

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

**IN THE MATTER OF:** )  
 )  
**ELECTRONIC INVESTIGATION INTO** )  
**KENTUCKY-AMERICAN WATER COMPANY’S** ) **CASE NO. 2020-00091**  
**PROPOSAL TO IMPLEMENT A RATE** )  
**MECHANISM RELATED TO COST SAVINGS** )  
**FROM REFINANCING OF LONG-TERM DEBT** )

**KENTUCKY-AMERICAN WATER COMPANY’S PROPOSAL  
TO PROVIDE INTEREST EXPENSE SAVINGS TO CUSTOMERS**

As set forth in the Commission’s March 24, 2020 Order in this matter, Kentucky-American Water Company (“KAW”) raised the possibility in its last base rate case of the future refinancing of some of its existing long-term debt to achieve a lower interest rate, thereby reducing its long-term debt interest expense. KAW informed the Commission of that possibility in April 30, 2019 rebuttal testimony in the rate case,<sup>1</sup> sought approval from the Commission pursuant to KRS 278.300 for the possible refinancing in a separate proceeding, and the Commission granted that approval.<sup>2</sup> KAW also explained in the rate case that, because of the uncertainties of that possible future refinancing, it could not provide the Commission with any specific details of it during the rate case which was decided by the Commission’s June 27, 2019 Order in Case No. 2018-00358.

After the conclusion of Case No. 2018-00358, just as KAW had hoped, on November 14, 2019, KAW was, in fact, able to refinance \$71,390,000 of its long-term debt at a lower interest rate. Of the \$71.39 million of debt, \$45.39 million of it was originally procured at an interest rate

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<sup>1</sup> Case No. 2018-00358, *In the Matter of: Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, Rebuttal Testimony of Melissa L. Schwarzell, April 30, 2019, pp. 26-27.

<sup>2</sup> See KAW’s March 8, 2019 Application and the Commission’s April 23, 2019 Order in Case No. 2019-00083, *In the Matter of: Electronic Application of Kentucky-American Water Company for Issuance of Indebtedness and Continued Participation with American Water Capital Corporation Pursuant to KRS 278.300*.

of 6.25% and \$26 million of it was originally procured at an interest rate of 5.625%. All of the \$71.39 million amount was refinanced at the lower interest rate of 2.45% on November 14, 2019. KAW informed the Commission of that refinancing and of the new and lower interest rate on November 25, 2019.<sup>3</sup>

The Commission's March 24, 2020 Order in this matter seeks KAW's proposal as to how the interest expense savings achieved between November 14, 2019 and June 30, 2020 (the end of the forecasted period used in Case No. 2018-00358) can be provided to customers so they will receive the benefit of those savings. KAW hereby offers this proposal by which the entire savings amount of \$1,331,165<sup>4</sup> for the relevant time period (November 14, 2019 to June 30, 2020) would be provided to customers.

KAW proposes to provide customers with the \$1,331,165 in savings via a one-time line item credit on bills beginning on or about July 1, 2020. The credit would apply to all customer classes in all of KAW's operating areas, and, based on KAW's preliminary calculations, would be for approximately 16% of each customer's total bill for that billing cycle. For a typical residential customer with a \$40 invoice, the credit would be approximately \$6.40. Of course, until the billed amounts for July 2020 are known to KAW, KAW will not know exactly what percentage will be necessary to generate the total credit of \$1,331,165, but it will derive that percentage and use it to generate the individual credit amount on each individual bill. KAW also proposes to file a report in this case no later than 60 days after the credits are issued showing the total amount of credits issued and the percentage it used to generate that total amount.

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<sup>3</sup> See KAW's November 25, 2019 Ordering Paragraph 5 Report in Case No. 2019-00083.

<sup>4</sup> Ordering Paragraph 2 of the Commission's March 24, 2020 Order in this case directed KAW to provide the savings for the relevant time period and to provide supporting documents for that amount. KAW hereby submits the attached Excel file showing the calculations used to compute the total savings of \$1,331,165 broken down by each month for the period November 2019 through June 2020.

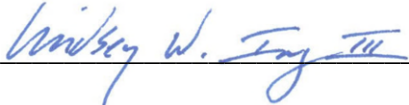
KAW's bills to customers include a section captioned "Account Detail." KAW's proposal is to include a one-time line item credit within that section entitled "One-time credit refi savings" so that it will be clear to customers what they are receiving, why, and that they will only receive it once. It is important for customers to understand the one-time nature of the credit so that their expectations are accurate.

Although KAW is certain of the total calculated amount of \$1,331,165, KAW wants to provide the Commission with ample time to consider this proposal and issue an Order resolving this matter in full. Likewise, KAW will need to implement and test the billing software changes necessary to effectuate the credits (KAW has already started that process). Therefore, KAW's proposal is to start issuing credits with bills that are issued on or about July 1, 2020. That date is also sensible in that it is the day after the total savings for the relevant time period will be realized.

KAW respectfully requests an Order from the Commission fully resolving this matter by: (1) authorizing KAW to issue a one-time credit to all customers beginning on or about July 1, 2020 for a total credit amount of \$1,331,165; (2) approving the use of "One-time refi savings" language on customer bills describing the credit; and (3) directing KAW to file a report within 60 days after all credits are issued showing the total amount of credits issued and the percentage used to derive that total amount.

Respectfully submitted,

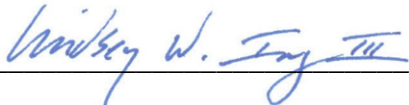
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**CERTIFICATE**

This certifies that Kentucky-American Water Company's electronic filing is a true and accurate copy of the documents to be filed in paper medium; that the electronic filing has been transmitted to the Commission on April 8, 2020; that a paper copy of the filing will be delivered to the Commission in accordance with the Commission's March 16, 2020 Order in Case No. 2020-00085; and that no party has been excused from participation by electronic means.

STOLL KEENON OGDEN PLLC

By   
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