

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 111 of 312**

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**Witness: Michael Miller**

111. Please provide detailed calculations of federal income taxes and state income taxes (budgeted and/or actual) for the following accounting periods:
- a. the year ended December 31, 2005 (actual);
  - b. the year ended 2006 (actual).

**Response:**

Please see the attached schedules. The 2006 tax returns are not yet complete and will not be filed until later this summer. Provided is a calculation of the FIT and SIT provisions for 2006.

For electronic version, refer to KAW\_R\_AGDR1#111\_061807.pdf

KENTUCKY-AMERICAN  
PLAN YEAR: 2004 Revised 8/29/03

SCHEDULE 2 FEDERAL INCOME TAX		1	2	3	4	5	6	7	8	9
TAXABLE INCOME PERIOD	SUBTOTAL TAXABLE INCOME	TAX @ 35.00%	TOTAL TAX ANNUALIZED	SURTAX EXEMPTION	NET TAX DUE	PERCENT OF TAX DUE	NET TAX DUE	NET TAX DUE	DEDUCT: PRIOR ADD: (REFUNDS)	NET PAYMENT (REFUND)
1st INSTALL CURRENT YEAR - APR	(603,687)	(281,290)	XXXXX	XXXXX	(281,290)	105.0%	(281,290)	(281,290)	XXXXX	(281,290)
2nd INSTALL CURRENT YEAR - JUN	(603,687)	(281,290)	XXXXX	XXXXX	(281,290)	105.0%	(281,290)	(281,290)	XXXXX	(281,290)
3rd INSTALL CURRENT YEAR - SEP	(465,784)	(163,035)	(326,035)	XXXXX	(326,035)	100.0%	(326,035)	(326,035)	(590,710)	264,675
4th INSTALL CURRENT YEAR - DEC	1,045,803	368,031	488,041		488,041	100.0%	488,041	488,041	(326,035)	814,076
5th INSTALL NEXT YEAR - MAR	3,305,460	1,156,911	1,156,911		1,156,911	100.0%	1,156,911	1,156,911	488,041	668,870

SCHEDULE 2A STATE INCOME TAX		1	2	3	4	5	6	7	8	9
TAXABLE INCOME PERIOD	TAXABLE INCOME AMOUNT	TAX @ 9.00%	TOTAL TAX ANNUALIZED	PERCENT OF TAX TAKEN	NET TAX DUE	DEPOSIT REQUIRED	NET DEPOSIT	NET DEPOSIT	DEDUCT: PRIOR ADD: (REFUNDS)	NET PAYMENT (REFUND)
1st INSTALL CURRENT YEAR - JUN	279,955	25,197	60,472	85%	51,402	50%	25,701	25,701	0	25,701
2nd INSTALL CURRENT YEAR - SEP	3,056,414	275,077	412,616	85%	350,724	75%	263,043	263,043	25,701	237,342
3rd INSTALL CURRENT YEAR - DEC	6,199,425	557,948	606,671	85%	517,370	100%	517,370	517,370	263,043	254,328
FINAL PAYMNT	8,499,008	764,911	764,911	100%	764,911	100%	764,911	764,911	517,370	247,541

SCHEDULE 2B COMMON DIVIDENDS		NET INCOME TO COMMON EQUITY	NET INCOME TO COMMON EQUITY	NET INCOME TO COMMON EQUITY	ADJUSTMENTS SEE NOTE-A	TOTAL EARNINGS AVAILABLE FOR COMMON EQUITY	EARNINGS AVAILABLE FOR COMMON DIVIDENDS	DEDUCT: PRIOR DIVIDEND PAYMENTS	COMMON DIVIDEND PAYMENT**
MARCH	12/31/03	361,004	630,004	930,004	0	1,480,946	370,237	1,110,710	1,110,710
JUNE	3/31/04	XXXX	XXXX	XXXX	0	2,085,980	523,995	1,571,985	461,275
SEPTEMBER	6/30/04	XXXX	3,377,981	XXXX	0	3,377,981	844,485	1,571,985	961,501
DECEMBER	12/31/04	XXXX	XXXX	5,369,642	0	5,369,642	1,342,410	4,027,231	1,483,746

NOTE: A	CUMULATIVE ADJUSTMENTS	0	0	0	0
ADD: AMORTIZATION OF:					
PREFERRED STOCK EXP. (INPUT)					
UTILITY PLANT ADJ. (INPUT)					
PROPERTY LOSSES (INPUT)					
LOSS ON DISP OF PROPERTY					
GAIN ON SALE					
TOTAL		0	0	0	0

not applicable - new policy

KENTUCKY-AMERICAN WATER COMPANY  
PLAN YEAR: 2003

SCHEDULE 4

DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1 TOTAL REVS - (L6,168)	2,261,094	2,983,899	4,203,822	3,202,882	3,313,483	5,010,102	3,882,435	3,779,412	5,011,874	4,062,770	3,833,169	5,832,132	47,346,724
2													
3 * NET TAXABLE FEES, ADV., & CONT (INPUT)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(680,000)
4 * TAX DEPREC ADJUSTMENT (L5,187-2)	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	4,492,800
5 * REG EXP - (L16,168)	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,044	24,528
6 * INT INCOME - (L39,188)	0	0	0	0	0	0	0	0	0	0	0	0	0
7 * TAX AFUDC (AFUDC-TAX WORKSHEET)	10,742	12,778	15,310	21,018	21,080	17,559	19,169	21,810	26,811	27,624	27,974	28,124	249,799
8 * M&J INCOME - (L42,168)	2,877	2,202	2,877	2,202	2,877	2,202	2,877	1,702	2,877	2,202	2,877	2,202	29,974
9													
10 * TAXABLE MEALS (INPUT)	0	0	0	0	0	0	0	0	0	0	0	0	0
11 * UNCOLLECTIBLE (L20,168)	21,013	19,988	19,988	19,988	19,988	19,988	19,988	19,988	21,013	21,013	21,013	21,013	244,881
12													
13 * OTH AMTZ (OC, Lines 5,16,19,21,27)	60,802	60,386	60,386	60,386	60,386	60,386	60,386	60,386	60,386	60,386	60,386	60,386	796,248
14 * AMORTIZATION (L28,168)	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	673,566
15													
16 * CLUB DUES	88,597	88,597	88,597	88,597	88,597	88,597	88,597	88,597	88,597	88,597	88,597	88,597	1,063,160
17 * PENSION - (L15,168)	56,935	56,935	56,935	56,935	56,935	56,935	56,935	56,935	56,935	56,935	56,935	56,935	683,215
18 * CPBES	2,878,802	3,602,326	4,825,456	3,828,549	3,949,737	5,642,211	4,468,828	4,415,272	5,654,433	4,705,969	4,477,383	6,475,831	54,984,608
19 TOTAL ADDITIONS	1,818,215	1,639,547	1,665,958	1,810,959	1,780,296	2,012,056	1,790,886	1,782,322	1,932,318	1,852,063	1,820,870	2,069,536	21,795,235
20													
21 * OPER & MAINT EXP (L22,168)	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	673,566
22 * AMORTIZATION (L28,168)	197,078	197,000	205,363	185,628	191,375	185,452	180,484	190,186	197,207	186,756	191,567	266,523	2,371,229
23 * GEN TAXES (L28,168)	69,095	35,495	41,675	38,715	27,850	25,846	20,822	24,920	23,957	16,220	11,142	10,527	345,433
24 * MISC DEB (L48,168)	220,908	342,380	427,352	390,504	386,875	492,838	385,759	394,387	492,831	347,185	347,320	572,932	4,790,800
25 * INT LTD (L56,168)	6,545	6,545	6,545	6,545	6,545	6,545	6,545	6,545	6,545	6,545	6,545	6,545	82,280
26 * DEBT AMORT (L57,168)	23,682	31,193	39,878	22,598	13,541	17,840	13,880	12,940	17,251	14,293	13,816	21,080	241,482
27 * INT STD (L58,168)	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	1,108,008	13,286,066
28 * TAX DEPREC (L29,167-1) (Overwrite Formula)	0	210,870	0	0	210,870	0	0	210,870	0	0	210,870	0	843,480
29 * VEBB	0	0	0	0	0	0	0	0	0	0	0	0	0
30 * PENSION PAYMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
31 * CUR RATE EXP (L30,167-1)	21,013	19,988	19,988	19,988	19,988	19,988	19,988	19,988	21,013	21,013	21,013	21,013	244,881
32													
33 * ACTUAL CHARGE-OFFS (L8,SC1)	0	0	0	0	0	0	0	0	0	0	0	0	0
34 * REFER TO DEFERRED MAINT.XLS	0	0	0	0	0	0	0	0	0	0	0	0	0
35 Pension Payments	308,690	308,690	308,690	308,690	308,690	308,690	308,690	308,690	308,690	308,690	308,690	308,690	3,704,280
36 PROPERTY ABANDONMENTS (INPUT) - SBP	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	294,888
37 COST OF REMOVALS (INPUT) - SBP	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	77,520
38 TAXABLE EXT. DEPOSIT REFUNDS - SBP	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000
39													
40 TOTAL DEDUCTIONS	3,324,211	4,025,883	3,674,111	3,693,029	4,154,421	3,981,656	3,636,265	4,148,939	3,808,764	3,635,196	4,140,825	4,176,248	46,445,900
41													
42 * TAXABLE INCOME BEFORE ADJUSTMENTS	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
43													
44 STATE INCOME TAX	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
45													
46 TAXABLE STATE INCOME	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
47													
48 Y-T-D	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
49													
50 SIT RATE	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
51													
52 8.25%	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
53													
54 STATE INCOME TAX - CURRENT	(36,680)	(34,535)	99,936	11,263	(16,888)	136,986	70,171	21,890	144,843	88,689	27,767	189,716	701,168
55													
56 ADJUSTMENT	(36,680)	(34,535)	99,936	11,263	(16,888)	136,986	70,171	21,890	144,843	88,689	27,767	189,716	701,168
57													
58 CURRENT MO. SIT (L50-168, L42-169)	(36,680)	(34,535)	99,936	11,263	(16,888)	136,986	70,171	21,890	144,843	88,689	27,767	189,716	701,168
59													
60 FEDERAL INCOME TAX	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
61													
62 TAXABLE STATE INCOME	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
63													
64 CUR. MO. STATE TAX (L9,SC4)	(36,680)	(34,535)	99,936	11,263	(16,888)	136,986	70,171	21,890	144,843	88,689	27,767	189,716	701,168
65													
66 TAX DEPREC. ADJUSTMENT (L4,SC4)	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	374,365	4,492,800
67													
68 NET TAXABLE FEES	(782,264)	(758,437)	737,044	(249,108)	(582,163)	1,148,194	486,026	(130,922)	1,236,463	585,719	(65,564)	1,735,503	3,305,460
69													
70 TAXABLE FED. INC. MONTH	(782,264)	(758,437)	737,044	(249,108)	(582,163)	1,148,194	486,026	(130,922)	1,236,463	585,719	(65,564)	1,735,503	3,305,460
71													
72 YTD FIT TAXABLE INCOME	(782,264)	(758,437)	737,044	(249,108)	(582,163)	1,148,194	486,026	(130,922)	1,236,463	585,719	(65,564)	1,735,503	3,305,460
73													
74 FIT RATE	(782,264)	(758,437)	737,044	(249,108)	(582,163)	1,148,194	486,026	(130,922)	1,236,463	585,719	(65,564)	1,735,503	3,305,460
75													
76 35.00%	(782,264)	(758,437)	737,044	(249,108)	(582,163)	1,148,194	486,026	(130,922)	1,236,463	585,719	(65,564)	1,735,503	3,305,460
77													
78 FEDERAL INCOME TAX	(444,609)	(418,607)	1,211,345	136,520	(204,684)	1,660,554	850,582	295,333	1,755,871	1,050,772	336,568	2,598,583	8,499,008
79													
80 ADJUSTMENTS	(273,803)	(265,453)	257,965	(67,188)	(196,757)	402,218	142,109	(45,823)	432,752	206,402	(22,947)	607,426	1,156,911
81													
82 CURRENT FIT (L51-168, L49-169)	(273,803)	(265,453)	257,965	(67,188)	(196,757)	402,218	142,109</						



KENTUCKY-AMERICAN  
PLAN YEAR: 2005 - August, 2004

**SCHEDULE 2  
FEDERAL INCOME TAX**

	1	2	3	4	5	6	7	8	9
TAXABLE INCOME PERIOD	SUB TOTAL TAXABLE INCOME	TAX @ 35.00% ANNUALIZED	TOTAL TAX	SURTAX EXEMPTION	NET TAX	PERCENT OF TAX DUE	NET TAX DUE	DEDUCT: PRIOR PAYMENTS ADD: (REFUNDS)	NET PAYMENT (REFUND)
1st INSTALL CURRENT YEAR - APR	1/1-3/31	(216,613)	XXXXX	XXXXX	(75,815)	105.0%	(79,605)	XXXXX	(79,605)
2nd INSTALL CURRENT YEAR - JUN	1/1-3/31	(216,613)	XXXXX	XXXXX	(75,815)	105.0%	(79,605)	XXXXX	(79,605)
3rd INSTALL CURRENT YEAR - SEP	1/1-6/30	2,102,410	735,844	1,471,687	1,471,687	100.0%	1,471,687	(159,211)	1,630,888
4th INSTALL CURRENT YEAR - DEC	1/1-9/30	6,510,560	2,278,662	3,038,256	3,038,256	100.0%	3,038,256	1,471,687	1,566,569
5th INSTALL NEXT YEAR - MAR	1/1-12/31	12,023,170	4,208,109	4,208,109	4,208,109	100.0%	4,208,109	3,038,256	1,169,853

**SCHEDULE 2A  
STATE INCOME TAX**

	1	2	3	4	5	6	7	8	9
TAXABLE INCOME PERIOD	TAXABLE INCOME AMOUNT	TAX 9.00%	TOTAL TAX ANNUALIZED	PERCENT OF TAX TAKEN	NET TAX DUE	DEPOSIT REQUIRED	NET DEPOSIT	DEDUCT: PRIOR PAYMENTS ADD: (REFUNDS)	NET PAYMENT (REFUND)
1st INSTALL CURRENT YEAR - JUN	1/1-5/31	1,043,735	225,447	85%	191,630	50%	95,815	0	95,815
2nd INSTALL CURRENT YEAR - SEP	1/1-8/31	5,551,600	749,466	85%	637,046	75%	477,766	95,815	381,970
3rd INSTALL CURRENT YEAR - DEC	1/1-11/30	8,997,919	883,432	85%	750,917	100%	750,917	477,766	273,133
FINAL PAYMENT	1/1-12/31	12,877,233	1,158,951	100%	1,158,951	100%	1,158,951	750,917	408,034

**SCHEDULE 2B  
COMMON DIVIDENDS**

	NET INCOME TO COMMON EQUITY	NET INCOME TO COMMON EQUITY	NET INCOME TO COMMON EQUITY	ADJUSTMENTS SEE NOTE A	TOTAL EARNINGS AVAILABLE FOR COMMON EQUITY	EARNINGS AVAILABLE FOR COMMON DIVIDENDS	DEDUCT: PRIOR DIVIDEND PAYMENTS	COMMON DIVIDEND PAYMENT**
MARCH	12/31/04	3/31/05	6/30/05	9/30/05	2,331,613	1,748,710	XXXXX	1,748,710
JUNE	XXXX	2,175,416	XXXX	XXXX	2,175,416	1,631,562	1,748,710	0
SEPTEMBER	XXXX	XXXX	3,908,929	XXXX	3,908,929	2,931,697	1,748,710	1,182,987
DECEMBER	XXXX	XXXX	XXXX	XXXX	6,893,504	5,170,128	2,931,697	2,238,431

NOTE: A  
not applicable - new policy

CUMULATIVE ADJUSTMENTS	0	0	0	0
ADD: AMORTIZATION OF:				
PREFERRED STOCK EXP. (INPUT)				
UTILITY PLANT ADJ. (INPUT)				
PROPERTY LOSSES (INPUT)				
LOSS ON DISP OF PROPERTY				
GAIN ON SALE				
TOTAL	0	0	0	0

KENTUCKY-AMERICAN WATER COMPANY  
PLAN YEAR: 2005 - August, 2004

SCHEDULE 4

DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1 TOTAL REVS - (L6,168)	1,486,645	3,561,628	3,881,258	3,634,682	4,246,861	4,533,715	4,780,964	4,972,868	4,662,716	4,360,468	3,998,940	7,189,388	51,619,955
2													
3 * NET TAXABLE FEES, ADV., & CONT (INPUT)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(650,000)
4 * TAX DEPREC ADJUSTMENT (L5,167-2)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(208,308)
5 * REG EXP - (L16,168)	19,189	19,189	19,189	19,189	19,189	19,189	19,189	19,189	19,189	19,189	19,189	19,189	230,412
6 * INT INCOME - (L39,168)	0	0	0	0	0	0	0	0	0	0	0	0	0
7 * TAX AFUDC (AFUDC-TAX WORKSHEET)	0	0	0	0	0	0	0	0	0	0	0	0	0
8 * M&J INCOME - (L42,168)	2,896	2,221	2,896	2,221	2,896	2,221	2,896	1,721	2,896	2,221	2,896	2,221	30,202
9													
10 * TAXABLE MEALS (INPUT)	0	0	0	0	0	0	0	0	0	0	0	0	0
11 * UNCOLLECTIBLE (L20,168)	0	0	0	0	0	0	0	0	0	0	0	0	0
12													
13 * OTH AMTZ (OC, Lines 5,16,18,21,27)	69,286	69,286	69,286	69,286	69,286	69,286	69,286	69,286	69,286	69,286	69,286	69,286	827,065
14 * AMORTIZATION (L28,168)	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	673,596
15													
16 * CLUB DUES	71,978	71,978	71,978	71,978	71,978	71,978	71,978	71,978	71,978	71,978	71,978	71,978	863,741
17 * PENSION - (L15,168)	59,420	59,420	59,420	59,420	59,420	59,420	59,420	59,420	59,420	59,420	59,420	59,420	713,045
18 * OPEBS	1,703,089	3,857,498	4,087,802	4,040,521	4,453,405	4,739,584	4,887,407	5,178,177	4,869,260	4,568,337	4,205,464	7,381,045	54,089,608
19 TOTAL ADDITIONS	1,703,089	3,857,498	4,087,802	4,040,521	4,453,405	4,739,584	4,887,407	5,178,177	4,869,260	4,568,337	4,205,464	7,381,045	54,089,608
20													
21 * OPER & MAINT EXP (L22,168)	1,721,776	1,728,102	1,870,854	1,908,363	1,923,417	1,962,250	1,816,475	1,853,316	1,881,774	1,841,630	1,797,690	1,834,742	22,139,391
22 * AMORTIZATION (L28,168)	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	56,133	673,596
23 * GEN TAXES (L29,168)	156,030	191,715	195,151	192,578	191,212	180,895	189,443	191,233	189,826	188,219	180,358	262,486	2,318,255
24 * MISC DED (L48,168)	69,095	35,485	41,675	38,715	27,350	25,845	20,522	24,920	23,957	16,220	11,142	10,527	345,433
25 * INT LTD (L56,168)	425,988	425,988	425,988	425,988	425,988	425,988	425,988	425,988	425,988	425,988	425,988	425,988	4,987,367
26 * DEBT AMORT (L57,168)	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550	76,436
27 * INT STD (L58,168)	10,072	9,310	11,489	9,732	9,299	12,921	10,438	8,150	17,905	20,933	19,309	32,254	171,902
28 * TAX DEPREC (L29,167-1) (Overwrite Formula)	702,907	702,907	702,907	702,907	702,907	702,907	702,907	702,907	702,907	702,907	702,907	702,907	8,494,894
29 * VEBB	0	0	0	0	0	0	0	0	0	0	0	0	0
30 * PENSION PAYMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
31 * CUR RATE EXP (L30,167-1)	0	0	0	0	0	0	0	0	0	0	0	0	0
32													
33 * ACTUAL CHARGE-OFFS (L8,SC1)	0	0	0	0	0	0	0	0	0	0	0	0	0
34 * REFER TO DEFERRED MAINT.XLS	0	0	0	0	0	0	0	0	0	0	0	0	0
35 * Pension Payments	207,190	207,190	207,190	207,190	207,190	207,190	207,190	207,190	207,190	207,190	207,190	207,190	2,278,759
36 * PROPERTY ABANDONMENTS (INPUT) - SBP	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	24,574	294,888
37 * COST OF REMOVALS (INPUT) - SBP	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	6,460	77,520
38 * TAXABLE EXT. DEPOSIT REFUNDS - SBP	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000
39													
40													
41													
42													
43 TOTAL DEDUCTIONS	3,192,085	3,604,893	3,354,261	3,565,761	3,593,579	3,805,384	3,271,990	3,519,930	3,495,173	3,270,452	3,428,138	3,511,730	41,212,375
44													
45 = TAXABLE INCOME BEFORE ADJUSTMENTS	(1,488,895)	452,604	743,541	476,760	859,826	1,134,200	1,715,418	1,658,247	1,374,088	1,295,886	776,345	3,879,315	12,877,233
46													
47 STATE INCOME TAX													
48 TAXABLE STATE INCOME	(1,488,896)	452,604	743,541	476,760	859,826	1,134,200	1,715,418	1,658,247	1,374,088	1,295,886	776,345	3,879,315	12,877,233
49													
50 Y-T-D	(1,488,896)	(1,488,896)	(292,850)	183,910	1,043,735	2,177,936	3,893,353	5,551,600	6,925,688	8,221,573	8,997,919	12,877,233	12,877,233
51													
52 SIT RATE													
53 6.25%													
54 STATE INCOME TAX - CURRENT	(122,842)	37,340	61,342	39,333	70,936	93,572	141,522	136,805	113,362	106,911	84,048	320,043	1,062,372
55 ADJUSTMENT	(122,842)	37,340	61,342	39,333	70,936	93,572	141,522	136,805	113,362	106,911	84,048	320,043	1,062,372
56 = CURRENT MO. SIT (L50,168, L42,169)	(122,842)	37,340	61,342	39,333	70,936	93,572	141,522	136,805	113,362	106,911	84,048	320,043	1,062,372
57													
58 FEDERAL INCOME TAX													
59 TAXABLE STATE INCOME	(1,488,896)	452,604	743,541	476,760	859,826	1,134,200	1,715,418	1,658,247	1,374,088	1,295,886	776,345	3,879,315	12,877,233
60													
61 CUR. MO. STATE TAX (L59,SC4)	(122,842)	37,340	61,342	39,333	70,936	93,572	141,522	136,805	113,362	106,911	84,048	320,043	1,062,372
62 TAX DEPREC. ADJUSTMENT (L4,SC4)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(17,359)	(208,308)
63 NET TAXABLE FEES	(1,348,795)	432,624	699,558	454,786	806,249	1,057,888	1,561,255	1,538,800	1,278,684	1,206,334	728,658	3,576,630	12,023,170
64 TAXABLE FED. INC. MONTH	(1,348,795)	432,624	699,558	454,786	806,249	1,057,888	1,561,255	1,538,800	1,278,684	1,206,334	728,658	3,576,630	12,023,170
65 YTD FIT TAXABLE INCOME	(1,348,795)	(916,171)	(216,613)	238,173	1,044,422	2,102,410	3,693,665	5,232,465	6,510,550	7,716,894	8,446,539	12,923,170	12,023,170
66													
67 FIT RATE													
68 35.00%													
69 FEDERAL INCOME TAX	(472,078)	151,418	244,845	159,175	282,187	370,296	556,939	530,580	447,330	422,217	255,380	1,251,821	4,208,109
70 ADJUSTMENTS	(472,078)	151,418	244,845	159,175	282,187	370,296	556,939	530,580	447,330	422,217	255,380	1,251,821	4,208,109
71 = CURRENT FIT (L51,168, L49,168)	(472,078)	151,418	244,845	159,175	282,187	370,296	556,939	530,580	447,330	422,217	255,380	1,251,821	4,208,109

KENTUCKY-AMERICAN WATER COMPANY												
PLAN YEAR: 2000												
72	SCHEDULE 4 - TAX WORKSHEET (PAGE 2)											
73	BELOW THE LINE TAXES											
74	+ INTEREST INCOME (L39,168)	0	0	0	0	0	0	0	0	0	0	0
75	+ M&J INCOME (L42,168)	2,866	2,221	2,866	1,721	2,866	2,221	2,866	2,221	2,866	2,221	0
76	+ CLUB DUES	0	0	0	0	0	0	0	0	0	0	0
77	- MISC. DEDUCTIONS (L48,168)	68,095	35,465	41,675	38,715	27,350	25,845	23,957	16,220	11,142	10,527	345,433
78	= BTL TAXABLE INCOME	(66,199)	(33,244)	(35,779)	(36,494)	(24,454)	(23,624)	(21,081)	(13,939)	(9,246)	(8,306)	(315,231)
79	SIT RATE											
80	8.25%											
81		(5,461)	(2,743)	(3,199)	(3,011)	(2,017)	(1,949)	(1,735)	(1,155)	(680)	(685)	(25,007)
82	STATE INCOME TAX	0										0
83	ADJUSTMENTS	(5,461)	(2,743)	(3,199)	(3,011)	(2,017)	(1,949)	(1,735)	(1,155)	(680)	(685)	(25,007)
84	= L50-168	(5,461)	(2,743)	(3,199)	(3,011)	(2,017)	(1,949)	(1,735)	(1,155)	(680)	(685)	(25,007)
85	TOTAL STATE INCOME TAX (L58,SC4)	(122,842)	37,340	61,342	39,333	70,938	93,572	113,362	108,911	64,048	320,043	1,062,372
86	LESS: BELOW THE LINE SIT (L96,SC4)	(117,381)	(40,082)	(43,541)	(42,343)	(71,853)	(95,521)	(115,100)	(102,065)	(64,729)	(320,729)	(1,068,378)
87	= L42-169	(66,199)	(33,244)	(35,779)	(36,494)	(24,454)	(23,624)	(21,081)	(13,939)	(9,246)	(8,306)	(315,231)
88	BTL TAXABLE INCOME (L86,SC4)	(66,199)	(33,244)	(35,779)	(36,494)	(24,454)	(23,624)	(21,081)	(13,939)	(9,246)	(8,306)	(315,231)
89	BTL SIT (L96,SC4)	(5,461)	(2,743)	(3,199)	(3,011)	(2,017)	(1,949)	(1,735)	(1,155)	(680)	(685)	(25,007)
90	= BELOW LINE FIT TAXABLE INCOME	(60,738)	(30,501)	(33,580)	(33,483)	(22,437)	(21,675)	(19,323)	(12,844)	(7,566)	(7,621)	(289,224)
91	FIT RATE											
92	0.35											
93	FEDERAL INCOME TAX	(21,258)	(10,675)	(12,453)	(11,719)	(7,853)	(7,566)	(6,763)	(4,485)	(2,648)	(2,667)	(101,229)
94	ADJUSTMENTS	(21,258)	(10,675)	(12,453)	(11,719)	(7,853)	(7,566)	(6,763)	(4,485)	(2,648)	(2,667)	(101,229)
95	= L51-168	(42,516)	(21,350)	(24,906)	(23,438)	(15,706)	(15,132)	(13,526)	(8,970)	(5,296)	(5,334)	(202,458)
96	LINE 71 (TOTAL FIT)	(42,516)	(21,350)	(24,906)	(23,438)	(15,706)	(15,132)	(13,526)	(8,970)	(5,296)	(5,334)	(202,458)
97	LESS LINE 96 ABOVE	(21,258)	(10,675)	(12,453)	(11,719)	(7,853)	(7,566)	(6,763)	(4,485)	(2,648)	(2,667)	(101,229)
98	= L49-169	(450,820)	(162,034)	(257,293)	(170,894)	(290,040)	(377,852)	(454,032)	(426,712)	(268,028)	(1,254,458)	(4,309,338)

CALCULATION OF TEMP TAXES

DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1 +L82-168 (NET INCOME)	685,697	395,632	448,254	480,302	650,837	798,561	1,038,109	1,124,901	837,751	781,322	680,443	2,420,576	8,702,780
2 + L48-169 (TOTAL SIT)	(122,365)	59,882	68,032	60,779	95,942	117,192	151,267	164,251	137,067	113,910	85,889	350,005	1,281,930
3 + L53-169 (TOTAL FIT)	(451,363)	222,375	252,239	225,377	355,232	433,812	559,743	607,657	507,281	421,520	317,792	1,294,631	4,746,276
4 + L50-168 (SIT BTL)	(5,461)	(2,743)	(3,199)	(3,011)	(2,017)	(1,949)	(1,454)	(1,814)	(1,738)	(1,155)	(680)	(685)	(26,007)
5 + L51-168 (FIT BTL)	(21,258)	(10,675)	(12,453)	(11,719)	(7,853)	(7,566)	(5,660)	(7,450)	(6,763)	(4,485)	(2,648)	(2,667)	(101,229)
6 TOTAL STATE TAXABLE INCOME	(1,486,584)	665,571	753,873	671,728	1,092,140	1,340,030	1,742,004	1,887,645	1,573,598	1,311,101	990,795	4,081,859	14,603,761
7 x .086	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%	8,600%
8 = STATE TAX	(127,846)	57,239	64,833	57,769	93,824	115,243	149,812	162,337	135,329	112,755	85,208	349,320	1,265,923
9 - L46-169 (TOTAL SIT)	(122,365)	59,882	68,032	60,779	95,942	117,192	151,267	164,251	137,067	113,910	85,889	350,005	1,281,930
10 - L50-168 (SIT BTL)	(5,461)	(2,743)	(3,199)	(3,011)	(2,017)	(1,949)	(1,454)	(1,814)	(1,738)	(1,155)	(680)	(685)	(26,007)
11		0	0	0	0	0	0	0	0	0	0	0	0
12	TOTAL STATE TAXABLE INCOME	(1,486,584)	665,571	753,873	671,728	1,092,140	1,742,004	1,887,645	1,573,598	1,311,101	990,795	4,081,859	14,603,761
13 - STATE TAX	(127,846)	57,239	64,833	57,769	93,824	115,243	149,812	162,337	135,329	112,755	85,208	349,320	1,265,923
14 = TOTAL FEDERAL TAXABLE INCOME	(1,358,738)	608,332	689,040	613,959	888,216	1,224,787	1,592,192	1,725,308	1,438,268	1,198,346	905,587	3,712,539	13,347,837
15 x .348	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%	34,800%
16 = FEDERAL TAX	(472,841)	211,699	239,788	213,658	347,376	426,226	554,083	600,407	500,517	417,026	315,144	1,291,984	4,845,047
17 - L53-169 (TOTAL FIT)	(451,363)	222,375	252,239	225,377	355,232	433,812	559,743	607,657	507,281	421,520	317,792	1,294,631	4,746,276
18 = L51-168 (FIT BTL)	(21,258)	(10,675)	(12,453)	(11,719)	(7,853)	(7,566)	(5,660)	(7,450)	(6,763)	(4,485)	(2,648)	(2,667)	(101,229)
19		0	0	0	0	0	0	0	0	0	0	0	0
20	= L57-169	(21,258)	(10,675)	(12,453)	(11,719)	(7,853)	(7,566)	(7,450)	(6,763)	(4,485)	(2,648)	(2,667)	(101,229)

**American Water Current Tax Provision**  
**2006 Current Tax Provision Analysis (US Only)**

**KY**

**Pre-Tax Income:**

Pre Tax Income (Loss) Per Original Hyperion Close at 01.10.2006	6,065,658
Intercompany Elimination	
Late Pre-Tax Income Adjustments	
Final Pre-Tax Income as reported to RWE	<u>6,065,658</u>

AWW Late Pre-Tax Income Adjustments Not Reported to RWE - To agree to Corporate Consolidation	
AWW Late Pre-Tax Income Adjustments Not Reported to RWE 1.18.07	<u>(5,008)</u>
SubTotal - Before Topsides for Consolidation	6,060,650
Consolidated Pre-Tax Changes -Topsides	<u>(279,748)</u>
SubTotal - PreTax for Consolidation	5,780,902

Separate Company Pre-Tax Changes  
Open  
Open  
Open

**Final Pre-Tax Income Per GAAP Provision** 5,780,902

**Permanent Differences:**

JE# P005 Meals and Entertainment	16,507
JE# P020 Nondeductible Penalties	437,010
JE# P025 Nondeductible Donations	0
JE# P030 Nondeductible Dues	0
JE# P035 Amortization of Preferred Stock Expense	0
JE# P040 Lobbying Expenses	26,274
JE# P070 Interest Expense-Repurchase (TWUS only)	0
Medicare Subsidy	(226,862)
Other Permanent Items (Var.)	0
Domestic Dividend Received Deduction	0
Affiliated Dividends Received Deduction	0
Goodwill Impairment	
Final Permanent Items Reported to RWE	<u>252,929</u>

AWW Late Permanent Adjustments Not Reported to RWE  
(Insert Description)  
(Insert Description)  
PwC SUD Adjustments  
Other Perm Adjustment  
Other Permanent Adjustments

**Total Permanent Differences** 252,929  
**(ETR Impact of Permanent Items)** 4.38%

**Temporary Differences:**

JE# T005 Uncollectible Accounts	26,047
JE# T010 Vacation Pay	(25,963)
JE# T015 Customer Deposits	500
JE# T020 Taxable Contributions (CIAC 1)	408,045
JE# T021 Deferred Revenue - CIAC (CIAC 2)	0
JE# T025 Taxable Advances (CAC 1)	(1,157,583)
JE# T026 Deferred Revenue - AIC (CAC 2)	
JE# T030 Merger Expense	0
JE# T040 Rate Case Expense	331,204
JE# T045 Depreciation and Amortization (Depr 1)	(1,075,879)
JE# T046 Post In-Service Depreciation Expense (Depr 2)	0
JE# T048 Reg Asset - AFUDC Debt (Depr 4)	6,325
JE# T060 Gains and Losses (Disp 1)	0



JE# T062 Abandonment Losses (Disp 3)	(739,670)
JE# T063 Cost of Removal (Disp 4)	89
JE# T070 Amortization of UPAA	19,315
JE# T086 Purchased Water - Outside (PWtr 2)	0
JE# T090 Depreciation Study	0
JE# T095 Cost of Service Study	8,570
JE# T100 Amortization of Debt Discount	0
JE# T105 Management Study	0
JE# T110 Waste Disposal	70,323
JE# T122 Incentive Plan (Incen 3)	(137,816)
JE# T124 Incentive Plan (Incent 5)	11,987
JE# T130 Regulatory Pension (Pension 1)	0
JE# T131 Regulatory Pension (Pension 2)	(581,951)
JE# T132 Regulatory Pension (Pension 3)	119,890
JE# T135 Supplemental Pension	0
JE# T140 Accrued OPEB (OPEB 1)	226,862
JE# T141 Accrued OPEB (OPEB 2)	(67,657)
JE# T142 Accrued OPEB (OPEB 3)	0
JE# T145 AFUDC (AFUDC 1)	(14,855)
JE# T146 AFUDC - Equity CWIP (AFUDC 2)	(92,759)
JE# T147 Amortization of Regulatory Asset (AFUDC 3)	23,584
JE# T150 Post AFUDC (P AFUDC 1)	0
JE# T151 Amortization of Post In-Service AFUDC (P AFUDC 2)	0
JE# T152 Pavement Repairs	0
JE# T160 Deferred Maintenance (Maint 1)	270,705
JE# T161 Deferred Maintenance (Maint 2)	0
JE# T165 Miscellaneous Deferred Debits (Misc 1)	404,366
JE# T166 Miscellaneous Deferred Credits (Misc 2)	0
JE# T167 Miscellaneous Deferred Credits (Misc 3)	0
JE# T180 Insurance Other than Group	0
JE# T185 Deferred Security Costs	0
JE# T186 Deferred Customer Service Center Costs	0
JE# T187 Deferred Financial Services Costs	0
JE# T191 Deferred IMO Costs	0
JE# T200 Transaction Costs	0
JE# T216 Foreign Interest-267 Adjustment	0
754 & 338(h)(10) Goodwill Amortization	0
JE# T220 JV Gain/Loss	0
JE# Z016 Prov/Rtn Adj. - From K-1-interest income	0
Topside reversals not in JDE per Sue Cole	
Final Temporary Items Reported to RWE	<u>(1,966,321)</u>

AWW Late Permanent Adjustments Not Reported to RWE  
(Insert Description)  
(Insert Description)  
PwC SUD Adjustments  
(Insert Description)  
Other Permanent Adjustments

**Total Temporary Differences:** (1,966,321)

**State Current Taxable Inc Before State Only Adjustment** 4,067,510

State only Perm Adjustments (Provide Supporting Details) 0

State only Temp Adjustments (Provide Supporting Details) (616,145)

State Current Taxable Income Before NOL (SCTI) 3,451,365

Less Current Year Net Operating Loss Utilization (Max SCTI)

**State Current Taxable Income After NOL (SCTI)** 3,451,365

**State Statutory Rate \* Apportion % (Provide Support in Report File)** 7.00%

State Current Tax Provision 241,596

Reclass Current Year Loss Benefit to Deferred (Verify) 0

State AMT Credit Current Utilization (coordinate with Deferred)

Current Year State NOL Usage - See State NOL Analysis  
State NOL Reclass

Provision to Return Current State Tax Expense - PERM	(63)
Provision to Return Current State Tax Expense - TEMP	(132,722)
Total State Current Tax Expense/(Benefit)	<u>108,811</u>

<b>Federal Current Taxable Income (Before NOL) (FCTI)</b>	<u>3,958,699</u>
Less Current Year Federal NOL Utilization (Max FCTI)	
<b>Federal Current Taxable Income (After NOL) (FCTI)</b>	<u>3,958,699</u>

<b>Reclass Current Year Loss Benefit to Deferred (Verify)</b>	0
FCTI	3,958,699

AMT Tax  
AMT Credit Current Utilization (coordinate with Deferred)

Other Federal Adjustments/Credits  
Other Federal Adjustments/Credits  
Other Federal Adjustments/Credits

Other Federal Tax Expense

<b>Total Federal Current Tax/(Benefit)</b>	<u>1,385,545</u>
--	------------------

2006 Current Footnote

Current Federal Tax Expense/(Benefit)	1,385,545
Current State Tax Expense/(Benefit)	108,811

Total Current Provision - \$	1,494,355
Total Current Provision - %	25.8%

Form **1120**  
Department of the Treasury  
Internal Revenue Service

**U.S. Corporation Income Tax Return**

OMB No. 1545-0123

**2004**

For calendar year 2004 or tax year beginning \_\_\_\_\_, ending \_\_\_\_\_

▶ See separate instructions.

- A Check if:
- 1 Consolidated return (attach Form 851)
  - 2 Personal holding co. (attach Sch. PH)
  - 3 Personal service corp. (see instructions)
  - 4 Schedule M-3 required (attach Sch. M-3)

Use IRS label, Other-wise, print or type.

Name  
**Kentucky-American Water Company**  
Number, street, and room or suite no. If a P.O. box, see page 9 of instructions.  
**2300 Richmond Road**  
City or town, state, and ZIP code  
**Lexington, KY 40502**

B Employer identification number  
**61-0485002**

C Date incorporated  
**02/27/1982**

D Total assets (see page 6 of instructions)  
\$ **249,612,909.**

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

Income	1a	Gross receipts or sales	42,626,182.	b	Loss returns and allowances		c	Bal	1c	42,626,182.
	2	Cost of goods sold (Schedule A, line 8)					2		10,800,000.	
	3	Gross profit. Subtract line 2 from line 1c					3		31,826,182.	
	4	Dividends (Schedule C, line 19)					4			
	5	Interest					5		1,531.	
	6	Gross rents					6			
	7	Gross royalties					7			
	8	Capital gain net income (attach Schedule D (Form 1120))					8			
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)					9			
	10	Other income (see page 11 of instructions - attach schedule)		See Statement 1.			10		2,037,286.	
	11	Total income. Add lines 3 through 10					11		33,864,999.	
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)				12		71,818.		
	13	Salaries and wages (less employment credits)				13		491,806.		
	14	Repairs and maintenance				14		150,221.		
	15	Bad debts				15		351,515.		
	16	Rents				16		31,480.		
	17	Taxes and licenses		See Statement 2.		17		3,211,819.		
	18	Interest				18		5,023,188.		
	19	Charitable contributions (see page 14 of instructions for 10% limitation)				19		178,341.		
	20	Depreciation (attach Form 4562)			20	10,511,475.				
	21a	Less depreciation claimed on Schedule A and elsewhere on return			21a		21b	10,511,475.		
22	Depletion					22				
23	Advertising					23		46,731.		
24	Pension, profit-sharing, etc., plans					24		575,117.		
25	Employee benefit programs					25		1,827,527.		
26	Other deductions (attach schedule)		See Statement 3.			26		12,691,041.		
27	Total deductions. Add lines 12 through 26					27		35,162,079.		
28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28		-1,297,080.		
29a	Less: a Net operating loss deduction (see page 16 of instructions)			29a						
29b	b Special deductions (Schedule C, line 20)			29b		29c				
30	Taxable income. Subtract line 29c from line 28 (see instructions if Schedule C, line 12, was completed)					30		-1,297,080.		
Tax and Payments	31	Total tax (Schedule J, line 11)				31		NONE		
	32a	Payments: a 2003 overpayment credited to 2004								
	32b	b 2004 estimated tax payments								
	32c	c Less 2004 refund applied for on Form 4468								
	d	Bal			32d					
	32e	e Tax deposited with Form 7004			32e					
	32f	f Credit for tax paid on undistributed capital gains (attach Form 2439)			32f					
	32g	g Credit for Federal tax on fuels (attach Form 4136). See instructions			32g		32h			
33	Estimated tax penalty (see page 17 of instructions). Check if Form 2220 is attached					33				
34	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34				
35	Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35				
36	Enter amount of line 35 you want: Credited to 2005 estimated tax					36	Refunded			

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

May the IRS discuss this return with the preparer shown below (see instructions)?  Yes  No

Paid Preparer's Use Only

Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN or PTIN \_\_\_\_\_

Firm's name (or yours if self-employed), address, and ZIP code \_\_\_\_\_ EIN \_\_\_\_\_

Phone no. \_\_\_\_\_

Kentucky-American Water Company

Form 1120 (2004)

61-0485002

Page 2

Schedule A Cost of Goods Sold (see page 17 of instructions)

Table with 8 rows for Schedule A. Line 5: Other costs (attach schedule) See Statement 4. Line 6: Total. Add lines 1 through 5. Line 8: Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2. Total: 10,800,000.

Schedule C Dividends and Special Deductions (see page 18 of instructions)

Table with 20 rows for Schedule C. Columns: (a) Dividends received, (b) %, (c) Special deductions (a) x (b). Rows include dividends from less-than-20%-owned domestic corporations, 20%-or-more-owned domestic corporations, debt-financed stock, etc. Total special deductions: 71,818.

Schedule E Compensation of Officers (see instructions for page 1, line 12, on page 13 of instructions)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

Table with 6 columns: (a) Name of officer, (b) Social security number, (c) Percent of time devoted to business, (d) Percent of corporation stock owned (Common/Preferred), (e) Amount of compensation. Total compensation of officers: 71,818.

Kentucky-American Water Company

Form 1120 (2004)

Page 3

Schedule J Tax Computation (See page 20 of instructions)

1 Check if the corporation is a member of a controlled group... 2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets... 3 Income tax... 4 Alternative minimum tax... 5 Add lines 3 and 4... 6a Foreign tax credit... 6b Possessions tax credit... 6c Check: Nonconventional source fuel credit... 6d General business credit... 6e Credit for prior year minimum tax... 6f Qualified zone academy bond credit... 7 Total credits... 8 Subtract line 7 from line 5... 9 Personal holding company tax... 10 Other taxes... 11 Total tax...

Schedule K Other Information (see page 23 of instructions)

1 Check accounting method: a Cash b Accrual c Other... 2 See page 25 of the instructions and enter the: a Business activity code no. 221300 b Business activity Water Utility c Product or service Water... 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation?... 4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?... 5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock?... 6 During this tax year, did the corporation pay dividends... 7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation... 8 Check this box if the corporation issued publicly offered debt instruments with original issue discount... 9 Enter the amount of tax-exempt interest received or accrued during the tax year... 10 Enter the number of shareholders at the end of the tax year... 11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here... 12 Enter the available NOL carryover from prior tax years... 13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?...

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

**Kentucky-American Water Company**

Form 1120 (2004)

Page 4

Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash		1,001,721.		584,049.
2a	Trade notes and accounts receivable	2,849,893.		2,506,851.	
b	Less allowance for bad debts	(70,816.)	2,779,077.	(169,699.)	2,337,152.
3	Inventories				
4	U.S. government obligations				
6	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)	Stmt 6	8,152,167.		7,303,472.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	266,245,199.		278,926,994.	
b	Less accumulated depreciation	(59,283,172.)	206,962,027.	(66,093,142.)	212,833,852.
11a	Depletable assets				
b	Less accumulated depletion	( )		( )	
12	Land (net of any amortization)		4,133,054.		4,373,007.
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	( )		( )	
14	Other assets (attach schedule)	Stmt 6	25,158,152.		22,181,377.
15	<b>Total assets</b>		<b>248,186,198.</b>		<b>249,612,909.</b>
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable		3,877,767.		5,295,186.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)	Stmt 6	23,205,379.		6,920,347.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		68,500,000.		82,500,000.
21	Other liabilities (attach schedule)	Stmt 7	83,646,491.		88,581,230.
22	Capital stock: a Preferred stock	6,052,800.		6,048,500.	
b	Common stock	36,568,777.	42,621,577.	36,568,777.	42,617,277.
23	Additional paid-in capital		30,489.		31,779.
24	Retained earnings-Appropriated (attach schedule)				
25	Retained earnings - Unappropriated		26,304,495.		23,667,090.
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		( )		( )
28	<b>Total liabilities and shareholders' equity</b>		<b>248,186,198.</b>		<b>249,612,909.</b>

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions)**

1	Net income (loss) per books	-447,324.	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	-200,172.		Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
	See Statement 8	259,320.	a	Depreciation	4,518,016.
5	Expenses recorded on books this year not deducted on this return (itemize):		b	Charitable contributions	
a	Depreciation	6,900.		See Statement 8	2,309,326.
b	Charitable contributions		9	Add lines 7 and 8	6,827,342.
c	Travel and entertainment	18,999.	10	Income (page 1, line 28) - line 8 less line 9	-1,297,080.
	See Statement 8	5,892,539.			
6	Add lines 1 through 5	5,530,262.			

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1	Balance at beginning of year	26,304,495.	5	Distributions: a Cash	2,360,425.
2	Net income (loss) per books	-447,324.		b Stock	
3	Other increases (itemize):			c Property	
	See Statement 9	170,344.	6	Other decreases (itemize):	
4	Add lines 1, 2, and 3	26,027,515.	7	Add lines 5 and 6	2,360,425.
			8	Balance at end of year (line 4 less line 7)	23,667,090.

Form 1120 (2004)

Form **4562**

**Depreciation and Amortization**  
(Including Information on Listed Property)

OMB No. 1545-0172

**2004**

Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

▶ Attach to your tax return.

Attachment  
Sequence No. **67**

Name(s) shown on return

Identifying number

Kentucky-American Water Company

**61-0485002**

Business or activity to which this form relates

**General Depreciation and Amortization**

**Part I Election To Expense Certain Property Under Section 179**

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See page 2 of the instructions for a higher limit for certain businesses	1	
2	Total cost of section 179 property placed in service (see page 3 of the instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see page 3 of the instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2003 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 9 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2005. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)**

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see page 3 of the instructions)	14	3,342,668.
15	Property subject to section 168(f)(1) election (see page 4 of the instructions)	15	
16	Other depreciation (including ACRS) (see page 4 of the instructions)	16	526,152.

**Part III MACRS Depreciation (Do not include listed property.) (See page 5 of the instructions.)**

**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2004	17	6,496,546.
18	If you are electing under section 168(l)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here		

**Section B - Assets Placed in Service During 2004 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		121,161.	3.000	MO	SL	30,289.
b 5-year property		160,207.	5.000	MO	200DB	35,125.
c 7-year property		3,904.	7.000	MO	200DB	140.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property		3,617,588.	25 yrs.	MO	S/L	68,218.
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property		986,494.	39 yrs.	MM	S/L	12,337.
				MM	S/L	

**Section C - Assets Placed in Service During 2004 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

**Part IV Summary (see page 8 of the instructions)**

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see Instr.	22	10,511,475.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

**Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)**

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information (Caution: See page 9 of the instructions for limits for passenger automobiles.)**

24a Do you have evidence to support the business/investment use claimed?		<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	24b If "Yes," is the evidence written?		<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see page 8 of the instructions) . . . . .							25	
26 Property used more than 50% in a qualified business use (see page 8 of the instructions):								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use (see page 8 of the instructions):								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 . . . . .							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 . . . . .								29

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

30 Total business/investment miles driven during the year (do not include commuting miles - See page 2 of the instructions) . . . . .	(a)	(b)	(c)	(d)	(e)	(f)				
	Vehicle 1	Vehicle 2	Vehicle 3	Vehicle 4	Vehicle 5	Vehicle 6				
31 Total commuting miles driven during the year . . . . .										
32 Total other personal (noncommuting) miles driven . . . . .										
33 Total miles driven during the year. Add lines 30 through 32 . . . . .										
34 Was the vehicle available for personal use during off-duty hours? . . . . .	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person? . . . . .										
36 Is another vehicle available for personal use? . . . . .										

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see page 10 of the instructions).

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? . . . . .	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See page 10 of the instructions for vehicles used by corporate officers, directors, or 1% or more owners . . . . .	X	
39 Do you treat all use of vehicles by employees as personal use? . . . . .		X
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? . . . . .	X	
41 Do you meet the requirements concerning qualified automobile demonstration use? (See page 10 of the instructions.) . . . . .	X	

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2004 tax year (see page 11 of the instructions):					
See Amortization Detail					1,052.
43 Amortization of costs that began before your 2004 tax year . . . . .				43	1,395,360.
44 Total. Add amounts in column (f). See page 12 of the instructions for where to report. . . . .				44	1,396,412.



Form **6765**

**Credit for Increasing Research Activities**

OMB No. 1545-0619

**2004**

Attachment  
Sequence No. **81**

Department of the Treasury  
Internal Revenue Service

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

**Kentucky-American Water Company**

**61-0485002**

**Part I Current Year Credit (Members of controlled groups or businesses under common control, see instructions.)**

**Section A - Regular Credit.** Skip this section and go to Section B if you are electing or previously elected the alternative incremental credit.

1	Basic research payments paid or incurred to qualified organizations (see instructions)	1	
2	Qualified organization base period amount	2	
3	Subtract line 2 from line 1. If zero or less, enter -0-	3	
4	Wages for qualified services (do not include wages used in figuring the work opportunity credit)	4	58,825.
5	Cost of supplies	5	
6	Rental or lease costs of computers (see instructions)	6	
7	Enter the applicable percentage of contract research expenses (see instructions)	7	13,559.
8	Total qualified research expenses. Add lines 4 through 7	8	72,384.
9	Enter fixed-base percentage, but not more than 16% (see instructions)	9	0.10%
10	Enter average annual gross receipts (see instructions)	10	42,060,562.
11	Multiply line 10 by the percentage on line 9	11	42,061.
12	Subtract line 11 from line 8. If zero or less, enter -0-	12	30,323.
13	Multiply line 8 by 50% (.50)	13	36,192.
14	Enter the smaller of line 12 or line 13	14	30,323.
15	Add lines 3 and 14	15	30,323.
16	Regular credit. If you are not electing the reduced credit under section 280C(c), multiply line 15 by 20% (.20), enter the result, and see the instructions for the schedule that must be attached. If you are electing the reduced credit, multiply line 15 by 13% (.13) and enter the result. Also, write "Sec. 280C" on the dotted line to the left of the entry space. Go to Section C	16	6,065.

**Section B - Alternative Incremental Credit.** Skip this section if you completed Section A.

17	Basic research payments paid or incurred to qualified organizations (see the line 1 instructions)	17	
18	Qualified organization base period amount	18	
19	Subtract line 18 from line 17. If zero or less, enter -0-	19	
20	Multiply line 19 by 20% (.20)	20	
21	Wages for qualified services (do not include wages used in figuring the work opportunity credit)	21	
22	Cost of supplies	22	
23	Rental or lease costs of computers (see the line 6 instructions)	23	
24	Enter the applicable percentage of contract research expenses (see the line 7 instructions)	24	
25	Total qualified research expenses. Add lines 21 through 24	25	
26	Enter average annual gross receipts (see the line 10 instructions)	26	
27	Multiply line 26 by 1% (.01)	27	
28	Subtract line 27 from line 25. If zero or less, enter -0-	28	
29	Multiply line 26 by 1.5% (.015)	29	
30	Subtract line 29 from line 25. If zero or less, enter -0-	30	
31	Subtract line 30 from line 28	31	
32	Multiply line 26 by 2% (.02)	32	
33	Subtract line 32 from line 25. If zero or less, enter -0-	33	
34	Subtract line 33 from line 30	34	
35	Multiply line 31 by 2.65% (.0265)	35	
36	Multiply line 34 by 3.2% (.032)	36	
37	Multiply line 33 by 3.75% (.0375)	37	
38	Add lines 20, 35, 36, and 37	38	
39	Alternative incremental credit. If you are not electing the reduced credit under section 280C(c), enter the amount from line 38, and see the line 16 instructions for the schedule that must be attached. If you are electing the reduced credit, multiply line 38 by 65% (.65) and enter the result. Also, write "Sec. 280C" on the dotted line to the left of the entry space	39	

**Section C - Current Year Credit for Increasing Research Activities**

40	Pass-through research credit(s) from a partnership, S corporation, estate, or trust	40	
41	Current year credit. Add line 16 or line 39 to line 40, and go to Part II on the back	41	6,065.

For Paperwork Reduction Act Notice, see page 2.

Form **6765** (2004)

**Part II Allowable Credit** (See Who must file Form 3800 to find out if you complete Part II or file Form 3800.)

42 Regular tax:			
• Individuals. Enter the amount from Form 1040, line 43 . . . . .	}	42	
• Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the amount from the applicable line of your return . . . . .			
• Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the applicable line of your return . . . . .			
43 Alternative minimum tax:			
• Individuals. Enter the amount from Form 6251, line 35 . . . . .	}	43	
• Corporations. Enter the amount from Form 4626, line 14 . . . . .			
• Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56 . . . . .			
44 Add lines 42 and 43 . . . . .		44	
45 a Foreign tax credit . . . . .		45a	
b Credits from Form 1040, lines 47 through 53 . . . . .		45b	
c Possessions tax credit (Form 5735, line 17 or 27) . . . . .		45c	
d Credit for fuel from a nonconventional source . . . . .		45d	
e Qualified electric vehicle credit (Form 8834, line 20). . . . .		45e	
f Add lines 45a through 45e . . . . .		45f	
46 Net income tax. Subtract line 45f from line 44. If zero, skip lines 47 through 50 and enter -0- on line 51 . . . . .		46	
47 Net regular tax. Subtract line 45f from line 42. If zero or less, enter -0- . . . . .		47	
48 Enter 25% (.25) of the excess, if any, of line 47 over \$25,000 (see instructions) . . . . .		48	
49 Tentative minimum tax (see instructions):			
• Individuals. Enter the amount from Form 6251, line 33 . . . . .	}	49	
• Corporations. Enter the amount from Form 4626, line 12 . . . . .			
• Estates and trusts. Enter the amount from Form 1041, Schedule I, line 54 . . . . .			
50 Enter the greater of line 48 or line 49 . . . . .		50	
51 Subtract line 50 from line 46. If zero or less, enter -0- . . . . .		51	
52 Credit allowed for the current year. Individuals, estates, and trusts: Enter the smallest of line 41, line 51, or the amount from the formula in the instructions for line 52 here and on Form 1040, line 54; or Form 1041, Schedule G, line 2c. Corporations: Enter the smaller of line 41 or line 51 here and on Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; or the applicable line of other returns. If line 52 is smaller than line 41, see instructions . . . . .		52	

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:  
**Recordkeeping** . . . . . 15 hr., 18 min.  
**Learning about the law or the form** . . . . . 1 hr., 40 min.  
**Preparing and sending the form to the IRS** . . . . . 2 hr.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Kentucky-American Water Company

## Form 1120, Page 4 Detail

## Sch M-1, Line 4 - Income subject to tax not recorded on books

Contributions and Advances	259,320.
Total	259,320.

## Sch M-1, Line 5 - Expenses recorded on books not deducted on return

State taxes	38,076.
Bad debts	98,883.
Amortization of Regulatory Asset - AFUDC	25,728.
Research and Development Expense	6,065.
Nondeductible Penalties	25.
Lobbying Expenses	110,310.
Amortization of Preferred Stock Expense	771.
Amortization of UPAA	20,524.
Deferred Maintenance Expense	256,490.
Incentive Plan Expense	166,276.
Regulatory Pension Expense	277,826.
Miscellaneous Deferred Expenses	821,426.
Accrued Vacation Pay Expense	81,118.
Security Costs	2,655,002.
Deferred Customer Service Costs	629,840.
Deferred Financial Services Costs	704,179.
Total	5,892,539.

## Sch M-1, Line 8 - Deductions on return not recorded on books

State taxes	444,602.
Cost of Removal	43,217.
AFUDC over Interest Capitalized for Taxes	129,993.
Refund of Taxable Advances	87,818.
Cost of Service Study Expense	3,278.
Abandonment Losses	402,986.
Accrued OPEB Expense	198,550.
Incentive Plan Expense	22,247.
Regulatory Pension Expense	31,677.
Rate Case Expense	944,958.
Total	2,309,326.

Statement 8

Form **1120**  
Department of the Treasury  
Internal Revenue Service

**U.S. Corporation Income Tax Return**  
For calendar year 2005 or tax year beginning \_\_\_\_\_, ending \_\_\_\_\_  
▶ See separate instructions.

OMB No. 1545-0123

**2005**

<b>A Check if:</b> <input type="checkbox"/> Consolidated return (attach Form 851). <input type="checkbox"/> Personal holding co. (attach Sch. PH). <input type="checkbox"/> Personal service corp. (see instructions). <input checked="" type="checkbox"/> Schedule M-3 required (attach Sch. M-3).		<b>Use IRS label, otherwise, print or type.</b> <b>Name</b> Kentucky-American Water Company Number, street, and room or suite no. If a P.O. box, see instructions. 2300 Richmond Road City or town, state, and ZIP code Lexington, KY 40502	<b>B Employer identification number</b> 61-0485002 <b>C Date incorporated</b> 02/27/1982 <b>D Total assets (see instructions)</b> \$ 271,007,432.
---	--	---	--

**E Check if:** (1) Initial return (2) Final return (3) Name change (4) Address change

1a Gross receipts or sales		50,437,620.	b Less returns and allowances			c Bal ▶	1c	50,437,620.
2 Cost of goods sold (Schedule A, line 8)							2	11,776,964.
3 Gross profit. Subtract line 2 from line 1c							3	38,660,656.
4 Dividends (Schedule C, line 19)							4	
5 Interest							5	
6 Gross rents							6	
7 Gross royalties							7	
8 Capital gain net income (attach Schedule D (Form 1120))							8	
9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)							9	
10 Other income (see instructions - attach schedule)			See Statement 1				10	1,855,078.
11 Total income. Add lines 3 through 10							11	40,515,734.
12 Compensation of officers (Schedule E, line 4)							12	210,873.
13 Salaries and wages (less employment credits)							13	267,148.
14 Repairs and maintenance							14	130,376.
15 Bad debts							15	388,153.
16 Rents							16	31,437.
17 Taxes and licenses			See Statement 2				17	2,852,799.
18 Interest							18	5,358,442.
19 Charitable contributions (see instructions for 10% limitation)							19	164,252.
20a Depreciation (attach Form 4562)			20a	6,373,513.				
b Less depreciation claimed on Schedule A and elsewhere on return			20b				20c	6,373,513.
21 Depletion							21	
22 Advertising							22	26,629.
23 Pension, profit-sharing, etc., plans							23	1,088,235.
24 Employee benefit programs							24	2,004,984.
25 Domestic production activities deduction (attach Form 8903)							25	
26 Other deductions (attach schedule)			See Statement 3				26	17,722,086.
27 Total deductions. Add lines 12 through 26							27	36,618,927.
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11							28	3,896,807.
29 Less: a Net operating loss deduction (see instructions)			29a					
b Special deductions (Schedule C, line 20)			29b				29c	
30 Taxable income. Subtract line 29c from line 28 (see instructions if Schedule C, line 12, was completed)							30	3,896,807.
31 Total tax (Schedule J, line 11)							31	NONE
32 Payments: a 2004 overpayment credited to 2005		32a						
b 2005 estimated tax payments		32b						
c Less 2005 refund applied for on Form 4406		32c						
d Bal ▶		32d						
e Tax deposited with Form 7004		32e						
f Credit from (1) Form 2439 (2) Form 4138		32f					32g	
33 Estimated tax penalty (see instructions). Check if Form 2220 is attached							33	
34 Tax due. If line 32g is smaller than the total of lines 31 and 33, enter amount owed							34	
35 Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid							35	
36 Enter amount of line 35 you want: Credited to 2008 estimated tax ▶ Refunded ▶							36	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date	Title	May the IRS discuss this return with the preparer shown below (see instructions)? Yes <input type="checkbox"/> No <input type="checkbox"/>
	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	
Preparer's Use Only	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	

**Kentucky-American Water Company**

Form 1120 (2005)

**Schedule A Cost of Goods Sold (see instructions)**

1	Inventory at beginning of year	1	
2	Purchases	2	
	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	See Statement 4
6	Total. Add lines 1 through 5	6	11,776,964.
7	Inventory at end of year	7	11,776,964.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	11,776,964.

9 a Check all methods used for valuing closing inventory:

(i)  Cost

(ii)  Lower of cost or market

(iii)  Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?  Yes  No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation  Yes  No

**Schedule C Dividends and Special Deductions (see instructions)**

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations	See instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	80	
8	Dividends from wholly owned foreign subsidiaries	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from affiliated group members and certain FSCs	100	
12	Dividends from controlled foreign corporations (attach Form 8895)	85	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up		
16	IG-DISC and former DISC dividends not included on lines 1, 2, or 3		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b		

**Schedule E Compensation of Officers (see instructions for page 1, line 12)**

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	(d) Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
Information available in taxpayer's office.					
		%	%	%	
		%	%	%	
		%	%	%	
2	Total compensation of officers				210,873.
3	Compensation of officers claimed on Schedule A and elsewhere on return				
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12				210,873.

Form 1120 (2005)

Kentucky-American Water Company

Form 1120 (2005)

Schedule J Tax Computation (see instructions)

1 Check if the corporation is a member of a controlled group... 2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets... 3 Income tax... 4 Alternative minimum tax... 5 Add lines 3 and 4... 6a Foreign tax credit... 6b Possessions tax credit... 6c Credits from... 6d General business credit... 6e Credit for prior year minimum tax... 6f Bond credits from... 7 Total credits... 8 Subtract line 7 from line 5... 9 Personal holding company tax... 10 Other taxes... 11 Total tax...

Schedule K Other Information (see instructions)

1 Check accounting method: a Cash b Accrual c Other... 2 See the instructions and enter the: a Business activity code no. 221300 b Business activity Water Utility c Product or service Water... 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation?... 4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?... 5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock?... 6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits?... 7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation... 8 Check this box if the corporation issued publicly offered debt instruments with original issue discount... 9 Enter the amount of tax-exempt interest received or accrued during the tax year... 10 Enter the number of shareholders at the end of the tax year... 11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here... 12 Enter the available NOL carryover from prior tax years... 13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?...

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Kentucky-American Water Company  
Form 1120 (2005)

Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash		584,049.		840,225.
2	Trade notes and accounts receivable	2,506,851.		3,428,301.	
3	Less allowance for bad debts	(169,699.)	2,337,152.	(258,904.)	3,169,397.
4	Inventories				
5	U.S. government obligations				
6	Other current assets (attach schedule)	Stmt 6	7,303,472.		5,940,871.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	278,926,994.		299,872,555.	
10b	Less accumulated depreciation	(66,093,142.)	212,833,852.	(68,966,255.)	230,906,300.
11a	Depletable assets				
11b	Less accumulated depletion	( )		( )	
12	Land (net of any amortization)		4,373,007.		4,535,868.
13a	Intangible assets (amortizable only)				
13b	Less accumulated amortization	( )		( )	
14	Other assets (attach schedule)	Stmt 6	22,181,377.		25,614,771.
15	<b>Total assets</b>		<b>249,612,909.</b>		<b>271,007,432.</b>
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable		5,295,186.		5,350,141.
17	Mortgages, notes, bonds payable in less than 1 year				4,500,000.
18	Other current liabilities (attach schedule)	Stmt 6	6,920,347.		17,721,854.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		82,500,000.		77,000,000.
21	Other liabilities (attach schedule)	Stmt 7	88,581,230.		101,547,830.
22	Capital stock: a Preferred stock	6,048,500.		1,469,700.	
	b Common stock	36,568,777.	42,617,277.	36,568,777.	38,037,477.
23	Additional paid-in capital		31,779.		56,139.
24	Retained earnings-Appropriated (attach schedule)				
25	Retained earnings - Unappropriated		23,667,090.		26,793,991.
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		( )		( )
28	<b>Total liabilities and shareholders' equity</b>		<b>249,612,909.</b>		<b>271,007,432.</b>

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)**

1	Net income (loss) per books	4,930,901.	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	2,765,447.		Tax-exempt interest \$	
3	Excess of capital losses over capital gains			<u>See Statement 8</u>	349,311.
4	Income subject to tax not recorded on books this year (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
	<u>See Statement 8</u>	395,332.	a	Depreciation \$	1,160,400.
5	Expenses recorded on books this year not deducted on this return (itemize):		b	Charitable contributions \$	
a	Depreciation \$	6,900.		<u>See Statement 8</u>	4,944,095.
b	Charitable contributions \$		9	Add lines 7 and 8	6,453,806.
c	Travel and entertainment \$	17,352.	10	Income (page 1, line 28) - line 6 less line 9	3,896,807.
	<u>See Statement 8</u>	2,234,681.			
6	Add lines 1 through 5	10,350,613.			

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1	Balance at beginning of year	23,667,090.	5	Distributions: a Cash	1,804,000.
2	Net income (loss) per books	4,930,901.		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	1,804,000.
4	Add lines 1, 2, and 3	28,597,991.	8	Balance at end of year (line 4 less line 7)	26,793,991.

Form **4562**  
(Rev. January 2008)  
Department of the Treasury  
Internal Revenue Service

**Depreciation and Amortization**  
(Including Information on Listed Property)

OMB No. 1545-0172

**2005**

Attachment  
Sequence No. **67**

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return

Identifying number

Kentucky-American Water Company

61-0485002

Business or activity to which this form relates

**General Depreciation and Amortization**

**Part I Election To Expense Certain Property Under Section 179**

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses . . . . .	1	
2	Total cost of section 179 property placed in service (see instructions) . . . . .	2	
3	Threshold cost of section 179 property before reduction in limitation . . . . .	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- . . . . .	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions . . . . .	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29 . . . . .	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 . . . . .	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8 . . . . .	9	
10	Carryover of disallowed deduction from line 13 of your 2004 Form 4562 . . . . .	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions) . . . . .	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 . . . . .	12	
13	Carryover of disallowed deduction to 2006. Add lines 9 and 10, less line 12 . . . . . ▶	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)**

14	Special allowance for certain aircraft, certain property with a long production period, and qualified NYL or GO Zone property (other than listed property) placed in service during the tax year (see instructions) . . . . .	14	
15	Property subject to section 168(f)(1) election . . . . .	15	
16	Other depreciation (including ACRS) . . . . .	16	560,294.

**Part III MACRS Depreciation (Do not include listed property.) (See instructions.)**

**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2005 . . . . .	17	5,562,537.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here . . . . . ▶		

**Section B - Assets Placed in Service During 2005 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		564,634.	3.000	S/L	S/L	52,287.
b 5-year property		341,302.	5.000	MQ	200 DB	41,228.
c 7-year property		24,532.	7.000	MQ	200 DB	2,320.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property		14,490,992.	25 yrs.	S/L	S/L	154,847.
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	

**Section C - Assets Placed in Service During 2005 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

**Part IV Summary (see instructions)**

21	Listed property. Enter amount from line 28 . . . . .	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see Instr. . . . .	22	6,373,513.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs . . . . .	23	



**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information** (Caution: See the Instructions for limits for passenger automobiles.)

Do you have evidence to support the business/investment use claimed?		Yes	No	24b If "Yes," is the evidence written?		Yes	No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/Investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25	Special allowance for certain aircraft, certain property with a long production period, and qualified NYL or GO Zone property placed in service during the tax year and used more than 50% in a qualified business use (see Instructions)						25	
26	Property used more than 50% in a qualified business use:							
		%						
		%						
		%						
27	Property used 50% or less in a qualified business use:							
		%				S/L -		
		%				S/L -		
		%				S/L -		
28	Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1, . . . . .						28	
29	Add amounts in column (i), line 26. Enter here and on line 7, page 1 . . . . .						29	

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30	Total business/investment miles driven during the year (do not include commuting miles) . . . . .											
31	Total commuting miles driven during the year . . . . .											
32	Total other personal (noncommuting) miles driven . . . . .											
	Total miles driven during the year. Add lines 30 through 32 . . . . .											
34	Was the vehicle available for personal use during off-duty hours? . . . . .											
35	Was the vehicle used primarily by a more than 5% owner or related person? . . . . .											
36	Is another vehicle available for personal use? . . . . .											

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37	Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? . . . . .	
38	Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the Instructions for vehicles used by corporate officers, directors, or 1% or more owners . . . . .	
39	Do you treat all use of vehicles by employees as personal use? . . . . .	
40	Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? . . . . .	
41	Do you meet the requirements concerning qualified automobile demonstration use? (See Instructions.) . . . . .	

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42	Amortization of costs that begins during your 2005 tax year (see instructions):				
Tangible	12/01/2005	5,440.		60mo	91.
43	Amortization of costs that began before your 2005 tax year . . . . .				43 1,316,594.
44	Total. Add amounts in column (f). See the instructions for where to report . . . . .				44 1,316,685.

Kentucky-American Water Company

## Form 1120, Page 4 Detail

## Sch M-1, Line 4 - Income subject to tax not recorded on books

Contributions and Advances	395,332.
Total	395,332.

## Sch M-1, Line 5 - Expenses recorded on books not deducted on return

State taxes	522,634.
Bad debts	89,205.
Amortization of Regulatory Asset - AFUDC	25,728.
Nondeductible Penalties	50.
Lobbying Expenses	78,901.
Amortization of UPAA	21,611.
Deferred Maintenance Expense	378,719.
Cost of Service Study Expense	15,986.
Regulatory Pension Expense	131,529.
Miscellaneous Deferred Expenses	790,067.
Accrued Vacation Pay Expense	12,218.
Rate Case Expense	168,033.
Total	2,234,681.

## Sch M-1, Line 7 - Income recorded on books not included on return

Medicare Part D	349,311.
Total	349,311.

## Sch M-1, Line 8 - Deductions on return not recorded on books

State taxes	15,311.
Cost of Removal	629.
AFUDC over Interest Capitalized for Taxes	296,942.
Refund of Taxable Advances	77,333.
Abandonment Losses	114,970.
Waste Disposal Expense	70,323.
Incentive Plan Expense	134,250.
Regulatory Pension Expense	330,444.
Security Costs	2,797,287.

Continued on next page

Statement 8

Kentucky-American Water Company

Form 1120, Page 4 Detail

Sch M-1, Line 8 - Deductions on return not recorded on books (Cont'd)

Deferred Customer Service Costs	562,517.
Deferred Financial Services Costs	544,089.
	-----
Total	4,944,095.
	=====

720  
41A720

Kentucky  
ENERGIZED SPIRIT

Kentucky Corporation Income Tax Return Page 28 of 32 2005  
(Pass-Through Corporations Use Applicable Forms)

Taxable Year Ending  
12 / 05  
Mo. Yr.

See separate instructions.

Taxable period beginning 01/01, 2005, and ending 12/31, 2005.

A If filing consolidated, check the appropriate box. See instructions.
B Federal Identification Number 61-0485002
C Kentucky Corporation Account Number
Name of Corporation or Affiliated Group (Place preaddressed label here; otherwise print or type.)
Kentucky-American Water Company
State and Date of Incorporation
Kentucky 02/27/1982
Principal Business Activity in KY
Water Utility
NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov)
221300
D Name of Common Parent
Kentucky Corporation Account Number
221300

E Check if applicable: [X] No packet required for 2006 [ ] Initial return [ ] Final return (attach explanation)
[ ] Short-period return (attach explanation) [ ] Change of name [ ] Change of address

PART I - TAXABLE INCOME COMPUTATION PART III - TAX COMPARISON

Table with 2 columns: Description and Amount.
1. Federal taxable income (Form 1120, line 28; Form 1120A, line 24) 3,654,953
2. Interest income (state and local obligations) 81,443
3. State taxes based on net/gross income 1
4. Depreciation adjustment 6,373,513
5. Deductions attributable to nontaxable income
6. Related party expenses
7. Pass-through loss(es) from other corporation(s) subject to Kentucky corporation income tax
8. Other (attach schedule)
9. Total (add lines 1 through 8) 10,109,909

PART IV - TAX COMPUTATION

Table with 2 columns: Description and Amount.
1. Income tax from Part I (multiply line 21 by rates) (see instructions) 131,892
2. Alternative minimum (AMC) (lesser of Part II, line 2 or line 5)
1. Tax liability (Part III, greater of line 1, line 2 or \$175 minimum) 131,892
2. Recycling/composting equipment tax credit recapture
3. Total (add lines 1 and 2) (if \$175 minimum, skip lines 4 through 15 and enter on line 16) 131,892
4. Economic development tax credits
5. Historic preservation restoration tax credit
6. Unemployment tax credit
7. Recycling/composting equipment tax credit
8. Coal conversion tax credit
9. Enterprise zone tax credit
10. Kentucky investment fund tax credit
11. Coal incentive tax credit
12. Qualified research facility tax credit
13. GED incentive tax credit
14. Voluntary environmental remediation tax credit (Brownfields)
15. Biodiesel tax credit
16. Net tax liability (line 3 less lines 4 through 15) (\$175 minimum) 131,892
17. Estimated tax payments 450,000
18. Extension tax payment
19. Prior year's credit
20. Tax due (line 16 less lines 17 through 19) 318,108
21. Tax overpayment 318,108
22. Credited to 2006
23. Amount to be refunded (line 21 less line 22) 318,108

PART II - ALTERNATIVE MINIMUM (AMC)

Table with 2 columns: Description and Amount.
Gross Receipts
1. Kentucky gross receipts (less Kentucky returns and allowances)
2. Tax (line 1 multiplied by .00095)
Gross Profits
3. Kentucky gross receipts
(a) Less Kentucky returns and allowances
(b) Less Kentucky cost of goods sold
4. Gross profit (subtract lines 3(a) and 3(b) from line 3)
5. Tax (line 4 multiplied by .0075)

TAX PAYMENT SUMMARY (Round to Nearest Dollar)

Table with 2 columns: Description and Amount.
Tax (check applicable box) [X] Income [ ] AMC Gross Receipts
[ ] AMC Gross Profits [ ] Minimum \$175
Tax
Penalty
Interest
TOTAL (Including Penalty and Interest)

Make check(s) payable to: Kentucky State Treasurer.
Mail return with payment to: Kentucky Department of Revenue
Frankfort, Kentucky 40620.
Federal Form 1120, pages 1, 2 and 4, or 1120A, pages 1 and 2, and any supporting schedules must be attached.

**SCHEDULE Q - KENTUCKY CORPORATION QUESTIONNAIRE**

**IMPORTANT:** Questions 4-13 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. Failure to do so may result in a request for a delinquent return.

1. Indicate whether: (a)  new business; (b)  successor to previously existing business which was organized as:  
 (1)  corporation; (2)  partnership; (3)  sole proprietorship; or (4)  other \_\_\_\_\_

If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.  
 \_\_\_\_\_

2. List the following *Kentucky* account numbers. Enter N/A for any number not applicable.

Employer Withholding \_\_\_\_\_  
 Sales and Use Tax Permit \_\_\_\_\_  
 Consumer Use Tax \_\_\_\_\_  
 Unemployment Insurance \_\_\_\_\_  
 Coal Severance and/or Processing Tax \_\_\_\_\_

3. If a foreign corporation, enter the date qualified to do business in Kentucky. \_\_\_\_\_

4. The corporation's books are in care of: (name and address)  
American Water Shared Services  
1025 Laurel Oak Road  
Voorhees, NJ 08043

5. Is the corporation a partner in a general partnership(s) doing business in Kentucky?  Yes  No.  
 If yes, attach schedule listing name, federal I.D. and Kentucky account number of the general partnership(s).  
 \_\_\_\_\_

Was the corporation doing business in Kentucky, outside of its interest in a general partnership?  Yes  No.

6. Are related party costs made to related members as defined in KRS 141.205(1)(l) included in this return?  Yes  No.

If yes, list name, federal I.D. and/or Kentucky corporation account number of the individual or entity. \_\_\_\_\_

7. Is the net distributive income (loss) received from a corporation subject to the tax imposed by KRS 141.040 included in this return?  Yes  No. If yes, list name, federal I.D. and Kentucky account number of the corporation.  
 \_\_\_\_\_

**Caution:** If the corporation elected to file a consolidated income tax return for tax years beginning prior to January 1, 2005, skip questions 8 and 9 and go to question 10.

8. Did the corporation at any time during the taxable year do business in Kentucky and own 80 percent or more of the voting stock of another corporation doing business in Kentucky?  Yes  No. If yes, list name, address and federal I.D. number of the entity.  
 \_\_\_\_\_

9. Was 80 percent or more of the corporation's voting stock owned by any corporation doing business in Kentucky at any time of the year?  Yes  No. If yes, list name, address and federal I.D. number of the entity.  
 \_\_\_\_\_

10. Was this return prepared on: (a)  cash basis, (b)  accrual basis, (c)  other \_\_\_\_\_

11. Is the corporation a public service corporation subject to taxation under KRS 138.120?  Yes  No

12. Did the corporation file a Kentucky tangible personal property tax return for January 1, 2006?  Yes  No

13. Is the corporation currently under audit by the Internal Revenue Service?  Yes  No. If yes, enter years under audit \_\_\_\_\_

If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to this department, check here  and file Form 720X or Form 720XX, whichever is applicable, for each year adjusted and attach a copy of the final determination.

**OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty) See Statement 2**

Attach a schedule listing the name, home address and Social Security number of the vice president, secretary and treasurer.

Has this officer information attached changed from the last return filed?  Yes  No.

President's Name Nick O. Rowe President's Home Address \_\_\_\_\_  
 President's Social Security Number \_\_\_\_\_ 1025 Laurel Oak Road  
Voorhees, NJ 08043

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

\_\_\_\_\_  
 Signature of principal officer or chief accounting officer Date

\_\_\_\_\_  
 Name and Social Security or federal identification number of person or firm preparing return

May the Department of Revenue discuss this return with the preparer?  
 Yes  No

E-mail Address: \_\_\_\_\_

www.revenue.ky.gov

**SCHEDULE A**

**APPORTIONMENT AND ALLOCATION**  
(For corporations taxable both within and without Kentucky.)

41A720A (10-05)

See instructions on reverse.

Commonwealth of Kentucky  
DEPARTMENT OF REVENUE

Attach to Form 720, Form 720S, Form 725, Form 765 or Form 765-GP

Name of Corporation  Kentucky-American Water Company	Federal Identification Number  61-0485002	Kentucky Corporation Account Number
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If apportionment method other than statutory formula is used:

- **Attach** a copy of letter requiring or granting permission to use an alternative method or statement making election in accordance with KRS 141.120(9)(b)(1) or (2); and
- **Indicate** the method used:  separate accounting  alternative.

SECTION I. COMPUTATION OF APPORTIONMENT FRACTION			SECTION II. APPORTIONMENT AND ALLOCATION OF INCOME		
1. Kentucky sales . . . . .			1. Net income (from Form 720, Part I, line 18; Form 720S Part I, line 23; Form 725, Part I, line 12; or Form 765, Part I, line 28) . . . . .		1,919,888
2. Total sales . . . . .			2. Deduct nonbusiness income (if applicable):		
3. Line 1 divided by line 2 . . . . .		%	(a) Interest . . . . .		
4. Sales factor (line 3 multiplied by 2) . . . . .		%	(b) Rents . . . . .		
5. Average value of Kentucky real/tangible property (Section III) . . . . .			(c) Royalties . . . . .		
6. Average value of total real/tangible property (Section IV) . . . . .			(d) Net gain or loss on sale or exchange of capital assets . . . . .		
7. Property factor (line 5 divided by line 6) . . . . .		%	(e) Total (lines (a) through (d)) . . . . .		
8. Kentucky payrolls . . . . .			(f) Less related expenses (attach schedule) . . . . .	(	)
9. Total payrolls . . . . .			3. Net nonbusiness income . . . . .		
10. Payroll factor (line 8 divided by line 9) . . . . .		%	4. Business income (line 1 less line 3) . . . . .		1,919,888
11. Total (lines 4, 7 and 10) . . . . .		%	5. Business income apportioned to Kentucky (line 4 multiplied by line 12, Section I) . . . . .		1,919,888
12. Apportionment fraction - line 11 divided by 4 or number of factors present (sales representing 2 factors) . . . . .		100.0000%	6. Add Kentucky nonbusiness income (if applicable):		
			(a) Interest . . . . .		
			(b) Rents . . . . .		
			(c) Royalties . . . . .		
			(d) Net gain or loss on sale or exchange of capital assets . . . . .		
			(e) Total (lines (a) through (d)) . . . . .		
			(f) Less Kentucky related expenses (attach schedule) . . . . .	(	)
			7. Kentucky net nonbusiness income . . . . .		
			8. Taxable net income (line 5 plus line 7) (enter here and on Form 720, Part I, line 19; Form 720S, Part I, line 24; Form 725, Part I, line 13; or Form 765, Part I, line 28) . . . . .		1,919,888

SECTION III. KENTUCKY REAL/TANGIBLE PROPERTY			SECTION IV. TOTAL REAL/TANGIBLE PROPERTY		
PROPERTY	A. Beginning of Year	B. End of Year	PROPERTY	A. Beginning of Year	B. End of Year
1. Inventories . . . . .			1. Inventories . . . . .		
2. Buildings . . . . .			2. Buildings . . . . .		
3. Machinery and equipment . . . . .			3. Machinery and equipment . . . . .		
4. Land . . . . .			4. Land . . . . .		
5. Other tangible assets . . . . .			5. Other tangible assets . . . . .		
6. Total (lines 1 through 5) . . . . .			6. Total (lines 1 through 5) . . . . .		
7. Average value of real/tangible property owned in Kentucky, total of line 6, columns A and B divided by 2 . . . . .			7. Average value of real/tangible property owned everywhere, total of line 6, columns A and B divided by 2 . . . . .		
8. Leased property (Eight times the annual rental rate less subrentals) . . . . .			8. Leased property (Eight times the annual rental rate less subrentals) . . . . .		
9. Total (lines 7 and 8) (enter on line 5, Section I) . . . . .			9. Total (lines 7 and 8) (enter on line 6, Section I) . . . . .		

1062

Form 4562 Department of the Treasury Internal Revenue Service (99) Name(s) shown on return

Depreciation and Amortization (Including Information on Listed Property)

See separate instructions. Attach this form to your return.

2005 Attachment Sequence No. 67 Identifying number 61-0485002

Kentucky-American Water Company

Business or activity to which this form relates

General Depreciation and Amortization

Part I Election To Expense Certain Tangible Property Under Section 179

Note: If you have any "listed property," complete Part V before you complete Part I.

Table with 5 rows for election details: 1 Maximum dollar limitation, 2 Total cost of section 179 property, 3 Threshold cost of section 179 property, 4 Reduction in limitation, 5 Dollar limitation for tax year.

Table with 13 rows for MACRS depreciation: 6 Description of property, 7 Listed property, 8 Total elected cost, 9 Tentative deduction, 10 Carryover of disallowed deduction from 2004, 11 Business income limitation, 12 Section 179 expense deduction, 13 Carryover of disallowed deduction to 2006.

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation for Assets Placed in Service Only During Your 2005 Tax Year (Do not include listed property.)

Section A - General Asset Account Election

14 If you are making the election under section 168(l)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box.

Section B - General Depreciation System (GDS) (See page 3 of the instructions.)

Table with 7 columns: (a) Classification of property, (b) Month and year placed in service, (c) Basis for depreciation, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Rows include 3-year, 5-year, 7-year, 10-year, 15-year, 20-year, 25-year property, and residential/nonresidential rental property.

Section C - Alternative Depreciation System (ADS) (See page 5 of the instructions.)

Table with 5 columns: (a) Class life, (b) Month and year placed in service, (c) Basis for depreciation, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Rows include 12-year and 40-year class lives.

Part III Other Depreciation (Do not include listed property.) (See instructions beginning on page 5.)

Table with 3 rows: 17 GDS and ADS deductions for assets placed in service in tax years beginning before 2005, 18 Property subject to section 168(f)(1) election, 19 ACRS and other depreciation (Total: 560,294).

Part IV Summary (See page 6 of the instructions.)

Table with 3 rows: 20 Listed property, 21 Total (Total: 560,294), 22 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs.

SA For Paperwork Reduction Act Notice, see page 9 of the instructions.

Form 4562 (2005)

**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 23a, 23b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information** (Caution: See page 7 of the instructions for limits for passenger automobiles.)

23a Do you have evidence to support the business/investment use claimed?		Yes	No	23b If "Yes," is the evidence written?		Yes	No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
<b>24 Property used more than 50% in a qualified business use (see page 6 of the instructions):</b>								
		%						
		%						
		%						
<b>25 Property used 50% or less in a qualified business use (see page 6 of the instructions):</b>								
		%				S/L -		
		%				S/L -		
		%				S/L -		
<b>26 Add amounts in column (h). Enter the total here and on line 20, page 1 . . . . .</b>							<b>26</b>	
<b>27 Add amounts in column (i). Enter the total here and on line 7, page 1 . . . . .</b>								<b>27</b>

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
<b>28</b> Total business/investment miles driven during the year (do not include commuting miles - see page 2 of the instructions) . . . . .												
<b>29</b> Total commuting miles driven during the year . . . . .												
<b>30</b> Total other personal (noncommuting) miles driven . . . . .												
<b>31</b> Total miles driven during the year. Add lines 28 through 30 . . . . .												
<b>32</b> Was the vehicle available for personal use during off-duty hours? . . . . .												
<b>33</b> Was the vehicle used primarily by a more than 5% owner or related person? . . . . .												
<b>34</b> Is another vehicle available for personal use? . . . . .												

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see page 8 of the instructions).

	Yes	No
<b>35</b> Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? . . . . .		
<b>36</b> Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See page 8 of the instructions for vehicles used by corporate officers, directors, or 1% or more owners . . . . .		
<b>37</b> Do you treat all use of vehicles by employees as personal use? . . . . .		
<b>38</b> Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? . . . . .		
<b>39</b> Do you meet the requirements concerning qualified automobile demonstration use? (See page 8 of the instructions.) . . . . .		

Note: If your answer to 35, 36, 37, 38, or 39 is "Yes," do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
<b>40 Amortization of costs that begins during your 2005 tax year (see instructions beginning on page 8):</b>					
Intangible	12/01/2005	5,440.		5.000	91.
<b>41 Amortization of costs that began before your 2005 tax year . . . . .</b>				<b>41</b>	<b>1,316,594.</b>
<b>42 Total. Add amounts in column (f). See page 9 of the instructions for where to report . . . . .</b>				<b>42</b>	<b>1,316,685.</b>



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 112 of 312**

---

**Witness: Michael Miller**

112. Please provide workpapers detailing the calculation of each statutory addition and deduction used in arriving at taxable income in the above calculation, as well as the calculations provided in Schedule E to the filing. Also provide a narrative explanation of the effect of each statutory addition and deduction on tax and/or book income, and the Internal Revenue Code Section or Treasury Regulation calling for the adjustment.

**Response:**

Please the response to AGDR1#111.

For electronic version, refer to KAW\_R\_AGDR1#112\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller/Sheila Miller**

113. For 2005 and 2006, please provide a copy of the U.S. Corporation Income Tax Return, and the Kentucky Corporate Income Tax Return and all other Kentucky Tax Returns. If separate returns were not prepared, please provide the detailed worksheets that were used to prepare the consolidated return.

**Response:**

Please see the response to AGDR1#111. Also see the working papers filed as KAW\_R\_PSCDR1#1a\_WP5\_052107, pages 2 through 40 of 48.

For electronic version, refer to KAW\_R\_AGDR1#75\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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---

**Witness:**

114. Please provide the following information regarding deferred income taxes:
- a. Calculation of all timing differences reflected in DFIT; show book amount and tax amount; indicate when amounts were included in book and in tax returns;
  - b. Tax rate applied to each timing difference;
  - c. Calculation of actual DFIT;
  - d. If different, reconcile book amount per cost of service and book amount in DFIT calculation. Identify and quantify all reconciling items.
  - e. For each year 2001 through 2007 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account. For each item by year, please reconcile the gross to net additions and explain how that reconciliation was derived.
  - f. For 2006 and 2007 (to date) please provide information requested in (e) above for each month.

**Response:**

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW\_R\_AGDR1#114\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

115. Please provide a Consolidated Tax Savings calculation by year for each year 2004 through 2008.

**Response:**

The Company is not clear on the information being requested in this question. If the question relates to the administrative savings of filing a consolidated federal income tax return for AWW, KAW does not have a study or analysis to quantify those savings. If the question is relating to allocation of tax losses unrelated to KAWC then KAWC does not believe such tax savings exist. KAWC is part of a consolidated federal income tax company, AWW. Under that arrangement KAWC's federal income taxes are taxed at the statutory rate of 35% and there are no consolidated tax savings that apply to KAWC.

For electronic version, refer to KAW\_R\_AGDR1#115\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

116. Provide the following effective (reflecting all consolidated tax savings) tax rates for 2004, 2005, 2006, 2007 and 2008 and a derivation thereof:

- a. Federal Income
- b. Kentucky Income

**Response:**

- a. 35% for each year.
- b. 2004 – 8.25%  
2005 – 7.0%  
2006 – 7.0%  
2007 – 6.0%  
2008 – 6.0%

For electronic version, refer to KAW\_R\_AGDR1#116\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

117. Please state whether the Company has or will file a consolidated federal or state tax return for 2005, 2006, 2007 and 2008 and if so, list those companies which will be included in the consolidated return.

**Response:**

KAWC files its federal income taxes as part of the AWW consolidated federal income tax return. KAWC is not part of a consolidated state income tax return.

For electronic version, refer to KAW\_R\_AGDR1#117\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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---

**Witness: Michael Miller**

118. Please list the name and business function of all Company subsidiaries and separately list those which are included in this case for ratemaking purposes.

**Response:**

There are none.

For electronic version, refer to KAW\_R\_AGDR1#118\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 119 of 312**

---

**Witness: Michael Miller**

119. Please provide worksheets which reconcile book and tax income and tax liability on the books and on the tax return for 2004, 2005 and 2006.

**Response:**

See the response to AGDR1#111.

For electronic version, refer to KAW\_R\_AGDR1#119\_061807.pdf



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

120. Please list and explain in detail the allocation methods used to allocate state and federal tax liability and tax credits between the Company and its subsidiaries and between the Company and other American Water companies. Please provide worksheets which show a detailed derivation of the allocations for 2004, 2005, 2006 and 2007. The derivation should include separate listing of contributions, indebtedness cost, NOL (current, carryforwards and carrybacks), each credit by type (such as the investment tax credit, jobs credit), intercompany transactions.

**Response:**

There is no state tax allocation for KAWC. There is no federal income tax allocation within the AWW consolidated return. KAWC's federal income taxes are based on KAWC's taxable income at the statutory rate of 35%.

For electronic version, refer to KAW\_R\_AGDR1#120\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

121. Please list all typical intercompany transactions which are taxed by the federal government in the year of the transaction or the following year if a separate return is filed, but on which the tax is deferred if a consolidated return is filed. For each transaction please identify it by company, and type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each account.

**Response:**

None.

For electronic version, refer to KAW\_R\_AGDR1#121\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

122. Separately for 2004, 2005, 2006 and 2007 list all intercompany transactions which would be taxed by the federal government in that year if a separate return was filed, but will not be taxed that year because a consolidated return was filed. For each transaction please identify it by company, type of transaction, and gain (loss) (deferred or note). Please provide the book treatment of each amount.

**Response:**

None.

For electronic version, refer to KAW\_R\_AGDR1#122\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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---

**Witness: Michael Miller**

123. Please list all typical intercompany transactions which are taxed by Commonwealth government in the year of the transaction or the following year if a separate return is filed, but on which the tax is deferred if a consolidated return is filed. For each transaction please identify it by company, and type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each amount.

**Response:**

Not applicable.

For electronic version, refer to KAW\_R\_AGDR1#123\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

124. Separately for 2004, 2005, 2006 and 2007 please list all intercompany transactions which would be taxed by Commonwealth government in that year if a separate return was filed, but will not be taxed that year because a consolidated return was filed. For each transaction please identify it by company, type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each amount.

**Response:**

Not applicable.

For electronic version, refer to KAW\_R\_AGDR1#124\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

125. Please provide worksheets which derive the gross revenue and pre-tax accounting income and federal taxable income (loss), on a consolidated basis and on a separate return basis for each year for 2004, 2005, 2006 and 2007.

**Response:**

Please see the response to AGDR1#111. KAWC's federal income tax expense under the consolidated federal income tax expense is the same as it would be as a stand-alone Company filing a federal income tax return.

For electronic version, refer to KAW\_R\_AGDR1#125\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness: Michael Miller**

126. Please provide worksheets which derive the gross revenue and pre-tax accounting income and Commonwealth taxable income (loss), on a consolidated basis and on a separate return basis for 2004, 2005, 2006 and 2007. Include in the worksheets a detailed reconciliation of book and tax income.

**Response:**

Please see the response to AGDR1#111 and AGDR1#118.

For electronic version, refer to KAW\_R\_AGDR1#126\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
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**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
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---

**Witness:**

127. Please provide for each year from 2000 through 2007 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account.
- a. For each item by year please reconcile the gross to net additions and explain how that reconciliation was derived.

**Response:**

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW\_R\_AGDR1#127\_061807.pdf



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 128 of 312**

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**Witness:**

128. Please provide detailed worksheets showing the derivation of "excess tax over book depreciation" for 2005, 2006 and 2007.

**Response:**

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW\_R\_AGDR1#128\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 129 of 312**

---

**Witness:**

129. Please provide the beginning and ending balances for 2005, 2006 and 2007 for Accumulated Deferred Income Taxes and Provisions for Deferred Income Taxes broken down by sub-account with the name and number of each sub-account.

**Response:**

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW\_R\_AGDR1#129\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 130 of 312**

---

**Witness:**

130. Please provide the following amounts for 2005, 2006 and 2007:

- a. Income tax expense, current, deferred, deferred-credit, investment tax credit deferred and investment tax credit amortized from prior years. Identify by Uniform System Account number.
- b. Identify the benefit giving rise to each charge, as shown in the example below.
- c. Divide federal and state amounts.
- d. Cite the order or ruling on which the Company bases rate treatment of these benefits (normalized or flow-through). Note rate treatment (normalized or flow-through).
- e. State the accumulated total for each as it appears on the test year balance sheets. Identify by Uniform System Account Number.
- f. State the rate base treatment of each item (e.g. deducted from rate base, cost-free capital, treated as equity, etc.).
- g. Cite the order or ruling on which the Company bases treatment identified in f.

**Response:**

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW\_R\_AGDR1#130\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 131 of 312**

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**Witness: Michael Miller**

131. Please provide a detailed derivation of 2005, 2006 and 2007 research and development credits, including:
- a. a list of all research, development and experimentation expenditures, and for each item provide:
  - b. separately the amounts payable to inside and outside contractors:
  - c. the amount payable in the test year;
  - d. the total expenditures to be expensed in determining federal taxable income;
  - e. the total expenditures qualifying for the R & E credit under I.R.C. paragraph 44f.

**Response:**

Please see the response to AGDR1#111. For 6765 is attached to the 2004 and 2005 KAWC federal income tax return. The 2006 and 2007 tax returns are not complete or available. The forecasted test year R&D expense for KAWC is included in the filing and has been deducted for tax provision calculations.

For electronic version, refer to KAW\_R\_AGDR1#131\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 132 of 312**

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**Witness:**

132. Identify all net operating loss carrybacks and carryforwards for American Water and each American Water subsidiary for 2004, 2005, 2006 and 2007.

**Response:**

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW\_R\_AGDR1#132\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 133 of 312**

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**Witness: Michael Miller**

133. What amount of American Water interest expense for tax purposes and separately for book purposes was allocated to Kentucky on a combined and intrastate basis during the test year? Please explain and provide a reconciliation of the difference.

**Response:**

AWW does not allocate interest expense (or any other parent company expenses) to the operating companies for either book or tax purposes.

For electronic version, refer to KAW\_R\_AGDR1#133\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 134 of 312**

---

**Witness: Michael Miller**

134. Regarding the investment tax credit, please provide the amount of 3%, 4%, 7%, 10%, and 11% credits the company generated, booked for ratemaking purposes, and/or used as a credit against federal tax liability for each year from 2004 through 2007 and the derivation of each of those amounts.

**Response:**

None.

For electronic version, refer to KAW\_R\_AGDR1#134\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 135 of 312**

---

**Witness: Michael Miller**

135. For each distinct tax-timing difference for which the Company has provided deferred taxes, please identify the amount of excess deferred income taxes (i.e. deferred taxes accrued by the Company at federal tax rates higher than the current corporate tax rate; the excess is the difference over the current rate) existing on the Company's books at December 31, 2006 which can be flowed back to ratepayers on an accelerated basis (i.e. such amortization is not prohibited by the normalization requirements of the Internal Revenue Code). Show how these amounts are calculated.

**Response:**

Not applicable.

For electronic version, refer to KAW\_R\_AGDR1#135\_061807.pdf



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 136 of 312**

---

**Witness: Michael Miller**

136. Will the amount of investment tax credits utilized be increased if the Company is granted its requested rate increase in these proceedings? If not, why not? If so, provide calculations showing the Company's best estimate as to how much ITC will be utilized.

**Response:**

No. There has been no additional ITC permitted or recorded on the books of KAWC in over 20 years. The only change in the ITC balances relate to the amortization of the 3%, 4,% and 10% ITC. The 4% and 10% ITC was flowed through for rate making purposes. KAWC reduces the rate base of the unamortized 3% ITC because that class of ITC was normalized for rate making purposes.

For electronic version, refer to KAW\_R\_AGDR1#136\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 137 of 312**

---

**Witness: Michael Miller**

137. Provide detailed descriptions of any IRS audit, settlements with the Internal Revenue Service, or audit adjustments made during the three years ending December 31, 2006.

**Response:**

Please see attached document.

For electronic version, refer to KAW\_R\_AGDR1#137\_061807.pdf

**Internal Revenue Service**

**Department of the Treasury**

Internal Revenue Service  
LMSB:RFPH:1578 2nd Floor  
100 Dey Place  
Edison, NJ 08817

Date: 12/20/2006

THAMES WATER AQUA US HOLDINGS INC.  
1025 LAUREL OAK ROAD  
VOORHEES, NJ 08043

ATTN: WILLIAM SCHIAVI

Taxpayer Identification Number:

57-1143168

Tax Year:

12/31/2003 & 12/31/2004

Form Number:

1120

Person to Contact:

Sandra K. Coleman

Employee Identification Number:

22-01929

Contact Telephone Number:

732-777-7162

Fax Number:

732-777-7229

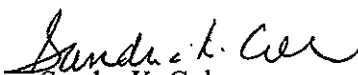
Dear Mr. Schiavi,

I have completed the examination of your tax return for the year(s) shown above. I am pleased to inform you I'm proposing no change to your tax return. As indicated in the enclosed Form 4549, *Examination No Change Report*, my findings are subject to the Area Director's approval. You will receive a final no change letter when we finish processing your file.

If you have any questions, please call me at the telephone number shown above within 10 days from the date of this letter. If you write, please include your telephone number and the most convenient time for me to call.

Thank you for your cooperation.

Sincerely,

  
Sandra K. Coleman  
Examining Officer

Enclosures:  
Form 4549

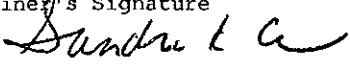
Form 4549-A (Rev. 9-2001)	Department of the Treasury - Internal Revenue Service Income Tax Examination Changes	Page 1 of _____	
Name and Address of Taxpayer  THAMES WATER AQUA US HOLDINGS, INC & AFF  1025 LAUREL OAK ROAD  VOORHEES, NJ 08043-		Taxpayer Identification Number 57-1143168  Return Form No. 1120	
		Person with whom examination changes were discussed  Name and Title WILLIAM SCHIAVI TAX DIRECTOR	
1. Adjustments to Income	Year: 12/2003	Year: 12/2004	Year:
a. Per RAR - Form 4549-B's	0	0	
2. Total Adjustments	0	0	
3. Taxable Income Per Return or as Previously Adjusted	-157,992,395	-80,333,795	
4. Corrected Taxable Income	-157,992,395	-80,333,795	
Tax Method Filing Status			
5. Tax	0	0	
6. Alternative Taxes, If Applicable			
7. Alternative Minimum Tax (Starting 2000)	0	0	
8. Corrected Tax Liability	0	0	
9. Less Credits:			
a. Foreign Tax Credit	0	0	
b. Other Subpart B Credits	0	0	
c. General Business Credit	0	0	
d. Minimum Tax Credit/Academy Bond	0	0	
10. Balance (Line 8 less total of 9a-9d)	0	0	
11. Plus Other Taxes:			
a. Miscellaneous Tax/Recapture	0	0	
b. Alternative Minimum Tax (Before 2000)	N/A	N/A	
c. Environmental Tax	N/A	N/A	
d. Other Taxes	N/A	N/A	
12. Total Corrected Income Tax Liability (Line 10 plus Lines 11a-11d)	0	0	
13. Total Tax Shown on Return or as Previously Adjusted	0	0	
14. Adjustments to:			
a.	0	0	
b.	0	0	
c.	0	0	
d.	0	0	
15. Deficiency - Increase in Tax or (Overassessment - Decrease in Tax) (Line 12 less Lines 13 & 14a-14d)	0	0	
16. Adjustment to Prepayment Credits - incr (decr)	0	0	
17. Balance Due or (Overpayment) (Line 15 less Line 16) Excluding interest and penalties	0	0	

Form 4549-A (Rev. 9-2001)	Department of the Treasury - Internal Revenue Service Income Tax Examination Changes	Page 2 of _____
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Name of Taxpayer THAMES WATER AQUA US HOLDINGS, INC & AFF	Taxpayer Identification Number 57-1143168	Return Form No. 1120
--	--	-------------------------

18. Penalties Code Section	Year: 12/2003	Year: 12/2004	Year:
a.	0	0	
b.	0	0	
c.	0	0	
d.	0	0	
e.	0	0	
f.	0	0	
g.	0	0	
h.	0	0	
i.	0	0	
j.	0	0	
k.	0	0	
l.	0	0	
m.	0	0	
19. Total Penalties	0	0	
Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on underpayment will accrue until paid or assessed.	0	0	
Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on underpayment will accrue until paid or assessed.	0	0	
Underpayment attributable to Tax Motivated Transactions (TMT). The interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC Sec. 6621(c)	0	0	
20. Summary of Taxes Penalties and Interest:			
a. Balance Due/(Overpayment) (Line 17)	0	0	
b. Penalties (Line 19) computed to	0	0	
c. Interest (IRC 6601) computed to	0	0	
d. TMT Interest computed to on TMT Underpayment	0	0	
e. Amount due (refund) - (sum of Lines a-d)	0	0	

Other Information:

Examiner's Signature  Name: SANDRA K COLEMAN	22-01929 Employee ID	LMSB; RFPH; 1578; EDISON, Office	11/30/200 Date
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The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is shared with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms. You may be subject to backup withholding if you don't report all of the interest, dividend, or patronage dividend income you earned and if you don't pay the required tax. Once the tax has been assessed, you will be issued four notices over a 120-day period. If you don't pay the assessed tax, the IRS may require the payers to withhold a percentage of your dividend and/or interest payments.

KENTUCKY AMERICAN WATER COMPANY  
**CASE NO. 2007-00143**

RESPONSES TO DATA REQUESTS FROM  
ATTORNEY GENERAL

WITNESS: John J. Spanos

- 218) Please provide a calculation of the current depreciation rates in electronic format (Excel) with all formulae intact. Show all parameters used, and provide a source for those rates and underlying parameters. If the rates and parameters are not the same as approved in the most recent prior case, please explain why not. Also, if there are any differences in the account numbers used, please provide reconciliation.

RESPONSE

The current depreciation rates are attached to the response to Data Request No. 183. The parameters are shown on the schedule representing the last depreciation study, which are the same as those approved.

KENTUCKY AMERICAN WATER COMPANY  
**CASE NO. 2007-00143**

RESPONSES TO DATA REQUESTS FROM  
ATTORNEY GENERAL

WITNESS: John J. Spanos

- 219) Identify and explain all changes between the current study and the most recent prior study.

RESPONSE

The changes between this study and the most recent study are due to 12-years of additional plant and reserve data; thus, new service lives and net salvage percents for many accounts. In addition, plant balances by vintage and the reserve ratio have changed, causing rate changes.

KENTUCKY AMERICAN WATER COMPANY  
**CASE NO. 2007-00143**

RESPONSES TO DATA REQUESTS FROM  
ATTORNEY GENERAL

WITNESS: John J. Spanos

- 220) Please explain any changes in procedures, methods or techniques used to calculate the existing depreciation rates and those used to calculate the rates proposed in Mr. Spanos' Depreciation Study.

RESPONSE

There are no differences in the procedures, methods or techniques used to calculate the existing depreciation rates and those used to calculate the proposed rates by Mr. Spanos, with the exception of general plant amortization.

Amortization of certain General Plant accounts has been widely used by all utilities across the country, consistently accepted by the Kentucky Public Service Commission and described on pages II-28 through II-30 of the Depreciation Study.



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 138 of 312**

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**Witness:**

138. Provide a copy of any and all revenue ruling requests, IRS responses, and correspondence between the Company and the IRS during the ten years ending December 31, 2006.

**Response:**

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW\_R\_AGDR1#138\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 139 of 312**

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**Witness: Sheila Miller**

139. List total property taxes and property tax refunds or abatements each year, for the test year and the most recent three years for which actual information is available. Describe and show the accounting treatment accorded to each item, showing journal entries, dates, accounts, amounts and descriptions.

**Response:**

See attached schedules. See response to AGDR1#141 for information regarding the property tax refund.

For electronic version, refer to KAW\_R\_AGDR1#139\_061807.pdf

Kentucky American Water Company  
Analysis of Property Taxes  
Paid vs applicable to specific year

PROPERTY TAXES PAID	Applicable	Applicable	Applicable	Pd in 2007	Paid in 2006	Paid in 2005	Paid in 2004
	2004 Tax	2005 Tax	2006 Tax				
* Taxing Authority							
* Bourbon County	23,521	23,528 ***	24,059	24,059		47,049	
Fayette County/ LFUCG	1,351,958	1,296,952 ***	1,386,021	1,386,021	134,354	2,648,910	
Harrison County	4,372	4,776 ***	4,904	4,904		4,776	4,372
Jessamine County	29,680 **	38,717 ***	39,357	39,357	38,718	29,680	
* Scott County	130,000	129,665 ***	138,872	138,872		259,665	124,791
City of Georgetown	1,196	2,550 ***	3,718	3,718		2,550	1,196
City of Sadieville	937	960 **	928		928	960	937
Woodford County	7,312	7,316 ***	7,268	7,268		7,316	7,312
Clark County	11,654	11,575 ***	13,092	13,092		11,575	24,119
Kentucky	546,586	556,045	579,973		579,973	556,045	620,459
Owen	84,353	126,495 ***	233,077	233,077		126,495	84,353
Total	2,191,569	2,198,579	\$ 2,431,269	1,850,369	753,972	3,695,021	867,540

\*\*2004 tax paid in 2005  
\*\* 2005 pd 2006  
\*\*\*\*2006 pd 2007

\$23,528 in case for Bourbon Co  
\$24,059 pd in May 07

Kentucky American Water Company  
Transaction Detail for line 46  
Year to Date 2006

Do Ty	Description	Document Number	G/L Date	Obj Acct	Description	Business Unit	Amount	Explanation Alpha Name	Explanation -Remark-
JE	JE-Standard	601	06/12/06	165300	CORP-Admin & Gen	120105	5,913.75	tr bal to Prepaid PSC exp	
JT	Accrued Property Taxes	30095725	06/30/06	165300	CORP-Admin & Gen	120105	5,913.75	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	07/28/06	165300	CORP-Admin & Gen	120105	5,913.75	Prop Tax & PSC assessment	
JE	JE-Standard	1216	07/28/06	165300	CORP-Admin & Gen	120105	82,346.53	Rel's PS 41353567	KY State Treasury
JT	Accrued Property Taxes	30095725	08/25/06	165300	CORP-Admin & Gen	120105	6,862.21	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30679795	09/29/06	165300	CORP-Admin & Gen	120105	6,862.21	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30679795	09/29/06	165300	CORP-Admin & Gen	120105	948.46	'06 REC - PSC/PUC adjustm	adjust monthly amt
JH	General Tax Re-Occurring JE	30095725	10/27/06	165300	CORP-Admin & Gen	120105	6,862.21	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30095725	12/31/06	165300	CORP-Admin & Gen	120105	6,862.21	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	01/30/04	236151	LEX-Admin & Gen	120205	147,231.16	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	01/30/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
PS	Disbursement Request	40674887	02/10/04	236151	LEX-Admin & Gen	120205	123,077.71	Scott County Sheriff	Scott County'03 Property
JT	Accrued Property Taxes	30095725	02/27/04	236151	LEX-Admin & Gen	120205	147,231.16	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	02/27/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JE	JE-Standard	30133177	02/27/04	236151	LEX-Admin & Gen	120205	32,827.27	Adj Acc Prop Tx 02/04	
JT	Accrued Property Taxes	30095725	04/02/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	04/02/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	04/30/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	04/30/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	05/21/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	05/21/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	06/25/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	06/25/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	07/23/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	07/23/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
PS	Disbursement Request	40809198	07/28/04	236151	LEX-Admin & Gen	120205	73,873.06	Kentucky State Treasurer	KY 2004 PSC Assessment
PS	Disbursement Request	40809198	07/29/04	236151	LEX-Admin & Gen	120205	73,873.06	Kentucky State Treasurer	KY 2004 PSC Assessment
PS	Disbursement Request	40810309	07/29/04	236151	LEX-Admin & Gen	120205	73,873.06	Kentucky State Treasurer	KY 2004 PSC Assessment
JT	Accrued Property Taxes	30095725	08/20/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	08/20/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	09/24/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	09/24/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
PS	Disbursement Request	40856999	09/27/04	236151	LEX-Admin & Gen	120205	546,585.64	Kentucky State Treasurer	KY 2004 Public Svc Return
JT	Accrued Property Taxes	30095725	10/22/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	10/22/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
PS	Disbursement Request	40891501	11/09/04	236151	LEX-Admin & Gen	120205	4,372.10	Hampton, Bruce Sheriff -	KY, Harrison Co 2004 RE T
PS	Disbursement Request	40899957	11/18/04	236151	LEX-Admin & Gen	120205	84,352.96	Owen County - REMIT	KY, 2004 Pub Svc Co. RE T
PS	Disbursement Request	40899958	11/18/04	236151	LEX-Admin & Gen	120205	7,312.48	WOODFORD COUNTY SHERIFF D	KY, Woodford Co 2004 RE T
JT	Accrued Property Taxes	30095725	11/19/04	236151	LEX-Admin & Gen	120205	11,653.52	Sheriff	KY, Clark Co 2004 RE Tax
JT	Accrued Property Taxes	30095725	12/10/04	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	12/10/04	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	12/10/04	236151	LEX-Admin & Gen	120205	183,892.66	Reclass Property Accrual	
JE	JE-Standard	30179055	12/11/04	236151	CORP-Admin & Gen	120105	183,892.66	Reclass Property Accrual	
PS	Disbursement Request	40919362	12/13/04	236151	LEX-Admin & Gen	120205	1,022,057.51	Lexington-Fayette Div Of	KY, LFUCG PSC 2004 Prop Ta
PS	Disbursement Request	40920674	12/15/04	236151	LEX-Admin & Gen	120205	146,008.22	Lexington-Fayette Div Of	KY, 2004 F/Esv PS Propfx
PS	Disbursement Request	40941571	01/11/05	236151	LEX-Admin & Gen	120205	130,000.32	Scott County Sheriff	KY, Scott Co 2004 Propfx
PS	Disbursement Request	40941572	01/11/05	236151	LEX-Admin & Gen	120205	23,521.38	Sheriff John A Ransdell	- KY, Bourbon Co '04Propfx
JT	Accrued Property Taxes	30095725	01/21/05	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	01/21/05	236151	LEX-Admin & Gen	120205	6,906.34	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	02/18/05	236151	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	

Do Ty	Description	Document Number	G/L Date	Obj Acct	Description	Business Unit	Amount	Explanation Alpha Name	Explanation -Remark-
JT	Accrued Property Taxes	30095725	02/18/05	236151	LEX-Admin & Gen	120205	6,906.34-	Accrue Property Taxes	
PS	Disbursement Request	4093728	03/14/05	236151	LEX-Admin & Gen	120205	29,679.94	Walker, Joe Sheriff - REM KY, Jessamine Co PSC'04	
JT	Accrued Property Taxes	30095725	03/25/05	236151	LEX-Admin & Gen	120205	180,058.43-	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	03/25/05	236151	LEX-Admin & Gen	120205	6,906.34-	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	04/22/05	236151	LEX-Admin & Gen	120205	180,058.43-	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	04/22/05	236151	LEX-Admin & Gen	120205	6,906.34-	Accrue Property Taxes	
PV	Voucher	41048556	05/18/05	236151	LEX-Admin & Gen	120205	2,549.78	Georgetown City of-PO/REM ASSESSMENT CERTIFICATE	
JT	Accrued Property Taxes	30095725	05/20/05	236151	LEX-Admin & Gen	120205	180,058.43-	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	05/20/05	236151	LEX-Admin & Gen	120205	6,906.34-	Accrue Property Taxes	
JE	JE-Standard	30205548	06/24/05	236151	LEX-Admin & Gen	120205	180,058.43-	SABRIX NO TAX CHARGED ACR 41048556	
JT	Accrued Property Taxes	30095725	06/24/05	236151	LEX-Admin & Gen	120205	180,058.43-	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	06/24/05	236151	LEX-Admin & Gen	120205	6,906.34-	Accrue Property Taxes	
JE	JE-Standard	30206290	06/24/05	236151	LEX-Admin & Gen	120205	152.99-	REV - SABRIX JE	
JE	JE-Standard	30206603	07/22/05	236151	LEX-Admin & Gen	120205	9,003.02	SABRIX NO TAX CHARGED ACR 41048556	
JT	Accrued Property Taxes	30095725	07/22/05	236151	LEX-Admin & Gen	120205	180,058.43-	Prop Tax & PSC assessment	
PS	Disbursement Request	41135471	09/01/05	236151	LEX-Admin & Gen	120205	556,045.08	Kentucky State Treasurer	
JT	Accrued Property Taxes	30095725	09/23/05	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	10/21/05	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
PS	Disbursement Request	41192595	11/17/05	236151	LEX-Admin & Gen	120205	11,575.41	Sheriff	
PS	Disbursement Request	41192596	11/17/05	236151	LEX-Admin & Gen	120205	126,495.36	Owen County - REMIT	
JT	Accrued Property Taxes	30095725	11/18/05	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
PS	Disbursement Request	41196211	11/22/05	236151	LEX-Admin & Gen	120205	106,234.24	Scott County Sheriff	
PS	Disbursement Request	41196211	11/22/05	236151	LEX-Admin & Gen	120205	23,430.85	Scott County Sheriff	
PS	Disbursement Request	41196212	11/22/05	236151	LEX-Admin & Gen	120205	5,357.86	WOODFORD COUNTY SHERIFF D	
PS	Disbursement Request	41196212	11/22/05	236151	LEX-Admin & Gen	120205	699.52	WOODFORD COUNTY SHERIFF D	
PS	Disbursement Request	41196212	11/22/05	236151	LEX-Admin & Gen	120205	1,258.54	WOODFORD COUNTY SHERIFF D	
PS	Disbursement Request	41198419	11/28/05	236151	LEX-Admin & Gen	120205	827,582.33	Lexington-Fayette Div Of	
PS	Disbursement Request	41202765	12/01/05	236151	LEX-Admin & Gen	120205	467,975.15	Lexington-Fayette Div Of	
PS	Disbursement Request	41202766	12/01/05	236151	LEX-Admin & Gen	120205	4,775.90	Hampton, Bruce Sheriff -	
PS	Disbursement Request	41202766	12/01/05	236151	LEX-Admin & Gen	120205	1,818.39	Georgetown City of-PO/REM KY,	
PS	Disbursement Request	41202766	12/01/05	236151	LEX-Admin & Gen	120205	1,009.28	Georgetown City of-PO/REM KY,	
JT	Accrued Property Taxes	30095725	12/09/05	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30239308	12/09/05	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
PS	Disbursement Request	41229952	01/13/06	236151	LEX-Admin & Gen	120205	65,000.00-	rac add exp per R Cole	
JT	Accrued Property Taxes	30095725	01/20/06	236151	LEX-Admin & Gen	120205	38,717.04	Walker, Joe Sheriff - REM KY, Jessamine Co 2005 PS	
RI	Invoice	10062954	01/24/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	02/17/06	236151	LEX-Admin & Gen	120205	36,320.95-	Lexington-Fayette Div Of	
JE	JE-Standard	120204	03/23/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	03/24/06	236151	LEX-Admin & Gen	120205	36,320.95	Rcls MI request-Vendor 30	
JT	Accrued Property Taxes	30095725	04/21/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JE	JE-Standard	501	05/09/06	236151	LEX-Admin & Gen	120205	1,394.79	reclass 11-22-05 pymt	
PS	Disbursement Request	41312740	05/17/06	236151	LEX-Admin & Gen	120205	134,353.89	Fayette County Sheriff	
JT	Accrued Property Taxes	30095725	05/19/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	06/30/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	07/28/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	08/25/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30095725	09/29/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30095725	10/27/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30095725	12/01/06	236151	LEX-Admin & Gen	120205	195,058.43-	Prop Tax & PSC assessment	
JE	JE-Standard	30733960	12/01/06	236151	LEX-Admin & Gen	120205	39,324.32-	Adjust per 09/06 rec	trueup property

Kentucky American Water Company  
Transaction Detail for line 46  
Year to Date 2006

Do Ty	Description	Document Number	G/L Date	Obj Acct	Description	Business Unit	Amount	Explanation Alpha Name	Explanation -Remark-
JE	JE-Standard	30733960	12/01/06	236151	LEX-Admin & Gen	120205	255,000.00	Adjust per 09/06 rec	gaps in prior yrs
JE	JE-Standard	30733981	12/01/06	236151	LEX-Admin & Gen	120205	17,093.24	Adjust per 10/06rec-KY	Oct
JE	JE-Standard	30733991	12/01/06	236151	LEX-Admin & Gen	120205	17,093.24	Adjust per 10/06rec-KY	Nov
JE	JE-Standard	30754408	12/13/06	236151	LEX-Admin & Gen	120205	255,000.01	KY property 11/06 rec	reverse prior gaps
PS	Disbursement Request	41472587	12/18/06	236151	LEX-Admin & Gen	120205	579,972.52	Kentucky State Treasurer	personal property tax 06
JT	Accrued Property Taxes	30095725	01/30/04	685200	LEX-Admin & Gen	120205	212,151.67	Prop Tax & PSC assessment	
PS	Disbursement Request	40674886	02/10/04	685200	LEX-Admin & Gen	120205	147,231.16	Accrue Property Taxes	
PS	Disbursement Request	40674887	02/10/04	685200	LEX-Admin & Gen	120205	12,465.62	Sheriff	
PS	Disbursement Request	40688721	02/26/04	685200	LEX-Admin & Gen	120205	1,713.77	Scott County Sheriff	Clark County'03 Property
PS	Disbursement Request	40688722	02/26/04	685200	LEX-Admin & Gen	120205	1,196.43	Georgetown City of -PO/REM	Scott county'03 Property
JT	Accrued Property Taxes	30095725	02/27/04	685200	LEX-Admin & Gen	120205	936.61	Sadieville City of (Prop	Scott Co. 2003 Property T
JE	JE-Standard	30133177	02/27/04	685200	LEX-Admin & Gen	120205	147,231.16	Accrue Property Taxes	Sadieville 2003 Property
JT	Accrued Property Taxes	30095725	04/02/04	685200	LEX-Admin & Gen	120205	32,827.27	Adj Acc Prop Tx 02/04	
JT	Accrued Property Taxes	30095725	04/30/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	05/21/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	06/25/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	07/23/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	08/20/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	09/24/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	10/22/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	11/19/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	12/10/04	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JE	JE-Standard	30178953	12/10/04	685200	LEX-Admin & Gen	120205	183,892.66	Year End Accruals	
JE	JE-Standard	30178953	12/11/04	685200	LEX-Admin & Gen	120205	183,892.66	Year End Accruals	
PS	Disbursement Request	40919362	12/13/04	685200	LEX-Admin & Gen	120205	160,894.50	Lexington-Fayette Div Of	KY, LFUCG PSC 2004 Prop Ta
PS	Disbursement Request	40920674	12/15/04	685200	LEX-Admin & Gen	120205	22,997.43	Lexington-Fayette Div Of	KY, 2004 F/Psv PS PropTx
JT	Accrued Property Taxes	30095725	01/21/05	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	02/18/05	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	03/25/05	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	04/22/05	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	05/20/05	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
PS	Disbursement Request	41070709	06/16/05	685200	LEX-Admin & Gen	120205	959.55	Sadieville City of (Prop	KY, Sadieville 2004 Prop
JT	Accrued Property Taxes	30095725	06/24/05	685200	LEX-Admin & Gen	120205	180,058.43	Accrue Property Taxes	
JT	Accrued Property Taxes	30095725	07/22/05	685200	LEX-Admin & Gen	120205	180,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	08/19/05	685200	LEX-Admin & Gen	120205	180,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	09/23/05	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	10/21/05	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	11/18/05	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	12/09/05	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JE	JE-Standard	30239308	12/09/05	685200	LEX-Admin & Gen	120205	65,000.00	rec add exp per R Cole	
JT	Accrued Property Taxes	30095725	01/20/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
PS	Disbursement Request	41241162	01/31/06	685200	LEX-Admin & Gen	120205	832.76	Sadieville City of (Prop	KY, Sadieville 2005 RE
PS	Disbursement Request	41241162	01/31/06	685200	LEX-Admin & Gen	120205	94.91	Sadieville City of (Prop	KY, Sadieville 2005 PPT
JT	Accrued Property Taxes	30095725	02/17/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JE	JE-Standard	120204	03/23/06	685200	LEX-Admin & Gen	120205	36,320.95	Rcls MI request-Vendor 30	Prop Tax Refund
JT	Accrued Property Taxes	30095725	03/24/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	04/21/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	05/19/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	06/30/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	07/28/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JT	Accrued Property Taxes	30095725	08/25/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30095725	09/29/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	

Kentucky American Water Company  
Transaction Detail for Line 46  
Year to Date 2006

Do Ty	Description	Document Number	G/L Date	Obj Acct	Description	Business Unit	Amount	Explanation Alpha Name	Explanation -Remark-
JH	General Tax Re-Occurring JE	30095725	10/27/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JH	General Tax Re-Occurring JE	30095725	12/01/06	685200	LEX-Admin & Gen	120205	195,058.43	Prop Tax & PSC assessment	
JE	JE-Standard	30733960	12/01/06	685200	LEX-Admin & Gen	120205	39,324.32	Adjust per 09/06 rec	trueup property
JE	JE-Standard	30733960	12/01/06	685200	LEX-Admin & Gen	120205	255,000.00	Adjust per 09/06 rec	gaps in prior yrs
JE	JE-Standard	30733981	12/01/06	685200	LEX-Admin & Gen	120205	17,093.24	Adjust per 10/06rec-KY	Oct
JE	JE-Standard	30733981	12/01/06	685200	LEX-Admin & Gen	120205	17,093.24	Adjust per 10/06rec-KY	Nov
JE	JE-Standard	30754408	12/13/06	685200	LEX-Admin & Gen	120205	255,000.01	KY property 11/06 rec	reverse prior gaps
JH	General Tax Re-Occurring JE	30095725	12/31/06	685200	LEX-Admin & Gen	120205	212,151.67	Prop Tax & PSC assessment	
JE	JE-Standard	30761228	12/31/06	685200	LEX-Admin & Gen	120205	19,066.01	True up property 2006	

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 140 of 312**

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**Witness: Sheila Miller**

140. List all amounts of property taxes under dispute at December 31, 2006, and indicate the tax year and the taxing district to which each relates.

**Response:**

There are no property taxes under dispute.

For electronic version, refer to KAW\_R\_AGDR1#140\_061807.pdf



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 141 of 312**

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**Witness: Sheila Miller**

141. List all property tax refunds, by geographical area and taxing authority, by year, received in the most recent three years through 2006.

**Response:**

01/24/06      Lex-Fayette Division of Revenue      \$36,320.95      Lexington, KY.

For electronic version, refer to KAW\_R\_AGDR1#141\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 142 of 312**

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**Witness: Sheila Miller**

142. Please explain and provide all workpapers and source documents supporting the derivation of the taxable bases for Kentucky income and property taxes for 2005, 2006, and forecasted for the year ended December 31, 2007.

**Response:**

Please refer to PSCDR2 Question 45.

For electronic version, refer to KAW\_R\_AGDR1#142\_061807.pdf

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 143 of 312**

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**Witness: Sheila Miller**

143. Provide full supporting documentation, workpapers and correspondence associated with refunds of any and all taxes other than income taxes received in 2004, 2005 and 2006. Indicate which accounts were affected and the associated dollar amounts. Also describe how the Company intends to treat this item for rate case purposes.

**Response:**

See the attached documents. The above refund does not impact the forecasted test year calculations in this case.

For electronic version, refer to KAW\_R\_AGDR1#143\_061807.pdf

261 LEXINGTON  
FAYETTE  
URBAN  
COUNTY  
GOVERNMENT

481264

DIVISION OF ACCOUNTING  
200 EAST MAIN STREET, LEXINGTON, KY 40507  
PHONE NUMBER: (859) 258-3310  
SALES TAX EXEMPTION NUMBER: CT-34-100

INVOICE DT	PAYEE DOCUMENT	PAYOR DOCUMENT	ACCOUNTING	AMOUNT
11/29/05	PUBLIC SVC	02115-VR0015	115-480-000-114	36,320.95

Detach before depositing. Endorsement of attached check is acknowledgement of claims on this voucher.

CHECK AMOUNT

36,320.95

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
200 E. MAIN STREET, LEXINGTON, KY 40507

481264

NATIONAL CITY  
66-389/412

VR0015-01

2005/12/05

PAY EXACTLY \*\*\*\*36,320 DOLLARS AND 95 CENTS

\*\*\*\*36,320.95

Pay to the  
order of:

KENTUCKY AMERICAN WATER  
COMPANY / G. AKMENTINS  
3906 CHURCH ROAD  
MT. LAUREL NJ08054

*Donna Alexander Counts*

*Salitche* NON-NEGOTIABLE

NON-NEGOTIABLE

*corrected*

2004 Public Service Company										
COMPANY NAME: <u>Kennedy American Water</u>										
BILL NUMBER:	BILL DATE:	TAX DISTRICTS	REAL PROPERTY BY DISTRICTS Use SHADTAD report	REAL PROPERTY IN TAX DISTRICT #1	REAL PROPERTY BY DISTRICTS C/D	TOTAL ASSESSMENT LESS TANGIBLE LESS FULL SERVICE	COLUMN E x COLUMN F (G)	TAX RATE PER \$100 OF ASSESSED VALUE (H)	TAX G * H (I)	*PER CERTIFICATION
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
16,742,203,800	1	12,309,152,400	N/A	4,433,051,400	32.0620%	\$67,091,833.00	\$48,015,702.00	19.0400%	\$91,421.90	
16,742,203,800	2	1,421,323,500	4,433,051,400	4,433,051,400	15.7629%	\$67,091,833.00	\$21,510,961.70	PREVIOUSLY BILLED	\$16,920.98	
16,742,203,800	3	698,777,100	4,433,051,400	4,433,051,400	24.7795%	\$67,091,833.00	\$10,575,613.11	16.0000%	\$3,491.25	
16,742,203,800	4	1,098,486,500	4,433,051,400	4,433,051,400	14.9881%	\$67,091,833.00	\$16,624,998.49	2.1000%	\$18,200.98	
16,742,203,800	5	664,430,000	4,433,051,400	4,433,051,400	12.2909%	\$67,091,833.00	\$10,055,788.34	3.0400%	\$2,506.84	
16,742,203,800	6	544,862,300	4,433,051,400	4,433,051,400	0.1154%	\$67,091,833.00	\$8,246,195.94	18.4400%	\$142.75	
16,742,203,800	7	5,115,000	4,433,051,400	4,433,051,400	0.0013%	\$67,091,833.00	\$77,412.76	0.0000%	\$0.00	
16,742,203,800	8	57,000	4,433,051,400	4,433,051,400		\$67,091,833.00	\$862.66			
							\$67,091,833.00		\$132,684.70	

Total Assessment 50.00  
 Less Tangible Property 50.00  
 Less Full Service 50.00  
 Taxes Paid -169,005.65  
 Amount of Refund (\$36,320.95)

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 144 of 312**

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**Witness: Sheila Miller/Michael A. Miller**

144. Please state whether any settlements, penalties or interest resulting from audits by taxing authorities are included in expense per books in 2005, 2006 and 2007 either as incurred by the Company or as charged by American Water. If so, provide full details including the periods and issues resolved, the dollar amounts of settlement by issue, the taxing authority penalty or interest by issue, the taxing authority involved, the date of settlement, the current status of the payment, and the final resolution of the matter or status of the protest if unresolved.

**Response:**

Please see the attached schedule.

For electronic version, refer to KAW\_R\_AGDR1#144\_061807.pdf

Kentucky American Water Company  
AG Request Item 144 of 312

Doc Type	Description of Doc Type	Doc Number	YEAR	Date	BU	Business Unit	Object	Account Description	Actual Amount	Payee	Explanation
PS	Disbursement Request	40796674	2004	07/14/04	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	25.00	Lexington Fayette Urban Cty Go	LFUCG-LIT: 2003 ANNUAL REC
PS	Disbursement Request	41117928	2005	08/12/05	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	25.00	Lexington Fayette Urban Cty Go	PENALTIES
PS	Disbursement Request	41129848	2005	08/25/05	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	25.00	Lexington Fayette Urban Cty Go	Penalties
PS	Disbursement Request	41262176	2006	03/03/06	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	373.53	Lexington Fayette Urban Cty Go	Penalty
PS	Disbursement Request	41283297	2008	04/04/08	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	170.86	Lexington Fayette Urban Cty Go	KY LIT Penalty
PS	Disbursement Request	41322942	2006	06/01/06	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	25.00	Lexington Fayette Urban Cty Go	KY LIT LFUCG Penalty
PS	Disbursement Request	41429029	2006	10/20/06	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	6,939.41	Kentucky Department of Revenue	Penalty UGRLT 6/2006
PS	Disbursement Request	41429060	2006	10/20/06	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	2,764.18	Kentucky Department of Revenue	Penalty UGRLT 5/2006
PS	Disbursement Request	41430757	2006	10/23/06	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	6,522.49	Kentucky Department of Revenue	Penalty UGRLT 06/08
PS	Disbursement Request	41469145	2006	12/13/06	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	7,514.13	Kentucky Department of Revenue	Penalty UGRLT 06/08
JH	General Tax Re-Occurring JE	30711147	2007	01/31/07	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	192,700.00	Accrue P&I for Taxes	P&I Acct
JE	JE-Standard	30792586	2007	02/19/07	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	220,405.00	P&I for Abernethy A/C (Sbntx)	
JE	JE-Standard	30805744	2007	05/21/07	120105	CORP-Admin & Gen	575640	Penalties Nondeduct	(238,591.00)	Reverse P&I for Reversed Sbntx	

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 145 of 312**

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**Witness: John J. Spanos**

145. Provide hard copies of all workpapers underlying the Depreciation Study prepared by Mr. John Spanos of Gannett Fleming.

**Response:**

The attached pages set forth the workpapers underlying the Depreciation Study prepared by Mr. Spanos.

For electronic version, refer to the follow files:

KAW\_R\_AGDR1#145\_061807.pdf  
KAW\_R\_AGDR1#145\_Part1\_061807.pdf  
KAW\_R\_AGDR1#145\_Part2\_061807.pdf  
KAW\_R\_AGDR1#145\_Part3\_061807.pdf  
KAW\_R\_AGDR1#145\_Part4\_061807.pdf  
KAW\_R\_AGDR1#145\_Part5\_061807.pdf  
KAW\_R\_AGDR1#145\_Part6\_061807.pdf