

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

**In the Matter of:**

**INVESTIGATION OF THE IMPACT )**  
**OF THE TAX CUTS AND JOB ACT ON THE )**  
**RATES OF KENTUCKY-AMERICAN ) CASE NO. 2018-00042**  
**WATER COMPANY )**

**KENTUCKY-AMERICAN WATER**  
**COMPANY’S UPDATED NOTICE OF AMOUNT OF DEFERRED LIABILITY**

Kentucky-American Water Company (“KAW”), by counsel, hereby reports the amounts it has recorded as a deferred liability for the period January 1, 2018 through July 31, 2018 based on the reduction in the federal income tax (“FIT”) rate from 35 to 21 percent in the Tax Cuts and Jobs Act. This filing updates and supplements KAW’s July 23, 2018 Notice of Amount.

In John Wilde’s January 26, 2018 direct testimony in this matter, he explained that, based on the 12-month period ending August 31, 2017, KAW estimated the deferred liability amount for 2018 to be \$5,404,718 for water customers and \$14,160 for sewer customers.<sup>1</sup> Having closed its books for the first seven months of 2018 (through July 31, 2018), KAW hereby reports that the actual deferred liability amount is \$2,909,033 for water customers and \$3,416 for sewer customers for a total of \$2,912,449. KAW has also calculated an estimated August reserve and anticipates a small additional reserve of approximately \$15,000 to true up a rounded number, bringing the total to \$3,404,966 for water customers and \$3,985 for sewer customers for a grand total of \$3,408,951 for the first eight months of 2018. The calculations are shown on Exhibit A. These amounts are FIT expense amounts only and do not include anything in the way of amounts related to accumulated deferred income taxes, or “ADIT.”

---

<sup>1</sup> See John H. Wilde’s January 26, 2018 Direct Testimony, p. 8.

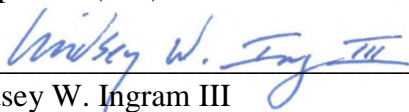
Exhibit C to Mr. Wilde's Direct Testimony set forth a rate reduction and a rate design based on the estimated FIT deferred liability provided therein. With the deferred liability results provided above for the first eight months of 2018, and Mr. Wilde's calculation of the annual amount, KAW hereby provides the rate reduction and rate design set forth in attached Exhibit B. These rates are designed to return the deferred liability for the first eight months of 2018 to customers over the course of ten months. They are also designed to provide ten months' worth of annual tax savings to customers over that same time period. KAW stands ready to implement the rate reduction described in Exhibit B on or about September 1, 2018 or within a reasonable time period after the Commission issues an Order authorizing the proposed reduction. KAW anticipates making additional filings, either through this docket or a general rate case, in order to propose rates to be effective after the ten-month period is complete which would be on or about June 30, 2019.

Date: August 20, 2018

Respectfully submitted,

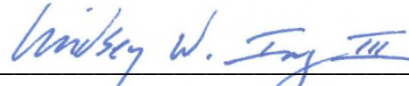
STOLL KEENON OGDEN PLLC  
300 West Vine Street, Suite 2100  
Lexington, Kentucky 40507-1801  
Telephone: (859) 231-3000

By:

  
\_\_\_\_\_  
Lindsey W. Ingram III  
[L.Ingram@skofirm.com](mailto:L.Ingram@skofirm.com)  
Monica H. Braun  
[monica.braun@skofirm.com](mailto:monica.braun@skofirm.com)  
*Counsel for Kentucky-American Water Company*

**CERTIFICATE OF COMPLIANCE**

In accordance with 807 KAR 5:001, Section 8(7), this is to certify that KAW's August 02, 2018 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on August 20, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and six (6) copies of the filing are being hand delivered to the Commission within two (2) business days.



---

*Counsel for Kentucky-American Water  
Company*

Kentucky American Water Company  
Case No. 2018-00042

10-Month Federal Income Tax Calculation - Estimated Revenue for Return

	A YTD July Revenue	B=H*Auth Rev Estimated August Revenue	C=A+B Total Basis Revenue	D TCJA Reduction %	E=C*D Total Stub Revenue	F Test Year August Sales	G Test Year Sales	H=F/G August %
Residential <sup>1</sup>	\$17,877,751	\$2,842,319	\$20,720,070	-9.03%	(\$1,872,001)	472,363	5,575,259	8.47%
Commercial <sup>1</sup>	9,780,498	1,684,437	11,464,935	-7.44%	(852,838)	330,728	3,487,266	9.48%
Industrial <sup>1</sup>	1,416,992	262,478	1,679,470	-6.20%	(104,066)	60,893	619,086	9.84%
OPA <sup>1</sup>	2,696,203	592,411	3,288,614	-6.82%	(224,337)	128,672	1,196,002	10.76%
SFR <sup>1</sup>	982,348	177,152	1,159,500	-6.15%	(71,296)	40,937	403,500	10.15%
Private Fire	1,742,951	290,492	2,033,443	-5.88%	(119,554)			
Public Fire	2,342,593	390,432	2,733,025	-5.89%	(160,874)			
Sewer <sup>2</sup>	117,148	19,525	136,673	-2.92%	(3,985)			
	<u>\$36,956,484</u>	<u>\$6,259,246</u>	<u>\$43,215,730</u>		<u>(\$3,408,951)</u>	<u>1,033,593</u>	<u>11,281,113</u>	
	I Annual Federal Tax Difference	J=I*O 10-Month Federal Tax Difference	K=E Stub Revenue Deferred	L=J+K 10-Month Revenue	M Test Year Sales W/O July & August	N=G Test Year Sales	O=M/N 10 Month %	
Residential	(\$3,031,826)	(\$2,447,896)	(\$1,872,001)	(\$4,319,897)	4,501,201	5,575,259	80.74%	
Commercial	(1,321,674)	(1,061,569)	(852,838)	(1,914,407)	2,800,820	3,487,266	80.32%	
Industrial	(165,110)	(133,739)	(104,066)	(237,805)	501,475	619,086	81.00%	
Other Public Authority	(376,621)	(300,205)	(224,337)	(524,542)	953,313	1,196,002	79.71%	
Sale for Resale	(107,331)	(85,124)	(71,296)	(156,420)	320,001	403,500	79.31%	
Private Fire Service:	(160,991)	(134,159)	(119,554)	(253,713)				
Public Fire Service	(236,479)	(197,066)	(160,874)	(357,940)				
Miscellaneous	(5,032)	(4,193)		(4,193)	3,640	4,368	83.33%	
Other Water Revenue	0	0		0				
Sewer	(14,160)	(11,800)	(3,985)	(15,785)				
	<u>(\$5,419,224)</u>	<u>(\$4,375,751)</u>	<u>(\$3,408,951)</u>	<u>(\$7,784,702)</u>	<u>9,080,450</u>	<u>11,285,481</u>		

<sup>1</sup>Billed Usage Revenue Only

<sup>2</sup>Excludes districts Millersburg and East Rockcastle

**Kentucky American Water Company**  
**Case No. 2018-00042**  
**Revenue at Present and Proposed Rates**  
**Forecast Test Year for the 10 Months Excluding July & August**

Line No.	Rate Classification (A)	Sales (B)	Revenues at Current Rates (C)	Revenues at Proposed Rates (D)	Revenues Change (Amt) (E)	% of Revenues Change (F)
1						
2						
3						
4	Residential	4,501,201	\$43,635,666	\$39,314,513	(\$4,321,153)	-9.90%
5	Commercial	2,800,820	18,603,848	16,690,328	(1,913,520)	-10.29%
6	Industrial	501,475	2,290,099	2,052,049	(238,050)	-10.39%
7	Other Public Authority	953,313	5,216,250	4,691,547	(524,703)	-10.06%
8	Sale for Resale	320,001	1,460,481	1,304,161	(156,320)	-10.70%
9	Private Fire Service:	0	2,282,137	2,028,404	(253,733)	-11.12%
10	Public Fire Service	0	3,347,872	2,989,707	(358,165)	-10.70%
11	Miscellaneous	3,640	75,957	71,764	(4,193)	-5.52%
12	Other Water Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
13						
14	Total	<u>9,080,450</u>	<u>\$76,912,310</u>	<u>\$69,142,473</u>	<u>(\$7,769,837)</u>	<u>-10.10%</u>
15						
16	Proforma Other Operating Revenues					
17	Other Water Revenue		\$0	\$0	\$0	0.00%
18	Late Payment Fee		\$781,587	781,587	0	0.00%
19	Rent		\$63,877	63,877	0	0.00%
20	Rent I/C		\$59,950	59,950	0	0.00%
21	Collect for Others		\$0	0	0	0.00%
22	NSF Check Charge		\$29,464	29,464	0	0.00%
23	Application/Initiation Fee		\$681,581	681,581	0	0.00%
24	Usage Data		\$48,248	48,248	0	0.00%
25	Reconnect Fee		\$274,638	274,638	0	0.00%
26	Miscellaneous Service		\$54,083	54,083	0	0.00%
27						
28	AFUDC		642,356	642,356	0	0.00%
29						
30	Proforma Tota Operating Revenues		<u>\$79,548,094</u>	<u>\$71,778,257</u>	<u>(\$7,769,837)</u>	<u>-9.77%</u>

**Kentucky American Water Company**  
**Case No. 2018-00042**  
**Present and Proposed Rates (for 10 Months Through June 2019)**

**WATER**

Water - Meter Rates	Rate Per 100 Gallons		
	Current	Proposed	% Change
Residential	\$0.6019	\$0.5059	-15.9%
Commercial	0.5095	0.4412	-13.4%
Industrial	0.4309	0.3834	-11.0%
Municipal& Other Public Authority	0.4603	0.4053	-11.9%
Sale for Resale	0.4326	0.3837	-11.3%
Miscellaneous	0.4500	0.3348	-25.6%

Water - Service Charges	Residential			All Other Classes		
	Current	Proposed	% Change	Current	Proposed	% Change
5/8"	\$12.49	\$12.49	0.0%	\$13.63	\$13.63	0.0%
3/4"	18.74	18.74	0.0%	20.46	20.46	0.0%
1"	31.23	31.23	0.0%	34.07	34.07	0.0%
1-1/2"	62.45	62.45	0.0%	68.17	68.17	0.0%
2"	99.92	99.92	0.0%	109.04	109.04	0.0%
3"	187.35	187.35	0.0%	204.47	204.47	0.0%
4"	312.25	312.25	0.0%	340.77	340.77	0.0%
6"	624.50	624.50	0.0%	681.50	681.50	0.0%
8"	999.20	999.20	0.0%	1,090.40	1,090.40	0.0%

Fire Connections - Monthly Rate	Current	Proposed	% Change
2" Diameter	\$9.13	\$8.11	-11.17%
4" Diameter	36.76	32.67	-11.13%
6" Diameter	82.68	73.49	-11.12%
8" Diameter	146.98	130.64	-11.12%
10" Diameter	229.72	204.18	-11.12%
12" Diameter	331.26	294.43	-11.12%
14" Diameter	450.45	423.96	-5.88%
16" Diameter	588.21	522.81	-11.12%
Private Hydrant	79.77	70.90	-11.12%
Public Hydrant	44.68	39.90	-10.70%

**Kentucky American Water Company**  
**Case No. 2018-00042**  
**Present and Proposed Rates (for 10 Months Through June 2019)**

<b>SEWER</b>	Authorized 7/2/2018	Proposed	% Change
Rockwell Village			
First 12,000 gallons	\$34.00	\$32.67	-3.90%
Over 12,000 gallons (per 100 gal)	0.283	0.272	-3.90%
Owenton		0	
First 2,000 gallons (per 100 gal)	28.29	27.19	-3.90%
Next 1,000 gallons (per 100 gal)	1.285	1.235	-3.90%
Next 2,000 gallons (per 100 gal)	1.011	0.972	-3.90%
Next 5,000 gallons (per 100 gal)	0.916	0.880	-3.90%
Next 10,000 gallons (per 100 gal)	0.819	0.787	-3.90%
Next 20,000 gallons (per 100 gal)	0.722	0.694	-3.90%
All over 40,000 gallons (per 100 gal)	0.689	0.662	-3.90%
Millersburg (per 100 gal)	1.16	1.16	0.00%
Ridgewood	36.57	35.14	-3.90%