

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

**IN THE MATTER OF:**

<b>APPLICATION OF KENTUCKY-</b>	)	
<b>AMERICAN WATER COMPANY TO</b>	)	<b>CASE NO. 2024-00173</b>
<b>AMEND TARIFF TO REVISE QUALIFIED</b>	)	
<b>INFRASTRUCTURE PROGRAM CHARGE</b>	)	

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

**Filed: May 31, 2024**

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 Qualified Infrastructure  
9 Program (“QIP”) Case No. 2023-00030 (“QIP 4”) and Case No. 2023-00300 (“QIP 3  
10 Balancing Adjustment”), as well as Case No. 2023-00191 (“Rate Case”). I have also  
11 previously submitted testimony before the Indiana Utility Regulatory Commission in  
12 support of Northern Indiana Public Service Company LLC’s gas rate case in Cause No.  
13 45621 and the Public Service Commission of Maryland in support of Columbia Gas of  
14 Maryland, Inc.’s gas rate case in Case No. 9644.

15 Q. Please state your educational and professional background.

16 A. I graduated from the Kelley School of Business, Indiana University, Bloomington, Indiana,  
17 in 2007 as a Bachelor of Science in Business Administration, and in 2008 as a Master of  
18 Business Administration, both with a major in Accounting. My professional career started  
19 with Ernst & Young, LLP, as an Intern during the summers of 2006 and 2007 before  
20 working full-time as an Associate from 2008 to 2010 and Senior Associate from 2010 to  
21 2011 with the firm’s tax practice in Chicago, Illinois. Prior to joining American Water, I  
22 worked for NiSource Inc. from 2011 to 2022, where I held various roles during my tenure,  
23 including Senior Financial Analyst in Accounting, Lead Financial Planning Analyst, Lead  
24 Regulatory Strategy and Support Analyst, Capital Planning and Execution Manager, and

1 Manager, Regulatory – Rate Case Optimization. I accepted my current position of Senior  
2 Manager, Rates and Regulatory, for Kentucky-American Water Company on October 3,  
3 2022.

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

5 A. The purpose of my testimony is to describe and support the calculated amount of KAW's  
6 proposed QIP Rider Charge for the period beginning September 1, 2024, and ending  
7 December 31, 2024 ("QIP 5"). KAW's QIP was approved by the Commission in its June  
8 27, 2019, Order in Case No. 2018-00358 and continued by the Commission in its May 3,  
9 2024, Order in Case No. 2023-00191, which was KAW's last general water rate case. I  
10 will also describe how the proposed QIP Rider Charge reflects the pending Petition for  
11 Rehearing filed by KAW on May 16, 2024, within the Rate Case, and the pending Petition  
12 for Rehearing filed by KAW on May 21, 2024, within the QIP 3 Balancing Adjustment  
13 case. This filing is being made as required by the Commission in Ordering Paragraph 4 of  
14 its May 3, 2024, Order in the QIP 3 Balancing Adjustment case, for rates effective  
15 September 1, 2024.

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

17 A. Yes. I am sponsoring Exhibit 1 to my testimony which shows the QIP 5 calculations that  
18 lead to the updated QIP Rider Charge being proposed in this case. I am also sponsoring  
19 my workpapers as an Excel file titled KAW\_DT\_JN\_WP\_053124.

20 **Q. Are KAW's calculations in this case consistent with the Commission's Orders in  
21 KAW's previous QIP cases and most recent Rate Case?**

22 A. Yes, with a couple of key items of note. First, consistent with KAW's Petition for  
23 Rehearing in the QIP 3 Balancing Adjustment case, KAW is proposing that the QIP 5

1 period be the four-months ending December 31, 2024, rather than a twelve-month period  
2 ending August 31, 2025, to allow future QIP periods to align with a calendar year.  
3 Accordingly, KAW is providing calculation of a prorated QIP 5 revenue requirement by  
4 dividing the annualized QIP 5 revenue requirement by 365 days and multiplying the result  
5 by 122 days, the number of days in the proposed QIP 5 period. Likewise, and in the same  
6 fashion, KAW is providing prorated annualized base revenues from the Rate Case for the  
7 proposed QIP 5 period. Dividing the prorated QIP 5 revenue requirement by the prorated  
8 base revenues from the Rate Case, you arrive at the proposed QIP 5 Rider Charge being  
9 proposed in this case. It is worth noting that the resulting QIP 5 Rider Charge is the same  
10 whether you calculate using annualized or prorated revenues and will be equal to the QIP  
11 4 Rider Charge in the QIP 3 Balancing Adjustment case, excluding the QIP 3 Balancing  
12 Adjustment Rider Charge. In addition to aligning future QIP periods with a calendar year,  
13 the purpose of this filing is to remove the QIP 3 Balancing Adjustment that should be fully  
14 recovered by the beginning of the QIP 5 period. The result is a QIP 5 Rider Charge equal  
15 to the QIP 4 Rider Charge, excluding the QIP 3 Balancing Adjustment, since there are no  
16 new QIP investments being proposed in the QIP 5 period because the recovery of costs  
17 related to scheduled main replacement investments during that period are reflected in the  
18 revenues from the Rate Case. Second, KAW is presenting its QIP 5 calculations using both  
19 the base revenues from the Commission's May 3, 2024, Rate Case Order and from KAW's  
20 May 16, 2024, Petition for Rehearing in the Rate Case.

## 21 II. DESCRIPTION OF THE QIP RIDER

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

23 A. The QIP Rider is a regulatory tool to provide for the recovery of the costs of capital,  
24 depreciation and taxes associated with qualified infrastructure investment between base

1 rate case filings. KAW's tariff on file with the Commission describes the QIP Rider at  
2 Sheet Nos. 48-49.

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

5 A. Yes. KAW seeks the Commission's approval of the proposed QIP 5 Rider charge of 6.41  
6 percent, as set forth in the proposed tariff sheets attached as Exhibit 2 to my testimony.

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

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

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

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

15 A. Yes. The calculation of the QIP Rider in this case is attached as Exhibit 1 to this testimony.  
16 All supporting calculations for the QIP Rider are set forth in the Excel file being submitted  
17 electronically along with this testimony.

18 **Q. What is the proposed QIP Rider revenues and QIP Rider percentage KAW is**  
19 **requesting?**

20 A. KAW is proposing a QIP Rider amount that would result in continued recovery of  
21 \$7,735,980 of annualized QIP Rider revenues, or a QIP Rider percentage of 6.41 percent,  
22 of which prorated QIP Rider revenues of \$2,585,725 is expected to be collected during the  
23 four-month QIP 5 period ending December 31, 2024. This represents a 0.29 percent  
24 decrease to the QIP Rider Charge percentage. Calculations of both the annualized and

1 prorated QIP Rider revenues, as well as the QIP Rider percentage, are summarized on  
2 Exhibit 1 of my testimony and in the Excel file being submitted electronically along with  
3 this testimony on the workbook sheet labelled “Summary Adjustment.” KAW will update  
4 the QIP Rider percentage if base revenues from the Rate Case are ultimately different than  
5 currently presented.

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

7 A. Yes. New proposed tariff sheets are attached to my testimony as Exhibit 2, which is an  
8 Eighth Sheet No. 49, setting forth the rate of 6.41 percent.

9 **IV. CONCLUSION**

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

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

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

13 A. Yes, it does.



Kentucky-American Water Company  
Case No. 2024-00173  
QIP 5 Filing  
For the Four Months Ended December 31, 2024

Page 1 of 2

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	Base Revenues - Case No. 2023-00191	\$122,919,594	\$120,635,314
10	Prorated 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	Base Revenues - Case No. 2023-00191	122,919,594	120,635,314
14	QIP 4 Rider Charge	6.29%	6.41%
<b>(3) QIP 4 Rider Charge with QIP 3 Balancing Adjustment</b>			
15	QIP 4 Rider Charge	6.29%	6.41%
16	QIP 3 Balancing Adjustment Rider Charge	0.29%	0.29%
17	Total QIP 4 Rider Charge	6.58%	6.70%
<b>(4) QIP 5 Rider Charge</b>			
18	QIP 5 Revenue Requirement	\$7,735,980	\$7,735,980
19	Base Revenues - Case No. 2023-00191	122,919,594	120,635,314
20	QIP 5 Rider Charge	6.29%	6.41%
<b>(5) Prorated QIP 5 Revenue Requirement for Future QIP 5 Balancing Adjustment / QIP 5 Rider Charge Proof</b>			
21	Prorated QIP 5 Revenue Requirement [B][C]	\$2,585,725	\$2,585,725
22	Prorated Base Revenues - Case No. 2023-00191 [C]	41,085,453	40,321,941
23	QIP 5 Rider Charge	6.29%	6.41%

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

[B] Prorated QIP 5 Revenue Requirement will be trued up with actuals for QIP 5 Balancing Adjustment

[C] QIP 5 Rider Charge Effective Days - 122 (September 1, 2024 through December 31, 2024)



Line No.		Case No. 2021-00376	Case No. 2022-00328	Case No. 2022-00300	Case No. 2023-00030	Case No. 2024-00173	Total QIP
		QIP 1	QIP 2	QIP 3	QIP 4	QIP 5	
		As of June 30, 2021	As of June 30, 2022	As of June 30, 2023	13 Mo. Avg. Ended June 30, 2024	4 Mo. Avg. Ended December 31, 2024	
		July 2020 - June 2021	July 2021 - June 2022	July 2022 - June 2023	July 2023 - June 2024	September 2024 - December 2024	
1	QIP Plant Additions	\$9,328,645	\$19,931,459	\$28,150,400	\$9,728,609	\$0	\$67,139,113
2	Retirements	(633,049)	(414,148)	(524,527)	(219,472)		(1,791,196)
3	<b>Net Change to Gross Plant</b>	<b>8,695,596</b>	<b>19,517,311</b>	<b>27,625,873</b>	<b>9,509,137</b>	<b>0</b>	<b>65,347,917</b>
4							
5	Cost of Removal	549,261	2,433,439	(659,177)	972,861		3,296,384
6	Retirements	633,049	414,148	524,527	219,472		1,791,196
7	Depreciation Accrual - QIP 1	(137,516)					(137,516)
8	Depreciation Accrual - QIP 2		(311,545)				(311,545)
9	Depreciation Accrual - QIP 3			(422,676)			(422,676)
10	Depreciation Accrual - QIP 4				(145,490)		(145,490)
11	<b>Net Change to Accum Depr</b>	<b>1,044,794</b>	<b>2,536,041</b>	<b>(557,326)</b>	<b>1,046,843</b>	<b>0</b>	<b>4,070,353</b>
12							
13	<b>Net Change to Net Plant</b>	<b>9,740,390</b>	<b>22,053,352</b>	<b>27,068,547</b>	<b>10,555,980</b>		<b>69,418,270</b>
14	Accumulated Deferred Taxes - QIP 1	(1,550,183)					(1,550,183)
15	Accumulated Deferred Taxes - QIP 2		(3,674,353)				(3,674,353)
16	Accumulated Deferred Taxes - QIP 3			(1,663,894)			(1,663,894)
17	Accumulated Deferred Taxes - QIP 4				(1,747,671)		(1,747,671)
18	<b>Net Change to Rate Base</b>	<b>8,190,207</b>	<b>18,379,000</b>	<b>25,404,653</b>	<b>8,808,309</b>	<b>0</b>	<b>60,782,170</b>
19	Pre-Tax Rate of Return	9.28%	9.28%	9.28%	9.28%		9.28%
20	QIP Revenue on Net Change to Rate Base	760,223	1,705,957	2,358,085	817,596	0	5,641,862
21	QIP Depreciation Expense - QIP 1	137,516					137,516
22	QIP Depreciation Expense - QIP 2		311,545				311,545
23	QIP Depreciation Expense - QIP 3			422,676			422,676
24	QIP Depreciation Expense - QIP 4				145,490		145,490
25	QIP Property Taxes - QIP 1	120,869	21,361	(4,348)	7,826		145,708
26	QIP Property Taxes - QIP 2		261,532	(9,759)	17,566		269,339
27	QIP Property Taxes - QIP 3			362,929	24,376		387,305
28	QIP Property Taxes - QIP 4				274,540		274,540
29							
30	<b>QIP Revenue Requirement Rate Adj</b>	<b>\$1,018,608</b>	<b>\$2,300,395</b>	<b>\$3,129,584</b>	<b>\$1,287,393</b>	<b>\$0</b>	<b>\$7,735,980</b>
31							
32	Revenues - Rehearing Request in Case No. 2023-00300	\$120,635,314	\$120,635,314	\$120,635,314	\$120,635,314	\$120,635,314	\$120,635,314
33	QIP Rider Charge	0.84%	1.91%	2.59%	1.07%	0.00%	6.41%

**KENTUCKY-AMERICAN WATER COMPANY**

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

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**KENTUCKY-AMERICAN WATER COMPANY**

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2300 Richmond Road  
Lexington, KY 40502

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

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**RATES – CHARGES – RULES – REGULATIONS**

FOR FURNISHING

**WATER SERVICE**

AT

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

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FILED WITH THE

**PUBLIC SERVICE COMMISSION**

OF

**KENTUCKY**

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**ISSUED: May 31, 2024**  
**EFFECTIVE: September 1, 2024**

**Approved:**

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

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**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) 6.41%

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ISSUED: May 31, 2024  
EFFECTIVE: September 1, 2024

Approved:

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