

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY FOR AN)	CASE NO.
ORDER APPROVING THE ESTABLISHMENT)	2020-00257
OF A REGULATORY ASSET)	

COMMISSION STAFF'S FIRST 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 an electronic version of the following information. The information requested herein is due on November 12, 2020. The Commission directs Kentucky-American to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission 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

¹ 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.

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 Kentucky-American obtains information that indicates 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. Refer to the Application, paragraphs 8–9, and the Supplement to the Application, pages 2–3, and Attachment 1.

a. Provide a detailed explanation of Kentucky-American's need for \$19,634,954 in incremental borrowing.

b. Provide Kentucky-American's monthly cash reserve ending balance from December 2019 to October 2020.

c. Provide the maturity date and interest rate of the \$19,634,954 term loan.

2. Provide the journal entries that Kentucky-American proposes to effectuate the establishment of the requested regulatory asset.

3. Refer to the Supplement to the Application, page 3. Kentucky-American asks that the Commission rule on its request by December 18, 2020, so that it may reflect the related adjustments on its books for calendar year 2020. Provide the date by which Kentucky-American will close its books for 2020, and if that date is in early 2021, explain why Kentucky-American requests a ruling prior to that date.

4. Refer to the Supplement to the Application, Attachment, Tab “Foregone Late Payment Fees” and Case No. 2018-00358,² Application, Exhibit 37, page 2, line 17. Confirm that the late payment revenues used to offset base rates were \$784,484.

5. Refer to the Supplement to the Application, Attachment, Tab “Foregone Late Payment Fees.”

a. Provide the late payment fees assessed and collected monthly from July 2019, through February 2020.

b. Confirm that the \$682,277 in foregone late payment fees is calculated as 5.00 percent of new past due amounts. If this cannot be confirmed, explain how the foregone late payment fees are calculated.

6. Refer to the Supplement to the Application, Attachment, Tab “Incremental Operating Expense.”

² Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019).

a. For each category listed in the table below, provide an itemized schedule listing each item included in the category that is \$500 or greater.

(1)	Facility Preparedness	70,464
(2)	Communications	60,652
(3)	PPE and Supplies	20,646
(4)	Temporary Housing	19,254
(5)	Signage	6,924
(6)	PPE and Supplies	649,444
(7)	Communications	46,715
(8)	Facility Preparedness	29,428
(9)	WFH Stipend	58,150

b. Provide a detailed explanation for the need for the temporary housing of \$19,254.

c. Explain why the facility preparedness expenditures are not considered capital costs that would be depreciated rather than expensed.

d. Provide a definition for the category titled "WFH Stipend."

7. Refer to the Supplement to the Application, Attachment, Tabs "Incremental Operating Expense" and "Term Loan Interest Expense." Kentucky-American uses a Service Company allocation factor of 4.12 percent for Incremental Operating Expense but a 3.93 percent allocation factor for Term Loan Interest Expense. Provide a detailed explanation for the different Service Company allocation factors.

8. Refer to the Supplement to the Application, Attachment, Tab "Uncollectible Expense," and Case No. 2020-00085, Kentucky-American's response to Commission Staff's First Request for Information, Item 7(a), and the September 21, 2020 Order.

a. Explain whether Kentucky-American recorded uncollectible accounts expense for amounts written off after 90 days which are now subject to a default

payment plan. If so, explain whether and how Kentucky-American will reverse any expenses for subsequent payments.

b. Confirm that uncollectible accounts expense recorded in March 2020 through May 2020 relates to service rendered before the current state of emergency. If this cannot be confirmed, explain.

9. Refer to the Supplement to the Application, Attachment, Tab “Term Loan Interest Expense.”

a. Provide the calculation(s) of the monthly carrying costs for the \$500,000,000 term loan.

b. Provide a schedule listing the amounts by month of the term loan proceeds that were used by Kentucky-American. For each month, provide a detailed explanation as to how Kentucky-American used the loan proceeds.


c. If Kentucky-American did not use the term loan obtained by American Water Capital Corporation, explain why it is allocated a portion of the carrying cost.

10. Refer to the Supplement to the Application, Attachment, Tab “Travel_Conference Savings,” and Case No. 2018-00358, Application, Exhibit 13, page 6, line P29.

a. For the months of March 2020 through June 2020, explain why Kentucky-American is proposing to use travel expense from 2019 to calculate savings as opposed to a comparison of the expenses included in its base rates.

b. Provide a revised projection using the base rates expense amounts for March 2020 through June 2020.

11. Provide monthly revenues and accounts receivable by customer class for February 2019 through September 2020.



Lindsey L. Flora
Deputy Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED NOV 05 2020

cc: Parties of Record

Case No. 2020-00257

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

*Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502

*John G Horne, II
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Honorable Lindsey W Ingram, III
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

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

*Mary Ellen Wimberly
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

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