

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

KENTUCKY-AMERICAN WATER COMPANY’S
NOTICE OF FILING OF SUPPLEMENTAL INFORMATION
AND REQUEST FOR DECISION BY DECEMBER 18, 2020

Kentucky-American Water Company (“KAW”) hereby supplements its July 29, 2020 Application to provide the Kentucky Public Service Commission (“Commission”) with monetary amounts for which it seeks regulatory asset treatment. With due respect, KAW requests a decision on this issue by December 18, 2020.

As set forth in its Application, KAW has incurred significant financial impacts related to the COVID-19 emergency that the Commission can approve for regulatory asset treatment pursuant to KRS 278.220 and relevant Commission precedent. The Commission has approved regulatory asset treatment when a utility incurs extraordinary and nonrecurring financial impact that could not have reasonably been anticipated or included in the utility’s planning.¹ KAW’s

¹ The Commission has explained that it has historically approved regulatory assets in four types of cases: “(1) 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).

COVID-19 financial impacts are the type of expenses for which regulatory asset treatment should be granted. In its Application, KAW identified the following primary categories of COVID-19 related financial impacts, including: (1) suspended disconnects/reconnects and late fees as a result of the disconnection moratorium; (2) costs of customer communications; (3) costs for temporary quarantine housing for water treatment plant operators; (4) additional debt carrying costs; and (5) increased uncollectible accounts expense. KAW also stated that it would track savings (for items such as reduced travel expense) resulting from COVID-19 which should be used to offset the increased expenses.

The Commission's September 21 and 30, 2020 Orders in Case No. 2020-00085 address cessation of the moratorium, payment plans, and utilities' communications with customers regarding those issues. KAW has or will incur approximately \$35,000 to comply with those directives.² Thus, KAW hereby provides the Commission with the following itemized amounts (calculations supporting the amounts are attached and also provided in the accompanying Excel file) which are current as of September 30th, 2020 and for which it seeks regulatory asset treatment:

² Those expenses were explained in KAW's October 16, 2020 filing in Case No. 2020-00085 and are \$20,000 for software engineering costs for payment plans related to cessation of the moratorium and up to \$15,000 for costs necessary to inform customers about cessation of the moratorium and its effects.

Description	Amount
Reconnection Fees	\$616
Forgone Late Payment Fees	628,277
Costs:	
Incremental Operating Expenses	220,044
Uncollectible Expense ³	173,551
Term Loan Interest Expense	170,529
Direct Offset:	
Travel/Conference Savings	(137,127)
Total	1,055,890

KAW respectfully requests the Commission’s approval authorizing KAW to accumulate in a regulatory asset and defer for future recovery the total amount identified above and any additional incremental COVID-19 related financial impacts incurred going forward. In fact, as stated, the amount above is current only as of September 30, 2020 and is expected to grow going forward. Finally, KAW requests a decision by December 18, 2020 so that it can ensure its year-end accounting books are consistent with the Commission’s decision.

³ Approval of regulatory asset treatment for uncollected late fees is consistent with the Commission’s directive in its September 21, 2020 Order in Case No. 2020-00085 to track the lost revenue utilities experience as a result of not collecting late fees. September 21, 2020 Order, p. 7.

October 28, 2020

Respectfully submitted,

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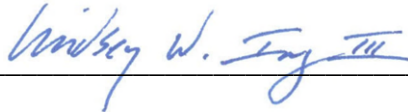
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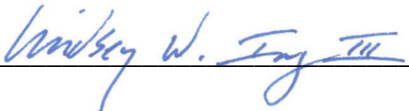
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Attorneys for Kentucky-American Water Company

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 October 28, 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

Kentucky American Water
CASE NO. 2020-00257
Regulatory Asset - COVID-19 Deferral
YTD September 2020

Description	Amount
Reconnection Fees	\$616
Foregone Late Payment Fees	628,277
Costs	
Incremental Operating Expenses	220,044
Uncollectible Expense	173,551
Term Loan Interest Expense	170,529
Direct Offsets	
Travel/Conference Savings	(137,127)
Total	<u><u>\$1,055,890</u></u>

Kentucky American Water
CASE NO. 2020-00257
COVID-19 Deferral - Reconnection Fees
YTD September 2020

	Customers Reconnected	Reconnection Fee	Total Fees
Kentucky American Water	11	\$56.00	\$616.00

The lost revenue associated with reconnection fees during the moratorium period was calculated by multiplying the number of reconnects that were performed during the period by the \$56 reconnection fee. Since KAW began waiving the reconnection fee, the Company reconnected 11 customers. KAW has foregone the collection of \$616 in reconnection fees.

Kentucky American Water
CASE NO. 2020-00257
COVID-19 Deferral - Forgone Late Payment Fees
YTD September 2020

	Forgone Late Fees										
	March	April	May	June	July	August	September	October	November	December	Total
Kentucky	\$65,530	\$84,175	\$92,974	\$79,041	\$97,848	\$101,767	\$106,943				\$628,277

The lost revenue associated with the foregone late charges that were not billed was calculated based on the Company's late fee policy as it would have been applied to past due invoices during the moratorium period. During the moratorium period of March through September 2020, KAW has foregone the collection of \$628,277 in late fees.

Kentucky American Water
CASE NO. 2020-00257
COVID-19 Deferral - Incremental Operating Expense
YTD September 2020

Category	March	April	May	June	July	August	September	October	November	December	Total
Facility Preparedness		\$12,702	\$124	\$17,607	\$22,465	\$1,420	\$16,147				\$70,464
Communications		11,738	18,747	13,237			16,930				60,652
PPE and Supplies		14,582	514	5,723	(333)	111	50				20,646
Temporary Housing	3,209	16,945		(900)	0						19,254
Bottle Water		9,600	0								9,600
Signage		3,376	2,460	544	544						6,924
Rental Equipment					772	(772)	106				106
Remote-Enabled Work						106					106
Incremental Operating Expense (State)	\$3,209	\$68,943	\$21,845	\$36,211	\$23,448	\$865	\$33,232				\$187,753

Category	March	April	May	June	July	August	September	October	November	December	Total
PPE and Supplies	\$7,071	\$54,334	\$159,344	\$46,550	\$124,990	\$292,126	(\$34,971)				
Communications					36,715	10,000					
Facility Preparedness					29,428						
WFH Stipend					41,650	8,350	8,150				
Incremental Expense (Service Co) Total	\$7,071	\$54,334	\$159,344	\$46,550	\$232,783	\$310,476	(\$26,821)				\$783,737
KY Service Co Allocation	\$292	\$2,239	\$6,565	\$1,918	\$9,591	\$12,792	(\$1,105)				\$32,291
Total Incremental Operating Expense	\$3,501	\$71,181	\$28,410	\$38,129	\$33,038	\$13,657	\$32,127				\$220,044

KY Customer Count ⁽¹⁾	134,144
Total Regulated Customer Count ⁽¹⁾	3,255,077
Allocation %	4.12%

⁽¹⁾ Customer counts adjusted for dual service customers.

The Company has created a specific tracking number in order to capture certain KAW and Service Company increased costs related to COVID-19, such as facility preparedness, PPE, sanitizers, signage, rental equipment, etc.

Kentucky American Water
CASE NO. 2020-00257
COVID-19 Deferral - Uncollectible Expense
YTD September 2020

	March	April	May	June	July	August	September	October	November	December	Total
Authorized Uncollectible Expense	\$74,611	\$37,059	\$95,407	\$80,229	\$68,697	\$77,469	\$65,740				\$499,212
Actual Uncollectible Expense	\$57,320	\$37,313	\$57,496	\$88,398	\$181,597	\$139,797	\$110,843				\$672,763
Uncollectible Deferral	(\$17,291)	\$254	(\$37,911)	\$8,170	\$112,899	\$62,328	\$45,103				\$173,551

Allocation

Last Authorized Uncollectible (Case No. 2018-00358) \$985,611

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Allocation % (Based on 3 Year Actual)	10.81%	7.49%	7.57%	3.76%	9.68%	8.14%	6.97%	7.86%	6.67%	10.11%	11.26%	9.68%	100.00%
Allocated Last Authorized	\$106,545	\$73,822	\$74,611	\$37,059	\$95,407	\$80,229	\$68,697	\$77,469	\$65,740	\$99,645	\$110,980	\$95,407	\$985,611

The incremental uncollectible expense was calculated by first taking the actual uncollectible expense for the state of emergency period, March to June, and comparing to the last authorized uncollectible expense for the same time period resulting in the deferral of 173,551.

Kentucky American Water
 CASE NO. 2020-00257
 COVID-19 Deferral - Term Loan Interest Expense
 YTD September 2020

	Customer		Term Loan Interest Expense									Total	Principal Term Loan
	Counts	Allocation %	April	May	June	July	August	September	October	November	December		
AWCC			\$730,000	\$754,333	\$730,000	\$754,333	\$754,333	\$619,479				\$4,342,479	\$500,000,000
KY	135,321	3.93%	\$28,667	\$29,623	\$28,667	\$29,623	\$29,623	\$24,327				\$170,529	\$19,634,954

Incremental carrying costs incurred by KAW associated with the term loan American Water Capital Corporation secured to enhance existing liquidity in the event other sources of financing, particularly commercial paper, were not available at reasonable rates or in sufficient quantity

Kentucky American Water
CASE NO. 2020-00257
COVID-19 Deferral - Travel/Conference Savings
YTD September 2020

		2020 Savings - Regulated										
	State	March	April	May	June	July	August	September	October	November	December	
1012	KY	\$3,796	(\$25,401)	(\$5,181)	(\$3,843)	(\$11,197)	(\$4,716)	(\$9,629)				
		2020 Savings - Service Co										
	State	March	April	May	June	July	August	September	October	November	December	
1012	KY	(\$8,455)	(\$12,418)	(\$14,207)	(\$10,883)	(\$10,039)	(\$13,698)	(\$11,256)				
		Total Savings										
	State	March	April	May	June	July	August	September	October	November	December	Total
1012	KY	(\$4,658)	(\$37,819)	(\$19,388)	(\$14,726)	(\$21,236)	(\$18,414)	(\$20,885)				(\$137,127)

KAW has identified cost savings related to travel and conferences for both KAW and Service Company costs that would have been allocated to KAW. This calculation includes using a comparison of actual costs for expenses related to travel and conferences for the periods of the state of emergency, compared to the same period of the prior year, to determine the cost savings related to travel and conferences for KAW and Service Company expenses.

Kentucky American Water
CASE NO. 2020-00257
COVID-19 Deferral - Travel/Conference Savings
YTD September 2020

		2019 T/E Expense - Regulated									
	State	March	April	May	June	July	August	September	October	November	December
1012	KY	\$7,840	\$14,649	\$5,000	\$5,081	\$7,975	\$6,400	\$11,393			

		2019 T/E Expense - Service Co									
	State	March	April	May	June	July	August	September	October	November	December
1012	KY	\$12,759	\$8,543	\$14,355	\$11,318	\$10,764	\$13,739	\$13,088			

Kentucky American Water
CASE NO. 2020-00257
COVID-19 Deferral - Travel/Conference Savings
YTD September 2020

		2020 T/E Expense - Regulated									
	State	March	April	May	June	July	August	September	October	November	December
1012	KY	\$11,636	(\$10,752)	(\$180)	\$1,238	(\$3,222)	\$1,684	\$1,764			

		2020 T/E Expense - Service Co									
	State	March	April	May	June	July	August	September	October	November	December
1012	KY	\$4,305	(\$3,875)	\$148	\$435	\$726	\$40	\$1,832			