

**KENTUCKY-AMERICAN WATER COMPANY  
CASE NO. 2004-00103  
FORECASTED TEST PERIOD FILING REQUIREMENTS  
EXHIBIT NO. 17**

**Description of Filing Requirement:**

Financial Forecast (For 2004-2006) Operating Income Statements

**Response:**

Please see attached.

For electronic version, see [KAW\\_APP\\_EX17\\_043004.pdf](#)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating Revenues	\$47,347	\$51,778	\$52,526
Operating Expenses	21,795	23,115	23,386
Operation & Maintenance	6,930	7,621	7,672
Depreciation and Amortization	2,371	2,392	2,563
General Taxes	4,516	5,265	5,471
Income Taxes			
Total Operating Expenses	35,612	38,393	39,092
Utility Operating Income	11,735	13,385	13,434
Other Income	319	134	210
Total Income	12,054	13,519	13,644
Income Deductions	347	347	348
Income Before Interest	11,707	13,172	13,296
Interest Charges	4,976	5,325	5,144
Net Income	6,731	7,847	8,152
Preferred Dividends	527	524	521
<b>Net Income to Common</b>	<b>6,204</b>	<b>7,323</b>	<b>7,631</b>
<b>Common Dividends</b>	<b>4,029</b>	<b>5,567</b>	<b>5,633</b>
<b>Balance for Retained Earnings</b>	<b>2,175</b>	<b>1,756</b>	<b>1,998</b>
<b>Payout ratio</b>	<b>64.94%</b>	<b>76.02%</b>	<b>73.82%</b>
<b>Return on Common Equity - 12/31</b>	<b>9.53%</b>	<b>10.95%</b>	<b>11.08%</b>
<b>Return on Average Equity (13-Month)</b>	<b>9.71%</b>	<b>11.09%</b>	<b>11.24%</b>
<b>Common Equity - 12/31</b>	<b>65,126</b>	<b>66,882</b>	<b>68,880</b>

**KENTUCKY-AMERICAN**

(000'S OMITTED)

**SOURCE AND APPLICATION OF FUNDS**

Year	<b>SOURCE OF FUNDS</b>										<b>APPLICATION OF FUNDS</b>			
	<u>Increase in Capital</u>			Ret Earnings	Change YE Bank Loans	Adv and CIAC	Depr	Deferred Taxes	Other	Total	Gross Constr.	<u>Reductions in Capital</u>		
	Security Sales											Maturities & Sinking Funds		
Debt	Preferred	Common								Debt	Preferred	Total		
2004	10,000	0	0	2,175	(4,253)	5,622	6,257	2,722	(2,876)	19,647	19,607	0	40	19,647
2005	0	0	0	1,756	1,907	5,660	6,948	885	221	17,377	11,837	5,500	40	17,377
2006	0	0	0	1,998	(1,978)	5,800	7,225	922	848	14,815	14,775	0	40	14,815

**Kentucky -American**  
**FINANCING PROJECTIONS**  
**Increments of New Capital**  
**(000'S OMITTED)**

<u>Calendar Year</u>	Bank Loans	Debt	Preferred	Common
2004	(4,253)	10,000	0	0
2005	1,907	0	0	0
2006	(1,978)	0	0	0

**Total Capitalization**

<u>As of December 31,</u>	Bank Loans	Debt	Preferred	Common
2004	8,433	78,500	6,830	65,126
2005	10,340	73,000	6,790	66,882
2006	8,362	73,000	6,750	68,880

**Capitalbation Ratios**

<u>As of December 31,</u>	Bank Loans	Debt	Preferred	Common
2004	5.31%	49.41%	4.30%	40.98%
2005	6.59%	46.49%	4.32%	42.60%
2006	5.33%	46.50%	4.30%	43.87%

**Total Capitalization**

<u>As of December 31,</u>	Total Debt Ratio	Total Equity Ratio
2004	55%	45%
2005	53%	47%
2006	52%	48%