

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION**

Witness: Michael A. Miller

127. For the same time periods referenced in the preceding interrogatory, please provide the following information for Kentucky-American Water Company:

- a) Embedded cost rates for long-term debt, short-term debt other debt and preferred or preference stock
- b) Computation of embedded cost rates of long-term debt
- c) Computation of embedded cost rates of short-term debt
- d) Computation of embedded cost rates of preferred or preference stock

Note: Schedules should include date of issue, maturity date, dollar amount, coupon rate, net proceeds, annual interest paid, and balance of principal, where applicable.

Response:

Please see the attached schedules. The Company does not possess the average short-term debt interest rate for each 12-month period, but does have an average short-term interest rate for each month. The schedules attached contain the short-term interest rate for the month ending each requested 12-month period.

For the electronic version, refer to KAW_R_AGDR1#127_122308.pdf.

Supplemental Response:

See the attached schedules December 2008.

For the electronic version, refer to KAW_R_AGDR1#127_supplemental_030909.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
COST OF CAPITAL SUMMARY
As of December 2008

Line No.	Class of Capital	Reference	Amount	% of Total	Add (1)	Adjusted Capital	Cost Rate	Terminal Weighted Cost
2	Short-Term Debt	J-2, Page 2	\$51,825,821	22.504%	\$ -	\$51,825,821	2.800%	0.630%
4	Long-Term Debt	J-3, Page 2	79,026,133	34.315%	0	79,026,133	6.930%	2.380%
6	Preferred Stock	J-4, Page 2	5,934,078	2.577%	0	5,934,078	7.750%	0.200%
8	Common Equity		93,507,471	40.604%	0	93,507,471	11.500%	4.670%
10	Total Capital		<u>\$230,293,503</u>	<u>100.000%</u>	<u>\$ -</u>	<u>\$230,293,503</u>		<u>7.880%</u>

Note: ST debt rate is avg. for December 2008

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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
EMBEDDED COST OF LONG-TERM DEBT
As of December 2008

Line No.	Debt Issue Type & Rate	Issue Date	Maturity Date	Amount Outstanding	Cost Rate at Issue	Cost Rate at Maturity	Bond Rating at Issue	Annualized Interest	Principal Amount	Annual Amort. of Issue Expense	Unamortized Discount or Premium	Unamortized Debt Expense	Unamortized Gain/Loss	Carrying Value
2	<u>General Mortgage Bonds:</u>													
3	Series 6.87%	03/30/01	03/29/11	9,300,000	6.870%	7.542%	N/A	701,406	9,300,000	62,496	0	154,526	0	9,145,474
4	Series 6.96%	12/01/93	12/01/23	7,000,000	6.960%	7.006%	N/A	490,420	7,000,000	3,240	0	34,212	0	6,965,788
5	Series 7.15%	02/14/97	02/01/27	7,500,000	7.150%	7.182%	N/A	538,650	7,500,000	2,424	0	43,925	0	7,456,075
6	Series 6.99%	09/01/98	06/01/28	9,000,000	6.990%	7.026%	N/A	632,340	9,000,000	3,264	0	63,333	0	8,936,667
7	Series 6.59%	06/12/02	06/12/37	47,000,000	6.590%	6.623%	N/A	3,112,810	47,000,000	15,406	0	477,871	0	46,522,129
26	Total Long-Term Debt and Annualized Cost													
27				\$79,800,000				\$5,475,626	\$79,800,000	\$86,630	\$0	\$773,867	\$0	\$79,026,133
29	Annualized Cost Rate													
30				6.930%										

