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NEWS RELEASE

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PSC Sets Public Meeting on Kentucky American Water Rates *Public information & comment session May 6 at Bryan Station H.S. in Lexington*

FRANKFORT, Ky. (Apr. 16, 2019) – The Kentucky Public Service Commission will conduct a meeting in Lexington to provide information on and receive public comments about the pending rate increase requested by the Kentucky-American Water Co.

“This meeting will allow the public to learn about the PSC’s ratemaking process and Kentucky American Water’s application and to present their views directly to members of the Commission as we prepare to consider whether the proposed rates are fair, just and reasonable,” PSC Chairman Michael Schmitt said.

The meeting will begin with an information session during which PSC staff will explain how rates are set and the PSC’s review process. The presentation will include an overview of the utility’s application. Public comments will follow the information session. Details of the meeting are as follow:

Monday, May 6, 2019, 5:30 p.m. EDT

Auditorium
Bryan Station High School
201 Eastin Road

Kentucky American Water is a subsidiary of American Water Works Co., Inc. It provides water to about 118,500 retail customers and 15 wholesale customers spread across three operating divisions in a total of 14 counties in central Kentucky. All but about 4,000 are in Lexington and surrounding counties.

Kentucky American Water has proposed to increase its rates across all classes of customers in order to generate an additional \$19.86 million in revenue per year – an increase of about 22.6 percent. The company says it needs the added revenue to recover increased operating costs, continue replacement of aging infrastructure and bolster sagging rates of return for its investors.

In its application, Kentucky American Water estimates that the vast majority of its typical residential customers, who use an average of 3,870 gallons of water per month, would pay an additional \$7.56 per month, an increase of 23.6 percent. The average monthly residential bill would rise from \$32.06 to \$39.62.

Those figures do not include customers in the Eastern Rockcastle and North Middletown (Bourbon County) service areas, which were acquired by Kentucky American Water after its last rate case in 2016, and have been paying the rates they were charged by the previous water supplier. Together, the two areas have about 1,000 customers.

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Under Kentucky American Water's proposal to equalize rates across its entire service territory, residential customers in the Eastern Rockcastle service area would see their average monthly bills decline by about 11 percent, while those in the North Middletown service area would see their average bills come down by about 15 percent.

The proposed increase for all other Kentucky American Water residential customers would come through raising the monthly service charge from the current \$12.63 per month to \$15 per month and the charge per 1,000 gallons of water usage by \$1.30, to \$6.36 from the current \$5.06. Other classes of customers would see similar increases.

Kentucky American Water is again seeking authorization for an annual rate adjustment mechanism that would impose a surcharge to cover the cost of infrastructure repairs and replacement. The annual adjustments, which would be a separate line item on customer bills, would be subject to PSC review and approval, but through a process less extensive than that in a rate case.

In its application, Kentucky American Water says the adjustment mechanism would lead to less frequent and smaller base rate adjustments. The PSC in a 2013 rate case rejected the annual adjustments, saying they would not accelerate the pace at which the company is replacing aging water lines. The proposal was removed as part of a settlement agreement in the 2016 rate case.

In the 2016 rate case, Kentucky American was granted an increase in annual revenue of \$6.5 million, or slightly less than half the requested amount. It increased average residential bills by about 8.5 percent.

However, the PSC in August 2018 decreased Kentucky American Water's rates to reflect the reduction of the federal corporate income tax rate which took effect in January 2018. The rate per 1,000 gallons of residential usage declined from \$6.02 to the current \$5.06, saving the average residential customer about \$3.71 per month.

The Kentucky American application and related documents are available on the PSC website, psc.ky.gov. The case number is 2018-00358.

Written comments will be accepted at the meetings. Written comments also may be mailed to the PSC at P.O. Box 615, Frankfort, KY 40602, faxed to 502-564-3460 or e-mailed from the PSC website.

The evidentiary hearing in the case will be held at the PSC offices at 211 Sower Boulevard in Frankfort, beginning at 9 a.m. EDT on Tuesday, May 14. The hearing, which may last several days, will be open to the public. Written comments will be accepted through the conclusion of the hearing.

The evidentiary hearing may be viewed live on the PSC website.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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