

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

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY FOR AN)	CASE NO. 2025-00122
ADJUSTMENT OF RATES)	

**DIRECT TESTIMONY
AND EXHIBITS OF
JOHN DEFEVER, CPA**

ON BEHALF OF THE

**OFFICE OF THE ATTORNEY GENERAL OF
THE COMMONWEALTH OF KENTUCKY**

AND

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

AUGUST 13, 2025

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1 **I. INTRODUCTION**

2
3 **Q. What is your name, occupation, and business address?**

4 A. My name is John Defever. I am a Certified Public Accountant, licensed in the
5 State of Michigan. I am a senior regulatory consultant in the firm of Larkin &
6 Associates, PLLC, with offices at 15728 Farmington Road, Livonia, Michigan.

7
8 **Q. Please describe the firm Larkin & Associates, PLLC.**

9 A. Larkin & Associates, PLLC is a Certified Public Accounting and Regulatory
10 Consulting Firm. The firm performs independent regulatory consulting primarily
11 for public service/commission staffs, and consumer interest groups (attorneys
12 general, public counsels, public advocates, consumer counsels, etc.). Larkin &
13 Associates, PLLC, has extensive experience in the utility regulatory field as expert
14 witnesses in over 600 regulatory proceedings including numerous electric, gas,
15 telephone, and water and sewer utilities.

16
17 **Q. Have you prepared an exhibit describing your qualifications and**
18 **experience?**

19 A. Yes. I have attached Appendix I, which summarizes my experience and
20 qualifications.

21
22 **Q. On whose behalf are you appearing?**

1 **A.** Larkin & Associates, PLLC was retained by the Office of the Attorney General of
2 the Commonwealth of Kentucky (“Attorney General” or “OAG”) and Lexington-
3 Fayette Urban County Government (“LFUCG”). Accordingly, I am appearing on
4 behalf of the Attorney General and LFUCG.

5
6 **Q.** **What is the purpose of your testimony?**

7 **A.** The purpose of my testimony is to review and make recommendations regarding
8 specific issues that affect Kentucky-American Water Company’s (“Kentucky-
9 American” or “Company”) requested increase in rates.

10
11 **Q.** **How will your testimony be organized?**

12 **A.** The testimony is organized as follows: Introduction, Overall Financial Summary,
13 Rate of Return Summary, Operating Expenses, Rate Base, and Other Issues.

14
15 **II. OVERALL FINANCIAL SUMMARY**

16
17 **Q.** **Have you prepared any exhibits in support of your testimony?**

18 **A.** Yes. I have prepared Exhibit JD-1, consisting of Schedules A, B, C, and D with
19 supporting Schedules B-1, and C-1 through C-14.

20
21 **Q.** **Have you incorporated the recommendations of other OAG/LFUCG**
22 **witnesses in your summary schedules?**

1 A. Yes, I have incorporated the capital structure and rate of return recommendations
2 of OAG/LFUCG witness Richard Baudino.

3
4 **Q. Please discuss Schedule A of Exhibit JD-1, which is entitled “Overall
5 Financial Summary - Excluding QIP.”**

6 A. Schedule A presents the overall financial summary for the Company’s forecasted
7 test period, which is the twelve months ended December 31, 2026, giving effect
8 to all the adjustments I recommend in my testimony, and the rate of return
9 sponsored by Mr. Baudino. The rate base and operating income amounts for the
10 forecasted test period are taken from my Schedules B and C, respectively. The
11 overall rate of return of 7.20%, for the forecasted test period as presented in the
12 direct testimony of OAG/LFUCG witness Richard Baudino, is provided on
13 Schedule D for ease of reference. The income deficiency shown on Schedule A,
14 line 5 is obtained by subtracting the adjusted operating income on line 4 from the
15 required operating income on line 3. The income deficiency is then grossed up
16 by the Gross Revenue Conversation Factor on line 6 to calculate the
17 OAG/LFUCG’s recommended revenue increase on line 7. Note as discussed in
18 the Qualified Infrastructure Program (“QIP”) Section, I have used the Company’s
19 requested revenue increase excluding QIP as the starting point for my schedules.

20
21 **Q. Please discuss Schedule B of Exhibit JD-1, which summarizes rate base, as
22 adjusted.**

1 A. The adjustments I recommend to the forecasted test period rate base amount are
2 illustrated on Schedule B.

3
4 **Q. Please discuss Schedule C of Exhibit JD-1, which summarizes operating**
5 **income (excluding QIP), as adjusted.**

6 A. My recommended adjustments to Kentucky-American's expenses for the
7 forecasted test period that are presented in this testimony are provided on
8 Schedule C. Schedules C-1 through C-14 provide further support and calculations
9 for the adjustments I recommend.

10
11 **Q. Based on your review of Kentucky-American's filing, what change in**
12 **revenue requirement are you recommending at this time?**

13 A. Based on the adjustments that have been quantified to date, coupled with
14 OAG/LFUCG witness Mr. Baudino's recommended overall rate of return of 7.20%,
15 the result is a revenue increase of no more than \$15,094,397 for the Company's
16 forecasted test period which is illustrated in the table below:

1 **Summary of Adjustments**

Kentucky-American Water Requested Rate Increase (excluding QIP)	\$	26,299,654
OAG/LFUCG Adjustments:		
Rate of Return Impact	\$	(5,239,999)
Rate Base Adjustments		
Cash Working Capital	\$	(1,062,972)
Subtotal	\$	(1,062,972)

O&M Adjustments	Pre Tax Adj	NOI After Tax	GRCF	Rev Req Impact
Payroll Expense	\$ (610,390)	\$ 458,098	1.340785	\$ (614,211)
Incentive Compensation	\$ (1,846,694)	\$ 1,385,944	1.340785	\$ (1,858,253)
Employee Stock Purchase Plan Discount	\$ (61,961)	\$ 46,502	1.340785	\$ (62,349)
Unaccounted For Water	\$ (394,049)	\$ 295,734	1.340785	\$ (396,515)
Rate Case Expense	\$ (424,566)	\$ 318,637	1.340785	\$ (427,223)
Business Development Expense	\$ (213,516)	\$ 160,244	1.340785	\$ (214,852)
401(k) Expense	\$ (40,950)	\$ 30,733	1.340785	\$ (41,206)
Growth Factor	\$ (698,109)	\$ 523,931	1.340785	\$ (702,479)
Healthcare Expense	\$ (315,000)	\$ 236,408	1.340785	\$ (316,972)
Membership Dues	\$ (41,178)	\$ 30,904	1.340785	\$ (41,436)
Payroll Tax	\$ (179,556)	\$ 134,757	1.340785	\$ (180,680)
Benefits Expense	\$ (127,819)	\$ 95,928	1.340785	\$ (128,619)
Interest Synchronization	\$ 61,539		1.340785	\$ 82,510
Subtotal				\$ (4,902,285)

2 OAG/LFUCG Recommended Rate Increase	\$	15,094,397
---------------------------------------	----	------------

3 **III. RATE OF RETURN SUMMARY**

- 4
- 5 **Q. Please summarize Mr. Baudino's rate of return recommendation.**
- 6 A. I have summarized Mr. Baudino's recommended rate of return and the
- 7 Company's proposed rate of return below:

Kentucky-American Water Company					
Line No.	Description	Amount	Capital Structure	Cost Rate	Weighted Cost
1	Short Term Debt	8,914,663	1.31%	4.158%	0.050%
2	Long Term Debt	314,752,545	46.10%	4.696%	2.160%
3	Preferred Stock	2,245,974	0.33%	8.500%	0.030%
4	Common Equity	<u>356,818,465</u>	<u>52.26%</u>	10.750%	<u>5.620%</u>
5	Total	682,731,647			<u>7.860%</u>
OAG/LFUCG					
Line No.	Description		Capital Structure	Cost Rate	Weighted Cost
6	Short Term Debt		1.31%	4.158%	0.050%
7	Long Term Debt		46.10%	4.696%	2.160%
8	Preferred Stock		0.33%	8.500%	0.030%
9	Common Equity	<u></u>	<u>52.26%</u>	9.500%	<u>4.960%</u>
10	Total		100.00%		<u>7.200%</u>

Applying Mr. Baudino's recommended rate of return amounts to a reduction of \$5,239,999 to Kentucky-American's requested revenue requirement.

IV. OPERATING EXPENSES

Payroll

Q. What amount has the Company requested for payroll in the forecasted test period?

A. The Company requests \$16,955,288 for Kentucky-American and Service Company payroll expense in the forecasted test period.¹

Q. Do you have any concerns with the Company's request?

A. Yes. The Company's historical payroll spending has consistently been under the amounts it has budgeted. The chart below shows the amount of payroll overbudgeting for the years 2020-2024.²

Payroll Budget to Actual							
	2020	2021	2022	2023	2024	Total	%
Budget	\$ 17,667,645	\$ 17,714,978	\$ 18,960,934	\$ 18,866,234	\$ 19,213,637	\$ 92,423,428	
Actual	\$ 16,510,565	\$ 16,419,177	\$ 16,701,296	\$ 18,115,670	\$ 19,084,537	\$ 86,831,245	
Underspent	\$ (1,157,080)	\$ (1,295,801)	\$ (2,259,638)	\$ (750,564)	\$ (129,100)	\$ (5,592,183)	6.05%

As shown, the Company was under budget for each of the five years with a total \$5.6 million underbudget over the prior five years, or 6.05%. As such, it cannot be assumed that the Company will spend the amounts it budgets for payroll.

Q. Historically, has the Company had an issue with vacancies?

A. Yes. The chart below shows the budgeted to actual employees for 2020-2024.³

It demonstrates that the Company has consistently had an issue with vacancies.

¹ Kentucky-American's response to the Attorney General's Second Request for Information ("Attorney General's Second Request"), No. 37.

² Kentucky-American's response to the Attorney General's First Request for Information ("Attorney General's First Request"), No. 145.

³ Kentucky-American's corrected response to the Commission Staff's First Request for Information ("Staff's First Request"), No. 28.

1

Historic Budget to Actual Employee Count													
2020													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
Budget	150	150	150	150	150	150	150	150	150	150	150	150	150.0
Actual	141	139	143	146	147	147	146	147	147	145	145	143	144.7
Under	(9)	(11)	(7)	(4)	(3)	(3)	(4)	(3)	(3)	(5)	(5)	(7)	(5.3)
2021													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
Budget	151	151	151	151	151	151	151	151	151	151	151	151	151.0
Actual	143	142	139	139	139	143	142	144	147	148	146	144	143.0
Under	(8)	(9)	(12)	(12)	(12)	(8)	(9)	(7)	(4)	(3)	(5)	(7)	(8.0)
2022													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
Budget	151	151	151	151	151	151	151	151	151	151	151	151	151.0
Actual	143	144	146	144	149	153	151	149	151	150	152	151	148.6
Under	(8)	(7)	(5)	(7)	(2)	2	0	(2)	0	(1)	1	0	(2.4)
2023													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
Budget	148	148	148	148	148	152	152	152	152	152	152	152	150.3
Actual	153	153	152	152	152	151	149	149	148	146	146	146	149.8
Under	5	5	4	4	4	(1)	(3)	(3)	(4)	(6)	(6)	(6)	(0.6)
2024													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
Budget	153	153	153	153	153	153	153	153	153	152	152	152	152.8
Actual	145	144	145	144	143	141	141	141	142	141	139	136	141.8
Under	(8)	(9)	(8)	(9)	(10)	(12)	(12)	(12)	(11)	(11)	(13)	(16)	(10.9)
Average 2020-2024													(5.5)
Vacancy Percentage													3.6%

2

3

As shown, the Company averaged 5.5 vacancies during the period of 2020 –

4

2024, but even as recently as 2024 averaged 10.9 vacancies.

5

Q. WHY ARE VACANCIES A CONCERN?

7

A. Vacancies represent ratepayer funding for payroll, benefits, and tax costs for non-existent employees. Ratepayers should not be responsible for costs for employees that have not been hired or retained and are not performing utility service.

10

1 **Q. DID THE COMPANY’S CALCULATION OF PAYROLL COSTS INCLUDE A**
2 **VACANCY FACTOR?**

3 A. No, the Company states that no vacancy factor was used.⁴
4

5 **Q. WHAT IS YOUR RECOMMENDED ADJUSTMENT?**

6 A. As the Company has averaged 3.6% vacancies for the years 2020 – 2024, I
7 recommend a reduction of 3.6% to payroll expense. This is a reduction of
8 \$610,390 as shown on Exhibit JD-1, Schedule C-1. This reduces the forecasted
9 test period revenue requirement by \$614,211 after the gross up for uncollectibles,
10 regulatory assessment fees, and taxes which is shown in the Summary of
11 Adjustments Table on page 5. I have also made corresponding adjustments to
12 benefits expense and payroll taxes, shown on Schedules C-11 and C-12.

13 If the Commission rejects my reduction of 3.6% based on vacancies, I recommend
14 a 6.5% reduction to payroll expense based on the Company’s historical record of
15 overbudgeting.

16 Incentive Compensation
17

18 **Q. What amount of incentive compensation expense has the Company**
19 **included in the forecasted test period?**

20 A. The Company has included \$3,171,584 in the forecasted test period (\$1,867,075
21 for its Annual Performance Plan (“APP”) and \$1,304,509 for its Long-Term
22 Performance Plan (“LTPP”)).⁵

⁴ Kentucky-American’s response to the Attorney General’s First Request, No. 140.

⁵ Kentucky-American’s response to the Attorney General’s First Request, No. 116.

1 **Q. What portion of the forecasted test period expense is related to financial**
2 **goals?**

3 A. The Company stated that \$1,846,694 of the forecasted test period expense is
4 related to financial goals. (\$933,538 or 50% of the APP and \$913,156 or 70% of
5 the LTPP).⁶
6

7 **Q. Why is incentive compensation related to financial goals a concern?**

8 A. Incentive compensation based on financial goals benefits primarily the
9 Company's shareholders, not ratepayers. As shareholders are the primary
10 beneficiaries of financial goals, they should be responsible for the costs of the
11 incentive compensation tied to said financial goals.
12

13 **Q. Has the Commission disallowed the portion of incentive compensation**
14 **related to financial goals?**

15 A. Yes, the Commission has long-standing precedent of disallowing recovery of
16 these costs.⁷ In Kentucky-American's last rate case, Case No. 2023-00191, the
17 Commission stated:

18 While Kentucky-American contended that the total
19 compensation is market competitive, the Commission finds
20 that the adjustment to remove incentive compensation based
21 on financial performance metrics should be approved,
22 consistent with precedent. The Commission disallowed

⁶ Kentucky-American's response to the Attorney General's First Request, No. 114.

⁷See Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019), Order at 43; Case No. 2020-00160, *Electronic Application of Water Service Corporation of Kentucky for a General Adjustment in Existing Rates* (Ky. PSC Dec. 8, 2020), Order at 19 – 20; Case No. 2014-00396, *Application of Kentucky Power Company for: (1) A General Adjustment of its Rates for Electric Service; (2) An Order Approving its 2014 Environmental Compliance Plan; (3) An Order Approving its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief* (Ky. PSC June 22, 2015), Order at 25.

1 recovery of the cost of employee incentive compensation
2 plans tied to fiscal measurements in Case No. 2018-00358
3 and explained that the decision is based on the performance
4 measures that result in incentive compensation payouts.
5 Incentive compensation tied to financial performance
6 measures overwhelmingly benefit shareholders over
7 customers, and customers should not bear the expense of
8 those plans. (citation omitted)⁸
9

10 **Q. Do you have any other concerns with the Company's incentive**
11 **compensation plan?**

12 A. Yes. The following table shows the number of employees that were eligible for
13 incentive compensation and the number of employees that received incentive
14 compensation.⁹

Incentive Compensation		
	Eligible	Received
2020	139	139
2021	147	147
2022	145	145
2023	154	154
2024	142	142

15
16 As shown in the above table, every eligible employee received the incentive
17 compensation each and every year from 2020 – 2024. By definition, incentive
18 compensation should create motivation for employees to provide extra effort. If
19 every employee receives the reward year after year, the amount of incentive on
20 behalf of the employees is reduced, and the plan is more accurately described as

⁸ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, page 17.

⁹ Kentucky-American's response to the Attorney General's First Request, No. 108.

1 a bonus plan rather than an incentive compensation plan. If the plan does not
2 result in additional effort from employees, ratepayers are not benefitted.

3
4 **Q. What do you recommend?**

5 A. My recommendation is to disallow the portion of incentive compensation related
6 to financial goals from the forecasted test period. This reduces the forecasted test
7 period expense by \$1,846,694, which is shown on Exhibit JD-1, Schedule C-2.
8 This reduces the forecasted test period revenue requirement by \$1,858,253 after
9 the gross up for uncollectibles, regulatory assessment fees, and taxes which is
10 shown in the Summary of Adjustments Table on page 5. I have also made the
11 corresponding adjustment to payroll taxes which is shown on Schedule C-11.

12
13 **Q. Do you recommend an additional adjustment based on the ineffectiveness**
14 **of the plan as you described above?**

15 A. No. However, the plan's ineffectiveness to incentivize the employees to put forth
16 extra effort provides further support that an adjustment to incentive compensation
17 is warranted.

18 Employee Stock Purchase Plan Discounts
19

20 **Q. Has the Company included costs for employee stock purchase plan**
21 **("ESPP") discounts in the forecasted test period?**

1 A. Yes, the Company requests recovery of \$61,961 for ESPP discounts in the
2 forecasted test period.¹⁰
3

4 **Q. Are all employees eligible for the ESPP?**

5 A. Yes.¹¹
6

7 **Q. How many employees currently participate in the ESPP?**

8 A. 40 of 150 Kentucky-American's employees currently participate in the ESPP.¹²
9

10 **Q. Please describe the ESPP expense.**

11 A. The Company described the ESPP expense as:

12 Expense for the Employee Stock Purchase Plan relates to the
13 Company funded discount on American Water stock
14 purchases made by participating employees through
15 voluntary payroll deductions. Under the ESPP, participants
16 currently may purchase shares of American Water common
17 stock at a 15% discount. Employees who choose to
18 participate in a purchase period elect a contribution of 1% to
19 10% of after-tax compensation, for the discounted purchase
20 of American Water common stock, subject to a maximum of
21 \$25,000 per year.¹³
22
23

24 **Q. Hasn't the Commission previously disallowed the ESPP expense?**

¹⁰ Kentucky-American's response to the Attorney General's First Request, No. 92.

¹¹ Kentucky-American's response to the Attorney General's Second Request, No. 45.

¹² Kentucky-American's response to the Attorney General's First Request, No. 49; Kentucky-American's response to the Attorney General's Second Request, No. 44.

¹³ Direct Testimony of Robert Prendergast ("Prendergast Testimony"), page 9.

1 A. Yes. For example, in the Final Order in Kentucky-American's previous rate case,
2 Case No. 2023-00191, the Commission stated the following:

3 The Commission finds that Kentucky-American's ESPP
4 discounts should be removed from the test year because it is
5 not reasonable to recover from ratepayers as they do not
6 benefit from the program.¹⁴
7
8

9 **Q. Why did the Company include ESPP expenses in the pending rate increase**
10 **request even though the Commission previously disallowed said**
11 **expenses?**

12 A. The Company stated that it, "disagrees with [the] decision and the basis for it."¹⁵
13
14

15 **Q. What do you recommend?**

16 A. I recommend that the ESPP expense be removed from the forecasted test period
17 because the program does not benefit the Company's ratepayers, and this
18 recommendation adheres to Commission precedent. This recommendation
19 reduces the forecasted test period expense by \$61,961, which is shown on Exhibit
20 JD-1, Schedule C-3. This recommendation reduces the forecasted test period
21 revenue requirement by \$62,349 after the gross up for uncollectibles, regulatory
22 assessment fees, and taxes which is shown in the Summary of Adjustments Table
23 on page 5.
24

¹⁴ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, page 25.

¹⁵ Kentucky-American's response to the Attorney General's Second Request, No. 30.

1 Unaccounted for Water

2
3 **Q. Did the Company make an adjustment in the forecasted test period for its**
4 **unaccounted-for water loss above 15 percent, as performed by the**
5 **Commission in Case No. 2023-00191?**

6 A. No. When asked to provide the reduction to expenses that was made to the
7 forecasted test period for unaccounted for water over the 15 percent threshold,
8 the Company stated it, “did not reflect any reductions to the purchased water,
9 waste disposal, chemical and fuel and power expenses.”¹⁶

10
11 **Q. Did the Company explain why no such adjustments were made?**

12 A. The Company claims its methodology is consistent with its prior rate case filings.¹⁷

13
14 **Q. What is required by 807 KAR 5:066, Section 6(3)?**

15 A. 807 KAR 5:066, Section 6(3) states:

16 ...[f]or rate making purposes a utility’s unaccounted-for water
17 loss shall not exceed fifteen (15) percent of total water
18 produced and purchased, excluding water used by a utility in
19 its own operations. Upon application by a utility in a rate case
20 filing or by separate filing, or upon motion by the commission,
21 an alternative level of reasonable unaccounted-for water loss
22 may be established by the commission. A utility proposing an
23 alternative level shall have the burden of demonstrating that
24 the alternative level is more reasonable than the level
25 prescribed in this section.
26

27 **Q. Did the Company provide its historical unaccounted-for water percentages?**

¹⁶ Kentucky-American’s response to the Attorney General’s First Request, No. 173.

¹⁷ *Id.*

1 A. Yes, which I have reproduced below.

Year	Unaccounted for Water %
2016	15.69%
2017	18.86%
2018	19.95%
2019	21.10%
2020	20.47%
2021	21.09%
2022	21.59%
2023	18.83%
2024	17.96%
Forecasted Test Period	18.40%

18

2
3 As can be seen from the chart above, while unaccounted for water percentages
4 have declined in recent years, they are still above the 15% standard. In fact, the
5 Company stated that it had not been under the 15% threshold since 2015.¹⁹

6
7 **Q. Did the Commission make an adjustment for unaccounted-for water in the**
8 **Company's prior rate case?**

9 A. Yes, the Commission reduced fuel & power, chemical expense, purchased water,
10 and waste disposal by the percentage above the 15 percent threshold.²⁰

11
12 **Q. Should a similar adjustment be made in this case?**

¹⁸ Direct Testimony of William A. Lewis ("Lewis Testimony"), pages 32 – 33; Forecasted Test Period calculated from workpaper titled KAWC 2025 Rate Case – Exhibits (25, 26, 37) in Kentucky-American's Response to Staff's First Request Item No. 1.

¹⁹ Kentucky-American's response to the Attorney General's First Request, No. 178.

²⁰ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, pages 19 – 22.

1 A. Yes. Those cost categories should be reduced by the 3.40% that unaccounted-
2 for water is above the 15% threshold (18.40%-15%).
3

4 **Q. Please explain your adjustment.**

5 A. I calculated the unaccounted-for water percentage applicable to the forecast test
6 period by dividing the non-revenue water gallons by the system delivery gallons.
7 This is similar to the Commission's adjustment in Case No. 2023-00191. I
8 applied the 3.40% to the cost categories identified in Kentucky-American's
9 response to the Attorney General's First Request, No. 173, which is illustrated
10 below:

	Forecasted		
	Test Period Expense [A]	% exceeding 15% [C]	Reduction
Purchased Water	\$ 201,875	3.40%	\$ (6,864)
Fuel & Power	\$ 6,040,520	3.40%	\$ (205,378)
Chemicals	\$ 4,632,446	3.40%	\$ (157,503)
Waste Disposal	\$ 714,836	3.40%	\$ (24,304)
Total	\$ 11,589,677		\$ (394,049)

11
12 ²¹(Exhibit JD-1, Schedule C-4)
13

14 **Q. What is your recommended adjustment?**

15 A. I recommend reducing the forecasted test period expense by \$394,049, which is
16 shown on Exhibit JD-1, Schedule C-4. This reduces the forecasted test period
17 revenue requirement by \$396,515 after the gross up for uncollectibles, regulatory
18 assessment fees and taxes which is shown in the Summary of Adjustments Table
19 on page 5.
20

²¹ (Exhibit JD-1, Schedule C-4).

1 Rate Case Expense

2
3 **Q. Please explain the Company's request for rate case expense.**

4 A. The Company is requesting recovery of \$941,449 annually for rate case expense,
5 which is comprised of \$332,246 rate case expense from the 2023 rate case and
6 \$609,202, which is the forecasted rate case expense in the current case of
7 \$1,218,404, amortized over two years.²²

8
9 **Q. Do you have any concerns with the Company's request?**

10 A. Yes, I have two concerns. First, the Commission has repeatedly found that a
11 three-year amortization period for rate case expense is reasonable, and in the
12 Company's last rate case, the Commission asserted that, "a three-year
13 amortization period is standard..."²³

14
15 **Q. What is the Company's basis for using a two-year amortization?**

16 A. The Company stated that it, "is requesting a two-year amortization timeframe to
17 align with the amount of time since its last rate case filing."²⁴

18
19 **Q. Has the Company stated when it plans to file its next rate case?**

²² W/P 3-6, provided in Kentucky-American's Response to Staff's First Request, No. 1.

²³ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, pages 22 – 23.

²⁴ Kentucky-American's response to the Commission Staff's Second Request for Information ("Staff's Second Request"), No. 23.

1 A. No. The Company stated it, “does not have an anticipated timeline on when it will
2 file another rate case.”²⁵

3
4 **Q. Historically, what was the time period between the Company’s rate cases?**

5 A. The Company’s most recent rate cases were in 2025, 2023, 2018, 2015, 2012,
6 and 2010, an average of 3.1 years apart.²⁶

7
8 **Q. What do you recommend?**

9 A. Based on prior precedent, I recommend that the actual rate case expense be
10 amortized over three years. This reduces the forecasted test period expense by
11 \$203,067 which is shown on Exhibit JD-1, Schedule C-5.

12
13 **Q. What is your second concern with this expense?**

14 A. The Company requests \$332,246 of rate case expense from the prior case. In
15 that case, the Company was allowed \$996,740 amortized over three years.²⁷ As
16 the Company has come in for a rate case in only two years, it requests \$332,246
17 of the remaining amount in the forecasted test period. However, the Company
18 has included the full amount in the forecasted test period. If the \$332,246 is not

²⁵ Kentucky-American’s response to the Attorney General’s First Request, No. 157.

²⁶ Exhibit JD-1, Schedule C-5.

²⁷ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, page 23.

1 amortized, the full amount will be collected every year until the next rate case and
2 the Company will begin over-collecting in the second year.

3
4 **Q. What do you recommend?**

5 A. I recommend amortizing the \$332,246 over three years. This reduces the
6 forecasted test period expense by \$221,497, which is shown on Exhibit JD-1,
7 Schedule C-5. In total, my two recommended adjustments reduce rate case
8 expense by \$424,566, as shown on Exhibit JD-1, Schedule C-5. This is a
9 reduction to the forecasted test period revenue requirement of \$427,223 after the
10 gross up for uncollectibles, regulatory assessment fees, and taxes which is shown
11 in the Summary of Adjustments Table on page 5.

12 In addition, I recommend that Commission approve only Kentucky-American's
13 actual rate case expenses that are determined to be reasonable and necessary
14 and supported by sufficient evidence, as opposed to the Company's estimated
15 amounts.

16 Business Development, Government Affairs, and Regulatory Policy
17 Expenses
18

19 **Q. Has the Company included costs for business development, government**
20 **affairs, and regulatory policy in the forecasted test period?**

1 A. Yes, the Company requests recovery of \$685,734 in the forecasted test period,
2 \$213,516 of which is attributed to shared services.²⁸

3
4 **Q. Has the Commission previously disallowed the service company/shared**
5 **services portion or these expenses?**

6 A. Yes. For example, the Commission's Final Order in Kentucky-American's 2018
7 rate case, Case No. 2018-00358, disallowed such costs, stating the following:

8 In this proceeding, Kentucky-American was unable to provide
9 the Commission with a detailed listing and description of
10 business development costs or external affairs and public
11 policy costs included in forecasted management fees that
12 would support allowing recovery for those costs. As with the
13 Commission's previous decisions concerning business
14 development costs, it is the Commission's belief that external
15 affairs and public policy costs enhance shareholder value but
16 do not benefit ratepayers, and therefore should not be costs
17 borne by ratepayers. In light of its failure to identify or
18 describe the business development as well as external affairs
19 and public policy services that the Service Company provides,
20 the Commission finds that Kentucky-American has failed to
21 meet its burden to demonstrate the reasonableness for the
22 costs. Therefore, we will reduce forecasted service company
23 costs by \$323,304.²⁹ (citations omitted)

24
25 Additionally, in Kentucky-American's last rate case, Case No. 2023-00191, the
26 Commission disallowed the shared services business development expenses in
27 the amount of \$106,069. The Commission asserted that the shared services
28 business development expenses were not specifically justified, and that allocated

²⁸ Kentucky-American's response to the Attorney General's First Request, No. 56.

²⁹ Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019), Final Order, pages 40 – 41.

business development expenses are not specific to Kentucky-American's development efforts.³⁰

Q. What do you recommend?

A. I recommend disallowance of the shared services portion of these costs from the forecasted test period, a reduction of \$213,516 as shown on Exhibit JD-1, Schedule C-6. This reduces the forecasted test period revenue requirement by \$214,852 after the gross up for uncollectibles, regulatory assessment fees, and taxes which is shown in the Summary of Adjustments Table on page 5.

401(k) Expense

Q. Has the Company included costs for 401(k) expenses for the employees that are also covered under a defined benefit plan in the forecasted test period?

A. Yes, the Company requests recovery of \$40,950 in the forecasted test period.³¹

Q. Has the Commission historically removed this expense in prior cases?

A. Yes. For example, in the Final Order of Case No. 2016-00169, the Commission stated:

The Commission believes all employees should have a retirement benefit, but finds it excessive and not reasonable that Cumberland Valley continues to contribute to both a defined-benefit pension plan as well as a 401 (k) plan for salaried employees. The Commission will allow Cumberland

³⁰ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, page 22.

³¹ Kentucky-American's response to the Attorney General's First Request, No. 96.

1 Valley to recover only the costs of the more expensive
2 defined-benefit plan for the salaried employees and the 401
3 (k) plan for union employees. Accordingly, the Commission
4 will remove for ratemaking purposes Cumberland Valley's
5 test-year 401(k) contributions for salaried employees.³²
6
7

8 In addition, in the Company's 2018 rate case, Case No. 2018-00358, the
9 Commission asserted the following:

10
11 Here, Kentucky-American locked the defined benefit plan as
12 of January 1, 2006. However, the locked defined benefit plan
13 was frozen for a small group of employees consisting of union
14 employees hired between January 1, 2001, and December
15 31, 2005. Union employees hired before January 1, 2001,
16 and non-union employees hired before January 1, 2006,
17 continue to accrue benefits under the defined benefit plan
18 because it was locked but not frozen for these employees...
19 The retirement plan expenses for matching 401(k)
20 contributions for union employees hired prior to January 1,
21 2001, and for non-union employees hired before January 1,
22 2006, should be disallowed because the defined benefit plan
23 for these employees was locked, but not frozen, and thus are
24 duplicative, with these employees accruing retirement
25 benefits from both plans. Permitting utility employees to
26 participate in multiple pension plans simultaneously while
27 many ratepayers have no pension plan at all, is not fair, just,
28 or reasonable.³³ (citations omitted)
29

30 **Q. What do you recommend?**

31 A. Consistent with the Commission's Final Order in Case No. 2018-00358, I
32 recommend the disallowance of 401(k) expense for employees also participating
33 in the Company's defined benefit retirement plan that has not been frozen. As it

³² Case No. 2016-00169, *Application of Cumberland Valley Electric, Inc. for a General Adjustment of Rates* (Ky. PSC Feb. 6, 2017), Final Order, page 10.

³³ Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019), Final Order, page 46.

1 is not clear from the evidentiary record what portion of the retirement costs relate
2 to employees that are enrolled in a nonfrozen defined benefit retirement plan, I
3 have removed the entire amount as a placeholder until an exact amount can be
4 obtained at the evidentiary hearing in the pending case. This reduces the
5 forecasted test period expense by \$40,950, which is shown on Exhibit JD-1,
6 Schedule C-7. This reduces the forecasted test period revenue requirement by
7 \$41,206 after the gross up for uncollectibles, regulatory assessment fees, and
8 taxes which is shown in the Summary of Adjustments Table on page 5. The
9 Commission should require the Company to identify the portion of the 401k
10 expense that relates to the employees also participating in its defined benefit
11 retirement plan that has not been frozen so that this adjustment can be updated.

12 13 Growth Factor 14

15 **Q. Has the Company applied a “growth factor” to certain expenses in the**
16 **forecasted test period?**

17 A. Yes. The Company has applied a growth factor of 5.16% to the following
18 categories of expenses: Service Company (non-labor costs), Contracted
19 Services, Building Maintenance and Services, Telecommunication, Office
20 Supplies and Services, Employee Related, Miscellaneous, Rents, Customer
21 Accounting, and Maintenance Supplies and Services.³⁴ This results in increased
22 expenses of \$698,109.³⁵

³⁴ Prendergast Testimony, pages 21 – 22.

³⁵ Kentucky-American’s response to the Attorney General’s Second Request, No. 47.

1 **Q. How was the growth factor calculated?**

2 A. The Company stated in testimony the following:

3 KAWC developed an O&M Growth Factor in response to the
4 Commission's directive to employ a forecasting methodology
5 that is more reflective of Kentucky-American's experience
6 than using general CPI inflationary factors... The KAWC O&M
7 Growth Factor was determined by reviewing the Company's
8 historical expense levels for years 2021-2024 for the above-
9 named categories of expenses. These expenses were then
10 totaled for each year, 2021-2024 to smooth outlier expense
11 increases. The total expense levels for 2021 through 2024
12 were then used to calculate the KAWC O&M Growth Factor
13 of 5.16%.³⁶
14

15 **Q. Did the Commission disallow an inflation adjustment for similar categories**
16 **in the prior rate case?**

17 A. Yes. In the prior 2023 rate case, Kentucky-American applied an inflation factor to
18 many of the same expense categories, which was not accepted by the
19 Commission. The Commission stated as follows:

20
21 Inflation Factors – Kentucky-American applied an inflation
22 adjustment to 10 of its expenses based on the Consumer
23 Price Index (CPI) from the Bureau of Labor Statistics (BLS).
24 The inflation indexes are granular to each cost component for
25 seven expenses and a broad general CPI for three expenses.
26 Kentucky-American stated that it incorporated an inflation
27 factor in its prior rate case but used more specific inflation
28 factors in the instant case.

29
30 The Commission finds that the inflation factors should be
31 removed from the forecasted test year. Kentucky-American
32 stated in its application that its expenses have increased
33 below inflation. Kentucky-American stated that removing the
34 inflation factors would reduce the revenue requirement by
35 \$970,674 but did not provide a calculation. The Commission
36 has previously held a general CPI inflation factor is not an
37 appropriate forecasting method and even the granular

³⁶ Prendergast Testimony, pages 21 – 22.

inflation factors are not specific to Kentucky American's experience. Use of general inflation factors fails to satisfy Kentucky American's burden that its proposed rates are just and reasonable, as they are not, in and of themselves, reflective of Kentucky-American's costs. The Commission expects a utility such as Kentucky-American, with the shared resources of American Water, to develop and implement more robust forecasting methodologies for expenses than general CPI inflation factors with a review of specific factors impacting costs. For example, Kentucky-American applied an inflation factor to its fuel and power costs through the end of the test period, although its largest power provider, Kentucky Utilities Company, has a commitment for a base-rate "stay-out" for any base rate increases to not take effect until after July 1, 2025, beyond the end of the test period. Removing the inflation factors from the individual worksheets in which they were applied provided an overall revenue requirement reduction of \$1,009,889. (Citations omitted)³⁷

Q. Did you review the historical spending for these cost categories?

A. Yes, which is illustrated below:³⁸

Description	\$000s							Base Year	Forecast Test Year
	2018	2019	2020	2021	2022	2023	2024		
Support Services	\$ 9,808	\$ 10,467	\$ 11,772	\$ 12,044	\$ 11,450	\$ 11,978	\$ 13,278	\$ 14,048	\$ 14,822
Contracted Services	\$ 1,006	\$ 889	\$ 850	\$ 930	\$ 831	\$ 1,584	\$ 1,672	\$ 1,617	\$ 1,728
Building Maintenance and Services	\$ 750	\$ 772	\$ 843	\$ 845	\$ 852	\$ 1,094	\$ 1,160	\$ 1,524	\$ 1,629
Telecommunication Expenses	\$ 278	\$ 245	\$ 292	\$ 235	\$ 256	\$ 274	\$ 351	\$ 305	\$ 326
Office Supplies and Services	\$ 283	\$ 374	\$ 435	\$ 228	\$ 293	\$ 231	\$ 224	\$ 302	\$ 343
Employee Related Expense	\$ 169	\$ 183	\$ 60	\$ 84	\$ 347	\$ 127	\$ 122	\$ 195	\$ 236
Miscellaneous Expenses	\$ 516	\$ 1,166	\$ 1,229	\$ 994	\$ 723	\$ 1,239	\$ 791	\$ 1,142	\$ 1,162
rents	\$ 65	\$ (4)	\$ 31	\$ 30	\$ 44	\$ 46	\$ 59	\$ 62	\$ 67
Customer Accounting, Other	\$ 1,233	\$ 1,318	\$ 158	\$ 132	\$ 122	\$ 111	\$ 104	\$ 112	\$ 120
Maintenance Supplies and Services	\$ 2,004	\$ 2,277	\$ 2,547	\$ 2,101	\$ 2,171	\$ 2,878	\$ 2,736	\$ 2,726	\$ 2,992
Total	\$ 16,114	\$ 17,688	\$ 18,217	\$ 17,623	\$ 17,088	\$ 19,560	\$ 20,497	\$ 22,034	\$ 23,424

³⁷ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, pages 17 – 19.

³⁸ Kentucky-American's response to the Attorney General's First Request, No. 103.

1 **Q. Do you agree with the Company's growth factor methodology?**

2 A. No. As shown in the table above, these costs fluctuate over time and actually
3 decreased from 2020 to 2021, and from 2021 to 2022. As such, an assumed
4 "growth factor" increase for the forecasted test year is unknown and unwarranted.
5

6 **Q. What do you recommend?**

7 A. I recommend the Commission reject the Company's growth factor adjustment
8 which reduces the forecasted test period expense by \$698,109 as shown on
9 Exhibit JD-1, Schedule C-8. This reduces the forecasted test period revenue
10 requirement by \$702,479 after the gross up for uncollectibles, regulatory
11 assessment fees, and taxes which is shown in the Summary of Adjustments Table
12 on page 5.
13

14 **Healthcare Expenses**
15

16 **Q. Has the Commission removed costs for health insurance premiums that**
17 **exceed the Bureau of Labor Statistics' annual averages for single and family**
18 **coverage in other rate cases?**

19 A. Yes. The Commission has limited the recoverable portion of the company-paid
20 health insurance premiums to the most current United States Bureau of Labor
21 Statistics' ("BLS") averages for single and family coverage in order to rein in
22 benefit expenses. For example, in Case No. 2021-00407, the Commission's Final
23 Order states:

24 Health Insurance Contributions. South Kentucky RECC
25 provides 100 and 79 percent of single and family health

1 insurance premiums, respectively. South Kentucky RECC
2 provided the adjustment necessary to remove employer
3 health insurance benefit contributions in excess of the Bureau
4 of Labor Statistics' 2021 average for single and family
5 coverage of 78 and 66 percent, respectively. The Commission
6 finds that a revenue requirement reduction of \$307,481 is
7 appropriate to limit employer insurance benefit contribution
8 rates to a more reasonable level.³⁹
9

10 **Q. Did the Company make a similar adjustment in this case?**

11 A. No. When asked whether Kentucky-American made a similar adjustment, the
12 Company stated:

13 ...[T]he Company's cost share is not set each year based on
14 the Bureau of Labor Statistics and/or benchmarking data.
15 While that information is factored in, along with claim data,
16 KAWC's cost share (employee / employer contributions) is set
17 based upon the Union contract negotiation. Union
18 negotiations take place every 5 years. The Non-Union cost
19 share will mirror the Union cost share... No adjustments were
20 made due to the fact that it is bargained every 5 years.⁴⁰
21

22 **Q. Did the Company quantify an amount to reflect such an adjustment?**

23 A. Yes, the Company stated that the forecasted test period healthcare expense
24 would be reduced by approximately \$315,000 if the Bureau of Labor Statistics
25 averages were applied.⁴¹
26

27 **Q. What do you recommend?**

³⁹ Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief* (Ky. PSC June 30, 2022), Final Order at 9.

⁴⁰ Kentucky-American's response to the Attorney General's First Request, No. 41.

⁴¹ Kentucky-American's response to the Attorney General's Second Request, No. 50.

1 A. I recommend reducing the forecasted test period expense by \$315,000, which is
2 shown on Exhibit JD-1, Schedule C-9. This reduces the forecasted test period
3 revenue requirement by \$316,972 after the gross up for uncollectibles, regulatory
4 assessment fees, and taxes which is shown in the Summary of Adjustments Table
5 on page 5.

6 Membership Dues Expense
7

8 **Q. What amount of membership dues expense has the Company included for**
9 **recovery in the forecasted test year?**

10 A. The OAG requested in discovery the amount of industry dues and non-industry
11 dues that the Company included in the forecasted test period, as well as to identify
12 the amounts related to lobbying, advocacy, attempts to influence public opinion,
13 institutional or image building advertising. The Company stated that it did not
14 forecast dues expense at the vendor level but provided historical actuals from
15 2020 through May 2025 year-to-date. The 2024 costs are reproduced below: ⁴²

⁴² Kentucky-American's response to the Attorney General's First Request, No. 89.

Organization	2024 Amount
American Water Works Association/AWWA Amortization	\$ 16,898
Commerce Lexington	\$ 5,862
Downtown Lexington Partnership	\$ 1,250
Georgetown-Scott City Chamber of Commerce	\$ 1,781
Kentucky Association for Economic Development	\$ 425
Kentucky Association of Mapping Professionals	\$ 50
Kentucky Chamber of Commerce	\$ 9,240
Kentucky League of Cities	\$ 1,500
Kentucky League of Cities Cornerstone Partnership	\$ 1,500
Kentucky Rural Water Association	\$ 600
KY Environment Protect	\$ 13,946
Leadership LEX Alumni	\$ 35
Paris-Bourbon County Chamber of Commerce	\$ 650
Public Relations Society of American (PRSA)	\$ 352
Rockcastle Co Chamber of Comm	\$ 100
Winchester Clark County Chamber of Commerce	\$ 500
Woodford County Chamber of Commerce	\$ 520
Total	\$ 55,209

It is important to note, that the monetary amounts contributed, and the number of organizations contributed to, by Kentucky-American each year vary greatly. For example, in 2020 the Company spent a total of \$121,291 on dues, \$125,330 in 2021, \$124,851 in 2022, \$88,191 in 2023, \$55,209 in 2024, and \$33,341 through May 2025 year-to-date.⁴³

Q. Do any of the organizations listed engage in lobbying and image building activities?

A. Yes. Of the 17 organizations listed in the above table for 2024, 14 engage in lobbying and image building.⁴⁴ The Company's response to the Attorney General's First Request, No. 89 stated that the Kentucky Association of Mapping

⁴³ *Id.*

⁴⁴ *Id.*

1 Professionals, KY Environment Protect, and Leadership LEX Alumni do not
2 engage in advocacy/image building activities.

3
4 **Q. For those that engage in such activities, did the Company identify the**
5 **corresponding portion of dues?**

6 A. No. The Company stated that it did not have sufficient information regarding how
7 these organizations allocate funds for advocacy activities.⁴⁵

8
9 **Q. Should ratepayers be responsible for these costs?**

10 A. No. Lobbying and image building costs should be below the line, and not paid for
11 by the ratepayers. As the Company cannot identify the amount of this expense
12 related to image building and lobbying, the entire cost should be removed. In
13 addition, many of the organizations listed are chambers of commerce, which
14 provide very little benefit to ratepayers.

15
16 **Q. Has the Commission ruled on whether dues are recoverable from the**
17 **ratepayers?**

18 A. Yes. The Commission has repeatedly ruled that the utility has the burden of proof
19 to establish that costs it seeks to recover in rates for dues paid to various
20 associations do not include prohibited costs for lobbying and political activity,

⁴⁵ *Id.*

1 including costs for legislative lobbying, regulatory advocacy, and public
2 relations.⁴⁶

3
4 **Q. What do you recommend?**

5 A. I recommend removing the amount spent in 2024 (the most known and
6 measurable amount) for the 14 organizations that included costs for lobbying and
7 image building. This is a reduction of \$41,178 for industry and non-industry dues
8 from the forecasted test period as shown on Exhibit JD-1, Schedule C-10. This
9 reduces the forecasted test period revenue requirement by \$41,436 after the
10 gross up for uncollectibles, regulatory assessment fees, and taxes which is shown
11 in the Summary of Adjustments Table on page 5.

12 **Flow-Through Adjustments**

13
14 ***Payroll Tax Expense***

15
16 **Q. Please discuss your adjustment to payroll tax.**

⁴⁶ Case No. 2024-00276, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates; Approval of Tariff Revisions; and Other General Relief* (Ky. PSC Aug. 11, 2025), Final Order, pages 26 – 27; Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (May 19, 2022), Final Order, pages 23 – 25; Case No. 2021-00185, *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Its Rates and a Certificate of Public Convenience and Necessity* (Ky. PSC Jan. 3, 2022), Final Order, pages 8 – 9; Case No. 2020-00350, *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky. PSC June 30, 2021), Final Order, pages 27 – 31; Case No. 2020-00349, *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky. PSC June 30, 2021), Final Order, pages 25 - 28; Case No. 2021-00183, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Public Convenience and Necessity; and Other Relief* (Ky. PSC Dec. 28, 2021), Final Order, pages 9 – 10.

1 A. The adjustment is a flow-through from my adjustment to payroll and incentive
2 compensation. Because my adjustments to payroll and incentive compensation
3 reduce payroll, they have the effect of lowering payroll tax. This proposed
4 adjustment reduces payroll tax by \$179,556 in the forecasted test period, which
5 is shown on Exhibit JD-1, Schedule C-11. The revenue requirement impact is a
6 reduction of \$180,680 after the gross up for uncollectibles, regulatory assessment
7 fees, and taxes which is shown in the Summary of Adjustments Table on page 5.

8 ***Benefits Expense***

9
10 **Q. Please discuss your adjustment to benefits expense.**

11 A. The adjustment is a flow-through from my adjustment to payroll. My adjustment
12 to reduce payroll also has the effect of lowering benefits expense. This
13 adjustment reduces benefits expense by \$127,819 in the forecasted test period,
14 which is shown on Exhibit JD-1, Schedule C-12. The revenue requirement impact
15 is a reduction of \$128,619 after the gross-up for uncollectibles, regulatory
16 assessment fees, and taxes which is shown in the Summary of Adjustments Table
17 on page 5.

18 19 ***Income Tax***

20 **Q. Please discuss your adjustment to income tax.**

21 A. The adjustment is a flow-through from my adjustments to O&M expenses. All of
22 my O&M expense reductions effectively increase operating income. As a result,
23 income tax is increased. My adjustments increase federal income taxes and state

income taxes by \$1.236 million in the forecasted test year, as shown on Exhibit JD-1, Schedule C-13.

Interest Synchronization

Q. Please discuss your adjustment to interest synchronization.

A. The adjustment is a flow-through from my adjustment to rate base. As my adjustment to rate base decreases rate base, it has the effect of decreasing interest expense which increases income tax expense. My adjustment increases income tax expense by \$61,539 in the forecasted test period as shown on Exhibit JD-1, Schedule C-14. The revenue requirement impact is an increase of \$82,510 after the gross-up for uncollectibles, regulatory assessment fees, and taxes which is shown in the Summary of Adjustments Table on page 5.

V. RATE BASE

Advanced Metering Technology ("AMI")

Q. Has the Company included AMI capital expenditures in the forecasted test period?

A. It is not clear. The Company's response to the Attorney General's Second Request, No. 73 stated:

The cost and expenditures presented by Kentucky American Water ("KAW") in this Application generally are independent of the metering technology implemented by KAW. KAW does not anticipate material changes to capital or O&M

expenditures in the base period or forecasted test period if KAW is approved to implement advanced metering technology ("AMI") instead of automated meter reading ("AMR") technology.

Total capital expenditures for meter replacements are \$11,192,071 for the base period and \$10,538,425 for the forecasted test period.

Q. Should AMI amounts be included in the forecasted test period?

A. I am aware that the Company has applied for a Certificate of Public Convenience ("CPCN") in Case No. 2025-00240. Unless and until the Commission grants Kentucky-American the CPCN allowing the Company to implement AMI, no AMI amounts should be included in the forecasted test period.

Qualified Infrastructure Program ("QIP") Surcharge Roll-In

Q. Is the Company proposing to roll-in the QIP rate base and corresponding O&M revenue and expense components into the revenue requirement?

A. Yes. The Company is requesting to roll in the QIP amounts.⁴⁷ However, the Company has also provided an alternative revenue requirement calculation excluding QIP.⁴⁸

Q. Why is Kentucky-American proposing to roll-in the QIP even though the Commission denied this request in the Company's last rate case?

A. The Company stated the following:

⁴⁷ Direct Testimony of Domnic DeGrazia ("DeGrazia Testimony"), page 22.

⁴⁸ DeGrazia Testimony, Exhibit DD-3.

1 The roll-in of the current QIP will lessen the administrative
2 burden of tracking the current level of QIP projects and the
3 separation of costs. The roll-in will also allow regulators to
4 view the revenue requirement holistically and allows QIP
5 costs to be part of standard full cost of service and creates
6 rate stability. In addition, the QIP costs have been subjected
7 to rigorous review in the prior QIP proceedings.⁴⁹
8

9 **Q. Did the Company explain how the administrative burden will be lessened if**
10 **the QIP surcharge continues?**

11 A. The Company stated the following:

12 KAWC has filed 6 QIP applications along with balancing
13 adjustments since the Commission approved KAWC's QIP in
14 Case No. 2018-00358. As designed, this requires a roll
15 forward and the continued tracking of the QIP projects and the
16 costs of capital, depreciation, expenses and taxes associated
17 with qualified infrastructure investment, in each of the filings
18 to account for and be able to calculate the averaging of the
19 rate base, respective to each filing and time period covered
20 The roll-in of QIP into base rates would therefore be a reset
21 of the historical QIP filings and tracking of the filings, which
22 would result in less administrative burden.⁵⁰
23

24 **Q. Do you agree that the administrative burden will be lessened?**

25 A. No. The Company proposes to continue the QIP mechanism.⁵¹ Thus, similar
26 tracking will still continue. In fact, if the Commission grants the Company's
27 request to roll-in QIP in the pending case, the administrative burden may be
28 greater.
29

30 **Q. Why would the administrative burden be greater?**

⁴⁹ DeGrazia Testimony at 22.

⁵⁰ Kentucky-American's response to the Attorney General's Second Request, No. 69.

⁵¹ Kentucky-American's response to the Attorney General's Second Request, No. 67.

1 A. As I previously stated, the Company provided an alternative revenue requirement
2 excluding the QIP. However, the Company only excluded the QIP through
3 December 31, 2025.⁵² The Company has included forecasted QIP in the 2026
4 forecasted test period.⁵³

5
6 **Q. Do you agree with this treatment?**

7 A. No. Removing some QIP, but not all, may result in less transparency and a greater
8 administrative burden to keep track of and reconcile the different “buckets” of QIP.
9 (e.g., those in the QIP mechanism and those in base rates).

10
11 **Q. What do you recommend?**

12 A. I recommend using Kentucky-American’s alternative revenue requirement
13 calculation that allegedly excludes QIP as the starting point for the Company’s
14 overall rate increase request, but also remove the 2026 QIP plant additions from
15 rate base as well as the corresponding revenues and expenses from the
16 forecasted test period. Keeping all the QIP amounts in the QIP filings will allow for
17 greater transparency not only to the ratepayers, but also to the Commission, and
18 intervenors as well.

19
20 **Q. Did the Company provide the 2026 QIP rate base amounts and associated**
21 **revenues and expenses?**

⁵² Exhibit DD-3.

⁵³ Kentucky-American’s response to the Attorney General’s Second Request, No. 65.

1 A. No. The Attorney General's Second Request, No. 65 asked for the 2026 QIP
2 amounts in a similar format as the QIP adjustment provided in Exhibit DD-3, but
3 it was not provided. The Company supplemented this response which stated, in
4 part:

5 The "Forecast Period without QIP Ending December 31,
6 2026" does not include new QIP Plant additions for the period
7 of January 1, 2026 to December 31, 2026. Some of the Plant
8 additions, however, are for projects that would meet the
9 definition of QIP eligible but have not been earmarked for QIP
10 recovery as a part of this application. The current QIP 6 QIP
11 Rider Charge as authorized in Case No. 2024-00272 is for
12 investments made during the period beginning January 1,
13 2025, and ending December 31, 2025. The rate base as
14 shown on Exhibit DD-3 for the column titled QIP Ending
15 December 31, 2025 reflect only the balance that has been
16 authorized in the QIP 6 and therefore are the only amounts
17 that should be excluded if the QIP Rider Charge is not reset.
18

19 It is concerning that the Company has included projects that meet the definition
20 of QIP in the pending revenue requirement, but the Company has not "earmarked"
21 them for QIP recovery. The Company requested approval for the QIP mechanism
22 and proposes that it continue. Yet, comingling the QIP projects into base rates
23 reduces the transparency of these costs.
24

25 **Q. Did you make an adjustment for the forecasted test period QIP?**

26 A. No, because I did not have the information to make an adjustment. Hence, the
27 Commission should require the Company to provide all of the 2026 additions that
28 meet the definition of QIP and the corresponding amounts included in the
29 forecasted test period so that they can be removed and continue to be reviewed

1 and recovered through the QIP proceedings as opposed to being included/rolled-
2 in to base rates.

3
4 Cash Working Capital
5

6 **Q. Has the Company included non-cash items in its calculation of cash**
7 **working capital?**

8 A. Yes, the Company has included non-cash expenses in its lead/lag study at a zero
9 lead/lag.⁵⁴

10
11 **Q. Is there Commission precedent to exclude non-cash items from the cash**
12 **working capital?**

13 A. Yes. In a Final Order in 2021, the Commission placed all utilities on notice that in
14 future rate cases, a lead/lag study is to be performed and shall exclude noncash
15 items and balance sheet adjustments.⁵⁵ The Commission has continued to rule in
16 a multitude of cases that noncash expenses are not appropriate to include in the
17 cash working capital determination.⁵⁶

18

⁵⁴ Direct Testimony of Harold Walker ("Walker Testimony"), page 11.

⁵⁵ Case No. 2021-00183, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Public Convenience and Necessity; and Other Relief* (Ky. PSC Dec. 28, 2021), Final Order, page 14.

⁵⁶ Case No. 2024-00276, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates; Approval of Tariff Revisions; and Other General Relief* (Ky. PSC Aug. 11, 2025), Final Order, page 19; Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, page 9; Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (May 19, 2022), Final Order, page 20.

1 **Q. Did the Commission disallow the inclusion of non-cash items in Kentucky-**
2 **American's previous rate case, 2023-00191?**

3 A. Yes. The Commission disallowed non-cash items to be included in the lead/lag
4 study in the prior rate case. In the Final Order of Case No. 2023-00191, the
5 Commission stated that it, "finds no reason to depart from recent precedent to
6 remove non-cash items from cash working capital."⁵⁷

7
8 **Q. What do you recommend?**

9 A. I recommend that the non-cash items be removed from the lead/lag study.
10

11 **Q. Do you have any other concerns with the Company's lead/lag study?**

12 A. Yes. The Company has reflected a negative lag of 4.2 days for service company
13 charges. The Company stated that, "[t]he Service Company has negative lag days
14 because payments were made prior to the midpoint of the service period in
15 accordance with the terms of the contract."⁵⁸

16
17 **Q. Should ratepayers be responsible for costs related to early payment or**
18 **prepayments to Kentucky-American's service company?**

19 A. No. Ratepayers should not be responsible for costs related to the Company
20 paying earlier than necessary for service company expenses.

⁵⁷ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, page 9. Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (May 19, 2022), Final Order, page 20

⁵⁸ Kentucky-American's response to the Attorney General's First Request, No. 63.

1 **Q. Should ratepayers be responsible for higher costs if the early payment is**
2 **dictated by an agreement with the service company?**

3 A. No. Ratepayers should not be forced to bear a higher cost if Kentucky-American
4 has an agreement with an affiliate to pay for a service earlier than its other
5 vendors.

6
7 **Q. Did the Commission reject the Company's proposed negative lag days for**
8 **service company costs in the last rate case?**

9 A. Yes. The Commission's Final Order stated:

10 Additionally, the Commission finds that Kentucky-American
11 has not provided any reasoning for service company
12 expenses to be collected in revenues from customers and
13 paid before the actual service is performed. The Commission
14 finds that the Attorney General/LFUCG's adjustment to cash
15 working capital included in rate base is reasonable and should
16 be accepted.⁵⁹
17

18 **Q. What adjustment did the OAG/LFUCG propose in the last rate case?**

19 A. The OAG/LFUCG recommended that the service company charges utilize the
20 same expense lead as the contracted service charges, which the Commission
21 accepted.

22
23 **Q. What do you recommend?**

⁵⁹ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions*, (Ky. PSC May 3, 2024), Final Order, page 9.

1 A. I recommend that the service company charges reflect the same lag as contracted
2 services as ordered by the Commission in the last rate case.

3
4 **Q. Are you recommending any other adjustments to cash working capital in**
5 **the pending case?**

6 A. Yes, I have reflected my adjustments to O&M expenses as discussed in my
7 testimony above in the cash working capital calculation as well. It should be noted,
8 I have reflected my O&M adjustments in the Company's working capital schedule
9 as a placeholder to recognize the adjustments should also be reflected to the
10 working capital calculation. However, the Company may determine that some
11 amounts are more appropriately reflected on different lines.

12
13 **Q. What is the total impact of all your adjustments to cash working capital?**

14 A. The total impact of all my adjustments to cash working capital result in negative
15 working capital of \$8.223 million, which is a reduction of \$11.011 million to the
16 Company's request of \$2.788 million in cash working capital. My cash working
17 capital calculation is reflected on Exhibit JD-1, Schedule B-1. This results in a
18 reduction to the revenue requirement of \$1.063 million after the gross up for
19 uncollectibles, regulatory assessment fees, and taxes which is shown in the
20 Summary of Adjustments Table on page 5.

1 **VI.OTHER ISSUES**

2
3 Pending Merger Transaction

4
5 **Q. Do you have any other concerns?**

6 A. Yes. In Case No. 2025-00171, Kentucky-American, Nexus Regulated Utilities,
7 LLC, and Water Service Company of Kentucky (“Water Service”) filed a joint
8 application for approval of the transfer of control of Water Service to Kentucky-
9 American. The proposed transaction ultimately involves Water Service merging
10 with Kentucky-American as the surviving corporation, and Water Service ceasing
11 to exist. Kentucky-American would assume responsibility for the operations of
12 Water Service’s facilities. Water Service employees would be retained as
13 Kentucky-American employees. I am concerned that any reduced costs or
14 economies of scale resulting from the merger may not be passed onto ratepayers.

15
16 **Q. Has the Company made any adjustments in the current case regarding the**
17 **pending transaction?**

18 A. No. The Company stated that “...the proposed transaction has no impact on the
19 revenue requirement in this case.”⁶⁰

20
21 **Q. What do you recommend?**

22 A. If the transaction is approved, I recommend that the Company be required to track
23 all merger-related savings to be reviewed in the next rate case.

⁶⁰ Refer to Kentucky-American’s response to the Attorney General’s First Request, No. 52.

1 Products Containing Per- and polyfluoroalkyl substances (“PFAS”)
2 Settlements
3

4 **Q. What are your thoughts on how Kentucky-American should handle the**
5 **revenues from the PFAS settlements.**

6 A. The Company states that the PFAS settlement revenue will be accounted for in
7 a regulatory liability account to be returned to customers as line-item credits to
8 bills. In my opinion, this is a reasonable approach.⁶¹
9

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

11 A. Yes. However, I reserve the right to supplement my testimony upon receipt of
12 additional relevant information. It should be noted that silence on any issues
13 should not be interpreted as acceptance of any Company proposal.

⁶¹ Kentucky-American’s response to LFUCG’s Second Request, No. 1.

APPENDIX I - QUALIFICATIONS OF JOHN DEFEVER

John Defever, CPA is a regulatory consultant with Larkin & Associates. As such, Mr. Defever is responsible for the review and analysis of regulatory filings and the preparation of testimony, discovery requests, briefs, schedules, exhibits and reports. Mr. Defever also assists with the annual audit of a Michigan Railroad Company. Mr. Defever has been employed with the firm of Larkin and Associates since 2010.

Mr. Defever has performed work in the field of utility regulation on behalf of public service commission staffs, state attorney generals and consumer groups concerning regulatory matters before regulatory agencies in Alaska, California, Connecticut, District of Columbia, Florida, Hawaii, Iowa, Maine, Maryland, Massachusetts, Mississippi, Oregon, New Hampshire, and Vermont.

Mr. Defever received a Bachelor of Business Administration, Major: Accounting from Eastern Michigan University and an Associate in Applied Science at Schoolcraft College. Mr. Defever is a member of the Michigan Association of Certified Public Accountants and maintains continuing professional education in accounting, auditing, and taxation.

Partial list of utility cases participated in:

Docket No. 10-02-13	Aquarion Water Company of Connecticut Connecticut Department of Utility Control
Docket No. 10-70	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 10-12-02	Yankee Gas Services Company Connecticut Department of Utility Control
Docket No. 11-01	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Case No. 9267	Washington Gas Light Company Maryland Public Service Commission

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Case No. 9286	Potomac Electric Power Company Maryland Public Service Commission
Docket No. 13-06-08	Connecticut Natural Gas Corporation Connecticut Public Utility Regulatory Authority
Docket No. 13-90	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Docket No. 8190	Green Mountain Power Company Before the Vermont Public Service Board
Docket No. 8191	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board
Case No. 9354	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 13-135	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 14-05-06	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 13-85	Massachusetts Electric Company and Nantucket Electric Company D/B/A/ as National Grid Massachusetts Department of Public Utilities
Case No. 9390	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 15-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority.

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Docket No. 15-149	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 8710	Vermont Gas Systems Inc. Before the Vermont Public Service Board
Docket No. 8698	Vermont Gas Systems Inc. Alternative Regulation Before the Vermont Public Service Board
U-15-091 / U-15-092	College Utilities Corporation Golden Heart Utilities, Inc. Regulatory Commission of Alaska
Docket No.16-06-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-05-42	Southern Connecticut Gas Company Connecticut Public Utilities Regulatory Authority
Docket No. 20160251-EI	Florida Power & Light Company Florida Public Service Commission
Docket No. 20170141-SU	KW Resort Utilities Florida Public Service Commission
Application No. A.16-09-001	Southern California Edison California Public Utilities Commission
Case No. 18-0409-TF	Vermont Gas Systems, Inc. Vermont Public Utility Commission
Docket No. 17-10-46	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 2017-0105	Hawaii Gas Company Hawaii Public Utilities Commission

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Docket No. 18-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 18-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. A.17-11-009	Pacific Gas & Electric California Public Utilities Commission
Docket No. 18-05-16	Connecticut Natural Gas Connecticut Public Utilities Regulatory Authority
Docket No. 18-05-10	Yankee Gas Connecticut Public Utilities Regulatory Authority
Docket No. 18-11-12	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 18-07-10	SJW Group and Connecticut Water Service Connecticut Public Utilities Regulatory Authority
Docket No. 2018-0388	Kona Water Service Company Hawaii Public Utilities Commission
Docket No. RPU-2019-0001	Interstate Power and Light Iowa Utilities Board
Docket No. DE 19-057	Public Service Company of New Hampshire New Hampshire Public Utilities Commission
Application No. A.19-08-013	Southern California Edison Public Utilities Commission
Docket No. D.P.U. 19-120	NSTAR Gas Company d/b/a Eversource Energy Massachusetts Department of Public Utilities
Docket No. 2019-00333	Maine Water Company – Skowhegan Division Public Utilities Commission

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Docket No. D.P.U. 19-113	Massachusetts Electric Company & Nantucket Electric Company Each d/b/a National Grid
Docket No. 20-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-12-30	Connecticut Water Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-08-03	The Connecticut Light and Power Company & The United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-120	National Grid Massachusetts Department of Public Utilities
Docket No. 21-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 21-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Case No. 21-887-EL-AIR	Duke Energy Ohio Public Utilities Commission of Ohio
Application No. 21-06-021	Pacific Gas & Electric 2023 GRC California Public Utilities Commission
Docket No. 22-07-01	Aquarion Water Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority

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Docket No. 22-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-057-03	Dominion Energy Resources Utah Public Service Commission
Docket No. 22-22	NSTAR Electric Massachusetts Department of Public Utilities
Docket No. 22-143	NSTAR Storm Massachusetts Department of Public Utilities
Docket No. 22-08-08	United Illuminating Company, Connecticut Public Utilities Regulatory Authority
Formal Case No. 1169	Washington Gas Light District of Columbia Public Service Commission
Case No. 22-900-EL-SSO	Dayton Power & Light, d/b/a AES Ohio Public Utilities Commission of Ohio
Docket No. 23-08-32	Connecticut Water Company Connecticut Public Utilities Regulatory Authority
Docket No. 23-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 23-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Case No. 2023-00147	Taylor Country Rural Electric Cooperative Before The Public Service Commission
Docket No. DE-23-039	Liberty Electric New Hampshire Public Utilities Commission
Docket No. DG-23-039	Liberty Gas New Hampshire Public Utilities Commission

APPENDIX I - QUALIFICATIONS OF JOHN DEFEVER


Docket No. 23-24	National Grid Storm Massachusetts Department of Public Utilities
Docket No. 23-150	National Grid Rate Case Massachusetts Department of Public Utilities
Application No. 23-05-010	Southern California Edison California Public Utilities Commission
Case No. 2024-00092	Columbia Gas Kentucky of Kentucky, Inc. Before The Public Service Commission
Docket No. R-2024-3046931	PECO Energy Company-Electric Division Pennsylvania Public Utility Commission
Docket No. R-2024-3046932	PECO Energy Company-Gas Division Pennsylvania Public Utility Commission

AFFIDAVIT

STATE OF MICHIGAN)


COUNTY OF WAYNE)

John Defever, being duly sworn, deposes, and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.



John Defever

Sworn to and subscribed before me on this 12th day of August 2025.



Notary Public

CHRISTINE MILLER
NOTARY PUBLIC, STATE OF MI
COUNTY OF WAYNE
MY COMMISSION EXPIRES Nov 8, 2028
ACTING IN COUNTY OF

Wayne