

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-143
PUBLIC SERVICE COMMISSION'S FIRST SET OF INFORMATION REQUESTS
ITEMS 1 – 33

Witness Responsible:

Michael A. Miller

6. Provide a rate base, capital structure, and statement of income for Kentucky-American for the most recent actual 12-month period at the time of the company's application for rate adjustment and for the base period used in the company's application. Provide detailed explanations necessary to reconcile this information with the filed base period revenue requirement information.

Response:

See attached schedules.

For the electronic version, refer to KAW_R_PSCDR1#6_052107.pdf.

Kentucky-American Water Company
Commission Data Request No. 1
Case No. 2007-00143

Rate Base Components	Actual 4/30/2007	Base Period Amount	Difference
Utility Plant in Service	329,999,912	341,243,923	11,244,011
Property Held for Future Use	-	-	-
Utility Plant Acquisition Adjustments	340,901	48,940	(291,961)
Accumulated Depreciation	(86,339,049)	(79,221,396)	7,117,653
Accumulated Amortization	(7,674)	(7,674)	-
Net Utility Plant in Service	243,994,090	262,063,793	(18,069,703)
Construction Work in Progress	13,486,050	12,794,539	(691,511)
Working Capital Allowance	(2,712,091)	3,483,000	6,195,091
Other Working Capital Allowance	547,067	523,761	(23,306)
Contributions in Aid of Construction	(40,260,608)	(40,033,649)	226,959
Customer Advances	(16,855,821)	(18,158,898)	(1,303,077)
Deferred Income Taxes	(28,830,663)	(28,520,509)	310,154
Deferred Investment Tax Credits	(106,927)	(105,013)	1,914
Deferred Maintenance	1,488,109	1,979,885	491,776
Deferred Debits	1,973,898	1,956,365	(17,533)
Other Rate Base Elements	(2,610,778)	(1,752,090)	858,688
Total Rate Base	170,112,326	194,231,184	(12,020,548)

Footnote: The Company will be amending the rate filing to properly reflect net negative salvage as a rate base reduction in accumulated depreciation.

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Capital Structure Class of Capital	Amount	Percent To Total	JDITC 4/30/2007	Total 4/30/2007	Base Period	
	Outstanding 4/30/2007				Adjusted Capital	Difference
Short Term Debt	15,962,994	9.46%	120,608	16,083,602	52,054,799	35,971,197
Long Term Debt	73,900,000	43.81%	558,348	74,458,348	49,817,062	(24,641,286)
Preferred Stock	5,966,700	3.54%	45,081	6,011,781	5,981,895	(29,886)
Common Equity	<u>72,841,065</u>	<u>43.19%</u>	<u>550,347</u>	<u>73,391,412</u>	<u>73,823,708</u>	<u>432,296</u>
Total Capital	168,670,759	100.00%	1,274,383	169,945,142	181,677,464	11,732,322

Difference as a Percent of Base Period 6.46%

The difference is due to additional retained earnings, dividend payments, additional amortization of JDITC, the maturity of one long term debt issue, and additional capital to meet cash requirements and capex expenditures.

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	Twelve Months 4/30/2007	Base Period 7/31/2007	Difference	
Income Statement				
Operating Revenues	48,953,454	49,644,888	691,434	Difference due to water sales from customer growth. Base period has not been adjusted for normalization sponsored by Dr. Spitznagel.
Operating Expenses:				
Operation & Maintenance	26,686,895	27,551,992	865,097	Production costs, labor, maintenance exp.
Depreciation	8,014,557	7,930,331	(84,226)	One time write off of STEP not included in base period
Amortization	530,060	498,920	(31,140)	Reflects 3 months additional amortization
Taxes Other	2,849,588	2,972,209	122,621	Increases in property tax plus increased revenue
State Income Taxes	377,792	526,260	148,468	
Federal Income Taxes	1,878,189	1,517,242	(360,947)	
Total Operating Expenses	40,337,081	40,996,954	659,873	
Utility Operating Income	8,616,373	8,647,934	31,561	
Other Income/Net	327,661	518,703	191,042	AFUDC on additional investment
Income Before Deductions	8,944,034	9,166,637	222,603	
Income Deductions				
Interest on LTD	5,092,906	4,423,662	(669,244)	Maturity of long term debt issue
Amortization of Debt Expense	72,873	71,934	(939)	
Interest on Bank Debt	480,536	368,887	(111,649)	Fluctuations due to CAPEX spending and long term financing
Other Interest	65,168	4,056	(61,112)	Other interest was not budgeted
Total Income Deductions	5,711,483	4,868,539	(842,944)	
Net Income	3,232,551	4,298,098	1,065,547	