

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

<b>IN THE MATTER OF:</b>	)	
	)	
<b>APPLICATION OF KENTUCKY-</b>	)	
<b>AMERICAN WATER COMPANY TO</b>	)	<b>CASE NO. 2024-00272</b>
<b>AMEND TARIFF TO REVISE QUALIFIED</b>	)	
<b>INFRASTRUCTURE PROGRAM CHARGE</b>	)	

**APPLICATION AND MOTON FOR INFORMAL CONFERENCE**

Kentucky-American Water Company (“KAW”) hereby applies to the Kentucky Public Service Commission (“Commission”) pursuant to the authority originally granted in the Commission’s Order dated June 27, 2019 in Case No. 2018-00358 and the Commission’s plenary authority under KRS 278.030 and KRS 278.040 to revise its Qualified Infrastructure Program (“QIP”) Rider charge. KAW also hereby moves the Commission pursuant to 807 KAR 5:001, Section 9(4) to schedule an informal conference so that KAW can explain its proposal in this case and answer any questions Commission Staff has about that proposal. In support of its Application, KAW states as follows:

1. KAW is a corporation organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 2300 Richmond Road, Lexington, Kentucky 40502. KAW can be contacted by e-mail via the e-mail addresses of its counsel set forth below. KAW was incorporated on February 27, 1882 and is currently in good standing in the Commonwealth of Kentucky.

2. KAW is a wholly-owned subsidiary of American Water Works Company, Inc. (“American Water”) and is engaged in the distribution and sale of water in its Central Division, consisting of Bourbon, Clark, Fayette, Franklin, Harrison, Jessamine, Nicholas, Scott and

Woodford Counties; its Northern Division, consisting of Gallatin, Owen and Grant Counties; and its Southern Division, consisting of Rockcastle and Jackson Counties. It currently owns, operates, and maintains potable water production, treatment, storage, transmission, and distribution systems for the purpose of furnishing potable water for residential, commercial, industrial, and governmental users in its service territory.

3. In its 2018 rate case, Case No. 2018-00358, KAW explained its need to replace and/or upgrade its aging infrastructure to fulfill its obligations of providing safe, adequate, and reliable water service. Because of the substantial capital expenditures involved in performing the replacements and upgrades, KAW proposed the QIP as a tariff rate adjustment mechanism to allow KAW to make capital improvements to its system and recover the costs of such improvements on a timely basis. KAW proposed that it file an annual filing based on the forecasted test-period expense with an annual “balancing” or “reconciliation” filing of projected costs to actual costs.

4. The Commission originally approved KAW’s proposed QIP mechanism in its Final Order in Case No. 2018-00358 and directed KAW to file its first annual QIP filing no later than April 2, 2020 for the QIP Year 1 forecasted test period of July 1, 2020 through June 30, 2021. KAW made subsequent annual filings for: QIP Year 2 (July 1, 2021 – June 30, 2022) in Case No. 2021-00090; QIP Year 3 (July 1, 2022 – June 30, 2022) in Case No. 2022-0032; and QIP Year 4 (July 1, 2023 – June 30, 2024) in Case No. 2023-00030.

5. Based on Commission decisions in KAW’s pending general rate case (Case No. 2023-00191) and in the “balancing” or “reconciliation” case for QIP Year 3 (Case No. 2023-00300), on May 31, 2024, KAW made its QIP 5 period filing for the period September 1, 2024 - December 31, 2024 in Case No. 2024-00173. No new investment was proposed in that QIP 5 case. Now, consistent with the Commission’s August 12, 2024 decision on rehearing in Case No. 2023-

00300<sup>1</sup> which approved KAW's request to move a "QIP Year" to align with a calendar year, KAW makes this filing for QIP Year 6 for the period January 1, 2025 – December 31, 2025 ("QIP 6 2025") with the revised QIP Charge to be effective for service rendered on and after January 1, 2025.

6. KAW hereby requests a procedural schedule that allows for a January 1, 2025 effective date for the proposed increased QIP Rider amount. The QIP Rider as of September 1, 2024 is 6.41%. The requested increase consists of 1.84% for QIP 6 2025 investments to be made during 2025 and 3.04% for the balancing adjustment for the QIP Year 4 period that ended June 30, 2024. Thus, the proposed cumulative amount is 11.29% which amount is reflected in the proposed tariff sheets attached hereto as Exhibit 1.

7. KAW supports its request with the verified testimony and exhibits of Dominic J. DeGrazia, Senior Manager, Rates and Regulatory for KAW, and the verified testimony and exhibits of Shelley Porter, Director of Engineering for KAW. Mr. DeGrazia supports the calculation of the requested increase of the QIP Rider and presents the proposed tariff sheets attached hereto as Exhibit 1. Ms. Porter describes the projects KAW plans to complete that are eligible for recovery under the QIP Rider and the cost savings measures that have been taken to keep overall cost to a minimum.

8. Ms. Porter's testimony identifies and describes the process of selecting the proposed cast iron and galvanized main replacement projects, partnering with stakeholders, and obtaining competitive bids for executing projects. The testimony also identifies and describes the projects proposed for QIP 6 2025. Maps and cost estimates for each of the proposed pipeline construction projects are attached to her testimony.

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<sup>1</sup> Case No. 2023-00300 was the case for KAW's QIP Year 3 Balancing Adjustment.

9. The proposed QIP projects are replacement projects for which Certificates of Public Convenience and Necessity (“CPCNs”) are not required. Pursuant to 807 KAR 5:001, Section 15(3), “extensions in the ordinary course of business” are exempt from the CPCN requirement. KRS 278.020(1), 807 KAR 5:001, Section 15(3), and previous Commission decisions list three factors for review when considering the need to apply for a CPCN. A CPCN is not necessary “for facilities that do not result in the wasteful duplication of utility plant, do not compete with the facilities of existing public utilities, and do not involve a sufficient capital outlay to materially affect the existing financial condition of the utility involved or to require an increase in rates.”<sup>2</sup> The proposed projects do not meet any of these three factors.

10. Pursuant to 807 KAR 5:001, Section 8, on August 15, 2024, KAW filed with the Commission its Notice of Intent to file this Application along with its notice of election to use electronic filing procedures in this proceeding.

11. Pursuant to 807 KAR 5:011, Section 8, KAW has provided notice to customers by newspaper publication. In addition, the Customer Notice has been physically posted at the KAW office and electronically posted on KAW’s website. KAW’s website also contains a hyperlink to the Commission’s website where the Customer Notice, Application, and other filings can be accessed by the public. KAW will file proof of notice with the Commission as required by 807 KAR 5:011, Section 8(3) within 45 days.

12. KAW hereby moves the Commission pursuant to 807 KAR 5:001, Section 9(4) to schedule an informal conference in this proceeding. With all of the recent activity regarding the QIP mechanism in KAW’s pending rate case (Case No. 2023-00191) and in the rehearing process

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<sup>2</sup> *Conrad v. Lexington-Fayette Urban County Government*, 659 S.W.2d 190, 195 (Ky. 1983) (citing *Queenan v. City of Louisville*, 233 S.W.2d 1010 (Ky. 1950)). See also *Lyon v. County of Warren*, 325 S.W.2d 302 (Ky. 1959) (publishing notice of bond referendum outside statutory time limits, accompanied by media attention and other means, held sufficient notice to public).

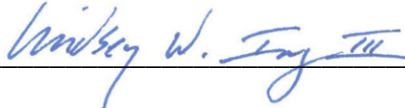
in KAW's QIP Year 3 balancing adjustment case (Case No. 2023-00300), KAW believes an informal conference may assist Commission Staff in the efficient review and evaluation of proposal in this case. Representatives of the Company will be available to explain the proposal and answer questions of Commission Staff and any intervening party regarding the proposal. KAW is willing to appear either in-person at the Commission's offices or remotely by video conference.

**WHEREFORE**, Kentucky-American Water Company respectfully requests the Kentucky Public Service Commission to enter an order approving the proposed tariff adjustment for Kentucky-American Water Company's Qualified Infrastructure Program Rider and granting all other relief to which Kentucky-American Water Company may be entitled.

Date: August 30, 2024

Respectfully submitted,

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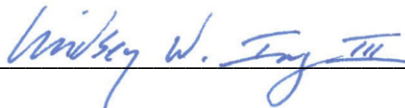
BY:  \_\_\_\_\_

Attorneys for Kentucky-American Water Company

**CERTIFICATE**

This certifies that Kentucky-American Water Company's electronic filing is a true and accurate copy of the documents in paper medium; that the electronic filing has been transmitted to the Commission on August 30, 2024; and that no party has been excused from participation by electronic means.

STOLL KEENON OGDEN PLLC

By  \_\_\_\_\_

Attorneys for Kentucky-American Water Company

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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:** August 30, 2024

**Approved:**

**EFFECTIVE:** January 1, 2025

**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 in a filing that includes the (1) projected costs for each QIP period and (2) a balancing adjustment that trues up the projected program costs and revenues with the actuals for the preceding annual QIP period. The annual filing will be submitted at least 120 days prior to the commencement of the QIP period, which will commence on September 1 each year and run through August 31 of the subsequent year.

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. The percentage is calculated by dividing the QIP revenue requirement by the water revenues authorized in the Company's most recent rate case and multiplying the resulting QIP period by the number of days the QIP percentage will be in effect, divided by 365 days (366 days in a leap year). 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:

(I) 11.29%

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**ISSUED:** August 30, 2024  
**EFFECTIVE:** January 1, 2025

**Approved:**

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