

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
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For electronic version, see [KAW_APP_TABLE_OF_CONTENTS_122812.pdf](#).

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 1**

Description of Filing Requirement:

Present Tariffs

Response:

Please see attached for copy of Present Tariffs.

For electronic version, see [KAW_APP_EX1_122812.pdf](#).

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY. No. 6

COVER SHEET AND ORIGINAL SHEETS:

Nos. 1, 2, 5 through 19, 20.1, 21, 24.1, 26, 29 through 49,
49.4, 49.5, 49.6, 49.7; 51, 58, 58.6, 59, 61, 62, 63, 64, and

Appendix A;

First Revised Sheet Nos. 4, 24, 25, 28, 49.1, 49.2, 49.3, 50.3, 53.1,
54, 57, 58.1, 58.2, 58.3, 58.4, 58.5, 60, 65;

Second Revised Sheet Nos. 22, 23, 27, 50.1, 50.2, 56;

Third Revised Sheet No. 3.1, 55;

Fourth Revised Sheet Nos. 52.1;

Fifth Revised Sheet No. 20;

Sixth Revised Sheet Nos. 28.1, 28.2;

Eleventh Revised Sheet No. 3, 55.1;

Twenty-Fourth Revised Sheet No. 53;

Twenty-Sixth Revised Sheet No. 52;

Thirtieth Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY

2300 RICHMOND ROAD, LEXINGTON, KENTUCKY

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: November 2, 2012

ISSUED BY: Cheryl D. Norton

Cheryl D. Norton
President

2300 Richmond Road, Lexington, KY 40502
Address

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH
EFFEC <i>Brent Kirtley</i> r 1, 2012
EFFECTIVE 11/1/2012
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 1

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I CERTIFY THAT THIS IS A TRUE COPY OF THE ORIGINAL

JORDAN C. NEEL
PUBLIC SERVICE COMMISSION

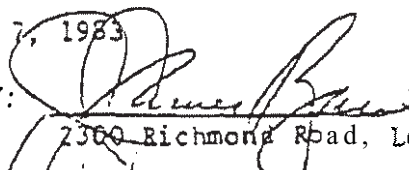
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

FEB 17 1983

PURSUANT TO 507 KAR 5:011,
SECTION 9(1)

ISSUED: March 7, 1983

EFFECTIVE: May 1, 1967

ISSUED BY:  James Barr, President
2300 Richmond Road, Lexington, Kentucky

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 2

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I CERTIFY THAT THIS IS A TRUE COPY OF THE ORIGINAL

Jordan C. Neel
PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

FEB 17 1983

PURSUANT TO 807 KAR 5:011,
SECTION 9(1)

BY: *[Signature]*

6

ISSUED: March 7, 1983

EFFECTIVE: May 1, 1967

ISSUED BY: *[Signature]* J. James Barr, President
2300 Richmond Road, Lexington, Kentucky

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Eleventh Revised Sheet No. 3
Canceling Tenth Revised Sheet No. 3

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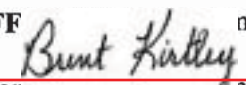
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(N) Indicates New Text

ISSUED: February 26, 2010

ISSUED BY:


Nick O. Rowe, President

KENTUCKY PUBLIC SERVICE COMMISSION	
JEFF R. DEROUEN EXECUTIVE DIRECTOR	
TARIFF BRANCH	
EFF	ber 29, 2010
	
2300 Richmond Ave., Louisville, KY 40502	
9/29/2010	
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)	

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Third Revised Sheet No. 3.1
Canceling Second Sheet No. 3.1

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(D) Indicates discontinued tariff

ISSUED: November 30, 2007

ISSUED BY:

Michael A. Miller
Michael A. Miller, Asst. Treasurer

2300 Richmond Road, Lexington, KY 40502

**PUBLIC SERVICE COMMISSION
OF KENTUCKY**

EFFECTIVE

12/1/2007
EFFECTIVE: December 1, 2007
PURSUANT TO 807 KAR 5:011

SECTION 9 (1)


Executive Director

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 Cubic Feet All Consumption
(D)	Residential	\$5.30040	\$3.97530
(D)	Commercial	4.82800	3.62100
(D)	Industrial	3.89467	2.92100
	Municipal & Other		
(D)	Public Authority	4.24520	3.18390
(D)	Sales for Resale	4.20933	3.15700

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	Service Charge Per Month
(D)	5/8"	\$8.90
(D)	3/4"	13.35
(D)	1"	22.25
(D)	1-1/2"	44.50
(D)	2"	71.20
(D)	3"	133.50
(D)	4"	222.50
(D)	6"	445.00
(D)	8"	712.00

(D) Indicates Decrease.

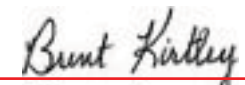
ISSUED: December 21, 2010

ISSUED BY: 
Nick O. Rowe, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION

EFFECTIVE ~~September 09, 2010~~
JEFF R. DUBROUEN
EXECUTIVE DIRECTOR


EFFECTIVE
9/29/2010
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 50.1
Canceling First Revised Sheet No. 50.1

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

(D) **Applicable**

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

(D) **Availability of Service**

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

(D) **Monthly Water Rates**

The following shall be the rates for water consumption.

Rate Per 1,000 Gallons

(D)	First	2,000 gallons	\$19.40	minimum bill
(D)	Next	4,000 gallons	6.22	per 1,000 gallons
(D)	Next	4,000 gallons	6.10	per 1,000 gallons
(D)	Next	10,000 gallons	5.98	per 1,000 gallons
(D)	Over	20,000 gallons	5.74	per 1,000 gallons

Rate Per 100 Cubic Feet

(D)	First	2.67 100 cubic feet	\$19.40	minimum bill
(D)	Next	5.33 100 cubic feet	4.665	per 100 cubic feet
(D)	Next	5.33 100 cubic feet	4.575	per 100 cubic feet
(D)	Next	13.33 100 cubic feet	4.485	per 100 cubic feet
(D)	Over	26.66 100 cubic feet	4.305	per 100 cubic feet

(D) Indicates Discontinued

ISSUED: November 30, 2007

ISSUED BY:

Michael A. Miller
Michael A. Miller, Asst. Treasurer

2300 Richmond Road, Lexington, KY 40502

EFFECTIVE: December 1, 2007
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
12/1/2007
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated November 30, 2007

By 
Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 50.2
Canceling First Revised Sheet No. 50.2

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

- (D) **Applicable**
Applicable to all customers in the Company's Northern Division formerly served by the Elk Lake Shores Subdivision.
- (D) **Availability of Service**
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.
- (D) **Monthly Water Rates**

The following shall be the rates for water consumption.

5/8 inch x 3/4 inch metered

- | | | |
|-----|---------------------------|---------------------------|
| (D) | First 2,000 gallons | \$20.95 minimum bill |
| (D) | Next 2,000 gallons | 2.35 per 1,000 gallons |
| (D) | Over 4,000 gallons | 1.70 per 1,000 gallons |
| | | |
| (D) | First 2.67 100 cubic feet | \$20.95 minimum bill |
| (D) | Next 2.67 100 cubic feet | 1.7625 per 100 cubic feet |
| (D) | Over 5.34 100 cubic feet | 1.2750 per 100 cubic feet |

All meters shall be read to the nearest one hundred (100) gallons each month.

- (D) The monthly bill for a customer served by a 5/8" x 3/4" meter shall be \$20.95 for metered usages of zero (0) to two thousand (2,000) gallons or 2.67 100 cubic feet. The additional charge for usage in excess of two thousand gallons shall be computed to the nearest one hundred (100) gallons of usage on the basis of the above unit costs per one thousand (1,000) gallons.

Size of Service Line

The service line of all service shall be 3/4" with 5/8" x 3/4" meter.

(D) Indicates Discontinued


ISSUED: November 30, 2007

ISSUED BY: Michael A. Miller
Michael A. Miller, Asst. Treasurer

EFFECTIVE: December 1, 2007

2300 Richmond Road, Lexington, KY 40502

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
12/1/2007
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)


Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. No. 6
First Revised Sheet 50.3
Canceling Original Sheet No. 50.3

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

(D) Applicable

Applicable to all customers in the City of Owenton.

(D) Availability of Service

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

(D) Monthly Water Rates

The following shall be the rates for water consumption.

Within the City Limits

	Per 1,000 gallons
(D) First 2,000 gallons	\$16.77 minimum bill
(D) Next 1,000 gallons	6.26 per 1,000 gallons
(D) Next 2,000 gallons	5.18 per 1,000 gallons
(D) Next 5,000 gallons	4.20 per 1,000 gallons
(D) Next 10,000 gallons	3.42 per 1,000 gallons
(D) Next 20,000 gallons	3.10 per 1,000 gallons
(D) All over 40,000 gallons	3.06 per 1,000 gallons

	Per CCF
First 2.67 CCF	\$16.77 minimum bill
Next 1.33 CCF	4.695 per CCF
Next 2.67 CCF	3.885 per CCF
Next 6.67 CCF	3.150 per CCF
Next 13.33 CCF	2.565 per CCF
Next 26.67 CCF	2.325 per CCF
All over 53.34 CCF	2.295 per CCF

Outside the City Limits

RATE B

(D) First 6,000 gallons	\$39.35 minimum bill
(D) Next 2,000 gallons	6.04 per 1,000 gallons
(D) All over 8,000 gallons	4.55 per 1,000 gallons

First 8.0 CCF	\$39.35 minimum bill
Next 2.67 CCF	4.53 per CCF
All over 10.67 CCF	3.4125 per CCF

RATE G

(D) First 2,000 gallons	\$22.68 minimum bill
(D) Next 2,000 gallons	7.56 per 1,000 gallons
(D) All over 4,000 gallons	4.55 per 1,000 gallons

First 2.67 CCF	\$22.68 minimum bill
Next 2.67 CCF	5.67 per CCF
All over 5.34 CCF	3.4125 per CCF

(D) Indicates Discontinued

ISSUED: November 30, 2007

ISSUED BY: Michael A. Miller
Michael A. Miller, Asst. Treasurer

2300 Richmond Road, Lexington, KY 40502

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE: December 12, 2007
SECTION 9 (1)

Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated November 30, 2007

[Signature]
Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 51

CLASSIFICATION OF SERVICE

SERVICE CLASSIFICATION NO. 2

Deleted

(See Service Classification No. 1)

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

DEC 20 1983

PURSUANT TO 807 KAR 5:011,
SECTION 9(1)

BY: 

Issued: December 29, 1983

Effective: December 20, 1983

Issued by:  J. James Barr, President
2300 Richmond Road, Lexington, Kentucky

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>
(D)	2" Diameter	\$ 8.11	\$ 97.29
(D)	4" Diameter	32.63	391.56
(D)	6" Diameter	73.40	880.76
(D)	8" Diameter	130.49	1,565.88
(D)	10" Diameter	203.94	2,447.31
(D)	12" Diameter	293.75	3,525.05
(D)	14" Diameter	399.89	4,798.70
(D)	16" Diameter	522.19	6,266.32

Special Provisions

No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall be drawn from a private fire service connection for any other purpose.

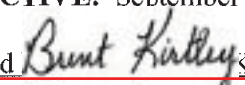
Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition 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 and sewer charges.

(D) Indicates Decrease

ISSUED: December 21, 2010

ISSUED BY: 
Nick O. Rowe, President

2300 Richmond  KY 40502

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
EFFECTIVE: September 29, 2010 TARIFF BRANCH
EFFECTIVE 9/29/2010 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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	\$ 817.00
(I)	1-Inch	1,569.00
(I)	2-Inch	3,536.00
	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: February 26, 2010

ISSUED BY:


Nick O. Rowe, President

KENTUCKY PUBLIC SERVICE COMMISSION	
JEFF R. DEROUEN EXECUTIVE DIRECTOR	
TARIFF BRANCH	
EFFE	<i>Brent Kirtley</i> per 29, 2010
2300 Richmond Road, Lexington, KY 40502	
9/29/2010	
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)	

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Twenty-Fourth Revised Sheet No. 53
Canceling Twenty-Third Revised Sheet No. 53

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 Month</u>	<u>Rate Per Annum</u>
(D) For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	\$37.84	\$454.03

Rates For Private Service

(D) For each private fire hydrant contracted for by Industries or Private Institutions	\$72.52	\$871.22
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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 and sewer 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

(D) Indicates Decrease

ISSUED: December 21, 2010

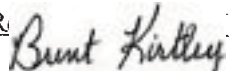
ISSUED BY:


Nick O. Rowe, President

2300 Richmond R. 40502

**KENTUCKY
PUBLIC SERVICE COMMISSION**

JEFF R. DEROUEN
EXECUTIVE DIRECTOR
EFFECTIVE: September 29, 2010
TARIFF BRANCH



EFFECTIVE
9/29/2010
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 53.1
Canceling Original Sheet No. 53.1

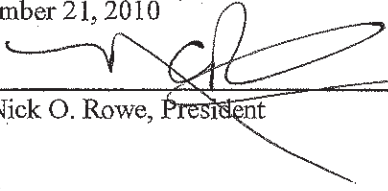
CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4 (con't)

the meter and its installation if:

- (1) the Company gives the customer written notice of the usage problem, requests that the customer correct the problem, and informs the customer that failure to correct the problem within 90 days could result in liability of the customer for the cost of installing a meter to monitor usage,
- (2) the customer does not substantially correct the problem within 90 days of the written notice, and,
- (3) the Company thereafter gives three business days' notice, which shall include a cost estimate, that it will install the meter at the customer's expense.

ISSUED: December 21, 2010

ISSUED BY:


Nick O. Rowe, President

2300 Richmond R

**KENTUCKY
PUBLIC SERVICE COMMISSION**

JEFF R. DEROUEN
EXECUTIVE DIRECTOR
EFFECTIVE: September 29, 2010
TARIFF BRANCH

 40502

EFFECTIVE
9/29/2010
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 56
Canceling First Revised Sheet No. 56

RECONNECTION CHARGE

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of (I) Twenty-six Dollars (\$26.00) will be made to cover the expense of turning on the water service.

(I) Indicates Increase

ISSUED: November 30, 2007

ISSUED BY:


Michael A. Miller, Asst. Treasurer

2300 Richmond Road, Lexington, KY 40502

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE: December 1, 2007
12/1/2007
PURSUANT TO 607 KAR 5:011
SECTION 9 (1)

Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated November 30, 2007



Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. No. 6;
First Revised Sheet No. 57;
Cancelling Original Sheet No. 57

RETURNED CHECK CHARGE

- (I) In those instances where a customer renders payment to the Company by check which is not honored upon deposit by the Company, the customer will be charged (\$12.00) to cover the processing costs.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 24 1993

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: *Greg Helle*
PUBLIC SERVICE COMMISSION MANAGER

- (I) INDICATES INCREASE

ISSUED: December 15, 1993

EFFECTIVE: August 24, 1993

Issued By: *R. A. Edens*, R. A. Edens, Vice President
2300 Richmond Road, Lexington, Kentucky

Issued by authority of an Order of the Public Service Commission, Case No. 92-452, dated November 19, 1993.

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.1
Canceling Original Sheet No. 58.1

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

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

(D)

TAPPING FEES

Size of Meter Connected

(D)	5/8-Inch	\$ 530.00
(D)	1-Inch	945.00
(D)	2-Inch	4,250.00
(D)	Service larger than 2"	Actual Cost

(D) 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.

	Service Run	\$23 ** (refer below)
	Collection of Delinquent Bill	\$23
(R)	Reconnection Charge	\$26
	Deposit for New Service	\$40
	Returned Check Charge	\$10

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

(D) Indicates Discontinued
(R) Indicates Reduction

ISSUED: November 30, 2007

ISSUED BY: Michael A. Miller
Michael A. Miller, Asst. Treasurer

2300 Richmond Road, Lexington, KY 40502

PUBLIC SERVICE COMMISSION
OF KENTUCKY

EFFECTIVE

12/1/2007
EFFECTIVE: December 1, 2007
PURSUANT TO 807 KAR 5:011

SECTION 9(1)

[Signature]
Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.2
Canceling Original Sheet No. 58.2

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

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

SERVICE RUN

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

PENALTY CLAUSE

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

RETURNED CHECK FEE

Customer will be charged \$10.00 on any returned checks.

RECONNECTION CHARGE

- (R) A Reconnection Charge of \$26.00 shall be made by the Company to cover the cost incurred for reconnecting the meter or service when the customer's service has been disconnected at his request, or for any other reason, as set forth in these Regulations.

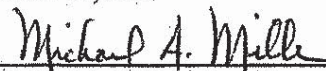
METER REMOVAL CHARGE

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

(R) Indicates Reduction

ISSUED: November 30, 2007

ISSUED BY:


Michael A. Miller, Ass. Treasurer

EFFECTIVE: December 1, 2007

2300 Richmond Road, Lexington, KY 40502

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.3
Canceling Original Sheet No. 58.3

NEW ACCOUNT SET UP

ACTIVATION FEE

Applicable

Applicable to all customers who request a new account or a change in ownership of an existing account.

Availability of Service

Available for all customers.

Rate

- (I) An activation fee of Twenty-six (\$26.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

(I) Indicates Increase

ISSUED: November 30, 2007

ISSUED BY:


Michael A. Miller, Asst. Treasurer

EFFECTIVE: December 1, 2007

2300 Richmond Road, Lexington, KY 40502

**PUBLIC SERVICE COMMISSION
OF KENTUCKY**

**EFFECTIVE
12/1/2007**

**PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**



Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.5
Canceling Original Sheet No. 58.5

CHARGES FOR METER INSTALLATIONS

Applicable

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

(D) The following prices as listed, includes the meter, meter vault, meter yoke where required, any necessary valve required, and the service line of the required size running to the customer's property line.

5/8" x 3/4" Meter Installation \$360.00

Large Meters Actual cost of installation

(D) Each customer must fill-out and sign the Meter Application furnished by Kentucky-American Water Company and pay the connection fee in advance. There are no exceptions to this requirement.

(D) Indicates Discontinued

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE**

12/1/2007

**EFFECTIVE: December 1, 2007
PURSUANT TO 807 KAR 5-011
SECTION 9 (1)**

ISSUED: November 30, 2007

ISSUED BY: Michael A. Miller
Michael A. Miller, Asst. Treasurer

2300 Richmond Road, Lexington, KY 40502


Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 61

CLASSIFICATION OF SERVICE

SERVICE CLASSIFICATION NO. 6

AFTER HOURS
RECONNECTION CHARGE

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

- (N) When it has been necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a reconnection charge is made to cover the expense of turning on the water service. If the customer requests this service after the end of the normal service hours, an after hours reconnection charge of Thirty Dollars (\$30.00) will be charged. After hours service charge applies to service requested between 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(N) Indicates new Tariff.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

ISSUED: March 1, 1993

EFFECTIVE ^{APR} April 1, 1993

Issued By: R. A. Edens, R. A. Edens, Vice President
2300 Richmond Road, Lexington, Kentucky

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: Clayton Diller
PUBLIC SERVICE COMMISSION MANAGER

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 62

CLASSIFICATION OF SERVICE

SERVICE CLASSIFICATION NO. 6

AFTER HOURS
NEW SERVICE TURN-ON CHARGE

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

- (N) In accordance with the Company's Rules and Regulations, Original Sheet No. 8, 3(e), in those cases where the Customer requests new service be turned on after regular working hours or on Saturdays, Sundays or holidays, a charge will be made to cover the cost of turning the water service on after normal service hours. The charge for this service will be Twenty-two and 50/100 Dollars (\$22.50). The after hours new service turn-on charge will apply for customers requesting service between the hours of 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(N) Indicates new Tariff.

PUBLIC SERVICE COMMISSION
OF KENTUCKY

EFFECTIVE

EFFECTIVE: April 1, 1993

APR 1 1993

ISSUED: March 1, 1993

Issued By: R. A. Edens, R. A. Edens, Vice President
2300 Richmond Road, Lexington, Kentucky

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: Sharon L. Baker
PUBLIC SERVICE COMMISSION MANAGER

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 2**

Description of Filing Requirement:

Proposed Tariffs

Response:

Please see attached for copy of Proposed Tariffs.

For electronic version, see KAW_APP_EX2_122812.pdf.

P.S.C.Ky.No.6

Cover Sheet and Original Sheets:

Nos. 5 through 19, 20.1, 21, 24.1, 26, 29 through 49,
49.4, 49.5, 49.6, 49.7, 58, 58.6, 59, 62.1, 62.2, 62.3, 62.4, 63, 64, and
Appendix A;

First Revised Sheet Nos. 1, 2, 4, 24, 25, 28, 49.1, 49.2, 49.3, 51,
53.1, 54, 58.4, 60, 61, 62, 65;

Second Revised Sheet Nos. 22, 23, 27, 50.3, 57, 58.1, 58.2, 58.3,
58.5;

Third Revised Sheet No. 50.1, 50.2, 55, 56;

Fourth Revised Sheet Nos. 3.1;

Fifth Revised Sheet No. 20, 52.1;

Seventh Revised Sheet Nos. 28.1, 28.2;

Twelfth Revised Sheet No. 3, 55.1;

Twenty-Fifth Revised Sheet No. 53;

Twenty-Seventh Revised Sheet No. 52;

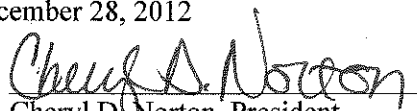
Thirty-First Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY
2300 RICHMOND ROAD, LEXINGTON, KENTUCKY
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: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

First Revised Sheet No. 1

Canceling Original Sheet No. 1


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14	Service Deposits	20
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16	Intercepting and Storage Tanks	21
(T)	Indicates change in text	

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

First Revised Sheet No. 2

Canceling Original Sheet No. 2

Index (Cont'd)

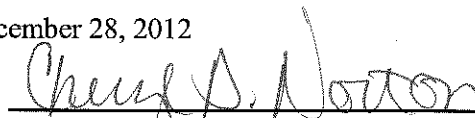
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(T) Indicates change in text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Twelfth Revised Sheet No. 3

Canceling Eleventh Revised Sheet No. 3

Index (Cont'd.)

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(N) Indicate new text/tariff

(T) Indicates change in text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

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Canceling Third Revised Sheet No. 3.1

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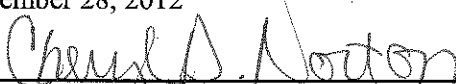
(N) Indicates new text/tariff

(T) Indicates change in text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Thirty-First Revised Sheet No. 50

Canceling Thirtieth Revised Sheet No. 50

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;

(N)	Customer Category	Rate Per 1,000 Gallons <u>All consumption</u>	Rate Per 100 Gallons <u>All Consumption</u>	Rate Per 100 Cubic Feet <u>All Consumption</u>
(I)	Residential	\$5.4462	\$0.5446	\$4.0738
(I)	Commercial	4.8751	0.4875	3.6466
(I)	Industrial	4.6000	0.4600	3.4408
(I)	Municipal & Other			
(I)	Public Authority	4.5530	0.4553	3.4056
(I)	Sales for Resale	4.2452	0.4245	3.1754

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.

(I)	<u>Size of Meter</u>	<u>Service Charge</u> <u>Per Month</u>
(I)	5/8"	\$14.00
(I)	3/4"	21.00
(I)	1"	35.00
(I)	1-1/2"	70.00
(I)	2"	112.00
(I)	3"	210.00
(I)	4"	350.00
(I)	6"	700.00
(I)	8"	1,120.00

(N) Indicates New Text (Additional Column added for per 100 gallon rate)

(I) Indicates Increase

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:

Cheryl D. Norton
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Third Revised Sheet No. 50.1

Canceling Second Revised Sheet No. 50.1

(N) Previously discontinued tariff. Intentionally blank for future use.

(N) Indicates new text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:

Cheryl D. Norton
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Third Revised Sheet No. 50.2

Canceling Second Revised Sheet No. 50.2

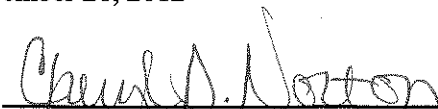
(N) Previously discontinued tariff. Intentionally blank for future use.

(N) Indicates new text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Second Revised Sheet No. 50.3

Canceling First Revised Sheet No. 50.3

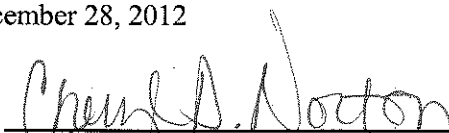
(N) Previously discontinued tariff. Intentionally blank for future use.

(N) Indicates new text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

First Revised Sheet No. 51

Canceling Original Sheet No. 51

CLASSIFICATION OF SERVICE

(N)

(N) **Residential** - Sales to single premise residences, or to multiple premises residences where each premises is served through a single meter. Sprinkler services added to existing premises coded as residential would also be coded as residential. For premises served through a single meter with multiple owners, where usage is primarily for residential purposes, and the water is billed to a homeowner association such as a condominium complex they will be classified as residential and charged the residential rate.

(N) **Commercial** - Sales to multiple premises residences served through a single meter or battery of meters. This would include two (or more) family houses and apartment houses. Sales to private schools, colleges, hospitals, churches and other private educational, cultural, social or religious organizations. Sales to business or manufacturing establishments where the water is not used principally in manufacturing or processing function. This would include commercial offices of public utilities. Examples under this category are: stores, laundries, cleaners, shoe repair and other service establishments, garages and service stations, office buildings, sales offices of manufacturing or processing establishments, retail florists, theaters, bowling alleys, swim clubs, golf courses, manufacturing or processing establishment where water is used principally for sanitary purposes, barber shops. Water used for irrigation for agricultural purposes would normally be coded as commercial. Sprinkler services added to existing premises coded as commercial or industrial would also be coded as commercial.

(N) **Industrial** - Sales to manufacturing or processing establishments where the water is used principally in manufacturing or processing function. This would include public or private utility plants using water for steam generation, power production, etc..

(N) **Public Fire Hydrant** - All public fire hydrants contracted for or ordered by Urban County, County, State or Federal Agencies or Institutions. These must be located on or immediately adjacent to public right-of-way.

(N) **Private Fire Hydrant** - All hydrants contracted for or by private entities on private property for the use of that entity or on private right-of-way. Also for public agencies for hydrants not located on public right-of-way.

(N) **Private Fire Service** - All private and public fire protection service lines with hose connections or sprinkler systems charged by line size.

(N) **Other Public Authority or "OPA"** - Sales to municipal, county, state or federal agencies (other than sales of water for resale). Examples under this category are: city buildings, public schools, public housing developments, libraries and hospitals, fire stations, county, state and federal buildings and agencies.

(N) **Sales for Resale or "Resale"** - Sales to private or public water utilities where the water is to be resold to customers of the utilities.

(N) Indicates New Test/Requirement (Definitions)

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:

Cheryl D. Norton
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Twenty-Seventh Revised Sheet No. 52

Canceling Twenty-Sixth Revised Sheet No. 52

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	\$ 8.92	\$ 107.04
(I)	4" Diameter	35.89	430.68
(I)	6" Diameter	80.74	968.88
(I)	8" Diameter	143.54	1,722.48
(I)	10" Diameter	224.33	2,691.96
(I)	12" Diameter	323.13	3,877.56
(I)	14" Diameter	439.88	5,278.56
(I)	16" Diameter	574.41	6,892.92

Special Provisions

No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall 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 and sewer charges.

(I) Indicates Increase

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:

Cheryl D. Norton
 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Fifth Revised Sheet No. 52.1

Canceling Fourth Revised Sheet 52.1

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	\$1,078.00
(I)	1-Inch	1,576.00
(I)	2-Inch	3,563.00
	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: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY: Cheryl D. Norton
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Twenty-Fifth Revised Sheet No. 53

Canceling Twenty-Fourth Revised Sheet No. 53

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 Month</u>	<u>Rate Per Annum</u>
(I) For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	\$45.30	\$543.60

Rates For Private Service

(I) 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 and sewer 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: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:

Cheryl D. Norton
 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

First Revised Sheet No. 53.1

Canceling Original Sheet No. 53.1

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4 (con't)

the meter and its installation if:

- (1) the Company gives the customer written notice of the usage problem, requests that the customer correct the problem, and informs the customer that failure to correct the problem within 90 days could result in liability of the customer for the cost of installing a meter to monitor usage,
- (2) the customer does not substantially correct the problem within 90 days of the written notice, and,
- (3) the Company thereafter gives three business days' notice, which shall include a cost estimate, that it will install the meter at the customer's expense.

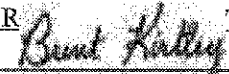
ISSUED: December 21, 2010

ISSUED BY: 

Nick O. Rowe, President

2300 Richmond R

40502

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR EFFECTIVE: September 29, 2010
TARIFF BRANCH 
EFFECTIVE 9/29/2010 PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

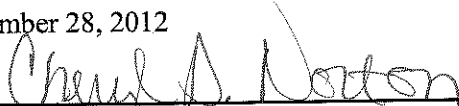
KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Third Revised Sheet No. 56
Canceling Second Revised Sheet No. 56

RECONNECTION CHARGE**(N) Applicable****(N)** Applicable to the entire Service Territory of Kentucky-American Water Company.**(N) Availability of Service****(N)** Available for all customers

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of

(I) Fifty-six Dollars (\$56.00) will be made to cover the expense of turning on the water service.**(I)** Indicates Increase**(N)** Indicates new text

ISSUED: December 28, 2012**EFFECTIVE:** January 27, 2013**ISSUED BY:**
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6

Second Revised Sheet No. 57

Cancelling First Revised Sheet No. 57

(T) **INSUFFICIENT FUNDS CHARGE**

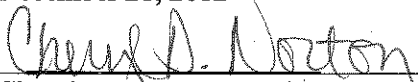
- (T) In those instances where a customer renders payment to the Company by check or electronic funds transfer which is not honored upon deposit by the Company, the customer will be charged (\$12.00) to cover the processing costs.

(T) Indicates change in text

Issued: December 28, 2012

EFFECTIVE: January 27, 2013

Issued by:


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
Address

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

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

Service Run	\$23 ** (refer below)
Collection of Delinquent Bill	\$23
(I) Reconnection Charge	\$56
Deposit for New Service	\$40
Returned Check Charge	\$10

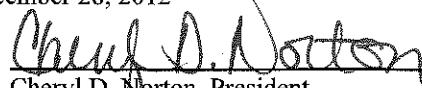
** This applies anytime the service men come to remove the meter for non-payment of the bill and the customer pays while they are there or tells them that they will come to the office to pay the bill.

(I) Indicates Increase

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Second Revised Sheet No. 58.2

Canceling First Revised Sheet No. 58.2

CUSTOMER SPECIFIC TARIFF CHARGES**Applicable**

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

SERVICE RUN

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

PENALTY CLAUSE

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

RETURNED CHECK FEE

Customer will be charged \$10.00 on any returned checks.

RECONNECTION CHARGE

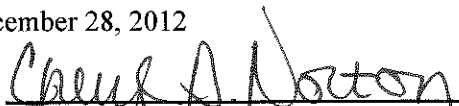
- (I) A Reconnection Charge of \$56.00 shall be made by the Company to cover the cost incurred for reconnecting the meter or service when the customer's service has been disconnected at his request, or for any other reason, as set forth in these Regulations.

METER REMOVAL CHARGE

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

(I) Indicates Increase

ISSUED: December 28, 2012**EFFECTIVE:** January 27, 2013**ISSUED BY:**


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Second Revised Sheet No. 58.3

Canceling First Revised Sheet No. 58.3

NEW ACCOUNT SET UP**ACTIVATION FEE****Applicable**

Applicable to all customers who request a new account or a change in ownership of an existing account.

Availability of Service

Available for all customers.

Rate

- (I) An activation fee of Twenty-eight (\$28.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

(I) Indicates Increase

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY: Cheryl D. Norton

Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6

Second Revised Sheet No. 58.5

Canceling First Revised Sheet No. 58.5

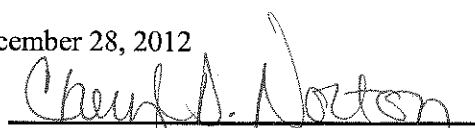
(N) Previously discontinued tariff. Intentionally blank for future use.

(N) Indicates new text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY:


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6

First Revised Sheet No. 61

Canceling Original Sheet No. 61

(D) CLASSIFICATION OF SERVICE
 (D) SERVICE CLASSIFICATION NO. 6

(D) AFTER HOURS
 (D) RECONNECTION CHARGE

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

(D) AVAILABILITY OF SERVICE
 (D) Available for Residential, Commercial, Industrial, Public Service and Sales for Resale customers.

(D) RATES
 (D) When it has been necessary to discontinue water service to any premises because of a violation
 (D) of the Company's Rules and Regulations on account of nonpayments of any bill for water
 (D) service, a reconnection charge is made to cover the expense of turning on the water service. If
 (D) the customer requests this service after the end of the normal service hours, an after hours
 (D) reconnection charge of Thirty Dollars (\$30.00) will be charged. After hours service charge
 (D) applies to service requested between 12:00 midnight and 8:00 a.m. daily, Monday through
 (D) Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(D) Indicates Discontinued

Issued: December 28, 2012

EFFECTIVE: January 27, 2013

Issued by: 
 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
 Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
Second Revised Sheet No. 61
Canceling First Revised Sheet No. 61

(N) **CLASSIFICATION OF SERVICE**

(N) **PURCHASED POWER AND CHEMICAL CHARGE ("PPACC") RIDER**

(N) **Applicable:** Applicable to the entire Service Territory of Kentucky-American Water.

(N) **Availability of Service:** Available for Residential, Commercial, Industrial, Other Public Authority, Sales For Resale, Public Fire, and Private Fire customers.

(N) **Rates:**

(N) The PPACC % will be recomputed annually.

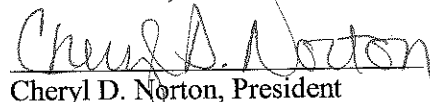
(N) This tariff provides for recovery or crediting of incremental charges in the cost of purchased power and chemicals on an annual basis beginning in August 2014.

(N) The base cost of Purchased Power and Chemicals per 1,000 Gallons of Water Sales is determined and authorized in the base rate proceeding in Case No. 2012-00520.

(N) Indicates New Tariff

Issued: December 28, 2012

Issued by:


Cheryl D. Norton, President

EFFECTIVE: January 27, 2013

2300 Richmond Road, Lexington, KY 40502
Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6

First Revised Sheet No. 62

Canceling Original Sheet No. 62

(D) CLASSIFICATION OF SERVICE(D) SERVICE CLASSIFICATION NO. 6(D) AFTER HOURS(D) NEW SERVICE TURN-ON CHARGE(D) APPLICABLE(D) Applicable to all customers in the City of Lexington, Fayette County, Kentucky and contiguous territory
(D) thereto.(D) AVAILABILITY OF SERVICE

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


(D) RATES(D) In accordance with the Company's Rules and Regulations, Original Sheet No. 8, 3(e), in those cases where
(D) the Customer requests new service be turned on after regular working hours or on Saturdays, Sundays or
(D) holidays, a charge will be made to cover the cost of turning the water service on after normal service hours.
(D) The charge for this service will be Twenty-two and 50/100 Dollars (\$22.50). The after hours new service turn-
(D) on charge will apply for customers requesting service between the hours of 12:00 midnight and 8:00 a.m.
(D) daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(D) Indicates Discontinued

Issued: December 28, 2012

EFFECTIVE: December 27, 2013

Issued by:


 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
 Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6

Second Revised Sheet No. 62

Canceling First Revised Sheet No. 62

(N) **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – RIDER**(N) **Applicable:**

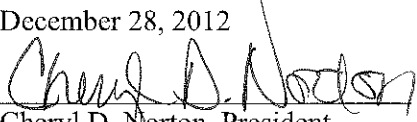
(N) Applicable to the entire Service Territory of Kentucky-American Water.

(N) **Availability:**(N) For Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private
(N) Fire.(N) **Rate:**(N) The DSIC charge will be recomputed annually and be adjusted periodically to incorporate
(N) the annual reconciliation factor.(N) **General Description:**(N) To recover the fixed costs (pre-tax return and depreciation) of certain non-revenue producing
(N) distribution system improvement projects completed and placed in service on an annual
(N) prospective basis between base rate cases and recorded in the individual utility plant accounts,
(N) and provide the Company with the resources to accelerate the replacement of aging
(N) water distribution system infrastructure. The initial annual prospective DSIC year will be the
(N) first full twelve month period following the Forecast Test Period utilized by the Commission in
(N) establishing Base Rates of the Company in its prior Base Rate Case proceeding.(N) **DSIC Eligible Utility Plant:**(N) Mains and Valves – replacement distribution and transmission systems mains and valves
(N) installed as replacements for existing facilities; hydrants, services, meters and meter
(N) installations–installed as in-kind replacements; unreimbursed funds related to capital
(N) projects to relocate facilities required by a governmental highway projects.

(N) Indicates New Tariff

Issued: December 28, 2012

EFFECTIVE: January 27, 2013

Issued by: 
Cheryl D. Norton, President2300 Richmond Road, Lexington, KY 40502
Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
Original Sheet No. 62.1

(N) **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – RIDER**
(N) **(Continued)**

(N) **Determination of the Annual Distribution System Improvement Charge Percentage:**

(N) The Distribution System Improvement Charge (“DSIC”) percentage shall be expressed
(N) as a percentage carried to two (2) decimal places. The DSIC percentage shall be applied
(N) to the total amount billed to each Customer based on the Company’s otherwise
(N) applicable rates and charges. The DSIC shall not be applied to any other surcharge or
(N) add-on taxes, or to any other revenues not recorded in a DSIC base rate revenues
(N) account.

(N) The DSIC percentage shall be calculated on annual prospective basis.

(N) **DSIC percentage formula:**

(N)
$$\text{DSIC \%} = \frac{\{((\text{NetDSIC} \times \text{PTROR}) + \text{NetDep} + \text{PT} + \text{R}) / 1 - \text{RT}\}}{\text{PAR}}$$

(N) Where:

(N) **DSIC % =** DSIC percentage

(N) **NetDSIC =** The average forecasted cost of the investment in DSIC plant
(N) (DSIC additions net of associated DSIC retirements) for the DSIC year less
(N) forecasted accumulated depreciation on DSIC plant for the DSIC year. The
(N) average forecasted cost of DSIC plant, net of depreciation, shall be computed by
(N) using an average of thirteen (13) end-of-month balances of DSIC plant and
(N) accumulated depreciation for the annual prospective DSIC year which will be the
(N) twelve month incremental period(s) following the Forecast Test Period utilized in
(N) establishing Base Rates of the Company in its prior Base Rate Case proceeding.

(N) Indicates new tariff

Issued: December 28, 2012

EFFECTIVE: January 27, 2013

Issued by:

Cheryl D. Norton
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6

Original Sheet No. 62.2

(N) **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – RIDER**
 (N) **(Continued)**

(N) Where:

(N) **PTROR** = Rate of Return on Rate Base as authorized by the
 (N) Commission in the Company's prior Base Rate case petition grossed
 (N) up for Income Taxes.

(N) **NetDep** = Net depreciation expense related to the average
 (N) investment in DSIC plant for the DSIC year. Depreciation expense
 (N) shall be calculated by multiplying the average forecasted cost of the
 (N) investment in DSIC plant by plant account, net of retirements, by the
 (N) approved depreciation rates for the respective accounts in which the
 (N) specific items included in the average DSIC investment are recorded.
 (N) The average forecasted cost of the investment in DSIC by plant
 (N) account, net of retirements, shall be computed by using an average of
 (N) thirteen (13) end-of-month balances of DSIC by plant account and
 (N) retirements for the annual prospective DSIC year which will be the
 (N) twelve month incremental period(s) following the Forecast Test
 (N) Period utilized in establishing Base Rates of the Company in its prior
 (N) Base Rate Case proceeding.

(N) **PT** = Property Taxes associated with Net DSIC Plant.
 (N) Property taxes shall be based on the ratio of property taxes to total
 (N) Utility Plant in Service as authorized by the Commission in the prior
 (N) Base Rate case applied to net DSIC Plant.

(N) **R** = Reconciliation component amount calculated for the
 (N) annual reconciliation of the prior DSIC year.

(N) Indicates new tariff

Issued: December 28, 2012

EFFECTIVE: January 27, 2013

Issued by:

Cheryl D. Norton
 Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
 Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6

Original Sheet No. 62.3

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – RIDER**(Continued)**(N)
(N)

(N)

Where:(N)
(N)**RT** = Revenue Taxes expressed as a decimal. Revenue Taxes reflect sum of PSC Utility Fee and Uncollectible expense.(N)
(N)
(N)
(N)
(N)
(N)
(N)**PAR** = The projection of total water DSIC base rate revenues, as applicable, for the annual prospective period which will be the twelve month incremental period(s) following the Forecast Test Period utilized in establishing Base Rates of the Company in its prior Base Rate Case proceeding. The projected revenue shall not include any other applicable surcharge or add-on taxes, or any other revenues not recorded in a DSIC base rate revenues account.

(N)

The DSIC shall be subject to an annual reconciliation.

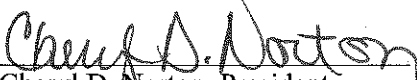
(N)

Annual Reconciliation:(N)
(N)
(N)
(N)
(N)
(N)
(N)
(N)
(N)

Within 60 days of the end of each DSIC year, if the Company had a DSIC in effect for all or part of the immediately preceding DSIC year, it shall submit to the Commission an annual reconciliation regarding the results for the previous DSIC year. The annual reconciliation shall be verified by an officer of the Company. The annual reconciliation shall include a calculation of the R formula component necessary to adjust revenue collected under the DSIC Rider in effect for prior DSIC year to an amount equivalent to the actual level of prudently-incurred DSIC cost for the prior DSIC year. Any over or under recovery will be included in the calculation of the next adjustment to the DSIC.

(N)

Indicates new tariff

Issued: December 28, 2012**EFFECTIVE:** January 27, 2013**Issued by:**

 Cheryl D. Norton, President

 2300 Richmond Road, Lexington, KY 40502
 Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6

Original Sheet No. 62.4

(N) **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – RIDER**
(N) (Continued)

(N) **New Base Rates:**

(N) The DSIC charge will be reset at zero upon the establishment of new Base Rates to
(N) customer billings that provide for the prospective recovery of the annual costs that
(N) theretofore have been recovered under the DSIC. Thereafter, only the costs of new DSIC
(N) eligible plant additions that have not previously been reflected in the Company's rate
(N) base would be reflected in new annual prospective DSIC filings.

(N) Indicates new tariff

Issued: December 28, 2012

EFFECTIVE: January 27, 2013

Issued by:


Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
Address

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 3**

Description of Filing Requirement:

Comparison of Present and Proposed Tariffs in comparative form on the same sheet side by side.

Response:

Please see attached.

For electronic version, see KAW_APP_EX3_122812.pdf.

Kentucky American Water Company
Case No. 2012-00520
Comparison of Present and Proposed Rates and Service Charges
For the General Rate Increase

Service Classification No. 1

	Present	Proposed	Present	Proposed	Present	Proposed
	Rate Per 1,000 Gallons	Rate Per 1,000 Gallons	Rate Per 100 Cubic Feet	Rate Per 100 Cubic Feet	Rate Per 100 Gallons	Rate Per 100 Gallons
Meter Rates:	All Consumption	All Consumption	All Consumption	All Consumption	All Consumption	All Consumption
Residential	\$ 5.30040	\$ 5.44620	\$ 3.97530	\$ 4.07380	\$ 0.53004	\$ 0.54462
Commercial	\$ 4.82800	\$ 4.87510	\$ 3.62100	\$ 3.64660	\$ 0.48280	\$ 0.48751
Industrial	\$ 3.89467	\$ 4.60000	\$ 2.92100	\$ 3.44080	\$ 0.38947	\$ 0.46000
Municipal & Other Public Authority	\$ 4.24520	\$ 4.55300	\$ 3.18390	\$ 3.40560	\$ 0.42452	\$ 0.45530
Sales for Resale	\$ 4.20933	\$ 4.24520	\$ 3.15700	\$ 3.17540	\$ 0.42093	\$ 0.42452

Service Charges:

Size of Meter	Present	Proposed
	Service Charge Per Month	Service Charge Per Month
5/8"	\$ 8.90	\$ 14.00
3/4"	\$ 13.35	\$ 21.00
1"	\$ 22.25	\$ 35.00
1-1/2"	\$ 44.50	\$ 70.00
2"	\$ 71.20	\$ 112.00
3"	\$ 133.50	\$ 210.00
4"	\$ 222.50	\$ 350.00
6"	\$ 445.00	\$ 700.00
8"	\$ 712.00	\$ 1,120.00

Kentucky American Water Company
Case No. 2012-00520
Comparison of Present and Proposed Rates and Service Charges
For the General Rate Increase

Service Classification No. 3

Size of Service	<u>Present Rate Per Month</u>	<u>Proposed Rate Per Month</u>
2" Diameter	\$ 8.11	\$ 8.92
4" Diameter	\$ 32.63	\$ 35.89
6" Diameter	\$ 73.40	\$ 80.74
8" Diameter	\$ 130.49	\$ 143.54
10" Diameter	\$ 203.94	\$ 224.33
12" Diameter	\$ 293.75	\$ 323.13
14" Diameter	\$ 399.89	\$ 439.88
16" Diameter	\$ 522.19	\$ 574.41

Service Classification No. 4

	<u>Present Rate Per Month</u>	<u>Proposed Rate Per Month</u>	<u>Present Rate Per Annum</u>	<u>Proposed Rate Per Annum</u>
<u>Rates For Public Fire Service</u>				
For Each Public Hydrant	\$ 37.84	\$ 45.30	\$ 454.03	\$ 543.60
<u>Rates For Private Fire Service</u>				
For Each Private Hydrant	\$ 72.52	\$ 79.77	\$ 871.22	\$ 957.24

Tapping (Connection Fees)

	<u>Present Rate Per Month</u>	<u>Proposed Rate Per Month</u>
5/8"	\$ 817.00	\$ 1,078.00
1"	\$ 1,569.00	\$ 1,576.00
2"	\$ 3,536.00	\$ 3,563.00
Service larger than 2"	Actual Cost	Actual Cost

Reconnection Charge

	<u>Present</u>	<u>Proposed</u>
	\$ 26.00	\$ 56.00

Activation Fee

	\$ 26.00	\$ 28.00
--	----------	----------

P.S.C. KY. No. 6

COVER SHEET AND ORIGINAL SHEETS:

Nos. 1, 2, 5 through 19, 20.1, 21, 24.1, 26, 29 through 49, 49.4, 49.5, 49.6, 49.7, 51, 58, 58.6, 59, 61, 62, 63, 64, and Appendix A;

First Revised Sheet Nos. 4, 24, 25, 28, 49.1, 49.2, 49.3, 50.3, 53.1, 54, 57, 58.1, 58.2, 58.3, 58.4, 58.5, 60, 65;

Second Revised Sheet Nos. 22, 23, 27, 50.1, 50.2, 56;

Third Revised Sheet No. 3.1, 55;

Fourth Revised Sheet No. 52.1;

Fifth Revised Sheet No. 20;

Sixth Revised Sheet Nos. 28.1, 28.2;

Eleventh Revised Sheet No. 3, 55.1;

Twenty-Fourth Revised Sheet No. 53;

Twenty-Sixth Revised Sheet No. 52;

Thirtieth Revised Sheet No. 50

P.S.C.Ky.No.6

Cover Sheet and Original Sheets:

Nos. 3 through 19, 20.1, 21, 24.1, 26, 29 through 49, 49.4, 49.5, 49.6, 49.7, 58, 58.6, 59, 62.1, 62.2, 62.3, 62.4, 63, 64, and Appendix A;

First Revised Sheet Nos. 1, 2, 4, 24, 25, 28, 49.1, 49.2, 49.3, 51, 53.1, 54, 58.4, 60, 61, 62, 65;

Second Revised Sheet Nos. 22, 23, 27, 50.3, 57, 58.1, 58.2, 58.3, 58.5;

Third Revised Sheet No. 50.1, 50.2, 55, 56;

Fourth Revised Sheet Nos. 3.1;

Fifth Revised Sheet No. 20, 52.1;

Seventh Revised Sheet Nos. 28.1, 28.2;

Twelfth Revised Sheet No. 3, 55.1;

Twenty-Fifth Revised Sheet No. 53;

Twenty-Seventh Revised Sheet No. 52;

Thirty-First Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY

2300 RICHMOND ROAD, LEXINGTON, KENTUCKY

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

KENTUCKY-AMERICAN WATER COMPANY

2300 RICHMOND ROAD, LEXINGTON, KENTUCKY

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

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR PARISH BRANCH
EFFECTIVE DATE: 11/1/2012
2300 Richmond Road, Lexington, KY 40502
Address: 11/1/2012
PURSUANT TO 807 KAR 5.011 SECTION 9 (f)

ISSUED: November 2, 2012
ISSUED BY: Cheryl D. Norton
Cheryl D. Norton
President

ISSUED: December 28, 2012
ISSUED BY: Cheryl D. Norton
Cheryl D. Norton, President

EFFECTIVE: January 27, 2013

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 1

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
First Revised Sheet No. 1
Canceling Original Sheet No. 1

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	5 to 49 incl.
<u>Rule Number</u>	<u>Title</u>
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2	Rules and Regulations Governing Rendering of Service
3	Applications for Water Service
4	Special Applications for Water Service
5	Water for Building or Construction Purposes
6	Application for Private Fire Service
7	Private Fire Hydrant Service Outside Lexington City Limits (Other Than For Industries, State or County Institutions)
8	Discontinuance of Water Service
9	Renewal of Water Service After Discontinuance
10	Turn-On Charge
11	Abatements and Refund
12	Installation of Service Lines
13	Assignment of Services
14	Service Deposits
15	Customers Requiring Uninterrupted Supply
16	Intercepting and Storage Tanks

IS A TRUE COPY OF THE ORIGINAL
CERTIFY THAT THIS

James Barr
PUBLIC SERVICE COMMISSION OF KENTUCKY
EFFECTIVE

21 FEB 17 1983
PURSUANT TO 607 KAR 5:011, SECTION 9(1)
EFFECTIVE: May 1, 1967

ISSUED: March 7, 1983
BY: *James Barr*
James Barr, President
2300 Richmond Road, Lexington, Kentucky

Index

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	5 to 49 incl.
<u>Rule Number</u>	<u>Title</u>
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12	Installation of Service Lines
13	Assignment of Services
14	Service Deposits
15	Customers Requiring Uninterrupted Supply
16	Intercepting and Storage Tanks

(T) Indicates change in text

ISSUED: December 28, 2012
BY: *Cheryl D. Morton*
Cheryl D. Morton, President
2300 Richmond Road, Lexington, KY 40502
EFFECTIVE: January 27, 2013

JRN 04 2006 14:47 ER 859266327 TO 915

KENTUCKY-AMERICAN WATER COMPANY P.S.C. Ky No. 6
First Revised Sheet No. 2
Canceling Original Sheet No. 2

KENTUCKY-AMERICAN WATER COMPANY P.S.C. Ky. No. 6
Original Sheet No. 2

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(T) Indicates change in text

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PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE FEB 17 1983

ISSUED: March 7, 1983
 ISSUED BY: *[Signature]*
 EFFECTIVE: May 1, 1967

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE FEB 17 1983

PURSUANT TO 507 KAR 5-011, SECTION 9.11

ISSUED BY: *[Signature]*
 EFFECTIVE: May 1, 1967

JAMES BARR, President
 2300 Richmond Road, Lexington, Kentucky

ISSUED: December 28, 2012
 ISSUED BY: *[Signature]*
 Chery D. Norton, President
 EFFECTIVE: January 27, 2013
 2300 Richmond Road, Lexington, KY 40502

ISSUED: March 7, 1983
 ISSUED BY: *[Signature]*
 EFFECTIVE: May 1, 1967

I CERTIFY THAT THIS IS A TRUE COPY OF THE ORIGINAL

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Eleventh Revised Sheet No. 3
Canceling Tenth Revised Sheet No. 3

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(N)

(N) Indicates New Text.

ISSUED: February 26, 2010

ISSUED BY: 

Nick O. Rowe, President

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH
EFF  February 29, 2010
200 N. MAIN ST., 10TH FLOOR, LEXINGTON, KY 40502
9/29/2010
PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Twelfth Revised Sheet No. 3
Canceling Eleventh Revised Sheet No. 3

Index (Cont'd.)

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(N) Indicate new text/tariff
(T) Indicates change in text

ISSUED: December 28, 2012

ISSUED BY: 

Cheryl D. Norton, President

EFFECTIVE: January 27, 2013

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Fourth Revised Sheet No. 3.1
 Canceling Third Revised Sheet No. 3.1

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(N) Indicates new text/tariff
 (T) Indicates change in text

ISSUED: December 28, 2012
 EFFECTIVE: January 27, 2013
 ISSUED BY: *Cheryl D. Norton*
 Cheryl D. Norton, President
 2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Third Revised Sheet No. 3.1
 Canceling Second Sheet No. 3.1

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(D) Indicates discontinued tariff

PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 2300 Richmond Road, Lexington, KY 40502
 12/11/2007
 2012
 SECTION KY 40502

ISSUED: November 30, 2007
 ISSUED BY: *Michael A. Miller*
 Michael A. Miller, Asst. Treasurer
 Issued by authority of an order of the Public Service Commission in Case No. 2007-00748 dated 11/14/07
 Executive Director

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Thirty-First Revised Sheet No. 50
 Canceling Thirtieth Revised Sheet No. 50

**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		Rate Per	
	1,000 Gallons All Consumption	100 Gallons All Consumption	100 Cubic Feet All Consumption	All Consumption
(N) Residential	\$5.4462	4.8751	\$0.3446	\$4.0738
(U) Commercial	4.6000	4.6000	0.4675	3.408
(U) Municipal & Other	4.5530	4.5530	0.4553	3.4056
(U) Sales for Resale	4.2452	4.2452	0.4245	3.1754

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	Service Charge Per Month
(U) 5/8"	\$14.00
(U) 3/4"	21.00
(U) 1"	35.00
(U) 1-1/2"	70.00
(U) 2"	112.00
(U) 3"	210.00
(U) 4"	350.00
(U) 6"	700.00
(U) 8"	1,120.00

(N) Indicates New Text (Additional Column added for per 100 gallon rate)
 (U) Indicates Increase

ISSUED: December 28, 2012
ISSUED BY: Cheryl D. Norton, President
 EFFECTIVE: January 27, 2013
 2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Thirtieth Revised Sheet No. 50
 Canceling Twenty-Ninth Revised Sheet No. 50

**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		Rate Per	
	1,000 Gallons All Consumption	100 Gallons All Consumption	100 Cubic Feet All Consumption	All Consumption
(D) Residential	\$5.30040	4.82800	\$3.97550	3.0466
(D) Commercial	3.89467	4.62100	2.92100	3.408
(D) Municipal & Other	4.24520	4.55300	3.18390	3.4056
(D) Sales for Resale	4.20933	4.20933	3.15700	3.1754

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	Service Charge Per Month
(D) 5/8"	\$8.50
(D) 3/4"	13.35
(D) 1"	22.25
(D) 1-1/2"	44.50
(D) 2"	71.20
(D) 3"	133.50
(D) 4"	222.50
(D) 6"	445.00
(D) 8"	712.00

(D) Indicates Decrease.

ISSUED: December 21, 2010
ISSUED BY: Nick O. Rowe, President
 EFFECTIVE: 9/29/2010
 PURSUANT TO 807 KAR 6011 SECTION 9 (1)

KENTUCKY PUBLIC SERVICE COMMISSION
EXECUTIVE DIRECTOR
2300 Richmond Road, Lexington, KY 40502
<i>Beck Hickey</i>
EFFECTIVE
9/29/2010
PURSUANT TO 807 KAR 6011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky No. 6
Third Revised Sheet No. 50.1
Canceling Second Revised Sheet No. 50.1

(N) Previously discontinued tariff. Intentionally blank for future use.

(N) Indicates new text

ISSUED: December 28, 2012

EFFECTIVE: January 27, 2013

ISSUED BY: Cheryl D. Norton, President

Cheryl D. Norton
Cheryl D. Norton, President

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky No. 6
Second Revised Sheet No. 50.1
Canceling First Revised Sheet No. 50.1

**CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1**

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

(D) **Availability of Service**
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

(D) **Monthly Water Rates.**
The following shall be the rates for water consumption.

	Rate Per 1,000 Gallons
(D) First	\$19.40 minimum bill
(D) Next	6.22 per 1,000 gallons
(D) Next	6.10 per 1,000 gallons
(D) Next	5.98 per 1,000 gallons
(D) Over	5.74 per 1,000 gallons

	Rate Per 100 Cubic Feet
(D) First	2.67 100 cubic feet
(D) Next	5.33 100 cubic feet
(D) Next	5.33 100 cubic feet
(D) Next	4.85 100 cubic feet
(D) Over	26.66 100 cubic feet

(D) Indicates Discontinued

ISSUED: November 30, 2007
ISSUED BY: *Michael A. Miller*
Michael A. Miller, Asst. Treasurer

PUBLIC SERVICE COMMISSION
12/1/2007
SECTION 9 (1)
Pursuant to 807 KAR 5011

[Signature]
Executive Director

2300 Richmond Road, Lexington, KY 40502
EFFECTIVE

Issued by authority of an order of the Public Service Commission in Case No. 2007-00145 dated November 30, 2007

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky No. 6
Third Revised Sheet No. 50.2
Canceling Second Revised Sheet No. 50.2

(N) Previously discontinued tariff. Intentionally blank for future use.

(N) Indicates new text

ISSUED: December 28, 2012
EFFECTIVE: January 27, 2013

ISSUED BY: *Cheryl D. Norton*
Cheryl D. Norton, President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky No. 6
Second Revised Sheet No. 50.2
Canceling First Revised Sheet No. 50.2

**CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1**

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

(D) **Availability of Services**
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

(D) **Monthly Water Rates**

The following shall be the rates for water consumption.

5/8 inch x 3/4 inch metered

(D) First 2,000 gallons \$20.95 minimum bill
(D) Next 2,000 gallons 2.35 per 1,000 gallons
(D) Over 4,000 gallons 1.70 per 1,000 gallons

(D) First 2,67,100 cubic feet \$20.95 minimum bill
(D) Next 2,67,100 cubic feet 1.7625 per 100 cubic feet
(D) Over 5,34,100 cubic feet 1.2750 per 100 cubic feet

All meters shall be read to the nearest one hundred (100) gallons each month.

(D) The monthly bill for a customer served by a 3/8" x 1/2" meter shall be \$20.95 for metered usages of zero (0) to two thousand (2,000) gallons or 2,67,100 cubic feet. The additional charge for usage in excess of two thousand gallons shall be computed to the nearest one hundred (100) gallons of usage on the basis of the above unit costs per one thousand (1,000) gallons.

Size of Service Line

The service line of all service shall be 3/4" with 5/8" x 3/4" meter.

(D) Indicates Discontinued

EFFECTIVE: December 1, 2007

ISSUED: November 30, 2007

ISSUED BY: *Michael A. Miller*
Michael A. Miller, Asst. Treasurer

2300 RICHMOND ROAD, LEXINGTON, KY 40502
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
12/1/2007
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)
[Signature]
Executive Director

Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated November 30, 2007.

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Second Revised Sheet No. 50.3
 Cancelling First Revised Sheet No. 50.3

KENTUCKY-AMERICAN WATER COMPANY

(N) Previously discontinued tariff. Intentionally blank for future use.

P.S.C. No. 6
 First Revised Sheet 50.3
 Cancelling Original Sheet No. 50.3

KENTUCKY-AMERICAN WATER COMPANY

**CLASSIFICATION OF SERVICE
 SERVICE CLASSIFICATION NO. 1**

(D) **Applicable**
 Applicable to all customers in the City of Overton.

(D) **Availability of Service**
 Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

(D) **Monthly Water Rates**
 The following shall be the rates for water consumption.

Within the City Limits		Per CCF	
(D)	First 2,000 gallons	First 2.67 CCF	\$16.77 minimum bill
(D)	Next 1,000 gallons	Next 1.33 CCF	4.695 per CCF
(D)	Next 2,000 gallons	Next 2.67 CCF	3.885 per CCF
(D)	Next 3,000 gallons	Next 3.33 CCF	3.150 per CCF
(D)	Next 4,000 gallons	Next 4.00 CCF	2.565 per CCF
(D)	Next 5,000 gallons	Next 4.67 CCF	2.323 per CCF
(D)	Next 6,000 gallons	Next 5.34 CCF	2.285 per CCF
(D)	All over 6,000 gallons	CCF	

Outside the City Limits		Per CCF	
(D)	First 6,000 gallons	First 8.0 CCF	\$39.35 minimum bill
(D)	Next 2,000 gallons	Next 2.67 CCF	4.53 per CCF
(D)	All over 8,000 gallons	All over 10.67 CCF	3.4125 per CCF

RATE G		Per CCF	
(D)	First 2,000 gallons	First 2.67 CCF	\$22.68 minimum bill
(D)	Next 2,000 gallons	Next 2.67 CCF	5.67 per CCF
(D)	All over 4,000 gallons	All over 5.34 CCF	3.4125 per CCF

(D) Indicates Discontinued

ISSUED: November 30, 2007
 ISSUED BY: *Michael A. Miller*
 Michael A. Miller, Asst. Treasurer
 Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated November 30, 2007

PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE: 12/1/2007
 SECTION 9 (1)
 2300 Richmond Road, Lexington, KY 40502
 Executive Director

ISSUED: December 28, 2012
 EFFECTIVE: January 27, 2013
 ISSUED BY: *Cheryl D. Norton*
 Cheryl D. Norton, President
 2300 Richmond Road, Lexington, KY 40502

(N) Indicates new text

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky No. 6
First Revised Sheet No. 51
Canceling Original Sheet No. 51

CLASSIFICATION OF SERVICE

- (N) Residential - Sales to single premise residences, or to multiple premise residences where each premise is served through a single meter. Sprinkler services added to existing premises coded as residential would also be coded as residential. For premises served through a single meter with multiple owners, where usage is primarily for residential purposes, and the water is billed to a homeowner association such as a condominium complex they will be classified as residential and charged the residential rate.
- (N) Commercial - Sales to multiple premise residences served through a single meter or battery of meters. This would include two (or more) family houses and apartment houses. Sales to private schools, colleges, hospitals, churches and other private educational, cultural, social or religious organizations. Sales to business or manufacturing establishments where the water is not used principally in manufacturing or processing function. This would include commercial offices of public utilities. Examples under this category are: stores, laundries, cleaners, shoe repair and other service establishments, garages and service stations, office buildings, sales offices of manufacturing or processing establishments, retail florists, theaters, bowling alleys, swim clubs, golf courses, manufacturing or processing establishment where water is used principally for sanitary purposes, barber shops.
- (N) Water used for irrigation for agricultural purposes would normally be coded as commercial. Sprinkler services added to existing premises coded as commercial or industrial would also be coded as commercial.
- (N) Industrial - Sales to manufacturing of processing establishments where the water is used principally in manufacturing or processing function. This would include public or private utility plants using water for steam generation, power production, etc.
- (N) Public Fire Hydrant - All public fire hydrants contracted for or ordered by Urban County, County, State or Federal Agencies or Institutions. These must be located on or immediately adjacent to public right-of-way.
- (N) Private Fire Hydrant - All hydrants contracted for or by private entities on private property for the use of that entity or on private right-of-way. Also for public agencies for hydrants not located on public right-of-way.
- (N) Private Fire Service - All private and public fire protection service lines with hose connections or sprinkler systems charged by line size.
- (N) Other Public Authority or "OPA" - Sales to municipal, county, state or federal agencies (other than sales of water for resale). Examples under this category are: city buildings, public schools, public housing developments, libraries and hospitals, fire stations, county, state and federal buildings and agencies.
- (N) Sales for Resale or "Resale" - Sales to private or public water utilities where the water is to be resold to customers of the utilities.

(N) Indicates New Test/Requirement (Definitions)

ISSUED: December 28, 2012
ISSUED BY: *Cheryl D. Nepton*
EFFECTIVE: January 27, 2013
2300 Richmond Road, Lexington, KY 40502
Cheryl D. Nepton, President

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 51

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 2

Deleted

(See Service Classification No. 1)

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

DEC 20 1983

PURSUANT TO 807 KAR 5.011,
SECTION 9.01X
BY: *James Barr*

Issued: December 29, 1983
Effective: December 20, 1983
Issued by: *James Barr*
J. James Barr, President
2300 Richmond Road, Lexington, Kentucky

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Twenty-Seventh Revised Sheet No. 52
 Canceling Twenty-Sixth Revised Sheet No. 52

**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	Size of Service	Rate Per	
		Month	Annun
(1)	2" Diameter	\$ 8.92	\$ 107.04
(1)	4" Diameter	35.89	430.68
(1)	6" Diameter	80.74	968.88
(1)	8" Diameter	143.54	1,722.48
(1)	10" Diameter	224.33	2,691.96
(1)	12" Diameter	323.13	3,877.56
(1)	14" Diameter	439.88	5,278.56
(1)	16" Diameter	574.41	6,892.92

Special Provisions
 No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall 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 and sewer charges.

(1) Indicates Increase

ISSUED: December 23, 2012 EFFECTIVE: January 27, 2013

ISSUED BY: *Cheryl D. Norton*
 Cheryl D. Norton, President
 2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Twenty-Sixth Revised Sheet No. 52
 Canceling Twenty-Fifth Revised Sheet No. 52

**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	Size of Service	Rate Per	
		Month	Annun
(1)	2" Diameter	\$ 8.11	\$ 97.29
(1)	4" Diameter	32.63	391.56
(1)	6" Diameter	73.40	880.76
(1)	8" Diameter	130.49	1,565.88
(1)	10" Diameter	203.94	2,447.31
(1)	12" Diameter	293.75	3,525.05
(1)	14" Diameter	399.89	4,798.70
(1)	16" Diameter	522.19	6,266.32

Special Provisions
 No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall 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 and sewer charges.

(1) Indicates Decrease

ISSUED: December 21, 2010

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

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
EFFECTIVE: September 29, 2010
2300 Richmond Road, Lexington, KY 40502
EFFECTIVE 9/29/2010
PURSUANT TO 807 KAR 9.011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Fourth Revised Sheet No. 52.1
Canceling Third Revised Sheet 52.1

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

(1) 5/8-Inch	\$ 817.00
(1) 1-Inch	1,569.00
(1) 2-Inch	3,536.00
(1) 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.

(1) Indicates Increase

ISSUED: February 26, 2010

ISSUED BY:  Nick O. Rowe, President

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROLLEN EXECUTIVE DIRECTOR
JEFF R. DEROLLEN February 29, 2010
2300 Richmond Road, Lexington, KY 40502 9/29/2010 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Fifth Revised Sheet No. 52.1
Canceling Fourth Revised Sheet 52.1

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

(1) 5/8-Inch	\$1,078.00
(1) 1-Inch	1,576.00
(1) 2-Inch	3,563.00
(1) 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.

(1) Indicates Increase

ISSUED: December 28, 2012

ISSUED BY:  Cheryl D. Norton, President

EFFECTIVE: January 27, 2013
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Twenty-Fifth Revised Sheet No. 53
 Canceling Twenty-Fourth Revised Sheet No. 53

**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

	Rate Per Month	Rate Per Annun
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	\$45.30	\$543.60
For each private fire hydrant contracted for by Industries or Private Institutions	\$79.77	\$957.24

(1)

(1)

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.

Special Provisions

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

(1) Indicates Increase

ISSUED: December 28, 2012 EFFECTIVE: January 27, 2013

ISSUED BY: Cheryl D. Norton, President
 2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
 P.S.C. Ky No. 6
 Twenty-Fourth Revised Sheet No. 53
 Canceling Twenty-Third Revised Sheet No. 53

**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

	Rate Per Month	Rate Per Annun
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	\$37.84	\$454.03
For each private fire hydrant contracted for by Industries or Private Institutions	\$72.52	\$871.22

(D)

(D)

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.

Special Provisions

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

(D) Indicates Decrease

ISSUED: December 21, 2010

ISSUED BY: Nick O. Reese, President

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEBOLEN EXECUTIVE DIRECTOR
TARIEFF BRANCH 2300 Richmond Road, Lexington, KY 40502
EFFECTIVE 9/29/2010
PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 56
Canceling First Revised Sheet No. 56

RECONNECTION CHARGE

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of Twenty-six Dollars (\$26.00) will be made to cover the expense of turning on the water service.

(1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Third Revised Sheet No. 56
Canceling Second Revised Sheet No. 56

RECONNECTION CHARGE

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of Fifty-six Dollars (\$56.00) will be made to cover the expense of turning on the water service.

(1)

(N) **Applicable**

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

(N) **Availability of Service**

(N) Available for all customers

(1) Indicates Increase

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE: 12/1/2007
2300 Richmond Road, Lexington, KY 40503
SECTION 9 (1)
Executive Director

ISSUED: November 30, 2007

ISSUED BY: Michael A. Miller
Michael A. Miller, Asst. Treasurer

2300 Richmond Road, Lexington, KY 40503
SECTION 9 (1)

(1) Indicates Increase
(N) Indicates new text

ISSUED: December 28, 2012

ISSUED BY: Cheryl D. Nepton
Cheryl D. Nepton, President

EFFECTIVE: January 27, 2013

2300 Richmond Road, Lexington, KY 40502

Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated November 30, 2007

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. No. 6;
First Revised Sheet No. 57;
Cancelling Original Sheet No. 57

RETURNED CHECK CHARGE

(i) In those instances where a customer renders payment to the Company by check which is not honored upon deposit by the Company, the customer will be charged (\$12.00) to cover the processing costs.

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
Second Revised Sheet No. 57
Cancelling First Revised Sheet No. 57

INSUFFICIENT FUNDS CHARGE

(T) In those instances where a customer renders payment to the Company by check or electronic funds transfer which is not honored upon deposit by the Company, the customer will be charged (\$12.00) to cover the processing costs.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 24 1993

PURSUANT TO 807 KAR 5011,
SECTION 9 (1)

BY: *[Signature]*
PUBLIC SERVICE COMMISSION MANAGER

(i) INDICATES INCREASE

ISSUED: August 24, 1993

ISSUED BY: *[Signature]*
R. A. Ederis, Vice President
2300 Richmond Road, Lexington, Kentucky

Issued by authority of an Order of the Public Service Commission, Case No. 92-452, dated November 18, 1993.

(T) Indicates change in text

Issued: December 28, 2012
EFFECTIVE: January 27, 2013
Issued by: *[Signature]*
2300 Richmond Road, Lexington, KY 40502
Address: Cheryl D. Norton, President

P.S.C. KY NO. 6
Second Revised Sheet No. 58.1
Cancelling First Revised Sheet No. 58.1

KENTUCKY-AMERICAN WATER COMPANY

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

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

Service Run	\$23 ** (refer below)
Collection of Delinquent Bill	\$23
Reconnection Charge	\$56
Deposit for New Service	\$40
Returned Check Charge	\$10

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

(1) Indicates Increase

ISSUED: December 28, 2012
ISSUED BY: *Cheryl D. Burton*
Cheryl D. Burton, President
EFFECTIVE: January 27, 2013
2300 Richmond Road, Lexington, KY 40502

P.S.C. Ky No. 6
First Revised Sheet No. 58.1
Cancelling Original Sheet No. 58.1

KENTUCKY-AMERICAN WATER COMPANY

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

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

TAPPING FEES

(D) Size of Meter Connected	
(D) 5/8-inch	\$ 530.00
(D) 1-inch	945.00
(D) 2-inch	4,250.00
(D) Service larger than 2"	Actual Cost

(D) 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.

(D) Service Run	\$23 ** (refer below)
(D) Collection of Delinquent Bill	\$23
(D) Reconnection Charge	\$26
(D) Deposit for New Service	\$40
(D) Returned Check Charge	\$10

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

(D) Indicates Decreased
(D) Indicates Reconnect

ISSUED: November 30, 2007
ISSUED BY: *Michael A. Miller*
Michael A. Miller, Asst. Treasurer

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
12/1/2007
REPOSITIONED TO KAW'S-011
2300 Richmond Road, Lexington, KY 40502

Issued by authority of an order of the Public Service Commission in Case No. 2007-00148 dated 11/30/07
Michael A. Miller
Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 58.2
Cancelling First Revised Sheet No. 58.2

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

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

SERVICE RUN

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

PENALTY CLAUSE

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

RETURNED CHECK FEE

Customer will be charged \$10.00 on any returned checks.

RECONNECTION CHARGE

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

METER REMOVAL CHARGE

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

(1) Indicates Increase

ISSUED: December 28, 2012 EFFECTIVE: January 27, 2013

ISSUED BY: *Cheryl D. Gorton*
Cheryl D. Gorton, President 2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.2
Cancelling Original Sheet No. 58.2

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

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

SERVICE RUN

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

PENALTY CLAUSE

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

RETURNED CHECK FEE

Customer will be charged \$10.00 on any returned checks.

RECONNECTION CHARGE

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

METER REMOVAL CHARGE

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

(R) Indicates Reduction

ISSUED: November 30, 2007

ISSUED BY: *Michael A. Miller*
Michael A. Miller, Asst. Treasurer

PUBLIC SERVICE COMMISSION
EFFECTIVE: December 28, 2012
2300 Richmond Road, Lexington, KY 40502
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

[Signature]
Executive Director

Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated May 14, 2008

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky No. 6
Second Revised Sheet No. 58.3
Canceling First Revised Sheet No. 58.3

**NEW ACCOUNT SET UP
ACTIVATION FEE**

Applicable
Applicable to all customers who request a new account or a change in ownership of an existing account.

Availability of Service
Available for all customers.

Rate
An activation fee of Twenty-eight (\$28.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

(1)

(1) Indicates Increase

EFFECTIVE: January 27, 2013

2300 Richmond Road, Lexington, KY 40502

ISSUED: December 28, 2012

ISSUED BY: *Cheryl D. Norton*
Cheryl D. Norton, President

P.S.C. Ky No. 6
First Revised Sheet No. 58.3
Canceling Original Sheet No. 58.3

KENTUCKY-AMERICAN WATER COMPANY

**NEW ACCOUNT SET UP
ACTIVATION FEE**

Applicable
Applicable to all customers who request a new account or a change in ownership of an existing account.

Availability of Service
Available for all customers.

Rate
An activation fee of Twenty-six (\$26.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

(1)

(1) Indicates Increase

PUBLIC SERVICE COMMISSION
OFFICE OF THE CLERK
EFFECTIVE: January 27, 2013
2300 Richmond Road, Lexington, KY 40502
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

ISSUED: November 30, 2007

ISSUED BY: *Michael A. Miller*
Michael A. Miller, Asst. Treasurer

Issued by authority of an order of the Public Service Commission in Case No. 2007-00143 dated 11/30/07

[Signature]
Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 58.5
Canceling First Revised Sheet No. 58.5

(N) Previously discontinued tariff. Intentionally blank for future use.

(N) Indicates new text

ISSUED: December 28, 2012

ISSUED BY: *Cheryl D. Norton*
Cheryl D. Norton, President

EFFECTIVE: January 27, 2013
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.5
Canceling Original Sheet No. 58.5

CHARGES FOR METER INSTALLATIONS

Applicable

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

(D) The following prices, as listed, include the meter, meter vault, meter yoke where required, any necessary valves required, and the service line of the required size running to the customer's property line.

1/8" x 3/4" Meter Installation \$360.00

Large Meters

Actual cost of installation

(D) Each customer must fill-out and sign this Meter Application furnished by Kentucky-American Water Company and pay the connection fee in advance. There are no exceptions to this requirement.

(D) Indicates Discontinued

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
12/17/2007
KENTUCKY WATER 066880641260911
SECTION 9 (1)
2300 Richmond Road, Lexington, KY 40502
Executive Director

ISSUED: November 30, 2007

ISSUED BY: *Michael A. Miller*
Michael A. Miller, ASST. Treasurer

Issued by authority of an order of the Public Service Commission in Case No. 2007-00148, dated 11/14/07

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. KY NO. 6
First Revised Sheet No. 61
Canceling Original Sheet No. 61

KENTUCKY-AMERICAN WATER COMPANY

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

AFTER HOURS
RECONNECTION CHARGE

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

When it has been necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a reconnection charge is made to cover the expense of turning on the water service. If the customer requests this service after the end of the normal service hours, an after hours reconnection charge of Thirty Dollars (\$30.00) will be charged. After hours service charge applies to service requested between 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(D) Indicates Discontinued

Issued: December 28, 2012 EFFECTIVE: January 27, 2013

Issued by: *Cheryl D. Norton*
Cheryl D. Norton, President
2300 Richmond Road, Lexington, KY 40502
Address

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky. No. 6
Original Sheet No. 61

KENTUCKY-AMERICAN WATER COMPANY

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

AFTER HOURS
RECONNECTION CHARGE

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

When it has been necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a reconnection charge is made to cover the expense of turning on the water service. If the customer requests this service after the end of the normal service hours, an after hours reconnection charge of Thirty Dollars (\$30.00) will be charged. After hours service charge applies to service requested between 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(N) Indicates new Tariff.

ISSUED: March 7, 1993

Issued By: *R. A. Edaris*
R. A. Edaris, Vice President
2300 Richmond Road, Lexington, Kentucky

EFFECTIVE DATE: 11-18-93

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

BY: *Blaise G. Hill*
PUBLIC SERVICE COMMISSION MANAGER

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. KY NO. 6
Second Revised Sheet No. 61
Canceling First Revised Sheet No. 61

CLASSIFICATION OF SERVICE

CLASSIFICATION OF SERVICE

PURCHASED POWER AND CHEMICAL CHARGE ("PPACC") RIDER

- (N) **Applicable:** Applicable to the entire Service Territory of Kentucky-American Water.
- (N) **Availability of Service:** Available for Residential, Commercial, Industrial, Other Public Authority, Sales For Resale, Public Fire, and Private Fire customers.
- (N) **Rates:**
- (N) The PPACC % will be recomputed annually.
- (N) This tariff provides for recovery or crediting of incremental charges in the cost of purchased power and chemicals on an annual basis beginning in August 2014.
- (N) The base cost of Purchased Power and Chemicals per 1,000 Gallons of Water Sales is determined and authorized in the base rate proceeding in Case No. 2012-00520.

(N) Indicates New Tariff

Issued: December 28, 2012 **EFFECTIVE:** January 27, 2013
 Issued by: Cheryl D. Norton, President 2300 Richmond Road, Lexington, KY 40502
 Address

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. Ky. No. 6
Original Sheet No. 61

CLASSIFICATION OF SERVICE

SERVICE CLASSIFICATION NO. 5

AFTER HOURS RECONNECTION CHARGE

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

(N) When it has been necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a reconnection charge is made to cover the expense of turning on the water service. If the customer requests this service after the end of the normal service hours, an after hours reconnection charge of Thirty Dollars (\$30.00) will be charged. After hours service charge applies to service requested between 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

PUBLIC SERVICE COMMISSION
OF KENTUCKY

(N) Indicates new Tariff.

EFFECTIVE DATE: 1/1/2013
ISSUED: March 1, 1999
 Issued By: R. A. Edens, Vice President PURSUANT TO 807 KAR-5011,
 2300 Richmond Road, Lexington, Kentucky SECTION 9(f)
 BY: Cheryl D. Norton, President PUBLIC SERVICE COMMISSION MANAGER

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
First Revised Sheet No. 62
Canceling Original Sheet No. 62

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

AFTER HOURS
NEW SERVICE TURN-ON CHARGE

(D) (D)

(D) (D)

APPLICABLE

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

AVAILABILITY OF SERVICE

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

RATES

(D) In accordance with the Company's Rules and Regulations, Original Sheet No. 8, 3(e), in those cases where the Customer requests new service be turned on after regular working hours or on Saturdays, Sundays or holidays, a charge will be made to cover the cost of turning the water service on after normal service hours. The charge for this service will be Twenty-two and 50/100 Dollars (\$22.50). The after hours new service turn-on charge will apply for customers requesting service between the hours of 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(D) Indicates Discontinued

Issued: December 28, 2012 EFFECTIVE: December 27, 2013
Issued by:  Cheryl D. Norton, President
2300 Richmond Road, Lexington, KY 40502
Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky. No. 6
Original Sheet No. 62

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 9

AFTER HOURS
NEW SERVICE TURN-ON CHARGE

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

(M) In accordance with the Company's Rules and Regulations, Original Sheet No. 8, 3(e), in those cases where the Customer requests new service be turned on after regular working hours or on Saturdays, Sundays or holidays, a charge will be made to cover the cost of turning the water service on after normal service hours. The charge for this service will be Twenty-two and 50/100 Dollars (\$22.50). The after hours new service turn-on charge will apply for customers requesting service between the hours of 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(M) Indicates new Tariff.

PUBLIC SERVICE COMMISSION
OF KENTUCKY

EFFECTIVE: April 1, 1993
APR 1 1993
PURSUANT TO 807 KAR 50.11,
SECTION 9 (1)
BY:  R. A. Etens, Vice President
2000 Richmond Road, Lexington, Kentucky

ISSUED: March 1, 1993
Issued By:  R. A. Etens, Vice President
2000 Richmond Road, Lexington, Kentucky

KENTUCKY-AMERICAN WATER COMPANY
P.S.C. KY NO. 6
Second Revised Sheet No. 62
Canceling First Revised Sheet No. 62

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE - RIDER

- (N) **Applicable:**
Applicable to the entire Service Territory of Kentucky-American Water.
- (N) **Availability:**
For Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire.
- (N) **Rate:**
The DSIC charge will be recomputed annually and be adjusted periodically to incorporate the annual reconciliation factor.
- (N) **General Description:**
To recover the fixed costs (pre-tax return and depreciation) of certain non-revenue producing distribution system improvement projects completed and placed in service on an annual prospective basis between base rate cases and recorded in the individual utility plant accounts, and provide the Company with the resources to accelerate the replacement of aging water distribution system infrastructure. The initial annual prospective DSIC year will be the first full twelve month period following the Forecast Test Period utilized by the Commission in establishing Base Rates of the Company in its prior Base Rate Case proceeding.

DSIC Eligible Utility Plant:

- (N) Mains and Valves - replacement distribution and transmission systems mains and valves installed as replacements for existing facilities; hydrants, services, meters and meter installations-installed as in-kind replacements; unreimbursed funds related to capital projects to relocate facilities required by a governmental highway projects.
- (N) Indicates New Tariff

Issued: December 28, 2012 EFFECTIVE: January 27, 2013
 Issued by: *Cheryl D. Norton* 2300 Richmond Road, Lexington, KY 40502
 Cheryl D. Norton, President Address

P.S.C. Ky. No. 6
Original Sheet No. 62

KENTUCKY-AMERICAN WATER COMPANY

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

AFTER HOURS
NEW SERVICE TURN-ON CHARGE

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

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

RATES
(N) In accordance with the Company's Rules and Regulations, Original Sheet No. 3, 316), in those cases where the Customer requests new service be turned on after regular working hours or on Saturdays, Sundays or holidays, a charge will be made to cover the cost of turning the water service on after normal service hours. The charge for this service will be twenty-two and 59/100 Dollars (\$22.59). This after hours new service turn-on charge will apply for customers requesting service between the hours of 12:00 midnight and 8:00 a.m. daily, Monday through Saturday, and after 4:00 p.m. on Saturday through 8:00 a.m. on Monday.

(N) Indicates new Tariff
PUBLIC SERVICE COMMISSION OF KENTUCKY

ISSUED: March 1, 1993 EFFECTIVE: April 1, 1993
 Issued By: *R. A. Edens* R. A. Edens, Vice President
 PURSUANT TO 807 KAR 6.011, SECTION 9 (1)
 BY: *Cheryl D. Norton*
 PUBLIC SERVICE COMMISSION MANAGER

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
Original Sheet No. 62.1

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE - RIDER
(Continued)

Determination of the Annual Distribution System Improvement Charge Percentage:

(N) The Distribution System Improvement Charge ("DSIC") percentage shall be expressed
(N) as a percentage carried to two (2) decimal places. The DSIC percentage shall be applied
(N) to the total amount billed to each Customer based on the Company's otherwise
(N) applicable rates and charges. The DSIC shall not be applied to any other surcharge or
(N) add-on taxes, or to any other revenues not recorded in a DSIC base rate revenues
(N) account.

(N) The DSIC percentage shall be calculated on annual prospective basis.

DSIC percentage formula:

(N)
$$DSIC \% = \frac{[(NetDSIC \times PTROR) + NetDep + PT + R]}{PAR}$$

(N) Where:

(N) **DSIC % =** DSIC percentage

(N) **NetDSIC =** The average forecasted cost of the investment in DSIC plant
(N) (DSIC additions net of associated DSIC retirements) for the DSIC year less
(N) forecasted accumulated depreciation on DSIC plant for the DSIC year. The
(N) average forecasted cost of DSIC plant, net of depreciation, shall be computed by
(N) using an average of thirteen (13) end-of-month balances of DSIC plant and
(N) accumulated depreciation for the annual prospective DSIC year which will be the
(N) twelve month incremental period(s) following the Forecast Test Period utilized in
(N) establishing Base Rates of the Company in its prior Base Rate Case proceeding.

(N) Indicates new tariff

This proposed tariff is an original sheet. As such, there is no corresponding current tariff.

Issued: December 28, 2012. **EFFECTIVE:** January 27, 2013

Issued by: *Cheryl D. Norton*
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
Address

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
Original Sheet No. 62.2

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE - RIDER
(Continued)

(N)
(N)

Where:

PTOR = Rate of Return on Rate Base as authorized by the Commission in the Company's prior Base Rate case petition grossed up for Income Taxes.

NetDep = Net depreciation expense related to the average investment in DSIC plant for the DSIC year. Depreciation expense shall be calculated by multiplying the average forecasted cost of the investment in DSIC plant by plant account, net of retirements, by the approved depreciation rates for the respective accounts in which the specific items included in the average DSIC investment are recorded. The average forecasted cost of the investment in DSIC by plant account, net of retirements, shall be computed by using an average of thirteen (13) end-of-month balances of DSIC by plant account and retirements for the annual prospective DSIC year which will be the twelve month incremental period(s) following the Forecast Test Period utilized in establishing Base Rates of the Company in its prior Base Rate Case proceeding.

PT = Property Taxes associated with Net DSIC Plant. Property taxes shall be based on the ratio of property taxes to total Utility Plant in Service as authorized by the Commission in the prior Base Rate case applied to net DSIC Plant.

R = Reconciliation component amount calculated for the annual reconciliation of the prior DSIC year.

(N)
(N)
(N)
(N)
(N)
(N)
(N)
(N)
(N)
(N)
(N)
(N)

(N) Indicates new tariff

Issued: December 28, 2012
Issued by: *Clery D. Norton*
Clery D. Norton, President
Address: 2300 Richmond Road, Lexington, KY 40502
EFFECTIVE: January 27, 2013

This proposed tariff is an original sheet. As such, there is no corresponding current tariff.

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
Original Sheet No. 62.3

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE - RIDER
(Continued)

(N)
(N)

Where:

RT = Revenue Taxes expressed as a decimal. Revenue Taxes reflect sum of PSC Utility Fee and Uncollectible expense.

PAR = The projection of total water DSIC base rate revenues, as applicable, for the annual prospective period which will be the twelve month incremental period(s) following the Forecast Test Period utilized in establishing Base Rates of the Company in its prior Base Rate Case proceeding. The projected revenue shall not include any other applicable surcharge or add-on taxes, or any other revenues not recorded in a DSIC base rate revenues account.

The DSIC shall be subject to an annual reconciliation.

Annual Reconciliation:

Within 60 days of the end of each DSIC year, if the Company had a DSIC in effect for all or part of the immediately preceding DSIC year, it shall submit to the Commission an annual reconciliation regarding the results for the previous DSIC year. The annual reconciliation shall be verified by an officer of the Company. The annual reconciliation shall include a calculation of the R formula component necessary to adjust revenue collected under the DSIC Rider in effect for prior DSIC year to an amount equivalent to the actual level of prudently-incurred DSIC cost for the prior DSIC year. Any over or under recovery will be included in the calculation of the next adjustment to the DSIC.

(N) Indicates new tariff

Issued: December 28, 2012

EFFECTIVE: January 27, 2013

Cheryl D. Norton
Cheryl D. Norton, President

2300 Richmond Road, Lexington, KY 40502
Address

This proposed tariff is an original sheet. As such, there is no corresponding current tariff.

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 6
Original Sheet No. 62.4

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE - RIDER
(Continued)

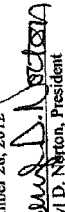
- (N)
- (N)
- (N)
- (N)
- (N)
- (N)
- (N)

New Base Rates:

The DSIC charge will be reset at zero upon the establishment of new Base Rates to customer billings that provide for the prospective recovery of the annual costs that theretofore have been recovered under the DSIC. Thereafter, only the costs of new DSIC eligible plant additions that have not previously been reflected in the Company's rate base would be reflected in new annual prospective DSIC filings.

(N) Indicates new tariff

Issued: December 28, 2012 EFFECTIVE: January 27, 2013

Issued by:  Cheryl D. Nerton, President

2300 Richmond Road, Lexington, KY 40502
Address

This proposed tariff is an original sheet. As such, there is no corresponding current tariff.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 4**

Description of Filing Requirement:

Certified copy of the Company's Articles of Incorporation with all Amendments.

Response:

The Company's Articles of Incorporation have not changed since they were filed as Filing Exhibit 4 in Kentucky American's 1995 Rate Case: In the matter of: Notice of Adjustment of the rates of Kentucky-American Water Company effective on and after February 29, 1996 (Case No. 95-9554).

For electronic version, see KAW_APP_EX4_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 5**

Description of Filing Requirement:

Certificate of Good Standing

Response:

Please see attached for Certificate of Good Standing.

For electronic version, see KAW_APP_EX5_122812.pdf.

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 132079
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

KENTUCKY-AMERICAN WATER COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is September 15, 1927 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 31st day of October, 2012, in the 221st year of the Commonwealth.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
132079/0027327

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 6**

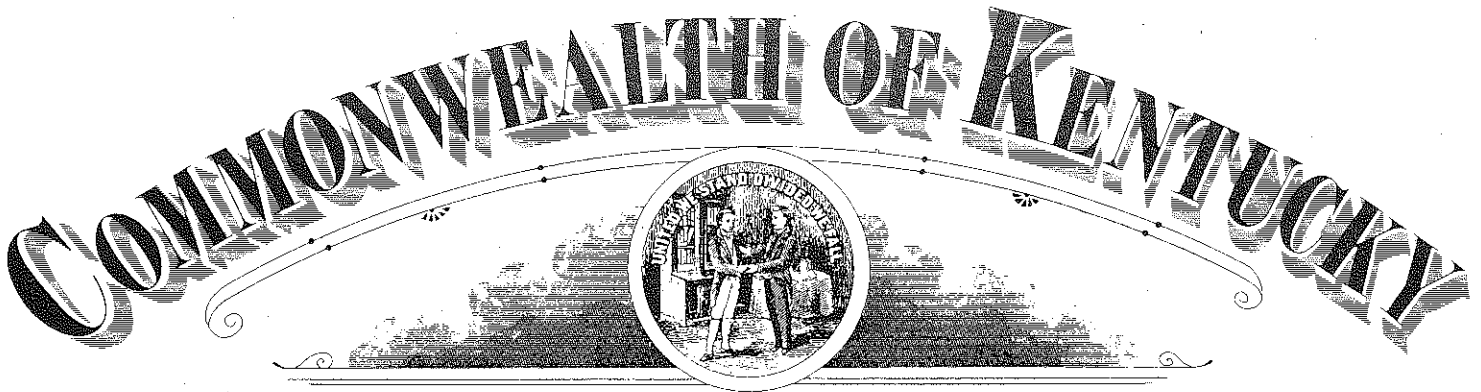
Description of Filing Requirement:

Certified Copy of a Certificate of Assumed Name

Response:

Please see attached.

For electronic version, see KAW_APP_EX6_122812.pdf.



Alison Lundergan Grimes
Secretary of State

Certificate

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

CERTIFICATE OF ASSUMED NAME OF

KENTUCKY AMERICAN WATER FILED SEPTEMBER 12, 2003.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 5th day of November, 2012.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
emcnulty/0027327 - Certificate ID: 132243

COMMONWEALTH OF KENTUCKY
JOHN Y. BROWN III
SECRETARY OF STATE



0027327.04

Peraine
ADD

John Y. Brown III
Secretary of State
Received and Filed
09/12/2003 11:16:08 AM
Fee Receipt: \$20.00

CERTIFICATE OF ASSUMED NAME

This certifies that the assumed name of

KENTUCKY AMERICAN WATER

(Name under which the business will be conducted)

has been adopted by Kentucky-American Water Company

(Real name - KRS 305.015(1))

which is the "real name" of (YOU MUST CHECK ONE)

a Domestic General Partnership

a Foreign General Partnership

a Domestic Registered Limited Liability Partnership

a Foreign Registered Limited Liability Partnership

a Domestic Limited Partnership

a Foreign Limited Partnership

a Domestic Business Trust

a Foreign Business Trust

a Domestic Corporation

a Foreign Corporation

a Domestic Limited Liability Company

a Foreign Limited Liability Company

a Joint Venture

organized and existing in the state or country of Kentucky, USA, and whose address is

2300 Richmond Road

Lexington

Kentucky

40502

Street address, if any

City

State

Zip Code

The certificate of assumed name is executed by

Roy W. Mundy, II, President

Print or type name and title

8-29-03

Date

Signature

Print or type name and title

Date

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 7**

Description of Filing Requirement:

Public Notices

Response:

Please see attached.

For electronic version, see KAW_APP_EX7_122812.pdf.

NOTICE

Notice is hereby given that Kentucky-American Water Company, a Kentucky corporation, seeks approval by the Public Service Commission, Frankfort, Kentucky, for an adjustment of rates to become effective January 27, 2013, for service rendered on and after January 27, 2013, in the total amount of \$12,317,702 on an annual basis. The percentage of increase will be an overall increase of 14.64% to Kentucky-American Water Company. The amount of increase per customer class for Kentucky-American Water Company is: residential, \$7,944,541, 17.88%; commercial, \$1,902,961, 8.90%; industrial, \$425,844, 19.83%; private fire hydrants or fire connections, \$231,907, 10.00%; public fire hydrants, \$659,367, 19.71%; municipal and other public authority, \$748,874, 11.84%; and sales for resale, \$45,796, 2.50%. The effect upon the average bill for each customer class on which the proposed rate change will apply is an increase: residential, \$5.76, 17.59%; commercial, \$6.79, 3.72%; industrial, \$1,516.35, 18.45%; private fire hydrants and fire connections, \$7.34, 10.00%; public fire hydrants, \$7.46, 19.71%; municipal and other public authority, \$106.06, 10.92%; and sales for resale, \$362.21, 2.78%.

The present rates charged by Kentucky-American Water Company are as follows:

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, 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:

<u>Customer Category</u>	<u>Rate Per 1,000 Gallons All Consumption</u>	<u>Rate Per 100 Cubic Feet All Consumption</u>
Residential	\$ 5.30040	\$ 3.97530
Commercial	4.82800	3.62100
Industrial	3.89467	2.92100
Municipal & Other		
Public Authority	4.24520	3.18390
Sales for Resale	4.20933	3.15700

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.

<u>Size of Meter</u>	<u>Service Charge Per Month</u>
5/8"	\$ 8.90
3/4"	13.35
1"	22.25
1-1/2"	44.50
2"	71.20
3"	133.50
4"	222.50
6"	445.00
8"	712.00

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.

Fire Service Rates

<u>Size of Service</u>	<u>Rate Per Month</u>	<u>Rate Per Annum</u>
2 Inch Diameter	\$ 8.11	\$ 97.29
4 Inch Diameter	32.63	391.56
6 Inch Diameter	73.40	880.76
8 Inch Diameter	130.49	1,565.88
10 Inch Diameter	203.49	2,447.31
12 Inch Diameter	293.75	3,525.05
14 Inch Diameter	399.89	4,798.70
16 Inch Diameter	522.19	6,266.32

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 in fire protection charges.

Rates for Public Fire Service

	<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 Government Agencies or Institutions	\$37.84	\$454.03

Rates for Private Fire Service

For each private fire hydrant contracted for by industries or private institutions	\$72.52	\$871.22
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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.

<u>Size of Meter Connected</u>	<u>Tapping Fee</u>
5/8-Inch	\$ 817.00
1-Inch	1,569.00
2-Inch	3,536.00
Service larger than 2”	Actual Cost

NEW ACCOUNT SET UP

An activation fee of \$26.00 shall be charged to set up a new account when there is a change in ownership or tenancy. This will cover the cost of meter reading and record setup.

RECONNECTION FEE

A reconnection fee of \$26.00 shall be charged to reconnect for shutoffs.

The proposed rates to be charged by Kentucky-American Water Company are as follows:

SERVICE CLASSIFICATION NO. 1

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 Metered Service.

Meter Rates

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

<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	\$ 5.4462	\$ 0.5446	\$4.0738
Commercial	4.8751	0.4875	3.6466
Industrial	4.6000	0.4600	3.4408
Municipal & Other			
Public Authority	4.5530	0.4553	3.4056
Sales for Resale	4.2452	0.4245	3.1754

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.

<u>Size of Meter</u>	<u>Service Charge Per Month</u>
5/8"	\$ 14.00
3/4"	21.00
1"	35.00
1-1/2"	70.00
2"	112.00
3"	210.00
4"	350.00
6"	700.00
8"	1,120.00

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.

Fire Service Rates

<u>Size of Service</u>	<u>Rate Per Month</u>	<u>Rate Per Annum</u>
2 Inch Diameter	\$ 8.92	\$ 107.04
4 Inch Diameter	35.89	430.68
6 Inch Diameter	80.74	968.88
8 Inch Diameter	143.54	1,722.48
10 Inch Diameter	224.33	2,691.96
12 Inch Diameter	323.13	3,877.56
14 Inch Diameter	439.88	5,278.56
16 Inch Diameter	574.41	6,892.92

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 in fire protection charges.

Rates for Public Fire Service

	<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 Government Agencies or Institutions	\$45.30	\$543.60

Rates for Private Fire Service

For each private fire hydrant contracted for by industries or private institutions	\$79.77	\$957.24
--	---------	----------

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.

<u>Size of Meter Connected</u>	<u>Tapping Fee</u>
5/8-Inch	\$ 1,078.00
1-Inch	1,576.00
2-Inch	3,563.00
Service larger than 2”	Actual Cost

NEW ACCOUNT SET UP

An activation fee of \$28.00 shall be charged to set up a new account when there is a change in ownership or tenancy. This will cover the cost of meter reading and record setup.

RECONNECTION FEE

A reconnection fee of \$56.00 shall be charged to reconnect for shutoffs.

Kentucky-American Water Company has also proposed additions to its tariff to include a Distribution System Infrastructure Charge Rider that would be applied to Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire Service classifications for infrastructure replacement investments. This rider charge would be calculated annually based on actual replacement costs, and applied to each customer’s monthly bill. The rider charge would then be updated annually until the next rate case, at which time the investment costs would be incorporated into rates and the rider charge reset at zero.

Kentucky-American Water Company has also proposed additions to its tariff to include a Purchased Power and Chemical Charge Rider that would be applied to all service classifications to establish a base cost per thousand gallons for purchased power and chemical costs. The rider charge would then be calculated annually as a percentage to include increases or decreases in base purchased power and chemical costs per thousand gallons.

Kentucky-American Water Company has also proposed revisions to eliminate portions of its tariff for an after-hours service activation fee and after-hours reconnection fee between the hours of 12:00 am and 8:00 am.

Kentucky-American Water Company has also proposed revisions to its tariff to revise the \$12.00 Returned Check Charge to Insufficient Funds Charge which will apply to customer payments made through checks or Electronic Fund Transfers that are not honored.

Kentucky-American Water Company has also proposed revisions to portions of its tariff to provide definitions for customer classifications for Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, Public Hydrant, Private Hydrant, and Fire Service.

The rates contained in this notice are the rates proposed by Kentucky-American Water Company; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice. Such action may result in rates for consumers other than the rates in this notice.

Notice is further given that any corporation, association, body politic, or person with a substantial interest in the matter may, by written request within thirty (30) days after the mailing of this notice of the proposed rate change, request to intervene in the matter before the Public Service Commission. Intervention may be granted beyond the thirty (30) day period for good cause shown. The request, which shall set forth the grounds for the request, should be submitted to the Public Service Commission at its address shown below. Any person who has been granted intervention by the Commission may obtain copies of the rate application and any other filings made by Kentucky-American Water Company by contacting Kentucky-American Water Company at the address and name below.

Any person may examine the rate application and any other filings made by Kentucky-American Water Company at its offices or at the Public Service Commission at the addresses below.

Kentucky-American Water Company
Attn.: Linda C. Bridwell
2300 Richmond Road
Lexington, Kentucky 40502
Telephone: 859-269-2386

Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602
Telephone: 502-564-3940

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 8**

Description of Filing Requirement:

PSC Notice

Response:

Please see attached.

For electronic version, see [KAW_APP_EX8_122812.pdf](#).



**STOLL
KEENON
OGDEN**

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093
www.skofirm.com

KAW_APP_EX8_122812
Page 2 of 2 **RECEIVED**

NOV 29 2012
PUBLIC SERVICE
COMMISSION

LINDSEY W. INGRAM III
DIRECT DIAL: (859) 231-3982
DIRECT FAX: (859) 246-3672
L.Ingram@skofirm.com

November 29, 2012

HAND DELIVERED

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

Re: *Adjustment of Rates of Kentucky American Water*

Dear Mr. Derouen:

In conformity with 807 KAR 5:001 Section 10(2) and 807 KAR 5:011 Section 8(1), this letter is to provide notice to the Public Service Commission of the Commonwealth of Kentucky of the intention of Kentucky American Water to file an application for an increase in its rates no earlier than four weeks from the date of this letter. The rate application will be supported by a fully forecasted test year.

Please acknowledge receipt of this notice and assign a case number to the application to be filed.

Very truly yours,

Stoll Keenon Ogden PLLC

Lindsey W. Ingram III

cc: Gerald E. Wuetcher
David E. Spenard

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 9**

Description of Filing Requirement:

Reconciliation of Rate Base and Capital used to determine its Revenue Requirements.

Response:

Capitalization for Forecasted Test Period	384,508,380
Rate Base for Forecasted Test Period	<u>385,994,706</u>
Difference	1,486,326
Reconciliation:	
Accrued Pension	1,069,804
Other (Net), Miscellaneous and Sundry Items	<u>416,522</u>

For electronic version, see KAW_APP_EX9_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 10**

Description of Filing Requirement:

Prepared testimony of each witness the utility proposes to use to support its application, including testimony from the utility's Chief Officer in charge of Kentucky Operations.

Response:

All Testimony is included under separate cover.

For electronic version, refer to the files below:

<u>FILE NAME</u>	<u>DESCRIPTION</u>
KAW_DT_JKB_122812.pdf	Jermaine K. Bates, Direct Testimony
KAW_DT_LCB_122812.pdf	Linda C. Bridwell, Direct Testimony
KAW_DT_KLC_122812.pdf	Keith L. Cartier, Direct Testimony
KAW_DT_PRH_122812.pdf	Paul R. Herbert, Direct Testimony
KAW_DT_LEK_122812.pdf	Lewis E. Keathley, Direct Testimony
KAW_DT_CDN_122812.pdf	Cheryl D. Norton, Direct Testimony
KAW_DT_SWR_122812.pdf	Scott W. Rungren, Direct Testimony
KAW_DT_MLS_122812.pdf	Melissa L. Schwarzell, Direct Testimony
KAW_DT_JHV_122812.pdf	James H. Vander Weide, Direct Testimony
KAW_DT_GMV_122812.pdf	Gary M. VerDouw, Direct Testimony
KAW_DT_LEW_122812.pdf	Lance E. Williams, Direct Testimony

For electronic version of this document, see KAW_APP_EX10_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 11**

Description of Filing Requirement:

Capital Construction Budget with a Three-Year Forecast

Response:

Please see attached.

For electronic version, see KAW_APP_EX11_122812.pdf.

KENTUCKY AMERICAN WATER
Case No. 2012-00520

PROPOSED CONSTRUCTION EXPENDITURES

Description	Carry Over 2012	2013	2014	2015
Normal Recurring Constructoin		\$ 14,599,717.17	\$ 13,640,540.00	\$ 14,500,000.00
CS-1201-3 T12-0102-P Business Transformation 2010-2014	\$ 4,052,675.73	\$ 1,853,963.00		
CS-1201-4 T12-0103-P Business Transformation 2010-2014	\$ 419,384.57	\$ 43,382.00	\$ 115,183.00	\$ -
Current Investment Projects				
12020607 I12-020001 New WTP On Pool 3 of Kentucky	\$ 12,163.72	\$ -	\$ -	\$ -
IP-1202-19 I12-020010 Leestown Road	\$ 423,657.00	\$ 440,000.00	\$ -	\$ -
IP-1202-36 I12-020025 Pump Efficiency Replacement Phase 1	\$ 1,586,656.52	\$ 831,596.33	\$ -	\$ -
IP-1202-9 Todds and Cleveland Rd Main Extension	\$ -	\$ -	\$ 2,400,000.00	\$ -
IP-1202-10 KRS Clearwell Improvements (332)	\$ -	\$ -	\$ 3,000,000.00	\$ -
IP-1202-11 I-75 Main Extension	\$ -	\$ -	\$ 2,000,000.00	\$ -
IP-1202-13 Greenwich Rd Main Extension	\$ -	\$ -	\$ 1,300,000.00	\$ -
IP-1202-16 North Upper St Main Replacement (343)	\$ -	\$ -	\$ 1,500,282.00	\$ -
IP-1202-20 KY Major Highway	\$ -	\$ -	\$ 1,000,000.00	\$ 1,000,000.00
IP-1202-23 RRS Carbon and Pre-Chlorine Feed	\$ -	\$ -	\$ 500,000.00	\$ -
IP-1202-27 KRS Hydrotreater Valve & Flow Meter	\$ -	\$ -	\$ 250,000.00	\$ -
IP-1202-39 Pump Efficiency Repl	\$ -	\$ -	\$ 457,866.00	\$ -
IP-1232-5 I12-300003 Northern Division Connection	\$ 3,892,186.00	\$ 9,793,797.00	\$ 418,885.00	\$ -
IP-2015-A RRS Filtration Building	\$ -	\$ -	\$ -	\$ 5,000,000.00
IP-2015-B Briar Hill Tank Area	\$ -	\$ -	\$ -	\$ 5,000,000.00
IP-2015-C North of Sadieville	\$ -	\$ -	\$ -	\$ 1,000,000.00
IP-2015-D KRS Pumps	\$ -	\$ -	\$ -	\$ 1,000,000.00
	\$ 10,386,723.54	\$ 27,562,455.50	\$ 26,582,756.00	\$ 27,500,000.00

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 12**

Description of Filing Requirement:

Description of Forecast Factors

Response:

Description of Forecast Factors used in preparing Kentucky-American Water's Forecasted Period is incorporated in each witness's prefiled testimony.

For electronic version, see KAW_APP_EX12_122812.pdf for this document and refer to KAW_APP_EX10_122812.pdf for electronic file names for each witness's prefiled testimony.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 13**

Description of Filing Requirement:

Annual and monthly budget for the twelve month preceding the filing date, the base period and the forecasted period.

Response:

Please see attached for the annual and monthly budgets for the 12 months preceding the filing date, the base period, and the forecast period.

For electronic version, see [KAW_APP_EX13_122812.pdf](#) for this document.

KENTUCKY AMERICAN WATER
CASE NO. 2012-00520
BUDGETED CONSTRUCTION EXPENDITURES
FOR THE TWELVE MONTHS PRECEDING THE FILING DATE

ITEM	DESCRIPTION	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	TOTAL
DV Projects	D12-01-P Projects Funded by Others (Contrib. /Adv./ Refunds)	\$ 159,943.94	\$ 229,303.72	\$ 152,423.32	\$ 77,650.92	\$ 168,761.99	\$ 303,329.00	\$ 244,850.54	\$ 264,141.69	\$ 225,070.00	\$ 175,313.00	\$ 175,050.00	\$ 122,576.57	\$ 2,298,414.69
A	R12-01-A1 Mains - New	\$ 6,696.21	\$ 14,140.35	\$ 5,798.45	\$ -	\$ (1,326.31)	\$ 8,971.34	\$ 11,332.99	\$ (3,610.95)	\$ 63,030.00	\$ 42,020.00	\$ 130,000.00	\$ 663,161.97	\$ 940,214.05
B	R12-01-B1 Mains - Replaced / Restored	\$ 6,042.66	\$ 15,698.77	\$ 20,880.01	\$ 75,857.19	\$ 148,149.08	\$ 177,252.78	\$ 97,406.64	\$ 16,546.66	\$ 283,631.00	\$ 236,298.00	\$ 196,398.00	\$ 495,452.50	\$ 1,769,613.29
C	R12-01-C1 Mains - Unscheduled	\$ 15,130.00	\$ 17,861.00	\$ 14,831.00	\$ 9,007.00	\$ 18,938.95	\$ 19,815.74	\$ 15,995.99	\$ 22,236.94	\$ 18,909.80	\$ 28,364.00	\$ 25,630.90	\$ 35,377.82	\$ 242,099.14
D	R12-01-D1 Mains - Relocated	\$ -	\$ -	\$ -	\$ -	\$ (75,498.53)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000.00	\$ 278,000.00	\$ 302,501.47
E	R12-01-E1 Hydrants, Valves, and Manholes - New	\$ 11,236.57	\$ 8,080.54	\$ 3,810.00	\$ 1,962.18	\$ 659.48	\$ 1,261.45	\$ 7,664.98	\$ 14,455.78	\$ 12,101.00	\$ 21,010.00	\$ 13,101.00	\$ 10,000.00	\$ 105,342.98
F	R12-01-F1 Hydrants, Valves, and Manholes - Replaced	\$ 13,753.00	\$ 9,055.01	\$ 43,442.00	\$ 31,513.00	\$ 8,077.54	\$ 4,774.50	\$ 20,049.81	\$ 5,459.07	\$ 24,161.50	\$ 10,504.50	\$ 8,404.00	\$ 8,317.15	\$ 187,511.08
G	R12-01-G1 Services and Laterals - New	\$ 70,973.88	\$ 65,910.01	\$ 72,611.00	\$ 78,666.00	\$ 98,271.12	\$ 169,137.25	\$ 174,890.04	\$ 62,666.37	\$ 75,404.00	\$ 80,253.00	\$ 84,302.90	\$ 61,639.54	\$ 1,094,725.11
H	R12-01-H1 Services and Laterals - Replaced	\$ 40,283.01	\$ 36,503.99	\$ 24,738.01	\$ 33,145.98	\$ 18,444.71	\$ 49,450.33	\$ 39,173.99	\$ 46,614.98	\$ 64,080.52	\$ 75,000.00	\$ 65,131.52	\$ 84,546.04	\$ 577,113.08
I	R12-01-I1 Meters - New	\$ 25,195.99	\$ 47,105.99	\$ 51,920.04	\$ 17,603.00	\$ 25,853.86	\$ 51,953.90	\$ 167,872.59	\$ 46,100.30	\$ 310,108.00	\$ 64,291.00	\$ 53,785.50	\$ 71,486.15	\$ 933,276.32
J	R12-01-J1 Meters - Replaced	\$ 21,134.99	\$ 6,303.20	\$ 15,512.81	\$ 65,371.99	\$ 688,905.45	\$ 19,872.49	\$ 95,016.02	\$ 3,795.43	\$ 666,388.00	\$ 195,508.50	\$ 165,407.00	\$ 1,136,516.04	\$ 3,079,731.92
K	R12-01-K1 ITS Equipment and Systems	\$ -	\$ 91,462.01	\$ 56,290.02	\$ 43,045.00	\$ 69,109.00	\$ 41,906.72	\$ 69,954.74	\$ 85,101.07	\$ 48,000.00	\$ 35,000.00	\$ 70,000.00	\$ 130,000.00	\$ 738,868.56
L	R12-01-L1 SCADA Equipment and Systems	\$ -	\$ -	\$ -	\$ 168,000.00	\$ -	\$ 20,436.00	\$ 5,600.00	\$ 5,082.68	\$ 61,979.50	\$ 99,797.50	\$ 141,817.50	\$ 538,491.50	\$ 1,041,204.68
M	R12-01-M1 Security Equipment and Systems	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,505.00	\$ -	\$ 10,505.00	\$ -	\$ 21,010.00
N	R12-01-N1 Offices and Operations Centers	\$ (338.53)	\$ 3,816.00	\$ 7,900.00	\$ 4,600.00	\$ 16,468.21	\$ 6,181.17	\$ 71,396.39	\$ 43,245.59	\$ -	\$ -	\$ 100,000.00	\$ 50,000.00	\$ 303,268.83
O	R12-01-O1 Vehicles	\$ 66,107.99	\$ 154,000.15	\$ 0.18	\$ (30,408.99)	\$ -	\$ 141,818.00	\$ 30,464.50	\$ (9,110.16)	\$ 99,579.00	\$ 73,502.00	\$ -	\$ 40,000.00	\$ 565,952.67
P	R12-01-P1 Tools and Equipment	\$ 18,046.14	\$ -	\$ 2,528.00	\$ 106,599.01	\$ 8,660.41	\$ 8,455.78	\$ 23,456.83	\$ (612.17)	\$ 2,101.00	\$ 21,540.98	\$ 75,000.00	\$ 105,000.00	\$ 370,775.98
Q	R12-01-Q1 Process Plant Facilities and Equipment	\$ (16,014.95)	\$ 43,463.00	\$ 29,388.20	\$ 124,969.41	\$ 71,610.13	\$ 84,296.50	\$ 35,758.11	\$ 45,482.04	\$ 300,834.00	\$ 286,005.00	\$ 243,631.00	\$ 230,146.26	\$ 1,479,568.70
R	R12-01-R1 Capitalized Tank Rehabilitation / Painting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
S	R12-01-S1 Engineering Studies	\$ 15,808.32	\$ 5,101.99	\$ 14,000.00	\$ 28,000.00	\$ 18,505.00	\$ 10,505.00	\$ 28,192.96	\$ (64,533.16)	\$ 10,505.00	\$ -	\$ -	\$ -	\$ 66,085.11
	SUBTOTAL ITEMS	\$ 453,999.22	\$ 747,805.73	\$ 516,073.04	\$ 835,581.69	\$ 1,283,590.09	\$ 1,119,417.95	\$ 1,139,077.12	\$ 583,062.16	\$ 2,276,387.32	\$ 1,444,407.48	\$ 1,658,164.32	\$ 4,060,711.54	\$ 16,118,277.66
Business Unit No.	Centrally Sponsored Projects													
CS-1201-3	T12-0102-P Business Transformation 2010 - 2014	\$ 587,467.22	\$ 343,892.79	\$ 327,171.93	\$ 417,618.29	\$ 458,515.60	\$ 307,162.05	\$ 285,857.48	\$ 228,104.45	\$ 225,989.00	\$ 285,742.00	\$ 292,289.55	\$ 292,865.37	\$ 4,052,675.73
CS-1201-4	T12-0103-P Business Transformation 2010 - 2014	\$ 63,988.26	\$ 68,534.28	\$ 66,842.58	\$ 37,244.01	\$ 52,881.95	\$ 18,043.29	\$ 23,296.98	\$ 36,913.44	\$ 12,038.00	\$ 12,000.00	\$ 14,000.00	\$ 13,601.78	\$ 419,384.57
	SUBTOTAL ITEMS	\$ 651,455.48	\$ 412,427.07	\$ 394,014.51	\$ 454,862.30	\$ 511,397.55	\$ 325,205.34	\$ 309,154.46	\$ 265,017.89	\$ 238,027.00	\$ 297,742.00	\$ 306,289.55	\$ 306,467.15	\$ 4,472,060.30
PROJECT	INVESTMENT PROJECTS:													
12020607	I12-020001 New WTP On Pool 3 of Kentucky	\$ 21,408.00	\$ 12,102.01	\$ 34.73	\$ (452.00)	\$ -	\$ (65,737.48)	\$ 21,533.32	\$ 3,275.14	\$ -	\$ 20,000.00	\$ -	\$ -	\$ 12,163.72
IP-1202-38	I12-020027 Russell Cave Rd Main Extension	\$ -	\$ 2,535.00	\$ -	\$ -	\$ 7,663.06	\$ -	\$ -	\$ (200.05)	\$ -	\$ -	\$ -	\$ 28,191.94	\$ 38,189.95
IP-1202-18	I12-020009 US 25 Relocation	\$ 0.01	\$ 16,474.00	\$ 120,000.00	\$ 225,087.00	\$ 221,171.00	\$ 106,292.57	\$ 79,470.23	\$ 228,606.37	\$ 113,066.20	\$ 70,000.00	\$ -	\$ -	\$ 1,180,167.38
IP-1202-19	I12-020010 Leestown Road	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,764.15	\$ -	\$ -	\$ -	\$ 177,535.00	\$ 206,357.85	\$ 423,657.00
IP-1202-36	I12-020025 Pump Efficiency Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000.00	\$ 53,903.99	\$ 8,843.67	\$ 116,504.00	\$ 56,500.00	\$ 174,507.85	\$ 1,151,397.01	\$ 1,586,656.52
IP-1232-3	I12-300003 Northern project see IP-1232-5	\$ 18,571.09	\$ 28,979.58	\$ 76,249.68	\$ 34,001.00	\$ 29,814.00	\$ 11,189.63	\$ (542,469.86)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (343,664.88)
IP-1232-5	I12-300003 Northern Division Connection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 579,160.36	\$ 33,025.12	\$ 30,000.00	\$ -	\$ -	\$ 3,250,000.52	\$ 3,892,186.00
IP-1201-10	I12-010001 Unallocated Indirect Overhead	\$ 132,503.66	\$ 39,810.90	\$ 46,726.97	\$ 16,745.78	\$ 41,210.90	\$ (140,457.45)	\$ 40,551.12	\$ (177,091.88)	\$ -	\$ -	\$ -	\$ -	\$ -
IP-1201-9	IP Project Unbudgeted Capital	\$ 2,080.75	\$ (18,643.98)	\$ 16,343.98	\$ (12,395.05)	\$ (18,651.62)	\$ 34,342.00	\$ (6,336.03)	\$ 301,187.56	\$ -	\$ -	\$ -	\$ (297,927.61)	\$ -
	SUBTOTAL ITEMS	\$ 174,563.51	\$ 81,257.51	\$ 259,355.36	\$ 262,986.73	\$ 281,207.34	\$ (29,370.73)	\$ 265,577.28	\$ 397,645.93	\$ 259,570.20	\$ 146,500.00	\$ 352,042.85	\$ 4,338,019.71	\$ 6,789,355.69
TOTAL		\$ 1,280,018.21	\$ 1,241,490.31	\$ 1,169,442.91	\$ 1,553,430.72	\$ 2,076,194.98	\$ 1,415,252.56	\$ 1,713,808.86	\$ 1,245,725.98	\$ 2,773,984.52	\$ 1,888,649.48	\$ 2,316,496.72	\$ 8,705,198.40	\$ 27,379,693.65

Kentucky American Water
Budget for 12 Months Preceding End of Base Year, Water Business Units Only
Case No. 2012-00520

Table with columns: Line #, Line Description, 2012 (Sum of Apr to Dec), 2013 (Sum of Jan to Mar), and Annual Budget for 12 Months Preceding Base Period. Rows include revenue (P02-P11), O&M (P13-P36), other operating expenses (P39-P47), utility operating income, and other deductions (P51-P64).

KENTUCKY AMERICAN WATER
CASE NO. 2012-00520
BUDGETED CONSTRUCTION EXPENDITURES
FOR THE TWELVE MONTHS PRECEDING THE BASE PERIOD

ITEM	DESCRIPTION	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	TOTAL
DV	Projects D12-01-P Projects Funded by Others (Contrib. /Adv./ Refunc	\$ 77,650.92	\$ 168,761.99	\$ 303,329.00	\$ 244,850.54	\$ 264,141.69	\$ 225,070.00	\$ 175,313.00	\$ 175,050.00	\$ 122,576.57	\$ 84,040.00	\$ 131,313.00	\$ 152,323.00	\$ 2,124,419.71
A	R12-01-A1 Mains - New	\$ -	\$ (1,326.31)	\$ 8,971.34	\$ 11,332.99	\$ (3,610.95)	\$ 63,030.00	\$ 42,020.00	\$ 130,000.00	\$ 663,161.97	\$ -	\$ -	\$ -	\$ 913,579.04
B	R12-01-B1 Mains - Replaced / Restored	\$ 75,857.19	\$ 148,149.08	\$ 177,252.78	\$ 97,406.64	\$ 16,546.66	\$ 283,631.00	\$ 236,298.00	\$ 196,398.00	\$ 495,452.50	\$ 6,705.00	\$ 15,758.00	\$ 87,778.00	\$ 1,837,232.85
C	R12-01-C1 Mains - Unscheduled	\$ 9,007.00	\$ 18,938.95	\$ 19,815.74	\$ 15,995.99	\$ 22,236.94	\$ 18,909.80	\$ 28,364.00	\$ 25,630.90	\$ 35,377.82	\$ 21,162.00	\$ 21,010.00	\$ 34,768.00	\$ 271,217.14
D	R12-01-D1 Mains - Relocated	\$ -	\$ (75,498.53)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000.00	\$ 278,000.00	\$ -	\$ -	\$ -	\$ 302,501.47
E	R12-01-E1 Hydrants, Valves, and Manholes - New	\$ 1,962.18	\$ 659.48	\$ 1,261.45	\$ 7,664.98	\$ 14,455.78	\$ 12,101.00	\$ 21,010.00	\$ 13,101.00	\$ 10,000.00	\$ -	\$ 5,253.00	\$ 10,505.00	\$ 97,973.87
F	R12-01-F1 Hydrants, Valves, and Manholes - Replaced	\$ 31,513.00	\$ 6,077.54	\$ 4,774.50	\$ 20,049.81	\$ 5,459.07	\$ 24,161.50	\$ 10,504.50	\$ 8,404.00	\$ 8,317.15	\$ 18,910.00	\$ 17,859.00	\$ 34,668.00	\$ 192,698.07
G	R12-01-G1 Services and Laterals - New	\$ 78,666.00	\$ 98,271.12	\$ 169,137.25	\$ 174,890.04	\$ 62,666.37	\$ 75,404.00	\$ 80,253.00	\$ 84,302.90	\$ 61,639.54	\$ 69,333.00	\$ 73,535.00	\$ 93,495.00	\$ 1,121,593.22
H	R12-01-H1 Services and Laterals - Replaced	\$ 33,145.98	\$ 18,444.71	\$ 49,450.33	\$ 39,173.99	\$ 46,614.98	\$ 64,080.52	\$ 75,000.00	\$ 65,131.52	\$ 84,546.04	\$ 64,040.00	\$ 81,899.00	\$ 89,555.00	\$ 711,082.07
I	R12-01-I1 Meters - New	\$ 17,603.00	\$ 25,863.86	\$ 51,953.90	\$ 167,872.59	\$ 46,100.30	\$ 310,108.00	\$ 64,291.00	\$ 53,785.50	\$ 71,486.15	\$ 24,267.00	\$ 25,737.00	\$ 31,620.00	\$ 890,678.30
J	R12-01-J1 Meters - Replaced	\$ 65,371.99	\$ 688,905.45	\$ 19,872.49	\$ 95,016.02	\$ 3,795.43	\$ 666,388.00	\$ 195,508.50	\$ 165,407.00	\$ 1,136,516.04	\$ 15,758.00	\$ 309,855.00	\$ 81,939.00	\$ 3,444,332.92
K	R12-01-K1 ITS Equipment and Systems	\$ 43,045.00	\$ 69,109.00	\$ 41,906.72	\$ 69,954.74	\$ 85,101.07	\$ 48,000.00	\$ 35,000.00	\$ 70,000.00	\$ 130,000.00	\$ -	\$ -	\$ 16,000.00	\$ 608,116.53
L	R12-01-L1 SCADA Equipment and Systems	\$ 168,000.00	\$ -	\$ 20,436.00	\$ 5,600.00	\$ 5,082.68	\$ 61,979.50	\$ 99,797.50	\$ 141,817.50	\$ 538,491.50	\$ -	\$ -	\$ 321,658.00	\$ 1,362,862.68
M	R12-01-M1 Security Equipment and Systems	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,505.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,010.00
N	R12-01-N1 Offices and Operations Centers	\$ 4,600.00	\$ 16,468.21	\$ 6,181.17	\$ 71,396.39	\$ 43,245.59	\$ -	\$ -	\$ 100,000.00	\$ 50,000.00	\$ -	\$ -	\$ -	\$ 291,891.36
O	R12-01-O1 Vehicles	\$ (30,408.99)	\$ -	\$ 141,818.00	\$ 30,464.50	\$ (9,110.16)	\$ 99,579.00	\$ 73,502.00	\$ -	\$ 40,000.00	\$ -	\$ -	\$ -	\$ 345,844.35
P	R12-01-P1 Tools and Equipment	\$ 106,599.01	\$ 8,660.41	\$ 8,455.78	\$ 23,456.83	\$ (612.17)	\$ 2,101.00	\$ 21,540.98	\$ 75,000.00	\$ 105,000.00	\$ -	\$ 10,505.00	\$ 13,657.00	\$ 374,363.84
Q	R12-01-Q1 Process Plant Facilities and Equipment	\$ 124,969.41	\$ 71,610.13	\$ 84,296.50	\$ 35,758.11	\$ 45,482.04	\$ 300,834.00	\$ 286,005.00	\$ 243,631.00	\$ 230,146.26	\$ -	\$ -	\$ 41,495.00	\$ 1,464,227.45
R	Capitalized Tank Rehabilitation / Painting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
S	R12-01-S1 Engineering Studies	\$ 28,000.00	\$ 18,505.00	\$ 10,505.00	\$ 28,192.96	\$ (64,533.16)	\$ 10,505.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,174.80
	SUBTOTAL ITEMS	\$ 835,581.69	\$ 1,283,590.09	\$ 1,119,417.95	\$ 1,139,077.12	\$ 583,062.16	\$ 2,276,387.32	\$ 1,444,407.48	\$ 1,658,164.32	\$ 4,060,711.54	\$ 304,215.00	\$ 692,724.00	\$ 1,009,461.00	\$ 16,406,799.67
Business Unit No.	Centrally Sponsored Projects													
CS-1201-3	T12-0102-P Business Transformation 2010 - 2014	\$ 417,618.29	\$ 458,515.60	\$ 307,162.05	\$ 285,857.48	\$ 228,104.45	\$ 225,989.00	\$ 285,742.00	\$ 292,289.55	\$ 292,865.37	\$ 269,268.00	\$ 302,869.00	\$ 150,073.00	\$ 3,516,353.79
CS-1201-4	T12-0103-P Business Transformation 2010 - 2014	\$ 37,244.01	\$ 52,881.95	\$ 18,043.29	\$ 23,296.98	\$ 36,913.44	\$ 12,038.00	\$ 12,000.00	\$ 14,000.00	\$ 13,601.78	\$ 9,246.00	\$ 9,269.00	\$ 9,292.00	\$ 247,826.45
	SUBTOTAL ITEMS	\$ 454,862.30	\$ 511,397.55	\$ 325,205.34	\$ 309,154.46	\$ 265,017.89	\$ 238,027.00	\$ 297,742.00	\$ 306,289.55	\$ 306,467.15	\$ 278,514.00	\$ 312,138.00	\$ 159,365.00	\$ 3,764,180.24
PROJECT	INVESTMENT PROJECTS:													
12020607	I12-020001 New WTP On Pool 3 of Kentucky	\$ (452.00)	\$ -	\$ (65,737.48)	\$ 21,533.32	\$ 3,275.14	\$ -	\$ 20,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (21,381.02)
IP-1202-38	I12-020027 Russell Cave Rd Main Extension	\$ -	\$ 7,663.06	\$ -	\$ -	\$ (200.05)	\$ -	\$ -	\$ -	\$ 28,191.94	\$ -	\$ -	\$ -	\$ 35,654.95
IP-1202-18	I12-020009 US 25 Relocation	\$ 225,087.00	\$ 221,171.00	\$ 106,292.57	\$ 79,470.23	\$ 228,606.37	\$ 113,066.20	\$ 70,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,043,693.37
IP-1202-19	I12-020010 Leestown Road	\$ -	\$ -	\$ -	\$ 39,764.15	\$ -	\$ -	\$ -	\$ 177,535.00	\$ 206,357.85	\$ 50,000.00	\$ 50,000.00	\$ 150,000.00	\$ 673,657.00
IP-1202-36	I12-020025 Pump Efficiency Replacement	\$ -	\$ -	\$ 25,000.00	\$ 53,903.99	\$ 8,843.67	\$ 116,504.00	\$ 56,500.00	\$ 174,507.85	\$ 1,151,397.01	\$ 236,596.33	\$ 200,000.00	\$ 20,000.00	\$ 2,043,252.85
IP-1232-3	I12-020003 Northern project see IP-1232-5	\$ 34,001.00	\$ 29,814.00	\$ 11,189.63	\$ (542,469.86)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (467,465.23)
IP-1232-5	I12-300003 Northern Division Connection	\$ -	\$ -	\$ -	\$ 579,160.36	\$ 33,025.12	\$ 30,000.00	\$ -	\$ -	\$ 3,250,000.52	\$ 215,236.00	\$ 250,000.00	\$ 420,850.00	\$ 4,778,272.00
IP-1201-10	I12-010001 Unallocated Indirect Overhead	\$ 16,745.78	\$ 41,210.90	\$ (140,457.45)	\$ 40,551.12	\$ (177,091.88)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (219,041.53)
IP-1201-9	IP Project Unbudgeted Capital	\$ (12,395.05)	\$ (18,651.62)	\$ 34,342.00	\$ (6,336.03)	\$ 301,187.56	\$ -	\$ -	\$ -	\$ (297,927.61)	\$ -	\$ -	\$ -	\$ 219.25
	SUBTOTAL ITEMS	\$ 262,986.73	\$ 281,207.34	\$ (29,370.73)	\$ 265,577.28	\$ 397,645.93	\$ 259,570.20	\$ 146,500.00	\$ 352,042.85	\$ 4,338,019.71	\$ 501,832.33	\$ 500,000.00	\$ 590,850.00	\$ 7,866,861.64
	TOTAL	\$ 1,553,430.72	\$ 2,076,194.98	\$ 1,415,252.56	\$ 1,713,808.86	\$ 1,245,725.98	\$ 2,773,984.52	\$ 1,888,649.48	\$ 2,316,496.72	\$ 8,705,198.40	\$ 1,084,561.33	\$ 1,504,862.00	\$ 1,759,676.00	\$ 28,037,841.55

Kentucky American Water
Case No. 2012 - 00520
Budgeted Construction Expenditures, Adjusted with Known and Measurable Changes, Water Business Units Only
For the Twelve Months Preceding the End of the Forecast Period

Recurring Project	Project #	Description	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Total
DV	D12-**01-P	Projects Funded by Others	\$ 199,595	\$ 173,333	\$ 195,979	\$ 231,313	\$ 175,047	\$ 84,040	\$ 131,313	\$ 152,323	\$ 162,828	\$ 183,333	\$ 209,848	\$ 206,949	\$ 2,105,901
A	R12-**A1	Mains - New	\$ 52,526	\$ 34,667	\$ 15,736	\$ 10,505	\$ 10,503	\$ -	\$ -	\$ 10,505	\$ 10,505	\$ 26,263	\$ 31,516	\$ 57,778	\$ 260,504
B	R12-**B1	Mains - Replaced / Restored	\$ 278,383	\$ 288,888	\$ 204,848	\$ 170,425	\$ 96,228	\$ 15,253	\$ 60,758	\$ 92,778	\$ 109,041	\$ 203,080	\$ 256,403	\$ 277,274	\$ 2,053,359
C	R12-**C1	Mains - Unscheduled	\$ 24,162	\$ 21,010	\$ 32,566	\$ 25,212	\$ 19,957	\$ 21,162	\$ 21,010	\$ 34,768	\$ 14,707	\$ 21,010	\$ 21,010	\$ 13,657	\$ 270,231
D	R12-**D1	Mains - Relocated	\$ 84,040	\$ 105,050	\$ 105,050	\$ 52,525	\$ 24,160	\$ -	\$ -	\$ 5,253	\$ 10,505	\$ 15,758	\$ 57,778	\$ 70,384	\$ 530,503
E	R12-**E1	Hydrants, Valves, and Manholes - New	\$ 27,996	\$ 21,010	\$ 12,186	\$ 6,671	\$ 5,250	\$ -	\$ 5,253	\$ 21,010	\$ 23,111	\$ 26,263	\$ 21,010	\$ 26,263	\$ 196,023
F	R12-**F1	Hydrants, Valves, and Manholes - Replaced	\$ 23,112	\$ 27,314	\$ 69,334	\$ 10,506	\$ 10,496	\$ 17,859	\$ 17,859	\$ 33,617	\$ 16,809	\$ 16,809	\$ 27,314	\$ 29,414	\$ 300,443
G	R12-**G1	Services and Laterals - New	\$ 101,318	\$ 94,545	\$ 78,788	\$ 66,180	\$ 52,525	\$ 69,333	\$ 73,535	\$ 90,343	\$ 110,161	\$ 115,565	\$ 111,565	\$ 116,565	\$ 1,080,423
H	R12-**H1	Services and Laterals - Replaced	\$ 92,818	\$ 71,434	\$ 85,518	\$ 63,030	\$ 85,897	\$ 64,040	\$ 79,798	\$ 94,555	\$ 101,071	\$ 96,981	\$ 102,121	\$ 1,031,917	
I	R12-**I1	Meters - New	\$ 46,747	\$ 36,768	\$ 40,969	\$ 38,868	\$ 25,736	\$ 24,267	\$ 25,737	\$ 31,620	\$ 48,639	\$ 59,879	\$ 65,131	\$ 59,879	\$ 504,240
J	R12-**J1	Meters - Replaced	\$ 97,697	\$ 22,061	\$ 23,112	\$ 19,960	\$ 21,007	\$ 15,758	\$ 309,855	\$ 81,939	\$ 459,594	\$ 580,611	\$ 417,379	\$ 238,580	\$ 2,287,553
K	R12-**K1	ITS Equipment and Systems	\$ -	\$ 73,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,781	\$ 11,000	\$ 32,615	\$ 8,371	\$ -	\$ 164,555
L	R12-**L1	SCADA Equipment and Systems	\$ 321,658	\$ 107,219	\$ 107,219	\$ 107,219	\$ 107,220	\$ -	\$ -	\$ -	\$ 15,758	\$ -	\$ 26,263	\$ 42,021	\$ 834,577
M	R12-**M1	Security Equipment and Systems	\$ 26,263	\$ 52,525	\$ 52,525	\$ 26,263	\$ 5,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,505	\$ 10,505	\$ 183,837
N	R12-**N1	Offices and Operations Centers	\$ -	\$ -	\$ 21,010	\$ 21,010	\$ 21,010	\$ -	\$ -	\$ -	\$ -	\$ 21,010	\$ -	\$ 21,010	\$ 105,050
O	R12-**O1	Vehicles	\$ -	\$ -	\$ -	\$ 157,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,222	\$ 54,622	\$ 349,817	\$ 608,240
P	R12-**P1	Tools and Equipment	\$ 105,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,505	\$ 10,505	\$ 78,788	\$ 67,100	\$ 89,292	\$ 361,238
Q	R12-**Q1	Process Plant Facilities and Equipment	\$ 125,212	\$ 219,745	\$ 179,595	\$ 21,008	\$ -	\$ -	\$ -	\$ 36,768	\$ 168,080	\$ 151,750	\$ 204,848	\$ 187,525	\$ 1,294,531
S	R12-**S1	Engineering Studies	\$ 10,505	\$ 10,505	\$ 10,505	\$ 10,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,020
Subtotal:			\$ 1,617,080	\$ 1,359,862	\$ 1,234,940	\$ 1,038,775	\$ 660,285	\$ 311,712	\$ 725,118	\$ 734,765	\$ 1,265,897	\$ 1,680,027	\$ 1,687,648	\$ 1,899,034	\$ 14,215,142
Centrally Sponsored															
Project	Project #	Description													
CS-1201-3	T12-0102-P	Business Transformation 2010 - 2014	\$ 121,423	\$ 115,572	\$ 111,740	\$ 65,618	\$ 64,273	\$ 38,834	\$ 37,851	\$ 37,776	\$ -	\$ -	\$ -	\$ -	\$ 593,085
CS-1201-4	T12-0103-P	Business Transformation 2010 - 2014	\$ 2,225	\$ 2,225	\$ 2,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,675
Subtotal:			\$ 123,648	\$ 117,797	\$ 113,965	\$ 65,618	\$ 64,273	\$ 38,834	\$ 37,851	\$ 37,776	\$ -	\$ -	\$ -	\$ -	\$ 599,760
Investment Project															
Project	Project #	Description:													
IP-1202-36	I12-020025	Pump Efficiency Replacement	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000
IP-1202-9	0	Todds and Cleveland Rd Main Extension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,382	\$ 55,739	\$ 161,487	\$ 57,140	\$ 2,127	\$ 59,314	\$ 270,474	\$ 661,663
IP-1202-10	0	KRS Clearwell Improvements (332)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,226	\$ 18,581	\$ 55,587	\$ 161,334	\$ 20,100	\$ 58,907	\$ 270,065	\$ 597,800
IP-1202-11	0	I-75 Main Extension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,035	\$ 55,569	\$ 29,580	\$ 29,771	\$ 36,838	\$ 136,001	\$ 269,800	\$ 586,594
IP-1202-13	0	Greenwich Rd Main Extension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,035	\$ 55,569	\$ 55,928	\$ 906	\$ 110,780	\$ 243,231	\$ 244,804	\$ 740,253
IP-1202-16	0	North Upper St Main Replacement (343)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,035	\$ 55,569	\$ 29,580	\$ 736	\$ 106,130	\$ 162,196	\$ 205,398	\$ 588,644
IP-1202-20	0	KY Major Highway	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,035	\$ 29,222	\$ 55,758	\$ 56,117	\$ 1,097	\$ 58,278	\$ 137,695	\$ 367,202
IP-1202-23	0	RRS Carbon and Pre-Chlorine Feed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,226	\$ 13,312	\$ 13,397	\$ 13,484	\$ 345	\$ 55,729	\$ 143,204	\$ 252,697
IP-1202-27	0	KRS Hydrotreater Valve & Flow Meter	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,273	\$ 29,076	\$ 229	\$ 27,474	\$ 82,137	\$ 82,066	\$ 226,255
IP-1202-39	0	Pump Efficiency Repl	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 50,000	\$ 125,000	\$ 125,000	\$ 330,000
IP-1232-3	0	Northern Division Connection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IP-1232-5	I12-300003	Northern Division Connection	\$ 1,085,050	\$ 1,085,050	\$ 1,085,050	\$ 850,000	\$ 500,000	\$ 219,750	\$ 105,550	\$ 78,585	\$ 15,000	\$ -	\$ -	\$ -	\$ 5,024,035
IP-1233-1	0	Owenton WWTP Phosphorous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IP-1201-10	I12-010001	Unallocated Indirect Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IP-1201-9	0	IP Project Unbudgeted Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal:			1,110,050	1,085,050	1,085,050	850,000	500,000	417,724	394,384	508,978	364,717	354,891	980,793	1,748,506	\$ 9,400,143
TOTAL WATER SCEP:			\$ 2,850,778	\$ 2,562,709	\$ 2,433,955	\$ 1,954,392	\$ 1,224,557	\$ 768,270	\$ 1,157,353	\$ 1,281,519	\$ 1,630,614	\$ 2,034,918	\$ 2,668,441	\$ 3,647,540	\$ 24,215,045

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 14**

Description of Filing Requirement:

Statement of Attestation signed by Kentucky-American Water Company's Chief Officer (Ms. Cheryl Norton) in charge of Kentucky Operations.

Response:


Please see attached.

For electronic version, see KAW_APP_EX14_122812.pdf.

PUBLIC SERVICE COMMISSION
KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520

Comes Cheryl D. Norton, Chairman of the Board of Directors of Kentucky-American Water Company, and as required by proposed 807 KAR 5:001, Section 10, (9), (e), does hereby attest as follows:

1. That the forecast utilized in Case No. 2012-00520 by Kentucky-American Water Company is, in my opinion, reasonable, reliable, made in good faith and all basic assumptions used in the forecast have been identified and justified;
2. That the forecast utilized by Kentucky-American Water Company in Rate Case No. 2012-00520 contains the same assumptions and methodologies as used by the management of Kentucky-American Water Company, and
3. That productivity and efficiency gains are included in the forecast.


Cheryl D. Norton

Date: 12/20/12

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 15**

Description of Filing Requirement:

Information regarding major construction projects which constitute 5% or more of the annual construction budget.

Response:

Please see attached.

For electronic version, see KAW_APP_EX15_122812.pdf.

KENTUCKY AMERICAN WATER
Case No. 2012-00520
MAJOR CONSTRUCTION PROJECTS
COMPRISING 5% OR MORE OF THE ANNUAL BUDGET

Investment Project Number	Project Description	Actual or Estimated Start Up Date	Estimated Completion Date	Estimated Costs Inclusive of AFUDC			Estimated Costs Exclusive of AFUDC			Costs incurred to Date * Inclusive of AFUDC	Costs Incurred to Date * Exclusive of AFUDC
				2013	2014	2015	2013	2014	2015		
CS-1201-3 T12-0102-P	Business Transformation 2010 - 2014	2/2010	3/2014	1,853,963	115,183	0	1,706,259	110,251	0	7,903,735	7,344,714
IP-1232-5 I12-300003	Northern Division Connection	7/2012	4/2014	9,793,797	418,885	0	9,196,754	418,885	0	3,854,072	3,825,394
IP-1202-9 I12-020031	Todds and Cleveland Rd Main Extension	1/2014	12/2014	0	2,400,000	0	0	2,356,622	0	0	0
IP-1202-10 I12-020002	KRS Cleanwell Improvements (332)	1/2014	7/2015	0	3,000,000	1,308,818	0	2,921,749	1,176,298	0	0
IP-1202-11 I12-020003	I-75 Main Extension	1/2014	12/2014	0	2,000,000	0	0	1,965,064	0	0	0
IP-1202-13 I12-020005	Greenwich Rd Main Extension	1/2014	12/2014	0	1,300,000	0	0	1,272,793	0	0	0
IP-1202-16 I12-020007	North Upper St Main Replacement (343)	1/2014	12/2014	0	1,500,282	0	0	1,458,849	0	0	0
IP-2015-A	RRS Filtration Building	4/2015	10/2015	0	0	5,000,000	0	0	4,750,000	0	0
IP-2015-B	Briar Hill Tank Area	5/2015	11/2015	0	0	3,692,000	0	0	3,507,400	0	0

* Represents CWIP costs @ 10/31/2012

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 16**

Description of Filing Requirement:

Information regarding major construction projects which constitute less than 5% of the annual construction budget.

Response:

Please see attached.

For electronic version, see KAW_APP_EX16_122812.pdf.

KENTUCKY AMERICAN WATER
CASE NO. 2012
MAJOR CONSTRUCTION PROJECTS
COMPRISING 5% OR LESS OF THE ANNUAL BUDGET

Investment Project Number	Project Description	Actual or Estimated Start Up Date	Estimated Completion Date	Estimated Costs Inclusive of AFUDC		Estimated Costs Exclusive of AFUDC	Costs incurred to Date * Inclusive of AFUDC	Costs Incurred to Date * Exclusive of			
				2013	2014				2014	2015	
Various	Aggregate of all Construction Costs incurred under 5% of the Annual Construction Budget	Various	Various	15,914,696	15,848,406	17,500,000	15,716,748	15,727,759	17,375,000	1,076,348	982,525

* Represents CWIP costs @ 10/31/2012

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 17**

Description of Filing Requirement:

Financial Forecast (for 2013-2015) Operating Income Statements

Response:

Please see attached.

For electronic version, see KAW_APP_EX17_122812.pdf.

PROJECTED ANNUAL INCOME STATEMENT
KENTUCKY-AMERICAN WATER COMPANY
(000's OMITTED)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues	85,426	83,873	82,319
Operating Expenses			
Operation & Maintenance	34,893	34,574	35,463
Depreciation and Amortizatoin	13,274	13,654	14,036
General Taxes	5,056	5,241	5,425
Income Taxes	8,275	7,205	5,870
Total Operating Expenses	61,498	60,673	60,794
Utility Operating Income	23,928	23,199	21,525
Other Income	821	374	374
Total Income	24,748	23,573	21,899
Income Deductions	(70)	(72)	(73)
Income Before Interest	24,678	23,502	21,826
Interest Charges	12,404	12,678	13,021
Net Income	12,275	10,823	8,806
Preferred Dividends	0	0	0
Net Income to Common	12,275	10,823	8,806
Common Dividends	9,206	8,117	6,604
Balance for Retained Earnings	3,069	2,706	2,201
Payout Ratio	75%	75%	75%
Return on Common Equity - 12/31	7.4%	6.5%	5.2%
Common Equity - 12/31	164,904	167,610	169,811

Note: Forecast does not include projection of current rate case

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 18**

Description of Filing Requirement:

Financial Forecast (for 2013-2015) Balance Sheet

Response:

(000)	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fixed Assets	\$520,616	\$532,661	\$544,704
Non-Utility Property	250	250	250
Current Assets	7,028	6,908	6,788
Deferred Debits	16,911	18,090	19,269
TOTAL	\$544,805	\$557,909	\$571,011
Total Capital	\$375,024	\$386,866	\$398,707
Current Liabilities	20,063	17,895	17,412
Deferred Credits	149,718	153,148	154,892
TOTAL	\$544,805	\$557,909	\$571,011

For electronic version, see KAW_APP_EX18_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 19**

Description of Filing Requirement:

Financial Forecast (for 2013-2015) Cash Flow Statements

Response:

Please see attached.

For electronic version, see KAW_APP_EX19_122812.pdf.

KENTUCKY-AMERICAN
(000'S OMITTED)
SOURCE AND APPLICATION OF FUNDS

Year	<u>SOURCE OF FUNDS</u>										<u>APPLICATION OF FUNDS</u>			
	<u>Increase in Capital</u>										<u>Reductions in Capital</u>			
	Debt	Preferred	Common	Ret Earnings	Change YE Bank Loans	Adv and CIAC	Depr and Amort	Deferred Taxes	Other	Total	Gross Constr.	Debt	Preferred	Total
2013	14,000	-	7,000	4,708	(2,841)	2,369	13,274	4,304	(16,872)	25,942	25,942	-	-	25,942
2014	6,000	-	2,000	3,750	(1,786)	2,369	13,654	4,304	(3,813)	26,478	26,478	-	-	26,478
2015	6,000	-	2,000	1,203	(1,381)	2,369	14,036	4,304	(2,053)	26,478	26,478	-	-	26,478

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 20**

Description of Filing Requirement:

Financial Forecast (for 2013-2015) Revenue Requirements

Response:

Please refer to Exhibit No. 17 for Revenue Requirements. Also see Exhibit 37C for the revenue requirement for the forecasted test-year ended July 2014.

For electronic version, see KAW_APP_EX20_122812.pdf for this document, KAW_APP_EX17_122812.pdf for Revenue Requirements, and KAW_APP_EX37C_122812.pdf for Exhibit 37C.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 21**

Description of Filing Requirement:

Financial Forecast (for 2013-2015) Employee Level

Response:

Year End Number of Employees:	<u>2013</u>	<u>2014</u>	<u>2015</u>
	136	131	131

For electronic version, see KAW_APP_EX21_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 22**

Description of Filing Requirement:

Financial Forecast (for 2013-2015) Labor Cost Changes

Response:

Total Labor Cost Changes	<u>2013</u>	<u>2014</u>	<u>2015</u>
O&M	\$7,142,180	\$7,045,807	\$7,257,181
Capital	<u>\$1,192,033</u>	<u>\$1,259,847</u>	<u>\$1,297,642</u>
Total	<u>\$8,334,213</u>	<u>\$8,305,654</u>	<u>\$8,554,823</u>

For electronic version, see KAW_APP_EX22_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 23**

Description of Filing Requirement:

Financial Forecast (for 2013–2015) Capital Structure Requirements

Response:

Please see attached.

For electronic version, see KAW_APP_EX23_122812.pdf.

Kentucky-American
FINANCING PROJECTIONS
(000'S OMITTED)

Increments of New Capital

<u>Calendar Year</u>	<u>Bank Loans</u>	<u>Debt</u>	<u>Preferred</u>	<u>Common</u>
2013	(2,841)	14,000	0	7,000
2014	(1,786)	6,000	0	2,000
2015	(1,381)	6,000	0	2,000

Total Capitalization

<u>As of December 31,</u>	<u>Bank Loans</u>	<u>Debt</u>	<u>Preferred</u>	<u>Common</u>
2013	7,814	201,890	4,500	171,624
2014	6,028	207,890	4,500	177,448
2015	4,647	213,890	4,500	181,650

Capitalization Ratios

<u>As of December 31,</u>	<u>Bank Loans</u>	<u>Debt</u>	<u>Preferred</u>	<u>Common</u>
2013	2.03%	52.33%	1.17%	44.48%
2014	1.52%	52.52%	1.14%	44.83%
2015	1.15%	52.85%	1.11%	44.89%

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 24**

Description of Filing Requirement:

Financial Forecast (For 2013-2015) Rate Base

Response:

12/31/2013	Rate Base	\$ 385,000,000
12/31/2014	Rate Base	\$ 398,000,000
12/31/2015	Rate Base	\$ 411,000,000

For electronic version, see KAW_APP_EX24_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 25**

Description of Filing Requirement:

Financial Forecast (2013-2015) Water Sales (Gallons)

Response:

<u>Water Sales (000 Gallons)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	6,072,146	6,051,175	6,017,545
Commercial	3,847,136	3,777,960	3,713,218
Industrial	527,179	527,179	527,179
Other Public Authority	1,368,867	1,342,302	1,321,055
<u>Sale for Resale</u>	<u>430,156</u>	<u>401,794</u>	<u>401,794</u>
Total	12,245,483	12,100,410	11,980,791

For electronic version, see KAW_APP_EX25_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 26**

Description of Filing Requirement:

Financial Forecast (for 2013-2015) Customer Forecast

Response:

Customers	2013	2014	2015
Residential	111,506	112,723	113,723
Commercial	8,760	8,765	8,770
Industrial	21	21	21
Other Public Authority	531	531	533
Sale for Resale	12	12	12
Total	120,830	122,052	123,059

For electronic version, see KAW_APP_EX26_122812.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 27**

Description of Filing Requirement:

Most Recent Stock or Bond Prospectus

Response:

There has been no common stock prospectus. Please see attached for copy of the executed Note for the \$20.0 million of Long-term debt closed on November 21, 2011. There was no prospectus since this was not a public offering.

For electronic version, see KAW_APP_EX27_122812.pdf.

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
5.05% Maturity - October 15, 2037

\$20,000,000

November 21, 2011

FOR VALUE RECEIVED, Kentucky-American Water Company, a Kentucky corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of Twenty Million dollars (**\$20,000,000**), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum, in accordance with the terms attached, a rate equal to or less than equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

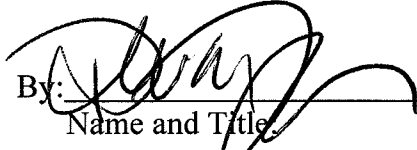
If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By:  _____
Name and Title
VP of Finance, ED

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 28**

Description of Filing Requirement:

Annual Reports to Stockholders, 2007 – 2011

Response:

Please see attached.

For electronic version, see KAW_APP_EX28_122812.pdf.

Kentucky-American Water Company
(a wholly-owned subsidiary of
American Water Works Company, Inc.)

Financial Statements

As of and for the years ended December 31, 2007 and 2006



PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia, PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300

Report of Independent Auditors

To the Board of Directors and Stockholder of
Kentucky-American Water Company

In our opinion, the accompanying balance sheets and the related statements of operations, of capitalization, of changes in common stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Kentucky-American Water Company (a wholly-owned subsidiary of American Water Works Company, Inc.) at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 28, 2008

KENTUCKY-AMERICAN WATER COMPANY**Balance Sheets****December 31, 2007 and 2006**

(Dollars in thousands)

Assets		
	2007	2006
Property, plant and equipment		
Utility plant - at original cost less accumulated depreciation	\$ 286,216	\$ 263,467
Utility plant acquisition adjustments, net	327	348
Non-utility property	250	250
Total property, plant and equipment	<u>286,793</u>	<u>264,065</u>
Current assets		
Cash and cash equivalents	398	79
Customer accounts receivable	1,928	2,453
Allowance for uncollectible accounts	(223)	(261)
Unbilled revenues	2,562	2,510
Other accounts receivable	196	603
Materials and supplies	635	516
Other	82	68
Total current assets	<u>5,578</u>	<u>5,968</u>
Regulatory and other long-term assets		
Regulatory assets	9,276	9,603
Other	156	151
Total regulatory and other long-term assets	<u>9,432</u>	<u>9,754</u>
Total assets	<u>\$ 301,803</u>	<u>\$ 279,787</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY**Balance Sheets****December 31, 2007 and 2006**

(Dollars in thousands)

	<u>2007</u>	<u>2006</u>
Capitalization and Liabilities		
Capitalization		
Common stockholder's equity	\$ 74,484	\$ 72,972
Preferred stock without mandatory redemption requirements	1,466	1,466
Long-term debt (excluding current portion):		
Preferred stock with mandatory redemption requirements	4,500	4,500
Long-term debt	79,800	49,900
Total capitalization	<u>160,250</u>	<u>128,838</u>
Current liabilities		
Notes payable - associated companies	19,356	6,674
Current portion of long-term debt	3,100	27,100
Accounts payable	6,490	5,511
Accrued taxes	2,310	4,317
Other	3,471	4,166
Total current liabilities	<u>34,727</u>	<u>47,768</u>
Regulatory and other long-term liabilities		
Deferred income taxes	35,537	35,168
Customer advances for construction	14,653	16,493
Deferred investment tax credits	1,218	1,303
Regulatory liability - cost of removal	8,440	7,597
Accrued pension expense	2,174	2,382
Accrued postretirement benefit expense	384	343
Other	835	60
Total regulatory and other long-term liabilities	<u>63,241</u>	<u>63,346</u>
Contributions in aid of construction	<u>43,585</u>	<u>39,835</u>
Commitments and contingencies	-	-
Total capitalization and liabilities	<u>\$ 301,803</u>	<u>\$ 279,787</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Income
For the Years Ended December 31, 2007 and 2006
(Dollars in thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 52,497	\$ 49,010
Operating expenses		
Operation and maintenance	27,191	26,329
Depreciation	7,924	7,891
Amortization	(369)	477
General taxes	3,057	2,860
Total operating expenses, net	<u>37,803</u>	<u>37,557</u>
Operating income	<u>14,694</u>	<u>11,453</u>
Other income (deductions)		
Allowance for other funds used during construction	843	274
Other income (deductions), net	7	(406)
Total other income (deductions)	<u>850</u>	<u>(132)</u>
Income before interest deductions and income taxes	<u>15,544</u>	<u>11,321</u>
Interest deductions (income)		
Interest on long-term debt	4,652	5,111
Interest on short-term debt	1,416	409
Amortization of debt expense	75	73
Other interest	(38)	65
Allowance for borrowed funds used during construction	(384)	(117)
Total interest deductions (income)	<u>5,721</u>	<u>5,541</u>
Income before income taxes	9,823	5,780
Provision for income taxes	<u>4,065</u>	<u>2,430</u>
Net income	<u>5,758</u>	<u>3,350</u>
Dividends on preferred stock	<u>79</u>	<u>79</u>
Income to common stock	<u>\$ 5,679</u>	<u>\$ 3,271</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006
(Dollars in thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Net income	\$ 5,758	\$ 3,350
Adjustments:		
Depreciation and amortization	7,555	8,368
Removal costs net of salvage	1,221	1,227
Amortization of debt costs	75	73
Provision for deferred income taxes	760	1,334
Amortization of deferred investment tax credits	(85)	(85)
Provision for losses on accounts receivable	383	405
Allowance for other funds used during construction	(843)	(274)
Other, net	(327)	(1,915)
Changes in assets and liabilities:		
Accounts receivable	104	(1,574)
Unbilled revenues	(52)	(32)
Other current assets	274	291
Accounts payable	2,523	3,425
Accrued taxes	(2,007)	2,437
Other current liabilities	(695)	(729)
Net cash provided by operating activities	<u>14,644</u>	<u>16,301</u>
Cash flows from investing activities		
Construction expenditures	(32,230)	(25,103)
Allowance for other funds used during construction	843	274
Removal costs from property, plant and equipment retirements, net of salvage	<u>(363)</u>	<u>(174)</u>
Net cash used in investing activities	<u>(31,750)</u>	<u>(25,003)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	47,000	-
Repayment of long-term debt	(41,100)	-
Debt issuance costs	(458)	-
Net borrowings (repayments) of notes payable-associated companies	12,682	(2,634)
Customer advances and contributions, net of refunds	3,547	5,372
Capital contribution by stockholder	-	8,000
Redemption of preferred stock	-	(3)
Dividends paid	(4,246)	(2,084)
Net cash provided by financing activities	<u>17,425</u>	<u>8,651</u>
Net increase (decrease) in cash and cash equivalents	319	(51)
Cash and cash equivalents at beginning of year	<u>79</u>	<u>130</u>
Cash and cash equivalents at end of year	<u>\$ 398</u>	<u>\$ 79</u>
Cash paid during the year for:		
Interest, net of capitalized amount	\$ 5,115	\$ 6,190
Income taxes, net of refunds	\$ 3,036	\$ 128
Capital Expenditures acquired on account but unpaid as of year end	\$ 3,088	\$ 4,631

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Capitalization
December 31, 2007 and 2006
(Dollars in thousands, except per share amounts)

	Call Price Per Share	2007	2006
Stockholder's equity			
Common stock - no par value, authorized 2,000,000 shares 1,567,391 shares issued and outstanding in 2007 and 2006	\$	36,569	\$ 36,569
Paid-in capital		8,056	8,056
Retained earnings		29,859	28,347
Total common stockholder's equity		74,484	72,972
Preferred stocks - \$100 par value			
Cumulative preferred stocks without mandatory redemption requirements:			
5.75% series, 3,918 shares outstanding in 2007 and 2006	\$ 101.00	392	392
5.50% series, 4,883 shares outstanding in 2007 and 2006	\$ 100.50	488	488
5.00% series, 5,866 shares outstanding in 2007 and 2006	\$ 100.00	586	586
		1,466	1,466
Long-term debt			
Preferred stocks - \$100 par value			
Cumulative preferred stocks with mandatory redemption requirements:			
8.47% series, 45,000 shares outstanding in 2006, due for redemption 2036	\$ 100.00	4,500	4,500
		4,500	4,500
General mortgage bonds			
6.96% series due 2023		7,000	7,000
7.15% series due 2027		7,500	7,500
6.99% series due 2028		9,000	9,000
Notes payable to affiliate			
5.65% series due 2007		-	24,000
6.87% series due 2011		12,400	15,500
4.75% series redeemed 2007		-	14,000
6.59% series due 2037		47,000	-
		87,400	81,500
Less: Current portion of long-term debt and preferred stock		(3,100)	(27,100)
Long-term debt, net of current maturities		84,300	54,400
Total capitalization	\$	160,250	\$ 128,838

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2007 and 2006
(Dollars in thousands, except per share amounts)

	Common Stock		Paid-in Capital	Retained Earnings	Total
	Shares	Par Value			
Balance at December 31, 2005	1,567,391	\$ 36,569	\$ 56	\$ 27,081	\$ 63,706
Net loss	-	-	-	3,350	3,350
Dividends paid					
Preferred stock	-	-	-	(79)	(79)
Common stock, \$1.28 per share	-	-	-	(2,005)	(2,005)
Capital contribution by stockholder	-	-	8,000	-	8,000
Balance at December 31, 2006	1,567,391	36,569	8,056	28,347	72,972
Net income	-	-	-	5,758	5,758
Dividends paid					
Preferred stock	-	-	-	(79)	(79)
Common stock, \$2.66 per share	-	-	-	(4,167)	(4,167)
Balance at December 31, 2007	<u>1,567,391</u>	<u>\$ 36,569</u>	<u>\$ 8,056</u>	<u>\$ 29,859</u>	<u>\$ 74,484</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 1: Organization and Operation

Kentucky-American Water Company (the "Company") provides water service to approximately 117,119 (unaudited) customers and wastewater service to approximately 705 (unaudited) customers. These services are provided in 12 communities located in 10 counties in the state of Kentucky. As a public utility operating in Kentucky, the Company functions under rules and regulations prescribed by the Kentucky Public Service Commission (the "Commission"). The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW"). AWW is a wholly-owned subsidiary of RWE Aktiengesellschaft ("RWE").

Note 2: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. The Company considers the carrying value of long-lived assets, including regulatory assets, revenue recognition and accounting for income taxes to be its critical accounting estimates.

Regulation

The Company is subject to regulation by the Commission and the local governments of the state of Kentucky (the "Regulators"). These Regulators have allowed recovery of costs and credits which the Company has recorded as regulatory assets and liabilities. Accounting for future recovery of costs and credits as regulatory assets and liabilities is in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). This statement sets forth the application of generally accepted accounting principles for those companies whose rates are established by or are subject to approval by an independent third-party regulator. Under SFAS 71, regulated utilities defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate making process in a period different from the period in which they would have been reflected in operations by a non-regulated company. These deferred regulatory assets and liabilities are then reflected in the statement of operations in the period in which the costs and credits are reflected in the rates charged for service.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 2 (continued):

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction. Repairs and maintenance are charged to current operations.

When units of property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates, a regulatory asset or liability may occur where timing differences exist between when the Company incurs costs of removal and when the Company recovers such costs in rates. Removal costs, net of salvage, are recorded as reductions to the regulatory liability or an increase to the regulatory asset, as applicable.

The cost of property, plant and equipment is depreciated using the straight-line average remaining life method.

Computer software is either purchased or developed in-house. The purchase price or development costs are capitalized as a unit of property. Software costs totaling \$105 and \$133 were capitalized during 2007 and 2006, respectively.

Utility plant acquisition adjustments represent the difference between the fair value of plant at the date of purchase and its original cost when first devoted to public service (less accumulated depreciation) and are amortized to expense over the remaining useful lives of the corresponding purchased plant assets. Amortization of utility plant acquisition adjustments were \$21 for 2007 and 2006. The remaining lives range from 4 to 39 years.

Cash and Cash Equivalents

Substantially all of the Company's cash is invested in interest-bearing accounts. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There were no cash equivalents held at December 31, 2007 or 2006.

Accounts Receivable

The majority of the Company's accounts receivable are due from trade customers. Customer accounts receivable represent amounts billed to the Company's water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable Regulators and generally, collateral is not required.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 2 (continued):

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company writes-off accounts when they become uncollectible

The following table summarizes the changes in the Company's allowance for uncollectible accounts:

	<u>2007</u>	<u>2006</u>
Balance as of January 1	\$ 261	\$ 259
Provision charged to expense	383	405
Accounts written-off	(485)	(465)
Recoveries of accounts previously written-off	64	62
Balance as of December 31	<u>\$ 223</u>	<u>\$ 261</u>

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Advances and Contributions in Aid of Construction

The Company may receive advances and contributions from customers, home builders, real estate developers, and others to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Advances which are which are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such advances and contributions generally serves as a rate base reduction, since they represent non-investor supplied funds.

The Company depreciates utility plant funded by contributions and amortizes these amounts as a reduction to amortization expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. For the years ended December 31, 2007 and 2006, cash advances and contributions received were \$6,117 and \$8,429, and there were no non-cash advances and contributions.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 2 (continued):

Recognition of Revenues

Water and wastewater service revenues are provided and included in amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the accounting period.

Income Taxes

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes have been provided on the difference between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates anticipated to be in effect when such temporary differences are projected to reverse. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences previously flowed through to customers reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

The Company accounts for sales tax collected from customers and remitted to taxing authorities on a net basis.

Allowance for Funds Used During Construction ("AFUDC")

AFUDC is a non-cash adjustment to income with a corresponding charge to utility plant, which represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Regulators.

Environmental Costs

Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. There were no remediation costs accrued at December 31, 2007 and 2006.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 2 (continued):

Asset Impairment

Long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the future cash flows expected to result from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized. Measurement of an impairment loss would be based on the fair value of the assets. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

Reclassifications

Certain reclassifications have been made to conform previously reported data to the current presentation.

Note 3: Utility Plant

The components of utility plant by category at December 31 are as follows:

	Range of Remaining Useful Lives	2007	2006
Land and other non-depreciable assets	-	\$ 4,776	\$ 4,754
Sources of supply	32 to 67 Years	9,280	9,239
Treatment and pumping	47 to 63 Years	55,123	51,227
Transmission and distribution	23 to 72 Years	174,712	164,283
Services, meters and fire hydrants	38 to 72 Years	73,098	69,233
General structures and equipment	5 to 52 Years	24,813	25,295
Wastewater	5 to 50 Years	3,540	3,501
Construction work in progress	-	21,309	11,763
		<u>366,651</u>	<u>339,295</u>
Less: Accumulated depreciation		<u>(80,435)</u>	<u>(75,828)</u>
		<u>\$ 286,216</u>	<u>\$ 263,467</u>

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 4: Regulatory Assets

The regulatory assets represent costs that are expected to be fully recovered from customers in future rates. Depending upon Commission approval certain assets are included in the Company's rate base and others are not.

The components of regulatory assets are as follows:

	<u>2007</u>	<u>2006</u>
Income taxes recoverable through rates	\$ 2,904	\$ 3,611
Bluegrass water project, source of supply	1,884	1,970
Programmed maintenance expense	1,859	1,468
Bluegrass water project, pipeline	1,065	1,391
Rate proceedings expense	486	421
Debt and preferred stock expense	846	463
Other	232	279
	<u>\$ 9,276</u>	<u>\$ 9,603</u>

The Company has recorded a regulatory asset for the additional revenues expected to be realized as the tax effects of temporary differences reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the Commission of full normalization for rate making purposes. The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

The Company has recorded a regulatory asset for the Bluegrass water project source of supply costs in the amount of \$2,283 to be amortized over a forty year period. Approval was granted per the Commission order dated May 9, 2001.

Programmed maintenance costs are deferred and amortized to current operations on a straight-line basis over a period ranging between five and fifteen years, as authorized by the Commission in their determination of rates charged for service.

The Company has recorded a regulatory asset for the Bluegrass water project pipeline costs in the amount of \$3,551 with a ten year amortization period which was approved by the Commission per order dated November 27, 2000.

Expense of rate proceedings is deferred and amortized on a straight-line basis over three years as authorized by the Commission in their determination of rates charged for service.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 4 (continued):

Debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt expense, are deferred and amortized to the extent they will be recovered through future service rates. Expenses of preferred stock issues without sinking fund provisions are amortized over 30 years from the date of issue; expenses of issues with sinking fund provisions are charged to operations as shares are retired.

Note 5: Preferred Stocks

There are no sinking fund payments through 2012.

Preferred stock agreements contain provisions for redemption at various prices on thirty days notice at the Company's discretion. In the event of voluntary liquidation, the 5.75% series is redeemable at \$101.00 per share. The 5.50% series is redeemable at \$100.50 per share and the 5.00% series redeemable at \$100.00 per share. The 8.47% series is redeemable at \$100.00, plus make whole premium. In the event of involuntary liquidation or governmental acquisition, all classes are redeemable at \$100 per share. Upon redemption the price must be increased by accrued dividends to the date of redemption.

In 2006, certain shareholders offered shares of preferred stock for sale back to the Company. Six shares of the 5.5% series were purchased.

Note 6: Long-Term Debt

The general mortgage bonds are issuable in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. The amount of bonds authorized is limited only to the extent that long-term debt cannot exceed 65% of total capitalization. General mortgage bonds are collateralized by utility plant.

The general mortgage bond indentures contain clauses restricting the declaration of common stock dividends and other distributions on capital stock if common stockholder's equity falls below a specified amount. There were no restrictions at December 31, 2007 or 2006.

The senior notes payable to affiliate are unsecured and were issued to American Water Capital Corporation ("AWCC"), a subsidiary of AWW, for the principal amount.

The Company issued a long-term notes payable to affiliate in the amount of \$47,000 at a rate of 6.59% due in 2037. The proceeds were used to reduce notes payable to associated companies.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 6 (continued):

A note payable issued to AWCC (4.75% due 2014) was redeemed in 2007 by the Company. As agreed with the Regulators, the difference between the book value of the note and the cash consideration required to extinguish it was deferred as a regulatory liability in accordance with FAS 71. The deferred credit recognized of \$827 will be amortized as a component of net interest expense through 2014.

The indenture for the 6.87% series note has a sinking fund provision that requires an annual retirement of \$3,100 from 2008 through 2010.

Maturities of long-term debt will amount to \$3,100 in 2011. There are no maturities in 2008 through 2010 and 2012.

Note 7: Short-term Borrowings

The Company maintains a line of credit through AWCC for \$74,000. The line was increased by \$62,000 in 2007 per an amendment to the agreement with AWCC. The Company may borrow from, or invest in, the line of credit. No compensating balances are required under the agreements.

At December 31, 2007 and 2006, there were \$19,356 and \$6,674 of short-term borrowings outstanding, respectively. The weighted average annual interest rates on these balances were 5.64% and 6.07% in 2007 and 2006, respectively. The unused short-term line of credit at December 31, 2007 was \$54,644.

During 2006, the Company received a capital contribution of \$8,000 from AWW, primarily used to pay down short-term debt.

Note 8: General Taxes

Components of general tax expense for the years presented in the statement of income are as follows:

	<u>2007</u>	<u>2006</u>
Property	\$ 2,519	\$ 2,377
Payroll	533	480
Other	5	3
	<u>\$ 3,057</u>	<u>\$ 2,860</u>

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 9: Income Taxes

Components of income tax expense for the years presented in the statement of income are as follows:

	<u>2007</u>	<u>2006</u>
State income taxes:		
Current	\$ 703	\$ 120
Deferred		
Current	3	22
Non-current	(83)	293
	<u>623</u>	<u>435</u>
Federal income taxes:		
Current	2,687	1,061
Deferred		
Current	14	106
Non-current	826	913
Amortization of deferred investment tax credits	(85)	(85)
	<u>3,442</u>	<u>1,995</u>
Total income taxes	<u>\$ 4,065</u>	<u>\$ 2,430</u>

A reconciliation of income tax expense at the statutory federal income tax rate to the actual income tax expense is as follows:

	<u>2007</u>	<u>2006</u>
Federal income tax at statutory rate of 35%	\$ 3,438	\$ 2,023
Increases (decreases) resulting from -		
State taxes, net of federal income taxes	405	283
Flow through difference	139	121
Amortization of investment tax credits	(85)	(85)
Other, net	168	88
	<u>\$ 4,065</u>	<u>\$ 2,430</u>

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 9 (continued):

The following table provides the components of the net deferred tax liability at December 31:

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Advances and contributions	\$ 22,284	\$ 21,923
Deferred investment tax credits	474	506
Other	2,280	915
	<u>25,038</u>	<u>23,344</u>
Deferred tax liabilities:		
Utility plant, principally due to depreciation differences	57,412	54,993
Income taxes recoverable through rates	56	432
Other	3,107	3,087
	<u>60,575</u>	<u>58,512</u>
Net deferred tax liability	<u>\$ 35,537</u>	<u>\$ 35,168</u>

No valuation allowances were required on deferred tax assets at December 31, 2007 and 2006 as management believes it is more likely than not that these assets will be realized.

Note 10: Rate Matters

As necessary, the Company applies to the Commission for changes in the rates charged for service. The revenues requested are based on forecasted sales, operating expenses, and investments for the first full year after the effective dates of the new rates.

The Company filed a general rate case on April 30, 2007 seeking an increase in rates of \$13,188 or 26.02%. On September 14, 2007, a settlement agreement was executed by the Company and the other parties recommending an increase in rates of \$8,000 or 15.64%. On November 29, 2007, the Commission issued its Order approving the settlement agreement with an effective date of December 1, 2007.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 11: Employee Benefit Plans

Savings Plan for Employees

The Company maintains a 401(k) savings plan that allows employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans totaling \$154 for 2007, \$79 for 2006 and \$107 for 2005. All of the Company's contributions are invested in one or more funds at the direction of the employee.

Note 12: Postretirement Benefits

Pension Benefits

The Company participates in a Company funded defined benefit pension plan sponsored by AWW covering employees hired before January 1, 2006. Benefits under the plan are based on the employee's years of service and average annual compensation for those 60 consecutive months of employment which yield the highest average. The pension plan has been closed for any employee hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. Pension cost of the Company is based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$721 and \$774 for 2007 and 2006, respectively.

The Company's funding policy is to contribute at least the minimum amount required under the Employee Retirement Income Security Act of 1974. The Company made contributions to the AWW plan of \$929 in 2007 and \$1,358 in 2006.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 12 (continued):

Postretirement Benefits Other Than Pensions

The Company participates in an AWW plan that provides certain life insurance benefits for retired employees and certain health care benefits for retired employees and their dependents. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and non-union employees hired on or after January 1, 1992. Retirees and their dependents under age 65 are covered by a point-of-service managed care plan that requires co-payments or an HMO. Employees who elect to retire prior to attaining age 65 are generally required to make contributions towards their medical coverage until attaining age 65. Retirees and their dependents age 65 and over are covered by a Medicare supplement plan. Costs of the Company are based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$758 and \$855 for 2007 and 2006, respectively.

Costs of the Company are based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company made contributions to trust funds established for these postretirement benefits of \$716 in 2007 and \$812 in 2006. The Company's policy is to fund postretirement benefits costs accrued.

Note 13: Related Party Transactions

American Water Works Service Company, Inc. ("AWWS"), a subsidiary of AWW, provides certain management services to the Company (administration, accounting, data processing, engineering, etc.) and other operating water companies in the AWW system on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Purchases of such services by the Company were accounted for as follows:

	<u>2007</u>	<u>2006</u>
Included in operation and maintenance expense as a charge against income	\$ 7,528	\$ 7,556
Capitalized primarily in utility plant	653	545
	<u>\$ 8,181</u>	<u>\$ 8,101</u>

The Company provided workspace for certain associates of AWWS. Charges for direct costs and indirect overhead costs associated with these associates are billed to AWWS on an at-cost, not for profit basis, which amounted to \$15 in 2007 and \$23 in 2006.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 13 (continued):

The Company has operating arrangements with American Anglian Environmental Technologies, L.P. ("AAET"), a subsidiary of AWW, for the lease of granular activated carbon at one of the Company's water treatment plants. Under the arrangements, AAET will provide carbon for a period of 36 months. The Company paid \$111 in 2007 and \$100 in 2006 to AAET under these arrangements.

The Company maintains a line of credit through AWCC (See Note 7). The Company paid AWCC fees of \$93 in 2007 and \$24 in 2006 and interest on borrowings of \$1,288 in 2007 and \$406 in 2006. Interest expense on long-term debt due to AWCC was \$2,639 in 2007 and \$3,083 in 2006.

Note 14: Fair Values of Financial Instruments

The Company used the following methods and assumptions in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amounts reported in the balance sheet for current assets and current liabilities approximate their fair value.

Preferred stocks with mandatory redemption requirements and long-term debt: The fair values of the Company's preferred stocks with mandatory redemption requirements and long-term debt are estimated using discounted cash flow analyses based on the Company's current incremental financing rates for similar types of securities.

The carrying amounts and fair values of the Company's financial instruments at December 31 are as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock with mandatory redemption requirements, including current maturities	\$ 4,500	\$ 4,566	\$ 4,500	\$ 5,795
Long-term debt, including current maturities	\$ 82,900	\$ 84,147	\$ 77,000	\$ 80,170

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2007 and 2006
(Dollars in thousands)

Note 15: Operating Lease

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were \$60 in 2007 and \$28 in 2006. The operating leases for equipment expire in 2008, 2009 and 2010.

At December 31, 2007, the minimum annual future rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are \$137 in 2008, \$89 in 2009, \$46 in 2010, \$1 in 2011, \$1 in 2012 and \$1 annually, thereafter.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs.

The Company is routinely involved in legal actions. In the opinion of management, none of these matters is expected to have a material adverse effect, if any, on the financial position, results of operations or cash flows of the Company.

Kentucky-American Water Company
(a wholly-owned subsidiary of
American Water Works Company, Inc.)

Financial Statements

As of and for the years ended December 31, 2008 and 2007



PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300

Report of Independent Auditors

To the Board of Directors and Stockholder of
Kentucky-American Water Company

In our opinion, the accompanying balance sheets and statements of capitalization and the related statements of income, of changes in common stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Kentucky-American Water Company (a wholly-owned subsidiary of American Water Works Company, Inc.) at December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 24, 2009

KENTUCKY-AMERICAN WATER COMPANY**Balance Sheets****December 31, 2008 and 2007**

(Dollars in thousands)

Assets		
	<u>2008</u>	<u>2007</u>
Property, plant and equipment		
Utility plant - at original cost, net of accumulated depreciation	\$ 339,774	\$ 286,216
Utility plant acquisition adjustments	305	327
Non-utility property	270	250
Total property, plant and equipment	<u>340,349</u>	<u>286,793</u>
Current assets		
Cash and cash equivalents	234	398
Customer accounts receivable	2,342	1,928
Allowance for uncollectible accounts	(273)	(223)
Unbilled revenues	2,900	2,562
Federal income tax refund due from affiliated company	889	-
Other accounts receivable	412	196
Materials and supplies	577	635
Other	418	82
Total current assets	<u>7,499</u>	<u>5,578</u>
Regulatory and other long-term assets		
Regulatory assets	9,076	9,276
Other	126	156
Total regulatory and other long-term assets	<u>9,202</u>	<u>9,432</u>
Total assets	<u>\$ 357,050</u>	<u>\$ 301,803</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY**Balance Sheets****December 31, 2008 and 2007**

(Dollars in thousands)

Capitalization and Liabilities

	<u>2008</u>	<u>2007</u>
Capitalization		
Common stockholder's equity	\$ 93,482	\$ 74,484
Preferred stock without mandatory redemption requirements	1,456	1,466
Long-term debt, excluding current portion		
Preferred stock with mandatory redemption requirements	4,500	4,500
Long-term debt	76,700	79,800
Total capitalization	<u>176,138</u>	<u>160,250</u>
Current liabilities		
Short-term borrowings - associated companies	53,026	19,259
Current portion of long-term debt	3,100	3,100
Accounts payable	8,368	6,587
Accounts payable - associated companies	157	27
Accrued taxes, including income taxes of \$75 in 2008 and \$576 in 2007	291	2,310
Other	5,621	3,444
Total current liabilities	<u>70,563</u>	<u>34,727</u>
Regulatory and other long-term liabilities		
Deferred income taxes	38,187	35,537
Advances for construction	11,916	14,653
Deferred investment tax credits	1,133	1,218
Regulatory liability - cost of removal	9,755	8,440
Regulatory liability - debt extinguishment	674	805
Accrued pension expense	1,389	2,174
Accrued postretirement benefit expense	418	384
Other	62	30
Total regulatory and other long-term liabilities	<u>63,534</u>	<u>63,241</u>
Contributions in aid of construction	46,815	43,585
Commitments and contingencies (see Note 17)	-	-
Total capitalization and liabilities	<u>\$ 357,050</u>	<u>\$ 301,803</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Income
For the Years Ended December 31, 2008 and 2007
(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 60,086	\$ 52,497
Operating expenses		
Operation and maintenance	30,684	27,954
Depreciation	5,871	6,287
Amortization	512	505
General taxes	3,177	3,057
Total operating expenses	<u>40,244</u>	<u>37,803</u>
Operating income	<u>19,842</u>	<u>14,694</u>
Other income (deductions)		
Interest on long-term debt	(5,693)	(4,652)
Interest on short-term debt	(762)	(1,289)
Other interest, net	6	38
Allowance for other funds used during construction	1,330	843
Allowance for borrowed funds used during construction	589	384
Amortization of debt issuance costs	(90)	(75)
Other, net	(221)	(120)
Total other deductions	<u>(4,841)</u>	<u>(4,871)</u>
Income before income taxes	15,001	9,823
Provision for income taxes	<u>5,993</u>	<u>4,065</u>
Net income	<u>9,008</u>	<u>5,758</u>
Dividends on preferred stock	<u>78</u>	<u>79</u>
Net income available to common stockholder	<u>\$ 8,930</u>	<u>\$ 5,679</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007
(Dollars in thousands)

	2008	2007
Cash flows from operating activities		
Net income	\$ 9,008	\$ 5,758
Adjustments		
Depreciation and amortization	6,383	6,792
Amortization of removal costs, net of salvage	1,420	1,221
Amortization of debt issuance costs	90	75
Provision for deferred income taxes	2,617	760
Amortization of deferred investment tax credits	(85)	(85)
Provision for losses on accounts receivable	384	383
Allowance for other funds used during construction	(1,330)	(843)
Other, net	(1,084)	436
Changes in assets and liabilities		
Accounts receivable and unbilled revenues	(1,086)	52
Federal income tax refund due from affiliated company	(889)	-
Other current assets	(494)	274
Accounts payable	(77)	2,523
Accrued taxes, including federal income	(2,019)	(2,007)
Other current liabilities	(194)	(695)
Net cash provided by operating activities	<u>12,644</u>	<u>14,644</u>
Cash flows from investing activities		
Construction expenditures	(56,234)	(31,387)
Removal costs from property, plant and equipment retirements, net of salvage	(62)	(363)
Net cash used in investing activities	<u>(56,296)</u>	<u>(31,750)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt to affiliate	-	47,000
Repayment of long-term debt	(3,100)	(41,100)
Debt issuance costs	(9)	(458)
Net borrowings (repayments) of short-term borrowings-associated companies	33,767	12,682
Advances and contributions for construction, net of refunds of \$2,123 in 2008 and \$2,187 in 2007	2,918	3,547
Capital contributions	16,000	-
Redemption of preferred stock	(7)	-
Dividends paid	(6,081)	(4,246)
Net cash provided by financing activities	<u>43,488</u>	<u>17,425</u>
Net (decrease) increase in cash and cash equivalents	(164)	319
Cash and cash equivalents at beginning of year	398	79
Cash and cash equivalents at end of year	<u>\$ 234</u>	<u>\$ 398</u>
Cash paid during the year for:		
Interest, net of capitalized amount	\$ 6,658	\$ 5,115
Income taxes	\$ 4,653	\$ 3,036
Non-cash investing activity		
Capital Expenditures acquired on account but unpaid as of year end	\$ 4,946	\$ 3,088
Non-cash financing activity		
Capital contribution (See Note 13)	\$ 68	\$ -

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY**Statements of Capitalization****December 31, 2008 and 2007**

(Dollars in thousands, except per share amounts)

	Call Price Per Share	2008	2007
Stockholder's equity			
Common stock - no par value, authorized 2,000,000 shares 1,567,391 shares issued and outstanding in 2008 and 2007	\$	36,569	\$ 36,569
Paid-in capital		24,127	8,056
Retained earnings		32,786	29,859
Total common stockholder's equity		<u>93,482</u>	<u>74,484</u>
Preferred stocks - \$100 par value			
Cumulative preferred stocks without mandatory redemption requirements:			
5.75% series, 3,888 shares outstanding in 2008 and 3,918 in 2007	\$ 101.00	389	392
5.50% series, 4,860 shares outstanding in 2008 and 4,883 in 2007	\$ 100.50	486	488
5.00% series, 5,808 shares outstanding in 2008 and 5,866 in 2007	\$ 100.00	581	586
		<u>1,456</u>	<u>1,466</u>
Long-term debt			
Preferred stocks - \$100 par value			
Cumulative preferred stocks with mandatory redemption requirements:			
8.47% series, 45,000 shares outstanding in 2008, due for redemption 2036	\$ 100.00	4,500	4,500
		<u>4,500</u>	<u>4,500</u>
General mortgage bonds			
6.96% series due 2023		7,000	7,000
7.15% series due 2027		7,500	7,500
6.99% series due 2028		9,000	9,000
Notes payable to affiliate			
6.87% series due 2011		9,300	12,400
6.59% series due 2037		47,000	47,000
		<u>84,300</u>	<u>87,400</u>
Less: Current portion of long-term debt and preferred stock		<u>(3,100)</u>	<u>(3,100)</u>
Long-term debt, net of current portion		<u>81,200</u>	<u>84,300</u>
Total capitalization	\$	<u>176,138</u>	\$ <u>160,250</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2008 and 2007
(Dollars in thousands, except per share amounts)

	<u>Common Stock</u>		<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>			
Balance at December 31, 2006	1,567,391	\$ 36,569	\$ 8,056	\$ 28,347	\$ 72,972
Net income	-	-	-	5,758	5,758
Dividends paid					
Preferred stock	-	-	-	(79)	(79)
Common stock, \$2.66 per share	-	-	-	(4,167)	(4,167)
Balance at December 31, 2007	1,567,391	36,569	8,056	29,859	74,484
Net income	-	-	-	9,008	9,008
Capital contributions	-	-	16,068	-	16,068
Redemption of preferred stock	-	-	3	-	3
Dividends paid					
Preferred stock	-	-	-	(78)	(78)
Common stock, \$3.83 per share	-	-	-	(6,003)	(6,003)
Balance at December 31, 2008	<u>1,567,391</u>	<u>\$ 36,569</u>	<u>\$ 24,127</u>	<u>\$ 32,786</u>	<u>\$ 93,482</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 1: Organization and Operation

Kentucky-American Water Company (the "Company") provides water service to approximately 118,100 (unaudited) customers and wastewater service to approximately 700 (unaudited) customers. These services are provided in 12 (unaudited) communities located in 10 (unaudited) counties in the state of Kentucky. As a public utility operating in Kentucky, the Company functions under rules and regulations prescribed by the Kentucky Public Service Commission (the "Commission"). The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW").

Note 2: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company considers the carrying value of long-lived assets, including regulatory assets, revenue recognition and accounting for income taxes to be its critical accounting estimates.

Regulation

The Company is subject to regulation by the Commission and the local governments of the state of Kentucky (the "Regulators"). These Regulators have allowed recovery of costs and credits which the Company has recorded as regulatory assets and liabilities. Accounting for future recovery of costs and credits as regulatory assets and liabilities is in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). This statement sets forth the application of generally accepted accounting principles for those companies whose rates are established by or are subject to approval by an independent third-party regulator. Under SFAS 71, regulated utilities defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate making process in a period different from the period in which they would have been reflected in operations by a non-regulated company. These deferred regulatory assets and liabilities are then reflected in the statement of income in the period in which the costs and credits are reflected in the rates charged for service.

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction. Repairs and maintenance are charged to current operations.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 2 (continued):

When units of property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates, a regulatory asset or liability may occur where timing differences exist between when the Company incurs costs of removal and when the Company recovers such costs in rates. Removal costs, net of salvage, are recorded as reductions to the regulatory liability or an increase to the regulatory asset, as applicable.

The cost of utility property, plant and equipment is depreciated using the straight-line average remaining life using the composite method.

Computer software is either purchased or developed in-house. The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of computer software assets was zero at December 31, 2008 and 2007.

Utility plant acquisition adjustments represent the difference between the fair value of plant at the date of purchase and its original cost when first devoted to public service (less accumulated depreciation) and are amortized to expense over the remaining useful lives of the corresponding purchased plant assets. Amortization of utility plant acquisition adjustments were \$22 and \$21 for 2008 and 2007, respectively. The remaining lives range from 3 to 37 years.

Cash and Cash Equivalents

Substantially all of the Company's cash is invested in interest-bearing accounts. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There were no cash equivalents held at December 31, 2008 or 2007.

Accounts Receivable

The majority of the Company's accounts receivable are due from trade customers. Customer accounts receivable represent amounts billed to the Company's water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable Regulators and generally, collateral is not required.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company writes-off accounts when they become uncollectible

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 2 (continued):

The following table summarizes the changes in the Company's allowance for uncollectible accounts:

	<u>2008</u>	<u>2007</u>
Balance as of January 1	\$ 223	\$ 261
Provision charged to expense	384	383
Accounts written-off	(429)	(485)
Recoveries of accounts previously written-off	95	64
Balance as of December 31	<u>\$ 273</u>	<u>\$ 223</u>

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Advances and Contributions in Aid of Construction

The Company may receive advances and contributions from customers, home builders, real estate developers, and others to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Advances which are which are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such advances and contributions generally serves as a rate base reduction, since they represent non-investor supplied funds.

The Company depreciates utility plant funded by contributions and amortizes these amounts as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions in aid of construction was \$1,019 and \$1,637 for the years ended December 31, 2008 and 2007, respectively. For the years ended December 31, 2008 and 2007, non-cash advances and contributions received were \$296 and \$0, respectively.

Recognition of Revenues

Revenues are recognized as water and wastewater services are provided and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the accounting period. Other operating revenues are recognized when services are performed.

The Company accounts for sales tax collected from customers and remitted to taxing authorities on a net basis.

KENTUCKY-AMERICAN WATER COMPANY**Notes to Financial Statements****December 31, 2008 and 2007**(Dollars in thousands)

Note 2 (continued):*Income Taxes*

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes have been provided on the difference between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates anticipated to be in effect when such temporary differences are projected to reverse. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences previously flowed through to customers reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense.

Allowance for Funds Used During Construction ("AFUDC")

AFUDC is a non-cash credit income with a corresponding charge to utility plant, which represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Regulators.

Environmental Costs

The Company's water and wastewater operations are subject to federal, state, and local requirements relating to environmental protection, and as such the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. There were no remediation costs accrued at December 31, 2008 and 2007.

Long-Lived Assets

Long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the future cash flows expected to result from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized. Measurement of an impairment loss would be based on the fair value of the assets. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 2 (continued):

New Accounting Standards

On January 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements," for financial assets and liabilities, and nonfinancial assets and liabilities with recurring measurements (See Note 15). The adoption of SFAS 157 for the Company's financial assets and liabilities did not have a material effect on the Company's results of operations, financial position or cash flows.

In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position SFAS 157-2 ("FSP FAS 157-2") which allows a one-year deferral of adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities (such as intangible assets, property, plant and equipment and goodwill) that are required to be measured at fair value on a periodic basis (such as at acquisition or impairment). The Company elected to use this deferral option and accordingly, only partially adopted SFAS 157 on January 1, 2008. SFAS 157 will be adopted for the Company's nonfinancial assets and liabilities valued on a non-recurring basis on January 1, 2009. The Company does not believe the adoption of SFAS 157 for the Company's nonfinancial assets and liabilities will have a material impact on its results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 141(R) ("SFAS 141(R)"), "Business Combinations," which will significantly change the accounting for business combinations. SFAS 141(R) is effective for the Company for business combinations finalized on or after January 1, 2009. As the provisions of SFAS No. 141(R) are applied prospectively to business combinations for which the acquisition date occurs after the guidance becomes effective, the impact to the Company cannot be determined until the transactions occur.

Reclassifications

Certain reclassifications have been made to conform previously reported data to the current presentation.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 3: Utility Plant

The components of utility plant by category at December 31 are as follows:

	Range of Remaining Useful Lives	2008	2007
Land and other non-depreciable assets	-	\$ 4,739	4,760
Sources of supply	35 to 67 Years	13,698	9,283
Treatment and pumping	32 to 63 Years	56,386	55,121
Transmission and distribution	23 to 72 Years	183,244	174,709
Services, meters and fire hydrants	38 to 72 Years	80,676	73,115
General structures and equipment	5 to 52 Years	27,119	24,813
Wastewater assets	5 to 50 Years	3,624	3,540
Construction work in progress	-	54,501	21,310
		<u>423,987</u>	<u>366,651</u>
Less: Accumulated depreciation		<u>(84,213)</u>	<u>(80,435)</u>
		<u>\$ 339,774</u>	<u>\$ 286,216</u>

The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.17% in 2008 and 2.48% in 2007.

Note 4: Regulatory Assets

Regulatory assets represent costs that are expected to be fully recovered from customers in future rates. Depending upon Commission approval certain assets are included in the Company's rate base and others are not.

The components of regulatory assets are as follows:

	2008	2007
Income taxes recoverable through rates	\$ 3,230	\$ 2,904
Bluegrass water project	2,537	2,949
Programmed maintenance expense	1,737	1,859
Rate proceedings expense	554	486
Debt and preferred stock expense	795	846
Other	223	232
	<u>\$ 9,076</u>	<u>\$ 9,276</u>

The Company has recorded a regulatory asset for the additional revenues expected to be realized as the tax effects of temporary differences reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the Commission of full normalization for rate making purposes.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 4 (continued):

The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

The Company has recorded a regulatory asset for the Bluegrass water project source of supply costs in the amount of \$2,283 to be amortized over a forty year period. Approval was granted per the Commission order dated May 9, 2001. The Company has recorded a regulatory asset for the Bluegrass water project pipeline costs in the amount of \$3,551 with a ten year amortization period which was approved by the Commission per order dated November 27, 2000.

Programmed maintenance costs are deferred and amortized to current operations on a straight-line basis over a period ranging between five and fifteen years, as authorized by the Commission in their determination of rates charged for service.

Expense of rate proceedings is deferred and amortized on a straight-line basis as authorized by the Commission in their determination of rates charged for service.

Debt expense is amortized over the lives of the respective issues. Unamortized debt expense is deferred and amortized to the extent it will be recovered through future service rates. Expenses of preferred stock issues without sinking fund provisions are amortized over the life of the issuance, whereas expenses of issues with sinking fund provisions are charged to operations as shares are retired.

Note 5: Preferred Stock Without Mandatory Redemption

Preferred stock agreements contain provisions for redemption at various prices on thirty days notice at the Company's discretion. In the event of voluntary liquidation, the 5.75% series, the 5.50% series, and the 5.00% series are all paid at "the amount per share fixed for such series, together with accrued dividends". In the event of involuntary liquidation or governmental acquisition, the 5.75% series, the 5.50% series, and the 5.00% series are all paid at one hundred dollars per share, together with accrued dividends.

The Company repurchased 30 shares of the 5.75% series, 23 shares of the 5.50% series, and 58 shares of the 5.00% series preferred stock from certain shareholders with an aggregate par value of \$10 for an aggregate repurchase price of \$7.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 6: Long-Term Debt

Preferred stock agreements contain provisions for redemption at various prices on thirty days notice at the Company's discretion. In the event of voluntary liquidation, the 8.47% series is paid at one hundred dollars, together with accrued dividends.

The general mortgage bonds are issuable in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. The amount of bonds authorized is limited only to the extent that long-term debt cannot exceed 65% of total capitalization and net income of the Company must be equal to or greater than 1.5 times the aggregate annual interest charges on all long-term debt of the Company. At December 31, 2008 long-term debt was 47% of total capitalization and net income was 3.8 times the aggregate annual interest charges on all long-term debt. General mortgage bonds are collateralized by utility plant.

The general mortgage bond indentures contain clauses restricting the declaration of common stock dividends and other distributions on capital stock if common stockholder's equity falls below a specified amount. There were no restrictions at December 31, 2008 or 2007.

The senior notes payable to affiliate are unsecured and were issued to American Water Capital Corporation ("AWCC"), a subsidiary of AWW, for the principal amount. AWCC provided the funding for these notes by issuing senior notes to institutional investors at a price equal to the principal amount.

In 2007, the Company issued a long-term notes payable to affiliate in the amount of \$47,000 at a rate of 6.59% due in 2037. The proceeds were used to reduce notes payable to associated companies.

A note payable issued to AWCC (4.75% due 2014) was redeemed in 2007 by the Company. Consistent with rate making treatment, the difference between the book value of the note and the cash consideration required to extinguish it was deferred as a regulatory liability in accordance with FAS 71. The deferred credit recognized of \$827 will be amortized as a component of net interest expense through 2014.

The indenture for the 6.87% series note has a sinking fund provision that requires an annual retirement of \$3,100 from 2009 through 2010.

Maturities of long-term debt will amount to \$3,100 in 2011. There are no maturities in 2009, 2010, 2012 or 2013.

Other interest, net includes interest income of approximately, \$6 and \$0 at December 31, 2008 and 2007, respectively.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 7: Short-Term Borrowings

The Company maintains a \$60,000 line of credit through AWCC. The line was decreased by \$14,000 in 2008 per an amendment to the agreement with AWCC. The Company may borrow from, or invest in, the line of credit. No compensating balances are required under the agreements.

Effective January 1, 2009, the line of credit through AWCC was increased to \$65,000.

At December 31, 2008 and 2007, there were \$53,026 and \$19,259 of short-term borrowings outstanding, respectively. The weighted average annual interest rates on these balances were 3.49% and 5.64% in 2008 and 2007, respectively. The unused short-term line of credit at December 31, 2008 was \$6,974.

During 2008, the Company received a capital contribution of \$16,000 from AWW, primarily used to pay down short-term debt.

AWW, through AWCC, has committed to make additional financing available to the Company, as needed, to pay its obligations as they come due.

Note 8: General Taxes

Components of general tax expense for the years presented in the statement of income are as follows:

	<u>2008</u>	<u>2007</u>
Gross receipts and franchise		
Property	\$ 2,577	\$ 2,519
Payroll	516	450
Other	84	88
	<u>\$ 3,177</u>	<u>\$ 3,057</u>

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 9: Income Taxes

Components of income tax expense for the years presented in the statement of income are as follows:

	<u>2008</u>	<u>2007</u>
State income taxes:		
Current	\$ 463	\$ 703
Deferred		
Current	(5)	3
Non-current	419	(83)
	<u>877</u>	<u>623</u>
Federal income taxes:		
Current	2,998	2,687
Deferred		
Current	(29)	14
Non-current	2,232	826
Amortization of deferred investment tax credits	(85)	(85)
	<u>5,116</u>	<u>3,442</u>
Total income taxes	<u>\$ 5,993</u>	<u>\$ 4,065</u>

A reconciliation of income tax expense at the statutory federal income tax rate to the actual income tax expense is as follows:

	<u>2008</u>	<u>2007</u>
Federal income tax at statutory rate of 35%	\$ 5,250	\$ 3,438
Increases (decreases) resulting from -		
State taxes, net of federal income taxes	570	405
Flow through difference	155	139
Amortization of deferred investment tax credits	(85)	(85)
Other, net	103	168
Actual income tax expense	<u>\$ 5,993</u>	<u>\$ 4,065</u>

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 9 (continued):

The following table provides the components of the net deferred tax liability at December 31:

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Advances and contributions	\$ 23,842	\$ 22,284
Deferred investment tax credits	441	474
Income taxes recoverable through rates	13	-
Other	1,736	2,280
	<u>26,032</u>	<u>25,038</u>
Deferred tax liabilities:		
Utility plant, principally due to depreciation differences	61,256	57,412
Income taxes recoverable through rates	-	56
Other	2,963	3,107
	<u>64,219</u>	<u>60,575</u>
Net deferred tax liability	<u>\$ 38,187</u>	<u>\$ 35,537</u>

No valuation allowances were required on deferred tax assets at December 31, 2008 and 2007 as management believes it is more likely than not that these assets will be realized.

Note 10: Rate Matters

As necessary, the Company applies to the Commission for changes in the rates charged for service. The revenues requested are based on forecasted sales, operating expenses, and investments for the first full year after the effective dates of the new rates.

The Company filed a general rate case on April 30, 2007 with the Commission. On September 14, 2007, a settlement agreement was executed by the Company and the other parties recommending an increase in rates of \$8,000 or 15.64%. On November 29, 2007, the Commission issued its Order approving the settlement agreement with an effective date of December 1, 2007.

The Company filed a general rate increase on October 31, 2008 for \$18,495 or 31.27%. The Company can provide no assurances that any rate request will be granted by the Commission.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 11: Employee Benefit Plans

Savings Plan for Employees

The Company maintains a 401(k) savings plan, sponsored by AWW that allows employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans totaling \$180 for 2008, \$154 for 2007 and \$79 for 2006. All of the Company's contributions are invested in one or more funds at the direction of the employee.

Note 12: Postretirement Benefits

Pension Benefits

The Company participates in a Company funded defined benefit pension plan sponsored by AWW covering employees hired before January 1, 2006. Benefits under the plan are based on the employee's years of service and average annual compensation for those 60 consecutive months of employment which yield the highest average. The pension plan has been closed for any employee hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. Pension cost of the Company is based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$804 and \$721 for 2008 and 2007, respectively.

AWW's funding policy is to contribute at least the minimum amount required under the Employee Retirement Income Security Act of 1974. The Company made contributions to the AWW plan of \$1,589 in 2008 and \$929 in 2007. The Company expects to contribute \$1,693 to the AWW plan in 2009.

Postretirement Benefits Other Than Pensions

The Company participates in a Company funded plan sponsored by AWW that provides certain life insurance benefits for retired employees and certain health care benefits for retired employees and their dependents. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and non-union employees hired on or after January 1, 2002. Retirees and their dependents under age 65 are covered by a point-of-service managed care plan that requires co-payments or an HMO. Employees who elect to retire prior to attaining age 65 are generally required to make contributions towards their medical coverage until attaining age 65. Retirees and their dependents age 65 and over are covered by a Medicare supplement plan.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 12 (continued):

Costs of the Company are based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$700 and \$673 for 2008 and 2007, respectively.

The Company made contributions to trust funds established for these postretirement benefits of \$700 in 2008 and \$673 in 2007. The Company's policy is to fund postretirement benefits costs accrued. The Company expects to contribute \$1,132 to the AWW plan in 2009.

Note 13: Stock Based Compensation

Stock options and Restricted Stock Units

On April 22, 2008, AWW granted restricted stock awards, restricted stock units and stock options to certain employees of the Company under the AWW 2007 Omnibus Equity Compensation Plan. The restricted stock units and the stock options were awarded in two grants with "Grant 1" vesting on January 1, 2010 and "Grant 2" vesting January 1, 2011. The Company accounts for awards which AWW granted to employees of the Company as employee awards under Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share Based Payment" ("SFAS 123(R)"). Therefore the Company recognizes compensation cost for the awards in accordance with SFAS 123(R) as the grant of an equity award.

In accordance with SFAS 123(R) the cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured by AWW based on the grant date fair value of the awards issued. The value of stock options and restricted stock awards at the date of the grant is amortized through expense over the requisite service period using the straight-line method, adjusted for retirement-eligible participants.

Costs of the Company are based on an allocation from AWW of the total cost related to the plan. The Company recorded compensation expense of \$64, included in operation and maintenance expense, during the year ended December 31, 2008. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

Employee Stock Purchase Plan

AWW's Nonqualified Employee Stock Purchase Plan ("ESPP") was effective as of July 1, 2008. Under the ESPP, the Company's employees can use payroll deductions to acquire AWW common stock at the lesser of 90% of the fair market value as of the beginning or end of each three-month purchase period. AWW's ESPP is considered compensatory under SFAS 123(R). Costs of the Company are based on an allocation from AWW of the total cost related to

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 13 (continued):

the plan. Compensation costs of \$4 were included in operation and maintenance expense for the year ended December 31, 2008. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

Note 14: Related Party Transactions

American Water Works Service Company, Inc. ("AWWS"), a subsidiary of AWW, provides certain management services to the Company (administration, accounting, data processing, engineering, etc.) and other operating water companies in the AWW system on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Purchases of such services by the Company were accounted for as follows:

	<u>2008</u>	<u>2007</u>
Included in operation and maintenance expense as a charge against income	\$ 7,942	\$ 7,528
Capitalized primarily in utility plant	592	653
	<u>\$ 8,534</u>	<u>\$ 8,181</u>

The Company provided workspace for certain associates of AWWS. Charges for direct costs and indirect overhead costs associated with these associates are billed to AWWS on an at-cost, not for profit basis, which amounted to \$14 in 2008 and \$15 in 2007.

The Company has operating arrangements with American Anglian Environmental Technologies, L.P. ("AAET"), a subsidiary of AWW, for the lease of granular activated carbon at one of the Company's water treatment plants. Under the arrangements, AAET will provide carbon for a period of 36 months. The Company paid \$127 in 2008 and \$111 in 2007 to AAET under these arrangements.

The Company maintains a line of credit through AWCC (See Note 7). The Company also participates in AWCC's centralized treasury function whereby the Company transfers its cash to AWCC and the Company's checks are issued out of AWCC. Under the arrangement, available cash is used to pay-down the line of credit and outstanding credits increase the Company's line of credit balance. The Company paid AWCC fees of \$79 in 2008 and \$551 in 2007 and interest expense on borrowings of \$762 in 2008 and \$1,288 in 2007. Interest expense on long-term debt due to AWCC was \$3,790 in 2008 and \$2,639 in 2007. Accrued interest included interest due to AWCC of \$807 and \$801 as of December 31, 2008 and 2007, respectively.

The Company pays dividends to AWW on a quarterly basis. The amount of the dividend is based on a percentage of net income adjusted for certain items.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 15: Fair Values of Financial Instruments

The Company used the following methods and assumptions in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amount reported in the balance sheet for current assets and current liabilities approximates their fair value.

Preferred stocks with mandatory redemption requirements and long-term debt: The fair values of the Company's preferred stocks with mandatory redemption requirements and long-term debt are estimated using discounted cash flow analyses based on the Company's current incremental financing rates for similar types of securities.

The carrying amounts and fair values of the Company's financial instruments at December 31 are as follows:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock with mandatory redemption requirements, including current maturities	\$ 4,500	\$ 4,344	\$ 4,500	\$ 4,566
Long-term debt, including current maturities	\$ 79,800	\$ 76,489	\$ 82,900	\$ 84,147

Adoption of SFAS 157

Effective January 1, 2008, the Company partially adopted SFAS 157, which primarily requires expanded disclosure for assets and liabilities recorded on the balance sheet at fair value. As permitted by FSP FAS 157-2, the Company has elected to defer the adoption of the nonrecurring fair value measurement disclosures of nonfinancial assets and liabilities, such as goodwill, until January 1, 2009.

Recurring Fair Value Measurements

As of December 31, 2008 the Company does not have any assets or liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2008 and 2007
(Dollars in thousands)

Note 16: Operating Lease

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were \$59 in 2008 and \$60 in 2007. The operating leases for equipment expire in 2009 through 2012.

At December 31, 2008, the minimum annual future rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are \$630 in 2009, \$626 in 2010, \$626 in 2011, \$210 in 2012 and \$1 annually, thereafter.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures probable to have, a significant future effect amounted to \$101,557 at December 31, 2008. On April 25, 2008, the Kentucky Public Service Commission approved the Company's application for a certificate of convenience and necessity to construct a 20.0 million gallon per day treatment plant on the Kentucky River and a 30.6 mile pipeline to meet Central Kentucky's water supply deficit. The Kentucky project is expected to be completed by 2010 with an estimated cost of \$162,000 of which \$99,094 is included in the commitment above.

The Company is routinely involved in legal actions. In the opinion of management, none of these matters is expected to have a material adverse effect, if any, on the financial position, results of operations or cash flows of the Company.

Kentucky-American Water Company
(a wholly-owned subsidiary of
American Water Works Company, Inc.)
Financial Statements

As of and for the years ended December 31, 2009 and 2008



PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300

Report of Independent Auditors

To the Board of Directors and Stockholder of
Kentucky-American Water Company

In our opinion, the accompanying balance sheets and statements of capitalization and the related statements of income, of changes in common stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Kentucky-American Water Company (a wholly-owned subsidiary of American Water Works Company, Inc.) at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 25, 2010

KENTUCKY-AMERICAN WATER COMPANY
Balance Sheets
December 31, 2009 and 2008
(Dollars in thousands)

Assets		
	<u>2009</u>	<u>2008</u>
Property, plant and equipment		
Utility plant - at original cost, net of accumulated depreciation	\$ 432,713	\$ 339,774
Utility plant acquisition adjustments	284	305
Non-utility property	270	270
Total property, plant and equipment	<u>433,267</u>	<u>340,349</u>
Current assets		
Cash and cash equivalents	176	234
Customer accounts receivable	2,612	2,342
Allowance for uncollectible accounts	(277)	(273)
Unbilled revenues	3,231	2,900
State income tax receivable	997	-
Federal income tax refund due from affiliated company	-	889
Accounts receivable - affiliated companies	3,443	-
Other accounts receivable	763	412
Materials and supplies	645	577
Other	313	418
Total current assets	<u>11,903</u>	<u>7,499</u>
Regulatory and other long-term assets		
Regulatory assets	10,411	9,076
Other	53	126
Total regulatory and other long-term assets	<u>10,464</u>	<u>9,202</u>
Total assets	<u>\$ 455,634</u>	<u>\$ 357,050</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Balance Sheets
December 31, 2009 and 2008
(Dollars in thousands)

	<u>2009</u>	<u>2008</u>
Capitalization and Liabilities		
Capitalization		
Common stockholder's equity	\$ 128,443	\$ 93,482
Preferred stock without mandatory redemption requirements	1,456	1,456
Long-term debt, excluding current portion		
Preferred stock with mandatory redemption requirements	4,500	4,500
Long-term debt	144,990	76,700
Total capitalization	<u>279,389</u>	<u>176,138</u>
Current liabilities		
Short-term borrowings - affiliated companies	27,313	53,026
Current portion of long-term debt	3,100	3,100
Accounts payable	11,650	8,368
Accounts payable - affiliated companies	85	157
Accrued taxes, including income taxes of \$792 in 2009 and \$75 in 2008	3,645	291
Other	7,319	5,621
Total current liabilities	<u>53,112</u>	<u>70,563</u>
Regulatory and other long-term liabilities		
Deferred income taxes	45,643	38,187
Advances for construction	13,442	11,916
Deferred investment tax credits	1,048	1,133
Regulatory liability - cost of removal	11,085	9,755
Regulatory liability - debt extinguishment	544	674
Accrued pension expense	1,353	1,389
Accrued postretirement benefit expense	467	418
Other tax liabilities	1,882	-
Other	63	62
Total regulatory and other long-term liabilities	<u>75,527</u>	<u>63,534</u>
Contributions in aid of construction	47,606	46,815
Commitments and contingencies (see Note 17)	-	-
Total capitalization and liabilities	<u>\$ 455,634</u>	<u>\$ 357,050</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Income
For the Years Ended December 31, 2009 and 2008
(Dollars in thousands)

	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 62,011	\$ 60,086
Operating expenses		
Operation and maintenance	33,106	30,684
Depreciation	5,898	5,871
Amortization	515	512
General taxes	3,506	3,177
Total operating expenses	<u>43,025</u>	<u>40,244</u>
Operating income	<u>18,986</u>	<u>19,842</u>
Other income (deductions)		
Interest on long-term debt	(5,481)	(5,693)
Interest on short-term debt to affiliate	(355)	(762)
Allowance for other funds used during construction	3,306	1,330
Allowance for borrowed funds used during construction	1,591	589
Amortization of debt issuance costs	(105)	(90)
Other, net	(498)	(215)
Total other deductions	<u>(1,542)</u>	<u>(4,841)</u>
Income before income taxes	17,444	15,001
Provision for income taxes	<u>6,832</u>	<u>5,993</u>
Net income	<u>10,612</u>	<u>9,008</u>
Dividends on preferred stock	78	78
Net income available to common stockholder	<u>\$ 10,534</u>	<u>\$ 8,930</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008
(Dollars in thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Net income	\$ 10,612	\$ 9,008
Adjustments		
Depreciation and amortization	6,413	6,383
Amortization of removal costs, net of salvage	1,521	1,420
Amortization of debt issuance costs	105	90
Provision for deferred income taxes	7,679	2,617
Amortization of deferred investment tax credits	(85)	(85)
Provision for losses on accounts receivable	526	384
Allowance for other funds used during construction	(3,306)	(1,330)
Pension and non-pension post retirement benefits	2,821	1,504
Other, net	(1,175)	(299)
Changes in assets and liabilities		
Accounts receivable and unbilled revenues	(1,123)	(1,086)
Federal income tax refund due from affiliated company	889	(889)
Other current assets	(316)	(494)
Pension and non-pension post retirement benefits contribution	(2,857)	(2,289)
Accounts payable	1,901	(77)
Accrued taxes, including federal income	4,243	(2,019)
Other current liabilities	2,935	(194)
Net cash provided by operating activities	<u>30,783</u>	<u>12,644</u>
Cash flows from investing activities		
Capital expenditures	(95,605)	(56,234)
Removal costs from property, plant and equipment retirements, net of salvage	<u>(42)</u>	<u>(62)</u>
Net cash used in investing activities	<u>(95,647)</u>	<u>(56,296)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt to affiliate	67,949	-
Repayment of long-term debt to affiliate	(3,100)	(3,100)
Debt issuance costs to affiliate	(1,000)	(9)
Net borrowings (repayments) of short-term borrowings-affiliated companies	(25,713)	33,767
Advances and contributions for construction net of refunds of \$946 in 2009 and \$2,123 in 2008	2,350	2,918
Capital contributions	32,500	16,000
Redemption of preferred stock	-	(7)
Dividends paid	<u>(8,180)</u>	<u>(6,081)</u>
Net cash provided by financing activities	<u>64,806</u>	<u>43,488</u>
Net decrease in cash and cash equivalents	(58)	(164)
Cash and cash equivalents at beginning of year	<u>234</u>	<u>398</u>
Cash and cash equivalents at end of year	<u>\$ 176</u>	<u>\$ 234</u>
Cash paid during the year for:		
Interest, net of capitalized amount	\$ 7,351	\$ 6,658
Income taxes	\$ 5,637	\$ 4,653
Non-cash investing activity		
Capital expenditures acquired on account but unpaid as of year end	\$ 6,366	\$ 4,946
Non-cash financing activity		
Long term debt	\$ 3,441	\$ -
Capital contribution (See Note 13)	\$ 29	\$ 68

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Capitalization
December 31, 2009 and 2008
(Dollars in thousands, except per share amounts)

	Call Price Per Share	2009	2008
Stockholder's equity			
Common stock - no par value, authorized 2,000,000 shares 1,567,391 shares issued and outstanding in 2009 and 2008	\$	36,569	\$ 36,569
Paid-in capital		56,656	24,127
Retained earnings		35,218	32,786
Total common stockholder's equity		<u>128,443</u>	<u>93,482</u>
Preferred stocks - \$100 par value			
Cumulative preferred stocks without mandatory redemption requirements:			
5.75% series, 3,888 shares outstanding in 2009 and 2008	\$ 101.00	389	389
5.50% series, 4,860 shares outstanding in 2009 and 2008	\$ 100.50	486	486
5.00% series, 5,808 shares outstanding in 2009 and 2008	\$ 100.00	581	581
		<u>1,456</u>	<u>1,456</u>
Long-term debt			
Preferred stocks - \$100 par value			
Cumulative preferred stocks with mandatory redemption requirements:			
8.47% series, 45,000 shares outstanding in 2009 and 2008 due for redemption 2036	\$ 100.00	4,500	4,500
		<u>4,500</u>	<u>4,500</u>
General mortgage bonds			
6.96% series due 2023		7,000	7,000
7.15% series due 2027		7,500	7,500
6.99% series due 2028		9,000	9,000
Notes payable to affiliate			
6.87% series due 2011		6,200	9,300
6.59% series due 2037		47,000	47,000
6.25% series A due 2039		45,390	-
5.625% Series B due 2039		26,000	-
		<u>152,590</u>	<u>84,300</u>
Less: Current portion of long-term debt and preferred stock		<u>(3,100)</u>	<u>(3,100)</u>
Long-term debt, net of current portion		<u>149,490</u>	<u>81,200</u>
Total capitalization	\$	<u>279,389</u>	\$ <u>176,138</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2009 and 2008
(Dollars in thousands, except per share amounts)

	Common Stock		Paid-in Capital	Retained Earnings	Total
	Shares	Par Value			
Balance at December 31, 2007	1,567,391	\$ 36,569	\$ 8,056	\$ 29,859	\$ 74,484
Net income	-	-	-	9,008	9,008
Capital contributions	-	-	16,068	-	16,068
Redemption of preferred stock	-	-	3	-	3
Dividends paid					
Preferred stock	-	-	-	(78)	(78)
Common stock	-	-	-	(6,003)	(6,003)
Balance at December 31, 2008	1,567,391	\$ 36,569	\$ 24,127	\$ 32,786	\$ 93,482
Net income	-	-	-	10,612	10,612
Capital contributions	-	-	32,529	-	32,529
Dividends paid					
Preferred stock	-	-	-	(78)	(78)
Common stock	-	-	-	(8,102)	(8,102)
Balance at December 31, 2009	1,567,391	\$ 36,569	\$ 56,656	\$ 35,218	\$ 128,443

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 1: Organization and Operation

Kentucky-American Water Company (the "Company") provides water service to approximately 118,800 (unaudited) customers and wastewater service to approximately 700 (unaudited) customers. These services are provided in 12 (unaudited) communities located in 10 (unaudited) counties in the state of Kentucky. As a public utility operating in Kentucky, the Company functions under rules and regulations prescribed by the Kentucky Public Service Commission (the "Commission"). The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW").

Note 2: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company considers benefit plans assumptions, the carrying value of long-lived assets, including regulatory assets and liabilities, revenue recognition and accounting for income taxes to be its critical accounting estimates. The Company's significant estimates that are particularly sensitive to change in the near term are amounts reported for pension and other postemployment benefits and contingency-related obligations.

Regulation

The Company is subject to regulation by the Commission and the local governments of the state of Kentucky (collectively the "Regulators"). These Regulators have allowed recovery of costs and credits which the Company has recorded as regulatory assets and liabilities. Accounting for future recovery of costs and credits as regulatory assets and liabilities is in accordance with authoritative guidance provided by U.S. GAAP. Regulated utilities defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate making process in a period different from the period in which they would have been reflected in operations by a non-regulated company. These deferred regulatory assets and liabilities are then reflected in the statement of income in the period in which the costs and credits are reflected in the rates charged for service.

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction. Repairs and maintenance are charged to current operations.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 2 (continued)

When units of property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates, a regulatory asset or liability may occur where timing differences exist between when the Company incurs costs of removal and when the Company recovers such costs in rates. Removal costs, net of salvage, are recorded as reductions to the regulatory liability or an increase to the regulatory asset, as applicable.

The cost of utility property, plant and equipment is depreciated using the straight-line average remaining life using the composite method.

Computer software is either purchased or internally developed and their costs are capitalized as a unit of property. The assets were fully amortized at December 31, 2009 and 2008.

Utility plant acquisition adjustments represent the difference between the fair value of plant at the date of purchase and its original cost when first devoted to public service (less accumulated depreciation) and are amortized to expense over the remaining useful lives of the corresponding purchased plant assets. Amortization of utility plant acquisition adjustments was \$21 and \$22 for 2009 and 2008, respectively. The remaining lives range from 2 to 36 years.

Cash and Cash Equivalents

Substantially all of the Company's cash is invested in interest-bearing accounts. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There were no cash equivalents held at December 31, 2009 or 2008.

Accounts Receivable

The majority of the Company's accounts receivable is due from utility customers. Customer accounts receivable represent amounts billed to the Company's water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable Regulators and generally, collateral is not required.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company writes-off accounts when they become uncollectible

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2009 and 2008
(Dollars in thousands, except per share amounts)

Note 2 (continued)

The following table summarizes the changes in the Company's allowance for uncollectible accounts:

	<u>2009</u>	<u>2008</u>
Balance as of January 1	\$ 273	\$ 223
Provision charged to expense	526	384
Accounts written-off	(598)	(429)
Recoveries of accounts previously written-off	76	95
Balance as of December 31	<u>\$ 277</u>	<u>\$ 273</u>

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Advances and Contributions in Aid of Construction

The Company may receive advances and contributions from customers, home builders, real estate developers, and others to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Advances which are which are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such advances and contributions generally serves as a rate base reduction, since they represent non-investor supplied funds.

The Company depreciates utility plant funded by contributions and amortizes these amounts as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions in aid of construction was \$1,397 and \$1,019 for the years ended December 31, 2009 and 2008, respectively. For the years ended December 31, 2009 and 2008, non-cash advances and contributions received were \$58 and \$296, respectively.

Recognition of Revenues

Revenues are recognized as water and wastewater services are provided and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the accounting period. Other operating revenues are recognized when services are performed.

The Company accounts for sales tax collected from customers and remitted to taxing authorities on a net basis.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2009 and 2008
(Dollars in thousands, except per share amounts)

Note 2 (continued)

Income Taxes

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns. Federal income tax expense for financial reporting purposes is provided on a separate return basis.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes have been provided on the difference between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates anticipated to be in effect when such temporary differences are projected to reverse. Anticipated tax rates are the currently enacted tax rates, as the Company is not aware of any tax rate changes. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences previously flowed through to customers reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense.

Allowance for Funds Used During Construction ("AFUDC")

AFUDC is a non-cash credit to income with a corresponding charge to utility plant, which represents the cost of borrowed funds and a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Regulators.

Environmental Costs

The Company's water and wastewater operations are subject to federal, state, and local requirements relating to environmental protection, and as such the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. There were no remediation costs accrued at December 31, 2009 and 2008.

Long-Lived Assets

Long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the future cash flows

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 2 (continued)

expected to result from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized. Measurement of an impairment loss would be based on the fair value of the assets. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

New Accounting Standards

Fair Value Measurements

In January 2010, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance that requires new disclosures of (i) the amounts of significant transfers into and out of Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers and (ii) information in the reconciliation of recurring Level 3 measurements (those using significant unobservable inputs) about purchases, sales, issuances, and settlements on a gross basis. This update also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the requirement to disclose information about purchases, sales, issuances and settlements in the reconciliation of Level 3 measurements, which does not become effective until interim and annual periods beginning after December 15, 2010. As this guidance clarifies and provides for additional disclosure requirements only, the adoption of this guidance is not expected to have an impact on the Company’s results of operations, financial position or cash flows.

In August 2009, the FASB issued authoritative guidance clarifying the measurement of the fair value of liabilities. The amendments reduce potential ambiguity in financial reporting when measuring the fair value of liabilities and help to improve consistency in the application of authoritative guidance. This update is effective for the first reporting period, including interim periods, beginning after issuance, which for the Company was October 1, 2009. The adoption of this guidance did not have an impact on the Company’s results of operations, financial position or cash flows.

In April 2009, the FASB provided additional guidance on fair value measurements in inactive markets when the volume and level of activity for the asset and liability have significantly decreased. This amendment also includes guidance on identifying circumstances that indicate a transaction is not orderly. This guidance is effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance did not have an impact on the Company’s results of operations, financial position or cash flows.

In February 2008, the FASB issued guidance that allowed a one-year deferral of adoption of the guidance for nonfinancial assets and nonfinancial liabilities (such as intangible assets, property, plant and equipment and goodwill) that are required to be measured at fair value on a periodic basis (such as at acquisition or impairment). The Company elected to use this deferral

KENTUCKY-AMERICAN WATER COMPANY**Notes to Financial Statements****December 31, 2009 and 2008**(Dollars in thousands, except per share amounts)

Note 2 (continued)

option and accordingly, adopted this guidance for the Company's nonfinancial assets and liabilities valued on a non-recurring basis on January 1, 2009. The adoption of this guidance did not have a significant impact on the Company's results of operations, financial position or cash flows.

Accounting Standards Codification

In June 2009, the FASB issued authoritative guidance that establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. This guidance is effective for interim and annual periods ending after September 15, 2009. The adoption of this guidance did not have an impact on the Company's results of operations, financial position or cash flows.

Consolidation of Variable Interest Entities

In June 2009, the FASB issued authoritative guidance that replaces the quantitative-based risk and rewards calculation for determining which reporting entity has a controlling financial interest in a variable interest entity with a qualitative approach. This revised guidance also requires additional disclosures about a reporting entity's involvement in variable interest entities. This guidance is effective for the Company beginning January 1, 2010. The Company does not believe the adoption of this update to have a significant impact on the Company's results of operations, financial position or cash flows.

Subsequent Events

In May 2009 and clarified in February 2010, the FASB issued authoritative guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This standard sets forth: (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions, (ii) the circumstances under which an entity should recognize events or transactions and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for interim and annual periods ending after June 15, 2009. The adoption of this guidance did not have an impact on the Company's results of operations, financial position or cash flows. The Company performed an evaluation of subsequent events for the accompanying financial statements through March 25, 2010, the date this Report was issued, to determine whether the circumstances warranted recognition and disclosure of those events or transactions in the financial statements as of December 31, 2009.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 2 (continued)

Recognition and Presentation of Other-Than-Temporary Impairments

In April, 2009, the FASB amended authoritative guidance related to the impairment of certain debt securities and will require an entity to assess whether it (i) has the intent to sell the debt security or (ii) more likely than not will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, the entity must recognize an other-than-temporary impairment. If an entity is able to meet the criteria to assert that it will not have to sell the security before recovery, impairment charges related to credit losses would be recognized in earnings, while impairment charges related to non-credit losses (for example, liquidity risk) would be reflected in other comprehensive income. The amended guidance is effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance did not have an impact on the Company's results of operations, financial position or cash flows.

Contingencies Acquired in a Business Combination

In April 2009, the FASB amended and clarified the authoritative guidance related to accounting for the initial recognition and measurement, subsequent measurement and accounting, and related disclosures arising from contingencies in a business combination. Assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value can not be determined, companies should account for the acquired contingencies using existing guidance. This guidance is effective for the Company for business combinations finalized after January 1, 2009.

Reclassifications

Certain reclassifications have been made to conform previously reported data to the current presentation.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2009 and 2008
(Dollars in thousands, except per share amounts)

Note 3: Utility Plant

The components of utility plant by category at December 31 are as follows:

	Range of Remaining Useful Lives	2009	2008
Land and other non-depreciable assets	-	4,630	4,739
Sources of supply	35 to 67 Years	17,792	13,698
Treatment and pumping	32 to 63 Years	56,414	56,386
Transmission and distribution	23 to 72 Years	187,589	183,244
Services, meters and fire hydrants	38 to 72 Years	85,741	80,676
General structures and equipment	5 to 52 Years	29,063	27,119
Wastewater assets	5 to 50 Years	3,637	3,624
Construction work in progress	-	138,797	54,501
		523,663	423,987
Less: Accumulated depreciation		(90,950)	(84,213)
		<u>\$ 432,713</u>	<u>\$ 339,774</u>

The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.07% in 2009 and 2.17% in 2008.

Note 4: Regulatory Assets

Regulatory assets represent costs that are expected to be fully recovered from customers in future rates. Depending upon Commission approval certain assets are included in the Company's rate base and others are not.

The components of regulatory assets are as follows:

	2009	2008
Income taxes recoverable through rates	\$ 4,215	\$ 3,230
Bluegrass water project	2,124	2,537
Programmed maintenance expense	1,609	1,737
Rate proceedings expense	492	554
Debt and preferred stock expense	1,690	795
Other	281	223
	<u>\$ 10,411</u>	<u>\$ 9,076</u>

The Company has recorded a regulatory asset for the additional revenues expected to be realized as the tax effects of temporary differences reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the Commission of full normalization for rate making purposes. The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 4 (continued)

between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

The Company has recorded a regulatory asset for the Bluegrass water project source of supply costs in the amount of \$2,283 to be amortized over a forty year period. Approval was granted per the Commission order dated May 9, 2001. The Company has recorded a regulatory asset for the Bluegrass water project pipeline costs in the amount of \$3,551 with a ten year amortization period which was approved by the Commission per order dated November 27, 2000.

Programmed maintenance costs are deferred and amortized to current operations on a straight-line basis over a period ranging between five and fifteen years, as authorized by the Commission in their determination of rates charged for service.

Expense of rate proceedings is deferred and amortized on a straight-line basis as authorized by the Commission in their determination of rates charged for service.

Debt expense is amortized over the lives of the respective issues. Unamortized debt expense is deferred and amortized to the extent it will be recovered through future service rates. Expenses of preferred stock issues without sinking fund provisions are amortized over the life of the issuance, whereas expenses of issues with sinking fund provisions are charged to operations as shares are retired.

Note 5: Preferred Stock Without Mandatory Redemption

In the event of voluntary liquidation, the 5.75% series, the 5.50% series, and the 5.00% series are redeemable at \$101 per share, \$100.50 per share, \$100 per share respectively. In the event of involuntary liquidation or governmental acquisition, the 5.75% series, the 5.50% series, and the 5.00% series are all paid at \$100 per share, together with accrued dividends. All call prices are on 30 days' notice plus accrued dividends.

Note 6: Long-Term Debt

The general mortgage bonds are issuable in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. Based on the calculation methodology specified by debt agreements, the amount of bonds authorized is limited only to the extent that long-term debt cannot exceed 65% of total capitalization and net income of the Company must be equal to or greater than 1.5 times the aggregate annual interest charges on all long-term debt of the Company. At December 31, 2009 long-term debt was 54%

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 6 (continued)

of total capitalization and net income was 4.3 times the aggregate annual interest charges on all long-term debt. General mortgage bonds are collateralized by utility plant.

The general mortgage bond indentures contain clauses restricting the declaration of common stock dividends and other distributions on capital stock if common stockholder's equity falls below a specified amount. There were no restrictions at December 31, 2009 or 2008.

The senior notes payable to affiliate are unsecured and were issued to American Water Capital Corporation ("AWCC"), a subsidiary of AWW, for the principal amount. AWCC provided the funding for these notes by issuing senior notes to institutional investors at a price equal to the principal amount.

In 2009, the Company issued a long-term note payable to affiliate in the amount of \$45,390 at a rate of 6.25% due in 2039 and a long-term note payable to affiliate in the amount of \$26,000 at a rate of 5.625% due in 2039. Funds in the amount of \$3,441 were not yet received at December 31, 2009 and are included in notes receivable-associated companies in the accompanying Balance Sheet. The proceeds were used to fund capital projects.

Maturities of long-term debt, including sinking funds, will amount to \$3,100 in 2010 and 2011, \$0 in 2012 through 2014, and \$146,390 thereafter.

Preferred stock agreements contain provisions for redemption at various prices on thirty days notice at the Company's discretion. In the event of voluntary liquidation, the 8.47% series is paid at \$100 per share, together with accrued dividends.

Note 7: Short-Term Borrowings

The Company maintains a line of credit through AWCC of \$25,000 and \$60,000 at December 31, 2009 and 2008, respectively. The Company may borrow from, or invest in, the line of credit. No compensating balances are required under the agreements.

The Company had short-term borrowings outstanding of \$27,313 and \$53,026 at December 31, 2009 and 2008 respectively. As of December 31, 2009, AWCC temporarily extended additional credit of \$2,313 to the Company. The weighted average annual interest rates on the borrowings at December 31, 2009 and 2008 were .76% and 3.49%, respectively.

During 2009, the Company received a cash capital contribution of \$32,500 from AWW, primarily used to pay down short-term debt.

AWW, through AWCC, has committed to make additional financing available to the Company, as needed, to pay its obligations as they come due.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2009 and 2008
(Dollars in thousands, except per share amounts)

Note 8: General Taxes

Components of general tax expense for the years presented in the statements of income are as follows:

	<u>2009</u>	<u>2008</u>
Gross receipts and franchise	\$ 117	\$ -
Property	2,790	2,577
Payroll	510	516
Other	89	84
	<u>\$ 3,506</u>	<u>\$ 3,177</u>

Note 9: Income Taxes

Components of income tax expense for the years presented in the statements of income are as follows:

	<u>2009</u>	<u>2008</u>
State income taxes:		
Current	\$ 292	\$ 463
Deferred		
Current	(94)	(5)
Non-current	914	419
	<u>1,112</u>	<u>877</u>
Federal income taxes:		
Current	(1,054)	2,998
Deferred		
Current	(114)	(29)
Non-current	6,973	2,232
Amortization of deferred investment tax credits	(85)	(85)
	<u>5,720</u>	<u>5,116</u>
Total income taxes	<u>\$ 6,832</u>	<u>\$ 5,993</u>

In December 2008, the Company as a member of the consolidated group filed a request with the Internal Revenue Service (“IRS”) to change its tax accounting method for repair and maintenance costs on its utility assets. The IRS partially approved the request in October 2009, with the Company receiving final approval in February 2010, allowing the Company to take a tax deduction for costs that were previously capitalized for tax purposes. As a result, the Company recorded a deferred income tax liability for this temporary difference. In addition, the change in tax accounting method generated a net operating loss which the Company has substantially monetized.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 9 (continued)

The primary components of the net deferred tax liability at December 31, 2009 include basis differences in utility plant, partially offset by advances and contributions. No valuation allowances were required on deferred tax assets at December 31, 2009 and 2008, as management believes it is more likely than not that deferred tax assets will be realized.

As of December 31, 2009, the Company recorded state net operating loss carryforwards (“NOLs”), which will reduce future taxable income. These NOLs will begin to expire in 2028 if not utilized.

As of December 31, 2009 and 2008, the Company’s reserve for uncertain tax positions is \$1,875 and \$0 respectively, excluding accrued interest and penalties. The Company does not expect a material change in this estimate in the next twelve months. The reserve for uncertain tax positions could increase or decrease for such things as expiration of statutes of limitations, audit settlement, tax examination activities.

The Company recognizes interest and penalties related to income tax matters in income tax expense. Accrued interest and penalties related to uncertain tax positions of \$7 and \$0 as of December 31, 2009 and 2008, respectively..

The federal tax returns from 2006 to 2008 remain open. The 2006 statute will expire in 2010. The Company is subject to state taxes. State tax returns from 2003 to 2008 are currently open. The statutes of limitations will begin to expire in 2009.

Note 10: Rate Matters

As necessary, the Company applies to the Commission for changes in the rates charged for service. The revenues requested are based on forecasted sales, operating expenses, and investments for the first full year after the effective dates of the new rates.

The Company filed a general rate case on October 31, 2008 with the Commission for \$18,495 or 31.27%. On April 1, 2009, a settlement agreement was executed by the Company and the other parties recommending an increase in rates of \$10,300 or 17.33%. On June 1, 2009, the Commission issued an Order approving the settlement agreement with new rates effective June 1, 2009.

The Company filed a general rate increase on February 26, 2010 for \$25,848. The Company can provide no assurances that any rate request will be granted by the Commission.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 11: Employee Benefit Plans

Savings Plan for Employees

The Company maintains a 401(k) savings plan, sponsored by AWW that allows employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans totaling \$207 for 2009, \$180 for 2008. All of the Company's contributions are invested in one or more funds at the direction of the employee.

Note 12: Postretirement Benefits

Pension Benefits

The Company participates in a Company funded defined benefit pension plan sponsored by AWW covering employees hired before January 1, 2006. Benefits under the plan are based on the employee's years of service and average annual compensation for those 60 consecutive months of employment which yield the highest average. The pension plan has been closed for any employee hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. Pension cost of the Company is based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$1,674 and \$804 for 2009 and 2008, respectively.

AWW's funding policy is to contribute at least the minimum amount required under the Employee Retirement Income Security Act of 1974. The Company made contributions to the AWW plan of \$1,710 in 2009 and \$1,589 in 2008. The Company expects to contribute \$1,635 to the AWW plan in 2010.

Postretirement Benefits Other Than Pensions

The Company participates in a Company funded plan sponsored by AWW that provides certain life insurance benefits for retired employees and certain health care benefits for retired employees and their dependents. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and non-union employees hired on or after January 1, 2002. Retirees and their dependents under age 65 are covered by a point-of-service managed care plan that requires co-payments or an HMO.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 12 (continued)

Employees who elect to retire prior to attaining age 65 are generally required to make contributions towards their medical coverage until attaining age 65. Retirees and their dependents age 65 and over are covered by a Medicare supplement plan. Costs of the Company are based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$1,147 and \$700 for 2009 and 2008, respectively.

The Company made contributions to trust funds established for these postretirement benefits of \$1,147 in 2009 and \$700 in 2008. The Company's policy is to fund postretirement benefits costs accrued. The Company expects to contribute \$1,052 to the AWW plan in 2010.

Note 13: Stock Based Compensation

Stock Options and Restricted Stock Units

On February 20, 2009, AWW granted restricted stock units and stock options to certain employees of the Company under the AWW 2007 Omnibus Equity Compensation Plan ("Omnibus Plan"). The restricted stock units vest ratably over the three year performance period beginning January 1, 2009 (the "Performance Period"); however distribution of the shares is contingent upon the achievement of certain market thresholds over the performance period. The stock options vest ratably over a three year service period from January 1, 2009.

On April 22, 2008, AWW granted restricted stock awards, restricted stock units and stock options to certain employees of the Company under the Omnibus Plan. The restricted stock units and the stock options were awarded in two grants with "Grant 1" vesting on January 1, 2010 and "Grant 2" vesting January 1, 2011.

The value of restricted stock units at the date of the grant is amortized through expense over the requisite service period using the straight-line method for restricted stock units with service and/or performance vesting. The grant date fair value of restricted stock awards that have market and service conditions and vest ratably is amortized through expense over the requisite service period using the graded-vesting method. The value of stock options at the date of the grant is amortized through expense over the requisite service period using the straight-line method.

Costs of the Company are based on an allocation from AWW of the total cost for employees of the Company in the plan. The Company recorded compensation expense of \$23 and \$64, included in operation and maintenance expense, during the year ended December 31, 2009 and 2008 respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 13 (continued)

Employee Stock Purchase Plan

AWW's Nonqualified Employee Stock Purchase Plan ("ESPP") was effective as of July 1, 2008. Under the ESPP, the Company's employees can use payroll deductions to acquire AWW common stock at the lesser of 90% of the fair market value as of a) the beginning or b) the end of each three-month purchase period. AWW's ESPP is considered compensatory. Costs of the Company are based on an allocation from AWW of the total cost for employees of the Company in the plan. Compensation costs of \$6 and \$4 were included in operation and maintenance expense for the years ended December 31, 2009 and 2008 respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

Note 14: Related Party Transactions

American Water Works Service Company, Inc. ("AWWS"), a subsidiary of AWW, provides certain management services to the Company (administration, accounting, data processing, engineering, etc.) and other operating water companies in the AWW system on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Purchases of such services by the Company were accounted for as follows:

	<u>2009</u>	<u>2008</u>
Included in operation and maintenance expense as a charge against income	\$ 8,149	\$ 7,942
Capitalized primarily in utility plant	899	592
	<u>\$ 9,048</u>	<u>\$ 8,534</u>

The Company provided workspace for certain associates of AWWS. Charges for direct costs and indirect overhead costs associated with these associates are billed to AWWS on an at-cost, not for profit basis, which amounted to \$100 in 2009 and \$14 in 2008.

The Company has operating arrangements with American Anglian Environmental Technologies, L.P. ("AAET"), a subsidiary of AWW, for the lease of granular activated carbon at one of the Company's water treatment plants. Under the arrangements, AAET will provide carbon for a period of 36 months. The Company paid \$101 in 2009 and \$127 in 2008 to AAET under these arrangements.

The Company purchased granular activated carbon from AAET, a subsidiary of AWW, at the Richmond Rd Station during 2009. The Company paid \$136 in 2009 to AAET under these agreements.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 14 (continued)

The Company maintains a line of credit through AWCC (See Note 7). The Company also participates in AWCC's centralized treasury function whereby the Company transfers its cash to AWCC and the Company's checks are issued out of AWCC. Under the arrangement, available cash is used to pay-down the line of credit and outstanding credits increase the Company's line of credit balance. The Company paid AWCC fees, including debt issuance cost, of \$874 in 2009 and \$79 in 2008 and interest expense on borrowings of \$355 in 2009 and \$762 in 2008. Interest expense on long-term debt due to AWCC was \$3,577 in 2009 and \$3,790 in 2008. Accrued interest included interest due to AWCC of \$1,429 and \$807 as of December 31, 2009 and 2008, respectively.

The Company pays dividends to AWW periodically. The amount of the dividend is based on a percentage of net income adjusted for certain items.

Note 15: Fair Values of Financial Instruments

The Company used the following methods and assumptions in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amount reported in the balance sheet for current assets and current liabilities approximates their fair value.

Preferred stocks with mandatory redemption requirements and long-term debt: The fair values of the Company's preferred stocks with mandatory redemption requirements and long-term debt are estimated using discounted cash flow analyses based on the Company's current incremental financing rates for similar types of securities.

The carrying amounts and fair values of the Company's financial instruments at December 31 are as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock with mandatory redemption requirements, including current maturities	\$ 4,500	\$ 4,695	\$ 4,500	\$ 4,344
Long-term debt, including current maturities	\$ 148,090	\$ 158,343	\$ 79,800	\$ 76,489

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2009 and 2008

(Dollars in thousands, except per share amounts)

Note 15 (continued)

Recurring Fair Value Measurements

As of December 31, 2008 the Company does not have any assets or liabilities measured and recorded at fair value on a recurring basis.

Note 16: Operating Lease

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were \$54 in 2009 and \$59 in 2008. The operating leases for equipment expire in 2013 through 2014.

At December 31, 2009, the minimum annual future rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are \$24 in 2010 through 2012, \$8 in 2013, \$3 in 2014, and \$26 thereafter.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legally binding contractual obligations amounted to \$ 22,720 at December 31, 2009. On April 25, 2008, the Kentucky Public Service Commission approved the Company's application for a certificate of convenience and necessity to construct a 20.0 million gallon per day treatment plant on the Kentucky River and a 30.6 mile pipeline to meet Central Kentucky's water supply deficit. The Kentucky project is expected to be completed in 2010 with an estimated cost of \$162,000 of which \$21,030 is included in the commitment above.

The Company has entered into service agreements. As of December 31, 2009, the annual future commitment under the agreement in excess of one year is \$101 in 2010 and \$8 in 2011.

The Company is routinely involved in legal actions. In the opinion of management, none of these matters is expected to have a material adverse effect, if any, on the financial position, results of operations or cash flows of the Company.

Kentucky-American Water Company, Inc.

**(a wholly-owned subsidiary of
American Water Works Company, Inc.)**

Financial Statements

As of and for the years ended December 31, 2010 and 2009



Report of Independent Auditors

To the Board of Directors and Stockholder of
Kentucky-American Water Company

In our opinion, the accompanying balance sheets and statements of capitalization and the related statements of operations, of changes in common stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Kentucky-American Water Company (a wholly-owned subsidiary of American Water Works Company, Inc.) at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 25, 2011

KENTUCKY-AMERICAN WATER COMPANY
Balance Sheets
December 31, 2010 and 2009
(Dollars in thousands)

Assets		2010	2009
Property, plant and equipment			
Utility plant - at original cost, net of accumulated depreciation		\$ 472,303	\$ 432,713
Utility plant acquisition adjustments		263	284
Nonutility property		270	270
Total property, plant and equipment		<u>472,836</u>	<u>433,267</u>
Current assets			
Cash and cash equivalents		269	176
Customer accounts receivable		3,011	2,612
Allowance for uncollectible accounts		(407)	(277)
Unbilled revenues		4,412	3,231
State income tax receivable		286	997
Federal income tax refund due from affiliated company		13,197	-
Notes receivable - affiliated company		-	3,443
Other accounts receivable		730	763
Materials and supplies		747	645
Other		138	313
Total current assets		<u>22,383</u>	<u>11,903</u>
Regulatory and other long-term assets			
Regulatory assets		11,846	10,411
Other		52	53
Total regulatory and other long-term assets		<u>11,898</u>	<u>10,464</u>
Total assets		<u>\$ 507,117</u>	<u>\$ 455,634</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Balance Sheets
December 31, 2010 and 2009
(Dollars in thousands)

Capitalization and Liabilities

	<u>2010</u>	<u>2009</u>
Capitalization		
Common stockholder's equity	\$ 150,716	\$ 128,443
Preferred stock without mandatory redemption requirements	1,446	1,456
Long-term debt, excluding current portion		
Preferred stock with mandatory redemption requirements	4,500	4,500
Long-term debt	<u>167,890</u>	<u>144,990</u>
Total capitalization	<u>324,552</u>	<u>279,389</u>
Current liabilities		
Notes payable - affiliated company	15,517	27,313
Current portion of long-term debt	3,100	3,100
Accounts payable	6,161	11,650
Accounts payable - affiliated company	109	85
Accrued interest	1,868	1,772
Federal income taxes due to affiliated company	-	792
Accrued taxes	3,123	2,853
Other	<u>5,147</u>	<u>5,547</u>
Total current liabilities	<u>35,025</u>	<u>53,112</u>
Regulatory and other long-term liabilities		
Deferred income taxes	69,176	45,643
Advances for construction	12,774	13,442
Deferred investment tax credits	963	1,048
Regulatory liability - cost of removal	12,449	11,085
Regulatory liability - debt extinguishment	413	544
Accrued pension expense	729	1,353
Accrued postretirement benefit expense	504	467
Other tax liabilities	1,944	1,882
Other	<u>63</u>	<u>63</u>
Total regulatory and other long-term liabilities	<u>99,015</u>	<u>75,527</u>
Contributions in aid of construction	48,525	47,606
Commitments and contingencies (see Note 17)	<u>-</u>	<u>-</u>
Total capitalization and liabilities	<u>\$ 507,117</u>	<u>\$ 455,634</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Income
For the Years Ended December 31, 2010 and 2009
(Dollars in thousands)

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 74,055	\$ 62,011
Operating expenses		
Operation and maintenance	33,992	31,585
Depreciation	6,690	5,898
Amortization	2,182	2,036
General taxes	4,804	3,506
Total operating expenses	<u>47,668</u>	<u>43,025</u>
Operating income	<u>26,387</u>	<u>18,986</u>
Other income (expenses)		
Interest on long-term debt	(6,862)	(5,481)
Interest on short-term debt to affiliated company	(114)	(355)
Allowance for other funds used during construction	2,244	3,306
Allowance for borrowed funds used during construction	1,127	1,591
Amortization of debt issuance costs	(129)	(105)
Other, net	(539)	(498)
Total other expenses	<u>(4,273)</u>	<u>(1,542)</u>
Income before income taxes	22,114	17,444
Provision for income taxes	<u>8,862</u>	<u>6,832</u>
Net income	<u>13,252</u>	<u>10,612</u>
Dividends on preferred stock	78	78
Net income available to common stockholder	<u>\$ 13,174</u>	<u>\$ 10,534</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Cash Flows
December 31, 2010 and 2009
(Dollars in thousands, except per share amounts)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net income	\$ 13,252	\$ 10,612
Adjustments		
Depreciation and amortization	8,872	7,934
Amortization of debt issuance costs	129	105
Provision for deferred income taxes	21,927	7,679
Amortization of deferred investment tax credits	(85)	(85)
Provision for losses on accounts receivable	526	526
Allowance for other funds used during construction	(2,244)	(3,306)
Pension and non-pension post retirement benefits	2,363	2,821
Other, net	(2,039)	(1,175)
Changes in assets and liabilities		
Accounts receivable and unbilled revenues	(1,976)	(1,123)
Federal income tax-affiliated company	(12,468)	889
Other current assets	1,220	(316)
Pension and non-pension post retirement benefits contribution	(2,988)	(2,857)
Accounts payable	(3,145)	1,901
Accrued taxes, including federal income	270	4,243
Other current liabilities	(80)	2,935
Net cash provided by operating activities	<u>23,534</u>	<u>30,783</u>
Cash flows from investing activities		
Capital expenditures	(47,747)	(95,605)
Removal costs from property, plant and equipment retirements, net of salvage	(227)	(42)
Net proceeds from (investment in) notes receivable - affiliated company	3,443	(3,441)
Net cash used in investing activities	<u>(44,531)</u>	<u>(99,088)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt to affiliated company	26,000	71,390
Repayment of long-term debt to affiliate	(3,100)	(3,100)
Debt issuance costs to affiliate	(321)	(1,000)
Net borrowings (repayments) of short-term borrowings-affiliated company	(11,796)	(25,713)
Advances and contributions for construction, net of refunds of \$1,548 in 2010 and \$946 in 2009	1,326	2,350
Capital contributions	18,000	32,500
Redemption of preferred stock	(7)	-
Dividends paid	(9,012)	(8,180)
Net cash provided by financing activities	<u>21,090</u>	<u>68,247</u>
Net increase (decrease) in cash and cash equivalents	93	(58)
Cash and cash equivalents at beginning of year	<u>176</u>	<u>234</u>
Cash and cash equivalents at end of year	<u>\$ 269</u>	<u>\$ 176</u>
Cash paid during the year for:		
Interest, net of capitalized amount	\$ 10,517	\$ 7,351
Income taxes, net of refunds of \$2,076 in 2010 and \$4,453 in 2009	\$ (1,626)	\$ (3,209)
Non-cash investing activity		
Capital expenditures acquired on account but unpaid as of year end	\$ 4,018	\$ 6,366
Non-cash financing activity		
Capital contribution (See Note 13)	\$ 30	\$ 29

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Capitalization
December 31, 2010 and 2009
(Dollars in thousands, except per share amounts)

	Call Price Per Share	2010	2009
Stockholder's equity			
Common stock - no par value, authorized 2,000,000 shares 1,567,391 shares issued and outstanding in 2010 and 2009	\$	36,569	\$ 36,569
Paid-in capital		74,689	56,656
Retained earnings		39,458	35,218
Total common stockholder's equity		<u>150,716</u>	<u>128,443</u>
Preferred stocks - \$100 par value			
Cumulative preferred stocks without mandatory redemption requirements:			
5.75% series, 3,888 shares outstanding in 2010 and 2009	\$ 101.00	389	389
5.50% series, 4,860 shares outstanding in 2010 and 2009	\$ 100.50	486	486
5.00% series, 5,708 shares outstanding in 2010 and 5,808 in 2009	\$ 100.00	571	581
		<u>1,446</u>	<u>1,456</u>
Long-term debt			
Preferred stocks - \$100 par value			
Cumulative preferred stocks with mandatory redemption requirements:			
8.47% series, 45,000 shares outstanding in 2010 and 2009 due for redemption 2036	\$ 100.00	4,500	4,500
		<u>4,500</u>	<u>4,500</u>
General mortgage bonds:			
6.96% series due 2023		7,000	7,000
7.15% series due 2027		7,500	7,500
6.99% series due 2028		9,000	9,000
Notes payable to affiliate:			
6.87% series due 2011		3,100	6,200
6.593% series due 2037		47,000	47,000
6.25% series A due 2039		45,390	45,390
5.625% series B due 2039		26,000	26,000
5.375% series due 2040		26,000	-
		<u>175,490</u>	<u>152,590</u>
Less: Current portion of long-term debt and preferred stock		<u>(3,100)</u>	<u>(3,100)</u>
Long-term debt, net of current portion		<u>172,390</u>	<u>149,490</u>
Total capitalization	\$	<u>324,552</u>	\$ <u>279,389</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2010 and 2009
(Dollars in thousands, except per share amounts)

	Common Stock		Paid-in Capital	Retained Earnings	Total
	Shares	Par Value			
Balance at December 31, 2008	1,567,391	\$ 36,569	\$ 24,127	\$ 32,786	\$ 93,482
Net income	-	-	-	10,612	10,612
Capital contributions	-	-	32,529	-	32,529
Preferred stock dividends	-	-	-	(78)	(78)
Common stock dividends	-	-	-	(8,102)	(8,102)
Balance at December 31, 2009	1,567,391	\$ 36,569	\$ 56,656	\$ 35,218	\$ 128,443
Net income	-	-	-	13,252	13,252
Capital contributions	-	-	18,030	-	18,030
Gain on redemption of preferred stock	-	-	3	-	3
Preferred stock dividends	-	-	-	(78)	(78)
Common stock dividends	-	-	-	(8,934)	(8,934)
Balance at December 31, 2010	1,567,391	\$ 36,569	\$ 74,689	\$ 39,458	\$ 150,716

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2010 and 2009

(Dollars in thousands, except per share amounts)

Note 1: Organization and Operation

Kentucky-American Water Company (the "Company") provides water service to approximately 122,200 (unaudited) customers and wastewater service to approximately 700 (unaudited) customers. These services are provided in 12 (unaudited) communities located in 10 (unaudited) counties in the state of Kentucky. As a public utility operating in Kentucky, the Company functions under rules and regulations prescribed by the Kentucky Public Service Commission (the "Commission"). The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW").

Note 2: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company considers benefit plans assumptions, the carrying value of long-lived assets, including regulatory assets and liabilities, revenue recognition and accounting for income taxes to be its critical accounting estimates. The Company's significant estimates that are particularly sensitive to change in the near term are amounts reported for pension and other postemployment benefits and contingency-related obligations.

Regulation

The Company is subject to regulation by the Commission and the local governments of the State of Kentucky (collectively the "Regulators"). These Regulators have allowed recovery of costs and credits which the Company has recorded as regulatory assets and liabilities. Accounting for future recovery of costs and credits as regulatory assets and liabilities is in accordance with authoritative guidance provided by U.S. GAAP. Regulated utilities defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate making process in a period different from the period in which they would have been reflected in operations by a market based company. These deferred regulatory assets and liabilities are then reflected in the statement of income in the period in which the costs and credits are reflected in the rates charged for service.

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction. Repairs and maintenance are charged to current operations.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2010 and 2009

(Dollars in thousands, except per share amounts)

Note 2 (continued)

When units of property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates, a regulatory asset or liability may occur where timing differences exist between when the Company incurs costs of removal and when the Company recovers such costs in rates. Removal costs, net of salvage, are recorded as reductions to the regulatory liability or an increase to the regulatory asset, as applicable.

The cost of utility property, plant and equipment is depreciated using the straight-line average remaining life using the composite method.

Computer software is either purchased or internally developed and their costs are capitalized as a unit of property. The assets were fully amortized at December 31, 2010 and 2009.

Utility plant acquisition adjustments represent the difference between the fair value of plant at the date of purchase and its original cost when first devoted to public service (less accumulated depreciation) and are amortized to expense over the remaining useful lives of the corresponding purchased plant assets. Amortization of utility plant acquisition adjustments was \$21 and \$21 for 2010 and 2009, respectively. The remaining lives range from 1 to 35 years.

Cash and Cash Equivalents

Substantially all of the Company's cash is invested in interest-bearing accounts. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There were no cash equivalents held at December 31, 2010 or 2009.

Accounts Receivable

The majority of the Company's accounts receivable is due from utility customers. Customer accounts receivable represent amounts billed to the Company's water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable Regulators and generally, collateral is not required.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company writes-off accounts when they become uncollectible

KENTUCKY-AMERICAN WATER COMPANY
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Note 2 (continued)

The following table summarizes the changes in the Company's allowance for uncollectible accounts:

	<u>2010</u>	<u>2009</u>
Balance as of January 1	\$ 277	\$ 273
Provision charged to expense	526	526
Accounts written-off	(574)	(598)
Recoveries of accounts previously written-off	178	76
Balance as of December 31	<u>\$ 407</u>	<u>\$ 277</u>

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Advances and Contributions in Aid of Construction

The Company may receive advances and contributions from customers, home builders, real estate developers, and others to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Advances which are which are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such advances and contributions generally serves as a rate base reduction, since they represent non-investor supplied funds.

The Company depreciates utility plant funded by contributions. The Company amortizes these amounts as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions in aid of construction was \$1,418 and \$1,397 for the years ended December 31, 2010 and 2009, respectively. For the years ended December 31, 2010 and 2009, non-cash advances and contributions received were \$145 and \$58, respectively.

Recognition of Revenues

Revenues are recognized as water and wastewater services are provided and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the accounting period. Other operating revenues are recognized when services are performed.

The Company accounts for sales tax collected from customers and remitted to taxing authorities on a net basis.

KENTUCKY-AMERICAN WATER COMPANY
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(Dollars in thousands, except per share amounts)

Note 2 (continued)

Income Taxes

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns. Federal income tax expense for financial reporting purposes is provided on a separate return basis.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes have been provided on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates anticipated to be in effect when such temporary differences are projected to reverse. Anticipated tax rates are the currently enacted tax rates, as the Company is not aware of any tax rate changes. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences previously flowed through to customers reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

Allowance for Funds Used During Construction ("AFUDC")

AFUDC is a non-cash credit to income with a corresponding charge to utility plant, which represents the cost of borrowed funds and a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Regulators.

Environmental Costs

The Company's water and wastewater operations are subject to federal, state, and local requirements relating to environmental protection, and as such the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. There were no remediation costs accrued at December 31, 2010 and 2009.

Long-Lived Assets

Long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the future cash flows expected to result from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized. Measurement of an impairment loss would be based on the fair value of the assets. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

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Note 2 (continued)

New Accounting Standards

The following recently announced accounting standards have been adopted by the Company and have been included in the results, financial position or footnotes of the accompanying Financial Statements:

Consolidation of Variable Interest Entities

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that replaces the quantitative-based risk and rewards calculation for determining which reporting entity has a controlling financial interest in a variable interest entity with a qualitative approach. This revised guidance also requires additional disclosures about a reporting entity's involvement in variable interest entities. This guidance is effective for the Company beginning January 1, 2010. These changes did not have an impact on the Company's results of operations, financial position or cash flows; however, these changes could impact the accounting for the Company's interests in a variable interest entity in the future.

Fair Value Measurements

In January 2010, the FASB issued authoritative guidance that requires new disclosures of (i) the amounts of significant transfers into and out of Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers and (ii) information in the reconciliation of recurring Level 3 measurements (those using significant unobservable inputs) about purchases, sales, issuances, and settlements on a gross basis. This update also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the requirement to disclose information about purchases, sales, issuances and settlements in the reconciliation of Level 3 measurements, which does not become effective until interim and annual periods beginning after December 15, 2010. As this guidance clarifies and provides for additional disclosure requirements only, the adoption of this guidance did not have an impact on the Company's results of operations, financial position or cash flows. In addition, the Company does not expect the adoption of the requirement to disclose additional information in the reconciliation of Level 3 measurements to have a significant impact on the Company's results of operations, financial position or cash flows.

Subsequent Events

In May 2009 and clarified in February 2010, the FASB issued authoritative guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This standard sets forth: (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions, (ii) the circumstances under which an entity should recognize events or transactions and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for interim and annual periods ending after June 15, 2009. The adoption of this guidance did not have an impact on the Company's results of operations, financial position or cash flows. The

KENTUCKY-AMERICAN WATER COMPANY

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(Dollars in thousands, except per share amounts)

Note 2 (continued)

Company performed an evaluation of subsequent events for the accompanying financial statements through March 25, 2011, the date this report was issued, to determine whether the circumstances warranted recognition and disclosure of those events or transactions in the financial statements as of December 31, 2010.

The following recently issued accounting standards are not yet reflected or required to be adopted by the Company or included in the results or financial position of the Company:

Revenue arrangements with Multiple Deliverables

In October 2009, the FASB issued authoritative guidance that amends existing guidance for identifying separate deliverables in a revenue-generating transaction where multiple deliverables exist, and provides guidance for allocating and recognizing revenue based on those separate deliverables. The guidance is expected to result in more multiple-deliverable arrangements being separable than under current guidance. This guidance is effective for the Company beginning on January 1, 2011 and is required to be applied prospectively to new or significantly modified revenue arrangements. The Company is currently assessing the impacts that the guidance may have on the Company's results of operations, financial position or cash flows.

Intangibles – Goodwill

In December 2010, the FASB issued authoritative guidance that modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The update requires that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with existing authoritative guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Company does not expect the adoption of this update to have a significant impact on the Company's results of operations, financial position or cash flows.

Reclassifications

Costs recovered for cost of removal or other retirement obligations are classified as a regulatory asset or regulatory liability depending on the timing of the cost recovered through rates. In either case, the amortization associated with the regulatory asset and regulatory liability for cost of removal had been included within the Company's Statements of Income as a component of operations and maintenance expense. Beginning with the 2010 year-end financial statements, the Company is presenting the amortization of removal costs net of salvage value within the amortization expense of the Statements of Income. Based on the manner in which the Company evaluates its results and consistent with the Company's peers, the amortization associated with removal costs is included in amortization expense. The Company has presented

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2010 and 2009

(Dollars in thousands, except per share amounts)

Note 2 (continued)

this reclassification in all the periods presented within these financial statements. The following table sets forth the impacts of this reclassification for the prior periods presented in the Company's Statements of Income.

	2009		2009
	Previously	Reclassification	Adjusted
	Reported		Presentation
Operating expenses:			
Operations and maintenance	\$ 33,106	\$ (1,521)	\$ 31,585
Amortization	\$ 515	\$ 1,521	\$ 2,036

The reclassification was made to conform with the Company's current presentation of this expense and had no impact to the total captions presented within the Statements of Income.

Note 3: Utility Plant

The components of utility plant by category at December 31 are as follows:

	Range of Remaining		
	Useful Lives	2010	2009
Land and other non-depreciable assets	-	9,494	4,630
Sources of supply	34 to 75 Years	55,977	17,792
Treatment and pumping	4 to 53 Years	101,636	56,414
Transmission and distribution	40 to 72 Years	271,240	187,589
Services, meters and fire hydrants	34 to 84 Years	90,067	85,741
General structures and equipment	5 to 52 Years	31,309	29,063
Wastewater assets	5 to 50 Years	3,661	3,637
Construction work in progress	-	7,223	138,797
		<u>570,607</u>	<u>523,663</u>
Less: Accumulated depreciation		<u>(98,304)</u>	<u>(90,950)</u>
		<u>\$ 472,303</u>	<u>\$ 432,713</u>

The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 1.80% in 2010 and 2.07% in 2009.

KENTUCKY-AMERICAN WATER COMPANY**Notes to Financial Statements****December 31, 2010 and 2009**

(Dollars in thousands, except per share amounts)

Note 4: Regulatory Assets

Regulatory assets represent costs that are expected to be fully recovered from customers in future rates. Depending upon Commission approval certain assets are included in the Company's rate base and others are not.

The components of regulatory assets are as follows:

	<u>2010</u>	<u>2009</u>
Income taxes recoverable through rates	\$ 4,745	\$ 4,215
Bluegrass water project	1,712	2,124
Programmed maintenance expense	2,759	1,609
Debt and preferred stock expense	1,890	1,690
Other	740	773
	<u>\$ 11,846</u>	<u>\$ 10,411</u>

The Company has recorded a regulatory asset for the additional revenues expected to be realized as the tax effects of temporary differences reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the Commission of full normalization for rate making purposes.

The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

The Company has recorded a regulatory asset for the Bluegrass water project source of supply costs in the amount of \$2,283 to be amortized over a forty year period. Approval was granted per the Commission order dated May 9, 2001. The Company has recorded a regulatory asset for the Bluegrass water project pipeline costs in the amount of \$3,551 with a ten year amortization period which was fully amortized as of December 31, 2010.

Programmed maintenance costs are deferred and amortized to current operations on a straight-line basis over a period ranging between five and fifteen years, as authorized by the Commission in their determination of rates charged for service.

Debt expense is amortized over the lives of the respective issues. Unamortized debt expense is deferred and amortized to the extent it will be recovered through future service rates. Expenses of preferred stock issues without sinking fund provisions are amortized over the life of the issuance, whereas expenses of issues with sinking fund provisions are charged to operations as shares are retired.

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Note 5: Preferred Stock Without Mandatory Redemption

In the event of voluntary liquidation, the 5.75% series, the 5.50% series, and the 5.00% series are redeemable at \$101 per share, \$100.50 per share, \$100 per share respectively. In the event of involuntary liquidation or governmental acquisition, the 5.75% series, the 5.50% series, and the 5.00% series are all paid at \$100 per share, together with accrued dividends. All call prices are on 30 days' notice plus accrued dividends.

The Company paid \$7 to repurchase 100 shares of the 5.00% series preferred stock from certain shareholders with an aggregate par value of \$10. The resulting \$3 gain was recorded to paid in capital as shown in the accompanying Statements of Changes in Common Stockholder's Equity.

Note 6: Long-Term Debt

The general mortgage bonds are issuable in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. Based on the calculation methodology specified by debt agreements, the amount of bonds authorized is limited only to the extent that long-term debt cannot exceed 65% of total capitalization and adjusted net income of the Company must be equal to or greater than 1.5 times the aggregate annual interest charges on all long-term debt of the Company. At December 31, 2010 long-term debt was 54% of total capitalization and adjusted net income was 4.22 times the aggregate annual interest charges on all long-term debt. General mortgage bonds are collateralized by utility plant.

The senior notes payable to affiliate are unsecured and were issued to American Water Capital Corporation ("AWCC"), a subsidiary of AWW, for the principal amount. AWCC provided the funding for these notes by issuing senior notes to institutional investors at a price equal to the principal amount.

In 2010, the Company issued a long-term note payable to affiliate in the amount of \$26,000 at a rate of 5.375% due in 2040. The proceeds were drawn down in 2010 and used to fund capital projects.

In 2009, the Company issued a long-term note payable to affiliate in the amount of \$45,390 at a rate of 6.25% due in 2029 and a long-term note payable to affiliate in the amount of \$26,000 at a rate of 5.625% due in 2029. Undrawn amounts outstanding of \$3,441 were received in 2010 and proceeds were used to fund capital projects.

Maturities of long-term debt, including sinking funds, will amount to \$3,100 in 2011, \$0 in 2012 through 2015, and \$172,390 thereafter.

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Notes to Financial Statements

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Note 6 (continued)

Preferred stock agreements contain provisions for redemption at various prices on thirty days notice at the Company's discretion. In the event of voluntary liquidation, the 8.47% series is paid at \$100 per share, together with accrued dividends.

Note 7: Short-Term Borrowings

The Company maintained a line of credit through AWCC of \$25,000 at December 31, 2010 and 2009, respectively. The Company may borrow from, or invest in, the line of credit. No compensating balances are required under the agreements. Funds were primarily used for short-term operating needs.

At December 31, 2010 and 2009, there was \$15,517 and \$27,313 of short-term borrowings outstanding, respectively. In 2009, AWCC temporarily extended additional credit of \$2,323 to the Company. The weighted average annual interest rates on the borrowings at December 31, 2010 and 2009 were 0.41% and 0.76%, respectively.

Company received cash capital contributions of \$18,000 and \$32,500 in 2010 and 2009, respectively from AWW, primarily used to pay down short-term debt.

AWW, through AWCC, has committed to make additional financing available to the Company, as needed, to pay its obligations as they come due.

Note 8: General Taxes

Components of general tax expense for the years presented in the statements of income are as follows:

	<u>2010</u>	<u>2009</u>
Gross receipts and franchise	\$ 60	\$ 117
Property	4,078	2,790
Payroll	560	510
Other	106	89
	<u>\$ 4,804</u>	<u>\$ 3,506</u>

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Note 9: Income Taxes

Components of income tax expense for the years presented in the statements of income are as follows:

	<u>2010</u>	<u>2009</u>
State income taxes:		
Current	\$ 947	\$ 292
Deferred		
Current	(10)	(94)
Non-current	370	914
	<u>1,307</u>	<u>1,112</u>
Federal income taxes:		
Current	(13,927)	(1,054)
Deferred		
Current	(56)	(114)
Non-current	21,623	6,973
Amortization of deferred investment tax credits	(85)	(85)
	<u>7,555</u>	<u>5,720</u>
Total income taxes	<u>\$ 8,862</u>	<u>\$ 6,832</u>

The primary components of the net deferred tax liability of \$69,176 at December 31, 2010 include basis differences in utility plant, partially offset by advances and contributions and losses and credits.

No valuation allowances were required on deferred tax assets at December 31, 2010 and 2009, as management believes it is more likely than not that deferred tax assets will be realized.

As of December 31, 2010 and 2009, the reserve for uncertain tax positions is \$2,243 and \$1,875, respectively, excluding accrued interest and penalties. The Company does not expect a material change in this estimate in the next twelve months. The reserve for uncertain tax positions could increase or decrease for things such as the expiration of statutes of limitations, audit settlements, or tax examination activities.

The Company recognizes interest and penalties related to income tax matters in income tax expense. Accrued interest and penalties related to uncertain tax positions of \$8 and \$7 as of December 31, 2010 and 2009, respectively.

The federal tax years that remain open are 2006 to 2009, with the earliest year's statute expiring in 2012. The Company is subject to state taxes. The state tax returns from 2005 to 2009 are currently open and will not close until the respective statutes of limitations expire. The statutes of limitations will begin to expire in 2010.

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Note 10: Rate Matters

As necessary, the Company applies to the Commission for changes in the rates charged for service. The revenues requested are based on forecasted sales, operating expenses, and investments for the first full year after the effective dates of the new rates. The Company can provide no assurances that any rate increase request will be granted by the Commission.

The Company filed a petition with the Commission seeking authority to increase its rates and charges for water and sewer service on February 26, 2010. On September 29, 2010, the Company placed the proposed rates in effect under bond, per the Commission, subject to refund. On December 14, 2010, the Commission issued an Order authorizing an increase in rates of \$18,825 or 27.73% with rates made effective on September 29, 2010. As of December 31, 2010 the Company collected \$1,466 of interim rates in excess of the approved amounts expected to be refunded to customers in the first quarter of 2011.

Note 11: Employee Benefit Plans

Savings Plan for Employees

The Company maintains a 401(k) savings plan, sponsored by AWW that allows employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans totaling \$244 for 2010, \$207 for 2009. All of the Company's contributions are invested in one or more funds at the direction of the employee.

Note 12: Postretirement Benefits

Pension Benefits

The Company participates in a Company funded defined benefit pension plan sponsored by AWW covering employees hired before January 1, 2006. Benefits under the plan are based on the employee's years of service and average annual compensation for those 60 consecutive months of employment which yield the highest average. The pension plan has been closed for any employee hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. Pension cost of the Company is based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit

KENTUCKY-AMERICAN WATER COMPANY

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(Dollars in thousands, except per share amounts)

Note 12 (continued)

obligations is not prepared at the subsidiary level. The Company was allocated costs of \$1,311 and \$1,674 for 2010 and 2009, respectively.

AWW's funding policy is to contribute at least the minimum amount required under the Employee Retirement Income Security Act of 1974. The Company made contributions to the AWW plan of \$1,936 in 2010 and \$1,710 in 2009. The Company expects to contribute \$2,761 to the AWW plan in 2011.

Postretirement Benefits Other Than Pensions

The Company participates in a Company funded plan sponsored by AWW that provides certain life insurance benefits for retired employees and certain health care benefits for retired employees and their dependents. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and non-union employees hired on or after January 1, 2002. Retirees and their dependents under age 65 are covered by a point-of-service managed care plan that requires co-payments or an HMO.

Employees who elect to retire prior to attaining age 65 are generally required to make contributions towards their medical coverage until attaining age 65. Retirees and their dependents age 65 and over are covered by a Medicare supplement plan. Costs of the Company are based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$1,052 and \$1,147 for 2010 and 2009, respectively.

The Company made contributions to trust funds established for these postretirement benefits of \$1,052 in 2010 and \$1,147 in 2009. The Company's policy is to fund postretirement benefits costs accrued. The Company expects to contribute \$743 to the AWW plan in 2011.

Note 13: Stock Based Compensation

Stock Options and Restricted Stock Units

In the first quarter of 2010 and 2009, AWW granted restricted stock units and stock options to certain employees of the Company under the AWW 2007 Omnibus Equity Compensation Plan ("Omnibus Plan"). The restricted stock units vest ratably over the three year performance periods beginning January 1, 2009 and 2010, respectively, (the "Performance Period"); however distribution of the shares is contingent upon the achievement of certain thresholds over the Performance Period. The 2009 thresholds are based on market factors and the 2010 thresholds are based on achievement of internal performance measures and separately certain market factors over the Performance Periods. The stock options vest ratably over a three year service period beginning January 1, 2009 and 2010, respectively. The grant date fair value of restricted stock awards that have a) market/and or performance and service conditions and b)

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Note 13 (continued)

vest ratably is amortized through expense over the requisite service period using the graded-vesting method. The value of stock options at the date of the grant is amortized through expense over the requisite service period using the straight-line method.

Costs of the Company are based on the total cost for the Company's employees in the plan. The Company recorded compensation expense of \$26 and \$23 included in operation and maintenance expense, during the years ended December 31, 2010 and 2009, respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

Employee Stock Purchase Plan

AWW's Nonqualified Employee Stock Purchase Plan ("ESPP") was effective as of July 1, 2008. Under the ESPP, the Company's employees can use payroll deductions to acquire AWW common stock at the lesser of 90% of the fair market value of a) the beginning or b) the end of each three-month purchase period. AWW's ESPP is considered compensatory. Costs of the Company are based on an allocation from AW of the total cost for the Company's employees in the plan. Compensation costs of \$4 and \$6 were included in operation and maintenance expense for the years ended December 31, 2010 and 2009, respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

Note 14: Related Party Transactions

American Water Works Service Company, Inc. ("AWWS"), a subsidiary of AWW, provides certain management services to the Company (administration, accounting, data processing, engineering, etc.) and other operating water companies in the AWW system on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Purchases of such services by the Company were accounted for as follows:

	<u>2010</u>	<u>2009</u>
Included in operation and maintenance expense as a charge against income	\$ 8,849	\$ 8,149
Capitalized primarily in utility plant	1,426	899
	<u>\$ 10,275</u>	<u>\$ 9,048</u>

The Company provided workspace for certain associates of AWWS. Charges for direct costs and indirect overhead costs associated with these associates are billed to AWWS on an at-cost, not for profit basis, which amounted to \$245 in 2010 and \$100 in 2009.

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Note 14 (continued)

The Company has operating arrangements with American Anglian Environmental Technologies, L.P. ("AAET"), a subsidiary of AWW, for the lease of granular activated carbon at one of the Company's water treatment plants. Under the arrangements, AAET will provide carbon for a period of 36 months. The Company paid \$57 in 2010 and \$101 in 2009 to AAET under these arrangements.

The Company purchased granular activated carbon from AAET, a subsidiary of AWW, at the Richmond Rd Station during 2009. The Company paid \$156 in 2010 to AAET under these agreements.

The Company maintains a line of credit through AWCC. The Company also participates in AWCC's centralized treasury function whereby the Company transfers its cash to AWCC and the Company's checks are issued out of AWCC. Under this arrangement, available cash is used to pay-down the line of credit and issued checks increase the Company's line of credit balance. The Company paid AWCC fees, including debt issuance cost, of \$402 in 2010 and \$874 in 2009 and interest expense on borrowings of \$114 in 2010 and \$355 in 2009. Interest expense on long-term debt due to AWCC, net of capitalized amount, was \$4,959 in 2010 and \$3,577 in 2009.

Accrued interest included interest due to AWCC of \$1,524 and \$1,429 as of December 31, 2010 and 2009, respectively.

The Company pays dividends to AWW periodic basis. The amount of the dividend is based on a percentage of net income adjusted for certain items.

Note 15: Fair Values of Financial Instruments

The Company used the following methods and assumptions in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amount reported in the balance sheet for current assets and current liabilities approximates their fair value.

Preferred stocks with mandatory redemption requirements and long-term debt: The fair values of the Company's preferred stocks with mandatory redemption requirements and long-term debt are estimated using discounted cash flow analyses based on the Company's current incremental financing rates for similar types of securities.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2010 and 2009
(Dollars in thousands, except per share amounts)

Note 15 (continued)

The carrying amounts and fair values of the Company's financial instruments at December 31 are as follows:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock with mandatory redemption requirements, including current maturities	\$ 4,500	\$ 4,835	\$ 4,500	\$ 4,695
Long-term debt, including current maturities	\$ 170,990	\$ 182,208	\$ 148,090	\$ 158,343

Recurring Fair Value Measurements

As of December 31, 2010 and 2009, the Company had no assets or liabilities measured and recorded at fair value on a recurring basis.

Note 16: Operating Lease

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were \$36 in 2010 and \$54 in 2009. The operating leases for equipment expire in 2013 through 2014.

At December 31, 2010, the minimum annual future rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are \$34 in 2011 through 2012, \$16 in 2013, \$8 in 2014, \$1 in 2015 and \$26 thereafter.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legally binding contractual obligations amounted to \$28 at December 31, 2010

The company has entered into certain service agreements in excess of one year duration. As of December 31, 2010 the annual commitments under these agreements were \$707 in 2011 and \$267 in 2012 and \$0 thereafter.

The Company is also routinely involved in legal actions incident to the normal conduct of its business. For certain matters, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such claims or

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2010 and 2009

(Dollars in thousands, except per share amounts)

Note 17 (continued)

actions will not have a material adverse effect on the Company's results of operations, financial position or cash flows.

Kentucky-American Water Company, Inc.

**(a wholly-owned subsidiary of
American Water Works Company, Inc.)**

Financial Statements

As of and for the years ended December 31, 2011 and 2010



Report of Independent Auditors

To the Board of Directors and Stockholder of
Kentucky-American Water Company

In our opinion, the accompanying balance sheets and statements of capitalization and the related statements of operations, of changes in common stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Kentucky-American Water Company (a wholly-owned subsidiary of American Water Works Company, Inc.) at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

March 26, 2012

KENTUCKY-AMERICAN WATER COMPANY
Balance Sheets
December 31, 2011 and 2010
(Dollars in thousands)

Assets

	<u>2011</u>	<u>2010</u>
Property, plant and equipment		
Utility plant - at original cost, net of accumulated depreciation	\$ 485,717	\$ 472,303
Utility plant acquisition adjustments	251	263
Nonutility property	<u>250</u>	<u>270</u>
Total property, plant and equipment	<u>486,218</u>	<u>472,836</u>
Current assets		
Cash and cash equivalents	282	269
Customer accounts receivable	2,826	3,011
Allowance for uncollectible accounts	(543)	(407)
Unbilled revenues	3,893	4,412
State income tax receivable	1,567	286
Federal income tax refund due from affiliated company	6,369	13,197
Materials and supplies	691	747
Other	<u>478</u>	<u>868</u>
Total current assets	<u>15,563</u>	<u>22,383</u>
Regulatory and other long-term assets		
Regulatory assets	11,784	11,846
Prepaid pension expense	1,332	-
Other	<u>52</u>	<u>52</u>
Total regulatory and other long-term assets	<u>13,168</u>	<u>11,898</u>
Total assets	<u>\$ 514,949</u>	<u>\$ 507,117</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Balance Sheets
December 31, 2011 and 2010
(Dollars in thousands)

Capitalization and Liabilities

	<u>2011</u>	<u>2010</u>
Capitalization		
Common stockholder's equity	\$ 155,274	\$ 150,716
Preferred stock without mandatory redemption requirements	1,446	1,446
Long-term debt, excluding current portion		
Preferred stock with mandatory redemption requirements	4,500	4,500
Long-term debt	<u>187,890</u>	<u>167,890</u>
Total capitalization	<u>349,110</u>	<u>324,552</u>
Current liabilities		
Notes payable - affiliated company	11,509	15,517
Current portion of long-term debt	-	3,100
Accounts payable	6,453	6,161
Accrued interest	1,926	1,868
Accrued taxes	3,992	3,123
Other	<u>4,020</u>	<u>5,256</u>
Total current liabilities	<u>27,900</u>	<u>35,025</u>
Regulatory and other long-term liabilities		
Deferred income taxes	57,597	69,176
Advances for construction	12,675	12,774
Deferred investment tax credits	879	963
Regulatory liability - cost of removal	13,476	12,449
Regulatory liability - debt extinguishment	283	413
Accrued pension expense	-	729
Accrued postretirement benefit expense	552	504
Other tax liabilities	2,771	1,944
Other	<u>68</u>	<u>63</u>
Total regulatory and other long-term liabilities	<u>88,301</u>	<u>99,015</u>
Contributions in aid of construction	49,638	48,525
Commitments and contingencies (See Note 17)	<u>-</u>	<u>-</u>
Total capitalization and liabilities	<u>\$ 514,949</u>	<u>\$ 507,117</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Income
For the Years Ended December 31, 2011 and 2010
(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 83,301	\$ 74,055
Operating expenses		
Operation and maintenance	33,024	33,992
Depreciation	8,915	6,690
Amortization	2,182	2,182
General taxes	5,102	4,804
Total operating expenses	<u>49,223</u>	<u>47,668</u>
Operating income	<u>34,078</u>	<u>26,387</u>
Other income (expenses)		
Interest on long-term debt	(10,864)	(6,862)
Interest on short-term debt to affiliated company	(73)	(114)
Allowance for other funds used during construction	281	2,244
Allowance for borrowed funds used during construction	132	1,127
Amortization of debt issuance costs	(86)	(129)
Other, net	(394)	(539)
Total other expenses	<u>(11,004)</u>	<u>(4,273)</u>
Income before income taxes	23,074	22,114
Provision for income taxes	<u>4,944</u>	<u>8,862</u>
Net income	<u>18,130</u>	<u>13,252</u>
Dividends on preferred stock	<u>78</u>	<u>78</u>
Net income available to common stockholder	<u>\$ 18,052</u>	<u>\$ 13,174</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Cash Flows
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Net income	\$ 18,130	\$ 13,252
Adjustments		
Depreciation and amortization	11,097	8,872
Amortization of debt issuance costs	86	129
(Credits) provision for deferred income taxes	(11,750)	21,927
Amortization of deferred investment tax credits	(84)	(85)
Provision for losses on accounts receivable	602	526
Allowance for other funds used during construction	(281)	(2,244)
Pension and non-pension post retirement benefits	1,849	2,363
Other, net	(425)	(2,039)
Changes in assets and liabilities		
Accounts receivable and unbilled revenues	238	(1,976)
Federal income tax -affiliated company	7,895	(12,468)
Other current assets	(759)	1,220
Pension and non-pension post retirement benefits contribution	(3,910)	(2,988)
Accounts payable	1,095	(3,145)
Accrued taxes	956	270
Other current liabilities	(1,178)	(80)
Net cash provided by operating activities	<u>23,561</u>	<u>23,534</u>
Cash flows from investing activities		
Capital expenditures	(24,252)	(47,747)
Removal costs from property, plant and equipment retirements, net of salvage	(845)	(227)
Net proceeds from notes receivable - affiliated company	-	3,443
Net cash used in investing activities	<u>(25,097)</u>	<u>(44,531)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt to affiliated company	20,000	26,000
Repayment of long-term debt to affiliate	(3,100)	(3,100)
Debt issuance costs to affiliate	-	(321)
Net repayments of short-term borrowings-affiliated company	(4,008)	(11,796)
Advances and contributions for construction, net of refunds of \$716 in 2011 and \$1,548 in 2010	2,308	1,326
Capital contributions	-	18,000
Redemption of preferred stock	-	(7)
Dividends paid	(13,651)	(9,012)
Net cash provided by financing activities	<u>1,549</u>	<u>21,090</u>
Net increase in cash and cash equivalents	13	93
Cash and cash equivalents at beginning of year	<u>269</u>	<u>176</u>
Cash and cash equivalents at end of year	<u>\$ 282</u>	<u>\$ 269</u>
Cash paid (received) during the year for:		
Interest, net of capitalized amount	\$ 11,086	\$ 10,517
Income taxes, net of refunds of \$0 in 2011 and \$2,076 in 2010	\$ 10,028	\$ (1,626)
Non-cash investing activity		
Capital expenditures acquired on account but unpaid as of year end	\$ 3,220	\$ 4,018
Non-cash financing activity		
Capital contribution (See Note 13)	\$ 79	\$ 30

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Capitalization
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

	<u>Call Price</u> <u>Per Share</u>	<u>2011</u>	<u>2010</u>
Stockholder's equity			
Common stock - no par value, authorized 2,000,000 shares 1,567,391 shares issued and outstanding in 2011 and 2010	\$	36,569	\$ 36,569
Paid-in capital		74,768	74,689
Retained earnings		43,937	39,458
Total common stockholder's equity		<u>155,274</u>	<u>150,716</u>
Preferred stocks - \$100 par value			
Cumulative preferred stocks without mandatory redemption requirements:			
5.75% series, 3,888 shares outstanding in 2011 and 2010	\$ 101.00	389	389
5.50% series, 4,860 shares outstanding in 2011 and 2010	\$ 100.50	486	486
5.00% series, 5,708 shares outstanding in 2011 and 2010	\$ 100.00	571	571
		<u>1,446</u>	<u>1,446</u>
Long-term debt			
Preferred stocks - \$100 par value			
Cumulative preferred stocks with mandatory redemption requirements:			
8.47% series, 45,000 shares outstanding in 2011 and 2010 due for redemption 2036	\$ 100.00	4,500	4,500
		<u>4,500</u>	<u>4,500</u>
General mortgage bonds:			
6.96% series due 2023		7,000	7,000
7.15% series due 2027		7,500	7,500
6.99% series due 2028		9,000	9,000
Notes payable to affiliate:			
6.87% series due 2011		-	3,100
6.593% series due 2037		47,000	47,000
6.25% series A due 2039		45,390	45,390
5.625% series B due 2039		26,000	26,000
5.375% series due 2040		26,000	26,000
5.05% series due 2037		20,000	-
		<u>192,390</u>	<u>175,490</u>
Less: Current portion of long-term debt and mandatory redeemable preferred stock		<u>-</u>	<u>(3,100)</u>
Total long-term debt and mandatory redeemable preferred stock, net of current portion		<u>192,390</u>	<u>172,390</u>
Total capitalization	\$	<u>349,110</u>	\$ <u>324,552</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

	<u>Common Stock</u>		<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>			
Balance at December 31, 2009	1,567,391	\$ 36,569	\$ 56,656	\$ 35,218	\$ 128,443
Net income	-	-	-	13,252	13,252
Capital contributions	-	-	18,030	-	18,030
Gain on redemption of preferred stock	-	-	3	-	3
Preferred stock dividends	-	-	-	(78)	(78)
Common stock dividends	-	-	-	(8,934)	(8,934)
Balance at December 31, 2010	1,567,391	\$ 36,569	\$ 74,689	\$ 39,458	\$ 150,716
Net income	-	-	-	18,130	18,130
Capital contributions	-	-	79	-	79
Preferred stock dividends	-	-	-	(78)	(78)
Common stock dividends	-	-	-	(13,573)	(13,573)
Balance at December 31, 2011	<u>1,567,391</u>	<u>\$ 36,569</u>	<u>\$ 74,768</u>	<u>\$ 43,937</u>	<u>\$ 155,274</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2011 and 2010

(Dollars in thousands, except per share amounts)

Note 1: Organization and Operation

Kentucky-American Water Company (the "Company") provides water service to approximately 122,800 (unaudited) customers and wastewater service to approximately 700 (unaudited) customers. These services are provided in 12 (unaudited) communities located in 10 (unaudited) counties in the state of Kentucky. As a public utility operating in Kentucky, the Company functions under rules and regulations prescribed by the Kentucky Public Service Commission (the "Commission"). The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW").

Note 2: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company considers benefit plans assumptions, the carrying value of long-lived assets, including regulatory assets and liabilities, revenue recognition and accounting for income taxes to be its critical accounting estimates. The Company's significant estimates that are particularly sensitive to change in the near term are amounts reported for pension and other postemployment benefits and contingency-related obligations.

Regulation

The Company is subject to regulation by the Commission and the local governments of the State of Kentucky (collectively the "Regulators"). These Regulators have allowed recovery of costs and credits which the Company has recorded as regulatory assets and liabilities. Accounting for future recovery of costs and credits as regulatory assets and liabilities is in accordance with authoritative guidance provided by U.S. GAAP. Regulated utilities defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate making process in a period different from the period in which they would have been reflected in operations by a market based company. These deferred regulatory assets and liabilities are then reflected in the statement of income in the period in which the costs and credits are reflected in the rates charged for service.

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction. Repairs and maintenance are charged to current operations.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 2 (continued):

When units of property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates, a regulatory asset or liability may occur where timing differences exist between when the Company incurs costs of removal and when the Company recovers such costs in rates. Removal costs, net of salvage, are recorded as reductions to the regulatory liability or an increase to the regulatory asset, as applicable.

The cost of utility property, plant and equipment is depreciated using the straight-line average remaining life using the composite method.

Computer software is either purchased or internally developed and their costs are capitalized as a unit of property. The assets were fully amortized at December 31, 2011 and 2010.

Utility plant acquisition adjustments represent the difference between the fair value of plant at the date of purchase and its original cost when first devoted to public service (less accumulated depreciation) and are amortized to expense over the remaining useful lives of the corresponding purchased plant assets. Amortization of utility plant acquisition adjustments was \$12 and \$21 for 2011 and 2010, respectively. The remaining lives range from 29 to 34 years.

Cash and Cash Equivalents

Substantially all of the Company's cash is invested in interest-bearing accounts. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There were no cash equivalents held at December 31, 2011 or 2010.

Accounts Receivable

The majority of the Company's accounts receivable is due from utility customers. Customer accounts receivable represent amounts billed to the Company's water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable Regulators and generally, collateral is not required.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company writes-off accounts when they become uncollectible.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 2 (continued):

The following table summarizes the changes in the Company's allowance for uncollectible accounts:

	<u>2011</u>	<u>2010</u>
Balance as of January 1	\$ 407	\$ 277
Provision charged to expense	602	526
Accounts written-off	(562)	(574)
Recoveries of accounts previously written-off	96	178
Balance as of December 31	<u>\$ 543</u>	<u>\$ 407</u>

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Advances and Contributions in Aid of Construction

The Company may receive advances and contributions from customers, home builders, real estate developers, and others to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Advances which are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such advances and contributions generally serves as a rate base reduction, since they represent non-investor supplied funds.

The Company depreciates utility plant funded by contributions. The Company amortizes these amounts as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions in aid of construction was \$1,390 and \$1,418 for the years ended December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, non-cash advances and contributions received were \$95 and \$145, respectively.

Recognition of Revenues

Revenues are recognized as water and wastewater services are provided and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the accounting period. Other operating revenues are recognized when services are performed.

The Company accounts for sales tax collected from customers and remitted to taxing authorities on a net basis.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 2 (continued):

Income Taxes

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns. Federal income tax expense for financial reporting purposes is provided on a separate return basis.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes have been provided on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates anticipated to be in effect when such temporary differences are projected to reverse. Anticipated tax rates are the currently enacted tax rates, as the Company is not aware of any tax rate changes. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences previously flowed through to customers reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

Allowance for Funds Used During Construction ("AFUDC")

AFUDC is a non-cash credit to income with a corresponding charge to utility plant, which represents the cost of borrowed funds and a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Regulators.

Environmental Costs

The Company's water and wastewater operations are subject to federal, state, and local requirements relating to environmental protection, and as such the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. There were no remediation costs accrued at December 31, 2011 and 2010.

Long-Lived Assets

Long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the future cash flows expected to result from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized. Measurement of an impairment loss would be based on the fair value of the assets. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 2 (continued):

New Accounting Standards

The following recently announced accounting standards have been adopted by the Company and have been included in the results of operations, financial position or footnotes of the accompanying Financial Statements:

Revenue arrangements with Multiple Deliverables

In October 2009, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance that amends existing guidance for identifying separate deliverables in a revenue-generating transaction where multiple deliverables exist, and provides guidance for allocating and recognizing revenue based on those separate deliverables. The guidance is expected to result in more multiple-deliverable arrangements being separable than under current guidance. This guidance is effective for the Company beginning on January 1, 2011 and is required to be applied prospectively to new or significantly modified revenue arrangements. The adoption of this guidance did not have a significant impact on the Company’s results of operations, financial position or cash flows.

Intangibles – Goodwill

In December 2010, the FASB issued authoritative guidance that modifies step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The update requires that for those reporting units, an entity is required to perform step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. Existing authoritative guidance requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This guidance is effective for the Company beginning on January 1, 2011. The adoption of this update did not have a significant impact on the Company’s results of operations, financial position or cash flows.

The following recently issued accounting standards are not yet required to be adopted by the Company or included in the results of operations or financial position of the Company:

Fair Value Measurements

In May 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to increase transparency around valuation inputs and investment categorization. This guidance is effective for interim and annual periods beginning after December 15, 2011. The new guidance is to be adopted prospectively and early adoption is not permitted. The Company does not expect the adoption of this guidance to have a significant impact on the Company’s results of operations, financial position or cash flows.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 2 (continued):

Testing Goodwill for Impairment

In September 2011, the FASB updated the accounting guidance related to testing goodwill for impairment. This update permits an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test that is currently in place. Under the new guidance, an entity will not be required to calculate the fair value of a reporting unit unless the entity determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This update is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011; however, early adoption is permitted. The Company is evaluating the specific provisions of the updated guidance, but does not expect the adoption of this guidance to have a significant impact on the Company's results of operations, financial position or cash flows.

Multiemployer Plans

In September 2011, the FASB issued an accounting standards update regarding disclosure of an employer's participation in multiemployer pension and other postretirement benefit plans. This new guidance requires companies to provide additional qualitative and quantitative disclosures about participation in these plans. This update is effective for annual periods for fiscal years ending after December 15, 2012. The new guidance is to be adopted retrospectively with early adoption permitted. As this update provides for additional disclosure requirements only, the Company does not expect the adoption of this guidance to have an impact on the Company's results of operations, financial position or cash flows.

Reclassifications

Certain reclassifications have been made to conform previously reported data to the current presentation.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 3: Utility Plant

The components of utility plant by category at December 31 are as follows:

	Range of Remaining Useful Lives	2011	2010
Land and other non-depreciable assets	-	9,718	9,494
Sources of supply	34 to 75 Years	57,757	55,977
Treatment and pumping	4 to 53 Years	104,191	101,636
Transmission and distribution	40 to 72 Years	271,438	271,240
Services, meters and fire hydrants	34 to 84 Years	96,944	90,067
General structures and equipment	5 to 52 Years	36,830	31,309
Wastewater assets	5 to 50 Years	3,766	3,661
Construction work in progress	-	10,177	7,223
		590,821	570,607
Less: Accumulated depreciation		(105,104)	(98,304)
		<u>\$ 485,717</u>	<u>\$ 472,303</u>

The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 1.94% in 2011 and 1.80% in 2010. The Company records depreciation in conformity with amounts approved by state regulators after regulatory review of information the Company submits to support its estimates of the assets remaining lives.

Note 4: Regulatory Assets and Liabilities

Regulatory Assets

Regulatory assets represent costs that are expected to be fully recovered from customers in future rates. Depending upon Commission approval certain assets are included in the Company's rate base and others are not.

The components of regulatory assets are as follows:

	2011	2010
Income taxes recoverable through rates	\$ 4,445	\$ 4,745
Programmed maintenance expense	3,209	2,759
Debt and preferred stock expense	1,804	1,890
Bluegrass water project	1,655	1,712
Other	671	740
	<u>\$ 11,784</u>	<u>\$ 11,846</u>

The Company has recorded a regulatory asset for the additional revenues expected to be realized as the tax effects of temporary differences reverse. These temporary differences are

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2011 and 2010

(Dollars in thousands, except per share amounts)

Note 4 (continued):

primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the Commission of full normalization for rate making purposes.

The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

Programmed maintenance costs are deferred and amortized to current operations on a straight-line basis over a period ranging between five and fifteen years, as authorized by the Commission in their determination of rates charged for service.

Debt expense is amortized over the lives of the respective issues. Unamortized debt expense is deferred and amortized to the extent it will be recovered through future service rates. Expenses of preferred stock issues without sinking fund provisions are amortized over the life of the issuance, whereas expenses of issues with sinking fund provisions are charged to operations as shares are retired.

The Company has recorded a regulatory asset for the Bluegrass water project source of supply costs in the amount of \$2,283 to be amortized over a forty year period. Approval was granted per the Commission order dated May 9, 2001. The Company has recorded a regulatory asset for the Bluegrass water project pipeline costs in the amount of \$3,551 with a ten year amortization period which was fully amortized as of December 31, 2010.

Regulatory Liabilities

Regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs.

Cost of removal represents amounts where the Company recovers retirement costs through rates during the life of the associated assets and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

Regulatory liability – debt extinguishment relates to the 4.75% note payable due 2014 issued to American Water Capital Corporation (“AWCC”), a subsidiary of AWW, which was redeemed in October, 2007 by the Company. As agreed with the Regulators, the difference between the book value of the note and the cash consideration required to extinguish it was deferred as a regulatory liability. The regulatory liability of \$827 is amortized as a component of net interest expense through 2014.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2011 and 2010

(Dollars in thousands, except per share amounts)

Note 5: Preferred Stock Without Mandatory Redemption

In the event of voluntary liquidation, the 5.75% series, the 5.50% series, and the 5.00% series are redeemable at \$101 per share, \$100.50 per share, \$100 per share respectively. In the event of involuntary liquidation or governmental acquisition, the 5.75% series, the 5.50% series, and the 5.00% series are all paid at \$100 per share, together with accrued dividends. All call prices are on 30 days' notice plus accrued dividends.

During 2010, the Company paid \$7 to repurchase 100 shares of the 5.00% series preferred stock from certain shareholders with an aggregate par value of \$10. The resulting \$3 gain was recorded to paid in capital as shown in the accompanying Statements of Changes in Common Stockholder's Equity.

Note 6: Long-Term Debt

The general mortgage bonds are issuable in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. Based on the calculation methodology specified by debt agreements, the amount of bonds authorized is limited only to the extent that long-term debt cannot exceed 65% of total capitalization and adjusted net income of the Company must be equal to or greater than 1.5 times the aggregate annual interest charges on all long-term debt of the Company. At December 31, 2011 long-term debt was 57% of total capitalization and adjusted net income was 3.1 times the aggregate annual interest charges on all long-term debt. General mortgage bonds are collateralized by utility plant.

The senior notes payable to affiliate are unsecured and were issued to American Water Capital Corporation ("AWCC"), a subsidiary of AWW, for the principal amount. AWCC provided the funding for these notes by issuing senior notes to institutional investors at a price equal to the principal amount.

In 2011, the Company issued a \$20,000 long-term note payable to AWCC, at a rate of 5.05% due in 2037. The proceeds were used to pay down outstanding short-term debt.

In 2010, the Company issued a long-term note payable to affiliate in the amount of \$26,000 at a rate of 5.375% due in 2040. The proceeds were used to pay down outstanding short-term debt.

Maturities of long-term debt, including sinking funds, will amount to \$0 in 2012 through 2016, and \$192,390 thereafter.

Preferred stock agreements contain provisions for redemption at various prices on thirty days notice at the Company's discretion. In the event of voluntary liquidation, the 8.47% series is redeemable at \$100 per share plus the make-whole premium, together with accrued dividends.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 6 (continued):

There was \$3,415 interest capitalized in 2010. There was no capitalized interest recorded in 2011.

Note 7: Short-Term Borrowings

The Company maintained a line of credit through AWCC of \$25,000 at December 31, 2011 and 2010, respectively. The Company may borrow from, or invest in, the line of credit. No compensating balances are required under the agreements. Funds were primarily used for short-term operating needs. Short-term borrowings are presented as notes payable-affiliated company in the accompanying balance sheets

At December 31, 2011 and 2010, there was \$11,509 and \$15,517 of short-term borrowings outstanding, respectively. The weighted average annual interest rates on the borrowings at December 31, 2011 and 2010 were 0.40% and 0.41%, respectively.

The Company received cash capital contributions of \$18,000 in 2010 from AWW. The proceeds were primarily used to pay down short-term debt.

AWW, through AWCC, has committed to make additional financing available to the Company, as needed, to pay its obligations as they come due.

Note 8: General Taxes

Components of general tax expense for the years presented in the statements of income are as follows:

	<u>2011</u>	<u>2010</u>
Gross receipts and franchise	\$ 11	\$ 60
Property	4,417	4,078
Payroll	568	560
Other	106	106
	<u>\$ 5,102</u>	<u>\$ 4,804</u>

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 9: Income Taxes

Components of income tax expense for the years presented in the statements of income are as follows:

	<u>2011</u>	<u>2010</u>
State income taxes:		
Current	\$ (313)	\$ 947
Deferred		
Current	(9)	(10)
Non-current	1,059	370
	<u>737</u>	<u>1,307</u>
Federal income taxes:		
Current	17,091	(13,927)
Deferred		
Current	(49)	(56)
Non-current	(12,751)	21,623
Amortization of deferred investment tax credits	(84)	(85)
	<u>4,207</u>	<u>7,555</u>
Total income taxes	<u>\$ 4,944</u>	<u>\$ 8,862</u>

The 2011 total income tax expense includes a tax benefit of \$4,472 related to the contribution of non-utility property to a county authority.

The primary components of the net deferred tax liability of \$57,597 at December 31, 2011 include basis differences in utility plant, partially offset by advances and contributions.

No valuation allowances were required on deferred tax assets at December 31, 2011 and 2010, as management believes it is more likely than not that deferred tax assets will be realized.

At December 31, 2011 and 2010, the Company had state net operating loss carryforwards (“NOLs”) of \$2,515 and \$0, respectively. These NOLs will begin to expire in 2031 if not utilized.

As of December 31, 2011 and 2010, the reserve for uncertain tax position is \$3,130 and \$2,243, respectively, excluding accrued interest and penalties. The Company does not expect a material change in this estimate in the next twelve months. The reserve for uncertain tax positions could increase or decrease for things such as the expiration of statutes of limitations, audit settlements, or tax examination activities.

The Company recognizes interest and penalties related to income tax matters in income tax expense. Accrued interest and penalties related to uncertain tax positions were \$7 and \$8 as of December 31, 2011 and 2010, respectively.

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2011 and 2010

(Dollars in thousands, except per share amounts)

Note 9 (continued):

The federal tax years that remain open are 2006 to 2010, with the earliest year's statute expiring in 2012. The Company is subject to state taxes. The state tax returns from 2007 to 2010 are currently open and will not close until the respective statutes of limitations expire. The statute of limitations will begin to expire in 2012.

Note 10: Rate Matters

As necessary, the Company applies to the Commission for changes in the rates charged for service. The revenues requested are based on forecasted sales, operating expenses, and investments for the first full year after the effective dates of the new rates. The Company can provide no assurances that any rate increase request will be granted by the Commission.

The Company filed a petition with the Commission seeking authority to increase its rates and charges for water and sewer service on February 26, 2010. On September 29, 2010, the Company placed the proposed rates in effect under bond, per the Commission, subject to refund. On December 14, 2010, the Commission issued an Order authorizing an increase in rates of \$18,825 or 27.73% with rates made effective on September 29, 2010. As of December 31, 2010 the Company collected \$1,466 of interim rates in excess of the approved amounts, this was refunded to customers in the first quarter of 2011.

Note 11: Employee Benefit Plans

Savings Plan for Employees

The Company maintains a 401(k) savings plan, sponsored by AWW that allows employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans totaling \$278 for 2011, \$244 for 2010. All of the Company's contributions are invested in one or more funds at the direction of the employee.

Note 12: Postretirement Benefits

Pension Benefits

The Company participates in a Company funded defined benefit pension plan sponsored by AWW covering employees hired before January 1, 2006. Benefits under the plan are based

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 12 (continued):

on the employees' years of service and average annual compensation for those 60 consecutive months of employment that yield the highest average. The pension plan has been closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. Pension cost of the Company is based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$1,106 and \$1,311 for 2011 and 2010, respectively.

AWW's funding policy is to contribute at least the minimum amount required under the Employee Retirement Income Security Act of 1974. The Company made contributions to the AWW plan of \$3,167 in 2011 and \$1,936 in 2010. The Company expects to contribute \$1,914 to the AWW plan in 2012.

Postretirement Benefits Other Than Pensions

The Company participates in a Company funded plan sponsored by AWW that provides certain life insurance benefits for retired employees and certain health care benefits for retired employees and their dependents. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and non-union employees hired on or after January 1, 2002. Retirees and their dependents under age 65 are covered by a point-of-service managed care plan that requires co-payments or an HMO.

Employees who elect to retire prior to attaining age 65 are generally required to make contributions towards their medical coverage until attaining age 65. Retirees and their dependents age 65 and over are covered by a Medicare supplement plan. Costs of the Company are based on an allocation from AWW of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated costs of \$743 and \$1,052 for 2011 and 2010, respectively.

The Company made contributions to trust funds established for these postretirement benefits of \$743 in 2011 and \$1,052 in 2010. The Company's policy is to fund postretirement benefits costs accrued. The Company expects to contribute \$783 to the AWW plan in 2012.

Note 13: Stock Based Compensation

Stock Options and Restricted Stock Units

In the first quarter of 2011 and 2010, AWW granted restricted stock units and stock options to certain employees of the Company under the AWW 2007 Omnibus Equity Compensation Plan ("Omnibus Plan"). The restricted stock units vest ratably over the three year

KENTUCKY-AMERICAN WATER COMPANY

Notes to Financial Statements

December 31, 2011 and 2010

(Dollars in thousands, except per share amounts)

Note 13 (continued):

performance periods beginning January 1, 2011 and 2010, respectively, (the “Performance Period”); however distribution of the shares is contingent upon the achievement of certain thresholds over the Performance Period. The thresholds are based on achievement of internal performance measures and separately certain market factors over the Performance Periods. The stock options vest ratably over a three year service period beginning January 1, 2011 and 2010, respectively.

The grant date fair value of restricted stock awards is amortized through expense over the requisite service period using the graded-vesting method. The value of stock options at the date of the grant is amortized through expense over the requisite service period using the straight-line method.

Costs of the Company are based on an allocation from AWW of the total cost for the Company’s employees in the plan. The Company recorded compensation expense of \$70 and \$26, included in operation and maintenance expense, during the years ended December 31, 2011 and 2010, respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in-capital is a capital contribution from AWW.

Employee Stock Purchase Plan

AWW’s Nonqualified Employee Stock Purchase Plan (“ESPP”) was effective as of July 1, 2008. Under the ESPP, the Company’s employees can use payroll deductions to acquire AWW common stock at the lesser of 90% of the fair market value of a) the beginning or b) the end of each three-month purchase period. AWW’s ESPP is considered compensatory. Costs of the Company are based on an allocation from AWW of the total cost for the Company’s employees in the plan. Compensation costs of \$9 and \$4 were included in operation and maintenance expense for the years ended December 31, 2011 and 2010, respectively. As the Company does not reimburse the cost of the awards to AWW, the offsetting entry to paid-in capital is a capital contribution from AWW.

Note 14: Related Party Transactions

American Water Works Service Company, Inc. (“AWWS”), a subsidiary of AWW, provides certain management services to the Company (administration, accounting, data processing, engineering, etc.) and other operating water companies in the AWW system on an at-cost, not-for-profit basis in accordance with a management and service agreement.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 14 (continued):

Purchases of such services by the Company were accounted for as follows:

	<u>2011</u>	<u>2010</u>
Included in operation and maintenance expense as a charge against income	\$ 7,751	\$ 8,849
Capitalized primarily in utility plant	<u>4,024</u>	<u>1,426</u>
	<u>\$ 11,775</u>	<u>\$ 10,275</u>

The Company provided workspace for certain associates of AWW. Charges for direct costs and indirect overhead costs associated with these associates are billed to AWW on an at-cost, not for profit basis, which amounted to \$268 in 2011 and \$245 in 2010.

The Company had operating arrangements with American Anglian Environmental Technologies, L.P. ("AAET"), a subsidiary of AWW, through March 31, 2011, for the lease of granular activated carbon at one of the Company's water treatment plants. The Company paid \$12 in 2011 and \$57 in 2010 to AAET under these arrangements.

The Company purchased granular activated carbon from AAET for the Richmond Road Water Station. The Company paid \$154 in 2011 and \$156 in 2010 under these agreements.

The Company maintains a line of credit through AWCC. The Company also participates in AWCC's centralized treasury function whereby the Company transfers its cash to AWCC and the Company's checks are issued out of AWCC. Under this arrangement, available cash is used to pay-down the line of credit and issued checks increase the Company's line of credit balance. The Company paid AWCC fees, including debt issuance cost, of \$42 in 2011 and \$402 in 2010 and interest expense on borrowings of \$73 in 2011 and \$114 in 2010. Interest expense on long-term debt due to AWCC, net of capitalized amount, was \$8,960 in 2011 and \$4,959 in 2010.

Accrued interest included interest due to AWCC of \$1,582 and \$1,524 as of December 31, 2011 and 2010, respectively.

The Company pays dividends to AWW on a periodic basis. The amount of the dividend is based on a percentage of net income adjusted for certain items.

Note 15: Fair Values of Financial Instruments

The Company used the following methods and assumptions in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amount reported in the balance sheet for current assets and current liabilities approximates their fair value.

KENTUCKY-AMERICAN WATER COMPANY**Notes to Financial Statements****December 31, 2011 and 2010**

(Dollars in thousands, except per share amounts)

Note 15 (continued):

Preferred stocks with mandatory redemption requirements and long-term debt: The fair values of the Company's preferred stocks with mandatory redemption requirements and long-term debt are estimated using discounted cash flow analyses based on the Company's current incremental financing rates for similar types of securities.

The carrying amounts and fair values of the Company's financial instruments at December 31 are as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock with mandatory redemption requirements, including current maturities	\$ 4,500	\$ 5,656	\$ 4,500	\$ 4,835
Long-term debt, including current maturities	\$ 187,890	\$ 225,043	\$ 170,990	\$ 182,208

Recurring Fair Value Measurements

As of December 31, 2011 and 2010, the Company had no assets or liabilities measured and recorded at fair value on a recurring basis.

Note 16: Operating Lease

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were \$34 in 2011 and \$36 in 2010. The operating leases for equipment expire in 2013 through 2015.

At December 31, 2011, the minimum annual future rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are \$34 in 2012, \$18 in 2013, \$12 in 2014, \$3 in 2015, \$1 in 2016 and \$26 thereafter.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legally binding contractual obligations amounted to \$978 at December 31, 2011.

KENTUCKY-AMERICAN WATER COMPANY
Notes to Financial Statements
December 31, 2011 and 2010
(Dollars in thousands, except per share amounts)

Note 17 (continued):

The Company has entered into certain service agreements in excess of one year duration. As of December 31, 2011 the annual commitments under these agreements were \$267 in 2012 and \$0 thereafter.

The Company is also routinely involved in legal actions incident to the normal conduct of its business. For certain matters, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such claims or actions will not have a material adverse effect on the Company's results of operations, financial position or cash flows.

Note 18: Subsequent Events

The Company performed an evaluation of subsequent events for the accompanying financial statements through March 26, 2012, the date this report was issued, to determine whether the circumstances warranted recognition and disclosure of those events or transactions in the financial statements as of December 31, 2011.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 29**

Description of Filing Requirement:

Current Chart of Accounts

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX29_122812.

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
101000	301000	Organization	10130100	
101000	302000	Franchises	10130200	
101000	302100	Franchises Amortizab	10130200	
101000	303200	Land & Ld Rights SS	10130320	
101000	303300	Land & Ld Rights P	10130330	
101000	303400	Land & Ld Rights WT	10130340	
101000	303410	Depletable Ld WT	10130340	
101000	303500	Land & Ld Rights TD	10130350	
101000	303501	Land TD	10130350	
101000	303502	Rights of Way TD	10130350	
101000	303600	Land & Land Rights A	10130360	
101000	304100	Struct & Imp SS	10130410	
101000	304200	Struct & Imp P	10130420	
101000	304201	Struct & Imp Pumps (10130420	
101000	304202	Struct & Imp Pump Bo	10130420	
101000	304300	Struct & Imp WT	10130430	
101000	304301	Struct & Imp WT Depr	10130430	
101000	304302	Struct & Imp WT Pain	10130430	
101000	304310	Struct & Imp WT Wste	10130430	
101000	304312	Struct & Imp WT WH R	10130430	
101000	304320	Struct & Imp WT Nth	10130430	
101000	304330	Struct & Imp WT Ctrl	10130430	
101000	304340	Struct & Imp WT Ctrl	10130430	
101000	304350	Struct & Imp WT Sth	10130430	
101000	304360	Struct & Imp WT Mera	10130430	
101000	304390	Struct & Imp WT Mix	10130430	
101000	304391	Struct & Imp WT Pur	10130430	
101000	304400	Struct & Imp TD	10130440	
101000	304410	Struct & Imp TD Spec	10130440	
101000	304500	Struct & Imp AG	10130450	
101000	304510	Struct & Imp AG Cap	10130450	
101000	304600	Struct & Imp Offices	10130450	
101000	304610	Gen Structures - HVA	10130450	
101000	304620	Struct & Imp Leaseho	10130450	
101000	304621	Struct & Imp Leaseho	10130450	
101000	304700	Struct & Imp Store,S	10130450	
101000	304800	Struct & Imp Misc	10130450	
101000	305000	Collect & Impounding	10130500	
101000	306000	Lake, River & Other	10130600	
101000	307000	Wells & Springs	10130700	
101000	307200	Wells Only (LI)	10130700	
101000	308000	Infiltration Galleri	10130800	
101000	309000	Supply Mains	10130900	
101000	309100	Supply Mains Nth Plt	10130900	
101000	309200	Supply Mains Ctrl Pl	10130900	
101000	309300	Supply Mains Sth Plt	10130900	
101000	309400	Supply Mains Meramec	10130900	
101000	310000	Power Generation Equ	10131000	
101000	310200	Boiler Plant Equipme	10131020	
101000	311100	Pump Equip Steam	10131110	
101000	311200	Pump Equip Electric	10131120	
101000	311210	Pump Equip Elec Pre4	10131120	
101000	311220	Pump Equip Elec Post	10131120	
101000	311230	Pump Equip Elec Boos	10131120	
101000	311250	Pump Equip Electric	10131120	
101000	311300	Pump Equip Diesel	10131130	
101000	311310	Pump Equip Diesel St	10131130	
101000	311320	Pump Equip Diesel Ct	10131130	
101000	311350	Pump Equip Diesel TD	10131130	
101000	311400	Pump Equip Hydraulic	10131140	
101000	311500	Pump Equip Other	10131150	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
101000	311520	Pumping Equipment SS	10131152	
101000	311530	Pumping Equipment WT	10131153	
101000	311540	Pumping Equipment TD	10131154	
101000	320100	WT Equip Non-Media	10132010	
101000	320110	WT Equip Purificatio	10132010	
101000	320120	WT Equip Non-Med Nor	10132010	
101000	320130	WT Equip Non Media C	10132010	
101000	320140	WT Equip Non Media C	10132010	
101000	320150	WT Equip Non Media S	10132010	
101000	320160	WT Equip Non Media M	10132010	
101000	320190	WT Equip Set Basin,C	10132010	
101000	320191	WT Equip Filter Plan	10132010	
101000	320192	WT Equip Wash Water	10132010	
101000	320193	WT Equip Chemical Fe	10132010	
101000	320200	WT Equip Filter Medi	10132010	
101000	320400	WT Equip Waste Handl	10132010	
101000	320500	WT Equip Pur Sys Lg	10132010	
101000	320502	WT Equip Pur Sys Lg	10132010	
101000	330000	Dist Reservoirs & St	10133000	
101000	330002	Dist Res & Stand Ori	10133000	
101000	330003	Dist Res & Stand Ori	10133000	
101000	330100	Elevated Tanks & Sta	10133000	
101000	330200	Ground Level Facilit	10133000	
101000	330300	Below Grade Faciliti	10133000	
101000	330400	Clearwell	10133000	
101000	331001	TD Mains Not Classif	10133100	
101000	331003	TD Mains Paving (LI)	10133100	
101000	331100	TD Mains 4in & Less	10133100	
101000	331101	TD Mains 4in & Less	10133100	
101000	331200	TD Mains 6in to 8in	10133100	
101000	331210	TD Mains 6in to 10in	10133100	
101000	331230	TD Mains 6in & Grtr	10133100	
101000	331300	TD Mains 10in to 16i	10133100	
101000	331350	TD Mains 12in & Grtr	10133100	
101000	331400	TD Mains 18in & Grtr	10133100	
101000	331500	TD Mains Bridgeport	10133100	
101000	331601	TD Mains AC 4in (STL	10133100	
101000	331602	TD Mains CI <10in 19	10133100	
101000	331603	TD Mains CI <10in 19	10133100	
101000	331604	TD Mains CI <10in 19	10133100	
101000	331605	TD Mains CI 12in (ST	10133100	
101000	331606	TD Mains CI 16in (ST	10133100	
101000	331607	TD Mains DI 6in (STL	10133100	
101000	331608	TD Mains DI 12in (ST	10133100	
101000	331609	TD Mains DI 16in (ST	10133100	
101000	331610	TD Mains Galve 1in (10133100	
101000	331611	TD Mains LJ 20in (ST	10133100	
101000	331612	TD Main PL 6-8in (ST	10133100	
101000	331613	TD Main PL 12in (STL	10133100	
101000	331614	TD Main DI 4in (STL)	10133100	
101000	331615	TD Mains DI 24in	10133100	
101000	331616	TD Main DI 10in (STL	10133100	
101000	332000	Fire Mains	10133200	
101000	333000	Services	10133300	
101000	334100	Meters	10133410	
101000	334110	Meters Bronze Case	10133410	
101000	334120	Meters Plastic Case	10133410	
101000	334130	Meters Other	10133410	
101000	334131	Meters Other-Rem Rdr	10133410	
101000	334200	Meter Installations	10133420	
101000	334201	Meter Installation O	10133420	
101000	334300	Meter Vaults	10133410	
101000	335000	Hydrants	10133500	
101000	336000	Backflow Prevention	10133600	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
101000	339100	Other P/E Intangible	10133910	
101000	339200	Other P/E SS	10133920	
101000	339300	Other P/E WT	10133930	
101000	339400	Other P/E WT Res Han	10133930	
101000	339500	Other P/E TD	10133950	
101000	339600	Other P/E CPS	10133910	
101000	340100	Office Furniture & E	10134010	
101000	340200	Comp & Periph Equip	10134010	
101000	340210	Comp & Periph Mainfr	10134010	
101000	340220	Comp & Periph Person	10134010	
101000	340230	Comp & Periph Other	10134010	
101000	340240	Comp & Periph Capita	10134010	
101000	340300	Computer Software	10134010	
101000	340310	Comp Software Mainfr	10134010	
101000	340315	Comp Software Specia	10134010	
101000	340320	Comp Software Person	10134010	
101000	340325	Comp Software Custom	10134010	
101000	340330	Comp Software Other	10134010	
101000	340400	Data Handling Equipm	10134010	
101000	340500	Other Office Equipme	10134010	
101000	341001	Trans Equip Not Clas	10134100	
101000	341100	Trans Equip Lt Duty	10134100	
101000	341200	Trans Equip Hvy Duty	10134100	
101000	341300	Trans Equip Autos	10134100	
101000	341400	Trans Equip Other	10134100	
101000	342000	Stores Equipment	10134200	
101000	343000	Tools,Shop,Garage Eq	10134300	
101000	343100	Tools,Shop,Garage Eq	10134300	
101000	344000	Laboratory Equipment	10134400	
101000	344100	Laboratory Equip Oth	10134400	
101000	345000	Power Operated Equip	10134500	
101000	345100	Power Oper Equip Oth	10134500	
101000	346000	Comm Equip Not Class	10134600	
101000	346100	Comm Equip Non-Telep	10134600	
101000	346190	Remote Control & Ins	10134600	
101000	346200	Comm Equip Telephone	10134600	
101000	346300	Comm Equip Other	10134600	
101000	347000	Misc Equipment	10134700	
101000	348000	Other Tangible Prope	10134800	
101000	351000	WW Organization	10135100	
101000	352000	WW Franchises	10135200	
101000	352200	WW Other Intangible	10135220	
101000	353200	WW Land & Ld Rights	10135320	
101000	353300	WW Land & Ld Rights	10135330	
101000	353400	WW Land & Ld Rights	10135340	
101000	353500	WW Land & Ld Rights	10135350	
101000	354200	WW Struct & Imp Coll	10135420	
101000	354300	WW Struct & Imp SPP	10135430	
101000	354400	WW Struct & Imp TDP	10135440	
101000	354500	WW Struct & Imp Gen	10135450	
101000	354510	WW Struct & Imp Gen	10135450	
101000	354515	WW Struct & Imp AG W	10135450	
101000	354520	WW Struct & Imp AG M	10135450	
101000	354530	WW Struct & Imp AG F	10135450	
101000	355200	WW Pwr Gen Equip Col	10135520	
101000	355300	WW Pwr Gen Equip SPP	10135530	
101000	355400	WW Pwr Gen Equip TDP	10135540	
101000	355500	WW Pwr Gen Equip RWT	10135550	
101000	355600	WW Pwr Gen Equip RWD	10135560	
101000	360000	WW Collection Sewers	10136000	
101000	361100	WW Collecting Mains	10136110	
101000	361101	WW Collecting Mains	10136110	
101000	362000	WW Special Coll Stru	10136200	
101000	363000	WW Services Sewer	10136300	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
101000	364000	WW Flow Measuring De	10136400	
101000	365000	WW Flow Measuring In	10136500	
101000	370000	WW Receiving Wells	10137000	
101000	371100	WW Pump Equip Elect	10137110	
101000	371160	WW Pump Eq Elec <+5H	10137110	
101000	371170	WW Pump Eq Elec >5HP	10137110	
101000	371200	WW Pump Equip Oth Pw	10137120	
101000	371300	WW Pump Equip Misc	10137120	
101000	380000	WW TD Equipment	10138000	
101000	380050	WW TD Equip Grit Rem	10138000	
101000	380100	WW TD Equip Sed Tank	10138000	
101000	380200	WW TD Equip Sldge/Ef	10138000	
101000	380250	WW TD Equip Sldge Di	10138000	
101000	380300	WW TD Equip Sldge Dr	10138000	
101000	380350	WW TD Equip Sec Trmt	10138000	
101000	380400	WW TD Equip Aux Effl	10138000	
101000	380450	WW TD Equip Oth Sew	10138000	
101000	380500	WW TD Equip Chem Trm	10138000	
101000	380600	WW TD Equip Oth Disp	10138000	
101000	380625	WW TD Equip Gen Trmt	10138000	
101000	380650	WW TD Equip Influent	10138000	
101000	381000	WW Plant Sewers	10138100	
101000	382000	WW Outfall Sewer Lin	10138200	
101000	389100	WW Oth Plt & Misc Eq	10138910	
101000	389200	WW Oth Plt & Misc Eq	10138920	
101000	389300	WW Oth Plt & Misc Eq	10138930	
101000	389400	WW Oth Plt & Misc Eq	10138940	
101000	389600	WW Other P/E-CPS	10138910	
101000	390000	WW Office Furniture	10139000	
101000	390200	WW Computers & Perip	10139000	
101000	390300	WW Computer Software	10139000	
101000	391000	WW Trans Equipment	10139100	
101000	391100	WW Trans Equip Lt Dt	10139100	
101000	391200	WW Trans Equip Hvy D	10139100	
101000	392000	WW Stores Equipment	10139200	
101000	393000	WW Tool Shop & Garag	10139300	
101000	394000	WW Laboratory Equipm	10139400	
101000	395000	WW Power Operated Eq	10139500	
101000	396000	WW Communication Equ	10139600	
101000	397000	WW Misc Equipment	10139700	
101000	398000	WW Other Tangible Pl	10139800	
101002	331601	TD Main AC 4in (STL)	10133100	
101002	331602	TD Main CI <10in 00-	10133100	
101002	331603	TD Main CI <10in 29-	10133100	
101002	331604	TD Main CI <10in 57-	10133100	
101002	331605	TD Main CI 12in (STL)	10133100	
101002	331606	TD Main CI 16in (STL)	10133100	
101002	331607	TD Main DI 6-8in (ST)	10133100	
101002	331608	TD Main DI 12in (STL)	10133100	
101002	331609	TD Main DI 16in> (ST)	10133100	
101002	331610	TD Main Galve 1in (S)	10133100	
101002	331611	TD Main LJ 20in (STL)	10133100	
101002	331612	TD Main PL 6-8in (ST)	10133100	
101002	331613	TD Main PL 12in (STL)	10133100	
101002	331614	TD Main DI 4in (STL)	10133100	
101002	340100	Office Furniture & E	10134010	
101050	301000	Organization	10230100	
101050	303200	Land & Ld Rights SS	10230320	
101050	303300	Land & Ld Rights P	10230330	
101050	303400	Land & Ld Rights WT	10230340	
101050	303501	Land TD	10230350	
101050	303502	Rights of Way TD	10230350	
101050	303600	Land & Land Rights A	10230360	
101050	304100	Struct & Imp SS	10230410	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
101050	304200	Struct & Imp P	10230420	
101050	304300	Struct & Imp WT	10230430	
101050	304400	Struct & Imp TD	10230440	
101050	304600	Struct & Imp Offices	10230450	
101050	305000	Collect & Impounding	10230500	
101050	306000	Lake, River & Other	10230600	
101050	309000	Supply Mains	10230900	
101050	310000	Power Generation Equ	10231000	
101050	311200	Pump Equip Electric	10231120	
101050	320100	WT Equip Non-Media	10232010	
101050	320200	WT Equip Filter Medi	10232010	
101050	330000	Dist Reservoirs & St	10233000	
101050	331001	TD Mains Not Classif	10233100	
101050	331100	TD Mains 4in & Less	10233100	
101050	331200	TD Mains 6in to 8in	10233100	
101050	331300	TD Mains 10in to 16i	10233100	
101050	331400	TD Mains 18in & Grtr	10233100	
101050	333000	Services	10233300	
101050	334120	Meters Plastic Case	10233410	
101050	334200	Meter Installations	10233420	
101050	335000	Hydrants	10233500	
101050	339500	Other P/E TD	10233950	
101050	340100	Office Furniture & E	10234010	
101050	340230	Comp & Periph Other	10234010	
101050	340320	Comp Software Person	10234010	
101050	340330	Comp Software Other	10234010	
101050	340500	Other Office Equipme	10234010	
101050	341001	Trans Equip Not Clas	10234100	
101050	341100	Trans Equip Lt Duty	10234100	
101050	341200	Trans Equip Hvy Duty	10234100	
101050	341400	Trans Equip Other	10234100	
101050	342000	Stores Equipment	10234200	
101050	343000	Tools,Shop,Garage Eq	10234300	
101050	344000	Laboratory Equipment	10234400	
101050	345000	Power Operated Equip	10234500	
101050	346000	Comm Equip Not Class	10234600	
101050	347000	Misc Equipment	10234700	
101100		Reg Asset-AFUDC-Debt	10190000	
103000		Property Held Future	10300000	
104000		Utility Plant Purcha	10400000	
105000		CWIP	10700000	
105050		CWIP Accr	10700000	
105050	11	CWIP Accr-Bldgs	10700000	
105050	12	CWIP Accr-Bldgs-DSIC	10700000	
105050	21	CWIP Accr-Infra	10700000	
105050	22	CWIP Accr-Infra DSIC	10700000	
105050	31	CWIP Accr-Plant	10700000	
105050	32	CWIP Accr-Plant DSIC	10700000	
105110	1	CWIP History	10700000	
105110	11	CWIP History-Bldgs	10700000	
105110	12	CWIP History-Bldgs-D	10700000	
105110	2	CWIP History DSIC	10700000	
105110	21	CWIP History-Infrast	10700000	
105110	22	CWIP History-Infrast	10700000	
105110	31	CWIP History-Plant	10700000	
105110	32	CWIP History-Plant D	10700000	
105125	1	CWIP Permits & Fees	10700000	
105125	11	CWIP Permits-Bldgs	10700000	
105125	12	CWIP Permits-Bldgs-D	10700000	
105125	2	CWIP Permits & Fees	10700000	
105125	21	CWIP Permits-Infrast	10700000	
105125	22	CWIP Permits-Infrast	10700000	
105125	31	CWIP Permits-Plant	10700000	
105125	32	CWIP Permits-Plant D	10700000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
105150		CWIP M&S & Purchases	10700000	
105150	1	CWIP M&S & Purchases	10700000	
105150	11	CWIP M & S-Bldgs	10700000	
105150	12	CWIP M & S-Bldgs-DSI	10700000	
105150	2	CWIP M&S & Purchases	10700000	
105150	21	CWIP M & S-Infrastr	10700000	
105150	22	CWIP M & S-Infrastr	10700000	
105150	31	CWIP M & S-Plant	10700000	
105150	32	CWIP M & S-Plant DSI	10700000	
105175	1	CWIP Professional Se	10700000	
105175	11	CWIP Prof Svc-Bldgs	10700000	
105175	12	CWIP Prof Svc-Bldgs-	10700000	
105175	2	CWIP Professional Se	10700000	
105175	21	CWIP Prof Svc-Infras	10700000	
105175	22	CWIP Prof Svc-Infras	10700000	
105175	31	CWIP Prof Svc-Plant	10700000	
105175	32	CWIP Prof Svc-Plant	10700000	
105200	1	CWIP Co Labor	10700000	
105200	11	CWIP Co Labor-Bldgs	10700000	
105200	12	CWIP Co Labor-Bldgs-	10700000	
105200	2	CWIP Co Labor DSIC	10700000	
105200	21	CWIP Co Labor-Infras	10700000	
105200	22	CWIP Co Labor-Infras	10700000	
105200	31	CWIP Co Labor-Plant	10700000	
105200	32	CWIP Co Labor-Plant	10700000	
105250	1	CWIP Co Labor OH	10700000	
105250	11	CWIP Labor OH-Bldgs	10700000	
105250	12	CWIP Labor OH-Bldgs-	10700000	
105250	2	CWIP Co Labor OH DSI	10700000	
105250	21	CWIP Labor OH-Infras	10700000	
105250	22	CWIP Labor OH-Infras	10700000	
105250	31	CWIP Labor OH-Plant	10700000	
105250	32	CWIP Labor OH-Plant	10700000	
105260		CWIP Overhead-Bldg A	10700000	
105260	1	CWIP Overhead	10700000	
105260	11	CWIP Overhead-Bldgs	10700000	
105260	12	CWIP Overhead-Bldgs-	10700000	
105260	2	CWIP Overhead DSIC	10700000	
105260	21	CWIP Overhead-Infras	10700000	
105260	22	CWIP Overhead-Infras	10700000	
105260	31	CWIP Overhead-Plant	10700000	
105260	32	CWIP Overhead-Plant	10700000	
105270		CWIP Service Co Chgs	10700000	
105270	1	CWIP Service Co Chgs	10700000	
105270	11	CWIP AWWSC Chg-Bldgs	10700000	
105270	12	CWIP AWWSC Chg-Bldgs	10700000	
105270	2	CWIP Service Co Chgs	10700000	
105270	21	CWIP AWWSC Chg-Infra	10700000	
105270	22	CWIP AWWSC Chg-Infra	10700000	
105270	31	CWIP AWWSC Chg-Plant	10700000	
105270	32	CWIP AWWSC Chg-Plant	10700000	
105275	1	CWIP Contracted Serv	10700000	
105275	11	CWIP Contr Svc-Bldgs	10700000	
105275	12	CWIP Contr Svc-Bldgs	10700000	
105275	2	CWIP Contracted Serv	10700000	
105275	21	CWIP Contr Svc-Infra	10700000	
105275	22	CWIP Contr Svc-Infra	10700000	
105275	31	CWIP Contr Svc-Plant	10700000	
105275	32	CWIP Contr Svc-Plant	10700000	
105280	1	CWIP Retainage	10700000	
105280	11	CWIP Retainage-Bldgs	10700000	
105280	12	CWIP Retainage-Bldgs	10700000	
105280	2	CWIP Retainage DSIC	10700000	
105280	21	CWIP Retainage-Infra	10700000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
105280	22	CWIP Retainage-Infra	10700000	
105280	31	CWIP Retainage-Plant	10700000	
105280	32	CWIP Retainage-Plant	10700000	
105285	21	CWIP Developer Const	10700000	
105300	1	CWIP Paving	10700000	
105300	11	CWIP Paving-Bldgs	10700000	
105300	12	CWIP Paving-Bldgs-DS	10700000	
105300	2	CWIP Paving DSIC	10700000	
105300	21	CWIP Paving-Infrastr	10700000	
105300	22	CWIP Paving-Infrastr	10700000	
105300	31	CWIP Paving-Plant	10700000	
105300	32	CWIP Paving-Plant DS	10700000	
105350		CWIP AFUDC Debt	10700000	
105350	1	CWIP AFUDC Debt	10700000	
105350	11	CWIP AFUDC Debt-Bldg	10700000	
105350	12	CWIP AFUDC Debt-Bldg	10700000	
105350	2	CWIP AFUDC Debt DSIC	10700000	
105350	21	CWIP AFUDC Debt-Infr	10700000	
105350	22	CWIP AFUDC Debt-Infr	10700000	
105350	31	CWIP AFUDC Debt-Plan	10700000	
105350	32	CWIP AFUDC Debt-Plan	10700000	
105375		CWIP AFUDC Eqty	10700000	
105375	1	CWIP AFUDC Equity	10700000	
105375	11	CWIP AFUDC Eqty-Bldg	10700000	
105375	12	CWIP AFUDC Eqty-Bldg	10700000	
105375	2	CWIP AFUDC Equity DS	10700000	
105375	21	CWIP AFUDC Eqty-Infr	10700000	
105375	22	CWIP AFUDC Eqty-Infr	10700000	
105375	31	CWIP AFUDC Eqty-Plan	10700000	
105375	32	CWIP AFUDC Eqty-Plan	10700000	
105390		CWIP Tran PY Chg-Bld	10700000	
105390	1	CWIP Trans Prior Yr	10700000	
105390	11	CWIP Tran PY Chg-Bld	10700000	
105390	12	CWIP Tran PY Chg-Bld	10700000	
105390	2	CWIP Trans Prior Yr	10700000	
105390	21	CWIP Tran PY Chg-Inf	10700000	
105390	22	CWIP Tran PY Chg-Inf	10700000	
105390	31	CWIP Tran PY Chg-Pla	10700000	
105390	32	CWIP Tran PY Chg-Pla	10700000	
105391	1	CWIP Trans Current Y	10700000	
105391	11	CWIP Tran CY Chg-Bld	10700000	
105391	12	CWIP Tran CY Chg-Bld	10700000	
105391	2	CWIP Trans Current Y	10700000	
105391	21	CWIP Tran CY Chg-Inf	10700000	
105391	22	CWIP Tran CY Chg-Inf	10700000	
105391	31	CWIP Tran CY Chg-Pla	10700000	
105391	32	CWIP Tran CY Chg-Pla	10700000	
105399	1	CWIP Prelim Engineer	10700000	
105399	11	CWIP Prelim Eng-Bldg	10700000	
105399	12	CWIP Prelim Eng-Bldg	10700000	
105399	2	CWIP Prelim Engineer	10700000	
105399	21	CWIP Prelim Eng-Infr	10700000	
105399	22	CWIP Prelim Eng-Infr	10700000	
105399	31	CWIP Prelim Eng-Plan	10700000	
105399	32	CWIP Prelim Eng-Plan	10700000	
105410	21	CWIP - Non Taxable C	10700000	
105810		CWIP Engineering Cle	10700000	
105820		CWIP Undistributed I	10700000	
105900		CWIP Transfer to UPI	10700000	
105900	1	CWIP Transfer to UPI	10700000	
105900	11	CWIP Tran UPIS-Bldgs	10700000	
105900	12	CWIP Tran UPIS-Bldgs	10700000	
105900	2	CWIP Transfer to UPI	10700000	
105900	21	CWIP Tran UPIS-Infra	10700000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
105900	22	CWIP Tran UPIS-Infra	10700000	
105900	31	CWIP Tran UPIS-Plant	10700000	
105900	32	CWIP Tran UPIS-Plant	10700000	
105950		CWIP Nonreg Reclass	10700000	
105951		CWIP Engineering Cle	10700000	
105999		Undistributed Items	10700000	
106000	302000	Franchises	10630200	
106000	303200	Land & Ld Rights SS	10630320	
106000	303300	Land & Ld Rights P	10630330	
106000	303400	Land & Ld Rights WT	10630340	
106000	303500	Land & Ld Rights TD	10630350	
106000	303501	Land TD	10630350	
106000	303502	Rights of Way TD	10630350	
106000	303600	Land & Land Rights A	10630360	
106000	304100	Struct & Imp SS	10630410	
106000	304200	Struct & Imp P	10630420	
106000	304201	Struct & Imp Pumps (10630420	
106000	304202	Struct & Imp Pump Bo	10630420	
106000	304300	Struct & Imp WT	10630430	
106000	304301	Struct & Imp WT Depr	10630430	
106000	304302	Struct & Imp WT Pain	10630430	
106000	304310	Struct & Imp WT Wste	10630430	
106000	304312	Struct & Imp WT WH R	10630430	
106000	304320	Struct & Imp WT Nth	10630430	
106000	304321	Struct & Imp WT MA	10630430	
106000	304322	Struct & Imp WT MA	10630430	
106000	304323	Struct & Imp WT MA	10630430	
106000	304324	Struct & Imp WT MA	10630430	
106000	304330	Struct & Imp WT Ctrl	10630430	
106000	304340	Struct & Imp WT Ctrl	10630430	
106000	304350	Struct & Imp WT Sth	10630430	
106000	304360	Struct & Imp WT Mera	10630430	
106000	304390	Struct & Imp WT Mix	10630430	
106000	304391	Struct & Imp WT Pur	10630430	
106000	304392	Struct & Imp WT Wsh	10630430	
106000	304400	Struct & Imp TD	10630440	
106000	304410	Struct & Imp TD Spec	10630440	
106000	304500	Struct & Imp AG	10630450	
106000	304510	Struct & Imp AG Cap	10630450	
106000	304515	Struct & Imp AG Wood	10630450	
106000	304520	Struct & Imp AG Maso	10630450	
106000	304600	Struct & Imp Offices	10630450	
106000	304610	Gen Structures - HVA	10630450	
106000	304620	Struct & Imp Leaseho	10630450	
106000	304621	Struct & Imp Leaseho	10630450	
106000	304700	Struct & Imp Store,S	10630450	
106000	304800	Struct & Imp Misc	10630450	
106000	305000	Collect & Impounding	10630500	
106000	306000	Lake, River & Other	10630600	
106000	307000	Wells & Springs	10630700	
106000	307200	Wells Only (LI)	10630700	
106000	308000	Infiltration Galleri	10630800	
106000	309000	Supply Mains	10630900	
106000	309100	Supply Mains Nth Plt	10630900	
106000	309200	Supply Mains Ctrl PI	10630900	
106000	309300	Supply Mains Sth Plt	10630900	
106000	309400	Supply Mains Meramec	10630900	
106000	310000	Power Generation Equ	10631000	
106000	310200	Boiler Plant Equipme	10631020	
106000	311100	Pump Equip Steam	10631110	
106000	311200	Pump Equip Electric	10631120	
106000	311220	Pump Equip Elec Post	10631120	
106000	311230	Pump Equip Elec Boos	10631120	
106000	311250	Pump Equip Electric	10631120	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
106000	311300	Pump Equip Diesel	10631130	
106000	311310	Pump Equip Diesel St	10631130	
106000	311320	Pump Equip Diesel Ct	10631130	
106000	311350	Pump Equip Diesel TD	10631130	
106000	311400	Pump Equip Hydraulic	10631140	
106000	311500	Pump Equip Other	10631150	
106000	311520	Pumping Equipment SS	10631152	
106000	311530	Pumping Equipment WT	10631153	
106000	311540	Pumping Equipment TD	10631154	
106000	320100	WT Equip Non-Media	10632010	
106000	320110	WT Equip Purificatio	10632010	
106000	320120	WT Equip Non-Med Nor	10632010	
106000	320130	WT Equip Non Media C	10632010	
106000	320140	WT Equip Non Media C	10632010	
106000	320150	WT Equip Non Media S	10632010	
106000	320160	WT Equip Non Media M	10632010	
106000	320190	WT Equip Set Basin,C	10632010	
106000	320191	WT Equip Filter Plan	10632010	
106000	320192	WT Equip Wash Water	10632010	
106000	320193	WT Equip Chemical Fe	10632010	
106000	320200	WT Equip Filter Medi	10632010	
106000	320400	WT Equip Waste Handl	10632010	
106000	320500	WT Equip Pur Sys Lg	10632010	
106000	320502	WT Equip Pur Sys Lg	10632010	
106000	330000	Dist Reservoirs & St	10633000	
106000	330002	Dist Res & Stand Ori	10633000	
106000	330003	Dist Res & Stand Ori	10633000	
106000	330020	Dist Res & Stand MA	10633000	
106000	330021	Dist Res & Stand MA	10633000	
106000	330022	Dist Res & Stand MA	10633000	
106000	330023	Dist Res & Stand MA	10633000	
106000	330024	Dist Res & Stand MA	10633000	
106000	330100	Elevated Tanks & Sta	10633000	
106000	330200	Ground Level Facilit	10633000	
106000	330300	Below Grade Faciliti	10633000	
106000	330400	Clearwell	10633000	
106000	331001	TD Mains Not Classif	10633100	
106000	331002	TD Mains (CT)	10633100	
106000	331003	TD Mains Paving (LI)	10633100	
106000	331100	TD Mains 4in & Less	10633100	
106000	331101	TD Mains 4in & Less	10633100	
106000	331200	TD Mains 6in to 8in	10633100	
106000	331210	TD Mains 6in to 10in	10633100	
106000	331230	TD Mains 6in & Grtr	10633100	
106000	331300	TD Mains 10in to 16i	10633100	
106000	331350	TD Mains 12in & Grtr	10633100	
106000	331400	TD Mains 18in & Grtr	10633100	
106000	331500	TD Mains Bridgeport	10633100	
106000	331601	TD Mains AC 4in (STL	10633100	
106000	331602	TD Mains CI <10in 19	10633100	
106000	331603	TD Mains CI <10in 19	10633100	
106000	331604	TD Mains CI <10in 19	10633100	
106000	331605	TD Mains CI 12in (ST	10633100	
106000	331606	TD Mains CI 16in (ST	10633100	
106000	331607	TD Mains DI 6in (STL	10633100	
106000	331608	TD Mains DI 12in (ST	10633100	
106000	331609	TD Mains DI 16in (ST	10633100	
106000	331610	TD Mains Galve 1in (10633100	
106000	331611	TD Mains LJ 20in (ST	10633100	
106000	331612	TD Main PL 6-8in (ST	10633100	
106000	331613	TD Main PL 12in (STL	10633100	
106000	331614	TD Main DI 4in (STL)	10633100	
106000	331615	TD Mains DI 24in	10633100	
106000	331616	TD Mains DI 10in(STL	10633100	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
106000	332000	Fire Mains	10633200	
106000	333000	Services	10633300	
106000	334100	Meters	10633410	
106000	334110	Meters Bronze Case	10633410	
106000	334120	Meters Plastic Case	10633410	
106000	334130	Meters Other	10633410	
106000	334131	Meters Other-Rem Rdr	10633410	
106000	334200	Meter Installations	10633420	
106000	334201	Meter Installation O	10633420	
106000	334300	Meter Vaults	10633410	
106000	335000	Hydrants	10633500	
106000	336000	Backflow Prevention	10633600	
106000	339100	Other P/E Intangible	10633910	
106000	339200	Other P/E SS	10633920	
106000	339300	Other P/E WT	10633930	
106000	339400	Other P/E WT Res Han	10633930	
106000	339500	Other P/E TD	10633950	
106000	339600	Other P/E CPS	10633910	
106000	340100	Office Furniture & E	10634010	
106000	340200	Comp & Periph Equip	10634010	
106000	340210	Comp & Periph Mainfr	10634010	
106000	340220	Comp & Periph Person	10634010	
106000	340230	Comp & Periph Other	10634010	
106000	340240	Comp & Periph Capita	10634010	
106000	340300	Computer Software	10634010	
106000	340310	Comp Software Mainfr	10634010	
106000	340320	Comp Software Person	10634010	
106000	340325	Comp Software Custom	10634010	
106000	340330	Comp Software Other	10634010	
106000	340400	Data Handling Equipm	10634010	
106000	340500	Other Office Equipme	10634010	
106000	340501	Other Off Equip MA	10634010	
106000	341001	Trans Equip Not Clas	10634100	
106000	341100	Trans Equip Lt Duty	10634100	
106000	341200	Trans Equip Hvy Duty	10634100	
106000	341300	Trans Equip Autos	10634100	
106000	341400	Trans Equip Other	10634100	
106000	342000	Stores Equipment	10634200	
106000	343000	Tools,Shop,Garage Eq	10634300	
106000	343100	Tools,Shop,Garage Eq	10634300	
106000	344000	Laboratory Equipment	10634400	
106000	344100	Laboratory Equip Oth	10634400	
106000	345000	Power Operated Equip	10634500	
106000	345100	Power Oper Equip Oth	10634500	
106000	346000	Comm Equip Not Class	10634600	
106000	346100	Comm Equip Non-Telep	10634600	
106000	346190	Remote Control & Ins	10634600	
106000	346200	Comm Equip Telephone	10634600	
106000	347000	Misc Equipment	10634700	
106000	348000	Other Tangible Prope	10634800	
106000	353200	WW Land & Ld Rights	10635320	
106000	353300	WW Land & Ld Rights	10635330	
106000	353400	WW Land & Ld Rights	10635340	
106000	353500	WW Land & Ld Rights	10635350	
106000	354200	WW Struct & Imp Coll	10635420	
106000	354300	WW Struct & Imp SPP	10635430	
106000	354400	WW Struct & Imp TDP	10635440	
106000	354500	WW Struct & Imp Gen	10635450	
106000	354510	WW Struct & Imp Gen	10635450	
106000	355200	WW Pwr Gen Equip Col	10635520	
106000	355300	WW Pwr Gen Equip SPP	10635530	
106000	355400	WW Pwr Gen Equip TDP	10635540	
106000	355500	WW Pwr Gen Equip RWT	10635550	
106000	355600	WW Pwr Gen Equip RWD	10635560	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
106000	360000	WW Collection Sewers	10636000	
106000	361100	WW Collecting Mains	10636110	
106000	361101	WW Collecting Mains	10636110	
106000	362000	WW Special Coll Stru	10636200	
106000	363000	WW Services Sewer	10636300	
106000	364000	WW Flow Measuring De	10636400	
106000	365000	WW Flow Measuring In	10636500	
106000	370000	WW Receiving Wells	10637000	
106000	371100	WW Pump Equip Elect	10637110	
106000	371200	WW Pump Equip Oth Pw	10637120	
106000	371300	WW Pump Equip Misc	10637120	
106000	380000	WW TD Equipment	10638000	
106000	380050	WW TD Equip Grit Rem	10638000	
106000	380100	WW TD Equip Sed Tank	10638000	
106000	380200	WW TD Equip Sldge/Ef	10638000	
106000	380250	WW TD Equip Sldge Di	10638000	
106000	380300	WW TD Equip Sldge Dr	10638000	
106000	380350	WW TD Equip Sec Trmt	10638000	
106000	380400	WW TD Equip Aux Effl	10638000	
106000	380450	WW TD Equip Oth Sew	10638000	
106000	380500	WW TD Equip Chem Trm	10638000	
106000	380600	WW TD Equip Oth Disp	10638000	
106000	380625	WW TD Equip Gen Trmt	10638000	
106000	380650	WW TD Equip Influent	10638000	
106000	381000	WW Plant Sewers	10638100	
106000	382000	WW Outfall Sewer Lin	10638200	
106000	389100	WW Oth Plt & Misc Eq	10638910	
106000	389200	WW Oth Plt & Misc Eq	10638920	
106000	389300	WW Oth Plt & Misc Eq	10638930	
106000	389400	WW Oth Plt & Misc Eq	10638940	
106000	389600	WW Other P/E-OPS	10138910	
106000	390000	WW Office Furniture	10639000	
106000	390200	WW Computers & Perip	10639000	
106000	390300	WW Computer Software	10639000	
106000	391000	WW Trans Equipment	10639100	
106000	391100	WW Trans Equip Lt Dt	10639100	
106000	391200	WW Trans Equip Hvy D	10639100	
106000	392000	WW Stores Equipment	10639200	
106000	393000	WW Tool Shop & Garag	10639300	
106000	394000	WW Laboratory Equipm	10639400	
106000	395000	WW Power Operated Eq	10639500	
106000	396000	WW Communication Equ	10639600	
106000	397000	WW Misc Equipment	10639700	
106000	398000	WW Other Tangible Pl	10639800	
108105		AD UPIS-Acc Depr-Not	10801000	
108105	01	AD UPIS-AccDepr-Oper	10801000	
108105	02	AD UPIS-AccDepr-Admi	10801000	
108105	03	AD UPIS-AccDepr-Leas	10801000	
108105	04	AD UPIS-AccDepr-Fin	10801000	
108105	05	AD UPIS-AccDepr-Infr	10801000	
108105	06	AD UPIS-AccDepr-Op W	10801000	
108105	07	AD UPIS-AccDepr-Oth	10801000	
108105	08	AD UPIS-AccDepr-Offi	10801000	
108105	09	AD UPIS-AccDepr-Cap	10801000	
108105	10	AD UPIS-AccDepr-Pat	10801000	
108105	11	AD UPIS-AccDepr-GW B	10801000	
108106		AD UPIS-Cap Lease	10801000	
108110		AD UPIS-Removal Cost	10801000	
108115		AD UPIS-Salvage	10802000	
108120		AD UPIS-Scrap Meters	10802000	
108122		AD UPIS-Scrap Misc	10802000	
108125		AD UPIS-Salv Ins Rec	10802000	
108130		AD UPIS-Salv Rtrn St	10802000	
108135		AD UPIS-Salv Trade-I	10802000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
108140		AD UPIS-Salv Sale	10803000	
108145		AD UPIS-Orig Cost-No	10804000	
108145	01	AD UPIS-OrigCst-Oper	10804000	
108145	02	AD UPIS-OrigCst-Admi	10804000	
108145	03	AD UPIS-OrigCst-Leas	10804000	
108145	04	AD UPIS-OrigCst-Fin	10804000	
108145	05	AD UPIS-OrigCst-Infr	10804000	
108145	06	AD UPIS-OrigCst-Op W	10804000	
108145	07	AD UPIS-OrigCst-Oth	10804000	
108145	08	AD UPIS-OrigCst-Offi	10804000	
108145	09	AD UPIS-OrigCst-Cap	10804000	
108145	10	AD UPIS-OrigCst-Pat	10804000	
108145	11	AD UPIS-OrigCst-GW B	10804000	
108170		Reg Assest - ARO/NNs	10801000	
108190		Acc Depr Reg Asset	10810000	
108200		Acc Depr UP Leased O	10820000	
108300		Acc Depr UP Future U	10830000	
110100		Acc Amort Util Plt S	10840000	
110110		Acc Amort UP Cap Lea	10850000	
114100		UPAA-ATL	11410000	
114100	001	UPAA-ATL Depr	11420000	
114300		UPAA Post 1/1/06	12320000	
114350		UPAA Neg Post 1/1/06	11430000	
115100		Accum Amort UPAA-ATL	11415000	
115110		Accum Depr UPAA-ATL	11425000	
115350		AccAmrtUPAA Pst 1/1/	11435000	
121100		NUP-Land	12110000	
121200		NUP-Buildings	12120000	
121298		NUP-Cap Lease 3yr	12130003	
121299		NUP-Cap Lease 4yr	12130004	
121300		NUP-Cap Lease 5yr	12130005	
121301		NUP-Cap Lease 7yr	12130007	
121302		NUP-Cap Lease 10yr	12130010	
121310		NUP-Cap Lease 15yr	12130015	
121400		NUP-Lease Impr	12140000	
121500		NUP-Other	12150000	
121500	001	NUP-Other (Thames)	12150000	
121501		NUP-Other 5 yr	12150010	
121502		NUP-Other 7 yr	12150020	
121503		NUP-Other 10 yr	12150030	
121504		NUP-Other Hardware	12150040	
121505		NUP-Other Software	12150050	
121508		NUP-Other Enterprise	12150080	
121600		NUP-Interco	12150000	
121800		CWIP NUP	12180000	
121950		CWIP NUP -Nonreg Rec	12180000	
122200		Acc Depr NUP-Buildin	12200000	
122250		Acc Depr NUP-Other	12200000	
122250	001	AD NUP-Other (Thames)	12200000	
122300		Acc Amort NUP-Cap le	12210000	
123100		Invest in Assoc Co's	12410000	
123100	ASH	Invest in Assoc Co's	12410000	1090
123100	AWM	Invest in Assoc Co's	12410000	2064
123100	AWSI	Invest in Assoc Co's	12410000	2031
123100	AWWM	Invest in Assoc Co's	12410000	1018
123100	AW03	Invest in Assoc Co's	12410000	1033
123100	AW04	Invest in Assoc Co's	12410000	1014
123100	AW05	Invest in Assoc Co's	12410000	1015
123100	AW09	Invest in Assoc Co's	12410000	1025
123100	AW10	Invest in Assoc Co's	12410000	1010
123100	AW11	Invest in Assoc Co's	12410000	1011
123100	AW12	Invest in Assoc Co's	12410000	1012
123100	AW13	Invest in Assoc Co's	12410000	1013
123100	AW16	Invest in Assoc Co's	12410000	1016

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
123100	AW17	Invest in Assoc Co's	12410000	1017
123100	AW18	Invest in Assoc Co's	12410000	1018
123100	AW19	Invest in Assoc Co's	12410000	2019
123100	AW21	Invest in Assoc Co's	12410000	1021
123100	AW22	Invest in Assoc Co's	12410000	2022
123100	AW23	Invest in Assoc Co's	12410000	2023
123100	AW24	Invest in Assoc Co's	12410000	1024
123100	AW26	Invest in Assoc Co's	12410000	1024
123100	AW27	Invest in Assoc Co's	12410000	1027
123100	AW28	Invest in Assoc Co's	12410000	1028
123100	AW30	Invest in Assoc Co's	12410000	1030
123100	AW38	Invest in Assoc Co's	12410000	1038
123100	AW39	Invest in Assoc Co's	12410000	2039
123100	AW42	Invest in Assoc Co's	12410000	1027
123100	AW44	Invest in Assoc Co's	12410000	1044
123100	AW46	Invest in Assoc Co's	12410000	1046
123100	AW47	Invest in Assoc Co's	12410000	2047
123100	AW50	Invest in Assoc Co's	12410000	2050
123100	AW51	Invest in Assoc Co's	12410000	1051
123100	AW57	Invest in Assoc Co's	12410000	1057
123100	AW80	Invest in Assoc Co's	12410000	1080
123100	AW87	Invest in Assoc Co's	12410000	1090
123100	ETWN	Invest in Assoc Co's	12410000	1051
123100	TWNA	Invest in Assoc Co's	12410000	1091
123100	TWNC	Invest in Assoc Co's	12410000	1090
123130		Intangibles Finite L	12510000	
123130	001	Accum Amort-Int Fin	12515000	
123131		Intangibles Indefini	12510000	
123140		Goodwill	12310000	
123150		Invest in JV's	12401000	
123160		Group Share JV Proje	12401100	
123200	AW30	Invest Acq Amort	12410000	1030
123500	AW04	Inv Assoc Co's Pref	12420000	1014
123500	AW28	Inv Assoc Co's Pref	12420000	1028
123500	AW38	Inv Assoc Co's Pref	12420000	1038
123700	AWSI	Inv Assoc Co's Notes	18741000	2031
123700	AW02	Inv Assoc Co's Notes	18741000	1020
123700	AW03	Inv Assoc Co's Notes	18741000	1033
123700	AW04	Inv Assoc Co's Notes	18741000	1014
123700	AW05	Inv Assoc Co's Notes	18741000	1015
123700	AW09	Inv Assoc Co's Notes	18741000	1025
123700	AW10	Inv Assoc Co's Notes	18741000	1010
123700	AW11	Inv Assoc Co's Notes	18741000	1011
123700	AW12	Inv Assoc Co's Notes	18741000	1012
123700	AW13	Inv Assoc Co's Notes	18741000	1013
123700	AW16	Inv Assoc Co's Notes	18741000	1016
123700	AW17	Inv Assoc Co's Notes	18741000	1017
123700	AW18	Inv Assoc Co's Notes	18741000	1018
123700	AW19	Inv Assoc Co's Notes	18741000	2019
123700	AW22	Inv Assoc Co's Notes	18741000	2022
123700	AW23	Inv Assoc Co's Notes	18741000	2023
123700	AW24	Inv Assoc Co's Notes	18741000	1024
123700	AW26	Inv Assoc Co's Notes	18741000	1026
123700	AW27	Inv Assoc Co's Notes	18741000	1027
123700	AW28	Inv Assoc Co's Notes	18741000	1028
123700	AW30	Inv Assoc Co's Notes	18741000	1030
123700	AW38	Inv Assoc Co's Notes	18741000	1038
123700	AW42	Inv Assoc Co's Notes	18741000	1027
123700	AW44	Inv Assoc Co's Notes	18741000	1044
123700	AW46	Inv Assoc Co's Notes	18741000	1046
123700	AW50	Inv Assoc Co's Notes	18741000	2050
124000		Utility Investments	12400000	
125200		Other Invest-Outside	12400000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
125300	AW02	Cap Lease Rec-In	18742000	1020
125300	AW03	Cap Lease Rec-In	18742000	1033
125300	AW04	Cap Lease Rec-In	18742000	1014
125300	AW05	Cap Lease Rec-In	18742000	1015
125300	AW09	Cap Lease Rec-In	18742000	1025
125300	AW10	Cap Lease Rec-In	18742000	1010
125300	AW11	Cap Lease Rec-In	18742000	1011
125300	AW12	Cap Lease Rec-In	18742000	1012
125300	AW13	Cap Lease Rec-In	18742000	1013
125300	AW16	Cap Lease Rec-In	18742000	1016
125300	AW17	Cap Lease Rec-In	18742000	1017
125300	AW18	Cap Lease Rec-In	18742000	1018
125300	AW19	Cap Lease Rec-In	18742000	2019
125300	AW21	Cap Lease Rec-In	18742000	1021
125300	AW22	Cap Lease Rec-In	18742000	2022
125300	AW23	Cap Lease Rec-In	18742000	2023
125300	AW24	Cap Lease Rec-In	18742000	1024
125300	AW26	Cap Lease Rec-In	18742000	1026
125300	AW27	Cap Lease Rec-In	18742000	1027
125300	AW28	Cap Lease Rec-In	18742000	1028
125300	AW30	Cap Lease Rec-In	18742000	1030
125300	AW38	Cap Lease Rec-In	18742000	1038
125300	AW42	Cap Lease Rec-In	18742000	1027
125300	AW44	Cap Lease Rec-In	18742000	1044
125300	AW46	Cap Lease Rec-In	18742000	1046
125300	AW50	Cap Lease Rec-In	18742000	2050
125400		Unearn Cap Lease Inc	18742100	
125400	AW02	Unearn Cap Lease Inc	18742100	1020
125400	AW03	Unearn Cap Lease Inc	18742100	1033
125400	AW04	Unearn Cap Lease Inc	18742100	1014
125400	AW05	Unearn Cap Lease Inc	18742100	1015
125400	AW09	Unearn Cap Lease Inc	18742100	1025
125400	AW10	Unearn Cap Lease Inc	18742100	1010
125400	AW11	Unearn Cap Lease Inc	18742100	1011
125400	AW12	Unearn Cap Lease Inc	18742100	1012
125400	AW13	Unearn Cap Lease Inc	18742100	1013
125400	AW16	Unearn Cap Lease Inc	18742100	1016
125400	AW17	Unearn Cap Lease Inc	18742100	1017
125400	AW18	Unearn Cap Lease Inc	18742100	1018
125400	AW19	Unearn Cap Lease Inc	18742100	2019
125400	AW21	Unearn Cap Lease Inc	18742100	1021
125400	AW22	Unearn Cap Lease Inc	18742100	2022
125400	AW23	Unearn Cap Lease Inc	18742100	2023
125400	AW24	Unearn Cap Lease Inc	18742100	1024
125400	AW26	Unearn Cap Lease Inc	18742100	1026
125400	AW27	Unearn Cap Lease Inc	18742100	1027
125400	AW28	Unearn Cap Lease Inc	18742100	1028
125400	AW30	Unearn Cap Lease Inc	18742100	1030
125400	AW38	Unearn Cap Lease Inc	18742100	1038
125400	AW42	Unearn Cap Lease Inc	18742100	1027
125400	AW44	Unearn Cap Lease Inc	18742100	1044
125400	AW46	Unearn Cap Lease Inc	18742100	1046
125400	AW50	Unearn Cap Lease Inc	18742100	2050
131302	001	PNC Bank	13112000	
131305	001	Mellon Bank	13121500	
131305	005	Bank of America-LB	13120400	
131309	013	Cash-Mellon Lockbox	13122500	
131310	003	FNB of Decatur-First	13199999	
131310	007	Mellon Lockbox	13121000	
131311	009	Cash-Mellon Lockbox	13121100	
131312	003	BB&T	13112002	
131312	005	Deutsche Bank	13199999	
131312	007	Mellon Lockbox	13112002	
131313	004	Deutsche Bank	13199999	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
131313	005	Cash-Mellon Lockbox	13121300	
131316	002	National City Bank	13180200	
131317	013	Deutsche Bank	13199999	
131317	014	Cash-Mellon Lockbox	13121700	
131318	005	PNC bank	13112500	
131318	010	Mellon conc retail	13121800	
131319	001	Mellon Bank	13121900	
131319	004	Cash-Mellon Target B	13120100	
131321	001	PNC Bank	13112100	
131321	002	PNC Bank-Elec Pymts	13112100	
131322	009	Cash-Mellon Lockbox	13122200	
131323	001	Mellon Bank	13122300	
131324	003	Mellon Bank-Gen	13122400	
131326	002	SunTrust	13180100	
131326	004	Deutsche Bank	13199999	
131326	005	Mellon Lockbox	13122600	
131327	009	Deutsche Bank	13199999	
131327	010	Mellon Lockbox	13122700	
131327	011	Union First Market	13180400	
131328	019	Cash-Mellon Lockbox	13122800	
131330	001	First Hawaiian Bank	13180300	
131330	002	Mellon Bank	13123000	
131338	001	Mellon Bank	13123800	
131342		PNC Bank	13112700	
131346	002	PNC Bank Concentrati	13140000	
131346	007	Wholesale Lockbox -	13140600	
131346	008	PNC Bank AZ WIFA	13140000	
131346	009	Wholesale Lockbox PN	13140600	
131351	001	PNC Bank	13115100	
131351	002	PNC Bank-Elect Pymts	13115100	
131352	001	BONY-Int Sweep	13199999	
131352	002	AWWM Operating Acct	13199999	
131352	004	PNC Bank	13115700	
131352	008	PNC Bank	13115700	
131352	014	Mellon Lockbox	13125200	
131380	001	PNC Bank	13118000	
131380	002	PNC Bank-Elect Pymts	13118000	
131385	013	PNC Bank	13118500	
131390	001	PNC Bank	13119000	
131390	002	PNC Bank-Elec Pymts	13119000	
131391	001	PNC Bank	13119100	
131391	002	PNC Bank-Elec Pymts	13119100	
131998	001	Cash Clear-NSF Check	13199001	
131998	002	Cash Clear-Mixed Pym	13199002	
131998	003	Cash Clear-Misc DR/C	13199003	
131998	004	Cash Clear-MI's	13199004	
131998	005	Cash Clear-ORCOM	13199005	
131998	006	Cash Clear-Interco	13199006	
131998	007	Cash Clear-Pinnacl/A	13199999	
132000		Funds Rest Const Cur	13800000	
134100		Petty Cash	13500000	
134101		Petty Cash-OTC	13500000	
135100		Temp Invest-under 90	13600000	
135200		Temp Invest-over 90	13700000	
141000		Customer A/R	14100003	
141000	001	A/R - Unallocated	14100002	
141001		Customer A/R Nonreg	14100001	
141100		Customer A/R Misc	14100010	
141101		Customer A/R Pitt	14100020	
141999		Customer A/R Clearin	14100099	
143000		Accum prov-uncoll ac	14300000	
143001		Accu prov uncoll non	14300001	
144000		Accrued Utility Reve	14400000	
144001		Accr Unbilled Rev no	14400001	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
145000		FIT Refund Receivabl	14820000	
145100		SIT Refund Receivabl	14810000	
146100		Misc A/R-System	14610000	
146100	001	Misc A/R-Manual	14611000	
146105		Misc A/R-Retro Ins	14611200	
146110		Misc A/R-Liab Ins	14611300	
146115		Misc A/R-Medicare Su	14611500	
146125		Misc Rec-OPEB Trust	14612500	
146300		Misc A/R-Adv to Empl	14613000	
146300	001	Misc A/R-Emp Adv P/R	14613000	
146370		Accum prov-uncoll mi	14620000	
146400		Notes Receivable	14640000	
146500		A/R Assoc Cos	14510000	1021
146500	ASH	A/R Assoc Cos-ASH	14510000	1090
146500	AWM	A/R Assoc Cos-AWM	14510000	2064
146500	AWS	A/R Assoc Cos-AWS	14510000	2031
146500	AWSI	A/R Assoc Cos-AWS In	14510000	2031
146500	AWWM	A/R Assoc Cos-AWWS	14510000	1018
146500	AW02	A/R Assoc Cos-AW02	14510000	1020
146500	AW03	A/R Assoc Cos-AW03	14510000	1033
146500	AW04	A/R Assoc Cos-AW04	14510000	1014
146500	AW05	A/R Assoc Cos-AW05	14510000	1015
146500	AW09	A/R Assoc Cos-AW09	14510000	1025
146500	AW10	A/R Assoc Cos-AW10	14510000	1010
146500	AW11	A/R Assoc Cos-AW11	14510000	1011
146500	AW12	A/R Assoc Cos-AW12	14510000	1012
146500	AW13	A/R Assoc Cos-AW13	14510000	1013
146500	AW16	A/R Assoc Cos-AW16	14510000	1016
146500	AW17	A/R Assoc Cos-AW17	14510000	1017
146500	AW18	A/R Assoc Cos-AW18	14510000	1018
146500	AW19	A/R Assoc Cos-AW19	14510000	2019
146500	AW21	A/R Assoc Cos-AW21	14510000	1021
146500	AW22	A/R Assoc Cos-AW22	14510000	2022
146500	AW23	A/R Assoc Cos-AW23	14510000	2023
146500	AW24	A/R Assoc Cos-AW24	14510000	1024
146500	AW26	A/R Assoc Cos-AW26	14510000	1026
146500	AW27	A/R Assoc Cos-AW27	14510000	1027
146500	AW28	A/R Assoc Cos-AW28	14510000	1028
146500	AW30	A/R Assoc Cos-AW30	14510000	1030
146500	AW38	A/R Assoc Cos-AW38	14510000	1038
146500	AW39	A/R Assoc Cos-AW39	14510000	1039
146500	AW42	A/R Assoc Cos-AW42	14510000	1027
146500	AW44	A/R Assoc Cos-AW44	14510000	1044
146500	AW46	A/R Assoc Cos-AW46	14510000	1046
146500	AW47	A/R Assoc Cos-AW47	14510000	2047
146500	AW50	A/R Assoc Cos-AW50	14510000	2050
146500	AW80	A/R Assoc Cos-AW80	14510000	1080
146500	EWS	A/R Assoc Cos-EWS	14510000	2058
146500	SLPP	A/R Assoc Cos-SLPP	14510000	1021
146500	TWNA	A/R Assoc Cos-TWNA	14510000	1091
146510	AWSI	A/R Assoc Cos-AWSI	14511000	2031
146510	AW02	A/R Assoc Cos-AW02	14511000	1020
146510	AW03	A/R Assoc Cos-AW03	14511000	1033
146510	AW04	A/R Assoc Cos-AW04	14511000	1014
146510	AW05	A/R Assoc Cos-AW05	14511000	1015
146510	AW09	A/R Assoc Cos-AW09	14511000	1025
146510	AW10	A/R Assoc Cos-AW10	14511000	1010
146510	AW11	A/R Assoc Cos-AW11	14511000	1011
146510	AW12	A/R Assoc Cos-AW12	14511000	1012
146510	AW13	A/R Assoc Cos-AW13	14511000	1013
146510	AW16	A/R Assoc Cos-AW16	14511000	1016
146510	AW17	A/R Assoc Cos-AW17	14511000	1017
146510	AW18	A/R Assoc Cos-AW18	14511000	1018
146510	AW19	A/R Assoc Cos-AW19	14511000	2019

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
146510	AW21	A/R Assoc Cos-AW21	14511000	1021
146510	AW22	A/R Assoc Cos-AW22	14511000	2022
146510	AW23	A/R Assoc Cos-AW23	14511000	2023
146510	AW24	A/R Assoc Cos-AW24	14511000	1024
146510	AW26	A/R Assoc Cos-AW26	14511000	1026
146510	AW27	A/R Assoc Cos-AW27	14511000	1027
146510	AW28	A/R Assoc Cos-AW28	14511000	1028
146510	AW30	A/R Assoc Cos-AW30	14511000	1030
146510	AW38	A/R Assoc Cos-AW38	14511000	1038
146510	AW39	A/R Assoc Cos-AW39	14511000	2039
146510	AW42	A/R Assoc Cos-AW42	14511000	1027
146510	AW44	A/R Assoc Cos-AW44	14511000	1044
146510	AW46	A/R Assoc Cos-AW46	14511000	1046
146510	AW47	A/R Assoc Cos-AW47	14511000	2047
146510	AW50	A/R Assoc Cos-AW50	14511000	2050
146510	AW54	A/R Assoc Cos-AW54	14511000	2054
146510	AW55	A/R Assoc Cos-AW55	14511000	2055
146510	AW56	A/R Assoc Cos-AW56	14511000	2056
146510	AW57	A/R Assoc Cos-AW57	14511000	1057
146510	AW80	A/R Assoc Cos-AW80	14511000	1080
146512		A/R from Assoc Co Payroll	14512000	
146512	AWM	A/R from AWM Payroll	14512000	2064
146512	AWSI	A/R from AWE Payroll	14512000	2031
146512	EMC	A/R from EMC Payroll	14512000	2031
146513		A/R from Assoc Co Payroll	14512500	
146513	AWSI	A/R from AWE payroll	14512500	2031
146513	EMC	A/R from EMC Payroll	14512500	2031
146520	AW02	A/R Div Equiv AW02	14573000	1020
146530	AW02	RSU Issue Receivable	14510000	1020
146600	ASH	N/R from ASH	14574000	1090
146600	AWM	N/R from AWM	14574000	2064
146600	AWSI	N/R from Assoc Co's	14574000	2031
146600	AWWM	N/R from AWM	14574000	1018
146600	AW02	N/R from Assoc Co's	14574000	1020
146600	AW03	N/R from Assoc Co's	14574000	1033
146600	AW04	N/R from Assoc Co's	14574000	1014
146600	AW05	N/R from Assoc Co's	14574000	1015
146600	AW09	N/R from Assoc Co's	14574000	1025
146600	AW10	N/R from Assoc Co's	14574000	1010
146600	AW11	N/R from Assoc Co's	14574000	1011
146600	AW12	N/R from Assoc Co's	14574000	1012
146600	AW13	N/R from Assoc Co's	14574000	1013
146600	AW16	N/R from Assoc Co's	14574000	1016
146600	AW17	N/R from Assoc Co's	14574000	1017
146600	AW18	N/R from Assoc Co's	14574000	1018
146600	AW19	N/R from Assoc Co's	14574000	2019
146600	AW21	N/R from Assoc Co's	14574000	1021
146600	AW22	N/R from Assoc Co's	14574000	2022
146600	AW23	N/R from Assoc Co's	14574000	2023
146600	AW24	N/R from Assoc Co's	14574000	1024
146600	AW26	N/R from Assoc Co's	14574000	1026
146600	AW27	N/R from Assoc Co's	14574000	1027
146600	AW28	N/R from Assoc Co's	14574000	1028
146600	AW30	N/R from Assoc Co's	14574000	1030
146600	AW38	N/R from Assoc Co's	14574000	1038
146600	AW39	N/R from Assoc Co's	14574000	2039
146600	AW42	N/R from Assoc Co's	14574000	1027
146600	AW44	N/R from Assoc Co's	14574000	1044
146600	AW46	N/R from Assoc Co's	14574000	1046
146600	AW50	N/R from Assoc Co's	14574000	2050
146600	AW51	N/R from Elizabeth T	14574000	1051
146600	AW54	N/R from Edison	14574000	2054
146600	AW55	N/R from Liberty Wat	14574000	2055
146600	AW56	N/R from Etown Servi	14574000	2056

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
146600	AW57	N/R from Assoc Co's	14574000	1057
146600	AW60	N/R from Assoc Co's	14574000	1090
146600	AW65	N/R from Assoc AW65	14574000	1090
146600	AW80	N/R from Assoc AW80	14574000	1080
146600	AW87	N/R from Assoc AW87	14574000	1090
146600	EWC	N/R from EWC	14574000	2031
146600	PWTA	N/R from PWTA	14574000	1090
146600	TWNA	N/R from TWNA	14574000	1091
146600	TWNC	N/R from TWNC	14574000	1090
146610		Curr Cap Lease Rec	14575000	
146610	AW02	Curr Cap Lease Rec	14575000	1020
146610	AW03	Curr Cap Lease Rec	14575000	1033
146610	AW04	Curr Cap Lease Rec	14575000	1014
146610	AW05	Curr Cap Lease Rec	14575000	1015
146610	AW09	Curr Cap Lease Rec	14575000	1025
146610	AW10	Curr Cap Lease Rec	14575000	1010
146610	AW11	Curr Cap Lease Rec	14575000	1011
146610	AW12	Curr Cap Lease Rec	14575000	1012
146610	AW13	Curr Cap Lease Rec	14575000	1013
146610	AW16	Curr Cap Lease Rec	14575000	1016
146610	AW17	Curr Cap Lease Rec	14575000	1017
146610	AW18	Curr Cap Lease Rec	14575000	1018
146610	AW19	Curr Cap Lease Rec	14575000	2019
146610	AW21	Curr Cap Lease Rec	14575000	1021
146610	AW22	Curr Cap Lease Rec	14575000	2022
146610	AW23	Curr Cap Lease Rec	14575000	2023
146610	AW24	Curr Cap Lease Rec	14575000	1024
146610	AW26	Curr Cap Lease Rec	14575000	1026
146610	AW27	Curr Cap Lease Rec	14575000	1027
146610	AW28	Curr Cap Lease Rec	14575000	1028
146610	AW30	Curr Cap Lease Rec	14575000	1030
146610	AW38	Curr Cap Lease Rec	14575000	1038
146610	AW42	Curr Cap Lease Rec	14575000	1027
146610	AW44	Curr Cap Lease Rec	14575000	1044
146610	AW46	Curr Cap Lease Rec	14575000	1046
146610	AW50	Curr Cap Lease Rec	14575000	2050
146620		Cur Unearn Cap Ls Re	14575500	
146620	AW02	Cur Unearn Cap Ls Re	14575500	1020
146620	AW03	Cur Unearn Cap Ls Re	14575500	1033
146620	AW04	Cur Unearn Cap Ls Re	14575500	1014
146620	AW05	Cur Unearn Cap Ls Re	14575500	1015
146620	AW09	Cur Unearn Cap Ls Re	14575500	1025
146620	AW10	Cur Unearn Cap Ls Re	14575500	1010
146620	AW11	Cur Unearn Cap Ls Re	14575500	1011
146620	AW12	Cur Unearn Cap Ls Re	14575500	1012
146620	AW13	Cur Unearn Cap Ls Re	14575500	1013
146620	AW16	Cur Unearn Cap Ls Re	14575500	1016
146620	AW17	Cur Unearn Cap Ls Re	14575500	1017
146620	AW18	Cur Unearn Cap Ls Re	14575500	1018
146620	AW19	Cur Unearn Cap Ls Re	14575500	2019
146620	AW22	Cur Unearn Cap Ls Re	14575500	2022
146620	AW23	Cur Unearn Cap Ls Re	14575500	2023
146620	AW24	Cur Unearn Cap Ls Re	14575500	1024
146620	AW26	Cur Unearn Cap Ls Re	14575500	1026
146620	AW27	Cur Unearn Cap Ls Re	14575500	1027
146620	AW28	Cur Unearn Cap Ls Re	14575500	1028
146620	AW30	Cur Unearn Cap Ls Re	14575500	1030
146620	AW38	Cur Unearn Cap Ls Re	14575500	1038
146620	AW42	Cur Unearn Cap Ls Re	14575500	1027
146620	AW44	Cur Unearn Cap Ls Re	14575500	1044
146620	AW46	Cur Unearn Cap Ls Re	14575500	1046
146620	AW50	Cur Unearn Cap Ls Re	14575500	2050
146700		Accrued Int & Div Re	14670000	
146710	AW02	Div Rec Assoc Co	14571000	1020

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
146710	AW03	Div Rec Assoc Co	14571000	1033
146710	AW04	Div Rec Assoc Co	14571000	1014
146710	AW05	Div Rec Assoc Co	14571000	1015
146710	AW09	Div Rec Assoc Co	14571000	1025
146710	AW10	Div Rec Assoc Co	14571000	1010
146710	AW11	Div Rec Assoc Co	14571000	1011
146710	AW12	Div Rec Assoc Co	14571000	1012
146710	AW13	Div Rec Assoc Co	14571000	1013
146710	AW16	Div Rec Assoc Co	14571000	1016
146710	AW17	Div Rec Assoc Co	14571000	1017
146710	AW18	Div Rec Assoc Co	14571000	1018
146710	AW19	Div Rec Assoc Co	14571000	2019
146710	AW22	Div Rec Assoc Co	14571000	2022
146710	AW23	Div Rec Assoc Co	14571000	2023
146710	AW24	Div Rec Assoc Co	14571000	1024
146710	AW26	Div Rec Assoc Co	14571000	1026
146710	AW27	Div Rec Assoc Co	14571000	1027
146710	AW28	Div Rec Assoc Co	14571000	1028
146710	AW30	Div Rec Assoc Co	14571000	1030
146710	AW38	Div Rec Assoc Co	14571000	1038
146710	AW42	Div Rec Assoc Co	14571000	1027
146710	AW44	Div Rec Assoc Co	14571000	1044
146710	AW46	Div Rec Assoc Co	14571000	1046
146710	AW50	Div Rec Assoc Co	14571000	2050
146720	AWSI	Int Rec AWSI	14572000	2031
146720	AW02	Int Rec AW02	14572000	1020
146720	AW03	Int Rec AW03	14572000	1033
146720	AW04	Int Rec AW04	14572000	1014
146720	AW05	Int Rec AW05	14572000	1015
146720	AW09	Int Rec AW09	14572000	1025
146720	AW10	Int Rec AW10	14572000	1010
146720	AW11	Int Rec AW11	14572000	1011
146720	AW12	Int Rec AW12	14572000	1012
146720	AW13	Int Rec AW13	14572000	1013
146720	AW16	Int Rec AW16	14572000	1016
146720	AW17	Int Rec AW17	14572000	1017
146720	AW18	Int Rec AW18	14572000	1018
146720	AW19	Int Rec AW19	14572000	2019
146720	AW21	Int Rec AW21	14572000	1021
146720	AW22	Int Rec AW22	14572000	2022
146720	AW23	Int Rec AW23	14572000	2023
146720	AW24	Int Rec AW24	14572000	1024
146720	AW26	Int Rec AW26	14572000	1026
146720	AW27	Int Rec AW27	14572000	1027
146720	AW28	Int Rec AW28	14572000	1028
146720	AW30	Int Rec AW30	14572000	1030
146720	AW38	Int Rec AW38	14572000	1038
146720	AW42	Int Rec AW42	14572000	1027
146720	AW44	Int Rec AW44	14572000	1044
146720	AW46	Int Rec AW46	14572000	1046
146720	AW50	Int Rec AW50	14572000	2050
146720	EWC	Int Rec EWC	14572000	2031
146900		Curr Portion LT Rec	14690000	
147000		IC Rec/Pay Clearing	14610099	
151100		Plant Material	15110000	
151200		Fuel	15120000	
151300		Chemicals	15130000	
153000		Other Mat & Supplies	15140000	
163400		Other Special Deposi	16410000	
165100		Prepaid Taxes	16510000	
165200		Prepaid Insurance	16520000	
165300		Prepaid PUC/PSC Asse	16530000	
165400		Prepaid Audit Fees	16540000	
165500		Prepaid Other	16550000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
165500	010	Prepaid Other - Glob	16550010	
174100		Deferred Vacation Pa	18680101	
174200		Curr State Def Tax	25359000	
174300		Curr Fed Def Tax	25349000	
174400		Other Curr Assets	16420000	
181110		Unamort Debt Exp	18661000	
181111		Unamort Debt Exp Nol	18661000	
181112		Unamort Debt Exp Non	18715000	
181120	AW46	Unamort Debt AW46	18661500	1046
181121		Unamort Debt-In NoIA	18661500	
181121	AW46	Unamort Debt AW46 No	18661500	1046
181122	AW46	Unamort Debt AW46 No	18715500	1046
181512		Pref Stk Exp w/ mand	18662000	
182000		Deferred Rate Procee	18620000	
182000	001	Deferred Rate Procee	18620000	
183000		Prelim Survey & Inve	18713000	
183280		DEF-Customer Service	18680102	
183280	1	DDA-Cust Svc no IAS	18680102	
183281		DEF-Financial Servic	18680103	
183281	1	DDA-Fin SVC no IAS	18680103	
184001		ORCOM Adj Clearing	18790000	
184003		Interdistrict Cleari	10780150	
184004		Backhoe Clearing	10780100	
184005		Surcharge Clearing	18790000	
184100		Eng Clearing Dist OH	10780110	
184101		Eng Clearing Eng OH	10780120	
184102		Mngmt Study - AMR	10780130	
184103		Mngmt Study - Pipe A	10780140	
184199		Eng Clearing Reclass	18790000	
185110		RWIP History	25710000	
185110	11	RWIP History	25710000	
185110	21	RWIP History	25710000	
185110	31	RWIP History	25710000	
185125		RWIP Permits, Fees &	25710000	
185125	11	RWIP Permits, Fees &	25710000	
185125	21	RWIP Permits, Fees &	25710000	
185125	31	RWIP Permits, Fees &	25710000	
185150		RWIP M & S and Purch	25710000	
185150	11	RWIP M & S and Purch	25710000	
185150	21	RWIP M & S and Purch	25710000	
185150	31	RWIP M & S and Purch	25710000	
185175		RWIP Professional Se	25710000	
185175	11	RWIP Professional Se	25710000	
185175	21	RWIP Professional Se	25710000	
185175	31	RWIP Professional Se	25710000	
185200		RWIP Co Labor	25710000	
185200	11	RWIP Co Labor	25710000	
185200	21	RWIP Co Labor	25710000	
185200	31	RWIP Co Labor	25710000	
185250		RWIP Co Labor OH	25710000	
185250	11	RWIP Co Labor OH	25710000	
185250	21	RWIP Co Labor OH	25710000	
185250	31	RWIP Co Labor OH	25710000	
185260		RWIP Indirect Labor	25710000	
185260	11	RWIP Indirect Labor	25710000	
185260	21	RWIP Indirect Labor	25710000	
185260	31	RWIP Indirect Labor	25710000	
185270		RWIP Service Company	25710000	
185270	11	RWIP Service Company	25710000	
185270	21	RWIP Service Company	25710000	
185270	31	RWIP Service Company	25710000	
185275		RWIP Contracted Serv	25710000	
185275	11	RWIP Contracted Serv	25710000	
185275	21	RWIP Contracted Serv	25710000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
185275	31	RWIP Contracted Serv	25710000	
185280		RWIP Retainage	25710000	
185280	11	RWIP Retainage	25710000	
185280	21	RWIP Retainage	25710000	
185280	31	RWIP Retainage	25710000	
185300		RWIP Paving	25710000	
185300	11	RWIP Paving	25710000	
185300	21	RWIP Paving	25710000	
185300	31	RWIP Paving	25710000	
185315		RWIP Salvage	25710000	
185315	11	RWIP Salvage	25710000	
185315	21	RWIP Salvage	25710000	
185315	31	RWIP Salvage	25710000	
185320		RWIP Scrap Meters	25710000	
185320	11	RWIP Scrap Meters	25710000	
185320	21	RWIP Scrap Meters	25710000	
185320	31	RWIP Scrap Meters	25710000	
185322		RWIP Scrap Misc	25710000	
185322	11	RWIP Scrap Misc	25710000	
185322	21	RWIP Scrap Misc	25710000	
185322	31	RWIP Scrap Misc	25710000	
185325		RWIP Salvage Ins Rec	25710000	
185325	11	RWIP Salvage Ins Rec	25710000	
185325	21	RWIP Salvage Ins Rec	25710000	
185325	31	RWIP Salvage Ins Rec	25710000	
185330		RWIP Salvage Rtrn St	25710000	
185330	11	RWIP Salvage Rtrn St	25710000	
185330	21	RWIP Salvage Rtrn St	25710000	
185330	31	RWIP Salvage Rtrn St	25710000	
185335		RWIP Salvage Trade-I	25710000	
185335	11	RWIP Salvage Trade-I	25710000	
185335	21	RWIP Salvage Trade-I	25710000	
185335	31	RWIP Salvage Trade-I	25710000	
185340		RWIP Sale	25710000	
185340	11	RWIP Sale	25710000	
185340	21	RWIP Sale	25710000	
185340	31	RWIP Sale	25710000	
185950		RWIP Reg Liab Reclas	25710000	
185999		RWIP Clear Removal &	25710000	
185999	11	RWIP Clear Removal &	25710000	
185999	21	RWIP Clear Removal &	25710000	
185999	31	RWIP Clear Removal &	25710000	
186030		Reg Asset-AFUDC-Eq-C	18503000	
186035		Reg Asset-AFUDC-Equi	18503500	
186040		Reg Asset-Plt Flow-D	18504000	
186045		Reg Asset-Other	18504500	
186050		Reg Asset-St Flow Th	18505000	
186051		Reg Asset-St Tax Chg	18505100	
186055		Reg Asset-Accum Amor	18505500	
186060		Reg Asset-Recl Reg L	18506000	
186250		Reg Asset-Cost of Re	18680000	
186250	RWIP	Reg Asset-Cost of Re	18680000	
186401		DDA-Programmed Maint	18610000	
186407		DDA-Def Service Co O	18632000	
186408		DDA-Def Service Co P	18642000	
186411		DDA-Sick Bank	18680111	
186413		DDA-Def Purch Water	18680113	
186417		DDA-Def PBOP	18631000	
186418		RA - PBOP	18631000	
186419		RA - Pension	18641000	
186420		DDA-PBOP - Internal Reserve	18631000	
186421		DDA-Pension - Internal Reserve	18641000	
186422		DDA-Pension Payment	18641000	
186423		Pension & PBOP Amortization	18631000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
186424		FAS 88 Costs (pension)	18641000	
186425		FAS 158 Costs (combined)	18631000	
186426		DDA-FAS 112 Costs	18680126	
186427		DDA-Trmt Plnt (PA &	18680127	
186428		RA - PBOP tracker	18631000	
186429		RA - Pension tracker	18641000	
186431		DDA-Depreciation Stu	18680131	
186432		DDA-Cost of Service	18680132	
186434		DDA-Post In-Svc AFUD	18680134	
186435		DDA-Post In-Svc Depr	18680135	
186436		DDA-Env Remediation	18680136	
186437		DDA-Rental Costs	18680137	
186440		MPWMD User Fee	18680140	
186441		Oper Energy Efficien	18680141	
186442		Cease & Desist Order	18680142	
186444		DDA-Waste Disposal	18680144	
186445		Reg Asset-Accr Rev S	18680145	
186447		Reg Asset-Low Inc Cust Data Sharing	18680147	
186453		DDA-Management Study	18680154	
186460		Santa Rosa Groundwat	18680160	
186462		Regulatory-Acquisiti	18680162	
186463		Reg Asset-DSIC Surch	18680163	
186464		DDA-Low Income Progr	18680164	
186465		Interim Rates	18680165	
186466		Water Rev Adj Mechan	18680166	
186467		CA - San Clemente Da	18680167	
186467	001	CA - San Clemente Da	18680170	
186467	002	CA - San Clemente Da	18680170	
186467	003	CA - San Clemente Da	18680170	
186467	004	CA - San Clemente Da	18680170	
186467	005	CA - San Clemente Da	18680170	
186468		Conservation Surchar	18680168	
186469		Reg Asset-Engineerin	18680169	
186491		DDA-PSTAC Differenti	18680191	
186492		DDA-Add'l Security C	18680192	
186494		DDA-Conservation Bal	18680194	
186495		DDA-Pur Pwr & Wtr Ba	18680195	
186495	001	DDA-Pur Pwr & Wtr Ba	18680195	
186496		DDA-Carmel River Dam	18680196	
186497		DDA-CWP Precon Srchg	18680197	
186498		DDA-Seaside GW Basin	18680198	
186499		DDA-End Spcies Act (18680199	
186500		Authorized Balancing Acct	18680200	
186500	001	Authorized Balancing Acct	18680200	
186500	002	Authorized Balancing Acct	18680200	
186500	003	Authorized Balancing Acct	18680200	
186500	004	Authorized Balancing Acct	18680200	
186500	005	Authorized Balancing Acct	18680200	
186510		Water Action Plan-Memo Acct	18680210	
186596		DDA-Oth Reg Asset In	18689900	
186597	001	Memo Acct-Phase 1 AS	18680151	
186597	002	Memo Acct-Seaside AS	18680152	
186597	003	Memo Acct-Patton Wel	18680153	
186598		DDA-Oth Reg Assets	18689900	
186598	1	DDA-Oth Reg Asset Interv Sur	18689900	
186598	001	DDA-Oth Reg Asset Intervenor Surcharge	18689900	
186600		DDN-Premium Accum Am	18650000	
186702		DDN-Asset Premium	18650000	
186713		DDN-Def Water Billin	18689900	
186751		Cap Stock & Franchis	18689900	
186898		DDN-Oth LT Assets	18790000	
187000		Research & Developme	18790000	
187003		SERP Trust	18712000	
187007		Prelim Financing E	18711000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
187008		Prelim Costs Prop	18790000	
187011		DDN-Funds Restr for	18800000	
187550		LT Asset Swap Contra	18720000	
187598		Other LT Asset	18790000	
190100		Accum Def FIT	25319000	
190200		Accum Def SIT	25329000	
201100		Com Stk Subs Min Int	20110000	
201200	AWSI	Com Stk Subs AWSI	20120000	2031
201200	AW02	Com Stk Subs AW02	20120000	1020
201200	AW27	Com Stk Subs AW27	20120000	1027
201200	AW28	Com Stk Subs AW28	20120000	1028
201300		Com Stk AWW	20130000	
205110		Prem C/S Sub Min Int	20510000	
205120	AW02	Prem C/S Sub AW02	20520000	1020
205120	AW28	Prem C/S Sub AW28	20520000	1028
205130		Prem C/S AWW	20530000	
205140		Prem P/S Sub Min Int	20510000	
205140	AW02	Prem P/S Sub Min AW0	20510000	
205150	AW02	Prem P/S Sub AW02	20520000	1020
205175	AW02	Donations Stkhld AW0	20520000	1020
205200	AW02	Reduct in par AW02	20520000	1020
205300	AW02	Gain on Res/Can AW02	20520000	1020
205310		Gain on Res/Can min	20510000	
205420		PIC-AWW Restricted S	20530100	
205425		PIC-AWW Options	20530200	
205426		PIC-AWW RSU's	20530300	
205427		PIC-AWW Treasury Stk	20530400	
205428		PIC-AWW ESPP	20530500	
205429		PIC-AWW Tax Windfall	20530700	
205430		PIC-AWW DRIP PLAN	20530600	
205440		Misc PIC Interco	20520000	
205440	AWSI	Misc PIC AWSI	20520000	2031
205440	AW02	Misc PIC AW02	20520000	1020
205440	AW90	Misc PIC AW90	20520000	1090
205480		Capital Stk Exp AWW	20540000	
210100		Appropriated	21024000	
210210	AW02	R/E at Acq AW02	21021000	1020
210210	AW90	R/E at Acq AW90	21021000	1090
210240		R/E Since Acquisitio	21024000	
212100		Treasury stock	21200000	
213100		Accu Comprehensive I	21300000	
215111		Pref Stk-Mand ST	21550000	
215113		Pref Stk-Mand LT	21510000	
215114		Pref Stk-Mand LT Upl	21510100	
215410		Pref Stk Sub Outside	21410000	
215420	AW02	Pref Stk Sub In AW02	21420000	1020
215420	AW28	Pref Stk Sub In AW28	21420000	1028
221110		Bonds-Outside	22110000	
221115		Bonds Out FV Uplift	22110100	
221116		Bonds-out FV Hedge	22110200	
221120	AW46	Bonds-Inside AW46	22115000	1046
224100		Cap Lease Oblig-Out	22130000	
224200	AW21	Cap Lease Oblig AW21	22135000	1021
224200	AW80	Cap Lease Oblig AW80	22135000	1080
231100		Notes Pay/Bank Debt	23110000	
231105		Notes Pay-CP Discoun	23110500	
231200	AW02	Notes Pay I/HBank AW	23120000	1020
231200	AW05	Notes Pay I/HBank AW	23120000	1015
231200	AW11	Notes Pay I/HBank AW	23120000	1011
231200	AW13	Notes Pay I/HBank AW	23120000	1013
231200	AW17	Notes Pay I/HBank AW	23120000	1017
231200	AW18	Notes Pay I/HBank AW	23120000	1018
231200	AW22	Notes Pay I/HBank AW	23120000	2022
231200	AW24	Notes Pay I/HBank AW	23120000	1024

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
231200	AW26	Notes Pay I/HBank AW	23120000	1026
231200	AW27	Notes Pay I/HBank AW	23120000	1027
231200	AW30	Notes Pay I/HBank AW	23120000	1030
231200	AW44	Notes Pay I/HBank AW	23120000	1044
231200	AW46	Notes Pay I/HBank AW	23120000	1046
231200	AW50	Notes Pay I/HBank AW	23120000	2050
231200	TWNC	Notes Pay I/HBank TW	23120000	1091
231202	AWM	Notes Pay AWM	23120000	2064
231202	AWSI	Notes Pay AWSI	23120000	2031
231202	AW02	Notes Pay AW02	23120000	1020
231202	AW21	Notes Pay AW21	23120000	1021
231202	AW46	Notes Pay AW46	23120000	1046
231202	AW51	Notes Pay AW51	23120000	1051
231202	AW54	Notes Pay AW54	23120000	2054
231202	AW55	NOTES PAY AW55	23120000	2055
231202	AW56	Notes Pay AW56	23120000	2056
231202	AW57	Notes Pay AW57	23120000	1057
231202	AW65	Notes Pay AW65	23120000	1090
231202	AW80	Notes Pay AW80	23120000	1080
231202	AW85	Notes Pay ACUS	23120000	1090
231202	AW87	Notes Pay AW87	23120000	1090
231202	SLPP	Notes Pay SLPP	23120000	1021
231202	TWNC	Notes Pay TWNC	23120000	1090
231300		Notes Pay/Credit Lin	23130000	
232100		Curr Portion LTD-Out	22210000	
232200	AW46	Curr Portion LTD-AW4	22215000	1046
232300		Curr Cap Lease Oblig	22230000	
232400	AW21	Curr Cap Lease AW21	22235000	1021
232400	AW80	Curr Cap Lease AW80	22235000	1080
234100		Accts Pay-Gen System	23410000	
234110		Accts Pay-Pcard	23411000	
234114		Accts Pay-Gcard Clea	23411400	
234115		Accts Pay-Pcard Clea	23411500	
234120		Accts Pay-Utility Bi	23412000	
234125		Accts Pay-Phone Bill	23412500	
234200		Accts Pay-Contract R	23420000	
234300		Accts Pay-Misc	23430000	
234300	002	Accts Pay-Misc W/O's	23435000	
234300	006	Accts Pay-Wrkbskt Ac	23430600	
234300	007	Accts Pay-Pcard Accr	23430700	
234300	008	Accts Pay-I/C Loan C	23129000	
234300	009	Accts Pay-PNC IC Loa	23430900	
234300	010	Acct Pay-Misc Global	23431000	
234350		Accts Pay-Proj Exp A	23435000	
234400	AW03	Accts Pay-AW03	23520000	1033
234400	AW22	Accts Pay-AW22	23510000	2022
234500		Accts Pay-Assoc Cos	23510000	1020
234500	AWM	Accts Pay AWM	23510000	2064
234500	AWS	Accts Pay AWS	23510000	2031
234500	AWSI	Accts Pay AWS	23510000	2031
234500	AWW	Accts Pay AWW	23510000	1020
234500	AWWM	Accts Pay AWWM	23510000	1018
234500	AW02	Accts Pay AW02	23510000	1020
234500	AW03	Accts Pay AW03	23510000	1033
234500	AW04	Accts Pay AW04	23510000	1014
234500	AW05	Accts Pay AW05	23510000	1015
234500	AW09	Accts Pay AW09	23510000	1025
234500	AW10	Accts Pay AW10	23510000	1010
234500	AW11	Accts Pay AW11	23510000	1011
234500	AW12	Accts Pay AW12	23510000	1012
234500	AW13	Accts Pay AW13	23510000	1013
234500	AW16	Accts Pay AW16	23510000	1016
234500	AW17	Accts Pay AW17	23510000	1017
234500	AW18	Accts Pay AW18	23510000	1018

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
234500	AW19	Accts Pay AW19	23510000	2019
234500	AW22	Accts Pay AW22	23510000	2022
234500	AW23	Accts Pay AW23	23510000	2023
234500	AW24	Accts Pay AW24	23510000	1024
234500	AW26	Accts Pay AW26	23510000	1026
234500	AW27	Accts Pay AW27	23510000	1027
234500	AW28	Accts Pay AW28	23510000	1028
234500	AW30	Accts Pay AW30	23510000	1030
234500	AW38	Accts Pay AW38	23510000	1038
234500	AW42	Accts Pay AW42	23510000	1027
234500	AW44	Accts Pay AW44	23510000	1044
234500	AW46	Accts Pay AW46	23510000	1046
234500	AW50	Accts Pay AW50	23510000	2050
234500	AW51	Accts Pay AW52	23510000	1051
234500	AW54	Accts Pay AW54	23510000	2054
234500	AW55	Accts Pay AW55	23510000	2055
234500	AW56	Accts Pay AW56	23510000	2056
234500	AW57	Accts Pay AW57	23510000	1057
234500	AW80	Accts Pay AW80	23510000	1080
234500	AW85	Accts Pay Ashbrook	23510000	1090
234500	AW87	Accts Pay Hydro	23510000	1090
234500	SLPP	Accts Pay SLPP	23510000	1021
234500	TWNA	Accts Pay TWNA	23510000	1091
234500	TWNC	Accts Pay TWNC	23510000	1090
234520	AWM	A/P Div Equiv AWM	23510500	2064
234520	AWSI	A/P Div Equiv AWSI	23510500	2031
234520	AW02	A/P Div Equiv AW02	23510500	1020
234520	AW03	A/P Div Equiv AW03	23510500	1033
234520	AW05	A/P Div Equiv AW05	23510500	1015
234520	AW09	A/P Div Equiv AW09	23510500	1025
234520	AW10	A/P Div Equiv AW10	23510500	1010
234520	AW11	A/P Div Equiv AW11	23510500	1011
234520	AW12	A/P Div Equiv AW12	23510500	1012
234520	AW17	A/P Div Equiv AW17	23510500	1017
234520	AW18	A/P Div Equiv AW18	23510500	1018
234520	AW21	A/P Div Equiv AW21	23510500	1021
234520	AW22	A/P Div Equiv AW22	23510500	2022
234520	AW23	A/P Div Equiv AW23	23510500	2023
234520	AW24	A/P Div Equiv AW24	23510500	1024
234520	AW26	A/P Div Equiv AW26	23510500	1026
234520	AW28	A/P Div Equiv AW28	23510500	1028
234520	AW38	A/P Div Equiv AW38	23510500	1038
234520	SLPP	A/P Div Equiv	23510500	2031
234530	AWSI	RSU Issue Payable	23510000	2031
234530	AW03	RSU Issue Payable	23510000	1033
234530	AW05	RSU Issue Payable	23510000	1015
234530	AW09	RSU Issue Payable	23510000	1025
234530	AW10	RSU Issue Payable	23510000	1010
234530	AW11	RSU Issue Payable	23510000	1011
234530	AW12	RSU Issue Payable	23510000	1012
234530	AW13	RSU Issue Payable	23510000	1013
234530	AW16	RSU Issue Payable	23510000	1016
234530	AW17	RSU Issue Payable	23510000	1017
234530	AW18	RSU Issue Payable	23510000	1018
234530	AW19	RSU Issue Payable	23510000	2019
234530	AW22	RSU Issue Payable	23510000	2022
234530	AW23	RSU Issue Payable	23510000	2023
234530	AW24	RSU Issue Payable	23510000	1024
234530	AW26	RSU Issue Payable	23510000	1026
234530	AW27	RSU Issue Payable	23510000	1027
234530	AW28	RSU Issue Payable	23510000	1028
234530	AW30	RSU Issue Payable	23510000	1030
234530	AW38	RSU Issue Payable	23510000	1038
234530	AW42	RSU Issue Payable	23510000	1027

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
234530	AW44	RSU Issue Payable	23510000	1044
234530	AW50	RSU Issue Payable	23510000	2050
234530	SLPP	RSU Issue Payable	23510000	2031
236110		Gross Inc & Receipts	23651000	
236111		Gross Receipts - Inc	23651100	
236120		FUTA	23652000	
236130		FICA	23652100	
236140		SUTA	23652200	
236144		Payroll Tax Clearing	23652300	
236151		Gen Tax - Property	23653000	
236152		Gen Tax - Sales/Use	23654000	
236153		Gen Tax - Franchise	23654100	
236154		Gen Tax - PURTA	23654200	
236155		Gen Tax - Capital St	23654300	
236155	001	Gen tax - Capital St	23654300	
236157		Franchise Tax - Inco	23654110	
236158		Capital Stock - Inc Tax	23654310	
236170		Gen Tax - Other	23659000	
236210		Accr FIT - Current Y	23621000	
236214		Accr FIT-CY-Unitary	23621500	
236220		Accr FIT - Pr Yrs	23622000	
236224		Accr FIT-Pr Yrs-Unit	23622500	
236230		Accr SIT - Current Y	23631000	
236234		Accr SIT-CY-Unitary	23631500	
236240		Accr SIT - Pr Yrs	23632000	
236244		Accr SIT-Pr Yrs-Unit	23632500	
236310		Curr Def FIT	25340000	
236320		Curr Def SIT/LIT	25350000	
237200		Int Accr-LTD-Outside	23720000	
237300	AWSI	Int Accr-LTD-AWSI	23730000	2031
237300	AW02	Int Accr-LTD-AW02	23730000	1020
237300	AW46	Int Accr-LTD-AW46	23730000	1046
237300	TWNC	Int Accr-LTD-TWNC	23730000	1090
237500		Int Accr-Other Liab	23750000	
237520		Int Accr-Bank Debt	23750000	
238010		Current Customer Dep	24126400	
240120	AW02	Div Decl-Pref Stk AW	24122850	1020
240120	AW28	Div Decl-Pref Stk AW	24122850	1028
240130		Div Decl-Com Stk Out	24122900	
240140	AW02	Div Decl-Com Stk AW0	24122850	1020
241100		Accrued Vacation Pay	24120000	
241201		Accr Water Purchases	24120100	
241202		Accr Power	24120200	
241203		Accr Legal	24120300	
241204		Accrue Audit	24199900	
241206		Accr Wages	24120600	
241207		Accr Insurance	24120700	
241207	01	Life Insurance Empl	24142009	
241208		Accr Rents	24120800	
241210		Accr Waste Disposal	24121000	
241211		Accr Retiree Medical	24121100	
241212		Accr DCP Contributio	24121200	
241214		Accr Bank Fees	24121400	
241215		Accr Credit Lines Fe	24121500	
241218		Accr Severance	24121800	
241220	AL	WH PR-Tax Coll SIT A	24142100	
241220	AZ	WH PR-Tax Coll SIT A	24142100	
241220	CA	WH PR-Tax Coll SIT C	24142100	
241220	CT	WH PR-Tax Coll SIT C	24142100	
241220	DC	WH PR-Tax Coll SIT D	24142100	
241220	DE	WH PR-Tax Coll SIT D	24142100	
241220	GA	WH PR-Tax Coll SIT G	24142100	
241220	HI	WH PR-Tax Coll SIT H	24142100	
241220	IA	WH PR-Tax Coll SIT I	24142100	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
241220	IL	WH PR-Tax Coll SIT I	24142100	
241220	IN	WH PR-Tax Coll SIT I	24142100	
241220	KS	WH PR-Tax Coll SIT K	24142100	
241220	KY	WH PR-Tax Coll SIT K	24142100	
241220	MA	WH PR-Tax Coll SIT M	24142100	
241220	MD	WH PR-Tax Coll SIT M	24142100	
241220	ME	WH PR-Tax Coll SIT M	24142100	
241220	MI	WH PR-Tax Coll SIT M	24142100	
241220	MO	WH PR-Tax Coll SIT M	24142100	
241220	NJ	WH PR-Tax Coll SIT N	24142100	
241220	NM	WH PR-Tax Coll SIT N	24142100	
241220	NY	WH PR-Tax Coll SIT N	24142100	
241220	OH	WH PR-Tax Coll SIT O	24142100	
241220	OK	WH PR-Tax Coll SIT O	24142100	
241220	PA	WH PR-Tax Coll SIT P	24142100	
241220	SC	WH PR-Tax Coll SIT S	24142100	
241220	TN	WH PR-Tax Coll SIT T	24142100	
241220	TX	WH PR-Tax Coll SIT T	24142100	
241220	VA	WH PR-Tax Coll SIT V	24142100	
241220	WI	WH PR-Tax Coll SIT V	24142100	
241220	WV	WH PR-Tax Coll SIT W	24142100	
241220	001	WH PR-Union Dues	24142001	
241220	002	WH PR-Charity Contri	24142002	
241220	005	WH PR-Flex Spending	24142005	
241220	006	WH PR-401k Contribut	24142006	
241220	008	WH PR-Garnishments	24142008	
241220	010	WH PR-Tax Coll Pay F	24142010	
241220	011	WH PR-Tax Coll Pay S	24142011	
241220	012	WH PR-Tax Coll Pay L	24142012	
241220	013	WH PR-Tax Coll Pay F	24142013	
241220	014	WH PR-ESPP	24142014	
241220	999	WH PR-Miscellaneous	24142099	
241225		Refund Rates Under B	24122500	
241226		Accr Safety Incentiv	24122600	
241227		Accr Employer 401k M	24122700	
241228		Accrued PFD Div Requ	24122800	
241228	002	Accr PFD Div w/ mand	23740000	
241229		Accr Construction Co	24123100	
241230		Unclaimed Credits Pa	24133000	
241231		Unclaimed Dividends	24133200	
241232		Outstanding Checks P	24133200	
241233		Unclaimed Wages	24133300	
241234		Unclaimed Ext Dep Re	24133200	
241236		Unbilled Items-Syste	24169999	
241237		Unbilled Stock C-Sys	24169999	
241238		Unbilled Stock E-Sys	24169999	
241241		CFO-Miscellaneous	24171000	
241241	001	CFO-Cust Assist	24171001	
241241	002	CFO-Pennvest	24171000	
241241	003	CFO-AZ Water Use Tax	24171000	
241241	004	CFO-AZ PUC/ACC Asses	24171000	
241241	005	CFO-Cust Asst NonPle	24171005	
241241	006	CFO-Cust Asst Pledge	24171006	
241241	007	CFO-AZ Withdraw Fee	24171000	
241241	008	CFO-AZ Impost Fee	24171000	
241241	009	CFO-MO Primacy fees	24171009	
241241	010	CFO-MO Primacy Fees	24171009	
241241	011	CFO-NJ Wheeling Fee	24171000	
241241	012	CFO-PA Valley Twnshp Conveyance	24171000	
241244		CFO-Sales Tax	24172000	
241244	001	CFO Sales Tax-MO Bal	24172000	
241244	002	CFO Sales Tax-MO Bel	24172000	
241244	003	CFO Sales Tax-MO BF	24172000	
241244	004	CFO Sales Tax-MO Bri	24172000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
241244	005	CFO Sales Tax-MO Bev	24172000	
241244	006	CFO Sales Tax-MO Bla	24172000	
241244	007	CFO Sales Tax-MO Bre	24172000	
241244	008	CFO Sales Tax-MO Ber	24172000	
241244	009	CFO Sales Tax-MO Bel	24172000	
241244	010	CFO Sales Tax-MO Bel	24172000	
241244	011	CFO Sales Tax-MO Bel	24172000	
241244	012	CFO Sales Tax-MO Bre	24172000	
241244	013	CFO Sales Tax-MO Cre	24172000	
241244	014	CFO Sales Tax-MO Che	24172000	
241244	015	CFO Sales Tax-MO Cha	24172000	
241244	016	CFO Sales Tax-MO Cla	24172000	
241244	017	CFO Sales Tax-MO Ctr	24172000	
241244	018	CFO Sales Tax-MO Cha	24172000	
241244	019	CFO Sales Tax-MO Ctr	24172000	
241244	020	CFO Sales Tax-MO Cry	24172000	
241244	021	CFO Sales Tax-MO Cla	24172000	
241244	022	CFO Sales Tax-MO Coo	24172000	
241244	023	CFO Sales Tax-MO Cre	24172000	
241244	024	CFO Sales Tax-MO Des	24172000	
241244	025	CFO Sales Tax-MO Del	24172000	
241244	026	CFO Sales Tax-MO Edm	24172000	
241244	027	CFO Sales Tax-MO Ell	24172000	
241244	028	CFO Sales Tax-MO Fer	24172000	
241244	029	CFO Sales Tax-MO Flo	24172000	
241244	030	CFO Sales Tax-MO Flo	24172000	
241244	031	CFO Sales Tax-MO Fen	24172000	
241244	032	CFO Sales Tax-MO Fro	24172000	
241244	033	CFO Sales Tax-MO Gle	24172000	
241244	034	CFO Sales Tax-MO Gre	24172000	
241244	035	CFO Sales Tax-MO Gre	24172000	
241244	036	CFO Sales Tax-MO Gra	24172000	
241244	037	CFO Sales Tax-MO Hil	24172000	
241244	038	CFO Sales Tax-MO Han	24172000	
241244	039	CFO Sales Tax-MO Hun	24172000	
241244	040	CFO Sales Tax-MO Haz	24172000	
241244	041	CFO Sales Tax-MO Jen	24172000	
241244	042	CFO Sales Tax-MO Kin	24172000	
241244	043	CFO Sales Tax-MO Kir	24172000	
241244	044	CFO Sales Tax-MO Lad	24172000	
241244	045	CFO Sales Tax-MO Lak	24172000	
241244	046	CFO Sales Tax-MO Mol	24172000	
241244	047	CFO Sales Tax-MO Mar	24172000	
241244	048	CFO Sales Tax-MO Man	24172000	
241244	049	CFO Sales Tax-MO Mar	24172000	
241244	050	CFO Sales Tax-MO Map	24172000	
241244	051	CFO Sales Tax-MO Nor	24172000	
241244	052	CFO Sales Tax-MO Nor	24172000	
241244	053	CFO Sales Tax-MO Oak	24172000	
241244	054	CFO Sales Tax-MO Oli	24172000	
241244	055	CFO Sales Tax-MO Ove	24172000	
241244	056	CFO Sales Tax-MO Pag	24172000	
241244	057	CFO Sales Tax-MO Pee	24172000	
241244	058	CFO Sales Tax-MO Pas	24172000	
241244	059	CFO Sales Tax-MO Pin	24172000	
241244	060	CFO Sales Tax-MO Pas	24172000	
241244	061	CFO Sales Tax-MO Ric	24172000	
241244	062	CFO Sales Tax-MO Roc	24172000	
241244	063	CFO Sales Tax-MO Riv	24172000	
241244	064	CFO Sales Tax-MO St	24172000	
241244	065	CFO Sales Tax-MO Shr	24172000	
241244	066	CFO Sales Tax-MO St	24172000	
241244	067	CFO Sales Tax-MO Sun	24172000	
241244	068	CFO Sales Tax-MO St	24172000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
241244	069	CFO Sales Tax-MO Syc	24172000	
241244	070	CFO Sales Tax-MO Tow	24172000	
241244	071	CFO Sales Tax-MO Twi	24172000	
241244	072	CFO Sales Tax-MO Uni	24172000	
241244	073	CFO Sales Tax-MO Upl	24172000	
241244	074	CFO Sales Tax-MO St	24172000	
241244	075	CFO Sales Tax-MO Vel	24172000	
241244	076	CFO Sales Tax-MO Val	24172000	
241244	077	CFO Sales Tax-MO Vin	24172000	
241244	078	CFO Sales Tax-MO Vin	24172000	
241244	079	CFO Sales Tax-MO Vel	24172000	
241244	080	CFO Sales Tax-MO Win	24172000	
241244	081	CFO Sales Tax-MO Wes	24172000	
241244	082	CFO Sales Tax-MO Web	24172000	
241244	083	CFO Sales Tax-MO Wil	24172000	
241244	084	CFO Sales Tax-MO Wel	24172000	
241244	085	CFO Sales Tax-MO Wil	24172000	
241244	086	CFO Sales Tax-MO Woo	24172000	
241244	087	CFO Sales Tax-MO War	24172000	
241244	088	CFO Sales Tax-MO Jef	24172000	
241244	089	CFO Sales Tax-MO Jef	24172000	
241244	090	CFO Sales Tax-Glen E	24172000	
241244	091	CFO Sales Tax-Makenz	24172000	
241244	092	CFO Sales Tax-Norwoo	24172000	
241244	093	CFO Sales Tax-AZ Buc	24172000	
241244	094	CFO Sales Tax-AZ Bul	24172000	
241244	095	CFO Sales Tax-AZ Goo	24172000	
241244	096	CFO Sales Tax-AZ Peo	24172000	
241244	097	CFO Sales Tax-AZ Sur	24172000	
241244	098	CFO Sales Tax-AZ You	24172000	
241244	099	CFO Sales Tax-AZ PV	24172000	
241244	100	CFO Sales Tax-AZ Sco	24172000	
241244	101	CFO Sales Tax-AZ MaC	24172000	
241244	102	CFO Sales Tax-AZ MC	24172000	
241244	103	CFO Sales Tax-AZ SCr	24172000	
241244	104	CFO Sales Tax-MO Lin	24172000	
241244	105	CFO Sales Tax-MO War	24172000	
241244	106	CFO-Sales Tax MO Cal	24172000	
241244	107	CFO Sales Tax-MO Lom	24172000	
241244	108	CFO-Sales Tax	24172000	
241244	110	CFO-Sales Tax	24172000	
241244	111	CFO-Sales Tax MO Calverton Park/hydrant permit	24172000	
241244	038001	CFO Sales Tax AZ	24172001	
241244	038003	CFO Sales Tax CA Chu	24172002	
241244	038005	CFO Sales Tax CA Sac	24172003	
241244	038006	CFO Sales Tax CA San	24172004	
241244	038011	CFO Sales Tax FL	24172005	
241244	038013	CFO Sales Tax Pensacola	24172005	
241244	038014	CFO Sales Tax IL Bel	24172006	
241244	038017	CFO Sales Tax IL Alt	24172007	
241244	038020	CFO Sales Tax IL Chi	24172008	
241244	038022	CFO Sales Tax IN	24172009	
241244	038025	CFO Sales Tax KY	24172010	
241244	038028	CFO Sales Tax MO	24172011	
241244	038031	CFO Sales Tax NJ	24172012	
241244	038037	CFO Sales Tax Voorhees - LOP	24172012	
241244	038039	CFO Sales Tax Mt. Laurel	24172012	
241244	038044	CFO Sales Tax Voorhees - CITE BT	24172012	
241244	038045	CFO Sales Tax Voorhees - CITE ITS Client	24172012	
241244	038050	CFO Sales Tax PA	24172013	
241244	038053	CFO Sales Tax TN	24172014	
241244	038054	CFO Sales Tax WV	24172015	
241246		CFO-Gross Rcts Tax	24173000	
241246	001	CFO Gr Rec Tax	24173000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
241246	002	CFO Gr Rec Tax-MO BF	24173000	
241246	003	CFO Gr Rec Tax-MO Br	24173000	
241246	004	CFO Gr Rec Tax-MO Be	24173000	
241246	005	CFO Gr Rec Tax-MO Be	24173000	
241246	006	CFO Gr Rec Tax-MO Be	24173000	
241246	007	CFO Gr Rec Tax-MO Br	24173000	
241246	008	CFO Gr Rec Tax-MO Cr	24173000	
241246	009	CFO Gr Rec Tax-MO Ch	24173000	
241246	010	CFO Gr Rec Tax-MO Ch	24173000	
241246	011	CFO Gr Rec Tax-MO Ct	24173000	
241246	012	CFO Gr Rec Tax-MO Cr	24173000	
241246	013	CFO Gr Rec Tax-MO Cl	24173000	
241246	014	CFO Gr Rec Tax-MO Co	24173000	
241246	015	CFO Gr Rec Tax-MO Cr	24173000	
241246	016	CFO Gr Rec Tax-MO De	24173000	
241246	017	CFO Gr Rec Tax-MO De	24173000	
241246	018	CFO Gr Rec Tax-MO El	24173000	
241246	019	CFO Gr Rec Tax-MO Fe	24173000	
241246	020	CFO Gr Rec Tax-MO Fl	24173000	
241246	021	CFO Gr Rec Tax-MO Fl	24173000	
241246	022	CFO Gr Rec Tax-MO Fe	24173000	
241246	023	CFO Gr Rec Tax-MO Fr	24173000	
241246	024	CFO Gr Rec Tax-MO Gl	24173000	
241246	025	CFO Gr Rec Tax-MO Gr	24173000	
241246	026	CFO Gr Rec Tax-MO Gr	24173000	
241246	027	CFO Gr Rec Tax-MO Ha	24173000	
241246	028	CFO Gr Rec Tax-MO Je	24173000	
241246	029	CFO Gr Rec Tax-MO Ki	24173000	
241246	030	CFO Gr Rec Tax-MO Ki	24173000	
241246	031	CFO Gr Rec Tax-MO La	24173000	
241246	032	CFO Gr Rec Tax-MO La	24173000	
241246	033	CFO Gr Rec Tax-MO Mo	24173000	
241246	034	CFO Gr Rec Tax-MO Ma	24173000	
241246	035	CFO Gr Rec Tax-MO MD	24173000	
241246	036	CFO Gr Rec Tax-MO Ma	24173000	
241246	037	CFO Gr Rec Tax-MO No	24173000	
241246	038	CFO Gr Rec Tax-MO No	24173000	
241246	039	CFO Gr Rec Tax-MO Oa	24173000	
241246	040	CFO Gr Rec Tax-MO Ol	24173000	
241246	041	CFO Gr Rec Tax-MO Ov	24173000	
241246	042	CFO Gr Rec Tax-MO Pa	24173000	
241246	043	CFO Gr Rec Tax-MO Pa	24173000	
241246	044	CFO Gr Rec Tax-MO Pi	24173000	
241246	045	CFO Gr Rec Tax-MO Ri	24173000	
241246	046	CFO Gr Rec Tax-MO Ro	24173000	
241246	047	CFO Gr Rec Tax-MO St	24173000	
241246	048	CFO Gr Rec Tax-MO Sh	24173000	
241246	049	CFO Gr Rec Tax-MO Su	24173000	
241246	050	CFO Gr Rec Tax-MO St	24173000	
241246	051	CFO Gr Rec Tax-MO To	24173000	
241246	052	CFO Gr Rec Tax-MO Un	24173000	
241246	053	CFO Gr Rec Tax-MO St	24173000	
241246	054	CFO Gr Rec Tax-MO Va	24173000	
241246	055	CFO Gr Rec Tax-MO Vi	24173000	
241246	056	CFO Gr Rec Tax-MO Ve	24173000	
241246	057	CFO Gr Rec Tax-MO Wi	24173000	
241246	058	CFO Gr Rec Tax-MO We	24173000	
241246	059	CFO Gr Rec Tax-MO Wi	24173000	
241246	060	CFO Gr Rec Tax-MO We	24173000	
241246	061	CFO Gr Rec Tax-MO Wo	24173000	
241246	062	CFO Gr Rec Tax-MO Wa	24173000	
241246	063	CFO Gr Rec Tax-MO Fr	24173000	
241246	064	CFO Gr Rec Tax-MO Su	24173000	
241246	065	CFO Gr Rec Tax-MO Br	24173000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
241246	066	CFO Gr Rec Tax-MO Ed	24173000	
241246	067	CFO Gr Rec Tax-MO Bl	24173000	
241246	068	CFO Gr Rec Tax-MO Bl	24173000	
241246	070	CFO Gr Rec Tax-MO Bl	24173000	
241246	071	CFO Gr Rec Tax-MO Bl	24173000	
241246	072	CFO Gr Rec Tax-MO Bellerive/hydrant permits	24173000	
241246	100	CFOGrRecTax-CA Coron	24173000	
241246	101	CFOGrRecTax-CA Amble	24173000	
241246	102	CFOGrRecTax-CA Bisho	24173000	
241246	103	CFOGrRecTax-CA Carme	24173000	
241246	104	CFOGrRecTax-CA MC/Ca	24173000	
241246	105	CFOGrRecTax-CA CarmS	24173000	
241246	106	CFOGrRecTax-CA DelRe	24173000	
241246	107	CFOGrRecTax-CA HidHi	24173000	
241246	108	CFOGrRecTax-CA MPCC/	24173000	
241246	109	CFOGrRecTax-CA MC/Mo	24173000	
241246	110	CFOGrRecTax-CA MC/Pa	24173000	
241246	111	CFOGrRecTax-CA OutCa	24173000	
241246	112	CFOGrRecTax-CA PacGr	24173000	
241246	113	CFOGrRecTax-CA PBLoc	24173000	
241246	114	CFOGrRecTax-CA Ranch	24173000	
241246	115	CFOGrRecTax-CA RyanR	24173000	
241246	116	CFOGrRecTax-CA Seasi	24173000	
241246	117	CFOGrRecTax-CA SandC	24173000	
241246	118	CFOGrRecTax-CA MC/Pe	24173000	
241246	119	CFOGrRecTax-CA Baldw	24173000	
241246	120	CFOGrRecTax-CA Bradb	24173000	
241246	121	CFOGrRecTax-CA Duart	24173000	
241246	122	CFOGrRecTax-CA LA Ct	24173000	
241246	123	CFOGrRecTax-CA Rosem	24173000	
241246	124	CFOGrRecTax-CA SanGa	24173000	
241246	125	CFOGrRecTax-CA SanMa	24173000	
241246	126	CFOGrRecTax-CA Ingle	24173000	
241246	127	CFOGrRecTax-CA VentC	24173000	
241246	128	CFOGrRecTax-CA Thous	24173000	
241246	129	CFOGrRecTax-CA Azusa	24173000	
241246	130	CFO CA PacGrv Fr Tax	24173000	
241246	131	CFO Gr Rec Tax-CA DR	24173000	
241246	132	CFOGrRecTax-CA Larkf	24173000	
241246	133	CFO-Gross Receipts	24173000	
241248		CFO-Mun Tax	24174000	
241248	001	CFO Mun Tax-LI Atlan	24174000	
241248	002	CFO Mun Tax-LI Cedar	24174000	
241248	003	CFO Mun Tax-LI East	24174000	
241248	004	CFO Mun Tax-LI Hewle	24174000	
241248	005	CFO Mun Tax-LI Hewle	24174000	
241248	006	CFO Mun Tax-LI Hewle	24174000	
241248	007	CFO Mun Tax-LI Islan	24174000	
241248	008	CFO Mun Tax-LI Lawre	24174000	
241248	009	CFO Mun Tax-LI Lynbr	24174000	
241248	010	CFO Mun Tax-LI Malve	24174000	
241248	011	CFO Mun Tax-LI Valle	24174000	
241248	012	CFO Mun Tax-LI Woods	24174000	
241248	013	CFO Mun Tax-AZ Mohav	24174000	
241248	014	CFO Mun Tax-AZ Bullh	24174000	
241248	015	CFO Mun Tax-AZ Maric	24174000	
241248	016	CFO Mun Tax-AZ Goody	24174000	
241248	017	CFO Mun Tax-AZ Peori	24174000	
241248	018	CFO Mun Tax-AZ Surpr	24174000	
241248	019	CFO Mun Tax-AZ Young	24174000	
241248	020	CFO Mun Tax-AZ Bucke	24174000	
241248	021	CFO Mun Tax-MO St Jo	24174000	
241248	022	CFO Mun Tax-NY Sea Cliff	24174000	
241248	101	CFO Mun Tax-CA Monte	24174000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
241248	102	CFO Mun Tax-CA PacGr	24174000	
241248	103	CFO Mun Tax-CA RyanR	24174000	
241248	104	CFO Mun Tax-CA Seasi	24174000	
241248	105	CFO Mun Tax-CA Mntry	24174000	
241248	106	CFO Mun Tax-CA RR Mg	24174000	
241248	107	CFO Mun Tax-CA SanGa	24174000	
241248	108	CFO Mun Tax-CA SanMa	24174000	
241248	109	CFO Mun Tax-CA Azusa	24174000	
241248	110	CFO Mun Tax-CA Ing/I	24174000	
241249	001	CFO-MC/Swr Rev/Cash	24171011	
241249	002	CFO-MC/Swr A/R	24171012	
241249	003	CFO-MC/Swr Adj	24171013	
241249	004	CFO-MC/Swr ChgOff	24171014	
241249	008	CFO-MC/Swr Deposits	24171011	
241250		A/P Check Clearing	13140100	
241251		P/R Check Clearing	13140200	
241252		Cred Refund A/P Chec	13140300	
241253	AW21	CFO-WLPP In AW21	23530000	1021
241253	EWS	CFO-WLPP In EWS	23530000	2058
241254	AW21	CFO-SLPP In AW21	23530100	1021
241254	EWS	CFO-SLPP In EWS	23530100	2058
241255	AW21	CFO-In Home In AW21	23530200	1021
241255	EWS	CFO-In Home In EWS	23530200	2058
241256	AW21	CFO-WL/SL In AW21	23530300	1021
241256	EWS	CFO-WL/SL In EWS	23530300	2058
241257	AW21	CFO-WL/SL/IH In AW21	23530400	1021
241257	EWS	CFO-WL/SL/IH In EWS	23530400	2058
241258		A/P Check Clearing-N	13140100	
241260		Misc Deposits Payabl	24126000	
241261		Accr Insurance Retro	24120710	
241263	AW21	CFO-WLPP Receivable-	23540000	1021
241263	EWS	CFO-WLPP Receivable-	23540000	2058
241264	AW21	CFO-SLPP Receivable-	23540100	1021
241264	EWS	CFO-SLPP Receivable-	23540100	2058
241265	AW21	CFO-In Home Receivab	23540200	1021
241265	EWS	CFO-In Home Receivab	23540200	2058
241266	AW21	CFO-WL/SL Receivable	23540300	1021
241266	EWS	CFO-WL/SL Receivable	23540300	2058
241267	AW21	CFO-WL/SL/IH Receiva	23540400	1021
241267	EWS	CFO-WL/SL/IH Receiva	23540400	2058
241290		CA - ST NOAA Settlem	24129000	
241298		Overhead Clearing	24199900	
241322		Incentive Plan Cash	24123000	
241500		Accrued Paving-Analy	24126200	
241900		Accrued litigation e	24126300	
241998		Other Curr Liab Anal	24199900	
241999		Other Curr Liab Not	24199900	
245000		Provisions (Goodwill)	24199900	
252110		Adv for Const-NT Mai	25211000	
252120		Adv for Const-NT Ext	25212000	
252130		Adv for Const-NT Ser	25213000	
252140		Adv for Const-NT Met	25214000	
252150		Adv for Const-NT Hyd	25215000	
252160		Adv for Const-NT Oth	25216000	
252170		Adv for Const-NT WIP	25217000	
252220		Adv for Const-Tax Ex	25222000	
252230		Adv for Const-Tax Se	25223000	
252240		Adv for Const-Tax Me	25224000	
252260		Adv for Const-Tax Ot	25226000	
252270		Adv for Const-Tax WI	25227000	
252275		Adv for Const-Tax Co	25226000	
252300		Adv for Const-Tax SI	25230000	
252999		Adv for Const-Cur Po	25280000	
252999	CP	Adv for Const-Curren	25299900	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
253114		Def FIT-Unitary	25311500	
253203		Def FIT-Norm Propert	25310000	
253301		Def FIT-Other	25311000	
253614		Def SIT-Unitary	25321500	
253701		Def SIT-Other	25321000	
255101		Unamortized ITC - 3%	25510100	
255102		Unamortized ITC - 4%	25510200	
255103		Unamortized ITC - 10	25510300	
255104		Unamortized ITC - 6%	25510400	
255105		Unamortized State IT	25510500	
256210		Reg Liab-Exc Def FIT	25621000	
256211		Reg Liab-Exc Def AFU	25621100	
256212		Reg Liab-Exc Def Dep	25621200	
256220		Reg Liab-Deficit Def	25622000	
256230		Reg Liab-Exc Def SIT	25623000	
256231		Reg Liab-Exc Def AFU	25623100	
256232		Reg Liab-Exc Def Dep	25623200	
256240		Reg Liab-Other	25624000	
256250		Reg Liab-Cost of Rem	25700000	
256250	RWIP	Reg Liab-Cost of Rem	25710000	
256255		Reg Liab-Refund of C	25635500	
256310		Reg Liab-ITC Gross-U	25626000	
256311		Reg Liab-ITC Gross-U	25626100	
256312		Reg Liab-ITC Gross-U	25626200	
256313		Reg Liab-ITC Gross-U	25626300	
256315		Reg Liab-ITC Gross-U	25626500	
256320		Accr Rev Stabilizati	25632000	
256321		Accr Rev Prop Tax St	25632100	
256324		Refund to Customers	25632400	
256325		Conservation Surchar	25632500	
256327		PWAC Differential	25632700	
256328		Reg Liab PTC Settlem	25632800	
256329		Reg Liab-PBOP Tracke	25632900	
256330		Reg Liab-Pension Tra	25633000	
256331		Reg Liab-Tank Painti	25633100	
256332		Reg Liab-Serv Co Pension	25633200	
256333		Reg Liab-PBOP Internal Reserve	25633200	
256334		Reg Liab-Pension Internal Reserve	25633200	
256335		Reg Liab-Gain on Deb	25633500	
256337		Reg Liab-Gain on Acq	25633700	
256338		Reg Liab-Accrued Rate Case Exp	25633800	
256340		Regulatory Liab. - O	25689900	
256341		Prop Sales in Suspen	25634100	
256344		CA-Aerojet Project	25634400	
256345		MTBE Settlement	25634500	
256348		Reg Liab-Def Revenue	25634800	
256351		Reg Liab-PBOP	25634800	
256352		Reg Liab-Pension	25634800	
262120		DCA-Accr Pension Def	26212000	
262140		DCA-Pension Pymt ERP	26214000	
262141		DCA-Defined Cont SER	26281100	
262142		DCA-401K Restoration	26281200	
262150		DCA-Pension Pymt ERP	26215000	
262160		ERP Special Contract	26216000	
262210		DCA-Accr OPEB	26221000	
262211		DCA-Accr NEI OPEB	26221100	
262215		DCA-Accr OPEB Med Su	26221500	
262275		DCA-Accr Revenue Oth	26237100	
262278		DCA-Conservation Sur	26237500	
262304		DCA-Wtr & WW Chgs Bi	26237100	
262313		DCA-FAS 112 Costs	26281300	
262315		Accr Div Equivalents	26281500	
262317		Def Comp (prior 1/1/	26281700	
262318		NQ Savings & Def Com	26281800	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
262326		DCA-Discount on LT R	26281999	
262330		DCA-Def Rev CIAC	26233000	
262331		DCA-Def Rev CIAC FIT	26233100	
262332		DCA-Def Rev CIAC SIT	26233200	
262338		DCA-Tax Gross-Up AIC	26233800	
262339		DCA-Tax Gross-Up AIC	26233900	
262340		DCA-Tax Gross-Up AIC	26234000	
262390		DCA-Sick Bank	26281900	
262397	AW02	DCA-Other IC AW02 No	26282000	1020
262397	AW03	DCA-Other IC AW03 No	26282000	1033
262397	AW04	DCA-Other IC AW04 No	26282000	1014
262397	AW05	DCA-Other IC AW05 No	26282000	1015
262397	AW09	DCA-Other IC AW09 No	26282000	1025
262397	AW10	DCA-Other IC AW10 No	26282000	1010
262397	AW11	DCA-Other IC AW11 No	26282000	1011
262397	AW12	DCA-Other IC AW12 No	26282000	1012
262397	AW13	DCA-Other IC AW13 No	26282000	1013
262397	AW16	DCA-Other IC AW16 No	26282000	1016
262397	AW17	DCA-Other IC AW17 No	26282000	1017
262397	AW18	DCA-Other IC AW18 No	26282000	1018
262397	AW19	DCA-Other IC AW19 No	26282000	2019
262397	AW22	DCA-Other IC AW22 No	26282000	2022
262397	AW23	DCA-Other IC AW23 No	26282000	2023
262397	AW24	DCA-Other IC AW24 No	26282000	1024
262397	AW26	DCA-Other IC AW26 No	26282000	1026
262397	AW27	DCA-Other IC AW27 No	26282000	1027
262397	AW28	DCA-Other IC AW28 No	26282000	1028
262397	AW30	DCA-Other IC AW30 No	26282000	1030
262397	AW38	DCA-Other IC AW38 No	26282000	1038
262397	AW42	DCA-Other IC AW42 No	26282000	1027
262397	AW44	DCA-Other IC AW44 No	26282000	1044
262397	AW46	DCA-Other IC AW46 No	26282000	1046
262397	AW50	DCA-Other IC AW50 No	26282000	2050
262398		DCA-Other	26281999	
262399	AW09	DCA-Other Interco AW	26282000	1025
262399	AW10	DCA-Other Interco AW	26282000	1010
262399	AW11	DCA-Other Interco AW	26282000	1011
262399	AW12	DCA-Other Interco AW	26282000	1012
262399	AW13	DCA-Other Interco AW	26282000	1013
262399	AW19	DCA-Other Interco AW	26282000	2019
262399	AW23	DCA-Other Interco AW	26282000	2023
262399	AW24	DCA-Other Interco AW	26282000	1024
262399	AW26	DCA-Other Interco AW	26282000	1026
262399	AW27	DCA-Other Interco AW	26282000	1027
262399	AW28	DCA-Other Interco AW	26282000	1028
262402		DCN-Ext Dep in Suspe	26281400	
262403		DCN-Prop Sales in Su	26281600	
262404		CA-LT NOAA Settlement	26281150	
262411		DCN-Adv Pay & Dep Ot	26281450	
262450		DCN-ARO Liability	26281250	
262550		Swap Contract FV Lia	26281350	
262598		DCN-Other	26281999	
265700		Misc Operating Reser	26400000	
265800		FIN 48 Reserve - Fed	26580000	
265810		FIN 48 Reserve - Sta	26581000	
271110		CIAC-NT Mains	27111000	
271120		CIAC-NT Ext Dep	27112000	
271130		CIAC-NT Services	27113000	
271140		CIAC-NT Meters	27114000	
271150		CIAC-NT Hydrants	27115000	
271160		CIAC-NT Other	27116000	
271160	001	CIAC-NT Spec Fac Fee	27116001	
271162		CIAC-NT Other(Terra	27116002	
271170		CIAC-NT WIP	27117000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
271180		CIAC-NT Non-Util Pro	27118000	
271210		CIAC-Tax Mains	27121000	
271220		CIAC-Tax Ext Dep	27122000	
271230		CIAC-Tax Services	27123000	
271240		CIAC-Tax Meters	27124000	
271250		CIAC-Tax Hydrants	27125000	
271260		CIAC-Tax Other	27126000	
271270		CIAC-Tax WIP	27127000	
271310		CIAC-Tax Mains SIT	27131000	
271330		CIAC-Tax Services SI	27133000	
271350		CIAC-Tax Hydrants SI	27135000	
271360		CIAC-Tax Other SIT	27136000	
271370		CIAC-Tax WIP SIT	27137000	
271410		CIAC-Tax Mains FIT	27141000	
271430		CIAC-Tax Services FI	27143000	
271440		CIAC-Tax Meters FIT	27144000	
271450		CIAC-Tax Hydrants FI	27145000	
271460		CIAC-Tax Other FIT	27146000	
272010		Accum Amort CIAC-Mai	27201000	
272030		Accum Amort CIAC-Ser	27203000	
272040		Accum Amort CIAC-Met	27204000	
272050		Accum Amort CIAC-Hyd	27205000	
272060		Accum Amort CIAC-Oth	27206000	
272100		Accum Amort CIAC-Tax	27210000	
280999		Interco Rec/Pay	23599999	
401110		Res Sales Billed	40111000	
401110	001	Res Sales Billed-MTA	40111000	
401110	002	Res Sales Billed Inc	40111000	
401111		Res Sales Billed Sur	40111100	
401112		Res Sales Billed DSI	40111200	
401112	001	Res Sales Billed DSI	40111200	
401113		Res Sales Billed Unm	40111300	
401114		Res Sales Billed Unm	40111300	
401115		Res Sales Billed Unm	40111300	
401120		Res Sales Unbilled	40112000	
401125		Res Stabilization	40111000	
401210		Com Sales Billed	40121000	
401210	001	Com Sales Billed MTA	40121000	
401210	002	Com Sales Billed Inc	40121000	
401211		Com Sales Billed Sur	40121100	
401212		Com Sales Billed DSI	40121200	
401212	001	Com Sales Billed DSI	40121200	
401213		Com Sales Billed Unm	40121300	
401214		Com Sales Billed Unm	40121300	
401215		Com Sales Billed Unm	40121300	
401220		Com Sales Unbilled	40122000	
401225		Com Stabilization	40121000	
401310		Ind Sales Billed	40131000	
401311		Ind Sales Billed Sur	40131100	
401312		Ind Sales Billed DSI	40131200	
401312	001	Ind Sales Billed DSI	40131200	
401320		Ind Sales Unbilled	40132000	
401380		Accr Rev Stabilizati	40138000	
401382		Accr Prop Tax Rev St	40138200	
401410		Pub Fire Billed	40141000	
401411		Pub Fire Billed Surc	40141100	
401412		Pub Fire Billed DSIC	40141200	
401420		Pub Fire Unbilled	40142000	
401450		Priv Fire Billed	40145000	
401450	001	Priv Fire Billed	40145000	
401450	002	Priv Fire Billed	40145000	
401451		Priv Fire Billed Sur	40145100	
401452		Priv Fire Billed DSI	40145200	
401460		Priv Fire Unbilled	40146000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
401510		Pub Auth Billed	40151000	
401511		Pub Auth Billed Surc	40151100	
401512		Pub Auth Billed DSIC	40151200	
401512	001	Pub Auth Billed DSIC	40151200	
401520		Pub Auth Unbilled	40152000	
401610		SFR Billed	40161000	
401611		SFR Billed Surcharge	40161100	
401612		SFR Billed DSIC	40161200	
401612	AW22	SFR Billed DSIC AW22	40161250	2022
401620		Sales for Resale Unb	40162000	
401630	AW04	Sale for Resale AW04	40161050	1014
401630	AW12	Sale for Resale AW12	40161050	1012
401630	AW09	Sale for Resale AW09	40161050	1025
401630	AW18	Sale for Resale AW18	40161050	1018
401630	AW22	Sale for Resale AW22	40161050	2022
401630	AW53	Sale for Resale AW53	40161050	1018
401630	AW54	Sale for Resale AW54	40161050	2054
401630	AW55	Sale for Resale AW55	40161050	2055
401701		Misc Sales ORCOM Err	40175100	
401710		Misc Sales Billed	40171000	
401711		Misc Sales Billed Su	40171100	
401713		Misc Sales Billed Un	40171300	
401720		Misc Sales Unbilled	40172000	
402110		Dom WW Serv Billed	40211000	
402110	001	Dom WW Serv Bill HIB	40211001	
402111		Dom WW Serv Billed S	40211100	
402112		Dom WW Serv Billed D	40211200	
402113		Dom WW Serv Billed CGCR	40211300	
402120		Dom WW Serv Unbilled	40212000	
402210		Com WW Serv Billed	40221000	
402211		Com WW Serv Billed S	40221100	
402212		Com WW Serv Billed D	40221000	
402213		Com WW Serv Billed CGCR	40221300	
402220		Com WW Serv Unbilled	40222000	
402310		Ind WW Serv Billed	40231000	
402311		Ind WW Billed Surcha	40231100	
402312		Ind WW Serv Billed	40231000	
402313		Ind WW Serv Billed CGCR	40231300	
402320		Ind WW Serv Unbilled	40232000	
402510		Pub Auth WW Svc Bill	40251000	
402511		Pub Auth WW Svc Surc	40251100	
402512		Pub Auth WW Svc Bill	40251000	
402513		Pub Auth WW Svc Bill CGCR	40251300	
402520		Pub Auth WW Svc Unbi	40252000	
402710		Misc WW Svc Billed	40271000	
402712		Misc WW Svc Billed	40271000	
402713		Misc WW Svc Billed CGCR	40271300	
402720		Misc WW Svc Unbilled	40272000	
403001		Oth Rev-Interco	40300100	1021
403001	AW21	Oth Rev-Interco AW21	40300100	1021
403003	AWSI	Oth Rev-Interco Rent	40310250	2031
403003	AW02	Oth Rev-Interco Rent	40310250	1020
403003	AW03	Oth Rev-Interco Rent	40310250	1033
403100		Oth Rev-Guaranteed R	40310000	
403101		Oth Rev-Forfeited Di	40310100	
403102		Oth Rev-Rents Water	40310200	
403103		Oth Rev-Collect for	40310300	
403104		Oth Rev-NSF Check Ch	40310400	
403105		Oth Rev-Appl/Initiat	40310500	
403106		Oth Rev-Usage Data R	40310600	
403107		Oth Rev-Reconnection	40310700	
403108		Oth Rev-Frozen Meter	40310800	
403109		Oth Rev-Lab Testing	40319900	
403110		Oth Rev-Mgmt Contrac	40319900	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
403111		Oth Rev-Temp Service	40180100	
403112		Oth Rev-CAP Fees	40319900	
403113		Oth Rev-CRC Revenues	40319900	
403114		Oth Rev-MRTF	40319900	
403115		Oth Rev-Pump Pwr Sur	40319900	
403116		Oth Rev-Storage Fees	40311600	
403119		Oth Rev-Purch Wtr Sr	40319900	
403122		Oth Rev-Carmel Riv D	40319900	
403123		Oth Rev-Conservation	40180200	
403124		Oth Rev-Pension Surc	40319900	
403125		Oth Rev-Low Inc Disc	40319900	
403126		Oth Rev-CWP Precon S	40319900	
403127		Oth Rev-Prop tx crdt	40319900	
403130		Oth Rev-After Hrs Ch	40313000	
403150		Oth Rev-Amort Def Cl	40180300	
403198		Oth Rev-Misc Service	40319900	
403199		Oth Rev-Other Water	40189900	
403199	001	Oth Rev-Other Water	40189900	
403199	002	Oth Rev-Other Water	40189900	
403510		Oth Rev WW-Guarantee	40280000	
403511		Oth Rev WW-Forfeited	40351100	
403512		Oth Rev WW-Miscellan	40359900	
404100	AW02	Rev Mgmt Fees OPEX 02	45000000	
404100	AW03	Rev Mgmt Fees OPEX 03	45000000	
404100	AW05	Rev Mgmt Fees OPEX 05	45000000	
404100	AW09	Rev Mgmt Fees OPEX 09	45000000	
404100	AW10	Rev Mgmt Fees OPEX 10	45000000	
404100	AW11	Rev Mgmt Fees OPEX 11	45000000	
404100	AW12	Rev Mgmt Fees OPEX 12	45000000	
404100	AW13	Rev Mgmt Fees OPEX 13	45000000	
404100	AW16	Rev Mgmt Fees OPEX 16	45000000	
404100	AW17	Rev Mgmt Fees OPEX 17	45000000	
404100	AW18	Rev Mgmt Fees OPEX 18	45000000	
404100	AW19	Rev Mgmt Fees OPEX 19	45000000	
404100	AW21	Rev Mgmt Fees OPEX 21	45000000	
404100	AW22	Rev Mgmt Fees OPEX 22	45000000	
404100	AW23	Rev Mgmt Fees OPEX 23	45000000	
404100	AW24	Rev Mgmt Fees OPEX 24	45000000	
404100	AW26	Rev Mgmt Fees OPEX 26	45000000	
404100	AW27	Rev Mgmt Fees OPEX 27	45000000	
404100	AW28	Rev Mgmt Fees OPEX 28	45000000	
404100	AW30	Rev Mgmt Fees OPEX 30	45000000	
404100	AW31	Rev Mgmt Fees OPEX 31	45000000	
404100	AW38	Rev Mgmt Fees OPEX 38	45000000	
404100	AW39	Rev Mgmt Fees OPEX 39	45000000	
404100	AW42	Rev Mgmt Fees OPEX 42	45000000	
404100	AW44	Rev Mgmt Fees OPEX 44	45000000	
404100	AW46	Rev Mgmt Fees OPEX 46	45000000	
404100	AW47	Rev Mgmt Fees OPEX 47	45000000	
404100	AW50	Rev Mgmt Fees OPEX 50	45000000	
404100	AW52	Rev Mgmt Fees OPEX 52	45000000	
404100	AW53	Rev Mgmt Fees OPEX 53	45000000	
404100	AW54	Rev Mgmt Fees OPEX 54	45000000	
404100	AW55	Rev Mgmt Fees OPEX 55	45000000	
404100	AW56	Rev Mgmt Fees OPEX 56	45000000	
404100	AW57	Rev Mgmt Fees OPEX 57	45000000	
404100	AW80	Rev Mgmt Fees OPEX 5	45000000	
404110	AW02	Rev Mgmt Fees SBS 02	45000000	
404110	AW03	Rev Mgmt Fees SBS 03	45000000	
404110	AW05	Rev Mgmt Fees SBS 05	45000000	
404110	AW09	Rev Mgmt Fees SBS 09	45000000	
404110	AW10	Rev Mgmt Fees SBS 10	45000000	
404110	AW11	Rev Mgmt Fees SBS 11	45000000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
404110	AW12	Rev Mgmt Fees SBS 12	45000000	
404110	AW13	Rev Mgmt Fees SBS 13	45000000	
404110	AW16	Rev Mgmt Fees SBS 16	45000000	
404110	AW17	Rev Mgmt Fees SBS 17	45000000	
404110	AW18	Rev Mgmt Fees SBS 18	45000000	
404110	AW19	Rev Mgmt Fees SBS 19	45000000	
404110	AW21	Rev Mgmt Fees SBS 21	45000000	
404110	AW22	Rev Mgmt Fees SBS 22	45000000	
404110	AW23	Rev Mgmt Fees SBS 23	45000000	
404110	AW24	Rev Mgmt Fees SBS 24	45000000	
404110	AW26	Rev Mgmt Fees SBS 26	45000000	
404110	AW27	Rev Mgmt Fees SBS 27	45000000	
404110	AW28	Rev Mgmt Fees SBS 28	45000000	
404110	AW30	Rev Mgmt Fees SBS 30	45000000	
404110	AW31	Rev Mgmt Fees SBS 31	45000000	
404110	AW38	Rev Mgmt Fees SBS 38	45000000	
404110	AW39	Rev Mgmt Fees SBS 39	45000000	
404110	AW42	Rev Mgmt Fees SBS 42	45000000	
404110	AW44	Rev Mgmt Fees SBS 44	45000000	
404110	AW46	Rev Mgmt Fees SBS 46	45000000	
404110	AW47	Rev Mgmt Fees SBS 47	45000000	
404110	AW50	Rev Mgmt Fees SBS 50	45000000	
404110	AW52	Rev Mgmt Fees SBS 52	45000000	
404110	AW53	Rev Mgmt Fees SBS 53	45000000	
404110	AW54	Rev Mgmt Fees SBS 54	45000000	
404110	AW55	Rev Mgmt Fees SBS 55	45000000	
404110	AW56	Rev Mgmt Fees SBS 56	45000000	
404110	AW57	Rev Mgmt Fees SBS 57	45000000	
404110	AW80	Rev Mgmt Fees SBS 57	45000000	
404120	AW02	Rev Mgmt Fees-other	45000000	
404120	AW03	Rev Mgmt Fees-other	45000000	
404120	AW05	Rev Mgmt Fees-other	45000000	
404120	AW09	Rev Mgmt Fees-other	45000000	
404120	AW10	Rev Mgmt Fees-other	45000000	
404120	AW11	Rev Mgmt Fees-other	45000000	
404120	AW12	Rev Mgmt Fees-other	45000000	
404120	AW13	Rev Mgmt Fees-other	45000000	
404120	AW16	Rev Mgmt Fees-other	45000000	
404120	AW17	Rev Mgmt Fees-other	45000000	
404120	AW18	Rev Mgmt Fees-other	45000000	
404120	AW19	Rev Mgmt Fees-other	45000000	
404120	AW21	Rev Mgmt Fees-other	45000000	
404120	AW22	Rev Mgmt Fees-other	45000000	
404120	AW23	Rev Mgmt Fees-other	45000000	
404120	AW24	Rev Mgmt Fees-other	45000000	
404120	AW26	Rev Mgmt Fees-other	45000000	
404120	AW27	Rev Mgmt Fees-other	45000000	
404120	AW28	Rev Mgmt Fees-other	45000000	
404120	AW30	Rev Mgmt Fees-other	45000000	
404120	AW31	Rev Mgmt Fees-other	45000000	
404120	AW38	Rev Mgmt Fees-other	45000000	
404120	AW42	Rev Mgmt Fees-other	45000000	
404120	AW46	Rev Mgmt Fees-other	45000000	
404120	AW47	Rev Mgmt Fees-other	45000000	
404120	AW50	Rev Mgmt Fees-other	45000000	
404120	AW52	Rev Mgmt Fees-other	45000000	
404120	AW53	Rev Mgmt Fees-other	45000000	
404120	AW54	Rev Mgmt Fees-other	45000000	
404120	AW55	Rev Mgmt Fees-other	45000000	
404120	AW56	Rev Mgmt Fees-other	45000000	
404120	AW57	Rev Mgmt Fees-other	45000000	
404200	AW02	Rev Mgmt Fees CAPEX	45000001	
404200	AW03	Rev Mgmt Fees CAPEX	45000001	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
404200	AW05	Rev Mgmt Fees CAPEX	45000001	
404200	AW09	Rev Mgmt Fees CAPEX	45000001	
404200	AW10	Rev Mgmt Fees CAPEX	45000001	
404200	AW11	Rev Mgmt Fees CAPEX	45000001	
404200	AW12	Rev Mgmt Fees CAPEX	45000001	
404200	AW13	Rev Mgmt Fees CAPEX	45000001	
404200	AW16	Rev Mgmt Fees CAPEX	45000001	
404200	AW17	Rev Mgmt Fees CAPEX	45000001	
404200	AW18	Rev Mgmt Fees CAPEX	45000001	
404200	AW19	Rev Mgmt Fees CAPEX	45000001	
404200	AW21	Rev Mgmt Fees CAPEX	45000001	
404200	AW22	Rev Mgmt Fees CAPEX	45000001	
404200	AW23	Rev Mgmt Fees CAPEX	45000001	
404200	AW24	Rev Mgmt Fees CAPEX	45000001	
404200	AW26	Rev Mgmt Fees CAPEX	45000001	
404200	AW27	Rev Mgmt Fees CAPEX	45000001	
404200	AW28	Rev Mgmt Fees CAPEX	45000001	
404200	AW30	Rev Mgmt Fees CAPEX	45000001	
404200	AW31	Rev Mgmt Fees CAPEX	45000001	
404200	AW38	Rev Mgmt Fees CAPEX	45000001	
404200	AW39	Rev Mgmt Fees CAPEX	45000001	
404200	AW42	Rev Mgmt Fees CAPEX	45000001	
404200	AW44	Rev Mgmt Fees CAPEX 44	45000001	
404200	AW46	Rev Mgmt Fees CAPEX	45000001	
404200	AW47	Rev Mgmt Fees CAPEX	45000001	
404200	AW50	Rev Mgmt Fees CAPEX	45000001	
404200	AW52	Rev Mgmt Fees CAPEX	45000001	
404200	AW53	Rev Mgmt Fees CAPEX	45000001	
404200	AW54	Rev Mgmt Fees CAPEX	45000001	
404200	AW55	Rev Mgmt Fees CAPEX	45000001	
404200	AW56	Rev Mgmt Fees CAPEX	45000001	
404200	AW80	Rev Mgmt Fees CAPEX	45000001	
501200	11	Labor Oper SS	50100000	
501200	1105	Labor Oper SS Super/	50100000	
501200	12	Labor Oper P	50100000	
501200	1205	Labor Oper P Super/E	50100000	
501200	1210	Labor Oper P Pwr Pro	50100000	
501200	1215	Labor Oper P Pump	50100000	
501200	13	Labor Oper WT	50100000	
501200	1301	Labor Oper WT Off/Di	50100000	
501200	1305	Labor Oper WT Super/	50100000	
501200	14	Labor Oper TD	50100000	
501200	1405	Labor Oper TD Super/	50100000	
501200	1410	Labor Oper TD Storag	50100000	
501200	1415	Labor Oper TD Lines	50100000	
501200	1420	Labor Oper TD Meter	50100000	
501200	1425	Labor Oper TD Mtr In	50100000	
501200	15	Labor Oper CA	50100000	
501200	1501	Labor Oper CA Off/Di	50100000	
501200	1505	Labor Oper CA Super/	50100000	
501200	1510	Labor Oper CA Mtr Re	50100000	
501200	1515	Labor Oper CA Cust R	50100000	
501200	1520	Labor Oper CA Cust S	50100000	
501200	16	Labor Oper AG	50100000	
501200	1601	Labor Oper AG Dir/Of	50100000	
501200	1602	Labor Oper AG Lobbyi	50100000	
501200	164111	Labor Op IT-Admin	50100000	
501200	164112	Labor Op IT-Basic	50100000	
501200	164114	Labor Op IT-Billing	50100000	
501200	164118	Labor Op IT-Bus Inte	50100000	
501200	164119	Labor Op IT-Fin/Acct	50100000	
501200	164120	Labor Op IT-C.R.M.	50100000	
501200	164121	Labor Op IT-Energy(S	50100000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
501200	164125	Labor Op IT-Supply C	50100000	
501200	164126	Labor Op IT-Supply U	50100000	
501200	164127	Labor Op IT-Work Mgt	50100000	
501200	164128	Labor Op IT-Human Re	50100000	
501200	164129	Labor Op IT-Plant Mg	50100000	
501200	164130	Labor Op IT-Schd/Bal	50100000	
501200	164134	Labor Op IT-Mgt Cons	50100000	
501200	164142	Labor Op IT-Help Des	50100000	
501200	164143	Labor Op IT-Oper Too	50100000	
501200	164145	Labor Op IT-Email Sv	50100000	
501200	164146	Labor Op IT-File Svc	50100000	
501200	164147	Labor Op IT-Midrange	50100000	
501200	164148	Labor Op IT-PC Serve	50100000	
501200	164149	Labor Op IT-WAN Supt	50100000	
501200	164160	Labor Op IT-Reportin	50100000	
501200	164161	Labor Op IT-Interfac	50100000	
501200	164162	Labor Op IT-Transmit	50100000	
501200	164180	Labor Op IT-Pro Trac	50100000	
501200	164190	Labor Op IT-Reportin	50100000	
501200	21	Labor Maint SS	50100000	
501200	2105	Labor Maint SS Super	50100000	
501200	2110	Labor Maint SS Struc	50100000	
501200	2115	Labor Maint SS Coll	50100000	
501200	2120	Labor Maint SS Lake,	50100000	
501200	2125	Labor Maint SS Wells	50100000	
501200	2130	Labor Maint SS Infil	50100000	
501200	2135	Labor Maint SS Sup M	50100000	
501200	22	Labor Maint P	50100000	
501200	2205	Labor Maint P Super/	50100000	
501200	2210	Labor Maint P Struct	50100000	
501200	2215	Labor Maint P Pwr Pr	50100000	
501200	23	Labor Maint WT	50100000	
501200	2305	Labor Maint WT Super	50100000	
501200	2310	Labor Maint WT Struc	50100000	
501200	2315	Labor Maint WT Equip	50100000	
501200	24	Labor Maint TD	50100000	
501200	2405	Labor Maint TD Super	50100000	
501200	2410	Labor Maint TD Struc	50100000	
501200	2415	Labor Maint TD Dist	50100000	
501200	2420	Labor Maint TD Mains	50100000	
501200	2425	Labor Maint TD Fire	50100000	
501200	2430	Labor Maint TD Servi	50100000	
501200	2435	Labor Maint TD Meter	50100000	
501200	2440	Labor Maint TD Hydra	50100000	
501200	26	Labor Maint AG	50100000	
501203		Labor Internal Rechg	50100000	
501210	11	Labor NS OT SS	50110000	
501210	1105	Labor NS OT SS Super	50110000	
501210	12	Labor NS OT P	50110000	
501210	1205	Labor NS OT P Super/	50110000	
501210	1210	Labor NS OT P Pwr Pr	50110000	
501210	1215	Labor NS OT P Pump	50110000	
501210	13	Labor NS OT WT	50110000	
501210	1305	Labor NS OT WT Super	50110000	
501210	14	Labor NS OT TD	50110000	
501210	1405	Labor NS OT TD Super	50110000	
501210	1410	Labor NS OT TD Stora	50110000	
501210	1415	Labor NS OT TD Lines	50110000	
501210	1420	Labor NS OT TD Meter	50110000	
501210	1425	Labor NS OT TD Mtr I	50110000	
501210	15	Labor NS OT CA	50110000	
501210	1505	Labor NS OT CA Super	50110000	
501210	1510	Labor NS OT CA Mtr R	50110000	
501210	1515	Labor NS OT CA Cust	50110000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
501210	1520	Labor NS OT CA Cust	50110000	
501210	16	Labor NS OT AG	50110000	
501210	164111	Labor NS OT IT-Admin	50110000	
501210	164112	Labor NS OT IT-Basic	50110000	
501210	164114	Labor NS OT IT-Billi	50110000	
501210	164118	Labor NS OT IT-Bus I	50110000	
501210	164119	Labor NS OT IT-Fin/A	50110000	
501210	164120	Labor NS OT IT-C.R.M	50110000	
501210	164121	Labor NS OT IT-Energ	50110000	
501210	164125	Labor NS OT IT-Suppl	50110000	
501210	164126	Labor NS OT IT-Suppl	50110000	
501210	164127	Labor NS OT IT-Work	50110000	
501210	164128	Labor NS OT IT-Human	50110000	
501210	164129	Labor NS OT IT-Plant	50110000	
501210	164130	Labor NS OT IT-Schd/	50110000	
501210	164134	Labor NS OT IT-Mgt C	50110000	
501210	164142	Labor NS OT IT-Help	50110000	
501210	164143	Labor NS OT IT-Oper	50110000	
501210	164145	Labor NS OT IT-Email	50110000	
501210	164146	Labor NS OT IT-File	50110000	
501210	164147	Labor NS OT IT-Midra	50110000	
501210	164148	Labor NS OT IT-PC Se	50110000	
501210	164149	Labor NS OT IT-WAN S	50110000	
501210	164160	Labor NS OT IT-Repor	50110000	
501210	164161	Labor NS OT IT-Inter	50110000	
501210	164162	Labor NS OT IT-Trans	50110000	
501210	164180	Labor NS OT IT-Pro T	50110000	
501210	164190	Labor NS OT IT-Repor	50110000	
501210	21	Labor NS OT SS	50110000	
501210	2105	Labor NS OT SS Super	50110000	
501210	2110	Labor NS OT SS Struc	50110000	
501210	2115	Labor NS OT SS Coll	50110000	
501210	2120	Labor NS OT SS Lake,	50110000	
501210	2125	Labor NS OT SS Wells	50110000	
501210	2130	Labor NS OT SS Infil	50110000	
501210	2135	Labor NS OT SS Sup M	50110000	
501210	22	Labor NS OT P	50110000	
501210	2205	Labor NS OT P Super/	50110000	
501210	2210	Labor NS OT P Struct	50110000	
501210	2215	Labor NS OT P Pwr Pr	50110000	
501210	23	Labor NS OT WT	50110000	
501210	2305	Labor NS OT WT Super	50110000	
501210	2310	Labor NS OT WT Struc	50110000	
501210	2315	Labor NS OT WT Equip	50110000	
501210	24	Labor NS OT TD	50110000	
501210	2405	Labor NS OT TD Super	50110000	
501210	2410	Labor NS OT TD Struc	50110000	
501210	2415	Labor NS OT TD Dist	50110000	
501210	2420	Labor NS OT TD Mains	50110000	
501210	2425	Labor NS OT TD Fire	50110000	
501210	2430	Labor NS OT TD Servi	50110000	
501210	2435	Labor NS OT TD Meter	50110000	
501210	2440	Labor NS OT TD Hydra	50110000	
501210	26	Labor NS OT AG	50110000	
501211	11	Labor OT SS	50120000	
501211	1105	Labor OT SS Super/En	50120000	
501211	12	Labor OT P	50120000	
501211	1205	Labor OT P Super/Eng	50120000	
501211	1210	Labor OT P Pwr Prod	50120000	
501211	1215	Labor OT P Pump	50120000	
501211	13	Labor OT WT	50120000	
501211	1305	Labor OT WT Super/En	50120000	
501211	14	Labor OT TD	50120000	
501211	1405	Labor OT TD Super/En	50120000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
501211	1410	Labor OT TD Storage	50120000	
501211	1415	Labor OT TD Lines	50120000	
501211	1420	Labor OT TD Meter	50120000	
501211	1425	Labor OT TD Mtr Inst	50120000	
501211	15	Labor OT CA	50120000	
501211	1501	Labor OT CA Off/Dir	50120000	
501211	1505	Labor OT CA Super/En	50120000	
501211	1510	Labor OT CA Mtr Read	50120000	
501211	1515	Labor OT CA Cust Rec	50120000	
501211	1520	Labor OT CA Cust Ser	50120000	
501211	16	Labor OT AG	50120000	
501211	164111	Labor OT IT-Admin	50120000	
501211	164112	Labor OT IT-Basic	50120000	
501211	164114	Labor OT IT-Billing	50120000	
501211	164118	Labor OT IT-Bus Inte	50120000	
501211	164119	Labor OT IT-Fin/Acct	50120000	
501211	164120	Labor OT IT-C.R.M.	50120000	
501211	164121	Labor OT IT-Energy(S	50120000	
501211	164125	Labor OT IT-Supply C	50120000	
501211	164126	Labor OT IT-Supply U	50120000	
501211	164127	Labor OT IT-Work Mgt	50120000	
501211	164128	Labor OT IT-Human Re	50120000	
501211	164129	Labor OT IT-Plant Mg	50120000	
501211	164130	Labor OT IT-Schd/Bal	50120000	
501211	164134	Labor OT IT-Mgt Cons	50120000	
501211	164142	Labor OT IT-Help Des	50120000	
501211	164143	Labor OT IT-Oper Too	50120000	
501211	164145	Labor OT IT-Email Sv	50120000	
501211	164146	Labor OT IT-File Svc	50120000	
501211	164147	Labor OT IT-Midrange	50120000	
501211	164148	Labor OT IT-PC Serve	50120000	
501211	164149	Labor OT IT-WAN Supt	50120000	
501211	164160	Labor OT IT-Reportin	50120000	
501211	164161	Labor OT IT-Interfac	50120000	
501211	164162	Labor OT IT-Transmit	50120000	
501211	164180	Labor OT IT-Pro Trac	50120000	
501211	164190	Labor OT IT-Reportin	50120000	
501211	21	Labor OT SS	50120000	
501211	2105	Labor OT SS Super/En	50120000	
501211	2110	Labor OT SS Struct &	50120000	
501211	2115	Labor OT SS Coll & I	50120000	
501211	2120	Labor OT SS Lake, Ri	50120000	
501211	2125	Labor OT SS Wells &	50120000	
501211	2130	Labor OT SS Infilt G	50120000	
501211	2135	Labor OT SS Sup Main	50120000	
501211	22	Labor OT P	50120000	
501211	2205	Labor OT P Super/Eng	50120000	
501211	2210	Labor OT P Struct &	50120000	
501211	2215	Labor OT P Pwr Prod	50120000	
501211	23	Labor OT WT	50120000	
501211	2305	Labor OT WT Super/En	50120000	
501211	2310	Labor OT WT Struct &	50120000	
501211	2315	Labor OT WT Equip	50120000	
501211	24	Labor OT TD	50120000	
501211	2405	Labor OT TD Super/En	50120000	
501211	2410	Labor OT TD Struct &	50120000	
501211	2415	Labor OT TD Dist Res	50120000	
501211	2420	Labor OT TD Mains	50120000	
501211	2425	Labor OT TD Fire Mai	50120000	
501211	2430	Labor OT TD Services	50120000	
501211	2435	Labor OT TD Meters	50120000	
501211	2440	Labor OT TD Hydrants	50120000	
501211	26	Labor OT AG	50120000	
501711		IP-Off-Annual-P/R JE	50171000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
501711	16	Incen Plan-Off-Annua	50171000	
501712	16	Incen Plan-Off-Long	50171000	
501716	16	Comp Exp-Options	50171600	
501718	16	Comp Exp-RSU's	50171800	
501850	16	Labor - Severance	50185000	
504100		Group Insurance	50550000	
504100	001	Group Insurance - Ca	50550100	
504100	14	Group Ins Oper TD	50550000	
504100	16	Group Ins Oper AG	50550000	
504200	16	SRP Exp	50620000	
504300	16	SERP Exp	50630000	
504341	16	DC SERP Exp	50424000	
504342	16	401 K Restoration Ex	50425000	
504500	11	Other Welf Oper SS	50450000	
504500	12	Other Welf Oper P	50450000	
504500	13	Other Welf Oper WT	50450000	
504500	14	Other Welf Oper TD	50450000	
504500	15	Other Welf Oper CA	50450000	
504500	16	Other Welf Oper AG	50450000	
504500	23	Other Welf Maint WT	50450000	
504610	16	Employee Awards AG	50451000	
504620	16	Employee Physical Ex	50452000	
504640	16	Safety Incentive	50454000	
504660	16	Tuition Aid AG	50456000	
504670	16	Training AG	50457000	
504671	16	Training-Safety AG	50457000	
504680	16	Referral Bonus	50458000	
505100	001	PBOP Cap Credits	50510100	
505100	16	PBOP Oper AG	50510000	
506100	001	Pension - Cap Credit	50610100	
506100	16	Pension Oper AG	50610000	
507100		401k	50421000	
507100	16	401k Oper AG	50421000	
508100	16	EIP Oper AG	50423000	
508101		DCP	50422000	
508101	16	DCP Oper AG	50422000	
508102	16	Retiree Med Oper AG	50426000	
508200	16	ESPP Oper AG	50423000	
509100	16	FAS 112 Cost amortiz	50427000	
510100	11	Purchased Water-Outs	51010000	
510105	11	Purch Water Bal Acct	51010500	
510110	AW10	Purch Water AW10	51015000	1010
510110	AW12	Purch Water AW12	51015000	1012
510110	AW18	Purch Water AW18	51015000	1018
510110	AW28	Purch Water AW28	51015000	1028
510110	AW44	Purch Water AW44	51015000	1044
510110	AW52	Purch Water AW52	51015000	1018
510110	AW53	Purch Water AW53	51015000	1018
510110	11	Purchased Water-Insi	51015000	1020
510200	11	Diversion Rights	51020000	
510400	11	Int on Invest Purch	51010000	
511100	AWM	Waste Disposal Exp W	51115000	2064
511100	13	Waste Disposal Exp W	51110000	
511110	13	Waste Disposal Insid	51115000	1020
511200	13	Amort Waste Disp Exp	51120000	
515100	11	Purch Power SS	51510000	
515100	12	Purch Power P	51510000	
515100	13	Purch Power WT	51510000	
515100	14	Purch Power TD	51510000	
515100	15	Purch Power CA	51510000	
515100	16	Purch Power AG	51510000	
515105	12	Purch Power Bal Acct	51510500	
515120	16	Purch Power Non Util	51510000	
515200	11	Fuel for Power Prod	51520000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
518000	13	Chemicals WT	51800000	
518000	AWM	Chemicals	51850000	2064
518001	AWSI	Chemicals Carbon AWS	51850000	2031
520100	11	M & S Oper SS	52000000	
520100	12	M & S Oper P	52000000	
520100	1210	M & S Oper P Pwr Pro	52000000	
520100	1215	M & S Oper P Pumps	52000000	
520100	13	M & S Oper WT	52000000	
520100	14	M & S Oper TD	52000000	
520100	1410	M & S Oper TD Storag	52000000	
520100	1415	M & S Oper TD Mains	52000000	
520100	1420	M & S Oper TD Meters	52000000	
520100	1425	M & S Oper Mtr Inst	52000000	
520100	15	M & S Oper CA	52000000	
520100	1510	M & S Oper CA Mtr Re	52000000	
520100	1515	M & S Oper CA Cust R	52000000	
520100	1520	M & S Oper CA Cust S	52000000	
520100	16	M & S Oper AG	52000000	
531000	11	Contract Svc-Eng Ope	53110000	
531000	13	Contract Svc-Eng Ope	53110000	
531000	14	Contract Svc-Eng Ope	53110000	
531000	15	Contract Svc-Eng Ope	53110000	
531000	16	Contract Svc-Eng Ope	53110000	
532000	11	Contr Svc-Acctg Oper	53153000	
532000	13	Contr Svc-Acctg Oper	53153000	
532000	14	Contr Svc-Acctg Oper	53153000	
532000	15	Contr Svc-Acctg Oper	53153000	
532000	16	Contr Svc-Acctg Oper	53153000	
532100	16	Contr Svc-Audit Fees	53154000	
533000	11	Contr Svc-Legal Oper	53155000	
533000	13	Contr Svc-Legal Oper	53155000	
533000	14	Contr Svc-Legal Oper	53155000	
533000	15	Contr Svc-Legal Oper	53155000	
533000	16	Contr Svc-Legal Oper	53155000	
533001	16	Contr Svc-Litigation	53156000	
534000	16	Contr Svc-Mgmt Oper	53409999	
535000	11	Contr Svc-Other Oper	53150000	
535000	13	Contr Svc-Other Oper	53150000	
535000	14	Contr Svc-Other Oper	53150000	
535000	15	Contr Svc-Other Oper	53150000	
535000	16	Contr Svc-Other Oper	53150000	
535001	11	Contr Svc-Temp Empl	53151000	
535001	13	Contr Svc-Temp Empl	53151000	
535001	14	Contr Svc-Temp Empl	53151000	
535001	15	Contr Svc-Temp Empl	53151000	
535001	16	Contr Svc-Temp Empl	53151000	
535002	16	Contr Svc-STEP Backf	53150000	
535003	16	Contr Svc-Benefit Ad	53150000	
535004	16	Contr Svc-Labor Rela	53150000	
535005	16	Contr Svc-Comp Admin	53150000	
536000	11	Contr Svc-Lab Testin	53152000	
536000	13	Contr Svc-Lab Testin	53152000	
536000	14	Contr Svc-Lab Testin	53152000	
536000	15	Contr Svc-Lab Testin	53152000	
536000	16	Contr Svc-Lab Testin	53152000	
537000	AWM	Contr Svc-I/C AWM	53185000	2064
537000	AW09	Contr Svc-I/C AW09	53185000	1025
541000	11	Rents-Real Prop Oper	54110000	
541000	12	Rents-Real Prop Oper	54110000	
541000	13	Rents-Real Prop Oper	54110000	
541000	14	Rents-Real Prop Oper	54110000	
541000	15	Rents-Real Prop Oper	54110000	
541000	16	Rents-Real Prop Oper	54110000	
541001	AWM	Rents-Real Property	54115000	2064

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
541001	AW12	Rents-Real Propert I	54115000	1012
541001	AW18	Rents-Real Propert I	54115000	1018
541001	AW21	Rents-Real Prop AW21	54115000	1021
541001	AW24	Rents - Real Prop In	54115000	1024
541001	AW28	Rents-Real Property	54115000	1028
541400	11	Rents-Equipment Oper	54140000	
541400	12	Rents-Equipment Oper	54140000	
541400	13	Rents-Equipment Oper	54140000	
541400	14	Rents-Equipment Oper	54140000	
541400	15	Rents-Equipment Oper	54140000	
541400	16	Rents-Equipment Oper	54140000	
541401	AW24	Rents - Equipment In	54145000	1024
541401	16	Rents-Equipment Inte	54145000	1020
550000	001	Trans - Cap Credits	55000100	
550000	11	Trans Oper SS	55000000	
550000	12	Trans Oper P	55000000	
550000	13	Trans Oper WT	55000000	
550000	14	Trans Oper TD	55000000	
550000	15	Trans Oper CA	55000000	
550000	16	Trans Oper AG	55000000	
550000	21	Transport Maint SS	55000000	
550000	23	Transport Maint WT	55000000	
550000	24	Transport Maint TD	55000000	
550001	16	Trans Oper AG Lease	55010100	
550002	16	Trans Oper AG Lease	55010200	
550003	16	Trans Oper AG Lease	55010300	
550004	16	Trans Oper AG Emp Re	55010400	
550005	16	Mileage Reimb-Person	55010500	
556000	16	Ins Vehicle Oper AG	55110000	
557000	11	Ins Gen Liab Oper SS	55710000	
557000	13	Ins Gen Liab Oper WT	55710000	
557000	14	Ins Gen Liab Oper TD	55710000	
557000	15	Ins Gen Liab Oper CA	55710000	
557000	16	Ins Gen Liab Oper AG	55710000	
557001	16	Ins Gen Liab Oper AG - retro	55710000	
558000	001	Ins Work Comp Cap Cr	55720100	
558000	11	Ins Work Comp SS	55720000	
558000	13	Ins Work Comp WT	55720000	
558000	14	Ins Work Comp TD	55720000	
558000	15	Ins Work Comp CA	55720000	
558000	16	Ins Work Comp AG	55720000	
558001	16	Ins Work Comp AG Ret	55720000	
559000	11	Ins Other Oper SS	55730000	
559000	13	Ins Other Oper WT	55730000	
559000	14	Ins Other Oper TD	55730000	
559000	15	Ins Other Oper CA	55730000	
559000	16	Ins Other Oper AG	55730000	
559001	16	Ins Other Oper AG Re	55730000	
566100	16	Reg Comm Amort Rate	56610000	
566110	16	Rate Case Exp not Au	56611000	
566200	16	Reg Comm Amort Depr	56620000	
566300	16	Reg Comm Amort Mgmt	56630000	
566700	13	Reg Comm Other Oper	56670000	
566700	16	Reg Comm Other Oper	56670000	
568010	16	Water Res Conservati	52500000	
570100	15	Uncollectible Accoun	57010000	
570100	16	Uncollectible Accts-	57010000	
575000	11	Misc Oper SS	52500000	
575000	12	Misc Oper P	52500000	
575000	1210	Misc Oper P Pwr Prod	52500000	
575000	1215	Misc Oper P Pumps	52500000	
575000	13	Misc Oper WT	52500000	
575000	14	Misc Oper TD	52500000	
575000	1410	Misc Oper TD Storage	52500000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
575000	1415	Misc Oper TD Mains	52500000	
575000	1420	Misc Oper TD Meters	52500000	
575000	1425	Misc Oper TD Mtr Ins	52500000	
575000	15	Misc Oper CA	52500000	
575000	1510	Misc Oper CA Mtr Rea	52500000	
575000	1515	Misc Oper CA Cust Re	52500000	
575000	1520	Misc Oper CA Cust Se	52500000	
575000	16	Misc Oper AG	52500000	
575001	16	Misc Oper Exp AG Con	52500000	
575002	16	Misc General Office	52500000	
575030	16	Advertising	52503000	
575100	15	Bank Service Charges	52510000	
575100	16	Bank Service Charges	52510000	
575120	15	Bill Inserts CA	52514906	
575120	16	Bill Inserts AG	52514906	
575125	16	Books & Publications	52512500	
575130	16	Brochures and Handou	52514905	
575132	16	Business Development	52513200	
575140	16	Charitable Contrib D	52514000	
575141	16	Charitable Contrib N	52514100	
575145	16	Charitable Donations - Health/Edu/Environ	52514500	
575146	16	Charitable Donations - Community	52514600	
575147	16	Community Partnerships	52514700	
575148	16	Community Commercial Initiatives	52514800	
575149	16	Customer Education	52514900	
575150	16	Customer Education Comm-Reg	52514901	
575151	16	Customer Education Comm-3rd Party	52514902	
575152	16	Customer Education Comm-Issues	52514903	
575153	16	Customer Education Comm-Conserv	52514904	
575154	16	Customer Education Comm-Printed	52514905	
575155	16	Customer Education -Bill Inserts	52514906	
575156	16	Customer Education -Press Releases	52514907	
575157	16	Customer Education -Media Editorial	52514908	
575158	16	Customer Education -Video & Photo	52514909	
575159	16	Customer Education -Online Dev/Prod	52514910	
575160	16	Customer Relations - Events	52515000	
575161	16	Customer Relations - Specialty	52515001	
575180	11	Charts - SS	52501100	
575200	15	Collection Agencies	52520000	
575220	16	Community Relations	52522000	
575240	16	Co Dues/Membership D	52524000	
575241	16	Co Dues/Membership N	52524000	
575242	16	Co Dues Deduct AWWA	52524000	
575243	16	Co Dues Nondeduct AW	52524000	
575244	16	Co Dues Deduct NAWC	52524000	
575245	16	Co Dues Nondeduct NA	52524000	
575250	16	Condemnation Costs	52525000	
575255	16	Conservation Expense	52525500	
575260	16	Credit Line Fees	52526000	
575261	AW46	Credit Line Fees AW4	52526100	1046
575270	16	Directors Fees	52527000	
575271	16	Directors Expenses	52527100	
575275	16	Discounts Available	52585000	
575276	16	Discounts Lost	52585100	
575280	16	Dues/Membership Dedu	52524000	
575281	16	Dues/Membership Nond	52524000	
575320	11	Electricity SS	52532000	
575320	13	Electricity WT	52532000	
575320	14	Electricity TD	52532000	
575320	15	Electricity CA	52532000	
575320	16	Electricity AG	52532000	
575340		Empl Exp AG-P/R JE	52534000	
575340	16	Employee Expenses AG	52534000	
575342	16	Empl Exp Conf/Regist	52534200	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
575350		Meals Deduct-P/R JE	52535000	
575350	16	Meals Deduct	52535000	
575351	16	Meals Non Deduct	52535100	
575360	16	Mtg Room Rental	52500000	
575400	16	Bus Servies Proj Exp	52540000	
575420	15	Forms CA	52542000	
575420	16	Forms AG	52542000	
575460	11	Grounds Keeping SS	52546000	
575460	13	Grounds Keeping WT	52546000	
575460	14	Grounds Keeping TD	52546000	
575460	16	Grounds Keeping AG	52546000	
575460	AWM	Grounds Keeping Interco	53185000	2064
575480	11	Heat - Oil/Gas SS	52548000	
575480	13	Heat - Oil/Gas WT	52548000	
575480	14	Heat - Oil/Gas TD	52548000	
575480	15	Heat - Oil/Gas CA	52548000	
575480	16	Heat - Oil/Gas AG	52548000	
575481	16	Hiring-Ads	52548100	
575482	16	Hiring-Agency	52548100	
575483	16	Hiring-Assessments	52548100	
575484	16	Hiring-Background	52548100	
575485	16	Hiring-Drug Screen	52548100	
575486	16	Hiring-Physicals	52548100	
575487	16	Hiring-Appl Travel	52548100	
575490	16	Injuries and Damages	52549000	
575500	12	Janitorial P	52550000	
575500	13	Janitorial WT	52550000	
575500	14	Janitorial TD	52550000	
575500	15	Janitorial CA	52550000	
575500	16	Janitorial AG	52550000	
575545	13	Lab Supplies WT	52554500	
575560	16	Lobbying Expenses	52556000	
575565	16	Low Inc Pay Program	52556500	
575610	16	Merger Transactional	52501600	
575620	11	Office & Admin Suppl	52562000	
575620	13	Office & Admin Suppl	52562000	
575620	14	Office & Admin Suppl	52562000	
575620	15	Office & Admin Suppl	52562000	
575620	16	Office & Admin Suppl	52562000	
575623	16	Outplacement	53157000	
575625	11	Overnight Shipping S	52562500	
575625	13	Overnight Shipping W	52562500	
575625	14	Overnight Shipping T	52562500	
575625	15	Overnight Shipping C	52562500	
575625	16	Overnight Shipping A	52562500	
575640	16	Penalties Nondeduct	52564000	
575660	11	Postage SS	52566000	
575660	13	Postage WT	52566000	
575660	14	Postage TD	52566000	
575660	15	Postage CA	52566000	
575660	16	Postage AG	52566000	
575661	16	PWAC Differential	51010500	
575662	16	PSTAC Differential	51110500	
575663	16	PSTAC Amortization	51110600	
575667	16	Printing	52566700	
575670	16	Relocation Expenses	52567000	
575680	16	Research & Developme	52568000	
575710	11	Security Service SS	52571000	
575710	13	Security Service WT	52571000	
575710	14	Security Service TD	52571000	
575710	15	Security Service CA	52571000	
575710	16	Security Service AG	52571000	
575711	16	Add'l Security Costs	52571100	
575715	16	Software Licenses &	52571500	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
575720	11	Telemetering SS	52572000	
575720	13	Telemetering WT	52572000	
575720	16	Telemetering AG	52572000	
575740	11	Telephone SS	52574000	
575740	13	Telephone WT	52574000	
575740	14	Telephone TD	52574000	
575740	15	Telephone CA	52574000	
575740	16	Telephone AG	52574000	
575741	11	Cell Phone SS	52574100	
575741	13	Cell Phone WT	52574100	
575741	14	Cell Phone TD	52574100	
575741	15	Cell Phone CA	52574100	
575741	16	Cell Phone AG	52574100	
575742	16	Data Lines AG	52574200	
575743	14	Wireless Serv 1st TD	52574300	
575743	15	Wireless Serv 1st CA	52574300	
575743	16	Wireless Serv 1st AG	52574300	
575775	16	Trade Shows AG	52577500	
575780	11	Trash Removal SS	52578000	
575780	13	Trash Removal WT	52578000	
575780	14	Trash Removal TD	52578000	
575780	15	Trash Removal CA	52578000	
575780	16	Trash Removal AG	52578000	
575790	16	Trustee Fees AG	52579000	
575820	11	Uniforms SS	52582000	
575820	12	Uniforms P	52582000	
575820	13	Uniforms WT	52582000	
575820	14	Uniforms TD	52582000	
575820	15	Uniforms CA	52582000	
575820	16	Uniforms - Admin & G	52582000	
575830	11	Wtr & Waste Wtr Exp	52583000	
575830	13	Wtr & Waste Wtr Exp	52583000	
575830	14	Wtr & Waste Wtr Exp	52583000	
575830	16	Wtr & Waste Wtr Exp	52583000	
575880	16	Misc Charges - P1388	52500000	
575899	16	Misc Exp-NonRecovera	52500000	
575998	16	PCard Undistributed	52599800	
575999	11	Purch Card SS	52500000	
575999	13	Purch Card WT	52500000	
575999	14	Purch Card TD	52500000	
575999	15	Purch Card CA	52500000	
575999	16	Purch Card AG	52500000	
580010		Impairment-Goodwill	58001000	
580015		Impairment-Intangibl	58001500	
580020		Impairment-PP&E	58002000	
620000	21	M&S Maint SS	52000000	
620000	2110	M&S Maint SS Str & I	52000000	
620000	2115	M&S Maint SS Coll &	52000000	
620000	2120	M&S Maint SS Lake, R	52000000	
620000	2125	M&S Maint SS Wells	52000000	
620000	2130	M&S Maint SS Inf & G	52000000	
620000	2135	M&S Maint SS Sup Mai	52000000	
620000	22	M&S Maint P	52000000	
620000	2210	M&S Maint P Str & Im	52000000	
620000	2215	M&S Maint P Pwr Prod	52000000	
620000	23	M&S Maint WT	52000000	
620000	2310	M&S Maint WT Str & I	52000000	
620000	2315	M&S Maint WT Equip	52000000	
620000	24	M&S Maint TD	52000000	
620000	2410	M&S Maint TD Str & I	52000000	
620000	2415	M&S Maint TD Dist Re	52000000	
620000	2420	M&S Maint TD Mains	52000000	
620000	2425	M&S Maint TD Fire Ma	52000000	
620000	2430	M&S Maint TD Service	52000000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
620000	2435	M&S Maint TD Meters	52000000	
620000	2440	M&S Maint TD Hydrant	52000000	
620000	26	M&S Maint AG	52000000	
620000	AWM	M&S Maint	53185000	2064
631000	21	Contr Svc-Eng Maint	53110000	
631000	23	Contr Svc-Eng Maint	53110000	
631000	24	Contr Svc-Eng Maint	53110000	
631000	26	Contr Svc-Eng Maint	53110000	
632000	24	Contr Svc-Tank Paint	52500000	
633000	26	Contr Svc-Legal Main	52500000	
633001	23	Contr Svc-Litigatn W	52500000	
635000	21	Contr Svc-Other Main	53150000	
635000	22	Contr Svc-Other Main	53150000	
635000	23	Contr Svc-Other Main	53150000	
635000	24	Contr Svc-Other Main	53150000	
635000	26	Contr Svc-Other Main	53150000	
636000	23	Contr Svc-Lab Testin	52500000	
636000	24	Contr Svc-Lab Testin	52500000	
675000	21	Misc Maint SS	52500000	
675000	2110	Misc Maint SS Struct	52500000	
675000	2115	Misc Maint SS Coll &	52500000	
675000	2120	Misc Maint SS Lake,	52500000	
675000	2125	Misc Maint SS Wells	52500000	
675000	2130	Misc Maint SS Infil,	52500000	
675000	2135	Misc Maint SS Supply	52500000	
675000	22	Misc Maint P	52500000	
675000	2210	Misc Maint P Struct	52500000	
675000	2215	Misc Maint P Pwr Pro	52500000	
675000	23	Misc Maint WT	52500000	
675000	2310	Misc Maint WT Struct	52500000	
675000	2315	Misc Maint WT Equip	52500000	
675000	24	Misc Maint TD	52500000	
675000	2410	Misc Maint TD Struct	52500000	
675000	2415	Misc Maint TD Dist R	52500000	
675000	2420	Misc Maint TD Mains	52500000	
675000	2425	Misc Maint TD Fire M	52500000	
675000	2430	Misc Maint TD Servic	52500000	
675000	2435	Misc Maint TD Meters	52500000	
675000	2440	Misc Maint TD Hydran	52500000	
675000	26	Misc Maint AG	52500000	
675050	21	Amort Def Maint SS	52500000	
675050	22	Amort Def Maint P	52500000	
675050	23	Amort Def Maint WT	52500000	
675050	24	Amort Def Maint TD	52500000	
675110		Maint Exp ARO/Net Ne	68311000	
675110	26	Maint Exp ARO/Net Ne	68311000	
675120	26	Main Exp NNS CIAC Ta	68312000	
675125	26	Main Exp NNS CIAC NT	68312500	
675150	23	Chemical Feed WT	52500000	
675250	26	Comp Equip Hardware	52500000	
675300	23	Filter Repairs WT	52500000	
675350	23	HVAC Equipment WT	52500000	
675350	26	HVAC Equipment AG	52500000	
675400	21	Instruments SS	52500000	
675400	23	Instruments WT	52500000	
675450	26	Office Equipment AG	52500000	
675650	24	Paving/Backfill TD	62520700	
675655	21	Permits SS	62520800	
675655	24	Permits TD	62520800	
675750	21	Pump and Motors SS	52500000	
675999	21	Purch Card SS	52500000	
675999	23	Purch Card WT	52500000	
675999	24	Purch Card TD	52500000	
675999	26	Purch Card AG	52500000	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
680110		Depr Exp-General	68011000	
680111		Depr Exp-CostRem/Sal	68011000	
680112		Depr Exp-Non Utility	68011200	
680115		Depr Exp-Amort Def D	68011500	
680120		Depr Exp-Amort CIAC Tax	68012000	
680125		Depr Exp-Amort CIAC Nontax	68012500	
680130		Depr Exp-UPAA FAS141	68013000	
680300		Amortization of UPAA	68255000	
680310		Amort-Intangible Fin	68256000	
680350		Depr Exp-Neg UPAA	68013500	
680510		Amort-Ltd Term Plt	68251000	
680520		Amort-Capital Leases	68252000	
680530		Amort-Post In-Svc AF	68253000	
680540		Amort-Reg Asset AFUD	68254000	
680600		Amort-Prop Losses	68257000	
680610		Amort-Other UP	68259000	
680620		Amort-Reg Asset	68258000	
685100		Utility Reg Assessme	68545000	
685200		Property Taxes	68520000	
685200	001	Tax Discounts	68520100	
685299		Prop Tax Refund-Shrh	68520000	
685320		FUTA	68532000	
685325		FICA	68533000	
685350		SUTA	68535000	
685410		Capital Stock Tax	68541000	
685420		Enviromental Tax	68542000	
685430		Other Taxes and Lice	68543000	
685440		Gross Receipts Tax	68544000	
690110		FIT-Current	69011000	
690114		FIT-Current-Unitary	69011400	
690120		FIT-Prior Year Adj	69012000	
690120	001	FIT-PrYr Adj Under A	69012000	
690120	002	FIT-PrYr Adj Over Ac	69012000	
690124		FIT-PY-Unitary	69012400	
690125		FIT-Acq Adjustment	69012500	
690210		SIT-Current	69021000	
690214		SIT-Current-Unitary	69021400	
690220		SIT-Prior Year Adj	69022000	
690220	001	SIT-PrYr Adj Under A	69022000	
690220	002	SIT-PrYr Adj Over Ac	69022000	
690224		SIT-PY-Unitary	69022400	
690225		SIT-Acq Adjustment	69022500	
690614		Def FIT-Current Yr-U	69061400	
690620		Def FIT-Pr Yr Adj	69062000	
690620	001	Def FIT-PY Adj Asset	69062000	
690620	002	Def FIT-PY Adj Liab	69062000	
690624		Def FIT-PY-Unitary	69062400	
690630		Def FIT-Reg Asset/Li	69063000	
690630	001	Def FIT-Reg Asset	69063000	
690630	002	Def FIT-Reg Liab	69063000	
690650		Def FIT-Other	69065000	
690650	001	Def FIT-Other Asset	69065000	
690650	002	Def FIT-Other Liab	69065000	
690714		Def SIT-Current-Yr-U	69071400	
690720		Def SIT-Pr Yr Adj	69072000	
690720	001	Def SIT-PY Adj Asset	69072000	
690720	002	Def SIT-PY Adj Liab	69072000	
690724		Def SIT-PY-Unitary	69072400	
690730		Def SIT-Reg Asset/Li	69073000	
690730	001	Def SIT-Reg Asset	69073000	
690730	002	Def SIT-Reg Liab	69073000	
690750		Def SIT-Other	69073500	
690750	001	Def SIT-Other Asset	69073500	
690750	002	Def SIT-Other Liab	69073500	

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
695220		ITC Restored - 3%	69522000	
695230		ITC Restored - 4%	69523000	
695240		ITC Restored - 10%	69524000	
695250		ITC Restored - 6%	69525000	
695500		ITC Restored SIT	69550000	
705100		AFUDC - Equity	70510000	
710100		Div Inc-Outside	71010000	
710200	AW05	Div Inc-Inside Com	71015000	1015
710200	AW09	Div Inc-Inside Com	71015000	1025
710200	AW10	Div Inc-Inside Com	71015000	1010
710200	AW11	Div Inc-Inside Com	71015000	1011
710200	AW12	Div Inc-Inside Com	71015000	1012
710200	AW13	Div Inc-Inside Com	71015000	1013
710200	AW16	Div Inc-Inside Com	71015000	1016
710200	AW17	Div Inc-Inside Com	71015000	1017
710200	AW18	Div Inc-Inside Com	71015000	1018
710200	AW19	Div Inc-Inside Com	71015000	2019
710200	AW21	Div Inc-Inside Com	71015000	1021
710200	AW22	Div Inc-Inside Com	71015000	2022
710200	AW23	Div Inc-Inside Com	71015000	2023
710200	AW24	Div Inc-Inside Com	71015000	1024
710200	AW26	Div Inc-Inside Com	71015000	1026
710200	AW27	Div Inc-Inside Com	71015000	1027
710200	AW28	Div Inc-Inside Com	71015000	1028
710200	AW30	Div Inc-Inside Com	71015000	1030
710200	AW38	Div Inc-Inside Com	71015000	1038
710200	AW42	Div Inc-Inside Com	71015000	1027
710200	AW44	Div Inc-Inside Com	71015000	1044
710200	AW46	Div Inc-Inside Com	71015000	1046
710200	AW50	Div Inc-Inside Com	71015000	2050
710200	AW51	Div Inc-Inside Com A	71015000	1051
710200	AW52	Div Inc-Inside Com	71015000	1018
710200	AW53	Div Inc-Inside Com	71015000	1018
710200	AW80	Div Inc-Inside Com	71015000	1080
710200	SLPP	Div Inc-Inside Com	71015000	2031
710200	TWNC	Div Inc-Inside-TWNC	71015000	1090
710300	AW04	Div Inc-Insd Prf AW0	71030000	1014
710300	AW28	Div Inc-Insd Prf AW2	71030000	1028
710300	AW38	Div Inc-Insd Prf AW3	71030000	1038
710400		Int Inc-Outside	81810000	
710500		Int Inc-Inside	81815000	
710500	ASH	Int Inc-Inside ASH	81815000	1090
710500	AWM	Int Inc-Inside AWM	81815000	2064
710500	AWSI	Int Inc-Inside AWSI	81815000	2031
710500	AWW	Int Inc-Inside AWW	81815000	1020
710500	AWWM	Int Inc-Inside AWWM	81815000	1018
710500	AW02	Int Inc-Inside AW02	81815000	1020
710500	AW03	Int Inc-Inside AW03	81815000	1033
710500	AW04	Int Inc-Inside AW04	81815000	1014
710500	AW05	Int Inc-Inside AW05	81815000	1015
710500	AW09	Int Inc-Inside AW09	81815000	1025
710500	AW10	Int Inc-Inside AW10	81815000	1010
710500	AW11	Int Inc-Inside AW11	81815000	1011
710500	AW12	Int Inc-Inside AW12	81815000	1012
710500	AW13	Int Inc-Inside AW13	81815000	1013
710500	AW16	Int Inc-Inside AW16	81815000	1016
710500	AW17	Int Inc-Inside AW17	81815000	1017
710500	AW18	Int Inc-Inside AW18	81815000	1018
710500	AW19	Int Inc-Inside AW19	81815000	2019
710500	AW21	Int Inc-Inside AW21	81815000	1021
710500	AW22	Int Inc-Inside AW22	81815000	2022
710500	AW23	Int Inc-Inside AW23	81815000	2023
710500	AW24	Int Inc-Inside AW24	81815000	1024
710500	AW26	Int Inc-Inside AW26	81815000	1026

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
710500	AW27	Int Inc-Inside AW27	81815000	1027
710500	AW28	Int Inc-Inside AW28	81815000	1028
710500	AW30	Int Inc-Inside AW30	81815000	1030
710500	AW38	Int Inc-Inside AW38	81815000	1038
710500	AW39	Int Inc-Inside AW39	81815000	2039
710500	AW42	Int Inc-Inside AW42	81815000	1027
710500	AW44	Int Inc-Inside AW44	81815000	1044
710500	AW46	Int Inc-Inside AW46	81815000	1046
710500	AW50	Int Inc-Inside AW50	81815000	2050
710500	AW51	Int Inc-Inside AW51	81815000	1051
710500	AW52	Int Inc-Inside AW52	81815000	1018
710500	AW53	Int Inc-Inside AW53	81815000	1018
710500	AW54	Int Inc-Inside AW54	81815000	2054
710500	AW55	Int Inc-Inside AW55	81815000	2055
710500	AW56	Int Inc-Inside AW56	81815000	2056
710500	AW60	Int Inc-Inside AW60	81815000	1090
710500	AW75	Int Inc-Inside AW75	81815000	1020
710500	AW80	Int Inc-Inside AW80	81815000	1080
710500	AW87	Int Inc-Inside AW87	81815000	1090
710500	ELIZ	Int Inc-Inside ELIZ	81815000	1018
710500	ETWN	Int Inc-Inside ETWN	81815000	1018
710500	EWC	Int Inc-Inside EWC	81815000	1018
710500	LEO	Int Inc-Inside LEO	81815000	1020
710500	TWAQ	Int Inc-Inside TWAQ	81815000	1020
710500	TWNA	Int Inc-Inside TWNA	81815000	1091
710500	TWNC	Int Inc-Inside TWNC	81815000	1090
710700	AW02	Int Inc-Capital Leas	81815000	1020
710700	AW03	Int Inc-Capital Leas	81815000	1033
710700	AW46	Int Inc-Capital Leas	81815000	1046
715111		M&J Revenues-Outside	71511000	
715112	AWSI	M&J Revenues-AWSI	71511500	2031
715112	AW02	M&J Revenues-AW02	71511500	1020
715112	AW03	M&J Revenues-AW03	71511500	1033
715112	AW04	M&J Revenues-AW04	71511500	1014
715112	AW05	M&J Revenues-AW05	71511500	1015
715112	AW09	M&J Revenues-AW09	71511500	1025
715112	AW10	M&J Revenues-AW10	71511500	1010
715112	AW11	M&J Revenues-AW11	71511500	1011
715112	AW12	M&J Revenues-AW12	71511500	1012
715112	AW13	M&J Revenues-AW13	71511500	1013
715112	AW16	M&J Revenues-AW16	71511500	1016
715112	AW17	M&J Revenues-AW17	71511500	1017
715112	AW18	M&J Revenues-AW18	71511500	1018
715112	AW19	M&J Revenues-AW19	71511500	2019
715112	AW22	M&J Revenues-AW22	71511500	2022
715112	AW23	M&J Revenues-AW23	71511500	2023
715112	AW24	M&J Revenues-AW24	71511500	1024
715112	AW26	M&J Revenues-AW26	71511500	1026
715112	AW27	M&J Revenues-AW27	71511500	1027
715112	AW28	M&J Revenues-AW28	71511500	1028
715112	AW30	M&J Revenues-AW30	71511500	1030
715112	AW38	M&J Revenues-AW38	71511500	1038
715112	AW42	M&J Revenues-AW42	71511500	1027
715112	AW44	M&J Revenues-AW44	71511500	1044
715112	AW46	M&J Revenues-AW46	71511500	1046
715112	AW50	M&J Revenues-AW50	71511500	2050
715113	AW21	WLPP Bill Rev In AW2	71511510	1021
715113	EWS	WLPP Bill Rev In EWS	71511510	2058
716121		M&J Expenses-Outside	71521000	
716122		M&J Expenses-Inside	71521500	1020
716122	AWSI	M&J Expenses-AWSI	71521500	2031
717110		Misc Non-Utl Income	71611000	
717115		Misc Non-Utl Rent In	71611100	
717120	AWSI	Misc Non-Utl Inc AWS	71611510	2031

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
717120	AW02	Misc Non-Utl Inc AW0	71611510	1020
717120	AW03	Misc Non-Utl Inc AW0	71611510	1033
717120	AW04	Misc Non-Utl Inc AW0	71611510	1014
717120	AW05	Misc Non-Utl Inc AW0	71611510	1015
717120	AW09	Misc Non-Utl Inc AW0	71611510	1025
717120	AW10	Misc Non-Utl Inc AW1	71611510	1010
717120	AW11	Misc Non-Utl Inc AW1	71611510	1011
717120	AW12	Misc Non-Utl Inc AW1	71611510	1012
717120	AW13	Misc Non-Utl Inc AW1	71611510	1013
717120	AW16	Misc Non-Utl Inc AW1	71611510	1016
717120	AW17	Misc Non-Utl Inc AW1	71611510	1017
717120	AW18	Misc Non-Utl Inc AW1	71611510	1018
717120	AW19	Misc Non-Utl Inc AW1	71611510	2019
717120	AW22	Misc Non-Utl Inc AW2	71611510	2022
717120	AW23	Misc Non-Utl Inc AW2	71611510	2023
717120	AW24	Misc Non-Utl Inc AW2	71611510	1024
717120	AW26	Misc Non-Utl Inc AW2	71611510	1026
717120	AW27	Misc Non-Utl Inc AW2	71611510	1027
717120	AW28	Misc Non-Utl Inc AW2	71611510	1028
717120	AW30	Misc Non-Utl Inc AW3	71611510	1030
717120	AW38	Misc Non-Utl Inc AW3	71611510	1038
717120	AW42	Misc Non-Utl Inc AW4	71611510	1027
717120	AW44	Misc Non-Utl Inc AW4	71611510	1044
717120	AW46	Misc Non-Utl Inc AW4	71611510	1046
717120	AW50	Misc Non-Utl Inc AW5	71611510	2050
717125		Misc Non-Utl Rent In	71611540	
717125	AWSI	Misc Non-Utl Rent In	71611540	2031
717125	AW02	Misc Non-Utl Rent In	71611540	1020
717125	AW03	Misc Non-Utl Rent In	71611540	1033
717125	AW04	Misc Non-Utl Rent In	71611540	1014
717125	AW09	Misc Non-Utl Rent In	71611540	1025
717125	AW10	Misc Non-Utl Rent In	71611540	1010
717125	AW11	Misc Non-Utl Rent In	71611540	1011
717125	AW12	Misc Non-Utl Rent In	71611540	1012
717125	AW13	Misc Non-Utl Rent In	71611540	1013
717125	AW16	Misc Non-Utl Rent In	71611540	1016
717125	AW17	Misc Non-Utl Rent In	71611540	1017
717125	AW18	Misc Non-Utl Rent In	71611540	1018
717125	AW19	Misc Non-Utl Rent In	71611540	2019
717125	AW22	Misc Non-Utl Rent In	71611540	2022
717125	AW23	Misc Non-Utl Rent In	71611540	2023
717125	AW24	Misc Non-Utl Rent In	71611540	1024
717125	AW26	Misc Non-Utl Rent In	71611540	1026
717125	AW27	Misc Non-Utl Rent In	71611540	1027
717125	AW28	Misc Non-Utl Rent In	71611540	1028
717125	AW30	Misc Non-Utl Rent In	71611540	1030
717125	AW38	Misc Non-Utl Rent In	71611540	1038
717125	AW42	Misc Non-Utl Rent In	71611540	1027
717125	AW44	Misc Non-Utl Rent In	71611540	1044
717125	AW46	Misc Non-Utl Rent In	71611540	1046
717125	AW50	Misc Non-Utl Rent In	71611540	2050
717130		Rental Inc Improveme	71611540	
717130	AW02	Rental Inc Impr AW02	71611540	1020
717130	AW03	Rental Inc Impr AW02	71611540	1033
717130	AW09	Rental Inc Impr AW09	71611540	1025
717130	AW44	Rental Inc Impr AW44	71611540	1044
717510		Non-Utl Rent Depr-O	71621000	
717520		Non-Utl Rent Exp-Ou	71621000	
717570		Misc Non-Utl Exp-Ou	71621000	
721100		Share JV Profit/Loss	71630000	
721106		Misc Non-Op Inc-Out-	71611000	
721200	AW02	Misc Rev In-Debt Exp	71611520	1020
721200	AW03	Misc Rev In-Debt Exp	71611520	1033
721200	AW04	Misc Rev In-Debt Exp	71611520	1014

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
721200	AW05	Misc Rev In-Debt Exp	71611520	1015
721200	AW09	Misc Rev In-Debt Exp	71611520	1025
721200	AW10	Misc Rev In-Debt Exp	71611520	1010
721200	AW11	Misc Rev In-Debt Exp	71611520	1011
721200	AW12	Misc Rev In-Debt Exp	71611520	1012
721200	AW13	Misc Rev In-Debt Exp	71611520	1013
721200	AW16	Misc Rev In-Debt Exp	71611520	1016
721200	AW17	Misc Rev In-Debt Exp	71611520	1017
721200	AW18	Misc Rev In-Debt Exp	71611520	1018
721200	AW19	Misc Rev In-Debt Exp	71611520	2019
721200	AW22	Misc Rev In-Debt Exp	71611520	2022
721200	AW23	Misc Rev In-Debt Exp	71611520	2023
721200	AW24	Misc Rev In-Debt Exp	71611520	1024
721200	AW26	Misc Rev In-Debt Exp	71611520	1026
721200	AW27	Misc Rev In-Debt Exp	71611520	1027
721200	AW28	Misc Rev In-Debt Exp	71611520	1028
721200	AW30	Misc Rev In-Debt Exp	71611520	1030
721200	AW38	Misc Rev In-Debt Exp	71611520	1038
721200	AW42	Misc Rev In-Debt Exp	71611520	1027
721200	AW44	Misc Rev In-Debt Exp	71611520	1044
721200	AW46	Misc Rev In-Debt Exp	71611520	1046
721200	AW50	Misc Rev In-Debt Exp	71611520	2050
721200	AW52	Misc Rev In-Debt Exp	71611520	1018
721200	AW53	Misc Rev In-Debt Exp	71611520	1018
721200	AW80	Misc Rev In-Debt Exp	71611520	1080
721210	AWWM	Misc Rev In-Credit L	71611530	1018
721210	AW02	Misc Rev In-Credit L	71611530	1020
721210	AW03	Misc Rev In-Credit L	71611530	1033
721210	AW04	Misc Rev In-Credit L	71611530	1014
721210	AW05	Misc Rev In-Credit L	71611530	1015
721210	AW09	Misc Rev In-Credit L	71611530	1025
721210	AW10	Misc Rev In-Credit L	71611530	1010
721210	AW11	Misc Rev In-Credit L	71611530	1011
721210	AW12	Misc Rev In-Credit L	71611530	1012
721210	AW13	Misc Rev In-Credit L	71611530	1013
721210	AW16	Misc Rev In-Credit L	71611530	1016
721210	AW17	Misc Rev In-Credit L	71611530	1017
721210	AW18	Misc Rev In-Credit L	71611530	1018
721210	AW19	Misc Rev In-Credit L	71611530	2019
721210	AW22	Misc Rev In-Credit L	71611530	2022
721210	AW23	Misc Rev In-Credit L	71611530	2023
721210	AW24	Misc Rev In-Credit L	71611530	1024
721210	AW26	Misc Rev In-Credit L	71611530	1026
721210	AW27	Misc Rev In-Credit L	71611530	1027
721210	AW28	Misc Rev In-Credit L	71611530	1028
721210	AW30	Misc Rev In-Credit L	71611530	1030
721210	AW38	Misc Rev In-Credit L	71611530	1038
721210	AW39	Misc Rev In-Credit L	71611530	2039
721210	AW42	Misc Rev In-Credit L	71611530	1027
721210	AW44	Misc Rev In-Credit L	71611530	1044
721210	AW46	Misc Rev In-Credit L	71611530	1046
721210	AW50	Misc Rev In-Credit L	71611530	2050
721210	AW52	Misc Rev In-Credit L	71611530	1018
721210	AW53	Misc Rev In-Credit L	71611530	1018
721304		Gains/(losses) NUP D	59011000	
721305		Gains/(losses) Nonup	59011500	
721305	001	Gains NUP Ord	59011500	
721305	002	Losses NUP Ord	59011500	
721306		Gains/(losses) Nonup	59011500	
721306	001	Gains NUP Cap	59011500	
721306	002	Losses NUP Cap	59011500	
722301		Gains(Losses) UP-Ord	59021000	
722301	001	Gains UP Ord	59021000	
722301	002	Losses UP Ord	59021000	

**KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts**

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
722302		Gains(Losses) UP-Cap	59021000	
722302	001	Gains UP Cap	59021000	
722302	002	Losses UP Cap	59021000	
722305		Gains(Losses) SERP I	71711000	
722305	001	Gains SERP Inv	71711000	
722305	002	Losses SERP Inv	71711000	
722306		Gains(Losses) Oth No	71712000	
722306	001	Gains Other Non-OR	71712000	
722306	002	Losses Other Non-OR	71712000	
722307		Gain on Acquisition of Assets	59022000	
755100		Amort UPAA	75510000	
755200		Amort Pref Stock Exp	75520000	
755201		Amort PS Exp w/ mand	82020000	
760100		Donations Deduct	75810000	
760101		Donations Nondeduct	75815000	
760102		Donations Deduct Cus	75811000	
760200		Other Income Deducti	75820000	
760400		Other Lobbying Expen	75840000	
760410		Political Contributi	75841000	
760500		Non-Op Empl Exp Dedu	75820000	
760600		Non-Op Empl Exp Nond	75820000	
770030		Property Tax Other I	68529000	
780100		SIT-Oth Inc & Ded CY	69041000	
780150		SIT-Reduction Acq Ad	69041500	
790100		FIT-Oth Inc & Ded CY	69031000	
790150		FIT-Reduction Acq Ad	69031500	
810100		Int LTD-Outside Reg	81010000	
810300		Int Cap Lease-Outsid	81030000	
810301	AW21	Int Cap Lease-AW21	81035000	1021
810301	AW80	Int Cap Lease-AW80	81035000	1080
810400	AW02	Int LTD-Inside AW02	81015000	1020
810400	AW46	Int LTD-Inside AW46	81015000	1046
810550		Int LTD-Gain/Loss He	81050000	
810551		Int LTD-Gain/Loss He	81050100	
810552	AW02	Int LTD-In Hedge AW0	81055200	1020
810552	AW46	Int LTD-In Hedge AW4	81055200	1046
820100		Amort Debt Disc & Ex	82010000	
820110	AW46	Amort DExp Inside AW	82015000	1046
830000		Interest on ST Debt-	81310000	
830000	TWNC	Interest on STD TWNC	81315000	1090
830100	AWM	Interest STD Inside	81315000	2064
830100	AWSI	Interest STD Inside	81315000	2031
830100	AW02	Interest STD Inside	81315000	1020
830100	AW03	Interest STD Inside	81315000	1033
830100	AW04	Interest STD Inside	81315000	1014
830100	AW05	Interest STD Inside	81315000	1015
830100	AW09	Interest STD Inside	81315000	1025
830100	AW10	Interest STD Inside	81315000	1010
830100	AW11	Interest STD Inside	81315000	1011
830100	AW12	Interest STD Inside	81315000	1012
830100	AW13	Interest STD Inside	81315000	1013
830100	AW16	Interest STD Inside	81315000	1016
830100	AW17	Interest STD Inside	81315000	1017
830100	AW18	Interest STD Inside	81315000	1018
830100	AW19	Interest STD Inside	81315000	2019
830100	AW21	Interest STD Inside	81315000	1021
830100	AW22	Interest STD Inside	81315000	2022
830100	AW23	Interest STD Inside	81315000	2023
830100	AW24	Interest STD Inside	81315000	1024
830100	AW26	Interest STD Inside	81315000	1026
830100	AW27	Interest STD Inside	81315000	1027
830100	AW28	Interest STD Inside	81315000	1028
830100	AW30	Interest STD Inside	81315000	1030
830100	AW38	Interest STD Inside	81315000	1038

KENTUCKY AMERICAN WATER COMPANY
JDE to SAP Mapped Chart of Accounts

JDE Object	JDE Subsidiary	JDE Description	SAP GL Account	SAP Trading Partner
830100	AW42	Interest STD Inside	81315000	1027
830100	AW44	Interest STD Inside	81315000	1044
830100	AW46	Interest STD Inside	81315000	1046
830100	AW50	Interest STD Inside	81315000	2050
830100	AW51	Interest STD Inside	81315000	1051
830100	AW52	Interest STD Inside	81315000	1018
830100	AW53	Interest STD Inside	81315000	1018
830100	AW54	Interest STD Inside	81315000	2054
830100	AW55	Interest STD Inside	81315000	2055
830100	AW56	Interest STD Inside	81315000	2056
830100	AW57	Interest STD Inside	81315000	1057
830100	AW65	Interest STD Inside	81315000	1090
830100	AW80	Interest STD Inside	81315000	1080
830100	AW85	Interest STD Inside	81315000	1090
830100	AW87	Interest STD Inside	81315000	1090
830100	SLPP	Interest STD Inside	81315000	1031
830100	TWNC	Interest STD Inside	81315000	1090
840000		Other Interest Expen	81500000	
850000		AFUDC Debt	85000000	
860040		Div Dec PS-Out w/ ma	81020000	
860100		Div Dec Pref Stk-Out	86031000	
860110	AW02	Div Dec Pref Stk-Ins	86031500	1020
860110	AW28	Div Dec Pref Stk-Ins	86031500	1028
860210		Div Decl Com Stk Out	86021000	
860211		Div Decl Com Stk AWW	86021000	
860220	AW02	Div Decl Com Stk In-	86021500	1020
860220	AW27	Div Decl Com Stk In-	86021500	1027
860220	AW51	Div Decl Com Stk In-	86021500	1051
860220	TWNC	Div Decl Com Stk In-	86021500	1090

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 30**

Description of Filing Requirement:

The latest twelve (12) months of the monthly managerial reports providing financial results of operations in comparison to the forecast.

Response:

Please see attached documents which include the twelve monthly financial results of operations in comparison to forecast/budget reports for the twelve months ended November 2012.

For electronic version, refer to KAW_APP_EX30_122812.pdf.

Assets	Actuals	Forecast	Increase (Decrease)	% Variance	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
1 Utility Plant in Service	580,644	-	580,644	-	-	580,644	-	563,384	17,260	3.1%
2 Construction Work in Progress	10,176	-	10,176	-	-	10,176	-	7,223	2,953	40.9%
3 Utility Plant Accumulated Depreciation/Am	(105,104)	-	(105,104)	-	-	(105,104)	-	(98,304)	(6,799)	(6.9)%
4 Total Utility Plant Adjustments	251	-	251	-	-	251	-	263	(12)	(4.7)%
5 Utility property net of accumulated depreciatio	485,968	-	485,968	-	-	485,968	-	472,566	13,401	2.8%
6 Nonutility property net of accumulated depreci	250	-	250	-	-	250	-	270	(20)	(7.6)%
Total Property Plant and Equipment	486,217	-	486,217	-	-	486,217	-	472,837	13,381	2.8%
7 Cash and Cash Equivalents	(224)	-	(224)	-	-	(224)	-	(1,754)	1,530	87.2%
8 Restricted funds-current	-	-	-	-	-	-	-	-	-	-
9 Accounts receivable net	2,621	-	2,621	-	-	2,621	-	3,336	(716)	(21.4)%
10 Unbilled Revenues	3,893	-	3,893	-	-	3,893	-	4,412	(519)	(11.8)%
11 Materials and supplies	691	-	691	-	-	691	-	747	(56)	(7.5)%
12 Assets of discontinued operations	-	-	-	-	-	-	-	-	-	-
13 Other Current Assets	138	-	138	-	-	138	-	134	3	2.5%
Total Current Assets	7,118	-	7,118	-	-	7,118	-	6,876	243	3.5%
14 Regulatory assets	11,783	-	11,783	-	-	11,783	-	11,846	(63)	(0.5)%
15 Other investments	-	-	-	-	-	-	-	-	-	-
16 Restricted Funds - Long-term	-	-	-	-	-	-	-	-	-	-
17 Goodwill	0	-	0	-	-	0	-	0	0	0.0%
18 Intangible assets	-	-	-	-	-	-	-	-	-	-
19 Other Long Term Assets	52	-	52	-	-	52	-	52	0	0.0%
Total Regulatory & Other LT Assets	11,836	-	11,836	-	-	11,836	-	11,899	(63)	(0.5)%
Total Assets	505,171	-	505,171	-	-	505,171	-	491,611	13,561	2.8%
Capital & Liabilities										
20 Common Stock	36,569	-	36,569	-	-	36,569	-	36,569	0	0.0%
21 Paid in Capital	74,761	-	74,761	-	-	74,761	-	74,682	79	0.1%
22 Retained Earnings	43,969	-	43,969	-	-	43,969	-	39,510	4,459	11.3%
23 Accumulated other comprehensive income	-	-	-	-	-	-	-	-	-	-
24 Treasury stock	-	-	-	-	-	-	-	-	-	-
Total Stockholders' equity	155,299	-	155,299	-	-	155,299	-	150,761	4,538	3.0%
25 Preferred Stock without mandatory redempt	1,446	-	1,446	-	-	1,446	-	1,446	0	0.0%
26 Noncontrolling Interest	6	-	6	-	-	6	-	6	0	0.0%
Total Equity	156,751	-	156,751	-	-	156,751	-	152,213	4,538	3.0%
27 Long term debt	187,890	-	187,890	-	-	187,890	-	167,890	20,000	11.9%
28 Redeemable preferred stock at redemption	4,500	-	4,500	-	-	4,500	-	4,500	0	0.0%
Total Long-term debt	192,390	-	192,390	-	-	192,390	-	172,390	20,000	11.6%
Total Capitalization	349,141	-	349,141	-	-	349,141	-	324,603	24,538	7.6%
29 Short Term Debt	11,003	-	11,003	-	-	11,003	-	13,494	(2,491)	(18.5)%
30 Current Portion of Long-term Debt	0	-	0	-	-	0	-	3,100	(3,100)	(100.0)%
31 Current portion of redeemable stock at rede	-	-	-	-	-	-	-	-	-	-
32 Accounts Payable	6,741	-	6,741	-	-	6,741	-	6,270	471	7.5%
33 Taxes Accrued	(3,972)	-	(3,972)	-	-	(3,972)	-	(30,220)	26,248	86.9%
34 Interest Accrued	1,926	-	1,926	-	-	1,926	-	1,868	58	3.1%
35 Liabilities of Discontinued Operations	-	-	-	-	-	-	-	-	-	-
36 Other current liabilities	3,680	-	3,680	-	-	3,680	-	5,147	(1,468)	(28.5)%
Total Current Liabilities	19,378	-	19,378	-	-	19,378	-	(341)	19,718	5,790.4%
37 Customer Advances for Construction	12,675	-	12,675	-	-	12,675	-	12,774	(99)	(0.8)%
38 Deferred Income Taxes	58,752	-	58,752	-	-	58,752	-	89,037	(30,285)	(34.0)%
39 Deferred Investment tax credits	879	-	879	-	-	879	-	963	(85)	(8.8)%
40 Regulatory liability	13,758	-	13,758	-	-	13,758	-	12,862	896	7.0%
41 Accrued Pension	(1,332)	-	(1,332)	-	-	(1,332)	-	729	(2,061)	(282.9)%
42 Accrued postretirement benefit expense	552	-	552	-	-	552	-	504	49	9.6%
43 Other Deferred Credits	1,731	-	1,731	-	-	1,731	-	1,954	(223)	(11.4)%
Regulatory & Other Long Term Liabilities	87,014	-	87,014	-	-	87,014	-	118,823	(31,809)	(26.8)%
Contributions in aid of construction	49,638	-	49,638	-	-	49,638	-	48,525	1,113	2.3%
Total Capital and Liabilities	505,171	-	505,171	-	-	505,171	-	491,611	13,561	2.8%



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

December 2011

QTD INCOME STATEMENT**SCENARIO: QTD ACT vs. QTD PLAN**

Operating Revenues:

Line 1 – Water Revenue (\$1.894): Unfavorable variance due to usage decline (down 11.6% vs. budget) primarily due to wet weather during the quarter (rainfall was 5.93” higher than normal) and the spread of rate case in plan, unrealized BD \$(0.228), partially offset by favorable rate increase received. Usage decline affected all classes except industrial class (usage up by 1.9% QTD).

Operating Expenses:

Line 6 – Fuel & Power \$0.108: Favorable variance due to plant efficiency implementation and lower system delivery (down 5.9% vs. budget).

Line 11 – Group Insurance \$0.110: Favorable variance due to favorable group insurance rate and lower headcount (141 vs. 150). The favorable variance is seeing all year along.

Line 13 – Shared governance and service fees \$0.167: Favorable variance explained at corporate.

Line 21 – Miscellaneous (\$0.134): Unfavorable variance due to re-class (\$0.075) from expense credit to RWIP related to rental vehicle sales proceeds, 2011 expenses pulled ahead for lab supplies (\$0.025), the bench top analyzer replacement for all plants (\$0.014), Material & Supplies (\$0.014) (2012 expense pulled forward (\$0.003), M&S for TD (\$0.013)) and higher transportation fuel cost (\$0.003). Partially offset by savings in advertising & other \$0.003.

Line 22 – Maintenance (\$.106): Unfavorable variance due to 2012 expense pulled forward \$(0.055)(brass/galvanize fitting, sludge pump repair, sludge sucker parts and press parts), , remaining variance driven by higher expense related to repair spend on M&S Maint TD and M&S Maint WT \$0.051 for the quarter, however, we have seen some favorable variance during the earlier part of year due to timing.

Line 23 – Depreciation \$0.291: Favorable variance driven by due to actual vs planned proportional split for NNS & Depreciation \$0.243 and unrealized BD \$0.048. Favorable depreciation partially offset by amortization of (\$0.141).

Line 24 – Amortization (\$0.141): Unfavorable variance due to actual vs planned proportional split for NNS & Depreciation.

Line 41 – Miscellaneous Other Deductions (\$0.122): Unfavorable variance driven by timing of spend on donations to various non-profit organizations and \$0.070 related to firefighter grant to support fire department serving KYAW service territory, advertising, and customer survey/study.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.747: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to Jacobson Park donation.

Line 43 – Federal Income Taxes \$4.095: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

SCENARIO: QTD ACT vs. QTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues (\$2.085): Unfavorable variance primarily driven by usage decline (down 15.6%) due to wet weather seen during the quarter (rainfall was 5.93” higher than normal), partially offset by favorable rate order received. The usage decline affected all the classes except private fire.

Operating Expenses:

Line 6 – Fuel & Power \$0.205: Favorable variance due to plant efficiency implementation and lower system delivery (down 11.1% YOY).

Line 11 – Group Insurance \$0.122: Favorable variance due to better rate and lower headcount (141 vs. 146). The favorable variance company has been enjoying all year

along.

Line 13 – Shared governance and service fees \$0.380: Favorable variance explained at corporate.

Line 16 – Regulatory Expense \$.281: Favorable variance due to Q4 2010 write off of 2008 Rate Case Expense \$0.209, Amort Oct – Dec rate case expense \$0.043, rate case expense true-up \$0.005, write off 2007 depreciation study and cost of service study \$0.027, partially offset by lower amortization of rate case expense \$0.003 in 2011.

Line 41 – Miscellaneous Other Deductions \$0.151: Favorable variance due to timing of spend on donations to various organizations \$0.035 and also advertising spend on Jacobson Park transfer \$.116 in Dec 2010.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.753: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to Jacobson Park donation.

Line 43 – Federal Income Taxes \$4.095: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

YTD INCOME STATEMENT

SCENARIO: YTD ACT vs. YTD PLAN

Operating Revenues:

Line 1 – Water Revenue (\$2.239): Unfavorable variance due to usage decline (down 5.4% vs. budget) due to the wettest year KY experienced (rainfall was 20.8" higher than normal), unrealized BD \$(0.396), lower customer growth \$(0.173). Usage decline somewhat offset by favorable rate increase. Usage decline primarily affected residential, commercial, OPA and SFR classes, Industrial (slightly usage increase) and private fire saw revenue increase for the year.

Operating Expenses:

Line 5 – Purchase Water (\$0.106): Unfavorable variance due to purchase water from Georgetown needed to resolve water quality issue for some customers in Owenton service area.

Line 11 – Group Insurances \$0.272: Favorable variance primarily due to better rate and lower headcounts (actual 141 vs. budget 150).

Line 13 – Shared governance & Service Fees \$.421: Favorable variance explained at corporate.

Line 16 – Regulatory expense \$.156: Favorable variance due to cost of service and depreciation study amortization from 2007 rate case for which a full write off was ordered by the PSC and performed in 4Q 2010 and was included in 2011 plan.

Line 24 – Amortization \$(.613): Unfavorable primarily due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense \$0.752.

Line 39 – Miscellaneous Income \$19,126: Favorable due to the recording of the gain related to the market value increase of Jacobson Park \$19.050, higher M&J revenue from contractors due to damaged main/hydrant, lost water revenue from the damage etc \$0.176, partially offset by M&J expenses occurred to fix the damaged main/hydrant \$(0.099).

Line 41 – Miscellaneous Deductions \$(19,177): Unfavorable due to the recording of the donation of Jacobson Park \$19.135 and donations to variance organizations \$0.041.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.596: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to

Jacobson Park donation.

Line 43 – Federal Income Taxes \$3.650: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$9.270: Favorable variance primarily due to 2010 rate increase (+27%). Increased rates accounted for the \$14.1m of the favorability, offset by lower consumption in all classes due to the more cool and the wettest year in KY has experienced (usage declined 8.2% compared to 2010).

Operating Expenses:

Line 5 – Purchase Water (\$0.109): Unfavorable variance due to purchase water from Georgetown needed to resolve water quality issue for some customers in Owenton service area.

Line 10 – Pensions \$.177: Favorable variance due to updated actuarial FAS87 assumptions resulted lower premium.

Line 13 – Management Fees \$1.319: Favorable variance explained at corporate level.

Line 16 – Regulatory expense \$.348: Favorable due to lower deferred rate case expense \$0.065 and Q4 2010 write off of 2008 rate Case expense \$0.208, Amort Oct – Dec rate case Exp \$0.043, write off of 2007 depreciation study and cost of service study totaled \$0.027 and true-up of rate case expense \$0.005.

Line 20 – General office expense \$(-.134): Unfavorable variance due to 2011 relocation expenses \$(-.122) and janitorial expenses \$(-.025) from Hales Cleaning Service & to cover new operation facility and KRSII, higher employee expense \$(0.023) related to travel for conference & registration, other misc expense combined \$(0.011), partially offset by lower inter company credit line fees \$0.041 and dues/memberships & other \$0.006.

Line 23 – Depreciation \$(2.225): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(4.002): Unfavorable due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.964): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(-.995): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 39 – Miscellaneous Income \$18,948: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(18,807): Unfavorable due to the recording of the donation of Jacobson Park, slightly offset by 2010 spend on advertising for new water treatment plant \$.165 and other public relation campaign/advertising \$.144.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.512: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to Jacobson Park donation.

Line 43 – Federal Income Taxes \$3.285: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

Income Statement - Month To Date

 Kentucky with Growth
 Dec 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	5,609	6,154	(545)	(8.86)%	6,064	(455)	(7.50)%
Sewer Revenues	23	25	(2)	(7.65)%	26	(3)	(10.22)%
Other Operating Revenues	254	246	9	3.54%	244	10	3.97%
Operating Revenues	5,887	6,425	(538)	(8.38)%	6,334	(448)	(7.07)%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	26	9	(17)	(180.11)%	6	(20)	(324.35)%
Fuel and Power	271	277	6	2.21%	321	50	15.59%
Chemicals	146	137	(9)	(6.83)%	162	16	9.80%
Waste Disposal	30	29	(1)	(3.54)%	21	(8)	(39.05)%
Total production costs	473	452	(21)	(4.60)%	511	38	7.43%
O&M LABOR & OVERHEAD							
Labor	755	675	(80)	(11.84)%	691	(64)	(9.31)%
Pensions	75	82	7	8.06%	82	7	8.37%
Group Insurances	186	200	14	6.90%	226	40	17.53%
Other benefits	45	37	(8)	(20.72)%	35	(10)	(28.95)%
Total employee related	1,061	994	(67)	(6.76)%	1,033	(28)	(2.71)%
Shared governance and service fees							
Shared business services fees	293	281	(12)	(4.43)%	388	95	24.50%
Contracted services	498	450	(48)	(10.70)%	437	(61)	(13.86)%
Total contracted services	791	731	(60)	(7.73)%	825	34	4.31%
Regulatory and amortization							
Regulatory expense	571	541	(30)	(5.58)%	608	37	6.11%
Insurance Other Than Group	18	31	14	43.48%	284	266	93.75%
Customer Accounting	52	56	4	6.90%	79	26	33.45%
Rents	53	157	104	65.97%	171	118	68.80%
General office expense	3	3	0	(9.44)%	2	(1)	(38.92)%
Miscellaneous	57	59	2	4.00%	60	3	5.46%
Maintenance	279	157	(122)	(77.95)%	207	(72)	(34.86)%
Total O&M expense	3,077	2,863	(214)	(7.47)%	3,580	504	14.06%
Depreciation	763	886	123	13.85%	609	(155)	(25.43)%
Amortization	184	140	(43)	(30.97)%	191	8	4.09%
Depreciation and amortization	947	1,026	79	7.73%	800	(47)	(18.37)%
General taxes	398	411	13	3.19%	359	(39)	(10.82)%
Impairment charges	-	-	-	-	-	-	-
Total operating expenses, net	4,422	4,301	(122)	(2.83)%	4,740	318	6.70%
Operating Income	1,464	2,124	(660)	(31.07)%	1,594	(130)	(8.16)%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	(100.00)%
Interest on long-term debt	976	1,029	53	5.18%	909	(66)	(7.30)%
Interest on Short-Term Bank Debt	2	7	4	64.34%	6	4	59.98%
Other Interest Expense	0	-	0	-	4	4	100.00%
Total interest expense	978	1,036	58	5.56%	919	(59)	(6.42)%
AFUDC - Equity	40	31	9	28.15%	30	10	31.44%
AFUDC Debt	19	26	(7)	(26.55)%	14	5	31.68%
Amortization of Debt Expense	6	5	(1)	(19.76)%	11	5	46.98%
Preferred dividends of subsidiaries	-	-	-	-	-	-	-
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	(1)	(10)	9	92.35%	16	(17)	(104.44)%
Total other income	(1)	(10)	9	92.35%	16	(17)	(104.44)%
Miscellaneous Amortization	0	-	0	-	0	0	0.37%
Miscellaneous Other Deductions	39	7	(32)	(446.46)%	201	162	80.56%
Total Other Deductions	39	7	(32)	(446.46)%	162	80.95%	(185.39)%
Other, net	(40)	(17)	(23)	(138.72)%	(185)	145	(185.39)%
Total other income (deductions)	(965)	(1,001)	36	3.56%	(1,070)	105	9.84%
Income (loss) before income taxes	489	1,124	(635)	(55.56)%	524	(25)	(4.72)%
State Income Taxes	(660)	66	727	1,096.42%	43	704	1,627.97%
Federal Income Taxes	(3,514)	408	3,922	961.00%	250	3,764	1,506.92%
Provision (Benefit) for Income Taxes	(2)	-	2	(11)	(9)	(78.48)%	(78.48)%
Net income (loss)	(4,190)	474	4,665	983.18%	221	4,411	1,994.58%
Preferred Dividend Declared	690	649	41	6.22%	303	4,387	1,447.41%
Common Dividend Declared	6	6	0	0.00%	6	0	0.00%
Net Income To Common Stock	4,683	642	(4,041)	(628.91)%	297	4,387	1,478.98%
Current Year Retained Earnings	(2,433)	(3,065)	632	20.63%	(2,979)	546	18.34%

Income Statement - Year To Date						
Kentucky with Growth						
Dec YTD 2011						
(\$ in Thousands)						
	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)
						% Variance
OPERATING REVENUES						
Water Revenues	79,776	82,016	(2,239)	(2.73)%	70,507	9,270
Sewer Revenues	300	316	(16)	(5.10)%	319	(19)
Other Operating Revenues	3,224	3,164	60	1.90%	3,229	(4)
Operating Revenues	83,301	85,496	(2,195)	(2.57)%	74,054	9,246
OPERATIONS & MAINTENANCE EXPENSE						
PRODUCTION EXPENSES						
Purchased Water	225	118	(106)	(89.81)%	116	(109)
Fuel and Power	3,717	4,092	375	9.16%	3,739	22
Chemicals	1,901	1,877	(23)	(1.25)%	1,834	(66)
Waste Disposal	302	346	44	12.77%	246	(55)
Total production costs	6,144	6,433	289	4.49%	5,835	(210)
O&M LABOR & OVERHEAD						
Labor	7,667	7,659	(7)	(0.10)%	7,225	(441)
Pensions	923	981	57	5.84%	1,100	177
Group Insurances	2,095	2,366	272	11.49%	2,246	152
Other benefits	410	390	(20)	(5.22)%	353	(57)
Total employee related	11,095	11,396	302	2.65%	10,924	(170)
Shared governance and service fees						
Shared business services fees	2,982	3,403	421	12.38%	4,301	1,319
Contracted services	4,769	4,887	117	2.40%	4,547	(222)
Total contracted services	7,751	8,290	539	6.95%	8,848	(1,097)
Regulatory expense						
Regulatory expense	215	370	156	42.07%	562	348
Insurance Other Than Group	580	675	94	13.98%	548	(32)
Customer Accounting	1,857	1,929	72	3.75%	1,904	48
Rents	32	36	4	10.10%	31	(1)
General office expense	773	697	(77)	(10.98)%	639	(134)
Miscellaneous	1,843	1,917	74	3.84%	1,809	(34)
Maintenance	1,608	1,544	(64)	(4.13)%	1,741	133
Total O&M expense	32,972	34,419	1,448	4.21%	33,992	1,020
Depreciation and amortization						
Depreciation	8,915	9,667	752	7.78%	6,690	(2,225)
Amortization	2,183	1,570	(613)	(39.03)%	2,183	0
Total depreciation and amortization	11,098	11,237	139	1.24%	8,873	(2,225)
General taxes						
Gain on sale of assets	5,102	4,955	(147)	(2.97)%	4,864	(238)
Impairment charges	-	-	-	-	-	-
Total operating expenses, net	49,172	50,612	1,440	2.84%	47,729	(1,443)
Operating income	34,129	34,885	756	(2.17)%	26,326	7,803
OTHER INCOME & DEDUCTIONS						
Interest income	-	-	-	-	(3)	(3)
Interest on long-term debt	10,864	11,762	899	7.64%	6,862	(4,002)
Interest on Short-Term Bank Debt	73	78	5	6.71%	115	42
Other Interest Expense	(3)	-	3	-	(4)	(1)
Total interest expense	10,933	11,840	907	7.66%	6,970	(3,963)
AFUDC - Equity						
AFUDC - Equity	281	237	44	18.63%	2,244	(1,964)
Amortization of Debt Expense						
Amortization of Debt Expense	132	194	(62)	(32.01)%	1,127	(995)
Preferred dividends of subsidiaries						
Preferred dividends of subsidiaries	86	75	(12)	(15.62)%	129	(42)
Other, net						
Non-Operating Rental Income	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-
Miscellaneous Income	19,118	(8)	19,126	230,521.45%	170	18,948
Total other income	19,118	(8)	19,126	230,521.45%	170	18,948
Miscellaneous Amortization						
Miscellaneous Amortization	0	0	0	0.03%	0	0
Miscellaneous Other Deductions						
Miscellaneous Other Deductions	19,514	336	(19,177)	(5,702.61)%	707	(18,807)
Total Other Deductions	19,514	336	(19,177)	(5,702.49)%	706	(18,807)
Other, net	(395)	(345)	(51)	(14.75)%	(536)	141
Total other income (deductions)	(11,002)	(11,829)	827	6.99%	(4,264)	(6,739)
Income (loss) before income taxes	23,127	23,056	71	0.31%	22,062	1,065
State income Taxes						
State income Taxes	774	1,370	596	43.48%	1,286	512
Federal Income Taxes						
Federal Income Taxes	4,396	8,046	3,650	45.36%	7,681	3,285
Tax Saving Acquisition Adjustment						
Tax Saving Acquisition Adjustment	(24)	-	24	-	(32)	(8)
State income taxes (non-operating)						
State income taxes (non-operating)	(130)	-	130	-	(176)	(45)
Provision (Benefit) for Income Taxes	5,017	9,416	4,399	46.72%	8,760	3,743
Net income (loss)	18,110	13,640	4,470	32.77%	13,302	4,808
Preferred Dividend Declared						
Preferred Dividend Declared	78	84	(6)	(7.59)%	78	0
Net income to Common Stock	18,032	13,556	4,476	33.02%	13,224	4,808
Common Dividend Declared						
Common Dividend Declared	13,574	9,932	(3,642)	(36.67)%	8,934	(4,639)
Current Year Retained Earnings	4,459	3,624	834	23.02%	4,290	168



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

Jan 2012

Jan 2012 FRP commentary
INCOME STATEMENT
STATE: KENTUCKY
SCENARIO: MTD ACT vs. MTD PLAN

No Significant Variances

Jan 2012 FRP commentary
INCOME STATEMENT
STATE: KENTUCKY
SCENARIO: MTD ACT vs. MTD PRIOR YEAR

No Significant Variances

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	5,987	-	5,987	(394)	6,382	(394)	(6.18)%	6,308	(321)	(5.09)%
Sewer revenues	24	24	-	(1)	25	(1)	(2.13)%	24	1	3.10%
Other operating revenues	260	-	260	31	229	31	13.33%	229	31	13.48%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	6,271	-	6,271	(364)	6,636	(364)	(5.49)%	6,561	(289)	(4.41)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	29	-	(29)	8	37	8	21.73%	15	(14)	(98.45)%
Fuel and Power	302	-	(302)	13	316	13	4.24%	324	21	6.59%
Chemicals	136	-	(136)	(5)	132	(5)	(3.41)%	146	10	6.77%
Waste disposal	28	-	(28)	(4)	23	(4)	(17.51)%	24	(4)	(16.66)%
Total production costs	496	-	(496)	13	508	13	2.53%	508	13	2.53%
Salaries & Wages	652	-	(652)	(5)	647	(5)	(0.81)%	626	(26)	(4.15)%
Pensions	90	-	(90)	(4)	86	(4)	(4.21)%	80	(10)	(12.58)%
Group insurances	186	-	(186)	(13)	173	(13)	(7.32)%	185	(1)	(0.50)%
Other benefits	37	-	(37)	(4)	33	(4)	(12.42)%	32	(5)	(15.86)%
Total employee related	966	-	(966)	(26)	940	(26)	(2.73)%	923	(42)	(4.55)%
Service Company costs	682	-	(682)	40	722	40	5.55%	698	16	2.30%
Contracted services	94	-	(94)	(16)	78	(16)	(20.83)%	69	(25)	(36.35)%
Building maintenance and services	53	-	(53)	4	57	4	7.08%	55	2	3.48%
Telecommunication expenses	23	-	(23)	(2)	21	(2)	(8.06)%	29	6	19.33%
Postage printing and stationery	3	-	(3)	0	3	0	(5.42)%	1	(1)	(98.71)%
Office supplies & expenses	16	-	(16)	3	19	3	15.90%	16	1	3.09%
Advertising & marketing expenses	-	-	-	3	3	3	100.00%	-	-	-
Employee related expense travel & entertainment	22	-	(22)	(7)	15	(7)	(49.19)%	3	(19)	(619.41)%
Miscellaneous expenses	57	-	(57)	18	74	18	24.06%	67	10	15.02%
Rents	9	-	(9)	(7)	3	(7)	(251.97)%	2	(7)	(284.69)%
Transportation	50	-	(50)	(8)	42	(8)	(19.07)%	39	(11)	(27.22)%
Operating supplies & services	327	-	(327)	(12)	314	(12)	(3.92)%	282	(45)	(15.92)%
Uncollectible Accounts Exp	101	-	(101)	(102)	(1)	(102)	(14,190.63)%	88	(13)	(14.94)%
Customer accounting other	87	-	(87)	18	104	18	16.79%	92	5	5.86%
Regulatory expense	18	-	(18)	0	18	0	0.00%	17	(1)	(3.23)%
Insurance other than group	50	-	(50)	5	56	5	9.77%	54	4	6.67%
Maintenance service & supplies	142	-	(142)	(38)	105	(38)	(35.83)%	149	7	4.47%
Total operation and maintenance	2,868	-	(2,868)	(101)	2,767	(101)	(3.66)%	2,812	(56)	(1.99)%
Depreciation	769	-	(769)	(16)	753	(16)	(2.08)%	708	(61)	(8.60)%
Amortization	17	-	(17)	(1)	16	(1)	(5.68)%	18	1	4.83%
Removal costs	167	-	(167)	(1)	166	(1)	(0.68)%	162	(5)	(2.87)%
Depreciation and Amortization	953	-	(953)	(18)	936	(18)	(1.90)%	889	(65)	(7.28)%
General taxes	438	-	(438)	(16)	422	(16)	(3.76)%	375	(63)	(16.76)%
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	4,259	-	(4,259)	(135)	4,124	(135)	(3.27)%	4,076	(184)	(4.50)%
Operating income (loss)	2,012	-	2,012	(499)	2,512	(499)	(19.88)%	2,485	(473)	(19.03)%
OTHER INCOME & DEDUCTIONS										
Interest income	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	976	-	(976)	27	1,002	27	2.66%	909	(66)	(7.30)%
Interest on Short-Term Bank Debt	6	-	(6)	5	11	5	47.79%	5	(1)	(13.16)%
Other Interest Expense	0	-	0	0	0	0	-	(3)	(3)	(100.10)%
Interest net	982	-	(982)	32	1,014	32	3.17%	911	(71)	(7.74)%
Allowance for other funds used during constructi	44	-	44	10	34	10	28.46%	26	18	67.78%
Allowance for borrowed funds used during constr	20	-	20	(6)	26	(6)	(21.51)%	12	8	67.78%
Amortization of debt expense	6	-	(6)	(1)	5	(1)	(19.76)%	11	5	46.98%
Other Net	(30)	-	(30)	(73)	(43)	(73)	59.15%	(49)	19	38.68%
Total other income (expenses)	(953)	-	(953)	78	(1,032)	78	7.60%	(933)	(21)	(2.21)%
Income (loss) before income taxes	1,059	-	1,059	(421)	1,480	(421)	(28.44)%	1,553	(493)	(31.78)%
Provision for income taxes	426	-	(426)	147	572	147	25.61%	621	196	31.48%
Income (loss) from continuing operations	633	-	633	(274)	908	(274)	(30.23)%	931	(298)	(31.99)%
Income (loss) from discontinued operations - net of ta	-	-	-	(274)	908	(274)	(30.23)%	931	(298)	(31.99)%
Net income (loss)	633	-	633	(6)	908	(6)	0.48%	931	0	0.00%
Preferred dividend declared	-	-	-	7	-	7	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	627	-	627	(274)	901	(274)	(30.45)%	925	(298)	(32.21)%
Common dividends	-	-	-	(1)	(1)	(1)	(100.00)%	-	-	-
Current Year Retained Earnings	627	-	627	(275)	902	(275)	(30.52)%	925	(298)	(32.21)%

Feb MTD Financial Performance

Operating Income unfavorable to Plan \$236K

Net Income to Common Stock unfavorable to Plan \$173K

Revenues unfavorable to Plan \$276K

- Revenue was unfavorable by \$276K or 4.38% primarily driven by declining usage in Residential \$237K or 7.13%, commercial \$73K or 4.76% and OPA \$27K or 6.55%, partially offset by stronger sales in Industrial \$29K or 19.27% and SRF \$6K or 4.96%.

Operating Expenses favorable to Plan \$40K

- Labor was \$47K favorable mainly driven by headcount \$49K (137 vs 141) and lower OT \$11K, partially offset by misc other.
- Customer accounting was \$67K favorable due to lower write-offs in Feb and allowance portion of the expense was favorably impacted by lower write-offs from previous months. 12 month rolling uncollectible rate is 0.82% vs. budget for 2012 of 0.72%. The full year is expected to be on target.
- General taxes were \$55K unfavorable primarily due to property tax true up of \$56K related to 2011 payable in 2012.

Total Other Income/Deductions

- No Significant Variance

2012 Year-To-Date Financial Performance

Operating Income unfavorable to Plan \$809K

Net Income to Common Stock unfavorable to Plan \$491K

Revenues unfavorable to Plan \$642K

- Unfavorable revenues were driven by lower demand \$838K in Residential (usage 5.4% lower), Commercial (usage 2.5% lower) and OPA(usage 7.7% lower), partially offset by favorable variance due to pricing \$98K, Other operating revenue \$51K (reconnection charges, collection for other, etc) and customer growth \$19K.

Operating Expenses unfavorable to plan \$167K

- Fuel & Power were \$39K favorable due to lower than planned system delivery (4% lower) and optimization of operations between plants.
- Labor was \$42K favorable primarily due to lower headcount and savings from OT, offset by group insurance \$41K due to higher than expected group insurance rate (\$80/per person). The unfavorable variance is expected to continue through the remainder of year.
- Contract services were \$42K unfavorable primarily due to expense related to outside legal counsel to temporarily fill in the duty which was previously performed by two inside counsels (now both are vacant). The expense is expected to offset by saving from MGMT Fees for the two vacant positions once the revised service company budget is finalized (expected in March).
- Shared Business Service Fees were \$55K unfavorable due to Corp allocation methodology, unfavorable variance driven by CSC (new expense allocation based on number of calls handled for a specific state), Procurement, Laboratory and SSC, partially offset by savings from ITS due to higher vacancies. The budget for Shared Business Service Fees is going to be revised in March.
- General taxes were \$71K unfavorable due to the property tax true up \$56K in Feb which was related to 2011 payable in 2012, the remaining variance driven by payroll taxes primarily due to timing and higher Utility Reg Assessment Fee.

Total Other Income/Deductions favorable \$63K

- The favorable variance primarily due to timing of various donations and planned reduction on donations.

Income Statement - Month To Date
E12_Kentucky American
Feb 2012
(\$ In Thousands)

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	5,737	-	5,737	(296)	6,033	(296)	(4.90)%	5,954	(217)	(3.64)%
Sewer revenues	25	-	25	(1)	26	(1)	(2.81)%	26	0	(1.80)%
Other operating revenues	269	-	269	21	248	21	8.60%	247	22	8.89%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	6,032	-	6,032	(275)	6,307	(275)	(4.36)%	6,227	(195)	(3.13)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	24	-	(24)	3	27	3	10.91%	16	(8)	(49.24)%
Fuel and Power	270	-	(270)	26	296	26	8.70%	410	139	34.03%
Chemicals	115	-	(115)	11	126	11	8.49%	124	9	7.34%
Waste disposal	22	-	(22)	1	23	1	4.95%	22	0	0.55%
Total production costs	432	-	(432)	41	473	41	8.59%	573	141	24.56%
Salaries & Wages	562	-	(562)	47	609	47	7.79%	581	19	3.25%
Pensions	88	-	(88)	(2)	86	(2)	(2.35)%	79	(9)	(11.84)%
Group insurances	182	-	(182)	(9)	173	(9)	(4.90)%	182	0	0.11%
Other benefits	24	-	(24)	12	36	12	33.92%	29	5	18.47%
Total employee related	856	-	(856)	49	905	49	5.43%	871	15	1.74%
Service Company costs	686	-	(686)	15	701	15	2.13%	654	(32)	(4.88)%
Contracted services	106	-	(106)	(26)	80	(26)	(31.96)%	95	(11)	(11.62)%
Building maintenance and services	51	-	(51)	4	55	4	6.71%	52	0	0.38%
Telecommunication expenses	20	-	(20)	2	21	2	7.29%	15	(4)	(29.08)%
Postage printing and stationery	2	-	(2)	0	2	0	5.08%	3	1	28.82%
Office supplies & expenses	11	-	(11)	7	18	7	38.25%	11	0	(1.47)%
Advertising & marketing expenses	-	-	-	-	-	-	-	-	-	-
Employee related expense travel & entertainment	19	-	(19)	1	20	1	4.46%	12	(7)	(63.76)%
Miscellaneous expenses	70	-	(70)	3	73	3	4.47%	54	(16)	(29.47)%
Rents	4	-	(4)	(1)	3	(1)	(51.03)%	2	(2)	(81.21)%
Transportation	54	-	(54)	(15)	39	(15)	(37.48)%	57	3	5.03%
Operating supplies & services	337	-	(337)	(25)	312	(25)	(8.07)%	300	(37)	(12.29)%
Uncollectible Accounts Exp	50	-	(50)	67	17	67	389.57%	(62)	(12)	(19.13)%
Customer accounting other	101	-	(101)	(2)	99	(2)	(2.00)%	101	0	(0.05)%
Regulatory expense	18	-	(18)	0	18	0	0.00%	18	0	(0.25)%
Insurance other than group	50	-	(50)	6	56	6	10.35%	55	5	8.98%
Maintenance service & supplies	79	-	(79)	31	110	31	28.27%	126	47	37.60%
Total operation and maintenance	2,508	-	(2,508)	182	2,689	182	6.75%	2,635	127	4.84%
Depreciation	767	-	(767)	(13)	754	(13)	(1.76)%	735	(32)	(4.42)%
Amortization	17	-	(17)	(1)	16	(1)	(5.68)%	18	1	4.83%
Removal costs	167	-	(167)	(1)	166	(1)	(0.73)%	163	(4)	(2.58)%
Depreciation and Amortization	952	-	(952)	(15)	936	(15)	(1.65)%	916	(36)	(3.91)%
General taxes	468	-	(468)	(55)	413	(55)	(13.39)%	984	515	52.41%
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	3,928	-	(3,928)	111	4,038	111	2.75%	4,535	607	13.39%
Operating Income (loss)	2,104	-	2,104	(164)	2,268	(164)	(7.24)%	1,692	412	24.34%
OTHER INCOME & DEDUCTIONS										
Interest Income	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	976	-	(976)	(33)	942	(33)	(3.55)%	909	(66)	(7.30)%
Interest on Short-Term Bank Debt	5	-	(5)	4	9	4	42.73%	6	0	6.08%
Other Interest Expense	-	-	-	-	-	-	-	0	0	100.00%
Interest net	981	-	(981)	(29)	952	(29)	(3.10)%	915	(66)	(7.19)%
Allowance for other funds used during constructi	50	-	50	13	37	13	34.43%	(7)	57	811.49%
Allowance for borrowed funds used during constr	23	-	(23)	(5)	28	(5)	(17.86)%	(3)	27	811.42%
Amortization of debt expense	6	-	(6)	(1)	5	(1)	(19.76)%	11	5	46.98%
Other Net	(2)	-	(2)	8	(10)	8	76.57%	(11)	9	78.83%
Total other income (expenses)	(916)	-	(916)	(15)	(901)	(15)	(1.68)%	(948)	31	3.29%
Income (loss) before income taxes	1,188	-	1,188	(179)	1,367	(179)	(13.12)%	745	443	59.50%
Provision for income taxes	478	-	(478)	50	528	50	9.56%	298	(179)	(60.21)%
Income (loss) from continuing operations	710	-	710	(129)	839	(129)	(15.36)%	447	264	59.03%
Income (loss) from discontinued operations - net of ta	-	-	-	(129)	839	(129)	(15.36)%	447	264	59.03%
Net income (loss)	710	-	710	(6)	710	(6)	0.48%	6	0	0.00%
Preferred dividend declared	-	-	-	-	-	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	704	-	704	(129)	833	(129)	(15.48)%	440	264	59.89%
Common dividends	-	-	-	(1)	(1)	(1)	(100.00)%	-	-	-
Current Year Retained Earnings	704	-	704	(130)	834	(130)	(15.58)%	440	264	59.89%

Income Statement - Year To Date
E12_Kentucky American
FEBYTD 2012
(\$ In Thousands)

	YTD Actuals	YTD Forecast	Variance Favorable (Unfavorable)	% Variance	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	11,724	-	11,724	(5.56)%	12,415	(690)	(5.56)%	12,262	(538)	(4.38)%
Sewer revenues	50	-	50	(2.47)%	51	(1)	(2.47)%	49	0	0.55%
Other operating revenues	529	-	529	10.87%	477	52	10.87%	476	53	11.09%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	12,303	-	12,303	(4.94)%	12,943	(640)	(4.94)%	12,788	(485)	(3.79)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	53	-	(53)	17.16%	65	11	17.16%	31	(22)	(72.57)%
Fuel and Power	573	-	(573)	6.40%	612	39	6.40%	734	161	21.92%
Chemicals	252	-	(252)	2.39%	271	6	2.39%	271	19	7.03%
Waste disposal	50	-	(50)	(3.28)%	47	(3)	(3.28)%	46	(4)	(8.28)%
Total production costs	928	-	(928)	5.45%	981	53	5.45%	1,081	154	14.20%
Salaries & Wages	1,214	-	(1,214)	3.36%	1,256	42	3.36%	1,207	(7)	(0.59)%
Pensions	178	-	(178)	(3.28)%	172	(6)	(3.28)%	159	(19)	(12.21)%
Group insurances	368	-	(368)	(6.11)%	347	(21)	(6.11)%	367	(1)	(0.19)%
Other benefits	61	-	(61)	11.71%	69	8	11.71%	61	0	0.47%
Total employee related	1,821	-	(1,821)	3.87%	1,845	23	3.87%	1,794	(27)	(1.50)%
Service Company costs	1,367	-	(1,367)	(26.47)%	1,422	55	(26.47)%	1,351	(16)	(1.17)%
Contracted services	200	-	(200)	6.90%	158	(42)	6.90%	164	(36)	(22.04)%
Building maintenance and services	105	-	(105)	(0.38)%	112	8	(0.38)%	107	2	1.98%
Telecommunication expenses	43	-	(43)	0.82%	43	0	0.82%	44	1	2.44%
Postage printing and stationery	5	-	(5)	100.00%	37	3	100.00%	27	0	1.23%
Office supplies & expenses	27	-	(27)	(18.07)%	35	8	(18.07)%	15	(26)	(177.48)%
Advertising & marketing expenses	41	-	(41)	14.38%	126	21	14.38%	120	(6)	(4.85)%
Employee related expense travel & entertainment	20	-	(20)	(151.50)%	147	127	(151.50)%	120	(27)	(18.69)%
Miscellaneous expenses	14	-	(14)	(27.98)%	5	(9)	(27.98)%	5	(9)	(8.15)%
Rents	104	-	(104)	(5.98)%	81	(23)	(5.98)%	96	(8)	(8.15)%
Transportation	664	-	(664)	(208.00)%	626	(37)	(208.00)%	582	(82)	(14.05)%
Operating supplies & services	51	-	(51)	7.66%	17	(34)	7.66%	26	(25)	(95.84)%
Uncollectible Accounts Exp	187	-	(187)	0.00%	203	16	0.00%	193	5	2.78%
Customer accounting other	35	-	(35)	10.06%	35	0	10.06%	35	(1)	(1.72)%
Regulatory expense	101	-	(101)	(3.03)%	112	11	(3.03)%	109	9	7.83%
Insurance other than group	221	-	(221)	1.47%	214	(7)	1.47%	275	54	19.66%
Total operation and maintenance	5,375	-	(5,375)	(1.92)%	5,456	80	(1.92)%	5,447	71	1.31%
Depreciation	1,536	-	(1,536)	(5.68)%	1,507	(29)	(5.68)%	1,443	(93)	(6.47)%
Amortization	34	-	(34)	(0.70)%	33	(1)	(0.70)%	36	2	4.83%
Removal costs	334	-	(334)	(1.77)%	332	(2)	(1.77)%	326	(6)	(2.73)%
Depreciation and Amortization	1,905	-	(1,905)	(8.53)%	1,872	(33)	(8.53)%	1,805	(101)	(5.57)%
General taxes	906	-	(906)	-	835	(71)	-	1,359	453	33.32%
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	8,187	-	(8,187)	(13.88)%	8,163	(24)	(13.88)%	8,610	424	4.92%
Operating income (loss)	4,116	-	4,116	(6.64)	4,780	(664)	(6.64)	4,177	(61)	(1.46)%
OTHER INCOME (EXPENSES)										
Interest Income	1,951	-	(1,951)	(7)	1,945	(7)	(7)	1,819	(133)	(7.30)%
Interest on long-term debt	11	-	(11)	9	21	9	9	11	0	(3.13)%
Interest on Short-Term Bank Debt	0	-	0	0	0	0	0	(3)	(3)	(100.11)%
Other Interest Expense	1,963	-	(1,963)	0.13%	1,965	2	0.13%	1,826	(139)	(7.46)%
Interest net	93	-	(93)	31.57%	71	(22)	31.57%	19	74	389.29%
Allowance for other funds used during constructi	44	-	(44)	(19.61)%	54	10	(19.61)%	9	35	389.32%
Allowance for borrowed funds used during const	12	-	(12)	(19.76)%	10	(2)	(19.76)%	22	10	46.96%
Amortization of debt expense	(32)	-	(32)	61.25%	(83)	51	61.25%	(60)	28	46.13%
Other Net	(1,870)	-	(1,870)	3.27%	(1,933)	63	3.27%	(1,880)	11	0.56%
Total other income (expenses)	2,247	-	(2,247)	(21.09)%	2,847	(600)	(21.09)%	2,297	(60)	(2.19)%
Income (loss) before income taxes	1,343	-	(1,343)	(23.09)%	1,747	(403)	(23.09)%	1,378	(34)	(2.48)%
Provision for income taxes	-	-	-	-	-	-	-	-	-	-
Income (loss) from discontinued operations - net of t	1,343	-	(1,343)	(23.09)%	1,747	(403)	(23.09)%	1,378	(34)	(2.48)%
Net income (loss)	13	-	(13)	0.48%	13	0	0.48%	13	0	0.00%
Preferred dividend declared	-	-	-	-	-	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	1,330	-	(1,330)	(23.26)%	1,734	(403)	(23.26)%	1,365	(34)	(2.51)%
Common dividends	-	-	-	-	(2)	(2)	(100.00)%	-	-	-
Current Year Retained Earnings	1,330	-	(1,330)	(23.35)%	1,736	(405)	(23.35)%	1,365	(34)	(2.51)%

March MTD Financial Performance

Operating Income unfavorable to Plan \$174K

Net Income to Common Stock unfavorable to Plan \$96K

Revenues unfavorable to Plan \$190K

- Revenue was unfavorable by \$190K primarily driven by declining usage in Residential \$223K (usage down 4.9%) and OPA \$53K (usage down 14%), partially offset by pricing variance \$41K, stronger sales in Commercial \$26K (usage up 6.4%) and Industrial \$19K (usage up 18%).

Operating Expenses favorable to Plan \$16K

- Total employee expenses were \$44K unfavorable driven by \$62K severance (pay, COBRA & Out placement) and AIP accruals \$39K, partially offset by total labor saving \$53K due to lower headcount (135 actual vs. 141 budget) and few O&M OT. AIP is expected to be flat or lower to plan.
- Contract Services were \$33K favorable driven by credit for contract services related to temp employee \$12K due to accrual reversal and remaining variance \$21K due to timing of spending on various contracted services.
- Customer accounting was \$23K favorable due to lower write-offs in March and allowance portion of the expense was favorably impacted by lower write-offs from previous months. 12 month rolling uncollectible rate is 0.70% vs. budget for 2012 of 0.72%. The full year is expected to be on target.
- Remaining variance driven by misc other expenses combined.

Total Other Income/Deductions favorable to Plan \$58K

- Long Term Debt Interest Expenses were \$27K favorable driven by lower interest rate on LTD \$20M issued in Nov 2011 (actual 5% vs. budget 6%).
- Miscellaneous Income was \$28K favorable due to payment received from Blue Grass Station on UV equipment we purchased for them – one last O&M contract we had with the customer.

2012 Year-To-Date Financial Performance

Operating Income unfavorable to Plan \$838K

Net Income to Common Stock unfavorable to Plan \$500K

Revenues unfavorable to Plan \$832K

- Unfavorable revenue \$832K was primarily driven by declining usage in Residential \$765K (usage down 5.3%), OPA \$190K (usage down 9.8%) and Commercial \$103K (largely due to not making unbilled adjustment in Dec 2011, usage has been picking up for Feb & Mar), partially offset by pricing variance \$140K and misc other combined \$86K (customer growth, reconnection charge and collections for other).

Total YTD usage for all water classes combined was 2.9% lower than plan.

Operating Expenses flat to plan

- Total production costs were \$65K favorable to plan driven by lower than planned system delivery (2.2% lower) and savings in Fuel & Power due to optimization of operations between plants.
- Total employee expenses were \$21K unfavorable primarily driven by severance \$58K, group insurance \$33K (higher than expected group insurance rate) and AIP accrual \$30K (full year expected to be lower or flat to budget), partially offset by labor saving of \$98K due to lower headcount (135 actual vs. 141 budget) and few O&M OT.
- Management Fees were \$59K favorable due to Corp expense allocation methodology.
- Miscellaneous expenses were \$22K favorable driven by software licenses & support \$13K and savings in misc expenses due to timing and management cost saving initiatives.
- General taxes were \$74K unfavorable due to the property tax true up \$56K in Feb (2011 payable in 2012) and higher property tax accrual \$16K, the remaining variance driven by higher Utility Reg Assessment Fee and misc other combined.
- Remaining variance driven by misc other expenses combined.

Total Other Income/Deductions favorable \$121K

- Total Interest Expenses were \$28K favorable driven by LTD interest saving \$20K due to favorable interest rate on the \$20M LTD issued Nov 2011 (actual 5% vs. budget 6%) and STD interest saving \$8K due to lower STD balance.
- AFUDC was \$22K favorable mainly driven by higher AFUDC eligible asset base.
- Miscellaneous Other Deductions were \$62K favorable due to timing of various donations and planned reduction on donations

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	5,734	-	5,734	(189)	5,923	(189)	(3.18)%	6,092	(357)	(5.87)%
Sewer revenues	27	-	27	2	25	2	6.17%	24	2	9.50%
Other operating revenues	274	-	274	(2)	276	(2)	(0.78)%	275	(1)	(0.35)%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	6,035	-	6,035	(189)	6,224	(189)	(3.04)%	6,391	(356)	(5.57)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	33	-	(33)	(8)	25	(8)	(31.20)%	11	(22)	(208.77)%
Fuel and Power	276	-	(276)	20	297	20	6.86%	280	4	1.46%
Chemicals	137	-	(137)	4	141	4	2.72%	158	20	12.87%
Waste disposal	33	-	(33)	(9)	24	(9)	(35.51)%	23	(10)	(45.61)%
Total production costs	480	-	(480)	8	487	8	1.57%	471	(8)	(1.76)%
Salaries & Wages	658	-	(658)	(23)	635	(23)	(3.63)%	624	(34)	(5.45)%
Pensions	88	-	(88)	(2)	86	(2)	(2.38)%	79	(9)	(11.29)%
Group insurances	185	-	(185)	(12)	173	(12)	(6.79)%	185	0	(0.10)%
Other benefits	43	-	(43)	(8)	35	(8)	(21.70)%	39	(4)	(9.96)%
Total employee related	975	-	(975)	(44)	930	(44)	(4.78)%	927	(47)	(5.07)%
Service Company costs	741	-	(741)	4	745	4	0.52%	668	(73)	(10.95)%
Contracted services	54	-	(54)	33	87	33	37.75%	125	71	56.69%
Building maintenance and services	50	-	(50)	1	51	1	1.70%	51	0	0.41%
Telecommunication expenses	22	-	(22)	(1)	21	(1)	(2.42)%	22	0	(1.01)%
Postage printing and stationery	1	-	(1)	0	2	2	24.55%	2	1	28.61%
Office supplies & expenses	16	-	(16)	3	19	3	16.88%	13	(3)	(22.21)%
Advertising & marketing expenses	9	-	(9)	17	26	17	64.82%	23	14	60.14%
Employee related expense travel & entertainment	66	-	(66)	(10)	57	(10)	(17.25)%	40	(26)	(65.49)%
Miscellaneous expenses	7	-	(7)	7	6	7	(19.93)%	7	0	(0.48)%
Rents	43	-	(43)	0	43	0	(0.64)%	37	(6)	(16.16)%
Transportation	269	-	(269)	45	314	45	14.47%	319	50	15.68%
Operating supplies & services	19	-	(19)	19	39	19	50.27%	114	95	83.20%
Uncollectible Accounts Exp	95	-	(95)	6	101	6	6.04%	96	2	1.61%
Customer accounting other	18	-	(18)	0	18	0	(1.04)%	17	(1)	(3.69)%
Regulatory expense	61	-	(61)	(5)	56	(5)	(9.45)%	37	(24)	(66.03)%
Insurance other than group	119	-	(119)	2	120	2	1.39%	169	50	29.70%
Maintenance service & supplies	2,776	-	(2,776)	34	2,810	34	1.22%	2,819	43	1.54%
Total operation and maintenance	767	-	(767)	(12)	755	(12)	(1.54)%	726	(41)	(5.67)%
Depreciation	17	-	(17)	(1)	16	(1)	(5.68)%	18	1	4.83%
Amortization	167	-	(167)	(1)	166	(1)	(0.63)%	163	(4)	(2.56)%
Removal costs	951	-	(951)	(14)	938	(14)	(1.45)%	907	(44)	(4.90)%
Depreciation and Amortization	411	-	(411)	(3)	408	(3)	(0.68)%	417	6	1.52%
General taxes	3	-	(3)	(3)	-	-	-	-	(3)	-
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	4,141	-	(4,141)	15	4,156	15	0.36%	4,143	2	0.06%
Total operating expenses net	1,894	-	(1,894)	(174)	2,068	(174)	(8.42)%	2,247	(354)	(15.73)%
Operating income (loss)	4,141	-	(4,141)	15	4,156	15	0.36%	4,143	2	0.06%
OTHER INCOME & DEDUCTIONS										
Interest income	976	-	(976)	27	1,002	27	2.66%	909	(67)	(7.37)%
Interest on long-term debt	7	-	(7)	(1)	5	(1)	(26.99)%	6	0	(5.70)%
Interest on Short-Term Bank Debt	-	-	-	-	-	-	-	0	0	100.00%
Other Interest Expense	982	-	(982)	25	1,008	25	2.51%	915	(67)	(7.35)%
Interest net	54	-	(54)	15	39	15	37.48%	14	40	275.00%
Allowance for other funds used during construct	25	-	(25)	(5)	30	(5)	(16.00)%	7	19	275.00%
Allowance for borrowed funds used during constr	6	-	(6)	(1)	5	(1)	(19.76)%	11	5	46.98%
Amortization of debt expense	4	-	(4)	4	(20)	4	118.24%	(17)	20	121.94%
Other Net	(905)	-	(905)	58	(963)	58	6.01%	(922)	16	1.78%
Total other income (expenses)	989	-	(989)	(116)	1,105	(116)	(10.52)%	1,326	(337)	(25.43)%
Income (loss) before income taxes	405	-	(405)	20	425	20	4.68%	624	219	35.06%
Provision for income taxes	584	-	(584)	(96)	680	(96)	(14.17)%	702	(118)	(16.87)%
Income (loss) from continuing operations	584	-	(584)	(96)	680	(96)	(14.17)%	702	(118)	(16.87)%
Income (loss) from discontinued operations - net of tax	584	-	(584)	(6)	680	(6)	(0.88)%	702	(18)	(2.59)%
Net income (loss)	577	-	(577)	(96)	673	(96)	(14.30)%	696	(118)	(17.03)%
Preferred dividend declared	5,266	-	(5,266)	2,700	2,700	2,700	95.04%	2,461	(2,806)	(114.01)%
Net income attributable to non-controlling interest	(4,689)	-	(4,689)	(2,027)	(2,027)	(2,027)	(131.37)%	(1,765)	(2,924)	(165.66)%
Net income available to common stockholders	(4,689)	-	(4,689)	(2,027)	(2,027)	(2,027)	(131.37)%	(1,765)	(2,924)	(165.66)%
Common dividends	5,266	-	(5,266)	2,700	2,700	2,700	95.04%	2,461	(2,806)	(114.01)%
Current Year Retained Earnings	(4,689)	-	(4,689)	(2,027)	(2,027)	(2,027)	(131.37)%	(1,765)	(2,924)	(165.66)%

Income Statement - Year To Date
E12, Kentucky American
MARYTD 2012
(\$ In Thousands)

	YTD Actuals	YTD Forecast	Variance Favorable (Unfavorable)	% Variance	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	17,459	-	17,459	(87)%	18,337	(879)	(4.79)%	18,354	(895)	(4.88)%
Sewer revenues	76	-	76	0.00%	76	0	0.37%	74	3	3.50%
Other operating revenues	803	-	803	0.00%	753	50	6.60%	751	52	6.90%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	18,338	-	18,338	(82)%	19,166	(829)	(4.32)%	19,178	(840)	(4.38)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	87	-	(87)	3.58%	90	3	3.58%	42	(45)	(107.55)%
Fuel and Power	849	-	(849)	6.55%	908	59	6.55%	1,014	165	16.27%
Chemicals	389	-	(389)	2.51%	399	10	2.51%	428	39	9.18%
Waste disposal	83	-	(83)	(16.30)%	71	(12)	(16.30)%	69	(14)	(20.63)%
Total production costs	1,407	-	(1,407)	4.16%	1,469	61	4.16%	1,553	145	9.35%
Salaries & Wages	1,872	19	(1,872)	1.01%	1,831	(41)	1.01%	1,831	(41)	(2.25)%
Pensions	266	-	(266)	(2.98)%	259	(8)	(2.98)%	238	(28)	(11.90)%
Group insurances	553	-	(553)	(6.34)%	520	(33)	(6.34)%	552	(1)	(0.16)%
Other benefits	104	-	(104)	0.46%	104	0	0.46%	100	(4)	(3.58)%
Total employee related	2,796	-	(2,796)	(2.1)	2,775	(21)	(0.76)%	2,722	(74)	(2.72)%
Service Company costs	2,108	-	(2,108)	2.72%	2,167	59	2.72%	2,019	(89)	(4.41)%
Contracted services	254	-	(254)	(3.71)%	245	(9)	(3.71)%	288	35	11.99%
Building maintenance and services	155	-	(155)	5.27%	164	9	5.27%	157	(7)	(4.48)%
Telecommunication expenses	66	-	(66)	(1.06)%	64	(2)	(1.06)%	66	2	1.48%
Postage printing and stationery	6	-	(6)	6.74%	7	1	6.74%	6	(1)	(1.30)%
Office supplies & expenses	43	-	(43)	23.57%	56	13	23.57%	40	(3)	(6.23)%
Advertising & marketing expenses	-	-	-	100.00%	6	6	100.00%	-	-	-
Employee related expense travel & entertainment	50	-	(50)	17.61%	61	11	17.61%	38	(12)	(32.43)%
Miscellaneous expenses	192	-	(192)	5.60%	204	12	5.60%	160	(32)	(20.00)%
Rents	20	-	(20)	(83.91)%	11	(9)	(83.91)%	12	(1)	(7.71)%
Transportation	147	-	(147)	(18.56)%	124	(23)	(18.56)%	133	(14)	(10.37)%
Operating supplies & services	933	-	(933)	8.85%	941	8	8.85%	901	(32)	(3.53)%
Uncollectible Accounts Exp	70	-	(70)	(27.24)%	55	(15)	(27.24)%	140	70	49.99%
Customer accounting other	282	-	(282)	7.12%	304	22	7.12%	289	(7)	(2.39)%
Regulatory expense	53	-	(53)	(0.35)%	53	0	(0.35)%	52	(1)	(2.37)%
Insurance other than group	162	-	(162)	3.55%	168	6	3.55%	146	(16)	(10.82)%
	340	-	(340)	(1.44)%	335	(5)	(1.44)%	444	104	23.48%
Total operation and maintenance	8,151	-	(8,151)	1.39%	8,266	115	1.39%	8,266	115	1.39%
Depreciation	2,303	-	(2,303)	(1.79)%	2,262	(41)	(1.79)%	2,168	(135)	(6.20)%
Amortization	52	-	(52)	(5.68)%	49	(3)	(5.68)%	54	3	4.83%
Removal costs	502	-	(502)	(0.68)%	499	(3)	(0.68)%	489	(13)	(2.67)%
Depreciation and Amortization	2,857	-	(2,857)	(1.66)%	2,810	(47)	(1.66)%	2,712	(145)	(5.34)%
General taxes	1,317	-	(1,317)	(5.95)%	1,243	(74)	(5.95)%	1,776	459	25.84%
Loss (gain) on sale of assets	3	-	(3)	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	12,327	-	(12,327)	(9)	12,318	(9)	(0.07)%	12,753	426	3.34%
Operating income (loss)	6,010	-	6,010	(8.38)	6,848	(838)	(12.23)%	6,425	(415)	(6.45)%
OTHER INCOME (EXPENSES)										
Interest Income	2,927	-	(2,927)	0.68%	2,947	20	0.68%	2,727	(200)	(7.33)%
Interest on long-term debt	18	-	(18)	31.03%	26	8	31.03%	17	(1)	(4.06)%
Interest on Short-Term Bank Debt	0	-	0	-	0	0	-	(3)	(3)	(100.12)%
Other Interest Expense	2,945	-	(2,945)	0.94%	2,973	28	0.94%	2,741	(204)	(7.43)%
Interest net	147	-	(147)	33.68%	110	(37)	33.68%	33	114	340.09%
Allowance for other funds used during const	69	-	(69)	(18.32)%	85	16	(18.32)%	16	53	340.10%
Allowance for borrowed funds used during const	18	-	(18)	(19.76)%	15	(3)	(19.76)%	33	16	46.96%
Amortization of debt expense	(29)	-	(29)	72.31%	(103)	(74)	72.31%	(76)	48	62.64%
Other Net	(2,775)	-	(2,775)	121	(2,896)	(121)	4.18%	(2,802)	27	0.96%
Total other income (expenses)	3,235	-	3,235	(717)	3,952	(717)	(18.13)%	3,623	(388)	(10.70)%
Income (loss) before income taxes	1,308	-	(1,308)	217	1,525	217	14.22%	1,543	235	15.22%
Provision for income taxes	1,927	-	(1,927)	(600)	2,427	(500)	(20.59)%	2,080	(153)	(7.34)%
Income (loss) from continuing operations	-	-	-	(500)	2,407	(500)	(20.75)%	2,060	(153)	(7.41)%
Income (loss) from discontinued operations - net of t	1,927	-	1,927	(500)	2,427	(500)	(20.59)%	2,080	(153)	(7.34)%
Net income (loss)	19	-	(19)	0.48%	20	1	0.48%	19	0	0.00%
Preferred dividend declared	-	-	-	-	-	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	1,908	-	1,908	(500)	2,407	(500)	(20.75)%	2,060	(153)	(7.41)%
Common dividends	5,266	-	(5,266)	(2,568)	2,698	(2,568)	(95.18)%	2,461	(2,805)	(114.01)%
Current Year Retained Earnings	(3,359)	-	(3,359)	(3,068)	(291)	(3,068)	(1,054.17)%	(400)	(2,958)	(738.83)%

KAW Income Statement
Apr

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Actual	Budget	Var Fav/(Unfav)	
	Apr			
1 Water Revenues	6,351	6,247	103	Line 1: Water Revenue \$103K favorable primarily driven by higher usage, customer growth and misc other combined.
2 Sewer Revenues	23	28	(5)	
3 Other Operating Revenues	279	125	154	Line 3: Other operating Revenues \$154K primarily driven by LFUCG billing Contract \$136K not planned in budget and misc other revenue \$18K(water reconnection charge \$11K & inter company rent)
Operating Revenues	6,652	6,400	252	
4 Purchased Water	27	26	(0)	
5 Fuel and Power	302	291	(11)	
6 Chemicals	122	133	11	
7 Waste Disposal	28	23	(4)	
Total production costs	479	474	(5)	
8 Labor	591	616	25	Line 8: Labor \$25K favorable driven by savings due to organizational streamlining and new way of working
9 Pensions	88	86	(2)	
10 Group insurances	179	173	(5)	
11 Other benefits	24	30	5	
Total employee related	882	906	24	Line 12: Shared Governance and Service Fees \$61K unfavorable driven by unmapped P-card charges due to incorrect coding (will be fixed in May) and timing of the annual shareholder meeting invoices, partially offset by favorable shared business services fees due to vacancies.
12 Shared governance and service fees	333	272	(61)	
13 Shared business services fees	392	449	57	
14 Contracted services	58	93	35	Line 14: Contract Services \$35K favorable driven by timing on contract services related to admin & services \$28K (SimplexGrinnell, ORC Research, Insight & Janitorial) and legal \$10K.
Total contracted services	450	542	93	Line 17: Customer accounting \$98K favorable driven by lower write offs and favorable allowance adjustment as result of lower write offs.
15 Regulatory expense	18	18	(0)	
16 Insurance Other Than Group	47	53	6	
17 Customer Accounting	59	157	98	
18 Rents	3	3	(1)	
19 General office expense	72	47	(25)	
20 Miscellaneous	124	162	38	Line 20: Miscellaneous \$38K favorable driven by misc operating expense \$20K (WT, Janitorial, Lab supplies, uniforms, etc), Water conservation \$10K (result of cost cutting initiatives) and timing of Director's fees payment \$7K.
21 Maintenance	110	127	17	
Total O&M expense	2,577	2,761	184	
22 Depreciation	768	757	(11)	
23 Amortization	185	183	(2)	
Depreciation and amortization	953	940	(13)	
24 General taxes	408	406	(1)	
25 Gain on sale of assets	(21)	-	21	
26 Impairment charges	-	-	0	
Total operating expenses, net	3,910	4,107	197	
Operating income	2,736	2,293	443	
27 Interest Income	-	-	0	
28 Interest on long-term debt	976	1,002	27	
29 Interest on Short-Term Bank Debt	8	8	0	
30 Other Interest Expense	-	-	0	
Total interest expense	984	1,010	27	
31 AFUDC - Equity	59	42	17	
32 AFUDC Debt	28	32	(5)	
33 Amortization of Debt Expense	6	5	(1)	
34 Preferred dividends of subsidiaries	-	-	0	
35 Non-Operating Rental Income	-	-	0	
36 Dividend Income - Common	-	-	0	
37 Dividend Income - Preferred	-	-	0	
38 Miscellaneous Income	10	-	10	
Total other income	10	-	10	
39 Miscellaneous Amortization	(0)	-	(0)	
40 Miscellaneous Other Deductions	73	39	(34)	Line 40: Misc Other Deductions \$34K unfavorable driven by timing of various donations (community actions \$15K, environmental grant \$10K, YMCA \$2.5K and Jacobson Park Entry \$5.5K).
41 Total other deductions	73	39	(34)	
Other, net	(63)	(39)	(24)	
Total other income (deductions)	(966)	(980)	14	
Income (loss) before income taxes	1,770	1,314	456	
42 State Income Taxes	111	81	(30)	
43 Federal Income Taxes	619	427	(192)	
44 Tax Saving Acquisition Adjustment	-	-	0	
45 State income taxes (non-operating)	(3)	-	3	
46 Federal income taxes (non-operating)	(14)	-	14	
Provision (Benefit) for Income Taxes	-	-	0	
Net income (loss)	1,055	806	250	
47 Preferred Dividend Declared	6	7	0	
Net Income To Common Stock	1,049	799	250	
48 Common Dividend Declared	-	(1)	(1)	
Current Year Retained Earnings	1,049	800	249	

KAW Income Statement
for Apr YTD

		Actual vs Budget			Variance Comments (\$ Threshold \$50K)
		Apr YTD			
		Actual	Budget	Var Fav/(Unfav)	
1	Water Revenues	23,804	24,582	(777)	Line 1: Water Revenue \$777K unfavorable to plan primarily driven by declining usage \$1,029K, partially offset by organic growth and other combined.
2	Sewer Revenues	99	104	(5)	
3	Other Operating Revenues	1,082	881	201	Line 3: Other Operating Revenues \$201K favorable driven by LFUCG sewer contract \$149K wasn't planned for (budget only has 3 months contract revenue planned) and other \$52K (reconnection charge & inter company rent)
	Operating Revenues	24,986	25,567	(580)	
4	Purchased Water	110	116	7	
5	Fuel and Power	1,151	1,200	48	Line 5: Fuel & Power \$48K favorable driven by lower system delivery and plant optimization.
6	Chemicals	511	532	21	
7	Waste Disposal	111	95	(16)	
	Total production costs	1,883	1,943	60	
8	Labor	2,463	2,508	45	Line 8: Labor \$45K favorable primarily driven by savings due to organizational streamlining and new way of working
9	Pensions	355	345	(10)	
10	Group insurances	732	694	(38)	Line 10: Group Insurance \$38K driven by higher than expected group insurance rate.
11	Other benefits	128	134	6	
	Total employee related	3,678	3,680	3	
	12 Shared governance and service fees	1,117	1,097	(20)	Line 13: Shared business service fees \$74K favorable to plan driven by managed expenses due to lower headcounts.
13	Shared business services fees	1,716	1,790	74	
14	Contracted services	312	338	26	
	Total contracted services	2,027	2,128	101	
15	Regulatory expense	71	71	(0)	Line 17: Customer accounting \$99K driven by lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.66% vs. budget of 0.72%.
16	Insurance Other Than Group	200	214	14	
17	Customer Accounting	438	537	99	
18	Rents	24	14	(10)	Line 20: Miscellaneous \$60K favorable to plan driven by misc general office expenses \$51K (water resource conservation \$22K, Software license & Support \$16, community relations \$7K and timing of Directors Fees \$7K), Heat -Oil/Gas \$12K and Lab Supplies WT \$11K, partially offset by transportation \$16K due to lower cap rate and timing of the vehicle maintenance expenses.
19	General office expense	249	232	(17)	
20	Miscellaneous	588	649	60	Line 22: Depreciation \$52K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
21	Maintenance	450	462	12	
	Total O&M expense	10,718	11,027	309	
22	Depreciation	3,071	3,019	(52)	
23	Amortization	738	730	(8)	
	Depreciation and amortization	3,809	3,749	(60)	
24	General taxes	1,725	1,649	(75)	Line 24: General Taxes \$75K unfavorable primarily driven by property taxes \$77K due to one time adjustment of \$66K (2011 \$57K and 2009/10 \$9K) and higher than expected property tax accruals \$11K, remaining variance driven by timing of the payroll taxes.
25	Gain on sale of assets	(19)	-	19	
26	Impairment charges	-	-	0	
	Total operating expenses, net	16,233	16,425	192	
	Operating income	8,746	9,141	(395)	
27	Interest Income	-	-	0	
28	Interest on long-term debt	3,903	3,950	47	Line 28: Interest on LTD \$47K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
29	Interest on Short-Term Bank Debt	26	34	8	
30	Other Interest Expense	0	-	(0)	
	Total interest expense	3,928	3,983	55	
31	AFUDC - Equity	206	152	54	Line 31: Net AFUDC favorable driven by higher than planned AFUDC eligible asset.
32	AFUDC Debt	97	117	(20)	
33	Amortization of Debt Expense	24	20	(4)	
34	Preferred dividends of subsidiaries	-	-	0	
35	Non-Operating Rental Income	-	-	0	
36	Dividend Income - Common	-	-	0	
37	Dividend Income - Preferred	-	-	0	
38	Miscellaneous Income	22	-	22	
	Total other income	22	-	22	
39	Miscellaneous Amortization	(0)	-	(0)	
40	Miscellaneous Other Deductions	114	142	28	
41	Total other deductions	114	142	28	
	Other, net	(92)	(142)	50	
	Total other income (deductions)	(3,741)	(3,876)	135	
	Income (loss) before income taxes	5,005	5,266	(260)	
42	State Income Taxes	314	324	10	
43	Federal Income Taxes	1,737	1,709	(28)	
44	Tax Saving Acquisition Adjustment	-	-	0	
45	State income taxes (non-operating)	(4)	-	4	
46	Federal income taxes (non-operating)	(24)	-	24	
	Provision (Benefit) for Income Taxes	-	-	0	
	Net income (loss)	2,983	3,232	(250)	
47	Preferred Dividend Declared	26	26	0	
	Net Income To Common Stock	2,957	3,206	(250)	
48	Common Dividend Declared	5,266	2,697	(2,569)	Line 48: Common Dividend Declared \$5,569K unfavorable due to the higher than planned net income from 4Q relative to Jacobson Park donation.
	Current Year Retained Earnings	(2,310)	509	(2,819)	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
May 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	May 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	7,115	6,523	591	Line 1: Water Revenues \$591K favorable to plan primarily driven by stronger than expected sales through all water categories.
2 Sewer revenues	15	25	(10)	
3 Other operating revenues	287	150	136	
4 Market-Based revenues	0	0	0	Line 3: Other revenues \$136K favorable to plan primarily driven by unplanned LFUCG billing revenue \$137K and misc other revenues 18K (intercompany rent, reconnections), paritally offset by the delayed late fees \$19K.
5 Management revenues	0	0	0	
Operating revenues	7,416	6,699	718	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	31	30	(1)	Line 7: Fuel & Power \$43K unfavorable primarily due to higher system delivery.
7 Fuel and Power	361	319	(43)	
8 Chemicals	164	166	2	
9 Waste disposal	32	23	(8)	
Total production costs	588	538	(50)	
10 Salaries & Wages	629	674	46	Line 10: Salaries & Wages \$46K favorable driven by savings due to Organizational streamlining and new way of working initiatives , partially offset by higher labor expense due to one extra payroll posted in May.
11 Pensions	80	86	6	
12 Group insurances	143	173	31	
13 Other benefits	34	33	(1)	
Total employee related	886	967	81	
14 Service Company costs	719	762	43	
15 Contracted services	128	88	(39)	Line 15: Contracted Services \$39K unfavorable driven by \$28K legal fees due to use of outside legal counsel (offset by saving from service company on legal) & Temp labor \$11K
16 Building maintenance and services	39	49	10	
17 Telecommunication expenses	29	21	(8)	
18 Postage printing and stationery	3	4	0	
19 Office supplies & expenses	38	39	1	
20 Advertising & marketing expenses	2	7	5	
21 Employee related expense travel & entertainment	19	18	(0)	
22 Miscellaneous expenses	52	58	6	
23 Rents	4	3	(1)	Line 24: Transportation \$29K unfavorable driven by one time reclass \$17K related to vehicle sale receipts were credited in March as an expense (should be credited back to RWIP) and remaining variance due to timing.
24 Transportation	69	40	(29)	
Operating supplies & services	382	327	(55)	
25 Uncollectible Accounts Exp	11	72	61	Line 25: Uncollectible Expenses \$61K favorable driven by lower write offs and favorable allowance adjustment as result of lower write offs.
26 Customer accounting other	77	91	14	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	49	56	7	
29 Maintenance service & supplies	144	194	50	
Total operation and maintenance	2,874	3,024	150	
30 Depreciation	769	759	(10)	
31 Amortization	17	16	(1)	
32 Removal costs	168	167	(1)	
Depreciation and Amortization	954	942	(12)	
33 General taxes	316	411	95	Line 33: General Taxes \$95K favorable driven by property taxes \$87K - reduced accruals for May \$11K and true up \$77K (\$51K from Jan thru Apr & 27K true-ups related to 2011), the remaining variance driven by payroll taxes \$8K due to timing.
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,144	4,377	233	
Operating income (loss)	3,272	2,321	951	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 37: Interest on LTD \$47K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
37 Interest on long-term debt	976	1,022	47	
38 Interest on Short-Term Bank Debt	7	9	2	
39 Other Interest Expense	0	0	0	
40 Interest net	983	1,032	49	
41 Allowance for other funds used during construction	64	41	23	
42 Allowance for borrowed funds used during construction	30	32	(2)	
43 Amortization of debt expense	6	5	(1)	
Other Net	(18)	(18)	0	
Total other income (expenses)	(913)	(982)	69	
Income (loss) before income taxes	2,360	1,339	1,020	
44 Provision for income taxes	953	522	(431)	
45 Income (loss) from continuing operations	1,407	817	589	
46 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,407	817	589	
47 Preferred dividend declared	6	7	0	
48 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,400	811	589	
49 Common dividends	0	0	0	
Current Year Retained Earnings	1,400	812	588	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
May 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	May 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	30,924	31,109	(185)	Line 1: Water Revenues \$185K unfavorable to plan driven primarily by lower than expected sales from Residential \$585K, OPA \$124K and SFR \$59K, partially offset by higher sales from Commercial \$140K, Industrial \$104K and stronger customer growth \$96K and other.
2 Sewer revenues	114	129	(15)	
3 Other operating revenues	1,368	1,027	341	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	32,406	32,266	141	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	144	146	2	Line 3: Other Operating Revenues \$341K favorable driven by unplanned LFUCG Billing revenues \$273K (Apr & May) and Other \$68K (reconnection charges, rent), partially offset by delayed late fees.
7 Fuel and Power	1,513	1,519	6	
8 Chemicals	675	698	23	
9 Waste disposal	143	118	(24)	
Total production costs	2,474	2,481	6	
10 Salaries & Wages	3,092	3,182	90	Line 10: Salaries & Wages \$90K favorable primarily driven by savings \$159K due to organizational streamlining and new way of working initiatives, partially offset by severance \$58K and other \$11K (higher AIP accruals offset by other compensations incentive).
11 Pensions	435	431	(4)	
12 Group insurances	875	867	(7)	
13 Other benefits	162	167	5	
Total employee related	4,564	4,647	84	
14 Service Company costs	3,552	3,649	97	Line 14: Service Company Costs \$97K favorable driven by managed expenses due to lower headcounts.
15 Contracted services	439	426	(13)	
16 Building maintenance and services	244	256	12	
17 Telecommunication expenses	116	107	(9)	
18 Postage printing and stationery	13	13	(0)	
19 Office supplies & expenses	192	213	22	
20 Advertising & marketing expenses	4	18	15	
21 Employee related expense travel & entertainment	109	96	(13)	
22 Miscellaneous expenses	242	299	58	Line 14: Miscellaneous expenses \$58K favorable driven by management's cost saving initiatives (External Affairs, Janitorial & misc operating savings) \$76K, partially offset by one time legal settlement charges \$18K.
23 Rents	28	16	(11)	
24 Transportation	246	203	(43)	
Operating supplies & services	1,632	1,649	17	
25 Uncollectible Accounts Exp	40	178	138	Line 25: Uncollectible Accounts Expenses \$138K favorable driven by lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year - next O&V schedule will be updated.
26 Customer accounting other	396	422	26	
27 Regulatory expense	89	89	(0)	
28 Insurance other than group	261	280	18	
29 Maintenance service & supplies	594	656	62	
Total operation and maintenance	13,603	14,051	448	
30 Depreciation	3,840	3,778	(62)	Line 30: Depreciation \$62K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	86	82	(5)	
32 Removal costs	837	832	(5)	
Depreciation and Amortization	4,763	4,691	(72)	
33 General taxes	2,041	2,060	20	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	20,388	20,803	415	
Operating income (loss)	12,019	11,463	556	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interests on LTD \$138K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	4,879	4,972	93	
38 Interest on Short-Term Bank Debt	33	43	10	
39 Other Interest Expense	0	0	0	
40 Interest net	4,911	5,015	103	
	0	0	0	
41 Allowance for other funds used during construction	270	194	77	Line 41: Net AFUDC \$55K favorable driven by higher than planned AFUDC eligible asset.
42 Allowance for borrowed funds used during construction	127	149	(22)	
43 Amortization of debt expense	29	25	(4)	
Other Net	(110)	(160)	50	
Total other income (expenses)	(4,654)	(4,858)	204	
Income (loss) before income taxes	7,365	6,605	760	
44 Provision for income taxes	2,976	2,555	(420)	
45 Income (loss) from continuing operations	4,389	4,050	340	
46 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	4,389	4,050	340	
47 Preferred dividend declared	32	33	0	
48 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	4,357	4,017	340	
49 Common dividends	0	0	0	
Current Year Retained Earnings	(910)	1,321	(2,230)	

Assets	Actuals	Forecast	Increase (Decrease)	% Variance	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
1 Utility Plant in Service	583,424	-	583,424		-	583,424		580,644	2,779	0.5%
2 Construction Work in Progress	13,838	-	13,838		-	13,838		10,176	3,662	36.0%
3 Utility Plant Accumulated Depreciation/Am	(108,277)	-	(108,277)		-	(108,277)		(105,104)	(3,174)	(3.0)%
4 Total Utility Plant Adjustments	247	-	247		-	247		251	(4)	(1.6)%
5 Utility property net of accumulated depreciatio	489,231	-	489,231		-	489,231		485,968	3,263	0.7%
6 Nonutility property net of accumulated depreci	250	-	250		-	250		250	0	0.0%
Total Property Plant and Equipment	489,481	-	489,481		-	489,481		486,217	3,263	0.7%
7 Cash and Cash Equivalents	(172)	-	(172)		-	(172)		(224)	52	23.2%
8 Restricted funds-current	-	-	-		-	-		-	-	-
9 Accounts receivable net	4,516	-	4,516		-	4,516		2,621	1,896	72.3%
10 Unbilled Revenues	4,579	-	4,579		-	4,579		3,893	686	17.6%
11 Materials and supplies	917	-	917		-	917		691	226	32.7%
12 Assets of discontinued operations	-	-	-		-	-		-	-	-
13 Other Current Assets	241	-	241		-	241		138	103	74.9%
Total Current Assets	10,081	-	10,081		-	10,081		7,118	2,962	41.6%
14 Regulatory assets	11,855	-	11,855		-	11,855		11,783	71	0.6%
15 Other investments	-	-	-		-	-		-	-	-
16 Restricted Funds - Long-term	-	-	-		-	-		-	-	-
17 Goodwill	0	-	0		-	0		0	0	0.0%
18 Intangible assets	-	-	-		-	-		-	-	-
19 Other Long Term Assets	52	-	52		-	52		52	0	0.0%
Total Regulatory & Other LT Assets	11,907	-	11,907		-	11,907		11,836	71	0.6%
Total Assets	511,468	-	511,468		-	511,468		505,171	6,297	1.2%
Capital & Liabilities										
20 Common Stock	36,569	-	36,569		-	36,569		36,569	0	0.0%
21 Paid in Capital	74,792	-	74,792		-	74,792		74,761	31	0.0%
22 Retained Earnings	43,646	-	43,646		-	43,646		43,969	(323)	(0.7)%
23 Accumulated other comprehensive income	-	-	-		-	-		-	-	-
24 Treasury stock	-	-	-		-	-		-	-	-
Total Stockholders' equity	155,006	-	155,006		-	155,006		155,299	(292)	(0.2)%
25 Preferred Stock without mandatory redempt	1,446	-	1,446		-	1,446		1,446	0	0.0%
26 Noncontrolling Interest	6	-	6		-	6		6	0	0.0%
Total Equity	156,458	-	156,458		-	156,458		156,751	(292)	(0.2)%
27 Long term debt	187,890	-	187,890		-	187,890		187,890	0	0.0%
28 Redeemable preferred stock at redemption	4,500	-	4,500		-	4,500		4,500	0	0.0%
Total Long-term debt	192,390	-	192,390		-	192,390		192,390	0	0.0%
Total Capitalization	348,848	-	348,848		-	348,848		349,141	(292)	(0.1)%
29 Short Term Debt	16,616	-	16,616		-	16,616		11,003	5,613	51.0%
30 Current Portion of Long-term Debt	0	-	0		-	0		0	0	0.0%
31 Current portion of redeemable stock at rede	-	-	-		-	-		-	-	-
32 Accounts Payable	3,190	-	3,190		-	3,190		6,741	(3,551)	(52.7)%
33 Taxes Accrued	(4,687)	-	(4,687)		-	(4,687)		(3,972)	(715)	(18.0)%
34 Interest Accrued	2,024	-	2,024		-	2,024		1,926	98	5.1%
35 Liabilities of Discontinued Operations	-	-	-		-	-		-	-	-
36 Other current liabilities	4,374	-	4,374		-	4,374		3,680	695	18.9%
Total Current Liabilities	21,517	-	21,517		-	21,517		19,378	2,139	11.0%
37 Customer Advances for Construction	12,243	-	12,243		-	12,243		12,675	(433)	(3.4)%
38 Deferred Income Taxes	59,767	-	59,767		-	59,767		58,752	1,016	1.7%
39 Deferred Investment tax credits	836	-	836		-	836		879	(42)	(4.8)%
40 Regulatory liability	14,384	-	14,384		-	14,384		13,758	625	4.5%
41 Accrued Pension	(1,641)	-	(1,641)		-	(1,641)		(1,332)	(309)	(23.2)%
42 Accrued postretirement benefit expense	580	-	580		-	580		552	28	5.0%
43 Other Deferred Credits	3,527	-	3,527		-	3,527		1,731	1,796	103.8%
Total Long Term Liabilities	89,695	-	89,695		-	89,695		87,014	2,681	3.1%
Regulatory & Other Long Term Liabilities	51,427	-	51,427		-	51,427		49,638	1,789	3.6%
Contributions in aid of construction	511,488	-	511,488		-	511,488		505,171	6,317	1.3%
Total Capital and Liabilities	511,488	-	511,488		-	511,488		505,171	6,317	1.3%

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

June 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	June 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	8,155	7,061	1,094	Line 1: Water Revenues \$1,094K favorable to plan primarily driven by stronger than expected sales through out all major water categories due to unusual hot/dry weather condition in June. Line 3: Other revenues \$100K favorable to plan primarily driven by unplanned LFUCG billing revenue \$138K, partially offset by lower reconnection fee \$29K and the delayed late fees \$19K. Lower reconnection fee is due to company new initiative to give customer up to 75 days to pay bills before disconnection happens, it would be offset by higher late fees as the result.
2 Sewer revenues	28	25	3	
3 Other operating revenues	261	160	100	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	8,444	7,246	1,198	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	39	26	(14)	Line 10: Salaries & Wages \$67K favorable driven by savings due to Organizational streamlining and new way of working initiatives \$70K and AIP \$39K (Q2 AIP True up \$29K & lower June AIP accrual), partially offset by one time severance payout Line 14: Service Company Costs \$96K favorable driven by savings from multiple areas such as (IT = more capitalized than planned, depreciation & timing of SAP project costs) and (Legal = Headcount) Line 15: Contracted Services \$90K unfavorable driven by legal fees due to use of outside legal counsel (partially offset by saving from service company on legal). Line 29: Maintenance services & supplies \$66K unfavorable driven by one time true up \$29K related to Hydrotreater #6 for all amortized expense prior to June 2012 and M&S supplies TD \$21K due to timing and misc other combined \$16K
7 Fuel and Power	386	398	11	
8 Chemicals	162	164	1	
9 Waste disposal	30	23	(7)	
Total production costs	618	611	(7)	
10 Salaries & Wages	555	622	67	
11 Pensions	88	86	(2)	
12 Group insurances	166	173	7	
13 Other benefits	22	46	24	
Total employee related	831	928	97	
14 Service Company costs	633	728	96	
15 Contracted services	186	96	(90)	
16 Building maintenance and services	46	49	3	
17 Telecommunication expenses	26	21	(5)	
18 Postage printing and stationery	7	2	(5)	
19 Office supplies & expenses	33	35	3	
20 Advertising & marketing expenses	0	4	4	
21 Employee related expense travel & entertainment	(1)	20	21	
22 Miscellaneous expenses	41	78	37	
23 Rents	3	3	(0)	
24 Transportation	(1)	34	35	
Operating supplies & services	341	343	2	
25 Uncollectible Accounts Exp	81	64	(17)	
26 Customer accounting other	71	80	9	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	73	56	(17)	
29 Maintenance service & supplies	183	117	(66)	
Total operation and maintenance	2,849	2,945	97	
30 Depreciation	775	761	(14)	
31 Amortization	17	16	(1)	
32 Removal costs	168	167	(1)	
Depreciation and Amortization	961	945	(16)	
33 General taxes	389	407	18	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,199	4,297	98	
Operating income (loss)	4,245	2,949	1,296	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 37: Interest on LTD \$67K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
37 Interest on long-term debt	976	1,042	67	
38 Interest on Short-Term Bank Debt	7	0	(7)	
39 Other Interest Expense	0	0	0	
40 Interest net	983	1,042	60	
41 Allowance for other funds used during construction	68	37	31	Line 44: Other Net \$73K favorable driven by lower donations to different organizations \$59K as a result of mgmt cost saving initiatives & timing (External Affairs) and reimbursement from contractors for water main related damages \$15K.
42 Allowance for borrowed funds used during construction	32	28	3	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	8	(65)	73	
Total other income (expenses)	(881)	(1,048)	167	
Income (loss) before income taxes	3,364	1,901	1,463	
45 Provision for income taxes	1,365	750	(614)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	1,999	1,151	849	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,999	1,151	849	
48 Preferred dividend declared	6	7	0	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,993	1,144	849	
50 Common dividends	1,426	1,800	374	
Current Year Retained Earnings	566	(656)	1,222	

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

June 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	June 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	39,079	38,170	909	Line 1: Water Revenues \$909K favorable to plan primarily driven by strong water sales from Q2 due to hot/dry weather (May & Jun) and slightly higher than expected organic growth. Q2 strong water sales made up the lower sales in Q1 due to declining usage and unusual cool/wet weather.
2 Sewer revenues	142	154	(12)	
3 Other operating revenues	1,629	1,188	441	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	40,851	39,512	1,339	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	183	172	(11)	Line 3: Other Operating Revenues \$441K favorable driven by unplanned LFUCG Billing revenues \$411K (Apr, May & Jun) and Other \$56K (reconnection charges, rent), partially offset by delayed late fees \$39K (May & Jun).
7 Fuel and Power	1,899	1,916	17	
8 Chemicals	837	862	24	
9 Waste disposal	173	142	(31)	
Total production costs	3,092	3,091	(1)	
10 Salaries & Wages	3,647	3,804	158	Line 10: Salaries & Wages \$158K favorable primarily driven by savings \$188K due to organizational streamlining and new way of working initiatives and other \$28K (lower AIP accruals & other compensations incentive), partially offset by one time severance payout \$58K.
11 Pensions	523	517	(5)	
12 Group insurances	1,041	1,041	(0)	
13 Other benefits	185	213	28	
Total employee related	5,395	5,575	181	
14 Service Company costs	4,185	4,378	193	Line 14: Service Company Costs \$193K favorable primarily driven by IT \$166K due to more capitalized expenses than planned, timing of SAP spend and lower depreciation. Remaining variance driven by misc other
15 Contracted services	626	522	(103)	
16 Building maintenance and services	290	305	15	Line 15: Contract Services \$103K unfavorable to plan driven by legal fees due to use of outside legal counsel \$161K (offset by saving from Service Company on legal), temporary labor \$25K and audit fees \$9K, partially offset by savings from misc other contract service combined \$92K (JK Excavating, ORKIN, Kebco, E&Y etc)
17 Telecommunication expenses	142	129	(13)	
18 Postage printing and stationery	21	15	(6)	
19 Office supplies & expenses	181	211	30	
20 Advertising & marketing expenses	4	23	19	
21 Employee related expense travel & entertainment	108	116	8	Line 22: Miscellaneous expenses \$89K favorable driven by timing of donations and External Affairs spend partially offset by one time legal settlement charges \$18K.
22 Miscellaneous expenses	326	415	89	
23 Rents	31	19	(12)	
24 Transportation	245	237	(8)	
Operating supplies & services	1,973	1,993	20	
25 Uncollectible Accounts Exp	121	242	121	Line 25: Uncollectible Accounts Expenses \$121K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.
26 Customer accounting other	468	502	35	
27 Regulatory expense	107	106	(0)	
28 Insurance other than group	334	336	1	
29 Maintenance service & supplies	777	773	(4)	
Total operation and maintenance	16,452	16,997	545	
30 Depreciation	4,615	4,539	(76)	Line 30: Depreciation \$76K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	103	98	(6)	
32 Removal costs	1,006	1,000	(6)	
Depreciation and Amortization	5,724	5,636	(88)	
33 General taxes	2,430	2,467	37	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	24,587	25,100	513	
Operating income (loss)	16,263	14,412	1,852	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$160K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	5,854	6,014	160	
38 Interest on Short-Term Bank Debt	40	43	3	
39 Other Interest Expense	0	0	0	
40 Interest net	5,894	6,057	163	
	0	0	0	
41 Allowance for other funds used during construction	338	230	107	Line 41: Net AFUDC \$89K favorable driven by higher than planned AFUDC eligible asset.
42 Allowance for borrowed funds used during construction	158	177	(18)	
43 Amortization of debt expense	35	31	(5)	
44 Other Net	(101)	(225)	124	Line 44: Other Net \$124K favorable driven by lower donations to different organizations \$87K as a result of mgmt cost saving initiatives & timing (External Affairs) and reimbursement from contractors for water main related damages \$40K, partially offset by slightly higher lobby expenses
Total other income (expenses)	(5,535)	(5,906)	371	
Income (loss) before income taxes	10,729	8,506	2,223	
45 Provision for income taxes	4,340	3,306	(1,035)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	6,388	5,200	1,188	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	6,388	5,200	1,188	
48 Preferred dividend declared	39	39	0	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	6,350	5,161	1,188	
50 Common dividends	6,693	4,496	(2,197)	
Current Year Retained Earnings	(343)	665	(1,008)	

system delivery	
6879	6571.948
27	26
276	292
122	131
25	22
450	470

Balance Sheet Commentary

STATE: Kentucky
SCENARIO: ACT VS. DEC '11 ACTUAL

Assets:

Line 2 – Construction Work in Progress \$3.662: Increase due to additional plant and infrastructure moving through CWIP (BT \$2.9M, Hwy 25 Relocation \$0.7M, Ponderosa/Spindle Top project \$0.2M), partially offset by projects moved out of CWIP into UPIS (Transylvania Park Project \$0.4M, Forest/Russell/Skain Av Retirement \$0.1M, new service – Fayette full inside \$0.1M, BT 0.2M and Meter Project-Rep-5/8" Fayette Co. \$0.2M, etc).

Line 9 – Account Receivable net \$1.896: Increase due to seasonality of billing.

Line 10 – Unbilled Revenue 0.686: Increase due to seasonality of billing.

Line 11 – Material and Supplies 0.226: Increase due to plant material \$0.223 related to purchase pipe and plant material to get ready for the project at Owenton water treatment as well as the timing of other plant material supplies.

Line 13 – Other Current Assets \$0.103: Increase due to prepaid insurance \$0.103.

Line 14 – Regulatory Assets \$2.580: Increase due to regulatory liability reclass in Jan 2011 related to Income Taxes Rec Thru Rates \$2.615. This is for a group of accounts that have a debit position but were listed under the liability side, so in Hyperion these were reclassified to an asset.

Line 19 – Other Long Term Assets \$0.137: Increase due to engineering costs related to the CPS project.

Liabilities:

Line 29 – Short Term Debt \$5.613: Increase due to cash changes including AP, payroll, and tax payments.

Line 32 – Account Payable (\$3.551): Decrease due to timing of payments for goods and services.

Line 33 – Taxes Accrued \$(1.002): Decrease due to payment for local property taxes (\$1.887) and accrual for FIT and SIT \$0.885M.

Line 36 – Other Current Liabilities \$0.695: Increase due to accruals for power, legal, GRIR and collections for others \$1.067, partially offset by decrease in AIP accrual (\$0.372) due to paid out in April.

Line 40 – Regulatory liability \$3.135: Increase due to Income Taxes Rec Thru Rates \$2.615 reclass (see regulatory assets line above) and cost of removal \$0.685.

Line 43 – Other Deferred Credits \$1.933: Increase due to FIN 48 Reserve Federal \$1.656 and FIN 48 Reserve State \$0.140, all is related to repairs project, the remaining variance due to misc other long term liability accrued \$0.137.



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

June 2012

QTD INCOME STATEMENT**SCENARIO: QTD ACT vs. QTD PLAN****Operating Revenues:**

Line 1 – Water Revenue \$1.788: Favorable variance driven by strong Q2 water sales \$1.704 due to hot/dry weather specifically in May & Jun and organic growth \$0.117, partially offset by misc other combined \$0.032 (fire and pricing differentiation as a result of misc adjustments).

Line 3 – Other Operating Revenue \$0.391: Favorable variance driven by unplanned LFUCG billing revenue \$0.411 (Apr, May & Jun) and other \$0.030 (rent, application/initiation fees), partially offset by late fee delay \$0.039 (May & Jun) and lower reconnection fee \$0.011 due to company new initiative to extend customer up to 75 days to pay water bill before disconnection occurs, the lower reconnection fees should be offset by higher late fee once it is implemented (upon approval by PSC).

Operating Expenses:

Line 10 – Salary & Wages \$0.139: Favorable variance driven by savings \$0.091 related to organizational streamlining and new way of working initiatives, AIP \$0.044 due to lower AIP accrual 0.015 & Q2 AIP true-up \$0.029 booked in June, the remaining variance driven by compensations incentive \$0.003.

Line 14 – Service Company Costs \$0.134: Favorable variance explained at corporate.

Line 15 – Contract Services (\$0.094): Unfavorable variance due to use of outside legal counsel (offset by saving from Service Company on legal) and temp labor \$0.023, partially offset by savings from misc contract services \$0.033 (JK Excavating, ORKIN, Kebco, E&Y etc)

Line 25 – Uncollectible Accounts Expense \$0.136: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs.

Line 33 – General Taxes \$0.111: Favorable variance due to property tax true up \$0.077, lower property tax accrual \$0.018 and lower payroll tax \$0.016 due to lower headcount (act 128 vs. plan 141).

Line 37 – Interest on Long-Term Debt \$0.140: Favorable variance to lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.

Provision for Income Taxes

Line 44 – Provision for income taxes variance explained at corporate.

SCENARIO: QTD ACT vs. QTD PRIOR YEAR**Operating Revenues:**

Line 1 – Water Revenues \$1.892: Favorable variance primarily driven by higher water sales \$1.832 due to hot/dry weather condition in Q2 2012 (2011 was a relatively cool/wet) and misc other combined \$0.065 (customer growth, fire and pricing differentiation as a result of misc adjustments).

Operating Expenses:

Line 6 – Fuel & Power (\$0.179): Unfavorable variance primarily due to higher system delivery 10% (act 3,871MG vs. 3,516MG LY) and KU implementation of environmental surcharge of 4.6%, partially offset by the savings related to plant efficiency implementation since beginning of the year.

Line 10 – Salary & Wages \$0.130: Favorable variance due to primarily due to lower headcount (act 128 vs. LY 142) as result of organizational streamlining and new way of working initiatives.

Line 14 – Service Company Costs (\$0.155): Unfavorable variance explained at corporate.

Line 15 – Contract Services (\$0.098): Unfavorable variance driven by legal \$0.080 due to use of outside legal counsel, template labor \$0.010 and higher audit fees \$0.008.

Line 25 – Uncollectible Accounts Expense \$0.119: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs. Average uncollectible rate is 0.04% in Q2 2012 vs. 0.77% in Q2 2011.

Line 33 – General Taxes \$0.143: Favorable variance due to lower property tax accrual in 2Q 2012 vs 2011 \$0.132 (avg \$0.320/month 2012 vs. avg \$0.364/month 2011 in 2Q). Since property taxes typically increase year to year, there was in fact a true up performed in September 2011 to reduce the overaccrued position). The remaining variance driven by lower payroll taxes due to lower headcount (act 128 vs. ly 142).

Line 37 – Interest on Long-Term Debt (\$0.253): Unfavorable variance due to LTD \$20M issued in Nov 2011.

Line 40 – Allowance for other funds used during construction \$0.134: Favorable variance due to higher than planned AFUDC eligible asset.

Provision for Income Taxes

Line 44 – Provision for Income Taxes variance explained at corporate.

YTD INCOME STATEMENT

SCENARIO: YTD ACT vs. YTD PLAN

Operating Revenues:

Line 1 – Water Revenue \$0.909: Favorable variance due to strong water sales \$0.647, organic growth \$0.150 and other combined \$0.112 (fire and pricing differentiation as a result of misc adjustments). Q2 strong water sales due to hot/dry weather (May & Jun) made up the lower sales in Q1 due to declining usage and unusual cool/wet weather.

Line 3: Other Operating Revenue \$0.441: Favorable variance due to unplanned LFUCG Billing revenues \$0.411 (Apr, May & Jun) and Other \$0.056 (reconnection charges, rent), partially offset by delayed late fees \$0.039 (May & Jun).

Operating Expenses:

Line 10 – Salary & Wages \$0.158: Favorable variance due to savings \$0.188 due to organizational streamlining and new way of working initiatives and other \$0.028 (lower AIP accruals & other compensations incentive), partially offset by one time severance payout \$0.058.

Line 14 – Service Company costs \$0.193: Favorable variance explained at corporate.

Line 15 – Contract Services (\$0.103): Unfavorable variance driven by legal fees due to use of outside legal counsel \$0.161(offset by saving from Service Company on legal), temporary labor \$0.025 and audit fees \$0.009, partially offset by savings from misc other contract service combined \$0.092 (JK Excavating, ORKIN, Kebco, E&Y etc).

Line 25 – Uncollectible accounts expenses \$0.121: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.

Line 37 – Interest on Long-Term Debt \$0.160: Favorable variance due to lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.

Line 40 – Allowance for other funds used during construction \$0.107: Favorable variance due to higher than planned AFUDC eligible asset.

Line 43 – Other Net \$0.124: Favorable variance due to lower donations to different organizations \$0.087 as a result of mgmt cost saving initiatives (External Affairs) and reimbursement from contractors for water main related damages \$0.040, partially offset by slightly higher lobby expenses \$0.003.

Provision for Income Taxes

Line 44 – Provision of Income Taxes variance explained at corporate.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$0.998: Favorable variance primarily due to higher water sales \$0.756, organic growth \$0.377 and fire \$0.044, partly offset by misc other combined \$179K (pricing differentiation as a result of misc adjustments).

Operating Expenses:

Line 14 – Service Company Costs (\$0.244): Unfavorable variance explained at corporate level. .

Line 25 – Uncollectible Accounts Expenses \$0.190: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. prior year of 0.89%. The uncollectible rate was budgeted at 0.72%.

Line 29 – Maintenance service & supplies \$0.137: Favorable variance due to expense on intake pump replacement taken place last year \$0.120, the remaining variance driven by misc maintenance expense combined \$0.017.

Line 30 – Depreciation (\$0.225): Unfavorable variances due to additional new assets are now in service.

Line 33 – General Taxes \$0.602: Favorable due to property tax true up of \$0.506 (unfav) in Feb 2011 related to 2008-2010 tax years and lower tax accruals in 2012 \$0.086 (the lower prop tax accruals in 12 than 11 are a result of a building overaccrued position in 2011 that was reversed out in Sept. 2011.)

Line 40 – Allowance for other funds used during construction \$0.248: Favorable variance due to higher than planned AFUDC eligible asset.

Line 41 – Allowance for borrowed funds used during construction \$0.116: Favorable variance due to higher than planned AFUDC eligible asset.

Line 23 – Interest on Long-Term Debt (\$0.452): Unfavorable variance primarily due to the \$20M LTD issued in Nov 2011.

Provision for Income Taxes

Line 44 – Provision for Income taxes variance explained at corporate.

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	8,155	-	8,155	-	7,061	1,094	15.50%	7,409	747	10.08%
Sewer revenues	28	-	28	-	25	3	12.96%	25	4	14.45%
Other operating revenues	261	-	261	-	160	100	62.52%	273	(13)	(4.62)%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	8,444	-	8,444	-	7,246	1,198	16.53%	7,707	737	9.57%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	39	-	(39)	-	26	(14)	(52.26)%	22	(17)	(79.26)%
Fuel and Power	386	-	(386)	-	398	11	2.89%	337	(49)	(14.45)%
Chemicals	162	-	(162)	-	164	1	0.88%	184	22	11.87%
Waste disposal	30	-	(30)	-	23	(7)	(29.12)%	11	(19)	(172.14)%
Total production costs	618	-	(618)	-	611	(7)	(1.21)%	555	(63)	(11.44)%
Salaries & Wages	555	-	(555)	-	622	67	10.83%	661	107	16.13%
Pensions	88	-	(88)	-	86	(2)	(2.04)%	73	(15)	(20.83)%
Group insurances	166	-	(166)	-	173	7	4.21%	151	(15)	(9.87)%
Other benefits	22	-	(22)	-	46	24	51.51%	43	(20)	(47.47)%
Total employee related	831	-	(831)	-	928	97	10.43%	928	97	10.44%
Service Company costs	633	-	(633)	-	728	96	13.13%	632	(1)	(0.15)%
Contracted services	186	-	(186)	-	96	(90)	(93.47)%	69	(118)	(171.75)%
Building maintenance and services	46	-	(46)	-	49	3	6.58%	52	6	12.08%
Telecommunication expenses	26	-	(26)	-	21	(5)	(22.01)%	21	(5)	(22.34)%
Postage printing and stationery	7	-	(7)	-	2	(5)	(280.39)%	3	(5)	(191.61)%
Office supplies & expenses	15	-	(15)	-	17	2	12.47%	10	(5)	(43.54)%
Advertising & marketing expenses	-	-	-	-	3	3	100.00%	4	4	100.00%
Employee related expense travel & entertainment	1	-	(1)	-	19	17	92.49%	55	53	97.42%
Miscellaneous expenses	39	-	(39)	-	81	42	51.36%	93	54	57.87%
Rents	3	-	(3)	-	3	0	(10.32)%	2	(2)	(125.48)%
Transportation	(1)	-	1	-	34	35	102.91%	58	59	101.71%
Operating supplies & services	323	-	(323)	-	325	2	0.62%	367	43	11.83%
Uncollectible Accounts Exp	81	-	(81)	-	64	(17)	(26.37)%	58	(23)	(39.78)%
Customer accounting other	18	-	(18)	-	98	9	9.41%	96	7	7.64%
Regulatory expense	18	-	(18)	-	18	0	0.00%	19	1	5.16%
Insurance other than group	73	-	(73)	-	56	(17)	(30.58)%	34	(39)	(116.87)%
Maintenance service & supplies	183	-	(183)	-	117	(66)	(55.97)%	183	0	(0.10)%
Total operation and maintenance	2,849	-	(2,849)	-	2,945	97	3.28%	2,870	22	0.75%
Depreciation	775	-	(775)	-	761	(14)	(1.88)%	742	(34)	(4.53)%
Amortization	17	-	(17)	-	16	(1)	(5.99)%	17	0	(1.55)%
Removal costs	168	-	(168)	-	167	(1)	(0.66)%	164	(4)	(2.62)%
Depreciation and Amortization	961	-	(961)	-	945	(16)	(1.73)%	923	(38)	(4.14)%
General taxes	389	-	(389)	-	407	18	4.30%	426	37	8.62%
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	4,199	-	(4,199)	-	4,297	98	2.27%	4,219	20	0.48%
Operating income (loss)	4,245	-	4,245	-	2,949	1,296	43.93%	3,487	758	21.72%
OTHER INCOME & DEDUCTIONS										
Interest income	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	976	-	(976)	-	1,042	67	6.40%	892	(84)	(9.44)%
Interest on Short-Term Bank Debt	7	-	(7)	-	0	(7)	(19,022.92)%	7	0	(1.41)%
Other Interest Expense	-	-	-	-	-	-	-	-	-	-
Interest net	983	-	(983)	-	1,042	60	5.72%	899	(84)	(9.38)%
Allowance for other funds used during constructi	68	-	(68)	-	37	(31)	83.81%	22	(46)	212.29%
Allowance for borrowed funds used during constr	32	-	(32)	-	28	(4)	12.31%	10	(22)	212.29%
Amortization of debt expense	6	-	(6)	-	6	0	(3.78)%	6	0	0.00%
Other Net	8	-	(8)	-	(65)	73	113.05%	(45)	54	118.82%
Total other income (expenses)	(881)	-	(881)	-	(1,048)	167	15.96%	(918)	37	4.02%
Income (loss) before income taxes	3,364	-	3,364	-	1,901	1,463	76.95%	2,570	794	30.92%
Provision for income taxes	1,365	-	(1,365)	-	750	(614)	(81.87)%	1,025	(339)	(33.11)%
Income (loss) from continuing operations	1,999	-	1,999	-	1,151	849	73.74%	1,544	455	29.46%
Income (loss) from discontinued operations - net of ta	-	-	-	-	-	-	-	-	-	-
Net income (loss)	1,999	-	1,999	-	1,151	849	73.74%	1,544	455	29.46%
Preferred dividend declared	6	-	(6)	-	7	0	0.48%	6	0	0.00%
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	1,993	-	(1,993)	-	1,144	849	74.16%	1,538	455	29.59%
Common dividends	1,426	-	(1,426)	-	1,800	374	20.76%	1,552	125	8.08%
Current Year Retained Earnings	566	-	566	-	(656)	1,222	186.38%	(14)	580	4,163.05%

Income Statement - Year To Date
E12_Kentucky American
JUNYTD 2012
(\$ In Thousands)

	YTD Actuals	YTD Forecast	Variance Favorable (Unfavorable)	% Variance	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	39,079	-	39,079		38,170	909	2.38%	38,082	998	2.62%
Sewer revenues	142	-	142		154	(12)	(7.51)%	149	(6)	(4.19)%
Other operating revenues	1,629	-	1,629		1,188	441	37.13%	1,546	83	5.36%
Market-Based revenues	-	-	-		-	-		-	-	
Management revenues	-	-	-		-	-		-	-	
Operating revenues	40,851	-	40,851		39,512	1,339	3.39%	39,776	1,074	2.70%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	183	-	(183)		172	(11)	(6.62)%	95	(89)	(94.09)%
Fuel and Power	1,899	-	(1,899)		1,916	17	0.90%	1,885	(14)	(0.74)%
Chemicals	837	-	(837)		862	24	2.84%	908	71	7.81%
Waste disposal	173	-	(173)		142	(31)	(22.10)%	129	(44)	(34.37)%
Total production costs	3,092	-	(3,092)		3,091	(1)	(0.03)%	3,016	(76)	(2.52)%
Salaries & Wages	3,647	-	(3,647)		3,804	3,735	4.15%	3,735	89	2.37%
Pensions	523	-	(523)		517	(6)	(1.04)%	468	(55)	(11.69)%
Group insurances	1,041	-	(1,041)		1,041	0	(0.01)%	1,064	23	2.17%
Other benefits	185	-	(185)		213	28	13.32%	210	(25)	(11.94)%
Total employee related	5,395	-	(5,395)		5,575	181	3.24%	5,477	82	1.50%
Service Company costs	4,185	-	(4,185)		4,378	193	4.40%	3,941	(244)	(6.20)%
Contracted services	626	-	(626)		522	(103)	(19.75)%	562	(63)	(11.27)%
Building maintenance and services	290	-	(290)		305	15	4.96%	307	17	5.50%
Telecommunication expenses	142	-	(142)		129	(13)	(10.41)%	120	(22)	(18.36)%
Postage printing and stationery	21	-	(21)		17	(4)	(39.71)%	17	(4)	(22.96)%
Office supplies & expenses	86	-	(86)		22	15	20.57%	75	(11)	(14.37)%
Advertising & marketing expenses	2	-	(2)		17	15	90.33%	6	5	74.42%
Employee related expense travel & entertainment	107	-	(107)		104	(3)	(2.59)%	131	25	18.84%
Miscellaneous expenses	329	-	(329)		433	104	23.92%	395	66	16.59%
Rents	31	-	(31)		19	(12)	(60.86)%	18	(13)	(69.80)%
Transportation	245	-	(245)		237	(8)	(3.21)%	283	38	13.45%
Operating supplies & services	1,878	-	(1,878)		1,890	12	0.63%	1,915	37	1.94%
Uncollectible Accounts Exp	121	-	(121)		242	121	49.90%	311	190	60.98%
Customer accounting other	563	-	(563)		606	43	7.03%	568	5	0.92%
Regulatory expense	107	-	(107)		106	(1)	(0.18)%	108	1	1.29%
Insurance other than group	334	-	(334)		336	1	0.38%	286	(48)	(16.76)%
	777	-	(777)		773	(4)	(0.51)%	914	137	14.99%
Total operation and maintenance	16,452	-	(16,452)		16,997	545	3.21%	16,536	84	0.51%
Depreciation	4,615	-	(4,615)		4,539	(76)	(1.68)%	4,390	(225)	(5.13)%
Amortization	103	-	(103)		98	(6)	(5.73)%	106	3	2.84%
Removal costs	1,006	-	(1,006)		1,000	(6)	(0.62)%	981	(25)	(2.57)%
Depreciation and Amortization	5,724	-	(5,724)		5,636	(88)	(1.56)%	5,477	(247)	(4.51)%
General taxes	2,430	-	(2,430)		2,467	37	1.51%	3,032	602	19.85%
Loss (gain) on sale of assets	(19)	-	19		-	-		-	-	
Impairment charges	-	-	-		-	-		-	-	
Total operating expenses net	24,587	-	(24,587)		25,100	513	2.04%	25,045	457	1.83%
Operating income (loss)	16,263	-	16,263		14,412	1,852	12.85%	14,732	1,532	10.40%
OTHER INCOME (EXPENSES)										
Interest Income	5,854	-	(5,854)		6,014	160	2.66%	5,402	(452)	(8.37)%
Interest on long-term debt	40	-	(40)		43	3	6.94%	38	(2)	(5.25)%
Interest on Short-Term Bank Debt	0	-	0		-	-		(3)	(3)	(100.12)%
Other Interest Expense	5,894	-	(5,894)		6,057	163	2.69%	5,437	(457)	(8.41)%
Interest net	338	-	(338)		230	(107)	(46.62)%	90	248	274.14%
Allowance for other funds used during constructi	158	-	(158)		177	(18)	(10.42)%	42	116	274.14%
Allowance for borrowed funds used during const	35	-	(35)		31	(4)	(15.32)%	51	16	30.70%
Amortization of debt expense	(101)	-	(101)		(225)	(124)	54.98%	(168)	66	39.57%
Other Net	(5,535)	-	(5,535)		(5,906)	371	6.28%	(5,523)	(12)	(0.22)%
Total other income (expenses)	10,729	-	(10,729)		8,506	2,223	26.13%	9,209	1,520	16.50%
Income (loss) before income taxes	4,340	-	(4,340)		3,306	(1,035)	(31.29)%	3,833	(508)	(13.25)%
Provision for income taxes	6,388	-	(6,388)		5,200	1,188	22.85%	5,376	1,012	18.82%
Income (loss) from continuing operations	6,388	-	(6,388)		5,200	1,188	22.85%	5,376	1,012	18.82%
Income (loss) from discontinued operations - net of t	39	-	(39)		39	0	0.48%	39	0	0.00%
Net income (loss)	6,350	-	(6,350)		5,161	1,188	23.02%	5,338	1,012	18.96%
Net income attributable to non-controlling interest	6,693	-	(6,693)		4,496	(2,197)	(48.86)%	4,013	(2,680)	(66.80)%
Net income available to common stockholders	(343)	-	(343)		665	(1,008)	(151.61)%	1,325	(1,668)	(125.90)%
Common dividends										
Current Year Retained Earnings										

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

July 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)	
	July 2012				
	Actual	Budget	Var Fav/(Unfav)		
OPERATING REVENUES					
1 Water revenues	9,200	7,794	1,406	Line 1: Water Revenues \$1,406K favorable to plan primarily driven by stronger than expected sales through out all major water categories due to unusual hot/dry weather condition.	
2 Sewer revenues	31	22	9		
3 Other operating revenues	262	166	95		
4 Market-Based revenues	0	0	0		
5 Management revenues	0	0	0		
Operating revenues	9,493	7,982	1,511	Line 3: Other revenues \$95K favorable to plan primarily driven by unplanned LFUCG billing revenue \$137K, partially offset by lower reconnection fee \$26K and the delayed late fees \$19K. Lower reconnection fee is due to new shutoff threshold of \$75 vs \$25, it would be offset by higher late fees as the result.	
OPERATIONS & MAINTENANCE EXPENSE					
6 Purchased water	48	26	(22)	Line 7: Fuel and Power \$62K favorable to plan driven by timing related to a large over accrued amount last month which is now reversed. July F&P should have been slightly over budget (~\$25K) due to higher system delivery.	
7 Fuel and Power	341	403	62		
8 Chemicals	204	179	(25)		
9 Waste disposal	27	24	(2)		
Total production costs	620	632	12		
10 Salaries & Wages	576	652	76	Line 10: Salaries & Wages \$76K favorable driven by savings due to Organizational streamlining and new way of working initiatives \$103K and AIP & other compensations incentive \$14K, partially offset by one time severance payout \$41K.	
11 Pensions	68	86	18		
12 Group insurances	152	173	21		
13 Other benefits	29	29	0		
Total employee related	825	941	116		
14 Service Company costs	670	748	78	Line 14: Service Company Costs \$78K favorable driven by savings from multiple areas such as (CSC, IT = more capitalized than planned, depreciation & timing of SAP project costs) and (Legal = Headcount). There is also a timing due to certain costs were not processed/allocated due to SAP conversion.	
15 Contracted services	(25)	96	121		
16 Building maintenance and services	42	47	5		
17 Telecommunication expenses	28	21	(7)		
18 Postage printing and stationery	(3)	3	5		
19 Office supplies & expenses	13	17	4	Line 15: Contracted Services \$121K favorable mainly driven by timing related to a large over accrued amount last month which is now reversed. YTD in line with expectation on Legal expense.	
20 Advertising & marketing expenses	14	11	(3)		
21 Employee related expense travel & entertainment	(2)	26	28		
22 Miscellaneous expenses	145	99	(46)		
23 Rents	2	3	0		
24 Transportation	51	40	(10)	Line 25: Uncollectible Accounts Expenses \$93K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs.	
Operating supplies & services	266	363	97		
25 Uncollectible Accounts Exp	3	96	93		
26 Customer accounting other	83	97	15		
27 Regulatory expense	18	18	(0)		
28 Insurance other than group	50	56	6	Total operation and maintenance	
29 Maintenance service & supplies	148	187	39		
Total operation and maintenance	2,683	3,139	456		
30 Depreciation	771	766	(5)		Depreciation and Amortization
31 Amortization	17	16	(1)		
32 Removal costs	168	168	(0)		
Depreciation and Amortization	957	950	(6)		
33 General taxes	394	409	15		
34 Loss (gain) on sale of assets	0	0	0	Total operating expenses net	
35 Impairment charges	0	0	0		
Total operating expenses net	4,033	4,498	464		
Operating income (loss)	5,459	3,484	1,975		
OTHER INCOME (EXPENSES)					
36 Interest Income	0	0	0	Line 37: Interest on LTD \$67K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.	
37 Interest on long-term debt	976	1,042	67		
38 Interest on Short-Term Bank Debt	5	3	(2)		
39 Other Interest Expense	0	0	0		
40 Interest net	981	1,045	64		
41 Allowance for other funds used during construction	70	35	35	Total other income (expenses)	
42 Allowance for borrowed funds used during construction	33	27	6		
43 Amortization of debt expense	6	6	(0)		
44 Other Net	(2)	(24)	21		
Total other income (expenses)	(886)	(1,012)	126		
Income (loss) before income taxes	4,573	2,472	2,101		
45 Provision for income taxes	1,848	979	(869)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.	
46 Income (loss) from continuing operations	2,725	1,494	1,232		
47 Income (loss) from discontinued operations - net of tax	0	0	0		
Net income (loss)	2,725	1,494	1,232		
48 Preferred dividend declared	1	7	5	Net income available to common stockholders	
49 Net income attributable to non-controlling interest	0	0	0		
Net income available to common stockholders	2,724	1,487	1,237		
50 Common dividends	0	(1)	(1)	Current Year Retained Earnings	
Current Year Retained Earnings	2,724	1,488	1,236		

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

July 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	July 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	48,279	45,964	2,315	Line 1: Water Revenues \$2,315K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Q2 & July strong water sales made up the lower sales seen in Q1 due to declining usage and impact related to unusual cool/wet weather.
2 Sewer revenues	174	176	(2)	
3 Other operating revenues	1,890	1,354	536	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	50,343	47,494	2,849	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	231	198	(33)	Line 3: Other Operating Revenues \$536K favorable driven by unplanned LFUCG Billing revenues \$548K (Apr thru Jul), partially offset by misc other combined \$12K.
7 Fuel and Power	2,240	2,319	79	
8 Chemicals	1,042	1,041	(1)	Line 7: Fuel & Power \$79K favorable driven by timing related to a large over accrued amount in June which is now reversed \$62K. Plant efficiency implementation counted for the remainder of the variance.
9 Waste disposal	199	166	(34)	
Total production costs	3,712	3,724	11	
10 Salaries & Wages	4,223	4,456	233	Line 10: Salaries & Wages \$233K favorable primarily driven by savings \$290K due to organizational streamlining & new way of working initiatives and other \$41K (lower AIP accruals (lower headcount) & other compensations incentive), partially offset by one time severance payout \$98K.
11 Pensions	591	604	13	
12 Group insurances	1,193	1,214	21	
13 Other benefits	214	242	29	
Total employee related	6,220	6,516	296	
14 Service Company costs	4,855	5,126	271	Line 14: Service Company Costs \$271K favorable primarily driven by IT \$214K due to more capitalized expenses than planned, timing of SAP spend and lower depreciation. Remaining variance driven by misc other expenses combined (CSC and Legal, etc).
15 Contracted services	601	618	18	
16 Building maintenance and services	333	353	20	Line 22: Miscellaneous expenses \$65K favorable primarily driven by water conservation ads \$66K due to cost saving initiative was implemented early part of year. Misc other combined counted for the remaining variance.
17 Telecommunication expenses	170	150	(20)	
18 Postage printing and stationery	18	17	(0)	
19 Office supplies & expenses	99	125	26	
20 Advertising & marketing expenses	17	33	16	
21 Employee related expense travel & entertainment	105	130	25	
22 Miscellaneous expenses	472	526	54	
23 Rents	33	22	(11)	
24 Transportation	296	278	(18)	
Operating supplies & services	2,144	2,252	109	
25 Uncollectible Accounts Exp	125	338	214	Line 25: Uncollectible Accounts Expenses \$214K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.
26 Customer accounting other	646	703	57	
27 Regulatory expense	124	124	(0)	Line 26: Customer Accounting Other \$57K favorable driven by savings from collection agencies \$28K, Bill inserts, bank service charges and forms combined \$29K.
28 Insurance other than group	384	391	8	
29 Maintenance service & supplies	925	960	35	
Total operation and maintenance	19,135	20,135	1,001	
30 Depreciation	5,386	5,305	(82)	Line 30: Depreciation \$82K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	121	114	(7)	
32 Removal costs	1,174	1,168	(6)	
Depreciation and Amortization	6,681	6,587	(94)	
33 General taxes	2,824	2,876	52	Line 33: General Taxes \$52K favorable driven by lower property tax accrual \$30K, saving from payroll tax \$26K due to lower headcount and property tax discount not planned \$7K, partially offset by higher utility reg assessment \$12K.
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	28,620	29,598	977	
Operating income (loss)	21,723	17,896	3,827	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$227K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	6,830	7,057	227	
38 Interest on Short-Term Bank Debt	45	46	0	
39 Other Interest Expense	0	0	0	
40 Interest net	6,875	7,103	227	
41 Allowance for other funds used during construction	408	266	142	Line 41: Net AFUDC (Equity & Debt) \$129K favorable primarily driven by AFUDC Equity Gross up not planned.
42 Allowance for borrowed funds used during construction	191	204	(13)	
43 Amortization of debt expense	41	36	(5)	Line 44: Other Net \$145K favorable driven by lower donations to different organizations \$106K as a result of mgmt cost saving initiatives & timing (External Affairs) and reimbursement from contractors for water main related damages \$43K, partially offset by slightly higher lobby expenses \$4K.
44 Other Net	(104)	(249)	145	
Total other income (expenses)	(6,421)	(6,918)	497	
Income (loss) before income taxes	15,302	10,979	4,323	
45 Provision for income taxes	6,188	4,285	(1,904)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	9,113	6,694	2,420	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	9,113	6,694	2,420	
48 Preferred dividend declared	40	46	6	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	9,073	6,648	2,425	
50 Common dividends	6,693	4,495	(2,198)	
Current Year Retained Earnings	2,381	2,153	228	

Kentucky American Water - Income Statement (\$ 000s)
 Variance Analysis
 Aug 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Aug 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	8,094	7,933	161	Line 1: Water Revenues \$161K favorable to plan primarily driven by better sales for Commercial, Industrial and SFR, partially offset by slightly lower sales in Residential. Line 3: Other revenues \$109K favorable to plan primarily driven by unplanned LFUCG billing revenue \$141K and higher application/initiation fees \$21K, partially offset by lower reconnection fee \$34K and the delayed late fees \$19K. Lower reconnection fee is due to new shutoff threshold of \$75 vs \$25, it would be offset by higher late fees as the result.
2 Sewer revenues	25	26	(1)	
3 Other operating revenues	295	186	109	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	8,414	8,146	269	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	27	31	4	Line 7: Fuel and Power \$51K favorable to plan driven by timing related to a lower accrued amount last month which is now reversed. YTD is still under Plan. Line 10: Salaries & Wages \$64K favorable driven by savings due to Organizational streamlining and new way of working initiatives \$50K and AIP & other compensations incentive \$14K. Line 14: Service Company Costs \$227K unfavorable driven by service company fees should be accrued in July \$148K and Correction for CapEx to be made in Sept \$45K. August actual variance should have been \$34K unfavorable. Still under investigation. Line 22: Miscellaneous expenses \$80K unfavorable driven by working basket accruals for expenses related to August that was all accrued under misc expenses bucket, which offset the favorable variance seen under maintenance service & supplies. Expected to be fixed in September. Line 29: Maintenance services & supplies \$60K favorable driven by working basket accruals for August that were booked under misc expenses (see unfavorable variance explanation above line 22). Expected to be fixed in September.
7 Fuel and Power	462	412	(51)	
8 Chemicals	203	240	36	
9 Waste disposal	24	22	(2)	
Total production costs	717	704	(13)	
10 Salaries & Wages	610	673	64	
11 Pensions	86	86	0	
12 Group insurances	166	173	8	
13 Other benefits	26	33	8	
Total employee related	887	966	79	
14 Service Company costs	1,006	779	(227)	
15 Contracted services	77	79	2	
16 Building maintenance and services	40	46	6	
17 Telecommunication expenses	29	21	(8)	
18 Postage printing and stationery	2	2	(0)	
19 Office supplies & expenses	7	18	11	
20 Advertising & marketing expenses	0	0	0	
21 Employee related expense travel & entertainment	30	18	(12)	
22 Miscellaneous expenses	132	53	(80)	
23 Rents	4	3	(1)	
24 Transportation	14	46	32	
Operating supplies & services	336	286	(50)	
25 Uncollectible Accounts Exp	84	89	5	
26 Customer accounting other	96	102	6	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	50	56	6	
29 Maintenance service & supplies	84	144	60	
Total operation and maintenance	3,277	3,143	(133)	
30 Depreciation	775	769	(6)	
31 Amortization	17	16	(1)	
32 Removal costs	169	169	(0)	
Depreciation and Amortization	961	954	(7)	
33 General taxes	384	410	26	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,621	4,507	(114)	
Operating income (loss)	3,793	3,638	154	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 37: Interest on LTD \$68K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
37 Interest on long-term debt	975	1,042	68	
38 Interest on Short-Term Bank Debt	3	1	(3)	
39 Other Interest Expense	0	0	0	
Interest net	978	1,043	65	
41 Allowance for other funds used during construction	61	39	23	
42 Allowance for borrowed funds used during construction	29	30	(1)	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	(3)	(15)	11	
Total other income (expenses)	(897)	(995)	98	
Income (loss) before income taxes	2,895	2,643	252	
45 Provision for income taxes	1,170	1,048	(122)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	1,725	1,596	130	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,725	1,596	1,282	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,725	1,589	136	
50 Common dividends	0	(1)	1	
Current Year Retained Earnings	1,725	1,590	135	

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

Aug 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Aug 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	56,373	53,897	2,476	Line 1: Water Revenues \$2,476K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Q2 & July strong water sales made up the lower sales seen in Q1 due to declining usage and impact related to unusual cool/wet weather.
2 Sewer revenues	199	202	(3)	
3 Other operating revenues	2,185	1,541	645	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	58,757	55,639	3,118	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	258	229	(30)	Line 3: Other Operating Revenues \$645K favorable driven by unplanned LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other combined \$44K(lower connection fees, late fee delay and other combined).
7 Fuel and Power	2,702	2,730	28	
8 Chemicals	1,245	1,281	36	
9 Waste disposal	223	188	(35)	
Total production costs	4,429	4,428	(1)	
10 Salaries & Wages	4,833	5,130	297	Line 10: Salaries & Wages \$297K favorable primarily driven by savings \$340K due to organizational streamlining & new way of working initiatives and other \$56K (lower AIP accruals (lower headcount) & other compensations incentive), partially offset by one time severance payout \$99K.
11 Pensions	677	690	13	
12 Group insurances	1,359	1,387	29	
13 Other benefits	239	276	36	
Total employee related	7,107	7,483	375	
14 Service Company costs	5,860	5,905	44	
15 Contracted services	678	697	20	
16 Building maintenance and services	373	399	26	
17 Telecommunication expenses	199	172	(28)	
18 Postage printing and stationery	20	19	(1)	
19 Office supplies & expenses	106	143	37	
20 Advertising & marketing expenses	15	25	9	
21 Employee related expense travel & entertainment	135	148	13	
22 Miscellaneous expenses	606	587	(19)	
23 Rents	37	25	(12)	
24 Transportation	310	324	14	
Operating supplies & services	2,479	2,538	59	
25 Uncollectible Accounts Exp	209	427	219	Line 25: Uncollectible Accounts Expenses \$219K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.
26 Customer accounting other	742	805	64	
27 Regulatory expense	142	142	(0)	
28 Insurance other than group	434	447	14	
29 Maintenance service & supplies	1,009	1,104	95	
Total operation and maintenance	22,411	23,279	868	Line 26: Customer Accounting Other \$64K favorable driven by savings from collection agencies \$34K, Bill inserts, bank service charges and forms combined \$30K.
30 Depreciation	6,162	6,074	(88)	Line 30: Depreciation \$88K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	138	130	(7)	
32 Removal costs	1,343	1,336	(6)	
Depreciation and Amortization	7,642	7,541	(102)	
33 General taxes	3,207	3,285	78	Line 33: General Taxes \$78K favorable driven by lower property tax accrual \$40K, saving from payroll tax \$45K due to lower headcount and property tax discount not planned \$9K, partially offset by higher utility reg assessment \$16K.
34 Loss (gain) on sale of assets	(19)	0	19	
35 Impairment charges	0	0	0	
Total operating expenses net	33,242	34,105	863	
Operating income (loss)	25,515	21,535	3,981	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$295K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	7,805	8,099	295	
38 Interest on Short-Term Bank Debt	48	46	(2)	
39 Other Interest Expense	0	0	(0)	
Interest net	7,853	8,146	292	
41 Allowance for other funds used during construction	469	304	165	Line 41: Net AFUDC (Equity & Debt) \$165K favorable primarily driven by AFUDC Equity Gross up not planned.
42 Allowance for borrowed funds used during construction	220	233	(14)	
43 Amortization of debt expense	47	42	(5)	
44 Other Net	(107)	(263)	156	Line 44: Other Net \$156K favorable driven by lower donations to different organizations \$114K as a result of mgmt cost saving initiatives & timing (External Affairs - charitable contribution/scholarships, grants, etc) and reimbursement from contractors for water main related damages \$46K, partially offset by slightly higher lobby expenses \$4K.
Total other income (expenses)	(7,318)	(7,913)	595	
Income (loss) before income taxes	18,197	13,622	4,575	
45 Provision for income taxes	7,358	5,333	(2,026)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	10,839	8,289	2,550	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	10,839	8,289	2,550	
48 Preferred dividend declared	40	52	12	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	10,799	8,237	2,562	
50 Common dividends	6,693	4,494	2,199	
Current Year Retained Earnings	4,106	3,743	363	

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

Sept 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Sept 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	7,974	7,764	210	Line 1: Water Revenues \$210K favorable to plan primarily driven by better sales from Commercial, OPA and Industrial. Partially offset by slightly lower sales in Residential due to cool weather.
2 Sewer revenues	28	28	(0)	
3 Other operating revenues	138	177	(40)	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	8,139	7,969	170	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	20	28	8	
7 Fuel and Power	347	380	33	
8 Chemicals	166	162	(4)	
9 Waste disposal	26	22	(4)	
Total production costs	559	591	32	
10 Salaries & Wages	561	594	33	
11 Pensions	87	86	(1)	
12 Group insurances	154	173	19	
13 Other benefits	26	27	1	
Total employee related	828	880	52	
14 Service Company costs	683	724	41	Line 15: Contract Services \$100K favorable driven reversal of legal accrual for Northern Certificate case (accrual was in expense, actuals were capitalized).
15 Contracted services	(4)	96	100	
16 Building maintenance and services	34	51	17	Remaining variance driven by timing and some contract services expenses were accrued under misc expense. Should be cleaned up in Oct.
17 Telecommunication expenses	27	21	(5)	
18 Postage printing and stationery	1	2	1	Line 21: Employee related expense travel & entertainment \$64K unfavorable driven by unmapped p-card purchase accruals \$80K - all Pcard expenses (employee related or not) were accrued here, most should be reversed in Oct.
19 Office supplies & expenses	8	26	18	
20 Advertising & marketing expenses	1	3	1	Actual spending should align with budgeted level.
21 Employee related expense travel & entertainment	81	17	(64)	
22 Miscellaneous expenses	258	50	(208)	Line 22: Miscellaneous expenses \$208K unfavorable driven by Sept workbasket accruals - All invoices were accrued on this line (note favorability on other expense lines). In addition approx \$80k looks to be capital spend (reflected as such on Os&Vs). These expenses will flow to the proper buckets as invoices get processed.
23 Rents	2	3	1	
24 Transportation	36	44	8	
Operating supplies & services	444	313	(132)	
25 Uncollectible Accounts Exp	55	103	48	
26 Customer accounting other	79	97	18	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	39	56	17	
29 Maintenance service & supplies	96	115	19	
Total operation and maintenance	2,802	2,897	95	
30 Depreciation	1,199	848	(351)	Line 30: Depreciation \$351K unfavorable driven by a YTD reclass for the CIAC amortization between removal costs and depreciation in the amount of \$311K offset by favorable variance from removal costs \$351K. Remaining variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in service (seeing all year long).
31 Amortization	17	16	(1)	
32 Removal costs	(182)	169	351	
Depreciation and Amortization	1,034	1,033	(1)	
33 General taxes	404	403	(1)	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,240	4,333	93	
Operating income (loss)	3,899	3,636	264	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	
37 Interest on long-term debt	999	1,042	44	Line 37: Interest on LTD \$44K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by slightly higher STD.
38 Interest on Short-Term Bank Debt	2	(1)	(3)	
39 Other Interest Expense	0	0	0	
40 Interest net	1,001	1,042	41	
41 Allowance for other funds used during construction	45	27	19	
42 Allowance for borrowed funds used during construction	21	20	1	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	(5)	(24)	19	
Total other income (expenses)	(944)	(1,024)	79	
Income (loss) before income taxes	2,955	2,612	343	
45 Provision for income taxes	1,164	1,036	(128)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	1,791	1,576	216	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,791	1,576	1,364	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,791	1,569	222	

50	Common dividends	3,323	2,083	1,240
	Current Year Retained Earnings	(1,532)	(514)	(1,018)

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

Sept 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Sept 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	64,347	61,661	2,687	Line 1: Water Revenues \$2,687K favorable to plan primarily driven by strong
2 Sewer revenues	227	230	(3)	water sales due to hot/dry weather (May, Jun & Jul) and higher than
3 Other operating revenues	2,323	1,718	605	expected organic growth. Q2 & July strong water sales made up the lower
4 Market-Based revenues	0	0	0	sales seen in Q1 due to declining usage and impact related to unusual
5 Management revenues	0	0	0	cool/wet weather.
Operating revenues	66,897	63,608	3,288	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	278	256	(22)	Line 3: Other Operating Revenues \$605K favorable driven by unplanned
7 Fuel and Power	3,050	3,110	61	LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other
8 Chemicals	1,411	1,442	32	combined \$84K(lower connection fees, late fee delay \$96K and other
9 Waste disposal	249	210	(40)	combined).
Total production costs	4,988	5,019	31	Line 6: Fuel & Power \$61K favorable primarily driven by plant efficiency
10 Salaries & Wages	5,394	5,723	330	implementation/transfer pump etc.
11 Pensions	764	776	12	Line 10: Salaries & Wages \$330K favorable primarily driven by savings
12 Group insurances	1,513	1,561	48	\$376K due to organizational streamlining & new way of working initiatives
13 Other benefits	265	303	38	and other \$65K (lower AIP accruals (lower headcount) & other compensation
Total employee related	7,936	8,363	427	incentives), partially offset by one time severance payout \$111K.
14 Service Company costs	6,543	6,628	85	Line 14: Service Company Costs \$85K favorable driven by Corp allocation
15 Contracted services	673	793	120	methodology. Explanation handled by SSC FP&A.
16 Building maintenance and services	407	449	43	Line 15: Contracted Services \$120K favorable driven reversal of legal
17 Telecommunication expenses	226	193	(33)	accrual for Northern Certificate case (accrual was in expense, actuals were
18 Postage printing and stationery	21	21	0	capitalized). Remaining variance driven by timing and some contract
19 Office supplies & expenses	114	169	55	services expenses were accrued under misc expense. Should be cleaned up
20 Advertising & marketing expenses	17	27	11	Line 19: Office supplies & expenses \$55K favorable driven by management
21 Employee related expense travel & entertainment	216	165	(51)	expense saving initiatives (uniforms, office supply etc and timing of some
22 Miscellaneous expenses	865	638	(227)	expenses.
23 Rents	39	27	(11)	Line 21: Employee related expenses \$51K unfavorable driven by unmapped
24 Transportation	346	368	22	p-card purchase accruals \$80K - all Pcard expenses (employee related or
Operating supplies & services	2,924	2,851	(72)	not) were accrued here, most should be reversed in Oct. Actual spending
25 Uncollectible Accounts Exp	264	530	266	should align with budgeted level.
26 Customer accounting other	821	903	82	Line 22: Miscellaneous expenses \$227K unfavorable driven by Sept
27 Regulatory expense	160	160	(0)	workbasket accruals - All invoices were accrued on this line (note
28 Insurance other than group	473	503	30	favorability on other expense lines). In addition approx \$80k looks to be
29 Maintenance service & supplies	1,105	1,219	114	capital spend (reflected as such on Os&Vs). These expenses will flow to the
Total operation and maintenance	25,213	26,176	963	proper buckets as invoices get processed.
30 Depreciation	7,361	6,922	(439)	Line 25: Uncollectible Accounts Expenses \$266K favorable driven by timing
31 Amortization	155	147	(8)	of write offs and favorable allowance adjustment as result of lower write offs.
32 Removal costs	1,161	1,505	345	12 month rolling uncollectible rate is 0.46% vs. budget of 0.72%.
Depreciation and Amortization	8,676	8,574	(103)	Line 26: Customer Accounting Other \$82K favorable driven by savings from
33 General taxes	3,611	3,688	78	collection agencies \$41K, Bill inserts, bank service charges and forms
34 Loss (gain) on sale of assets	(19)	0	19	combined \$41K.
35 Impairment charges	0	0	0	Line 30: Depreciation \$439K unfavorable driven by a YTD reclass for the
Total operating expenses net	37,482	38,438	956	CIAC amortization between removal costs and depreciation in the amount of
Operating income (loss)	29,415	25,170	4,245	\$311K offset by favorable variance from removal costs \$351K. Remaining
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in
37 Interest on long-term debt	8,803	9,142	338	service (seeing all year long).
38 Interest on Short-Term Bank Debt	50	45	(5)	Line 33: General Taxes \$78K favorable driven by lower property tax accrual
39 Other Interest Expense	0	0	(0)	\$50K, saving from payroll tax \$37K due to lower headcount and property tax
40 Interest net	8,854	9,187	333	discount not planned \$11K, partially offset by higher utility reg assessment
41 Allowance for other funds used during construction	515	331	184	\$20K.
42 Allowance for borrowed funds used during construction	241	254	(13)	Line 25: Interest on LTD \$338K favorable driven by lower rate for the 2011
43 Amortization of debt expense	53	48	(5)	\$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on
44 Other Net	(112)	(287)	175	2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
Total other income (expenses)	(8,263)	(8,937)	674	
Income (loss) before income taxes	21,152	16,234	4,918	Line 41: Net AFUDC (Equity & Debt) \$184K favorable primarily driven by
45 Provision for income taxes	8,556	6,369	(2,187)	AFUDC Equity Gross up not planned.
46 Income (loss) from continuing operations	12,596	9,865	2,731	Line 44: Other Net \$175K favorable driven by lower donations to different
47 Income (loss) from discontinued operations - net of tax	0	0	0	organizations \$133K as a result of timing (External Affairs - charitable
Net income (loss)	12,596	9,865	2,731	contribution/scholarships, grants, etc) and reimbursement from contractors
48 Preferred dividend declared	40	59	19	for water main related damages \$47K, partially offset by slightly higher lobby
49 Net income attributable to non-controlling interest	0	0	0	expenses \$5K.
				Line 45: Provision for income taxes explanation handled by Corp Tax
				Department.

	Net income available to common stockholders	12,556	9,807	2,750
50	Common dividends	10,016	6,577	3,439
	Current Year Retained Earnings	2,541	3,230	(689)

Kentucky American Water - Income Statement (\$ 000s)
 Variance Analysis
 Oct 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Oct 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	6,754	7,441	(687)	Line 1: Water revenues were \$687K unfavorable to plan primarily driven by
2 Sewer revenues	23	31	(8)	lower sales from residential \$519K and OPA \$131K as each was down by
3 Other operating revenues	104	176	(72)	10.4% and 13.3% in term of usage.
4 Market-Based revenues	0	0	0	Line 3: Other operating revenues were \$72K unfavorable to plan driven by
5 Management revenues	0	0	0	lower reconnection fee, late fee delay and unrealized BD (was budgeted under
Operating revenues	6,881	7,648	(767)	this category)
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	20	30	11	
7 Fuel and Power	316	358	42	
8 Chemicals	124	167	43	
9 Waste disposal	33	22	(11)	
Total production costs	493	577	85	
10 Salaries & Wages	627	678	51	Line 10: Salary & Wages were \$51K favorable driven by savings \$64K due to
11 Pensions	85	86	1	lower headcount (actual 127 vs. budget 141) and AIP \$14K as result of
12 Group insurances	170	173	3	organizational streamlining, partially offset by higher OT \$33K.
13 Other benefits	31	36	5	
Total employee related	914	974	60	
14 Service Company costs	794	769	(25)	
15 Contracted services	105	83	(22)	
16 Building maintenance and services	53	46	(7)	
17 Telecommunication expenses	33	21	(12)	
18 Postage printing and stationery	1	3	2	
19 Office supplies & expenses	6	23	17	
20 Advertising & marketing expenses	4	3	(1)	
21 Employee related expense travel & entertainment	29	22	(6)	
22 Miscellaneous expenses	(16)	68	84	Line 22: Miscellaneous expenses were \$84K favorable primarily driven by Sept
23 Rents	(1)	3	4	workbasket accruals reversal related to unpaid invoices were accrued under
24 Transportation	54	42	(12)	misc expenses, Unspent BD \$8K and other combined \$9K. Partially offset by
Operating supplies & services	268	314	46	timing of the expense from external affairs \$51K (community relation,
25 Uncollectible Accounts Exp	113	47	(66)	Charitable Donations and Low Income Pay Program, some of expenses were
26 Customer accounting other	90	97	8	budgeted below the line under Net Other).
27 Regulatory expense	18	18	(0)	Line 25: Uncollectible accounts expenses were \$66K unfavorable driven by MI
28 Insurance other than group	50	56	6	adjustment \$11K and timing of write offs and resulting impact on allowance
29 Maintenance service & supplies	114	185	71	\$102K . KY is still favorable in total expenses YTD.
Total operation and maintenance	2,853	3,038	185	Line 29: Maintenance service & supplies were \$71K favorable driven by
30 Depreciation	893	851	(42)	maintenance material & supplies related to pump & electric motor repairs
31 Amortization	17	16	(1)	planned but did not occur as O&M costs \$70K (KRSI \$65K and Other plants
32 Removal costs	130	169	40	combined \$5K - some actual repair costs went capital).
Depreciation and Amortization	1,040	1,037	(3)	
33 General taxes	477	419	(58)	Line 33: General taxes were \$58K unfavorable driven by property adjustment of
34 Loss (gain) on sale of assets	0	0	0	\$70K related 2011 taxes payable in 2012 partially offset by Other Taxes and
35 Impairment charges	0	0	0	combination of Licenses, lower payroll taxes and other \$12K.
Total operating expenses net	4,369	4,493	124	
Operating income (loss)	2,512	3,155	(643)	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	
37 Interest on long-term debt	954	1,046	92	Line 37: Interest on LTD \$92K favorable driven by lower rate for the 2011 \$20M
38 Interest on Short-Term Bank Debt	3	2	(1)	LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M
39 Other Interest Expense	0	0	0	LTD moved from May to Nov, offset by slightly higher STD.
Interest net	957	1,048	91	
41 Allowance for other funds used during construction	42	30	12	
42 Allowance for borrowed funds used during construction	20	23	(3)	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	(6)	(34)	27	
Total other income (expenses)	(907)	(1,035)	127	
Income (loss) before income taxes	1,604	2,120	(516)	
45 Provision for income taxes	646	839	192	Line 45: Provision for income taxes explanation handled by Corp Tax
46 Income (loss) from continuing operations	958	1,281	(323)	Department.
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	958	1,281	284	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	958	1,275	(317)	
50 Common dividends	0	(1)	1	
Current Year Retained Earnings	958	1,276	(318)	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
Oct 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Oct 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	71,101	69,101	2,000	Line 1: Water Revenues \$2,000K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Q2 & July strong water sales made up the lower sales seen in Q1 and Sept due to declining usage and impact related to cool/wet weather .
2 Sewer revenues	250	261	(11)	
3 Other operating revenues	2,427	1,894	533	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	73,778	71,256	2,522	Line 3: Other Operating Revenues \$533K favorable driven by unplanned LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other combined \$84K (lower connection fees, late fee delay \$116K and other combined).
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	298	286	(11)	Line 7: Fuel & Power \$103K favorable driven by Oct saving \$42K mainly due to lower Oct system delivery (3.9%) and plant efficiency implementation \$61K.
7 Fuel and Power	3,365	3,468	103	
8 Chemicals	1,535	1,609	75	Line 8: Chemicals \$75K favorable primarily driven by lower chemical uses due to better source of water.
9 Waste disposal	283	232	(51)	
Total production costs	5,480	5,596	115	Line 10: Salaries & Wages \$381K favorable primarily driven by savings \$376K due to organizational streamlining & new way of working initiatives and other \$80K (lower AIP accruals (lower headcount) & other compensation incentives), partially offset by one time severance payout \$111K.
10 Salaries & Wages	6,021	6,401	381	Line 12: Group Insurance \$51K favorable primarily due to lower headcount (actual 127 vs. budget 141).
11 Pensions	849	862	13	
12 Group insurances	1,683	1,734	51	Line 15: Contracted Services \$98K favorable driven by savings from different areas \$179K (customer accounting, WT, TD & Admin General), partially offset by higher temp labor \$54K, audit fee \$10K and legal \$17K.
13 Other benefits	296	339	43	
Total employee related	8,850	9,337	487	Line 19: Office supplies & expenses \$72K favorable driven by software license fees \$45K, savings from office & admin supplies \$22K, Uniforms \$8K, partially offset by higher credit line fees \$4K.
14 Service Company costs	7,338	7,398	60	Line 21: Employee related expenses \$58K unfavorable driven by meals \$67K due to several employee retirement luncheons/employee events, etc, partially offset by lower cost on conference & registration and related cost \$9K.
15 Contracted services	778	875	98	
16 Building maintenance and services	459	495	36	Line 22: Miscellaneous expenses \$143K unfavorable driven by material & supply \$42K, external affairs \$31K (donations, low income pay program, conservation, etc - most were budgeted below the line under Net Other) and Misc oper other \$81K (Grainger, USA Bluebook, etc), partially offset by timing of director fees, dues & membership and discount combined \$11K.
17 Telecommunication expenses	259	215	(45)	
18 Postage printing and stationery	22	24	2	Line 25: Uncollectible Accounts Expenses \$201K favorable driven by timing of write offs and resulting allowance. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%.
19 Office supplies & expenses	120	192	72	
20 Advertising & marketing expenses	21	30	9	Line 26: Customer Accounting Other \$90K favorable driven by savings from collection agencies \$49K, Bill inserts (external affairs showing under misc expense), bank service charges, postage and forms combined \$41K.
21 Employee related expense travel & entertainment	245	187	(58)	
22 Miscellaneous expenses	849	706	(143)	Line 30: Depreciation \$481K unfavorable driven by a YTD reclass in Sept for the CIAC amortization between removal costs and depreciation in the amount of \$311K (as result of adjustment made under depreciation), offset by favorable variance from removal costs \$384K. Remaining variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in service (seeing all year long).
23 Rents	37	30	(7)	
24 Transportation	400	410	10	Line 41: Net AFUDC (Equity & Debt) \$180K favorable primarily driven by AFUDC Equity Gross up (tax effect) not planned.
Operating supplies & services	3,192	3,165	(26)	
25 Uncollectible Accounts Exp	377	577	201	Line 44: Other Net \$202K favorable driven by donations to different organizations due to timing \$152K (External Affairs - charitable contribution/scholarships, etc) offset by some actual donations showing under misc expense \$31K (firefighter grants, etc). The remaining variance driven by reimbursement from contractors for water main related damages \$56K, partially offset by slightly higher lobby expenses \$6K.
26 Customer accounting other	911	1,000	90	
27 Regulatory expense	178	177	(1)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
28 Insurance other than group	523	559	36	
29 Maintenance service & supplies	1,218	1,404	185	Line 49: Net income attributable to non-controlling interest
Total operation and maintenance	28,066	29,214	1,148	
30 Depreciation	8,254	7,773	(481)	Line 49: Net income attributable to non-controlling interest
31 Amortization	172	163	(9)	
32 Removal costs	1,291	1,675	384	Line 49: Net income attributable to non-controlling interest
Depreciation and Amortization	9,716	9,610	(106)	
33 General taxes	4,088	4,107	19	Line 49: Net income attributable to non-controlling interest
34 Loss (gain) on sale of assets	(19)	0	19	
35 Impairment charges	0	0	0	Line 49: Net income attributable to non-controlling interest
Total operating expenses net	41,851	42,931	1,080	
Operating income (loss)	31,926	28,325	3,601	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$431K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	9,757	10,188	431	
38 Interest on Short-Term Bank Debt	53	47	(6)	Line 41: Net AFUDC (Equity & Debt) \$180K favorable primarily driven by AFUDC Equity Gross up (tax effect) not planned.
39 Other Interest Expense	0	0	(0)	
40 Interest net	9,811	10,235	425	Line 44: Other Net \$202K favorable driven by donations to different organizations due to timing \$152K (External Affairs - charitable contribution/scholarships, etc) offset by some actual donations showing under misc expense \$31K (firefighter grants, etc). The remaining variance driven by reimbursement from contractors for water main related damages \$56K, partially offset by slightly higher lobby expenses \$6K.
41 Allowance for other funds used during construction	556	361	196	
42 Allowance for borrowed funds used during construction	261	277	(16)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
43 Amortization of debt expense	59	53	(6)	
44 Other Net	(118)	(320)	202	Line 49: Net income attributable to non-controlling interest
Total other income (expenses)	(9,170)	(9,971)	801	
Income (loss) before income taxes	22,756	18,354	4,403	
45 Provision for income taxes	9,168	7,207	(1,961)	Line 49: Net income attributable to non-controlling interest
46 Income (loss) from continuing operations	13,588	11,146	2,442	
47 Income (loss) from discontinued operations - net of tax	0	0	0	Line 49: Net income attributable to non-controlling interest
Net income (loss)	13,588	11,146	2,442	
48 Preferred dividend declared	40	65	25	Line 49: Net income attributable to non-controlling interest
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	13,548	11,081	2,467	
50 Common dividends	10,016	6,576	3,440	Line 49: Net income attributable to non-controlling interest
Current Year Retained Earnings	3,533	4,506	(973)	

Kentucky American Water - Income Statement (\$ 000s)
 Variance Analysis
 Nov 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Nov 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	6,031	6,480	(448)	Line 1: Water revenues were \$448K unfavorable to plan primarily driven by
2 Sewer revenues	24	26	(2)	lower sales from residential \$335K, Commercial \$69K and OPA \$49K.
3 Other operating revenues	98	184	(87)	
4 Market-Based revenues	0	0	0	Line 3: Other operating revenues were \$87K unfavorable to plan driven by
5 Management revenues	0	0	0	lower reconnection fee \$48K, late fee \$19K and unrealized BD \$25K(was
Operating revenues	6,153	6,690	(536)	budgeted under this category), partially offset by misc other combined \$5K.
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	22	26	5	
7 Fuel and Power	275	321	46	
8 Chemicals	117	131	14	
9 Waste disposal	27	22	(5)	
Total production costs	440	501	60	
10 Salaries & Wages	575	679	104	Line 10: Salary & Wages were \$104K favorable driven by savings \$114K due
11 Pensions	80	86	6	to lower headcount (actual 127 vs. budget 141) and AIP \$11K, partially offset
12 Group insurances	151	173	22	by higher OT \$22K.
13 Other benefits	46	34	(12)	
Total employee related	853	973	120	
14 Service Company costs	825	755	(70)	Line 14: Service company costs variance handled by SSC.
15 Contracted services	52	72	19	
16 Building maintenance and services	46	47	0	
17 Telecommunication expenses	22	21	(1)	
18 Postage printing and stationery	2	2	(1)	Line 21: Employee related expense travel & entertainment \$59K driven by P-
19 Office supplies & expenses	36	23	(12)	card expenses accrual reversal. All p-card expenses were previously accrued
20 Advertising & marketing expenses	(5)	0	5	under this line due to system issue, expenses are now allocated into correct
21 Employee related expense travel & entertainment	(48)	12	59	expense lines (i.e. uniforms, Material & Supplies, etc).
22 Miscellaneous expenses	161	52	(109)	Line 22: Miscellaneous expenses were \$109K unfavorable primarily driven by
23 Rents	10	3	(7)	reclass of YTD EA expenses from other net \$94K (per Corp instruction) and
24 Transportation	42	40	(2)	misc other combined \$15K. The unfavorable variance partially offset by
Operating supplies & services	319	272	(47)	favorable net other variance from EA \$94K.
25 Uncollectible Accounts Exp	56	21	(35)	
26 Customer accounting other	61	102	42	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	49	56	7	
29 Maintenance service & supplies	200	180	(20)	
Total operation and maintenance	2,820	2,875	55	
30 Depreciation	898	859	(38)	
31 Amortization	17	16	(1)	
32 Removal costs	129	170	40	
Depreciation and Amortization	1,044	1,045	1	
33 General taxes	401	407	5	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,266	4,327	62	
Operating income (loss)	1,888	2,362	(475)	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	
37 Interest on long-term debt	976	1,046	71	Line 37: Interest on LTD \$71K favorable driven by lower rate for the 2011 \$20M
38 Interest on Short-Term Bank Debt	2	5	3	LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M
39 Other Interest Expense	0	0	0	LTD delay from May.
Interest net	977	1,051	74	
41 Allowance for other funds used during construction	64	33	31	
42 Allowance for borrowed funds used during construction	30	25	5	
43 Amortization of debt expense	7	6	(2)	
44 Other Net	77	(10)	87	Line 44: Other Net \$87K favorable driven by reclass of YTD EA expenses into
Total other income (expenses)	(813)	(1,008)	194	miscellaneous expenses \$94K and partially offset by M&J income \$7K did not
Income (loss) before income taxes	1,074	1,355	(280)	plan.
45 Provision for income taxes	398	537	140	Line 45: Provision for income taxes explanation handled by Corp Tax
46 Income (loss) from continuing operations	677	817	(141)	Department.
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	677	817	274	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	677	811	(134)	
50 Common dividends	0	(1)	1	
Current Year Retained Earnings	677	812	(135)	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
Nov 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Nov 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	77,132	75,581	1,551	Line 1: Water Revenues \$1,551K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Line 3: Other Operating Revenues \$446K favorable driven by unplanned LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other combined \$243K(lower connection fees, late fee delay \$136K, unrealized BD \$50K and other). Line 7: Fuel & Power \$149K favorable driven primarily by budget error that overstated the F&P expenses for booster stations, plant efficiency implementation is another factor that resulted lower F&P expenses. Line 8: Chemicals \$89K favorable primarily driven by lower chemical uses due to better source of water. Line 10: Salaries & Wages \$485K favorable primarily driven by savings \$513K due to lower headcount (actual 127 vs. budget 141) as result of organizational streamlining & new way of working initiatives and other \$91K (lower AIP accruals & compensation incentives), partially offset by one time severance payout \$111K and OT \$8K. Line 12: Group Insurance \$73K favorable primarily driven by lower headcount (actual 127 vs. budget 141). Line 15: Contracted Services \$117K favorable driven by savings from different areas \$214K (customer accounting - language services, ORC & Accenture, etc, WT, TD & Admin General), partially offset by higher temp labor \$60K, audit fee \$10K, legal \$5K and lab testing \$2K. Line 19: Office supplies & expenses \$60K favorable driven by software license fees \$53K and savings from office & admin supplies \$13K, partially offset by higher credit line fees \$2K and timing of uniforms expense \$3K. Line 22: Miscellaneous expenses \$252K unfavorable driven by EA \$211K (donations, low income pay program, conservation, etc - most were budgeted below the line under Net Other), injuries & Damage \$27K and trustee fees \$13K. EA variance is offset by favorable variance under Other Net \$240K. Line 25: Uncollectible Accounts Expenses \$165K favorable driven by timing of write offs and resulting allowance. 12 month rolling uncollectible rate is 0.43% vs. budget of 0.72%. The 2012 uncollectible rate is expected to be at around 0.50% once we approach the year end. Line 26: Customer Accounting Other \$131K favorable driven by savings from collection agencies \$56K, Bill inserts, bank service charges, postage and forms combined \$75K. Line 30: Depreciation \$519K unfavorable driven by a YTD reclass in Sept for the CIAC amortization between removal costs and depreciation \$311K (as result of adjustment made under depreciation), offset by favorable variance from removal costs \$425K. Remaining variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in service (seeing all year long). Line 41: Net AFUDC (Equity & Debt) \$227K favorable primarily driven by AFUDC Equity Gross up (tax effect) not planned. Line 44: Other Net \$289K favorable driven by EA \$240K due to actual expenses (charitable contribution/scholarships, etc) are now showing under miscellaneous expenses, but they were budgeted here. The remaining variance driven by reimbursement from contractors for water main related damages \$55K and other \$4K. Line 45: Provision for income taxes explanation handled by Corp Tax Department.
2 Sewer revenues	274	287	(13)	
3 Other operating revenues	2,524	2,078	446	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	79,931	77,946	1,985	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	319	313	(6)	
7 Fuel and Power	3,640	3,789	149	
8 Chemicals	1,651	1,741	89	
9 Waste disposal	310	254	(56)	
Total production costs	5,921	6,096	176	
10 Salaries & Wages	6,596	7,080	485	
11 Pensions	929	949	19	
12 Group insurances	1,835	1,908	73	
13 Other benefits	342	373	31	
Total employee related	9,702	10,310	607	
14 Service Company costs	8,163	8,152	(10)	
15 Contracted services	830	947	117	
16 Building maintenance and services	506	542	36	
17 Telecommunication expenses	281	236	(45)	
18 Postage printing and stationery	25	26	1	
19 Office supplies & expenses	156	215	60	
20 Advertising & marketing expenses	16	30	14	
21 Employee related expense travel & entertainment	197	199	2	
22 Miscellaneous expenses	1,010	758	(252)	
23 Rents	47	33	(15)	
24 Transportation	442	450	8	
Operating supplies & services	3,511	3,437	(74)	
25 Uncollectible Accounts Exp	432	598	165	
26 Customer accounting other	972	1,103	131	
27 Regulatory expense	195	195	(0)	
28 Insurance other than group	572	615	43	
29 Maintenance service & supplies	1,418	1,583	165	
Total operation and maintenance	30,886	32,089	1,204	
30 Depreciation	9,151	8,632	(519)	
31 Amortization	190	179	(10)	
32 Removal costs	1,420	1,845	425	
Depreciation and Amortization	10,761	10,656	(105)	
33 General taxes	4,489	4,514	25	
34 Loss (gain) on sale of assets	(19)	0	19	
35 Impairment charges	0	0	0	
Total operating expenses net	46,117	47,259	1,142	
Operating income (loss)	33,814	30,687	3,127	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	
37 Interest on long-term debt	10,733	11,235	501	
38 Interest on Short-Term Bank Debt	55	52	(3)	
39 Other Interest Expense	0	0	(0)	
40 Interest net	10,788	11,286	498	
41 Allowance for other funds used during construction	620	394	227	
42 Allowance for borrowed funds used during construction	291	302	(11)	
43 Amortization of debt expense	66	59	(7)	
44 Other Net	(41)	(330)	289	
Total other income (expenses)	(9,983)	(10,979)	996	
Income (loss) before income taxes	23,831	19,708	4,122	
45 Provision for income taxes	9,566	7,744	(1,821)	
46 Income (loss) from continuing operations	14,265	11,964	2,301	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	14,265	11,964	2,301	
48 Preferred dividend declared	40	72	32	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	14,225	11,892	2,333	
50 Common dividends	10,016	6,575	3,441	
Current Year Retained Earnings	4,209	5,317	(1,108)	

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 31**

Description of Filing Requirement:

Monthly Budget Variance Reports for 12 Months Pre-Base Period and as available, for Base Period and Subsequent Months

Response:

Please see attached documents monthly budget variance reports for period April 2011 through November 2012.

For the electronic version, see KAW_APP_EX31_122812.pdf.



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

APRIL 2011

April 2011 FRP commentary

INCOME STATEMENT

STATE: KENTUCKY

SCENARIO: MTD ACT vs. MTD PLAN

Operating Expenses:

Line 13 – Management Fees favorable \$.126: Variance explained at corporate level.

April 2011 FRP commentary

INCOME STATEMENT

STATE: KENTUCKY

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$0.955: Favorable variance primarily due to 2010 rate increase (+27%). Rates accounted for \$1.512m of the favorability, offset by lower consumption in Residential \$(0.280), commercial \$(0.153) and other classes combined.

Operating Expenses:

Line 13 – Management Fees favorable \$.110: Variance explained at corporate level.

Line 23 – Depreciation \$(.232): Unfavorable variance primarily due to depreciation expense on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(.457): Unfavorable variance primarily due to interest expense related to borrowings for \$162m water treatment plant not in service in prior year. Additional variance explained at corporate level.

Line 32 – AFUDC Equity \$(.259): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.130): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

April 2011 FRP commentary**INCOME STATEMENT****STATE: KENTUCKY****SCENARIO: YTD ACT vs. YTD PLAN****Operating Expenses:**

Line 13 – Management Fees favorable \$.424: Favorable variance explained at corporate level.

Line 22 – Maintenance \$(-.115): Unfavorable variance due to T&D maintenance and supplies \$80K (mainly meter covers \$60K – will be removed under expense and booked under capital), source supply work \$61K (mainly intake work at KRS1 - pump #1 to replace bearing and needed barge), and paving and backfill \$33K, partially offset by favorable expense for M&S WT \$46K due to timing (chlorine evaporator rebuilds pushed back to later in the year) and other \$13K.

Line 24 – Amortization \$(-.209): Unfavorable variance Due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense (Depreciation expense favorable \$230k).

Line 25 – General Taxes \$(-.526): Unfavorable primarily due to 2009 property taxes which included the reclassification of assets totaling \$36M from the exempt category to a taxable category which caused an additional \$367K in Property Taxes and triggered an additional \$100K in Personal Property Franchise Tax, \$22K is due to changes in real and personal property taxed at a different rate, \$16K is due to final adjustments related to the audit for 2008 and 2009, and \$26k for 2011 accrual over plan, partially offset by other \$6K.

April 2011 FRP commentary**INCOME STATEMENT**

STATE: KENTUCKY

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$4.832m: Favorable variance primarily due to 2010 rate increase (+27%). Rates accounted for \$5.747m of the favorability, offset by lower consumption in Residential (\$515k), Commercial (\$167K), OPA (\$195k) and Industrial (\$69K).

Operating Expenses:

Line 6 - Fuel and Power \$(-.206): Unfavorable variance primarily due to new water treatment plant \$(280k) and KU price increase & other \$(61K), offset by less production running through KRS1\$135K.

Line 13 – Management Fees \$.337: Favorable variance explained at corporate level.

Line 14 – Shared Business Services \$.160: Favorable variance explained at corporate level.

Line 15 – Contracted Services \$.147: \$73K due to outside legal fees for the Water Supply Case, Jacobson Park Transfer & KAWC lawsuit against a contractor, Water treatment & Administrative contract services \$55K and Labor & personnel \$19K.

Line 22 – Maintenance \$(-.212): Unfavorable maintenance at source supply \$95K (pump repair work at #1 to replace bearing \$66K), TD material & supplies \$41K (mainly meter covers \$60K – to be removed under expense and booked under capital in May), partial offset by other \$19K), WT plant maintenance \$33K, paving and backfill \$24K, amortized deferred maintenance \$21K, partially offset by other \$2K.

Line 23 – Depreciation \$(-.880): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Line 25 – General Taxes \$(-.753): Unfavorable primarily due to the 2009 property taxes which included the reclassification of assets totaling \$36M from the exempt category to a taxable category which caused an additional \$367K in Property Taxes and triggered an additional \$100K in Personal Property Franchise Tax, \$22K is due to changes in real and personal property taxed at a different rate, \$16K is due to final adjustments related to the audit for 2008 and 2009, residual due to higher 2011 accrual based on increase in assets, primarily new \$162m water treatment plant.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(1.828m): Unfavorable variance primarily due to interest expense related to \$162m water treatment plant not in service in prior year. Additional variance explained at corporate level.

Line 32 – AFUDC Equity \$(-.938): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(-.469): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Income Statement - Month To Date

 Kentucky with Growth
 Apr 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	5,826	6,033	(207)	(3.43)%	4,872	955	19.60%
Sewer Revenues	27	26	1	3.19%	26	1	3.19%
Other Operating Revenues	261	269	(8)	(2.86)%	274	(13)	(4.90)%
Operating Revenues	6,114	6,328	(214)	(3.38)%	5,172	942	18.21%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	9	6	(3)	(55.19)%	6	(3)	(60.90)%
Fuel and Power	251	294	43	14.76%	248	(3)	(1.24)%
Chemicals	150	126	(24)	(18.93)%	100	(50)	(50.27)%
Waste Disposal	28	29	1	1.95%	22	(6)	(29.79)%
Total production costs	438	455	17	3.73%	375	(63)	(16.83)%
O&M LABOR & OVERHEAD							
Labor	597	609	12	2.03%	579	(18)	(3.09)%
Pensions	79	82	3	3.29%	96	17	17.93%
Group Insurances	180	195	15	7.71%	182	2	1.33%
Other benefits	27	26	(2)	(6.39)%	16	(11)	(67.59)%
Total employee related	883	912	28	3.12%	874	(9)	(1.05)%
Shared governance and service fees							
Shared business services fees	241	367	126	34.25%	351	110	31.34%
Contracted services	377	398	21	5.33%	347	(30)	(8.55)%
Total contracted services	618	765	147	23.77%	698	80	12.93%
Regulatory							
Regulatory expense	17	31	14	43.90%	25	8	31.73%
Insurance Other Than Group	51	56	5	9.24%	54	3	5.16%
Customer Accounting	85	158	72	45.79%	162	76	47.09%
Rents	2	3	1	17.83%	1	(1)	(159.19)%
General office expense	50	61	11	17.80%	47	(3)	(7.08)%
Miscellaneous	144	152	8	5.63%	149	5	3.41%
Maintenance	192	180	(13)	(7.11)%	119	(73)	(61.09)%
Total O&M expense	2,581	2,864	282	9.85%	2,579	(3)	(0.10)%
Depreciation and amortization							
Depreciation	739	785	46	5.92%	507	(232)	(45.68)%
Amortization	182	129	(53)	(40.88)%	174	(7)	(4.14)%
Total depreciation and amortization	921	914	(6)	(0.68)%	681	(239)	(35.05)%
General taxes							
General taxes	413	410	(3)	(0.74)%	338	(75)	(22.12)%
Impairment charges							
Gain on sale of assets	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-
Total operating expenses, net	3,915	4,188	273	6.52%	3,599	(316)	(8.79)%
Operating income	2,199	2,140	59	2.77%	1,573	626	39.78%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	-
Interest on long-term debt	892	887	(5)	(0.55)%	435	(457)	(105.16)%
Interest on Short-Term Bank Debt	7	15	7	50.16%	12	5	40.64%
Other Interest Expense	0	0	0	-	0	0	-
Total interest expense	899	901	2	0.27%	447	(452)	(101.14)%
AFUDC - Equity							
AFUDC Debt	16	10	7	70.56%	275	(259)	(94.06)%
Amortization of Debt Expense	8	8	0	(2.23)%	138	(130)	(94.43)%
Preferred dividends of subsidiaries	6	5	(1)	(19.76)%	10	4	42.26%
Non-Operating							
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	(3)	(16)	13	82.89%	2	(5)	(234.89)%
Miscellaneous Income	(3)	(16)	13	82.89%	2	(5)	(234.89)%
Total other income	0	0	0	-	0	0	-
Miscellaneous Amortization							
Miscellaneous Amortization	15	18	3	15.94%	34	18	54.75%
Miscellaneous Other Deductions	(18)	(34)	16	47.39%	(32)	14	(289.64)%
Total Other Deductions	(3)	(16)	13	82.89%	2	(5)	(234.89)%
Other, net							
Total other income (deductions)	(3)	(16)	13	82.89%	2	(5)	(234.89)%
Income (loss) before income taxes							
Income (loss) before income taxes	1,300	1,217	84	6.86%	1,498	(197)	(13.16)%
Federal Income Taxes	80	77	(3)	(3.82)%	60	(21)	(34.67)%
State Income Taxes	449	433	(16)	(3.64)%	540	91	16.84%
Provision (Benefit) for Income Taxes	(1)	-	1	-	(2)	(1)	(43.28)%
Net income (loss)	522	511	(12)	(2.30)%	587	65	11.06%
Preferred Dividend Declared	778	706	72	10.16%	910	(132)	(14.52)%
Common Dividend Declared	6	7	(1)	(7.59)%	6	0	0.00%
Net income to Common Stock	772	699	72	10.34%	904	(132)	(14.62)%
Current Year Retained Earnings	0	0	0	-	0	0	-

	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
Water Revenues	1	24,173	24,235	(62)	(0.25)%	19,341	4,832	24.98%
Sewer Revenues	2	101	104	(3)	(2.78)%	104	(3)	(2.78)%
Other Operating Revenues	3	1,015	1,017	(2)	(0.18)%	1,041	(26)	(2.48)%
Management Revenues	4	-	-	-	-	-	-	-
Operating Revenues		25,289	25,355	(67)	(0.26)%	20,486	4,803	23.45%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES								
Purchased Water	5	47	36	(12)	(32.80)%	34	(13)	(37.69)%
Fuel and Power	6	1,265	1,202	(63)	(5.26)%	1,059	(206)	(19.45)%
Chemicals	7	578	539	(39)	(7.26)%	479	(99)	(20.77)%
Waste Disposal	8	97	116	19	16.30)%	90	(6)	(7.14)%
Total production costs		1,988	1,892	(95)	(5.03)%	1,663	(325)	(19.54)%
O&M LABOR & OVERHEAD								
Labor	9	2,428	2,463	35	1.40)%	2,257	(171)	(7.58)%
Pensions	10	317	327	10	3.00)%	384	67	17.46)%
Group Insurances	11	732	780	48	6.16)%	735	3	0.34)%
Other benefits	12	128	134	7	4.90)%	108	(20)	(18.23)%
Total employee related		3,605	3,704	99	2.67)%	3,484	(121)	(3.48)%
Shared governance and service fees		1,065	1,488	424	28.47)%	1,402	337	24.05%
Shared business services fees	13	1,573	1,618	45	2.78)%	1,413	(160)	(11.34)%
Contracted services	14	388	347	(40)	(11.66)%	241	(147)	(60.84)%
Total contracted services		1,960	1,965	5	0.25)%	1,654	(307)	(18.55)%
Regulatory expense	16	69	123	54	43.65)%	101	32	31.43)%
Insurance Other Than Group	17	190	225	35	15.67)%	153	(37)	(24.03)%
Customer Accounting	18	541	626	85	13.56)%	521	(20)	(3.80)%
Rents	19	14	12	(2)	(15.35)%	7	(7)	(87.57)%
General office expense	20	217	220	3	1.40)%	202	(15)	(7.60)%
Miscellaneous	21	559	634	76	11.92)%	586	28	4.70)%
Maintenance	22	636	521	(115)	(22.08)%	424	(212)	(50.03)%
Total O&M expense		10,844	11,412	568	4.98)%	10,197	(647)	(6.34)%
Depreciation	23	2,907	3,137	230	7.34)%	2,027	(880)	(43.44)%
Amortization	24	725	515	(209)	(40.65)%	695	(28)	(4.22)%
Depreciation and amortization		3,632	3,653	21	0.57)%	2,722	(910)	(33.42)%
General taxes	25	2,189	1,663	(526)	(31.62)%	1,436	(753)	(52.42)%
Gain on sale of assets	26	-	-	-	-	-	-	-
Impairment charges	27	-	-	-	-	-	-	-
Total operating expenses, net		16,665	16,727	63	0.37)%	14,355	(2,309)	(16.09)%
Operating income		8,624	8,628	(4)	(0.05)%	6,130	2,494	40.68%
OTHER INCOME & DEDUCTIONS								
Interest income	28	-	-	-	-	(2)	(2)	(100.00)%
Interest on long-term debt	29	3,619	3,563	(56)	(1.57)%	1,791	(1,828)	(102.07)%
Interest on Short-Term Bank Debt	30	24	53	28	53.66)%	37	12	33.47)%
Other Interest Expense	31	(3)	-	3	-	(8)	(5)	(62.56)%
Total interest expense		3,640	3,616	(25)	(0.68)%	1,817	(1,823)	(100.33)%
AFUDC - Equity		50	28	21	75.45)%	988	(938)	(94.96)%
AFUDC Debt		23	23	0	0.56)%	493	(469)	(95.26)%
Amortization of Debt Expense		39	35	(4)	(11.00)%	41	(2)	(4.17)%
Preferred dividends of subsidiaries		-	-	-	-	-	-	-
Non-Operating Rental Income	36	-	-	-	-	-	-	-
Dividend Income - Common	37	-	-	-	-	-	-	-
Dividend Income - Preferred	38	-	-	-	-	-	-	-
Miscellaneous Income	39	42	1	41	3,766.55)%	60	(18)	(29.51)%
Total other income		42	1	41	3,766.55)%	60	(18)	(29.51)%
Miscellaneous Amortization	40	0	-	0	-	0	0	0.00)%
Miscellaneous Other Deductions	41	137	190	53	27.92)%	290	153	52.79)%
Total Other Deductions		(94)	(189)	94	50.01)%	(229)	135	(82.31)%
Other, net		(3,700)	(3,788)	87	2.31)%	(607)	(3,094)	(509.92)%
Total other income (deductions)		4,924	4,840	83	1.73)%	5,523	(600)	(10.86)%
Income (loss) before income taxes		321	307	(14)	(4.60)%	286	(35)	(12.40)%
State Income Taxes	42	1,781	1,724	(57)	(3.29)%	1,972	192	9.71)%
Federal Income Taxes	43	(6)	-	6	-	(14)	(8)	(68.51)%
Tax Saving Acquisition Adjustment	44	(31)	-	31	-	(75)	(44)	(58.51)%
State income taxes (non-operating)	45	2,066	2,031	(34)	(1.69)%	2,170	104	4.81)%
Federal income taxes (non-operating)	46	2,858	2,809	49	1.75)%	3,353	(496)	(14.78)%
Provision (Benefit) for Income Taxes		26	28	(2)	(7.59)%	26	0	0.00)%
Net income (loss)		2,832	2,781	51	1.85)%	3,328	(496)	(14.89)%
Net income To Common Stock		2,461	2,615	154	5.89)%	1,473	(987)	(67.02)%
Common Dividend Declared	47	371	166	205	123.83)%	1,854	(1,483)	(79.98)%
Current Year Retained Earnings								



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

May 2011

May 2011 FRP commentary
INCOME STATEMENT
STATE: KENTUCKY
SCENARIO: MTD ACT vs. MTD PLAN

Other Income and Deductions:

Line 29 – Interest Expense favorable \$.126: Variance explained at corporate level. However a major driver will be the LTD issuance budgeted for May did not occur.

May 2011 FRP commentary

INCOME STATEMENT

STATE: KENTUCKY

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$1.175: Favorable variance primarily due to 2010 rate increase (+27%, \$1.5m), partially offset by declining usage across all classes (\$300k).

Operating Expenses:

Line 23 – Depreciation \$(.229): Unfavorable variance due to depreciation expense on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(.457): Unfavorable variance due to interest expense related to borrowings for \$162m water treatment plant not in service in prior year. Additional variance explained at corporate level.

Line 32 – AFUDC Equity \$(.273): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.137): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

May 2011 FRP commentary

INCOME STATEMENT

STATE: KENTUCKY

SCENARIO: YTD ACT vs. YTD PLAN

Operating Expenses:

Line 23 – Depreciation \$.274: Unfavorable variance Due to proportional split of plan for NNS and Depreciation. Offset in Amortization expense see below.

Line 24 – Amortization \$(-.262): Unfavorable variance Due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense above.

Line 25 – General Taxes \$(-.530): Unfavorable primarily due to 2009 property taxes which included the reclassification of assets totaling \$36M from the exempt category to a taxable category which caused an additional \$367K in Property Taxes and triggered an additional \$100K in Personal Property Franchise Tax, \$22K is due to changes in real and personal property taxed at a different rate, \$16K is due to final adjustments related to the audit for 2008 and 2009, and \$26k for 2011 accrual over plan, partially offset by other \$6k.

May 2011 FRP commentary**INCOME STATEMENT****STATE: KENTUCKY****SCENARIO: YTD ACT vs. YTD PRIOR YEAR****Operating Revenues:**

Line 1 – Water Revenues \$6.007m: Favorable variance primarily due to 2010 rate increase (+27%). Rates accounted for \$7.2m of the favorability, offset by lower consumption in Residential (\$628k), Commercial (\$241k), OPA (\$269k) and Industrial (\$111k).

Operating Expenses:

Line 6 - Fuel and Power \$(.228): Unfavorable variance primarily due to new water treatment plant and KU price increase, offset by slightly by lower system delivery.

Line 13 – Management Fees \$.422: Favorable variance explained at corporate level.

Line 14 – Shared Business Services \$(.197): Unfavorable variance explained at corporate level.

Line 15 – Contracted Services \$(.172): Unfavorable variance due to \$153k in outside legal fees (Water Supply Case, Jacobson Park Transfer & KAWC lawsuit against a contractor), also other small variances in water treatment & administrative contract services totaling \$17k.

Line 22 – Maintenance \$(.240): Unfavorable maintenance at source supply \$129k (intake pumps), WT plant maintenance \$64k, paving and backfill \$30k, and amortized deferred maintenance \$21k.

Line 23 – Depreciation \$(1.110): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Line 25 – General Taxes \$(.829): Unfavorable variance primarily due to the 2009 property taxes which included the reclassification of assets totaling \$36M from the exempt category to a taxable category which caused an additional \$367K in Property Taxes and triggered an additional \$100K in Personal Property Franchise Tax, \$22K is due to changes in real and personal property taxed at a different rate, \$16K is due to final adjustments related to the audit for 2008 and 2009, residual due to higher 2011 accrual based on increase in assets, primarily new \$162m water treatment plant.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(2.285m): Unfavorable variance primarily due to interest expense related to \$162m water treatment plant not in service in prior year. Additional variance explained at corporate level.

Line 32 – AFUDC Equity \$(1.211): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.606): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 41 – Miscellaneous Other Deductions \$.136: Favorable variance due to 2010 advertising for new water treatment plant not in 2011.

Income Statement - Month To Date

 Kentucky with Growth
 May 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	6,488	6,472	17	0.26%	5,313	1,175	22.12%
Sewer Revenues	23	25	(2)	(7.80)%	25	(2)	(7.80)%
Other Operating Revenues	263	268	(4)	(1.59)%	272	(9)	(3.19)%
Management Revenues	-	-	-	-	-	-	-
Operating Revenues	6,775	6,764	11	0.16%	5,610	1,165	20.76%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	19	14	(5)	(35.82)%	14	(6)	(40.82)%
Fuel and Power	283	326	43	13.33%	261	(22)	(6.35)%
Chemicals	146	154	8	5.31%	168	23	13.48%
Waste Disposal	21	29	8	27.87%	19	(2)	(6.33)%
Total production costs	468	523	55	10.43%	462	(6)	(1.35)%
O&M LABOR & OVERHEAD							
Labor	646	640	(6)	(0.83)%	590	(56)	(8.51)%
Pensions	78	82	4	4.36%	96	18	18.79%
Group Insurances	180	195	15	7.69%	184	4	2.18%
Other benefits	39	27	(13)	(48.58)%	29	(11)	(37.18)%
Total employee related	943	944	0	0.04%	899	(45)	(4.97)%
Shared governance and service fees							
Shared business services fees	275	284	8	2.97%	360	85	23.54%
Contracted services	106	97	(10)	(9.88)%	81	(25)	(30.95)%
Total contracted services	503	505	2	0.41%	440	(62)	(14.18)%
Regulatory expense							
Regulatory expense	20	31	11	35.58%	25	5	21.60%
Insurance Other Than Group	51	56	6	9.92%	53	3	4.75%
Customer Accounting	225	154	(71)	(46.25)%	181	(44)	(24.20)%
Rents	3	3	0	2.57%	8	5	61.41%
General office expense	64	57	(7)	(12.22)%	52	(11)	(21.30)%
Miscellaneous	169	167	(2)	(1.08)%	149	(20)	(13.30)%
Maintenance	95	115	20	17.52%	67	(27)	(40.65)%
Total O&M expense	2,815	2,838	22	0.79%	2,697	(118)	(4.39)%
Depreciation	741	785	44	5.60%	512	(229)	(44.82)%
Amortization	181	129	(52)	(40.43)%	175	(6)	(3.71)%
Depreciation and amortization	922	914	(8)	(0.89)%	686	(236)	(34.36)%
General taxes	417	412	(4)	(1.07)%	341	(76)	(22.29)%
Impairment charges	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	-
Total operating expenses, net	4,154	4,164	10	0.24%	3,724	(430)	(11.55)%
Operating income	2,621	2,600	20	0.79%	1,886	735	38.95%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	0.00%
Interest on long-term debt	892	1,017	126	12.35%	435	(457)	(105.16)%
Interest on Short-Term Bank Debt	7	0	(6)	(1,843.39)%	15	8	56.09%
Other Interest Expense	0	-	0	-	0	0	-
Total interest expense	898	1,017	119	11.73%	450	(449)	(98.78)%
AFUDC - Equity							
AFUDC Debt	19	13	(6)	(49.29)%	292	(273)	(93.55)%
Amortization of Debt Expense							
Amortization of debt	9	10	(1)	(14.43)%	146	(137)	(93.95)%
Preferred dividends of subsidiaries							
Preferred dividends	6	5	(1)	(19.76)%	10	4	42.26%
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	15	10	(5)	(51.50)%	2	13	646.05%
Total other income	15	10	(5)	51.50%	2	13	646.05%
Miscellaneous Amortization	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions	43	40	(3)	(8.73)%	26	(17)	(66.20)%
Total Other Deductions	43	40	(3)	(8.73)%	26	(17)	(66.20)%
Other, net	(28)	(30)	2	5.31%	(24)	(4)	712.24%
Total other income (deductions)	(905)	(1,029)	125	12.11%	(46)	(859)	(1,868.23)%
Income (loss) before income taxes	1,716	1,571	145	9.24%	1,840	(124)	(6.75)%
State Income Taxes	115	93	(22)	(23.21)%	108	(6)	(5.86)%
Federal Income Taxes	638	555	(83)	(14.89)%	632	(6)	(0.89)%
State income taxes (non-operating)	(2)	-	2	9.09%	(1)	1	18.37%
Federal income taxes (non-operating)	(6)	-	6	100.00%	(8)	2	25.00%
Provision (Benefit) for Income Taxes	741	648	(93)	(14.38)%	731	(10)	(1.40)%
Net income (loss)	975	923	(52)	(5.33)%	1,109	(134)	(12.12)%
Preferred Dividend Declared	6	9	(3)	(50.00)%	6	0	0.00%
Net Income To Common Stock	969	914	(55)	(5.67)%	1,102	(134)	(12.19)%
Common Dividend Declared	0	0	0	-	0	0	-
Current Year Retained Earnings	968	915	(53)	(5.47)%	1,102	(134)	(12.19)%

Income Statement - Year To Date Kentucky with Growth May YTD 2011 (\$ in Thousands)								
	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
Water Revenues	1	30,661	30,706	(45)	(0.15)%	24,654	6.07	24.37%
Sewer Revenues	2	124	129	(5)	(3.76)%	129	(5)	(3.76)%
Other Operating Revenues	3	1,278	1,285	(6)	(0.47)%	1,313	(35)	(2.63)%
Management Revenues	4	-	-	-	-	-	-	-
Operating Revenues		32,064	32,120	(56)	(0.17)%	26,096	5,968	22.87%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES								
Purchased Water	5	67	50	(17)	(33.86)%	48	(19)	(38.58)%
Fuel and Power	6	1,548	1,528	(20)	(1.29)%	1,320	(228)	(17.26)%
Chemicals	7	724	693	(31)	(4.47)%	647	(77)	(11.86)%
Waste Disposal	8	117	144	27	18.60%	109	(8)	(7.35)%
Total production costs		2,456	2,415	(41)	(1.69)%	2,125	(331)	(15.58)%
O&M LABOR & OVERHEAD								
Labor	9	3,074	3,103	29	0.94%	2,847	(227)	(7.98)%
Pensions	10	395	409	13	3.27%	480	85	17.72%
Group Insurances	11	913	976	63	6.46%	919	7	0.71%
Other benefits	12	167	161	(6)	(3.94)%	137	(30)	(22.22)%
Total employee related		4,549	4,648	99	2.14%	4,383	(166)	(3.79)%
Shared governance and service fees								
Shared business services fees	13	1,340	1,421	81	5.72%	1,762	422	23.95%
Contracted services	14	1,969	2,022	53	2.63%	1,772	(197)	(11.14)%
Contracted services	15	494	444	(50)	(11.27)%	322	(172)	(63.32)%
Total contracted services		2,463	2,466	3	0.13%	2,094	(369)	(17.63)%
Regulatory expense								
Regulatory expense	16	89	154	65	42.04%	127	37	29.46%
Insurance Other Than Group	17	240	281	41	14.52%	206	(34)	(16.60)%
Customer Accounting	18	766	780	14	1.77%	702	(64)	(9.06)%
Rents	19	17	15	(2)	(11.82)%	15	(2)	(12.77)%
General office expense	20	281	277	(4)	(1.39)%	254	(27)	(10.42)%
Miscellaneous	21	728	802	74	9.21%	736	8	1.04%
Maintenance	22	731	636	(95)	(14.92)%	491	(240)	(48.75)%
Total O&M expense		13,659	13,895	236	1.70%	12,894	(765)	(5.93)%
Depreciation and amortization								
Depreciation	23	3,648	3,922	274	6.99%	2,539	(1,110)	(43.72)%
Amortization	24	906	844	(62)	(40.60)%	870	(36)	(4.12)%
Depreciation and amortization		4,554	4,567	13	0.27%	3,408	(1,146)	(33.61)%
General taxes								
Gain on sale of assets	25	2,606	2,075	(530)	(25.55)%	1,777	(829)	(46.64)%
Impairment charges	26	-	-	-	-	-	-	-
Total operating expenses, net		20,819	20,537	(282)	(1.37)%	18,080	(2,740)	(15.15)%
Operating income		11,245	11,582	(338)	(2.92)%	8,016	3,228	40.27%
OTHER INCOME & DEDUCTIONS								
Interest income	28	-	-	-	-	(2)	(2)	(100.00)%
Interest on long-term debt	29	4,510	4,580	70	1.52%	2,226	(2,285)	(102.67)%
Interest on Short-Term Bank Debt	30	31	53	22	41.52%	52	21	40.04%
Other Interest Expense	31	(3)	-	3	-	(8)	(5)	(62.56)%
Total interest expense		4,538	4,633	95	2.05%	2,267	(2,272)	(100.22)%
AFUDC - Equity								
AFUDC - Equity	32	69	41	28	67.41%	1,280	(1,211)	(94.64)%
AFUDC Debt								
AFUDC Debt	33	32	34	(2)	(4.04)%	639	(606)	(94.96)%
Preferred dividends of subsidiaries								
Preferred dividends of subsidiaries	34	45	40	(5)	(12.07)%	51	(6)	(11.77)%
Non-Operating Rental Income								
Non-Operating Rental Income	36	-	-	-	-	-	-	-
Dividend Income - Common								
Dividend Income - Common	37	-	-	-	-	-	-	-
Dividend Income - Preferred								
Dividend Income - Preferred	38	-	-	-	-	-	-	-
Miscellaneous Income								
Miscellaneous Income	39	57	11	46	427.05%	62	(5)	(7.99)%
Total other income		57	11	46	427.05%	62	(5)	(7.99)%
Miscellaneous Amortization								
Miscellaneous Amortization	40	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions								
Miscellaneous Other Deductions	41	180	229	49	21.58%	316	136	43.02%
Total Other Deductions		180	229	49	21.58%	316	136	43.02%
Other, net		(123)	(218)	96	43.89%	(253)	131	(51.00)%
Total other income (deductions)		(4,605)	(4,817)	212	4.40%	(3,952)	(865)	(605.58)%
Income (loss) before income taxes		6,639	6,765	(126)	(1.88)%	7,363	(724)	(9.83)%
State Income Taxes		436	400	(36)	(8.92)%	394	(42)	(10.60)%
Federal Income Taxes		2,419	2,418	(1)	(0.05)%	2,605	186	7.14%
Tax Saving Acquisition Adjustment		(7)	-	7	-	(15)	(8)	(51.19)%
State income taxes (non-operating)		(40)	-	40	-	(63)	(42)	(51.19)%
Federal income taxes (non-operating)		2,807	2,818	11	0.38%	2,901	94	3.24%
Provision (Benefit) for Income Taxes		3,832	3,947	(115)	(2.91)%	4,462	(630)	(14.12)%
Net income (loss)		32	35	(3)	(7.59)%	32	0	0.00%
Preferred Dividend Declared		3,800	3,912	(112)	(2.87)%	4,430	(630)	(14.22)%
Net Income To Common Stock		2,461	2,615	154	5.89%	1,473	(987)	(67.02)%
Common Dividend Declared		1,339	1,297	42	3.21%	2,957	(1,617)	(54.71)%

Assets	Actuals	Forecast	Increase (Decrease)	% Variance	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
1 Utility Plant in Service	573,061	-	573,061		-	573,061		563,384	9,676	1.7%
2 Construction Work in Progress	5,765	-	5,765		-	5,765		7,223	(1,458)	(20.2)%
3 Utility Plant Accumulated Depreciation/Am	(102,722)	-	(102,722)		-	(102,722)		(98,304)	(4,418)	(4.5)%
4 Total Utility Plant Adjustments	255	-	255		-	255		263	(8)	(3.2)%
5 Utility property net of accumulated depreciatio	476,359	-	476,359		-	476,359		472,566	3,792	0.8%
6 Nonutility property net of accumulated depreci	270	-	270		-	270		270	0	0.0%
Total Property Plant and Equipment	476,629	-	476,629		-	476,629		472,837	3,792	0.8%
7 Cash and Cash Equivalents	(242)	-	(242)		-	(242)		(1,754)	1,513	86.2%
8 Restricted funds-current	-	-	-		-	-		-	-	-
9 Accounts receivable net	3,656	-	3,656		-	3,656		3,336	319	9.6%
10 Unbilled Revenues	4,417	-	4,417		-	4,417		4,412	5	0.1%
11 Materials and supplies	627	-	627		-	627		747	(121)	(16.2)%
12 Assets of discontinued operations	-	-	-		-	-		-	-	-
13 Other Current Assets	367	-	367		-	367		134	233	173.3%
Total Current Assets	8,824	-	8,824		-	8,824		6,876	1,949	28.3%
14 Regulatory assets	11,259	-	11,259		-	11,259		11,846	(588)	(5.0)%
15 Other investments	-	-	-		-	-		-	-	-
16 Restricted Funds - Long-term	-	-	-		-	-		-	-	-
17 Goodwill	0	-	0		-	0		0	0	0
18 Intangible assets	-	-	-		-	-		-	-	-
19 Other Long Term Assets	69	-	69		-	69		52	17	32.5%
Total Regulatory & Other LT Assets	11,328	-	11,328		-	11,328		11,899	(571)	(4.8)%
Total Assets	496,781	-	496,781		-	496,781		491,611	5,170	1.1%
Capital & Liabilities										
20 Common Stock	36,569	-	36,569		-	36,569		36,569	0	0.0%
21 Paid in Capital	74,718	-	74,718		-	74,718		74,682	36	0.0%
22 Retained Earnings	40,835	-	40,835		-	40,835		39,510	1,325	3.4%
23 Accumulated other comprehensive income	-	-	-		-	-		-	-	-
24 Treasury stock	-	-	-		-	-		-	-	-
Total Stockholders' equity	152,122	-	152,122		-	152,122		150,761	1,361	0.9%
25 Preferred Stock without mandatory redempt	1,446	-	1,446		-	1,446		1,446	0	0.0%
26 Noncontrolling Interest	6	-	6		-	6		6	0	0.0%
Total Equity	153,574	-	153,574		-	153,574		152,213	1,361	0.9%
27 Long term debt	167,890	-	167,890		-	167,890		167,890	0	0.0%
28 Redeemable preferred stock at redemption	4,500	-	4,500		-	4,500		4,500	0	0.0%
Total Long-term debt	172,390	-	172,390		-	172,390		172,390	0	0.0%
Total Capitalization	325,964	-	325,964		-	325,964		324,603	1,361	0.4%
29 Short Term Debt	22,004	-	22,004		-	22,004		13,494	8,510	63.1%
30 Current Portion of Long-term Debt	0	-	0		-	0		3,100	(3,100)	(100.0)%
31 Current portion of redeemable stock at rede	-	-	-		-	-		-	-	-
32 Accounts Payable	3,954	-	3,954		-	3,954		6,270	(2,317)	(37.0)%
33 Taxes Accrued	(8,789)	-	(8,789)		-	(8,789)		(30,220)	21,431	70.9%
34 Interest Accrued	1,814	-	1,814		-	1,814		1,868	(54)	(2.9)%
35 Liabilities of Discontinued Operations	-	-	-		-	-		-	-	-
36 Other current liabilities	3,157	-	3,157		-	3,157		5,147	(1,990)	(38.7)%
Total Current Liabilities	22,139	-	22,139		-	22,139		(341)	22,479	6,601.2%
37 Customer Advances for Construction	12,065	-	12,065		-	12,065		12,774	(709)	(5.5)%
38 Deferred Income Taxes	70,240	-	70,240		-	70,240		89,037	(18,797)	(21.1)%
39 Deferred Investment tax credits	921	-	921		-	921		963	(42)	(4.4)%
40 Regulatory liability	13,503	-	13,503		-	13,503		12,862	641	5.0%
41 Accrued Pension	127	-	127		-	127		729	(602)	(82.6)%
42 Accrued postretirement benefit expense	530	-	530		-	530		504	26	5.3%
43 Other Deferred Credits	1,792	-	1,792		-	1,792		1,954	(162)	(8.3)%
Total Regulatory & Other Long Term Liabilities	99,179	-	99,179		-	99,179		118,823	(19,644)	(16.5)%
Contributions in aid of construction	49,500	-	49,500		-	49,500		48,525	974	2.0%
Total Capital and Liabilities	496,781	-	496,781		-	496,781		491,611	5,170	1.1%



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

JUNE 2011

June 2011 FRP commentary
MTD INCOME STATEMENT
KENTUCKY

SCENARIO: MTD ACT vs. MTD PLAN

Operating Revenues:

Line 1 – Water Revenues \$.295: Favorable variance primarily due to higher than planned rate increase partially offset by lower than planned usage and unbilled from May. Residential was favorable \$233k, Commercial \$77k.

Operating Expenses:

Line 6 - Fuel and Power \$.051: Favorable variance due to optimization of operations between plants.

Line 13 – Management Fees \$.063: Favorable variance due to cost containment across functional areas.

Line 24 – Amortization \$(.052): Unfavorable variance due to actual vs planned proportional split of NNS and Depreciation. Offset in Depreciation.

Other Income and Deductions:

Line 29 – Interest Expense \$.125: Favorable variance due to delay of LTD issuance budgeted for May.

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$: Favorable variance primarily due to 2010 rate increase (+27%), partially offset by declining usage.

Operating Expenses:

Line 23 – Depreciation \$(): Unfavorable variance due to depreciation expense on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(): Unfavorable variance due to interest expense related to borrowings for \$162m water treatment plant not in service in prior year. Additional variance explained at corporate level.

Line 32 – AFUDC Equity \$(): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

June 2011 FRP commentary
QTD INCOME STATEMENT
KENTUCKY

SCENARIO: QTD ACT vs. QTD PLAN

Operating Expenses:

Line 6 - Fuel and Power \$.155: Favorable variance due to not running transfer pumps at KRSI and also optimizing operations at KRSII.

Line 13 – Management Fees \$.110: Favorable variance explained at corporate level.

Line 24 – Amortization \$(-.157): Unfavorable due to actual vs planned proportional split for NNS and Depreciation. Offset in Depreciation expense.

SCENARIO: QTD ACT vs. QTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$3.591m: Favorable variance primarily due to 2010 rate increase (+27%). Rates accounted for \$4.6m of the favorability, offset by lower consumption in Residential (\$336k), Commercial (\$447k), OPA (\$124k) and Industrial (\$91k).

Operating Expenses:

Line 13 – Management Fees \$.310: Favorable variance explained at corporate level.

Line 14 – Shared Business Services \$(-.116): Unfavorable variance explained at corporate level.

Line 22 – Maintenance \$(-.119): Unfavorable variance primarily due to maintenance on intake pumps and incline railway car at KRS1 (\$100k).

Line 23 – Depreciation \$(-.687): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Line 25 – General Taxes \$(-.368): Unfavorable variance due to higher 2011 accrual based on increase in assets, primarily new \$162m water treatment plant.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(1.371): Unfavorable variance primarily due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(-.821): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(-.412): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

June 2011 FRP commentary
YTD INCOME STATEMENT
KENTUCKY

SCENARIO: YTD ACT vs. YTD PLAN

Operating Expenses:

Line 22 – Maintenance \$(.131): Unfavorable variance primarily due to maintenance on intake pumps and incline railway car at KRS1 (\$100k) and greater than planned paving and backfill (\$41k).

Line 24 – Amortization \$(.314): Unfavorable variance Due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense.

Line 25 – General Taxes \$(.544): Unfavorable variance primarily due to 2009 property taxes which included the reclassification of assets totaling \$36M from the exempt category to a taxable category which caused an additional \$367K in Property Taxes and triggered an additional \$100K in Personal Property Franchise Tax, \$22K is due to changes in real and personal property taxed at a different rate, \$16K is due to final adjustments related to the audit for 2008 and 2009, and \$26k for 2011 accrual over plan, partially offset by other \$6k.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$7.468: Favorable variance primarily due to 2010 rate increase (+27%). Rates accounted for \$8.8m of the favorability, offset by lower consumption in Residential (\$545k), Commercial (\$451k), OPA (\$288k) and Industrial (\$143k).

Operating Expenses:

Line 6 - Fuel and Power \$(.250): Unfavorable variance primarily due to the addition of KRSII and Woodlake and KU price increase.

Line 7 – Chemicals \$(103k): Unfavorable variance due to addition of KRSII, 2011 chemical pricing and lower source quality water from the KY river.

Line 10 – Pensions \$.102: Favorable variance due to updated actuarial FAS87 assumptions.

Line 13 – Management Fees \$.537: Favorable variance explained at corporate level.

Line 14 – Shared Business Services \$(.247): Unfavorable variance explained at corporate level.

Line 15 – Contracted Services \$(.147): Unfavorable variance primarily due to outside legal fees (\$114k - Water Supply Case, Jacobson Park Transfer & KAWC lawsuit against a contractor), \$21k in Admin (General Contracting Services) and \$15k in TD (Temporary Labor – meter closeouts).

Line 18 – Customer Accounting \$(.124): Unfavorable variance due to increase in uncollectibles from higher 2011 revenues (Oct 2010 rate increase).

Line 22 – Maintenance \$(.258): Unfavorable maintenance due to intake pump repair and incline railway car at KRS1 (\$100k), other WT plant maintenance (\$48k), addition of KRSII (\$10k), increase in paving and backfill (\$40k), and amortized deferred maintenance (\$32k).

Line 23 – Depreciation \$(1.336): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Line 25 – General Taxes \$(.311): Unfavorable variance primarily due to the 2009 property tax payments and higher 2011 accrual based on increase in assets, primarily new \$162m water treatment plant.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(2.742): Unfavorable variance due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.500): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.752): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 41 – Miscellaneous Other Deductions \$.143: Favorable variance due to 2010 advertising for new water treatment plant not in 2011.

June 2011 FRP commentary
BALANCE SHEET
KENTUCKY

SCENARIO: MTH END JUNE vs. PRIOR YEAR DEC

Assets

Line 2: Construction Work in Process. Decrease \$1,458k primarily due to Plant transfer from CWIP to UPIS for New Ops Building \$2.7m, offset by additional plant and infrastructure moving through CWIP in 2011 (no major projects accumulating in CWIP, AMR meter project moving through CWIP total \$3.0m at 6/30).

Line 9: Utility Accounts Receivable. Increase \$477k due to seasonality of billing, higher 2Q revenue.

Line 12: Other receivables, net. Decrease \$107k primarily due to timing related to lower MI receivables \$82k, lower accrued MI uncollectibles \$59k, offset by increase in receivable for Retro Insurance Adjustment \$34k.

Line 14: Materials and Supplies. Decrease \$121k due to issuance of inventory accumulated in 2010 and more frequent, yet smaller 2011 purchases into inventory in effort to reduce stock and increase turn rate.

Line 16: Other Current Assets. Increase \$233k due to prepaid insurance \$108k, prepaid PSC Assessments \$64k, and prepaid other global (Microsoft license, Vertex, Insight) \$74k.

Capital & Liabilities

Line 44: Short Term Debt. Increase \$6,891k due to delay of May 2011 LTD issuance and YTD cash changes including AP, payroll, and tax payments.

Line 47: Accounts Payable. Decrease \$2,148k due to timing of payments for goods and services.

Line 50: Total other current liabilities. Decrease \$1,990k due to refund rates under bond was paid out \$1,466K, payments for AIP \$218k, stock C/E \$175k, LFUCG sewer collection \$214k, and gross receipts tax \$55k, offset by current portion of advances for construction \$140k.

Income Statement - Month To Date

 Kentucky with Growth
 Jun 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	7,406	7,113	293	4.11%	5,945	1,461	24.58%
Sewer Revenues	25	27	(2)	(8.66)%	27	(2)	(7.17)%
Other Operating Revenues	274	272	2	0.91%	284	(9)	(3.28)%
Operating Revenues	7,705	7,413	293	3.95%	6,255	1,450	23.18%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	21	7	(13)	(183.81)%	7	(14)	(194.25)%
Fuel and Power	337	405	68	16.71%	315	(22)	(7.14)%
Chemicals	184	154	(30)	(19.52)%	158	(26)	(16.40)%
Waste Disposal	11	29	18	61.24%	19	8	40.87%
Total production costs	553	595	42	7.02%	499	(54)	(10.90)%
O&M LABOR & OVERHEAD							
Labor	661	637	(25)	(3.88)%	630	(32)	(5.01)%
Pensions	73	82	9	10.90%	16	16	18.47%
Group Insurances	151	195	44	22.51%	162	11	6.58%
Other benefits	43	28	(15)	(51.67)%	33	(10)	(30.04)%
Total employee related	928	942	14	1.44%	914	(14)	(1.56)%
Shared governance and service fees							
Shared business services fees	398	414	15	3.73%	349	(49)	(14.14)%
Contracted services	69	97	29	29.58%	93	25	26.49%
Total contracted services	467	511	44	8.66%	442	(25)	(6.57)%
Regulatory expense							
Regulatory expense	19	31	12	39.30%	25	7	26.13%
Insurance Other Than Group	31	56	25	44.49%	(3)	(34)	(1,312.28)%
Customer Accounting	164	158	(6)	(3.63)%	104	(60)	(57.48)%
Rents	1	3	2	55.71%	3	2	61.24%
General office expense	98	67	(31)	(45.72)%	56	(42)	(75.76)%
Miscellaneous	191	160	(31)	(19.46)%	135	(56)	(41.88)%
Maintenance	183	147	(36)	(24.43)%	164	(18)	(11.17)%
Total O&M expense	2,869	2,967	98	3.31%	2,689	(180)	(6.69)%
Depreciation and amortization							
Depreciation	742	785	43	5.54%	515	(226)	(43.91)%
Amortization	181	129	(52)	(40.54)%	175	(6)	(3.57)%
Total depreciation and amortization	923	914	(9)	(0.96)%	690	(233)	(33.69)%
General taxes							
General taxes	426	412	(14)	(3.41)%	944	518	54.88%
Impairment charges							
Gain on sale of assets	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-
Total operating expenses, net	4,218	4,293	75	1.76%	4,324	106	2.45%
Operating income	3,487	3,119	368	11.80%	1,932	1,556	80.54%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	-
Interest on long-term debt	892	1,017	126	12.35%	435	(457)	(105.16)%
Interest on Short-Term Bank Debt	7	2	(5)	(203.76)%	14	7	49.49%
Other Interest Expense	0	-	0	-	0	0	-
Total interest expense	899	1,019	121	11.86%	448	(450)	(100.39)%
AFUDC - Equity							
AFUDC - Equity	22	16	5	32.12%	311	(289)	(93.03)%
AFUDC Debt							
Amortization of Debt Expense	10	13	(3)	(24.27)%	155	(145)	(93.46)%
Preferred dividends of subsidiaries	6	5	(1)	(19.76)%	11	5	44.27%
Non-Operating Rental Income							
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	(3)	1	(4)	(496.62)%	2	(5)	(281.68)%
Total other income	(3)	1	(4)	(496.62)%	2	(5)	(281.68)%
Miscellaneous Amortization							
Miscellaneous Amortization	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions							
Miscellaneous Other Deductions	42	44	2	4.62%	49	7	14.24%
Total Other Deductions	(45)	(43)	(2)	(4.98)%	(47)	2	(295.92)%
Total other income (deductions)	(918)	(1,037)	120	11.55%	(40)	(878)	(2,213.45)%
Income (loss) before income taxes	2,570	2,082	488	23.44%	1,892	678	35.82%
State Income Taxes	163	124	(39)	(31.52)%	120	(42)	(35.10)%
Federal Income Taxes	880	724	(157)	(21.65)%	650	(231)	(35.49)%
Tax Saving Acquisition Adjustment	(3)	-	3	-	(3)	0	(3.71)%
State income taxes (non-operating)	(15)	-	15	-	(15)	(1)	(3.71)%
Federal income taxes (non-operating)	1,025	847	(178)	(21.02)%	752	(273)	(36.38)%
Provision (Benefit) for Income Taxes	1,544	1,234	310	25.11%	1,140	404	35.46%
Net income (loss)	6	6	(1)	(7.59)%	6	0	0.00%
Preferred Dividend Declared	1,538	1,227	310	25.29%	1,134	404	35.66%
Net Income To Common Stock	1,552	1,561	10	0.61%	1,818	266	14.66%
Common Dividend Declared	(14)	(334)	320	95.83%	(685)	671	97.96%
Current Year Retained Earnings							

Income Statement - Year To Date Kentucky with Growth Jun YTD 2011 (\$ in Thousands)								
	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
Water Revenues	1	38,088	37,820	248	0.66%	30,599	7,468	24.41%
Sewer Revenues	2	149	156	(7)	(4.65)%	155	(7)	(4.35)%
Other Operating Revenues	3	1,553	1,557	(4)	(0.23)%	1,597	(44)	(2.74)%
Management Revenues	4	-	-	-	-	-	-	-
Operating Revenues		39,789	39,532	237	0.60%	32,351	7,418	22.93%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES								
Purchased Water	5	87	57	(30)	(52.75)%	55	(32)	(68.38)%
Fuel and Power	6	1,885	1,933	48	2.48%	1,635	(250)	(15.31)%
Chemicals	7	908	847	(61)	(7.21)%	806	(103)	(12.75)%
Waste Disposal	8	129	173	44	25.66%	128	0	(0.29)%
Total production costs		3,009	3,010	1	0.04%	2,624	(386)	(14.69)%
O&M LABOR & OVERHEAD								
Labor	9	3,735	3,740	5	0.12%	3,476	(259)	(7.44)%
Pensions	10	468	490	22	4.54%	570	102	17.84%
Group Insurances	11	1,064	1,171	107	9.14%	1,081	17	1.59%
Other benefits	12	210	189	(21)	(11.07)%	170	(40)	(23.74)%
Total employee related		5,477	5,590	113	2.02%	5,297	(180)	(3.40)%
Shared governance and service fees								
Shared business services fees	13	1,573	1,718	145	8.42%	2,111	537	25.46%
Contracted services	14	2,367	2,436	69	2.82%	2,121	(247)	(11.64)%
Contracted services	15	562	541	(21)	(3.92)%	415	(147)	(35.40)%
Total contracted services		2,930	2,977	47	1.59%	2,536	(394)	(15.53)%
Regulatory expense	16	108	185	77	41.58%	152	44	28.90%
Insurance Other Than Group	17	272	337	66	19.51%	204	(68)	(34.42)%
Customer Accounting	18	930	938	8	0.86%	806	(124)	(15.31)%
Rents	19	18	0	(18)	(100.00)%	0	0	0.96%
General office expense	20	379	344	(35)	(10.06)%	310	(69)	(22.19)%
Miscellaneous	21	919	962	43	4.45%	870	(49)	(5.61)%
Maintenance	22	914	783	(131)	(16.70)%	656	(258)	(39.33)%
Total O&M expense		16,529	16,863	334	1.98%	15,583	(945)	(6.06)%
Depreciation	23	4,390	4,708	318	6.75%	3,054	(1,336)	(43.75)%
Amortization	24	1,087	773	(314)	(40.59)%	1,045	(42)	(4.03)%
Depreciation and amortization		5,477	5,481	4	0.07%	4,099	(1,378)	(33.62)%
General taxes	25	3,032	2,488	(544)	(21.88)%	2,721	(311)	(11.41)%
Gain on sale of assets	26	-	-	-	-	-	-	-
Impairment charges	27	-	-	-	-	-	-	-
Total operating expenses, net		25,037	24,831	(206)	(0.83)%	22,404	(2,634)	(11.76)%
Operating income		14,732	14,701	31	0.21%	9,948	4,784	48.09%
OTHER INCOME & DEDUCTIONS								
Interest income	28	-	-	-	-	(2)	(2)	(100.00)%
Interest on long-term debt	29	5,402	5,597	195	3.49%	2,660	(2,742)	(103.08)%
Interest on Short-Term Bank Debt	30	38	55	17	31.31%	65	27	42.04%
Other Interest Expense	31	(3)	-	3	(100.00)%	(8)	(5)	(62.56)%
Total interest expense		5,437	5,653	216	3.82%	2,715	(2,722)	(100.25)%
AFUDC - Equity								
AFUDC - Debt	32	90	57	33	57.32%	1,591	(1,500)	(94.32)%
Amortization of Debt Expense	33	42	47	(5)	(9.82)%	794	(752)	(94.67)%
Preferred dividends of subsidiaries								
Non-Operating Rental Income	34	51	45	(6)	(12.91)%	62	(11)	(17.34)%
Dividend Income - Common	36	-	-	-	-	-	-	-
Dividend Income - Preferred	37	-	-	-	-	-	-	-
Miscellaneous Income	38	-	-	-	-	-	-	-
Total other income		54	12	42	360.25%	64	(10)	(15.88)%
Miscellaneous Amortization	40	0	-	0	0.00%	0	0	0.00%
Miscellaneous Other Deductions	41	222	273	52	18.86%	364	143	39.17%
Total Other Deductions		221	273	52	18.94%	364	143	39.17%
Other, net		(168)	(261)	94	35.87%	(300)	133	(55.06)%
Total other income (deductions)		(5,523)	(5,855)	332	5.67%	(692)	(4,830)	(69.70)%
Income (loss) before income taxes		9,209	8,847	362	4.10%	9,255	(46)	(0.50)%
State Income Taxes	42	599	524	(75)	(14.26)%	515	(84)	(16.33)%
Federal Income Taxes	43	3,299	3,141	(158)	(5.03)%	3,254	(45)	(1.37)%
Tax Saving Acquisition Adjustment	46	(10)	-	10	(18)	(8)	(8)	(43.73)%
State income taxes (non-operating)	47	(65)	-	55	(96)	(43)	(43)	(43.73)%
Provision (Benefit) for Income Taxes		3,833	3,665	(167)	(4.57)%	3,653	(179)	(4.91)%
Net income (loss)		5,376	5,181	195	3.76%	5,602	(226)	(4.03)%
Preferred Dividend Declared	48	39	42	(3)	(7.59)%	39	0	0.00%
Net income To Common Stock		5,338	5,139	198	3.86%	5,563	(226)	(4.06)%
Common Dividend Declared	49	4,013	4,176	164	3.92%	3,292	(721)	(21.90)%
Current Year Retained Earnings		1,325	963	362	37.54%	2,272	(947)	(41.67)%



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

JULY 2011

July 2011 FRP commentary
MTD INCOME STATEMENT
KENTUCKY

SCENARIO: MTD ACT vs. MTD PLAN

Operating Expenses:

Line 6 - Fuel and Power \$.125: Favorable variance due to optimization of operations between plants and no transfer pump in July.

Other Income and Deductions:

Line 29 – Interest Expense \$.134: Favorable variance due to delay of LTD issuance budgeted for May and unrealized BD.

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$2.044: Favorable variance primarily due to 2010 rate increase (+27%), partially offset by declining usage.

Operating Expenses:

Line13 – Management Fees \$.142: Favorable variance explained at corporate.

Line 23 – Depreciation \$(.230): Unfavorable variance due to depreciation expense on the new \$164m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(.461): Unfavorable variance due to interest expense related to borrowings for \$164m water treatment plant not in service in prior year partially offset by capitalized interest on \$95m in tax exempt financing. Additional variance explained at corporate level.

Line 32 – AFUDC Equity \$(.205): Unfavorable variance primarily due to cessation of AFUDC on new \$164m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.103): Unfavorable variance primarily due to cessation of AFUDC on new \$164m water treatment plant now in service.

Line 43 – Federal Income Taxes \$(.383): Unfavorable variance explained at corporate.

July 2011 FRP commentary
YTD INCOME STATEMENT
KENTUCKY

SCENARIO: YTD ACT vs. YTD PLAN

Operating Expenses:

Line 7 – Chemical expense \$(.113): Unfavorable due to higher than planned turbidity and poor quality source water due to rain and heat.

Line 24 – Amortization \$(.366): Unfavorable variance Due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense.

Line 25 – General Taxes \$(.549): Unfavorable variance primarily due to 2009 property taxes which included the reclassification of assets totaling \$36M from the exempt category to a taxable category which caused an additional \$367K in Property Taxes and triggered an additional \$100K in Personal Property Franchise Tax, \$22K is due to changes in real and personal property taxed at a different rate, \$16K is due to final adjustments related to the audit for 2008 and 2009, and \$26k for 2011 accrual over plan, partially offset by other \$6k.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$9.512: Favorable variance primarily due to 2010 rate increase (+27%). Rates accounted for \$10.7m of the favorability, offset by lower consumption in Residential (\$331k), Commercial (\$410k), OPA (\$309k) and Industrial (\$181k).

Operating Expenses:

Line 7 – Chemicals \$(140k): Unfavorable variance due to addition of KRSII, 2011 chemical pricing and lower source quality water from the KY river.

Line 10 – Pensions \$.116: Favorable variance due to updated actuarial FAS87 assumptions.

Line 13 – Management Fees \$.679: Favorable variance explained at corporate level.

Line 14 – Shared Business Services \$(.279): Unfavorable variance explained at corporate level.

Line 15 – Contracted Services \$(.140): Unfavorable variance primarily due to outside legal fees (\$116k - Water Supply Case, Jacobson Park Transfer & KAWC lawsuit against a contractor), \$24k in Admin (General Contracting Services) and \$18k in TD (Temporary Labor – meter closeouts).

Line 18 – Customer Accounting \$(.175): Unfavorable variance due to increase in uncollectibles from higher 2011 revenues (Oct 2010 rate increase).

Line 22 – Maintenance \$(.210): Unfavorable maintenance due to pump repairs at Richmond Road and KRS1 (\$60k), new treatment plan expense (\$15k), contracted maintenance (Rodney Cobb, offset in labor) (\$15k), increase in paving and backfill (\$61k), and amortized deferred maintenance (\$37k).

Line 23 – Depreciation \$(1.336): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Line 25 – General Taxes \$(.311): Unfavorable variance primarily due to the 2009 property tax payments and higher 2011 accrual based on increase in assets.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(2.742): Unfavorable variance due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.500): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.752): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 41 – Miscellaneous Other Deductions \$.143: Favorable variance due to 2010 advertising for new water treatment plant not in 2011 as well as timing of 2011 spend in donations.

Income Statement - Month To Date
Kentucky with Growth
Jul 2011
(\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	8,226	7,945	280	3.53%	6,182	2,044	33.06%
Sewer Revenues	23	28	(5)	(17.53)%	27	(4)	(14.64)%
Other Operating Revenues	282	280	3	1.00%	284	(1)	(0.46)%
Operating Revenues	8,531	8,252	278	3.37%	6,492	2,039	31.40%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	21	9	(12)	(136.42)%	9	(12)	(126.92)%
Fuel and Power	296	421	125	29.63%	362	66	18.23%
Chemicals	206	154	(52)	(33.97)%	168	(37)	(22.25)%
Waste Disposal	17	30	13	43.85%	19	2	11.60%
Total production costs	540	613	73	11.95%	559	19	3.39%
O&M LABOR & OVERHEAD							
Labor	629	626	(3)	(0.50)%	602	(28)	(4.58)%
Pensions	79	82	3	3.51%	93	15	15.64%
Group Insurances	183	199	16	8.05%	188	5	2.78%
Other benefits	26	38	12	31.82%	28	3	9.22%
Total employee related	917	944	28	2.94%	911	(5)	(0.56)%
Shared governance and service fees							
Shared business services fees	242	275	33	12.05%	384	142	36.98%
Contracted services	389	396	7	1.81%	356	(32)	(8.99)%
Total contracted services	480	509	49	9.65%	435	(25)	(5.63)%
Regulatory							
Regulatory expense	18	31	13	42.15%	25	7	29.60%
Insurance Other Than Group	51	56	6	9.94%	57	7	11.90%
Customer Accounting	175	169	(7)	(4.07)%	124	(51)	(41.19)%
Rents	2	1	(1)	(45.16)%	(2)	(4)	(171.34)%
General office expense	70	77	7	9.18%	54	(17)	(30.83)%
Miscellaneous	102	170	67	39.64%	122	19	15.84%
Maintenance	44	137	93	67.95%	91	47	51.90%
Total O&M expense	2,620	2,984	364	12.19%	2,760	140	5.08%
Depreciation	745	787	42	5.38%	515	(230)	(44.70)%
Amortization	182	129	(52)	(40.64)%	175	(6)	(3.57)%
Depreciation and amortization	926	916	(10)	(1.10)%	690	(236)	(34.25)%
General taxes	415	411	(5)	(1.15)%	354	(61)	(17.29)%
Impairment charges	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	-
Total operating expenses, net	3,962	4,311	349	8.10%	3,804	(157)	(4.13)%
Operating Income	4,569	3,942	627	15.91%	2,687	1,881	70.01%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	-
Interest on long-term debt	892	1,026	134	13.10%	431	(461)	(107.01)%
Interest on Short-Term Bank Debt	7	3	(4)	(157.86)%	10	4	33.89%
Other Interest Expense	0	-	0	-	0	0	(180.13)%
Total interest expense	898	1,029	130	12.66%	441	(457)	(103.70)%
AFUDC - Equity	25	21	4	20.51%	230	(205)	(89.06)%
AFUDC Debt	12	17	(5)	(30.92)%	115	(103)	(89.73)%
Amortization of Debt Expense	6	5	(1)	(19.76)%	11	5	48.09%
Preferred dividends of subsidiaries	-	-	-	-	-	-	-
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	23	(1)	24	1,773.05%	7	16	227.66%
Total other income	23	(1)	24	1,773.05%	7	16	227.66%
Miscellaneous Amortization	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions	11	9	(2)	(18.94)%	18	7	39.35%
Total Other Deductions	11	9	(2)	(18.94)%	18	7	39.35%
Other, net	12	(11)	22	210.80%	(11)	23	188.32%
Total other income (deductions)	(856)	(1,006)	151	14.98%	(118)	(737)	(622.55)%
Income (loss) before income taxes	3,713	2,935	778	26.50%	2,569	1,144	44.54%
State Income Taxes	227	175	(52)	(29.79)%	152	(75)	(49.36)%
Federal Income Taxes	1,256	1,004	(252)	(25.07)%	873	(383)	(43.84)%
Provision (Benefit) for Income Taxes	1	-	(1)	(100.00)%	(1)	(1)	(205.24)%
Net income (loss)	1,488	1,179	(309)	(26.16)%	1,021	(467)	(45.73)%
Preferred Dividend Declared	2,225	1,755	469	26.73%	1,548	677	43.76%
Common Dividend Declared	6	7	(1)	(7.59)%	6	0	0.00%
Net Income To Common Stock	2,219	1,749	470	26.87%	1,541	677	43.94%
Current Year Retained Earnings	2,219	1,749	470	26.87%	1,541	677	43.94%



Income Statement - Year To Date								
Kentucky with Growth								
Jul YTD 2011								
(\$ in Thousands)								
	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)		
						% Variance		
OPERATING REVENUES								
Water Revenues	1	46,293	45,765	528	1.15%	36,781	9,512	25.86%
Sewer Revenues	2	171	183	(12)	(6.58)%	182	(11)	(5.85)%
Other Operating Revenues	3	1,835	1,836	(1)	(0.05)%	1,880	(45)	(2.40)%
Management Revenues	4	-	-	-	-	-	-	-
Operating Revenues		48,300	47,784	515	1.08%	38,843	9,457	24.35%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES								
Purchased Water	5	109	66	(42)	(64.13)%	64	(44)	(68.34)%
Fuel and Power	6	2,181	2,354	173	7.33%	1,997	(184)	(9.22)%
Chemicals	7	1,114	1,001	(113)	(11.32)%	974	(140)	(14.39)%
Waste Disposal	8	145	203	57	28.33%	147	2	1.24%
Total production costs		3,549	3,623	74	2.05%	3,182	(367)	(11.52)%
O&M LABOR & OVERHEAD								
Labor	9	4,365	4,366	1	0.03%	4,078	(286)	(7.02)%
Pensions	10	547	572	25	4.40%	663	116	17.53%
Group Insurances	11	1,246	1,369	123	8.98%	1,269	22	1.76%
Other benefits	12	235	227	(9)	(3.94)%	198	(38)	(19.02)%
Total employee related		6,393	6,534	141	2.15%	6,208	(185)	(2.99)%
Shared governance and service fees								
Shared business services fees	13	1,815	1,993	178	8.92%	2,495	679	27.23%
Contracted services	14	2,756	2,832	76	2.68%	2,477	(279)	(11.26)%
Contracted services	15	634	654	21	3.17%	493	(140)	(28.43)%
Total contracted services		3,390	3,486	97	2.77%	2,971	(419)	(14.11)%
Regulatory expense	16	126	216	90	41.66%	177	51	29.00%
Insurance Other Than Group	17	322	394	71	18.15%	261	(61)	(23.44)%
Customer Accounting	18	1,105	1,107	1	0.11%	931	(175)	(18.77)%
Rents	19	21	21	1	5.36%	16	(3)	(21.12)%
General office expense	20	449	422	(28)	(6.54)%	364	(85)	(23.46)%
Miscellaneous	21	1,022	1,132	110	9.71%	992	(30)	(2.98)%
Maintenance	22	957	920	(37)	(4.06)%	747	(210)	(28.18)%
Total O&M expense		19,149	19,847	698	3.52%	18,344	(805)	(4.39)%
Depreciation	23	5,135	5,494	360	6.55%	3,568	(1,566)	(43.89)%
Amortization	24	1,269	902	(366)	(40.60)%	1,220	(48)	(3.96)%
Depreciation and amortization		6,403	6,397	(6)	(0.10)%	4,789	(1,614)	(33.71)%
General taxes	25	3,447	2,898	(549)	(18.94)%	3,076	(372)	(12.09)%
Gain on sale of assets	26	-	-	-	-	-	-	-
Impairment charges	27	-	-	-	-	-	-	-
Total operating expenses, net		28,999	29,142	143	0.49%	26,208	(2,791)	(10.65)%
Operating income		19,301	18,643	658	3.53%	12,635	6,666	52.75%
OTHER INCOME & DEDUCTIONS								
Interest income	28	-	-	-	-	(2)	(2)	(100.00)%
Interest on long-term debt	29	6,294	6,623	330	4.98%	3,091	(3,203)	(103.62)%
Interest on Short-Term Bank Debt	30	45	58	13	22.60%	76	31	40.92%
Other Interest Expense	31	(3)	-	3	-	(8)	(5)	(62.82)%
Total interest expense		6,335	6,681	346	5.18%	3,156	(3,179)	(100.73)%
AFUDC - Equity								
AFUDC Debt	32	115	78	37	47.50%	1,821	(1,705)	(93.66)%
Amortization of Debt Expense	33	54	64	(10)	(15.46)%	909	(855)	(94.04)%
Preferred dividends of subsidiaries	34	57	50	(7)	(13.58)%	73	(16)	(22.11)%
Non-Operating Rental Income	35	-	-	-	-	-	-	-
Dividend Income - Common	36	-	-	-	-	-	-	-
Dividend Income - Preferred	37	-	-	-	-	-	-	-
Miscellaneous Income	38	-	-	-	-	-	-	-
Total other income		77	10	66	642.86%	71	6	8.09%
Miscellaneous Amortization	40	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions	41	233	282	50	17.62%	383	150	39.18%
Total Other Deductions		233	282	50	17.71%	382	150	39.18%
Other, net		(156)	(272)	116	42.75%	(311)	156	(31.09)%
Total other income (deductions)		(6,378)	(6,861)	483	7.03%	(811)	(5,568)	(686.72)%
Income (loss) before income taxes		12,922	11,782	1,140	9.68%	11,824	1,098	9.29%
State Income Taxes	42	826	699	(127)	(18.15)%	667	(159)	(23.87)%
Federal Income Taxes	43	4,555	4,145	(410)	(9.89)%	4,128	(428)	(10.36)%
Tax Saving Acquisition Adjustment	46	(9)	-	9	-	(19)	(9)	(49.60)%
State income taxes (non-operating)	47	(51)	-	51	-	(102)	(50)	(49.60)%
Provision (Benefit) for Income Taxes		5,321	4,845	(476)	(9.83)%	4,674	(646)	(13.83)%
Net income (loss)		7,602	6,937	664	9.58%	7,150	452	6.32%
Preferred Dividend Declared	48	45	49	(4)	(7.59)%	45	0	0.00%
Net income To Common Stock		7,556	6,888	668	9.70%	7,105	452	6.36%
Common Dividend Declared	49	4,013	4,176	164	3.92%	3,292	(721)	(21.90)%
Current Year Retained Earnings		3,544	2,712	832	30.66%	3,813	(269)	(7.06)%



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

August 2011

August 2011 FRP commentary
MTD INCOME STATEMENT
KENTUCKY

SCENARIO: MTD ACT vs. MTD PLAN

Operating Expenses:

Other Income and Deductions:

Line 29 – Interest Expense \$.134: Favorable variance due to delay of LTD issuance budgeted for May and unrealized BD.

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$1.240: Favorable variance primarily due to 2010 rate increase (+27%), partially offset by declining usage.

Operating Expenses:

Line 13 – Management Fees \$.133: Favorable variance explained at corporate.

Line 22 – Maintenance \$.182: Favorable variance due to intake repairs in August 2010.

Line 23 – Depreciation \$(.232): Unfavorable variance due to depreciation expense on the new \$164m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(.457): Unfavorable variance due to interest expense related to borrowings for \$164m water treatment plant not in service in prior year partially offset by capitalized interest on \$95m in tax exempt financing. Additional variance explained at corporate level.

Line 32 – AFUDC Equity \$(.192): Unfavorable variance primarily due to cessation of AFUDC on new \$164m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.097): Unfavorable variance primarily due to cessation of AFUDC on new \$164m water treatment plant now in service.

Line 43 – Federal Income Taxes \$(.138): Unfavorable variance explained at corporate.

August 2011 FRP commentary
YTD INCOME STATEMENT
KENTUCKY

SCENARIO: YTD ACT vs. YTD PLAN

Operating Expenses:

Line 16 – Regulatory Expense \$(.103): Unfavorable due to planned 2007 cost of service and depreciation study amortization for which a full write off was ordered by the PSC and performed in 4Q 2010.

Line 24 – Amortization \$(.419): Unfavorable variance Due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense.

Line 25 – General Taxes \$(.545): Unfavorable variance primarily due to 2009 property taxes which included the reclassification of assets totaling \$36M from the exempt category to a taxable category which caused an additional \$367K in Property Taxes and triggered an additional \$100K in Personal Property Franchise Tax, \$22K is due to changes in real and personal property taxed at a different rate, \$16K is due to final adjustments related to the audit for 2008 and 2009, and \$26k for 2011 accrual over plan, partially offset by other \$6k.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$10.752: Favorable variance primarily due to 2010 rate increase (+27%). Increased rates accounted for the majority of the favorability, slightly offset by lower consumption across all classes.

Operating Expenses:

Line 10 – Pensions \$.130: Favorable variance due to updated actuarial FAS87 assumptions.

Line 13 – Management Fees \$.812: Favorable variance explained at corporate level.

Line 14 – Shared Business Services \$(.306): Unfavorable variance explained at corporate level.

Line 15 – Contracted Services \$(.176): Unfavorable variance primarily due to outside legal fees (Water Supply Case, Jacobson Park Transfer & KAWC lawsuit against a contractor), Admin (General Contracting Services) and TD (Temporary Labor – meter closeouts).

Line 18 – Customer Accounting \$(.144): Unfavorable variance due to increase in uncollectibles from higher 2011 revenues (Oct 2010 rate increase).

Line 23 – Depreciation \$(1.798): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Line 25 – General Taxes \$(.428): Unfavorable variance primarily due to the 2009 property tax payments and higher 2011 accrual based on increase in assets.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(3.660): Unfavorable variance due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.897): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.951): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 41 – Miscellaneous Other Deductions \$.116: Favorable variance due to 2010 advertising for new water treatment plant not in 2011 as well as timing of 2011 spend in donations.

Line 42 – State Income Taxes \$(.190): Unfavorable variance explained at corporate.

Line 43 – Federal Income Taxes \$(.566): Unfavorable variance explained at corporate.

Income Statement - Month To Date

 Kentucky with Growth
 Aug 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	7,692	8,037	(345)	(4.29)%	6,463	1,240	19.21%
Sewer Revenues	24	27	(3)	(12.09)%	26	(2)	(9.09)%
Other Operating Revenues	291	280	11	4.04%	295	(4)	(1.29)%
Operating Revenues	8,007	8,344	(337)	(4.04)%	6,774	1,233	18.21%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	13	6	(6)	(105.01)%	10	(3)	(26.73)%
Fuel and Power	409	427	18	4.32%	387	(22)	(5.58)%
Chemicals	177	209	31	15.07%	35	(22)	(6.36)%
Waste Disposal	47	29	(19)	(64.84)%	14	(33)	(242.12)%
Total production costs	646	671	25	3.70%	623	(23)	(3.69)%
O&M LABOR & OVERHEAD							
Labor	656	673	17	2.50%	573	(84)	(14.60)%
Pensions	78	82	4	4.98%	92	14	15.48%
Group Insurances	178	199	20	10.32%	185	7	3.69%
Other benefits	44	33	(11)	(34.12)%	35	(9)	(25.88)%
Total employee related	956	986	30	3.07%	884	(72)	(8.09)%
Shared governance and service fees							
Shared business services fees	392	410	17	4.24%	365	(27)	(7.37)%
Contracted services	108	101	(7)	(6.73)%	72	(36)	(49.72)%
Total contracted services	501	511	11	2.07%	438	(63)	(14.36)%
Regulatory expense							
Regulatory expense	18	31	13	42.42%	25	8	29.93%
Insurance Other Than Group	50	56	6	10.35%	53	3	5.74%
Customer Accounting	76	169	93	55.13%	106	30	28.62%
Rents	2	1	(1)	(33.19)%	2	0	(23.83)%
General office expense	46	51	5	10.60%	52	6	11.52%
Miscellaneous	156	157	0	0.26%	153	(3)	(1.88)%
Maintenance	71	107	36	33.38%	253	182	71.96%
Total O&M expense	2,776	3,029	253	8.35%	2,977	201	6.76%
Depreciation	747	800	53	6.64%	514	(232)	(45.14)%
Amortization	182	129	(53)	(40.92)%	175	(7)	(3.72)%
Depreciation and amortization	929	929	0	0.03%	690	(239)	(34.61)%
General taxes	410	414	4	1.05%	353	(57)	(16.02)%
Impairment charges	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	-
Total operating expenses, net	4,114	4,372	258	5.89%	4,020	(94)	(2.34)%
Operating income	3,893	3,973	(79)	(1.99)%	2,754	1,139	41.36%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	-
Interest on long-term debt	892	1,026	134	13.10%	435	(457)	(105.16)%
Interest on Short-Term Bank Debt	6	2	(4)	(173.58)%	9	3	29.49%
Other Interest Expense	0	-	0	-	0	0	-
Total interest expense	898	1,028	130	12.68%	444	(454)	(102.44)%
AFUDC - Equity	29	27	2	7.89%	221	(192)	(86.75)%
AFUDC Debt	14	22	(8)	(38.16)%	110	(97)	(87.57)%
Amortization of Debt Expense	6	5	(1)	(19.76)%	11	6	48.64%
Preferred dividends of subsidiaries	-	-	-	-	-	-	-
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	2	(15)	17	109.81%	42	(41)	(96.44)%
Total other income	2	(15)	17	109.81%	42	(41)	(96.44)%
Miscellaneous Amortization	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions	45	13	(32)	(256.20)%	11	(34)	(320.12)%
Total Other Deductions	(43)	(28)	(15)	(54.40)%	32	(75)	(223.69)%
Total other income (deductions)	(43)	(28)	(15)	(54.40)%	32	(812)	(884.71)%
Income (loss) before income taxes	2,989	2,961	29	0.97%	2,662	327	12.28%
State Income Taxes	186	176	(10)	(5.42)%	155	(31)	(19.66)%
Federal Income Taxes	1,029	1,012	(16)	(1.62)%	891	(138)	(15.53)%
Tax Saving Acquisition Adjustment	(3)	-	3	100.00%	2	4	235.85%
State income taxes (non-operating)	198	1,189	991	100.00%	10	25	235.85%
Federal income taxes (non-operating)	1,791	1,772	(19)	(1.10)%	1,604	(187)	(11.67)%
Provision (Benefit) for Income Taxes	1,796	1,777	(19)	(1.06)%	1,604	(187)	(11.67)%
Net income (loss)	1,193	1,184	(9)	(0.77)%	1,058	(140)	(13.20)%
Preferred Dividend Declared	6	7	(1)	(15.79)%	6	0	0.00%
Common Dividend Declared	1,785	1,765	(20)	(1.13)%	1,598	(187)	(11.72)%
Net income to Common Stock	0	0	0	-	0	0	-
Current Year Retained Earnings	1,785	1,765	(20)	(1.13)%	1,598	(187)	(11.72)%

Income Statement - Year To Date
Kentucky with Growth
Aug YTD 2011
(\$ in Thousands)

	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
Water Revenues	1	53,985	53,802	183	0.34%	43,234	10,752	24.87%
Sewer Revenues	2	195	211	(15)	(7.30)%	208	(13)	(6.26)%
Other Operating Revenues	3	2,126	2,116	10	0.50%	2,175	(49)	(2.25)%
Management Revenues	4	-	-	-	-	-	-	-
Operating Revenues		56,307	56,129	178	0.32%	45,617	10,690	23.43%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES								
Purchased Water	5	121	72	(49)	(67.62)%	74	(47)	(62.76)%
Fuel and Power	6	2,590	2,781	191	6.87%	2,384	(206)	(8.63)%
Chemicals	7	1,291	1,210	(82)	(6.76)%	1,186	(105)	(8.90)%
Waste Disposal	8	192	231	39	16.78%	161	(32)	(19.65)%
Total production costs		4,195	4,294	99	2.31%	3,805	(390)	(10.24)%
O&M LABOR & OVERHEAD								
Labor	9	5,021	5,039	18	0.36%	4,651	(370)	(7.95)%
Pensions	10	625	654	29	4.47%	755	130	17.28%
Group Insurances	11	1,425	1,568	143	9.15%	1,454	29	2.01%
Other benefits	12	279	259	(20)	(7.74)%	233	(47)	(20.05)%
Total employee related		7,349	7,520	171	2.27%	7,092	(257)	(3.62)%
Shared governance and service fees								
Shared business services fees	13	2,070	2,281	211	9.25%	2,882	812	28.17%
Contracted services	14	3,148	3,242	93	2.88%	2,843	(306)	(10.76)%
Contracted services	15	742	756	14	1.84%	566	(176)	(31.15)%
Total contracted services		3,890	3,997	107	2.68%	3,408	(482)	(14.14)%
Regulatory expense	16	144	247	103	41.76%	203	59	29.12%
Insurance Other Than Group	17	373	450	77	17.17%	314	(58)	(18.47)%
Customer Accounting	18	1,181	1,275	94	7.39%	1,037	(144)	(13.92)%
Rents	19	22	24	2	9.05%	18	(4)	(21.38)%
General office expense	20	495	473	(22)	(4.69)%	415	(79)	(19.11)%
Miscellaneous	21	1,178	1,288	110	8.56%	1,146	(32)	(2.83)%
Maintenance	22	1,028	1,027	(1)	(0.18)%	1,000	(28)	(2.81)%
Total O&M expense		21,924	22,875	951	4.16%	21,321	(604)	(2.83)%
Depreciation	23	5,881	6,294	413	6.56%	4,083	(1,798)	(44.04)%
Amortization	24	1,451	1,031	(419)	(40.64)%	1,396	(55)	(3.93)%
Depreciation and amortization		7,332	7,326	(6)	(0.08)%	5,479	(1,853)	(33.83)%
General taxes	25	3,857	3,312	(545)	(16.44)%	3,429	(428)	(12.49)%
Gain on sale of assets	26	-	-	-	-	-	-	-
Impairment charges	27	-	-	-	-	-	-	-
Total operating expenses, net		33,113	33,513	400	1.19%	30,228	(2,885)	(9.54)%
Operating income		23,194	22,815	579	2.56%	15,389	7,805	50.71%
OTHER INCOME & DEDUCTIONS								
Interest income	28	-	-	-	-	(2)	(2)	(100.00)%
Interest on long-term debt	29	7,185	7,649	464	6.07%	3,525	(3,660)	(103.81)%
Interest on Short-Term Bank Debt	30	51	60	9	15.06%	85	34	39.71%
Other Interest Expense	31	(3)	-	3	(8)	(5)	(2)	(62.82)%
Total interest expense		7,233	7,709	476	6.18%	3,600	(3,634)	(100.94)%
AFUDC - Equity								
AFUDC - Debt	32	145	105	39	37.30%	2,042	(1,897)	(92.91)%
Amortization of Debt Expense	33	68	86	(18)	(21.30)%	1,019	(951)	(93.34)%
Preferred dividends of subsidiaries	34	63	55	(8)	(14.14)%	84	(22)	(25.71)%
Non-Operating Rental Income	36	-	-	-	-	-	-	-
Dividend Income - Common	37	-	-	-	-	-	-	-
Dividend Income - Preferred	38	-	-	-	-	-	-	-
Miscellaneous Income	39	78	(5)	83	1,631.99%	113	(35)	(31.04)%
Total other income		78	(5)	83	1,631.99%	113	(35)	(31.04)%
Miscellaneous Amortization	40	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions	41	277	295	18	5.97%	393	116	29.46%
Total Other Deductions		277	295	18	6.06%	393	116	29.46%
Other, net		(199)	(300)	101	33.68%	(280)	81	(60.49)%
Total other income (deductions)		(7,282)	(7,873)	590	7.50%	(903)	(6,380)	(706.86)%
Income (loss) before income taxes		15,912	14,743	1,169	7.93%	14,487	1,425	9.84%
State Income Taxes	42	1,012	876	(136)	(15.58)%	822	(190)	(23.08)%
Federal Income Taxes	43	5,584	5,158	(426)	(8.26)%	5,018	(566)	(11.28)%
Tax Saving Acquisition Adjustment	46	(12)	-	12	(17)	(5)	(5)	(28.27)%
State income taxes (non-operating)	47	(65)	(65)	65	(91)	(26)	(26)	(28.27)%
Provision (Benefit) for Income Taxes		6,519	6,033	(485)	(8.04)%	5,732	(786)	(13.71)%
Net income (loss)		9,393	8,709	684	7.85%	8,754	639	7.30%
Preferred Dividend Declared	48	52	56	(4)	(7.59)%	52	0	0.00%
Net income to Common Stock		9,341	8,653	688	7.95%	8,703	639	7.34%
Common Dividend Declared	49	4,013	4,176	164	3.92%	3,292	(721)	(21.90)%
Current Year Retained Earnings		5,329	4,477	852	19.02%	5,411	(82)	(1.52)%



Assets	Actuals	Forecast	Increase (Decrease)	% Variance	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
1 Utility Plant in Service	576,232	-	576,232		-	576,232		563,384	12,848	2.3%
2 Construction Work in Progress	7,686	-	7,686		-	7,686		7,223	463	6.4%
3 Utility Plant Accumulated Depreciation/Am	(105,194)	-	(105,194)		-	(105,194)		(98,304)	(6,890)	(7.0)%
4 Total Utility Plant Adjustments	253	-	253		-	253		263	(10)	(4.0)%
5 Utility property net of accumulated depreciatio	478,977	-	478,977		-	478,977		472,566	6,410	1.4%
6 Nonutility property net of accumulated depreci	250	-	250		-	250		270	(20)	(7.6)%
Total Property Plant and Equipment	479,227	-	479,227		-	479,227		472,837	6,390	1.4%
7 Cash and Cash Equivalents	(388)	-	(388)		-	(388)		(1,754)	1,367	77.9%
8 Restricted funds-current	-	-	-		-	-		-	-	-
9 Accounts receivable net	4,033	-	4,033		-	4,033		3,336	696	20.9%
10 Unbilled Revenues	4,142	-	4,142		-	4,142		4,412	(270)	(6.1)%
11 Materials and supplies	710	-	710		-	710		747	(37)	(4.9)%
12 Assets of discontinued operations	-	-	-		-	-		-	-	-
13 Other Current Assets	237	-	237		-	237		134	103	76.7%
Total Current Assets	8,734	-	8,734		-	8,734		6,876	1,859	27.0%
14 Regulatory assets	11,603	-	11,603		-	11,603		11,846	(243)	(2.1)%
15 Other investments	-	-	-		-	-		-	-	-
16 Restricted Funds - Long-term	-	-	-		-	-		-	-	-
17 Goodwill	0	-	0		-	0		0	0	0
18 Intangible assets	-	-	-		-	-		-	-	-
19 Other Long Term Assets	177	-	177		-	177		52	124	238.4%
Total Regulatory & Other LT Assets	11,780	-	11,780		-	11,780		11,899	(119)	(1.0)%
Total Assets	499,741	-	499,741		-	499,741		491,611	8,130	1.7%
Capital & Liabilities										
20 Common Stock	36,569	-	36,569		-	36,569		36,569	0	0.0%
21 Paid in Capital	74,735	-	74,735		-	74,735		74,682	53	0.1%
22 Retained Earnings	44,052	-	44,052		-	44,052		39,510	4,542	11.5%
23 Accumulated other comprehensive income	-	-	-		-	-		-	-	-
24 Treasury stock	-	-	-		-	-		-	-	-
Total Stockholders' equity	155,357	-	155,357		-	155,357		150,761	4,596	3.0%
25 Preferred Stock without mandatory redempt	1,446	-	1,446		-	1,446		1,446	0	0.0%
26 Noncontrolling Interest	6	-	6		-	6		6	0	0.0%
Total Equity	156,808	-	156,808		-	156,808		152,213	4,596	3.0%
27 Long term debt	167,890	-	167,890		-	167,890		167,890	0	0.0%
28 Redeemable preferred stock at redemption	4,500	-	4,500		-	4,500		4,500	0	0.0%
Total Long-term debt	172,390	-	172,390		-	172,390		172,390	0	0.0%
Total Capitalization	329,198	-	329,198		-	329,198		324,603	4,596	1.4%
29 Short Term Debt	20,006	-	20,006		-	20,006		13,494	6,512	48.3%
30 Current Portion of Long-term Debt	0	-	0		-	0		3,100	(3,100)	(100.0)%
31 Current portion of redeemable stock at rede	-	-	-		-	-		-	-	-
32 Accounts Payable	2,858	-	2,858		-	2,858		6,270	(3,413)	(54.4)%
33 Taxes Accrued	11,623	-	11,623		-	11,623		(30,220)	41,843	138.5%
34 Interest Accrued	3,426	-	3,426		-	3,426		1,868	1,559	83.5%
35 Liabilities of Discontinued Operations	-	-	-		-	-		-	-	-
36 Other current liabilities	3,887	-	3,887		-	3,887		5,147	(1,260)	(24.5)%
Total Current Liabilities	41,800	-	41,800		-	41,800		(341)	42,141	12,374.9%
37 Customer Advances for Construction	12,223	-	12,223		-	12,223		12,774	(551)	(4.3)%
38 Deferred Income Taxes	50,567	-	50,567		-	50,567		89,037	(38,470)	(43.2)%
39 Deferred Investment tax credits	900	-	900		-	900		963	(64)	(6.6)%
40 Regulatory liability	13,753	-	13,753		-	13,753		12,862	890	6.9%
41 Accrued Pension	(736)	-	(736)		-	(736)		729	(1,465)	(201.0)%
42 Accrued postretirement benefit expense	541	-	541		-	541		504	38	7.5%
43 Other Deferred Credits	1,903	-	1,903		-	1,903		1,954	(51)	(2.6)%
Regulatory & Other Long Term Liabilities	79,151	-	79,151		-	79,151		118,823	(39,673)	(33.4)%
Contributions in aid of construction	49,591	-	49,591		-	49,591		48,525	1,066	2.2%
Total Capital and Liabilities	499,741	-	499,741		-	499,741		491,611	8,130	1.7%



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

September 2011

MTD INCOME STATEMENT**SCENARIO: MTD ACT vs. MTD PLAN**

Operating Expenses:

Line 25 – General Taxes \$.320: Favorable due to true up for actual 2010 tax filing vs accrual.

Other Income and Deductions:

Line 29 – Interest Expense \$.134: Favorable due to delay of LTD issuance budgeted for May and unrealized BD.

Line 39 – Miscellaneous Income \$19,055: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(19,091): Unfavorable due to the recording of the donation of Jacobson Park.

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Expenses:

Line 13 – Management Fees \$.127: Favorable variance explained at corporate.

Line 22 – Maintenance \$.100: Favorable primarily due to intake repairs in September 2010.

Line 23 – Depreciation \$(.230): Unfavorable due to depreciation expense on the new \$164m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(.283): Unfavorable due to interest expense related to borrowings for \$164m water treatment plant not in service in prior year partially offset by capitalized interest on \$95m in tax exempt financing. Additional variance explained at corporate level.

Line 39 – Miscellaneous Income \$19,053: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(19,074): Unfavorable due to the recording of the donation of Jacobson Park.

QTD INCOME STATEMENT**SCENARIO: QTD ACT vs. QTD PLAN****Operating Expenses:**

Line 6 - Fuel and Power \$.219: Favorable due to lower than planned system delivery (-5.1% for quarter) and optimization of operations between plants.

Line 13 – Management Fees \$.109: Favorable variance explained at corporate level.

Line 21 – Miscellaneous \$.165: Favorable \$119k in transportation (\$60k from sale of vehicles, \$55k timing of maintenance); \$21k in Misc Operating due to timing(aggregate of \$10k misc operating across production, source of supply, water treatment and tanks and distribution, \$6k lab supplies, \$6k electricity and heating); \$36k in Misc General Office AG (\$43k timing of water conservation spend, \$8k due to discounts, \$8k due to misc operating AG, offset by \$(22k) due to unplanned trustee fees).

Line 22 – Maintenance \$.173: Favorable primarily due to material & supplies-source of supply \$120k (movement of incline car and railway work from expense (2Q) to capital), and timing of spend in water treatment, source of supply, tanks and distribution and AG (aggregate of \$53k).

Line 24 – Amortization \$(.158): Unfavorable due to actual vs planned proportional split for NNS and Depreciation. Offset in Depreciation expense.

Line 25 – General Taxes \$.320: Favorable due to true up for actual 2010 tax filing vs accrual.

Other Income and Deductions:

Line 29 – Interest on Long-term Debt \$.403: Favorable due to delay of LTD issuance budgeted for May and unrealized BD.

Line 39 – Miscellaneous Income \$19,086: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(19,107): Unfavorable due to the recording of the donation of Jacobson Park.

SCENARIO: QTD ACT vs. QTD PRIOR YEAR**Operating Revenues:**

Line 1 – Water Revenues \$3.886m: Favorable variance primarily due to 2010 rate increase (+27%). Rates accounted for \$5.0m of the favorability, offset by lower consumption in Residential (\$629k), Commercial (\$298k) and OPA (\$202k) due to the more cool and wet quarter (system delivery down 11% from 3Q 2010).

Operating Expenses:

Line 13 – Management Fees \$.402: Favorable variance explained at corporate level.

Line 22 – Maintenance \$.330: Favorable due to material & supplies-source of supply \$120k (movement of incline car and railway work from expense (2Q) to capital); 2010 work on Eastland tank \$72k; 2010 intake repair expense \$75k; and 2010 meter maintenance \$61k.

Line 23 – Depreciation \$(.692): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in Q3 2011.

Line 25 – General Taxes \$.147: Favorable due to true-up of actual 2010 property tax filing vs the 2011 monthly accrual, \$325k, offset by higher 2011 monthly accrual due to new \$162m water treatment plant, (\$178k).

Other Income/Deductions:

Line 29 – Interest on Long-term Debt \$(1.201): Unfavorable variance primarily due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(.487): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.246): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 39 – Miscellaneous Income \$19,028: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(19,101): Unfavorable due to the recording of the donation of Jacobson Park.

Line 42 – State Income Taxes \$(.157): Unfavorable variance explained at corporate.

Line 43 – Federal Income Taxes \$(.765): Unfavorable variance explained at corporate.

YTD INCOME STATEMENT**SCENARIO: YTD ACT vs. YTD PLAN****Operating Expenses:**

Line 16 – Regulatory Expense \$.116k: Favorable due to cost of service and depreciation study amortization from 2007 rate case for which a full write off was ordered by the PSC and performed in 4Q 2010 (amortization in 2011 plan).

Line 21 – Miscellaneous \$.208: Favorable \$77k in transportation (\$60k from sale of vehicles, \$17k timing of maintenance); \$30k in Misc Operating due to timing (aggregate of \$21k misc operating across production, source of supply, water treatment and tanks and distribution, \$9k lab supplies, \$7k janitorial); \$90k due to timing of community relations spend, \$26k due to unplanned discounts, \$25k due to lower than planned security costs, offset by \$(55k) due to unplanned trustee and FINRA fees .

Line 24 – Amortization \$(.472): Unfavorable due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense.

Line 39 – Miscellaneous Income \$19,128: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(19,055): Unfavorable due to the recording of the donation of Jacobson Park.

Line 42 – State Income Taxes \$(.151): Unfavorable variance explained at corporate.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR**Operating Revenues:**

Line 1 – Water Revenues \$11.354: Favorable variance primarily due to 2010 rate increase (+27%). Increased rates accounted for the \$13.5m of the favorability , offset by lower consumption in residential (\$1m), commercial (\$164k), OPA (\$546k) and Sale for Resale \$(144k) due to the more cool and wet year (system delivery down 5.6% compared to YTD2010).

Operating Expenses:

Line 10 – Pensions \$.145: Favorable due to updated actuarial FAS87 assumptions.

Line 13 – Management Fees \$.939: Favorable variance explained at corporate level.

Line 15 – Contracted Services \$(.114): Unfavorable variance primarily due to outside legal fees \$108k (Water Supply Case, Jacobson Park Transfer & KAWC lawsuit against a contractor), Admin (General Contracting Services).

Line 20 – General office expense \$(.114): Unfavorable due to 2011 relocation expenses \$109k),

Line 23 – Depreciation \$(2.028): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(3.943): Unfavorable due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.987): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.998): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 39 – Miscellaneous Income \$19,017: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(18,958): Unfavorable due to the recording of the donation of Jacobson Park, slightly offset by 2010 spend on advertising for new water treatment plant \$165k.

Line 42 – State Income Taxes \$(.241): Unfavorable variance explained at corporate.

Line 43 – Federal Income Taxes \$(.810): Unfavorable variance explained at corporate.

BALANCE SHEET

SCENARIO: MTH END SEPTEMBER vs. PRIOR YEAR DEC

Assets

Line 9: Utility Accounts Receivable. Increase \$1253k due to seasonality of billing (3Q vs 4Q) and higher revenues due to rate increase in Sept 2010.

Line 10: Allowance for uncollectible accounts. Increase in negative balance \$134k due to seasonality of billing (3Q vs 4Q) and it's affect on the bad debt calculation and higher revenues due to rate increase in Sept 2010.

Line 12: Other receivables, net. Decrease \$424k due to lower MI receivables \$286k (payments: CR Cable \$24k, Fayette Co Board of Education \$97k, Fayette County Sheriff \$57k), lower MI uncollectibles reserve \$46k, and lower Retro Insurance Adjustment \$94k.

Line 16: Other Current Assets. Increase \$103k due to changes in prepaid balances (prepaid insurance \$53k, prepaid PSC Assessments \$36k, prepaid other \$33k (AWWA, Microsoft, Vertex, Insight etc), prepaid audit fees \$(19k).

Line 25: Deferred Rate Case. Decrease \$124k due to 2011 amortizations \$161k offset by legal expenses \$32k.

Capital & Liabilities

Line 37: Retained Earnings. Increase \$4.542 due to 2011 YTD net income to common (\$11.1m) less common stock dividend payments (\$6.5m).

Line 44: Short Term Debt. Increase \$5,014k due to delay of May 2011 LTD issuance and YTD cash changes including AP, payroll, and tax payments.

Line 47: Accounts Payable. Decrease \$3,180k due to timing of payments for goods and services.

Line 49: Interest Accrued: Increase \$1,559k due to timing of interest payments.

Line 50: Total other current liabilities. Decrease \$1,260k due to refund rates under bond was paid out \$1,466K, payments for AIP \$117k, stock C/E \$180k, LFUCG sewer collection \$207k, offset by current portion of advances for construction \$365k, accrued wages \$118k, gross receipts tax \$53k, waste disposal \$75k, and municipal tax \$46k.

Income Statement - Month To Date

 Kentucky with Growth
 Sep 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	7,206	7,735	(529)	(6.83)%	6,604	603	9.13%
Sewer Revenues	28	28	0	0.85%	28	0	0.58%
Other Operating Revenues	300	277	23	8.33%	287	13	4.39%
Operating Revenues	7,534	8,040	(505)	(6.28)%	6,919	615	8.89%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	55	16	(39)	(238.25)%	11	(44)	(390.00)%
Fuel and Power	329	404	76	18.72%	352	23	6.52%
Chemicals	172	185	12	6.71%	176	4	2.35%
Waste Disposal	26	29	3	9.59%	25	(4)	(24.52)%
Total production costs	582	634	52	8.20%	564	(18)	(3.18)%
O&M LABOR & OVERHEAD							
Labor	644	649	5	0.78%	648	3	0.52%
Pensions	78	82	4	4.46%	92	14	15.28%
Group Insurances	180	199	19	9.49%	181	1	0.47%
Other benefits	30	30	0	0.57%	24	(6)	(24.52)%
Total employee related	932	960	28	2.89%	944	12	1.32%
Shared governance and service fees							
Shared business services fees	246	289	43	14.94%	373	127	34.11%
Contracted services	390	404	14	3.57%	474	84	17.70%
Total contracted services	470	496	27	5.35%	616	146	23.77%
Regulatory expense							
Regulatory expense	18	31	13	42.43%	25	8	29.94%
Insurance Other Than Group	56	56	0	0.87%	49	(7)	(13.46)%
Customer Accounting	253	169	(84)	(49.98)%	347	93	26.91%
Rents	3	3	(1)	(22.04)%	2	(1)	(50.84)%
General office expense	98	53	(45)	(84.19)%	63	(35)	(55.68)%
Miscellaneous	56	154	98	63.39%	134	78	58.02%
Maintenance	124	167	44	26.23%	224	100	44.82%
Total O&M expense	2,837	3,012	175	5.81%	3,342	505	15.10%
Depreciation	753	800	48	5.95%	523	(230)	(43.95)%
Amortization	182	129	(53)	(41.11)%	176	(6)	(3.68)%
Depreciation and amortization	935	929	(6)	(0.59)%	699	(236)	(33.82)%
General taxes	92	412	320	71.72%	357	265	74.30%
Impairment charges	-	-	-	-	-	-	-
Total operating expenses, net	3,864	4,353	489	11.24%	4,397	533	12.13%
Operating income	3,671	3,686	(16)	(0.43)%	2,522	1,149	45.56%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	0	0.00%	0	0	0.00%
Interest on long-term debt	892	1,026	134	13.10%	609	(283)	(46.48)%
Interest on Short-Term Bank Debt	7	3	(4)	(96.65)%	8	2	21.14%
Other Interest Expense	0	-	0	0.00%	0	0	100.00%
Total interest expense	898	1,029	131	12.74%	617	(281)	(45.48)%
AFUDC - Equity	30	33	(3)	(9.72)%	121	(90)	(75.02)%
AFUDC Debt	14	27	(13)	(48.26)%	60	(46)	(76.56)%
Amortization of Debt Expense	6	5	(1)	(19.76)%	11	5	46.45%
Preferred dividends of subsidiaries	-	-	-	-	-	-	-
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	19,055	10	19,045	185,010.22%	2	19,053	856,981.26%
Total other income	19,055	10	19,045	185,010.22%	2	19,053	856,981.26%
Miscellaneous Amortization	0	-	0	0.00%	0	0	0.00%
Miscellaneous Other Deductions	19,091	18	(19,073)	(105,959.34)%	17	(19,074)	(113,754.65)%
Total Other Deductions	19,091	18	(19,073)	(105,959.34)%	17	(19,074)	(113,754.65)%
Other, net	(36)	(8)	(28)	(365.12)%	(15)	(21)	(93.81)%
Total other income (deductions)	(896)	(981)	86	8.73%	(462)	(434)	(93.81)%
Income (loss) before income taxes	2,775	2,705	70	2.58%	2,060	715	34.73%
State Income Taxes	176	161	(15)	(9.27)%	125	(51)	(40.79)%
Federal Income Taxes	948	928	(19)	(2.10)%	704	(244)	(34.69)%
Tax Saving Acquisition Adjustment	(2)	-	2	100.00%	(1)	1	147.03%
State income taxes (non-operating)	(12)	-	12	100.00%	(5)	7	147.03%
Federal income taxes (non-operating)	1,110	1,089	(20)	(1.88)%	823	(287)	(34.85)%
Provision (Benefit) for Income Taxes	1,665	1,616	49	3.05%	1,237	428	34.65%
Net income (loss)	6	6	0	0.00%	6	0	0.00%
Preferred Dividend Declared	1,659	1,609	50	3.10%	1,230	428	34.63%
Common Dividend Declared	2,445	2,048	(397)	(19.40)%	2,367	(78)	(3.31)%
Net Income To Common Stock	(787)	(439)	(347)	(79.11)%	(1,137)	350	30.80%
Current Year Retained Earnings							

Income Statement - Year To Date
Kentucky with Growth
Sep YTD 2011
(\$ in Thousands)

	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
Water Revenues	1	61,192	61,537	(345)	(0.56)%	49,837	11,354	22.78%
Sewer Revenues	2	223	238	(15)	(6.35)%	236	(13)	(5.46)%
Other Operating Revenues	3	2,427	2,393	34	1.40%	2,463	(36)	(1.47)%
Operating Revenues	4	63,841	64,168	(327)	(0.51)%	52,536	11,305	21.52%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES								
Purchased Water	5	176	89	(88)	(99.03)%	86	(91)	(105.75)%
Fuel and Power	6	2,918	3,185	267	8.37%	2,735	(183)	(6.68)%
Chemicals	7	1,464	1,394	(69)	(4.98)%	1,362	(101)	(7.44)%
Waste Disposal	8	218	260	42	15.99%	186	(33)	(17.61)%
Total production costs		4,777	4,928	151	3.07%	4,369	(408)	(9.33)%
O&M LABOR & OVERHEAD								
Labor	9	5,665	5,689	23	0.41%	5,299	(367)	(6.92)%
Pensions	10	703	736	33	4.47%	847	145	17.06%
Group Insurances	11	1,604	1,767	162	9.19%	1,634	30	1.84%
Other benefits	12	309	289	(20)	(6.87)%	257	(53)	(20.47)%
Total employee related		8,281	8,480	199	2.34%	8,037	(244)	(3.04)%
Shared governance and service fees								
Shared business services fees	13	2,316	2,570	254	9.89%	3,255	939	28.85%
Contracted services	14	3,538	3,646	108	2.95%	3,316	(222)	(6.69)%
Total contracted services	15	822	848	26	3.07%	708	(114)	(16.05)%
Total O&M expense		4,360	4,493	134	2.98%	4,024	(336)	(8.34)%
Regulatory expense	16	161	277	116	41.83%	228	67	29.21%
Insurance Other Than Group	17	428	506	78	15.36%	364	(65)	(17.80)%
Customer Accounting	18	1,434	1,444	10	0.67%	1,383	(51)	(3.69)%
Rents	19	25	27	2	5.84%	20	(5)	(24.64)%
General office expense	20	592	526	(67)	(12.71)%	478	(114)	(23.91)%
Miscellaneous	21	1,234	1,442	208	14.42%	1,280	46	3.56%
Maintenance	22	1,152	1,194	42	3.53%	1,224	72	5.90%
Total O&M expense		24,762	25,887	1,126	4.35%	24,662	(99)	(0.40)%
Depreciation	23	6,634	7,094	461	6.49%	4,606	(2,028)	(44.03)%
Amortization	24	1,633	1,161	(472)	(40.69)%	1,571	(61)	(3.90)%
Depreciation and amortization		8,267	8,255	(12)	(0.14)%	6,177	(2,089)	(33.83)%
General taxes	25	3,949	3,724	(225)	(6.04)%	3,785	(63)	(1.63)%
Gain on sale of assets	26	-	-	-	-	-	-	-
Impairment charges	27	-	-	-	-	-	-	-
Total operating expenses, net		36,977	37,866	890	2.35%	34,625	(2,352)	(6.79)%
Operating income		26,865	26,302	563	2.14%	17,911	8,953	49.99%
OTHER INCOME & DEDUCTIONS								
Interest income	28	-	-	-	-	(2)	(2)	(100.00)%
Interest on long-term debt	29	8,077	8,675	599	6.90%	4,134	(3,943)	(95.37)%
Interest on Short-Term Bank Debt	30	58	64	6	9.17%	93	35	38.05%
Other Interest Expense	31	(3)	-	3	-	(8)	(5)	(60.95)%
Total interest expense		8,131	8,739	607	6.95%	4,217	(3,914)	(92.82)%
AFUDC - Equity								
AFUDC Debt	32	175	139	36	26.00%	1,987	(1,987)	(91.91)%
Amortization of Debt Expense	33	82	113	(32)	(27.78)%	1,080	(998)	(92.41)%
Preferred dividends of subsidiaries								
Non-Operating Rental Income	34	69	60	(9)	(14.60)%	95	(27)	(28.10)%
Dividend Income - Common	36	-	-	-	-	-	-	-
Dividend Income - Preferred	37	-	-	-	-	-	-	-
Miscellaneous Income	38	-	-	-	-	-	-	-
Total other income	39	19,133	5	19,128	367,997.70%	115	19,017	16,475.62%
Miscellaneous Amortization	40	0	-	0	0.00%	0	0	0.00%
Miscellaneous Other Deductions	41	19,368	313	(19,055)	(6,088.99)%	410	(18,958)	(4,624.90)%
Total Other Deductions		19,368	313	(19,055)	(6,088.99)%	410	(18,958)	(4,624.90)%
Other, net		(235)	(308)	73	23.69%	(294)	59	21,100.52%
Total other income (deductions)		(8,178)	(8,854)	676	7.64%	(1,365)	(6,813)	(489.26)%
Income (loss) before income taxes		18,687	17,448	1,239	7.10%	16,547	2,140	12.93%
State Income Taxes	42	1,188	1,037	(151)	(14.60)%	947	(241)	(25.41)%
Federal Income Taxes	43	6,532	6,086	(446)	(7.32)%	5,722	(810)	(14.16)%
Tax Saving Acquisition Adjustment	46	(14)	-	14	-	(18)	(3)	(19.56)%
State income taxes (non-operating)	47	7,628	7,123	(506)	(7.10)%	6,556	(1,073)	(16.37)%
Provision (Benefit) for Income Taxes		11,098	10,325	773	7.10%	9,991	1,067	10.68%
Net income (loss)	48	58	63	(5)	(7.59)%	58	0	0.00%
Preferred Dividend Declared		11,000	10,262	738	7.19%	9,933	1,067	10.75%
Net income To Common Stock		6,458	6,224	(234)	(3.76)%	5,658	(799)	(14.13)%
Common Dividend Declared		4,542	4,038	504	12.49%	4,274	268	6.27%





AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

October 2011

MTD INCOME STATEMENT

SCENARIO: MTD ACT vs. MTD PLAN

Operating Expenses:

No significant variance to explain

Other Income and Deductions:

Line 29 – Interest Expense \$.137: Favorable due to delay of LTD issuance budgeted for May and unrealized BD.

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Expenses:

Line13 – Shared business services fees \$.169: Favorable variance explained at corporate.

Other Income/Deduction:

No significant variance to explain

YTD INCOME STATEMENT**SCENARIO: YTD ACT vs. YTD PLAN****Operating Expenses:**

Line 13 – Shared governance & Service Fees \$.354: Favorable variance explained at corporate.

Line 16 – Regulatory expense \$.129: Favorable due to cost of service and depreciation study amortization from 2007 rate case for which a full write off was ordered by the PSC and performed in 4Q 2010 (amortization in 2011 plan).

Line 21 – Miscellaneous \$.229: Favorable \$77k in transportation (\$60k from sale of vehicles, \$17k timing of maintenance); \$23k in Misc Operating due to timing (aggregate of \$10k misc operating across production, source of supply, water treatment and tanks and distribution, \$4k lab supplies, \$9k janitorial); \$91k due to timing of water resource conservation spend, \$29k due to unplanned discounts, \$25k due to lower than planned security costs, advertising \$13k, dues & membership \$13k, and community relation \$13k, offset by \$(55k) due to unplanned trustee fees .

Line 24 – Amortization \$(.526): Unfavorable due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense \$0.504.

Line 39 – Miscellaneous Income \$19,111: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(19,054): Unfavorable due to the recording of the donation of Jacobson Park.

Line 42 – State Income Taxes \$(.157): Unfavorable variance explained at corporate.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR**Operating Revenues:**

Line 1 – Water Revenues \$10.658: Favorable variance primarily due to 2010 rate increase (+27%). Increased rates accounted for the \$14.4m of the favorability , offset by lower consumption in residential (\$1.7m), commercial (\$1.0m), industrial (\$240K), OPA (\$710k) and Sale for Resale \$(115k) due to the more cool and wet year (system delivery down 6.9% compared to YTD2010).

Operating Expenses:

Line 10 – Pensions \$.160: Favorable due to updated actuarial FAS87 assumptions.

Line 13 – Management Fees \$1.108: Favorable variance explained at corporate level.

Line 20 – General office expense \$(.141): Unfavorable due to 2011 relocation expenses \$122k and janitorial expenses \$22k, partially offset by misc other expense combined \$3k.

Line 23 – Depreciation \$(2.048): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(3.925): Unfavorable due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.972): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.998): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 39 – Miscellaneous Income \$18,915: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(18,915): Unfavorable due to the recording of the donation of Jacobson Park, slightly offset by 2010 spend on advertising for new water treatment plant \$165k.

Line 42 – State Income Taxes \$(.227): Unfavorable variance explained at corporate.

Line 43 – Federal Income Taxes \$(.708): Unfavorable variance explained at corporate.

Income Statement - Month To Date

 Kentucky with Growth
 Oct 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	7,145	7,683	(548)	(7.12)%	7,841	(696)	(8.88)%
Sewer Revenues	30	28	3	10.52%	31	(1)	(2.04)%
Other Operating Revenues	268	265	3	1.00%	255	13	5.07%
Operating Revenues	7,443	7,986	(542)	(6.79)%	8,127	(684)	(8.41)%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	(6)	13	18	142.15%	12	17	147.17%
Fuel and Power	264	333	70	20.90%	346	82	23.72%
Chemicals	142	205	63	30.88%	189	47	24.81%
Waste Disposal	27	29	1	4.30%	20	(7)	(36.99)%
Total production costs	428	580	153	26.32%	566	138	24.46%
O&M LABOR & OVERHEAD							
Labor	590	620	29	4.74%	562	(28)	(4.97)%
Pensions	78	82	4	4.99%	93	15	16.47%
Group Insurances	169	200	31	15.49%	216	47	21.68%
Other benefits	26	31	5	16.12%	33	7	21.08%
Total employee related	863	932	69	7.45%	904	41	4.55%
Shared governance and service fees							
Shared business services fees	172	272	100	36.65%	342	169	49.54%
Contracted services	381	395	14	3.57%	368	(12)	(3.32)%
Total contracted services	460	496	36	7.19%	462	2	0.43%
Regulatory expense							
Regulatory expense	18	31	13	42.43%	25	8	29.94%
Insurance Other Than Group	50	56	6	10.21%	53	3	5.28%
Customer Accounting	112	167	55	32.85%	107	(5)	(4.95)%
Rents	1	3	2	80.72%	2	1	65.86%
General office expense	75	55	(20)	(35.32)%	48	(27)	(55.28)%
Miscellaneous	138	184	21	11.34%	176	12	7.10%
Maintenance	138	118	(20)	(17.37)%	138	(1)	(0.38)%
Total O&M expense	2,480	2,895	415	14.32%	2,823	342	12.13%
Depreciation	757	800	43	5.44%	737	(20)	(2.73)%
Amortization	183	129	(54)	(41.77)%	210	27	12.66%
Depreciation and amortization	940	929	(10)	(1.12)%	946	6	0.68%
General taxes	375	409	33	8.11%	360	(15)	(4.16)%
Impairment charges	-	-	-	-	-	-	-
Total operating expenses, net	3,796	4,233	437	10.33%	4,129	334	8.08%
Operating income	3,648	3,753	(105)	(2.79)%	3,998	(350)	(8.76)%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	(100.00)%
Interest on long-term debt	892	1,029	137	13.36%	909	18	1.95%
Interest on Short-Term Bank Debt	7	4	(3)	(72.16)%	8	1	14.84%
Other Interest Expense	0	-	0	-	0	0	-
Total interest expense	899	1,033	134	13.02%	917	19	2.02%
AFUDC - Equity	31	39	(8)	(19.42)%	16	15	93.09%
AFUDC Debt	15	32	(17)	(53.81)%	15	0	(2.89)%
Amortization of Debt Expense	6	5	(1)	(19.76)%	11	5	46.92%
Preferred dividends of subsidiaries	-	-	-	-	-	-	-
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	(19)	(2)	(17)	(1,012.79)%	19	(37)	(199.55)%
Total other income	(19)	(2)	(17)	(1,012.79)%	19	(37)	(199.55)%
Miscellaneous Amortization	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions	0	7	2	22.06%	49	43	88.62%
Total Other Deductions	0	7	2	22.06%	49	43	88.62%
Other, net	(24)	(9)	(15)	(174.69)%	(30)	6	(288.18)%
Total other income (deductions)	(882)	(976)	93	9.57%	(927)	44	4.78%
Income (loss) before income taxes	2,765	2,777	(11)	(0.41)%	3,071	(306)	(9.96)%
Federal Income Taxes	171	166	(5)	(3.26)%	184	13	7.18%
State Income Taxes	947	952	5	0.55%	1,048	102	9.70%
Tax Saving Acquisition Adjustment	(1)	-	1	-	(2)	0	(18.31)%
Federal income taxes (non-operating)	(8)	-	8	-	(10)	(2)	(18.31)%
Provision (Benefit) for Income Taxes	1,088	1,117	9	0.82%	1,221	113	9.24%
Net income (loss)	1,657	1,659	(2)	(0.14)%	1,850	(193)	(10.43)%
Preferred Dividend Declared	6	-	(1)	(7.59)%	6	0	0.00%
Net income To Common Stock	1,651	1,652	(2)	(0.11)%	1,843	(193)	(10.46)%
Common Dividend Declared	0	0	0	-	0	0	-
Current Year Retained Earnings	1,651	1,652	(2)	(0.11)%	1,843	(193)	(10.46)%

Income Statement - Year To Date Kentucky with Growth Oct YTD 2011 (\$ in Thousands)								
	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)	% Variance	
OPERATING REVENUES								
Water Revenues	1	68,337	69,230	(893)	(1.29)%	57,678	10,658	18.48%
Sewer Revenues	2	254	266	(12)	(4.60)%	267	(14)	(5.06)%
Other Operating Revenues	3	2,694	2,658	36	1.36%	2,718	(23)	(0.86)%
Management Revenues	4	-	-	-	-	-	-	-
Operating Revenues		71,285	72,154	(869)	(1.20)%	60,663	10,622	17.51%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES								
Purchased Water	5	171	102	(69)	(68.22)%	97	(74)	(75.62)%
Fuel and Power	6	3,182	3,518	336	9.56%	3,081	(101)	(3.27)%
Chemicals	7	1,605	1,599	(6)	(0.38)%	1,551	(55)	(3.51)%
Waste Disposal	8	246	289	43	14.83%	206	(40)	(19.49)%
Total production costs		5,204	5,508	304	5.52%	4,935	(269)	(5.45)%
O&M LABOR & OVERHEAD								
Labor	9	6,255	6,308	53	0.84%	5,861	(395)	(6.73)%
Pensions	10	780	817	37	4.52%	940	160	17.00%
Group Insurances	11	1,773	1,967	193	9.83%	1,850	77	4.15%
Other benefits	12	335	320	(15)	(4.63)%	290	(46)	(15.71)%
Total employee related		9,144	9,412	268	2.85%	8,941	(203)	(2.27)%
Shared governance and service fees								
Shared business services fees	13	2,488	2,842	354	12.45%	3,596	1,108	30.82%
Contracted services	14	3,919	4,040	122	3.01%	3,685	(234)	(6.35)%
Contracted services	15	901	949	48	5.01%	802	(99)	(12.40)%
Total contracted services		4,820	4,989	169	3.39%	4,486	(334)	(7.44)%
Regulatory expense	16	179	308	129	41.89%	253	74	29.28%
Insurance Other Than Group	17	479	562	83	14.85%	417	(62)	(14.85)%
Customer Accounting	18	1,547	1,611	65	4.02%	1,490	(56)	(3.78)%
Rents	19	26	30	4	13.33%	22	(4)	(17.70)%
General office expense	20	667	581	(86)	(14.86)%	526	(141)	(26.79)%
Miscellaneous	21	1,388	1,627	229	14.07%	1,456	58	3.99%
Maintenance	22	1,290	1,312	22	1.65%	1,362	72	5.26%
Total O&M expense		27,242	28,783	1,541	5.35%	27,485	243	0.88%
Depreciation	23	7,391	7,895	504	6.39%	5,342	(2,048)	(38.34)%
Amortization	24	1,816	1,290	(526)	(40.80)%	1,781	(35)	(1.95)%
Depreciation and amortization		9,206	9,184	(22)	(0.24)%	7,123	(2,083)	(29.24)%
General taxes	25	4,324	4,132	(192)	(4.64)%	4,146	(178)	(4.30)%
Gain on sale of assets	26	-	-	-	-	-	-	-
Impairment charges	27	-	-	-	-	-	-	-
Total operating expenses, net		40,773	42,099	1,327	3.15%	38,754	(2,018)	(5.21)%
Operating income		30,512	30,054	458	1.52%	21,909	8,603	39.27%
OTHER INCOME & DEDUCTIONS								
Interest income	28	-	-	-	-	(3)	(3)	(100.00)%
Interest on long-term debt	29	8,968	9,704	736	7.58%	5,043	(3,925)	(77.83)%
Interest on Short-Term Bank Debt	30	65	68	3	4.17%	102	37	36.12%
Other Interest Expense	31	(3)	-	3	-	(8)	(5)	(60.95)%
Total interest expense		9,030	9,772	742	7.59%	5,134	(3,896)	(75.88)%
AFUDC - Equity								
AFUDC - Debt	32	206	178	28	16.02%	2,179	(1,972)	(90.53)%
Amortization of Debt Expense	33	97	145	(49)	(33.50)%	1,095	(998)	(91.16)%
Preferred dividends of subsidiaries	34	74	65	(10)	(14.99)%	106	(32)	(30.06)%
Non-Operating Rental Income	36	-	-	-	-	-	-	-
Dividend Income - Common	37	-	-	-	-	-	-	-
Dividend Income - Preferred	38	-	-	-	-	-	-	-
Miscellaneous income	39	19,114	4	19,111	541,867.66%	134	18,980	14,153.29%
Total other income		19,114	4	19,111	541,867.66%	134	18,980	14,153.29%
Miscellaneous Amortization	40	0	-	0	-	0	0	0.00%
Miscellaneous Other Deductions	41	19,374	320	(19,054)	(5,953.42)%	459	(18,915)	(4,124.88)%
Total Other Deductions		19,374	320	(19,054)	(5,953.31)%	458	(18,915)	(4,124.88)%
Other, net		(259)	(317)	58	18.20%	(324)	65	18,278.17%
Total other income (deductions)		(9,060)	(9,830)	770	7.83%	(2,291)	(6,769)	(295.40)%
Income (loss) before income taxes		21,452	20,225	1,227	6.07%	19,617	1,835	9.35%
State Income Taxes	42	1,359	1,202	(157)	(13.04)%	1,131	(227)	(20.11)%
Federal Income Taxes	43	7,479	7,038	(440)	(6.26)%	6,770	(708)	(10.46)%
Tax Saving Acquisition Adjustment	46	(16)	-	16	-	(19)	(4)	(19.44)%
State income taxes (non-operating)	47	(85)	-	85	-	(106)	(21)	(19.44)%
Provision (Benefit) for Income Taxes		8,737	8,240	(497)	(6.03)%	7,777	(960)	(12.35)%
Net income (loss)		12,715	11,984	731	6.10%	11,841	874	7.38%
Preferred Dividend Declared	48	65	70	(5)	(7.59)%	65	0	0.00%
Common Dividend Declared		12,651	11,914	736	6.18%	11,776	874	7.43%
Net income To Common Stock		6,458	6,224	(234)	(3.76)%	5,658	(799)	(14.13)%
Current Year Retained Earnings		6,193	5,691	502	8.83%	6,118	75	1.23%



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

November 2011

MTD INCOME STATEMENT**SCENARIO: MTD ACT vs. MTD PLAN**

Operating Revenues:

Line 1 – Water Revenues (\$0.801): Unfavorable variance primarily due to usage decline (11.7% lower) due to wet weather partially offset by favorable rate. Lower usage affected in residential, commercial and OPA classes.

Operating Expenses:

Depreciation \$0.125: Favorable variance due to actual vs planned proportional split for NNS & Depreciation and unrealized BD.

Other Income and Deductions:

Line 29 – Interest Expense \$.109: Favorable due to delay of LTD issuance budgeted for May \$0.098 and unrealized BD \$0.012. The LTD of \$20M was finalized in Nov with rate of 5.05%, it matures on Oct 15, 2037.

Provision for Income Taxes

Line 43 – Federal Income Taxes \$.168: Favorable federal income taxes variance explained at corporate.

SCENARIO: MTD ACT vs. MTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues (\$0.934): Unfavorable variance primarily due to usage decline (usage down 18.8% YOY for Nov) primarily due to wet weather. Usage decline affected all water classes except fire services.

Operating Expenses:

Line13 – Shared business services fees \$.116: Favorable variance explained at corporate.

Other Income/Deduction:

No significant variance to explain

Provision for Income Taxes

Line 43 – Federal Income Taxes \$.229: Favorable federal income taxes variance explained at corporate.

YTD INCOME STATEMENT**SCENARIO: YTD ACT vs. YTD PLAN****Operating Expenses:**

Line 11 – Group Insurances \$0.258: Favorable variance primarily due to lower rate and lower headcounts.

Line 13 – Shared governance & Service Fees \$.434: Favorable variance explained at corporate.

Line 16 – Regulatory expense \$.142: Favorable due to cost of service and depreciation study amortization from 2007 rate case for which a full write off was ordered by the PSC and performed in 4Q 2010 (amortization in 2011 plan).

Line 21 – Miscellaneous \$.196: Favorable in transportation \$70k –saving in transportation lease primarily due to re-class of vehicle sales to capital, Misc Operating \$9k; water resource conservation \$70k, unplanned discounts \$32k, planned security costs \$29k, advertising \$13k, dues & membership \$15k, community relation \$12k, and unplanned trustee fees \$(54k).

Line 24 – Amortization \$(-.569): Unfavorable due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense \$0.629.

Line 39 – Miscellaneous Income \$19,117: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(-19,146): Unfavorable due to the recording of the donation of Jacobson Park.

Line 42 – State Income Taxes \$(-.131): Unfavorable variance explained at corporate.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR**Operating Revenues:**

Line 1 – Water Revenues \$9.724: Favorable variance primarily due to 2010 rate increase (+27%). Increased rates accounted for the \$14.4m of the favorability, offset by lower consumption in residential (\$2.3m), commercial (\$1.3m), industrial (\$258K), OPA (\$845k) and Sale for Resale \$(208k) due to the more cool and wet year (usage declined 6.9% compared to YTD2010).

Operating Expenses:

Line 10 – Pensions \$.170: Favorable due to updated actuarial FAS87 assumptions.

Line 13 – Management Fees \$1.224: Favorable variance explained at corporate level.

Line 15 – Contract Services \$(-.121): Unfavorable variance due to higher legal spends related to more legal activities.

Line 20 – General office expense \$(-.138): Unfavorable due to 2011 relocation expenses \$122k and janitorial expenses \$23k, partially offset by misc other expense combined \$(7k) (credit line fees and Janitorial).

Line 23 – Depreciation \$(2.070): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(3.935): Unfavorable due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.973): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(-.999): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 39 – Miscellaneous Income \$18,965: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(18,969): Unfavorable due to the recording of the donation of Jacobson Park, slightly offset by 2010 spend for advertising for new water treatment plant \$165k.

Line 42 – State Income Taxes \$(.192): Unfavorable variance explained at corporate.

Income Statement - Month To Date

 Kentucky with Growth
 Nov 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
1	5,830	6,631	(801)	(12.08)%	6,764	(934)	(13.81)%
2	23	25	(2)	(7.85)%	26	(3)	(10.30)%
3	276	261	15	5.62%	266	9	3.47%
4	6,129	6,917	(788)	(11.39)%	7,057	(927)	(13.14)%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
5	28	8	(21)	(266.92)%	12	(16)	(132.51)%
6	264	296	32	10.86%	336	73	21.57%
7	149	141	(8)	(5.74)%	121	(28)	(23.00)%
8	467	29	438	84.2%	19	(7)	(36.76)%
	467	473	6	1.25%	489	22	4.41%
O&M LABOR & OVERHEAD							
9	656	676	20	2.94%	674	17	2.58%
10	68	82	14	16.84%	78	10	12.68%
11	135	200	65	32.41%	170	35	20.69%
12	30	32	2	6.82%	28	(2)	(6.88)%
	889	990	101	10.17%	950	61	6.40%
Total employee related							
13	201	281	80	28.52%	316	116	36.59%
14	353	396	44	11.04%	425	73	17.12%
15	99	93	(7)	(7.02)%	78	(22)	(27.84)%
	452	489	37	7.62%	503	51	10.18%
Total contracted services							
16	18	31	13	42.43%	25	8	29.94%
17	49	56	7	12.37%	52	3	6.02%
18	256	161	(96)	(59.76)%	243	(14)	(5.64)%
19	3	3	0	(2.70)%	6	3	52.38%
20	49	57	7	13.20%	52	3	6.42%
21	167	133	(33)	(24.87)%	146	(20)	(13.86)%
22	102	101	(1)	(1.11)%	142	40	28.49%
	2,653	2,774	121	4.37%	2,926	273	9.34%
Total O&M expense							
23	761	886	125	14.10%	739	(22)	(2.94)%
24	183	140	(43)	(30.85)%	210	27	12.66%
	945	1,026	82	7.96%	949	5	0.51%
Depreciation and amortization							
25	380	411	31	7.65%	359	(21)	(5.90)%
26	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-
	3,977	4,212	234	5.56%	4,234	257	6.07%
	2,152	2,706	(554)	(20.46)%	2,822	(670)	(23.75)%
OTHER INCOME & DEDUCTIONS							
28	-	-	0	0.00%	0	0	(100.00)%
29	920	1,029	109	10.63%	909	(10)	(1.13)%
30	5	3	(2)	(58.24)%	7	2	24.89%
31	925	1,032	107	10.41%	916	(9)	(0.94)%
AFUDC - Equity							
32	34	28	7	24.60%	35	(1)	(2.38)%
33	16	23	(6)	(28.58)%	18	(1)	(6.42)%
34	6	5	(1)	(19.76)%	11	5	47.30%
Amortization of Debt Expense							
35	-	-	-	-	-	-	-
Preferred dividends of subsidiaries							
36	-	-	-	-	-	-	-
37	-	-	-	-	-	-	-
38	-	-	-	-	-	-	-
39	4	(2)	7	288.99%	20	(15)	(77.73)%
	4	(2)	7	288.99%	20	(15)	(77.73)%
Total other income							
40	0	0	0	0.00%	0	0	0.00%
41	101	9	(92)	(1,011.63)%	47	(54)	(114.64)%
	101	9	(92)	(1,011.63)%	47	(54)	(114.64)%
Total Other Deductions							
42	(97)	(11)	(86)	(747.38)%	(27)	(69)	36.91%
	(97)	(999)	22	2.15%	(902)	(75)	(6.31)%
	1,175	1,707	(532)	(31.17)%	1,920	(745)	(38.81)%
Income (loss) before income taxes							
43	76	101	26	25.34%	111	36	32.12%
44	432	600	168	27.97%	661	229	34.68%
45	(6)	-	6	32.00%	(2)	4	253.38%
46	(32)	-	32	32.96%	(9)	23	38.33%
	470	701	231	29.92%	762	292	38.33%
	705	1,006	(301)	(29.92)%	1,158	(453)	(39.12)%
	6	7	(1)	(7.59)%	6	0	0.00%
	699	999	(300)	(30.08)%	1,152	(453)	(39.34)%
	0	0	0	0.00%	0	0	0.00%
	699	999	(300)	(30.08)%	1,152	(453)	(39.34)%

Income Statement - Year To Date
Kentucky with Growth
Nov YTD 2011
(\$ in Thousands)

	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	74,167	75,861	(1,694)	(2.23)%	64,443	9,724	15.09%
Sewer Revenues	277	291	(14)	(4.88)%	293	(16)	(5.53)%
Other Operating Revenues	2,970	2,919	51	1.76%	2,884	(14)	(0.47)%
Operating Revenues	77,414	79,071	(1,657)	(2.10)%	67,720	9,694	14.31%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	199	109	(90)	(82.22)%	109	(90)	(81.93)%
Fuel and Power	3,446	3,814	369	9.66%	3,418	(28)	(0.83)%
Chemicals	1,754	1,740	(14)	(0.81)%	1,672	(82)	(4.93)%
Waste Disposal	272	317	45	14.25%	225	(47)	(20.97)%
Total production costs	5,671	5,981	310	5.18%	5,424	(247)	(4.56)%
OM&M LABOR & OVERHEAD							
Labor	6,912	6,984	73	1.04%	6,534	(377)	(5.77)%
Pensions	848	899	51	5.64%	1,018	170	16.67%
Group Insurances	1,908	2,167	258	11.91%	2,021	112	5.55%
Other benefits	365	353	(13)	(3.59)%	318	(47)	(14.83)%
Total employee related	10,034	10,402	369	3.55%	9,891	(142)	(1.44)%
Shared governance and service fees							
Shared business services fees	2,689	3,123	434	13.89%	3,913	1,224	31.29%
Contracted services	4,271	4,437	165	3.73%	4,110	(161)	(3.93)%
Total contracted services	1,000	1,041	41	3.94%	879	(121)	(13.77)%
Total O&M expense	5,271	5,478	207	3.77%	4,989	(282)	(5.66)%
Regulatory expense	197	339	142	41.94%	279	82	29.34%
Insurance Other Than Group	528	618	90	14.62%	469	(59)	(12.52)%
Customer Accounting	1,803	1,772	(31)	(1.76)%	1,733	(70)	(4.04)%
Rents	29	33	4	11.87%	28	(1)	(1.82)%
General office expense	717	638	(79)	(12.37)%	579	(138)	(23.78)%
Miscellaneous	1,564	1,760	196	11.12%	1,602	38	2.36%
Maintenance	1,392	1,412	21	1.46%	1,504	112	7.46%
Total O&M expense	29,895	31,556	1,662	5.27%	30,411	517	1.70%
Depreciation	8,152	8,781	629	7.17%	6,082	(2,070)	(34.04)%
Amortization	1,999	1,430	(569)	(39.82)%	1,991	(8)	(0.41)%
Depreciation and amortization	10,151	10,211	60	0.59%	8,073	(2,078)	(25.74)%
General taxes	4,704	4,544	(160)	(3.53)%	4,505	(199)	(4.43)%
Gain on sale of assets	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-
Total operating expenses, net	44,750	46,311	1,561	3.37%	42,989	(1,761)	(4.10)%
Operating income	32,664	32,760	(96)	(0.29)%	24,731	7,933	32.08%
OTHER INCOME & DEDUCTIONS							
Interest income	-	-	-	-	(3)	(3)	(100.00)%
Interest on long-term debt	9,888	10,733	845	7.88%	5,953	(3,935)	(66.11)%
Interest on Short-Term Bank Debt	70	71	1	1.21%	109	38	35.39%
Other Interest Expense	(3)	-	3	-	(8)	(5)	(60.95)%
Total interest expense	9,955	10,804	849	7.86%	6,051	(3,904)	(64.53)%
AFUDC - Equity	241	205	(35)	17.18%	2,214	(1,973)	(89.13)%
AFUDC Debt	113	168	(55)	(32.84)%	1,112	(999)	(89.86)%
Amortization of Debt Expense	80	70	(10)	(15.32)%	118	(37)	(31.70)%
Preferred dividends of subsidiaries	-	-	-	-	-	-	-
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	19,119	1	19,117	1,579,954.26%	154	18,965	12,333.95%
Total other income	19,119	1	19,117	1,579,954.26%	154	18,965	12,333.95%
Miscellaneous Amortization	0	-	0	0.00%	0	0	0.00%
Miscellaneous Other Deductions	19,475	329	(19,146)	(5,816.79)%	506	(18,969)	(3,751.13)%
Total Other Deductions	19,474	329	(19,145)	(5,816.68)%	505	(18,969)	(3,751.13)%
Other, net	(356)	(328)	(28)	(8.46)%	(352)	(4)	16,085.07%
Total other income (deductions)	(10,037)	(10,828)	791	7.31%	(3,194)	(6,844)	(214.30)%
Income (loss) before income taxes	22,627	21,932	695	3.17%	21,538	1,089	5.06%
State Income Taxes	1,434	1,303	(131)	(10.06)%	1,243	(192)	(15.42)%
Federal Income Taxes	7,911	7,638	(273)	(3.57)%	7,432	(479)	(6.44)%
Tax Saving Acquisition Adjustment	(21)	-	21	-	(21)	0	1.97%
State income taxes (non-operating)	(117)	-	117	-	(115)	2	1.97%
Provision (Benefit) for Income Taxes	9,207	8,941	(266)	(2.97)%	8,539	(668)	(7.82)%
Net income (loss)	13,420	12,991	430	3.31%	12,999	421	3.24%
Preferred Dividend Declared	71	77	(6)	(7.59)%	71	0	0.00%
Net income To Common Stock	13,349	12,914	436	3.37%	12,928	421	3.26%
Common Dividend Declared	6,458	6,224	(234)	(3.76)%	5,658	(799)	(14.13)%
Current Year Retained Earnings	6,892	6,690	202	3.02%	7,270	(378)	(5.20)%



Assets	Actuals	Forecast	Increase (Decrease)	% Variance	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
1 Utility Plant in Service	580,644	-	580,644	-	-	580,644	-	563,384	17,260	3.1%
2 Construction Work in Progress	10,176	-	10,176	-	-	10,176	-	7,223	2,953	40.9%
3 Utility Plant Accumulated Depreciation/Am	(105,104)	-	(105,104)	-	-	(105,104)	-	(98,304)	(6,799)	(6.9)%
4 Total Utility Plant Adjustments	251	-	251	-	-	251	-	263	(12)	(4.7)%
5 Utility property net of accumulated depreciatio	485,968	-	485,968	-	-	485,968	-	472,566	13,401	2.8%
6 Nonutility property net of accumulated depreci	250	-	250	-	-	250	-	270	(20)	(7.6)%
Total Property Plant and Equipment	486,217	-	486,217	-	-	486,217	-	472,837	13,381	2.8%
7 Cash and Cash Equivalents	(224)	-	(224)	-	-	(224)	-	(1,754)	1,530	87.2%
8 Restricted funds-current	-	-	-	-	-	-	-	-	-	-
9 Accounts receivable net	2,621	-	2,621	-	-	2,621	-	3,336	(716)	(21.4)%
10 Unbilled Revenues	3,893	-	3,893	-	-	3,893	-	4,412	(519)	(11.8)%
11 Materials and supplies	691	-	691	-	-	691	-	747	(56)	(7.5)%
12 Assets of discontinued operations	-	-	-	-	-	-	-	-	-	-
13 Other Current Assets	138	-	138	-	-	138	-	134	3	2.5%
Total Current Assets	7,118	-	7,118	-	-	7,118	-	6,876	243	3.5%
14 Regulatory assets	11,783	-	11,783	-	-	11,783	-	11,846	(63)	(0.5)%
15 Other investments	-	-	-	-	-	-	-	-	-	-
16 Restricted Funds - Long-term	-	-	-	-	-	-	-	-	-	-
17 Goodwill	0	-	0	-	-	0	-	0	0	0.0%
18 Intangible assets	-	-	-	-	-	-	-	-	-	-
19 Other Long Term Assets	52	-	52	-	-	52	-	52	0	0.0%
Total Regulatory & Other LT Assets	11,836	-	11,836	-	-	11,836	-	11,899	(63)	(0.5)%
Total Assets	505,171	-	505,171	-	-	505,171	-	491,611	13,561	2.8%
Capital & Liabilities										
20 Common Stock	36,569	-	36,569	-	-	36,569	-	36,569	0	0.0%
21 Paid in Capital	74,761	-	74,761	-	-	74,761	-	74,682	79	0.1%
22 Retained Earnings	43,969	-	43,969	-	-	43,969	-	39,510	4,459	11.3%
23 Accumulated other comprehensive income	-	-	-	-	-	-	-	-	-	-
24 Treasury stock	-	-	-	-	-	-	-	-	-	-
Total Stockholders' equity	155,299	-	155,299	-	-	155,299	-	150,761	4,538	3.0%
25 Preferred Stock without mandatory redempt	1,446	-	1,446	-	-	1,446	-	1,446	0	0.0%
26 Noncontrolling Interest	6	-	6	-	-	6	-	6	0	0.0%
Total Equity	156,751	-	156,751	-	-	156,751	-	152,213	4,538	3.0%
27 Long term debt	187,890	-	187,890	-	-	187,890	-	167,890	20,000	11.9%
28 Redeemable preferred stock at redemption	4,500	-	4,500	-	-	4,500	-	4,500	0	0.0%
Total Long-term debt	192,390	-	192,390	-	-	192,390	-	172,390	20,000	11.6%
Total Capitalization	349,141	-	349,141	-	-	349,141	-	324,603	24,538	7.6%
29 Short Term Debt	11,003	-	11,003	-	-	11,003	-	13,494	(2,491)	(18.5)%
30 Current Portion of Long-term Debt	0	-	0	-	-	0	-	3,100	(3,100)	(100.0)%
31 Current portion of redeemable stock at rede	-	-	-	-	-	-	-	-	-	-
32 Accounts Payable	6,741	-	6,741	-	-	6,741	-	6,270	471	7.5%
33 Taxes Accrued	(3,972)	-	(3,972)	-	-	(3,972)	-	(30,220)	26,248	86.9%
34 Interest Accrued	1,926	-	1,926	-	-	1,926	-	1,868	58	3.1%
35 Liabilities of Discontinued Operations	-	-	-	-	-	-	-	-	-	-
36 Other current liabilities	3,680	-	3,680	-	-	3,680	-	5,147	(1,468)	(28.5)%
Total Current Liabilities	19,378	-	19,378	-	-	19,378	-	(341)	19,718	5,790.4%
37 Customer Advances for Construction	12,675	-	12,675	-	-	12,675	-	12,774	(99)	(0.8)%
38 Deferred Income Taxes	58,752	-	58,752	-	-	58,752	-	89,037	(30,285)	(34.0)%
39 Deferred Investment tax credits	879	-	879	-	-	879	-	963	(85)	(8.8)%
40 Regulatory liability	13,758	-	13,758	-	-	13,758	-	12,862	896	7.0%
41 Accrued Pension	(1,332)	-	(1,332)	-	-	(1,332)	-	729	(2,061)	(282.9)%
42 Accrued postretirement benefit expense	552	-	552	-	-	552	-	504	49	9.6%
43 Other Deferred Credits	1,731	-	1,731	-	-	1,731	-	1,954	(223)	(11.4)%
Total Regulatory & Other Long Term Liabilities	87,014	-	87,014	-	-	87,014	-	118,823	(31,809)	(26.8)%
Contributions in aid of construction	49,638	-	49,638	-	-	49,638	-	48,525	1,113	2.3%
Total Capital and Liabilities	505,171	-	505,171	-	-	505,171	-	491,611	13,561	2.8%



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

December 2011

QTD INCOME STATEMENT**SCENARIO: QTD ACT vs. QTD PLAN**

Operating Revenues:

Line 1 – Water Revenue (\$1.894): Unfavorable variance due to usage decline (down 11.6% vs. budget) primarily due to wet weather during the quarter (rainfall was 5.93” higher than normal) and the spread of rate case in plan, unrealized BD \$(0.228), partially offset by favorable rate increase received. Usage decline affected all classes except industrial class (usage up by 1.9% QTD).

Operating Expenses:

Line 6 – Fuel & Power \$0.108: Favorable variance due to plant efficiency implementation and lower system delivery (down 5.9% vs. budget).

Line 11 – Group Insurance \$0.110: Favorable variance due to favorable group insurance rate and lower headcount (141 vs. 150). The favorable variance is seeing all year along.

Line 13 – Shared governance and service fees \$0.167: Favorable variance explained at corporate.

Line 21 – Miscellaneous (\$0.134): Unfavorable variance due to re-class (\$0.075) from expense credit to RWIP related to rental vehicle sales proceeds, 2011 expenses pulled ahead for lab supplies (\$0.025), the bench top analyzer replacement for all plants (\$0.014), Material & Supplies (\$0.014) (2012 expense pulled forward (\$0.003), M&S for TD (\$0.013)) and higher transportation fuel cost (\$0.003). Partially offset by savings in advertising & other \$0.003.

Line 22 – Maintenance (\$.106): Unfavorable variance due to 2012 expense pulled forward \$(0.055)(brass/galvanize fitting, sludge pump repair, sludge sucker parts and press parts), , remaining variance driven by higher expense related to repair spend on M&S Maint TD and M&S Maint WT \$0.051 for the quarter, however, we have seen some favorable variance during the earlier part of year due to timing.

Line 23 – Depreciation \$0.291: Favorable variance driven by due to actual vs planned proportional split for NNS & Depreciation \$0.243 and unrealized BD \$0.048. Favorable depreciation partially offset by amortization of (\$0.141).

Line 24 – Amortization (\$0.141): Unfavorable variance due to actual vs planned proportional split for NNS & Depreciation.

Line 41 – Miscellaneous Other Deductions (\$0.122): Unfavorable variance driven by timing of spend on donations to various non-profit organizations and \$0.070 related to firefighter grant to support fire department serving KYAW service territory, advertising, and customer survey/study.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.747: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to Jacobson Park donation.

Line 43 – Federal Income Taxes \$4.095: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

SCENARIO: QTD ACT vs. QTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues (\$2.085): Unfavorable variance primarily driven by usage decline (down 15.6%) due to wet weather seen during the quarter (rainfall was 5.93” higher than normal), partially offset by favorable rate order received. The usage decline affected all the classes except private fire.

Operating Expenses:

Line 6 – Fuel & Power \$0.205: Favorable variance due to plant efficiency implementation and lower system delivery (down 11.1% YOY).

Line 11 – Group Insurance \$0.122: Favorable variance due to better rate and lower headcount (141 vs. 146). The favorable variance company has been enjoying all year

along.

Line 13 – Shared governance and service fees \$0.380: Favorable variance explained at corporate.

Line 16 – Regulatory Expense \$.281: Favorable variance due to Q4 2010 write off of 2008 Rate Case Expense \$0.209, Amort Oct – Dec rate case expense \$0.043, rate case expense true-up \$0.005, write off 2007 depreciation study and cost of service study \$0.027, partially offset by lower amortization of rate case expense \$0.003 in 2011.

Line 41 – Miscellaneous Other Deductions \$0.151: Favorable variance due to timing of spend on donations to various organizations \$0.035 and also advertising spend on Jacobson Park transfer \$.116 in Dec 2010.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.753: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to Jacobson Park donation.

Line 43 – Federal Income Taxes \$4.095: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

YTD INCOME STATEMENT

SCENARIO: YTD ACT vs. YTD PLAN

Operating Revenues:

Line 1 – Water Revenue (\$2.239): Unfavorable variance due to usage decline (down 5.4% vs. budget) due to the wettest year KY experienced (rainfall was 20.8” higher than normal), unrealized BD \$(0.396), lower customer growth \$(0.173). Usage decline somewhat offset by favorable rate increase. Usage decline primarily affected residential, commercial, OPA and SFR classes, Industrial (slightly usage increase) and private fire saw revenue increase for the year.

Operating Expenses:

Line 5 – Purchase Water (\$0.106): Unfavorable variance due to purchase water from Georgetown needed to resolve water quality issue for some customers in Owenton service area.

Line 11 – Group Insurances \$0.272: Favorable variance primarily due to better rate and lower headcounts (actual 141 vs. budget 150).

Line 13 – Shared governance & Service Fees \$.421: Favorable variance explained at corporate.

Line 16 – Regulatory expense \$.156: Favorable variance due to cost of service and depreciation study amortization from 2007 rate case for which a full write off was ordered by the PSC and performed in 4Q 2010 and was included in 2011 plan.

Line 24 – Amortization \$(.613): Unfavorable primarily due to proportional split of plan for NNS and Depreciation. Offset in Depreciation expense \$0.752.

Line 39 – Miscellaneous Income \$19,126: Favorable due to the recording of the gain related to the market value increase of Jacobson Park \$19.050, higher M&J revenue from contractors due to damaged main/hydrant, lost water revenue from the damage etc \$0.176, partially offset by M&J expenses occurred to fix the damaged main/hydrant \$(0.099).

Line 41 – Miscellaneous Deductions \$(19,177): Unfavorable due to the recording of the donation of Jacobson Park \$19.135 and donations to variance organizations \$0.041.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.596: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to

Jacobson Park donation.

Line 43 – Federal Income Taxes \$3.650: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$9.270: Favorable variance primarily due to 2010 rate increase (+27%). Increased rates accounted for the \$14.1m of the favorability, offset by lower consumption in all classes due to the more cool and the wettest year in KY has experienced (usage declined 8.2% compared to 2010).

Operating Expenses:

Line 5 – Purchase Water (\$0.109): Unfavorable variance due to purchase water from Georgetown needed to resolve water quality issue for some customers in Owenton service area.

Line 10 – Pensions \$.177: Favorable variance due to updated actuarial FAS87 assumptions resulted lower premium.

Line 13 – Management Fees \$1.319: Favorable variance explained at corporate level.

Line 16 – Regulatory expense \$.348: Favorable due to lower deferred rate case expense \$0.065 and Q4 2010 write off of 2008 rate Case expense \$0.208, Amort Oct – Dec rate case Exp \$0.043, write off of 2007 depreciation study and cost of service study totaled \$0.027 and true-up of rate case expense \$0.005.

Line 20 – General office expense \$(.134): Unfavorable variance due to 2011 relocation expenses \$(.122) and janitorial expenses \$(.025) from Hales Cleaning Service & to cover new operation facility and KRSII, higher employee expense \$(0.023) related to travel for conference & registration, other misc expense combined \$(0.011), partially offset by lower inter company credit line fees \$0.041 and dues/memberships & other \$0.006.

Line 23 – Depreciation \$(2.225): Unfavorable variance primarily due to depreciation expenses on the new \$162m water treatment plant not in service in prior year.

Other Income/Deduction:

Line 29 – Interest on Long-term Debt \$(4.002): Unfavorable due to interest expense related to \$162m water treatment plant not in service in prior year. Note first 9 months of 2010, interest on \$95m in tax exempt financing was capitalized.

Line 32 – AFUDC Equity \$(1.964): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 33 – AFUDC Debt \$(.995): Unfavorable variance primarily due to cessation of AFUDC on new \$162m water treatment plant now in service.

Line 39 – Miscellaneous Income \$18,948: Favorable due to the recording of the gain related to the market value increase of Jacobson Park.

Line 41 – Miscellaneous Deductions \$(18,807): Unfavorable due to the recording of the donation of Jacobson Park, slightly offset by 2010 spend on advertising for new water treatment plant \$.165 and other public relation campaign/advertising \$.144.

Provision for Income Taxes

Line 42 – State Income Taxes \$0.512: Favorable state income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$0.690 related to Jacobson Park donation.

Line 43 – Federal Income Taxes \$3.285: Favorable federal income taxes variance explained at corporate. The variance primarily due to a tax benefit of \$3.782 related to Jacobson Park donation.

Income Statement - Month To Date

 Kentucky with Growth
 Dec 2011
 (\$ in Thousands)

	MTD Actuals	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES							
Water Revenues	5,609	6,154	(545)	(8.86)%	6,064	(455)	(7.50)%
Sewer Revenues	23	25	(2)	(7.65)%	26	(3)	(10.22)%
Other Operating Revenues	254	246	9	3.54%	244	10	3.97%
Operating Revenues	5,887	6,425	(538)	(8.38)%	6,334	(448)	(7.07)%
OPERATIONS & MAINTENANCE EXPENSE							
PRODUCTION EXPENSES							
Purchased Water	26	9	(17)	(180.11)%	6	(20)	(324.35)%
Fuel and Power	271	277	6	2.21%	321	50	15.59%
Chemicals	146	137	(9)	(6.83)%	162	16	9.80%
Waste Disposal	30	29	(1)	(3.54)%	21	(8)	(39.05)%
Total production costs	473	452	(21)	(4.60)%	511	38	7.43%
O&M LABOR & OVERHEAD							
Labor	755	675	(80)	(11.84)%	691	(64)	(9.31)%
Pensions	75	82	7	8.06%	82	7	8.37%
Group Insurances	186	200	14	6.90%	226	40	17.53%
Other benefits	45	37	(8)	(20.72)%	35	(10)	(28.95)%
Total employee related	1,061	994	(67)	(6.76)%	1,033	(28)	(2.71)%
Shared governance and service fees							
Shared business services fees	293	281	(12)	(4.43)%	388	95	24.50%
Contracted services	498	450	(48)	(10.70)%	437	(61)	(13.86)%
Total contracted services	791	731	(60)	(7.73)%	825	34	4.31%
Regulatory and amortization							
Regulatory expense	571	541	(30)	(5.58)%	608	37	6.11%
Insurance Other Than Group	18	31	14	43.48%	284	266	93.75%
Customer Accounting	52	56	4	6.90%	79	26	33.45%
Rents	53	157	104	65.97%	171	118	68.80%
General office expense	3	3	0	(9.44)%	2	(1)	(38.92)%
Miscellaneous	57	59	2	4.00%	60	3	5.46%
Maintenance	279	157	(122)	(77.95)%	207	(72)	(34.86)%
Total O&M expense	3,077	2,863	(214)	(7.47)%	3,580	504	14.06%
Depreciation	763	886	123	13.85%	609	(155)	(25.43)%
Amortization	184	140	(43)	(30.97)%	191	8	4.09%
Depreciation and amortization	947	1,026	79	7.73%	800	(147)	(18.37)%
General taxes	398	411	13	3.19%	359	(39)	(10.82)%
Gain on sale of assets	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-
Total operating expenses, net	4,422	4,301	(122)	(2.83)%	4,740	318	6.70%
Operating Income	1,464	2,124	(660)	(31.07)%	1,594	(130)	(8.16)%
OTHER INCOME & DEDUCTIONS							
Interest Income	-	-	-	-	0	0	(100.00)%
Interest on long-term debt	976	1,029	53	5.18%	909	(66)	(7.30)%
Interest on Short-Term Bank Debt	2	7	4	64.34%	6	4	59.98%
Other Interest Expense	0	-	0	-	4	4	100.00%
Total interest expense	978	1,036	58	5.56%	919	(59)	(6.42)%
AFUDC - Equity	40	31	9	28.15%	30	10	31.44%
AFUDC Debt	19	26	(7)	(26.55)%	14	5	31.68%
Amortization of Debt Expense	6	5	(1)	(19.76)%	11	5	46.98%
Preferred dividends of subsidiaries	-	-	-	-	-	-	-
Non-Operating Rental Income	-	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-	-
Miscellaneous Income	(1)	(10)	9	92.35%	16	(17)	(104.44)%
Total other income	(1)	(10)	9	92.35%	16	(17)	(104.44)%
Miscellaneous Amortization	0	-	0	-	0	0	0.37%
Miscellaneous Other Deductions	39	7	(32)	(446.46)%	201	162	80.56%
Total Other Deductions	39	7	(32)	(446.46)%	162	80.95%	(185.39)%
Other, net	(40)	(17)	(23)	(138.72)%	(185)	145	(185.39)%
Total other income (deductions)	(40)	(17)	(23)	(138.72)%	(185)	145	(185.39)%
Income (loss) before income taxes	489	1,124	(635)	(55.56)%	524	(25)	(4.72)%
State Income Taxes	(660)	66	727	1,096.42%	43	704	1,627.97%
Federal Income Taxes	(3,514)	408	3,922	961.00%	250	3,764	1,506.92%
Provision (Benefit) for Income Taxes	(4,174)	474	4,648	111.38%	297	(4,471)	(111.38)%
Net income (loss)	(3,685)	650	4,335	117.64%	227	(3,908)	(117.64)%
Preferred Dividend Declared	6	6	0	0.00%	6	0	0.00%
Common Dividend Declared	4,683	642	(4,041)	(86.11)%	297	4,387	1,478.98%
Net Income To Common Stock	7,116	3,708	(3,408)	(47.89)%	3,276	(3,840)	(117.22)%
Current Year Retained Earnings	(2,433)	(3,065)	632	20.63%	(2,979)	546	18.34%

Income Statement - Year To Date						
Kentucky with Growth						
Dec YTD 2011						
(\$ in Thousands)						
	YTD Actuals	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pt. Yr.	Variance Favorable (Unfavorable)
						% Variance
OPERATING REVENUES						
Water Revenues	79,776	82,016	(2,239)	(2.73)%	70,507	9,270
Sewer Revenues	300	316	(16)	(5.10)%	319	(19)
Other Operating Revenues	3,224	3,164	60	1.90%	3,229	(4)
Operating Revenues	83,301	85,496	(2,195)	(2.57)%	74,054	9,246
OPERATIONS & MAINTENANCE EXPENSE						
PRODUCTION EXPENSES						
Purchased Water	225	118	(106)	(89.81)%	116	(109)
Fuel and Power	3,717	4,092	375	9.16%	3,739	22
Chemicals	1,901	1,877	(23)	(1.25)%	1,834	(66)
Waste Disposal	302	346	44	12.77%	246	(55)
Total production costs	6,144	6,433	289	4.49%	5,835	(210)
O&M LABOR & OVERHEAD						
Labor	7,667	7,659	(7)	(0.10)%	7,225	(441)
Pensions	923	981	57	5.84%	1,100	177
Group Insurances	2,095	2,366	272	11.49%	2,246	152
Other benefits	410	390	(20)	(5.22)%	353	(57)
Total employee related	11,095	11,396	302	2.65%	10,924	(170)
Shared governance and service fees						
Shared business services fees	2,982	3,403	421	12.38%	4,301	1,319
Contracted services	4,769	4,887	117	2.40%	4,547	(222)
Total contracted services	7,751	8,290	539	6.94%	8,848	1,097
Regulatory expense						
Regulatory expense	215	370	156	42.07%	562	348
Insurance Other Than Group	580	675	94	13.98%	548	(32)
Customer Accounting	1,857	1,929	72	3.75%	1,904	48
Rents	32	36	4	10.10%	31	(1)
General office expense	773	697	(77)	(10.98)%	639	(134)
Miscellaneous	1,843	1,917	74	3.84%	1,809	(34)
Maintenance	1,608	1,544	(64)	(4.13)%	1,741	133
Total O&M expense	32,972	34,419	1,448	4.21%	33,992	1,020
Depreciation and amortization						
Depreciation	8,915	9,667	752	7.78%	6,690	(2,225)
Amortization	2,183	1,570	(613)	(39.03)%	2,183	0
Total depreciation and amortization	11,098	11,237	139	1.24%	8,873	(2,225)
General taxes						
Gain on sale of assets	5,102	4,955	(147)	(2.97)%	4,864	(238)
Impairment charges	-	-	-	-	-	-
Total operating expenses, net	49,172	50,612	1,440	2.84%	47,729	(1,443)
Operating income	34,129	34,885	756	2.17%	26,326	7,803
OTHER INCOME & DEDUCTIONS						
Interest income	-	-	-	-	(3)	(3)
Interest on long-term debt	10,864	11,762	899	7.64%	6,862	(4,002)
Interest on Short-Term Bank Debt	73	78	5	6.71%	115	42
Other Interest Expense	(3)	-	3	-	(4)	(1)
Total interest expense	10,933	11,840	907	7.66%	6,970	(3,963)
AFUDC - Equity						
AFUDC - Equity	281	237	44	18.63%	2,244	(1,964)
Amortization of Debt Expense						
Amortization of Debt Expense	132	194	(62)	(32.01)%	1,127	(995)
Preferred dividends of subsidiaries						
Preferred dividends of subsidiaries	86	75	(12)	(15.62)%	129	(42)
Other, net						
Non-Operating Rental Income	-	-	-	-	-	-
Dividend Income - Common	-	-	-	-	-	-
Dividend Income - Preferred	-	-	-	-	-	-
Miscellaneous Income	19,118	(8)	19,126	230,521.45%	170	18,948
Total other income	19,118	(8)	19,126	230,521.45%	170	18,948
Miscellaneous Amortization						
Miscellaneous Amortization	0	0	0	0.03%	0	0
Miscellaneous Other Deductions						
Miscellaneous Other Deductions	19,514	336	(19,177)	(5,702.61)%	707	(18,807)
Total Other Deductions	19,514	336	(19,177)	(5,702.49)%	706	(18,807)
Other, net	(395)	(345)	(51)	(14.75)%	(536)	141
Total other income (deductions)	(11,002)	(11,829)	827	6.99%	(4,264)	(6,739)
Income (loss) before income taxes	23,127	23,056	71	0.31%	22,062	1,065
State income taxes						
State income taxes	774	1,370	596	43.48%	1,286	512
Federal income taxes						
Federal income taxes	4,396	8,046	3,650	45.36%	7,681	3,285
Provision (Benefit) for Income Taxes	5,170	9,416	4,246	46.72%	8,967	3,743
Net income (loss)	18,110	13,640	(4,470)	(32.77)%	13,302	4,808
Preferred Dividend Declared	78	84	(6)	(7.59)%	78	0
Net income to Common Stock	18,032	13,556	(4,476)	(33.02)%	13,224	4,808
Common Dividend Declared	13,574	9,932	(3,642)	(36.67)%	8,934	(4,639)
Current Year Retained Earnings	4,459	3,624	(834)	(23.02)%	4,290	168



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

Jan 2012

Jan 2012 FRP commentary
INCOME STATEMENT
STATE: KENTUCKY
SCENARIO: MTD ACT vs. MTD PLAN

No Significant Variances

Jan 2012 FRP commentary
INCOME STATEMENT
STATE: KENTUCKY
SCENARIO: MTD ACT vs. MTD PRIOR YEAR

No Significant Variances

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	5,987	-	5,987	(394)	6,382	(394)	(6.18)%	6,308	(321)	(5.09)%
Sewer revenues	24	24	-	(1)	25	(1)	(2.13)%	24	1	3.10%
Other operating revenues	260	-	260	31	229	31	13.33%	229	31	13.48%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	6,271	-	6,271	(364)	6,636	(364)	(5.49)%	6,561	(289)	(4.41)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	29	-	(29)	8	37	8	21.73%	15	(14)	(98.45)%
Fuel and Power	302	-	(302)	13	316	13	4.24%	324	21	6.59%
Chemicals	136	-	(136)	(5)	132	(5)	(3.41)%	146	10	6.77%
Waste disposal	28	-	(28)	(4)	23	(4)	(17.51)%	24	(4)	(16.66)%
Total production costs	496	-	(496)	13	508	13	2.53%	508	13	2.53%
Salaries & Wages	652	-	(652)	(5)	647	(5)	(0.81)%	626	(26)	(4.15)%
Pensions	90	-	(90)	(4)	86	(4)	(4.21)%	80	(10)	(12.58)%
Group insurances	186	-	(186)	(13)	173	(13)	(7.32)%	185	(1)	(0.50)%
Other benefits	37	-	(37)	(4)	33	(4)	(12.42)%	32	(5)	(15.86)%
Total employee related	966	-	(966)	(26)	940	(26)	(2.73)%	923	(42)	(4.55)%
Service Company costs	682	-	(682)	40	722	40	5.55%	698	16	2.30%
Contracted services	94	-	(94)	(16)	78	(16)	(20.83)%	69	(25)	(36.35)%
Building maintenance and services	53	-	(53)	4	57	4	7.08%	55	2	3.48%
Telecommunication expenses	23	-	(23)	(2)	21	(2)	(8.06)%	29	6	19.33%
Postage printing and stationery	3	-	(3)	0	3	0	(5.42)%	1	(1)	(98.71)%
Office supplies & expenses	16	-	(16)	3	19	3	15.90%	16	1	3.09%
Advertising & marketing expenses	-	-	-	3	3	3	100.00%	-	-	-
Employee related expense travel & entertainment	22	-	(22)	(7)	15	(7)	(49.19)%	3	(19)	(619.41)%
Miscellaneous expenses	57	-	(57)	18	74	18	24.06%	67	10	15.02%
Rents	9	-	(9)	(7)	3	(7)	(251.97)%	2	(7)	(284.69)%
Transportation	50	-	(50)	(8)	42	(8)	(19.07)%	39	(11)	(27.22)%
Operating supplies & services	327	-	(327)	(12)	314	(12)	(3.92)%	282	(45)	(15.92)%
Uncollectible Accounts Exp	101	-	(101)	(102)	(1)	(102)	(14,190.63)%	88	(13)	(14.94)%
Customer accounting other	87	-	(87)	18	104	18	16.79%	92	5	5.86%
Regulatory expense	18	-	(18)	0	18	0	0.00%	17	(1)	(3.23)%
Insurance other than group	50	-	(50)	5	56	5	9.77%	54	4	6.67%
Maintenance service & supplies	142	-	(142)	(38)	105	(38)	(35.83)%	149	7	4.47%
Total operation and maintenance	2,868	-	(2,868)	(101)	2,767	(101)	(3.66)%	2,812	(56)	(1.99)%
Depreciation	769	-	(769)	(16)	753	(16)	(2.08)%	708	(61)	(8.60)%
Amortization	17	-	(17)	(1)	16	(1)	(5.68)%	18	1	4.83%
Removal costs	167	-	(167)	(1)	166	(1)	(0.68)%	162	(5)	(2.87)%
Depreciation and Amortization	953	-	(953)	(18)	936	(18)	(1.90)%	889	(65)	(7.28)%
General taxes	438	-	(438)	(16)	422	(16)	(3.76)%	375	(63)	(16.76)%
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	4,259	-	(4,259)	(135)	4,124	(135)	(3.27)%	4,076	(184)	(4.50)%
Operating income (loss)	2,012	-	2,012	(499)	2,512	(499)	(19.88)%	2,485	(473)	(19.03)%
OTHER INCOME & DEDUCTIONS										
Interest income	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	976	-	(976)	27	1,002	27	2.66%	909	(66)	(7.30)%
Interest on Short-Term Bank Debt	6	-	(6)	5	11	5	47.79%	5	(1)	(13.16)%
Other Interest Expense	0	-	0	0	0	0	-	(3)	(3)	(100.10)%
Interest net	982	-	(982)	32	1,014	32	3.17%	911	(71)	(7.74)%
Allowance for other funds used during construct	44	-	(44)	10	34	10	28.46%	26	18	67.78%
Allowance for borrowed funds used during constr	20	-	(20)	(6)	26	(6)	(21.51)%	12	8	67.78%
Amortization of debt expense	6	-	(6)	(1)	5	(1)	(19.76)%	11	5	46.98%
Other Net	(30)	-	(30)	(73)	(73)	(73)	59.15%	(49)	19	38.68%
Total other income (expenses)	(953)	-	(953)	78	(1,032)	78	7.60%	(933)	(21)	(2.21)%
Income (loss) before income taxes	1,059	-	(1,059)	(421)	1,480	(421)	(28.44)%	1,553	(493)	(31.78)%
Provision for income taxes	426	-	(426)	147	572	147	25.61%	621	196	31.48%
Income (loss) from continuing operations	633	-	(633)	(274)	908	(274)	(30.23)%	931	(298)	(31.99)%
Income (loss) from discontinued operations - net of tax	-	-	-	(274)	908	(274)	(30.23)%	931	(298)	(31.99)%
Net income (loss)	633	-	(633)	(6)	908	(6)	0.48%	931	0	0.00%
Preferred dividend declared	-	-	-	7	-	7	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	627	-	(627)	(274)	901	(274)	(30.45)%	925	(298)	(32.21)%
Common dividends	-	-	-	(1)	(1)	(1)	(100.00)%	-	-	-
Current Year Retained Earnings	627	-	(627)	(275)	902	(275)	(30.52)%	925	(298)	(32.21)%

Feb MTD Financial Performance

Operating Income unfavorable to Plan \$236K

Net Income to Common Stock unfavorable to Plan \$173K

Revenues unfavorable to Plan \$276K

- Revenue was unfavorable by \$276K or 4.38% primarily driven by declining usage in Residential \$237K or 7.13%, commercial \$73K or 4.76% and OPA \$27K or 6.55%, partially offset by stronger sales in Industrial \$29K or 19.27% and SRF \$6K or 4.96%.

Operating Expenses favorable to Plan \$40K

- Labor was \$47K favorable mainly driven by headcount \$49K (137 vs 141) and lower OT \$11K, partially offset by misc other.
- Customer accounting was \$67K favorable due to lower write-offs in Feb and allowance portion of the expense was favorably impacted by lower write-offs from previous months. 12 month rolling uncollectible rate is 0.82% vs. budget for 2012 of 0.72%. The full year is expected to be on target.
- General taxes were \$55K unfavorable primarily due to property tax true up of \$56K related to 2011 payable in 2012.

Total Other Income/Deductions

- No Significant Variance

2012 Year-To-Date Financial Performance

Operating Income unfavorable to Plan \$809K

Net Income to Common Stock unfavorable to Plan \$491K

Revenues unfavorable to Plan \$642K

- Unfavorable revenues were driven by lower demand \$838K in Residential (usage 5.4% lower), Commercial (usage 2.5% lower) and OPA(usage 7.7% lower), partially offset by favorable variance due to pricing \$98K, Other operating revenue \$51K (reconnection charges, collection for other, etc) and customer growth \$19K.

Operating Expenses unfavorable to plan \$167K

- Fuel & Power were \$39K favorable due to lower than planned system delivery (4% lower) and optimization of operations between plants.
- Labor was \$42K favorable primarily due to lower headcount and savings from OT, offset by group insurance \$41K due to higher than expected group insurance rate (\$80/per person). The unfavorable variance is expected to continue through the remainder of year.
- Contract services were \$42K unfavorable primarily due to expense related to outside legal counsel to temporarily fill in the duty which was previously performed by two inside counsels (now both are vacant). The expense is expected to offset by saving from MGMT Fees for the two vacant positions once the revised service company budget is finalized (expected in March).
- Shared Business Service Fees were \$55K unfavorable due to Corp allocation methodology, unfavorable variance driven by CSC (new expense allocation based on number of calls handled for a specific state), Procurement, Laboratory and SSC, partially offset by savings from ITS due to higher vacancies. The budget for Shared Business Service Fees is going to be revised in March.
- General taxes were \$71K unfavorable due to the property tax true up \$56K in Feb which was related to 2011 payable in 2012, the remaining variance driven by payroll taxes primarily due to timing and higher Utility Reg Assessment Fee.

Total Other Income/Deductions favorable \$63K

- The favorable variance primarily due to timing of various donations and planned reduction on donations.

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	5,737	-	5,737	(296)	6,033	(296)	(4.90)%	5,954	(217)	(3.64)%
Sewer revenues	25	-	25	(1)	26	(1)	(2.81)%	26	0	(1.80)%
Other operating revenues	269	-	269	21	248	21	8.60%	247	22	8.89%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	6,032	-	6,032	(275)	6,307	(275)	(4.36)%	6,227	(195)	(3.13)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	24	-	(24)	3	27	3	10.91%	16	(8)	(49.24)%
Fuel and Power	270	-	(270)	26	296	26	8.70%	410	139	34.03%
Chemicals	115	-	(115)	11	126	11	8.49%	124	9	7.34%
Waste disposal	22	-	(22)	1	23	1	4.95%	22	0	0.55%
Total production costs	432	-	(432)	41	473	41	8.59%	573	141	24.56%
Salaries & Wages	562	-	(562)	47	609	47	7.79%	581	19	3.25%
Pensions	88	-	(88)	(2)	86	(2)	(2.35)%	79	(9)	(11.84)%
Group insurances	182	-	(182)	182	173	(9)	(4.90)%	182	0	0.11%
Other benefits	24	-	(24)	12	36	12	33.92%	29	5	18.47%
Total employee related	856	-	(856)	49	905	49	5.43%	871	15	1.74%
Service Company costs	686	-	(686)	15	701	15	2.13%	654	(32)	(4.88)%
Contracted services	106	-	(106)	(26)	80	(26)	(31.96)%	95	(11)	(11.62)%
Building maintenance and services	51	-	(51)	4	55	4	6.71%	52	0	0.38%
Telecommunication expenses	20	-	(20)	2	21	2	7.29%	15	(4)	(29.08)%
Postage printing and stationery	2	-	(2)	0	2	0	5.08%	3	1	28.82%
Office supplies & expenses	11	-	(11)	7	18	7	38.25%	11	0	(1.47)%
Advertising & marketing expenses	-	-	-	-	-	-	-	-	-	-
Employee related expense travel & entertainment	19	-	(19)	1	20	1	4.46%	12	(7)	(63.76)%
Miscellaneous expenses	70	-	(70)	3	73	3	4.47%	54	(16)	(29.47)%
Rents	4	-	(4)	(1)	3	(1)	(51.03)%	2	(2)	(81.21)%
Transportation	54	-	(54)	(15)	39	(15)	(37.48)%	57	3	5.03%
Operating supplies & services	337	-	(337)	(25)	312	(25)	(8.07)%	300	(37)	(12.29)%
Uncollectible Accounts Exp	50	-	(50)	67	17	67	389.57%	(62)	(12)	(19.13)%
Customer accounting other	101	-	(101)	(2)	99	(2)	(2.00)%	101	0	(0.05)%
Regulatory expense	18	-	(18)	0	18	0	0.00%	18	0	(0.25)%
Insurance other than group	50	-	(50)	6	56	6	10.35%	55	5	8.98%
Maintenance service & supplies	79	-	(79)	31	110	31	28.27%	126	47	37.60%
Total operation and maintenance	2,508	-	(2,508)	182	2,689	182	6.75%	2,635	127	4.84%
Depreciation	767	-	(767)	(13)	754	(13)	(1.76)%	735	(32)	(4.42)%
Amortization	17	-	(17)	(1)	16	(1)	(5.68)%	18	1	4.83%
Removal costs	167	-	(167)	(1)	166	(1)	(0.73)%	163	(4)	(2.58)%
Depreciation and Amortization	952	-	(952)	(15)	936	(15)	(1.65)%	916	(36)	(3.91)%
General taxes	468	-	(468)	(55)	413	(55)	(13.39)%	984	515	52.41%
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	3,928	-	(3,928)	111	4,038	111	2.75%	4,535	607	13.39%
Operating Income (loss)	2,104	-	2,104	(164)	2,268	(164)	(7.24)%	1,692	412	24.34%
OTHER INCOME & DEDUCTIONS										
Interest Income	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	976	-	(976)	(33)	942	(33)	(3.55)%	909	(66)	(7.30)%
Interest on Short-Term Bank Debt	5	-	(5)	4	9	4	42.73%	6	0	6.08%
Other Interest Expense	-	-	-	-	-	-	-	0	0	100.00%
Interest net	981	-	(981)	(29)	952	(29)	(3.10)%	915	(66)	(7.19)%
Allowance for other funds used during constructi	50	-	50	13	37	13	34.43%	(7)	811.49%	811.49%
Allowance for borrowed funds used during constr	23	-	23	(5)	28	(3)	(17.86)%	(3)	27	811.42%
Amortization of debt expense	6	-	(6)	(1)	5	(1)	(19.76)%	11	5	46.98%
Other Net	(2)	-	(2)	8	(10)	8	76.57%	(11)	9	78.83%
Total other income (expenses)	(916)	-	(916)	(15)	(901)	(15)	(1.68)%	(948)	31	3.29%
Income (loss) before income taxes	1,188	-	1,188	(179)	1,367	(179)	(13.12)%	745	443	59.50%
Provision for income taxes	478	-	(478)	50	528	50	9.56%	298	(179)	(60.21)%
Income (loss) from continuing operations	710	-	710	(129)	839	(129)	(15.36)%	447	264	59.03%
Income (loss) from discontinued operations - net of ta	-	-	-	-	-	-	-	-	-	-
Net income (loss)	710	-	710	(129)	839	(129)	(15.36)%	447	264	59.03%
Preferred dividend declared	6	-	(6)	0	7	0	0.48%	0	0	0.00%
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	704	-	704	(129)	833	(129)	(15.48)%	440	264	59.89%
Common dividends	-	-	-	(1)	(1)	(1)	(100.00)%	-	-	-
Current Year Retained Earnings	704	-	704	(130)	834	(130)	(15.58)%	440	264	59.89%

Income Statement - Year To Date
E12_Kentucky American
FEBYTD 2012
(\$ In Thousands)

	YTD Actuals	YTD Forecast	Variance Favorable (Unfavorable)	% Variance	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
1	11,724	-	11,724		12,415	(690)	(5.56)%	12,262	(538)	(4.38)%
2	50	-	50		51	(1)	(2.47)%	49	0	0.55%
3	529	-	529		477	52	10.87%	476	53	11.09%
4	-	-	-		-	-	-	-	-	-
5	-	-	-		-	-	-	-	-	-
	12,303	-	12,303		12,943	(640)	(4.94)%	12,788	(485)	(3.79)%
OPERATIONS & MAINTENANCE EXPENSE										
5	53	-	(53)		65	11	17.16%	31	(22)	(72.57)%
6	573	-	(573)		612	39	6.40%	734	161	21.92%
7	252	-	(252)		271	6	2.39%	271	19	7.03%
8	50	-	(50)		47	(3)	(6.28)%	46	(4)	(8.28)%
	928	-	(928)		981	53	5.45%	1,081	154	14.20%
9	1,214	-	(1,214)		1,256	42	3.36%	1,207	(7)	(0.59)%
10	178	-	(178)		172	(6)	(3.28)%	159	(19)	(12.21)%
11	368	-	(368)		347	(21)	(6.11)%	367	(1)	(0.19)%
12	61	-	(61)		69	8	11.71%	61	0	0.47%
	1,821	-	(1,821)		1,845	23	1.27%	1,794	(27)	(1.50)%
13	1,367	-	(1,367)		1,422	55	3.87%	1,351	(16)	(1.17)%
15	200	-	(200)		158	(42)	(26.47)%	164	(36)	(22.04)%
16	105	-	(105)		112	8	6.90%	107	2	1.98%
17	43	-	(43)		43	0	(0.38)%	44	1	2.44%
18	5	-	(5)		5	0	(0.82)%	4	(1)	(14.22)%
19	27	-	(27)		37	10	26.96%	27	0	1.23%
20	41	-	(41)		35	(6)	(18.07)%	15	(26)	(177.48)%
21	126	-	(126)		147	21	14.38%	120	(6)	(4.85)%
22	14	-	(14)		5	(8)	(51.50)%	5	(9)	(187.69)%
	104	-	(104)		81	(23)	(27.98)%	96	(8)	(8.15)%
	664	-	(664)		626	(37)	(5.98)%	582	(82)	(14.05)%
23	51	-	(51)		17	(34)	(208.00)%	26	(25)	(95.84)%
23	187	-	(187)		203	16	7.66%	193	5	2.78%
23	35	-	(35)		35	0	0.00%	35	(1)	(1.72)%
24	101	-	(101)		112	11	10.06%	109	9	7.83%
	221	-	(221)		214	(7)	(3.03)%	275	54	19.66%
13	5,375	-	(5,375)		5,456	80	1.47%	5,447	71	1.31%
25	1,536	-	(1,536)		1,507	(29)	(1.92)%	1,443	(93)	(6.47)%
26	34	-	(34)		33	(1)	(5.68)%	36	2	4.83%
	334	-	(334)		332	(2)	(0.70)%	326	(9)	(2.73)%
25	1,905	-	(1,905)		1,872	(33)	(1.77)%	1,805	(101)	(5.57)%
26	906	-	(906)		835	(71)	(8.53)%	1,359	453	33.32%
	-	-	-		-	-	-	-	-	-
	8,187	-	(8,187)		8,163	(24)	(0.29)%	8,610	424	4.92%
13	4,116	-	4,116		4,780	(664)	(13.88)%	4,177	(61)	(1.46)%
28	-	-	-		-	-	-	-	-	-
29	1,951	-	(1,951)		1,945	(7)	(0.35)%	1,819	(133)	(7.30)%
30	11	-	(11)		21	9	45.50%	11	0	(3.13)%
31	0	-	0		0	0	-	(3)	(3)	(100.11)%
	1,963	-	(1,963)		1,965	3	0.13%	1,826	(136)	(7.46)%
32	93	-	(93)		71	22	31.57%	19	74	389.29%
33	44	-	(44)		54	(11)	(19.61)%	9	35	389.32%
34	12	-	(12)		10	(2)	(19.76)%	22	10	46.96%
35	(32)	-	(32)		(83)	(51)	61.25%	(60)	28	46.13%
35	(1,870)	-	(1,870)		(1,933)	(63)	3.27%	(1,880)	11	0.56%
	2,247	-	2,247		2,847	(600)	(21.09)%	2,297	(50)	(2.19)%
43	903	-	(903)		1,100	197	17.91%	919	16	1.76%
	1,343	-	(1,343)		1,747	(403)	(23.09)%	1,378	(34)	(2.48)%
	-	-	-		-	-	-	-	-	-
	1,343	-	(1,343)		1,747	(403)	(23.09)%	1,378	(34)	(2.48)%
48	13	-	(13)		13	0	0.48%	13	0	0.00%
48	1,330	-	(1,330)		1,734	(403)	(23.26)%	1,365	(34)	(2.51)%
	-	-	-		(2)	(2)	(100.00)%	-	-	-
	1,330	-	(1,330)		1,736	(405)	(23.35)%	1,365	(34)	(2.51)%

OPERATING REVENUES

Water revenues
Sewer revenues
Other operating revenues
Market-Based revenues
Management revenues

OPERATING REVENUES

Purchased water
Fuel and Power
Chemicals
Waste disposal

Total production costs

Salaries & Wages
Pensions
Group Insurances
Other benefits

Total employee related

Service Company costs

Contracted services
Building maintenance and services
Telecommunication expenses
Postage printing and stationery
Office supplies & expenses
Advertising & marketing expenses
Employee related expense travel & entertainment
Miscellaneous expenses

Operating supplies & services

Uncollectible Accounts Exp
Customer accounting other
Regulatory expense
Insurance other than group

Total operation and maintenance

Depreciation
Amortization
Removal costs

Depreciation and Amortization

General taxes
Loss (gain) on sale of assets
Impairment charges

Total operating expenses net

Operating income (loss)

OTHER INCOME (EXPENSES)

Interest Income
Interest on long-term debt
Interest on Short-Term Bank Debt
Other Interest Expense

Interest net

Allowance for other funds used during constructi

Allowance for borrowed funds used during const

Amortization of debt expense

Other Net

Total other income (expenses)

Income (loss) before income taxes

Provision for income taxes

Income (loss) from continuing operations

Income (loss) from discontinued operations - net of t

Net income (loss)

Preferred dividend declared

Net income attributable to non-controlling interest

Net income available to common stockholders

Common dividends

Current Year Retained Earnings

March MTD Financial Performance

Operating Income unfavorable to Plan \$174K

Net Income to Common Stock unfavorable to Plan \$96K

Revenues unfavorable to Plan \$190K

- Revenue was unfavorable by \$190K primarily driven by declining usage in Residential \$223K (usage down 4.9%) and OPA \$53K (usage down 14%), partially offset by pricing variance \$41K, stronger sales in Commercial \$26K (usage up 6.4%) and Industrial \$19K (usage up 18%).

Operating Expenses favorable to Plan \$16K

- Total employee expenses were \$44K unfavorable driven by \$62K severance (pay, COBRA & Out placement) and AIP accruals \$39K, partially offset by total labor saving \$53K due to lower headcount (135 actual vs. 141 budget) and few O&M OT. AIP is expected to be flat or lower to plan.
- Contract Services were \$33K favorable driven by credit for contract services related to temp employee \$12K due to accrual reversal and remaining variance \$21K due to timing of spending on various contracted services.
- Customer accounting was \$23K favorable due to lower write-offs in March and allowance portion of the expense was favorably impacted by lower write-offs from previous months. 12 month rolling uncollectible rate is 0.70% vs. budget for 2012 of 0.72%. The full year is expected to be on target.
- Remaining variance driven by misc other expenses combined.

Total Other Income/Deductions favorable to Plan \$58K

- Long Term Debt Interest Expenses were \$27K favorable driven by lower interest rate on LTD \$20M issued in Nov 2011 (actual 5% vs. budget 6%).
- Miscellaneous Income was \$28K favorable due to payment received from Blue Grass Station on UV equipment we purchased for them – one last O&M contract we had with the customer.

2012 Year-To-Date Financial Performance

Operating Income unfavorable to Plan \$838K

Net Income to Common Stock unfavorable to Plan \$500K

Revenues unfavorable to Plan \$832K

- Unfavorable revenue \$832K was primarily driven by declining usage in Residential \$765K (usage down 5.3%), OPA \$190K (usage down 9.8%) and Commercial \$103K (largely due to not making unbilled adjustment in Dec 2011, usage has been picking up for Feb & Mar), partially offset by pricing variance \$140K and misc other combined \$86K (customer growth, reconnection charge and collections for other).

Total YTD usage for all water classes combined was 2.9% lower than plan.

Operating Expenses flat to plan

- Total production costs were \$65K favorable to plan driven by lower than planned system delivery (2.2% lower) and savings in Fuel & Power due to optimization of operations between plants.
- Total employee expenses were \$21K unfavorable primarily driven by severance \$58K, group insurance \$33K (higher than expected group insurance rate) and AIP accrual \$30K (full year expected to be lower or flat to budget), partially offset by labor saving of \$98K due to lower headcount (135 actual vs. 141 budget) and few O&M OT.
- Management Fees were \$59K favorable due to Corp expense allocation methodology.
- Miscellaneous expenses were \$22K favorable driven by software licenses & support \$13K and savings in misc expenses due to timing and management cost saving initiatives.
- General taxes were \$74K unfavorable due to the property tax true up \$56K in Feb (2011 payable in 2012) and higher property tax accrual \$16K, the remaining variance driven by higher Utility Reg Assessment Fee and misc other combined.
- Remaining variance driven by misc other expenses combined.

Total Other Income/Deductions favorable \$121K

- Total Interest Expenses were \$28K favorable driven by LTD interest saving \$20K due to favorable interest rate on the \$20M LTD issued Nov 2011 (actual 5% vs. budget 6%) and STD interest saving \$8K due to lower STD balance.
- AFUDC was \$22K favorable mainly driven by higher AFUDC eligible asset base.
- Miscellaneous Other Deductions were \$62K favorable due to timing of various donations and planned reduction on donations

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	5,734	-	5,734	(189)	5,923	(189)	(3.18)%	6,092	(357)	(5.87)%
Sewer revenues	27	-	27	2	25	2	6.17%	24	2	9.50%
Other operating revenues	274	-	274	(2)	276	(2)	(0.78)%	275	(1)	(0.35)%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	6,035	-	6,035	(189)	6,224	(189)	(3.04)%	6,391	(356)	(5.57)%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	33	-	(33)	(8)	25	(8)	(31.20)%	11	(22)	(208.77)%
Fuel and Power	276	-	(276)	20	297	20	6.86%	280	4	1.46%
Chemicals	137	-	(137)	4	141	4	2.72%	158	20	12.87%
Waste disposal	33	-	(33)	(9)	24	(9)	(35.51)%	23	(10)	(45.61)%
Total production costs	480	-	(480)	8	487	8	1.57%	471	(8)	(1.76)%
Salaries & Wages	658	-	(658)	(23)	635	(23)	(3.63)%	624	(34)	(5.45)%
Pensions	88	-	(88)	(2)	86	(2)	(2.38)%	79	(9)	(11.29)%
Group insurances	185	-	(185)	(12)	173	(12)	(6.79)%	185	0	(0.10)%
Other benefits	43	-	(43)	(8)	35	(8)	(21.70)%	39	(4)	(9.96)%
Total employee related	975	-	(975)	(44)	930	(44)	(4.78)%	927	(47)	(5.07)%
Service Company costs	741	-	(741)	4	745	4	0.52%	668	(73)	(10.95)%
Contracted services	54	-	(54)	33	87	33	37.75%	125	71	56.69%
Building maintenance and services	50	-	(50)	1	51	1	1.70%	51	0	0.41%
Telecommunication expenses	22	-	(22)	(1)	21	(1)	(2.42)%	22	0	(1.01)%
Postage printing and stationery	1	-	(1)	0	2	2	24.55%	2	1	28.61%
Office supplies & expenses	16	-	(16)	3	19	3	16.88%	13	(3)	(22.21)%
Advertising & marketing expenses	9	-	(9)	17	26	17	64.82%	23	14	60.14%
Employee related expense travel & entertainment	66	-	(66)	(10)	57	(10)	(17.25)%	40	(26)	(65.49)%
Miscellaneous expenses	7	-	(7)	7	6	7	(19.93)%	7	0	(0.48)%
Rents	43	-	(43)	0	43	0	(0.64)%	37	(6)	(16.16)%
Transportation	269	-	(269)	45	314	45	14.47%	319	50	15.68%
Operating supplies & services	19	-	(19)	19	39	19	50.27%	114	95	83.20%
Uncollectible Accounts Exp	95	-	(95)	6	101	6	6.04%	96	2	1.61%
Customer accounting other	18	-	(18)	0	18	0	(1.04)%	17	(1)	(3.69)%
Regulatory expense	61	-	(61)	(5)	56	(5)	(9.45)%	37	(24)	(66.03)%
Insurance other than group	119	-	(119)	2	120	2	1.39%	169	50	29.70%
Maintenance service & supplies	2,776	-	(2,776)	34	2,810	34	1.22%	2,819	43	1.54%
Total operation and maintenance	767	-	(767)	(12)	755	(12)	(1.54)%	726	(41)	(5.67)%
Depreciation	17	-	(17)	(1)	16	(1)	(5.68)%	18	1	4.83%
Amortization	167	-	(167)	(1)	166	(1)	(0.63)%	163	(4)	(2.56)%
Removal costs	951	-	(951)	(14)	938	(14)	(1.45)%	907	(44)	(4.90)%
Depreciation and Amortization	411	-	(411)	(3)	408	(3)	(0.68)%	417	6	1.52%
General taxes	3	-	(3)	(3)	-	-	-	-	(3)	-
Loss (gain) on sale of assets	4,141	-	(4,141)	15	4,156	15	0.36%	4,143	2	0.06%
Impairment charges	1,894	-	(1,894)	(174)	2,068	(174)	(8.42)%	2,247	(354)	(15.73)%
Total operating expenses net	1,894	-	(1,894)	15	2,068	15	0.36%	2,247	(354)	(15.73)%
Operating income (loss)	4,141	-	(4,141)	15	4,156	15	0.36%	4,143	2	0.06%
OTHER INCOME & DEDUCTIONS										
Interest income	976	-	(976)	27	1,002	27	2.66%	909	(67)	(7.37)%
Interest on long-term debt	7	-	(7)	(1)	5	(1)	(26.99)%	6	0	(5.70)%
Interest on Short-Term Bank Debt	-	-	-	-	-	-	-	0	0	100.00%
Other Interest Expense	982	-	(982)	25	1,008	25	2.51%	915	(67)	(7.35)%
Interest net	54	-	(54)	15	39	15	37.48%	14	40	275.00%
Allowance for other funds used during construct	25	-	(25)	(5)	30	(5)	(16.00)%	7	19	275.00%
Allowance for borrowed funds used during constr	6	-	(6)	(1)	5	(1)	(19.76)%	11	5	46.98%
Amortization of debt expense	4	-	(4)	4	(20)	24	118.24%	(17)	20	121.94%
Other Net	(905)	-	(905)	58	(963)	58	6.01%	(922)	16	1.78%
Total other income (expenses)	989	-	(989)	(116)	1,105	(116)	(10.52)%	1,326	(337)	(25.43)%
Income (loss) before income taxes	405	-	(405)	20	425	20	4.68%	624	219	35.06%
Provision for income taxes	584	-	(584)	(96)	680	(96)	(14.17)%	702	(118)	(16.87)%
Income (loss) from continuing operations	584	-	(584)	(96)	680	(96)	(14.17)%	702	(118)	(16.87)%
Income (loss) from discontinued operations - net of tax	584	-	(584)	(96)	680	(96)	(14.17)%	702	(118)	(16.87)%
Net income (loss)	584	-	(584)	(96)	680	(96)	(14.17)%	702	(118)	(16.87)%
Preferred dividend declared	7	-	(7)	0	7	0	0.48%	6	0	0.00%
Net income attributable to non-controlling interest	577	-	(577)	(96)	673	(96)	(14.30)%	696	(118)	(17.03)%
Net income available to common stockholders	5,266	-	(5,266)	2,700	2,700	2,700	(95.04)%	2,461	(2,806)	(114.01)%
Common dividends	(4,689)	-	(4,689)	(2,027)	(2,027)	(2,027)	(131.37)%	(1,765)	(2,924)	(165.66)%
Current Year Retained Earnings										

Income Statement - Year To Date
E12_Kentucky American
MARYTD 2012
(\$ In Thousands)

	YTD Actuals	YTD Forecast	Variance Favorable (Unfavorable)	% Variance	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
1	17,459	-	17,459	(87)%	18,337	(879)	(4.79)%	18,354	(895)	(4.88)%
2	76	-	76	0	76	0	0.37%	74	3	3.50%
3	803	-	803	-	753	50	6.60%	751	52	6.90%
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
	18,338	-	18,338	-	19,166	(829)	(4.32)%	19,178	(840)	(4.38)%
OPERATIONS & MAINTENANCE EXPENSE										
5	87	-	(87)	3	90	3	3.58%	42	(45)	(107.55)%
6	849	-	(849)	908	908	59	6.55%	1,014	165	16.27%
7	389	-	(389)	399	399	10	2.51%	428	39	9.18%
8	83	-	(83)	71	71	(12)	(16.30)%	69	(14)	(20.63)%
	1,407	-	(1,407)	1,469	1,469	61	4.16%	1,553	145	9.35%
9	1,872	-	(1,872)	1,891	1,891	19	1.01%	1,831	(41)	(2.25)%
10	266	-	(266)	259	259	(8)	(2.98)%	238	(28)	(11.90)%
11	553	-	(553)	520	520	(33)	(6.34)%	552	(1)	(0.16)%
12	104	-	(104)	104	104	0	0.46%	100	(4)	(3.58)%
	2,796	-	(2,796)	2,775	2,775	(21)	(0.76)%	2,722	(74)	(2.72)%
13	2,108	-	(2,108)	2,167	2,167	59	2.72%	2,019	(89)	(4.41)%
15	254	-	(254)	245	245	(9)	(3.71)%	288	35	11.99%
16	155	-	(155)	164	164	9	5.27%	157	(7)	(4.88)%
17	66	-	(66)	64	64	(1)	(1.06)%	66	2	1.48%
18	43	-	(43)	56	56	13	6.74%	6	(50)	(833.33)%
19	-	-	-	6	6	6	100.00%	40	(3)	(6.23)%
20	50	-	(50)	61	61	11	17.61%	38	(12)	(32.43)%
21	192	-	(192)	204	204	11	5.60%	160	(32)	(20.00)%
22	20	-	(20)	11	11	(9)	(83.91)%	12	(9)	(77.13)%
22	147	-	(147)	124	124	(23)	(18.56)%	133	(14)	(10.37)%
	933	-	(933)	941	941	8	0.85%	901	(32)	(3.53)%
23	70	-	(70)	55	55	(15)	(27.24)%	140	70	49.99%
23	282	-	(282)	304	304	22	7.12%	289	7	2.39%
23	53	-	(53)	53	53	0	(0.35)%	52	(1)	(2.37)%
24	162	-	(162)	168	168	6	3.55%	146	(16)	(10.82)%
	340	-	(340)	335	335	(5)	(1.44)%	444	104	23.48%
13	8,151	-	(8,151)	8,266	8,266	115	1.39%	8,266	115	1.39%
25	2,303	-	(2,303)	2,262	2,262	(41)	(1.79)%	2,168	(135)	(6.20)%
26	52	-	(52)	49	49	(3)	(5.68)%	54	3	4.83%
	502	-	(502)	499	499	(3)	(0.68)%	489	(13)	(2.67)%
25	2,857	-	(2,857)	2,810	2,810	(47)	(1.66)%	2,712	(145)	(5.34)%
26	3	-	(3)	1,243	1,243	(74)	(5.95)%	1,776	459	25.84%
	-	-	-	-	-	(3)	-	-	(3)	-
	12,327	-	(12,327)	12,318	12,318	(9)	(0.07)%	12,753	426	3.34%
13	6,010	-	(6,010)	6,848	6,848	(838)	(12.23)%	6,425	(415)	(6.45)%
28	-	-	-	-	-	20	0.68%	2,727	(200)	(7.33)%
29	2,927	-	(2,927)	2,947	2,947	8	31.03%	17	(1)	(4.06)%
30	18	-	(18)	26	26	8	0	(3)	(3)	(100.12)%
31	0	-	-	2,973	2,973	28	0.94%	2,741	(204)	(7.43)%
	2,945	-	(2,945)	110	110	37	33.68%	33	114	340.09%
32	147	-	(147)	69	69	(15)	(18.32)%	16	53	340.10%
33	69	-	(69)	15	15	(3)	(19.76)%	33	16	46.96%
34	18	-	(18)	(103)	(103)	(76)	72.31%	(76)	48	62.64%
35	(29)	-	(29)	(2,896)	(2,896)	121	4.18%	(2,802)	27	0.96%
	(2,775)	-	(2,775)	3,952	3,952	(717)	(18.13)%	3,623	(388)	(10.70)%
43	1,308	-	(1,308)	1,525	1,525	217	14.22%	1,543	235	15.22%
	1,927	-	(1,927)	2,427	2,427	(500)	(20.59)%	2,080	(153)	(7.34)%
	-	-	-	-	-	(500)	(20.75)%	2,060	(153)	(7.41)%
	1,927	-	(1,927)	2,427	2,427	(500)	(20.59)%	2,080	(153)	(7.34)%
48	19	-	(19)	20	20	0	0.48%	19	0	0.00%
48	-	-	-	2,407	2,407	(500)	(20.75)%	2,060	(153)	(7.41)%
	1,908	-	(1,908)	2,698	2,698	(2,568)	(95.18)%	2,461	(2,805)	(114.01)%
	(3,359)	-	(3,359)	(291)	(291)	(3,068)	(1,054.17)%	(400)	(2,958)	(738.83)%

KAW Income Statement
Apr

		Actual vs Budget			
		Apr			
	Actual	Budget	Var Fav/(Unfav)		Variance Comments (\$ Threshold \$50K)
1 Water Revenues	6,351	6,247	103		Line 1: Water Revenue \$103K favorable primarily driven by higher usage, customer growth and misc other combined.
2 Sewer Revenues	23	28	(5)		
3 Other Operating Revenues	279	125	154		Line 3: Other operating Revenues \$154K primarily driven by LFUCG billing Contract \$136K not planned in budget and misc other revenue \$18K(water reconnection charge \$11K & inter company rent)
Operating Revenues	6,652	6,400	252		
4 Purchased Water	27	26	(0)		
5 Fuel and Power	302	291	(11)		
6 Chemicals	122	133	11		
7 Waste Disposal	28	23	(4)		
Total production costs	479	474	(5)		
8 Labor	591	616	25		Line 8: Labor \$25K favorable driven by savings due to organizational streamlining and new way of working
9 Pensions	88	86	(2)		
10 Group insurances	179	173	(5)		
11 Other benefits	24	30	5		
Total employee related	882	906	24		Line 12: Shared Governance and Service Fees \$61K unfavorable driven by unmapped P-card charges due to incorrect coding (will be fixed in May) and timing of the annual shareholder meeting invoices, partially offset by favorable shared business services fees due to vacancies.
12 Shared governance and service fees	333	272	(61)		
13 Shared business services fees	392	449	57		
14 Contracted services	58	93	35		Line 14: Contract Services \$35K favorable driven by timing on contract services related to admin & services \$28K (SimplexGrinnell, ORC Research, Insight & Janitorial) and legal \$10K.
Total contracted services	450	542	93		Line 17: Customer accounting \$98K favorable driven by lower write offs and favorable allowance adjustment as result of lower write offs.
15 Regulatory expense	18	18	(0)		
16 Insurance Other Than Group	47	53	6		
17 Customer Accounting	59	157	98		
18 Rents	3	3	(1)		
19 General office expense	72	47	(25)		
20 Miscellaneous	124	162	38		Line 20: Miscellaneous \$38K favorable driven by misc operating expense \$20K (WT, Janitorial, Lab supplies, uniforms, etc), Water conservation \$10K (result of cost cutting initiatives) and timing of Director's fees payment \$7K.
21 Maintenance	110	127	17		
Total O&M expense	2,577	2,761	184		
22 Depreciation	768	757	(11)		
23 Amortization	185	183	(2)		
Depreciation and amortization	953	940	(13)		
24 General taxes	408	406	(1)		
25 Gain on sale of assets	(21)	-	21		
26 Impairment charges	-	-	0		
Total operating expenses, net	3,910	4,107	197		
Operating income	2,736	2,293	443		
27 Interest Income	-	-	0		
28 Interest on long-term debt	976	1,002	27		
29 Interest on Short-Term Bank Debt	8	8	0		
30 Other Interest Expense	-	-	0		
Total interest expense	984	1,010	27		
31 AFUDC - Equity	59	42	17		
32 AFUDC Debt	28	32	(5)		
33 Amortization of Debt Expense	6	5	(1)		
34 Preferred dividends of subsidiaries	-	-	0		
35 Non-Operating Rental Income	-	-	0		
36 Dividend Income - Common	-	-	0		
37 Dividend Income - Preferred	-	-	0		
38 Miscellaneous Income	10	-	10		
Total other income	10	-	10		
39 Miscellaneous Amortization	(0)	-	(0)		
40 Miscellaneous Other Deductions	73	39	(34)		Line 40: Misc Other Deductions \$34K unfavorable driven by timing of various donations (community actions \$15K, environmental grant \$10K, YMCA \$2.5K and Jacobson Park Entry \$5.5K).
41 Total other deductions	73	39	(34)		
Other, net	(63)	(39)	(24)		
Total other income (deductions)	(966)	(980)	14		
Income (loss) before income taxes	1,770	1,314	456		
42 State Income Taxes	111	81	(30)		
43 Federal Income Taxes	619	427	(192)		
44 Tax Saving Acquisition Adjustment	-	-	0		
45 State income taxes (non-operating)	(3)	-	3		
46 Federal income taxes (non-operating)	(14)	-	14		
Provision (Benefit) for Income Taxes	-	-	0		
Net income (loss)	1,055	806	250		
47 Preferred Dividend Declared	6	7	0		
Net Income To Common Stock	1,049	799	250		
48 Common Dividend Declared	-	(1)	(1)		
Current Year Retained Earnings	1,049	800	249		

KAW Income Statement
for Apr YTD

		Actual vs Budget			
		Apr YTD			
	Actual	Budget	Var Fav/(Unfav)		Variance Comments (\$ Threshold \$50K)
1 Water Revenues	23,804	24,582	(777)		Line 1: Water Revenue \$777K unfavorable to plan primarily driven by declining usage \$1,029K, partially offset by organic growth and other combined.
2 Sewer Revenues	99	104	(5)		
3 Other Operating Revenues	1,082	881	201		Line 3: Other Operating Revenues \$201K favorable driven by LFUCG sewer contract \$149K wasn't planned for (budget only has 3 months contract revenue planned) and other \$52K (reconnection charge & inter company rent)
Operating Revenues	24,986	25,567	(580)		
4 Purchased Water	110	116	7		
5 Fuel and Power	1,151	1,200	48		Line 5: Fuel & Power \$48K favorable driven by lower system delivery and plant optimization.
6 Chemicals	511	532	21		
7 Waste Disposal	111	95	(16)		
Total production costs	1,883	1,943	60		
8 Labor	2,463	2,508	45		Line 8: Labor \$45K favorable primarily driven by savings due to organizational streamlining and new way of working
9 Pensions	355	345	(10)		
10 Group insurances	732	694	(38)		Line 10: Group Insurance \$38K driven by higher than expected group insurance rate.
11 Other benefits	128	134	6		
Total employee related	3,678	3,680	3		Line 13: Shared business service fees \$74K favorable to plan driven by managed expenses due to lower headcounts.
12 Shared governance and service fees	1,117	1,097	(20)		
13 Shared business services fees	1,716	1,790	74		
14 Contracted services	312	338	26		
Total contracted services	2,027	2,128	101		Line 17: Customer accounting \$99K driven by lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.66% vs. budget of 0.72%.
15 Regulatory expense	71	71	(0)		
16 Insurance Other Than Group	200	214	14		
17 Customer Accounting	438	537	99		Line 20: Miscellaneous \$60K favorable to plan driven by misc general office expenses \$51K (water resource conservation \$22K, Software license & Support \$16, community relations \$7K and timing of Directors Fees \$7K), Heat -Oil/Gas \$12K and Lab Supplies WT \$11K, partially offset by transportation \$16K due to lower cap rate and timing of the vehicle maintenance expenses.
18 Rents	24	14	(10)		
19 General office expense	249	232	(17)		
20 Miscellaneous	588	649	60		Line 22: Depreciation \$52K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
21 Maintenance	450	462	12		
Total O&M expense	10,718	11,027	309		
22 Depreciation	3,071	3,019	(52)		
23 Amortization	738	730	(8)		
Depreciation and amortization	3,809	3,749	(60)		
24 General taxes	1,725	1,649	(75)		Line 24: General Taxes \$75K unfavorable primarily driven by property taxes \$77K due to one time adjustment of \$66K (2011 \$57K and 2009/10 \$9K) and higher than expected property tax accruals \$11K, remaining variance driven by timing of the payroll taxes.
25 Gain on sale of assets	(19)	-	19		
26 Impairment charges	-	-	0		
Total operating expenses, net	16,233	16,425	192		
Operating income	8,746	9,141	(395)		
27 Interest Income	-	-	0		
28 Interest on long-term debt	3,903	3,950	47		Line 28: Interest on LTD \$47K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
29 Interest on Short-Term Bank Debt	26	34	8		
30 Other Interest Expense	0	-	(0)		
Total interest expense	3,928	3,983	55		
31 AFUDC - Equity	206	152	54		Line 31: Net AFUDC favorable driven by higher than planned AFUDC eligible asset.
32 AFUDC Debt	97	117	(20)		
33 Amortization of Debt Expense	24	20	(4)		
34 Preferred dividends of subsidiaries	-	-	0		
35 Non-Operating Rental Income	-	-	0		
36 Dividend Income - Common	-	-	0		
37 Dividend Income - Preferred	-	-	0		
38 Miscellaneous Income	22	-	22		
Total other income	22	-	22		
39 Miscellaneous Amortization	(0)	-	(0)		
40 Miscellaneous Other Deductions	114	142	28		
41 Total other deductions	114	142	28		
Other, net	(92)	(142)	50		
Total other income (deductions)	(3,741)	(3,876)	135		
Income (loss) before income taxes	5,005	5,266	(260)		
42 State Income Taxes	314	324	10		
43 Federal Income Taxes	1,737	1,709	(28)		
44 Tax Saving Acquisition Adjustment	-	-	0		
45 State income taxes (non-operating)	(4)	-	4		
46 Federal income taxes (non-operating)	(24)	-	24		
Provision (Benefit) for Income Taxes	-	-	0		
Net income (loss)	2,983	3,232	(250)		
47 Preferred Dividend Declared	26	26	0		
Net Income To Common Stock	2,957	3,206	(250)		
48 Common Dividend Declared	5,266	2,697	(2,569)		Line 48: Common Dividend Declared \$5,569K unfavorable due to the higher than planned net income from 4Q relative to Jacobson Park donation.
Current Year Retained Earnings	(2,310)	509	(2,819)		

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
May 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	May 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	7,115	6,523	591	Line 1: Water Revenues \$591K favorable to plan primarily driven by stronger than expected sales through all water categories.
2 Sewer revenues	15	25	(10)	
3 Other operating revenues	287	150	136	
4 Market-Based revenues	0	0	0	Line 3: Other revenues \$136K favorable to plan primarily driven by unplanned LFUCG billing revenue \$137K and misc other revenues 18K (intercompany rent, reconnections), partially offset by the delayed late fees \$19K.
5 Management revenues	0	0	0	
Operating revenues	7,416	6,699	718	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	31	30	(1)	Line 7: Fuel & Power \$43K unfavorable primarily due to higher system delivery.
7 Fuel and Power	361	319	(43)	
8 Chemicals	164	166	2	
9 Waste disposal	32	23	(8)	
Total production costs	588	538	(50)	
10 Salaries & Wages	629	674	46	Line 10: Salaries & Wages \$46K favorable driven by savings due to Organizational streamlining and new way of working initiatives , partially offset by higher labor expense due to one extra payroll posted in May.
11 Pensions	80	86	6	
12 Group insurances	143	173	31	
13 Other benefits	34	33	(1)	
Total employee related	886	967	81	
14 Service Company costs	719	762	43	
15 Contracted services	128	88	(39)	Line 15: Contracted Services \$39K unfavorable driven by \$28K legal fees due to use of outside legal counsel (offset by saving from service company on legal) & Temp labor \$11K
16 Building maintenance and services	39	49	10	
17 Telecommunication expenses	29	21	(8)	
18 Postage printing and stationery	3	4	0	
19 Office supplies & expenses	38	39	1	
20 Advertising & marketing expenses	2	7	5	
21 Employee related expense travel & entertainment	19	18	(0)	
22 Miscellaneous expenses	52	58	6	
23 Rents	4	3	(1)	Line 24: Transportation \$29K unfavorable driven by one time reclass \$17K related to vehicle sale receipts were credited in March as an expense (should be credited back to RWIP) and remaining variance due to timing.
24 Transportation	69	40	(29)	
Operating supplies & services	382	327	(55)	
25 Uncollectible Accounts Exp	11	72	61	Line 25: Uncollectible Expenses \$61K favorable driven by lower write offs and favorable allowance adjustment as result of lower write offs.
26 Customer accounting other	77	91	14	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	49	56	7	
29 Maintenance service & supplies	144	194	50	
Total operation and maintenance	2,874	3,024	150	
30 Depreciation	769	759	(10)	
31 Amortization	17	16	(1)	
32 Removal costs	168	167	(1)	
Depreciation and Amortization	954	942	(12)	
33 General taxes	316	411	95	Line 33: General Taxes \$95K favorable driven by property taxes \$87K - reduced accruals for May \$11K and true up \$77K (\$51K from Jan thru Apr & 27K true-ups related to 2011), the remaining variance driven by payroll taxes \$8K due to timing.
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,144	4,377	233	
Operating income (loss)	3,272	2,321	951	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 37: Interest on LTD \$47K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
37 Interest on long-term debt	976	1,022	47	
38 Interest on Short-Term Bank Debt	7	9	2	
39 Other Interest Expense	0	0	0	
40 Interest net	983	1,032	49	
41 Allowance for other funds used during construction	64	41	23	
42 Allowance for borrowed funds used during construction	30	32	(2)	
43 Amortization of debt expense	6	5	(1)	
Other Net	(18)	(18)	0	
Total other income (expenses)	(913)	(982)	69	
Income (loss) before income taxes	2,360	1,339	1,020	
44 Provision for income taxes	953	522	(431)	
45 Income (loss) from continuing operations	1,407	817	589	
46 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,407	817	589	
47 Preferred dividend declared	6	7	0	
48 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,400	811	589	
49 Common dividends	0	0	0	
Current Year Retained Earnings	1,400	812	588	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
May 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	May 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	30,924	31,109	(185)	Line 1: Water Revenues \$185K unfavorable to plan driven primarily by lower than expected sales from Residential \$585K, OPA \$124K and SFR \$59K, partially offset by higher sales from Commercial \$140K, Industrial \$104K and stronger customer growth \$96K and other.
2 Sewer revenues	114	129	(15)	
3 Other operating revenues	1,368	1,027	341	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	32,406	32,266	141	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	144	146	2	Line 3: Other Operating Revenues \$341K favorable driven by unplanned LFUCG Billing revenues \$273K (Apr & May) and Other \$68K (reconnection charges, rent), partially offset by delayed late fees.
7 Fuel and Power	1,513	1,519	6	
8 Chemicals	675	698	23	
9 Waste disposal	143	118	(24)	
Total production costs	2,474	2,481	6	
10 Salaries & Wages	3,092	3,182	90	Line 10: Salaries & Wages \$90K favorable primarily driven by savings \$159K due to organizational streamlining and new way of working initiatives, partially offset by severance \$58K and other \$11K (higher AIP accruals offset by other compensations incentive).
11 Pensions	435	431	(4)	
12 Group insurances	875	867	(7)	
13 Other benefits	162	167	5	
Total employee related	4,564	4,647	84	
14 Service Company costs	3,552	3,649	97	Line 14: Service Company Costs \$97K favorable driven by managed expenses due to lower headcounts.
15 Contracted services	439	426	(13)	
16 Building maintenance and services	244	256	12	
17 Telecommunication expenses	116	107	(9)	
18 Postage printing and stationery	13	13	(0)	
19 Office supplies & expenses	192	213	22	
20 Advertising & marketing expenses	4	18	15	
21 Employee related expense travel & entertainment	109	96	(13)	
22 Miscellaneous expenses	242	299	58	Line 14: Miscellaneous expenses \$58K favorable driven by management's cost saving initiatives (External Affairs, Janitorial & misc operating savings) \$76K, partially offset by one time legal settlement charges \$18K.
23 Rents	28	16	(11)	
24 Transportation	246	203	(43)	
Operating supplies & services	1,632	1,649	17	
25 Uncollectible Accounts Exp	40	178	138	Line 25: Uncollectible Accounts Expenses \$138K favorable driven by lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year - next O&V schedule will be updated.
26 Customer accounting other	396	422	26	
27 Regulatory expense	89	89	(0)	
28 Insurance other than group	261	280	18	
29 Maintenance service & supplies	594	656	62	
Total operation and maintenance	13,603	14,051	448	
30 Depreciation	3,840	3,778	(62)	Line 30: Depreciation \$62K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	86	82	(5)	
32 Removal costs	837	832	(5)	
Depreciation and Amortization	4,763	4,691	(72)	
33 General taxes	2,041	2,060	20	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	20,388	20,803	415	
Operating income (loss)	12,019	11,463	556	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interests on LTD \$138K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	4,879	4,972	93	
38 Interest on Short-Term Bank Debt	33	43	10	
39 Other Interest Expense	0	0	0	
40 Interest net	4,911	5,015	103	
	0	0	0	
41 Allowance for other funds used during construction	270	194	77	Line 41: Net AFUDC \$55K favorable driven by higher than planned AFUDC eligible asset.
42 Allowance for borrowed funds used during construction	127	149	(22)	
43 Amortization of debt expense	29	25	(4)	
Other Net	(110)	(160)	50	
Total other income (expenses)	(4,654)	(4,858)	204	
Income (loss) before income taxes	7,365	6,605	760	
44 Provision for income taxes	2,976	2,555	(420)	
45 Income (loss) from continuing operations	4,389	4,050	340	
46 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	4,389	4,050	340	
47 Preferred dividend declared	32	33	0	
48 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	4,357	4,017	340	
49 Common dividends	0	0	0	
Current Year Retained Earnings	(910)	1,321	(2,230)	

Assets	Actuals	Forecast	Increase (Decrease)	% Variance	Budget	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
1 Utility Plant in Service	583,424	-	583,424		-	583,424		580,644	2,779	0.5%
2 Construction Work in Progress	13,838	-	13,838		-	13,838		10,176	3,662	36.0%
3 Utility Plant Accumulated Depreciation/Am	(108,277)	-	(108,277)		-	(108,277)		(105,104)	(3,174)	(3.0)%
4 Total Utility Plant Adjustments	247	-	247		-	247		251	(4)	(1.6)%
5 Utility property net of accumulated depreciatio	489,231	-	489,231		-	489,231		485,968	3,263	0.7%
6 Nonutility property net of accumulated depreci	250	-	250		-	250		250	0	0.0%
Total Property Plant and Equipment	489,481	-	489,481		-	489,481		486,217	3,263	0.7%
7 Cash and Cash Equivalents	(172)	-	(172)		-	(172)		-	52	23.2%
8 Restricted funds-current	-	-	-		-	-		-	-	-
9 Accounts receivable net	4,516	-	4,516		-	4,516		2,621	1,896	72.3%
10 Unbilled Revenues	4,579	-	4,579		-	4,579		3,893	686	17.6%
11 Materials and supplies	917	-	917		-	917		691	226	32.7%
12 Assets of discontinued operations	-	-	-		-	-		-	-	-
13 Other Current Assets	241	-	241		-	241		138	103	74.9%
Total Current Assets	10,081	-	10,081		-	10,081		7,118	2,962	41.6%
14 Regulatory assets	11,855	-	11,855		-	11,855		11,783	71	0.6%
15 Other investments	-	-	-		-	-		-	-	-
16 Restricted Funds - Long-term	-	-	-		-	-		-	-	-
17 Goodwill	0	-	0		-	0		0	0	0.0%
18 Intangible assets	-	-	-		-	-		-	-	-
19 Other Long Term Assets	52	-	52		-	52		52	0	0.0%
Total Regulatory & Other LT Assets	11,907	-	11,907		-	11,907		11,836	71	0.6%
Total Assets	511,468	-	511,468		-	511,468		505,171	6,297	1.2%
Capital & Liabilities										
20 Common Stock	36,569	-	36,569		-	36,569		36,569	0	0.0%
21 Paid in Capital	74,792	-	74,792		-	74,792		74,761	31	0.0%
22 Retained Earnings	43,646	-	43,646		-	43,646		43,969	(323)	(0.7)%
23 Accumulated other comprehensive income	-	-	-		-	-		-	-	-
24 Treasury stock	-	-	-		-	-		-	-	-
Total Stockholders' equity	155,006	-	155,006		-	155,006		155,299	(292)	(0.2)%
25 Preferred Stock without mandatory redempt	1,446	-	1,446		-	1,446		1,446	0	0.0%
26 Noncontrolling Interest	6	-	6		-	6		6	0	0.0%
Total Equity	156,458	-	156,458		-	156,458		156,751	(292)	(0.2)%
27 Long term debt	187,890	-	187,890		-	187,890		187,890	0	0.0%
28 Redeemable preferred stock at redemption	4,500	-	4,500		-	4,500		4,500	0	0.0%
Total Long-term debt	192,390	-	192,390		-	192,390		192,390	0	0.0%
Total Capitalization	348,848	-	348,848		-	348,848		349,141	(292)	(0.1)%
29 Short Term Debt	16,616	-	16,616		-	16,616		11,003	5,613	51.0%
30 Current Portion of Long-term Debt	0	-	0		-	0		0	0	0.0%
31 Current portion of redeemable stock at rede	-	-	-		-	-		-	-	-
32 Accounts Payable	3,190	-	3,190		-	3,190		6,741	(3,551)	(52.7)%
33 Taxes Accrued	(4,687)	-	(4,687)		-	(4,687)		(3,972)	(715)	(18.0)%
34 Interest Accrued	2,024	-	2,024		-	2,024		1,926	98	5.1%
35 Liabilities of Discontinued Operations	-	-	-		-	-		-	-	-
36 Other current liabilities	4,374	-	4,374		-	4,374		3,680	695	18.9%
Total Current Liabilities	21,517	-	21,517		-	21,517		19,378	2,139	11.0%
37 Customer Advances for Construction	12,243	-	12,243		-	12,243		12,675	(433)	(3.4)%
38 Deferred Income Taxes	59,767	-	59,767		-	59,767		58,752	1,016	1.7%
39 Deferred Investment tax credits	836	-	836		-	836		879	(42)	(4.8)%
40 Regulatory liability	14,384	-	14,384		-	14,384		13,758	625	4.5%
41 Accrued Pension	(1,641)	-	(1,641)		-	(1,641)		(1,332)	(309)	(23.2)%
42 Accrued postretirement benefit expense	580	-	580		-	580		552	28	5.0%
43 Other Deferred Credits	3,527	-	3,527		-	3,527		1,731	1,796	103.8%
Regulatory & Other Long Term Liabilities	89,695	-	89,695		-	89,695		87,014	2,681	3.1%
Contributions in aid of construction	51,427	-	51,427		-	51,427		49,638	1,789	3.6%
Total Capital and Liabilities	511,488	-	511,488		-	511,488		505,171	6,317	1.3%

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
June 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	June 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	8,155	7,061	1,094	Line 1: Water Revenues \$1,094K favorable to plan primarily driven by stronger than expected sales through out all major water categories due to unusual hot/dry weather condition in June. Line 3: Other revenues \$100K favorable to plan primarily driven by unplanned LFUCG billing revenue \$138K, partially offset by lower reconnection fee \$29K and the delayed late fees \$19K. Lower reconnection fee is due to company new initiative to give customer up to 75 days to pay bills before disconnection happens, it would be offset by higher late fees as the result.
2 Sewer revenues	28	25	3	
3 Other operating revenues	261	160	100	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	8,444	7,246	1,198	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	39	26	(14)	Line 10: Salaries & Wages \$67K favorable driven by savings due to Organizational streamlining and new way of working initiatives \$70K and AIP \$39K (Q2 AIP True up \$29K & lower June AIP accrual), partially offset by one time severance payout Line 14: Service Company Costs \$96K favorable driven by savings from multiple areas such as (IT = more capitalized than planned, depreciation & timing of SAP project costs) and (Legal = Headcount) Line 15: Contracted Services \$90K unfavorable driven by legal fees due to use of outside legal counsel (partially offset by saving from service company on legal). Line 29: Maintenance services & supplies \$66K unfavorable driven by one time true up \$29K related to Hydrotreater #6 for all amortized expense prior to June 2012 and M&S supplies TD \$21K due to timing and misc other combined \$16K
7 Fuel and Power	386	398	11	
8 Chemicals	162	164	1	
9 Waste disposal	30	23	(7)	
Total production costs	618	611	(7)	
10 Salaries & Wages	555	622	67	
11 Pensions	88	86	(2)	
12 Group insurances	166	173	7	
13 Other benefits	22	46	24	
Total employee related	831	928	97	
14 Service Company costs	633	728	96	
15 Contracted services	186	96	(90)	
16 Building maintenance and services	46	49	3	
17 Telecommunication expenses	26	21	(5)	
18 Postage printing and stationery	7	2	(5)	
19 Office supplies & expenses	33	35	3	
20 Advertising & marketing expenses	0	4	4	
21 Employee related expense travel & entertainment	(1)	20	21	
22 Miscellaneous expenses	41	78	37	
23 Rents	3	3	(0)	
24 Transportation	(1)	34	35	
Operating supplies & services	341	343	2	
25 Uncollectible Accounts Exp	81	64	(17)	
26 Customer accounting other	71	80	9	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	73	56	(17)	
29 Maintenance service & supplies	183	117	(66)	
Total operation and maintenance	2,849	2,945	97	
30 Depreciation	775	761	(14)	
31 Amortization	17	16	(1)	
32 Removal costs	168	167	(1)	
Depreciation and Amortization	961	945	(16)	
33 General taxes	389	407	18	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,199	4,297	98	
Operating income (loss)	4,245	2,949	1,296	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 37: Interest on LTD \$67K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
37 Interest on long-term debt	976	1,042	67	
38 Interest on Short-Term Bank Debt	7	0	(7)	
39 Other Interest Expense	0	0	0	
40 Interest net	983	1,042	60	
41 Allowance for other funds used during construction	68	37	31	Line 44: Other Net \$73K favorable driven by lower donations to different organizations \$59K as a result of mgmt cost saving initiatives & timing (External Affairs) and reimbursement from contractors for water main related damages \$15K.
42 Allowance for borrowed funds used during construction	32	28	3	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	8	(65)	73	
Total other income (expenses)	(881)	(1,048)	167	
Income (loss) before income taxes	3,364	1,901	1,463	
45 Provision for income taxes	1,365	750	(614)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	1,999	1,151	849	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,999	1,151	849	
48 Preferred dividend declared	6	7	0	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,993	1,144	849	
50 Common dividends	1,426	1,800	374	
Current Year Retained Earnings	566	(656)	1,222	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
June 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	June 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	39,079	38,170	909	Line 1: Water Revenues \$909K favorable to plan primarily driven by strong water sales from Q2 due to hot/dry weather (May & Jun) and slightly higher than expected organic growth. Q2 strong water sales made up the lower sales in Q1 due to declining usage and unusual cool/wet weather.
2 Sewer revenues	142	154	(12)	
3 Other operating revenues	1,629	1,188	441	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	40,851	39,512	1,339	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	183	172	(11)	Line 3: Other Operating Revenues \$441K favorable driven by unplanned LFUCG Billing revenues \$411K (Apr, May & Jun) and Other \$56K (reconnection charges, rent), partially offset by delayed late fees \$39K (May & Jun).
7 Fuel and Power	1,899	1,916	17	
8 Chemicals	837	862	24	
9 Waste disposal	173	142	(31)	
Total production costs	3,092	3,091	(1)	
10 Salaries & Wages	3,647	3,804	158	Line 10: Salaries & Wages \$158K favorable primarily driven by savings \$188K due to organizational streamlining and new way of working initiatives and other \$28K (lower AIP accruals & other compensations incentive), partially offset by one time severance payout \$58K.
11 Pensions	523	517	(5)	
12 Group insurances	1,041	1,041	(0)	
13 Other benefits	185	213	28	
Total employee related	5,395	5,575	181	
14 Service Company costs	4,185	4,378	193	Line 14: Service Company Costs \$193K favorable primarily driven by IT \$166K due to more capitalized expenses than planned, timing of SAP spend and lower depreciation. Remaining variance driven by misc other
15 Contracted services	626	522	(103)	
16 Building maintenance and services	290	305	15	Line 15: Contract Services \$103K unfavorable to plan driven by legal fees due to use of outside legal counsel \$161K (offset by saving from Service Company on legal), temporary labor \$25K and audit fees \$9K, partially offset by savings from misc other contract service combined \$92K (JK Excavating, ORKIN, Kebco, E&Y etc)
17 Telecommunication expenses	142	129	(13)	
18 Postage printing and stationery	21	15	(6)	
19 Office supplies & expenses	181	211	30	
20 Advertising & marketing expenses	4	23	19	
21 Employee related expense travel & entertainment	108	116	8	Line 22: Miscellaneous expenses \$89K favorable driven by timing of donations and External Affairs spend partially offset by one time legal settlement charges \$18K.
22 Miscellaneous expenses	326	415	89	
23 Rents	31	19	(12)	
24 Transportation	245	237	(8)	
Operating supplies & services	1,973	1,993	20	
25 Uncollectible Accounts Exp	121	242	121	Line 25: Uncollectible Accounts Expenses \$121K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.
26 Customer accounting other	468	502	35	
27 Regulatory expense	107	106	(0)	
28 Insurance other than group	334	336	1	
29 Maintenance service & supplies	777	773	(4)	
Total operation and maintenance	16,452	16,997	545	
30 Depreciation	4,615	4,539	(76)	Line 30: Depreciation \$76K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	103	98	(6)	
32 Removal costs	1,006	1,000	(6)	
Depreciation and Amortization	5,724	5,636	(88)	
33 General taxes	2,430	2,467	37	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	24,587	25,100	513	
Operating income (loss)	16,263	14,412	1,852	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$160K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	5,854	6,014	160	
38 Interest on Short-Term Bank Debt	40	43	3	
39 Other Interest Expense	0	0	0	
40 Interest net	5,894	6,057	163	
	0	0	0	
41 Allowance for other funds used during construction	338	230	107	Line 41: Net AFUDC \$89K favorable driven by higher than planned AFUDC eligible asset.
42 Allowance for borrowed funds used during construction	158	177	(18)	
43 Amortization of debt expense	35	31	(5)	
44 Other Net	(101)	(225)	124	Line 44: Other Net \$124K favorable driven by lower donations to different organizations \$87K as a result of mgmt cost saving initiatives & timing (External Affairs) and reimbursement from contractors for water main related damages \$40K, partially offset by slightly higher lobby expenses
Total other income (expenses)	(5,535)	(5,906)	371	
Income (loss) before income taxes	10,729	8,506	2,223	
45 Provision for income taxes	4,340	3,306	(1,035)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	6,388	5,200	1,188	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	6,388	5,200	1,188	
48 Preferred dividend declared	39	39	0	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	6,350	5,161	1,188	
50 Common dividends	6,693	4,496	(2,197)	
Current Year Retained Earnings	(343)	665	(1,008)	

system delivery	
6879	6571.948
27	26
276	292
122	131
25	22
450	470

Balance Sheet Commentary

STATE: Kentucky
SCENARIO: ACT VS. DEC '11 ACTUAL

Assets:

Line 2 – Construction Work in Progress \$3.662: Increase due to additional plant and infrastructure moving through CWIP (BT \$2.9M, Hwy 25 Relocation \$0.7M, Ponderosa/Spindle Top project \$0.2M), partially offset by projects moved out of CWIP into UPIS (Transylvania Park Project \$0.4M, Forest/Russell/Skain Av Retirement \$0.1M, new service – Fayette full inside \$0.1M, BT 0.2M and Meter Project-Rep-5/8" Fayette Co. \$0.2M, etc).

Line 9 – Account Receivable net \$1.896: Increase due to seasonality of billing.

Line 10 – Unbilled Revenue 0.686: Increase due to seasonality of billing.

Line 11 – Material and Supplies 0.226: Increase due to plant material \$0.223 related to purchase pipe and plant material to get ready for the project at Owenton water treatment as well as the timing of other plant material supplies.

Line 13 – Other Current Assets \$0.103: Increase due to prepaid insurance \$0.103.

Line 14 – Regulatory Assets \$2.580: Increase due to regulatory liability reclass in Jan 2011 related to Income Taxes Rec Thru Rates \$2.615. This is for a group of accounts that have a debit position but were listed under the liability side, so in Hyperion these were reclassified to an asset.

Line 19 – Other Long Term Assets \$0.137: Increase due to engineering costs related to the CPS project.

Liabilities:

Line 29 – Short Term Debt \$5.613: Increase due to cash changes including AP, payroll, and tax payments.

Line 32 – Account Payable (\$3.551): Decrease due to timing of payments for goods and services.

Line 33 – Taxes Accrued \$(1.002): Decrease due to payment for local property taxes (\$1.887) and accrual for FIT and SIT \$0.885M.

Line 36 – Other Current Liabilities \$0.695: Increase due to accruals for power, legal, GRIR and collections for others \$1.067, partially offset by decrease in AIP accrual (\$0.372) due to paid out in April.

Line 40 – Regulatory liability \$3.135: Increase due to Income Taxes Rec Thru Rates \$2.615 reclass (see regulatory assets line above) and cost of removal \$0.685.

Line 43 – Other Deferred Credits \$1.933: Increase due to FIN 48 Reserve Federal \$1.656 and FIN 48 Reserve State \$0.140, all is related to repairs project, the remaining variance due to misc other long term liability accrued \$0.137.



AMERICAN WATER

KENTUCKY-AMERICAN COMPANY

FRP

June 2012

QTD INCOME STATEMENT**SCENARIO: QTD ACT vs. QTD PLAN****Operating Revenues:**

Line 1 – Water Revenue \$1.788: Favorable variance driven by strong Q2 water sales \$1.704 due to hot/dry weather specifically in May & Jun and organic growth \$0.117, partially offset by misc other combined \$0.032 (fire and pricing differentiation as a result of misc adjustments).

Line 3 – Other Operating Revenue \$0.391: Favorable variance driven by unplanned LFUCG billing revenue \$0.411 (Apr, May & Jun) and other \$0.030 (rent, application/initiation fees), partially offset by late fee delay \$0.039 (May & Jun) and lower reconnection fee \$0.011 due to company new initiative to extend customer up to 75 days to pay water bill before disconnection occurs, the lower reconnection fees should be offset by higher late fee once it is implemented (upon approval by PSC).

Operating Expenses:

Line 10 – Salary & Wages \$0.139: Favorable variance driven by savings \$0.091 related to organizational streamlining and new way of working initiatives, AIP \$0.044 due to lower AIP accrual 0.015 & Q2 AIP true-up \$0.029 booked in June, the remaining variance driven by compensations incentive \$0.003.

Line 14 – Service Company Costs \$0.134: Favorable variance explained at corporate.

Line 15 – Contract Services (\$0.094): Unfavorable variance due to use of outside legal counsel (offset by saving from Service Company on legal) and temp labor \$0.023, partially offset by savings from misc contract services \$0.033 (JK Excavating, ORKIN, Kebco, E&Y etc)

Line 25 – Uncollectible Accounts Expense \$0.136: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs.

Line 33 – General Taxes \$0.111: Favorable variance due to property tax true up \$0.077, lower property tax accrual \$0.018 and lower payroll tax \$0.016 due to lower headcount (act 128 vs. plan 141).

Line 37 – Interest on Long-Term Debt \$0.140: Favorable variance to lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.

Provision for Income Taxes

Line 44 – Provision for income taxes variance explained at corporate.

SCENARIO: QTD ACT vs. QTD PRIOR YEAR**Operating Revenues:**

Line 1 – Water Revenues \$1.892: Favorable variance primarily driven by higher water sales \$1.832 due to hot/dry weather condition in Q2 2012 (2011 was a relatively cool/wet) and misc other combined \$0.065 (customer growth, fire and pricing differentiation as a result of misc adjustments).

Operating Expenses:

Line 6 – Fuel & Power (\$0.179): Unfavorable variance primarily due to higher system delivery 10% (act 3,871MG vs. 3,516MG LY) and KU implementation of environmental surcharge of 4.6%, partially offset by the savings related to plant efficiency implementation since beginning of the year.

Line 10 – Salary & Wages \$0.130: Favorable variance due to primarily due to lower headcount (act 128 vs. LY 142) as result of organizational streamlining and new way of working initiatives.

Line 14 – Service Company Costs (\$0.155): Unfavorable variance explained at corporate.

Line 15 – Contract Services (\$0.098): Unfavorable variance driven by legal \$0.080 due to use of outside legal counsel, template labor \$0.010 and higher audit fees \$0.008.

Line 25 – Uncollectible Accounts Expense \$0.119: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs. Average uncollectible rate is 0.04% in Q2 2012 vs. 0.77% in Q2 2011.

Line 33 – General Taxes \$0.143: Favorable variance due to lower property tax accrual in 2Q 2012 vs 2011 \$0.132 (avg \$0.320/month 2012 vs. avg \$0.364/month 2011 in 2Q). Since property taxes typically increase year to year, there was in fact a true up performed in September 2011 to reduce the overaccrued position). The remaining variance driven by lower payroll taxes due to lower headcount (act 128 vs. ly 142).

Line 37 – Interest on Long-Term Debt (\$0.253): Unfavorable variance due to LTD \$20M issued in Nov 2011.

Line 40 – Allowance for other funds used during construction \$0.134: Favorable variance due to higher than planned AFUDC eligible asset.

Provision for Income Taxes

Line 44 – Provision for Income Taxes variance explained at corporate.

YTD INCOME STATEMENT

SCENARIO: YTD ACT vs. YTD PLAN

Operating Revenues:

Line 1 – Water Revenue \$0.909: Favorable variance due to strong water sales \$0.647, organic growth \$0.150 and other combined \$0.112 (fire and pricing differentiation as a result of misc adjustments). Q2 strong water sales due to hot/dry weather (May & Jun) made up the lower sales in Q1 due to declining usage and unusual cool/wet weather.

Line 3: Other Operating Revenue \$0.441: Favorable variance due to unplanned LFUCG Billing revenues \$0.411 (Apr, May & Jun) and Other \$0.056 (reconnection charges, rent), partially offset by delayed late fees \$0.039 (May & Jun).

Operating Expenses:

Line 10 – Salary & Wages \$0.158: Favorable variance due to savings \$0.188 due to organizational streamlining and new way of working initiatives and other \$0.028 (lower AIP accruals & other compensations incentive), partially offset by one time severance payout \$0.058.

Line 14 – Service Company costs \$0.193: Favorable variance explained at corporate.

Line 15 – Contract Services (\$0.103): Unfavorable variance driven by legal fees due to use of outside legal counsel \$0.161(offset by saving from Service Company on legal), temporary labor \$0.025 and audit fees \$0.009, partially offset by savings from misc other contract service combined \$0.092 (JK Excavating, ORKIN, Kebco, E&Y etc).

Line 25 – Uncollectible accounts expenses \$0.121: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.

Line 37 – Interest on Long-Term Debt \$0.160: Favorable variance due to lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.

Line 40 – Allowance for other funds used during construction \$0.107: Favorable variance due to higher than planned AFUDC eligible asset.

Line 43 – Other Net \$0.124: Favorable variance due to lower donations to different organizations \$0.087 as a result of mgmt cost saving initiatives (External Affairs) and reimbursement from contractors for water main related damages \$0.040, partially offset by slightly higher lobby expenses \$0.003.

Provision for Income Taxes

Line 44 – Provision of Income Taxes variance explained at corporate.

SCENARIO: YTD ACT vs. YTD PRIOR YEAR

Operating Revenues:

Line 1 – Water Revenues \$0.998: Favorable variance primarily due to higher water sales \$0.756, organic growth \$0.377 and fire \$0.044, partly offset by misc other combined \$179K (pricing differentiation as a result of misc adjustments).

Operating Expenses:

Line 14 – Service Company Costs (\$0.244): Unfavorable variance explained at corporate level. .

Line 25 – Uncollectible Accounts Expenses \$0.190: Favorable variance due to lower write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. prior year of 0.89%. The uncollectible rate was budgeted at 0.72%.

Line 29 – Maintenance service & supplies \$0.137: Favorable variance due to expense on intake pump replacement taken place last year \$0.120, the remaining variance driven by misc maintenance expense combined \$0.017.

Line 30 – Depreciation (\$0.225): Unfavorable variances due to additional new assets are now in service.

Line 33 – General Taxes \$0.602: Favorable due to property tax true up of \$0.506 (unfav) in Feb 2011 related to 2008-2010 tax years and lower tax accruals in 2012 \$0.086 (the lower prop tax accruals in 12 than 11 are a result of a building overaccrued position in 2011 that was reversed out in Sept. 2011.)

Line 40 – Allowance for other funds used during construction \$0.248: Favorable variance due to higher than planned AFUDC eligible asset.

Line 41 – Allowance for borrowed funds used during construction \$0.116: Favorable variance due to higher than planned AFUDC eligible asset.

Line 23 – Interest on Long-Term Debt (\$0.452): Unfavorable variance primarily due to the \$20M LTD issued in Nov 2011.

Provision for Income Taxes

Line 44 – Provision for Income taxes variance explained at corporate.

	MTD Actuals	MTD Target	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	8,155	-	8,155	-	7,061	1,094	15.50%	7,409	747	10.08%
Sewer revenues	28	28	-	0.00%	25	3	12.96%	25	4	14.45%
Other operating revenues	261	-	261	-	160	100	62.52%	273	(13)	(4.62)%
Market-Based revenues	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-
Operating revenues	8,444	-	8,444	-	7,246	1,198	16.53%	7,707	737	9.57%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	39	-	(39)	-	26	(14)	(52.26)%	22	(17)	(79.26)%
Fuel and Power	386	-	(386)	-	398	11	2.89%	337	(49)	(14.45)%
Chemicals	162	-	(162)	-	164	1	0.88%	184	22	11.87%
Waste disposal	30	-	(30)	-	23	(7)	(29.12)%	11	(19)	(172.14)%
Total production costs	618	-	(618)	-	611	(7)	(1.21)%	555	(63)	(11.44)%
Salaries & Wages	555	-	(555)	-	622	67	10.83%	661	107	16.13%
Pensions	88	-	(88)	-	86	(2)	(2.04)%	73	(15)	(20.83)%
Group insurances	166	-	(166)	-	173	7	4.21%	151	(15)	(9.87)%
Other benefits	22	-	(22)	-	46	24	51.51%	43	(20)	(47.47)%
Total employee related	831	-	(831)	-	928	97	10.43%	928	97	10.44%
Service Company costs	633	-	(633)	-	728	96	13.13%	632	(1)	(0.15)%
Contracted services	186	-	(186)	-	96	(90)	(93.47)%	69	(118)	(171.75)%
Building maintenance and services	46	-	(46)	-	49	3	6.58%	52	6	12.08%
Telecommunication expenses	26	-	(26)	-	21	(5)	(22.01)%	21	(5)	(22.34)%
Postage printing and stationery	7	-	(7)	-	2	(5)	(280.39)%	3	(5)	(191.61)%
Office supplies & expenses	15	-	(15)	-	17	2	12.47%	10	(5)	(43.54)%
Advertising & marketing expenses	-	-	-	-	3	3	100.00%	4	4	100.00%
Employee related expense travel & entertainment	1	-	(1)	-	19	17	92.49%	55	53	97.42%
Miscellaneous expenses	39	-	(39)	-	81	42	51.36%	93	54	57.87%
Rents	3	-	(3)	-	3	0	(10.32)%	2	(2)	(125.48)%
Transportation	(1)	-	1	-	34	35	102.91%	58	59	101.71%
Operating supplies & services	323	-	(323)	-	325	2	0.62%	367	43	11.83%
Uncollectible Accounts Exp	81	-	(81)	-	64	(17)	(26.37)%	58	(23)	(39.78)%
Customer accounting other	18	-	(18)	-	98	9	9.41%	96	7	7.64%
Regulatory expense	18	-	(18)	-	0	0	0.00%	19	1	5.16%
Insurance other than group	73	-	(73)	-	56	(17)	(30.58)%	34	(39)	(116.87)%
Maintenance service & supplies	183	-	(183)	-	117	(66)	(55.97)%	183	0	(0.10)%
Total operation and maintenance	2,849	-	(2,849)	-	2,945	97	3.28%	2,870	22	0.75%
Depreciation	775	-	(775)	-	761	(14)	(1.88)%	742	(34)	(4.53)%
Amortization	17	-	(17)	-	16	(1)	(5.99)%	17	0	(1.55)%
Removal costs	168	-	(168)	-	167	(1)	(0.66)%	164	(4)	(2.62)%
Depreciation and Amortization	961	-	(961)	-	945	(16)	(1.73)%	923	(38)	(4.14)%
General taxes	389	-	(389)	-	407	18	4.30%	426	37	8.62%
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	4,199	-	(4,199)	-	4,297	98	2.27%	4,219	20	0.48%
Operating income (loss)	4,245	-	4,245	-	2,949	1,296	43.93%	3,487	758	21.72%
OTHER INCOME & DEDUCTIONS										
Interest income	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	976	-	(976)	-	1,042	67	6.40%	892	(84)	(9.44)%
Interest on Short-Term Bank Debt	7	-	(7)	-	0	(7)	(19.02292)%	7	0	(1.41)%
Other Interest Expense	-	-	-	-	-	-	-	-	-	-
Interest net	983	-	(983)	-	1,042	60	5.72%	899	(84)	(9.38)%
Allowance for other funds used during constructi	68	-	(68)	-	37	31	83.81%	22	46	212.29%
Allowance for borrowed funds used during constr	32	-	(32)	-	28	3	12.31%	10	22	212.29%
Amortization of debt expense	6	-	(6)	-	6	0	(3.78)%	6	0	0.00%
Other Net	8	-	(8)	-	(65)	73	113.05%	(45)	54	118.82%
Total other income (expenses)	(881)	-	(881)	-	(1,048)	167	15.96%	(918)	37	4.02%
Income (loss) before income taxes	3,364	-	3,364	-	1,901	1,463	76.95%	2,570	794	30.92%
Provision for income taxes	1,365	-	(1,365)	-	750	(614)	(81.87)%	1,025	(339)	(33.11)%
Income (loss) from continuing operations	1,999	-	1,999	-	1,151	849	73.74%	1,544	455	29.46%
Income (loss) from discontinued operations - net of ta	-	-	-	-	-	-	-	-	-	-
Net income (loss)	1,999	-	1,999	-	1,151	849	73.74%	1,544	455	29.46%
Preferred dividend declared	6	-	(6)	-	7	0	0.48%	6	0	0.00%
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	1,993	-	(1,993)	-	1,144	849	74.16%	1,538	455	29.59%
Common dividends	1,426	-	(1,426)	-	1,800	374	20.76%	1,552	125	8.08%
Current Year Retained Earnings	566	-	566	-	(656)	1,222	186.38%	(14)	580	4,163.05%

Income Statement - Year To Date
E12_Kentucky American
JUNYTD 2012
(\$ In Thousands)

	YTD Actuals	YTD Forecast	Variance Favorable (Unfavorable)	% Variance	YTD Plan	Variance Favorable (Unfavorable)	% Variance	YTD Pr. Yr.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES										
Water revenues	39,079	-	39,079		38,170	909	2.38%	38,082	998	2.62%
Sewer revenues	142	-	142		154	(12)	(7.51)%	149	(6)	(4.19)%
Other operating revenues	1,629	-	1,629		1,188	441	37.13%	1,546	83	5.36%
Market-Based revenues	-	-	-		-	-		-	-	
Management revenues	-	-	-		-	-		-	-	
Operating revenues	40,851	-	40,851		39,512	1,339	3.39%	39,776	1,074	2.70%
OPERATIONS & MAINTENANCE EXPENSE										
Purchased water	183	-	(183)		172	(11)	(6.62)%	95	(89)	(94.09)%
Fuel and Power	1,899	-	(1,899)		1,916	17	0.90%	1,885	(14)	(0.74)%
Chemicals	837	-	(837)		862	24	2.84%	908	71	7.81%
Waste disposal	173	-	(173)		142	(31)	(22.10)%	129	(44)	(34.37)%
Total production costs	3,092	-	(3,092)		3,091	(1)	(0.03)%	3,016	(76)	(2.52)%
Salaries & Wages	3,647	-	(3,647)		3,804	3,735	4.15%	3,735	89	2.37%
Pensions	523	-	(523)		517	(6)	(1.04)%	468	(55)	(11.69)%
Group insurances	1,041	-	(1,041)		1,041	0	(0.01)%	1,064	23	2.17%
Other benefits	185	-	(185)		213	28	13.32%	210	(25)	(11.94)%
Total employee related	5,395	-	(5,395)		5,575	181	3.24%	5,477	82	1.50%
Service Company costs	4,185	-	(4,185)		4,378	193	4.40%	3,941	(244)	(6.20)%
Contracted services	626	-	(626)		522	(103)	(19.75)%	562	(63)	(11.27)%
Building maintenance and services	290	-	(290)		305	15	4.96%	307	17	5.50%
Telecommunication expenses	142	-	(142)		129	(13)	(10.41)%	120	(22)	(18.36)%
Postage printing and stationery	21	-	(21)		17	(6)	(39.71)%	17	(4)	(22.96)%
Office supplies & expenses	86	-	(86)		108	22	20.57%	75	(11)	(14.37)%
Advertising & marketing expenses	2	-	(2)		17	15	90.33%	6	5	74.42%
Employee related expense travel & entertainment	107	-	(107)		104	(3)	(2.59)%	131	25	18.84%
Miscellaneous expenses	329	-	(329)		433	104	23.92%	395	66	16.59%
Rents	31	-	(31)		19	(12)	(60.86)%	18	(13)	(69.80)%
Transportation	245	-	(245)		237	(8)	(3.21)%	283	38	13.45%
Operating supplies & services	1,878	-	(1,878)		1,890	12	0.63%	1,915	37	1.94%
Uncollectible Accounts Exp	121	-	(121)		242	121	49.90%	311	190	60.98%
Customer accounting other	563	-	(563)		606	43	7.03%	568	5	0.92%
Regulatory expense	107	-	(107)		106	(1)	(0.18)%	108	1	1.29%
Insurance other than group	334	-	(334)		336	1	0.38%	286	(48)	(16.76)%
	777	-	(777)		773	(4)	(0.51)%	914	137	14.99%
Total operation and maintenance	16,452	-	(16,452)		16,997	545	3.21%	16,536	84	0.51%
Depreciation	4,615	-	(4,615)		4,539	(76)	(1.68)%	4,390	(225)	(5.13)%
Amortization	103	-	(103)		98	(6)	(5.73)%	106	3	2.84%
Removal costs	1,006	-	(1,006)		1,000	(6)	(0.62)%	981	(25)	(2.57)%
Depreciation and Amortization	5,724	-	(5,724)		5,636	(88)	(1.56)%	5,477	(247)	(4.51)%
General taxes	2,430	-	(2,430)		2,467	37	1.51%	3,032	602	19.85%
Loss (gain) on sale of assets	(19)	-	19		-	-		-	-	
Impairment charges	-	-	-		-	-		-	-	
Total operating expenses net	24,587	-	(24,587)		25,100	513	2.04%	25,045	457	1.83%
Operating income (loss)	16,263	-	16,263		14,412	(1,852)	(12.85)%	14,732	1,532	10.40%
OTHER INCOME (EXPENSES)										
Interest Income	5,854	-	(5,854)		6,014	160	2.66%	5,402	(452)	(8.37)%
Interest on long-term debt	40	-	(40)		43	3	6.94%	38	(2)	(5.25)%
Interest on Short-Term Bank Debt	0	-	0		-	-		(3)	(3)	(100.12)%
Other Interest Expense	5,894	-	(5,894)		6,057	163	2.69%	5,437	(457)	(8.41)%
Interest net	338	-	(338)		230	(107)	(46.62)%	90	(248)	(274.14)%
Allowance for other funds used during constructi	158	-	(158)		177	(18)	(10.42)%	42	(116)	(274.14)%
Allowance for borrowed funds used during const	35	-	(35)		31	(6)	(15.32)%	51	16	30.70%
Amortization of debt expense	(101)	-	(101)		(225)	(124)	(54.98)%	(168)	66	39.57%
Other Net	(5,535)	-	(5,535)		(5,906)	(371)	(6.28)%	(5,523)	(12)	(0.22)%
Total other income (expenses)	10,729	-	(10,729)		8,506	(2,223)	(26.13)%	9,209	1,520	16.50%
Income (loss) before income taxes	4,340	-	(4,340)		3,306	(1,035)	(31.29)%	3,833	(508)	(13.25)%
Provision for income taxes	6,388	-	(6,388)		5,200	(1,188)	(2.85)%	5,376	1,012	18.82%
Income (loss) from continuing operations	-	-	-		-	-		-	-	
Income (loss) from discontinued operations - net of t	6,388	-	(6,388)		5,200	(1,188)	(22.85)%	5,376	1,012	18.82%
Preferred dividend declared	39	-	(39)		39	0	0.48%	39	0	0.00%
Net income attributable to non-controlling interest	-	-	-		-	-		-	-	
Net income available to common stockholders	6,350	-	(6,350)		5,161	(1,188)	(23.02)%	5,338	1,012	18.96%
Common dividends	6,693	-	(6,693)		4,496	(2,197)	(48.86)%	4,013	(2,680)	(66.80)%
Current Year Retained Earnings	(343)	-	(343)		665	(1,008)	(151.61)%	1,325	(1,668)	(125.90)%

Kentucky American Water - Income Statement (\$ 000s)
 Variance Analysis
 July 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)	
	July 2012				
	Actual	Budget	Var Fav/(Unfav)		
OPERATING REVENUES					
1 Water revenues	9,200	7,794	1,406	Line 1: Water Revenues \$1,406K favorable to plan primarily driven by stronger than expected sales through out all major water categories due to unusual hot/dry weather condition.	
2 Sewer revenues	31	22	9		
3 Other operating revenues	262	166	95		
4 Market-Based revenues	0	0	0		
5 Management revenues	0	0	0		
Operating revenues	9,493	7,982	1,511	Line 3: Other revenues \$95K favorable to plan primarily driven by unplanned LFUCG billing revenue \$137K, partially offset by lower reconnection fee \$26K and the delayed late fees \$19K. Lower reconnection fee is due to new shutoff threshold of \$75 vs \$25, it would be offset by higher late fees as the result.	
OPERATIONS & MAINTENANCE EXPENSE					
6 Purchased water	48	26	(22)	Line 7: Fuel and Power \$62K favorable to plan driven by timing related to a large over accrued amount last month which is now reversed. July F&P should have been slightly over budget (~\$25K) due to higher system delivery.	
7 Fuel and Power	341	403	62		
8 Chemicals	204	179	(25)		
9 Waste disposal	27	24	(2)		
Total production costs	620	632	12		
10 Salaries & Wages	576	652	76	Line 10: Salaries & Wages \$76K favorable driven by savings due to Organizational streamlining and new way of working initiatives \$103K and AIP & other compensations incentive \$14K, partially offset by one time severance payout \$41K.	
11 Pensions	68	86	18		
12 Group insurances	152	173	21		
13 Other benefits	29	29	0		
Total employee related	825	941	116		
14 Service Company costs	670	748	78	Line 14: Service Company Costs \$78K favorable driven by savings from multiple areas such as (CSC, IT = more capitalized than planned, depreciation & timing of SAP project costs) and (Legal = Headcount). There is also a timing due to certain costs were not processed/allocated due to SAP conversion.	
15 Contracted services	(25)	96	121		
16 Building maintenance and services	42	47	5		
17 Telecommunication expenses	28	21	(7)		
18 Postage printing and stationery	(3)	3	5		
19 Office supplies & expenses	13	17	4	Line 15: Contracted Services \$121K favorable mainly driven by timing related to a large over accrued amount last month which is now reversed. YTD in line with expectation on Legal expense.	
20 Advertising & marketing expenses	14	11	(3)		
21 Employee related expense travel & entertainment	(2)	26	28		
22 Miscellaneous expenses	145	99	(46)		
23 Rents	2	3	0		
24 Transportation	51	40	(10)	Line 25: Uncollectible Accounts Expenses \$93K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs.	
Operating supplies & services	266	363	97		
25 Uncollectible Accounts Exp	3	96	93		
26 Customer accounting other	83	97	15		
27 Regulatory expense	18	18	(0)		
28 Insurance other than group	50	56	6	Total operation and maintenance	
29 Maintenance service & supplies	148	187	39		
Total operation and maintenance	2,683	3,139	456		
30 Depreciation	771	766	(5)		Depreciation and Amortization
31 Amortization	17	16	(1)		
32 Removal costs	168	168	(0)		
Depreciation and Amortization	957	950	(6)		
33 General taxes	394	409	15		
34 Loss (gain) on sale of assets	0	0	0	Total operating expenses net	
35 Impairment charges	0	0	0		
Total operating expenses net	4,033	4,498	464		
Operating income (loss)	5,459	3,484	1,975		
OTHER INCOME (EXPENSES)					
36 Interest Income	0	0	0	Line 37: Interest on LTD \$67K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.	
37 Interest on long-term debt	976	1,042	67		
38 Interest on Short-Term Bank Debt	5	3	(2)		
39 Other Interest Expense	0	0	0		
40 Interest net	981	1,045	64		
41 Allowance for other funds used during construction	70	35	35	Total other income (expenses)	
42 Allowance for borrowed funds used during construction	33	27	6		
43 Amortization of debt expense	6	6	(0)		
44 Other Net	(2)	(24)	21		
Total other income (expenses)	(886)	(1,012)	126		
Income (loss) before income taxes	4,573	2,472	2,101		
45 Provision for income taxes	1,848	979	(869)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.	
46 Income (loss) from continuing operations	2,725	1,494	1,232		
47 Income (loss) from discontinued operations - net of tax	0	0	0		
Net income (loss)	2,725	1,494	1,232		
48 Preferred dividend declared	1	7	5	Net income available to common stockholders	
49 Net income attributable to non-controlling interest	0	0	0		
Net income available to common stockholders	2,724	1,487	1,237		
50 Common dividends	0	(1)	(1)	Current Year Retained Earnings	
Current Year Retained Earnings	2,724	1,488	1,236		

Kentucky American Water - Income Statement (\$ 000s)

Variance Analysis

July 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	July 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	48,279	45,964	2,315	Line 1: Water Revenues \$2,315K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Q2 & July strong water sales made up the lower sales seen in Q1 due to declining usage and impact related to unusual cool/wet weather.
2 Sewer revenues	174	176	(2)	
3 Other operating revenues	1,890	1,354	536	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	50,343	47,494	2,849	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	231	198	(33)	Line 3: Other Operating Revenues \$536K favorable driven by unplanned LFUCG Billing revenues \$548K (Apr thru Jul), partially offset by misc other combined \$12K.
7 Fuel and Power	2,240	2,319	79	
8 Chemicals	1,042	1,041	(1)	Line 7: Fuel & Power \$79K favorable driven by timing related to a large over accrued amount in June which is now reversed \$62K. Plant efficiency implementation counted for the remainder of the variance.
9 Waste disposal	199	166	(34)	
Total production costs	3,712	3,724	11	
10 Salaries & Wages	4,223	4,456	233	Line 10: Salaries & Wages \$233K favorable primarily driven by savings \$290K due to organizational streamlining & new way of working initiatives and other \$41K (lower AIP accruals (lower headcount) & other compensations incentive), partially offset by one time severance payout \$98K.
11 Pensions	591	604	13	
12 Group insurances	1,193	1,214	21	
13 Other benefits	214	242	29	
Total employee related	6,220	6,516	296	
14 Service Company costs	4,855	5,126	271	Line 14: Service Company Costs \$271K favorable primarily driven by IT \$214K due to more capitalized expenses than planned, timing of SAP spend and lower depreciation. Remaining variance driven by misc other expenses combined (CSC and Legal, etc).
15 Contracted services	601	618	18	
16 Building maintenance and services	333	353	20	Line 22: Miscellaneous expenses \$65K favorable primarily driven by water conservation ads \$66K due to cost saving initiative was implemented early part of year. Misc other combined counted for the remaining variance.
17 Telecommunication expenses	170	150	(20)	
18 Postage printing and stationery	18	17	(0)	
19 Office supplies & expenses	99	125	26	
20 Advertising & marketing expenses	17	33	16	
21 Employee related expense travel & entertainment	105	130	25	
22 Miscellaneous expenses	472	526	54	
23 Rents	33	22	(11)	
24 Transportation	296	278	(18)	
Operating supplies & services	2,144	2,252	109	
25 Uncollectible Accounts Exp	125	338	214	Line 25: Uncollectible Accounts Expenses \$214K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.
26 Customer accounting other	646	703	57	
27 Regulatory expense	124	124	(0)	Line 26: Customer Accounting Other \$57K favorable driven by savings from collection agencies \$28K, Bill inserts, bank service charges and forms combined \$29K.
28 Insurance other than group	384	391	8	
29 Maintenance service & supplies	925	960	35	
Total operation and maintenance	19,135	20,135	1,001	
30 Depreciation	5,386	5,305	(82)	Line 30: Depreciation \$82K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	121	114	(7)	
32 Removal costs	1,174	1,168	(6)	
Depreciation and Amortization	6,681	6,587	(94)	
33 General taxes	2,824	2,876	52	Line 33: General Taxes \$52K favorable driven by lower property tax accrual \$30K, saving from payroll tax \$26K due to lower headcount and property tax discount not planned \$7K, partially offset by higher utility reg assessment \$12K.
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	28,620	29,598	977	
Operating income (loss)	21,723	17,896	3,827	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$227K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	6,830	7,057	227	
38 Interest on Short-Term Bank Debt	45	46	0	
39 Other Interest Expense	0	0	0	
40 Interest net	6,875	7,103	227	
41 Allowance for other funds used during construction	408	266	142	Line 41: Net AFUDC (Equity & Debt) \$129K favorable primarily driven by AFUDC Equity Gross up not planned.
42 Allowance for borrowed funds used during construction	191	204	(13)	
43 Amortization of debt expense	41	36	(5)	Line 44: Other Net \$145K favorable driven by lower donations to different organizations \$106K as a result of mgmt cost saving initiatives & timing (External Affairs) and reimbursement from contractors for water main related damages \$43K, partially offset by slightly higher lobby expenses \$4K.
44 Other Net	(104)	(249)	145	
Total other income (expenses)	(6,421)	(6,918)	497	
Income (loss) before income taxes	15,302	10,979	4,323	
45 Provision for income taxes	6,188	4,285	(1,904)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	9,113	6,694	2,420	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	9,113	6,694	2,420	
48 Preferred dividend declared	40	46	6	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	9,073	6,648	2,425	
50 Common dividends	6,693	4,495	(2,198)	
Current Year Retained Earnings	2,381	2,153	228	

Kentucky American Water - Income Statement (\$ 000s)
 Variance Analysis
 Aug 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Aug 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	8,094	7,933	161	Line 1: Water Revenues \$161K favorable to plan primarily driven by better sales for Commercial, Industrial and SFR, partially offset by slightly lower sales in Residential. Line 3: Other revenues \$109K favorable to plan primarily driven by unplanned LFUCG billing revenue \$141K and higher application/initiation fees \$21K, partially offset by lower reconnection fee \$34K and the delayed late fees \$19K. Lower reconnection fee is due to new shutoff threshold of \$75 vs \$25, it would be offset by higher late fees as the result.
2 Sewer revenues	25	26	(1)	
3 Other operating revenues	295	186	109	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	8,414	8,146	269	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	27	31	4	Line 7: Fuel and Power \$51K favorable to plan driven by timing related to a lower accrued amount last month which is now reversed. YTD is still under Plan. Line 10: Salaries & Wages \$64K favorable driven by savings due to Organizational streamlining and new way of working initiatives \$50K and AIP & other compensations incentive \$14K. Line 14: Service Company Costs \$227K unfavorable driven by service company fees should be accrued in July \$148K and Correction for CapEx to be made in Sept \$45K. August actual variance should have been \$34K unfavorable. Still under investigation. Line 22: Miscellaneous expenses \$80K unfavorable driven by working basket accruals for expenses related to August that was all accrued under misc expenses bucket, which offset the favorable variance seen under maintenance service & supplies. Expected to be fixed in September. Line 29: Maintenance services & supplies \$60K favorable driven by working basket accruals for August that were booked under misc expenses (see unfavorable variance explanation above line 22). Expected to be fixed in September.
7 Fuel and Power	462	412	(51)	
8 Chemicals	203	240	36	
9 Waste disposal	24	22	(2)	
Total production costs	717	704	(13)	
10 Salaries & Wages	610	673	64	
11 Pensions	86	86	0	
12 Group insurances	166	173	8	
13 Other benefits	26	33	8	
Total employee related	887	966	79	
14 Service Company costs	1,006	779	(227)	
15 Contracted services	77	79	2	
16 Building maintenance and services	40	46	6	
17 Telecommunication expenses	29	21	(8)	
18 Postage printing and stationery	2	2	(0)	
19 Office supplies & expenses	7	18	11	
20 Advertising & marketing expenses	0	0	0	
21 Employee related expense travel & entertainment	30	18	(12)	
22 Miscellaneous expenses	132	53	(80)	
23 Rents	4	3	(1)	
24 Transportation	14	46	32	
Operating supplies & services	336	286	(50)	
25 Uncollectible Accounts Exp	84	89	5	
26 Customer accounting other	96	102	6	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	50	56	6	
29 Maintenance service & supplies	84	144	60	
Total operation and maintenance	3,277	3,143	(133)	
30 Depreciation	775	769	(6)	
31 Amortization	17	16	(1)	
32 Removal costs	169	169	(0)	
Depreciation and Amortization	961	954	(7)	
33 General taxes	384	410	26	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,621	4,507	(114)	
Operating income (loss)	3,793	3,638	154	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 37: Interest on LTD \$68K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by STD.
37 Interest on long-term debt	975	1,042	68	
38 Interest on Short-Term Bank Debt	3	1	(3)	
39 Other Interest Expense	0	0	0	
40 Interest net	978	1,043	65	
41 Allowance for other funds used during construction	61	39	23	
42 Allowance for borrowed funds used during construction	29	30	(1)	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	(3)	(15)	11	
Total other income (expenses)	(897)	(995)	98	
Income (loss) before income taxes	2,895	2,643	252	
45 Provision for income taxes	1,170	1,048	(122)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	1,725	1,596	130	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,725	1,596	1,282	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,725	1,589	136	
50 Common dividends	0	(1)	1	
Current Year Retained Earnings	1,725	1,590	135	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
Aug 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Aug 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	56,373	53,897	2,476	Line 1: Water Revenues \$2,476K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Q2 & July strong water sales made up the lower sales seen in Q1 due to declining usage and impact related to unusual cool/wet weather.
2 Sewer revenues	199	202	(3)	
3 Other operating revenues	2,185	1,541	645	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	58,757	55,639	3,118	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	258	229	(30)	Line 3: Other Operating Revenues \$645K favorable driven by unplanned LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other combined \$44K(lower connection fees, late fee delay and other combined).
7 Fuel and Power	2,702	2,730	28	
8 Chemicals	1,245	1,281	36	
9 Waste disposal	223	188	(35)	
Total production costs	4,429	4,428	(1)	
10 Salaries & Wages	4,833	5,130	297	Line 10: Salaries & Wages \$297K favorable primarily driven by savings \$340K due to organizational streamlining & new way of working initiatives and other \$56K (lower AIP accruals (lower headcount) & other compensations incentive), partially offset by one time severance payout \$99K.
11 Pensions	677	690	13	
12 Group insurances	1,359	1,387	29	
13 Other benefits	239	276	36	
Total employee related	7,107	7,483	375	
14 Service Company costs	5,860	5,905	44	
15 Contracted services	678	697	20	
16 Building maintenance and services	373	399	26	
17 Telecommunication expenses	199	172	(28)	
18 Postage printing and stationery	20	19	(1)	
19 Office supplies & expenses	106	143	37	
20 Advertising & marketing expenses	15	25	9	
21 Employee related expense travel & entertainment	135	148	13	
22 Miscellaneous expenses	606	587	(19)	
23 Rents	37	25	(12)	
24 Transportation	310	324	14	
Operating supplies & services	2,479	2,538	59	
25 Uncollectible Accounts Exp	209	427	219	Line 25: Uncollectible Accounts Expenses \$219K favorable driven by timing of write offs and favorable allowance adjustment as result of lower write offs. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%. It is expected to be flat to plan for the year.
26 Customer accounting other	742	805	64	
27 Regulatory expense	142	142	(0)	
28 Insurance other than group	434	447	14	
29 Maintenance service & supplies	1,009	1,104	95	
Total operation and maintenance	22,411	23,279	868	Line 26: Customer Accounting Other \$64K favorable driven by savings from collection agencies \$34K, Bill inserts, bank service charges and forms combined \$30K.
30 Depreciation	6,162	6,074	(88)	Line 30: Depreciation \$88K unfavorable driven by 2012 plan miss - exclusion of 2H 2011 new assets in service. The variance is expected to continue through out the year.
31 Amortization	138	130	(7)	
32 Removal costs	1,343	1,336	(6)	
Depreciation and Amortization	7,642	7,541	(102)	
33 General taxes	3,207	3,285	78	Line 33: General Taxes \$78K favorable driven by lower property tax accrual \$40K, saving from payroll tax \$45K due to lower headcount and property tax discount not planned \$9K, partially offset by higher utility reg assessment \$16K.
34 Loss (gain) on sale of assets	(19)	0	19	
35 Impairment charges	0	0	0	
Total operating expenses net	33,242	34,105	863	
Operating income (loss)	25,515	21,535	3,981	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$295K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	7,805	8,099	295	
38 Interest on Short-Term Bank Debt	48	46	(2)	
39 Other Interest Expense	0	0	(0)	
Interest net	7,853	8,146	292	
41 Allowance for other funds used during construction	469	304	165	Line 41: Net AFUDC (Equity & Debt) \$165K favorable primarily driven by AFUDC Equity Gross up not planned.
42 Allowance for borrowed funds used during construction	220	233	(14)	
43 Amortization of debt expense	47	42	(5)	
44 Other Net	(107)	(263)	156	Line 44: Other Net \$156K favorable driven by lower donations to different organizations \$114K as a result of mgmt cost saving initiatives & timing (External Affairs - charitable contribution/scholarships, grants, etc) and reimbursement from contractors for water main related damages \$46K, partially offset by slightly higher lobby expenses \$4K.
Total other income (expenses)	(7,318)	(7,913)	595	
Income (loss) before income taxes	18,197	13,622	4,575	
45 Provision for income taxes	7,358	5,333	(2,026)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	10,839	8,289	2,550	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	10,839	8,289	2,550	
48 Preferred dividend declared	40	52	12	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	10,799	8,237	2,562	
50 Common dividends	6,693	4,494	2,199	
Current Year Retained Earnings	4,106	3,743	363	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
Sept 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Sept 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	7,974	7,764	210	Line 1: Water Revenues \$210K favorable to plan primarily driven by better sales from Commercial, OPA and Industrial. Partially offset by slightly lower sales in Residential due to cool weather.
2 Sewer revenues	28	28	(0)	
3 Other operating revenues	138	177	(40)	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	8,139	7,969	170	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	20	28	8	
7 Fuel and Power	347	380	33	
8 Chemicals	166	162	(4)	
9 Waste disposal	26	22	(4)	
Total production costs	559	591	32	
10 Salaries & Wages	561	594	33	
11 Pensions	87	86	(1)	
12 Group insurances	154	173	19	
13 Other benefits	26	27	1	
Total employee related	828	880	52	
14 Service Company costs	683	724	41	Line 15: Contract Services \$100K favorable driven reversal of legal accrual for Northern Certificate case (accrual was in expense, actuals were capitalized).
15 Contracted services	(4)	96	100	
16 Building maintenance and services	34	51	17	Remaining variance driven by timing and some contract services expenses were accrued under misc expense. Should be cleaned up in Oct.
17 Telecommunication expenses	27	21	(5)	
18 Postage printing and stationery	1	2	1	Line 21: Employee related expense travel & entertainment \$64K unfavorable driven by unmapped p-card purchase accruals \$80K - all Pcard expenses (employee related or not) were accrued here, most should be reversed in Oct.
19 Office supplies & expenses	8	26	18	
20 Advertising & marketing expenses	1	3	1	Actual spending should align with budgeted level.
21 Employee related expense travel & entertainment	81	17	(64)	
22 Miscellaneous expenses	258	50	(208)	Line 22: Miscellaneous expenses \$208K unfavorable driven by Sept workbasket accruals - All invoices were accrued on this line (note favorability on other expense lines). In addition approx \$80k looks to be capital spend (reflected as such on Os&Vs). These expenses will flow to the proper buckets as invoices get processed.
23 Rents	2	3	1	
24 Transportation	36	44	8	
Operating supplies & services	444	313	(132)	
25 Uncollectible Accounts Exp	55	103	48	
26 Customer accounting other	79	97	18	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	39	56	17	
29 Maintenance service & supplies	96	115	19	
Total operation and maintenance	2,802	2,897	95	
30 Depreciation	1,199	848	(351)	Line 30: Depreciation \$351K unfavorable driven by a YTD reclass for the CIAC amortization between removal costs and depreciation in the amount of \$311K offset by favorable variance from removal costs \$351K. Remaining variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in service (seeing all year long).
31 Amortization	17	16	(1)	
32 Removal costs	(182)	169	351	
Depreciation and Amortization	1,034	1,033	(1)	
33 General taxes	404	403	(1)	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,240	4,333	93	
Operating income (loss)	3,899	3,636	264	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	
37 Interest on long-term debt	999	1,042	44	Line 37: Interest on LTD \$44K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, offset by slightly higher STD.
38 Interest on Short-Term Bank Debt	2	(1)	(3)	
39 Other Interest Expense	0	0	0	
40 Interest net	1,001	1,042	41	
41 Allowance for other funds used during construction	45	27	19	
42 Allowance for borrowed funds used during construction	21	20	1	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	(5)	(24)	19	
Total other income (expenses)	(944)	(1,024)	79	
Income (loss) before income taxes	2,955	2,612	343	
45 Provision for income taxes	1,164	1,036	(128)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	1,791	1,576	216	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	1,791	1,576	1,364	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	1,791	1,569	222	

50	Common dividends	3,323	2,083	1,240
	Current Year Retained Earnings	(1,532)	(514)	(1,018)

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
Sept 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Sept 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	64,347	61,661	2,687	Line 1: Water Revenues \$2,687K favorable to plan primarily driven by strong
2 Sewer revenues	227	230	(3)	water sales due to hot/dry weather (May, Jun & Jul) and higher than
3 Other operating revenues	2,323	1,718	605	expected organic growth. Q2 & July strong water sales made up the lower
4 Market-Based revenues	0	0	0	sales seen in Q1 due to declining usage and impact related to unusual
5 Management revenues	0	0	0	cool/wet weather.
Operating revenues	66,897	63,608	3,288	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	278	256	(22)	Line 3: Other Operating Revenues \$605K favorable driven by unplanned
7 Fuel and Power	3,050	3,110	61	LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other
8 Chemicals	1,411	1,442	32	combined \$84K(lower connection fees, late fee delay \$96K and other
9 Waste disposal	249	210	(40)	combined).
Total production costs	4,988	5,019	31	Line 6: Fuel & Power \$61K favorable primarily driven by plant efficiency
10 Salaries & Wages	5,394	5,723	330	implementation/transfer pump etc.
11 Pensions	764	776	12	Line 10: Salaries & Wages \$330K favorable primarily driven by savings
12 Group insurances	1,513	1,561	48	\$376K due to organizational streamlining & new way of working initiatives
13 Other benefits	265	303	38	and other \$65K (lower AIP accruals (lower headcount) & other compensation
Total employee related	7,936	8,363	427	incentives), partially offset by one time severance payout \$111K.
14 Service Company costs	6,543	6,628	85	Line 14: Service Company Costs \$85K favorable driven by Corp allocation
15 Contracted services	673	793	120	methodology. Explanation handled by SSC FP&A.
16 Building maintenance and services	407	449	43	Line 15: Contracted Services \$120K favorable driven reversal of legal
17 Telecommunication expenses	226	193	(33)	accrual for Northern Certificate case (accrual was in expense, actuals were
18 Postage printing and stationery	21	21	0	capitalized). Remaining variance driven by timing and some contract
19 Office supplies & expenses	114	169	55	services expenses were accrued under misc expense. Should be cleaned up
20 Advertising & marketing expenses	17	27	11	Line 19: Office supplies & expenses \$55K favorable driven by management
21 Employee related expense travel & entertainment	216	165	(51)	expense saving initiatives (uniforms, office supply etc and timing of some
22 Miscellaneous expenses	865	638	(227)	expenses.
23 Rents	39	27	(11)	Line 21: Employee related expenses \$51K unfavorable driven by unmapped
24 Transportation	346	368	22	p-card purchase accruals \$80K - all Pcard expenses (employee related or
Operating supplies & services	2,924	2,851	(72)	not) were accrued here, most should be reversed in Oct. Actual spending
25 Uncollectible Accounts Exp	264	530	266	should align with budgeted level.
26 Customer accounting other	821	903	82	Line 22: Miscellaneous expenses \$227K unfavorable driven by Sept
27 Regulatory expense	160	160	(0)	workbasket accruals - All invoices were accrued on this line (note
28 Insurance other than group	473	503	30	favorability on other expense lines). In addition approx \$80k looks to be
29 Maintenance service & supplies	1,105	1,219	114	capital spend (reflected as such on Os&Vs). These expenses will flow to the
Total operation and maintenance	25,213	26,176	963	proper buckets as invoices get processed.
30 Depreciation	7,361	6,922	(439)	Line 25: Uncollectible Accounts Expenses \$266K favorable driven by timing
31 Amortization	155	147	(8)	of write offs and favorable allowance adjustment as result of lower write offs.
32 Removal costs	1,161	1,505	345	12 month rolling uncollectible rate is 0.46% vs. budget of 0.72%.
Depreciation and Amortization	8,676	8,574	(103)	Line 26: Customer Accounting Other \$82K favorable driven by savings from
33 General taxes	3,611	3,688	78	collection agencies \$41K, Bill inserts, bank service charges and forms
34 Loss (gain) on sale of assets	(19)	0	19	combined \$41K.
35 Impairment charges	0	0	0	Line 30: Depreciation \$439K unfavorable driven by a YTD reclass for the
Total operating expenses net	37,482	38,438	956	CIAC amortization between removal costs and depreciation in the amount of
Operating income (loss)	29,415	25,170	4,245	\$311K offset by favorable variance from removal costs \$351K. Remaining
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in
37 Interest on long-term debt	8,803	9,142	338	service (seeing all year long).
38 Interest on Short-Term Bank Debt	50	45	(5)	Line 33: General Taxes \$78K favorable driven by lower property tax accrual
39 Other Interest Expense	0	0	(0)	\$50K, saving from payroll tax \$37K due to lower headcount and property tax
40 Interest net	8,854	9,187	333	discount not planned \$11K, partially offset by higher utility reg assessment
41 Allowance for other funds used during construction	515	331	184	\$20K.
42 Allowance for borrowed funds used during construction	241	254	(13)	Line 25: Interest on LTD \$338K favorable driven by lower rate for the 2011
43 Amortization of debt expense	53	48	(5)	\$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on
44 Other Net	(112)	(287)	175	2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
Total other income (expenses)	(8,263)	(8,937)	674	
Income (loss) before income taxes	21,152	16,234	4,918	Line 41: Net AFUDC (Equity & Debt) \$184K favorable primarily driven by
45 Provision for income taxes	8,556	6,369	(2,187)	AFUDC Equity Gross up not planned.
46 Income (loss) from continuing operations	12,596	9,865	2,731	Line 44: Other Net \$175K favorable driven by lower donations to different
47 Income (loss) from discontinued operations - net of tax	0	0	0	organizations \$133K as a result of timing (External Affairs - charitable
Net income (loss)	12,596	9,865	2,731	contribution/scholarships, grants, etc) and reimbursement from contractors
48 Preferred dividend declared	40	59	19	for water main related damages \$47K, partially offset by slightly higher lobby
49 Net income attributable to non-controlling interest	0	0	0	expenses \$5K.
				Line 45: Provision for income taxes explanation handled by Corp Tax
				Department.

	Net income available to common stockholders	12,556	9,807	2,750
50	Common dividends	10,016	6,577	3,439
	Current Year Retained Earnings	2,541	3,230	(689)

Kentucky American Water - Income Statement (\$ 000s)
 Variance Analysis
 Oct 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Oct 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	6,754	7,441	(687)	Line 1: Water revenues were \$687K unfavorable to plan primarily driven by
2 Sewer revenues	23	31	(8)	lower sales from residential \$519K and OPA \$131K as each was down by
3 Other operating revenues	104	176	(72)	10.4% and 13.3% in term of usage.
4 Market-Based revenues	0	0	0	Line 3: Other operating revenues were \$72K unfavorable to plan driven by
5 Management revenues	0	0	0	lower reconnection fee, late fee delay and unrealized BD (was budgeted under
Operating revenues	6,881	7,648	(767)	this category)
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	20	30	11	
7 Fuel and Power	316	358	42	
8 Chemicals	124	167	43	
9 Waste disposal	33	22	(11)	
Total production costs	493	577	85	
10 Salaries & Wages	627	678	51	Line 10: Salary & Wages were \$51K favorable driven by savings \$64K due to
11 Pensions	85	86	1	lower headcount (actual 127 vs. budget 141) and AIP \$14K as result of
12 Group insurances	170	173	3	organizational streamlining, partially offset by higher OT \$33K.
13 Other benefits	31	36	5	
Total employee related	914	974	60	
14 Service Company costs	794	769	(25)	
15 Contracted services	105	83	(22)	
16 Building maintenance and services	53	46	(7)	
17 Telecommunication expenses	33	21	(12)	
18 Postage printing and stationery	1	3	2	
19 Office supplies & expenses	6	23	17	
20 Advertising & marketing expenses	4	3	(1)	
21 Employee related expense travel & entertainment	29	22	(6)	
22 Miscellaneous expenses	(16)	68	84	Line 22: Miscellaneous expenses were \$84K favorable primarily driven by Sept
23 Rents	(1)	3	4	workbasket accruals reversal related to unpaid invoices were accrued under
24 Transportation	54	42	(12)	misc expenses, Unspent BD \$8K and other combined \$9K. Partially offset by
Operating supplies & services	268	314	46	timing of the expense from external affairs \$51K (community relation,
25 Uncollectible Accounts Exp	113	47	(66)	Charitable Donations and Low Income Pay Program, some of expenses were
26 Customer accounting other	90	97	8	budgeted below the line under Net Other).
27 Regulatory expense	18	18	(0)	Line 25: Uncollectible accounts expenses were \$66K unfavorable driven by MI
28 Insurance other than group	50	56	6	adjustment \$11K and timing of write offs and resulting impact on allowance
29 Maintenance service & supplies	114	185	71	\$102K . KY is still favorable in total expenses YTD.
Total operation and maintenance	2,853	3,038	185	Line 29: Maintenance service & supplies were \$71K favorable driven by
30 Depreciation	893	851	(42)	maintenance material & supplies related to pump & electric motor repairs
31 Amortization	17	16	(1)	planned but did not occur as O&M costs \$70K (KRSI \$65K and Other plants
32 Removal costs	130	169	40	combined \$5K - some actual repair costs went capital).
Depreciation and Amortization	1,040	1,037	(3)	
33 General taxes	477	419	(58)	Line 33: General taxes were \$58K unfavorable driven by property adjustment of
34 Loss (gain) on sale of assets	0	0	0	\$70K related 2011 taxes payable in 2012 partially offset by Other Taxes and
35 Impairment charges	0	0	0	combination of Licenses, lower payroll taxes and other \$12K.
Total operating expenses net	4,369	4,493	124	
Operating income (loss)	2,512	3,155	(643)	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	
37 Interest on long-term debt	954	1,046	92	Line 37: Interest on LTD \$92K favorable driven by lower rate for the 2011 \$20M
38 Interest on Short-Term Bank Debt	3	2	(1)	LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M
39 Other Interest Expense	0	0	0	LTD moved from May to Nov, offset by slightly higher STD.
40 Interest net	957	1,048	91	
41 Allowance for other funds used during construction	42	30	12	
42 Allowance for borrowed funds used during construction	20	23	(3)	
43 Amortization of debt expense	6	6	(0)	
44 Other Net	(6)	(34)	27	
Total other income (expenses)	(907)	(1,035)	127	
Income (loss) before income taxes	1,604	2,120	(516)	
45 Provision for income taxes	646	839	192	Line 45: Provision for income taxes explanation handled by Corp Tax
46 Income (loss) from continuing operations	958	1,281	(323)	Department.
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	958	1,281	284	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	958	1,275	(317)	
50 Common dividends	0	(1)	1	
Current Year Retained Earnings	958	1,276	(318)	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
Oct 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Oct 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	71,101	69,101	2,000	Line 1: Water Revenues \$2,000K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Q2 & July strong water sales made up the lower sales seen in Q1 and Sept due to declining usage and impact related to cool/wet weather .
2 Sewer revenues	250	261	(11)	
3 Other operating revenues	2,427	1,894	533	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	73,778	71,256	2,522	Line 3: Other Operating Revenues \$533K favorable driven by unplanned LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other combined \$84K (lower connection fees, late fee delay \$116K and other combined).
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	298	286	(11)	Line 7: Fuel & Power \$103K favorable driven by Oct saving \$42K mainly due to lower Oct system delivery (3.9%) and plant efficiency implementation \$61K.
7 Fuel and Power	3,365	3,468	103	
8 Chemicals	1,535	1,609	75	Line 8: Chemicals \$75K favorable primarily driven by lower chemical uses due to better source of water.
9 Waste disposal	283	232	(51)	
Total production costs	5,480	5,596	115	Line 10: Salaries & Wages \$381K favorable primarily driven by savings \$376K due to organizational streamlining & new way of working initiatives and other \$80K (lower AIP accruals (lower headcount) & other compensation incentives), partially offset by one time severance payout \$111K.
10 Salaries & Wages	6,021	6,401	381	Line 12: Group Insurance \$51K favorable primarily due to lower headcount (actual 127 vs. budget 141).
11 Pensions	849	862	13	
12 Group insurances	1,683	1,734	51	Line 15: Contracted Services \$98K favorable driven by savings from different areas \$179K (customer accounting, WT, TD & Admin General), partially offset by higher temp labor \$54K, audit fee \$10K and legal \$17K.
13 Other benefits	296	339	43	
Total employee related	8,850	9,337	487	Line 19: Office supplies & expenses \$72K favorable driven by software license fees \$45K, savings from office & admin supplies \$22K, Uniforms \$8K, partially offset by higher credit line fees \$4K.
14 Service Company costs	7,338	7,398	60	Line 21: Employee related expenses \$58K unfavorable driven by meals \$67K due to several employee retirement luncheons/employee events, etc, partially offset by lower cost on conference & registration and related cost \$9K.
15 Contracted services	778	875	98	
16 Building maintenance and services	459	495	36	Line 22: Miscellaneous expenses \$143K unfavorable driven by material & supply \$42K, external affairs \$31K (donations, low income pay program, conservation, etc - most were budgeted below the line under Net Other) and Misc oper other \$81K (Grainger, USA Bluebook, etc), partially offset by timing of director fees, dues & membership and discount combined \$11K.
17 Telecommunication expenses	259	215	(45)	
18 Postage printing and stationery	22	24	2	Line 25: Uncollectible Accounts Expenses \$201K favorable driven by timing of write offs and resulting allowance. 12 month rolling uncollectible rate is 0.53% vs. budget of 0.72%.
19 Office supplies & expenses	120	192	72	
20 Advertising & marketing expenses	21	30	9	Line 26: Customer Accounting Other \$90K favorable driven by savings from collection agencies \$49K, Bill inserts (external affairs showing under misc expense), bank service charges, postage and forms combined \$41K.
21 Employee related expense travel & entertainment	245	187	(58)	
22 Miscellaneous expenses	849	706	(143)	Line 30: Depreciation \$481K unfavorable driven by a YTD reclass in Sept for the CIAC amortization between removal costs and depreciation in the amount of \$311K (as result of adjustment made under depreciation), offset by favorable variance from removal costs \$384K. Remaining variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in service (seeing all year long).
23 Rents	37	30	(7)	
24 Transportation	400	410	10	Line 41: Net AFUDC (Equity & Debt) \$180K favorable primarily driven by AFUDC Equity Gross up (tax effect) not planned.
Operating supplies & services	3,192	3,165	(26)	
25 Uncollectible Accounts Exp	377	577	201	Line 44: Other Net \$202K favorable driven by donations to different organizations due to timing \$152K (External Affairs - charitable contribution/scholarships, etc) offset by some actual donations showing under misc expense \$31K (firefighter grants, etc). The remaining variance driven by reimbursement from contractors for water main related damages \$56K, partially offset by slightly higher lobby expenses \$6K.
26 Customer accounting other	911	1,000	90	
27 Regulatory expense	178	177	(1)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
28 Insurance other than group	523	559	36	
29 Maintenance service & supplies	1,218	1,404	185	
Total operation and maintenance	28,066	29,214	1,148	
30 Depreciation	8,254	7,773	(481)	
31 Amortization	172	163	(9)	
32 Removal costs	1,291	1,675	384	
Depreciation and Amortization	9,716	9,610	(106)	
33 General taxes	4,088	4,107	19	
34 Loss (gain) on sale of assets	(19)	0	19	
35 Impairment charges	0	0	0	
Total operating expenses net	41,851	42,931	1,080	
Operating income (loss)	31,926	28,325	3,601	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$431K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD moved from May to Nov, would be partially offset by STD.
37 Interest on long-term debt	9,757	10,188	431	
38 Interest on Short-Term Bank Debt	53	47	(6)	Line 41: Net AFUDC (Equity & Debt) \$180K favorable primarily driven by AFUDC Equity Gross up (tax effect) not planned.
39 Other Interest Expense	0	0	(0)	
40 Interest net	9,811	10,235	425	Line 44: Other Net \$202K favorable driven by donations to different organizations due to timing \$152K (External Affairs - charitable contribution/scholarships, etc) offset by some actual donations showing under misc expense \$31K (firefighter grants, etc). The remaining variance driven by reimbursement from contractors for water main related damages \$56K, partially offset by slightly higher lobby expenses \$6K.
41 Allowance for other funds used during construction	556	361	196	
42 Allowance for borrowed funds used during construction	261	277	(16)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
43 Amortization of debt expense	59	53	(6)	
44 Other Net	(118)	(320)	202	
Total other income (expenses)	(9,170)	(9,971)	801	
Income (loss) before income taxes	22,756	18,354	4,403	
45 Provision for income taxes	9,168	7,207	(1,961)	
46 Income (loss) from continuing operations	13,588	11,146	2,442	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	13,588	11,146	2,442	
48 Preferred dividend declared	40	65	25	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	13,548	11,081	2,467	
50 Common dividends	10,016	6,576	3,440	
Current Year Retained Earnings	3,533	4,506	(973)	

Kentucky American Water - Income Statement (\$ 000s)
 Variance Analysis
 Nov 2012

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Nov 2012			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	6,031	6,480	(448)	Line 1: Water revenues were \$448K unfavorable to plan primarily driven by
2 Sewer revenues	24	26	(2)	lower sales from residential \$335K, Commercial \$69K and OPA \$49K.
3 Other operating revenues	98	184	(87)	
4 Market-Based revenues	0	0	0	Line 3: Other operating revenues were \$87K unfavorable to plan driven by
5 Management revenues	0	0	0	lower reconnection fee \$48K, late fee \$19K and unrealized BD \$25K(was
Operating revenues	6,153	6,690	(536)	budgeted under this category), partially offset by misc other combined \$5K.
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	22	26	5	
7 Fuel and Power	275	321	46	
8 Chemicals	117	131	14	
9 Waste disposal	27	22	(5)	
Total production costs	440	501	60	
10 Salaries & Wages	575	679	104	Line 10: Salary & Wages were \$104K favorable driven by savings \$114K due
11 Pensions	80	86	6	to lower headcount (actual 127 vs. budget 141) and AIP \$11K, partially offset
12 Group insurances	151	173	22	by higher OT \$22K.
13 Other benefits	46	34	(12)	
Total employee related	853	973	120	
14 Service Company costs	825	755	(70)	Line 14: Service company costs variance handled by SSC.
15 Contracted services	52	72	19	
16 Building maintenance and services	46	47	0	
17 Telecommunication expenses	22	21	(1)	
18 Postage printing and stationery	2	2	(1)	Line 21: Employee related expense travel & entertainment \$59K driven by P-
19 Office supplies & expenses	36	23	(12)	card expenses accrual reversal. All p-card expenses were previously accrued
20 Advertising & marketing expenses	(5)	0	5	under this line due to system issue, expenses are now allocated into correct
21 Employee related expense travel & entertainment	(48)	12	59	expense lines (i.e. uniforms, Material & Supplies, etc).
22 Miscellaneous expenses	161	52	(109)	Line 22: Miscellaneous expenses were \$109K unfavorable primarily driven by
23 Rents	10	3	(7)	reclass of YTD EA expenses from other net \$94K (per Corp instruction) and
24 Transportation	42	40	(2)	misc other combined \$15K. The unfavorable variance partially offset by
Operating supplies & services	319	272	(47)	favorable net other variance from EA \$94K.
25 Uncollectible Accounts Exp	56	21	(35)	
26 Customer accounting other	61	102	42	
27 Regulatory expense	18	18	(0)	
28 Insurance other than group	49	56	7	
29 Maintenance service & supplies	200	180	(20)	
Total operation and maintenance	2,820	2,875	55	
30 Depreciation	898	859	(38)	
31 Amortization	17	16	(1)	
32 Removal costs	129	170	40	
Depreciation and Amortization	1,044	1,045	1	
33 General taxes	401	407	5	
34 Loss (gain) on sale of assets	0	0	0	
35 Impairment charges	0	0	0	
Total operating expenses net	4,266	4,327	62	
Operating income (loss)	1,888	2,362	(475)	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	
37 Interest on long-term debt	976	1,046	71	Line 37: Interest on LTD \$71K favorable driven by lower rate for the 2011 \$20M
38 Interest on Short-Term Bank Debt	2	5	3	LTD (actual 5% vs. planned rate of 6%) and the interest savings on 2012 \$8M
39 Other Interest Expense	0	0	0	LTD delay from May.
40 Interest net	977	1,051	74	
41 Allowance for other funds used during construction	64	33	31	
42 Allowance for borrowed funds used during construction	30	25	5	
43 Amortization of debt expense	7	6	(2)	
44 Other Net	77	(10)	87	Line 44: Other Net \$87K favorable driven by reclass of YTD EA expenses into
Total other income (expenses)	(813)	(1,008)	194	miscellaneous expenses \$94K and partially offset by M&J income \$7K did not
Income (loss) before income taxes	1,074	1,355	(280)	plan.
45 Provision for income taxes	398	537	140	Line 45: Provision for income taxes explanation handled by Corp Tax
46 Income (loss) from continuing operations	677	817	(141)	Department.
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	677	817	274	
48 Preferred dividend declared	0	7	7	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	677	811	(134)	
50 Common dividends	0	(1)	1	
Current Year Retained Earnings	677	812	(135)	

Kentucky American Water - Income Statement (\$ 000s)
Variance Analysis
Nov 2012 YTD

	Actual vs Budget			Variance Comments (\$ Threshold \$50K)
	Nov 2012 YTD			
	Actual	Budget	Var Fav/(Unfav)	
OPERATING REVENUES				
1 Water revenues	77,132	75,581	1,551	Line 1: Water Revenues \$1,551K favorable to plan primarily driven by strong water sales due to hot/dry weather (May, Jun & Jul) and higher than expected organic growth. Line 3: Other Operating Revenues \$446K favorable driven by unplanned LFUCG Billing revenues \$689K (Apr thru Aug), partially offset by misc other combined \$243K(lower connection fees, late fee delay \$136K, unrealized BD \$50K and other).
2 Sewer revenues	274	287	(13)	
3 Other operating revenues	2,524	2,078	446	
4 Market-Based revenues	0	0	0	
5 Management revenues	0	0	0	
Operating revenues	79,931	77,946	1,985	
OPERATIONS & MAINTENANCE EXPENSE				
6 Purchased water	319	313	(6)	Line 7: Fuel & Power \$149K favorable driven primarily by budget error that overstated the F&P expenses for booster stations, plant efficiency implementation is another factor that resulted lower F&P expenses.
7 Fuel and Power	3,640	3,789	149	
8 Chemicals	1,651	1,741	89	Line 8: Chemicals \$89K favorable primarily driven by lower chemical uses due to better source of water. Line 10: Salaries & Wages \$485K favorable primarily driven by savings \$513K due to lower headcount (actual 127 vs. budget 141) as result of organizational streamlining & new way of working initiatives and other \$91K (lower AIP accruals & compensation incentives), partially offset by one time severance payout \$111K and OT \$8K.
9 Waste disposal	310	254	(56)	
Total production costs	5,921	6,096	176	
10 Salaries & Wages	6,596	7,080	485	Line 12: Group Insurance \$73K favorable primarily driven by lower headcount (actual 127 vs. budget 141). Line 15: Contracted Services \$117K favorable driven by savings from different areas \$214K (customer accounting - language services, ORC & Accenture, etc, WT, TD & Admin General), partially offset by higher temp labor \$60K, audit fee \$10K, legal \$5K and lab testing \$2K. Line 19: Office supplies & expenses \$60K favorable driven by software license fees \$53K and savings from office & admin supplies \$13K, partially offset by higher credit line fees \$2K and timing of uniforms expense \$3K.
11 Pensions	929	949	19	
12 Group insurances	1,835	1,908	73	
13 Other benefits	342	373	31	
Total employee related	9,702	10,310	607	
14 Service Company costs	8,163	8,152	(10)	Line 22: Miscellaneous expenses \$252K unfavorable driven by EA \$211K (donations, low income pay program, conservation, etc - most were budgeted below the line under Net Other), injuries & Damage \$27K and trustee fees \$13K. EA variance is offset by favorable variance under Other Net \$240K. Line 25: Uncollectible Accounts Expenses \$165K favorable driven by timing of write offs and resulting allowance. 12 month rolling uncollectible rate is 0.43% vs. budget of 0.72%. The 2012 uncollectible rate is expected to be at around 0.50% once we approach the year end. Line 26: Customer Accounting Other \$131K favorable driven by savings from collection agencies \$56K, Bill inserts, bank service charges, postage and forms combined \$75K.
15 Contracted services	830	947	117	
16 Building maintenance and services	506	542	36	
17 Telecommunication expenses	281	236	(45)	
18 Postage printing and stationery	25	26	1	
19 Office supplies & expenses	156	215	60	
20 Advertising & marketing expenses	16	30	14	
21 Employee related expense travel & entertainment	197	199	2	
22 Miscellaneous expenses	1,010	758	(252)	
23 Rents	47	33	(15)	
24 Transportation	442	450	8	
Operating supplies & services	3,511	3,437	(74)	
25 Uncollectible Accounts Exp	432	598	165	Line 30: Depreciation \$519K unfavorable driven by a YTD reclass in Sept for the CIAC amortization between removal costs and depreciation \$311K (as result of adjustment made under depreciation), offset by favorable variance from removal costs \$425K. Remaining variance driven by 2012 plan miss - exclusion of 2H 2011 new assets in service (seeing all year long).
26 Customer accounting other	972	1,103	131	
27 Regulatory expense	195	195	(0)	
28 Insurance other than group	572	615	43	
29 Maintenance service & supplies	1,418	1,583	165	
Total operation and maintenance	30,886	32,089	1,204	
30 Depreciation	9,151	8,632	(519)	
31 Amortization	190	179	(10)	
32 Removal costs	1,420	1,845	425	
Depreciation and Amortization	10,761	10,656	(105)	
33 General taxes	4,489	4,514	25	Line 41: Net AFUDC (Equity & Debt) \$227K favorable primarily driven by AFUDC Equity Gross up (tax effect) not planned.
34 Loss (gain) on sale of assets	(19)	0	19	
35 Impairment charges	0	0	0	
Total operating expenses net	46,117	47,259	1,142	
Operating income (loss)	33,814	30,687	3,127	
OTHER INCOME (EXPENSES)				
36 Interest Income	0	0	0	Line 25: Interest on LTD \$431K favorable driven by lower rate for the 2011 \$20M LTD (actual 5% vs planned rate of 6%) and the interest savings on 2012 \$8M LTD delay from May, partially offset by higher STD interest expenses.
37 Interest on long-term debt	10,733	11,235	501	
38 Interest on Short-Term Bank Debt	55	52	(3)	
39 Other Interest Expense	0	0	(0)	
40 Interest net	10,788	11,286	498	
41 Allowance for other funds used during construction	620	394	227	
42 Allowance for borrowed funds used during construction	291	302	(11)	
43 Amortization of debt expense	66	59	(7)	
44 Other Net	(41)	(330)	289	Line 44: Other Net \$289K favorable driven by EA \$240K due to actual expenses (charitable contribution/scholarships, etc) are now showing under miscellaneous expenses, but they were budgeted here. The remaining variance driven by reimbursement from contractors for water main related damages \$55K and other \$4K.
Total other income (expenses)	(9,983)	(10,979)	996	
Income (loss) before income taxes	23,831	19,708	4,122	
45 Provision for income taxes	9,566	7,744	(1,821)	Line 45: Provision for income taxes explanation handled by Corp Tax Department.
46 Income (loss) from continuing operations	14,265	11,964	2,301	
47 Income (loss) from discontinued operations - net of tax	0	0	0	
Net income (loss)	14,265	11,964	2,301	
48 Preferred dividend declared	40	72	32	
49 Net income attributable to non-controlling interest	0	0	0	
Net income available to common stockholders	14,225	11,892	2,333	
50 Common dividends	10,016	6,575	3,441	
Current Year Retained Earnings	4,209	5,317	(1,108)	

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 32**

Description of Filing Requirement:

Independent Auditor's Annual Opinion Report and any Written Findings of Material Weaknesses in Internal Controls

Response:

Please refer to Exhibit 28 - Page 99 of 122 for the Independent Auditor's 2011 Annual Opinion Report. There were no findings of material weakness in internal controls.

For electronic version, see KAW_APP_EX32_122812.pdf for this document and KAW_APP_EX28_122812.pdf for the Independent Auditor's 2011 Annual Opinion Report.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 33

Description of Filing Requirement:

Summary of last depreciation study

Response:

A depreciation study was prepared by Gannett Fleming and sponsored by John Spanos in Case Number 2010-00036. Please see attached depreciation rates that were approved in Case No. 2010-00036. The Company has not prepared a depreciation study for this case.

For electronic version, see KAW_APP_EX33_122812.pdf

KENTUCKY AMERICAN WATER COMPANY

Depreciation Rates Per 2010-00036 rate case

<u>DEPRECIABLE GROUP</u>	<u>ACCRUAL RATE</u>
(1)	(8)
<u>STRUCTURES AND IMPROVEMENTS</u>	
304.10 SOURCE OF SUPPLY	3.07
304.20 POWER AND PUMPING STRUCTURES	2.85
304.30 WATER TREATMENT	2.95
304.40 TRANSMISSION AND DISTRIBUTION	2.63
304.60 OFFICE BUILDINGS	2.96
304.70 STORE, SHOP AND GARAGE STRUCTURES	2.03
304.80 MISCELLANEOUS STRUCTURES	4.98
305.00 COLLECTING AND IMPOUNDING RESERVOIRS	1.33
306.00 LAKE, RIVER AND OTHER INTAKES	2.05
309.00 SUPPLY MAINS	2.20
310.10 OTHER POWER GENERATION EQUIPMENT	2.93
<u>PUMPING EQUIPMENT</u>	
311.20 ELECTRIC	2.25
311.30 DIESEL	2.26
311.40 HYDRAULIC	2.28
311.52 SOURCE OF SUPPLY	2.43
311.54 TRANS. AND DISTR. PUMPING EQUIPMENT	2.43
320.10 PURIFICATION SYSTEM - STRUCTURES	2.61
320.11 PURIFICATION SYSTEM - EQUIPMENT	2.65
320.20 PURIFICATION SYSTEM - FILTER MEDIA	24.28
330.00 DISTRIBUTION RESERVOIRS AND STANDPIPES	1.66
330.10 ELEVATED TANKS AND STANDPIPES	2.03
330.20 GROUND LEVEL FACILITIES	1.38
330.40 CLEARWELLS	1.68
331.00 MAINS AND ACCESSORIES	1.66
333.00 SERVICES	3.00
<u>METERS</u>	
334.10 METERS	2.68
334.11 BRONZE CASE	2.74
334.12 PLASTIC CASE	3.25

334.13	OTHER	2.90
334.20	METER INSTALLATIONS	2.78
334.30	METER VAULTS	2.73
335.00	FIRE HYDRANTS	1.49
339.10	OTHER SOURCE OF SUPPLY PLANT	19.40
339.60	OTHER P/E COMPANY PLANNING STUDY	10.72

OFFICE FURNITURE AND EQUIPMENT

340.10	FURNITURE	5.00
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
340.33	COMPUTER SOFTWARE-OTHER	20.00
340.50	OTHER	6.67

TRANSPORTATION EQUIPMENT

341.10	LIGHT DUTY TRUCKS	1.53
341.20	HEAVY DUTY TRUCKS	2.34
341.30	AUTOS	-
341.40	OTHER	5.51

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	2.14
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

Composite Depreciation Rate 2.23

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 34**

Description of Filing Requirement:

List of Software, Programs and Models Used

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX34_122812.pdf.

Application Groups			Vendor - Application - Module				Description
Address by:	Release	Primary Process Area	Software Mfg Vendor	Application Name	Module Name	Application + Module (Primary Key)	Description
BT	All	General	SAP	SAP-GRC	AC	SAP-GRC AC	SAP Governance Risk and Compliance - Access Control
BT	All	General	SAP	SAP-GRC	PC	SAP-GRC PC	SAP Governance Risk and Compliance - Process Control
BT	All	General	OpenText	Document Access	Archive	Document Access Archive	OpenText Document Management (Imaging)
	All	General	OpenText	Right Fax	Fax Server	Right Fax Fax Server	OpenText Document Management (Imaging)
BT	All	General	SAP	SAP-tRex	tRex	SAP-tRex tRex	SAP Search Engine
BT	All	BI	SAP	SAP-BOBJ-BI	Analysis	SAP-BOBJ-BI Analysis	Business Objects Analysis
BT	All	BI	SAP	SAP-BOBJ-BI	BI Workspace	SAP-BOBJ-BI BI Workspace	Business Objects Business Intelligence Workspace
BT	All	BI	SAP	SAP-BOBJ-BI	Crystal Reports	SAP-BOBJ-BI Crystal Reports	Business Objects Crystal Reports
BT	All	BI	SAP	SAP-BOBJ-BI	Dashboard	SAP-BOBJ-BI Dashboard	Business Objects Dashboard
BT	All	BI	SAP	SAP-BOBJ-BI	Web Intelligence	SAP-BOBJ-BI Web Intelligence	Business Objects Web Intelligence
BT	All	BI	SAP	SAP-BOBJ-EIM	Data Services	SAP-BOBJ-EIM Data Services	delivers an enterprise-class solution for data integration, data quality, data profiling, and text analysis. The software allows you to integrate,
BT	All	BI	SAP	SAP-BOBJ-EIM	Info Steward -Metapedia	SAP-BOBJ-EIM Info Steward - Metapedia	The Metapedia module of SAP BusinessObjects Information Steward allows you to implement a business glossary of terms related to your business data and organize the terms hierarchically
BT	All	BI	SAP	SAP-BOBJ-EIM	Info Steward -Data Insight	SAP-BOBJ-EIM Info Steward -Data Insight	A Data Insight project is a collaborative workspace for data stewards and data analysts to assess and monitor the data quality of a specific domain and for a specific purpose
BT	All	BI	SAP	SAP-BOBJ-EIM	Info Steward - Metadata Mgt	SAP-BOBJ-EIM Info Steward - Metadata Mgt	The Metadata Management module of SAP BusinessObjects Information Steward provides an integrated view of metadata and their relationships across all of the products used in a Business Intelligence Product.
BT	All	BI	SAP	SAP-BW	BW	SAP-BW BW	Business Warehouse
BT	ERP	HTR	SAP	SAP-ECC	EH&S-MS	SAP-ECC EH&S-MS	Environmental Health & Safety-Medical Service
BT	ERP	HTR	SAP	SAP-ECC	CATS	SAP-ECC CATS	Cross Application Time Management
BT	ERP	HTR	Accenture	ACN Payroll	A&C	ACN Payroll A&C	Audit & Compliance: check data for Payroll Runs
BT	ERP	HTR	Accenture	ACN Payroll	C&T	ACN Payroll C&T	Clean & Test: Create data to support Payroll tests(non prod)
BT	ERP	HTR	Accenture	ACN Payroll	DCM	ACN Payroll DCM	Data Comparison: tool to support payroll test (non prod)
BT	ERP	HTR	SAP	SAP-ECC	ESS	SAP-ECC ESS	Employee Self Service
BT	ERP	HTR	SAP	SAP-ECC	MSS	SAP-ECC MSS	Manager Self Service
BT	ERP	HTR	SAP	SAP-ECC	HCM-OM	SAP-ECC HCM-OM	Organization Management
BT	ERP	HTR	SAP	SAP-ECC	HCM-PA	SAP-ECC HCM-PA	Personnel Administration
BT	ERP	HTR	SAP	SAP-ECC	HCM-PA-AS	SAP-ECC HCM-PA-AS	Personnel Administration - HR Administration
BT	ERP	HTR	SAP	SAP-ECC	HCM-PA-BN	SAP-ECC HCM-PA-BN	Benefits Management
BT	ERP	HTR	SAP	SAP-ECC	HCM-PA-EC	SAP-ECC HCM-PA-EC	Enterprise Compensation Management
BT	ERP	HTR	SAP	SAP-ECC	HCM-PE-LSO - Learning Delivery	SAP-ECC HCM-PE-LSO - Learning Delivery	Learning Solution - Learning Delivery

Application Groups			Vendor - Application - Module				Description
Address by:	Release	Primary Process Area	Software Mfg Vendor	Application Name	Module Name	Application + Module (Primary Key)	Description
BT	ERP	HTR	SAP	SAP-ECC	HCM-PE-LSO - Training Admin	SAP-ECC HCM-PE-LSO - Training Admin	Learning Solution - Training Admin
BT	ERP	HTR	SAP	SAP-ECC	PY	SAP-ECC PY	Payroll
BT	ERP	HTR	BSI	BSI	Tax Factory	BSI Tax Factory	BSI Payroll Tax Factor
BT	Tool	General	Ancile	uPerform	uPerform	uPerform uPerform	SAP uPerform by Ancile
BT	Tool	General	Knoa	Knoa	EPM	Knoa EPM	Knoa Experience and Performance Manager or SAP End User Monitoring by Knoa
BT	Tool	General	Knoa	Knoa	Collection	Knoa Collection	Knoa Collection Software to collect keystrokes from desktop agents
BT	Tool	General	Knoa	Knoa	Analysis	Knoa Analysis	Knoa Analysis Module to perform analytics on collected keystrokes
BT	ERP	HTR	Kronos	Kronos Time Management	Timekeeper	Kronos Time Management Timekeeper	Stores payrules, overtime rules, shift differentials and time collection (via clocks)
BT	ERP	HTR	Kronos	Kronos Time Management	Accruals	Kronos Time Management Accruals	Calculates and stores accruals (Sick, Vacation, Personal Days, etc.)
BT	ERP	HTR	Kronos	Kronos Time Management	WIM	Kronos Time Management WIM	Integration between Kronos and clocks.
BT	ERP	HTR	Kronos	Kronos Time Management	Device Manager	Kronos Time Management Device Manager	Integration between Kronos timekeeper and other data sources
BT	ERP	HTR	Kronos	Kronos Time Management	Record Manager	Kronos Time Management Record Manager	Integration between Kronos timekeeper and time devices
BT	ERP	HTR	Kronos	Kronos Time Management	Absence Manager - Leave	Kronos Time Management Absence Manager - Leave	Leave Policy configuratoin.
BT	ERP	HTR	Kronos	Kronos Time Management	Absence Manager - Attendance	Kronos Time Management Absence Manager - Attendance	Attendance Policy configuration.
BT	ERP	HTR	Kronos	Kronos Labor Tracking	Activities	Kronos Labor Tracking Activities	Work Order management
BT	ERP	HTR	Kronos	Kronos Time & Attendance	Employee	Kronos Time & Attendance Employee	Allows employee to view their information and view their timecard
BT	ERP	HTR	Kronos	Kronos Time & Attendance	Manager	Kronos Time & Attendance Manager	Allows Managers to view approve time
BT	ERP	HTR	Nakisa	Visualization	Planning	Visualization Planning	Nakisa Organizational Chart Planning
BT	ERP	HTR	Nakisa	Visualization	SOVN	Visualization SOVN	SAP Visualization by Nakisa
External	ERP	HTR	Success Factors	My Career Solution (BizX)	Employee Profile	My Career Solution (BizX) Employee Profile	Success Factors Business Execution Suite - Employee Profile
External	ERP	HTR	Success Factors	My Career Solution (BizX)	Succession Planning	My Career Solution (BizX) Succession Planning	Success Factors Business Execution Suite - Succession Planning
External	ERP	HTR	Success Factors	My Career Solution (BizX)	Compensation	My Career Solution (BizX) Compensation	Success Factors Business Execution Suite - Compensation
External	ERP	HTR	Success Factors	My Career Solution (BizX)	Recruiting	My Career Solution (BizX) Recruiting	Success Factors Business Execution Suite - Recruiting
External	ERP	HTR	Success Factors	My Career Solution (BizX)	Development	My Career Solution (BizX) Development	Success Factors Business Execution Suite - Development
External	ERP	HTR	Success Factors	My Career Solution (BizX)	Goal Mgt	My Career Solution (BizX) Goal Mgt	Success Factors Business Execution Suite - Goal Management
External	ERP	HTR	Success Factors	My Career Solution (BizX)	Perf Mgt	My Career Solution (BizX) Perf Mgt	Success Factors Business Execution Suite - Performance Management
BT	CIS	OTC	SAP	SAP-ECC	CR&B-DM&M	SAP-ECC CR&B-DM&M	Customer Care and Service Device management & Meter Reading

Application Groups			Vendor - Application - Module				Description
Address by:	Release	Primary Process Area	Software Mfg Vendor	Application Name	Module Name	Application + Module (Primary Key)	Description
BT	CIS	OTC	SAP	SAP-ECC	CR&B-B&I	SAP-ECC CR&B-B&I	Customer Care and Service Billing & Invoicing
BT	CIS	OTC	Basis	Basis	BDeX	Basis BDeX	Business Data Exception - to identify what data issues are causing problems in your business processes
BT	CIS	OTC	SAP	SAP-ECC	CR&B-FICA	SAP-ECC CR&B-FICA	Financial Contract Accounting
BT	All	General	OpenText	Streamserve	Persuasion	Streamserve Persuasion	SAP Document Presentment by OpenText (AKA Advanced Endorsed Business Solution for SAP)
BT	CIS	OTC	OpenText	Streamserve	Corespondance Reviewer	Streamserve Corespondance Reviewer	
BT	CIS	OTC	OpenText	Streamserve	Composition Center	Streamserve Composition Center	
BT	CIS	OTC	OpenText	Streamserve	Story Teller	Streamserve Story Teller	
ITS Legacy	CIS	OTC	Sabrix	Sabrix	Sales Tax	Sabrix Sales Tax	Sabrix Sales Tax
BT	EAM	PTB	SAP	SAP-ECC	PM	SAP-ECC PM	Plant Maintenance
BT	EAM	PTB	SAP	SAP-ECC	PM - Compatible Units	SAP-ECC PM - Compatible Units	Plant Maintenance - Compatible Units
BT	ERP	PTB	SAP	SAP-ECC	PS	SAP-ECC PS	Project Systems
BT	ERP	PTP	SAP	SAP-ECC	FI-AP	SAP-ECC FI-AP	Accounts Payable
BT	ERP	PTP	SAP	SAP-ECC	LE-WM	SAP-ECC LE-WM	Warehouse Management
BT	ERP	PTP	SAP	SAP-ECC	LO	SAP-ECC LO	Logistics
BT	ERP	PTP	SAP	SAP-ECC	MM-IM	SAP-ECC MM-IM	Inventory Management
BT	ERP	PTP	SAP	SAP-ECC	MM-PUR	SAP-ECC MM-PUR	Purchasing
BT	ERP	PTP	SAP	SAP-ECC	QM	SAP-ECC QM	Quality Management
BT	ERP	PTP	SAP	SAP-SRM	CM	SAP-SRM CM	Contract Management
BT	ERP	PTP	SAP	SAP-SRM	mdm	SAP-SRM mdm	Service and Product catalog
BT	ERP	PTP	SAP	SAP-SRM	Self-Service Procurement	SAP-SRM Self-Service Procurement	Self-Service Procurement
BT	ERP	PTP	SAP	SAP-SRM	Plan Driven Procurement	SAP-SRM Plan Driven Procurement	Plan Driven Procurement
BT	ERP	PTP	SAP	SAP-SRM	Spend analysis	SAP-SRM Spend analysis	Spend Analysis
BT	ERP	PTP	SAP	SAP-SRM	Strategic Sourcing	SAP-SRM Strategic Sourcing	Strategic Sourcing with eBidding engine
BT	ERP	PTP	SAP	SAP-SRM	SUS	SAP-SRM SUS	SUS Supplier Portal - Supplier Collaboration
BT	ERP	PTP	OpenText	Invoice Management	VIM by Opentext	Invoice Management VIM by Opentext	SAP Vendor Invoice Management by OpenText
BT	ERP	PTP	OpenText	ICC	OCR	ICC OCR	OpenText Invoice Capture Center Optical Character Recognition
BT	ERP	PTP	Bar Coding Inc	Bar Coding Inc	NiceLabel	Bar Coding Inc NiceLabel	NiceLabel
BT	CIS	RTC	SAP	SAP-CRM	CTI	SAP-CRM CTI	Customer Relationship Management CTI/IVR
BT	CIS	RTC	SAP	SAP-CRM	IC - Customer Service	SAP-CRM IC - Customer Service	Customer Relationship Management Interaction Center - Customer Service/Alerts/Scripting
BT	CIS	RTC	SAP	SAP-CRM	Service	SAP-CRM Service	Customer Relationship Management Service
BT	EAM	RTC	Click	Click - SAP Workforce	Mobile	Click - SAP Workforce Mobile	Mobile by ClickSoftware, for all types of field work and users
BT	EAM	RTC	Click	Click - SAP Workforce	Plan/Forecast	Click - SAP Workforce Plan/Forecast	SAP Workforce Scheduling and Optimization by ClickSoftware
BT	EAM	RTC	Click	Click - SAP Workforce	Schedule/Assign	Click - SAP Workforce Schedule/Assign	SAP Workforce Scheduling and Optimization by ClickSoftware
BT	ERP	RTR	SAP	SAP-ECC	CO-OM	SAP-ECC CO-OM	Overhead Cost Controlling (excluding PCA)

Application Groups			Vendor - Application - Module				Description
Address by:	Release	Primary Process Area	Software Mfg Vendor	Application Name	Module Name	Application + Module (Primary Key)	Description
BT	ERP	RTR	SAP	SAP-ECC	CO-EC-PCA	SAP-ECC CO-EC-PCA	Profit Center Accounting
BT	ERP	RTR	SAP	SAP-ECC	FI-AR	SAP-ECC FI-AR	Accounts Receivable
BT	ERP	RTR	SAP	SAP-ECC	FI-BL	SAP-ECC FI-BL	Bank Accounting
BT	ERP	RTR	SAP	SAP-ECC	FI-GL	SAP-ECC FI-GL	General Ledger
BT	ERP	RTR	SAP	SAP-ECC	FI-New Ledger	SAP-ECC FI-New Ledger	This module is part of FI-GL and allows us to keep multiple ledgers for different accounting rules
ITS Legacy	ERP	RTR	DMA	DMA	GL Account Reconciliation	DMA GL Account Reconciliation	GL account reconciliation between SAP GL and Sabrix tax accounts
BT	ERP	RTR	SAP	SAP-ECC	SD	SAP-ECC SD	Sales and Distribution
BT	ERP	RTR	SAP	SAP-ECC	TR-CM	SAP-ECC TR-CM	Treasury and Cash Management
External	ERP	RTR	Bloomberg	Bloomberg	Terminal	Bloomberg Terminal	External Web terminal that we use to get current debt rates and commercial paper prices from the market
ITS Legacy	ERP	PTP	Sabrix	Sabrix	Use Tax	Sabrix Use Tax	Sabrix Use Tax
BT	ERP	RTR	Stoneriver	Unclaimed Property	Tracker	Unclaimed Property Tracker	Stoneriver Tracker - Escheatment
BT	ERP	RTR	Trintech	Unity Suite	Account Reconciliation	Unity Suite Account Reconciliation	Account Reconciliation by Trintech (AKA AssureNet GL)
BT	Tool	Tech	SAP	SAP Tools	SapRouter	SAP Tools SapRouter	Sap Router with Solution Manager
BT	Tool	Tech	UC4	UC4 - Automation Engine	Batch Scheduler	UC4 - Automation Engine Batch Scheduler	Enterprise Batch Scheduler for SAP and Non SAP jobs
BT	Tool	Tech	SAP	SAP-SolMan	SolMan	SAP-SolMan SolMan	Solution Manager
BT	Tool	Tech	SAP	SAP-Netweaver	SolMan	SAP-Netweaver SolMan	Netweaver for SolMan
BT	Tool	Tech	SAP	SAP-Netweaver	PI	SAP-Netweaver PI	Netweaver for PI
BT	Tool	Tech	SAP	SAP-Netweaver	BW	SAP-Netweaver BW	Netweaver for BW
BT	Tool	Tech	SAP	SAP-Netweaver	GRC	SAP-Netweaver GRC	Netweaver for GRC
BT	Tool	Tech	SAP	SAP-Netweaver	CRM	SAP-Netweaver CRM	Netweaver for CRM
BT	Tool	Tech	SAP	SAP-Netweaver	ECC	SAP-Netweaver ECC	Netweaver for ECC
BT	Tool	Tech	SAP	SAP-Netweaver	SRM	SAP-Netweaver SRM	Netweaver for SRM
BT	Tool	Tech	SAP	SAP-Netweaver	EP	SAP-Netweaver EP	Netweaver for Portal used for ESS/MSS, Supplier, Learning...
BT	Tool	Tech	Backoffice	CranSoft	DSW	CranSoft DSW	Data Staging Warehouse
BT	Tool	Tech	Backoffice	CranSoft	BDC	CranSoft BDC	Batch Data Communicator direct
BT	Tool	Tech	Backoffice	CranSoft	Data Garage	CranSoft Data Garage	Data Garage
BT	Tool	Tech	Backoffice	CranSoft	Data Profiler	CranSoft Data Profiler	Data Profiler
BT	Tool	Tech	Backoffice	CranSoft	SourceTrack	CranSoft SourceTrack	Source Track: Track Data Changes
BT	Tool	Tech	Backoffice	CranSoft	dDup	CranSoft dDup	dDup: Resolve Data duplications
BT	Tool	Tech	Backoffice	CranSoft	Interface Server	CranSoft Interface Server	Interface Server create interfaces to source data
BT	Tool	Tech	Backoffice	CranSoft	DataDialysis	CranSoft DataDialysis	Data Dialis Supports passive data governance
BT	Tool	Tech	Backoffice	CranSoft	Construction Server	CranSoft Construction Server	Data Construction Server
BT	Tool	Tech	Backoffice	CranSoft	Address Server	CranSoft Address Server	Address Server
BT	Tool	Tech	HP	ALM - Test Management	Quality Center	ALM - Test Management Quality Center	SAP Quality Center by HP

Application Groups			Vendor - Application - Module				Description
Address by:	Release	Primary Process Area	Software Mfg Vendor	Application Name	Module Name	Application + Module (Primary Key)	Description
BT	Tool	Tech	HP	ALM - Test Management	Load Runner	ALM - Test Management Load Runner	HP Load Runner for performance test
BT	Tool	Tech	Software AG	ARIS	Designer	ARIS Designer	ARIS Business Designer
BT	Tool	Tech	Software AG	ARIS	Publisher	ARIS Publisher	ARIS Business Publisher
BT	Tool	Tech	Software AG	ARIS	Architect	ARIS Architect	ARIS Enterprise Modeling
BT	Tool	Tech	Software AG	ARIS	Optimization	ARIS Optimization	ARIS Process Optimization
BT	Tool	Tech	Software AG	ARIS	Perf Mgt	ARIS Perf Mgt	ARIS Process Performance Management
BT	EAM	PTB	ESRI	ArcGIS	Map View	ArcGIS Map View	ESRI GIS module to view maps
BT	EAM	PTB	ESRI	ArcGIS	Geocode	ArcGIS Geocode	ESRI GIS module to provide Geocodes
BT	EAM	PTB	ESRI	ArcGIS	Route	ArcGIS Route	ESRI GIS module to provide Routes
BT	EAM	PTB	ESRI	ArcGIS	ArcGIS	ArcGIS ArcGIS	ESRI GIS - Main GIS Workstation
ITS Legacy	ERP	RTR	PowerPlan	Powerplant	CR	Powerplant CR	Charge Repository and CR Allocations
ITS Legacy	ERP	RTR	PowerPlan	Powerplant	PS	Powerplant PS	Project System - Project and Work Management
ITS Legacy	ERP	RTR	PowerPlan	Powerplant	AM	Powerplant AM	Asset Management (CPR Subledger, NBV)
ITS Legacy	ERP	RTR	PowerPlan	Powerplant	Dep	Powerplant Dep	Depreciation Forcast Module
ITS Legacy	ERP	RTR	PowerPlan	Powerplant	Budget	Powerplant Budget	Budget Module
ITS Legacy	ERP	RTR	PowerPlan	Powerplant	PT-prop	Powerplant PT-prop	PowerTax - Property Tax
ITS Legacy	ERP	RTR	ITS	OPD	OPD	OPD OPD	Legacy reporting system that is used for operational reporting mostly of system delivery
External	ERP	RTR	PNC	PNC	Bank	PNC Bank	PNC Bank used to interfaces with SAP Banking and Treasury Workstation
External	ERP	RTR	Mellon	Mellon	Bank	Mellon Bank	Bank used for Payments for payables and receivables across AW Regulatory
External	ERP	HTR	eTrade	eTrade	Stock Option	eTrade Stock Option	System to manage AWK stock options
External	ERP	HTR	Towers Watson	Tower Watson		Tower Watson	Benefit Provider
External	ERP	HTR	Talx	Talx	Employment	Talx Employment	Benefit Provider for employment verification and unemployment claims
External	ERP	HTR	EyeMed	EyeMed	Vision	EyeMed Vision	Benefit Provider for Eye
External	ERP	HTR	Carebridge	Carebridge	EAP	Carebridge EAP	Benefit Provider for Employee Assistance Plan
External	ERP	HTR	Aetna	Aetna	Dental	Aetna Dental	Benefit Provider for Dental
External	ERP	HTR	Merrill Lynch	Merrill Lynch	401k	Merrill Lynch 401k	Benefit Provider for 401k
External	ERP	HTR	Horizon	Horizon	Bluecross	Horizon Bluecross	Benefit Provider for Medical
External	ERP	HTR	Alere	Alere	Healthy Solutions	Alere Healthy Solutions	Benefit Provider for Health and Wellness
External	ERP	HTR	BSI	BSI	BSI.com	BSI BSI.com	Website that is a providor of our payroll tax information and rules
External	ERP	HTR	ADP	ADP	iPay	ADP iPay	Provider of our payroll and pay check distribution
External	ERP	HTR	Salary.com	Salary.com	Salary.com	Salary.com Salary.com	Website that receives our employee, job information to compare salaries
External	ERP	HTR	West Virginia	West Virginia	New hire	West Virginia New hire	New hire, employee file feed to state of west virginia
External	ERP	HTR	Metlife	Metlife	Disability	Metlife Disability	Website that manages STD, LTD
External	ERP	HTR	Conexis	Conexis	COBRA	Conexis COBRA	Website to manage COBRA payments
ITS Legacy	CIS	RTC	ITS	Web Self Service	WSS	Web Self Service WSS	External facing internet application for customers
ITS Legacy	CIS	RTC	Neptune	Netptune	Meter Read	Netptune Meter Read	Meter Reading Software
ITS Legacy	CIS	RTC	iTron	iTron	Meter Read	iTron Meter Read	Meter Reading Software
ITS Legacy	CIS	RTC	Other	Other	Meter Read	Other Meter Read	Meter Reading Software

Application Groups			Vendor - Application - Module				Description
Address by:	Release	Primary Process Area	Software Mfg Vendor	Application Name	Module Name	Application + Module (Primary Key)	Description
ITS Legacy	CIS	RTC	ITS	Tempest	Tempest	Tempest Tempest	Meter Reading Software Adapter
ITS Legacy	CIS	RTC	ITS	IVR	IVR	IVR IVR	Interactive Voice Response system for customers
ITS Legacy	CIS	RTC	ITS	IDA	IDA	IDA IDA	Knowledge system for business rules at CSC
ITS Legacy	All	General	ITS	IAM	Identity Management	IAM Identity Management	Enterprise Identity Management System
ITS Legacy	CIS	RTC	Cassidian	Communicator	NXT	Communicator NXT	System used to automatic dial customers for outage
ITS Legacy	CIS	RTC	Cassidian	GeoCast	Web	GeoCast Web	Provides immediate, map-driven communication within all visually identified areas
ITS Legacy	ERP	HTR	SDT	GE Picture Perfect	Photos	GE Picture Perfect Photos	System for our AW badges for photos
ITS Legacy	ERP	HTR		Cyber Keys	Badge	Cyber Keys Badge	System for our AW Badges - electronic keys
External	All	General	USPS	USPS	Address Validation	USPS Address Validation	outside service that validates address information.
External	CIS	RTC	Lexis/Nexis	Lexis/Nexis	Identity Validation	Lexis/Nexis Identity Validation	
External	CIS	OTC	ORCC	ORCC	ORCC	ORCC ORCC	Payment vendor
External	CIS	OTC	Gcservices	GC Services	GC Services	GC Services GC Services	third party collection Agency for 1st party collections
BT	Tool	Tech	SAP	SAP tools	TDMS	SAP tools TDMS	SAP Test Data Management
BT	Tool	Tech	SAP	SAP tools	TAO	SAP tools TAO	SAP Test Acceleration Optimization
BT	Tool	Tech	Seeburger	PI Adapter	Seeburger EDI	PI Adapter Seeburger EDI	Adapter for EDI mappings
BT	Tool	Tech	SAP	SAP tools	SAPmail	SAP tools SAPmail	SAP Internal SMTP mail service
BT	All	HTR	Adobe	SAP Adobe	ADS	SAP Adobe ADS	Adobe Document Services
ITS Legacy	ERP	RTR	Microsoft Corp.	Microsoft Office	Office		MS Office is a suite of personal computer applications designed to integrate with each other and provide a similar interface to the data maintained within each application. Applications included in the MS Office suite are MS Excel, MS Access, and MS Word.
ITS Legacy	ERP	RTR	Microsoft Corp.	Microsoft Office	Excel		MS Excel was used by the Company to formulate their budget information and was used to complete the computation of water utilization projections and the cost of service allocation study. MS Excel is an electronic spreadsheet application.
ITS Legacy	ERP	RTR	Microsoft Corp.	Microsoft Office	Access		MS Access was used by the Company to manage, organize, and control large amounts of data that can be formatted into a data base file. MS Access is an electronic data base management system.
ITS Legacy	ERP	RTR	Microsoft Corp.	Microsoft Office	Word		MS Word was used to prepare testimony and other miscellaneous schedules. MS Word is an electronic word processing application.
ITS Legacy	ERP	RTR	Adobe Systems Incorporated	Acrobat	Acrobat		Acrobat was used by the Company to create and manage Portable Document Format (PDF) files. Acrobat is a universal document exchange application.

Application Groups			Vendor - Application - Module				Description
Address by:	Release	Primary Process Area	Software Mfg Vendor	Application Name	Module Name	Application + Module (Primary Key)	Description
ITS Legacy	ERP	RTR	Hyperion Solutions Corp.	Hyperion	Hyperion		Hyperion is used by the Company to create balance sheets, income statements and cash flow analyses and is used to consolidate financial data for financial reporting. Hyperion is a business performance and business intelligence application.
ITS Legacy	ERP	RTR	PeopleSoft Incorporated	J.D.Edwards			PeopleSoft World (formerly J. D. Edwards Financials) is used by the Company as an enterprise financial application including general ledger, accounts payable, procurement, materials inventory, asset management, payroll and human resource administration.
ITS Legacy	CIS	RTC	Alliance Data Systems	Orcom	E-CIS	E-CIS	E-CIS is used by the Company as an enterprise customer information system for retaining water consumption, billing, collecting, and tracking customer's service work. E-CIS is an electronic customer information system application.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 35**

Description of Filing Requirement:

Affiliate, General or Home Office Allocations

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX35_102912.pdf

KENTUCKY-AMERICAN WATER
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
AFFILIATE, GENERAL OR HOME OFFICE ALLOCATIONS

Kentucky-American Water Company (KAWC) has amounts charged and allocated to it by American Water Works Service Company, Inc. (Service Company).

American Water Works Service Company, Inc.

	<u>Amounts Allocated/ Charged to KAWC</u> (000)
2008	\$7,931
2009	8,147
2010	8,848
2011	7,751
Base Period	9,065
Forecasted Period	9,324

A contract between KAWC and the Service Company provides detailed language outlining the methodologies utilized in the allocation of Service Company charges to Kentucky-American Water. The contract became effective October 1, 1989.

The methods used to allocate charges to KAWC during the base period and the forecasted test period was based on this Service Company contract. Service Company costs are allocated to KAWC based upon actual time charged or allocated by Service Company employees as reflected in their daily timesheets. All costs of Service Company employees that are identified as related exclusively to KAWC are charged directly to KAWC. Service Company costs incurred in rendering services to KAWC, and other operating companies, are allocated among the group of companies receiving the service rendered. The allocation of these costs is based on the number of customers served at the immediate preceding calendar year end. Appropriate overhead costs actually incurred by the Service Company are added to the employee costs. Overhead costs include support personnel (secretary, mailroom clerk, telephone operator, etc.), employee benefits (group insurance, pensions, payroll taxes, etc.), building costs (rent, depreciation, maintenance, etc.), and other items (stationary, postage, legal fees, etc.). These overhead costs are assigned to each of the affiliated companies based on the labor cost dollars that were either directly billed or allocated using the formula allocation.

Service Company Charges in Rate Filings

The Service Company charges to the various regulated subsidiaries for the services rendered reflect the contractual arrangement in the current Service Company Agreement. However, even in those jurisdictions which must approve the Service Company Agreement (i.e., because it is an “affiliate arrangement”), the regulatory commissions still assert that they have the right to approve the amount and nature of those charges in rate filings. As a consequence, as the regulated company prepares its rate filing, Rate Department personnel review the statements and supporting information for the Service Company activities charged to the Company. This contractual agreement is also subject to review by the outside auditors. During the course of these pre-filing reviews, any charge or allocation not appropriate for rate recovery is adjusted prior to the filing of the case. Thereafter, these charges are also reviewed by the regulatory staffs during their audits or reviews of the reasonableness of those charges.

The first contract, labeled “1971 Agreement” was in force until September 30, 1989. The second contract, labeled “1989 Agreement” became effective October 1, 1989. Both contracts provide detailed language outlining the methodologies utilized in the allocation of Service Company charges to Kentucky-American Water.

The methods used to allocate charges to KAWC during the base period and the forecasted test period are based on the 1989 Service Company contract.

Annual Business Plan

Each year, each office and department of the Service Company is required to develop a Business Plan for the following year. During the year, each month of the business plan versus actual performance of the various Service Company offices and departments is reviewed.

Annual business plan guidelines are prepared for various areas of forecasting for the future such as for labor increases, group insurance, risk insurance, office space costs, etc. These guidelines are then followed by each office and department in the preparation for the annual business plan for the following year.

All of this is done with an eye toward providing the most professional, efficient services possible for the regulated company at the lowest reasonable cost.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 36**

Description of Filing Requirement:

Cost of Service Study

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX36_122812.pdf.

Exhibit No. 36
Witness: P. R. Herbert

KENTUCKY AMERICAN WATER COMPANY
Lexington, Kentucky

COST OF SERVICE
ALLOCATION STUDY
AS OF JULY 31, 2014
AND
PROPOSED CUSTOMER RATES

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION
Harrisburg, Pennsylvania



*Excellence Delivered **As Promised***

December 21, 2012

Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502

Attention Ms. Cheryl Norton, President

Ladies and Gentlemen:

ii

Pursuant to your request, we have conducted a cost of service allocation study based on pro forma revenue requirements for the test year ending July 31, 2014, and have prepared proposed rate schedules designed to produce the pro forma revenue requirements.

The attached report presents the results of the study, as well as supporting schedules which set forth the detailed cost allocation calculations. Schedule A on page 6 presents a comparison of the cost of service by customer classification with the pro forma revenues produced by each classification under present and proposed rates.

Respectfully submitted,

GANNETT FLEMING, INC.
Valuation and Rate Division

A handwritten signature in black ink that reads "Paul R. Herbert".

PAUL R. HERBERT
President

A handwritten signature in black ink that reads "Constance E. Heppenstall".

CONSTANCE E. HEPPENSTALL
Rate Analyst

PRH:krm

056184.000

Gannett Fleming, Inc.
Valuation and Rate Division

P.O. Box 67100 • Harrisburg, PA 17106-7100 • 207 Senate Avenue • Camp Hill, PA 17011-2316
t: 717.763.7211 • f: 717.763.4590

www.gannettfleming.com • www.gfvrd.com



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PART I. INTRODUCTION

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE ALLOCATION STUDY
AS OF JULY 31, 2014
AND PROPOSED CUSTOMER RATES

PART I. INTRODUCTION

PLAN OF REPORT

The report sets forth the results of the cost of service allocation study as of July 31, 2014, prepared for Kentucky American Water Company. Part I, Introduction, contains statements with respect to the basis of the study, the procedures employed, and a summary of the results of the study. Part II, Cost of Service by Customer Classification, presents detailed schedules of the allocation of costs to customer classifications, as well as the bases for the allocations. Part III, Proposed Customer Rates, sets forth a comparison of the present and proposed rate structures, and the development of the proposed service charges.

BASIS OF THE STUDY

The purpose of the study was to allocate costs to several customer classifications based on considerations of quantity of water consumed, variability of rate of flow, and costs associated with metering, billing and accounting. The allocation study was based on recognized procedures for allocating the several categories of costs to customer classifications in proportion to each classification's use of the facilities, commodities and services which entail the total cost of providing water service.

ALLOCATION PROCEDURES

The allocation study was based on the Base-Extra Capacity Method for allocating costs to customer classifications. The method is described in the 2012 and prior editions of the Water Rates Manual, published by the American Water Works Association. The four basic categories of cost responsibility are base, extra capacity, customer and fire protection costs. The following discussions present a brief description of these costs and the manner in which they were allocated.

Base Costs are costs that tend to vary with the quantity of water used, plus costs associated with supplying, treating, pumping and distributing water to customers under average load conditions, without the elements necessary to meet peak demands. Base costs were allocated to customer classifications on the basis of average daily usage.

Extra Capacity Costs are costs associated with meeting usage requirements in excess of the average. They include operating and capital costs for additional plant and system capacity beyond that required for average use. The extra capacity costs in this study are subdivided into costs necessary to meet maximum day extra demand and costs to meet maximum hour extra demand. The extra capacity costs were allocated to customer classifications on the bases of each classification's maximum day and hour usage in excess of average usage. (Extra capacity costs related to fire protection are allocated directly to the fire protection classifications.)

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. Customer costs include the operating and capital costs related to meters and services, meter reading costs, and billing and collecting

Exhibit No. 36

Witness: P. R. Herbert

costs. The customer costs were allocated on the bases of the relative cost of meters and services and the number of customers.

Fire Protection Costs are costs associated with providing the facilities to meet the potential peak demand of fire protection service. Fire protection costs are subdivided into costs to meet Public Fire Protection and Private Fire Protection demands. Operating and capital costs for hydrants were allocated directly to the Public Fire Protection classification. The extra capacity costs assigned to fire protection service were allocated to Public and Private Fire Protection on the basis of the total relative demands of the hydrants and fire service lines.

RESULTS OF STUDY

The results of the cost of service allocation study are set forth in Part II. The data summarized for each district in Schedule A, Comparison of Cost of Service with Revenues Under Present and Proposed Rates for the Test Year Ended July 31, 2014, constitute the principal results of the cost allocation studies and subsequent rate designs.

The cost of service by customer classification shown in column 2 of Schedule A is developed in Schedule B, Cost of Service for the Twelve Months Ended July 31, 2014, Allocated to Customer Classifications. The allocation of the total cost of service to the several customer classifications was performed by applying the allocation factors referenced in column 2 of Schedule B to the cost of service set forth in column 3. The bases for the allocation factors are presented in Schedule C.

Schedule D sets forth the experienced average day and maximum day system sendout and the maximum day ratios from 1990 through 2011. Schedule E presents

Exhibit No. 36

Witness: P. R. Herbert

the basis for allocating demand related costs of fire service to private and public fire protection classifications.

DESIGN OF PROPOSED RATES

A comparison of the present and proposed rate structures is presented in Schedule G of Part III of the report. The proposed rates maintain the existing rate structure consisting of service charges by meter size applicable to all classes and single-block consumption charges for each classification. The service charges were developed on Schedule F, based on the cost of service related to meters, services, billing and collecting including meter reading. The overall increase to the service charges is approximately 57.3%.

The consumption charges as well as private and public fire rates were increased so that the revenues under proposed rates would move toward the indicated cost of service as shown in Schedule A.

KENTUCKY AMERICAN WATER COMPANY

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
 FOR THE TEST YEAR ENDED JULY 31, 2014

Customer Classification (1)	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount (Schedule B) (2)	Percent (3)	Amount (4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Percent Increase (9)
Residential	\$ 53,116,686	56.7%	\$ 44,433,532	54.4%	\$ 52,378,073	55.9%	\$ 7,944,541	17.9%
Commercial	22,925,549	24.4%	21,432,165 (a)	26.2%	23,347,210 (a)	24.9%	1,915,045	8.9%
Industrial	2,632,500	2.8%	2,147,438	2.6%	2,573,282	2.7%	425,844	19.8%
Public Authority	7,075,701	7.5%	6,325,482	7.7%	7,074,356	7.5%	748,874	11.8%
Sales for Resale	1,780,931	1.9%	1,829,521	2.2%	1,875,317	2.0%	45,796	2.5%
Private Fire Service	2,185,579	2.3%	2,319,440	2.8%	2,551,347	2.7%	231,907	10.0%
Public Fire Service	4,086,745	4.4%	\$3,344,560	4.1%	4,003,927	4.3%	659,367	19.7%
Total Sales	93,803,691	100.0%	81,832,138	100.0%	93,803,512	100.0%	11,971,374	14.6%
Other Revenues	2,671,844		\$2,325,695		2,671,844		346,149	14.9%
Total	\$ 96,475,535		\$ 84,157,833		\$ 96,475,355		\$ 12,317,522	14.6%

(a) Includes Other Water Revenue.

**PART II. COST OF SERVICE BY
CUSTOMER CLASSIFICATION**

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection	Public
(1.0)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Private	(10)
								(9)	
OPERATION AND MAINTENANCE EXPENSES									
SOURCE OF SUPPLY EXPENSES									
-OPERATION-									
Purchased Water	1	207,227	102,578	64,448	8,931	22,919	7,149	539	663
Purchased Power	1	26,124	12,931	8,125	1,126	2,889	901	68	84
Miscellaneous Expenses	2	4,231	2,147	1,318	170	447	136	7	8
Janitorial P	2	245	124	76	10	26	8	0	0
Trash Removal SS	2	7,729	3,921	2,407	310	816	248	12	15
Water & WWV SS	1	43,838	21,700	13,634	1,889	4,849	1,512	114	140
Total Operation		289,394	143,400	90,007	12,436	31,946	9,955	740	910
-MAINTENANCE-									
Labor	2	10,558	5,356	3,288	423	1,115	339	17	20
M&S Maint	2	149,692	75,939	46,614	6,003	15,807	4,805	240	284
Total Maintenance		160,249	81,294	49,902	6,426	16,922	5,144	256	304
Total Source of Supply		449,644	224,695	139,908	18,862	48,868	15,099	997	1,215
POWER AND PUMPING EXPENSES									
Purchased Power	1	631,321	312,504	196,341	27,210	69,824	21,781	1,641	2,020
Total Operation		631,321	312,504	196,341	27,210	69,824	21,781	1,641	2,020

KENTUCKY AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection	
								(4)	(5)
(1.0)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
-MAINTENANCE-									
Labor	6	43,684	21,160	12,935	1,621	4,220	996	1,241	1,511
Total Maintenance		43,684	21,160	12,935	1,621	4,220	996	1,241	1,511
Total Power and Pumping		675,004	333,664	209,275	28,831	74,044	22,777	2,882	3,532
WATER TREATMENT									
-OPERATION-									
Supervision and Engineering									
Labor Expense	2	936,655	475,165	291,674	37,560	98,911	30,067	1,499	1,780
Chemicals	2	1,694,827	859,786	527,769	67,963	178,974	54,404	2,712	3,220
Purchased Power	1	1,779,872	881,037	553,540	76,712	196,854	61,406	4,628	5,696
M&S Operation	1	3,110,685	1,539,789	967,423	134,071	344,042	107,319	8,088	9,954
Contracted Services	2	32,349	16,411	10,074	1,297	3,416	1,038	52	61
Contracted Services - Lab Testing	2	172,893	87,709	53,839	6,933	18,258	5,550	277	328
Misc Operating Expense	2	11,922	6,048	3,713	478	1,259	383	19	23
Lab Supplies	2	13,595	6,897	4,234	545	1,436	436	22	26
Waste Disposal	2	121,525	61,650	37,843	4,873	12,833	3,901	194	231
Overnight Shipping	1	336,750	166,691	104,729	14,514	37,245	11,618	876	1,078
Office Supplies and Uniforms	2	12,271	6,225	3,821	492	1,296	394	20	23
Electricity WT	2	29,763	15,099	9,268	1,193	3,143	955	48	57
Janitorial WT	2	2,402	1,218	748	96	254	77	4	5
Trash Removal WT	2	10,037	5,092	3,125	402	1,060	322	16	19
Water & WWV WT	2	2,682	1,361	835	108	283	86	4	5
Telephone WT	2	34	17	11	1	4	1	0	0
Cell Phone WT	2	10,938	5,549	3,406	439	1,155	351	18	21
Total Operation	2	936	475	292	38	99	30	1	2
Total Operation		8,280,138	4,136,218	2,576,344	347,715	900,519	278,338	18,476	22,528
-MAINTENANCE-									
Supervision and Engineering									
Labor	2	9,477	4,808	2,951	380	1,001	304	15	18
M&S Operation	2	171,091	86,795	53,278	6,861	18,067	5,492	274	325
M&S Maint WT	2	299,388	151,880	93,229	12,005	31,615	9,610	479	569
Amort Def Maint WT	2	24,050	12,201	7,489	964	2,540	772	38	46
Total Maintenance	2	212,599	107,852	66,203	8,525	22,450	6,824	340	404
Total Maintenance		716,606	363,534	223,151	28,736	75,674	23,003	1,147	1,362

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Sales Resale (8)	Fire Protection	
								Private (9)	Public (10)
Total Water Treatment Expenses		8,996,743	4,499,752	2,799,495	376,451	976,193	301,341	19,622	23,889
TRANSMISSION AND DISTRIBUTION EXPENSES									
-OPERATION-									
Supervision and Engineering	11	45,013	33,944	7,315	455	1,629	140	918	612
Labor Expense	11	1,128,138	850,729	183,322	11,394	40,839	3,497	23,014	15,343
Purchased Power	11	163	123	26	2	6	1	3	2
Labor - Lines	7	183,297	86,003	52,203	6,159	15,599	1,100	10,045	12,189
Labor - Meters	9	715,413	591,646	93,862	2,933	16,955	1,717	8,299	-
Labor - Services	10	414	341	47	0	6	0	19	-
M&S Operation	11	80,868	60,982	13,141	817	2,927	251	1,650	1,100
Contracted Services	11	104,733	78,979	17,019	1,058	3,791	325	2,137	1,424
Transportation	11	3,051	2,301	496	31	110	9	62	41
Office Supplies, Uniforms and Shipping	11	36,369	27,426	5,910	367	1,317	113	742	495
Misc. Operating Expense	11	24,014	18,109	3,902	243	869	74	490	327
Electricity TD	11	62,736	47,309	10,195	634	2,271	194	1,280	853
Heating Oil/Gas TD	11	23,846	17,982	3,875	241	863	74	486	324
Trash Removal TD	11	10,338	7,796	1,680	104	374	32	211	141
Cell Phone TD	11	14,270	10,761	2,319	144	517	44	291	194
Rents	11	5,808	4,380	944	59	210	18	118	79
Total Operation		2,438,470	1,838,811	396,256	24,640	88,284	7,589	49,766	33,124

KENTUCKY AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	(1.0)	(2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Sales for Resale (8)	Fire Protection		
										Private (9)	Public (10)	
-MAINTENANCE-												
Labor												
Labor - Structures and Improvements	12			71,539	37,250	12,176	1,109	3,112	215		2,926	14,751
Labor - Reservoirs and Standpipes	12			4,690	2,442	798	73	204	14		192	967
Labor - Mains	5			2,278	961	581	67	167	47		205	249
Labor - Services	7			225,252	105,688	64,152	7,568	19,169	1,352		12,344	14,979
Labor - Meters	10			342,696	282,381	38,793	411	4,798	206		16,107	-
Labor - Hydrants	9			39,565	32,721	5,191	162	938	95		459	-
Labor - M&S Maint.	8			178,232	-	-	-	-	-		-	178,232
Misc Maint TD	12			276,600	144,026	47,077	4,287	12,032	830		11,313	57,035
Amort Def Maint TD	12			27,600	14,371	4,698	428	1,201	83		1,129	5,691
Misc Main Pvg/Bckfill	12			268,298	139,703	45,664	4,159	11,671	805		10,973	55,323
	7			222,000	104,162	63,226	7,459	18,892	1,332		12,166	14,763
Total Maintenance				1,658,751	863,706	282,356	25,723	72,184	4,978		67,813	341,991
Total Transmission and Distribution				4,097,221	2,702,517	678,612	50,363	160,468	12,567		117,579	375,115
CUSTOMER ACCOUNTS												
Labor - Meter Reading	14			392,971	356,778	28,451	157	2,436	79		5,069	-
Contracted Services	13			105,528	94,933	7,566	42	654	21		2,279	32
Labor - Customer Accounts	13			159,110	143,135	11,408	64	986	32		3,437	48
Uncollectible Accounts	20			552,735	453,519	86,282	-	-	-		12,934	-
Transportation	14			18	17	1	0	0	0		0	-
Telephone CA	13			100,584	90,485	7,212	40	624	20		2,173	30
Bank Svc Charges-CA	13			191,064	171,881	13,699	76	1,185	38		4,127	57
Cust Edu-Bill Insert	13			50,000	44,980	3,585	20	310	10		1,080	15
Office Supplies	13			600	540	43	0	4	0		13	0
Collection Agencies	13			129,564	116,556	9,290	52	803	26		2,799	39
Forms CA	13			206,328	185,613	14,794	83	1,279	41		4,457	62
Postage	13			616,377	554,492	44,194	247	3,822	123		13,314	185
Cell Phone CA	13			2,678	2,409	192	1	17	1		58	1
Misc. Operating	13			600	540	43	0	4	0		13	0
Total Customers' Accounting and Collecting Expenses				2,508,155	2,215,877	226,761	782	12,124	391		51,752	469

KENTUCKY AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	(1.0)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Fire Protection	
										Private	Public
				Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	(9)	(10)
ADMINISTRATIVE AND GENERAL EXPENSES											
-OPERATION-											
Administrative & General Salaries	15			525,313	341,611	108,162	10,821	30,311	7,302	8,563	18,544
M&S Operation	15			107,863	70,143	22,209	2,222	6,224	1,499	1,758	3,808
Support Services											
Customer Related	13			2,665,084	2,397,510	191,087	1,066	16,524	533	57,566	800
Employee Related	16			228,632	143,512	49,796	5,190	14,610	3,567	3,224	8,734
Water Quality	1			156,715	77,574	48,738	6,754	17,333	5,407	407	501
Other	15			6,273,802	4,079,854	1,291,776	129,240	361,998	87,206	102,263	221,465
Contracted Services	15			497,230	323,349	102,380	10,243	28,690	6,911	8,105	17,552
Rents	15			32,111	32,111	6,612	661	1,853	446	523	1,134
Transportation	15			477,994	310,840	98,419	9,847	27,580	6,644	7,791	16,873
Insurance - Liability, Vehicle and Other	15			531,887	345,886	109,516	10,957	30,690	7,393	8,670	18,776
Workers Compensation	16			138,239	86,773	30,109	3,138	8,833	2,157	1,949	5,281
Employee Pensions and Benefits	16			3,496,182	2,194,554	761,469	79,363	223,406	54,540	49,296	133,554
Regulatory Expenses	19			274,995	156,830	66,631	7,617	20,487	5,115	6,462	11,852
Electricity AG	15			84,549	54,982	17,409	1,742	4,878	1,175	1,378	2,985
Heating Oil/Gas AG	15			25,290	16,446	5,207	521	1,459	352	412	893
Janitorial AG	15			77,839	50,618	16,027	1,603	4,491	1,082	1,269	2,748
Add'l Security Costs	15			92,915	60,423	19,131	1,914	5,361	1,292	1,515	3,280
Water & WWV AG	15			31,262	20,329	6,437	644	1,804	435	510	1,104
Telephone AG	15			44,390	28,867	9,140	914	2,561	617	724	1,567
Cell Phone AG	15			83,573	54,348	17,208	1,722	4,822	1,162	1,362	2,950
Shipping and Postage	15			23,466	15,260	4,832	483	1,354	326	382	828
Low Income Pay Program	DA			62,000	62,000	-	-	-	-	-	-
Miscellaneous General Expense	15			718,102	466,982	147,857	14,793	41,434	9,982	11,705	25,349
Injuries and Damages	16			6,000	3,766	1,307	136	383	94	85	229
Employee Related Expense	16			190,707	119,707	41,536	4,329	12,186	2,975	2,689	7,285
Software Licenses	15			188,520	122,594	38,816	3,884	10,878	2,620	3,073	6,655
Office Supplies	15			122,145	79,431	25,150	2,516	7,048	1,698	1,991	4,312
Trash Removal AG	15			3,218	2,093	663	66	186	45	52	114
Misc Maint AG	15			76,322	49,632	15,715	1,572	4,404	1,061	1,244	2,694
Total Administrative and General Expenses				17,236,344	11,756,793	3,253,335	313,961	891,788	213,634	284,968	521,864
Total Operation and Maintenance Expenses				33,963,111	21,733,298	7,307,386	789,250	2,163,485	565,808	477,800	926,084

KENTUCKY AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection										
								(1.0)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Private (9)	Public (10)	
503 DEPRECIATION EXPENSE																		
Other P/E Intangibles	17	83,794	43,648	21,887	2,598	6,905	1,676	2,464	4,617									
Land and Land Rights	2	0	-	-	-	-	-	-	-									
Source of Supply Struct & Improv	2	213,624	108,372	66,523	8,566	22,559	6,857	342	406									
Collecting & Impounding Reservoirs	1	13,126	6,497	4,082	566	1,452	453	34	42									
Lake, River and Other Intakes	2	152,574	77,401	47,511	6,118	16,112	4,898	244	290									
SOS and Pumping Equipment	2	358,263	181,747	111,563	14,366	37,833	11,500	573	681									
Wells and Springs	2	0	-	-	-	-	-	-	-									
Supply Mains	2	613,410	311,183	191,016	24,598	64,776	19,690	981	1,165									
Pumping Structures & Improvements	6	273,718	132,589	81,048	10,155	26,441	6,241	7,774	9,471									
Power Generation Equipment	6	98,900	47,907	29,284	3,669	9,554	2,255	2,809	3,422									
Other Power Production Equipment	6	0	-	-	-	-	-	-	-									
Electric Pumping Equipment	6	268,295	129,962	79,442	9,954	25,917	6,117	7,620	9,283									
Diesel Pumping Equipment	6	15,792	7,650	4,676	586	1,526	360	449	546									
Hydraulic Pumping Equipment	6	176	85	52	7	17	4	5	6									
Other Pumping Equipment	6	0	-	-	-	-	-	-	-									
Water Treat Structures & Improv	2	778,889	395,131	242,546	31,233	82,251	25,002	1,246	1,480									
Water Treat Equipment	2	1,366,270	693,109	425,457	54,787	144,278	43,857	2,186	2,596									
Water Treat Filter Media	2	123,485	62,644	38,453	4,952	13,040	3,964	198	235									
T & D Structures & Improvements	7	23,939	11,232	6,818	804	2,037	144	1,312	1,592									
T & D Pumping Equipment	7	6,699	3,143	1,908	225	570	40	367	445									
Distrib. Reservoirs & Standpipes	5	365,931	154,350	93,422	10,722	26,896	7,611	32,970	39,960									
Transmission & Distribution Mains																		
Not Classified	4	467,982	220,139	133,235	15,350	38,421	-	27,471	33,367									
4 inch or less	4	203,023	95,502	57,801	6,659	16,668	-	11,917	14,476									
6 inch to 8 inch	4	650,991	306,226	185,337	21,353	53,446	-	38,213	46,416									
10 inch to 16 inch	3	820,812	381,185	233,931	30,124	79,290	24,132	59,563	39,563									
18 inch or Greater	3	1,492,613	693,169	425,395	54,779	144,186	43,883	59,257	71,944									
Services	10	869,641	716,584	98,443	1,044	12,175	522	40,873	-									
Meters	9	695,561	575,229	91,258	2,852	16,485	1,669	8,069	-									
Meter Installations	9	526,441	435,367	69,069	2,158	12,477	1,263	6,107	-									
Hydrants	8	163,917	-	-	-	-	-	-	-									
General Structures & Improvements	15	126,200	82,068	25,985	2,600	7,282	1,754	2,057	4,455									
Office Structures	15	115,464	75,086	23,774	2,379	6,662	1,605	1,882	4,076									
Stores Shop and Gar. Structures	15	36,260	23,580	7,466	747	2,092	504	591	1,280									
Miscellaneous Structures & Improv	15	82,636	53,738	17,015	1,702	4,768	1,149	1,347	2,917									
Office Furniture and Equipment	15	25,830	16,797	5,318	532	1,490	359	421	912									
Computers & Peripheral Equipment	15	18,060	11,744	3,718	372	1,042	251	294	638									
Personal Comp and Periph	15	(52,517)	(34,152)	(10,813)	(1,082)	(3,030)	(730)	(856)	(1,854)									
Computers and Periph Other	15	145,091	94,353	29,874	2,969	8,372	2,017	2,365	5,122									
Computer Mainframe Software	15	(72,421)	(47,095)	(14,911)	(1,492)	(4,179)	(1,007)	(1,180)	(2,556)									
Personal software	15	(84,352)	(54,854)	(17,368)	(1,738)	(4,867)	(1,172)	(1,375)	(2,978)									

KENTUCKY AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	(1.0)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Fire Protection	
										Private	Public
				Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	(9)	(10)
Computer Software - Special - CIS	13			363,118	326,661	26,036	145	2,251	73	7,843	109
Computer Software - Special - Other	15			788,906	513,025	162,436	16,251	45,520	10,966	12,859	27,848
Other Software	15			166,372	108,192	34,256	3,427	9,600	2,313	2,712	5,873
Other Office Equipment	15			1,078	701	222	22	62	15	18	38
Transportation Equip-Light Trucks	15			29,986	19,500	6,174	618	1,730	417	489	1,058
Transportation Equip-Heavy Trucks	15			44,039	28,638	9,068	907	2,541	612	718	1,555
Transportation Equip-Cars	15			19,120	12,434	3,937	394	1,103	266	312	675
Transportation Equip-Other	15			32,073	20,857	6,604	661	1,851	446	523	1,132
Stores Equipment	15			957	623	197	20	55	13	16	34
Tools, Shop & Garage Equipment	15			102,075	66,379	21,017	2,103	5,890	1,419	1,664	3,603
Laboratory Equipment	2			51,215	25,981	15,948	2,054	5,408	1,644	82	97
Power Operated Equipment	15			30,854	20,065	6,353	636	1,780	429	503	1,089
Communication Equipment - Non-Telephone	15			196,701	127,915	40,501	4,052	11,350	2,734	3,206	6,944
Remote Control and Instrument	15			225,526	146,660	46,436	4,646	13,013	3,135	3,676	7,961
Communication Equipment - Telephone	15			21,038	13,681	4,332	433	1,214	292	343	743
Miscellaneous Equipment	15			80,879	52,596	16,653	1,666	4,667	1,124	1,318	2,855
Other Tangible Property	15			(20,453)	(13,300)	(4,211)	(421)	(1,180)	(284)	(333)	(722)
Total Depreciation Expense				13,121,601	7,481,922	3,206,172	362,847	981,799	242,482	327,559	518,822
AMORTIZATION EXPENSE											
AFUDC	18			153,181	79,807	39,950	4,733	12,576	3,079	4,565	8,471
Acquisition Adjustment	18			0	-	-	-	-	-	-	-
Property Losses	2			57,980	28,957	17,775	2,289	6,028	1,832	91	108
Total Amortizations				210,261	108,764	57,724	7,022	18,604	4,911	4,656	8,579
TAXES, OTHER THAN INCOME											
Federal and State Payroll Taxes	16			532,600	334,313	116,000	12,090	34,033	8,309	7,510	20,345
Property Taxes	18			4,455,772	2,321,457	1,162,065	137,683	365,819	89,561	132,782	246,404
Other Taxes and Licenses	18			2,740	1,428	715	85	225	55	82	152
Utility Reg Assessment	19			141,866	80,906	34,374	3,930	10,569	2,639	3,334	6,114
ITC	18			(84,792)	(44,177)	(22,114)	(2,620)	(6,961)	(1,704)	(2,527)	(4,689)
Total Taxes, Other Than Income				5,048,186	2,693,927	1,291,041	151,168	403,685	98,859	141,180	268,326
INCOME TAXES											
Utility Operating Income Available for Return	18			12,480,810	6,502,502	3,254,995	385,657	1,024,675	250,864	371,928	690,189
Total Cost of Service	18			31,651,566	16,490,466	8,254,728	978,033	2,598,594	636,196	943,217	1,750,332
				96,475,535	55,010,879	23,372,046	2,673,977	7,190,840	1,799,121	2,266,340	4,162,332

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	(1.0)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Sales for Resale (8)	Private (9)	Fire Protection Public (10)
Less: Misc. Service		19	60,000	34,218	14,538	1,662	4,470	1,116	1,410	2,586
Rent		19	91,800	52,354	22,243	2,543	6,839	1,707	2,157	3,957
Rent I/C		19	100,000	57,030	24,230	2,770	7,450	1,860	2,350	4,310
NSF Return Check Charge		13	32,142	28,915	2,305	13	199	6	694	10
Late Payment Fee		13	680,000	611,728	48,756	272	4,216	136	14,688	204
Reconnection/Activation - T&D Related		7	558,432	262,016	159,041	18,763	47,523	3,351	30,602	37,136
Application/Initiation Fee		13	657,841	591,793	47,167	263	4,079	132	14,209	197
AFUDC		18	491,629	256,139	128,217	15,191	40,363	9,882	14,651	27,187
Total Other Water Revenues			2,671,844	1,894,193	446,497	41,478	115,138	18,190	80,762	75,586
Total Cost of Service Related to Sales of Water			93,803,691	53,116,686	22,925,549	2,632,500	7,075,701	1,780,931	2,185,579	4,086,745

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Customer Classification	Average Daily Consumption, Thousand Gallons	Allocation Factor
(1)	(2)	(3)
Residential	16,598	0.4950
Commercial	10,430	0.3110
Industrial	1,444	0.0431
Other Public Authority	3,708	0.1106
Sales for Resale	1,156	0.0345
Private Fire Protection	89	0.0026
Public Fire Protection	108	0.0032
Total	<u>33,532</u>	<u>1.0000</u>

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the factors for average daily consumption (Factor 1) and the factors derived from maximum day extra capacity demand for each customer classification, as follows:

Customer Classification	Average Daily Consumption		Maximum Day Extra Capacity		Allocation Factor
	Allocation Factor 1	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)=(2)x 0.6061	(4)	(5)=(4)x 0.3939	(6)=(3)+(5)
Residential	0.4950	0.3001	0.5259	0.2072	0.5073
Commercial	0.3110	0.1885	0.3121	0.1229	0.3114
Industrial	0.0431	0.0261	0.0356	0.0140	0.0401
Other Public Authority	0.1106	0.0670	0.0979	0.0386	0.1056
Sales for Resale	0.0345	0.0209	0.0285	0.0112	0.0321
Private Fire Protection	0.0026	0.0016			0.0016
Public Fire Protection	0.0032	0.0019			0.0019
Total	<u>1.0000</u>	<u>0.6061</u>	<u>1.0000</u>	<u>0.3939</u>	<u>1.0000</u>

The derivation of the maximum day extra capacity factors in column 4 and the basis for the column 3 and 5 weightings are presented on the following page.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND
 MAXIMUM DAY EXTRA CAPACITY FUNCTIONS, cont.

Customer Classification	Average Daily Consumption, Thousand Gallons	Maximum Day Extra Capacity		
		Factor*	Rate of Flow, Thousand Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	16,598	0.90	14,938	0.5259
Commercial	10,430	0.85	8,866	0.3121
Industrial	1,444	0.70	1,011	0.0356
Other Public Authority	3,708	0.75	2,781	0.0979
Sales for Resale	1,156	0.70	809	0.0285
Total	33,336		28,405	1.0000

The weighting of the factors is based on the maximum day ratio of 1.65, based on a review of maximum day ratios experienced during the period 1990 through 2011 (see Schedule D).

	Maximum Day Ratio	Weight
Average Day	1.00	0.6061
Maximum Day Extra Capacity	0.65	0.3939
Total	1.65	1.0000

* Ratio of maximum day to average day minus 1.0.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Daily Consumption		Maximum Day Extra Capacity		Fire Protection		Allocation Factor (8)=(3)+(5)+(7)
	Allocation Factor (2)	Weighted Factor (3)=(2) X 0.5547	Allocation Factor (4)	Weighted Factor (5)=(4) X 0.3606	Allocation Factor (6)	Weighted Factor (7)=(6) X 0.0847	
Residential	0.4950	0.2747	0.5259	0.1897			0.4644
Commercial	0.3110	0.1725	0.3121	0.1125			0.2850
Industrial	0.0431	0.0239	0.0356	0.0128			0.0367
Other Public Authority	0.1106	0.0613	0.0979	0.0353			0.0966
Sales for Resale	0.0345	0.0191	0.0285	0.0103			0.0294
Private Fire Protection	0.0026	0.0014			0.4519	0.0383	0.0397
Public Fire Protection	0.0032	0.0018			0.5481	0.0464	0.0482
Total	<u>1.0000</u>	<u>0.5547</u>	<u>1.0000</u>	<u>0.3606</u>	<u>1.0000</u>	<u>0.0847</u>	<u>1.0000</u>

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum day ratio of 1.65 and the average daily system sendout for year ending 9/30/2012 of 39.283 MGD. The system demand for fire protection is 10,000 Gallons per minute for 10 hours.

	<u>Ratio</u>	<u>Rate of Flow, (GPD)</u>	<u>Weight</u>
Average Day	1.00	39,283,516	0.5547
Maximum Day Extra Capacity	<u>0.65</u>	<u>25,534,285</u>	<u>0.3606</u>
Subtotal	<u><u>1.65</u></u>	64,817,801	0.9153
Fire Protection		<u>6,000,000</u>	<u>0.0847</u>
Total		<u><u>70,817,801</u></u>	<u><u>1.0000</u></u>

The public and private fire protection allocation factors in column 6 on the previous page are based on the relative potential demands (see Schedule E).

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Hourly Consumption			Maximum Hour Extra Capacity			Fire Protection			Allocation Factor (9)=(4)+(6)+(8)
	Thousand Gallons (2)	Allocation Factor (3)	Weighted Factor (4)=(3) X 0.3488	Allocation Factor (5)	Weighted Factor (6)=(5) X 0.5233	Allocation Factor (7)	Weighted Factor (8)=(7) X 0.1279	Allocation Factor (9)=(4)+(6)+(8)		
Residential	691.6	0.5128	0.1789	0.5571	0.2915			0.4704		
Commercial	434.6	0.3221	0.1123	0.3295	0.1724			0.2847		
Industrial	60.2	0.0446	0.0156	0.0328	0.0172			0.0328		
Other Public Authority	154.5	0.1145	0.0399	0.0806	0.0422			0.0821		
Sales for Resale	0.0	0.0000	0.0000	0.0000	0.0000			0.0000		
Private Fire Protection	3.7	0.0027	0.0009			0.4519	0.0578	0.0587		
Public Fire Protection	4.5	0.0033	0.0012			0.5481	0.0701	0.0713		
Total	1,349.1	1.0000	0.3488	1.0000	0.5233	1.0000	0.1279	1.0000		

The maximum hour extra capacity factors in column 5 are determined on the next page.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND
 MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 2.5 and the average daily system sendout for the year ending 9/30/2012 of 39.283 MGD. The system demand for fire protection is 10,000 gallons per minute.

	Ratio	Rate of Flow, (GPM)	Weight
Average Hour	1.00	27,280	0.3488
Maximum Hour Extra Capacity	1.50	40,920	0.5233
Subtotal	<u>2.50</u>	68,200	0.8721
Fire Protection		10,000	0.1279
Total		<u>78,200</u>	<u>1.0000</u>

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption Thousand Gallons	Maximum Hour Extra Capacity		
		Factor*	1,000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	691.6	1.70	1,175.7	0.5571
Commercial	434.6	1.60	695.4	0.3295
Industrial	60.2	1.15	69.2	0.0328
Other Public Authority	154.5	1.10	170.0	0.0806
Sales for Resale	0.0	0.90	0.0	0.0000
Total	<u>1,340.9</u>		<u>2,110.3</u>	<u>1.0000</u>

* Ratio of Maximum Hour To Average Hour Minus 1.0.

The public and private fire protection allocation factors in column 7 on the previous page are based on the relative potential demands (see Schedule E).

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES.

Factors are based on the weighting of the average hourly consumption, the maximum hour extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Hourly Consumption		Maximum Hour Extra Capacity		Fire Protection		Allocation Factor (9)=(4)+(6)+(8)
	Thousand Gallons (2)	Allocation Factor (3)	Allocation Factor (5)	Weighted Factor (6)=(5) X 0.4815	Allocation Factor (7)	Weighted Factor (8)=(7) X 0.1975	
Residential	691.6	0.4950	0.5459	0.2628			0.4218
Commercial	434.6	0.3110	0.3229	0.1555			0.2553
Industrial	60.2	0.0431	0.0321	0.0155			0.0293
Other Public Authority	154.5	0.1106	0.0789	0.0380			0.0735
Sales for Resale	48.2	0.0345	0.0202	0.0097			0.0208
Private Fire Protection	3.7	0.0026			0.4519	0.0893	0.0901
Public Fire Protection	4.5	0.0032			0.5481	0.1082	0.1092
Total	1,397.3	1.0000	1.0000	0.4815	1.0000	0.1975	1.0000

The weighting of the factors is based on the ratio of the capacity required for a 10 hour demand of fire flow, as related to total storage capacity. The calculation is shown on the following page.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES, cont.

The weighting of the factors is based on the ratio of the capacity required for a 10 hour demand of fire flow, as related to total storage capacity.

$$\text{Fire Protection Weight} = \frac{10,000 \text{ GPM} \times 60 \text{ Min.} \times 10 \text{ Hrs.}}{30,380,000 \text{ Gallons}} = 0.1975$$

$$\text{General Service Weight} = 1.0000 - 0.1975 = 0.8025$$

The weighting of the average hourly consumption and maximum hour extra demand for general service is based on the maximum hour ratio, as follows:

	Maximum Hour Ratio	Percent	Weight
Average Hour	1.00	40.00	0.3210
Extra Capacity Maximum Hour	1.50	60.00	0.4815
Total	<u>2.50</u>	<u>100.00</u>	<u>0.8025</u>

Customer Classification	Average Hourly Consumption Thousand Gallons	Maximum Hour Extra Capacity		
		Factor*	1,000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	691.6	1.7	1,175.7	0.5459
Commercial	434.6	1.6	695.4	0.3229
Industrial	60.2	1.2	69.2	0.0321
Other Public Authority	154.5	1.1	170.0	0.0789
Sales for Resale	48.2	0.9	43.4	0.0202
Total	<u>1,389.1</u>		<u>2,153.7</u>	<u>1.0000</u>

* Ratio of Maximum Hour To Average Hour Minus 1.0.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH POWER AND PUMPING FACILITIES.

Factors are based on the weighting of the maximum daily consumption, Factor 2, the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

Customer Classification	Maximum Daily Consumption		Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		Allocation Factor
	Allocation Factor 2	Weighted Factor (3)=(2)X	Allocation Factor 3	Weighted Factor (5)=(4)X	Allocation Factor 4	Weighted Factor (7)=(6)X	
(1)	(2)	(3)=(2)X	(4)	(5)=(4)X	(6)	(7)=(6)X	(8)=(3)+(5)+(7)
Residential	0.5073	0.2160	0.4644	0.1445	0.4704	0.1239	0.4844
Commercial	0.3114	0.1326	0.2850	0.0886	0.2847	0.0749	0.2961
Industrial	0.0401	0.0171	0.0367	0.0114	0.0328	0.0086	0.0371
Other Public Authority	0.1056	0.0450	0.0966	0.0300	0.0821	0.0216	0.0966
Sales for Resale	0.0321	0.0137	0.0294	0.0091	0.0000	0.0000	0.0228
Private Fire Protection	0.0016	0.0007	0.0397	0.0123	0.0587	0.0154	0.0284
Public Fire Protection	0.0019	0.0008	0.0482	0.0150	0.0713	0.0188	0.0346
Total	1.0000	0.4259	1.0000	0.3109	1.0000	0.2632	1.0000

The weighting of the factors is based on the horsepower of pumps associated with maximum day facilities, maximum day and fire facilities, and maximum hour facilities, as follows:

	Horsepower of Pumps	Weight
Associated with Maximum Day	10,200	0.4259
Associated with Maximum Day and Fire	7,447	0.3109
Associated with Maximum Hour	6,305	0.2632
Total	23,952	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS.

Factors are based on the weighting of the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 5, for each customer classification, as follows:

Customer Classification	Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		Allocation Factor
	Allocation Factor 3	Weighted Factor (3)=(2)X	Allocation Factor 4	Weighted Factor (5)=(4)X	
(1)	(2)	(3)=(2)X	(4)	(5)=(4)X	(6)=(3)+(5)
		0.2056		0.7944	
Residential	0.4644	0.0955	0.4704	0.3737	0.4692
Commercial	0.2850	0.0586	0.2847	0.2262	0.2848
Industrial	0.0367	0.0075	0.0328	0.0261	0.0336
Other Public Authority	0.0966	0.0199	0.0821	0.0652	0.0851
Sales for Resale	0.0294	0.0060	0.0000	0.0000	0.0060
Private Fire Protection	0.0397	0.0082	0.0587	0.0466	0.0548
Public Fire Protection	0.0482	0.0099	0.0713	0.0566	0.0665
Total	1.0000	0.2056	1.0000	0.7944	1.0000

The weighting of the factors is based on the total footage of mains, designated as either transmission mains or distribution mains, as follows:

	Total Footage of Mains	Weight
Transmission Mains	2,133,290	0.2056
Distribution Mains	8,240,508	0.7944
Total	10,373,798	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS.

Costs are assigned directly to Public Fire Protection.

<u>Customer Classification</u> (1)	<u>Allocation Factor</u> (3)
Public Fire Protection	<u>1.0000</u>
Total	<u><u>1.0000</u></u>

FACTOR 9. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

<u>Customer Classification</u> (1)	<u>5/8" Dollar Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	113,730	0.8270
Commercial	18,048	0.1312
Industrial	570	0.0041
Other Public Authority	3,260	0.0237
Sales for Resale	334	0.0024
Private Fire	<u>1,595</u>	<u>0.0116</u>
Total	<u><u>137,537</u></u>	<u><u>1.0000</u></u>

KENTUCKY-AMERICAN WATER COMPANY

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size (1)	5/8" Dollar Equivalent (2)	Residential		Commercial		Industrial		Other Public Authority		Sales for Resale		Private Fire Protection		Total	
		Number of Meters (3)	Weighting (4)=(2)X(3)	Number of Meters (5)	Weighting (6)=(2)X(5)	Number of Meters (7)	Weighting (8)=(2)X(7)	Number of Meters (9)	Weighting (10)=(2)X(9)	Number of Meters (11)	Weighting (12)=(2)X(11)	Number of Meters (13)	Weighting (14)=(2)X(13)	Number of Meters (15)	Weighting (16)
5/8	1.0	110,047	110,047	4,536	4,536	7	7	139	139	0	0	1,595	1,595	116,324	116,324
3/4	1.4	1	1	0	0	1	1	0	0	0	0	0	0	2	2
1	1.8	1,818	3,272	2,340	4,212	2	4	173	311	0	0	0	0	4,333	7,799
1-1/2	3.0	14	42	172	516	2	6	28	84	4	12	0	0	220	660
2	4.0	77	308	1,817	7,268	23	92	371	1,484	8	32	0	0	2,296	9,184
3	12.0	0	0	13	156	0	0	1	12	0	0	0	0	14	168
4	20.0	0	0	28	560	11	220	41	820	7	140	0	0	87	1,740
6	30.0	2	60	12	360	8	240	11	330	5	150	0	0	38	1,140
8	40.0	0	0	11	440	0	0	2	80	0	0	0	0	13	520
Total		111,959	113,730	8,929	18,048	54	570	766	3,260	24	334	1,595	1,595	123,327	137,537

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 10. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative cost of services by size and customer classification, as developed on the following page and summarized below.

Customer Classification	3/4" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	113,969	0.8240
Commercial	15,656	0.1132
Industrial	160	0.0012
Other Public Authority	1,935	0.0140
Sales for Resale	80	0.0006
Private Fire Protection	6,497	0.0470
Total	<u>138,297</u>	<u>1.0000</u>

KENTUCKY-AMERICAN WATER COMPANY
 BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size (1)	3/4" Dollar Equivalent (2)	Residential		Commercial		Industrial		Other Public Authority		Sales for Resale		Private Fire Protection		Total	
		Number of Services (3)	Weighting (4)=(2)X(3)	Number of Services (5)	Weighting (6)=(2)X(5)	Number of Services (7)	Weighting (8)=(2)X(7)	Number of Services (9)	Weighting (10)=(2)X(9)	Number of Services (11)	Weighting (12)=(2)X(11)	Number of Services (13)	Weighting (14)=(2)X(13)	Number of Services (15)	Weighting (16)
3/4	1.00	75,478 *	75,478	4,536	4,536	7	7	139	139	0	0	0	0	80,160	80,160
1	2.00	19,103 *	38,206	2,340	4,680	2	4	173	346	0	0	0	0	21,618	43,236
1-1/2	2.20	14	31	172	378	2	4	28	62	4	9	0	0	220	484
2	3.20	77	246	1,817	5,814	23	74	371	1,187	8	26	64	205	2,360	7,552
4	3.50	0	0	41	144	11	39	42	147	7	25	390	1,365	491	1,720
6	4.00	2	8	12	48	8	32	11	44	5	20	862	3,448	900	3,600
8	5.10	0	0	11	56	0	0	2	10	0	0	266	1,357	279	1,423
10	8.90	0	0	0	0	0	0	0	0	0	0	8	71	8	71
12	9.50	0	0	0	0	0	0	0	0	0	0	4	38	4	38
>12	12.70	0	0	0	0	0	0	0	0	0	0	1	13	1	13
Total		94,674	113,969	8,929	15,656	53	160	766	1,935	24	80	1,595	6,497	106,041	138,297

*Adjusted to reflect that approximately 34,570 residential customers are served by 1-inch service lines each serving two residences.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 11. ALLOCATION OF TRANSMISSION AND DISTRIBUTION OPERATION SUPERVISION AND ENGINEERING AND MISCELLANEOUS EXPENSES.

Factors are based on transmission and distribution operation expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Operating Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$ 677,990	0.7541
Commercial	146,112	0.1625
Industrial	9,092	0.0101
Other Public Authority	32,560	0.0362
Sales for Resale	2,817	0.0031
Private Fire Protection	18,363	0.0204
Public Fire Protection	12,189	0.0136
Total	899,124	1.0000

FACTOR 12. ALLOCATION OF TRANSMISSION AND DISTRIBUTION MAINTENANCE SUPERVISION AND ENGINEERING, STRUCTURES AND IMPROVEMENTS, AND OTHER EXPENSES.

Factors are based on transmission and distribution maintenance expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$ 525,913	0.5207
Commercial	171,943	0.1702
Industrial	15,668	0.0155
Other Public Authority	43,964	0.0435
Sales for Resale	3,031	0.0030
Private Fire Protection	41,280	0.0409
Public Fire Protection	208,223	0.2062
Total	\$1,010,023	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 13. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification	Total Customers	Allocation Factor
(1)	(2)	(3)
Residential	111,959	0.8996
Commercial	8,929	0.0717
Industrial	54	0.0004
Other Public Authority	766	0.0062
Sales for Resale	24	0.0002
Private Fire Protection	2,682	0.0216
Public Fire Protection	38	0.0003
Total	<u>124,452</u>	<u>1.0000</u>

FACTOR 14. ALLOCATION OF METER READING COSTS.

Factors are based on the number of metered customers.

Customer Classification	Total Metered Customers	Allocation Factor
(1)	(2)	(3)
Residential	111,959	0.9079
Commercial	8,929	0.0724
Industrial	54	0.0004
Other Public Authority	766	0.0062
Sales for Resale	24	0.0002
Private Fire Protection	1,595	0.0129
Total	<u>123,327</u>	<u>1.0000</u>

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 15. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES

Factors are based on the allocation of all other operation and maintenance expenses excluding purchased water, power, chemicals and waste disposal.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$7,105,966	0.6503
Commercial	2,250,541	0.2059
Industrial	225,350	0.0206
Other Public Authority	630,319	0.0577
Sales for Resale	152,106	0.0139
Private Fire Protection	177,754	0.0163
Public Fire Protection	385,663	0.0353
Total	\$10,927,700	1.0000

FACTOR 15A. ALLOCATION OF CASH WORKING CAPITAL

Factors are based on the allocation of operation and maintenance expenses including purchased water, power, chemicals, waste disposal, and administrative and general expenses.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	\$21,733,298	0.6398
Commercial	7,307,386	0.2152
Industrial	789,250	0.0232
Other Public Authority	2,163,485	0.0637
Sales for Resale	565,808	0.0167
Private Fire Protection	477,800	0.0141
Public Fire Protection	926,084	0.0273
Total	\$33,963,111	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 16. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of direct labor expense.

Customer Classification	Direct Labor Expense	Allocation Factor
(1)	(2)	(3)
Residential	\$4,318,701	0.6277
Commercial	1,498,357	0.2178
Industrial	156,181	0.0227
Other Public Authority	439,436	0.0639
Sales for Resale	107,396	0.0156
Private Fire Protection	97,353	0.0141
Public Fire Protection	262,789	0.0382
Total	<u>\$6,880,213</u>	<u>1.0000</u>

FACTOR 17. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS,
 MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation other than those items being allocated, as follows:

Customer Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
Residential	\$224,525,088	0.5209
Commercial	112,576,868	0.2612
Industrial	13,354,144	0.0310
Other Public Authority	35,497,701	0.0824
Sales for Resale	8,635,867	0.0200
Private Fire Protection	12,652,930	0.0294
Public Fire Protection	23,768,956	0.0551
Total	<u>\$431,011,553</u>	<u>1.0000</u>

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 18. ALLOCATION OF INCOME TAXES AND INCOME AVAILABLE FOR RETURN.

Factors are based on the allocation of the original cost measure of value rate base as shown on the following pages and summarized below.

Customer Classification	Original Cost Measure of Value	Allocation Factor
(1)	(2)	(3)
Residential	\$201,063,853	0.5210
Commercial	100,686,678	0.2608
Industrial	11,933,929	0.0309
Other Public Authority	31,708,834	0.0821
Sales for Resale	7,744,814	0.0201
Private Fire Protection	11,508,253	0.0298
Public Fire Protection	21,348,345	0.0553
Total	<u>\$385,994,705</u>	<u>1.0000</u>

FACTOR 19. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER WATER REVENUES.

The factors are based on the allocation of the total cost of service, excluding those items being allocated.

Customer Classification	Total Cost of Service	Allocation Factor
(1)	(2)	(3)
Residential	\$54,773,143	0.5703
Commercial	23,271,041	0.2423
Industrial	2,662,430	0.0277
Other Public Authority	7,159,783	0.0745
Sales for Resale	1,791,367	0.0186
Private Fire Protection	2,256,544	0.0235
Public Fire Protection	4,144,365	0.0431
Total	<u>\$96,058,674</u>	<u>1.0000</u>

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref. (1.0)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Sales for		Fire Protection	
							Resale (8)	Private (9)	Public (10)	
RATE BASE										
Organization	17	37,450	19,508	9,782	1,161	3,086	749	1,101	2,064	
Franchise and Consents	17	70,261	36,599	18,352	2,178	5,789	1,405	2,066	3,871	
Other P/E Intangibles	17	433,962	226,051	113,351	13,453	35,758	8,679	12,758	23,911	
Other P/E Treatment	2	237,772	120,622	74,042	9,535	25,109	7,632	380	452	
Land and Land Rights - SS	2	1,077,363	546,546	335,491	43,202	113,770	34,583	1,724	2,047	
Source of Supply Struct & Improv	2	6,072,695	3,080,678	1,891,037	243,515	641,277	194,933	9,716	11,538	
Collecting & Impounding Reservoirs	1	597,698	295,861	185,884	25,761	66,105	20,621	1,554	1,913	
Lake, River and Other Intakes	2	6,964,540	3,533,111	2,168,758	279,278	735,455	223,562	11,143	13,233	
Supply Mains	2	24,631,166	12,495,390	7,670,145	987,710	2,601,051	790,660	39,410	46,799	
Pumping Equipment - SS	2	13,560,795	6,879,391	4,222,831	543,788	1,432,020	435,302	21,697	25,766	
Pumping Land & Land Rights	6	195,966	94,926	58,026	7,270	18,930	4,468	5,565	6,780	
Pumping Structures & Improvements	6	7,238,577	3,506,367	2,143,343	268,551	699,247	165,040	205,576	250,455	
Other Power Production Equipment	6	2,807,784	1,360,091	831,385	104,169	271,232	64,017	79,741	97,149	
Electric Pumping Equipment	6	6,492,956	3,145,188	1,922,564	240,889	627,220	148,039	184,400	224,656	
Diesel Pumping Equipment	6	302,306	146,437	89,513	11,216	29,203	6,893	8,585	10,460	
Hydraulic Pumping Equipment	6	(1,355)	(656)	(401)	(50)	(131)	(31)	(38)	(47)	
Other Pumping Equipment	6	36	18	11	1	4	1	1	1	
Land and Land Rights	2	800,183	405,933	249,177	32,087	84,499	25,686	1,280	1,520	
Water Treat Structures & Improv	2	22,710,223	11,520,896	7,071,963	910,680	2,388,200	728,998	36,336	43,149	
Pumping Equipment - WT	2	242	123	75	10	26	8	0	0	
Water Treat Equipment	2	35,290,142	17,902,689	10,989,350	1,415,135	3,726,639	1,132,814	56,464	67,051	
WT Filter Media	2	110,447	56,030	34,393	4,429	11,663	3,545	177	210	
Land and Land Rights - T&D	7	7,696,496	3,611,196	2,191,962	258,602	654,972	46,179	421,768	511,817	
T & D Structures & Improvements	7	303,003	142,169	86,295	10,181	25,786	1,818	16,605	20,150	
Pumping Equipment - T&D	7	356,052	167,059	101,403	11,963	30,300	2,136	19,512	23,677	
Distrib. Reservoirs & Standpipes	5	15,578,399	6,570,969	3,977,165	456,447	1,145,012	324,031	1,403,614	1,701,161	
Transmission & Distribution Mains										
Not Classified	4	3,697,428	1,739,270	1,052,658	121,276	303,559	-	217,039	263,627	
4 inch or less	4	6,485,904	3,050,969	1,846,537	212,738	532,493	-	380,723	462,445	
6 inch to 8 inch	4	50,269,470	23,646,759	14,311,718	1,648,839	4,127,123	-	2,950,818	3,584,213	
10 inch to 16 inch	3	46,510,308	21,599,387	13,255,438	1,706,928	4,492,896	1,367,403	1,846,459	2,241,797	
18 inch or Greater	3	77,388,327	35,939,139	22,055,673	2,840,152	7,475,712	2,275,217	3,072,317	3,730,117	
Services	10	8,576,274	7,066,850	970,834	10,292	120,068	5,146	403,085	-	
Meters	9	26,394,094	21,827,915	3,462,905	108,216	625,540	63,346	306,171	-	
Meter Installations	9	12,607,262	10,426,206	1,654,073	51,690	298,792	30,257	146,244	-	
Fire Hydrants	8	9,034,174	-	-	-	-	-	146,244	-	
Office Structures	15	10,802,914	7,025,135	2,224,320	222,540	623,328	150,161	176,087	9,034,174	
Office Furniture and Equipment	15	232,116	150,945	47,793	4,782	13,393	3,226	3,783	381,343	
Computer Equipment and Software	15	(837,136)	(544,390)	(172,366)	(17,245)	(48,303)	(11,636)	(13,645)	8,194	
Computer Software - Special - CIS	13	3,142,919	2,827,370	225,347	1,257	19,486	629	67,887	(29,551)	
Computer Software - Special - Other	15	6,828,270	4,440,424	1,405,941	140,662	393,991	94,913	111,301	241,038	
Transportation Equip	15	2,817,241	1,832,052	580,070	58,035	162,555	39,160	45,921	99,449	

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JULY 31, 2014, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref. (1.0)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Private	Public	
Stores Equipment	15	2,485	1,616	512	51	143	35	41	88	
Tools, Shop & Garage Equipment	15	1,431,911	931,172	294,830	29,497	82,621	19,904	23,340	50,546	
Laboratory Equipment	2	519,231	263,406	161,688	20,921	54,831	16,667	831	987	
Power Operated Equipment	15	508,658	330,780	104,733	10,478	29,350	7,070	8,291	17,956	
Communication Equipment	15	3,729,655	2,425,395	767,936	76,831	215,201	51,842	60,793	131,657	
Miscellaneous Equipment	15	833,879	542,271	171,696	17,178	48,115	11,591	13,592	29,436	
Other Tangible Property	15	161,417	104,969	33,236	3,325	9,314	2,244	2,631	5,698	
Total Plant in Service, Net of Accumulated Depreciation, Contributions and Advances		424,701,959	221,490,830	110,891,470	13,149,502	34,962,429	8,498,942	12,364,846	23,343,940	
OTHER RATE BASE ELEMENTS										
Utility Plant Acquisition Adjustments	17									
CWIP - Water Treatment Plant and Supply Mains	2	303,047	153,736	94,369	12,152	32,002	9,728	485	576	
CWIP - Transmission Mains	3	3,429,982	1,592,884	977,545	125,880	331,336	100,841	136,170	165,325	
CWIP - Reservoirs and Standpipes	5	1,034,854	436,502	264,198	30,321	76,062	21,525	93,240	113,006	
CWIP - Distribution Mains	4	877,860	412,945	249,927	28,794	72,072	-	51,530	62,591	
CWIP - Pumping	6	291,991	141,440	86,458	10,833	28,206	6,657	8,293	10,103	
CWIP - Meters and Meter Installations	9	165,783	137,103	21,751	680	3,929	398	1,923	-	
CWIP - Services	10	49,090	40,450	5,557	59	687	29	2,307	-	
CWIP - Hydrants	8	81,475	-	-	-	-	-	-	81,475	
CWIP - Other	15	617,187	401,356	127,079	12,714	35,612	8,579	10,060	21,787	
Working Capital Allowance	15A	3,946,000	2,524,651	849,179	91,547	251,360	65,898	55,639	107,726	
Materials and Supplies	17	727,081	378,736	189,914	22,540	59,911	14,542	21,376	40,062	
Deferred Income Taxes	17	(57,007,044)	(29,694,969)	(14,890,240)	(1,767,218)	(4,697,380)	(1,140,141)	(1,676,007)	(3,141,088)	
Deferred Investment Tax Credits	17	(55,276)	(28,793)	(14,438)	(1,714)	(4,555)	(1,106)	(1,625)	(3,046)	
Deferred Maintenance - Tank Painting	5	4,644,233	1,958,937	1,185,673	136,076	341,351	96,600	418,445	507,150	
Deferred Debits										
Deferred Debits Source of Supply	2	1,536,404	779,418	478,436	61,610	162,244	49,319	2,458	2,919	
Other Rate Base Elements	17	650,081	338,627	169,801	20,152	53,567	13,002	19,112	35,819	
Total Other Rate Base Elements		(38,707,254)	(20,426,977)	(10,204,792)	(1,215,574)	(3,253,595)	(754,128)	(856,593)	(1,995,594)	
Total Original Cost Measure of Value		385,994,705	201,063,853	100,686,678	11,933,929	31,708,834	7,744,814	11,508,253	21,348,345	

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 20. ALLOCATION OF UNCOLLECTIBLE ACCOUNTS

Factors are based on the net charge-offs by customer classification.

Customer Classification <u>(1)</u>	Net Charge-Offs <u>(2)</u>	Allocation Factor <u>(3)</u>
Residential	\$329,290	0.8205
Commercial	62,672	0.1561
Industrial	0	0.0000
Other Public Authority	0	0.0000
Sales for Resale	0	0.0000
Private Fire	<u>9,412</u>	<u>0.0234</u>
 Total	 <u><u>\$401,374</u></u>	 <u><u>1.0000</u></u>

KENTUCKY-AMERICAN WATER COMPANY

SUMMARY OF AVERAGE DAY AND PEAK DAY DELIVERY FOR THE YEARS 1990-2011

Year (1)	Annual Sendout (MG) (2)	Average Day (MGD) (3)	Peak Day (MGD) (4)	Date (5)	Ratio (6)	Max Hour (MGD)	Max Hour Ratio to Ave Day
2011	13,785	37.77	55.82	6/8	1.48	78.900	2.09
2010	14,817	40.60	61.36	9/23	1.51	93.650	2.31
2009	13,905	38.09	53.40	7/17	1.40	76.652	2.01
2008	15,644	42.86	63.09	8/21	1.47	96.576	2.25
2007	15,734	43.11	64.30	6/15	1.49	84.092	1.95
2006	15,619	42.79	67.22	8/7	1.57	82.652	1.93
2005	16,068	44.02	69.65	8/2	1.58	109.398	2.49
2004	14,931	40.91	56.89	6/29	1.39	76.750	1.88
2003	15,005	41.11	61.37	7/8	1.49	83.630	2.03
2002	15,956	43.72	71.82	8/5	1.64	107.500	2.46
2001	14,962	40.99	56.04	6/19	1.37	91.620	2.24
2000	14,565	39.90	66.37	6/13	1.66	85.076	2.13
1999	15,077	41.31	61.18	8/11	1.48		
1998	14,799	40.55	64.67	9/14	1.60		
1997	14,419	39.50	60.70	7/18	1.54		
1996	14,265	39.08	53.70	6/30	1.37		
1995	14,549	39.86	63.77	7/14	1.60		
1994	14,471	39.65	58.36	6/16	1.47		
1993	14,290	39.15	60.39	7/8	1.54		
1992	13,303	36.45	47.22	7/13	1.30		
1991	13,450	36.85	56.42	8/7	1.53		
1990	12,557	34.40	58.05	7/9	1.69		

KENTUCKY AMERICAN WATER COMPANY

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE
TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

Description (1)	Restrictive Diameters Squared (2)	Quantity (3)	Relative Demand* (4)=(2)x(3)	Allocation Factor (5)
<u>PRIVATE FIRE PROTECTION</u>				
Fire Lines				
2 -inch	4.0	64	384	
3 -inch	9.0	0	0	
4 -inch	16.0	390	9,360	
6 -inch	36.0	862	46,548	
8 -inch	64.0	266	25,536	
10 -inch	100.0	8	1,200	
12 -inch	144.0	4	864	
14 -inch	196.0	0	0	
16 -inch	256.0	1	384	
Private Hydrants	27.6	1,087	45,002	
Total Private Fire Protection		2,682	129,278	0.4519
<u>PUBLIC FIRE PROTECTION</u>				
4 -1/4 inch w/ 2-2 1/2, 1-4 1/2	20.3	6,366	129,221	
5 -1/4 inch w/ 2-2 1/2, 1-4 1/2	27.6	1,000	27,600	
Total Public Fire Protection		7,366	156,821	0.5481
Total Fire Protection		10,048	286,099	1.0000

* Relative Demand for Private Fire lines and hydrants are calculated at 1.5 times the Public Fire Relative Demand.

PART III. PROPOSED CUSTOMER RATES

KENTUCKY-AMERICAN WATER COMPANY
 CALCULATION OF MONTHLY SERVICE CHARGES

<u>Cost Function</u> (1)	<u>Cost of Service</u> (2)	<u>Number of Units</u> (3)	<u>Description</u> (4)	<u>Cost Per Unit Per Month</u> (5)
Meters	\$ 11,409,535	135,942	5/8-inch meter equivalents	\$ 6.99
Services	3,279,613	131,800	3/4-inch service equivalents	2.07
Billing & Collecting	<u>8,469,338</u>	121,732	Number of customers	<u>5.80</u>
Total	<u>\$ 23,158,487</u>			<u>\$ 14.86</u>

<u>Meter Size</u> (1)	<u>Capacity Ratio</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
5/8-inch	1.0	\$ 8.90	\$14.00
3/4-inch	1.5	13.35	21.00
1-inch	2.5	22.25	35.00
1-1/2-inch	5.0	44.50	70.00
2-inch	8.0	71.20	112.00
3-inch	15.0	133.50	210.00
4-inch	25.0	222.50	350.00
6-inch	50.0	445.00	700.00
8-inch	80.0	712.00	1,120.00

KENTUCKY-AMERICAN WATER COMPANY
 COMPARISON OF PRESENT AND PROPOSED RATES

Meter Charges, Per Month:

<u>Meter Size</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
5/8	\$ 8.90	\$14.00
3/4	13.35	21.00
1	22.25	35.00
1-1/2	44.50	70.00
2	71.20	112.00
3	133.50	210.00
4	222.50	350.00
6	445.00	700.00
8	712.00	1,120.00

<u>Consumption Charges:</u>	<u>Per Thousand Gallons</u>		<u>Per CCF</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
Residential	\$ 5.30040	\$ 5.44620	\$ 7.08610	\$ 7.28100
Commercial	\$ 4.82800	\$ 4.87510	\$ 6.45455	\$ 6.51750
Industrial	\$ 3.89467	\$ 4.60000	\$ 5.20678	\$ 6.14970
Other Public Authority	\$ 4.24520	\$ 4.55300	\$ 5.67540	\$ 6.08690
Sales for Resale	\$ 4.20933	\$ 4.24520	\$ 5.62745	\$ 5.67540

Fire Protection:

<u>Private Fire Line Size</u>	<u>Present Rate Per Month</u>	<u>Proposed Rate Per Month</u>
2	\$ 8.11	\$ 8.92
4	32.63	35.89
6	73.40	80.74
8	130.49	143.54
10	203.94	224.33
12	293.75	323.13
14	399.89	439.88
16	522.19	574.41
Private Fire Hydrant	72.52	79.77
Public Fire Hydrant	37.84	45.30