

**Kentucky American Water Company
Qualified Infrastructure Program (QIP)
QIP Surcharge by Bill Class**

Line No.	Rate Schedule	Base Revenue as Approved PSC Case No. 2015-00418	Allocation Percent (1)	Revenue Requirement	Billing Determinant # of Bills (2)	Monthly QIP Surcharge
	(1)	(2)	(3)	(4)	(5)	(6)
1	Residential	\$52,536,328	60.47%	\$1,005,803	\$1,424,514	\$0.71
2	Commercial	23,300,204	26.82%	446,080	111,282	\$4.01
3	Industrial	2,808,611	3.23%	53,771	648	\$82.98
4	Other Public Authorities	6,408,697	7.38%	122,694	9,216	\$13.31
5	Sales for Resale	1,828,594	2.10%	35,008	276	\$126.84
6	Private Fire Service	2,738,564		0	0	\$0.00
7	Public Fire Service	4,017,447		0	0	\$0.00
8	Miscellaneous	84,644		0	0	\$0.00
9	Total	<u>\$93,723,089</u>	100.00%	<u>\$1,663,356</u>	<u>1,545,936</u>	
10						
11	Other Operating Revenues	\$2,285,808				
12	AFUDC	<u>665,027</u>				
13		<u><u>\$96,673,924</u></u>				

Notes:

- (1) Allocation percent is based on the overall base revenue distribution approved in PSC Case No. 2015-00418.
- (2) Billing Determinants based on projected twelve months ending December 31, 2018 bills.

**Kentucky American Water Company
Qualified Infrastructure Program (QIP)
Forecasted QIP Revenue Requirement for 2018**

<u>Line No.</u>	<u>QIP Investment December 31, 2018</u>	<u>Reference</u>
	(1)	(2)
Return on Investment		
<u>Rate Base</u>		
1	Net QIP Investment-Property, Plant and Equipment	\$14,103,772 Form 2.0
2	Cost of Removal	553,214 Form 2.0
3	Accumulated Reserve for Depreciation	1,194 Form 2.3
4	Contributions	(1,109,563) Form 2.0
5	Accumulated Amortization for Contributions	48,168 Form 2.3
6	Net PP&E	13,596,786
7	Deferred Taxes on Liberalized Depreciation	(62,818) Form 2.1
8	Net Rate Base	13,533,967 Line 6 + Line 7
9	Authorized Rate of Return, Adjusted for Income Taxes	10.65% Form 1.2
10	Required Return on QIP Related Investment	1,441,923 Line 8 * Line 9
<u>Operating Expenses</u>		
11	Depreciation	171,691 Form 2.0
12	Property Tax (1)	46,580 Form 2.0 2017 Net Plant * 0.808%
13	O&M Savings (2)	0
14	PSC Assessment (3)	3,162 (Sum Line 10 to 13) * (0.1901%/(1-0.1901%))
15	Total Operating Expenses	221,433 Sum Lines 11 to 14
16	Total Annual Revenue Requirement	\$1,663,356 Line 10 + Line 15

Notes:

- (1) Property taxes estimated using an effective rate of 0.808%
- (2) Kentucky-American Water Company has not forecasted O&M savings.
- (3) PSC Assessment estimated using a rate of 0.1901%

**Kentucky American Water Company
Qualified Infrastructure Program (QIP)
Cost of Capital**

Line No.	Capital Structure	Amount	Ratio	Cost	Pre-Tax @	
					Weighted Cost	Effect Tax of 38.90%
	(1)	(2)	(3)	(4)	(5)	(6)
1	Long Term Debt	\$201,711,194	50.59%	6.02%	3.05%	3.05%
2	Short Term Debt	5,948,343	1.49%	1.00%	0.01%	0.01%
3	Preferred Stock	2,244,673	0.56%	8.52%	0.05%	0.08%
4	Common Equity	<u>188,850,817</u>	47.36%	9.70%	<u>4.59%</u>	<u>7.51%</u>
5						
6	Total	\$398,755,027	100.00%		7.70%	10.65%

Kentucky American Water Company
 Qualified Infrastructure Program (QIP)
 2018 Plant Additions and Depreciation

Line No.	Description	Account	2018 Beginning Balance	Depr Rate	Depr on Beginning Balance	2018 Additions & Retirements	Current Year Depr on Adds/(Ret)	2018 Ending Plant Balance
1	(1)	(2)	(3)	(4)	(5)=(3)*(4)	(6)	(7)=(4)*(6)*50%	(8)=(6)+(3)
2	Additions							
3	Mains	331.4	\$3,948,136	1.53%	\$60,406	\$6,493,580	\$49,676	\$10,441,716
4	Hydrants	335.4	474,135	2.15%	10,194	392,020	4,214	866,155
5	Services	333.4	765,501	3.24%	24,802	532,700	8,630	1,298,201
6	Meters	334.4	756,124	3.50%	26,464	1,092,235	19,114	1,848,359
7	Total Additions		5,943,895		121,867	8,510,535	81,634	14,454,430
8								
9	Retirements							
10	Mains	331.4	(34,848)	1.53%	(533)	(46,927)	(359)	(81,775)
11	Hydrants	335.4	(5,851)	2.15%	(126)	(4,594)	(49)	(10,445)
12	Services	333.4	(105,140)	3.24%	(3,407)	(71,679)	(1,161)	(176,818)
13	Meters	334.4	(32,905)	3.50%	(1,152)	(48,714)	(852)	(81,619)
14	Total Retirements		(178,744)		(5,217)	(171,914)	(2,422)	(350,658)
15								
16	Net Plant		<u>\$5,765,151</u>		<u>\$116,650</u>	<u>\$8,338,621</u>	<u>\$79,212</u>	<u>\$14,103,772</u>
17								
18	Cost of Removal							
19	Mains	331.4	\$44,782			\$60,304		\$105,085
20	Hydrants	335.4	13,298			10,442		23,740
21	Services	333.4	37,328			25,449		62,777
22	Meters	334.4	145,786			215,825		361,611
23	Total Cost of Removal		241,195			312,019		553,214
24								
25	Contributions							
26	Mains	331.4	(120,186)	1.53%	(1,839)	(152,351)	(1,165)	(272,537)
27	Hydrants	335.4	(26,541)	2.15%	(571)	(20,019)	(215)	(46,560)
28	Services	333.4	(389,300)	3.24%	(12,613)	(252,606)	(4,092)	(641,906)
29	Meters	334.4	(61,462)	3.50%	(2,151)	(87,097)	(1,524)	(148,559)
30	Total Contributions		(\$597,490)		(\$17,174)	(\$512,073)	(\$6,997)	(\$1,109,563)

Kentucky American Water Company
 Qualified Infrastructure Program (QIP)
 2017 Plant Additions and Depreciation

Line No.	Description	Account	August 2017 Beginning Plant Balance (1)	Depr Rate (4)	Depr on Beginning Balance (5)=(3)*(4)	Sept-Dec 2017 Additions & Retirements (6)	Current Year Depr on Add/(Ret) (7)=(4)*(6)*50%	2017 Ending Plant Balance (8)=(6)+(3)
1	(1)	(2)	(3)	(4)	(5)=(3)*(4)	(6)	(7)=(4)*(6)*50%	(8)=(6)+(3)
2	Additions							
3	Mains	331.4	\$2,052,201	1.53%	\$31,399	\$1,895,935	\$14,504	\$3,948,136
4	Hydrants	335.4	262,357	2.15%	5,641	211,778	2,277	474,135
5	Services	333.4	432,881	3.24%	14,025	332,620	5,388	765,501
6	Meters	334.4	441,924	3.50%	15,467	314,200	5,499	756,124
7	Total Additions		3,189,362		66,532	2,754,533	27,667	5,943,895
8								
9	Retirements							
10	Mains	331.4	(21,147)	1.53%	(324)	(13,701)	(105)	(34,848)
11	Hydrants	335.4	(3,369)	2.15%	(72)	(2,482)	(27)	(5,851)
12	Services	333.4	(60,383)	3.24%	(1,956)	(44,757)	(725)	(105,140)
13	Meters	334.4	(18,892)	3.50%	(661)	(14,013)	(245)	(32,905)
14	Total Retirements		(103,791)		(3,014)	(74,953)	(1,102)	(178,744)
15								
16	Net Plant		<u>\$3,085,571</u>		<u>\$63,518</u>	<u>\$2,679,580</u>	<u>\$26,566</u>	<u>\$5,765,151</u>
17								
18	Cost of Removal							
19	Mains	331.4	\$27,175			\$17,607		\$44,782
20	Hydrants	335.4	7,658			5,641		13,298
21	Services	333.4	21,438			15,890		37,328
22	Meters	334.4	83,700			62,086		145,786
23	Total Cost of Removal		139,971			101,224		241,195
24								
25	Contributions							
26	Mains	331.4	(75,704)	1.53%	(1,158)	(44,482)	(340)	(120,186)
27	Hydrants	335.4	(15,727)	2.15%	(338)	(10,815)	(116)	(26,541)
28	Services	333.4	(231,572)	3.24%	(7,503)	(157,728)	(2,555)	(389,300)
29	Meters	334.4	(36,407)	3.50%	(1,274)	(25,055)	(438)	(61,462)
30	Total Contributions		(\$359,410)		(\$10,274)	(\$238,080)	(\$3,450)	(\$597,490)

Notes

(1) See Form 2.2 for detail of QIP eligible capital additions for the 12 months ending August 2017.

Kentucky American Water Company
Qualified Infrastructure Program (QIP)
Summary of Deferred Taxes and Proration

Line No.	Year/ Month	Federal Depreciation	Federal NOL	State Depreciation	State NOL	Unprorated Total	Days In Month	Days Outstanding	Proration Percentage	Balance Reflecting Proration
						Accumulated Deferred Income Tax				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Activity 2016	(\$114,025)	\$121,838	(\$7,747)	\$8,617	\$8,683				\$8,683
2	Balance 12/31/2016	(114,025)	121,838	(7,747)	8,617	8,683				8,683
3	Activity 2017	(1,256,726)	1,359,033	(83,972)	95,372	113,706				113,706
4	Balance 12/31/2017	(1,370,751)	1,480,871	(91,718)	103,989	122,390				122,390
5	Jan-18	(158,421)	128,444	(11,776)	8,436	(33,317)	31	335	91.781%	(30,579)
6	Feb-18	(158,421)	128,444	(11,776)	8,436	(33,317)	28	307	84.110%	(28,023)
7	Mar-18	(158,421)	128,444	(11,776)	8,436	(33,317)	31	276	75.616%	(25,193)
8	Apr-18	(158,421)	128,444	(11,776)	8,436	(33,317)	30	246	67.397%	(22,455)
9	May-18	(158,421)	128,444	(11,776)	8,436	(33,317)	31	215	58.904%	(19,625)
10	Jun-18	(158,421)	128,444	(11,776)	8,436	(33,317)	30	185	50.685%	(16,887)
11	Jul-18	(158,421)	128,444	(11,776)	8,436	(33,317)	31	154	42.192%	(14,057)
12	Aug-18	(158,421)	128,444	(11,776)	8,436	(33,317)	31	123	33.699%	(11,227)
13	Sep-18	(158,421)	128,444	(11,776)	8,436	(33,317)	30	93	25.479%	(8,489)
14	Oct-18	(158,421)	128,444	(11,776)	8,436	(33,317)	31	62	16.986%	(5,659)
15	Nov-18	(158,421)	128,444	(11,776)	8,436	(33,317)	30	32	8.767%	(2,921)
16	Dec-18	(158,421)	128,444	(11,776)	8,436	(33,317)	31	1	0.274%	(91)
17	Balance 12/31/2018	(\$3,271,800)	\$3,022,195	(\$233,032)	\$205,219	(\$277,418)	365			(\$62,818)

Kentucky American Water Company
Qualified Infrastructure Program (QIP)
Income Tax Calculation To Determine NOL Deferred Tax Asset

Line No.	Description	2016	2017	2018
	(1)	(2)	(3)	(4)
1	Revenues	-	-	1,663,356
2	Book Depreciation	(9,151)	(144,452)	(195,862)
3	CIAC Amortization	1,090	22,908	24,171
4	Property Taxes			(46,580)
5	Interest Expense	(14,261)	(170,760)	(414,139)
6	O&M Savings FERC Account 887			-
7	PSC Assessment (2)			(3,162)
8				
9	Pre Tax Book income	(22,322)	(292,304)	1,027,784
10				
11	State Tax Temporary Difference	(198,631)	(2,153,121)	(3,623,430)
12				
13	State Taxable income	(220,953)	(2,445,425)	(2,595,646)
14	State Tax Rate	6.0%	6.0%	6.0%
15	State Tax NOL	(13,257)	(146,725)	(155,739)
16				
17	Pre Tax Book Income	(22,322)	(292,304)	1,027,784
18	State Taxes			
19	Federal Temporary Difference	(325,786)	(3,590,647)	(5,431,569)
20				
21	Federal Taxable Income	(348,108)	(3,882,951)	(4,403,785)
22	Federal Tax Rate	35.0%	35.0%	35.0%
23	Federal Tax NOL	(121,838)	(1,359,033)	(1,541,325)
24				
25	Deferred Tax Expense - Depr - State	7,747	83,972	141,314
26	Deferred Tax Expense - NOL - State	(8,617)	(95,372)	(101,230)
27	Deferred Tax Expense - Depr - Fed	114,025	1,256,726	1,901,049
28	Deferred Tax Expense - NOL - Fed	(121,838)	(1,359,033)	(1,541,325)
29	Total Deferred Tax Expense	(8,683)	(113,706)	399,808
30				
31	Net Income	(13,639)	(178,598)	627,976

Kentucky American Water Company
 Qualified Infrastructure Program (QIP)
 Development of QIP Plant Excluded From Base Rates

Test Year 8/31/17 QIP Investment Summary

Line No.	Month	Number of Months	QIP CapEX	13 Mo Avg (1)	Difference (2)	Retirements	13 Mo Avg (1)	Retirement Difference (2)	Cost of Removal	13 Mo Avg (1)	Difference (2)	COR		Contributions		Amortization
												Depreciation	Contributions	13 Mo Avg (1)	Difference (2)	
(A)	(B)	(C)	(D)=(B/13)*(C)	(E)=(C-D)	(F)	(G)=(B/13)*(F)	(H)=(F-G)	(I)	(J)=(B/13)*(I)	(K)=(I-J)	(L)=(E+H)*Rate	(M)	(N)=(B/13)*(M)	(O)=(M-N)	(P)=(O)*Rate	
1	Sep-16	12	\$786,589	\$726,082	\$60,507	(\$20,566)	(\$18,984)	(\$1,582)	\$26,575	\$24,530	\$2,044	\$1,235	(\$78,506)	(\$72,467)	(\$6,039)	(\$175)
2	Oct-16	11	784,765	664,032	120,733	(13,211)	(11,178)	(2,032)	17,226	14,576	2,650	2,352	(37,903)	(32,072)	(5,831)	(180)
3	Nov-16	10	657,060	505,431	151,629	(20,451)	(15,732)	(4,720)	24,229	18,638	5,591	2,862	(51,392)	(39,532)	(11,860)	(342)
4	Dec-16	9	481,099	333,068	148,030	(18,017)	(12,474)	(5,544)	23,616	16,349	7,266	2,702	(44,592)	(30,871)	(13,721)	(393)
5	Jan-17	8	332,797	204,798	127,999	(18,184)	(11,190)	(6,994)	23,363	14,377	8,986	2,275	(41,500)	(25,539)	(15,962)	(462)
6	Feb-17	7	299,252	161,136	138,116	(8,326)	(4,483)	(3,843)	16,839	9,067	7,772	2,765	(17,004)	(9,156)	(7,848)	(242)
7	Mar-17	6	267,179	123,313	143,866	(17,472)	(8,064)	(9,408)	22,543	10,404	12,138	2,807	(43,578)	(20,113)	(23,465)	(652)
8	Apr-17	5	300,724	115,663	185,061	(16,843)	(6,478)	(10,365)	24,660	9,485	15,175	4,172	(54,296)	(20,883)	(33,413)	(951)
9	May-17	4	406,065	124,943	281,122	(17,042)	(5,244)	(11,798)	24,006	7,387	16,620	5,781	(62,230)	(19,148)	(43,083)	(1,228)
10	Jun-17	3	599,682	138,388	461,293	(17,650)	(4,073)	(13,577)	23,490	5,421	18,069	9,613	(88,843)	(20,502)	(68,341)	(1,938)
11	Jul-17	2	754,222	116,034	638,188	(18,976)	(2,919)	(16,056)	24,612	3,786	20,825	12,534	(72,541)	(11,160)	(61,381)	(1,738)
12	Aug-17	1	793,887	61,068	732,818	(19,362)	(1,489)	(17,872)	24,736	1,903	22,833	14,420	(74,173)	(5,706)	(68,467)	(1,973)
			\$6,463,319	\$3,273,957	\$3,189,362	(\$206,100)	(\$102,309)	(\$103,791)	\$275,895	\$135,924	\$139,971	\$63,518	(\$666,560)	(\$307,150)	(\$359,410)	(\$10,274)

Notes

- (1) Recovered through base rates in Case No. 2015-00418
- (2) QIP spend not recovered through base rates and eligible for recovery through QIP.

Test Year 8/31/17 QIP - Mains

Line No.	Month	Number of Months	QIP CapEX	13 Mo Avg (1)	Difference (2)	Retirements	13 Mo Avg (1)	Retirement Difference (2)	Cost of Removal	13 Mo Avg (1)	Difference (2)	COR		Contributions		Amortization
												Depreciation	Contributions	13 Mo Avg (1)	Difference (2)	
(A)	(B)	(C)	(D)=(B/13)*(C)	(E)=(C-D)	(F)	(G)=(B/13)*(F)	(H)=(F-G)	(I)	(J)=(B/13)*(I)	(K)=(I-J)	(L)=(E+H)*Rate	(M)	(N)=(B/13)*(M)	(O)=(M-N)	(P)=(O)*Rate	
1	Sep-16	12	\$496,247	\$458,074	\$38,173	(\$3,849)	(\$3,553)	(\$296)	\$4,946	\$4,566	\$380	\$580	(\$14,914)	(\$13,767)	(\$1,147)	(\$18)
2	Oct-16	11	539,831	456,780	83,051	(1,097)	(928)	(169)	1,410	1,193	217	1,268	(3,217)	(2,722)	(495)	(8)
3	Nov-16	10	464,032	356,948	107,084	(3,905)	(3,004)	(901)	5,018	3,860	1,158	1,625	(9,814)	(7,549)	(2,265)	(35)
4	Dec-16	9	353,453	244,698	108,755	(3,649)	(2,526)	(1,123)	4,689	3,246	1,443	1,647	(9,171)	(6,349)	(2,822)	(43)
5	Jan-17	8	233,340	143,594	89,746	(3,298)	(2,029)	(1,268)	4,238	2,608	1,630	1,354	(7,598)	(4,676)	(2,922)	(45)
6	Feb-17	7	180,140	96,998	83,141	(711)	(383)	(328)	914	492	422	1,267	(1,639)	(882)	(756)	(12)
7	Mar-17	6	154,187	71,163	83,024	(4,288)	(1,979)	(2,309)	5,511	2,543	2,967	1,235	(10,778)	(4,975)	(5,804)	(89)
8	Apr-17	5	144,183	55,455	88,728	(3,617)	(1,391)	(2,226)	4,648	1,788	2,860	1,323	(12,120)	(4,662)	(7,459)	(114)
9	May-17	4	243,521	74,930	168,592	(3,665)	(1,128)	(2,537)	4,710	1,449	3,261	2,541	(13,819)	(4,252)	(9,567)	(146)
10	Jun-17	3	365,694	84,391	281,303	(3,888)	(897)	(2,991)	4,997	1,153	3,844	4,258	(19,954)	(4,605)	(15,349)	(235)
11	Jul-17	2	509,288	78,352	430,936	(4,205)	(647)	(3,558)	5,403	831	4,572	6,539	(16,293)	(2,507)	(13,786)	(211)
12	Aug-17	1	530,474	40,806	489,668	(3,727)	(287)	(3,441)	4,790	368	4,422	7,439	(14,444)	(1,111)	(13,333)	(204)
			\$4,214,390	\$2,162,189	\$2,052,201	(\$39,899)	(\$18,752)	(\$21,147)	\$51,272	\$24,097	\$27,175	\$31,075	(\$133,760)	(\$58,056)	(\$75,704)	(\$1,158)

Kentucky American Water Company
 Qualified Infrastructure Program (QIP)
 Development of QIP Plant Excluded From Base Rates

Test Year 8/31/17 AMRP - Hydrants

Line No.	Month	Number of Months	QIP CapEX	13 Mo Avg (1)		Retirements	Retirement		Cost of		COR		Depreciation	Contributions	Contributions		Amortization
				(D)=(B/13)*(C)	(E)=(C-D)		(G)=(B/13)*(F)	(H)=(F-G)	Removal	13 Mo Avg (1)	Difference (2)	(K)=(I-J)			(L)=(E+H)*Rate	13 Mo Avg (1)	
(A)	(B)	(C)	(D)=(B/13)*(C)	(E)=(C-D)	(F)	(G)=(B/13)*(F)	(H)=(F-G)	(I)	(J)=(B/13)*(I)	(K)=(I-J)	(L)=(E+H)*Rate	(M)	(N)=(B/13)*(M)	(O)=(M-N)	(P)=(O)*Rate		
1	Sep-16	12	\$61,416	\$56,692	\$4,724	(\$638)	(\$589)	(\$49)	\$1,450	\$1,339	\$112	\$101	(\$3,318)	(\$3,063)	(\$255)	(\$5)	
2	Oct-16	11	63,323	53,581	9,742	(374)	(317)	(58)	850	720	131	208	(1,473)	(1,246)	(227)	(5)	
3	Nov-16	10	49,434	38,026	11,408	(650)	(500)	(150)	1,478	1,137	341	242	(2,194)	(1,688)	(506)	(11)	
4	Dec-16	9	32,897	22,775	10,122	(609)	(422)	(187)	1,384	958	426	214	(2,055)	(1,422)	(632)	(14)	
5	Jan-17	8	36,487	22,454	14,033	(731)	(450)	(281)	1,662	1,023	639	296	(2,261)	(1,391)	(870)	(19)	
6	Feb-17	7	38,323	20,636	17,688	(271)	(146)	(125)	617	332	285	378	(839)	(452)	(387)	(8)	
7	Mar-17	6	36,487	16,840	19,647	(708)	(327)	(381)	1,609	743	866	414	(2,388)	(1,102)	(1,286)	(28)	
8	Apr-17	5	22,363	8,601	13,762	(467)	(180)	(287)	1,061	408	653	290	(2,100)	(808)	(1,292)	(28)	
9	May-17	4	31,308	9,633	21,675	(451)	(139)	(313)	316	316	710	459	(2,285)	(703)	(1,582)	(34)	
10	Jun-17	3	42,137	9,724	32,413	(534)	(123)	(411)	1,213	280	933	688	(3,677)	(849)	(2,829)	(61)	
11	Jul-17	2	56,261	8,655	47,605	(619)	(95)	(524)	1,407	216	1,190	1,012	(3,219)	(495)	(2,724)	(59)	
12	Aug-17	1	64,500	4,962	59,538	(653)	(50)	(603)	1,485	114	1,371	1,267	(3,398)	(261)	(3,137)	(67)	
			\$534,935	\$272,578	\$262,357	(\$6,707)	(\$3,338)	(\$3,369)	\$15,243	\$7,586	\$7,658	\$5,568	(\$29,208)	(\$13,481)	(\$15,727)	(\$338)	

Test Year 8/31/17 QIP - Services

Line No.	Month	Number of Months	QIP CapEX	13 Mo Avg (1)		Retirements	Retirement		Cost of		COR		Depreciation	Contributions	Contributions		Amortization
				(D)=(B/13)*(C)	(E)=(C-D)		(G)=(B/13)*(F)	(H)=(F-G)	Removal	13 Mo Avg (1)	Difference (2)	(K)=(I-J)			(L)=(E+H)*Rate	13 Mo Avg (1)	
(A)	(B)	(C)	(D)=(B/13)*(C)	(E)=(C-D)	(F)	(G)=(B/13)*(F)	(H)=(F-G)	(I)	(J)=(B/13)*(I)	(K)=(I-J)	(L)=(E+H)*Rate	(M)	(N)=(B/13)*(M)	(O)=(M-N)	(P)=(O)*Rate		
1	Sep-16	12	\$104,753	\$96,695	\$8,058	(\$12,528)	(\$11,565)	(\$964)	\$4,448	\$4,106	\$342	\$230	(\$52,697)	(\$48,643)	(\$4,054)	(\$131)	
2	Oct-16	11	106,048	89,733	16,315	(9,090)	(7,692)	(1,398)	3,227	2,731	497	483	(28,935)	(24,483)	(4,452)	(144)	
3	Nov-16	10	72,974	56,134	16,840	(12,930)	(9,946)	(2,984)	4,591	3,531	1,059	449	(35,278)	(27,137)	(8,141)	(264)	
4	Dec-16	9	48,846	33,816	15,029	(10,654)	(7,376)	(3,278)	3,782	2,619	1,164	381	(29,067)	(20,123)	(8,944)	(290)	
5	Jan-17	8	42,372	26,075	16,297	(11,103)	(6,833)	(4,270)	3,942	2,426	1,516	390	(27,769)	(17,088)	(10,680)	(346)	
6	Feb-17	7	58,944	31,739	27,205	(4,227)	(2,276)	(1,951)	1,501	808	693	818	(10,572)	(5,692)	(4,879)	(158)	
7	Mar-17	6	44,726	20,643	24,083	(9,778)	(4,513)	(5,265)	3,472	1,602	1,869	610	(26,678)	(12,313)	(14,365)	(465)	
8	Apr-17	5	44,726	17,202	27,524	(9,221)	(3,547)	(5,675)	3,274	1,259	2,015	708	(33,545)	(12,902)	(20,643)	(669)	
9	May-17	4	57,085	17,564	39,520	(9,568)	(2,944)	(6,624)	3,397	1,045	2,352	1,066	(39,157)	(12,048)	(27,109)	(878)	
10	Jun-17	3	81,213	18,741	62,472	(10,140)	(2,340)	(7,800)	3,600	831	2,769	1,771	(56,487)	(13,035)	(43,451)	(1,408)	
11	Jul-17	2	95,337	14,667	80,670	(11,017)	(1,695)	(9,322)	3,911	602	3,310	2,312	(46,339)	(7,129)	(39,210)	(1,270)	
12	Aug-17	1	107,107	8,239	98,868	(11,756)	(904)	(10,852)	4,174	321	3,853	2,852	(49,449)	(3,804)	(45,646)	(1,479)	
			\$864,130	\$431,249	\$432,881	(\$122,013)	(\$61,629)	(\$60,383)	\$43,319	\$21,881	\$21,438	\$12,069	(\$435,971)	(\$204,398)	(\$231,572)	(\$7,503)	

Kentucky American Water Company
 Qualified Infrastructure Program (QIP)
 Development of QIP Plant Excluded From Base Rates

Test Year 8/31/17 QIP - Meters

Line No.	Month	Number of Months	QIP CapEX	Retirement			Cost of		COR			Contributions				
				13 Mo Avg (1)	Difference (2)	Retirements	13 Mo Avg (1)	Difference (2)	Removal	13 Mo Avg (1)	Difference (2)	Depreciation	Contributions	13 Mo Avg (1)	Difference (2)	Amortization
(A)	(B)	(C)	(D)=(B/13)*(C)	(E)=(C-D)	(F)	(G)=(B/13)*(F)	(H)=(F-G)	(I)	(J)=(B/13)*(I)	(K)=(I-J)	(L)=(E+H)*Rate	(M)	(N)=(B/13)*(M)	(O)=(M-N)	(P)=(O)*Rate	
1	Sep-16	12	\$124,174	\$114,622	\$9,552	(\$3,551)	(\$3,277)	(\$273)	\$15,730	\$14,520	\$1,210	\$325	(\$7,577)	(\$6,994)	(\$583)	(\$20)
2	Oct-16	11	75,563	63,938	11,625	(2,650)	(2,242)	(408)	11,739	9,933	1,806	393	(4,279)	(3,621)	(658)	(23)
3	Nov-16	10	70,620	54,323	16,297	(2,966)	(2,282)	(685)	13,143	10,110	3,033	546	(4,106)	(3,159)	(948)	(33)
4	Dec-16	9	45,903	31,779	14,124	(3,106)	(2,150)	(956)	13,760	9,526	4,234	461	(4,299)	(2,976)	(1,323)	(46)
5	Jan-17	8	20,598	12,675	7,922	(3,052)	(1,878)	(1,174)	13,521	8,321	5,200	236	(3,872)	(2,383)	(1,489)	(52)
6	Feb-17	7	21,845	11,763	10,082	(3,117)	(1,678)	(1,438)	13,808	7,435	6,373	303	(3,954)	(2,129)	(1,825)	(64)
7	Mar-17	6	31,779	14,667	17,112	(2,698)	(1,245)	(1,453)	11,952	5,516	6,435	548	(3,734)	(1,723)	(2,011)	(70)
8	Apr-17	5	89,452	34,405	55,047	(3,539)	(1,361)	(2,178)	15,678	6,030	9,648	1,850	(6,531)	(2,512)	(4,019)	(141)
9	May-17	4	74,151	22,816	51,335	(3,357)	(1,033)	(2,324)	14,873	4,576	10,297	1,715	(6,970)	(2,145)	(4,826)	(169)
10	Jun-17	3	110,638	25,532	85,106	(3,088)	(713)	(2,375)	13,680	3,157	10,523	2,896	(8,726)	(2,014)	(6,712)	(235)
11	Jul-17	2	93,336	14,359	78,977	(3,135)	(482)	(2,653)	13,890	2,137	11,753	2,671	(6,690)	(1,029)	(5,661)	(198)
12	Aug-17	1	91,806	7,062	84,744	(3,225)	(248)	(2,977)	14,287	1,099	13,188	2,862	(6,881)	(529)	(6,352)	(222)
			\$849,865	\$407,941	\$441,924	(\$37,481)	(\$18,589)	(\$18,892)	\$166,060	\$82,360	\$83,700	\$14,806	(\$67,621)	(\$31,214)	(\$36,407)	(\$1,274)

Kentucky American Water Company
 Qualified Infrastructure Program (QIP)
 Summary of Net Property, Plant & Equipment

Line No.	Description	Account 108 Accum			Account 272		Reference
		Account 101 UPIS	Depr (excl. Cost of Removal)	Account 108 Cost of Removal	Account 271 CIAC	Accum Amort CIAC	
		(1)	(2)	(3)			(4)
1	12 Months Ending August 2017:						
2	Additions	\$3,189,362					Form 2.2
3	Retirements @ Original Cost	(103,791)	\$103,791				Form 2.2
4	Cost of Removal			\$139,971			Form 2.2
5	Depreciation Expense		(63,518)				Form 2.2
6	Contributions				(359,410)		Form 2.2
7	Accum Amortization					10,274	Form 2.2
8							
9	September - December 2017:						
10	Additions	2,754,533					Form 2.0
11	Retirements @ Original Cost	(74,953)	74,953				Form 2.0
12	Cost of Removal			101,224			Form 2.0
13	Depreciation Expense		(90,084)				Form 2.0
14	Contributions				(238,080)		Form 2.0
15	Accum Amortization					13,724	Form 2.0
16							
17	January - December 2018:						
18	Additions	8,510,535					Form 2.0
19	Retirements @ Original Cost	(171,914)	171,914				Form 2.0
20	Cost of Removal			312,019			Form 2.0
21	Depreciation Expense		(195,862)				Form 2.0
22	Contributions				(512,073)		Form 2.0
23	Accum Amortization					24,171	Form 2.0
24							
25	Ending Balance at 12/31/18	<u>\$14,103,772</u>	<u>\$1,194</u>	<u>\$553,214</u>	<u>(\$1,109,563)</u>	<u>\$48,168</u>	
26							
27	Summary:						
28	Total Additions	\$14,454,430					
29	Total Retirements @ Original Cost	(350,658)	\$350,658				
30	Total Cost of Removal			\$553,214			
31	Total Depreciation Expense		(349,464)				
32	Total Contributions				(1,109,563)		
33	Total Accum Amortization					48,168	
34		<u>\$14,103,772</u>	<u>\$1,194</u>	<u>\$553,214</u>	<u>(\$1,109,563)</u>	<u>\$48,168</u>	

Kentucky American Water Company
Qualified Infrastructure Program (QIP)
Billing Determinants by Bill Class
For the Twelve Months Ending December 31, 2018

Line No.	Bill Class	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Residential	117,982	118,084	118,168	118,307	118,396	118,614	118,652	119,053	119,222	119,321	119,320	119,395	1,424,514
2	Commercial	9,248	9,241	9,243	9,251	9,263	9,267	9,277	9,310	9,303	9,285	9,275	9,319	111,282
3	Industrial	54	54	54	54	54	54	54	54	54	54	54	54	648
4	Other Public Authorities	768	768	768	768	768	768	768	768	768	768	768	768	9,216
5	Sales for Resale	23	23	23	23	23	23	23	23	23	23	23	23	276
6	Private Fire Service	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Public Fire Service	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Total	128,075	128,170	128,256	128,403	128,504	128,726	128,774	129,208	129,370	129,451	129,440	129,559	1,545,936

NOTICE

Kentucky-American Water Company ("Kentucky American Water") expects to file on August 4, 2017 an application with the Kentucky Public Service Commission for additions to its tariff to include a Qualified Infrastructure Program ("QIP") surcharge that would be applied to Residential, Commercial, Industrial, Other Public Authority, and Sales for Resale Service classifications for infrastructure replacement investments. This surcharge would be calculated annually based on replacement costs, and applied to each customer's monthly bill. The surcharge would then be updated annually until the next rate case, at which time the investment costs would be incorporated into general rates and the surcharge reset at zero. This QIP would generate an additional \$1,688,592 in water service revenues or a 1.75% increase. The proposed QIP surcharge increases by customer classification are: Residential - \$1,005,803 (1.91%); Commercial - \$446,080 (1.91%); Industrial - \$53,771 (1.91%); Other Public Authority - \$122,694 (1.91%); Sales for Resale - \$35,008 (1.91%); Private Fire Service and Hydrants - \$0 (0.0%); Public Fire Hydrants - \$0 (0.0%). The proposed effective date of the surcharge is for service rendered on and after January 1, 2018. Kentucky American Water has requested the proposed surcharge be implemented to all customer classifications as shown below:

Proposed Qualified Infrastructure Program surcharge (Effective for service rendered on and after January 1, 2018):

Monthly Surcharge by

By Customer

<u>Classifications</u>	<u>Current Surcharge</u>	<u>Proposed Surcharge</u>	<u>\$ Change</u>	<u>% Change</u>
Residential	\$0.0	\$0.71	\$0.71	N/A
Commercial	0.0	4.01	4.01	N/A
Industrial	0.0	82.98	82.98	N/A
Other Public Authority	0.0	13.31	13.31	N/A
Sales for Resale	0.0	126.84	126.84	N/A

Average Monthly Bills:

	<u>Average Monthly Usage</u>	<u>Current Average Bill</u>	<u>Proposed Average Bill</u>	<u>\$ Change</u>	<u>% Change</u>
Residential	4,109 gallons	\$37.22	\$37.93	\$0.71	1.91% Increase
Commercial	33,090 gallons	\$185.46	\$189.47	\$4.01	2.16% Increase
Industrial	1,954,103 gallons	\$8,528.68	\$8,611.66	\$82.98	0.97% Increase
Other Public Authority	134,295 gallons	\$727.25	\$740.56	\$13.31	1.83% Increase
Sales for Resale	1,607,239 gallons	\$7,061.15	\$7,187.99	\$126.84	1.80% Increase
Private Fire Hydrant	N/A	\$79.77	\$79.77	\$0.00	0% Increase
Public Fire Hydrant	N/A	\$44.68	\$44.68	\$0.00	0% Increase
Private Fire Line	N/A	\$80.55	\$80.55	\$0.00	0% Increase

This tariff filing may be examined at the offices of Kentucky American Water located at 2300 Richmond Road in Lexington, Kentucky.

This tariff filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the Commission's website at <http://psc.ky.gov>.

Comments regarding this tariff filing may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort KY 40602; or through its website at <http://psc.ky.gov>.

The surcharges contained in this notice are those proposed by Kentucky American Water but the Public Service Commission may order surcharges to be charged that differ from the proposed surcharges contained in this notice.

Any person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, which establishes the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the providing of this notice, the Public Service Commission may take final action on the tariff filing.