COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES, APPROVAL OF SYSTEM IMPROVEMENT PROGRAM, AND TARIFF CHANGES	)))))	CASE NO. 2026-00094

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO THE ATTORNEY GENERAL, LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, AND GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention, Lexington-Fayette Urban County Government, and Georgetown Municipal Water and Sewer Service (collectively, Intervenors), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on September 10, 2026. The Commission directs Intervenors to the Commission's July 22, 2021 Order in Case No. 2020-00085[1] 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

[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).

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.

Intervenors shall make timely amendment to any prior response if Intervenors obtain 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 Intervenors fail or refuse to furnish all or part of the requested information, Intervenors shall provide a written explanation of the specific grounds for their 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, Intervenors 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 Direct Testimony of John Defevor (Defever Direct Testimony), page 40. Explain in detail what customer protections would be appropriate for the proposed System Improvement Program (SIP) mechanism.

2. Refer to the Defever Direct Testimony, pages 26-27.

a. State whether the Kentucky Public Service Commission has approved a similar adjustment to reduce recoverable Board of Directors Expense. If so, identify each case and provide the relevant order.

b. Provide the rationale for the 75/25 percent split between shareholders and ratepayers.

c. Confirm that other public utility commissions or relevant retail regulatory authorities outside of the Connecticut Public Utilities Regulatory Authority (PURA), have made a similar adjustment to reduce a utility's board of directors expenditures. If confirmed, provide the other regulatory authority's decision on the matter and provide a narrative description of the adjustment made in each docket.

3. Refer to the Direct Testimony of Aaron L. Rothschild (Rothschild Direct Testimony), generally.

a. Provide Exhibits ALR-1 through ALR-10 in Excel spreadsheet format with all columns, rows, and formulas unprotected and fully accessible.

b. For all sources which reference the "most current data available at time of schedule preparation," provide the date the data was prepared or accessed.

4. Refer to the Rothschild Direct Testimony, page 10, lines 8-12. Explain why using the absolute median of the return-on-equity (ROE) results would constitute a reasonable strict mathematical approach. Identify the factors that would support selecting a different percentile within the range.

5. Refer to the Rothschild Direct Testimony, page 11, lines 10-11. Further explain how the distribution of results supports a range between the 80th and 90th percentiles, rather than a different range, specifically as it relates to this proceeding.

6. Refer to the Rothschild Direct Testimony, page 11, lines 15-16. Explain the reasonableness of giving the same weight to all ROE analyses performed. In the response, explain whether any of the analyses are more reasonable than others and if so, why.

7. Refer to the Rothschild Direct Testimony, page 23, lines 2-4. Specify which proxy group companies have unregulated gas operations and any other unregulated operations and explain why the increased risk is not cause to exclude the company from the proxy group.

8. Refer to the Rothschild Direct Testimony, page 27, lines 8-10.

a. Explain whether all methods of obtaining the stock price were considered equally, or if more weight was given to the average stock price or spot value.

b. Compare and contrast this methodology versus only using an average stock price such as the six-month average stock price or three-month average stock price.

9. Refer to the Rothschild Direct Testimony, page 35, lines 9-11. Provide why it is appropriate to use weighted averages over three months, rather than a longer time horizon as seen in some of the other analyses.

10. Refer to the Rothschild Direct Testimony, page 6, Table 1, which reflects recommended cost rates of 8.50 percent for preferred equity and 8.07 percent for common equity. Refer also to the Application, Direct Testimony of Ann E. Bulkley (Bulkley

Direct Testimony), page 5, lines 1-9, and page 50, lines 1-5, where Ms. Bulkley recommends a 10.75 percent ROE within a range of 10.25 percent to 11.25 percent.

a. Explain how a common-equity cost rate below the preferred-equity cost rate is consistent with the relative risk and priority of claims associated with common and preferred equity.

b. State whether a rational investor would generally require a higher expected return for common equity than for preferred equity and explain the response.

c. Explain why an 8.07 percent ROE remains reasonable when it is lower than the 8.50 percent preferred-equity cost rate reflected in the same table, and state whether the recommended common-equity ROE should be adjusted to no less than the preferred-equity cost rate.

d. State whether Mr. Rothschild considers any ROE between his 8.07 percent recommendation and Ms. Bulkley's 10.75 percent recommendation reasonable for Kentucky-American. If so, identify the portion of that interval he considers reasonable and explain the factors the Commission should weigh in selecting a point within it. In the response, reconcile the answer with Mr. Rothschild's stated recommended range of 7.95 percent to 9.11 percent. If not, explain why his recommended range extends above 8.07 percent.

Justin McNeil RP

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DATED AUG 26 2026

cc: Parties of Record

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