

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)	CASE NO.
WATER COMPANY FOR AN ADJUSTMENT)	2015-00418
OF RATES)	

ORDER

Kentucky-American Water Company (“Kentucky-American”) applied for an adjustment of its rates for water service pursuant to the procedures set forth in 807 KAR 5:001, Section 16. The parties to this proceeding have submitted for Commission review and approval a Settlement Agreement, Stipulation and Recommendation (“Settlement Agreement”). By this Order, the Commission approves the terms of the Settlement Agreement, including the agreed-upon rates for water service.

BACKGROUND

Kentucky-American, a Kentucky corporation, owns and operates water production and distribution facilities that provide water service to 126,099 customers for compensation in Bourbon, Clark, Fayette, Gallatin, Grant, Harrison, Jessamine, Owen, Scott, and Woodford counties, Kentucky.¹ It provides wholesale water service to Jessamine-South Elkhorn Water District, Harrison County Water Association, East Clark Water District, Peaks Mill Water District, Nicholas County Water District, and the cities of Georgetown, Midway, North Middletown, Nicholasville, and Versailles.² It directly or

¹ *Annual Report of Kentucky-American Water Company to the Public Service Commission for the Calendar Year Ended December 31, 2015* at 11 and 53.

² *Id.* at 60.

indirectly provides potable water service to approximately 490,000 persons.³ Kentucky-American last applied for a rate adjustment in 2012.⁴

PROCEDURE

On December 15, 2015, Kentucky-American filed with the Commission written notice of its intent to apply for an adjustment of rates using a forecasted test year and its Notice of Election of Use of Electronic Procedures. On January 29, 2016, Kentucky-American filed its application ("Application") with the Commission. The proposed rates, which Kentucky-American proposed to become effective on February 28, 2016, and which were based upon a fully forecasted test year ending August 31, 2017, would produce additional revenues of \$13,453,321, or 15.7 percent, over forecasted operating revenues from existing rates of \$85,511,321.⁵

The following parties requested and were granted full intervention: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"); Lexington-Fayette Urban County Government ("LFUCG"); and the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC").

In its February 22, 2016 Order, the Commission suspended the operation of the proposed rates for six months from their effective date up to and including August 27, 2016, and established a procedural schedule for their examination. Following extensive

³ See <http://www.amwater.com/kyaw/about-us/index.html> (Last visited July 11, 2016).

⁴ Case No. 2012-00520, *Application of Kentucky-American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year* (Ky. PSC Oct. 25, 2013).

⁵ As required by KRS 278.192(2)(b), Kentucky-American submitted its base period update on June 7, 2016, to report actual results for the base period months that were originally forecasted. This update contains corrections of certain errors and the "slippage" that result in a revised revenue increase of \$13,311,438, or \$141,883 below the originally proposed increase.

discovery, the submission of written testimony,⁶ a June 7, 2016 public-comment hearing and a July 6, 2016 informal conference, the Commission held an evidentiary hearing in this matter on July 13, 2016. The only witness to present testimony at the hearing was Linda Bridwell, Manager of Rates and Regulation for Kentucky-American and Tennessee-American Water Company.⁷

SETTLEMENT AGREEMENT

Prior to the hearing, Kentucky-American, on July 6, 2016, filed with the Commission a Settlement Agreement that all parties had executed and that purported to resolve all outstanding issues in this proceeding. A copy of the Settlement Agreement is attached as Appendix A to this Order. On July 7, 2016, Kentucky-American moved for Commission approval of this Settlement Agreement and submitted the Settlement Testimony of Linda Bridwell.

In the Settlement Agreement, the signatories agreed that:

1. Kentucky-American should be authorized to adjust its rates to permit it to recover \$6,475,000 more in revenue than it is recovering under its current rates, with such revised rates to be effective for service rendered on and after August 28, 2016.
2. The depreciation rates that are contained in Kentucky-American's depreciation study and set forth in Exhibit B of the Settlement Agreement should be made effective on August 28, 2016. The parties agree that this Agreement does not

⁶ The following persons submitted written testimony on behalf of Kentucky American: Nick O. Rowe; Linda Bridwell P.E.; Paul Herbert; Robert Mustich; Brent O'Neill, P.E.; Donald Petry; Scott Rungren; Kevin Rodgers; Edward Spitznagel; John J. Spanos; and James H. Vander Weide. Andrea Crane and J. Randall Woolridge submitted written testimony on behalf of the AG/LFUCG regarding the application in its entirety. Malcolm J. Ratchford submitted written testimony on behalf of CAC regarding the effect of the proposed rates on low-income ratepayers.

⁷ This testimony was limited to the merits of the Settlement Agreement.

preclude them from arguing a different position on the depreciation issue in future proceedings.

3. Beginning in Fiscal Year 2017, Kentucky-American shall increase its annual contribution from shareholders to the H2O Help to Others Program to a total contribution of \$62,500. Kentucky-American and CAC will discuss and implement methods to improve awareness of the H2O Help to Others Program.

4. Merger Condition No. 16 ("Condition 16") in the April 16, 2007 Order in Case No. 2006-00197⁸ requires Kentucky-American's equity-to-capital ratio to be maintained at between 35 to 45 percent. Condition 16 should be terminated, and Kentucky-American should be released from the requirement that it maintain an equity-to-capital ratio of between 35 to 45 percent.

5. Kentucky-American proposed to implement a Qualified Infrastructure Program ("QIP") in this matter. The Settlement Agreement does not include approval of a QIP, and Kentucky-American withdraws its request for its QIP. Neither the Settlement Agreement nor Kentucky-American's withdrawal of its request for a QIP in this matter precludes Kentucky-American from seeking approval of a QIP or any other similar infrastructure replacement regulatory mechanism in a future proceeding.

6. Customers using a credit card to pay their water bill pay a fee directly to Kentucky-American's credit card vendor. Kentucky-American proposed to cease this practice and to recover the credit card fees as an operating expense. The Settlement Agreement does not include approval of the suggested change and Kentucky-American

⁸ Case No. 2006-00197, *The Joint Petition of Kentucky-American Water Company, Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft Thames Water Aqua US Holdings, Inc., and American Water Works Company, Inc. for Approval of a Change in Control of Kentucky-American Water Company* (Ky. PSC Apr. 16, 2007).

withdraws its request. The current method of collecting credit card fees from each individual customer at the time a credit card payment is made shall continue to be used. Neither the Settlement Agreement nor Kentucky-American's withdrawal of its request in this matter precludes Kentucky-American from seeking approval of such a change in a future proceeding.

Water Rates and Nonrecurring Charges

Having reviewed the Settlement Agreement and the evidence of record in this proceeding, the Commission finds that Kentucky-American's motion should be granted and the Settlement Agreement should be approved. The level of revenues upon which the signatories have agreed represents a reasonable compromise between the two proposals presented to the Commission. Kentucky-American proposed rates that would produce additional annual revenues of \$13,453,321. The AG/LFUCG recommended a revenue increase of \$466,394. The signatories recommended rates that produce additional annual operating revenues of \$6,475,000 and that are within the range of reasonableness. We also find that the recommended tap fees are reasonable.⁹

Depreciation Rates

We further find the parties' recommended depreciation rates are reasonable. Kentucky-American's current depreciation rates were developed in a study that was presented to the Commission in Case No. 2010-00036. In its application in this proceeding, Kentucky-American submitted a depreciation study that calculated straight-

⁹ Although the Settlement Agreement was silent on the issue of the tap-on fees, the fees proposed by Kentucky-American are included in tariff sheets attached to the Settlement Agreement as Exhibit A. At the hearing, Ms. Bridwell testified that the parties had agreed to increase tap-on fees to Kentucky-American's proposed levels. July 13, 2016 Video Recording ("VR") at 9:04:10–9:05:25.

line, remaining-life depreciation rates based on anticipated service lives, salvage values, and the cost of removal for plant in service as of December 31, 2014. The study recommended an overall composite depreciation rate of 2.61 percent. The parties agreed that the depreciation rates contained in Kentucky-American's study should be made effective on August 28, 2016, but also agreed that acceptance of the rates in this proceeding does not preclude the intervenors from arguing a different position on the depreciation issue in future proceedings.

Release from Merger Condition

We find that in Case No. 2014-00362¹⁰ Kentucky-American and American Water Works Company, Inc. ("AWWC") filed a joint motion to be released from seven conditions set forth in the Commission's April 16, 2007 Final Order in Case No. 2006-00197, a proceeding in which the Commission approved a change in control of Kentucky-American.¹¹ Kentucky-American requested to be released from, among other things, Condition 16, which imposed an equity floor and equity ceiling on Kentucky-American.¹²

In that proceeding, we found that the equity floor and equity ceiling were requested by intervenors in Case No. 2006-00197 who were not intervening parties in Case No. 2014-00362.¹³ Because those parties had not intervened in Case No. 2014-

¹⁰ Case No. 2014-00362, *American Water Works Company, Inc. and Kentucky American Water Company Motion for Release of Conditions* (Ky. PSC May 15, 2015), Final Order at 1.

¹¹ See Case No. 2006-00197, *The Joint Petition of Kentucky-American Water Company, et. al.* (Ky. PSC Apr. 16, 2007).

¹² Case No. 2014-00362, *American Water Works Company, Inc. and Kentucky American Water Company* (Ky. PSC May 15, 2015), Final Order at 12.

¹³ *Id.* at 12 and 13.

00362, we denied, without prejudice, Kentucky-American's request to remove Condition 16 in that proceeding and stated that a request for removal of Condition 16 could be included in Kentucky-American's next rate case filing where the impact to Kentucky-American's rates and capital structure could be addressed by all stakeholders.¹⁴

As part of its Application in the instant case, Kentucky-American requested removal of Condition 16 and argued in support that, among other things, continuation of the condition "could deny the Company the ability to manage its capital structure in an optimal manner."¹⁵ The AG and the LFUCG were parties to Case No. 2006-00197 and are parties to the instant case. The AG and LFUCG, as signatories to the Settlement Agreement, are in agreement with Kentucky-American's request for a release and termination of Condition 16.

The Commission finds that it retains the ability to review Kentucky-American's capital structure and equity ratio in the absence of the equity floor and ceiling imposed through Condition 16. We agree that releasing Kentucky-American from Condition 16 will provide Kentucky-American with greater flexibility for managing its capital structure in an optimal manner, and find that Kentucky-American's request to be released from Condition 16 should be granted.

Tariff Revisions

Kentucky-American requests the approval of proposed tariff sheets set forth collectively in Exhibit A of the Settlement Agreement. The proposed tariff sheets include, among other things, text changes relating to Kentucky-American's collection of

¹⁴ *Id.* at 13 and 14.

¹⁵ Application, Direct Testimony of Scott W. Rungren at 10 and 12.

a franchise tax and a school district tax setting out the general formulas for calculating each tax amount.¹⁶ We find that the tariff sheets should be approved; however, we also find that Kentucky-American should review and, where necessary, revise its billing practices regarding the franchise tax and school district tax.

Kentucky-American's billing statement for customers receiving service within the city of Lexington includes, as a line item on the statement, a franchise tax that is collected by Kentucky-American.¹⁷ For customers who are not subject to the franchise tax, there is no line item on their statements.¹⁸ The billing statement does not contain the formula that demonstrates the calculation of the franchise tax.¹⁹ The proposed tariff sheets contain the general formula; however, the tariff sheets will not contain the actual franchise tax rate as a number in the formula because the rate changes on a regular basis.²⁰

Kentucky-American's billing statement similarly includes, as a line item, a school district tax. Kentucky-American's billing program looks at the geographic location of each customer and, where applicable, calculates a school district tax for the customer.²¹ The school district tax collected by Kentucky-American is not a blended rate for all school districts; instead, the amount collected is determined by the rate in effect for

¹⁶ July 13, 2016 VR at 9:33:10–9:33:18.

¹⁷ July 13, 2016 VR at 9:32:15–9:32:25.

¹⁸ July 13, 2016 VR at 9:32:25–9:32:45.

¹⁹ July 13, 2016 VR at 9:32:53–9:32:57.

²⁰ July 13, 2016 VR at 9:34:00–9:34:15.

²¹ July 13, 2016 VR at 9:34:36–9:35:35.

each district.²² The billing statement does not contain the formula that demonstrates the calculation of the school district tax. The proposed tariff sheets contain the general formula; however, as with the franchise tax, the individual school district tax rates are not listed because they change on a regular basis.²³

807 KAR 5:006, Section 7(1)(a)8, requires a utility to clearly show, for each bill for utility service issued, information regarding all taxes collected. While the Commission recognizes that the taxes collected by Kentucky-American are not rates which are subject to our jurisdiction, Kentucky-American's billing practices for the collection of these taxes is a matter within our jurisdiction. The Commission has a concern that Kentucky-American may not have an adequate process in place to permit its customers to readily ascertain how the amounts appearing on their bills for franchise tax and school district tax are calculated.

We find that a Kentucky-American customer should be able to determine whether the amounts on his or her bill have been correctly calculated by accessing Kentucky-American's billing statement, tariff sheets, website, or customer service center. The Commission finds that Kentucky-American should review and, where necessary, revise its billing practices to ensure that it is meeting this standard. We find that Kentucky-American should file, within 120 days of the date of this Order, a report that describes the practices that it has in place for meeting this standard.

²² July 13, 2016 VR at 9:36:23–9:36:50.

²³ July 13, 2016 VR at 9:34:00–9:34:15.

OTHER ISSUES

Prorated Customer Charges

Kentucky-American's existing and proposed tariff sheets include a monthly customer charge, and the amount of the charge does not depend on the amount of water used.²⁴ Kentucky-American stated that it prorates certain bills that fall outside of a 26- to 35-day reading cycle.²⁵ A bill that is prorated upward because of a "long read" (a read cycle that exceeds 35 days) is identified as a "long bill."²⁶ A "long bill," thus, results from the number of days in the reading cycle for an established customer and is not a proration that results from the establishment or termination of that customer's service. The billing practice of prorating upward is not contained in Kentucky-American's current or proposed tariff sheets.²⁷ The result is that an established Kentucky-American customer who is not terminating service can receive a bill that contains a monthly customer charge that differs from the monthly customer charge appearing in Kentucky-American's filed tariff sheets.²⁸

KRS 278.160(2) states:

No utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any

²⁴ July 13, 2016 VR at 9:25:50–9:26:04.

²⁵ July 13, 2016 VR at 9:19:00–9:20:45; Kentucky-American Response to Commission Staff's Fourth Request for Information, Item 2; and Kentucky-American Response to Commission Staff's Hearing Data Requests ("Response to Hearing Data Requests") (filed July 27, 2016), Item 1.

²⁶ Response to Hearing Data Requests, Item 1.

²⁷ July 13, 2016 VR at 9:25:05–9:25:35.

²⁸ *Id.*

utility for a compensation greater or less than that prescribed in such schedules.

We find that Kentucky-American's billing practice of prorating its monthly customer service charge upward is not contained in its filed schedules, and Kentucky-American should desist from the practice. We find that since January 1, 2012, Kentucky-American has generated approximately 6,800,000 monthly bills to its customers, of which 15,454 were prorated "long bills" totaling \$44,977.98 of additional service charges.²⁹ The \$44,977.98 amount is partially offset by 814 prorated "short bills" totaling \$3,616.13 of reduced charges.³⁰ These 814 "short bills" are related to a corresponding "long bill" for a customer and do not result from an initial bill or final bill.³¹

We find that Kentucky-American has, since January 1, 2012, improperly billed a net amount of \$41,361.85 through prorating its customer monthly service charge upward. The Commission finds that Kentucky-American should refund with interest the additional customer service charges collected as a result of its "long bill" practice to the extent that it has not already offset those amounts through subsequent "short bills." Refunds to current customer should be by a bill credit of the amount paid by that customer for a "long bill" monthly service charge not offset by a subsequent "short bill" monthly service charge, plus interest. In recognition of the difficulty of locating former customers, the amounts due to former customers should be paid with interest as a one-time contribution to the H2O Help to Others Program. We find that Kentucky-American should file a report that describes and documents the refund of these amounts.

²⁹ Response to Hearing Data Request, Item 2.

³⁰ *Id.*

³¹ *Id.*

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Kentucky-American are denied.
2. Kentucky-American's motion to approve the unanimous Settlement Agreement, attached hereto as Appendix A, is granted.
3. The rates and charges set forth in the Appendix B to this Order are fair, just, and reasonable and are approved for water service that Kentucky-American renders on and after August 28, 2016.
4. The depreciation rates set forth in Exhibit B of the Settlement Agreement are approved and authorized for Kentucky-American's use effective August 28, 2016.
5. Kentucky-American and AWWC are released from Condition 16 in Appendix A of the Commission's April 16, 2007 Final Order in Case No. 2006-00197.
6. Kentucky-American shall, within 120 days of the date of this Order, file a report that describes the billing practices that it has in place to ensure that a Kentucky-American customer is able to determine whether the amounts on his or her bill have been correctly calculated.
7. Kentucky-American shall desist from the "long bill" and "short bill" practice that is not contained in its tariff sheets on file with the Commission.
8. Kentucky-American shall, within 90 days of the date of this Order, refund with interest all amounts collected since January 1, 2012, due to a "long bill" monthly service charge that has not already been offset by a "short bill." Refunds to each current customer shall be by a bill credit of the amount paid by that customer for a "long bill" monthly service charge not offset by a subsequent "short bill" monthly service charge, plus interest. All amounts due to former customers shall be paid with interest

as a one-time contribution to the H2O Help to Others Program. The interest for the period shall be the average of the Three-Month Commercial Paper Rate as reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release on the date of this Order.

9. Kentucky-American shall file, within 120 days of the date of this Order, a report that describes and documents the refund required under ordering paragraph 8.

10. Kentucky-American's request that the Commission accept the tariff sheets attached to the Settlement Agreement is granted, and those tariff sheets are effective for service on and after August 28, 2016.

11. Within 20 days of the date of this Order, Kentucky-American shall file, using the Commission's electronic Tariff Filing System, its revised tariffs setting out the rates authorized herein and reflecting that they were approved pursuant to this Order.

12. Any documents filed in the future pursuant to ordering paragraphs 6 and 9 shall reference this case number and shall be retained in Kentucky-American's general correspondence file.

13. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Kentucky-American's showing of good cause for such extension.

By the Commission

ENTERED
AUG 23 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Stephanie Bell for TM
Executive Director

Case No. 2015-00418

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00418 DATED **AUG 23 2016**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:)
)
APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT) **CASE NO. 2015-00418**
OF RATES)
)

SETTLEMENT AGREEMENT, STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely Kentucky-American Water Company (“KAW”); the Attorney General of the Commonwealth of Kentucky (“AG”); the Lexington-Fayette Urban County Government (“LFUCG”); and Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”), to express their agreement on a mutually satisfactory resolution of all issues in the instant proceeding.

It is understood by all parties that this Settlement Agreement, Stipulation and Recommendation (“Agreement”) is not binding upon the Public Service Commission (“Commission”), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to KAW’s rates. The parties have expended considerable efforts to reach the agreements that form the basis of this Agreement. All of the parties, representing diverse interests and divergent viewpoints, agree that this Agreement, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

The adoption of this Agreement will eliminate the need for the Commission and the parties to expend significant resources litigating this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission’s final order herein. The parties agree

that this Agreement is supported by sufficient and adequate data and information, and should be approved by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Agreement, the parties hereby agree to, stipulate to and recommend the following:

1. KAW should be authorized to adjust its rates in order to permit it to recover \$6,475,000.00 more in annual revenue than it is recovering under its current rates, with such revised rates to be effective for service rendered on and after August 28, 2016. The increased revenue requirement shall be reflected in increases to the customer charges associated with KAW's various rate schedules as reflected in the tariff sheets attached as Exhibit A, which rates are to be effective as of August 28, 2016 and will be filed upon the Commission's approval of this Agreement.

2. The tariff sheets in Exhibit A reflect rates that are designed to allow KAW to recover the increased revenue from its various classes of customers in the manner agreed to by the parties to this Agreement. For KAW's residential customer class, the tariff sheets reflect the parties' agreement that there should be no increase to the existing monthly meter charge and that the increase in rates for the residential customer class should be imposed solely on residential consumption charges. For all other customer classes, the tariff sheets reflect the parties' agreement that the increase in revenues will be recovered in as close accordance to the cost-of-service study KAW has submitted in this matter. The approval of this Agreement by the Public Service Commission affirms that these rates are fair, just and reasonable.

3. KAW submitted a depreciation study in this case in support of its January 29, 2016 Application. The parties to this proceeding agree that for purposes of this Agreement,

KAW shall use the depreciation rates set forth in that study, which are also set forth in Exhibit B hereto, and should be made effective on August 28, 2016. The parties agree that this Agreement does not preclude the parties from arguing a different position on the depreciation issue in the future.

4. The parties agree that beginning in KAW's 2017 fiscal year, KAW will increase its annual contribution from shareholders to the H2O Help to Others Program to a total of \$62,500.00. KAW and CAC agree that they will discuss and implement methods to improve awareness of the H2O Help to Others Program.

5. Condition No. 16 in the Commission's April 16, 2007 Final Order in Case No. 2006-00197 requires KAW's equity-to-capital ratio to be maintained between 35 to 45 percent. KAW sought the release of that condition in Case No. 2014-00362. By Order dated May 15, 2015 in Case No. 2014-00362, the Commission indicated that KAW could seek release of that condition in its next general rate case so that all stakeholders could provide input on that issue. The parties to this Agreement have considered that issue and hereby agree that Condition No. 16 should be released and terminated.

6. KAW has proposed the implementation of a Qualified Infrastructure Program ("QIP") in this matter. The parties agree that this Agreement does not include approval of QIP and KAW hereby withdraws its request for Commission approval of QIP. The parties agree that neither this Agreement nor KAW's withdrawal of its request for QIP in this matter precludes KAW from seeking approval of QIP or any other similar infrastructure replacement regulatory mechanism in the future.

7. KAW has proposed a change in methodology by which the collection of credit card transaction fees occurs for KAW customers paying their bills by credit card. The parties

agree that this Agreement does not include the approval of that requested change and KAW hereby withdraws its request for that change. The parties agree that the current methodology of collecting credit card transaction fees from each individual customer at the time a credit card payment is made shall continue to be utilized. The parties further agree that neither this Agreement nor KAW's withdrawal of its request precludes KAW from seeking approval of such a change in the future.

8. Attached to this Agreement as Exhibit C are proof-of-revenue sheets, showing that the rates set forth in Exhibit A will generate the proposed revenue increase to which the parties have agreed in Paragraph No. 1 above.

9. The parties agree that, following the execution of this Agreement, they will cause the Agreement to be filed with the Commission together with a request to the Commission for consideration and approval of the Agreement for rates to become effective August 28, 2016. The parties agree that this Agreement is subject to the acceptance and approval by the Commission and they further agree to act in good faith and use their best efforts to recommend to the Commission that this Agreement be accepted and approved.

10. Each party waives all cross-examination of the other parties' witnesses unless the Commission disapproves this Agreement, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.

11. This Agreement is submitted for purposes of this case only and is not deemed binding upon the parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving KAW or any other utility.

12. If the Commission issues an order adopting this Agreement in its entirety, each of the parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

13. In the event the Commission should reject or modify all or any portion of this Agreement, or impose additional conditions or requirements upon the parties, each party shall have the right, within thirty (30) days of the Commission's Order, to either file an application for rehearing or terminate and withdraw from the Agreement by filing a notice with the Commission. Upon rehearing, any party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Agreement. In such event, the terms of this Agreement shall not be deemed binding upon the parties and the Agreement shall not be admitted into evidence, or referred to, or relied upon in any manner by any party. Should any party require that hearings go forward pursuant to this paragraph, then the parties agree that all parties should be permitted to move the Commission for the establishment of a procedural schedule which would permit the parties to submit evidence that has not been submitted as a result of reaching this Agreement.

14. The approval of this Agreement by the Public Service Commission is a fair, just and reasonable resolution of the issues in this proceeding and is in the best interests of all concerned. The parties urge the Commission to adopt the Agreement in its entirety.

15. The parties agree that this Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns.

16. The parties agree that this Agreement constitutes the complete understanding among the parties and any and all oral statements, representations or agreements made prior to

the execution of this Agreement shall be null and void and shall be deemed to have been merged into this Agreement.

17. The signatories to this Agreement warrant that they have informed, advised and otherwise consulted with the parties for whom they sign regarding the contents and significance of this Agreement, and, based upon those communications, the signatories represent they are authorized to execute this Agreement on behalf of the parties.

18. The parties agree that this Agreement may be executed in multiple counterparts.

KENTUCKY-AMERICAN WATER COMPANY

HAVE SEEN AND AGREED:

By _____

ATTORNEY GENERAL OF KENTUCKY

HAVE SEEN AND AGREED:

By Angela M. Aoad

COMMUNITY ACTION COUNCIL

HAVE SEEN AND AGREED:

By

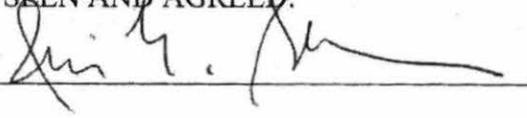
A handwritten signature in black ink, appearing to be "L. H. Smith", is written over a horizontal line.

Exhibit A

P.S.C.Ky.No.6

Cover Sheet and Original Sheets:

Nos. 5, 7, 8, 14 through 19, 20.1, 21, 24.1, 26, 29
through 49, 58, 58.6, 59, 63, 64, and Appendix A;

First Revised Sheet Nos. 2, 4, 6, 9, 10, 11, 12, 13, 24,
25, 28, 51, 53.1, 54, 58.4, 61, 62, 65;

Second Revised Sheet Nos. 2, 22, 23, 50.3, 57, 58.3,
58.5;

Third Revised Sheet No. 27, 50.1, 50.2, 56, 58.1, 58.2;

Fourth Revised Sheet No. 55;

Fifth Revised Sheet Nos. 3.1, 20;

Sixth Revised Sheet No. 52.1;

Eighth Revised Sheet Nos. 28.1, 28.2;

Fourteenth Revised Sheet No. 3;

Fifteenth Revised Sheet No. 55.1;

Twenty-Eighth Revised Sheet No. 53;

Thirty-First Revised Sheet No. 52;

Thirty-Fourth Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY
2300 RICHMOND ROAD, LEXINGTON, KENTUCKY
<http://www.amwater.com/kyaw>
FOR SERVICE IN KENTUCKY COUNTIES OF
BOURBON, CLARK, FAYETTE, GALLATIN, GRANT, HARRISON,
JESSAMINE, OWEN, SCOTT AND WOODFORD
FILED WITH THE PUBLIC SERVICE COMMISSION OF KENTUCKY

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

Index (Cont'd.)

	Service Classification No.6 -	Billing of License, Occupation, Franchise or Other Similar Charges or Taxes including School Taxes	55
(T)		Kentucky River Authority Withdrawal Fee	55.1
		Reconnection Charge	56
		Insufficient Funds Charge	57
		Service Line Inspection Fee	58
(D)		Former Tri-Village Water District	
(D)		Customer Specific Tariff Charges	58.1
(D)		Former Elk Lake Shores Subdivision	
(D)		Customer Specific Tariff Charges	58.2
		New Account Set-up – Activation Fee	58.3
		Reserve for future use	58.4
		Reserve for future use	58.5
		Late Payment Fee	58.6
		Computerized Loading Stations	59
		Reserved for future use	60
(T)		Reserve for Future Use (previously deleted)	61
(T)		Reserve for Future Use (previously deleted)	62
		Partial Payment Plans	63
		Blank Sheet	64
		Hidden Leak Adjustment	65

(D) Indicates deletion
(T) Indicates change in text

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

0001012210013524033000000000010637016



6 For Service To: 433 E MAXWELL ST

8 Check this box for address changes and note new address on back.

10 JOHN B. DOE
 1 FIRST STREET
 LEXINGTON, KY 40504

2 Account Number	1012-210012345678
3 Due Date	November 14, 2016
4 Total Due	\$113.48
5 If Paid After Due Date	\$115.53 after 11/14/16

7 Amount Enclosed \$

9 KENTUCKY AMERICAN WATER
 PO BOX 371880
 PITTSBURGH, PA 15250-7880



11 Please return this portion with your payment.

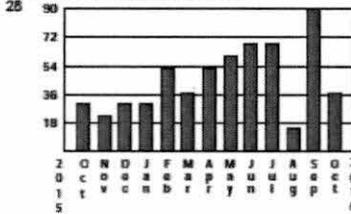
12 BILLING PERIOD AND METER READINGS

- 13 • Billing date: October 30, 2016
- 14 • Due Date: November 14, 2016
- 15 • Billing period: Sep 28 to Oct 30 (33 Days)
- 16 • Next reading on or about: Dec 03, 2016
- 17 • Customer Type: Residential
- 18 • Meter Reading Measurement:
 1 unit = 100 CF or 748 gallons of water
- 19 • Billing Measurement: 100 gallons (CGL)

20 Meter No.	88918456N
21 Size of meter	5/8"
22 Current Read	160 (Actual)
23 Previous Read	155 (Actual)
24 Total water used this billing period	5 units (3,740 gallons)

- 25 Total Water Use Comparison (in 100 gallons)
- 26 • Current billing period 2016: 37.40 CGL
- 27 • Same billing period 2015: 29.92 CGL

28 Billed Use Graph (100 gallons)



29 BILLING SUMMARY

30 Prior Balance	
31 • Balance from last bill	69.73
31 TOTAL PAST AMOUNT - DUE IMMEDIATELY	69.73
32 Current Water Service	
33 • Water Service Charge	12.49
34(I) • Water Usage Charge (\$0.6019 x 37.40)	22.51
35 • Total Water Service Related Charges	35.00
36 Other Charges	
37 • Georgetown Hydrant Fee	2.28
38 • Water Late Payment Charge	3.49
39 • Total Other Charges	5.77
40 Taxes	
41(T) • KRA Withdrawal Fee (\$0.0170 x 37.40)	0.64
42(T) • Franchise Tax	1.16
43(T) • School District Tax	1.16
44 • Total Taxes	2.96
44 TOTAL CURRENT CHARGES	43.73

46(T) TOTAL AMOUNT DUE **\$113.46**

- 47 Pay your bill online: www.water.paymybill.com
- Pay by phone: 24-hours a day, every day at 1-888-422-5269
- Pay in person: Residential customers may obtain a listing of payment locations by visiting www.amwater.com/myh2o

48 Important messages from Kentucky American Water

- This area will be used for important messages from American Water
- The due date pertains to current charges only. Any past due balance should be paid immediately.
- Copies of your annual water quality report (Consumer Confidence Report) can be obtained by visiting our website printed at the bottom of this bill.
- Need to update your contact information? Check out our self service options at www.amwater.com/myh2o

49 Questions about this bill? Call our 24-Hour Customer Service Center: 1-800-678-6301 www.kentuckyamwater.com
 100000003803

(I) Indicates Increase
 (T) Indicates change in text

ISSUED: July 6, 2016
 EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
 Nick O. Rowe, President
 2300 Richmond Rd, Lexington, KY 40502

(Continued)

Here is an explanation of the typical customer's bill.

- | | |
|--|--|
| 1. Assumed Name for Kentucky American Water Company and payment mailing address | 25. Total Water Use Comparison (in 100 gallons) |
| 2. Customer Account Number – use this when making inquiries | 26. Current Billing Period Current Year |
| 3. Date Payment is Due | 27. Same Billing Period Prior Year |
| 4. Total Amount Due or DO NOT PAY (if credit balance or paid through automatic withdrawal) | 28. Billed Use Graph (100 Gallons) |
| 5. Amount Due if payment is late (with applicable late fee included) | 29. Billing Summary |
| 6. Address where service is received | 30. Balance from Last Bill |
| 7. Amount enclosed | 31. Total Past Amount – Due Immediately |
| 8. Area to request a change of address or telephone number | 32. Current Water Service |
| 9. Address to mail payment | 33. Water Service Charge |
| 10. Customer Name and Billing Address | 34. Water Usage |
| 11. Please return this portion with your payment | 35. (T) Total Water Service Related Charges |
| 12. Billing Period & Meter Information | 36. Other Charges |
| 13. Billing Date | 37. (T) Hydrant Fee (if applicable by local ordinance) |
| 14. Due Date | 38. Water Late Payment Charge |
| 15. Billing Period and number of days of service | 39. Total Other Charges |
| 16. Next reading on or about | 40. Taxes |
| 17. Customer Type | 41. KRA (Kentucky River Authority) withdrawal Fee |
| 18. Meter Reading Measurement | 42. (T) Franchise Tax (if applicable – rate% x Total Water Service Related Charges) |
| 19. Billing Measurement | 43. (T) School District Tax (if applicable – rate % x Total Water Service Related Charges) |
| 20. Meter Number | 44. Total Taxes |
| 21. Meter Size | 45. Total Current Charges |
| 22. Current Meter Reading | 46. Total Amount Due |
| 23. Previous Meter Reading | 47. Bill Pay Information (Online/Phone/In Person) |
| 24. Total Water Used This Billing Period | 48. Messages from Kentucky American Water |
| | 49. Customer Service, Emergency Phone Number, and Internet Address |

(T) Indicates change in text

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates

The following shall be the rates for consumption, in addition to the service charges provided for herein;

Customer Category	Rate Per 1,000 Gallons All consumption		Rate Per 100 Gallons All Consumption		Rate Per 100 Cubic Feet All Consumption	
Residential	\$6.0190 (I)		\$0.6019 (I)		\$3.9647 (D)	
Commercial	5.0952 (I)		0.5095 (I)		3.6113 (D)	
Industrial	4.3087 (I)		0.4309 (I)		2.9132 (D)	
Municipal & Other						
Public Authority	4.6034 (I)		0.4603 (I)		3.1754 (D)	
Sales for Resale	4.3255 (I)		0.4326 (I)		3.1486 (D)	

Service Charges

All metered general water service customers shall pay a service charge based on the size of meter installed. The service charge will not entitle the customer to any water.

Size of Meter	Residential Service Charge Per Month (N)	All Other Classes Service Charge Per Month (N)
5/8"	\$12.49	\$ 13.63 (I)
3/4"	18.74	20.46 (I)
1"	31.23	34.07 (I)
1-1/2"	62.45	68.17 (I)
2"	99.92	109.04 (I)
3"	187.35	204.47 (I)
4"	312.25	340.77 (I)
6"	624.50	681.50 (I)
8"	999.20	1,090.40 (I)

- (N) Indicates New Rate or Requirement
- (I) Indicates Increase
- (D) Indicates Deletion (removal of a rate per 100 Cubic Feet)

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/ Nick O. Rowe
 Nick O. Rowe, President
 2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 3**Applicable**

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates

	<u>Size of Service</u>	<u>Rate Per</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
(I)	2" Diameter	\$ 9.13	\$ 109.56
(I)	4" Diameter	36.76	441.12
(I)	6" Diameter	82.68	992.16
(I)	8" Diameter	146.98	1,763.76
(I)	10" Diameter	229.72	2,756.64
(I)	12" Diameter	331.26	3,975.12
(I)	14" Diameter	450.45	5,405.40
(I)	16" Diameter	588.21	7,058.52

Special Provisions

No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall not be drawn from a private fire service connection for any other purpose.

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed in Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

(I) Indicates increase

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

TAPPING FEES

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for residential, commercial, industrial, other public authority and sales for resale customers.

Tapping (Connection) Fees

Size of Meter Connected

(I)	5/8-Inch	\$1,280.00
(I)	1-Inch	2,201.00
(I)	2-Inch	4,238.00
	Service larger than 2"	Actual Cost

For services greater than 2", a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

(I) Indicates Increase

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates for Public Fire Service

	<u>Rate Per</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	\$44.68	\$536.16
(I)		

Rates for Private Service

For each private fire hydrant contracted for by Industries or Private Institutions.	\$79.77	\$957.24
---	---------	----------

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition, to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed In Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

Special Provisions

A few hydrants are connected to mains by a "special connection." A "special connection" exists when a customer and the Company entered into a service contract in which the customer agreed to maintain an unmetered water line from a Company main to the customer's service line. If the Company has reason to believe water from a special connection is being used for purposes other than fire protection, including that the connection or line is leaking, the Company may install a meter and charge for usage under this tariff. The Company may require the customer to pay for

(I) Indicates increase

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
 Nick O. Rowe, President
 2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE

SERVICE CLASSIFICATION NO. 6

(T) BILLING OF LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES INCLUDING SCHOOL TAX

APPLICABLE

Applicable to all customers in the City of Lexington, Fayette County, Kentucky and contiguous territory thereto.

AVAILABILITY OF SERVICE

Available for Residential, Commercial, Industrial, Public Service and Sales for Resale customers.

RATES

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, fee or other similar fee, charge or tax now or hereafter imposed upon the Company by local taxing authorities or the Kentucky River Authority, whether imposed by ordinance, franchise, statute or otherwise, and which fee, tax or charge is based upon Kentucky River water usage or a percentage of the gross receipts, net receipts, or revenues from sales of water or services rendered by the Company to the customer. Where more than one such charge, fee or tax is imposed, the total of such charges, fees or taxes applicable to a Customer may be billed to the customer as a single amount. Charges, fees or taxes herein referred to shall in all instances be billed to customers on the basis of Company rates or usage effective at the time of billing, and on the basis of the tax rate of usage effective at the time billing is made.

- (T) There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate
- (T) amount of school tax in any county requiring a utility gross receipts license tax for schools under
- (T) KRS 160.613.

There shall also be added to the Customer's bill, as a separate item, any fee, tax or charge imposed upon the customer by a municipality or governmental agency, the purpose of which is to allocate among those customers identified by ordinance, franchise, statute, or otherwise, the cost of fire hydrants imposed upon the municipality or governmental agency. Failure to pay this charge shall not constitute grounds for termination of service.

- (T) Indicates change in text

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

Issued by: /s/Nick O. Rowe
Nick O. Rowe, Vice President
2300 Richmond Road, Lexington, KY 40502

(D) CUSTOMER SPECIFIC TARIFF CHARGES

(D) Applicable

(D) Applicable to customers in the Company's Northern Division formerly served by the Tri-Village
(D) Water District.

(D) Service Run \$23 ** (refer below)

(D) Collection of Delinquent Bill \$23

(D) Reconnection Charge \$56

(D) Deposit for New Service \$40

(D) Returned Check Charge \$10

(D) ** This applies anytime the service men come to remove the meter for non-payment of the bill and the
(D) customer pays while they are there or tells them that they will come to the office to pay the bill.

(D) Indicates deletion

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

(D) CUSTOMER SPECIFIC TARIFF CHARGES

(D) Applicable

- (D) Applicable to customers in the Company's Northern Division formerly served by the Elk Lake Shores
(D) Subdivision.

(D) SERVICE RUN

- (D) The cost of a service run shall be \$40.00. This applies anytime the service men come to remove the
(D) meter for non-payment of the bill and the customer pays while they are there or tells them that they will
(D) come to the office to pay the bill.

(D) PENALTY CLAUSE

- (D) The rates, as listed, are net and all bills will be rendered in the net amount. A penalty of 10% shall be
(D) added to the bill if payment is not received by the 15th of the month. A penalty will be assessed only
(D) once on any bill for rendered service.

(D) RETURNED CHECK FEE

- (D) Customer will be charged \$10.00 on any returned checks.

(D) RECONNECTION CHARGE

- (D) A Reconnection Charge of \$56.00 shall be made by the Company to cover the cost incurred for
(D) reconnecting the meter or service when the customer's service has been disconnected at his request, or
(D) for any other reason, as set forth in these Regulations.

(D) METER REMOVAL CHARGE

- (D) A Meter Removal Charge of \$56.00 shall be made when the customer's service has been disconnected at
(D) his request, or for any other reason, as set forth in these Regulations.

(D) Indicates Deletion

ISSUED: July 6, 2016
EFFECTIVE: August 28, 2016

ISSUED BY: /s/Nick O. Rowe
Nick O. Rowe, President
2300 Richmond Road, Lexington, KY 40502

Exhibit B

**Kentucky American Water Company
Case No. 2015-00418
Depreciation Rates Per Updated Depreciation Study**

<u>Depreciable Group</u>	<u>Accrual Rate</u>
<u>STRUCTURES AND IMPROVEMENTS</u>	
304.10 SOURCE OF SUPPLY	2.24
304.20 POWER AND PUMPING STRUCTURES	2.48
304.30 WATER TREATMENT	2.71
304.40 TRANSMISSION AND DISTRIBUTION	1.39
304.60 OFFICE BUILDINGS	3.07
304.70 STORE, SHOP AND GARAGE STRUCTURES	1.76
304.80 MISCELLANEOUS STRUCTURES	6.18
305.00 COLLECTING AND IMPOUNDING RESERVOIRS	1.58
306.00 LAKE, RIVER AND OTHER INTAKES	2.02
309.00 SUPPLY MAINS	1.53
310.10 OTHER POWER GENERATION EQUIPMENT	3.12
<u>PUMPING EQUIPMENT</u>	
311.20 ELECTRIC	3.03
311.30 DIESEL	3.23
311.40 HYDRAULIC	4.08
311.52 SOURCE OF SUPPLY	2.73
311.54 TRANSMISSION AND DISTRIBUTION PUMPING EQUIPMENT	3.02
320.10 PURIFICATION SYSTEM - STRUCTURES	2.77
320.20 PURIFICATION SYSTEM - FILTER MEDIA	2.65
330.00 DISTRIBUTION RESERVOIRS AND STANDPIPES	2.02
330.10 ELEVATED TANKS AND STANDPIPES	1.89
330.20 GROUND LEVEL FACILITIES	1.83
330.40 CLEARWELLS	1.74
331.00 MAINS AND ACCESSORIES	1.53
333.00 SERVICES	3.24
<u>METERS</u>	
334.10 METERS	3.50
334.11 BRONZE CASE	2.90
334.12 PLASTIC CASE	4.39
334.13 OTHER	3.70
334.20 METER INSTALLATIONS	2.89
334.30 METER VAULTS	3.31
335.00 FIRE HYDRANTS	2.15
339.60 OTHER P/E COMPANY PLANNING STUDY	10.00
<u>OFFICE FURNITURE AND EQUIPMENT</u>	
340.10 FURNITURE	5.00
340.15 COMPUTER SOFTWARE - SPECIAL RATE	10.00
340.21 MAINFRAME	20.00
340.22 PERSONAL COMPUTERS	20.00

340.23 PERIPHERAL-OTHER	20.00
340.30 COMPUTER SOFTWARE	20.00
340.32 COMPUTER SOFTWARE-PERSONAL	20.00
340.50 OTHER	6.67

TRANSPORTATION EQUIPMENT

341.10 LIGHT DUTY TRUCKS	8.76
341.20 HEAVY DUTY TRUCKS	8.12
341.30 AUTOS	10.11
341.40 OTHER	10.06

342.00 STORES EQUIPMENT	4.00
343.00 TOOLS, SHOP AND GARAGE EQUIPMENT	5.00
344.00 LABORATORY EQUIPMENT	6.67
345.00 POWER OPERATED EQUIPMENT	2.73
346.10 COMMUNICATION EQUIPMENT - NON-TELEPHONE	6.67
346.19 REMOTE CONTROL AND INSTRUMENTATION	6.67
346.20 COMMUNICATION EQUIPMENT - TELEPHONE	6.67
347.00 MISCELLANEOUS EQUIPMENT	5.00
348.00 OTHER TANGIBLE PROPERTY	5.00

Exhibit C

Kentucky American Water Company
Case No. 2015-00418
Revenue at Present and Proposed Rates
Forecast Year for the 12 Months Ended August 31, 2017

Line No.	Rate Classification (A)	Sales (B)	Revenues at Present Rates (C)	Revenues at Proposed Rates (D)	Revenues Change (Amt) (E)	% of Revenues Change (F)	
1							
2							
3							
4	Residential	5,575,259	\$47,597,938	\$51,604,319	\$4,006,381	8.42%	
5	Commercial	3,487,266	21,168,395	22,495,325	1,326,930	6.27%	
6	Industrial	619,086	2,540,483	2,808,611	268,128	10.55%	
7	Other Public Authority	1,196,002	5,904,766	6,408,697	503,931	8.53%	
8	Sale for Resale	403,500	1,774,742	1,828,594	53,852	3.03%	
9	Private Fire Service:	0	2,699,847	2,738,564	38,717	1.43%	
10	Public Fire Service	0	3,740,506	4,017,447	276,941	7.40%	
11	Miscellaneous	4,368	84,644	84,644	0	0.00%	
12	Other Water Revenue	0	0	0	0	0.00%	
13							
14		Total	<u>11,285,481</u>	<u>\$85,511,321</u>	<u>\$91,986,201</u>	<u>\$6,474,880</u>	<u>7.57%</u>
15							
16	Proforma Other Operating Revenues						
17	Other Water Revenue		\$0	\$0	\$0	0.00%	
18	Late Payment Fee		852,640	852,640	0	0.00%	
19	Rent		69,684	69,684	0	0.00%	
20	Rent I/C		65,400	65,400	0	0.00%	
21	Collect for Others		0	0	0	0.00%	
22	NSF Check Charge		32,142	32,142	0	0.00%	
23	Application/Initiation Fee		743,543	743,543	0	0.00%	
24	Usage Data		52,634	52,634	0	0.00%	
25	Reconnect Fee		299,605	299,605	0	0.00%	
26	Miscellaneous Service		59,000	59,000	0	0.00%	
27							
28	AFUDC		642,356	642,356	0	0.00%	
29							
30	Proforma Tota Operating Revenues		<u>\$88,328,325</u>	<u>\$94,803,205</u>	<u>\$6,474,880</u>	<u>7.33%</u>	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2015-00418 DATED **AUG 23 2016**

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>Size of Meter</u>	<u>Residential Per Month</u>	<u>All Other Classes Per Month</u>
5/8-Inch	\$ 12.49	\$ 13.63
3/4-Inch	18.74	20.46
1-Inch	31.23	34.07
1 1/2-Inch	62.45	68.17
2-Inch	99.92	109.04
3-Inch	187.35	204.47
4-Inch	312.25	340.77
6-Inch	624.50	681.50
8-Inch	999.20	1,090.40

Consumption Rates

<u>Customer Category</u>	<u>Rate Per 1,000 Gallons All Consumption</u>	<u>Rate Per 100 Gallons All Consumption</u>	<u>Rate Per 100 Cubic Feet All Consumption</u>
Residential	\$ 6.0190	\$ 0.6019	\$ 3.9647
Commercial	5.0952	0.5095	3.6113
Industrial	4.3087	0.4309	2.9132
Municipal & Other Public Authority	4.6034	0.4603	3.1754
Sales for Resale	4.3255	0.4326	3.1486

Municipal or Private Fire Protection Service

<u>Size of Service</u>	<u>Rate Per Month</u>	<u>Rate Per Annum</u>
2-Inch	\$ 9.13	\$ 109.56
4-Inch	36.76	441.12
6-Inch	82.68	992.16
8-Inch	146.98	1,763.76
10-Inch	229.72	2,756.64
12-Inch	331.26	3,975.12
14-Inch	450.45	5,405.40
16-Inch	588.21	7,058.52

Rates for Public or Private Fire Service

<u>Rates for Public Fire Service</u>	<u>Rate Per Month</u>	<u>Rate Per Annum</u>
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions	\$ 44.68	\$ 536.16

Rates for Private Fire Service

For each private fire hydrant contracted for by Industries or Private Institutions	\$ 79.77	\$ 957.24
--	----------	-----------

Tapping (Connection) Fees

<u>Size of Meter Connection</u>	
5/8-Inch	\$ 1,280.00
1-Inch	2,201.00
2-Inch	4,238.00
Service larger than 2-Inch	Actual Cost

*Andrea C Brown
Lexington-Fayette Urban County Government
Department Of Law
200 East Main Street
Lexington, KENTUCKY 40507

*Linda C Bridwell
Director Engineering
Kentucky-American Water Company aka Kentucky
2300 Richmond Road
Lexington, KY 40502

*Angela M Goad
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

*Monica Braun
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Honorable Iris G Skidmore
415 W. Main Street
Suite 2
Frankfort, KENTUCKY 40601

*Honorable David J. Barberie
Managing Attorney
Lexington-Fayette Urban County Government
Department Of Law
200 East Main Street
Lexington, KENTUCKY 40507

*Janet M Graham
Commissioner of Law
Lexington-Fayette Urban County Government
Department Of Law
200 East Main Street
Lexington, KENTUCKY 40507

*Honorable Lindsey W Ingram, III
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Kentucky-American Water Company aka
2300 Richmond Road
Lexington, KY 40502