

Kentucky American Water Company
Case No. 2022-00328
QIP Year 2 Annual Balancing Adjustment
For the Twelve Months Ended June 30, 2022

Line No.

(1) QIP 2 Actual Average Rate Base compared to Actual Billed Revenues

1	QIP 2 Revenue Requirement	\$1,790,774	Page 3, Line 18
2			
3	Billed Revenues - July 1, 2021-June 30, 2022	1,876,369	Page 3, Line 20
4	Less: QIP 1 Variance - Under/(Over) Recovery	94,998	Page 2, Line 21
5	<u>Net Billed Revenues - July 1, 2021-June 30, 2022</u>	<u>1,781,371</u>	
6			
7	Under/(Over) Recovery Variance	\$9,403	Line 1 - Line 5
8			
9	Authorized Revenues 2018-0358	\$98,880,622	
10	Prorated Authorized Revenues 2018-0358	\$50,388,481 [A]	
11	<u>QIP 2 Balancing Adjustment Rider Charge</u>	<u>0.02%</u>	Line 7 / Line 10

(2) QIP 2 Actual "End of Period" Rate Base for QIP 3

12	QIP 3 Revenue Requirement	\$4,419,803	Page 4, Line 26
13			
14	<u>Authorized Revenues 2018-0358</u>	<u>\$98,880,622</u>	
15	<u>QIP 3 Rider Charge</u>	<u>4.47%</u>	Line 12 / Line 14

(3) QIP 3 Rider Charge with QIP 2 Balancing Adjustment

16	QIP 3 Rider Charge	4.47%	Line 15
17	<u>QIP 2 Balancing Adjustment Rider Charge</u>	<u>0.02%</u>	Line 11
18	<u>Total QIP 3 Rider Charge</u>	<u>4.49%</u>	Line 16 + Line 17
19			
20	QIP 3 Rider Charge - Case No. 2022-00032	4.61%	
21			
22	<u>Change - QIP 3 Rider Charge</u>	<u>-0.12%</u>	Line 18 - Line 20
23			
24	Balancing Adjustment Monthly Bill Impact	(\$0.05)	
25	(Average Residential Customer using 3,863 gal)		

[A] Assumed QIP Rate Effective Date with Reconciliation - 12/27/2022
 QIP 4 Rate Effective Date - 7/1/2023
 QIP 2 Balancing Adjustment Rider Effective Days - 186

Kentucky American Water Company
 Case No. 2021-00376
 QIP 1 Revenue Reconciliation
 For the Twelve Months Ended June 30, 2021

Line No.	Case No. 2021-00376 QIP 1 Balance as of June 30, 2021 July 2020 - June 2021
1	QIP Plant Additions \$9,328,645
2	Retirements (633,049)
3	Net Change to Gross Plant <u>\$8,695,596</u>
4	
5	Cost of Removal \$549,261
6	Retirements 633,049
7	Depreciation Accrual (137,516)
8	Net Change to Accum Depr <u>\$1,044,794</u>
9	
10	Net Change to Net Plant \$9,740,390
11	Accumulated Deferred Taxes (1,550,183)
12	Net Change to Rate Base <u>\$8,190,207</u>
13	Pre-Tax Rate of Return 9.28%
14	QIP Revenue on Net Change to Rate Base \$760,223
15	QIP Depreciation Expense 137,516
16	QIP Property Taxes <u>120,869</u>
17	
18	QIP Revenue Requirement Rate Adj <u>\$1,018,608</u>
19	
20	Billed Revenues <u>923,610</u>
21	Difference <u>\$94,998</u>
22	
23	Authorized Revenues 2018-0358 <u>\$98,880,622</u>
24	QIP Balancing Adjustment Rider Charge <u>0.10%</u>
25	
26	Currently Authorized QIP Charge 2.04%
27	
28	Total QIP Rider Charge <u>2.14%</u>
29	
30	Balancing Adjustment Mthly Bill Impact <u>\$0.04</u>
31	(Average Residential Customer using 3,863 gal)

Kentucky American Water Company
Case No. 2022-00328
QIP 2 Revenue Reconciliation
For the Twelve Months Ended June 30, 2022

Line No.		Case No. 2021-00376		Total
		QIP 1	QIP 2	QIP 2
		Balance as of June 30, 2021	13 Mo. Avg. Ended June 30, 2022	July 2021 - June 2022
		July 2020 - June 2021	July 2021 - June 2022	July 2021 - June 2022
1	QIP Plant Additions	\$9,328,645	\$6,573,606	\$15,902,251
2	Retirements	(633,049)	(106,133)	(739,183)
3	Net Change to Gross Plant	\$8,695,596	\$6,467,473	\$15,163,069
4				
5	Cost of Removal	\$549,261	\$844,593	\$1,393,854
6	Retirements	633,049	106,133	739,183
7	Depreciation Accrual	(137,516)	(174,029)	(311,545)
8	Net Change to Accum Depr	\$1,044,794	\$776,697	\$1,821,491
9				
10	Net Change to Net Plant	\$9,740,390	\$7,244,170	\$16,984,560
11	Accumulated Deferred Taxes	(1,550,183)	(1,687,014)	(3,237,197)
12	Net Change to Rate Base	\$8,190,207	\$5,557,156	\$13,747,363
13	Pre-Tax Rate of Return	9.28%	9.28%	9.28%
14	QIP Revenue on Net Change to Rate Base	\$760,223	\$515,821	\$1,276,044
15	QIP Depreciation Expense	137,516	174,029	311,545
16	QIP Property Taxes	120,869	82,316	203,185
17				
18	QIP Revenue Requirement Rate Adj	\$1,018,608	\$772,166	\$1,790,774
19				
20	Billed Revenues			1,876,369
21	Less: QIP 1 Variance			94,998
22	Net Billed Revenues			<u>\$1,781,371</u>
23				
24	Under/(Over) Recovery Variance			\$9,403
25				
26	QIP 3 Rate Effective Date with Reconciliation			12/27/2022
27	QIP 4 Rate Effective Date			<u>7/1/2023</u>
28	Reconciliation Effective Period			186
29				
30	Authorized Revenues 2018-0358			<u>\$98,880,622</u>
31	Prorated Authorized Revenues 2018-0358			<u>\$50,388,481</u>
32	QIP Balancing Adjustment Rider Charge			<u>0.02%</u>

Kentucky American Water Company
 Case No. 2022-00032
 QIP 3 Revenues

Line No.	Case No. 2021-00376				
	QIP 1	QIP 2	QIP 3	Total QIP	
	As of June 30, 2021	As of June 30, 2022	13 Mo. Avg. Ended June 30, 2023		
	July 2020 - June 2021	July 2021 - June 2022	July 2022 - June 2023		
1	QIP Plant Additions	\$9,328,645	\$19,931,459		\$8,737,865
2	Retirements	(633,049)	(414,148)	(330,929)	(1,378,126)
3	Net Change to Gross Plant	8,695,596	19,517,311	8,406,936	36,619,843
4					
5	Cost of Removal	549,261	2,433,439	873,787	3,856,486
6	Retirements	633,049	414,148	330,929	1,378,126
7	Depreciation Accrual - QIP 1	(137,516)			(137,516)
8	Depreciation Accrual - QIP 2		(311,545)		(311,545)
9	Depreciation Accrual - QIP 3			(128,626)	(128,626)
10	Net Change to Accum Depr	1,044,794	2,536,041	1,076,090	4,656,925
11					
12	Net Change to Net Plant	9,740,390	22,053,352	9,483,026	41,276,768
13	Accumulated Deferred Taxes - QIP 1	(1,550,183)			(1,550,183)
14	Accumulated Deferred Taxes - QIP 2		(3,674,353)		(3,674,353)
15	Accumulated Deferred Taxes - QIP 3			(1,347,566)	(1,347,566)
16	Net Change to Rate Base	8,190,207	18,379,000	8,135,460	34,704,667
17	Pre-Tax Rate of Return	9.28%	9.28%	9.28%	9.28%
18	QIP Revenue on Net Change to Rate Base	760,223	1,705,957	755,142	3,221,322
19	QIP Depreciation Expense - QIP 1	137,516			137,516
20	QIP Depreciation Expense - QIP 2		311,545		311,545
21	QIP Depreciation Expense - QIP 3			128,626	128,626
22	QIP Property Taxes - QIP 1	120,869	21,361	(4,348)	137,882
23	QIP Property Taxes - QIP 2		261,532	(9,508)	252,024
24	QIP Property Taxes - QIP 3			230,888	230,888
25					
26	QIP Revenue Requirement Rate Adj	\$1,018,608	\$2,300,395	\$1,100,800	\$4,419,803
27					
28	Authorized Revenues 2018-0358	\$98,880,622	\$98,880,622	\$98,880,622	\$98,880,622
29	QIP Rider Charge	1.03%	2.33%	1.11%	4.47%

Project Name	WBS Number(s)	Total Linear Feet	Estimated Project Cost	Total Project Cost as of June 30, 2022	Variance
Wickliffe/Corral	R12-02B2.21-P-0011	260	\$46,800	\$20,548	(\$26,252)
Reason for Variance: Actual linear footage installed was less than estimated. Water main installation work performed by Kentucky American Water crews.					
Range/Writtson/Ford	R12-02B2.20-P-0019	1,120	\$201,600	\$244,566	\$42,966
Reason for Variance: Estimated cost included 4' paving width; actual pavement required was full curb-to-curb width plus all cul-de-sacs. Water main installation work performed by Kentucky American Water crews.					
Thistleton Circle	R12-02B2.20-P-0020	276	\$73,140	\$32,019	(\$41,121)
Reason for Variance: Actual linear footage installed was less than estimated. Water main installation work performed by Kentucky American Water crews.					
Crosskeys Court	R12-02B2.20-P-0021	230	\$60,950	\$50,801	(\$10,149)
Reason for Variance: Estimated cost included 4' paving width; actual pavement required was full curb-to-curb width plus all cul-de-sacs. Water main installation work performed by Kentucky American Water crews.					
Croyden Court	R12-02B2.20-P-0022	482	\$127,730	\$159,471	\$31,741
Reason for Variance: Estimated cost included 4' paving width; actual pavement required was full curb-to-curb width plus all cul-de-sacs. Water main installation work performed by Kentucky American Water crews.					
Fairway - Phase I	R12-02B2.20-P-0010 R12-02B2.21-P-0050 R12-02B2.21-P-0051	2,940	\$775,000	\$1,191,832	\$416,832
Reason for Variance: Additional cold patch (temporary asphalt) was required along the entire length of the project prior to final pavement restoration. Proposed connection points along Henry Clay Blvd required full intersection pavement restoration. More service lines required replacement compared to estimated.					
Wyatt Avenue	R12-02B2.20-P-0024 R12-02B2.21-P-0028 R12-02B2.21-P-0029 R12-02B2.21-P-0030	4,050	\$1,532,500	\$1,134,090	(\$398,410)
Reason for Variance: Actual linear footage installed was less than estimated. Amount of pavement restoration required was in line with pavement restoration estimates.					
Bluegrass/Highlawn	R12-02B2.20-P-0026	1,017	\$625,000	\$359,423	(\$265,577)
Reason for Variance: Actual linear footage installed was less than estimated. Post-June 30 paving restoration work is not reflected in total project cost. The paving for this project is being cost-shared with LFUCG.					

Codell Drive	R12-02B2.20-P-0027 R12-02B2.21-P-0036 R12-02B2.21-P-0037	5,476	\$1,312,500	\$1,408,343	\$95,843
Reason for Variance: Approximately 250 additional linear feet of main were installed compared to estimated. Amount of pavement restoration required was in line with pavement restoration estimates.					
N Ashland/Aurora	R12-02B2.20-P-0028 R12-02B2.21-P-0034 R12-02B2.21-P-0035	5,255	\$1,000,000	\$698,858	(\$301,142)
Reason for Variance: Post-in-service work is not reflected in total project cost. Approximately 800 additional linear feet of main were installed compared to estimated.					
National Avenue	R12-02B2.20-P-0029	3,100	\$875,000	\$806,461	(\$68,539)
Reason for Variance: Post-in-service work for paving restoration is not reflected in total project cost.					
Whitney/Ash	R12-02B2.20-P-0030 R12-02B2.21-P-0039 R12-02B2.21-P-0040 R12-02B2.21-P-0041 R12-02B2.21-P-0042 R12-02B2.21-P-0043	6,720	\$1,650,000	\$2,017,587	\$367,587
Reason for Variance: Approximately 120 additional linear feet of main were installed compared to estimated. Additional cold patch (temporary asphalt) was required along the entire length of the project prior to final pavement restoration.					
Clays Mill Road - Phase II	R12-02B2.21-P-0018 R12-02B2.21-P-0019 R12-02B2.21-P-0020	7,220	\$1,575,000	\$1,804,892	\$229,892
Reason for Variance: Additional main installation costs required due to a storm sewer alignment change. Additional costs incurred on project to uncover valve boxes covered by LFUCG's roadway contractor during project. The paving for this project is being cost-shared with LFUCG.					
Montclair Drive	R12-02B2.21-P-0002	2,200	\$550,000	\$527,192	(\$22,808)
Reason for Variance: Post-June 30 paving restoration work is not reflected in total project cost. The paving for this project is being cost-shared with LFUCG.					
Summit Drive	R12-02B2.21-P-0003 R12-02B2.21-P-0052 R12-02B2.21-P-0053	2,850	\$725,000	\$788,952	\$63,952
Reason for Variance: Kentucky American Water encountered several brittle house service lines that failed upon re-connection. Post-June 30 paving restoration work is not reflected in total project cost. The paving for this project is being cost-shared with LFUCG.					
Valley Farm	R12-02B2.21-P-0015	5,306	\$1,350,000	\$1,437,054	\$87,054
Reason for Variance: Estimated cost included 5' paving width; actual pavement required was full lane width (~8').					

Colchester/Barksdale	R12-02B2.21-P-0016 R12-02B2.21-P-0031 R12-02B2.21-P-0032 R12-02B2.21-P-0033	3,555	\$925,000	\$911,958	(\$13,042)
Reason for Variance: Actual linear footage installed was less than estimated. Post-June 30 paving restoration work is not reflected in total project cost. Estimated cost included 5' paving width; actual pavement required was full lane width (~8').					
Campbell Lane	R12-02B2.21-P-0004	507	\$275,000	\$222,708	(\$52,292)
Reason for Variance: Actual linear footage installed was less than estimated.					
Westgate/Hamilton Park	R12-02B2.21-P-0005 R12-02B2.21-P-0054	3,600	\$900,000	\$609,347	(\$290,653)
Reason for Variance: Post-June 30 paving restoration work is not reflected in total project cost.					
Lancelot	R12-02B2.21-P-0007 R12-02B2.21-P-0055	2,500	\$617,500	\$612,822	(\$4,678)
Reason for Variance: Post-June 30 paving restoration work is not reflected in total project cost.					
Kilrush/Caywood	R12-02B2.21-P-0008 R12-02B2.21-P-0056 R12-02B2.21-P-0057 R12-02B2.21-P-0058	5,239	\$1,567,500	\$1,012,319	(\$555,181)
Reason for Variance: Post-June 30 paving restoration work is not reflected in total project cost.					
Merrimac/Fogo/Crewe	R12-02B2.21-P-0012 R12-02B2.21-P-0044 R12-02B2.21-P-0045	3,041	\$860,000	\$484,693	(\$375,307)
Reason for Variance: Post-June 30 paving restoration work is not reflected in total project cost.					
Tisdale/Fraserdale	R12-02B2.21-P-0013 R12-02B2.21-P-0059 R12-02B2.21-P-0060	5,056	\$1,322,500	\$1,575,173	\$252,673
Reason for Variance: Post-June 30 paving restoration work is not reflected in total project cost. Estimated cost included ~20,000 square feet of paving; actual pavement required to date is ~27,700 square feet with additional amounts yet to be completed.					
Montavesta Road	R12-02B2.21-P-0009 R12-02B2.21-P-0046 R12-02B2.21-P-0047 R12-02B2.21-P-0048 R12-02B2.21-P-0049	3,904	\$1,087,500	\$374,878	(\$712,622)
Reason for Variance: Post-June 30 paving restoration work is not reflected in total project cost. The paving for this project is being cost-shared with LFUCG. Water main installation work performed by Kentucky American Water crews.					

<p>QIP Year 1 Post-in-service spend</p>	<p>R12-02B1.19-P-0006 R12-02B2.20-P-0012 R12-02B2.20-P-0013 R12-02B2.20-P-0014 R12-02B2.20-P-0015 R12-02B2.20-P-0016 R12-02B2.20-P-0017</p>	<p>--</p>	<p>--</p>	<p>\$1,445,475</p>	<p>\$1,445,475</p>
<p>Reason for Variance: This captures post-in-service spend for QIP Year 1 projects including completion of service line reconnections and final paving & restoration work.</p>					
		<p>Total Linear Feet / Total Miles</p>	<p>Total Estimated Project Costs</p>	<p>Total Project Costs as of June 30, 2022</p>	<p>Total Variances</p>
		<p>75,904</p>	<p>\$20,035,220.00</p>	<p>\$19,931,459.95</p>	<p>-\$103,760.05</p>
		<p>14.4</p>			

EXHIBIT 3

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 9
First Sheet Nos. 1-36, 38-44
Second Sheet Nos. 45-48
Fourth Sheet No. 37
Sixth Sheet No. 49
Cancelling P.S.C KY NO. 8

KENTUCKY-AMERICAN WATER COMPANY

2300 Richmond Road
Lexington, KY 40502

<http://www.amwater.com/kyaw>

RATES – CHARGES – RULES – REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

**BOURBON, CLARK, FAYETTE, FRANKLIN, GALLATIN, GRANT, HARRISON,
JACKSON, JESSAMINE, NICHOLAS, OWEN, SCOTT, WOODFORD, AND ROCKCASTLE
COUNTIES IN KENTUCKY**

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

ISSUED: September 28, 2022

EFFECTIVE: December 27, 2022

Approved:

ISSUED BY: /s/ Kathryn Nash

Kathryn Nash

President

2300 Richmond Road, Lexington, KY 40502

RATES

All customers subject to this QIP Rider receiving water service shall be assessed a monthly QIP Rider charge in addition to the service charge, consumption charge or monthly fee component of their applicable rate schedule that will enable the Company to complete the Qualified Infrastructure Program.

The QIP Rider will be updated annually and subsequently adjusted to true-up the projected costs with the actual costs. The initial annual prospective QIP period will be the first full twelve month period following the Forecast Test Period utilized by the Commission in establishing Base Rates of the Company in its prior Base Rate Case proceeding. A filing with the projected costs for each twelve month QIP period will be submitted annually at least 90 days prior to the commencement of that QIP period, to become effective with the first day of the QIP period. The Company will submit a balancing adjustment annually no later than 90 days after the end of each 12 month QIP period to true-up the projected program costs and revenues, with the actuals for the same period. The balancing adjustment true-up to the rider will become effective 180 days after the end of the QIP period.

The monthly QIP Rider charges for all respective water service classifications will be calculated as a percentage and applied to all water charges including meter fees, volumetric water sales, fire service fees, and public and private hydrant fees from the Company's most recent base rate case, but excluding any other surcharge or add-on taxes. It will be listed as a separate line item on the customer bill. The QIP percentage shall be calculated on an annual prospective basis. The QIP Rider charge effective on and after the effective date is:

(R) 4.49%

(R) signifies decrease

ISSUED: September 28, 2022
EFFECTIVE: December 27, 2022

Approved:

ISSUED BY: /s/ Kathryn Nash
Kathryn Nash
President
2300 Richmond Road, Lexington, KY 40502