**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

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| **ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR INSTALLATION OF ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND TARIFF REVISIONS** | **)** | **CASE NO. 2023-00191** |

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**REPLY BRIEF OF KENTUCKY-AMERICAN WATER COMPANY**

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**Filed: January 12, 2024**

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# I. INTRODUCTION

Kentucky-American Water Company ("KAWC" or "Company") submits this brief in reply to the January 5, 2024 Post-Hearing Briefs of the Attorney General ("AG") and Lexington-Fayette Urban County Government ("LFUCG").

This proceeding is the culmination of months of thoughtful and intensive work. KAWC strove to provide the Commission and intervenors with a robust record to explain the Company's position on numerous critical issues—from addressing aging infrastructure, to ensuring that future rates are fair and just, to prioritizing service that is reliable and affordable. The Company takes its service and regulatory obligations seriously, and as a result, the Company only proposes changes when those proposals are necessary, beneficial, and supported by facts.

As this case progressed, the Company provided hundreds of pages of detailed testimony, supporting exhibits, and responsive answers to more than 450 discovery requests. KAWC carefully considered inquiries and feedback from intervenors and the Commission, and, when legitimate questions about an issue or a calculation arose, KAWC acknowledged and adjusted its proposals accordingly. When the Company disagreed with intervenor testimony, the Company described the factual and legal basis for that disagreement in data responses and in rebuttal testimony. It further provided Commission precedent as a basis for that disagreement when applicable. KAWC presented witnesses, who competently addressed every question presented during the two-day evidentiary hearing. Then, KAWC prepared and filed its Post-Hearing Brief to explain its position on every substantive issue in the case. KAWC met its burden of establishing rates that are fair, just, and reasonable, and substantiated its additional proposals in depth.

KAWC hereby incorporates its Post-Hearing Brief filed on January 5, 2024 in full and offers the following in reply to the intervenors' Post-Hearing Briefs.

## II. AMI DEPLOYMENT

The AG asserts that KAWC has not met its burden required under Commission Certificate of Public Convenience and Necessity ("CPCN") authority to transition from AMR to AMI meters. LFUCG takes no position on whether the CPCN standard has been met, but questions KAWC's purported "move" to a ten-year replacement cycle for meters. As set forth in KAWC's initial brief and below, KAWC has met the CPCN standard for AMI and it should be approved. But the most important point on the entire AMI metering issue could not be simpler: KAWC is observing, based on field experience, an approximate life of ten years for meters and its depreciation expert has agreed that ten years is an appropriate life. Thus, the proposed replacement of meters over the next few years *has nothing to do with AMI or AMI technology*. The meters *will* be replaced consistent with field experience, which more closely aligns with a 10-year replacement cycle, regardless of what communication technology the meter endpoint has. The CPCN request for a move to AMI technology is nothing more than a shift to more modern technology that will better serve customers, and, arguably, a full CPCN analysis is not necessary for such a shift. However, given the Commission's historical treatment of AMI proposals, KAWC prudently sought a CPCN out of an abundance of caution.

Also, the AG's point that one of the metering alternatives KAWC considered but did not choose was *barely* less costly than KAWC's AMI proposal is not persuasive. As KAWC stated in its initial brief, selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication as all relevant factors should be considered.[1] KAWC's AMI proposal is based on its consideration of all relevant factors. The record is replete with the

[1] *Electronic Application of Big Rivers Electric Corporation for A Certificate of Public Convenience and Necessity to Construct A 161 kV Transmission Line in Henderson County, Kentucky*, Case No. 2022-00012, Order at 8-9 (Ky. PSC June 6, 2022).

quantification and explanation of the financial, operational, safety, environmental and customer service benefits AMI will produce.

**(A) <u>KAWC's Proposal is Not an Accelerated Deployment of AMI Meters</u>**

Both the AG and LFUCG make much ado about the fact that, years ago, KAWC sought and was granted a deviation from the Commission's regulation on the frequency of meter testing. In Case No. 2009-00253, the Commission approved KAWC's request to test or remove typical residential meters every fifteen years instead of ten years. Of course, KAWC did not commit nor did the Commission issue some sort of edict that KAWC *had* to keep meters in place for fifteen years. The Commission merely stated that KAWC should remove meters "at *or before* their 15-year mark."[2] KAWC made that request solely to save customers money and based on the Company's observation at that time that meters were accurate for up to fifteen years (and those savings have been passed on to KAWC customers since then in each subsequent rate case).

However, more recently, KAWC is no longer experiencing a reliable fifteen-year life. Instead, reliable life has been closer to ten years.[3] It would be imprudent and irresponsible for KAWC to keep meters in the field beyond their observed useful life, so KAWC is planning to change small meters at their ten-year life rather than anything longer than that. This is prudent utility planning. To the contrary, the logical extension of the AG's and LFUCG's position is that KAWC should be forever required to leave meters in the field regardless of KAWC's operational experience. Such a result would risk adequacy of service from failing meters and would punish KAWC and its customers by depriving them of the advantages of AMI technology and cost

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[2] *Kentucky-American Water Company's Request for Permission to Deviate from 807 KAR 5:066, Section 16(1),* Case No. 2009-00253, Order at 10 (Ky. PSC Oct. 5, 2011).

[3] At the hearing, while questioning KAWC Witness Kennedy, the Chairman summarized Mr. Kennedy's position on 10-year meter life by stating, "They don't make them like they used to. That's the testimony right there. They don't make them like they used to." 12/13/2023 Hearing, VR 10:01:39 - 10:01:55.

savings, simply because, based on a date beginning in 1999 (25 years ago) meters at that time lasted fifteen years. Such a result would be absurd. There is no "acceleration" of meter replacements. KAWC is only proposing to replace meters in a timely fashion to preserve and support reliability of service. And this will be done without regard for whether new meters use AMI or AMR communication technology.

**(B) <u>KAWC Does Not Anticipate Stranded Assets as a Result of AMI</u>**

The AG and LFUCG also object to the proposed change in meter depreciation rates as a reason to deny AMI. But, here again, that proposed depreciation change has nothing to do with a move to AMI technology. It is based on field experience and KAWC witness Kennedy's professional opinion that ten years is an appropriate meter life for a typical residential meter. This is also why a move to AMI will not result in "stranded assets." KAWC will be changing small meters on a ten-year replacement cycle regardless of what technology is selected. There simply is no acceleration; thus, there will be no stranded meter assets. Also, the intervenor expert witnesses in this matter (Baudino and Meyer) offer no testimony on KAWC's proposed depreciation rates and there is likewise no evidence in the record that the proposed rates are inappropriate.

With a misguided reliance on KAWC's discovery responses, LFUCG, for the first time in this case, claims in its brief that a $1.9 million downward adjustment to depreciation expense should apply.[4] Those responses only indicate the effect of keeping KAWC's current depreciation rates in effect (which were established in KAWC's 2015 rate case) for test year meter replacements compared to using the proposed deprecation rates for test year meter replacements. Kennedy described in detail at the hearing why the current meter depreciation rate would be inappropriate.[5] Again, LFUCG has provided no evidence to the contrary to support its proposal.

[4] LFUCG Post-Hearing Brief at 5 (citing KAWC's Responses to LFUCG 1-68 and LFUCG 1-77).
[5] 12/13/2023 Hearing, VR 10:13:36 - 10:18:20.

**(C) AMI Will Generate Financial Benefits Beginning With Rates Resulting From This Case**

AMI will deliver financial benefits in the rates approved in this case based on the staffing levels that KAWC would have proposed absent the labor savings AMI will produce.[6] In discovery, KAWC stated:

> There are some field service representative labor benefits and associated vehicle benefits that are captured in the Cost Benefit Analysis in 2024 and 2025. These were considered when the company contemplated the number of field service representative positions required for providing service during the test year. The expectation is that benefits created by AMI during the test year can reduce certain demands on FSR resources and thus free up bandwidth to support a greater percentages of service order completion.[7]

Thus, the cost benefits of AMI are implicit in the rate case, as discussed in that response, and are quantified beginning in 2024 as described in response to AG 1-39(c).

**(D) KAWC Thoroughly Explored All Reasonable Alternatives**

KAWC provided ample proof that all reasonable metering options and pricing have been considered in the Meter Deployment Plan attached as Exhibit A to KAWC's Application in this case. That Plan included the Cost Benefit Analysis KAWC witness Schwarzell prepared. The AG is critical of KAWC's consideration of Badger and Neptune metering equipment based on American Water's identification of those entities as metering partners in 2016 as somehow utilizing outdated pricing information. However, KAWC witness Hill explained at the hearing that American Water is in frequent discussions and negotiations with those meter suppliers to obtain the best pricing available for customers.[8] Indeed, in response to Commissioner Regan, Hill

[6] Response to AG 2-34.
[7] Response to AG 1-39(e).
[8] 12/11/2023 Hearing, VR 10:51:49 - 10:52:35.

confirmed that American Water meets with meter vendors every year to obtain the most favorable pricing available.[9]

## III. QIP EXPANSION

No party disputes that KAWC has aging infrastructure that needs to be replaced. The proof is clear: (1) nearly 250 miles of pipes of various materials will have already reached or exceeded their useful life in or before the year 2025[10] and (2) non-revenue water has been increasing. The only disputed issue is how KAWC should recover the cost of those replacements from a regulatory perspective—through its approved QIP or through filing more frequent rate cases.

### (A) QIP Presents the Best Tool to Efficiently Address the Need for Infrastructure Replacement

The AG alleges that the Commission "should either terminate Kentucky American's QIP or continue to limit the QIP to the replacement of 10–13 miles of only cast iron or galvanized steel mains annually."[11] LFUCG similarly argues that the Commission should deny KAWC's request to increase the miles replaced under the QIP from 10–13 to 27–34 miles annually.[12] The AG's and LFUCG's primary objection to the expansion of the approved miles under the QIP is based on a flawed premise. Both rely principally on the Commission's June 21, 2021 Order in in Case No. 2021-00090, in which the Commission stated that, "[a]ny future deviations from the QIP approved by the Commission, such as an accelerated replacement cycle, accelerated spending totals, or including standalone non-main plant replacement projects, will be looked upon with extreme disfavor."[13]

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[9] 12/11/2023 Hearing, VR 10:53:43 - 10:53:55.
[10] Direct Testimony of Krista Citron at 6.
[11] AG Post-Hearing Brief at 31.
[12] LFUCG Post-Hearing Brief at 10.
[13] *Electronic Application of Kentucky-American Water Company to Amend Tariff to Revise Qualified Infrastructure Program Charge,* Case No. 2021-00090, Order at 12 (Ky. PSC June 21, 2021).

The AG and LFUCG erroneously suggest that the Order implies that requests from KAWC to expand the program will be met with "extreme disfavor." This is mistaken. The Order simply states that in QIP proceedings, deviations from the ***approved*** program parameters will be met with disfavor, as KAWC had "misapprehended and increased the amount of main replaced to 14.9 miles" in the 2021 proceeding.[14] Here, KAWC is requesting approval to expand the program for future QIP projects in this base rate case, which is perfectly permissible under Commission precedent.

Infrastructure replacement is a long-term, ongoing project for the Company—not just an increased investment over the next few years. Until technological advancements increase the longevity of pipe materials, KAWC needs to replace its pipe at the recommended rate of 1.1 percent to 1.4 percent each year.[15] Over the long-term, having the QIP mechanism in place to support this replacement rate is a more cost- and time-effective solution. The best way to ensure that the appropriate levels of expenditures and capital investments on infrastructure replacement needs are consistently funded is through predictable and timely recovery of expenses and the return on the capital devoted to serving customers' needs. Ultimately, it is customers who will benefit from such a supportive regulatory environment because it allows water utilities to anticipate a consistency of regulatory oversight necessary to attract capital, with cost incurrence better matching cost recovery, and supports more consistent planning and deployment of the most efficient resources.

### (B) <u>Without QIP, the Company Will Require More Frequent Rate Adjustments</u>

The undisputed evidence shows that KAWC must accelerate its replacement cycle in order to continue providing safe and high-quality drinking water service. That same evidence also shows

[14] *Id.*
[15] Citron Direct at 7.

that the QIP has allowed KAWC to extend the period between its rate case filings beyond the intervals experienced over the last twenty years. The AG and LFUCG suggest that if the QIP percentage increases, the program is no longer the "alternative cost recovery [mechanism] based on smaller, more gradual rate increases" that the Commission approved in KAWC's last rate case.[16] This too is false. Even if the QIP percentage increases, KAWC is smoothing the increases over a longer and steadier period of time. Otherwise, the costs associated with replacements will be included in KAWC's rate cases, resulting in a larger one-time rate spike than if recovered through QIP. There is simply no benefit to customers in the AG's and LFUCG's approach.

## IV. COST OF CAPITAL

Determining an appropriate cost of capital requires a comprehensive review of relevant data. There is no simple mathematical equation. The Company has provided sufficient evidence to demonstrate the reasonableness of its proposed return on equity and capital structure.

### (A) An ROE of 10.75 Percent Affords the Company the Ability to Earn a Reasonable Return

KAWC set forth a reasonable return on equity ("ROE") so that the Company can maintain its financial strength, continue to attract capital to improve its system, and earn a reasonable return on investment compared to other investments of comparable risk.[17] The AG abandons these principles, and asks the Commission to adopt an unreasonably low ROE—lower than what was authorized over five years ago in a lower interest rate environment, and lower than any of American Water's operating subsidiaries—that fails to capture the impact of forward-looking market trends in the utility sector.[18] The Company's proposed ROE is the result of multiple

[16] *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, Case No. 2018-00358, Order at 81 (Ky. PSC June 27, 2019).
[17] *See* KAWC Post-Hearing Brief at 45-51.
[18] *See* KAWC Post-Hearing Brief at 51-53.

estimation analyses that use a reasonable proxy group, recognize the Company's capital expenditure requirements, and consider capital market conditions. The Commission should accept KAWC's proposed ROE of 10.75 percent.

**(B) <u>The Company's Proposed Capital Structure is Fair and Rational</u>**

The Company's proposed capital structure composed of 52.22 percent common equity, 45.87 percent long-term debt, 0.96 percent short-term debt, and 0.38 percent preferred stock, is reasonable in light of the Company's ongoing investments in capital improvements and as compared to other Kentucky utilities and similarly situated proxy group utilities.[19] The AG stakes its position opposing the Company's proposed common equity ratio based solely on a review of the Company's initial Application and the testimony of the AG's own witness,[20] without regard to the fact that (a) the Company lowered its initial recommendation in its Base Period Update, (b) the Company updated the record with its actual capital structure for the thirteen-month average ending September 30, 2023, reflecting a common equity ratio of 51.70 percent, and (c) the Company demonstrated through the rebuttal testimony of witness Furia that the AG's recommendation falls below the range of common equity ratios that have been recently approved by this Commission.[21] The Commission should reject the AG's arbitrary recommendation and adopt KAWC's proposal.

## V. REVENUE REQUIREMENT

The Company presented voluminous evidence to justify each component of its revenue requirement, and the Commission should approve the forecasted revenue requirement as proposed so that the Company can recover the reasonable and prudent costs incurred to provide water service to its more than 138,000 customers in Kentucky.[22]

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[19] *See* KAWC Post-Hearing Brief at 42-44.
[20] *See* AG Post-Hearing Brief at 24-25.
[21] KAWC Post-Hearing Brief at 42-45; Rebuttal Testimony of Nicholas Furia at 1-11.
[22] *See* KAWC Post-Hearing Brief at 4-57.

**(A) The Company's Position on Vacant Employee Roles is Logical**

KAWC has included vacant positions in its forecasted labor expenses for purposes of calculating a revenue requirement for nearly thirty years,[23] offsetting any increases in direct labor costs by under-projecting the estimated number of overtime hours.[24] It is not atypical for a utility company to operate with vacancies.[25] Nor is it questionable that a utility company must complete a static amount of work each year, and if the utility does not have enough full-time employees to complete that work, then the utility must either pay its employees additional overtime wages or hire contractors to complete the necessary scope of work.[26] The Commission has never agreed with the AG's recommendation to exclude costs associated with KAWC's vacant employee positions.[27] The Commission should continue to reject the AG's recommendation and allow KAWC to fully recover its forecasted labor expenses.

**(B) Total Employee Compensation Should Be Fully Recoverable**

KAWC's employee compensation structure is a reasonable and prudently incurred cost of providing utility service,[28] and it should be fully recoverable through rates without parsing out individual components. The AG contends that the performance-based components of the Company's APP and LTPP that are tied to financial measures should be disallowed because these components do not align with customer goals.[29] This is false. When KAWC employees are incentivized to increase efficiencies, decrease waste, and boost overall productivity to meet certain

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[23] *See* KAWC Post-Hearing Brief at 7-9.
[24] *See* KAWC Post-Hearing Brief at 9-11.
[25] *See* KAWC Post-Hearing Brief at 7; 12/11/2023 Hearing, VR 15:32:53-15:34:00.
[26] *But see* AG Post-Hearing Brief at 5.
[27] *But see* AG Post-Hearing Brief at 5 (discussing the Commission's final Order in Case No. 2022-00147, in which the Commission agreed with the Water Service Corporation of Kentucky's acceptance of the intervenors' proposal to remove costs allocated to a vacant position, without addressing the merits of the proposal).
[28] *See* KAWC Post-Hearing Brief at 13-16.
[29] AG Post-Hearing Brief at 7.

performance-based goals, the Company retains talented employees and improves its ability to operate at a high level so that customers benefit from improved service, safety, and reduced rates. Accordingly, the Commission should allow full recovery of employees' total compensation.

**(C) <u>Including Electronic Payment Fees in the Revenue Requirement Will Benefit All Customers</u>**

Eliminating the direct charge of vendor electronic payment fees, and instead including this cost in the Company's revenue requirement, will improve customers' ability to conveniently pay their bills via debit card, credit card, and electronic check.[30] There is no basis to speculate that this change will somehow entice KAWC customers to pay with a credit card instead of a debit card, or with a debit card instead of with cash.[31] Customers will continue to pay their bills using the financial resource most convenient to the customer, and KAWC is simply proposing an option which would allow all customers to pay their bills without incurring additional processing costs. The Commission should include the proposed electronic payment fee amount in the Company's revenue requirement.

**(D) <u>The Company's Methodology for Forecasting Residential Revenues is Sound</u>**

The Company's statistical linear regression modeling used to develop its residential and commercial usage forecasts is reasonable, accurate, and sound.[32] While the AG had no issues with the Company's detailed analyses involved in forecasting *commercial* usage, the AG proposes that the Commission should instead use a simple average of historical data points to forecast residential usage.[33] While an average of recent past sales may provide a "good" representation of customer

[30] *See* KAWC Post-Hearing Brief at 27-29.
[31] *See* AG Post-Hearing Brief at 9.
[32] *See* KAWC Post-Hearing Brief at 16-19.
[33] *See* AG Post-Hearing Brief at 12.

usage,[34] the Company's methodology provides a much more accurate representation which accounts for the impacts of weather conditions and one-time events such as COVID-19.[35] The Commission should adopt the Company's forecasted residential revenues as proposed.

**(E) KAWC's Cash Working Capital Proposal Ensures a Reasonable Opportunity for Cost Recovery**

The Company's working capital allowance proposal is supported by a thorough lead/lag study that accounts for KAWC's unique position with the Service Company as an American Water affiliate and relies on the sound rationale of thirty years of Commission precedent.[36] Removing non-cash expenses from the working capital calculation—despite the fact that these items are still true expenses for the Company—would eliminate the opportunity to fully recover the cost of raising capital to fund KAWC's daily operations.[37] The Commission should maintain its position in past Company cases and accept the Company's reasonable and prudent cash working capital allowance as proposed.

**(F) Twenty Percent is a Reasonable Unaccounted-for Water Loss Standard**

KAWC has met its burden in demonstrating that an alternative level of unaccounted-for water ("UFW") loss is more reasonable than the level prescribed in 807 KAR 5:066, Section 6(3).[38] The AG and LFUCG attempt to distract the Commission from recognizing the ample evidence that the Company has provided to support this request by comparing KAWC to other water utilities in the Commonwealth.[39] The Company is not asking for "special" treatment; an alternative UFW loss level is available to any water utility in Kentucky who satisfies the burden of proof provided

[34] AG Post-Hearing Brief at 12.
[35] *See* KAWC Post-Hearing Brief at 16-19.
[36] *See* KAWC Post-Hearing Brief at 19-27; *but see* AG Post-Hearing Brief at 16-18.
[37] *See* KAWC Post-Hearing Brief at 22-27.
[38] *See* KAWC Post-Hearing Brief at 35-41.
[39] AG Post-Hearing Brief at 13; LFUCG's Post-Hearing Brief at 10.

in the regulation.[40] In addition, many other water utilities across the state utilize a water loss surcharge mechanism as an alternative approach to recover UFW revenues in excess of fifteen percent.[41] The Company firmly believes that there is no "one size fits all" approach to combatting water loss. A twenty percent UFW loss level is reasonable in light of the evidence provided by the Company and should be approved as an alternative level as explicitly authorized by Commission regulation.[42]

### (G) <u>KAWC Has Demonstrated that its Miscellaneous Expenses Are Prudent and Reasonable</u>

The Company seeks to recover the miscellaneous expenses that it reasonably and prudently incurs as a cost of providing utility service, and the Company has demonstrated how these expenses provide benefits to customers.[43] Regarding business development costs specifically, the Company has identified and described the allocated costs with appropriate documentation, and explained at length how these business development costs improve the KAWC customer experience.[44] Accordingly, KAWC's proposed level of miscellaneous expenses should be approved.

## VI. ADDITIONAL CONSIDERATIONS

Beyond a CPCN request, a QIP expansion, and a general rate adjustment, the Company has set forth several additional proposals to help ensure that it can continue to provide high quality,

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[40] *See* LFUCG Post-Hearing Brief at 10.
[41] *See Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities,* Case No. 2019-00041, Order at App. L p.24 (Ky. PSC Nov. 22, 2019) ("[T]he Commission recommends allowing a utility, upon submission of an approved Qualified Infrastructure Improvement Plan, to collect the difference between 15 percent and the percentage of water loss in excess of 15 percent, to be maintained in a separate account that is restricted for Commission approved infrastructure repair intended to reduce water loss").
[42] *See* KAWC Post-Hearing Brief at 35-41.
[43] *See* KAWC Post-Hearing Brief at 30-33.
[44] *See* KAWC Post-Hearing Brief at 30-33; *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, Case No. 2018-00358, Order at 40 (Ky. PSC June 27, 2019) ("[B]usiness development expenses allocated to the utility from the Service Company would be considered reasonable and appropriate for rate recovery only in those instances in which the utility was able to 'appropriately document and separate forecasted management fees between those that are directly assignable and those that are allocated.'"). *But see* AG's Post-Hearing Brief at 15-16.

safe, and reliable service to customers while maintaining fair and reasonable rates. The Commission should approve the following proposals, as well as the proposals detailed in the Company's initial brief.[45]

**(A) <u>KAWC's Proposed Change to Service Charges is a Reasonable Ratemaking Design</u>**

The Company has proposed a change to its monthly Service Charges for all metered general water service customers in an effort to gradually move its rate design towards a Straight Fixed Variable design.[46] The Company's forecasted revenue deficiencies necessitate an increase in both volumetric rates and monthly Service Charges. If one component is increased at a lower level than proposed, then the other component would need to be increased at a higher level to produce results that are fair, just, and reasonable and to meet KAWC's revenue deficiency. Accordingly, the Commission should approve the Company's changes to Service Charges as proposed, or, if the proposed Service Charge is lowered, a corresponding increase to volumetric charges must be implemented.

**(B) <u>The Company's Regulatory Accounting Treatment Proposals Will Allow for Accurate Recovery of Unpredictable Costs</u>**

The Company's evidence supports its requests for regulatory accounting treatment of production expenses, pension and other post-employment benefit ("OPEB") expenses, taxes other than income (excluding sales tax), and income taxes.[47] The AG's opposing position fails to recognize how regulatory accounting treatment benefits customers by ensuring that customers pay only for the actual level of expenses incurred, while also allowing for regulatory oversight by

[45] *See* KAWC Post-Hearing Brief at 57-65, 82-88.
[46] *See* KAWC Filing Exhibit 3 at 31; Direct Testimony of Charles B. Rea at 16-17.
[47] *See* KAWC Post-Hearing Brief at 82-88.

subjecting future recovery of regulatory assets to Commission review and approval.[48] The Commission should approve the Company's requests to establish regulatory accounting treatment.

### (C) <u>The Universal Affordability Tariff Demonstrates the Company's Commitment to Customers</u>

KAWC's proposed Universal Affordability Tariff is a data-driven program designed to enable all participating customers to access water service to provide for basic human needs—such as cooking, cleaning, and sanitation—affordably, at a level of approximately two percent of annual household income or less.[49] LFUCG supports KAWC's proposed Universal Affordability Tariff.[50] The AG takes issue with the supposed lawfulness of the Universal Affordability Tariff[51] without reference to the testimony of Company witness Rea, which specifically addresses the Company's previous proposal for a low-income discount program and the cost-based justification for the Company's current proposal.[52] The Company requests that the Commission approve the Universal Affordability Tariff.

## VII. CONCLUSION

The Company supported the entirety of its requests through record evidence in this proceeding. The Company has met its burden of proof with respect to obtaining a CPCN to transition from AMR to AMI technology as it replaces meters in the ordinary course of business. The expansion of QIP that the Company has proposed provides the best and most effective solution for replacing aging infrastructure. KAWC's requested increase in rates will ensure that the Company is afforded fair, just, and reasonable rates that will allow it to continue providing safe,

[48] *See* AG Post-Hearing Brief at 37.
[49] *See* KAWC Post-Hearing Brief at 60-64; 12/11/2023 Hearing, VR 12:03:10-12:05:43.
[50] LFUCG Post-Hearing Brief at 11.
[51] AG Post-Hearing Brief at 33-34.
[52] Rea Direct at 18-34.

reliable, and efficient water service to its customers. The Company has substantiated its proposed changes to its tariff and accounting and regulatory treatment of certain expenses.

KAWC respectfully requests that the Commission approve the CPCN for AMI deployment, expansion of QIP, the requested increase in rates, revisions to the Company's tariff, and accounting and regulatory treatment changes to ensure that the Company is afforded the fair, just, and reasonable rates to which it is entitled.

Respectfully submitted,

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**CERTIFICATE**

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on January 12, 2024; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

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