



Matthew G. Bevin
Governor

Charles G. Snaveley
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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Michael J. Schmitt
Chairman

Robert Cicero
Vice Chairman

Daniel E. Logsdon Jr.
Commissioner

July 12, 2016

PARTIES OF RECORD

Re: Case No. 2015-00418

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. Any questions regarding this memorandum should be directed to David Spenard, Commission Staff Attorney, at (502) 782-2580.

Sincerely,

A handwritten signature in blue ink that reads "Talina R. Mathews".

Talina R. Mathews
Executive Director

DES/ph

Attachment

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2016-00418
FROM: David Spenard, Staff Attorney
DATE: July 12, 2016
RE: Informal Conference of July 6, 2016

Pursuant to the Commission's April 1, 2016 Order, an informal conference ("IC") was held in this matter on July 6, 2016. A copy of the sign-in sheet is attached as Appendix A.

During the IC, Mr. Spenard stated that Commission Staff ("Staff") would prepare an IC memo which would be entered into the record, and to which the parties would have an opportunity to submit written comments. Mr. Spenard stated that the views of Staff are not binding on the Commission.

Staff discussed the Settlement Agreement, Stipulation and Recommendation ("Settlement") signed by all parties, a copy of which is attached as Appendix B. Kentucky-American Water Company ("KAWC") confirmed that, under the Settlement, the parties agree that KAWC should be authorized to adjust its rates in order to permit it to recover \$6,475,000 in additional annual revenues. KAWC stated that, per the Settlement, the revised rates would be effective for service rendered on and after August 28, 2016, the day after the suspension period ends. KAWC stated that it would like to avoid having to make a decision on whether to place rates into effect subject to refund; therefore, KAWC requests an Order (if the Commission approves the Settlement) that will allow it sufficient lead time to bill the revised rates effective for service rendered on and after August 28, 2016. Staff stated that it would convey the request to the Commissioners.

KAWC confirmed that, under the Settlement, it would increase its annual contribution from shareholders to the H2O Help to Others Program to a total of \$62,500. KAWC and the Community Action Council ("CAC") stated that, under the Settlement, they had agreed to discuss and implement methods to improve awareness of the H2O Help to Others Program. KAWC and CAC stated that the discussions pursuant to this section will be informal discussions between KAWC and CAC.

KAWC stated that it had filed, as an attachment to the Settlement, revised tariff sheets. Staff and KAWC discussed the appropriate date of issue for the tariff sheets. Staff stated that the "issued" date should be the date of filing of the revised sheets with

the Commission. KAWC stated that it was withdrawing the request for a Qualified Infrastructure Program and also withdrawing its proposal regarding the collection of credit card transaction fees.

Staff discussed the pending petitions for confidential treatment and KAWC's request that certain pages previously filed by KAWC be substituted.

KAWC stated that notice of the July 13, 2016 hearing had been given and that it had filed a notice of hearing and publication request into the record.

Staff noted that the Settlement includes new depreciation rates, and Staff suggested that KAWC should include a request for the use of the rates in its Motion when submitting the Settlement. Staff made the same suggestion for the provision in the Settlement which addresses the release of Condition No. 16 in the Commission's April 16, 2007 Order in Case No. 2006-00197.

KAWC stated that it planned to support the Settlement with the written testimony of Linda Bridwell. The parties requested that the remaining witnesses be excused, and Staff discussed the process for making such a request.

Staff discussed the Bluegrass Water Supply Commission ("BWSC") and how KAWC had recorded certain funds received by KAWC. Staff suggested that KAWC be prepared to answer questions on this topic at the July 13, 2016 hearing.

Staff discussed KAWC's billing practices regarding monthly charges and the calculation of line-item charges appearing on KAWC bills. Staff suggested that KAWC be prepared to answer questions on these topics at the July 13, 2016 hearing.

There being no further business, the informal conference adjourned.

Attachments

APPENDIX A

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT OF) CASE NO.
RATES) 2015-00418

SIGN IN

July 6, 2016

PERSON

REPRESENTING

David Edward Spensard	PSC staff
Lindsey Ingram	KAW
Linda Bridwell	KAW
Monica Braun	KAW
David Hinkson	KAW
John Park	PSC legal
Mark Frost	PSC staff
Angela M. Goad	OAG
Melissa Kane	community Action council
Iris G. Skidmore	CAC
Mary Whitaker	PSC FA
Jason Green	PSC
David Vester	PSC

Ariel Miller

Mark Rasche

Sam Reid

Jennifer Fell

Mary Beth Purvis

Janet Graham

PSC

PSC

PSC

PSC legal

PSC FA

Lexington - Fayette Urban County
Government by telephone

APPENDIX B

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:)
)
APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT) **CASE NO. 2015-00418**
OF RATES)
)

SETTLEMENT AGREEMENT, STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely Kentucky-American Water Company (“KAW”); the Attorney General of the Commonwealth of Kentucky (“AG”); the Lexington-Fayette Urban County Government (“LFUCG”); and Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”), to express their agreement on a mutually satisfactory resolution of all issues in the instant proceeding.

It is understood by all parties that this Settlement Agreement, Stipulation and Recommendation (“Agreement”) is not binding upon the Public Service Commission (“Commission”), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to KAW’s rates. The parties have expended considerable efforts to reach the agreements that form the basis of this Agreement. All of the parties, representing diverse interests and divergent viewpoints, agree that this Agreement, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

The adoption of this Agreement will eliminate the need for the Commission and the parties to expend significant resources litigating this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission’s final order herein. The parties agree

that this Agreement is supported by sufficient and adequate data and information, and should be approved by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Agreement, the parties hereby agree to, stipulate to and recommend the following:

1. KAW should be authorized to adjust its rates in order to permit it to recover \$6,475,000.00 more in annual revenue than it is recovering under its current rates, with such revised rates to be effective for service rendered on and after August 28, 2016. The increased revenue requirement shall be reflected in increases to the customer charges associated with KAW's various rate schedules as reflected in the tariff sheets attached as Exhibit A, which rates are to be effective as of August 28, 2016 and will be filed upon the Commission's approval of this Agreement.

2. The tariff sheets in Exhibit A reflect rates that are designed to allow KAW to recover the increased revenue from its various classes of customers in the manner agreed to by the parties to this Agreement. For KAW's residential customer class, the tariff sheets reflect the parties' agreement that there should be no increase to the existing monthly meter charge and that the increase in rates for the residential customer class should be imposed solely on residential consumption charges. For all other customer classes, the tariff sheets reflect the parties' agreement that the increase in revenues will be recovered in as close accordance to the cost-of-service study KAW has submitted in this matter. The approval of this Agreement by the Public Service Commission affirms that these rates are fair, just and reasonable.

3. KAW submitted a depreciation study in this case in support of its January 29, 2016 Application. The parties to this proceeding agree that for purposes of this Agreement,

KAW shall use the depreciation rates set forth in that study, which are also set forth in Exhibit B hereto, and should be made effective on August 28, 2016. The parties agree that this Agreement does not preclude the parties from arguing a different position on the depreciation issue in the future.

4. The parties agree that beginning in KAW's 2017 fiscal year, KAW will increase its annual contribution from shareholders to the H2O Help to Others Program to a total of \$62,500.00. KAW and CAC agree that they will discuss and implement methods to improve awareness of the H2O Help to Others Program.

5. Condition No. 16 in the Commission's April 16, 2007 Final Order in Case No. 2006-00197 requires KAW's equity-to-capital ratio to be maintained between 35 to 45 percent. KAW sought the release of that condition in Case No. 2014-00362. By Order dated May 15, 2015 in Case No. 2014-00362, the Commission indicated that KAW could seek release of that condition in its next general rate case so that all stakeholders could provide input on that issue. The parties to this Agreement have considered that issue and hereby agree that Condition No. 16 should be released and terminated.

6. KAW has proposed the implementation of a Qualified Infrastructure Program ("QIP") in this matter. The parties agree that this Agreement does not include approval of QIP and KAW hereby withdraws its request for Commission approval of QIP. The parties agree that neither this Agreement nor KAW's withdrawal of its request for QIP in this matter precludes KAW from seeking approval of QIP or any other similar infrastructure replacement regulatory mechanism in the future.

7. KAW has proposed a change in methodology by which the collection of credit card transaction fees occurs for KAW customers paying their bills by credit card. The parties

agree that this Agreement does not include the approval of that requested change and KAW hereby withdraws its request for that change. The parties agree that the current methodology of collecting credit card transaction fees from each individual customer at the time a credit card payment is made shall continue to be utilized. The parties further agree that neither this Agreement nor KAW's withdrawal of its request precludes KAW from seeking approval of such a change in the future.

8. Attached to this Agreement as Exhibit C are proof-of-revenue sheets, showing that the rates set forth in Exhibit A will generate the proposed revenue increase to which the parties have agreed in Paragraph No. 1 above.

9. The parties agree that, following the execution of this Agreement, they will cause the Agreement to be filed with the Commission together with a request to the Commission for consideration and approval of the Agreement for rates to become effective August 28, 2016. The parties agree that this Agreement is subject to the acceptance and approval by the Commission and they further agree to act in good faith and use their best efforts to recommend to the Commission that this Agreement be accepted and approved.

10. Each party waives all cross-examination of the other parties' witnesses unless the Commission disapproves this Agreement, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.

11. This Agreement is submitted for purposes of this case only and is not deemed binding upon the parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving KAW or any other utility.

12. If the Commission issues an order adopting this Agreement in its entirety, each of the parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

13. In the event the Commission should reject or modify all or any portion of this Agreement, or impose additional conditions or requirements upon the parties, each party shall have the right, within thirty (30) days of the Commission's Order, to either file an application for rehearing or terminate and withdraw from the Agreement by filing a notice with the Commission. Upon rehearing, any party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Agreement. In such event, the terms of this Agreement shall not be deemed binding upon the parties and the Agreement shall not be admitted into evidence, or referred to, or relied upon in any manner by any party. Should any party require that hearings go forward pursuant to this paragraph, then the parties agree that all parties should be permitted to move the Commission for the establishment of a procedural schedule which would permit the parties to submit evidence that has not been submitted as a result of reaching this Agreement.

14. The approval of this Agreement by the Public Service Commission is a fair, just and reasonable resolution of the issues in this proceeding and is in the best interests of all concerned. The parties urge the Commission to adopt the Agreement in its entirety.

15. The parties agree that this Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns.

16. The parties agree that this Agreement constitutes the complete understanding among the parties and any and all oral statements, representations or agreements made prior to

the execution of this Agreement shall be null and void and shall be deemed to have been merged into this Agreement.

17. The signatories to this Agreement warrant that they have informed, advised and otherwise consulted with the parties for whom they sign regarding the contents and significance of this Agreement, and, based upon those communications, the signatories represent they are authorized to execute this Agreement on behalf of the parties.

18. The parties agree that this Agreement may be executed in multiple counterparts.

KENTUCKY-AMERICAN WATER COMPANY

HAVE SEEN AND AGREED:

By 

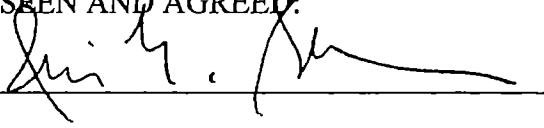
ATTORNEY GENERAL OF KENTUCKY

HAVE SEEN AND AGREED:

By Angela M. Aoad

COMMUNITY ACTION COUNCIL

HAVE SEEN AND AGREED:

By 

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

HAVE SEEN AND AGREED:

By _____

P.S.C.Ky.No.6

Cover Sheet and Original Sheets:

Nos. 5, 7, 8, 14 through 19, 20.1, 21, 24.1, 26, 29
through 49, 58, 58.6, 59, 63, 64, and Appendix A;

First Revised Sheet Nos. 2, 4, 6, 9, 10, 11, 12, 13, 24,
25, 28, 51, 53.1, 54, 58.4, 61, 62, 65;

Second Revised Sheet Nos. 2, 22, 23, 50.3, 57, 58.3,
58.5;

Third Revised Sheet No. 27, 50.1, 50.2, 56, 58.1, 58.2;

Fourth Revised Sheet No. 55;

Fifth Revised Sheet Nos. 3.1, 20;

Sixth Revised Sheet No. 52.1;

Eighth Revised Sheet Nos. 28.1, 28.2;

Fourteenth Revised Sheet No. 3;

Fifteenth Revised Sheet No. 55.1;

Twenty-Eighth Revised Sheet No. 53;

Thirty-First Revised Sheet No. 52;

Thirty-Fourth Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY
2300 RICHMOND ROAD, LEXINGTON, KENTUCKY
<http://www.amwater.com/kyaw>
FOR SERVICE IN KENTUCKY COUNTIES OF
BOURBON, CLARK, FAYETTE, GALLATIN, GRANT, HARRISON,
JESSAMINE, OWEN, SCOTT AND WOODFORD
FILED WITH THE PUBLIC SERVICE COMMISSION OF KENTUCKY

ISSUED: July __, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

Index (Cont'd.)

(T)	Service Classification No.6 - Billing of License, Occupation, Franchise or Other Similar Charges or Taxes including School Taxes	55
	Kentucky River Authority Withdrawal Fee	55.1
	Reconnection Charge	56
	Insufficient Funds Charge	57
	Service Line Inspection Fee	58
(D)	Former Tri-Village Water District	
(D)	Customer Specific Tariff Charges	58.1
(D)	Former Elk Lake Shores Subdivision	
(D)	Customer Specific Tariff Charges	58.2
	New Account Set-up – Activation Fee	58.3
	Reserve for future use	58.4
	Reserve for future use	58.5
	Late Payment Fee	58.6
	Computerized Loading Stations	59
	Reserved for future use	60
(T)	Reserve for Future Use (previously deleted)	61
(T)	Reserve for Future Use (previously deleted)	62
	Partial Payment Plans	63
	Blank Sheet	64
	Hidden Leak Adjustment	65

(D) Indicates deletion
 (T) Indicates change in text

ISSUED: July __, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
 Nick O. Rowe, President
 2300 Richmond Road, Lexington, KY 40502

0001012210013524033000000000010637016



2	Account Number	1012-210012345678
3	Due Date	November 14, 2016
4	Total Due	\$113.46
5	If Paid After Due Date	\$115.53 after 11/14/16

6 For Service To: 433 E MAXWELL ST

8 Check this box for address changes and note new address on back.

7 Amount Enclosed \$

10 **JOHN B. DOE**
1 FIRST STREET
LEXINGTON, KY 40504

9 **KENTUCKY AMERICAN WATER**
PO BOX 371880
PITTSBURGH, PA 15250-7880



11 Please return this portion with your payment.

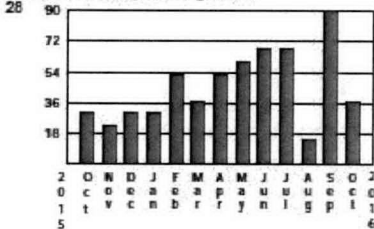
12 BILLING PERIOD AND METER READINGS

- 13 • Billing date: October 30, 2016
- 14 • Due Date: November 14, 2016
- 15 • Billing period: Sep 28 to Oct 30 (33 Days)
- 16 • Next reading on or about: Dec 03, 2016
- 17 • Customer Type: Residential
- 18 • Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- 19 • Billing Measurement: 100 gallons (CGL)

20	Meter No.	88918456N
21	Size of meter	5/8"
22	Current Read	160 (Actual)
23	Previous Read	155 (Actual)
24	Total water used this billing period	5 units (3,740 gallons)

- 25 Total Water Use Comparison (in 100 gallons)
- 26 • Current billing period 2016: 37.40 CGL
- 27 • Same billing period 2015: 29.92 CGL

Billed Use Graph (100 gallons)



29 BILLING SUMMARY

30	Prior Balance	
31	• Balance from last bill	69.73
31	TOTAL PAST AMOUNT - DUE IMMEDIATELY	69.73
32	Current Water Service	
33	• Water Service Charge	12.49
34(T)	• Water Usage Charge (\$0.6019 x 37.40)	22.51
35	• Total Water Service Related Charges	35.00
36	Other Charges	
37	• Georgetown Hydrant Fee	2.28
38	• Water Late Payment Charge	3.49
39	• Total Other Charges	5.77
40	Taxes:	
41(T)	• KRA Withdrawal Fee (\$0.0170 x 37.40)	0.64
42(T)	• Franchise Tax	1.16
43(T)	• School District Tax	1.16
44	• Total Taxes	2.96
44	TOTAL CURRENT CHARGES	43.73

46(T) **TOTAL AMOUNT DUE** **\$113.46**

- 47 Pay your bill online: www.water.paymybill.com
- Pay by phone: 24-hours a day, every day at 1-888-422-5269
- Pay in person: Residential customers may obtain a listing of payment locations by visiting www.amwater.com/myh2o

48 Important messages from Kentucky American Water

- This area will be used for important messages from American Water
- The due date pertains to current charges only. Any past due balance should be paid immediately.
- Copies of your annual water quality report (Consumer Confidence Report) can be obtained by visiting our website printed at the bottom of this bill.
- Need to update your contact information? Check out our self service options at www.amwater.com/myH2O

49 Questions about this bill? Call our 24-Hour Customer Service Center: 1-800-678-6301

www.kentuckyamwater.com
10000003803

(I) Indicates Increase
(T) Indicates change in text

ISSUED: July __, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Rd, Lexington, KY 40502

(Continued)

Here is an explanation of the typical customer's bill.

- | | |
|--|--|
| 1. Assumed Name for Kentucky American Water Company and payment mailing address | 25. Total Water Use Comparison (In 100 gallons) |
| 2. Customer Account Number – use this when making inquiries | 26. Current Billing Period Current Year |
| 3. Date Payment is Due | 27. Same Billing Period Prior Year |
| 4. Total Amount Due or DO NOT PAY (if credit balance or paid through automatic withdrawal) | 28. Billed Use Graph (100 Gallons) |
| 5. Amount Due if payment is late (with applicable late fee included) | 29. Billing Summary |
| 6. Address where service is received | 30. Balance from Last Bill |
| 7. Amount enclosed | 31. Total Past Amount – Due Immediately |
| 8. Area to request a change of address or telephone number | 32. Current Water Service |
| 9. Address to mail payment | 33. Water Service Charge |
| 10. Customer Name and Billing Address | 34. Water Usage |
| 11. Please return this portion with your payment | 35. (T) Total Water Service Related Charges |
| 12. Billing Period & Meter Information | 36. Other Charges |
| 13. Billing Date | 37. (T) Hydrant Fee (If applicable by local ordinance) |
| 14. Due Date | 38. Water Late Payment Charge |
| 15. Billing Period and number of days of service | 39. Total Other Charges |
| 16. Next reading on or about | 40. Taxes |
| 17. Customer Type | 41. KRA (Kentucky River Authority) withdrawal Fee |
| 18. Meter Reading Measurement | 42. (T) Franchise Tax (if applicable – rate% x Total Water Service Related Charges) |
| 19. Billing Measurement | 43. (T) School District Tax (if applicable – rate % x Total Water Service Related Charges) |
| 20. Meter Number | 44. Total Taxes |
| 21. Meter Size | 45. Total Current Charges |
| 22. Current Meter Reading | 46. Total Amount Due |
| 23. Previous Meter Reading | 47. Bill Pay Information (Online/Phone/In Person) |
| 24. Total Water Used This Billing Period | 48. Messages from Kentucky American Water |
| | 49. Customer Service, Emergency Phone Number, and Internet Address |

(T) Indicates change in text

ISSUED: July ____, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates

The following shall be the rates for consumption, in addition to the service charges provided for herein;

Customer Category	Rate Per 1,000 Gallons <u>All consumption</u>		Rate Per 100 Gallons <u>All Consumption</u>		Rate Per 100 Cubic Feet <u>All Consumption</u>	(D)
Residential	\$6.0190	(I)	\$0.6019	(I)	\$3.9647	(D)
Commercial	5.0952	(I)	0.5095	(I)	3.6113	(D)
Industrial	4.3087	(I)	0.4309	(I)	2.9132	(D)
Municipal & Other						
Public Authority	4.6034	(I)	0.4603	(I)	3.1754	(D)
Sales for Resale	4.3255	(I)	0.4326	(I)	3.1486	(D)

Service Charges

All metered general water service customers shall pay a service charge based on the size of meter installed. The service charge will not entitle the customer to any water.

Size of Meter	<u>Residential Service Charge Per Month</u>	(N)	<u>All Other Classes Service Charge Per Month</u>	(N)
5/8"	\$12.49		\$ 13.63	(I)
3/4"	18.74		20.46	(I)
1"	31.23		34.07	(I)
1-1/2"	62.45		68.17	(I)
2"	99.92		109.04	(I)
3"	187.35		204.47	(I)
4"	312.25		340.77	(I)
6"	624.50		681.50	(I)
8"	999.20		1,090.40	(I)

- (N) Indicates New Rate or Requirement
- (I) Indicates Increase
- (D) Indicates Deletion (removal of a rate per 100 Cubic Feet)

ISSUED: July ____, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/ Nick O. Rowe
 Nick O. Rowe, President
 2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 3

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates

	<u>Size of Service</u>	<u>Rate Per Month</u>	<u>Rate Per Annum</u>
(I)	2" Diameter	\$ 9.13	\$ 109.56
(I)	4" Diameter	36.76	441.12
(I)	6" Diameter	82.68	992.16
(I)	8" Diameter	146.98	1,763.76
(I)	10" Diameter	229.72	2,756.64
(I)	12" Diameter	331.26	3,975.12
(I)	14" Diameter	450.45	5,405.40
(I)	16" Diameter	588.21	7,058.52

Special Provisions

No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall not be drawn from a private fire service connection for any other purpose.

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed in Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

(I) Indicates increase

ISSUED: July __, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

TAPPING FEES

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for residential, commercial, industrial, other public authority and sales for resale customers.

Tapping (Connection) Fees

Size of Meter Connected

(I)	5/8-Inch	\$1,280.00
(I)	1-Inch	2,201.00
(I)	2-Inch	4,238.00
	Service larger than 2"	Actual Cost

For services greater than 2", a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

(I) Indicates Increase

ISSUED: July ____, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates for Public Fire Service

	<u>Rate Per Month</u>	<u>Rate Per Annun</u>
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.		
(I)	\$44.68	\$536.16

Rates for Private Service

For each private fire hydrant contracted for by Industries or Private Institutions.		
	\$79.77	\$957.24

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition, to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed In Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

Special Provisions

A few hydrants are connected to mains by a "special connection." A "special connection" exists when a customer and the Company entered into a service contract in which the customer agreed to maintain an unmetered water line from a Company main to the customer's service line. If the Company has reason to believe water from a special connection is being used for purposes other than fire protection, including that the connection or line is leaking, the Company may install a meter and charge for usage under this tariff. The Company may require the customer to pay for

(I) Indicates increase

ISSUED: July __, 2016
 EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
 Nick O. Rowe, President
 2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE

SERVICE CLASSIFICATION NO. 6

(T) BILLING OF LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES INCLUDING SCHOOL TAX

APPLICABLE

Applicable to all customers in the City of Lexington, Fayette County, Kentucky and contiguous territory thereto.

AVAILABILITY OF SERVICE

Available for Residential, Commercial, Industrial, Public Service and Sales for Resale customers.

RATES

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, fee or other similar fee, charge or tax now or hereafter imposed upon the Company by local taxing authorities or the Kentucky River Authority, whether imposed by ordinance, franchise, statute or otherwise, and which fee, tax or charge is based upon Kentucky River water usage or a percentage of the gross receipts, net receipts, or revenues from sales of water or services rendered by the Company to the customer. Where more than one such charge, fee or tax is imposed, the total of such charges, fees or taxes applicable to a Customer may be billed to the customer as a single amount. Charges, fees or taxes herein referred to shall in all instances be billed to customers on the basis of Company rates or usage effective at the time of billing, and on the basis of the tax rate of usage effective at the time billing is made.

- (T) There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate
- (T) amount of school tax in any county requiring a utility gross receipts license tax for schools under
- (T) KRS 160.613.

There shall also be added to the Customer's bill, as a separate item, any fee, tax or charge imposed upon the customer by a municipality or governmental agency, the purpose of which is to allocate among those customers identified by ordinance, franchise, statute, or otherwise, the cost of fire hydrants imposed upon the municipality or governmental agency. Failure to pay this charge shall not constitute grounds for termination of service.

- (T) Indicates change in text

ISSUED: July __, 2016
EFFECTIVE: August 28, 2016

Issued by: /s/Nick O. Rowe
Nick O. Rowe, Vice President
2300 Richmond Road, Lexington, KY 40502

(D) **CUSTOMER SPECIFIC TARIFF CHARGES**

(D) **Applicable**

(D) Applicable to customers in the Company's Northern Division formerly served by the Tri-Village
(D) Water District.

(D) Service Run \$23 ** (refer below)

(D) Collection of Delinquent Bill \$23

(D) Reconnection Charge \$56

(D) Deposit for New Service \$40

(D) Returned Check Charge \$10

(D) ** This applies anytime the service men come to remove the meter for non-payment of the bill and the
(D) customer pays while they are there or tells them that they will come to the office to pay the bill.

(D) Indicates deletion

ISSUED: July ____, 2016

EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe

Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

(D) **CUSTOMER SPECIFIC TARIFF CHARGES**

(D) **Applicable**

(D) Applicable to customers in the Company's Northern Division formerly served by the Elk Lake Shores
(D) Subdivision.

(D) **SERVICE RUN**

(D) The cost of a service run shall be \$40.00. This applies anytime the service men come to remove the
(D) meter for non-payment of the bill and the customer pays while they are there or tells them that they will
(D) come to the office to pay the bill.

(D) **PENALTY CLAUSE**

(D) The rates, as listed, are net and all bills will be rendered in the net amount. A penalty of 10% shall be
(D) added to the bill if payment is not received by the 15th of the month. A penalty will be assessed only
(D) once on any bill for rendered service.

(D) **RETURNED CHECK FEE**

(D) Customer will be charged \$10.00 on any returned checks.

(D) **RECONNECTION CHARGE**

(D) A Reconnection Charge of \$56.00 shall be made by the Company to cover the cost incurred for
(D) reconnecting the meter or service when the customer's service has been disconnected at his request, or
(D) for any other reason, as set forth in these Regulations.

(D) **METER REMOVAL CHARGE**

(D) A Meter Removal Charge of \$56.00 shall be made when the customer's service has been disconnected at
(D) his request, or for any other reason, as set forth in these Regulations.

(D) Indicates Deletion

ISSUED: July ____, 2016

EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

**Kentucky American Water Company
Case No. 2015-00418
Depreciation Rates Per Updated Depreciation Study**

<u>Depreciable Group</u>	<u>Accrual Rate</u>
<u>STRUCTURES AND IMPROVEMENTS</u>	
304.10 SOURCE OF SUPPLY	2.24
304.20 POWER AND PUMPING STRUCTURES	2.48
304.30 WATER TREATMENT	2.71
304.40 TRANSMISSION AND DISTRIBUTION	1.39
304.60 OFFICE BUILDINGS	3.07
304.70 STORE, SHOP AND GARAGE STRUCTURES	1.76
304.80 MISCELLANEOUS STRUCTURES	6.18
305.00 COLLECTING AND IMPOUNDING RESERVOIRS	1.58
306.00 LAKE, RIVER AND OTHER INTAKES	2.02
309.00 SUPPLY MAINS	1.53
310.10 OTHER POWER GENERATION EQUIPMENT	3.12
<u>PUMPING EQUIPMENT</u>	
311.20 ELECTRIC	3.03
311.30 DIESEL	3.23
311.40 HYDRAULIC	4.08
311.52 SOURCE OF SUPPLY	2.73
311.54 TRANSMISSION AND DISTRIBUTION PUMPING EQUIPMENT	3.02
320.10 PURIFICATION SYSTEM - STRUCTURES	2.77
320.20 PURIFICATION SYSTEM - FILTER MEDIA	2.65
330.00 DISTRIBUTION RESERVOIRS AND STANDPIPES	2.02
330.10 ELEVATED TANKS AND STANDPIPES	1.89
330.20 GROUND LEVEL FACILITIES	1.83
330.40 CLEARWELLS	1.74
331.00 MAINS AND ACCESSORIES	1.53
333.00 SERVICES	3.24
<u>METERS</u>	
334.10 METERS	3.50
334.11 BRONZE CASE	2.90
334.12 PLASTIC CASE	4.39
334.13 OTHER	3.70
334.20 METER INSTALLATIONS	2.89
334.30 METER VAULTS	3.31
335.00 FIRE HYDRANTS	2.15
339.60 OTHER P/E COMPANY PLANNING STUDY	10.00
<u>OFFICE FURNITURE AND EQUIPMENT</u>	
340.10 FURNITURE	5.00
340.15 COMPUTER SOFTWARE - SPECIAL RATE	10.00
340.21 MAINFRAME	20.00
340.22 PERSONAL COMPUTERS	20.00

340.23 PERIPHERAL-OTHER	20.00
340.30 COMPUTER SOFTWARE	20.00
340.32 COMPUTER SOFTWARE-PERSONAL	20.00
340.50 OTHER	6.67

TRANSPORTATION EQUIPMENT

341.10 LIGHT DUTY TRUCKS	8.76
341.20 HEAVY DUTY TRUCKS	8.12
341.30 AUTOS	10.11
341.40 OTHER	10.06

342.00 STORES EQUIPMENT	4.00
343.00 TOOLS, SHOP AND GARAGE EQUIPMENT	5.00
344.00 LABORATORY EQUIPMENT	6.67
345.00 POWER OPERATED EQUIPMENT	2.73
346.10 COMMUNICATION EQUIPMENT - NON-TELEPHONE	6.67
346.19 REMOTE CONTROL AND INSTRUMENTATION	6.67
346.20 COMMUNICATION EQUIPMENT - TELEPHONE	6.67
347.00 MISCELLANEOUS EQUIPMENT	5.00
348.00 OTHER TANGIBLE PROPERTY	5.00

Kentucky American Water Company
Case No. 2015-00418
Revenue at Present and Proposed Rates
Forecast Year for the 12 Months Ended August 31, 2017

Line No.	Rate Classification (A)	Sales (B)	Revenues at Present Rates (C)	Revenues at Proposed Rates (D)	Revenues Change (Amt) (E)	% of Revenues Change (F)
1						
2						
3						
4	Residential	5,575,259	\$47,597,938	\$51,604,319	\$4,006,381	8.42%
5	Commercial	3,487,266	21,168,395	22,495,325	1,326,930	6.27%
6	Industrial	619,086	2,540,483	2,808,611	268,128	10.55%
7	Other Public Authority	1,196,002	5,904,766	6,408,697	503,931	8.53%
8	Sale for Resale	403,500	1,774,742	1,828,594	53,852	3.03%
9	Private Fire Service:	0	2,699,847	2,738,564	38,717	1.43%
10	Public Fire Service	0	3,740,506	4,017,447	276,941	7.40%
11	Miscellaneous	4,368	84,644	84,644	0	0.00%
12	Other Water Revenue	0	0	0	0	0.00%
13						
14	Total	<u>11,285,481</u>	<u>\$85,511,321</u>	<u>\$91,986,201</u>	<u>\$6,474,880</u>	<u>7.57%</u>
15						
16	Proforma Other Operating Revenues					
17	Other Water Revenue		\$0	\$0	\$0	0.00%
18	Late Payment Fee		852,640	852,640	0	0.00%
19	Rent		69,684	69,684	0	0.00%
20	Rent I/C		65,400	65,400	0	0.00%
21	Collect for Others		0	0	0	0.00%
22	NSF Check Charge		32,142	32,142	0	0.00%
23	Application/Initiation Fee		743,543	743,543	0	0.00%
24	Usage Data		52,634	52,634	0	0.00%
25	Reconnect Fee		299,605	299,605	0	0.00%
26	Miscellaneous Service		59,000	59,000	0	0.00%
27						
28	AFUDC		642,356	642,356	0	0.00%
29						
30	Proforma Total Operating Revenues		<u>\$88,328,325</u>	<u>\$94,803,205</u>	<u>\$6,474,880</u>	<u>7.33%</u>

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