

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY FOR A)	CASE NO.
BALANCING ADJUSTMENT FOR ITS QIP)	2025-00099
CHARGE)	

ORDER

On March 28, 2025, Kentucky-American Water Company (Kentucky-American) filed for a balancing adjustment and revised tariff with the Commission to true up its Qualified Infrastructure Program (QIP) actual and estimated costs, and to revise the QIP charge in its tariff consistent with the balancing adjustment. Kentucky-American proposed an effective date of July 1, 2025. There are no intervenors in this proceeding. This matter now stands submitted to the Commission for a decision.

LEGAL STANDARD

In Case No. 2018-00358, the Commission approved Kentucky-American's QIP and required an annual true-up of the projected costs and revenues and the actual costs.¹ Kentucky-American must file the true-up no later than 90 days after the end of the QIP period.² In Case No. 2023-00300, the Commission found that moving the QIP filing

¹ Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019), Order.

² Kentucky-American, PSC KY No. 9, Seventh Sheet No. 49, Cancelling Sixth Sheet No. 49.

schedule to a calendar year, as shown below, would be more beneficial for Kentucky-American.³

Filing	Filing Date	QIP Period Start / Rates Effective	QIP Period End	Balancing Adjustment
QIP 5*	5/31/2024	9/1/2024	12/31/2024	None*
QIP 6	8/31/2024	1/1/2025	12/31/2025	QIP 4
QIP 7	8/31/2025	1/1/2026	12/31/2026	QIP 5
QIP 8	8/31/2026	1/1/2027	12/31/2027	QIP 6

*Filing to remove QIP 3 Balancing Adjustment and proposing no new QIP investments.

BACKGROUND

In Case No. 2018-00358, Kentucky-American requested approval of a QIP Rider to make incremental capital improvements to replace its aging mains that otherwise would not be replaced in a timely manner.⁴ In that proceeding, Kentucky-American stated that it would prioritize the replacement of cast iron and galvanized steel mains, which represented 15 percent of the distribution system but accounted for 64.2 percent of annual main breaks.⁵ Kentucky-American further stated that the QIP would utilize a “systematic replacement plan” with a 25-year replacement cycle, and provided a list of QIP-eligible projects for the first five years of the QIP.⁶

The QIP Rider is based upon a revenue requirement that is the sum of the pre-tax return for qualified additions and removal expenditures, plus the depreciation and

³ Case No. 2023-00300, *Electronic Application of Kentucky-American Water Company for a Balancing Adjustment for its QIP Charge*, (Ky. PSC Aug. 12, 2024), Order at 6.

⁴ Case No. 2018-00358, June 27, 2019 Order at 73–74. According to Kentucky-American, its infrastructure was deteriorating at a faster rate than the replacement rate.

⁵ Case No. 2018-00358, June 27, 2019 Order at 76.

⁶ Case No. 2018-00358, (filed Nov. 28, 2018), Application, Direct Testimony of Brent E. O’Neill (O’Neill Testimony), Exhibit 1 and Exhibit 2 at 12.

property tax for the proposed projects in the forecasted test year. The QIP surcharge percentage is calculated as the amount of the QIP revenue requirement divided by the authorized revenue requirement established in Case No. 2023-00191.⁷ The QIP Rider is applied as a percentage to all water revenue, excluding other surcharges or taxes, and is displayed as a separate line item on customer bills.

In Case No. 2020-00027, the Commission rejected Kentucky-American's proposal to include non-main plant replacement projects that were not incidental to main replacement. The Commission found that QIP-eligible plant other than replacement of aging main "may be included in the QIP only if such plant is replaced incidental to the replacement of aging main."⁸

PROPOSED BALANCING ADJUSTMENT

In its application, Kentucky-American stated that the QIP 5 balancing adjustment reflects only the difference in revenue authorized in QIP 5 versus the actual amount collected for the four-month period ending December 31, 2024.⁹ Kentucky-American went on to state that the proposed balancing adjustment did not include a true-up of projected program costs, as Kentucky-American did not include any new QIP investments in the QIP 5 period in Case No. 2024-00173.¹⁰

⁷ See Case No. 2023-00191, Nov. 6, 2024 Re-Hearing Order.

⁸ See Case No. 2020-00027, *Electronic Application of Kentucky-American Water Company to Amend Tariff for the Establishment of Qualified Infrastructure Program Charge* (Ky. PSC June 17, 2020) Order at 17.

⁹ Direct Testimony of Dominic Degrazia at 4.

¹⁰ See Case No. 2024-00173, *Electronic Application of Kentucky-American Water Company for a Revision of Its Qualified Infrastructure Program Charge* (Ky. PSC Dec. 26, 2024) Order at 8.

Kentucky-American is requesting to recover \$16,066 related to under recovery during the QIP 5 Period of September 1, 2024, to December 31, 2024, or a QIP Percentage of 0.03.¹¹ This represents an increase to the average residential customers of \$0.01 per month.¹² The QIP Percentage was calculated by taking the Under/(Over) Recovery Variance of \$16,066 divided by \$60,078,254, which is the Base Revenues from Case No. 2023-00191 of \$119,828,211, prorated to match the expected rate effective period for the QIP 5 Balancing Adjustment.¹³

DISCUSSION AND FINDINGS

Based upon the evidence of record, the Commission finds that Kentucky-American's proposed increase in the QIP charge from 11.06 percent to 11.09 percent is reasonable and should be approved. The increase reflects actual recovery amounts for the QIP rider. In the Appendix to this Order is the approved calculation of Kentucky-American's QIP true up.

IT IS THEREFORE ORDERED that:

1. The QIP Rider of 11.09 percent proposed by Kentucky-American is approved.
2. The QIP Rider of 11.09 percent is fair, just and reasonable, and is approved for service rendered on July 1, 2025, through December 31, 2025.

¹¹ Direct Testimony of Dominic Degrazia at 6.

¹² Direct Testimony of Dominic Degrazia at 6.

¹³ Direct Testimony of Dominic Degrazia at 6.

3. Kentucky-American shall maintain and, in all future QIP filings, file records of projected and actual costs in sufficient detail so that the amount and percent resulting from pavement restoration is clearly designated.

4. Within 20 days of the date of this Order, Kentucky-American shall, using the Commission's electronic Tariff Filing System, file its revised tariffs setting out the rates authorized in this Order and the revised QIP Rider and reflecting they were approved pursuant to this Order, and stating that Kentucky-American's QIP rate base in any forecasted period will be calculated in a manner consistent with 807 KAR 5:001, Section 16(6)(c).

5. This case is now closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman

Commissioner



ATTEST:


Executive Director



APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00099 DATED JUN 26 2025

Line No.

(1) QIP 5 Rider Charge

1	QIP 5 Revenue Requirement	\$7,735,980
2	Revenues - Order in Case No. 2024-00173	122,919,594
3	QIP 5 Rider Charge	6.29%

(2) Prorated QIP 5 Revenue Requirement for Future QIP 5 Balancing Adjustment

4	Prorated QIP 5 Revenue Requirement [A]	\$2,585,725
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(3) Prorated QIP 5 Revenue Requirement compared to Actual Billed Revenues

5	Prorated QIP 5 Revenue Requirement	\$2,585,725
6	Billed Revenues - September 1, 2024-December 31, 2024	2,569,659
7	QIP 5 Under/(Over) Recovery Variance	\$16,066

(4) QIP 5 Balancing Adjustment Calculation

8	QIP 5 Under/(Over) Recovery Variance	\$16,066
9	Prorated Base Revenues - Case No. 2023-00191* [B]	60,078,254
10	QIP 5 Balancing Adjustment Rider Charge	0.03%

Balancing Adjustment Monthly Bill Impact (Average Residential Customer using 3,800 gal)	\$0.01
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*Base Revenues - Rehearing Order in Case No. 2023-00191	\$119,828,211
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Line No.

Total QIP Charge Summary

1	QIP 5 Revenue Requirement	\$7,735,980
2	QIP 6 Incremental Revenue Requirement	\$2,213,890
3	QIP 4 Balancing Adjustment	\$3,499,506
4	QIP 5 Balancing Adjustment	\$16,066
5	QIP 5 Revenue Requirement Charge	6.29%
6	QIP 6 Incremental Revenue Requirement Charge	1.85%
7	QIP 4 Balancing Adjustment Charge	2.92%
8	Total QIP Charge Case No. 2024-00272	11.06%
9	QIP 5 Balancing Adjustment Charge	0.03%
10	Total Proposed QIP Charge Case	11.09%

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