

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF)
KENTUCKY-AMERICAN WATER) CASE NO. 2023-00300
COMPANY FOR A BALANCING)
ADJUSTMENT FOR ITS QIP CHARGE)

DIRECT TESTIMONY OF JEFFREY NEWCOMB
SENIOR MANAGER, RATES AND REGULATORY
KENTUCKY-AMERICAN WATER COMPANY, INC.

Filed: September 28, 2023

1 I. INTRODUCTION

2 Q. Please state your name, position, and business address.

3 A. My name is Jeffrey Newcomb. I am the Senior Manager, Rates and Regulatory, for
4 Kentucky-American Water Company (“KAW” or “the Company”). My business address
5 is 2300 Richmond Road, Lexington, Kentucky 40502.

6 Q. Have you previously filed testimony at the Kentucky Public Service Commission
7 (“Commission”) or any other regulatory commission?

8 A. Yes. I have previously filed testimony before the Commission in Case No. 2023-00030,
9 *Electronic Application of Kentucky-American Water Company to Amend Tariff to Revise*
10 *Qualified Infrastructure Charge (“QIP 4”),* and Case No. 2023-00191, *Electronic*
11 *Application of Kentucky-American Water Company for an Adjustment of Rates, a*
12 *Certificate of Public Convenience and Necessity for Installation of Advanced Metering*
13 *Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*
14 *(“Rate Case”).* I have also previously submitted testimony before the Indiana Utility
15 Regulatory Commission in support of Northern Indiana Public Service Company LLC’s
16 gas rate case in Cause No. 45621 and the Public Service Commission of Maryland in
17 support of Columbia Gas of Maryland, Inc.’s gas rate case in Case No. 9644.

18 Q. Please state your educational and professional background.

19 A. I graduated from the Kelley School of Business, Indiana University, Bloomington, Indiana,
20 in 2007 as a Bachelor of Science in Business Administration, and in 2008 as a Master of
21 Business Administration, both with a major in Accounting. My professional career started
22 with Ernst & Young, LLP, as an Intern during the summers of 2006 and 2007 before
23 working full-time as an Associate from 2008 to 2010 and Senior Associate from 2010 to
24 2011 with the firm’s tax practice in Chicago, Illinois. Prior to joining American Water, I

1 worked for NiSource Inc. from 2011 to 2022, where I held various roles during my tenure,
2 including Senior Financial Analyst in Accounting, Lead Financial Planning Analyst, Lead
3 Regulatory Strategy and Support Analyst, Capital Planning and Execution Manager, and
4 Manager, Regulatory – Rate Case Optimization. I accepted my current position of Senior
5 Manager, Rates and Regulatory, for Kentucky-American Water Company on October 3,
6 2022.

7 **Q. What is the purpose of your direct testimony?**

8 A. The purpose of my testimony is to describe and support the calculated amount of KAW's
9 proposed balancing adjustment surcharge for Qualified Infrastructure Program ("QIP")
10 Year 3, which is for the period July 1, 2022 to June 30, 2023. KAW's QIP was approved
11 by the Commission in its June 27, 2019, Order in Case No. 2018-00358, which was KAW's
12 last general water rate case. I will also describe how the QIP Rider and balancing
13 adjustment will be impacted by the pending Rate Case.

14 **Q. Are you sponsoring any exhibits?**

15 A. Yes. I am sponsoring Exhibit 1 to my testimony which shows the QIP 3 balancing
16 adjustment calculations that lead to the requested balancing adjustment surcharge in this
17 case. I am also sponsoring my workpapers as an Excel file titled
18 KAW_DT_JN_WP_092823.

19 **Q. Are KAW's calculations in this case consistent with the Commission's Orders in**
20 **KAW's previous QIP balancing adjustment cases?**

21 A. Yes, with the following three exceptions due to the pending Rate Case:

1 (1) The first exception is the calculation of the QIP Percentage. The denominator in the
2 calculation of the QIP Percentage is different than previous QIP balancing adjustment cases
3 due to the pending Rate Case as further discussed later in my testimony.

4 (2) The second exception is the presentation of a “QIP 3 Actual “End of Period” Rate Base
5 for QIP 4” and a “QIP 4 Rider Charge with QIP 3 Balancing Adjustment.” Only the
6 presentation of the “QIP 3 Balancing Adjustment Rider Charge” is necessary in this QIP
7 balancing adjustment case due to the pending Rate Case that will reset the remainder of the
8 QIP Rider charge to zero once new base rates from Case No. 2023-00191 are effective.

9 (3) The third exception is the calculation of the average residential customer monthly bill
10 impact. The calculation of average residential customer monthly bill impact assumes an
11 average residential customer using 3,800 gallons at proposed rates in Case No. 2023-
12 00191, consistent with Exhibit 37, Schedule N, as filed in the pending Rate Case.

13 II. DESCRIPTION OF THE QIP RIDER

14 **Q. Please explain the purpose of the QIP Rider.**

15 A. The QIP Rider is a regulatory tool to provide for the recovery of the costs of capital,
16 depreciation and taxes associated with qualified infrastructure investment between base
17 rate case filings. KAW’s tariff on file with the Commission describes the QIP Rider at
18 Sheet Nos. 48-49.

19 **Q. Is KAW proposing in this case an adjustment to the amount that will be charged to**
20 **customers as a line item on customer bills?**

21 A. Yes. KAW seeks the Commission’s approval of a balancing adjustment amount related to
22 the completed QIP 3 period that closed on June 30, 2023. KAW proposes that the resulting
23 balancing adjustment surcharge will appear on customer bills at the effective date of new
24 base rates from Case No. 2023-00191, which are expected to be effective for water service

1 rendered on and after February 6, 2024. The balancing adjustment surcharge requested for
2 the completed QIP 3 period, which was the period July 1, 2022, to June 30, 2023, is 0.09%,
3 as set forth in the proposed tariff sheets attached as Exhibit 2 to my testimony.

4 **Q. What will happen to the QIP Rider balancing adjustment surcharge upon approval**
5 **of new rates in a rate case proceeding?**

6 A. With the exception of the QIP 3 balancing adjustment surcharge, the QIP Rider amount
7 will be reset to zero as of the effective date of the new base rates from Case No. 2023-
8 00191. Upon reset, the new base rates would be providing recovery of the annual costs
9 that had previously been recovered through the QIP Rider. The balancing adjustment
10 surcharge, however, is related to under recovery during the completed QIP 3 period, so the
11 balancing adjustment surcharge will remain in effect to fully recover that under recovery.

12 **Q. How is the QIP Rider billed to customers?**

13 A. The QIP Rider is expressed as a percent of water and fire service charges for each customer
14 class included in the QIP tariff. It applies to all Water Base Revenue (meter fees, fire
15 service fees, public or private hydrant fees, and volumetric water sales), but prior to the
16 inclusion of any other surcharge or tax (such as franchise fees or Kentucky River Authority
17 withdrawal fees). The QIP Rider is reflected as a line item on each customer's bill.

18 **III. QIP CALCULATION AND PROPOSED TARIFF**

19 **Q. Have you included the calculation of the QIP Rider in this case?**

20 A. Yes. The balancing adjustment calculation is attached as Exhibit 1 to this testimony. All
21 supporting calculations for the balancing adjustment are set forth in the Excel file being
22 submitted electronically along with this testimony.

23 **Q. What is the Proposed QIP Balancing Adjustment Surcharge and QIP Rider**
24 **Percentage KAW is requesting for QIP Year 3?**

1 A. KAW is proposing a QIP Rider amount that would result in recovery of \$115,658 related
2 to under recovery during the 12-month QIP 3 period of July 1, 2022, to June 30, 2023, or
3 a QIP Percentage of 0.09%. This represents an increase to the average residential customer
4 of \$0.04 per month. The QIP Percentage was calculated by taking the Under/(Over)
5 Recovery Variance of \$115,658 divided by \$135,638,187, which is the Proposed Base
6 Revenues from Case No. 2023-00191 of \$137,898,823, prorated to match the expected rate
7 effective period for the QIP Year 3 Balancing Adjustment Surcharge. These calculations
8 are summarized on Exhibit 1 of my testimony and in the Excel file being submitted
9 electronically along with this testimony on the workbook sheet labelled “Summary
10 Adjustment.” KAW will update the QIP Percentage and average residential customer
11 monthly bill impact calculations once the Commission issues its Final Order in Case No.
12 2023-00191.

13 **Q. Please describe the correction being made on Line 4 of Exhibit 1.**

14 A. When preparing the current balancing adjustment, it was discovered that a portion of billed
15 QIP revenues were inadvertently omitted when KAW filed its balancing adjustment for
16 QIP Year 2 in Case No. 2022-00328. The “QIP 2 Variance – Under/(Over) Recovery” was
17 \$9,403 as originally filed in Case No. 2022-00328 and is now (\$145,430) as corrected.

18 **Q. How has the inadvertent omission you have described impacted customers?**

19 A. There has been no impact to customers. QIP Year 3, which includes the QIP Year 2
20 balancing adjustment from Case No. 2022-00328, still has an under recovery variance after
21 the correction.

22 **Q. Has KAW filed a tariff addressing the proposed QIP Rider?**

1 A. Yes. New proposed tariff sheets are attached to my testimony as Exhibit 2, which is an
2 Seventh Sheet No. 49 setting forth the rate of 0.09%.

3 **IV. CONCLUSION**

4 **Q. What is your recommendation for the Commission?**

5 A. I recommend that the Commission approve the revision of the QIP percentage in this filing.

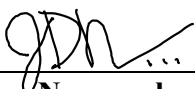
6 **Q. Does this conclude your testimony?**

7 A. Yes, it does.

VERIFICATION


COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, Jeffrey Newcomb, being duly sworn, deposes and says that he is the Senior Manager of Rates and Regulatory for Kentucky-American Water Company, that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.



Jeffrey Newcomb

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 27th day of September, 2023.



Notary Public

My Commission Expires:

July 31, 2025

Notary ID: KYNP26988

Kentucky-American Water Company
Case No. 2023-00300
QIP Year 3 Annual Balancing Adjustment
For the Twelve Months Ended June 30, 2023

Line No.

QIP 3 Actual Average Rate Base compared to Actual Billed Revenues

1	QIP 3 Revenue Requirement	\$4,891,272	Page 4, Line 26
2			
3	Billed Revenues - July 1, 2022-June 30, 2023	\$4,630,184	Page 4, Line 28
4	<u>Less: QIP 2 Variance - Under/(Over) Recovery - Correctec</u>	<u>(145,430)</u>	Page 3, Line 24
5	Net Billed Revenues - July 1, 2022-June 30, 2023	4,775,614	
6			
7	Under/(Over) Recovery Variance	\$115,658	Line 1 - Line 5
8			
9	Proposed Base Revenues - Case No. 2023-00191	\$137,898,823	
10	<u>Prorated Proposed Base Revenues - Case No. 2023-0019</u>	<u>\$135,638,187</u>	[A]
11	<u>QIP 3 Balancing Adjustment Rider Charge</u>	<u>0.09%</u>	Line 7 / Line 10
12	Balancing Adjustment Monthly Bill Impact	\$0.04	[B]
13	(Average Residential Customer using 3,800 gal)		

[A] Assumed GRC Rate Effective Date with Reconciliation - 2/6/2024

End of Forecasted Test Year Date - 1/31/2025

QIP 3 Balancing Adjustment Rider Effective Days - 360

[B] Monthly Bill Impact is based on Proposed Rates in Case No. 2023-00191

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

Page 2 of 4

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

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

Line No.	Case No. 2021-00376	Case No. 2022-00328	Total	
	QIP 1	QIP 2	QIP 2	
	Balance as of	13 Mo. Avg. Ended		
	June 30, 2021	June 30, 2022		
	July 2020 -	July 2021 -	July 2021 -	
	June 2021	June 2022	June 2022	
1	QIP Plant Additions	\$9,328,645	\$6,573,606	\$15,902,251
2	Retirements	(633,049)	(106,133)	(739,183)
3	Net Change to Gross Plant	\$8,695,596	\$6,467,473	\$15,163,069
4				
5	Cost of Removal	\$549,261	\$844,593	\$1,393,854
6	Retirements	633,049	106,133	739,183
7	Depreciation Accrual	(137,516)	(174,029)	(311,545)
8	Net Change to Accum Depr	\$1,044,794	\$776,697	\$1,821,491
9				
10	Net Change to Net Plant	\$9,740,390	\$7,244,170	\$16,984,560
11	Accumulated Deferred Taxes	(1,550,183)	(1,687,014)	(3,237,197)
12	Net Change to Rate Base	\$8,190,207	\$5,557,156	\$13,747,363
13	Pre-Tax Rate of Return	9.28%	9.28%	9.28%
14	QIP Revenue on Net Change to Rate Base	\$760,223	\$515,821	\$1,276,044
15	QIP Depreciation Expense	137,516	174,029	311,545
16	QIP Property Taxes	120,869	82,316	203,185
17				
18	QIP Revenue Requirement Rate Adj	\$1,018,608	\$772,166	\$1,790,774
19				
20	Billed Revenues - Corrected			2,031,202
21	Less: QIP 1 Variance			94,998
22	Net Billed Revenues - Corrected			\$1,936,204
23				
24	Under/(Over) Recovery Variance - Corrected			(\$145,430)
25				
26	QIP 3 Rate Effective Date with Reconciliation			12/27/2022
27	QIP 4 Rate Effective Date			7/1/2023
28	Reconciliation Effective Period			186
29				
30	Authorized Revenues 2018-0358			\$98,880,622
31	Prorated Authorized Revenues 2018-0358			\$50,388,481
32	QIP Balancing Adjustment Rider Charge - Corrected			-0.29%

Kentucky-American Water Company
Case No. 2023-00300
QIP 3 Revenues

Page 4 of 4

Line No.		Case No. 2021-00376	Case No. 2022-00328	Case No. 2022-00300	Total QIP
		QIP 1	QIP 2	QIP 3	
		As of June 30, 2021	As of June 30, 2022	13 Month Average as of	
		July 2020 - June 2021	July 2021 - June 2022	June 30, 2023 July 2022 - June 2023	
1	QIP Plant Additions	\$9,328,645	\$19,931,459	\$13,473,377	\$42,733,481
2	Retirements	(633,049)	(414,148)	(588,294)	(1,635,491)
3	Net Change to Gross Plant	8,695,596	19,517,311	12,885,083	41,097,990
4					
5	Cost of Removal	549,261	2,433,439	(529,693)	2,453,006
6	Retirements	633,049	414,148	588,294	1,635,491
7	Depreciation Accrual - QIP 1	(137,516)			(137,516)
8	Depreciation Accrual - QIP 2		(311,545)		(311,545)
9	Depreciation Accrual - QIP 3			(197,142)	(197,142)
10	Net Change to Accum Depr	1,044,794	2,536,041	(138,541)	3,442,294
11					
12	Net Change to Net Plant	9,740,390	22,053,352	12,746,542	44,540,284
13	Accumulated Deferred Taxes - QIP 1	(1,550,183)			(1,550,183)
14	Accumulated Deferred Taxes - QIP 2		(3,674,353)		(3,674,353)
15	Accumulated Deferred Taxes - QIP 3			(1,689,729)	(1,689,729)
16	Net Change to Rate Base	8,190,207	18,379,000	11,056,813	37,626,020
17	Pre-Tax Rate of Return	9.28%	9.28%	9.28%	9.28%
18	QIP Revenue on Net Change to Rate Base	760,223	1,705,957	1,026,304	3,492,485
19	QIP Depreciation Expense - QIP 1	137,516			137,516
20	QIP Depreciation Expense - QIP 2		311,545		311,545
21	QIP Depreciation Expense - QIP 3			197,142	197,142
22	QIP Property Taxes - QIP 1	120,869	21,361	(4,348)	137,882
23	QIP Property Taxes - QIP 2		261,532	(9,759)	251,773
24	QIP Property Taxes - QIP 3			362,929	362,929
25					
26	QIP Revenue Requirement Rate Adj	\$1,018,608	\$2,300,395	\$1,572,269	\$4,891,272
27					
28	Billed Revenues				4,630,184
29	Less: QIP 2 Variance - Corrected				(145,430)
30	Net Billed Revenues				\$4,775,614
31					
32	Under/(Over) Recovery Variance				\$115,658
33					
34	GRC Rate Effective Date with Reconciliation				2/6/2024
35	End of Forecasted Test Year Date				1/31/2025
36	Reconciliation Effective Period				360
37					
38	Proposed Base Revenues - Case No. 2023-00191				\$137,898,823
39	Prorated Proposed Base Revenues - Case No. 2023-00191				\$135,638,187
40	QIP Balancing Adjustment Rider Charge				0.09%

QIP Year	Project Name	WBS Number(s)	Total Linear Feet	Estimated Project Cost in QIP Application filed March 26, 2021	End of QIP 2 Period		End of QIP 3 Period (Post-In-Service Spend)			Reason for Variance
					Total Project Cost as of June 30, 2022	Variance as of June 30, 2022	Plant Additions July 1, 2022-June 30, 2023	Variance including July 2022-June 2023	Total Project Cost as of June 30, 2023	
1	Castlewood Phase I*	R12-02B2.20-P-0014	4,053	\$825,500	\$1,032,698	\$207,198	\$29,154	\$207,198	\$1,061,852	Reason for Variance: High volume of unexpected service line repairs due to brittle service line condition. Paving and restoration extents were greater than planned, but this project was a final paving cost-share with LFUCG and Columbia Gas that resulted in much lower paving costs compared to KAW being the only entity in the roadway.
2	Fairway - Phase I	R12-02B2.20-P-0010 R12-02B2.21-P-0050 R12-02B2.21-P-0051	2,940	\$775,000	\$1,191,832	\$416,832	\$84,591	\$501,423	\$1,276,423	Reason for Variance: Additional cold patch (temporary asphalt) was required along the entire length of the project prior to final pavement restoration. Proposed connection points along Henry Clay Blvd required full intersection pavement restoration. More service lines required replacement compared to estimated.
2	Wyatt Avenue	R12-02B2.20-P-0024 R12-02B2.21-P-0028 R12-02B2.21-P-0029 R12-02B2.21-P-0030	4,050	\$1,532,500	\$1,134,090	(\$398,410)	\$220,887	(\$177,523)	\$1,354,977	Reason for Variance: Actual linear footage installed was less than estimated. Amount of pavement restoration required was in line with pavement restoration estimates.
2	Bluegrass/Highlawn	R12-02B2.20-P-0026	1,017	\$625,000	\$359,423	(\$265,577)	(\$2,762)	(\$268,339)	\$356,661	Reason for Variance: Actual linear footage installed was less than estimated. The paving for this project was being cost-shared with LFUCG resulting in cost savings.
2	Codell Drive	R12-02B2.20-P-0027 R12-02B2.21-P-0036 R12-02B2.21-P-0037	5,476	\$1,312,500	\$1,408,343	\$95,843	\$259,836	\$355,679	\$1,668,179	Reason for Variance: Approximately 250 additional linear feet of main were installed compared to estimated. Amount of pavement restoration required was in line with pavement restoration estimates.
2	N Ashland/Aurora	R12-02B2.20-P-0028 R12-02B2.21-P-0034 R12-02B2.21-P-0035	5,255	\$1,000,000	\$698,858	(\$301,142)	\$816,453	\$515,311	\$1,515,311	Reason for Variance: Approximately 800 additional linear feet of main were installed compared to estimated.
2	National Avenue	R12-02B2.20-P-0029	3,100	\$875,000	\$806,461	(\$68,539)	\$141,999	\$73,460	\$948,460	Reason for Variance: Final restoration was delayed until spring 2023, and the contractor was required to maintain temporary cold patch that was not included in their original bid price.
2	Whitney/Ash	R12-02B2.20-P-0030 R12-02B2.21-P-0039 R12-02B2.21-P-0040 R12-02B2.21-P-0041 R12-02B2.21-P-0042 R12-02B2.21-P-0043	6,720	\$1,650,000	\$2,017,587	\$367,587	\$1,159,760	\$1,527,347	\$3,177,347	Reason for Variance: Approximately 120 additional linear feet of main were installed compared to estimated. Additional cold patch (temporary asphalt) was required along the entire length of the project prior to final pavement restoration. Nearly all service lines required replacement compared to estimated.
2	Clays Mill Road - Phase II	R12-02B2.21-P-0018 R12-02B2.21-P-0019 R12-02B2.21-P-0020	7,220	\$1,575,000	\$1,804,892	\$229,892	\$259,398	\$489,290	\$2,064,290	Reason for Variance: Additional main installation costs required due to a storm sewer alignment change. Additional costs incurred on project to uncover valve boxes covered by LFUCG's roadway contractor during project. The paving for this project is being cost-shared with LFUCG.
2	Montclair Drive	R12-02B2.21-P-0002	2,200	\$550,000	\$527,192	(\$22,808)	\$245,670	\$222,862	\$772,862	Reason for Variance: Curb-to-curb paving was required, although the paving for this project was cost-shared with LFUCG.
2	Summit Drive	R12-02B2.21-P-0003 R12-02B2.21-P-0052 R12-02B2.21-P-0053	2,850	\$725,000	\$788,952	\$63,952	\$148,250	\$212,202	\$937,202	Reason for Variance: Kentucky American Water encountered several brittle house service lines that failed upon re-connection. Curb-to-curb paving was required, although the paving for this project was cost-shared with LFUCG.
2	Valley Farm	R12-02B2.21-P-0015	5,306	\$1,350,000	\$1,437,054	\$87,054	\$181,753	\$268,807	\$1,618,807	Reason for Variance: Estimated cost included 5' paving width; actual pavement required was full lane width (~8').
2	Colchester/Barksdale	R12-02B2.21-P-0016 R12-02B2.21-P-0031 R12-02B2.21-P-0032 R12-02B2.21-P-0033	3,555	\$925,000	\$911,958	(\$13,042)	\$284,044	\$271,002	\$1,196,002	Reason for Variance: Actual linear footage installed was less than estimated. Estimated paving cost included 5' paving width; actual pavement required was full lane width (~8').
2	Campbell Lane	R12-02B2.21-P-0004	507	\$275,000	\$222,708	(\$52,292)	\$87,304	\$35,012	\$310,012	Reason for Variance: Actual linear footage installed was less than estimated.

QIP Year	Project Name	WBS Number(s)	Total Linear Feet	Estimated Project Cost in QIP Application filed March 26, 2021	End of QIP 2 Period		End of QIP 3 Period (Post-In-Service Spend)			Reason for Variance
					Total Project Cost as of June 30, 2022	Variance as of June 30, 2022	Plant Additions July 1, 2022-June 30, 2023	Variance including July 2022-June 2023	Total Project Cost as of June 30, 2023	
2	Westgate/Hamilton Park	R12-02B2.21-P-0005 R12-02B2.21-P-0054	3,600	\$900,000	\$609,347	(\$290,653)	\$1,294,882	\$1,004,229	\$1,904,229	Reason for Variance: Estimated paving cost included 5' paving width; actual pavement required was full curb-to-curb in most areas.
2	Lancelot	R12-02B2.21-P-0007 R12-02B2.21-P-0055	2,500	\$617,500	\$612,822	(\$4,678)	\$488,489	\$483,811	\$1,101,311	Reason for Variance: Estimated paving cost included 5' paving width; actual pavement required was full curb-to-curb in most areas.
2	Kilrush/Caywood	R12-02B2.21-P-0008 R12-02B2.21-P-0056 R12-02B2.21-P-0057 R12-02B2.21-P-0058	5,239	\$1,567,500	\$1,012,319	(\$555,181)	\$1,390,325	\$835,144	\$2,402,644	Reason for Variance: Estimated paving cost included 5' paving width; actual pavement required "parking lane widths" of ~6' plus all intersections and full cul-de-sac bulbs.
2	Merrimac/Fogo/Crewe	R12-02B2.21-P-0012 R12-02B2.21-P-0044 R12-02B2.21-P-0045	3,041	\$860,000	\$484,693	(\$375,307)	\$897,605	\$522,298	\$1,382,298	Reason for Variance: Estimated paving cost included 5' paving width; actual pavement required "parking lane widths" of ~6' plus all intersections and full cul-de-sac bulbs.
2	Tisdale/Fraserdale	R12-02B2.21-P-0013 R12-02B2.21-P-0059 R12-02B2.21-P-0060	5,056	\$1,322,500	\$1,575,173	\$252,673	\$128,819	\$381,492	\$1,703,992	Reason for Variance: Estimated paving cost included 5' paving width; actual pavement required "parking lane widths" of ~6' plus all intersections and full cul-de-sac bulbs.
2	Montavesta Road	R12-02B2.21-P-0009 R12-02B2.21-P-0046 R12-02B2.21-P-0047 R12-02B2.21-P-0048 R12-02B2.21-P-0049	3,904	\$1,087,500	\$374,878	(\$712,622)	\$521,822	(\$190,800)	\$896,700	Reason for Variance: Water main installation work was performed by Kentucky American Water crews. Some parts of this project were pavement cost-shared with LFUCG.

*Castlewood Phase I is the final QIP Year 1 project to be completed.

Total Linear Feet / Total Miles	Estimated Project Cost in QIP Application filed March 26, 2021	End of QIP 2 Period		End of QIP 3 Period (Post-In-Service Spend)		
		Total Project Cost as of June 30, 2022	Variance as of June 30, 2022	Plant Additions July 1, 2022-June 30, 2023	Variance including February 2023-June 2023	Total Project Cost as of June 30, 2023
77,589 14.7	\$20,350,500	\$19,011,278	-\$1,339,222	\$8,638,279	\$7,269,903	\$27,649,557

QIP Year	Project Name	WBS Number(s)	Total Linear Feet	Estimated Project Cost in QIP Application filed March 1, 2022	QIP 3 Midyear Reconciliation		End of QIP 3 Period			Reason for Variance
					Plant Additions July 2022-January 2023	Variance including July 2022-January 2023	Plant Additions February 2023-June 2023	Variance including February 2023-June 2023	Total Project Cost as of June 30, 2023	
3	Aylesford	R12-02B2.21-P-0006	1,500	\$397,500	\$0	(\$397,500)	\$360,060	(\$37,440)	\$360,060	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Linden Walk/Rose	R12-02B2.21-P-0061	1,900	\$503,500	\$0	(\$503,500)	\$425,130	(\$78,370)	\$425,130	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Birkenhead Dr/Ct	R12-02B2.21-P-0014	1700	\$450,500	\$694,795	\$244,295	(\$7,104)	\$237,191	\$687,691	Reason for Variance: Estimated paving cost included 8' paving width; actual pavement required was in line with widths but also included intersections and full cul-de-sac bulbs.
3	Cardiff Dr	R12-02B2.21-P-0062	1100	\$291,500	\$307,524	\$16,024	(\$5,356)	\$10,668	\$302,168	Reason for Variance: Estimated paving cost included 8' paving width; actual pavement required was in line with widths but also included intersections and full cul-de-sac bulbs.
3	Aldershot Dr	R12-02B2.21-P-0063	1200	\$318,000	\$389,414	\$71,414	(\$4,320)	\$67,094	\$385,094	Reason for Variance: Estimated paving cost included 8' paving width; actual pavement required was in line with widths but also included intersections and full cul-de-sac bulbs.
3	Cardigan Ct	R12-02B2.21-P-0064	500	\$132,500	\$195,817	\$63,317	(\$12,909)	\$50,408	\$182,908	Reason for Variance: Estimated paving cost included 8' paving width; actual pavement required was in line with widths but also included intersections and full cul-de-sac bulbs.
3	Colonial Dr	R12-02B2.21-P-0010	2400	\$636,000	\$538,911	(\$97,089)	\$44,084	(\$53,005)	\$582,995	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023. Columbia Gas and LFUCG sanitary sewer initiated projects in this area and paving coordination will occur.
3	Standish Way	R12-02B2.21-P-0065	2200	\$583,000	\$266,134	(\$316,866)	\$33,497	(\$283,369)	\$299,631	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023. Columbia Gas and LFUCG sanitary sewer initiated projects in this area and paving coordination will occur.
3	Bryanwood Pkwy	R12-02B2.21-P-0017	3100	\$821,500	\$0	(\$821,500)	\$696,821	(\$124,679)	\$696,821	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Gaines Village Dr	R12-30B2.22-P-0002	2550	\$675,750	\$0	(\$675,750)	\$395,641	(\$280,109)	\$395,641	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Grace Dr	R12-02B2.21-P-0067	700	\$185,500	\$0	(\$185,500)	\$239,751	\$54,251	\$239,751	Reason for Variance: Estimated paving cost included 8' paving width; actual pavement required was in line with widths but also included intersection and full cul-de-sac bulb.
3	Ox Hill Dr	R12-02B2.21-P-0068	700	\$185,500	\$0	(\$185,500)	\$169,279	(\$16,221)	\$169,279	Reason for Variance: Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Stephen Foster Dr/Versie Ct/Jannelle Ct	R12-02B2.21-P-0069	2420	\$641,300	\$0	(\$641,300)	\$545,966	(\$95,334)	\$545,966	Reason for Variance: Project is still underway, pending completion of service line and restoration work in summer 2023. One additional valve was required when an existing valve broke in the closed position.
3	River Park Dr	R12-02B2.21-P-0070	1950	\$516,750	\$525,864	\$9,114	\$503,417	\$512,531	\$1,029,281	Reason for Variance: Pavement extents and temporary restoration greater than planned. This area is a potential paving cost-share with LFUCG.
3	Golden Gate Park	R12-02B2.21-P-0071	500	\$132,500	\$74,705	(\$57,795)	\$131,734	\$73,939	\$206,439	Reason for Variance: Pavement extents and temporary restoration greater than planned. This area is a potential paving cost-share with LFUCG.
3	Atokad Park	R12-02B2.21-P-0072	650	\$172,250	\$96,973	(\$75,277)	\$160,472	\$85,195	\$257,445	Reason for Variance: Pavement extents and temporary restoration greater than planned. This area is a potential paving cost-share with LFUCG.
3	Beulah Park Ct	R12-02B2.21-P-0073	350	\$92,750	\$71,897	(\$20,853)	\$100,474	\$79,622	\$172,372	Reason for Variance: Additional 8" tap not included in original estimate. Pavement extents and temporary restoration greater than planned. This area is a potential paving cost-share with LFUCG.

QIP Year	Project Name	WBS Number(s)	Total Linear Feet	Estimated Project Cost in QIP Application filed March 1, 2022	QIP 3 Midyear Reconciliation		End of QIP 3 Period			Reason for Variance
					Plant Additions July 2022-January 2023	Variance including July 2022-January 2023	Plant Additions February 2023-June 2023	Variance including February 2023-June 2023	Total Project Cost as of June 30, 2023	
3	Ak Sar Ben Park	R12-02B2.21-P-0074	800	\$212,000	\$105,421	(\$106,579)	\$196,723	\$90,144	\$302,144	Reason for Variance: Pavement extents and temporary restoration greater than planned. This area is a potential paving cost-share with LFUCG.
3	Ascot Park	R12-02B2.21-P-0075	750	\$198,750	\$102,260	(\$96,490)	\$172,394	\$75,904	\$274,654	Reason for Variance: Pavement extents and temporary restoration greater than planned. This area is a potential paving cost-share with LFUCG.
3	Kentucky Ave South	R12-02B2.21-P-0076	1500	\$397,500	\$888,523	\$491,023	\$126,320	\$617,344	\$1,014,844	Reason for Variance: Contractor bids were higher than originally estimated. Nearly all service lines along this road required full replacement and additional plumbing services. This area served as a temporary concrete restoration pilot project with LFUCG.
3	Kentucky Ave North	R12-02B2.21-P-0077	1570	\$416,050	\$513,730	\$97,680	\$236,934	\$334,614	\$750,664	Reason for Variance: Contractor bids were higher than originally estimated. Nearly all service lines along this road required full replacement and additional plumbing services. This area served as a temporary concrete restoration pilot project with LFUCG.
3	Woodland Ave North	R12-02B2.21-P-0078	1600	\$424,000	\$628,073	\$204,073	\$153,724	\$357,798	\$781,798	Reason for Variance: Contractor bids were higher than originally estimated. Nearly all service lines along this road required full replacement and additional plumbing services. This area served as a temporary concrete restoration pilot project with LFUCG.
3	American Ave	R12-02B2.21-P-0079	2100	\$556,500	\$329,110	(\$227,390)	\$326,310	\$98,920	\$655,420	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Southern Ave	R12-02B2.21-P-0080	650	\$172,250	\$64,033	(\$108,217)	\$68,104	(\$40,113)	\$132,137	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Camden Ave	R12-02B2.21-P-0081	550	\$145,750	\$53,526	(\$92,224)	\$67,132	(\$25,093)	\$120,657	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Stanley Ave	R12-02B2.21-P-0082	400	\$106,000	\$55,201	(\$50,799)	\$26,417	(\$24,382)	\$81,618	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Lone Oak Dr/Southbend Dr	R12-02B2.21-P-0083	1750	\$463,750	\$244,908	(\$218,842)	\$99,141	(\$119,701)	\$344,049	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Greenwood Ave	R12-02B2.21-P-0084	750	\$198,750	\$0	(\$198,750)	\$0	(\$198,750)	\$0	Reason for Variance: Project was delayed to future QIP period due to LFUCG roadway access restrictions.
3	Bradley Ct	R12-02B2.21-P-0085	840	\$222,600	\$0	(\$222,600)	\$0	(\$222,600)	\$0	Reason for Variance: Project was delayed to future QIP period due to LFUCG roadway access restrictions.
3	Douglas Ave	R12-02B2.21-P-0086	1450	\$384,250	\$0	(\$384,250)	\$382,975	(\$1,275)	\$382,975	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Chiles Ave	R12-02B2.21-P-0087	1200	\$318,000	\$0	(\$318,000)	\$294,668	(\$23,332)	\$294,668	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023. An unplanned storm sewer conflict also added cost.
3	Breathitt Ave	R12-02B2.21-P-0088	1200	\$318,000	\$0	(\$318,000)	\$310,720	(\$7,280)	\$310,720	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Florence Ave	R12-02B2.21-P-0089	1300	\$344,500	\$0	(\$344,500)	\$236,914	(\$107,586)	\$236,914	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023.

QIP Year	Project Name	WBS Number(s)	Total Linear Feet	Estimated Project Cost in QIP Application filed March 1, 2022	QIP 3 Midyear Reconciliation		End of QIP 3 Period			Reason for Variance
					Plant Additions July 2022-January 2023	Variance including July 2022-January 2023	Plant Additions February 2023-June 2023	Variance including February 2023-June 2023	Total Project Cost as of June 30, 2023	
3	Woodstock Cir	R12-02B2.21-P-0090	500	\$132,500	\$0	(\$132,500)	\$108,720	(\$23,780)	\$108,720	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Woodside Way/Ct	R12-02B2.21-P-0091	600	\$159,000	\$0	(\$159,000)	\$153,541	(\$5,459)	\$153,541	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Malabu Cir	R12-02B2.21-P-0092	900	\$238,500	\$0	(\$238,500)	\$202,222	(\$36,278)	\$202,222	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Tanforan Dr/Ct	R12-02B2.21-P-0093	2200	\$583,000	\$0	(\$583,000)	\$455,711	(\$127,289)	\$455,711	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Waterford Park	R12-02B2.21-P-0094	600	\$159,000	\$0	(\$159,000)	\$131,918	(\$27,082)	\$131,918	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Narragansett Park	R12-02B2.21-P-0095	350	\$92,750	\$0	(\$92,750)	\$103,239	\$10,489	\$103,239	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Oaklawn/Maywood Park	R12-02B2.21-P-0096	650	\$172,250	\$0	(\$172,250)	\$198,383	\$26,133	\$198,383	Reason for Variance: Contractor bids were higher than originally estimated. Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Canonero/Gunbow/Personality	R12-02B2.21-P-0097	1340	\$355,100	\$370,590	\$15,490	\$495,292	\$510,782	\$865,882	Reason for Variance: Contractor bids were higher than originally estimated. Pavement extents greater than planned.
3	Moundview Ct	R12-02B2.21-P-0098	920	\$243,800	\$0	(\$243,800)	\$220,169	(\$23,631)	\$220,169	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Wood Valley Ct	R12-02B2.21-P-0099	910	\$241,150	\$0	(\$241,150)	\$241,815	\$665	\$241,815	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Derby Dr	R12-02B2.21-P-0100	890	\$235,850	\$39,668	(\$196,182)	\$207,999	\$11,817	\$247,667	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Headley Ave	R12-02B2.21-P-0101	1520	\$402,800	\$0	(\$402,800)	\$485,743	\$82,943	\$485,743	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023. Change order item for an additional valve excavation and change in connection type (from cut/cap to use of tee fittings).
3	Jane St	R12-02B2.22-P-0002	700	\$185,500	\$0	(\$185,500)	\$243,562	\$58,062	\$243,562	Reason for Variance: Additional cast iron main found in the area and added to scope of work. Additional 8" tap required. Project is still underway, pending completion of restoration work in summer 2023.
3	Ferguson St/Martin St	R12-02B2.22-P-0003	860	\$227,900	\$0	(\$227,900)	\$185,398	(\$42,502)	\$185,398	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Coolidge St	R12-02B2.22-P-0004	500	\$132,500	\$0	(\$132,500)	\$111,448	(\$21,052)	\$111,448	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Anderson St	R12-02B2.22-P-0005	680	\$180,200	\$0	(\$180,200)	\$136,929	(\$43,271)	\$136,929	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Warren Ct	R12-02B2.22-P-0006	350	\$92,750	\$0	(\$92,750)	\$103,510	\$10,760	\$103,510	Reason for Variance: Slight additions to materials and pavement quantities.

QIP Year	Project Name	WBS Number(s)	Total Linear Feet	Estimated Project Cost in QIP Application filed March 1, 2022	QIP 3 Midyear Reconciliation		End of QIP 3 Period			Reason for Variance
					Plant Additions July 2022-January 2023	Variance including July 2022-January 2023	Plant Additions February 2023-June 2023	Variance including February 2023-June 2023	Total Project Cost as of June 30, 2023	
3	Chrysalis Ct	R12-02B2.22-P-0007	350	\$92,750	\$106,679	\$13,929	(\$513)	\$13,416	\$106,166	Reason for Variance: Slight additions to materials and pavement quantities.
3	Kenton St	R12-02B2.22-P-0008	800	\$212,000	\$0	(\$212,000)	\$228,992	\$16,992	\$228,992	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Campbell St	R12-02B2.22-P-0009	800	\$212,000	\$0	(\$212,000)	\$225,831	\$13,831	\$225,831	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.
3	Toner St/Sheila Ct/Harken Ct	R12-02B2.22-P-0010	900	\$238,500	\$330,838	\$92,338	(\$1,960)	\$90,378	\$328,878	Reason for Variance: Nearly all service lines along this road required full replacement and additional plumbing services. This area is a historic area and additional protection measures were needed during restoration.
3	Elsmere Park	R12-02B2.22-P-0011	850	\$225,250	\$402,293	\$177,043	\$219,929	\$396,972	\$622,222	Reason for Variance: Nearly all service lines along this road required full replacement and additional plumbing services. This area is a historic area and additional protection measures were needed during restoration. Specialty curb sections and concrete pavement were required per LFUCG Historic Preservation.
3	Briarwood Dr	R12-02B2.22-P-0012	2250	\$596,250	\$0	(\$596,250)	\$596,190	(\$60)	\$596,190	Reason for Variance: Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Redwood Dr/Cir	R12-02B2.22-P-0013	3000	\$795,000	\$0	(\$795,000)	\$533,938	(\$261,062)	\$533,938	Reason for Variance: Project is still underway, pending completion of service line and restoration work in summer 2023.
3	Edinburgh Ct	R12-02B2.20-P-0023	330	\$87,450	\$0	(\$87,450)	\$52,114	(\$35,336)	\$52,114	Reason for Variance: Project is still underway, pending completion of restoration work in summer 2023.

Total Linear Feet / Total Miles	Estimated Project Cost in QIP Application filed March 1, 2022	QIP 3 Midyear Reconciliation		End of QIP 3 Period		
		Plant Additions July 2022-January 2023	Variance including July 2022-January 2023	Plant Additions February 2023-June 2023	Variance including February 2023-June 2023	Total Project Cost as of June 30, 2023
67,580 12.8	\$17,908,700	\$7,396,888	-\$10,511,812	\$12,115,231	\$1,603,419	\$19,512,119

KENTUCKY-AMERICAN WATER COMPANY

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

KENTUCKY-AMERICAN WATER COMPANY

2300 Richmond Road
Lexington, KY 40502

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

RATES – CHARGES – RULES – REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

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

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

ISSUED: September 28, 2023

Approved:

EFFECTIVE: February 6, 2024

ISSUED BY: /s/ Kathryn Nash

Kathryn Nash
President
2300 Richmond Road, Lexington, KY 40502

RATES

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

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

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

(R) 0.09%

(R) signifies reduction

ISSUED: September 28, 2023
EFFECTIVE: February 6, 2024

Approved:

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