

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF KENTUCKY-) CASE NO. 2008-00427
AMERICAN WATER COMPANY)

ORDER

The parties to this proceeding have submitted for Commission review and approval a Settlement Agreement that resolves all outstanding issues in this proceeding. By this Order, the Commission approves the terms of this agreement, including the agreed rates for water service.

On October 31, 2008, Kentucky-American Water Company ("Kentucky-American") applied for an adjustment of its rates for water service and certain non-recurring charges. The proposed rates, which Kentucky-American proposed to become effective on June 1, 2009 and which were based upon a fully forecasted test period ending May, 31, 2010, would produce additional revenues of \$18,494,634, or 32.5 percent, over forecasted operating revenues from existing rates of \$56,860,712.¹

The Commission established this docket² and permitted the following parties to intervene in this matter: the Attorney General of Kentucky ("AG"), Lexington Fayette

¹ On March 10, 2009, Kentucky-American submitted revised financial exhibits that correct certain errors resulting in a revised revenue increase of \$18,871,578, \$376,944 above the increase originally requested. Kentucky-American, however, did not amend its Application to request rates that would produce additional revenues.

² On October 30, 2008, the Commission granted Kentucky-American's request for use of electronic filing procedures for this proceeding. All parties, moreover, have waived their right to service by paper medium of all documents, including Commission Orders, and have received service through electronic means.

Urban County Government ("LFUCG"), and Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC").

On November 26, 2008, the Commission suspended the operation of the proposed rates for six months and established a schedule for their examination. Following extensive discovery, the submission of written testimony³ and a public comment hearing, the Commission held an evidentiary hearing on April 14, 2009. Nick O. Rowe, President of Kentucky-American, Michael A. Miller, Kentucky-American's Assistant Treasurer, and Jack E. Burch, CAC's Executive Director were the only persons to testify at this hearing.⁴

Prior to this hearing, Kentucky-American, on April 1, 2009, filed with the Commission a "Settlement Agreement, Stipulation, and Recommendation" that all parties had executed and that purported to resolve all outstanding issues in this proceeding. A copy of this Agreement is found at Appendix A of this Order. Kentucky-American subsequently moved for Commission approval of this Settlement Agreement.

In the Agreement, the signatories agreed that:

1. Kentucky-American should be authorized rates effective June 1, 2009 that permit Kentucky-American the opportunity to earn an additional \$10,300,000 in annual revenues, an increase of approximately 18.1 percent over forecasted revenues of \$56,860,712.

³ The following persons submitted written testimony on behalf of Kentucky-American: Patrick L. Brayenbruch; Linda C. Bridwell; Keith Carter; Paul R. Herbert; Michael A. Miller; Shelia A. Miller; Nick O. Rowe; Dr. Edward L. Spitznagel, Jr.; and Dr. James H. Vander Weide. Robert J. Henkes and Stephen G. Hill submitted written testimony on the AG's behalf regarding the application in its entirety. Jack E. Burch submitted written testimony on behalf of CAC regarding the effect of the proposed rates on low-income ratepayers.

⁴ This testimony was limited to the merits of the Settlement Agreement.

2. Kentucky-American's forecasted rate base includes \$20,200,000 of Kentucky River Station II ("KRS II") construction costs in Construction Work in Progress ("CWIP") without an Allowance for Funds Used During Construction ("AFUDC") offset.
3. Kentucky-American's tap fees should be increased to the levels proposed in Kentucky-American's Application.
4. Kentucky-American should continue to use single tariff pricing for its customers.
5. The depreciation rates that the Commission approved in Case No. 2007-00143⁵ should continue in effect.
6. The AG, LFUCG, and CAC waive the right to assert in Kentucky-American's next general rate adjustment proceeding that some portion of KRS II cost be disallowed to avoid "rate shock."
7. Beginning in Fiscal Year 2010, Kentucky-American shall increase its annual contribution to the Help to Others Program to a total contribution of \$60,000.

Having reviewed the Settlement Agreement and the evidence of record in this proceeding, the Commission finds that Kentucky-American's motion should be granted and that the Settlement Agreement should be approved.⁶ The level of revenues upon which the signatories have agreed represents a reasonable compromise between the two proposals presented to the Commission. Kentucky-American proposed rates that would produce additional annual revenues of \$18,494,634 over forecasted annual

⁵ Case No. 2007-00143, Adjustment of Rates of Kentucky-American Water Company (Ky. PSC Nov. 29, 2007).

⁶ We respectfully disagree with our esteemed colleague's characterization of the record as "less detailed and less thorough than hearings involving contested rate proceedings." Our review of the record indicates that all parties filed written testimony and conducted extensive discovery. Moreover, Commission Staff and the Commission had the opportunity to examine the witnesses who testified in support of the Settlement Agreement and all witnesses who filed written testimony. The record is adequate to support approval of the agreed rates.

operating revenues from present rates. The AG recommended a revenue increase of \$3,873,634. The signatories recommend rates that will produce additional annual operating revenues of \$10,300,000 and that are within the zone of reasonableness. We further find that the recommended tap fees are reasonable.

We caution the signatories that our approval of the Settlement Agreement should not be considered as acceptance and approval of any ratemaking methodology or accounting treatment beyond the confines of this proceeding. While the signatories have agreed to the application of certain ratemaking methodologies to reach the agreed revenue requirement, our decision today focuses only on the agreed total revenue requirement that the proposed rates will produce. We make no findings regarding the application of CWIP or AFUDC offset to investor-owned water utilities. Such pronouncement regarding such issues should come only after a rate adjustment proceeding in which those issues are fully explored and argued.

We further place all signatories on notice that, while some signatories have agreed to waive their right to raise certain issues in Kentucky-American's next general rate adjustment proceeding, this Commission has not. Kentucky-American should be prepared to address in such a proceeding questions from us related to the possible balancing of shareholder and ratepayer interests to prevent the occurrence of "rate shock."

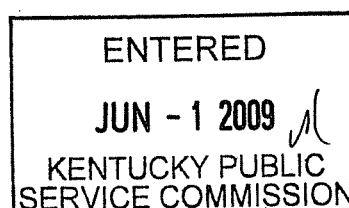
Finally, we note that the signatories have failed to address in their Settlement Agreement the rate-making treatment of Kentucky River Authority Withdrawal Fees. Therefore, we have deferred this issue in the current proceeding but place Kentucky-

American on notice that we intend to consider the appropriateness of assessing a separate charge for these fees in Case No. 2009-00124.⁷

IT IS THEREFORE ORDERED that:

1. Kentucky-American's Motion to Approve Settlement Agreement is granted.
2. The rates and charges that Kentucky-American proposed in its Application are denied.
3. The Settlement Agreement, Stipulation, and Recommendation is approved.
4. The rates and charges set forth in Appendix B to this Order are approved for service that Kentucky-American renders on and after June 1, 2009.

By the Commission



DISSENTING OPINION OF VICE CHAIRMAN JAMES W. GARDNER

As Kentucky American Water Co. v. Commonwealth ex rel. Cowan, 847 S.W.2d 737 (Ky. 1993) instructs, "KRS 278.190(3) clearly places the burden of proof of showing that an increase of rate or charge is just and reasonable upon the applicant utility." I do not believe that KAWC has satisfied that burden in this case.

Although our review of settlement agreements must be thorough, we are essentially limited to either approving or disapproving the settlement. We do not have

⁷ Case No. 2009-00124, Tariff Filing of Kentucky-American Water Company To Revise the Kentucky River Authority Withdrawal Fee (Ky. PSC filed Feb. 26, 2009).

the discretion to accept the portions of a settlement that we like and to disregard the portions which we dislike. In reviewing settlements, the question is often whether the proposed settlement falls within a "zone of reasonableness." See, e.g., *Com. ex rel. Stephens v. S. Cent. Bell Tel. Co.*, 545 S.W.2d 927, 931 (Ky. 1976) ("By longstanding usage in the field of rate regulation the 'lowest reasonable rate' is one which is not confiscatory in the constitutional sense. Assuming that there is a zone of reasonableness within which the legislature or its designee is free to fix a rate varying in amount and higher than a confiscatory rate it is also free to decrease any rate which is not the 'lowest reasonable rate'.") (citing *Federal Power Comm'n v. Natural Gas Pipeline Co.*, 315 U.S. 575 (1942)).

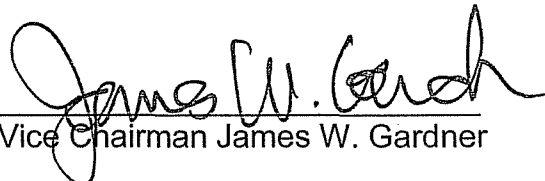
With only two options, settlement hearings are consequently less detailed and less thorough than hearings involving contested rate proceedings. For the parties, one factor in the decision to settle a rate case is undoubtedly the avoidance of litigation costs. This may be expedient, but often places the Commission at a disadvantage in terms of ascertaining the fairness, justness and reasonableness of the proposed rates. In the case at bar, I am not satisfied that the proposed settlement is fair, just and reasonable. Accordingly I respectfully disagree with my colleagues.

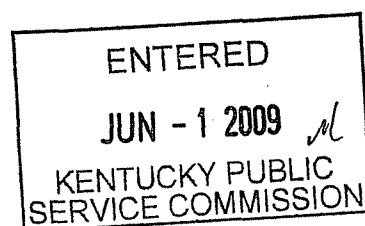
First, the terms of the proposed settlement include a provision adding \$20 million into KAWC's rate base and, of the \$10.3 million total increase in rates, \$1.5 million is designated as a revenue requirement associated with KAWC's construction costs for the Kentucky River Station II and related facilities and pipeline. I am not convinced that the settlement agreement supports this designation or that such a designation is even proper at this point.

Second, the settlement agreement does not explain what savings will be realized by KAWC's long-overdue implementation of the water loss reduction and conservation program mandated in the KRS II certificate case. If parties are inclined to start allocating rates within the context of a settlement agreement, all rates should be allocated.

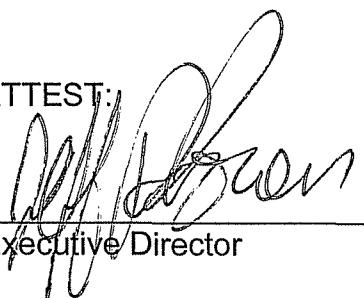
Third, the settlement agreement does not justify a 21 percent increase in the volumetric charge of water, given that KAWC's last rate increase was effective less than eighteen months ago.¹ I am also quite cognizant that KAWC has announced its intention to seek an even larger rate increase in 2010.

With no choice but to accept or reject the settlement agreement, I find that it falls outside the zone of reasonableness and would reject it so that these and other issues may be fully vetted. Therefore, I respectfully dissent.


Vice Chairman James W. Gardner



ATTEST:


Executive Director

¹ The overall composite rate increase is 16.7 percent for an average residential customer who is served through a 5/8-inch meter and uses 5,000 gallons of water monthly.

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00427 DATED **JUN - 1 2009**

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:)
)
NOTICE OF ADJUSTMENT OF THE RATES OF) **CASE NO. 2008-00427**
KENTUCKY-AMERICAN WATER COMPANY)
EFFECTIVE ON AND AFTER NOVEMBER 30, 2008)

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 ("CAC"), to express their agreement on a mutually satisfactory resolution of all of the 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 and recommend the following:

1. KAW should be authorized to adjust its rates in order to permit it to recover \$10,300,000.00 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 June 1, 2009. 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 will be filed upon the Commission's approval of this Agreement. These tariff sheets 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. The parties agree that these rates are fair, just and reasonable.

2. The attached tariff sheets reflect continued use of the single tariff pricing model approved by KAW in Case No. 2007-00143 which results in the same rates being charged to each customer class regardless of whether that class is/was in KAW's Northern or Central Division.

3. The parties to this proceeding agree that the depreciation rates currently in place and as approved by the Commission in Case No. 2007-00143 should continue to be effective.

4. The parties agree that one of the disputed issues in this case has been the appropriate ratemaking and accounting treatment of the capital expenditures ("CWIP") related to the construction of Kentucky River Station II and its associated facilities ("KRS II") which were the subject of Case No. 2007-00134. The basis of the dispute is whether KAW should be

permitted to begin earning a cash return on a portion of KRS II CWIP by including it in rate base without AFUDC offset as a result of this case, and, thus, whether a portion of KRS II CWIP should be reflected in the rates without AFUDC offset that will be implemented to be effective on June 1, 2009. The parties agree that \$20,200,000 of KRS II CWIP should be included in KAW's rate base without AFUDC offset as of June 1, 2009, at which time KAWC will cease recording AFUDC on the \$20,200,000 of CWIP, and that the rates set forth in Exhibit A include full rate recovery of \$20,200,000 of KRS II CWIP in rates. The parties agree that all other KRS II CWIP will be included in KAW's rate base at this time, but with full AFUDC brought above the line to determine going-level revenues. The parties project that the full cost of KRS II CWIP, including the \$20,200,000 mentioned above, and associated AFUDC will be included for eventual ratemaking treatment in KAW's next general rate case. Finally, the parties agree that KAW has sought in this case inclusion in rate base of a larger portion of KRS II CWIP without AFUDC offset than agreed to in this paragraph for reasons reflected in the record in this case, including the prevention of "rate shock." The effect of including \$20,200,000 of KRS II CWIP in rate base without AFUDC offset as a result of this case rather than a larger amount is that a greater incremental portion of KRS II CWIP or utility plant is projected for inclusion in KAW's next general water rate case. However, the AG, LFUCG and CAC agree that they will not take the position in KAW's next general water rate case that some portion of the total KRS II cost should be disallowed in that case in order to avoid "rate shock." Such agreement has no impact on the issue of whether any CWIP incurred by KAW, including KRS II CWIP, is or was prudent.

5. The parties agree that beginning in KAW's 2010 fiscal year, KAW will increase its annual contribution to the Help to Others Program to a total of \$60,000.00. KAW, CAC and

the AG agree to continue to discuss in good faith the challenges faced by low-income utility customers and to explore ways to meet those challenges.

6. Attached to this Agreement as Exhibit B 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.

7. 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 on June 1, 2009. 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.

8. Each party waives all cross-examination of the other parties' witnesses except for supporting this Agreement 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.

9. 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.

10. 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.

11. 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 twenty (20) 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. In order to facilitate the execution of this Agreement and to achieve one of the purposes of this Agreement, KAW will not file rebuttal testimony that might have otherwise been filed. However, 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.

12. The parties agree that this Agreement 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.

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

14. 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.

15. 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.

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

KENTUCKY-AMERICAN WATER COMPANY

HAVE SEEN AND AGREED.

By

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is highly cursive and extends significantly to the right of the line.

ATTORNEY GENERAL OF KENTUCKY

HAVE SEEN AND AGREED:

By *R. M. S.* Assistant Attorney General

COMMUNITY ACTION COUNCIL

HAVE SEEN AND AGREED:

By 

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

HAVE SEEN AND AGREED:

By W. L. Wilson

*Subject to Approval of the
Lexington-Fayette Urban County Council*

P.S.C. KY. No. 6

COVER SHEET AND ORIGINAL SHEETS:

Nos. 1, 2, 5 through 19, 20.1, 21, 24.1, 26, 29 through 49,
49.4, 49.5, 49.6, 51, 54, 58, 59, 61, 62, 63, 64, and 64a;

First Revised Sheet Nos. 4, 24, 25, 28, 49.1, 49.2, 49.3, 50.3, 57,
58.1, 58.2, 58.3, 58.4, 58.5, 60, 65 and Appendix H

Second Revised Sheet Nos. 22, 23, 27, 50.1, 50.2, 56;

Third Revised Sheet No. 3.1, 52.1, 55

Fourth Revised Sheet Nos. 28.1 and 28.2;

Fifth Revised Sheet Nos. 20

Seventh Revised Sheet No. 55.1

Tenth Revised Sheet No. 3:

Twenty-Second Revised Sheet No. 53;

Twenty-Fourth Revised Sheet No. 52;

Twenty-Eighth Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY

2300 RICHMOND ROAD, LEXINGTON, KENTUCKY

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:

EFFECTIVE: June 1, 2009

ISSUED BY: _____

Nick O. Rowe, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Twenty-Eighth Revised Sheet No. 50
Canceling Twenty-Seventh Revised Sheet No. 50

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 Cubic Feet <u>All Consumption</u>
(I)	Residential	\$3.77200	\$2.82900
(I)	Commercial	3.48667	2.61500
(I)	Industrial	2.81867	2.11400
	Municipal & Other		
(I)	Public Authority	3.29467	2.47100
(I)	Sales for Resale	3.27067	2.45300

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.

	<u>Size of Meter</u>	<u>Service Charge Per Month</u>
(I)	5/8"	\$8.60
(I)	3/4"	12.90
(I)	1"	21.50
(I)	1-1/2"	43.00
(I)	2"	68.80
(I)	3"	129.00
(I)	4"	215.00
(I)	6"	430.00
(I)	8"	688.00

(I) Indicates Increase

ISSUED:

EFFECTIVE: June 1, 2009

ISSUED BY:

Nick O. Rowe, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Twenty-Fourth Revised Sheet No. 52
Canceling Twenty-Third Revised Sheet No. 52

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</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
(I)	2" Diameter	\$ 6.07	\$ 72.91
(I)	4" Diameter	24.45	293.43
(I)	6" Diameter	55.00	660.03
(I)	8" Diameter	97.79	1,173.45
(I)	10" Diameter	152.83	1,833.98
(I)	12" Diameter	220.13	2,641.62
(I)	14" Diameter	299.67	3,596.08
(I)	16" Diameter	391.32	4,695.89

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.

(I) Indicates Increase

ISSUED:

EFFECTIVE: June 1, 2009

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

Nick O. Rowe, President

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Third Revised Sheet No. 52.1
Canceling Second Revised Sheet 52.1

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	\$ 702.00
(I)	1-Inch	1,287.00
(I)	2-Inch	3,129.00
	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:

EFFECTIVE: June 1, 2009

ISSUED BY: _____

Nick O. Rowe, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Twenty-Second Revised Sheet No. 53
Canceling Twenty-First Revised Sheet No. 53

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 Annum</u>
(I) For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	\$30.99	\$371.87

Rates For Private Service

(I) For each private fire hydrant contracted for by Industries or Private Institutions	\$54.34	\$652.13
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(I) Indicates Increase

ISSUED:

EFFECTIVE: June 1, 2009

ISSUED BY: _____

Nick O. Rowe, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
REVENUES AT PRESENT AND PROPOSED RATES
TWELVE MONTHS ENDED MAY 31, 2010

Line No.	Rate Classification (A)	Sales (B)	Revenues at Present Rates (C)	Revenues at Proposed Rates (D)	Revenue Change (Amt) (E)	% of Revenues Change (F)
1						
2						
3						
4						
5						
6						
7	Residential	8,406,538	\$30,588,335	\$35,611,418	\$5,023,083	16.420%
8	Commercial	5,837,430	15,056,532	18,049,993	2,993,461	19.880%
9	Industrial	910,670	1,623,443	1,992,648	369,205	22.740%
10	Other Public Authority	2,019,601	4,508,892	5,509,118	1,000,226	22.180%
11	Sales for Resale	668,896	1,388,967	1,686,829	297,862	21.440%
12	Miscellaneous	0	21,626	21,626	0	0.000%
13	Private Fire Service	0	1,283,769	1,555,437	271,668	21.160%
14	Public Fire Service	0	2,428,896	2,773,378	344,482	14.180%
15						
16	Total	<u>17,843,135</u>	<u>\$56,900,460</u>	<u>\$67,200,447</u>	<u>\$10,299,987</u>	<u>18.100%</u>
17						
18	<u>Proforma Other Operating Revenues</u>					
19	Other Revenue-Rents Water Property		\$105,143	\$105,143	\$0	0.000%
20	Other Revenue - Collections for Others		\$1,071,239	1,071,239	0	0.000%
21	Other Revenues - NSF Checks		\$25,646	25,646	0	0.000%
22	Reconnection Fee		\$694,652	694,652	0	0.000%
23	Activation Fee		\$617,172	617,172	0	0.000%
24	Other revenue - misc		11,845	11,845	0	0.000%
25	AFDUC		<u>6,255,297</u>	<u>6,255,297</u>	<u>0</u>	<u>0.000%</u>
26						
27	Proforma Total Operating Revenues		<u>\$65,681,454</u>	<u>\$75,981,441</u>	<u>\$10,299,987</u>	<u>15.680%</u>
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APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00427 DATED JUN - 1 2009

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.

Service Charge

5/8-inch meter	\$	8.60
3/4-inch meter	\$	12.90
1-inch meter	\$	21.50
1 1/2-inch meter	\$	43.00
2-inch meter	\$	68.80
3-inch meter	\$	129.00
4-inch meter	\$	215.00
6-inch meter	\$	430.00
8-inch meter	\$	688.00

Rates for Consumption Charge

	<u>Per 100 Cubic Feet</u>	<u>Per 1,000 Gallons</u>
Residential	\$ 2.82900	\$ 3.77200
Commercial	\$ 2.61500	\$ 3.48667
Industrial	\$ 2.11400	\$ 2.81867
OPA	\$ 2.47100	\$ 3.29467
Sale For Resale	\$ 2.45300	\$ 3.27067

Fire Service Charges

	<u>Per Month</u>	<u>Per Annum</u>
2-Inch Diameter	\$ 6.07	\$ 72.91
4-Inch Diameter	\$ 24.45	\$ 293.43
6-Inch Diameter	\$ 55.00	\$ 660.03
8-Inch Diameter	\$ 97.79	\$ 1,173.45
10-Inch Diameter	\$ 152.83	\$ 1,833.98
12-Inch Diameter	\$ 220.13	\$ 2,641.62
14-Inch Diameter	\$ 299.67	\$ 3,596.08
16-Inch Diameter	\$ 391.32	\$ 4,695.89

Tap Fees

5/8-Inch Meter	\$ 702.00
1-Inch Meter	\$ 1,287.00
2-Inch Meter	\$ 3,129.00