

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)


NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on July 13, 2016 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on July 13, 2016 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on July 13, 2016.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: http://psc.ky.gov/av_broadcast/2015-00418/2015-00418_13Jul16_Inter.aspx. Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 18th day of July 2016.

A handwritten signature in cursive script that reads "Linda Faulkner".

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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aka Kentucky American Water
2300 Richmond Road
Lexington, KY 40502

Linda C Bridwell
Director Engineering
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2300 Richmond Road
Lexington, KY 40502

Monica Braun
STOLL KEENON OGDEN PLLC
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Suite 2100
Lexington, KENTUCKY 40507-1801

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

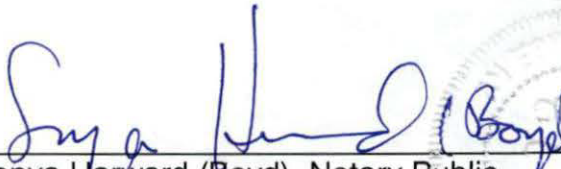
APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT) CASE NO. 2015-00418
OF RATES)

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on July 13, 2016. Hearing Log, Exhibit, Exhibit List, and Witness List are included with the recording on July 13, 2016.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of July 13, 2016.
4. The Exhibit List attached to this Certificate correctly lists the Exhibit introduced at the Hearing of July 13, 2016.
5. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of July 13, 2016 and the time at which each occurred.

Given this 13th day of July, 2016.


Sonya Harward (Boyd), Notary Public
State at Large
My commission expires: August 27, 2017





Session Report - Detail

2015-00418_13July2016

Kentucky-American Water Company

Date:	Type:	Location:	Department:
7/13/2016	General Rates	Hearing Room 1	Hearing Room 1 (HR 1)

Judge: Bob Cicero; Dan Logsdon; Michael Schmitt
 Witness: Linda Bridwell - Kentucky-American Water Company
 Clerk: Sonya Harward

Event Time	Log Event
8:43:42 AM	Session Started
8:43:45 AM	Session Paused
8:57:58 AM	Session Resumed
8:58:04 AM	Chairman Michael Schmitt - Introductions Note: Harward, Sonya Introduces the case, and Vice Chairman Robert Cicero and Commissioner Daniel Logsdon
8:59:08 AM	Attys. Lindsay Ingram and Monica Braun for Kentucky-American Water Company Note: Harward, Sonya Accompanied by In-House Attys. David Hinkson and Christy Wheeler. Others in attendance: Linda Bridwell, Nick Rowe, Brent O'Neill, and Kevin Rodgers.
8:59:38 AM	Attys. Angela Goad and Rebecca Goodman - Office of the Attorney General
8:59:43 AM	Atty. David Barbery - Lexington Fayette Urban County Government
8:59:51 AM	Atty. Iris Skidmore - Community Action Council
8:59:58 AM	Attys. David Spenard, Richard Raff, Jennifer Fell, and John Park - Commission Staff
9:00:11 AM	Notice has been given and the paper copy will be filed today.
9:00:30 AM	Public Comments Note: Harward, Sonya No public gave comment.
9:00:50 AM	Chairman Schmitt - Remarks Regarding Outstanding Confidential Motions Note: Harward, Sonya Will be ruled on in the future but kept as confidential until then.
9:01:25 AM	Chairman Schmitt - Remarks Regarding the Motion to Approve the Settleement Agreement
9:01:41 AM	Chairman Schmitt - Remarks Regarding Exhibits
9:02:05 AM	Witness Linda Bridwell takes the stand and is sworn in. Note: Harward, Sonya Manager of Rates and Regulation for Kentucky-American and Tennessee-American Water Company
9:02:49 AM	Atty. Ingram Direct Exam of Witness Bridwell
9:03:21 AM	Chairman Schmitt - Remarks about Cross Examination by Intervenors
9:03:46 AM	Atty. Spenard Cross Exam of Witness Bridwell Note: Harward, Sonya Referencing the Settlement Agreement, Exhibit A, 7th page, Sheet 52.1, regarding Tapping Fees.
9:05:34 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya Referencing the Settlement Agreement, page 2, numbered paragraph 2, regarding no rate increase to the existing monthly rate charge for the residential class.
9:07:46 AM	Staff - Hearing Exhibit 1 Note: Harward, Sonya Redacted Kentucky-American customer bills, with due dates April 8, 2016, May 13, 2016, and June 13, 2016.
9:08:13 AM	Staff - Hearing Exhibit 2 Note: Harward, Sonya Kentucky-American's Response to Commission Staff's Fourth Request for Information, Item 2.
9:10:28 AM	Chairman Schmitt - Accepts Exhibits 1 and 2 into the Record
9:10:50 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya Asking Witness about Staff Hearing Exhibits 1 and 2, regarding monthly service charges.

9:14:04 AM	Staff - Hearing Exhibit 3 Note: Harward, Sonya	Redacted Kentucky-American customer bills, with due dates April 7, 2016, May 13, 2016, June 10, 2016, and July 11, 2016.
9:14:46 AM	Chairman Schmitt - Accepts Exhibit 3 into the Record	
9:15:07 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking Witness about Staff - Hearing Exhibit 3, regarding the monthly service charge.
9:17:36 AM	Staff - Hearing Exhibit 4 Note: Harward, Sonya	Redacted Kentucky-American customer bills, with due dates April 10, 2015, May 14, 2015, June 15, 2015, and July 10, 2015.
9:18:11 AM	Chairman Schmitt - Accepts Exhibit 4 into the Record	
9:18:34 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking Witness about Staff - Hearing Exhibit 4, regarding the monthly service charge and the charges being in excess of the charge listed in Kentucky-American's tariff.
9:20:52 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking if customers get refunds or credits for over-payments of monthly service charges.
9:21:56 AM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide the cycle time used to determine when to credit customers' accounts when they receive a long bill.
9:22:27 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking about credits being given for the monthly service charge on long bills.
9:23:32 AM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide the number of long-read events, and state how many credits were issued since Jan. 1, 2012 for these events.
9:24:48 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Referencing Staff - Hearing Exhibit 2, regarding whether a formula used to prorate bills in currently in Kentucky-American's tariffs.
9:26:08 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Referencing Staff - Hearing Exhibit 2, reading from the response, and asking whether the review process is the same as that used by American Water Works Shared Services Center.
9:26:51 AM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide the policy or manual used by American Water Works Shared Services Center for prorating bills and issuance of credits. If it does not have one, then provide a narrative that explains the process.
9:28:18 AM	Staff - Hearing Exhibit 5 Note: Harward, Sonya	Direct Testimony of Paul R. Herbert Concerning Cost of Service Allocation and Customer Rate Design, dated January 29, 2016.
9:28:47 AM	Chairman Schmitt - Accepts Exhibit 5 into the Record	
9:29:03 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Referencing Staff - Hearing Exhibit 5, page 4, line 12, regarding how customer costs translate into service charges.
9:30:05 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Referencing Staff - Hearing Exhibit 5, page 9, lines 15, and reads starting at line 20, regarding whether Kentucky-American's proration formula was used.
9:31:05 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Referencing Staff - Hearing Exhibit 1, regarding franchise taxes.
9:33:07 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking how customers determine how much they are being billed for the franchise tax.

9:34:52 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking about the school district tax.
9:35:40 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking what it would cost Kentucky-American to add the ability to enter a formula for the school district tax to appear on customers' bills.
9:36:58 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking about state sales taxes, and if the line item is on the bill of a customer who does not pay this tax.
9:37:36 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Referencing Staff - Hearing Exhibit 1, the bill with the due day of May 13, regarding two lines that list the KRA withdrawal fee. Asking whether a change in the franchise tax would be reflected in the billing summary.
9:40:05 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking Witness about Kentucky-American's involvement with the Bluegrass Water Supply Consortium.
9:41:35 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking how much money Kentucky-American gave to the Bluegrass Water Supply Consortium.
9:42:07 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking about Kentucky-American's involvement with the Bluegrass Water Supply Commission, and whether Kentucky-American received any funds from the commission.
9:44:32 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking if costs for the project for which the Bluegrass Water Supply Commission provided funds are identified in the rate base.
9:45:16 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking if Kentucky-American made any payments to the Bluegrass Water Supply Commission.
9:45:47 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking how the monies paid to the Bluegrass Water Supply Commission were recorded on Kentucky-American's books.
9:47:41 AM	Atty. Spenard to Witness Bridwell Note: Harward, Sonya	Asking about the current nature of the relationship between Kentucky-American and the Bluegrass Water Supply Commission.
9:49:07 AM	Commissioner Cicero Cross Exam of Witness Bridwell Note: Harward, Sonya	Asking whether any of the revenue in the Settlement Agreement is designated for cast iron main replacement, though the request for the Qualified Infrastructure Program was withdrawn in the Settlement Agreement.
9:49:36 AM	Camera Lock PTZ Activated	
9:49:49 AM	Camera Lock Deactivated	
9:50:36 AM	Witness Bridwell Dismissed from the Stand.	
9:51:11 AM	Chairman Schmitt - Regarding Other Witnesses or Motions	
9:51:12 AM	Camera Lock PTZ Activated	
9:51:37 AM	Chairman Schmitt - Swears All Parties to the Terms of the Settlement Agreement	
9:52:50 AM	Camera Lock Deactivated	
9:52:53 AM	POST HEARING DATA REQUESTS due July 27, 2016	
9:53:19 AM	Camera Lock PTZ Activated	
9:53:24 AM	Camera Lock Deactivated	
9:53:44 AM	Hearing Adjourned.	
9:53:50 AM	Session Paused	
9:54:58 AM	Session Ended	



Exhibit List Report

2015-00418_13July2016

Kentucky-American Water
Company

Name:	Description:
Staff - Hearing Exhibit 1	Redacted Kentucky-American customer bills, with due dates April 8, 2016, May 13, 2016, and June 13, 2016.
Staff - Hearing Exhibit 2	Kentucky-American's Response to Commission Staff's Fourth Request for Information, Item 2.
Staff - Hearing Exhibit 3	Redacted Kentucky-American customer bills, with due dates April 7, 2016, May 13, 2016, June 10, 2016, and July 11, 2016.
Staff - Hearing Exhibit 4	Redacted Kentucky-American customer bills, with due dates April 10, 2015, May 14, 2015, June 15, 2015, and July 10, 2015.
Staff - Hearing Exhibit 5	Direct Testimony of Paul R. Herbert Concerning Cost of Service Allocation and Customer Rate Design, dated January 29, 2016.



KENTUCKY AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To

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

Account Number	
Due Date	April 8, 2016
Total Due	\$43.51
If Paid After Due Date	\$45.69 after 4/8/16

Amount Enclosed \$ Paid Electronically on Due Date.

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

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BILLING PERIOD AND METER READINGS

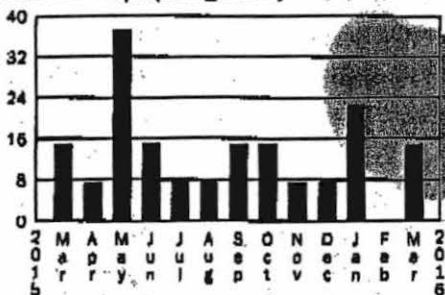
- Billing date: March 23, 2016
- Due Date: April 8, 2016
- Billing period: Feb 24 to Mar 21 (27 Days)
- Next reading on or about: Apr 22, 2016
- Customer Type: Commercial
- Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	1"
Current Read	377 (Actual)
Previous Read	375 (Actual)
Total water used this billing period	2 units (1,496 gallons)

Total Water Use Comparison (in 100 gallons)

- Current billing period 2016: 14.96 CGL
- Same billing period 2015: 14.96 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

**For Service To:
For Account**

Prior Balance	
• Balance from last bill	35.09
• Payments as of Feb 29. Thank you!	-35.09
Balance Forward	0.00
Current Water Service	
• Water Service Charge	31.23
• Water Usage Charge (\$0.48280000 x 14.96)	7.22
• Total Water Service Related Charges	38.45
Other Charges	
• KRA Withdrawal Fee (\$0.01970000 x 14.96)	0.29
• Total Other Charges	0.29
Taxes	
• Franchise Taxes	1.16
• School District Tax	1.16
• State Sales Tax	2.45
• Total Taxes	4.77

TOTAL CURRENT CHARGES 43.51

TOTAL AMOUNT DUE → \$43.51

Important messages from Kentucky American Water

• **Facts About Lead in Drinking Water:** Kentucky American Water regularly tests for lead in drinking water based on US Environmental Protection Agency requirements. The results from our latest testing at customer homes in 2015 show that all results are well below the action level of 0.015 mg/L in both our Central and Millersburg Divisions. The highest level detected in our Central Division was 0.005 mg/L and the highest level detected in our Millersburg Division was 0.008 mg/L. For more information about our water quality monitoring and the results of our testing, visit our website at www.kentuckyamwater.com.

• Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).



PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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

Account Number	
Due Date	May 13, 2016
Total Due	\$49.93
If Paid After Due Date	\$52.43 after 5/13/16

Amount Enclosed \$ Paid Electronically on Due Date.

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

Please tear along the dotted line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

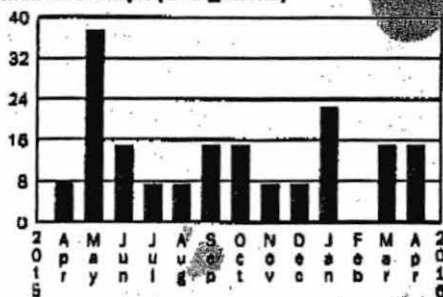
- Billing date: April 27, 2016
- Due Date: May 13, 2016
- Billing period: Mar 22 to Apr 26 (36 Days)
- Next reading on or about: May 23, 2016
- Customer Type: Commercial
- Meter Reading Measurement:
 1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	1"
Current Read	379 (Actual)
Previous Read	377 (Actual)
Total water used this billing period	2 units (1,496 gallons)

Total Water Use Comparison (in 100 gallons)

- Current billing period 2016: 14.96 CGL
- Same billing period 2015: 7.48 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

For Service For Account

Prior Balance	
• Balance from last bill	43.51
• Payments as of Mar25, Thank you!	-43.51
Balance Forward	0.00
Current Water Service	
• Water Service Charge	36.98
• Water Usage Charge (\$0.48280000 x 14.96)	7.22
• Total Water Service Related Charges	44.18
Other Charges	
• KRA Withdrawal Fee	
• 03/22/16 to 03/29/16 (\$0.01970000 x 3.32)	0.07
• 03/30/16 to 04/26/16 (\$0.01700000 x 11.64)	0.20
• Total Other Charges	0.27
Taxes	
• Franchise Taxes	1.34
• School District Tax	1.33
• State Sales Tax	2.81
• Total Taxes	5.48
TOTAL CURRENT CHARGES	49.93

TOTAL AMOUNT DUE ➔ **\$49.93**

Important messages from Kentucky American Water

- **Facts About Lead in Drinking Water:** Kentucky American Water regularly tests for lead in drinking water based on US Environmental Protection Agency requirements. The results from our latest testing at customer homes in 2015 show that all results are well below the action level of 0.015 mg/L in both our Central and Millersburg Divisions. The highest level detected in our Central Division was 0.005 mg/L and the highest level detected in our Millersburg Division was 0.008 mg/L. For more information about our water quality monitoring and the results of our testing, visit our website at www.kentuckyamwater.com.
- Water utilities that withdraw water from the Kentucky River are required to collect a "KRA Withdrawal Fee" from their customers. This fee is collected by utilities and provided to the Kentucky River Authority (KRA). The KRA Withdrawal Fee is adjusted annually to reflect usage from the Kentucky River, and may also be adjusted due to fee increases. The latest adjustment to this fee was approved by the Kentucky Public Service Commission in March and was effective March 30, 2016. This change is reflected on your bill.
- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).



KENTUCKY AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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

Account Number

Due Date: **June 13, 2016**

Total Due: **\$39.29**

Amount Enclosed \$ **Paid Electronically on Due Date.**

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

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BILLING PERIOD AND METER READINGS

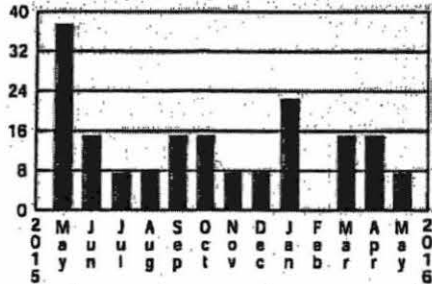
- Billing date: May 26, 2016
- Due Date: June 13, 2016
- Billing period: Apr 27 to May 24 (28 Days)
- Next reading on or about: Jun 22, 2016
- Customer Type: Commercial
- Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	1"
Current Read	380 (Actual)
Previous Read	379 (Actual)
Total water used this billing period	1 units (748 gallons)

Total Water Use Comparison (in 100 gallons)

- Current billing period 2016: 7.48 CGL
- Same billing period 2015: 37.40 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

For Service To:
For Account

Prior Balance	
• Balance from last bill	0.00
Balance Forward	0.00
Current Water Service	
• Water Service Charge	31.23
• Water Usage Charge (\$0.48280000 x 7.48)	3.61
• Total Water Service Related Charges	34.84
Other Charges	
• KRA Withdrawal Fee (\$0.01700000 x 7.48)	0.13
• Total Other Charges	0.13
Taxes	
• Franchise Taxes	1.06
• State Sales Tax	2.22
• School District Tax	1.04
• Total Taxes	4.32
TOTAL CURRENT CHARGES	39.29

TOTAL AMOUNT DUE **\$39.29**

- Pay your bill online: www.amwater.com/billpay
- Pay by eCheck without a service fee: www.amwater.com/myh2o
- Pay by phone: 24-hours a day, every day at 1-855-748-6066
- Pay in person: Obtain a list of locations at www.amwater.com/myh2o

Important messages from Kentucky American Water

- 2015 Kentucky American Water annual water quality report is available. This report contains important information about your drinking water. Please go to www.amwater.com/ccr/lexington.pdf, www.amwater.com/ccr/owenton.pdf or www.amwater.com/ccr/fordhampton.pdf to view your 2015 annual water quality report or to request a paper copy call 800-678-6301.
- Facts About Lead in Drinking Water: Kentucky American Water regularly tests for lead in drinking water based on US Environmental Protection Agency requirements. The results from our latest testing at customer homes in 2015 show that all results are well below the action level of 0.015 mg/L in both our Central and Millersburg Divisions. The highest level detected in our Central Division was 0.005 mg/L and the highest level detected in our Millersburg Division was 0.008 mg/L. For more information about our water quality monitoring and the results of our testing, visit our website at www.kentuckyamwater.com.
- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).

Customer Service: 1-800-678-6301

M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com

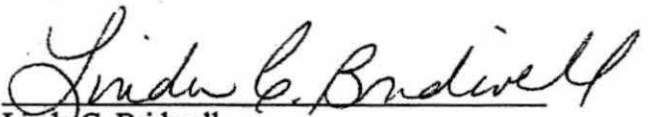
**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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

CERTIFICATION OF RESPONSES TO INFORMATION REQUESTS

This is to certify that I have supervised the preparation of Kentucky-American Water Company's July 1, 2016 responses to the Commission Staff's Fourth Request for Information and that the responses are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: 6/28/16


Linda C. Bridwell
Manager of Rates and Regulation
Kentucky-American Water Company

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2015-00418
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION

Witness: **Kevin N. Rogers**

2. KAWC proposes to bill a flat monthly service charge for the various customer meter sizes.
- a. Does KAWC prorate the monthly service charge?
- b. If the response to Item 2.a. is yes, explain in detail KAWC's billing policies concerning proration of the monthly customer service charge.

Response:

- a. Yes, the monthly service charge is prorated.
- b. KAWC bills customers on a monthly basis. For a monthly billing cycle, the billing period can vary from 26 to 35 days based on the length of the month, meter reading cycles, and other such factors. The period of time being billed for is clearly set forth on customer bills with a beginning date and end date, and the number of days. In the event the billing period is less than 26 days (for instance when a customer starts or ends service in the middle of a billing cycle), or more than 35 days (due perhaps to a meter reading issue or if the service was started just before a new billing cycle but not soon enough to be included in that cycle), the meter service charge is prorated. The formula used to prorate the bill is as follows:

[Meter Service Charge x 12 months = Annual Meter Service Charges / 365 Days
= Daily Meter Service Charge x Number of Days in Prorated Billing Cycle =
Prorated Meter Service Charge]

Any bill that has been prorated clearly shows the customer's water usage for that billing period and the prorated meter service charge.

The American Water Shared Services Center reviews prorated bills to ensure that customers are not overcharged when prorated meter service charges have been calculated for an account.



KENTUCKY AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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



003101 1 AV 0.388 03102/003101/003115 11 01 ACTS5N 002

Exhibit **3**

Account Number	
Due Date	April 7, 2016
Total Due	\$26.31
If Paid After Due Date	\$27.63 after 4/7/16

Amount Enclosed \$ **Paid Electronically on Due Date**



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

Please tear along the dotted line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

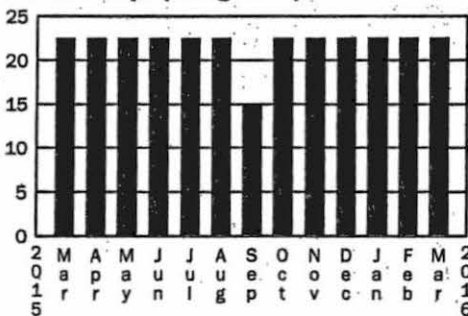
- Billing date: March 22, 2016
- Due Date: **April 7, 2016**
- Billing period: Feb 24 to Mar 21 (27 Days)
- Next reading on or about: Apr 22, 2016
- Customer Type: Residential
- Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	5/8"
Current Read	129 (Actual)
Previous Read	126 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Total Water Use Comparison (in 100 gallons)

- Current billing period 2016: 22.44 CGL
- Same billing period 2015: 22.44 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

For Service To
For Account #

Prior Balance	
• Balance from last bill	26.31
• Payments as of Mar11. Thank you!	-26.31

Balance Forward 0.00

Current Water Service	
• Water Service Charge	12.49
• Water Usage Charge (\$0.53004000 x 22.44)	11.89
• Total Water Service Related Charges	24.38

Other Charges	
• KRA Withdrawal Fee (\$0.01970000 x 22.44)	0.44
• Total Other Charges	0.44

Taxes	
• Franchise Taxes	0.75
• School District Tax	0.74
• Total Taxes	1.49

TOTAL CURRENT CHARGES 26.31

TOTAL AMOUNT DUE \$26.31

- Pay your bill online: www.amwater.com/billpay
- Pay by eCheck without a service fee: www.amwater.com/myh2o
- Pay by phone: 24-hours a day, every day at 1-855-748-6066
- Pay in person: Obtain a list of locations at www.amwater.com/myh2o

Important messages from Kentucky American Water

- Facts About Lead in Drinking Water: Kentucky American Water regularly tests for lead in drinking water based on US Environmental Protection Agency requirements. The results from our latest testing at customer homes in 2015 show that all results are well below the action level of 0.015 mg/L in both our Central and Millersburg Divisions. The highest level detected in our Central Division was 0.005 mg/L and the highest level detected in our Millersburg Division was 0.008 mg/L. For more information about our water quality monitoring and the results of our testing, visit our website at www.kentuckyamwater.com.
- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).

Staff – Hearing Exhibit 3

Customer Service: **1-800-678-6301**

M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com



KENTUCKY AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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



006251 1 AV 0.373 06252/006251/006265 20 01 ACTU7C 002

Account Number

Due Date **May 13, 2016**

Total Due **\$28.69**

If Paid After Due Date **\$30.12 after 5/13/16**

Amount Enclosed \$ **Paid Electronically on Due Date**



KENTUCKY AMERICAN WATER

PO BOX 371880
PITTSBURGH, PA 15250-7880

Please tear along the dotted line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

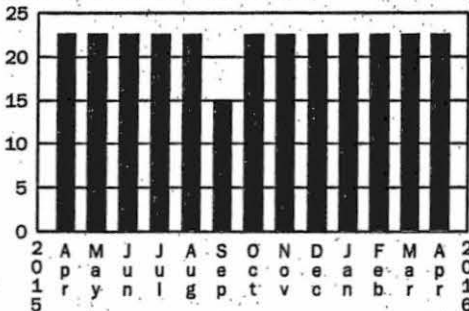
- Billing date: April 27, 2016
- Due Date: **May 13, 2016**
- Billing period: Mar 22 to Apr 26 (36 Days)
- Next reading on or about: May 23, 2016
- Customer Type: Residential
- Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	5/8"
Current Read	132 (Actual)
Previous Read	129 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Total Water Use Comparison (in 100 gallons)

- Current billing period 2016: 22.44 CGL
- Same billing period 2015: 22.44 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

For Service To
For Account #

Prior Balance

- Balance from last bill 26.31
- Payments as of Apr 7. Thank you! -26.31

Balance Forward 0.00

Current Water Service

- Water Service Charge 14.78
- Water Usage Charge (\$0.53004000 x 22.44) 11.89
- **Total Water Service Related Charges 26.67**

Other Charges

- KRA Withdrawal Fee
- 03/22/16 to 03/29/16 (\$0.01970000 x 4.98) 0.10
- 03/30/16 to 04/26/16 (\$0.01700000 x 17.46) 0.30
- **Total Other Charges 0.40**

Taxes

- Franchise Taxes 0.81
- School District Tax 0.81
- **Total Taxes 1.62**

TOTAL CURRENT CHARGES 28.69

TOTAL AMOUNT DUE \$28.69

Important messages from Kentucky American Water

- **Facts About Lead in Drinking Water:** Kentucky American Water regularly tests for lead in drinking water based on US Environmental Protection Agency requirements. The results from our latest testing at customer homes in 2015 show that all results are well below the action level of 0.015 mg/L in both our Central and Millersburg Divisions. The highest level detected in our Central Division was 0.005 mg/L and the highest level detected in our Millersburg Division was 0.008 mg/L. For more information about our water quality monitoring and the results of our testing, visit our website at www.kentuckyamwater.com.
- Water utilities that withdraw water from the Kentucky River are required to collect a "KRA Withdrawal Fee" from their customers. This fee is collected by utilities and provided to the Kentucky River Authority (KRA). The KRA Withdrawal Fee is adjusted annually to reflect usage from the Kentucky River, and may also be adjusted due to fee increases. The latest adjustment to this fee was approved by the Kentucky Public Service Commission in March and was effective March 30, 2016. This change is reflected on your bill.
- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).

Customer Service: **1-800-678-6301** M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com

006252/006265 ACTU7C ETM1C00001 2 (ACTU7C 0062520101200)

606251536623

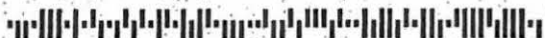


KENTUCKY AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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



001358 1 AV 0.373 01359/001358/001369 7 01 ACTVX2 002

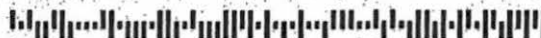
Account Number

Due Date **June 10, 2016**

Total Due **\$26.24**

If Paid After Due Date **\$27.55 after 6/10/16**

Amount Enclosed \$ **Paid Electronically on Due Date**



KENTUCKY AMERICAN WATER

PO BOX 371880
PITTSBURGH, PA 15250-7880

Please tear along the dotted line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

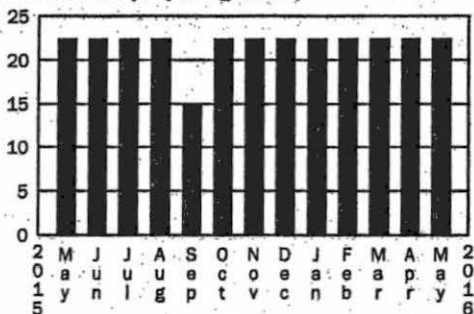
- Billing date: May 25, 2016
- Due Date: **June 10, 2016**
- Billing period: Apr 27 to May 23 (27 Days)
- Next reading on or about: Jun 22, 2016
- Customer Type: Residential
- Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 gallons (CG)

Meter No.	
Size of meter	5/8"
Current Read	135 (Actual)
Previous Read	132 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Total Water Use Comparison (in 100 gallons)

- Current billing period 2016: 22.44 CGL
- Same billing period 2015: 22.44 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

For Service To: [Redacted]
For Account # [Redacted]

Prior Balance

- Balance from last bill 28.69
- Payments as of May 13. Thank you! -28.69

Balance Forward 0.00

Current Water Service

- Water Service Charge 12.49
- Water Usage Charge (\$0.53004000 x 22.44) 11.89
- Total Water Service Related Charges **24.38**

Other Charges

- KRA Withdrawal Fee (\$0.01700000 x 22.44) 0.38
- Total Other Charges **0.38**

Taxes

- Franchise Taxes 0.74
- School District Tax 0.74
- Total Taxes **1.48**

TOTAL CURRENT CHARGES 26.24

TOTAL AMOUNT DUE \$26.24

- ✓ Pay your bill online: www.amwater.com/billpay
- ✓ Pay by eCheck without a service fee: www.amwater.com/myh2o
- ☎ Pay by phone: 24-hours a day, every day at 1-855-748-6066
- † Pay in person: Obtain a list of locations at www.amwater.com/myh2o

Important messages from Kentucky American Water

- 2015 Kentucky American Water annual water quality report is available. This report contains important information about your drinking water. Please go to www.amwater.com/ccr/lexington.pdf, www.amwater.com/ccr/owenton.pdf or www.amwater.com/ccr/fordhampton.pdf to view your 2015 annual water quality report or to request a paper copy call 800-678-6301.
- Facts About Lead in Drinking Water: Kentucky American Water regularly tests for lead in drinking water based on US Environmental Protection Agency requirements. The results from our latest testing at customer homes in 2015 show that all results are well below the action level of 0.015 mg/L in both our Central and Millersburg Divisions. The highest level detected in our Central Division was 0.005 mg/L and the highest level detected in our Millersburg Division was 0.008 mg/L. For more information about our water quality monitoring and the results of our testing, visit our website at www.kentuckyamwater.com.
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Customer Service: **1-800-678-6301** M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com
608751544913



KENTUCKY AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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



003469 1 AV 0.373 03469/003469/003479 11 01 ACTXHS 001

Account Number

Due Date July 11, 2016

Total Due \$26.24

If Paid After Due Date \$27.55 after 7/11/16

Amount Enclosed \$ Paid Electronically on Due Date



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

Please tear along the dotted line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

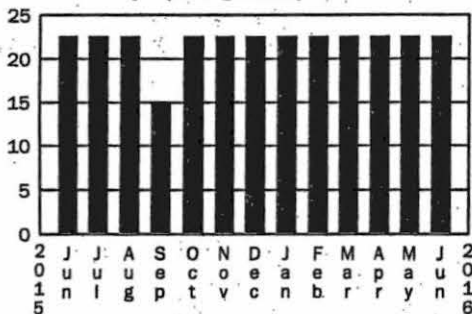
- Billing date: June 24, 2016
- Due Date: **July 11, 2016**
- Billing period: May 24 to Jun 23 (31 Days)
- Next reading on or about: Jul 22, 2016
- Customer Type: Residential
- Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 g

Meter No.	
Size of meter	5/8"
Current Read	138 (Actual)
Previous Read	135 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Total Water Use Comparison (in 100 gallons)

- Current billing period 2016: 22.44 CGL
- Same billing period 2015: 22.44 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

For Service To
For Account #

Prior Balance

- Balance from last bill 26.24
- Payments as of Jun10. Thank you! -26.24

Balance Forward

0.00

Current Water Service

- Water Service Charge 12.49
- Water Usage Charge (\$0.53004000 x 22.44) 11.89
- Total Water Service Related Charges 24.38

Other Charges

- KRA Withdrawal Fee (\$0.01700000 x 22.44) 0.38
- Total Other Charges 0.38

Taxes

- Franchise Taxes 0.74
- School District Tax 0.74
- Total Taxes 1.48

TOTAL CURRENT CHARGES

26.24

TOTAL AMOUNT DUE

\$26.24

- Pay your bill online: www.amwater.com/billpay
- Pay by eCheck without a service fee: www.amwater.com/myh2o
- Pay by phone: 24-hours a day, every day at 1-855-748-6066
- Pay in person: Obtain a list of locations at www.amwater.com/myh2o

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- Facts About Lead in Drinking Water: Kentucky American Water regularly tests for lead in drinking water based on US Environmental Protection Agency requirements. The results from our latest testing at customer homes in 2015 show that all results are well below the action level of 0.015 mg/L in both our Central and Millersburg Divisions. The highest level detected in our Central Division was 0.005 mg/L and the highest level detected in our Millersburg Division was 0.008 mg/L. For more information about our water quality monitoring and the results of our testing, visit our website at www.kentuckyamwater.com.
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Customer Service: 1-800-678-6301

M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com

003470/003479 ACTXHS ETM1C00001

ACTXHS 003470/003479

656251499368



PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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

Exhibit **4**

Due Date	April 10, 2015
Total Due	\$26.26
If Paid After Due Date	\$27.57 after 4/10/15

Amount Enclosed \$ Paid electronically. Thank you.

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

Please tear along the dotted line and return this portion to:

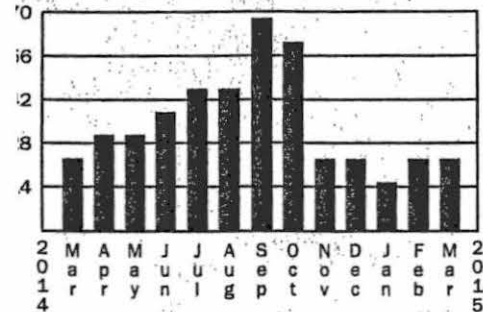
BILLING PERIOD AND METER READINGS

Billing date: March 25, 2015
Due Date: **April 10, 2015**
Billing period: Feb 21 to Mar 24 (32 Days)
Next reading on or about: Apr 23, 2015
Customer Type: Residential
Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	5/8"
Current Read	94 (Actual)
Previous Read	91 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Annual Water Use Comparison (in 100 gallons)
Current billing period 2015: 22.44 CGL
Same billing period 2014: 22.44 CGL

Annual Water Use Graph (100 gallons)



BILLING SUMMARY

For Service To:
For Account:

Prior Balance	
• Balance from last bill	26.26
• Payments as of Mar12. Thank you!	-26.26
Balance Forward	0.00
Current Water Service	
• Water Service Charge	12.49
• Water Usage Charge (\$0.53004000 x 22.44)	11.89
• Total Water Service Related Charges	24.38
Other Charges	
• KRA Withdrawal Fee (\$0.01800000 x 22.44)	0.40
• Total Other Charges	0.40
Taxes	
• Franchise Taxes	0.74
• School District Tax	0.74
• Total Taxes	1.48
TOTAL CURRENT CHARGES	26.26

TOTAL AMOUNT DUE **\$26.26**

- Pay your bill online:** www.water.paymybill.com
- Pay by phone:** 24-hours a day, every day at 1-866-271-5522
- Pay in person:** Residential customers may obtain a listing of payment locations by visiting www.amwater.com/myh2o
- Pay by mail:** Remit your payment to the address shown above

Important messages from Kentucky American Water

- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).
- Go paperless. Reduce clutter with paperless billing, and save time and money with our automatic payment program. These are convenient, secure and environmentally friendly ways to receive and pay your bill. To get started, log on to www.amwater.com/myh2o.

Staff – Hearing Exhibit 4



AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To: [REDACTED]

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

Account Number	[REDACTED]
Due Date	May 14, 2015
Total Due	\$26.31
If Paid After Due Date	\$27.63 after 5/14/15

Amount Enclosed \$ Paid electronically. Thank you.

KENTUCKY AMERICAN WATER

PO BOX 371880
PITTSBURGH, PA 15250-7880

Please tear along the dotted line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

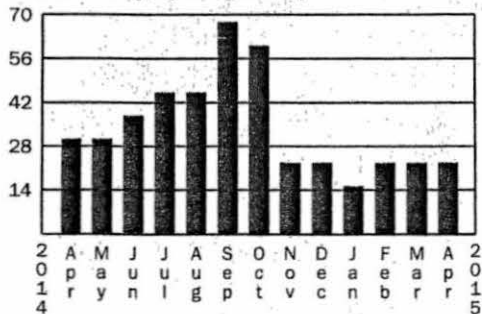
- Billing date: April 28, 2015
- Due Date: **May 14, 2015**
- Billing period: Mar 25 to Apr 24 (31 Days)
- Next reading on or about: May 22, 2015
- Customer Type: Residential
- Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
- Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	5/8"
Current Read	97 (Actual)
Previous Read	94 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Total Water Use Comparison (in 100 gallons)

Current billing period 2015: 22.44 CGL
 Same billing period 2014: 29.92 CGL

Water Use Graph (100 gallons)



BILLING SUMMARY

For Service To: [REDACTED]
For Account: [REDACTED]

Prior Balance	
• Balance from last bill	26.26
• Payments as of Apr10. Thank you!	-26.26

Balance Forward 0.00

Current Water Service

• Water Service Charge	12.49
• Water Usage Charge (\$0.53004000 x 22.44)	11.89
• Total Water Service Related Charges	24.38

Other Charges

• KRA Withdrawal Fee	
• 03/25/15 to 03/30/15 (\$0.01800000 x 4.34)	0.08
• 03/31/15 to 04/24/15 (\$0.01970000 x 18.10)	0.36
• Total Other Charges	0.44

Taxes

• Franchise Taxes	0.75
• School District Tax	0.74
• Total Taxes	1.49

TOTAL CURRENT CHARGES 26.31

TOTAL AMOUNT DUE \$26.31

Important messages from Kentucky American Water

- Water utilities that withdraw water from the Kentucky River are required to collect a "KRA Withdrawal Fee" from their customers. This fee is collected by utilities and provided to the Kentucky River Authority (KRA). The KRA Withdrawal Fee is adjusted annually to reflect usage from the Kentucky River, and may also be adjusted due to fee increases. The latest adjustment to this fee was approved by the Kentucky Public Service Commission in March 2015 and was effective March 29, 2015. This change is reflected on your bill.
- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).
- Go paperless. Reduce clutter with paperless billing, and save time and money with our automatic payment program. These are convenient, secure and environmentally friendly ways to receive and pay your bill. To get started, log on to www.amwater.com/myh2o.
- My H2O Online is now mobile-friendly! Using your mobile device to check your account balance, view water use history, or to pay your bill is now even more convenient. Forgot your log in or password? No problem. The self service reset feature allows you to update both by correctly answering your security question.

Customer Service: **1-800-678-6301**

M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com

AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To: _____

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

Account Number	_____
Due Date	June 15, 2015
Total Due	\$26.31
If Paid After Due Date	\$27.63 after 6/15/15

Amount Enclosed \$ Paid Electronically on Due Date.

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

Please tear along the dotted line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

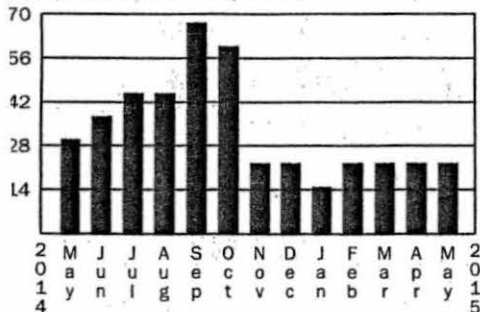
Billing date: May 28, 2015
 Due Date: **June 15, 2015**
 Billing period: Apr 25 to May 23 (29 Days)
 Next reading on or about: Jun 23, 2015
 Customer Type: Residential
 Meter Reading Measurement:
 1 unit = 100 CF or 748 gallons of water
 Billing Measurement: 100 gallons (CGL)

Meter No.	_____
Size of meter	5/8"
Current Read	100 (Actual)
Previous Read	97 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Annual Water Use Comparison (in 100 gallons)

Current billing period 2015: 22.44 CGL
 Same billing period 2014: 29.92 CGL

Annual Water Use Graph (100 gallons)



BILLING SUMMARY

For Service To: _____
 For Account: _____

Prior Balance	
• Balance from last bill	26.31
• Payments as of May 14. Thank you!	-26.31
Balance Forward	0.00
Current Water Service	
• Water Service Charge	12.49
• Water Usage Charge (\$0.53004000 x 22.44)	11.89
Total Water Service Related Charges	24.38
Other Charges	
• KRA Withdrawal Fee (\$0.01970000 x 22.44)	0.44
Total Other Charges	0.44
Taxes	
• Franchise Taxes	0.75
• School District Tax	0.74
Total Taxes	1.49

TOTAL CURRENT CHARGES 26.31

TOTAL AMOUNT DUE \$26.31

- Pay your bill online: www.amwater.com/billpay
- Pay by eCheck without a service fee: www.amwater.com/myh2o
- Pay by phone: 24-hours a day, every day at 1-855-748-6066
- Pay in person: Obtain a list of locations at www.amwater.com/myh2o

Important messages from Kentucky American Water

- *****IMPORTANT WATER QUALITY MESSAGE:** 2014 Kentucky American Water annual water quality report is available. This report contains important information about your drinking water. Please go to www.amwater.com/ccr/lexington.pdf, www.amwater.com/ccr/owenton.pdf, or www.amwater.com/ccr/fordhampton.pdf to view your 2014 annual water quality report or to request a paper copy call 800-678-6301.
- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).
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- My H2O Online is now mobile-friendly! Using your mobile device to check your account balance, view water use history, or to pay your bill is now even more convenient. Forgot your log in or password? No problem. The self service reset feature allows you to update both by correctly answering your security question.

Customer Service: **1-800-678-6301**

M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com

AMERICAN WATER

PO Box 371880, Pittsburgh, PA 15250-7880

For Service To:

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



004945 1 AV 0.388 04347/004345/004364 13 01 ACT411 002

Account Number	
Due Date	July 10, 2015
Total Due	\$26.31
If Paid After Due Date	\$27.63 after 7/10/15

Amount Enclosed \$ Paid Electronically on Due Date.

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

Please tear along the bottom line and return this portion with your payment.

BILLING PERIOD AND METER READINGS

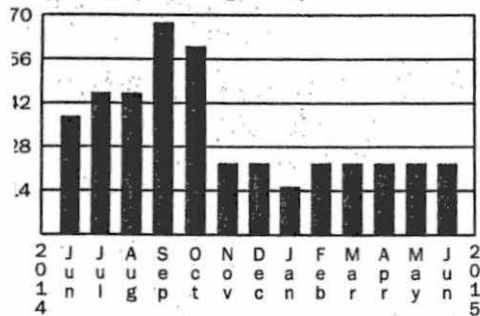
Billing date: June 24, 2015
 Due Date: **July 10, 2015**
 Billing period: May 24 to Jun 23 (31 Days)
 Next reading on or about: Jul 23, 2015
 Customer Type: Residential
 Meter Reading Measurement:
 1 unit = 100 CF or 748 gallons of water
 Billing Measurement: 100 gallons (CGL)

Meter No.	
Size of meter	5/8"
Current Read	103 (Actual)
Previous Read	100 (Actual)
Total water used this billing period	3 units (2,244 gallons)

Water Use Comparison (in 100 gallons)

Current billing period 2015: 22.44 CGL
 Same billing period 2014: 37.40 CGL

Water Use Graph (100 gallons)



BILLING SUMMARY

For Service To
For Account

Prior Balance	
• Balance from last bill	26.31
• Payments as of Jun15. Thank you!	-26.31
Balance Forward	0.00
Current Water Service	
• Water Service Charge	12.49
• Water Usage Charge (\$0.53004000 x 22.44)	11.89
• Total Water Service Related Charges	24.38
Other Charges	
• KRA Withdrawal Fee (\$0.01970000 x 22.44)	0.44
• Total Other Charges	0.44
Taxes	
• Franchise Taxes	0.75
• School District Tax	0.74
• Total Taxes	1.49
TOTAL CURRENT CHARGES	26.31

TOTAL AMOUNT DUE **\$26.31**

- Pay your bill online:** www.amwater.com/billpay
- Pay by eCheck without a service fee:** www.amwater.com/myh2o
- Pay by phone:** 24-hours a day, every day at 1-855-748-6066
- Pay in person:** Obtain a list of locations at www.amwater.com/myh2o

Important messages from Kentucky American Water

- *****IMPORTANT WATER QUALITY MESSAGE:** 2014 Kentucky American Water annual water quality report is available. This report contains important information about your drinking water. Please go to www.amwater.com/ccr/lexington.pdf, www.amwater.com/ccr/owenton.pdf, or www.amwater.com/ccr/fordhampton.pdf to view your 2014 annual water quality report or to request a paper copy call 800-678-6301.
- Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).
- Go paperless. Reduce clutter with paperless billing, and save time and money with our automatic payment program. These are convenient, secure and environmentally friendly ways to receive and pay your bill. To get started, log on to www.amwater.com/myh2o.
- My H2O Online is now mobile-friendly! Using your mobile device to check your account balance, view water use history, or to pay your bill is now even more convenient. Forgot your log in or password? No problem. The self service reset feature allows you to update both by correctly answering your security question.

Customer Service: **1-800-678-6301**

M-F 7am to 7pm Emergency: 24/7

www.kentuckyamwater.com

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2015-00418

DIRECT TESTIMONY OF
PAUL R. HERBERT

CONCERNING
COST OF SERVICE ALLOCATION
AND
CUSTOMER RATE DESIGN

BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

January 29, 2016

DIRECT TESTIMONY OF PAUL R. HERBERT

1 13. Q. Please describe the procedure followed in the cost allocation study.

2 A. Each element of cost in the pro forma cost of service was allocated to cost functions and
3 customer classifications through the use of appropriate allocation factors. This allocation is
4 presented in Schedule B on pages 8 through 15 of Exhibit No. 36. The customer
5 classifications include residential, commercial, industrial, public authority, sales for resale
6 and private and public fire protection classifications. The items of cost, which include
7 operation and maintenance expenses, depreciation and amortization expenses, taxes and
8 income available for return, are identified in column 1 of Schedule B. The cost of each
9 item, shown in column 3, is allocated to the several customer classifications based on
10 allocation factors referenced in column 2. The development of the allocation factors is
11 presented in Schedule C of the exhibit.

12 The four basic cost functions are base, extra capacity, customer and fire protection
13 costs. Base Costs are costs that tend to vary with the quantity of water used, plus costs
14 associated with supplying, treating, pumping and distributing water to customers under
15 average load conditions, without the elements necessary to meet peak demands. Base costs
16 are allocated to customer classifications based on average daily usage.

17 Extra Capacity Costs are costs associated with meeting usage requirements in excess
18 of average. They include the operating and capital costs for additional plant and system
19 capacity beyond that required for average use. Extra capacity costs were subdivided into
20 costs to meet maximum day extra capacity and maximum hour extra capacity requirements.
21 Extra capacity costs are allocated to customer classifications based on estimated maximum
22 day and hour demands in excess of average use for each classification.

23 Customer Costs are costs associated with serving customers regardless of their usage
24 or demand characteristics. Customer costs are subdivided into customer facilities costs,
25 which include meters and services, and customer accounting costs, which include billing

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1 each of these criteria is to be incorporated in the rate structure to be designed, inasmuch as
2 the pricing of a commodity or service ultimately should be a function of management.

3 22. Q. Did you discuss rate design guidelines with Company management?

4 A. Yes, I did. The guidelines established were: (1) maintain the existing rate structure
5 applicable to all divisions that includes a service charge by meter size applicable to all
6 classes of customers and a separate one-block volumetric charge for each classification, (2)
7 increase customer charges to recover a greater percentage of customer costs, (3) increase
8 public fire service class as indicated by the cost of service, and (4) adjust revenues among
9 the remaining classes in conformity with or toward the indicated cost of service.

10 23. Q. Do the proposed rates comply with the guidelines enumerated in the answer to question 22?

11 A. Yes, they do.

12 24. Q. Do you support the concept of single-tariff pricing and to maintain the consolidation of the
13 rate divisions achieved in prior cases?

14 A. Yes, I do.

15 25. Q. Please explain the development of the service charges.

16 A. The development of the service charges is set forth on Schedule F on page 41 of the Exhibit.
17 Service charges should recover the cost of customer facilities such as meters and services
18 and the cost of customer accounting including billing and collecting and meter reading
19 costs.

20 Schedule F shows the cost of service for these cost functions in column 2. These
21 amounts were taken from an analysis of customer costs generated within the cost allocation
22 study. The costs associated with meters are divided by the total 5/8-inch meter equivalents
23 and by 12 months to determine the monthly cost related to a 5/8-inch meter. The costs
24 associated with services are divided by 3/4-inch service equivalents and by 12 months to
25 determine the monthly cost related to a 3/4-inch service. Costs associated with billing and
26 collecting, and meter reading are divided by the number of customers and metered

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1 customers, respectively, and by 12 months to determine the monthly cost per customer for
2 these functions. Also, the unrecovered portion of public fire costs are included as a part of
3 the customer costs since these costs are fixed and do not vary with water usage.

4 The sum of the monthly customer costs for a 5/8-inch meter is \$14.85 and the monthly
5 rate is proposed at \$14.85 per month 5/8-inch service charge. The rates for the larger-sized
6 meters are determined by multiplying the meter capacity ratios times the \$14.85 rate for the
7 5/8-inch meter, as shown at the bottom on the schedule. Meter capacity ratios also were
8 used to determine the larger-sized service charges under the existing rate structure.

9 26. Q. How were the volumetric rates determined?

10 A. After the proposed service charges were applied to the bill analysis, the existing volumetric
11 rates for each classification were increased so that revenues from each class moved toward
12 the indicated cost of service and that total revenues equaled the proposed revenue
13 requirement.

14 27. Q. Does that conclude your direct testimony?

15 A. Yes, it does.

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