COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF ANN E. BULKLEY

May 15, 2026

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I. INTRODUCTION

Q. Please state your name, affiliation and business address.

A. My name is Ann E. Bulkley. I am a Principal at The Brattle Group ("Brattle"). My business address is One Beacon Street, Suite 2600, Boston, Massachusetts 02108.

Q. On whose behalf are you submitting this direct testimony?

A. I am submitting this direct testimony before the Kentucky Public Service Commission ("Commission") on behalf of Kentucky-American Water Company ("KAWC" or the "Company"), a wholly-owned subsidiary of American Water Works Company, Inc. ("AWK").

Q. Please describe your education and experience.

A. I hold a Bachelor's degree in Economics and Finance from Simmons College and a Master's degree in Economics from Boston University, with over 30 years of experience consulting to the regulated utility industry. I have advised numerous energy and utility clients on a wide range of financial and economic issues with primary concentrations in valuation and utility rate matters. Many of these assignments have included the determination of the cost of capital for valuation and ratemaking purposes. My resume and a summary of testimony that I have filed in other proceedings are presented in more detail in Appendix A.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to present evidence and provide a recommendation regarding the appropriate return on equity ("ROE") and to provide an assessment of the reasonableness of KAWC's proposed capital structure for ratemaking purposes for the Company's water utility operations.

Q. Are you sponsoring any exhibits in support of your direct testimony?

A. Yes. My analyses and recommendations are supported by the data presented in Exhibits AEB-1 through AEB-9.

Q. Please provide a brief overview of the analyses that led to your ROE recommendation.

A. I relied on the results of several analytical approaches to estimate the costs of equity for the Company. I have first developed a proxy group of utility companies that face risks generally comparable to those faced by KAWC. I have not limited the proxy group to water utilities, but rather have included a broader group of utilities that face risk similar to KAWC because a proxy group composed only of water utilities would result in a small group of companies for which data is limited. To that proxy group, I have applied the constant growth form of the Discounted Cash Flow ("DCF") model, the Capital Asset Pricing Model ("CAPM"), and the Empirical Capital Asset Pricing Model ("ECAPM"). My recommendation also takes into consideration the Company's relative business and regulatory risk as compared with the proxy group, and the Company's proposed capital structures as compared with the capital structures of the operating utilities of the companies contained in the proxy group. Although I do not make specific adjustments to my ROE recommendation for these factors, I consider them in the aggregate when determining where my recommended ROE falls within the range of the analytical results.

Q. How is the remainder of your direct testimony organized?

A. The remainder of my direct testimony is organized as follows:

- Section II provides a summary of my analyses and conclusions.
- Section III reviews the regulatory guidelines pertinent to the development of the cost of capital.

- Section IV discusses current and projected capital market conditions and the effect of those conditions on KAWC's cost of equity.

- Section V explains my selection of the proxy group for KAWC.

- Section VI describes my analyses and the analytical basis for my recommendation of the appropriate ROE for KAWC.

- Section VII provides a discussion of specific regulatory, business, and financial risks that have a direct bearing on the ROE to be authorized for KAWC in this case.

- Section VIII provides an assessment of the reasonableness of KAWC's proposed capital structure relative to the proxy group.

- Section IX presents my conclusions and recommendations.

II. SUMMARY OF ANALYSIS AND CONCLUSIONS

Q. Please summarize the key factors considered in your analyses and upon which you base your recommended ROE.

A. The key factors that I have considered in my cost of equity analyses and recommended ROE for the Company in this proceeding are:

- The United States Supreme Court's *Hope* and *Bluefield* decisions[1] established the standards for determining a fair and reasonable authorized ROE for public utilities, including consistency of the allowed return with the returns of other businesses having similar risk, adequacy of the return to provide access to capital and support credit quality, and the requirement that the result lead to just and reasonable rates.

- The effect of current and prospective capital market conditions on the cost of equity estimation models and on investors' return requirements.

- The results of several analytical approaches that provide estimates of the Company's cost of equity. Because the Company's authorized ROE should be a forward-looking estimate over the period during which the rates will be in effect, these analyses rely on forward-looking inputs and assumptions (*e.g.*, projected

[1] *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("*Hope*"); *Bluefield Waterworks & Improvement Co., v. Public Service Commission of West Virgini*a, 262 U.S. 679 (1923) ("*Bluefield*").

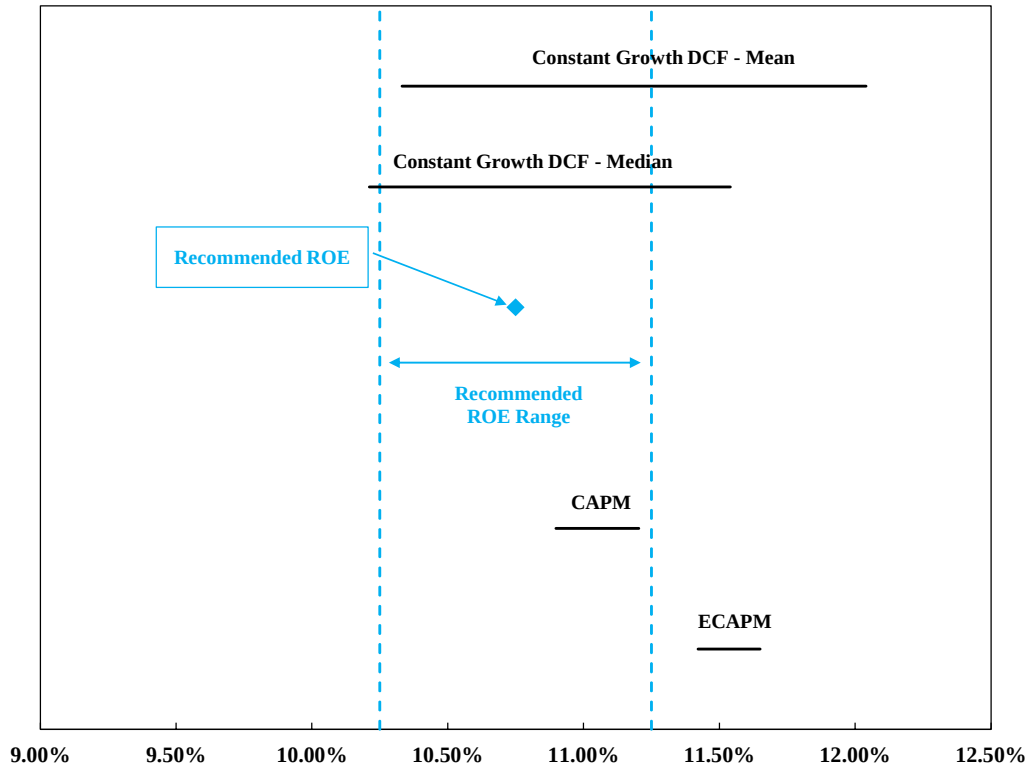
analyst growth rates in the DCF model, forecasted risk-free rate and market risk premium in the CAPM analysis).

- Although the companies in my proxy group are generally comparable to KAWC, each company is unique, and no two companies have the exact same business and financial risk profiles. Accordingly, I have considered the Company's regulatory, business, and financial risks relative to the proxy group of comparable companies in determining where the Company's ROE should fall within the reasonable range of analytical results to appropriately account for any residual differences in risk.

Q. What are the results of the models that you have used to estimate the cost of equity for KAWC?

A. Figure 1 (also see Exhibit AEB-1) summarizes the range of results produced by the constant growth DCF, CAPM, and ECAPM analyses based on data through February 28, 2026.

Figure 1: Summary of ROE Results



Q. What is your conclusion regarding the appropriate authorized ROE for KAWC in this proceeding?

A. Considering the analytical results presented in Figure 1, current and prospective capital market conditions, as well as the level of regulatory, business, and financial risk faced by KAWC's water operations relative to the proxy group, a range for the authorized ROE from 10.25 percent to 11.25 percent, which takes into consideration both the low and high end of the range of results in the models, is reasonable. Taking into consideration the results of the analytical models, current market conditions, and the Company's relative risk, an ROE of 10.75 percent is reasonable and appropriate.

Q. Is the Company's requested capital structure reasonable and appropriate?

A. Yes. The Company's proposed common equity ratio of 52.29 percent for the thirteen-month period ending December 31, 2027, is lower than the average actual equity ratios of the utility operating subsidiaries of the proxy group companies, and well within the range of the equity ratios for those same companies.

III. REGULATORY GUIDELINES

Q. Please describe the guiding principles to be used in establishing the cost of capital for a regulated utility.

A. The U.S. Supreme Court's precedent-setting *Hope* and *Bluefield* cases established the standards for determining the fairness and reasonableness of a utility's authorized ROE. Among the standards established by the Court in those cases are: (1) consistency with other businesses having similar or comparable risks; (2) adequacy of the return to support credit quality and access to capital; and (3) the principle that the specific means of arriving at a fair return are not important, only that the end result leads to just and reasonable rates.[2]

[2] *Bluefield*, 262 U.S. at 692-93; *Hope*, 320 U.S. at 603.

Q. Has the Commission provided similar guidance in establishing the appropriate return on common equity?

A. Yes. For example, the Commission has stated that "[i]n evaluating the ROE for Kentucky-American, the Commission must evaluate and review each model and all parties' positions and balance the financial integrity of the utility with the interest of the consumer and the statutory obligation that rates be fair, just, and reasonable."[3]

Q. How did the Court connect the achievement of a fair rate of return to the provision of utility service?

In *Bluefield,* a proper rate of return not only assures "confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit [but also] enable[s the utility] to raise the money necessary for the proper discharge of its public duties."[4] As the Court went on to explain in *Hope*, "[t]the rate-making process … involves balancing of the investor and consumer interests."[5]

Q. Why is it important for a utility to be allowed the opportunity to earn a return that is adequate to attract capital at reasonable terms?

A. A return that is adequate to attract capital at reasonable terms enables KAWC to continue to efficiently provide safe, reliable water service while maintaining its financial integrity. That return should be commensurate with returns expected elsewhere in the market for investments of equivalent risk. If it is not, debt and equity investors will seek alternative investment opportunities for which the expected return reflects the perceived risks, thereby inhibiting KAWC's ability to attract capital at reasonable cost. When the Company is

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[3] Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates,* Order, December 16, 2025, at 62.
[4] *Bluefield*, 262 U.S. at 679, 693.
[5] *Hope,* 320 U.S. at 591, 603.

afforded a reasonable opportunity to earn its market-based cost of capital, a fair and reasonable balance is achieved between customers' and shareholders' interests.

Q. Is a utility's ability to attract capital also affected by the ROEs authorized for other utilities?

A. Yes. Utilities compete directly for capital with other investments of similar risk, which include other water, natural gas, and electric utilities. Therefore, the ROE authorized for a utility sends an important signal to investors regarding whether there is regulatory support for financial integrity, dividends, growth, and fair compensation for business and financial risk. The cost of capital represents an opportunity cost to investors. If higher returns are available elsewhere for other investments of comparable risk over the same time-period, investors have an incentive to direct their capital to those alternative investments. Thus, an authorized ROE significantly below authorized ROEs for other water, natural gas, and electric utilities can inhibit the utility's ability to attract capital for investment.

Q. What is the standard for setting the ROE in a jurisdiction?

A. The stand-alone ratemaking principle is the foundation of jurisdictional ratemaking. This principle requires that the rates charged in any operating jurisdiction be for the costs incurred in that jurisdiction. The stand-alone ratemaking principle ensures that customers in each jurisdiction only pay for the costs of the service provided in that jurisdiction, which is not influenced by the business operations in other operating companies. In order to maintain this principle, the cost of equity analysis is performed for an individual operating company as a stand-alone entity. As such, I have evaluated the investor-required return for KAWC's operations in Kentucky.

Q. Does the fact that the Company is wholly-owned by AWK, a publicly-traded company, affect your analysis?

A. No. In this proceeding, consistent with stand-alone ratemaking principles, it is appropriate to establish the cost of equity for KAWC, not their publicly-traded parent, AWK. More importantly, however, it is appropriate to establish a cost of equity and capital structure that provides KAWC the ability to attract capital on reasonable terms, both on a stand-alone basis and within AWK. Although the Company is committed to investing the required capital to provide safe and reliable service, because it is a subsidiary of AWK, the Company competes with the other AWK subsidiaries for proactive investment capital. In determining how to allocate its finite proactive capital resources, it would be reasonable for AWK to consider the authorized ROE of each of its subsidiaries.

Q. Are the regulatory framework and the authorized ROE and equity ratio important to the financial community?

A. Yes. The regulatory framework is one of the most important factors in investors' assessments of risk. Specifically, regarding debt investors, credit rating agencies consider the authorized ROE and equity ratio for regulated utilities to be very important for two reasons: (1) they help determine the cash flows and credit metrics of the regulated utility; and (2) they provide an indication of the degree of regulatory support for credit quality in the jurisdiction. To the extent that the authorized returns in a jurisdiction are lower than the returns that have been authorized more broadly, credit rating agencies will consider this in the overall risk assessment of the regulatory jurisdiction in which the company operates.

Q. What are your conclusions regarding regulatory guidelines?

A. The ratemaking process is premised on the principle that, in order for investors and companies to commit the capital needed to provide safe and reliable utility services, a utility must have a reasonable opportunity to recover the return of, and the market-required return on, its invested capital. Accordingly, the Commission's order in this proceeding should establish rates that provide the Company with a reasonable opportunity to earn a ROE that is: (1) adequate to attract capital at reasonable terms; (2) sufficient to ensure its financial integrity; and (3) commensurate with returns on investments in enterprises with similar risk. It is important for the ROE authorized in this proceeding to take into consideration current and projected capital market conditions, as well as investors' expectations and requirements for both risks and returns. Because utility operations are capital-intensive, regulatory decisions should enable the utility to attract capital at reasonable terms under a variety of economic and financial market conditions. Providing the opportunity to earn a market-based cost of capital supports the financial integrity of the Company, which is in the interest of both customers and shareholders.

IV. CAPITAL MARKET CONDITIONS

Q. Why is it important to analyze capital market conditions?

A. Capital market conditions influence cost of equity models by affecting inputs in the model at the time the analysis is performed. While the ROE that is established in a rate proceeding is intended to be forward-looking, the analyst uses current and projected market data, specifically stock prices, dividends, growth rates and interest rates, in the models to estimate the required return for the subject company.

Analysts and regulatory commissions recognize the importance of considering how

these conditions impact cost of equity estimation models when determining the appropriate range and recommended ROE for a future period. For example, if investors do not expect current market conditions to be sustained in the future, it is possible that the cost of equity estimation models may not provide an accurate estimate of investors' required return during that rate period. Therefore, it is important to consider projected market data to estimate the return of the forward-looking period.

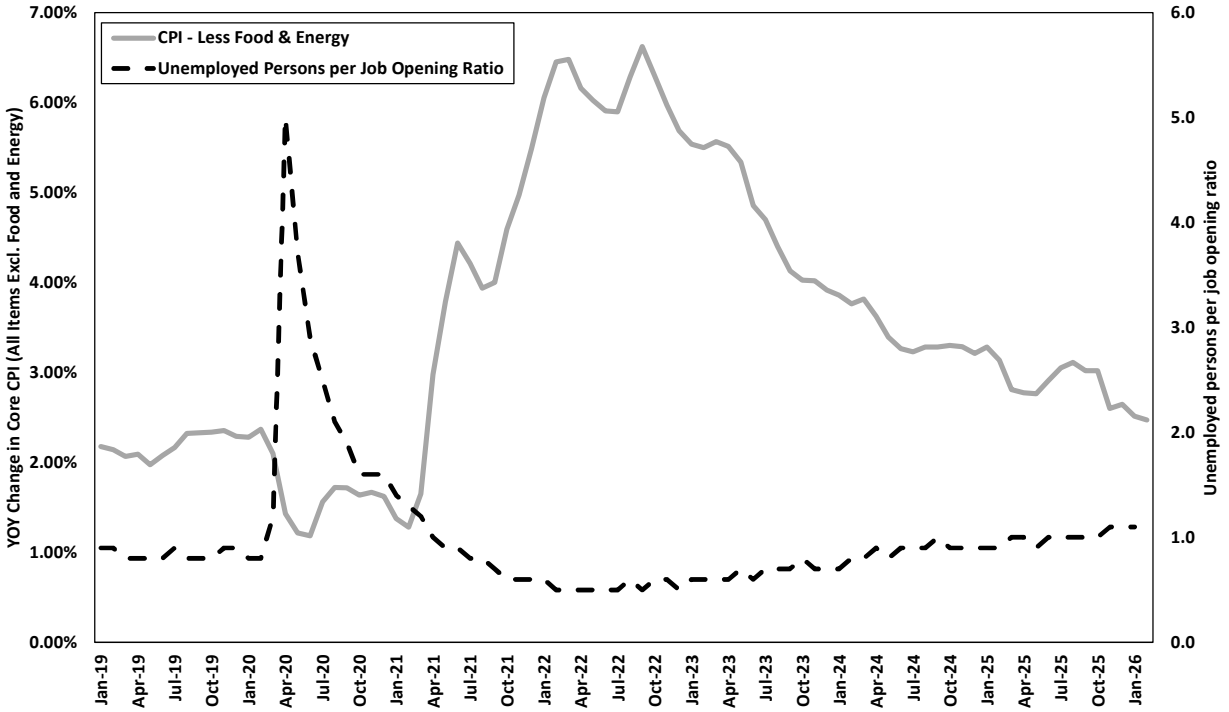
Q. What has the level of inflation been over the past few years?

A. As shown in Figure 2, year-over-year core inflation increased steadily beginning in early 2021, rising from 1.40 percent in January 2021 to a high of 6.64 percent in September 2022, which was the largest 12-month increase since 1982.[6] While core inflation has declined in response to the Federal Reserve's monetary policy, it continues to remain significantly above the Federal Reserve's target level of 2.00 percent.

Because the Federal Reserve's dual mandate is to promote stable prices and employment, it is important to consider employment data in addition to inflation. The ratio of unemployed persons per job opening was 1.1 in January 2026 (the most recent data available as of March 13, 2026). While the ratio of unemployed persons per job opening increased slightly in recent months, it had been consistently at or below 1.00 between April 2021 and October 2025, which suggested a tighter labor market. The strength in the labor market allowed the Federal Reserve to prioritize reducing inflation by pursuing the restrictive monetary policy needed to achieve its 2.00 percent target benchmark.

[6] Reade Pickert, "Core US inflation rises to 40-year high, securing big Fed hike," *Bloomberg*, October 13, 2022.

Figure 2: Core Inflation and Unemployed Persons-to-Job Openings, January 2019 to February 2026[7]



Q. What policy actions has the Federal Reserve enacted to respond to increased inflation?

A. The dramatic increase in inflation prompted the Federal Reserve to pursue an aggressive normalization of monetary policy, removing the accommodative policy programs used to mitigate the economic effects of COVID-19. Between the March 2022 Federal Open Market Committee ("FOMC") meeting and the July 2023 FOMC meeting, the Federal Reserve increased the target federal funds rate through a series of increases from a range of 0.00 – 0.25 percent to a range of 5.25 percent to 5.50 percent.

[7] Bureau of Labor Statistics (Consumer Price Indices databases; All Urban Consumers (Current Series); U.S. city average; All Items less food and energy; Seasonally Adjusted); Bureau of Labor Statistics (Job Openings and Labor Turnover Survey (JOLTS); Total Nonfarm; Total U.S.; Unemployed Persons per Job Opening Ratio; Seasonally Adjusted). The data for Core Inflation was available through February 2026. The last month that was published for Unemployed persons to job openings was January 2026.

Q. How did yields on long-term government bonds respond to the Federal Reserve's normalization of monetary policy?

A. Since the Federal Reserve's December 2021 meeting, the yield on 10-year Treasury bonds has increased by over 350 basis points, increasing from 1.47 percent on December 15, 2021, to a peak of 4.98 percent on October 19, 2023. It currently remains well above 2021 levels (*i.e.*, 4.44 percent as of March 27, 2026).[8]

Q. Did the Federal Reserve recently reduce the federal funds rates?

A. Yes. The Federal Reserve reduced the federal funds rate by 50 basis points in September 2024, 25 basis points in November 2024, 25 basis points in December 2024, and more recently 25 basis points in September 2025, October 2025 and December 2025. While the Federal Reserve kept rates unchanged through the first five meetings in 2025, its decision to reduce the federal funds rate at the final three meetings in 2025 was due to an increased in the downside risk to employment in recent months.[9]

Q. What is the expected path of monetary policy over the near-term?

A. At the March 2026 FOMC meeting, Chairman Powell noted that inflation remains "somewhat elevated" and that "[w]hile job gains have remain low, the unemployment rate has been little changed in recent months."[10] As a result, the FOMC decided to maintain the federal funds rate range of 3.50 percent to 3.75 percent.[11] Further, Chairman Powell acknowledged that the events in the Middle East have resulted in higher energy prices which will increase inflation; however, it was too soon to know the "scope and duration of

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[8] *S&P Capital IQ Pro*.
[9] Federal Reserve, "Federal Reserve issues FOMC statement," Press Release, September 17, 2025, October 29, 2025, and December 10, 2025.
[10] Federal Reserve, "Transcript of Jerome Powell's Press Conference," March 18, 2026.
[11] *Id.*

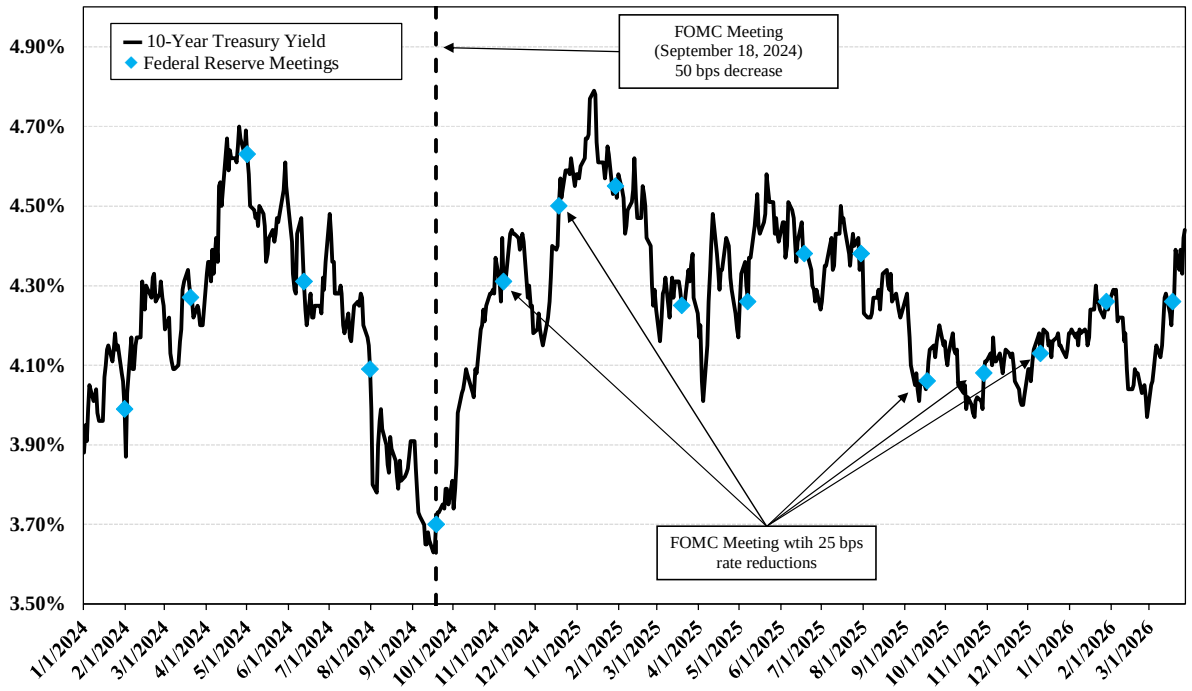
the potential effects on the economy".[12] Regarding the possible path of monetary policy, Chairman Powell indicated that the reductions since September have brought the federal funds rate "within a range of plausible estimates of [the] neutral" rate and therefore, the Federal Reserve is well positioned to rely on incoming economic data to determine the extent and timing of any additional changes in the federal funds rates.[13] The FOMC published a forecast of the federal funds rate at the March 2026 meeting that was unchanged from December 2025 projections of one rate cut in December 2026.[14]

Q. What has happened to the yields on long-term government bonds since the FOMC first began to reduce the federal funds rate in September 2024?

A. As shown in Figure 3 below, while the yield on the 10-year treasury bond declined prior to the time of the first federal funds rate cut, the yield has generally increased since the September 2024 FOMC meeting. Further, while the yield on the 10-year Treasury bond has been volatile recently, it was 4.44 percent as of March 27, 2026, which is generally consistent with levels seen in July 2024, two months prior to the first reduction in the federal funds rate.

[12] *Id.*
[13] *Id.*
[14] Federal Reserve, "Transcript of Chair Powell's Press Conference", March 18, 2026.

Figure 3: 10-Year Treasury Bond Yield, Janaury 2024 through March, 27 2026[15]



Q. Why have long-term interest rates increased since the Federal Reserve reduced the federal funds rate in September?

A. Ongoing policies of the current administration's economic plans have resulted in higher deficits, and persistent inflation. For example, since January 2025, the administration announced several sets of tariffs on each of the U.S.'s trading partners. [16] The implemented tariffs are largely viewed as inflationary. Inflation affects bonds, in particular long-term government bonds, because it erodes the value of future bond payments. Therefore, in an inflationary environment, investors will demand higher returns on bonds to compensate for the added risk of inflation thus bond prices decline and the yields on those bonds increase. The longer the duration of the bond, the greater the effect of inflation which is why inflation

[15] *S&P Capital IQ Pro.*
[16] Jennifer Clarke, "What Are Tariffs, How Do They Work and Why Is Trump Using Them?" *BBC News*, August 27, 2025.

risk is greater for long-term government bonds. The significant tariff policy increases the risk that inflation will remain elevated, which is why the yields on long-term bonds have not decreased and in fact have increased since the Federal Reserve first reduced the federal funds rate in September 2024. Further, the use of tariffs strains the relationship with trading partners, which could result in a reduction in the foreign demand for long-term U.S. government bonds resulting in additional upward pressure on long-term government bond yields.[17]

Q. What effect does the recent Supreme Court ruling[18] have on the tariffs implemented by the administration in 2025?

A. On February 20, 2026, the Supreme Court ruled that the tariffs implemented in 2025 under the International Emergency Economic Powers Act were illegal. However, the administration responded to the ruling by imposing a 15 percent tariff on all goods imported into the U.S. under Section 122 of the 1974 Trade Act,[19] which allows a President to implement global tariffs up to 15 percent for a period of five months after which the approval of Congress is needed for continuation of the tariffs. Therefore, the administration is still able to at least temporarily impose global tariffs, which, as noted, will continue to place upward pressure on prices.

Q. Have there been any other recent developments that may affect inflation and long-term government bond yields?

A. Yes. The war in Iran and the resulting increase in underlying oil prices will likely put upward pressure on inflation as increased oil prices not only increase gasoline prices for

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[17] Karishma Vanjani, "U.S. Treasury Bonds Sell Off as 30-Year Yield Rises Most Since 1982," *Barron's*, April 9, 2025.

[18] *Learning Resources, Inc. v. Trump*, 607 U.S. __(2026).

[19] Dearbail Jordan, "Trump says he will increase his new global tariffs to 15%," *BBC*, February 22, 2026.

consumers, but also the prices of other products as well given that nearly all goods need to be transported from the place of production. The likelihood of continued elevated inflation suggests interest rates will remain higher in the near term. In fact, as shown in Figure 3, since the start of the war in Iran, the yield on the 10-year Treasury bond has increased 47 basis points from 3.97 percent on February 27, 2026 to 4.44 percent on March 27, 2026.

Q. What are expectations for the yields on long-term government bonds?

A. While the Federal Reserve is forecasting additional cuts to the federal funds rate in 2026 and 2027, economists are still expecting elevated long-term interest rates. In the most recently published report by *Blue Chip Financial Forecasts*, the consensus estimate of economists is that the 30-year treasury bond yield will remain relatively stable and decrease only slightly from 4.80 percent in Q2/2026 to 4.70 percent in Q2/2027.[20] Additionally, the consensus estimate over the longer term (*i.e.*, 2027-2031) is 4.60 percent.[21] Further, Reuters published the results of a survey of 75 bond strategists which suggests that aggressive tax and spending reforms could add over $3 trillion to the debt over the next decade. Bond strategists expect long-term bond yields to remain elevated even with the expectation that the Fed will decrease the Federal Funds rate because of inflation and a "resilient" economy.[22] This is important because it means that long-term interest rates are expected to remain elevated during the period that the Company's rates will be in effect.

[20] Blue Chip Financial Forecasts, Vol. 45, No. 3, February 27, 2026, at 2.
[21] Blue Chip Financial Forecasts, Vol. 44, No. 12, December 1, 2025, at 14.
[22] Reuters, "Long Treasury yields to stay elevated as inflation, debt pressures blunt Fed easing: Reuters poll", October 14, 2025.

Q. What are your conclusions regarding the effect of current market conditions on the cost of equity for the Company?

A. It is important to consider current and projected market conditions in setting the forward-looking ROE due to its effect on the estimated cost of equity. While the FOMC reduced the federal funds rate at the September, October, and December 2025 meetings, Chairman Powell has indicated that the Federal Reserve will continue to rely on incoming data to determine future adjustments to the federal funds rate. Further, long-term interest rates remain elevated and are expected to continue to remain elevated due to the economic effects of the war in Iran as well as inflationary policies such as tariffs, immigration policy, and tax cuts. With long-term interest rates expected to remain relatively high, borrowing also remains relatively more expensive, and thus investors also demand a relatively high cost of capital, which means the cost of capital also remains relatively high.

V. PROXY GROUP SELECTION

Q. Please provide a brief profile of KAWC.

A. KAWC, a wholly-owned subsidiary of AWK, provides water distribution service to approximately 140,000 customers in Kentucky.[23] The Company can access debt markets through American Water Capital Corp. ("AWCC") or independently. The current credit ratings for AWCC and AWK are as follows: (1) S&P - A (Outlook: Stable);[24] and (2) Moody's - Baa1 (Outlook: Stable).[25]

[23] Company Provided.
[24] S&P Global Ratings, American Water Works Co. Inc., March 24, 2026.
[25] Moody's Ratings, Credit Opinion, American Water Works Company, Inc., March 24, 2026.

Q. Why have you used a group of proxy companies to estimate the cost of equity for KAWC?

A. In this proceeding, the cost of equity is being estimated for KAWC, a rate-regulated subsidiary of AWK. Because the cost of equity is a market-based concept and the Company does not make up the entirety of a publicly-traded entity, it is necessary to establish a group of companies that are both publicly traded and comparable to the Company in certain fundamental business and financial respects to serve as its "proxy" in the cost of equity estimation process. Accordingly, I have developed screens and screening criteria based on judgment with the intention of balancing the need to maintain a proxy group that is of sufficient size with the need to establish a proxy group of companies that are comparable in business and financial risk to KAWC.

Even if the Company was publicly traded, it is possible that transitory events could bias its market value over a given period. A significant benefit of using a proxy group is that it moderates the effects of unusual events that may be associated with any one company. The companies included in the proxy group all possess a set of operating and risk characteristics that are substantially comparable to the Company, and thus provide a reasonable basis to derive and estimate the appropriate cost of equity for the Company.

Q. How did you select the companies in your proxy group?

A. I began with the group of U.S. utilities that *Value Line* classifies as "Water Utilities" and "Natural Gas Distribution Companies" and applied screening criteria to select companies that:

- pay consistent quarterly cash dividends because companies that do not cannot be analyzed using the constant growth DCF model;
- have an investment grade long-term issuer rating;

- have positive long-term earnings growth forecasts from at least two equity analysts;
- derive more than 70.00 percent of their total operating income from regulated operations; and
- were not parties to a merger or transformative transaction during the analytical periods relied on.

Q. Why did you consider natural gas utilities for inclusion in the proxy group?

A. As a result of industry consolidation in the utility industry, *Value Line* currently classifies only seven companies as water utilities, meaning the universe of potential companies for inclusion in a proxy group is already small before any screening criteria are applied. Therefore, because there is a limited number of publicly traded water companies available for inclusion in a proxy group, I have also considered natural gas distribution companies that meet the screening criteria discussed.

Q. Why did you exclude AWK and Essential Utilities ("WTRG") from your proxy group?

A. It is not appropriate to include AWK in the proxy group used to determine the authorized ROE for KAWC because of the circular logic that would occur. For example, in the current proceeding, the ROE for KAWC is being determined, which in turn contributes to the ROE of its parent company, AWK. If AWK were included in the proxy group, AWK would be used to determine its own subsidiary's ROE. Therefore, to avoid the circular logic, I would not include AWK from my proxy group for KAWC. Further, because AWK is currently in the process of acquiring WTRG, both companies should be excluded from any proxy group as a result of this transaction based on the proxy group criteria outlined in my testimony above.

Q. Are natural gas utilities reasonably comparable to water utilities to be included in a proxy group used to estimate the cost of equity for a water utility?

A. Yes, it is reasonable to consider natural gas companies for purposes of establishing a proxy group of companies that are reasonably comparable to KAWC. KAWC is a regulated utility distribution company, which is similar to other regulated utility distribution companies that provide natural gas service instead of water distribution. The screening criteria I have specified requires that a company derive more than 70.00 percent of its operating income from regulated operations. Therefore, the natural gas distribution companies included in my proxy group generate a large portion of their operating income from regulated operations similar to KAWC and the water utilities included in the proxy group.

Recent consolidation in the utility industry has demonstrated the similar nature of water, and natural gas distribution utilities. Consolidation within the water utility industry has occurred not only among water-only utilities, there have also been acquisitions that have involved the merger of a natural gas utility with a water utility. For example, in 2017, Northwest Natural Gas Company ("Northwest Natural") acquired Salmon Valley Water Company and Falls Water Company, two water utilities operating in the Pacific Northwest, and one of the reasons cited for the merger was the similarity in operating characteristics and risk profiles of the natural gas and water utilities. In an interview regarding the transaction, the CEO of Northwest Natural noted:

> While these transactions and the companies' continuing operations are not expected to have a material impact on NW Natural's financial results, we view these acquisitions as the first step in a broader strategy. The water utility sector has a risk profile and business model that is similar to our core gas utility. There are also substantial investment opportunities over the long

> term, as water infrastructure needs to be replaced and upgraded to serve growing communities with safe, clean drinking water.[26]

Similarly, in 2020, Essential completed the acquisition of PNG Companies, LLC, a natural gas utility operating in Pennsylvania, West Virginia, and Kentucky. In discussing the acquisition, Essential's Chairman and CEO Chris Franklin noted that:

> …both gas and water utilities are underground utilities, and that the systems share a common burden of being old and in need of replacement. However, he said rates will not go up for "a number of years," and that any increase would require approval from the PUC.[27]

Q. Have other regulators also considered the inclusion of other utility industry segments in the proxy group used to estimate the cost of equity for a water utility?

A. Yes. The Massachusetts Department of Public Utilities ("MDPU"), the Florida Public Service Commission ("FPUC") and the Illinois Commerce Commission ("ICC") have considered the results of a proxy group that includes natural gas companies when determining the authorized ROE for water utilities. For example:

- In Docket No. 17-90, the MDPU determined that the use of a natural gas utility proxy group was appropriate for the purpose of demonstrating the comparability of the investment risk of the proxy group to Aquarion Water Company.[28]

- In Docket No. 20180006-WS, the FPUC modified the methodology used to estimate the ROE for water and wastewater utilities in Florida to include a combined proxy group of natural gas and water utilities.[29] The FPUC has previously relied on a natural gas only proxy group to estimate the ROE for water

[26] Northwest Natural Gas Company, Press Release, "NW Natural Expands into Regulated Water Utility Sector with Acquisitions in Oregon and Idaho," December 21, 2017.

[27] Margaret J. Krauss, "Aqua America Will Buy Peoples Gas For $4.3 Billion," 90.5 WESA (NPR), January 16, 2020.

[28] Massachusetts Department of Public Utilities, Docket No. 17-90, October 31, 2018, at 286-287.

[29] Florida Public Service Commission, Docket No. 20180006-WS, Order No. PSC-2018-0327-PAA-WS, June 26, 2018, at 7.

and wastewater utilities;[30] however, to increase the size of the proxy group, the FPUC decided to rely on a combined proxy group. Specifically, the FPUC noted:

> The leverage formula methodology shall be modified to include a combined proxy group of natural gas and WAW utilities as proxy companies in calculating the leverage formula. We find that the selected natural gas utilities and WAW utilities that derive at least 50 percent of their revenue from regulated rates. These utilities have market power and are influenced significantly by economic regulation. In Attachment 1, the returns calculated using the proxy group are adjusted to reflect the risks faced by Florida WAW utilities. The updated index consists of five natural gas companies and seven WAW companies that derive at least 50 percent of their total revenue from regulated operations. These companies have a median Standard and Poor's bond rating of "A"[31]

- In Case No. 22-0210, for Illinois-American Water Company, the ICC agreed that a proxy group of water and public utility companies was a reasonable sample upon which to apply the various cost of equity estimation models.[32] Additionally, in the most recent proceeding for Illinois-American Water Company (Case No. 24-0097), the ICC's authorized ROE relied on models that used both water and gas companies in the proxy group.[33]

Q. Has the Commission considered using natural gas companies in the proxy group?

A. Yes. In the Company's prior rate proceeding, the Commission acknowledged the Company's argument that relying on a small proxy group, comprised in that instance of only water companies, may lead to flawed results. The Commission expressed a preference for both a water only proxy group and a combined water and natural gas proxy group, emphasizing that the comparability of water and natural gas companies must be scrutinized.[34]

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[30] Florida Public Service Commission, Docket No. 170006-WS, Order No. PSC-17-0249-PAA-WS, June 26, 2017, at 2.
[31] Florida Public Service Commission, Docket No. 20180006-WS, Order No. PSC-2018-0327-PAA-WS, June 26, 2018, at 8.
[32] Illinois Commerce Commission, Docket No. 22-0210, Order, December 15, 2022, at 102.
[33] Illinois Commerce Commission, Docket No. 24-0097, Order, December 5, 2024, at 114, 128, and 149.
[34] Kentucky Public Service Commission, Case No. 2025-00122, Final Order December 16, 2025, at 65.

Given that there are fewer eligible water companies for a water only proxy group in this proceeding relative to the prior proceeding,[35] it is reasonable to rely on a combination of water and comparable natural gas companies in one proxy group. To ensure the natural gas companies are comparable to water companies, I compare several financial risk metrics between water and natural gas companies.

Q. What financial risk metrics do you evaluate between the water utilities and natural gas utilities in your proxy group?

A. I reviewed *Value Line* safety rankings,[36] *Value Line* timeliness rankings,[37] and *Value Line* betas. As shown in **Error! Reference source not found.** below, these metrics demonstrate that the natural gas companies and water companies in my proxy group have similar risk characteristics.

Figure 4: Water and Natural Gas Companies Comparison[38]

	Water	Natural Gas
Safety Ranking	2.25	1.86
Timeliness Ranking	3.50	3.83
Beta	0.78	0.79

Q. Please explain what the *Value Line* Safety and Timeliness Rankings measure.

A. *Value Line's* Safety ranking is a measure of the risk of a company's financial strength and stock price stability. The rating scale is from 1 being the safest, most stable and least risky to 5 being the highest risk and least safe. *Value Line's* Timeliness ranking measures stock

[35] Kentucky Public Service Commission, Case No. 2025-00122, Direct Testimony of Ann E. Bulkley May 16, 2025, at 23; the proxy group included five water companies in the prior proceeding and four in the current proceeding.

[36] *Value Line's* Safety ranking measures the risk associated with a stock, considering financial strength and volatility. The ranking is from 1 (highest) to 5 (lowest).

[37] *Value Line's* Timeliness ranking measures the forecasted relative market performance in the next 12 months. The ranking is from 1 (highest and most likely to outperform most stocks) to 5 (lowest and most likely to underperform most stock).

[38] *Value Line*, January 2, 2026, and February 20, 2026.

price performance. The scale is also "1" to "5", with "1" being the stocks with the best price performance and "5" being the stocks with the worst performance.[39]

Q. What is the composition of your proxy group?

A. The screening criteria discussed, the details of which are presented on Exhibit AEB-2, results in a proxy group consisting of the companies shown in Figure 5.

Figure 5: Proxy Group

Company	Ticker
Atmos Energy Corporation	ATO
Chesapeake Utilities Corporation	CPK
NiSource Inc.	NI
Northwest Natural Gas Company	NWN
ONE Gas, Inc.	OGS
Southwest Gas Corporation	SWX
Spire, Inc.	SR
American States Water Company	AWR
California Water Service Group	CWT
Middlesex Water Company	MSEX
H2O America (SJW Group)	HTO

Q. Is analyst coverage of the water and natural gas proxy group companies another reason that supports the inclusion of natural gas companies in the proxy group?

A. Yes. In addition to the size of a water-only proxy group being insufficient, the coverage of the group is also limited. As discussed in more detail later in my testimony, I rely on three sources for growth rates, *Value Line*, *S&P Capital IQ*, and *Zacks Investment Research* ("Zacks"). An individual analyst prepares each of the *Value Line* reports for all companies. *S&P Capital IQ* reports the number of estimates that contribute to their projected growth rates. As shown in Figure 6 below, while two of the water utility proxy companies have

[39] Investment Education | Value Line Library

more than one analyst contributing to the forecast; the other two did not have an analyst growth rate reported by *S&P Capital IQ Pro*. Further, there are multiple analysts contributing estimates for each of the natural gas utilities in the proxy group.

Figure 6: Number of Analysts Contributing to S&P Capital IQ EPS Growth Projections[40]

Company	Ticker	Number of Analysts
Atmos Energy Corporation	ATO	2
Chesapeake Utilities Corporation	CPK	2
NiSource Inc.	NI	3
Northwest Natural Holding Company	NWN	3
ONE Gas, Inc.	OGS	2
Southwest Gas Holdings, Inc.	SWX	3
Spire Inc.	SR	3
American States Water Company	AWR	NA
California Water Service Group	CWT	NA
Middlesex Water Company	MSEX	2
H2O America	HTO	2

VI. COST OF EQUITY ESTIMATION

Q. Please briefly discuss the ROE in the context of the regulated rate of return.

A. The overall rate of return for a regulated utility is the weighted average cost of capital, in which the cost rates of the individual sources of capital are weighted by their respective book values. The ROE is the cost of common equity capital in the utility's capital structure for ratemaking purposes. While the costs of debt and preferred stock can be directly observed, the cost of equity is market-based and, therefore, must be estimated based on observable market data.

[40] Source: S&P Capital IQ.

Q. How is the required cost of equity determined?

A. A range of the required cost of equity is estimated by using analytical techniques that rely on market-based data to quantify investor expectations regarding equity returns. Within that range, the ROE that is recommended is based on a review of the business, regulatory, and financial risks of the subject utility as compared with the proxy group, including the capital structure of the subject utility. A key consideration in determining the cost of equity is to ensure that the methodologies employed reasonably reflect investors' views of the financial markets in general, as well as the subject company (in the context of the proxy group), in particular. It is also important that the ROE that is authorized takes into consideration the financial risk resulting from the authorized capital structure of the subject utility. An authorized capital structure that has a relatively greater amount of leverage results in relatively greater risk, because equity is the last claimant in the event of the dissolution of a company. Therefore, as the leverage in the capital structure increases, it is necessary for the ROE to increase to recognize the incremental risk to equity holders.

Q. What methods did you use to estimate KAWC's cost of equity?

A. I consider the results of the constant growth DCF model, the CAPM, and the ECAPM.

Q. Why is it important to use more than one analytical approach to estimate the cost of equity?

A. A reasonable cost of equity estimate appropriately considers alternative methodologies and the reasonableness of their individual and collective results. Because the cost of equity is not directly observable, it must be estimated based on both quantitative and qualitative information. When faced with the task of estimating the cost of equity, analysts and investors are inclined to gather and evaluate as much relevant data as reasonably can be

analyzed. Several models have been developed to estimate the cost of equity, and I use multiple approaches to estimate the cost of equity. As a practical matter, however, all of the models available for estimating the cost of equity are subject to limiting assumptions or other methodological constraints. Consequently, many well-regarded finance texts recommend using multiple approaches when estimating the cost of equity. For example, Copeland, Koller, and Murrin[41] suggest using the CAPM and Arbitrage Pricing Theory model, while Brigham and Gapenski[42] recommend the CAPM, DCF, and BYRP approaches.

Q. Has the Commission also relied on multiple models in establishing a utility's authorized ROE?

A. Yes. The Commission stated in the Company's last rate case that it considered all of the evidence presented in the case to determine the authorized ROE for KAWC. Specifically, the Commission stated:

> In evaluating the ROE for Kentucky-American, the Commission must evaluate and review each model and all parties' positions and balance the financial integrity of the utility with the interests of the consumer and the statutory obligation that rates be fair, just and reasonable. The Commission has discussed, in recent cases including Case Nos. 2024-00276 and 2024-00354, why it is appropriate for utilities to present, and for the Commission to evaluate, multiple methodologies to estimate ROEs. Each approach has its own strengths and limiting assumptions. As demonstrated in the respective ROE testimonies in this proceeding, considerable variation exists in both data and application within each modeling approach, which can lead to very different results. The Commission's role is to conduct a balanced analysis of all presented models, while giving weight to current economic trends and conditions.[43]

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[41] Tom Copeland, Tim Koller and Jack Murrin, *Valuation: Measuring and Managing the Value of Companies*, 3rd Ed. (New York: McKinsey & Company, Inc., 2000), at 214.

[42] Eugene Brigham, Louis Gapenski, *Financial Management: Theory and Practice*, 7th Ed. (Orlando: Dryden Press, 1994), at 341.

[43] Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, Order, December 16, 2025, at 62-63.

A. Constant Growth DCF Model

Q. Please describe the DCF approach.

A. The DCF approach is based on the theory that a stock's current price represents the present value of all expected future cash flows. In its most general form, the DCF model is expressed as follows:

$$P_0 = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \cdots + \frac{D_\infty}{(1+k)^\infty} \quad [1]$$

Where P_0 represents the current stock price, D1…D∞ are all expected future dividends, and k is the discount rate, or required ROE. Equation [1] is a standard present value calculation that can be simplified and rearranged into the following form:

$$k = \frac{D_0(1+g)}{P_0} + g \quad [2]$$

Equation [2] is often referred to as the constant growth DCF model in which the first term is the expected dividend yield and the second term is the expected long-term growth rate.

Q. What assumptions are required for the constant growth DCF model?

A. The constant growth DCF model requires the following four assumptions: (1) a constant growth rate for earnings and dividends; (2) a stable dividend payout ratio; (3) a constant price-to-earnings ratio; and (4) a discount rate greater than the expected growth rate. To the extent that any of these assumptions are not objectively valid, considered judgment and/or specific adjustments should be applied to the results.

Q. What market data do you use to calculate the dividend yield in your constant growth DCF model?

A. The dividend yield in my constant growth DCF model is based on the current annualized dividend and average closing stock prices of the proxy group companies over the most recent 30, 90, and 180 trading days ended February 28, 2026.

Q. Why do you use three averaging periods for stock prices?

A. I use an average of recent trading days to calculate the term P_0 in the DCF model to reflect current market data, while also ensuring that the result of the model is not skewed by anomalous events that may affect stock prices on any given trading day.

Q. Do you make any adjustments to the dividend yield to account for periodic growth in dividends?

A. Yes. Since utility companies tend to increase their quarterly dividends at different times throughout the year, it is reasonable to assume that dividend increases will be evenly distributed over calendar quarters. Given that assumption, it is reasonable to apply one-half of the expected annual dividend growth rate for purposes of calculating the expected dividend yield component of the DCF model. This adjustment ensures that the expected first-year dividend yield is, on average, representative of the coming twelve-month period, and does not overstate the aggregated dividends to be paid during that time.

Q. Why is it important to select appropriate measures of long-term growth in applying the DCF model?

A. In its constant growth form, the DCF model (*i.e.*, Equation [2]) assumes a single growth estimate in perpetuity. To reduce the long-term growth rate to a single measure, one must assume that the payout ratio remains constant and that earnings per share ("EPS"),

dividends per share, and book value per share all grow at the same constant rate. However, over the long run, dividend growth can only be sustained by earnings growth, meaning earnings are the fundamental driver of a company's ability to pay dividends. Therefore, projected EPS growth is the appropriate estimate of a company's long-term projected growth. In contrast, changes in a company's dividend payments are based on management decisions related to cash management and other factors. For example, a company may decide to retain earnings rather than pay out a portion of those earnings to shareholders through dividends. Therefore, dividend growth rates are less likely than earnings growth rates to accurately reflect investor perceptions of a company's growth prospects. Accordingly, I have incorporated several sources of long-term EPS growth rates into the constant growth DCF model.

Q. Which sources of long-term earnings growth rates did you use?

A. My constant growth DCF model incorporates three sources of long-term earnings growth rates: (1) *Zacks Investment Research* ("*Zacks*"); (2) *S&P Capital IQ Pro*; and (3) *Value Line*.

Q. How do you calculate the range of results for the constant growth DCF model?

A. I calculate a low-end result for my DCF model using the minimum growth rate of the three sources (*i.e.*, the lowest of the *Zacks*, *S&P Capital IQ Pro*, and *Value Line* projected earnings growth rates) for each of the proxy group companies. I use a similar approach to calculate a high-end result, using the maximum growth rate of the three sources for each proxy group company. Lastly, I calculate the mean results using the average growth rate from all three sources for each proxy group company.

Q. What are the results of your constant growth DCF analyses?

A. The results of my constant growth DCF analyses are presented in Exhibit AEB-3 and are summarized below in

A. Figure 7.

Figure 7: Summary of Constant Growth DCF Results

	Minimum Growth Rate	Average Growth Rate	Maximum Growth Rate
Mean			
30-Day Avg. Stock Price	10.26%	11.06%	11.96%
90-Day Avg. Stock Price	10.32%	11.13%	12.03%
180-Day Avg. Stock Price	10.42%	11.22%	12.12%
Average	**10.33%**	**11.14%**	**12.04%**
Median			
30-Day Avg. Stock Price	10.19%	10.52%	11.44%
90-Day Avg. Stock Price	10.20%	10.59%	11.55%
180-Day Avg. Stock Price	10.25%	10.73%	11.63%
Average	**10.21%**	**10.62%**	**11.54%**

B. CAPM and ECAPM Analysis

Q. Please briefly describe the CAPM.

A. The CAPM is a risk premium approach that estimates the cost of equity for a given security as a function of a risk-free return plus a risk premium to compensate investors for the non-diversifiable or "systematic" risk of that security.[44] This second component is the product of the market risk premium and the beta coefficient, which measures the relative riskiness of the security being evaluated.

The CAPM is defined by four components:

[44] Systematic risk is the risk inherent in the entire market or market segment, which cannot be diversified away using a portfolio of assets. Unsystematic risk is the risk of a specific company that can, theoretically, be mitigated through portfolio diversification.

$$K_e = r_f + \beta(r_m - r_f) \qquad [3]$$

Where:

Ke = the required market cost of equity;
β = beta coefficient of an individual security;
rf = the risk-free rate of return; and
rm = the required return on the market.

In this specification, the term ($r_m - r_f$) represents the market risk premium. According to the theory underlying the CAPM, because unsystematic risk can be diversified away, investors should only be concerned with systematic or non-diversifiable risk. Systematic risk is measured by beta, which is a measure of the volatility of a security as compared to the market as a whole. Beta is defined as:

$$\beta = \frac{Covariance(r_e, r_m)}{Variance(r_m)} \qquad [4]$$

Variance (r_m) represents the variance of the market return, which is a measure of the uncertainty of the general market. *Covariance* (r_e, r_m) represents the covariance between the return on a specific security and the general market, which reflects the extent to which the return on that security will respond to a given change in the general market return. Thus, beta represents the risk of the security relative to the general market.

Q. What risk-free rate do you use in your CAPM analysis?

A. I rely on three sources for my estimate of the risk-free rate: (1) the current 30-day average yield on 30-year U.S. Treasury bonds, which is 4.79 percent;[45] (2) the average projected 30-year U.S. Treasury bond yield for the second quarter of 2026 through the second quarter

[45] *Bloomberg Professional*, as of February 28, 2026.

of 2027, which is 4.76 percent;[46] and (3) the average projected 30-year U.S. Treasury bond yield for 2027 through 2031, which is 4.60 percent.[47]

Q. What beta coefficients do you use in your CAPM analyses?

A. As shown in Exhibit AEB-4, I use the average beta coefficients for the proxy group companies as reported by *Value Line*. The beta coefficients reported by *Value Line* are calculated based on five years of weekly returns relative to the New York Stock Exchange Composite Index. Additionally, as shown on Exhibit AEB-4 and Exhibit AEB-5, I also consider an additional CAPM analysis that relies on the long-term average beta coefficient reported by *Value Line* for the companies in my proxy group from 2013 through 2025.

Q. How do you estimate the market risk premium in the CAPM?

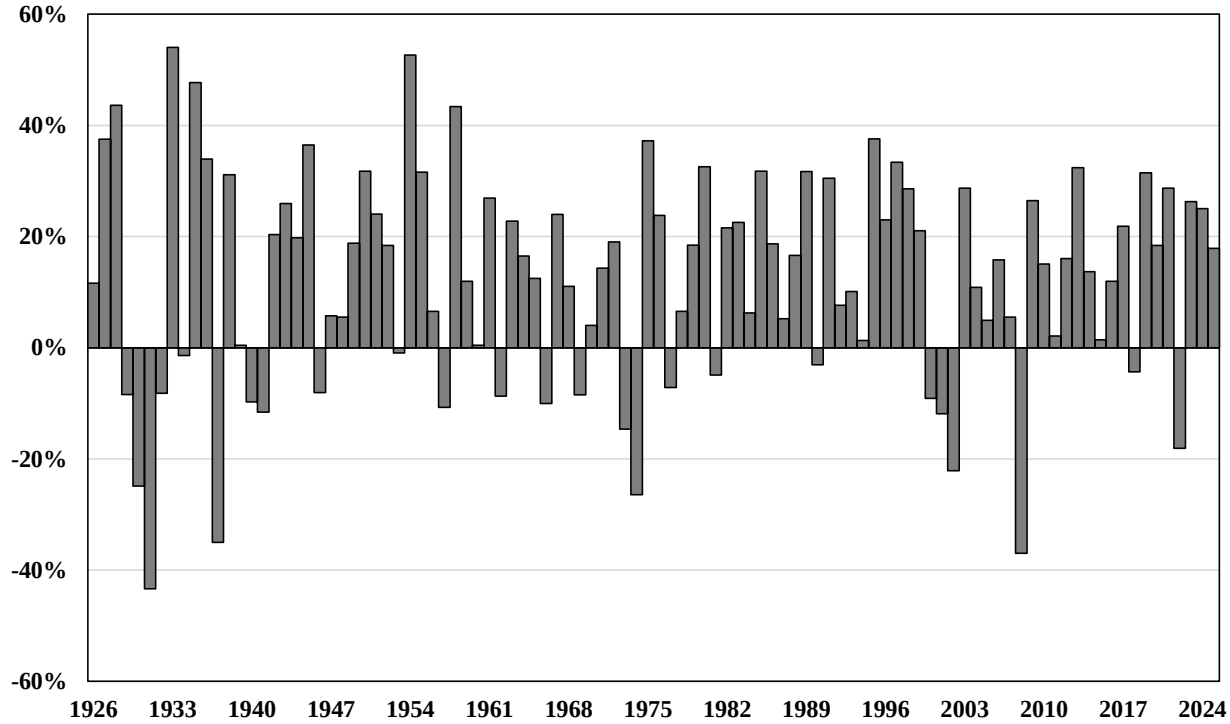
A. I estimate the market risk premium as the difference between the implied expected equity market return and the risk-free rate. As shown in Exhibit AEB-6, the expected market return is calculated using the constant growth DCF model discussed earlier in my testimony for the companies in the S&P 500 Index. Based on an estimated market capitalization-weighted dividend yield of 1.27 percent and a weighted long-term earnings growth rate of 11.65 percent, the estimated required market return for the S&P 500 Index as of February 28, 2026 is 12.99 percent. Based on the three risk-free rates considered, the implied market risk premia ranges from 8.20 percent to 8.39 percent.

[46] *Blue Chip Financial Forecasts*, Vol. 45, No. 3, February 27, 2026, at 2.
[47] *Blue Chip Financial Forecasts*, Vol. 44, No. 12, December 1, 2025, at 14.

Q. How does the current expected market return compare to observed historical market returns?

A. As shown in Figure 8, given the range of annual equity returns that have been observed over the past century, a current expected market return of 12.99 percent is not unreasonable. As shown, in 53 out of the past 100 years (or roughly 53 percent of observations), the realized equity market return was 12.99 percent or greater.

Figure 8: Realized U.S. Equity Market Returns (1926-2025)[48]



Q. Did you consider another form of the CAPM in your analysis?

A. Yes. I have also considered the results of an ECAPM in estimating the cost of equity for KAWC.[49] The ECAPM calculates the product of the adjusted beta coefficient and the market risk premium and applies a weight of 75.00 percent to that result. The model then

[48] Depicts total annual returns on large company stocks, as reported in the 2023 *Kroll* SBBI Yearbook for 1926-2022 and from S&P Capital IQ Pro for 2023-2025.

[49] *See, e.g.*, Roger A. Morin, New Regulatory Finance, Public Utilities Reports, Inc., 2006, at 189.

applies a 25.00 percent weight to the market risk premium without any effect from the beta coefficient. The results of the two calculations are summed, along with the risk-free rate, to produce the ECAPM result, as noted in Equation [5] below:

$$k_e = r_f + 0.75\beta(r_m - r_f) + 0.25(r_m - r_f) \quad [5]$$

Where:

k_e = the required market cost of equity
β = Adjusted Beta coefficient of an individual security
r_f = the risk-free rate of return
r_m = the required return on the market as a whole

The empirical form of the CAPM addresses the tendency of the "traditional" CAPM to underestimate the cost of equity for companies with low beta coefficients such as regulated utilities. In that regard, the ECAPM is not redundant to the use of adjusted betas in the traditional CAPM; rather, it recognizes the results of academic research indicating that the risk-return relationship is different (in essence, flatter) than estimated by the CAPM, and that the CAPM underestimates the "alpha," or the constant return term.[50]

Consistent with my CAPM, my application of the ECAPM uses the same three yields on the 30-year Treasury bonds as the risk-free rate, forward-looking market risk premium estimate, and beta coefficients.

Q. What are the results of your CAPM analyses?

A. The results of my CAPM and ECAPM analyses are presented in Exhibit AEB-4 and are summarized below in Figure 9.

Figure 9: CAPM Results

	30-Year Treasury Bond Yield		
	Current	Near-Term	Longer-Term

[50] *Id.*, at 191.

	30-Day Avg	Projected	Projected
CAPM:			
Current *Value Line* Beta	11.20%	11.20%	11.16%
Long-term Avg. *Value Line* Beta	10.95%	10.94%	10.90%
ECAPM:			
Current *Value Line* Beta	11.65%	11.65%	11.62%
Long-term Avg. *Value Line* Beta	11.46%	11.45%	11.42%

VII. BUSINESS AND REGULATORY RISKS

Q. Please explain how you use the results of the cost of equity models in estimating the Company's cost of equity.

A. The results of the cost of equity models provide a range of the appropriate estimate of the Company's cost of equity. There are several additional factors that must be taken into consideration when determining where the Company's cost of equity falls within the range of results. These factors, which are discussed below, should be considered with respect to their overall effect on the Company's risk profile.

A. Capital Expenditures

Q. Please summarize the Company's projected capital expenditure requirements.

A. KAWC currently projects capital expenditures for 2026 through 2030 of approximately $575 million for its water utility operations, including significant investment to replace aging infrastructure necessary to meet the needs of its customers and to comply with various regulations.[51]

[51] Data provided by KAWC.

Q. How do the Company's capital expenditure requirements compare to those of their respective proxy group companies?

A. As shown on Exhibit AEB-7, I have calculated the ratio of expected capital expenditures to net utility plant for the Company and each of the companies in the proxy group by dividing each company's projected capital expenditures for the period from 2026 through 2030 by its total net utility plant as of December 31, 2025. As shown, KAWC's capital expenditures as a percentage of net utility plant ratio of 67.27 percent higher than the median ratio of 60.45 percent for the companies in the proxy group.

Q. How is the Company's risk profile affected by its substantial capital expenditure requirements?

A. As with any utility faced with substantial capital expenditure requirements, the Company's risk profile may be adversely affected in two significant and related ways: (1) the heightened level of investment increases the risk of under-recovery or delayed recovery of the invested capital; and (2) an inadequate return would put downward pressure on key credit metrics.

Q. Do credit rating agencies recognize the risks associated with elevated levels of capital expenditures?

A. Yes, they do. From a credit perspective, the additional pressure on cash flows associated with high levels of capital expenditures exerts corresponding pressure on credit metrics and, therefore, credit ratings. To that point, S&P explains the importance of regulatory support for large capital projects:

> When applicable, a jurisdiction's willingness to support large capital projects with cash during construction is an important aspect of our analysis. This is especially true when the project represents a major addition to rate base and entails long lead times and technological risks that make it

> susceptible to construction delays. Broad support for all capital spending is the most credit-sustaining. Support for only specific types of capital spending, such as specific environmental projects or system integrity plans, is less so, but still favorable for creditors. Allowance of a cash return on construction work-in-progress or similar ratemaking methods historically were extraordinary measures for use in unusual circumstances, but when construction costs are rising, cash flow support could be crucial to maintain credit quality through the spending program. Even more favorable are those jurisdictions that present an opportunity for a higher return on capital projects as an incentive to investors.[52]

Recently, S&P evaluated the capital expenditure trends in the utility sector, noting that the balance between operating with negative discretionary cash flow from operations offset by reliable access to capital markets for financing may be tested through ever-increasing capital expenditure requirements as a result of data center growth and the transformation of the energy sector through the focus on low/no carbon generation, electrification, and the replacement of aging infrastructure:

> Capital spending is exploding. The industry's capital spending over the past decade has been growing at a compound annual growth rate at about 6%. The industry's spending was mostly focused on safety, reliability, and energy transition, successfully reducing its greenhouse gas emissions by about 27%.
>
> To accomplish its goals, the industry has transformed its generation, increasing its reliance on renewables (about 25% of total generation) and decreasing its reliance on coal fired generation (about 15% of total generation).
>
> However, because of data center growth, we expect IOU capital spending will grow at unprecedented levels during the next decade. To maintain credit quality over this timeframe, the industry must fund these projects in a credit-supportive manner.[53]

Therefore, to the extent that the Company's rates do not permit the opportunity to

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[52] S&P Global Ratings, "Assessing U.S. Investor-Owned Utility Regulatory Environments," August 10, 2016, at 7.

[53] S&P Global Ratings, "Industry Credit Outlook 2026, North American Regulated Utilities: Data center growth will support credit quality in 2026," January 14, 2026, at 3-4.

recover its capital investments on a regular and timely basis, it will face increased recovery risk and thus increased pressure on its credit metrics.

Q. Does KAWC currently have a mechanism for timely recovery of infrastructure replacements?

A. No. The Company previously had a Qualified Infrastructure Program ("QIP") surcharge; however, in the Company's last rate proceeding, the Commission terminated the use of the QIP as of December 31, 2025.[54]

In the current proceeding, KAWC is requesting approval of a System Improvement Program ("SIP") mechanism, which as discussed in the Direct Testimony of Company witness Jefferey Newcomb, would allow for the recovery of the costs of capital, depreciation, and taxes associated with qualified infrastructure investments outside of base rates. Further, while the SIP mechanism would be positive in terms of timeliness of cost recovery for KAWC, such surcharges have become quite commonplace in utility regulation across the United States. As shown in Exhibit AEB-8, 75.00 percent of the operating utilities of the companies in the proxy group also have some form of infrastructure replacement recovery mechanisms. Consequently, if approved, the SIP mechanism for KAWC would not reduce the Company's risk vis-à-vis that of the proxy group. However, absent approval of the SIP mechanism, KAWC would have greater risk from a capital expenditure standpoint than the proxy group companies.

[54] Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, Order, December 16, 2025, at 44-45.

Q. What are your conclusions regarding the effect of KAWC's capital spending program on its risk profile and cost of capital?

A. The Company's capital expenditure requirements as a percentage of net utility plant are significant and KAWC is projected to need to continue its substantial capital investments over at least the next five years. Additionally, if the SIP mechanism is approved, similar to a number of the operating subsidiaries of the proxy group, KAWC would have a capital tracking mechanism to recover some of the Company's projected capital expenditure. However, absent approval of the SIP mechanism, the Company's risk regarding the timely recovery of capital expenditures would increase relative to the proxy group.

B. Regulatory Risks

Q. How does the regulatory environment affect investors' risk assessments?

A. The ratemaking process is premised on the principle that, for investors and companies to commit the capital needed to provide safe and reliable utility service, the subject utility must have the opportunity to recover the return of, and the market-required return on, invested capital. Regulatory commissions recognize that because utility operations are capital intensive, regulatory decisions should enable the utility to attract capital at reasonable terms, and doing so balances the long-term interests of investors and customers. To achieve this balance, the Company must be able to finance its operations assuming a reasonable opportunity to earn an appropriate return on invested capital to maintain an acceptable financial profile. In that respect, the regulatory environment is one of the most important factors considered in both debt and equity investors' risk assessments.

From the perspective of debt investors, the authorized return should enable the utility to generate the cash flow needed to meet its near-term financial obligations, make

the capital investments needed to maintain and expand its systems, and maintain the necessary levels of liquidity to fund unexpected events. This financial liquidity must be derived not only from internally-generated funds, but also by efficient access to capital markets. Moreover, because fixed income investors have many investment alternatives, even within a given market sector, the utility's financial profile must be adequate on a relative basis to ensure its ability to attract capital under a variety of economic and financial market conditions.

Equity investors require that the authorized return be adequate to provide a risk-comparable return on the equity portion of the utility's capital investments. Because equity investors are the residual claimants on the utility's cash flows (which is to say that the equity return is subordinate to interest payments), they are particularly concerned with the strength of regulatory support and its effect on future cash flows.

Q. Do credit rating agencies consider regulatory risk in establishing a company's credit rating?

A. Yes. Both S&P and Moody's consider the overall regulatory framework in establishing credit ratings. Moody's establishes credit ratings based on four key factors: (1) business profile; (2) financial policy; (3) leverage and coverage; and (4) uplift for structural considerations. Within the business profile criteria, stability and predictability of regulatory environment and cost and investment recovery (sufficiency and timeliness) are each given a broad rating factor of 15.00 percent, while revenue risk is given a rating factor of 5.00 percent. Therefore, Moody's assigns regulatory risk a 35.00 percent weighting in the overall assessment of business and financial risk for regulated utilities.[55]

[55] Moody's Investors Service, Rating Methodology: Regulated Water Utilities, August 18, 2023, at 3.

S&P also identifies the regulatory framework as an important factor in credit ratings for regulated utilities, stating: "we assess regulatory advantage because the influence of the regulatory framework and regime is of critical importance. It defines the environment in which a utility operates and has a significant bearing on a utility's financial performance."[56] S&P identifies four specific factors that it uses to assess the credit implications of the regulatory jurisdictions of investor-owned regulated utilities: (1) regulatory stability; (2) tariff-setting procedures and design; (3) financial stability; and (4) regulatory independence and insulation.[57]

Q. How does the regulatory environment in which a utility operates affect its access to and cost of capital?

A. The regulatory environment can significantly affect both the access to, and cost of capital in several ways. First, the proportion and cost of debt capital available to utility companies are influenced by the rating agencies' assessment of the regulatory environment. As noted by Moody's, "the characteristics and transparency of the concession(s) and regulations under which the utility operates, the track record of the regulatory regime in setting tariffs and applying regulations consistently are core aspects of the overall stability of a water utility's business profile."[58]

[56] Standard & Poor's Global Ratings, "Sector-Specific Corporate Methodology," April 4, 2024, at 147.
[57] *Id.*
[58] Moody's Investors Service, Rating Methodology: Regulated Water Utilities, August 18, 2023, at 9.

Q. Have you conducted any analysis of the risk associated with the regulatory framework in Kentucky relative to the jurisdictions in which the utility operating subsidiaries of the companies in your proxy group operate?

A. Yes. I have evaluated the regulatory framework in Kentucky on three factors that are important in terms of providing a regulated utility a reasonable opportunity to earn its authorized ROE: (1) test year convention (*i.e.*, use of a forecast vs. historical test year); (2) the use of revenue decoupling mechanisms or other clauses that provide revenue stabilization; and (3) the prevalence of capital cost recovery between rate cases. The results of this regulatory risk assessment are shown in Exhibit AEB-8 and are summarized as follows:

1. Test Year Convention: KAWC is proposing to rely on a fully forecasted test year for the period ending December 31, 2027. Approximately 56.82 percent of the operating utilities of the proxy group companies provide service in jurisdictions that use a fully or partially forecast test year. Forecasted test years have been relied on for several years and produce cost estimates that are more reflective of future costs which results in more accurate recovery of incurred costs and mitigates the regulatory lag associated with historical test years.

2. Revenue Stabilization / Volumetric Risk: KAWC does not currently have protection against volumetric risk in Kentucky. However, 70.45 percent of the operating companies held by the proxy group have some form of protection against volumetric risk through either decoupling, formula-based rates, and/or straight-fixed variable rate design that allow them to break the link between customer usage and revenues.

3. Capital Cost Recovery: While the Commission terminated the use of the QIP in the Company's last rate proceeding, the Company is requesting approval of the SIP mechanism which would allow KAWC to recover a portion of its projected capital investments between rate cases. As noted previously, approximately 75

percent of the utility operating subsidiaries of the proxy group companies have some form of capital cost recovery mechanism.

Q. What is the effect on KAWC of having relatively few timely cost recovery mechanisms?

A. The lack of timely cost recovery mechanisms can result in regulatory lag. Regulatory lag occurs when a regulated utility is not able to recover its just and reasonable costs of providing service to customers on a timely basis. Regulatory lag is reflected in a utility's financial performance through earnings attrition, which is the inability of the utility to earn its authorized ROE due to delays in the recovery of allowable costs that have been incurred to provide regulated service to customers.

Q. Is there evidence that KAWC has been unable to earn its authorized return on equity?

A. Yes. As shown in

A. Figure 10, the Company has not earned its authorized ROE for the past eight years, and particularly in the past eleven years, has substantially underearned its authorized ROE. Over this time period, the Company has underearned its authorized ROE in the majority of years, and on average by 72 basis points each year.

Figure 10: KAWC Earned v. Authorized ROE[59]

Year	Earned ROE	Authorized ROE	Difference
2015	8.59%	9.70%	1.11%
2016	9.51%	9.70%[1]	0.19%
2017	10.63%	9.70%	-0.93%
2018	9.40%	9.70%	0.30%
2019	9.09%	9.70%	0.61%
2020	9.04%	9.70%	0.66%
2021	9.10%	9.70%	0.60%
2022	9.56%	9.70%	0.14%
2023	6.64%	9.70%	3.06%
2024	7.07%	9.70%	2.63%

[59] Provided by the Company.

2025	9.76%	9.70%	-0.06%
Average	8.98%	9.70%	0.72%

Q. What are your conclusions regarding the perceived risks related to the Kentucky regulatory environment?

A. As discussed, both Moody's and S&P have identified the supportiveness of the regulatory environment as an important consideration in developing their overall credit ratings for regulated utilities. Considering the regulatory adjustment mechanisms of the Company relative to the proxy group, many of the companies in the proxy group have more timely cost recovery between rate proceedings than KAWC has in Kentucky. In addition, the Company has significantly under-earned its authorized ROE in each of the last six years. As a result, I conclude that the Company has slightly greater than average regulatory risk when compared to the proxy group.

VIII. CAPITAL STRUCTURE

Q. Is the capital structure of the Company an important consideration in the determination of the appropriate ROE?

A. Yes. It is a fundamental tenet of finance that the greater the amount of financial risk borne by common shareholders, the greater the return required by shareholders in order to be compensated for the added financial risk imparted by the greater use of senior debt financing. In other words, assuming all else equal, the greater the debt ratio, the greater the risk to equity investors, and thus the greater the return required by equity investors. This is because the claim of equity holders on the cash flows of the Company is secondary to debt holders, meaning the greater the debt service requirement, the less cash flow is available for common equity holders.

In this proceeding, a proxy group of comparable companies is being used to determine the Company's ROE. The returns that are required by investors for the proxy companies take into consideration the risk related to the capitalization of those companies. Thus, to the extent that the capital structure authorized for the Company was to deviate significantly from the range established by the proxy group used to determine the ROE, that risk difference must be reflected in the equity return

Q. What is KAWC's proposed capital structure?

A. KAWC is proposing a ratemaking capital structure composed of 52.29 percent common equity, 46.97 percent long-term debt, 0.45 percent short-term debt and 0.28 percent preferred stock, representing the 13-month average for the forecast period ending December 31, 2027.

Q. Have you conducted any analysis to determine whether the Company's proposed equity ratio is reasonable?

A. Yes, I have reviewed the Company's proposed capital structure as compared with the actual capital structures of the operating utilities of the proxy group companies for the most recent three years.

Q. Why is it appropriate to consider the equity ratio for the proxy companies?

A. The determination of the cost of equity and ultimately the authorized ROE is based on the expected return for a proxy group of companies that are comparable in risk to KAWC. The equity ratio is a measure of the financial risk of the company, and the authorized ROE is the return to compensate investors for that risk. If the Commission is going to rely on the cost of equity estimates for the proxy companies to establish the authorized ROE for KAWC, it is important that the financial risk of KAWC be similar to the financial risk of

the proxy group. This is accomplished when the equity ratio of the subject company (in this case KAWC) is within the range established by the proxy group.

Q. What is the result of your analysis of the proxy group capital structures?

A. As shown on Exhibit AEB-9, the common equity ratio for the operating subsidiaries of the proxy group companies over the past three years ranged from 45.97 percent to 60.16 percent, with an average of 52.26 percent. Thus, KAWC's proposed equity ratio of 52.29 percent is approximately equal to the proxy group average and well within the equity ratio range established by the utility operating subsidiaries of the proxy group, and in fact, below the average equity ratio of the proxy group.

Q. Are there other factors to be considered in setting the Company's capital structure?

A. Yes, there are other factors that should be considered in setting the Company's capital structure, namely the challenges that the credit rating agencies have highlighted as placing pressure on the credit metrics for utilities.

For example, Moody's recently maintained its "stable" outlook for 2026 for the regulated gas and electric utilities sector based on the expectation of continued regulatory support in "most states".[60] Moody's makes clear that constructive regulatory outcomes that promote timely cost recovery is the key factor in supporting utility credit quality as Moody's has identified that utilities could be exposed to a number of credit negative factors over the next 12 to 18 months. Specifically, Moody's noted the following factors: (1) macroeconomic factors are expected to be modestly credit negative due to upward pressure on natural gas prices and elevated inflation; and (2) increased power demand due to "the

[60] Moody's Investors Service, Outlook. "Outlook Stable; supportive regulation to offset modestly negative macro factors." October 31, 2025.

development of new data centers, electrification of transportation and buildings, manufacturing customers and underlying population growth" will increase power prices which when coupled with inflation and elevated capital spending increases utilities' exposure to affordability concerns.[61]

S&P states that after five years of downgrades outpacing upgrades, in 2025, upgrades outpaced downgrades and the percentage of companies with a negative outlook declined which S&P noted pointed to a "more stable environment for credit quality in 2026".[62] However, S&P expects the industry to have increased cash flow deficits as a result of significant capital spending, which must be funded with both debt and equity to maintain credit quality.[63] Therefore, S&P notes that the utility industry will need ongoing access to capital markets to fund the significant capital expenditures. S&P also notes that credit quality will depend on the ability of utilities to manage regulatory risk and achieve fair rate case orders. Finally, while S&P's base case results in a stable outlook for the utility sector, S&P states that about 40 percent of the industry has "minimal financial cushion" from the downgrade threshold and therefore would have limited ability to absorb any unexpected events outside of what is assumed in S&P's base case.[64]

Fitch Ratings ("Fitch") maintains a "neutral" outlook for the utility industry in 2026 noting that the stable outlook was supported by growth in sales related to data centers and a "generally benign" regulatory environment for utilities.[65] However, while Fitch views load growth as a "positive development" because the growth is related to data centers, it

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[61] *Id.*
[62] S&P Global Ratings. Industry Credit Outlook 2026, "North American Regulated Utilities: Data center growth will support credit quality in 2026," January 14, 2026.
[63] *Id.*
[64] *Id.*
[65] Fitch Ratings, "North American Utilities & Power Outlook 2026," December 9, 2025, at 1.

raises longer-term uncertainty related to "rate design, customer concentration, and technology risks".[66] Further, Fitch states that capital expenditures for the industry will continue to "set records" in order to meet the growing demand and to enhance reliability and modernization. The record capital expenditures will require a balanced regulatory environment to facilitate cost recovery in a credit supportive manner.[67]

The credit ratings agencies' continued concerns over increased capital expenditures underscore the importance of maintaining adequate cash flow metrics for the Company in the context of this proceeding.

Q. Will the capital structure and ROE authorized in these proceedings affect the Company's access to capital at reasonable rates?

A. Yes. Because a utility's investment horizon is very long, investors require the assurance of a sufficiently high return to satisfy the long-term financing requirements of the assets placed into service. Those assurances, which often are measured by the relationship between internally generated cash flows and debt (or interest expense), depend quite heavily on the capital structure. As a consequence, both the ROE and capital structure are very important to debt and equity investors, particularly given the capital market conditions discussed previously.

IX. CONCLUSION AND RECOMMENDATIONS

Q. What is your conclusion regarding a reasonable and appropriate ROE for KAWC?

A.

[66] *Id.*
[67] *Id.*

A. Figure 11 summarizes the results of my cost of equity analyses. Based on the quantitative and qualitative analyses presented in my direct testimony, and the business and financial risks of the Company as compared to the proxy group, a reasonable range for KAWC's ROE in this proceeding is from 10.25 percent to 11.25 percent, and within that range, an ROE of 10.75 percent reasonably reflects the investor-required return.

Figure 11: Summary of Analytical Results

Constant Growth DCF

	Minimum Growth Rate	Average Growth Rate	Maximum Growth Rate
Mean			
30-Day Avg. Stock Price	10.26%	11.06%	11.96%
90-Day Avg. Stock Price	10.32%	11.13%	12.03%
180-Day Avg. Stock Price	10.42%	11.22%	12.12%
Average	**10.33%**	**11.14%**	**12.04%**
Median			
30-Day Avg. Stock Price	10.19%	10.52%	11.44%
90-Day Avg. Stock Price	10.20%	10.59%	11.55%
180-Day Avg. Stock Price	10.25%	10.73%	11.63%
Average	**10.21%**	**10.62%**	**11.54%**

CAPM and ECAPM

	30-Year Treasury Bond Yield		
	Current 30-Day Avg	Near-Term Projected	Longer-Term Projected
CAPM:			
Current *Value Line* Beta	11.20%	11.20%	11.16%
Long-term Avg. *Value Line* Beta	10.95%	10.94%	10.90%
ECAPM:			
Current *Value Line* Beta	11.65%	11.65%	11.62%
Long-term Avg. *Value Line* Beta	11.46%	11.45%	11.42%

Q. What is your conclusion regarding KAWC's proposed capital structure?

A. Based on the actual capital structures of the operating utilities of the proxy group companies, KAWC's proposed common equity ratio of 52.29 percent is reasonable. The proposed equity ratio is well within the range, and moderately below the mean, established by the capital structures of the utility operating subsidiaries of the proxy companies.

Q. Does this conclude your direct testimony?

A. Yes, it does.

VERIFICATION

COMMONWEALTH OF MASSACHUSETTS)
) SS:
COUNTY OF SUFFOLK)

The undersigned, Ann E. Bulkley, being duly sworn, deposes and says that she is a Principal at The Brattle Group, that she has personal knowledge of the matters set forth in the accompanying testimony for which she is identified as the responsible witness, and that the answers contained therein are true and correct to the best of her information, knowledge and belief.

Ann Bulkley
Ann E. Bulkley

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28 day of April, 2026.

Sera M. McCarthy
Notary Public

My Commission Expires:

August 5, 2027



COST OF EQUITY ANALYSES
SUMMARY OF RESULTS AS OF FEBRUARY 28, 2026

Constant Growth DCF

	Minimum Growth Rate	Average Growth Rate	Maximum Growth Rate
Mean			
30-Day Avg. Stock Price	10.26%	11.06%	11.96%
90-Day Avg. Stock Price	10.32%	11.13%	12.03%
180-Day Avg. Stock Price	10.42%	11.22%	12.12%
Average	10.33%	11.14%	12.04%
Median			
30-Day Avg. Stock Price	10.19%	10.52%	11.44%
90-Day Avg. Stock Price	10.20%	10.59%	11.55%
180-Day Avg. Stock Price	10.25%	10.73%	11.63%
Average	10.21%	10.62%	11.54%

CAPM and ECAPM

	30-Year Treasury Bond Yield		
	Current 30-Day Avg	Near-Term Projected	Longer-Term Projected
CAPM:			
Current *Value Line* Beta	11.20%	11.20%	11.16%
Long-term Avg. *Value Line* Beta	10.95%	10.94%	10.90%
ECAPM:			
Current *Value Line* Beta	11.65%	11.65%	11.62%
Long-term Avg. *Value Line* Beta	11.46%	11.45%	11.42%

PROXY GROUP SCREENING DATA AND RESULTS

Company	Ticker	[1] Dividends	[2] S&P Credit Rating Between BBB- and AAA	[3] Positive Growth Rates from at least two sources (Value Line, S&P Capital IQ, and Zacks)	[4] % Regul. Oper. Income to Total Oper. Income > 70%	[5] Announced Merger
Atmos Energy Corporation	ATO	Yes	A-	Yes	100.00%	No
Chesapeake Utilities Corporation	CPK	Yes	BBB+	Yes	82.68%	No
NiSource Inc.	NI	Yes	BBB+	Yes	99.44%	No
Northwest Natural Gas Company	NWN	Yes	A-	Yes	99.75%	No
ONE Gas, Inc.	OGS	Yes	A-	Yes	100.00%	No
Southwest Gas Corporation	SWX	Yes	BBB+	Yes	86.42%	No
Spire, Inc.	SR	Yes	BBB+	Yes	83.04%	Yes (closing Q12026)
American States Water Company	AWR	Yes	A	Yes	84.42%	No
California Water Service Group	CWT	Yes	A+	Yes	96.41%	No
Middlesex Water Company	MSEX	Yes	A	Yes	92.59%	No
H2O America (SJW Group)	HTO	Yes	A-	Yes	98.75%	No

Notes:

[1] Bloomberg Professional

[2] Bloomberg Professional; FitchRatings for CPK

[3] Value Line, Zacks and S&P Capital IQ

[4] Form 10-K's for 2024, 2023, and 2022

[5] S&P Capital IQ Pro Financial News Releases

CONSTANT GROWTH DCF
30 DAY AVERAGE STOCK PRICES

Company	Ticker	[1] Annualized Dividend	[2] Stock Price	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Value Line Projected EPS Growth Rate	[6] S&P Capital IQ Projected EPS Growth Rate	[7] Zacks Projected EPS Growth Rate	[8] Average Projected EPS Growth Rate	[9] Cost of Equity: Minimum Growth Rate	[10] Cost of Equity: Mean Growth Rate	[11] Cost of Equity: Maximum Growth Rate
Atmos Energy Corporation	ATO	$4.00	$172.77	2.32%	2.41%	8.00%	8.36%	7.00%	7.79%	9.40%	10.19%	10.77%
Chesapeake Utilities Corporation	CPK	$2.74	$130.18	2.10%	2.19%	8.00%	8.15%	n/a	8.08%	10.19%	10.26%	10.34%
NiSource Inc.	NI	$1.20	$44.74	2.68%	2.78%	7.50%	8.64%	6.00%	7.38%	8.76%	10.16%	11.44%
Northwest Natural Gas Company	NWN	$1.97	$48.19	4.09%	4.22%	6.00%	6.67%	n/a	6.33%	10.21%	10.55%	10.89%
ONE Gas, Inc.	OGS	$2.72	$81.56	3.34%	3.45%	6.00%	7.10%	8.10%	7.07%	9.44%	10.52%	11.57%
Southwest Gas Corporation	SWX	$2.48	$84.72	2.93%	3.08%	n/a	12.01%	9.20%	10.61%	12.26%	13.69%	15.11%
Spire, Inc.	SR	$3.30	$86.89	3.80%	3.98%	8.50%	8.40%	12.00%	9.63%	12.36%	13.61%	16.03%
American States Water Company	AWR	$2.02	$72.80	2.77%	2.86%	7.00%	n/a	5.70%	6.35%	8.55%	9.21%	9.87%
California Water Service Group	CWT	$1.34	$44.94	2.98%	3.12%	9.50%	n/a	8.80%	9.15%	11.91%	12.27%	12.62%
Middlesex Water Company	MSEX	$1.44	$52.93	2.72%	2.84%	7.50%	9.92%	8.10%	8.51%	10.32%	11.34%	12.77%
H2O America (SJW Group)	HTO	$1.76	$53.05	3.32%	3.42%	6.00%	6.74%	6.50%	6.41%	9.42%	9.84%	10.17%
Mean										10.26%	11.06%	11.96%
Median										10.19%	10.52%	11.44%

Notes:
[1] Bloomberg Professional as of February 28, 2026
[2] Bloomberg Professional 30-day average as of February 28, 2026
[3] Equals [1]/[2]
[4] Equals [3] x (1 + 0.5 x [8])
[5] Value Line
[6] S&P Capital IQ
[7] Zacks
[8] Equals average of [5], [6], [7]
[9] Equals [3] x (1 + 0.5 x (min([5], [6], [7])) + (min([5], [6], [7])
[10] Equals [4] + [8]
[11] Equals [3] x (1 + 0.5 x (max([5], [6], [7])) + (max([5], [6], [7])

CONSTANT GROWTH DCF
90 DAY AVERAGE STOCK PRICES

Company	Ticker	[1] Annualized Dividend	[2] Stock Price	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Value Line Projected EPS Growth Rate	[6] S&P Capital IQ Projected EPS Growth Rate	[7] Zacks Projected EPS Growth Rate	[8] Average Projected EPS Growth Rate	[9] Cost of Equity: Minimum Growth Rate	[10] Cost of Equity: Mean Growth Rate	[11] Cost of Equity: Maximum Growth Rate
Atmos Energy Corporation	ATO	$4.00	$171.18	2.34%	2.43%	8.00%	8.36%	7.00%	7.79%	9.42%	10.21%	10.80%
Chesapeake Utilities Corporation	CPK	$2.74	$129.64	2.11%	2.20%	8.00%	8.15%	n/a	8.08%	10.20%	10.27%	10.35%
NiSource Inc.	NI	$1.20	$43.02	2.79%	2.89%	7.50%	8.64%	6.00%	7.38%	8.87%	10.27%	11.55%
Northwest Natural Gas Company	NWN	$1.97	$47.07	4.18%	4.32%	6.00%	6.67%	n/a	6.33%	10.31%	10.65%	10.99%
ONE Gas, Inc.	OGS	$2.72	$79.87	3.41%	3.53%	6.00%	7.10%	8.10%	7.07%	9.51%	10.59%	11.64%
Southwest Gas Corporation	SWX	$2.48	$81.49	3.04%	3.20%	n/a	12.01%	9.20%	10.61%	12.38%	13.81%	15.24%
Spire, Inc.	SR	$3.30	$85.45	3.86%	4.05%	8.50%	8.40%	12.00%	9.63%	12.42%	13.68%	16.09%
American States Water Company	AWR	$2.02	$72.95	2.76%	2.85%	7.00%	n/a	5.70%	6.35%	8.54%	9.20%	9.86%
California Water Service Group	CWT	$1.34	$44.79	2.99%	3.13%	9.50%	n/a	8.80%	9.15%	11.92%	12.28%	12.63%
Middlesex Water Company	MSEX	$1.44	$52.67	2.73%	2.85%	7.50%	9.92%	8.10%	8.51%	10.34%	11.36%	12.79%
H2O America (SJW Group)	HTO	$1.76	$49.60	3.55%	3.66%	6.00%	6.74%	6.50%	6.41%	9.65%	10.08%	10.41%
Mean										10.32%	11.13%	12.03%
Median										10.20%	10.59%	11.55%

Notes:
[1] Bloomberg Professional as of February 28, 2026
[2] Bloomberg Professional 90-day average as of February 28, 2026
[3] Equals [1]/[2]
[4] Equals [3] x (1 + 0.5 x [8])
[5] Value Line
[6] S&P Capital IQ
[7] Zacks
[8] Equals average of [5], [6], [7]
[9] Equals [3] x (1 + 0.5 x (min([5], [6], [7])) + (min([5], [6], [7])
[10] Equals [4] + [8]
[11] Equals [3] x (1 + 0.5 x (max([5], [6], [7])) + (max([5], [6], [7])

CONSTANT GROWTH DCF
180 DAY AVERAGE STOCK PRICES

Company	Ticker	[1] Annualized Dividend	[2] Stock Price	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Value Line Projected EPS Growth Rate	[6] S&P Capital IQ Projected EPS Growth Rate	[7] Zacks Projected EPS Growth Rate	[8] Average Projected EPS Growth Rate	[9] Cost of Equity: Minimum Growth Rate	[10] Cost of Equity: Mean Growth Rate	[11] Cost of Equity: Maximum Growth Rate
Atmos Energy Corporation	ATO	$4.00	$165.55	2.42%	2.51%	8.00%	8.36%	7.00%	7.79%	9.50%	10.30%	10.88%
Chesapeake Utilities Corporation	CPK	$2.74	$126.92	2.16%	2.25%	8.00%	8.15%	n/a	8.08%	10.25%	10.32%	10.40%
NiSource Inc.	NI	$1.20	$41.91	2.86%	2.97%	7.50%	8.64%	6.00%	7.38%	8.95%	10.35%	11.63%
Northwest Natural Gas Company	NWN	$1.97	$43.86	4.49%	4.63%	6.00%	6.67%	n/a	6.33%	10.63%	10.97%	11.31%
ONE Gas, Inc.	OGS	$2.72	$76.84	3.54%	3.66%	6.00%	7.10%	8.10%	7.07%	9.65%	10.73%	11.78%
Southwest Gas Corporation	SWX	$2.48	$78.71	3.15%	3.32%	n/a	12.01%	9.20%	10.61%	12.50%	13.92%	15.35%
Spire, Inc.	SR	$3.30	$80.40	4.10%	4.30%	8.50%	8.40%	12.00%	9.63%	12.68%	13.94%	16.35%
American States Water Company	AWR	$2.02	$73.19	2.75%	2.84%	7.00%	n/a	5.70%	6.35%	8.53%	9.19%	9.85%
California Water Service Group	CWT	$1.34	$45.07	2.97%	3.11%	9.50%	n/a	8.80%	9.15%	11.90%	12.26%	12.61%
Middlesex Water Company	MSEX	$1.44	$52.97	2.72%	2.83%	7.50%	9.92%	8.10%	8.51%	10.32%	11.34%	12.77%
H2O America (SJW Group)	HTO	$1.76	$49.30	3.57%	3.68%	6.00%	6.74%	6.50%	6.41%	9.68%	10.10%	10.43%
Mean										10.42%	11.22%	12.12%
Median										10.25%	10.73%	11.63%

Notes:
[1] Bloomberg Professional as of February 28, 2026
[2] Bloomberg Professional 180-day average as of February 28, 2026
[3] Equals [1]/[2]
[4] Equals [3] x (1 + 0.5 x [8])
[5] Value Line
[6] S&P Capital IQ
[7] Zacks
[8] Equals average of [5], [6], [7]
[9] Equals [3] x (1 + 0.5 x (min([5], [6], [7])) + (min([5], [6], [7])
[10] Equals [4] + [8]
[11] Equals [3] x (1 + 0.5 x (max([5], [6], [7])) + (max([5], [6], [7])

CAPITAL ASSET PRICING MODEL
CURRENT RISK FREE RATE AND VALUE LINE BETA

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Ticker	Current 30-day average of 30-year U.S. Treasury bond yield	Beta	Market Return	Market Risk Premium	Cost of Equity: CAPM	Cost of Equity: ECAPM
Atmos Energy Corporation	ATO	4.79%	0.80	12.99%	8.20%	11.35%	11.76%
Chesapeake Utilities Corporation	CPK	4.79%	0.75	12.99%	8.20%	10.94%	11.45%
NiSource Inc.	NI	4.79%	0.85	12.99%	8.20%	11.76%	12.07%
Northwest Natural Gas Company	NWN	4.79%	0.80	12.99%	8.20%	11.35%	11.76%
ONE Gas, Inc.	OGS	4.79%	0.75	12.99%	8.20%	10.94%	11.45%
Southwest Gas Corporation	SWX	4.79%	0.80	12.99%	8.20%	11.35%	11.76%
Spire, Inc.	SR	4.79%	0.75	12.99%	8.20%	10.94%	11.45%
American States Water Company	AWR	4.79%	0.75	12.99%	8.20%	10.94%	11.45%
California Water Service Group	CWT	4.79%	0.80	12.99%	8.20%	11.35%	11.76%
Middlesex Water Company	MSEX	4.79%	0.80	12.99%	8.20%	11.35%	11.76%
H2O America (SJW Group)	HTO	4.79%	0.75	12.99%	8.20%	10.94%	11.45%
Mean						11.20%	11.65%
Median						11.35%	11.76%

Notes:
[1] Bloomberg Professional as of February 28, 2026
[2] Value Line
[3] Exhibit AEB-6
[4] Equals [3]-[1]
[5] Equals [1] + [2] x [4]
[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL
NEAR TERM PROJECTED RISK-FREE RATE AND VALUE LINE BETA

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Ticker	Near-term projected 30-year U.S. Treasury bond yield (Q2 2026 - Q2 2027)	Beta	Market Return	Market Risk Premium	Cost of Equity: CAPM	Cost of Equity: ECAPM
Atmos Energy Corporation	ATO	4.76%	0.80	12.99%	8.23%	11.35%	11.76%
Chesapeake Utilities Corporation	CPK	4.76%	0.75	12.99%	8.23%	10.93%	11.45%
NiSource Inc.	NI	4.76%	0.85	12.99%	8.23%	11.76%	12.07%
Northwest Natural Gas Company	NWN	4.76%	0.80	12.99%	8.23%	11.35%	11.76%
ONE Gas, Inc.	OGS	4.76%	0.75	12.99%	8.23%	10.93%	11.45%
Southwest Gas Corporation	SWX	4.76%	0.80	12.99%	8.23%	11.35%	11.76%
Spire, Inc.	SR	4.76%	0.75	12.99%	8.23%	10.93%	11.45%
American States Water Company	AWR	4.76%	0.75	12.99%	8.23%	10.93%	11.45%
California Water Service Group	CWT	4.76%	0.80	12.99%	8.23%	11.35%	11.76%
Middlesex Water Company	MSEX	4.76%	0.80	12.99%	8.23%	11.35%	11.76%
H2O America (SJW Group)	HTO	4.76%	0.75	12.99%	8.23%	10.93%	11.45%
Mean						11.20%	11.65%
Median						11.35%	11.76%

Notes:
[1] Blue Chip Financial Forecasts, Vol. 45, No. 3, February 27, 2026, at 2
[2] Value Line
[3] Exhibit AEB-6
[4] Equals [3]-[1]
[5] Equals [1] + [2] x [4]
[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL
LONG-TERM PROJECTED RISK-FREE RATE AND VALUE LINE BETA

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Ticker	Projected 30-year U.S. Treasury bond yield (2027 - 2031)	Beta	Market Return	Market Risk Premium	Cost of Equity: CAPM	Cost of Equity: ECAPM
Atmos Energy Corporation	ATO	4.60%	0.80	12.99%	8.39%	11.31%	11.73%
Chesapeake Utilities Corporation	CPK	4.60%	0.75	12.99%	8.39%	10.89%	11.42%
NiSource Inc.	NI	4.60%	0.85	12.99%	8.39%	11.73%	12.05%
Northwest Natural Gas Company	NWN	4.60%	0.80	12.99%	8.39%	11.31%	11.73%
ONE Gas, Inc.	OGS	4.60%	0.75	12.99%	8.39%	10.89%	11.42%
Southwest Gas Corporation	SWX	4.60%	0.80	12.99%	8.39%	11.31%	11.73%
Spire, Inc.	SR	4.60%	0.75	12.99%	8.39%	10.89%	11.42%
American States Water Company	AWR	4.60%	0.75	12.99%	8.39%	10.89%	11.42%
California Water Service Group	CWT	4.60%	0.80	12.99%	8.39%	11.31%	11.73%
Middlesex Water Company	MSEX	4.60%	0.80	12.99%	8.39%	11.31%	11.73%
H2O America (SJW Group)	HTO	4.60%	0.75	12.99%	8.39%	10.89%	11.42%
Mean						11.16%	11.62%
Median						11.31%	11.73%

Notes:
[1] Blue Chip Financial Forecasts, Vol. 44, No. 12, December 1, 2025, at 14
[2] Value Line
[3] Exhibit AEB-6
[4] Equals [3]-[1]
[5] Equals [1] + [2] x [4]
[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL
CURRENT RISK FREE RATE AND LONG-TERM VALUE LINE BETA

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Ticker	Current 30-day average of 30-year U.S. Treasury bond yield	Beta	Market Return	Market Risk Premium	Cost of Equity: CAPM	Cost of Equity: ECAPM
Atmos Energy Corporation	ATO	4.79%	0.76	12.99%	8.20%	11.04%	11.53%
Chesapeake Utilities Corporation	CPK	4.79%	0.72	12.99%	8.20%	10.72%	11.29%
NiSource Inc.	NI	4.79%	0.78	12.99%	8.20%	11.20%	11.65%
Northwest Natural Gas Company	NWN	4.79%	0.73	12.99%	8.20%	10.75%	11.31%
ONE Gas, Inc.	OGS	4.79%	0.75	12.99%	8.20%	10.94%	11.45%
Southwest Gas Corporation	SWX	4.79%	0.83	12.99%	8.20%	11.60%	11.95%
Spire, Inc.	SR	4.79%	0.75	12.99%	8.20%	10.97%	11.48%
American States Water Company	AWR	4.79%	0.70	12.99%	8.20%	10.53%	11.15%
California Water Service Group	CWT	4.79%	0.72	12.99%	8.20%	10.66%	11.24%
Middlesex Water Company	MSEX	4.79%	0.74	12.99%	8.20%	10.88%	11.41%
H2O America (SJW Group)	HTO	4.79%	0.77	12.99%	8.20%	11.10%	11.57%
Mean						10.95%	11.46%
Median						10.94%	11.45%

Notes:
[1] Bloomberg Professional as of February 28, 2026
[2] Exhibit AEB-5
[3] Exhibit AEB-6
[4] Equals [3]-[1]
[5] Equals [1] + [2] x [4]
[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL
NEAR-TERM PROJECTED RISK FREE RATE AND LONG-TERM VALUE LINE BETA

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Ticker	Near-term projected 30-year U.S. Treasury bond yield (Q2 2026 - Q2 2027)	Beta	Market Return	Market Risk Premium	Cost of Equity: CAPM	Cost of Equity: ECAPM
Atmos Energy Corporation	ATO	4.76%	0.76	12.99%	8.23%	11.03%	11.52%
Chesapeake Utilities Corporation	CPK	4.76%	0.72	12.99%	8.23%	10.71%	11.28%
NiSource Inc.	NI	4.76%	0.78	12.99%	8.23%	11.20%	11.65%
Northwest Natural Gas Company	NWN	4.76%	0.73	12.99%	8.23%	10.74%	11.31%
ONE Gas, Inc.	OGS	4.76%	0.75	12.99%	8.23%	10.93%	11.45%
Southwest Gas Corporation	SWX	4.76%	0.83	12.99%	8.23%	11.60%	11.95%
Spire, Inc.	SR	4.76%	0.75	12.99%	8.23%	10.97%	11.47%
American States Water Company	AWR	4.76%	0.70	12.99%	8.23%	10.52%	11.14%
California Water Service Group	CWT	4.76%	0.72	12.99%	8.23%	10.65%	11.24%
Middlesex Water Company	MSEX	4.76%	0.74	12.99%	8.23%	10.87%	11.40%
H2O America (SJW Group)	HTO	4.76%	0.77	12.99%	8.23%	11.09%	11.57%
Mean						10.94%	11.45%
Median						10.93%	11.45%

Notes:
[1] Blue Chip Financial Forecasts, Vol. 45, No. 3, February 27, 2026, at 2
[2] Exhibit AEB-5
[3] Exhibit AEB-6
[4] Equals [3]-[1]
[5] Equals [1] + [2] x [4]
[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL
LONG-TERM PROJECTED RISK FREE RATE AND LONG-TERM VALUE LINE BETA

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Ticker	Projected 30-year U.S. Treasury bond yield (2027 - 2031)	Beta	Market Return	Market Risk Premium	Cost of Equity: CAPM	Cost of Equity: ECAPM
Atmos Energy Corporation	ATO	4.60%	0.76	12.99%	8.39%	10.99%	11.49%
Chesapeake Utilities Corporation	CPK	4.60%	0.72	12.99%	8.39%	10.67%	11.25%
NiSource Inc.	NI	4.60%	0.78	12.99%	8.39%	11.16%	11.62%
Northwest Natural Gas Company	NWN	4.60%	0.73	12.99%	8.39%	10.70%	11.27%
ONE Gas, Inc.	OGS	4.60%	0.75	12.99%	8.39%	10.89%	11.42%
Southwest Gas Corporation	SWX	4.60%	0.83	12.99%	8.39%	11.57%	11.93%
Spire, Inc.	SR	4.60%	0.75	12.99%	8.39%	10.93%	11.44%
American States Water Company	AWR	4.60%	0.70	12.99%	8.39%	10.47%	11.10%
California Water Service Group	CWT	4.60%	0.72	12.99%	8.39%	10.60%	11.20%
Middlesex Water Company	MSEX	4.60%	0.74	12.99%	8.39%	10.83%	11.37%
H2O America (SJW Group)	HTO	4.60%	0.77	12.99%	8.39%	11.06%	11.54%
Mean						10.90%	11.42%
Median						10.89%	11.42%

Notes:
[1] Blue Chip Financial Forecasts, Vol. 44, No. 12, December 1, 2025, at 14
[2] Exhibit AEB-5
[3] Exhibit AEB-6
[4] Equals [3]-[1]
[5] Equals [1] + [2] x [4]
[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

HISTORICAL VALUE LINE BETA

Company	Ticker	[1] 2013	[2] 2014	[3] 2015	[4] 2016	[5] 2017	[6] 2018	[7] 2019	[8] 2020	[9] 2021	[10] 2022	[11] 2023	[12] 2024	[13] 2025	[14] Average
Atmos Energy Corporation	ATO	0.80	0.80	0.80	0.70	0.70	0.60	0.60	0.80	0.80	0.80	0.85	0.90	0.75	0.76
Chesapeake Utilities Corporation	CPK	0.70	0.65	0.65	0.65	0.70	0.65	0.65	0.80	0.80	0.80	0.80	0.85	0.70	0.72
NiSource Inc.	NI	0.85	0.85	NMF	NMF	0.60	0.50	0.55	0.85	0.85	0.85	0.90	0.95	0.85	0.78
Northwest Natural Gas Company	NWN	0.65	0.70	0.65	0.65	0.70	0.60	0.60	0.80	0.85	0.80	0.80	0.90	0.75	0.73
ONE Gas, Inc.	OGS				0.70	0.70	0.65	0.65	0.80	0.80	0.80	0.80	0.85	0.75	0.75
Southwest Gas Corporation	SWX	0.80	0.85	0.80	0.75	0.80	0.70	0.70	0.95	0.95	0.90	0.90	0.95	0.75	0.83
Spire, Inc.	SR	0.65	0.70	0.70	0.70	0.70	0.65	0.65	0.85	0.85	0.85	0.85	0.90	0.75	0.75
American States Water Company	AWR	0.65	0.70	0.70	0.75	0.80	0.70	0.65	0.65	0.65	0.65	0.70	0.75	0.75	0.70
California Water Service Group	CWT	0.60	0.70	0.75	0.75	0.80	0.70	0.70	0.65	0.70	0.70	0.70	0.75	0.80	0.72
Middlesex Water Company	MSEX	0.75	0.70	0.70	0.75	0.80	0.75	0.75	0.75	0.70	0.70	0.75	0.80	0.75	0.74
H2O America (SJW Group)	HTO	0.85	0.85	0.75	0.75	0.70	0.60	0.60	0.85	0.80	0.80	0.85	0.85	0.75	0.77
Mean		0.73	0.75	0.72	0.72	0.73	0.65	0.65	0.80	0.80	0.79	0.81	0.86	0.76	0.75

Notes:

[1] Value Line, dated December 26, 2013
[2] Value Line, dated December 31, 2014
[3] Value Line, dated December 30, 2015
[4] Value Line, dated December 29, 2016
[5] Value Line, dated December 28, 2017
[6] Value Line, dated December 27, 2018
[7] Value Line, dated December 26, 2019
[8] Value Line, dated December 30, 2020
[9] Value Line, dated December 29, 2021
[10] Value Line, dated December 30, 2022
[11] Value Line, Dated December 29, 2023
[12] Value Line, Dated December 27, 2024
[13] Value Line, Dated December 26, 2025
[14] Average ([1] - [13])

MARKET RETURN DERIVED FROM S&P 500 INDEX

[1] Estimate of the S&P 500 Dividend Yield	1.27%
[2] Estimate of the S&P 500 Growth Rate	11.65%
[3] S&P 500 Estimated Required Market Return	12.99%

Name	Ticker	[4] Shares Outst'g	[5] Price	[6] Market Capitalization	[7] Weight in Index	[8] Estimated Dividend Yield	[9] Cap-Weighted Dividend Yield	[10] Bloomberg Long-Term Growth Est.	[11] Cap-Weighted Long-Term Growth Est.
Agilent Technologies Inc	A	282.840	121.38	34,331.08	0.09%	0.84%	0.00%	7.99%	0.01%
Apple Inc	AAPL	14681.140	264.18	3,878,463.57	10.48%	0.39%	0.04%	13.33%	1.40%
AbbVie Inc	ABBV	1768.169	232.08	410,356.66	1.11%	2.98%	0.03%	19.68%	0.22%
Airbnb Inc	ABNB	423.573	135.11	57,228.99	0.15%			16.62%	0.03%
Abbott Laboratories	ABT	1737.683	116.35	202,179.40	0.55%	2.17%	0.01%	10.11%	0.06%
Arch Capital Group Ltd	ACGL	355.803	100.15	35,633.70	0.10%			2.64%	0.00%
Accenture PLC	ACN	615.307	208.72	128,426.83		3.12%			
Adobe Inc	ADBE	410.500	262.41	107,719.31	0.29%			13.73%	0.04%
Analog Devices Inc	ADI	488.204	354.6796	173,156.06		1.24%		22.33%	
Archer-Daniels-Midland Co	ADM	481.202	69.04	33,222.18	0.09%	3.01%	0.00%	18.91%	0.02%
Automatic Data Processing Inc	ADP	402.644	214.36	86,310.85		3.17%			
Autodesk Inc	ADSK	212.000	245.87	52,124.44				21.63%	
Ameren Corp	AEE	276.425	113.28	31,313.37	0.08%	2.65%	0.00%	8.44%	0.01%
American Electric Power Co Inc	AEP	540.861	133.82	72,378.08	0.20%	2.84%	0.01%	7.91%	0.02%
AES Corp/The	AES	712.121	17.28	12,305.45	0.03%	4.07%	0.00%	11.17%	0.00%
Aflac Inc	AFL	516.369	112.93	58,313.60		2.16%			
American International Group Inc	AIG	536.560	80.49	43,187.69		2.24%			
Assurant Inc	AIZ	49.700	229.59	11,410.57		1.53%			
Arthur J Gallagher & Co	AJG	257.100	228.2	58,670.22		1.23%			
Akamai Technologies Inc	AKAM	144.888	98.39	14,255.54	0.04%			5.96%	0.00%
Albemarle Corp	ALB	117.847	178.67	21,055.76		0.91%		175.50%	
Align Technology Inc	ALGN	71.282	190.1	13,550.73				-2.94%	
Allstate Corp/The	ALL	259.536	213.4401	55,395.36		2.02%		-1.75%	
Allegion plc	ALLE	86.145	161.15	13,882.34	0.04%	1.37%	0.00%	5.28%	0.00%
Applied Materials Inc	AMAT	793.610	372.3	295,460.95	0.80%	0.49%	0.00%	18.89%	0.15%
Amcor PLC	AMCR	462.046	48.43	22,376.87	0.06%	5.37%	0.00%	9.93%	0.01%
Advanced Micro Devices Inc	AMD	1630.411	200.21	326,424.55				48.15%	
AMETEK Inc	AME	228.977	239.22	54,775.93	0.15%	0.57%	0.00%	9.07%	0.01%
Amgen Inc	AMGN	539.068	388.16	209,244.51	0.57%	2.60%	0.01%	1.00%	0.01%
Ameriprise Financial Inc	AMP	91.179	470.12	42,865.07	0.12%	1.36%	0.00%	10.31%	0.01%
American Tower Corp	AMT	466.085	191.86	89,423.03		3.54%			
Amazon.com Inc	AMZN	10734.921	210	2,254,333.38	6.09%			18.30%	1.11%
Arista Networks Inc	ANET	1256.538	133.5	167,747.81	0.45%			17.94%	0.08%
Aon PLC	AON	214.255	335.47	71,875.96		0.89%			
A O Smith Corp	AOS	113.372	78	8,843.03		1.85%			
APA Corp	APA	353.251	30.37	10,728.25		3.29%		-23.17%	
Air Products and Chemicals Inc	APD	222.656	275.67	61,379.58	0.17%	2.63%	0.00%	6.86%	0.01%
Amphenol Corp	APH	1229.215	146.06	179,539.13		0.68%		21.90%	
Apollo Global Management Inc	APO	578.247	104.6	60,484.67	0.16%	1.95%	0.00%	14.55%	0.02%
AppLovin Corp	APP	307.070	434.77	133,504.82				47.15%	
Aptiv PLC	APTV	212.748	73.54	15,645.52					
Alexandria Real Estate Equities Inc	ARE	173.300	54.04	9,365.15		5.33%		-10.82%	
Ares Management Corp	ARES	220.903	112.01	24,743.30		4.82%		28.84%	
Atmos Energy Corp	ATO	165.439	186.79	30,902.34	0.08%	2.14%	0.00%	9.02%	0.01%
AvalonBay Communities Inc	AVB	140.083	177.23	24,826.99	0.07%	4.02%	0.00%	4.13%	0.00%
Broadcom Inc	AVGO	4741.274	319.55	1,515,074.04		0.81%		35.56%	
Avery Dennison Corp	AVY	76.878	196.35	15,094.98	0.04%	1.91%	0.00%	5.53%	0.00%
American Water Works Co Inc	AWK	195.209	136.03	26,554.24	0.07%	2.43%	0.00%	7.04%	0.01%
Axon Enterprise Inc	AXON	80.398	542.4	43,607.70				33.23%	
American Express Co	AXP	686.614	308.9	212,095.07	0.57%	1.06%	0.01%	14.24%	0.08%
AutoZone Inc	AZO	16.568	3755.58	62,221.77	0.17%			14.21%	0.02%
Boeing Co/The	BA	785.347	227.53	178,690.03					
Bank of America Corp	BAC	7176.682	49.83	357,614.07		2.25%			
Ball Corp	BALL	266.077	66.93	17,808.55	0.05%	1.20%	0.00%	13.36%	0.01%
Baxter International Inc	BAX	514.490	20.37	10,480.16		0.20%		-2.87%	
Best Buy Co Inc	BBY	209.535	61.97	12,984.89	0.04%	6.13%	0.00%	4.46%	0.00%
Becton Dickinson & Co	BDX	284.742	176.48	50,251.23	0.14%	2.38%	0.00%	1.10%	0.00%
Franklin Resources Inc	BEN	520.763	26.54	13,821.06	0.04%	4.97%	0.00%	12.01%	0.00%
Brown-Forman Corp	BF/B	294.595	28.86	8,502.00	0.02%	3.20%	0.00%	2.43%	0.00%
Bunge Global SA	BG	193.509	120.65	23,346.87	0.06%	2.32%	0.00%	19.44%	0.01%
Biogen Inc	BIIB	146.759	191.82	28,151.22	0.08%			4.41%	0.00%
Bank of New York Mellon Corp/The	BK	686.907	119.1	81,810.67	0.22%	1.78%	0.00%	12.87%	0.03%
Booking Holdings Inc	BKNG	31.673	4239.35	134,274.42	0.36%	0.99%	0.00%	16.40%	0.06%
Baker Hughes Co	BKR	988.237	65.26	64,492.31	0.17%	1.41%	0.00%	14.08%	0.02%
Builders FirstSource Inc	BLDR	110.605	104.29	11,535.00	0.03%			10.56%	0.00%
Blackrock Inc	BLK	155.542	1063.23	165,376.43	0.45%	2.16%	0.01%	15.14%	0.07%
Bristol-Myers Squibb Co	BMY	2036.474	62.37	127,014.87		4.04%		53.01%	
Broadridge Financial Solutions Inc	BR	116.749	185.87	21,700.08		2.10%			
Berkshire Hathaway Inc	BRK/B	1372.820	504.95	693,205.53					
Brown & Brown Inc	BRO	340.420	71.82	24,448.97		0.92%			
Boston Scientific Corp	BSX	1483.885	76.85	114,036.60	0.31%			13.45%	0.04%
Blackstone Inc	BX	742.181	113.37	84,141.03		5.26%		20.02%	
BXP Inc	BXP	158.629	57.58	9,133.86	0.02%	4.86%	0.00%	3.36%	0.00%
Citigroup Inc	C	1749.319	110.19	192,757.46	0.52%	2.18%	0.01%	19.71%	0.10%
Conagra Brands Inc	CAG	478.369	19.25	9,208.61		7.27%		-8.19%	
Cardinal Health Inc	CAH	235.316	229.23	53,941.49	0.15%	0.89%	0.00%	14.74%	0.02%
Carrier Global Corp	CARR	835.844	64.4	53,828.35	0.15%	1.49%	0.00%	9.39%	0.01%
Caterpillar Inc	CAT	465.287	742.83	345,629.39		0.81%		25.31%	
Chubb Ltd	CB	390.157	340.86	132,988.76	0.36%	1.14%	0.00%	3.42%	0.01%
Cboe Global Markets Inc	CBOE	104.668	299.72	31,371.00	0.08%	0.96%	0.00%	13.75%	0.01%

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CBRE Group Inc	CBRE	295.159	147.66	43,583.11					
Crown Castle Inc	CCI	436.070	89.54	39,045.75		4.75%			
Carnival Corp	CCL	1236.707	31.55	39,018.09	0.11%	1.90%	0.00%	11.20%	0.01%
Cadence Design Systems Inc	CDNS	275.875	301.4	83,148.87	0.22%			14.61%	0.03%
CDW Corp/DE	CDW	128.994	122.64	15,819.77	0.04%	2.05%	0.00%	7.25%	0.00%
Constellation Energy Corp	CEG	362.355	329.88	119,533.83	0.32%	0.52%	0.00%	15.42%	0.05%
CF Industries Holdings Inc	CF	153.669	99.54	15,296.19		2.01%		-16.61%	
Citizens Financial Group Inc	CFG	424.984	60.19	25,579.77		3.06%		24.19%	
Church & Dwight Co Inc	CHD	236.694	104.86	24,819.76	0.07%	1.17%	0.00%	7.21%	0.00%
CH Robinson Worldwide Inc	CHRW	118.621	185.25	21,974.51	0.06%	1.36%	0.00%	17.23%	0.01%
Charter Communications Inc	CHTR	126.632	234.63	29,711.56				21.90%	
Cigna Group/The	CI	263.528	289.82	76,375.77	0.21%	2.15%	0.00%	9.89%	0.02%
Ciena Corp	CIEN	141.463	348.7	49,328.31				41.75%	
Cincinnati Financial Corp	CINF	155.618	163.98	25,518.17	0.07%	2.29%	0.00%	5.30%	0.00%
Colgate-Palmolive Co	CL	801.548	99.14	79,465.47	0.21%	2.10%	0.00%	5.54%	0.01%
Clorox Co/The	CLX	120.912	127.16	15,375.15		3.90%		-0.22%	
Comcast Corp	CMCSA	3588.402	30.96	111,096.91		4.26%		-3.89%	
CME Group Inc	CME	358.622	319.5	114,579.83	0.31%	1.63%	0.01%	5.82%	0.02%
Chipotle Mexican Grill Inc	CMG	1302.423	37.22	48,476.18	0.13%			12.82%	0.02%
Cummins Inc	CMI	138.165	583.87	80,670.67	0.22%	1.37%	0.00%	14.29%	0.03%
CMS Energy Corp	CMS	306.421	78.07	23,922.28	0.06%	2.92%	0.00%	7.27%	0.00%
Centene Corp	CNC	491.771	44.88	22,070.68				42.35%	
CenterPoint Energy Inc	CNP	652.868	43.5	28,399.77	0.08%	2.11%	0.00%	8.95%	0.01%
Capital One Financial Corp	COF	621.932	195.64	121,674.70	0.33%	1.64%	0.01%	13.86%	0.05%
Coinbase Global Inc	COIN	223.041	175.85	39,221.81				23.32%	
Cooper Cos Inc/The	COO	195.114	83.67	16,325.21	0.04%			7.77%	0.00%
ConocoPhillips	COP	1222.339	113.46	138,686.60		2.96%			
Cencora Inc	COR	194.531	372.14	72,392.65	0.20%	0.64%	0.00%	10.42%	0.02%
Costco Wholesale Corp	COST	443.869	1010.79	448,658.76	1.21%	0.51%	0.01%	11.37%	0.14%
Corpay Inc	CPAY	68.050	325.1	22,123.15	0.06%			12.37%	0.01%
Campbell's Company/The	CPB	298.134	26.95	8,034.72		5.79%		-3.24%	
Copart Inc	CPRT	968.018	38.09	36,871.79					
Camden Property Trust	CPT	103.408	108.34	11,203.25	0.03%	3.91%	0.00%	2.13%	0.00%
CRH PLC	CRH	668.251	119.98	80,176.73	0.22%	1.30%	0.00%	9.98%	0.02%
Charles River Laboratories International Inc	CRL	49.228	178.49	8,786.67	0.02%			7.41%	0.00%
Salesforce Inc	CRM	937.000	194.79	182,518.23	0.49%	0.90%	0.00%	12.79%	0.06%
Crowdstrike Holdings Inc	CRWD	252.098	371.98	93,775.58				23.15%	
Cisco Systems Inc	CSCO	3949.893	79.46	313,858.50	0.85%	2.11%	0.02%	7.80%	0.07%
CoStar Group Inc	CSGP	419.793	44.63	18,735.37				42.74%	
CSX Corp	CSX	1859.557	42.69	79,384.48	0.21%	1.31%	0.00%	14.00%	0.03%
Cintas Corp	CTAS	399.890	201.13	80,429.81	0.22%	0.89%	0.00%	10.79%	0.02%
Coterra Energy Inc	CTRA	759.273	30.59	23,226.15		2.88%		23.71%	
Cognizant Technology Solutions Corp	CTSH	478.247	64.43	30,813.45		2.05%			
Corteva Inc	CTVA	683.015	79.94	54,600.19	0.15%	0.90%	0.00%	9.29%	0.01%
Carvana Co	CVNA	142.736	334.16	47,696.73					
CVS Health Corp	CVS	1272.211	79.9	101,649.66	0.27%	3.33%	0.01%	13.13%	0.04%
Chevron Corp	CVX	1995.386	186.76	372,658.20		3.81%		-8.85%	
Dominion Energy Inc	D	878.786	63.14	55,486.52	0.15%	4.23%	0.01%	13.32%	0.02%
Delta Air Lines Inc	DAL	653.131	65.7	42,910.69	0.12%	1.14%	0.00%	14.65%	0.02%
DoorDash Inc	DASH	409.967	176.47	72,346.85				39.94%	
DuPont de Nemours Inc	DD	408.924	49.84	20,380.77	0.06%	1.61%	0.00%	17.42%	0.01%
Datadog Inc	DDOG	328.483	111.96	36,777.00				24.38%	
Deere & Co	DE	270.107	629.71	170,089.26	0.46%	1.03%	0.00%	16.83%	0.08%
Deckers Outdoor Corp	DECK	141.950	117.27	16,646.47	0.04%			6.38%	0.00%
Dell Technologies Inc	DELL	333.918	148.08	49,446.55	0.13%	1.42%	0.00%	18.13%	0.02%
Dollar General Corp	DG	220.119	156.24	34,391.37	0.09%	1.51%	0.00%	8.97%	0.01%
Quest Diagnostics Inc	DGX	109.866	211.91	23,281.77	0.06%	1.62%	0.00%	7.25%	0.00%
DR Horton Inc	DHI	289.703	160.39	46,465.53	0.13%	1.12%	0.00%	5.46%	0.01%
Danaher Corp	DHR	707.139	210.64	148,951.83	0.40%	0.76%	0.00%	7.82%	0.03%
Walt Disney Co/The	DIS	1771.520	106.04	187,851.96	0.51%	1.41%	0.01%	11.32%	0.06%
Digital Realty Trust Inc	DLR	343.615	177.2	60,888.66	0.16%	2.75%	0.00%	7.38%	0.01%
Dollar Tree Inc	DLTR	198.853	126.48	25,150.95	0.07%			11.87%	0.01%
Healthpeak Properties Inc	DOC	695.044	17.68	12,288.38	0.03%	6.90%	0.00%	1.08%	0.00%
Dover Corp	DOV	134.867	225.5	30,412.43	0.08%	0.92%	0.00%	9.65%	0.01%
Dow Inc	DOW	705.764	30.73	21,688.14		4.56%		54.00%	
Domino's Pizza Inc	DPZ	33.629	402.51	13,535.97	0.04%	1.98%	0.00%	11.36%	0.00%
Darden Restaurants Inc	DRI	115.139	213.85	24,622.53	0.07%	2.81%	0.00%	10.65%	0.01%
DTE Energy Co	DTE	207.683	148.24	30,786.93	0.08%	3.14%	0.00%	7.38%	0.01%
Duke Energy Corp	DUK	778.000	130.85	101,801.30	0.28%	3.26%	0.01%	6.69%	0.02%
DaVita Inc	DVA	66.800	156.3	10,440.84				25.82%	
Devon Energy Corp	DVN	620.000	43.53	26,988.60	0.07%	2.21%	0.00%	1.93%	0.00%
Dexcom Inc	DXCM	384.865	73.43	28,260.63	0.08%			16.87%	0.01%
Electronic Arts Inc	EA	250.254	200.57	50,193.39	0.14%	0.38%	0.00%	13.01%	0.02%
eBay Inc	EBAY	448.000	90.86	40,705.28	0.11%	1.36%	0.00%	9.91%	0.01%
Ecolab Inc	ECL	281.969	308.35	86,945.28	0.23%	0.95%	0.00%	12.93%	0.03%
Consolidated Edison Inc	ED	361.247	112.52	40,647.56	0.11%	3.15%	0.00%	7.39%	0.01%
Equifax Inc	EFX	120.270	208.96	25,131.62	0.07%	1.07%	0.00%	17.72%	0.01%
Everest Group Ltd	EG	40.390	335.49	13,550.49		2.38%		26.06%	
Edison International	EIX	384.791	74.74	28,759.27	0.08%	4.70%	0.00%	7.58%	0.01%
Estee Lauder Cos Inc/The	EL	247.220	109.47	27,063.14		1.28%		39.63%	
Elevance Health Inc	ELV	220.705	320	70,625.49	0.19%	2.15%	0.00%	2.04%	0.00%
EMCOR Group Inc	EME	44.533	724.62	32,269.19		0.22%			
Emerson Electric Co	EMR	562.000	150.75	84,721.50	0.23%	1.47%	0.00%	10.43%	0.02%
EOG Resources Inc	EOG	536.491	124.08	66,567.86		3.29%		-1.03%	
EPAM Systems Inc	EPAM	54.140	141	7,633.74					
Equinix Inc	EQIX	98.255	974.26	95,725.85	0.26%	2.12%	0.01%	15.00%	0.04%
Equity Residential	EQR	377.547	63.21	23,864.75	0.06%	4.38%	0.00%	3.24%	0.00%
EQT Corp	EQT	624.274	61.42	38,342.91		1.07%		34.05%	
Erie Indemnity Co	ERIE	46.189	269.44	12,445.18		2.17%			

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Eversource Energy	ES	375.497	76.21	28,616.60	0.08%	4.13%	0.00%	4.71%	0.00%
Essex Property Trust Inc	ESS	64.476	255.11	16,448.35	0.04%	4.06%	0.00%	1.99%	0.00%
Eaton Corp PLC	ETN	387.900	375.92	145,819.37		1.17%			
Entergy Corp	ETR	452.990	107.11	48,519.74	0.13%	2.39%	0.00%	11.15%	0.01%
Evergy Inc	EVRG	229.746	83.66	19,220.55	0.05%	3.32%	0.00%	5.91%	0.00%
Edwards Lifesciences Corp	EW	580.800	86.47	50,221.78	0.14%			12.45%	0.02%
Exelon Corp	EXC	1009.536	49.05	49,517.72	0.13%	3.43%	0.00%	5.92%	0.01%
Expand Energy Corp	EXE	240.398	107.92	25,943.78		2.13%		58.23%	
Expeditors International of Washington Inc	EXPD	133.504	145.03	19,362.04	0.05%	1.06%	0.00%	8.97%	0.00%
Expedia Group Inc	EXPE	117.011	215.69	25,238.19		0.89%		21.20%	
Extra Space Storage Inc	EXR	211.138	151.03	31,888.12	0.09%	4.29%	0.00%	2.03%	0.00%
Ford Motor Co	F	3918.623	14.09	55,213.40		4.26%			
Diamondback Energy Inc	FANG	282.079	174.08	49,104.31		2.41%		-5.23%	
Fastenal Co	FAST	1148.329	46.04	52,869.04	0.14%	2.09%	0.00%	11.48%	0.02%
Freeport-McMoRan Inc	FCX	1437.202	68.08	97,844.69		0.88%		27.40%	
FactSet Research Systems Inc	FDS	37.099	216.81	8,043.49	0.02%	2.03%	0.00%	4.86%	0.00%
FedEx Corp	FDX	235.123	387	90,992.53	0.25%	1.50%	0.00%	11.09%	0.03%
FirstEnergy Corp	FE	577.126	51.16	29,525.78	0.08%	3.64%	0.00%	7.29%	0.01%
F5 Inc	FFIV	56.519	271.36	15,337.07	0.04%			2.91%	0.00%
Fair Isaac Corp	FICO	23.722	1409.36	33,433.02				31.35%	
Fidelity National Information Services Inc	FIS	514.404	50.96	26,214.01		3.45%			
Fiserv Inc	FISV	534.778	62.29	33,311.29					
Fifth Third Bancorp	FITB	899.700	49.47	44,508.17		3.23%			
Comfort Systems USA Inc	FIX	35.175	1429.37	50,278.05		0.20%		24.00%	
Fox Corp	FOX	224.702	51.73	11,623.85	0.03%	1.08%	0.00%	1.58%	0.00%
Fox Corp	FOXA	200.694	56.34	11,307.09	0.03%	0.99%	0.00%	1.58%	0.00%
Federal Realty Investment Trust	FRT	86.276	108.77	9,384.24	0.03%	4.16%	0.00%	4.66%	0.00%
First Solar Inc	FSLR	107.311	197.2	21,161.73				37.78%	
Fortinet Inc	FTNT	739.924	79.03	58,476.16					
Fortive Corp	FTV	307.859	59.2	18,225.26		0.41%			
General Dynamics Corp	GD	270.390	357.05	96,542.66	0.26%	1.68%	0.00%	10.51%	0.03%
GoDaddy Inc	GDDY	133.354	87.16	11,623.15					
General Electric Co	GE	1048.814	342.26	358,966.95	0.97%	0.55%	0.01%	15.18%	0.15%
GE HealthCare Technologies Inc	GEHC	455.750	84.27	38,406.03	0.10%	0.17%	0.00%	10.18%	0.01%
Gen Digital Inc	GEN	605.664	22.57	13,669.83	0.04%	2.22%	0.00%	13.08%	0.00%
GE Vernova Inc	GEV	269.529	873.6	235,460.94		0.23%		67.22%	
Gilead Sciences Inc	GILD	1241.421	148.95	184,909.59	0.50%	2.20%	0.01%	7.32%	0.04%
General Mills Inc	GIS	533.582	45.23	24,133.92		5.39%		-6.42%	
Globe Life Inc	GL	78.637	145.26	11,422.83		0.91%			
Corning Inc	GLW	857.948	150.38	129,018.24		0.74%		26.81%	
General Motors Co	GM	903.968	78.71	71,151.31		0.91%			
Generac Holdings Inc	GNRC	58.676	225.37	13,223.77					
Alphabet Inc	GOOG	5438.000	311.43	1,693,556.34	4.58%	0.27%	0.01%	10.11%	0.46%
Alphabet Inc	GOOGL	5822.000	311.76	1,815,066.72	4.90%	0.27%	0.01%	10.11%	0.50%
Genuine Parts Co	GPC	139.122	119.26	16,591.70		3.56%			
Global Payments Inc	GPN	279.901	76.46	21,401.26		1.31%			
Garmin Ltd	GRMN	192.481	252.83	48,664.93	0.13%	1.66%	0.00%	8.88%	0.01%
Goldman Sachs Group Inc/The	GS	296.753	855.07	253,744.52	0.69%	2.11%	0.01%	14.78%	0.10%
WW Grainger Inc	GWW	47.373	1144.73	54,229.32	0.15%	0.79%	0.00%	8.76%	0.01%
Halliburton Co	HAL	837.548	36	30,151.74	0.08%	1.89%	0.00%	7.42%	0.01%
Hasbro Inc	HAS	140.686	99.59	14,010.89	0.04%	2.81%	0.00%	10.25%	0.00%
Huntington Bancshares Inc/OH	HBAN	2030.000	16.8	34,104.00		3.69%			
HCA Healthcare Inc	HCA	223.622	529.7	118,452.68	0.32%	0.59%	0.00%	8.56%	0.03%
Home Depot Inc/The	HD	995.511	380.72	379,011.13	1.02%	2.45%	0.03%	6.09%	0.06%
Hartford Insurance Group Inc/The	HIG	275.863	140.2301	38,684.33		1.71%			
Huntington Ingalls Industries Inc	HII	39.243	444.52	17,444.16	0.05%	1.24%	0.00%	17.55%	0.01%
Hilton Worldwide Holdings Inc	HLT	229.292	311.78	71,488.54	0.19%	0.19%	0.00%	12.94%	0.02%
Hologic Inc	HOLX	223.245	75.36	16,823.74	0.05%			9.00%	0.00%
Honeywell International Inc	HON	635.676	243.59	154,844.24	0.42%	1.95%	0.01%	7.71%	0.03%
Robinhood Markets Inc	HOOD	790.055	75.85	59,925.65	0.16%			17.60%	0.03%
Hewlett Packard Enterprise Co	HPE	1328.808	21.47	28,529.52	0.08%	2.65%	0.00%	18.64%	0.01%
HP Inc	HPQ	914.550	18.99	17,367.31	0.05%	6.32%	0.00%	1.27%	0.00%
Hormel Foods Corp	HRL	550.284	25.6	14,087.28	0.04%	4.57%	0.00%	6.61%	0.00%
Henry Schein Inc	HSIC	114.704	82.39	9,450.47	0.03%			7.01%	0.00%
Host Hotels & Resorts Inc	HST	687.802	19.59	13,474.04		4.08%		-1.83%	
Hershey Co/The	HSY	148.077	236.28	34,987.74	0.09%	2.46%	0.00%	16.20%	0.02%
Hubbell Inc	HUBB	53.162	511.63	27,199.07		1.11%			
Humana Inc	HUM	120.596	190.54	22,978.36	0.06%	1.86%	0.00%	14.94%	0.01%
Howmet Aerospace Inc	HWM	400.940	262.53	105,258.79		0.18%		20.01%	
Interactive Brokers Group Inc	IBKR	445.439	71.19	31,710.84	0.09%	0.45%	0.00%	15.21%	0.01%
International Business Machines Corp	IBM	938.034	240.21	225,325.24	0.61%	2.80%	0.02%	6.14%	0.04%
Intercontinental Exchange Inc	ICE	567.897	164.13	93,208.85	0.25%	1.27%	0.00%	16.14%	0.04%
IDEXX Laboratories Inc	IDXX	79.624	656.73	52,291.49	0.14%			11.32%	0.02%
IDEX Corp	IEX	74.348	209.47	15,573.64		1.36%			
International Flavors & Fragrances Inc	IFF	255.477	82.23	21,007.91	0.06%	1.95%	0.00%	9.82%	0.01%
Incyte Corp	INCY	199.014	101.27	20,154.20				25.00%	
Intel Corp	INTC	4995.000	45.61	227,821.95				27.92%	
Intuit Inc	INTU	276.550	409.03	113,117.25	0.31%	1.17%	0.00%	14.47%	0.04%
Invitation Homes Inc	INVH	609.386	26.34	16,051.23	0.04%	4.56%	0.00%	3.54%	0.00%
International Paper Co	IP	529.469	43.55	23,058.39		4.25%			
IQVIA Holdings Inc	IQV	169.700	178.81	30,344.06	0.08%			7.90%	0.01%
Ingersoll Rand Inc	IR	391.618	94.14	36,866.92		0.08%			
Iron Mountain Inc	IRM	295.835	108.33	32,047.83		3.19%			
Intuitive Surgical Inc	ISRG	355.130	503.51	178,811.63	0.48%			12.37%	0.06%
Gartner Inc	IT	70.450	157.2	11,074.79	0.03%			7.46%	0.00%
Illinois Tool Works Inc	ITW	288.200	290.63	83,759.57	0.23%	2.22%	0.01%	8.83%	0.02%
Invesco Ltd	IVZ	443.674	26.26	11,650.87	0.03%	3.20%	0.00%	19.45%	0.01%
Jacobs Solutions Inc	J	117.447	137.86	16,191.20	0.04%	1.04%	0.00%	13.57%	0.01%
JB Hunt Transport Services Inc	JBHT	94.604	233.41	22,081.54	0.06%	0.77%	0.00%	16.39%	0.01%

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Jabil Inc	JBL	105.595	264.99	27,981.69	0.08%	0.12%	0.00%	14.77%	0.01%
Johnson Controls International plc	JCI	612.066	144.3	88,321.15	0.24%	1.11%	0.00%	18.90%	0.05%
Jack Henry & Associates Inc	JKHY	72.167	162.46	11,724.31		1.50%			
Johnson & Johnson	JNJ	2409.899	248.43	598,691.19	1.62%	2.09%	0.03%	8.86%	0.14%
JPMorgan Chase & Co	JPM	2697.032	300.3	809,918.82	2.19%	2.00%	0.04%	11.12%	0.24%
Keurig Dr Pepper Inc	KDP	1358.666	30.28	41,140.41	0.11%	3.04%	0.00%	8.93%	0.01%
KeyCorp	KEY	1089.647	20.5367	22,377.76	0.06%	3.99%	0.00%	18.71%	0.01%
Keysight Technologies Inc	KEYS	171.800	307.33	52,799.29	0.14%			17.45%	0.02%
Kraft Heinz Co/The	KHC	1183.745	24.61	29,131.96		6.50%		-6.02%	
Kimco Realty Corp	KIM	679.499	23.55	16,002.19	0.04%	4.42%	0.00%	3.32%	0.00%
KKR & Co Inc	KKR	891.551	87.68	78,171.18		0.84%			
KLA Corp	KLAC	131.077	1524.55	199,832.85	0.54%	0.50%	0.00%	13.99%	0.08%
Kimberly-Clark Corp	KMB	331.922	111.44	36,989.43	0.10%	4.59%	0.00%	4.12%	0.00%
Kinder Morgan Inc	KMI	2224.806	33.27	74,019.31		3.52%			
Coca-Cola Co/The	KO	4300.723	81.56	350,766.97	0.95%	2.60%	0.02%	7.24%	0.07%
Kroger Co/The	KR	632.849	68.24	43,185.63	0.12%	2.05%	0.00%	6.90%	0.01%
Kenvue Inc	KVUE	1916.732	19.12	36,647.92	0.10%	4.34%	0.00%	13.12%	0.01%
Loews Corp	L	206.053	110.02	22,669.94		0.23%			
Leidos Holdings Inc	LDOS	126.393	175.1	22,131.36	0.06%	0.98%	0.00%	11.62%	0.01%
Lennar Corp	LEN	216.508	114.36	24,759.89	0.07%	1.75%	0.00%	12.35%	0.01%
Labcorp Holdings Inc	LH	82.400	289.12	23,823.49	0.06%	1.00%	0.00%	7.23%	0.00%
L3Harris Technologies Inc	LHX	186.776	364.54	68,087.42	0.18%	1.37%	0.00%	13.72%	0.03%
Lennox International Inc	LII	34.803	569.94	19,835.57		0.91%			
Linde PLC	LIN	463.394	508.08	235,441.30	0.64%	1.26%	0.01%	9.05%	0.06%
Eli Lilly & Co	LLY	943.357	1051.99	992,402.57	2.68%	0.66%	0.02%	14.00%	0.38%
Lockheed Martin Corp	LMT	230.080	654.63	150,617.43		2.11%		20.87%	
Alliant Energy Corp	LNT	257.141	72.34	18,601.57	0.05%	2.96%	0.00%	6.78%	0.00%
Lowe's Cos Inc	LOW	561.000	264.57	148,423.77	0.40%	1.81%	0.01%	3.65%	0.01%
Lam Research Corp	LRCX	1248.771	233.89	292,075.05		0.44%		21.18%	
Lululemon Athletica Inc	LULU	112.190	185.17	20,774.23				-0.73%	
Southwest Airlines Co	LUV	491.318	49.26	24,202.32		1.46%		82.46%	
Las Vegas Sands Corp	LVS	671.911	56.72	38,110.78	0.10%	2.12%	0.00%	10.21%	0.01%
Lamb Weston Holdings Inc	LW	138.880	48.19	6,692.62		3.15%		-6.94%	
LyondellBasell Industries NV	LYB	322.170	56.83	18,308.92		4.86%		48.35%	
Live Nation Entertainment Inc	LYV	234.802	162.14	38,070.78					
Mastercard Inc	MA	885.216	517.21	457,842.77		0.67%			
Mid-America Apartment Communities Inc	MAA	116.901	133.86	15,648.37	0.04%	4.57%	0.00%	0.61%	0.00%
Marriott International Inc/MD	MAR	264.985	341.73	90,553.17	0.24%	0.78%	0.00%	11.09%	0.03%
Masco Corp	MAS	203.607	71.62	14,582.34	0.04%	1.79%	0.00%	6.72%	0.00%
McDonald's Corp	MCD	710.399	339.165	240,942.35	0.65%	2.19%	0.01%	9.05%	0.06%
Microchip Technology Inc	MCHP	541.135	74.64	40,390.35		2.44%		34.96%	
McKesson Corp	MCK	122.487	986.55	120,840.00	0.33%	0.33%	0.00%	14.56%	0.05%
Moody's Corp	MCO	177.300	476.5598	84,494.05	0.23%	0.86%	0.00%	12.16%	0.03%
Mondelez International Inc	MDLZ	1281.846	61.58	78,936.06	0.21%	3.25%	0.01%	7.72%	0.02%
Medtronic PLC	MDT	1283.885	97.66	125,384.21	0.34%	2.91%	0.01%	7.53%	0.03%
MetLife Inc	MET	652.054	72.07	46,993.52	0.13%	3.15%	0.00%	12.62%	0.02%
Meta Platforms Inc	META	2187.178	648.18	1,417,684.87	3.83%	0.32%	0.01%	17.07%	0.65%
MGM Resorts International	MGM	255.829	36.86	9,429.84					
McCormick & Co Inc/MD	MKC	253.591	71.04	18,015.07	0.05%	2.70%	0.00%	5.27%	0.00%
Martin Marietta Materials Inc	MLM	60.312	675.74	40,755.26		0.49%		-7.47%	
3M Co	MMM	526.700	165.32	87,074.04	0.24%	1.89%	0.00%	6.70%	0.02%
Monster Beverage Corp	MNST	978.271	85.3	83,446.49	0.23%			11.57%	0.03%
Altria Group Inc	MO	1671.898	69.04	115,427.84	0.31%	6.14%	0.02%	2.81%	0.01%
Molina Healthcare Inc	MOH	51.500	154.05	7,933.58	0.02%			19.43%	0.00%
Mosaic Co/The	MOS	317.505	27.84	8,839.35	0.02%	3.16%	0.00%	10.89%	0.00%
Marathon Petroleum Corp	MPC	294.740	198.21	58,420.45		2.02%			
Monolithic Power Systems Inc	MPWR	49.118	1142.74	56,129.10		0.70%			
Merck & Co Inc	MRK	2472.392	123.82	306,131.58		2.75%			
Moderna Inc	MRNA	394.939	53.57	21,156.90				24.62%	
Marsh & McLennan Cos Inc	MRSH	484.124	186.74	90,405.36		1.93%			
Morgan Stanley	MS	1587.860	166.51	264,394.60	0.71%	2.40%	0.02%	9.41%	0.07%
MSCI Inc	MSCI	73.474	571.83	42,014.66	0.11%	1.43%	0.00%	13.40%	0.02%
Microsoft Corp	MSFT	7425.629	392.74	2,916,341.56		0.93%			
Motorola Solutions Inc	MSI	165.659	482.26	79,890.67	0.22%	1.00%	0.00%	8.80%	0.02%
M&T Bank Corp	MTB	149.000	215.48	32,106.57	0.09%	2.78%	0.00%	11.47%	0.01%
Match Group Inc	MTCH	232.644	31.6	7,351.57	0.02%	2.53%	0.00%	16.50%	0.00%
Mettler-Toledo International Inc	MTD	20.325	1366.69	27,778.32	0.08%			10.25%	0.01%
Micron Technology Inc	MU	1125.509	412.37	464,126.25		0.11%		59.90%	
Norwegian Cruise Line Holdings Ltd	NCLH	455.257	24.79	11,285.83	0.03%			14.54%	0.00%
Nasdaq Inc	NDAQ	568.444	87.58	49,784.31	0.13%	1.23%	0.00%	16.20%	0.02%
Nordson Corp	NDSN	55.784	293.44	16,369.14		1.12%			
NextEra Energy Inc	NEE	2083.522	93.77	195,371.85	0.53%	2.66%	0.01%	7.70%	0.04%
Newmont Corp	NEM	1087.874	129.7374	141,137.97		0.80%		-2.37%	
Netflix Inc	NFLX	4222.162	96.24	406,340.89					
NiSource Inc	NI	478.533	47.3	22,634.62	0.06%	2.54%	0.00%	8.27%	0.01%
NIKE Inc	NKE	1191.496	61.77	73,598.69	0.20%	2.66%	0.01%	14.71%	0.03%
Northrop Grumman Corp	NOC	141.922	724.38	102,805.18	0.28%	1.28%	0.00%	7.20%	0.02%
ServiceNow Inc	NOW	1046.000	108.01	112,978.46					
NRG Energy Inc	NRG	214.678	178.96	38,418.69		1.06%			
Norfolk Southern Corp	NSC	224.572	314.74	70,681.80		1.72%			
NetApp Inc	NTAP	197.330	99.03	19,541.63	0.05%	2.10%	0.00%	4.98%	0.00%
Northern Trust Corp	NTRS	185.828	143.09	26,590.10	0.07%	2.24%	0.00%	10.50%	0.01%
Nucor Corp	NUE	227.775	176.88	40,288.77		1.27%		23.67%	
NVIDIA Corp	NVDA	24300.000	177.19	4,305,717.00		0.02%		42.55%	
NVR Inc	NVR	2.794	7517.79	21,002.90	0.06%			7.04%	0.00%
News Corp	NWS	185.152	26.78	4,958.38		0.75%			
News Corp	NWSA	370.226	24.29	8,992.78		0.82%			
NXP Semiconductors NV	NXPI	252.693	227.01	57,363.80	0.15%	1.79%	0.00%	14.09%	0.02%
Realty Income Corp	O	932.440	67	62,473.49	0.17%	4.84%	0.01%	3.82%	0.01%

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Old Dominion Freight Line Inc	ODFL	208.426	203.05	42,320.82		0.57%			
ONEOK Inc	OKE	629.784	82.77	52,127.19	0.14%	5.17%	0.01%	3.06%	0.00%
Omnicom Group Inc	OMC	310.336	85.29	26,468.59	0.07%	3.75%	0.00%	6.79%	0.00%
ON Semiconductor Corp	ON	394.021	66.48	26,194.48				24.64%	
Oracle Corp	ORCL	2873.130	145.4	417,753.10		1.38%		26.75%	
O'Reilly Automotive Inc	ORLY	838.487	93.88	78,717.16	0.21%			9.97%	0.02%
Otis Worldwide Corp	OTIS	388.721	92.56	35,979.99		1.82%			
Occidental Petroleum Corp	OXY	986.267	53.08	52,351.03		1.96%		-31.27%	
Palo Alto Networks Inc	PANW	816.000	148.92	121,518.72					
Paycom Software Inc	PAYC	54.275	125.83	6,829.44		1.19%			
Paychex Inc	PAYX	358.967	93.65	33,617.30		4.61%			
PACCAR Inc	PCAR	525.894	126.09	66,310.03		1.05%		21.56%	
PG&E Corp	PCG	2197.968	19	41,761.39	0.11%	1.05%	0.00%	12.55%	0.01%
Public Service Enterprise Group Inc	PEG	498.740	86.07	42,926.54	0.12%	3.11%	0.00%	7.54%	0.01%
PepsiCo Inc	PEP	1366.649	169.74	231,975.01	0.63%	3.35%	0.02%	5.84%	0.04%
Pfizer Inc	PFE	5686.267	27.65	157,225.29		6.22%			
Principal Financial Group Inc	PFG	216.835	95.42	20,690.41	0.06%	3.35%	0.00%	11.50%	0.01%
Procter & Gamble Co/The	PG	2324.001	167.2	388,572.92	1.05%	2.53%	0.03%	4.48%	0.05%
Progressive Corp/The	PGR	586.100	213.66	125,226.13	0.34%	0.19%	0.00%	1.40%	0.00%
Parker-Hannifin Corp	PH	126.217	1009.18	127,375.20	0.34%	0.71%	0.00%	10.02%	0.03%
PulteGroup Inc	PHM	192.328	137.2	26,387.39	0.07%	0.76%	0.00%	5.96%	0.00%
Packaging Corp of America	PKG	89.213	232.14	20,710.00	0.06%	2.15%	0.00%	11.62%	0.01%
Prologis Inc	PLD	926.175	142.57	132,044.77	0.36%	3.00%	0.01%	6.61%	0.02%
Palantir Technologies Inc	PLTR	2291.471	137.19	314,366.87				47.57%	
Philip Morris International Inc	PM	1556.680	186.83	290,834.45	0.79%	3.15%	0.02%	10.23%	0.08%
PNC Financial Services Group Inc/The	PNC	403.371	212.35	85,655.81	0.23%	3.20%	0.01%	13.05%	0.03%
Pentair PLC	PNR	163.236	99.19	16,191.35		1.09%			
Pinnacle West Capital Corp	PNW	120.905	100.3	12,126.81	0.03%	3.63%	0.00%	7.00%	0.00%
Insulet Corp	PODD	70.396	246.61	17,360.32				26.20%	
Pool Corp	POOL	36.788	227.18	8,357.46	0.02%	2.20%	0.00%	7.73%	0.00%
PPG Industries Inc	PPG	223.495	123.27	27,550.19	0.07%	2.30%	0.00%	8.75%	0.01%
PPL Corp	PPL	751.307	38.98	29,285.95	0.08%	2.92%	0.00%	8.40%	0.01%
Prudential Financial Inc	PRU	348.000	98.38	34,236.24		5.69%			
Public Storage	PSA	175.506	307.06	53,891.01	0.15%	3.91%	0.01%	2.92%	0.00%
Paramount Skydance Corp	PSKY	1080.241	13.51	14,594.06		1.48%			
Phillips 66	PSX	400.744	154.33	61,846.82		3.29%			
PTC Inc	PTC	118.996	156.59	18,633.60	0.05%			7.40%	0.00%
Quanta Services Inc	PWR	149.619	563.08	84,247.71	0.23%	0.08%	0.00%	18.42%	0.04%
PayPal Holdings Inc	PYPL	920.665	46.21	42,543.91	0.11%	1.21%	0.00%	13.23%	0.02%
Qnity Electronics Inc	Q	209.659	126.76	26,576.36		0.25%			
QUALCOMM Inc	QCOM	1067.000	142.36	151,898.12	0.41%	2.50%	0.01%	2.35%	0.01%
Royal Caribbean Cruises Ltd	RCL	270.528	310.96	84,123.48	0.23%	1.93%	0.00%	13.63%	0.03%
Regency Centers Corp	REG	182.907	79	14,449.62	0.04%	3.82%	0.00%	4.80%	0.00%
Regeneron Pharmaceuticals Inc	REGN	103.903	781.67	81,217.59	0.22%	0.48%	0.00%	12.00%	0.03%
Regions Financial Corp	RF	863.507	27.565	23,802.56	0.06%	3.85%	0.00%	8.79%	0.01%
Raymond James Financial Inc	RJF	197.091	153.08	30,170.70	0.08%	1.41%	0.00%	14.18%	0.01%
Ralph Lauren Corp	RL	38.655	362.6	14,016.35	0.04%	1.01%	0.00%	18.14%	0.01%
ResMed Inc	RMD	145.678	256.26	37,331.55	0.10%	0.94%	0.00%	9.44%	0.01%
Rockwell Automation Inc	ROK	112.358	407.45	45,780.23	0.12%	1.35%	0.00%	14.96%	0.02%
Rollins Inc	ROL	481.092	60.89	29,293.71	0.08%	1.20%	0.00%	13.09%	0.01%
Roper Technologies Inc	ROP	102.928	349.73	35,996.84		1.04%			
Ross Stores Inc	ROST	323.445	205.64	66,513.22	0.18%	0.79%	0.00%	7.04%	0.01%
Republic Services Inc	RSG	308.805	229	70,716.34	0.19%	1.09%	0.00%	7.99%	0.02%
RTX Corp	RTX	1342.288	202.62	271,974.33	0.73%	1.34%	0.01%	10.12%	0.07%
Revvity Inc	RVTY	111.799	98.31	10,991.00	0.03%	0.28%	0.00%	8.71%	0.00%
SBA Communications Corp	SBAC	105.789	201.16	21,280.43		2.49%		-5.46%	
Starbucks Corp	SBUX	1139.300	98.02	111,674.19	0.30%	2.53%	0.01%	16.75%	0.05%
Charles Schwab Corp/The	SCHW	1752.210	95.2	166,810.43	0.45%	1.34%	0.01%	15.22%	0.07%
Sherwin-Williams Co/The	SHW	247.775	361.79	89,642.43	0.24%	0.88%	0.00%	10.95%	0.03%
J M Smucker Co/The	SJM	106.648	115.95	12,365.87	0.03%	3.79%	0.00%	2.51%	0.00%
SLB Ltd	SLB	1501.133	51.34	77,068.18	0.21%	2.30%	0.00%	5.03%	0.01%
Super Micro Computer Inc	SMCI	598.989	32.39	19,401.27				28.11%	
Snap-on Inc	SNA	51.913	385.22	19,997.97	0.05%	2.53%	0.00%	4.59%	0.00%
Sandisk Corp/DE	SNDK	153.388	635.36	97,456.84					
Synopsys Inc	SNPS	191.562	414	79,306.68	0.21%			14.46%	0.03%
Southern Co/The	SO	1100.194	97.38	107,136.85	0.29%	3.04%	0.01%	7.18%	0.02%
Solventum Corp	SOLV	173.493	74.2	12,873.18	0.03%			9.40%	0.00%
Simon Property Group Inc	SPG	324.945	203.85	66,240.09	0.18%	4.32%	0.01%	1.62%	0.00%
S&P Global Inc	SPGI	306.000	441.88	135,215.28	0.37%	0.88%	0.00%	12.28%	0.04%
Sempra	SRE	652.682	96.27	62,833.65	0.17%	2.73%	0.00%	6.99%	0.01%
STERIS PLC	STE	98.075	252.35	24,749.23		1.00%			
Steel Dynamics Inc	STLD	144.882	193.13	27,981.14		1.10%		27.32%	
State Street Corp	STT	278.728	128.62	35,850.02	0.10%	2.61%	0.00%	9.85%	0.01%
Seagate Technology Holdings PLC	STX	218.073	407.84	88,938.92		0.73%		38.04%	
Constellation Brands Inc	STZ	173.385	157.86	27,370.50		2.58%		-1.97%	
Smurfit Westrock PLC	SW	524.254	47.01	24,645.17		3.85%		65.65%	
Stanley Black & Decker Inc	SWK	155.079	86.49	13,412.82		3.84%			
Skyworks Solutions Inc	SWKS	150.374	59.58	8,959.26		4.77%		-4.65%	
Synchrony Financial	SYF	347.596	69.11	24,022.38	0.06%	1.74%	0.00%	8.79%	0.01%
Stryker Corp	SYK	382.689	387.46	148,276.56	0.40%	0.91%	0.00%	10.60%	0.04%
Sysco Corp	SYY	478.931	91.16	43,659.32		2.37%			
AT&T Inc	T	7000.577	28.01	196,086.17	0.53%	3.96%	0.02%	10.62%	0.06%
Molson Coors Beverage Co	TAP	175.593	48.99	8,602.28		3.92%		-4.36%	
TransDigm Group Inc	TDG	56.474	1302.79	73,573.19	0.20%			12.68%	0.03%
Teledyne Technologies Inc	TDY	46.305	681.1	31,538.55	0.09%			8.48%	0.01%
Bio-Techne Corp	TECH	156.453	59	9,230.74	0.02%	0.54%	0.00%	10.00%	0.00%
TE Connectivity PLC	TEL	293.434	230.15	67,533.90	0.18%	1.23%	0.00%	13.90%	0.03%
Teradyne Inc	TER	156.556	320.03	50,102.60		0.16%		34.29%	
Truist Financial Corp	TFC	1249.168	49.31	61,596.49	0.17%	4.22%	0.01%	13.18%	0.02%

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Target Corp	TGT	452.806	113.79	51,524.84		4.01%		-1.57%	
TJX Cos Inc/The	TJX	1110.467	161.66	179,518.11	0.49%	1.05%	0.01%	8.25%	0.04%
TKO Group Holdings Inc	TKO	77.966	223.87	17,454.32		1.39%		80.03%	
Thermo Fisher Scientific Inc	TMO	371.484	521.11	193,584.15	0.52%	0.36%	0.00%	7.12%	0.04%
T-Mobile US Inc	TMUS	1101.863	217.09	239,203.38		1.88%			
Texas Pacific Land Corp	TPL	68.942	523.69	36,104.00		0.46%			
Tapestry Inc	TPR	202.464	155.47	31,477.11	0.09%	1.03%	0.00%	13.83%	0.01%
Targa Resources Corp	TRGP	214.952	235.8	50,685.63		2.12%		23.24%	
Trimble Inc	TRMB	233.929	66.87	15,642.86					
T Rowe Price Group Inc	TROW	218.073	94.63	20,636.24	0.06%	5.50%	0.00%	2.38%	0.00%
Travelers Cos Inc/The	TRV	216.238	308.64	66,739.67		1.43%		-1.90%	
Tractor Supply Co	TSCO	526.351	51.84	27,286.05	0.07%	1.85%	0.00%	8.35%	0.01%
Tesla Inc	TSLA	3752.432	402.51	1,510,391.40					
Tyson Foods Inc	TSN	282.070	64.99	18,331.73	0.05%	3.14%	0.00%	11.69%	0.01%
Trane Technologies PLC	TT	221.332	462.32	102,326.17	0.28%	0.91%	0.00%	12.53%	0.03%
Trade Desk Inc/The	TTD	432.868	23.82	10,310.93	0.03%			15.40%	0.00%
Take-Two Interactive Software Inc	TTWO	185.175	211.48	39,160.91				62.23%	
Texas Instruments Inc	TXN	907.551	212.11	192,500.59	0.52%	2.68%	0.01%	14.12%	0.07%
Textron Inc	TXT	174.162	98.65	17,181.12	0.05%	0.08%	0.00%	10.14%	0.00%
Tyler Technologies Inc	TYL	42.985	354.69	15,246.47					
United Airlines Holdings Inc	UAL	327.704	106.3	34,834.92	0.09%			16.94%	0.02%
Uber Technologies Inc	UBER	2058.116	75.42	155,223.11	0.42%			3.27%	0.01%
UDR Inc	UDR	328.572	37.5	12,321.45	0.03%	4.59%	0.00%	1.17%	0.00%
Universal Health Services Inc	UHS	53.838	205.9001	11,085.22	0.03%	0.39%	0.00%	6.82%	0.00%
Ulta Beauty Inc	ULTA	44.362	684.79	30,378.77	0.08%			6.85%	0.01%
UnitedHealth Group Inc	UNH	905.839	293.27	265,655.29	0.72%	3.01%	0.02%	11.94%	0.09%
Union Pacific Corp	UNP	593.391	264.98	157,236.87	0.42%	2.08%	0.01%	8.21%	0.03%
United Parcel Service Inc	UPS	743.856	115.96	86,257.52	0.23%	5.66%	0.01%	9.01%	0.02%
United Rentals Inc	URI	62.998	840	52,918.45	0.14%	0.94%	0.00%	14.54%	0.02%
US Bancorp	USB	1553.696	54.66	84,925.01	0.23%	3.81%	0.01%	11.13%	0.03%
Visa Inc	V	1681.094	320.14	538,185.41	1.45%	0.84%	0.01%	13.86%	0.20%
VICI Properties Inc	VICI	1068.737	30.21	32,286.55	0.09%	5.96%	0.01%	4.11%	0.00%
Valero Energy Corp	VLO	299.026	204.64	61,192.73		2.35%			
Veralto Corp	VLTO	247.843	97.43	24,147.38		0.53%			
Vulcan Materials Co	VMC	130.580	310	40,479.92	0.11%	0.67%	0.00%	15.26%	0.02%
Verisk Analytics Inc	VRSK	137.942	207.57	28,632.60	0.08%	0.96%	0.00%	11.03%	0.01%
VeriSign Inc	VRSN	91.700	227.94	20,902.10		1.42%			
Vertex Pharmaceuticals Inc	VRTX	254.034	496.83	126,211.81					
Vistra Corp	VST	336.954	173.89	58,592.98	0.16%	0.52%	0.00%	18.89%	0.03%
Ventas Inc	VTR	474.965	86.16	40,923.00	0.11%	2.41%	0.00%	10.72%	0.01%
Viatris Inc	VTRS	1151.393	14.93	17,190.30	0.05%	3.22%	0.00%	3.66%	0.00%
Verizon Communications Inc	VZ	4217.684	50.14	211,474.68		5.64%			
Westinghouse Air Brake Technologies Corp	WAB	170.517	263.95	45,008.01	0.12%	0.47%	0.00%	12.73%	0.02%
Waters Corp	WAT	98.102	319.38	31,331.78	0.08%			11.70%	0.01%
Warner Bros Discovery Inc	WBD	2479.930	28.17	69,859.61					
Workday Inc	WDAY	213.000	133.76	28,490.88					
Western Digital Corp	WDC	339.038	279.7	94,828.91		0.18%		51.11%	
WEC Energy Group Inc	WEC	325.531	116.96	38,074.15	0.10%	3.26%	0.00%	7.05%	0.01%
Welltower Inc	WELL	697.753	207.12	144,518.50	0.39%	1.43%	0.01%	18.58%	0.07%
Wells Fargo & Co	WFC	3085.636	81.45	251,325.02	0.68%	2.21%	0.02%	13.66%	0.09%
Waste Management Inc	WM	403.336	240.84	97,139.39	0.26%	1.37%	0.00%	9.48%	0.02%
Williams Cos Inc/The	WMB	1221.563	74.72	91,275.20		2.81%		24.06%	
Walmart Inc	WMT	7970.167	127.95	1,019,782.86	2.76%	0.77%	0.02%	10.27%	0.28%
W R Berkley Corp	WRB	374.491	71.7	26,850.99	0.07%	0.50%	0.00%	5.24%	0.00%
Williams-Sonoma Inc	WSM	119.381	205.65	24,550.64	0.07%	1.28%	0.00%	4.68%	0.00%
West Pharmaceutical Services Inc	WST	72.021	254.34	18,317.95	0.05%	0.35%	0.00%	11.11%	0.01%
Willis Towers Watson PLC	WTW	94.546	305.17	28,852.57		1.26%			
Weyerhaeuser Co	WY	720.665	24.53	17,677.91		3.42%			
Wynn Resorts Ltd	WYNN	103.974	108.19	11,249.00		0.92%			
Xcel Energy Inc	XEL	623.877	83.36	52,006.37	0.14%	2.84%	0.00%	8.88%	0.01%
Exxon Mobil Corp	XOM	4166.763	152.5	635,431.43		2.70%			
Xylem Inc/NY	XYL	243.141	129.56	31,501.40		1.33%			
Block Inc	XYZ	539.103	63.7	34,340.86				29.74%	
Yum! Brands Inc	YUM	276.430	168.16	46,484.49	0.13%	1.78%	0.00%	8.99%	0.01%
Zimmer Biomet Holdings Inc	ZBH	195.652	98.44	19,259.98	0.05%	0.98%	0.00%	5.83%	0.00%
Zebra Technologies Corp	ZBRA	49.192	223.96	11,016.97					
Zoetis Inc	ZTS	422.128	131.1	55,340.94	0.15%	1.62%	0.00%	9.00%	0.01%

Notes:

[1] Equals sum of Col. [9]
[2] Equals sum of Col. [11]
[3] Equals ([1] x (1 + (0.5 x [2]))) + [2]
[4] Bloomberg Professional as of February 28, 2026
[5] Bloomberg Professional as of February 28, 2026
[6] Equals [4] x [5]
[7] Equals weight in S&P 500 based on market capitalization [6] if Growth Rate >0% and ≤20%
[8] Bloomberg Professional, as of February 28, 2026
[9] Equals [7] x [8]
[10] Value Line, as of February 28, 2026
[11] Equals [7] x [10]

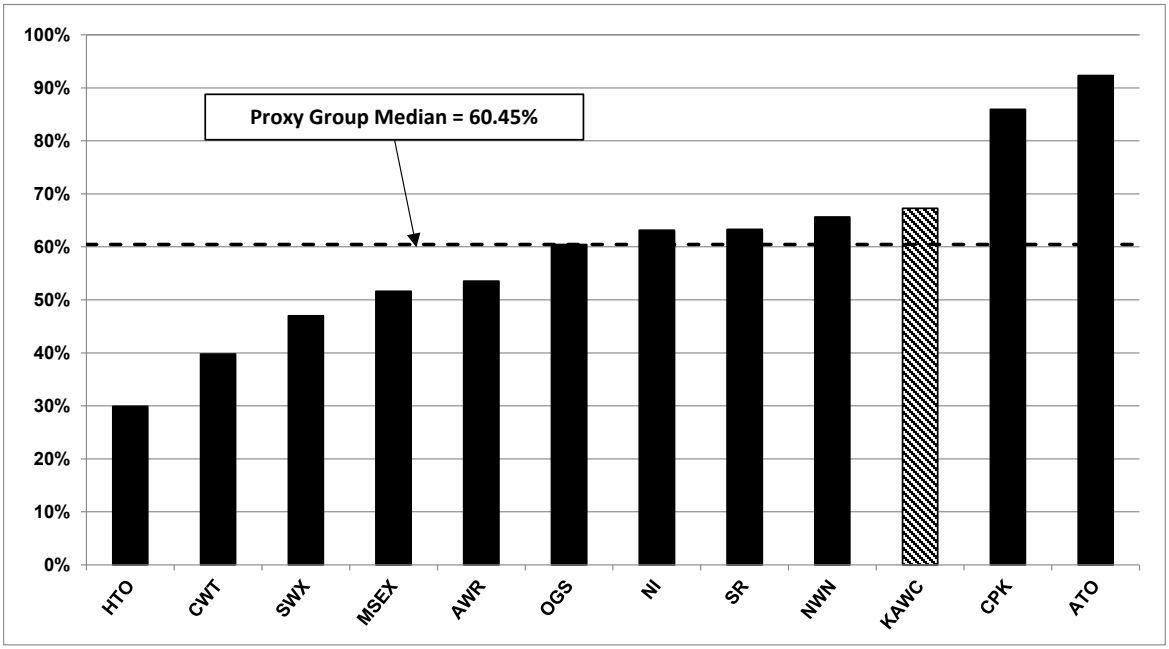
PROJECTED CAPITAL EXPENDITURES AS A PERCENT OF NET PLANT
($ Millions)

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
		2025	2026	2027	2028	2029	2030	2026-2030 Projected Cap. Ex. / 2025 Net Plant
Atmos Energy Corporation	ATO							
Capital Spending per Share			$23.75	$21.93	$20.10	$20.10	$20.10	
Common Shares Outstanding			180.00	190.00	200.00	200.00	200.00	
Capital Expenditures			$4,275.0	$4,165.8	$4,020.0	$4,020.0	$4,020.0	92.3%
Net Plant		$22,204.0						
Chesapeake Utilities Corporation	CPK							
Capital Spending per Share			$19.15	$18.70	$18.25	$18.25	$18.25	
Common Shares Outstanding			24.00	25.00	26.00	26.00	26.00	
Capital Expenditures			$459.6	$467.5	$474.5	$474.5	$474.5	85.9%
Net Plant		$2,735.9						
NiSource Inc.	NI							
Capital Spending per Share			$6.00	$6.13	$6.25	$6.25	$6.25	
Common Shares Outstanding			510.00	517.50	525.00	525.00	525.00	
Capital Expenditures			$3,060.0	$3,169.7	$3,281.3	$3,281.3	$3,281.3	63.1%
Net Plant		$25,454.0						
Northwest Natural Gas Company	NWN							
Capital Spending per Share			$10.00	$10.15	$10.30	$10.30	$10.30	
Common Shares Outstanding			46.00	48.00	50.00	50.00	50.00	
Capital Expenditures			$460.0	$487.2	$515.0	$515.0	$515.0	65.6%
Net Plant		$3,798.0						
ONE Gas, Inc.	OGS							
Capital Spending per Share			$11.75	$11.38	$11.00	$11.00	$11.00	
Common Shares Outstanding			64.00	69.50	75.00	75.00	75.00	
Capital Expenditures			$752.0	$790.6	$825.0	$825.0	$825.0	60.5%
Net Plant		$6,645.9						
Southwest Gas Corporation	SWX							
Capital Spending per Share			$10.15	$10.03	$9.90	$9.90	$9.90	
Common Shares Outstanding			75.00	76.00	77.00	77.00	77.00	
Capital Expenditures			$761.3	$761.9	$762.3	$762.3	$762.3	47.0%
Net Plant		$8,109.1						
Spire, Inc.	SR							
Capital Spending per Share			$12.30	$13.25	$11.80	$11.80	$11.80	
Common Shares Outstanding			65.00	62.00	$75.00	75.00	75.00	
Capital Expenditures			$799.5	$821.5	$885.0	$885.0	$885.0	63.3%
Net Plant		$6,756.5						
American States Water Company	AWR							
Capital Spending per Share			$6.05	$5.78	$5.50	$5.50	$5.50	
Common Shares Outstanding			39.00	39.50	40.00	40.00	40.00	
Capital Expenditures			$236.0	$228.1	$220.0	$220.0	$220.0	53.5%
Net Plant		$2,099.6						
California Water Service Group	CWT							
Capital Spending per Share			$6.50	$6.48	$6.45	$6.45	$6.45	
Common Shares Outstanding			53.00	51.50	50.00	50.00	50.00	
Capital Expenditures			$344.5	$333.5	$322.5	$322.5	$322.5	39.8%
Net Plant		$4,134.6						
Middlesex Water Company	MSEX							
Capital Spending per Share			$5.65	$5.83	$6.00	$6.00	$6.00	
Common Shares Outstanding			18.50	18.63	18.75	18.75	18.75	
Capital Expenditures			$104.5	$108.5	$112.5	$112.5	$112.5	51.6%
Net Plant		$1,067.1						
H20 America (SJW Group)	HTO							
Capital Spending per Share			$8.75	$8.75	$8.75	$8.75	$8.75	
Common Shares Outstanding			32.00	31.00	30.00	30.00	30.00	
Capital Expenditures			$280.0	$271.3	$262.5	$262.5	$262.5	29.9%
Net Plant		$4,473.5						
Kentucky American Water	KAWC							
Capital Expenditures [8]			$101.09	$108.44	$111.89	$122.06	$131.83	67.3%
Net Plant [9]		$855.3						

[10]	KAWC CapEx Total (2026-2030)	$575.30
[11]	KAWC CapEx Annual Average	$115.06
[12]	Proxy Group Median	60.45%
[13]	KAWC as % Proxy Group Median	111.27%

Notes:
[1] - [6] Value Line, dated January 2, 2026 and February 20, 2026
[7] Equals (Column [2] + [3] + [4] + [5] + [6]) / Column [1]
[8] Company Provided Data
[9] Company provided data
[10] Equals Column [2] + [3] + [4] + [5] + [6] for KAWC
[11] Equals average of Column [2] + [3] + [4] + [5] + [6] for KAWC
[12] Equals median of [7] for each proxy group company
[13] Equals Column [7] for KAWC / [12]

PROJECTED CAPITAL EXPENDITURES AS A PERCENT OF NET PLANT



Projected CAPEX / Net Plant

Rank	Company		Percent
1	H20 America (SJW Group)	HTO	29.93%
2	California Water Service Group	CWT	39.80%
3	Southwest Gas Corporation	SWX	46.98%
4	Middlesex Water Company	MSEX	51.59%
5	American States Water Company	AWR	53.54%
6	ONE Gas, Inc.	OGS	60.45%
7	NiSource Inc.	NI	63.15%
8	Spire, Inc.	SR	63.29%
9	Northwest Natural Gas Company	NWN	65.62%
10	Kentucky American Water	KAWC	67.27%
11	Chesapeake Utilities Corporation	CPK	85.92%
12	Atmos Energy Corporation	ATO	92.33%

Proxy Group Median	60.45%
Kentucky American Water as % of Median	111.27%

Notes:
Exhibit AEB-7, pp. 1 col. [7]

COMPARISON OF KAWC AND PROXY GROUP COMPANIES
COST RECOVERY MECHANISMS

Company	Ticker	State	Utility Type	Infrastructure Cost Recovery Mechanism	Citation	Future Test Year	Revenue Stabilization or Decoupling	Citations
American States Water Co								Infrastructure Cost Recovery: 2024 10-K, p. 91-92, and p. 94
	AWR	California	Water	No		Fully Forecast	Full	Revenue Stabilization: 2024 10-K, p. 50 and p. 95
	AWR	California	Electric	No		Fully Forecast	Full	Test Year: S&P Cap IQ Pro, Commission Profiles; 2024 10-K p. 61
Atmos Energy Corporation								
	ATO	Colorado	Gas	Yes		Historical	No	Infrastructure Cost Recovery: 2024 10-K, p. 8
	ATO	Kansas	Gas	Yes		Historical	Partial	Revenue Stabilization: 2024 10-K, p. 8-10, S&P Global Market Intelligence, Adjustment clauses:
	ATO	Kentucky	Gas	Yes		Fully Forecast	Partial	a state-by-state overview, dated 9/22/2025
	ATO	Louisiana	Gas	Yes		Historical	FRP	
	ATO	Mississippi	Gas	Yes		Historical	FRP	Test Year: S&P Cap IQ Pro, Rate Case History
	ATO	Tennessee	Gas	Yes		Historical	FRP	
	ATO	Texas	Gas	Yes		Historical	FRP	
	ATO	Virginia	Gas	Yes		Historical	Partial	
Chesapeake Utilities Corporation								
	CPK	Delaware	Gas	Yes		Historical	No	Infrastructure Cost Recovery and Revenue Stabalization: 2024 10-K, p. 8
	CPK	Maryland	Gas	No		Partially Forecast	Partial	Test Year: S&P Cap IQ Pro, Rate Case History
	CPK	Florida	Electric	Yes		Fully Forecast	No	
	CPK	Florida	Gas	Yes		Fully Forecast	No	
California Water Service Group								
	CWT	California	Water	Yes		Fully Forecast	Full	Infrastructure Cost Recovery and Revenue Stabilization or Decoupling: 2024 10-K, p.9
	CWT	Hawaii	Water	No		Fully Forecast	No	(California Water); Company Tariffs (HI, WA, NM)
	CWT	New Mexico	Water	No		Fully Forecast	No	Test Year: S&P Cap IQ Pro, Commission Profiles
	CWT	Washington	Water	Yes		Historical	No	
Middlesex Water Company								
	MSEX	New Jersey	Water	Yes		Partially Forecast	No	Infrastructure Cost Recovery/Revenue Decoupling: 2024 10-K p. 26; Tariffs (NJ, DE)
	MSEX	Delaware	Water	Yes		Historical	No	Test Year: S&P Cap IQ Pro, Rate Case History
	MSEX	Pennsylvania	Water	No		Fully Forecast	No	
NiSource Inc.								
	NI	Indiana	Electric	Yes		Fully Forecast	Partial	
	NI	Indiana	Gas	Yes		Fully Forecast	Partial	Infrastructure Cost Recovery and Revenue Stabilization: S&P Global Market Intelligence,
	NI	Kentucky	Gas	Yes		Fully Forecast	Partial	Adjustment clauses: a state-by-state overview, dated 9/22/2025
	NI	Maryland	Gas	Yes		Partially Forecast	Partial	Test Year: S&P Cap IQ Pro, Rate Case History
	NI	Ohio	Gas	Yes		Partially Forecast	SFV	
	NI	Pennsylvania	Gas	Yes		Fully Forecast	Partial	
	NI	Virginia	Gas	Yes		Fully Forecast	Partial	
Northwest Natural Gas Company								Infrastructure Cost Recovery and Revenue Stabilization: S&P Global Market Intelligence,
	NWN	Oregon	Gas	Yes		Fully Forecast	Partial	Adjustment clauses: a state-by-state overview, dated 9/22/2025
	NWN	Washington	Gas	No		Historical	No	Test Year: S&P Cap IQ Pro, Rate Case History
ONE Gas, Inc.								
	OGS	Kansas	Gas	Yes		Historical	Partial	Infrastructure Cost Recovery and Revenue Stabilization: S&P Global Market Intelligence,
	OGS	Oklahoma	Gas	No		Historical	FRP	Adjustment clauses: a state-by-state overview, dated 9/22/2025; S&P Capital IQ Pro,
	OGS	Texas	Gas	Yes		Historical	FRP	Test Year: S&P Cap IQ Pro, Rate Case History
H2O America (SJW Group)				exhbit				
	H2O	California	Water	Yes		Fully Forecast	Full	Infrastructure Cost Recovery: 2024 10-K, p. 5-8 for CA, p. 7-8 for CT, p.8 for TX (SIC), p. 8-9
	H2O	Connecticut	Water	Yes		Fully Forecast	Full	for ME
	H2O	Maine	Water	Yes		Historical	No	Revenue Stabilization: 2024 10-K, p. 62-64
	H2O	Texas	Water	No		Historical	No	Test Year: S&P Cap IQ Pro, Rate Case History and Commission Profiles
Southwest Gas Corporation								
	SWX	Arizona	Gas	Yes		Historical	Full	Infrastructure Cost Recovery and Revenue Stabilization: S&P Global Market Intelligence,
	SWX	California	Gas	No		Fully Forecast	Full	Adjustment clauses: a state-by-state overview, dated 9/22/2025
	SWX	Nevada	Gas	Yes		Historical	Full	Test Year: S&P Cap IQ Pro, Rate Case History
Spire, Inc.								
	SR	Alabama (AL)	Gas	Yes		Fully Forecast	FRP	Infrastructure Cost Recovery and Revenue Stabilization or Decoupling: S&P Global Market
	SR	Alabama (Gulf)	Gas	Yes		Fully Forecast	FRP	Intelligence, Adjustment clauses: a state-by-state overview, dated 9/22/2025; 10-K 2024 p. 112-114.
	SR	Mississippi	Gas	No		Historical	FRP	Test Year: S&P Cap IQ Pro, Rate Case History; 10-K 2024 p. 112-114.
	SR	Missouri	Gas	Yes		Partially Forecast	Partial	

Proxy Group Totals				Yes	33	Historical	19	Full 8
				No	11	Fully Forecast	20	Partial 13
						Partially Forecast	5	FRP 9
								SFV 1
								No 13
			Infrastructure Cost Recovery Mechanism		75.00%	Future Test Year	56.82%	RSM 70.45%
Kentucky American Water		Kentucky	Water		Proposed		Fully Forecast	No Company provided data.

CAPITAL STRUCTURE ANALYSIS

COMMON EQUITY RATIO [1]

Proxy Group Company	Ticker	2024	2023	2022	3-yr Avg.
American States Water Company	AWR	52.33%	50.32%	54.16%	52.27%
Atmos Energy Corporation	ATO	60.26%	60.20%	60.01%	60.16%
California Water Service Group	CWT	49.91%	50.28%	50.00%	50.06%
Chesapeake Utilities Corporation	CPK	48.37%	47.35%	50.94%	48.89%
Middlesex Water Company	MSEX	59.49%	56.62%	57.46%	57.86%
NiSource Inc.	NI	54.78%	55.39%	54.17%	54.78%
Northwest Natural Gas Company	NWN	47.19%	46.96%	47.72%	47.29%
ONE Gas, Inc.	OGS	58.96%	60.41%	58.24%	59.21%
H2O America	HTO	51.88%	51.49%	50.24%	51.21%
Southwest Gas Corporation	SWX	48.13%	47.45%	42.33%	45.97%
Spire Inc.	SR	48.23%	46.19%	47.22%	47.22%
Proxy Group					
MEAN		52.69%	52.06%	52.05%	52.26%
LOW		47.19%	46.19%	42.33%	45.97%
HIGH		60.26%	60.41%	60.01%	60.16%

COMMON EQUITY RATIO - UTILITY OPERATING COMPANIES

Company Name	Ticker	2024	2023	2022	3-yr Avg.
Golden State Water / Bear Valley	AWR	52.33%	50.32%	54.16%	52.27%
Atmos Energy Corporation	ATO	60.26%	60.20%	60.01%	60.16%
California Water Service	CWT	49.80%	49.94%	49.51%	49.75%
New Mexico Water Service Water Division	CWT	59.23%	59.90%	63.85%	60.99%
New Mexico Water Service Sewer Division	CWT	58.01%	62.32%	63.61%	61.31%
Washington Water Service	CWT	51.15%	56.97%	60.27%	56.13%
Hawaii Water Service Kaanapali Division	CWT	42.70%	49.38%	49.85%	47.31%
Hawaii Water Service Pukalani Division	CWT	68.89%	67.08%	65.87%	67.28%
Chesapeake Utilities Corporation	CPK	48.37%	47.35%	50.94%	48.89%
Middlesex Water Company	MSEX	59.81%	56.91%	57.50%	58.08%
Pinelands Water	MSEX	39.02%	36.86%	52.71%	42.86%
Pinelands WW	MSEX	41.56%	39.89%	55.29%	45.58%
Northern Indiana Public Service Company LLC	NI	58.01%	59.14%	56.92%	58.02%
Columbia Gas of Kentucky, Inc.	NI	51.44%	53.66%	54.91%	53.34%
Columbia Gas of Maryland, Inc.	NI	52.00%	52.00%	51.96%	51.99%
Columbia Gas of Ohio, Inc.	NI	50.27%	50.50%	50.67%	50.48%
Columbia Gas of Pennsylvania, Inc.	NI	56.07%	55.88%	56.64%	56.20%
Columbia Gas of Virginia, Inc.	NI	44.58%	45.25%	44.25%	44.69%
Northwest Natural Gas Company	NWN	47.19%	46.96%	47.72%	47.29%
Kansas Gas Service Company, Inc.	OGS	59.53%	60.44%	58.37%	59.45%
Oklahoma Natural Gas Company	OGS	59.23%	60.46%	58.26%	59.32%
Texas Gas Service Company, Inc.	OGS	58.22%	60.35%	58.13%	58.90%
San Jose Water	HTO	50.12%	49.64%	48.74%	49.50%
CT Water	HTO	54.49%	53.99%	52.92%	53.80%
Maine Water Co.	HTO	51.99%	52.77%	48.91%	51.22%
Southwest Gas Corporation	SWX	48.13%	47.45%	42.33%	45.97%
Spire Alabama Inc.	SR	54.29%	51.50%	52.01%	52.60%
Spire Gulf Inc.	SR	47.39%	44.44%	41.35%	44.39%
Spire Mississippi Inc.	SR	39.50%	36.88%	38.02%	38.14%
Spire Missouri Inc.	SR	45.91%	44.11%	45.49%	45.17%

Notes:

[1] Ratios are weighted by actual common capital, preferred equity, long-term debt and short-term debt of Operating Subsidiaries.

[2] Natural Gas, Electric and Water operating subsidiaries where data was unable to be obtained for 2024, 2023, and 2022 were removed from the analysis.

CAPITAL STRUCTURE ANALYSIS

LONG-TERM DEBT RATIO [1]

Proxy Group Company	Ticker	2024	2023	2022	3-yr Avg.
American States Water Company	AWR	39.56%	38.91%	34.94%	37.80%
Atmos Energy Corporation	ATO	39.74%	39.80%	39.99%	39.84%
California Water Service Group	CWT	44.15%	44.46%	48.28%	45.63%
Chesapeake Utilities Corporation	CPK	44.79%	45.81%	36.69%	42.43%
Middlesex Water Company	MSEX	37.26%	37.85%	35.79%	36.96%
NiSource Inc.	NI	45.03%	44.51%	45.83%	45.12%
Northwest Natural Gas Company	NWN	47.94%	52.40%	45.46%	48.60%
ONE Gas, Inc.	OGS	26.58%	25.06%	41.76%	31.13%
H2O America	HTO	47.16%	42.78%	43.14%	44.36%
Southwest Gas Corporation	SWX	51.87%	52.55%	53.97%	52.80%
Spire Inc.	SR	42.52%	42.51%	39.45%	41.49%
Proxy Group					
MEAN		42.42%	42.42%	42.30%	42.38%
LOW		26.58%	25.06%	34.94%	31.13%
HIGH		51.87%	52.55%	53.97%	52.80%

LONG-TERM DEBT RATIO - UTILITY OPERATING COMPANIES

Company Name	Ticker	2024	2023	2022	3-yr Avg.
Golden State Water / Bear Valley	AWR	39.56%	38.91%	34.94%	37.80%
Atmos Energy Corporation	ATO	39.74%	39.80%	39.99%	39.84%
California Water Service	CWT	44.01%	44.58%	48.85%	45.81%
New Mexico Water Service Water Division	CWT	38.42%	37.97%	33.63%	36.67%
New Mexico Water Service Sewer Division	CWT	40.69%	36.26%	34.70%	37.21%
Washington Water Service	CWT	48.68%	42.43%	35.60%	42.24%
Hawaii Water Service Kaanapali Division	CWT	57.30%	50.62%	50.15%	52.69%
Hawaii Water Service Pukalani Division	CWT	31.11%	32.92%	34.13%	32.72%
Chesapeake Utilities Corporation	CPK	44.79%	45.81%	36.69%	42.43%
Middlesex Water Company	MSEX	36.88%	37.46%	36.24%	36.86%
Pinelands Water	MSEX	60.98%	63.14%	0.00%	41.37%
Pinelands WW	MSEX	58.44%	60.11%	0.00%	39.52%
Northern Indiana Public Service Company LLC	NI	41.60%	40.65%	43.08%	41.78%
Columbia Gas of Kentucky, Inc.	NI	48.56%	46.34%	45.09%	46.66%
Columbia Gas of Maryland, Inc.	NI	48.00%	48.00%	48.04%	48.01%
Columbia Gas of Ohio, Inc.	NI	49.73%	49.50%	49.33%	49.52%
Columbia Gas of Pennsylvania, Inc.	NI	43.93%	44.12%	43.36%	43.80%
Columbia Gas of Virginia, Inc.	NI	55.42%	54.75%	55.75%	55.31%
Northwest Natural Gas Company	NWN	47.94%	52.40%	45.46%	48.60%
Kansas Gas Service Company, Inc.	OGS	40.47%	39.56%	41.63%	40.55%
Oklahoma Natural Gas Company	OGS	40.77%	39.54%	41.74%	40.68%
Texas Gas Service Company, Inc.	OGS	0.00%	0.00%	41.87%	13.96%
San Jose Water	HTO	49.88%	45.52%	42.87%	46.09%
CT Water	HTO	45.38%	40.35%	43.98%	43.23%
Maine Water Co.	HTO	37.14%	35.59%	41.40%	38.04%
Southwest Gas Corporation	SWX	51.87%	52.55%	53.97%	52.80%
Spire Alabama Inc.	SR	42.94%	41.62%	33.01%	39.19%
Spire Gulf Inc.	SR	49.54%	51.30%	38.77%	46.54%
Spire Mississippi Inc.	SR	0.00%	0.00%	0.00%	0.00%
Spire Missouri Inc.	SR	42.51%	42.96%	42.91%	42.79%

Notes:

[1] Ratios are weighted by actual common capital, preferred equity, long-term debt and short-term debt of Operating Subsidiaries.

[2] Natural Gas, Electric and Water operating subsidiaries where data was unable to be obtained for 2024, 2023, and 2022 were removed from the analysis.

CAPITAL STRUCTURE ANALYSIS

PREFERRED EQUITY RATIO [1]

Proxy Group Company	Ticker	2024	2023	2022	3-yr Avg.
American States Water Company	AWR	0.00%	0.00%	0.00%	0.00%
Atmos Energy Corporation	ATO	0.00%	0.00%	0.00%	0.00%
California Water Service Group	CWT	0.00%	0.00%	0.00%	0.00%
Chesapeake Utilities Corporation	CPK	0.00%	0.00%	0.00%	0.00%
Middlesex Water Company	MSEX	0.22%	0.28%	0.30%	0.26%
NiSource Inc.	NI	0.00%	0.00%	0.00%	0.00%
Northwest Natural Gas Company	NWN	0.00%	0.00%	0.00%	0.00%
ONE Gas, Inc.	OGS	0.00%	0.00%	0.00%	0.00%
H2O America	HTO	0.00%	0.00%	0.00%	0.00%
Southwest Gas Corporation	SWX	0.00%	0.00%	0.00%	0.00%
Spire Inc.	SR	0.00%	0.00%	0.00%	0.00%
Proxy Group					
MEAN		0.02%	0.03%	0.03%	0.02%
LOW		0.00%	0.00%	0.00%	0.00%
HIGH		0.22%	0.28%	0.30%	0.26%

PREFERRED EQUITY RATIO - UTILITY OPERATING COMPANIES

Company Name	Ticker	2024	2023	2022	3-yr Avg.
Golden State Water / Bear Valley	AWR	0.00%	0.00%	0.00%	0.00%
Atmos Energy Corporation	ATO	0.00%	0.00%	0.00%	0.00%
California Water Service	CWT	0.00%	0.00%	0.00%	0.00%
New Mexico Water Service Water Division	CWT	0.00%	0.00%	0.00%	0.00%
New Mexico Water Service Sewer Division	CWT	0.00%	0.00%	0.00%	0.00%
Washington Water Service	CWT	0.00%	0.00%	0.00%	0.00%
Hawaii Water Service Kaanapali Division	CWT	0.00%	0.00%	0.00%	0.00%
Hawaii Water Service Pukalani Division	CWT	0.00%	0.00%	0.00%	0.00%
Chesapeake Utilities Corporation	CPK	0.00%	0.00%	0.00%	0.00%
Middlesex Water Company	MSEX	0.22%	0.28%	0.30%	0.27%
Pinelands Water	MSEX	0.00%	0.00%	0.00%	0.00%
Pinelands WW	MSEX	0.00%	0.00%	0.00%	0.00%
Northern Indiana Public Service Company LLC	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Kentucky, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Maryland, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Ohio, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Pennsylvania, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Virginia, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Northwest Natural Gas Company	NWN	0.00%	0.00%	0.00%	0.00%
Kansas Gas Service Company, Inc.	OGS	0.00%	0.00%	0.00%	0.00%
Oklahoma Natural Gas Company	OGS	0.00%	0.00%	0.00%	0.00%
Texas Gas Service Company, Inc.	OGS	0.00%	0.00%	0.00%	0.00%
San Jose Water	HTO	0.00%	0.00%	0.00%	0.00%
CT Water	HTO	0.00%	0.00%	0.00%	0.00%
Maine Water Co.	HTO	0.00%	0.00%	0.00%	0.00%
Southwest Gas Corporation	SWX	0.00%	0.00%	0.00%	0.00%
Spire Alabama Inc.	SR	0.00%	0.00%	0.00%	0.00%
Spire Gulf Inc.	SR	0.00%	0.00%	0.00%	0.00%
Spire Mississippi Inc.	SR	0.00%	0.00%	0.00%	0.00%
Spire Missouri Inc.	SR	0.00%	0.00%	0.00%	0.00%

Notes:
[1] Ratios are weighted by actual common capital, preferred equity, long-term debt and short-term debt of Operating Subsidiaries.
[2] Natural Gas, Electric and Water operating subsidiaries where data was unable to be obtained for 2024, 2023, and 2022 were removed from the analysis.

CAPITAL STRUCTURE ANALYSIS

SHORT-TERM DEBT RATIO [1]

Proxy Group Company	Ticker	2024	2023	2022	3-yr Avg.
American States Water Company	AWR	8.11%	10.77%	10.90%	9.93%
Atmos Energy Corporation	ATO	0.00%	0.00%	0.00%	0.00%
California Water Service Group	CWT	5.94%	5.27%	1.72%	4.31%
Chesapeake Utilities Corporation	CPK	6.84%	6.84%	12.37%	8.68%
Middlesex Water Company	MSEX	3.04%	5.26%	6.45%	4.92%
NiSource Inc.	NI	0.20%	0.10%	0.00%	0.10%
Northwest Natural Gas Company	NWN	4.87%	0.64%	6.82%	4.11%
ONE Gas, Inc.	OGS	14.46%	14.53%	0.00%	9.66%
H2O America	HTO	0.96%	5.72%	6.62%	4.43%
Southwest Gas Corporation	SWX	0.00%	0.00%	3.71%	1.24%
Spire Inc.	SR	9.24%	11.30%	13.32%	11.29%
Proxy Group					
MEAN		4.88%	5.49%	5.63%	5.33%
LOW		0.00%	0.00%	0.00%	0.00%
HIGH		14.46%	14.53%	13.32%	11.29%

SHORT-TERM DEBT RATIO - UTILITY OPERATING COMPANIES

Company Name	Ticker	2024	2023	2022	3-yr Avg.
Golden State Water / Bear Valley	AWR	8.11%	10.77%	10.90%	9.93%
Atmos Energy Corporation	ATO	0.00%	0.00%	0.00%	0.00%
California Water Service	CWT	6.19%	5.48%	1.64%	4.44%
New Mexico Water Service Water Division	CWT	2.34%	2.13%	2.52%	2.33%
New Mexico Water Service Sewer Division	CWT	1.30%	1.43%	1.69%	1.47%
Washington Water Service	CWT	0.16%	0.60%	4.13%	1.63%
Hawaii Water Service Kaanapali Division	CWT	0.00%	0.00%	0.00%	0.00%
Hawaii Water Service Pukalani Division	CWT	0.00%	0.00%	0.00%	0.00%
Chesapeake Utilities Corporation	CPK	6.84%	6.84%	12.37%	8.68%
Middlesex Water Company	MSEX	3.09%	5.35%	5.96%	4.80%
Pinelands Water	MSEX	0.00%	0.00%	47.29%	15.76%
Pinelands WW	MSEX	0.00%	0.00%	44.71%	14.90%
Northern Indiana Public Service Company LLC	NI	0.39%	0.21%	0.00%	0.20%
Columbia Gas of Kentucky, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Maryland, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Ohio, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Pennsylvania, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Columbia Gas of Virginia, Inc.	NI	0.00%	0.00%	0.00%	0.00%
Northwest Natural Gas Company	NWN	4.87%	0.64%	6.82%	4.11%
Kansas Gas Service Company, Inc.	OGS	0.00%	0.00%	0.00%	0.00%
Oklahoma Natural Gas Company	OGS	0.00%	0.00%	0.00%	0.00%
Texas Gas Service Company, Inc.	OGS	41.78%	39.65%	0.00%	27.14%
San Jose Water	HTO	0.00%	4.84%	8.40%	4.41%
CT Water	HTO	0.13%	5.67%	3.10%	2.97%
Maine Water Co.	HTO	10.87%	11.64%	9.70%	10.74%
Southwest Gas Corporation	SWX	0.00%	0.00%	3.71%	1.24%
Spire Alabama Inc.	SR	2.77%	6.88%	14.98%	8.21%
Spire Gulf Inc.	SR	3.06%	4.25%	19.88%	9.07%
Spire Mississippi Inc.	SR	60.50%	63.12%	61.98%	61.86%
Spire Missouri Inc.	SR	11.58%	12.93%	11.60%	12.04%

Notes:

[1] Ratios are weighted by actual common capital, preferred equity, long-term debt and short-term debt of Operating Subsidiaries.

[2] Natural Gas, Electric and Water operating subsidiaries where data was unable to be obtained for 2024, 2023, and 2022 were removed from the analysis.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF ROBERT BURTON

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert Burton and my business address is 2300 Richmond Rd, Lexington, KY 40502.

Q. **By whom are you employed and in what capacity?**

A. I am employed by Kentucky-American Water Company ("Kentucky-American," "KAWC" or "Company") as President.

Q. Please summarize your educational background and work experience.

A. From 1992 to 2010, I held various roles of increasing responsibility for water and wastewater utilities. I joined American Water Works Company, Inc. ("American Water") Military Services Group in 2010, and I previously served for four years as General Manager of that company's Fort Belvoir, VA and Fort Meade, MD water and wastewater systems. In 2014, I was promoted to Director of Military Operations for American Water's Military Services Group. In that role I oversaw the operations of the group's water and wastewater operations at 11 military bases. From 2015 through 2019, I served as Sr. Director of Operations for Pennsylvania-American Water Company. In that role I was responsible for providing reliable water and wastewater service to more than 865,000 people in the company's central, northeast, and southeast divisions, overseeing more than 50 water systems, 10 wastewater systems and over 500 employees working in over 200 municipalities. In 2019, I was promoted to President of West Virginia-American Water. In that role I was responsible for all aspects of the Company's business, including financial, operations (including production, distribution, customer service, engineering and capital investment planning), employee relations, environmental, and regulatory affairs. In

January 2025, I was named President of KAWC. I also am a member of the American Water Works Association, and the Water Environment Association.

Q. What are your current employment responsibilities?

A. As President of KAWC, I am responsible for all aspects of the Company's business—financial, operations, employee relations, environmental, and regulatory affairs. In this role, I am ultimately responsible for assuring that the Company delivers high-quality water and wastewater services to our customers. This responsibility includes taking care to see that all activities of the Company are carried out in compliance with local, state and federal laws and regulations, and standards of good business practice.

Q. Have you previously testified before the Kentucky Public Service Commission?

A. Yes. I have testified before the Kentucky Public Service Commission ("PSC" or Commission") in KAWC's last general rate case, Case No. 2025-00122.

Q. Please describe the purpose of your testimony.

A. There are several reasons why I am offering testimony in this case. First, I introduce the witnesses who are providing testimony in this proceeding on behalf of the Company. I also discuss the major drivers of the Company's requested rate relief, including the primary driver which is the significant capital investments that the Company has made and plans to make to the KAWC water system through December 31, 2027. I also discuss the value of service the Company provides while maintaining the affordability of rates for its customers, and the Company's ongoing efforts to improve water efficiency. Finally, I highlight the Company's community outreach efforts and corporate citizenship, which are emblematic of who we are as a company.

Q. Please describe the areas KAWC serves.

A. KAWC supplies water and/or wastewater services, and public and private fire service, to customers in Lexington and portions of Bourbon, Clark, Fayette, Franklin, Gallatin, Grant, Harrison, Jackson, Jessamine, Nicholas, Owen, Rockcastle, Scott and Woodford Counties. The Company is also proposing to include three acquisitions, Water Service Corporation of Kentucky, City of Livingston, and Black Mountain Utility District located in Bell and Hickman Counties, Rockcastle County, and Harlan County, respectively. Company witness William Lewis provides a map and more detailed description of KAWC's service territory in his direct testimony.

II. INTRODUCTION OF WITNESSES

Q. Please list KAWC's witnesses in this case and provide a brief summary of their testimony.

A. In addition to my direct testimony, the following witnesses provide testimony in support of the Company's request:

William A. Lewis: Provides testimony on KAWC's facilities and operations including descriptions of acquisitions, commitment to water quality and safety, improving water efficiency, the operational basis for a new public fire rate design proposal, and finally, certain O&M expenses, including staffing needs, employee compensation, and support services.

John Magner: Provides testimony on the Company's capital investment planning process, plant additions, certain risks and challenges for water utilities associated with increased regulation and climate variability,

		and describes the need and associated capital investment of the Company's proposed System Improvement Program ("SIP").
	John Watkins:	Provides testimony on the Company's development of the forecasted test year, the revenue requirement and the impact to the average residential customer's bill, the minimum standard filing requirements, rate base, acquisitions and related ratemaking, depreciation and amortization, and the Company's proposed capital structure.
	Robert Prendergast:	Provides testimony on all of the Operational and Maintenance ("O&M") expenses, including labor and labor related, production costs, and support services, among others.
	Linda Schlessman	Provides testimony relating to the Company's general taxes (other than income), income taxes and provide an update related to the Corporate Alternative Minimum tax since the Company's last general rate case.
	Jeffrey Newcomb:	Provides testimony relating to the System Improvement Program ("SIP"), the Company's proposed capital recovery mechanism.
	Charles Rea:	Provides testimony on the Company's revenues, declining use, rate design matters, inclusive of a proposal to modify public fire service treatment, class cost of service study, and the continued affordability of the Company's rates.

Ann E. Bulkley:	Provides testimony on her recommendation regarding rate of return on rate base and assessment of the reasonableness of KAWC's proposed capital structure.
Robert V. Mustich:	Provides testimony on the reasonableness of the Company's compensation program and benchmarks the Company's compensation expense against national and regional peer groups, including performance compensation and benefits.
Joseph Weiss:	Provides testimony on the reasonableness of Service Company costs.

III. REASONS FOR REQUESTED RATE RELIEF

Q. What rate relief is the Company is seeking in this case?

A. Kentucky-American is seeking a rate increase to produce additional annual revenues of approximately $17.68 million per year, which is a 10.88% increase over current water service revenues.

Q. Please discuss the drivers and timing behind KAWC's requested relief.

A. KAWC's customers rely on the Company to provide them with safe and reliable water service. We take very seriously our obligation to meet our customers' needs and expectations, but water service is not without increasing cost. It requires us to incur a substantial amount of O&M expense, as well as make ongoing, significant capital investments. This filing, however, is driven in significant part by the investments we are making to maintain and improve our infrastructure, which represent the single largest component of the total requested increase. Since KAWC received an order in its last

general rate case, Case No. 2025-00122, several factors have influenced the timing of the Company's request.

In KAWC's last rate case, the Commission terminated our then-existing Qualified Infrastructure Program ("QIP") surcharge, finding that the QIP no longer served its intended purpose of facilitating recovery for the approved capital expenditures while reducing the frequency of rate cases. With the Company's longstanding history of operation, in many cases our facilities and infrastructure are between 50 and 100 years old, which as explained by Mr. Magner, require substantial and constant capital investment to maintain. The Company's aging infrastructure, like every other water utility in the state, must be continuously replaced so that KAWC can continue to provide its customers with safe, adequate, and reliable utility service. Further, infrastructure investment and renewal is a continuous, year-after-year effort. Without a capital mechanism, we can only recover those costs when we file general rate cases. Again, as discussed by Mr. Magner, KAWC expects approximately $108.4 million of gross plant additions for the forecasted test year ending December 31, 2027, inclusive of acquisition rate base. With the investment needs in our system, we believe the System Improvement Program ("SIP"), further discussed by Mr. Newcomb and Mr. Magner, is a reasonable way to help manage the critical infrastructure improvements on an ongoing basis. As designed, SIP intends to moderate customer bill impacts over time by offering a supportive mechanism that promotes more gradual rate adjustments between rate cases; meaning customers experience smaller, more gradual increases than they would otherwise experience through a traditional rate case process, and further, can help lessen overall bill impacts over time.

Finally, KAWC has or will acquire water and wastewater systems that require investment to help ensure compliance with drinking water and wastewater standards, as well as stricter regulatory limits.[1]

Q. How does the acquisition of these systems align with KAWC's mission and regulatory obligation to provide safe and adequate service?

A. At a high level, our acquisitions have been driven by our mission and regulatory obligation to provide safe and reliable service. For example, in instances where smaller or resource-constrained systems are struggling to meet operational, staffing or regulatory demands, KAWC may be a solutions-provider for the community. By bringing these systems into KAWC's operations, customers benefit from the Company's experienced personnel, established operational practices, and access to capital—resulting in improved reliability, compliance, and long-term service stability. The City of Livingston had previously experienced difficulties with service interruptions, operational capacity limitations, or compliance challenges due to limited local resources. In this instance, KAWC will be able to leverage its workforce, operational best practices, and financial resources to address these issues and provide customers with more consistent and compliant service. Finally, acquisitions create benefits for both new and existing customers and support KAWC's mission to service as a long-term solution for communities in need.

Q. Are there any other factors contributing to the requested rate relief in this case?

A. Yes, there are, but none approaches the magnitude of our capital investment program as a driver to file this case. For example, KAWC is seeking cost recovery of moderately

[1] The proposals in this proceeding applies only to water utility plant. References to wastewater systems are intended solely to explain KAWC's acquisition activities and mission to ensure compliance with applicable regulatory standards, and do not reflect proposed recovery through this water rate case.

increasing O&M expenses, largely related to the acquisition labor and labor-related associated costs associated with additional headcount needed to operate the acquired systems, and production costs necessary to operate and maintain the systems, as further discussed by Mr. Lewis.

Additionally, the O&M requested in this case also reflects full recognition in rates of the total market-based compensation the Company pays its employees to attract and keep a highly-skilled and qualified work force. As witnesses Mr. Lewis and Mr. Mustich demonstrate, KAWC's total market-based employee compensation is a reasonable, prudently incurred expense designed to keep the organization focused on delivering safe, reliable, and affordable water and wastewater service while improving performance at all levels of the organization.

In addition to moderately increasing O&M expenses discussed above, the Company's cost of capital remains high, as Ms. Bulkley explains, as a result of elevated interest rates and broader capital market conditions. These elevated interest rates result in higher borrowing costs and higher required returns for equity investors.

Q. In addition to the capital and operating cost drivers discussed above, is the Company proposing any rate design changes in this case?

A. Yes. In this case, KAWC is proposing to refine the way costs associated with public fire protection is reflected in its rates. Specifically, KAWC is proposing to adjust its public fire rate to better reflects the direct costs associated with providing this service.

Q. Why does the Company believe that this change is appropriate?

A. KAWC's proposal better aligns recovery of public fire protection costs with actual costs incurred to provide and maintain fire hydrants. Because public fire relies on infrastructure

that is incorporated into the overall water system and provides public safety benefits across the communities we serve, the Company believes that it is reasonable to recover those costs through base rates. This approach reflects the shared nature of benefits and aligns KAWC more closely with other utilities across the Commonwealth. Company witnesses Lewis and Rea provide additional operational and rate design support for the proposal.

Q. Please elaborate on how KAWC has managed costs to keep rates affordable.

A. KAWC has managed its operations responsibly and effectively, and will continue to uphold its commitment to make the investments needed to continue to provide safe and reliable water service to our customers at reasonable rates. The benefits of our infrastructure investment are not only vital to the health and welfare of our customers and the state, but they improve our economy and provide much needed jobs because every $1 million we spend in capital is expected to create or sustain up to 15 jobs.[2] These investments include improving the resiliency of the Company's distribution system and treatment plants, treatment changes to maintain regulatory compliance, technology investments that will integrate with existing systems to enhance service to customers, and management of source of supply and system demands. As noted by Company witness Watkins, the Company's rate base will have grown by over $45 million between the Company's last rate case and December 31, 2027, which is primarily due to the capital improvements that the Company has made to its system. By doing so, the Company has or will create or sustain approximately 1,348 jobs[3] during that time period. It is KAWC's management initiatives,

[2] For every $1 million spent, 15.5 jobs are created (6.1 direct jobs and 9.4 indirect jobs). https://uswateralliance.org/wp-content/uploads/2023/09/Economic-Impact-of-Investing-in-Water-Infrastructure_VOW_FINAL_pages_0.pdf.

[3] The jobs calculation is based on the 15.5 jobs multiplied by $87 million (1,348 jobs).

as explained by Mr. Lewis, and our prudent capital investments, described by Mr. Magner, that have enabled us to work smarter and more efficiently, thereby promoting affordability. I discuss the importance of affordability further below.

IV. VALUE OF WATER AND AFFORDABILITY

Q. In general, why is KAWC's proposed rate request reasonable?

A. The proposed rate increase is reasonable and appropriate because, as I previously discussed, it is driven primarily by the need to make the investments necessary to keep our water service safe and reliable over the long-term. If such investment is not made, our customers will be adversely impacted in the long run as the costs to make these investments will increase even more. For example, when mains are not replaced in a timely fashion, or equipment is neglected, our costs rise. Moreover, unanticipated main breaks create water quality issues, unexpected expenses, and disruption to our communities. Similarly, equipment in need of replacement makes workers less efficient and can create safety issues.

Q. Has the Company evaluated the impact of the proposed rate increase on its customers?

A. Yes, we have. We know our water service is critical, and we know how important it is for that service to remain affordable. Despite the significant level of investment that the Company plans to make through the end of the forecasted test year, KAWC's water service will remain quite reasonable for our customers. The average residential water customer will pay less than 2 cents per gallon under proposed rates. The proposed rates, for the average residential water customer, equate to about $2.00 per day for all their water needs for drinking, cooking, cleaning and sanitation. The Company's rate case proposals, if

adopted, will result in customers benefitting from the Company's extensive capital investments while still paying reasonable rates.

Q. Has the Company performed an analysis of the affordability of its service under the proposed rates?

A. Yes. Company witness Rea has conducted a detailed analysis of the affordability of our historical and proposed rates and relates the median household income for customers in our service territory to our water bills over time. Even with the rate increases necessitated by our capital program, Mr. Rea's analysis demonstrates that our water service, overall, remains affordable under the Company's proposed rates. His testimony compares historical average monthly water bills to monthly household income for KAWC customers from 2016 through 2027, both in absolute terms and in terms of bill to income ("BTI") ratios. Mr. Rea also analyzes the Company's proposed bills in this case and estimated median household income ("MHI") for our residential customers during the forecasted test year. His analysis shows that BTI Ratios for the residential customer base have consistently been in the 0.58% to 0.66% of MHI range from 2023 to 2025 and are expected to be 0.70% under the Company's proposed rates in this case. This is a tangible demonstration that our customer bills will remain affordable even with the Company's requested rate increase.

Q. Can you elaborate on how Kentucky-American maintains the affordability of its water service?

A. Yes. As I noted previously, an important way that we maintain affordability is by continuously seeking to improve our business processes and make investments that improve operational efficiencies, and we have been successful in doing so. Further, as Mr. Lewis and Mr. Magner explain, we use targeted investments to permit us to work smarter

and more efficiently as well as leveraging the power of our organization to both share learning on best practices and purchase equipment and supplies at advantageous terms. All of these help us manage and contain cost increases.

Q. Notwithstanding the overall affordability of Kentucky-American's rates, are there customers who might face affordability issues?

A. Yes, some of our customers face challenging economic circumstances. Thus, Mr. Rea also examined the affordability of our rates for our more vulnerable customers. His assessment compares annualized bills for "basic water service" (i.e., service that is necessary and reasonable to meet basic household needs for drinking, cooking, sanitation, and general health service that does not include seasonal discretionary water use) to measures of household income for lower income groups. The Company estimates that there are less than 18,000 residential water customers in our service areas that will see bills for basic water service above 2% of their household income, or approximately 13% of the Company's residential water customer base. For financially vulnerable customers, the Company continues to offer various assistance programs, which I describe below.

Q. What customer assistance programs does the Company offer its more vulnerable customers to maintain the affordability of its service?

A. KAWC offers several targeted customer assistance programs to help our most vulnerable customers. KAWC supports community low-income customers through KAWC's Help to Others (H2O) program. The H2O program is an emergency bill-paying assistance program funded by KAWC and donations from customers who want to help other customers in need. Customers who qualify may receive grants of up to $250 annually toward their KAWC bill. This emergency assistance program is administered by Community Action

Council, an independent, non-profit organization. KAWC's residential customers also have the option of paying bills under the Company's budget billing plan, whereby the total service for the succeeding twelve-month period is estimated in advance, and bills are rendered monthly based on one-twelfth of the twelve-month estimate. In addition, the Company offers its customers flexible payment arrangements through installment agreements if they are financially unable to pay a water service bill when due. The length of a payment arrangement can vary, and there is no limit to the number of installment agreements available to our customers provided that prior installment agreements terms have been fully met.

V. IMPROVING WATER EFFICIENCY

Q. Please explain the concept of water efficiency.

A. Water efficiency means using improved practices and technologies to deliver water service more efficiently. Water efficiency efforts include supply-side practices, such as more accurate and timely meter reading, leak detection, main replacement and repair programs, as well as demand-side strategies, such as public education programs to encourage the wise use of water. Improving water efficiency reduces operating costs (e.g., pumping and treatment) and reduces the need to spend capital developing new supplies and expanding our water infrastructure. It also reduces withdrawals from limited freshwater supplies, leaving more water for future use and improving the ambient water quality and aquatic habitat.

Q. How is the concept of improving water efficiency relevant to this case?

A. Improving water efficiency is a common thread throughout the entire fabric of this case. At its core, this case is about investments we are making to better serve our customers.

Striving for increased water efficiency is evident in our infrastructure investments, such as the main and service replacements that help us provide a better, more reliable system. Our water efficiency efforts are demonstrated by investments in new technologies, and by improved business processes that help us work smarter and more efficiently and, by extension, contribute to our cost control efforts. As discussed by Mr. Lewis, in addition to leveraging technology to improve water efficiency, the Company also focuses on other efforts, such as its water loss control program. As discussed by Mr. Magner, the investments we are making to better serve our customers are primarily in non-revenue producing investments, such as replacing aging infrastructure, enhancing reliability and resiliency, and water efficiency investments. For example, as explained in Mr. Magner's testimony, KAWC is undertaking a coordinated set of projects at its Kentucky River Station facilities ("KRS I" and "KRS II") focused on replacing critical raw water intake, pumping, and electrical systems that have reached the end of their useful lives. These investments, including replacement of low service pump equipment, electrical feeders, traveling screens, and supporting electrical infrastructure, are designed to reduce the risk of plant outages and maintain reliable treatment capacity for customers.

Where feasible, the Company is strategically bundling related work to reduce mobilization costs and improve overall project efficiency. As we plan our investments, however, we know how important it is to balance the need for system improvements with what our customers pay for water service. Consequently, the Company continually strives to find more efficient and cost-effective ways to operate and maintain its business. For example, as Mr. Magner explains, the Company looks for value engineering opportunities when it plans projects to maximize their cost effectiveness. In this vein, the Company

evaluates opportunities to coordinate construction activities with other utilities to reduce avoidable costs related to restoration. As explained by Mr. Magner, where feasible, the Company coordinates construction sequencing or restoration activities with other utilities to help minimize repeated pavement cuts and associated restoration expenses, improving overall project efficiency while maintaining required restoration standards, and creating cost efficiencies.

Q. You also mention the Company's water loss control program. How do the Company's efforts to reduce water loss contribute to improving water efficiency?

A. As explained by Mr. Lewis, the Company has implemented various practices and processes to help reduce water loss, including pressure management, accelerated infrastructure replacement, active leak detection, rapid response to breaks, fire service and water loss audits, and large meter testing and profiling. Water loss can be classified into two categories: (1) real loss which is water that escapes the distribution system from leaks or storage overflows; and (2) apparent loss due to meter inaccuracies, billing system data errors, and unauthorized consumption. The Company is tackling them both to help mitigate increases in operating costs associated with treating, pumping and delivering water to customers, as well as maintain the reliability and resiliency of the system. One example of this would be the Company's recent closing on the City of Livingston system, and replacing the water meters, which have a planned completion date of June 15, 2026.

Q. How do KAWC's recent acquisitions align with its commitment to water loss reduction and efficient system operations?

A. As discussed above, KAWC's acquisitions have been driven by our mission to provide safe, reliable service and to be a solutions provider to communities with troubled water

systems. In some cases, acquired systems may require infrastructure investment to curb problems such as elevated water loss, which as discussed by Mr. Lewis, takes time to mitigate.

By bringing these systems into KAWC's operations, the Company is able to apply consistent water efficiency principles, plan for and invest in the long-term system needs, and provide operational best practices to address inherited challenges while improving system performance over time.

Q. Does KAWC gain efficiencies from its affiliation with American Water?

A. Yes. Our affiliation with the American Water family of companies allows us to leverage the support, expertise, purchasing power and financial strength of the larger organization. For example, the American Water Works Service Company, Inc. ("Service Company") provides a wide spectrum of necessary, cost-effective, value-added services that enable KAWC to fulfill its responsibilities in a more cost-effective manner. These services include water quality testing at the state-of-the-art American Water Laboratory, as well as customer service, human resources, supply chain, legal, corporate finance, environmental, safety, engineering, communications, and information technology systems. By providing services on a shared basis at cost, the Service Company allows KAWC to provide its customers these necessary support services and expertise more cost-effectively than the Company could on its own. Company witness Mr. Joseph Weiss demonstrates that the services that KAWC obtains from the Service Company are cost effective and reasonable in amount. In addition, American Water Capital Corp. ("AWCC") provides the Company with access to short-term loans, long-term borrowings, and cash management services at very competitive rates; rates that KAWC

would not be able to obtain on its own due to our relatively small size. Mr. John Watkins discusses the benefits that AWCC provides the Company.

VI. COMMUNITY OUTREACH

Q. Please describe Kentucky-American's commitment to the communities it serves.

A. We enjoy a number of positive relationships in the communities we serve, including with the Lexington-Fayette Urban County Government, the city of Owenton in Owen County, and the cities of Millersburg and North Middletown in Bourbon County, in areas such as education, economic development, environmental protection, fire safety and assistance for low-income families. The Company takes its commitment to the communities we have the privilege of serving very seriously. As such, we are community partners for numerous local initiatives and events. For example, in 2025 KAWC sponsored for the 40th year the Kentucky American Water Science Fair coordinated by Fayette County Public Schools, a district-level event attracting hundreds of elementary, middle and high school students from public, private, and home schools for a day of competition and fun, hands-on educational exhibits showcasing how the lessons students learn in their science classrooms applies to real life.

The Company also provides support for Reforest the Bluegrass, an annual riparian reforestation event in Fayette County during which hundreds of volunteers plant thousands of tree seedlings near an urban stream. Likewise, the Company has an ongoing partnership with the Lexington Division of Police and local Drug Enforcement Agency officials in offering two drug take-back days each year at the Company's Richmond Road location designed to assist citizens in keeping expired and no-longer-needed medications out of the wrong hands and out of waterways. The Company also sponsors or contributes to a number

of initiatives that enhance our communities. For example, KAWC provides grants to local firefighting organizations to fund critical needs, such as additional hoses, communication equipment, and training. Since its inception in 2011, KAWC has contributed $109,500 to professional and volunteer fire and rescue organizations. With respect to having pride in our service area, KAWC assists with the operational expenses for the fountains at Triangle Park, which are a landmark in the City of Lexington, as well as for Gatton Park on the Town Branch, also in Lexington. The company also supports a number of community festivals and events, such as Sweet Owen Days in Owen County, Christmas at Mustard Seed Hill in Millersburg, Founders' Day at McConnell Springs and Lights over Lykins 4th of July Festival in Winchester. KAWC also provides its H2O to Go station, a portable trailer equipped with water dispensers which provides refreshing tap water at races, walks, festivals and other large outside events, and the company's mascot, Puddles the Duck, participates in events, as feasible, too. Our commitment to the areas we serve is not confined to monetary shareholder contributions.

KAWC has adopted a portion of Richmond Road near its offices in Lexington through the "Adopt-a-Highway" program sponsored by the Kentucky Transportation Cabinet. Many of our employees donate their time by performing trash pick-ups through this program to provide a clean environment and instill civic pride. Similarly, KAWC annually engages in a United Way campaign in which our employees support local charitable and non-profit organizations, and annually in September, employees participate in Americans in Action community service efforts such as volunteering time at local animal shelters and serving meals to the homeless, and helping with the gardens at shelters for victims of domestic violence.

Q. What are some of the specific activities Kentucky-American Water has partnered in?

A. Being a good neighbor is part of our mission at Kentucky-American. Many KAWC leadership team members give back to the community by serving on a number of boards and committees for civic and charitable causes, such as the American Red Cross; Bluegrass GreenSource; Commerce Lexington; Friends of McConnell Springs; the Junior League of Lexington; Kentucky Chamber of Commerce; the Lexington Children's Museum; The Nest-Center for Women, Children and Families; and the Urban League of Lexington. We work with a number of community-based partners throughout our service areas to improve the overall quality of life where our employees and neighbors live and work.

In addition, KAWC highlights to nonprofit organizations in its service area the grant programs offered by the American Water Charitable Foundation (AWCF) so that they can apply for funds, if interested and eligible. Among the organizations, programs and projects to have received AWCF grant funds since 2023 are: Community Ventures for a new splashpad being constructed in Millersburg's town square; American Red Cross for storm and flood relief efforts; the Urban League of Lexington; the University of Kentucky/LFUCG Arboretum for a Wolf Run Watershed Educational Boardwalk; the Living Arts and Science Center; Ronald McDonald House; FoodChain for aquaponics education; Paris-Bourbon County YMCA; Meeting the Needs in Owenton; Lexington Public Library Foundation; Children's Advocacy Center of the Bluegrass; Scott County Humane Society and more.

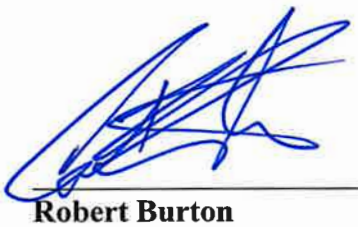
Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, Robert Burton, being duly sworn, deposes and says that he is the President of Kentucky-American Water Company, that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



Robert Burton

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6th day of May, 2026.

Molly McCleese Van Over
Notary Public

My Commission Expires:
July 31, 2029

Notary ID: KYNP26988

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF WILLIAM A. LEWIS

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is William A. Lewis. My business address is 2300 Richmond Road, Lexington Kentucky 40502.

Q. By whom are you employed and in what capacity?

A. I am employed by Kentucky-American Water Company ("KAWC," "Kentucky-American" or "Company") as the Vice President of Operations.

Q. Have you previously filed testimony before this Commission?

A. Yes, I testified before the Kentucky Public Service Commission ("Commission") on behalf of Kentucky-American in the metering practices investigation case (Case No. 2022-00299), and the Company's last two rate cases (Case No. 2023-00191 & Case No. 2025-00122).

Q. Please state your educational and professional background and state whether you are a member of any professional organizations.

A. I received a Bachelor of Science degree in Education from Miami University, Oxford, Ohio. I began my career in 1996 as a Department of Public Works Utility Worker for the City of Loveland, Ohio. In 2001, I went to work for the Jefferson Regional Water Authority in Miamisburg, Ohio as the Superintendent/General Manager, where I was responsible for managing the water utility and reported directly to the Board of Trustees. In 2006, I was hired by American Water, Military Services Group, as the Utility Manager at Fort Leavenworth, Kansas. I managed all water and wastewater operations and capital programs in support of a federal 50-year Operations & Maintenance contract under the United States Department of Defense ("DoD") Utilities Privatization program. In 2007, I

was promoted to Regional Manager and oversaw the operations, capital programs and administered the contracts for Fort Leavenworth in Kansas; Fort Sill in Oklahoma; Fort Hood in Texas and Scott Air Force Base in Illinois. In 2011, I served as the Regional Manager of Capital Programs for Scott AFB, Fort AP Hill in Virginia, and Fort Meade in Maryland. In 2013, I was promoted to Director of Technical Support, where I oversaw technical operational and capital support of all Military Services operations including new field technology and capital practices, and performed due diligence activities in support of business development programs. In 2014, I was promoted to Director of Growth and Development. In 2018, I transferred from the Military Services Group to New Jersey-American Water Company serving as the Sr. Director of Operations for the North operating region. In that role, I was responsible for utility operations and Distribution System Improvement Charge ("DSIC") delivery for the approximately 95,000 connections in the North operating region. In 2019, I transferred to New Jersey American Water's Central operating region as Sr. Director of Operations. In this role, I was responsible for operations and DSIC delivery for the approximately 220,000 connections in the region. In November 2022, I was promoted to my current role as Vice President of Operations for Kentucky-American. I am a member of the American Water Works Association and am a member of the American Water Works Association ("AWWA") KY/TN Section Water Utility Council. I hold a Kansas Class 3 water treatment License.

Q. What are your responsibilities as Vice President of Operations?

A. I am responsible for all operations of KAWC, which includes treating and furnishing potable water; collecting, treating, and discharging wastewater; and providing customer service. I oversee the safety and continuity of the Company's operations; the Company's

water quality efforts; and the upkeep and maintenance of the Company's facilities. I manage a team of approximately 142 professionals that provide high quality water and wastewater service to KAWC customers.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my direct testimony is to describe KAWC's operations and discuss our commitment to water quality, health and safety, and our continuing efforts to improve water efficiency. My testimony also addresses certain costs, staffing needs and employee compensation.

II. KAWC FACILITIES AND OPERATIONS

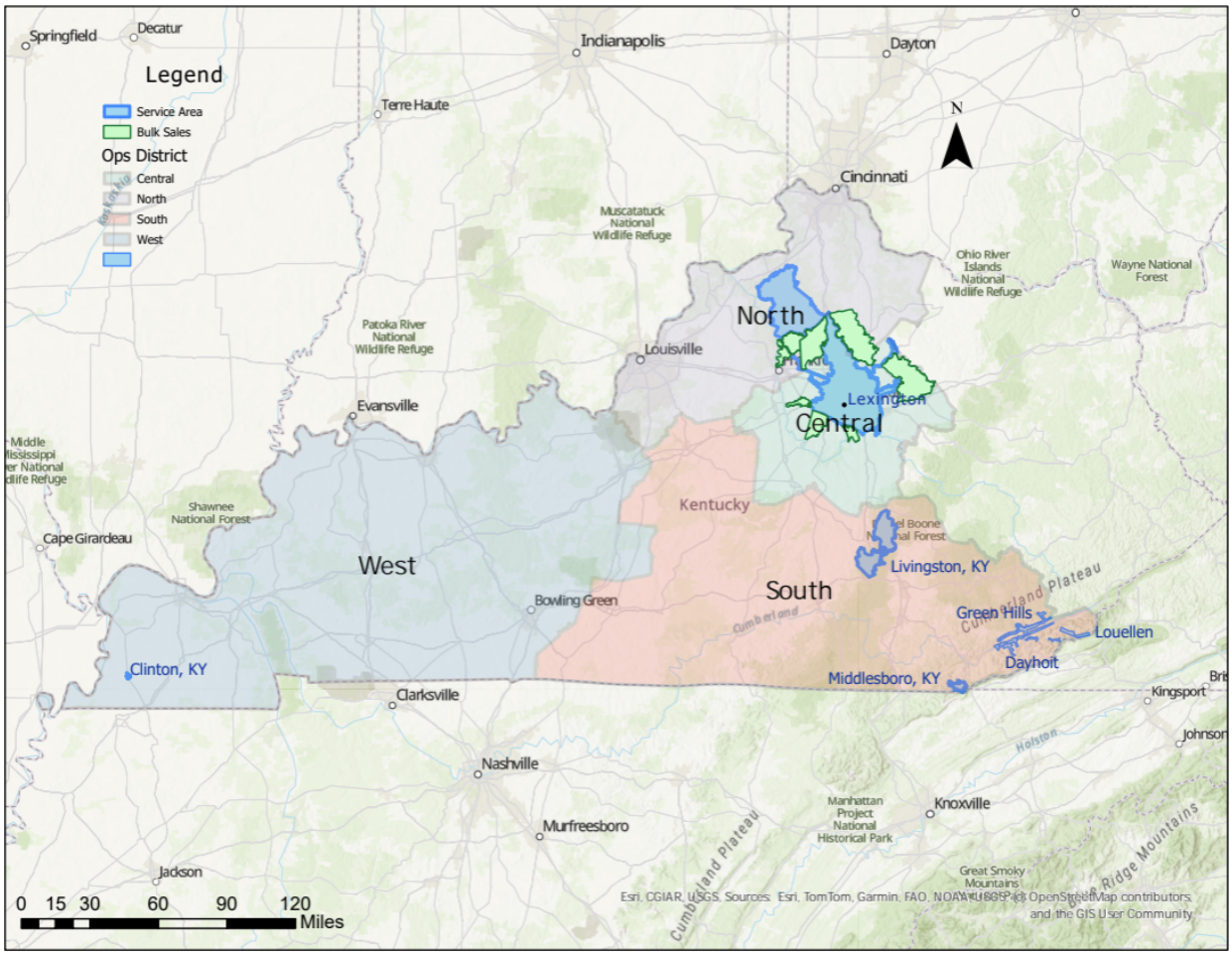
Q. Please describe the Company's operations and the facilities and property that KAWC uses to provide water service to customers.

A. KAWC provides water utility service to over 140,500 water service connections representing more than 550,000 total population served in all or portions of 14 Kentucky counties. The Company's service territory is divided into four operating regions serving the following counties: the Central Region is composed of Bourbon, Clark, Fayette, Harrison, Jessamine, Nicholas, Scott and Woodford counties; the Northern Region is composed of Owen, Gallatin, Grant and Franklin counties; the Southern Region is composed of Rockcastle and Jackson counties; and the Western Region is comprised of Hickman county. Image 1, below, shows KAWC's service territory. KAWC also transmits water to ten bulk water customers from various points in the distribution system.[1] KAWC's

[1] The bulk water customers are Jessamine South Elkhorn Water District, the City of Nicholasville, the Georgetown Municipal Water and Sewer Service, the City of Versailles, the City of Midway, the City of North Middletown, East Clark County Water District, the Harrison County Water Association, Nicholas County Water District and Peaks Mill Water District.

utility plant accounts include land and land rights; structures and improvements; collecting and impounding reservoirs; wells, pumping equipment and associated facilities; purification plant and equipment; transmission and distribution mains; distribution storage facilities, service lines, meters, hydrants and other facilities, including materials and supplies.

Image 1: <u>Kentucky-American Water Service Area (Water)</u>



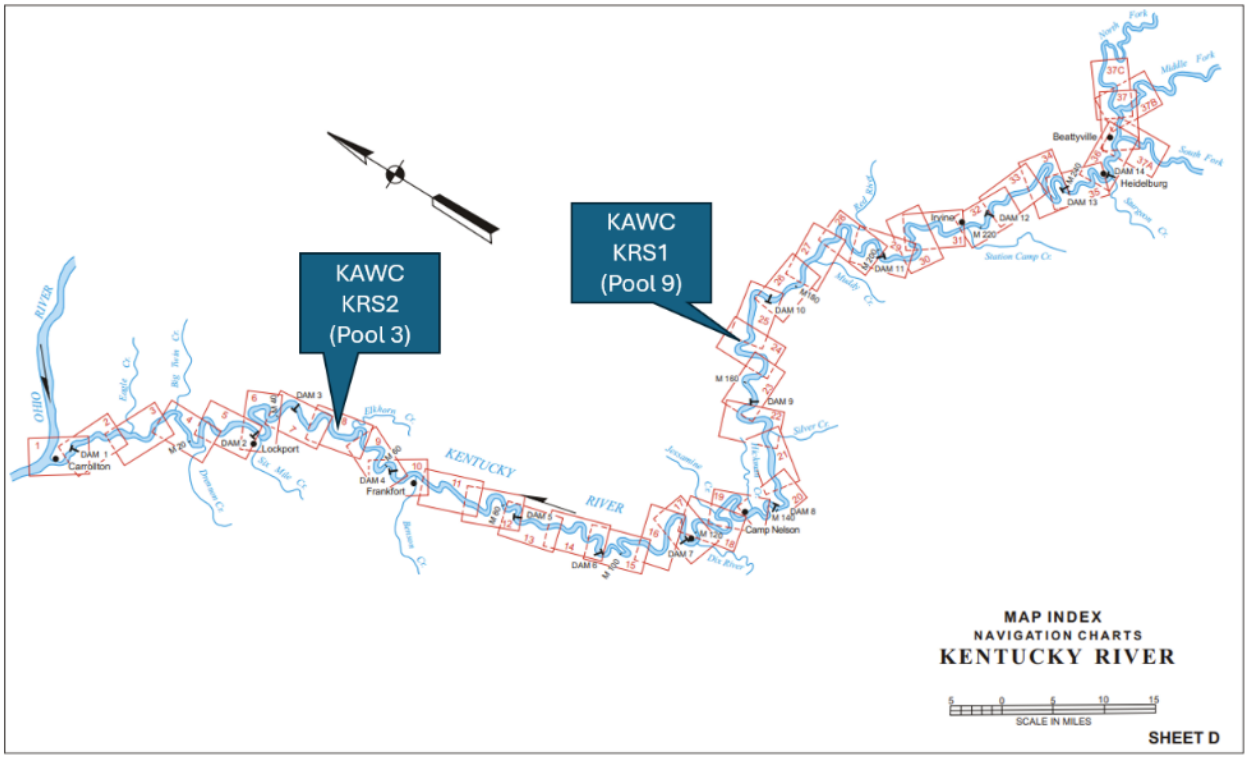
Q. Please describe KAWC's water treatment and distribution system assets.

A. KAWC currently operates three water treatment facilities that provide treated water to retail and bulk water customers. These are the Kentucky River Station I ("KRS I"), the Kentucky River Station II ("KRS II") and the Richmond Road Station ("RRS"). The

combined treatment capacity at these facilities is 85 million gallons per day ("MGD") – 40 MGD at KRS I, 25 MGD at RRS, and 20 MGD at KRS II. KAWC withdraws water from Pool 9[2] of the Kentucky River for KRS I and RRS. An intake pumping facility at river level withdraws water and pumps the raw water up a 380-foot bluff. The raw water is then directed to the KRS I treatment plant and may also be directed through a pipeline to the RRS treatment plant or the Jacobson Reservoir. The RRS may utilize raw untreated water supplied directly from the Kentucky River pipeline or withdraw water from the Jacobson Reservoir, located on US 25 south of Lexington. On an emergency basis, RRS has the capability to withdraw water from Lake Ellerslie, located on Richmond Road next to the RRS. KAWC withdraws water from Pool 3 of the Kentucky River for KRS II. River water is pumped up a steep bluff (approximately 300 feet) to the water treatment facility. Below, Image 2 shows the locations of Pool 3 and Pool 9 along the Kentucky River.

[2] The Kentucky River is divided into a series of pools separated by lock and dam structures that were constructed by the United States Army Corps of Engineers. The number of the pool indicates the location of that portion of the river (e.g. Pool 9 is the section of river located upstream of Lock and Dam #9).

Image 2: <u>Locations of Pool 3 and Pool 9 along the Kentucky River</u>



KAWC's treatment facilities utilize a chemical-mechanical process. Both RRS and KRS II utilize a conventional coagulation and sedimentation process, followed by filtration through sand filters. RRS also employs granular activated carbon as an additional filter media. KRS I has an up-flow solid contact process followed by filtration through mixed media high rate filters. Both the RRS and KRS II facilities utilize ultraviolet disinfection post filtration. The KRS I facility is scheduled to have ultraviolet disinfection online during the 2027 test year. The KRS I, KRS II and RRS facilities use chloramination to maintain residual disinfectant within the distribution system. Each facility is fully staffed by water treatment plant operators certified by the Kentucky Division of Water ("KYDOW"), a division of the Kentucky Energy and Environment Cabinet ("KYEEC"). KAWC's treatment facilities meet or surpass all federal and state water quality regulations.

Pumps transport the water from the treatment facility to the distribution system for delivery to the customer's home or business. The pumping stations move water 24 hours a day using appropriately sized pumps, pipes and power sources to drive the pumps. This sophisticated equipment requires regular maintenance and upgrades.

Water in our distribution systems travels through over 2,407 miles of Company-owned water mains and approximately 90 miles of private mains[3] through a network of pipes that deliver water across cities, towns, subdivisions and neighborhoods to homes, businesses, industrial plants and a multitude of other destinations. To ensure that adequate water quantity and pressure is conveyed where it needs to go, engineers run computer simulations of the hydraulic activity of the water to determine proper pressure, pipe sizing, and other factors (a fire hydrant, for example, will require different flow and pressure characteristics and larger piping than will water for residential use). Before it gets to where it is needed, water may be stored in our 29 storage tanks with a combined capacity of approximately 27.3 million gallons. The Company also maintains approximately 34,275 valves and 9,971 fire hydrants throughout its distribution system. To reach the far ends of our system or our higher elevations, water may travel through one of our booster pump stations. Collectively across the communities that we serve in Kentucky, we deliver an average of 43 million gallons of water every day.

[3] Private mains are mains that are owned and maintained by a private entity such as a farm, apartment complex, or commercial property.

Q. Has or will KAWC acquire new water systems that will be incorporated into this case?

A. Yes. KAWC has closed on one system (the "Livingston system"), and expects to close on two additional systems in 2026. As noted later in my testimony, O&M test year expenses and revenues for these acquisitions are included in this case. Furthermore, capital expenditures related to these acquisitions are discussed by John Magner in his direct testimony. Here is a list of those systems, with a brief system description.

a. City of Livingston, KY – Rockcastle County: The Livingston system is comprised of 162 water service connections, one 120,000-gallon water storage tank, and 13miles of water pipe. The system is supplied by a purchased water connection with the Wood Creek Water District. The Commission approved this acquisition on February 10, 2026, in Case No. 2025-00364. KAWC closed the acquisition transaction on April 15, 2026.

b. Water Service Corporation of Kentucky – Bell County & Hickman County: On September 9, 2025, the Commission issued its Order (in Case No. 2025-00171) approving the transfer of control of Water Service Corporation of Kentucky to KAWC. KAWC anticipates this transaction to close sometime in the summer of 2026. The

Water Services Kentucky system to be acquired by KAWC is actually comprised of two separate water systems, which are:

i. **City of Middlesboro, KY - Bell County:** The Middlesboro system is comprised of 5,400 water service connections, two 1.5 MG water storage tanks, one 3 MGD surface water treatment plant, and 87 miles of water pipe.

ii. **City of Clinton, KY – Hickman County:** The Clinton system is comprised of 575 water service connections, two water storage tanks (178,000 gallon & 210,000 gallon), 14 miles of water pipe and one ground water treatment plant.

c. **Black Mountain Utility District (BMUD) – Harlan County:** The BMUD system is comprised of 3,400 water service connections, 18 water storage tanks, 25 pumping stations, and 210 miles of water pipe. The BMUD system is supplied by purchase water connections with the City of Harlan, Ky and the City of Pine Mountain, Ky. This transaction is estimated to close before the end of 2026, pending Commission approval of the transaction as requested in Case No. 2026-00097.

Q. What is the condition of KAWC's utility property?

A. KAWC maintains its water utility property in good operating condition for the rendering of water service. The inspections conducted by the KYDOW confirm the Company's operations are in compliance with state and federal drinking water laws and regulations. Company witness John Magner's Direct Testimony contains information regarding the Company's capital investment activities that are also critical to the continued provision of safe and adequate water utility service.

III. WATER QUALITY AND SAFETY

A. Commitment to Water Quality

Q. Please discuss KAWC's commitment to water quality.

A. KAWC has provided water service to customers for over 140 years. We are acutely aware that water is the only utility intended for customers to ingest and that customers rely on KAWC to provide them with safe and reliable water service. Water quality is important to the health and well-being of customers. The Company's water quality program is designed to enable the Company to comply with all drinking water quality, water pollution, residuals management, air pollution and hazardous materials laws and regulations, and KAWC has not received any Notice of Violations since 2015. Beyond health and safety, we know that KAWC's customers are also interested in the aesthetic qualities of the water that we treat and deliver to them. We proactively look for ways to optimize treatment capabilities to continue to improve the overall quality of drinking water and strive to create operational efficiencies that also benefit customers.

Q. What are some of the efforts the Company undertakes to monitor and protect source water?

A. The Company monitors source water entering our treatment plants and measures parameters such as turbidity, pH, alkalinity, hardness, dissolved oxygen, and conductivity to establish daily treatment strategies. In addition to sampling performed manually at our water sources, all three of our water treatment plants utilize online automated water quality analyzers that are regularly monitoring water quality at our intakes and feeds that information to our SCADA system. This process allows for a constant source of raw water quality data that is monitored, and electronic alerts are triggered when certain water quality parameters fall outside of established parameters. The main purpose is to detect changes in

source water chemistry that would indicate a potential contamination of the source water entering our plant intake. Early detection enables operators to take timely protective actions, including additional treatment.

KAWC also uses WaterSuite, a map-based tool that collects information about potential sources of contamination from various sources and pulls it into a database for a defined area of concern. The database is updated on a regular basis to include the latest available information and has search and reporting capabilities. In the event of a confirmed spill or contaminant release within the watershed, the Company participates with organizations, such as the Ohio River Valley Water Sanitation Commission ("ORSANCO"), to communicate spills and contamination events throughout the water utility community so that emergency response planning can be coordinated.

Lastly, the Company promotes source water protection through community education campaigns, funding of environmental grants that have positive impact to watershed protection, and participation on professional boards and committees that influence watershed policies.

Q. Please describe the Company's water quality testing program.

A. KAWC routinely tests water in its systems to determine if it is meeting the safety standards established by the federal and state regulatory authorities. Our drinking water is tested both before and after treatment to confirm that it satisfies chemical and bacteriological criteria. To help protect the public health, we have multiple barriers in the treatment process to help prevent contamination from reaching our customers. We test for the presence of synthetic organic chemicals, inorganic chemicals, volatile organic chemicals, radionuclides, bacteria, disinfection byproducts, and all other contaminants that we are required to

monitor at the frequency prescribed by the federal and state regulations, and we report the results of this testing to the KYDOW, in accordance with the regulations. In addition, the Company works with our customers to collect and analyze samples for compliance with the Lead and Copper Rule Revisions, discussed further below, and has begun sampling for perfluoroalkyl and polyfluoroalkyl substances.

As discussed more fully below, water quality regulations have become more stringent over the past several years requiring additional tracking, monitoring, and reporting. In 2025, KAWC collected and analyzed more than 1,000,000 water chemistry, physical water properties, and routine bacteriological samples. These samples include those taken to assess process effectiveness and to monitor emerging contaminant threats. We also collect other bacteriological samples as needed in response to main breaks and similar emergencies.

Q. What regulations govern the quality and quantity of water service provided by KAWC?

A. Water supply utilities are subject to a complex array of regulations at the federal, state, and local levels with respect to water quantity, water quality and other environmental aspects of their facilities and operations. Drinking water quality is addressed by a combination of federal regulations under the Safe Drinking Water Act of 1973, the federal law that established the United States Environmental Protection Agency ("EPA") as the federal regulatory body governing drinking water. Pursuant to that authority, the EPA has established standards for contaminant levels in drinking water, mandatory treatment methods, monitoring and reporting requirements, and public notification mandates in the event of contaminant level or treatment method noncompliance. The EPA has granted

primacy to KYEEC and KYDOW to administer the federal regulatory standards for water systems in Kentucky.

Q. What are some of the new and emerging environmental standards for drinking water quality that will require enhancements or improvements in water treatment facilities and distribution systems?

A. In 2021, EPA adopted the Lead and Copper Rule Revisions ("LCRR") which require public water systems to perform additional actions to better protect communities from potential lead in drinking water. The new requirements include establishing and submitting to the EPA by October 2024 an initial inventory of distribution system service line materials, as known by the Company at that time, and providing annual updates thereafter for both the utility and customer side of the service line. As part of this revised rule, KAWC is required to inventory the service line of every customer served. To compile such records, the Company must not only examine historical records, but survey service connections through various processes, including pot-holing, canvassing facilities, and educating customers on identifying lead. Water systems must continually update inventory records as more data becomes available, and publish and maintain an online inventory of service lines with specific identifiers noting galvanized and lead service lines when and where present. Additionally, the revised rule includes updated customer communication relating to lead; school and daycare testing; sample site validations; increased sampling and management of sample results; establishment of a trigger level; as well as stronger treatment requirements and requirements for lead service line replacement. The LCRR also requires all water systems with one or more lead, galvanized service line requiring replacement, or

lead status unknown service lines in their distribution system, to submit a lead service line replacement plan to the State.

In addition to the LCRR rule, the EPA adopted the Lead and Copper Rule Improvement ("LCRI") in October 2024. This rule builds on the LCRR by requiring 100% lead pipe replacements by 2034 for the vast majority of water systems. The action level threshold for lead in drinking water was also modified to 10 parts per billion ("ppb") from the previous 15 ppb for all samples collected in a system.

The Long Term 2 Enhanced Surface Water Treatment Rule ("LT2"), promulgated in 2006, required many years of source water sampling to determine adequacy of existing treatment for Cryptosporidium. Based upon final source water characterization, surface water systems where classed into "BINs" ranging from 1-4 where BIN 1 requires no additional treatment and BIN 4 requires up to 2.5-LOG of additional removal treatment. KAWC's treatment plants have received a BIN-2 classification that requires 1-LOG of additional Cryptosporidium treatment. The required additional treatment was provided by installing ultraviolet light (UV) disinfection treatment at the RRS and KRS II surface water treatment plants. UV disinfection treatment will be constructed at the KRS I surface water treatment plant in 2026. The 1996 Safe Drinking Water Act ("SDWA") amendments require that once every five years the EPA issue a new list of no more than 30 unregulated contaminants to be monitored by public water systems. The fifth Unregulated Contaminant Monitoring Rule ("UCMR 5") was published in the Federal Register on December 27, 2021. UCMR 5 requires testing of 30 identified contaminants for specified periods of time within the 2023 to 2025 timeframe. We anticipated that the UCMR 6 list of contaminants

would be published by late 2025, the Safe Drinking Water Act has a December 2026 deadline, we expect new water quality sampling requirements starting in 2027.

In 2021, the EPA issued two actions to address per- and polyfluoroalkyl substances ("PFAS") in drinking water.[4] More recently, the EPA has finalized the National Primary Drinking Water Regulation for six PFAS substances on April 10, 2024, setting the maximum contaminant level ("MCL") and monitoring requirements for these compounds. Various water systems across the country will be required to install additional treatment to reduce PFAS levels to meet these new regulations. Monitoring for PFAS compounds must begin by 2027; however, KAWC has already begun sampling for PFAS. Testing for PFAS, to date, has not identified the need for treatment at any KAWC water treatment plants to meet the EPA's MCLs. However, testing will continue under UCMR 5 and Company-initiated testing. If there becomes a need to remove PFAS from drinking water, additional treatment technologies would likely be required at existing KAWC water treatment facilities. A determination of what technologies to employ if PFAS compounds meet the EPA's MCLs will require a review of the effectiveness of each technology and an analysis of the costs and operational feasibility for each location.

When changes in regulations make it necessary to modify treatment processes, water quality staff works with staff from engineering and operations to identify, design, and implement the modifications so that the water leaving the plants and traveling through the distribution system continues to meet service and regulatory requirements. We are also committed to playing an active role and contributing to policies and regulations that affect

[4] Contaminants of Emerging Concern Under the Clean Water Act, November 29, 2021 and Federal Role in Responding to Potential Risks of Per- and Polyfluoroalkyl Substances (PFAS), August 10, 2022 available at https://crsreports.congress.gov/product/pdf/R/R45998 and https://crsreports.congress.gov/product/pdf/R/R45986.

sources of drinking water. We review and provide feedback on applicable permits and proposed regulations supporting state and local measures that balance watershed management with economic growth.

Q. Please discuss KAWC's participation with the Partnership for Safe Water.

A. The Partnership for Safe Water ("Partnership") is an alliance of six organizations[5] with a mission to improve the quality of water delivered to customers by optimizing water system operations. All three of KAWC's water treatment plants have been recognized for optimization and water quality achievements: Kentucky River II 6 Year Directors Award; Kentucky River Station 26 Year Directors Award; and the Richmond Road Station 26 Year Directors Award.

Q. Is there any other external validation of the success of KAWC's water quality programs?

A. Yes. The KRS II water treatment plant has been recognized each of the last 5 years (2021-2025) by the KYEEC for optimized drinking water treatment plant performance for turbidity. In meeting these goals, we helped provide customers with protection against waterborne disease extending above and beyond regulatory requirements. This achievement signifies a commitment to the standards of excellence that are at the heart of the EPA Area-Wide Optimization Program. In 2020, KAWC was recognized by the Centers for Disease Control with the Water Fluoridation Quality award. In 2022, Kentucky-American was recognized with the KY/TN Section AWWA award of excellence

[5] Partnership organizations include EPA, the American Water Works Association ("AWWA"), Association of State Drinking Water Administrators ("ASDWA"), Association of Metropolitan Water Agencies ("AMWA"), National Association of Water Companies ("NAWC") and the Water Research Foundation ("WRF").

for Large Distribution System of the year. Additionally, all three water treatment plants (KRS I, RRS and KRS II) have received AWWA Partnership Treatment awards each year since 2020.

B. Commitment to Safety

Q. Please describe KAWC's overall commitment to safety.

A. The health and safety of our employees and customers are of utmost important to our Company. Our coworkers', contractors', and customers' safety is vital, and we focus on it every day. We strive to ensure that the communities we serve are kept safe and that every KAWC employee chooses safety in every job performed. With the safety of our employees, customers, contractors, and the public in mind, we approach safety with a focus on continuous improvement through the implementation of proactive initiatives, plans, practices, and processes that complement and sustain a robust workplace safety program. KAWC is also committed to securing assets across our system and recognizes the importance of protecting our water sources, treatment plants, infrastructure, and data from malevolent acts, as demonstrated by our robust security and cyber security programs. In addition, the Company's emergency response program demonstrates the Company's recognition that rapid response and recovery from security breaches and all other types of incidents are critical to maintaining the water and wastewater systems.

Q. How is safety an important part of KAWC's operational performance?

A. The Company considers the health and safety of our employees to be a core value as well as a strategy. We are committed to this value through a proactive and robust health and safety program. Our overall goal is to have no employee injured at or away from work as well as to maintain safety and security for our customers and contractors. A safe workplace

increases employee morale, increases our commitment to one another, and in the long run makes for a more engaged and productive workforce.

Q. Please describe KAWC's safety program and Operations' role in promoting safety and a safe working environment at KAWC.

A. KAWC has implemented a variety of safety initiatives to empower employees to act, provide relevant training and equipment, enhance employee engagement and communication, and address safety issues as they arise.

- *Employee empowerment* – Operational safety begins with employee empowerment. If an employee sees an unsafe behavior or condition, the employee has a responsibility to stop work until the safety issue can be resolved. This is called "Stop Work Authority" and KAWC managers reinforce this policy through communication to employees during meetings. The use of stop work authority is now tracked across the Company and is considered a leading indicator of a successful safety program. KAWC also empowers employees by encouraging the reporting of safety "Hazard IDs," and likewise emphasizes this reporting as a performance metric.[6] Through the Hazard Identification (Hazard ID) Program employees are empowered to identify hazards early, mitigate concerns, and eliminate hazards as they occur in the field. Reporting Hazards while at work empowers KAWC employees to use their knowledge of known hazards to remain vigilant of potential safety issues and continue to improve safety. The overall goal of the Hazard ID program is to have employees engaged in their work,

[6] The Company launched its near miss reporting program in 2015. Near Miss reporting involves employees identifying a situation that almost, or could have, resulted in an injury or accident. For example, if a piece of equipment becomes worn outside of a regular maintenance cycle, an employee reports this as a near miss so KAWC can replace the worn part and avoid a potential injury from an equipment malfunction.

identifying hazards, and empowering them to correct these hazards immediately, if possible. It reduces the potential for injury not only to our employees but our customers and the public as well.

- *Training* – All employees are provided safety training every year. Curriculum typically includes topics such as emergency action plans, slips, trips & fall prevention, trenching and shoring, excavation, first-aid/CPR, chlorine safety, electrical hazards, and traffic management/flagging. Each employee is assigned a specific annual safety training curriculum to match their current job classification. In 2025, the Company provided over 4,700 hours of safety-related training for its employees.
- *Job Site Safety Evaluation Program* – KAWC organizes and promotes job site safety evaluations, where supervisors are encouraged to go out to the job sites to evaluate the workers while they are performing their jobs to encourage safe behaviors. In 2025, our supervisors completed 1,700 Job Site Safety Evaluations.
- *Personal protective equipment* – KAWC provides every employee with the tools and equipment to do their jobs safely. All employees are issued personal protective equipment ("PPE") appropriate to their specific job role to minimize exposure to hazards that cause serious workplace injuries and illnesses. The Company has further reviewed and expanded its use of PPE providing new signage and clear guidance on the PPE needed for different tasks.
- *Site safety inspections* – Safety staff and front-line supervisors regularly visit operational facilities to perform safety inspections. In addition to these routine safety inspections, each of our water and wastewater facilities undergo a quarterly health,

safety and environmental walk through with a focus on safety and environmental compliance.

- *Contractor safety* – Contractor safety guidelines are included in KAWC contracts. KAWC contractors must submit safety performance information to demonstrate their commitment to a safe work environment, and contractors with poor safety performance or that don't have a safe work program are disqualified from doing business with KAWC.
- *KAWC Safety Committees* – Every operating area has a council comprised of managers and front-line employees who meet regularly to review accidents, evaluate how to avoid them, and agree on procedural changes to help prevent them in the future.
- *Emergency preparedness and response* – KAWC's emergency response plans consist of an overarching manual paired with facility-specific plans that include local personnel and contacts, emergency action plans, roles and responsibilities, communication protocols, emergency contacts, mutual aid agreements, water and power contingencies, and accessible equipment and services. KAWC submitted and certified the Risk & Resiliency Assessment (RRA) and corresponding Emergency Response Plan (ERP) for the KAWC Central system in accordance with Phase 1 requirements (water systems greater than 100,000 population) of the ANSI/AWWA J-100 Standard. KAWC conducts annual exercises and leadership staff are trained in the National Incident Management System for responding to incidents.
- *Internal chemical management* – KAWC raises employee awareness around potential safety and environmental impacts of onsite chemical handling. In 2024, we completed audits for Treatment Chemical Handling at all locations and a new audit was performed

at our KRS I treatment facility in 2026. KAWC manages a robust aboveground storage tank program including regular inspections and state and federal spill prevention plans to help reduce the risk of spills in our operations and increase employee safety.

The Company has also reviewed its water treatment process at each of its facilities. As mentioned previously, we currently use chloramination, which is a very effective disinfectant process for the safe treatment of our water. The original process used chlorine gas and anhydrous ammonia. An atmospheric release of chlorine and ammonia gases could pose a risk to our employees and the surrounding communities. The chlorine and anhydrous ammonia gas systems have been replaced with sodium hypochlorite and liquid aqueous ammonia at both the Richmond Road Station and Kentucky River Station 1 WTPs. Our capital plan also includes the removal of chlorine gas and replacement with sodium hypochlorite at the KRS II water treatment plant by the end of 2027 and is further discussed by KAWC witness John Magner. These changes have reduced the risk to our employees and the surrounding communities in the event of a chemical release.

We also continue to look at other portions of our operations for safety improvements. For example, as we evaluate future upgrades and replacements of booster stations and underground vault structures, we are choosing designs that eliminate employee risks due to confined space. In addition, we are evaluating our existing vaults for safety improvements to mitigate safety hazards including fall protection, electrical hazards, ventilation, and structural deficiencies. In 2017, we instituted a limitation of 16 consecutive hours for our work crews. This new work rule was based on a US Department of Transportation study that demonstrated the unfavorable safety impact of extended long-hour shifts. Our new policy mandates that relief crews be made available within 16 hours

(or sooner if requested) for any individual or work crew. The policy also requires 8 hours of rest before returning to work. We believe this policy positively impacts our employees' safety and demonstrates our commitment to safety. The current collective bargaining agreement, ratified in 2025, has been amended to include this requirement.

Lastly, the Company implemented a vehicle telematics monitoring program in 2024 that includes vehicle mounted monitoring equipment. Company driver performance is monitored and reported to measure driver behaviors such as use of seatbelts, speeding and aggressive driving. This program has already demonstrated an increase in good driving habits among our employees and has reduced vehicle related incidents.

Q. How does KAWC measure its safety performance?

A. The Company uses a mix of leading and lagging indicators to measure its safety performance. The Hazard Identification program is an important leading indicator, while other performance safety metrics are considered lagging indicators. The OSHA Recordable Incident Rate ("ORIR") is a key metric we use to gauge the effectiveness of our safety program. It considers the number of recordable injuries occurring during a specified time frame (e.g., month, quarter, year) and the total number of hours worked by all employees during that same period.[7] American Water establishes a safety target annually to drive continuous improvement (i.e., reduced injury rates). The target is based on a variety of factors, including historical performance and rate of improvement and safety performance data for both utility and non-utility industries (as reported by the Department of Labor). The Company tracks employees' Days Away Restricted or Transferred ("DART") safety

[7] The exact methodology for these rates comes from the Department of Labor https://www.bls.gov/iif/osheval.htm.

metric. DART incorporates a measurement of the severity of an injury by looking at the impact of the injury on the employee. Beginning in 2025, the Company enhanced its focus to the prevention of severe injuries by implementing a Serious Injury Incidence Rate ("SIIR") to measure the effectiveness of the safety program to mitigate the occurrence of serious injuries. This metric focuses on elimination of Serious Injury and Fatalities ("SIF") and potential SIFs ("SIF-P"). The Company's goal is to eliminate injuries and hazardous conditions, however, when injuries do occur, the Company uses the ORIR, DART and SIRR trending to track both the number and severity of injuries. In 2025, KAWC achieved a SIIR rate of 0.84.

Q. How do you know that commitment is working?

A. We are building a strong safety culture at KAWC, and our year-over-year safety performance indicates that KAWC's commitment to safety has been effective. In 2015, the Company had fifteen recordable injuries, fourteen of which resulted in days away or restricted time. In 2025, we had a total of three recordable injuries, one of which resulted in 1 day away or restricted time. In ten years, the Company has reduced our total recordable injuries by 87% and reduced our severe injuries by 93%. The Company has demonstrated success and progress in its safety performance and is committed to further improving its safety performance.

Q. Why should the Commission be interested in the Company's emphasis on (and investment in) employee safety?

A. The Commission should be interested for several reasons. First, a safety-first commitment is the right thing to do, and it speaks to the core values and commitments of KAWC. We care about the well-being of our employees. Second, the Company's know-how in this

area is an example of the value of the Company's relationship with the Service Company. The Company is able to benefit from best practices and enterprise-wide initiatives (like identifying & correcting hazards and the Certified Safe Worker program) and has access to Service Company expertise. Finally, it is worth noting that the Company has expanded its safety investments and broadened its employee training while still managing its O&M expenses. In other words, the time and energy we devote to safety has not come at the cost of efficiency or the value we provide to our customers – in my view, our safety commitments have only enhanced that value.

Q. How is the Company addressing the physical security of its assets as well as cybersecurity?

A. Kentucky-American Water has taken a comprehensive approach to address physical and cybersecurity. Physical security consists of cameras and badge readers that monitor situations and are programmed to limit access to secure areas, including offices, shops, treatment, pump and lift stations. The Company has strategically placed cameras at critical infrastructure (e.g., tank and treatment sites) and secure work locations (e.g., offices and shops). Cameras are connected to a secure line that provides video output to the local operations control rooms and American Water's central security and reliability control room located in Camden, NJ. In addition, identification badges are issued for the purpose of facility access control at Kentucky-American facilities. All employees must wear and openly display the identification badge visibly while on any Kentucky-American Water property, while on Company business or while representing the Company publicly or privately. Unauthorized entries are registered as an alarm that is received by the local operations control room.

The Company takes cybersecurity just as seriously as physical security. Cybersecurity technology solutions are vital to reliable and resilient water and wastewater systems. For that reason, cybersecurity is core to the American Water vision of resiliency and sustainability. As we continue to implement intelligent water and wastewater systems, industry-leading cyber controls are designed, built and integrated into all aspects of the technology. These investments, including enhancements to controls of identity and management of access to our systems, monitoring of sensitive information, and increased visibility of potential intrusion attempts to our systems, protect our existing systems and enable the implementation of secure innovation. Safeguarding the integrity of Company information and systems, as well as customer data, while enhancing the customer experience is our security mission. The Company's cybersecurity program is consistent with industry best practices, including the National Institute of Standards and Technology ("NIST") Cybersecurity Framework and the AWWA Process Control System Security Guidance for the Water Sector. Kentucky-American Water further demonstrates its commitment to cybersecurity by actively participating in tabletop and active exercises on how to react in the event of a cybersecurity incident that impairs our automation capabilities.

IV. IMPROVING WATER EFFICIENCY

Q. What is water efficiency?

A. In simple terms, water efficiency means using improved practices and technologies to deliver water service more efficiently. KAWC's efforts to improve water efficiency cover a wide range, and include supply-side practices, such as water loss reduction efforts, improved pump efficiencies, electrical cost management programs, chemical and waste

disposal improvement projects, as well as demand-side strategies, such as customer and public education programs that provide incentives to improve water and energy efficiency. From an operations perspective, improving water efficiency requires achieving a cost-effective mix of prudent investments and improved operations and maintenance management capabilities targeting safety, customer satisfaction, sustainability, and system efficiency.

Q. Please describe KAWC's efforts to improve water efficiency.

A. The Company strives to improve water efficiency through operational excellence, the use of technology, system maintenance, and efforts to manage costs as resourcefully as possible to provide a more cost-effective level of service for our customers over the long term. The Company's investment in technology provides it with a better end-to-end view of its water business through the use of improved water usage monitoring and leak detection, water quality monitoring, and consumer communications technology.

For instance, improved metering results in more accurate usage information and may increase water efficiency. Leak detection programs can reduce the amount of water, pressure and energy required to deliver the same amount of water to customers' taps. KAWC has a comprehensive program to manage water loss and proactively promotes wise water use to customers, which can reduce customer demand. Annually, our teams take part in a variety of community events, environmental grant programs, and firefighter grant programs. These events provide our employees with an opportunity to meet with our customers and talk about water conservation, leak detection in our customers' homes, and other ways that customers can improve their water efficiency. KAWC has implemented a multi-faceted effort to educate and encourage residential customers on how they can lower

their water bills by putting some simple practices in place around the home and fixing water leaks in a timely manner.

Striving for increased water efficiency is evident in our infrastructure investments, which include main and service replacements to provide a better, more reliable system. Prudent investment in technology enables us to leverage the size and scale of American Water to reduce manual tasks and increase automation. Additionally, our water efficiency efforts are demonstrated by investments in innovative data collection technologies, and by improved business processes that help us work smarter and more efficiently and, by extension, contribute to our cost control efforts.

Q. How is the concept of improving water efficiency relevant to this case?

A. Improving water efficiency not only reduces operations expense but is also a more environmentally friendly way of conducting business. When water is used efficiently, it reduces capital and operating costs related to the provision of water service, while also helping to protect and preserve our natural resources. Improving water efficiency saves customers money in the long run, helps protect the environment, supports integrated resource planning, and enhances the economy.

Q. How is KAWC using technology to improve water efficiency?

A. KAWC is using technology to further enhance its preventative maintenance programs. Accurate electronic maps ensure that the institutional knowledge currently held by some of our employees is captured for use by current and future employees. To that end, we have loaded our facilities into a geographic information system ("GIS") so that maps of KAWC's water systems are accessible online. GIS includes the location and a short description of the facilities, giving us an electronic spatial view of our entire system. GIS

also helps us to locate customers that might be impacted by related service issues and allows us to communicate the impact more effectively with our customers. Our crews are now equipped with GPS equipment and are acquiring GPS coordinates for all repairs, replacements, new valve and hydrant installations, and new service lines as the work is completed. This process ensures the accuracy of the GPS coordinates and quick updates to our overall GIS mapping as opposed to sending crews to perform this work at a later date, requiring multiple trips.

Q. Are there other technology solutions KAWC has implemented to improve water efficiency?

A. Yes, the Company continues to upgrade and enhance its Supervisory Control and Data Acquisition ("SCADA") systems that monitor and control water production equipment. SCADA systems are essential in the efficient delivery of these vital services. These upgrades to several SCADA systems across the state enable KAWC to collect, manage and present real time SCADA information from multiple remote water systems enabling the Company to identify opportunities to monitor and control systems remotely, better protect operational assets, and increase the accuracy of KAWC's hydraulic models.

Q. How does KAWC leverage technology to improve employee effectiveness, thereby improving overall efficiency?

A. KAWC leverages several technologies aimed at making our employees more efficient and effective at their jobs. Work1View, our Customer Work Order System, is used by our field service representatives ("FSR") to manage customer facing service orders. The system is used to schedule appointments and provides the FSR with all the customer, premises, and meter information needed to work service orders efficiently in the field. The system is also

used by our local management team and customer service representatives to dispatch FSRs to scheduled and emergency customer requests. These types of improvements will continue to drive a better customer experience and level of satisfaction.

MyWater and Customer1View ("C1V") are additional software applications that provide more comprehensive and easily accessible information to employees and customers. MyWater is a customer facing website that allows customers to view much of the same information in the same format used by both the FSRs and CCAs which makes for a more seamless discussion when interacting with the customer. MyWater provides customers self-service options to pay their bill, check their account balance, request to turn their service on or off, sign up for alerts, view their water usage, and setup paperless billing. Recent and planned enhancements have and will also improve the Company's customers' self-service capabilities and the resiliency and usability of the website. C1V provides improved access to customer information (e.g., premise and service order history, meter details, billing and payment information) to FSRs who regularly interact with our customers. This means that FSRs can view the same information as customer care agents ("CCAs") who regularly interact with our customers. This allows our FSRs to review customer information that can help them address the customer's issue and provide customers information while speaking with them, rather than having to contact the customer service organization ("CSO") for information or requiring customers themselves to follow up with the CSO. FSRs can also update customer information and record notes on customer interactions on the spot, providing other employees that serve our customers with timely access to the most up-to-date information. Taken together, these types of improvements continue to support improved customer experience and satisfaction.

Q. Does prudent and proactive capital investment improve water efficiency?

A. Yes. Prudent and proactive investment in the system does improve water efficiency over the long term. We know that investing in the system proactively is more cost effective over time than reactive investment. Under the Company's Qualified Infrastructure Program, which was approved by the Commission in 2018 and in place through the end of 2025, we were able to develop and maintain a more systematic replacement program of our distribution mains throughout our service territory. The systematic replacement that QIP supported was more cost effective for customers in the long run because replacing aging infrastructure reduced the likelihood of breaks and emergency situations that are not only costly to repair, but also disrupt customer service. As discussed by Company witnesses John Magner and Jeffrey Newcomb, the Company is seeking approval of a System Improvement Program ("SIP") which will permit the company to continue its systematic replacement of aging infrastructure.

A. Water Loss Control Program

Q. Please describe the Company's program to reduce water loss.

A. Reducing water loss is a complex issue with many contributing factors. As part of its water loss prevention program, the Company has been compiling and analyzing data, as well as taking steps to identify, measure, prioritize, and mitigate both real and apparent water loss. The Company's efforts to reduce water loss include pressure management, accelerated infrastructure replacement, active leak detection, rapid response to breaks, fire service and water loss audits, and large meter testing and profiling. Water loss can be classified into two categories: (1) real loss, which is water that escapes the distribution system from leaks

or storage overflows; and (2) apparent loss due to meter inaccuracies, billing system data errors, and unauthorized consumption.

Q. Please describe some of the Company's efforts to mitigate real water loss?

A. The Company's water loss control interventions identify, measure, and mitigate real water loss by focusing on reducing leakage from transmission and distribution mains and leakage from customer service connections up to the point of customer metering.

- *Leak Detection.* KAWC is addressing real losses by enhancing its leak detection efforts throughout its distribution system. Kentucky-American deploys active acoustic monitoring devices on fire hydrants and valves throughout our Central distribution system. These devices replace the existing hydrant steamer nozzle cap, do not interfere with the normal operation of the fire hydrant, or can be installed on the top of below ground watermain valves and use a cell-based communication to collect acoustical data that is then uploaded for acoustical analysis. After digital analysis of the acoustical data, points of interest in the distribution are assigned to our leak detection crews for acoustical correlation and leak sounding to pinpoint below grade leaks. This will help to reduce water loss from leaks that are not visually apparent, capture smaller leaks that may not be located through traditional methods, and identify leaks before they become larger thereby mitigating damage to below grade road infrastructure and adjacent properties.
- *Pressure Management.* Effective pressure management can help extend asset life, improve customer service, and reduce water losses and the risks of asset failure. KAWC has undertaken replacement projects to improve the operational efficiency of pumping at our water treatment facilities. This includes replacement of KRS I High Service

Pump No. 13 with a high efficiency vertical turbine pump that is sized to better match flows with system demand, the replacement of High Service Pump No. 6 at the Richmond Road WTP with a high efficiency split face pump with a 90% efficient motor paired with a variable frequency drive ("VFD"), and planned replacement of KRS I Low Service Pump with an efficient vertical turbine pump.

- *Proactive infrastructure replacement.* The replacement of aging infrastructure reduces both real and apparent water loss. Leaking water mains and main breaks are primary contributors to water loss. As discussed in detail in the Direct Testimony of Company witness Magner, KAWC utilizes a data-based Pipeline Replacement Planner tool to identify water mains that are likely to leak or break for replacement prior to them reaching a point of total failure. Replacing these pipes before they reach failure reduces not only cost associated with break and leak repairs, but reduces the associated water loss. Service lines are also susceptible to breaks or leaks and KAWC executes an annual service line replacement program. Finally, aging meters that do not accurately register water usage can result in apparent water loss. KAWC replaces meters within its system in accordance with a 10-year life cycle.

Q. Please describe some of the Company's water loss control interventions employed to identify and mitigate apparent losses.

A. There are several ways the Company is working to mitigate apparent losses. The Company conducts fire service audits, evaluates large meter accuracy, calibrates plant meters that quantify the water sent into our distribution system, and is improving its billing practices:

- *Fire Service Audits*. KAWC has reviewed and improved its processes related to fire services. The Company requires a detector meter on all new fire service installations to

help identify unauthorized usage. We monitor our fire services through their attached detector meters. This meter is read monthly and allows us to bill for any small usage on the fire service for the month. If there is consistent month-to-month usage on a detection meter we investigate to determine whether it was for authorized use. Not only do the audits address apparent water loss, but they also allow us to check for vault safety and any items that may need to be updated for the safety of our employees, as well as include cross connection checks to help ensure the quality of our water to our customers. The cause of the continuous usage ranges from leaks downstream of the detector device and unauthorized use of private fire hydrants, to illicit connections on fire lines.

- *Large Meter Testing and Profiling*. Large meter testing and profiling includes our effluent meters in the plants as well as our large customer meters. KAWC annually tests plant effluent meters in order to ensure accuracy of the system delivery numbers used to calculate non-revenue water ("NRW") for water leaving the Company's three treatment plants. The Company also analyzes consumption patterns to determine if the customers' meters are still appropriate for their current consumption rates, and if not, the installation of new meters are recommended. In addition, the Company evaluates customers' needs for large meters when the Company is aware that a premise has been repurposed. A customer or premise could have had a need for a large meter in the past but as businesses or buildings are repurposed their routine usage can diminish the need for a large meter. An oversized meter is more susceptible to missing low flows so having appropriately sized meters is important. When the Company

determines, in consultation with the customer, that the meter is oversized, it replaces the meter with the appropriately sized meter for the customer's usage.

- *Billing Process*: The Company monitors its customer information system and billing system for inactive accounts with consumption, active accounts with no consumption, premise mismatches, estimated reads and consecutive zero consumptions that may impact apparent water loss levels. These exceptions generate work orders that determine and eliminate the issues that caused the exception.

Q. What are KAWC's historical Non-revenue water ("NRW") and unaccounted for water ("UFW") percentages?

A. NRW refers to the water produced by a utility that doesn't reach its intended customer due to factors like leaks, meter inaccuracies, unauthorized consumption, water used in the water treatment process, or maintenance of the water distribution system resulting in lost revenue for the utility. NRW is the difference between all water produced and all water sold. UFW on the other hand, refers to the water produced by a utility that doesn't reach its intended customer less accounted for water such as distribution system flushing, fire department water use, and water used in the water treatment process. UFW is equal to NRW less accounted-for water. Please see the chart below for KAWC's historical NRW and UFW percentages.

Historical NRW and UFW		
Year	**NRW**	**UFW**
2016	16.80%	15.69%
2017	19.80%	18.86%
2018	21.15%	19.95%

2019	22.79%	21.10%
2020	21.62%	20.47%
2021	22.08%	21.085
2022	22.67%	21.59%
2023	19.68%	18.83%
2024	19.38%	17.96%
2025	18.26%	17.56%

Q. Will the acquisitions you noted earlier in your testimony impact the Company's NRW and UFW levels moving forward?

A. At this time I am not able to quantify if or to what extent the water loss levels of each of the acquired systems could impact KAWC's overall NRW and UFW levels moving forward.[8] Both the Livingston and Black Mountain acquisitions are troubled systems with operational and structural challenges that will require time to mitigate. To the extent that acquiring and integrating these systems has the effect of increasing KAWC's overall UFW, that increase should be evaluated in context and should not be treated as a failure of Kentucky-American's water loss management. Kentucky-American is committed to improving UFW on the acquired systems by incorporating them into the Company's water loss control program, and taking prudent steps to reduce water loss over time consistent with the mitigation efforts discussed earlier in my testimony.

V. PUBLIC FIRE SERVICE

[8] I acknowledge that Ordering Paragraph 8 in the Commission's February 10, 2026 Order approving the Livingston acquisition (Case No. 2025-00364) requires KAWC to file Livingston water loss reports in its next general rate case. However, because KAWC just closed that acquisition on April 15, 2026, KAWC does not yet have any water loss reports. We will provide them in the case when they become available.

Q. What is Public Fire Service?

A. Public Fire Service refers to a water utility's provision of fire protection through publicly accessible fire hydrants installed at the request of municipalities or other governmental entities and the ability to deliver adequate water flow and pressure for firefighting purposes. Public fire service is a standby service limited to fire protection use and provides a community-wide public safety benefit, distinct from private fire protection facilities dedicated to individual properties. As noted earlier in my testimony, KAWC has nearly 10,000 fire hydrants throughout its distribution system. The current rate for Public Fire Service is $75.00 per public fire hydrant, and this hydrant fee is charged to the municipality in which the fire hydrant is located.

Q. Is the Company proposing a change to how Public Fire Service is charged?

A. Yes. The Company is proposing to change how the Public Fire Service rate is calculated so that the hydrant fee more concisely reflects the direct costs associated with providing hydrants. Under the Company's proposed approach, the hydrant fee would decrease from $75 per hydrant to $11.51 per hydrant. The difference between the current fee charged and the proposed fee would be recovered through base rates.

Q. Why is it appropriate to recover the cost of Public Fire Service primarily through base rates rather than through the current fee-per-hydrant cost recovery model?

A. As further discussed by Company witness Charles Rea in his direct testimony, the Company's proposal better aligns the hydrant fee amount with the Company's direct costs to provide and maintain fire hydrants. Additionally, shifting the recovery of Public Fire Service from hydrant fees to base rates is appropriate because the benefits of fire protection extend to the entire communities that we serve, not solely to the municipality in which the

hydrant is located. Public Fire Service enhances public safety, supports economic development and reduces the risk for all customers within the Company's service territory. Because these risks are broadly shared, allocating costs across the full customer base through base rates is consistent with cost-causation and fairness principles. In contrast, recovering these costs only through hydrant fees billed to municipalities places a disproportionate burden on local governments for a service that benefits all customers. Finally, the Company's proposal brings KAWC more in line with other water service providers in Kentucky, most if which, to my understanding, do not have hydrant fees.

Q. Are there other limitations to the Company's current fee-per-hydrant cost recovery model?

A. Yes. The current fee-per-hydrant model can create financial barriers for municipalities, particularly smaller or financially strained communities, in that these communities may lack the resources to support ongoing Public Fire Service charges. Additionally, hydrant fees can discourage municipalities entering into acquisition agreements with KAWC because when hydrant fees are borne directly by the municipality, the financial impact of those charges can make such transactions less feasible, even when selling their water system would result in improved service quality and operational efficiency.

Q. How does shifting recovery of Public Fire Service costs from hydrant fees to base rates support broader public policy objectives?

A. By removing financial barriers associated with hydrant fees, water system regionalization and investment in infrastructure is encouraged, particularly in smaller or under-resourced communities. Regionalization is a stated goal of the Kentucky legislature, the KYPSC and the KYDOW. Enhanced fire protection can also contribute to community revitalization by

improving public safety and making communities more attractive for residential and commercial development. These benefits extend beyond and single community and support the overall health and vitality of the communities that KAWC serve.

VI. OPERATING AND MAINTENANCE EXPENSE

Q. What level of operating and maintenance ("O&M") expense is the Company seeking in this case?

A. KAWC is seeking recovery of approximately $59.9 million in O&M expense for the forecasted test period, which represents the forecasted expense levels for the twelve months ending December 31, 2027. While this represents an increase in expense, the Company has managed to keep the total level of O&M expense reasonable[9], and the requested increases in O&M expense support the Company's efforts to continue providing high quality water service in the most cost-effective way to our customers in the long-term. KAWC's O&M pro forma adjustments proposed in this case are discussed in greater detail in the direct testimonies of KAWC witnesses Robert Prendergast and John Watkins.

Q. Are there O&M costs associated with the newly closed and pending water system acquisitions included with this case?

A. Yes. O&M costs associated with the three new acquisitions have been incorporated into this rate case filing. They represent additional labor, chemical, fuel & power, fleet, insurance, contract services and other miscellaneous expenses necessary to operate the systems in accordance with established federal and state regulatory requirements and Kentucky-American Water service standards. Mr. Prendergast more fully explains these expenses in his direct testimony.

[9] See the Direct Testimony of Joseph Weiss.

A. Labor Costs

1. *Projected Head Count*

Q. Please discuss how KAWC staffs its business operations.

A. We recognize our duty to staff our business in a manner consistent with the provision of safe and adequate utility service. Not only does this require that we pay our employees at levels consistent with the market as discussed later in my testimony, but it also requires a constant evaluation of the right mix of internal and contract labor, straight time versus overtime, training programs, and technology. In this vein, we continue to evaluate costs and expenses going forward, always looking for the best solution for the unique and changing challenges we face. A large portion of our cost structure is for labor, and as a position becomes vacant in our organization, we look to the value of that position. We review the overall need for that position and consider, among other things, whether that work should be performed by internal or contract labor, and whether the position should be transferred to another area or modified. Cost control and improved business performance are the goals of these efforts. We continue to evaluate appropriate positions that KAWC will need to optimize new technology and most effectively serve our customers.

Q. What is the Company's anticipated head count during the future test year?

A. KAWC's labor force produces quality drinking water by, amongst other things, maintaining the production facilities and distribution systems, monitoring water quality, providing engineering services and supporting the efficient management of local operations. The Company has identified 206 full-time employees as the appropriate

staffing level for our operations based upon each department's plans to continue providing safe, adequate reliable, and affordable service to our customers.

Q. Why does the Company require additional head count above that which was authorized in the prior rate case?

A. The Order in the Company's 2025 rate case authorized a level of O&M expense based on a headcount of 168 full-time employees. Since the conclusion of the 2025 rate case, the Company has identified additional staffing needs listed below:

- New water treatment processes – Kentucky-American Water is constructing a new water treatment plant residuals pressing facility at our KRS I treatment plant. This is a new process to modernize how wastewater treatment waste solids are processed and disposed of. KRS I waste solids are currently disposed of in onsite sludge lagoons that require routine annual cleaning and disposal. This is a lengthy and contract labor intensive activity and less environmentally friendly than the existing sludge pressing operations already in place at our RRS and KRS II water treatment facilities. At RRS and KRS II, the pressed, substantially dried waste, is classified as beneficial use material that can be reused for soil additive by third parties. Kentucky-American Water currently allows local residents at our KRS II water treatment plant to obtain this material for private and other use under our existing permit. The new residual pressing facility at KRS I will generate similar beneficial use material. In addition, Kentucky-American Water is required to add UV treatment to the KRS I facility to meet the Enhanced Long-term treatment rule for micro organism removal. Due to the increase of new treatment systems at this facility the addition of two new water treatment plant operators is required to

operate the new equipment and manage dried material storage. The new facilities are expected to be operational in 2027.

- Water production Maintenance – As noted in my testimony above, Kentucky-American Water is required to add UV water treatment to the KRS I facility and is adding a new sludge residual drying facility to KRS I. The additional treatment facilities will require one additional maintenance technician to support maintenance and repair workloads.
- Construction oversight – KAWC delivered approximately $35 million of net capital spend in 2020. As shown in Exhibit JM-1 of John Magner's direct testimony, KAWC is anticipated to invest almost $92 million in Investment Projects and Recurring Projects in 2026. This is a significant increase in capital investment from 2020, and KAWC plans to hire two additional construction project managers to manage and inspect the increased workload. Additionally, the Lexington-Fayette Urban County Government recently approved a significant expansion to Fayette County's Urban Service Boundary, which is the area of greatest development within the county due to the availability of municipal services such as sanitary sewer service. KAWC anticipates an increase in the number of requests for developer-funded water main extensions, fire service connections, and large domestic services.

- Government Affairs and Regionalization Support– To effectively support our current and planned growth, existing customers and future regionalization efforts, KAWC added two resources in 2026. A Sr. Principal, Business Development and Lead, Government Affairs resource were hired in 2026. These resources directly enable

KAWC to assist Kentucky water utility systems in need of management, operational, and financial solutions to improve the overall quality of water, service and infrastructure investments for their constituents through regionalized solutions. In addition, these resources work at state and local levels to support stakeholder decision-making necessary to improve the overall water service quality to our rate payers through education, knowledge sharing, and serve as a link between state and local government and our operations team.

- Additional labor required to support newly closed and pending water system acquisitions – From an operational perspective, the acquisitions include the addition of water treatment plants, pumping stations, water storage facilities, many miles of water pipelines, hydrants, valves, fleet & equipment, and approximately 10,000 new customer connections. KAWC will acquire the existing employees currently employed and must hire other functional support employees to effectively incorporate these systems into our southern operating region operations and management structure. Please note there are no employees being hired with the Livingston water utility system acquisition and this system will be fully incorporated into the Eastern Rockcastle system and supported with KAWC's existing employees.

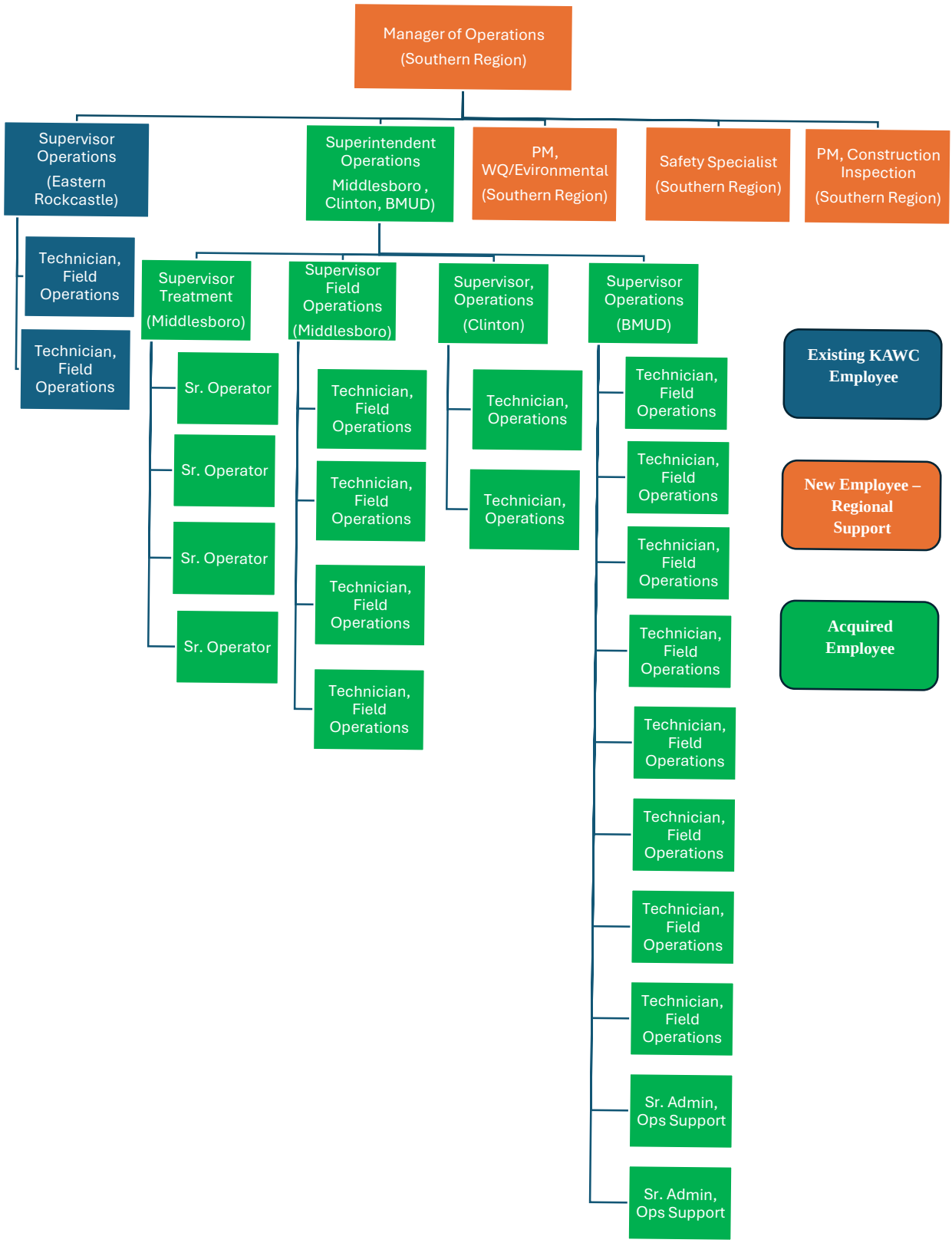
Q. Please describe the additional labor required to support the new acquisitions and regional growth, including projected hire dates.

A. The table below describes the additional labor support associated with the new acquisitions:

Employee Group	Employee Type	Number of Employees	Estimated Hire Date
Regional Organization and Function Support	New Employees	4	June 2026

Middlesboro & Clinton (Water Services Kentucky)	Acquired Employees	14	June 2026
Black Mountain Utility District (BMUD)	Acquired Employees	11	January 2027

For further context, below I have provided the new organization chart for the Southern region that incorporates the new positions associated with the acquisitions.


Manager of Operations (Southern Region)
Supervisor Operations (Eastern Rockcastle)
Superintendent Operations Middlesboro , Clinton, BMUD)
PM, WQ/Evironmental (Southern Region)
Safety Specialist (Southern Region)
PM, Construction Inspection (Southern Region)
Technician, Field Operations
Technician, Field Operations
Supervisor Treatment (Middlesboro)
Supervisor Field Operations (Middlesboro)
Supervisor, Operations (Clinton)
Supervisor Operations (BMUD)
Sr. Operator
Sr. Operator
Sr. Operator
Sr. Operator
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Technician, Operations
Technician, Operations
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Technician, Field Operations
Sr. Admin, Ops Support
Sr. Admin, Ops Support
Existing KAWC Employee
New Employee – Regional Support
Acquired Employee

1

Q. Will there be a reduction of overtime and contract services resulting from the increased headcount?

A. No. The additional employee resources are a direct response to new or changed requirements to meet system operational reliability needs and regulatory requirements.

2. *Performance Compensation*

Q. Please describe the Company's approach to its employee compensation program.

A. The Company aims to offer compensation that is on par with other companies Kentucky-American competes with for talent. Therefore, the Company targets its total direct compensation (inclusive of base and performance compensation) for each role near the market median (50^{th} percentile). Offering market-level total compensation ensures that Kentucky-American's compensation is not only competitive, but also reasonable.

Q. Please discuss the Company's decision to leverage a goal-based performance compensation plan as part of its total direct compensation.

A. By using a combination of base fixed pay and goal-based performance compensation, the Company satisfies a dual objective of having a competitive market-based total compensation for all employees, while continuing to motivate employees to achieve goals that will improve performance and efficiency for the benefit of our customers. We believe this approach is superior to setting base compensation targets at market median and not offering performance compensation because goal-based performance compensation provides a clear communication of Company goals and targets and recognizes employee and Company achievement.

Q. Is KAWC's employee compensation expense a necessary cost to serving its customers?

A. Yes. Employee compensation is a cost of providing utility service, like other prudently incurred costs of service recoverable in rates. Employee compensation must therefore be assessed through the same lens as all other operating costs of the Company: if it is prudently incurred and reasonable in amount, relative to what the industry pays for the same services, it should be recoverable through rates. The Company is presenting evidence that its levels of total compensation are reasonable. Where the Company's total compensation level is in line with or below the market, as will be demonstrated in this case, regardless of the combination of fixed and performance-based components that the employees earn, then the Company's overall compensation expense is reasonable and prudently incurred and thus, should be recoverable like all other costs of service.

Q. Is the Company's employee compensation expense reasonable?

A. Yes. The Company retained the services of Willis Towers Watson ("WTW") to perform a total compensation study to determine if the total direct compensation[10] and total remuneration[11] provided to KAWC employees, when viewed against the market of talent for employees of similar positions, is at market levels based on the Company's stated compensation philosophy. The findings of WTW's compensation study are detailed in the Direct Testimony of Company witness Robert V. Mustich and his accompanying study. Mr. Mustich reached the following conclusions:

- The Company's total direct compensation programs are comparable to and competitive with market practices of other similarly-sized utilities and of industry generally.

[10] Total direct compensation includes base pay, plus target annual performance compensation and long-term performance compensation.

[11] Total remuneration includes total direct compensation plus benefits.

- KAWC employees are generally below the competitive range of market median for each element of total remuneration.
- KAWC's market-based compensation programs are reasonable.
- The target total direct compensation and total renumeration provided to the Company's employees is already below the median competitive range of the market.

Q. Is the totality of the Company's market based total compensation a prudently incurred expense?

A. Yes. As Mr. Mustich has demonstrated in his Direct Testimony, the Company's compensation philosophy and performance plan designs are consistent with market practice and overall total direct compensation (which includes base compensation and all performance compensation), as well as the Company's total renumeration (which also includes benefits), is below the competitive market range. Therefore, KAWC's total compensation expense is reasonable and prudently incurred.

Q. How is performance compensation provided to employees?

A. Performance compensation may be awarded under two plans – the Annual Performance Plan ("APP") and the Long-Term Performance Plan ("LTPP"). All full-time employees participate in the APP. Eligibility for the LTPP is limited to certain exempt employees.

Q. How does performance compensation align employees with Company goals?

A. The Company believes that performance compensation offered as variable pay aligns our performance plans with achievement, by requiring that the employee and the Company "re-earn" the performance compensation through standards set via the APP and LTPP. If

excellent performance is not sustained, variable pay may be impacted based on achievement of targets and the resultant Company plan funding.

Q. Please discuss how management determines which goals warrant inclusion within the APP.

A. Each year, American Water leadership[12] evaluates the APP goals and considers whether to make any changes. It considers best practices, goals of its proxy group and utility peers, as well as the Company's objectives and strategies for the upcoming year with an eye towards continuous improvement.

Q. Please describe the key performance objectives underlying the APP.

A. The APP is designed to recognize and reward performance against key performance goals and targets that drive the Company's strategy. For 2026, the APP goals are as follows:

Annual Performance Plan for 2026

STRATEGIC STAKEHOLDERS	GOAL	TARGET	WEIGHT
PEOPLE	Strengthen our inclusive culture.	Engagement Index Score of 82% or higher.	5%
	Zero incidents, injuries, and *preventable* accidents.	DART Rate of EEI 1st Quartile ≤ 0.37	7.5%
		SIIR of EEI 1st Quartile ≤ 0.02	7.5%
CUSTOMERS	Deliver a top-rated customer experience.	All states rank in top half as determined by regional JD Power scores.	15%
	Trusted leader in water quality, water management, system resiliency, and environmental stewardship.	≤ 5 total drinking water quality Notices of Violation (NOVs)	15%
INVESTORS	Grow EPS target	FY 2026 EPS midpoint of $6.07 per share	50%

Q. Please describe the LTPP.

[12] This includes executive leadership, with the review and approval of the Executive Development and Compensation Committee ("Compensation Committee") and American Water's full board of directors.

A. American Water provides time-based stock compensation and performance-based stock compensation as long-term performance compensation under the LTPP. American Water's stock-based compensation is based on three-year vesting periods. The time-based stocks are based on time-based vesting, meaning they vest in three equal installments over the three-year vesting period; the performance-based stocks are based on performance vesting conditions, in addition to time.[13]

Q. Please briefly discuss the PSC's decision regarding recovery of performance compensation in KAWC's immediate prior general rate case.

A. The Commission disallowed a portion of KAWC's revenue requirement associated with performance compensation tied to financial performance, stating that the evidence the Company put forth did not persuade the Commission that financial performance measures benefit customers.[14]

Q. Do you agree that performance compensation tied to financial performance provides no benefits to customers?

A. No, I do not. This position assumes that customers will not benefit alongside shareholders when financial goals are achieved.

Q. How do the APP and LTPP compensation plans benefit customers?

A. The Company's performance compensation plans align the interests of our customers, employees and investors. The design of the plans emphasizes customer service, environmental compliance, a safe work environment, and people, as well as certain

[13] American Water uses a combination of compounded EPS growth, relative total shareholder return ("TSR"), and return on equity ("ROE") over a three-year performance period as the basis for measuring performance-based stock awards.

[14] Case No. 2025-00122 Final Order (December 16, 2025), pp. 21-22.

financial goals. All of the APP and LTPP performance objectives – both operational and financial – focus employees' efforts in ways that ultimately benefit customers. The use of multiple measures further strengthens our ability to drive results across the enterprise.

Q. How do the operational goals of the APP benefit customers?

A. The operational goals of the APP are designed to focus plan participants on the results that can most directly influence customer satisfaction, health and safety, environmental performance, and workforce diversity. Customers benefit from the plan goals because operational performance is improved by controlling costs, capturing efficiencies, promoting effective safety and risk management practices, enhancing customer service, and doing so with a diverse workforce that reflects the communities we serve. Achievement is determined by goals that directly benefit customers by creating a more productive workforce that is focused on customer satisfaction and achieving efficiency, environmental, and safety goals. For example, goals limiting the number of Notices of Violation (NOV) for drinking water regulations help maintain a focus on providing safe and reliable water service, while goals for customer satisfaction measure the level to which customers value the activities and services performed by employees throughout the business.

Q. How do the financial goals of the APP and the LTPP benefit customers?

A. The financial goals of the APP and LTPP benefit customers in many ways. Achieving financial goals, such as targeted earnings per share ("EPS"), requires continual attention to operating efficiently. **That is, unless the utility controls its operating costs, it cannot achieve a targeted EPS. This necessitates employees at all levels of the organization to remain focused on increasing efficiency, decreasing waste, and boosting overall**

productivity. EPS is guided by various drivers; however, achieving a targeted EPS requires attention to operating efficiency and cost control--that is, unless the utility controls its operating costs, it likely will not achieve a targeted EPS because operational efficiency, cost control practices, and net income are correlative. As a result, the Company controls operating costs to the benefit of customers, because doing so mitigates rate increases. Consequently, when financial goals are achieved through efficiency, as is the case for the Company, the interests of customers, employees, and investors are aligned. Achieving the financial goals also helps ensure that the Company can gain access to capital at reasonable rates to the benefit of customers. KAWC witness John Watkins, in direct testimony, addresses how maintaining a strong financial position allows the Company to attract capital at reasonable cost, which assists KAWC in its efforts to provide safe, reliable and affordable water service to its customers.

Q. Why is the Company unable to quantify the customer benefits associated with performance compensation tied to financial goals?

A. KAWC is unable to quantify these benefits because they arise from the cumulative impact of thousands of day-to-day operational and managerial decisions made by employees across the Company. Financial performance goals are designed to promote cost discipline, efficient resource management, and prudent decision making at every level of the Company. These behaviors influence how work is planned, how resources are deployed, and how costs are managed on an ongoing basis. While these efforts result in lower overall costs and more efficient operations, the specific savings attributable to any single decision cannot be isolated or measured with precision. The benefits are inherently embedded in

the Company's overall cost structure and reflected in the level of expenses presented for recovery in this proceeding.

Q. Could changing the Company's compensation structure resolve the question of the recovery of performance compensation?

A. Maybe. Based on Commission precedent, it appears the full market-based compensation would be completely recovered from customers if KAWC included costs equal to performance compensation in employees' base pay rather than awarding it through APP and LTPP. Changing the manner of compensating employees to remove the disputed method (APP and LTPP) and placing all of the compensation in base pay would likely result in recovering one hundred percent (100%) of the higher base pay in the revenue requirement. However, making this adjustment would not only be inconsistent with market practice, but it would also not be in the long-term interest of our customers because it would remove the strong incentive APP and LTPP provide employees to proactively work towards efficiency. In my experience, the APP and LTPP operational and financial metrics focus employees on managing the business more efficiently, improving customer service, and incentivize efficiency of production and field operations.

Q. How would the change of performance compensation pay to base pay impact the Company's culture?

A. The Company's culture is one of continuous improvement; therefore, goal setting and achievement is the driver of performance across the organization. Performance compensation helps guide a continuous improvement culture rather than one of complacence and entitlement. The Company provides a yearly scorecard with defined goals, showcasing its focus on annual organizational priorities. The scorecard metrics

enable the entire organization to continuously evaluate and improve results based on benchmarks. Additionally, performance compensation serves as a catalyst for achievement and continuous improvement culture by incenting employees to work toward important business objectives.

Q. Do the Company's employees typically earn their performance compensation?

A. Yes. The Company has funded performance compensation every year for at least the past decade. The level has varied from year to year based on achievement of targets or exceeding targets, but the organization's performance has resulted in the payment of performance compensation typically equal to or greater than the target level. The Company only seeks recovery at the target level.

Q. Is there other evidence of the tangible benefit to customers from the performance pay component of the Company's total market-based compensation program?

A. Yes. Again, it is important to consider the impact of a utility's financial health on its access to capital at reasonable costs. The Company's customers have benefitted from the Company's access to capital at favorable rates. Because utilities are capital intensive and must routinely and consistently access the capital markets at reasonable costs, customers ultimately benefit when their utility has the financial health to do so.

APP results also demonstrate additional customer benefits. KAWC is currently in the top half of the customer satisfaction survey and the Company has not incurred any drinking water related NOVs. In addition, reducing OSHA incidents, particularly serious injuries, increases safety—customer safety and employee safety. No one can credibly dispute the benefits of improved safety. Further, reduced accidents reduce the attendant costs—workers' compensation, damage repair, etc.—which mitigates the operating costs

that customers pay through rates. A commitment to work to achieve safety performance goals reflects an engaged workforce that is focused on providing safe, reliable and affordable service to KAWC's customers. Customers benefit from lower SIIR and DART results through more efficient employee efforts and lower costs from occupational illnesses and injuries.

Q. Is providing appropriate levels of compensation to employees critical to the Company's ability to continue to provide safe and adequate service?

A. Yes, it is. Competition among companies to attract and retain high performing employees is keen. In recruiting new employees or retaining existing employees, both the Company and American Water compete with general industry in surrounding regions and nationally. For KAWC, the region includes companies in the manufacturing and service industries, in addition to other utilities and construction companies. The Company's compensation program seeks to provide employees with a total compensation package on par with those offered by companies with which it competes for employees.

Q. Please summarize why the Company's total market-based compensation, including its performance-based compensation component, should be recoverable through rates.

A. The performance-based compensation component of the Company's total market-based compensation plan aligns the interests of our customers, employees, and investors. The market-based compensation philosophy that KAWC has adopted allows it to attract and retain the workforce needed to continue to provide safe and reliable service. The plans contain tangible goals that are designed to do several things, *i.e.*, measure and compensate employees for achieving goals based on delivering clean, safe, reliable, and affordable

water service and provide first-in-class customer service when doing so. The components include goals that can most directly influence customer satisfaction, health and safety, environmental performance, and operational efficiency. Customers derive a direct benefit from our focus on these key measures in the plan. Further, the plans' well-grounded financial measures keep the organization focused on improved performance at all levels, particularly in increasing efficiency, decreasing waste, and boosting overall productivity. The Company has demonstrated that its overall compensation levels are below the market, and thus, are a reasonable and prudently incurred cost of service that is appropriately included in rates.

B. Support Services

Q. What support services does KAWC obtain from the Service Company?

A. KAWC obtains certain support services from Service Company which are essential to operating and providing water service to Kentucky-American's customers, including customer service, water quality testing, innovation and environmental stewardship, human resources, communications, information technology, finance, accounting, payroll, tax, legal, engineering, accounts payable, supply chain, and risk management services. The Service Company, for example, operates a customer service organization ("CSO") that handles customer calls, billing, and collection activities for KAWC and its public utility affiliates. The CSO handles customer inquiries and correspondence, and processes service order requests. Additionally, the Service Company operates Field Resource Coordination Centers which are responsible for tracking and dispatching service orders for our field representatives and distribution crews.

Q. How does Kentucky-American gain efficiencies from its relationship with American Water and the Service Company?

A. The support services KAWC receives from the Service Company are necessary for KAWC utility operations and provision of service to its customers. The Company benefits from economies of scale in getting these services and expertise on a shared basis at cost. In his direct testimony, Company witness Joseph Weiss provides testimony and analysis that demonstrates that the costs charged to Kentucky-American by Service Company for support services are reasonable.

Q. Can you provide additional examples of the support services KAWC obtains from the Service Company?

A. Yes. The Service Company operates the American Water ("AW") Central Laboratory located in Belleville, Illinois – one of the most advanced water quality laboratories in the United States, which employs chemists, laboratory technicians, analysts, and support employees to perform water quality testing and research. The AW Central Laboratory supports KAWC's research and water compliance efforts through sophisticated testing and analysis. The AW Central Laboratory processes nearly 30,000 sample events each year, is certified in 17 states and territories, and is accredited to perform testing for 35 methodologies for over 220 compounds. The lab has a history of being on the forefront of monitoring, testing, identifying, and controlling analytes in advance of federal regulations, and regularly collaborates with the EPA to help develop federal drinking water standards and regulations. Our highly sophisticated analytical and research capabilities are why the EPA regularly taps into our lab and our research team to help develop federal drinking water standards and regulations. Another example is the support services KAWC receives

from the Service Company's Information Technology ("IT") team. This IT team provides effective information technology support and solutions to meet KAWC's business needs. The Company's ongoing investment in technology enables KAWC to better manage its end-to-end view of its water operations from source to the tap. Further, this IT team works side-by-side with KAWC end-users to develop technological solutions engineered with a focus to enhance our employees' effectiveness and to allow our customers to do business with us more easily.

Q. What support services does KAWC receive from the Service Company's Supply Chain Team?

A. Through the size and breadth of American Water, the Service Company has continued to increase its purchasing power and obtain significant discounts on the necessary goods and services at prices that KAWC otherwise would be unable to obtain were we a separately owned water system. All goods and services purchased that can be leveraged across the entire American Water enterprise are done so by the Supply Chain team within Service Company ("Supply Chain") in order to maximize the purchasing power of the entire American Water enterprise. Such goods and services include but are not limited to water treatment chemicals, pipe valves and fittings, meters, engineering services, consulting services, professional services and employee benefits. The value realized from Supply Chain's work are a benefit to all American Water subsidiaries.

Q. What are some of the significant categories in which Supply Chain managed to control costs?

A. The following areas are a representative list of ways in which the Supply Chain has worked to control the Company's costs:

Water Treatment Chemicals: Annually, Supply Chain solicits bids for all water treatment chemicals. American Water leverages the spend enterprise-wide to acquire bid prices that offer the Company the best possible value. In addition, Supply Chain can leverage alternate suppliers or work with other American Water affiliates at times when supply of a critical chemical is limited. At a time of rising prices, Supply Chain was able to keep KYAW's chemical pricing flat from 2025 to 2026.

Maintenance Repair and Operating ("MRO") Supplies: Supply Chain is able to leverage the volumes across the entire enterprise to lower the overall costs of MRO products and maintain favorable pricing. In addition, Supply Chain is currently working with Corporate Safety on a safety product standardization project that will help ensure all American Water employees are using the appropriate PPE while allowing Supply Chain to negotiate lower prices with suppliers for the consolidated spend.

Ductile Iron Pipe: Supply Chain leverages company volumes to secure discounts and thus minimize cost increases at a time when pricing has been increasing substantially due to tariffs and other factors. American Water also uses the power of its spend to gain priority access to materials at times when product is constrained. This allows the Company to complete more infrastructure work in a shorter period of time at a lower cost than others.

Logistics: Supply Chain is using other innovative methods to lower prices for the Company's customers. Supply Chain is currently executing a third-party logistics program where American Water manages vendor freight. This program allows for greater control over shipping modes and lead times, as well as lowering the cost of materials by reducing the company's freight expenses.

Fleet: Each year Service Company's fleet management team negotiates with all the major domestic vehicle manufacturers to secure purchase volume incentive discounts and production allocation. These discounts are in addition to the discounts negotiated with manufacturers' dealers and fleet management providers used for the procurement of vehicles. As one of the Top 100 commercial truck fleets[15] in the country, we are able to leverage our enterprise scale to achieve favorable outcomes in these negotiations.

Telecommunication: Supply Chain has worked with stakeholders on the information technology team to develop new strategies in the category. These actions will reduce the number of suppliers, optimize processes, and provide more robust visibility into key metrics, which helps reduce or mitigate increases to such costs.

VII. Self-Service Kiosk Closure

Q. Can you discuss the options KAWC customers have for making payments?

A. Yes. Kentucky American Water customers have access to a wide range of payment options, including online payments through the MyWater portal, automatic bank or credit card draft, digital wallet payments, phone payments, mail-in payments, authorized in-person retail locations using bill barcodes, and a self-service kiosk at the company's Lexington office located at 2300 Richmond Road. These multiple payment channels are designed to provide flexibility, convenience, and accessibility for customers with different financial and technological needs.

Q. Is the Company proposing changes to these options?

A. Yes. The Company is recommending the self-service payment kiosk at its Lexington office be permanently closed and removed from service.

[15] J. Wiklund, "Top 100 Commercial Truck Fleets," *Automotive Fleet* (February 8, 2022).

Q. Why is the Company recommending closure of the self-service kiosk?

A. The recommendation is based on two primary considerations: cost and security, weighed against the kiosk's limited use by customers. Maintaining a continuously accessible kiosk capable of accepting cash requires ongoing expenditures for armored cash handling, equipment maintenance, monitoring, and reconciliation. In addition, cash-accepting kiosks pose increased security risks, including exposure to theft, vandalism, and safety concerns for both Company personnel and the public. These risks and costs are not commensurate with the limited incremental benefit, particularly given that the transactions at the Richmond Road kiosk account for less than one percent of total customer payment transactions[16] across KAWC's broad range of alternative payment options already available to customers. In light of this, continued operation of the kiosk is neither cost efficient nor prudent.

Q. Will the closure of the kiosk reduce payment options for customers?

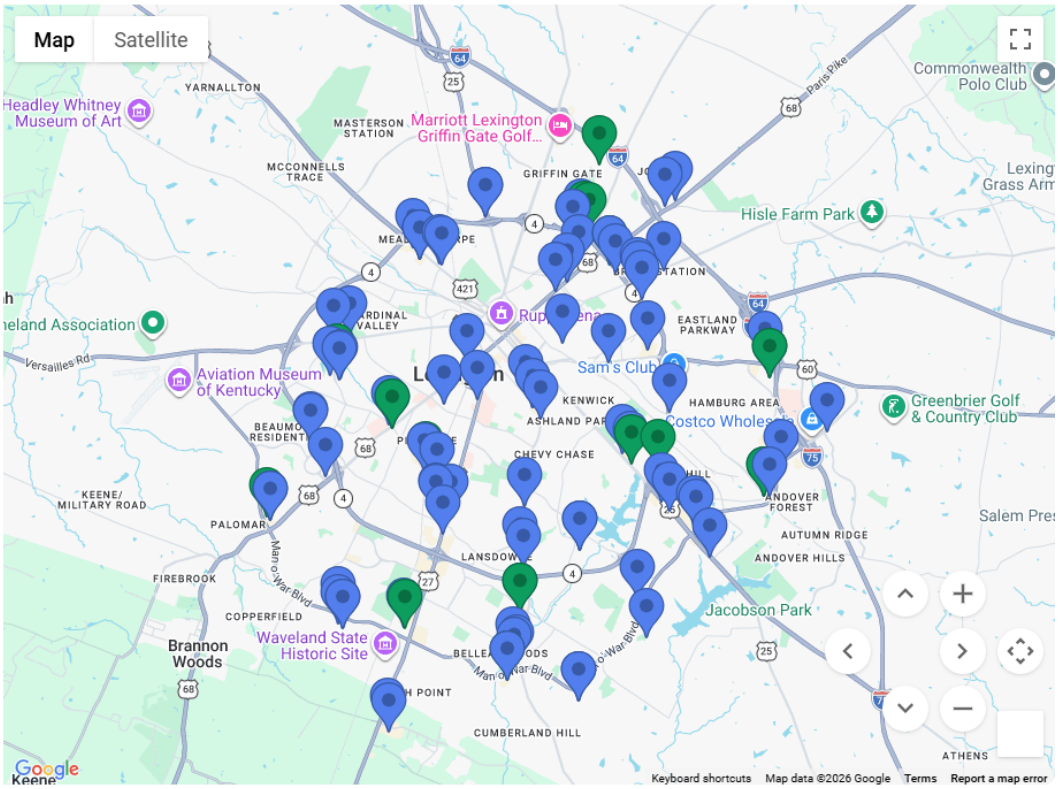
A. No. Customers will continue to have access to multiple convenient and widely used payment methods, including online payments, automatic draft, phone payments, mail-in payments, and in-person payments at authorized third-party retail locations that accept cash using the barcode printed on the customer's bill. In fact, of the roughly 87 fee-free walk-in payment locations in the Lexington area, there are three locations – Speedway, Walgreens, and Family Dollar that are located a short distance from the Richmond Road kiosk location. Additionally, the volume of transactions at the Richmond Rd location has reduced from roughly 1,800 in 2024 to 1,200 in the same period in 2026, further

[16] In 2026, transactions at the Richmond Road self-service kiosk represented approximately 0.34% of the total payment types available to Kentucky-American Water Company customers.

underscoring that these alternatives provide equivalent functionality without the added expense and security exposure associated with Company-operated, cash-accepting kiosks.

Q. Does KAWC provide a tool to assist customers seeking to make an in-person payment?

A. Yes. KAWC provides customers with access to an online payment locator tool available through its website[17] that enables customers to search for authorized in-person payment locations nearest to them. Please see below for a map of payment locations across Lexington generated by the tool. Similar payment options are located throughout all of KAWC's service territories.



[17] KAWC's online in-person payment location tool is available at KAWC's website: https://www.amwater.com/kyaw/customer-service-billing/billing-payment-info/

Q. How does the payment location tool function?

A. Customers may enter their zip code, which then identifies all authorized payment locations where in-person payments may be made. The tool also offers the ability to find and select the preferred location, details the payment methods available to customers at the selected location, and generates directions to the selected location.

Q. Is the Company aware of industry trends regarding utility payment systems?

A. Yes. Across the utility industry, companies continue to transition away from company-operated cash collection toward electronic payments and authorized third-party cash payment locations. This approach enhances safety, reduces administrative burden, and promotes efficient operations while preserving payment flexibility for customers who prefer or require non-electronic options.

Q. Does the recommended closure of the self-service kiosk have implications under any existing agreements with the City of Lexington?

A. Yes. Kentucky American Water maintains a Franchise Agreement with the City of Lexington that contemplates the Company's office operations and customer service practices within the City. The Company will work with the City of Lexington to ensure it is comfortable with closing the kiosk under the terms of the Franchise Agreement while reaffirming the Company's continued commitment to customer service, public safety, and community engagement. This process will be handled through established municipal coordination channels and will not affect the Company's ability to provide safe, reliable water service.

Q. What is the anticipated timeframe for closing the kiosk location?

A. Subject to coordinating with the City of Lexington, KAWC anticipates working with the City of Lexington to determine a reasonable timeframe for the kiosk's closure. In any event, KAWC would not close the kiosk prior to December 31, 2027.

Q. Will KAWC notify its customers of the kiosk's closure?

A. Yes. Kentucky American Water plans to communicate the kiosk's closure to customers through established customer communication channels. Additionally, KAWC anticipates working with the City of Lexington to determine the form and duration of reasonable notice to customers prior to the kiosk's closure.

VIII. Tariff Changes Other Than Rates

Q. Is the Company proposing changes to its tariff other than the requested rate revisions?

A. Yes. The Company is proposing two minor changes. First, the Company is proposing some text revisions related to the Company's ability to inspect plumbing at a customer's premises. The Company needs to clarify what its inspection rights are so it can fulfill its obligations relating to the presence of lead and copper described above. The proposed revisions are at Paragraph 7.3 of the proposed tariff. Second, the Company is proposing a short addition to the tariff provision related to advance payment for private fire hydrants. The requested addition simply gives the Company flexibility as to whether three years' worth of payments will be required in advance of installing a private fire hydrant. The proposed revision is at Paragraph 11.2(c) of the proposed tariff.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, William Andy Lewis, being duly sworn, deposes and says that he is the Vice President of Operations for Kentucky-American Water Company, that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

William A. Lewis

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of May, 2026.

Molly McCleese Van Over
Notary Public

My Commission Expires:
July 31, 2029

Notary ID: KYNP26988

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF JOHN MAGNER

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John Magner. My business address is 2300 Richmond Road, Lexington Kentucky 40502.

Q. By whom are you employed and in what capacity?

A. I am employed by Kentucky-American Water Company ("KAWC," "Kentucky-American" or "Company") as the Director of Engineering.

Q. Have you previously filed testimony before this Commission?

A. Yes, I provided written testimony in Case No. 2023-00248, which was KAWC's application for a Certificate of Public Convenience and Necessity ("CPCN") for the construction of a water transmission main to the City of Millersburg. I also provided testimony Case No. 2025-00122, which was the Company's most recent general rate case.

Q. Please summarize your educational background and work experience.

A. I received a Bachelor of Science in Civil Engineering from the University of Kentucky in 2015 and a Master of Business Administration from the University of Kentucky in 2016. I am a licensed Professional Engineer in the Commonwealth of Kentucky.

I have been employed by KAWC since August 2022. During my career with KAWC, I have served as an Engineering Project Manager, Senior Project Engineer, Engineering Manager, Sr. Engineering Manager, and Director of Engineering. Prior to joining KAWC, I worked for Stantec Consulting Services Inc. as a Water Resources Engineer where I both designed and managed municipal water, wastewater, and stormwater infrastructure projects. I am a member of the Clean Water Professionals of Kentucky and Tennessee organization, and the American Water Works Association.

Q. Please describe your duties as KAWC's Director of Engineering.

A. I am responsible for oversight of the planning, design, and delivery of the Company's capital program. Activities conducted as part of the capital program include the development of targeted and comprehensive planning studies; the performance of risk and resiliency assessments; the development of the capital investment plan/budget; rehabilitation of existing infrastructure; and the design and construction of capital investment projects, utilizing both internal and external resources, for new and replacement distribution and production infrastructure. I also coordinate technical support for other departments within the Company.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony describes the planning, implementation, and governance of KAWC's capital program; describes and support the Company's capital investments in water utility plant and equipment that has or will occur since the Company's most recent general rate case through December 31, 2027, highlighting the Company's significant capital investments; and discusses the risks associated with furnishing public water service. Finally, I explain the need for the new System Improvement Program ("SIP") mechanism proposed by KAWC in this application and the benefits it provides for KAWC's customers.

Q. Are you sponsoring any exhibits along with your direct testimony?

A. Yes. I am supporting Exhibit JM-1, which provides KAWC's capital project expense forecast for the years 2027 through 2029; Exhibit JM-2, which provides the capital forecast for investments proposed to be included in the new mechanism; and Exhibit JM-3, which provides capital project expense forecasts for the three acquisitions included in this case. I am also sponsoring, or co-sponsoring, Exhibit 11, Exhibit 13, Exhibit 15, and Exhibit 16.

II. CAPITAL INVESTMENT PLANNING PROCESS

Q. Please describe the Company's capital investment planning process.

A. The Company uses a standardized Capital Program Management ("CPM") process to plan and manage all capital investments. KAWC performs comprehensive planning studies ("CPS"), targeted studies, pipeline prioritization modeling, and risk and resiliency assessments to identify and evaluate potential capital needs and develop investment recommendations to ensure that the appropriate projects are being prioritized. An overall strategic process prioritizes capital investment programs and projects based on various key criteria such as regulatory compliance, level of service, system demand, capacity, and safety. These prioritized capital investment programs and projects are then used to formulate the Company's five-year capital investment plan. Funding for the capital investment programs and projects contained within the capital investment plan is allocated based on numerous factors including current and future service needs, the physical condition of existing infrastructure, economic and risk factors, performance characteristics, regulatory compliance, and the potential for cost saving opportunities through coordination with other entities.

Q. Please describe the comprehensive planning studies, targeted studies, and risk and resiliency assessments in more detail.

A. A CPS is a master plan for capital improvements within KAWC's system. The CPS evaluates multiple key aspects of the system over a 20-year planning horizon, including system demand and customer growth, regionalization opportunities, sources of supply, production capacity, water quality, the distribution system, infrastructure condition, and system storage. Based on the evaluation of these elements, capital improvements that will

allow the Company to continue to provide safe, adequate, and reliable service to its customers are identified. These projects are then prioritized based on considerations including safety, regulatory compliance, capacity and growth, infrastructure renewal, efficiency, resiliency, reliability, likelihood and consequence of failure, and quality of service.

Targeted studies are completed when capital project needs arise between CPS cycles. These studies focus on specific issues/projects, but the projects in targeted studies are evaluated, developed, and estimated to the same degree as CPS projects.

Risk and Resiliency Assessments ("RRA") are performed to comply with the 2018 America's Water Infrastructure Act Section 2013 (AWIA). This Act requires RRAs be performed or updated for each community water system serving a population over 3,300 every five years. These RRAs are used in our capital planning process to identify key assets within KAWC's system, threats to these assets, as well as any potential impacts to KAWC and its customers. Based on these evaluations, the resilience of KAWC's system is rated and recommendations to mitigate identified risks and impacts are developed.

Capital investment projects identified in the studies described above, as well as those identified as a result of pipe prioritization modeling, are key inputs to the Company's capital investment plan. Performing these studies allows the Company to invest more efficiently in projects that allow KAWC to continue to operate safely and efficiently and comply with current and future regulations.

Q. How does KAWC prioritize water mains for replacement?

A. In the past, KAWC used traditional risk calculations to prioritize water main replacements. This process involved multiplying the likelihood of failure ("LOF") and consequence of

failure (“COF”) of a section of pipe to obtain an overall risk score. These calculations significantly weighted the likelihood of failure for a section of pipe.

In 2025, American Water developed a new Pipe Replacement Planner (“PRP”) application to prioritize water main replacements. This tool provides several enhancements over the previous methodology. While this tool still considers LOF and COF, it provides an expanded scoring system that features enhanced analyses around factors such as the hydraulic capacity of the distribution system and the presence of lead service lines.

The expanded scoring system is based on four pre-set investment profiles or a custom investment profile, which allows users to score and prioritize pipes based on specific combinations of input variables, as opposed to one singular risk score. The five input variables are described below. Each pipe receives a score of 1-5 for each input variable, with 5 representing the highest risk.

- LOF: This variable is derived from AutoDesk’s Info360 Asset risk modeling solution. Variables considered in the LOF calculations include break density (by material type), break frequency, hydraulic velocity, fire flow, material, age, and survival probabilities.
- COF: This score is calculated using the Pipe Prioritization Model.
- Fire flow (“FFLOW”): Scored based on available fire flow data.
- Lead Service Count (“LEAD”): Scores are assigned based on the estimated number of lead service line connections to a section of pipe, which are based on lead service line inventories.
- Water Quality (“WQ”): This score is calculated based on the density of water quality complaints.

The investment profiles then weight these various input variables to calculate an overall impact score, which also ranges from 1 to 5.

Investment Profile	Input Variable Weighting
LOF	100% LOF
Lead Weighted LOF	75% LOF, 25% LEAD
Fire Flow/Pressure	100% FFLOW
Blended	50% LOF, 50% COF
Custom	Variable based on user assigned weights

Having multiple investment profiles allows users to evaluate the potential for projects to achieve different goals, such as improving fire flow, removing lead service lines, or reducing main breaks.

Q. Please describe the general project categories in the Company's capital investment plan.

A. The Company's capital investment plan is comprised of two types of projects: recurring projects ("RP") and investment projects ("IP"). RPs are capital projects and programs that the Company executes on a regular, annual basis. IPs, on the other hand, are larger, unique projects with increased levels of planning, design, investment, and oversight. Projects become IPs once they exceed certain cost thresholds, as described later in this testimony. Both IPs and RPs are critical for KAWC to continue to provide safe and reliable service to its customers and support long-term viability and resiliency of the Company's water systems.

Q. Please describe the types of projects included in the capital investment plan that are considered recurring projects.

A. **Item DV (Projects Funded by Others)**: This item is for projects that are completely funded by others. DV projects typically include the installation of new mains, valves, hydrants, and large domestic and fire service connections. They can also include replacement of existing infrastructure that is not funded by Company expenditures. These projects support growth within KAWC's service area and are typically funded through deposit agreements or non-refundable contributions.

Item A: This item is for new water mains, valves, and other appurtenances that are funded by the Company, including upsizing of developer-initiated extensions; Company initiated and funded new mains that are not related to immediate growth, such as new mains that create additional hydraulic connectivity of provide increased transmission capacity; and new customer-initiated main extensions in accordance with the Company's tariff that may include some customer contributions. This item may also include new mains that parallel existing mains to increase transmission capacity, improve reliability, or establish a new pressure gradient.

Item B: This item is for the scheduled replacement, renewal, or improvement of existing water mains including valves and other appurtenances. This line consists of the replacement of aging water mains and work incidental to these main replacements such as valve and hydrant replacements, service renewals, and restoration.

Item C: This item is for the unscheduled replacement or restoration of existing water mains, including valves and other appurtenances. This item is primarily used for emergency replacements.

Item D: This item is for the relocation of existing water mains, including valves and other appurtenances, that conflict with work to be performed by others, such as municipal or state agencies. Replacement of services associated with the relocated mains are included in this item.

Item E: This item is for the installation of new hydrants and valves. Public hydrant installations within KAWC's system are included in this item. This item may also include the installation of vault structures.

Item F: This item is for the replacement of existing valves and hydrant assemblies that are no longer fully functional or have exceeded their useful life.

Item G: This item is for the installation of new services and meters or associated appurtenances such as corporation stops, setters, and shut-off valves.

Item H: This item is for the replacement of services or associated appurtenances.

Item I: This item is for the installation of new meters.

Item J: This item is for the replacement or improvement of existing meters and end-points.

Item K: This item is for the replacement of existing Information Technology System ("ITS") equipment and systems that have failed or are obsolete.

Item L: This item is for installation or replacement of Supervisory Control and Data Acquisition ("SCADA") systems and equipment. Costs associated with SCADA, which is the computerized system for monitoring and operating our water treatment plants, booster stations, and other facilities, is separated from general ITS equipment costs captured in Item K.

Item M: This item captures costs associated with security equipment and systems such as fencing, alarm systems, cameras, software, and locking and detection systems.

Item N: This item is for the replacement or improvement of buildings, equipment, or furnishings for offices and operations centers.

Item O: This item is for purchasing and replacing vehicles including light- and medium-duty trucks and cars, as well as vehicle accessories.

Item P: This item is for the replacement or purchase of construction, shop, garage, meter reading, GPS, safety, and storeroom equipment.

Item Q: This item is for the new purchase or replacement of existing components of water supply, treatment, pumping, storage, and pressure regulation facilities, including associated building components and equipment. Replacements may be planned or made because of failure. This item also includes laboratory equipment and replacement of filter media used in treatment.

Item S: This item is for preliminary engineering studies primarily used for planning purposes. At the initiation of a construction project, these capital dollars are transferred to the appropriate project.

Item T: This item includes the Company's investment in technology projects ("Enterprise Solutions") that are completed on an enterprise-wide basis for the benefit all of American Water's operating utilities (including KAWC). These are comprised of investments that upgrade and enhance our foundational technology, as well as customer facing platforms, among others, to continue to provide safe, reliable, and efficient service to customers.

Q. Please describe how the Company forecasts recurring projects.

A. RPs help the Company meet regulatory requirements, maintain an adequate water supply, renew aging infrastructure, maintain operational efficiency, and improve safety and security. They are scoped and prioritized based on various criteria such as regulatory

requirements, risk and resiliency evaluation results, operational needs, asset condition assessment, pipe prioritization modeling results, and opportunities for cost savings, among others. Individual RP projects are generally not evaluated as part of CPS studies, so capital costs for RPs are trended from historical and forecasted data.

Q. Please describe how investment projects are included within the Company's capital investment plan.

A. IPs are major projects that renew significant assets, enable the Company to meet significant regulatory requirements, improve system capacity to meet increasing customer demand, prevent significant service interruptions, and mitigate risk. These projects are typically identified in CPS or targeted studies, although the Company recognizes the need to, at times, implement IPs to address emerging issues and risks.

Capital projects are designated as IPs once they exceed established cost thresholds based on the appropriate item type for the project. Cost thresholds for the various items are listed below.

- Items A, B, C, D = $2.5 million
- Item Q (filter media only) = $1.5 million
- Other Items = $500,000

Due to the size and significance of these projects, IPs are subject to additional oversight and governance. Specific IPs included in the forecast period are described later in this direct testimony

Q. Please provide an overview of the Company's governance processes for capital investments.

A. The Company's CPM process provides a structured governance framework for both RPs and IPs. This framework utilizes routine reviews, consistent controls, and formal approvals to optimize the value of the Company's capital investments to achieve the goals of providing safe and reliable service to our customers.

KAWC has an interdisciplinary CPM committee that is comprised of representatives from executive leadership, operations, engineering, and finance. Each month, the committee meets with the Company's capital team, as well as other Company employees, to review monthly, year-to-date, and forecasted capital investment made by the Company. These reviews include evaluations of investments in each RP item, which were described previously in this testimony, as well as investments made in active IPs.

RPs with costs exceeding $100,000 are specifically reviewed and approved by the CPM committee. Additionally, each time an IP moves to a different project stage (new project, planning stage, preliminary stage, implementation stage), the CPM committee reviews the anticipated project budget and overall justification for the proposed investment. IPs cannot advance to a new project stage without formal approval from the CPM committee.

Q. Please describe measures the Company takes to control costs of capital projects.

A. Many factors influence the cost of capital projects, including regulatory and permitting requirements, supply chain interruptions, national and global economic conditions, and restoration requirements specified by public agencies. While many of these factors are out of the control of KAWC, the Company places a significant emphasis on controlling costs

where possible. Measures KAWC employs to control capital investment costs are described below.

- Competitive bidding: All significant construction work is competitively bid to a prequalified group of independent contractors. These contractors are prequalified based on their ability to meet minimum safety and performance requirements, which are vetted through a robust third-party review program called ISNet. The ISNet program includes annual safety performance reviews, a review of safety performance data, and maintains contractors' insurance certificates with required Company insurance coverages for the type of work performed. KAWC continues to expand its prequalified contractor list to create a more competitive bidding environment.
- Material purchasing: The American Water Works Service Company, Inc. ("Service Company") supply chain team receives competitive bids and negotiates pricing for materials, equipment, and supplies such as pipe, valves, fittings, hydrants, meters, chemicals, and other commodity items. By leveraging the large, combined buying power of American Water, KAWC is able to obtain favorable pricing and lead times. Functions such as fleet procurement have also become more centralized to leverage purchasing power for lower pricing. Company witness William A. Lewis provides additional discussion on how the supply chain team helps to control costs, to KAWC's benefit.
- Strategic project scoping: Where possible, KAWC scopes and bids projects in ways that promote more competitive bidding and efficient use of contractor resources. Scoping considerations may include combining similar work in one overall bid

package to achieve economies of scale and reduce mobilization/demobilization costs; bidding work during specific times of the year that will minimize disruption during construction; or scheduling work for different projects at the same site so that construction resources can be shared between the two projects.

KAWC is currently using strategic scoping to achieve cost efficiencies for two IPs at the Kentucky River Station No. 1 ("KRS1") water treatment plant. Beginning in late 2026, KAWC will be replacing both a low service pump and the travelling screens (see description for I12-020127) at the KRS1 raw water intake. KAWC had previously anticipated bidding these two projects separately. However, given the similar location and schedule for these projects, KAWC will bid these projects as a package and award the construction contracts to one contractor. This approach will reduce costs associated with mobilizing/demobilizing multiple contractors and allow for the contractor to utilize a rented barge for both projects.

- Restoration cost sharing: Restoration for water main projects is a significant cost for KAWC's capital program. Restoration limits are determined solely by the public agency with jurisdiction over the applicable right-of-way. For waterline replacement projects, KAWC is typically required to restore the roadway well beyond the limits of area disturbed by the project. Particularly when working in Lexington, KAWC is often required to restore the entire roadway, or at a minimum, half of the roadway, which greatly increases the cost of waterline replacement projects. Notable restoration costs are provided below.
    - KAWC has incurred costs exceeding $9.6 million associated with the restoration of roadways for 2025 water main replacement projects.

- KAWC incurred costs of over $1.4 million to perform restoration associated with main break repairs in 2025.

In total, these restoration costs, which do not include restoration costs associated with projects such as service line installations/repairs, water main relocations, and hydrant and valve installations/replacements, represented over 13% of KAWC's net capital spend in 2025.

To reduce costs, KAWC coordinates with various external parties, such as local municipal governments and other utility providers, to identify opportunities to share costs for restoration. KAWC provides information regarding upcoming projects with these entities to identify areas where multiple parties will be working. In areas where there is overlapping work between multiple parties, costs for restoring roadways, sidewalks, and other surfaces can be shared. KAWC prioritizes and schedules projects wherever possible to take advantage of cost sharing opportunities.

- Value engineering: KAWC partners with both designers and contractors to reduce construction costs through value engineering. Designing capital projects in a way that makes construction more efficient can significantly reduce costs. KAWC also works to specify equipment that is adaptable to meet potentially changing system conditions in the future. On the Owenton Booster Station project, for example, the pump station is designed in a way that pumps can be easily replaced with larger pumps to meet increased demand without having to construct an entirely new booster station or make significant modifications to the existing station.

- Price negotiations: In 2025, American Water implemented initiatives to improve capital spend efficiency, which included negotiating costs with contractors. After receiving project bids, KAWC's dedicated Service Company supply chain support will often reach out to one or more responsive bidders to negotiate pricing to lower the overall project cost.
- Internal design development: KAWC is performing more design work for main replacement projects internally, as opposed to hiring consultants to develop the designs. Using internal design resources significantly reduces design costs, with KAWC realizing approximately $640,000 in capital spending efficiencies in 2025.
- Planned and proactive main replacements: Planned and proactive replacement of aging mains, as opposed to replacing them after they've reached a point of failure, reduces pipe replacement costs. Based on an analysis completed by KAWC in 2023, the cost for repairing a main break is over $1,000 per linear foot, whereas replacing main as part of a planned main replacement project costs approximately $330 per linear foot. By using prioritization tools to plan main replacement programs and projects, KAWC is able to proactively replace mains that have a higher likelihood of failure, which reduces costs associated with emergency repairs.

III. DESCRIPTION OF PLANT ADDITIONS

Q. What level of capital investment is the Company seeking to recover in this case?

A. KAWC is seeking to recover approximately $108.4 million in gross plant additions in the forecasted test year. This reflects the amount of capital investment that the Company has invested or plans to invest in gross plant additions through December 31, 2027 in its water facilities since its last rate case.

Please see Exhibit JM-1 for the Company's forecasted capital investment from 2027-2029. Company witness John Watkins describes how plant additions are reflected in rate base in his direct testimony.

Q. Does this capital investment include investment associated with the proposed acquisitions?

A. Yes, this capital investment includes investment related to the three acquisitions listed below. The status of these acquisitions is discussed in the Direct Testimony of Company Witness John Watkins.

- Water Service Company of Kentucky
- City of Livingston
- Black Mountain Utility District

Q. What portion of the total capital investment is in RPs?

A. Approximately $81.2 million of the $108.4 million of the gross plant additions pertain to RPs. As described previously in this direct testimony, RPs include investments such as main replacements, relocations, and extensions; hydrant and valve installations and replacements; meter and service line installations and replacements; vehicle and equipment purchases; water treatment equipment replacements; building improvements; and the installation of ITS and communications equipment that do not meet the cost thresholds to be categorized as IPs.

Q. What portion of the total capital investment is in IPs?

A. Approximately $27.2 million of the $108.4 million of the gross plant additions pertains to IPs that support the adequacy and resiliency of the Company's water facilities. These projects are central to maintaining and enhancing the reliability and resiliency of the

Company's systems, to continuing to provide high quality and reliable water service to customers, and to supporting the long-term viability and resiliency of the Company's water system. The Company's IPs are discussed in greater detail below. Costs are approximate and based on current cost information.

Q. Please identify the portion of the Company's planned capital investment, both RP and IP, as pertaining to the proposed acquisitions identified above.

A. The Company plans to invest approximately $11,500,500 in RPs for Water Service Company of Kentucky, City of Livingston, and Black Mountain Utility District in 2026 through December 31, 2027 to address identified needs. No IPs are anticipated to be placed in-service prior to December 31, 2027. Anticipated capital spend associated with the three proposed acquisitions for the years 2027 through 2029 is presented in Exhibit JM-3.

Q. Please describe the IPs that have been, or are planned to be, placed into service between the Company's last rate case and the end of the future test year and are included in rate base as part of this rate case filing.

A. Several IPs that were placed into service, or are planned to be placed into service, between the Company's last general rate case and through December 31, 2027, are described below. These IPs were not included in the Company's last general rate case and are presented in the order of their projected in-service dates. Thus, IPs projected to be placed in service by December 31, 2026 are presented first, followed by the IPs that are projected to be placed in service on or before December 31, 2027 (the end of the forecasted test year). For each IP, the description includes the actual or projected in-service dates, and the associated capital investment.

I12-020122 KRS1 Low Service Pumps 1-6 ($800,000): Raw water pumped from KRS1's six 15 million gallon per day ("MGD") low service pumps is conveyed through a large vault that features a series of valves, actuators, and electrical and controls components. The equipment in the vault controls the flow of raw water into KRS1 from each of the low service pumps. In February 2025, a surge relieve valve failure flooded the vault and the majority of the equipment, including the valve actuators and electrical/controls components, was damaged beyond repair. This occurrence temporarily stopped the raw water supply to KRS1.

Once the emergency conditions were addressed and production at KRS1 was restored with no impact to customers, KAWC replaced the damaged equipment within the vault. Additional remote monitoring and sump pump capabilities were added to prevent future flooding of the vault. This project was placed into service in March 2026.

I12-020125 KRS1 Low Service Electrical Feed Replacement ($1,300,000): Power to KRS1's six 15 MGD low service pumps is provided via two 5 kV electrical cables that travel down the steep slope from the KRS1 treatment plant to the intake structure on the Kentucky River. Inspections performed in 2025 discovered signs of failure in these cables likely resulting from excessive forces due to the significant weight and incline of the cables. A failure of one of these cables would cause three low service pumps to become inoperable, which would reduce the raw water supply capacity to KRS1 by 50%. Due to the criticality of the low service pumps in supplying water for treatment to meet KAWC's system demand, KAWC elected to replace both 5 kV cables.

This project included the replacement of approximately 850 feet of 5 kV cable down the significant slope to the intake, the installation of additional supports to prevent

future failure of the cables, the abandonment of the existing cables, and the implementation of temporary measures to stabilize the electrical supply to the low service pumps. Ultimately, this project will improve the reliability of the KRS1 water treatment plant and the supply of water to KAWC's customers. This project was placed into service in March 2026.

I12-020126 Owenton Sludge Press Improvements ($600,000): KAWC has three sludge press facilities, two of which are located at the 20 MGD Kentucky River Station No. 2 ("KRS2") water treatment facility. The presses dewater sludge captured during the treatment process, which reduces operational costs associated with hauling and disposal of the material. The presses have reached the end of their useful life and need to be reconditioned for continued reliable use. The reconditioning will include the replacement of rollers, bearing assemblies, hydraulic system components, drive units, electrical components, filter belts, and multiple other components. This project is expected to be placed into service in July 2026.

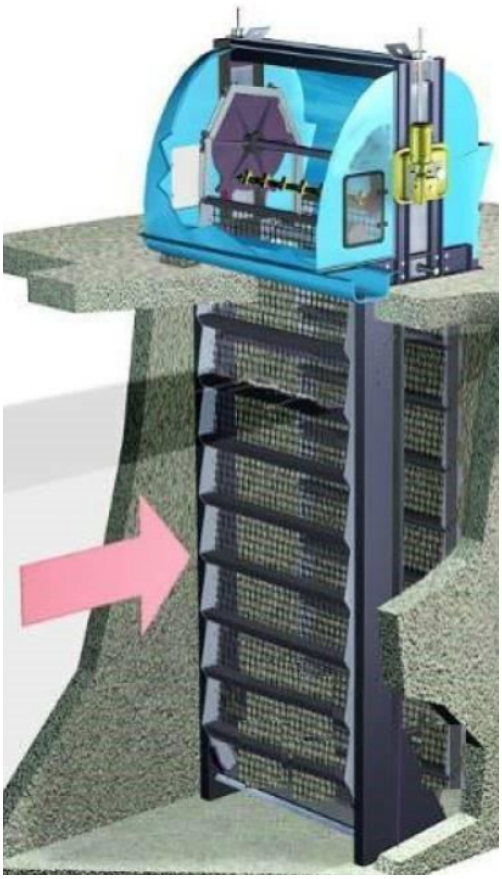


KRS2 belt filter press

I12-020120 RRS Maintenance Facility ($1,200,000): This project will replace a former maintenance facility at KAWC's RRS treatment plant property that had to be demolished to accommodate the construction of a new chemical building. Since the demolition of this

facility, KAWC's maintenance team has operated out of Connex trailers, which makes it difficult to perform their duties and adequately store materials and equipment. The new maintenance facility will be a metal building with several work bays and tool/material storage. The project is anticipated to be placed into service in August 2026.

I12-020127 KRS1 Traveling Screen Replacement ($2,375,000): The 45 MGD KRS1 water treatment facility is KAWC's largest water treatment plant and critical to maintaining adequate supply to meet demand within the Central Division's distribution system. Six 15 MGD low service pumps at the KRS1 intake structure draw raw water from Pool 9 of the Kentucky River and pump it to KRS1 and RRS for treatment.



Potential replacement traveling screen for KRS1

The KRS1 intake features two wet wells with three low service pumps within each. Each wet well contains one traveling screen. These screens are located upstream of the low service pumps within the wet well and capture debris in the raw water and convey it to the surface for disposal. Removing this debris prior to the water entering the pumps reduces clogging and damage of the pumps. The existing traveling screens are approximately 23 years old and based on recent inspections, have reached the end of their useful life. Replacing these

screens will minimize the risk of a significant failure, which could result in damage to the low service pumps and interruptions to the supply of raw water to KRS1 and RRS.

Replacement of the traveling screens is anticipated to occur in Q4 2026 and Q1 2027 with the project being placed into service in April 2027. During this time, KAWC also anticipates replacing one of the low service pumps. In order to reduce costs associated with these two projects, KAWC intends to bid the construction of these projects as one package, which will eliminate costs associated with mobilizing/demobilizing multiple contractors. Additionally, both projects will require a barge for construction. Scheduling this work during the same period will reduce expenses associated with barge rental fees.

I12-02XXXX KRS1 Substation Replacement ($1,385,000): As mentioned previously, the KRS1 water treatment plant is critical to meeting the demand of KAWC's system. Electrical power to the treatment plant is provided from the electric utility's service line through two primary substations at the treatment plant, with each substation effectively supplying power to half of the treatment plant. Recent inspections performed during maintenance of Substation #1 have indicated this substation is in poor condition. KAWC analyzed the risks associated with



Existing KRS1 Substation #1

the likelihood and consequence of a failure of the substation and determined it to be a very high risk, as losing this substation could result in losing half of the treatment capacity of KRS1. Given this high risk, the substation needs to be replaced. This project will install a new substation to mitigate the failure risk and improve the reliability and resiliency of KRS1. The project is anticipated to be placed into service in June 2027.

I12-020095 Mercer Road Booster Station ($2,220,000): This project will replace the existing below-grade booster pump station with a prefabricated at-grade booster station. The scope of work will include a hydraulic review of the pumping requirements for the booster station, which supports the 2-million gallon Mercer Road elevated storage tank. This project will improve the reliability, resiliency, and efficiency of the booster station, which is the primary booster station that maintains pressures to customers in northern Lexington. Additionally, this project will address safety concerns associated with underground facilities and confined spaces. The project is anticipated to be placed in-service in August 2027.

I12-30XXXX KRS2 Chlorine Gas Conversion ($6,375,000): KRS2 is the last of KAWC's water treatment facilities to use chlorine gas to disinfect treated drinking water. It is a priority across all American Water facilities to switch to an alternative disinfection approach due to operational and safety concerns associated with chlorine gas. This project will replace chlorine gas at KRS2 with liquid sodium hypochlorite for disinfection, which is similar to the disinfection process at KAWC's other two water treatment plants. This project is anticipated to be placed in-service in October 2027.

Q. Does KAWC's capital investment plan include projects to treat PFAS?

A. No. Based on sampling performed by KAWC, per- and polyfluoroalkyl substance ("PFAS") levels within KAWC's water sources are below regulatory maximum contaminant levels ("MCL") and additional treatment for PFAS is not required.

IV. RISKS ASSOCIATED WITH FURNISHING PUBLIC WATER SERVICE

Q. What regulations and agencies govern the quality and quantity of water provided by KAWC?

A. An extensive and complex combination of federal, state, and local regulations govern water quantity, water quality, and other aspects of water utility operations. Drinking water quality is addressed by a combination of federal regulation under the Safe Drinking Water Act of 1973 and state regulation under Title 401 of the Kentucky Administrative Rules Chapter 8. The Safe Drinking Water Act established the US EPA as the federal regulatory body governing drinking water. US EPA has established standards for contaminant levels in drinking water[1], mandatory treatment methods, monitoring and reporting requirements, and public notification mandates in the event of contaminant level or treatment method noncompliance.[2] The EPA has granted "primacy" to the Kentucky Division of Water ("DOW") to administer the federal regulatory standards at the state level.

Regulatory MCLs determine the maximum allowable level for specific substances within drinking water. These MCLs also include requirements for monitoring, remediation, and public notice when MCLs are exceeded. There are currently MCLs for over 90

[1]See EPA Webpage – National Primary Drinking Water Regulations (https://www.epa.gov/ground-water-and-drinking-water/national-primary-drinking-water-regulations).
[2]See 40 C.F.R. Parts 141-143.

individual organic and inorganic chemicals, including groups like TTHMs, HAA5, and E. coli bacteria indicator microorganisms.[3]

Numerous chapters of the Kentucky Revised Statutes also provide regulations for water providers.

Q. Please describe significant regulations that impact KAWC's operations and capital investment plans.

A. Summaries of significant regulations that currently impact or may impact KAWC's operations in the future are provided below.

Lead and Copper: In 1991, the US EPA published the Lead and Copper Rule ("LCR") to protect public health and reduce exposure to lead in drinking water.[4] The US EPA has subsequently issued updates to LCR, including the Revised Lead and Copper Rule in 2021 and the Lead and Copper Rule Improvements in 2024. As Company witness Andy Lewis discusses in his direct testimony, these rules require, among other things, that drinking water providers develop an inventory of materials for both company- and customer-owned service lines. Based on data collected as part of the inventory process, water utilities must develop a schedule for replacing all service lines that are either lead or galvanized downstream of lead.

Disinfection Byproducts and Pathogens: DBPs are produced by the interaction of disinfection agents (such as chlorine) with constituents (such as organic compounds) that naturally occur in source water. Consumption of DBPs may increase various health risks. To reduce exposures to DBPs, US EPA has published a series of rules regarding DBPs in

[3]See EPA Webpage – Drinking Water Regulations (https://www.epa.gov/dwreginfo/drinking-water-regulations).
[4]See EPA Webpage – Lead and Copper Rule (https://www.epa.gov/dwreginfo/lead-and-copper-rule).

drinking water. The Stage 1 and Stage 2 Disinfectants and Disinfection Byproducts Rules[5] ("DBPR") limit concentrations of DBPs such as chlorite, bromate, TTHM, and HAA5. The Stage 2 DBPR, which was adopted in 2006, focused specifically on monitoring for and reducing TTHM and HAA5.

Additionally, the US EPA has adopted numerous rules to limit microbial pathogens in drinking water. Most notably, LT2[6] was adopted in 2006 to reduce illness linked to the microbial pathogen Cryptosporidium, which is highly resistant to standard water disinfectants. LT2 targets additional Cryptosporidium treatment requirements in facilities that take steps to decrease DBP formations that result from chemical water treatment.

To satisfy both the DBPRs and LT2 regulations, water providers must carefully balance water treatment and source water monitoring to satisfy the dual goals of killing microbial contaminants (such as Cryptospordium) while also avoiding unacceptable levels of DBPs.

PFAS: In June 2024, the US EPA established the final National Primary Drinking Water Regulation to establish MCLs for six per- and polyfluoroalkyl substances ("PFAS").[7] PFAS have been used in a wide variety of consumer and commercial products for decades and can be present in water sources. Elevated levels of PFAS may result in adverse health effects. If sampling indicates PFAS levels in water sources exceed the regulatory MCLs, treatment measures must be implemented to reduce the PFAS levels. Please see the Direct

[5]See EPA Webpage – Stage 1 and Stage 2 Disinfectants and Disinfection Byproduct Rules. (https://www.epa.gov/dwreginfo/stage-1-and-stage-2-disinfectants-and-disinfection-byproducts-rules).
[6]See EPA Webpage – Surface Water Treatment Rules (https://www.epa.gov/dwreginfo/surface-water-treatment-rules).
[7]See EPA Webpage – Per- and Polyfluoroalkyl Substances (PFAS) Final PFAS National Primary Drinking Water Regulation (https://www.epa.gov/sdwa/and-polyfluoroalkyl-substances-pfas).

Testimony of Company witness William Lewis for discussion on KAWC's sampling for PFAS.

Q. Please describe the impacts and risks to KAWC associated with the regulations described in the previous question.

A. Each of the regulations described in the previous question impact the Company's operations and investments, as described below. The number and breadth of regulations governing drinking water has expanded in recent years, which has resulted in additional operational and cost impacts to KAWC.

Lead and Copper: Developing the service line material inventory requires significant expenses related to customer engagement and data reviews, as well as physical identification and verification of service line materials. KAWC is utilizing methods such as hydro-excavation, canvassing, and record reviews to identify service line materials within the distribution system. Once the inventory is complete, the Company is required to develop a schedule for replacing all service lines that are lead or galvanized, downstream of lead. The Company's capital investment plans may be impacted by the number of service lines that must be replaced to remain in compliance with the regulations.

Disinfection Byproducts: KAWC has experienced significant impacts to operations and investment resulting from the Stage 2 DBPR and LT2. KAWC made significant investments to implement UV disinfection systems at its RRS and KRS2 water treatment plants to achieve an additional 1-log removal of Cryptosporidium that is required by LT2. A UV system for the 40 MGD KRS1 water treatment plant is currently under design and is planned to go into service in 2026. This project is estimated to cost approximately $9.5 million.

PFAS: To date, KAWC's source water testing for PFAS has not indicated the need for additional treatment to be implemented. However, if testing should ever indicate the need for additional treatment, the Company could incur significant capital and operational expense to implement and operate new treatment systems at its existing water treatment plants.

Q. Does climate variability pose additional risks for water utilities such as KAWC?

A. Yes, water utilities are, by their nature, resource dependent. This makes them susceptible to the effects of climate variability, particularly stresses on water resources and system recovery. Climate variability can create severe challenges with regards to maintaining a reliable water supply.

The safe yields of water supply sources have historically been evaluated based on historical climatic patterns, data from so called "droughts of record," or dry period frequency analysis. However, changing climatic conditions suggest that historical hydrologic data may not accurately predict future conditions. Thus, the calculated safe yield of streams, reservoirs and groundwater wells are put in question as the effects of climate variability are experienced. Thus, in response to climate variability, water supply systems must address the risks posed to the reliability and resilience of their sources.

Additionally, extreme weather events pose a risk to treatment and distribution infrastructure. In the southeast, "increases in the frequency of heavy rain events and lengthening of dry spells between rain events at some locations in the region make water resource unpredictable."[8] That means we can expect more frequent and intense high-precipitation events and floods, along with highly damaging storm events. In Kentucky

[8]Fifth National Climate Assessment, Ch. 22 – Southeast (https://nca2023.globalchange.gov/).

specifically, numerous severe flooding and tornado events have occurred in various parts of the Commonwealth over the past several years, which has resulted in damage to infrastructure in the local water systems.

The effects of climate variability impact the resilience of a system to withstand an event without interruption of service or, if service is interrupted, to restore the service in a timely manner. Like all large users dependent on electricity from the grid, water utilities must plan for power outages and develop plans for maintaining continuity of operations when such outages occur. Nonetheless, recent weather patterns combined with the issue of aging infrastructure are causing utilities to review traditional planning and design criteria. The design standards for supplies, treatment plants, pump stations, and tanks are taken together with a goal to achieve a level of zero service outages. The so-called "new normal" has led experts to look beyond traditional reliability and emergency planning into a world that needs the speed of recovery and resiliency for more widespread and damaging events. Updating infrastructure to keep up with the increase in extreme weather and ensuring that adequate service can be maintained for extended time periods after an extreme event is just as important as addressing the aging infrastructure

V. PROPOSED CAPITAL INVESTMENT MECHANISM

Q. Is KAWC proposing a new capital investment mechanism as part of this case?

A. Yes, the Company is proposing the System Improvement Program ("SIP") mechanism. This section of my Direct Testimony describes the need for a capital investment mechanism, proposed investments to be included in the mechanism, capital planning activities associated with these investments, and the benefits these investments and the proposed mechanism provide to customers. The Direct Testimony of Company witness

Jeffrey Newcomb provides detailed discussion regarding the Company's capital mechanism history, the SIP's intent and purpose, as well as the implementation of the mechanism, including information regarding anticipated filings, test periods, surcharge rate calculations, and balancing adjustments.

Q. Will the potential implementation of the proposed mechanism dictate the level of capital investment proposed by the Company?

A. No. KAWC's capital planning process, described in Section II above, identifies and prioritizes capital investments that are required for KAWC to continue to provide clean, adequate, and reliable service to our customers. The improvements identified in KAWC's capital investment plan (Exhibit JM-1) are based on a robust, risk based process that accounts for various key criteria, and the Company's planned capital investment will not be impacted solely based on whether the Commission approves or disapproves the proposed mechanism. However, the mechanism will impact how these investments are recovered and provides several significant benefits to customers, as described by Mr. Newcomb.

Q. What amount of capital investment will be eligible for recovery under the proposed SIP mechanism?

A. Between 2027 and 2029, KAWC anticipates approximately $217.4 million of eligible capital investment to be eligible for recovery through the SIP mechanism as it is currently proposed and structured. Exhibit JM-2 provides detailed information regarding this investment.

Q. What infrastructure needs will the proposed mechanism address for the Company

and its customers?

A. The proposed mechanism addresses the recovery of costs associated with replacing KAWC's aging infrastructure, which includes assets that are in some cases 50 to 100 years old. As a utility that has operated in Kentucky for approximately 140 years, KAWC must continue to invest in infrastructure renewal to maintain safe and reliable services for its customers. The SIP provides a more timely means of recovering costs associated with these investments, while also mitigating the need for frequent rate cases for recovery, and is a supportive means to continue KAWC's proactive replacement of its aging water infrastructure.

Q. Is the need for timely and proactive replacement of aging infrastructure unique to Kentucky American Water?

A. No, the need for timely and proactive replacement of aging infrastructure is a challenge facing the water utility industry across the country. The need for investment in infrastructure replacement has been repeatedly studied and proven to be critical.

Several recent studies have reinforced the need for investment to replace aging drinking water infrastructure, including in Kentucky specifically. The American Society of Civil Engineers ("ASCE") recently published "The 2025 Report Card for America's Infrastructure" ("Report Card"). The Report Card, which has been released periodically since 1998, evaluates the condition and investment needs of America's infrastructure across various categories. It has repeatedly noted a significant gap between needed and actual infrastructure investment. For drinking water infrastructure, the 2025 Report Card found that America's drinking water infrastructure investment need is $670 billion from

2024-2033. However, assuming that current federal investment levels are maintained, only $361 billion of this investment is funded, resulting in a funding gap of $309 billion.

The 2025 Report Card also notes that the nation's water infrastructure investment need is $625 billion over the next twenty years based on analysis performed by the US EPA. This is $150 billion greater than the US EPA's 2018 estimate.

The 2019 Report Card, which includes detailed information for each state, found that drinking water infrastructure needs in Kentucky were $8.2 billion over 20 years. This represented an increase of 33% from the 2013 Report Card's assessment of Kentucky. The US EPA's "Drinking Water Infrastructure Needs Survey and Assessment, 7th Report to Congress," which was published in September 2023, found that Kentucky's drinking water infrastructure investment need over the next 20 years is over $7.8 billion.

A. Asset Categories to be included in the SIP mechanism

Q. What categories of assets are proposed to be included in the mechanism?

A. Assets proposed to be included in the mechanism are listed below. The list includes non-revenue producing capital project types/items where investments in these assets are generally captured. These assets include both "below-ground" assets that support the transmission and distribution of drinking water to customers, as well as "above-ground" assets utilized to treat, store, and pump drinking water.

- Water Mains – Item B, Item D, and IPs
- Hydrants and Valves – Item F
- Service Lines – Item H
- Meters – Item J
- SCADA Equipment and Systems – Item L

- Process Plant Facilities and Equipment – Item Q and IPs
- Booster Stations – Item Q and IPs
- Water Storage Tanks - IPs

Q. Are any investments in these asset categories excluded from the SIP mechanism?

A. Yes. The mechanism does not include investment in the installation of new assets to support growth within KAWC's service territory, such as the installation of new water mains, meters, or hydrants to serve new developments. These costs associated with new developments are typically captured in items DV and E. Additionally, the mechanism does not automatically include investments requiring a CPCN.[9] The eligibility of CPCN-approved investments for recovery through the SIP mechanism would be proposed by the Company as part of the CPCN proceeding and would ultimately be subject to the Commission's review and determination.

Q. Please describe why the selected asset categories are appropriate for inclusion in the mechanism.

A. The selected asset categories are appropriate because they are integral to system operations and the delivery of safe and reliable water service. Below I describe how each asset category included in the SIP is essential in serving our customers.

1. Water Mains (Item B, Item D, and IPs)

Q. Please describe the importance of water mains to KAWC's customers.

A. KAWC's system includes over 2,400 miles of water main that distribute drinking water to customers. As water mains age, they are more susceptible to breaks, leaks, and reductions

[9] For significant capital investments, the Company will continue to request a Certificate of Public Convenience and Necessity as required by the Commission.

in hydraulic conveyance capacity, which can result in service interruptions, increases in non-revenue water, and increased costs associated with the unscheduled replacement of water mains. Proactive, planned replacement of aging water mains reduces the risk of these outcomes and ultimately improves service and reduces costs to customers.

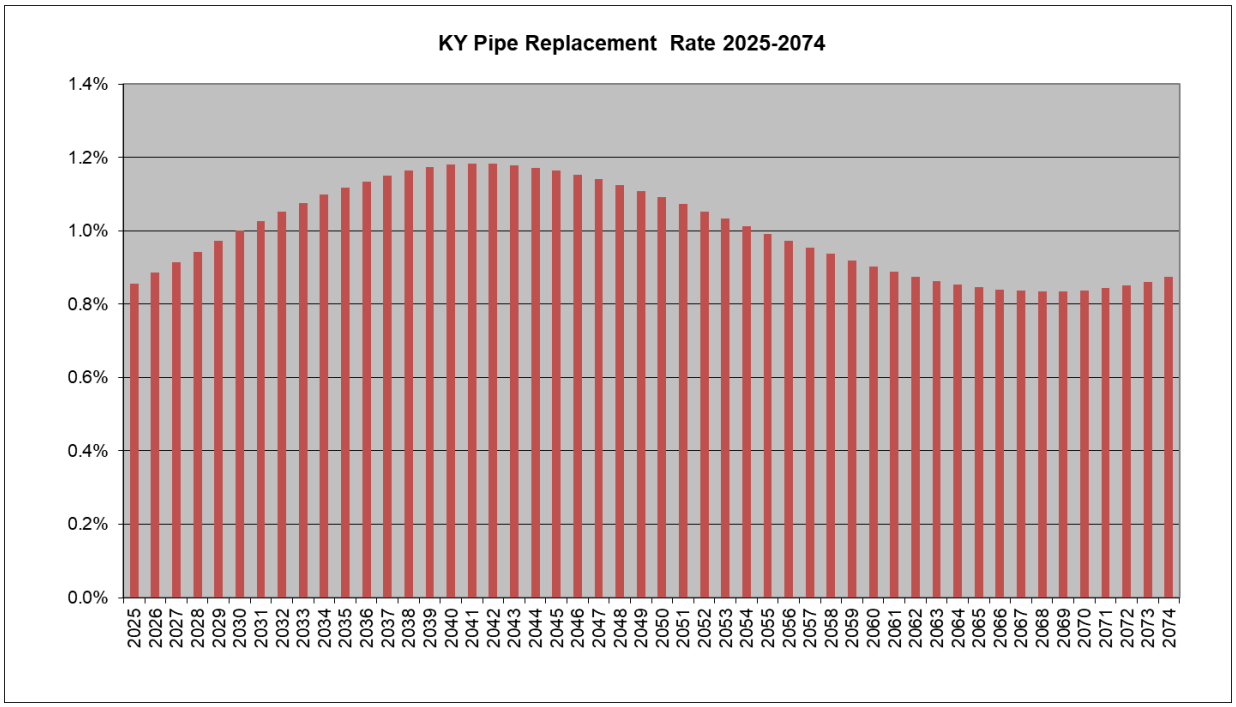
Q. Please describe in more detail the specific need for increased water main replacement within Kentucky American Water's system.

A. In 2025, American Water transitioned to the KANEW model for long-term water main replacement planning. The KANEW model is an asset management tool designed to support strategic and tactical rehabilitation planning of urban infrastructure, primarily water and wastewater systems. The primary function of the model is to predict annual rehabilitation needs over a long-range planning horizon. Using pipe cohorts, or groups of pipe with similar aging characteristics (e.g., material, installation year, diameter, etc.), the model uses a mathematical survival or aging function to describe the probability of a pipe "surviving" to a certain age. Once the asset reaches the end of its useful life, the model identifies it for replacement or rehabilitation because ongoing repairs are no longer economically viable. The below graph illustrates the suggested pipe replacement rate for KAWC over the next 50 years based on this model



Tuberculation inside of an aging water main recently replaced by KAWC

using current information for KAWC's system. Modeling is performed on a recurring basis and future projections may differ from the projection presented below as changes occur within KAWC's system.



Q. Please state Kentucky American Water's recent main replacement rate.

A. In 2024 and 2025, KAWC replaced approximately 0.31% and 0.50% of the water main within its distribution system, respectively. With the investment presented in Exhibit JM-1, KAWC anticipates increasing its main replacement to approximately 0.63% by 2029.

Q. Why is there a difference between the suggested main replacement rate and Kentucky American Water's historic main replacement rate?

A. As noted above, KAWC's has recently replaced between approximately 0.31% and 0.50% of the main within its distribution system annually. According to the KANEW model results above, KAWC should aim to replace between approximately 0.85% and 1.0% of the system's mains per year over the next five years and as much as approximately 1.2%

of the system's mains annually in the next 20 years. Several factors have contributed to KAWC's historic main replacement rates being below the suggested main replacement rate.

- Rate affordability: When planning capital investments, impacts to affordability are central to KAWC's evaluation. All investments must consider the balance between affordability and providing clean, safe, and reliable service to customers. As discussed in the Direct Testimony of Company witness Charles Rea, even with increased capital investment to support the provision of clean, safe, and reliable service included in this case, KAWC has been able to maintain affordable rates for customers.

  In addition to balancing affordability and overall investment for the provision of exceptional service, KAWC must also prioritize its overall annual capital investment between the various assets within its system. This prioritization of capital investment considers many factors as described in detail in Section II of my Direct Testimony. In recent years, several types of capital investment have been prioritized based on our capital planning processes, including:

  - Meter replacements to ensure accurate customer billing,
  - Replacement of aging water treatment plant infrastructure to improve the reliability and resiliency of water supply to KAWC's customers,
  - Implementation of infrastructure to meet new national regulations, as further discussed in Section IV of my Direct Testimony, and
  - KAWC's increased water main replacement over the past approximately five years.

While KAWC will continue to invest in the items noted above, recent planning indicates a greater need to prioritize water main replacement.

- Implementation of cost saving measures: With water main replacement expected to represent a significant part of KAWC's capital investment program moving forward, KAWC has worked to implement cost saving measures, such as internal design development and restoration cost sharing, related to these projects. These measures allow KAWC to utilize capital more efficiently, which reduces costs for customers. With these measures in place, KAWC is better positioned to complete increased water main replacements more cost effectively.
- Resource capacity: Having adequate resources to execute water main replacements is key to performing this work cost effectively. This is especially true regarding pipeline contractor capacity. If the amount of water main replacement to be completed greatly exceeds the amount of available contractor capacity, costs for the work will increase. KAWC has and continues to expand its prequalified contractor list to provide additional contractor capacity to support increased water main replacement.

Based on the above analyses, the implementation of cost saving measures, and the expansion of contractor capacity, KAWC is positioned to increase its main replacement rate towards the rates suggested by the KANEW model. This is demonstrated by the increases in "Item B – Mains – Replaced / Restored" funding presented in Exhibit JM-1.

Q. Please describe how replacing water mains at higher rates benefits customers.

A. Over time, proactively replacing aging water mains provides many significant benefits to customers, including:

- Reduced capital and operational costs associated with unscheduled main replacements/main breaks;
- Fewer service interruptions resulting from main breaks;
- Increased pressures resulting from replacing undersized water main or water main that has reduced hydraulic conveyance capacity due to build-up within the pipe;
- Improved water quality; and
- Reduced water loss, which reduces operational costs.

Q. How will Kentucky American Water identify and prioritize specific water main replacement projects?

A. As discussed previously, the specific main replacement projects for each year's capital investment plan are evaluated and developed using the PRP program discussed in detail in Section II of my Direct Testimony. In addition to the data provided by PRP, KAWC also considers factors such as opportunities for restoration cost sharing when identifying main replacement projects.

2. Service Lines, Hydrants, and Valves (Items F and H)

Q. Please describe the importance of service lines, hydrants, and valves to KAWC's customers.

A. KAWC's system has service lines to serve over 140,000 customers. Replacing aging service lines reduces non-revenue water and improves service reliability to customers. Beginning in 2028, KAWC will also be required to replace lead service lines to remain compliant with the US EPA's regulations, as described in greater detail in later in this section and in Section IV of my Direct Testimony.

Additionally, KAWC's system currently has over 34,000 valves and 9,200 hydrants. Fire hydrants are essential in providing fire protection to the communities served by KAWC. Replacing aging hydrants helps to ensure that adequate fire flow will be available during emergencies. Replacing aging and inoperable valves reduces service interruptions to customers as specific sections of water main can be isolated and shut-down during maintenance and construction activities. Replacing valves also eliminates valves that are partially or fully stuck closed, which reduces hydraulic conveyance through the distribution system. Each of these assets has a finite expected useful life and requires periodic replacement.

Q. Does KAWC determine the number of service lines and hydrants that are installed within its system?

A. No. New service lines are only installed when customers request water service from KAWC and new hydrants are installed at the request of the local fire department. Even though KAWC doesn't control new service lines and hydrants being added to its system, the Company is responsible for replacing these assets when they exceed their useful life.

Q. Please discuss how Kentucky American Water plans the replacement of services, hydrants, and valves.

A. KAWC operations personnel inspect all hydrants owned by the Company on an annual basis and all valves on either an annual or five-year basis depending on the classification of the valve. Any issues with the valves or hydrants are documented so the assets can be repaired or replaced.

While services are primarily replaced during main replacement projects, service line replacements outside of main replacement projects are performed based on leak

detection investigations performed by KAWC or notifications from customers regarding potential service line issues.

Additionally, beginning in 2028, KAWC will begin executing the replacement of service lines to comply with US EPA regulations related to lead service lines, as discussed in Section IV.

Q. Please discuss how replacing services, hydrants, and valves benefits customers.

A. Replacing service, hydrants, and valves provides many benefits to customers.

- Replacing hydrants improves public safety by ensuring fire protection is available and adequate.
- Fully functional valves within the distribution system reduces service interruptions by allowing KAWC to isolate specific areas of the system for shutdown during maintenance and repair activities.
- Replacing aging service lines reduces water loss and service interruptions to customers.
- Replacing lead and GRR service lines improves public health and ensures drinking water supplied by KAWC is compliant with federal regulations.

3. Meters (Item J)

Q. Please describe the importance of KAWC's meters to customers.

A. KAWC's meters are important to customers because the meters enable timely and accurate billing to customers of their water usage. Through meter data the customer is aware of their usage and can take steps to manage their usage, including receiving excessive use notifications more quickly.

Q. Please discuss how Kentucky American Water plans the replacement of meters.

A. Kentucky-American operates a periodic meter replacement program, as part of its normal course of business, to renew aging meters and end points. The Commission approved the Company's proposal to utilize Advanced Metering Infrastructure ("AMI") in the Company's replacement program, in Case No. 2025-000240, Order dated February 12, 2026. Meter replacements occur in the normal course of business through the length of service replacement or if an existing meter fails and must be replaced.

Q. Please discuss how replacing services, hydrants, and valves benefits customers.

A. Replacing aging meters improves customer billing accuracy and reduces apparent water loss where meters do not fully capture water sold to customers. Meter replacements also reduce operational costs associated with manually reading non-functioning meters.

4. SCADA controls (Item L)

Q. Please describe the importance of Supervisory Control and Data Acquisition ("SCADA") operation of Kentucky American Water's system and its importance to customers.

A. SCADA allows for the remote monitoring and operation of equipment and facilities. KAWC has many remote sites, such as storage tanks and booster stations, across its service area. These sites do not typically have staff onsite, therefore SCADA is used to monitor items such as tank levels, pressures, flow rates, and the operating condition of equipment. Having SCADA allows operators at central locations to monitor and operate the remote sites without having to physically visit the site. Even at facilities such as water treatment plants that are routinely staffed, SCADA allows operators to more effectively monitor many pieces of equipment simultaneously.

Q. How does replacing aging SCADA equipment benefit KAWC's customers?

A. Replacing aging SCADA equipment ensures remote controls and monitoring operate reliably. This provides several benefits to customers.

- Operational costs associated with personnel having to drive to remote sites is reduced
- Service interruptions are reduced as issues with equipment and systems can be identified more quickly
- Equipment that operates based on conditions at other sites can operate more efficiently based on real-time data

5. Process Plant Facilities and Equipment (Items Q & IPs)

Q. Please describe the importance of KAWC's water treatment facilities to customers.

A. This asset category includes assets associated with the supply, treatment, pumping, storage, and pressure regulation of drinking water. Examples of these assets include pumps, motors, drives and gear boxes, actuators, electrical equipment, generators, chemical feed equipment, and water quality monitoring equipment. Failure of these components can result in significant adverse effects on service reliability and water quality to customers due to decreased treatment and distribution capacity. As these assets age, they also become less efficient, which increases operational costs associated with fuel and power.

Q. Please discuss how Kentucky American Water evaluates water treatment infrastructure and plans associated capital investments.

A. KAWC utilizes many of the planning tools and activities discussed in Section II, including CPS's, targeted studies, and risk/resiliency assessments to evaluate water treatment infrastructure and identify needed capital improvements. In addition to these activities,

KAWC utilizes information gathered during routine facility tours, inspections, and preventative maintenance.

Q. Please describe the types of water treatment facilities and equipment that would be eligible for replacement.

A. Water treatment plants are comprised of many different facilities and types of equipment within these facilities. These facilities and equipment can also vary between individual water treatment plants. Water treatment-related investments proposed to be eligible for recovery through SIP include both IP and RP investments. Eligible IP Investments described in detail in Section III are listed below.

- KRS1 Traveling Screen Replacement
- KRS1 Substation Replacement
- KRS2 Chlorine Gas Conversion

Additional IP investments listed in Exhibit JM-2 but not described in Section III are summarized below.

- KRS2 Transfer Switch: Power loss is a frequent occurrence at the KRS2 water treatment plant in Owen County. This project will consist of installing an automatic transfer switch to the KRS2 electrical gear. This transfer switch will enable the treatment plant's generator to start automatically and the plant to remain operational without interruption during a loss of power event, which improves service reliability for customers. This will also improve safety by eliminating the need for an employee to manually switch the gear to generator power.
- KRS1 Dewatering: The KRS1 Dewatering project is the long-term improvement identified in the KRS1 Solids Handling Master Plan. Three screw presses will be

installed to dewater the sludge produced during the water treatment process. Utilizing multiple screw presses improves the efficiency of the system, as the number of screw presses in operation at any given time can be adjusted to better match the solids loading experienced at the water treatment plant, which can vary significantly. The presses will be housed in a dedicated building featuring a series of conveyors to place the dewatered sludge into trucks for transport and disposal at an approved reclamation area. The screw press will eliminate the need for the existing lagoon system, which eliminates operational expense associated with dredging the lagoons

- KRS1 Chemical Building Improvements: KAWC's KRS1 water treatment plant has two buildings that house chemical storage and feed equipment. The older of the two buildings was originally constructed in the mid 1990's and many of the chemical tanks and feed systems have reached the end of their useful life. This project will rehabilitate or replace these systems, which will include storage and feed equipment for chemicals such as carbon, ferric chloride, caustic soda, and corrosion inhibitor. These chemicals are critical to providing safe drinking water to customers and replacing the systems will improve the reliability of KAWC's water treatment processes.
- KRS1 Rapid Mix Replacement: In addition to the chemical feed systems described above, KRS1 has a rapid mix structure where chemicals are injected into and rapidly mixed with raw water prior to treatment. This process is essential for adequate removal of sediment from the raw water. The existing rapid mix

structure/system has exceeded its useful life and will be replaced. This will enhance the reliability of the treatment process at KRS1.

- Woodlake Booster: The 20 MGD Woodlake booster station is the single facility that conveys water treated at the KRS2 water treatment plant through a 42-inch transmission main to KAWC's Central Division. This booster station is critical to maintaining an adequate and resilient water supply to the majority of KAWC's customers, particularly during periods of high demand. The booster station was originally constructed in approximately 2010 and some of the equipment has reached the end of its useful life. This project will replace key equipment including the variable frequency drives for the 10 MGD pumps, which will improve the reliability of the booster station and the supply from KRS2.
- RRS Sedimentation Basin Improvements: The 25 MGD RRS water treatment plant can be supplied with raw water from two sources. One source, Pool 9 of the Kentucky River, experiences significant variability in turbidity throughout the year, with turbidity increases occurring after large rainfall events. The existing sedimentation basins at RRS cannot efficiently settle raw water during periods of high turbidity in the Kentucky River source water. This project will improve the existing sedimentation basins, which is anticipated to include the installation of plate settlers, which are more efficient at handling higher solids concentrations.
- KRS1 Switch Gear Improvements: Power to the KRS1 water treatment plant is provided from the power utility through a series of electrical switchgear. Reliable operation of the switchgear is essential to the reliable operation of the treatment plant. Some of the existing switchgear has exceeded its useful like and will be

replaced to improve the reliability and resiliency of water production treatment at KRS1.

- KRS1 Low Service Pump Replacement #4: As discussed previously, KRS1 has six 15 MGD low service pumps that pump raw water from the Kentucky River to the treatment plant. This project will replace one of the low service pumps that has exceeded its useful life. Replacing this pump will improve the reliably of KAWC's water supply and reduce operation and maintenance costs associated with the aging equipment.

RP investments proposed to be eligible for recovery through SIP include the replacement of equipment such as pumps, motors, drives and gear boxes, actuators, electrical equipment, generators, chemical feed equipment, and water quality monitoring equipment. The reliable and efficient function of these types of equipment enables KAWC to maintain adequate production capacity and water quality to meet the demand of the system.

Q. Please discuss how replacing aging water treatment infrastructure benefits customers.

A. Replacing aging water treatment infrastructure provides many benefits to customers, including:

- More reliable and resilient water supply with fewer service interruptions resulting from treatment plant outages,
- Improved water quality resulting from improvements in chemical feeds, filtration, settling, and other treatment processes, and

- Lower operational costs associated with fuel and power use and maintenance to repair aging equipment.

6. Replacement of Booster Stations (Item Q and IPs)

Q. Please describe the importance of booster stations to KAWC's customers.

A. Booster stations are used to maintain adequate pressures and water supply to customers within the distribution system. Improving and replacing booster stations improves pressures, enhances service reliability, reduces operational costs associated with fuel and power due to increased efficiency of pumps, and/or reduces purchased water expenses.

Q. Please describe how Kentucky American Water identifies and prioritizes booster station replacement projects.

A. As part of the planning process outlined in Section II, KAWC evaluates its booster stations and prioritizes them for replacements based on information from multiple sources, as noted below.

- Planning studies: CPS and targeted studies evaluate the hydraulics of KAWC's distribution system and can identify areas where increased pumping capacity is needed. These studies also evaluate the condition of existing booster stations.
- Efficiency evaluations: KAWC performs testing of pumps to evaluate their efficiency and operating parameters.
- Routine inspections: KAWC's operational personnel perform routine maintenance and inspections of existing booster stations which help to identify needed improvements.

- Safety considerations: KAWC evaluates the safety of existing booster stations, including their location (i.e. below versus above ground) and the condition of existing structures.

Q. Which of Kentucky American Water's booster stations are currently planned for replacement or improvement under the proposed SIP?

A. The following booster stations are listed in Exhibit JM-2 for replacement or improvement.

- Woodlake Booster Station: A 20 MGD booster station that is the sole facility that pumps water from the KRS2 water treatment plant and 3 MG Woodlake Tank to KAWC's Central Division, where the significant majority of KAWC's customers are located.
- Mercer Road Booster Station: A 5 MGD booster station that pumps out of the 2 MG Mercer Road tank. This station is used to regularly turn over the volume inside the tank and maintain adequate water quality, as well as to deliver the volume in the tank to the system during periods of high demand.
- Clays Mill Pump Station: A 9.0 MGD booster station that pumps out of the two 3 MG tanks at the Clays Mill site. The Clays Mill Tanks and booster station are essential in maintaining adequate volumes and pressures within KAWC's Central Division.
- York Street Booster Station: A 2.5 MGD booster station that pumps out of the 1 MG York Street Tank to maintain adequate service to customers in central and northern Lexington.
- Hall Booster Station: A 0.6 MGD booster station that pumps out of the 200,000 gallon Hall Tank to supply water to customers in Scott County.

Q. Are booster stations uniquely critical to Kentucky American Water's distribution system?

A. Yes. Many water utilities have booster stations within their distribution system. KAWC's system, however, is much more dependent on booster stations to maintain adequate hydraulics within our distribution system when compared to many other utilities. The hydraulic grade, which ultimately determines the pressures received by customers, of many other systems is set by the elevations within storage tanks, as water flows by gravity from the tanks and into the distribution system. As demonstrated in the descriptions of the booster stations above, however, the water in many of KAWC's storage tanks must be pumped into the distribution system. Pumped storage provides KAWC a greater ability to match the supply from the tanks to the demand within the distribution system, but it is critically important that the pump stations function reliably and efficiently.

Q. How does replacing aging booster stations benefit customers?

A. Customers benefit from the replacement of aging booster stations in multiple ways, including:

- More efficient pumps with operating points that more closely match system hydraulic conditions reduces operational costs related to fuel and power,
- Pumps with adequate capacity to meet the hydraulic needs of the system improves pressures and available flow to customers, and
- More reliable booster stations reduce service interruptions.

7. Water Storage Tanks (IPs)

Q. Please describe the importance of KAWC's water storage tanks to customers.

A. Storage tanks help to maintain adequate pressure within the distribution system and provide additional volume for periods of high demand, including during fires. Investing in tank improvements improves service reliability to customers.

Q. Please discuss how Kentucky American Water plans the replacement water storage tanks.

A. KAWC performs routine structural and conditional assessments of its water storage tanks. The findings collected during these assessments is utilized to plan the replacement of existing water storage tanks.

Q. Please discuss how replacing water storage tanks benefits customers.

A. Replacing aging water storage tanks ensures that an adequate supply of water is stored to meet the demand of KAWC's distribution system and that this stored water can be reliably distributed into the system.

B. Managing the proposed SIP

Q. Will the scope and associated capital improvements under the SIP remain constant from year to year?

A. The categories of investment eligible for recovery through the mechanism will remain constant from year to year and are identified in Exhibit JM-2 and the proposed SIP tariff sheet. However, the amount of investment within each category may vary based on system needs identified through KAWC's capital planning processes and other external requirements. While KAWC will request an overall level of SIP-eligible investment, the

Company must retain flexibility to allocate spending among the approved categories to respond to changing system needs and conditions, and to best serve our customers.

Q. Will there be an opportunity for the Commission to review and approve the projects proposed for recovery under the SIP?

A. Yes. The Company is proposing an initial group of SIP projects that will be placed in service by December 31, 2027 as part of the rate case. On a going forward basis, through the SIP Annual Filings, as described by witness Newcomb, the Company will identify proposed SIP-eligible investment for Commission review. Those filings provide the Commission with the opportunity to assess whether the proposed investments are appropriate for inclusion within the mechanism and consistent with the SIP's approved scope.

Q. Are there factors outside of the control of Kentucky American Water that could result in deviations from the planned capital investment plan?

A. Yes, while KAWC employs a planning process to develop our capital investment program, there are factors outside of the control of KAWC that can result in deviations from our planned investments including circumstances such as new regulations, utility relocations, and natural events.

Q. How will KAWC procure contract services to design and construct improvements included in the proposed mechanism.

A. KAWC will procure contract services via two primary methods in accordance with American Water's procurement policies. These procurement methods allow KAWC to obtain competitive pricing and reduce overall capital costs.

- Competitive project bidding: KAWC has primarily obtained contract services via competitive project bidding, which involves obtaining unique contractor unit pricing for each project. This allows contractors to provide pricing based on the specific conditions of a particular project.
- Master service agreements ("MSA") with competitive unit pricing: This procurement method involves KAWC issuing an RFP to contractors to obtain set unit pricing for various work items, such as pipe, valve, and service installation. KAWC evaluates and negotiates the unit pricing submitted by the contractors. For contractors that submit competitive unit pricing, KAWC will establish an MSA with that contractor. Task orders for specific projects are then established under this MSA, so that the predetermined unit pricing is utilized for the work.

This procurement method provides several advantages. By establishing set unit pricing, KAWC will be able to better estimate project costs prior to the work beginning, which results in more accurate budgeting. KAWC can compare projects costs using established pricing from various contractors to determine the most cost-effective contractor to complete the project. Establishing MSA pricing can also help increase contractor capacity for KAWC, as it is less burdensome to contractors to establish one overall set of unit pricing as opposed to having to bid each project on a one-off basis. This method also provides KAWC the ability to procure contract services for projects in groups or bundles, which can result in lower unit pricing from contractors.

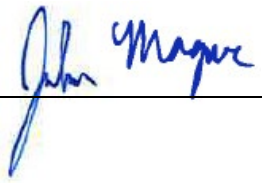
Q. Does this conclude your direct testimony?

A. Yes, this concludes my testimony.

VERIFICATION

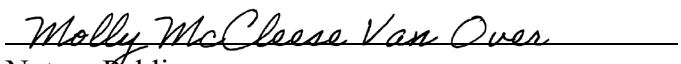
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, John Magner, being duly sworn, deposes and says that he is the Director of Engineering for Kentucky-American Water Company, that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



John Magner

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of May, 2026.



Notary Public

My Commission Expires:

July 31, 2029

Notary ID: KYNP26988

Kentucky American Water
Exhibit JM-1: Capital Project Spend Forecast
2027-2029

Business Unit	Project #	Project Title	2027	2028	2029
		RECURRING PROJECTS			
Kentucky	R12-**A1	Mains - New	750,000	1,770,000	1,786,000
Kentucky	R12-**B1	Mains - Replaced / Restored	30,277,500	30,914,850	35,671,624
Kentucky	R12-**C1	Mains - Unscheduled	3,357,499	3,697,499	3,630,699
Kentucky	R12-**D1	Mains - Relocated	1,430,000	1,570,120	1,576,683
Kentucky	R12-**E1	Hydrants, Valves, and Manholes - New	193,249	216,580	282,582
Kentucky	R12-**F1	Hydrants, Valves, and Manholes - Replaced	3,410,800	3,857,306	3,967,539
Kentucky	R12-**G1	Services and Laterals - New	3,571,499	3,684,000	3,796,500
Kentucky	R12-**H1	Services and Laterals - Replaced	1,558,750	2,348,720	2,383,354
Kentucky	R12-**I1	Meters - New	0	0	0
Kentucky	R12-**J1	Meters - Replaced	7,586,026	5,846,366	4,587,336
Kentucky	R12-**K1	ITS Equipment and Systems (Local)	875,911	465,134	998,568
Kentucky	R12-**L1	SCADA Equipment and Systems	2,561,456	2,435,000	1,586,952
Kentucky	R12-**M1	Security Equipment and Systems	921,000	855,500	856,300
Kentucky	R12-**N1	Offices and Operations Centers	974,999	1,822,999	1,000,655
Kentucky	R12-**O1	Vehicles	2,392,499	1,317,500	1,477,540
Kentucky	R12-**P1	Tools and Equipment	1,119,206	1,447,890	2,195,210
Kentucky	R12-**Q1	Process Plant Facilities and Equipment	3,495,000	4,006,000	4,887,000
Kentucky	R12-**S1	Engineering Studies	3,449,520	935,000	675,000
Kentucky	R12-**T12	ITS Equipment and Systems - Enterprise Solutions	8,011,787	7,743,214	3,632,457
Kentucky	D12-****	Projects Funded by Others	5,250,000	5,512,500	6,063,750
		TOTAL RPs	**81,186,702**	**80,446,179**	**81,055,751**
		INVESTMENT PROJECTS			
Kentucky	I12-020059	KRS2 Transfer Switch	750,000	0	0
Kentucky	I12-02xxxx	KRS1 Chemical Building Improvements	500,000	4,000,000	3,500,000
Kentucky	I12-020097	Hall Booster	0	500,000	2,000,000
Kentucky	I12-02xxxa	KRS1 Substation Replacement	1,250,000	0	0
Kentucky	I12-020124	KRS 1 Dewatering	5,000,000	0	0
Kentucky	I12-02xx02	KRS1 Sedimentation Basin Installation	0	0	1,000,000
Kentucky	I12-02xx04	Woodlake Booster	750,000	2,250,000	0
Kentucky	I12-30xxxx	KRS 2 Chlorine Gas Conversion	6,000,000	0	0
Kentucky	I12-020127	KRS1 Traveling Screen Replacement	800,000	0	0
Kentucky	I12-02xxx07	KRS 1 Rapid Mix Replacement	300,000	3,000,000	0
Kentucky	I12-02xx08	JRES Dam Spillway Expansion	0	1,000,000	4,000,000
Kentucky	I12-02xx09	Hamburg Area Tank/ Pressure Improvements	500,000	5,000,000	0
Kentucky	I12-02xx10	RRS High Service Pump Station	0	0	1,000,000
Kentucky	I12-02xx12	KRS1 Filter Building	0	0	1,500,000
Kentucky	I12-02xx13	Winchester Road Reinforcement	400,000	2,500,000	2,500,000
Kentucky	I12-020095	Mercer Rd Booster Station	2,000,000	0	0
Kentucky	I12-02xxxb	RRS Operations Center	8,000,000	4,500,000	0
Kentucky	I12-02xx14	RRS Sedimentation Basin Improvement	0	1,000,000	9,000,000
Kentucky	I12-02xx15	KRS1 Switch Gear Improvement	0	0	4,000,000
Kentucky	I12-02xxxj	KRS1 Low Service Pump Replacement #4	0	700,000	2,500,000
Kentucky	I12-02xxxe	Clays Mill Pump Station	0	500,000	2,750,000
Kentucky	I12-02xxxd	Black Mountain Operations Center	1,000,000	1,000,000	0
Kentucky	I12-02xxxg	Middlesboro Operations Center	0	500,000	3,500,000
Kentucky	I12-02xxxh	RRS Site Traffic and Safety Improvements	0	0	1,250,000
Kentucky	I12-02xxxi	York Street Booster Station Replacement	0	500,000	2,500,000
		Total Investment Projects	**27,250,000**	**26,949,999**	**41,000,001**
		Total RP and IPs	**108,436,701**	**107,396,178**	**122,055,752**

Kentucky American Water
Exhibit JM-2: Capital Project Spend Forecast - Mechanism Eligible Projects
2027-2029

Business Unit	Project #	Project Title	2027	2028	2029
		RECURRING PROJECTS			
Kentucky	R12-**A1	Mains - New			
Kentucky	R12-**B1	Mains - Replaced / Restored	30,277,500	30,914,850	35,671,624
Kentucky	R12-**C1	Mains - Unscheduled			
Kentucky	R12-**D1	Mains - Relocated	1,430,000	1,570,120	1,576,683
Kentucky	R12-**E1	Hydrants, Valves, and Manholes - New			
Kentucky	R12-**F1	Hydrants, Valves, and Manholes - Replaced	3,410,800	3,857,306	3,967,539
Kentucky	R12-**G1	Services and Laterals - New			
Kentucky	R12-**H1	Services and Laterals - Replaced	1,558,750	2,348,720	2,383,354
Kentucky	R12-**I1	Meters - New	0	0	0
Kentucky	R12-**J1	Meters - Replaced	7,586,026	5,846,366	4,587,336
Kentucky	R12-**K1	ITS Equipment and Systems (Local)			
Kentucky	R12-**L1	SCADA Equipment and Systems	2,561,456	2,435,000	1,586,952
Kentucky	R12-**M1	Security Equipment and Systems			
Kentucky	R12-**N1	Offices and Operations Centers			
Kentucky	R12-**O1	Vehicles			
Kentucky	R12-**P1	Tools and Equipment			
Kentucky	R12-**Q1	Process Plant Facilities and Equipment	3,495,000	4,006,000	4,887,000
Kentucky	R12-**S1	Engineering Studies			
Kentucky	R12-**T12	ITS Equipment and Systems - Enterprise Solutions			
		TOTAL RPs	**50,319,532**	**50,978,362**	**54,660,489**
		INVESTMENT PROJECTS			
Kentucky	I12-020059	KRS2 Transfer Switch	750,000	0	0
Kentucky	I12-02xxxx	KRS1 Chemical Building Improvements	500,000	4,000,000	3,500,000
Kentucky	I12-020097	Hall Booster	0	500,000	2,000,000
Kentucky	I12-02xxxa	KRS1 Substation Replacement	1,250,000	0	0
Kentucky	I12-020124	KRS 1 Dewatering	5,000,000	0	0
Kentucky	I12-02xx02	KRS1 Sedimentation Basin Installation*			
Kentucky	I12-02xx04	Woodlake Booster	750,000	2,250,000	0
Kentucky	I12-30xxxx	KRS 2 Chlorine Gas Conversion	6,000,000	0	0
Kentucky	I12-020127	KRS1 Traveling Screen Replacement	800,000	0	0
Kentucky	I12-02xxx07	KRS 1 Rapid Mix Replacement	300,000	3,000,000	0
Kentucky	I12-02xx10	RRS High Service Pump Station*			
Kentucky	I12-02xx12	KRS1 Filter Building*			
Kentucky	I12-02xx13	Winchester Road Reinforcement	400,000	2,500,000	2,500,000
Kentucky	I12-020095	Mercer Rd Booster Station	2,000,000	0	0
Kentucky	I12-02xx14	RRS Sedimentation Basin Improvement	0	1,000,000	9,000,000
Kentucky	I12-02xx15	KRS1 Switch Gear Improvement	0	0	4,000,000
Kentucky	I12-02xxxj	KRS1 Low Service Pump Replacement #4	0	700,000	2,500,000
Kentucky	I12-02xxxe	Clays Mill Pump Station	0	500,000	2,750,000
Kentucky	I12-02xxxi	York Street Booster Station Replacement	0	500,000	2,500,000
		Total Investment Projects	**17,750,000**	**14,950,000**	**28,750,000**
		Total RP and IPs	**68,069,532**	**65,928,362**	**83,410,490**

**CPCN anticipated to be filed for project*

Kentucky American Water
Exhibit JM-3: Capital Project Spend Forecast for Proposed Acquisitions
2027-2029

Business Unit	Project #	Project Title	2027	2028	2029
		RECURRING PROJECTS			
Kentucky	R12-**A1	Mains - New	0	0	0
Kentucky	R12-**B1	Mains - Replaced / Restored	1,065,000	1,580,250	1,364,538
Kentucky	R12-**C1	Mains - Unscheduled	737,499	737,499	587,499
Kentucky	R12-**D1	Mains - Relocated	110,000	115,000	75,000
Kentucky	R12-**E1	Hydrants, Valves, and Manholes - New	40,000	40,000	30,000
Kentucky	R12-**F1	Hydrants, Valves, and Manholes - Replaced	126,501	82,988	74,524
Kentucky	R12-**G1	Services and Laterals - New	0	0	0
Kentucky	R12-**H1	Services and Laterals - Replaced	270,000	155,159	150,000
Kentucky	R12-**I1	Meters - New	0	0	0
Kentucky	R12-**J1	Meters - Replaced	905,000	3,507	5,000
Kentucky	R12-**K1	ITS Equipment and Systems (Local)	15,000	5,000	5,000
Kentucky	R12-**L1	SCADA Equipment and Systems	1,045,000	810,000	195,000
Kentucky	R12-**M1	Security Equipment and Systems	296,000	230,500	166,300
Kentucky	R12-**N1	Offices and Operations Centers	110,000	39,999	39,999
Kentucky	R12-**O1	Vehicles	1,259,000	70,000	250,000
Kentucky	R12-**P1	Tools and Equipment	190,000	40,000	40,000
Kentucky	R12-**Q1	Process Plant Facilities and Equipment	760,000	701,000	332,000
Kentucky	R12-**S1	Engineering Studies	140,000	85,000	85,000
Kentucky	R12-**T12	ITS Equipment and Systems - Enterprise Solutions	0	0	0
		TOTAL RPs	**7,068,999**	**4,695,904**	**3,399,861**
		INVESTMENT PROJECTS			
Kentucky	I12-02xxxd	Black Mountain Operations Center	1,000,000	1,000,000	0
Kentucky	I12-02xxxg	Middlesboro Operations Center	0	500,000	3,500,000
		Total Investment Projects	**1,000,000**	**1,500,000**	**3,500,000**
		Total RP and IPs	**8,068,999**	**6,195,904**	**6,899,861**

BEFORE THE KENTUCKY
PUBLIC SERVICE COMMISSION

Case No: 2026-00094

KENTUCKY-AMERICAN WATER COMPANY

DIRECT TESTIMONY OF
ROBERT V. MUSTICH

I. Introduction

Q. Please provide your name, position and business address.

A. My name is Robert V. Mustich. I am Managing Director and East Region Work and Rewards Business Leader for WTW (WTW). WTW is a leading global professional services company which has 48,000 associates throughout the world, and offers solutions in the areas of corporate risk and broking; human capital and benefits; health care exchange solutions; and investment, risk, and reinsurance. My business address is 800 North Glebe Road, Arlington, VA 22203.

Q. Please explain WTW's experience in providing compensation and benefits consulting services to organizations like Kentucky American Water Company (KYAWC, Kentucky American Water, or the Company).

A. WTW has extensive experience serving clients in the utility industry, having served approximately 100 utilities in the U.S. within the last year. Because we invest so heavily in our utility industry capabilities, we have rich competitive industry compensation and benefits information that enables us to benchmark Kentucky American Water against similar companies in the U.S. Given WTW's breadth and depth of resources, we are frequently engaged by companies to evaluate the competitiveness of their compensation philosophy, compensation and benefit levels, performance compensation design and pay structures, and other consulting services. WTW and I have conducted similar competitive compensation studies for other utility clients.

Q. Please state your educational and professional background and experience.

A. I graduated from American University with a BS/BA in Human Resources Management. I have over 30 years of industry and compensation consulting services experience, have been with WTW for over 25 years, and have assisted management and Boards of Directors at numerous companies in designing and assessing total compensation programs. Since joining the firm in 1997, I have consulted with numerous utilities and serve as a senior member of our utilities industry practice. I have conducted competitive assessments of total compensation for numerous public utilities throughout the U.S. Prior to joining

WTW, I was a senior compensation consultant for PricewaterhouseCoopers (formally Coopers and Lybrand, LLP) performing similar compensation consulting services for clients. Prior to that, I held corporate senior staff compensation and benefits positions.

Q. Have you testified previously before the Kentucky Public Service Commission?

A. Yes, I have.

II. Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to demonstrate that the target total remuneration provided to Kentucky American Water employees, when viewed against the markets for talent for employees in similar positions, is below the competitive range of market. WTW specifically focused on the following aspects of Kentucky American Water's program:

- Total compensation philosophy;
- Competitive market positioning of target total remuneration
- Design of annual performance compensation program; and
- Design of long-term performance compensation program.

Q. Please define Target Total Cash Compensation.

A. Target Total Cash Compensation represents the sum of base salary plus target annual performance compensation.

Q. Please define Target Total Direct Compensation.

A. Target Total Direct Compensation represents the sum of base salary, plus target annual performance compensation, plus long-term performance compensation.

Q. Please define Target Total Remuneration.

A. Target Total Remuneration represents the sum of base salary, plus target annual performance compensation, plus long-term performance compensation, plus benefits.

III. Overview of Total Compensation Philosophy

Q. Does Kentucky American Water have a defined compensation philosophy?

A. Yes, American Water Works Company, Inc. (American Water), KYAWC's parent, has a defined compensation philosophy that is utilized by Kentucky American Water.

Q. How would you define the parent company's compensation philosophy?

A. American Water's compensation philosophy is to generally pay compensation that is competitive with those of comparable organizations for jobs of similar responsibility. To carry out this philosophy, American Water's objective is to target total direct compensation (base, annual performance compensation, and long-term performance compensation) at the median (50th percentile) of the market with greater earning opportunity for exceptional performance.

Q. How does this compensation philosophy compare with other utilities?

A. It is comparable. WTW examined the proxy statements for two peer groups: (1) Large Utility Peer Group, 15 publicly-traded utilities comparable to American Water and (2) Small Utility Peer Group, 10 publicly-traded utilities comparable to Kentucky American Water. Based on our review, we believe American Water's compensation philosophy is well-aligned with utility peers, as a majority of both Large Utility Peer Group companies (14 of 15, 93%) and Small Utility Peer Group companies (4 of 10, 40%) target the market median (50th percentile) for some or all pay elements. Our consulting experience also suggests that American Water's median (50th percentile) pay philosophy is comparable to typical market practice found in general industry.

IV. Summary of WTW's Total Remuneration Study

Q. Did you conduct a compensation study of Kentucky American Water's Total Remuneration Program?

A. Yes, and a copy of the Study is included as **Exhibit RVM-1** to my testimony.

Q. Please describe how the study was conducted.

A. WTW utilized three data sources to assess Kentucky American Water's Total Remuneration Program. As we did in assessing American Water's total compensation philosophy, we assessed the design of its annual performance and long-term

performance compensation programs using proxy disclosures of groups of public utilities referred to as the Large Utility Peer Group and the Small Utility Peer Group. Competitive market positioning of Kentucky American Water's Target Total Remuneration levels was compared to WTW published compensation and benefits surveys.

Q. How did you define "competitive" for the purposes of your study?

A. WTW and typical market practice define an element of total remuneration as being competitive if it falls in a range that extends between 10% below to 10% above market median of total remuneration.

Q. Please describe how you assessed the competitiveness of Kentucky American Water's target total remuneration levels?

A. WTW assessed the competitiveness of target total remuneration provided by Kentucky American Water to its employee population based on a selection of Kentucky American Water jobs ("benchmark jobs"). Benchmark jobs are those positions that are common across comparable organizations and for which compensation data are available from published surveys.

To conduct this analysis we reviewed compensation data provided to us by Kentucky American Water and examined WTW's compensation and benefits surveys. These surveys are comprised of compensation and benefits data from over 1,000 U.S. based companies, and WTW has been conducting these surveys for over 30 years.

Kentucky American Water's current compensation and benefit levels were compared to the market 50th percentile (market median) for two different market perspectives to determine the competitiveness of total remuneration and to validate the alignment with American Water's current compensation philosophy (targeting compensation at the 50th percentile of market).

To derive 50th percentile (median) market values, WTW weighted energy services and

general industry survey data 60% and 40%, respectively, to place a greater weight on the energy services market data since this includes 2/3 regulated utilities most similar to Kentucky American Water for positions that are not industry specific. Given that these positions can be recruited or lost to companies in any industry, the use of general industry survey data ensures that non-industry specific positions are being compensated competitively. Industry specific positions were compared only to energy services industry data.

WTW's assessment of benchmark jobs represents approximately 75% of the population of Kentucky American Water employees as of January 31, 2026. Specific details regarding our study, which includes a detailed description of the study methodology, are included in **Exhibit RVM-1**.

Q. Please describe how you determined the competitiveness of Kentucky American Water's Target Total Remuneration?

A. Two different market perspectives were examined to validate the competitiveness of Kentucky American's Target Total Remuneration.

A national market perspective was examined which consisted of the entire population of survey participants in WTW's Energy Services and General Industry databases. This perspective represents a U.S. national total remuneration perspective and is aligned with American Water's compensation philosophy.

A Midwest regional perspective including Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, Nebraska, Ohio, Oklahoma, Tennessee, Wisconsin, and West Virginia labor markets was also examined, which consisted of the same entire survey participant population from WTW's Energy Services Industry and General Industry databases but was customized to identify a Midwest-specific geographic dataset. This dataset identified employees who work in the fourteen states listed above for companies

headquartered anywhere in the United States.

Q. What were the results from the national perspective?

A. Kentucky American Water's Target Total Remuneration as reported in Table 1 (below) is at the low end of the market median range by being 8% (represents a weighted average of all positions reviewed) below the market median. Again, we consider market competitiveness to fall within a plus or minus 10% of median range.

Table 1

Summary of Kentucky American Water Target Total Remuneration vs. Market Median (National Market Perspective)			
Base Pay	Target Total Cash Compensation	Target Total Direct Compensation	Target Total Remuneration
-9%	-8%	-8%	-8%

Q. What were the compensation study results from the Midwest Regional perspective?

A. Kentucky American Water's Target Total Remuneration as reported in Table 2 (below) is 5% below median but within the competitive market median range as well (represents a weighted average of all positions reviewed) below the market median.

Table 2

Summary of Kentucky American Water Target Total Remuneration vs. Market Median (Mid-West Regional Market Perspective)			
Base Pay	Target Total Cash Compensation	Target Total Direct Compensation	Target Total Remuneration
-6%	-6%	-5%	-5%

Q. In your opinion and based on the results of the study, are Kentucky American Water employees overcompensated?

A. No. Kentucky American Water employees are generally at the low end of the typical range (+/- 10%) of market median for each element of total remuneration.

Q. If KAWC employees didn't receive their performance pay, how would it affect their compensation?

A. If KAWC employees didn't receive their performance pay, or even a portion of it, they would receive compensation that is well below reasonable and competitive levels of market median total remuneration as shown in the Table 3 below:

Table 3.

Kentucky American Water Less Performance Pay (APP & LTPP) versus Market Median				
Perspective	Base Salary	Target Total Cash Compensation	Target Total Direct Compensation	Target Total Remuneration
National	-9%	-16%	-18%	-15%
Midwest	-6%	-14%	-16%	-13%

V. Summary of WTW's Performance Compensation Program Assessment

Q. Did you conduct an assessment of American Water's performance compensation program?

A. I assessed American Water's annual and long-term performance compensation programs.

Q. What was the purpose of this assessment?

A. This assessment was completed to compare the design of American Water's performance compensation program (that is applicable to Kentucky American Water) and its various elements to market practice.

Q. What were the findings of the assessment?

A. Overall, our review indicates that American Water's performance compensation programs are comparable to and competitive with designs of utility peers, based on a review of the Large Utility Peer Group and the Small Utility Peer Group referenced earlier. Like American Water, every company in the Large Utility Peer Group and the Small Utility Peer Group has performance compensation programs which are used to help attract,

motivate and retain critically skilled employees needed to successfully run the business. Companies design their performance compensation programs to align with their business strategies and circumstances, so there tends to be a range of practices regarding how the programs are designed. American Water's performance compensation programs complement each other by assessing performance holistically using a balanced scorecard approach, incorporating growth, customer, safety, environmental leadership, people and stock performance. American Water's program designs are consistent with market practices for utilities. Specific details regarding our assessment are included in **Exhibit RVM-1**.

VI. Overall Findings

Q. What are the conclusions of your analysis?

A. Overall, our analysis indicates that Kentucky American Water's total remuneration programs are comparable to and competitive with market practices of other similarly-sized utilities and are therefore reasonable. Kentucky American Water, like all the companies it competes with for talent, has to provide a competitive total remuneration opportunity delivered via programs that benefit employees, customers and shareholders. Kentucky American Water attempts to achieve this goal with its balanced and competitive base salary, annual and long-term performance compensation programs and benefits. My experience working with both utilities and general industry companies and the results of this study included as **Exhibit RVM-1** indicate the programs at Kentucky American Water are within a broad range of market norms and are not excessive in design or level of pay.

Q. What other conclusion can you draw from your assessment?

A. Kentucky American Water provides a Total Direct Compensation opportunity delivered through market-based programs that are intended to compete in the market for talent. Kentucky American Water attempts to achieve this goal by delivering total compensation through balanced base salary and annual and long-term performance compensation programs which align employees, customers, and investors interests. The Company's

performance compensation plans are important management tools to reinforce performance expectations, which is why they are so universally present in both the utility and general business sectors nationally.

Q. Are there other ways that Kentucky American Water's compensation programs benefits customers?

A. Yes. Customers receive a benefit when a utility retains a talented workforce, because a stable workforce avoids the costs of hiring and training new employees. Because Kentucky American Water's performance pay program makes Kentucky American Water's employees' total compensation reasonable, the Company's performance pay helps ensure a stable workforce. Kentucky American Water's long-term performance compensation program is particularly intended to reduce attrition at the higher ranks of the organization. Senior management turnover and the loss of expertise can degrade the continuity of strategy and execution, which is why these types of compensation programs are well accepted in the industry. Importantly, the long-term performance compensation program achieves its goals of reducing leadership attrition at a lower cost to customers than simply increasing leadership's base pay, because employees must remain with the organization to realize the full vesting of their awards over a three-year period.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

COMMONWEALTH OF VIRGINIA)
Fairfax Va.) **SS:**
COUNTY OF ~~ARLINGTON~~)

The undersigned, Robert V. Mustich, being duly sworn, deposes and says that he is Managing Director and East Region Work and Rewards Business Leader for WTW, that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Robert V. Mustich

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 8 day of May, 2026.

Notary Public

My Commission Expires:
01-31-2027

NICHOLAI THOMAS GUMM
NOTARY PUBLIC
REG. # 8062285
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES JANUARY 31, 2027

EXHIBIT RVM-1 TO KAW_DT_RM_051526 FILED UNDER SEAL PURSUANT TO THE PETITION FOR CONFIDENTIAL TREATMENT FILED ON MAY 15, 2026

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF JEFFREY NEWCOMB

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Jeffrey Newcomb. My business address is 1 Water Street, Camden, New Jersey 08102.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company, Inc. ("Service Company"). Service Company is a wholly owned subsidiary of American Water Works Company, Inc. ("American Water") that provides services to Kentucky-American Water Company ("KAWC", "Kentucky-American", or the "Company") and its affiliates. My current role is Director, Rates and Regulatory.

Q. Have you previously filed testimony before this or any other commission?

A. Yes. I have previously filed testimony before the Kentucky Public Service Commission ("KPSC") in support of KAWC's Qualified Infrastructure Program ("QIP") in Case Nos. 2023-00030 ("QIP 4"), 2023-00300 ("QIP 3 Balancing Adjustment"), and 2024-00173 ("QIP 5"), as well as in support of KAWC's application for an adjustment of base rates in Case No. 2023-00191, and Kentucky Power Company's application for an adjustment of base rates in Case No. 2025-00257. I have also previously submitted testimony before the Indiana Utility Regulatory Commission in support of Northern Indiana Public Service Company, LLC's gas rate case in Cause No. 45621 and the Public Service Commission of Maryland in support of Columbia Gas of Maryland, Inc.'s gas rate case in Case No. 9644.

Q. Please state your educational and professional background.

A. I graduated from the Kelley School of Business, Indiana University, Bloomington, Indiana, in 2007 as a Bachelor of Science in Business Administration, and in 2008 as a Master of Business Administration, both with a major in Accounting. My professional career started with Ernst & Young, LLP, as an Intern during the summers of 2006 and 2007 before working full-time as an Associate from 2008 to 2010 and Senior Associate from 2010 to 2011 with the firm's tax practice in Chicago, Illinois. Prior to joining American Water, I worked for NiSource Inc. from 2011 to 2022, where I held various roles during my tenure, including Senior Financial Analyst in Accounting, Lead Financial Planning Analyst, Lead Regulatory Strategy and Support Analyst, Capital Planning and Execution Manager, and Manager, Regulatory – Rate Case Optimization. I was also Senior Manager, Rates and Regulatory, for KAWC from October 2022 to August 2024 and Vice President, Regulatory and Finance, for Kentucky Power Company from August 2024 to October 2025. I accepted my current position of Director, Rates and Regulatory, for American Water on October 27, 2025.

Q. What are your duties as Director, Rates and Regulatory?

A. As Director, Rates and Regulatory, my duties generally consist of management and execution of the rates and regulatory support function for all the regulated subsidiaries of American Water, with a focus on Kentucky-American, Tennessee-American Water Company, Indiana-American Water Company, Missouri-American Water Company, West Virginia-American Water Company, and Pennsylvania-American Water Company. My responsibilities include the preparation of written testimony, exhibits, and work papers in

support of rate applications and other regulatory filings, as well as responses to data requests for Kentucky-American and its regulated utility affiliates.

Q. What is the purpose of your direct testimony in this proceeding?

A. The purpose of my testimony is to introduce the Company's request for a new capital rider mechanism called the System Improvement Program ("SIP"). My testimony will specifically address:

- The background and context for the Company proposing the SIP,
- Policy support for authorizing the SIP, and
- Mechanics of the SIP Rider.

Q. What Exhibits are you sponsoring?

A. In support of the new SIP rider mechanism, I am sponsoring Exhibit JN-1, which is a series of schedules demonstrating the impact of the SIP rider mechanism on Kentucky-American's revenue and rates relative to deferring to the Company's next rate case.

II. BACKGROUND AND CONTEXT FOR SYSTEM IMPROVEMENT PROGRAM ("SIP") PROPOSAL

Q. Please provide background on the Company's prior capital rider mechanism.

A. The Company previously implemented a Qualified Infrastructure Program ("QIP"), which was approved by the Commission in 2019, in Case No. 2018-00358, to facilitate the replacement of aging infrastructure. The Commission pointed to: (1) the need to accelerate the rate of replacement, (2) that the QIP addresses needed investment in inherently non-revenue producing investments, and (3) alternative cost recovery through a QIP would

result in smaller, more gradual rate increases.[1] Through the QIP, the Company was permitted to recover certain capital investment costs between rate cases via a rider mechanism. In the Company's most recent rate case, Case No. 2025-00122, the Commission directed that the QIP rider be set to zero and discontinued the rider on a going-forward basis.

Q. What reason did the Commission provide for terminating the QIP?

A. The Commission, in its Order in Case No. 2025-00122, found that the "QIP program no longer serves Kentucky-American's initial purpose of facilitating recovery for the approved capital expenditures while reducing the frequency of rate cases."[2] The Commission specifically noted the "frequency of rate cases" filed by Kentucky-American and the fact that Kentucky-American had "failed to utilize the QIP rider consistently."[3]

Q. Did the Commission's Order address the Company's ability to seek an alternative capital rider in the future?

A. Yes. After terminating the QIP Rider as discussed above, the Commission stated, "Kentucky-American may file a request for a new rider mechanism at some point in the future for the intended purpose and use."[4]

Q. Why is the Company seeking a new capital rider at this time?

A. The Company is seeking a new capital rider in this proceeding because of the scale of Kentucky-American's capital investment needs, as described in Company witness John

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[1] Case No. 2018-00358, (Ky. PSC June 27, 2019), final Order at 81.
[2] Case No. 2025-00122, (Ky. PSC December 16, 2025), final Order at 44.
[3] *Id.* at 44-45.
[4] *Id.* at 45.

Magner's testimony. The costs of these investments in infrastructure renewal increases pressure for the Company to place the capital investments into rates. These are similar conditions to what led the Commission to approve the original QIP as discussed above, i.e. replacement of aging infrastructure, the associated regulatory lag faced by the Company, and the steep rate increases generated for customers when utilizing base rates cases to address these circumstances.

Q. What is regulatory lag?

A. Regulatory lag is a general concept recognized by the Commission in recent Kentucky-American rate cases.[5] The Kentucky Legislative Research Commission, in its study on alternative rate mechanisms ("KLRC Study") explained that "regulatory lag" is "the time between when the utility's cost rise and when it is allowed to recover those costs through rates."[6]

Q. What tools are currently available to Kentucky-American to address regulatory lag associated with the costs of capital, depreciation, and taxes for infrastructure investments?

A. With the termination of the QIP rider in Case No. 2025-00122, the only tool currently available to Kentucky-American to address regulatory lag associated with the costs of capital, depreciation, and taxes for infrastructure investments is through general rate cases

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[5] See, Case No. 2018-00358, (Ky. PSC June 27, 2019), final Order at 81; Case No. 2025-00122, (Ky. PSC December 16, 2025), final Order at 64.

[6] Kentucky Legislative Research Commission, *Cost, Benefits, and Methods of Implementing Alternative Rate Mechanisms for Utility Ratemaking*, Research Memorandum No. 531 at 16, dated November 1, 2022 ("KLRC Study"). The KLRC is nonpartisan and the Study was prepared at the direction of Kentucky Senate President, Robert Stivers, and House Speaker, David Osborne, via an authorizing memorandum dated April 13, 2022.

("GRC"). Meaning, the only way that the Company could replicate the intended purpose and use of the SIP rider mechanism is to file annual GRCs that utilize a future test period.

Q. Does the Commission have authority to approve the Company's proposed SIP?

A. Yes. In Case No. 2018-00358, which established Kentucky-American's QIP, the Commission explicitly acknowledged its authority to authorize such mechanisms, stating:

> It is well established that KRS 278.030 and KRS 278.040 expressly grant the Commission plenary ratemaking authority to regulate and investigate utilities and to establish fair, just, and reasonable rates. In the absence of any statute that requires a particular procedure to determine whether rates are fair, just, and reasonable, the Commission has the authority to consider and decide ratemaking issues such as the infrastructure replacement surcharge proposed by Kentucky American.[7]

III. SYSTEM IMPROVEMENT PROGRAM POLICY SUPPORT

Q. What is the purpose of the SIP?

A. The purpose of the SIP rider mechanism is to provide KAWC with a structured and transparent mechanism that allows for the timely recovery of qualifying capital investments placed in service between general rate cases. The Company's capital investments, which are made to maintain safe and reliable water service, have been and continue to be, a primary driver of GRCs for Kentucky-American. The SIP is an Alternative Rate Mechanism ("ARM")[8] that aims to alleviate this driver.

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[7] Case No. 2018-00358, (Ky. PSC June 27, 2019), final Order at 88. See also, Case No. 2025-00122, (Ky. PSC December 16, 2025), final Order at 44, citing Case No. 2018-00358 for the proposition that "the same statutory authority that permits the Commission to authorize a QIP also grants the authority to terminate or limit the QIP." (Citations omitted).

[8] As defined in the KLRC Study at 3, an Alternative Rate Mechanism ("ARM") is "any change to traditional cost of service ratemaking that has been adopted by a state to accomplish a specific policy goal."

Q. What policy goals would be accomplished through the SIP?

A. The SIP rider mechanism would accomplish multiple key policy goals, including the following:

- Reduce frequency of GRCs, which would minimize the time, expense, and regulatory burden associated with GRC proceedings;
- Mitigates against larger rate adjustments in future GRCs by allowing for more gradual recovery of qualifying investment over time; and
- Supports the Company's timely investment in its aging infrastructure which is needed to maintain safe and reliable service.

The goals above align with the general ratemaking principles and policy interests stated in the KLRC Study that support establishing the SIP rider mechanism as "fair, just and reasonable" as required by KRS 278.030.[9]

Q. Is Kentucky law and regulatory policy aligned with the objectives you identified in support of the KAWC's SIP rider mechanism?

A. Yes. As identified in KLRC Study referenced above, there are multiple general ratemaking principles and policy interests recognized in Kentucky that support implementation of a mechanism such as the SIP. These principles are consistent with the KPSC's obligation under KRS 278.030 to ensure that rates are "fair, just, and reasonable", while also providing utilities an opportunity to recover their prudently incurred costs necessary to provide safe and reliable utility service. The SIP mechanism helps to advance Kentucky's regulatory objectives by improving regulatory efficiencies, promoting gradualism in

[9] See KLRC Study at 7-8.

customer rates, and mitigating regulatory lag associated with infrastructure investment while reducing KAWC's GRC filing frequency.

Q. Do these policy goals reflect benefits to customers from rate mechanisms like the SIP?

A. Yes. Kentucky policy goals prioritize customers' long-term interests by ensuring timely and efficient investment in replacing aging infrastructure. This leads to consistent service quality and reliability for customers. The replacement of aging infrastructure directly benefits customers by maintaining reliable service quality and system performance while reducing the risk of service deterioration over time. Additionally, SIP rate adjustments, as discussed below, are incrementally smaller than those resulting from GRCs alone and avoid potential rate shock from deferring recovery associated with the qualified infrastructure investments to a future general rate case. By reducing the frequency of general rate case filings, the process becomes less time-consuming and costly for all parties and lessens regulatory burdens.

Q. Please address how the SIP rider mechanism would accomplish the policy goal of reducing the frequency that the Company files GRCs.

A. Kentucky-American believes with approval of the SIP rider mechanism, as proposed in this case, that water GRCs would be less frequent, and its next GRC could be as late as 2029 absent significant changes or intervening circumstances, including but not limited to, major acquisitions, significant capital investments deemed ineligible for recovery through the SIP rider mechanism, significant changes to billing determinants, or significant changes to operating expenses where no tracker or rider mechanism(s) exist. The percentage of the Company's total capital plan eligible for recovery in the SIP rider mechanism, and the

depreciation rates associated with that eligible capital, will also have significant influence on the frequency of water GRCs.

Q. Please address how the SIP minimizes regulatory burden by having a smaller scope than a GRC and reducing the frequency of more expensive GRC regulatory proceedings?

A. The SIP minimizes regulatory burden in two distinct ways. First, as discussed above, the SIP allows the Company to extend the time between rate cases, reducing demands on the KPSC, and the Kentucky Attorney General ("AG") (on behalf of ratepayers). Secondly, the SIP, through more targeted proceedings, ensures the utility is managed with fiscal responsibility with respect to the qualified investments by providing the KPSC, the Kentucky Attorney General ("AG") (on behalf of ratepayers), and any other interested stakeholders more frequent and timely review of those investments. Additionally, a common critique of traditional ratemaking where rates are changed through a GRC is the time and expense of GRC proceedings. The SIP also aims to address that critique as discussed below:

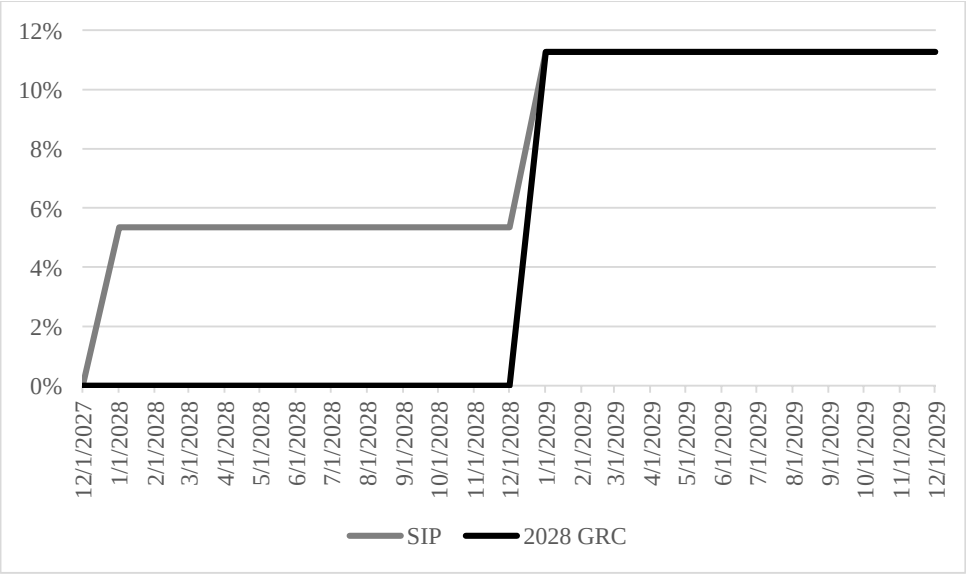
- Time: Although shorter than in most states, a GRC in Kentucky typically lasts 6 to 7 months and involves thousands of hours collectively between the utility, KPSC, AG, and other intervening parties. The SIP provides a smaller scope than a GRC, minimizing the time and regulatory burden involved.
- Expense: Kentucky-American's current GRC is estimated to cost up to $1.2 million, and that does not include the time and expense of the KPSC, AG, and other intervening parties. The narrow scope of the SIP compared to a GRC would minimize the expense involved while still providing the opportunity for public

involvement in and oversight of the ratemaking process. Reducing the frequency of these more expensive GRC regulatory proceedings would also help minimize the customer bill impact of having the costs of multiple GRC proceedings in customer rates at the same time (less "stacking" of GRCs and GRC regulatory expense).

Q. Please address how the SIP rider mechanism would mitigate against larger rate adjustments in future GRCs.

A. Figure JN-1 below illustrates how customer bills will be impacted by the recovery of only qualified infrastructure investments under two hypothetical recovery scenarios. As illustrated below, deferring recovery to a hypothetical 2028 GRC with rates effective January 1, 2029, Kentucky-American estimates an approximate 11 percent increase to customer bills in a single rate increase. However, under the second scenario, the Company's proposed SIP would provide gradualism to that same 11 percent increase with two smaller rate increases, an approximate 5 percent increase effective January 1, 2028, and an approximate 6 percent increase effective January 1, 2029.

Figure JN-1



It is important to recognize that under the SIP scenario above the Company is only seeking recovery of costs related to qualified infrastructure investments, while in the hypothetical GRC, the Company would have the opportunity to seek recovery of other cost increases, such as tax increases or union pay increases.

Q. How would the SIP rider mechanism support the Company making timely investment in its aging infrastructure?

A. The SIP rider mechanism supports the making of timely investments in Kentucky-American's aging infrastructure by lowering the recovery risks of proactive investments in aging infrastructure by providing steady recovery of investments through annual SIP filings ("Annual Filings"). The SIP rider mechanism's predictable recovery allows proactive replacement of aging infrastructure at lower costs compared to emergency replacements as identified by witness Magner. Additionally, the steady stream of similar project categories eligible for the SIP rider mechanism facilitates the use of master service agreements with competitive unit pricing and its associated advantages as explained by witness Magner.

Q. Please address how the SIP rider mechanism would accomplish the policy goal of reducing regulatory lag associated with the qualified infrastructure investments.

A. The SIP rider mechanism reduces regulatory lag and promotes intergenerational equity by more closely connecting when replacement infrastructure is placed in service and used by customers and the rates paid by those same customers. The SIP enables Kentucky-American to recover more concurrently the costs of capital, depreciation, and taxes associated with the qualified infrastructure investments. This close alignment of in-service dates and the inclusion of costs in rates, ensures that customers who benefit from the use

of investments pay for those investments as opposed to deferring recovery of those costs to future generations of customers.

Q. How does use of the SIP rider mechanism assist the Commission in reviewing needed capital investments?

A. Use of the SIP allows infrastructure replacement investments to be reviewed in a more focused context, separate from the broader range of issues typically addressed in a general rate case, while preserving Commission oversight and approval.

Q. What other factors support establishing the SIP?

A. Another critique of traditional ratemaking I would offer is around the 13-month average rate base method used when a utility elects to use a future test year in determining its revenue requirement and costs. The difference between the terminal and 13-month average rate base for the 12-months ending December 31, 2027, future test year in this proceeding, combined with approximately $105 million of net capital spend planned for calendar year 2028, puts immediate pressure on KAWC to consider filing its next rate case in 2027 with a future test year of 12-months ending December 31, 2028. Without an effective and sufficiently broad infrastructure mechanism that reduces regulatory lag related to costs of capital, depreciation, and taxes associated with the infrastructure investments the Company plans to make, Kentucky-American will need to routinely file more frequent, if not annual, GRCs.

Q. Would approval of the SIP being proposed make Kentucky an outlier as far as the use of cost trackers?

A. No. Cost trackers similar to the SIP have been adopted across the country. According to the KLRC Study:

> As of 2022, all 50 states and the District of Columbia have adopted at least some cost trackers for the electric and natural gas utilities. The majority of these cost trackers are fuel adjustment clauses, but a number of states also use cost trackers for environmental compliance and infrastructure. Some states have even applied the methodology to recover nonrevenue expenses for water infrastructure.[10]

Q. Do other utilities in Kentucky use cost trackers for infrastructure investments?

A. Yes. The KPSC has authorized use of cost trackers for infrastructure for other utilities. Of most relevance, the KPSC authorized a QIP rider that recovered costs for water infrastructure that had exceeded its service life for Kentucky-American in Case No. 2018-00358, and according to the KLRC Study, the KPSC has authorized a pipeline modernization mechanism that recovers costs for compliance with federal safety regulations, as well as accelerated main, pipeline, and service line replacements for natural gas utilities. In fact, the Company modeled a part of its proposal after the natural gas infrastructure mechanisms. Specifically, as discussed later in my testimony, Kentucky-American is proposing to have the SIP rider mechanism continue to operate for the recovery of the costs of capital, depreciation, and taxes associated with qualified infrastructure investments outside of base rates upon the approval of new rates in a subsequent water GRC and not reset to zero.

Q. Do other water utilities use cost trackers for infrastructure investments outside Kentucky?

A. Yes. In fact, the mechanics of the SIP were modeled after the Qualified Infrastructure Program ("QIP") used by Illinois-American Water Company. Looking at Company

[10] KLRC Study at 18. (Citations omitted).

witness Ann Bulkley's exhibit AEB-8, you can see that 53 percent of the water utilities identified have infrastructure mechanisms, while 60 percent of the states covered in the same data set have approved infrastructure mechanisms for some of the water utilities they regulate.

IV. MECHANICS OF SIP RIDER

Q. What are the key elements of the Company's proposed SIP rider mechanism?

A. The key elements of the SIP rider mechanism are: (1) an expanded scope of eligible replacement projects of KAWC's aging infrastructure, (2) the use of prospective SIP Annual Filings and corresponding Balancing Adjustment filings that will allow the SIP rider mechanism to operate in parallel with the Company's GRC filings, and (3) Balancing Adjustments that timely recover the reconciled costs of these investments while allowing for year-over-year project flexibility.

Q. How does the proposed SIP rider mechanism address the issues the Company and the Commission had with the QIP heading into Case No. 2025-00122?

A. The SIP rider mechanism is structured to create conditions by which the Company can extend the period between base rate cases while making the planned investments in replacing aging infrastructure. Further, the schedule of SIP Annual Filings and Balancing Adjustments will allow the Company to continuously utilize the SIP rider as preferred by the Commission.

A. <u>SIP Rider Proposed Procedural Schedule</u>

Q. What is the filing schedule that the Company is proposing for the SIP rider mechanism?

A. The SIP rider mechanism, as discussed above, consists of a series of SIP Annual Filings presenting the Company's investment and renewal plan for the next calendar year and corresponding Balancing Adjustment filings that reconcile the actual costs of the replacements made and the recovery of those costs.

The present GRC has identified SIP projects that will be placed into service by December 31, 2027. To begin implementing the SIP rider as soon as possible, and thereby extending the time between rate cases, the Company proposes the following filing schedule for the SIP rider, organized by filing date:

	Test Period	**Filing Date**	**Rate Effective**
GRC SIP Investment (recovered in base rates)	Jan-Dec. 2027 (GRC Test Year)	May 2026	Jan. 2027
2028 SIP Annual Filing	2028	Oct. 2027	Jan. 2028
Balancing Adjustment of 2027 SIP	2027 (GRC Test Year)	Mar. 2028	June 2028
2029 SIP Annual Filing	2029	Oct. 2028	Jan. 2029
Balancing Adjustment of 2028 SIP	2028	Mar. 2029	June 2029
2030 SIP Annual Filing	2030	Oct. 2029	Jan. 2030
Balancing Adjustment of 2029 SIP	2029	Mar. 2030	June 2030

Q. What review period is the Company proposing for both the SIP Annual Filings and the Balancing Adjustment filings?

A. The Company proposes a standard review period of at least 90 days for each type of SIP filing. The Company proposes to make Annual Filings at least 90 days prior (by October 1) to the rate effective date of subsequent SIP Periods (January 1) and proposes that in the event an Order approving the SIP rider rate is not issued by the rate effective date, the proposed rate should be implemented to minimize the future Balancing Adjustment for the SIP Period. Similarly, the Company proposes to make the Balancing Adjustment filing at

least 90 days prior (by March 1) to the rate effective date (June 1) of the Balancing Adjustment.

Q. What is the first SIP Annual Filing the Commission will see?

A. The Company is proposing that the first Annual Filing be filed on October 1, 2027, at least 90 days prior to the rate effective date of (January 1, 2028) of the SIP. This annual filing will use the subsequent calendar year, January 1, 2028, to December 31, 2028, as the test period, and will identify the projects the Company plans to in-service during the test period.

Q. What is the first SIP Balancing Adjustment filing the Commission will see?

A. The Company is proposing that the first Balancing Adjustment filing be filed by March 1, 2028, at least 90 days prior to the rate effective date (June 1, 2028) of the Balancing Adjustment. The filing will reconcile the SIP spending identified as part of this rate case as part of base rates ("GRC Balancing Adjustment"). The GRC Balancing Adjustment would: (1) true up the forecasted costs of capital, depreciation, and taxes associated with qualified infrastructure investments in the GRC SIP Period to actual costs, and (2) use the resulting December 31, 2027, actual balances to determine an updated SIP-1.1 total revenue requirement to minimize the future Balancing Adjustment for SIP-1.1 ("SIP-1.1" is a reference to the first SIP Period after the future test year in this GRC proceeding).

Q. Why is the Company proposing the first SIP Balancing Adjustment filing to look at SIP projects included in this rate case as opposed to the first SIP Annual Filing?

A. The Company is proposing that the first SIP Balancing Adjustment be applicable to SIP projects included in this rate case and placed into service by December 31, 2027, to extend the amount of time between this proceeding and when the Company would consider filing its next base rate case. This first Balancing Adjustment, applicable to SIP investments

through December 31, 2027, is an important part of the Company's ability to potentially extend the period between rate cases out to a filing in 2029, with rates effective in January 2030, because it addresses the SIP eligible portion of the difference between the terminal and 13-month average rate base for the 12-months ending December 31, 2027, future test year in this proceeding.

B. SIP Elements That Drive the Length of Time Between Rate Cases

Q. How do infrastructure renewal mechanisms, like the proposed SIP rider mechanism, impact when a utility would need to file its next rate case?

A. Broadly, the SIP achieves potentially longer periods of time between the Company's rate cases by minimizing the amount of the Company's investments in infrastructure renewal that are outside of rates charged to customers. The slower that number grows, the longer the Company can potentially wait until its next rate case filing.

Q. What approaches does the Company's SIP proposal take to extend the potential time between rate cases while investing in replacing aging infrastructure?

A. The Company takes a number of approaches. First, as discussed above, the Company proposes to apply a Balancing Adjustment to initial SIP projects that are included in this rate case in order to bring up to date the rate base covered by base rates and the SIP from the 13-month average ending December 31, 2027 to the Company's actual SIP investments terminal balances as of December 31, 2027. Second, the Company is proposing a broad set of infrastructure replacement investments that further minimizes the costs of projects not included in rates and thereby extending the time between rate cases.

Q. What investments is the Company proposing to include in the SIP?

A. The SIP rider will apply only to qualified, non-revenue producing ("non-growth") plant investments that are incremental to recovery in the most recent water GRC. In the proposed SIP Tariff, this is referred to as SIP Qualified Infrastructure Investments. The types of qualified investments include distribution and water treatment infrastructure as described in Company witness Magner's testimony, and are not restricted solely to investments associated with pipe replacement. The mechanism does not automatically include investments requiring a Certificate of Public Convenience and Necessity ("CPCN"). The inclusion of those investments would be determined by the Commission as part of the Company's request for a CPCN.

C. Overview of the Operation of the SIP Rider

Q. Please describe how the proposed SIP rider mechanism will work.

A. The SIP is a regulatory tool to provide for the recovery of the costs of capital, depreciation, and taxes associated with qualified infrastructure investments outside of base rates. Some key mechanics are described below and shown in the Filing Exhibit 2 to the Application (proposed tariff) and Exhibit JN-1. These include: (1) Foundational Filings and Plan Updates, (2) Test Periods and Annual Filings, and (3) Balancing Adjustments.

Q. Describe how the Company will provide information for Foundational Filings and Plan Updates for the SIP.

A. Kentucky-American is providing three years of forecasted capital expenditures (2027-2029) in this application within Filing Exhibit 11 to the Application and is identifying the proposed portion to be eligible for recovery through the SIP rider within Exhibit JN-1 as a foundational filing for the SIP rider mechanism. The Company would provide plan updates for review with each Annual Filing, including an additional year of forecasted capital

expenditures. For example, as proposed, Kentucky-American would provide 2030 forecasted capital expenditures with its Annual Filing to be made by October 1, 2027, forecasted capital expenditures for 2031 would be provided with the Annual Filing to be made by October 1, 2028, and so on, maintaining a rolling three-year plan. These plan updates are also when Kentucky-American will provide any shifts in spend between eligible projects and categories of investment, as well as between years, according to business and operational needs.

Q. Are there areas where spending may be included in the SIP but not be included within the Foundational Filings or Plan Updates provided by the Company?

A. Yes, but only when the Company proposes and the Commission agrees that specific projects, though not part of the identified SIP infrastructure categories, can be recovered and reconciled as part of the SIP. Specific examples include: (1) if the Commission approves a SIP-eligible investment through a CPCN filing, and (2) if the Commission approves post-acquisition investments that are SIP-eligible through a change of control case. In these circumstances, the Company can provide Plan Updates including approved items.

Q. Describe how the Company will establish Test Periods and the SIP's Annual Filings.

A. The SIP rider surcharge would be established on a prospective basis through an annual SIP filing called an Annual Filing. As discussed above, the first set of SIP investments subject to a Balancing Adjustment are part of this GRC and involve the identified SIP investments through December 31, 2027, with rates effective for service rendered on and after January 1, 2027. The Company proposes to make subsequent Annual Filings at least 90 days prior (by October 1) to the rate effective date of subsequent SIP Periods (January 1) and proposes

that in the event an Order approving the SIP rider rate is not issued by the rate effective date, the proposed rate should be implemented to minimize the future Balancing Adjustment for the SIP Period. The Balancing Adjustment is described below.

Q. Describe how the Company will establish Balancing Adjustment as part of the SIP.

A. As discussed above, the Company proposes that the Balancing Adjustment filings be made at least 90 days prior (by March 1) to the rate effective date (June 1). The Balancing Adjustments would: (1) true up the forecasted costs of capital, depreciation, and taxes associated with qualified infrastructure investments in the most recently concluded SIP Period to actual costs and compare the resulting trued up total revenue requirement to actual SIP revenues billed to customers during that SIP Period, and (2) update the current SIP total revenue requirement to minimize the future Balancing Adjustment for the current SIP Period.

Q. How will the Company Calculate the Balancing Adjustments involved in the SIP?

A. A Balancing Adjustment percentage will be calculated by: (1) subtracting actual SIP revenues billed to customers during the recently completed SIP Period from the trued up total revenue requirement, and (2) dividing the resulting over or under recovery for that SIP Period by prorated base water revenues authorized from the most recent GRC ("prorated Base Water Revenues"), where prorated Base Water Revenues are calculated by dividing the number of days the Balancing Adjustment rate will be effective (214 days for service rendered on and after June 1 through December 31) by 365 days, and multiplying by Base Water Revenues authorized from the most recent water GRC. The resulting Balancing Adjustment percentage will yield the rate necessary to credit back to

customers any over recovery or collect any under recovery over the Balancing Adjustment rate effective period.

Q. How will the Company Calculate the SIP Surcharge as part of the SIP Annual Filing?

A. The calculation of SIP surcharge will be governed by the SIP Tariff pages in Filing Exhibit 2 to the Application (the proposed tariff). The major components of the total revenue requirement calculation for the SIP rider mechanism would include:

- SIP Rate Base for the SIP Period: The Company will include in the SIP Annual Filing a projected 13-month average SIP Rate Base, which includes all SIP qualified infrastructure replacement projects that will be placed into service during the SIP Period.
- Pre-Tax Return: The pre-tax return component is calculated by: (1) multiplying the 13-month average rate base for the SIP Period by the debt and equity components of the total after-tax rate of return as authorized in the most recent water GRC, and (2) then multiplying the resulting debt and equity after-tax return components by their respective gross revenue conversion factors, where the debt component is grossed up for uncollectible expense and the Public Service Commission Assessment Fee, and the equity component is grossed up for the same plus state and federal income taxes. The 13-month average rate base for the SIP Period is calculated as the 13-month average net utility plant in-service ("UPIS") balances for the qualified investments, less the related accumulated deferred income taxes ("ADIT") that have been prorated for the SIP Period.
- Depreciation and Property Tax Expense after Gross Up: The depreciation expense component is calculated monthly during the SIP Period by multiplying the prior

month's gross UPIS balances for qualified investments by annual depreciation rates, divided by 12, as last approved by the KPSC for the respective plant accounts to which the qualified investments were recorded. The property tax component is calculated by multiplying the net UPIS balance as of December 31 of the prior year by the effective property tax rate per dollar of net UPIS used to calculate property tax as approved in the most recent water GRC. Both depreciation and property tax expense are grossed up for uncollectible expense and the Public Service Commission Assessment Fee using the same gross revenue conversion factor as the debt component of the after-tax return.

- Total Revenue Requirement: The total revenue requirement for the SIP Period would equal the sum of the pre-tax return plus depreciation and property tax expense after gross up as described above.
- Surcharge Percentage: The surcharge percentage would be calculated by dividing the total revenue requirement for the SIP Period by the Base Water Revenues authorized from the most recent water GRC. A Balancing Adjustment percentage, when applicable, would be added to the surcharge percentage to determine the total charge percentage to be applied to customer bills.

Q. How will the SIP be billed to customers?

A. The SIP rider mechanism would be billed to water customers as a percentage of base water and fire service charges for each customer class. The percentage would be applied to all billed Base Water Revenue, including water service charges based on the size of meter installed, volumetric water service charges based on consumption, municipal or private fire connection water service charges based on size of service, and water service charges for public or private fire hydrants, but excluding any other separately billed surcharges,

surcredits, or taxes such as the Kentucky River Authority ("KRA") Withdrawal Fee, the PFAS Litigation Universal Surcredit ("PLUS"), Franchise Taxes, and School District Taxes. The SIP rider mechanism would be reflected as a line item on each water customer's bill.

Q. What will happen to the SIP rider mechanism upon approval of new rates in subsequent water GRCs?

A. Upon the approval of new rates in a subsequent water GRC, Kentucky-American would begin using the newly authorized Base Water Revenues to calculate the Balancing Adjustment and SIP Surcharge percentages and is proposing that the SIP rider mechanism would continue to operate for the recovery of the costs of capital, depreciation, and taxes associated with qualified infrastructure investments outside of base rates.

Q. Would the SIP rider mechanism reset to zero and the costs of capital, depreciation, and taxes associated with qualified infrastructure investments be included in base rates?

A. Kentucky-American is proposing continuous use of the SIP rider mechanism, that it not reset to zero, and that the costs of capital, depreciation, and taxes associated with qualified infrastructure investments not be included in base rates until either it proposes to do so, or the KPSC directs it to do so, in a future water GRC. To facilitate this proposal, Kentucky-American would file SIP rider mechanism exhibits and workpapers in future water GRCs, as it has in this proceeding with Exhibit JN-1, to support what portion of the Company's total revenue requirement, inclusive of the costs of capital, depreciation, and taxes associated with qualified infrastructure investments, is being proposed for recovery outside of base rates through the SIP rider mechanism.

Q. Does this conclude your direct testimony?

A. Yes.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, Jeffrey Newcomb, being duly sworn, deposes and says that he is a Director, Rates and Regulatory for American Water Works Service Company, Inc., that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



Jeffrey Newcomb

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7th day of May, 2026.

Molly McCleese Van Over
Notary Public

My Commission Expires:

July 31, 2029
Notary ID: KYNP26988

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Revenue Requirements
2027-2029

		Annual Filing Case No.=>	**Case No. 2026-00094**	**Case No. 2027-00XXX**	**Case No. 2028-00XXX**
		Balancing Adjustment Filing Case No.=>		**Case No. 2028-00XXX**	**Case No. 2029-00XXX**
		Annual Filing #=>	**SIP-1.0 (GRC)**	**SIP-1.1**	**SIP-1.2**
		Balancing Adjustment for GRC or Annual Filing #=>	**N/A**	**SIP-1.0 (GRC)**	**SIP-1.1**
		Balancing Adjustment File by=>	**N/A**	**March 1, 2028**	**March 1, 2029**
		Balancing Adjustment Rate Effective=>	**N/A**	**June 1, 2028**	**June 1, 2029**
		Annual File by=>	**May 15, 2026**	**October 1, 2027**	**October 1, 2028**
		Annual Filing Rate Effective=>	**January 1, 2027**	**January 1, 2028**	**January 1, 2029**
Line No.		**Calendar Year Test Period=>**	**2027**	**2028**	**2029**
1	13-Month Average Rate Base		$25,563,638	$81,827,479	$150,435,925
2					
3	After-Tax Rate of Return - Debt		2.30%	2.30%	2.30%
4	After-Tax Rate of Return - Equity		5.64%	5.64%	5.64%
5	**After-Tax Rate of Return - Total**		**7.94%**	**7.94%**	**7.94%**
6					
7	After-Tax Return - Debt (Line 1 x Line 3)		$587,964	$1,882,032	$3,460,026
8	After-Tax Return - Equity (Line 1 x Line 4)		1,441,789	4,615,070	8,484,586
9	**After-Tax Return - Total (Line 7 + Line 8)**		**$2,029,753**	**$6,497,102**	**$11,944,612**
10					
11	Gross Revenue Conversion Factor - Debt & Expense		100.7839%	100.7839%	100.7839%
12	Gross Revenue Conversion Factor - Equity		134.2891%	134.2891%	134.2891%
13					
14	Pre-Tax Return - Debt (Line 7 x Line 11)		$592,573	$1,896,786	$3,487,151
15	Pre-Tax Return - Equity (Line 8 x Line 12)		1,936,165	6,197,534	11,393,871
16	**Pre-Tax Return - Total (Line 7 + Line 8)**		**$2,528,738**	**$8,094,320**	**$14,881,022**
17					
18	Depreciation Expense - Before Gross Up		$1,144,036	$3,860,052	$6,711,448
19	Property Tax Expense - Before Gross Up		0	842,109	1,621,737
20	**Total Expense - Before Gross Up**		**$1,144,036**	**$4,702,160**	**$8,333,185**
21					
22	**Total Expense - After Gross Up (Line 20 x Line 11)**		**$1,153,004**	**$4,739,022**	**$8,398,512**
23					
24	**Total Revenue Requirement (Line 16 + Line 22)**		**$3,681,743**	**$12,833,342**	**$23,279,534**
25					
26	Prior Total Revenue Requirement		$0	$3,681,743	$12,833,342
27	Incremental Revenue (Line 24 - Line 26)		3,681,743	9,151,600	10,446,192
28					
29	Proposed Base Water Revenues - Request in Case No. 2026-00094		$177,605,745	$177,605,745	$177,605,745 A
30					
31	Prior Charge - Excluding Balancing Adjustment (Line 26 / Line 29)		0.00%	2.07%	7.23%
32	Plus: Incremental Charge (Line 27 / Line 29)		2.07%	5.15%	5.88%
33	Less: Total Charge in Proposed Water Base Revenues - Request in Case No. 2026-00094 (SGRC%)		-2.07%	-2.07%	-2.07%
34	Plus: Balancing Adjustment (BA%)		0.00%	0.00%	0.00%
35	**Total Charge (Line 31 + Line 32 + Line 33 + Line 34)**		**0.00%**	**5.15%**	**11.03%**

A	Proposed Total Revenue Requirement (Exhibit 37, Schedule A, Line 38)	$180,168,709
	Less: Proposed Other Revenues (Exhibit 37, Schedule C-1, Line 3)	(2,562,964)
	Proposed Base Water Revenues - Request in Case No. 2026-00094	**$177,605,745**

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Eligible CapEx Spend (from SCEP)	**Eligible? = Yes or No**	Pre-2027 Activity Forecasted Dec-26	Forecasted Jan-27	Forecasted Feb-27	Forecasted Mar-27	Forecasted Apr-27	Forecasted May-27	Forecasted Jun-27	Forecasted Jul-27	Forecasted Aug-27	Forecasted Sep-27	Forecasted Oct-27	Forecasted Nov-27	Forecasted Dec-27
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	1,080,000	769,446	774,479	1,541,618	2,308,337	2,323,438	3,856,015	3,847,228	3,864,957	3,859,175	3,841,508	2,294,303	996,997
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	350,000	35,803	71,840	100,448	143,211	179,951	215,507	179,014	180,105	108,339	71,605	72,042	72,136
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	143,555	85,136	85,136	255,409	340,545	340,545	340,545	340,545	255,409	255,409	340,545	340,545	431,029
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	136,977	38,958	77,916	155,832	155,832	77,916	155,832	155,832	155,832	116,874	155,832	155,832	156,264
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	312,999	436,142	436,142	758,287	775,533	743,176	723,648	694,357	586,767	615,865	481,378	500,970	640,011
Meters - Replaced (Large Meters)	Yes	92,876	10,221	10,221	26,575	30,663	20,442	16,354	10,221	10,221	16,354	16,354	20,442	5,683
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	81,510	128,010	256,020	256,020	192,015	320,023	320,023	256,020	192,015	192,015	192,015	192,015	65,261
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	486,765	87,347	174,694	262,042	262,042	262,042	349,389	349,389	349,389	349,389	349,389	349,389	350,500
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	250,616	55,486	487,495	85,775	86,298	34,946	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	Yes	-	-	-	16,188	27,078	32,639	38,234	54,654	81,967	82,467	66,782	56,397	43,595
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes	135,000	11,615	11,685	11,757	1,031,649	115,242	68,052	-	-	-	-	-	-
KRS 1 Dewatering	Yes	3,750,000	49,835	238,995	456,287	674,903	840,893	953,935	851,832	641,189	187,405	80,692	24,034	-
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	53,959	81,267	108,742	109,405	110,071	110,742	76,884	57,927	25,905	15,099
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	1,575,000	441,270	228,124	94,618	35,989	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	Yes	-	-	-	26,979	43,331	43,596	43,861	54,920	44,463	28,547	10,678	1,806	1,817
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	32,375	54,156	54,486	54,818	55,152	55,489	55,827	35,273	2,423
Mercer Rd Booster Station	Yes	220,000	1,341	1,349	1,357	271,159	488,647	491,626	494,622	249,898	-	-	-	-
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
		8,615,298	2,150,610	2,854,097	4,103,149	6,492,228	5,986,393	7,736,912	7,453,524	6,778,107	5,944,211	5,720,532	4,068,953	2,780,816

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Utility Plant In-Service Additions	**Assumption**	Forecasted Dec-26	Forecasted Jan-27	Forecasted Feb-27	Forecasted Mar-27	Forecasted Apr-27	Forecasted May-27	Forecasted Jun-27	Forecasted Jul-27	Forecasted Aug-27	Forecasted Sep-27	Forecasted Oct-27	Forecasted Nov-27	Forecasted Dec-27
Mains - New	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Spend Month + 1 Month		1,080,000	769,446	774,479	1,541,618	2,308,337	2,323,438	3,856,015	3,847,228	3,864,957	3,859,175	3,841,508	2,294,303
Mains - Unscheduled	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Spend Month + 1 Month		350,000	35,803	71,840	100,448	143,211	179,951	215,507	179,014	180,105	108,339	71,605	72,042
Hydrants, Valves, and Manholes - New	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Spend Month + 1 Month		143,555	85,136	85,136	255,409	340,545	340,545	340,545	340,545	255,409	255,409	340,545	340,545
Services and Laterals - New	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Spend Month + 1 Month		136,977	38,958	77,916	155,832	155,832	77,916	155,832	155,832	155,832	116,874	155,832	155,832
Meters - New	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Spend Month + 1 Month		312,999	436,142	436,142	758,287	775,533	743,176	723,648	694,357	586,767	615,865	481,378	500,970
Meters - Replaced (Large Meters)	Spend Month + 1 Month		92,876	10,221	10,221	26,575	30,663	20,442	16,354	10,221	10,221	16,354	16,354	20,442
ITS Equipment and Systems	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Spend Month + 1 Month		81,510	128,010	256,020	256,020	192,015	320,023	320,023	256,020	192,015	192,015	192,015	192,015
Security Equipment and Systems	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Spend Month + 1 Month		486,765	87,347	174,694	262,042	262,042	262,042	349,389	349,389	349,389	349,389	349,389	349,389
Capitalized Tank Rehabilitation/Painting	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	Spend Month + 1 Month		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	5/31/2027		-	-	-	-	1,000,616	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	10/31/2029		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	9/30/2029		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	6/30/2027		-	-	-	-	-	1,385,000	-	-	-	-	-	-
KRS 1 Dewatering	9/30/2027		-	-	-	-	-	-	-	-	8,645,274	80,692	24,034	-
KRS1 Sedimentation Basin Installation	8/31/2031		-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	9/30/2028		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	10/31/2028		-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	10/31/2027		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	4/30/2027		-	-	-	2,375,000	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	10/31/2028		-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	8/31/2029		-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	10/31/2028		-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	12/31/2030		-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	10/31/2028		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	10/31/2031		-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	6/30/2029		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	8/31/2027		-	-	-	-	-	-	-	2,220,000	-	-	-	-
RRS Operations Center	3/31/2028		-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	10/31/2029		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	10/31/2029		-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	12/31/2032		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	10/31/2029		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	12/31/2031		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	10/31/2032		-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	10/31/2032		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	10/31/2032		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	5/31/2029		-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	5/31/2028		-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	11/30/2029		-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	9/30/2029		-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	10/31/2029		-	-	-	-	-	-	-	-	-	-	-	-
		-	2,684,682	1,591,063	1,886,449	5,731,231	5,208,794	5,652,533	5,977,313	8,052,606	14,239,969	5,594,112	5,472,660	3,925,538

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Utility Plant Retirements	**Assumption**	Forecasted Dec-26	Forecasted Jan-27	Forecasted Feb-27	Forecasted Mar-27	Forecasted Apr-27	Forecasted May-27	Forecasted Jun-27	Forecasted Jul-27	Forecasted Aug-27	Forecasted Sep-27	Forecasted Oct-27	Forecasted Nov-27	Forecasted Dec-27
Mains - New	5.73%		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	5.87%		63,436	45,195	45,490	90,550	135,584	136,471	226,490	225,973	227,015	226,675	225,638	134,760
Mains - Unscheduled	5.71%		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	5.71%		19,974	2,043	4,100	5,732	8,173	10,269	12,299	10,216	10,278	6,183	4,086	4,111
Hydrants, Valves, and Manholes - New	12.73%		-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	8.41%		12,070	7,158	7,158	21,475	28,633	28,633	28,633	28,633	21,475	21,475	28,633	28,633
Services and Laterals - New	15.98%		-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	18.11%		24,811	7,056	14,113	28,226	28,226	14,113	28,226	28,226	28,226	21,169	28,226	28,226
Meters - New	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	18.78%		58,784	81,911	81,911	142,413	145,652	139,575	135,907	130,406	110,200	115,665	90,407	94,086
Meters - Replaced (Large Meters)	18.78%		17,443	1,920	1,920	4,991	5,759	3,839	3,071	1,920	1,920	3,071	3,071	3,839
ITS Equipment and Systems	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	18.78%		15,308	24,041	48,083	48,083	36,062	60,103	60,103	48,083	36,062	36,062	36,062	36,062
Security Equipment and Systems	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	6.76%		-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	14.29%		-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	18.78%		91,419	16,405	32,809	49,214	49,214	49,214	65,618	65,618	65,618	65,618	65,618	65,618
Capitalized Tank Rehabilitation/Painting	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	0.00%		-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	6.35%		-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	18.78%		-	-	-	-	187,924	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	5.45%		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	16.32%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	17.44%		-	-	-	-	-	241,571	-	-	-	-	-	-
KRS 1 Dewatering	17.28%		-	-	-	-	-	-	-	-	1,493,542	13,940	4,152	-
KRS1 Sedimentation Basin Installation	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	14.91%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	0.00%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	15.67%		-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	18.56%		-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	18.78%		-	-	-	-	-	-	-	416,935	-	-	-	-
RRS Operations Center	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	5.33%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	5.57%		-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	5.57%		-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	18.78%		-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	16.32%		-	-	-	-	-	-	-	-	-	-	-	-
		-	303,244	185,729	235,584	390,683	625,226	683,789	560,347	956,010	1,994,335	509,859	485,894	395,336

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Cost of Removal (from SCEP)	**Include? = Yes or No** Yes	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27	Oct-27	Nov-27	Dec-27
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	-	71,299	71,299	142,599	213,898	213,898	356,497	356,497	355,967	355,967	355,967	210,428	90,790
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	-	3,318	6,635	9,289	13,270	16,588	19,906	16,588	16,588	9,953	6,635	6,635	6,654
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	-	24,876	24,876	74,627	99,503	99,503	99,503	99,503	74,627	74,627	99,503	99,503	125,941
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	-	11,513	23,027	46,053	46,053	23,027	46,053	46,053	46,053	34,540	46,053	46,053	46,171
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	-	53,934	53,934	94,834	97,412	92,268	89,414	85,134	72,134	76,391	60,141	63,002	78,019
Meters - Replaced (Large Meters)	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	-	8,363	16,725	25,088	25,088	25,088	33,450	33,450	33,450	33,450	33,450	33,450	33,553
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	-	10,000	25,000	40,000	25,000	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes	-	-	-	-	25,000	50,000	60,000	-	-	-	-	-	-
KRS 1 Dewatering	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	-	100,000	75,000	62,500	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	Yes	-	-	-	-	-	-	-	-	50,000	75,000	-	-	-
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	283,302	296,496	494,990	545,224	520,371	704,823	637,225	648,819	659,927	601,749	459,071	381,128

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Gross Utility Plant In-Service		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27	Oct-27	Nov-27	Dec-27
Mains - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes		1,016,564	1,740,815	2,469,804	3,920,873	6,093,625	8,280,592	11,910,117	15,531,372	19,169,314	22,801,814	26,417,684	28,577,227
Mains - Unscheduled	No		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes		330,026	363,786	431,526	526,241	661,280	830,961	1,034,169	1,202,967	1,372,793	1,474,950	1,542,469	1,610,400
Hydrants, Valves, and Manholes - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes		131,485	209,463	287,441	521,375	833,286	1,145,198	1,457,110	1,769,022	2,002,956	2,236,890	2,548,802	2,860,714
Services and Laterals - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes		112,166	144,068	207,871	335,477	463,083	526,886	654,492	782,097	909,703	1,005,408	1,133,014	1,260,620
Meters - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes		254,215	608,446	962,676	1,578,551	2,208,432	2,812,034	3,399,775	3,963,726	4,440,293	4,940,493	5,331,464	5,738,348
Meters - Replaced (Large Meters)	Yes		75,433	83,735	92,036	113,620	138,524	155,127	168,409	176,711	185,012	198,294	211,577	228,179
ITS Equipment and Systems	No		-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes		66,202	170,171	378,108	586,046	741,999	1,001,919	1,261,840	1,469,777	1,625,731	1,781,684	1,937,637	2,093,590
Security Equipment and Systems	No		-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No		-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No		-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No		-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes		395,346	466,289	608,174	821,003	1,033,831	1,246,659	1,530,429	1,814,200	2,097,971	2,381,741	2,665,512	2,949,283
Capitalized Tank Rehabilitation/Painting	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No		-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No		-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes		-	-	-	-	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692
KRS1 Chemical Building Improvements	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes		-	-	-	-	-	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429
KRS 1 Dewatering	Yes		-	-	-	-	-	-	-	-	7,151,732	7,218,484	7,238,366	7,238,366
KRS1 Sedimentation Basin Installation	No		-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	No		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes		-	-	-	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000
KRS 1 Rapid Mix Replacement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	No		-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No		-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No		-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No		-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	Yes		-	-	-	-	-	-	-	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065
RRS Operations Center	No		-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No		-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No		-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No		-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No		-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
		-	2,381,438	3,786,772	5,437,636	10,778,184	15,361,752	20,330,496	25,747,462	32,844,058	45,089,691	50,173,945	55,160,712	58,690,914
	Check = 0	-	-	-	-	-	-	-	-	-	-	-	-	-

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Accumulated Depreciation	**Eligible? = Yes or No**	Forecasted Dec-26	Forecasted Jan-27	Forecasted Feb-27	Forecasted Mar-27	Forecasted Apr-27	Forecasted May-27	Forecasted Jun-27	Forecasted Jul-27	Forecasted Aug-27	Forecasted Sep-27	Forecasted Oct-27	Forecasted Nov-27	Forecasted Dec-27
Mains - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes		134,735	249,878	435,653	736,818	1,081,088	1,565,957	2,137,936	2,704,046	3,266,383	3,823,545	4,229,302	4,419,738
Mains - Unscheduled	No		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes		23,291	31,559	44,495	62,961	87,067	116,419	144,272	169,789	188,523	199,633	208,519	217,365
Hydrants, Valves, and Manholes - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes		36,946	68,764	150,205	270,710	397,989	524,756	651,009	751,874	845,068	962,754	1,087,213	1,237,597
Services and Laterals - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes		36,324	65,160	123,725	195,693	243,216	298,234	366,656	433,660	487,731	544,841	607,944	669,746
Meters - New	No		-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes		112,718	243,470	408,027	628,567	834,864	1,019,613	1,184,322	1,318,757	1,425,945	1,512,801	1,567,240	1,632,544
Meters - Replaced (Large Meters)	Yes		17,443	17,851	18,094	21,241	24,724	25,788	25,752	24,298	22,677	22,042	21,141	20,742
ITS Equipment and Systems	No		-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes		15,308	38,884	85,769	131,191	163,129	218,010	271,062	310,265	335,984	360,605	384,129	406,555
Security Equipment and Systems	No		-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No		-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No		-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No		-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes		99,781	131,680	188,125	260,534	332,280	411,725	506,913	601,218	694,640	787,178	878,833	969,708
Capitalized Tank Rehabilitation/Painting	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No		-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No		-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes		10,000	35,000	75,000	100,000	287,924	283,372	278,820	274,268	269,716	265,164	260,613	256,061
KRS1 Chemical Building Improvements	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes		-	-	-	25,000	75,000	376,571	374,236	371,900	369,565	367,229	364,894	362,558
KRS 1 Dewatering	Yes		-	-	-	-	-	-	-	-	1,493,542	1,492,099	1,480,724	1,465,154
KRS1 Sedimentation Basin Installation	No		-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	No		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes		100,000	175,000	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500
KRS 1 Rapid Mix Replacement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	No		-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No		-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No		-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No		-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	Yes		-	-	-	-	-	-	-	466,935	536,416	530,897	525,378	519,859
RRS Operations Center	No		-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No		-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes		-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No		-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No		-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No		-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes		-	-	-	-	-	-	-	-	-	-	-	-
		-	586,546	1,057,246	1,766,593	2,670,215	3,764,781	5,077,946	6,178,480	7,664,510	10,173,690	11,106,288	11,853,429	12,415,126

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Net Utility Plant In-Service		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27	Oct-27	Nov-27	Dec-27
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	-	1,151,299	1,990,693	2,905,457	4,657,690	7,174,714	9,846,549	14,048,054	18,235,417	22,435,697	26,625,358	30,646,986	32,996,965
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	-	353,318	395,345	476,021	589,203	748,347	947,380	1,178,441	1,372,756	1,561,316	1,674,583	1,750,988	1,827,764
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	-	168,431	278,227	437,646	792,085	1,231,276	1,669,954	2,108,120	2,520,897	2,848,024	3,199,644	3,636,014	4,098,310
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	-	148,490	209,228	331,596	531,170	706,299	825,120	1,021,148	1,215,757	1,397,435	1,550,249	1,740,958	1,930,365
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	-	366,933	851,916	1,370,703	2,207,118	3,043,297	3,831,647	4,584,097	5,282,483	5,866,238	6,453,294	6,898,704	7,370,892
Meters - Replaced (Large Meters)	Yes	-	92,876	101,586	110,130	134,861	163,248	180,915	194,161	201,008	207,689	220,337	232,718	248,922
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	-	81,510	209,054	463,877	717,237	905,128	1,219,930	1,532,902	1,780,043	1,961,715	2,142,289	2,321,766	2,500,146
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	-	495,128	597,969	796,300	1,081,536	1,366,110	1,658,384	2,037,343	2,415,418	2,792,610	3,168,919	3,544,345	3,918,991
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	-	10,000	35,000	75,000	100,000	1,100,616	1,096,064	1,091,512	1,086,960	1,082,408	1,077,857	1,073,305	1,068,753
KRS1 Chemical Building Improvements	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes	-	-	-	-	25,000	75,000	1,520,000	1,517,665	1,515,329	1,512,994	1,510,658	1,508,323	1,505,987
KRS 1 Dewatering	Yes	-	-	-	-	-	-	-	-	-	8,645,274	8,710,583	8,719,090	8,703,520
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	-	100,000	175,000	237,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	Yes	-	-	-	-	-	-	-	-	2,270,000	2,339,481	2,333,962	2,328,443	2,322,924
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	2,967,984	4,844,018	7,204,230	13,448,399	19,126,534	25,408,442	31,925,942	40,508,568	55,263,381	61,280,233	67,014,140	71,106,039
	Check = 0	-	-	-	-	-	-	-	-	-	-	-	-	-

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Depreciation Expense	**Assumption**	Forecasted Dec-26	Forecasted Jan-27	Forecasted Feb-27	Forecasted Mar-27	Forecasted Apr-27	Forecasted May-27	Forecasted Jun-27	Forecasted Jul-27	Forecasted Aug-27	Forecasted Sep-27	Forecasted Oct-27	Forecasted Nov-27	Forecasted Dec-27
Mains - New	1.50%		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	1.60%		-	1,351	2,314	3,283	5,212	8,100	11,007	15,831	20,644	25,480	30,308	35,115
Mains - Unscheduled	1.49%		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	1.49%		-	411	453	537	655	823	1,034	1,287	1,497	1,708	1,835	1,919
Hydrants, Valves, and Manholes - New	5.53%		-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.97%		-	216	344	473	857	1,370	1,883	2,395	2,908	3,293	3,677	4,190
Services and Laterals - New	11.23%		-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	13.34%		-	1,247	1,602	2,311	3,729	5,148	5,857	7,276	8,694	10,113	11,177	12,595
Meters - New	24.04%		-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	24.04%		-	5,093	12,189	19,285	31,622	44,240	56,332	68,105	79,403	88,949	98,969	106,802
Meters - Replaced (Large Meters)	24.04%		-	1,511	1,677	1,844	2,276	2,775	3,108	3,374	3,540	3,706	3,972	4,238
ITS Equipment and Systems	16.95%		-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	8.44%		-	466	1,198	2,661	4,124	5,222	7,051	8,880	10,343	11,441	12,538	13,636
Security Equipment and Systems	7.69%		-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	5.16%		-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	4.53%		-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	5.41%		-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	3.74%		-	1,231	1,451	1,893	2,555	3,218	3,880	4,764	5,647	6,530	7,413	8,297
Capitalized Tank Rehabilitation/Painting	1.92%		-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	9.84%		-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	2.13%		-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	17.20%		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	6.72%		-	-	-	-	-	4,552	4,552	4,552	4,552	4,552	4,552	4,552
KRS1 Chemical Building Improvements	1.44%		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.88%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	2.45%		-	-	-	-	-	-	2,336	2,336	2,336	2,336	2,336	2,336
KRS 1 Dewatering	2.58%		-	-	-	-	-	-	-	-	-	15,383	15,527	15,570
KRS1 Sedimentation Basin Installation	3.74%		-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	3.30%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	1.85%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	2.27%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	0.00%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	3.02%		-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	3.30%		-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	2.31%		-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	3.03%		-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	3.30%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	2.59%		-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	2.21%		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	3.67%		-	-	-	-	-	-	-	-	5,519	5,519	5,519	5,519
RRS Operations Center	6.72%		-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	2.66%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	6.72%		-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.36%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	6.72%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	6.72%		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	3.30%		-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	3.30%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	2.73%		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	3.69%		-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	1.52%		-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	1.52%		-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	3.30%		-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	1.88%		-	-	-	-	-	-	-	-	-	-	-	-
		-	-	11,525	21,227	32,285	51,031	75,447	97,038	118,799	145,083	179,010	197,824	214,767

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Property Tax Expense		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Assumption	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27	Oct-27	Nov-27	Dec-27
Mains - Replaced / Restored	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	1.18%		-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Eligible CapEx Spend (from SCEP)	**Eligible? = Yes or No**	Forecasted Jan-28	Forecasted Feb-28	Forecasted Mar-28	Forecasted Apr-28	Forecasted May-28	Forecasted Jun-28	Forecasted Jul-28	Forecasted Aug-28	Forecasted Sep-28	Forecasted Oct-28	Forecasted Nov-28	Forecasted Dec-28
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	859,549	864,696	1,721,886	2,578,648	2,594,087	4,306,730	4,297,747	4,311,314	4,305,397	4,287,341	2,536,173	1,105,221
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	42,954	86,164	120,490	171,814	215,797	258,480	214,768	215,966	129,883	85,907	86,386	86,510
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	124,379	124,379	373,138	497,518	497,518	497,518	497,518	373,138	373,138	497,518	497,518	629,709
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	75,908	151,816	303,631	303,631	151,816	303,631	303,631	303,631	227,723	303,631	303,631	304,672
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	383,438	383,438	630,711	630,823	630,589	630,318	629,912	525,040	525,222	394,131	394,477	570,570
Meters - Replaced (Large Meters)	Yes	11,823	11,823	30,739	35,468	23,645	18,916	11,823	11,823	18,916	18,916	23,645	6,573
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	121,691	243,381	243,381	182,536	304,224	304,224	243,381	182,536	182,536	182,536	182,536	62,039
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	109,637	219,275	328,912	328,912	328,912	438,549	438,549	438,549	438,549	438,549	438,549	439,761
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	Yes	3,047	3,066	3,085	218,939	328,191	492,067	549,025	552,371	555,738	559,125	433,032	302,313
Hall Booster	Yes	-	-	26,979	54,123	54,453	54,785	55,119	55,455	109,752	83,294	3,011	3,029
KRS1 Substation Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	15,363	15,457	1,353,729	228,845	230,240	123,726	113,688	71,214	71,648	26,092	-	-
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	Yes	28,808	28,983	218,016	489,139	492,120	495,119	390,219	338,639	286,744	170,979	49,491	11,742
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	2,438	2,453	2,468	2,483	2,498	2,513	272,322	489,817	492,803	495,806	444,869	289,529
Mercer Rd Booster Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	26,979	81,103	108,576	109,238	109,904	110,574	111,248	111,926	112,608	86,315	31,530
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	26,979	81,103	81,597	82,094	82,595	83,098	56,625	14,865	-	191,626	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	26,979	54,123	54,453	81,764	55,283	55,620	7,396	7,441	7,487	7,532	56,141	85,778
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	26,979	37,936	54,354	54,686	55,019	55,354	55,692	56,031	56,373	47,576
		1,806,015	2,243,013	5,600,803	6,032,752	6,155,060	8,229,382	8,273,790	8,100,162	7,908,019	7,719,998	5,783,774	3,976,552

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Utility Plant In-Service Additions	**Assumption**	Forecasted Jan-28	Forecasted Feb-28	Forecasted Mar-28	Forecasted Apr-28	Forecasted May-28	Forecasted Jun-28	Forecasted Jul-28	Forecasted Aug-28	Forecasted Sep-28	Forecasted Oct-28	Forecasted Nov-28	Forecasted Dec-28
Mains - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Spend Month + 1 Month	996,997	859,549	864,696	1,721,886	2,578,648	2,594,087	4,306,730	4,297,747	4,311,314	4,305,397	4,287,341	2,536,173
Mains - Unscheduled	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Spend Month + 1 Month	72,136	42,954	86,164	120,490	171,814	215,797	258,480	214,768	215,966	129,883	85,907	86,386
Hydrants, Valves, and Manholes - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Spend Month + 1 Month	431,029	124,379	124,379	373,138	497,518	497,518	497,518	497,518	373,138	373,138	497,518	497,518
Services and Laterals - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Spend Month + 1 Month	156,264	75,908	151,816	303,631	303,631	151,816	303,631	303,631	303,631	227,723	303,631	303,631
Meters - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Spend Month + 1 Month	640,011	383,438	383,438	630,711	630,823	630,589	630,318	629,912	525,040	525,222	394,131	394,477
Meters - Replaced (Large Meters)	Spend Month + 1 Month	5,683	11,823	11,823	30,739	35,468	23,645	18,916	11,823	11,823	18,916	18,916	23,645
ITS Equipment and Systems	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Spend Month + 1 Month	65,261	121,691	243,381	243,381	182,536	304,224	304,224	243,381	182,536	182,536	182,536	182,536
Security Equipment and Systems	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Spend Month + 1 Month	350,500	109,637	219,275	328,912	328,912	328,912	438,549	438,549	438,549	438,549	438,549	438,549
Capitalized Tank Rehabilitation/Painting	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	5/31/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	10/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	9/30/2029	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	6/30/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	9/30/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	8/31/2031	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	9/30/2028	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	10/31/2028	-	-	-	-	-	-	-	-	-	3,000,000	-	-
KRS 2 Chlorine Gas Conversion	10/31/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	4/30/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	10/31/2028	-	-	-	-	-	-	-	-	-	3,238,767	49,491	11,742
JRES Dam Spillway Expansion	8/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	10/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	12/31/2030	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	10/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	10/31/2031	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	6/30/2029	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	8/31/2027	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	3/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	10/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	10/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	12/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	10/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	12/31/2031	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	10/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	10/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	10/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	5/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	5/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	11/30/2029	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	9/30/2029	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	10/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
		2,717,881	1,729,379	2,084,972	3,752,889	4,729,350	4,746,588	6,758,367	6,637,329	6,361,997	12,440,132	6,258,021	4,474,658

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Utility Plant Retirements	**Assumption**	Forecasted Jan-28	Forecasted Feb-28	Forecasted Mar-28	Forecasted Apr-28	Forecasted May-28	Forecasted Jun-28	Forecasted Jul-28	Forecasted Aug-28	Forecasted Sep-28	Forecasted Oct-28	Forecasted Nov-28	Forecasted Dec-28
Mains - New	5.73%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	5.87%	58,560	50,487	50,789	101,138	151,461	152,368	252,963	252,435	253,232	252,885	251,824	148,966
Mains - Unscheduled	5.71%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	5.71%	4,117	2,451	4,917	6,876	9,805	12,315	14,751	12,256	12,325	7,412	4,903	4,930
Hydrants, Valves, and Manholes - New	12.73%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	8.41%	36,241	10,458	10,458	31,374	41,832	41,832	41,832	41,832	31,374	31,374	41,832	41,832
Services and Laterals - New	15.98%	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	18.11%	28,304	13,749	27,498	54,997	54,997	27,498	54,997	54,997	54,997	41,248	54,997	54,997
Meters - New	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	18.78%	120,200	72,013	72,013	118,453	118,474	118,430	118,379	118,303	98,607	98,641	74,021	74,086
Meters - Replaced (Large Meters)	18.78%	1,067	2,220	2,220	5,773	6,661	4,441	3,553	2,220	2,220	3,553	3,553	4,441
ITS Equipment and Systems	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	18.78%	12,257	22,855	45,709	45,709	34,282	57,136	57,136	45,709	34,282	34,282	34,282	34,282
Security Equipment and Systems	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	6.76%	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	14.29%	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	18.78%	65,827	20,591	41,182	61,772	61,772	61,772	82,363	82,363	82,363	82,363	82,363	82,363
Capitalized Tank Rehabilitation/Painting	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	6.35%	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	5.45%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	16.32%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	17.44%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	17.28%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	18.78%	-	-	-	-	-	-	-	-	-	563,425	-	-
KRS 2 Chlorine Gas Conversion	14.91%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	18.78%	-	-	-	-	-	-	-	-	-	608,268	9,295	2,205
JRES Dam Spillway Expansion	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	15.67%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	18.56%	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	5.33%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	5.57%	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	5.57%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	16.32%	-	-	-	-	-	-	-	-	-	-	-	-
		326,573	194,824	254,787	426,092	479,284	475,793	625,974	610,116	569,400	1,723,450	557,069	448,102

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Cost of Removal (from SCEP)	**Include? = Yes or No** Yes **Eligible? = Yes or No**	Forecasted Jan-28	Forecasted Feb-28	Forecasted Mar-28	Forecasted Apr-28	Forecasted May-28	Forecasted Jun-28	Forecasted Jul-28	Forecasted Aug-28	Forecasted Sep-28	Forecasted Oct-28	Forecasted Nov-28	Forecasted Dec-28
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	79,307	79,307	158,615	237,922	237,922	396,537	396,537	380,675	380,675	380,675	127,439	75,283
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	3,643	7,285	10,199	14,571	18,213	21,856	18,213	18,213	10,928	7,285	7,285	7,306
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	27,742	27,742	83,225	110,967	110,967	110,967	110,967	83,225	83,225	110,967	110,967	140,451
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	16,913	33,825	67,651	67,651	33,825	67,651	67,651	67,651	50,738	67,651	67,651	67,885
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	52,462	52,462	136,401	157,386	104,931	83,945	52,466	52,466	83,945	83,945	104,931	76,183
Meters - Replaced (Large Meters)	Yes	-	-	-	-	-	-	-	-	-	-	-	-
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	11,531	23,062	34,592	34,592	34,592	46,123	46,123	46,123	46,123	46,123	46,123	47,853
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	25,000	25,000	25,000	25,000	25,000	25,000	-	-
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	75,000	100,000	100,000	55,000	-
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	-	-	-	33,750	33,750	33,750	30,000	19,016
Mercer Rd Booster Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
		191,597	223,683	490,684	623,089	565,451	752,078	716,956	782,103	814,385	855,396	549,396	433,976

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Gross Utility Plant In-Service		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Jan-28	Feb-28	Mar-28	Apr-28	May-28	Jun-28	Jul-28	Aug-28	Sep-28	Oct-28	Nov-28	Dec-28
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	29,515,664	30,324,726	31,138,633	32,759,381	35,186,568	37,628,287	41,682,054	45,727,366	49,785,447	53,837,959	57,873,476	60,260,682
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	1,678,419	1,718,921	1,800,168	1,913,782	2,075,792	2,279,273	2,523,002	2,725,513	2,929,154	3,051,625	3,132,630	3,214,087
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	3,255,501	3,369,423	3,483,344	3,825,109	4,280,795	4,736,481	5,192,167	5,647,853	5,989,617	6,331,382	6,787,068	7,242,754
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	1,388,580	1,450,738	1,575,056	1,823,690	2,072,325	2,196,642	2,445,277	2,693,911	2,942,546	3,129,022	3,377,656	3,626,291
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	6,258,160	6,569,585	6,881,011	7,393,269	7,905,618	8,417,777	8,929,716	9,441,326	9,867,758	10,294,339	10,614,449	10,934,840
Meters - Replaced (Large Meters)	Yes	232,795	242,397	251,999	276,965	305,772	324,977	340,340	349,942	359,545	374,908	390,272	409,476
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	2,146,595	2,245,431	2,443,103	2,640,775	2,789,029	3,036,117	3,283,206	3,480,878	3,629,132	3,777,386	3,925,640	4,073,894
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	3,233,956	3,323,003	3,501,096	3,768,235	4,035,375	4,302,515	4,658,701	5,014,887	5,371,073	5,727,259	6,083,445	6,439,631
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692
KRS1 Chemical Building Improvements	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429
KRS 1 Dewatering	Yes	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	-	-	-	-	-	2,436,575	2,436,575	2,436,575
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	-	-	2,630,499	2,670,695	2,680,232
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	Yes	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
		61,082,222	62,616,777	64,446,962	67,773,759	72,023,825	76,294,621	82,427,015	88,454,228	94,246,825	104,963,507	110,664,459	114,691,015
	Check = 0	-	-	-	-	-	-	-	-	-	-	-	-

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Accumulated Depreciation	**Eligible? = Yes or No**	Forecasted Jan-28	Forecasted Feb-28	Forecasted Mar-28	Forecasted Apr-28	Forecasted May-28	Forecasted Jun-28	Forecasted Jul-28	Forecasted Aug-28	Forecasted Sep-28	Forecasted Oct-28	Forecasted Nov-28	Forecasted Dec-28
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	4,519,620	4,610,182	4,779,278	5,076,948	5,422,787	5,924,922	6,524,406	7,102,112	7,675,238	8,242,623	8,550,324	8,697,648
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	223,120	230,768	243,746	262,953	288,590	320,178	350,306	377,636	397,497	408,550	416,940	425,278
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	1,296,877	1,329,725	1,417,869	1,554,484	1,700,994	1,846,756	1,991,768	2,108,290	2,213,605	2,346,099	2,488,490	2,659,615
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	700,949	733,087	812,109	917,247	985,797	1,057,909	1,156,137	1,251,602	1,327,390	1,403,577	1,491,441	1,576,775
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	1,690,253	1,689,362	1,766,172	1,904,169	1,979,469	2,023,477	2,025,694	2,017,579	2,011,000	1,995,912	1,968,645	1,906,282
Meters - Replaced (Large Meters)	Yes	17,239	14,796	12,160	12,885	13,998	12,313	9,356	4,759	(31)	(3,681)	(7,639)	(11,016)
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	404,078	411,827	441,734	470,250	485,947	523,456	559,226	581,830	591,615	600,357	608,056	614,712
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	1,037,886	1,071,472	1,136,904	1,222,371	1,307,007	1,402,343	1,517,437	1,631,424	1,744,301	1,856,070	1,966,730	2,078,011
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	251,509	246,957	242,405	237,853	233,301	228,749	224,197	219,645	215,093	210,541	205,989	201,437
KRS1 Chemical Building Improvements	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes	360,223	357,887	355,552	353,216	350,881	348,545	346,210	343,874	341,539	339,203	336,868	334,532
KRS 1 Dewatering	Yes	1,449,584	1,434,015	1,418,445	1,402,876	1,387,306	1,371,736	1,356,167	1,340,597	1,325,027	1,309,458	1,293,888	1,278,319
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	25,000	50,000	75,000	100,000	125,000	713,425	709,670	705,915
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	75,000	175,000	883,268	940,943	936,427
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	-	-	-	33,750	67,500	101,250	131,250	150,266
Mercer Rd Booster Station	Yes	514,340	508,821	503,302	497,783	492,264	486,746	481,227	475,708	470,189	464,670	459,151	453,632
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
		12,703,178	12,876,399	13,367,176	14,150,535	14,910,842	15,834,629	16,854,630	17,901,305	18,917,463	21,108,822	21,798,247	22,245,333

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Net Utility Plant In-Service		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Jan-28	Feb-28	Mar-28	Apr-28	May-28	Jun-28	Jul-28	Aug-28	Sep-28	Oct-28	Nov-28	Dec-28
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	34,035,284	34,934,909	35,917,911	37,836,330	40,609,356	43,553,209	48,206,460	52,829,478	57,460,685	62,080,582	66,423,800	68,958,330
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	1,901,539	1,949,689	2,043,914	2,176,735	2,364,381	2,599,451	2,873,308	3,103,149	3,326,652	3,460,175	3,549,571	3,639,365
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	4,552,378	4,699,148	4,901,213	5,379,592	5,981,789	6,583,237	7,183,935	7,756,143	8,203,222	8,677,481	9,275,558	9,902,369
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	2,089,528	2,183,826	2,387,165	2,740,938	3,058,121	3,254,551	3,601,414	3,945,513	4,269,935	4,532,599	4,869,097	5,203,066
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	7,948,413	8,258,948	8,647,183	9,297,437	9,885,087	10,441,253	10,955,410	11,458,905	11,878,758	12,290,251	12,583,094	12,841,122
Meters - Replaced (Large Meters)	Yes	250,034	257,193	264,160	289,850	319,770	337,290	349,696	354,701	359,513	371,227	382,633	398,460
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	2,550,673	2,657,257	2,884,836	3,111,025	3,274,976	3,559,573	3,842,431	4,062,707	4,220,747	4,377,743	4,533,696	4,688,606
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	4,271,842	4,394,475	4,637,999	4,990,606	5,342,382	5,704,857	6,176,138	6,646,310	7,115,374	7,583,329	8,050,175	8,517,642
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	1,064,201	1,059,649	1,055,097	1,050,545	1,045,993	1,041,441	1,036,889	1,032,337	1,027,785	1,023,233	1,018,681	1,014,130
KRS1 Chemical Building Improvements	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	Yes	1,503,652	1,501,316	1,498,980	1,496,645	1,494,309	1,491,974	1,489,638	1,487,303	1,484,967	1,482,632	1,480,296	1,477,961
KRS 1 Dewatering	Yes	8,687,951	8,672,381	8,656,811	8,641,242	8,625,672	8,610,102	8,594,533	8,578,963	8,563,394	8,547,824	8,532,254	8,516,685
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	25,000	50,000	75,000	100,000	125,000	3,150,000	3,146,245	3,142,491
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	75,000	175,000	3,513,767	3,611,638	3,616,659
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	-	-	-	33,750	67,500	101,250	131,250	150,266
Mercer Rd Booster Station	Yes	2,317,405	2,311,887	2,306,368	2,300,849	2,295,330	2,289,811	2,284,292	2,278,773	2,273,254	2,267,735	2,262,216	2,256,697
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
		73,785,400	75,493,176	77,814,139	81,924,294	86,934,667	92,129,250	99,281,645	106,355,533	113,164,288	126,072,329	132,462,706	136,936,348
	Check = 0	-	-	-	-	-	-	-	-	-	-	-	-

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Depreciation Expense	**Assumption**	Forecasted Jan-28	Forecasted Feb-28	Forecasted Mar-28	Forecasted Apr-28	Forecasted May-28	Forecasted Jun-28	Forecasted Jul-28	Forecasted Aug-28	Forecasted Sep-28	Forecasted Oct-28	Forecasted Nov-28	Forecasted Dec-28
Mains - New	1.50%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	1.60%	37,985	39,233	40,308	41,390	43,544	46,770	50,016	55,404	60,781	66,175	71,562	76,926
Mains - Unscheduled	1.49%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	1.49%	2,004	2,089	2,139	2,240	2,381	2,583	2,836	3,140	3,392	3,645	3,797	3,898
Hydrants, Valves, and Manholes - New	5.53%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.97%	4,703	5,352	5,539	5,726	6,288	7,037	7,786	8,536	9,285	9,846	10,408	11,157
Services and Laterals - New	11.23%	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	13.34%	14,014	15,436	16,127	17,509	20,273	23,037	24,419	27,183	29,947	32,711	34,784	37,548
Meters - New	24.04%	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	24.04%	114,952	125,365	131,604	137,843	148,104	158,368	168,627	178,883	189,132	197,674	206,219	212,632
Meters - Replaced (Large Meters)	24.04%	4,571	4,663	4,856	5,048	5,548	6,125	6,510	6,818	7,010	7,203	7,510	7,818
ITS Equipment and Systems	16.95%	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	8.44%	14,733	15,106	15,802	17,193	18,584	19,627	21,366	23,105	24,496	25,539	26,583	27,626
Security Equipment and Systems	7.69%	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	5.16%	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	4.53%	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	5.41%	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	3.74%	9,180	10,066	10,343	10,897	11,729	12,560	13,392	14,500	15,609	16,718	17,826	18,935
Capitalized Tank Rehabilitation/Painting	1.92%	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	9.84%	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	2.13%	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	17.20%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	6.72%	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552
KRS1 Chemical Building Improvements	1.44%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.88%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Substation Replacement	2.45%	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336
KRS 1 Dewatering	2.58%	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570
KRS1 Sedimentation Basin Installation	3.74%	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	1.85%	-	-	-	-	-	-	-	-	-	-	3,755	3,755
KRS 2 Chlorine Gas Conversion	2.27%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	3.02%	-	-	-	-	-	-	-	-	-	-	6,620	6,721
JRES Dam Spillway Expansion	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	2.31%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	3.03%	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	2.59%	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	2.21%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	3.67%	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519
RRS Operations Center	6.72%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	2.66%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	6.72%	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.36%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	6.72%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	6.72%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	2.73%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	3.69%	-	-	-	-	-	-	-	-	-	-	-	-
Black Mountain Operations Center	1.52%	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	1.52%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	1.88%	-	-	-	-	-	-	-	-	-	-	-	-
		230,118	245,286	254,694	265,822	284,428	304,084	322,929	345,544	367,627	387,487	417,041	434,992

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Property Tax Expense	**Assumption**	Forecasted Jan-28	Forecasted Feb-28	Forecasted Mar-28	Forecasted Apr-28	Forecasted May-28	Forecasted Jun-28	Forecasted Jul-28	Forecasted Aug-28	Forecasted Sep-28	Forecasted Oct-28	Forecasted Nov-28	Forecasted Dec-28
Mains - Replaced / Restored	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.18%	32,565	32,565	32,565	32,565	32,565	32,565	32,565	32,565	32,565	32,565	32,565	32,565
Services and Laterals - Replaced	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	1.18%	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804
Winchester Road Reinforcement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.18%	4,045	4,045	4,045	4,045	4,045	4,045	4,045	4,045	4,045	4,045	4,045	4,045
KRS2 Transfer Switch	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	1.18%	1,905	1,905	1,905	1,905	1,905	1,905	1,905	1,905	1,905	1,905	1,905	1,905
KRS1 Substation Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	1.18%	7,274	7,274	7,274	7,274	7,274	7,274	7,274	7,274	7,274	7,274	7,274	7,274
KRS1 Sedimentation Basin Installation	1.18%	246	246	246	246	246	246	246	246	246	246	246	246
Woodlake Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	1.18%	2,467	2,467	2,467	2,467	2,467	2,467	2,467	2,467	2,467	2,467	2,467	2,467
KRS 1 Rapid Mix Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	1.18%	3,868	3,868	3,868	3,868	3,868	3,868	3,868	3,868	3,868	3,868	3,868	3,868
KRS1 Low Service Pump Replacement #4	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055
Clays Mill Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.18%	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Services and Laterals - Replaced	1.18%	8,590	8,590	8,590	8,590	8,590	8,590	8,590	8,590	8,590	8,590	8,590	8,590
Process Plant Facilities and Equipment	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	1.18%	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578
KRS1 Substation Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	1.18%	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293
RRS Sedimentation Basin Improvement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
		70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Eligible CapEx Spend (from SCEP)		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Jan-29	Feb-29	Mar-29	Apr-29	May-29	Jun-29	Jul-29	Aug-29	Sep-29	Oct-29	Nov-29	Dec-29
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	3,236,131	3,255,506	3,251,125	3,236,131	3,255,506	3,250,404	3,236,131	3,254,182	3,249,738	3,236,131	3,254,182	3,249,738
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	143,037	143,893	143,699	143,037	143,893	143,668	143,037	143,835	143,638	143,037	143,835	143,638
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195
Meters - Replaced (Large Meters)	Yes	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	Yes	351,180	353,320	355,474	357,640	359,820	362,013	364,220	312,481	314,385	238,761	96,831	33,876
Hall Booster	Yes	3,047	3,066	3,085	3,104	3,122	272,935	436,475	816,847	383,360	74,958	-	-
KRS1 Substation Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	287,469	451,098	507,806	510,901	514,015	228,712	-	-	-	-	-	-
Mercer Rd Booster Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	33,074	276,090	817,361	1,092,137	1,098,793	1,105,490	1,112,228	1,119,007	1,125,827	699,333	430,359	90,299
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	3,237,527	251,755	247,894	238,613	24,211	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	593,547	1,082,793	838,737	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	812,429	547,587	550,925	446,365	342,744	49,951	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	57,006	-	-	-	161,876	378,698	434,965	437,616	440,283	382,786	107,590	99,179
		6,616,226	6,723,413	7,322,327	7,482,166	7,572,622	10,722,250	7,671,663	8,618,260	8,671,490	7,330,805	5,725,648	5,309,582

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Utility Plant In-Service Additions	**Assumption**	Forecasted Jan-29	Forecasted Feb-29	Forecasted Mar-29	Forecasted Apr-29	Forecasted May-29	Forecasted Jun-29	Forecasted Jul-29	Forecasted Aug-29	Forecasted Sep-29	Forecasted Oct-29	Forecasted Nov-29	Forecasted Dec-29
Mains - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Spend Month + 1 Month	1,105,221	3,236,131	3,255,506	3,251,125	3,236,131	3,255,506	3,250,404	3,236,131	3,254,182	3,249,738	3,236,131	3,254,182
Mains - Unscheduled	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Spend Month + 1 Month	86,510	143,037	143,893	143,699	143,037	143,893	143,668	143,037	143,835	143,638	143,037	143,835
Hydrants, Valves, and Manholes - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Spend Month + 1 Month	629,709	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120	427,120
Services and Laterals - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Spend Month + 1 Month	304,672	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908	258,908
Meters - New	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Spend Month + 1 Month	570,570	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195	409,195
Meters - Replaced (Large Meters)	Spend Month + 1 Month	6,573	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273	19,273
ITS Equipment and Systems	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Spend Month + 1 Month	62,039	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246	132,246
Security Equipment and Systems	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Spend Month + 1 Month	439,761	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109	446,109
Capitalized Tank Rehabilitation/Painting	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	Spend Month + 1 Month	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	5/31/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	10/31/2029	-	-	-	-	-	-	-	-	-	7,869,294	96,831	33,876
Hall Booster	9/30/2029	-	-	-	-	-	-	-	-	2,425,042	74,958	-	-
KRS1 Substation Replacement	6/30/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	9/30/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	8/31/2031	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	9/30/2028	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	10/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	10/31/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	4/30/2027	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	10/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	8/31/2029	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	10/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	12/31/2030	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	10/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	10/31/2031	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	6/30/2029	-	-	-	-	-	5,400,000	-	-	-	-	-	-
Mercer Rd Booster Station	8/31/2027	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	3/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	10/31/2029	-	-	-	-	-	-	-	-	-	9,479,342	430,359	90,299
KRS1 Switch Gear Improvement	10/31/2029	-	-	-	-	-	-	-	-	-	4,000,000	-	-
North Middletown Transmission Main	12/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	10/31/2029	-	-	-	-	-	-	-	-	-	3,215,659	-	-
KRS1 Low Service Pump Replacement #2 and #5	12/31/2031	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	10/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	10/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	10/31/2032	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	5/31/2029	-	-	-	-	3,200,049	49,951	-	-	-	-	-	-
Black Mountain Operations Center	5/31/2028	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	11/30/2029	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	9/30/2029	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	10/31/2029	-	-	-	-	-	-	-	-	-	2,793,231	107,590	99,179
		3,205,055	5,072,019	5,092,251	5,087,677	8,272,069	10,542,202	5,086,924	5,072,019	7,515,910	32,518,712	5,706,799	5,314,223

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Utility Plant Retirements	**Assumption**	Forecasted Jan-29	Forecasted Feb-29	Forecasted Mar-29	Forecasted Apr-29	Forecasted May-29	Forecasted Jun-29	Forecasted Jul-29	Forecasted Aug-29	Forecasted Sep-29	Forecasted Oct-29	Forecasted Nov-29	Forecasted Dec-29
Mains - New	5.73%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	5.87%	64,917	190,080	191,218	190,960	190,080	191,218	190,918	190,080	191,140	190,879	190,080	191,140
Mains - Unscheduled	5.71%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	5.71%	4,937	8,163	8,212	8,201	8,163	8,212	8,199	8,163	8,208	8,197	8,163	8,208
Hydrants, Valves, and Manholes - New	12.73%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	8.41%	52,947	35,913	35,913	35,913	35,913	35,913	35,913	35,913	35,913	35,913	35,913	35,913
Services and Laterals - New	15.98%	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	18.11%	55,185	46,896	46,896	46,896	46,896	46,896	46,896	46,896	46,896	46,896	46,896	46,896
Meters - New	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	18.78%	107,158	76,850	76,850	76,850	76,850	76,850	76,850	76,850	76,850	76,850	76,850	76,850
Meters - Replaced (Large Meters)	18.78%	1,235	3,620	3,620	3,620	3,620	3,620	3,620	3,620	3,620	3,620	3,620	3,620
ITS Equipment and Systems	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	18.78%	11,651	24,837	24,837	24,837	24,837	24,837	24,837	24,837	24,837	24,837	24,837	24,837
Security Equipment and Systems	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	6.76%	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	14.29%	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	18.78%	82,591	83,783	83,783	83,783	83,783	83,783	83,783	83,783	83,783	83,783	83,783	83,783
Capitalized Tank Rehabilitation/Painting	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	6.35%	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	5.45%	-	-	-	-	-	-	-	-	-	428,917	5,278	1,846
Hall Booster	16.32%	-	-	-	-	-	-	-	-	395,857	12,236	-	-
KRS1 Substation Replacement	17.44%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	17.28%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	14.91%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	15.67%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	18.56%	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	18.78%	-	-	-	-	-	1,014,165	-	-	-	-	-	-
Mercer Rd Booster Station	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	18.78%	-	-	-	-	-	-	-	-	-	1,780,300	80,825	16,959
KRS1 Switch Gear Improvement	18.78%	-	-	-	-	-	-	-	-	-	751,234	-	-
North Middletown Transmission Main	5.33%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	18.78%	-	-	-	-	-	-	-	-	-	603,928	-	-
KRS1 Low Service Pump Replacement #2 and #5	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	18.78%	-	-	-	-	600,996	9,381	-	-	-	-	-	-
Black Mountain Operations Center	5.57%	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	5.57%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	18.78%	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	16.32%	-	-	-	-	-	-	-	-	-	455,960	17,563	16,190
		380,621	470,141	471,328	471,060	1,071,137	1,494,875	471,016	470,141	867,104	4,503,549	573,807	506,242

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Cost of Removal (from SCEP)	**Include? = Yes or No** Yes	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Jan-29	Feb-29	Mar-29	Apr-29	May-29	Jun-29	Jul-29	Aug-29	Sep-29	Oct-29	Nov-29	Dec-29
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	250,350	250,350	250,350	250,350	250,350	250,350	250,350	250,350	250,350	250,350	250,350	250,350
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130	12,130
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	95,264	95,264	95,264	95,264	95,264	95,264	95,264	95,264	95,264	95,264	95,264	95,264
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	57,227	57,227	57,227	57,227	57,227	57,227	57,227	57,227	57,227	57,227	57,227	57,227
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	78,845	78,845	78,845	78,845	78,845	78,845	78,845	78,845	78,845	78,845	78,845	78,845
Meters - Replaced (Large Meters)	Yes	-	-	-	-	-	-	-	-	-	-	-	-
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	37,852	37,852	37,852	37,852	37,852	37,852	37,852	37,852	37,852	37,852	37,852	37,852
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	Yes	30,000	50,000	100,000	125,000	125,000	175,000	175,000	120,000	-	-	-	-
Hall Booster	Yes	-	-	-	-	-	-	-	-	-	50,000	50,000	-
KRS1 Substation Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	Yes	-	-	-	-	-	-	-	-	-	-	-	-
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	18,750	30,000	33,750	33,750	33,750	14,822	25,000	-	-	-	-	-
Mercer Rd Booster Station	Yes	-	-	-	-	-	-	-	-	-	-	-	-
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	200,000	300,000	300,000	200,000	-	-	-	-	-	-
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	100,000	150,000	150,000	-	-	-
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	50,000	150,000	100,000	-	-
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	300,000	300,000	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	100,000	225,000	-	-	-	-	-	-
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	50,000	75,000	75,000
		580,419	611,669	865,419	990,419	1,090,419	1,146,491	831,669	851,669	831,669	1,031,669	956,669	606,669

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Gross Utility Plant In-Service		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Jan-29	Feb-29	Mar-29	Apr-29	May-29	Jun-29	Jul-29	Aug-29	Sep-29	Oct-29	Nov-29	Dec-29
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	61,300,986	64,347,037	67,411,326	70,471,491	73,517,542	76,581,831	79,641,317	82,687,368	85,750,410	88,809,269	91,855,320	94,918,362
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	3,295,660	3,430,534	3,566,215	3,701,714	3,836,588	3,972,269	4,107,738	4,242,612	4,378,238	4,513,679	4,648,553	4,784,179
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	7,819,516	8,210,724	8,601,931	8,993,139	9,384,346	9,775,554	10,166,761	10,557,969	10,949,176	11,340,384	11,731,591	12,122,799
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	3,875,778	4,087,790	4,299,802	4,511,814	4,723,826	4,935,839	5,147,851	5,359,863	5,571,875	5,783,887	5,995,899	6,207,911
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	11,398,252	11,730,597	12,062,941	12,395,286	12,727,631	13,059,976	13,392,321	13,724,665	14,057,010	14,389,355	14,721,700	15,054,044
Meters - Replaced (Large Meters)	Yes	414,815	430,469	446,122	461,776	477,430	493,084	508,737	524,391	540,045	555,698	571,352	587,006
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	4,124,281	4,231,691	4,339,100	4,446,509	4,553,918	4,661,327	4,768,736	4,876,145	4,983,554	5,090,964	5,198,373	5,305,782
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	6,796,802	7,159,128	7,521,454	7,883,780	8,246,106	8,608,432	8,970,758	9,333,084	9,695,410	10,057,736	10,420,062	10,782,388
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692	812,692
KRS1 Chemical Building Improvements	Yes	-	-	-	-	-	-	-	-	-	7,440,377	7,531,930	7,563,959
Hall Booster	Yes	-	-	-	-	-	-	-	-	2,029,184	2,091,907	2,091,907	2,091,907
KRS1 Substation Replacement	Yes	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429	1,143,429
KRS 1 Dewatering	Yes	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366	7,238,366
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575	2,436,575
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000	2,375,000
KRS 1 Rapid Mix Replacement	Yes	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232	2,680,232
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	-	-	-	-	-	4,385,834	4,385,834	4,385,834	4,385,834	4,385,834	4,385,834	4,385,834
Mercer Rd Booster Station	Yes	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065	1,803,065
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	-	-	-	-	-	-	-	7,699,042	8,048,575	8,121,916
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	-	-	-	3,248,766	3,248,766	3,248,766
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	-	-	2,611,731	2,611,731	2,611,731
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	2,599,053	2,639,623	2,639,623	2,639,623	2,639,623	2,639,623	2,639,623	2,639,623
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	2,337,271	2,427,298	2,510,288
		117,515,450	122,117,328	126,738,251	131,354,868	138,555,800	147,603,127	152,219,035	156,820,913	163,469,719	191,484,882	196,617,874	201,425,854
	Check = 0	-	-	-	-	-	-	-	-	-	-	-	-

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Accumulated Depreciation		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Jan-29	Feb-29	Mar-29	Apr-29	May-29	Jun-29	Jul-29	Aug-29	Sep-29	Oct-29	Nov-29	Dec-29
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	8,932,816	9,291,764	9,647,801	9,999,508	10,346,267	10,690,115	11,029,590	11,364,160	11,695,741	12,022,990	12,345,374	12,664,769
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	438,346	454,538	470,611	486,504	502,191	517,759	533,145	548,326	563,385	578,265	592,941	607,495
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	2,795,920	2,914,242	3,031,922	3,148,958	3,265,351	3,381,101	3,496,208	3,610,672	3,724,493	3,837,671	3,950,205	4,062,097
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	1,648,876	1,709,914	1,768,594	1,824,919	1,878,886	1,930,497	1,979,750	2,026,647	2,071,187	2,113,371	2,153,197	2,190,667
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	1,873,235	1,800,598	1,721,302	1,635,350	1,542,739	1,443,471	1,337,545	1,224,962	1,105,721	979,822	847,266	708,052
Meters - Replaced (Large Meters)	Yes	(17,984)	(22,674)	(27,678)	(32,995)	(38,626)	(44,570)	(50,828)	(57,399)	(64,284)	(71,483)	(78,995)	(86,821)
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	597,694	593,507	588,564	582,865	576,410	569,200	561,233	552,511	543,033	532,798	521,808	510,063
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	2,178,410	2,278,890	2,378,242	2,476,466	2,573,563	2,669,531	2,764,372	2,858,085	2,950,671	3,042,128	3,132,458	3,221,661
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	196,886	192,334	187,782	183,230	178,678	174,126	169,574	165,022	160,470	155,918	151,366	146,814
KRS1 Chemical Building Improvements	Yes	30,000	80,000	180,000	305,000	430,000	605,000	780,000	900,000	900,000	1,328,917	1,325,251	1,318,044
Hall Booster	Yes	-	-	-	-	-	-	-	-	395,857	454,920	501,649	498,378
KRS1 Substation Replacement	Yes	332,197	329,861	327,526	325,190	322,855	320,519	318,183	315,848	313,512	311,177	308,841	306,506
KRS 1 Dewatering	Yes	1,262,749	1,247,179	1,231,610	1,216,040	1,200,470	1,184,901	1,169,331	1,153,762	1,138,192	1,122,622	1,107,053	1,091,483
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	702,161	698,406	694,651	690,896	687,141	683,386	679,631	675,876	672,121	668,366	664,611	660,857
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500	237,500
KRS 1 Rapid Mix Replacement	Yes	929,682	922,938	916,193	909,448	902,703	895,958	889,214	882,469	875,724	868,979	862,234	855,489
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	169,016	199,016	232,766	266,516	300,266	1,329,253	1,346,160	1,338,067	1,329,974	1,321,881	1,313,788	1,305,695
Mercer Rd Booster Station	Yes	448,113	442,594	437,075	431,556	426,038	420,519	415,000	409,481	403,962	398,443	392,924	387,405
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	200,000	500,000	800,000	1,000,000	1,000,000	1,000,000	1,000,000	2,780,300	2,844,033	2,843,123
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	100,000	250,000	400,000	1,151,234	1,133,037	1,114,841
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	50,000	200,000	903,928	889,299	874,671
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	300,000	600,000	600,000
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	700,996	927,389	919,276	911,162	903,049	894,936	886,823	878,710
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	505,960	594,867	682,261
		22,755,615	23,370,605	24,224,460	25,186,951	26,833,428	28,935,654	29,674,885	30,417,151	31,520,309	36,440,644	37,277,533	37,679,759

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Net Utility Plant In-Service		Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	Eligible? = Yes or No	Jan-29	Feb-29	Mar-29	Apr-29	May-29	Jun-29	Jul-29	Aug-29	Sep-29	Oct-29	Nov-29	Dec-29
Mains - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	Yes	70,233,802	73,638,801	77,059,127	80,470,999	83,863,809	87,271,946	90,670,907	94,051,528	97,446,151	100,832,259	104,200,694	107,583,132
Mains - Unscheduled	No	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	Yes	3,734,006	3,885,071	4,036,826	4,188,218	4,338,779	4,490,028	4,640,883	4,790,938	4,941,623	5,091,944	5,241,494	5,391,674
Hydrants, Valves, and Manholes - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	Yes	10,615,436	11,124,966	11,633,853	12,142,097	12,649,697	13,156,655	13,662,969	14,168,641	14,673,669	15,178,054	15,681,796	16,184,895
Services and Laterals - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	Yes	5,524,654	5,797,704	6,068,397	6,336,733	6,602,712	6,866,335	7,127,601	7,386,510	7,643,062	7,897,258	8,149,096	8,398,578
Meters - New	No	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	Yes	13,271,487	13,531,194	13,784,244	14,030,636	14,270,370	14,503,447	14,729,866	14,949,627	15,162,731	15,369,177	15,568,966	15,762,097
Meters - Replaced (Large Meters)	Yes	396,831	407,795	418,445	428,781	438,804	448,514	457,909	466,992	475,760	484,215	492,357	500,185
ITS Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	Yes	4,721,975	4,825,197	4,927,664	5,029,374	5,130,328	5,230,527	5,329,969	5,428,656	5,526,587	5,623,762	5,720,181	5,815,844
Security Equipment and Systems	No	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	No	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	No	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	No	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	Yes	8,975,212	9,438,017	9,899,695	10,360,246	10,819,668	11,277,963	11,735,130	12,191,169	12,646,081	13,099,864	13,552,520	14,004,048
Capitalized Tank Rehabilitation/Painting	Yes	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	No	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	No	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	Yes	1,009,578	1,005,026	1,000,474	995,922	991,370	986,818	982,266	977,714	973,162	968,610	964,058	959,506
KRS1 Chemical Building Improvements	Yes	30,000	80,000	180,000	305,000	430,000	605,000	780,000	900,000	900,000	8,769,294	8,857,181	8,882,004
Hall Booster	Yes	-	-	-	-	-	-	-	-	2,425,042	2,546,827	2,593,556	2,590,284
KRS1 Substation Replacement	Yes	1,475,625	1,473,290	1,470,954	1,468,619	1,466,283	1,463,948	1,461,612	1,459,277	1,456,941	1,454,606	1,452,270	1,449,935
KRS 1 Dewatering	Yes	8,501,115	8,485,545	8,469,976	8,454,406	8,438,837	8,423,267	8,407,697	8,392,128	8,376,558	8,360,988	8,345,419	8,329,849
KRS1 Sedimentation Basin Installation	No	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	Yes	3,138,736	3,134,981	3,131,226	3,127,471	3,123,716	3,119,961	3,116,206	3,112,451	3,108,696	3,104,942	3,101,187	3,097,432
KRS 2 Chlorine Gas Conversion	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	Yes	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500	2,612,500
KRS 1 Rapid Mix Replacement	Yes	3,609,914	3,603,170	3,596,425	3,589,680	3,582,935	3,576,190	3,569,446	3,562,701	3,555,956	3,549,211	3,542,466	3,535,721
JRES Dam Spillway Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	No	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	No	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	No	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	Yes	169,016	199,016	232,766	266,516	300,266	5,715,088	5,731,995	5,723,902	5,715,809	5,707,716	5,699,622	5,691,529
Mercer Rd Booster Station	Yes	2,251,179	2,245,660	2,240,141	2,234,622	2,229,103	2,223,584	2,218,065	2,212,546	2,207,027	2,201,508	2,195,989	2,190,470
RRS Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	Yes	-	-	200,000	500,000	800,000	1,000,000	1,000,000	1,000,000	1,000,000	10,479,342	10,892,608	10,965,039
KRS1 Switch Gear Improvement	Yes	-	-	-	-	-	-	100,000	250,000	400,000	4,400,000	4,381,803	4,363,607
North Middletown Transmission Main	Yes	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	Yes	-	-	-	-	-	-	-	50,000	200,000	3,515,659	3,501,030	3,486,402
KRS1 Low Service Pump Replacement #2 and #5	Yes	-	-	-	-	-	-	-	-	-	300,000	600,000	600,000
KRS2 WTP Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	No	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	No	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	Yes	-	-	-	-	3,300,049	3,567,012	3,558,898	3,550,785	3,542,672	3,534,559	3,526,446	3,518,332
Black Mountain Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	No	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	No	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	Yes	-	-	-	-	-	-	-	-	-	2,843,231	3,022,166	3,192,549
		140,271,065	145,487,933	150,962,712	156,541,819	165,389,227	176,538,781	181,893,920	187,238,064	194,990,028	227,925,526	233,895,407	239,105,614
	Check = 0	-	-	-	-	-	-	-	-	-	-	-	-

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Depreciation Expense	**Assumption**	Forecasted Jan-29	Forecasted Feb-29	Forecasted Mar-29	Forecasted Apr-29	Forecasted May-29	Forecasted Jun-29	Forecasted Jul-29	Forecasted Aug-29	Forecasted Sep-29	Forecasted Oct-29	Forecasted Nov-29	Forecasted Dec-29
Mains - New	1.50%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	1.60%	80,099	81,482	85,531	89,604	93,671	97,720	101,793	105,860	109,909	113,980	118,046	122,095
Mains - Unscheduled	1.49%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Relocated	1.49%	4,000	4,101	4,269	4,438	4,606	4,774	4,943	5,112	5,279	5,448	5,617	5,785
Hydrants, Valves, and Manholes - New	5.53%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.97%	11,907	12,855	13,498	14,141	14,784	15,427	16,070	16,713	17,356	18,000	18,643	19,286
Services and Laterals - New	11.23%	-	-	-	-	-	-	-	-	-	-	-	-
Services and Laterals - Replaced	13.34%	40,311	43,085	45,442	47,798	50,155	52,512	54,869	57,226	59,583	61,939	64,296	66,653
Meters - New	24.04%	-	-	-	-	-	-	-	-	-	-	-	-
Meters - Replaced	24.04%	219,050	228,333	234,991	241,649	248,306	254,964	261,621	268,279	274,937	281,594	288,252	294,910
Meters - Replaced (Large Meters)	24.04%	8,203	8,310	8,623	8,937	9,250	9,564	9,878	10,191	10,505	10,818	11,132	11,445
ITS Equipment and Systems	16.95%	-	-	-	-	-	-	-	-	-	-	-	-
SCADA Equipment and Systems	8.44%	28,669	29,024	29,780	30,536	31,292	32,048	32,803	33,559	34,315	35,071	35,827	36,583
Security Equipment and Systems	7.69%	-	-	-	-	-	-	-	-	-	-	-	-
Offices and Operations Centers	5.16%	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	4.53%	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Equipment	5.41%	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	3.74%	20,044	21,155	22,283	23,411	24,539	25,666	26,794	27,922	29,050	30,178	31,305	32,433
Capitalized Tank Rehabilitation/Painting	1.92%	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Studies	9.84%	-	-	-	-	-	-	-	-	-	-	-	-
Projects Funded by Others	2.13%	-	-	-	-	-	-	-	-	-	-	-	-
Corporate ITS	17.20%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 Transfer Switch	6.72%	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552	4,552
KRS1 Chemical Building Improvements	1.44%	-	-	-	-	-	-	-	-	-	-	8,943	9,053
Hall Booster	1.88%	-	-	-	-	-	-	-	-	-	3,173	3,271	3,271
KRS1 Substation Replacement	2.45%	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336
KRS 1 Dewatering	2.58%	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570	15,570
KRS1 Sedimentation Basin Installation	3.74%	-	-	-	-	-	-	-	-	-	-	-	-
Rockwell Village WW PS & Force Main	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	1.85%	3,755	3,755	3,755	3,755	3,755	3,755	3,755	3,755	3,755	3,755	3,755	3,755
KRS 2 Chlorine Gas Conversion	2.27%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	3.02%	6,745	6,745	6,745	6,745	6,745	6,745	6,745	6,745	6,745	6,745	6,745	6,745
JRES Dam Spillway Expansion	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Hamburg Area Tank/ Pressure Improvements	2.31%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	3.03%	-	-	-	-	-	-	-	-	-	-	-	-
Millersburg WWTP Improvement	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	2.59%	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	2.21%	-	-	-	-	-	-	8,093	8,093	8,093	8,093	8,093	8,093
Mercer Rd Booster Station	3.67%	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519
RRS Operations Center	6.72%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	2.66%	-	-	-	-	-	-	-	-	-	-	17,093	17,869
KRS1 Switch Gear Improvement	6.72%	-	-	-	-	-	-	-	-	-	-	18,197	18,197
North Middletown Transmission Main	1.36%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	6.72%	-	-	-	-	-	-	-	-	-	-	14,628	14,628
KRS1 Low Service Pump Replacement #2 and #5	6.72%	-	-	-	-	-	-	-	-	-	-	-	-
KRS2 WTP Expansion	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Southeast Area Expansion Tank	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	2.73%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	3.69%	-	-	-	-	-	7,989	8,113	8,113	8,113	8,113	8,113	8,113
Black Mountain Operations Center	1.52%	-	-	-	-	-	-	-	-	-	-	-	-
Middlesboro Operations Center	1.52%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Site Traffic and Safety Improvements	3.30%	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	1.88%	-	-	-	-	-	-	-	-	-	-	3,655	3,796
		450,758	466,821	482,892	498,989	515,080	539,140	563,454	579,544	595,616	614,884	693,587	710,685

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Eligible Capital & Expense

Property Tax Expense	**Assumption**	Forecasted Jan-29	Forecasted Feb-29	Forecasted Mar-29	Forecasted Apr-29	Forecasted May-29	Forecasted Jun-29	Forecasted Jul-29	Forecasted Aug-29	Forecasted Sep-29	Forecasted Oct-29	Forecasted Nov-29	Forecasted Dec-29
Mains - Replaced / Restored	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.18%	68,056	68,056	68,056	68,056	68,056	68,056	68,056	68,056	68,056	68,056	68,056	68,056
Services and Laterals - Replaced	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Process Plant Facilities and Equipment	1.18%	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592
Winchester Road Reinforcement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.18%	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773
KRS2 Transfer Switch	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	1.18%	5,135	5,135	5,135	5,135	5,135	5,135	5,135	5,135	5,135	5,135	5,135	5,135
KRS1 Substation Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Dewatering	1.18%	12,673	12,673	12,673	12,673	12,673	12,673	12,673	12,673	12,673	12,673	12,673	12,673
KRS1 Sedimentation Basin Installation	1.18%	393	393	393	393	393	393	393	393	393	393	393	393
Woodlake Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	1.18%	4,627	4,627	4,627	4,627	4,627	4,627	4,627	4,627	4,627	4,627	4,627	4,627
KRS 1 Rapid Mix Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Filter Building	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
RRS Sedimentation Basin Improvement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	1.18%	8,406	8,406	8,406	8,406	8,406	8,406	8,406	8,406	8,406	8,406	8,406	8,406
KRS1 Low Service Pump Replacement #4	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001
Clays Mill Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mains - Replaced / Restored	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hydrants, Valves, and Manholes - Replaced	1.18%	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459
Services and Laterals - Replaced	1.18%	8,405	8,405	8,405	8,405	8,405	8,405	8,405	8,405	8,405	8,405	8,405	8,405
Process Plant Facilities and Equipment	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Winchester Road Reinforcement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
North Middletown Transmission Main	1.18%	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101	3,101
KRS2 Transfer Switch	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Chemical Building Improvements	1.18%	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578	2,578
KRS1 Substation Replacement	1.18%	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569
KRS 1 Dewatering	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Sedimentation Basin Installation	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Traveling Screen Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS 1 Rapid Mix Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
RRS High Service Pump Station	1.18%	148	148	148	148	148	148	148	148	148	148	148	148
KRS1 Filter Building	1.18%	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227	2,227
RRS Sedimentation Basin Improvement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Switch Gear Improvement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #4	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
KRS1 Low Service Pump Replacement #2 and #5	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Woodlake Pump Station and Tank Expansion	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Hall Booster	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Mercer Rd Booster Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
Clays Mill Pump Station	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
York Street Booster Station Replacement	1.18%	-	-	-	-	-	-	-	-	-	-	-	-
		135,145	135,145	135,145	135,145	135,145	135,145	135,145	135,145	135,145	135,145	135,145	135,145

Kentucky-American Water Company
System Improvement Program ("SIP") Mechanism
Accumulated Deferred Income Taxes ("ADIT")

Year	Book Basis Additions	Tax Repairs Deduction	Tax Basis Additions
2027	66,016,950	(39,484,738)	26,532,212
2028	62,691,565	(37,495,825)	25,195,740
2029	98,485,860	(58,904,393)	39,581,467

		2027	2028	2029
		530,644	1,061,288	1,061,288
			503,915	1,007,830
				791,629
Total Tax Depreciation		$ 530,644	$ 1,565,203	$ 2,860,747
Tax Repairs Deduction	59.81%	39,484,738	37,495,825	58,904,393
Cost of Removal		6,233,126	6,998,796	10,394,854
CIAC		-	-	-
Total		$ 46,248,507	$ 46,059,824	$ 72,159,994
Book Depreciation		1,144,036	3,860,052	6,711,448
Temporary Timing Difference		45,104,472	42,199,772	65,448,546
Effective Tax Rate		24.95%	24.95%	24.95%
Deferred Income Taxes		$ 11,253,566	$ 10,528,843	$ 16,329,412
Deferred Income Taxes				
Beginning Balance		$ -	$ (11,253,566)	$ (21,782,409)
Annual Accrued Tax		(11,253,566)	(10,528,843)	(16,329,412)
Ending Balance		$ (11,253,566)	$ (21,782,409)	$ (38,111,821)
Prorated Deferred Income Taxes				
Beginning Balance		$ -	$ (11,253,566)	$ (21,782,409)
Prorated Accrued Tax		(5,213,124)	(4,877,402)	(7,564,470)
Ending Balance		(5,213,124)	(16,130,968)	(29,346,879)

	Total days per month	Cumulative Days	Prorated Days	Proration %			
					$ (937,797)	$ (877,404)	$ (1,360,784)
January	31	31	335	91.781%	(860,718)	(805,288)	(1,248,939)
February	28	59	307	84.110%	(788,777)	(737,981)	(1,144,550)
March	31	90	276	75.616%	(709,129)	(663,461)	(1,028,977)
April	30	120	246	67.397%	(632,050)	(591,346)	(917,131)
May	31	151	215	58.904%	(552,401)	(516,827)	(801,558)
June	30	181	185	50.685%	(475,322)	(444,711)	(689,713)
July	31	212	154	42.192%	(395,673)	(370,192)	(574,139)
August	31	243	123	33.699%	(316,025)	(295,673)	(458,566)
September	30	273	93	25.479%	(238,946)	(223,558)	(346,720)
October	31	304	62	16.986%	(159,297)	(149,038)	(231,147)
November	30	334	32	8.767%	(82,218)	(76,923)	(119,302)
December	31	365	1	0.274%	(2,569)	(2,404)	(3,728)
					(5,213,124)	(4,877,402)	(7,564,470)
					46.32%	46.32%	46.32%

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF ROBERT PRENDERGAST

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert Prendergast. My business address is 1 Water Street, Camden, NJ 08102.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company, Inc. (the "Service Company") as Senior Manager Regulatory Services.

Q. What are your duties as Senior Manager Regulatory Services?

A. As Senior Manager Regulatory Services, my duties consist of reviewing, preparing, and assisting in regulatory filings and related activities for all of the regulated subsidiaries of American Water. I am also responsible for collaborating with state operations and other areas of the Service Company to ensure accurate expense and capital information for regulatory activity in my purview.

Q. Have you previously filed testimony before this Commission?

A. Yes, I previously filed testimony with the Kentucky Public Service Commission in Case No. 2025-00122 detailing Kentucky American Water Company, Inc.'s ("KAWC," "Kentucky-American," or "Company") Labor and Labor-related Expenses, Support Services, as well as a variety of other operating expenses. In addition, I have also filed testimony before the Tennessee Public Utility Commission in Case No. 24-00032-GRC.

Q. Please state your educational and professional background and state whether you are a member of any professional organizations.

A. I have been employed by the Service Company since July of 2019. Before moving to my current role as Senior Manager Regulatory Services in 2023, I worked as a Senior Financial Analyst for the Acquisitions Department. Before coming to the Service Company, I was

employed as a Global FP&A Financial Analyst at a logistics company. Prior to that, I worked as a Senior Revenue and Controls Analyst for a telecommunications company. I am a graduate of Rutgers University with a Bachelor of Science Degree in Accounting and a Bachelor of Arts in Political Science. I also received a Master's Degree in Business Administration, with a concentration in Finance, from Rutgers University.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my Direct Testimony is to support and explain KAWC's Operational and Maintenance ("O&M") expense levels in the areas of Labor and Labor-related, Pension, Other Post-Employment Benefits ("OPEBs"), Production expenses, Support Services, Insurance Other than Group ("IOTG"), Uncollectibles, Contract Services, Customer Accounting, Employee-Related, Building Maintenance and Services, Maintenance and Supplies, Miscellaneous, Office, Postage, Rent, Telecommunication and Transportation.

Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring Exhibit 21, Exhibit 22, Exhibit 35, and Exhibit 37 G.

II. O&M EXPENSES

Q. Has the Company changed its approach to forecasting certain expenses in response to the Commission's Final Order in Case No. 2025-00122?

A. Yes. In the Commission's Final Order for Case No. 2025-00122, the Commission stated:

> [W]hile the Commission agrees that the inclusion of the company-specific O&M Growth Factor is more indicative of Kentucky-American's experiences, the Commission expects a utility with the size and experience of Kentucky-American, along with the shared resources of American Water, to forecast each operating expense in a way that is more reflective of Kentucky-American's internal budgeting process for each expense, rather than using a blanket growth factor to increase a number of expenses. The Commission notes that, during the evidentiary hearing, Kentucky-American stated that the growth factor did not represent its own, internal

> budgeting practices, and while it was similar, the Commission expects Kentucky-American to follow its internal budgeting process when forecasting its test year expenses in its next base rate proceeding.[1]

Following the Commission's directive in that case, the Company has changed its forecasting methodology for the following expenses: Support Services, Building Maintenance, Telecommunications, Office Supplies, Employee Related, Miscellaneous, Customer Accounting, and Maintenance Supplies and Services. For these expenses, the Company has more closely aligned the forecasting methodology with the methodology used in the Company's budgeting process.

Q. Were there any other changes in forecasting methodology that came out of Case No. 2025-00122?

A. Yes. In Case No. 2025-00122, the Commission disallowed the use of the Company's O&M Growth Factor for both Rents and Contracted Services expenses, stating, "The Commission finds that Kentucky-American's Contracted Services Expense adjustment should be based on known and measurable changes to its agreements with its contractors, rather than an inflation-based adjustment,"[2] and "[…] that Kentucky-American's Rent Expense adjustment should be based on known and measurable changes to its rental contracts, rather than an inflation-based adjustment."[3]

The Company has followed the Commission's directive for both Rents and Contracted Services and has only made adjustments for known and measurable changes.

[1] *In re Electronic Application of Kentucky-American Water Company for an Adjustment of Rates,* Case No. 2025-00122, Order (Ky. PSC Dec. 16, 2025) p. 8.
[2] *Id*. at 9-10.
[3] *Id*. at 14.

Q. How has the Company adjusted its expenses to incorporate the incremental expenses associated with the Water Service Corporation of Kentucky, City of Livingston, and Black Mountain Utility District acquisitions?

A. To account for the incremental expenses associated with the Company's acquisitions, adjustments have been made to production costs, labor-related expenses, contract services, office supplies, miscellaneous expense, rents, transportation, customer accounting, and maintenance supplies and services. For more information regarding how the acquisitions have been incorporated into this case, please see the direct testimony of Company witness John Watkins.

Q. How were these acquisition expense adjustments calculated?

A. The forecasted expense adjustments associated with the Company's three acquisitions were calculated through collaboration between the Company's business development, operations, and finance teams. The acquisition expenses were developed based on direction from finance and operations on what it would cost for the Company to operate each acquired system. In addition, the labor-related expenses associated with Water Service Corporation of Kentucky and Black Mountain Utility District were calculated based on the employee-by-employee basis described below in the labor-related section of this testimony.

A. Labor and Labor-related

Q. Please describe KAWC's labor and labor-related expenses.

A. Kentucky-American's labor and labor related expenses are associated with local employees who are employed by KAWC. The Company's labor force produces high quality drinking water, maintains the production facilities and distribution systems, monitors water quality,

provides engineering services, and supports the efficient management of local operations. Kentucky-American witness William A. Lewis discusses the employee levels and staffing more fully in his Direct Testimony.

There are three classifications of employees at Kentucky-American: union hourly employees, non-union hourly employees, and exempt employees. Union hourly employees receive base pay, overtime pay, and in some cases other compensation (such as wage premiums) and are eligible for performance pay. Non-union hourly employees receive base pay, overtime pay and are eligible for performance pay. Exempt employees receive base pay and are eligible for performance pay. Therefore, total salaries and wages for each classification of employees include fixed pay (base pay) and variable pay (e.g., overtime, shift pay, or performance pay).

The costs associated with Company labor that are discussed in my testimony include:

1. Salaries and Wages
2. Group Insurance
3. Other Benefits, including:
    a. 401k
    b. Defined Contribution Plan ("DCP")
    c. Retiree Medical Expense
    d. Employee Stock Purchase Plan ("ESPP")
    e. Other Benefits
4. Payroll Taxes

5. Pension and Other Post-Employment Benefits ("OPEBs")

The pro forma forecasted test period labor and related expense can be found in the Company's Filing Exhibit 37, Schedules C, D and G.

Q. Please describe the overall approach to calculating labor and labor related expenses.

A. The forecasted test period labor and labor related expenses were calculated on a position-by-position basis, based on 206 full-time positions. Company witness Lewis provides additional information regarding the Company's employee levels. Forecasted test period labor expense is based on the planned staffing level at hourly rates per contract for union employees and wage rates for non-union employees that reflect forecasted pay increases. Because some labor and labor-related costs are capitalized with capital projects and programs, a capitalization percentage is used to assist in calculating net expense as described below. An adjustment is also made to remove costs appropriately charged to wastewater operations, as also further discussed below. As a result, O&M labor expense, as reflected in the filing, represents costs related to water operations that are charged to expense on the Company's income statement.

Q. Please describe how the various components of pro forma Salaries and Wages were calculated.

A. Salary and wage expense are composed of four components: (1) base pay, (2) overtime expense, (3) wage premiums required by union contract, and (4) annual and long-term performance compensation for eligible employees.

Base Pay - To calculate the gross regular-time cost, wage rates projected to be in effect for each month of the forecasted test period were applied to the working hours for each month, for a total of 2,088 base hours each for all full-time hourly employees. Wage

rates for union employees were based on collective bargaining agreements ("CBAs") for each month of the forecasted test period. Forecasted test period wages for non-union employees were based on actual rates effective as of January 2026, with an increase of 3.89% estimated for January 2027, based on a three-year average of non-union merit increases 2024-2026.

Overtime - The second component of the labor expense is overtime expense. Overtime hours are based on the forecasted overtime. Overtime hours were calculated using a 3-year average of hours incurred for each position 2023-2025, with an adjustment to the total 2023 overtime hours to remove overtime hours for non-recurring projects not consistent with overtime hours in 2024 or 2025. Overtime hours are paid at three different multiples to base rates (1.5x, 2.0x, or 2.5x) which are determined based on the timing of the work performed (normal overtime, weekend, or holiday, respectively). The overtime multiplier for the forecast is based on a three-year average 2023-2025. Each employee's overtime gross expense is calculated by multiplying the employee's hourly rate of pay by the overtime multiplier, then by the overtime hours.

Wage Premiums – Union employees' CBAs include provisions for certain wage premiums for work completed on second or third shifts, per the negotiated CBA. The average annual gross shift premium for groups of positions was calculated over the three years 2023-2025 and allocated by position according to payroll history; however, the wage premium amounts were minimal and therefore KAWC did not project any expenses associated with wage premiums for the future test year.

Performance Pay – The last component of labor expense is the annual and long-term performance compensation expense. Performance pay was calculated on a position-

by-position basis for each employee and was based on each position's target percentage for both the Annual Performance Plan ("APP") and Long-Term Performance Plan ("LTPP"). The target percentage was multiplied by each eligible employee's pro forma base salary in the forecasted test period to determine APP and LTPP costs for that period.

Q. Once the gross costs are calculated, how is the forecasted test period's O&M Salaries & Wages expense derived?

A. To derive O&M Salaries & Wages expense, each position's gross costs are multiplied by both a "Water Percentage" and an "O&M Percentage." The "Water Percentage" is assessed by position and is based on the average payroll charges to water operations over the three years 2023-2025. Applying this percentage has the effect of excluding projected labor utilized in support of wastewater operations. Because some labor and labor-related costs are capitalized through capital projects and programs, a capitalization percentage is also used to calculate net expense, as applied based on the position type. The O&M Percentage, calculated as one minus the capitalization percentage, is based on the average ratio of dollars charged to capital versus O&M for each position type over the three years 2023-2025. This eliminates from expenses the labor and labor-related costs which are appropriately charged to capital projects and programs. In other words, the total cost deducts the capitalized dollars to determine the O&M labor and related expenses. The "Management Allocation Percentage" is an allocation of management's salaries[4] to wastewater operations and was based on the 0.985% factor that was determined in Case No. 2018-00358. To summarize: the total forecasted expense is derived by the gross costs

[4] The positions that fall within this category are considered management-level. KAWC has included the Management Allocation Percentage to isolate time spent on wastewater activities as directed in Case No. 2018-00358.

which are netted for Water Percentage, O&M Percentage, and the Management Allocation Percentage.

B. Group Insurance

Q. Please describe the components of group insurance expense.

A. Group insurance expense includes certain insurance coverages that Kentucky-American provides its employees. These can be grouped into two primary categories: (1) basic life, short-term disability, long-term disability and "AD&D" (accidental death and disability) insurance and (2) medical, dental, and vision insurance.

Q. Please describe the forecasted test period calculation for group insurance expense.

A. Calculations are based on the number of full-time positions and performed on a position-by-position basis, taking into account each employee's group insurance elections and using the latest available premium rates. Following a methodology similar to labor, each employee's group insurance costs are multiplied by their Water Percentage and O&M Percentage to arrive at Water O&M-related expense for each employee.

- Basic life, short- and long-term disability and AD&D. The 2026 rates are applied on a position-by-position basis, according to the insurance plans for both union and non-union positions.
- Medical, dental, and vision insurance. This category of insurance involves a Company cost net of employee contributions. The costs and contributions vary by plan type (e.g. family, employee, or employee plus spouse). Costs and contributions are calculated on a position-by-position basis, taking into account actual employee plan selections, using actual premium rates for 2026 and then increased using a 3-year weighted average of insurance increases.

The forecasted test period group insurance expense can be found in Exhibit 37, Schedules C, D and G.

C. Other Benefits

Q. Please describe the components of Other Benefits expense.

A. Other Benefits expense includes savings programs such as 401k, the Defined Contribution Plan ("DCP"), Retiree Medical and the Employee Stock Purchase Plan ("ESPP"). It also includes other employee-related costs such as tuition assistance and training. The 401k, DCP, Retiree Medical, and ESPP costs were calculated on a position-by-position basis.

Q. How was the Other Benefits expense calculated?

A. Following a methodology similar to labor, each employee's gross benefits costs are multiplied by their Water Percentage and O&M Percentage to arrive at Water O&M-related expense for each employee. The calculations are described in further detail below. The forecasted test period expense for each can be found in Exhibit 37, Schedules C, D and G.

401k - Kentucky-American incurs 401k expense when it matches employee contributions to 401k retirement accounts. The matching amounts are determined by each employee's benefit group or hire date. For union employees hired before 2001 and non-union employees hired before 2006, the Company matches 50% of the first 5% of the employee's contribution (for a maximum of 2.5%). For the remaining employees, the Company matches 100% of the first 3%, and 50% of the next 2% of the employee's contributions (for a maximum of 4%). Pro forma 401k costs were calculated for each position based on forecasted test period wages, current employee contribution levels, and the level of match for the benefit group.

DCP – The Defined Contribution Plan is a retirement savings program for employees not eligible for the defined benefit pension program. Under the DCP, Kentucky-American contributes an amount equal to 5.25% of an employee's base pay into a retirement account. The pro forma DCP expense was calculated by multiplying the forecasted test period regular time pay of each eligible position by 5.25%.

Retiree Medical Expense - Union employees who are not eligible for OPEBs are entitled to Company-provided retiree medical benefits. A trust (referred to as the Voluntary Employee Benefits Association, or "VEBA") exists to fund this benefit in the amount of $600 per eligible employee.

ESPP – Expense for the Employee Stock Purchase Plan relates to the Company funded discount on American Water stock purchases made by participating employees through voluntary payroll deductions. Under the ESPP, participants currently may purchase shares of American Water common stock at a 15% discount. Employees who choose to participate in a purchase period elect a contribution of 1% to 10% of after-tax compensation, for the discounted purchase of American Water common stock, subject to a maximum of $25,000 per year. The pro forma expense was calculated based on the forecasted test period base wages for each employee who participates in the ESPP, multiplied by their individual contribution amount, which was then multiplied to the 15% company discount to determine the adjustment.

Other Benefits – Various other expenses (e.g., training, tuition assistance, etc.) are forecasted based upon a three-year average (2023-2025) level of actual expenses.

D. Payroll Taxes

Q. Please discuss the general tax expense for payroll taxes.

A. Payroll taxes consist of federal and state taxes the Company pays based on its employees' salaries and wages. Taxes must be paid to fund the Federal Insurance Contributions Act, which is divided into two pieces: Old Age Survivors & Disability Insurance ("OASDI," or more commonly "FICA"), and Hospital Insurance (or more commonly known as "FICA Medicare"). Payroll taxes must also be paid for Federal Unemployment Tax ("FUTA") and State Unemployment Tax ("SUTA").

Q. How were the forecasted test period payroll taxes calculated?

A. Forecasted test period payroll taxes were calculated on a position-by-position basis, using pro forma wages, ESPP contributions, and 2026 tax rates. Following a methodology similar to labor, each employee's gross payroll taxes are multiplied by their Water Percentage and O&M Percentage to arrive at Water O&M-related payroll tax expense for each employee. The pro forma payroll tax can be found in Exhibit 37, Schedules C, D and G.

E. Pension and OPEBs

Q. Please describe the Pension expense.

A. Generally, union employees hired before January 1, 2001, and non-union employees hired before January 1, 2006, are eligible for pension benefits. Pension expense is recorded according to Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 715 or "ASC 715" (formerly Statement of Financial Accounting Standards 87).

Q. Please describe the adjustment to O&M for Pension expense.

A. ASC 715 cost is forecasted by the Company's professional third party actuary, Willis Towers Watson. As of January 2025, the annual service cost for Kentucky-American is

$136,597. A portion of the service cost is capitalized according to the Company's pro forma capitalization percentage. The non-service costs for Kentucky-American are $18,900. The Company's pro forma cost for the twelve months ending December 31, 2027, was calculated by using the 2025 actuals after applying the capitalization percentage to the service costs.

Q. Please describe the OPEB expense.

A. OPEBs, such as retiree medical benefits, are offered to some Kentucky-American employees. Generally, this includes union employees hired before January 1, 2006, and non-union employees hired before January 1, 2002. OPEB expense is recorded according to ASC 715 (formerly Statement of Financial Accounting Standards 106).

Q. Please explain the adjustment to O&M for OPEB expense.

A. The OPEB cost is forecasted by the Company's professional third party actuary, Willis Towers Watson. As of January 2025, the annual service cost for Kentucky-American is $22,865. A portion of the service cost is capitalized according to the Company's pro forma capitalization percentage. The non-service costs for Kentucky-American are $(607,377). The Company's pro forma service cost for the twelve months ending December 31, 2027, was calculated by using the current 2025 actuals after applying the capitalization percentage to the service costs.

F. Production Expenses

Q. Please explain which operating expenses are considered production expenses.

A. Production expenses are those expenses that vary depending on the amount of water produced by the Company's treatment plants. These costs include purchased power and fuel, chemicals, waste disposal, and purchased water.

Q. Please explain the system delivery impact on production costs.

A. System delivery is the amount of treated water that the Company's treatment plants produce. Water sales as well as other factors impact the amount of water produced by the plants, which in turn impacts expenses associated with treating that water. The Company has proposed pro forma sales adjustments in the direct testimony of Company witness Rea. The Company's pro forma system delivery number was used in the projected expense calculation for fuel and power and chemicals.

Q. Please describe the Purchased Power expense.

A. Purchased power and fuel expense is composed of the energy costs associated with treating, pumping, and delivering water. Electrical costs are the driving force in this expense category as the costs for backup generator diesel fuel are minimal.

Q. Please explain how you calculated the Purchased Power expense.

A. To calculate the base period expense, the Company used actual fuel and purchased power invoices by vendor for the 6-month period ending February 2026 and included projected expense amounts for March 2026 through August 2026. To forecast purchased power expense for the forecasted test period of January 2027 through December 2027, the Company used the 12-month period ended February 2026 normalized expense and system delivery to calculate the expense per system delivery rate. The projected purchased power expense was then multiplied by a pro-forma rate increase that accounts for the Kentucky Utilities and Owen Electric Cooperative rate increases.[5] Adjustments were made to incorporate the forecasted purchased power expenses from the Company's three

[5] Authorized by this Commission in Case Nos. 2025-00113, In the Matter of: Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and Approval of Certain Regulatory and Accounting Treatments and 2025-00217, In the Matter of: Electric Application of Owen Electric Cooperative, Inc. for Pass-Through of East Kentucky Power Cooperative, Inc.'s Wholesale Rate Adjustment, respectively.

acquisitions, Water Service Corporation of Kentucky, Black Mountain Utility District, and City of Livingston. Additional adjustments were made to incorporate additional power needed for the UV Project at KRS 1, as well as an adjustment for the Sales and Use Tax Payments associated with purchased power expense utilizing the year ending February 2026 amount. The forecasted test period fuel and power expense can be found on Exhibit 37, Schedules C and D. The forecasted test period fuel and power expense can be found on Exhibit 37, Schedules C and D.

Q. Please describe the Chemical expense.

A. The Company uses various chemicals for water treatment purposes. The amount of chemicals utilized by the Company can vary depending on the season and other external factors.

Q. How did the Company forecast the Chemical expense?

A. To calculate the base period expense, the Company used actuals for chemical usage and related expense for the 6-month period ended February 2026 and included projected expense amounts for March 2026 through August 2026. To calculate the forecasted test period expense level for chemicals, the Company used a three-year average of the quantity for each chemical from the 12 months ended February 2024, 2025, and 2026, including adjustments based on operations' experience. The Company then calculated usage per system delivery by dividing this normalized usage by the average system delivery for the same time period. This normalized usage per system delivery rate was applied to the anticipated system delivery for the forecasted test period ending December 31, 2027, to calculate the future test period usage. The Company used projected 2027 cost per chemical for the forecasted test period. The 2027 projected chemical costs were projected using

KAWC chemical contract data. These prices were applied to the forecasted test period usage to calculate the total expense. An acquisition adjustment was made to incorporate the forecasted chemical costs for the acquisitions included in this case. The forecasted test period chemical expense can be found in Exhibit 37, Schedules C and D.

Q. Please explain the Waste Disposal expense.

A. The Company incurs water waste disposal costs as a result of the need to beneficially reuse sludge and other by-products resulting from water treatment. The Company incurs monthly charges for chemical costs used in waste removal as well as a monthly accrual for anticipated costs associated with periodic cleaning of lagoons based on cycles that range from 12 to 24 months. The cleaning schedule is based on the amount of waste and size of lagoon, consistent with United States Environmental Protection Agency ("EPA") standards.

Q. Please describe how the Company calculated the Waste Disposal expense.

A. To calculate the base period Waste Disposal expense, the Company used actual waste disposal expenses for the 6-month period ended February 2026 and included projected expense amounts for March 2026 through August 2026. The forecasted test period of January 2027 through December 2027 includes forecasted costs of cleaning the lagoons as well as chemical costs related to waste disposal. Adjustments include the normalization and annualization of 12 months of chemicals and cleanout expenses, as well as a 3% adjustment to take into account the rising cost of cleanouts. An acquisition adjustment was made to incorporate the forecasted waste disposal costs for the acquisitions included in this case. The forecasted test period waste disposal expense can be found on Exhibit 37, Schedules C and D.

Q. Please explain the Purchased Water expense.

A. The purchased water expense includes the costs for purchasing water from other utilities. The Company has water connections with seven neighboring utilities from which the Company can buy water: Jackson County Water Association, City of Mt. Vernon Water Works, Carroll County Water District #1, Gallatin County Water District, City of Georgetown Municipal Utilities and Wood Creek Water.

Q. Please explain how the Company calculated the Purchased Water expense.

A. To calculate the base period expense, the Company used actual purchased water expenses by vendor for the 6-month period ended February 2026 and included projected expenses for March 2026 through August 2026. The forecasted test period of January 2027 through December 2027 contains an adjustment to forecast expenses, based on a three-year average usage and current rates. An acquisition adjustment was made to incorporate the incremental purchased water expense associated with the Company's acquisitions. The forecasted test period purchased water expense can be found on Exhibit 37, Schedules C and D.

G. Support Services

Q. What support services does Kentucky-American obtain from the Service Company?

A. Support provided by the Service Company includes customer service, water quality testing, innovation and environmental stewardship, human resources, communications, information technology, finance, accounting, payroll, tax, legal, engineering, accounts payable, supply chain, and risk management services. The Service Company's Customer Service Organization ("CSO") handles customer calls, billing, and collection activities for the Company and its regulated utility affiliates. The CSO responds to customer inquiries

and correspondence, and processes service order requests. In addition, the Service Company operates Field Resource Coordination Centers responsible for tracking and dispatching service orders for our field representatives and distribution crews. The Service Company also operates the Central Laboratory, located in Belleville, Illinois.

Q. How do Kentucky-American's customers benefit from Service Company's support?

A. The Service Company provides Kentucky-American with access to highly trained professionals who possess expertise in various specialized areas, whose background, experience and training are focused on water utility operations, and who exclusively support American Water's subsidiaries. Furthermore, the size of the Service Company and the scope of its operations have enabled it to assemble a uniquely qualified group of professionals who, through the Service Company, have a platform for sharing their extensive knowledge, expertise, experience and best practices across the American Water system to the benefit of all of American Water's state-regulated utilities and their customers. The Company benefits from the support and expertise of the Service Company's personnel at cost. The Company also benefits from the size and breadth of American Water, which affords the Company increased purchasing power that it could not obtain on its own and provides access to discounts on equipment and supplies needed for utility operations, including, for example, pipe, fittings, and water treatment chemicals. With Service Company's support, Kentucky-American achieves costs savings that it could not obtain individually otherwise.

Q. How are support services expenses charged to Kentucky-American?

A. Services are provided to Kentucky-American at cost and invoiced on a monthly basis. Support services expenses are charged to the Company in two ways: (1) directly to the

Company at 100% of the cost; or (2) a percentage allocation based on factors such as a per customer allocation across the American Water regulated subsidiaries. The Direct Testimony of Company witness Joseph Weiss demonstrates the reasonableness of support services costs that are charged to the Company.

Q. How were the support services expenses calculated?

A. The expenses are categorized into labor & related, and other costs. A three-year average merit increase of 3.9% for non-union and actual contract rate increases for union employees is then applied to derive the 2027 labor expense levels. Certain other costs pertaining to lobbying, advertising, community relations, and charitable contributions have been removed from the base period expenses and therefore are not included in the pro forma expense. The expenses pertaining to severance have also been calculated based on a three year average. Additional adjustments were made to adjust the following expenses: pension and OPEB expense, employee transfers, tax accruals, software, IOTG, cyber event adjustment, depreciation, and capital lease interest. Finally, a 0.06% allocation of sewer costs was removed from the end of the forecasted test year.

H. Insurance Other than Group ("IOTG")

Q. Please describe IOTG expense.

A. Kentucky-American incurs costs related to several types of insurance including Auto Liability, General Liability, Excess Liability, Workers' Compensation, and Property. These policies account for majority of the IOTG cost. The Company also has other coverages such as Crime, Directors and Officers Liability, Employment Practices, Fiduciary, Lawyers, Pollution Legal Liability, Special Contingency Risk, Cyber Security

and Terrorism Risk Insurance, including Nuclear Biological Chemical Radiological (NBCR).

The Company's General Liability, Auto Liability and Workers' Compensation premiums are based upon a combination of loss experience (50%) and exposure (50%). The loss experience is generally based upon a five (5) year historical average. The five (5) year average is used to normalize losses in any particular year. This is consistent with the commercial insurance market underwriting practice. Exposure is based upon factors related to risk exposure for each coverage in relation to overall policy factors. The exposure factor used for Auto Liability is vehicle fleet, and for Workers' Compensation is payroll costs. The Company exposure factor for General and Excess Liability is based upon the number of customers the Company serves. The factor for Property is based upon the insured value of assets.

Q. Has the Company recently changed the way that it accounts for IOTG expense?

A. Yes, based upon a reassessment of the factors utilized to allocate its IOTG costs, the Company determined that several changes should be made to more appropriately match coverages to their underlying risk and related costs. Therefore, beginning with the premium renewals in 2026, the cost of exposure for General Liability, Excess Liability, and Pollution have, or will be changed, from payroll cost based to be based upon the number of customers served.

Additionally, beginning with their respective renewal dates in 2026 and beyond, the coverages for Cyber Security, Crime, Directors & Officers Liability, Employment Practices, Fiduciary Liability, Lawyers Liability, and Special Contingency Risk will be allocated to the Service Company where the majority of the coverages are managed. The

Service Company will, in turn, bill the Company and its affiliates for these insurance costs using methods consistent with our cost accounting manual.

Q. Please describe the timing of the IOTG premiums and the pro forma adjustments to operating expenses.

A. The majority of the Company's IOTG policy premiums renew annually. Portions of Workers' Compensation, Auto Liability, and General Liability renewed January 01, 2026. The remainder for these policies were extended through March 31, 2026 at the 2025 rates. These portions are intended to then renew annually starting April 1, 2026. Property Insurance and Terrorism policies renew annually in January. Crime, Directors and Officers, Employment Practices, Fiduciary, Lawyers, and Excess Liability policies renew annually in April. The coverage for Special Contingency Risk renews every three years in January. Pollution Legal Liability renewed in June 2025 for a 15-month policy term and is expected to convert to an annual term upon renewal in October 2026. The pro forma adjustments to operating expenses include anticipated premium escalation factors that were applied to anticipated premium renewals for both the future portion of the base year period March 1, 2026 through August 31, 2026, as well as future forecast period through December 31, 2027.uThe pro forma adjustments also include the effects of the allocation changes described previously. Any related allocation changes that are anticipated to affect Service Company expenses are also reflected in the pro forma adjustments to the Company's Support Services Expense.

I. Uncollectibles

Q. Please describe the Uncollectibles expense and associated adjustment.

A. Uncollectible expenses are those costs associated with bad debt. A forecasted uncollectible percentage of revenue was developed utilizing historical uncollectible dollars to revenue ratio from 2023, 2024, and 2025 to determine an average uncollectible percentage. This percentage was then applied to pro forma revenue for the forecasted test period to arrive at the total uncollectible account expense. The forecasted test period uncollectible expense can be found in Exhibit 37, Schedules D-2.3.

J. Contract Services

Q. Please describe Contract Services.

A. The contract services expense includes costs associated with snow removal, lawn mowing and landscaping, lab testing, accounting, audit and legal fees (other than those associated with a rate case proceeding), and other certain services that are performed by a contracted third party.

Q. Please describe the adjustment to Contract Services expense.

A. Contract Services expense was forecasted using 2025 actual expense and adjusted for the incremental contract services expense forecasted for the Company's acquisitions. The forecasted test year contract services expense can be found in Exhibit 37, Schedules C and D.

K. Customer Accounting

Q. Please describe Customer Accounting.

A. The customer accounting expense includes costs associated with bank service charges, collection agencies, and other expenses associated with customer accounting and billing.

Q. Please describe the adjustment to Customer Accounting expense.

A. Customer Accounting expense was forecasted based on a three-year average (2023-2025) and adjusted for additional expense associated with the Company's acquisitions. The forecasted test year customer accounting expense can be found in Exhibit 37, Schedules C and D.

L. Employee Related Expense

Q. Please describe Employee Related expense.

A. The employee-related expense includes costs associated with employee travel and relocation, such as meals, training and conference fees, and relocation fees.

Q. Please describe the adjustment to Employee Related expense.

A. Employee related expense was forecast by utilizing 2025 actual expense levels. The forecasted test year employee related expense can be found in Exhibit 37, Schedules C and D.

M. Building Maintenance and Services

Q. Please describe the O&M expenses related to Building Maintenance and Services expense.

A. The operating and maintenance expenses associated with building maintenance and services includes the cost of electricity and heating for office facilities, groundskeeping, janitorial services, building security, trash, and water and wastewater services.

Q. Please explain the adjustment for Building Maintenance and Services.

A. The forecasted test-year expense for Building Maintenance and Services was calculated based on 2025 actual expense levels adjusted by applying a 3.07% normalized 3-year trend factor, consistent with the Company's budgeting methodology. The forecasted test period building maintenance and services expense can be found in Exhibit 37, Schedule D-2.

N. Maintenance Supplies & Services

Q. Please describe the O&M expenses related to Maintenance Supplies and Services.

A. The O&M expense associated with maintenance supplies and services are the expenses associated with maintenance costs for the general operation of the business, plant maintenance, main breaks, and the amortization of deferred maintenance costs including the painting and rehabilitation of intakes, storage tanks, and hydrotreaters.

Q. Please explain the adjustment for Maintenance Supplies and Services O&M expense.

A. The forecasted test year expense for Maintenance Supplies and Services was calculated based on 2025 actual expense levels adjusted by applying a 2.19% normalized 3-year trend factor, consistent with the Company's budgeting methodology. Additional adjustments were made for preventive maintenance associated with new UV Treatment equipment and additional expense associated with the Company's acquisitions. The forecasted test year for maintenance expense can be found in Exhibit 37, Schedule D-2.

O. Miscellaneous

Q. Please describe the O&M expenses related to Miscellaneous expense.

A. The O&M expenses for miscellaneous expense includes expenses for charitable contributions, community relations, membership dues, director fees, office power, heating and oil, as well as other miscellaneous expenses, such as laboratory supplies and customer education expenses.

Q. Please explain the adjustment for Miscellaneous expense.

A. The adjustment for miscellaneous expense for the future test year ending December 31, 2027, excludes charitable contributions and removes a one-time write off from NSI

Software. The normalized 2025 expense is then adjusted by applying a 4.28% normalized 3-year trend factor, consistent with the Company's budgeting methodology. Lastly, an additional adjustment is made for expense associated with the Company's acquisitions. The forecasted test year miscellaneous expense can be found in Exhibit 37, Schedule D-2.

P. Office Supplies

Q. Please describe the operating expenses related to Office supplies.

A. The O&M expense for office supplies include expenses related to uniforms, software licenses, bank fees and various office supplies.

Q. Please explain the adjustment for Office Supply expense.

A. The adjustment to office expense for the future test year ending December 31, 2027, includes normalizing expense levels to a three-year average and making adjustments for software and uniform expense increases, consistent with the Company's budgeting methodology. Lastly, an additional adjustment is made for expense associated with the Company's acquisitions. The forecasted test period expense for office supplies can be found in Exhibit 37, Schedule D-2.

Q. Postage, Printing & Stationary

Q. Please describe the operating expenses related to Postage, Printing and Stationary.

A. The O&M expense for postage, printing and stationary are inclusive of expenses related to certain shipping and mailings and postage expense, other than those included in the customer accounting expense.

Q. Please explain the adjustment for Postage, Printing and Stationary expense.

A. The forecasted test period postage expense was projected using a normalized 3-year average of expense from 2023-2025. The forecast test period expense for postage expense can be found in Exhibit 37, Schedule D-2.

R. Rents

Q. Please describe the operating expenses related to Rents.

A. The O&M expense for Rents is associated with copy machines and other miscellaneous items, as well as office space, and easements.

Q. Please explain the adjustment for Rent expense.

A. Rents expense was forecast based on 2025 actual expense and adjusted for a known lease contract increase for the Company's Bridgeport lease. An additional adjustment is made for expense associated with the Company's acquisitions. The forecasted test year rent expense can be found in Exhibit 37, Schedule D-2.

S. Telecommunication

Q. Please describe the operating expense related to Telecommunication expense.

A. The O&M expense for telecommunication expense includes those expenses associated with office phone, wireless services and data lines used by the Company.

Q. Please explain the adjustment for Telecommunication expense.

A. The adjustment to telecommunication expense for the future test year ending December 31, 2027, is to normalize the expense to a three-year average (2023-2025). The forecasted test period telecommunications expense can be found in Exhibit 37, Schedule D-2.

T. Transportation

Q. Please describe the operating expenses related to Transportation.

A. The O&M expense for transportation expense includes costs associated with operating the Company's fleet vehicles in addition to general transportation costs. These costs include titling and registration fees, fuel costs, repairs and maintenance, and employee reimbursement for personal car use.

Q. Please explain the adjustment for Transportation expense.

A. The adjustments made to transportation expense include an increase of 2% based on guidance from the Company's Fleet provider. An additional adjustment is made for expense associated with the Company's acquisitions. A portion of the transportation cost is capitalized and, therefore, excluded from O&M expense. The forecasted test period transportation expense can be found in Exhibit 37, Schedule D-2.

III. REGULATORY EXPENSE

Q. Please describe the operating expenses related to and any adjustments for regulatory expense.

A. The purpose of this adjustment is to annualize rate case expense for the costs related to this rate filing. Estimated costs related to this rate filing include legal fees, consultants' costs, travel expenses, and other expenses. KAWC proposes that these costs be amortized over a two-year period. The adjustment also includes the unamortized balances of prior rate cases amortized over a two-year period. The forecasted test year regulatory expense can be found in Exhibit 37, Schedules C and D, and also Schedule F-6.

Q. Should reasonable and prudently incurred rate case expense be recovered?

A. Yes. The cost of litigating a rate case is a normal and essential cost of service for any regulated utility and should be treated as such. As a regulated utility, KAWC has a legal obligation to provide safe and adequate service to its customers at just and reasonable rates.

Periodic rate changes are necessary to support the Company's continued provision of safe and adequate service to its customers. The way that KAWC changes its base rates is through the rate case process.

Q. Did the Company include any adjustments to Rate Case Expense?

A. Yes, in the Company's last rate case, Case No. 2025-00122, the QIP mechanism was terminated by the Commission. However, the reconciliation of the QIP was not addressed in the Commission's Order. The Company has calculated the reconciliation from the QIP 6 Period as a $464,996 overcollection. Therefore, the Company proposes to include the overcollection as an offset to rate case expenses.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, Robert Prendergast, being duly sworn, deposes and says that he is Senior Manager Regulatory Services for American Water Works Service Company, Inc., that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Robert Prendergast

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6th day of May, 2026.

Molly McCleese Van Over
Notary Public

My Commission Expires:

July 31, 2029

Notary ID: KYNP26988

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF CHARLES REA

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Charles B. Rea. My business address is 3409 Research Parkway, Davenport, Iowa 52806.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company, Inc. ("Service Company") as Vice President, Enterprise-Wide Regulatory Pricing & Affordability. I am providing testimony on behalf of Kentucky-American Water Company ("KAWC" or "Company").

Q. Please summarize your educational background and work experience.

A. I received a Bachelor of Arts degree in Computer Science from the University of Illinois at Springfield in 1986 and a Master's degree in Statistics and Operations Research from Southern Illinois University at Edwardsville in 1990. I have been employed by the Service Company since January 2018. Prior to my employment with the Service Company, I was employed by MidAmerican Energy Company ("MidAmerican") from June 1990 through January 2018. I have over 30 years of utility experience covering a wide range of issues including electric system planning, sales and revenue forecasting, electric load research, marketing, rates, cost of service, and energy efficiency. Most recently, at MidAmerican, I was Director, Energy Efficiency and Regulatory Analytics. In that position I had responsibility for planning, evaluation, and operational management of MidAmerican's energy efficiency and demand response programs in Illinois, Iowa, and South Dakota, as well as direct responsibility for electric and natural gas sales and revenue forecasting, electric peak demand forecasting, load research, retail pricing of electric and natural gas products, and electric and natural gas cost of service and rate design.

Q. What is the purpose of your Direct Testimony in this proceeding?

A. The purpose of my testimony on behalf of KAWC is to: (1) support and describe the usage analysis used to normalize residential and commercial service usage, (2) support and describe normalized water revenues, (3) support and describe the methods used to develop the fully allocated COSS, (4) support and describe the Company's proposed rate design, (5) and support and describe the Company's affordability analysis.

Q. How is your testimony organized?

A. I organized my testimony in the following manner:

I. Introduction

II. Residential and Commercial Usage Analysis

III. Normalized Revenues

IV. Class Cost of Service Study

V. Rate Design

VI. Affordability of Service

Q. What exhibits are you sponsoring?

A. I am sponsoring the following Company Schedules attached to my Direct Testimony.

- Exhibit CBR-1: Residential and Commercial Usage Modeling
- Exhibit CBR-2: Water Affordability Analysis

In addition to the exhibit attached to my testimony, I am also sponsoring the following filed exhibits:

- Exhibit 25 (Financial Forecast – Water Sales (Gallons))
- Exhibit 26 (Financial Forecast – Customer Forecast)
- Exhibit 36 (Cost of Service Study for Water Service)

- Exhibit 37 (Accounting Schedules)

I am also sponsoring workpapers to support Exhibits 25, 26, and 37 labeled Revenue WP Support.

Q. Were each of these Schedules prepared by you or under your supervision?

A. Yes.

II. RESIDENTIAL AND COMMERCIAL USAGE ANALYSIS

A. INTRODUCTION

Q. How do you determine the parameters and relationships necessary to analyze long-term trends, weather impacts on water consumption, and the impact of COVID-19 on water consumption for the Company's customers?

A. The parameters and relationships necessary to analyze long-term trends, weather, and COVID-19 on water consumption for the Company's customers are estimated using statistical linear regression modeling.

B. STATISTICAL MODELING

Q. What is a linear regression analysis?

A. Statistical linear regression modeling is a commonly used type of mathematical predictive analysis. The purpose of regression modeling is to examine two things: (1) analyze a set of independent explanatory variables on their effectiveness of predicting an outcome (dependent) variable; and (2) identify independent explanatory variables that are significant predictors of the dependent variable.

There are three major uses for statistical linear regression analysis: (1) determining the predictive power of independent explanatory variables; (2) forecasting the effect that independent variables have on a dependent variable; and (3) trend forecasting. First, the

regression analysis can be used to identify the strength of the effect that independent explanatory variables have on a dependent variable. A typical question is: "What is the strength of the relationship between summer heat, precipitation, and water sales?" Second, the regression analysis can be used to forecast the effects or impacts of changes. That is, the regression analysis helps us understand how much the dependent variable changes with a change in one or more independent variables. A typical question is: "How much water sales can the Company expect to lose for each inch of rainfall above normal in any given period?" Third, the regression analysis can predict trends and future values. The regression analysis can be used to get point estimates of future values of the dependent variable based on assumed values for the independent variables. A typical question can be: "Given current trends in water sales, what can we expect water sales to be each month next year assuming normal weather?"

Q. What does a statistical linear regression model produce?

A. A statistical linear regression analysis is a way of mathematically validating which independent variables have a significant impact on the dependent variable – the main factor, the one you are trying to better understand or predict. A statistical linear regression model produces an equation that describes a historical relationship between a set of independent variables and a single dependent variable that can be used to forecast future values of the dependent variable based on assumed values of the independent variables. An example of such an equation is shown below:

UPCn = a0 + (a1 x CDDn) + (a2 x HDDn) + (a3 x COVIDn) + (a4 x TIMEn)

Where: UPCn = Use per customer in month n (1000 gallons)

CDDn = Cooling Degree Days ("CDD") in month n

HDDn = Heating Degree Days ("HDD") in month n

COVIDn = COVID-19 effect in month n (0% to 100%)

TIMEn = Year/Month for month n

and: a0 = constant term

a1 = coefficient for CDD

a2 = coefficient for HDD

a3 = coefficient for COVID-19 impact per customer

a4 = coefficient for TIME (long-term trend value)

In this example, use per customer is the dependent variable (outcome) and all other variables are independent variables (predictors).

Q. Can statistical linear regression models be used to weather normalize historical water sales for different customer classes?

A. Yes. In the statistical model in the example above, the a1 coefficient for CDD can be used to estimate the impact of CDD on use per customer in any given historical period and estimate the impact of what use per customer would have been if the number of CDD had been different, especially when actual CDD was higher or lower than normal. Below is a sample calculation of how weather normalization works with a statistical linear regression model that uses CDD as one of the strong predictive independent variables that affects the use per customer dependent variable.

IMPACTn = a1 x (ACTUAL CDDn – NORMAL CDDn)

Where: IMPACTn = Weather impact due to abnormal cooling degree days in period n

ACTUAL CDDn = Actual CDD in period n

NORMAL CDDn = Average CDD in period n

In this example, if the value of the a1 coefficient for CDD is 0.001 per thousand gallons, actual CDD for the period is 200, and normal CDD for the period is 100, the weather impact for the period due to higher-than-normal CDD is a positive 100 gallons per customer. This calculation suggests that the Company sold 100 more gallons of water per customer than it otherwise would have due to the impact of abnormal cooling degree days [0.001 x (200 – 100) x 1000 = 100]. If there are multiple weather variables in the statistical regression analysis, the calculations are computed separately for each variable and the sum of the individual calculations is rolled up into a single weather impact. This approach to weather normalization allows an analyst to independently assess the impact of each weather component and also allows an analyst to state the weather impact over time both in terms of consumption and in terms of revenues by multiplying the consumption impact by a volumetric price.

Q. Can statistical linear regression models be used to estimate the impacts of COVID-19 on water sales for different customer classes?

A. Yes. In the statistical model example above, the a3 coefficient for COVID-19 is the estimate of the impact of the COVID-19 public health emergency on monthly use per customer. The historical data set contains a variable for each month that indicates the assumed qualitative level impact of COVID-19 in that month. In all months prior to April 2020, the COVID-19 impact value was set at 0%. From April 2020 through December 2021, the COVID-19 impact value is set at 100% when maximum COVID-19 impacts are observed or can be set at a level less than 100% where we see reduced COVID-19 impacts on usage. The coefficient for the COVID-19 impact variable estimates the average monthly

use per customer based on the months that have been designated as COVID-19 months. This coefficient can then be used to: (1) identify a normal level of usage that is not influenced by the impact of COVID-19, in a manner similar to a normalization calculation that adjusts for the influence on water usage associated with weather conditions that depart from normal conditions; and (2) reflect estimates of future impacts of the COVID-19 public health emergency.

Q. Can these models be used to estimate long-term trends in use per customer for different customer classes?

A. Yes. In the same statistical model example represented above, the a4 coefficient for TIME is the estimate of the long-term trend impact on use per customer per month. This coefficient measures the rate of decline or incline in use per customer over the historical data set independent of the effect of any other variable in the model. The historical data set contains a variable for each month which is a timestamp that starts at -119 for the first month in the dataset and increases by 1 for every month going forward. This acts as a trend variable for both historical periods in the dataset and future forecast periods. The coefficient for this trend variable is applied to future values of the trend which results in decreasing or increasing forecasts of use per customer.

Q. How does one assess the accuracy of a statistical linear regression model?

A. A statistical linear regression model produces a set of statistics that can be used to judge the accuracy and fitness of the model. For example, some common statistics are: (1) the "R-Squared" value, which is a statistical measure in a regression model that represents the percentage of variance in the dependent variable that can be explained by all independent variables utilized in the model; and (2) regression coefficients and standard errors, which

can be used to determine “t-statistics” and “p-values” that tell how accurately and precisely the different coefficients are being calculated and whether the associated independent variables are strong predictors of the dependent variable.

In the equation described above, the “R-Squared” value is a statistic that measures the percentage of variation in the dependent variable (water use per customer) that is explained by the mathematical relationship with the independent variables. The R-Squared can range from 0% (no explanatory ability) to 100% (perfect explanatory ability). In general, a higher R-squared suggests a stronger predictive power of the model.

The second major test involves comparisons of the values of each of the model coefficients and their associated standard errors. Because a statistical regression model estimates an explanatory relationship between a dependent variable and a set of independent variables, there will always be some degree of uncertainty around what that explanatory relationship actually is. As a result, each model coefficient has a level of uncertainty around it, and this level of uncertainty is represented by calculating standard errors for each coefficient.

Dividing the value of each coefficient by its standard error yields a t-statistic which can be used to judge the predictive power of the independent variable that the coefficient represents. For example, in the case of the generic statistical model described above, if the value of the a1 coefficient for CDD is -0.30 and the standard error for that coefficient is 0.05 (meaning that the real value of the coefficient could be anywhere between -0.35 and -0.25 with -0.30 being the most likely value), the value of the t-statistic is -6.0 (-0.30 divided by 0.05 = -6.0). Generally speaking, t-statistic values greater than 2.0 for positive coefficients or less than -2.0 for negative coefficients indicate an acceptable predictive

relationship between that independent variable and the dependent variable of interest. The higher the t-statistic value, the greater the confidence we have in the coefficient as a predictor. Values between 2.0 and -2.0 indicate that the predictive power of that independent variable may not be very strong.

Q. Are there other more qualitative ways to determine whether a statistical linear regression model is accurate and produces reasonable results?

A. Yes. There are also several qualitative ways to determine whether a statistical regression model accurately describes the relationship that a chosen set of independent variables has with the dependent variable:

- **Does the model represent reality?** If it is generally known that water consumption is seasonal and is driven in the summer by heat and precipitation, it is logical to assume that a statistical model that attempts to describe and predict seasonal water consumption would have explanatory variables related to summer heat and precipitation, and those explanatory variables would be shown to have a strong predictive value in the model. Models that attempt to describe the drivers behind water consumption but do not contain statistically significant coefficients for independent variables that are logically known to drive water consumption are likely not strong predictive models.
- **Are the signs of the coefficients for major independent variables correct?** If water consumption increases in the summertime with increasing heat and decreases in the summertime with increasing precipitation, it is logical to expect that the coefficients for the independent variables that represent summertime heat and summertime precipitation would be positive and negative, respectively.

- **Is the model based on a robust data set?** It is easy for a statistical model with many independent variables and relatively few observations of the dependent variable to accurately explain variation in the dependent variable, but that does not mean that the model has strong predictive power if the data set being analyzed is small in scope. A statistical model that attempts to describe water consumption that has good predictive explanatory power over multiple years of monthly historical data is very useful and accurate in projecting future trends and in explaining how changes in strong predictive independent variables will affect levels of the dependent variable.
- **Do the impacts on the dependent variable that the model describes make logical sense?** It is possible outside of a statistical linear regression model to make ballpark estimates of other facts like the impact of COVID-19 on water consumption and long-term trends in usage. This can be done with a simple linear plot of annual usage data by year. For example, if a linear plot of annual usage data suggests that there is a downward trend of approximately 1,000 gallons per customer per year, one would expect that a statistical model that is measuring that impact would yield a result that is similar. The same is true when looking at the potential impacts of COVID-19 on water consumption. If a visual examination of data suggests that water use per customer for a commercial class has decreased by 2,000 gallons per customer in 2020 due to the COVID-19 emergency, it is logical to expect a statistical regression model that attempts to statistically measure that impact to yield estimates consistent with that expectation.

C. KAWC-SPECIFIC INFORMATION

Q. Please describe the statistical linear regression model you are using to analyze water

consumption data for the Company.

A. In this proceeding, we utilize two linear regression models to analyze usage per customer ("UPC") for the residential and commercial classes that relate the dependent variable (i.e., water UPC) to a collection of independent variables. The models use 120 months of monthly data beginning in January 2016 through December 2025. Each regression model uses independent variables that can be broken down into four categories to explain monthly use per customer. The four categories are:

- Weather: The weather variables used in the models are Cooling Degree Days ("CDD") and Precipitation (Rain). These weather variables are a weighted average of current month and lagged month weather readings taken by the National Oceanic and Atmospheric Administration at Blue Grass Airport in Lexington. This weighted average lagged approach is used to account for the differences between billing month sales and calendar month weather. Coefficients from these variables show the impact of weather on monthly use per customer over the 120-month historical period. Weather variables are modeled as monthly deviations from normal for each month in the data set (actual weather for the month less normal weather for the month for each individual weather variable). Normal weather is calculated for each month of the year based on ten years of historical weather data.
- Time: The time variable is a trending variable that notes the passage of time in the model and produces a coefficient that estimates the monthly change in usage per customer over the 120-month historical period. The time variable captures the range of conservation efforts that have been implemented by customers over time, such as the installation of more water-efficient fixtures and appliances, as well as any other

factors that influence trends over time. Time on its own is of no consequence, but it is a powerful variable because it is the medium for capturing the impact of conservation.

- COVID-19 indicator: The COVID-19 indicator variable is set at 0% for months prior to April 2020 and 100% for the months of April 2020 through December 2021. The effect of this variable in the model is to look specifically for increases or decreases in use per customer for the April 2020 through December 2021 timeframe that may have happened due to systemic changes in the amount of water customers use as a result of the COVID-19 public health emergency.
- Monthly Indicators: The monthly indicator variables in the model measure structural monthly and/or seasonal changes in use per customer that cannot be explained by any of the other variables in the model.

Q. What information does these models provide that is useful for developing pro forma adjustments to revenues that you are sponsoring in your testimony?

A. Each model produces a set of weather coefficients that can be used to weather-normalize historical sales, a coefficient that indicates the monthly trend in use per customer for each class, and a coefficient that shows for each class the average use per customer impact associated with changes in usage due to COVID-19.

Q. You mentioned that you have developed models for customer usage relating to the residential commercial classes. Are you also modeling usage for the OPA, industrial and sales for resale customer classes?

A. No. Statistical modeling in this case is only for the residential and commercial classes. The usage estimate for the OPA is based on a three-year average. The usage estimates for

the SFR and Industrial classes are developed individually for each customer using a simple multi-year average, which I will discuss later in my testimony.

Q. You previously discussed the various statistical tests used for accuracy and predictability. Please discuss the results of these tests for your models and why they are appropriate to use in this proceeding.

A. The values of the coefficients, standard errors, and t-statistics for the major explanatory variables in the residential and commercial models are included below in Table 1 and Table 2:

TABLE 1
Residential Model Major Explanatory Variables

	Coefficient	Standard Error	T-Statistic
Declining Use Trend	0.0000	0.0007	-0.0036
Precipitation	-0.0737	0.0181	-4.0620
CDD	0.0020	0.0007	2.7700
Covid-19 Impact	0.0688	0.0715	0.9622

TABLE 2
Commercial Model Major Explanatory Variables

	Coefficient	Standard Error	T-Statistic
Declining Use Trend	0.0144	0.0060	2.4087
Precipitation	-0.5916	0.1865	-3.1719
CDD	0.0124	0.0058	2.1422
Covid-19 Impact	-2.0205	0.5805	-3.4806

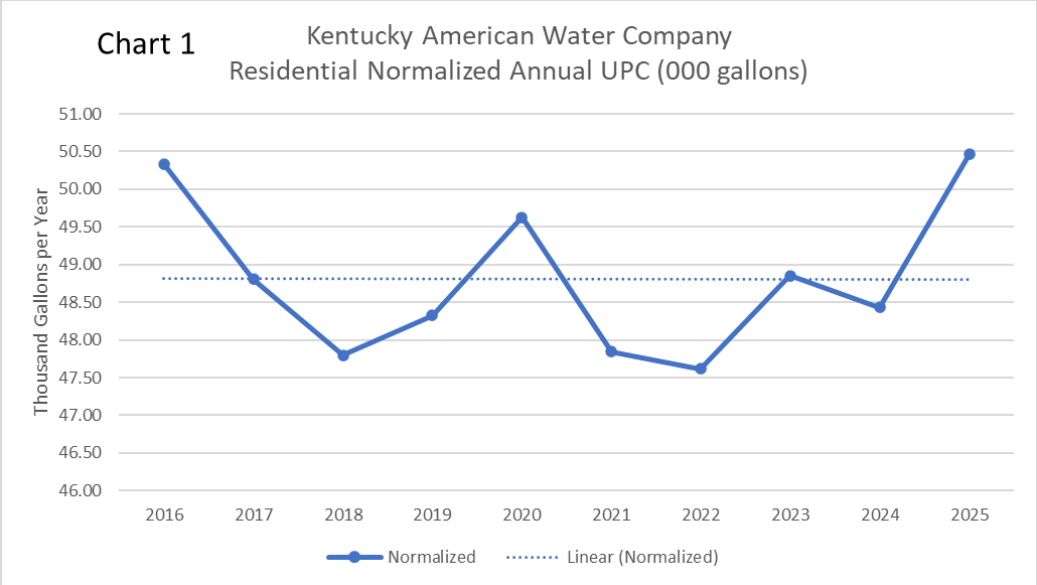
The statistics for the individual explanatory independent variables above show a high degree of explanatory power with all parameters having t-statistics outside of the +/- 2.00 range with the exception of the Covid-19 variable for the residential model. Signs for the CDD variables are positive, which indicates that the hotter the weather gets in the summer, customers use more water, which is expected. Signs for the Rain variables are negative, which indicates that customers use less water with increased precipitation, which is

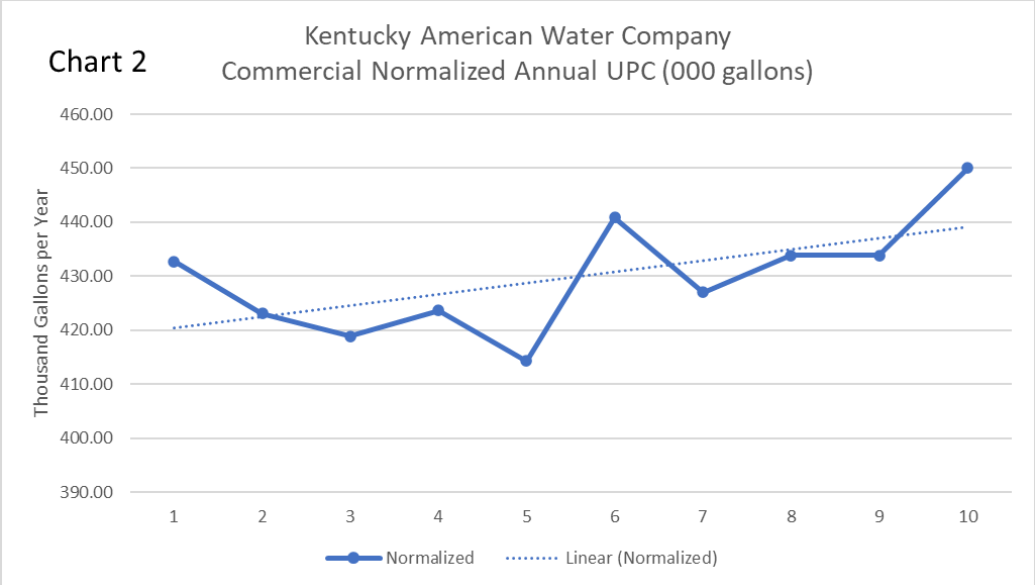
expected. The COVID-19 impact variables generally indicate that residential usage went up as a result of COVID-19 and usage for commercial customers went down, which again is to be expected.

D. SUMMARY

Q. After normalizing historical usage for weather and the COVID-19 emergency, what have the overall trends been for use per customer for the residential and commercial classes?

A. The statistical analysis of residential and commercial usage shows that once weather effects and the one-time effects of COVID-19 have been accounted for, there is a slight downward trend in residential UPC and an upward trend in Commercial UPC over time. Charts 1 and 2 below show historical annual UPC for residential and commercial customers respectively for the historical period utilized to conduct the analysis, adjusted for the weather impacts and COVID-19 impacts I previously described in my testimony. These charts are summary data derived from the models I described for the residential and commercial classes and represent the regression curves, trendlines, and data (summarized annually) used in the analyses. The full analysis and data sets for the residential and commercial models are provided in Exhibit CBR - 1.





III. REVENUE FORECAST AND ASSOCIATED CALCULATIONS

A. INTRODUCTION

Q. Please generally describe the process of calculating and forecasting present rate revenues and proposed rate revenues in this case.

A. Present and proposed revenues in this proceeding are presented in Exhibit 37 and supported by the forecasted sales and customer counts provided in Exhibit 25 and 26. Present and

proposed revenues by month are also provided in the file labeled Exhibits (25, 26, 37) Revenue WP Support. Revenue calculations are done for the base period, which is 12-months ended August 2026 consisting of six months of actuals through February 2026 and six months of projections through August 2026 and extending through the forecasted test period (12-months ended December 2027) and out through December 2030. Revenue and billing determinant projections are provided through 2030 in the Revenue WP Support workpapers.

B. SPECIFIC CALCULATIONS

Q. Please describe the process for calculating present rate revenue for the residential and commercial customer classes.

A. Residential and commercial present rate revenue was forecasted by establishing the relevant billing determinants during the forecasted test period, multiplying these by present rates. Billing determinants were forecasted as follows:

- **Volumetric usage per customer:** Volumetric consumption per customer for the residential and commercial classes was forecasted using the statistical modeling I described previously in my testimony.
- **Number of customers:** The Company started with customer counts as of February 2026. Average organic growth for the years 2023, 2024, and 2025 was used to project customer additions per month through the forecasted test year and out through December 2030.
- **Number of meter billings:** The Company used the actual bill analysis of meter counts for February 2026 to project meter counts going forward for the residential and commercial class. The relationship between meter counts and customer counts in

February 2026 is used to project increases in meter counts as customer counts increase, which results in increased meter billing determinants for both classes in the forecasted periods.

Q. Please describe the process for calculating revenues for the remaining customer classes.

A. Present rate revenues for the remaining customer classes was forecasted by establishing the relevant billing determinants during the forecasted test period and multiplying these by present tariff rates. The process for forecasting billing determinants for the remaining customer classes is described below:

- **OPA and Miscellaneous:** For these classes, the Company uses a three-year average of use per customer for 2023, 2024, and 2025 and applies that average to customer counts and meter counts for February 2026. For the OPA class, the Company starts with customer counts as of February 2026. Average organic growth for the years 2023, 2024, and 2025 was used to project customer additions per month through the forecasted test year and out through December 2030. No customer growth is assumed going forward for the Miscellaneous class.
- **Industrial and Sales for Resale:** For these classes, the Company analyzed the actual historical usage of each customer individually, reviewing 2023, 2024, and 2025 data in order to forecast projected usage. Current meter counts as of February 2026 were used to forecast future meter billings.
- **Private Fire and Public Fire:** For these classes, the number of active fire hydrants and fire services was taken as of February 2026 and used for forecasting revenue. Growth

in billing determinants is based on three-year average growth rates for 2023, 2024 and 2025.

Q. Were additional methods relied upon to project water billing determinants other than those that have already been described in your testimony?

A. Yes. The Company has or expects to acquire the water systems of Livingston Municipal Water Works ("Livingston"), Black Mountain Utility District "Black Mountain"), and Water Service Corporation of Kentucky, Inc. ("Water Service Kentucky") (i.e., "Clinton" or "Middlesboro" individually)[1] before new rates go into effect. Billing determinant projections were made separately for these acquisitions as described below.

- **Livingston:** The Company has used customer count information obtained from Livingston to estimate the number of meters by size test year. Additionally, the Company has relied upon normalized UPC from the Company's usage study to quantify usage for Livingston in the future test year.
- **Black Mountain:** The Company has used information obtained from the 2023 annual report to estimate the number of meters and usage for the future test year.
- **Water Service Kentucky:** The Company has used customer count and usage information obtained from Water Service Kentucky to estimate the number of meters by size and usage for the future test year.

Q. Did you also compute the total estimated gallons of production that correspond to your revenue forecast and the system delivery amount used by Company witness Robert Prendergast for purposes of the system delivery adjustments that he proposes for water service?

[1] Water Service Kentucky comprises two water systems, Clinton and Middlesboro. Please see the Direct Testimony of William Lewis for system descriptions of each acquisition.

A. Yes, I did. System deliveries are all of the water produced by KAWC and supplied into the distribution system. System deliveries are calculated by taking total billed water sales and adjusting by the Company's non-revenue water percentages. I calculated the forecasted monthly system deliveries through December 2030 by scaling up monthly total sales using the projected non-revenue water percentages.

Q. Please describe how the proposed revenues for Miscellaneous Revenues was determined.

A. Miscellaneous revenues are forecasted as follows:

- Rent revenues are based on actual lease agreements in place as of 2026.
- Late Fees are based on the three-year average ratio of late payments to billed revenues applied to new forecast revenues.
- Insufficient Funds fees revenues, Reconnection fees, New Account Set Up
- Usage Data Fees from municipal systems are based on three-year average revenues from 2023, 2024, and 2025.
- Collected for Others miscellaneous revenues are based on the twelve months ended February 2026.
- Miscellaneous Service revenues ended July 2024 and represented the amortization of deferred billed revenue over a two-year period related to the closure of an industrial customer as approved by the Commission in Case No. 2018-00358. Therefore, Miscellaneous Service revenues are set to $0.00.

Q. How are proposed rate revenues determined?

A. Proposed rate revenue is the result of the forecasted test year billing determinants multiplied by the rates developed and presented later in my direct testimony. When applied

to the forecasted billing determinants, these prices yield proposed rate revenue equal to Kentucky-American's cost of providing water service, as documented in this proceeding.

Q. Are there QIP Rider revenues included in present or proposed revenues?

A. No. As part of the Company's most recent rate case proceeding (Case No. 2025-00122), the Commission ordered the termination of the Company's QIP mechanism. As such, the Company's current and proposed future test year revenues do not include revenues associated with the terminated QIP mechanism.

Q. Are present and proposed rate revenues summarized on the exhibits and schedules you are sponsoring?

A. Yes. Both present and proposed rates are summarized on Exhibit 37 Schedule M and Exhibit 37 Schedule N.

- Schedule M summarizes billing determinants (such as meter billings and volumes of water at various block rates) and prices to calculate both present and proposed rate revenue. The schedule is shown for the total water operation and also by class.
- Schedule N provides a present and proposed bill comparison at various water consumption levels by class. Schedule N also shows the average bill, based on average water consumption for each class and the most common meter size for the class.

IV. CLASS COST OF SERVICE STUDY

A. INTRODUCTION

Q. What is the purpose of a Class Cost of Service Study ("COSS")?

A. Generally, the Company's expenses and rate base are not directly assigned to specific classes of service; therefore, a COSS is used as a tool to apportion expenses and rate base to each class of service that's served by the Company to reach a revenue requirement for

each class of service. The fully allocated COSS results include cost responsibilities that can be referenced while designing rates. The Company's COSS allocates the total revenue requirement to the following classes of service:

- Residential
- Commercial
- Industrial
- OPA
- SFR
- Miscellaneous
- Private Fire
- Public Fire

Q. Does KAWC use guidelines from the American Water Works Association ("AWWA") when developing the class cost of service study?

A. Yes, the AWWA's Manual of Water Supply Practices titled Principles of Water Rates, Fees, and Charges, Seventh Edition,[2] contains guidelines regarding the development of revenues, class cost of service studies, and rate design. The Company's COSS takes several of these guidelines into consideration when developing the COSS, particularly the base-extra capacity allocation methodology.

B. GENERAL DISCUSSION

Q. How is the Company's COSS organized?

A. The Company's COSS consists of the five tabs that I describe below.

[2] Woodcock, C., Giardina, R., Christiano, T. (2017). *M1, water rates, fees, and charges* (7th ed.) American Water Works Association.

- "Summary" – The "Summary" tab presents the allocation of functionalized costs to each class of service and the required increase for each class of service at the calculated cost of service.
- "Account Detail" – The "Account Detail" tab presents the functionalization of the Company's plant and expense accounts to operational function categories.
- "Allocator Summary" – The "Allocator Summary" tab summarizes all allocation factors that are used in the model.
- "Class Allocators" – The "Class Allocators" tab utilizes billing determinant information from the "Usage Statistics" tab and presents calculations of the different allocation factors.
- "Usage Statistics" – The "Usage Statistics" tab contains billing determinant data that is used to calculate different allocation factors.

Q. Please discuss the steps required to produce the Company's COSS.

A. Generally, three steps are required to develop a COSS. The first step of producing the Company's COSS is functionalizing test year costs. Functionalization is the process of classifying the Company's plant and expense accounts into categories that represent the operational function of each cost incurred. Most accounts are easily assigned to functional categories by relying on operational descriptions that are included in the Company's chart of accounts; however, some general costs cannot be directly assigned to a functional category. Accounts that cannot be directly assigned to a functional category are allocated based on various allocators. The Company's functional cost categories include:

- Variable cost
- Capacity (Fixed) costs

    - Source of Supply
    - Water Power and Pumping Expenses
    - Water Treatment
    - Transmission Mains
    - Distribution Mains
- Storage Costs
- Metering Cost
- Service Line Costs
- Customer Related Costs
- Public Hydrants
- Private Hydrants

Costs that cannot be directly assigned to a functional category are classified as general plant, general administrative and general expenses ("A&G"), and general transmission and distribution ("T&D") expenses.

Once accounts are functionalized to the aforementioned cost categories, the next step is to identify allocators that are related to cost drivers. Cost drivers generally fall into one of the following categories.

- Usage
- Capacity
- Meters
- Services
- Customers
- Hydrants

The final step is to allocate functionalized costs to the Company's classes of service by utilizing appropriate allocations that are related to different cost drivers.

Q. What guides the development of the factors used to allocate costs within the Company's COSS?

A. Cost causation is the guiding principle relied upon to develop the allocation factors used to allocate costs within the Company's COSS. The development of appropriate allocation factors requires identifying relationships between billing determinants, such as usage, and costs incurred by the Company. For example, transmission mains must be sized to have adequate capacity in periods of peak demand requirements; therefore, it's logical to use a variation of peak water usage to allocate transmission mains cost to customer classes. When a cost cannot be directly correlated with a billing determinate, a general allocation is used to allocate the cost to classes of service.

Q. What allocation method did the Company rely on to allocate most capacity related costs?

A. The Company applied variations of the Base/Extra capacity method to allocate most costs related to capacity requirements.

Q. Please describe the Base/Extra capacity method.

A. The Base/Extra capacity method is an allocation method that is based on customer usage and recognizes a combination of base capacity costs (i.e., costs related to ensuring the system can meet basic water usage needs) and extra capacity costs (i.e., additional costs related to peak water usage requirements).

There are two steps required to calculate the general Base/Extra capacity allocator for each class of service. First, the "Base" component, which is average daily usage, must

be calculated for each class of service (class usage / 365 days). The base usage for each class of service is divided by the overall system daily average to calculate each base allocation factor. Second, the "Extra" component for each class of service is derived by calculating the difference between average daily usage and maximum daily usage (maximum day – average day). The "Extra" allocation factor is calculated for each class of service by dividing each class's extra demand value by the total sum of the extra demand values for all classes of service.

For each class of service, the "Base" and "Extra" components are weighted based on system total. The Base component is weighted by the total system average daily usage expressed as a percentage of the system maximum day usage (average daily system usage divided by maximum day usage), and the Extra component is weighted by one minus the average daily system load percentage. The weighted results of the "Base" and "Extra" components are added together for each class of service to arrive at Base/Extra Daily factors by class of service.

Q. Is the Base Extra capacity method an industry accepted practice used for allocating costs?

A. Yes, the Base/Extra capacity method is an industry accepted methodology used for allocating costs to customer classes. The AWWA's Manual of Water Supply Practices contains extensive details regarding the Base/Extra capacity method.

Q. Are there different variations of Base/Extra capacity factors utilized in the COSS?

A. Yes, variations of Base/Extra capacity factors are calculated to recognize usage requirements for fire protection and hourly delivery. All Base/Extra capacity calculations can be found on the "Class Allocators" tab of Exhibit 36.

Q. How is each class's maximum daily usage calculated?

A. Maximum daily usage for each class of service in the Company's COSS is calculated by multiplying average daily usage by the calculated daily peaking factor.

Q. How are daily and hourly peaking factors calculated for each class of service?

A. Daily and hourly peaking factors are described in the Peaking Factor section of my testimony.

Q. Please describe the types of costs the Company incurs and how each is allocated to customer classes.

A. **Variable**

Variable cost allocations are included in the following functionalized cost categories: source of supply, power and pumping, and water treatment. Variable costs fluctuate and are dependent on the amount of water consumed by customers. For example, chemical costs for water treatment increase as customer usage increases. Since variable costs directly correlate with water consumption, each class's base water usage is utilized to allocate these costs.

Capacity - General

Capacity costs refer to costs that do not vary directly with water usage and are those that are generally associated with ensuring that different functional aspects of the Company's water system can adequately serve all customers during periods of peak load requirements. Capacity requirements are related to several operational functions of the system which include source of supply, power and pumping, water treatment, transmission mains, distribution mains, and storage. Since capacity costs are incurred from ensuring the system can successfully operate while meeting all levels of water demand, the Company utilizes

variations of the Base/Extra capacity method for allocations, which recognizes base use and peak water usage requirements.

Capacity – Source of Supply

Source of supply costs that are not part of the variable cost allocation are allocated using a variation of the Base/Extra capacity method.

Capacity – Power and Pumping

Power and pumping costs that are not part of the variable cost allocation are allocated using a variation of the Base/Extra capacity method.

Capacity – Water Treatment

Water treatment costs that are not part of the variable cost allocation are allocated to all classes of service except fire protection using the Base/Extra capacity method.

Capacity – Transmission Mains

Transmission mains costs are allocated using the Base/Extra capacity method. Generally, mains 10-inches and larger are classified as serving a transmission function.

Q. Are transmission mains costs allocated to all customer groups?

A. Yes. All customer groups are considered to take service from the Company's transmission system and therefore transmission costs are allocated to all customer classes.

Capacity – Distribution Mains

Distribution mains costs are allocated using the Base/Extra capacity method that is modified to include a component that recognizes maximum hourly demand (at the distribution level) instead of maximum daily demand. This is appropriate because the transmission main system functions as a conduit from production facilities to the distribution system and is sized to accommodate varying water demands from customers

that take service at the distribution level. Sizing at the distribution level needs to accommodate higher demands for shorter periods of time. It is therefore appropriate to consider hourly consumption requirements for distribution mains allocation, as opposed to daily requirements.

Q. Aside from the differences between maximum hourly consumption and maximum daily consumption, does the Modified Base/Extra allocator work the same way as you have previously described?

A. Yes. In this case, the Base component for each class is the average hourly consumption for the year (total annual sales divided by 8,760 hours). The "Extra" component is calculated as the difference between the maximum hourly consumption for a given class and the average hourly consumption for that class. For each class, the Modified Base/Extra allocator is calculated as a weighted average of the Base and Extra allocators. The Base component is weighted by the total system load factor expressed as a percentage defined as average hourly system consumption divided by maximum hourly system consumption, and the Extra component is weighted by one minus the system load factor.

Capacity – Storage

Storage costs are allocated to customer classes based on the Modified Base/Extra allocator using hourly estimated peak demand for the extra component, like the allocator used to allocate distribution mains costs. For the storage allocator, it is assumed that all fire service capacity requirements are served first from the Company's storage capacity, and the remaining capacity is allocated to non-fire service classes using the Base/Extra hourly allocator.

Meters

Metering costs are allocated to customer classes based on a weighted number of customers calculation. Meter equivalent weightings in each class are based on AWWA standard meter equivalents by meter size and are consistent with those used in the most recent rate case.

Services

Service line costs are allocated to customer classes based on a weighted number of customers calculation like that for metering costs. Service line size weightings are the same as those used in the prior KAWC water service rate case.

Customer

Customer service costs are allocated to customer classes based on customer counts for each class.

Fire Protection

Fire service costs are allocated to the public fire and private fire customer classes generally based on a calculation of potential fire service demand for public and private fire. However, the Company is proposing to make significant changes to the determination of revenue requirements for public fire service which I will describe later in my testimony.

Other Costs

Q. How are Administrative and General ("A&G") costs allocated to cost categories and customer classes?

A. A&G costs associated with labor can be identified by company account descriptions and are allocated using a labor allocation factor formulated utilizing labor costs from each functional category. Other general costs not associated with labor are allocated based on fixed O&M expenses.

Q. How are depreciation costs allocated to cost categories and customer classes?

A. Annual depreciation accruals are allocated based on the function of the facilities represented by the depreciation expense for each depreciable plant account. The original cost less depreciation of utility plant in service was similarly allocated for the purpose of developing factors for allocating items such as income taxes and operating income. These factors are based on the result of allocating other costs and are computed internally in the cost allocation model.

Q. How are income taxes and other operating income requirements allocated to cost categories and customer classes?

A. Income taxes and operating income requirements are allocated to cost categories and customer classes based on the amount of total rate base allocated to each customer class which is largely made up of net plant items described but also contain adjustments to rate base such as accumulated deferred income taxes.

Q. Please summarize the results of the Company's cost of service analysis.

A. Table 3 below provides a summary of the Company's cost of service analysis and shows total current revenues, cost of service, and the difference between the two by customer class:

TABLE 3 ***Cost of Service Results***	**Forecast Year Revenue at Present Rates**	**Cost of Service**	**Dollar Change**	**Percentage Change**
Residential	$85,440,760	$102,987,169	$17,546,408	20.54%
Commercial	$43,496,206	$48,398,689	$4,902,483	11.27%
Industrial	$4,540,793	$5,793,534	$1,268,784	27.94%
Other Public Authority	$12,096,512	$11,995,661	$(100,851)	-0.83%
Other Water Utilities	$2,280,359	$2,387,270	$213,781	9.84%
Bulk Sales	$155,792	$160,670	$4,378	3.13%
Private Fire Service	$5,200,891	$4,764,412	$(436,479)	-8.39%
Public Fire Service	$6,928,647	$1,102,298	$(5,826,349)	-84.09%
Total	**$160,033,089**	**$177,605,745**	**$17,572,656**	**10.99%**

C. CAPACITY FACTOR CALCULATIONS

Q. Please describe the Company's approach in this case for estimating maximum day and maximum hour peaking factors by customer class?

A. In this proceeding, the Company is following the methodology outlined in Appendix A of the AWWA M1 Manual 7th Edition titled "Development of Peaking Factors by Customer Class".

Q. Is this estimation procedure different than what the Company has done for cost of service in the last couple of rate cases the Company has filed?

A. Yes. This estimation procedure is different to what the Company has used in the last two previous KAWC general rate cases (Case Nos. 2023-00191 and 2025-00122).

Q. What did the Company do previously?

A. In Case Nos. 2023-00191 and 2025-00122, the Company developed peaking factors by customer class by using sample of data from Automated Metering Infrastructure ("AMI") meters from KAWC affiliated companies for whom significant AMI data existed that matched the monthly usage profiles for the Company's customers in Kentucky. AMI data has the advantage of providing hourly and daily usage information for each customer for whom metering is in place, which allows for direct estimation of maximum day and maximum hour usage by customer class.

Q. What was the Commission's order regarding the use of AMI data from jurisdictions other than Kentucky?

A. In the last rate case (Case No. 2025-00122), the Commission rejected the use of data from other jurisdictions in the Company's cost of service analysis: "Although the Commission

supports the use of more granular data, when possible, the Missouri AMI usage data used as a proxy in this case cannot be verified to accurately represent what Kentucky-American's AMI usage data would be. The Commission acknowledges that subjective decisions can be made within the development of a COSS but Kentucky-American has service territory usage information. The Commission finds that data from within the service territory only should be utilized in future rate case filings." Further, the Order states that "in Kentucky-American's next rate case, the Commission expects the use of its Kentucky service territories usage data only in the development of maximum daily consumption values and peaking factors for each customer class."[3]

Q. Is the Company's proposed calculation of peaking day factors in this case an alternative then to the borrowed AMI data approach?

A. For each customer class, a maximum day peaking factor and a maximum hour peaking factor is developed through a three-part calculation as follows:

Max Day PF = MM/AD x System MD/MM x W

Max Hour PF = Max Day PF x MH/MD

Where: MM/AD = Ratio of average daily usage in the maximum usage for each class to average daily usage for the year

Sys MD/MM = Ratio of maximum day production to average daily production in the month of maximum production for the year

W = Weekly Adjustment Factor

MH/MD = Ratio of maximum hourly use to average use on the day of maximum use

[3] Final Order, Case No. 2025-00122, p. 67-68.

Maximum day and maximum peaking factors are then validated against known system daily and hourly usage characteristics in order to verify that the estimated peaking factors by customer class are reasonable. The full calculation of estimated peaking factors by customer class is provided in the Capacity Factor tab of Exhibit 36.

Q. Generally speaking, what are the results of this calculation and how does that compare to what the Company estimated for peaking factors under the borrowed AMI data approach?

A. Table 4 shows a comparison of peaking factors for the Company's major customer classes between those proposed in the current case and those used in Case No. 2025-00122 and the impact on cost of service due to these changes.

TABLE 4 Peaking Factor Comparisons	Current Case Max Day Factor	Current Case Max Hour Factor	2025-00122 Max Day Factor	2025-00122 Max Hour Factor	Impact
Residential	2.01	2.41	1.22	1.34	$7,702,883
Commercial	1.77	2.12	1.21	1.43	$736,480
Industrial	1.89	2.08	1.23	1.23	$401,334
Other Public Authority	1.80	1.97	1.38	1.92	$(2,325,016
Other Water Utilities	1.82	1.82	1.62	1.62	$(837,324)
Private Fire	---	---	---	---	$(5,167,187)

D. FIRE SERVICE

Q. Is the Company proposing to change how it determines revenue requirements and cost of service for fire service in this proceeding?

A. Yes. The Company is proposing a significant change to how it is determining revenue requirements and cost allocations for public fire service.

Q. What is the purpose of these changes?

A. The purpose of these changes is to develop a revenue requirement and cost allocation for public fire service that more specifically reflects the direct costs associated with providing hydrants; namely the cost of owning, operating, and maintaining fire hydrants. These

direct costs are allocated or assigned to the public fire function for the purpose of developing a rate for public fire hydrants that is limited to these direct costs.

Q. In previous cases, what has been the general approach to determining cost of service for fire service?

A. In previous cases, revenue requirements and cost allocations for public (and private) fire included the following components:

- Direct costs of owning, operating, and maintaining the fire hydrants
- An allocation of A&G costs consistent with the allocation of A&G costs to other business functions that I previously described in my testimony
- An allocation of the cost of the entire system upstream from the hydrant deemed (for the purpose of cost of service) necessary to get water from the source through the hydrant for firefighting purposes. This would include an allocation of Source of Supply costs, Water Treatment costs, Water Pumping costs, Transmission costs, Distribution costs, and Storage costs based on an estimate of fire service requirements at the time of the Company's maximum usage day.

Q. What changes are the Company proposing to make to the revenue requirement calculation for fire service?

A. The Company is proposing to eliminate the allocation of A&G costs and upstream costs from the cost allocation process for public fire service and focus the allocation strictly on the direct costs of owning, operating, and maintaining fire hydrants.

Q. Do these changes apply to both public and private fire service?

A. No. The changes I am describing only affect how revenue requirements will be determined for public fire service. There is no change in methodology proposed for the determination of cost allocation and revenue requirements for private fire service.

Q. Why are these changes justified?

A. These changes are needed and justified in order to bring clarity to how hydrant fees are developed, and to clearly indicate the costs that these hydrant fees are intended to recover and not recover, neither of which exists today. As I will explain, there are many different ways to account for fire hydrant costs, most if not all of which result in fees that largely lack clarity and transparency. The Company's proposal brings clarity and transparency and offers a foundation upon which to develop a more stable and predictable path forward for the development of hydrant fees charged to municipalities in the future.

Q. Are there different ways to consider public fire service costs for the purposes of cost of service and rate design?

A. There are. Some of KAWC's affiliated companies completely embed hydrant costs in rates to other customers (Missouri, Iowa, Tennessee, for example). Some states charge fire service costs to customers directly through defined charges based on the size of the meter (Illinois and Indiana). Other states partially recover fire service costs through hydrant fees (New Jersey, Pennsylvania, West Virginia, for example).

Q. What happens to the costs that would have been allocated to public fire service if the Company were not proposing any changes?

A. The A&G costs and upstream costs that would have been allocated to public fire service which now are not allocated (based on the Company's proposal) are allocated to other business functions and customer class through the normal cost of service allocation

process. No special calculation is needed to re-allocate costs from public fire to other business functions and classes, and no specific re-allocation methodology needs to be designed to achieve the result. Distribution, Transmission, and Treatment costs (for example) that would have been allocated to public fire service will now be allocated to other classes through the same customer class allocation factors I have previously described.

Q. Are there consideration beyond straight cost-causation considerations that justify the changes the Company is making?

A. Yes. As Company witness Lewis explains, there are other considerations beyond just the technical foundation for the price that justify the changes the Company is proposing. As discussed by Mr. Lewis, Public Fire Service provides benefits that extend to the entire communities that we serve, not solely to the municipality in which the hydrant is located. Reliable fire protection enhances public safety, reduces the risk of property damage, and supports economic development while reducing the risk for all customers within the Company's service territory. In addition, hydrant fees can create financial barriers that hinder or prevent municipal participation in water system acquisitions and regionalization efforts that could otherwise help improve service reliability, operational efficiency, and water quality.

Q. How does the Company determine maximum day and maximum hour usage requirements for fire service?

A. Fire service maximum day usage requirements are determined through a combination of information on firefighting requirements provided by the American Insurance Association. This information relates firefighting requirements in terms of maximum gallons per minute

and the duration of time those requirements are needed to general population levels. Given the population of the KAWC service territory, a firefighting demand of 14,000 gallons per minute for 10 hours was used in the Company's cost of service analysis. This firefighting demand was split between private fire and public fire customer groups based on the relative potential water demand for each class, which is in turn based on the number and size of service lines and hydrants in each class

V. RATE DESIGN

A. INTRODUCTION

Q. Please describe the Company's current rate design.

A. The Company's rate design for water service features monthly meter charges that are differentiated by meter size and apply uniformly to all customers groups, and a volumetric rate design with separate volumetric rates for each customer class. The current meter charges and volumetric rates are shown in the tables below:

TABLE 5

Monthly Meter Charges	Meter Charge
5/8" Meter	$19.89
¾" Meter	$29.75
1" Meter	$49.45
1 ½" Meter	$98.95
2" Meter	$158.40
3" Meter	$296.85
4" Meter	$494.85
6" Meter	$989.40
8" Meter	$1,583.05

TABLE 6

Volumetric Charges	Volumetric Rate
Residential	$7.8656
Commercial	$8.0006
Industrial	$7.0849
Public Authorities	$8.0347

Sales for Resale	$8.3091
Bulk	$5.5892

Q. Please describe the Company's fire service rates.

A. As previously discussed, the Company provides fire service rates for both private and public fire service. Private fire service rates are monthly charges that are differentiated by service line size and provides for fees for private fire hydrants and fees for usage under the Company's commercial meter service charges and volumetric charges. The Company's current public fire service rates are charged on a monthly flat fee basis per hydrant.

Q. Does the Company have any customers under contract rates?

A. Yes. The Company has two customers on contract rates, and those rates are not subject to change as a result of any revenue increases resulting from this proceeding.

Q. Is the Company including any acquisitions in rate design in this proceeding?

A. Yes. As described earlier in my testimony, revenues and billing determinants associated with Livingston, Black Mountain, and Water Service Kentucky have been included in the Company's revenue estimate for the future test year. The Company proposes to consolidate these acquisitions with KAWC rates as part of this proceeding.

B. PROPOSED RATE DESIGN

Q. Is the Company proposing to make any significant changes to water service rate design in this proceeding?

A. As previously mentioned, the Company is proposing to consolidate rates for Livingston, Black Mountain, and Water Service Kentucky into the Company's statewide water service rate. Beyond that, the Company is not making any significant changes to its water service rate design.

Q. Is the Company proposing to change meter charges?

A. Yes. The Company is proposing to increase meter charges across all meter sizes by approximately 9.1%, which increases the 5/8" meter charge from $19.89 per month to $21.70 per month. All other meter charges are increased proportionally.

Q. Earlier you discussed changes to cost of service calculations for fire service. How are you setting fire service rates in this case?

A. As previously discussed, the Company has calculated a revenue requirement for public fire service that focuses solely on the cost of owning, operating, and maintaining fire hydrants. The Company is proposing to set hydrant fees in this case at $11.53 per hydrant per month, which is the calculated cost of service for public fire service. Because the allocated revenue requirement for private fire service is less than revenues at present rates for private fire, the Company is proposing no changes in this proceeding to private fire rates.

Q. Please describe how the Company is proposing to set separate volumetric rates for each customer class.

A. The Company is proposing to set volumetric rates for each customer class in order to achieve the following results:

- **Bulk Sales**: The volumetric rate for Bulk Sales is proposed to be $4.7387 per hundred gallons, which brings projected revenues for this class at cost of service.
- **Other Water Utilities**: The volumetric rate for Other Water Utility customers is proposed to be $8.7371 per hundred gallons, which moves the projected revenues for this class 50% of the way toward cost of service.
- **Other Public Authorities**: The volumetric rate for Other Public Authority customers is proposed to be reduced to $7.8881, which leaves projected rate

revenues equal to revenues at current rates because present rate revenues for this class are already above the calculated cost of service.

- **Residential / Commercial / Industrial (R/C/I)**: The volumetric rate for the R/C/I group is proposed to be increased uniformly by approximately 20% in order to bring these classes closer to cost of service.

Q. Do you have a summary of the percentage increases by customer class in revenues resulting from your proposed rate design?

A. I do. The table below shows the Company's overall percentage increase in revenues from present rates to proposed rates for each customer class under the Company's proposed rate design.

TABLE 7 Forecast Year Revenue Summary	Forecast Year Revenue at Present Rates	Forecast Year at Proposed Rates	Dollar Change	Percentage Change
Residential	$85,440,760	$99,556,642	$14,115,881	16.52%
Commercial	$43,496,206	$51,589,299	$8,093,093	18.61%
Industrial	$4,540,793	$5,581,414	$1,040,621	22.92%
Other Public Authority	$12,096,512	$12,096,572	$60	0.00%
Other Water Utilities	$2,280,359	$2,280,359	$106,870	4.92%
Bulk Sales	$155,792	$160,675	$4,884	3.13%
Private Fire Service	$5,200,891	$5,238,662	$37,791	0.73%
Public Fire Service	$6,928,647	$1,102,103	$(5,826,544)	-84.09%
Total	**$160,033,089**	**$177,605,745**	**$17,572,656**	**10.99%**

VI. AFFORDABILITY OF SERVICE

A. INTRODUCTION

Q. Please describe the concept of affordability.

A. The concept of affordability for water service is based on the idea that everyone should have access to drinking water that is: (1) safe, meaning it complies with the U.S. Safe Drinking Water Act and regulations promulgated by the U.S. Environmental Protection

Agency ("EPA"); (2) reliable, so that it is resilient in the face of floods, droughts, and other climate risks; and (3) affordable, meaning that service should be priced such that families and households can pay for service without undue economic hardship.

Q. Why is affordability of water service an important issue to the Company?

A. The Company knows that its water service is essential, and we know how important it is for that service to remain affordable. Maintaining affordability of service is an important objective for KAWC as discussed in the direct testimony of Company President Robert Burton.

Q. Please describe the Company's approach to assessing the affordability of its water service.

A. The Company assesses the affordability of its water service by comparing annual bills for water service to household income in the communities that it serves. Using this as a foundation, the Company's assessment of affordability is made up of two complementary analyses. The first analysis is an Enterprise-Level analysis of affordability, which considers the affordability of service at a high level over a multi-year period. The second analysis is a Community-Level analysis of affordability, which is a more in-depth analysis than the Enterprise-Level analysis with a narrower focus. The Enterprise-Level Analysis of affordability for water service is a historical and forward-looking comparison of KAWC average monthly residential bills to Median Household Income ("MHI") for the Company's residential customers. The Community-Level analysis looks at the affordability of service at proposed rates in this case for individual groups of customers using the most current available household information on income, size, and ownership

status from the U.S. Census Bureau and usage assumptions that are specific to basic water usage requirements. Both analyses are further discussed below.

Q. Why are both approaches to assessing affordability of service important?

A. Both approaches are important in order to provide a full, complete, and comprehensive picture of the affordability of the Company's services to its customers. The Enterprise-Level analysis on its own provides a historical and forward-looking view of the affordability of service over time but does not address current levels of affordability in any detail and does not address affordability for lower income customers, which is a critical component of a complete affordability study. The Community-Level analysis looks at the affordability of service at proposed rates specifically in this case for individual groups of customers, and most importantly for lower income customers, but does not provide any larger historical context regarding the Company's rate proposals. Taken separately, these analyses provide useful and important information but do not provide a complete picture of the affordability of the Company's service. Taken together, they provide a complete and comprehensive picture of the affordability of the Company's services to its customers.

Q. Is there a generally accepted standard for the affordability of water service?

A. Historically, water affordability has been evaluated using numerous methods and metrics with no specific methodology being academically recognized as a right or wrong approach for assessing affordability. Of the various methods utilized, bill to income ratios along with an established percentage of income dedicated to water service has been the predominant approach for assessing affordability. In general, bills have been considered to be unaffordable when income dedicated to water service exceeds 2% of annual income. In a recent 2024 national water and wastewater affordability analysis report to Congress, the

EPA used combined water and wastewater bills resulting in 3% and 4.5% of annual income as thresholds to define bills as affordable[4].

Q. Has the Company provided an affordability analysis of its water service for the proposed rates in this case?

A. Yes. The Company's affordability study is provided as Exhibit CBR-2.

Q. How did the Company perform its affordability analysis?

A. Such an assessment requires at least two data points – the average monthly or annual bill for water service and some measure of household income for the customer population. Using these two data points, a metric is developed called the Bill-to-Income ("BTI") Ratio, which is defined as annual water bills divided by estimated annual household income. For the broader residential customer base, commonly available household income measures are measures of income at different percentiles. Median Household Income ("MHI"), which is household income at a 50th percentile level (50% of households in a given population have incomes greater than the median and 50% of households have incomes lower than the median), can be measured at a statewide or community level and can be paired with a data set that provides the number of customers served in each community to arrive at a weighted number that represents MHI for the Company's entire service territory.

At a more detailed level, individual household income, household size, and home ownership data is considered across a full range of households. Using this information, affordability can then be assessed at a more detailed level based on various income levels and bill amounts for water service. A variety of household information on income, size, and ownership status is readily and publicly available from the U.S. Census Bureau and

[4] U.S. EPA. (2024) Water Affordability Needs Assessment: Report to Congress. (Report No. 830-R-24-015). Pages 33 – 36.

the American Community Survey ("ACS") at national, state, county, and community levels.

B. ENTERPRISE-LEVEL ANALYSIS

Q. Please describe the Company's Enterprise-Level Analysis of affordability of service.

A. The Enterprise-Level Analysis of affordability for water service is a historical and forward-looking comparison of KAWC average monthly residential bills to MHI for the Company's residential customers. This view looks at average monthly residential bills for all customers over time compared to MHI for the Company's residential customer base.

Q. What is the purpose of this Enterprise-Level Analysis?

A. The purpose of the Enterprise-Level analysis is to provide a high-level perspective on how the affordability of service has been trending over time and how it is expected to continue to trend under proposed rates. Although the Company is proposing to increase customer rates in this proceeding, the important metric to consider is the impact that proposed rates and bills have on customer finances and how those impacts have trended over time and are expected to trend going forward. This metric must consider not only trends in rates and bills but trends in household income. The BTI Ratio proposed by the Company considers all of these factors. The Company's BTI Ratio as presented in the Company's affordability analyses is the appropriate metric to use when looking at the impact of the Company's rates for water service on customers.

Q. Why do you use average monthly residential bills in your Enterprise-Level Analysis?

A. Average monthly bills are used because this is the best representation of the total revenue the Company has collected from its residential customers over time, which is in turn the best metric on which to evaluate total affordability for residential customers. Average

monthly bills consider total residential revenue along with the total number of customers each year that revenue is collected from and the total level of water sales each year that revenue amount is collected over. This provides the most complete representation of what customers have paid in the past and what they may be expected to pay in the future for the Company's water service.

Q. Why do you use MHI in your Enterprise-Level Analysis?

A. The Enterprise-Level Analysis uses MHI for two reasons. The first is that MHI is a widely recognized, well understood, and a readily available measure of household income in different communities and states and is available for different breakdowns of household demographics (homeowners versus renters, for example). The second is that MHI is consistent in scope with the concept of average monthly bills, which is the first input in the analysis that I previously discussed. Average monthly bills encompass all residential customers, not a subset. MHI also encompasses the entire residential customer base, not a subset. It is important in any analysis of affordability that there is consistency in assumptions between bills used in the analysis and household income metrics used in the analysis. This is something that many analyses of affordability of water service do not consider. Use of MHI as a measure of total population income brings that consistency to the analysis when paired with average monthly bills.

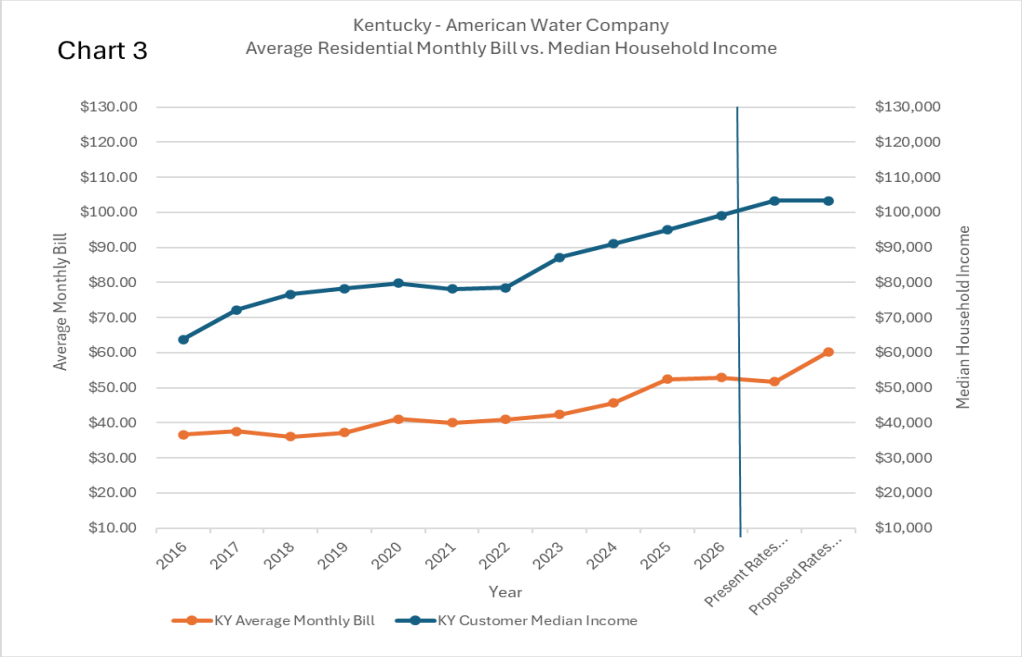
Q. How do you determine MHI for the customers in the Company's service territory?

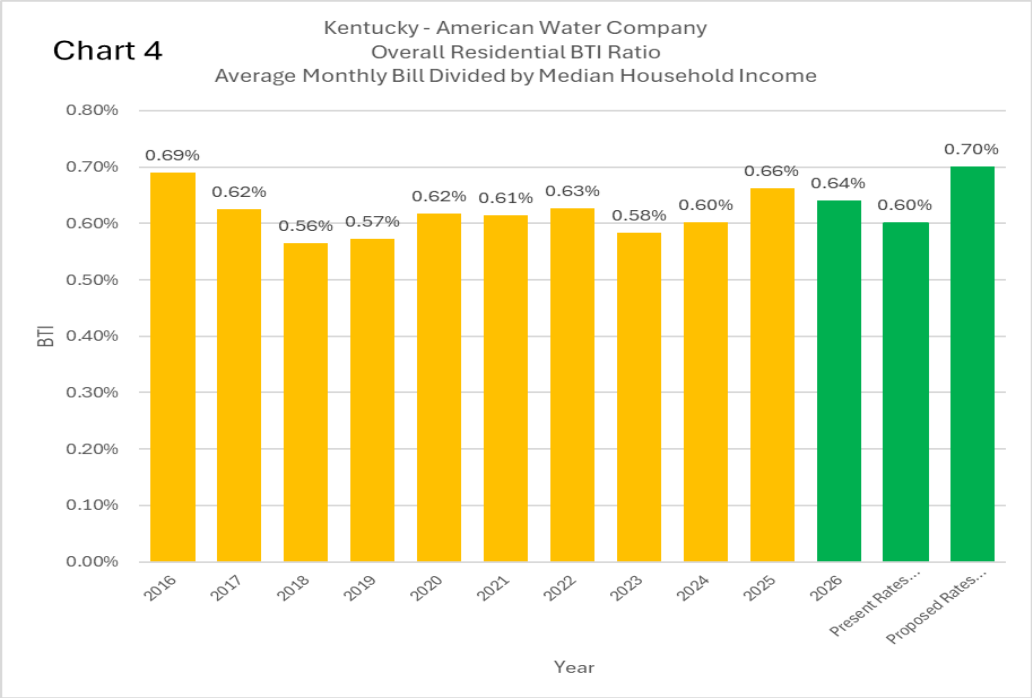
A. The MHI for the Company's service territory is a weighted average of the number of customers the Company serves in each community in the service territory and the median household income in each of those communities for owner-occupied and single-unit, renter-occupied homes as reported by data in the ACS based on the most recent year's

available data (2024 in this proceeding). The relationship between this service territory–specific figure and the MHI for the State of Kentucky for 2024 (also provided at the community level through the ACS) is then applied to historical MHI data for the State of Kentucky to arrive at historical MHI data for KAWC's service territory.

Q. What are the results of your Enterprise-Level analysis of affordability for water service?

A. Charts 3 and 4 below compares historical average monthly water bills to MHI for Kentucky American Water customers from 2016 through the Company's 2027 forecast year stated in absolute terms and stated in terms of BTI Ratio, along with estimated average monthly bills under the Company's proposed rates and estimated MHI for KAWC customers during the forecasted year. The data shows that the BTI Ratios for water service for KAWC customers have held relatively steady from 2016 to 2025 between 0.6% and 0.7% of MHI. The BTI Ratio at the median income level is expected to be 0.70% under the Company's proposed rates in this case.





1 **Q. Does the Enterprise-Level Analysis indicate whether service is affordable or**
2 **unaffordable, in your opinion?**

3 A. Not necessarily. The overall assessment of the affordability of service cannot be reduced
4 to a yes or no question. The affordability of water service will never be that simple. One
5 can generally measure average bills against any given benchmark and come up with a yes
6 or no answer, but affordability of service is a continuum, and that is what the Company's
7 Community-Level Analysis, which I describe next in my Direct Testimony, shows. There
8 will always be customers for whom water service is more affordable than for others
9 depending on demographics and income levels. This is true across all communities that
10 KAWC serves, including even the wealthiest communities.

11 **Q. Does your Enterprise-Level Analysis speak at all to the affordability of service for**
12 **lower income customers?**

A. No, it does not, and it is not intended to. The Enterprise-Level Analysis is one component of the Company's comprehensive analysis of affordability in this proceeding, and it is not intended to target any specific customer group. The Enterprise-Level Analysis is intended to show the long-term impact of changes in rates and usage on the general affordability of water service for our customers. Specific examination of the affordability of the Company's water service for different customer groups, and specifically for lower income customers, is the focus of the Company's Community-Level Analysis, which I describe next.

C. COMMUNITY-LEVEL ANALYSIS

Q. Please describe the Company's Community-Level Analysis of affordability of service.

A. The Community-Level Analysis takes a deeper dive into the affordability of water service at a more granular level. The Community-Level Analysis looks at the affordability of service at proposed rates in this case for individual groups of customers using the most recent information on household income, size, and home ownership data from the U.S. Census Bureau and usage assumptions consistent with usage levels being used to set proposed rates in this case. This analysis is done community by community at a zip-code level.

Q. What is the purpose of this Community-Level Analysis?

A. The Community-Level Analysis has two primary functions. The first is to estimate at the community or zip code level the number of customers the Company serves at different levels of household income stated in terms of multiples of the Federal Poverty Level ("FPL"). The second is to estimate, by community and household income level, the number of customers and bills for Basic Water Service (which I will define later in my

testimony) at different percentages of household income under the Company's proposed rates.

Q. Is there academic research that supports the Company's approach to assessing affordability of service at this detailed level?

A. Yes. Recent studies on the affordability of water service have concentrated on measuring affordability of service across the entire residential customer spectrum, which is what the Company's Community-Level Analysis does.[5] Additionally, the U.S. EPA Report to Congress on Water Affordability from December 2024 also examines affordability across the residential spectrum of households in the U.S. While the Company's analysis does not use all of the assumptions used in this work, the approach is very similar and the goal remains the same, which is to analyze affordability at the individual customer level and identify customer groups where affordability of service may be an issue.

Q. What information is needed to conduct an analysis of the affordability of service at this detailed level?

A. The following information is used to assess affordability of service at the community and individual customer level:

- The number of customers served in each community.
- The distribution of owner-occupied households and renter-occupied households by income level in each community.
- The percentage of occupied housing units that are owner-occupied households or renter-occupied households that are not in multi-dwelling buildings in each community.

[5] Cardoso, Diego S. and Wichman, Casey J., "Water Affordability in the United States," Water Resources Research, vol. 58, issue 12 (2020).

- The average number of persons per household in each community for both owner-occupied and renter-occupied households.
- The distribution of the size of households (one-person, two-person, etc.,) for households of different income levels.
- The standard definition of Basic Water Service.
- Current or proposed rate structures.

I will return to the Community-Level Analysis after I discuss the concept of Basic Water Service.

Q. Please describe the concept of Basic Water Service.

A. For this analysis, Basic Water Service is defined as water that is used for indoor domestic use and is expected to be relatively constant from month to month (e.g. water needed for drinking, cooking, cleaning, sanitation, etc.). This differentiates Basic Water Service from total water sales, which includes discretionary outdoor use of water in the summer (lawn maintenance, swimming, recreation, etc.) which is not usually the focus of public policy discussions on the affordability of water service. This definition of Basic Water Service can be used to customize a level of usage that accurately reflects water service for different sizes of households.

Q. How do you define Basic Water Service for the purposes of your customer-level affordability analysis?

A. For the purpose of the Kentucky-American's analysis, Basic Water Service is defined to be 45 gallons of water per household member per day.

Q. How did you arrive at 45 gallons per household member per day for your definition of Basic Water Service?

A. The specific estimate of 45 gallons of water per household member per day is based on the Company's forecast of residential usage by month as I have outlined in my testimony on the analysis of residential customer usage. In the forecast test year, the Company's estimate of residential use per customer in base non-summer periods is forecast to be at a level that, when divided by 30.5 days in a month and then divided by an average household size of 2.5 persons per household equates to approximately 45 gallons of use per household member per day in months that have little or no seasonal water usage.

Q. Why is it important that both household size and household income be considered in this analysis?

A. Household size and household income are both important because FPL, which is the measure of household income most often used as a metric for affordability studies and customer assistance programs, depends on both household size and income. Also, because water consumption in the home increases as the number of people in the home increases and because lower income households tend to have fewer people in them on average, it is important to differentiate between larger households and small households at different levels of income in conducting the affordability analysis.

Q. Describe how you take household size and household income into account together in your analysis.

A. For each zip code the Company serves, the analysis develops a matrix of the estimated number of customers by income level and by household size based on income data from the American Community Survey Table S2503, average household size data from the American Community Survey Table B25010, and national data on income and household size referenced above from U.S. Census Bureau Table HINC-01. As a preliminary step,

data from Table HINC-01 is used to develop distribution curves that estimate for any given overall average household size, a distribution of households with differing numbers of people in each household. Then, for each community:

- The Company develops a preliminary table of the number of customers by income level based on household income data from ACS Table S2503 ($0-$5k annual income, $5-$10k, $10k-$15k etc. up to $100k-$150k and incomes over $150k). This step considers both households that are owner-occupied and households that are renter-occupied that are likely to be direct customers of the Company.
- For each level of income, the Company then estimates the average household size based on the national distribution of household sizes by income level provided in U.S. Census Bureau Table HINC-01, which also yields an overall average household size by taking a weighted average across all income groups.
- This total average household size is then compared to the average household size for that community as reported in ACS Table B25010, again considering both households that are owner-occupied and households that are renter-occupied that are likely to be direct customers of the Company. A scaling factor is calculated based on the percentage difference between the estimated and reported average household sizes. The scaling factor would be a value greater than 1.00 if the average household size for that community as reported in ACS Table B25010 is greater than that calculated from the data in U.S. Census Bureau Table HINC-01, and it would be less than 1.00 if the opposite were true.

- The scaling factor is used to adjust the calculated household size for each income level upward or downward such that the weighted average household size of the adjusted values matches the reported values from Table B25010.
- The adjusted household sizes by income level are then applied to the distribution curves I previously described to get a distribution of households by size and by income level that matches the overall reported household size in the community from Table B25010.

Q. Why is this level of detailed analysis required to assess affordability at the community level?

A. Many studies of affordability simply calculate an average bill for a given location, either based on an assumed level of usage or based on average household size multiplied by an assumed level of usage per person and then estimates whether that single bill is affordable at different levels of income. This approach ignores the fact that in every community there is an entire distribution of households across an entire range of income levels and all of the data we have shows that lower income households in a community tend to have fewer people in them and are likely to have smaller household sizes than an average household in that community. Applying the usage per person per day standard to this reality results in lower usage levels and lower resultant bills for smaller households and lower household incomes, and higher usage with higher resultant bills for larger households and higher household incomes. Simply calculating an average bill for an average household size in a location and comparing different levels of income to that bill completely ignores this relationship between household income and household size and overstates bills for lower income customers, thus potentially creating an inaccurate picture of affordability.

Q. Can you discuss FPL in more detail?

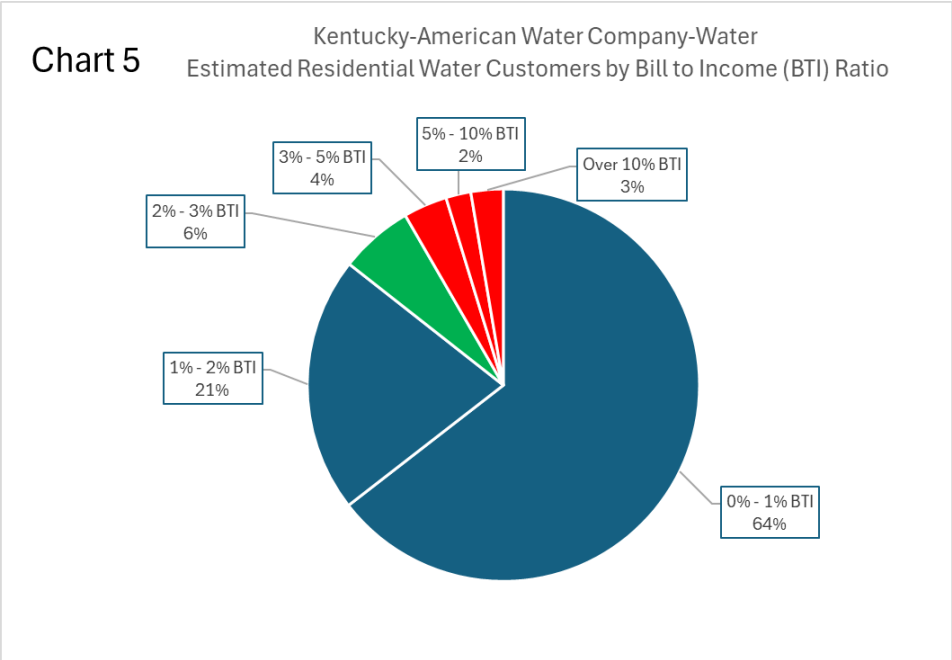
A. FPL is a measurement set by the U.S. Department of Health and Human Services of the minimum amount of annual income that is needed for individuals and families to pay for essentials, such as room and board, clothes, and transportation. The FPL is updated annually and considers the number of people in a household, their income, and the state in which they live. For 2026, the FPL guidelines are set at $15,960 for a household size of one and $5,680 per year for each additional household member. The FPL, or multiples of the FPL, is used to determine if a household is eligible for various assistance programs such as the Low-Income Home Energy Assistance Program ("LIHEAP") and the National School Lunch Program.

Q. What information does your Community-Level Analysis provide?

A. The Community-Level Analysis produces a complete set of data that consists of estimates for the number of customers in the Company's service territory by community and zip code, and then by annual household income and household size within each community and zip code. From this, the number of customers by multiples of FPL can also be estimated. Also included in this data is a bill amount at proposed rates differentiated by household size that reflects the Company's assumed level of Basic Water Service that I described earlier. From this, BTI Ratios can then be estimated by income level and household size, and by multiples of FPL, for each community and zip code the Company serves.

Q. What information does your Community-Level Analysis show?

A. Chart 5 below shows the relationship between residential customers' bills for Basic Water Service under the Company's proposed rates and level of household income.



The chart shows that under the Company's proposed rate structure, the Affordability Index metric (discussed below) for the Company's service territory in total is 85% under proposed rates for water service, meaning that approximately 85% of our residential water customers can expect to see bills for Basic Water Service to be less than 2% of their household income. The Company estimates that there are approximately 19,600 residential water that will see bills for Basic Water Service above 2% of their household income, which is approximately 15% of the total customer population for water service.

Q. Please describe the Affordability Index.

A. The Affordability Index ("AI") is a metric that reflects the percentage of a group of customers for whom Basic Water Service is expected to be less than a given percentage of annual household income. Consistent with my previous discussion in testimony regarding standards for affordability, the Company uses 2% of household income as the benchmark for this metric, which is at the conservative end of the range of affordability often cited. As an example, if, for a certain group of customers, it is estimated that 80% of those

customers will have bills for Basic Water Service less than 2% of annual household income, the AI value for that group of customers is 80%.

The AI metric is designed to reflect the percentage of residential customers in a state, community, or demographic group for whom Basic Water Service is expected to cost 2% or less of annual household income. An AI value of 100% means that all customers within a selected group can expect Basic Water Service at less than 2% of household income. An AI value of 70% means that approximately 70% of customers within a selected group can expect Basic Water Service at less than 2% of household income, and 30% of customers in that group can expect Basic Water Service to cost more than 2% of household income. The AI value is calculated based on modeling of proposed rates and community-level demographic information I previously described in my testimony, which assesses affordability across the entire range of customer demographics in each community we serve.

Q. Why do you use 2% of household income as your benchmark for affordability of service?

A. The U.S. EPA Report to Congress on Affordability I previously referenced uses a standard of affordability for water and wastewater service combined at 4.5% of household income. Because only water service is being considered in this proceeding, the use of a 2% standard for water service is comparable to the standard used by the EPA.

Q. Does your analysis consider customers who rent in multi-family buildings without individual meters?

A. No. The Company's Community-Level Analysis only considers customers that are assumed to be direct customers of the Company, meaning that they are directly responsible

for payment of services to the Company. Direct customers are assumed to be owner-occupied households and single-family renter occupied households as reported by ACS data.

Q. Why does your Community-Level Analysis only concentrate on customers that are direct customers of the Company?

A. The Company's affordability analysis concentrates on customers that are direct customers of the Company for two reasons:

- The use of an MHI statistic, which best estimates household income for direct customers of the Company, is consistent with the calculation of the average bill, which is also based on direct customers.
- For indirect customers of the Company (e.g., renters in multi-family buildings), it is impossible to know definitively what these households pay in rent for water service. Presumably, building owners that receive water service from KAWC are recovering those costs through rents, but there is no way to know if owners are overcharging or undercharging renters or if they are also charging renters for building water service that renters are themselves not actually using.

Q. Does this conclude your Direct Testimony?

A. Yes.

VERIFICATION

STATE OF IOWA)
) **SS:**
COUNTY OF SCOTT)

The undersigned, Charles Rea, being duly sworn, deposes and says that he is Vice President, Enterprise-Wide Regulatory Pricing & Affordability for American Water Works Service Company, Inc., that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Charles Rea

Charles Rea

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6 day of May, 2026.

Latrenda Dixon

Notary Public

My Commission Expires:

3.8.2027

OFFICIAL SEAL
LATRENDA DIXON
NOTARY PUBLIC-STATE OF ILLINOIS
MY COMMISSION EXPIRES 03-08-2027

Kentucky-American Water Company
Residential Usage Model

REGRESSION MODEL

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.8867
R Square	0.7862
Adjusted R Square	0.7553
Standard Error	0.2772
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15.00	29.3693	1.9580	25.4893	3.77767E-28
Residual	104.00	7.9887	0.0768		
Total	119.00	37.3581			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	3.5455	0.0972	36.4688	0.0000	3.3527	3.7383
Jan	0.5174	0.1244	4.1586	0.0001	0.2707	0.7642
Feb	0.0020	0.1244	0.0157	0.9875	-0.2447	0.2486
Mar	-0.0568	0.1243	-0.4571	0.6485	-0.3034	0.1897
Apr	-0.0164	0.1241	-0.1326	0.8948	-0.2625	0.2296
May	0.3457	0.1241	2.7864	0.0063	0.0997	0.5917
Jun	0.8297	0.1240	6.6895	0.0000	0.5837	1.0756
Jul	1.1249	0.1240	9.0718	0.0000	0.8790	1.3708
Aug	1.2115	0.1240	9.7713	0.0000	0.9656	1.4573
Sep	1.1341	0.1240	9.1482	0.0000	0.8882	1.3799
Oct	0.9163	0.1240	7.3923	0.0000	0.6705	1.1621
Nov	0.2528	0.1239	2.0398	0.0439	0.0070	0.4986
Trend	0.0000	0.0007	-0.0036	0.9971	-0.0015	0.0015
Rain (Diff)	-0.0737	0.0181	-4.0620	0.0001	-0.1096	-0.0377
CDD (Diff)	0.0020	0.0007	2.7700	0.0066	0.0006	0.0034
COVID	0.0688	0.0715	0.9622	0.3382	-0.0730	0.2107

Kentucky-American Water Company
Commercial Usage Model

REGRESSION MODEL

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9180
R Square	0.8428
Adjusted R Square	0.8201
Standard Error	2.2503
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15.00	2822.6630	188.1775	37.1598	6.6936E-35
Residual	104.00	526.6565	5.0640		
Total	119.00	3349.3194			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	31.6644	0.7895	40.1094	0.0000	30.0989	33.2299
Jan	1.3486	1.0103	1.3349	0.1848	-0.6548	3.3520
Feb	1.0661	1.0099	1.0556	0.2936	-0.9366	3.0687
Mar	-0.8757	1.0095	-0.8674	0.3877	-2.8776	1.1263
Apr	0.5885	1.0075	0.5841	0.5604	-1.4095	2.5864
May	3.0227	1.0073	3.0009	0.0034	1.0253	5.0201
Jun	5.6501	1.0070	5.6107	0.0000	3.6531	7.6470
Jul	10.3333	1.0068	10.2633	0.0000	8.3368	12.3299
Aug	11.3393	1.0067	11.2642	0.0000	9.3430	13.3356
Sep	12.7191	1.0065	12.6364	0.0000	10.7230	14.7151
Oct	9.8139	1.0065	9.7510	0.0000	7.8181	11.8097
Nov	5.1504	1.0064	5.1176	0.0000	3.1546	7.1461
Trend	0.0144	0.0060	2.4087	0.0178	0.0026	0.0263
Rain (Diff)	-0.5916	0.1865	-3.1719	0.0020	-0.9614	-0.2217
CDD (Diff)	0.0124	0.0058	2.1422	0.0345	0.0009	0.0239
COVID	-2.0205	0.5805	-3.4806	0.0007	-3.1717	-0.8693

Kentucky-American Water Company-Water

Water Affordability Summary - Bills for Basic Water Service - Community Analysis
Customer Counts as of December 31, 2025

Affordability Target: 2.0%

Income Level	Size	Water Service	Average Income	Customers	Proposed Base Bill	BTI Ratio	--- Customers by FPL --- 0-50%	50%-100%	100%-150%	150%-200%	200%-250%	250%-300%	300%-350%	350%-400%	400%-450%	450%-500%	Over 500%
$0-$5k	1	1,350	$ 3,000	2,190	$ 34.85	13.9%	2,190	-	-	-	-	-	-	-	-	-	-
$0-$5k	2	2,700	$ 3,000	881	$ 48.00	19.2%	881	-	-	-	-	-	-	-	-	-	-
$0-$5k	3	4,050	$ 3,000	306	$ 61.15	24.5%	306	-	-	-	-	-	-	-	-	-	-
$0-$5k	4	5,400	$ 3,000	149	$ 74.30	29.7%	149	-	-	-	-	-	-	-	-	-	-
$0-$5k	5	6,750	$ 3,000	83	$ 87.45	35.0%	83	-	-	-	-	-	-	-	-	-	-
$0-$5k	6	8,100	$ 3,000	33	$ 100.60	40.2%	33	-	-	-	-	-	-	-	-	-	-
$0-$5k	7	9,450	$ 3,000	13	$ 113.75	45.5%	13	-	-	-	-	-	-	-	-	-	-
$5-$10k	1	1,350	$ 7,500	1,436	$ 34.85	5.6%	862	574	-	-	-	-	-	-	-	-	-
$5-$10k	2	2,700	$ 7,500	617	$ 48.00	7.7%	617	-	-	-	-	-	-	-	-	-	-
$5-$10k	3	4,050	$ 7,500	218	$ 61.15	9.8%	218	-	-	-	-	-	-	-	-	-	-
$5-$10k	4	5,400	$ 7,500	103	$ 74.30	11.9%	103	-	-	-	-	-	-	-	-	-	-
$5-$10k	5	6,750	$ 7,500	60	$ 87.45	14.0%	60	-	-	-	-	-	-	-	-	-	-
$5-$10k	6	8,100	$ 7,500	20	$ 100.60	16.1%	20	-	-	-	-	-	-	-	-	-	-
$5-$10k	7	9,450	$ 7,500	8	$ 113.75	18.2%	8	-	-	-	-	-	-	-	-	-	-
$10-$15k	1	1,350	$ 12,500	2,581	$ 34.85	3.3%	-	2,581	-	-	-	-	-	-	-	-	-
$10-$15k	2	2,700	$ 12,500	630	$ 48.00	4.6%	120	510	-	-	-	-	-	-	-	-	-
$10-$15k	3	4,050	$ 12,500	214	$ 61.15	5.9%	152	62	-	-	-	-	-	-	-	-	-
$10-$15k	4	5,400	$ 12,500	92	$ 74.30	7.1%	92	-	-	-	-	-	-	-	-	-	-
$10-$15k	5	6,750	$ 12,500	52	$ 87.45	8.4%	52	-	-	-	-	-	-	-	-	-	-
$10-$15k	6	8,100	$ 12,500	19	$ 100.60	9.7%	19	-	-	-	-	-	-	-	-	-	-
$10-$15k	7	9,450	$ 12,500	5	$ 113.75	10.9%	5	-	-	-	-	-	-	-	-	-	-
$15-$20k	1	1,350	$ 17,500	2,484	$ 34.85	2.4%	-	496	1,988	-	-	-	-	-	-	-	-
$15-$20k	2	2,700	$ 17,500	650	$ 48.00	3.3%	-	650	-	-	-	-	-	-	-	-	-
$15-$20k	3	4,050	$ 17,500	222	$ 61.15	4.2%	-	222	-	-	-	-	-	-	-	-	-
$15-$20k	4	5,400	$ 17,500	98	$ 74.30	5.1%	28	70	-	-	-	-	-	-	-	-	-
$15-$20k	5	6,750	$ 17,500	54	$ 87.45	6.0%	47	7	-	-	-	-	-	-	-	-	-
$15-$20k	6	8,100	$ 17,500	18	$ 100.60	6.9%	18	-	-	-	-	-	-	-	-	-	-
$15-$20k	7	9,450	$ 17,500	6	$ 113.75	7.8%	6	-	-	-	-	-	-	-	-	-	-
$20-$25k	1	1,350	$ 22,500	2,566	$ 34.85	1.9%	-	-	2,055	511	-	-	-	-	-	-	-
$20-$25k	2	2,700	$ 22,500	816	$ 48.00	2.6%	-	244	572	-	-	-	-	-	-	-	-
$20-$25k	3	4,050	$ 22,500	282	$ 61.15	3.3%	-	282	-	-	-	-	-	-	-	-	-
$20-$25k	4	5,400	$ 22,500	125	$ 74.30	4.0%	-	125	-	-	-	-	-	-	-	-	-
$20-$25k	5	6,750	$ 22,500	77	$ 87.45	4.7%	-	77	-	-	-	-	-	-	-	-	-
$20-$25k	6	8,100	$ 22,500	26	$ 100.60	5.4%	9	17	-	-	-	-	-	-	-	-	-
$20-$25k	7	9,450	$ 22,500	11	$ 113.75	6.1%	11	-	-	-	-	-	-	-	-	-	-
$25-$35k	1	1,350	$ 22,500	4,983	$ 34.85	1.9%	-	-	-	3,488	1,495	-	-	-	-	-	-
$25-$35k	2	2,700	$ 30,000	2,461	$ 48.00	1.9%	-	-	1,723	738	-	-	-	-	-	-	-
$25-$35k	3	4,050	$ 30,000	880	$ 61.15	2.4%	-	173	707	-	-	-	-	-	-	-	-
$25-$35k	4	5,400	$ 30,000	456	$ 74.30	3.0%	-	367	89	-	-	-	-	-	-	-	-
$25-$35k	5	6,750	$ 30,000	252	$ 87.45	3.5%	-	252	-	-	-	-	-	-	-	-	-
$25-$35k	6	8,100	$ 30,000	99	$ 100.60	4.0%	-	99	-	-	-	-	-	-	-	-	-
$25-$35k	7	9,450	$ 30,000	40	$ 113.75	4.6%	-	40	-	-	-	-	-	-	-	-	-
$35-$50k	1	1,350	$ 37,500	6,334	$ 34.85	1.1%	-	-	-	-	1,900	3,802	632	-	-	-	-
$35-$50k	2	2,700	$ 37,500	4,176	$ 48.00	1.5%	-	-	-	2,505	1,671	-	-	-	-	-	-
$35-$50k	3	4,050	$ 37,500	1,547	$ 61.15	2.0%	-	-	615	932	-	-	-	-	-	-	-
$35-$50k	4	5,400	$ 37,500	884	$ 74.30	2.4%	-	-	884	-	-	-	-	-	-	-	-
$35-$50k	5	6,750	$ 37,500	468	$ 87.45	2.8%	-	91	377	-	-	-	-	-	-	-	-
$35-$50k	6	8,100	$ 37,500	184	$ 100.60	3.2%	-	115	69	-	-	-	-	-	-	-	-

$35-$50k	7	9,450	$ 37,500	81	$ 113.75	3.6%	-	81	-	-	-	-	-	-	-	-	-
$50-$75k	1	1,350	$ 62,500	7,991	$ 34.85	0.7%	-	-	-	-	-	-	1,598	3,197	2,397	800	-
$50-$75k	2	2,700	$ 62,500	7,343	$ 48.00	0.9%	-	-	-	-	1,464	2,942	2,937	-	-	-	-
$50-$75k	3	4,050	$ 62,500	2,867	$ 61.15	1.2%	-	-	-	571	1,435	861	-	-	-	-	-
$50-$75k	4	5,400	$ 62,500	1,858	$ 74.30	1.4%	-	-	-	1,117	741	-	-	-	-	-	-
$50-$75k	5	6,750	$ 62,500	926	$ 87.45	1.7%	-	-	278	648	-	-	-	-	-	-	-
$50-$75k	6	8,100	$ 62,500	361	$ 100.60	1.9%	-	-	255	107	-	-	-	-	-	-	-
$50-$75k	7	9,450	$ 62,500	170	$ 113.75	2.2%	-	-	170	-	-	-	-	-	-	-	-
$75-$100k	1	1,350	$ 87,500	5,103	$ 34.85	0.5%	-	-	-	-	-	-	-	-	-	1,020	4,083
$75-$100k	2	2,700	$ 87,500	6,535	$ 48.00	0.7%	-	-	-	-	-	-	-	3,263	2,619	653	-
$75-$100k	3	4,050	$ 87,500	2,730	$ 61.15	0.8%	-	-	-	-	-	819	1,368	543	-	-	-
$75-$100k	4	5,400	$ 87,500	2,021	$ 74.30	1.0%	-	-	-	-	605	1,416	-	-	-	-	-
$75-$100k	5	6,750	$ 87,500	936	$ 87.45	1.2%	-	-	-	91	753	92	-	-	-	-	-
$75-$100k	6	8,100	$ 87,500	368	$ 100.60	1.4%	-	-	-	191	178	-	-	-	-	-	-
$75-$100k	7	9,450	$ 87,500	188	$ 113.75	1.6%	-	-	-	188	-	-	-	-	-	-	-
$100-$150k	1	1,350	$ 125,000	4,874	$ 34.85	0.3%	-	-	-	-	-	-	-	-	-	-	4,874
$100-$150k	2	2,700	$ 125,000	9,286	$ 48.00	0.5%	-	-	-	-	-	-	-	-	-	1,854	7,432
$100-$150k	3	4,050	$ 125,000	4,226	$ 61.15	0.6%	-	-	-	-	-	-	-	843	1,266	851	1,267
$100-$150k	4	5,400	$ 125,000	3,592	$ 74.30	0.7%	-	-	-	-	-	-	1,079	1,082	1,431	-	-
$100-$150k	5	6,750	$ 125,000	1,554	$ 87.45	0.8%	-	-	-	-	-	466	622	466	-	-	-
$100-$150k	6	8,100	$ 125,000	611	$ 100.60	1.0%	-	-	-	-	119	309	183	-	-	-	-
$100-$150k	7	9,450	$ 125,000	325	$ 113.75	1.1%	-	-	-	-	170	156	-	-	-	-	-
Over $150k	1	1,350	$ 200,000	3,628	$ 34.85	0.2%	-	-	-	-	-	-	-	-	-	-	3,628
Over $150k	2	2,700	$ 200,000	12,002	$ 48.00	0.3%	-	-	-	-	-	-	-	-	-	-	12,002
Over $150k	3	4,050	$ 200,000	6,231	$ 61.15	0.4%	-	-	-	-	-	-	-	-	-	-	6,231
Over $150k	4	5,400	$ 200,000	6,206	$ 74.30	0.4%	-	-	-	-	-	-	-	-	-	621	5,585
Over $150k	5	6,750	$ 200,000	2,487	$ 87.45	0.5%	-	-	-	-	-	-	-	-	495	501	1,491
Over $150k	6	8,100	$ 200,000	979	$ 100.60	0.6%	-	-	-	-	-	-	92	203	191	198	296
Over $150k	7	9,450	$ 200,000	549	$ 113.75	0.7%	-	-	-	-	-	-	162	117	161	108	-
Total:		135,937		6,101			7,134		9,783	11,086	10,530	10,863	8,673	9,713	8,560	6,604	46,890
Avg. Proposed Bill		$ 52.39		$ 47.36			$ 49.88		$ 52.48	$ 52.84	$ 54.28	$ 53.32	$ 55.69	$ 52.26	$ 55.35	$ 54.19	$ 51.29
Avg. Household Income		$ 98,272		$ 5,375			$ 17,441		$ 29,269	$ 39,216	$ 53,706	$ 64,460	$ 82,221	$ 92,209	$ 103,446	$ 124,147	$ 168,493
Average BTI Raio:		0.64%		10.57%			3.43%		2.15%	1.62%	1.21%	0.99%	0.81%	0.68%	0.64%	0.52%	0.37%

Kentucky-American Water Company-Water

Water Affordability Summary - Bills for Basic Water Service - Community Analysis
Customer Counts as of December 31, 2025

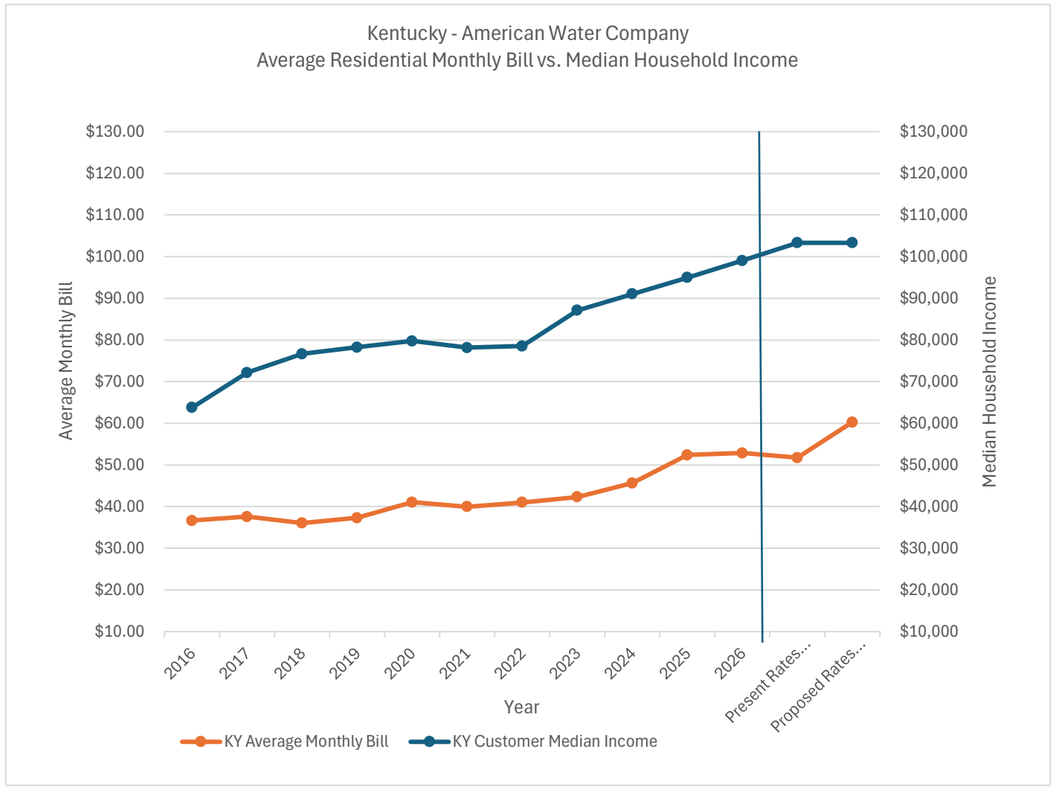
Income Level	Size	Water Service	Average Income	Customers	--- Customers by FPL --- 0-100%	100-200%	200-300%	300-400%	400-500%	Over 500%	0 BTI 0%-1%	1 BTI 1%-2%	2 BTI 2%-3%	3 BTI 3%-4%	4 BTI 4%-5%	5 BTI 5%-6%	6 BTI 6%-7%	7 BTI 7%-8%	8 BTI 8%-9%	9 BTI 9%-10%	10 BTI Over 10%	Total	Affordability Index
$0-$5k	1	1,350	$ 3,000	2,190	2,190	-	-	-	-	-	0	0	0	0	0	0	0	0	216	217	1,758	2,190	0%
$0-$5k	2	2,700	$ 3,000	881	881	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	881	881	0%
$0-$5k	3	4,050	$ 3,000	306	306	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	306	306	0%
$0-$5k	4	5,400	$ 3,000	149	149	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	149	149	0%
$0-$5k	5	6,750	$ 3,000	83	83	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	83	83	0%
$0-$5k	6	8,100	$ 3,000	33	33	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	33	33	0%
$0-$5k	7	9,450	$ 3,000	13	13	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	13	13	0%
$5-$10k	1	1,350	$ 7,500	1,436	1,436	-	-	-	-	-	0	0	0	0	432	430	288	287	0	0	0	1,436	0%
$5-$10k	2	2,700	$ 7,500	617	617	-	-	-	-	-	0	0	0	0	0	58	186	128	61	65	119	617	0%
$5-$10k	3	4,050	$ 7,500	218	218	-	-	-	-	-	0	0	0	0	0	0	0	40	39	36	103	218	0%
$5-$10k	4	5,400	$ 7,500	103	103	-	-	-	-	-	0	0	0	0	0	0	0	0	0	21	82	103	0%
$5-$10k	5	6,750	$ 7,500	60	60	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	60	60	0%
$5-$10k	6	8,100	$ 7,500	20	20	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	20	20	0%
$5-$10k	7	9,450	$ 7,500	8	8	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	8	8	0%
$10-$15k	1	1,350	$ 12,500	2,581	2,581	-	-	-	-	-	0	0	516	1,808	258	0	0	0	0	0	0	2,581	0%
$10-$15k	2	2,700	$ 12,500	630	630	-	-	-	-	-	0	0	0	61	380	189	0	0	0	0	0	630	0%
$10-$15k	3	4,050	$ 12,500	214	214	-	-	-	-	-	0	0	0	0	18	112	65	18	0	0	0	214	0%
$10-$15k	4	5,400	$ 12,500	92	92	-	-	-	-	-	0	0	0	0	0	0	40	35	17	0	0	92	0%
$10-$15k	5	6,750	$ 12,500	52	52	-	-	-	-	-	0	0	0	0	0	0	0	19	17	15	1	52	0%
$10-$15k	6	8,100	$ 12,500	19	19	-	-	-	-	-	0	0	0	0	0	0	0	0	5	9	5	19	0%
$10-$15k	7	9,450	$ 12,500	5	5	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	5	5	0%
$15-$20k	1	1,350	$ 17,500	2,484	496	1,988	-	-	-	-	0	0	2,484	0	0	0	0	0	0	0	0	2,484	0%
$15-$20k	2	2,700	$ 17,500	650	650	-	-	-	-	-	0	0	125	525	0	0	0	0	0	0	0	650	0%
$15-$20k	3	4,050	$ 17,500	222	222	-	-	-	-	-	0	0	0	66	157	0	0	0	0	0	0	222	0%
$15-$20k	4	5,400	$ 17,500	98	98	-	-	-	-	-	0	0	0	0	39	59	0	0	0	0	0	98	0%
$15-$20k	5	6,750	$ 17,500	54	54	-	-	-	-	-	0	0	0	0	0	33	21	0	0	0	0	54	0%
$15-$20k	6	8,100	$ 17,500	18	18	-	-	-	-	-	0	0	0	0	0	0	12	6	0	0	0	18	0%
$15-$20k	7	9,450	$ 17,500	6	6	-	-	-	-	-	0	0	0	0	0	0	0	6	0	0	0	6	0%
$20-$25k	1	1,350	$ 22,500	2,566	-	2,566	-	-	-	-	0	2,056	510	0	0	0	0	0	0	0	0	2,566	80%
$20-$25k	2	2,700	$ 22,500	816	244	572	-	-	-	-	0	0	816	0	0	0	0	0	0	0	0	816	0%
$20-$25k	3	4,050	$ 22,500	282	282	-	-	-	-	-	0	0	26	256	0	0	0	0	0	0	0	282	0%
$20-$25k	4	5,400	$ 22,500	125	125	-	-	-	-	-	0	0	0	69	57	0	0	0	0	0	0	125	0%
$20-$25k	5	6,750	$ 22,500	77	77	-	-	-	-	-	0	0	0	0	64	13	0	0	0	0	0	77	0%
$20-$25k	6	8,100	$ 22,500	26	26	-	-	-	-	-	0	0	0	0	3	23	0	0	0	0	0	26	0%
$20-$25k	7	9,450	$ 22,500	11	11	-	-	-	-	-	0	0	0	0	0	0	11	0	0	0	0	11	0%
$25-$35k	1	1,350	$ 22,500	4,983	-	3,488	1,495	-	-	-	0	4,983	0	0	0	0	0	0	0	0	0	4,983	100%
$25-$35k	2	2,700	$ 30,000	2,461	-	2,461	-	-	-	-	0	1,478	983	0	0	0	0	0	0	0	0	2,461	60%
$25-$35k	3	4,050	$ 30,000	880	173	707	-	-	-	-	0	0	880	0	0	0	0	0	0	0	0	880	0%
$25-$35k	4	5,400	$ 30,000	456	367	89	-	-	-	-	0	0	236	221	0	0	0	0	0	0	0	456	0%
$25-$35k	5	6,750	$ 30,000	252	252	-	-	-	-	-	0	0	0	228	24	0	0	0	0	0	0	252	0%
$25-$35k	6	8,100	$ 30,000	99	99	-	-	-	-	-	0	0	0	43	57	0	0	0	0	0	0	99	0%
$25-$35k	7	9,450	$ 30,000	40	40	-	-	-	-	-	0	0	0	1	32	7	0	0	0	0	0	40	0%
$35-$50k	1	1,350	$ 37,500	6,334	-	-	5,702	632	-	-	3,172	3,163	0	0	0	0	0	0	0	0	0	6,334	100%
$35-$50k	2	2,700	$ 37,500	4,176	-	2,505	1,671	-	-	-	0	4,176	0	0	0	0	0	0	0	0	0	4,176	100%
$35-$50k	3	4,050	$ 37,500	1,547	-	1,547	-	-	-	-	0	1,391	156	0	0	0	0	0	0	0	0	1,547	90%
$35-$50k	4	5,400	$ 37,500	884	-	884	-	-	-	-	0	347	537	0	0	0	0	0	0	0	0	884	39%
$35-$50k	5	6,750	$ 37,500	468	91	377	-	-	-	-	0	0	468	0	0	0	0	0	0	0	0	468	0%
$35-$50k	6	8,100	$ 37,500	184	115	69	-	-	-	-	0	0	129	55	0	0	0	0	0	0	0	184	0%

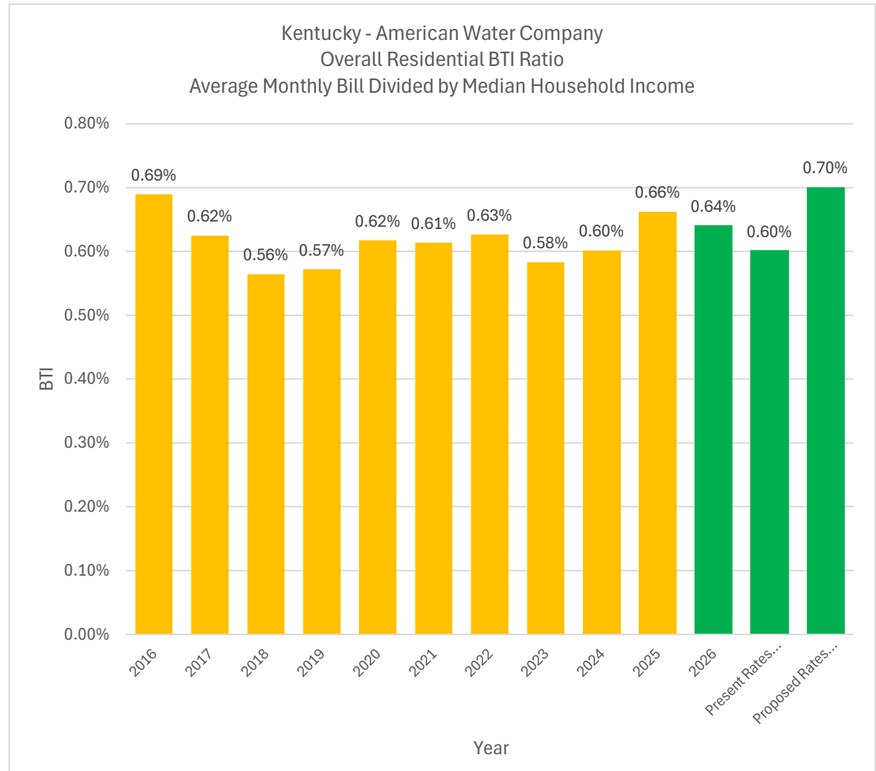
$35-$50k	7	9,450	$ 37,500	81	81	-	-	-	-	-	0	0	23	58	0	0	0	0	0	0	0	81	0%
$50-$75k	1	1,350	$ 62,500	7,991	-	-	-	4,794	3,197	-	7,991	0	0	0	0	0	0	0	0	0	0	7,991	100%
$50-$75k	2	2,700	$ 62,500	7,343	-	-	4,406	2,937	-	-	5,140	2,203	0	0	0	0	0	0	0	0	0	7,343	100%
$50-$75k	3	4,050	$ 62,500	2,867	-	571	2,296	-	-	-	280	2,587	0	0	0	0	0	0	0	0	0	2,867	100%
$50-$75k	4	5,400	$ 62,500	1,858	-	1,117	741	-	-	-	0	1,858	0	0	0	0	0	0	0	0	0	1,858	100%
$50-$75k	5	6,750	$ 62,500	926	-	926	-	-	-	-	0	836	90	0	0	0	0	0	0	0	0	926	90%
$50-$75k	6	8,100	$ 62,500	361	-	361	-	-	-	-	0	221	140	0	0	0	0	0	0	0	0	361	61%
$50-$75k	7	9,450	$ 62,500	170	-	170	-	-	-	-	0	51	120	0	0	0	0	0	0	0	0	170	30%
$75-$100k	1	1,350	$ 87,500	5,103	-	-	-	-	1,020	4,083	5,103	0	0	0	0	0	0	0	0	0	0	5,103	100%
$75-$100k	2	2,700	$ 87,500	6,535	-	-	-	3,263	3,272	-	6,535	0	0	0	0	0	0	0	0	0	0	6,535	100%
$75-$100k	3	4,050	$ 87,500	2,730	-	-	819	1,911	-	-	2,730	0	0	0	0	0	0	0	0	0	0	2,730	100%
$75-$100k	4	5,400	$ 87,500	2,021	-	-	2,021	-	-	-	808	1,213	0	0	0	0	0	0	0	0	0	2,021	100%
$75-$100k	5	6,750	$ 87,500	936	-	91	845	-	-	-	0	936	0	0	0	0	0	0	0	0	0	936	100%
$75-$100k	6	8,100	$ 87,500	368	-	191	178	-	-	-	0	368	0	0	0	0	0	0	0	0	0	368	100%
$75-$100k	7	9,450	$ 87,500	188	-	188	-	-	-	-	0	188	0	0	0	0	0	0	0	0	0	188	100%
$100-$150k	1	1,350	$ 125,000	4,874	-	-	-	-	-	4,874	4,874	0	0	0	0	0	0	0	0	0	0	4,874	100%
$100-$150k	2	2,700	$ 125,000	9,286	-	-	-	-	1,854	7,432	9,286	0	0	0	0	0	0	0	0	0	0	9,286	100%
$100-$150k	3	4,050	$ 125,000	4,226	-	-	-	843	2,117	1,267	4,226	0	0	0	0	0	0	0	0	0	0	4,226	100%
$100-$150k	4	5,400	$ 125,000	3,592	-	-	-	2,161	1,431	-	3,592	0	0	0	0	0	0	0	0	0	0	3,592	100%
$100-$150k	5	6,750	$ 125,000	1,554	-	-	466	1,088	-	-	1,402	152	0	0	0	0	0	0	0	0	0	1,554	100%
$100-$150k	6	8,100	$ 125,000	611	-	-	428	183	-	-	369	242	0	0	0	0	0	0	0	0	0	611	100%
$100-$150k	7	9,450	$ 125,000	325	-	-	325	-	-	-	93	232	0	0	0	0	0	0	0	0	0	325	100%
Over $150k	1	1,350	$ 200,000	3,628	-	-	-	-	-	3,628	3,628	0	0	0	0	0	0	0	0	0	0	3,628	100%
Over $150k	2	2,700	$ 200,000	12,002	-	-	-	-	-	12,002	12,002	0	0	0	0	0	0	0	0	0	0	12,002	100%
Over $150k	3	4,050	$ 200,000	6,231	-	-	-	-	-	6,231	6,231	0	0	0	0	0	0	0	0	0	0	6,231	100%
Over $150k	4	5,400	$ 200,000	6,206	-	-	-	-	621	5,585	6,206	0	0	0	0	0	0	0	0	0	0	6,206	100%
Over $150k	5	6,750	$ 200,000	2,487	-	-	-	-	996	1,491	2,487	0	0	0	0	0	0	0	0	0	0	2,487	100%
Over $150k	6	8,100	$ 200,000	979	-	-	-	295	389	296	979	0	0	0	0	0	0	0	0	0	0	979	100%
Over $150k	7	9,450	$ 200,000	549	-	-	-	280	270	-	549	0	0	0	0	0	0	0	0	0	0	549	100%
		13,235		20,869		21,392		18,386	15,164	46,890	87,683	28,680	8,238	3,388	1,519	924	623	539	355	362	3,626	135,937	92%
		$ 48.72		$ 52.67		$ 53.79		$ 53.88	$ 54.85	$ 51.29													
		$ 11,879		$ 34,553		$ 59,167		$ 87,498	$ 112,462	$ 168,493													
		4.92%		1.83%		1.09%		0.74%	0.59%	0.37%													

Kentucky American Water Company
Water Affordability Analysis - Enterprise Analysis

										1.0430	1.0430	1.0430	
												Present Rates	Proposed Rates
Residential Statistics	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2027
KY Res Billed Revenue	$51,367,684	$53,256,571	$51,640,113	$54,005,084	$60,074,141	$59,063,284	$61,039,761	$63,493,979	$69,000,026	$79,755,542	$81,167,312	$85,440,760	$99,556,641
KY Water Sales (TGal)	5,954,950	5,721,394	5,645,780	5,931,753	6,072,579	5,874,579	5,987,176	6,153,290	6,187,116	6,305,265	6,296,905	6,610,935	6,610,935
KY Customers	116,877	118,099	119,360	120,704	122,008	123,090	124,036	124,975	126,021	126,901	127,891	137,606	137,606
KY Statewide Median Income	$45,370	$51,350	$54,560	$55,660	$56,760	$55,630	$55,870	$61,980	$64,790	$67,576	$70,482	$73,512	$73,512
KY Customer Median Income	$ 63,765	$ 72,170	$ 76,681	$ 78,227	$ 79,773	$ 78,185	$ 78,522	$ 87,110	$ 91,059	$ 94,974	$ 99,058	$ 103,318	$ 103,318
KY Average PricePer TGal	$ 8.63	$ 9.31	$ 9.15	$ 9.10	$ 9.89	$ 10.05	$ 10.20	$ 10.32	$ 11.15	$ 12.65	$ 12.89	$ 12.92	$ 15.06
KY Average Monthly Bill	$ 36.63	$ 37.58	$ 36.05	$ 37.28	$ 41.03	$ 39.99	$ 41.01	$ 42.34	$ 45.63	$ 52.37	$ 52.89	$ 51.74	$ 60.29
KY Average Monthly Use	4.25	4.04	3.94	4.10	4.15	3.98	4.02	4.10	4.09	4.14	4.10	4.00	4.00
KY BTI Ratio	0.69%	0.62%	0.56%	0.57%	0.62%	0.61%	0.63%	0.58%	0.60%	0.66%	0.64%	0.60%	0.70%

1.405 State adjustment factor to reflect the difference between statewide MHI and MHI for AW customers in the state





COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF LINDA SCHLESSMAN

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Linda Schlessman. My business address is 1 Water Street, Camden, NJ 08102.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company, Inc. (the "Service Company") as the Director – Tax Regulatory.

Q. Please summarize your educational background and work experience.

A. I received a Bachelor of Business Administration Degree in Accounting from Miami University in 2006 and am a Certified Public Accountant in the State of Ohio. I have nineteen years of tax experience and seven years of utility tax experience. Prior to joining Service Company in September of 2024, I was a Tax Accounting and Regulatory Support Manager at American Electric Power, Inc. Prior to that, I held positions in both public accounting and the private sector. My previous employers include GBQ Partners, LLC, HBD Industries, Inc. and L Brands, Inc., now Bath and Body Works, Inc.

Q. What are your current employment responsibilities?

A. I am responsible for the oversight of calculating tax expense and accumulated deferred income taxes in rate cases and rate filings for American Water Works Company, Inc.'s ("AWWC") subsidiaries, including Kentucky-American Water Company ("KAWC" or the "Company").

Q. Have you previously filed testimony before this Commission?

A. Yes. I filed testimony before the Kentucky Public Service Commission ("PSC" or "Commission") in Case No. 2025-00122 which was KAWC's last rate case. In my previous

role at American Electric Power, Inc., as a Tax Accounting and Regulatory Support Manager, I filed testimony before the PSC in Case No. 2023-00159.

Q. Have you previously filed testimony in regulatory proceedings outside of Kentucky?

A. Yes. At Service Company, I have filed testimony in rate proceedings before the Pennsylvania Public Utility Commission in Docket Nos. R-2025-3057983 and R-2025-3058051, the California Public Utilities Commission in Docket No. 25-07-003, the Public Service Commission in of West Virginia in Case Nos. 25-0595-WS-DSIC, 25-0426-W-42T and 25-0428-S-42T, the Missouri Public Service Commission in Case No. WR-2024-0320 and WR-2025-0345, the Tennessee Public Utility Commission in Docket Nos. 25-0040 and 24-00032, and the Iowa Utilities Commission in Docket No. RPU-2024-0002. In addition to the Kentucky Case No. 2023-00159, while employed at American Electric Power, I filed testimony in rate proceedings before the Oklahoma Corporation Commission in Case No. PUD 2022-000093, before the Arkansas Public Service Commission in Case No. 23-012-FR, and before the Public Utility Commission of Texas in Docket No. 56165.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my Direct Testimony is to support the Company's taxes other than income expense, not including payroll taxes; the Company's income tax expense and Accumulated Deferred Income Tax ("ADIT") calculations; and to explain changes to the Corporate Alternative Minimum Tax ("CAMT").

Q. Are you sponsoring any Schedules or Exhibits in this proceeding?

A. Yes. I am sponsoring the following Schedules within Exhibit 37:

- Schedule E-1.1: Base Year Federal and State Taxes - Federal
- Schedule E-1.2: Base Year Federal and State Taxes – State

- Schedule E-1.3: Forecasted Year Federal and State Taxes – Federal
- Schedule E-1.4: Forecasted Year Federal and State Taxes – State
- Schedule E-1.5: Summary of Income Tax Adjustments
- Schedule E-2: Jurisdictional Factors for Income Tax Expense

II. TAXES OTHER THAN INCOME

Q. Please identify what is included in general tax ("taxes other than income").

A. General tax includes expenses incurred for property tax, payroll taxes, other taxes and licenses, and regulatory assessment fees. I will discuss the adjustments to property tax, other taxes and licenses, and regulatory assessment fees. Please refer to the testimony of Company witness Robert Prendergast for the labor-related expenses testimony and discussion of payroll taxes.

Q. Please describe the adjustments for property tax expense.

A. Property tax has two components, a county/city liability and a state liability. Both liabilities are calculated by multiplying tax rates by the assessed value of property. The adjustments to property tax expense include an adjustment related to the forecasted change in net water utility plant in-service ("UPIS") and a forecasted change in property tax rates. The forecasted change in net water UPIS is supported by Company witness John Watkins. The forecasted change in property tax rates is calculated by dividing the most recently available tax liability assessed, in this case the 2025 assessment on the property balance at December 31, 2024, by the 2025 assessed property balance. A 3 percent annual escalation percentage is applied to the overall tax rate to assessment. The resulting percentage is then multiplied by the UPIS balance for the rate year to obtain the county/city liability and state liability for the rate year. In the prior case the forecasted change in property tax rates was

calculated using a four-year average of actual overall property tax rates from the final assessments and applying an assumed 3 percent annual escalation. The Company is proposing to change the approach to align the inclusion of property tax expense in rates with the corresponding property tax as accrued on the income statement. In the prior case, using a four-year average of final assessments did not match the recovery of property taxes to the amounts accrued on the income statement for the period due to the two-year lag between the recording of property taxes and the receipt of the final assessment. Consistent with the Company's treatment in its preceding general base rate case, the Company has considered the following utility plant accounts to be tangible personal property for property tax purposes: Utility Plant Accounts 309-Supply Mains, 330-Distribution Reservoirs and Standpipes, 331-Transmission and Distribution Mains, and 333-Services.[1] The adjustment can be found in the Scheduled D-2.

Q. What is the Utility Regulatory Assessment tax in this case and how was it calculated?

A. This component of taxes other than income is also referred to as Utility Regulatory Assessment tax ("PSC Fee"). The Company has forecasted the PSC Fee for the forecasted test year by applying the new 0.23% PSC Fee rate as indicated in Section 104 of the House Bill 757[2] to the total forecasted revenues. The current PSC Fee rate was calculated using the Company's Annual Public Service Commission Assessment for the period July 1, 2025, to June 30, 2026. The adjustment can be found in the Scheduled D-2.

Q. Are there any other adjustments to taxes other than income?

[1] KAWC implemented this treatment pursuant to guidance provided by the Kentucky Department of Revenue on May 31, 2023, in advance of Case No. 2023-00191.
[2] *See* 26 RS HB 757/VO page 322, available at https://apps.legislature.ky.gov/recorddocuments/bill/26RS/hb757/bill.pdf (the "House Bill 757").

A. Yes. In addition to the adjustments to payroll tax as discussed in Mr. Prendergast's labor and labor-related testimony, and those discussed in this section, there exists an adjustment to remove the de minimis base period amounts of tax discounts and other taxes and licenses from the forecasted test year. This adjustment can be found in the Schedule D-2.

III. INCOME TAX

Q. Please explain the Company's request for Income Tax Expense.

A. Schedule E-1.1 and E-1.2 calculates the current and deferred income expenses. Schedules E-1.3 and E-1.4 calculates the current and deferred income taxes at proposed rates. Current Tax Expense is calculated as pro forma Operating Revenues less pro forma Tax Deductions. The tax deductions include permanent, non-deductible items and temporary differences for book and tax depreciation differences, tax repairs, and other plant related adjustments. Deferred Tax Expense is equal to the temporary differences times the federal statutory tax rate of 21% and the state statutory rate of 5%. Deferred Tax Expense was also adjusted for the following amortizations: excess deferred tax liabilities under the Reverse South Georgia method, excess deferred taxes associated with the Tax Cut and Jobs Act ("TCJA"), and flow through of income tax regulatory assets.

Q. Please explain the Company's request for Accumulated Deferred Income Taxes.

A. The Company included accumulated deferred income taxes in its requested rate base in this case for the 13-month average forecasted period amount. This includes both the forecasted ADIT balance, as well as the forecasted balance of excess ADIT, which is a regulatory liability associated with changes in tax rates. The value of ADIT (including excess ADIT) in the Company's forecasted rate base is reflected on Exhibit 37, Schedules B-1, and B-6,

which are sponsored by Company witness John Watkins and are further discussed in his Direct Testimony.

IV. CORPORATE ALTERNATIVE MINIMUM TAX

Q. Did the Company file testimony related to the Corporate Alternative Minimum Tax ("CAMT") in its last general base rate case?[3]

A. Yes.

Q. Please summarize the Inflation Reduction Act of 2022.

A. H.R. 5376, approved by Congress and signed into law on August 16, 2022, is referred to as the Inflation Reduction Act of 2022 or IRA. The stated purpose of the law was to curb inflation by reducing the deficit through the creation of significant changes relating to tax, climate change, energy, and health care.

Q. What tax change resulting from the IRA impacted the Company?

A. The CAMT was established for applicable corporations with adjusted financial statement income ("AFSI") above $1 billion. The IRA imposes a tax equal to the excess of 15% of the corporation's AFSI (tentative minimum tax) for the taxable year over its regular income tax liability. AWWC and its subsidiaries, including KAWC, were considered an applicable corporation beginning in tax year 2024.

Q. How did KAWC account for CAMT in its financial statements for tax years 2024 and 2025?

A. For income tax accounting purposes, a current income tax liability and current income tax expense were recorded for the CAMT liability but are equally offset by recording a deferred tax asset and a reduction to deferred income tax expense to reflect the CAMT credit

[3] *In the Matter of Electronic Application of Kentucky-American Water Company for an Adjustment of Rates,* Case No. 2025-00122, Direct Testimony of Linda Schlessman, pp. 4-6.

carryforward. As a result, there was no net incremental income tax expense associated with the CAMT; however, a deferred tax asset was established for the minimum tax credit carryforward.

Q. Since the Company's testimony in last general base rate case, has the IRS issued guidance regarding the calculation of CAMT that impacts the Company?

A. Yes. Guidance regarding the calculation of CAMT was released on February 18, 2026.[4]

Q. Please describe how the Guidance impacts the Company.

A. The Guidance allows an applicable corporation's AFSI to be reduced by deductible tax repairs related to eligible repair assets. The starting point when calculating AFSI is a corporation's net income or loss per its financial statements. Prior to the Guidance, the financial statement net income or loss was adjusted for federal income taxes, book and tax depreciation, pension, and other post-employment benefits. Now, the financial statement net income or loss can be adjusted for federal income taxes, book and tax depreciation, pension, other post-employment benefits, *and tax repairs*. Additionally, we have interpreted the Guidance to permit the inclusion of the tax repairs deduction into the AFSI calculation retroactively.

Prior to the Guidance, AWWC and the Company were subject to CAMT in 2024 and were estimated to be subject to CAMT in 2025. This was because 15% of AWWC's AFSI under the previous rules was higher than the regular tax liability and led to a CAMT liability. However, the ability to utilize the tax repairs deduction means that 15% of AWWC's AFSI is no longer higher than its regular tax liability and, therefore, AWWC and KAWC will only be responsible for payment of their calculated regular federal tax liability.

[4] *See* Notice 2026-7, Additional Interim Guidance Regarding the Application of the Corporate Alternative Minimum Tax (Feb. 18, 2026), available at https://www.irs.gov/pub/irs-drop/n-26-07.pdf (the "Guidance").

Because we have interpreted the Guidance to be retroactive, AWWC, inclusive of the Company, has amended its 2024 Federal Income Tax return and is seeking a refund of the CAMT payments submitted for the 2024 tax year.[5] Furthermore, AWWC and the Company do not estimate that a CAMT liability is required for 2025 and removed the payable and deferred tax asset for CAMT from KAWC's financial statements at the end of the first quarter of 2026.

Q. How does the change in CAMT calculation impact this rate case?

A. Because the Company no longer estimates the need for CAMT payments, a CAMT deferred tax asset will not be included in ADIT in this case. As of February 28, 2026, a deferred tax asset for CAMT was reflected in the Company's financial statements. However, this was removed as of March 31, 2026. Therefore, the Company adjusted the per books ADIT as of February 28, 2026, in this case to reflect the anticipated removal of the CAMT deferred tax asset. The adjustment is an increase to ADIT as of February 28, 2026, which results in a reduction to rate base. The ADIT balance as reflected on Schedule B-5 is after the removal of the CAMT deferred tax asset.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

[5] This will not impact KAWC customers since the Company's 2024 deferred tax asset is not reflected in current rates (i.e., customers did not fund the Company's 2024 CAMT payments).

VERIFICATION

STATE OF KENTUCKY)
) **SS:**
COUNTY OF FAYETTE)

The undersigned, Linda Schlessman, being duly sworn, deposes and says that she is the Director – Tax Regulatory for American Water Works Service Company, Inc., that she has personal knowledge of the matters set forth in the accompanying testimony for which she is identified as the responsible witness, and that the answers contained therein are true and correct to the best of her information, knowledge and belief.

Linda Schlessman

Linda Schlessman

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of May, 2025.

Molly McCleese Van Over

Notary Public

My Commission Expires:

July 31, 2029

Notary ID: KYNP26988

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ADJUSTMENT OF RATES	**)** **)** **)**	**CASE NO. 2026-00094**

DIRECT TESTIMONY OF JOHN WATKINS

May 15, 2026

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John M. Watkins. My business address is 1 Water Street, Camden, NJ 08102.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company, Inc. ("AWWSC" or the "Service Company") as Senior Director Regulatory Services.

Q. Please summarize your educational background and work experience.

A. I am a graduate of Trenton State College with a Bachelor of Science Degree in Finance and minors in Mathematics and Economics. I received a Master's Degree in Business Administration, with a concentration in Accounting, from Drexel University. I have over 25 years of experience serving utilities with regulated operations in multiple states. I have been employed by the Service Company since November of 1998. Before coming to American Water, I was employed as a Staff Accountant for an eye glass manufacturer.

Q. What are your current employment responsibilities?

A. My duties consist of reviewing, preparing and assisting in regulatory filings and related activities for all of the regulated subsidiaries of American Water Works Company, Inc. ("American Water"). My responsibilities include the preparation of written testimony, exhibits and work papers in support of rate applications and other regulatory filings as well as responses to data requests for Kentucky-American Water Company ("Kentucky-American", "KAWC" or "the Company") and its regulated utility affiliates.

Q. Have you previously filed testimony before this or any other commission?

A. Yes, I have testified before the Kentucky Public Service Commission ("PSC" or "Commission"), as well as regulatory commissions in California, Connecticut, Illinois,

Indiana, Iowa, Massachusetts, Missouri, New Jersey, New York, Tennessee, Virginia and West Virginia.

Q. What is the purpose of your testimony in this proceeding?

A. The scope of my testimony includes the following topics:

- Development of the Forecasted Test Year
- Minimum Standard Filing Requirements
- Revenue Requirement, Revenue Deficiency, and Average Bill
- Present Rate Revenue and Proposed Rate Revenue
- Rate Base
- Acquisitions and Related Ratemaking
- Depreciation and Amortization
- Capital Structure

Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring the following exhibits attached to my Direct Testimony:

- Exhibit JMW-1: Rate Case Exhibits and Sponsors
- Exhibit JMW-2: ROR Proof

In addition to the exhibits attached to my direct testimony, I am also sponsoring or co-sponsoring the following filed exhibits:

- Exhibit 1 (Present tariffs - Kentucky American Water)
- Exhibit 2 (Proposed tariffs - Kentucky American Water)
- Exhibit 3 (Comparative sheets of Tariffs)
- Exhibit 4 (Certified copy of Articles of Incorporation and Amendments)
- Exhibit 5 (Certificate of Good Standing)

- Exhibit 6 (Certified copy of a Certificate of Assumed Name)
- Exhibit 7 (Customer Notices)
- Exhibit 8 (PSC Notice)
- Exhibit 9 (Rate base/capital reconciliation)
- Exhibit 10 (Testimonies (Cover Sheet))
- Exhibit 12 (Description of Forecast Factors (Cover Sheet))
- Exhibit 13 (Annual and monthly budget for the 12 months preceding the filing date, the base period and the forecasted period)
- Exhibit 17 (Financial forecast – income statement & financing)
- Exhibit 18 (Financial forecast - balance sheet)
- Exhibit 19 (Financial forecast - cash flow)
- Exhibit 20 (Financial forecast - revenue requirement)
- Exhibit 23 (Financial forecast - capital structure requirements)
- Exhibit 24 (Financial forecast – rate base)
- Exhibit 27 (Most recent stock or bond prospectus (Most recent))
- Exhibit 28 (Annual reports to shareholders)
- Exhibit 29 (Current chart of accounts)
- Exhibit 30 (Last 12 monthly managerial reports)
- Exhibit 31 (Monthly budget variance reports for 12 months pre-base period and as available, for base period and subsequent months M&D)
- Exhibit 32 (Independents auditor's annual opinion report and any written findings of material weaknesses in internal controls)
- Exhibit 33 (Summary of last depreciation study)

- Exhibit 34 (List of software, program and models used)
- Exhibit 37 Schedule A (Jurisdictional financial summary for the base and forecast period)
- Exhibit 37 Schedule B (Rate Base)
- Exhibit 37 Schedule C (Operating Income)
- Exhibit 37 Schedule D (Summary of Adjustments to Operating Income)
- Exhibit 37 Schedule F (Social and service club dues, charitable contributions, initiation fees / country club expenses, employee party, outing & gift expense; customer service, sales promotion & misc., advertising, professional services, rate case expense, civic, political, and related expenses)
- Exhibit 37 Schedule H (Gross revenue conversion factor)
- Exhibit 37 Schedule I (Comparative Income Statement and revenue statistics)
- Exhibit 37 Schedule J (Cost of capital)
- Exhibit 37 Schedule K (Comparative financial data and earnings measures)
- Exhibit 37 Schedule L (Narrative description and explanation of all proposed tariff changes)

II. DEVELOPMENT OF THE FORECASTED TEST YEAR

Q. What is the base period in this case?

A. The Company has used a base period of the twelve months ending August 31, 2026. This base period data reflects six months of actual data (September 1, 2025, to February 28, 2026) and six months of forecasted data (March 1, 2026, to August 31, 2026).

Q. Please explain the development of the Company's forecasted test period.

A. The forecasted test period in this case is the twelve months following the suspension period ("forecasted test year"). For revenues and expenses, the forecasted test period is January

1, 2027, to December 31, 2027. For thirteen-month average rate base and capitalization, the period is from December 2026 to December 2027. The development of the forecasted test year is completed using the same assumptions and methodologies as used in the forecast developed by management except where otherwise explained in testimony or exhibits. The Company has made pro forma adjustments to the base period for any known or projected increases or decreases to arrive at the forecasted test year expenses, investments, financings, and revenues on which KAWC proposes to base its rates.

Q. Did the Company include the revenues and costs of any acquired systems in its rate case forecast?

A. Yes, KAWC included information for acquisitions of Water Service Corporation of Kentucky ("WSC KY"), City of Livingston, and Black Mountain Utility District in its rate case forecast.[1] I discuss these acquisitions further in my testimony below.

III. MINIMUM STANDARD FILING REQUIREMENTS

Q. Please describe the Company's Minimum Standard Filing Requirements.

A. Consistent with Kentucky law for forecasted test year rate cases, the Company has provided Exhibits 1 through 37 to the Application (Exhibit 37 includes Schedules A- N). Please see Exhibit JMW-1, attached to this testimony, for a list of these exhibits and their sponsors.

IV. REVENUE REQUIREMENT, REVENUE DEFICIENCY, AND AVERAGE BILL

Q. Please describe Kentucky-American's revenue requirement.

A. The Company's revenue requirement is equal to the cost of providing water service to more than 140,500 customers throughout fourteen Kentucky counties (including Bourbon, Clark,

[1] Case Nos. 2025-00171, 2025-00364, and 2026-00097, respectively.

Fayette, Franklin, Gallatin, Grant, Harrison, Jackson, Jessamine, Nicholas, Owen, Rockcastle, Scott, and Woodford Counties). Providing water service is a sprawling endeavor that starts with sourcing more than 15 billion gallons of surface water from Kentucky lakes and rivers, then treating it to meet or surpass drinking water standards and finally pumping and distributing it through over 2,400 miles of main to reach all homes, businesses, schools, and industries throughout KAWC's service territory. Along the way, the Company provides adequate capacity and storage to accommodate peak usage and to help protect our communities during fire events. The Company also provides customer service, monthly billing, 24-hour emergency call handling, and a self-service website. The Company monitors water quality for a host of contaminants and maintains the distribution system by exercising valves, flushing hydrants, and repairing main breaks at all hours and in all weather conditions. All of these efforts support the Company's provision of safe, clean, reliable water service, sanitation, and fire protection service to customers.

To accomplish all of this, the Company incurs costs for which it seeks recovery through the ratemaking process. The Company's costs include a variety of operating expenses, depreciation and amortization, and various local, state, and federal taxes. The Company also must recover the costs of its investments and provide a return, at least equal to the cost of capital, on over $735 million in water infrastructure rate base that supports the Company's provision of service to customers.

Q. What is Kentucky-American's revenue requirement for the forecasted test year in this proceeding?

A. The Company's forecasted revenue requirement in this proceeding, equal to the cost of providing service, is $180,168,709 which can be found on Exhibit 37, Schedule A.

Q. Please describe how the Company's revenue deficiency is derived.

A. The Company's revenue deficiency, found on Exhibit 37, Schedule A, is measured as the difference between the forecasted revenue requirement and the Company's forecasted revenues at present rates. The Company's revenue deficiency in this proceeding is calculated to be approximately $17.68 million, which is an approximate 10.88 percent deficiency, in water service revenues.

Q. Has Kentucky-American supplied proof that the forecasted revenue requirement, including recovery of the deficiency, would equal the cost of providing service and allow KAWC the opportunity to recover the cost of capital?

A. Yes. Exhibit JMW-2 also shows proof that the revenue requirement proposed in this application would result in the calculated proposed cost of capital or Rate of Return ("ROR") of 7.94%, which reflects the proposed return on equity ("ROE") of 10.75%.

Q. What impact does the revenue deficiency have on the Company's ability to recover its authorized ROE?

A. As illustrated in Exhibit JMW-2,which is attached to my testimony, for the 12-months ending December 31, 2027, this revenue deficiency will result in the Company's ROE being at or about 7.30%, which is substantially below the authorized ROE ordered by the Commission in KAWC's most recent rate case and even further below the ROE recommended by Company witness Ann Bulkley in this case.

Q. What are the key drivers of revenue deficiency and timing in this case?

A. KAWC's revenue deficiency in this case is fundamentally driven by capital investment. As discussed by Company witness John Magner in his direct testimony, the Company will invest approximately $108.4 million in capital expenditures for the forecasted test period,

which equates to over $68 million of rate base growth since the 2025 Rate Case, inclusive of both capital investments and incremental rate base associated with acquisitions. Increases in certain operations and maintenance ("O&M") expenses and increases in property taxes charged to the Company by state and local governments are also incorporated into the proposed revenue requirement. Additionally, impacts of the acquisitions will also contribute the O&M expense growth mentioned previously.

Q. What does this rate request mean for the average residential customer?

A. While the revenue deficiency (both on a dollar basis and percentage basis) may seem significant, the average residential bill heading into 2027 is proposed to be under $60 per month,[2] which is expected to be 0.70% percent of median household income. This is a testament to the value the Company provides to its customers. As Company witness Rea demonstrates in his direct testimony, the Company's rates have remained affordable for the majority of its customers, all while the Company has increased its level of investment in replacement of aging infrastructure and improvements to water treatment and distribution facilities to continue to provide high quality and reliable service to customers and the communities it serves. While operating expenses have increased since the Company's 2025 rate case, the Company's overall O&M expenses remain reasonable as discussed by Company Witness Joseph Weiss and his accompanying Market-to-Cost Comparison study.

V. PRESENT RATE REVENUE AND PROPOSED RATE REVENUE

Q. Has the Company calculated its forecasted test year revenues under current and proposed rates?

[2] As shown on Exhibit 37, Schedule N.

A. Yes. Company witness Rea is sponsoring exhibits that show Kentucky-American's forecasted test year revenues under current and proposed rates and the associated revenue shortfall under current rates, as well as the makeup of Kentucky-American's Other Revenues.

Q. Has the Company proposed a rate design in this case?

A. Yes. Company witness Rea's testimony describes Kentucky-American's rate design and rate design proposals for water service in this case.

Q. When were Kentucky-American's present water rates established?

A. Kentucky-American's present water rates were most recently established through Case No. 2025-00122. The rates became effective on December 16, 2025.

VI. RATE BASE

Q. What is Rate Base?

A. Rate Base measures the Company's net investment in the provision of water service. This investment includes the facilities and property for sourcing, treating, pumping, and distributing potable water for consumption, sanitation, and fire protection, as well as assets to support customer accounting, customer service and basic business operations. The additions to rate base include items such as:

- Utility Plant in Service ("UPIS"), Utility Plant Acquisition Adjustments ("UPAA") and
- Deferred Maintenance, and Deferred Debits;

<u>Deductions from rate base include:</u>

- Accumulated Depreciation
- Contributions in Aid of Construction ("CIAC") and Customer Advances and

- Accumulated Deferred Income Taxes ("ADIT")

Q. Please describe each of the components of rate base.

A. Each component of rate base is described below:

UPIS

UPIS includes the original cost of all land, land rights, easements, structures, improvements, and other equipment that is used for the provision of water utility service. The rate case forecast begins with the UPIS balance per books as of February 28, 2026. The forecasted monthly UPIS balances were then calculated through December 31, 2027, by adding forecasted plant additions as they are placed into service and deducting forecasted plant retirements. Plant additions are addressed in greater detail in the testimony of KAWC witness John Magner. The 13-month average UPIS balance from December 31, 2026, through December 31, 2027, was then calculated, to arrive at the average value for the forecasted test year. Supporting schedules and analysis can be found on Schedule B-1 and B-2.

DEFERRED MAINTENANCE

This item is calculated as an average of the thirteen-month balance of deferred maintenance projects based upon both actual and forecasted projects. These projects include the repainting and repairs of system water storage tanks, and other major repairs as shown in the workpapers that support Schedule B. These types of deferred maintenance expenses have been afforded rate base treatment by the Commission in past proceedings. Based upon these actual expenditures and the forecasted expenditures for December 2026 through December 2027, as adjusted for amortizations, the Company has developed a thirteen-

month average of these deferred maintenance items. Amortization of the balances are set at 15 years.

DEFERRED DEBITS

The Company is including a rate base addition for Deferred Debits for Source of Supply cost which was approved for rate base treatment with a 40-year amortization in Case No. 2000-00120. The unamortized balance is included in rate base and is offset by applicable deferred taxes. The Deferred Debit balance is shown on Exhibit 37, Schedule B-1.

UPAA

The Company is proposing to include UPAA in rate base in this proceeding associated with the North Middletown Water, Livingston, and WSC KY acquisitions. The North Middletown UPAA was approved in Case No. 2018-00358. The UPAA associated with WSC KY relates to an UPAA held on its books of which the Company has inherited and is continuing the amortization. The forecasted test year amount is shown on Exhibit 37, Schedule B-1.

ACCUMULATED DEPRECIATION

The accumulated depreciation component of rate base includes both accumulated life depreciation and accumulated cost of removal. The accumulated depreciation forecast begins with the actual balances as of February 28, 2026, and were then calculated by month through the end of the forecasted test year utilizing the depreciation rates authorized in Case No. 2023-00191.

Additional monthly adjustments were made to the accumulated depreciation to account for plant retirements, salvage credits, and the cost of removals. Under utility plant accounting, when an asset is retired, the UPIS is reduced by the original cost of the asset

and the accumulated depreciation account is reduced by an equal amount. When scrap value is obtained from retired plant, the salvage amount is added to the depreciation liability. The cost of removal is based on an average of the past three years and these expenditures reduce the liability. The forecasted test year accumulated depreciation was then calculated by averaging the month end balances from December 2026 through December 2027. The 13-month average forecast for Accumulated Depreciation is shown on Schedule B-1. Additional detail can be found on Exhibit 37, Schedule B-3.

CIAC

CIAC reflects non-refundable money or physical property that is received from third parties, and thus is not considered to be investor supplied capital. An example would be a portion of main that was relocated to accommodate road alignment changes and the relocation was funded by the Kentucky Transportation Cabinet or a local municipality. Tap fees paid by new Kentucky-American customers are another example.

With the enactment of the Tax Cuts and Jobs Act in 2017, all contributions are taxable. Consequently, all CIAC receipts are forecasted to be grossed up for income tax, which offsets the cost of the corresponding tax assets to the general customer base. CIAC balances are calculated monthly by increasing the actual February 28, 2026, balance for forecasted grossed-up contribution, less amortization of the contributed funds. The thirteen month-end balances for the forecasted test year ending December 31, 2026, are averaged to arrive at the forecasted test year amount which is shown on Exhibit 37, Schedules B-1 and B-6.

CUSTOMER ADVANCES

Customer advances are a reduction to rate base to recognize money collected, typically from developers, for the installation of new mains. The funds are held in an account and refunded to the contributor / developer as new customers tap onto the extended main. By having a developer pay for the initial main extension investment, KAWC avoids the cost of financing speculative developments until new customers materialize. Like other rate base components, the forecasted test year customer advances amount is developed starting with the February 28, 2026 balance, then forecasting monthly by adding forecasted receipts from developers, and deducting forecasted refunds.

Like CIAC, Customer Advances are taxable due to the Tax Cuts and Jobs Act. KAWC collects additional funds from developers to recognize the taxability of funds received. The forecast is consistent with this practice and includes gross-up on all expected Customer Advances. This offsets the cost of the corresponding tax assets to the general customer base.

The thirteen-month end balances from December 2026 through December 2027 are then averaged, which are shown on Exhibit 37, Schedules B-1 and B-6.

ADIT

The Company included accumulated deferred income taxes in its requested rate base in this case. This includes both the forecasted ADIT balance, as well as the forecasted balance of excess ADIT, which is a regulatory liability associated with changes in tax rates. The largest portion of this excess ADIT is associated with the Tax Cut and Jobs Act ("TCJA"). The value of ADIT (including excess ADIT) in the Company's forecasted rate base is reflected on Exhibit 37, Schedules B-1, and B-6.

UNAMORTIZED ITC

This item is calculated as an average of the thirteen-month end balance of unamortized 3% investment tax credits ("ITCs") for the forecasted test year ending December 31, 2027. The Company also has 4% and 10% investment tax credits on its books, and these are reflected in the Company's capital structure, as set forth in Exhibit 37 – J. This rate base treatment of 3% ITC is consistent with previous rate cases. The values may be seen on Exhibit 37, Schedules B-1 and B-6.

VII. ACQUISITIONS

Q. Please briefly describe the acquisitions KAWC has included in this case.

A. As I mentioned above, the Company's forecast includes the revenues and costs of three systems that it has or is in the process of acquiring: Water Service Corporation of Kentucky ("WSC KY"), the City of Livingston, and Black Mountain Utility District (the "Acquisitions"). The Acquisitions will add approximately 9,556 customers. Additionally, the WSC KY and Black Mountain acquisitions will add three counties (WSC KY – Bell and Hickman Counties; Black Mountain – Harlan County) to KAWC's footprint, as discussed in detail by Company witness William Lewis. Subject to receipt of remaining approvals, the Acquisitions are expected to be fully integrated into our operations by the end of the forecasted test year.

Q. Please describe the present statuses of each of the respective Acquisitions.

A. The acquisition of WSC KY is part of a larger transaction between American Water and Nexus Regulated Utilities. The Commission authorized the transfer of control on September 9, 2025 (Case No. 2025-00171). The transaction will not be completed until all

regulatory approvals are obtained. Once final approvals are received, the transaction can proceed to closing, which is anticipated to occur in summer 2026.

The Commission approved the Joint Application of the acquisition and transfer of ownership and control of the Livingston Municipal Water Works to Kentucky-American Water Company on February 10, 2026 (Case No. 2025-00364). The transfer of assets was completed on April 15, 2026.

An asset purchase agreement was executed for the acquisition of Black Mountain Utility District's water customers and an application was filed with the Commission requesting approval of KAWC's acquisition of Black Mountain Utility District's water operations on April 17, 2025. It is Case No. 2026-00097.

Q. Are the Acquisitions reflected in KAWC's rate base?

A. Yes, the acquisitions are reflected in KAWC's rate base. The amounts associated with Utility Plant in Service and Accumulated Depreciation can be seen on Exhibit 37, Schedule B-2 and Schedule B-3 respectively.

Q. Is KAWC making any valuation or regulatory accounting requests related to its acquisitions in this proceeding?

A. Yes. The Company is making four requests:

1) **WSC KY legacy UPAA**: In Case 2026-00171, KAWC was ordered to record the transaction in accordance with the NARUC Uniform System of Accounts. While KAWC is not seeking recovery of the UPAA associated with this transaction, KAWC is requesting that WSC KY's existing negative UPAA credit the revenue requirement, reducing recoverable amortization expense by ($3.6k) annually. Correspondingly, the Company proposes that the legacy negative UPAA be included in rate base.

2) **Livingston UPAA**: For Livingston, the Company is paying less than book value and is proposing a negative UPAA of (~$0.9) million. The Company has proposed a ten-year amortization of this value, reducing amortization expense by a little more than $91k annually.

3) **Valuation for Black Mountain Utility District**: Per KRS 278.295, the Company is proposing in this proceeding that the purchase price be recognized as rate base (currently estimated to be approximately $1.2 million.) for its ratemaking valuation[3] I will discuss how the purchase meets the codified criteria below.

4) **Net Accounting for Black Mountain, Livingston, and WSC KY**: Given the benefits to customers, the Company requests authority to record these three transactions at their "net" value, per GAAP, rather than at the "gross" plant value per the Uniform System of Accounts. I will discuss this in more detail below.

Q. Please explain the relevance of KRS 278.295 to Black Mountain's valuation.

A. The negotiated purchase price for Black Mountain Utility District is approximately $1.2 million[4] or $362 per customer[5]. While this is an extremely low price for a water system of this size (e.g. the Company was recently authorized rate base of $4,780 per customer[6]), it is nonetheless higher than the sum of Black Mountain's plant and CIAC accounts. KRS 278.295(2) is thus relevant because it codifies guidance for alternate valuations. It states: "in any matter in which the commission determines for ratemaking purposes the value of an asset used to provide water or sewer service acquired by a utility from a water or sewer

[3] The purchase agreement specifies a price up to $1.5 million, not to exceed the liabilities and debts of the utility. KAW forecasts that the final purchase price will be approximately $1.2million.
[4] The purchase agreement specifies a price up to $1.5 million, not to exceed the liabilities and debts of the utility. KAWC forecasts that the final purchase price will be approximately $1.2million.
[5] $1.2 million / 3,315 customers = $60.30 per customer.
[6] Order issued December 16, 2025 in Case No. 2025-00122: Appendix A rate base of $670 million and page 2 customers of 139,532.

system, the commission shall fix the value of that asset at an amount between its net original cost and its asset acquisition price without regard for the original source of funds used to procure the asset" provided certain criteria are met.

Q. Can you compare the potential valuations provided for in the statute relative to valuation using the Uniform System of Accounts and UPAA recovery?

A. Yes. Please see the table below, contrasting valuations for Black Mountain based on: a) Uniform System of Accounts & UPAA (-$0.2mm to $1.2mm depending on UPAA recovery), b) purchase price ($1.2 million), and net original cost without regard for the original source of funds ($11.1 million).

Figure 1:

Black Mountain Valuation Comparion
As of 3/31/2026 in $mm except for values per customer

			Range per KRS 278.295	
		A	B	C
	Key Valuation Accounts	**Original Cost Per USOA**	**Purchase Price**	**Original Cost Without Regard for Funding Source**
a	Utility Plant in Service[1]	$21,314,836		$21,314,836
b	Accumulated Depreciation[1]	(10,203,804)		(10,203,804)
c	CIAC[1]	(20,557,001)		
d	Accumulated Amortization of CIAC[2]	363,957		
e	UPAA	10,282,012		
f = sum a to e	**Net Value**	**$1,200,000**	**$1,200,000**	**$11,111,032**
g	Customers	3,315	3,315	3,315
h = f / g	**Net Valuation per Customer**	**$362**	**$362**	**$3,352**

[1] Per pp. 47-50 of Exhibit 1 Asset Purchase Agreement in Case No. 2026-00097
[2] Estimated based on Black Mountain's depreciable assets and life assumptions

Q. What valuation is the Company seeking for Black Mountain?

A. The Company is seeking a valuation equivalent to the purchase price of $1.2 million. In this instance, that represents the low end of the range identified in the code.

Q. Does the Company's acquisition of Black Mountain meet the KRS 278.295 criteria?

A. It does. Please see the criteria and explanations here:

1) The purchase price was established by arms-length negotiations;

- This transaction is between a willing seller and a willing buyer. Negotiations to reach the purchase price and conditions were conducted without conflict. Indeed, neither party was affected by any conflict of interest whatsoever.

2) The asset acquisition price plus the cost of restoring the acquired facilities to required standards will not materially adversely impact the overall costs or rates of the acquiring utility's existing and new customers;

- The Company has not identified significant expenditures necessary to restore Black Mountain facilities to required standards, and the purchase price will not materially or adversely impact existing or acquired customers. That said, the capital expenditures for the Black Mountain facilities is expected be relatively heavy the first three years. The table below compares the Company's current and forecasted investments per customer relative to Black Mountain's at close and through 2029 (using capex as a proxy). While parity between localities fluctuates over time, the Company and Black Mountain's investment per customer do align well almost right away.

Figure 2:

	KAWC Rate Base per Case No. 2025-00122	KAWC Rate Base per Case No. forecasted 2026-00094[7]	Black Mountain Purchase Price	Black Mountain Purchase Price + Capex through 2029
Investment	$666,993,852	$735,655,485	$1,200,000	$17,000,000[8]
Customers	139,532	150,056	3,315	3,315
Investment per Customer	$4,780 (average 2026)	$4,903 (average 2027)	$362 (at close)	$5,128 (through 2029)

3) Acquisition of the asset will result in operational economies;

- The Black Mountain water system is currently a resale customer of both the City of Harlan and the City of Pineville. The Black Mountain system is not currently monitored by SCADA and relies upon employees to manually control and monitor pumping and storage systems. This is a very inefficient use of labor, leads to water service failures, and can increase water loss. Upon close, the Company will install and integrate the Black Mountain water system into the Company's comprehensive SCADA management program. This will allow Company staff to respond quickly to distribution system issues, will allow the Company to transfer system staffing from system monitoring and control operations to system repair and maintenance activities, and will mitigate preventable water loss resulting from storage tank overflows.

The acquisition of the Black Mountain water system along with the recent WSC KY acquisition (Middlesboro water system)[9] will enable the Company to regionalize its water system operations within KAWC's South operating region. This operational improvement will leverage the combined labor, operational

[7] Exhibit A forecasted rate base and current customers of 140,500 plus 9,556 acquired customers.
[8] $1.2 million purchase price plus an estimated $15.8 million in capital expenditures through 2029.
[9] Please see the direct testimony of KAWC witness William Lewis. The acquisition of WSC KY includes two systems, Middlesboro water system and Clinton water system.

knowledge, technical engineering support, water quality and environmental support, and employee safety support across multiple operating districts without requiring duplicate stand-alone resources for Black Mountain. In addition to local resources, the Company will continue to leverage its existing state-wide operations, engineering, legal, government affairs, and finance teams to support Black Mountain operations thereby providing additional efficiencies. Lastly, Black Mountain operations will benefit from AW Service Company resources such as information technology, customer service, supply chain, and other national resources that existing KAWC customers already benefit from.

4) The purchase prices of the utility and non-utility assets are clearly identified, and where practical, separated; and

- Per my "net accounting" testimony below, the Company is proposing to allocate the $1.2 million purchase price across utility plant assets only. To the extent any non-utility plant is acquired, it will be segregated in the books and records separately.

5) The acquisition will result in overall financial and service benefits of the acquiring utility's operations.

- **Financial**

After joining KAWC, Black Mountain customers can benefit from the purchasing power and capital access of a much larger organization. American Water Works Service Company's ("Service Company") national vendor contracts yield favorable pricing on meters, pipe, hydrants, valves, equipment, and other supplies. Likewise, the Company's

customers benefit from capital market access at favorable costs facilitated by American Water Capital Corporation.

- **Service**

The Company has a well-equipped fleet of construction and maintenance equipment that can support the Black Mountain utility system, in addition to fleet and equipment that can be leveraged from WSC KY's nearby operations that the Company is acquiring. The Company also has treatment plant and distribution supervisors, as well as emergency personnel on call, around the clock, for immediate dispatch.

The Company has a variety of customer service conveniences for our customers including a toll-free line that is staffed 24 hours a day and can dispatch local crews for emergency calls. Additionally, customers may log into MyWater online to report an emergency, request turn on or turn off service, open a water quality inquiry, make payments, or review billing history, and enroll in budget billing, auto-pay, or paperless billing. Customers with AMI meters may also see hourly reads for the most recent day and daily reads for the most recent month, empowering them to avoid high bills and better manage their water consumption. In addition, we have our Customer Advocacy department available to provide an elevated level of customer care.

The Company has a highly skilled and specialized workforce, such as leak detection capabilities. KAWC has focused on an aggressive leak detection program for many years and has been recognized as an expert in this field assisting other water utilities where they have struggled to locate serious leaks within their systems. The Company employs a variety of leak detection technologies, including acoustic monitoring

equipment, leak correlation devices to accurately pinpoint the location of non-surfacing leaks as well as satellite-based leak detection efforts.

Q. Please describe the Company's request for authority to use "net" acquisition accounting.

A. The Company proposes to record the Black Mountain purchase using net acquisition accounting consistent with US GAAP, as it typically lowers annual depreciation expense for acquired property. In net accounting, the purchase price is allocated among the acquired UPIS assets and no accumulated depreciation is recorded. In contrast, the Uniform System of Accounts instructs that UPIS, accumulated depreciation, CIAC, and accumulated amortization of CIAC should all be recorded at original cost, leaving a larger amount of depreciable UPIS on the books. Net accounting normally delivers a lower cost solution for both existing and acquired customers.

Q. Please provide further explanation of the GAAP's acquisition accounting guidance.

A. GAAP, specifically Accounting Standards Codification 805, Business Combinations ("ASC 805"), requires that an acquisition that meets the definition of a business combination be accounted for using the acquisition method. The requirements under ASC 805 are the same for a regulated utility as any other industry. ASC 805-20-30-1–Business Combination: Initial Measurement- Measurement Principle states "The acquirer shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values."

Prior depreciation of the acquiree is not carried forward because the assets are recorded at acquisition-date fair value and therefore the asset inherently reflects depreciation to date

and already reflects the asset's remaining service potential. Fair value already reflects age, wear & tear and remaining useful life.

Guidance supporting the fact that accumulated depreciation should be netted is further supported by the following two interpretations provided by PwC and Deloitte, two of the Big Four Accounting firms:

- **PwC's Business Combination guide: Chapter 2 Acquisition method; Section 2.5.7 Property, plant and equipment acquired in a business combination states** " Property, plant, and equipment acquired in a business combination intended to be held and used should be recognized and measured at fair value. Accumulated depreciation of the acquiree is not carried forward in a business combination."
- **Deloitte's Roadmap: Business Combinations - Chapter 4, Recognizing & Measuring the Identifiable Assets Acquired & Liabilities Assumed / Section 4.8 – Property Plant & Equipment states** "Property, plant, and equipment that is acquired in a business combination and classified as held and used by the acquirer should be measured at fair value. The acquiree's accumulated depreciation is not carried over into the acquirer's financial statements; rather, the acquirer's financial statements should reflect only depreciation subsequent to the acquisition date."

Q. Can you show how the annual depreciation and amortization expense would compare for Black Mountain using GAAP net accounting versus USOA accounting?

A. Of course. Figure 3 below compares the annual depreciation and amortization expense impacts associated with both accounting methods, presuming a $1.2 million valuation for Black Mountain. KAWC estimates that net accounting for Black Mountain Utility District would save customers approximately $156,000 per year.

Figure 3:

Black Mountain Accounting Comparison
Values at 3/31/2026

			At $1.2 million purchase price		
			A	B	C = B-A
Line	**Key Valuation Accounts**		**Original Cost Accounting Per USOA**	**Net Acquisition Accounting Per GAAP**	**Difference**
a	Utility Plant in Service[1]		$21,314,836	$1,200,000	
b	Accumulated Depreciation[1]		(10,203,804)		
c	CIAC[1]		(20,557,001)		
d	Accumulated Amortization of CIAC[2]		9,002,351		
e	UPAA		1,643,618		
	Sum		**$1,200,000**	**$1,200,000**	**$0**
	Annual Depreciation & Amortization	**Rate[3]**			
f = rate x a	Depreciation at composite rate	2.48%	$527,569	$29,702	
g = rate x c	CIAC amortization	2.46%	(506,097)		
h = e /10	UPAA at 10-year amortization	10.00%	164,362		
	Sum		**$185,833**	**$29,702**	**($156,132)**

[1] Per pages 47-50 of Exhibit 1 Asset Purchase Agreement in Case No. 2026-00097

[2] Estimated based on Black Mountain's depreciable assets and life assumptions

[3] Depreciaiton and CIAC amortization composite rates based on CIAC balances by asset type and KAW's approved depreciation rates

Q. Does the Company project any post-acquisition capital investment related to the Acquisitions?

A. Yes. As discussed by Company witness John Magner, the Company has included capital investment associated with these acquisitions within its forecast.

Q. Did the Company include any O&M costs associated with the Acquisitions?

A. Yes. As discussed by Company witness Robert Prendergast, KAWC has included O&M related to the acquisition of WSC KY, Livingston, and Black Mountain.

Q. How did the Company reflect revenues from the Acquisitions?

A. As discussed by Company witness Chuck Rea, KAWC has included revenues related to the acquisition of WSC KY, Livingston, and Black Mountain.

Q. Is KAWC proposing to move the newly acquired customers to KAWC's rates?

A. Yes. As discussed by Company witness Charles Rea, the newly acquired customers are part of KAWC's rate design and are proposed to be moved to KAWC's tariffed rates and rate classes as part of this proceeding, consistent with the Acquisition orders and the Commission's preference for a uniform rate structure, which it described as a "desirable policy goal" with regard to prior Company acquisitions.[10]

Q. Did KAWC provide notice to the newly acquired customers of this proceeding?

A. Yes, the Company published notice in the counties in which the newly acquired customers are located, including the WSC KY and Black Mountain acquisitions that have not yet been completed.

Q. Do the Acquisitions benefit both the new customers from the systems to be acquired and the Company's existing customers?

A. Yes. By adding new service areas, we expand our customer base, which over time allows us to spread fixed costs across more customers. This larger scale creates both operational and purchasing efficiencies, and things such as chemicals, equipment, and technology and specialized expertise (such as water quality, engineering, and customer support teams) are shared across a wider service area, which helps to smooth rate impacts.

VIII. DEPRECIATION AND AMORTIZATION

Q. Could you please describe the depreciation expense requested for recovery in this case?

A. Depreciation expense was calculated for the forecasted test year by multiplying the forecasted UPIS balances for each plant account by the life depreciation rates and cost of

[10] *In the Matter of: Adjustment of Rates of Kentucky American Water Company*, Case No. 2007-00143 (Ky. PSC Nov. 29, 2007 Order at 4, citing to *In the Matter of: Adjustment of the Rates of Kentucky-American Water Company*, Case No. 2004-00103 (Ky. PSC Feb. 28, 2005 Order at 75-76).

removal accrual rates authorized in Case No. 2023-00191. This is offset by CIAC amortization, which is similarly calculated by multiplying gross CIAC balances by their amortization rates. The CIAC amortization essentially offsets the depreciation expense resulting from assets funded by CIAC. Depreciation expense is shown on Exhibit 37, Schedule C.1.

Q. Could you please describe the amortization expense requested for recovery in this case?

A. Amortization expense is adjusted from the base year to remove disallowed items (a regulatory asset amortization), and to make slight adjustments to align the forecast for amortized property losses and AFUDC. Amortization expenses are shown on Exhibit 37, Schedule C.1.

IX. CAPITAL STRUCTURE & OVERALL COST OF CAPITAL

Q. What is the purpose of determining the Company's capital structure?

A. The capital structure is used to compute the Company's weighted average cost of capital ("WACC") in this proceeding. The WACC is the overall rate of return that is applied to the Company's rate base to determine the net operating income, which is a component of determining the overall revenue requirement used to calculate the rates and charges proposed in a base rate proceeding.

Q. What was the previously authorized capital structure in the last case?

A. Table 1 below shows the authorized capital structure determined in Case No. 2025-00122, for the components, carrying amounts, weightings, cost rates, weighted costs and overall WACC.

Table 1

Authorized Cost of Capital				
Component	Carrying Amount	Weighting	Cost Rate	WACC
Short-Term Debt	$8,737,619	1.31%	4.16%	0.05%
Long-Term Debt	$307,484,166	46.10%	4.69%	2.16%
Preferred Stock	$2,201,080	0.33%	8.50%	0.03%
Common Equity	$348,570,987	52.26%	9.70%	5.07%
Total Capitalization	**$666,993,852**	**100.00%**		**7.31%**

Q. What capital structure do you sponsor for computing the Company's WACC for ratemaking purposes?

A. I sponsor the projected capital structure for the thirteen-month average of the forecasted test-year ending December 31, 2027. The capital structure proposed by the Company is included in the filing documents on Schedules J-1 through J-5 of Exhibit 37. Exhibit 37 indicates the thirteen-month average capital structure and WACC on which the Company based its revenue requirement in this case. The proposed capital structure is nearly identical to the capital structure approved in Case No. 2025-00122.

Q. How does the Company currently obtain its long-term and short-term debt?

A. The Company utilizes the services of American Water Capital Corp. ("AWCC") to meet its long-term ("LT") and short-term ("ST") debt requirements. AWCC is an American Water subsidiary, and an affiliate of KAWC, established for the purpose of providing financial services to American Water, its water utility subsidiaries, and Service Company, including the issuance of debt securities in a consolidated, cost-effective manner. In Case No. 2000-00189, the Commission authorized the Company to enter into a Financial Services Agreement with AWCC which enables the Company to periodically issue debt securities in the form of notes or debentures for the purpose of replacing ST debt or refinancing maturities of existing LT debt. In Case No. 2006-00418, the Commission reaffirmed the Company's authorization to use AWCC for the attainment of its debt

financing. In its Order in Case No. 2009-00156, the Commission again authorized the Company's use of AWCC as a source for its LT and ST debt funding. The Commission again permitted the Company's authorization and participation in the AWCC borrowing program in Case Nos. 2011-00115, 2012-00393, 2015-00400, 2019-00083, 2021-00019, 2024-00018, and most recently, in its Order in Case No. 2026-00019.

Q. What factors require the Company to seek additional capital?

A. The Company's ongoing investments in capital improvements to meet the new and changing regulations in the water industry, replace aged treatment and distribution facilities, and continue to provide quality, reliable water service to its customers have driven, and will continue to drive, the need for new capital. The Company's proposed capital structure in this proceeding reflects several new LT debt financings, please refer to Exhibit 37, Schedule J-4 for the details of the LT debt issuances. It is important that the Company maintain a strong financial position to allow it to continue to attract capital at a reasonable cost, which will assist the Company in its effort to continue to provide safe, reliable and affordable water service to its customers.

Q. What is the level of short-term debt included in the Company's forecasted test year capital structure?

A. The Company uses ST debt to temporarily finance capital improvements. This type of financing is used to bridge the gap between the placement of permanent financings, such as LT debt and common equity. The capital structure used to set rates in this proceeding should reflect the capital component mix that will be in place to finance the rate base upon which rates will be set, since the capital structure is used to calculate the overall rate of return that is applied to rate base. The level of ST debt in the Company's proposed capital

structure in this case is the thirteen-month average balance for the forecasted test-year ending December 31, 2027. That level of ST debt is reflective of the level that will be utilized to fund the investments under construction but not yet placed into service and other cash requirements during the forecasted test-year.

Q. What is the level of common equity included in the Company's forecasted test year capital structure?

A. Please refer to Table 3 below.

Q. What is an appropriate basis for establishing a common equity ratio for the forecasted test-year ending December 31, 2027?

A. An appropriate common equity ratio should consider how the forecasted rate base is financed or projected to be financed, whether or not it is reasonable as compared with its Proxy Group as defined in Company witness Bulkley's direct testimony, and whether it provides sufficient financial strength to allow access to cost-efficient financing. As described above, Kentucky-American has planned four LT debt financings. As mentioned above, these financings, together with internally generated financing via retained earnings, result in a December 31, 2027 13-month-average common equity ratio as shown in Table 3 below. This is the equity level that appropriately considers how the Company's investments will actually be financed. Further, Kentucky-American's December 31, 2027 common equity ratio is approximately equal to the Proxy Group's average common equity ratio included in Witness Bulkley's direct testimony, and it supports cost-efficient financing. A utility that is well run, generates predictable financial results, and maintains a reasonable capital structure that allows for the efficient attraction of capital benefits its customers. There is a direct link between a utility delivering predictable financial results

and maintaining solid credit ratings. Financial results dictated by positive, growing, and predictable earnings, along with other financial measurement results contribute to a company's ability to access capital at a reasonable cost. Conversely, companies with poor financial results or with capital structures that are outside reasonable levels will pay more to access capital. Therefore, the appropriate basis for determining the common equity ratio for the forecasted test-year ending December 31, 2027 is one that is reasonable and takes into consideration the Company's ongoing investments in capital improvements to meet the new and changing regulations in the water industry, replace aged treatment and distribution facilities, and enable it to continue to provide safe and reliable water service to its customers through the forecasted test-year and does not look at historical data only.

Q. Is Kentucky-American's recommended common equity ratio an outlier compared to common equity ratios ordered by the Commission?

A. No. A review of the ordered common equity percentages for Kentucky utilities over the past four years shows that Kentucky-American's current and recommended common equity ratios are reasonable in comparison. Table 2 reflects these publicly disclosed ordered common equity percentages for other Kentucky utilities. Also, as I noted above, the proposed capital structure is nearly identical to the capital structure approved in KAWC's most recent rate case.

Table 2

Utility	Docket No.	Filed Equity %	Ordered Equity %	Order Date	Case Resolution
Kentucky Power (Electric)	2025-00257	46.10%	46.10%	26-Feb	Settlement
Duke (Gas)	2025-00125	52.70%	52.70%	25-Dec	Settlement
LG&E (Gas)	2025-00114	52.90%	53.00%	26-Feb	Settlement
LG&E (Electric)	2025-00114	52.90%	53.00%	26-Feb	Settlement
KU (Electric)	2025-00113	52.90%	52.80%	26-Feb	Settlement
Duke (Electric)	2024-00354	52.70%	52.70%	25-Oct	Litigated
Delta (Gas)	2024-00346	52.80%	52.80%	25-Jul	Settlement
Atmos (Gas)	2024-00276	60.90%	53.50%	25-Aug	Litigated
Columbia (Gas)	2024-00092	52.60%	52.60%	24-Dec	Settlement
Kentucky Power (Electric)	2023-00159	41.60%	41.30%	24-Jan	Settlement
Duke (Electric)	2022-00372	52.50%	52.20%	23-Oct	Litigated
Water Service (Water)	2022-00147	49.70%	50.10%	23-Apr	Litigated

Q. What weighted average cost of capital is the Company requesting in this case?

A. Table 3 shows the forecasted capital structure for the 13-month average ending December 31, 2027, for the components, carrying amounts, weightings, cost rates, weighted costs and overall WACC. The forecasted December 31, 2027 13-month-average common equity percentage and WACC are shown below. Table 3 reflects a capital structure that is reasonably balanced between equity and debt and places less burden on its customers.

Table 3

Cost of Capital Summary 13-Month Average For Forecast Period Ending December 31, 2027				
Component	Carrying Amount	Weighting	Cost Rate	WACC
Short-Term Debt	$3,595,268	0.45%	3.32%	0.02%
Long-Term Debt	$372,174,827	46.97%	4.84%	2.28%
Preferred Stock	$2,246,360	0.28%	8.50%	0.02%
Common Equity	$414,350,726	52.29%	10.75%	5.62%
Total Capitalization	**$792,367,182**	**100.00%**		**7.94%**

Q. Do customers benefit from the Company's efforts to maintain a reasonable capital structure and cost of capital?

A. Yes. Customers benefit from a utility that is well run, generates predictable financial results and maintains an appropriate capital structure. There is a direct link between a utility delivering predictable financial results and maintaining solid credit ratings. Ratings agencies consider an entity's financial results both as a qualitative and a quantitative measure in establishing a company's credit rating. Positive, growing and predictable earnings per share and other financial measurement results contribute to a company's ability to access capital at a reasonable cost. Companies with poor financial results or with capital structures that are outside reasonable levels will need to pay more to access capital. The Company's customers benefit from our financial performance which helps maintain strong credit ratings and enabling access to capital markets on good terms. Overall, a capital structure that is reasonably balanced between equity and debt places less burden on its customers.

X. CONCLUSION

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

VERIFICATION

STATE OF NEW JERSEY)
) **SS:**
COUNTY OF CAMDEN)

The undersigned, John Watkins, being duly sworn, deposes and says that he is Senior Director Regulatory Services for American Water Works Service Company, Inc., that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

John Watkins

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5 day of May, 2026.

Notary Public

My Commission Expires:

5th May 2026

DEBRA NICHOLS
Notary Public, State of New Jersey
Comm. # 50196656
My Commission Expires 6/2/2027

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2026-00094
RATE CASE EXHIBITS AND SPONSORS

Exhibit	**Sponsor**
Exhibit 1 Present tariffs - Kentucky American Water	J. Watkins
Exhibit 2 Proposed tariffs - Kentucky American Water	J. Watkins
Exhibit 3 Comparative sheets of Tariffs	J. Watkins
Exhibit 4 Certified copy of Articles of Incorporation and Amendments	J. Watkins
Exhibit 5 Certificate of Good Standing	J. Watkins
Exhibit 6 Certified copy of a Certificate of Assumed Name	J. Watkins
Exhibit 7 Customer Notices	J. Watkins
Exhibit 8 PSC Notice	J. Watkins
Exhibit 9 Rate base/capital reconciliation	J. Watkins
Exhibit 10 Testimonies (Cover Sheet)	J. Watkins
Exhibit 11 Capital construction budget with 3-year forecast	J. Magner
Exhibit 12 Description of forecast factors (Cover Sheet)	J. Watkins
Exhibit 13 Annual and monthly budget for the 12 months preceding the filing date, the base period and the forecasted period	J. Watkins and J. Magner
Exhibit 14 Statement of Attestation	R. Burton
Exhibit 15 Information about major construction projects > 5% of total	J. Magner
Exhibit 16 Information about other construction projects < 5% of total	J. Magner
Exhibit 17 Financial Forecast – operating income	J. Watkins
Exhibit 18 Financial forecast - balance sheet	J. Watkins
Exhibit 19 Financial forecast - cash flow	J. Watkins
Exhibit 20 Financial forecast - revenue requirement	J. Watkins
Exhibit 21 Financial forecast - employee level	R. Prendergast
Exhibit 22 Financial forecast - labor cost changes	R. Prendergast
Exhibit 23 Financial forecast - capital structure requirements	J. Watkins
Exhibit 24 Financial forecast - rate base	J. Watkins
Exhibit 25 Financial forecast - water sales (gallon)	C. Rae
Exhibit 26 Financial forecast - customer forecast	C. Rae
Exhibit 27 Most recent stock or bond prospectus (Most recent)	J. Watkins
Exhibit 28 Annual reports to shareholders	J. Watkins
Exhibit 29 Current chart of accounts	J. Watkins
Exhibit 30 Last 12 monthly managerial reports	J. Watkins
Exhibit 31 Monthly budget variance reports for 12 months pre-base period and as available, for base period and subsequent months M&D	J. Watkins
Exhibit 32 Independents auditor's annual opinion report and any written findings of material weaknesses in internal controls	J. Watkins
Exhibit 33 Summary of last depreciation study	J. Watkins

Exhibit 34 List of software, program and models used	J. Watkins
Exhibit 35 Affiliate, general or home office allocations	R. Prendergast
Exhibit 36 Cost of service study	C. Rae
Exhibit 37 Schedule A Jurisdictional financial summary for the base and forecast period	J. Watkins
Exhibit 37 Schedule B Rate Base	J. Watkins
Exhibit 37 Schedule C Operating Income	J. Watkins
Exhibit 37 Schedule D Summary of Adjustments to Operating Income	J. Watkins
Exhibit 37 Schedule E Income Tax Expense	L. Schlessman
Exhibit 37 Schedule F Social and service club dues, charitable contributions, initiation fees / country club expenses, employee party, outing & gift expense; customer service, sales promotion & misc, advertising, professional services, rate case expense, civic, political, and related expenses.	J. Watkins
Exhibit 37 Schedule G Payroll costs, analysis, and executive compensation	R. Prendergast
Exhibit 37 Schedule H Gross revenue conversion factor	J. Watkins
Exhibit 37 Schedule I Comparative Income Statement and revenue statistics	J. Watkins and C. Rae
Exhibit 37 Schedule J Cost of capital	J. Watkins
Exhibit 37 Schedule K Comparative financial data and earnings measures	J. Watkins
Exhibit 37 Schedule L Narrative description and explanation of all proposed tariff changes	J. Watkins
Exhibit 37 Schedule M Revenue summary and billing analysis	C. Rae
Exhibit 37 Schedule N Typical bill comparison under present and proposed rates	C. Rae

Kentucky American Water Company
Case No. 2026-00094
ROR Proof

Line No.	Description	Base Period Ending August 31, 2026	Adjustment for Forecast at Present Rates	Forecast Year Ending December 31, 2027 At Present Rates	Adjustment for Proposed Rates	Forecast Year at Proposed Rates
1	**Total Operating Revenues**	**$152,943,165**	**$9,541,086**	**$162,484,251**	**$17,684,458**	**$180,168,709**
2						
3	**Total O&M Expenses**	**$51,292,004**	**$8,513,794**	**$59,805,797**	**$109,351**	**$59,915,148**
4						
5	**Other Expenses**					
6	Depreciation & Amortization	$32,237,641	$5,569,482	$37,807,123	$0	$37,807,123
7	State Income Tax	2,382,250	(571,805)	1,810,446	877,345	2,687,791
8	Federal Tax	8,820,494	(2,771,432)	6,049,062	3,500,607	9,549,670
9	General Taxes	6,429,473	5,339,459	11,768,932	28,207	11,797,139
10	**Total Other Expense (Sum of Lines 6-9)**	**$49,869,859**	**$7,565,704**	**$57,435,563**	**$4,406,159**	**$61,841,722**
11						
12	**Total Expenses (Line 3 + 10)**	**$101,161,863**	**$16,079,498**	**$117,241,360**	**$4,515,509**	**$121,756,870**
13						
14	**Utility Operating Income (Line 1 minus 12)**	**$51,781,302**	**($6,538,412)**	**$45,242,890**	**$13,168,949**	**$58,411,839**
15						
16	**Interest Expense / Other Income/Expense**					
17	Interest Expense	$15,567,438		$16,920,306		$16,920,306
18	Other Income/Expense	206,647		220,700		220,700
19	**Total Other Income/Expense (Line 17 + 18)**	**$15,774,086**		**$17,141,006**		**$17,141,006**
20						
21	**Net Income (Line 14 minus 19)**	**$36,007,217**		**$28,101,885**		**$41,270,834**
22						
23	**Rate Base**	**$688,824,694**		**$735,665,485**		**$735,665,485**
24						
25	**Equity Weighting**	**52.29%**		**52.29%**		**52.29%**
26						
27	**ROE (Line 21 / (Line 23 * Line 25))**	**10.00%**		**7.30%**		**10.73%**
28						
29	**ROR (Line 14 / 23)**	**7.52%**		**6.15%**		**7.94%**
30						

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY-	**)**	
AMERICAN WATER COMPANY FOR AN	**)**	**CASE NO. 2026-00094**
ADJUSTMENT OF RATES	**)**	

DIRECT TESTIMONY OF JOSEPH WEISS

May 15, 2026

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Joseph Weiss. My business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752

Q. By whom are you employed and in what capacity?

A. I am a Vice President with Concentric Energy Advisors, Inc. ("Concentric"). Concentric is a management consulting and economic advisory firm focused on the North American energy and water industries. Concentric specializes in regulatory and litigation support, transaction-related financial services, energy market strategies, market assessments, energy commodity contracting and procurement, economic feasibility studies, and capital market analyses and negotiations.

Q. What are your responsibilities in your current position?

A. As a consultant, my responsibilities include assisting clients in identifying and addressing business issues. My primary areas of focus have been regulatory-, financial-, and accounting-related issues.

Q. On whose behalf are you submitting this testimony?

A. I am submitting this testimony on behalf of Kentucky-American Water Company ("KAWC" or the "Company"), a wholly-owned subsidiary of American Water Works Company Inc. ("AWK" or "American Water").

Q. Please state your educational and professional background.

A. I have an M.B.A. from Southern Illinois University Edwardsville and a B.S. in Business Administration (magna cum laude) with a major in Accounting and Finance from Saint Louis University. I have over 20 years of experience consulting in the energy industry. I

have worked on numerous projects involving revenue requirements (including cash working capital), class cost of service, allocation and rate design, rate of return, affiliate transactions, and rate case preparation for gas and electric utilities. I have managed and/or participated in a wide variety of consulting engagements.

Q. Have you previously testified in regulatory proceedings?

A. Yes. I have provided support for filings with several utility commissions and filed testimony as an expert witness on the topic of shared services in filings before the Missouri Public Service Commission, the Rhode Island Public Utilities Commission, New Jersey Board of Public Utilities and the Illinois Commerce Commission.

Q. Have you previously testified as an expert witness for KAWC in any other rate cases?

A. No, I have not.

Q. What is the purpose of your testimony in this proceeding?

A. I am presenting the results of Concentric's evaluation of the necessity of services provided by American Water Works Service Company, Inc. ("Service Company") to KAWC and the reasonableness of the associated charges during 2025. The Service Company is a subsidiary of American Water that provides shared services to American Water's water and wastewater utility subsidiaries, including KAWC.

Q. Are you sponsoring any exhibits in your testimony?

A. Yes. I am sponsoring Exhibit JSW-1, which presents my previous affiliate transaction-related assignments, and Exhibit JSW-2, which is the Market-to-Cost Comparison of Service Company charges to KAWC during 2025.

Q. What were the objectives of your study?

A. This study was undertaken to answer the following six questions concerning the reasonableness and necessity of services provided by the Service Company to KAWC.

Reasonableness

1) Were the Service Company's charges to KAWC in 2025 reasonable compared to charges from other service companies to their regulated utility affiliates?
2) Were KAWC's 2024 total expenses, including those incurred directly by KAWC and those allocated to it by the Service Company, reasonable? This question evaluates a broader set of costs beyond Service Company charges to KAWC.[1]
3) Was KAWC charged the lower of cost or market for managerial and professional services provided by the Service Company during 2025?
4) Were KAWC's 2025 costs of Service Company's customer accounts services, including the call handling costs, comparable to those of other utilities?

Necessity

5) Are the services received from the Service Company necessary and reasonable?
6) Are the governance practices applied to total Service Company expenses and charges to KAWC appropriate?

Q. What conclusions were you able to draw concerning question number 1, whether the Service Company charges to KAWC were reasonable?

A. I concluded that the Service Company's 2025 cost per KAWC customer was reasonable. This conclusion was based on the fact that KAWC's costs are in line with the cost per customer for the proxy service companies. In 2025, KAWC was charged approximately $94 per customer for administrative and general (A&G)-related services provided by the

[1] 2024 data was utilized for this comparison because at the time the report was prepared, water companies operating in Kentucky had not filed their 2025 Annual Reports with the PSC.

Service Company. This compared to an average of $155 per customer for service companies reporting to the FERC. Fifteen of the 22 utility service companies that filed a FERC Form 60 for 2024[2] had a higher per-customer A&G cost than KAWC's 2025 charges per customer from the Service Company.

Q. Why is a comparison of A&G costs useful for the determination of the reasonableness of the Service Company's charges to KAWC?

A. A&G-related services include managerial and professional services necessary to provide water service and are detailed below. The comparison of KAWC's costs to these provides a useful basis of comparison because the processes involved in delivering these services are similar to those found at regulated utilities across utility types.

Executive Management	Information Technology
Finance	Procurement
Accounting	Rates and Regulatory
Taxes	Legal
Financial Planning and Analysis	Human Resources
Internal Auditing	Customer Services

Q. What conclusions were you able to draw concerning question number 2, whether KAWC's 2024 total utilities expenses are reasonable?

A. The following conclusions were reached based upon my review:

- KAWC's 2024 total Customer Accounts and A&G expense per customer was $162. Although KAWC's A&G cost per customer was above the 2024 average of $144

[2] 2024 FERC Form 60 was utilized because 2025 FERC Form 60 was not available at the time the report was prepared. The 2024 data was adjusted for inflation to reflect 2025.

per customer for a comparison group of Kentucky water companies with a similar profile, four of the comparison group's thirteen water companies had a higher cost. I, therefore, concluded that KAWC's Customer Accounts and A&G expense per customer was deemed to be within a reasonable range.

- KAWC's 2024 total O&M expense per customer was $327. This is lower than the comparison group 2024 average of $461.
- Twelve of the 13 utilities in the comparison group had a higher total O&M expense per customer cost than KAWC. The O&M costs reflect all expenses incurred by KAWC to operate the utility and deliver service to its customers.
- Based upon the total cost comparisons developed, I concluded that KAWC's total O&M expense was reasonable.

Q. Do the services KAWC receives from the Service Company contribute to its relatively low total O&M expenses?

A. Yes. The Service Company's services are economically beneficial to KAWC. Some of the benefits associated with the services provided by the Service Company include:

- Supply Chain - increased purchasing power resulted in lower costs for materials, supplies and outside services;
- Customer Service – the services delivered by the Service Company enable greater economies of scale and enhanced service levels;
- Field Resource Coordination – this service enables KAWC to focus its resources more efficiently and effectively;

- Belleville Lab – central lab testing services are delivered at cost by qualified analysts across the American Water footprint as opposed to each American Water operating water company being required to provide such services;
- Accounting – work is performed by shared resources, without the need for KAWC to retain full-time staff;
- Human Resources – economies of scale are achieved through centralized payroll and benefits administration.

Q. What conclusions were you able to draw concerning question number 3, whether KAWC was charged the lower of cost or market for services provided by the Service Company?

A. I was able to draw the following conclusions:

1) KAWC was charged the lower of cost or market for managerial and professional services during 2025 by Service Company.
2) The hourly rates for outside providers were higher than the Service Company's hourly rates. On average, outside providers' total costs were approximately 56.1% higher than those of the Service Company.
3) The managerial and professional services provided by the Service Company were vital and could not be procured externally by KAWC without careful supervision on the part of KAWC. If these services were contracted entirely to outside providers, KAWC would need to high at least two full-time supervisory positions to manage the activities of the outside firms. These positions would be required to ensure the quality and timeliness of services provided by contractors.

4) If all the managerial and professional services now provided by the Service Company had been outsourced during 2025, KAWC and its customers would have incurred approximately $6.8 million in additional expenses. This amount includes the higher cost of outside providers and the cost of two new KAWC positions needed to direct, supervise and coordinate the outsourced work.

5) This study's hourly rate comparison understates the cost advantages that accrue to KAWC from its use of the Service Company. Outside service providers generally bill for every hour worked. Service Company exempt personnel, on the other hand, charge a maximum of eight hours per day even when they work more hours. If all overtime hours of Service Company personnel were factored into the hourly rate calculation, the Service Company would have had a greater annual dollar advantage than the $6.8 million cited above.

6) It would be difficult for KAWC to find local service providers with the same specialized water and wastewater industry expertise as possessed by the Service Company staff. Service Company personnel spend primarily all their time supporting and serving operating water and wastewater companies. This specialization brings with it a unique knowledge of water and wastewater utility operations and regulations that may not be readily available from local service providers.

7) Service Company fees do not include any profit markup. Only the actual incurred cost of service is being recovered from KAWC customers.

Q. What conclusions were you able to draw concerning question number 4, whether the 2025 costs of the Service Company's customer account services, including call handling costs were reasonable?

A. The costs of the Service Company's customer account services were reasonable. The costs are below the average customer account services costs of neighboring electric utility comparison group. This group of companies provides a reasonable proxy group for comparison to a regulated utility of the size and scope of KAWC. During 2025, the cost of customer accounts services for KAWC customers was $23.59 per customer compared to the projected 2025 average of $27.65 per customer for neighboring electric utilities. Seventeen of the comparison group's 27 utilities had a higher cost than KAWC.

Q. What conclusions were you able to draw concerning question number 5, whether the services KAWC receives from the Service Company are necessary?

A. Based upon the review, Concentric arrived at the following conclusions:

1) The services that the Service Company provides are necessary and required for a water and wastewater utility.
2) There is no redundancy or overlap in the services provided by the Service Company to KAWC.

Q. Regarding question number 6, what are such governance practices and are the governance practices applied to total Service Company expenses and charges to KAWC appropriate?

A. Governance practices are internal controls designed to provide assurance that objectives are being achieved relating to operations, reporting and compliance. Among other things, this is achieved through control activities, which are defined as follows:

> *Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment.*
>
> Source: "Internal Control – Integrated Framework, Executive Summary," Committee of Sponsoring Organizations of the Treadway Commission.

Control activities include authorizations, approvals, verifications and business performance reviews.

Q. What governance practices are applied to Service Company services and charges?

A. Control activities that are applied to Service Company charges to KAWC include the following:

- Chief Operating Officer Oversight
- Operating Company Board Oversight
- KAWC President's Oversight
- CFO Operations and Supporting Staff
- Service Company Budget Review/Approval
- Major Project Review and Approval
- Capital Program Management (CPM)
- Accounting and Financial Reporting Processes
- Operating Company Budget Variance Analysis
- Service Company Budget Variance Analysis

Such control activities are typical of those that are in place at other well-managed companies that I have reviewed. In my opinion these are effective practices that help ensure that Service Company charges to KAWC are necessary and reasonable.

Q. What is your overall conclusion regarding the services provided by Service Company to KAWC and the cost of those services?

A. The Service Company's services are essential to KAWC's ability to deliver water and wastewater service to its customers. These services are customarily provided by other utility service companies to their operating utility affiliates. For each cost comparison I performed, the Service Company's 2025 charges were shown to be reasonable.

Q. What were the bases for your conclusion?

A. My conclusions were based on the various analyses discussed herein and my attached report.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

VERIFICATION

COMMONWEALTH OF MASSACHUSETTS)
) SS:
COUNTY OF MIDDLESEX)

The undersigned, Joseph Weiss, being duly sworn, deposes and says that he is a Vice President with Concentric Energy Advisors, Inc., that he has personal knowledge of the matters set forth in the accompanying testimony for which he is identified as the responsible witness, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Joseph Weiss 4/28/26
Joseph Weiss

Subscribed and sworn to before me, a Notary Public in and before said County and State, Manatee Florida this 28 day of April, 2026.

Lisa Van Lam 4-28-2026
Notary Public

My Commission Expires:

7-1-2029

Notary Public State of Florida
Lisa Van Lam
My Commission HH 694035
Expires 7/1/2029

Lisa Vanlam - 4-28-26.

CONCENTRIC ENERGY ADVISORS

JOSEPH S. WEISS
VICE PRESIDENT

Mr. Weiss has worked on projects involving revenue requirements, class cost of service, allocation and rate design, cash working capital, rate of return, affiliate transactions, and rate case preparation for gas and electric utilities. As a consultant, Mr. Weiss has provided support for filings with several utility commissions and filed testimony as an expert witness and testified on the topic of shared services in filings before the Missouri Public Service Commission, the Rhode Island Public Utilities Commission, the State of New Jersey Board of Public Utilities, and the Illinois Commerce Commission. He has strong quantitative and research skills and experience in accounting issues. Prior to joining Concentric Energy Advisors, Mr. Weiss was a Consultant with Navigant Consulting, Inc. and has worked for a large Midwest investor-owned utility. Mr. Weiss has an M.B.A. from Southern Illinois University Edwardsville and a B.S. in Business Administration (magna cum laude) with a major in Accounting and Finance from Saint Louis University.

REPRESENTATIVE PROJECT EXPERIENCE

Affiliate Transaction Related Projects

- Filed testimony presenting the results of an evaluation of the reasonableness and necessity of services provided by American Water Works Service Company, Inc. ("AWWSC") to Illinois-American Water Company.
- Filed testimony presenting the results of an evaluation of the reasonableness and necessity of services provided by AWWSC to New Jersey-American Water Company.
- Provided testimony evaluating the necessity of services provided by PPL Services to Narragansett Electric and Narragansett Gas and the reasonableness of the associated charges.
- Assisted with the preparation of testimony and filed testimony providing an assessment and recommendation pertaining to the reasonableness of Ameren Service Company's services and associated costs billed to Ameren Missouri in multiple rate proceedings before the Missouri Public Service Commission.
- Managed the review of the reasonableness of the allocation of shared services costs assigned by Ameren Service Company to the Ameren Illinois operating utilities. The review included an assessment of the reasonableness of the accumulated costs, allocation factors employed and resulting allocated costs to each operating utility for the services provided. We also benchmarked the costs of services to assess the reasonableness of the allocated costs compared to other companies. Concentric provided expert testimony in support of the analyses.
- Assisted with a Shared Services Study that provided an overall assessment as to the reasonableness of the services and related costs associated with the services provided by AGSC and/or SCS, as well as other affiliates, to Virginia Natural Gas. Also evaluated whether the costs charged to Virginia Natural Gas, in aggregate, were no greater than the aggregate

level of costs would have been absent the 2016 merger of The Southern Company and AGL Resources Inc. (now Southern Company Gas).

PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2007 – Present)
Vice President
Assistant Vice President
Senior Project Manager
Project Manager
Senior Consultant
Consultant

Navigant Consulting, Inc. (2006 – 2007)
Consultant

Ameren Corporation (2005 – 2006)
Consultant and Tax Intern

EDUCATION

Saint Louis University
B.S.B.A., Accounting and Finance, magna cum laude, December 2005

Southern Illinois University Edwardsville
M.B.A., August 2013

SPONSOR	DATE	CASE/APPLICANT	DOCKET	SUBJECT
Missouri Public Service Commission				
Ameren Missouri	06/24	Ameren Missouri	ER 2024-0319	Affiliate Transactions and Benchmarking (Electric)
Ameren Missouri	09/24	Ameren Missouri	GR 2024-0369	Affiliate Transactions and Benchmarking (Gas)
Rhode Island Public Utilities Commission				
The Narragansett Electric Company d/b/a Rhode Island Energy electric and gas filing	11/25	The Narragansett Electric Company d/b/a Rhode Island Energy electric and gas filing	25-45-GE	Shared Corporate Costs
State of New Jersey Board of Public Utilities				
New Jersey-American Water Company	01/26	New Jersey-American Water Company	WR26010010	Assessment of Service Company Costs
Illinois Commerce Commission				
Illinois-American Water Company	01/26	Illinois-American Water Company	26-0127	Assessment of Service Company Costs

MARKET-TO-COST COMPARISON OF SERVICE COMPANY CHARGES TO KENTUCKY-AMERICAN WATER COMPANY

12 MONTHS ENDED DECEMBER 31, 2025

PREPARED FOR:
KENTUCKY-AMERICAN WATER COMPANY

MAY 15, 2026

CONCENTRIC ENERGY ADVISORS

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SECTION 1:
INTRODUCTION

Purpose of This Study

This Market-to-Cost Comparison of 2025 Service Company Charges to Kentucky-American Water Company ("KAWC") study was undertaken to answer six questions concerning the services provided by American Water Works Service Company, Inc., ("Service Company") to KAWC:

Reasonableness

1. Were the Service Company's charges to KAWC during 2025 reasonable compared to charges from other service companies to their regulated utility affiliates?
2. Were KAWC's 2024 total expenses, including those incurred directly by KAWC and those allocated to it by the Service Company, reasonable? This question evaluates a broader set of costs beyond Service Company charges to KAWC.
3. Was KAWC charged the lower of cost or market for managerial and professional services provided by the Service Company during 2025?
4. Were KAWC's 2025 costs of Service Company's customer account services, including call handling expenses, comparable to those of other utilities?

Necessity

5. Are the services KAWC receives from the Service Company necessary and reasonable?
6. Are the governance practices applied to total Service Company expenses and charges to KAWC appropriate?

Study Results

Concerning question 1, the following conclusion was reached:

- The Service Company's 2025 cost per KAWC customer is reasonable compared to costs per customer for electric and combination electric/gas service companies. During 2025, KAWC was charged $94 per customer for administrative and general ("A&G")-related services provided by the Service Company. This compares to an average of $155 per customer for service companies reporting to the Federal Energy Regulatory Commission ("FERC"). Fifteen of the 22 utility service companies that filed a FERC Form 60 for 2024 had higher per-customer A&G costs than KAWC's 2025 charges from the Service Company.

Question 2 extends the reasonableness test to two broader sets of expenses--total Customer Accounts/A&G expenses and Total Operations and Maintenance (O&M) expenses. The following conclusions were reached:

- KAWC's 2024 total Customer Accounts and A&G expenses per customer are $162. This is above the 2024 average of $144 per customer for a comparison group of Kentucky water companies with a similar profile. Four of the comparison group's 13 water companies have a higher cost.
- KAWC's 2024 total O&M expenses per customer are $327. This is lower than the comparison group 2024 average of $461. Twelve of the comparison group's 13 water companies had a higher cost. KAWC achieves lower O&M expenses as a result of services it receives from the Service Company. Examples of a few of these economically beneficial services include the following:
  - Supply Chain - increased purchasing power results in lower costs for materials, supplies and outside services
  - Customer Service – centralized services delivered by shared resources enable greater economies of scale and enhanced service levels
  - Field Resource Coordination - enables KAWC to focus its resources more efficiently and effectively
  - Belleville Lab – central lab testing services are delivered at cost by qualified analysts
  - Accounting – work is performed by shared resources, without the need for KAWC to retain full-time staff
  - Human Resources – economies of scale are achieved through centralized payroll and benefits administration
- Based upon the total cost comparisons developed for this question, it was concluded that KAWC's total costs were reasonable.

Concerning question 3, the following conclusions were reached from this study:

- KAWC was charged the lower of cost or market for managerial and professional services during 2025.
- On average, the hourly rates for outside service providers are 56.1% higher than the Service Company's hourly rates. Consequently, the services provided to KAWC by the Service Company were done at costs that are considerably below the market prices for such services.

- The managerial and professional services provided by the Service Company are vital and cannot be procured externally by KAWC without careful supervision on the part of KAWC. If these services were contracted entirely to outside providers, KAWC would have to add at least two positions to manage the activities of outside firms. These positions would be required to ensure the quality and timeliness of services provided.
- If all the managerial and professional services provided by the Service Company had been outsourced during 2025, KAWC and its customers would have incurred approximately $6.8 million in additional expenses. This amount includes the higher cost of outside providers and the cost of one new KAWC position needed to direct and supervise the outsourced work.
- This study's hourly rate comparison understates the cost advantages that accrue to KAWC from its use of the Service Company. Outside service providers generally bill for every hour worked. Service Company exempt personnel, on the other hand, charge a maximum of eight hours per day even when they work more hours. If all overtime hours of Service Company personnel were factored into the hourly rate calculation, the Service Company would have had an even greater annual dollar advantage than the $6.8 million cited above.
- It would be difficult for KAWC to find local service providers with the same specialized water and wastewater industry expertise as that possessed by the Service Company staff. Service Company personnel spend substantially all their time serving operating water and wastewater companies. This specialization brings with it a unique knowledge of water and wastewater utility operations and regulation that may not be available from local service providers.
- Service Company fees do not include any profit markup. Only its actual cost of service is being recovered from KAWC customers.

Concerning question 4, the following conclusion was reached:

- The costs of the Service Company's customer accounts services provided to KAWC in 2025 were reasonable. The costs are below the average of the neighboring electric utility comparison group. This group of companies provides a reasonable proxy group for comparison to a regulated utility of the size and scope of the Service Company and KAWC. During 2025, the cost of customer accounts services for KAWC customers was $23.59 compared to the projected 2025 average of $27.65 for neighboring electric utilities. Seventeen of the comparison group's 27 utilities had a higher cost than KAWC.

Concerning question 5, the following conclusions were drawn:

- The services that the Service Company provides are necessary and are required for water and wastewater utilities.

- Furthermore, there is no redundancy or overlap in the services provided by the Service Company to KAWC. For all the services provided there was only one entity primarily responsible for the service.

Concerning question 6, the following conclusion was drawn:

- The control activities applied to Service Company services provided to KAWC and the associated charges are the type of activities that help ensure both services and charges are necessary and reasonable.

SECTION 2:
BACKGROUND

Overview of American Water Works Service Company

American Water Works Service Company, Inc. ("AWWSC" or the "Service Company") exists to provide shared services to American Water Works Company, Inc.'s ("American Water") subsidiaries. AWWSC follows a service company model used by many utility holding companies that own multiple regulated utilities. By consolidating executive and professional services into a single service company, utility holding companies are able to realize the following benefits for customers:

- Purchasing Economies – Common expenses (e.g., insurance, chemicals, piping) can be procured on a much larger scale, thereby providing greater bargaining power for the combined entity compared to individual utility operating companies. A service company facilitates enterprise-wide purchasing programs through its procurement and contract administration functions.
- Operating Economies of Scale – A service company is able to deliver services more efficiently because workloads can be balanced across more persons and facilities. For instance, AWWSC is able to maintain one principal water testing laboratory for the entire organization. This is much more cost-efficient than each operating utility funding its own testing arrangements.
- Continuity of Service – Centralizing service company personnel who perform similar services facilitates job cross-training and sharing of knowledge and expertise. This makes it easier to manage staff turnover and absences and to sustain high levels of service to operating utilities. An individual operating utility might experience considerable disruption if a key professional left and it were necessary to hire outside to fill the vacancy.
- Maintenance of Enterprise-Wide Standards – Personnel in AWWSC establish standards for many functions (e.g., engineering designs, operating procedures and maintenance practices). It is easier to align operating utility operations because their implementation is supported by the Service Company.
- Improved Support and Guidance – AWWSC provides another dimension of management and financial support and guidance that supplements local operating utility management. The Service Company facilitates standard planning and reporting, which helps ensure that operating utilities meet the requirements of their customers in a cost-effective manner.
- Retention of Personnel – A service company organization provides operating utility personnel with another career path beyond what may be available on a local level. These opportunities tend to improve employee retention.

American Water follows the model for other utility service companies in another important regard: its services are provided to affiliate operating utilities, like KAWC, at cost. AWWSC is not a profit-making entity. The Service Company assigns only its actual expenses to the American Water subsidiaries to which it provides services.

The Service Company provides services to American Water operating companies from the following locations:

- One Water Street – Service Company employees at One Water Street provide corporate governance and service functions, including executive management, finance, accounting, audit, tax, regulatory, external affairs, engineering, supply chain, legal, human resources and benefits services. One Water Street also includes American Water's main Information Technology ("IT") Services center for employees, provides software delivery and enhancements and provides local on-site support as well as the IT Service Desk for remote assistance for all employees using personal computers in the performance of their day-to-day activities. Further, One Water Street supports mission-critical systems such as supervisory control and data acquisition ("SCADA") as well as emerging technologies such as geographic information systems and mobility. It provides technical expertise in project governance and release management while ensuring compliance with all governmental regulations.
- Central Lab – The national trace substance laboratory is located in Belleville, Illinois, and performs testing for American Water operating utilities, including KAWC.
- Customer Relations and Customer Service – The Customer Service Organization ("CSO") provides customer relations, field resource coordination services, customer communication, and billing and collection services from various locations.
- IT Services Center – The IT Services Center supports the technology infrastructure required to run business applications and communications systems for American Water's operating companies.
- Regional Support Services – Operating companies are provided with certain support services that are delivered more effectively on a regional basis because individual operating company workloads are not sufficient to warrant maintaining their own full-time staff for these activities. These services require closer proximity to operating companies and therefore are located closer to the operating companies the employees provide service.

Service Company Accounting

Service Company maintains an accounting ledger for recording transactions (e.g., labor, expenses, overhead, capital and other assets, liabilities and equity) in a Service Company ledger separate from affiliates' ledgers. Monthly financial statements are prepared that summarize month-to-date and

year-to-date costs, budgets and prior year, with variances and explanations, by category and function. Accounting categories by transaction type are described below:

- Service Company Labor: The Service Company utilizes a system that tracks time and attendance. Employees electronically enter hours worked (including vacation, sick, family leave, etc.) and accounting information (e.g., business unit; formula; pay type) and electronically submit the timesheet for approval. Submitted timesheets are electronically routed to authorized approvers. Time sheets generally require approval (of hours and accounting information such as formulas, etc.) by an authorized timesheet approver in the employee's home business unit.
- Service Company Expenses: Expenditures (i.e., standard invoices, purchase orders, electronic disbursements, miscellaneous invoices, recurring invoices, recurring vouchers, and procurement cards) and journal entries require a preparer to enter accounting coding details (e.g., cost center, cost element and Work Breakdown Structure (WBS)) and a reviewer to approve the information in accordance with the Delegation of Authority Policy. Expenditures are processed electronically and are automatically routed to the employee's supervisor for approval. Costs are posted many times daily, in detail, in the business unit selected. Journal entries are submitted as prepared to the appropriate reviewer and posted as approved.
- Service Company Assets: Service Company assets are procured directly by Service Company or through a capital leasing arrangement with Laurel Oak Properties (LOP). Service Company capitalizes these LOP leases as Non-Utility Plant assets in accordance with generally accepted accounting principles. Generally speaking, Service Company assets (including hardware, servers, laptops, desktops, servers, storage racks, furniture, laboratory and test equipment, security cameras, monitors and leasehold improvements) are acquired by Service Company or through LOP via a capital lease. Service Company or LOP, on behalf of the Service Company, will acquire the necessary materials and services to build the assets that are needed for the Service Company to meet its business needs. One Water Street (OWS), which owns the Camden headquarters, is providing furniture, fixtures and office-related equipment for the first 7 years of the lease with the Service Company.
- Service Company Overhead: Costs for support personnel (e.g., administrative assistants, mailroom clerks), rents, facility expenses, pension, medical insurance, taxes, general office supplies and other similar expenses are recorded in the ledger of the cost center responsible for incurring the charge. Overhead expenditures are posted using the labor and expense processes noted above, and are recorded, in detail, in the ledger of the cost center responsible for the charge, using an overhead WBS.

Service Company Billing and Clearing

Service Company has developed a billing system that charges directly or allocates costs for services provided to Affiliates. Service Company billing is processed monthly and includes all Service Company costs charged to Affiliates using the WBS element selected for each transaction.

- WBS element: Every Service Company transaction (vouchers, journal entries, payroll batch, etc.) requires a WBS element within the account coding string. Each WBS element is configured in SAP with the following: Affiliate(s) to be charged, percent of charge to be billed to each Affiliate (total must equal 100%), receiving object (e.g., Affiliate's cost center) for O&M costs or an Affiliate's WBS element for capital expenditures (CAPEX). WBS elements are configured in SAP with an end date (month/year) to prevent transactions from using an expired WBS during data input.
- Affiliate Billing Process: The Service Company billing is a two-step process that first calculates allocations of transactions for all non-overhead WBS elements. The second step calculates overhead transaction allocations using the ratio of direct labor (Cost Element 5012000) allocations to Affiliates from the first step above multiplied by the pool of overhead expenses.
- Bill Clearing Process: The Service Company billings are cleared through American Water Capital Corp., ("AWCC") monthly via each Affiliate's loan balance with AWCC. Two payments are initiated, a system-generated payment for the actual expenses in the month, and a manually-generated payment that adjusts the Affiliate's prepaid balance to Service Company which represents an estimate of the next month's charges. The estimated charges are based on the most recent month's actual expenses.

SECTION 3:

SERVICE COMPANY COST COMPARISION APPROACH

Service Company 2025 Charges

During 2025, the Service Company billed KAWC a total of approximately $18.53 million, as shown in the table below. These charges were subjected to a market-to-cost comparison.

Table 1: Service Company 2025 Charges

	2025
Support Services - O&M	$15,157,598
Support Services - Capital	3,374,783
Total Service Company Charges	$18,532,381

For purposes of comparing these charges to certain outside benchmarks, Service Company services were placed into three categories:

- Managerial and Professional Services – Includes such services as management, accounting, legal, human resources, engineering and information technology.
- Customer Account Services – Includes customer-related services, such as call handling, credit, billing, collection and payment processing.
- Field Resource Coordination Services – Includes tracking and dispatching service orders for field representatives and distribution crews to carry out.

The total 2025 Service Company cost and hour charges broken down by management and professional services, customer account services, and field resource coordination services, are as follows:

Table 2: Service Company 2025 Charges and Hours

	2025	
	Charges	Hours
Management and Professional Services	$15,299,385	68,015
Customer Account Services	2,676,844	27,183
Field Resource Coordination Services	556,152	8,836
Total Service Company Charges	$18,532,381	104,034

Service Company Cost Comparison Approach

This study's first question—whether the Service Company 2025 charges are reasonable—was determined by comparing KAWC's A&G-related Service Company charges per regulated retail customer to the same charges for utility companies that must file the FERC Form 60 – Annual Report of Service Companies.

The second question—whether KAWC's 2024 total Customer Accounts/A&G expenses and total O&M expenses are reasonable—was determined by comparing KAWC's costs to those of a comparison group of Kentucky water companies that are regulated by the Kentucky Public Service Commission ("KPSC"). Comparison group data was obtained from the 2024 annual reports filed with the KPSC. At the time this report was prepared, water companies operating in Kentucky had not filed their 2025 annual reports with the KPSC.

The third question—whether the Service Company's services during 2025 were provided at the lower of cost or market—was evaluated by comparing the cost per hour for managerial and professional services provided by Service Company personnel to hourly billing rates that would be charged by outside providers of equivalent services. Service Company costs per hour were based on actual charges to KAWC during 2025. Outside providers' billing rates came from surveys or other information from professionals who could perform the services provided by the Service Company in 2025.

The fourth question—whether Service Company's 2025 customer account services charges were comparable to other utilities—was addressed by comparing KAWC's customer account services expenses to those of neighboring investor-owned electric utilities. This utility comparison group was selected because the cost of outside providers of customer account services is proprietary and not publicly available. Comparison to electric utilities is appropriate because all utilities, regardless of service type, must perform customer account services activities, including updating customer records for meter reads, printing and mailing bills, and collecting and processing customer payments. Electric utility costs are available from FERC Form 1; thus, there is appropriate data transparency. The selection of electric utilities from Kentucky and neighboring states provides a sufficiently sized comparison group. At the time of preparing this report FERC Form 1 for 2025 had not been filed by regulated electric utilities, consequently KAWC's customer account expense was compared with the 2024[1] FERC Form 1 data for electric utilities.

[1] The 2024 data was adjusted for inflation to in order to compare with KAWC's 2025 costs.

The fifth question—the necessity of Service Company services—was investigated by defining the services provided to KAWC and determining if these services would be required if KAWC were not part of the American Water organization.

The sixth question—the appropriateness of governance—was evaluated by determining if they are in line with control activities envisioned by the Committee of Sponsoring Organizations' (COSO) Internal Control Integrated Framework. Here too, Concentric reviewed and evaluated the Company's compliance with control activities envisioned by COSO.

SECTION 4:

QUESTION 1 – REASONABLENESS OF SERVICE COMPANY CHARGES

Methodology

Utility service companies deliver a variety of services. Some may support their regulated utility affiliate's operations-related functions (e.g., transmission, distribution). All utility service companies, however, provide A&G services to their affiliates. This is the case because there are considerable economies of scale derived from centralizing the management of corporate A&G services such as finance, human resources and information technology. Because A&G-related services are delivered by all utility service companies, this study uses A&G charges per customer as the metric by which to test the reasonableness of the Service Company charges.

KAWC's Service Company A&G Cost per Customer

During 2025, KAWC was charged $94 per customer by the Service Company for A&G-related services. The calculation of this amount shown in the table below, starts with total Service Company charges and adjusts for capital and non-A&G function (e.g., engineering, operations and water quality) charges. These adjustments are necessary to develop a per-customer cost that can be compared to the cost of the utility service company comparison group.

Table 3: Service Company A&G Cost per Customer

2025	
Total Service Company Charges	$18,532,381
Less: Capital Charges	($3,374,783)
Less: Non-A&G Charges	
Engineering	($213,606)
Operations	($1,395,976)
Water Quality	($153,523)
A&G Service Company Charges	$13,394,492
KAWC Customer Count	141,781
A&G SC Charges per Customer	$94

Comparison Group Cost Per Customer

Every centralized service company in a holding company system subject to regulation by the FERC must file a Form 60 in accordance with the Public Utility Holding Company Act of 2005, Section 1270, Section 390 of the Federal Power Act, and 18 Code of Federal Regulations paragraph 366.23. The Form 60 is designed to collect financial information from service companies within a holding company structure.

Charges to utility affiliates for the comparison group service companies were obtained from Schedule XVI – Analysis of Charges for Service Associate and Non-Associate Companies (p. 303 to 306) of each entity's FERC Form 60. Information from Form 60 schedule Account 457 – Analysis of Billing – Associate Companies was also used to isolate and eliminate charges to non-regulated affiliates from the cost pool used to calculate A&G expenses per regulated service customer.

For 2024, Form 60 was filed by service companies associated with 22 utility holding companies. These service companies support utilities that provide regulated electric and, in some cases, gas service to retail customers.

FERC Form 60 shows service company charges to affiliates by FERC account. Table 4 below shows a list of FERC A&G accounts and designates which correspond to services the Service Company provides to KAWC. Amounts in the designated FERC accounts are included in the calculation of service company A&G expenses per regulated customer.

Table 4: FERC A&G Accounts Included in the Cost Calculation

FERC Account	Included In Cost Calculation
901 - Supervision	Yes
902 - Meter reading expenses	
903 - Customer records and collection expenses	Yes
904 - Uncollectible accounts	
905 - Miscellaneous customer accounts expenses	Yes
907 - Supervision	Yes
908 - Customer assistance expenses	Yes
909 - Informational And Instructional Advertising Expenses	
910 - Miscellaneous Customer Service And Informational Expenses	Yes
911 - Supervision	
912 - Demonstrating and Selling Expenses	
913 - Advertising Expenses	
916 - Miscellaneous Sales Expenses	
920 - Administrative and General Salaries	Yes
921 - Office Supplies and Expenses	Yes
923 - Outside Services Employed	Yes
924 - Property Insurance	Yes
925 - Injuries and Damages	
926 - Employee Pensions and Benefits	Yes
928 - Regulatory Commission Expenses	
930.1 - General Advertising Expenses	
930.2 - Miscellaneous General Expenses	Yes
931 - Rents	Yes
935 - Maintenance of Structures and Equipment	Yes

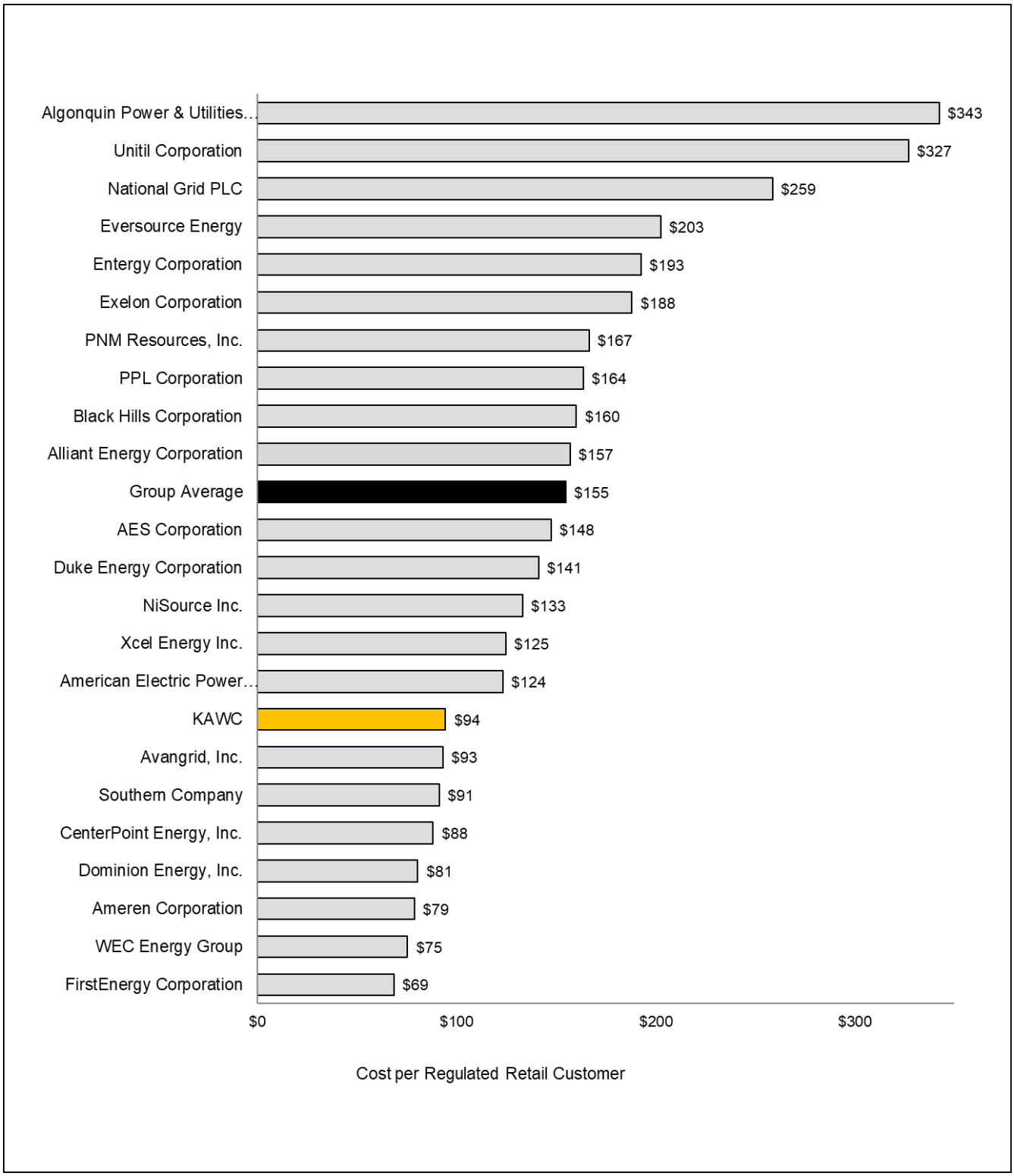
The A&G expenses per regulated utility customer for the 22 utility companies whose service companies filed a Form 60 for 2024 are calculated in Table 5.

Table 5: Calculation of Proforma 2025 Service Company A&G Expense per Customer

Utility Company	Proforma 2025 Regulated Retail Service Company A&G Expenses	Regulated Retail Customers	Cost per Retail Customer
American Electric Power Company, Inc.	$679,316,146	5,500,000	$124
AES Corporation	$146,396,651	991,229	$148
Algonquin Power & Utilities Corporation	$374,446,280	1,093,000	$343
Alliant Energy Corporation	$219,078,938	1,395,000	$157
Ameren Corporation	$260,704,620	3,300,000	$79
Avangrid, Inc.	$307,735,411	3,300,000	$93
Black Hills Corporation	$202,869,514	1,265,945	$160
CenterPoint Energy, Inc.	$648,387,675	7,340,264	$88
Dominion Energy, Inc.	$536,674,922	6,664,000	$81
Duke Energy Corporation	$1,329,036,169	9,400,000	$141
Entergy Corporation	$617,601,666	3,206,000	$193
Eversource Energy	$812,537,309	4,009,000	$203
Exelon Corporation	$1,919,261,654	10,200,000	$188
FirstEnergy Corporation	$411,330,074	6,000,000	$69
National Grid PLC	$1,812,522,266	7,000,000	$259
NiSource Inc.	$476,690,529	3,573,000	$133
PNM Resources, Inc.	$131,106,440	786,000	$167
PPL Corporation	$446,848,888	2,728,000	$164
Southern Company	$823,353,920	9,000,000	$91
Unitil Corporation	$63,571,590	194,300	$327
WEC Energy Group	$347,108,397	4,600,600	$75
Xcel Energy Inc.	$724,947,406	5,800,000	$125
Average			$155
Source: 2024 FERC Form 60; CEA Analysis			

Table 6 shows KAWC's 2025 Service Company cost per customer of $94 to be lower than the average of $155 per customer for the comparison group service companies. Fifteen of the 22 comparison group service companies had higher per-customer A&G costs than KAWC's charges from the Service Company. Based on this result, it was concluded that the Service Company's charges to KAWC were reasonable.

Table 6: Comparison of Service Company A&G Charges per Customer



SECTION 5:

QUESTION 2 – REASONABLENESS OF TOTAL EXPENSES

Methodology

This study benchmarked KAWC's total expenses, which include charges from the Service Company and expenses incurred directly by KAWC. This comparison presents a broader view of KAWC's expenses beyond Service Company charges.

The comparison group of Kentucky water companies was selected based on the following criteria:

- The water company filed an annual report for 2024 with the KPSC. At the time this report was being prepared, water companies operating in Kentucky had not filed their 2025 Annual Reports with the KPSC.
- The water company has 6,000 or more customers

Based on these criteria, the twenty-five water companies listed in the table below were selected for inclusion in the comparison group. A number of these companies purchase their entire water supply. Thus, the comparison group contains a combination of integrated and distribution-only water companies.

Table 7: List of Water Companies in Comparison Group

		Source of Water Supply Percent		
Comparison Group Companies (2024)	Customers	Produced	Purchased	Total
Northern Kentucky Water District	87,682	100%	0%	100%
Warren County Water District	34,802	0%	100%	100%
Hardin County Water District 2	30,898	88%	12%	100%
Boone County Water District	29,834	0%	100%	100%
Mountain Water District	16,708	59%	41%	100%
Daviess County Water District	13,857	0%	100%	100%
Edmonson County Water District	11,860	97%	3%	100%
Hardin County Water District 1	11,381	86%	14%	100%
Oldham County Water District	9,265	100%	0%	100%
Columbia/Adair Utilities District	8,442	94%	6%	100%
Green River Valley Water District	8,439	100%	0%	100%
Grayson County Water District	8,126	45%	55%	100%
South Eastern Water Association, Inc.	7,878	0%	100%	100%
Bullock Pen Water District	7,785	30%	70%	100%
Rowan Water, Inc.	6,995	0%	100%	100%
Barkley Lake Water District	6,615	100%	0%	100%
Marion County Water District	6,503	0%	100%	100%
Henderson County Water District	6,486	0%	100%	100%
Christian County Water District	6,454	0%	100%	100%
Laurel County Water District 2	6,374	100%	0%	100%
Harrison County Water Association, Inc.	6,337	0%	100%	100%
Garrard County Water Association, Inc.	6,257	0%	100%	100%
Ohio County Water District	6,184	100%	0%	100%
Muhlenberg County Water District	6,012	0%	100%	100%
East Laurel Water District	6,000	0%	100%	100%
Kentucky-American Water Company	139,532	99%	1%	100%

Information necessary to perform the cost comparison was obtained from the 2024 annual reports to the KPSC. The following metrics were developed for comparison:

- Customer Accounts and A&G Expenses per customer
- Total O&M Expenses (including Operations, Maintenance, Customer Accounts and A&G Expenses) per customer

The calculation of costs per customer is shown in Table 8. A set of calculations are presented for all comparison group companies and a different set of calculations[2] for those that do not purchase 100% of their water supply.

[2] KAWC produces 99% of the water it distributes to its customers. As a result a different set of calculations was performed to reflect a comparison group of companies similar in profile to KAWC i.e. utilities that purchase less than 100% of water they distribute to their customers and the rest of the water they distribute is produced.

Table 8: Calculation of Costs per Customer

All Comparison Group Water Companies	Cost per Customer (All Companies)				
	Cust Accts & A&G Exp	Total Utility Exp	Total Customers	Cost Per Customer CA & A&G Exp	Cost Per Customer Total Util Exp
Kentucky-American Water Company (2024)	$22,553,565	$45,560,369	139,532	**$162**	**$327**
Comparison Group (2024)					
Barkley Lake Water District	$833,956	$1,955,448	6,615	$126	$296
Boone County Water District	1,479,155	18,167,916	29,834	50	609
Bullock Pen Water District	790,169	3,873,124	7,785	101	498
Christian County Water District	682,126	2,842,709	6,454	106	440
Columbia/Adair Utilities District	1,567,022	3,175,850	8,442	186	376
Daviess County Water District	886,979	5,734,932	13,857	64	414
East Laurel Water District	575,844	3,148,715	6,000	96	525
Edmonson County Water District	1,009,632	4,091,367	11,860	85	345
Garrard County Water Association, Inc.	548,682	2,067,848	6,257	88	330
Grayson County Water District	1,367,742	3,810,936	8,126	168	469
Green River Valley Water District	1,557,439	4,502,595	8,439	185	534
Hardin County Water District 1	1,635,987	6,964,410	11,381	144	612
Hardin County Water District 2	3,654,276	12,913,885	30,898	118	418
Harrison County Water Association, Inc.	532,028	3,516,780	6,337	84	555
Henderson County Water District	620,702	3,390,301	6,486	96	523
Laurel County Water District 2	954,108	2,352,129	6,374	150	369
Marion County Water District	688,990	3,355,389	6,503	106	516
Mountain Water District	2,626,630	8,945,776	16,708	157	535
Muhlenberg County Water District	1,533,330	4,218,184	6,012	255	702
Northern Kentucky Water District	10,693,201	38,617,551	87,682	122	440
Ohio County Water District	739,570	3,478,223	6,184	120	562
Oldham County Water District	1,916,590	4,971,081	9,265	207	537
Rowan Water, Inc.	686,159	3,313,931	6,995	98	474
South Eastern Water Association, Inc.	444,417	3,580,624	7,878	56	455
Warren County Water District	2,833,080	14,182,587	34,802	81	408
Comparison Group Average				**$122**	**$478**

Excluding Water Companies with 100% Purchased Water	Cost per Customer (excluding 100% Purchased Water)				
	Cust Accts & A&G Exp	Total Utility Exp	Total Customers	Cost Per Customer CA & A&G Exp	Cost Per Customer Total Util Exp
Kentucky-American Water Company (2024)	$22,553,565	$45,560,369	139,532	**$162**	**$327**
Comparison Group (2024)					
Barkley Lake Water District	$833,956	$1,955,448	$6,615	$126	$296
Bullock Pen Water District	790,169	3,873,124	7,785	101	498
Columbia/Adair Utilities District	1,567,022	3,175,850	8,442	186	376
Edmonson County Water District	1,009,632	4,091,367	11,860	85	345
Grayson County Water District	1,367,742	3,810,936	8,126	168	469
Green River Valley Water District	1,557,439	4,502,595	8,439	185	534
Hardin County Water District 1	1,635,987	6,964,410	11,381	144	612
Hardin County Water District 2	3,654,276	12,913,885	30,898	118	418
Laurel County Water District 2	954,108	2,352,129	6,374	150	369
Mountain Water District	2,626,630	8,945,776	16,708	157	535
Northern Kentucky Water District	10,693,201	38,617,551	87,682	122	440
Ohio County Water District	739,570	3,478,223	6,184	120	562
Oldham County Water District	$1,916,590	$4,971,081	9,265	207	537
Comparison Group Average				**$144**	**$461**

Source: 2024 Annual Reports to the Kentucky Public Service Commission

The table below shows the positions of KAWC's 2024 expenses per customer against all comparison group companies' 2024 expenses.

Table 9: A&G and O&M Expense per Customer for All Companies in the Comparison Group

All Comparison Group Companies

Customer Accounts and A&G Expenses

Company	Cost/Customer
Muhlenberg County Water District	$255
Oldham County Water District	$207
Columbia/Adair Utilities District	$186
Green River Valley Water District	$185
Grayson County Water District	$168
Kentucky-American Water Company	**$162**
Mountain Water District	$157
Laurel County Water District 2	$150
Hardin County Water District 1	$144
Barkley Lake Water District	$126
Northern Kentucky Water District	$122
Comparison Group Average	**$122**
Ohio County Water District	$120
Hardin County Water District 2	$118
Marion County Water District	$106
Christian County Water District	$106
Bullock Pen Water District	$101
Rowan Water, Inc.	$98
East Laurel Water District	$96
Henderson County Water District	$96
Garrard County Water Association, Inc.	$88
Edmonson County Water District	$85
Harrison County Water Association, Inc.	$84
Warren County Water District	$81
Daviess County Water District	$64
South Eastern Water Association, Inc.	$56
Boone County Water District	$50

Total O&M Expenses

Company	Cost/Customer
Muhlenberg County Water District	$702
Hardin County Water District 1	$612
Boone County Water District	$609
Ohio County Water District	$562
Harrison County Water Association, Inc.	$555
Oldham County Water District	$537
Mountain Water District	$535
Green River Valley Water District	$534
East Laurel Water District	$525
Henderson County Water District	$523
Marion County Water District	$516
Bullock Pen Water District	$498
Comparison Group Average	$478
Rowan Water, Inc.	$474
Grayson County Water District	$469
South Eastern Water Association, Inc.	$455
Christian County Water District	$440
Northern Kentucky Water District	$440
Hardin County Water District 2	$418
Daviess County Water District	$414
Warren County Water District	$408
Columbia/Adair Utilities District	$376
Laurel County Water District 2	$369
Edmonson County Water District	$345
Garrard County Water Association, Inc.	$330
Kentucky-American Water Company	$327
Barkley Lake Water District	$296

Source: 2024 Annual Reports to the Kentucky Public Service Commission; Company information

When water companies that purchase 100% of their water supply are excluded from the comparison, as seen in Table 10 below, KAWC's customer accounts and A&G expense per customer are above average, with 5 other water companies having higher costs per customer and KAWC's total O&M expenses are lower than all but 1 comparison group water company.

Table 10: A&G and O&M Expense per Customer Excluding Companies with 100% Purchased Water

Excluding Companies with 100% Purchased Water

Customer Accounts and A&G Expenses

Company	Cost/Customer
Oldham County Water District	$207
Columbia/Adair Utilities District	$186
Green River Valley Water District	$185
Grayson County Water District	$168
Kentucky-American Water Company	$162
Mountain Water District	$157
Laurel County Water District 2	$150
Hardin County Water District 1	$144
Barkley Lake Water District	$126
Northern Kentucky Water District	$122
Comparison Group Average	$144
Ohio County Water District	$120
Hardin County Water District 2	$118
Bullock Pen Water District	$101
Edmonson County Water District	$85

Total O&M Expenses

Company	Cost/Customer
Hardin County Water District 1	$612
Ohio County Water District	$562
Oldham County Water District	$537
Mountain Water District	$535
Green River Valley Water District	$534
Bullock Pen Water District	$498
Grayson County Water District	$469
Comparison Group Average	$461
Northern Kentucky Water District	$440
Hardin County Water District 2	$418
Columbia/Adair Utilities District	$376
Laurel County Water District 2	$369
Edmonson County Water District	$345
Kentucky-American Water Company	$327
Barkley Lake Water District	$296

Source: 2024 Annual Reports to the Kentucky Public Service Commission; Company information

Total O&M expenses per customer reflect all costs to operate a utility and deliver service to its customers. KAWC achieves lower O&M expenses thanks to the services it receives from the Service Company. Examples of just a few of these economically beneficial services include the following:

- Supply Chain - increased purchasing power results in lower costs for materials, supplies and outside services
- Customer Service – centralized services delivered by shared resources enable greater economies of scale and enhanced service levels
- Field Resource Coordination Services - enable KAWC to focus its resources more efficiently and effectively
- Belleville Lab – central lab testing services are delivered at cost by qualified analysts
- Accounting – work is performed by shared resources, without the need for KAWC to retain full-time staff
- Human Resources – economies of scale are achieved through centralized payroll and benefits administration

Based on the result, it was concluded that KAWC's total O&M expenses were reasonable.

SECTION 6:

QUESTION 3 – PROVISION OF SERVICES AT LOWER OF COST OR MARKET

Methodology

The value of services comparison was accomplished by comparing the cost per hour for Service Company managerial and professional services to those of outside service providers to whom these duties could be assigned. Based on the nature of the services provided by the Service Company, it was determined that the following outside providers could perform the categories of services indicated below:

- Management Consultants – executive and administrative management, risk management, human resources and communications services
- Attorneys – legal services
- Certified Public Accountants – accounting, financial and rates and revenues services
- IT Professionals – information technology services
- Professional Engineers – engineering, operations and water quality services

Service Company's hourly rates were calculated for each of the five outside service provider categories based on the amount in dollars, and time in hours charged to KAWC in 2025. Hourly billing rates for outside service providers were developed using third party surveys or directly from information furnished by outside providers themselves.

It should be noted that by using the Service Company's hours charged to KAWC during 2025, the Service Company hourly rates are overstated because all exempt Service Company personnel charge a maximum of 8 hours per day even when they work more hours. Conversely, outside service providers generally bill for every hour worked. If all overtime hours of Service Company personnel had been factored into the hourly rate calculation, Service Company hourly rates would have been lower.

The last step in the lower-of-cost-or-market comparison was to compare the Service Company's average cost per hour to the average cost per hour for outside providers.

Service Company Hourly Rates

Table 12 details the assignment of 2025 management and professional Service Company charges by outsider provider category. Table 13 shows the same assignment for Service Company management and professional hours charged to KAWC during 2025.

Adjustments to these dollar amounts were necessary to calculate Service Company hourly rates that are directly comparable to those of outside providers. Adjustments were made to the following non-labor Service Company charges for 2025:

- Contract Services – The 2025 Service Company charges to KAWC include expenses associated with the use of outside professional firms to perform certain enterprise-wide services (e.g., legal, financial audit, actuarial services). These professional fees were excluded from the Service Company hourly rate calculation because the related services have been effectively outsourced.
- IT Infrastructure Expenses – Included in 2025 Service Company charges to KAWC are leases, maintenance fees and depreciation related to American Water's enterprise computing and network infrastructure and business applications. An outside provider that takes over operation of this infrastructure would recover these expenses over and above the cost of personnel necessary to operate the data center.
- Non-Service-Related Expenses – These are corporate expenses such as current and deferred income tax expense, line of credit fees and board expenses. These are not related to the provision of services by Service Company personnel and were excluded.
- Travel Expenses – In general, client-related travel expenses incurred by outside service providers are not recovered through their hourly billing rates. Rather, actual out-of-pocket travel expenses are billed to clients in addition to fees for professional services. Thus, it was appropriate to exclude charges from the Service Company related to these expenses from the hourly rate calculation.

Table 11 shows how contract services, travel expenses, IT infrastructure and non-service-related Service Company charges were assigned to the five outside provider categories.

Based on the assignment of expenses and hours shown in Tables 12 and 13 respectively, and the excludable items shown in Table 14, the Service Company's costs per hour for service provided to KAWC for 2025 are shown in Table 11 below.

Table 11: 2025 Hourly Rates by Category of Service

	Attorney	Management Consultant	Certified Public Accountant	IT Professional	Professional Engineer	Total
Total management, professional & technical services charges	$723,793	$5,779,793	$2,776,321	$5,082,047	$937,430	$15,299,385
Less: Exclusions						
Contract Services	49,976	562,319	185,894	1,258,181	35,120	2,091,489
Enterprise IT Expenses	-	52,391	-	1,206,593	4,619	1,263,603
Non Services	63,608	275,864	32,445	90,152	64,639	526,708
Travel Expenses	3,903	75,848	58,533	50,287	46,088	234,659
Total Exclusions	117,487	966,423	276,872	2,605,214	150,465	4,116,460
Net Service-Related Charges (A)	$606,306	$4,813,371	$2,499,449	$2,476,834	$786,965	$11,182,925
Total Hours (B)	2,786	18,356	23,053	17,942	5,879	68,015
Average Hourly Rate (A/B)	**$218**	**$262**	**$108**	**$138**	**$134**	

Table 12: 2025 Service Company Charges by Location and Function

Location	Function	12 Months Ended December 31, 2025 Service Company Charges					
		Attorney	Management Consultant	Certified Public Accountant	IT Professional	Professional Engineer	Total
Belleville Lab	Water Quality					$153,523	$153,523
Corporate	Accounting			1,471,968			1,471,968
	Administration		2,846,726				2,846,726
	Audit			167,239			167,239
	Business Development		235,638				235,638
	Communications		522,628				522,628
	Engineering					580,915	580,915
	External Affairs		2,197				2,197
	Finance		42,757	301,118			343,876
	Human Resources		1,107,818				1,107,818
	Information Technology				536,650		536,650
	Legal	506,031					506,031
	Operations		811,442			195,999	1,007,440
	Supply Chain			399,975			399,975
Regional Offices	Administration		191,817				191,817
	Business Development		5				5
	Engineering					6,993	6,993
	External Affairs		158				158
	Finance			432,947			432,947
	Human Resources		24				24
	Legal	217,763					217,763
	Operations		18,583				18,583
	Rates & Regulatory			3,073			3,073
Information Technology	Information Technology				4,545,398		4,545,398
Total Dollars Charged		**$723,793**	**$5,779,793**	**$2,776,321**	**$5,082,047**	**$937,430**	**$15,299,385**

Table 13: 2025 Service Company Hours by Location and Function

Location	Function	12 Months Ended December 31, 2025 Service Company Charges					
		Attorney	Management Consultant	Certified Public Accountant	IT Professional	Professional Engineer	Total
Belleville Lab	Water Quality					980	980
Corporate	Accounting			12,477			12,477
	Administration		4,520				4,520
	Audit			755			755
	Business Development		1,486				1,486
	Communications		1,614				1,614
	Engineering					3,525	3,525
	Finance		320	3,381			3,701
	Human Resources		7,057				7,057
	Information Technology				6,649		6,649
	Legal	1,520					1,520
	Operations		3,325			1,374	4,699
	Supply Chain			3,530			3,530
Regional Offices	Administration		(16)				(16)
	Finance			2,909			2,909
	Legal	1,267					1,267
	Operations		49				49
Information Technology	Information Technology				11,293		11,293
Total Hours		**2,786**	**18,356**	**23,053**	**17,942**	**5,879**	**68,015**

Table 14: 2025 Service Company Charges Excluded from the Hourly Rate Calculation

Charges By Function	Exclusions From Hourly Rate Calculation				
	Contract Services	Enterprise IT Expenses	Non Services	Travel Expenses	Total
Accounting	$74,789		($21)	$32,410	$107,178
Administration	173,440	52,381	239,045	42,332	$507,198
Audit	50,375			2,611	$52,986
Business Development	387		4,589	7,035	$12,011
Communications	218,798			5,631	$224,429
Engineering	14,122		7,805	11,691	$33,618
External Affairs				1,814	$1,814
Finance	58,607		32,467	16,094	$107,167
Human Resources	169,693	10	32,231	19,037	$220,971
Information Technology	1,258,181	1,206,593	90,152	50,287	$2,605,214
Legal	49,976		63,608	3,903	$117,487
Operations	19,550	4,619	8,980	33,975	$67,124
Rates & Regulatory	2			64	$66
Supply Chain	2,121			7,354	$9,475
Water Quality	1,447		47,854	421	$49,723
Total	**$2,091,489**	**$1,263,603**	**$526,708**	**$234,659**	**$4,116,460**

Outside Service Provider Category
Certified Public Accountant
Management Consultant
Certified Public Accountant
Management Consultant
Management Consultant
Professional Engineer
Management Consultant
Certified Public Accountant
Management Consultant
IT Professional
Attorney
Professional Engineer
Certified Public Accountant
Certified Public Accountant
Professional Engineer

Charges by Outside Provider	Exclusions From Hourly Rate Calculation				
	Contract Services	Enterprise IT Expenses	Non-Services-Related Items	Travel Expenses	Total
Attorney	$49,976	$0	$63,608	$3,903	$117,487
Management Consultant	562,319	52,391	275,864	75,848	966,423
Certified Public Accountant	185,894	-	32,445	58,533	276,872
IT Professional	1,258,181	1,206,593	90,152	50,287	2,605,214
Professional Engineer	35,120	4,619	64,639	46,088	150,465
Total	**$2,091,489**	**$1,263,603**	**$526,708**	**$234,659**	**$4,116,460**

Outside Service Provider Hourly Rates

The next step in the lower-of-cost-or-market comparison was to obtain the average billing rates for outside service providers. The source of this information and the determination of the average rates are described in the paragraphs that follow.

It should be noted that professionals working for three of the five outside provider categories may be licensed to practice by the relevant state regulatory bodies. However, not every professional working for these firms is licensed. For example, among United States certified public accounting firms, only more experienced staff are predominantly CPAs (Table 15). Some Service Company employees also have professional licenses. Thus, it is valid to compare the Service Company's hourly rates to those of the outside professional service providers included in this study.

Table 15: Proportion of Licensed CPAs at U.S Accounting Firms

Position	US Average
Partners/Owners	98%
Directors (11+ years experience)	87%
Managers (6-10 years experience)	79%
Sr Associates (4-5 years experience)	50%
Associates (1-3 years experience)	22%
New Professionals	10%
Source: AICPA's National PCPS/TSCPA Management of an Accounting Practice Survey (2010)	

Attorneys

An estimate of Kentucky attorney rates was developed by Legal trends Report National Law Journal's Survey of Law Firm Economics Report. As shown in Table 16, the 2025 average rate of practice areas that would be relevant to a water utility is $283.

Table 16: Average Hourly Billing Rates of Lawyers in Kentucky

Average Billing Rates - Kentucky (2025)

Practice Area	Average Hourly Rate (A) Lawyer	Non-Lawyer
Administrative	$292	
Appellate	227	
Bankruptcy	300	
Business	284	
Civil Litigation	NA	
Collections	247	
Commercial/Sale of Goods	NA	
Construction	252	
Contracts	269	
Corporate	295	
Employment/Labor	316	
Intellectual Property	404	
Mediation/Arbitration	339	
Real Estate	NA	
Tax	241	
Average Hourly Rate	$289	$ 146

Lawyer/Non-Lawyer SC Hours	Lawyer	Non-Lawyer	Total
2025 Hours	2,672	115	2,786
Percent of Hours	95.9%	4.1%	100.0%
Weighted Average			
Percent x Hourly Rate	$277	$6	$283

Note A:
https://www.clio.com/resources/legal-trends/compare-lawyer-rates/

Management Consultants

The cost per hour for management consultants was developed from a survey performed by Rodenhauser & Company LLC, a research company that monitors the consulting industry. The survey includes rates that were in effect during 2025 for firms throughout the United States. Consultants typically do not limit their practice to any one region and often have to travel to a client's location. Consequently, the U.S. national average is appropriate for comparison.

The first step in the calculation, presented in Table 13, was to determine an average rate by consultant position level. From these rates, a single weighted average hourly rate was calculated based upon the percentage of time that is typically applied to a consulting assignment by each consultant position level.

Table 17: Average Hourly Billing Rates of Management Consultants

Survey billing rates in effect in 2025 (A)

A. Calculation of average hourly billing rate by consultant position

	Average Hourly Rates (Note A)				
	Analyst Consultant	Associate	Sr. Assoc/ Manager	Principal	Partner
Average	$255	$309	$377	$570	$706

B. Calculation of overall average hourly billing rate based on a typical distribution of time on an engagement

	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
Average hourly billing rate (from above)	$255	$309	$377	$570	$706	
Percent of consulting assignment	30%	30%	25%	10%	5%	Weighted Average
	$77	$93	$94	$57	$35	$356

Average hourly billing rate for management consultants in June 2025 $356

Note A: Source is Rodenhauser & Company LLC; Concentric Energy Advisors analysis

Certified Public Accountants

The average hourly rate for Kentucky CPAs was developed from a 2024 survey performed by the American Institute of Certified Public Accountants ("AICPA"). As shown in Table 18, a weighted average hourly rate was developed based on a set of accountant positions and a percentage of time that is typically applied to an accounting assignment, based on Concentric Energy Advisors' experience. Given that the hourly rates indicated in the survey carried by AICPA was for the year 2024, Concentric applied an inflation adjustment to the rates to make them comparable to rates in calendar year 2025.

Table 18: Billing Rates of Certified Public Accountants

A. Calculation of average hourly billing rate by public accounting position
Survey billing rates were those in effect in 2024 (Note A)

	Average Hourly Billing Rate (A)				
	Staff Accountant	Senior Accountant	Manager	Partner	
Average hourly billing rate by CPA Firm Position	$131	$168	$246	$354	
Percent of accounting assignment	30%	30%	20%	20%	Weighted Average
	$39	$51	$49	$71	$210

National average hourly billing rate (above)	$210
Cost of living adjustment	
COL index for Lexington, KY (B)	92.0
Average COL index	100.0
Adjustment percentage	92.0%
Average hourly billing rate for CPAs at December 31, 2024	$193
Escalation to midpoint of 2025(June 30, 2025)	
CPI at December 31, 2024	315.6
CPI at June 30, 2025	322.6
Inflation/escalation (Note C)	2.2%
Average hourly billing rate For CPAs at June 30, 2025	$197

Note A: Source is AICPA's 2024 National PCPS/TSCPA Management of an Accounting Practice Survey released in Sept. 2025
Note B: Source is Cost of Living Index, Source Council for Community and Economic Research
Note C: Source is U.S. Bureau of Labor Statistics (https://data.bls.gov/cgi-bin/surveymost)

Information Technology Professionals

The 2025 average hourly rate for information technology consultants and contractors was developed from two sources: The Service Company for IT contractor rates and a survey performed by Rodenhauser & Company LLC, for IT consultants. As shown in Table 19, that data was compiled and a weighted average was calculated based on a percentage of time that is typically applied to an IT consulting assignment, based on Concentric Energy Advisors' experience.

Table 19: Billing Rates of Information Technology Professionals

A. Calculation of average hourly billing rate by information technology position
Survey billing rates were those in effect during 2025

	Average hourly billing rate (A)					
	Contractor Positions		Consultant Positions			
	Contractor	Senior Contractor	Associate	Manager	Partner	
Average hourly billing rate by IT position category	$110	$157	$294	$372	$442	
Percent of IT assignment	25%	25%	25%	15%	10%	Weighted average
	$28	$39	$74	$56	$44	$240
Average Hourly Billing Rate For IT Professionals During 2025						$240

Note A: Source is American Water Works Service Company, Rodenhauser & Company, LLC, and Concentric Energy Advisors analysis
Note B: Source is U.S. Bureau of Labor Statistics (https://data.bls.gov/cgi-bin/surveymost)

Professional Engineers

American Water provided hourly rate information for outside engineering firms that provided KAWC with their rate schedules. As presented in Table 20, an average rate was developed for each engineering position level. Using the Service Company's percentage mix by engineering position, a weighted average cost per hour was calculated.

Table 20: Billing Rates Billing Rates of Professional Engineers

A. Calculation of average 2025 hourly rate by engineering position (A)

	Average Hourly Billing Rates			
Firm	Technician Senior Technician	Engineer Design Engineer Project Engineer	Project Manager Sr. Mgr. Engineer	Officer Principal Engineer
Firm 1	$95	$137	$220	$254
Firm 2	$154	$170	$194	$270
Firm 3	$210	$241	$313	$336
Firm 4	$75	$157	$234	$318
Firm 5	$115	$114	$186	$230
Firm 6	$108	$263	$346	$360
Firm 7	$116	$130	$266	$330
Firm 8	$187	$198	$235	$295
Firm 9	$100	$164	$246	$280
Firm 10	$140	$156	$222	$268
Firm 11	$119	$133	$197	$270
Firm 12	$115	$150	$213	$230
Firm 13	$105	$148	$175	$300
Firm 14	$165	$177	$257	$356
Firm 15	$164	$194	$235	$284
Firm 16	$121	$146	$215	$385
Firm 17	$96	$149	$192	$241
Firm 18	$96	$140	$163	$213
Firm 19	$133	$151	$238	$275
Firm 20	$141	$149	$243	$292
Firm 21	$45	$16	$180	$300
Firm 22	$168	$182	$253	$289
Firm 23	$118	$133	$181	$254
Firm 24	$138	$159	$221	$283
Firm 25	$94	$137	$251	$325
Firm 26	$84	$110	$163	$250
Firm 27	$148	$125	$195	$230
Average	$124	$153	$223	$286

B. Calculation of overall average engineering hourly billing rate

	Technician Senior Technician	Engineer Design Engineer Project Engineer	Project Manager Sr. Mgr. Engineer	Officer Principal Engineer	
from above	$124	$153	$223	$286	
Typical % of time on an engineering assignment	0.69%	17.36%	71.53%	10.42%	Weighted Average
	$1	$27	$160	$30	$217

Note A: Source is American Water Service Company information.

Service Company versus Outside Provider Cost Comparison

As shown in Table 21 below, the Service Company costs per hour are considerably lower than those of outside providers for all the categories of service providers.

Table 21: 2025 Hourly Rate Difference

Service Provider	2025 Hourly Rate Differences		
	Service Company	Outside Provider	Difference--Service Co. Greater (Less) Outside
Attorney	$218	$283	($65)
Management Consultant	$262	$356	($94)
Certified Public Accountant	$108	$197	($89)
IT Professional	$138	$240	($102)
Professional Engineer	$134	$217	($83)

Based on these cost-per-hour differentials and the number of managerial and professional services hours billed to KAWC during 2025, outside service providers would have cost approximately $6,276,224 more than the Service Company (see table below). Thus, on average, outside providers' hourly rates are approximately 56.2% higher than those of the Service Company ($6,276,224 /$11,182,295).

Table 22: 2025 Cost Differentials

Service Provider	2025 Cost Differentials		
	Hourly Rate Difference--Service Co. Greater(Less) Than Outside	Service Company Hours Charged	Dollar Difference
Attorney	($65)	2,786	($181,120)
Management Consultant	($94)	18,356	($1,725,418)
Certified Public Accountant	($89)	23,053	($2,051,678)
IT Professional	($102)	17,942	($1,830,059)
Professional Engineer	($83)	5,879	($487,948)
Service Company Less Than Outside Providers			($6,276,224)

It is worth emphasizing that the cost differential associated with using outside providers is under stated because exempt Service Company personnel do not charge more than 8 hours per day even when they work more. Conversely, outside providers generally charge clients for all hours worked. Thus, KAWC would have been charged by outside providers for overtime worked by Service Company personnel who are not paid for that time.

If KAWC were to use outside service providers rather than the Service Company for managerial and professional services, it would incur other additional expenses besides those associated with higher hourly rates. Managing outside firms who would perform approximately 68,015 hours of work (approximately 38 full-time equivalents at 1,800 "billable" hours per FTE per year) would add a significant workload to the existing KAWC management team. Thus, it would be necessary for KAWC to add at least 2 full-time positions to supervise the outside firms and ensure they deliver quality and timely services. The individuals who would fill these positions would need a good understanding of each profession being managed. These individuals must also have management experience and the authority necessary to provide credibility with outside firms. As calculated in the table below, the new position would add approximately $479,631 per year to KAWC's personnel expenses.

Table 23: Cost of Adding 1 Professional Positions to KAWC Staff

Cost of Adding 2 Professional Position to KAWC's Staff	
	Total
New positions' salary	$145,000
Benefits (at 50.39%)	73,066
Office expenses (15%)	21,750
Total cost per position	239,816
Number of positions required	2
Total cost of added KY American Water staff	$479,631

Thus the financial implication on KAWC's customers of contracting all services currently provided by the Service Company would be an increase in their costs of $6,755,855 ($6,276,224 + $479,631). Based on the results of this comparison, it was concluded that the Service Company charged KAWC at the lower of cost or market for services provided during 2025.

SECTION 7:

QUESTION 4 – REASONABLENESS OF CUSTOMER ACCOUNT SERVICES COSTS

Background

Customer account services involve the processes that occur from the time meter-read data is recorded in the customer information system through the printing and mailing of bills, concluding with the collection and processing of customer payments. Customer account services are accomplished by the following utility functions:

- Customer Call Handling Operations – customer calls/contact, credit, order taking/disposition, bill collection efforts and outage calls
- Customer Call Handling IT – support of phone banks, voice recognition units, call handling software applications and telecommunications
- Customer billing – bill printing, stuffing and mailing
- Remittance processing – processing customer payments received in the mail
- Bill payment centers – processing customer payments at locations where customers can pay their bills in person

Neighboring electric utility cost information comes from the FERC Form 1 that each utility subject to FERC regulation must file. FERC's chart of accounts is defined in Chapter 18, Part 101 of the Code of Federal Regulations. FERC accounts that contain expenses related to customer account services are Account 903 Customer Accounts Expense – Records and Collection Expense and Account 905 Customer Accounts Expense – Miscellaneous Customer Accounts Expense.

In addition to the charges in these FERC accounts, labor-related overhead charged to the following FERC accounts must be added to the labor components of Accounts 903 and 905:

- Account 926 Employee Pension and Benefits
- Account 408 Taxes Other Than Income (employer's portion of FICA)

Comparison Group

Electric utilities included in the comparison group are shown in the table below. These are companies whose FERC Form 1 reports show amounts for accounts 903 and 905.

Table 24: List of Electric Utilities in the Comparison Group

Utility	State
Ameren Illinois Company	Illinois
Commonwealth Edison Company	Illinois
MidAmerican Energy Company	Illinois
Duke Energy Indiana, LLC	Indiana
Indiana Michigan Power Company	Indiana
AES Indiana	Indiana
Northern Indiana Public Service Company, LLC	Indiana
Southern Indiana Gas and Electric Company	Indiana
Duke Energy Kentucky, Inc.	Kentucky
Kentucky Power Company	Kentucky
Kentucky Utilities Company	Kentucky
Louisville Gas and Electric Company	Kentucky
The Empire District Electric Company	Missouri
Evergy Missouri West, Inc.	Missouri
Union Electric Company	Missouri
The Cleveland Electric Illuminating Company	Ohio
The Dayton Power and Light Company	Ohio
Duke Energy Ohio, Inc.	Ohio
Ohio Edison Company	Ohio
Ohio Power Company	Ohio
The Toledo Edison Company	Ohio
Kingsport Power Company	Tennessee
Virginia Electric and Power Company	Virginia
Appalachian Power Company	West Virginia
Monongahela Power Company	West Virginia
The Potomac Edison Company	West Virginia
Wheeling Power Company	West Virginia

FERC Account Descriptions

903 – Customer Records and Collection Expenses

This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Labor

1. Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.

2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.
3. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.
4. Checking consumption shown by meter readers' reports were incidental to preparation of billing data.
5. Preparing address plates and addressing bills and delinquent notices.
6. Preparing billing data.
7. Operating billing and bookkeeping machines.
8. Verifying billing records with contracts or rate schedules.
9. Preparing bills for delivery, and mailing or delivering bills.
10. Collecting revenues, including collection from prepayment meters unless incidental to meter reading operations.
11. Balancing collections, preparing collections for deposit, and preparing cash reports.
12. Posting collections and other credits or charges to customer accounts and extending unpaid balances.
13. Balancing customer accounts and controls.
14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.
15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities.
16. Disconnecting and reconnecting services because of nonpayment of bills.
17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
18. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.
19. Preparing and periodically rewriting meter reading sheets.

20. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters.

Materials and expenses

21. Address plates and supplies.
22. Cash overages and shortages.
23. Commissions or fees to others for collecting.
24. Payments to credit organizations for investigations and reports.
25. Postage.
26. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedure.
27. Transportation, meals, and incidental expenses.
28. Bank charges, exchange, and other fees for cashing and depositing customers' checks.
29. Forms for recording orders for services, removals, etc.
30. Rent of mechanical equipment.

905 – Miscellaneous Customer Accounts Expenses

This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.

Labor

1. General clerical and stenographic work.
2. Miscellaneous labor.

Materials and expenses

3. Communication service.
4. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903.

KAWC's Cost per Customer

As calculated below, KAWC's customer account services expense per customer was $23.59 for 2025. The cost pool used to calculate this average includes charges for Service Company services (e.g., call

handling, billing, payment processing) and postage and forms expenses, which are incurred directly by KAWC. It was necessary to adjust the Service Company's charges because electric utilities experience an average of 1.25 calls per customer compared to American Water's 0.69 calls per customer in 2025. Thus, the Service Company's expenses had to be increased, for comparison purposes, to reflect its costs if it had had 1.25 calls per customer.

Table 25: KAWC's Customer Account Service Expense per Customer

Kentucky American Water Company, Inc.		2025 Service Co Charges	Adjustment Fewer Calls For Water Cos. (A)	Adjusted
	Cost Component			
Service Company	Call processing, order processing, credit, bill collection, forms, postage	$2,676,850	$234,038	$2,910,888
	Customer payment processing (B)			124,190
KAWC	Customer Advocacy unit			310,184
			Cost Pool Total	$3,345,262
			Total Customers	141,781
	Year ending December 31, 2025 cost per KAWC customer			**$23.59**

Note A: Adjustment for American Water's fewer calls per customer because water utilities experience fewer call per customer than do electric utilities.

Call handling expenses		$288,994
Electric utility industry's avg calls/customer	1.25	
American Water's avg calls/customer	0.69	
Percent different	81%	0.81
Total Adjustment		$234,038

Note B: Estimated customer payment processing expenses

Number of customer bills	1,691,966
Bank charge per item	$0.0734
Total estimated annual expense	$124,190

Electric Utility Group Cost per Customer

Table 26 shows the calculation of customer account expense per customer for the electric utility comparison group. The underlying data was taken from the utilities' 2024 FERC Form 1, which is escalated for inflation to the mid-point of 2025 to produce costs per customer that are comparable with KAWC's 2025 cost per customer. At the time this report was being prepared, FERC Form 1 for 2025 was not available.

Table 26: Comparison Group Projected 2024 Customer Account Expense per Customer

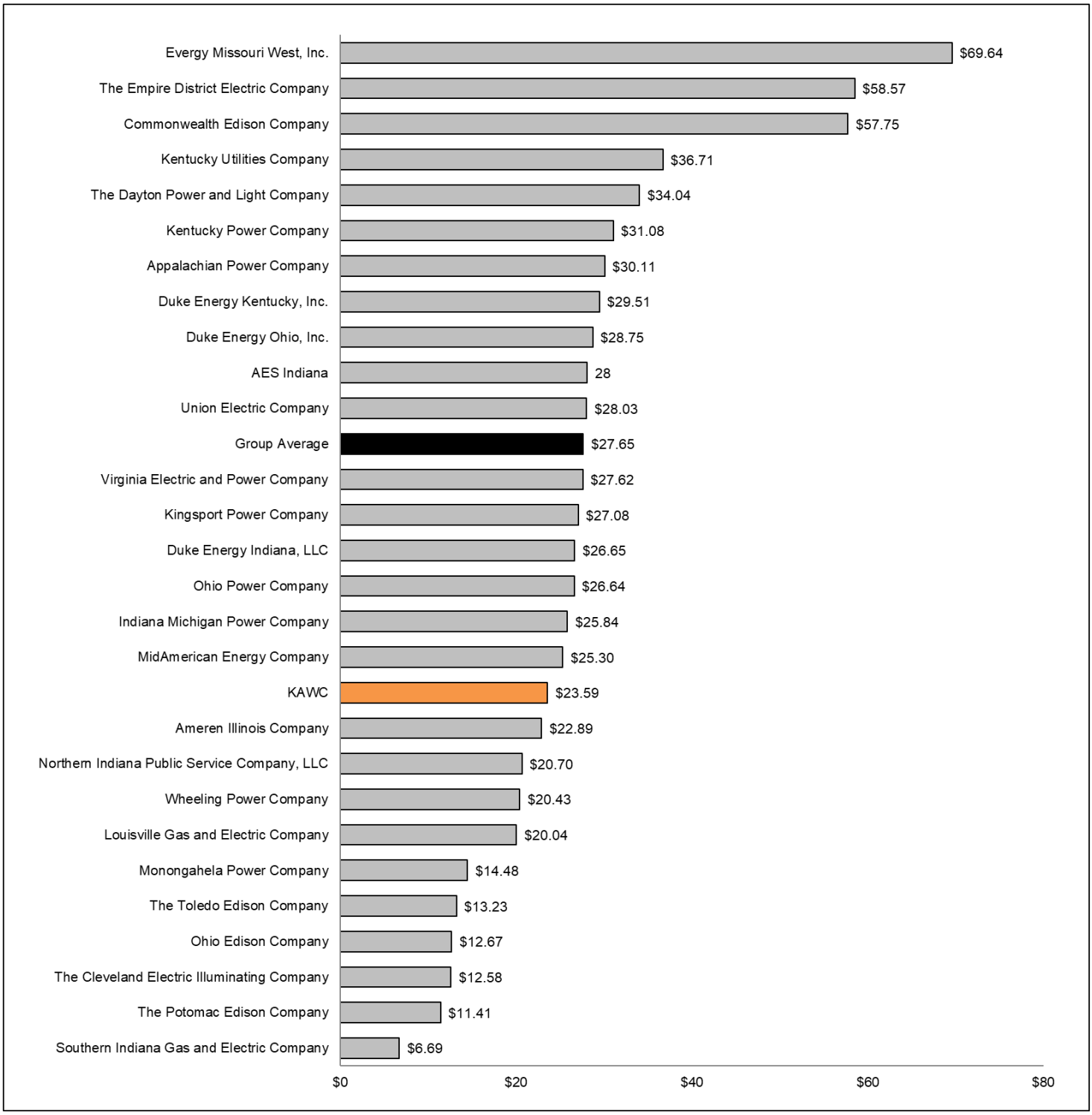
Comparison Group	Customer Accounts Services Cost Pool				Total Electricity Customers	Customer Account Services Expenses per Customer		
		Employee Benefits						
	Account 903 and 905	Employee Pension and Benefits	Payroll Taxes	Total Cost Pool		Actual 2024	Inflation (CPI)	Proforma 2025
Ameren Illinois Company	27,266,000	($831,577)	$1,060,684	$27,495,107	1,227,657	$22.40	2.20%	$22.89
Appalachian Power Company	28,107,000	($84,194)	$477,835	$28,500,641	967,417	$29.46	2.20%	$30.11
The Cleveland Electric Illuminating Company	9,101,000	($48,380)	$284,230	$9,336,850	758,454	$12.31	2.20%	$12.58
Commonwealth Edison Company	214,978,000	$10,277,450	$8,169,951	$233,425,401	4,130,749	$56.51	2.20%	$57.75
The Dayton Power and Light Company	15,185,000	$1,763,342	$948,158	$17,896,500	537,340	$33.31	2.20%	$34.04
The Empire District Electric Company	7,985,000	$2,323,227	$424,492	$10,732,719	187,270	$57.31	2.20%	$58.57
Duke Energy Indiana, LLC	22,891,000	$191,113	$623,587	$23,705,700	909,011	$26.08	2.20%	$26.65
Duke Energy Kentucky, Inc.	4,091,000	$168,613	$189,203	$4,448,817	154,074	$28.87	2.20%	$29.51
Duke Energy Ohio, Inc.	20,017,000	$429,948	$923,769	$21,370,717	759,800	$28.13	2.20%	$28.75
Indiana Michigan Power Company	15,009,000	$235,938	$294,483	$15,539,421	614,585	$25.28	2.20%	$25.84
AES Indiana	11,860,000	$1,902,110	$808,589	$14,570,699	530,802	$27.45	2.20%	$28.06
Evergy Missouri West, Inc.	22,534,000	$617,986	$478,437	$23,630,423	346,786	$68.14	2.20%	$69.64
Kentucky Power Company	4,866,000	$2,584	$73,550	$4,942,134	162,511	$30.41	2.20%	$31.08
Kentucky Utilities Company	19,065,000	$781,887	$772,272	$20,619,159	574,110	$35.91	2.20%	$36.71
Kingsport Power Company	1,277,000	$10,561	$23,518	$1,311,079	49,488	$26.49	2.20%	$27.08
Louisville Gas and Electric Company	7,959,000	$303,368	$319,348	$8,581,715	437,750	$19.60	2.20%	$20.04
MidAmerican Energy Company	17,892,000	$1,248,121	$1,390,637	$20,530,758	829,298	$24.76	2.20%	$25.30
Monongahela Power Company	5,399,000	$7,048	$222,815	$5,628,864	397,168	$14.17	2.20%	$14.48
Northern Indiana Public Service Company, LLC	8,907,000	$582,259	$450,067	$9,939,326	490,669	$20.26	2.20%	$20.70
Ohio Edison Company	13,185,000	($304,788)	$434,227	$13,314,439	1,074,067	$12.40	2.20%	$12.67
Ohio Power Company	39,167,000	$71,649	$726,267	$39,964,916	1,533,268	$26.07	2.20%	$26.64
The Potomac Edison Company	5,043,000	($209,944)	$175,448	$5,008,504	448,465	$11.17	2.20%	$11.41
Southern Indiana Gas and Electric Company	947,000	$36,230	$42,454	$1,025,684	156,686	$6.55	2.20%	$6.69
The Toledo Edison Company	4,303,000	($359,864)	$147,538	$4,090,674	316,086	$12.94	2.20%	$13.23
Union Electric Company	35,276,000	($2,378,957)	$1,787,714	$34,684,757	1,264,472	$27.43	2.20%	$28.03
Virginia Electric and Power Company	71,808,000	$1,473,901	$1,934,829	$75,216,730	2,783,262	$27.02	2.20%	$27.62
Wheeling Power Company	818,000	$757	$5,627	$824,385	41,245	$19.99	2.20%	$20.43
Average								$27.65

Source: FERC Form 1 (2024); Bureau of Labor Statistics; Concentric Energy Advisors analysis

Summary of Results

As shown in the table below, KAWC's 2025 cost per customer is below the 2025 average cost of the neighboring electric utility comparison group. Seventeen of 27 utilities in the comparison group have a higher cost than KAWC. Based on this comparison, it was concluded that KAWC's total 2025 customer account expenses were reasonable.

Table 27: Electric Utility Comparison Group Cost per Customer



SECTION 8:

QUESTION 5 – NEED FOR SERVICE COMPANY SERVICES

Analysis of Services

An assessment was performed to determine whether the services provided to KAWC by the Service Company would be necessary if KAWC were not part of the American Water organization. The first step in this evaluation was to determine specifically what the Service Company does for KAWC. The matrix in Table 28 was created showing which entity—KAWC or a Service Company location—is responsible for each of the functions KAWC requires to ultimately provide service to its customers. This matrix was reviewed to determine: (1) if there was redundancy or overlap in the services being provided by the Service Company and (2) if Service Company services are typical of those needed by a stand-alone water and wastewater utility.

Upon review of Table 28, the following conclusions can be drawn:

- The services that the Service Company provides are necessary and are required for water and wastewater utilities.
- There is no redundancy or overlap in the services provided by the Service Company to KAWC. For all of the services listed in Table 28, there was only one entity that was primarily responsible for the service.

Table 28: Responsibility Matrix

P - Primarily Responsible **S - Provides Support**	Performed By:				
		American Water Service Company			
Water Company Function	KAWC	Customer Call Center	Central Services	IT Service	Central Lab
Engineering and Construction Management					
CPS Preparation	**P**		**S**		
Five-Year System Planning	**P**		**S**		
Engineering Standards & Policies Development			**P**		
Project Design					
Major Projects (e.g., new treatment plant)	**P**		**S**		
Special Projects	**P/S**		**P/S**		
Minor Projects (e.g., pipelines)	**P**				
Construction Project Management					
Major Projects	**P**		**S**		
Special Projects	**P**		**S**		
Minor Projects	**P**				
Hydraulics Review	**P**		**S**		
Developers Extensions	**P**				
Tank Painting	**P**				
Water Quality and Purification					
Water Quality Standards Development	**P (1)**		**P (1)**		**S**
Research Studies	**S**		**P**		**S**
Water Quality Program Implementation	**P**		**S**		**S**
Water Treatment Operations & Maintenance	**P**		**S**		
Compliance Sampling	**P**				**S**
Testing/Other Sampling	**P**				**S**
Transmission and Distribution					
Preventive Maintenance Program Development	**P**		**S**		
System Maintenance	**P**				
Leak Detection	**P**				
Customer Service					
Community Relations	**P**		**S**		
Customer Contact	**P (2)**	**P (2)**			
Call Processing		**P**			
Service Order Processing	**P**	**S**			
Customer Credit	**P**	**P**			
Meter Reading	**P**			**S**	
Customer Bill Preparation	**S**	**S**		**P**	
Bill Collection	**S**	**P**		**S**	
Customer Payment Processing	**S**		**P**	**S**	
Meter Standards Development	**S**		**S**	**P**	
Meter Testing, Maintenance & Replacement	**P**				

Note 1: KAWC responsible for State regulations, Central Services responsible for Federal regulations
Note 2: KAWC provide in-person customer contact while Customer Service Organization provides customer phone cont

P - Primarily Responsible **S - Provides Support**	Performed By:				
		American Water Service Company			
Water Company Function	KAWC	Customer Service Organization	Central Services	IT Service	Central Lab
Rates					
Rate Studies & Tariff Change Administration	**P**		**S**		
Rate Case Planning and Preparation	**S**		**P**		
Rate Case Administration	**S**		**P**		
Commission Inquiry Response	**S**		**P**		
Legal	**P**		**S**		
Purchasing and Materials Management – National (pipe, chemicals, meters, etc.)					
Specification Development	**S**		**P**		
Bid Solicitation	**S**		**P**		
Contract Administration	**S**		**P**		
Purchasing and Materials Management – State (state supplier service agreements)					
Specification Development	**P**		**S**		
Bid Solicitation	**P**		**S**		
Contract Administration	**P**		**S**		
Ordering	**P**		**S**		
Inventory Management	**P**				
Human Resources Management					
Benefit Program Development			**P**		
Benefits Program Administration			**P**		
Management Compensation Administration			**P**		
Wage & Salary Program Design			**P**		
Wage & Salary Administration	**S**		**P**		
Labor Negotiations--Wages	**S**		**P**		
Labor Negotiations--Benefits			**P**		
Labor Negotiations-- Work Rules	**P**		**S**		
Training Program Development	**S**		**P**		
Training--Course Delivery	**P/S**		**P/S**		
Affirmative Action/EEO--Plan Development	**S**		**P**		
Affirmative Action/EEO--Implementation	**P**		**S**		
Information Technology Services					
Service Company Data Centers					
System Operations & Maintenance				**P**	
Software Maintenance				**P**	
Network Administration	**S**			**P**	
Workstation Acquisition & Support	**S**			**P**	
Help Desk	**S**			**P**	

SECTION 9:

QUESTION 6 – APPROPRIATENESS OF GOVERNANCE PRACTICE

Definition of Governance Practices

Governance practices are internal controls designed to provide assurance that objectives are being achieved relating to operations, reporting and compliance. Among other things, this is achieved through control activities, which are defined as follows:

> *Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment.*
>
> Source: "Internal Control – Integrated Framework, Executive Summary," Committee of Sponsoring Organizations of the Treadway Commission

Governance Practices Associated with Service Company Charges

There are several ways by which KAWC exercises control over Service Company services and charges. The most important of these are described below.

1. Chief Operating Officer Oversight – The Chief Operating Officer (COO) is on the Executive Leadership Team (ELT) of American Water. This position is responsible for the overall performance of each operating company in American Water. As part of the ELT, the COO has equal say with other ELT members in major business decisions of American Water and has the ability to monitor Service Company performance quality and spending. The COO also addresses local concerns with each operating company president.
2. Operating Company Board Oversight – The KAWC board of directors includes members of the KAWC management team and external business and community leaders. The KAWC board has quarterly scheduled meetings each year to review and discuss financial, operational and other matters.
3. KAWC President's Oversight – The KAWC President is responsible for the overall performance of KAWC and, as such, monitors services and charges received from the Service Company. KAWC's President reports to the Deputy Chief Operating Officer who, in turn, reports to the Chief Operating Officer who has a significant voice in major business decisions that impact the Service Company's quality and cost of services.
4. CFO Operations and supporting staff (Finance team) – The Finance team is responsible for monitoring the overall financial performance of KAWC. This includes overseeing KAWC's

financial reporting process, performing revenue and expense analysis, the annual budgeting process, and monitoring internal control performance. Every month, the Finance team performs a detailed expense analysis that includes Service Company charges. Month-to-date actual and year-to-date actual performance is compared against budget and prior period actuals. The Finance team also reviews and investigates monthly Service Company charges based on the results of the team's analytical procedures in order to determine the appropriateness of the charges.

5. Service Company Budget Review/Approval – The Service Company Board of Directors (BOD) formally reviews and approves the budget for Service Company on an annual basis. The Service Company BOD consists of: (a) the AW ELT and (b) key Executive Management representatives from the Service Company. The Service Company's overall budget is assigned to each operating company, and the operating company consolidates the Service Company charges with its own direct spending to arrive at a total operating company budget. This is presented to the operating company's board of directors (e.g., Kentucky American) for their approval.

6. Major Project Review and Approval – Before major Service Company non-capital projects are undertaken, they must be reviewed and approved by American Water's Executive Leadership Team which includes the Deputy and Chief Operating Officers. The Deputy Chief Operating Officer, with significant input from his direct reports, has the ability to impact all new initiatives and projects before they are authorized. Major non-capital projects and initiatives for the Service Company are approved through the business planning process. As part of the business planning process a technology roadmap of initiatives is developed from American Water's vision, strategy, operational objectives and key business programs. The alignment of these initiatives with enterprise goals is approved by the Executive Leadership Team and key business leaders from various operational and functional areas of American Water. The roadmap is updated annually to produce a rolling roadmap and investment plan.

7. Capital Program Management (CPM) – CPM covers capital and asset planning and is employed throughout American Water, including the Service Company. CPM provides a full range of governance practices, including a formal protocol for assessing system needs, prioritizing capital expenditures, managing the capital program, approving project spending, delivering projects and measuring outputs. CPM ensures that:

    a. Capital expenditure plans are aligned with the strategic intent of the business

    b. The impact of capital expenditures is fully reflected in operating expense plans

    c. The impacts of these plans on state operating company budgets and operating results are understood

d. Effective controls are in place over budgets (through business plans) and individual capital projects (through appropriate authorization thresholds, management and reporting processes).

The CPM process was designed to optimize the effectiveness of asset investment. The process is managed at two levels for all American Water companies, including all KAWC Operating Units. Monthly meetings of the CPM are held to review capital spending compared to plan, review new project requests and review updates or modifications to existing projects. The Kentucky management team participates, as necessary, and provide the data used in the monthly review schedules.

8. Accounting and Financial Reporting – The Service Company follows the same accounting and financial reporting processes as American Water's regulated utilities. At month-end, the Service Company Finance team reviews key transactions and analyzes month-to-date variance to budget to ensure accuracy before the billing process takes place. Once completed, the Service Company bill is produced, and the actuals are directly charged or allocated to the states based on predetermined formulas. After the billing, Service Company Finance completes the monthly reports. At this time, the operating companies may question expenses and spending for better understanding of results. KAWC's Finance team reviews the monthly Service Company bill for accuracy and reasonableness on a monthly basis. Any errors or overcharges are corrected on a subsequent billing.
9. Operating Company Budget Variance Analysis – Each month a Service Company Affiliate Billing Analysis Report is prepared and provided to operating companies. This report allows operating companies to monitor their Service Company budget-versus-actual charges for the month and year-to-date.
10. Service Company Budget Variance Analysis - Each function within a Service Company is responsible for reviewing the budget-versus-actual charges for the month and year-to-date. On a monthly basis, Service Company actual results vs budget variances are reviewed with State Presidents as well as the ELT. Key variances by function are presented and discussed.

These are control activities that help ensure that Service Company charges to KAWC are necessary and reasonable.