

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

IN THE MATTER OF:)	
)	
APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY TO)	CASE NO. 2023-00030
AMEND TARIFF TO REVISE QUALIFIED)	
INFRASTRUCTURE PROGRAM CHARGE)	

APPLICATION

Kentucky-American Water Company (“KAW”) hereby applies to the Kentucky Public Service Commission (“Commission”) pursuant to the authority granted in the Commission’s Order dated June 27, 2019 in Case No. 2018-00358 and the Commission’s plenary authority under KRS 278.030 and KRS 278.040 to revise its Qualified Infrastructure Program (“QIP”) Rider charge. In support of its Application, KAW states as follows:

1. KAW 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. KAW can be contacted by e-mail via the e-mail addresses of its counsel set forth below. KAW was incorporated on February 27, 1882 and is currently in good standing in the Commonwealth of Kentucky.

2. KAW 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. In its 2018 rate case, Case No. 2018-00358, KAW explained its need to replace and/or upgrade its aging infrastructure to fulfill its obligations of providing safe, adequate, and reliable water service. Because of the substantial capital expenditures involved in performing the replacements and upgrades, KAW proposed the QIP as a tariff rate adjustment mechanism to allow KAW to make capital improvements to its system and recover the costs of such improvements on a timelier basis. KAW proposed that it file an annual filing based on the forecasted test-period expense with an annual “balancing” or “reconciliation” filing of projected costs and actual costs. KAW committed to make its first annual QIP filing no later than April 2, 2020.

4. The Commission approved KAW’s proposed QIP mechanism in its Final Order in Case No. 2018-00358 and directed KAW to file its first annual QIP filing no later than April 2, 2020 for the first QIP forecasted test period of July 1, 2020 through June 30, 2021. KAW made that filing in Case No. 2020-00027 and the Commission issued its Final Order in that case on June 17, 2020. KAW made its QIP Year 2 filing in Case No. 2021-00090 and the Commission issued its Final Order in that case on June 21, 2021. In that Final Order, the Commission directed KAW to submit its annual QIP filing no later than March 1 of each year. KAW now makes this filing for QIP Year 4 for the period July 1, 2023 to June 30, 2024 with the revised QIP Charge to be effective for service rendered on and after July 1, 2023.

5. KAW supports its request with the verified testimony and exhibits of Jeffrey Newcomb, Senior Manager, Rates and Regulatory for KAW, and the verified testimony of Krista Citron, the Senior Project Engineer for KAW. Mr. Newcomb supports the calculation of the requested increase of the QIP Rider and presents the proposed tariff sheets attached hereto as

Exhibit 1. Ms. Citron describes the projects KAW plans to complete that are eligible for recovery under the QIP Rider and the cost savings measures that have been taken to keep overall cost to a minimum.

6. As contemplated in the Commission's Final Order in Case No. 2018-00358, the QIP Rider for QIP Year 1 appeared on bills effective July 1, 2020. In that rate case, KAW proposed and the Commission approved a 90-day review period which was used in Case No. 2020-00027 (the QIP Year 1 case). But as stated above, in Case No. 2021-00090, the Commission ordered KAW to file QIP Applications no later than March 1 of each year. KAW hereby requests a procedural schedule that allows for a July 1, 2023 effective date for the proposed increased QIP Rider amount. The current QIP Rider amount is 4.61%¹ and the requested increase is 3.80% for a cumulative proposed amount of 8.41% for the applicable customers classes.

7. The Citron testimony identifies the external contractors who may be used for QIP projects in addition to KAW's own internal labor. That testimony also identifies and describes the 47 projects proposed for QIP Year 4. Maps for each of the proposed pipeline construction projects are attached to her testimony.

8. The proposed QIP projects are replacement projects for which Certificates of Public Convenience and Necessity ("CPCNs") are not required. Pursuant to 807 KAR 5:001, Section 15(3), "extensions in the ordinary course of business" are exempt from the CPCN requirement. KRS 278.020(1), 807 KAR 5:001, Section 15(3), and previous Commission decisions list three factors for review when considering the need to apply for a CPCN. A CPCN is not necessary "for facilities that do not result in the wasteful duplication of utility plant, do not compete with the

¹ On September 28, 2022, KAW filed its balancing adjustment for QIP Year 2 in which KAW proposed to decrease the current 4.61% amount to 4.49%. The Commission has not yet ruled on that proposal. When the Commission does, KAW will file any updates necessary in this case as a result of that ruling.

facilities of existing public utilities, and do not involve a sufficient capital outlay to materially affect the existing financial condition of the utility involved or to require an increase in rates.”²

The proposed projects do not meet any of these three factors.

9. Pursuant to 807 KAR 5:001, Section 8, on January 30, 2023, KAW filed with the Commission its Notice of Intent to file this Application along with its notice of election to use electronic filing procedures in this proceeding.

10. Pursuant to 807 KAR 5:011, Section 8, KAW has provided notice to customers by newspaper publication. In addition, the Customer Notice has been physically posted at the KAW office and electronically posted on KAW’s website. KAW’s website also contains a hyperlink to the Commission’s website where the Customer Notice, Application, and other filings can be accessed by the public. KAW will file proof of notice with the Commission as required by 807 KAR 5:011, Section 8(3) within 45 days.

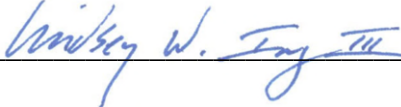
WHEREFORE, Kentucky-American Water Company respectfully requests the Kentucky Public Service Commission enter an order approving the proposed tariff adjustment for Kentucky-American Water Company’s Qualified Infrastructure Program Rider and granting all other relief to which Kentucky-American Water Company may be entitled.

² *Conrad v. Lexington-Fayette Urban County Government*, 659 S.W.2d 190, 195 (Ky. 1983) (citing *Queenan v. City of Louisville*, 233 S.W.2d 1010 (Ky. 1950)). See also *Lyon v. County of Warren*, 325 S.W.2d 302 (Ky. 1959) (publishing notice of bond referendum outside statutory time limits, accompanied by media attention and other means, held sufficient notice to public).

Date: March 1, 2023

Respectfully submitted,

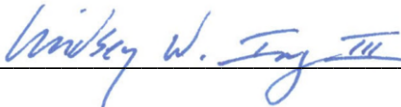
Lindsey W. Ingram III
L.Ingram@skofirm.com
STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3000
Fax: (859) 259-3503

BY: 
Attorneys for Kentucky-American Water Company

CERTIFICATE

This certifies that Kentucky-American Water Company's electronic filing is a true and accurate copy of the documents in paper medium; that the electronic filing has been transmitted to the Commission on March 1, 2023; and that no party has been excused from participation by electronic means.

STOLL KEENON OGDEN PLLC

By 
Attorneys for Kentucky-American Water Company

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: **March 1, 2023**

EFFECTIVE: **July 1, 2023**

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:

(I) 8.41%

(I) signifies increase

ISSUED: March 1, 2023
EFFECTIVE: July 1, 2023

Approved:

ISSUED BY: /s/ Kathryn Nash

Kathryn Nash
President
2300 Richmond Road, Lexington, KY 40502