

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2004-00103
POST HEARING DATA REQUESTS
ITEMS 1-4

1. Refer to KAWC's Response to the Commission Staff's First Set of Information Requests, Item 1, W/P 1-5 at 52 - 55.
 - a. State the Allowance for Fund Used During Construction ("AFUDC") rate used to accrue the book amount of \$470,940.
 - b. Provide a detailed calculation of the book AFUDC rate with each component listed and labeled separately. Calculations of each component should also be shown.
 - c. As shown at page 55, the accrued book AFUDC includes an equity portion and an equity gross-up amount. State whether KAWC accrued AFUDC related to the debt costs included in the cost of capital. If KAWC did not, explain why not.

Response:

- a. 9.58% full rate and .79833% monthly rate
- b.

Short term debt	.05%
Long term debt	3.98%
Preferred stock	.38%
Common equity	5.17%
- c. yes

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2. If KAWC is not accruing book AFUDC for the cost of debt, state when KAWC changed accrual methods and explain why such change was appropriate.

Response:

KAWC is accruing book AFUDC for the cost of debt.

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3. Provide a detailed calculation of the tax AFUDC rate with each component listed and labeled separately. Calculations of each component should also be shown.

Response:

The tax AFUDC rate is generally the short term borrowing rate as long as the company is in a borrowing situation. If the company is in an investing mode, the tax AFUDC rate is based on an average of the long term rates. The 6.3% was the rate utilized in the last rate filing. As of December 2004, the tax AFUDC rate is 6.2%, which is based on the average of the long term rates.

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4. State whether KAWC has accrued AFUDC for the forecasted test period at a rate other than the requested cost of capital. If yes, state the rate and explain why this rate is appropriate.

Response:

Yes – the rate used was that from the last rate filing due to an incorrect link. The rate should be as detailed below:

Short term debt	.10%
Long term debt	3.25%
Preferred Stock	.29%
Common equity	4.61%
AFUDC rate	8.25% full rate or .6875% monthly rate