

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	CASE NO.
AMERICAN WATER COMPANY FOR AN)	2025-00122
ADJUSTMENT OF RATES)	

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

Kentucky-American Water Company (Kentucky-American), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on July 7, 2025. The Commission directs Kentucky-American to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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 or incomplete when made or, though correct or complete when made, is now incorrect or incomplete 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 and scanned 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 Kentucky-American's Response to Staff's First Request for Information (Staff's First Request), Item 1, KAWC Rate Case - KAW O&M Growth Factor Workpaper.xlsx.

- a. Provide the budgeted and actuals for each expense category listed in column A for the years 2021–2024.

b. Confirm that Kentucky-American uses a Three-Year Average Operating & Maintenance Growth Factor to calculate its budget for each year. If confirmed, provide the years used. If not confirmed, explain how the growth factor was calculated.

c. Explain why Kentucky-American chose to use a Three-Year Average Operating & Maintenance Growth Factor.

2. Refer to Kentucky-American's Response to Staff's First Request, Item 1, KAWC 2025 Rate Case - Miscellaneous Expense Exhibit.xlsx. Explain why Kentucky-American is applying growth factor adjustments to negative amounts for Pumping and Customer Education Communication – Conservation.

3. Refer to Kentucky-American's Response to Staff's First Request, Item 1, KAWC 2025 Rate Case – Office Supplies Exhibit.xlsx.

a. Explain the \$8,333 adjustment to Credit Line Fees.

b. Explain why Kentucky-American is applying a Growth Factor to the Software Licenses expense if Kentucky-American has an agreement for \$83,790 a year. Provide the agreement for the Software License as part of the response.

4. Refer to Kentucky-American's Response to Staff's First Request, Item 1, KAWC 2025 Rate Case – Employee Related Expense.xlsx. Explain the \$25,855 reallocation adjustment.

5. Refer to Kentucky-American's Response to Staff's First Request, Item 1, KAWC 2025 Rate Case – Fuel and Power Exhibit.xlsx. Explain how Kentucky-American calculated a 6.5 percent growth factor.

6. Refer to Kentucky-American's Response to Staff's First Request, Item 1, KAWC 2025 Rate Case – IOTG Exhibit.xlsx. Explain how Kentucky-American calculated the projected annual increases for its insurance policies.

7. Refer to Kentucky-American's Response to Staff's First Request, Item 1, KAWC 2025 Rate Case – Maintenance Supplies & Services Exhibit.xlsx.

a. Explain the \$(13,514) adjustment to Deferred Maintenance – Transmission and Distribution.

b. Identify and explain the equipment and services received for the \$100,000 associated with the safety electrical mandate, \$75,000 associated with the incline elevator care repair, and \$50,000 associated with the UV treatment equipment.

8. Refer to Kentucky-American's Response to Staff's First Request, Item 1, KAWC 2025 Rate Case – Rents Exhibit.xlsx. Explain the \$6,748 in adjustments to the base year rental accounts.

9. Confirm if Kentucky-American is making an adjustment pursuant to 807 KAR 5:066 ,Section 6(3), for expenses associated with water loss over 15 percent. If confirmed, describe where the adjustment is in the record. If not confirmed, explain why no adjustment is being made.

10. Refer to the Direct Testimony of Ann Bulkley (Bulkley Direct Testimony), generally.

a. Provide an electronic copy of the return on equity (ROE) workpapers in Excel spreadsheet format with all formulas, columns, and rows intact and fully accessible.

b. Provide each of the Value Line Investment Survey company profile sheets supporting the return on equity analyses.

11. Refer to the Bulkley Direct Testimony, page 19. For both the natural gas companies and the electric companies in the proxy group, explain how the operational risk, business risk, and the current and future environmental requirements specifically compare to the regulated water industry.

12. Refer to the Bulkley Direct Testimony, page 28, lines 11–13.

a. Provide support for the use of S&P Capital IQ consensus analysts' forecasts of earnings growth in the DCF analyses.

b. Provide a comparison of Yahoo! Finance and S&P Capital IQ as sources of analysts' forecasts for growth.

13. Refer to the Bulkley Direct Testimony, page 29, lines 19–20. Confirm that Kentucky-American did not exclude any other outliers in the return on equity evaluation. If Kentucky-American did exclude other outliers, identify all excluded outliers, and explain why they were excluded.

14. Refer to the Bulkley Direct Testimony, page 32, lines 8–17.

a. Explain the time and which stock indices serve as the basis for the Value Line and Bloomberg beta coefficients.

b. Explain the time and basis for Yahoo! Finance beta calculations and why they could not also be included in the analysis.

c. Provide an update to the calculation found on page 35 of the Bulkley Direct Testimony including adjusted Yahoo! Finance beta values. If Yahoo! Finance beta values are unadjusted, provide the formula for adjusting the beta values.

15. Refer to the Bulkley Direct Testimony, page 47, lines 20–21 and page 48, lines 1–2.

a. Provide whether the final cost of equity results incorporated any explicit adjustments for other factors such as credit risk or size. If such adjustments were incorporated, identify the adjustments and provide the size and basis for the adjustments.

b. Provide whether adjustment factors were considered in identifying a recommended ROE in addition to flotation costs. If so, explain the adjustment factors.

16. Refer to the Bulkley Direct Testimony, Exhibit AEB-3. The projected earnings per share (EPS) growth rate values from Zacks shows 'n/a' for multiple proxy group companies. Confirm that these unavailable values were not supplemented in the Average Projected EPS Growth Rate calculation, and rather this calculation relied only on the available EPS data from Value Line and S&P Capital IQ for these companies. If not confirmed, explain.

17. Refer to the Direct Testimony of Robert Prendergast (Prendergast Direct Testimony), page 13, line 6. Explain the 6.5 percent increase applied to Purchased Power especially since Kentucky Utilities Company (KU) has filed for a rate increase.²

18. Refer to the Direct Testimony of Michael Adams (Adams Direct Testimony) page 4, lines 21–22 through page 5, lines 1–2; and page 8, lines 19–23 through page 9, lines 1–2. Explain why the comparison to electric company filings is appropriate when analyzing a water service company. As part of this response, include a list of the electric

² Case No. 2025-00113, *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates and Approval of Certain Regulatory and Accounting Treatments* (May 30, 2025).

utilities evaluated, the number of customers and the service territory, and an explanation of the difference between the information provided in the list on page 14 of the report.

19. Refer to Adams Direct Testimony, page 8, lines 2–3. Provide the supporting documentation or basis for the conclusory statement therein, that “Outside service providers generally bill for every hour worked.”

20. Refer to Adams Direct Testimony, Report, Table 7. Identify the water companies that are investor-owned utilities. If none of them are, explain why these utilities were considered comparable to Kentucky-American.

21. Refer to Adams Direct Testimony, Report, Table 25.

a. Identify the percentage of calls attributed to with American Water Works Company (American Water) that are related to Kentucky-American’s service or related to Kentucky-American.

b. Identify the inputs for the percentage attributed to American Water’s average calls per customers.

22. Refer to the Direct Testimony of Dominic Degrazia, (Degrazia Direct Testimony), Exhibit DD-3. Provide the workpapers used to create Exhibit DD-3 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

23. Refer to the Degrazia Direct Testimony, page 18, lines 19–21. Provide the support for a two-year regulatory expense amortization period as opposed to a three-year regulatory expense amortization period.

24. Kentucky-American has filed a joint application with American Water, Nexus Regulated Utilities, LLC (Nexus), and Water Service Company of Kentucky, Inc. (Water

Service) (collectively, Joint Applicants) in Case No. 2025-00171,³ for approval of (1) Nexus's sale of its equity and ownership interest in Water Service to American Water; (2) American Water's acquisition of Nexus's equity and ownership interest in Water Service; and (3) the merger of Water Service into Kentucky-American and Kentucky-American's assumption of all Water Service's assets, rights and obligations, including its water systems in Bell and Clinton Counties, Kentucky.

a. Explain how the proposed merger will affect the proposed rates in Kentucky-American's application.

b. If the proposed merger is approved by the Commission, explain whether the current Water Service Kentucky customers will be subject to the proposed rates in this application.

c. If the rates proposed in this application will not be affected by the proposed merger, describe the timeframe in which Kentucky-American expects the current Water Service customers to fall under Kentucky-American's tariff rates.

25. Confirm that Kentucky-American is not proposing to revise any of its Nonrecurring Charges or Tap-On Fees from what is listed in its current tariff. If not confirmed, explain.

³ Case No. 2025-00171, *Electronic Application of American Water Works Company, Kentucky-American Water Company, Nexus Regulated Utilities, LLC, and Water Service Company of Kentucky for Approval of the Transfer of Control of Water Service Company of Kentucky* (filed June 2, 2025).

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DATED **JUN 20 2025**

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Case No. 2025-00122

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