

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143
COMMISSION STAFF'S THIRD
SET OF INFORMATION REQUESTS
Item 27 of 54

Witness: Michael A. Miller/Sheila Miller

27. a. State the forecasted amount of asset removal costs on Kentucky-American's books as of November 30, 2008.
- b. Identify the accounts to which the accrued amounts will be recorded and state the amounts accrued to each account.
- c. Describe how the accrued amounts were determined. Show all calculations and state all assumptions used to determine the amounts.
- d. Explain what the accrued amounts represent.

Response:

- a. To the extent that this question seeks information about the level of asset removal costs reclassified per FAS 143, please see the response to PSCDR3#34. As provided in that answer, the Company reflected the amount of accumulated depreciation applicable to the net negative salvage per the Company's books at January 2007 as accumulated depreciation for ratemaking purposes. As explained in the response to PSCDR3#34, depreciation expense (including a net negative salvage component) was calculated using the currently approved depreciation rates through November 2007 and the proposed depreciation rates from December 2007 through November 2008 to arrive at the accumulated depreciation used in the filing. The Company believes this process for ratemaking purposes is consistent with the ratemaking treatment historically used and approved by the Commission.
- b. See the response to a.
- c. See the response to a.
- d. See the response to a.

For electronic version, refer to KAW_R_PSCDR3#27_071607.pdf

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Witness: Michael Miller

28. State whether the amounts currently accrued on Kentucky-American's books for asset removal costs are based upon Kentucky-American last approved depreciation study. If no, state the basis for the accrued amounts.

Response:

Yes.

For electronic version, refer to KAW_R_PSCDR3#28_071607.pdf

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Witness: Michael Miller

29. State the effect on each general ledger account to which asset removal costs are accrued if the Commission approves Kentucky-American's proposed depreciation study. Show all calculations and state all assumptions used to determine the amounts.

Response:

Please refer to the attached schedule which is the basis for the response below.

Ratemaking Entries:

680110	Depreciation Expense	\$8,232,441
108105	Accumulated Depreciation	\$8,232,441

U.S. GAAP/FAS 143 Reclassification entries:

680110	Depreciation Expense	\$8,232,441
675110	Main. Exp. ARO/NNS	\$2,398,491
108105	Accum. Depr. (FAS 143 Reclass.)	\$2,398,491
680110	Depreciation Expense (FAS 143 Reclass.)	\$2,398,491
108105	Accumulated Depreciation	\$8,232,441
256250	Reg. Liability-ARO/NNS	\$2,398,491

For electronic version, refer to KAW_R_PSCDR3#29_071607.pdf

Calculations of Estimated Depreciation and FAS 143 Reclassification Amounts
Based on Depreciation Rates Proposed in Company Filing

DEPRECIABLE GROUP (1)	ORIGINAL COST AT DECEMBER 31, 2006 (4)	Proposed Depreciation Rates	Depreciation Expense	NET SALVAGE % (3)	Negative Salvage
<u>STRUCTURES & IMPROVEMENTS</u>					
304.10 SOURCE OF SUPPLY	2,568,387.51	3.06%	78,593	-5.00%	(128,419)
304.20 POWER & PUMPING STRUCTURES	4,800,062.05	2.01%	96,481	-20.00%	(960,012)
304.30 WATER TREATMENT	8,962,557.44	1.96%	175,666	-20.00%	(1,792,511)
304.40 TRANSMISSION & DISTRIBUTION	825,967.62	4.63%	38,242	0	0
304.60 OFFICE BUILDINGS	3,991,281.60	2.10%	83,817	-50.00%	(1,995,641)
304.70 STORE, SHOP & GARAGE STRUCTURES	1,018,770.93	2.42%	24,654	0	0
304.80 MISCELLANEOUS STRUCTURES	1,563,838.35	4.38%	68,496	0	0
TOTAL ACCOUNT 304	23,730,865.50				
<u>PUMPING EQUIPMENT</u>					
311.20 ELECTRIC	9,600,980.00	2.58%	247,705	-15.00%	(1,440,147)
311.30 DIESEL	724,441.60	2.62%	18,980	-15.00%	(108,666)
311.40 HYDRAULIC	61,582.39	2.31%	1,423	-15.00%	(9,237)
TOTAL ACCOUNT 311	10,387,003.99				
320.10 PURIFICATION SYSTEM - EQUIPMENT	26,461,236.62	2.31%	611,255	-15.00%	(3,969,185)
330.10 DISTRIBUTION RESERVOIRS AND STANDPIPES	11,813,469.44	2.32%	274,072	-30.00%	(3,544,041)
331.00 MAINS & ACCESSORIES	151,503,649.02	1.70%	2,575,562	-20.00%	(30,300,730)
333.00 SERVICES	35,325,950.03	3.32%	1,172,822	-120.00%	(42,391,140)
<u>METERS</u>					
334.10 METERS	90,962.25	2.81%	2,556	-10.00%	(9,096)
334.11 BRONZE CASE	45,063.51	2.94%	1,325	-10.00%	(4,506)
334.12 PLASTIC CASE	1,444,409.44	2.96%	42,755	-10.00%	(144,441)
334.13 OTHER	6,870,500.64	2.85%	195,809	-10.00%	(687,050)
TOTAL ACCOUNT 334.1	8,450,935.84				
334.20 METER INSTALLATIONS	15,249,739.68	3.07%	468,167	-10.00%	(1,524,974)
335.00 FIRE HYDRANTS	10,147,784.89	1.77%	179,616	-25.00%	(2,536,946)
339.10 OTHER SOURCE OF SUPPLY PLANT	3,838.00	28.14%	1,080	0	0
<u>OFFICE FURNITURE & EQUIPMENT</u>					
340.10 FURNITURE	701,103.19	10.43%	73,125	0	0
340.21 MAINFRAME	50,239.84	9.49%	4,768	0	0
340.22 PERSONAL COMPUTERS	1,509,960.66	14.31%	216,075	0	0
340.23 PERIPHERAL-OTHER	497,999.21	25.39%	126,442	0	0
340.30 COMPUTER SOFTWARE	4,551,309.57	10.33%	470,150	0	0
340.32 COMPUTER SOFTWARE-PERSONAL	638,669.14	0.00%	0	0	0
340.33 COMPUTER SOFTWARE-OTHER	528,219.88	26.38%	139,344	0	0
340.50 OTHER	178,703.11	9.77%	17,459	0	0
TOTAL ACCOUNT 340	8,656,204.60				
<u>TRANSPORTATION EQUIPMENT</u>					
341.10 LIGHT DUTY TRUCKS	1,718,376.55	8.10%	139,189	-20.00%	(343,675)
341.20 HEAVY DUTY TRUCKS	783,375.60	7.17%	56,168	-15.00%	(117,506)
341.30 AUTOS	180,201.94	13.58%	24,471	-15.00%	(27,030)
341.40 OTHER	135,681.17	6.51%	8,833	0	0
TOTAL ACCOUNT 341	2,817,635.26				
342.00 STORES EQUIPMENT	35,546.95	6.51%	2,314	0	0
343.00 TOOLS, SHOP AND GARAGE EQUIPMENT	1,421,289.04	6.43%	91,389	0	0
344.00 LABORATORY EQUIPMENT	843,098.99	8.06%	67,954	0	0
345.00 POWER OPERATED EQUIPMENT	1,589,810.84	4.68%	74,403	-25.00%	(397,453)
346.10 COMMUNICATION EQUIPMENT - NON-TELEPHONE	1,931,144.48	6.91%	133,442	0	0
347.00 MISCELLANEOUS EQUIPMENT	1,262,276.87	5.61%	70,814	0	0
348.00 OTHER TANGIBLE PROPERTY	138,484.58	6.00%	8,309	0	0
TOTAL DEPRECIABLE PLANT	319,004,743.93		8,232,441		(92,940,843)

Estimated Ratio of Net Negative Salvage 29.13%

FAS 143 Net Negative Salvage Reclassification Based on Proposed Depreciation Rates 2,398,491

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Witness: Michael Miller

30. If the amounts accrued on Kentucky-American's books for asset removal costs are not based upon a depreciation study, explain why the negative salvage/cost of removal included in the depreciation study should not be based on the amounts that are booked by Kentucky-American.

Response:

The asset removal costs (FAS 143 ARO/NNS) accrued on the Company's books are based on the current depreciation rates of the Company as approved and supported by the depreciation study in case number 95-554.

For electronic version, refer to KAW_R_PSCDR3#30_071607.pdf

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Witness: Michael Miller

31. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 230(a).
- a. State whether Kentucky-American has ever determined that removal costs were not recovered.
 - b. If yes, describe how Kentucky-American determined the unrecovered amounts and state whether Kentucky-American established a regulatory asset to provide for rate recovery.

Response:

- a. The Company has not determined that removal costs are not recovered (in rates). The Company's current depreciation rates (and proposed depreciation rates) include an estimate of the cost of removal when those assets are retired and that estimated cost of removal is recovered over the average remaining life of those assets (by asset class). As indicated in the response to PSCDR3#23 most regulatory commissions set depreciation rates in this manner because they best match the rate recovery of the asset cost (including estimated net negative salvage) to the customers receiving service from those assets.
- b. N/A.

For electronic version, refer to KAW_R_PSCDR3#31_071607.pdf

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Witness: Michael Miller

32. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 230(b).
- a. State how the amounts reclassified from negative salvage to operation expenses are determined.
 - b. State whether the amounts reclassified to operation expenses are charged to and included in the accumulated depreciation balance.

Response:

- a. The calculations are attached to the response to AGDR1#228. The ratio of net negative salvage for each utility plant account (as included and approved by the Commission for the Company's current depreciation expense/rates) is applied to the monthly depreciation expense by utility plant to determine the total amount of depreciation expense reclassified to maintenance expense as prescribed by FAS 143.
- b. As described in the response to PSCDR3#27, for ratemaking purposes the answer is yes. The total depreciation expense as approved by the Commission is charged to accumulated depreciation.

For U.S. GAAP financial statement presentation, the estimate of net negative salvage embedded in the depreciation expense is then reclassified to maintenance expense (from depreciation expense) and to regulatory liability-ARO/NNS (from accumulated depreciation). Please see the sample journal entries provided in the response to PSCDR3#29.

For electronic version, refer to KAW_R_PSCDR3#32_071607.pdf

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Witness: Michael Miller

33. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 230(c). Define "reclassification."

Response:

Please see the response to PSCDR3#29 for the sample journal entries which explain the reclassification. Reclassification as used in the response referenced above means that the estimate of net negative salvage embedded in the depreciation expense (and the corresponding credit to accumulated depreciation) approved by the Commission is reclassified on the Company's books to comply with FAS 143 and U.S. GAAP. The reclassification does not, and in the Company's opinion should not, impact ratemaking depreciation expense or the rate base reduction for accumulated depreciation.

For electronic version, refer to KAW_R_PSCDR3#33_071607.pdf

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Witness: Michael Miller/Sheila Miller

34. a. Provide the accumulated depreciation accounts as included in Kentucky-American's general ledger as of December 31, 2006. Indicate which accounts are designated as an accumulation of depreciation expense, cost of asset removal or any others.
- b. Provide the information requested in Item 34(a) for the forecasted period ending November 30, 2008.

Response:

- | | <u>Rate Classification</u> |
|--|-----------------------------------|
| a. 108105 – accumulated depreciation | Accum. Depr. |
| 108110 – removal cost | Cost of Removal |
| 108115 – salvage | Salvage |
| 108120 – scrap meters | Salvage |
| 108122 – scrap misc | Salvage |
| 108135 – salvage trade-in | Salvage |
| 108140 – salvage sale | Salvage |
| 108145 – acc. Depr- original cost | Accum. Depr. |
| 256250 – reg. liability – ARO/NNS | Accum. Depr. |
| b. Please see the response to PSCDR3#36. The forecasted test-year accumulated depreciation was arrived at in the revised filing as follows: | |
| 1. The net negative salvage recovered in the depreciation rates currently approved by the Commission and reclassified on the books in accordance with FAS 143 (account 256250) was included in accumulated depreciation for rate making purposes as of January, 2007, the actual base period. The beginning accumulated depreciation balances at January 2007 as provided in response to PSCDR3#36 and in the electronic filing at KAW_R_AGDR1#46_RB07_061807.xls include the FAS 143 reclassification of accumulated depreciation of \$8,672,194. | |
| 2. The currently approved depreciation rates were applied to the monthly utility plant balances from February 2007 to November 2007 to calculate the depreciation expense which was credited to accumulated depreciation. | |
| 3. The depreciation rates requested by the Company and supported by the depreciation study prepared by Mr. Spanos were applied to the | |

utility plant balances for the attrition period to arrive at the depreciation expense for the attrition year and were credited to arrive at the accumulated depreciation balances used in the attrition year.

4. The Company did not estimate any cost of removal expense for the period beginning with February 2007 through November 2008. If the Company had done so those adjustments would have been debited to the accumulated depreciation expense and increased the rate base requested in this case.

For electronic version, refer to KAW_R_PSCDR3#34_071607.pdf

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Witness: Michael Miller

35. a. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 238. Explain the phrase "reclassified the regulatory liability at January 2007 to accumulated depreciation."
- b. State whether Kentucky-American's books currently have a regulatory liability with a credit balance and an accumulated depreciation debit balance to account for asset removal costs as reflected in Kentucky-American's Response to AG's First Set of Information Requests, Item 228, page 2 of 26.

Response:

- a. For purposes of this answer the Company assumes the question refers to the response to AGDR1#233. Please see the responses to PSCDR3#27 and PSCDR3#34.
- b. Yes, for book presentation under U.S. GAAP.

For electronic version, refer to KAW_R_PSCDR3#35_071607.pdf

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Witness: Sheila Miller

36. Refer to Kentucky-American's Application, Exhibit 37B (Revised), page 3 of 108.
- a. Provide a schedule or workpaper reference that shows where the accumulated depreciation balance of \$98,709,036 can be found.
 - b.
 - (1) State whether the \$98,709,036 reflects a debit balance for asset removal costs.
 - (2) If yes, state the amount of the credit and state its location in Kentucky-American's workpapers or schedules.

Response:

- a. See attached schedules. This information is also available on the electronic filing of the rate case in response to KAW_R_AGDR1#46_RB07_061807.xls. Refer to the following tabs at cell BU68:

WPS RB Lexington	\$94,812,587
WPS RB Tri Village	\$ 1,904,471
WPS RB Elk Lake	\$ 56,505
WPS RB Owenton	\$ 1,935,477
Total	\$98,709,040 (difference due to rounding)

- b.
 - (1) No.
 - (2) N/A

For electronic version, refer to KAW_R_PSCDR3#36_071607.pdf

SEE COLUMN DW

	Reserve Balance January-2007	Months of Feb-2007 Depr Exp	Retirements	Net Salvage/ (COR)	Balance February-2007	Five Months Ended Jul-2007 Depr Exp	Retirements	Net Salvage/ (COR)	Balance July-2007
INTANGIBLE PLANT									
ORGANIZATION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT									
LAND AND LAND RIGHTS - SS	(4,632)	5,490	0	0	858	27,452	0	0	28,310
STRUCTURES AND IMPROVEMENTS	314,321	1,894	0	0	316,185	9,318	0	0	325,503
COLLECTING AND IMPOUNDING RESERVOIRS	87,262	1,006	0	0	88,268	5,029	0	0	93,297
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	807,539	4,690	0	0	912,229	23,448	0	0	935,677
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	1,503,683	9,278	0	0	1,592,961	57,900	0	0	1,650,861
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	124,034	1,998	0	0	126,432	7,991	0	0	134,423
ELECTRIC PUMPING EQUIPMENT	5,092,211	29,222	0	0	5,121,433	163,469	5,000	(4,000)	5,279,502
DIESEL PUMPING EQUIPMENT	155,129	1,859	0	0	156,988	49,661	0	0	206,649
PUMP EQUIPMENT HYDRAULIC	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 8,260,348	\$ 55,007	\$ 0	\$ 0	\$ 8,315,355	\$ 344,268	\$ 5,000	\$ (4,000)	\$ 8,654,223
WATER TREATMENT PLANT									
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	1,491,538	13,121	250	(25)	1,504,384	129,958	1,000	(100)	1,633,253
WATER TREATMENT EQUIPMENT	12,439,788	80,905	24,000	(4,000)	12,491,793	417,000	(4,000)	(800)	12,904,001
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 13,931,326	\$ 93,926	\$ 24,250	\$ (4,025)	\$ 13,996,177	\$ 546,977	\$ 5,000	\$ (900)	\$ 14,537,254
TRANSMISSION AND DISTRIBUTION PLANT									
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0
T&D STRUCTURES & IMP.	315,448	3,667	0	0	319,115	16,335	0	0	337,450
DISTRIBUTION RESERVOIRS AND STANDPIPES	2,102,087	18,770	0	0	2,120,857	116,328	0	0	2,237,185
TRANSMISSION AND DISTRIBUTION MAINS	20,580,663	146,161	14,100	(564)	20,712,160	798,637	236,900	(9,476)	21,265,421
SERVICES	13,452,562	124,077	3,471	(5,518)	13,567,650	650,354	45,119	(71,739)	14,101,146
METERS	477,877	18,617	1,546	58	495,106	137,704	20,088	752	613,482
METER INSTALLATIONS	4,185,921	39,830	0	0	4,216,659	196,441	0	0	4,373,100
HYDRANTS	2,531,758	21,946	240	(86)	2,553,378	116,431	3,120	(1,123)	2,665,566
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 43,646,316	\$ 364,076	\$ 19,357	\$ (6,110)	\$ 43,984,925	\$ 1,955,230	\$ 305,238	\$ (81,586)	\$ 45,593,331
GENERAL PLANT									
OFFICE STRUCTURES AND IMPROVEMENTS	1,091,606	11,995	0	0	1,103,601	60,478	0	0	1,164,079
OFFICE FURNITURE AND EQUIPMENT	7,937,016	128,813	4,179	410	8,066,089	637,719	54,768	5,367	8,646,378
TRANSPORTATION EQUIPMENT	2,218,523	31,200	0	0	2,249,723	198,632	230,000	62,813	2,281,368
STORES EQUIPMENT	29,728	115	0	0	29,843	575	0	0	30,418
TOOLS, SHOP AND GARAGE EQUIPMENT	590,683	8,441	1,965	0	597,159	50,341	15,545	0	639,955
LABORATORY EQUIPMENT	589,217	7,691	600	(18)	596,260	42,873	3,300	(89)	635,654
POWER OPERATED EQUIPMENT	611,763	11,448	0	0	623,211	57,240	0	0	680,451
COMMUNICATION EQUIPMENT	561,069	7,701	0	0	568,770	36,593	0	0	607,363
MISCELLANEOUS EQUIPMENT	209,781	4,639	0	0	214,420	23,489	150	0	237,459
OTHER TANGIBLE PROPERTY	283,948	2,402	0	0	286,350	12,010	0	0	298,360
BOONSBORO ACQUISITION (WATER ONLY)	447,969	0	0	0	447,969	0	0	0	447,969
TOTAL GENERAL	\$ 14,571,303	\$ 212,435	\$ 6,744	\$ 382	\$ 14,777,388	\$ 1,129,950	\$ 303,763	\$ 68,081	\$ 15,671,654
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 80,469,293	\$ 725,444	\$ 50,351	\$ (10,543)	\$ 81,073,844	\$ 4,016,425	\$ 619,081	\$ (14,805)	\$ 84,456,462
	80,469,293								

	Two Months Ended Sep 2007	For the Month ended Oct 2007	For the Month ended Nov 2007	Balance	Balance	Balance	Net	Net	Balance
	Depr Exp	Retirements	Depr Exp	Retirements	Depr Exp	Retirements	Salvage/ (COR)	Salvage/ (COR)	November-2007
301000	0	0	0	0	0	0	0	0	0
302000	0	0	0	0	0	0	0	0	0
303000	0	0	0	0	0	0	0	0	0
309000	0	0	0	0	0	0	0	0	0
310100	0	0	0	0	0	0	0	0	0
311200	0	0	0	0	0	0	0	0	0
311300	0	0	0	0	0	0	0	0	0
311400	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
303200	10,981	0	5,480	0	38,094	0	0	0	82,875
304100	3,727	0	3,727	0	1,864	0	0	0	332,950
305000	2,012	0	1,006	0	96,315	0	0	0	97,321
309000	9,379	0	4,690	0	949,746	0	0	0	954,436
303300	0	0	0	0	0	0	0	0	0
304200	19,408	0	9,704	0	1,679,973	0	0	0	1,689,677
310100	3,196	0	1,588	0	139,217	0	0	0	140,615
311200	60,235	0	30,261	0	5,369,988	0	0	0	5,399,902
311300	6,415	0	3,207	0	216,271	0	0	0	219,478
311400	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 115,353	\$ 0	\$ 57,820	\$ 0	\$ 8,827,398	\$ 0	\$ 0	\$ 0	\$ 8,917,463
303400	0	0	0	0	0	0	0	0	0
304300	30,395	0	15,197	0	1,663,648	0	0	0	1,709,762
320100	162,698	0	81,349	0	13,148,048	0	0	0	13,229,397
0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 193,093	\$ 0	\$ 96,546	\$ 0	\$ 14,826,893	\$ 0	\$ 0	\$ 0	\$ 14,939,159
303500	7,334	0	3,667	0	348,451	0	0	0	352,118
304400	39,770	0	19,632	0	2,296,587	0	0	0	2,316,229
331001	312,284	161,500	156,171	77,500	21,485,316	72,470	(2,699)	0	21,579,694
333000	256,067	33,550	130,475	9,255	14,376,023	126,910	(14,716)	0	14,481,762
334130	47,726	559	26,900	4,123	668,823	23,826	154	0	689,680
334200	62,285	0	31,312	0	4,466,687	0	0	0	4,497,775
335000	44,185	2,320	22,809	240	2,729,080	22,438	(374)	0	2,750,164
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 769,652	\$ 212,315	\$ 391,056	\$ 91,110	\$ 46,372,777	\$ 398,308	\$ (17,035)	\$ 0	\$ 46,667,303
GENERAL PLANT	23,931	39,238	11,966	8,915	1,199,975	11,966	0	0	1,211,942
OFFICE STRUCTURES AND IMPROVEMENTS	253,649	0	127,847	0	8,866,039	127,847	1,248	0	9,101,880
OFFICE FURNITURE AND EQUIPMENT	55,102	0	32,551	0	2,379,021	32,551	0	0	2,411,572
TRANSPORTATION EQUIPMENT	230	0	115	0	30,763	115	0	0	30,878
STORES EQUIPMENT	20,180	9,795	9,781	405	659,656	9,260	0	0	666,901
TOOLS, SHOP AND GARAGE EQUIPMENT	15,697	0	7,848	0	659,399	7,848	0	0	667,247
LABORATORY EQUIPMENT	22,896	0	11,448	0	714,795	11,448	0	0	726,243
POWER OPERATED EQUIPMENT	15,405	0	7,703	0	630,471	7,703	0	0	638,174
COMMUNICATION EQUIPMENT	9,278	0	4,639	0	251,376	4,639	0	0	256,015
MISCELLANEOUS EQUIPMENT	4,004	0	2,402	0	305,566	2,402	0	0	307,968
OTHER TANGIBLE PROPERTY	0	0	0	0	447,969	0	0	0	447,969
BOONSBORO ACQUISITION (WATER ONLY)	431,372	49,033	216,300	9,300	16,265,631	214,658	1,248	0	16,466,789
TOTAL GENERAL	\$ 1,509,470	\$ 261,349	\$ 761,722	\$ 100,499	\$ 86,292,698	\$ 816,299	\$ (16,587)	\$ 0	\$ 86,990,774
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 556,235	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 1,509,470	\$ 261,349	\$ 761,722	\$ 100,499	\$ 86,292,698	\$ 816,299	\$ (16,587)	\$ 0	\$ 86,990,774

	July-07		November-08		Month of Feb 2007 Depr Exp	Retirements	Net Salvage/ (COR)	February-2007		Five Months Ended Jul 2007 Depr Exp	Retirements	Net Salvage/ (COR)	July-2007	
	Reserve Balance	January-2007	Reserve Balance	January-2007				Balance	July-2007				Balance	July-2007
INTANGIBLE PLANT														
ORGANIZATION														
FRANCHISE/CONSENTS														
OTHE PIE INTANGIBLES														
OTHER PIE COMPREHENSIVE STUDIES														
TOTAL INTANGIBLES	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
SOURCE OF SUPPLY AND PUMPING PLANT														
LAND AND LAND RIGHTS - SS														
STRUCTURES AND IMPROVEMENTS	57,068		1,158					59,026		5,788			64,814	2,315
COLLECTING AND IMPOUNDING RESERVOIRS														
LAKE, RIVER AND OTHER INTAKES														
WELLS AND SPRINGS														
SUPPLY MAINS														
LAND AND LAND RIGHTS - PUMPING														
STRUCTURES AND IMPROVEMENTS														
BOILER PLANT EQUIPMENT														
OTHER POWER PRODUCTION EQUIPMENT														
ELECTRIC PUMPING EQUIPMENT	16,596		392				16,988		1,951				18,949	785
DIESEL PUMPING EQUIPMENT														
OTHER PUMPING EQUIPMENT														
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 74,464	\$ 1,550	\$ 1,550	\$ 76,014	\$ 7,749	\$ 7,749	\$ 83,763	\$ 3,100						
WATER TREATMENT PLANT														
LAND AND LAND RIGHTS														
STRUCTURES AND IMPROVEMENTS	21,990		251				22,241		1,254				23,495	502
WATER TREATMENT EQUIPMENT	6,741		173				6,914		865				7,779	346
WATER TREATMENT - GAC														
TOTAL WATER TREATMENT	\$ 28,731	\$ 424	\$ 424	\$ 29,155	\$ 2,119	\$ 2,119	\$ 31,274	\$ 848						
TRANSMISSION AND DISTRIBUTION PLANT														
LAND AND LAND RIGHTS														
T&D STRUCTURES & IMP.	2,893		104				2,997		521				3,518	208
DISTRIBUTION RESERVOIRS AND STANDPIPE	112,325		1,574				113,900		7,872				121,772	3,149
TRANSMISSION AND DISTRIBUTION MAINS	333,640		3,032				336,672		31,206				367,878	6,642
SERVICES	16,746		451		88		17,110		2,819		1,139		18,790	1,052
METERS	46,805		1,252		6		48,051		6,580		76		54,558	2,565
METER INSTALLATIONS	1,462		23				1,505		140				1,645	45
HYDRANTS	859		27				886		242				1,128	40
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 514,753	\$ 6,463	\$ 6,463	\$ 521,122	\$ 49,380	\$ 49,380	\$ 569,290	\$ 13,721						
GENERAL PLANT														
STORES SHOP & GARAGE LAND														
STRUCTURES AND IMPROVEMENTS	591		12				603		56				659	22
OFFICE FURNITURE AND EQUIPMENT	6,507		476		2		6,981		100,211		25		107,168	2,602
TRANSPORTATION EQUIPMENT	1,697		154				1,851		769				2,620	307
STORES EQUIPMENT														
TOOLS, SHOP AND GARAGE EQUIPMENT	848		38				886		192				1,078	77
LABORATORY EQUIPMENT														
POWER OPERATED EQUIPMENT	4,670		272				4,942		1,358				6,300	543
COMMUNICATION EQUIPMENT	356		11				367		54				421	22
MISCELLANEOUS EQUIPMENT	792		22				814		108				922	43
OTHER TANGIBLE PROPERTY														
ACQUISITION	834,073		0				834,073		0				834,073	0
TOTAL GENERAL	\$ 849,533	\$ 985	\$ 985	\$ 850,516	\$ 102,748	\$ 102,748	\$ 953,240	\$ 3,616						
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 1,467,481	\$ 9,422	\$ 9,422	\$ 1,476,807	\$ 161,996	\$ 161,996	\$ 1,637,568	\$ 21,285						

	Balance November-2007		For the Month ended Dec 2007		Balance December-2007		For the Month ended Jan 2008		Balance January-2008		For the Month Depr Exp
	Depr Exp	Retirements	Depr Exp	Retirements	Depr Exp	Retirements	Depr Exp	Retirements	Depr Exp	Retirements	
INTANGIBLE PLANT											
ORGANIZATION	0	0	0	0	0	0	0	0	0	0	0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0	0
OTHE PIE INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT											
LAND AND LAND RIGHTS - SS											
STRUCTURES AND IMPROVEMENTS	69,445	0	1,128	0	70,573	0	1,128	0	71,701	0	1,128
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0	0
LAND AND LAND RIGHTS - PUMPING											
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	20,518	0	273	0	20,791	0	273	0	21,064	0	273
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 89,963	\$ 1,401	\$ 1,401	\$ 91,364	\$ 1,401	\$ 92,765	\$ 1,401	\$ 92,765	\$ 1,401	\$ 1,401	\$ 1,401
WATER TREATMENT PLANT											
LAND AND LAND RIGHTS											
STRUCTURES AND IMPROVEMENTS	24,499	0	275	0	24,774	0	275	0	25,049	0	275
WATER TREATMENT EQUIPMENT	8,471	0	99	0	8,570	0	99	0	8,669	0	99
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 32,970	\$ 374	\$ 374	\$ 33,344	\$ 374	\$ 33,344	\$ 374	\$ 33,344	\$ 33,718	\$ 374	\$ 374
TRANSMISSION AND DISTRIBUTION PLANT											
LAND AND LAND RIGHTS											
T&D STRUCTURES & IMP.	3,934	85	4,019	85	4,019	85	4,019	85	4,104	85	85
DISTRIBUTION RESERVOIRS AND STANDPIPE:	128,069	1,660	129,729	1,660	129,729	1,660	129,729	1,660	131,389	1,660	1,660
TRANSMISSION AND DISTRIBUTION MAINS	381,092	4,644	385,736	4,644	385,736	4,644	385,736	4,644	392,167	4,644	4,644
SERVICES	19,613	460	19,781	460	19,781	460	19,781	460	20,220	460	460
METERS	59,663	954	60,598	954	60,598	954	60,598	954	61,532	954	954
METER INSTALLATIONS	1,742	37	1,779	37	1,779	37	1,779	37	1,819	37	37
HYDRANTS	1,208	14	1,222	14	1,222	14	1,222	14	1,249	14	14
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 595,322	\$ 7,654	\$ 7,654	\$ 602,855	\$ 7,654	\$ 602,855	\$ 7,654	\$ 602,855	\$ 612,482	\$ 7,654	\$ 7,654
GENERAL PLANT											
STORES SHOP & GARAGE LAND											
STRUCTURES AND IMPROVEMENTS	705	12	717	12	717	12	717	12	729	12	12
OFFICE FURNITURE AND EQUIPMENT	112,344	6,580	118,918	6,580	118,918	6,580	118,918	6,580	125,265	6,580	6,580
TRANSPORTATION EQUIPMENT	3,235	83	3,318	83	3,318	83	3,318	83	3,401	83	83
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	1,231	35	1,266	35	1,266	35	1,266	35	1,301	35	35
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	7,387	139	7,526	139	7,526	139	7,526	139	7,665	139	139
COMMUNICATION EQUIPMENT	465	16	481	16	481	16	481	16	497	16	16
MISCELLANEOUS EQUIPMENT	1,009	25	1,034	25	1,034	25	1,034	25	1,062	25	25
OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0	0	0	0	0
ACQUISITION	834,073	0	834,073	0	834,073	0	834,073	0	834,073	0	834,073
TOTAL GENERAL	\$ 960,448	\$ 6,890	\$ 7	\$ 967,332	\$ 6,890	\$ 974,992	\$ 6,890	\$ 974,992	\$ 974,992	\$ 6,890	\$ 6,890
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 1,678,703	\$ 16,519	\$ 318	\$ 1,694,906	\$ 16,519	\$ 1,713,957	\$ 16,519	\$ 1,713,957	\$ 1,713,957	\$ 16,519	\$ 16,519

	Retirements	Balance	Depr Exp	Retirements	Balance	Depr Exp	Retirements	Balance	Depr Exp	Retirements	Net Salvager/ (COR)
INTANGIBLE PLANT											
ORGANIZATION	0	0	0	0	0	0	0	0	0	0	0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0
SOURCE OF SUPPLY AND PUMPING PLANT											
LAND AND LAND RIGHTS - SS	0	72,829	1,128	0	73,957	1,128	0	73,957	1,128	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0	0
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	0	21,337	273	0	21,610	273	0	21,610	273	0	0
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	0	94,166	1,401	0	95,567	1,401	0	95,567	1,401	0	0
WATER TREATMENT PLANT											
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	25,324	275	0	25,599	275	0	25,599	275	0	0
WATER TREATMENT EQUIPMENT	0	8,768	99	0	8,867	99	0	8,867	99	0	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	0	34,092	374	0	34,466	374	0	34,466	374	0	0
TRANSMISSION AND DISTRIBUTION PLANT											
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0
T&D STRUCTURES & IMP.	0	4,189	85	0	4,274	85	0	4,274	85	0	0
DISTRIBUTION RESERVOIRS AND STANDPIPE	0	133,049	1,660	0	134,709	1,660	0	134,709	1,660	0	0
TRANSMISSION AND DISTRIBUTION MAINS	0	398,598	6,431	0	405,029	6,431	0	405,029	6,431	0	0
SERVICES	0	20,659	439	0	21,098	439	0	21,098	439	0	0
METERS	0	62,466	934	0	63,400	934	0	63,400	934	0	0
METER INSTALLATIONS	0	1,863	40	0	1,903	40	0	1,903	40	0	0
HYDRANTS	0	1,276	27	0	1,303	27	0	1,303	27	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	0	622,102	9,616	0	631,718	9,616	0	631,718	9,616	0	0
GENERAL PLANT											
STORES SHOP & GARAGE LAND	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	741	12	0	753	12	0	753	12	0	0
OFFICE FURNITURE AND EQUIPMENT	0	133,612	7,347	0	140,959	7,347	0	140,959	7,347	0	0
TRANSPORTATION EQUIPMENT	0	3,484	83	0	3,567	83	0	3,567	83	0	0
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	1,336	35	0	1,371	35	0	1,371	35	0	0
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	7,804	139	0	7,943	139	0	7,943	139	0	0
COMMUNICATION EQUIPMENT	0	513	16	0	529	16	0	529	16	0	0
MISCELLANEOUS EQUIPMENT	0	1,090	28	0	1,118	28	0	1,118	28	0	0
OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0	0	0	0	0
ACQUISITION	0	834,073	0	0	834,073	0	0	834,073	0	0	0
TOTAL GENERAL	0	982,652	7,660	0	990,312	7,660	0	990,312	7,660	0	0
TOTAL ACCUM. DEPRECIATION RESERVE	0	1,733,012	19,051	0	1,752,063	19,051	0	1,752,063	19,051	0	0

\$0
 \$0
 \$0

	Balance April-2008	For the Month ended May 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance May-2008	For the Month ended Jun 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance June-2008	For the Month Depr Exp
INTANGIBLE PLANT										
ORGANIZATION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT										
LAND AND LAND RIGHTS - SS	\$ 75,085	\$ 1,128	\$ 0	\$ 0	\$ 76,213	\$ 1,128	\$ 0	\$ 0	\$ 77,341	\$ 1,128
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	21,883	273	0	0	22,156	273	0	0	22,429	273
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 96,968	\$ 1,401	\$ 0	\$ 0	\$ 98,369	\$ 1,401	\$ 0	\$ 0	\$ 99,770	\$ 1,401
WATER TREATMENT PLANT										
LAND AND LAND RIGHTS	\$ 25,874	\$ 275	\$ 0	\$ 0	\$ 26,149	\$ 275	\$ 0	\$ 0	\$ 26,424	\$ 275
STRUCTURES AND IMPROVEMENTS	8,966	99	0	0	9,065	99	0	0	9,164	99
WATER TREATMENT EQUIPMENT	0	0	0	0	0	0	0	0	0	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 34,840	\$ 374	\$ 0	\$ 0	\$ 35,214	\$ 374	\$ 0	\$ 0	\$ 35,588	\$ 374
TRANSMISSION AND DISTRIBUTION PLANT										
LAND AND LAND RIGHTS	\$ 4,359	\$ 85	\$ 0	\$ 0	\$ 4,444	\$ 85	\$ 0	\$ 0	\$ 4,529	\$ 85
T&D STRUCTURES & IMP.	136,369	1,660	0	0	138,029	1,660	0	0	139,689	1,660
DISTRIBUTION RESERVOIRS AND STANDPIPE:	411,460	6,431	0	0	417,891	6,431	0	0	424,322	6,431
TRANSMISSION AND DISTRIBUTION MAINS	21,537	439	0	0	21,976	439	0	0	22,415	439
SERVICES	64,334	934	0	0	65,268	934	0	0	66,202	934
METERS	1,943	40	0	0	1,983	40	0	0	2,023	40
METER INSTALLATIONS	1,330	27	0	0	1,357	27	0	0	1,384	27
HYDRANTS	0	0	0	0	0	0	0	0	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 641,334	\$ 9,616	\$ 0	\$ 0	\$ 650,950	\$ 9,616	\$ 0	\$ 0	\$ 660,566	\$ 9,616
GENERAL PLANT										
STORES SHOP & GARAGE LAND	\$ 765	\$ 12	\$ 0	\$ 0	\$ 777	\$ 12	\$ 0	\$ 0	\$ 789	\$ 12
STRUCTURES AND IMPROVEMENTS	146,305	7,347	0	0	153,653	7,347	0	0	161,000	7,347
OFFICE FURNITURE AND EQUIPMENT	3,650	83	0	0	3,733	83	0	0	3,816	83
TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	1,406	35	0	0	1,441	35	0	0	1,476	35
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	8,082	139	0	0	8,221	139	0	0	8,360	139
COMMUNICATION EQUIPMENT	545	16	0	0	561	16	0	0	577	16
MISCELLANEOUS EQUIPMENT	1,146	28	0	0	1,174	28	0	0	1,202	28
OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0	0	0	0
ACQUISITION	834,073	0	0	0	834,073	0	0	0	834,073	0
TOTAL GENERAL	\$ 997,972	\$ 7,560	\$ 0	\$ 0	\$ 1,005,632	\$ 7,560	\$ 0	\$ 0	\$ 1,013,192	\$ 7,560
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 1,771,114	\$ 19,051	\$ 0	\$ 0	\$ 1,790,165	\$ 19,051	\$ 0	\$ 0	\$ 1,809,216	\$ 19,051

\$0

\$0

	ended Jul 2008	Balance	For the Month ended Aug 2008	Net	Balance	For the Month ended Sep 2008	Net
	Retirements	July-2008	Depr Exp	Salvage/	August-2008	Retirements	Salvage/
	Retirements	July-2008	Depr Exp	(COR)	August-2008	Retirements	(COR)
	Retirements	July-2008	Depr Exp	(COR)	August-2008	Retirements	(COR)
INTANGIBLE PLANT							
ORGANIZATION	0	0	0	0	0	0	0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0
OTHE PIE INTANGIBLES	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0
TOTAL INTANGIBLES	0	0	0	0	0	0	0
SOURCE OF SUPPLY AND PUMPING PLANT							
LAND AND LAND RIGHTS - SS	0	0	1,128	0	79,597	1,128	0
STRUCTURES AND IMPROVEMENTS	0	78,469	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0
SUPPLY MAINS	0	0	0	0	0	0	0
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	0	22,702	273	0	22,975	273	0
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	0	101,171	1,401	0	102,572	1,401	0
WATER TREATMENT PLANT							
LAND AND LAND RIGHTS	0	0	275	0	26,974	275	0
STRUCTURES AND IMPROVEMENTS	0	26,699	0	0	0	0	0
WATER TREATMENT EQUIPMENT	0	9,263	99	0	9,362	99	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	0	35,962	374	0	36,336	374	0
TRANSMISSION AND DISTRIBUTION PLANT							
LAND AND LAND RIGHTS	0	0	85	0	4,699	85	0
T&D STRUCTURES & IMP.	0	141,349	0	0	143,009	0	0
DISTRIBUTION RESERVOIRS AND STANDPIPE:	0	430,753	6,431	0	437,184	6,431	0
TRANSMISSION AND DISTRIBUTION MAINS	0	22,854	439	0	23,293	439	0
SERVICES	0	67,136	934	0	68,070	934	0
METERS	0	2,063	40	0	2,103	40	0
METER INSTALLATIONS	0	1,411	27	0	1,438	27	0
HYDRANTS	0	0	0	0	0	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	0	670,182	9,616	0	679,799	9,616	0
GENERAL PLANT							
STORES SHOP & GARAGE LAND	0	0	12	0	813	12	0
STRUCTURES AND IMPROVEMENTS	0	801	0	0	0	0	0
OFFICE FURNITURE AND EQUIPMENT	0	170,347	7,347	0	177,694	7,347	0
TRANSPORTATION EQUIPMENT	0	3,899	63	0	3,962	63	0
STORES EQUIPMENT	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	1,511	35	0	1,546	35	0
LABORATORY EQUIPMENT	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	8,499	139	0	8,638	139	0
COMMUNICATION EQUIPMENT	0	593	16	0	609	16	0
MISCELLANEOUS EQUIPMENT	0	1,230	28	0	1,258	28	0
OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0
ACQUISITION	0	634,073	0	0	634,073	0	0
TOTAL GENERAL	0	1,020,952	7,660	0	1,028,612	7,660	0
TOTAL ACCUM. DEPRECIATION RESERVE	0	1,820,267	19,051	0	1,847,318	19,051	0

	September-2008		For the Month ended Oct 2008		October-2008		For the Month ended Nov 2008		November-2008	
	Balance	Depr Exp	Retirements	Depr Exp	Balance	Depr Exp	Retirements	Depr Exp	Balance	Depr Exp
INTANGIBLE PLANT										
ORGANIZATION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT										
LAND AND LAND RIGHTS - SS	\$ 80,725	\$ 1,128	\$ 0	\$ 1,128	\$ 81,853	\$ 0	\$ 0	\$ 0	\$ 82,981	\$ 0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	23,248	273	0	273	23,521	0	0	0	23,794	0
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 103,973	\$ 1,401	\$ 0	\$ 1,401	\$ 105,374	\$ 0	\$ 0	\$ 1,401	\$ 106,775	\$ 0
WATER TREATMENT PLANT										
LAND AND LAND RIGHTS	\$ 27,249	\$ 275	\$ 0	\$ 275	\$ 27,524	\$ 0	\$ 0	\$ 0	\$ 27,799	\$ 0
STRUCTURES AND IMPROVEMENTS	9,461	99	0	99	9,560	0	0	0	9,659	0
WATER TREATMENT EQUIPMENT	0	0	0	0	0	0	0	0	0	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 36,710	\$ 374	\$ 0	\$ 374	\$ 37,084	\$ 0	\$ 0	\$ 374	\$ 37,458	\$ 0
TRANSMISSION AND DISTRIBUTION PLANT										
LAND AND LAND RIGHTS	\$ 4,784	\$ 85	\$ 0	\$ 85	\$ 4,869	\$ 0	\$ 0	\$ 0	\$ 4,954	\$ 0
T&D STRUCTURES & IMP.	144,659	1,660	0	1,660	146,329	0	0	0	147,989	0
DISTRIBUTION RESERVOIRS AND STANDPIPE:	443,615	6,431	0	6,431	450,046	0	0	0	456,477	0
TRANSMISSION AND DISTRIBUTION MAINS	23,732	439	0	439	24,171	0	0	0	24,610	0
SERVICES	69,004	934	0	934	69,938	0	0	0	70,872	0
METERS	2,143	40	0	40	2,183	0	0	0	2,223	0
METER INSTALLATIONS	1,165	27	0	27	1,492	0	0	0	1,519	0
HYDRANTS	0	0	0	0	0	0	0	0	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 689,414	\$ 9,616	\$ 0	\$ 9,616	\$ 699,030	\$ 0	\$ 0	\$ 9,616	\$ 708,646	\$ 0
GENERAL PLANT										
STORES SHOP & GARAGE LAND	\$ 825	\$ 12	\$ 0	\$ 12	\$ 837	\$ 0	\$ 0	\$ 0	\$ 849	\$ 0
STRUCTURES AND IMPROVEMENTS	185,041	7,347	0	7,347	192,388	0	0	0	199,735	0
OFFICE FURNITURE AND EQUIPMENT	4,065	83	0	83	4,148	0	0	0	4,231	0
TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
STORES EQUIPMENT	1,581	35	0	35	1,616	0	0	0	1,651	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0
LABORATORY EQUIPMENT	8,777	139	0	139	8,916	0	0	0	9,055	0
POWER OPERATED EQUIPMENT	625	16	0	16	641	0	0	0	657	0
COMMUNICATION EQUIPMENT	1,285	28	0	28	1,314	0	0	0	1,342	0
MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER TANGIBLE PROPERTY	634,073	0	0	0	634,073	0	0	0	634,073	0
ACQUISITION	1,036,272	7,660	0	7,660	1,043,932	0	0	0	1,051,592	0
TOTAL GENERAL	\$ 1,866,369	\$ 19,051	\$ 0	\$ 19,051	\$ 1,885,420	\$ 0	\$ 0	\$ 19,051	\$ 1,904,471	\$ 0
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

	Retirements	Balance	Depr Exp	Retirements	Balance	Depr Exp	Retirements	Balance	Depr Exp	Retirements	Net Salvage/ (COR)
INTANGIBLE PLANT											
ORGANIZATION	0	0	0	0	0	0	0	0	0	0	0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0
SOUL OF SUPPLY AND PUMPING PLANT											
LAND AND LAND RIGHTS - SS											
STRUCTURES AND IMPROVEMENTS	0	4,209	73	0	4,282	73	0	4,282	73	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	0	2,006	13	0	2,019	13	0	2,019	13	0	0
LAND AND LAND RIGHTS - PUMPING											
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	0	2,348	47	0	2,395	47	0	2,395	47	0	0
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	0	8,564	133	0	8,697	133	0	8,697	133	0	0
WATER TREATMENT PLANT											
LAND AND LAND RIGHTS											
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
WATER TREATMENT EQUIPMENT	0	1,201	26	0	1,227	26	0	1,227	26	0	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	0	1,201	26	0	1,227	26	0	1,227	26	0	0
TRANSMISSION AND DISTRIBUTION PLANT											
LAND AND LAND RIGHTS											
T&D STRUCTURES & IMP.	0	0	0	0	0	0	0	0	0	0	0
DISTRIBUTION RESERVOIRS AND STANDPIPE	0	4,473	56	0	4,529	56	0	4,529	56	0	0
TRANSMISSION AND DISTRIBUTION MAINS	0	20,221	143	0	20,364	143	0	20,364	143	0	0
SERVICES	0	0	0	0	0	0	0	0	0	0	0
METERS	0	9,284	235	0	9,519	235	0	9,519	235	0	0
METER INSTALLATIONS	0	0	0	0	0	0	0	0	0	0	0
HYDRANTS	0	2,057	30	0	2,087	30	0	2,087	30	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	0	36,035	464	0	36,499	464	0	36,499	464	0	0
GENERAL PLANT											
STORES SHOP & GARAGE LAND	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
OFFICE FURNITURE AND EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
TRANSPORTATION EQUIPMENT	0	1,677	88	0	1,765	88	0	1,765	88	0	0
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
OTHER TANGIBLE PROPERTY	0	135	9	0	144	9	0	144	9	0	0
TOTAL GENERAL	0	1,812	97	0	1,909	97	0	1,909	97	0	0
TOTAL ACCUM. DEPRECIATION RESERVE	0	47,613	720	0	48,333	720	0	48,333	720	0	0

	November-00		December-2007		January-2008		Net Salvage/ (COR)	For the Month ended Jan 2008		Balance January-2008	For the Month ended Dec 2007		Net Salvage/ (COR)	For the Month ended Jan 2008		Balance January-2008	For the Month ended Dec 2007		Net Salvage/ (COR)	
	Balance	Depr Exp	Balance	Depr Exp	Balance	Depr Exp		Retirements	Depr Exp		Retirements	Depr Exp		Retirements	Depr Exp		Retirements	Depr Exp		Retirements
INTANGIBLE PLANT																				
ORGANIZATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT																				
LAND AND LAND RIGHTS - SS																				
STRUCTURES AND IMPROVEMENTS	4,355	71	4,426	71	4,497	0	0	0	0	4,497	0	0	0	0	0	0	0	0	0	71
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	2,032	23	2,055	23	2,078	0	0	0	0	2,078	0	0	0	0	0	0	0	0	0	23
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	2,442	32	2,474	32	2,506	0	0	0	0	2,506	0	0	0	0	0	0	0	0	0	32
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER SYSTEM EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 8,830	\$ 126	\$ 9,956	\$ 126	\$ 10,823	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,082	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126
WATER TREATMENT PLANT																				
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	1,253	15	1,268	15	1,283	0	0	0	0	1,283	0	0	0	0	0	0	0	0	0	15
WATER TREATMENT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 1,253	\$ 15	\$ 1,268	\$ 15	\$ 1,283	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,283	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15
TRANSMISSION AND DISTRIBUTION PLANT																				
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
T&D STRUCTURES & IMP.	4,585	59	4,644	59	4,703	0	0	0	0	4,703	0	0	0	0	0	0	0	0	0	59
DISTRIBUTION RESERVOIRS AND STANDPIPE!	20,507	207	20,714	207	20,921	0	0	0	0	20,921	0	0	0	0	0	0	0	0	0	207
TRANSMISSION AND DISTRIBUTION MAINS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
METERS	9,754	140	9,894	140	10,034	0	0	0	0	10,034	0	0	0	0	0	0	0	0	0	140
METER INSTALLATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HYDRANTS	2,117	21	2,138	21	2,159	0	0	0	0	2,159	0	0	0	0	0	0	0	0	0	21
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 36,963	\$ 427	\$ 37,390	\$ 427	\$ 37,817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 427
GENERAL PLANT																				
STORES SHOP & GARAGE LAND	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OFFICE FURNITURE AND EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSPORTATION EQUIPMENT	1,853	50	1,903	50	1,953	0	0	0	0	1,953	0	0	0	0	0	0	0	0	0	50
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0
MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER TANGIBLE PROPERTY	153	3	156	3	159	0	0	0	0	159	0	0	0	0	0	0	0	0	0	3
TOTAL GENERAL	\$ 2,006	\$ 53	\$ 2,059	\$ 53	\$ 2,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 49,053	\$ 621	\$ 49,674	\$ 621	\$ 50,295	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,295	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 621

	ended Feb 2008	Balance	For the Month ended Mar 2008	Balance	For the Month ended Apr 2008	Net
	Retirements	February-2008	Depr Exp	March-2008	Retirements	Salvage/ (COR)
	\$	\$	\$	\$	\$	\$
INTANGIBLE PLANT						
ORGANIZATION	0	0	0	0	0	0
FRANCHISE/CONSENTS	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0
TOTAL INTANGIBLES	0	0	0	0	0	0
SOURCE OF SUPPLY AND PUMPING PLANT						
LAND AND LAND RIGHTS - SS	0	4,568	71	4,639	71	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	23	2,124	23	0
SUPPLY MAINS	0	2,101	0	0	0	0
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	0	2,538	32	2,570	32	0
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0
COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	0	9,208	126	9,334	126	0
WATER TREATMENT PLANT						
LAND AND LAND RIGHTS	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0
WATER TREATMENT EQUIPMENT	0	1,298	15	1,313	15	0
WATER TREATMENT - GAC	0	0	0	0	0	0
TOTAL WATER TREATMENT	0	1,298	15	1,313	15	0
TRANSMISSION AND DISTRIBUTION PLANT						
LAND AND LAND RIGHTS	0	0	0	0	0	0
T&D STRUCTURES & IMP.	0	4,762	59	4,821	59	0
DISTRIBUTION RESERVOIRS AND STANDPIPE!	0	21,128	207	21,335	207	0
TRANSMISSION AND DISTRIBUTION MAINS	0	0	0	0	0	0
SERVICES	0	0	0	0	0	0
METERS	0	10,174	140	10,314	140	0
METER INSTALLATIONS	0	0	0	0	0	0
HYDRANTS	0	2,180	21	2,201	21	0
TOTAL TRANSMISSION AND DISTRIBUTION	0	38,244	427	38,671	427	0
GENERAL PLANT						
STORES SHOP & GARAGE LAND	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0
OFFICE FURNITURE AND EQUIPMENT	0	0	0	0	0	0
TRANSPORTATION EQUIPMENT	0	2,003	50	2,053	50	0
STORES EQUIPMENT	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0
LABORATORY EQUIPMENT	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	0	0	0	0	0
COMMUNICATION EQUIPMENT	0	0	0	0	0	0
MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0
OTHER TANGIBLE PROPERTY	0	162	3	165	3	0
TOTAL GENERAL	0	2,165	53	2,218	53	0
TOTAL ACCUM. DEPRECIATION RESERVE	0	50,916	621	51,537	621	0

	Balance April-2008	For the Month ended May 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance May-2008	For the Month ended Jun 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance June-2008	For the Month Depr Exp
INTANGIBLE PLANT										
ORGANIZATION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0
OTHE P/E INTANGIBLES	0	0	0	0	0	0	0	0	0	0
OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT										
LAND AND LAND RIGHTS - SS	\$ 4,710	\$ 71	\$ 0	\$ 0	\$ 4,781	\$ 71	\$ 0	\$ 0	\$ 4,852	\$ 71
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	2,147	23	0	0	2,170	23	0	0	2,193	23
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	2,602	32	0	0	2,634	32	0	0	2,666	32
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 9,460	\$ 126	\$ 0	\$ 0	\$ 9,586	\$ 126	\$ 0	\$ 0	\$ 9,712	\$ 126
WATER TREATMENT PLANT										
LAND AND LAND RIGHTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
WATER TREATMENT EQUIPMENT	1,328	15	0	0	1,343	15	0	0	1,358	15
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 1,328	\$ 15	\$ 0	\$ 0	\$ 1,343	\$ 15	\$ 0	\$ 0	\$ 1,358	\$ 15
TRANSMISSION AND DISTRIBUTION PLANT										
LAND AND LAND RIGHTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
T&D STRUCTURES & IMP.	4,880	59	0	0	4,939	59	0	0	4,998	59
DISTRIBUTION RESERVOIRS AND STANDPIPE	21,542	207	0	0	21,749	207	0	0	21,956	207
TRANSMISSION AND DISTRIBUTION MAINS	0	0	0	0	0	0	0	0	0	0
SERVICES	0	0	0	0	0	0	0	0	0	0
METERS	10,454	140	0	0	10,594	140	0	0	10,734	140
METER INSTALLATIONS	0	0	0	0	0	0	0	0	0	0
HYDRANTS	2,222	21	0	0	2,243	21	0	0	2,264	21
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 39,098	\$ 427	\$ 0	\$ 0	\$ 39,525	\$ 427	\$ 0	\$ 0	\$ 39,952	\$ 427
GENERAL PLANT										
STORES SHOP & GARAGE LAND	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
OFFICE FURNITURE AND EQUIPMENT	0	0	0	0	0	0	0	0	0	0
TRANSPORTATION EQUIPMENT	2,103	50	0	0	2,153	50	0	0	2,203	50
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0
COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER TANGIBLE PROPERTY	168	3	0	0	171	3	0	0	174	3
TOTAL GENERAL	\$ 2,271	\$ 53	\$ 0	\$ 0	\$ 2,324	\$ 53	\$ 0	\$ 0	\$ 2,377	\$ 53
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 52,156	\$ 621	\$ 0	\$ 0	\$ 52,779	\$ 621	\$ 0	\$ 0	\$ 53,400	\$ 621

	Balance September-2008	For the Month ended Oct 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance October-2008	For the Month ended Nov 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance November-2008
INTANGIBLE PLANT									
ORGANIZATION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0
OTHE PIE INTANGIBLES	0	0	0	0	0	0	0	0	0
OTHER PIE COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT									
LAND AND LAND RIGHTS - SS	\$ 5,065	71	\$ 0	\$ 0	\$ 5,136	71	\$ 0	\$ 0	\$ 5,207
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	2,262	23	0	0	2,285	23	0	0	2,308
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	2,762	32	0	0	2,794	32	0	0	2,826
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0
COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 10,090	126	\$ 0	\$ 0	\$ 10,216	126	\$ 0	\$ 0	\$ 10,342
WATER TREATMENT PLANT									
LAND AND LAND RIGHTS	\$ 0	0	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0
STRUCTURES AND IMPROVEMENTS	1,403	15	0	0	1,418	15	0	0	1,433
WATER TREATMENT EQUIPMENT	0	0	0	0	0	0	0	0	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 1,403	15	\$ 0	\$ 0	\$ 1,418	15	\$ 0	\$ 0	\$ 1,433
TRANSMISSION AND DISTRIBUTION PLANT									
LAND AND LAND RIGHTS	\$ 0	0	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0
T&D STRUCTURES & IMP.	5,175	59	0	0	5,234	59	0	0	5,293
DISTRIBUTION RESERVOIRS AND STANDPIPE:	22,577	207	0	0	22,784	207	0	0	22,991
TRANSMISSION AND DISTRIBUTION MAINS	0	0	0	0	0	0	0	0	0
SERVICES	11,154	140	0	0	11,294	140	0	0	11,434
METERS	0	0	0	0	0	0	0	0	0
METER INSTALLATIONS	2,327	21	0	0	2,348	21	0	0	2,369
HYDRANTS	0	0	0	0	0	0	0	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 41,233	427	\$ 0	\$ 0	\$ 41,660	427	\$ 0	\$ 0	\$ 42,087
GENERAL PLANT									
STORES SHOP & GARAGE LAND	\$ 0	0	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0
OFFICE FURNITURE AND EQUIPMENT	0	0	0	0	0	0	0	0	0
TRANSPORTATION EQUIPMENT	2,353	50	0	0	2,403	50	0	0	2,453
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0
COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0
MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0	0	0	0
OTHER TANGIBLE PROPERTY	183	3	0	0	186	3	0	0	189
TOTAL GENERAL	\$ 2,536	53	\$ 0	\$ 0	\$ 2,589	53	\$ 0	\$ 0	\$ 2,642
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 55,263	621	\$ 0	\$ 0	\$ 55,884	621	\$ 0	\$ 0	\$ 56,505

KENTUCKY-AMERICAN WATER COMPANY
 ACCUM. DEPRECIATION RES. BY PRIMARY ACCOUNT - OWENTON
 BASE YEAR: TEST YEAR:
 July-07
 November-08

	Reserve Balance January-2007	Month of Feb 2007 Depr Exp	Retirements	Net Salvage/ (COI)	Balance February-2007	Five Months Ended Jul 2007 Depr Exp	Retirements	Net Salvage/ (COI)	Balance July-2007	Two Months Ended Sep 2007 Retirements
INTANGIBLE PLANT										
ORGANIZATION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0
OTHER PIE INTANGIBLES	0	0	0	0	0	0	0	0	0	0
OTHER PIE COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT										
LAND AND LAND RIGHTS - SS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	0	61	0	0	61	830	0	0	891	62
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 0	\$ 61	\$ 0	\$ 0	\$ 61	\$ 830	\$ 0	\$ 0	\$ 891	\$ 62
WATER TREATMENT PLANT										
LAND AND LAND RIGHTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
WATER TREATMENT EQUIPMENT	482,183	7,781	0	0	489,964	40,415	0	0	530,379	15,666
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 482,183	\$ 7,781	\$ 0	\$ 0	\$ 489,964	\$ 40,415	\$ 0	\$ 0	\$ 530,379	\$ 15,666
TRANSMISSION AND DISTRIBUTION PLANT										
LAND AND LAND RIGHTS	\$ 1,540	\$ 118	\$ 0	\$ 0	\$ 1,658	\$ 509	\$ 0	\$ 0	\$ 2,247	\$ 236
TAD STRUCTURES & IMP.	242,121	1,258	0	0	243,379	6,291	0	0	249,670	2,516
DISTRIBUTION RESERVOIRS AND STANDPIPE:	597,596	928	0	0	598,524	4,638	0	0	603,162	1,855
TRANSMISSION AND DISTRIBUTION MAINS	8,493	442	0	0	8,935	2,457	0	0	11,392	851
SERVICES	(7,770)	15	0	0	(7,755)	140	0	0	(7,615)	50
METERS	10,415	212	0	0	10,627	1,062	0	0	11,689	424
METER INSTALLATIONS	1,456	8	0	0	1,464	38	0	0	1,502	15
HYDRANTS	0	0	0	0	0	0	0	0	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 854,181	\$ 2,901	\$ 0	\$ 0	\$ 857,142	\$ 15,215	\$ 0	\$ 0	\$ 972,357	\$ 6,047
GENERAL PLANT										
STORES SHOP & GARAGE LAND	\$ 37,757	\$ 333	\$ 0	\$ 0	\$ 38,090	\$ 2,501	\$ 0	\$ 0	\$ 40,591	\$ 720
STRUCTURES AND IMPROVEMENTS	52,809	299	0	0	53,108	1,780	0	0	54,888	692
OFFICE FURNITURE AND EQUIPMENT	66,954	1,466	0	0	68,440	14,458	0	0	102,898	3,441
TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
STORES EQUIPMENT	597	29	0	0	626	144	0	0	770	58
TOOLS, SHOP AND GARAGE EQUIPMENT	54,627	376	0	0	55,003	1,881	0	0	56,884	752
LABORATORY EQUIPMENT	91,051	297	0	0	92,248	1,463	0	0	93,731	593
POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0
COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0	0	0	0	0
OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0	0	0	0
TOTAL GENERAL	\$ 324,695	\$ 2,820	\$ 0	\$ 0	\$ 327,515	\$ 22,247	\$ 0	\$ 0	\$ 349,762	\$ 6,256
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 1,661,039	\$ 13,643	\$ 0	\$ 0	\$ 1,674,682	\$ 78,707	\$ 0	\$ 0	\$ 1,753,389	\$ 28,031

KENTUCKY-AMERICAN WATER COMPANY
 ACCUM. DEPRECIATION RES. BY PRIMARY ACCOUNT - OWENTON
 BASE YEAR: July-07
 TEST YEAR: November-08

	Net Savings/ (COR)	Balance September-2007	For the Month ended Oct-2007 Depr Exp	Net Savings/ (COR)	Balance October-2007	For the Month ended Nov-2007 Depr Exp	Net Savings/ (COR)	Balance November-2007	For the Month ended Dec-2007 Depr Exp	Reirements
INTANGIBLE PLANT										
301000 ORGANIZATION	0	0	0	0	0	0	0	0	0	0
302000 FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0
339100 OTHER PIE INTANGIBLES	0	0	0	0	0	0	0	0	0	0
339600 OTHER PIE COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
LAND AND LAND RIGHTS - ES										
303200 SOURCE OF SUPPLY AND PUMPING PLANT	0	0	0	0	0	0	0	0	0	0
304100 STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
305000 COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0
306000 LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0
0 WELLS AND OTHER SPRINGS	0	0	0	0	0	0	0	0	0	0
306900 SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0
309300 LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0
3094200 STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0
0 ROULER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0
310100 OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
311200 ELECTRIC PUMPING EQUIPMENT	0	984	31	0	984	31	0	1,015	21	0
311300 DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
0 OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0
3541 ELECTRIC SYSTEMS STRUCTURES SWR	0	0	0	0	0	0	0	0	0	0
3711 ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 0	\$ 984	\$ 31	\$ 0	\$ 984	\$ 31	\$ 0	\$ 1,015	\$ 21	\$ 0
WATER TREATMENT PLANT										
307400 LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0
308300 STRUCTURES AND IMPROVEMENTS	0	546,045	7,833	0	553,878	7,833	0	561,711	4,480	0
320100 WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 0	\$ 546,045	\$ 7,833	\$ 0	\$ 553,878	\$ 7,833	\$ 0	\$ 561,711	\$ 4,480	\$ 0
TRANSMISSION AND DISTRIBUTION PLANT										
303500 LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0
304000 TAO STRUCTURES & IMP.	0	2,493	118	0	2,601	118	0	2,719	97	0
330100 DISTRIBUTION RESERVOIRS AND STANDPIPE	0	252,186	1,258	0	253,444	1,258	0	254,702	1,327	0
331001 TRANSMISSION AND DISTRIBUTION MAINS	0	695,327	928	0	696,255	928	0	697,183	1,336	0
333000 SERVICES	0	12,343	495	0	12,838	488	0	13,306	394	0
334130 METERS	0	(7,955)	29	0	(7,598)	22	0	(7,514)	17	0
334200 METER INSTALLATIONS	0	12,113	212	0	12,325	212	0	12,537	287	0
335000 HYDRANTS	0	1,317	8	0	1,525	8	0	1,533	5	0
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 0	\$ 878,304	\$ 3,048	\$ 0	\$ 881,452	\$ 3,014	\$ 0	\$ 884,466	\$ 3,443	\$ 0
GENERAL PLANT										
304600 STORES SHOP & GARAGE LAND	0	41,311	361	0	41,672	361	0	42,033	414	0
340100 STRUCTURES AND IMPROVEMENTS	0	55,990	360	0	55,940	334	0	56,274	363	0
341100 OFFICE FURNITURE AND EQUIPMENT	0	106,339	1,720	0	108,059	1,720	0	109,779	964	0
342000 TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
343000 STORES EQUIPMENT	0	828	29	0	857	29	0	886	26	0
343000 TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0
344000 LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0
345000 POWER OPERATED EQUIPMENT	0	57,036	376	0	58,012	376	0	59,388	193	0
346100 COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0
347000 MISCELLANEOUS EQUIPMENT	0	94,324	297	0	94,621	297	0	94,918	353	0
348000 OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0	0	0	0
TOTAL GENERAL	\$ 0	\$ 356,018	\$ 3,143	\$ 0	\$ 359,161	\$ 3,117	\$ 0	\$ 362,278	\$ 2,333	\$ 0
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 1,781,420	\$ 14,955	\$ 13,995	\$ 1,795,475	\$ 13,995	\$ 10,267	\$ 1,809,470	\$ 10,267	\$ 0	\$ 0

KENTUCKY-AMERICAN WATER COMPANY
 ACCUM. DEPRECIATION RES. BY PRIMARY ACCOUNT - OVERTON
 BASE YEAR: TEST YEAR:

July-07
 November-08

	Net Salvage/ (COR)	Balance December-2007	For the Month ended Jan 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance January-2008	For the Month ended Feb 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance February-2008	For the Month ended Mar 2008 Depr Exp	Retirements
INTANGIBLE PLANT												
301000 ORGANIZATION	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
302000 FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0	0	0
339100 OTHER P/E INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0	0
339500 OTHER P/E COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF SUPPLY AND PUMPING PLANT												
303200 LAND AND LAND RIGHTS - SS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
304100 STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
305000 COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0	0	0
306000 LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0	0	0
0 WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0	0	0
309000 SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0	0	0
303300 LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0	0	0
303300 STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
304200 BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
0 OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
310100 DIESEL PUMPING EQUIPMENT	0	1,036	85	0	0	1,121	85	0	0	1,206	85	0
311200 ELECTRIC PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
311300 OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
0 COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0	0	0	0	0	0	0
3541 ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0	0	0	0
3711 TOTAL SOURCE OF SUPPLY & PUMPING	\$ 0	\$ 1,036	\$ 85	\$ 0	\$ 0	\$ 1,121	\$ 85	\$ 0	\$ 0	\$ 1,206	\$ 85	\$ 0
WATER TREATMENT PLANT												
303400 LAND AND LAND RIGHTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
304300 STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
320100 WATER TREATMENT EQUIPMENT	0	566,201	4,520	0	0	570,721	4,520	0	0	575,241	4,520	0
0 WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 0	\$ 566,201	\$ 4,520	\$ 0	\$ 0	\$ 570,721	\$ 4,520	\$ 0	\$ 0	\$ 575,241	\$ 4,520	\$ 0
TRANSMISSION AND DISTRIBUTION PLANT												
303500 LAND AND LAND RIGHTS	\$ 0	\$ 2,816	\$ 97	\$ 0	\$ 0	\$ 2,913	\$ 97	\$ 0	\$ 0	\$ 3,010	\$ 97	\$ 0
304400 TAD STRUCTURES & IMP.	0	255,029	1,327	0	0	257,356	1,327	0	0	258,683	1,327	0
330100 DISTRIBUTION RESERVOIRS AND STANDPIPE	0	608,519	1,336	0	0	609,855	1,336	0	0	611,191	1,336	0
331001 TRANSMISSION AND DISTRIBUTION MAINS	0	13,760	384	0	0	14,004	384	0	0	14,468	384	0
333000 SERVICES	0	(7,497)	15	0	0	(7,482)	15	0	0	(7,467)	15	0
334130 METERS	0	12,884	287	0	0	13,071	287	0	0	13,338	287	0
334200 METER INSTALLATIONS	0	1,538	5	0	0	1,543	5	0	0	1,548	5	0
335000 HYDRANTS	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 0	\$ 887,969	\$ 3,431	\$ 0	\$ 0	\$ 891,340	\$ 3,431	\$ 0	\$ 0	\$ 894,771	\$ 3,431	\$ 0
GENERAL PLANT												
304600 STORES SHOP & GARAGE LAND	\$ 0	\$ 42,447	\$ 450	\$ 0	\$ 0	\$ 42,897	\$ 450	\$ 0	\$ 0	\$ 43,347	\$ 450	\$ 0
304600 STRUCTURES AND IMPROVEMENTS	0	56,637	344	0	0	56,981	344	0	0	57,325	344	0
341100 OFFICE FURNITURE AND EQUIPMENT	0	110,763	1,118	0	0	111,881	1,118	0	0	112,999	1,118	0
342000 TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
342000 STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
343000 TOOLS, SHOP AND GARAGE EQUIPMENT	0	912	26	0	0	938	26	0	0	964	26	0
344000 LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
345000 POWER OPERATED EQUIPMENT	0	50,581	193	0	0	50,774	193	0	0	50,967	193	0
346100 COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
347000 MISCELLANEOUS EQUIPMENT	0	95,271	353	0	0	95,624	353	0	0	95,977	353	0
346000 OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL GENERAL	\$ 0	\$ 364,611	\$ 2,484	\$ 0	\$ 0	\$ 367,095	\$ 2,484	\$ 0	\$ 0	\$ 369,579	\$ 2,484	\$ 0
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 0	\$ 1,819,757	\$ 10,520	\$ 0	\$ 0	\$ 1,830,277	\$ 10,520	\$ 0	\$ 0	\$ 1,840,797	\$ 10,520	\$ 0

KENTUCKY-AMERICAN WATER COMPANY
 ACCUM. DEPRECIATION RES. BY PRIMARY ACCOUNT - OWENTON
 BASE YEAR:
 TEST YEAR:

July-07
 November-08

	Net Salvage/ (COR)	Balance March-2008	For the Month ended Apr 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance April-2008	For the Month ended May 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance May-2008	For the Month ended Jun 2008 Depr Exp	Retirements
INTANGIBLE PLANT												
ORGANIZATION												
FRANCHISE/CONSENTS												
OTHE PIE INTANGIBLES												
OTHER PIE COMPREHENSIVE STUDIES												
TOTAL INTANGIBLES												
LAND AND LAND RIGHTS - SUPPLY AND PUMPING PLANT												
LAND AND LAND RIGHTS - SS												
STRUCTURES AND IMPROVEMENTS												
COLLECTING AND IMPOUNDING RESERVOIRS												
LAKE, RIVER AND OTHER INTAKES												
WELLS AND SPRINGS												
SUPPLY MAINS												
LAND AND LAND RIGHTS - PUMPING												
STRUCTURES AND IMPROVEMENTS												
BOILER PLANT EQUIPMENT												
OTHER POWER PRODUCTION EQUIPMENT												
ELECTRIC PUMPING EQUIPMENT		1,291	85			1,376	85			1,461	85	
DIESEL PUMPING EQUIPMENT												
OTHER PUMPING EQUIPMENT												
COLLECTIVE SYSTEM STRUCTURES SWR												
ELECTRIC PUMPING EQUIPMENT SWR												
TOTAL SOURCE OF SUPPLY & PUMPING		1,291	85			1,376	85			1,461	85	
WATER TREATMENT PLANT												
LAND AND LAND RIGHTS												
STRUCTURES AND IMPROVEMENTS												
WATER TREATMENT EQUIPMENT		575,761	4,520			584,281	4,520			588,801	4,520	
WATER TREATMENT - GAC												
TOTAL WATER TREATMENT		575,761	4,520			584,281	4,520			588,801	4,520	
TRANSMISSION AND DISTRIBUTION PLANT												
LAND AND LAND RIGHTS												
TAD STRUCTURES & IMP												
DISTRIBUTION RESERVOIRS AND STANDPIPE												
TRANSMISSION AND DISTRIBUTION MAINS												
SERVICES		3,107	97			3,204	97			3,301	97	
METERS		260,010	1,327			261,337	1,327			262,664	1,327	
METER INSTALLATIONS		612,527	1,336			613,863	1,336			615,199	1,336	
HYDRANTS		14,652	384			15,236	384			15,620	384	
		(7,432)	15			(7,417)	15			(7,402)	15	
		13,665	267			13,932	267			14,199	267	
		1,553	5			1,558	5			1,563	5	
TOTAL TRANSMISSION AND DISTRIBUTION		992,222	3,431			991,633	3,431			990,054	3,431	
GENERAL PLANT												
STORES SHOP & GARAGE LAND												
STRUCTURES AND IMPROVEMENTS												
OFFICE FURNITURE AND EQUIPMENT		43,797	450			44,247	450			44,697	450	
TRANSPORTATION EQUIPMENT		57,669	344			58,013	344			58,357	344	
STORES EQUIPMENT		114,117	1,118			115,235	1,118			116,353	1,118	
TOOLS, SHOP AND GARAGE EQUIPMENT												
LABORATORY EQUIPMENT		956	26			1,016	26			1,042	26	
POWER OPERATED EQUIPMENT												
COMMUNICATION EQUIPMENT		59,160	193			59,353	193			59,546	193	
MISCELLANEOUS EQUIPMENT												
OTHER TANGIBLE PROPERTY		99,330	353			99,683	353			99,936	353	
TOTAL GENERAL		372,063	2,484			374,547	2,484			377,031	2,484	
TOTAL ACCUM. DEPRECIATION RESERVE		1,851,317	10,520			1,861,837	10,520			1,872,357	10,520	

KENTUCKY-AMERICAN WATER COMPANY
 ACCUM. DEPRECIATION RES. BY PRIMARY ACCOUNT - OWENTON
 TEST YEAR: July-07
 November-08

	Net Salvage/ (COR)	Balance June-2008	For the Month ended Jul 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance July-2008	For the Month ended Aug 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance August-2008	For the Month ended Sep 2008 Depr Exp	Retirements
INTANGIBLE PLANT												
ORGANIZATION	0	0	0	0	0	0	0	0	0	0	0	0
FRANCHISE/CONSENTS	0	0	0	0	0	0	0	0	0	0	0	0
OTHER PIE INTANGIBLES	0	0	0	0	0	0	0	0	0	0	0	0
OTHER PIE COMPREHENSIVE STUDIES	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
LAND AND LAND RIGHTS - PUMPING PLANT												
LAND AND LAND RIGHTS - SS	0	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
COLLECTING AND IMPOUNDING RESERVOIRS	0	0	0	0	0	0	0	0	0	0	0	0
LAKE, RIVER AND OTHER INTAKES	0	0	0	0	0	0	0	0	0	0	0	0
WELLS AND SPRINGS	0	0	0	0	0	0	0	0	0	0	0	0
SUPPLY MAINS	0	0	0	0	0	0	0	0	0	0	0	0
LAND AND LAND RIGHTS - PUMPING	0	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
BOILER PLANT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
OTHER POWER PRODUCTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT	0	1,546	85	0	0	1,631	85	0	0	1,716	85	0
DIESEL PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
OTHER PUMPING EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
COLLECTIVE SYSTEM STRUCTURES SWR	0	0	0	0	0	0	0	0	0	0	0	0
ELECTRIC PUMPING EQUIPMENT SWR	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF SUPPLY & PUMPING	\$ 0	\$ 1,546	\$ 85	\$ 0	\$ 0	\$ 1,631	\$ 85	\$ 0	\$ 0	\$ 1,716	\$ 85	\$ 0
LAND TREATMENT PLANT												
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0
STRUCTURES AND IMPROVEMENTS	0	593,321	4,520	0	0	597,841	4,520	0	0	602,361	4,520	0
WATER TREATMENT EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
WATER TREATMENT - GAC	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WATER TREATMENT	\$ 0	\$ 593,321	\$ 4,520	\$ 0	\$ 0	\$ 597,841	\$ 4,520	\$ 0	\$ 0	\$ 602,361	\$ 4,520	\$ 0
TRANSMISSION AND DISTRIBUTION PLANT												
LAND AND LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0	0
T/O STRUCTURES & HD	0	3,308	97	0	0	3,405	97	0	0	3,502	97	0
DISTRIBUTION RESERVOIRS AND STANDPIPE:	0	263,991	1,327	0	0	265,318	1,327	0	0	266,645	1,327	0
TRANSMISSION AND DISTRIBUTION MAINS	0	616,535	1,306	0	0	617,841	1,306	0	0	619,147	1,306	0
SERVICES	0	16,004	384	0	0	16,388	384	0	0	16,772	384	0
METERS	0	17,407	15	0	0	17,422	15	0	0	17,437	15	0
METER INSTALLATIONS	0	14,468	287	0	0	14,755	287	0	0	15,042	287	0
HYDRANTS	0	1,366	5	0	0	1,371	5	0	0	1,376	5	0
TOTAL TRANSMISSION AND DISTRIBUTION	\$ 0	\$ 908,469	\$ 3,431	\$ 0	\$ 0	\$ 911,926	\$ 3,431	\$ 0	\$ 0	\$ 915,357	\$ 3,431	\$ 0
GENERAL PLANT												
STORES SHOP & GARAGE LAND	0	45,147	450	0	0	45,597	450	0	0	46,047	450	0
STRUCTURES AND IMPROVEMENTS	0	58,701	344	0	0	59,045	344	0	0	59,389	344	0
OFFICE FURNITURE AND EQUIPMENT	0	117,471	1,118	0	0	118,589	1,118	0	0	119,707	1,118	0
TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
STORES EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
TOOLS, SHOP AND GARAGE EQUIPMENT	0	1,086	26	0	0	1,094	26	0	0	1,120	26	0
LABORATORY EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
POWER OPERATED EQUIPMENT	0	59,739	193	0	0	59,932	193	0	0	60,125	193	0
COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS EQUIPMENT	0	97,389	353	0	0	97,742	353	0	0	98,095	353	0
OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL GENERAL	\$ 0	\$ 379,315	\$ 2,464	\$ 0	\$ 0	\$ 381,909	\$ 2,464	\$ 0	\$ 0	\$ 384,483	\$ 2,464	\$ 0
TOTAL ACCUM. DEPRECIATION RESERVE	\$ 0	\$ 1,882,877	\$ 10,520	\$ 0	\$ 0	\$ 1,893,397	\$ 10,520	\$ 0	\$ 0	\$ 1,903,917	\$ 10,520	\$ 0

KENTUCKY-AMERICAN WATER COMPANY
 ACCUM. DEPRECIATION RES. BY PRIMARY ACCOUNT - OWENTON
 BASE YEAR: July-07
 TEST YEAR: November-06

	Net Salvage/ (COR)	Balance September-2008	For the Month ended Oct 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance October-2008	For the Month ended Nov 2008 Depr Exp	Retirements	Net Salvage/ (COR)	Balance November-2008
301000		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
302000		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
303000		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
303600		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
303600		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
303600		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
303600		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
304200		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
310100		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
311200		\$ 1,801	\$ 85	\$ 0	\$ 1,886	\$ 85	\$ 0	\$ 0	\$ 0	\$ 1,971
311300		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
31		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
3541		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
3711		\$ 1,801	\$ 85	\$ 0	\$ 1,886	\$ 85	\$ 0	\$ 0	\$ 0	\$ 1,971
303400		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
304300		\$ 606,081	\$ 4,520	\$ 0	\$ 611,401	\$ 4,520	\$ 0	\$ 0	\$ 0	\$ 615,921
320100		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		\$ 606,081	\$ 4,520	\$ 0	\$ 611,401	\$ 4,520	\$ 0	\$ 0	\$ 0	\$ 615,921
303500		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
304400		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
330100		\$ 267,972	\$ 1,327	\$ 0	\$ 269,299	\$ 1,327	\$ 0	\$ 0	\$ 0	\$ 270,626
331601		\$ 620,343	\$ 1,336	\$ 0	\$ 621,679	\$ 1,336	\$ 0	\$ 0	\$ 0	\$ 623,015
332000		\$ 17,156	\$ 384	\$ 0	\$ 17,540	\$ 384	\$ 0	\$ 0	\$ 0	\$ 17,924
334130		\$ (7,352)	\$ 15	\$ 0	\$ (7,337)	\$ 15	\$ 0	\$ 0	\$ 0	\$ (7,322)
334200		\$ 15,207	\$ 267	\$ 0	\$ 15,474	\$ 267	\$ 0	\$ 0	\$ 0	\$ 15,741
335000		\$ 1,303	\$ 5	\$ 0	\$ 1,308	\$ 5	\$ 0	\$ 0	\$ 0	\$ 1,313
		\$ 918,768	\$ 3,431	\$ 0	\$ 922,199	\$ 3,431	\$ 0	\$ 0	\$ 0	\$ 925,630
GENERAL PLANT		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
304600		\$ 46,497	\$ 450	\$ 0	\$ 46,947	\$ 450	\$ 0	\$ 0	\$ 0	\$ 47,397
340100		\$ 59,733	\$ 344	\$ 0	\$ 60,077	\$ 344	\$ 0	\$ 0	\$ 0	\$ 60,421
341100		\$ 120,025	\$ 1,118	\$ 0	\$ 121,143	\$ 1,118	\$ 0	\$ 0	\$ 0	\$ 122,261
342000		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
343000		\$ 1,146	\$ 26	\$ 0	\$ 1,172	\$ 26	\$ 0	\$ 0	\$ 0	\$ 1,198
344000		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
345000		\$ 60,318	\$ 193	\$ 0	\$ 60,511	\$ 193	\$ 0	\$ 0	\$ 0	\$ 60,704
346100		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
347000		\$ 98,440	\$ 353	\$ 0	\$ 98,793	\$ 353	\$ 0	\$ 0	\$ 0	\$ 99,146
348000		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		\$ 385,987	\$ 2,484	\$ 0	\$ 388,471	\$ 2,484	\$ 0	\$ 0	\$ 0	\$ 391,355
TOTAL GENERAL		\$ 1,914,437	\$ 10,520	\$ 0	\$ 1,924,957	\$ 10,520	\$ 0	\$ 0	\$ 0	\$ 1,935,477

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143
COMMISSION STAFF'S THIRD
SET OF INFORMATION REQUESTS
Item 37 of 54

Witness: Michael A. Miller/Sheila Miller

37. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 6, page 5 of 28. Explain why the tax basis accumulated depreciation balance decreases over time.

Response:

The beginning balance of the accumulated depreciation should have been a credit and the balance would increase over time. However, that particular schedule is utilized to get the net change in tax basis property and that net change remains the same regardless of the beginning balance being a debit or credit. The net change in tax basis property is then transferred to the deferred taxes and regulatory assets/liabilities related to UPIS investment schedule (see PSC DR1, Item 1a, W/P 6, page 2 of 28) to calculate deferred FIT and deferred SIT. See attached schedules.

For electronic version, refer to KAW_R_PSCDR3#37_071607.pdf

Kentucky-American Water Company												
Tax Basis Property												
CASE NO: 2007-00143												
Tax Basis:												
	Regulatory Assets				Regulatory Liabilities				Total			
	Utility Plant in Service	Accumulated Reserve	Equity Grossup	Plant Flow Through	Other	Customer Advances	CIAC	ITC	Excess Deferred Taxes	Gross-up ITC	Total	
Account	101000	108xxx	185030035/055	185040	185045	252xxx	271xxx/272000	255xxx	256212/256220	256310/311/312	Total	
Balance 1/07	324,778,248	(184,079,830)	0	0	0	0	0	0	0	0	140,698,418	
Net Change	1,848,690	(675,531)									1,173,158	
Feb-07	326,626,938	(184,755,362)	0	0	0	0	0	0	0	0	141,871,576	
Net Change	4,198,227	(835,609)									3,362,619	
Mar-07	330,825,165	(185,590,971)	0	0	0	0	0	0	0	0	145,234,195	
Net Change	403,984	(837,379)									(433,395)	
Apr-07	331,229,150	(186,428,350)	0	0	0	0	0	0	0	0	144,800,800	
Net Change	752,459	(843,170)									(80,711)	
May-07	331,981,609	(187,271,520)	0	0	0	0	0	0	0	0	144,710,089	
Net Change	936,607	(763,966)									172,642	
Jun-07	332,918,216	(188,035,486)	0	0	0	0	0	0	0	0	144,882,730	
Net Change	7,239,060	(1,310,232)									5,928,828	
Jul-07	340,157,276	(189,345,718)	0	0	0	0	0	0	0	0	150,811,558	
Net Change	671,288	(1,361,249)									(689,961)	
Aug-07	340,828,564	(190,706,967)	0	0	0	0	0	0	0	0	150,121,597	
Net Change	2,256,657	(1,671,573)									585,085	
Sep-07	343,085,222	(192,378,540)	0	0	0	0	0	0	0	0	150,706,682	
Net Change	(910,030)	(1,551,189)									(2,461,219)	
Oct-07	342,175,192	(193,929,729)	0	0	0	0	0	0	0	0	148,245,462	
Net Change	7,106,334	(2,322,541)									4,783,792	
Nov-07	349,281,525	(196,252,271)	0	0	0	0	0	0	0	0	153,029,255	
Net Change	837,610	(2,797,757)									(1,960,147)	
Dec-07	350,119,135	(199,050,027)	0	0	0	0	0	0	0	0	151,069,108	
Net Change	1,411,508	(769,484)									642,024	
Jan-08	351,530,643	(199,819,511)	0	0	0	0	0	0	0	0	151,711,133	
Net Change	550,393	(770,879)									(220,486)	
Feb-08	352,081,036	(200,590,390)	0	0	0	0	0	0	0	0	151,490,646	
Net Change	495,116	(753,582)									(258,466)	
Mar-08	352,576,153	(201,343,972)	0	0	0	0	0	0	0	0	151,232,181	
Net Change	2,007,780	(730,446)									1,277,334	
Apr-08	354,583,933	(202,074,418)	0	0	0	0	0	0	0	0	152,509,515	
Net Change	668,632	(690,150)									(21,518)	
May-08	355,252,565	(202,764,568)	0	0	0	0	0	0	0	0	152,487,997	
Net Change	778,530	(549,514)									229,016	
Jun-08	356,031,095	(203,314,082)	0	0	0	0	0	0	0	0	152,717,013	
Net Change	1,925,838	(737,692)									1,188,146	
Jul-08	357,956,933	(204,051,775)	0	0	0	0	0	0	0	0	153,905,159	
Net Change	1,347,405	(698,688)									648,717	
Aug-08	359,304,338	(204,750,463)	0	0	0	0	0	0	0	0	154,553,875	

Kentucky-American Water Company													
Tax Basis Property													
CASE NO: 2007-00143													
Tax Basis:													
	Utility Plant in Service	Accumulated Reserve	Regulatory Assets				Customer Advances	CIAC	ITC	Regulatory Liabilities			Total
			Equity Grossup	Plant Flow Through	Other	Deferred Taxes				Gross-up ITC	Excess	ITC	
Account	101000	108xxx	185030/035/055	185040	185045	252xxx	271xxx/272000	255xxx	256310/311/312	256212/256220	256310/311/312		
Balance 1/07	324,778,248	184,079,830	0	0	0	0	0	0	0	0	0	508,858,079	
Net Change	1,848,690	(675,531)	0	0	0	0	0	0	0	0	0	1,173,158	
Feb-07	326,626,938	183,404,299	0	0	0	0	0	0	0	0	0	510,031,237	
Net Change	4,198,227	(835,609)	0	0	0	0	0	0	0	0	0	3,362,619	
Mar-07	330,825,165	182,568,690	0	0	0	0	0	0	0	0	0	513,393,856	
Net Change	403,984	(837,379)	0	0	0	0	0	0	0	0	0	(433,395)	
Apr-07	331,229,150	181,731,311	0	0	0	0	0	0	0	0	0	512,960,461	
Net Change	752,459	(843,170)	0	0	0	0	0	0	0	0	0	(90,711)	
May-07	331,981,609	180,888,141	0	0	0	0	0	0	0	0	0	512,869,750	
Net Change	936,607	(763,966)	0	0	0	0	0	0	0	0	0	172,642	
Jun-07	332,918,216	180,124,175	0	0	0	0	0	0	0	0	0	513,042,391	
Net Change	7,239,060	(1,310,232)	0	0	0	0	0	0	0	0	0	5,928,828	
Jul-07	340,157,276	178,813,943	0	0	0	0	0	0	0	0	0	518,971,219	
Net Change	671,288	(1,361,249)	0	0	0	0	0	0	0	0	0	(689,961)	
Aug-07	340,828,564	177,452,694	0	0	0	0	0	0	0	0	0	518,281,258	
Net Change	2,256,657	(1,671,573)	0	0	0	0	0	0	0	0	0	585,085	
Sep-07	343,085,222	175,781,121	0	0	0	0	0	0	0	0	0	518,866,343	
Net Change	(910,030)	(1,551,189)	0	0	0	0	0	0	0	0	0	(2,461,219)	
Oct-07	342,175,192	174,229,932	0	0	0	0	0	0	0	0	0	516,405,123	
Net Change	7,106,334	(2,322,541)	0	0	0	0	0	0	0	0	0	4,783,792	
Nov-07	349,281,525	171,907,390	0	0	0	0	0	0	0	0	0	521,188,916	
Net Change	837,610	(2,797,757)	0	0	0	0	0	0	0	0	0	(1,960,147)	
Dec-07	350,119,135	169,109,634	0	0	0	0	0	0	0	0	0	519,228,769	
Net Change	1,411,508	(769,484)	0	0	0	0	0	0	0	0	0	642,024	
Jan-08	351,530,643	168,340,150	0	0	0	0	0	0	0	0	0	519,870,794	
Net Change	550,393	(770,879)	0	0	0	0	0	0	0	0	0	(220,486)	
Feb-08	352,081,036	167,569,271	0	0	0	0	0	0	0	0	0	519,650,307	
Net Change	495,116	(753,582)	0	0	0	0	0	0	0	0	0	(258,466)	
Mar-08	352,576,153	166,815,689	0	0	0	0	0	0	0	0	0	519,391,842	
Net Change	2,007,780	(730,446)	0	0	0	0	0	0	0	0	0	1,277,334	
Apr-08	354,583,933	166,085,243	0	0	0	0	0	0	0	0	0	520,669,176	
Net Change	668,632	(690,150)	0	0	0	0	0	0	0	0	0	(21,518)	
May-08	355,252,565	165,395,093	0	0	0	0	0	0	0	0	0	520,647,658	
Net Change	778,530	(549,514)	0	0	0	0	0	0	0	0	0	229,016	
Jun-08	356,031,095	164,845,579	0	0	0	0	0	0	0	0	0	520,876,674	
Net Change	1,925,838	(737,692)	0	0	0	0	0	0	0	0	0	1,188,146	
Jul-08	357,956,933	164,107,886	0	0	0	0	0	0	0	0	0	522,064,820	
Net Change	1,347,405	(698,688)	0	0	0	0	0	0	0	0	0	648,717	
Aug-08	359,304,338	163,409,198	0	0	0	0	0	0	0	0	0	522,713,536	

KENTUCKY-AMERICAN WATER COMPANY
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Witness: Michael Miller

38. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 64.
- a. Identify all benefits of the proposed single tariff other than the simplification of rate applications.
 - b. Kentucky-American states that "[t]he complexity of filing a rate case for the Company should be reduced significantly under a single tariff filing which will equate to savings in rate case expense." The rate case expense in this case is estimated at \$700,000, excluding the cost of the depreciation study. State the level that Kentucky-American estimates that its rate case expense would have been if a single tariff was already in effect.

Response:

- a. As stated in the response to PSCDR2#64, the Company has not performed a study to determine cost savings related to adoption of a single statewide tariff. With a single tariff, the Company would not have to maintain tariffs and revenues by division, nor would the Company have to charge or allocate corporate expenses to each division. These types of changes are expected to result in man-hour savings that would eliminate a position. Those types of savings will simplify and result in savings in rate case expense. A single tariff will benefit the customer base as a whole in that the price for water service will be based on uniform service and not location specific expenses, and a single tariff will reduce the likelihood of rate shock when a large capital expenditure is spread over a small customer base.
- b. It is difficult to quantify the savings that will result in preparing rate cases under a single tariff. The ultimate cost of a rate case is determined by the level of intervention, the level of discovery, whether the case is settled or fully litigated, and whether the decision is appealed. In this case, significant effort has been expended to include Owenton in the current division-specific tariff scheme, which effort would be less under a single tariff scheme. A division-specific cost of service to be used to measure the impact on each division has required significant effort which would be eliminated under a single tariff. Additionally, there has been additional effort required to allocate corporate costs between the divisions. A large portion of all this work is performed by the Southeast Region Rate Department and has resulted in significant amounts of overtime to generate the filing. The rate department employees are all salaried employees and under

current Service Company practices do not allocate more than 8 hours per day. Therefore, the time savings related to the salaried employees will not necessarily result in labor and benefit savings. The Company has also used consultants to assist in preparing the case. Those consultants do charge by hour worked and simplification of the filing will result in reduced consulting hours or could eliminate the need for accounting consultants entirely. A single tariff should also result in less discovery for future rate cases which will result in reduced consulting hours for accounting and legal services. Under the assumptions described in this response the Company would expect a savings in rate case expense of between \$75,000 and \$150,000.

For electronic version, refer to KAW_R_PSCDR3#38_071607.pdf

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Witness: Michael Miller

39. State whether Kentucky-American tracks rate recovery of asset removal costs for financial reporting or other purposes. If yes, state the amount recovered up to December 31, 2006.

Response:

Yes. The Company believes that tracking is the purpose of FAS 143 and the recording of the regulatory liability. The regulatory liability recorded under FAS 143 reflects the net negative salvage recovered through depreciation expense less the actual net negative salvage expended. Prior to the adoption of FAS 143 the timing differences between rate recovery for net negative salvage and the expenditure for that cost of removal was embedded in the accumulated depreciation expense for the Company (and many other regulated utilities). Regulated utilities are subject to FAS 71 and for financial statement presentation, FAS 143 presents the timing difference between rate recovery and expenditure of net negative salvage as a regulatory liability (or possibly in some cases a regulatory asset) so that readers of those financial statements are fully apprised of the liability associated with the future payments for the net negative salvage as utility plant assets are retired.

The amount recovered as of December 31, 2006 is \$7,597,007.36

For electronic version, refer to KAW_R_PSCDR3#39_071607.pdf

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Item 40 of 54

Witness: Michael Miller

40. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 65. List each AWWC subsidiary or affiliated entity that provides retail water service to separate and distinct operating divisions and is subject to state utility regulatory commission regulation. For each AWWC subsidiary or affiliated entity listed, state whether it has been permitted to use a single, uniform tariff for its operating divisions.

Response:

Please see table below.

Single Tariff for Mult-district Company

Western Division:

California	No.
Arizona	No.
New Mexico	Single district
Texas	No.

Central Division:

Missouri	No.
Indiana	Yes, by regional divisions and in process of moving to state-wide tariff
Illinois	Yes, by regional divisions and in process of moving to state-wide tariff.
Iowa	No.
Ohio	Yes, by regional divisions and in process of moving to state-wide tariff.
Michigan	Not regulated.

Southeast Region:

Virginia	No.
Pennsylvania	Yes.
Maryland	Single district
West Virginia	Yes.
Tennessee	No.
Kentucky	Pending.

Northeast Region:

New Jersey	Yes.
New York	Yes

**KENTUCKY-AMERICAN WATER COMPANY
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**COMMISSION STAFF'S THIRD
SET OF INFORMATION REQUESTS
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Witness: Michael Miller

41. List each AWWC subsidiary or affiliated entity that provides retail water service and is regulated by a state utility regulatory commission. For each entity, state:
- a. Whether the state utility regulatory commission normalizes water sales for the effects of weather when establishing the entity's general service rates.
 - b. The type of test period (i.e., fully forecasted; historical adjusted for known changes; unadjusted historical) used to establish rates.

Response:

- a. See Table below.
- b. See response to part a. above.

	<u>Regulatory Commission Recognize Weather Normalization</u>	<u>Test Year Type</u>
<u>Western Division:</u>		
California	Yes	Forecasted – 3 year rate plan.
Arizona	No	Historical TY+ known & meas.+ fully forecasted Util. Plant (non-rev. producing)
New Mexico	No	Historical TY+ known & meas.+ Committed Constr. thru effective date of rates.
Texas	No	Historical TY+ known & meas.+ Committed Constr. thru effective date of rates.
<u>Central Division:</u>		
Missouri	Yes	Historical TY+ known & meas.+ update of committed Contr. during case.
Indiana	No	Historical TY+ known & meas.+ FMV rate base.
Illinois	No	Fully forecasted test-year.
Iowa	No	Historical TY+ known & meas.+ Committed Constr. thru effective date of rates.
Ohio	No	Historical TY+ known & meas.+ Committed Constr. thru effective date of rates.
Michigan	Not regulated.	

Southeast Region:

Virginia	No	Historical TY+ known & meas.+ CWIP thru effective date of rates
Pennsylvania	No	Historical TY+ known & meas.+ Committed Constr. thru effective date of rates.
Maryland	No	Historical TY+ known & meas.+ Committed Constr. thru effective date of rates.
West Virginia	No	Historical TY+ known & meas.+ fully forecasted Util. Plant (non-rev. producing)
Tennessee	Yes	Fully forecasted test-year.
Kentucky	Yes	Fully forecasted test-year.

Northeast Region:

New Jersey	Yes, also trended for declining use per customer.	Historical TY+ known & meas.+ Committed Constr. thru effective date of rates.
New York	Yes	Forecasted test-year.

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Witness: Michael Miller/Dr. Edward Spitznagel

42. The information in Table I calculates the 10-year average daily sales per residential and commercial customer and was compiled from Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 66, and Kentucky-American's Annual Reports to the Commission.

Table I

	Year	Beg. # Cust.	End # Cust.	Average # Cust.	Gallons Sold	Annual Average	Days	Day Average	10 Year Day Average
Residential									
PSC DR 2 #66	2004							157.68	188.95
PSC DR 2 #66	2003							159.30	
PSC DR 2 #66	2002							179.50	
PSC DR 2 #66	2001							174.00	
PSC DR 2 #66	2000							177.88	
PSC DR 2 #66	1999							187.85	
PSC DR 2 #66	1998							186.47	
PSC DR 2 #66	1997							182.24	
Annual Report	1996	76,354	78,426	77,390	5,584,098,000	72,155	366	197.15	
Annual Report	1995	74,674	76,354	75,514	5,338,751,000	70,699	365	193.70	
Annual Report	1994	72,697	74,674	73,686	5,295,460,000	71,866	365	196.89	
Annual Report	1993	70,960	72,697	71,829	5,021,343,000	69,907	365	191.53	
Annual Report	1992	69,450	70,960	70,205	4,688,000,000	66,776	366	182.45	
Annual Report	1991	67,950	69,450	68,700	4,848,257,000	70,571	365	193.35	
Commercial									
PSC DR 2 #66	2004							1,342.57	1,542.48
PSC DR 2 #66	2003							1,348.41	
PSC DR 2 #66	2002							1,463.36	
PSC DR 2 #66	2001							1,449.11	
PSC DR 2 #66	2000							1,482.79	
PSC DR 2 #66	1999							1,540.95	
PSC DR 2 #66	1998							1,527.83	
PSC DR 2 #66	1997							1,497.26	
Annual Report	1996	7,236	7,339	7,288	4,180,937,000	573,713	366	1,567.52	
Annual Report	1995	7,168	7,236	7,202	4,120,172,000	572,087	365	1,567.36	
Annual Report	1994	7,085	7,168	7,127	4,198,617,000	589,156	365	1,614.12	
Annual Report	1993	7,048	7,085	7,067	4,057,656,000	574,210	365	1,573.18	
Annual Report	1992	6,981	7,048	7,015	3,870,467,000	551,781	366	1,507.60	
Annual Report	1991	6,847	6,981	6,914	3,901,888,000	564,346	365	1,546.15	

Table II shows a comparison of the 10-year average daily sales per residential and commercial customer as calculated in Table I and actual daily sales for the year subsequent to the last year of the averaged years shown in Table I.

Table II

	Actual	10-Year Average	Difference Gallons	Difference Percent
Residential				
2001	174.00	188.95	(14.95)	-8.59%
2005	175.99	179.58	(3.59)	-2.04%
Commercial				
2001	1,449.11	1,542.48	(93.37)	-6.44%
2005	1,434.97	1,478.72	(43.75)	-3.05%

Table III shows a comparison of the actual daily sales for the years subsequent to the last year of the averaged years in Table I and the daily sales for those same years as projected by Mr. Spitznagel’s weather normalization model in Cases No. 2000-00120 and No. 2004-00103.

Table III

Residential				
2001	174.00	183.94	(9.94)	-5.71%
2005	175.99	165.42	10.57	6.01%
Commercial				
2001	1,449.11	1,553.43	(104.32)	-7.20%
2005	1,434.97	1,385.52	49.45	3.45%

- a. The variances between Mr. Spitznagel’s projections to actual sales as shown in Table III and the variances between the historic 10-year averages and actual sales are within the same relative range. State whether Kentucky-American agrees that basing forecasted revenues on historic averages, as is the basis for budgeting many of the expenses included in the forecasted test year, is as reliable a method of forecasting revenues as Mr. Spitznagel’s weather normalization model. Explain.
- b. State whether, given the relatively close range of variances noted in Tables II and III and considering the expected cost of the weather normalization study, Kentucky-American agrees that averaging sales is a more cost-effective method of forecasting water sales than its present method. Explain.

- c. Explain how revenues are determined through Kentucky-American's annual budgeting process.
- d. Provide a comparison of budgeted to actual sales for the previous 10 years separated by class of customer.

Response:

- a. The Company does not believe using a simple average of historical usages per customer is as accurate as the weather normalization model used by Dr. Spitznagel. The Company does look at historical information as well as known changes in its operations to arrive at budgeted expenses. Other than the variable production costs which are tied to water pumpage few if any of the expenses are related to weather (other than in extraordinary conditions). The use of a simple average to determine water sales (over what period of history?) can lead to distortions in what would be expected to occur in a weather normalized year. The Company believes historical water usage per customer can be utilized to develop a trend line of what could expected to happen in the future regarding the impacts of conservation and changing customer usage patterns, but a simple average of those usages per customer can mask both the impact from a normal weather year and changes in customer usage patterns.
- b. The Company agrees that the calculation of a simple average usage per customer on which to base rate filings would be less costly (but not more accurate) than an independent study performed by an expert witness. The Company does not believe the estimated cost of \$25,000 for the study performed by Dr. Spitznagel is unreasonable and is justified to assure that the rates set in this case are fair and reasonable to both the Company and its customers.
- c. Residential – The Company begins its budget process with an end of period actual number of customers and meters. Based on historical average customer growth adjusted for known and estimated factors such as economic conditions, pending acquisitions, etc., new customers and meters are added to the budget on a monthly basis. Usage is determined monthly by applying the monthly customer numbers to weather-normalized use per customer. This usage is priced using prevailing rates. Meter charges are determined monthly by applying prevailing rates to the resulting number of meters.

Commercial – Revenues for this class are determined in the same manner as for revenues in the residential class.

Industrial – The Company has just a few industrial customers. We maintain a file of the historical use for each industrial customer and generally base our usage budgets for each customer on an historical average using several years and if necessary, adjust for significant trend changes obtained through discussion with those customers. The Company has occasional group meetings with its top customers and also has individual contact with those customers from time to time. While competition may prevent the customer from discussing specific

information about its business, we have in the past used knowledge that the customer was able and willing to share to appropriately adjust our budgets. Additions or losses of customers in this class that impact the historical average are annualized. Resulting usage is priced at prevailing rates. Meter charges are determined by listing all meters in this class by size and by pricing them at current rates. Additions or losses of customers that impact the number of meters are annualized.

OPA – The Company has approximately 485 customers in this classification. Historically, usage in this class has been relatively flat. The Company determines usage for this class using an historical average and prices that usage using prevailing rates. We begin with an end of period actual number of meters in this class and generally do not add customers or meters unless there is knowledge of a new customer or a change in usage of a customer. Meters are priced at prevailing rates.

Sales for Resale – Revenues for this class are determined in the same manner as for the industrial class.

- d. See attached.

For electronic version, refer to KAW_R_PSCDR3#42_071607.pdf

Kentucky American water						
PSCDR3#42d						
Water sales in 1000 gallons						
	Residential	Commercial	Industrial	Other	Resale	Total
1997 Actual	5,356,899	4,074,710	1,081,011	1,758,553	*	12,271,173
1997 Budget	5,485,695	4,186,958	987,030	1,793,126	*	12,452,809
Difference	(128,796)	(112,248)	93,981	(34,573)		(181,636)
1998 Actual	5,719,842	4,251,019	1,144,458	1,465,078	394,536	12,974,933
1998 Budget	5,494,828	4,227,131	1,039,428	1,496,864	322,374	12,580,625
Difference	225,014	23,888	105,030	(31,786)	72,162	394,308
1999 Actual	5,959,166	4,335,889	1,066,961	1,458,565	539,294	13,359,875
1999 Budget	5,674,657	4,279,673	1,095,987	1,496,974	344,540	12,891,831
Difference	284,509	56,216	(29,026)	(38,409)	194,754	468,044
2000 Actual	5,825,337	4,233,602	972,970	1,314,396	507,274	12,853,579
2000 Budget	5,954,349	4,365,552	1,095,987	1,484,251	376,572	13,276,711
Difference	(129,012)	(131,950)	(123,017)	(169,855)	130,702	(423,132)
2001 Actual	5,915,629	4,256,261	900,513	1,317,081	486,071	12,875,555
2001 Budget	6,134,976	4,421,913	974,186	1,436,958	440,370	13,408,403
Difference	(219,347)	(165,652)	(73,673)	(119,877)	45,701	(532,848)
2002 Actual	6,261,734	4,308,792	900,829	1,492,555	494,016	13,457,926
2002 Budget	6,317,481	4,425,930	942,969	1,392,240	494,188	13,572,808
Difference	(55,747)	(117,138)	(42,140)	100,315	(172)	(114,882)
2003 Actual	5,652,381	4,057,474	819,246	1,583,985	401,401	12,514,487
2003 Budget	6,445,512	4,397,771	900,509	1,412,013	492,357	13,648,162
Difference	(793,131)	(340,297)	(81,263)	171,972	(90,956)	(1,133,675)
2004 Actual	5,729,658	4,011,583	755,945	1,403,584	398,383	12,299,153
2004 Budget	6,731,275	4,383,456	890,116	1,582,953	477,218	14,065,018
Difference	(1,001,617)	(371,873)	(134,171)	(179,369)	(78,835)	(1,765,865)
2005 Actual	6,531,909	4,327,340	808,195	1,524,100	444,438	13,635,982
2005 Budget	6,692,369	4,389,360	903,619	1,402,352	654,794	14,042,494
Difference	(160,460)	(62,020)	(95,424)	121,748	(210,356)	(406,512)
2006 Actual	6,143,291	4,066,490	738,084	1,390,473	388,879	12,727,217
2006 Budget	6,427,687	4,486,083	898,999	1,548,455	650,916	14,012,140
Difference	(284,396)	(419,593)	(160,915)	(157,982)	(262,037)	(1,284,923)
* Could not locate SFR budget for 1997; combined OPA and SFR actual and budget						

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Item 43 of 54

Witness: Dr. Edward Spitznagel

43. In his testimony, Dr. Spitznagel states that the residential customer weather normalized usage is 162.8 gallons per day. This usage is a decrease in the residential customer weather normalized usage of 165.42 gallons per day which Kentucky-American presented in Case No. 2004-00103. Dr. Spitznagel further states that commercial customer weather normalized usage is 1408.9 gallons per day, which is an increase in commercial customer weather normalized usage of 1385.52 gallons per day from Case No. 2004-00103.
- a.
 - (1) State the reasons for the decrease in the residential customer weather normalized usage.
 - (2) State whether Dr. Spitznagel expected this level of decrease in usage. Explain.
 - b.
 - (1) State the reasons for the ~~de~~increase in the commercial customer weather normalized usage.
 - (2) State whether Dr. Spitznagel expected this level of ~~de~~increase in usage. Explain.

Response of Dr. Spitznagel:

- a.
 - (1) My belief is that the primary reason for the decrease in the residential customer weather normalized usage is the Federally mandated efficiency standards for new fixtures/appliances, including toilets (reduced from 3.5 gallons per flush to 1.6 gallons per flush, a reduction of more than 50%), clothes washing machines, and dishwashers. All new construction uses these water-conserving appliances, and existing housing gradually incorporates them as replacements.
 - (2) This decrease from 165.42 to 162.80 is 2.62 gallons per customer day (gcd) over three years, or 0.87 gcd per year. This is in fact less than I would have expected, given the decreases in annual projections in the Case 2004-00103 study (3.27 gcd per year) and in the Case 2007-00143 study (2.07 gcd per year). Note, however, that the 0.87 gcd is a between-study calculation, while the 3.27 and 2.07 gcd values are within-study, so the value 0.87 is not directly comparable to 3.27 or 2.07. The between-study calculation has two different sets of intercepts, while each within-study calculation has only one set.
- b.
 - (1) I have taken liberty of making two corrections, changing “decrease” to “increase” in b(1) and b(2), to be consistent with the first paragraph,

which observes the weather-normalized usage in Case 2007-00143 is 1408.9 gcd, while in Case 2004-00103 it was 1385.52 gcd, an increase of 23.38 gcd, or 7.79 gcd per year. As I discussed in my response above to a(2), differences between the two studies involve both differences in intercepts and differences in slopes.

In the workbook KYAM2007.XLS, the average intercept is 1575.108, and the average slope is $(1388.97-1416.96)/3 = -9.33$. Since the years are counted from 1990, we expect the 2008 consumption to be $1575.108 - (9.33 \times 18) = 1407.17$. This is consistent with the value in the workbook for the year 2008, which is 1407.25, and is slightly lower than the value 1408.90 for December 2007 to November 2008.

In the workbook KYAM2004.XLS, the average intercept is 52.13, measured in thousands of gallons per month. It converts to $52.13 \times 12 \times 1000 / 365 = 1713.86$ gcd. The average slope is $(1338.17-1404.33)/3 = -22.05$. The years are again counted from 1990, so we expect the 2005 consumption to be $1713.86 - (22.05 \times 15) = 1383.11$. This is close to the value in the workbook for the year 2005, which is 1381.62, and is slightly lower than the value 1385.52 for December 2004 to November 2005.

To summarize, the intercept in Case 2004-00103, 1713.86, is much larger than that of Case 2007-00143, 1575.108, but the slope in Case 2004-00103 is much steeper, bringing that case's 2005-vicinity estimates down lower than the 2008-vicinity estimates in the present Case 2007-00143.

- (2) Regarding whether I expected this estimated increase in usage: In my direct testimony in Case 2004-00103, I described being able to use seven years plus one additional month of data, due to Kentucky-American having switched to monthly billing that long ago. Ideally, we would like to have ten years of utilization data in order to obtain more stable estimates. Therefore I am not surprised that the estimate from Case 2004-00103 turned out slightly lower than that from the present Case 2007-00143.

With regard to the present case, as I mentioned in my direct testimony, we now have available a new, more precise reporting method, which gives consumption per billed day. To take advantage of the more precise information, which became available in 1998, I was limited to nine rather than ten years. In the future, we will easily be able to base the weather-normalized estimates on a full ten years of data, reported as gallons per billed day.

For electronic version, refer to KAW_R_PSCDR3#43_071607.pdf

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Witness: Michael Miller

44. Refer to Direct Testimony of Michael A. Miller at 17. Describe how Mr. Miller determined that Kentucky-American would obtain an additional 2,816 residential customers and 124 commercial customers through normal growth.

Response:

As in previous cases, the Company utilized averages to project its normalization of customers for the forecasted period. For the residential classification, the Company utilized a three (3) year average of the years 2004 through 2006 to arrive at its number 2,816 for normal growth. For the commercial classification, the Company utilized a six (6) year average of the years 2001 through 2006 to arrive at its number 124 for normal growth.

For electronic version, refer to KAW_R_PSCDR3#44_071607.pdf

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Witness: Michael Miller

45. Refer to Mr. Miller's testimony where he states that the current tariffs were used to derive revenue at current rates.
- a. What tariffed rates were used to derive this revenue?
 - b. In what part of the service territory are these new customers expected to be added?

Response:

- a. Refer to Exhibit #1 of the Company's original filing at pages 6-10 and 12.
- b. The new customers are expected to be added to all three (3) service territories served by the Company. As stated in response to question 44, these customers are anticipated to be added consistent with past historical customer growth.

For electronic version, refer to KAW_R_PSCDR3#45_071607.pdf

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Witness: Paul Herbert

46. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 73. Explain in detail how the consumption charges were developed. Provide all work papers, show all calculations and state all assumptions used in developing the consumption charges for the various customer classes proposed in Schedule G.

Response:

Revenue targets were established for each classification based on moving existing revenue toward the indicated cost of service while avoiding any large increase to any one particular class. Revenues from proposed customer charges were subtracted from the revenue targets. The remaining revenue was divided by the pro forma consumption units for each class to determine the consumption charge by class. See attached calculation of consumption charges.

For electronic version, refer to KAW_R_PSCDR3#46_071607.pdf

Kentucky American Water
Calculation of consumption charge
PSCDR3#46

	Multiplier	Proposed Rates	Present Rates
Meter Charge:			
5/8" Monthly	1.0	7 95	7 95
3/4" Monthly	1 5	11 94	11 94
1" Monthly	2.5	19 89	19 89
1 1/2" Monthly	5.0	39 77	39 77
2" Monthly	8 0	63 64	63 64
3" Monthly	15.0	119 32	119 32
4" Monthly	25.0	198 86	198 86
6" Monthly	50 0	397 73	397 73
8" Monthly	80 0	636 36	636 36
10" Monthly	100 0	795 00	
12" Monthly	120 0	954 00	

	Revenues Per Cost Of Service	Revenues per Meter Charges (a)	Revenues per Volumetric Chg (b)	Consumption (c)	Volumetric rate (b) / (c)
Residential	32,158,528	10,622,683	21,535,845	8,540,385	2 5217
Commercial	16,121,212	2,507,038	13,614,174	5,999,505	2 2692
Industrial	1,975,575	62,427	1,913,148	1,059,832	1 8051
Other Public Authority	4,758,160	477,193	4,280,967	2,029,386	2 1095
Other Water Utility	1,321,378	42,573	1,278,805	603,242	2 1199
Private Fire	1,305,398		1,305,398		
Public Fire	2,533,890		2,533,890		
	60,174,141	13,711,914	46,462,227		

Private Fire	Present rates	Proposed rates (12 equal mo pmts) (a)	Present rates x % increase (b)	Monthly rate (a) / 12	Monthly rate (b) / 12
2" Diameter	52.23	63 96	63 97	5 33	5 33
4" Diameter	208.93	255 96	255 90	21 33	21 33
6" Diameter	469.57	575 16	575 13	47 93	47 93
8" Diameter	834.67	1,022 28	1,022 30	85 19	85 19
10" Diameter	1,304 23	1,597 44	1,597 42	133 12	133 12
12" Diameter	1,878 39	2,300 64	2,300 65	191 72	191 72
14" Diameter	2,557 02	3,131 88	3,131 83	260 99	260 99
16" Diameter	3,338 93	4,089 48	4,089 51	340 79	340 79

	Per Cost Of Service (a)	Per Books (b)	% increase (a) / (b)	Present rates (c)	Proposed rates % inc x (c)
Public Fire	2,533,890	2,261,424	1.120484	312 87	350 52
Private Fire	1,305,398	1,065,763	1.224798	469 57	575 16

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Witness: Michael A. Miller

47. In its Supplemental Responses to AG's First Set of Information Requests, Kentucky-American provided Exhibit 37M (Revised) in PDF format, but not in Excel format. Provide Exhibit 37M (Revised) in Excel spreadsheet format with all links and revisions in proper working order.

Response:

Please refer to the electronic filing included with the response to AGDR1 question 46. The electronic file is titled KAW_R_AGDR1#46_REV07_061807.xls.

For electronic version, refer to KAW_R_PSCDR3#47_071607.pdf

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Witness:

48.

Response: There is no question for Item No. 48.

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Witness: Linda C. Bridwell

49. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 29.
- a. State whether Kentucky-American has replaced any manual or touch read meters with the AMR type meters.
 - b. State Kentucky-American's current plans regarding the replacement of manual and touch read meters with the AMR type meters.
 - c. State whether the table contained in the response addresses Kentucky-American's entire service territory (i.e., Northern and Central Divisions). If the table does not represent Kentucky-American's entire service territory, provide a table using the same format that reflects Kentucky-American's entire service territory.

Response:

- a. KAW has replaced manual read meters in niche deployments, such as Scott County and rural Owen County, where it was cost effective. Also, AMR has been installed for meters that were difficult to access. Otherwise, AMR is installed only in new subdivisions.
- b. KAW plans further niche deployment as older meters require replacement.
- c. Yes.

For electronic version, refer to KAW_R_PSCDR3#49_071607

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Witness: Paul Herbert

50. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 36, in which Mr. Herbert states that approximately \$92,146 of unrecovered public fire service costs was inadvertently omitted from the calculation of the 5 / 8 inch service charge. State whether Kentucky-American will amend its application to recover the \$92,146. Explain.

Response:

Under the revised revenue requirement and cost of service study, there will be no unrecovered public fire cost. Therefore, no adjustment to the 5/8-inch customer charge is necessary.

For electronic version, refer to KAW_R_PSCDR3#50_071607.pdf

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Witness: Paul Herbert

51. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 12. When opened, the Excel spreadsheet seeks to link to another file named "K_REV07.xls" to update the spreadsheet's contents. Commission Staff is unable to locate the file "K_REV07.xls" in Kentucky-American's application or subsequent filings.
- a. State the location of K_REV07.xls.
 - b. If Kentucky-American has not submitted K_REV07.xls, provide a copy.
 - c. Provide a revised cost-of-service study in Excel spreadsheet format that includes all linked worksheets or files.

Response:

- a. The file K_REV07.xls is the bill analysis that was filed with the case in response to AG DR1 No. 46. Refer to the updated excel file KAW_R_AGDR1#46_REV07_061807.xls located on the CD that KAW provided on June 22, 2007.
- b. See a. above
- c. Please refer to file KAW_R_PSCDR3#51_attachment_071607.xls

For electronic version of this document, refer to KAW_R_PSCDR3#51_071607.pdf

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Witness: Michael Miller

52. Provide a schedule for each of the past five years that shows:
- a. The companies with whom Kentucky-American filed a consolidated income tax return for the tax year.
 - b. The taxable income or tax losses of each company in the tax year.
 - c. Whether a state utility regulatory commission regulates the listed company.

Response:

- a. See attached schedule.
- b. See the response to part a. above.
- c. See the response to part a. above.

For electronic version, refer to KAW_R_PSCDR3#52_071607.pdf

AMERICAN WATER WORKS COMPANY

CONSOLIDATED TAX SAVINGS CALCULATION

	2001	2002	2003	2004	2005
<u>NON OPERATING COMPANIES</u>					
AMER. WATER WORKS CO., INC.	(\$25,623,391)	\$45,372,482	(\$117,530,020)	(\$40,478,053)	(\$30,559,831)
GREENWICH	(690)				
THAMES WATER AQUA US HOLDINGS, INC			(60,519,073)	(106,961,914)	(106,933,653)
AWW SERVICE CO	(1,632,593)	(171,974)	(2,305,282)	6,924,158	(3,336,560)
AMERICAN WATER CAPITAL CORP			6,139,085	(2,637,491)	11,921,347
E'TOWN CORPATION			(19,601,116)	(17,250,214)	(18,630,728)
THAMES WATER HOLDINGS, INC			1,554,959	(126,253)	(1,435,003)
THAMES WATER NORTH AMERICAN, INC			(12,534,224)	374,873	(2,054,800)
ELIMINATION ENTRY	252,816	321,168	242,014	172,663	
ADJUSTMENTS			(11,550,322)	(3,554,944)	(8,384,131)
<u>NON REGULATED COMPANIES</u>					
AWS CORP			(93,473)	(104,345)	495,511
APPLIED WASTEWATER MANAGEMENT, INC			(728,138)	(556,024)	(404,061)
APPLIED WASTEWATER SERVICES, INC			18,902	(562,706)	(304,213)
AMERICAN ANGLIAN ENVIRONMENTAL	(14,889)	(29,703)	(75,429)	(34,169)	
AMERICAN WATER SERVICES CDM, INC		(20,932)	(37,316)	(50,725)	(80,161)
AMERICAN WATER RESOURCES	2,956,710	6,248,007	4,710,409	7,880,225	19,454,451
AMERICAN WATER SERVICES, INC.	(1,850,233)	(16,366,994)	(21,442,518)	(18,940,041)	(29,557,184)
AMERICAN WATER SERVICES (USA), INC		(2,608,118)	(1,270,763)	(46,540)	4,888
AMERICAN WATER SERVICES ENG, INC.	(59,190)	(167,158)	(128,456)	(145,954)	(117,290)
AMERICAN WATER SERVICES INDUSTRIAL OPERATIONS	(187,301)	(932,497)	189,519	(895,936)	(213,910)
AMERICAN WATER SERVICES OPERATIONS &	305,671	(6,025,851)	(6,647,139)	(4,452,689)	(4,653,014)
AMERICAN WATER SERVICES RESIDUALS	(38,681)	(4,353,548)	(4,343,718)	(1,993,528)	(1,533,373)
AMERICAN WATER SERVICES UNDERGROUND INFRASTRUC	607,211	2,317,753	1,922,456	1,763,294	2,621,694
AZURIX CMD, INC	22,124				
AZURIX INDUSTRIALS CORP	34,333				
AZURIX NORTH AMERICA (USA), INC	(948,751)				
AZURIX NORTH AMERICA CORP	(16,620)	(96,573)			
AWS INDUSTRIALS CORP		(39,004)	(3,896)	(6,045)	(6,045)
DITTMAN-MERKA ENTERPRISES, INC	(5,778)	(34,666)	(33,734)	(34,666)	(18,535)
MAGNOLIA CONSTRUCTION COMPANY, INC	(17,476)	(75,833)	(4,186)	(10,024)	(3,548)
APPLIED WATER MANAGEMENT OF DELAWARE, INC				(48,428)	72,681
MASSACHUSETTS RESORCE CO (applied water mgmt)	327,182	85,712	1,433,896	2,478,084	2,220,524
PHILIP AUTOMATED MANAGEMENT CONTROLS, INC	(111,029)	(633,779)	(1,104,205)	(609,226)	(423,606)
TRIMAX RESIDUALS MANAGEMENT (USA) INC	240,154	1,684,863	128,302	(1,200,474)	(1,840,912)
ASHBROOK CORPORATION			1,637,395	639,948	4,441,126
E'TOWN PROPERTIES, INC			32,681	(135,979)	(139,297)
F B LEOPOLD COMPANY, INC			1,704,833	3,478,011	
HYDRO-AEROBICS, INC			(354,560)	75,490	750,000
USEG HOLDINGS, INC			(15,600,000)		
U-LINER MID AMERICA, INC		(521,586)			
UTILITY MANAGEMENT & ENGINEERING, INC	(881)	(6,085)	(5,943)	(6,674)	(6,524)
Laurel Oak Properties					1,222,103
<u>REGULATED OPERATING COMPANIES</u>					
ELIZABETHTOWN WATER COMPANY			38,947,391	35,369,689	12,735,276
THE MOUNT HOLLY WATER COMPANY			636,395	(18,756)	(410,593)
HAMPTON	768,177	(358,124)			
CONNECTICUT- AMERICAN	3,968,037	(688,132)			
MASSACHUSETTS AMERICAN - 1	320,537	(706,134)			
SALISBURY	585,852	58,511			
AMERICAN LAKE WATER COMPANY		1,013,557	1,687,532	502,250	2,930,768
PENNSYLVANIA - AMERICAN - 1	51,108,699	40,851,346	30,170,102	36,266,349	73,738,289
NEW YORK AMERICAN	988,200	(354,848)			
LONG ISLAND WATER	4,420,092	1,512,238	(2,232,500)	(4,369,262)	356,766
NEW JERSEY-AMERICAN	48,792,387	31,835,102	8,283,663	19,544,332	37,456,743
IOWA - AMERICAN	2,745,483	3,668,313	1,682,860	(607,619)	1,592,967
ILLINOIS - AMERICAN	19,553,270	10,124,499	6,752,828	20,484,856	15,540,324
INDIANA - AMERICAN	21,203,339	11,524,369	7,878,387	16,024,866	14,720,925
MISSOURI - AMERICAN	5,521,838	22,171,706	7,276,080	(14,187,108)	22,085,024
JEFFERSON CITY WATER WORKS CO.	1,330,133				

ST. LOUIS COUNTY	26,705,375				
OHIO - AMERICAN	505,609	192,528	(1,707,304)	(4,359,015)	(3,668,505)
MICHIGAN - AMERICAN	190,068	187,599	236,187	(141,741)	57,117
CALIFORNIA AMERICAN	7,505,015	2,823,799	(4,340,682)	2,866,559	(1,405,734)
ARIZONA - AMERICAN	18,928	(1,860,920)	(6,351,952)	(6,535,608)	(3,147,875)
NEW MEXICO - AMERICAN	1,077,920	1,578,661	1,565,133	(228,549)	1,387,782
SOUTHWEST UTILITIES, INC	9,585	167,065	(12,777)	(373,423)	(60,573)
HAWAII - AMERICAN	1,021,369	686,327	(62,335)	(335,798)	1,144,621
WALKER WATER WORKS, INC.	7,651	119,573	(49,281)	(233,447)	(127,812)
EDISON WATER COMPANY			(507,096)	(596,549)	(31,472)
LIBERTY WATER COMPANY			1,835,276	785,967	717,958
VIRGINIA - AMERICAN	3,025,831	3,100,291	1,353,477	571,271	4,913,310
UNITED WATER VIRGINIA	179,207	176,161	221,430	133,725	145,591
WEST VIRGINIA - AMERICAN	3,042,521	234,863	(936,411)	(4,322,760)	7,476,993
BLUEFIELD VALLEY	(35,332)	(53,064)	(73,646)	(75,987)	30,060
MARYLAND - AMERICAN	676,275	164,924	649,846	743,575	247,498
KENTUCKY - AMERICAN	6,072,890	4,337,965	2,123,369	(1,297,080)	3,896,807
TENNESSEE - AMERICAN	3,858,291	2,158,771	3,124,181	906,630	3,086,542

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Witness: Dr. James H. Vander Weide

53. Refer to the Direct Testimony of Dr. Vander Weide, JVW-1, Schedule 1 and Schedule 2. Provide the amount of the flotation cost adjustment and the cost of equity without the adjustment.

Response:

As stated in Dr. Vander Weide's direct testimony in response to Question 40 and as also shown in Dr. Vander Weide's work papers, Dr. Vander Weide included a five percent allowance for flotation costs. The average estimated DCF cost of equity result for the water and natural gas companies shown in Schedules 1 and 2 without inclusion of a flotation cost allowance would be 10.3 percent.

For electronic version, refer to KAW_R_PSCDR3#53_071607

**KENTUCKY-AMERICAN WATER COMPANY
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Witness: Dr. James H. Vander Weide

54. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 79 and Direct Testimony of Dr. Vander Weide, Exhibit JVW-1, Schedules 1, 2, 7, and 8.
- Describe how the market weights were calculated and then used in each of the Schedules.
 - Explain why it is appropriate to use market weighting in the calculations contained in each schedule.
 - Provide documentation from the SBBI Stocks, Bonds, Bills, and Inflation 2007 Yearbook Valuation Edition or other respected reference that demonstrates and explains how the use of market weighting is appropriate in the context of this case.

Response:

- The market weights used to estimate the market-weighted average results are the market values in February 2007 for each company in the comparable company groups. These data were obtained from The Value Line Investment Analyzer and Thomson Financial. As shown in Dr. Vander Weide's work papers, a market weighted average is obtained by: (1) summing the total market capitalization for the comparable group and determining what percentage of the total market value is represented by each company; (2) multiplying the relative market value percentage of each company by the company's cost of equity result or beta; and (3) summing the market-weighted cost of equity results or market-weighted betas for each company to obtain the market-weighted average cost of equity or market-weighted average beta for the group of companies.
- It is appropriate to use market weighting in the calculations in each schedule because the cost of equity is the expected return on a portfolio of equity investments in the companies shown in each schedule. According to portfolio theory, the expected return on a portfolio of equity investments is the weighted average of the expected returns on each security, where the relative market values of the securities in the portfolio are used as weights. Specifically, the expected return on a portfolio consisting of n securities is:

$$r_p = \sum_{i=1}^N x_i r_i$$

$$= X_1 r_1 + X_2 \bar{r}_2 + \dots + X_n \bar{r}_n$$

where:

\bar{r}_p = the expected return of the portfolio,

X_i = the proportion of the portfolio's initial value invested in security i,

\bar{r}_i = the expected return of security i, and

N= the number of securities in the portfolio.

See, for example, William F. Sharpe, Gordon J. Alexander, Jeffery V. Bailey, Investments, 5th Edition, Prentice Hall, 1995, pp. 175 – 177.

- c. See response to (b.) Copies of the relevant pages are attached.

For electronic version, refer to KAW_R_PSCDR3#54_071607

F I F T H E D I T I O N

INVESTMENTS

WILLIAM F. SHARPE

Stanford University

GORDON J. ALEXANDER

University of Minnesota

JEFFERY V. BAILEY

Richards & Tierney, Inc.



Prentice Hall, Englewood Cliffs, New Jersey 07632

portfolios on the basis of their expected returns. In addition, the investor can use indifference curves. In the case of a risk-averse investor, the portfolio on the indifference curve that is "furthest northwest" would be the one selected for investment.

However, certain questions remain unanswered. In particular, how does the investor calculate the expected return and standard deviation for a portfolio?

7.4.1 Expected Returns

With the Markowitz approach to investing, the focus of the investor is on terminal (or end-of-period) wealth, W_1 . That is, in deciding which portfolio to purchase with his or her initial (or beginning-of-period) wealth, W_0 , the investor should focus on the effect that the various portfolios have on W_1 . This effect can be measured by the expected return and standard deviation of each portfolio.

As mentioned previously, a portfolio is a collection of securities. Thus it seems logical that the expected return and standard deviation of a portfolio should depend on the expected return and standard deviation of each security contained in the portfolio. It also seems logical that the amount invested in each security should be important. Indeed, this is the case.

In order to show how the expected return on a portfolio depends on both the expected return on the individual securities and the amount invested in these securities, consider the three-security portfolio shown in Table 7.2(a). Assume that the investor has a one-year holding period, and that for this period he or she has estimated the expected returns on Able, Baker, and Charlie stock to be 16.2%, 24.6%, and 22.8%, respectively. This is equivalent to stating that the investor has estimated the end-of-period values of these three stocks to be, respectively, \$46.48 [because $(\$46.48 - \$40)/\$40 = 16.2\%$], \$43.61 [because $(\$43.61 - \$35)/\$35 = 24.6\%$], and \$76.14 [because $(\$76.14 - \$62)/\$62 = 22.8\%$].⁸ Furthermore, assume that this investor has initial wealth of \$17,200.

Using End-of-Period Values

The expected return on this portfolio can be calculated in several ways, all of which give the same answer. Consider the method shown in Table 7.2(b). This method involves calculating the expected end-of-period value of the portfolio, and then using the formula for calculating the rate of return that was shown in Chapter 1. That is, first the initial portfolio value (W_0) is subtracted from the expected end-of-period value of the portfolio (W_1), and then this difference is divided by the initial portfolio value (W_0), the result of which is the portfolio's expected return. While the example shown in Table 7.2(b) involves three securities, the procedure can be generalized to any number of securities.

Using Security Expected Returns

An alternative method for calculating the expected return on this portfolio is shown in Table 7.2(c). This procedure involves calculating the expected return on a portfolio as the weighted average of the expected returns on its component

securities. The relative market values of the securities in the portfolio are used as weights. In symbols, the general rule for calculating the expected return on a portfolio consisting of N securities is:

$$\bar{r}_p = \sum_{i=1}^N X_i \bar{r}_i \tag{7.3a}$$

$$= X_1 \bar{r}_1 + X_2 \bar{r}_2 + \dots + X_N \bar{r}_N \tag{7.3b}$$

where:

- \bar{r}_p = the expected return of the portfolio,
- X_i = the proportion of the portfolio's initial value invested in security i ,
- \bar{r}_i = the expected return of security i , and
- N = the number of securities in the portfolio.

TABLE 7.2

CALCULATING THE EXPECTED RETURN ON A PORTFOLIO

(a) Security and Portfolio Values

Security Name	Number of Shares in Portfolio	Initial Market Price Per Share	Total Investment	Proportion of Initial Market Value of Portfolio
Able Co.	100	\$40	\$4,000	$\$4,000/\$17,200 = .2325$
Baker Co.	200	35	7,000	$7,000/17,200 = .4070$
Charlie Co.	100	62	6,200	$6,200/17,200 = .3605$

Initial Market Value of Portfolio = $W_0 = \$17,200$ Sum of Proportions = 1.0000

(b) Calculating the Expected Return for a Portfolio Using End-of-Period Values

Security Name	Number of Shares in Portfolio	Expected End-of-Period Value Per Share	Aggregate Expected End-of-Period Value
Able Co.	100	\$46.48	$\$46.48 \times 100 = \$4,648$
Baker Co.	200	43.61	$\$43.61 \times 200 = 8,722$
Charlie Co.	100	76.14	$\$76.14 \times 100 = 7,614$

Expected End-of-Period Value of Portfolio = $\bar{W}_1 = \$20,984$
 Portfolio Expected Return = $\bar{r}_p = (\$20,984 - \$17,200)/\$17,200 = 22.00\%$

(c) Calculating the Expected Return for a Portfolio Using Security Expected Returns

Security Name	Proportion of Initial Market Value of Portfolio	Security Expected Returns	Contribution To Portfolio Expected Return
Able Co.	.2325	16.2%	$.2325 \times 16.2\% = 3.77\%$
Baker Co.	.4070	24.6	$.4070 \times 24.6 = 10.01$
Charlie Co.	.3605	22.8	$.3605 \times 22.8 = 8.22$

Portfolio Expected Return = $\bar{r}_p = 22.00\%$

Thus, an **expected return vector** can be used to calculate the expected return for any portfolio formed from the N securities. This vector consists of one column of numbers, where the entry in row i contains the expected return of security i . In the previous example, the expected return vector was estimated by the investor to be:

Row 1	16.2%
Row 2	24.6%
Row 3	22.8%

where the entries in rows 1, 2, and 3 denote the expected returns for securities 1, 2, and 3, respectively.

Because a portfolio's expected return is a weighted average of the expected returns of its securities, *the contribution of each security to the portfolio's expected return depends on its expected return and its proportionate share of the initial portfolio's market value.* Nothing else is relevant. It follows from Equation (7.3a) that an investor who simply wants the greatest possible expected return should hold one security: the one he or she considers to have the greatest expected return. Very few investors do this, and very few investment advisors would counsel such an extreme policy. Instead, investors should diversify, meaning that their portfolios should include more than one security. This is because diversification can reduce risk, as measured by standard deviation.

7.4.2 Standard Deviations

A useful measure of risk should somehow take into account both the probabilities of various possible "bad" outcomes and their associated magnitudes. Instead of measuring the probability of a number of different possible outcomes, the measure of risk should somehow estimate the extent to which the actual outcome is likely to diverge from the expected outcome. Standard deviation is a measure that does this, since it is an estimate of the likely divergence of an *actual* return from an *expected* return.

It may seem that any single measure of risk would provide at best a very crude summary of the "bad" possibilities. But in the more common situation where a portfolio's prospects are being assessed, standard deviation may prove to be a very good measure of the degree of uncertainty. The clearest example arises when the **probability distribution** for a portfolio's returns can be approximated by the familiar bell-shaped curve known as a **normal distribution**. This is often considered a plausible assumption for analyzing returns on diversified portfolios when the holding period being studied is relatively short (say, a quarter or less).

A question about standard deviation as a measure of risk is: Why count "happy" surprises (those above the expected return) at all in a measure of risk? Why not just consider the deviations *below* the expected return? Measures that do so have merit. However, the results will be the same if the probability distribution is symmetric, as is the normal distribution. Why? Because the left side of a symmetric distribution is a mirror image of the right side. Thus, a list of portfolios ordered on the basis of "downside risk" will not differ from one ordered on the basis of standard deviation if returns are normally distributed.⁹