

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00143**  
**ATTORNEY GENERAL'S REQUEST FOR INFORMATION**  
**Item 74 of 312**

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**Witness: Michael A. Miller**

74. Provide the twelve months-ending return on common equity for each month from January 2004 to the present.

**Response:**

The requested data is attached. For excel version of twelve months-ending return on common equity, please refer to KAW\_R\_AGDR1#74\_061807.xls.

For electronic version of this document, refer to KAW\_R\_AGDR1#74\_061807.pdf.

Kentucky American Water Company  
KAW\_R\_AGDR2#74\_061807  
12 Months ending return on common equity

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>												
NI to common	4,454,028	3,673,368	4,080,953	3,540,657	3,496,971	3,897,126	3,518,102	2,702,105	2,756,379	2,811,356	2,807,736	1,531,966
Common Equity	62,702,629	62,672,587	62,264,674	62,066,943	62,405,755	62,961,164	62,861,030	63,136,442	62,867,087	63,165,645	63,503,491	60,267,797
Return on Common Equity	7.1%	5.9%	6.6%	5.7%	5.6%	6.2%	5.6%	4.3%	4.4%	4.5%	4.4%	2.5%
<b>2005</b>												
NI to common	-435,380	-388,422	-786,436	-301,834	-2,421,006	-88,715	1,153,052	1,827,912	2,282,847	2,751,242	3,216,131	5,134,916
Common Equity	60,526,325	60,543,235	60,507,378	60,868,642	59,036,207	61,171,554	62,313,187	63,263,461	64,059,032	64,825,950	65,628,723	63,706,944
Return on Common Equity	-0.7%	-0.6%	-1.3%	-0.5%	-4.1%	-0.1%	1.9%	2.9%	3.6%	4.2%	4.9%	8.1%
<b>2006</b>												
NI to common	1,824,470	5,322,738	2,208,693	5,774,306	3,862,867	3,759,010	4,096,065	3,648,029	2,680,562	3,215,559	2,883,994	3,528,113
Common Equity	62,741,858	62,974,205	62,742,024	63,622,239	63,609,388	64,014,155	64,249,840	64,750,078	65,007,519	66,462,486	67,795,832	73,228,973
Return on Common Equity	2.9%	8.5%	3.5%	9.1%	6.1%	5.9%	6.4%	5.6%	4.1%	4.8%	4.3%	4.8%
<b>2007</b>												
NI to common	4,281,318	2,965,512	3,143,533	2,914,844	3,278,132							
Common Equity	73,187,262	73,129,635	72,552,670	72,841,065	73,134,785							
Return on Common Equity	5.8%	4.1%	4.3%	4.0%	4.5%							

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**Witness: Michael Miller**

75. Provide each and every statement or memorandum by management discussing the Company's level of earnings and/or return from January 2004 to the present.

**Response:**

The Company objects to this question on the grounds that it unduly burdensome and not relevant to this proceeding. Notwithstanding the objection the Company provides the following response. Please see the response to AGDR1#67, Exhibit 31 to the filing, Exhibit 28 to the filing, PSCDR2#51, and AGDR1#73.

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

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**Witness: Michael A. Miller**

76. Please provide the latest 3-year operating forecasts.

**Response:**

See attached document.

For the electronic version refer to KAW\_R\_AGDR1#76\_061807.pdf

KENTUCKY AMERICAN WATER ANNUAL BUSINESS PLAN 2007-2009				
	DESCRIPTION	2007 Plan	2008 Plan	2009 Plan
1	OPERATING REVENUES			
2	Water	49,330,988	50,343,869	51,217,331
3	Sewer	277,656	277,656	277,656
4	Other	1,891,356	1,891,356	1,891,356
5	Management			
6	Total	51,500,000	52,512,881	53,386,343
7	OPERATING EXPENSES			
8	Labor	5,843,056	6,076,778	6,319,848
9	Purchased Water	496,300	510,050	523,650
10	Fuel & Power	2,960,000	3,063,599	3,170,826
11	Chemicals	1,590,118	1,653,724	1,719,873
12	Waste Disposal	232,325	270,187	299,130
13	Management Fees	6,987,757	6,477,009	6,508,749
14	Group Insurance	1,653,852	1,728,792	1,813,176
15	Pensions	455,724	387,252	311,640
16	Regulatory Expense	405,531	607,390	593,052
17	Insur. Oth. Than Group	780,864	842,676	902,652
18	Customer Accounting	1,384,189	1,404,502	1,418,671
19	Rents	32,000	32,180	35,972
20	General Office Expense	478,005	474,614	476,793
21	Miscellaneous	3,037,197	3,123,348	3,205,226
22	Other	1,480,291	1,529,855	1,591,813
23	Total O&M	27,817,209	28,181,956	28,891,071
24	Depreciation	8,134,216	8,618,127	9,078,966
25	Amortization	410,580	410,580	410,580
26	General Taxes	2,854,404	2,877,363	2,900,899
27	Total Operating Exp.	39,216,408	40,088,026	41,281,516
28	Utility Operating Income	12,283,592	12,424,854	12,104,827
29	OTHER INC & DEDUCT			
30	Nonoperating Rent. Inc.			
31	Dividend Income-Common			
32	-Preferred	0	0	0
33	Interest Income	0	0	0
34	AFUDC - Equity	681,062	2,056,269	2,064,822
36	M & J & Miscell Income	0	0	0
37	Gain (Loss) on Dispos.	0	0	0
39	Tot. Other Inc. 36-44	681,062	2,056,269	2,064,822
40	Misc. Amortization	768	768	768
42	Misc. Other Deductions	277,323	261,113	268,945
43	General Taxes			
44	Tot. Oth. Deducts 46-51	278,091	261,881	269,713
45	Tot. Oth. Inc Net 45-52	402,971	1,794,388	1,795,109
46	Income Before Taxes and Interest	12,686,563	14,219,242	13,899,936
47	INTEREST CHARGES			
48	Interest Long Term Dbt	5,686,450	6,579,455	8,193,485
49	Amort Of Debt Expense	131,461	153,348	165,162
50	Int Short Term Bank Dbt	290,507	622,646	1,520,313
51	Other Interest Expense	0	0	0
52	AFUDC - Debt	(309,295)	(933,825)	(937,710)
53	Total Interest Expense	5,799,123	6,421,624	8,941,250
54	Income Before Taxes	6,887,440	7,797,618	4,958,686
55	State Income Taxes	338,324	378,673	249,296
56	Federal Income Taxes	2,402,398	2,702,902	1,751,880
57	State Income Taxes	(22,879)	(21,542)	(22,188)
58	Federal Income Taxes	(89,055)	(83,850)	(86,365)
59	Total Income Taxes	2,628,787	2,976,183	1,892,623
60	NET INCOME 54-61	4,258,653	4,821,436	3,066,063
61	Preferred Dividends	459,897	459,898	460,069
62	Net Income Common Stock	3,798,756	4,361,538	2,605,994
63	Total Common Equity	73,828,045	91,184,272	110,234,342
64	Return On Common Equity	5.15%	4.78%	2.36%
65	Common Dividends	3,073,711	3,005,311	2,555,923

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**Witness: Linda C. Bridwell**

77. Please supply a copy of the latest Ten Year Demand Forecast.

**Response:**

Please see file attached. The forecast has been summarized below. KAW does not project individual years beyond 2010 as the population projections, which are the basis for the model, are made in 5-year increments.

<b>YEAR</b>	<b>PROJECTED AVERAGE DAY DEMAND (MGD)</b>
2007	39.27
2008	39.27
2009	39.59
2010	40.59
2015	42.46
2020	44.32
2025	45.71
2030	47.08

For electronic version, refer to KAW\_R\_AGDR1#77\_061807.pdf









Category	1995	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	2025	2030	
<b>OUTSIDE COUNTIES--BULK SALES WATER DEMAND</b> MIDWAY Westford Co population projections Projected bulk consumption (mgd) MIDWAY WATER DEMAND (in MG/D) VERSAILLES Westford Co population projections Versailles projected tot. avg usage Versailles production capacity(mg/d) Versailles bulk consumption (mgd) (supplemental supply) VERSAILLES WATER DEMAND (in MG/D) (FORMER SPEARS DISTRICT CITY OF NICHOLASVILLE Assumptions: population projections Average bulk consumption (mgd) SPEARS DISTRICT WATER DEMAND (in MG/D) SOUTH ELKHORN DISTRICT South Elkhorn population projections Average bulk consumption (mgd) SOUTH ELKHORN WATER DEMAND (in MG/D) NORTH MIDDLETOWN Bourbon Co. population projections Average bulk consumption (mgd) NORTH MIDDLETOWN WATER DEMAND (in MG/D) GEORGETOWN MUNICIPAL WATER Scott Co. population projections Average bulk consumption (mgd) GEORGETOWN WATER DEMAND (in MG/D) Harrison County Water Association Harrison County population projections Average bulk consumption (mgd) HARRISON COUNTY WATER DEMAND (MG/D) BULK SALES TOTAL WATER DEMAND OUTSIDE COUNTIES...	19,884	19,078	19,800	19,826	19,855	20,270	20,595	20,524	21,263	21,632	21,885	22,344	22,865	23,033	23,208	23,416	23,823	23,831	24,038	24,246	24,454	24,661	24,869	25,078	24,607	25,598	26,529	27,070	27,810	
	0.18	0.17	0.10	0.10	0.10	0.11	0.12	0.12	0.13	0.13	0.13	0.14	0.15	0.14	0.15	0.15	0.16	0.15	0.16	0.17	0.18	0.17	0.18	0.18	0.18	0.18	0.19	0.19	0.19	0.20
	0.00	0.13	0.07	0.03	0.05	0.07	0.02	0.13	0.02	0.01	0.01	0.02	0.13	0.23	0.10	0.09	0.07	0.04	0.02	0.03	0.00	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.02	0.02
	29,811	29,838	30,610	30,550	31,291	32,215	33,028	33,921	34,775	35,628	36,481	37,334	38,188	39,041	39,795	40,650	41,444	42,256	43,063	43,833	44,292	45,120	45,948	46,776	47,528	50,893	54,469	58,079	61,689	
	0.12	0.15	0.15	0.11	0.11	0.12	0.14	0.13	0.11	0.10	0.14	0.15	0.17	0.20	0.26	0.22	0.19	0.07	0.06	0.09	0.06	0.07	0.07	0.07	0.07	0.08	0.08	0.08	0.08	
	0.12	0.15	0.15	0.11	0.11	0.12	0.14	0.13	0.11	0.10	0.14	0.15	0.17	0.20	0.26	0.22	0.19	0.07	0.06	0.09	0.06	0.07	0.07	0.07	0.07	0.08	0.08	0.08	0.08	
	29,811	29,838	30,610	30,550	31,291	32,215	33,028	33,921	34,775	35,628	36,481	37,334	38,188	39,041	39,795	40,650	41,444	42,256	43,063	43,833	44,292	45,120	45,948	46,776	47,528	50,893	54,469	58,079	61,689	
	0.25	0.23	0.41	0.37	0.32	0.36	0.38	0.40	0.38	0.40	0.41	0.42	0.43	0.51	0.52	0.54	0.64	0.64	0.58	0.64	0.57	0.57	0.57	0.59	0.60	0.64	0.69	0.72	0.75	
	0.25	0.33	0.41	0.37	0.32	0.36	0.38	0.40	0.38	0.40	0.41	0.42	0.43	0.51	0.52	0.54	0.64	0.64	0.58	0.64	0.57	0.57	0.57	0.59	0.60	0.64	0.69	0.72	0.75	
	10,168	10,095	16,277	18,228	19,248	19,273	19,298	19,298	19,310	19,323	19,335	19,348	19,360	19,375	19,385	19,390	19,395	19,400	19,405	19,410	19,415	19,420	19,425	19,430	19,435	19,440	19,445	19,450	19,455	19,460
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	22,689	23,501	22,760	25,314	23,857	24,135	24,403	25,360	26,317	27,274	27,731	28,446	30,429	31,307	33,061	34,325	35,589	36,852	38,116	39,380	40,644	41,908	43,171	44,435	44,222	40,507	54,071	59,534	64,998	
	15,722	15,807	16,195	16,246	16,422	16,585	16,769	16,942	17,116	17,289	17,463	17,636	17,810	17,983	18,156	18,330	18,503	18,677	18,850	19,023	19,196	19,369	19,542	19,715	19,888	19,774	20,403	21,288	22,173	
	0.53	0.77	0.73	0.61	0.59	0.64	0.63	0.78	0.75	0.71	0.80	0.85	1.08	1.46	1.39	1.36	1.37	1.17	1.22	1.24	1.06	1.19	1.16	1.16	1.16	1.18	1.26	1.32	1.37	1.42



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

78. Please provide a complete side-by-side presentation of the filing showing actual 2006, base period ending July 31, 2007 and forward-looking test period ending November 30, 2008.

**Response:**

The information necessary for this comparison is available at various places in the Company's filing. The comparison has not been made by KAWC.

For electronic version, refer to KAW\_R\_AGDR1#78\_061807.pdf

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**Witness: Michael A. Miller**

79. Please list all year end closing accounting entries, both internal and those made by your external auditors, for 2004, 2005 and 2006.

**Response:**

There are no designated “year-end” closing accounting entries. Entries made for December accounting are no different than those made in any other month. In addition, external auditors do not make any year-end entries. They may at times propose out of period adjustments, but no year-end closing entries.

For electronic version, refer to KAW\_R\_AGDR1#79\_061807.pdf

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**Witness: Michael Miller**

80. List each change in accounting principles made by the Company during 2003, 2004, 2005, 2006, 2007 and as forecasted for 2008.
- a. For each such change, state the revenue and/or expense or capital impact in this filing.

**Response:**

Please see the response to AGDR1#68.

2002 – none  
2003 – adopted FAS 143  
2004 – none  
2005 – Adoption of FAS 150  
2006 – none

- a. None.

For electronic version, refer to KAW\_R\_AGDR1#80\_061807.pdf

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**Witness: Michael Miller**

81. Please list all procedures the Company follows to ensure that there was a proper assignment of costs to the test year and that the test year only includes charges incurred during the test period.

**Response:**

The Company starts with the six months of actual data for the base period which is analyzed to determine expenses that are not appropriate for rate recovery and to determine the balance for rate base and capital. The Company then uses its budget to begin the process of producing the forecasted test-year filing. Discussion are held between rate department and KAWC management to determine customer growth, employee levels, capital budgets, changes in operations, etc. that may impact the rate filing. This information is then used to adjust the budget numbers to reflect the latest available data and operations of the system. Chemical and power suppliers are contacted to obtain the latest bid prices or possible changes in chemical prices and power costs in the forecasted period. The budgeted data is reviewed to make certain no one-time or non-recurring costs are included or that all costs specifically ordered by Commission to be not recovered in rates are in fact not included in the filing. The latest information regarding employee benefit costs are obtained from the actuaries. The case is then developed from this data and reviewed thoroughly by the rate department and KAWC management. The process is arduous and thorough regarding producing accurate representation of the Company's cost of service in the filing.

For electronic version, refer to KAW\_R\_AGDR1#81\_061807.pdf

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**Witness: Sheila Miller/Michael Miller**

82. Provide an accounts payable register for the entire base year. This may also sometimes be referred to as a voucher/register, distribution journal and/or a subsidiary ledger.

**Response:**

Please see attached. For electronic version of this document, refer to KAW\_R\_AGDR1#82\_061807.pdf.

For electronic version of attached documents, refer to the following files:

KAW\_R\_AGDR1#82\_Part1\_061807.pdf  
KAW\_R\_AGDR1#82\_Part2\_061807.pdf  
KAW\_R\_AGDR1#82\_Part3\_061807.pdf  
KAW\_R\_AGDR1#82\_Part4\_061807.pdf  
KAW\_R\_AGDR1#82\_Part5\_061807.pdf  
KAW\_R\_AGDR1#82\_Part6\_061807.pdf  
KAW\_R\_AGDR1#82\_Part7\_061807.pdf  
KAW\_R\_AGDR1#82\_Part8\_061807.pdf