

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

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF</b>	)	
<b>KENTUCKY-AMERICAN WATER COMPANY</b>	)	<b>CASE NO. 2020-00257</b>
<b>FOR AN ORDER APPROVING THE</b>	)	
<b>ESTABLISHMENT OF A REGULATORY</b>	)	
<b>ASSET</b>	)	

**APPLICATION**

Kentucky-American Water Company (“Kentucky American Water”) hereby applies to the Kentucky Public Service Commission (“Commission”) pursuant to KRS 278.220 for an order permitting Kentucky American Water to establish a regulatory asset to account for the effects Kentucky American Water has and continues to experience as a result of the COVID-19 emergency. In support of its Application, Kentucky American Water states as follows:

1. Kentucky American Water is a corporation organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 2300 Richmond Road, Lexington, Kentucky 40502. Kentucky American Water was incorporated on February 27, 1882 and is currently in good standing in the Commonwealth of Kentucky. A Certificate of Good Standing is attached as Exhibit 1.

2. Kentucky American Water is a wholly-owned subsidiary of American Water Works Company, Inc. (“American Water”) and is engaged in the distribution and sale of water in its Central Division, consisting of Bourbon, Clark, Fayette, Franklin, Harrison, Jessamine, Nicholas, Scott and Woodford Counties; its Northern Division, consisting of Gallatin, Owen and Grant Counties; and its Southern Division, consisting of Rockcastle and Jackson Counties. It currently owns, operates, and maintains potable water production, treatment, storage, transmission,

and distribution systems for the purpose of furnishing potable water for residential, commercial, industrial, and governmental users in its service territory.

3. Kentucky American Water may be reached by electronic mail at the electronic mail addresses of its counsel set forth below.

4. This Application is filed pursuant to KRS 278.220, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction, and pursuant to the Commission's plenary authority to regulate utilities under KRS 278.040.

5. In December 2019, a novel coronavirus known as COVID-19 was first detected in Wuhan, China, causing outbreaks of the coronavirus disease COVID-19 that has now spread globally. On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic.<sup>1</sup> The ongoing public health emergency related to the spread of COVID-19 has resulted in declarations of emergency being issued at both the state and federal levels.<sup>2</sup>

6. Kentucky American Water is aware that access to water and wastewater services was necessary to slow the initial spread of the disease, and the importance of maintaining essential services that permit frequent hand washing and sanitation in residences and elsewhere is strongly recommended to protect public health. Water and wastewater services are arguably the most essential utility services during the COVID-19 state of emergency. Consequently, on March 13, 2020, Kentucky American Water voluntarily:

- reconnected all customers who had previously been disconnected for non-payment;
- began waiving reconnect fees;
- began suspending late fees and stopped applying to past-due accounts;

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<sup>1</sup> World Health Organization, *WHO Director-General's opening remarks at the media briefing on COVID-19*, Mar. 11, 2020, available at <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>.

<sup>2</sup> Executive Order No. 2020-215, Declaration of a State of Emergency, issued Mar. 6, 2020, by Gov. Andy Beshear; Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak, issued Mar. 13, 2020, by President Donald J. Trump.

- suspended disconnection of services for non-payment; and
- began sending courtesy letters, and making courtesy phone calls, to customers with past-due balances to inform them of the amount of their past due balances but making no mention of disconnection or late fees and interest penalties.<sup>3</sup>

7. In response to the COVID-19 outbreak and the economic hardship it has caused residents and businesses in Kentucky, the Commission initiated a case to address the pressing issues related to utility service arising across the state,<sup>4</sup> and on March 16, 2020, ordered utilities to suspend disconnections due to non-payment and waive the assessment of late payment fees.<sup>5</sup>

8. Kentucky American Water has incurred significant expenses due to COVID-19. These costs primarily relate to the disconnection moratorium, suspension of fees, related customer communications, temporary quarantine housing for water treatment plant operators, and additional debt carrying costs. Kentucky American Water also expects uncollectible accounts expense to increase due to the economic impacts of the COVID-19 emergency on customers.

9. Kentucky American Water also continues to compile and analyze the trailing data necessary to determine lost revenues due to lower volumetric sales to customers in the various customer classes as well from customers that will close their doors or go out of business. Kentucky American Water has not yet determined the extent of those losses, but requests that it be permitted to defer those losses as part of the COVID-19 regulatory asset. The COVID-19 regulatory asset also will be reduced partially by decreases to other expenses associated with COVID-19.

10. The Commission has approved regulatory asset treatment when a utility incurs extraordinary and nonrecurring expenses that could not have reasonably been anticipated or included in the utility's planning.<sup>6</sup> The COVID-19 emergency and its economic effects are

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<sup>3</sup> Kentucky American Water, *An Update to Our Response About COVID-19*, accessed July 17, 2020, available at <https://amwater.com/kyaw/customer-service-billing/covid-19-response>.

<sup>4</sup> Electronic Emergency Docket Related to the Novel Coronavirus COVID-19, Case No. 2020-00085.

<sup>5</sup> *Id.*, Order at 3 (Ky. PSC Mar. 16, 2020).

<sup>6</sup> The Commission has explained that it has historically approved regulatory assets in only four types of cases: "(1)

undoubtedly extraordinary and could not have been reasonably anticipated, and the expenses will only increase as the emergency continues. In light of the fact that the Commission has issued orders taking judicial notice of the ongoing public health emergency related to the spread of COVID-19, and the declarations of emergency issued at both the state and federal levels, it is appropriate for KAWC to track and request recovery the amounts deferred as a COVID-19 regulatory asset.

11. Kentucky American Water respectfully requests the Commission to state explicitly in its order resolving this case that it is authorizing Kentucky American Water to accumulate in a regulatory asset and defer for future recovery the actual incremental amounts, and accruals for estimated amounts until actual costs can be determined, of COVID-19 related costs and declines in revenues as a result of decreased usage and lost customers. In addition to approving incremental COVID-19 costs as a regulatory asset, allowing Kentucky American Water to implement a more flexible strategy for cost recovery including rate case treatment or rider mechanisms will ensure Kentucky American Water is well positioned to continue to serve customers.

**WHEREFORE**, Kentucky American Water respectfully requests the Kentucky Public Service Commission enter an order authorizing and approving the establishment of a regulatory asset for the financial impacts of COVID-19.

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an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry-sponsored initiative; or (4) an extraordinary or nonrecurring expense that, over time, will result in savings that fully offset the cost." *Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets*, Case No. 2018-00304, Order (Ky. PSC Dec. 20, 2018); *see also Request of Shelby Energy Cooperative for Approval to Establish a Regulatory Asset in the Amount of \$443,562.75 and Amortize the Amount Over a Period of Five (5) Years*, Case No. 2012-00102, Order (Ky. PSC Apr. 16, 2012); *The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages*, Case No. 2008-00436, Order (Ky. PSC Dec. 23, 2008).

July 29, 2020

Respectfully submitted,

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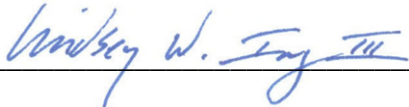
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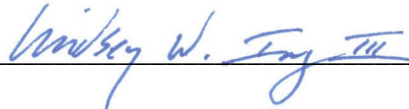
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Attorneys for Kentucky-American Water Company

**CERTIFICATE**

In accordance with 807 KAR 5:001 Section 8(7) and the Commission's March 16, 2020 Order in Case No. 2020-00085, this is to certify that Kentucky-American Water Company's electronic filing was transmitted to the Commission on July 29, 2020; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a physical copy of the filing will be submitted to the Commission once the State of Emergency has ceased.

STOLL KEENON OGDEN PLLC

By 

Attorneys for Kentucky-American Water Company

**Commonwealth of Kentucky**  
**Michael G. Adams, Secretary of State**

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**Certificate of Existence**

Authentication number: 234084  
Visit <https://web.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Michael G. Adams, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**KENTUCKY-AMERICAN WATER COMPANY**

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is September 15, 1927 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 23<sup>rd</sup> day of July, 2020, in the 229<sup>th</sup> year of the Commonwealth.



*Michael G. Adams*

Michael G. Adams  
Secretary of State  
Commonwealth of Kentucky  
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