

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WATER	)	CASE NO.
SERVICE CORPORATION OF KENTUCKY FOR A	)	2020-00160
GENERAL ADJUSTMENT IN EXISTING RATES	)	

COMMISSION STAFF'S THIRD 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 an electronic version of the following information. The information requested herein is due on September 28, 2020. Pursuant to the Commission's Orders in Case No. 2020-00085,<sup>1</sup> issued March 16, 2020, and March 24, 2020, Water Service Kentucky SHALL NOT FILE the original paper copy of all requested information at this time, but rather shall file original paper copies within 30 days of the lifting of the current state of emergency. All responses 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

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

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 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 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 response to the Commission Staff's Second Request for Information (Staff's Second Request), Item 10, and the final Order in Case No. 2008-00563<sup>2</sup>.

a. Confirm that Utilities, Inc. (Utilities) placed the J.D. Edwards financial software system (J.D. Edwards) into operation on December 3, 2007.

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<sup>2</sup> Case No. 2008-00563, *Application of Water Service Corporation of Kentucky for an Adjustment of Rates* (Ky. PSC Nov. 9, 2009), Order at 4.

b. Confirm that Utilities placed the Oracle Customer Care and Billing System (Oracle) into operation on June 2, 2008.

c. Provide the book depreciation life Utilities used for its J.D. Edwards software investment and the date that the investment in the J.D. Edwards software was fully depreciated.

d. Provide the book depreciation life Utilities used for its Oracle Software investment and the date that the investment in the Oracle software was fully depreciated.

2. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 11. Water Service Kentucky explains that the corporate services currently being provided by Corix Infrastructure Inc. (Corix) were provided by a number of entities, including parent corporations and, at certain times, employees of Water Service Corporation. For each individual service being provided to Water Service Kentucky by Corix: (1) identify the entity that provided that specific service to Water Service Kentucky prior to Corix providing that service; and (2) include a comparative schedule of the costs incurred by Water Service Kentucky prior to Corix providing those services to the current costs currently being allocated to Water Service Kentucky.

3. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 20. Explain if the Cost Allocation Manual (CAM) provided in this response is on file with this Commission. If the CAM is not on file with the Commission, provide a detailed explanation as to why.

4. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 26.c. Identify each acquisition project listed on the schedule that occurred in

Kentucky. For each successful project that occurred in Kentucky explain if Commission authorization of the acquisition was obtained and quantify the benefit that was derived by the customers of Water Service Kentucky from the acquisition.

5. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 27.

a. If the major construction projects identified in Water Service Kentucky's response were completed without the involvement of either Water Service Corporation's Director of Engineering & Asset Management or Midwest Project Manager, explain why these two positions are required for future construction projects.

b. Quantify the benefits that the Director of Engineering & Asset Management or Midwest Project Manager will provide to the customers of Water Service Kentucky.

6. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 29. In Case No. 2010-00476<sup>3</sup> the Commission found that the salary analysis presented by Water Service Kentucky lacked the following: a comparison of the employee wages with local, regional or state trends; the necessity of the 2013 wage increases; and the reasonableness of the wages. Explain how the salary analysis presented by Water Service Kentucky in this instant case provides the information that was lacking in Case No. 2010-00476.

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<sup>3</sup> Case No. 2010-00476, *Application of Water Service Corporation of Kentucky for an Adjustment of Rates* (Ky. PSC Nov. 23, 2011).

7. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 32. Provide a schedule showing the annual accumulation of the Ambleside Hydrant charges until it reached the level of \$53,617.

8. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 38.a. For each employee position listed in the response provide the following:

- a. The year the position was filed;
- b. The total annual salary for each position; and
- c. List separately the salary allocated and directly billed to Water Service Kentucky for each employee position identified.

9. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 38.f. Provide a breakdown for this cost increase between the salaries to additional employees and the employee merit increases.

10. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 38.f. Provide a detailed explanation as to why Water Service Corporation's costs of customer billing were switched from being allocated to being directly charged. Quantify the benefits Water Service Kentucky's customers received from this change.

11. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 59. Water Service Kentucky was requested to provide the following: Using Water Service Kentucky's requested revenue requirement and its capital structure, impute Water Service Kentucky's Weighted Cost of Capital (WCC) and Return on Equity (ROE). Provide the calculations as originally requested and in an Excel spreadsheet format with all columns and rows accessible and all formulas unprotected.

12. Refer to Water Service Kentucky's Response to the June 26, 2020 Order, Appendix B, Item 3, Filing Template Pro Forma, Tab: Sch.D-Rev Req and to Tab: Sch.C-R.B.

a. Confirm that Water Service Kentucky's adjusted test year rate base is \$6,323,972 as calculated on Sch.C-R.B.

b. Using Water Service Kentucky's requested revenue requirement and the test-year adjusted rate base, calculate Water Service Kentucky's return on rate base. Provide the calculations in an Excel spreadsheet format with all columns and rows accessible and all formulas unprotected.

13. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 62. Water Service Kentucky was requested to provide copies of the section of each Order discussing the WCC and ROE. Provide the information as originally requested.

14. Refer to Water Service Kentucky's response to the Staff's Second Request, Item 63. The 9.25 percent return on equity is a hard entered number and the weighted cost of capital is not calculated by using the net operating income. Provide a revised schedule showing the actual calculations of Water Service Kentucky's return on total capital and the ROE.



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Kent A. Chandler  
Acting Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED SEP 15 2020

cc: Parties of Record

Case No. 2020-00160

\*Angela M Goad  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

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

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

\*John Horne  
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 B Potter  
113 North Washington Street  
Clinton, KENTUCKY 42031

\*J. Michael West  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Water Service Corporation of Kentucky  
c/o Water Service Corp  
500 West Monroe Street, Suite 3600  
Chicago, IL 60661-3779