

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)
)
THE APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR A CERTIFICATE OF) CASE NO. 2007-00134
CONVENIENCE AND NECESSITY AUTHORIZING)
THE CONSTRUCTION OF KENTUCKY RIVER)
STATION II, ASSOCIATED FACILITIES AND)
TRANSMISSION MAIN)

KENTUCKY-AMERICAN WATER
COMPANY'S SUPPLEMENTAL DATA RESPONSE

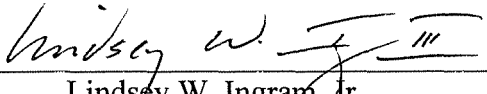
Kentucky-American Water Company ("KAW") provides the attached Supplemental Data Response to its May 21, 2007 Response to Item No. 31 of the Commission Staff's First Set of Interrogatories that asked for estimated rate impact information relating to the project proposed in KAW's Application. KAW also addressed estimated rate impact in its January 9, 2008 response to Item No. 9 of the Public Service Commission's Post-Hearing Data Requests and the attached should be considered as a supplement to that response as well.

Respectfully submitted,

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and

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BY: 
Lindsey W. Ingram, Jr.
Lindsey W. Ingram III

Attorneys for Kentucky-American Water Company

CERTIFICATE OF SERVICE

This is to certify that on the 29th day of February, 2008, the original and eight (8) copies of the foregoing were filed with the Public Service Commission and a copy was served upon the following via U.S. Mail and electronic mail:

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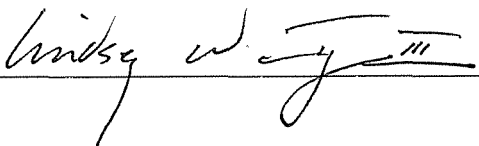
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By  _____

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134
COMMISSION STAFF'S FIRST SET OF INTERROGATORIES
AND REQUEST FOR PRODUCTION OF DOCUMENTS
Item 31 of 34

Witness: **Nick Rowe/Michael A. Miller**

31. Provide all correspondence, electronic mail messages, analyses, notes, memoranda, studies and related documents from RWE Aktiengesellschaft, Thames Water Aqua Holdings GmbH or AWWC directing Kentucky-American to construct the 20 MGD treatment facility at Pool 3 of the Kentucky River to solve the supply deficit.
- a. Assume that the Commission grants Kentucky-American a Certificate of Public Convenience and Necessity to construct the treatment facility on Pool 3 of the Kentucky River and that construction commences in January 2008. Provide Kentucky-American's estimate as to the construction's effect on general rates for water service for the period from 2008 to 2012. This response should include all workpapers, show all calculations, and state all assumptions that Kentucky-American used to develop its estimate.

Response:

31.

- a. Please attached schedules and work papers regarding the rate impact of the project to solve the source of supply deficit.

Supplemental Response February 29, 2008:

- a. Please see attached schedules and work papers regarding the estimated rate impact on KAW's customers from the Pool 3 Project for both the 20MGD Project (KAW stand alone ownership) and the 25 MGD Project (KAW/BWSC 80/20 Joint Ownership). The changes reflect the construction costs based on the bids received by KAW, the updated O&M costs (from Mr. Walker's modeling), a correction in the income tax gross-up factor, and using the pro-forma KAW revenues approved by the Commission in case number 2007-00143.

Kentucky-American Water Company
Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31
Estimate of Rate Impact of Pool 3 Source of Supply Project - New 20 MGD Estimate

Rev. February 29, 2008
Total Construction Cost Based on Bids - \$155.857 million - KAW 100%

(000) Omitted	2007 Rate Case Rev. Requirement Calculation	2008 Rate Case Rev. Requirement Calculation	2010 Rate Case Rev. Requirement Calculation
13 Month Average Utility Plant	\$18,902	\$89,493	\$155,857
Less: Rate Base from Previous Case	\$0	\$0	(\$89,493)
Less: Depreciation Expense	\$0	\$0	(\$2,883)
Deferred Income Tax Exp.	<u>\$0</u>	<u>\$0</u>	<u>(\$1,091)</u>
Rate Base	\$18,902	\$89,493	\$62,390
WCC currently authorized	<u>10.57%</u>	<u>10.57%</u>	<u>10.57%</u>
Revenue Requirement on Rate Base	\$1,998	\$9,459	\$6,595
Less AFUDC	<u>(\$1,998)</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	(\$0)	\$9,459	\$6,595
Add: Depreciation Expense	\$0	\$0	\$2,883
O&M Expenses	\$0	\$0	\$3,455
Wholesale Charges From LWC @ 10MGD	\$0	\$0	\$0
Wheeling Cost - SEC 2-A - Capital	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - O&M	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact from SS Project	(\$0)	\$9,459	\$12,933
Total Rate Increase			\$22,392
Going Level Revenues	\$60,823	\$60,623	\$70,082
% Rate Increase	0.00%	15.60%	18.45%
Cummulative % Increase	0.00%	15.60%	34.06%
Increase From Present Rates			36.81%

Kentucky-American Water Company
Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31
Estimate of Rate Impact of Pool 3 Source of Supply Project - New 25 MGD Estimate

Rev. February 29, 2008
Total Construction Cost Based on Bids - \$161.761 million - KAW 80%

(000) Omitted	2007 Rate Case Rev. Requirement Calculation	2008 Rate Case Rev. Requirement Calculation	2010 Rate Case Rev. Requirement Calculation
13 Month Average Utility Plant	\$16,461	\$74,745	\$129,410
Less: Rate Base from Previous Case	\$0	\$0	(\$74,745)
Less: Depreciation Expense	\$0	\$0	(\$2,405)
Deferred Income Tax Exp.	\$0	\$0	(\$906)
Rate Base	\$16,461	\$74,745	\$51,354
WCC currently authorized	<u>10.55%</u>	<u>10.55%</u>	<u>10.55%</u>
Revenue Requirement on Rate Base	\$1,737	\$7,886	\$5,418
Less AFUDC	<u>(\$1,737)</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	(\$0)	\$7,886	\$5,418
Add: Depreciation Expense	\$0	\$0	\$2,405
O&M Expenses	\$0	\$0	\$2,939
Wholesale Charges From LWC @ 10 MGD	\$0	\$0	\$0
Wheeling Cost - SEC 2-A - Capital	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - O&M	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact from SS Project	(\$0)	\$7,886	\$10,762
Total Rate Increase			\$18,647
Going Level Revenues	\$60,823	\$60,623	\$68,509
% Rate Increase	0.00%	13.01%	15.71%
Cummulative % Increase	0.00%	13.01%	28.72%
Increase From Present Rates			30.66%

Kentucky-American Water Co.
Cash Flow of Construction Expenditures for POOL 3 Project - Based on Current Bids

(000) Omitted	2007												Monthly Expenditure	Cumulative Expenditure	New 20 MGD		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
4,977													4,977		4,977		
3,111%	0.67%	0.26%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	3,111%		4,977		
416	575	575	575	575	602	575	575	575	575	575	575	575	416	1,070			
7,468	6,398	5,982	5,407	4,832	4,257	3,682	3,080	2,506	1,929	1,354	748	293	7,468				
37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330	37,330
4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477	4,477
11,945	16,422	20,899	25,376	29,853	35,471	41,089	46,707	52,325	58,053	63,781	69,509	75,237	11,945	69,509			
2,80%	2,80%	2,80%	2,80%	2,80%	2,80%	2,80%	3,52%	3,52%	3,52%	3,52%	3,52%	3,52%	2,80%	3,59%	3,59%	3,59%	38,84%
7,22%	7,22%	7,22%	7,22%	7,22%	7,22%	7,22%	9,06%	9,06%	9,06%	9,06%	9,06%	9,06%	7,22%	9,23%	9,23%	9,23%	9,23%
2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339	2,339
7,316	9,656	11,995	14,335	16,674	19,610	22,546	25,482	28,417	31,410	34,404	37,397	40,390	7,316	37,397			
1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929	1,929
6,906	8,836	10,765	12,695	14,624	17,045	19,466	21,887	24,308	26,727	29,245	31,714	34,183	6,906	31,714			
5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737	5,737
80,983	86,496	92,009	97,522	102,607	107,302	111,997	116,692	121,277	125,862	129,959	133,926	137,799	80,983	129,959			
3,59%	3,59%	3,45%	3,45%	3,45%	3,45%	3,18%	2,94%	2,94%	2,94%	2,87%	2,87%	2,87%	3,59%	2,87%	2,87%	2,87%	3,85%
9,49%	9,49%	9,12%	9,12%	9,12%	8,41%	7,77%	7,77%	7,77%	7,58%	7,58%	7,58%	7,58%	9,49%	7,58%	7,58%	7,58%	6,78%
5,785	5,785	5,559	5,559	5,559	5,128	4,735	4,735	4,735	4,624	4,624	4,624	4,624	5,785	4,132			
43,182	48,968	54,527	60,087	65,646	70,774	75,508	80,243	84,977	89,601	94,225	98,856	103,451	43,182	98,856			
4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771	4,771
31714	36,485	41,256	45,841	50,426	55,011	59,240	63,145	67,049	70,954	74,767	78,580	81,988	31714	78,580			
3,967	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,873	3,967	3,873			
129599	133,926	137,799	141,672	145,545	149,418	153,291	157,164	159,727	159,727	159,727	159,727	159,727	129599	159,727			
2,48%	2,42%	2,42%	2,42%	2,42%	2,42%	2,42%	2,42%	2,42%	2,42%	2,42%	2,42%	2,42%	2,48%	2,42%	2,42%	2,42%	18,64%
13,33%	13,01%	13,01%	13,01%	13,01%	13,01%	13,01%	13,01%	13,01%	13,01%	13,01%	13,01%	13,01%	13,33%	13,01%	13,01%	13,01%	98,43%
7,663	7,481	7,481	7,481	7,481	7,481	7,481	7,481	7,481	7,481	7,481	7,481	7,481	7,663	7,481	7,481	7,481	0
98,356	106,019	113,500	120,981	128,463	135,944	143,425	150,906	155,857	155,857	155,857	155,857	155,857	98,356	155,857			
6,320	6,170	6,170	6,170	6,170	6,170	6,170	6,170	6,170	6,170	6,170	6,170	6,170	6,320	6,170	6,170	6,170	0
81988	88,308	94,477	100,647	106,817	112,987	119,157	125,327	129,410	129,410	129,410	129,410	129,410	81988	129,410			

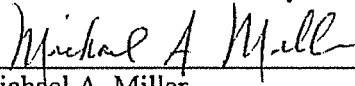
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THE CONSTRUCTION OF KENTUCKY RIVER)
STATION II, ASSOCIATED FACILITIES AND)
TRANSMISSION MAIN)

CERTIFICATION OF SUPPLEMENTAL RESPONSE

This is to certify that I have supervised the preparation of Kentucky-American Water Company's February 29, 2008 Supplemental Data Response and that the response is true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: February 29, 2008



Michael A. Miller
Assistant Treasurer
Kentucky-American Water Company