

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT OF) CASE NO. 2012-00520
RATES SUPPORTED BY A FULLY FORECASTED)
TEST YEAR)

ORDER

On October 25, 2013, the Commission issued its Order on Kentucky-American Water Company's ("Kentucky-American") proposed rates. Following the issuance of that Order, we discovered two computational errors that affect the calculation of Kentucky-American's revenue requirement and resulted in the understatement of Kentucky-American's revenue requirement by \$83,894.¹

IT IS THEREFORE ORDERED, *nunc pro tunc*, that:

1. The second full paragraph on page 31 of the Order of October 25, 2013, is amended to read:

Allowance for Funds Used During Construction ("AFUDC"). In its application, Kentucky-American proposes to increase forecasted operating revenues by \$491,629¹²¹ to include an allowance for AFUDC. In calculating this forecast, Kentucky-American uses the weighted cost of capital of 8.2 percent.¹²² To reflect the effect of slippage on CWIP and the reduction of its requested weighted cost of capital to 8.12 percent,¹²³ Kentucky-American in its base period update decreased AFUDC by \$50,888 to arrive at its revised level of \$440,741.¹²⁴ Using the 13-month average CWIP available for AFUDC of \$5,862,774¹²⁵ and the overall rate of return of 7.59 percent, the Commission calculates a forecasted level of AFUDC of \$446,157. This action, coupled

¹ Revenue Requirement Increase after Error Correction	\$6,988,028
Minus: Original Revenue Requirement Increase	<u>\$6,904,134</u>
Understatement of Increase	\$ 83,894

with Kentucky-American's revisions, results in a decrease to Kentucky-American's originally forecasted operating revenues of \$46,644.¹²⁶

2. Footnote 126 of the Order of October 25, 2013, is amended to read:

\$5,862,774 (13-Month Average CWIP Available for AFUDC)
x 7.59% (Commission Weighted Cost of Capital) = \$444,985.

3. The second full paragraph on page 41 of the Order of October 25, 2013, is amended to read:

Summary. As shown in Table IV, the Commission finds that Kentucky-American's forecasted net operating income at present rates is \$24,962,154.

4. Table IV, which appears on page 42 of the Order of October 25, 2013, is amended to read:

<u>Account Titles</u>	<u>Application Forecasted Revenues and Expenses</u>	<u>Commission Adjustments</u>	<u>Commission Forecasted Revenues and Expenses</u>
Operating Revenue			
Water Sales	\$ 81,832,138	\$ 1,810,504	\$ 83,642,642
Other Operating Revenues	1,834,066	0	1,834,066
AFUDC	<u>491,629</u>	<u>(46,644)</u>	<u>444,985</u>
Total Operating Revenues	<u>84,157,833</u>	<u>1,763,860</u>	<u>85,921,693</u>
Operating Expenses			
Operation and Maintenance Expenses	33,892,178	(123,840)	33,768,338
Depreciation	13,121,602	19,815	13,141,417
Amortization – UPAA	210,261	0	210,261
Current State Income Tax	491,702	83,919	575,621
Deferred State Income Tax	674,791	38,745	713,536
Current Federal Income Tax	3,658,210	485,601	4,143,811
Deferred Federal Income Tax	2,899,194	465,976	3,365,170
Investment Tax Credit	(84,792)	0	(84,792)
General Taxes	<u>5,114,771</u>	<u>11,406</u>	<u>5,126,177</u>
Total Operating Expenses	<u>59,977,917</u>	<u>981,622</u>	<u>60,959,539</u>
Net Income Available	<u>\$ 24,179,916</u>	<u>\$ 782,238</u>	<u>\$ 24,962,154</u>

5. The first literal paragraph of page 53 of the Order of October 25, 2013, is amended to read:

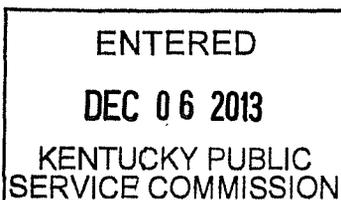
The Commission finds that Kentucky-American's net operating income for rate-making purposes is \$29,200,937. We further find that this level of net operating income requires an increase in forecasted present rate revenues of \$6,988,208.²⁰⁵

6. Footnote 205 of the Order of October 25, 2013, is amended to read:

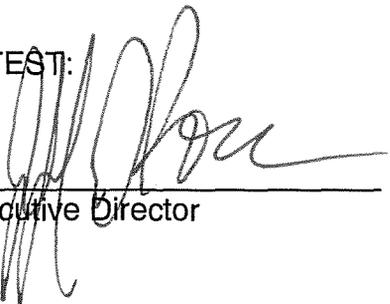
Net Investment Rate Base	\$ 384,729,083
Multiplied by: Rate of Return	x 7.5900%
Operating Income Requirement	\$ 29,200,937
Less: Forecasted Net Operating Income	- 24,962,154
Operating Income Deficiency	\$ 4,238,783
Multiplied by: Revenue Conversion Factor	x 1.64859300
Increase in Revenue Requirement	\$ 6,988,028

7. The Appendix to the Order of October 25, 2013, is stricken and the Appendix to this Order is substituted.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00520 DATED **DEC 06 2013**

The following rates and charges are prescribed for the customers in the area served by Kentucky-American Water Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Meter Charge Rates

<u>Meter Size</u>	
5/8-Inch	\$ 12.49
3/4-Inch	18.74
1-Inch	31.23
1 1/2-Inch	62.45
2-Inch	99.92
3-Inch	187.35
4-Inch	312.25
6-Inch	624.50
8-Inch	999.20

Consumption Rates

<u>Customer Category</u>	<u>Rate Per 100 Cubic Feet All Consumption</u>	<u>1,000 Gallons All Consumption</u>
Residential	\$3.9647	\$5.30040
Commercial	3.6113	4.82800
Industrial	2.9132	3.89470
Municipal & Other Public Authority	3.1754	4.24520
Sales for Resale	3.1486	4.20930

Municipal or Private Fire Protection Service

<u>Service Size</u>	<u>Rate Per Month</u>	<u>Rate Per Annum</u>
2-Inch	\$ 8.92	\$ 107.04
4-Inch	35.90	430.80
6-Inch	80.74	968.88
8-Inch	143.54	1,722.48
10-Inch	224.34	2,692.08
12-Inch	323.50	3,882.00
14-Inch	439.89	5,278.68

16-Inch 574.42 6,893.04

Rates for Public or Private Fire Service

	<u>Rate Per Month</u>	<u>Rate Per Annum</u>
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions	\$ 41.60	\$ 499.20
For each private fire hydrant contracted for by Industries or Private Institutions	79.77	957.24

Tapping (Connection) Fees

Meter Connection Size

5/8-Inch	\$1,078.00
1-Inch	1,576.00
2-Inch	3,563.00
Service larger than 2-Inch	Actual Cost

Nonrecurring Charges

Activation Fee	\$28.00
Reconnection Charge	56.00

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