

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143
PUBLIC SERVICE COMMISSION'S FIRST SET OF INFORMATION REQUESTS
ITEMS 1 – 33

Witness Responsible:

Michael A. Miller/Sheila Miller

1. a. Provide a copy of the work papers and calculations that Kentucky-American used to develop its forecasted test-period financial information.
- b. State all assumptions that Kentucky-American used to develop its forecasted test-period financial information.

Response:

- a. The work papers are attached in a separate binder. The electronic version of the work papers have the following name convention format:
KAW_R_PSCDR1#1a_WPX_052107.pdf.
- b. The base period is calculated using 6 months actual and six months budget with no adjustments for known and measurable changes. The Company's forecasted test-year started with its budget for December 2007 to November 2008 and adjusted for all known and measurable changes. Sales were adjusted to reflect the normalization sales adjustment sponsored by Dr. Edward Spitznagel. The Company utilized the latest projection from Towers and Perrin for OPEB's and pensions. The Company also used the latest actual cost to adjust for maintenance costs. The Company utilized the latest "Value Line" projections to determine short term and long term interest rates. The CAPEX reflects the latest forecast. Production costs were determined on the latest chemical contract prices that have been recommended for 2008 and adjusted to the normalized sales levels.