

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

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**Witness: Michael A. Miller**

1. Please identify and describe any ratemaking adjustments and/or rate making methodologies used in the instant rate proceeding that have not previously been addressed and/or adopted by the KY PSC.

**Response:**

The Company is not aware of any material adjustments or rate making methodologies that have not been previously addressed by the KY PSC. There are always differences of opinion about individual cost of service elements in a rate case that should be addressed on the merits in each case. The Company has filed its petition consistent with prior Company cases with one exception which is addressed in the response to KAW\_R\_AGDR1#2\_122308.

For the electronic version, refer to KAW\_R\_AGDR1#1\_122308.pdf.

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CASE NO. 2008-00427  
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**Witness: Michael A. Miller**

2. Please identify and describe any ratemaking adjustments and/or ratemaking methodologies that are different from the ratemaking adjustments and/or ratemaking methodologies authorized by the KY PSC in the prior litigated rate cases, Case Nos. 2000-120 and 2004-00103.

**Response:**

The Company is seeking full rate base recognition for a portion of the expenditures towards construction of the KRS II, Source of Supply Project. The reasons and justification for the Company's requested rate base treatment for the KRS II Project are set forth in the direct testimony of Michael A. Miller. The Company believes such rate base treatment has been adopted by the KY PSC for other utilities in Kentucky.

For the electronic version, refer to KAW\_R\_AGDR1#2\_122308.pdf.

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**Witness: Michael A. Miller**

3. Please provide a workpaper showing all calculations in support of the revenue rate increase components shown at the top of Exhibit MAM-2.

**Response:**

Please see the attached schedules. The attached schedules include the internal RRD-1 for the current rate case which shows how the rate case elements for going-level tariff revenues, O&M expense, depreciation, and property tax were calculated. Also attached are copies of the revenue requirement calculation model sheets that determined the amount of rate increase attributable to the KRS II Project for expenditures through May 2009, the increase in rate base for other rate base items in the forecasted test-year net of AFUDC, and the change in WACC.

The calculations are based on the KAWC internal RRD-1 report which compares the cost of service elements of the current rate case to the company's interpretation of the cost of service elements embedded in the current rates of KAWC. The Company understands that case number 2007-00143 ended in an overall settlement and there may be differences of opinion about the various elements of the cost of service used to arrive at the overall settlement. Exhibit MAM-2 was used to illustrate the Company's understanding of the cost of service elements driving the need to seek an increase in rates in the current case.

For the electronic version, refer to KAW\_R\_AGDR1#3\_122308.pdf.

**KENTUCKY-AMERICAN WATER COMPANY**  
**RATE CASE PROGRESS REPORT**

DATE FILED: October 31, 2008  
STATUTORY DATE: June 1, 2009  
EFFECTIVE DATE: December 1, 2008 (If rates not suspended)  
FORECASTED TEST PERIOD: May 31, 2010  
CASE NO. 2008-00427

AVERAGE RESIDENTIAL BILL:  
USAGE: GAL 57,690  
PRESENT RATES: \$275.22  
PROPOSED RATE \$359.48  
AUTH RATES:

	PER PREVIOUS CASE ORDER	PROPOSED GENERAL INCREASE		
1. REVENUES AT PRESENT RATES	\$51,364,461	\$59,150,468		
2. AMOUNT OF INCREASE	8,000,000	18,494,634		
3. % INCREASE	15.57%	31.27%		
4a. REVENUE (OPERATING)	59,364,461	77,645,102		
4b. AFUDC	1,678,192	3,094,804		
4c. TOTAL REVENUES	<u>61,042,653</u>	<u>80,739,906</u>		
5. O & M EXPENSE	27,259,943	31,901,944		
6. DEPRECIATION	7,905,143	8,398,250		
7. GENERAL TAXES	3,322,022	3,783,078		
8. INCOME TAXES	6,423,197	10,563,137		
SUB-TOTAL	<u>44,910,305</u>	<u>54,646,409</u>		
9. UTILITY OPERATING INCOME	16,132,348	26,093,497		
10. INTEREST ON LONG - TERM DEBT	6,609,642	9,532,987		
11. OTHER INTEREST	401,802	1,222,178		
12. PREFERRED DIVIDENDS	441,982	458,317		
13. OTHER DEDUCTIONS	0	0		
SUB-TOTAL	<u>7,453,426</u>	<u>11,213,482</u>		
14a. INCOME TO COMMON STOCK (FALLOUT)	8,678,922	14,880,015		
14b. CALCULATED INCOME TO COMMON STOCK	<u>\$8,678,922</u>	<u>\$14,880,015</u>		
15. ORIGINAL COST OF RATE BASE	\$200,900,975	\$305,544,471		
16. RATE OF RETURN ON RATE BASE	8.03%	8.54%		
17. RATE BASE AS % OF CAPITALIZATION	96.71%	99.88%		
18. COST OF CAPITAL PER:				
<u>PREVIOUS CASE ORDER</u>	<u>AMOUNT</u>	<u>RATIO</u>	<u>COST RATE</u>	<u>WEIGHTED</u>
a. LONG-TERM DEBT	\$103,929,445	50.031%	6.580%	3.29%
b. SHORT-TERM DEBT	\$8,079,119	3.889%	5.250%	0.20%
c. PREFERRED STOCK	\$5,975,910	2.877%	7.750%	0.22%
d. COMMON EQUITY	\$89,745,202	43.203%	10.000%	4.32%
e. DEFERRED TAXES	0	0.000%	0.000%	0.00%
f. JDITC	0	0.000%	0.000%	0.00%
g. OTHER CAPITAL ELEMENTS	0	0.00%	0.00%	0.00%
TOTALS	<u>\$207,729,676</u>	<u>100.00%</u>		<u>8.03%</u>
19. COST OF CAPITAL PER:				
<u>PROPOSED CASE</u>	<u>AMOUNT</u>	<u>RATIO</u>	<u>COST RATE</u>	<u>WEIGHTED</u>
a. LONG-TERM DEBT	\$138,902,482	45.408%	6.87%	3.12%
b. SHORT-TERM DEBT	31,620,959	10.337%	3.85%	0.40%
c. PREFERRED STOCK	5,953,622	1.946%	7.75%	0.15%
d. COMMON EQUITY	129,423,277	42.309%	11.50%	4.87%
e. DEFERRED TAXES	0	0.00%	0.00%	0.00%
f. JDITC	0	0.00%	0.00%	0.00%
g. OTHER CAPITAL ELEMENTS	0	0.00%	0.00%	0.00%
TOTALS	<u>\$305,900,341</u>	<u>100.00%</u>		<u>8.54%</u>

(213,993)

+ 4642001  
+ 493,107  
+ 461,056

O & M  
4642,001  
72,899  
4,714,900

Prop Tax  
total 461,056  
Prop tax 388,157  
Other gen. tax 72,899

*M. Hill* 10/28/08

SIGNATURE/DATE

KAWC

PROPOSED CASE

FIT	\$7,151,852	OPER REVENUE	72,854,013	FED TAXABLE BEFORE CNIT	18,303,529
SIT	1,283,683	OPER & MAINT DEPR	31,841,748	ADJ FOR STATE TX INCOME	0
RATE BASE	238,974,496	TAXES-OTHER	8,398,250		
RATE OF RETURN	8.540%		3,770,058		
		INC BEFORE SD	28,843,957	SUBTOTAL	18,303,529
RETURN	20,408,422	Interest Charges	8,411,902		
		Book Depreciation	(7,901,661)	TAX @ 6 %	1,098,212
OPER & MAINT DEPR	8,398,250	Tax Depreciation	13,333,441		
TAXES-OTHER	3,752,543	Non-Deductible Meals	(6,935)	LESS: SURTAX	0
FIT	7,151,852	Additional Taxable AFUDC	(1,550,868)	CURRENT SIT	1,098,212
SIT	1,283,683	Deferred Debits	(449,128)	Def SIT Regulatory Asset/Liability	6,326
		Amortization of UPAA	(13,051)	Def SIT UPIS	228,824
		Deferred Maintenance	(365,759)	Def SIT Deferred Maintenance	(21,947)
		Medicare Subsidy	156,133	Def SIT Deferred Debits	(27,732)
		Amort Regulatory Assets / Liabilities	(71,346)	Def SIT Property Losses	0
		Taxable Advances and CIAC	(1,002,300)		
LESS: CURRENT REVENUES	62,245,272			TOTAL DEFERRED SIT	185,471
DEFICIENCY	10,510,246			TOTAL TAX	1,283,683
ADDITIONAL O&M	80,980				
ADDITIONAL TAXES	17,515				
TOTAL ADD REVENUES	10,608,741				
			10,540,428		
			18,303,529		
			1,098,212		
			17,205,317		
			35.0000%		
			6,021,861		
			232,447		
			1,254,728		
			(120,335)		
			(152,052)		
			0		
			(84,797)		
			7,151,852		
			8,951,289		
			(1,799,437)		
EFFECTIVE FIT RATE	35.0000%				
EFFECTIVE SIT RATE	6.0000%				
WTD. DEBT COST	3.5200%				

*Revenue Requirement for STKS II project*

18,494,634  
(7,865,893)

1429998  
11/10

KAWC

PROPOSED CASE

FIT	\$6,086,029	OPER REVENUE	68,196,402	FED TAXABLE BEFORE CNIT	15,063,944
SIT	1,089,307	OPER & MAINT DEPR TAXES-OTHER	31,817,009 8,398,250 3,764,707	ADJ FOR STATE TX INCOME	0
RATE BASE	199,544,496	INC BEFORE SD	24,216,436	SUBTOTAL	15,063,944
RATE OF RETURN	8.540%	Interest Charges	7,023,966	TAX @ 6 %	903,837
RETURN	17,041,100	Book Depreciation	(7,901,661)	LESS: SURTAX	0
OPER & MAINT	31,760,768	Tax Depreciation	13,333,441	CURRENT SIT	903,837
DEPR	8,398,250	Non-Deductible Meals	(6,935)	Def SIT Regulatory Asset/Liability	6,326
TAXES-OTHER	3,752,543	Additional Taxable AFUDC	(1,550,868)	Def SIT UPIS	228,824
FIT	6,086,029	Deferred Debits	(448,128)	Def SIT Deferred Maintenance	(21,947)
SIT	1,089,307	Amortization of UPAA	(13,051)	Def SIT Deferred Debits	(27,732)
SUBTOTAL	68,127,997	Deferred Maintenance	(365,759)	Def SIT Property Losses	0
LESS: CURRENT REVENUES	60,828,660	Medicare Subsidy	156,133	TOTAL DEFERRED SIT	185,471
DEFICIENCY	7,299,337	Amort. Regulatory Assets / Liabilities	(71,346)	TOTAL TAX	1,089,308
ADDITIONAL O&M	56,241	Taxable Advances and CIAC	(1,002,300)		
ADDITIONAL TAXES	12,164				
TOTAL ADD REVENUES	7,367,742				

red RB 66.569.975	18,494,634	TAXABLE INCOME	15,063,944	TOTAL DEFERRED SIT	185,471
red RB 36073621	10,608,741	LESS: SIT	903,837	TOTAL TAX	1,089,308
reduce AFUDC 1614612	5,937,855	FED TAXABLE	14,160,107		
	7,367,742	STAT RATE	35.000%		
	3,240,999	FIT	4,956,038		
		Def FIT Regulatory Asset/Liability	232,447		
		Def FIT UPIS	1,254,728		
		Def FIT Deferred Maintenance	(120,335)		
		Def FIT Deferred Debits	(152,052)		
		Def FIT Property Losses	0		
		Amort. Deferred ITC	(84,797)		
		TOTAL FIT	6,086,029		
EFFECTIVE FIT RATE	35.000%		8,951,289		
EFFECTIVE SIT RATE	6.000%		(2,865,260)		
WTD. DEBT COST	3.520%				

*Revenue Requirement for Other Rate Base*

KAWC

PROPOSED CASE

FIT	\$5,616,485	OPER REVENUE	66,608,811	FED TAXABLE BEFORE CNIT	13,636,760
SIT	1,003,677	OPER & MAINT	31,804,890	ADJ FOR STATE TX INCOME	0
		DEPR	8,398,250		
		TAXES-OTHER	3,762,066		
RATE BASE	199,544,496	INC BEFORE SD	22,643,585	SUBTOTAL	13,636,760
RATE OF RETURN	8.030%				
		Interest Charges	6,878,299	TAX	
RETURN	16,023,423	Book Depreciation	(7,901,661)	@ 6 %	818,206
		Tax Depreciation	13,333,441	LESS: SURTAX	0
OPER & MAINT	31,760,768	Non-Deductible Meals	(6,935)	CURRENT SIT	818,206
DEPR	8,398,250	Additional Taxable AFUDC	(1,550,868)	Def SIT Regulatory Asset/Liability	6,326
TAXES-OTHER	3,752,543	Deferred Debits	(449,128)	Def SIT UPIS	228,824
FIT	5,616,485	Amortization of UPAA	(13,051)	Def SIT Deferred Maintenance	(21,947)
SIT	1,003,677	Deferred Maintenance	(365,759)	Def SIT Deferred Debits	(27,732)
		Medicare Subsidy	156,133	Def SIT Property Losses	0
		Amort Regulatory Assets / Liabilities	(71,346)		
		Taxable Advances and CIAC	(1,002,300)		
LESS: CURRENT REVENUES	60,828,660			TOTAL DEFERRED SIT	185,471
DEFICIENCY	5,726,486			TOTAL TAX	1,003,677
ADDITIONAL O&M	44,122				\$1,611,848
ADDITIONAL TAXES	9,543				
TOTAL ADD REVENUES	5,780,151				

DEFICIENCY	0.024653166	TAXABLE INCOME	9,006,825
ADDITIONAL O&M	141,176	LESS: SIT	13,636,760
ADDITIONAL TAXES	30,535	FED TAXABLE	818,206
TOTAL ADD REVENUES	0.005332241	STAT RATE	12,818,554
		FIT	35.000%
		Def FIT Regulatory Asset/Liability	4,486,494
		Def FIT UPIS	232,447
		Def FIT Deferred Maintenance	1,254,728
		Def FIT Deferred Debits	(120,335)
		Def FIT Property Losses	(152,052)
		Amort Deferred ITC	0
		TOTAL FIT	(84,797)
		EFFECTIVE FIT RATE	8,951,289
		EFFECTIVE SIT RATE	(3,334,804)
		WTD. DEBT COST	

Revenue Requirement for Change in WACC.

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

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**Witness: Michael A. Miller**

4. Please provide the Financing Projections data on Exhibit 23 for the Forecasted Period ended May 31, 2010.

**Response:**

The requested information related to Long-term Debt can be found in the information provided in Exhibit 37 of the Company's filing, in the schedule identified as SCHEDULE 3, page 1 of 2. The requested information related to Common Equity can be found in the response provided in response to PSC-DR1-question 1 at KAW\_R\_PSCDR1#1a\_WP7-5\_111408 pages 1 and 2.

Below is the financing projection information requested for LT Debt and Common Equity contained in the above mentioned pages of the Company's filing:

**LONG-TERM DEBT:**

May 2009	\$45,500,000 @ 6.601%
October 2009	\$26,000,000 @ 6.601%
May 2010	\$14,000,000 @ 5.501%

**NOTE:** Current bond market interest rates have risen significantly since the Company's filing. The credit crisis and tight credit markets have made credit difficult to obtain and significantly increased the interest rates above the level indicated above and included in the Company's filing. On November 26, 2008 West Virginia American issued new LT Debt of \$37.0 million at 10%. The Company will provide more current estimates of LT Debt rates with an update to its case and continues to monitor and advise the Commission and parties of the actual and/or likely interest rates for its scheduled LT debt financings.

**COMMON EQUITY INFUSIONS:**

March 2009	\$22,500,000
October 2009	\$10,000,000
March 2010	\$16,000,000

For the electronic version, refer to KAW\_R\_AGDR1#4\_122308.pdf.



**KENTUCKY-AMERICAN WATER COMPANY  
CASE NO. 2008-00427  
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**Witness: Sheila Miller**

5. To the extent that the rate increase in this case includes revenue requirements associated with the Company's sewer operations, please provide these sewer operations revenue requirements. If not, explain how the Company removed all of the sewer operations related revenue requirements from this case.

**Response:**

The revenue requirement does not include any costs for the Company's sewer operations. The sewer operations are budgeted and charged based on separate business units. Those business units were eliminated when obtaining base period and forecasted period amounts from the Company's financial system in preparing the rate case. In addition, allocations were also made to distribute various amounts and labor costs to the sewer and Bluegrass Station O & M operations based on customer counts. The allocations were discussed in the testimony of Mr. Michael Miller. These allocations include costs that could benefit all operations and cannot be easily segregated on a daily basis.

For the electronic version, refer to KAW\_R\_AGDR1#5\_122308.pdf.

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

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**Witness: Linda C. Bridwell**

6. Please reconcile the October 2008 total construction number of \$9,451,841 on Exhibit 13, page 3 to the corresponding October 2008 total construction number of \$5,858,605 on Exhibit 13, page 5.

**Response:**

The October 2008 total construction number of \$9,451,841 on Exhibit 13, page 3 was an editing error in transferring the investment project expenditures for the month of October 2008. The correct October 2008 construction number should be \$5,858,605 as reflected on Exhibit 13, page 5. A corrected Exhibit 13, page 3 is attached.

**NOTE:** The correct amount was included in the Company's rate base and corresponding revenue requirement in this case. The adjustment to Exhibit 13, page 3 does not change the Company's rate base or revenue requirement requested in this case.

For the electronic version, refer to KAW\_R\_AGDR1#6\_122308.pdf.

KENTUCKY AMERICAN WATER  
CASE NO. 2008-00427  
BUDGETED CONSTRUCTION EXPENDITURES  
FOR THE TWELVE MONTHS PRECEDING THE FILING DATE

ITEM	DESCRIPTION	NOV 2007	DEC 2007	JAN 2008	FEB 2008	MAR 2008	APR 2008	MAY 2008	JUN 2008	JUL 2008	AUG 2008	SEP 2008	OCT 2008	TOTAL
DV	Projects Funded by Others (Contrib./Adv./ Refunds)	347,792	443,912	210,824	244,690	336,686	317,520	349,786	288,455	355,219	201,892	559,977	277,139	3,933,891
A	Mains - New	20,000	15,928	46,578	32,283	46,578	66,386	14,455	21,950	9,637	46,042	15,526	44,519	379,882
B	Mains - Replaced / Restored	125,000	73,589	60,352	45,264	9,430	58,466	79,212	199,916	184,828	211,232	194,258	78,104	1,319,651
C	Mains - Unscheduled	5,000	0	7,102	5,326	1,110	6,880	9,321	23,525	21,750	24,857	22,860	11,796	144,527
D	Mains - Relocated	0	0	0	0	0	0	0	0	0	0	0	42,883	42,883
E	Hydrants, Valves, and Manholes - New	28,239	22,401	28,219	36,771	41,901	27,364	48,315	61,569	37,626	11,117	33,778	20,000	397,299
F	Hydrants, Valves, and Manholes - Replaced	1,011	0	0	15,875	375	1,375	12,375	0	0	19,250	24,125	8,289	82,685
G	Services and Laterals - New	99,889	98,908	8,241	29,991	82,888	55,925	43,376	101,293	50,069	79,349	138,102	47,060	835,059
H	Services and Laterals - Replaced	30,834	20,832	20,165	31,337	11,882	34,865	36,041	51,276	45,448	43,684	74,208	32,818	433,390
I	Meters - New	0	0	115,546	118,910	60,877	7,883	76,294	91,157	95,359	56,107	149,475	201,975	973,562
J	Meters - Replaced	75,000	68,064	109,141	76,693	53,085	22,123	134,214	141,588	81,118	176,985	176,985	59,537	1,103,749
K	ITS Equipment and Systems	7,811	85,765	1,299	5,455	10,650	4,935	17,923	20,780	50,911	5,455	4,676	14,810	230,468
L	SCADA Equipment and Systems	5,350	10,700	26,000	0	0	0	0	0	25,000	0	0	2,882	69,942
M	Security Equipment and Systems	0	0	0	0	0	0	4,000	0	0	0	0	6,000	10,000
N	Offices and Operations Centers	0	10,000	23,408	1,024	0	2,341	7,315	5,121	293	9,217	7,608	389,246	455,571
O	Vehicles	155,494	113,382	9,585	20,365	11,120	9,200	9,200	10,350	9,200	10,740	52,315	11,431	422,382
P	Tools and Equipment	22,310	33,756	5,115	11,124	5,755	39,473	12,665	11,147	10,046	6,502	18,543	44,585	221,033
Q	Process Plant Facilities and Equipment	117,889	96,401	61,142	21,493	21,505	74,358	35,339	52,972	117,783	94,509	55,869	782,072	1,454,030
R	Capitalized Tank Rehabilitation / Painting	0	0	0	0	0	0	0	0	0	0	0	14,195	14,195
S	Engineering Studies	9,021	9,796	1,680	2,680	3,800	4,920	6,040	7,040	7,040	11,400	11,400	43,399	117,656
	<b>SUBTOTAL ITEMS</b>	<b>1,050,610</b>	<b>1,108,435</b>	<b>734,396</b>	<b>699,282</b>	<b>697,652</b>	<b>734,015</b>	<b>895,869</b>	<b>1,088,141</b>	<b>1,016,364</b>	<b>960,257</b>	<b>1,578,341</b>	<b>1,406,554</b>	<b>11,969,917</b>
PROJ	<b>INVESTMENT PROJECTS:</b>													
12020204	Source of Supply Project Dev	135,000	136,469	15,000	15,000	15,000	5,000	5,000	5,000	2,000	2,000	81	81	335,631
12020201	LEX-Leestown Rd Main Improvmts	0	0	0	0	0	0	0	0	0	0	0	0	0
12020402	Major Highway Relocations	126,756	42,754	5,000	15,000	100,000	250,000	425,000	450,000	375,000	375,000	300,000	4,136	2,468,646
12020505	Replace Trac-Vac System at	38,000	8,134	0	0	0	0	0	0	0	0	0	6,000	54,134
12020508	Sludge Handling Improvement	119,980	79,112	25,000	25,000	200,964	150,000	100,000	100,000	100,000	100,000	100,000	370	249,092
12020602	Kentucky Reliability Improvement	594,022	597,867	350,000	310,000	200,964	150,000	100,000	100,000	3,000,000	7,000,000	7,000,000	59,592	22,908,211
12020607	Yarmallton Road Main Extension	228,000	190,211	20,000	20,000	100,000	100,000	500,000	1,000,000	3,000,000	7,000,000	3,750,000	133,317	673,198
12020702	New WTP On Pool 3 of Kentucky	269,073	270,808	0	0	0	0	0	0	0	0	0	100	429,135
12020702	KY MAJOR HIGHWAY	250,000	179,035	0	0	0	0	0	0	0	0	0	0	618
12300403	Owen County Main Extensions	618	0	0	0	0	0	0	0	0	0	0	0	618
12300604	Owen County SCADA System	0	0	0	0	0	0	0	0	0	0	0	0	0
12020501	Ground Storage Tank	0	0	0	0	0	0	0	0	0	0	0	0	0
12020603	Highway Relocation-Clays Mill	12,526	20,660	5,000	5,000	8,000	8,000	10,000	10,000	23,471	23,471	35,206	44,487	205,821
12020701	KENTUCKY INCLINE CAR	0	26,750	2,000	2,000	5,000	5,000	10,000	20,000	50,000	75,000	75,000	0	270,750
12500503	Rockwell Village WW Pipe	0	0	0	0	0	0	0	0	0	0	0	0	0
	Owenton Chemical Bulk Storage	0	0	0	0	0	0	0	0	0	0	0	0	0
	North Broadway Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
	Highway Relocation-Clays Mill	0	0	0	0	0	0	0	0	0	0	0	0	0
	Install 34,000' of 16" along Carrick Pike	0	0	0	0	0	0	0	0	0	0	0	0	0
12020613	<b>SUBTOTAL INVESTMENT PROJECTS</b>	<b>1,773,976</b>	<b>1,551,800</b>	<b>422,000</b>	<b>417,000</b>	<b>458,964</b>	<b>548,000</b>	<b>1,070,000</b>	<b>1,910,000</b>	<b>3,980,471</b>	<b>8,100,471</b>	<b>8,050,287</b>	<b>4,452,051</b>	<b>32,675,427</b>
	<b>TOTAL CONSTRUCTION</b>	<b>\$2,824,586</b>	<b>\$2,660,235</b>	<b>\$1,156,396</b>	<b>\$1,116,282</b>	<b>\$1,156,616</b>	<b>\$1,282,015</b>	<b>\$1,965,869</b>	<b>\$2,998,141</b>	<b>\$4,996,835</b>	<b>\$9,060,728</b>	<b>\$9,628,628</b>	<b>\$5,858,605</b>	<b>\$15,819,744</b>

KENTUCKY AMERICAN WATER  
CASE NO. 2008-00427  
BUDGETED CONSTRUCTION EXPENDITURES  
FOR THE BASE YEAR - TWELVE MONTHS ENDING JANUARY 31, 2009

ITEM	DESCRIPTION	FEB 2008	MAR 2008	APR 2008	MAY 2008	JUN 2008	JUL 2008	AUG 2008	SEP 2008	OCT 2008	NOV 2008	DEC 2008	JAN 2009
DV	Projects Funded by Others (Contib./Adv./ Refunds)	244,690	336,686	317,520	349,786	288,455	355,219	201,892	569,977	277,139	203,636	342,674	251,296
A	Mains - New	32,283	46,578	66,386	14,455	21,950	9,637	46,042	15,526	44,519	11,028	36,792	15,680
B	Mains - Replaced / Restored	45,264	9,430	58,466	79,212	199,916	184,828	211,232	194,258	78,104	76,104	83,122	50,000
C	Mains - Unscheduled	5,326	1,110	6,880	9,321	23,525	21,750	24,857	22,860	11,786	21,926	18,032	0
D	Mains - Relocated	0	0	0	0	0	0	0	0	0	42,883	42,883	50,000
E	Hydrants, Valves, and Manholes - New	36,771	41,901	27,364	48,315	61,569	37,626	11,117	33,778	20,000	20,000	33,331	6,768
F	Hydrants, Valves, and Manholes - Replaced	15,875	375	1,375	12,375	0	0	19,250	24,123	8,289	12,410	11,486	0
G	Services and Laterals - New	29,991	82,888	55,925	43,376	101,283	50,069	79,349	136,102	47,060	67,434	28,140	20,100
H	Services and Laterals - Replaced	31,337	11,882	34,865	36,041	51,276	45,448	43,684	74,208	32,818	38,168	38,165	67,159
I	Meters - New	118,910	60,877	7,883	76,294	91,157	95,359	56,107	149,475	201,975	201,975	204,557	79,674
J	Meters - Replaced	76,693	53,085	22,123	134,214	141,588	81,118	106,191	176,985	59,537	60,607	58,469	65,251
K	ITS Equipment and Systems	5,455	10,650	4,935	17,923	20,780	50,911	5,455	4,676	14,810	14,810	15,000	0
L	SCADA Equipment and Systems	0	0	0	0	0	25,000	0	0	2,892	2,892	0	0
M	Security Equipment and Systems	0	0	0	4,000	0	0	0	0	6,000	1,000	1,000	0
N	Offices and Operations Centers	1,024	0	2,341	7,315	5,121	293	9,217	7,608	389,246	269,946	212,210	90,000
O	Vehicles	20,365	11,120	9,200	9,200	10,350	9,200	10,740	52,315	11,431	51,656	281,264	0
P	Tools and Equipment	11,124	5,785	39,473	12,665	11,147	10,046	6,502	16,543	44,585	33,446	99,655	2,000
Q	Process Plant Facilities and Equipment	21,483	21,505	74,358	35,339	52,972	32,822	117,783	94,509	55,859	55,859	51,943	30,756
R	Capitalized Tank Rehabilitation / Painting	0	0	0	0	0	0	0	0	14,195	13,185	13,185	0
S	Engineering Studies	2,680	3,800	4,920	6,040	7,040	7,040	10,840	11,400	43,399	42,899	40,819	0
	<b>SUBTOTAL ITEMS</b>	<b>699,282</b>	<b>697,652</b>	<b>734,015</b>	<b>895,869</b>	<b>1,088,141</b>	<b>1,016,364</b>	<b>960,257</b>	<b>1,578,341</b>	<b>1,406,554</b>	<b>1,243,862</b>	<b>1,615,824</b>	<b>728,684</b>
PROJ	Source of Supply Project Dev	15,000	15,000	5,000	5,000	5,000	2,000	2,000	81	81	336	308	0
12020204	LEX-Leestown Rd Main Improvms	15,000	100,000	250,000	425,000	450,000	375,000	375,000	300,000	4,136	4,136	4,136	0
12020402	Major Highway Relocations	25,000	200,964	150,000	100,000	100,000	3,000,000	7,000,000	7,000,000	370	370	60,092	0
12020506	Replace Trac-Vac System at Sludge Handling Improvement	310,000	100,000	100,000	500,000	1,000,000	3,000,000	7,000,000	7,000,000	133,317	133,317	74,765	5,500,000
12020508	Kentucky Reliability Improvement	0	0	0	0	0	0	0	0	100	100	66	0
12020602	Yarmallon Road Main Extension	0	0	0	0	0	0	0	0	0	0	0	0
12020607	New WTP On Pool 3 of Kentucky	0	0	0	0	0	0	0	0	0	0	0	0
12020702	KY MAJOR HIGHWAY	0	0	0	0	0	0	0	0	0	0	0	0
12300403	Owen County Main Extensions	0	0	0	0	0	0	0	0	0	0	0	0
12300604	Owen County SCADA System	0	0	0	0	0	0	0	0	0	0	0	0
12020701	Highway Relocation-Clays Mill	5,000	8,000	8,000	10,000	10,000	23,471	23,471	35,206	44,487	38,343	24,014	0
12020603	KENTUCKY INCLINE CAR	2,000	5,000	5,000	10,000	20,000	50,000	75,000	75,000	0	0	0	0
12500503	Rockwell Village WW Pipe	5,000	10,000	10,000	10,000	75,000	140,000	140,000	140,000	133,667	151,164	135,573	125,000
	Owenton Chemical Bulk Storage	10,000	10,000	10,000	10,000	250,000	340,000	340,000	340,000	144,030	145,825	77,510	0
	North Broadway Replacement	10,000	10,000	10,000	10,000	250,000	340,000	340,000	340,000	144,030	145,825	77,510	0
	Highway Relocation-Clays Mill	10,000	10,000	10,000	10,000	250,000	340,000	340,000	340,000	144,030	145,825	77,510	0
12020613	Install 34,000' of 16" along Carrick Pike	0	0	0	0	0	50,000	145,000	160,000	0	0	0	0
IP-1202-6	Owenton-Post Acquisition Phase 2	0	0	0	0	0	0	0	0	174,271	227,621	326,621	372,838
IP-1232-1		0	0	0	0	0	0	0	0	0	0	0	29,123
	<b>SUBTOTAL INVESTMENT PROJECTS</b>	<b>417,000</b>	<b>458,964</b>	<b>548,000</b>	<b>1,070,000</b>	<b>1,910,000</b>	<b>3,980,471</b>	<b>8,100,471</b>	<b>8,050,287</b>	<b>4,452,051</b>	<b>4,969,054</b>	<b>5,111,455</b>	<b>6,026,961</b>
	<b>TOTAL CONSTRUCTION</b>	<b>\$1,116,282</b>	<b>\$1,156,616</b>	<b>\$1,282,015</b>	<b>\$1,965,869</b>	<b>\$2,998,141</b>	<b>\$4,996,835</b>	<b>\$9,060,728</b>	<b>\$9,628,628</b>	<b>\$5,858,605</b>	<b>\$6,212,916</b>	<b>\$6,727,279</b>	<b>\$6,755,645</b>

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

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**Witness: Linda C. Bridwell**

7. Please reconcile the construction expenditures for the years 2008 through 2010 stated on page 8, lines 10 – 14 of Ms. Bridwell’s testimony to the construction expenditure totals for these same years shown on Exhibit 11.

**Response:**

The difference represents the inclusion of the CIAC information in Ms. Bridwell’s testimony but not included in the Exhibit 11 information.

<b>Year</b>	<b>Exhibit 11 Total</b>	<b>Net Advances/Refunds/Contributions</b>	<b>Total</b>	<b>LCB Testimony</b>
<b>2008</b>	\$52,799,536	(\$2,636,303)	\$50,163,233	\$50,163,233
<b>2009</b>	\$87,812,018	(\$4,327,304)	\$83,484,714	\$83,484,714
<b>2010</b>	\$75,726,855	(\$4,333,300)	\$71,393,555	\$71,393,556

**NOTE:** The Company’s rate base requested in its Petition is reflected correctly and the differences described above have no bearing on the rate base or corresponding revenue requirement requested in this case.

For the electronic version, refer to KAW\_R\_AGDR1#7\_122308.pdf.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2008-00427**  
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**Witness: Michael A. Miller/Linda C. Bridwell**

8. At the bottom of page 15 of her testimony, Ms. Bridwell states that the total KRS II costs at completion is currently estimated to amount to \$162.3 million. Apparently, this total cost amount of \$162.3 million includes \$2 million for Source of Supply Project Development costs for Project 12020204. Exhibit 11, page 2 shows Project 12020204 2007 carry over costs of \$1,658,766 and projected costs of approximately \$341,000. In this regard, please provide the following information:
- a. Provide the actual Project 12020607 KRS II expenditures that have been incurred from inception (show year of inception) through November 2008 and the associated percentage of project completion. In addition, compare these actual project expenditures and percentage of project completion number to the *project-equivalent* budgeted construction expenditures and percentage of project completion number that were prepared at the time that the Certificate for the project was issued. Explain any variances between the actual and equivalent originally budgeted project costs.
  - b. Provide the actual Project 12020404 Source of Supply Project Development expenditures that have been incurred from inception (show year of inception) through November 2008 and the associated percentage of project completion. In addition, compare these actual expenditures and percentage of project completion number to the *project-equivalent* budgeted expenditures and percentage of project completion number that were prepared at the time that the Certificate for the project was issued. Explain any variances between the actual and equivalent originally budgeted project costs.
  - c. Explain how the Project 12020204 Source of Supply Project Development expenditures were treated for book and ratemaking purposes in the Company's prior rate case, Case No. 2007-00143 and in the rate case before the last case, Case No. 2004-00103.
  - d. Explain how these Source of Supply Project Development costs are different from the source of supply costs of approximately \$2 million which the Company was allowed to defer and amortize over 40 years in Case No. 2000-120.
  - e. Reconcile the total KRS II investment cost of \$162.3 million to the total KRS II investment cost of \$162.741 million referenced on page 33, line 7 of Mr. Miller's testimony.

**Response:**

- a. The project began in August 2006. Actual expenditures are \$39,738,157.24 as of 11/30/2008 which represents approximately 25% completion. The budgeted construction expenditures projected through 11/30/2008 at the time the Certificate

for the project was issued were \$25,709,684. This represented a projected 16% completion. There have been three primary reasons for this. First, Kentucky American Water did not anticipate the pipeline contractor would initiate construction immediately as all of the easements had not been acquired which would provide more challenges to the progress of construction. However, because pipe pricing was escalating at unprecedented rates, the contractor initiated construction in late July. This accelerated construction expenditures above the budgeted levels through this period. Secondly, we had unseasonably warm, dry weather in September and October that allowed for no interruptions in construction due to weather conditions. This has allowed all three contractors to progress faster than they had originally anticipated. Thirdly, when the contractors were asked to extend their original bid pricing, Kentucky American Water did not extend the substantial completion date. In order for the contractor on the water treatment plant to meet that change, they had to completely alter their methods of construction. This change apparently has allowed the contractor to work at a pace even faster than they had anticipated, thus accelerating work on the water treatment plant ahead of the originally budgeted amount.

- b. The project was initiated in March 2002. The actual expenditures through 11/30/2008 have been \$1,997,994.56 or 99% complete. The budgeted construction expenditures through 11/30/2008 at the time the Certificate for the project was issued were \$1,794,121 or 95%. The costs related to regional efforts and the Certificate application process were charged to this project. At the time the Certificate was issued, Kentucky American Water could not be certain that there would be many other charges to this project, however, the Certificate was appealed in the Franklin Circuit Court. Because of that effort, the expenditures to date have exceeded the originally budgeted amount through 11/30/2008.
- c. The Source of Supply Development Project costs have been charged to CWIP. In Case No. 2004-00103 and Case No. 2007-00143 the CWIP was included in rate base but fully offset by above the line AFUDC.
- d. The Source of Supply Development Costs for the KRSII Project are unrelated to the Source of Supply costs recognized for rate recovery by the Commission in case number 2000-120. The 2000-120 case recognized development costs related to an entirely different source of supply solution than the one that is under construction at this time.
- e. The estimate of \$162.3 million was developed on bid costs and submitted to the Kentucky American Water Capital Investment Management Committee for authorization of expenditures once the Certificate was issued and is currently being utilized for budget purposes. The \$162.741 million was the original estimate of the project prior to issuance of the certificate.

For electronic version, refer to KAW\_R\_AGDR1#8\_122308.pdf.

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

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**Witness: Sheila Miller**

9. Is the Company in this case requesting the depreciation expenses associated with plant funded by Contributions in Aid of Construction and Customer Advances? If so, explain why. If not, explain how that has been accomplished in this case (also refer to filing schedules).

**Response:**

No. The Company deducted the Contributions in Aid of Construction (CIAC) from the depreciation calculation which is detailed in working papers filed in response to PSC DR 1 question 1 and labeled as KAW\_R\_PSCDR1#1a\_WP4-1\_111408 page 4 of 9. However, the Customer Advances were not eliminated from the depreciation calculation because they are subject to refund for a ten year period before being transferred to CIAC. This methodology has been accepted in numerous rate filings with the Kentucky Public Service Commission.

For the electronic version, refer to KAW\_R\_AGDR1#9\_122308.pdf.



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

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**Witness: Linda C. Bridwell**

10. Based on actual information available to date and the Company's most recent estimate, in which month of 2010 does the Company currently expect KRS II to come on line?

**Response:**

Substantial Completion is expected in June 2010 and Final Completion in November 2010. Per American Water's Standard General Conditions, the term "Substantial Completion" means that the work has progressed to the point where it is sufficiently complete so that it can be utilized for the purposes for which it was intended which means we expect KRS II to be operational in June 2010. Punchlist items, exterior grading and landscaping, and completion of items not required to produce potable water may not be finished until Final Completion.

For the electronic version, refer to KAW\_R\_AGDR1#10\_122308.pdf.

**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Michael A. Miller**

11. The Company is proposing to include the current return associated with approximately \$67 million of the KRS II project in rates in this case. When (year and month) does the Company plan to file for its next base rate case to reflect the current return as well as the depreciation expenses associated with the entire KRS II project of approximately \$163 million?

**Response:**

The exact timing of that case is subject to change, depending on any number of factors including the final completion of the KRS II Project, however, at the present time the Company would expect to file a case in 2010 to coordinate the timing of the effective date of rates from that potential case with the final completion of the KRS II Project scheduled for November 2010. Due to the substantial cost of the KRS II project, without AFUDC and/or partial rate recovery in this case, the full cost of the project and associated depreciation expense would present a major erosion of the Company's earnings and potential negative cash flow implications. Based on the discussion above, the Company would expect to file its next case in the May/June 2010 timeframe.

For the electronic version, refer to KAW\_R\_AGDR1#11\_122308.pdf.

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

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**Witness: Michael A. Miller**

12. With regard to the NPV analysis on MAM-7, page 2, please provide the following information:
- a. Confirm that the NPV of the revenue requirement stream listed in years 1 through 56 (i.e., the stream of annual revenue requirements without the CWIP revenue requirement amount of \$7.263 million in year 0) discounted at the rate of 8.03% amounts to \$230.525 million. If you do not agree, explain your disagreement.
  - b. Confirm that if one were to add to the NPV amount of \$230.525 million referenced in (a) above the \$7.263 NPV of the CWIP revenue requirement in year 0, the total NPV amount is \$237.788 million.
  - c. Confirm that Mr. Millers NPV model in his Exhibit MAM-7 has a logic error in it in that it calculates a total NPV amount of \$220.113 million for the \$7.263 CWIP revenue requirement in year 0 and the annual revenue requirement stream in the years 1 through 56.

**Response:**

- a. The Company confirms the mathematical assumption is correct, but does not agree that such method is appropriate for the analysis.
- b. The company confirms the mathematical assumption is correct, but does not agree that such a method is appropriate for the analysis.
- c. The Company denies that Mr. Miller's NPV model has a logic error as indicated in this question.

For the electronic version, refer to KAW\_R\_AGDR1#12\_122308.pdf.

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

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**Witness: Michael A. Miller**

13. With regard to the NPV analysis on MAM-7, pages 1 and 2, please provide the following additional information:
- a. Confirm that the tax-grossed-up Return on Rate Base numbers for each year were calculated by Mr. Miller by multiplying the year-end rate base numbers for each year times the overall rate of return of 8.03% times the gross-up factor of 1.654077 (e.g., on MAM-7, page 1 the return on rate base number of \$21.980 million for year 1 was calculated as follows: \$165.484 million x 8.03% x 1.654077 = \$21.980 million). If you do not agree, explain your disagreement.
  - b. Confirm that the Company's proposed calculation method referenced in part (a) above contains an error in that it double counts the tax gross up for the cost of debt and does not take into account the benefit of interest tax deductability. The correct method to use is as follows:
    - LT debt  $3.29\% \times 60\%$  (after-tax factor) = 1.974%
    - ST debt  $0.20\% \times 60\%$  (after-tax factor) = 0.120%
    - Pref Stock  $0.22\% \times 100\%$  (after-tax factor) = 0.220%
    - Common Stock  $4.32\% \times 100\%$  (after-tax factor) = 4.320%
    - Overall After-Tax Rate of Return: 6.634%Thus, the grossed-up return on rate base number should be calculated by multiplying the year-end rate base numbers for each year times the overall *after-tax* rate of return of 6.634% times the gross-up factor of 1.654077. If you do not agree, explain your disagreement.
  - c. Confirm that if you were to re-do the NPV analysis on MAM-7, page 1 using the grossed-up return on rate base numbers calculated as per the method described in part (b) above, the total NPV amount for the entire 56 years would be \$207.9 million rather than the \$240.841 million calculated by Mr. Miller. If you do not agree, explain your disagreement.
  - d. Confirm that if you were to re-do the NPV analysis on MAM-7, page 2 using the grossed-up return on rate base numbers calculated as per the method described in part (b) above and using the correct NPV method referenced in the previous date request no. 12, the total NPV amount for the entire 56 years and the CWIP revenue requirement in year 0 would be \$206.251 million rather than the \$220.113 million calculated by Mr. Miller. If you do not agree, explain your disagreement.

**Response:**

- a. Agree.

- b. Agree. Mr. Miller incorrectly used the pre-tax WACC in the manner that would gross-up the UOI deficiency for income taxes, where the income taxes at present and pro-forma rates already include the interest deduction in the income taxes used to determine UOI. Attached to this testimony is a revised Exhibit MAM-7 that incorporates the after tax WACC as indicated by the Attorney General. Mr. Miller will correct his testimony for this error prior to or at the hearing.
- c. Agree. Please see page 1 of 2 of the revised Exhibit MAM-7 attached to this response.
- d. As indicated in the response to KAW\_R\_AGDR1#12(c), the Company does agree that there is a logic error in the NPV calculation on the original Exhibit MAM-7 page 2 of 2. As shown on the revised page 2 of 2 of Exhibit MAM-7 attached to this response, the NPV of the string of revenue streams (cash) (57 years) under the Company's proposed inclusion of full rate base for the CWIP on the KRS II Project is \$190.922 million. Even though it does not agree with the assumption put forth by the AG that the revenue requirement for the CWIP on the KRS II Project requested in this case should be added to the 56 year revenue stream on Exhibit MAM-7, the mathematical calculation generates an NPV of \$198,990, not the \$206.251 million suggested in by the Attorney General in this question.

For the electronic version, refer to KAW\_R\_AGDR1#13\_122308.pdf.

Rate Impact of KRS II - Traditional Rate Making with Full AFUDC

Input Information/Assumptions:	
Weighted Cost of Capital	6.63%
Rate Base Gross-up Factor	1.654077
Est. Avg. Depr. Rate for TP & Mains	1.79%
Deferred Income Tax Rate	2.21%
Original Investment per Certificate	170,024
Effective Income Tax Rate	40.00%

Add'l AFUDC under Trad. Rate Approach:	
KRS II CWIP @ 5-31-09	66,570
WACC tax-gross-up Equity	10.91%
Add'l AFUDC under Traditional Rate Making	7,263

Cost of Cap. In Case # - 2007-0143	Gross-up	
	Per Order	for TAX
LT Debt	3.29%	3.29%
ST Debt	0.20%	0.20%
Pref. Stock	0.22%	0.22%
Common Equity	4.32%	7.20%
	8.03%	10.91%

**Net Present Value of Revenue Requirement Over Depreciation Life of KRS II Project**  
**Discount Rate - Current Cost of Capital** **207,895**

	Depeciation Expense	Def. FIT Expense	Beginning Rate Base	Less: Accum. Depr.	Less: Accum. Def. Fit	Yr. End Rate Base	Return on Rate Base Tax Gross-up	Add: Depr. & Def. Inc. Tax Exp	Revenue Requirement
Year 1	3,037	1,503	170,024	(3,037)	(1,503)	165,484	18,159	4,540	22,698
Year 2	3,037	1,503	170,024	(6,073)	(3,006)	160,945	17,661	4,540	22,200
Year 3	3,037	1,503	170,024	(9,110)	(4,509)	156,405	17,163	4,540	21,702
Year 4	3,037	1,503	170,024	(12,146)	(6,012)	151,865	16,664	4,540	21,204
Year 5	3,037	1,503	170,024	(15,183)	(7,515)	147,326	16,166	4,540	20,706
Year 6	3,037	1,503	170,024	(18,220)	(9,018)	142,786	15,668	4,540	20,208
Year 7	3,037	1,503	170,024	(21,256)	(10,521)	138,246	15,170	4,540	19,710
Year 8	3,037	1,503	170,024	(24,293)	(12,024)	133,707	14,672	4,540	19,211
Year 9	3,037	1,503	170,024	(27,330)	(13,527)	129,167	14,174	4,540	18,713
Year 10	3,037	1,503	170,024	(30,366)	(15,030)	124,627	13,676	4,540	18,215
Year 11	3,037	1,503	170,024	(33,403)	(16,533)	120,088	13,177	4,540	17,717
Year 12	3,037	1,503	170,024	(36,439)	(18,036)	115,548	12,679	4,540	17,219
Year 13	3,037	1,503	170,024	(39,476)	(19,539)	111,009	12,181	4,540	16,721
Year 14	3,037	1,503	170,024	(42,513)	(21,042)	106,469	11,683	4,540	16,223
Year 15	3,037	1,503	170,024	(45,549)	(22,545)	101,929	11,185	4,540	15,724
Year 16	3,037	1,503	170,024	(48,586)	(24,048)	97,390	10,687	4,540	15,226
Year 17	3,037	1,503	170,024	(51,623)	(25,551)	92,850	10,189	4,540	14,728
Year 18	3,037	1,503	170,024	(54,659)	(27,054)	88,310	9,690	4,540	14,230
Year 19	3,037	1,503	170,024	(57,696)	(28,557)	83,771	9,192	4,540	13,732
Year 20	3,037	1,503	170,024	(60,732)	(30,060)	79,231	8,694	4,540	13,234
Year 21	3,037	1,503	170,024	(63,769)	(31,563)	74,691	8,196	4,540	12,736
Year 22	3,037	1,503	170,024	(66,806)	(33,066)	70,152	7,698	4,540	12,237
Year 23	3,037	1,503	170,024	(69,842)	(34,569)	65,612	7,200	4,540	11,739
Year 24	3,037	1,503	170,024	(72,879)	(36,072)	61,073	6,702	4,540	11,241
Year 25	3,037	1,503	170,024	(75,916)	(37,575)	56,533	6,203	4,540	10,743
Year 26	3,037	(1,212)	170,024	(78,952)	(36,363)	54,708	6,003	1,825	7,828
Year 27	3,037	(1,212)	170,024	(81,989)	(35,151)	52,884	5,803	1,825	7,628
Year 28	3,037	(1,212)	170,024	(85,025)	(33,939)	51,059	5,603	1,825	7,427
Year 29	3,037	(1,212)	170,024	(88,062)	(32,727)	49,235	5,403	1,825	7,227
Year 30	3,037	(1,212)	170,024	(91,099)	(31,515)	47,410	5,202	1,825	7,027
Year 31	3,037	(1,212)	170,024	(94,135)	(30,303)	45,586	5,002	1,825	6,827
Year 32	3,037	(1,212)	170,024	(97,172)	(29,091)	43,761	4,802	1,825	6,627
Year 33	3,037	(1,212)	170,024	(100,209)	(27,878)	41,937	4,602	1,825	6,426
Year 34	3,037	(1,212)	170,024	(103,245)	(26,666)	40,112	4,402	1,825	6,226
Year 35	3,037	(1,212)	170,024	(106,282)	(25,454)	38,288	4,201	1,825	6,026
Year 36	3,037	(1,212)	170,024	(109,318)	(24,242)	36,463	4,001	1,825	5,826
Year 37	3,037	(1,212)	170,024	(112,355)	(23,030)	34,639	3,801	1,825	5,625
Year 38	3,037	(1,212)	170,024	(115,392)	(21,818)	32,814	3,601	1,825	5,425
Year 39	3,037	(1,212)	170,024	(118,428)	(20,606)	30,990	3,401	1,825	5,225
Year 40	3,037	(1,212)	170,024	(121,465)	(19,394)	29,165	3,200	1,825	5,025
Year 41	3,037	(1,212)	170,024	(124,502)	(18,182)	27,341	3,000	1,825	4,825
Year 42	3,037	(1,212)	170,024	(127,538)	(16,969)	25,516	2,800	1,825	4,624
Year 43	3,037	(1,212)	170,024	(130,575)	(15,757)	23,692	2,600	1,825	4,424
Year 44	3,037	(1,212)	170,024	(133,611)	(14,545)	21,867	2,400	1,825	4,224
Year 45	3,037	(1,212)	170,024	(136,648)	(13,333)	20,043	2,199	1,825	4,024
Year 46	3,037	(1,212)	170,024	(139,685)	(12,121)	18,218	1,999	1,825	3,824
Year 47	3,037	(1,212)	170,024	(142,721)	(10,909)	16,393	1,799	1,825	3,623
Year 48	3,037	(1,212)	170,024	(145,758)	(9,697)	14,569	1,599	1,825	3,423
Year 49	3,037	(1,212)	170,024	(148,795)	(8,485)	12,744	1,398	1,825	3,223
Year 50	3,037	(1,212)	170,024	(151,831)	(7,273)	10,920	1,198	1,825	3,023
Year 51	3,037	(1,212)	170,024	(154,868)	(6,061)	9,095	998	1,825	2,823
Year 52	3,037	(1,212)	170,024	(157,904)	(4,848)	7,271	798	1,825	2,622
Year 53	3,037	(1,212)	170,024	(160,941)	(3,636)	5,446	598	1,825	2,422
Year 54	3,037	(1,212)	170,024	(163,978)	(2,424)	3,622	397	1,825	2,222
Year 55	3,037	(1,212)	170,024	(167,014)	(1,212)	1,797	197	1,825	2,022
Year 56	3,010	(1,212)	170,024	(170,024)	0	0	0	1,798	1,797
Totals	170,024	(0)							567,559
Def Inc. Tax Amt.		1,212							

Rate Impact of KRS II - Phase - In of CWIP in Case Number 2008-00427

Input Information/Assumptions:	
Weighted Cost of Capital	6.63%
Rate Base Gross-up Factor	1.654077
Est. Avg. Depr.Rate for TP & Mains	1.79%
Deferred Income Tax Rate	2.21%
Original Investment per Certificate	162,741
Effective Income Tax Rate	40.00%

CWIP of KRS II in case number 2008-00427 at May 31 2009, on which KAWC is seeking full Rate Base Treatment:	
KRS II CWIP @ 5-31-09	66,570

Cost of Cap.	In Case # - 2007-0143	Per Order	Gross-up for TAX
LT Debt	3.29%		3.29%
ST Debt	0.20%		0.20%
Pref. Stock	0.22%		0.22%
Common Eq	4.32%		7.20%
	8.03%		10.91%

NPV on Year 1 thru Year 56 Only

**Net Present Value of Revenue Requirement Over Depreciation Life of KRS II Project**  
**Discount Rate - Current Cost of Capital** **190,922**

**198,990**

	Depeciation Expense	Def. FIT Expense	Beginning Rate Base	Less: Accum Depr.	Less: Accum. Def. Fit	Yr. End Rate Base	Return on Rate Base Tax Gross-up	Add: Depr. & Def. Inc. Tax Exp	Revenue Requirement
Rev. Requirement on CWIP			66,570			66,570	7,263	0	7,263
Year 1	2,907	1,439	162,741	(2,907)	(1,439)	158,396	17,381	4,345	21,726
Year 2	2,907	1,439	162,741	(5,813)	(2,877)	154,051	16,904	4,345	21,249
Year 3	2,907	1,439	162,741	(8,720)	(4,316)	149,705	16,427	4,345	20,773
Year 4	2,907	1,439	162,741	(11,626)	(5,755)	145,360	15,951	4,345	20,296
Year 5	2,907	1,439	162,741	(14,533)	(7,193)	141,015	15,474	4,345	19,819
Year 6	2,907	1,439	162,741	(17,439)	(8,632)	136,670	14,997	4,345	19,342
Year 7	2,907	1,439	162,741	(20,346)	(10,070)	132,325	14,520	4,345	18,865
Year 8	2,907	1,439	162,741	(23,252)	(11,509)	127,980	14,043	4,345	18,389
Year 9	2,907	1,439	162,741	(26,159)	(12,948)	123,634	13,567	4,345	17,912
Year 10	2,907	1,439	162,741	(29,066)	(14,386)	119,289	13,090	4,345	17,435
Year 11	2,907	1,439	162,741	(31,972)	(15,825)	114,944	12,613	4,345	16,958
Year 12	2,907	1,439	162,741	(34,879)	(17,264)	110,599	12,136	4,345	16,481
Year 13	2,907	1,439	162,741	(37,785)	(18,702)	106,254	11,659	4,345	16,005
Year 14	2,907	1,439	162,741	(40,692)	(20,141)	101,908	11,183	4,345	15,528
Year 15	2,907	1,439	162,741	(43,598)	(21,579)	97,563	10,706	4,345	15,051
Year 16	2,907	1,439	162,741	(46,505)	(23,018)	93,218	10,229	4,345	14,574
Year 17	2,907	1,439	162,741	(49,411)	(24,457)	88,873	9,752	4,345	14,097
Year 18	2,907	1,439	162,741	(52,318)	(25,895)	84,528	9,275	4,345	13,621
Year 19	2,907	1,439	162,741	(55,225)	(27,334)	80,182	8,799	4,345	13,144
Year 20	2,907	1,439	162,741	(58,131)	(28,773)	75,837	8,322	4,345	12,667
Year 21	2,907	1,439	162,741	(61,038)	(30,211)	71,492	7,845	4,345	12,190
Year 22	2,907	1,439	162,741	(63,944)	(31,650)	67,147	7,368	4,345	11,713
Year 23	2,907	1,439	162,741	(66,851)	(33,089)	62,802	6,891	4,345	11,237
Year 24	2,907	1,439	162,741	(69,757)	(34,527)	58,457	6,415	4,345	10,760
Year 25	2,907	1,439	162,741	(72,664)	(35,966)	54,111	5,938	4,345	10,283
Year 26	2,907	(1,160)	162,741	(75,570)	(34,806)	52,365	5,746	1,746	7,492
Year 27	2,907	(1,160)	162,741	(78,477)	(33,645)	50,619	5,554	1,746	7,301
Year 28	2,907	(1,160)	162,741	(81,384)	(32,485)	48,872	5,363	1,746	7,109
Year 29	2,907	(1,160)	162,741	(84,290)	(31,325)	47,126	5,171	1,746	6,918
Year 30	2,907	(1,160)	162,741	(87,197)	(30,165)	45,380	4,980	1,746	6,726
Year 31	2,907	(1,160)	162,741	(90,103)	(29,005)	43,633	4,788	1,746	6,534
Year 32	2,907	(1,160)	162,741	(93,010)	(27,844)	41,887	4,596	1,746	6,343
Year 33	2,907	(1,160)	162,741	(95,916)	(26,684)	40,140	4,405	1,746	6,151
Year 34	2,907	(1,160)	162,741	(98,823)	(25,524)	38,394	4,213	1,746	5,959
Year 35	2,907	(1,160)	162,741	(101,729)	(24,364)	36,648	4,021	1,746	5,768
Year 36	2,907	(1,160)	162,741	(104,636)	(23,204)	34,901	3,830	1,746	5,576
Year 37	2,907	(1,160)	162,741	(107,543)	(22,044)	33,155	3,638	1,746	5,385
Year 38	2,907	(1,160)	162,741	(110,449)	(20,883)	31,409	3,447	1,746	5,193
Year 39	2,907	(1,160)	162,741	(113,356)	(19,723)	29,662	3,255	1,746	5,001
Year 40	2,907	(1,160)	162,741	(116,262)	(18,563)	27,916	3,063	1,746	4,810
Year 41	2,907	(1,160)	162,741	(119,169)	(17,403)	26,169	2,872	1,746	4,618
Year 42	2,907	(1,160)	162,741	(122,075)	(16,243)	24,423	2,680	1,746	4,426
Year 43	2,907	(1,160)	162,741	(124,982)	(15,082)	22,677	2,488	1,746	4,235
Year 44	2,907	(1,160)	162,741	(127,888)	(13,922)	20,930	2,297	1,746	4,043
Year 45	2,907	(1,160)	162,741	(130,795)	(12,762)	19,184	2,105	1,746	3,851
Year 46	2,907	(1,160)	162,741	(133,701)	(11,602)	17,438	1,913	1,746	3,660
Year 47	2,907	(1,160)	162,741	(136,608)	(10,442)	15,691	1,722	1,746	3,468
Year 48	2,907	(1,160)	162,741	(139,515)	(9,281)	13,945	1,530	1,746	3,277
Year 49	2,907	(1,160)	162,741	(142,421)	(8,121)	12,199	1,339	1,746	3,085
Year 50	2,907	(1,160)	162,741	(145,328)	(6,961)	10,452	1,147	1,746	2,893
Year 51	2,907	(1,160)	162,741	(148,234)	(5,801)	8,706	955	1,746	2,702
Year 52	2,907	(1,160)	162,741	(151,141)	(4,641)	6,959	764	1,746	2,510
Year 53	2,907	(1,160)	162,741	(154,047)	(3,481)	5,213	572	1,746	2,318
Year 54	2,907	(1,160)	162,741	(156,954)	(2,320)	3,467	380	1,746	2,127
Year 55	2,907	(1,160)	162,741	(159,860)	(1,160)	1,720	189	1,746	1,935
Year 56	2,880	(1,160)	162,741	(162,740)	(0)	1	0	1,719	1,719

Totals 162,740 0 550,510

Def Inc. Tax Amtz. 1,160

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

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**Witness: Michael A. Miller**

14. On page 34 of his testimony, Mr. Miller states that “The Company consistently indicated in the testimony in that case its intent to seek a phase-in of the rate impact of the KRS II Project over two general rate cases.” Please provide copies of all relevant testimony pages where these indications were made.

**Response:**

Mr. Miller did not provide pre-filed direct or rebuttal testimony in case number 2007-00134, but gave live rebuttal testimony at the second evidentiary hearing in March 2008. Mr. Miller did respond to several data requests in the case in addition to his live testimony. Attached to this response is the revised response to discovery request Staff-1-Q31. The attachment to that response indicates that KAWC expected to include a portion of the CWIP for the KRS II (pool 3) Project for full rate base recovery in its 2008 rate case. In addition Mr. Miller provided several exhibits as part his live testimony at the March 2008 evidentiary hearing before the Commission. Attached are the summary and detailed rate calculations presented as exhibits and evidence at that hearing. As can be seen on Appendix A and D (the pool 3 options proposed by KAWC), the Company indicated that it would seek full rate base for a portion of CWIP on the KRS II (pool 3) project in its 2008 rate case.

For the electronic version, refer to KAW\_R\_AGDR1#14\_122308.pdf.



**Kentucky-American Water Company**  
**Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31**  
**Estimate of Rate Impact of Pool 3 Source of Supply Project - New 20 MGD Estimate**

**Rev. February 29, 2008**

**Total Construction Cost Based on Bids - \$155.857 million - KAW 100%**

<b>(000) Omitted</b>	<b>2007 Rate Case Rev. Requirement Calculation</b>	<b>2008 Rate Case Rev. Requirement Calculation</b>	<b>2010 Rate Case Rev. Requirement Calculation</b>
13 Month Average Utility Plant	\$18,902	\$89,493	\$155,857
Less: Rate Base from Previous Case	\$0	\$0	(\$89,493)
Less: Depreciation Expense	\$0	\$0	(\$2,883)
Deferred Income Tax Exp.	<u>\$0</u>	<u>\$0</u>	<u>(\$1,091)</u>
Rate Base	\$18,902	\$89,493	\$62,390
WCC currently authorized	<u>10.57%</u>	<u>10.57%</u>	<u>10.57%</u>
Revenue Requirement on Rate Base	\$1,998	\$9,459	\$6,595
Less AFUDC	<u>(\$1,998)</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	(\$0)	\$9,459	\$6,595
Add: Depreciation Expense	\$0	\$0	\$2,883
O&M Expenses	\$0	\$0	\$3,455
Wholesale Charges From LWC @ 10MGD	\$0	\$0	\$0
Wheeling Cost - SEC 2-A - Capital	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - O&M	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Rate Impact from SS Project</b>	(\$0)	\$9,459	\$12,933
<b>Total Rate Increase</b>			\$22,392
Going Level Revenues	\$60,823	\$60,623	\$70,082
<b>% Rate Increase</b>	<b>0.00%</b>	<b>15.60%</b>	<b>18.45%</b>
<b>Cummulative % Increase</b>	<b>0.00%</b>	<b>15.60%</b>	<b>34.06%</b>
<b>Increase From Present Rates</b>			<b>36.81%</b>

**Kentucky-American Water Company**  
**Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31**  
**Estimate of Rate Impact of Pool 3 Source of Supply Project - New 25 MGD Estimate**

**Rev. February 28, 2008**

**Total Construction Cost Based on Bids - \$161.761 million - KAW 80%**

<b>(000) Omitted</b>	<b>2007 Rate Case Rev. Requirement <u>Calculation</u></b>	<b>2008 Rate Case Rev. Requirement <u>Calculation</u></b>	<b>2010 Rate Case Rev. Requirement <u>Calculation</u></b>
13 Month Average Utility Plant	\$16,461	\$74,745	\$129,410
Less: Rate Base from Previous Case	\$0	\$0	(\$74,745)
Less: Depreciation Expense	\$0	\$0	(\$2,405)
Deferred Income Tax Exp.	<u>\$0</u>	<u>\$0</u>	<u>(\$906)</u>
Rate Base	\$16,461	\$74,745	\$51,354
WCC currently authorized	<u>10.55%</u>	<u>10.55%</u>	<u>10.55%</u>
Revenue Requirement on Rate Base	\$1,737	\$7,886	\$5,418
Less AFUDC	<u>(\$1,737)</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	(\$0)	\$7,886	\$5,418
Add: Depreciation Expense	\$0	\$0	\$2,405
O&M Expenses	\$0	\$0	\$2,939
Wholesale Charges From LWC @ 10 MGD	\$0	\$0	\$0
Wheeling Cost - SEC 2-A - Capital	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - O&M	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Rate Impact from SS Project</b>	(\$0)	\$7,886	\$10,762
<b>Total Rate Increase</b>			\$18,647
Going Level Revenues	\$60,823	\$60,623	\$68,509
<b>% Rate Increase</b>	<b><u>0.00%</u></b>	<b><u>13.01%</u></b>	<b><u>15.71%</u></b>
<b>Cummulative % Increase</b>	<b><u>0.00%</u></b>	<b><u>13.01%</u></b>	<b><u>28.72%</u></b>
<b>Increase From Present Rates</b>			<b><u>30.66%</u></b>



**Kentucky American Water Company  
Summary**

**Rate Impact to KAW Customers from Source Of Supply - Pool 3 Project and LWC Pipeline Project**

	1		2		3		4		5		6		
	Based on Bid Cost for 20 MGD Pool 3 Project 100% KAW Ownership		Estimated Cost for 20 MGD LWC Pipeline Section 2-A Publicly Owned, Section 2-B 100% KAW Ownership		Estimated Cost for 20 MGD LWC Pipeline Section 2-A Publicly Owned, Section 2-B 100% KAW Ownership		Based on Bid Cost for 25 MGD Pool 3 Project 80%/20% KAW-BWSC Ownership		Estimated Cost for 25 MGD LWC Pipeline Section 2-A Publicly Owned, Section 2-B 80%/20% KAW-BWSC Owned				
	2010 Year 1 Appendix A	2012 Year 1 Appendix B	2010 Year 1 Appendix A	2012 Year 1 Appendix C	2010 Year 1 Appendix D	2012 Year 1 Appendix E	2010 Year 1 Appendix D	2012 Year 1 Appendix E	2010 Year 1 Appendix D	2012 Year 1 Appendix F	2016 Appendix D-1	2016 Appendix E-1	2016 Appendix F-1
Current Average Residential Monthly Bill	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)	\$23.43 (1)
Rate Increase %	36.81%	39.09%	33.55%	33.55%	30.66%	33.58%	30.66%	33.58%	30.66%	29.35%	29.33%	36.06%	32.20%
Estimated increase in Avg. Res. Monthly Bill from SS Project	\$8.62 (2)	\$9.16 (2)	\$7.86 (3)	\$7.86 (3)	\$7.18 (4)	\$7.87 (4)	\$7.18 (4)	\$7.87 (4)	\$7.18 (4)	\$6.88 (5)	\$6.87 (4)	\$8.45 (4)	\$7.54 (5)
Current Average Residential Monthly Bill	2016 Appendix A-1	2016 Appendix B-1	2016 Appendix C-1	2016 Appendix C-1	2016 Appendix D-1	2016 Appendix E-1	2016 Appendix D-1	2016 Appendix E-1	2016 Appendix D-1	2016 Appendix F-1	2016 Appendix D-1	2016 Appendix E-1	2016 Appendix F-1
Rate Increase %	35.18%	40.89%	36.27%	36.27%	29.33%	36.06%	29.33%	36.06%	29.33%	32.20%	29.33%	36.06%	32.20%
Estimated increase in Avg. Res. Monthly Bill from SS Project	\$8.24 (2)	\$9.58 (2)	\$8.50 (3)	\$8.50 (3)	\$6.87 (4)	\$8.45 (4)	\$6.87 (4)	\$8.45 (4)	\$6.87 (4)	\$7.54 (5)	\$6.87 (4)	\$8.45 (4)	\$7.54 (5)

**Footnotes:**

- (1) Based on rates approved in Case #2007-00143
- (2) Based on 20 MGD Project with no BWSC participation
- (3) Based on 20 Mgd Project with SFWMG ownership of pipeline from Rt. 53 to Frankfort (Section 2-A), and KAW ownership from Frankfort to Lexington (Section 2-B).
- (4) Based on 25 MGD Project with BWSC Public/Private Partnership owning 20% undivided interest in Project
- (5) Based on 25 Mgd Project with SFWMG ownership of pipeline from Rt. 53 to Frankfort (Section 2-A), and KAW/BWSC ownership from Frankfort to Lexington (Section 2-B).

**Note 1:** The basic difference between the rate impact of the KAW Pool 3 Project and the LWC Pipeline Project is that over the life of the project the rate impact of the Pool 3 project declines at a much higher rate than the LWC Pipeline Project. KAW's Pool 3 Project is more heavily weighted to capital cost, therefore as the project is depreciated the rate base declines over the life of the project. LWC's Pipeline Project is much more heavily weighted to O&M expenses (primarily purchased water expense) which increases steadily over the life of the Project.

**Note 2:** As shown in the table above the LWC Sec. 2A/Sec 2B options (columns 3 and 6) have slightly favorable rate impacts over the Pool 3 in the first year of completion of the project (2012 & 2010 respectively). However by year 2016, the year when LWC has stated they would increase the purchased water expense, the Pool 3 options at both the 20 mgd & 25 mgd levels (columns 1 & 4) have lower rate impacts than the LWC Project.

**Note 3:** Please note that the Pool 3 20 mgd & 25 mgd options (columns 1 & 4) show a decline in the rate impact from 2010 to 2016 due to the declining rate base, while the LWC pipeline options (shown in columns 2, 3, 5, & 6) indicate increasing rates from 2012 to 2016 because of the significant increase in purchased water expense for 2016 as indicated in Mr. Heitzman's testimony.

**Note 4:** The information contained in Notes 1, 2 & 3 above is the reason properly performed "Present Worth" calculations (as shown in Mr. Walker's models) show the KAW Pool 3 Project is clearly the least cost.

**Appendix A****Kentucky-American Water Company****Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31****Estimate of Rate Impact of Pool 3 Source of Supply Project - New 20 MGD Estimate****Rev. February 29, 2008****Total Construction Cost Based on Bids - \$155.857 million - KAW 100%**

<b>(000) Omitted</b>	<b>2007 Rate Case Rev. Requirement Calculation</b>	<b>2008 Rate Case Rev. Requirement Calculation</b>	<b>2010 Rate Case Rev. Requirement Calculation</b>
13 Month Average Utility Plant	\$18,902	\$89,493	\$155,857
Less: Rate Base from Previous Case	\$0	\$0	(\$89,493)
Less: Depreciation Expense	\$0	\$0	(\$2,883)
Deferred Income Tax Exp.	<u>\$0</u>	<u>\$0</u>	<u>(\$1,091)</u>
Rate Base	\$18,902	\$89,493	\$62,390
WCC currently authorized	<u>10.57%</u>	<u>10.57%</u>	<u>10.57%</u>
Revenue Requirement on Rate Base	\$1,998	\$9,459	\$6,595
Less AFUDC	<u>(\$1,998)</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	(\$0)	\$9,459	\$6,595
Add: Depreciation Expense	\$0	\$0	\$2,883
O&M Expenses	\$0	\$0	\$3,455
Wholesale Charges From LWC @ 10MGD	\$0	\$0	\$0
Wheeling Cost - SEC 2-A - Capital	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - O&M	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Rate Impact from SS Project</b>	(\$0)	\$9,459	\$12,933
<b>Total Rate Increase</b>			\$22,392
Going Level Revenues	\$60,823	\$60,623	\$70,082
<b>% Rate Increase</b>	<b>0.00%</b>	<b>15.60%</b>	<b>18.45%</b>
<b>Cummulative % Increase</b>	<b>0.00%</b>	<b>15.60%</b>	<b>34.06%</b>
<b>Increase From Present Rates</b>			<b>36.81%</b>

**Appendix A-1****Kentucky-American Water Company****Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31****Estimate of Rate Impact of Pool 3 Source of Supply Project - New 20 MGD Estimate****Rev. February 29, 2008****Total Construction Cost Based on Bids - \$155.857 million - KAW 100%**

	<b>2016</b>
	<b>Rev. Requirement</b>
	<b><u>Calculation</u></b>
<b>(000) Omitted</b>	
Beg. Of Year Rate Base	\$141,284
Less: Depreciation Expense	(\$2,883)
Deferred Income Tax Exp.	<u>(\$989)</u>
Rate Base	\$137,412
WCC currently authorized	<u>10.57%</u>
Revenue Requirement on Rate Base	\$14,524
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$14,524
Add: Depreciation Expense	\$2,883
O&M Expenses	\$3,920
Wholesale Charges From LWC @ 10MGD	\$0
Wheeling Cost - SEC 2-A - Capital	\$0
Wheeling Costs - SEC 2-A - O&M	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>
<b>Rate Impact from SS Project</b>	<b>\$21,327</b>
Going Level Revenues	\$60,623
<b>% Rate Increase</b>	<b><u>35.18%</u></b>

**Appendix B**

**Kentucky-American Water Company**  
**Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31**  
**Estimate of Rate Impact of LWC Pipeline Project - 20 MGD Estimate**

**Rev. February 29, 2008**  
**Total Construction Cost (Estimated) \$132.291 million - KAW 100%**  
**100% Ownership by KAW**

**(000) Omitted**

**2012**  
**Rev. Requirement**  
**Calculation**

Beg. Of Year Rate Base	\$132,291
Less: Rate Base from Previous Case	\$0
Less: Depreciation Expense	(\$2,229)
Deferred Income Tax Exp.	(\$926)
Rate Base	\$129,136
WCC currently authorized	<u>10.57%</u>
Revenue Requirement on Rate Base	\$13,650
Less AFUDC	\$0
Rate Impact Before Depr. And O&M Expenses	\$13,650
Add: Depreciation Expense	\$2,229
O&M Expenses	\$1,618
Wholesale Charges From LWC @ 10 MGD	\$6,279
Wheeling Cost - SEC 2-A - Capital	\$0
Wheeling Costs - SEC 2-A - O&M	\$0
Wheeling Costs - SEC 2-A - Mark-up	\$0
<b>Rate Impact from SS Project</b>	<b>\$23,776</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>39.09%</b>

**Appendix B -1**

Kentucky-American Water Company  
Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31  
Estimate of Rate Impact of LWC Pipeline Project - 20 MGD Estimate

Rev. February 29, 2008  
**Total Construction Cost (Estimated) \$132.291 million - KAW 100%  
100% Ownership by KAW**

**(000) Omitted**

**2016  
Rev. Requirement  
Calculation**

Beg. Of Year Rate Base	\$123,375
Less: Deprecition Expense	(\$2,229)
Deferred Income Tax Exp.	<u>(\$864)</u>
Rate Base	\$120,282
WCC currently authorized	<u>10.57%</u>
Revenue Requirement on Rate Base	\$12,714
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$12,714
Add: Depreciation Expense	\$2,229
O&M Expenses	\$1,741
Wholesale Charges From LWC @ 10 MGD	\$8,188
Wheeling Cost - SEC 2-A - Capital	\$0
Wheeling Costs - SEC 2-A - O&M	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>
<b>Rate Impact from SS Project</b>	<b>\$24,872</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>40.89%</b>



**Appendix C**

Kentucky-American Water Company  
Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31  
Estimate of Rate Impact of LWC Pipeline Project - 20 MGD Estimate

Rev. February 29, 2008  
Total Construction Cost (Estimated) \$130.725 million - Sec 2A & 2B  
100% Ownership Sec. 2A by SFWMG - 100% Ownership Sec. 2B by KAWC

**(000) Omitted**

2012  
Rev. Requirement  
Calculation

Beg. Of Year Rate Base	\$75,524
Less: Deprecition Expense	(\$1,247)
Deferred Income Tax Exp.	<u>(\$529)</u>
Rate Base	\$73,748
WCC currently authorized	<u>10.75%</u>
Revenue Requirement on Rate Base	\$7,928
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$7,928
Add: Depreciation Expense	\$1,247
O&M Expenses	\$891
Wholesale Charges From LWC @ 10 MGD	\$6,279
Wheeling Cost - SEC 2-A - Capital	\$3,432
Wheeling Costs - SEC 2-A - O&M	\$260
Wheeling Costs - SEC 2-A - Mark-up	<u>\$369</u>
<b>Rate Impact from SS Project</b>	<b>\$20,406</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>33.55%</b>

**Appendix C-1**

Kentucky-American Water Company  
Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31  
Estimate of Rate Impact of LWC Pipeline Project - 20 MGD Estimate

Rev. February 29, 2008  
**Total Construction Cost (Estimated) \$130.725 million - Sec 2A & 2B**  
**100% Ownership Sec. 2A by SFWMG - 100% Ownership Sec. 2B by KAWC**

**(000) Omitted**

2016  
**Rev. Requirement  
Calculation**

Beg. Of Year Rate Base	\$71,783
Less: Deprecition Expense	(\$1,247)
Deferred Income Tax Exp.	<u>(\$502)</u>
Rate Base	\$70,034
WCC currently authorized	<u>10.75%</u>
Revenue Requirement on Rate Base	\$7,529
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$7,529
Add: Depreciation Expense	\$1,247
O&M Expenses	\$982
Wholesale Charges From LWC @ 10 MGD	\$8,188
Wheeling Cost - SEC 2-A - Capital	\$3,432
Wheeling Costs - SEC 2-A - O&M	\$311
Wheeling Costs - SEC 2-A - Mark-up	<u>\$374</u>
<b>Rate Impact from SS Project</b>	<b>\$22,063</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>36.27%</b>

**Appendix D**

**Kentucky-American Water Company**

Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31

Estimate of Rate Impact of Pool 3 Source of Supply Project - New 25 MGD Estimate

Rev. February 29, 2008

Total Construction Cost Based on Bids - \$161.761 million - KAW 80%

<b>(000) Omitted</b>	<b>2007 Rate Case Rev. Requirement <u>Calculation</u></b>	<b>2008 Rate Case Rev. Requirement <u>Calculation</u></b>	<b>2010 Rate Case Rev. Requirement <u>Calculation</u></b>
13 Month Average Utility Plant	\$16,461	\$74,745	\$129,410
Less: Rate Base from Previous Case	\$0	\$0	(\$74,745)
Less: Depreciation Expense	\$0	\$0	(\$2,405)
Deferred Income Tax Exp.	<u>\$0</u>	<u>\$0</u>	<u>(\$906)</u>
Rate Base	\$16,461	\$74,745	\$51,354
WCC currently authorized	<u>10.55%</u>	<u>10.55%</u>	<u>10.55%</u>
Revenue Requirement on Rate Base	\$1,737	\$7,886	\$5,418
Less AFUDC	<u>(\$1,737)</u>	<u>\$0</u>	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	(\$0)	\$7,886	\$5,418
Add: Depreciation Expense	\$0	\$0	\$2,405
O&M Expenses	\$0	\$0	\$2,939
Wholesale Charges From LWC @ 10 MGD	\$0	\$0	\$0
Wheeling Cost - SEC 2-A - Capital	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - O&M	\$0	\$0	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Rate Impact from SS Project</b>	(\$0)	\$7,886	\$10,762
<b>Total Rate Increase</b>			<b>\$18,647</b>
Going Level Revenues	\$60,823	\$60,623	\$68,509
<b>% Rate Increase</b>	<b><u>0.00%</u></b>	<b><u>13.01%</u></b>	<b><u>15.71%</u></b>
<b>Cummulative % Increase</b>	<b>0.00%</b>	<b>13.01%</b>	<b>28.72%</b>
<b>Increase From Present Rates</b>			<b>30.66%</b>

**Appendix D -1****Kentucky-American Water Company**

Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31

Estimate of Rate Impact of Pool 3 Source of Supply Project - New 25 MGD Estimate

Rev. February 29, 2008

Total Construction Cost Based on Bids - \$161.761 million - KAW 80%

**(000) Omitted****2016  
Rev. Requirement  
Calculation**

Beg. Of Year Rate Base	\$117,383
Less: Depreciation Expense	(\$2,405)
Deferred Income Tax Exp.	<u>(\$822)</u>
Rate Base	\$114,156
WCC currently authorized	<u>10.55%</u>
Revenue Requirement on Rate Base	\$12,043
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$12,043
Add: Depreciation Expense	\$2,405
O&M Expenses	\$3,335
Wholesale Charges From LWC @ 10 MGD	\$0
Wheeling Cost - SEC 2-A - Capital	\$0
Wheeling Costs - SEC 2-A - O&M	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>
<b>Total Rate Increase</b>	<b>\$17,783</b>
Going Level Revenues	\$60,623
<b>% Rate Increase</b>	<b><u>29.33%</u></b>

**Appendix E**

**Kentucky-American Water Company**  
**Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31**  
**Estimate of Rate Impact of LWC Pipeline Project - 25 MGD Estimate**

**Rev. February 29, 2008**  
**Total Construction Cost (Estimated) \$132.291 million - KAW 80%**  
**100% Ownership by KAW/BWSC**

**(000) Omitted**

**2012**  
**Rev. Requirement**  
**Calculation**

Beg. Of Year Rate Base	\$105,833
Less: Rate Base from Previous Case	\$0
Less: Depreciation Expense	(\$1,764)
Deferred Income Tax Exp.	(\$741)
Rate Base	\$103,328
WCC currently authorized	<u>10.55%</u>
Revenue Requirement on Rate Base	\$10,901
Less AFUDC	\$0
Rate Impact Before Depr. And O&M Expenses	\$10,901
Add: Depreciation Expense	\$1,764
O&M Expenses	\$1,481
Wholesale Charges From LWC @ 10 MGD	\$6,279
Wheeling Cost - SEC 2-A - Capital	\$0
Wheeling Costs - SEC 2-A - O&M	\$0
Wheeling Costs - SEC 2-A - Mark-up	\$0
<b>Rate Impact from SS Project</b>	<b>\$20,425</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>33.58%</b>

**Appendix E -1****Kentucky-American Water Company**

Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31

Estimate of Rate Impact of LWC Pipeline Project - 25 MGD Estimate

Rev. February 29, 2008

Total Construction Cost (Estimated) \$132.291 million - KAW 80%

100% Ownership by KAW/BWSC

**(000) Omitted**

2016

**Rev. Requirement  
Calculation**

Beg. Of Year Rate Base	\$100,540
Less: Deprecition Expense	(\$1,764)
Deferred Income Tax Exp.	<u>(\$704)</u>
Rate Base	\$98,072
WCC currently authorized	<u>10.55%</u>
Revenue Requirement on Rate Base	\$10,347
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$10,347
Add: Depreciation Expense	\$1,764
O&M Expenses	\$1,633
Wholesale Charges From LWC @ 10 MGD	\$8,188
Wheeling Cost - SEC 2-A - Capital	\$0
Wheeling Costs - SEC 2-A - O&M	\$0
Wheeling Costs - SEC 2-A - Mark-up	<u>\$0</u>
<b>Rate Impact from SS Project</b>	<b>\$21,932</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>36.06%</b>

**Appendix F**

Kentucky-American Water Company  
Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31  
Estimate of Rate Impact of LWC Pipeline Project - 25 MGD Estimate

Rev. February 29, 2008

Total Construction Cost (Estimated) \$130.725 million - Sec 2A & 2B

100% Ownership Sec. 2A by SFWMG - 100% Ownership Sec. 2B by KAWC/BWSC

(000) Omitted

2012

Rev. Requirement  
Calculation

Beg. Of Year Rate Base	\$60,419
Less: Deprecition Expense	(\$998)
Deferred Income Tax Exp.	<u>(\$423)</u>
Rate Base	\$58,998
WCC currently authorized	<u>10.75%</u>
Revenue Requirement on Rate Base	\$6,342
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$6,342
Add: Depreciation Expense	\$998
O&M Expenses	\$794
Wholesale Charges From LWC @ 10 MGD	\$6,279
Wheeling Cost - SEC 2-A - Capital	\$2,860
Wheeling Costs - SEC 2-A - O&M	\$266
Wheeling Costs - SEC 2-A - Mark-up	<u>\$313</u>
<b>Rate Impact from SS Project</b>	<b>\$17,852</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>29.35%</b>

**Appendix F-1**

Kentucky-American Water Company  
Revised -Case No. 2007-00134 - Schedule in Response to Staff - Set 1- Q31  
Estimate of Rate Impact of LWC Pipeline Project - 25 MGD Estimate

Rev. February 29, 2008

Total Construction Cost (Estimated) \$130.725 million - Sec 2A & 2B

100% Ownership Sec. 2A by SFWMG - 100% Ownership Sec. 2B by KAWC/BWSC

(000) Omitted

2016  
Rev. Requirement  
Calculation

Beg. Of Year Rate Base	\$57,427
Less: Deprecition Expense	(\$998)
Deferred Income Tax Exp.	<u>(\$402)</u>
Rate Base	\$56,027
WCC currently authorized	<u>10.75%</u>
Revenue Requirement on Rate Base	\$6,023
Less AFUDC	<u>\$0</u>
Rate Impact Before Depr. And O&M Expenses	\$6,023
Add: Depreciation Expense	\$998
O&M Expenses	\$877
Wholesale Charges From LWC @ 10 MGD	\$8,188
Wheeling Cost - SEC 2-A - Capital	\$2,860
Wheeling Costs - SEC 2-A - O&M	\$319
Wheeling Costs - SEC 2-A - Mark-up	<u>\$318</u>
<b>Rate Impact from SS Project</b>	<b>\$19,583</b>
Going Level Revenues	\$60,823
<b>Increase From Present Rates</b>	<b>32.20%</b>



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

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**Witness: Keith Cartier**

15. The Company has proposed purchased water expenses of \$114,586 in this case. Under the hypothetical assumption that KRS II would have been up and running in the forecasted period, would this have impacted the forecasted purchased water expenses? If not, explain why not. If so, explain why and provide your best estimate of how the currently reflected purchased water expenses of \$114,586 would change if KRS II would be 100% in service.

**Response:**

No, because the customers that are served by purchased water are located in KAW's Northern Division, and, at this time, there are no existing or planned facilities/connections that would allow them to be served by the KRS II facilities.

For the electronic version, refer to KAW\_R\_AGDR1#15\_122308.pdf.

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

---

**Witness: Linda C. Bridwell**

16. What is the current status of *Penny Greathouse, et al. v. Kentucky-American Water Company*, Franklin Circuit Court, Civil Action No. 08-CI-1574?

**Response:**

By Order of November 13, 2008, the Court directed the parties in that case to attempt to reach an agreement for easements necessary for the KRS II project. To date, no agreements have been reached. The Company has filed a motion to dismiss the case. That motion is currently pending before the Court.

For the electronic version, refer to KAW\_R\_AGDR1#16\_122308.pdf.

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

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**Witness: Sheila Miller**

17. On page 12 of her testimony, witness Sheila Miller states that the cash working capital requirement claimed in the current case is based on the lead/lag study prepared in Case No. 2004-00103. Has the Company prepared an updated lead/lag study since the one presented in Case No. 2004-00103? If so, provide the results of this updated lead/lag study in the same format and detail as per Schedule B-5.2 in the current case.

**Response:**

No. There has not been an updated lead/lag study.

For the electronic version, refer to KAW\_R\_AGDR1#17\_122308.pdf.

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

**Witness: Michael A. Miller**

18. As shown on Schedule B-5.2, page 6 of 6, the Company has used a composite revenue collection lag of 34.54 for Other Revenues. In this regard, please provide the following information:

- a. Provide the basis for this composite revenue collection lag of 34.54.
- b. In its response to AG-1-99A in Case No. 2000-120, the Company stated that the composite revenue collection lag of 34.54 days for Other Revenues was originally established in Case No. 97-034. Please confirm this. If you do not agree, explain your disagreement.
- c. In its response to AG-1-100 in Case No. 2000-120, the Company agreed that it had erroneously assumed that the Other Revenue composite collection lag of 34.54 only represents the service period lag rather than representing the overall total collection lag for the service period, billing period, and collection period. Please confirm this. If you don't agree, explain your disagreement.
- d. Confirm that in the determination of the overall revenue collection lag of 43.50 days on Schedule B-5.2, the Company has erroneously assumed that its Other Revenues not only have a service period collection lag of 34.54 days, but also a billing period collection lag of 4.17 days and a collection period collection lag of 24.27 days. If you don't agree, explain your disagreement.
- e. Based on the information referenced in parts (c) and (d) above, the corrected overall revenue collection lag should be 41.04 days rather than the Company's claimed collection lag days of 43.50, as calculated below:

	<u>Amount</u>	<u>Lag Days</u>	<u>Weighted Amount</u>
Arrears Full	53,140,593	15.210	808,268,420
Fire Service	3,720,119	(15.260)	(56,769,016)
Total	56,860,712	13.216	751,499.404
Plus: Billing Lag		4.170	
Plus: Collect. Lag		24.270	
Total	56,860,712	41.656	2,368,589,819
Other Revenues	5,384,560	34.540	185,982,702
Overall Total	62,245,272	41.040	2,554,600,951

Please confirm this. If you don't agree, explain your disagreement.

- f. Confirm that, in its response to AG-1-101 in Case No. 2000-120, KAWC agreed with the appropriateness of the same type of calculation to determine the correct overall revenue collection lag number in that case.

**Response:**

- a. The 34.54 revenue collection lag is originally derived from Case No. 97-034.
- b. See response to part a. above.
- c. Agree.
- d. Agree.
- e. Agree.
- f. Agree.

For the electronic version, refer to KAW\_R\_AGDR1#18\_122308.pdf.

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

---

**Witness: Michael A. Miller**

19. Provide the revenue collection lag numbers included in the Case No. 2004-00103 lead/lag study in the same format and detail as per Schedule B-5.2, page 6 of 6 in the current case and explain the increase in the overall composite revenue collection lag number of 43.50 in the current case over the corresponding overall composite revenue collection lag number in Case No. 2004-00103.

**Response:**

See attached Schedules B-5.2, page 6 of 6 from Case No. 2004-00103, Case No. 2007-00143 and the current Case No. 2008-00427. The lag between the read date and bill date has changed due to the off-cycle billing for exception bills now in place. Also, the category of partial and final bills in the 2004 rate case no longer exists. In addition, in Case No. 2004-00103, the number of lag days between the read date and bill date was estimated. The actual lag between read date and bill date is now known and has been used in both the Company's 2007 rate case and this case. In Case No. 2007-00143, the Company provide updated information for the lag from bill date to payment. Attached to this response is the workpaper used in the 2007 case to support the billed date to collection lag.

For the electronic version, refer to KAW\_R\_AGDR1#19\_122308.pdf.

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
WORKING CAPITAL - LEAD/LAG STUDY  
FEBRUARY 1, 2009 TO MAY 31, 2010

DATA: \_\_\_ BASE PERIOD X\_ FORECASTED PERIOD  
TYPE OF FILING: \_X\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORKPAPER REFERENCE NO(S):

SCHEDULE B-5.2  
PAGE 6 OF 6  
Witness Responsible: S.A. Miller

Line No.	Revenues Amount	Median Service Days	Dollar Days
1			
2			
3			
4			
5	\$53,140,593	15.21	\$808,268,420
6	5,384,560	34.54	185,982,702
7	3,720,119	(15.26)	(56,769,016)
8			
9			
10			
11			
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47			
48			
49			
50			

Monthly - Arrears Full Bills  
Other Revenues  
Fire Service  
Total

Average Median Service Days 15.06  
Number of Days between the Reading Date and the Billing Date 4.17  
Number of Days between the Billing Date and the Date the Bills are Paid 24.27  
Total Average Days Interval between Number of Days from Date Services are Furnished to Date Collections are Received 43.50

\$62,245,272

\$937,482,106

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2007-00143  
WORKING CAPITAL - LEAD/LAG STUDY  
AS OF NOVEMBER 30, 2008

DATA: \_\_\_ BASE PERIOD X FORECASTED PERIOD  
TYPE OF FILING: \_\_\_ ORIGINAL \_\_\_ UPDATED X REVISED  
WORKPAPER REFERENCE NO(S): W/P-8

SCHEDULE B-5.2  
PAGE 6 OF 6  
Witness Responsible: S.A. Miller

Line No.	Revenues Amount			Median Service Days	Dollar Days						
	CENTRAL DIVISION	TRIVILLAGE	ELK LAKE		OWENTON	TRIVILLAGE	ELK LAKE	OWENTON	TOTAL WATER		
1											
2											
3	Monthly - Arrears Full Bills	\$44,060,388	\$1,156,141	\$93,638	\$605,551	15.21	\$670,158,501	\$17,584,905	\$1,424,234	\$9,210,431	689,167,640
4											
5	Other Revenues	3,752,304	0	0	198,568	34.54	129,604,580	0	0	6,858,539	129,604,580
6											
7	Fire Service	3,327,187	0	0	0	(15.26)	(60,772,874)	0	0	0	(60,772,874)
8											
9	Total	\$51,139,879	\$1,156,141	\$93,638	\$804,119		\$748,990,207	\$17,584,905	\$1,424,234	\$16,068,970	767,999,346
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Average Median Service Days

Number of Days between the Reading Date and the Billing Date

Number of Days between the Billing Date and the Date the Bills are Paid

Total Average Days' Interval between Number of Days from Date Services are Furnished to Date Collections are Received



Kentucky American Water Company  
Daily Accounts Receivable Balance  
Twelve Months Ending 1/31/07

February 2006		
G/L Date	Daily Activity	Daily Balance
1/20/2006		\$2,657,278.32
1/21/2006		\$2,657,278.32
1/22/2006		\$2,657,278.32
1/23/2006	\$ 166,672.32	\$2,823,950.64
1/24/2006	\$ 28,323.31	\$2,852,273.95
1/25/2006	(180,634.03)	\$2,671,639.92
1/26/2006	\$ 49,872.47	\$2,721,512.39
1/27/2006	\$ 87,710.81	\$2,809,223.20
1/28/2006		\$2,809,223.20
1/29/2006		\$2,809,223.20
1/30/2006	\$ (69,773.92)	\$2,739,449.28
1/31/2006	\$ 420.11	\$2,739,869.39
2/1/2006	\$ 122,988.24	\$2,862,857.63
2/2/2006	\$ 377,855.94	\$3,240,713.57
2/3/2006	\$ 78,208.63	\$3,318,922.20
2/4/2006		\$3,318,922.20
2/5/2006		\$3,318,922.20
2/6/2006	\$ 112,520.90	\$3,431,443.10
2/7/2006	\$ (82,278.72)	\$3,349,164.38
2/8/2006	\$ (74,872.30)	\$3,274,292.08
2/9/2006	\$ (95,046.29)	\$3,179,245.79
2/10/2006	\$ (44,231.68)	\$3,135,014.11
2/11/2006		\$3,135,014.11
2/12/2006		\$3,135,014.11
2/13/2006	\$ (184,018.15)	\$2,950,995.96
2/14/2006	\$ (172,647.83)	\$2,778,348.13
2/15/2006	\$ (47,539.85)	\$2,730,808.28
2/16/2006	\$ (15,133.15)	\$2,715,675.13
2/17/2006	\$ (68,165.72)	\$2,647,509.41

March 2006		
G/L Date	Daily Activity	Daily Balance
2/18/2006		\$2,647,509.41
2/19/2006		\$2,647,509.41
2/20/2006	\$ 253,962.82	\$2,901,472.23
2/21/2006	\$ (396,676.63)	\$2,504,795.60
2/22/2006	\$ 137,170.48	\$2,641,966.08
2/23/2006	\$ (45,016.35)	\$2,596,949.73
2/24/2006	\$ 30,329.83	\$2,627,279.56
2/25/2006		\$2,627,279.56
2/26/2006		\$2,627,279.56
2/27/2006	\$ (219,482.99)	\$2,407,796.57
2/28/2006	\$ 100,825.09	\$2,508,621.66
3/1/2006	\$ 33,956.39	\$2,542,578.05
3/2/2006	\$ 466,286.49	\$3,008,864.54
3/3/2006	\$ 209,521.36	\$3,218,385.90
3/4/2006		\$3,218,385.90
3/5/2006		\$3,218,385.90
3/6/2006	\$ (19,087.30)	\$3,199,298.60
3/7/2006	\$ 58,014.54	\$3,257,313.14
3/8/2006	\$ (11,006.27)	\$3,246,306.87
3/9/2006	\$ (95,060.50)	\$3,151,246.37
3/10/2006	\$ 60,657.77	\$3,211,904.14
3/11/2006		\$3,211,904.14
3/12/2006		\$3,211,904.14
3/13/2006	\$ (329,784.30)	\$2,882,119.84
3/14/2006	\$ (17,502.29)	\$2,864,617.55
3/15/2006	\$ 34,546.61	\$2,899,164.16
3/16/2006	\$ 81,039.13	\$2,980,203.29
3/17/2006	\$ (38,468.33)	\$2,941,734.96
3/18/2006		\$2,941,734.96
3/19/2006		\$2,941,734.96
3/20/2006	\$ (128,121.32)	\$2,813,613.64
3/21/2006	\$ (194,069.04)	\$2,619,544.60
3/22/2006	\$ 31,412.10	\$2,650,956.70
3/23/2006	\$ 47,494.55	\$2,698,451.25
3/24/2006	\$ (98,529.70)	\$2,599,921.55

April 2006		
G/L Date	Daily Activity	Daily Balance
3/25/2006		\$2,599,921.55
3/26/2006		\$2,599,921.55
3/27/2006	\$ (141,613.38)	\$2,458,308.17
3/28/2006	\$ (78,089.52)	\$2,380,218.65
3/29/2006	\$ (87,199.96)	\$2,293,018.69
3/30/2006	\$ 28,613.60	\$2,321,632.29
3/31/2006	\$ 46,814.98	\$2,368,447.27
4/1/2006		\$2,368,447.27
4/2/2006		\$2,368,447.27
4/3/2006	\$ (332,513.25)	\$2,035,934.02
4/4/2006	\$ 434,833.28	\$2,470,767.30
4/5/2006	\$ 292,970.88	\$2,763,738.18
4/6/2006	\$ 356,935.15	\$3,120,673.33
4/7/2006	\$ 45,857.32	\$3,166,530.65
4/8/2006		\$3,166,530.65
4/9/2006		\$3,166,530.65
4/10/2006	\$ (130,313.93)	\$3,036,216.72
4/11/2006	\$ 53,854.36	\$3,090,071.08
4/12/2006	\$ 96,099.83	\$3,186,170.91
4/13/2006	\$ 23,272.86	\$3,209,443.77
4/14/2006	\$ 40,729.61	\$3,250,173.38
4/15/2006		\$3,250,173.38
4/16/2006		\$3,250,173.38
4/17/2006	\$ (256,699.45)	\$2,993,473.93
4/18/2006	\$ (159,333.85)	\$2,834,140.08
4/19/2006	\$ (64,380.69)	\$2,769,759.39
4/20/2006	\$ 45,920.74	\$2,815,680.13
4/21/2006	\$ (147,653.65)	\$2,668,026.48

May 2006		
G/L Date	Daily Activity	Daily Balance
4/22/2006		\$2,668,026.48
4/23/2006		\$2,668,026.48
4/24/2006	\$ (22,378.97)	\$2,645,647.51
4/25/2006	\$ (33,622.19)	\$2,612,025.32
4/26/2006	\$ 76,146.93	\$2,688,172.25
4/27/2006	\$ (5,243.12)	\$2,682,929.13
4/28/2006	\$ 96,191.88	\$2,779,121.01
4/29/2006		\$2,779,121.01
4/30/2006		\$2,779,121.01
5/1/2006	\$ (431,464.21)	\$2,347,656.80
5/2/2006	\$ 723,862.07	\$3,071,518.87
5/3/2006	\$ 324,021.00	\$3,395,539.87
5/4/2006	\$ 118,418.48	\$3,513,958.35
5/5/2006	\$ 147,382.12	\$3,661,340.47
5/6/2006		\$3,661,340.47
5/7/2006		\$3,661,340.47
5/8/2006	\$ (210,622.62)	\$3,450,717.85
5/9/2006	\$ (46,361.50)	\$3,404,356.35
5/10/2006	\$ (9,376.24)	\$3,394,980.11
5/11/2006	\$ (6,722.46)	\$3,388,257.65
5/12/2006	\$ (4,389.67)	\$3,383,867.98
5/13/2006		\$3,383,867.98
5/14/2006		\$3,383,867.98
5/15/2006	\$ (366,669.51)	\$3,017,198.47
5/16/2006	\$ (71,662.18)	\$2,945,536.29
5/17/2006	\$ (106,091.66)	\$2,839,444.63
5/18/2006	\$ 66,868.72	\$2,906,313.35
5/19/2006	\$ 170,967.08	\$3,077,280.43
5/20/2006		\$3,077,280.43
5/21/2006		\$3,077,280.43
5/22/2006	\$ (422,402.08)	\$2,654,878.35
5/23/2006	\$ (88,073.01)	\$2,566,805.34
5/24/2006	\$ 6,901.45	\$2,573,706.79
5/25/2006	\$ 79,222.25	\$2,652,929.04
5/26/2006	\$ (250,554.10)	\$2,402,374.94

June 2006		
G/L Date	Daily Activity	Daily Balance
5/27/2006		\$2,402,374.94
5/28/2006		\$2,402,374.94
5/29/2006		\$2,402,374.94
5/30/2006	\$ (158,528.70)	\$2,243,846.24
5/31/2006	\$ 43,856.52	\$2,287,702.76
6/1/2006	\$ 111,102.18	\$2,398,804.94
6/2/2006	\$ (24,676.72)	\$2,374,128.22
6/3/2006		\$2,374,128.22
6/4/2006		\$2,374,128.22
6/5/2006	\$ 66,627.20	\$2,440,755.42
6/6/2006	\$ 436,568.46	\$2,877,323.88
6/7/2006	\$ 157,472.28	\$3,034,796.16
6/8/2006	\$ 47,397.55	\$3,082,193.71
6/9/2006	\$ 76,113.69	\$3,158,307.40
6/10/2006		\$3,158,307.40
6/11/2006		\$3,158,307.40
6/12/2006	\$ (76,931.03)	\$3,081,376.37
6/13/2006	\$ 101,652.38	\$3,183,028.75
6/14/2006	\$ 57,422.63	\$3,240,451.38
6/15/2006	\$ (10,765.34)	\$3,229,686.04
6/16/2006	\$ (52,514.23)	\$3,177,171.81
6/17/2006		\$3,177,171.81
6/18/2006		\$3,177,171.81
6/19/2006	\$ (276,018.97)	\$2,901,152.84
6/20/2006	\$ (102,662.87)	\$2,798,489.97
6/21/2006	\$ 101,426.67	\$2,899,916.64
6/22/2006	\$ 149,290.87	\$3,049,207.51
6/23/2006	\$ 56,645.45	\$3,105,852.96
6/24/2006		\$3,105,852.96
6/25/2006		\$3,105,852.96
6/26/2006	\$ (502,743.70)	\$2,603,109.26
6/27/2006	\$ (6,103.16)	\$2,597,006.10
6/28/2006	\$ (100,646.90)	\$2,496,359.20
6/29/2006	\$ (71,913.13)	\$2,424,446.07
6/30/2006	\$ (120,732.13)	\$2,303,713.94

July 2006		
G/L Date	Daily Activity	Daily Balance
7/1/2006		\$2,303,713.94
7/2/2006		\$2,303,713.94
7/3/2006	\$ (249.53)	\$2,303,464.41
7/4/2006		\$2,303,464.41
7/5/2006	\$ 93,473.59	\$2,396,938.00
7/6/2006	\$ 215,888.89	\$2,612,826.89
7/7/2006	\$ 383,281.70	\$2,996,108.59
7/8/2006		\$2,996,108.59
7/9/2006		\$2,996,108.59
7/10/2006	\$ (38,689.49)	\$2,957,419.10
7/11/2006	\$ 15,619.13	\$2,973,038.23
7/12/2006	\$ 176,950.74	\$3,149,988.97
7/13/2006	\$ 82,954.48	\$3,232,943.45
7/14/2006	\$ 89,278.59	\$3,322,222.04
7/15/2006		\$3,322,222.04
7/16/2006		\$3,322,222.04
7/17/2006	\$ 97,266.72	\$3,419,488.76
7/18/2006	\$ (8,932.51)	\$3,410,556.25
7/19/2006	\$ 59,068.04	\$3,469,624.29
7/20/2006	\$ 438.48	\$3,470,062.77
7/21/2006	\$ (49,674.13)	\$3,420,388.64
7/22/2006		\$3,420,388.64
7/23/2006		\$3,420,388.64
7/24/2006	\$ (172,093.13)	\$3,248,295.51
7/25/2006	\$ 176,467.69	\$3,424,763.20
7/26/2006	\$ 122,348.15	\$3,547,111.35
7/27/2006	\$ 14,750.99	\$3,561,862.34
7/28/2006	\$ (198,295.80)	\$3,363,566.54

August 2006		
G/L Date	Daily Activity	Daily Balance
7/29/2006		\$3,363,566.54
7/30/2006		\$3,363,566.54
7/31/2006	\$ (454,956.80)	\$2,908,609.74
8/1/2006	\$ 82,904.67	\$2,991,514.41
8/2/2006	\$ (112,288.03)	\$2,879,226.38
8/3/2006	\$ (156,720.73)	\$2,722,505.65
8/4/2006	\$ 704,629.37	\$3,427,135.02
8/5/2006		\$3,427,135.02
8/6/2006		\$3,427,135.02
8/7/2006	\$ 438,470.76	\$3,865,605.78
8/8/2006	\$ 65,021.95	\$3,930,627.73
8/9/2006	\$ (40,705.56)	\$3,889,922.17
8/10/2006	\$ (49,958.73)	\$3,839,963.44
8/11/2006	\$ 87,733.17	\$3,927,696.61
8/12/2006		\$3,927,696.61
8/13/2006		\$3,927,696.61
8/14/2006	\$ (217,579.75)	\$3,710,116.86
8/15/2006	\$ (72,586.00)	\$3,637,530.86
8/16/2006	\$ (71,869.14)	\$3,565,661.72
8/17/2006	\$ 11,078.87	\$3,576,740.59
8/18/2006	\$ (221,399.66)	\$3,355,340.93
8/19/2006		\$3,355,340.93
8/20/2006		\$3,355,340.93
8/21/2006	\$ (417,428.98)	\$2,937,911.95
8/22/2006	\$ 171,876.44	\$3,109,788.39
8/23/2006	\$ (88,183.84)	\$3,021,604.55
8/24/2006	\$ (51,772.60)	\$2,969,831.95
8/25/2006	\$ (135,701.99)	\$2,834,129.96

September 2006		
G/L Date	Daily Activity	Daily Balance
8/26/2006		\$2,834,129.96
8/27/2006		\$2,834,129.96
8/28/2006	\$ (7,579.25)	\$2,826,550.71
8/29/2006	\$ (137,663.44)	\$2,688,887.27
8/30/2006	\$ (150,402.76)	\$2,538,484.51
8/31/2006	\$ 96,531.63	\$2,635,016.14
9/1/2006	\$ (21,038.91)	\$2,613,977.23
9/2/2006		\$2,613,977.23
9/3/2006		\$2,613,977.23
9/4/2006		\$2,613,977.23
9/5/2006	\$ (193,583.09)	\$2,420,394.14
9/6/2006	\$ 475,798.88	\$2,896,193.02
9/7/2006	\$ 361,220.04	\$3,257,413.06
9/8/2006	\$ 453,371.38	\$3,710,784.44
9/9/2006		\$3,710,784.44
9/10/2006		\$3,710,784.44
9/11/2006	\$ (154,311.25)	\$3,556,473.19
9/12/2006	\$ 35,435.43	\$3,591,908.62
9/13/2006	\$ 165,294.84	\$3,757,203.46
9/14/2006	\$ 33,017.18	\$3,790,220.64
9/15/2006	\$ (5,908.07)	\$3,784,312.57
9/16/2006		\$3,784,312.57
9/17/2006		\$3,784,312.57
9/18/2006	\$ (377,783.64)	\$3,406,528.93
9/19/2006	\$ (48,519.02)	\$3,358,009.91
9/20/2006	\$ 100,044.01	\$3,458,053.92
9/21/2006	\$ (9,970.39)	\$3,448,083.53
9/22/2006	\$ 189,265.27	\$3,637,348.80
9/23/2006		\$3,637,348.80
9/24/2006		\$3,637,348.80
9/25/2006	\$ (424,920.22)	\$3,212,428.58
9/26/2006	\$ 75,176.48	\$3,287,605.06
9/27/2006	\$ 134,727.38	\$3,422,332.44
9/28/2006	\$ (158,325.61)	\$3,264,006.83
9/29/2006	\$ (146,952.05)	\$3,117,054.78

October 2006		
G/L Date	Daily Activity	Daily Balance
9/30/2006		\$3,117,054.78
10/1/2006		\$3,117,054.78
10/2/2006	\$ 117,121.99	\$3,234,176.77
10/3/2006	\$ (364,215.99)	\$2,869,960.78
10/4/2006	\$ 457,681.00	\$3,327,641.78
10/5/2006	\$ 227,345.55	\$3,554,987.33
10/6/2006	\$ 363,036.59	\$3,918,023.92
10/7/2006		\$3,918,023.92
10/8/2006		\$3,918,023.92
10/9/2006	\$ 165,909.93	\$4,083,933.85
10/10/2006	\$ (502,865.30)	\$3,581,068.55
10/11/2006	\$ 35,105.53	\$3,616,174.08
10/12/2006	\$ 130,866.81	\$3,747,040.89
10/13/2006	\$ 22,912.55	\$3,769,953.44
10/14/2006		\$3,769,953.44
10/15/2006		\$3,769,953.44
10/16/2006	\$ (347,658.40)	\$3,422,295.04
10/17/2006	\$ (93,072.30)	\$3,329,222.74
10/18/2006	\$ 10,390.42	\$3,339,613.16
10/19/2006	\$ (125,944.18)	\$3,213,668.98
10/20/2006	\$ 74,298.83	\$3,287,967.81
10/21/2006		\$3,287,967.81
10/22/2006		\$3,287,967.81
10/23/2006	\$ (140,090.40)	\$3,147,877.41
10/24/2006	\$ (105,627.91)	\$3,042,249.50
10/25/2006	\$ (5,683.16)	\$3,036,566.34
10/26/2006	\$ (9,572.33)	\$3,026,994.01
10/27/2006	\$ (122,670.99)	\$2,904,323.02

November 2006		
G/L Date	Daily Activity	Daily Balance
10/28/2006		\$2,904,323.02
10/29/2006		\$2,904,323.02
10/30/2006	\$ (302,677.37)	\$2,601,645.65
10/31/2006	\$ (165,103.36)	\$2,436,542.29
11/1/2006	\$ 82,310.73	\$2,518,853.02
11/2/2006	\$ (35,680.52)	\$2,483,172.50
11/3/2006	\$ 607,707.38	\$3,090,879.88
11/4/2006		\$3,090,879.88
11/5/2006		\$3,090,879.88
11/6/2006	\$ 26,445.42	\$3,117,325.30
11/7/2006	\$ 71,287.82	\$3,188,613.12
11/8/2006	\$ 77,858.52	\$3,266,471.64
11/9/2006	\$ (93,441.15)	\$3,173,030.49
11/10/2006	\$ 68,370.76	\$3,241,401.25
11/11/2006		\$3,241,401.25
11/12/2006		\$3,241,401.25
11/13/2006	\$ (86,170.64)	\$3,155,230.61
11/14/2006	\$ (51,943.62)	\$3,103,286.99
11/15/2006	\$ 76,386.43	\$3,179,673.42
11/16/2006	\$ (128,473.00)	\$3,051,200.42
11/17/2006	\$ 14,268.46	\$3,065,468.88
11/18/2006		\$3,065,468.88
11/19/2006		\$3,065,468.88
11/20/2006	\$ (511,109.31)	\$2,554,359.57
11/21/2006	\$ (84,482.58)	\$2,469,876.99
11/22/2006	\$ 112,384.92	\$2,582,261.91
11/23/2006		\$2,582,261.91
11/24/2006		\$2,582,261.91
11/25/2006		\$2,582,261.91
11/26/2006		\$2,582,261.91
11/27/2006	\$ (184,044.55)	\$2,398,217.36
11/28/2006	\$ (41,335.84)	\$2,356,881.52
11/29/2006	\$ 80,720.10	\$2,437,601.62
11/30/2006	\$ 75,923.90	\$2,513,525.52
12/1/2006	\$ (166,184.52)	\$2,347,341.00

December 2006		
G/L Date	Daily Activity	Daily Balance
12/2/2006		\$2,347,341.00
12/3/2006		\$2,347,341.00
12/4/2006	\$ 56,398.82	\$2,403,739.82
12/5/2006	\$ 388,477.66	\$2,792,217.48
12/6/2006	\$ 338,619.24	\$3,130,836.72
12/7/2006	\$ 300,012.68	\$3,430,849.40
12/8/2006	\$ (23,934.86)	\$3,406,914.54
12/9/2006		\$3,406,914.54
12/10/2006		\$3,406,914.54
12/11/2006	\$ (196,540.83)	\$3,210,373.71
12/12/2006	\$ (22,077.49)	\$3,188,296.22
12/13/2006	\$ 170,317.89	\$3,358,614.11
12/14/2006	\$ (7,314.70)	\$3,351,299.41
12/15/2006	\$ (11,816.53)	\$3,339,482.88
12/16/2006		\$3,339,482.88
12/17/2006		\$3,339,482.88
12/18/2006	\$ (271,435.62)	\$3,068,047.26
12/19/2006	\$ (151,992.48)	\$2,916,054.78
12/20/2006	\$ 87,190.43	\$3,003,245.21
12/21/2006	\$ 223,672.54	\$3,226,917.75
12/22/2006	\$ (17,403.99)	\$3,209,513.76
12/23/2006		\$3,209,513.76
12/24/2006		\$3,209,513.76
12/25/2006		\$3,209,513.76
12/26/2006	\$ (539,250.97)	\$2,670,262.79
12/27/2006	\$ (149,624.09)	\$2,520,638.70
12/28/2006	\$ (26,273.63)	\$2,494,365.07
12/29/2006	\$ (43,870.36)	\$2,450,494.71
12/30/2006		\$2,450,494.71
12/31/2006		\$2,450,494.71

January 2007		
G/L Date	Daily Activity	Daily Balance
1/1/2007		\$2,450,494.71
1/2/2007	\$ (70,953.28)	\$2,379,541.43
1/3/2007	\$ 18,896.90	\$2,398,438.33
1/4/2007	\$ 451,296.72	\$2,849,735.05
1/5/2007	\$ 206,873.06	\$3,056,608.11
1/6/2007		\$3,056,608.11
1/7/2007		\$3,056,608.11
1/8/2007	\$ 41,518.44	\$3,098,126.55
1/9/2007	\$ (23,873.46)	\$3,074,253.09
1/10/2007	\$ 14,672.31	\$3,088,925.40
1/11/2007	\$ 8,513.64	\$3,097,439.04
1/12/2007	\$ 132,401.18	\$3,229,840.22
1/13/2007		\$3,229,840.22
1/14/2007		\$3,229,840.22
1/15/2007	\$ 125,355.28	\$3,355,195.50
1/16/2007	\$ (331,698.64)	\$3,023,496.86
1/17/2007	\$ (89,975.40)	\$2,933,521.46
1/18/2007	\$ (8,885.89)	\$2,924,635.57
1/19/2007	\$ (205,256.59)	\$2,719,378.98
1/20/2007		\$2,719,378.98
1/21/2007		\$2,719,378.98
1/22/2007	\$ (138,104.64)	\$2,581,274.34
1/23/2007	\$ (101,941.96)	\$2,479,332.38
1/24/2007	\$ 6,860.34	\$2,486,192.72
1/25/2007	\$ (14,961.35)	\$2,471,231.37
1/26/2007	\$ 60,657.46	\$2,531,888.83
1/27/2007		\$2,531,888.83
1/28/2007		\$2,531,888.83
1/29/2007	\$ (128,088.62)	\$2,403,800.21
1/30/2007	\$ (222,981.11)	\$2,180,819.10
1/31/2007	\$ (74,345.16)	\$2,106,473.94

Total account receivable	\$1,132,928,409.56
Average daily balance	\$3,112,440.69
Billed Revenues twelve mo's 1/07	46,688,888
Avg Billed Revenues	128,266
Percentage of water	24.27

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2004-00103  
WORKING CAPITAL - LEAD/LAG STUDY  
AS OF NOVEMBER 30, 2005

SCHEDULE B-5.2  
PAGE 6 OF 6  
Witness Responsible: J.E. Salsar

DATA: \_\_\_ BASE PERIOD X\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_X\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORKPAPER REFERENCE NO(S): WP-8

Line No.	Revenues Amount		Median Service Days	Dollar Days	
	CENTRAL DIVISION	TR-VILLAGE		ELK LAKE	TOTAL WATER
1					
2					
3					
4					
5	Monthly - Arrears Full Bills	\$37,894,484	\$625,059	\$93,248	15.21
6	Monthly - Arrears Partial/Final Bills	350,000	0	0	7.60
7	Other Revenues	1,585,696	0	0	34.54
8	Fire Service	2,759,210	0	0	(15.26)
9					
10					
11	Total	\$42,589,390	\$625,059	\$93,248	
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
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38					
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40					
41					
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47					
48					
49					
50					

Average Median Service Days

Number of Days between the Reading Date and the Billing Date

Number of Days between the Billing Date and the Date the Bills are Paid

Total Average Days' Interval between Number of Days from Date Services are Furnished to Date Collections are Received

13.89	15.21	15.21
2.50	2.50	2.50
20.16	20.16	20.16
36.55	37.87	37.87

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

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**Witness: Sheila Miller**

20. Please confirm that the Commission in Case No. 2004-00103 rejected the Company's proposed chemical expense payment lag of 6.65 days and, instead, ordered the use of a chemical expense payment lag of 30.49 days (see PSC Order 28 February 2005, pages 14-15 in Case No. 2004-00103). If you do not agree, explain your disagreement.

**Response:**

Agree.

For the electronic version, refer to KAW\_R\_AGDR1#20\_122308.pdf.

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

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**Witness: Michael A. Miller**

21. In the current case, the Company has included pension expenses with a negative payment lag of (5.50) days, as shown on Schedule B-5.2, page 5 of 6. In this regard, please provide the following information:
- a. What is the basis for the negative 5.50 payment lag?
  - b. Confirm that in Case No. 2000-120, the Company did not include pension expenses in its lead/lag study (see page 10 of Mr. Grubb's testimony in Case No. 2000-120). If you do not agree, explain your disagreement.
  - c. Confirm that in Case No. 2004-00103, the Company did not include pension expenses in the lead/lag study as a separate item with a negative payment lag of 5.50 days. If pension expenses were included in the Case No. 2004-00103 lead/lag study, identify in which lead/lag study expense component they were included and what the payment lag was of this lead/lag study expense component.
  - d. Confirm that in Case No. 2007-00143, the Company did not include pension expenses in the lead/lag study as a separate item with a negative payment lag of 5.50 days. If pension expenses were included in the Case No. 2007-00143 lead/lag study, identify in which lead/lag study expense component they were included and what the payment lag was of this lead/lag study expense component.

**Response:**

- a. In the 2004 rate case, the Company used the lead/lag information for the West Virginia American calculation for Pension Expense. The Company is attaching the lead/lag information for Kentucky-American Water Company determined for the 2008 payment information. The Company agrees that the lead for Pensions used in determining the Working Capital included in rate base should be the negative 2.27 days shown on the attached schedule.
- b. Agree. Mr. Grubb eliminated pensions from the cash working allowance because at that time the company was not required to make a payment to the pension plan. However, the Company began making payments to the pension plan beginning October 2002.
- c. The Company agrees that in Case No. 2004-00103 pension was not included as a separate category in the forecasted period lead lag determination of working capital. Pension expense was shown as a separate item on line 10 Schedule B-5.2, page 2 of 6 in the base period but incorrectly included in Other operating expense on line 20 Schedule B-5.2, page 5 of 6 with a payment lag of 21.44.
- d. In Case No. 2007-00143 pension expense was shown on line 10 Schedule B-5.2, page 2 of 6 in the base period but incorrectly included in Other operating expense on line 20 Schedule B-5.2, page 5 of 6 with a payment lag of 24.44.

**Note:** In the current case, the Company has correctly included pensions as a separate item in both the base period and forecasted period, but concedes that the proper lead day should be a negative 2.27 days as shown on the attached schedule.

For the electronic version, refer to KAW\_R\_AGDR1#21\_122308.pdf.



KENTUCKY-AMERICAN WATER COMPANY  
 2008 LEAD/LAG

**PENSIONS**

Payment Date	Amount	Service Period		Avg Service Period	Lag (Lead)	Dollar Days
		From	To			
2/18/08	\$ 480,882.00	1/1/2008	3/31/2008	45	3	1,442,646
5/13/08	\$ 480,882.00	4/1/2008	6/30/2008	45	-3	(1,442,646)
8/12/08	\$ 313,618.00	7/1/2008	9/30/2008	45.5	-3.5	(1,097,663)
11/7/08	\$ 313,618.00	9/30/2008	12/31/2008	46	-8	(2,508,944)
Totals	<u>1,589,000.00</u>					<u>(3,606,607)</u>
<b>Average Lag for Pensions</b>						<u><b>(2.27)</b></u>

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

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**Witness: Michael A. Miller**

22. With regard to the lead/lag study data shown on Schedule B-5.2, page 5 of 6, please provide the following information:
- a. Provide the calculations supporting the Net Income lead/lag study component of \$15,338,332.
  - b. Confirm that the lead/lag study results shown on Schedule B-5.2, page 5 of 6 include the federal and state income taxes and the net income associated with the requested rate increase of approximately \$18.5 million. If you do not agree, state your disagreement.

**Response:**

- a. Rate Base Schedule B-1, Page 2 of 2, Line 45 \$ 305,544,471

Weight Cost of Common Equity Schedule J-1.1/J-1.2 Page 1 of 1 Line 8	4.87%
Weight Cost of Preferred Stock Schedule J-1.1/J-1.2 Page 1 of 1 Line 6	<u>.15%</u>
Total	5.02%

Net income (\$305,544,471 X 5.02%) \$ 15,338,332
- b. Yes.

For the electronic version, refer to KAW\_R\_AGDR1#22\_122308.pdf.

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

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**Witness: Michael A. Miller**

23. Please indicate where in this case the Company has included prepaid PSC assessments. If they are included as part of the cash working capital lead/lag study, indicate (a) on which line item on Schedule B-5.2, page 5 they are included and the dollar amount of the prepayments; and (2) the payment lag/lead days assigned to this dollar amount.

**Response:**

The expenses are included in line 29 of Schedule B-5.2, page 5 – Taxes Other Than Income – Other. However, the negative lead days associated with the prepaid taxes are not reflected in the 70.95 day used for that category. The Company has understated its working capital for this item.

The Company should have eliminated the prepaid PSC assessment from the expenses on line 29 and reflected a separate rate base item for its prepaid taxes based on an average monthly balance in that account.

For the electronic version, refer to KAW\_R\_AGDR1#23\_122308.pdf.

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

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

24. With regard to AFUDC, please provide the following information:
- a. Which of the Company's witnesses is testifying to the subject of AFUDC in this case and where is this included in his/her testimony?
  - b. Please provide a detailed description of the following: (a) current AFUDC accrual policies; (b) changes made in the AFUDC accrual policy and rate determination in the last 10 years; (b) current AFUDC accrual rate and the method used to calculate this rate; if applicable, explain whether the Company is using a tax-grossed up AFUDC rate.
  - c. W/P 1-5, page 18 shows that the proposed AFUDC amount of \$3,094,804 consists of the equity portion of AFUDC of \$1,819,124 and the equity gross-up amount of \$1,231,179. Please explain what exactly these two AFUDC components represent, and how they were derived.
  - d. Work paper and description of how the pro forma AFUDC amount of \$3,094,804 was calculated. Show the total forecasted period average AFUDC-bearing CWIP balance and describe and quantify what projects make up this total AFUDC-bearing CWIP balance. Show the total forecasted period average non-AFUDC bearing CWIP balance and describe and quantify what projects make up this total non-AFUDC bearing CWIP balance. Show that the AFUDC rate, when multiplied by the total forecasted period average AFUDC-bearing CWIP balance produces the proposed AFUDC amount of \$3,094,804.
  - e. What is the impact of the AFUDC amount of \$3,094,804 on the Company's net after-tax operating income? Please show calculations.

**Response:**

- a. Michael A. Miller and/or Sheila Miller  
Mr. Miller's testimony discusses the AFUDC in regard to the KRS II project on pages 32 and 36 of his testimony.
- b. a. The Company's policy for AFUDC was provided in response to KAW\_R\_PSCDR1#2 (filed under confidential protection).  
b. There has been no material change in the policy in the last 10 years. The AFUDC rate is based on the currently authorized WACC.  
c. The current AFUDC rate is 8.03% and it is determined by the weighted cost of capital (return on rate base). The Company's current AFUDC is based on the weighted cost of capital of 8.03% and the equity portion is grossed-up for taxes in accordance with FAS 109 guidelines.
- c. The total AFUDC included in the company's going level revenue is \$3,094,804. That number is comprised of both the debt cost portion of AFUDC and the gross-up

equity portion of \$1,819,124 as shown on WP 1-5, page 18. The equity gross-up amount is not double counted in the AFUDC brought above the line to determine going-level revenues. Instead, while it is shown on the schedule, it is only used in the deferred tax calculation and amortized in accordance with FAS 109 which has been accepted by this commission in past cases. See the calculation below.

	Weighted Cost of Capital As Proposed	
Calc of Equity Factor		
Weighted Cost of LTD	3.12%	
Weighted Cost of STD	0.40%	
Weighted Cost of Pref	0.15%	
Weighted Cost of Com	4.87%	
Effective Tax Rate	40.36%	
Total of Equity	5.02%	
Total Capital	8.54%	
 Equity Factor	 58.78%	
 Total AFUDC from June 2009 thru May 2010		 3,094,804
Equity portion		
Weighted Cost of Preferred	0.15%	
Weighted Cost of Common	4.87%	
Total Equity	<u>5.02%</u>	
Total Capital	8.54%	
Equity Ratio	58.78%	
 Equity Portion = Total AFUDC x Equity Ratio		 1,819,124
 AFUDC Equity Gross up		
Equity Portion		1,819,124
One minus effective tax rate		<u>59.64%</u>
 Equity portion divided by 59.64%		 3,050,302
 Less Equity Portion		 <u>1,819,124</u>
 Equity gross up		 1,231,178

- d. The AFUDC calculation is detailed in working paper KAW\_R\_PSCDR1#1a\_WP1-5\_111408 pages 2 thru 36 beginning with the month of June 2009. The CWIP that the AFUDC calculation is based upon is detailed in working paper KAW\_R\_PSCDR1#1a\_WP1-4\_111408 pages 52 thru 65.

e. \$1,890,925

AFUDC	\$3,094,804
SIT	185,688

FIT            1,018,191  
                  \$1,890,925

For the electronic version, refer to KAW\_R\_AGDR1#24\_122308.pdf.

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

**Witness: Linda Bridwell/Michael A. Miller**

25. In the prior 2007 case, the Company had projected the following rate base balances for the end of the forecasted period, November 30, 2008, in that case:

- Plant in Service	\$380,912,059
- Depreciation Reserve	98,709,036
- CWIP	41,540,291
- CIAC	51,139,621
- Customer Advances	23,521,358
- Deferred Income Tax	30,802,899

In this regard, please provide the following information:

- a. Provide the actual 11/30/08 balances for these same rate base components. In addition, provide the reasons for any major variances between the budgeted and actual balances.
- b. In the current case, the Company has projected a total combined CIAC/Customer Advances balance of \$58,817,693 for the end of the base period, 1/31/09, (Schedule B-1, p.1) whereas in the prior case the Company projected a total combined CIAC/Customer Advances balance of \$74,660,977 as of 11/30/08 (see above). Please provide the reasons for this very large variance.

**Response:**

a.

Information does not include sewer operations:	Actual 30-Nov-08	2007 Rate Filing Forecasted 30-Nov-08	Variance
Utility Plant In Service	360,314,392	380,912,059	(20,597,667)
Accumulated Depreciation	(92,409,442)	(98,709,036)	6,299,594
Construction Work in Progress	52,127,418	41,540,291	10,587,127
Contributions in Aid of Construction	(45,992,340)	(51,139,621)	5,147,281
Customer Advances	(14,483,082)	(23,521,358)	9,038,276
Deferred Income Taxes	<u>(31,519,630)</u>	<u>(30,802,899)</u>	<u>(716,731)</u>
<b>Total</b>	<b>228,037,316</b>	<b>218,279,436</b>	<b>9,757,880</b>

The reduction in Utility Plant in Service is related to lower developer extensions and reduced state highway relocation projects which also impact the lower CIAC's and CAC's. A portion of the lower Utility Plant in Service is offset by increased CWIP due to the timing of completion of several projects. These include the Sludge Handling Improvement project, the Reliability Improvement project, the Replacement of the Incline Car, and the North Broadway Replacement. The Company has experienced a slow down in customer growth from developer jobs due to the housing market and other current national and local economy issues. A number of state highway relocation projects which the Company had anticipated based on DOH inquiries were either delayed or canceled by the DOH. The US 25 relocation project has been delayed indefinitely while the Newtown Pike project and Liberty/Todds Road projects were revised and did not require the level of construction expenditures originally anticipated. The net impact of the components of rate base included in the request and the table above result in net rate base for the actual data as of November 30, 2008 of approximately \$9.7 million more than the Company had forecasted in the 2007 rate case for that same period.

- b. As noted in part a, Kentucky American Water saw a sharp downturn in New Development in 2007 and 2008 which resulted in a reduction of new main extensions in Customer Advances. This was coupled with a reduction in actual tap fees and fire service installations which are part of CIAC balance increases. Additionally, local and state governments cut back sharply on road reconstruction work that had been projected. In addition to specific Kentucky DOH work identified above, the 2007-00143 case included other non-specific contributions that did not occur. The net result was a reduction of \$15,843,284 in the combined CIAC/Customer Advances balances from the current base period of 1/31/09 from the projected balance as of 11/30/08 in the last case.

For the electronic version, refer to [KAW\\_R\\_AGDR1#25\\_122308.pdf](#).



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

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**Witness:**     **Michael A. Miller**

26.     With regard to Plant in Service, CWIP, CIAC, Customer Advances and Deferred Income Taxes – Plant, please provide the following information:
- a.     Actual balances as compared to budgeted balances for each month in 2007 and 2008 through November 2008.
  - b.     Explanations for any major variances in these monthly balances.

**Response:**

- a.     The Company does not prepare a balance sheet budget by month in the detail requested. The Company's rate filing in this case does detail each of the rate base items listed above based on the Capital Spending Plan as detailed in the Company's workpapers provided in response to PSCDR1-Question 1.
- b.     See the response to part a. above.

For electronic version, refer to KAW\_R\_AGDR1#26\_122308.pdf.

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

---

**Witness: Sheila Miller**

27. Please reconcile the total forecasted period payroll taxes (including capitalized portion) of \$701,040 and the O&M portion of forecasted period payroll taxes of \$541,285 shown on W/P 5-3, page 1 to the total forecasted period payroll taxes (including capitalized portion) of \$897,277 and the O&M portion of forecasted period payroll taxes of \$710,284 shown on Exhibit 37G, page 3 of 11.

**Response:**

The Company inadvertently included an incorrect amount for the forecasted payroll taxes on Exhibit 37G. Attached is a revised Exhibit 37G. Also attached is a reconciliation of the total forecast payroll taxes of \$708,311 as shown on the revised Exhibit 37G to the total \$701,040 on WP 5-3 page 1. The variance is due to Exhibit 37G including total labor costs while the workpaper eliminated Owenton Sewer, Boonesboro Sewer, and Bluegrass Station O & M costs. The payroll taxes shown on Exhibit 37G do not link to any revenue requirement file and does not affect the overall revenue requirement in the Company's filing.

For the electronic version, refer to KAW\_R\_AGDR1#27\_122308.pdf.

Kentucky American Water Company  
AG DR 1, Q. 27

Forecasted payroll taxes per W/P 5-3 701,040  
O & M payroll taxes only per W/P 5-3 541,285

Per revised Exhibit 37G  
Forecasted payroll taxes per Exhibit 37G 708,311  
Less Owenton Sewer (5,145)  
Less Boonesboro Sewer (710)  
Less Bluegrass Station O & M (1,417)  
701,039

Payroll taxes expensed per revised Ex 37G 548,587  
Less Owenton Sewer (5,145)  
Less Boonesboro Sewer (710)  
Less Bluegrass Station O & M (1,417)  
541,315  
541,285  
variance - rounding 30

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
PAYROLL COSTS  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

DATA: ..X.. BASE PERIOD ..X.. FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL UPDATE X REVISED  
WORKPAPER REFERENCE NO(S): N/A  
SCHEDULE G - 1  
PAGE 1 of 1  
Witness Responsible: S.A. Miller

Line No.	Description	Total Company	Jurisdictional %	Jurisdictional Unadjusted	Adjustments	Jurisdictional Adjusted
2						
3	<b>Base Period:</b>					
4	Total Salary	\$7,939,039	100.00%	\$7,939,039	\$0	\$7,939,039
5	Other Allowances and Compensation	405,982		405,982	0	405,982
6	Sub-total	8,345,021		8,345,021	0	8,345,021
7						
8	<b>Employee Benefits:</b>					
9	Pension	760,473		760,473	0	760,473
10	Group Insurance	2,303,457		2,303,457	0	2,303,457
11	Defined Contribution Plan	73,995		73,995	0	73,995
12	401-K Plan	124,986		124,986	0	124,986
13	Sub-total	3,262,911		3,262,911	0	3,262,911
14						
15	<b>Payroll Taxes:</b>					
16	F.I.C.A.	670,416		670,416	0	670,416
17	Federal Unemployment	670		670	0	670
18	State Unemployment	3,338		3,338	0	3,338
19	Sub-total	674,424		674,424	0	674,424
20						
21	Total Compensation	\$12,282,356		\$12,282,356	\$0	\$12,282,356
22						
23						
24						
25						
26	<b>Forecasted Period:</b>					
27	Total Salary	8,564,444	100.00%	8,564,444	0	8,564,444
28	Other Allowances and Compensation	373,711		373,711	0	373,711
29	Sub-total	8,938,155		8,938,155	0	8,938,155
30						
31	<b>Employee Benefits:</b>					
32	Pension	736,890		736,890	0	736,890
33	Group Insurance	2,293,223		2,293,223	0	2,293,223
34	Defined Contribution Plan	160,737		160,737	0	160,737
35	401-K Plan	148,955		148,955	0	148,955
36	Sub-total	3,339,805		3,339,805	0	3,339,805
37						
38	<b>Payroll Taxes:</b>					
39	F.I.C.A.	674,045		674,045	0	674,045
40	Federal Unemployment	19,987		19,987	0	19,987
41	State Unemployment	14,279		14,279	0	14,279
42	Sub-total	708,311		708,311	0	708,311
43	Total Compensation	\$12,986,271		\$12,986,271	\$0	\$12,986,271
44						
45						
46						
47						
48						
49						
50						

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
PAYROLL ANALYSIS BY EMPLOYEE CLASSIFICATION  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE G - 2  
PAGE 1 of 6  
Witness Responsible: S.A. Miller

DATA: \_X\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL UPDATE\_X REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	2003	% Change	2004	% Change	2005	% Change	2006	% Change	2007	% Change	Base Period	% Change	Forecasted Period
2	<b>Total Company</b>													
3	Employee Hours:													
4	Straight-Time Hours	273,454.00	-7.95%	251,711.00	-2.54%	245,318.00	8.41%	265,938.00	0.82%	268,131.76	5.13%	281,874.17	7.41%	302,760.00
5	Overtime Hours	19,532.00	5.61%	20,628.00	8.15%	22,309.00	5.19%	23,466.00	9.62%	25,722.38	4.08%	26,771.82	-8.97%	24,370.00
6	Total Employee Hours	292,986.00	-7.05%	272,339.00		267,627.00		289,404.00		293,854.14		308,645.99		327,130.00
7	Ratio of Overtime Hours to Straight-Time Hours	7.14%		8.20%		9.09%		8.82%		9.59%		9.50%		8.05%
8	Labor Dollars:													
9	Straight-Time Dollars	6,189,839	-14.14%	5,314,870	4.47%	5,552,393	3.65%	5,755,307	11.43%	6,412,945	9.52%	7,023,772	10.55%	7,764,642
10	Overtime Dollars	520,884	10.12%	573,583	12.81%	647,055	9.11%	706,026	14.71%	809,884	13.01%	915,267	-12.62%	799,802
11	Total Labor Dollars	\$6,710,723		\$5,888,453		\$6,199,448		\$6,461,333		\$7,222,829		\$7,939,039		\$8,564,444
12	Ratio of Overtime Dollars to Straight-Time Dollars	8.42%		10.79%		11.65%		12.27%		12.63%		13.03%		10.30%
13	O&M Labor Dollars	5,553,892	-12.14%	4,879,792	6.70%	5,206,961	1.04%	5,261,097	7.53%	5,657,504	10.02%	6,224,161	8.92%	6,779,449
14	Ratio of Labor Dollars to Total Labor Dollars	82.76%		82.87%		83.99%		81.42%		78.33%		78.40%		79.16%
15	Total Employee Benefits	3,039,565	-5.50%	2,872,395	3.53%	2,973,767	2.07%	3,035,344	1.77%	3,089,203	5.62%	3,262,911	2.36%	3,339,805
16	Employee Benefits Expensed	2,515,544	-5.37%	2,380,354	4.93%	2,497,667	-1.05%	2,471,377	-2.09%	2,419,773	5.72%	2,558,122	3.35%	2,643,790
17	Ratio of Employee Benefits Expensed to Total Employee Benefits	82.76%		82.87%		83.99%		81.42%		78.33%		78.40%		79.16%
18	Total Payroll Taxes	518,760	-10.10%	466,357	-3.06%	452,069	9.71%	495,948	15.77%	574,181	17.46%	674,424	5.02%	708,311
19	Payroll Taxes Expensed	429,326	-9.98%	386,470	-1.75%	379,693	6.35%	403,801	11.38%	449,756	17.56%	528,748	3.75%	548,587
20	Ratio of Payroll Taxes Expensed to Total Payroll Taxes	82.76%		82.87%		83.99%		81.42%		78.33%		78.40%		77.45%
21	Average Employee Levels	121	0.00%	121	-7.44%	112	3.57%	116	11.21%	129	7.75%	139	4.32%	145
22	Year-End Employee Levels	125	-8.80%	114	-4.39%	109	12.84%	123	8.94%	134	6.72%	143	1.40%	145

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
PAYROLL ANALYSIS BY EMPLOYEE CLASSIFICATION  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE G - 2  
PAGE 2 of 6  
Witness Responsible: S.A. Miller

DATA: \_X\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL UPDATE\_X REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	2003	% Change	2004	% Change	2005	% Change	2006	% Change	2007	% Change	Base Period	% Change	Forecasted Period
1	<b>Production</b>													
2	Employee Hours:													
3	Straight-Time Hours	62,140	-0.51%	61,820	-3.96%	59,374	15.02%	68,290	-4.37%	65,305.87	5.95%	69,189.96	11.74%	77,313.00
4	Overtime Hours	3,917	24.99%	4,896	-28.74%	3,489	24.82%	4,355	-0.79%	4,320.66	65.39%	7,145.97	-6.80%	6,660.00
5	Total Employee Hours	<u>66,057.00</u>	1.00%	<u>66,716.00</u>		<u>62,863.00</u>		<u>72,645.00</u>		<u>69,626.53</u>		<u>76,335.93</u>		<u>83,973.00</u>
6	Ratio of Overtime Hours to													
7	Straight-Time Hours	<u>6.30%</u>		<u>7.92%</u>		<u>5.88%</u>		<u>6.38%</u>		<u>6.62%</u>		<u>10.33%</u>		<u>8.61%</u>
8	<b>Labor Dollars:</b>													
9	Straight-Time Dollars	\$1,374,847	3.99%	\$1,429,653	-2.59%	\$1,392,691	13.14%	\$1,575,713	0.75%	\$1,587,604	11.14%	\$1,764,472	13.86%	\$2,009,445
10	Overtime Dollars	115,063	26.03%	145,012	-24.90%	108,902	27.88%	139,282	3.19%	143,709	73.50%	249,331	-8.23%	228,807
11	Total Labor Dollars	<u>\$1,489,910</u>	5.69%	<u>\$1,574,665</u>		<u>\$1,501,593</u>		<u>\$1,714,975</u>		<u>\$1,731,313</u>		<u>\$2,013,803</u>		<u>\$2,238,252</u>
12	Ratio of Overtime Dollars to													
13	Straight-Time Dollars	<u>8.37%</u>		<u>10.14%</u>		<u>7.82%</u>		<u>8.84%</u>		<u>9.05%</u>		<u>14.13%</u>		<u>11.39%</u>
14	O&M Labor Dollars	1,489,910		1,574,665		1,501,593		1,714,975		1,731,313		2,013,803		2,238,252
15	Ratio of Labor Dollars to													
16	Total Labor Dollars	<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>
17	Total Employee Benefits	674,830	13.82%	768,119	-6.23%	720,282	11.85%	805,602	-8.08%	740,501	11.77%	827,670	5.46%	872,854
18	Employee Benefits Expensed	674,830	13.82%	768,119	-6.23%	720,282	11.85%	805,602	-8.08%	740,501	11.77%	827,670	5.46%	872,854
19	Ratio of Employee Benefits Expensed													
20	to Total Employee Benefits	<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>
21	Total Payroll Taxes	115,173	8.28%	124,710	-12.20%	109,497	20.21%	131,628	4.56%	137,635	24.30%	171,074	5.87%	181,117
22	Payroll Taxes Expensed	115,173	8.28%	124,710	-12.20%	109,497	20.21%	131,628	4.56%	137,635	24.30%	171,074	5.87%	181,117
23	Ratio of Payroll Taxes Expensed													
24	to Total Payroll Taxes	<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>
25	Average Employee Levels	25	0.00%	25	0.00%	25	8.00%	27	14.81%	31	12.90%	35	5.71%	37
26	Year-End Employee Levels	25	-4.00%	24	8.33%	26	7.69%	28	17.86%	33	9.09%	36	2.78%	37

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
PAYROLL ANALYSIS BY EMPLOYEE CLASSIFICATION  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE G - 2  
PAGE 3 of 6  
Witness Responsible: S.A. Miller

DATA: \_X\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL UPDATE\_X REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	2003	% Change	2004	% Change	2005	% Change	2006	% Change	2007	% Change	Base Period	% Change	Forecasted Period
1	<b>Distribution</b>													
2	Employee Hours:													
3	Straight-Time Hours	141,763.00	-12.08%	124,644.00	0.04%	124,690.00	6.33%	132,586.00	-7.11%	123,153.51	7.26%	132,091.53	9.36%	144,449.00
4	Overtime Hours	11,762.00	7.13%	12,601.00	23.05%	15,505.00	1.06%	15,669.00	8.90%	17,063.06	-16.95%	14,171.61	5.41%	14,938.00
5	Total Employee Hours	153,525.00	-10.60%	137,245.00		140,195.00		148,255.00		140,216.59		146,263.14		159,387.00
6	Ratio of Overtime Hours to Straight-Time Hours	8.30%		10.11%		12.43%		11.82%		13.86%		10.73%		10.34%
7	Labor Dollars:													
8	Straight-Time Dollars	\$2,551,107	-11.85%	\$2,248,730	4.61%	\$2,352,395	11.46%	\$2,621,947	-3.03%	\$2,542,376	12.00%	\$2,847,586	11.21%	\$3,166,665
9	Overtime Dollars	311,992	9.88%	342,823	29.07%	442,476	5.29%	465,866	13.65%	529,445	-6.05%	497,425	-3.42%	480,414
10	Total Labor Dollars	\$2,863,099	-9.48%	\$2,591,553		\$2,794,871		\$3,087,813		\$3,071,822		\$3,345,011		\$3,647,079
11	Ratio of Overtime Dollars to Straight-Time Dollars	12.23%		15.25%		18.81%		17.77%		20.82%		17.47%		15.17%
12	O&M Labor Dollars	2,863,099		2,591,553		2,794,871		3,087,813		3,071,822		3,345,011		3,647,079
13	Ratio of Labor Dollars to Total Labor Dollars	100.00%		100.00%		100.00%		100.00%		100.00%		100.00%		100.00%
14	Total Employee Benefits	1,296,794	-2.52%	1,264,155	6.05%	1,340,639	8.19%	1,450,486	-9.42%	1,313,850	4.64%	1,374,795	3.45%	1,422,256
15	Employee Benefits Expensed	1,296,794	-2.52%	1,264,155	6.05%	1,340,639	8.19%	1,450,486	-9.42%	1,313,850	4.64%	1,374,795	3.45%	1,422,256
16	Ratio of Employee Benefits Expensed to Total Employee Benefits	100.00%		100.00%		100.00%		100.00%		100.00%		100.00%		100.00%
17	Total Payroll Taxes	221,323	-7.26%	205,246	-0.70%	203,803	16.29%	236,997	3.04%	244,201	16.36%	284,162	3.86%	295,118
18	Payroll Taxes Expensed	221,323	-7.26%	205,246	-0.70%	203,803	16.29%	236,997	3.04%	244,201	16.36%	284,162	3.86%	295,118
19	Ratio of Payroll Taxes Expensed to Total Payroll Taxes	100.00%		100.00%		100.00%		100.00%		100.00%		100.00%		100.00%
20	Average Employee Levels	65	-3.08%	63		61		69		77		80		82
21	Year-End Employee Levels	65	-7.69%	60		62		76		78		82		82





KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
PAYROLL ANALYSIS BY EMPLOYEE CLASSIFICATION  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE G - 2  
PAGE 5 of 6  
Witness Responsible: S.A. Miller

DATA: \_X\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL UPDATE\_X REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	2003	% Change	2004	% Change	2005	% Change	2006	% Change	2007	% Change	Base Period	% Change	Forecasted Period
2	<b>Administrative &amp; General</b>													
3	Employee Hours:													
4	Straight-Time Hours	29,113	-16.76%	24,235	19,743	-11.32%	17,508	23.28%	21,584	1.61%	21,933	3.14%	22,622	
5	Overtime Hours	788	-21.57%	618	54	-27.78%	39	414.49%	201	733.40%	1,672	-50.49%	828	
6	Total Employee Hours	<u>29,901.00</u>		<u>24,853.00</u>	<u>19,797.00</u>		<u>17,547.00</u>	<u>21,785.03</u>		<u>23,604.92</u>		<u>23,450.00</u>		
7	Ratio of Overtime Hours to Straight-Time Hours	<u>2.71%</u>		<u>2.55%</u>	<u>0.27%</u>		<u>0.22%</u>	<u>0.93%</u>		<u>7.62%</u>		<u>3.66%</u>		
8	Labor Dollars:													
9	Straight-Time Dollars	\$1,180,805	-41.09%	\$696,352	\$908,984	-49.70%	\$457,255	85.44%	\$847,954	-3.91%	\$814,790	6.09%	\$863,946	
10	Overtime Dollars	20,078	-14.22%	17,222	1,513	-30.34%	1,054	508.65%	6,415	688.09%	50,557	-40.32%	30,172	
11	Total Labor Dollars	<u>\$1,200,883</u>		<u>\$713,574</u>	<u>\$910,497</u>		<u>\$458,309</u>	<u>\$854,369</u>		<u>\$865,347</u>		<u>\$894,118</u>		
12	Ratio of Overtime Dollars to Straight-Time Dollars	<u>1.70%</u>		<u>2.47%</u>	<u>0.17%</u>		<u>0.23%</u>	<u>0.76%</u>		<u>6.20%</u>		<u>3.49%</u>		
13	O&M Labor Dollars	1,200,883		713,574	910,497	468,309	100.00%	854,369	100.00%	865,347	100.00%	894,118	100.00%	
14	Total Employee Benefits	420,740	-40.58%	250,007	436,746	-50.71%	215,289	69.74%	365,423	-2.67%	355,657	-1.96%	348,680	
15	Payroll Taxes Expensed	420,740	-40.58%	250,007	436,746	-50.71%	215,289	69.74%	365,423	-2.67%	355,657	-1.96%	348,680	
16	Ratio of Employee Benefits Expensed to Total Employee Benefits	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		
17	Total Payroll Taxes	92,830	-39.12%	56,514	66,394	-47.02%	35,176	93.09%	67,920	8.23%	73,512	-1.58%	72,351	
18	Payroll Taxes Expensed	92,830	-39.12%	56,514	66,394	-47.02%	35,176	93.09%	67,920	8.23%	73,512	-1.58%	72,351	
19	Ratio of Payroll Taxes Expensed to Total Payroll Taxes	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>		<u>100.00%</u>		
20	Average Employee Levels	<u>31</u>	6.45%	<u>33</u>	<u>26</u>	-23.08%	<u>20</u>	<u>21</u>	5.00%	<u>24</u>	14.29%	<u>26</u>	8.33%	
21	Year-End Employee Levels	<u>35</u>	-14.29%	<u>30</u>	<u>21</u>	-30.00%	<u>19</u>	<u>23</u>	21.05%	<u>25</u>	8.70%	<u>26</u>	4.00%	



KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
EXECUTIVE COMPENSATION  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE G - 3  
PAGE 1 of 3  
Witness Responsible: M.A. Miller

DATA: \_X\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
TYPE OF FILING ORIGINAL UPDATE X REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	Total Company	Jurisdictional %	Jurisdictional Unadjusted	Adjustments	Jurisdictional Adjusted
1						
2						
3	Title of Executive: President					
4						
5	<b>Base Period:</b>					
6	Total Salary	\$212,678	100.00%	\$212,678	\$0	\$212,678
7	Other Allowances and Compensation (AIP)	68,057		68,057	0	68,057
8	Sub-total	280,735		280,735	0	280,735
9						
10	<b>Employee Benefits:</b>					
11	Pension	20,372		20,372	0	20,372
12	Group Insurance	16,572		16,572	0	16,572
13	Defined Contribution Plan	0		0	0	0
14	401-K Plan	4,254		4,254	0	4,254
15	Sub-total	41,198		41,198	0	41,198
16						
17	<b>Payroll Taxes:</b>					
18	F.I.C.A.	9,888		9,888	0	9,888
19	Federal Unemployment	56		56	0	56
20	State Unemployment	40		40	0	40
21	Sub-total	9,984		9,984	0	9,984
22						
23	Total Compensation	\$331,917		\$331,917	\$0	\$331,917
24						
25						
26						
27	<b>Forecasted Period:</b>					
28	Total Salary	\$223,502	100.00%	\$223,502	\$0	\$223,502
29	Other Allowances and Compensation (AIP)	71,521		71,521	0	71,521
30	Sub-total	295,023		295,023	0	295,023
31						
32	<b>Employee Benefits:</b>					
33	Pension	19,230		19,230	0	19,230
34	Group Insurance	15,815		15,815	0	15,815
35	Defined Contribution Plan	0		0	0	0
36	401-K Plan	4,470		4,470	0	4,470
37	Sub-total	39,515		39,515	0	39,515
38						
39	<b>Payroll Taxes:</b>					
40	F.I.C.A.	10,045		10,045	0	10,045
41	Federal Unemployment	56		56	0	56
42	State Unemployment	40		40	0	40
43	Sub-total	10,141		10,141	0	10,141
44	Total Compensation	\$344,679		\$344,679	\$0	\$344,679
45						
46						
47						
48						
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
EXECUTIVE COMPENSATION  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE G - 3  
PAGE 2 of 3  
Witness Responsible: M.A. Miller

DATA: \_X\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
TYPE OF FILING ORIGINAL UPDATE X REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	Total Company	Jurisdictional %	Jurisdictional Unadjusted	Adjustments	Jurisdictional Adjusted
1						
2						
3	Title of Executive: Vice President Operations					
4						
5	<b>Base Period:</b>					
6	Total Salary	\$125,000	100.00%	\$125,000	\$0	\$125,000
7	Other Allowances and Compensation	25,000		25,000	0	25,000
8	Sub-total	150,000		150,000	0	150,000
9						
10	<b>Employee Benefits:</b>					
11	Pension	11,974		11,974	0	11,974
12	Group Insurance			0	0	0
13	Defined Contribution Plan	3,125		3,125	0	3,125
14	401-K Plan	2,500		2,500	0	2,500
15	Sub-total	17,599		17,599	0	17,599
16						
17	<b>Payroll Taxes:</b>					
18	F.I.C.A.	8,616		8,616	0	8,616
19	Federal Unemployment	56		56	0	56
20	State Unemployment	40		40	0	40
21	Sub-total	8,712		8,712	0	8,712
22						
23	Total Compensation	\$176,311		\$176,311	\$0	\$176,311
24						
25						
26						
27	<b>Forecasted Period:</b>					
28	Total Salary	\$131,354	100.00%	\$131,354	\$0	\$131,354
29	Other Allowances and Compensation	26,271		26,271	0	26,271
30	Sub-total	157,625		157,625	0	157,625
31						
32	<b>Employee Benefits:</b>					
33	Pension	11,302		11,302	0	11,302
34	Group Insurance			0	0	0
35	Defined Contribution Plan	3,284		3,284	0	3,284
36	401-K Plan	2,627		2,627	0	2,627
37	Sub-total	17,213		17,213	0	17,213
38						
39	<b>Payroll Taxes:</b>					
40	F.I.C.A.	8,709		8,709	0	8,709
41	Federal Unemployment	56		56	0	56
42	State Unemployment	40		40	0	40
43	Sub-total	8,805		8,765	0	8,765
44	Total Compensation	\$183,643		\$183,603	\$0	\$183,603
45						
46						
47						
48						
49						
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
EXECUTIVE COMPENSATION  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE G - 3  
PAGE 3 of 3  
Witness Responsible: M.A. Miller

DATA: X, BASE PERIOD X, FORECASTED PERIOD  
TYPE OF FILING ORIGINAL, UPDATE X, REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	Total Company	Jurisdictional %	Jurisdictional Unadjusted	Adjustments	Jurisdictional Adjusted
1						
2	Title of Executive: Vice President Treasurer and Comptroller					
3						
4						
5	<b>Base Period:</b>					
6	Total Salary		100.00%	\$0	\$0	\$0
7	Other Allowances and Compensation	0		0	0	0
8	Sub-total	0		0	0	0
9	<b>Employee Benefits:</b>					
10	Pension	0		0	0	0
11	Group Insurance	0		0	0	0
12	Defined Contribution Plan	0		0	0	0
13	401-K Plan	0		0	0	0
14	Sub-total	0		0	0	0
15						
16	<b>Payroll Taxes:</b>					
17	F.I.C.A.			0	0	0
18	Federal Unemployment			0	0	0
19	State Unemployment			0	0	0
20	Sub-total	0		0	0	0
21						
22	Total Compensation	\$0		\$0	\$0	\$0
23						
24						
25						
26	<b>Forecasted Period:</b>					
27	Total Salary		100.00%	\$0	\$0	\$0
28	Other Allowances and Compensation	0		0	0	0
29	Sub-total	0		0	0	0
30	<b>Employee Benefits:</b>					
31	Pension	0		0	0	0
32	Group Insurance	0		0	0	0
33	Defined Contribution Plan	0		0	0	0
34	401-K Plan	0		0	0	0
35	Sub-total	0		0	0	0
36						
37	<b>Payroll Taxes:</b>					
38	F.I.C.A.			0	0	0
39	Federal Unemployment			0	0	0
40	State Unemployment			0	0	0
41	Sub-total	0		0	0	0
42						
43	Total Compensation	\$0		\$0	\$0	\$0
44						
45						
46						
47						
48						
49						
50						

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

---

**Witness: Sheila Miller**

28. With regard to federal income taxes, please provide the following reconciliations:
- a. Reconcile the forecasted period FIT amount of \$8,951,289 shown on C-1, page 1 to the corresponding forecasted period FIT amount of \$8,866,492 on I-1, page 1.
  - b. Reconcile the base period FIT amount of \$4,764,988 shown on C-2, page 1 to the corresponding base period FIT amount of \$4,680,193 on I-1, page 1.

**Response:**

Schedule I-1 included a double deduction for the amortization of deferred ITC in both the base period and forecast period. However, Schedule I-1 does not link to any revenue requirement file and does not affect the overall revenue requirement in the Company's filing. Attached is a correct Schedule I, page 1.

Forecasted period FIT (C-1)	\$8,951,289
Forecasted period FIT (I-1)	<u>\$8,866,492</u>
Amortization of Deferred ITC	\$ 84,797

Base Period FIT (C-2)	\$4,764,988
Base Period FIT (I-1)	<u>\$4,680,193</u>
Amortization of Deferred ITC	\$ 84,795

For the electronic version, refer to KAW\_R\_AGDR1#28\_122308.pdf.

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
COMPARATIVE INCOME STATEMENT  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

DATA: X BASE PERIOD X FORECASTED PERIOD  
TYPE OF FILING: \_ ORIGINAL \_ UPDATED X REVISED  
WORKPAPER REFERENCE NO(S): SCH C

SCHEDULE I - 1  
PAGE 1 of 1  
Witness Responsible: M. A. Miller

Line No.	Description	Forecasted Period	% Change	Base Period	2007	% Change	2006	% Change	2005	% Change	2004	% Change	2003	
1	Operating Revenues	\$59,150,468	-0.54%	\$59,470,621	12.68%	\$ 52,778,218	7.69%	\$ 49,010,147	-2.21%	\$ 50,119,619	18.05%	\$ 42,454,681	-0.81%	\$ 42,800,150
2	Operating Expenses													
3	Operation & Maintenance	31,760,768	9.87%	28,906,742	2.38%	28,235,415	3.42%	27,300,483	1.67%	26,852,111	-3.27%	\$ 27,761,139	31.32%	\$ 21,139,833
4	Depreciation	7,901,661	0.64%	7,851,307	24.88%	6,287,030	-6.39%	6,716,503	15.53%	5,813,673	-12.65%	6,655,435	14.29%	5,823,490
5	Amortization	496,589	5.39%	471,177	-6.53%	504,092	9.76%	459,264	-33.74%	693,166	-2.24%	709,015	1.23%	700,376
6	Taxes Other	3,752,543	14.93%	3,265,081	6.80%	3,057,241	6.88%	2,860,457	4.52%	2,736,877	-2.68%	2,812,302	8.32%	2,596,287
7	State Income Taxes	1,611,848	84.93%	871,599	48.21%	588,068	29.28%	454,893	-57.06%	1,059,248	221.99%	328,969	-53.98%	714,782
8	Federal Income Taxes	8,951,289	87.86%	4,764,988	50.06%	3,175,475	46.37%	2,169,470	-5.41%	2,293,500	-527.85%	(536,058)	-120.45%	2,621,244
9	Total Operating Expenses	54,474,688	18.09%	46,130,894	10.24%	41,847,321	4.72%	39,961,070	1.30%	39,448,575	4.55%	37,730,802	12.31%	33,596,012
10	Operating Income	4,675,770	-64.95%	13,339,727	22.04%	10,930,897	20.80%	9,049,077	-15.20%	10,671,044	125.90%	4,723,879	-48.68%	9,204,138
11	AFUDC	3,094,804	38.06%	2,241,710	82.66%	1,227,277	214.53%	390,200	-21.04%	494,177	184.79%	173,521	-73.54%	655,695
12	Other Income	0	0.00%	0	-100.00%	323,396	-352.45%	(128,105)	-716.72%	20,772	-85.83%	146,587	-5186.29%	(2,882)
13	Total Other Income	3,094,804	38.06%	2,241,710	44.56%	1,550,673	491.65%	262,095	-49.10%	514,949	60.87%	320,108	-50.96%	652,813
14	Income before Deductions	7,770,574	-50.13%	15,581,437	24.84%	12,481,570	34.05%	9,311,172	-16.76%	11,185,993	121.77%	5,043,987	-48.83%	9,856,951
15	Income Deductions													
16	Interest on Long-Term Debt	9,257,346	71.79%	5,388,760	15.85%	4,651,663	-8.99%	5,111,245	-4.79%	5,368,517	7.35%	\$ 5,001,017	12.46%	\$ 4,446,850
17	Amort of Debt Expense	170,080	113.53%	79,650	6.10%	75,069	3.01%	72,873	-5.60%	77,198	-1.75%	78,573	0.96%	77,829
18	Interest on Bank Debt	1,187,284	-2.86%	1,222,178	-13.66%	1,415,522	246.35%	408,695	122.56%	183,637	180.73%	65,413	-63.91%	181,253
19	Other Interest	0	0.00%	0	-100.00%	(38,175)	-1030.64%	4,102	16.43%	3,523	1131.82%	286	-36.73%	452
20	Miscellaneous Amortization	0	0.00%	0	-100.00%	(425)	-19.96%	(631)	0.00%	0	-100.00%	771	-95.19%	16,022
21	Other Deductions	0	0.00%	0	-100.00%	319,101	195.60%	107,949	-68.09%	338,328	-1.86%	344,753	12.10%	307,531
22	Total Income Deductions	10,614,709	58.65%	6,690,588	4.17%	6,422,755	12.59%	5,704,333	-4.47%	5,971,203	8.75%	5,490,813	9.16%	5,029,937
23	Net Income	(\$2,844,135)	-131.99%	\$8,890,849	46.74%	\$6,058,815	67.98%	\$3,606,839	-30.83%	\$5,214,790	-1267.07%	(\$446,826)	-109.26%	\$4,827,014

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

---

**Witness: Michael A. Miller**

29. In the same format and detail as per data response PSC-3-52 in the prior case, Case No.2007-00143, provide consolidated income tax data for each of the last 5 years, 2003 through 2007.

**Response:**

Please see attached schedules.

For electronic version, refer to KAW\_R\_AGDR1#29\_122308.pdf.



**AMERICAN WATER WORKS COMPANY**  
Taxable Income  
Response to KAW\_R\_AGDR1#29\_attachment

	2003	2004	2005	2006	2007
<b>NON OPERATING COMPANIES</b>					
AMER. WATER WORKS CO., INC.	(\$117,530,020)	(\$40,478,053)	(\$30,559,831)	(\$60,060,006)	(\$16,783,433)
GREENWICH					
OCCOQUAN LAND CORP.					
AMER. COMMONWEALTH					
THAMES WATER AQUA US HOLDINGS, INC.	(60,519,073)	(106,961,914)	(106,933,653)	(101,906,320)	(81,524,255)
AMER. COMM. MGMT.					
AWW SERVICE CO.	(2,305,282)	6,924,158	(3,336,560)	31,877,296	(8,229,126)
AMERICAN WATER CAPITAL CORP	6,139,085	(2,637,491)	11,921,347	(27,741,164)	(942,004)
E TOWN CORPORATION	(19,601,116)	(17,250,214)	(18,630,728)	(15,032,029)	(596,073)
THAMES WATER HOLDINGS, INC	1,554,959	(126,253)	(1,435,003)	1,091,968	
ELIMINATION ENTRY	242,014	172,663			
ADJUSTMENTS	(11,550,322)	(3,554,944)	(8,384,131)	(451,069)	
<b>NON REGULATED COMPANIES</b>					
ACUS Corp.	(93,473)	(104,345)	495,511	248,744	(3,568,182)
APPLIED WASTEWATER MANAGEMENT, INC.	(728,138)	(556,024)	(404,061)	(722,799)	(942,004)
APPLIED WASTEWATER SERVICES, INC.	18,902	(562,706)	(304,213)	(419,755)	394,357
AMER.INTERN. WATER SVC CO.					
USA1					
AAET, Inc.	(75,429)	(34,169)		(32,105)	(64,985)
AMERICAN ANGLIAN ENVIRONMENTAL					
AMERICAN WATER ENTERPRISES, INC.					
AMERICAN WATER ENTERPRISES HOLDING, INC.					
AMERICAN WATER SERVICES CDM, INC.	(37,316)	(50,725)	(80,161)	(35,637,323)	(31,432,697)
AMERICAN WATER RESOURCES	4,710,409	7,880,225	19,454,451	(61,428)	99,033
AMERICAN WATER SERVICES, INC.	(21,442,518)	(18,940,041)	(29,557,184)	16,763,171	17,189,627
AMERICAN WATER (USA), INC.	(1,270,763)	(46,540)	4,888	2,657,324	(7,314,755)
AMERICAN WATER SERVICES ENG, INC.	(128,456)	(145,954)	(117,290)	(121,027)	(121,212)
AMERICAN WATER SERVICES INDUSTRIAL OPERATIONS	189,519	(895,936)	(213,910)	(377,933)	(201,407)
AMERICAN WATER SERVICES OPERATIONS &	(6,647,139)	(4,452,689)	(4,653,014)	(4,514,316)	3,584,200
AMERICAN WATER SERVICES RESIDUALS	(4,343,718)	(1,993,528)	(1,533,373)	(210,762)	162,037
AMERICAN WATER SERVICES UNDERGROUND INFRASTRUCTURE					
AZURIX CMD, INC	1,922,456	1,763,294	2,621,694	2,055,368	
AZURIX INDUSTRIALS CORP					
AZURIX NORTH AMERICA (USA), INC.					
AZURIX NORTH AMERICA CORP.					
AWS INDUSTRIALS CORP	(3,886)	(6,045)	(6,045)	(6,045)	(6,045)
American Water Industrials, Inc.	(33,734)	(34,666)	(18,535)	(2,628)	(11,555)
MAGNOLIA CONSTRUCTION COMPANY, INC.	(4,186)	(10,024)	(3,548)	(33,906)	
APPLIED WATER MANAGEMENT OF DELAWARE, INC			72,681	(564,683)	(123,395)
APPLIED WATER MANAGEMENT, INC.				(2,723,546)	870,866
MASSACHUSETTS RESORCE CO.(applied water mgmt)					
NEW JERSEY-AMER. RESORCE CO.	1,433,896	2,476,084	2,220,524		
PHILIP AUTOMATED MANAGEMENT CONTROLS, INC.	(1,104,205)	(609,226)	(423,606)	(1,135,485)	(384,997)
TRIMAX RESIDUALS MANAGEMENT (USA) INC.	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)	(579,558)	8,450,363
F B LEOPOLD COMPANY, INC	1,704,833	3,478,011			
THAMES WATER NORTH AMERICAN, INC	(12,534,224)	374,873	(2,054,800)	(3,900,229)	(179,902)
HYDRO-AEROBICS, INC	(354,560)	75,490	750,000	0	0
USEG HOLDINGS, INC	(15,600,000)				
U-LINER MID AMERICA, INC.					
UTILITY MANAGEMENT & ENGINEERING, INC.	(5,943)	(6,674)	(6,524)	242,691	(6,659)
Laurel Oak Properties			1,222,103	(797,598)	142,231
MOBILE RESIDUALS MANAGEMENT (USA) Inc.				(934,297)	(3,361,750)

AMERICAN WATER WORKS COMPANY  
Taxable Income  
Response to KAW\_R\_AGDR1#29\_attachment

	2003	2004	2005	2006	2007
<u>OPERATING COMPANIES</u>					
ELIZABETHTOWN WATER COMPANY					
THE MOUNT HOLLY WATER COMPANY					
HAMPTON	38,947,391	35,369,689	12,735,276	13,894,202	
	636,395	(18,756)	(410,593)	(239,289)	
CONNECTICUT- AMERICAN					
MASSACHUSETTS. AMERICAN - 1					
SALISBURY					
AMERICAN LAKE WATER COMPANY	1,687,532	502,250	2,930,768	2,374,701	2,273,759
PENNSYLVANIA - AMERICAN - 1	30,170,102	36,266,349	73,738,289	79,876,035	68,058,657
NEW YORK AMERICAN					
LONG ISLAND WATER	(2,232,500)	(4,369,262)	356,766	741,477	(3,836,689)
TEXAS - AMERICAN					
NEW JERSEY-AMERICAN	8,283,663	19,544,332	37,456,743	27,527,132	(664,915)
IOWA - AMERICAN	1,682,860	(607,619)	1,592,967	2,583,339	209,424
ILLINOIS - AMERICAN	6,752,828	20,484,856	15,540,324	21,399,469	4,088,859
NORTHWEST ILLINOIS					
INDIANA - AMERICAN	7,878,387	16,024,866	14,720,925	19,977,542	24,545,225
MISSOURI - AMERICAN	7,276,080	(14,187,108)	22,085,024	9,432,723	7,968,489
CONTINENTAL WATER COMPANY					
JEFFERSON CITY WATER WORKS CO.					
ST. LOUIS COUNTY					
WATER UTILITY SERVICE COMPANY					
OHIO - AMERICAN	(1,707,304)	(4,359,015)	(3,668,505)	(5,503,257)	(3,925,329)
MICHIGAN - AMERICAN	236,187	(141,741)	57,117	(86,084)	29,346
CALIFORNIA AMERICAN	(4,340,682)	2,866,559	(1,405,734)	(7,317,512)	(1,702,408)
ARIZONA - AMERICAN	(6,351,952)	(6,535,608)	(3,147,875)	1,123,055	(2,256,451)
NEW MEXICO - AMERICAN	1,565,133	(228,549)	1,387,782	(784,614)	190,457
SOUTHWEST UTILITIES, INC	(12,777)	(373,423)	(60,573)	(462,942)	507,612
HAWAII - AMERICAN	(62,335)	(335,798)	1,144,621	1,467,202	2,323,271
WALKER WATER WORKS, INC.	(49,281)	(233,447)	(127,812)	(157,454)	163,166
EDISON WATER COMPANY	(607,086)	(596,549)	(31,472)	837,501	(16,461)
LIBERTY WATER COMPANY	1,835,276	785,967	717,958	2,112,711	(48,873)
VIRGINIA - AMERICAN	221,430	571,271	4,913,310	3,579,240	4,766,737
UNITED WATER VIRGINIA		133,725	145,591	161,642	84,230
WEST VIRGINIA - AMERICAN	(936,411)	(4,322,760)	7,476,993	(4,842,806)	2,149,718
BLUEFIELD VALLEY	(73,646)	(75,987)	30,060	(97,419)	(31,575)
MARYLAND - AMERICAN	649,846	743,575	247,498	140,738	167,986
KENTUCKY - AMERICAN	2,123,369	(1,297,080)	3,896,807	7,944,883	5,443,743
TENNESSEE - AMERICAN	3,124,181	906,630	3,086,542	2,622,179	3,231,565

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

---

**Witness: Michael A. Miller**

30. Please provide a copy of KAWC's current Strategic Business Plan. At a minimum, the copy of this Plan should include Operating Income Details (The "Kelleher" Schedule) in the same format and detail as per pages 27 and 28 of 69 in the Case No. 2004-00103 data response to AG-1-176.

**Response:**

The Company no longer prepares the Strategic Business Plan in the format requested in this question. The Company provided the budget income statement for 2009-2011 as page 2 of 2 of Exhibit 17. Since the Company's filing, there have been minor adjustments to the Company's Plan for 2009-2010. Attached to this response is a revised Exhibit 17, page 2 of 2 which the Company will be filing with the Commission. Please see the response to KAW\_R\_AGDR1#55 for copies of the detailed Operating Income Detail Plan for 2009-2010.

For the electronic version, refer to KAW\_R\_AGDR1#30\_122308.pdf.

**PROJECTED ANNUAL INCOME STATEMENT  
KENTUCKY-AMERICAN WATER COMPANY  
(000'S OMITTED)  
REVISED EXHIBIT 17**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
Operating Revenues	<u>\$59,363</u>	<u>\$59,676</u>	<u>\$59,994</u>
Operating Expenses			
Operation & Maintenance	32,354	34,296	36,102
Depreciation and Amortization	9,168	10,022	14,327
General Taxes	3,585	3,826	5,281
Income Taxes	<u>3,308</u>	<u>1,681</u>	<u>(3,983)</u>
Total Operating Expenses	<u>48,415</u>	<u>49,825</u>	<u>51,727</u>
Utility Operating Income	10,948	9,851	8,267
Other Income	<u>2,837</u>	<u>4,101</u>	<u>203</u>
Total Income	<u>13,785</u>	<u>13,952</u>	<u>8,470</u>
Income Deductions	<u>337</u>	<u>338</u>	<u>341</u>
Income Before Interest	13,448	13,614	8,129
Interest Charges	<u>8,089</u>	<u>10,891</u>	<u>14,581</u>
Net Income	5,359	2,723	(6,452)
Preferred Dividends	<u>78</u>	<u>78</u>	<u>78</u>
<b>Net Income to Common</b>	5,281	2,645	(6,530)
<b>Common Dividends</b>	5,019	2,589	-
<b>Balance for Retained Earnings</b>	262	56	(6,530)
<b>Payout ratio</b>	75.00%	75.00%	0.00%
<b>Return on Common Equity - 12/31</b>	4.35%	1.83%	-4.74%
<b>Common Equity - 12/31</b>	121,279	144,364	137,834

Note: Forecast does not include projection of current rate case.

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

---

**Witness: Sheila Miller**

31. With regard to Schedule I-4, please provide the following information:

- a. While the Sales by Customer Class numbers shown on I-4, page 1 are represented to be in CCFs (see Note at bottom of I-4), the numbers would appear to be in thousand gallons (Tg). Please provide a revised Schedule I-4 showing the Sales by Customer Class numbers in CCFs rather than Tgs.
- b. The average number of customer data on Schedule I-4 are based on 12-month averages. Please provide a revised Schedule I-4 showing average number of customers and average sales per customer data for each year from 2003 through 2010 based on 13-month average customer data for each year.

**Response:**

- a. See attached schedule. Please note that the sales by customer class have been revised to cubic feet. In addition, the credit adjustments were applied for years 2005 through 2007 which were not included in the original filing. The 2009 sales for the commercial classification were incorrect and have been corrected on the revised Schedule I-4.
- b. The average number of customers reflect a 13-month average and the resulting sales per customer are also based on the 13-month average per customer.

**Note:** The Projected 2009 and 2010 columns do not reflect the residential and commercial usage normalization adjustments supported by Dr. Spitznagel's study and testimony as do the forecasted period numbers.

For the electronic version, refer to KAW\_R\_AGDR1#31\_122308.pdf.

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
SALES STATISTICS - TOTAL COMPANY  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE I - 4  
PAGE 1 of 1  
Witness Responsible: M. A. Miller

DATA: X BASE PERIOD X FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL UPDATED X REVISED  
WORKPAPER REFERENCE NO(S): N/A

Line No.	Description	2003	2004	2005	2006	2007	Base Period	Forecasted Period	2009	2010
<b>Sales by Customer Class:</b>										
1	Residential	7,575,499	7,638,396	8,837,505	8,587,371	8,890,472	8,372,142	8,406,538	8,541,297	8,692,916
2	Commercial	5,413,864	5,348,863	5,769,787	5,633,764	5,748,991	5,584,065	5,837,430	5,842,443	5,907,727
3	Industrial	1,092,087	1,007,927	1,077,592	998,637	1,023,987	919,481	910,670	910,668	910,668
4	Other Public Authorities	1,979,948	1,833,668	2,031,685	1,892,992	2,094,952	2,090,381	2,019,601	2,019,600	2,019,600
5	Other Water Utilities	535,201	531,179	592,584	518,505	817,456	662,923	656,902	656,901	656,901
6	Miscellaneous	123,667	3,953	448	1,789	5,075	270,466	0	0	0
7	Total	16,720,265	16,363,985	18,309,601	17,633,059	18,580,933	17,899,458	17,831,141	17,970,909	18,187,812
<b>Number of Customers:</b>										
<b>13-Month Average:</b>										
8	Residential	96,858	98,567	100,729	104,104	105,572	106,938	109,529	108,724	110,655
9	Commercial	8,163	8,179	8,241	8,512	8,623	8,624	8,896	8,855	8,954
10	Industrial	17	18	21	23	21	21	21	21	21
11	Other Public Authorities	482	486	483	485	487	495	495	495	495
12	Other Water Utilities	9	10	10	11	13	11	10	11	11
13	Miscellaneous	0	0	0	0	0	0	0	0	0
14	Total	105,529	107,260	109,484	113,135	114,716	116,089	118,951	118,106	120,136
<b>End of Period:</b>										
15	Residential	97,801	99,267	101,683	104,780	106,068	108,733	110,405	109,467	111,398
16	Commercial	8,254	8,164	8,262	8,586	8,585	8,887	8,939	8,901	9,000
17	Industrial	17	20	21	23	21	21	21	21	21
18	Other Public Authorities	487	484	484	486	488	495	495	495	495
19	Other Water Utilities	9	10	10	11	13	11	10	11	11
20	Miscellaneous	0	0	0	0	0	0	0	0	0
21	Total	106,568	107,945	110,460	113,886	115,175	118,147	119,870	118,895	120,925
<b>Average Sales per Customer:</b>										
22	Residential	78	78	88	83	84	78	77	79	79
23	Commercial	663	654	700	662	667	648	656	660	660
24	Industrial	64,240	55,996	51,314	43,419	48,761	43,785	43,365	43,365	43,365
25	Other Public Authorities	4,108	3,773	4,206	3,903	4,302	4,223	4,080	4,080	4,080
26	Other Water Utilities	59,467	53,118	59,258	47,137	62,881	60,266	65,690	59,718	59,718
27	Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Sales are stated in 100 Cubic Feet  
Note: Also adjusted years 2005 thru 2007 for credit adjustments that were not included in the original filing.

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

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**Witness: Michael A. Miller**

32. Has KAWC revised or modified its employee handbook since the date of the final Order in Case No. 2004-00103? If yes, please provide a copy of each revision or modification to the handbook and identify the corresponding effective date for the revision or modification.

**Response:**

No.

For the electronic version, refer to KAW\_R\_AGDR1#32\_122308.pdf.

**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Michael A. Miller**

33. Please provide the following information with regard to the Company's Residential and Commercial sales:
- a. Actual residential sales (thousand of gallons), 13-month average number of residential customers, and annual and daily actual sales per residential customer (gallons) for each of the years 2004 through 2007 and for the 12-month period ending 11/30/08.
  - b. Residential sales (thousand of gallons), 13-month average number of residential customers, and annual and daily actual sales per residential customer (gallons) as approved in the Company's most recent Board-approved Operating Budgets for 2004 through 2007; as budgeted for the 12-month period ended 11/30/08; and as projected for 2009 and 2010 in the Company's annual budget plans for those years.
  - c. Actual commercial sales (thousand of gallons), 13-month average number of commercial customers, and annual and daily actual sales per commercial customer (gallons) for each of the years 2004 through 2007 and for the 12-month period ending 11/30/08.
  - d. Commercial sales (thousand of gallons), 13-month average number of commercial customers, and annual and daily actual sales per commercial customer (gallons) as approved in the Company's most recent Board-approved Operating Budgets for 2004 through 2007; as budgeted for the 12-month period ended 11/30/08; and as projected for 2009 and 2010 in the Company's annual budget plans for those years.

**Response:**

a.	Class	Year	Sales 1,000G	13 Month Avg Customers	Sales	Sales
					1,000G Per Cust Annual	1,000G Per Cust Daily
	Residential	2004	5,728,789	98,502	58.159	0.159
	Residential	2005	6,531,538	100,617	64.915	0.178
	Residential	2006	6,440,457	103,691	62.112	0.170
	Residential	2007	6,666,793	105,511	63.186	0.173
		12ME				
	Residential	11/08	6,389,284	106,622	59.925	0.164



	<b>Class</b>	<b>Year</b>	<b>Sales 1,000G</b>	<b>13 Month Avg Customers</b>	<b>Sales 1,000G Per Cust Annual</b>	<b>Sales 1,000G Per Cust Daily</b>
b.	Residential	2004	6,731,275	101,331	66.429	0.182
	Residential	2005	6,692,368	101,437	65.976	0.181
	Residential	2006	6,427,687	105,177	61.113	0.167
	Residential	2007	6,700,089	106,275	63.045	0.173
		12ME				
	Residential	11/08	6,411,927	107,601	59.590	0.163
	Residential	2009	6,339,012	107,578	58.925	0.161
	Residential	2010	6,316,546	108,603	58.162	0.159
c.	Commercial	2004	4,011,583	8,184	490.165	1.343
	Commercial	2005	4,327,189	8,235	525.439	1.440
	Commercial	2006	4,225,419	8,470	498.891	1.367
	Commercial	2007	4,311,663	8,621	500.162	1.370
		12ME				
	Commercial	11/08	4,116,040	8,696	473.313	1.297
d.	Commercial	2004	4,383,458	8,230	532.619	1.459
	Commercial	2005	4,389,361	8,371	524.353	1.437
	Commercial	2006	4,486,083	8,437	531.715	1.457
	Commercial	2007	4,352,092	8,630	504.298	1.382
		12ME				
	Commercial	11/08	4,479,296	8,854	505.906	1.386
	Commercial	2009	4,346,013	8,473	512.937	1.405
	Commercial	2010	4,406,195	8,898	495.198	1.357

For the electronic version, refer to KAW\_R\_AGDR1#33\_122308.pdf.

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**Witness: Michael A. Miller**

34. For each of the customer classes of Industrial, OPA and Sales for Resale, provide the actual annual sales, 13-month average number of customers and average annual sales per customer for the 12-month period ended 11/30/08.

**Response:**

	<u>Annual Sales</u>	<u>13 Month Avg Customers</u>	<u>Annual Sales Per Cust</u>
Industrial	1,493,015	21	71,096
OPA	4,828,935	498	9,697
Sale for Resale	1,480,823	11	134,620

For the electronic version, refer to KAW\_R\_AGDR1#34\_122308.pdf.

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

35. With regard to the last two columns (projected calendar years 2009 and 2010) on Schedule I-4, please provide the following information:
- a. Do the numbers shown in these two columns come from KAWC's 2009 and 2010 Operating Budgets and/or KAWC's Strategic Business Plan for 2009 and 2010? If not, where do these numbers come from and how were they determined?
  - b. If the numbers in these two columns do not come from KAWC's 2009 and 2010 Operating Budgets and/or KAWC's Strategic Business Plan for 2009 and 2010, provide the equivalent numbers based on the Company's 2009 and 2010 Operating Budgets and/or KAWC's Strategic Business Plan for 2009 and 2010. Provide this information in the same format and detail as shown on Schedule I-4.

**Response:**

- a. No. The 2009 and 2010 customer counts for residential and commercial were calculated using the growth in customers that was used in the current rate filing. The remaining customer classes agree to the Operating Budget and Strategic Business Plan. The average usage per customer as calculated in the Operating Budget and Strategic Business Plan was then applied to the residential and commercial customer count described above to arrive at the sales. The sales for the industrial and sale for resale classifications were based on actual usage from August 2007 through July 2008. The OPA sales agree to the 2009 and 2010 Operating Budget and Strategic Business Plan.
- b. See the attached Schedule I-4.

For the electronic version, refer to KAW\_R\_AGDR1#35\_122308.pdf.

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2008-00427  
SALES STATISTICS - TOTAL COMPANY  
FOR THE TWELVE MONTHS ENDED: JANUARY 31, 2009  
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

DATA: X BASE PERIOD X FORECASTED PERIOD  
TYPE OF FILING: ORIGINAL UPDATED X REVISED  
WORKPAPER REFERENCE NO(S): N/A

SCHEDULE I - 4  
PAGE 1 of 1  
Witness Responsible: M. A. Miller

Line No.	Description	2003	2004	2005	2006	2007	Base Period	Forecasted Period	2009	2010
<b>Sales by Customer Class:</b>										
1	Residential	7,575,499	7,638,396	8,837,505	8,587,371	8,890,472	8,372,142	8,406,538	8,452,016	8,422,061
2	Commercial	5,413,864	5,348,863	5,769,787	5,633,764	5,748,991	5,584,065	5,837,429	5,794,684	5,874,927
3	Industrial	1,092,087	1,007,927	1,077,592	998,637	1,023,987	919,481	910,670	968,052	968,052
4	Other Public Authorities	1,979,948	1,833,668	2,031,685	1,892,992	2,094,952	2,090,381	2,019,601	2,019,600	2,019,600
5	Other Water Utilities	535,201	531,179	592,584	518,505	817,456	662,923	656,902	592,139	592,139
6	Miscellaneous	123,667	3,953	448	1,789	5,075	270,466	0	0	0
7	Total	16,720,265	16,363,985	18,309,601	17,633,059	18,580,933	17,899,458	17,831,140	17,826,491	17,876,779
<b>Number of Customers:</b>										
<b>12-Month Average:</b>										
8	Residential	96,858	98,567	100,729	104,104	105,572	106,938	109,529	107,619	108,644
9	Commercial	8,163	8,179	8,241	8,512	8,623	8,624	8,896	8,784	8,903
10	Industrial	17	18	21	23	21	21	21	21	21
11	Other Public Authorities	482	486	483	485	487	495	495	495	495
12	Other Water Utilities	9	10	10	11	13	11	10	11	11
13	Miscellaneous	0	0	0	0	0	0	0	0	0
14	Total	105,529	107,260	109,484	113,135	114,716	116,089	118,951	116,930	118,074
<b>End of Period:</b>										
15	Residential	97,801	99,267	101,683	104,780	106,068	108,733	110,405	108,119	109,144
16	Commercial	8,254	8,164	8,262	8,586	8,585	8,887	8,939	8,833	8,958
17	Industrial	17	20	21	23	21	21	21	21	21
18	Other Public Authorities	487	484	484	486	488	495	495	495	495
19	Other Water Utilities	9	10	10	11	13	11	10	11	11
20	Miscellaneous	0	0	0	0	0	0	0	0	0
21	Total	106,568	107,945	110,460	113,886	115,175	118,147	119,870	117,479	118,629
<b>Average Sales per Customer:</b>										
22	Residential	78	78	88	83	84	78	77	79	78
23	Commercial	663	654	700	662	667	648	656	660	660
24	Industrial	64,240	55,996	51,314	43,419	48,761	43,785	43,365	46,098	46,098
25	Other Public Authorities	4,108	3,773	4,206	3,903	4,302	4,223	4,080	4,080	4,080
26	Other Water Utilities	59,467	53,118	59,258	47,137	62,881	60,266	65,690	53,831	53,831
27	Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Sales are stated in 100 Cubic Feet  
Note: Also adjusted years 2005 thru 2007 for credit adjustments that were not included in the original filing.

**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Michael A. Miller**

36. With regard to the Forecasted Period numbers shown on Schedule I-4, please confirm the following information:
- a. The Forecasted Period average number of customers and annual Tg sales for Industrial, OPA and Sales for Resale<sup>1</sup> are equal to the average number of customers and annual Tg sales projected for 2009 and 2010.
  - b. The average number of forecasted period residential customers of 109,529 are exactly equal to the prorated average residential customers for 2009 and 2010. Proof:  $(7/12^{\text{th}} \times 108,724) + (5/12^{\text{th}} \times 110,655) = 109,529$ .
  - c. The average number of forecasted period commercial customers of 8,896 are exactly equal to the prorated average residential customers for 2009 and 2010. Proof:  $(7/12^{\text{th}} \times 8,855) + (5/12^{\text{th}} \times 8,954) = 8,896$ .
  - d. The prorated annual sales numbers for 2009 and 2010 for residential amount to 6,453,354 Tgs [calculation:  $(7/12^{\text{th}} \times 6,405,973) + (5/12^{\text{th}} \times 6,519,687) = 6,453,354$ ] as compared to the Company's proposed forecasted period residential sales number of 6,304,904 Tgs.
  - e. The prorated annual sales numbers for 2009 and 2010 for commercials amount to 4,563,249 Tgs [calculation:  $(7/12^{\text{th}} \times 4,381,832) + (5/12^{\text{th}} \times 4,817,234) = 4,563,249$ ] as compared to the Company's proposed forecasted period residential sales number of 4,378,072 Tgs.

**Response:**

- a. The forecasted period average number of customers equals the average number of customers projected for 2009 and 2010. The annual sales for the industrial and sale for resale class were based on actual usage from August 2007 through July 2008. The sales for the OPA classification equal the projections for 2009 and 2010.
- b. The average number of forecasted period residential customers equals the average of the customers calculated from June 2009 through May 2010 as shown on working paper KAW\_R\_PSCDR1#1a-WP2-1\_111408.
- c. The average number of forecasted period commercial customers equals the average of the customers calculated from June 2009 through May 2010 as shown on working paper KAW\_R\_PSCDR1#1a-WP2-1\_111408.

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<sup>1</sup> While the forecasted period average number of Sales for Resale customers is 10 vs. the 11 projected for 2009 and 2010, the forecasted period Sales for Resale sales is the same as projected for 2009 and 2010.

- d. Yes. However, the sales amounts of 6,405,973 and 6,519,687 are not adjusted for Dr. Spitznagel's weather normalization and are based on the adjusted average customer growth per the rate filing.
- e. Yes. However, the sales amounts of 4,381,832 and 4,817,234 are not adjusted for Dr. Spitznagel's weather normalization and are based on the adjusted average customer growth included in the rate filing.

For the electronic version, refer to KAW\_R\_AGDR1#36\_122308.pdf.

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**Witness: Michael A. Miller**

37. Schedule I-2 shows that in each year from 2003 through the base period, the Company incurred "Miscellaneous" sales revenues. In this regard, please provide the following information:
- a. What do these miscellaneous sales revenues represent and why has the Company assumed 0 miscellaneous sales revenues for the forecasted period?
  - b. How are these miscellaneous sales priced out, i.e., is there a specific tariff or dollar rate per Tg of miscellaneous sales or can the revenue per Tg miscellaneous sale unit vary depending on the particular transaction? Please explain.
  - c. Provide the actual annual Tgs of miscellaneous sales and annual miscellaneous sales revenues booked by the Company for each year from 1995 through 2007 and for the 12-month period ended 11/30/08.
  - d. In Case No. 2000 – 120, the Company included the revenues associated with miscellaneous sales for ratemaking purposes (see page 5 of testimony of Mr. Ware in Case No. 2000 – 120). Explain why the Company has not proposed to reflect a representative miscellaneous sales revenue level in the current case.

**Response:**

- a. The miscellaneous sales category is made up of sales from our water loading stations.
- b. Customers with water loading station accounts are billed for water from loading stations at \$0.033750 per cubic foot. Customers that use the coin slots pay \$0.25 per fifty gallons.

c.	<u>Year</u>	<u>Revenues</u>	<u>Sales</u>
	1995	\$21,061.41	
	1996	13,264.09	
	1997	22,581.64	
	1998	16,845.32	
	1999	44,169.58	
	2000	18,769.30	
	2001	15,907.81	
	2002	29,481.51	
	2003	16,502.60	
	2004	9,780.19	2,155
	2005	5,767.68	336
	2006	19,512.55	1,409
	2007	18,788.58	4,172
	12 mo ending 11/08	25,561.79	16,446

- d. The Company agrees that it should have included a level of miscellaneous sales in the going-level revenues for the forecasted test-year. The miscellaneous sales fluctuate greatly from year to year based upon weather conditions and other factors, and the number of customers that utilize the loading stations cannot be readily determined. The Company believes it would be fair to utilize the 3-year average of miscellaneous sales for the years 2005-2007 in the going level revenues for this case. That calculation would produce an increase in going-level sales of \$14,690.

For the electronic version, refer to KAW\_R\_AGDR1#37\_122308.pdf.



**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Michael A. Miller**

38. For each of the revenue categories shown on Schedule M-3, page 1 of 2, provide the actual revenues booked for the 12-month period ended 11/30/08. If the revenues in this period do not include 12 months of the rates established in Case No. 2007- 00143, please restate these revenues to reflect the full 12 months of the rates from Case No. 2007 – 00143.

**Response:**

The rates approved in case number 2007-00143 were effective for the entire twelve month period ended November 30, 2008. However, for bills rendered after December 1, 2007 through a full billing cycle, bills would have been subject to pro-ration because the Company was required to apply the rate increase based on service rendered. The Company cannot accurately determine the impact of annualizing those numbers to a full year of billing without an enormous amount of work for each billing route, if at all. As a rule of thumb for a company that bills monthly, approximately two-thirds of the rate increase would have been reflected in December 2007 for residential customers who are billed somewhat evenly each day over the course of a month. For the remaining customer classifications it would require a look at each bill to determine the answer to this question. A more meaningful analysis would be to look at the 12 month period ended December 2008 which would include the full impact of the rate increase. The Company would be agreeable to providing that information to the AG once that data is available.

For the electronic version, refer to KAW\_R\_AGDR1#38\_122308.pdf.

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**Witness: Keith Cartier**

39. Please provide a schedule identifying all of the water supply contracts that KAW has entered into or renewed (either as a supplier or a purchaser) since Case No. 2004-00103. For each, provide the corresponding effective dates.

**Response:**

The only applicable contract is the automatic renewal of the contract between Georgetown Municipal Water & Sewer Service and KAW. Because neither party gave contrary notice in November of this year, the contract will renew for an additional ten (10) year term in May of 2009.

For the electronic version, refer to KAW\_R\_AGDR1#39\_122308.pdf.

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**Witness: Keith Cartier**

40. For each of the past 5 years as well as for the base period and forecasted period, provide the following information:
- a. Total MG quantity of water treated by KAWC.
  - b. Total MG system delivery numbers.
  - c. Total MG consumption numbers.
  - d. Total MG non-revenue water, in total and broken down by components, such as flushing, unaccounted for water, etc.

**Response:**

- a. Total MG quantity of water treated by KAWC.
 

2003	15,344.100MG
2004	15,347.200MG
2005	16,387.850MG
2006	15,533.901MG
2007	16,215.404MG
Forecast Period	16,346.371MG (6/2009-5/2010)
Base Period	16,163.609MG (2/2008-1/2009-10 months actual/two months budget)
- b. Total MG system delivery numbers.
 

2003	14,492.088MG
2004	14,931.209MG
2005	16,068.331MG
2006	15,618.837MG
2007	16,097.994MG
Forecast Period	15,845.207MG (6/2009-5/2010)
Base Period	15,730.646MG (2/2008-1/2009-10 months actual/two months budget)
- c. Total MG consumption numbers.
 

2003	12,514.487MG
2004	12,299.153MG
2005	13,635.982MG
2006	12,727.217MG
2007	13,829.679MG
Forecast Period	13,382.095MG (6/2009-5/2010)

Base Period 13,540.166MG (2/2008-1/2009-10 months  
actual/two months budget)

- d. Total MG non-revenue water, in total and broken down by components, such as flushing, unaccounted for water, etc.

<b>Kentucky American Water</b>					
<b>Total MG Non-Revenue Water</b>					
	2003	2004	2005	2006	2007
Other	4,347	2,729	1,589	20,415	51,151
Utility Use	8,462	18,674	20,617	23,869	20,695
Line Breaks	75,265	101,196	158,292	244,811	262,635
Flushing	130,971	224,886	138,306	104,626	107,887
Fire Dept	1,477	1,741	2,178	1,754	1,825
Apparent Water Loss	1,757,079	2,282,830	2,111,367	2,496,145	1,824,122
<b>Total NRW</b>	<b>1,977,601</b>	<b>2,632,056</b>	<b>2,432,349</b>	<b>2,891,620</b>	<b>2,268,315</b>

For the electronic version, refer to KAW\_R\_AGDR1#40\_122308.pdf.

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**Witness: Sheila Miller**

41. As shown on W/P 1-11, the 13-month average forecasted test period deferred debit balance of \$1,958,946 includes \$18,849 for the unamortized Boonesboro acquisition adjustment. This represents a rate base double-count since the balance of \$18,849 was also included in rate base as part of the Utility Plant Acquisition Adjustment. Please confirm this. If you do not agree, state your disagreement.

**Response:**

Yes. The Utility Plant Acquisition Adjustment is a duplication of the unamortized Boonesboro acquisition adjustment. The amount of \$18,488 should be eliminated from the Company's rate base calculation for the 13-month average as it is included in the deferred debit balance.

For the electronic version, refer to KAW\_R\_AGDR1#41\_122308.pdf.

**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Michael A. Miller**

42. Does the Company agree that studies to develop water conservation, leak mitigation and demand management and to develop programs to cost effectively reduce non-revenue water benefit both the ratepayers and stockholders of KAWC? If not, explain in detail why not.

**Response:**

No.

The Company has been ordered by the Commission to prepare the studies as part of the Order in case number 2007-00134. The Company believes the studies will ultimately lead to actions by the Company that will lower revenues through conservation and demand management initiatives developed from those studies. The Company has actively promoted conservation and the wise use of water over the last 10-15 years, and that effort combined with the effects of the use of low-flow plumbing fixtures has led to a steady trend of declining usage per residential customer over that period. Those efforts have provided minor mitigation or delay for additional source of supply and production capacity, but not eliminated that need as evidenced by the recent certificate to develop additional source of supply and production capacity. Additional conservation and demand management efforts developed from the current studies may mitigate or delay the need for additional supply and production capacity in future years. It is the customers who ultimately benefit from those efforts.

The Company's current Unaccounted For Water (UFW) level is below the 15% target established by the Commission. The Company believes that the leak mitigation plan will likely result in recommendations that an escalation of main and service replacements will be required to further lower the UFW. It may be that the revenue requirement associated with increased capital spending for main and service replacement exceeds any savings in production costs from reduced UFW. It is the Company's customers who ultimately benefit from the increased service from those replacement programs and lower production costs derived from the replacement programs.

For the electronic version, refer to KAW\_R\_AGDR1#42\_122308.pdf.

**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness:**      **Michael A. Miller/Linda C. Bridwell**

43.      With regard to the proposed deferred debit amount of \$184,700 for the NRW and Water Conservation Studies which KAWC proposes to include in rate base and amortize over 5 years, please provide the following information:
- a.      Identify the time period (months and years) that the Company expects these costs to be incurred.
  - b.      Absent the Company's request for cost deferral treatment, would the Company be required to expense the \$184,700 cost amount? If not, what accounting treatment would be required and why?

**Response:**

- a.      Between November 2008 and June 2009.
- b.      The Company must assert that rate recovery is probable to substantiate a regulatory asset under FAS 71. Mr. Miller has done that based upon the requested rate treatment in this case. Please see the response to KAW\_R\_AGDR1#42\_122308.

**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Michael A. Miller**

44. Please provide the Outside Consulting fees allowed for ratemaking purposes in the Company prior (2007) rate case. Provide this dollar amount in total and broken out by Outside Consulting activity.

**Response:**

Dr. Edward Spitznagel – weather normalization -	\$ 7,800
Patrick Baryenbruch – Service Company Analysis -	27,694
Dr. James Vander Weide – Cost of Capital -	13,500
Coleman Bush – Case preparation, allocations, and other revenues	18,454
James Salser – Case preparation, rate base, lead/lag, And income taxes	<u>68,471</u>
	\$135,919

For the electronic version, refer to KAW\_R\_AGDR1#44\_122308.pdf.



**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Michael A. Miller/Sheila Miller**

45. With regard to the forecasted test period Amortization expenses shown on W/P 4-1, please provide the following information:
- a. Where is the proposed 5-year amortization of \$36,940 for the NRW and Water Conservation studies reflected in the total amortization amount of \$496,589?
  - b. Explain in detail why the Company is including the \$71,346 amortization for the AFUDC Equity Gross up. In addition, explain whether this item was included and PSC-authorized as an amortization expense in the Company's prior three rate cases (2007, 2004 and 2000) and if so, what were the annual amortization amounts in those cases.

**Response:**

- a. The amortization of the NRW and Water Conservation studies is not included in the amortization schedule but is included in the miscellaneous expense line and amortized to account 575000.16. This is reflected in working paper labeled as KAW\_R\_PSCDR1#1a\_WP1-11\_111408 in column three.
- b. The amortization of the AFUDC Equity Gross up is the result of FAS 109. This methodology has been accepted in the Company's prior rate cases before the Kentucky Public Service Commission. The amounts included in the prior three rate cases are below:

2007	\$25,728
2004	\$25,728
2000	\$25,728

New AFUDC amortization is layered in yearly. However, the Company failed to properly reflect the updated numbers in the 2004 and 2007 rate cases.

For the electronic version, refer to KAW\_R\_AGDR1#45\_122308.pdf.

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

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**Witness: Michael A. Miller**

46. On page 13, lines 31-32, Ms. Miller states that, "In this rate case, the Company has incorporated SFAS 109 – Accounting for Income Taxes. Both the rate base deduction for income taxes and the calculation of forecasted federal and state income tax expenses is based on SFAS 109." In this regard, please provide the following information:
- a. Using the UPIS deferred tax data shown on W/P 1-8, page 2, show what the average forecasted test period and end of forecasted test period accumulated deferred income taxes would be without the incorporated SFAS 109 – Accounting for Income Taxes.
  - b. Provide the income tax calculations for the forecasted test period on Schedule E-1.3 and E-1.4 without the incorporated SFAS 109 – Accounting for Income Taxes.
  - c. Explain whether KAWC's accumulated deferred income tax rate base deductions and federal and state income tax expenses in its last two (2007 and 2004) rate cases similarly incorporated SFAS 109 – Accounting for Income Taxes. If not, explain why the Company chose the instant proceeding to start doing so.
  - d. Provide the forecasted test period accumulated deferred income tax rate base deduction balances in KAWC's last two rate cases (2007 and 2004) in the same format and detail as per W/P 1-8, page 2 in the current filing.

**Response:**

- a. The Commission has consistently recognized FAS 109 for rate recovery of the Company's income tax expense. The Company has filed this case consistent with FAS 109 and each rate case (and Commission decisions) since at least Case No. 2000-0120. The Company objects to this question on the grounds that the Company does not maintain records on a non-FAS 109 basis, does not possess the calculations requested, and to generate such documents would be extremely burdensome on the Company, if possible at all.
- b. Please see the response to part a.
- c. Please see the response to part a.
- d. The Attorney General was previously provided the documents requested in the Company's two prior rate cases.

For the electronic version, refer to KAW\_R\_AGDR1#46\_122308.pdf.

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

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**Witness: Michael A. Miller/Keith Cartier**

47. With regard to the 13-month average deferred maintenance expenses of \$2,951,785, please provide the following information:
- a. Provide a description of the type of costs making up the average deferred cost balance of \$2,951,785 (e.g., outside contractors; outside consultants; materials and supplies; company labor and labor overhead, etc.).
  - b. What portion of the average \$2,951,785 deferred maintenance cost consists of deferred company labor and labor overhead expenses? In addition, if such internal labor and labor overhead costs are included, explain why it is appropriate to include these for deferral and amortization treatment?

**Response:**

- a. The types of costs that are included in the deferred balance include costs for consultants, contractor charges, materials and supplies, and a small portion of company labor and overheads for project management.
- b. The company labor and overhead charges are for the project manager in charge of the projects and account for approximately 1.68% of the total. It is appropriate to charge company labor to these projects because the company's employees actually did the work as indicated. This is not a problem for rate recovery in the forecasted test-year because the capital/other percentage applied to labor includes the small historical charges to the deferred maintenance projects; therefore there is no double counting for that portion of Company labor in the forecasted test-year.

For the electronic version, refer to KAW\_R\_AGDR1#47\_122308.pdf.

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

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**Witness: Sheila Miller**

48. W/P 1-10, page 12 shows that the projected deferred maintenance expense amortization expenses for the forecasted test period are \$365,759 whereas for the total year 2010 they are projected to drop to an annual amortization level of \$160,943, or less than half than in the test period. Please explain the reasons for this.

**Response:**

The Company inadvertently included incorrect cell calculations for the 2009 and 2010 totals. Attached is a corrected file for the total 2009 and 2010 amortizations. The Calculation for each individual maintenance project links to the Company's accounting exhibit, not the totals. The corrected work paper does not change the Company's original revenue requirement.

For the electronic version, refer to KAW\_R\_AGDR1#48\_122308.pdf.



KENTUCKY-AMERICAN WATER COMPANY  
Deferred Operation & Maintenance A mortizations-Lexington  
CASE NO: 2008-00427

Work Order No.	Description	AWW	Period		Amortization		Mar-2009	Apr-2009	May-2009	Jun-2009	Jul-2009	Aug-2009	Sep-2009	Oct-2009
			Beginning	Ending	Months	Ending Amount								
916	Paint KRS Cleanwell	651120	Sep-1993	Aug-2008	180	\$ 58.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
918	Paint KRS W/W Tanks	651120	Feb-1993	Aug-2008	180	\$ 992.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
919	Paint KRS Cleanwell	651120	Sep-1993	Aug-2008	180	\$ 1,528.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
943	Paint KRS Cleanwell	651120	Jun-2009	May-2024	180	\$ 1,666.67	0.00	0.00	0.00	1,666.67	1,666.67	1,666.67	1,666.67	1,666.67
943	Paint Hydrotreater # 9	651120	Jan-1994	Dec-2008	180	\$ 905.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
959	Paint Hydrotreater # 9	651120	Jun-2009	May-2024	180	\$ 2,222.22	0.00	0.00	0.00	0.00	2,222.22	2,222.22	2,222.22	2,222.22
959	Hydrotreater # 10	651120	Jan-1996	Dec-2010	180	\$ 137.65	137.65	137.65	137.65	137.65	137.65	137.65	137.65	137.65
965	Paint Hydrotreater # 3	651120	Jan-1996	Dec-2010	180	\$ 685.80	685.80	685.80	685.80	685.80	685.80	685.80	685.80	685.80
979	Paint Hydrotreater # 3	651120	Jan-1996	Dec-2010	180	\$ 1,000.67	1,000.67	1,000.67	1,000.67	1,000.67	1,000.67	1,000.67	1,000.67	1,000.67
990	Paint Hydrotreater # 8	651120	Jan-1996	May-2024	180	\$ 2,222.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1011	Paint Hydrotreater # 5	651120	Sep-1996	Dec-2011	180	\$ 1,131.92	1,131.92	1,131.92	1,131.92	1,131.92	1,131.92	1,131.92	1,131.92	1,131.92
1015	Paint Hydrotreater # 6	651120	Sep-1997	Aug-2011	180	\$ 1,004.87	1,004.87	1,004.87	1,004.87	1,004.87	1,004.87	1,004.87	1,004.87	1,004.87
1038	Paint Hydrotreater # 4	651120	Oct-1997	Dec-2011	180	\$ 1,076.39	1,076.39	1,076.39	1,076.39	1,076.39	1,076.39	1,076.39	1,076.39	1,076.39
1039	Paint Hydrotreater # 7	651120	Nov-1997	Sep-2012	180	\$ 1,244.41	1,244.41	1,244.41	1,244.41	1,244.41	1,244.41	1,244.41	1,244.41	1,244.41
		AWW	Bus.Unit	Oct-2012	180	\$ 1,281.93	1,281.93	1,281.93	1,281.93	1,281.93	1,281.93	1,281.93	1,281.93	1,281.93
		AWW	Bus.Unit	Object	Sub.									
		651120	120250	675050	23	Total	7,563.64	7,563.64	7,563.64	11,452.53	11,452.53	11,452.53	11,452.53	11,452.53
1090	Paint Hydrotreater #1	651120	Dec-2000	Nov-2015	180	\$ 1,469.26	1,469.26	1,469.26	1,469.26	1,469.26	1,469.26	1,469.26	1,469.26	1,469.26
1103	Paint Hydrotreater#2	651120	Dec-2000	Nov-2015	180	\$ 1,800.99	1,800.99	1,800.99	1,800.99	1,800.99	1,800.99	1,800.99	1,800.99	1,800.99
		AWW	Bus.Unit	May-2024	180	\$ 2,222.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		651120	120250	675050	24	Total	3,270.25	3,270.25	3,270.25	3,270.25	3,270.25	3,270.25	3,270.25	3,270.25
942	Paint RRS W/W Tanks	651120	Aug-1994	Jul-2009	180	\$ 414.62	414.62	414.62	414.62	414.72	414.72	414.72	414.72	414.72
		AWW	Bus.Unit	Object	Sub.									
		651120	120251	675050	23	Total	414.62	414.62	414.62	414.72	414.72	414.72	414.72	414.72
819	Paint Parkers Mill Tank	672120	Jun-2009	May-2024	180	\$ 1,944.44	0.00	0.00	0.00	1,944.44	1,944.44	1,944.44	1,944.44	1,944.44
		672120	Apr-1994	Aug-2008	180	\$ 505.71	505.71	505.71	505.71	505.71	505.71	505.71	505.71	505.71
		672120	Jun-2009	May-2024	180	\$ 833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33
		672120	Jun-2009	May-2024	180	\$ 1,388.89	1,388.89	1,388.89	1,388.89	1,388.89	1,388.89	1,388.89	1,388.89	1,388.89
917	Paint Mercer Road Tank	672120	Sep-1993	Aug-2008	180	\$ 61.75	61.75	61.75	61.75	61.75	61.75	61.75	61.75	61.75
920	Paint Cox Street Tank	672120	Sep-1993	Aug-2008	180	\$ 2,093.03	2,093.03	2,093.03	2,093.03	2,093.03	2,093.03	2,093.03	2,093.03	2,093.03
		672120	Jun-2009	May-2024	180	\$ 1,666.67	1,666.67	1,666.67	1,666.67	1,666.67	1,666.67	1,666.67	1,666.67	1,666.67
1061	Blast & Paint Hume Road Tank	672120	Aug-1998	Jul-2014	180	\$ 2,149.90	2,149.90	2,149.90	2,149.90	2,149.90	2,149.90	2,149.90	2,149.90	2,149.90
1088	1999 & 2000 Hydrants	672120	Dec-2000	Nov-2015	60	\$ 0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1094	Repair Cox Street Tank	672120	Dec-2000	Nov-2015	180	\$ 416.66	416.66	416.66	416.66	416.66	416.66	416.66	416.66	416.66
1104	Repair York Street Tank	672120	Dec-2000	Nov-2015	180	\$ 276.13	276.13	276.13	276.13	276.13	276.13	276.13	276.13	276.13
1105	Repair Tates Creek Tank	672120	Feb-2005	Jan-2020	180	\$ 382.23	382.23	382.23	382.23	382.23	382.23	382.23	382.23	382.23
50030635	Sadleville Standpipe Repairs	672120	Feb-2005	Jan-2020	180	\$ 148.44	148.44	148.44	148.44	148.44	148.44	148.44	148.44	148.44
	Cox Street Tank Repairs	672120	Feb-2005	Jan-2020	180	\$ 189.97	189.97	189.97	189.97	189.97	189.97	189.97	189.97	189.97
50030636	Paint Long Ridge Tank	672120	Jun-2009	May-2024	180	\$ 833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33	833.33
50100587	Paint Sparta Tank	672120	Feb-2005	Jan-2020	180	\$ 809.76	809.76	809.76	809.76	809.76	809.76	809.76	809.76	809.76
50100586	Paint Owenton Tank (Perry)	672120	Dec-2007	11/31/2022	180	\$ 619.56	619.56	619.56	619.56	619.56	619.56	619.56	619.56	619.56
	Paint hydrants	672120	Dec-2007	11/31/2022	180	\$ 2,139.83	2,139.83	2,139.83	2,139.83	2,139.83	2,139.83	2,139.83	2,139.83	2,139.83
		AWW	Bus.Unit	Object	Sub.									
		672120	120206	675050	24	Total	7,132.48	7,132.48	7,132.48	13,465.82	13,465.82	13,465.82	13,465.82	13,465.82
						Total Def. Maintenance	18,380.99	18,380.99	18,380.99	28,603.21	28,603.31	28,603.31	28,603.31	28,603.31
						Check "0"	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00



KENTUCKY-AMERICAN WATER COMPANY  
Deferred Operation & Maintenance Amortizations-Lexington  
CASE NO.: 2008-00427

Work Order No.	Description	AWW	Period		Amortization		Monthly Amount	Ending Amount	Total Forecasted May-2010	Total 2009	Total 2010
			Beginning	Ending	Months	Sub.					
916	Paint KRS Clearwell	651120	Sep-1993	Aug-2008	180		\$ 58.32	\$ 58.32	0.00	0.00	0.00
918	Paint KRS W/W Tanks	651120	Feb-1993	Aug-2008	180		\$ 982.72	\$ 982.72	0.00	0.00	0.00
919	Paint KRS Clearwell	651120	Sep-1993	Aug-2008	180		\$ 1,528.01	\$ 1,528.01	0.00	0.00	0.00
943	Paint Hydrotreator # 9	651120	Jun-2009	May-2024	180		\$ 1,666.67	\$ 1,666.67	20,000.00	11,666.67	20,000.00
	Paint Hydrotreator # 9	651120	Jan-1994	Dec-2008	180		\$ 905.68	\$ 905.68	0.00	0.00	0.00
959	Hydrotreator # 10	651120	Jun-2009	May-2024	180		\$ 2,222.22	\$ 2,222.22	26,666.67	15,555.56	26,666.67
	Hydrotreator # 10	651120	Jan-1996	Dec-2010	180		\$ 137.65	\$ 137.65	1,651.80	1,651.80	1,651.80
965	Paint Hydrotreator # 10	651120	Jan-1996	Dec-2010	180		\$ 685.80	\$ 685.80	8,229.60	8,229.60	8,229.60
979	Paint Hydrotreator # 3	651120	Jan-1996	Dec-2010	180		\$ 1,000.67	\$ 1,000.67	12,008.04	12,008.04	12,008.04
	Paint Hydrotreator # 3	651120	Jun-2009	May-2024	180		\$ 2,222.22	\$ 2,222.22	2,222.22	0.00	26,666.67
990	Paint Hydrotreator # 8	651120	Jan-1996	Dec-2010	180		\$ 1,131.92	\$ 1,131.92	13,583.04	13,583.04	13,583.04
	Paint Hydrotreator # 8	651120	Sep-1996	Aug-2011	180		\$ 1,004.87	\$ 1,004.87	12,058.44	12,058.44	12,058.44
1011	Paint Hydrotreator # 5	651120	Jan-1997	Dec-2011	180		\$ 1,076.39	\$ 1,076.39	12,916.68	12,916.68	12,916.68
1015	Paint Hydrotreator # 6	651120	Jan-1997	Dec-2011	180		\$ 1,244.41	\$ 1,244.41	14,932.92	14,932.92	14,932.92
1038	Paint Hydrotreator # 4	651120	Sep-2012	Oct-2012	180		\$ 1,281.93	\$ 1,281.93	15,383.16	15,383.16	15,383.16
1039	Paint Hydrotreator # 7	651120	Nov-1997	Oct-2012	180		\$ 1,281.93	\$ 1,281.93	15,383.16	15,383.16	15,383.16
		AWW	Bus Unit	Object	Sub.						
		651120	120250	675050	23		Total	Total	139,652.57	117,985.90	164,097.01
1090	Paint Hydrotreator #1	651120	Dec-2000	Nov-2015	180		\$ 1,469.26	\$ 1,469.26	17,631.12	17,631.12	17,631.12
1103	Paint Hydrotreator#2	651120	Dec-2000	Nov-2015	180		\$ 1,800.99	\$ 1,800.99	21,611.88	21,611.88	21,611.88
	Paint Hydrotreator#2	651120	Jun-2009	May-2024	180		\$ 2,222.22	\$ 2,222.22	17,777.78	6,666.67	26,666.67
		AWW	Bus Unit	Object	Sub.						
		651120	120250	675050	24		Total	Total	57,020.78	45,909.67	65,909.67
942	Paint RRS W/W Tanks	651120	Aug-1994	Jul-2009	180		\$ 414.62	\$ 414.72	829.34	2,902.44	0.00
		AWW	Bus Unit	Object	Sub.				0.00	0.00	0.00
		651120	120251	675050	23		Total	Total	829.34	2,902.44	0.00
819	Paint Parkers Mill Tank	672120	Jun-2009	May-2024	180		\$ 1,944.44	\$ 1,944.44	23,333.33	13,611.11	23,333.33
	Paint Hall Tank	672120	Apr-1994	Aug-2008	180		\$ 505.71	\$ 505.71	0.00	0.00	0.00
917	Paint Mercer Road Tank	672120	Jun-2009	May-2024	180		\$ 833.33	\$ 833.33	1,666.67	0.00	10,000.00
	Paint Cox Street Tank	672120	Jun-2009	May-2024	180		\$ 1,388.89	\$ 1,388.89	16,666.67	9,722.22	16,666.67
920	Paint Cox Street Tank	672120	Sep-1993	Aug-2008	180		\$ 61.75	\$ 61.75	0.00	0.00	0.00
	Paint Cox Street Tank	672120	Sep-1993	Aug-2008	180		\$ 2,093.03	\$ 2,093.03	0.00	0.00	0.00
1061	Paint Cox Street Tank	672120	Jun-2009	May-2024	180		\$ 1,666.67	\$ 1,666.67	3,333.33	0.00	20,000.00
	Blast & Paint Hume Road Tank	672120	Aug-1998	Jul-2013	180		\$ 2,149.90	\$ 2,149.90	25,798.80	25,798.80	25,798.80
1088	1999 & 2000 Hydrants	672120	Dec-2000	Nov-2005	60		\$ -	\$ -	0.00	0.00	0.00
1104	Repair Cox Street Tank	672120	Dec-2000	Nov-2015	180		\$ 416.66	\$ 416.66	4,999.92	4,999.92	4,999.92
	Repair York Street Tank	672120	Dec-2000	Nov-2015	180		\$ 276.13	\$ 259.39	3,313.56	3,313.56	3,313.56
1105	Repair Tates Creek Tank	672120	Feb-2005	Jan-2020	180		\$ 382.23	\$ 382.23	4,586.76	4,586.76	4,586.76
1106	Repair Tates Creek Tank	672120	Feb-2005	Jan-2020	180		\$ 148.44	\$ 148.44	1,781.28	1,781.28	1,781.28
50030635	Sadleville Standdpipe Repairs	672120	Feb-2005	Jan-2020	180		\$ 189.97	\$ 189.97	2,279.64	2,279.64	2,279.64
50030636	Cox Street Tank Repairs	672120	Feb-2005	Jan-2020	180		\$ 833.33	\$ 833.33	1,666.67	0.00	10,000.00
50100567	Paint Tates Creek Tank	672120	Jun-2009	May-2024	180		\$ 809.76	\$ 809.76	9,717.12	9,717.12	9,717.12
50100566	Paint Long Ridge Tank	672120	Feb-2005	Jan-2020	180		\$ 619.56	\$ 619.56	7,434.75	7,434.75	7,434.75
	Paint Sparta Tank	672120	Dec-2007	11/31/2022	180		\$ 2,139.83	\$ 2,299.91	25,677.96	25,677.96	25,677.96
	Paint Owenon Tank (Perry)	672120	Dec-2007	11/31/2022	180		\$ 3,000.00	\$ 3,000.00	36,000.00	21,000.00	15,000.00
	Paint hydrants	672120	Jun-2009	May-2010	60		\$ -	\$ -	0.00	0.00	0.00
		AWW	Bus Unit	Object	Sub.						
		672120	120206	675050	24		Total	Total	168,256.46	129,923.12	180,589.79
							Total Def. Maintenance		365,759.14	296,721.13	410,586.47
							Check "0"		0.00	0.10	0.00



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

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**Witness: Sheila Miller**

49. Please confirm that the Federal Income Tax impact of \$180,849 for adjustment D-20 (taxes o/t income taxes) should be \$160,375. If you do not agree, show how the \$180,849 was calculated. In addition, indicate as to whether the correction for this income tax impact has any effect on the requested revenue requirement and rate increase in this case.

**Response:**

That is correct. However, it has no effect on the requested revenue requirement as this amount does not link to any other files. The actual tax calculation is shown on Schedule E.

For the electronic version, refer to KAW\_R\_AGDR1#49\_122308.pdf.

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

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**Witness: Sheila Miller**

50. Please confirm that the Deferred Investment Tax Credit rate base deduction for the 13-month average forecasted test period should be \$87,154 rather than \$83,326.

**Response:**

That is correct. The \$83,326 is the amount for the 12 months ending May 2010 and the \$87,154 is the 13-month average forecasted test period amount.

For the electronic version, refer to KAW\_R\_AGDR1#50\_122308.pdf.