

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

<b>IN THE MATTER OF:</b>	)	
	)	
<b>APPLICATION OF KENTUCKY-</b>	)	
<b>AMERICAN WATER COMPANY</b>	)	<b>CASE NO. 2023-00300</b>
<b>FOR A BALANCING ADJUSTMENT</b>	)	
<b>TO ITS QUALIFIED INFRASTRUCTURE</b>	)	
<b>PROGRAM CHARGE</b>	)	

**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 (1) adjust the timing of KAW’s future Qualified Infrastructure Program (“QIP”) filings from the timing set forth in the Commission’s May 3, 2024 Order (“Order”) in this case; and (2) adjust KAW’s QIP Rider Charge approved in this proceeding to capture the corrections to authorized revenues reflected in KAW’s Petition for Rehearing submitted in Case No. 2023-00191 (the “Rate Case”) . KAW requests that any new QIP Rider Charges approved on rehearing be effective for service rendered on and after May 3, 2024 through August 31, 2024. Finally, KAW seeks confirmation that the QIP 4 Rider Charge set forth in the Appendix to the Order (currently 6.29 percent) applies for service rendered on and between February 6, 2024 and May 2, 2024.

**I. Timing of KAW’s Future QIP Filings**

KAW seeks rehearing to adjust the timing of its future QIP filings so that it can maximize the efficient construction of its QIP projects by eliminating the straddling of QIP “years” over pipeline construction season.

When the Commission originally approved KAW's QIP program in its 2018 rate case,<sup>1</sup> the QIP "years" were dictated by the future test period in that rate case. Thus, KAW's QIP "years" have always been from July 1 of a year to June 30 of the subsequent year: QIP Year 1 was from July 1, 2020 to June 30, 2021; QIP Year 2 was from July 1, 2021 to June 30, 2022; QIP Year 3 was from July 1, 2022 to June 30, 2023; and QIP Year 4 is from July 1, 2023 to June 30, 2024.

KAW's proposal in its most recent Rate Case<sup>2</sup> was for future QIP years to be aligned with a calendar year,<sup>3</sup> which would have significant constructability and efficiency advantages. QIP Year 5 was proposed to be February 2025 to December 2025, with subsequent QIP Years aligned with calendar years.<sup>4</sup> KAW proposed to align with calendar years because of the nature of the QIP construction projects. Pipeline construction projects are usually completed in the warmer months. Nearly all QIP projects require some level of road repaving and must be completed exclusively in the warmer months because those are the only months in which asphalt is available. The straddling of past QIP years over the middle of construction seasons has been more difficult than necessary to manage from a budgeting and timing perspective. A shift to align QIP years with a calendar year will allow KAW to do its QIP assessment and planning during the colder months when construction is limited and then focus its resources on construction execution during the warmer months when construction is actually occurring. KAW believes this will allow for even better coordination with the Lexington-Fayette Urban County Government ("LFUCG") for road repaving work and construction opportunities.

The Commission's May 3, 2024 Order in this matter directs KAW to file no later than June 2, 2024 its QIP Year 5 proposal, which would then become effective September 1, 2024, with

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<sup>1</sup> Case No. 2018-00358.

<sup>2</sup> Case No. 2023-00191.

<sup>3</sup> Case No. 2023-00191, Newcomb Direct Testimony, pp. 20-21.

<sup>4</sup> Id.

subsequent true up filings every September 1.<sup>5</sup> Under this schedule, each QIP year will run from September 1 to August 31. This schedule will not allow for the efficiencies to be derived from aligning QIP years with calendar years; thus, KAW seeks rehearing on this timing issue.

KAW seeks the Commission’s approval to make a QIP filing no later than May 31, 2024 for QIP 5. That filing would include: (1) QIP 5 charge with no new proposed projects for the balance of 2024; and (2) removal of the QIP 3 balancing adjustment charge (currently 0.29 percent), leaving only the QIP 4 charge as adjusted in this proceeding, Case No. 2023-00300 (currently 6.29 percent). Then, no later than August 31, 2024, KAW would make its QIP 6 filing which would include projects for the calendar year 2025 with QIP 6 rates becoming effective January 1, 2025. That filing would also include the QIP 4 balancing adjustment charge and any update to QIP 5 available as of the filing date, such as updating QIP 4 from 13-month average values to terminal values. QIP 7 would then be filed no later than August 31, 2025 for a QIP period of calendar year 2026 with rates becoming effective January 1, 2026. That filing would also include the QIP 5 balancing adjustment charge and any update to QIP 6 available as of the filing date, including updating QIP 6 from 13-month average values to terminal values. QIP 8 and subsequent QIP periods would have the same cadence and updates. These proposals are summarized in the table below:

<b>Filing</b>	<b>Filing Date</b>	<b>QIP Period Start / Rates Effective</b>	<b>QIP Period End</b>	<b>Balancing Adjustment</b>
QIP 5*	5/31/2024	9/1/2024	12/31/2024	None*
QIP 6	8/31/2024	1/1/2025	12/31/2025	QIP 4
QIP 7	8/31/2025	1/1/2026	12/31/2026	QIP 5
QIP 8	8/31/2026	1/1/2027	12/31/2027	QIP 6

\*Filing to remove QIP 3 Balancing Adjustment and proposing no new QIP investments.

<sup>5</sup> May 3, 2024 Order, pp. 13-14.

## **II. Adjustment to Authorized Revenues Used for KAW's QIP Rider Charge**

KAW seeks rehearing to adjust the authorized revenues used to determine the approved QIP Rider Charge to reflect the corrections included in KAW's Petition for Rehearing in its Rate Case.

The currently approved QIP Rider charge of 6.29 percent for QIP 4 was calculated using Authorized Revenues from the Commission's Order in KAW's Rate Case, or \$122,919,594.<sup>6</sup> This level of revenue was also used to determine the QIP 3 Balancing Adjustment Rider Charge of 0.29 percent, based on a prorated period of 120 days whereby the QIP 3 Balancing Adjustment Rider would be in effect. However, KAW has identified calculation errors that impact that cited level of authorized revenues in the Commission's Order in the Rate Case, and has requested rehearing in the Rate Case to address these calculation errors. To the extent that the Commission grants the rehearing and ultimately orders new rates on rehearing, that revised level of authorized revenues<sup>7</sup> should be used to support both the updated QIP 4 Rider Charge and the QIP 3 Balancing Adjustment Rider Charge. Absent this adjustment, KAW's QIP Rider Charge will be understated, as reflected in Exhibit 1 to this petition.

Finally, as set forth above, KAW requests that any new QIP Rider Charges approved on rehearing be effective for service rendered on and after May 3, 2024 through August 31, 2024 and seeks confirmation that the QIP 4 Rider Charge set forth in the Appendix to the Order (currently 6.29 percent) applies for service rendered on and between February 6, 2024 and May 2, 2024.

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<sup>6</sup> KAW notes that this level of revenue does not match with Appendix A to the May 3, 2024 Order in Case No. 2023-00191, which specifically cited \$122,950,468 for water revenues.

<sup>7</sup> Case No. 2023-00191, KAW Petition for Rehearing, Exhibit 2, page 4 of 6, Schedule C-1 - \$120,635,314.

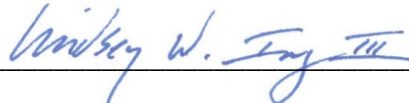
**III. Conclusion**

WHEREFORE, on the basis of the foregoing, KAW respectfully requests the Commission grant rehearing on the issue of the timing of future QIP filings and the issue of adjustments to the QIP Rider Charge, and, to the extent the Commission orders new rates on rehearing, to make those new rates effective for service rendered on and after May 3, 2024 through August 31, 2024.

Date: May 21, 2024

Respectfully submitted,

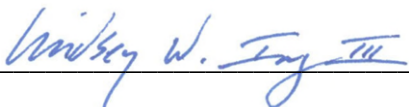
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BY:   
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**CERTIFICATE**

This certifies that Kentucky-American Water Company's electronic filing is a true and accurate copy of the original documents in paper medium; that the electronic filing has been transmitted to the Commission on May 21, 2024; and that no party has been excused from participation by electronic means.

STOLL KEENON OGDEN PLLC

By   
Attorneys for Kentucky-American Water Company

Line No.	Description	Amount May 3, 2024 Order	Amount KAW Rehearing Request in Case No. 2023-00300
<b>(1) QIP 3 Actual Average Rate Base compared to Actual Billed Revenues</b>			
1	QIP 3 Revenue Requirement	\$4,891,272	\$4,891,272
2			
3	Billed Revenues - July 1, 2022-June 30, 2023	\$4,630,184	\$4,630,184
4	Less: QIP 2 Variance - Under/(Over) Recovery - Corrected	(145,430)	(145,430)
5	Net Billed Revenues - July 1, 2022-June 30, 2023	4,775,614	4,775,614
6			
7	Under/(Over) Recovery Variance	\$115,658	\$115,658
8			
9	Proposed Base Revenues - Case No. 2023-00191	\$122,919,594	\$120,635,314
10	Prorated Proposed Base Revenues - Case No. 2023-00191 [A]	\$40,411,921	\$39,660,925
11	QIP 3 Balancing Adjustment Rider Charge	0.29%	0.29%
<b>(2) QIP 3 Actual "End of Period" Rate Base for QIP 4</b>			
12	QIP 4 Revenue Requirement	\$7,735,980	\$7,735,980
13			
14	Proposed Base Revenues - Case No. 2023-00191	\$122,919,594	\$120,635,314
15	QIP 4 Rider Charge	6.29%	6.41%
<b>(3) QIP 4 Rider Charge with QIP 3 Balancing Adjustment</b>			
16	QIP 4 Rider Charge	6.29%	6.41%
17	QIP 3 Balancing Adjustment Rider Charge	0.29%	0.29%
18	Total QIP 4 Rider Charge	6.58%	6.70%

[A] QIP 3 Balancing Adjustment Rider Effective Days - 120 (May 3, 2024 through August 31, 2024)