# COMMONWEALTH OF KENTUCKY

# BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN ) WATER COMPANY FOR AN ADJUSTMENT OF ) RATES SUPPORTED BY A FULLY FORECASTED ) TEST YEAR )

CASE NO. 2012-00520

## ORDER

On October 25, 2013, the Commission issued its Order on Kentucky-American

Water Company's ("Kentucky-American") proposed rates. Following the issuance of

that Order, we discovered two computational errors that affect the calculation of

Kentucky-American's revenue requirement and resulted in the understatement of

Kentucky-American's revenue requirement by \$83,894.<sup>1</sup>

IT IS THEREFORE ORDERED, *nunc pro tunc*, that:

1. The second full paragraph on page 31 of the Order of October 25, 2013, is

amended to read:

<u>Allowance for Funds Used During Construction</u> ("AFUDC"). In its application, Kentucky-American proposes to increase forecasted operating revenues by \$491,629<sup>121</sup> to include an allowance for AFUDC. In calculating this forecast, Kentucky-American uses the weighted cost of capital of 8.2 percent.<sup>122</sup> To reflect the effect of slippage on CWIP and the reduction of its requested weighted cost of capital to 8.12 percent,<sup>123</sup> Kentucky-American in its base period update decreased AFUDC by \$50,888 to arrive at its revised level of \$440,741.<sup>124</sup> Using the 13-month average CWIP available for AFUDC of \$5,862,774<sup>125</sup> and the overall rate of return of 7.59 percent, the Commission calculates a forecasted level of AFUDC of \$446,157. This action, coupled

<sup>1</sup> Revenue Requirement Increase after Error Correction Minus: Original Revenue Requirement Increase Understatement of Increase

\$6,988,028 <u>\$6,904,134</u> \$83,894 with Kentucky-American's revisions, results in a decrease to Kentucky-American's originally forecasted operating revenues of \$46,644.<sup>126</sup>

2. Footnote 126 of the Order of October 25, 2013, is amended to read:

\$5,862,774 (13-Month Average CWIP Available for AFUDC) x 7.59% (Commission Weighted Cost of Capital) = \$444,985.

3. The second full paragraph on page 41 of the Order of October 25, 2013, is

amended to read:

<u>Summary.</u> As shown in Table IV, the Commission finds that Kentucky-American's forecasted net operating income at present rates is \$24,962,154.

4. Table IV, which appears on page 42 of the Order of October 25, 2013, is

amended to read:

<u>Account Titles</u> Operating Revenue	Application Forecasted Revenues and <u>Expenses</u>	Commission Adjustments	Commission Forecasted Revenues and <u>Expenses</u>
Water Sales Other Operating Revenues AFUDC	\$81,832,138 1,834,066 <u>491,629</u>	\$ 1,810,504 0 (46,644)	\$ 83,642,642 1,834,066 <u>444,985</u>
Total Operating Revenues	84,157,833	1,763,860	85,921,693
Operating Expenses Operation and Maintenance Expenses Depreciation Amortization – UPAA Current State Income Tax Deferred State Income Tax Current Federal Income Tax Deferred Federal Income Tax Investment Tax Credit General Taxes	33,892,178 13,121,602 210,261 491,702 674,791 3,658,210 2,899,194 (84,792) 5,114,771	(123,840) 19,815 0 83,919 38,745 485,601 465,976 0 11,406	33,768,338 13,141,417 210,261 575,621 713,536 4,143,811 3,365,170 (84,792) <u>5,126,177</u>
Total Operating Expenses	59,977,917	981,622	60,959,539
Net Income Available	<u>\$_24,179,916</u>	<u>\$ 782,238</u>	<u>\$ 24,962,154</u>

5. The first literal paragraph of page 53 of the Order of October 25, 2013, is

amended to read:

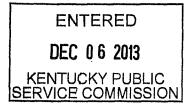
The Commission finds that Kentucky-American's net operating income for rate-making purposes is \$29,200,937. We further find that this level of net operating income requires an increase in forecasted present rate revenues of \$6,988,208.<sup>205</sup>

6. Footnote 205 of the Order of October 25, 2013, is amended to read:

Net Investment Rate Base	\$	384,729,083
Multiplied by: Rate of Return	<u>x</u>	7.5900%
Operating Income Requirement	\$	29,200,937
Less: Forecasted Net Operating Income	-	24,962,154
Operating Income Deficiency	\$	4,238,783
Multiplied by: Revenue Conversion Facto	r <u>x</u>	1.64859300
Increase in Revenue Requirement	<u>\$</u>	<u>6,988,028</u>

7. The Appendix to the Order of October 25, 2013, is stricken and the Appendix to this Order is substituted.

By the Commission



ATTEŜ Executive Director

Case No. 2012-00520

## APPENDIX

# APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00520 DATED DEC 0 6 2013

The following rates and charges are prescribed for the customers in the area served by Kentucky-American Water Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

### Meter Charge Rates

<u>Meter Size</u>	
5/8-Inch	\$ 12.49
3/4-Inch	18.74
1-Inch	31.23
1 1/2-Inch	62.45
2-Inch	99.92
3-Inch	187.35
4-Inch	312.25
6-Inch	624.50
8-Inch	999.20

### Consumption Rates

	Rate Per 100 Cubic Feet	1,000 Gallons
Customer Category	All Consumption	All Consumption
Residential	\$3.9647	\$5.30040
Commercial	3.6113	4.82800
Industrial	2.9132	3.89470
Municipal & Other Public Authority	3.1754	4.24520
Sales for Resale	3.1486	4.20930

### Municipal or Private Fire Protection Service

	Service Size	Rate Per Month	<u>Rate Per Annum</u>
2-Inch	· · · · · · · · · · · · · · · · · · ·	\$ 8.92	\$ 107.04
4-Inch		35.90	430.80
6-Inch		80.74	968.88
8-Inch		143.54	1,722.48
10-Inch		224.34	2,692.08
12-Inch		323.50	3,882.00
14-Inch		439.89	5,278.68

16-Inch Bates for Public or	574.42 Private Fire Service	6,893.04	
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions	Rate Per Month \$ 41.60	<u>Rate Per Annum</u> \$ 499.20	
For each private fire hydrant contracted for by Industries or Private Institutions	79.77	957.24	
Tapping (Connection) Fees			
<u>Meter Connection Size</u> 5/8-Inch 1-Inch 2-Inch Service larger than 2-Inch		\$1,078.00 1,576.00 3,563.00 Actual Cost	
Nonrecurring Charges			
Activation Fee Reconnection Charge		\$28.00 56.00	

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