

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

Witness: Michael A. Miller

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

Supplemental Response:

Please see the attached documents. The information includes the actual numbers for 2005 and 2006. Please note that the 2006 tax return is not completed at this time and the numbers are subject to change based on the final tax return. The information for 2007 and 2008 was the information used by the Company in arriving at the forecasted test-year filing.

For electronic version, refer to KAW_R_AGDR1#128_Supplemental_062507.pdf

Kentucky-American Water Company
Deferred Taxes and Regulatory Assets/Liabilities
Related to UPIS Investment
CASE NO: 2007-00143

Month	Change in Balances		Net Change	Deferred		Deferred FIT	Total	Regulatory
	Book Basis	Tax Basis		SIT Expense	FIT Expense			
Balance 1/07								
Feb-07	\$1,188,441	\$1,173,158	\$15,283	\$917	\$5,028	\$27,884,394	32,748,868	(4,479,670)
Mar-07	3,376,369	3,362,619	13,751	825	4,524	27,889,422	32,754,813	(4,496,142)
Apr-07	(378,818)	(433,395)	54,577	3,275	17,956	27,893,946	32,760,162	(4,511,804)
May-07	(10,315)	(90,711)	80,397	4,824	26,450	27,911,902	32,781,393	(4,531,402)
Jun-07	367,197	172,642	194,556	11,673	64,009	27,938,352	32,812,667	(4,552,045)
Jul-07	6,439,310	5,928,828	510,483	30,629	167,949	28,002,361	32,888,349	(4,573,899)
Aug-07	(2,790)	(689,961)	687,171	41,230	226,079	28,170,310	33,086,927	(4,566,418)
Sep-07	1,594,699	585,085	1,009,614	60,577	332,163	28,396,389	33,354,236	(4,560,702)
Oct-07	(1,610,308)	(2,461,219)	850,911	51,055	279,950	28,728,552	33,746,976	(4,556,314)
Nov-07	6,375,511	4,783,792	1,591,719	95,503	523,675	29,008,502	34,077,981	(4,558,811)
Dec-07	199,161	(1,960,147)	2,159,308	129,558	710,412	29,532,177	34,697,159	(4,556,486)
Jan-08	734,524	642,024	92,500	5,550	30,432	30,242,589	35,537,129	(4,548,525)
Feb-08	(158,430)	(220,486)	62,056	3,723	20,417	30,273,021	35,573,111	(4,568,089)
Mar-08	(258,000)	(258,466)	466	28	153	30,293,438	35,597,251	(4,585,922)
Apr-08	1,305,320	1,277,334	27,986	1,679	9,207	30,302,798	35,608,318	(4,609,514)
May-08	(12,656)	(21,518)	8,862	532	2,915	30,305,713	35,611,765	(4,686,501)
Jun-08	295,473	229,016	66,457	3,987	21,864	30,327,577	35,637,616	(4,738,158)
Jul-08	1,211,674	1,188,146	23,528	1,412	7,741	30,335,318	35,646,769	(4,775,672)
Aug-08	721,486	648,717	72,769	4,366	23,941	30,359,259	35,675,076	(4,822,101)
Sep-08	(54,520)	(175,142)	120,622	7,237	39,685	30,398,944	35,721,998	(4,880,787)
Oct-08	(1,473,678)	(1,600,863)	127,185	7,631	41,844	30,440,788	35,771,473	(4,958,282)
Nov-08	3,908,196	3,709,193	199,003	11,940	65,472	30,506,260	35,848,885	(5,045,986)

Forecasted Deferred Tax Expense UPIS

	\$177,643	\$974,083						
Balance Deferred Income Taxes - End of Base Period	\$4,916,618	\$28,170,310	\$33,086,927					\$28,520,509
Balance Deferred Income Taxes - End of Forecasted Period	\$5,342,626	\$30,506,260	\$35,848,885					\$30,802,899
Average Balance Deferred Income Taxes - Forecasted Period	\$5,300,963	\$30,277,805	\$35,578,768					\$30,854,190

KENTUCKY-AMERICAN WATER COMPANY
TAX BASIS WATER PROPERTY - DEPRECIATION EXPENSE
CASE NO: 2007-00143
For the Year 2007

	Jan-2007	Feb-2007	Mar-2007	Apr-2007	May-2007	Jun-2007	Jul-2007	Aug-2007	Sep-2007	Oct-2007	Nov-2007	Dec-2007	2007
TWENTY-FIVE YEAR PROPERTY													
WATER PROPERTY	-354,051	1,696,751	2,955,582	441,584	832,746	1,075,650	4,168,835	784,048	2,347,059	-872,886	2,998,734	879,246	16,853,068
BONUS DEPRECIATION	-177,026	847,876	1,428,276	220,792	416,373	537,775	2,084,418	392,024	1,173,500	-436,493	1,499,367	439,623	8,426,535
N.D.B. (LINE 6 @100%)	-177,025	847,875	1,428,276	220,792	416,373	537,775	2,084,417	392,024	1,173,529	-436,493	1,499,367	439,623	8,426,533
ACCUMULATED	-177,025	670,850	2,099,126	2,319,918	2,736,291	3,274,066	5,358,483	5,750,507	6,924,036	6,487,543	7,986,910	8,426,533	
REGULAR DEPRECIATION	-3,541	16,958	28,586	4,416	8,327	10,756	41,688	7,840	23,471	-8,730	29,987	6,792	
ACCUM DEPRECIATION	-3,541	13,417	41,993	46,399	54,726	65,482	107,170	115,010	138,481	129,751	159,738	168,530	
SEVEN YEAR PROPERTY													
OFFICE FURN. & FIX.	-1,801	79,815	656,265	10,750	15,050	19,350	19,350	19,350	30,100	32,250	16,925	17,475	914,879
N.D.B. (LINES 17-19 @100%)	-1,801	79,815	656,265	10,750	15,050	19,350	19,350	19,350	30,100	32,250	16,925	17,475	914,879
ACCUMULATED	-1,801	78,014	734,279	745,029	760,079	779,429	798,779	818,129	848,229	880,479	887,404	914,879	
DEPRECIATION	-257	11,408	93,780	1,536	2,151	2,765	2,765	2,765	4,301	4,609	2,419	2,497	
ACCUM DEPRECIATION	-257	11,149	104,928	106,465	108,616	111,381	114,146	116,911	121,212	125,821	128,240	130,737	
FIVE YEAR PROPERTY													
LIGHT TRUCKS	-40,118	0	0	0	19,852	117,658	99,280	0	0	0	0	0	196,550
CARS	-500	0	0	0	0	0	29,200	0	0	0	0	0	28,700
HEAVY TRUCKS	2,197	0	0	0	0	0	240,000	0	0	0	0	0	242,197
COMMUNICATION EQUIPMENT	907	228	228	1,500	0	0	0	0	0	0	0	0	2,858
N.D.B. (LINES 17-19 @100%)	-37,514	226	226	1,500	19,852	117,658	388,460	0	0	0	0	0	470,306
ACCUMULATED	-37,514	-37,288	-37,062	-35,562	-15,710	101,846	470,306	470,306	470,306	470,306	470,306	470,306	
DEPRECIATION	-7,503	45	45	300	3,970	23,511	73,692	0	0	0	0	0	
ACCUM DEPRECIATION	-7,503	-7,458	-7,413	-7,113	-3,143	20,368	94,060	94,060	94,060	94,060	94,060	94,060	
THREE YEAR PROPERTY													
SOFTWARE	-2,512	0	1,260	2,100	2,940	3,780	3,780	3,780	5,880	6,300	1,260	5,460	34,028
N.D.B. (LINES 17-19 @100%)	-2,512	0	1,260	2,100	2,940	3,780	3,780	3,780	5,880	6,300	1,260	5,460	34,028
ACCUMULATED	-2,512	-2,512	-1,252	848	3,788	7,568	11,348	15,128	21,008	27,308	28,568	34,028	
DEPRECIATION	-837	0	420	700	980	1,260	1,260	1,260	1,960	2,100	420	1,820	
ACCUM DEPRECIATION	-837	-837	-417	283	1,263	2,523	3,783	5,043	7,003	9,103	9,523	11,343	
REAL PROPERTY													
BUILDINGS	58,611	17,848	458,848	0	0	0	2,784,784	0	0	0	4,181,464	5,000	7,508,935
ACCUMULATED	58,611	76,459	535,307	535,307	535,307	535,307	3,320,071	3,320,071	3,320,071	3,320,071	7,501,535	7,506,635	
DEPRECIATION	1,442	438	9,328	0	0	0	32,777	0	0	0	13,422	5	
ACCUM DEPRECIATION	1,442	1,881	11,209	11,209	11,209	11,209	43,986	43,986	43,986	43,986	57,408	57,413	
TOTAL ACCUM. DEPR.	-187,722	689,002	2,249,417	2,477,161	2,908,962	3,485,029	5,721,629	6,125,518	7,328,780	6,890,266	8,435,881	8,888,618	
LESS: PROV. YEAR TO DATE	0	-15,644	48,415	268,515	513,920	813,301	1,194,976	1,949,418	2,784,638	3,920,674	4,910,538	6,673,209	
SUBTOTAL	-187,722	704,646	2,201,002	2,208,646	2,395,042	2,671,728	4,526,653	4,176,100	4,544,142	2,969,592	3,525,343	2,215,409	
REMAINING PERIODS	12	11	10	9	8	7	6	5	4	3	2	1	
MONTHLY PROV.(LINE 54)(LINE 56)	-15,644	64,059	220,100	245,405	299,380	381,675	754,442	835,220	1,139,035	989,864	1,762,672	2,215,409	8,888,618
ON CURRENT ADDITIONS													
DEPRECIATION ON PROPERTY @													
UPIS Prior to 2007	661,919	661,919	661,919	661,919	661,919	661,919	661,919	661,919	661,919	661,919	661,919	661,919	7,943,028
2007 Additions - Reg.	-15,644	64,059	220,100	245,405	299,380	381,675	754,442	835,220	1,139,035	989,864	1,762,672	2,215,409	8,888,618
2007 Additions in 2008	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DEPRECIATION	646,275	725,978	882,019	907,324	961,299	1,043,594	1,416,361	1,497,139	1,797,954	1,651,783	2,424,591	2,877,328	18,831,646
ACCUMULATED	646,275	1,372,253	2,254,272	3,161,596	4,122,886	5,166,490	6,362,951	7,679,990	8,879,925	10,529,728	12,356,416	14,283,845	
Accum Depr on 2007 Additions	-15,644	48,415	268,515	513,920	813,301	1,194,976	1,949,418	2,784,638	3,920,674	4,910,538	6,673,209	8,888,618	
Numeric Month	1	2	3	4	5	6	7	8	9	10	11	12	

Total Tax Basis Additions 25,778,815

KENTUCKY-AMERICAN WATER COMPANY
TAX BASIS WATER PROPERTY - DEPRECIATION EXPENSE
CASE NO: 2007-40143
For the Year 2008

	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008	2008
TWENTY-FIVE YEAR PROPERTY													
WATER PROPERTY	1,408,823	554,339	476,497	2,001,792	649,034	887,887	1,813,954	1,282,212	425,343	-966,497	3,331,806	0	11,865,190
BONUS DEPRECIATION													
N.D.B. (LINE 8 @100%)	1,408,823	554,339	476,497	2,001,792	649,034	887,887	1,813,954	1,282,212	425,343	-966,497	3,331,806	0	11,865,190
ACCUMULATED	1,408,823	1,963,182	2,439,689	4,441,451	5,090,485	5,978,372	7,792,326	9,074,558	9,499,881	8,533,384	11,865,190	11,865,190	0
DEPRECIATION	28,176	11,087	40,036	12,881	17,758	36,279	25,644	8,507	-19,330	66,636	0	0	0
ACCUM DEPRECIATION	28,176	39,263	48,793	88,829	101,810	119,568	155,647	181,491	189,988	170,688	237,304	237,304	0
SEVEN YEAR PROPERTY													
OFFICE FURN. & FIX.	21,500	9,628	9,628	16,046	22,464	28,882	28,882	28,882	44,926	48,136	25,674	0	284,648
N.D.B. (LINES 17-19 @100%)	21,500	9,628	9,628	16,046	22,464	28,882	28,882	28,882	44,926	48,136	25,674	0	284,648
ACCUMULATED	21,500	31,128	40,756	56,802	79,266	108,148	137,030	165,912	210,838	258,974	284,648	284,648	0
DEPRECIATION	3,072	1,376	1,376	2,293	3,210	4,127	4,127	4,127	6,420	6,878	3,689	0	0
ACCUM DEPRECIATION	3,072	4,448	5,824	8,117	11,327	15,454	19,581	23,708	30,128	37,007	40,676	40,676	0
FIVE YEAR PROPERTY													
LIGHT TRUCKS	0	14,441	14,441	24,068	33,695	43,322	43,322	43,322	67,390	72,203	38,509	0	394,713
CARS	0	0	0	0	0	0	0	0	0	0	0	0	0
HEAVY TRUCKS	0	0	0	0	0	0	0	0	0	0	0	0	0
COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
N.D.B. (LINES 17-19 @100%)	0	14,441	14,441	24,068	33,695	43,322	43,322	43,322	67,390	72,203	38,509	0	394,713
ACCUMULATED	0	14,441	28,882	52,950	86,645	129,967	173,289	216,611	284,001	356,204	394,713	394,713	0
DEPRECIATION	0	2,888	2,888	4,814	6,739	8,664	8,664	8,664	13,478	14,441	7,702	0	0
ACCUM DEPRECIATION	0	2,888	5,776	10,590	17,329	25,993	34,657	43,321	56,799	71,240	78,942	78,942	0
THREE YEAR PROPERTY													
SOFTWARE	4,200	0	0	0	0	0	0	0	0	0	0	0	4,200
N.D.B. (LINES 17-19 @100%)	4,200	0	0	0	0	0	0	0	0	0	0	0	4,200
ACCUMULATED	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
DEPRECIATION	1,400	0	0	0	0	0	0	0	0	0	0	0	0
ACCUM DEPRECIATION	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
REAL PROPERTY													
BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0	1,150,000
ACCUMULATED	0	0	0	0	0	0	0	0	0	0	0	0	1,150,000
DEPRECIATION	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCUM DEPRECIATION	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ACCUM. DEPR.	32,648	47,989	61,793	108,936	131,886	182,415	211,485	249,920	278,325	280,315	362,014	362,014	0
LESS: PROV. YEAR TO DATE	0	2,721	6,837	9,612	16,532	30,948	49,729	76,689	111,335	153,982	195,493	278,754	0
SUBTOTAL	32,648	45,278	54,956	99,324	115,354	151,467	161,756	173,231	166,990	127,333	166,521	83,260	83,260
REMAINING PERIODS	12	11	10	9	8	7	6	5	4	3	2	1	0
MONTHLY PROV.(LINE 54/LINE 66)	2,721	4,116	5,496	11,036	14,417	18,781	26,959	34,646	41,748	42,411	83,260	83,260	368,851
ON CURRENT ADDITIONS													
DEPRECIATION ON PROPERTY @													
LPIS Prior to 2007	718,177	718,177	718,177	718,177	718,177	718,177	718,177	718,177	718,177	718,177	718,177	718,177	8,618,124
2007 Additions	2,721	4,116	5,496	11,036	14,417	18,781	26,959	34,646	41,748	42,411	83,260	83,260	368,851
2007 Additions in 2008	76,601	76,601	76,601	76,601	76,601	76,601	76,601	76,601	76,601	76,601	76,601	76,601	919,212
TOTAL DEPRECIATION	797,499	798,894	800,274	805,814	808,195	813,559	821,737	829,424	836,528	837,189	878,038	878,038	9,905,187
ACCUMULATED	797,499	1,596,393	2,395,666	3,202,481	4,011,675	4,825,234	5,646,972	6,476,396	7,312,921	8,150,110	9,028,149	9,905,187	0
Accum Depr on 2008 Additions	2,721	6,837	12,332	23,368	37,785	56,566	83,526	118,172	159,919	202,330	285,591	368,851	0
Numeric Month	1	2	3	4	5	6	7	8	9	10	11	12	0

Total Tax Basis Additions 13,898,751

**Kentucky American Water
Response to AGDR1#128
Difference Tax/Book Depreciation**

	<u>Year 2005</u>	<u>Year 2006</u>
<u>Vintage</u>	<u>Depreciation</u>	<u>Depreciation</u>
1953	0	0
1960	104,988	87,366
1964	7,117	6,397
1965	14,623	13,279
1966	84,608	77,865
1967	23,107	21,492
1968	12,899	11,959
1969	0	0
1970	66,316	63,784
1971	5,575	4,966
1972	29,060	27,511
1973	19,726	17,766
1974	39,083	36,343
1975	7,860	7,169
1976	20,048	18,311
1977	26,568	24,605
1978	30,480	24,520
1979	36,544	32,909
1980	31,114	29,126
1981	0	0
1982	0	0
1983	0	0
1984	0	0
1985	0	0
1986	576	29
1987	393,005	393,628
1988	699,520	694,681
1989	462,503	461,839
1990	214,808	214,502
1991	202,339	202,203
1992	637,403	636,972
1993	369,817	369,727
1994	406,497	406,429
1995	287,350	287,030
1996	522,704	522,187
1997	383,365	383,082
1998	235,598	226,719
1999	367,489	366,785
2000	395,868	354,407
2001	363,570	339,446
2002	272,444	272,320
2003	699,370	692,423
2004	263,508	243,188
2005	250,773	890,370
2006	<u>0</u>	<u>439,802</u>
Total Tax Basis	7,988,223	8,903,137
Book Depreciation	<u>6,827,824</u>	<u>7,890,727</u>
Tax/Book Difference	1,160,399	1,012,410

Note: The 2006 numbers are preliminary The 2006 federal income tax return is not complete at this time