

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

KENTUCKY-AMERICAN WATER COMPANY’S PETITION FOR REHEARING

Kentucky-American Water Company (“KAW” or the “Company”), pursuant to KRS 278.400, petitions the Kentucky Public Service Commission (“Commission”) to grant rehearing to correct material calculations in the Commission’s May 3, 2024 Order (“Order”). Because they are simple calculation corrections, KAW also requests that any new rates approved on rehearing be effective for service rendered on and after February 6, 2024.

I. Introduction

KAW seeks rehearing to remedy five calculation errors¹ in the Order. The Company is not requesting the Commission to reconsider its substantive rulings in any respect; it simply seeks to have the ordered rates accurately reflect those rulings. The five calculation issues are: (1) in removing the Qualified Infrastructure Program (“QIP”) from base rates, the Order failed to remove

¹ KAW describes the errors as “calculation errors” as that is what they appear to be. However, should the Commission describe them differently or disagree that there was a true calculation error, KAW still seeks rehearing on the five issues presented herein. For example, the failure to remove QIP revenues could also be called an “accounting omission” rather than a true miscalculation. Regardless, KAW seeks rehearing on all issues herein, however characterized, and also requests that corrected rates be made effective on and after February 6, 2024 as described herein.

QIP revenues from KAW's present rate revenues, thereby understating the revenue increase necessary to support the return the Commission deemed fair and reasonable; (2) the adjustments reflected in the Order increase KAW's taxable income through the removal of proposed expenses, but those adjustments also include a reduction to KAW's income tax expense, thereby understating the revenue increase; (3) the Order states it utilized KAW's revised capital structure but appears to calculate the rate of return based upon the Company's initially-filed capital structure; (4) absent other corrections, the bulk sales rates in Appendix B of the Order for 50 gallons and 100 gallons should be \$0.1854 and \$0.3708 instead of \$1.854 and \$3.708; and (5) the Order approves KAW's proposal to move Judy Water Association into the Sale for Resale customer class, yet the rates in Appendix B for the Judy Water Association are different than the general Sales for Resale rate. The Kentucky Court of Appeals recently held that "correcting patent errors in the calculation of a rate" "is a function particularly suited for a petition for rehearing," in remanding a rate case order to correct errors after the Commission denied the utility's rehearing request.²

II. Argument

a. Amended Rates Should be Effective as of February 6, 2024

KAW requests that any new rates approved through rehearing be effective for service rendered on and after February 6, 2024, which is the effective date set forth in the Order. Otherwise, the Company will likely under and over collect from customers because certain of the errors result in higher rates to specific customer classes and other errors unduly reduce the ordered rates.

The Commission has consistently held that such relief is appropriate. For example, in March 2024, the Commission issued an order correcting errors two months after rates were ordered

² *City of Pikeville v. Kentucky Public Service Commission*, Kentucky Court of Appeals Case No. 2023-CA-0338-MR (Ky. App. April 19, 2024) (designated not to be published).

on January 11, 2024.³ The Commission amended the rates as of January 11, 2024, and ordered the utility to “collect any under collection or issue any refund, over a period of two months, for any difference between the rates for retail water service placed into effect following the January 11, 2024 Order, and the rates provided in” the March 2024 order.⁴ Likewise, when Big Rivers Electric Corporation obtained rehearing regarding omissions and errors in a rate case order, the Commission held: “the correction of these two clerical errors, one an error of omission and the other a mathematical error, that are plainly shown by the record, should be accomplished by adjusting Big Rivers’ rates retroactively.”⁵ The order established a mechanism to recover the amount Big Rivers would have collective absent the errors in the rate order.⁶

b. The Order Fails to Remove QIP Revenues from KAW’s Present Rate Revenues, Thereby Understating the Revenue Increase

In its Application, KAW requested that the Commission “roll in” the rate base, expenses, and revenues associated with the QIP mechanism into base rates,⁷ which is consistent with how the Commission has historically treated similar mechanisms and how KAW originally proposed the mechanism would work in the 2018 rate case in which QIP was approved. The Company explained that if the roll in occurs, the QIP Rider will be reset to zero “as of the effective date of the new base rates in this proceeding. At that time, the base rates would be providing recovery of the annual costs that had previously been recovered through the QIP.”⁸ Consistent with its request, the Company’s requested revenue requirement in this proceeding included all previously-approved QIP rate base, expenses, and revenues within its forecasted test year at present rates. The result of

³ See *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment*, Case No. 2023-00154, Order at 2 (Ky. PSC Mar. 25, 2024).

⁴ *Id.*

⁵ See *Application of Big Rivers Electric Corporation for a General Adjustment in Rates*, Case No. 2011-00036, Order at 15 (Ky. PSC Jan. 29, 2013).

⁶ *Id.* at 23.

⁷ Newcomb Testimony at 19.

⁸ *Id.*

the inclusion of all component amounts resulted in no impact to KAW's proposed revenue increase, as both the present and proposed rate revenues for the QIP recovered the required operating expenses and return on and of the QIP investments.

In the Order, the Commission denied KAW's request to roll in the QIP into base rates. The Order states "Removing the roll-in of QIP results in revenue requirement reductions of \$5,308,254 to account for the reduction in rate base and \$3,053,037 to account for the reduction in operating expenses."⁹ But the Order fails to reduce KAW's annual revenues related to QIP that KAW included within its present rate revenues, which are \$9,851,113.¹⁰ Because of this inclusion, the Order resulted in an impact to and ultimately understates KAW's required revenue increase, which deviated from KAW's accurate reflection in its proposed revenue requirement.

The effect of failing to remove the annual QIP revenues from base rates materially overstates KAW's present rate revenues by \$9,851,113, thereby understating the Company's annual revenue increase in base rates by \$ 1,489,822. To be certain, the resulting \$8,361,291 of the base rate revenues removed from the Order's proposed rate revenues aligns with the \$67,449,230¹¹ of rate base and the \$3,053,037 of operating expenses removed in the Order which represent the annual revenues from investments that have been approved in prior QIP proceedings 1 through 4 as reflected in this case; this amount does not include any revenues from the proposed expansion of the QIP program, which the Commission denied in the Order, nor does this amount represent revenues attributed to KAW's remaining rate base of \$489,426,491 or recovery of its remaining operating expenses. The error in the Order creates a punitive mismatch, whereby the revenues received from the QIP are counted as base rates, but the expenses and rate base have been

⁹ Order at 13.

¹⁰ As reflected in KAW's filed exhibits, specifically (1) Exhibit 37, Schedule C-2, and (2) Exhibit 37, Schedule M-3.

¹¹ Order at 13.

removed—thereby depriving KAW of an opportunity to earn the 9.70% ROE awarded by the Commission. This can be further shown by applying the rates and charges reflected in Appendix B of the Order to KAW's approved billing determinants, as shown in attached Exhibit 1. This results in base water and other revenues of \$115,604,748, which would provide a ROE of 9.25%, or an overall rate of return of 7.02%, on the \$489,426,491 of rate base.

Attached as Exhibit 2 is a calculation of the revenue requirement with the QIP revenues removed (along with the correction of the tax expense and capital structure errors discussed in the following sections).

c. The Order Incorrectly Calculates Income Tax Expense

The Order materially understates KAW's income tax expense. As shown on Appendix A, Page 2 of the Order, the aggregated total of the Commission's adjustments actually result in an increase to KAW's taxable income at present rate revenues, through decreases to operating expenses, depreciation expense, and general taxes.

Despite utilizing a taxable income amount greater than that proposed by the Company, the Order nevertheless decreases KAW's state income tax expense by \$565,343 and federal income tax expense by \$2,255,717, as reflected in Appendix A to the Order. There is no explanation in the Order regarding the adjustments to tax expense. Given that KAW's state statutory tax rate is 5% of taxable income and its federal statutory tax rate is 21%, the Commission's increase in KAW's taxable income must result in a corresponding increase in KAW's tax expense. Instead, the Order decreases both amounts without justification.

When looking simply at the numbers on Appendix A, the resulting income tax expense, inclusive of the ordered revenue increase (as shown in the last column of Appendix A), is actually *lower* than KAW's Base Period expense which is mathematically inconsistent when considering

the increase in revenues approved in the Commission's Order. The Commission's calculation of KAW's income tax expense results in an effective tax rate of only 9%¹²--far below the Company's actual statutory tax rate of 24.95%. The effect of this error is an understatement in the necessary income tax expenses within rates.

d. The Order Does Not Utilize the Company's Revised Capital Structure

In KAW's Application, it proposed a 13-month average capital structure at January 31, 2025 of 0.96% short-term debt, 46.21% long-term debt (47.17% total debt), 0.38% preferred stock, and 52.45% common equity.¹³ In rebuttal testimony, the Company revised its proposed capital structure to include 1.54% short-term debt, 45.87% long-term debt (47.41% total debt), 0.38% preferred stock, and 52.22% common equity.¹⁴ The revisions were proposed due to a timing shift in the issuance of long-term debt.¹⁵

In the Order, the Commission notes that KAW revised its capital structure as part of its base period update and rebuttal testimony, and after considering the parties' positions, finds that "Kentucky-American's *revised* capital structure accurately projects the test-year capitalization requirements."¹⁶ The Order further finds that KAW's pre-tax rate of return, as a result of the Commission's adjustments, is 9.07%.¹⁷ Based upon the Company's attempts to validate the Commission's calculations, it appears the Commission has utilized the as-filed capital structure in calculating the pre-tax rate of return, instead of the revised capital structure the Order indicates it

¹² Appendix A to the Order - \$3,190,396 of income tax expense under "Forecasted Test Year at Increased Rates" divided by \$34,315,361 of taxable income (Appendix A Operating Income of \$41,696,577, less interest expense and preferred dividends totaling \$10,718,440 (calculated based on rate base and the weighted average cost of each component), plus income tax expense of \$3,190,396).

¹³ Direct Testimony of Nicholas Furia at page 4.

¹⁴ Rebuttal Testimony of Nicholas Furia at pages 6-7.

¹⁵ Rebuttal Testimony of Nicholas Furia at pages 4-5.

¹⁶ Order at 28 (emphasis added).

¹⁷ Order at 40.

intended to use, as shown in the table below. The revised capital structure would result in a pre-tax rate of return of 9.01%.

Exhibit 37 Reference	Cost of Capital - As Filed	Amount	Ratio	Cost Rate	Weighted Cost - After Tax	Revenue Conversion	Weighted Cost - Pre-Tax
J-1	Short-Term Debt	\$ 5,752,848	0.96%	3.82%	0.04%		0.04%
J-1	Long-Term Debt	\$ 275,967,192	46.21%	4.68%	2.16%		2.16%
J-1	Preferred Stock	\$ 2,245,236	0.38%	8.51%	0.03%	1.342559	0.04%
J-1	Common Equity	\$ 313,228,976	52.45%	9.70%	5.09%	1.342559	6.83%
Total		\$ 597,194,252	100.00%		7.32%		9.07%

Exhibit 37 Reference	Cost of Capital - Revised	Amount	Ratio	Cost Rate	Weighted Cost - After Tax	Revenue Conversion	Weighted Cost - Pre-Tax
J-1	Short-Term Debt	\$ 9,168,090	1.54%	5.35%	0.08%		0.08%
J-1	Long-Term Debt	\$ 273,581,929	45.87%	4.54%	2.08%		2.08%
J-1	Preferred Stock	\$ 2,245,236	0.38%	8.51%	0.03%	1.342559	0.04%
J-1	Common Equity	\$ 311,462,178	52.22%	9.70%	5.07%	1.342559	6.81%
Total		\$ 596,457,433	100.00%		7.26%		9.01%

The total effect of the corrections identified in items (b) through (d) results in a total revenue increase of \$18,142,476, or a total base rate revenue requirement of \$123,140,707 as reflected in Exhibit 2.

e. The Bulk Sales Rates Contain a Decimal Error

Prior to this proceeding, the Commission-approved rate for the bulk sale of water through KAW’s loading stations was \$0.1674 per 50 gallons.¹⁸ With respect to rate design, the Order states that the Commission allocated the approved revenue increase of \$10,606,517 with an “across-the-board” increase of “10.75 percent to all volumetric charges.”¹⁹

Increasing the current bulk sales rate by 10.75% results in \$0.1854 per 50 gallons. Appendix B of the Order, however, contains a rate of \$1.854 per 50 gallons and \$3.7080 for 100 gallons, both of which appear to contain a decimal error. This results in an increase of 1007.5%

¹⁸ Kentucky-American Water Company Tariff, P.S.C. KY NO. 9, First Sheet No. 43.

¹⁹ Order at 46.

for bulk rate customers. KAW believes, absent other changes, that the correct bulk sales rates are \$0.1854 per 50 gallons and \$0.37080 for 100 gallons and seeks the Commission's approval to begin charging those rates immediately instead of the mistaken rates.

f. The Judy Water Association Rate Is Incorrect

As noted in the Order, KAW proposed to move the Judy Water Association from a standalone customer in its tariff into the Company's general Sale for Resale customer class.²⁰ The Commission found that the requested change was "reasonable and should be approved."²¹ The Order sets the Sale for Resale rate at \$0.0046912 per gallon.²² Although the Order approved the transition of the Judy Water Association to the Sale for Resale rate, the Order set forth a separate (and higher) rate for the Judy Water Association: (1) \$0.0050057 for the first 70,000 gallons per day and (2) \$0.0051165 for over 70,000 gallons per day.²³

KAW requests rehearing to confirm that Judy Water Association should not have a standalone rate, but instead be assessed the Sale for Resale rate.

III. Conclusion

WHEREFORE, on the basis of the foregoing, Kentucky-American Water Company respectfully requests the Commission grant rehearing on the five issues identified herein, and, to the extent the Commission orders new rates on rehearing, to make those new rates effective for service rendered on and after February 6, 2024.

²⁰ Order at 74.

²¹ *Id.*

²² Order at Appendix B.

²³ *Id.*

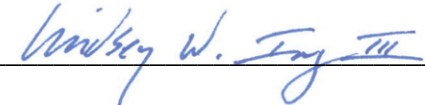
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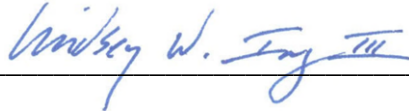
BY:  _____

Attorneys for Kentucky-American Water Company

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 May 16, 2024; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

STOLL KEENON OGDEN PLLC

BY: 

Attorneys for Kentucky-American Water Company

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
ALL CUSTOMERS

Exhibit 37, Schedule M-2

Line #	Class/ Description	Base Period at Present Rates		Base Period at Ordered Rates		Test Year at Present Rates		Test Year at Ordered Rates		Dollar Change	% Change
		Sales (000 Gal)	Total Revenue	Sales (000 Gal)	Total Revenue	Sales (000 Gal)	Total Revenue	Sales (000 Gal)	Total Revenue		
1	Monthly Billing:										
2	Base Water Revenues										
3	Residential	6,033,380	\$58,192,952	6,033,380	\$64,116,032	5,810,000	\$56,883,835	5,810,000	\$62,666,556	\$5,782,721	10.17%
4	Commercial	4,175,826	27,527,092	4,175,826	30,408,606	4,111,316	27,247,879	4,111,316	30,098,645	2,850,766	10.46%
5	Industrial	570,014	2,620,953	570,014	2,900,409	571,807	2,623,290	571,807	2,903,069	279,779	10.67%
6	Municipal & OPA	1,204,999	6,824,835	1,204,999	7,544,615	1,209,547	6,817,940	1,209,547	7,537,353	719,413	10.55%
7	Sales For Resale	299,792	1,302,863	299,792	1,435,140	269,885	1,169,406	269,885	1,286,434	117,028	10.01%
8	Private Fire Service:	9,684	3,198,791	9,684	3,518,395	6,379	3,222,853	6,379	3,544,788	321,935	9.99%
9	Public Fire Service	0	4,450,623	0	4,930,413	0	4,476,834	0	4,959,450	482,616	10.78%
10	Miscellaneous	15,247	119,692	15,247	131,641	8,990	96,852	8,990	106,371	9,519	9.83%
11											
12	Total	12,308,942	\$104,237,800	12,308,942	\$114,985,251	11,987,924	\$102,538,888	11,987,924	\$113,102,665	\$10,563,777	10.30%
13											
14	QIP Revenues										
15	Residential		\$3,223,933		\$0		\$5,448,546		\$5,448,546	\$0	0.00%
16	Commercial		1,532,116		0		2,628,841		2,628,841	0	0.00%
17	Industrial		146,986		0		253,230		253,230	0	0.00%
18	Municipal & OPA		382,436		0		657,883		657,883	0	0.00%
19	Sales For Resale		71,849		0		112,881		112,881	0	0.00%
20	Private Fire Service:		175,646		0		310,042		310,042	0	0.00%
21	Public Fire Service		244,168		0		430,367		430,367	0	0.00%
22	Miscellaneous		6,510		0		9,322		9,322	0	0.00%
23											
24	Total		\$5,783,645		\$0		\$9,851,113		\$9,851,113	\$0	0.00%
25											
26	Miscellaneous Revenues:										
27	Late Payment Fee		\$809,820		\$839,479		\$820,532		\$820,532	0	0.00%
28	Rent		164,957		164,957		197,564		197,564	0	0.00%
29	Rent I/C		207,455		207,455		224,963		224,963	0	0.00%
30	NSF Check Charge		32,388		32,388		31,484		31,484	0	0.00%
31	Application/Initiation Fee		650,498		650,498		671,412		671,412	0	0.00%
32	Usage Data		59,632		59,632		60,014		60,014	0	0.00%
33	Reconnect Fee		475,448		475,448		479,041		479,041	0	0.00%
34	Miscellaneous Service		55,129		55,129		22,970		22,970	0	0.00%
35											
36											
37											
38	Total Other Revenue		\$ 2,455,328		\$2,484,986		\$2,507,979		\$2,507,979	\$0	0.00%
39											
40	Total Revenue		<u>\$ 112,476,773</u>		<u>\$ 117,470,237</u>		<u>\$ 114,897,980</u>		<u>\$ 125,461,757</u>	<u>\$10,563,777</u>	<u>9.19%</u>

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
RESIDENTIAL CLASS

Exhibit 37, Schedule M-3

Line #	Class/ Description	Base Period at Present Rates				Base Period at Ordered Rates				Test Year at Present Rates				Test Year at Ordered Rates				Dollar Change	% Change
		Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue		
1	RESIDENTIAL CLASS																		
2	Minimum Charge:																		
3	5/8" Monthly	1,487,602		\$15.00	\$22,314,032	1,487,602		\$16.40	\$24,396,675	1,486,363		\$15.00	\$22,295,443	1,486,363		\$16.40	\$24,376,351	\$2,080,908	9.33%
4	3/4" Monthly	0		22.40	0	0		24.50	0	0		22.40	0	0		24.50	0	0	0.00%
5	1" Monthly	24,478		37.30	913,045	24,478		40.80	998,719	24,072		37.30	897,886	24,072		40.80	982,138	84,252	9.38%
6	1-1/2" Monthly	184		74.70	13,725	184		81.80	15,029	180		74.70	13,446	180		81.80	14,724	1,278	9.50%
7	2" Monthly	1,469		119.50	175,528	1,469		130.80	192,126	1,488		119.50	177,816	1,488		130.80	194,630	16,814	9.46%
8	3" Monthly	0		224.00	0	0		245.10	0	0		224.00	0	0		245.10	0	0	0.00%
9	4" Monthly	6		373.40	2,240	6		408.60	2,452	12		373.40	4,481	12		408.60	4,903	422	9.43%
10	6" Monthly	24		746.70	17,921	24		817.20	19,613	24		746.70	17,921	24		817.20	19,613	1,692	9.44%
11	8" Monthly	19		1,194.70	22,293	19		1,307.50	24,398	24		1,194.70	28,673	24		1,307.50	31,380	2,707	9.44%
12																		0	
13	Universal Affordability:																		
14	5/8" Monthly (0%-50% FPL)									2,079		\$0		2,079		\$0.00	\$0	0	0.00%
15	5/8" Monthly (50%-100% FPL)									2,309		0		2,309		0.00	0	0	0.00%
16																			
17																			
18	Volumetric Charges:																		
19	All Usage		6,033,380	\$5.7570	\$34,734,168		6,033,380	\$6.3757	\$38,467,020		5,810,000	\$5.7570	\$33,448,170		5,810,000	\$6.3757	\$37,042,817	3,594,647	10.75%
20																			
21	Universal Affordability:																		
22	Usage (0-50% FPL)										12,127		\$0		12,127	\$0.0000	\$0	\$0	0.00%
23	Usage (50-100% FPL)										16,190		0		16,190	0.0000	0	0	0.00%
24																			
25																			
26	QIP Surcharge				3,223,933			0.00%	0				\$5,448,546				\$5,448,546	\$0	0.00%
27																			
28																			
29																			
30	Total		<u>6,033,380</u>		<u>\$61,416,885</u>		<u>6,033,380</u>		<u>\$64,116,032</u>		<u>5,810,000</u>		<u>\$62,332,381</u>		<u>5,810,000</u>		<u>\$68,115,102</u>	<u>\$5,782,721</u>	<u>9.28%</u>

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
COMMERCIAL CLASS

Exhibit 37, Schedule M-3

Line #	Class/ Description	Base Period at Present Rates				Base Period at Ordered Rates				Test Year at Present Rates				Test Year at Ordered Rates				Dollar Change	% Change
		Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue		
1	COMMERCIAL CLASS																		
2	Minimum Charge:																		
3	5/8" Monthly	57,590		\$15.00	\$863,847	57,590		\$16.40	\$944,473	58,137		\$15.00	\$872,053	58,137		\$16.40	\$953,445	\$81,392	9.33%
4	3/4" Monthly	0		22.40	0	0		24.50	0	0		22.40	0	0		24.50	0	0	0.00%
5	1" Monthly	30,350		37.30	1,132,038	30,350		40.80	1,238,261	30,461		37.30	1,136,199	30,461		40.80	1,242,812	106,614	9.38%
6	1-1/2" Monthly	2,118		74.70	158,213	2,118		81.80	173,251	2,127		74.70	158,881	2,127		81.80	173,983	15,101	9.50%
7	2" Monthly	25,587		119.50	3,057,630	25,587		130.80	3,346,762	25,922		119.50	3,097,700	25,922		130.80	3,390,620	292,921	9.46%
8	3" Monthly	24		224.00	5,376	24		245.10	5,882	24		224.00	5,376	24		245.10	5,882	506	9.42%
9	4" Monthly	481		373.40	179,527	481		408.60	196,451	480		373.40	179,232	480		408.60	196,128	16,896	9.43%
10	6" Monthly	180		746.70	134,204	180		817.20	146,875	180		746.70	134,406	180		817.20	147,096	12,690	9.44%
11	8" Monthly	213		1,194.70	254,399	213		1,307.50	278,419	216		1,194.70	258,055	216		1,307.50	282,420	24,365	9.44%
12																		0	0.00%
13																			
14																			
15																			
16	Volumetric Charges:																		
17	All Usage		4,175,826	\$5.2066	\$21,741,856		4,175,826	\$5.7661	\$24,078,231		4,111,316	\$5.2066	\$21,405,977		4,111,316	\$5.7661	\$23,706,259	\$2,300,281	10.75%
18																			
19																			
20																			
21	QIP Surcharge				1,532,116			0.00%	0				\$2,628,841				\$2,628,841	\$0	0.00%
22																			
23																			
24																			
25	Total		<u>4,175,826</u>		<u>\$29,059,208</u>		<u>4,175,826</u>		<u>\$30,408,606</u>		<u>4,111,316</u>		<u>\$29,876,720</u>		<u>4,111,316</u>		<u>\$32,727,486</u>	<u>\$2,850,766</u>	<u>9.54%</u>

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
INDUSTRIAL CLASS

Exhibit 37, Schedule M-3

Line #	Class/ Description	Base Period at Present Rates				Base Period at Ordered Rates				Test Year at Present Rates				Test Year at Ordered Rates				Dollar Change	% Change
		Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue		
1	INDUSTRIAL CLASS																		
2	Minimum Charge:																		
3	5/8" Monthly	36		\$15.00	\$540	36		\$16.40	\$590	36		\$15.00	\$540	36		\$16.40	\$590	\$50	9.33%
4	3/4" Monthly	0		22.40	0	0		24.50	0	0		22.40	0	0		24.50	0	0	0.00%
5	1" Monthly	48		37.30	1,775	48		40.80	1,941	48		37.30	1,790	48		40.80	1,958	168	9.38%
6	1-1/2" Monthly	13		74.70	940	13		81.80	1,029	12		74.70	896	12		81.80	982	85	9.50%
7	2" Monthly	277		119.50	33,137	277		130.80	36,271	276		119.50	32,982	276		130.80	36,101	3,119	9.46%
8	3" Monthly	0		224.00	0	0		245.10	0	0		224.00	0	0		245.10	0	0	0.00%
9	4" Monthly	127		373.40	47,467	127		408.60	51,941	120		373.40	44,808	120		408.60	49,032	4,224	9.43%
10	6" Monthly	111		746.70	83,182	111		817.20	91,036	108		746.70	80,644	108		817.20	88,258	7,614	9.44%
11	8" Monthly	0		1,194.70	0	0		1,307.50	0	0		1,194.70	0	0		1,307.50	0	0	0.00%
12																		0	0.00%
13																			
14																			
15																			
16	<u>Volumetric Charges:</u>																		
17	All Usage		570,014	\$4.3050	\$2,453,912		570,014	\$4.7676	\$2,717,601		571,807	\$4.3050	\$2,461,629		571,807	\$4.7676	\$2,726,147	\$264,518	10.75%
18																			
19																			
20																			
21	QIP Surcharge				146,986			0.00%	0				\$253,230				\$253,230	\$0	0.00%
22																			
23																			
24																			
25	Total		<u>570,014</u>		<u>\$2,767,939</u>		<u>570,014</u>		<u>\$2,900,409</u>		<u>571,807</u>		<u>\$2,876,520</u>		<u>571,807</u>		<u>\$3,156,299</u>	<u>\$279,778</u>	<u>9.73%</u>

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
MUNICIPAL & OTHER PUBLIC AUTHORITY CLASS

Exhibit 37, Schedule M-3

Line #	Class/ Description	Base Period at Present Rates				Base Period at Ordered Rates				Test Year at Present Rates				Test Year at Ordered Rates				Dollar Change	% Change
		Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue		
1	MUNICIPAL & OTHER PUBLIC AUTHORITY CLASS																		
2	Minimum Charge:																		
3	5/8" Monthly	1,896		\$15.00	\$28,434	1,896		\$16.40	\$31,088	1,920		\$15.00	\$28,800	1,920		\$16.40	\$31,488	\$2,688	9.33%
4	3/4" Monthly	0		22.40	0	0		24.50	0	0		22.40	0	0		24.50	0	0	0.00%
5	1" Monthly	2,228		37.30	83,094	2,228		40.80	90,891	2,220		37.30	82,806	2,220		40.80	90,576	7,770	9.38%
6	1-1/2" Monthly	330		74.70	24,646	330		81.80	26,988	324		74.70	24,203	324		81.80	26,503	2,300	9.50%
7	2" Monthly	4,919		119.50	587,854	4,919		130.80	643,442	4,824		119.50	576,468	4,824		130.80	630,979	54,511	9.46%
8	3" Monthly	12		224.00	2,688	12		245.10	2,941	12		224.00	2,688	12		245.10	2,941	253	9.42%
9	4" Monthly	445		373.40	166,271	445		408.60	181,945	420		373.40	156,828	420		408.60	171,612	14,784	9.43%
10	6" Monthly	165		746.70	122,855	165		817.20	134,454	156		746.70	116,485	156		817.20	127,483	10,998	9.44%
11	8" Monthly	25		1,194.70	29,820	25		1,307.50	32,635	24		1,194.70	28,673	24		1,307.50	31,380	2,707	9.44%
12																		0	0.00%
13																			
14																			
15																			
16	Volumetric Charges:																		
17	All Usage		1,204,999	\$4.7960	\$5,779,174		1,204,999	\$5.3114	\$6,400,231		1,209,547	\$4.7960	\$5,800,990		1,209,547	\$5.3114	\$6,424,390	\$623,401	10.75%
18																			
19																			
20																			
21	QIP Surcharge				382,436			0.00%	0				\$657,883				\$657,883	\$0	0.00%
22																			
23																			
24																			
25	Total		<u>1,204,999</u>		<u>\$7,207,271</u>		<u>1,204,999</u>		<u>\$7,544,615</u>		<u>1,209,547</u>		<u>\$7,475,823</u>		<u>1,209,547</u>		<u>\$8,195,236</u>	<u>\$719,413</u>	<u>9.62%</u>

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
SALES FOR RESALE

Exhibit 37, Schedule M-3

Line #	Class/ Description	Base Period at Present Rates				Base Period at Ordered Rates				Test Year at Present Rates				Test Year at Ordered Rates				Dollar Change	% Change
		Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue		
1	SALES FOR RESALE																		
2	Minimum Charge:																		
3	5/8" Monthly	13		\$15.00	\$195	13		\$16.40	\$213	12		\$15.00	\$180	12		\$16.40	\$197	\$17	9.33%
4	3/4" Monthly	0		22.40	0	0		24.50	0	0		22.40	0	0		24.50	0	0	0.00%
5	1" Monthly	0		37.30	0	0		40.80	0	0		37.30	0	0		40.80	0	0	0.00%
6	1-1/2" Monthly	16		74.70	1,230	16		81.80	1,347	12		74.70	896	12		81.80	982	85	9.50%
7	2" Monthly	67		119.50	7,980	67		130.80	8,735	72		119.50	8,604	72		130.80	9,418	814	9.46%
8	3" Monthly	12		224.00	2,688	12		245.10	2,941	12		224.00	2,688	12		245.10	2,941	253	9.42%
9	4" Monthly	83		373.40	31,052	83		408.60	33,979	84		373.40	31,366	84		408.60	34,322	2,957	9.43%
10	6" Monthly	47		746.70	35,095	47		817.20	38,408	48		746.70	35,842	48		817.20	39,226	3,384	9.44%
11	8" Monthly	0		1,194.70	0	0		1,307.50	0	0		1,194.70	0	0		1,307.50	0	0	0.00%
12																			
13																			
14	Volumetric Charges:																		
15	All SA1 Usage		238,467	\$4.2360	\$1,010,145		238,467	\$4.6912	\$1,118,695		207,991	\$4.2360	\$881,050		207,991	\$4.6912	\$975,728	\$94,678	10.75%
16																			
17	Water Sold to Judy WA																		
18	First 70,000 Gal/day		31,292	\$4.5200	\$141,440		31,292	\$5.0057	\$156,638		27,242	\$4.5200	\$123,135		27,242	\$5.0057	\$136,366	\$13,232	10.75%
19	Over 70,000 Gal/day		2,305	4.6200	10,651		2,305	5.1165	11,796		3,240	4.6200	14,970		3,240	5.1165	16,579	1,609	10.75%
20																			
21	Special SFR Contract		27,727	\$2.2500	\$62,387		27,727	\$2.2500	\$62,387		31,411	\$2.2500	\$70,675		31,411	\$2.2500	\$70,675	\$0	0.00%
22																			
23	QIP Surcharge				71,849			0.00%	\$0				\$112,881				\$112,881	\$0	0.00%
24																			
25	Total		<u>299,792</u>		<u>\$1,374,712</u>		<u>299,792</u>		<u>\$1,435,140</u>		<u>269,885</u>		<u>\$1,282,287</u>		<u>269,885</u>		<u>\$1,399,315</u>	<u>\$117,028</u>	<u>9.13%</u>

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
MISCELLANEOUS CLASS (BULK SALES THROUGH LOADING STATIONS)

Exhibit 37, Schedule M-3

Line #	Class/ Description	Base Period at Present Rates				Base Period at Ordered Rates				Test Year at Present Rates				Test Year at Ordered Rates				Dollar Change	% Change
		Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Current Rate	Total Revenue	Customer Meter Billings	Sales (000 Gal)	Proposed Rate	Total Revenue		
1	MISCELLANEOUS CLASS (BULK SALES THROUGH LOADING STATIONS)																		
2	Minimum Charge:																		
3	5/8" Monthly	183		\$15.00	\$2,742	183		\$16.40	\$2,998	180		\$15.00	\$2,700	180		\$16.40	\$2,952	\$252	9.33%
4	3/4" Monthly	0		22.40	0	0		24.50	0	0		22.40	0	0		24.50	0	0	0.00%
5	1" Monthly	263		37.30	9,792	263		40.80	10,711	276		37.30	10,295	276		40.80	11,261	966	9.38%
6	1-1/2" Monthly	0		74.70	0	0		81.80	0	0		74.70	0	0		81.80	0	0	0.00%
7	2" Monthly	0		119.50	0	0		130.80	0	0		119.50	0	0		130.80	0	0	0.00%
8	3" Monthly	251		224.00	56,112	251		245.10	61,398	240		224.00	53,760	240		245.10	58,824	5,064	9.42%
9	4" Monthly	0		373.40	0	0		408.60	0	0		373.40	0	0		408.60	0	0	0.00%
10	6" Monthly	0		746.70	0	0		817.20	0	0		746.70	0	0		817.20	0	0	0.00%
11	8" Monthly	0		1,194.70	0	0		1,307.50	0	0		1,194.70	0	0		1,307.50	0	0	0.00%
12																		0	0.00%
13																			
14																			
15																			
16	Volumetric Charges:																		
17	All Usage		15,247	\$3.3480	\$51,047		15,247	\$3.7080	\$56,535		8,990	\$3.3480	\$30,097		8,990	\$3.7080	\$33,333	\$3,236	10.75%
18																			
19																			
20																			
21	QIP Surcharge				6,510			0.00%	0				\$9,322				\$9,322	\$0	0.00%
22																			
23																			
24																			
25	Total		<u>15,247</u>		<u>\$126,202</u>		<u>15,247</u>		<u>\$131,641</u>		<u>8,990</u>		<u>\$106,174</u>		<u>8,990</u>		<u>\$115,693</u>	<u>\$9,518</u>	<u>8.96%</u>

Kentucky-American Water Company
Forecast Year Operating Revenues at Present Rates & Ordered Rates
Base Year (12 Months Ending September 30, 2023)
Forecast Year (12 Months Ending January 31, 2025)
FIRE SERVICES

Exhibit 37, Schedule M-3

Line #	Connection Size	Base Period at Present Rates			Base Period at Ordered Rates			Test Year at Present Rates			Test Year at Ordered Rates				
		Number of Connections	Current Rate	Total Revenue	Number of Connections	Proposed Rate	Total Revenue	Number of Connections	Current Rate	Total Revenue	Number of Connections	Proposed Rate	Total Revenue	Dollar Change	% Change
1	Private Fire Service:														
2	Hydrant	16,620	\$76.57	\$1,272,556	16,620	\$84.80	\$1,409,335	16,899	\$76.57	\$1,293,931	16,899	\$84.80	\$1,433,007	\$139,076	10.75%
3	2"	836	8.76	7,322	836	\$9.60	8,024	804	8.76	7,043	804	9.60	7,718	675	9.59%
4	4"	5,963	35.28	210,368	5,963	\$38.60	230,164	6,049	35.28	213,405	6,049	38.60	233,487	20,082	9.41%
5	6"	12,054	79.37	956,753	12,054	\$86.90	1,047,523	12,103	79.37	960,597	12,103	86.90	1,051,731	91,134	9.49%
6	8"	4,236	141.09	597,631	4,236	\$154.40	654,010	4,357	141.09	614,713	4,357	154.40	672,704	57,990	9.43%
7	10"	183	220.51	40,370	183	\$241.30	44,176	190	220.51	41,823	190	241.30	45,767	3,943	9.43%
8	12"	73	330.03	23,954	73	\$361.20	26,216	72	330.03	23,762	72	361.20	26,006	2,244	9.44%
9	14"	0	317.98	0	0	\$348.00	0	0	317.98	0	0	348.00	0	0.00%	
10	16"	13	564.63	7,120	13	\$617.90	7,792	12	564.63	6,776	12	617.90	7,415	639	9.43%
11															
12	5/8" Monthly	1,722	\$15.00	\$25,835	1,722	\$16.40	\$28,246	1,411	\$15.00	\$21,165	1,411	\$16.40	\$23,140	\$1,975	9.33%
13	1" Monthly	13	37.30	485	13	40.80	530	12	37.30	448	12	40.80	490	42	9.38%
14	8" Monthly	5	1,194.70	5,974	5	1,307.50	6,538	5	1,194.70	5,974	5	1,307.50	6,538	564	9.44%
15															
16	Total	41,717		\$3,148,368	41,717		\$3,462,555	41,913		\$3,189,637	41,913		\$3,508,003	\$318,366	9.98%
17															
18	Volumetric Charges:														
19	All Usage	9,684	\$5.2066	\$50,422	9,684	\$5.7661	\$55,841	6,379	\$5.2066	\$33,215	6,379	\$5.7661	\$36,784	\$3,569	10.75%
20															
21	QIP Surcharge			175,646		0.00%	\$0			\$310,042			\$310,042	\$0	0.00%
22															
23	Total Private Fire			3,374,437			3,518,395			3,532,895			3,854,830	321,935	9.11%
24															
25															
26	Public Fire Protection:														
27	Public Fire Hydrants	91,389	\$48.70	\$4,450,623	91,389	\$53.95	\$4,930,413	91,927	\$48.70	\$4,476,834	91,927	\$53.95	\$4,959,450	\$482,616	10.78%
28															
29		91,389		\$4,450,623	91,389		\$4,930,413	91,927		\$4,476,834	91,927		\$4,959,450	\$482,616	10.78%
30															
31	QIP Surcharge			244,168		0.00%	\$0			\$430,367			\$430,367	\$0	0.00%
32															
33	Total Public Fire			4,694,791			4,930,413			4,907,201			5,389,817	482,616	9.83%
34															
35	Total Fire Services			\$8,069,228			\$8,448,809			\$8,440,095			\$9,244,646	\$804,551	9.53%

Kentucky-American Water Company
Income Statement at Commission Ordered Rates - Case No. 2023-00191
Information as Presented on Appendix A of the Order

Line #	Description	Reference	[A] Forecasted Test Year at Increased Rates	[B] Less: QIP Revenues in Present Rates	[C]=[A]-[B] Base Revenues	[D] QIP-4 - 2023-00300 ^[5]	[E]=[C]+[D] Total Authorized - Base plus QIP
Operating Revenues							
1	Water Revenues - Base	Revenue Proof - Sch M2-M3	\$ 113,099,355	\$ -	\$ 113,099,355	\$ -	\$ 113,099,355
2	Water Revenues - QIP	Revenue Proof - Sch M2-M3	\$ 9,851,113	\$ 9,851,113	\$ -	\$ 7,735,980	\$ 7,735,980
3	Total Water Revenues	Appendix A, Page 2	\$ 122,950,468	\$ 9,851,113	\$ 113,099,355	\$ 7,735,980	\$ 120,835,335
4	Total Other Revenues	Appendix A, Page 2	\$ 2,505,393	\$ -	\$ 2,505,393	\$ -	\$ 2,505,393
5	AFUDC	Appendix A, Page 2	\$ -	\$ -	\$ -	\$ -	\$ -
6	Total Operating Revenues	Appendix A, Page 2	\$ 125,455,861	\$ 9,851,113	\$ 115,604,748	\$ 7,735,980	\$ 123,340,728
Operating Expenses							
7	Purchased Water	Appendix A, Page 2	\$ 348,401	\$ -	\$ 348,401	\$ -	\$ 348,401
8	Fuel and power	Appendix A, Page 2	\$ 4,878,010	\$ -	\$ 4,878,010	\$ -	\$ 4,878,010
9	Chemicals	Appendix A, Page 2	\$ 5,310,939	\$ -	\$ 5,310,939	\$ -	\$ 5,310,939
10	Waste disposal	Appendix A, Page 2	\$ 641,516	\$ -	\$ 641,516	\$ -	\$ 641,516
11	Salaries and Wages	Appendix A, Page 2	\$ 8,563,984	\$ -	\$ 8,563,984	\$ -	\$ 8,563,984
12	Pension	Appendix A, Page 2	\$ 136,903	\$ -	\$ 136,903	\$ -	\$ 136,903
13	OPEB	Appendix A, Page 2	\$ (600,315)	\$ -	\$ (600,315)	\$ -	\$ (600,315)
14	Group Insurance	Appendix A, Page 2	\$ 1,572,674	\$ -	\$ 1,572,674	\$ -	\$ 1,572,674
15	Other Benefits	Appendix A, Page 2	\$ 775,907	\$ -	\$ 775,907	\$ -	\$ 775,907
16	Support Services	Appendix A, Page 2	\$ 12,273,740	\$ -	\$ 12,273,740	\$ -	\$ 12,273,740
17	Contract Services	Appendix A, Page 2	\$ 1,315,082	\$ -	\$ 1,315,082	\$ -	\$ 1,315,082
18	Building Maintenance and Services	Appendix A, Page 2	\$ 844,101	\$ -	\$ 844,101	\$ -	\$ 844,101
19	Telecommunications	Appendix A, Page 2	\$ 275,049	\$ -	\$ 275,049	\$ -	\$ 275,049
20	Postage, Printing, and Stationary	Appendix A, Page 2	\$ 12,087	\$ -	\$ 12,087	\$ -	\$ 12,087
21	Office Supplies and Services	Appendix A, Page 2	\$ 209,321	\$ -	\$ 209,321	\$ -	\$ 209,321
22	Advertising and Marketing	Appendix A, Page 2	\$ -	\$ -	\$ -	\$ -	\$ -
23	Employee Related Expense	Appendix A, Page 2	\$ 156,987	\$ -	\$ 156,987	\$ -	\$ 156,987
24	Miscellaneous Expense	Appendix A, Page 2	\$ 709,041	\$ -	\$ 709,041	\$ -	\$ 709,041
25	Rents	Appendix A, Page 2	\$ 37,581	\$ -	\$ 37,581	\$ -	\$ 37,581
26	Transportation	Appendix A, Page 2	\$ 654,298	\$ -	\$ 654,298	\$ -	\$ 654,298
27	Uncollectible Accounts	Appendix A, Page 2	\$ 699,999	\$ 59,501 ^[3]	\$ 640,498	\$ -	\$ 640,498
28	Other Customer Accounting	Appendix A, Page 2	\$ 126,443	\$ -	\$ 126,443	\$ -	\$ 126,443
29	Regulatory Expense	Appendix A, Page 2	\$ 332,247	\$ -	\$ 332,247	\$ -	\$ 332,247
30	Insurance Other than Group	Appendix A, Page 2	\$ 1,653,304	\$ -	\$ 1,653,304	\$ -	\$ 1,653,304
31	Maintenance Supplies and Services	Appendix A, Page 2	\$ 2,601,259	\$ -	\$ 2,601,259	\$ -	\$ 2,601,259
32	Total Operating Expenses	Appendix A, Page 2	\$ 43,528,560	\$ 59,501	\$ 43,469,059	\$ -	\$ 43,469,059
Other Expenses							
33	Depreciation	Appendix A, Page 2	\$ 27,340,709	\$ -	\$ 27,340,709	\$ 1,017,227	\$ 28,357,936
34	Amortization of UPAA	Appendix A, Page 2	\$ 14,723	\$ -	\$ 14,723	\$ -	\$ 14,723
35	Amortization Expense	Appendix A, Page 2	\$ 57,080	\$ -	\$ 57,080	\$ -	\$ 57,080
36	State Income Taxes	Appendix A, Page 2	\$ 829,862	\$ 488,845 ^[4]	\$ 341,017	\$ 193,895	\$ 534,912
37	Federal Income Taxes	Appendix A, Page 2	\$ 2,360,534	\$ 1,950,492 ^[4]	\$ 410,042	\$ 773,642	\$ 1,183,683
38	Investment Tax Credits	Appendix A, Page 2	\$ -	\$ -	\$ -	\$ -	\$ -
39	General Taxes	Appendix A, Page 2	\$ 9,627,816	\$ 14,708 ^[3]	\$ 9,613,109	\$ 1,076,891	\$ 10,690,000
40	Total Other Expenses	Appendix A, Page 2	\$ 40,230,724	\$ 2,454,045	\$ 37,776,679	\$ 3,061,655	\$ 40,838,334
41	Total Expenses	Appendix A, Page 2	\$ 83,759,284	\$ 2,513,546	\$ 81,245,738	\$ 3,061,655	\$ 84,307,393
42	Net Operating Income	Appendix A, Page 2	\$ 41,696,577	\$ 7,337,567	\$ 34,359,010	\$ 4,674,325	\$ 39,033,336
43	Interest Expense	[1]	\$ 10,571,612	\$ -	\$ 10,571,612	\$ 1,763,959	\$ 12,335,572
44	Other Income/Expense	[2]	\$ 146,828	\$ -	\$ 146,828	\$ 25,772	\$ 172,600
45	Net Income		\$ 30,978,137	\$ 7,337,567	\$ 23,640,570	\$ 2,884,594	\$ 26,525,164
46	Rate Base	Order, Page 13	\$ 489,426,491		\$ 489,426,491	\$ 60,782,170	\$ 550,208,661
47	Equity Weighting	Order, Page 27	52.22%		52.22%	48.90%	52.22%
48	ROE		12.12%		9.25%	9.70%	9.23%
49	ROR				7.02%	7.69%	7.09%
50	Effective Tax Rate		9.30%		3.06%		6.05%

[1] Rate Base as Authorized (Page 13) multiplied by the Weighted Average Cost of Debt (Order, Page 27 - 2.16%; total of STD and LTD)

[2] Rate Base as Authorized (Page 13) multiplied by the Weighted Average Cost of Preferred Stock (Order, Page 27 - 0.03%)

[3] As reflected in the Company's Gross Revenue Conversion Factor (Exhibit 37, Schedule H, lines 2 and 3) multiplied by the QIP Revenue.

[4] Statutory State (5%) and Federal (21%) Income Tax rate multiplied by the taxable income.

[5] As approved in Case No. 2023-00300.

Kentucky American Water Company
Case No. 2023-00191
Jurisdictional Financial Summary for the Base and Forecast Period Detailing Derivation of the Requested Revenue Increase

Exhibit 37, Schedule A

Data: Base Period Forecast Period
Version: Original Updated Revised

Exhibits - Order\[KAWC 2023 Rate Case - Revenue Requirement and Conversion Factor.xlsx\]Rev Requirement - SCH A

Line #	Forecast Period Ending January 31, 2025	Support Schedule Reference	Excel Reference
1			
2	Present Rate Utility Operating Income:		
3			
4	<u>\$104,998,231</u>	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
5			
6	Less: Deductions:		
7	\$43,447,618	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
8	27,340,708	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
9	14,723	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
10	57,080	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
11	697,154	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
12	1,831,030	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
13	-	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
14	9,593,515	Exhibit 37 Schedule C-1	Exhibits - Order\[KAWC 2023 Rate Case - Income Statement.xlsx\]Inc Statment - SCH C.1
15	<u>\$82,981,828</u>		
16	Total Deductions (Sum Lines 7 - 15):		
17	<u>\$22,016,403</u>		
18	Present Rate Operating Income (Line 4 - Line 16):		
19			
20			
21	Forecast Period	Support Schedule	Excel Reference
22	Ending January 31, 2025	Reference	
23	\$489,426,491	Exhibit 37 Schedule B-1	Rate Base\[KAWC 2023 Rate Case - Exhibit 37 Schedules B1 - B8.xlsx\]Sch B-1
24	7.26%	Exhibit 37 Schedule J-1.1	Capital Structure\[KAWC 2023 Rate Case - Capital Structure.xlsx\]Sch J-1
25			
26	\$35,532,363		
27	Operating Income Required (Line 24 x Line 25):		
28	\$22,016,403		
29	Less: Operating Income at Present Rates (Line 18):		
30	<u>\$13,515,960</u>		
31	Increase in Operating Income Required (Line 27 - Line 29)		
32	134.2300%	Exhibit 37, Schedule H	Exhibits - Order\[KAWC 2023 Rate Case - Revenue Requirement and Conversion Factor.xlsx\]Rev Conversion Factor - SCH H
33	Gross Revenue Conversion Factor		
34	<u>\$18,142,476</u>		
35	Requested Revenue Increase (Line 31 x Line 33)		
36	Percent Increase over Operating Revenue at Present Rates		
37	<u>17.28%</u>		
38	(Line 35 / Line 4):		
	<u>\$123,140,707</u>		
	Revenue Requirement (Line 4 + Line 35)		

KENTUCKY-AMERICAN WATER COMPANY
Case No. 2023-00191
RATE BASE SUMMARY
Forecast Year at January 31, 2025

EXHIBIT 37, SCHEDULE B-1

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: __ ORIGINAL _X_ UPDATED ___ REVISED

Line No.	Rate Base Component	Supporting Schedule Reference	13 Month Avg Forecasted Period Amount
1			
2	Utility Plant In Service	B-2	\$911,780,037
3			
4	Property Held for Future Use	B-2.6	0
5			
6	Utility Plant Acquisition Adjustments	WP - 1-14	72,387
7			
8	Accumulated Depreciation	B-3	(246,429,780)
9			
10			
11			
12	Net Utility Plant In Service		665,422,645
13			
14			
15	Construction Work in Progress	B-4	0
16			
17	Working Capital Allowance	B-5/W/P - 1-13	(4,961,885)
18			
19	Other Working Capital Allowance	B-5 & W/P - 1-5	5,058,174
20			
21	Contributions in Aid of Construction	B-6	(79,333,094)
22			
23	Customer Advances	B-6	(15,444,246)
24			
25	Deferred Income Taxes	B-6	(93,939,629)
26			
27	Deferred Investment Tax Credits	B-6	(2)
28			
29	Deferred Maintenance	W/P-1-10	11,733,076
30			
31	Deferred Debits	W/P-1-11	937,064
32			
33	Other Rate Base Elements	W/P-1-12	(45,612)
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45	Jurisdictional Rate Base		\$489,426,491

Kentucky American Water Company
Case No. 2023-00191
Jurisdictional Operating Income Summary for the Base and Forecasted Periods

Data: Base Period Forecast Period
Version: Original Updated_ Revised

Exhibit 37, Schedule C-1
Exhibits - Order\KAWC 2023 Rate Case - Income Statement.xlsx\Inc Stmtment - SCH C.1

Line No.	Major Acct. Group	Description	Supporting Schedule Reference	Base Period Ending September 30, 2023	Direct Filed Adjustments	Commission Adjustments As Presented on Appendix A	Corrections based on Commission Order Requirements	Forecast Year Ending January 31, 2025 At Present Rates	Adjustment for Proposed Rates	Forecast Year at Proposed Rates	Forecast Adjustment Workpaper	Forecast Adjustment Workpaper Location
1		Operating Revenues										
2	400	Water Revenues	Exh 37 C-2	\$110,021,445	\$2,014,209	\$308,297	(\$9,851,113)	\$102,492,838	\$18,142,476	\$120,635,314	Exhibit 37, Schedule M-1	Revenues\KAWC 2023 Rate Case - Exhibits (25, 26, 37) Revenue WP Support.xlsx\LinkOut
3	400	Other Revenues	Exh 37 C-2	2,455,328	50,065	0	0	2,505,393	0	2,505,393	Exhibit 37, Schedule M-1	Revenues\KAWC 2023 Rate Case - Exhibits (25, 26, 37) Revenue WP Support.xlsx\LinkOut
4	420	AFUDC	Exh 37 C-3	0	1,672,091	(1,672,091)	0	0	0	0	W/P - 1-4	Rate Base\KAWC 2023 Rate Case - Capital-Depr Exp.xlsx\Link Out
5	Total	Total Revenues (Sum Lines 2-3)		\$112,476,773	\$3,736,365	(\$1,363,794)	(\$9,851,113)	\$104,998,231	\$18,142,476	\$123,140,707		
6												
7	401	Operating Expenses										
8		O&M:										
9		Purchased Water	Exh 37 C-2	\$379,970	(\$10,996)	(\$20,573)	\$0	\$348,402	\$0	\$348,402	W/P - 3-2	O&M\KAWC 2023 Rate Case - Purchased Water Exhibit.xlsx\Exhibit
10		Fuel & Power	Exh 37 C-2	5,363,786	300,828	(786,604)	0	4,878,010	0	4,878,010	W/P - 3-3	O&M\KAWC 2023 Rate Case - Fuel and Power Exhibit.xlsx\Exhibit
11		Chemicals	Exh 37 C-2	4,498,283	1,126,309	(313,653)	0	5,310,939	0	5,310,939	W/P - 3-4	O&M\KAWC 2023 Rate Case - Chemicals Exhibit.xlsx\Exhibit
12		Waste Disposal	Exh 37 C-2	459,292	220,112	(37,888)	0	641,516	0	641,516	W/P - 3-5	O&M\KAWC 2023 Rate Case - Waste Disposal Exhibit.xlsx\Exhibit
13		Salaries and Wages	Exh 37 C-2	8,933,356	34,265	(403,637)	0	8,563,984	0	8,563,984	W/P - 3-1	O&M\KAWC 2023 Rate Case - Labor and Labor Related Exhibit.xlsx\Labor Exhibit
14		Pension	Exh 37 C-2	30,661	106,242	0	0	136,903	0	136,903	W/P - 3-1c	O&M\KAWC 2023 Rate Case - Labor and Labor Related Exhibit.xlsx\Pension Exhibit
15		OPEB	Exh 37 C-2	(698,945)	98,630	0	0	(600,315)	0	(600,315)	W/P - 3-1a	O&M\KAWC 2023 Rate Case - Labor and Labor Related Exhibit.xlsx\Group Ins Exhibit
16		Group Insurance	Exh 37 C-2	1,412,762	159,912	0	0	1,572,674	0	1,572,674	W/P - 3-1a	O&M\KAWC 2023 Rate Case - Labor and Labor Related Exhibit.xlsx\Group Ins Exhibit
17		Other Benefits	Exh 37 C-2	733,653	42,254	0	0	775,908	0	775,908	W/P - 3-1b	O&M\KAWC 2023 Rate Case - Labor and Labor Related Exhibit.xlsx\Other Benefits Exhibit
18		Support Services	Exh 37 C-2	11,996,359	523,069	(245,688)	0	12,273,740	0	12,273,740	W/P - 3-7	O&M\KAWC 2023 Rate Case - Support Services Exhibit.xlsx\Exhibit
19		Contract Services	Exh 37 C-2	1,226,754	210,930	(122,602)	0	1,315,082	0	1,315,082	W/P - 3-18	O&M\KAWC 2023 Rate Case - Contract Services Exhibit.xlsx\Exhibit
20		Building Maintenance & Services	Exh 37 C-2	844,101	67,736	(67,736)	0	844,102	0	844,102	W/P - 3-12	O&M\KAWC 2023 Rate Case - Building Maintenance & Services Exhibit.xlsx\Exhibit
21		Telecommunications	Exh 37 C-2	217,280	57,769	0	0	275,049	0	275,049	W/P - 3-14	O&M\KAWC 2023 Rate Case - Telecommunications Exhibit.xlsx\Exhibit
22		Postage, Printing, & Stationary	Exh 37 C-2	14,087	(2,000)	0	0	12,087	0	12,087	W/P - 3-15	O&M\KAWC 2023 Rate Case - Postage, Printing & Stationary Exhibit.xlsx\Exhibit
23		Office Supplies & Services	Exh 37 C-2	283,848	(44,437)	(30,090)	0	209,321	0	209,321	W/P - 3-16	O&M\KAWC 2023 Rate Case - Office Supplies Exhibit.xlsx\Exhibit
24		Advertising & Marketing	Exh 37 C-2	0	0	0	0	0	0	0	W/P - 3-17	O&M\Advertising & Marketing\KAWC 2023 Rate Case - Advertising & Marketing Exhibit.xlsx\Exhibit
25		Employee Related Expense	Exh 37 C-2	160,214	16,550	(19,777)	0	156,987	0	156,987	W/P - 3-19	O&M\KAWC 2023 Rate Case - Employee Related Expense Exhibit.xlsx\Exhibit
26		Miscellaneous Expense	Exh 37 C-2	708,688	98,626	(98,273)	0	709,041	0	709,041	W/P - 3-20	O&M\KAWC 2023 Rate Case - Miscellaneous Expense Exhibit vRP.xlsx\Exhibit
27		Rents	Exh 37 C-2	37,581	9,598	(9,598)	0	37,581	0	37,581	W/P - 3-11	O&M\KAWC 2023 Rate Case - Rents Exhibit.xlsx\Exhibit
28		Transportation	Exh 37 C-2	603,279	51,019	0	0	654,298	0	654,298	W/P - 3-21	O&M\KAWC 2023 Rate Case - Transportation Exhibit.xlsx\Exhibit
29		Uncollectible Accounts	Exh 37 C-2	488,418	188,276	(40,758)	(16,880)	619,056	109,580	728,636	W/P - 3-10	O&M\KAWC 2023 Rate Case - Uncollectibles Expense Exhibit.xlsx\Exhibit
30		Other Customer Accounting	Exh 37 C-2	126,998	351,974	(352,529)	0	126,443	0	126,443	W/P - 3-9	O&M\KAWC 2023 Rate Case - Customer Accounting Exhibit.xlsx\Exhibit
31		Regulatory Expense	Exh 37 C-2	224	660,295	(328,272)	0	332,247	0	332,247	W/P - 3-6	O&M\KAWC 2023 Rate Case - Regulatory Expense Exhibit.xlsx\Exhibit
32		Insurance Other Than Group	Exh 37 C-2	1,416,883	236,421	0	0	1,653,304	0	1,653,304	W/P - 3-8	O&M\KAWC 2023 Rate Case - IOTG Exhibit.xlsx\Exhibit
33		Maintenance Supplies & Services	Exh 37 C-2	2,410,967	314,254	(123,962)	0	2,601,259	0	2,601,259	W/P - 3-13	O&M\KAWC 2023 Rate Case - Maintenance Supplies & Services Exhibit.xlsx\Exhibit
34	Total	Total O&M Expenses (Sum of Lines 9-32):		\$41,648,499	\$4,817,636	(\$3,001,638)	(\$16,880)	\$43,447,618	\$109,580	\$43,557,198		
35												
36		Other Expenses										
37	403	Depreciation - Net of CIAC Amort	Exh 37 C-2	\$21,356,111	\$7,384,226	(\$1,399,628)	\$0	\$27,340,708	\$0	\$27,340,708	W/P - 4-1	Rate Base\KAWC 2023 Rate Case - Capital-Depr Exp.xlsx\Link Out
38	406	Amortization of UPAA	Exh 37 C-2	23,284	(8,561)	0	0	14,723	0	14,723	W/P - 4-2	Rate Base\KAWC 2023 Rate Case - Amortization Expense.xlsx\Exhibit
39	407	Amortization Expense	Exh 37 C-2	63,980	(6,900)	0	0	57,080	0	57,080	W/P - 4-2	Rate Base\KAWC 2023 Rate Case - Amortization Expense.xlsx\Exhibit
40		State Income Tax										
41	409	Current State Income Tax	Exh 37 C-2	(15,044)	(131,967)	(135,850)	(35,077)	(317,938)	900,464	582,526	SCHEDULE E-1.4	Taxes\KAWC 2023 Rate Case - Income Tax Exhibit.xlsx\E-1.4 State Inc Tax Forecast
42	410	Deferred State Income Tax	Exh 37 C-2	1,432,306	(417,213)	(429,492)	429,492	1,015,092	0	1,015,092	SCHEDULE E-1.4	Taxes\KAWC 2023 Rate Case - Income Tax Exhibit.xlsx\E-1.4 State Inc Tax Forecast
43		Federal Tax										
44	409	Current Federal Income Tax	Exh 37 C-2	564,538	(521,617)	(501,439)	(180,562)	(639,080)	3,592,850	2,953,770	SCHEDULE E-1.3	Taxes\KAWC 2023 Rate Case - Income Tax Exhibit.xlsx\E-1.3 Federal Inc Tax Forecast
45	410	Deferred Federal Income Tax	Exh 37 C-2	4,294,976	(1,824,866)	(1,754,277)	1,754,277	2,470,110	0	2,470,110	SCHEDULE E-1.3	Taxes\KAWC 2023 Rate Case - Income Tax Exhibit.xlsx\E-1.3 Federal Inc Tax Forecast
46	412	Investment Tax Credits	Exh 37 C-2	(11,833)	11,833	0	0	0	0	0	SCHEDULE E-1.3	Taxes\KAWC 2023 Rate Case - Income Tax Exhibit.xlsx\E-1.3 Federal Inc Tax Forecast
47	408	General Taxes	Exh 37 C-2	8,817,187	1,834,407	(1,023,778)	(34,302)	9,593,515	23,622	9,617,137	W/P - 5-1, 5-2, 5-3, 5-4	O&M\KAWC 2023 Rate Case - PSC Fees Exhibit.xlsx\Exhibit
48		Total Other Expense (Sum of Lines 36-41)		\$36,525,505	\$6,319,342	(\$5,244,465)	\$1,933,828	\$39,534,210	\$4,516,935	\$44,051,145		
49												
50												
51		Total Expenses (Line 33 + Line 42):		\$78,174,004	\$11,136,978	(\$8,246,104)	\$1,916,949	\$82,981,828	\$4,626,516	\$87,608,344		
52												
53		Utility Operating Income (Line 5 - Line 44):		\$34,302,769	(\$7,400,613)	\$6,882,309	(\$11,768,062)	\$22,016,403	\$13,515,960	\$35,532,363		

Kentucky American Water Company
Case No. 2023-00191
Computation of the Gross Revenue Conversion Factor for the Forecast Period

Exhibit 37, Schedule H

Data: Base Period Forecast Period
Version: Original Updated Revised

Exhibits - Order\[KAWC 2023 Rate Case - Revenue Requirement and Conversion Factor.xlsx]Rev Conversion Factor - SCH H

Line #	Gross Revenue Conversion Factor Calculation	Total Rate	Gross Revenue Conversion Factor %	Percent of Total Conversion Factor	Workpaper Reference	Excel Reference
1	Gross Income from Revenue		100.0000%			
2	Less: Bad Debt Rate/ Uncollectible Expense	0.6040%	0.6040%	2.3685%	W/P - 3-10	O&M\[KAWC 2023 Rate Case - Uncollectibles Expense Exhibit.xlsx]Exhibit
3	Less: PSC / Utility Reg Assessment Fee	0.1302%	0.1302%	0.5106%	W/P - 5-2	O&M\[KAWC 2023 Rate Case - PSC Fees Exhibit.xlsx]Exhibit
4	Net Income After Uncollectibles & Reg Assessment Fees		<u>99.2658%</u>			
5						
6						
7	Less: State Income Tax @ 5.0%	5.00%	4.9633%	19.4631%		
9	Net Income After Uncollectibles, Reg Assessment Fees & State Tax		<u>94.3025%</u>			
10						
11	Less: Federal income Tax @ 21%	21.00%	19.8035%	77.6578%		
12						
	Net Income After Uncollectibles, Reg Assessment Fees, & State & Federal Income Taxes:		<u>74.4990%</u>	<u>100.0000%</u>		
13						
14						
15	Gross Revenue Conversion Factor (1 / Line 13)		<u>134.2300%</u>			
16						

Kentucky American Water Company
Case No. 2023-00191
Cost of Capital Summary
13-Month Average For Forecast Period Ending January 31, 2025

Data: ___ Base Period _X_ Forecasted Period
 Type of Filing: ___ Original _X_ Updated ___ Revised

Exhibit 37, Schedule J-1
 Capital Structure\[KAWC 2023 Rate Case - Capital Structure.xlsx]Sch J-1

Line No.	Class of Capital	Reference	13-Month Average Net Carrying Amount	% of Total	Add (1)	Adjusted Capital	Cost Rate	13-Month Average Weighted Cost	Gross Revenue Conversion Factor	Pre-Tax Cost Rate
1										
2	Short-Term Debt	W/P - 7-3	\$9,168,090	1.54%	\$0	\$9,168,090	5.354%	0.080%		0.080%
3										
4	Long-Term Debt	W/P - 7-4	273,581,929	45.87%	0.29	273,581,929	4.544%	2.080%		2.080%
5										
6	Preferred Stock	W/P - 7-5	2,245,236	0.38%	0	2,245,236	8.510%	0.030%	134.23%	0.040%
7										
8	Common Equity	W/P - 7-6	311,462,178	52.22%	0.33	311,462,178	9.700%	5.070%	134.23%	6.810%
9										
10	Total Capital		<u>\$596,457,432</u>		<u>\$0.64</u>	<u>\$596,457,433</u>		<u>7.260%</u>		<u>9.010%</u>
11										
12										
13										
14										
15										
16	(1) JDITC:	W/P - 7-7	<u>\$0.64</u>							