrotreaters number 9 and number 10. Include a calculation of the costs for each of the hydrotreater water tank painting projects and the Muddy Fork water tank painting projects. The schedule should be in Excel format, with all formulas intact and cells unprotected.

7. Provide a revised Schedule M Billing Analysis based upon the revised revenue requirement set forth in the base period update filed on April 15, 2019.

8. Provide a schedule in Excel format, with all formulas intact and cells unprotected, with the calculations of the revenue requirement impacts of the below. The spreadsheets should separately show the rate base and income tax expense impacts of the adjustments.

a. The grossed-up excess Accumulated Deferred Income Taxes (ADIT) Stub Period State and Federal amortization of (\$385,857);

b. The excess ADIT State Amortization of (\$109,927); and

c. The excess ADIT Federal Amortization of (\$717,057). For excess ADIT Federal adjustments, separate the adjustments into protected, repairs reduction protected and unprotected.

9. Provide a schedule showing the entries that reflect how Kentucky-American records Federal and State ADIT. The schedule should be in Excel format, with all formulas intact and cells unprotected.

10. Concerning the defined benefit plan, which was closed for participation by employees hired on January 1, 2006, explain the management philosophy for allowing non-union employees in the defined benefit plan to continue to accrue benefits but froze benefits for union employees, who do not continue to accrue benefits.

11. Provide a schedule with the total amount of discretionary funds made available by American Water Works Company, Inc. (American Water), to its subsidiaries for the past five years and indicate what percentage of the American Water discretionary fund pool that Kentucky-American received.

12. Provide American Water's system-wide water loss, indicating the water loss rate by state and the system average for the past five years.

13. For the program year ending in September 2018, provide the number of applicants who applied for bill payment assistance through the H2O bill payment assistance program, the number of applicants who were eligible for assistance, and the number of eligible applicants who received funds.

14. Provide a copy of the agreement between Kentucky-American and Dollar Energy Fund to administer the H2O program.

15. Did Kentucky-American project the number of full-time employees for the forecasted test year assuming that the Qualified Infrastructure Plan (QIP) would be approved? If yes, state how many additional full-time employees are attributed to the Commission approving the QIP.

16. Refer to Exhibit 37, Schedule G-2. Explain the difference related to the hourly rate for the forecasted year and the hourly rate for the base period.

17. Refer to the Excel spreadsheet filed with Kentucky-American's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 61, KAW_R_AGDR1_NUM061_012519_Attachment.xlsx, which shows that the investment in main replacement increases by \$5.7 million in year two and by another \$4 million in year three. Reconcile the projected investment of approximately \$10 million in year three of the QIP and the statement that the QIP program will not be fully ramped up until after year five when Kentucky-American intends to achieve the targeted replacement rate of 10–13 miles of cast iron and galvanized steel replacements at a cost of \$6–10 million per year.

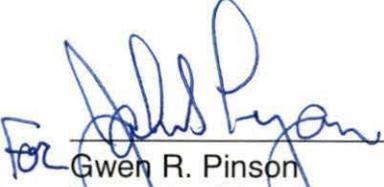
18. File a revised Exhibit 37, Schedule L, with the corrected information regarding the Tap Fee.

19. Identify the primary source of leaks in Kentucky-American's systems. For example, whether the majority of leaks are in mains or service lines.

20. Explain in specific detail the regulatory process that Kentucky-American proposes be implemented for the QIP, including identifying information to be included the annual filing to establish the QIP surcharge and the annual reconciliation.

21. Refer to Kentucky-American's response to the Attorney General's First Request, Item 4. Explain in specific detail the reason for the fluctuation in American Water Works Service Company's total costs, which were \$219,219,779 in 2016, \$204,154,139 in 2017, and \$229,526,773 in 2018

22. For each proxy company, provide the approved weighted average cost of capital.


Gwen R. Pinson
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Public Service Commission
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DATED MAY 16 2019

cc: Parties of Record

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