

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF KENTUCKY-)
AMERICAN WATER COMPANY TO) CASE NO. 2024-00272
AMEND TARIFF TO REVISE QUALIFIED)
INFRASTRUCTURE PROGRAM CHARGE)

DIRECT TESTIMONY OF DOMINIC J. DEGRAZIA
SENIOR MANAGER, RATES AND REGULATORY
KENTUCKY-AMERICAN WATER COMPANY, INC.

Filed: August 30, 2024

1 I. INTRODUCTION

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

3 A. My name is Dominic J. DeGrazia. 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. I have submitted testimony before the Pennsylvania Public Utility Commission and
9 Tennessee Public Utilities Commission.

10 Q. Please state your educational and professional background.

11 A. I graduated from Arizona State University of Tempe, Arizona with a Master’s in Business
12 Administration in 2009, with a Finance emphasis. I also graduated from Drexel University
13 of Philadelphia, Pennsylvania with a Bachelor of Science Degree in Finance and
14 Economics in 2001. In September 2019, I earned the Chartered Financial Analyst
15 credential. I began my employment in a contract role as a Financial Analyst with New
16 Jersey-American Water Company in October 2011, providing analytical support for the
17 Financial Planning and Rates Department. In August 2013, I started full time with
18 American Water Works Service Company, working as a Financial Analyst in the Financial
19 Planning and Analysis Department. In this capacity, I supported the budgeting and
20 consolidated reporting process for all American Water Works Company, Inc. (“AWW”)
21 subsidiaries, including KAW. In 2015, I was promoted to a Senior Financial Analyst role
22 where I worked in the Budgeting & Internal Reporting Department. In this role, I was
23 primarily responsible for consolidating the long-term financial plans for all AWW

1 subsidiaries. In October 2018, I was promoted to Principal Regulatory Analyst in the
2 Regulatory Services Department where my duties required me to prepare and present
3 regulatory filings and participate in related activities for Pennsylvania-American Water
4 Company and West-Virginia American Company. In March 2023, I was promoted to the
5 position of Senior Manager Regulatory Services. In August 2024, I was promoted to my
6 current position of Senior Manager, Rates and Regulatory for KAW.

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

8 A. KAW's Qualified Infrastructure Program ("QIP") was originally approved by the
9 Commission in its June 27, 2019, Order in Case No. 2018-00358 and continued by the
10 Commission in its May 3, 2024, Order in Case No. 2023-00191, which is KAW's pending
11 rate case. The purpose of my testimony is to describe and support the calculated amount
12 of KAW's proposed QIP Rider Charge for investments made during the period beginning
13 January 1, 2025, and ending December 31, 2025 which is for QIP Year 6 ("QIP 6 2025").
14 I will also describe how the proposed QIP Rider Charge reflects the QIP Year 4 Balancing
15 Adjustment. The QIP mechanism, as approved by the Commission, includes an annual
16 Balancing Adjustment process which has historically been made within 90 days after the
17 conclusion of each QIP annual period. So, for QIP Year 4, which ended June 30, 2024, it
18 is now time to include that Balancing Adjustment and I describe that Balancing Adjustment
19 below.

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

21 A. Yes. I am sponsoring Exhibit 1 to my testimony which shows the QIP 6 2025 calculations
22 that lead to the updated QIP Rider Charge being proposed in this case. I am also sponsoring
23 my workpapers as an Excel file titled KAW_DT_DD_WP_083024.

1 **II. DESCRIPTION OF THE QIP RIDER MECHANISM**

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

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

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

9 A. Yes. KAW seeks the Commission’s approval of the proposed QIP 6 2025 Rider cumulative
10 charge of 11.29 percent, as set forth in the proposed tariff sheets attached as Exhibit 2 to
11 my testimony. The 11.29 percent consists of: the September 1, 2024 QIP charge of 6.41%,
12 plus an additional 1.84% for the QIP 6 2025 investments, plus an additional 3.04% for the
13 QIP Year 4 Balancing Adjustment.

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

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

20 **III. KEY COMPONENTS OF THE QIP RIDER**

21 **Q. What is the QIP forecasted period in this filing, which is QIP 6 2025?**

22 A. January 1, 2025 – December 31, 2025. This forecasted period, which is for the calendar
23 year 2025, is consistent with the Commission’s approval to move QIP forecasted years to

1 calendar years as set forth in the Commission’s August 12, 2024 Order in Case No. 2023-
2 00300.

3 **Q. Does this filing include a detailed listing of each qualifying QIP 6 2025 project for**
4 **which recovery is sought under this rider?**

5 A. Yes. KAW witness Shelley Porter discusses the details of the qualifying QIP projects for
6 which recovery is sought in this case.

7 **Q. Please describe the QIP revenue requirement calculation.**

8 A. The components of the revenue requirement calculation on Exhibit 1, page 1 include:

9 1. 13-Month Average Rate Base (Line No 1): The average Net Utility Plant In-Service for
10 the 13 months December 2024 through December 2025 minus QIP Accumulated Deferred
11 Income Taxes “ADIT”. The complete calculations can be found on the “QIP Capital &
12 Expense” and “QIP ADIT” tabs in the excel workpaper KAW_DT_DD_WP_083024. The
13 calculations components are broken down further below:

14 a. Utility Plant In-Service Additions: The Company’s forecasted eligible In-Service Plant
15 Additions.

16 b. Utility Plant Retirements: Calculated by multiplying the forecasted eligible in-service
17 plant additions and the retirement ratio of 2.26% used in Case No. 2023-00191.

18 c. Gross Utility Plant in Service: The previous month’s Gross Utility Plant in service plus
19 the current month’s Utility Plant In-Service Additions minus the current month’s Utility
20 Plant Retirements.

21 d. Net Change to Accumulated Depreciation: Calculated as the prior month’s Accumulated
22 Depreciation minus the current month’s calculated depreciation expense plus the current

1 month's cost of forecasted cost of removal and utility plant retirements (as calculated in
2 part (b)).

3 e. Net Utility Plant In-Service: Gross Utility Plant In-Service plus Net Change to
4 Accumulated Depreciation Balance.

5 f. QIP ADIT: Calculated QIP Accumulated Deferred Income Taxes

6
7 2. After-Tax Return (Line No 9): The qualified additions and removal expenditures, less
8 the related accumulated depreciation and QIP related accumulated deferred income taxes,
9 are multiplied by the rate of return on capital in Case No. 2023-00191.¹

10 3. Gross Revenue Conversion (Line No 11 & 12): The After-Tax Return is adjusted to a
11 pre-tax value to account for income taxes (federal, state taxes), along with bad debt /
12 uncollectible expense, and PSC / utility reg assessment fees using those factors as applied
13 in Case No. 2023-00191, as shown on Exhibit 1, page 4.

14 4. Depreciation and Property Tax Expense (Line No 18 & 19): The qualified plant additions
15 are reduced by the retirements associated with the QIP eligible additions in the calculation
16 of applicable depreciation and property tax expense. The depreciation rates last approved
17 by the Commission, for the respective plant accounts in which the specific items of QIP-
18 eligible plant are recorded, are used to determine the annual depreciation expense projected
19 for QIP 6 2025 period. The property tax rate for QIP utility plant is estimated at 1.40%
20 multiplied by the net plant balance.

21 5. Total QIP Revenue Requirement (Line No 24): The total QIP revenue requirement is
22 equal to the pre-tax return plus the depreciation and property tax.

¹ KAW has used the rate of return on capital of 7.26% as set forth in Exhibit 2, page 5 of 5 to KAW's May 16, 2024 Petition for Rehearing in Case No. 2023-00191.

1 6. QIP Percentage (Line No 35): The QIP percentage is calculated by dividing the total
2 QIP revenue requirement, which is made up of Prior QIP Revenue Requirement (Line No
3 26), the Incremental QIP Revenue (Line No 27), and Balancing Adjustment (Line No 28),
4 by the total Water Revenues from the Rehearing Request in Case No. 2023-00191.²

5 **Q. Are KAW's calculations in this case consistent with the Commission's Orders in**
6 **KAW's previous QIP cases and its pending rate case (Case No. 2023-00191)?**

7 A. Yes, with the following exceptions. In previous QIP cases, the pre-tax return was applied
8 to the rate base balance without factoring in incremental Bad Debt Rate / Uncollectible
9 Expense, and PSC / Utility Reg Assessment Fee on Debt Returns, Equity Returns, or
10 expenses. In the QIP 6 calculation on Exhibit 1, page 1 (Line 11 & Line 12), the gross
11 revenue conversion factor from the pending Case No. 2023-00191 was utilized in the
12 QIP calculations to account for those incremental expenses (Income Taxes, Bad Debt Rate/
13 Uncollectible Expense, and PSC / Utility Reg Assessment Fee). This is consistent with the
14 language changes related to use of a gross revenue conversion factor in the QIP calculation
15 as approved by the Commission in KAW's QIP Tariff Sheet No. 48 effective May 3, 2024.
16 This is also consistent with how the Company's revenue requirement was calculated in
17 Case No. 2023-00191, by taking the After-Tax Rate of Return multiplied by the Net
18 Original Cost Rate Base to determine the Authorized Net Operating Income, with any
19 shortfall grossed up for applicable taxes and fees.³

20 For QIP 6 2025, the Company applied this gross revenue conversion to each
21 component. As noted earlier in my testimony, the After-Tax Rate of Return (both Debt

² KAW has used the water revenues of \$120,635,314 as set forth in Exhibit 2, page 3 of 5 to KAW May 16, 2024 Petition for Rehearing in Case No. 2023-00191.

³ See Exhibit 2, pages 1, 4, and 5 of 5 to KAW's May 16, 2024 Petition for Rehearing in Case No. 2023-00191.

1 and Equity) was applied to the 13-month average rate base balance ending December 31,
2 2025. This After-Tax Return, separated by Debt and Equity, was multiplied by the gross
3 revenue conversion factor to determine the Pre-Tax Return. For Debt, a gross conversion
4 factor of 100.7396% was applied to capture only the gross-up necessary for Bad Debt
5 Rate/Uncollectible Expense and PSC/Utility Reg Assessment Fees. For Equity, a gross
6 revenue conversion factor 134.2300% was applied to capture the gross-up necessary for
7 federal and state income taxes, along with the Bad Debt Rate/Uncollectible Expense and
8 PSC/Utility Reg Assessment Fees.

9 Similarly, the after-tax expense for Depreciation and Property tax was also
10 multiplied by the gross conversion factor of 100.7396% to capture the gross-up necessary
11 for Bad Debt Rate/Uncollectible Expense and PSC/Utility Reg Assessment Fees.

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

14 A. Yes, with the following exceptions due to the pending rate case. The Balancing
15 Adjustment for QIP Year 4 is an under-recovery for the period ended June 30, 2024, and
16 the denominator used for the under-recovery calculation is different than previous QIP
17 balancing adjustments as it is based on the revenues KAW has set forth in the pending
18 rehearing request in Case No. 2023-00191, totaling \$120,635,314.

19 **Q. What are the contributing factors for the QIP 4 balancing adjustment amount of**
20 **3.04% reflecting the under collection for the period of July 1, 2023 through June 30,**
21 **2024?**

22 A. The first contributing factor was a delay in the Commission's processing of the QIP Year
23 4 case, Case No. 2023-00030. The proposed effective date of the charge in that case was

1 July 1, 2023, but the Commission's decision in that case was not issued until September
2 29, 2023 with the effective date of the charge in that case deemed to be October 1, 2023.
3 The second contributing factor is related to the timing of the Commission's decision in the
4 pending rate case and the Commission's decision not to roll QIP charges into base rates.
5 When the Commission did not decide the rate case prior to the end of the suspension period,
6 KAW elected to implement proposed rates on February 6, 2024. That election also meant
7 that the QIP charge was set to 0% effective February 6, 2024, because that was what KAW
8 had proposed as part of the roll-in of QIP into base rates. However, when the Commission
9 issued its decision on May 3, 2024 in the rate case, the Commission decided *not* to roll QIP
10 into base rates. This led to an under recovery of QIP charges for the period February 6,
11 2024 through June 26, 2024. The third contributing factor is the fact that KAW's actual
12 spend for QIP 4 projects was more than originally forecasted. As Ms. Porter explains in
13 her testimony and Exhibit 4 of her testimony, the forecast was for approximately \$20.1
14 million of investments, but KAW's actually made approximately \$22.2 million of
15 investments.

16 IV. QIP CALCULATION AND PROPOSED TARIFF

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

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

21 **Q. What is the proposed QIP Rider revenues and QIP Rider percentage KAW is**
22 **requesting?**

23 A. KAW is proposing a QIP Rider amount that would result in continued recovery of
24 \$7,735,980 of annualized QIP Rider revenues, or a QIP Rider percentage of 6.41 percent,

1 and incremental QIP Revenue of \$2,213,890 of annualized QIP Rider revenues, or a QIP
2 Rider percentage of 1.84 percent, and a balancing adjustment QIP Revenue of \$3,666,335
3 of annualized QIP Rider revenues, or a QIP Rider percentage of 3.04 percent. This totals
4 11.29 percent.

5 **Q. Has KAW used the revenues it has proposed in the rehearing process in Case No.**
6 **2023-00191 in calculating the proposed QIP 2025 charge in this filing?**

7 A. Yes. As shown in the record in the rehearing process in KAW's pending rate case, the
8 correct revenues should be \$120,635,314. Because that number is correct, KAW has relied
9 on it in calculating the proposed QIP 6 2025 charge in this matter.

10 **Q. Has KAW published an updated Customer Notice reflecting the revisions discussed**
11 **above?**

12 A. Yes. KAW has published a Customer Notice for the revised cumulative charge of 11.29%
13 (6.41% + 1.84% + 3.04% = 11.29%). As set forth in KAW's Application in this matter,
14 KAW will provide proof of that publication in the near future.

15 **Q. Will you summarize the components of the revised cumulative request of 11.29%**
16 **discussed above?**

17 A. Yes. The cumulative charge of 11.29% consists of the 6.41% resulting from KAW's QIP
18 5 case (Case No. 2024-00173), plus the 1.84% incremental revenue from QIP 6 2025
19 forecasted projects for the calendar year 2025, plus 3.04% from the QIP 4 balancing
20 adjustment the reflecting the cumulative amount of rate base including the 13-Month
21 average ending June 2024.

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

1 A. Yes. New proposed tariff sheets are attached to the Application as Exhibit 1 setting forth
2 the rate of 11.29 percent.

3 **V. 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.

Case No. 2024-00272

QIP 6 Revenues

Case No. 2024-00272

QIP 6

January - December

2025

Line No.		
1	13-Month Average Rate Base	\$82,249,891
2		
3	After-Tax Rate of Return - Debt	2.16%
4	After-Tax Rate of Return - Equity	5.10%
5	After-Tax Rate of Return - Total	7.26%
6		
7	After-Tax Return - Debt (Line 1 x Line 3)	\$1,776,598
8	After-Tax Return - Equity (Line 1 x Line 4)	4,194,744
9	After-Tax Return - Total (Line 7 + Line 8)	\$5,971,342
10		
11	Gross Revenue Conversion Factor - Debt & Expense	100.7396%
12	Gross Revenue Conversion Factor - Equity	134.2300%
13		
14	Pre-Tax Return - Debt (Line 7 x Line 11)	\$1,789,738
15	Pre-Tax Return - Equity (Line 8 x Line 12)	5,630,606
16	Pre-Tax Return - Total (Line 7 + Line 8)	\$7,420,344
17		
18	After-Tax Expense - Depreciation	\$1,274,298
19	After-Tax Expense - Property Tax	1,236,656
20	After-Tax Expense - Total	\$2,510,954
21		
22	Pre-Tax Expense Total (Line 20 x Line 11)	\$2,529,526
23		
24	Total QIP Revenue Requirement (Line 16 + Line 22)	\$9,949,870
25		
26	Prior QIP Revenue Requirement	\$7,735,980
27	Incremental QIP Revenue (Line 24 - Line 26)	2,213,890
28	Balancing Adjustment	3,666,335
29		
30	Revenues - Rehearing Request in Case No. 2023-00191	\$120,635,314
31		
32	Prior QIP Charge (Line 26 / Line 30)	6.41%
33	Incremental QIP Charge (Line 27 / Line 30)	1.84%
34	Balancing Adjustment (Line 28 / Line 30)	3.04%
35	Total QIP Charge (Line 32 + Line 33 + Line 34)	11.29%
36		

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 July 2020 - June 2021	As of June 30, 2022 July 2021 - June 2022	As of June 30, 2023 July 2022 - June 2023	13 Mo. Avg. Ended June 30, 2024 July 2023 - June 2024	4 Mo. Avg. Ended December 31, 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	Net Change to Gross Plant	8,695,596	19,517,311	27,625,873	9,509,137	0	65,347,917
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	Net Change to Accum Depr	1,044,794	2,536,041	(557,326)	1,046,843	0	4,070,353
12							
13	Net Change to Net Plant	9,740,390	22,053,352	27,068,547	10,555,980		69,418,270
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	Net Change to Rate Base	8,190,207	18,379,000	25,404,653	8,808,309	0	60,782,170
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	QIP Revenue Requirement Rate Adj	\$1,018,608	\$2,300,395	\$3,129,584	\$1,287,393	\$0	\$7,735,980
31							
32	Revenues - Rehearing Request in Case No. 2023-00191	\$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%
34							

Kentucky-American Water Company
Case No. 2024-00272
QIP Year 4 Annual Balancing Adjustment
For the Twelve Months Ended June 30, 2024

Line No.	Case No. 2021-00376	Case No. 2022-00328	Case No. 2023-00300	Case No. 2024-00272	Total QIP	
	QIP 1	QIP 2	QIP 3	QIP 4		
	As of June 30, 2021	As of June 30, 2022	As of June 30, 2023	13 Mo. Avg. Ended June 30, 2024		
	July 2020 - June 2021	July 2021 - June 2022	July 2022 - June 2023	July 2023 - June 2024		
1	QIP Plant Additions	\$9,328,645	\$19,931,459	\$28,150,400	\$13,613,867	\$71,024,370
2	Retirements	(633,049)	(414,148)	(524,527)	(617,297)	(2,189,021)
3	Net Change to Gross Plant	8,695,596	19,517,311	27,625,873	12,996,570	68,835,350
4						
5	Cost of Removal	549,261	2,433,439	(659,177)	677,955	3,001,478
6	Retirements	633,049	414,148	524,527	617,297	2,189,021
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				(525,647)	(525,647)
11	Net Change to Accum Depr	1,044,794	2,536,041	(557,326)	769,605	3,793,114
12						
13	Net Change to Net Plant	9,740,390	22,053,352	27,068,547	13,766,175	72,628,464
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				(1,750,395)	(1,750,395)
18	Net Change to Rate Base	8,190,207	18,379,000	25,404,653	12,015,780	63,989,641
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	1,115,317	5,939,582
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				180,505	180,505
25	QIP Property Taxes - QIP 1	120,869	21,361	(4,348)		137,882
26	QIP Property Taxes - QIP 2		261,532	(9,759)		251,773
27	QIP Property Taxes - QIP 3			362,929		362,929
28	QIP Property Taxes - QIP 4				57,227	57,227
29						
30	QIP Revenue Requirement Rate Adj	\$1,018,608	\$2,300,395	\$3,129,584	\$1,353,049	\$7,801,636
31						
32	Billed Revenues					4,250,960
33	Less: QIP 3 Undercollection					115,658
34	Net Billed Revenues					\$4,135,301
35						
36	Under/(Over) Recovery Variance					\$3,666,335
37						
38	Revenues - Rehearing Request in Case No. 2023-00191					\$120,635,314
39	QIP Balancing Adjustment Rider Charge					3.04%
40						

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						

Gross Revenue Conversion Factor - Equity (Line 15)	134.2300%
Gross Revenue Conversion Factor - Debt & Expense (1 / Line 4)	100.7396%