

Kentucky American Water Works Company
Income Statement Fluctuation Analysis
July 23, 2004

	Actual Balance at 07/23/04	Plan Balance at 07/23/04	Increase (Decrease)	% Change
Operating revenues				
Water	23,489,749	24,009,606	(519,857)	-2%
sewer	25,258	175,967	(150,709)	-86% A
Other	653,699	642,094	11,605	2%
Management	-	-	-	0%
Total revenues	<u>24,168,706</u>	<u>24,827,667</u>	<u>(658,961)</u>	<u>-3%</u>
Operating expenses				
Labor	3,044,317	3,178,736	(134,419)	-4%
Purchased water	227,535	197,919	29,616	15% B
Fuel & power	1,139,721	1,180,518	(40,797)	-3%
Chemicals	701,966	786,268	(84,302)	-11% C
Waste disposal	44,654	120,746	(76,092)	-63% D
Management Fees	3,108,614	1,732,273	1,376,341	79% E
Group insurance	989,857	908,207	81,650	9% F
Pensions	410,704	620,179	(209,475)	-34% G
Regulatory Expense	13,307	14,308	(1,001)	-7%
Insurance other than Group	282,219	303,877	(21,658)	-7% H
Customer Accounting	787,020	570,346	216,674	38% I
Rents	20,690	64,910	(44,220)	-68% J
General office expense	256,641	221,686	34,955	16% K
Miscellaneous	1,484,146	1,696,724	(212,578)	-13% L
Other maintenance	806,280	741,314	64,966	9% M
Total maintenance and operations expense	<u>13,317,671</u>	<u>12,338,011</u>	<u>979,660</u>	<u>8%</u>
Depreciation	3,832,179	3,364,300	467,879	14% N
Amortization	415,202	392,931	22,271	6%
General Taxes	1,532,203	1,335,990	196,213	15% O
State Income Taxes	163,394	155,517	7,877	5%
Federal Income Taxes	705,814	1,436,875	(731,061)	-51% P
Tax Savings Acquisition Adjustment	-	230,265	(230,265)	0%
Total operating expenses	<u>19,966,463</u>	<u>19,253,889</u>	<u>712,574</u>	<u>4%</u>
Utility operating income	<u>4,202,243</u>	<u>5,573,778</u>	<u>(1,371,535)</u>	<u>-25%</u>
Other income and deductions				
Non-operating rental income	-	-	-	0%
Dividend income-common	-	-	-	0%
Dividend income-preferred	-	-	-	0%
Interest income	-	-	-	#DIV/0!
AFUDC Equity	73,850	162,536	(88,686)	-55% Q
M&J Miscellaneous income	(43,757)	18,114	(61,871)	-342% R
Gain (Loss) on Disposition	-	-	-	100%
Total other income	<u>30,093</u>	<u>180,650</u>	<u>(150,557)</u>	<u>-83%</u>
Miscellaneous amortization	450	-	450	#DIV/0!
Tax savings acquisition adjustment	-	-	-	0%
Misc. other deductions	268,416	258,667	9,749	4%
General taxes	-	-	-	0%
State income taxes	-	-	-	#DIV/0!
Federal income taxes	(96,879)	-	(96,879)	#DIV/0!
Total other deductions	<u>171,987</u>	<u>258,667</u>	<u>(86,680)</u>	<u>-34%</u>
Net other income/(deductions)	<u>(141,894)</u>	<u>(78,017)</u>	<u>(63,877)</u>	<u>82%</u>
income before interest charges	<u>4,060,349</u>	<u>5,495,761</u>	<u>(1,435,412)</u>	<u>-26%</u>
Interest Charges				
interest an long-term debt	2,871,079	2,646,396	224,683	8% S
Amortization and debt expense	45,834	47,483	(1,649)	-3%
Interest short-term bank debt	58,484	162,312	(103,828)	-64% T
Other interest expense	106	-	106	#DIV/0!
AFUDC-Debt	(36,148)	(77,533)	41,385	-53% Q
Total interest charges	<u>2,939,365</u>	<u>2,778,658</u>	<u>160,697</u>	<u>6%</u>
Net Income	<u>1,120,994</u>	<u>2,717,103</u>	<u>(1,596,109)</u>	<u>-59%</u>
Preferred dividend declared	254,636	308,248	(53,612)	-17%
Net Income to Common Stock	<u>866,358</u>	<u>2,408,855</u>	<u>(1,542,497)</u>	<u>-64%</u>

Kentucky American Water Works Company
Income Statement Tickmark Legend
July 23,2004

- A** Owenton Sewer in budget
- B** Georgetown Municipal water for Owenton not budgeted.
- C** Procurement initiative savings on lower chemical costs
- D** Project delayed- \$75,000
- E** Primarily Call Center- \$345,000, Corporate- \$673,000, and ITS- \$195,000.
- F** OPEB'S \$73,499
- G** Pensions less than anticipated in the plan
- H** General liability expenses less than planned
- I** Uncollectible accounts- \$103,780 Bank Service Charges- \$31,417 and Collection agencies \$34,765
- J** Stopped renting water quality equipment \$(23,393) and GIS lease \$(9,373) and Cust Serv copier \$(7,000)
- K** Employee Expenses are over plan \$31,985 due to reorganization employee assessments.
- L** Advertising expense- \$62,450, Security expenses- \$59,400, and Misc operating expenses- \$96,352.
- M** Material and Supplies Maintenance expenses- \$58,137
- N** ORCOM project closed in 03 Budgeted to close in September 04- \$434,58858
- O** Property taxes are up due to the increase in the assessment.
- P** Reduced taxes due to lower income
- Q** ORCOM project closed in 03 budgeted to transfer to UPIS in September 04 AFUDC
- R** Timing of billing payments to Pineville in 2003 and 2004
- S** Refinanced with more LTD
- T** Refinanced with more LTD -decrease short term debt