KENTUCKY-AMERICAN WATER COMPANY CASE NO. 2010-00036 ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

Witness: Michael A. Miller/Sheila Miller/Keith Cartier/Nick Rowe

170. Provide the monthly financial and operating reports for every month from December 2007 to the present.

Response:

Please see attached reports applicable to this request that have not been supplied previously. For the monthly financial report from February 2009 – January 2010 refer to KAW_APP_EX30_022610.pdf.

For the electronic version of this response, refer to KAW_R_AGDR1#170_042610.pdf.

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Close Status: Final source system data with prelim adjs and elims

Kentucky-American Dec 2007 (\$ In Thousands)

Income Statement - Month To Date

15.25% 4.40% 27.56% (43.2.1)%
47.42%
5.01%
86.91%
18.80%
76.26%
132.18)%
10.43%
69.48%
64.98% 969.75% 20.83% 305.44% 87.43% (157.57)% (71.29)% (28.88)% (493.03)% 269.11% 0.69% 263.56% (52.50)% (1,436.22)% 549 1 (43) (43) (12) (12) (12) (13) (13) (586) (586) (586) (686) (688) (688) (688) (688) (688) (688) (688) (688) (77) Variance Favorable (Unfavorable) 3,600 27 146 238 38 518 518 (54) (54) (54) (54) (56) (370) (372) (60) (60) (310) MATO Y.Y. (9.24)% 26.02% 31.57% 27.06)% 0.58% 42.19% 15.15% 19.10% (25.82)% (50.92)% 21.53% 135.37)% 68.64% 68.64% (8.06)% 26.42% 18.02% (2.61)% 7.21% 10.18)% 14.12% 1.36% 5.40% (845.27)% (5.50)% 89.70% 96.28% 40.09% (11.84)% (23.42)% 4.85% 35.84% 1,030.71% 1,490.29% 37.59% (14.70)% (82.88)% (10.17)% (18.92)% (35.19)% 2,567.32% 1.47% (364) 6 28 (52) (20) (20) (21) (21) (22) (23) (24) (35) (41) (41) (52) (53) 28 (57) (29) 51 25 5 (233)2 120 19 142 (304) (303) (304) (304) (303) Variance Favorable (Unfavorable) 4,512 22 158 MTD Plan 516 (454) 994 55 12 46 334 (9.87)% 26.42% (0.85)% (3.35)% 44.76% 34.00% 27.06)% 6.85% (46.13)% (46.13)% 42.19% 15.15% 25.40% (25.82)% (18.71)% 172.92)% (4.35)% 68.53% 64.06% (8.86)% (9.47)% 89.70% 96.28% 40.09% (59.18)% (59.18)% 155.28% (30.08)% 125.20% 33.81% 13.32% (14.59)% 18.59% (4.91)% 37.84% ,030,71% 490,29% 38.64% 7,43% 11,73% (12.88)% (9.35)% (454) 6 (2) (62) 144 0 0 (48) 51 25 25 38) 278 (172) 4,603 22 188 MTD 0 426 78 78 504 0 0 12 12 26 38 (38) 37 37 35 35 873 873 411 344 , oel 8 8 6 4,148 28 186 MTD Actuals 488 63 0 551 108 (447) 761 **--** 2 € 4 25 32 33 34 35 37 38 38 39 8 8 33828 4 4 4 4 4 OPERATIONS & MAINTENANCE EXPENSE PRODUCTION EXPENSES Federal Income Taxes
Tax Savain Arquition Adjustment
State income taxes (non-operating)
Federal income taxes (non-operating)
Provision (Reneft) for income Taxes
Preferred Dividend Declared Amortization of Debt Expense Preferred dividends of subsidiaries (OTHER INCOME & DEDUCTIONS Aaintenance Total operations and maintenance Interest on long-term debt Interest on Short-Term Bank Debt Income (loss) before income taxes Miscellaneous Other Deductions Total Other Deductions Total other income (deductions) Net Income To Common Stack Common Dividend Declared Impairment charges

Total operating expenses, net
Operating income Sewer Revenues Other Operating Revenues Management Revenues **Operating Revenues** Regulatory expense Insurance Other Than Group Customer Accounting Depreciation and amortization Gain on sale of assets Non-Operating Rental Income **D&M LABOR & OVERHEAD** Dividend Income - Common Dividend Income - Preferred Miscellaneous Income Shared business services Contracted services Total contracted services Wiscellaneous Amortization **DPERATING REVENUES** Pensions Group insurances Other benefits **Total employee related** General office expense Other Interest Expense Waste Disposal Fotal production costs otal interest expense State Income Taxes Fotal other income Management fees Fuel and Power General taxes Other, net

American

Tuesday, January 15, 2008 4;31:56 PM

Variance Explanation MTD Actual Vs. MTD Plan

MTD revenues are under the plan by (\$302). Water, which excludes intra-company revenue, is under by (\$336) mainly due to lower sales during the month. Sewer revenue is over by \$6. Other revenues are over the plan by \$28 due to higher reconnection and application fees.

Income Statement - Month To Date Kentucky-American Dec 2007 (\$ In Thousands)

Other Income & Deductions:

Management fees are over the plan by (\$67). Regulatory expense is under \$31 due to a smaller amortization of rate case expense. Miscellaneous is under plan by \$45 mainly due the transpriation \$410, cancervation \$540, cancervation \$670, cance

Operating Expenses:
Production expenses are over the plan by (\$21) mainly due to purchased water (\$28). Labor related expenses are on plan. Labor is over plan by (\$45) mainly due to transfers from service company to Kentucky and is offset by a savings in group insurance \$44.

Report Filters - Currency: Local, Version: Finel, Subsidiary: SNO_SUB, Project No Project, Water System: No Water System

Operating Revenues:

Tuesday, January 15, 2008 4:31:58 PM

Report ID: FRP.1.1 American Water Confidential

American Water

Operating Revenues:

Other Income & Deductions:

Tuesday, January 15, 2008 4;31:59 PM

Income Statement - Month To Date Kentucky-American Dec 2007 (\$ In Thousands) Variance Explanation MTD Actual Vs. MTD Reforecast

Operating Revenues:

American

MTD revenues are under the forecast by (\$423). Water, which excludes intra-company revenue, is under by (\$427) mainly due to lower sales during the month. Sewer revenue is over by \$6. Other revenues are under the forecast by (\$2),

Operating Expenses: Protection are are on the forecast by (\$51) mainly due to purchased water (\$38) and chemicals(\$17). Chemicals are over the forecast due to elevated source water turbidity.

Labor related expenses are under the forecast by \$50. Pension expense and group insurance are both under the forecast due to capital credits from the third payroll in December.

Management fees are under the forecast by \$98. Regulatory expense is under \$31 due to a smaller amortization of rate case expense. Maintenance expense is over the forecast by (\$294). This cide to the regative salvade being over \$(255) due to the large number of retirements that were booked during the month. Depreciation is under the forecast by \$411 due to the large number of retirements that were booked during the month. A first time auto-retirement entry was booked that retires assess that are beyond their useful file. General taxes are over the forecast by \$(\$24) mainly due to an increase in school tax (\$29). Preferred dividends are over the forecast by \$(\$38) and are being investigated.

Other Income & Deductions:

Report Flaus - Currancy: Local, Version: Final, Subsidiary: SNO_SUB, Project: No Project, Water System: No Water System

Tuesday, January 15, 2008 4:32:00 PM

Close Status: Final source system data with prelim adjs and elims

Report ID: FRP.12 American Water Confidential

American Water						_	Income Statement - Quarter To Date Kentucky-American Dec QTD 2007 (\$ In Thousands)	t-Quarter To Da American D 2007 ousands)	ege G		
	5	QTD Actuals	QTD Reforecast	Variance Favorable (Unfavorable)	% Variance	QTD Plan	Variance Favorable (Unfavorable)	% Variance	OTD 1. Y.	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES. Water Revenues Sower Revenues Other Operating Revenues	- 20.5	12,396 84 594	l .	(724) 18 31	(5.52)% 26.91% 5.48%	~	(862) 18 121	(6,50)% 26.91% 25,56%	,193 85 459	m ~ 10	10.75% (0.98)% 29,38%
Management Revenues Operating Revenues OPERATIONS & MAINTENANCE EXPENSE	4	13,073	13,749	(9/9)	(4.91)%	13,797	(724)	(5.25)%	11,736	1,337	11.39%
PRODUCTION EXPENSES. Purchased Water Fuel and Power Chemicals	7 6 5	58 731 467	87 723 401	29 (8) (66)	33.64% (1.11)% (16.34)%	117 782 384	59 51 (83)	50.55% 6.55% (21.62)%	154 590 353	96 (141) (113)	62.22% (23.85)% (32.04)%
Waste Disposal Total production costs	∞	1,305	1,272	(32)	19.51% (2.53)%	1,331	(1)	(2.75)% 1.97%	156 1,254	107 (51)	68.53% (4.08)%
O&M LABOR & OVERHEAD. Labor Pensions	9 01	1,554	1,578	24 43	1.51% 28.32%	1,503	(51) 5	(3.42)%	1,283 192	(272) 83	(21.17)% 43.13%
Group insurances Other benefits Total ampliques related	12 13	372 54	430	(8)	13.36% (16.87)% 5.28%	413	(8)	9.96% (16.87)% (0.65)%	430 53 1 958	(1)	13.43% (2.79)% (6.76)%
Management fees	tt	1,908	2,125	217	10.21%	1,694	(214)	(12.61)%	1,796	(112)	(6.26)%
Shared business services Contracted services Total contracted services	15	196	, 182	(14)	(7.81)%	189	'68	(3.69)%	171	(25)	(14.58)%
Regulatory expense	16	103	1 55 E	31	23.35%	135	33 33	23.35%	90	(13) 46	(14.40)%
Customer Accounting Rents	. 82 £2	328	383	54.0	14.22%	354	25	7.13%	29 44	112	25.41%
General office expense Miscellaneous	27 52 53	153 261 761	121 431	(32) 170 (571)	(26.20)% 39.45%	102 455 635	(51) 194	(50.10)% 42.66%	124	(28) 511	(22.92)% 66.24%
Maintenance Total operations and maintenance expense	77	7,306	7,677	371	4.83%	7,174	(132)	(1.84)%	7,466	160	2.14%
Depreciation Amortization	23	1,134 126	1,840	706	38.38% 0.73%	1,776	643	36.18% (22.77)%	1,698 121	564 (5)	33.24% (3.78)%
Depreciation and amortization	75	1,260	1,967	707	35.95%	1,879	619	32.96%	1,819	560	30.77%
denotal taxes Impairment charges Total oneration expanses net	27	9 429	10.446	1.017	9.74%	022.6	341	3.49%	10.064	634	6.30%
Operating income		3,644	3,303	341	10.34%	4,028	(383)	(9.52)%	1,673	1,972	117.86%
OTHER INCOME & DEDUCTIONS Interest income Interest on long-term debt Interest on Short-Term Bank Debt	28 29 30	0 1,326	0 1,359 196	33 33	2.43%	1,547	222	14.32%	(2) 1,272 101	(54)	(100,00)% (4.27)% (157,83)%
5	3.5	1,587	1,555	(32)	(2.07)%	1,581	0 /	0.43%	1,436	(151)	100.00%
AFUDC - Equity AFUDC Deht	33	276	186	90	48.17%	186	90	48.17% 50.21%	46	230	497.96%
Amortization of Debt Expense Preferred dividends of subsidiaries (Consolidatio	32	212	37 (115)	16 (174)	43.80% (151.40)%	37	16 (59)	43.80%	82 '	(2) (59)	(13.06)%
Gain on sale of assets Non-Operating Rental Income Dividend Income - Common	36 36		, , ,	1 1 1						, , ,	
Dividend Income - Preferred Miscellaneous Income	38 8	' 88 ' 88	' m	25.	906.24%		- 28		. (54)	, 88	151.73%
Total other income	Ş	28	e c	25	906.24%	ء ا	28	155 28%	(54)	83	151.73%
Miscellandous Amoustation Miscellandous Other Deductions Total Other Deductions	} 4	6 6	, 25 c	, 21	(22.52)%	, , ,	(57)	(785.10)%	25,	(39)	(153.73)%
Other, net		36	3 05	(14)	(28.03)%	7	78	381.16%	80	(44)	305.46%
Total other income (deductions)		(1,181)	(1,485)	304	20,47%	(1.354)	172	12.73%	(1,472)	290	19.72%
Income (loss) before income taxes	ç	2,463	1,817	646	35.52%	2,674	(211)	(7.89)%	201	2,262	1,123,59%
State Income Taxes Federal Income Taxes Tax Saxino Acranistion Adiastment	4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	755	732	(23)	(3.10)%	901	146	16.19%	(966)	(1,751)	(175.79)%
State income taxes (non-operating) Federal income taxes (non-operating)	45	(E)	(E)	0	73.15% 384.84%	(1)	0	73.15% 384.84%	(10) (48)	(9) (37)	(89.34)% (76.74)%
Provision (Benefit) for Income Taxes Net income (loss)	ţ	1,580	833 984	(50) 596 70	(5.96)% 60.53%	1,021 1,653	138 (73)	13.54% (4.40)%	(985) 1,186 20	(1,867) 394 50	(189.63)% 33.26%
Net Income To Common Stack	/4/	1,502	984	517	52.53%	1,538	(37)	(2.37)%	1,166	335	28,75%
Current Year Retained Earnings		(411)	(550)	139	25.28%	(70)	(341)	(487.84)%	(88)	(323)	(368.88)%

Report Filters - Currency: USD, Version: Final, Bubsidlery: Project, No Project, Water System: No Water System

Tuesday, January 15, 2008 4:32:01 PM

American Water

QTD revenues are under the plan by (\$697). Water, which excludes intra-company revenue, is under by (\$835) mainly due to lower sales during the quarter. Sever revenue is over by \$18. Other revenues are over the plan by \$121 due to increased reconnection and application fees associated with increased shut-off non-pay orders.

Operating Expenses:

Production expenses are at the plan level. Chemical expense is over the plan by (\$83) due to source water quality. This is offset by sawings in purchased water \$32 and fuel and power \$51.

Labor related expenses are over the plan by (\$14). Labor is over (\$51) mainly due to the transfer of service company employees to Kentucky offset by higher capital labor. Group insurance is under the plan by \$41. Management fees are over the plan by (\$214) mainly due to SOX related expenses.

Miscellaneous is under the plan by \$194 mainly due to transportation and the reversal of penalties \$162. Maintenance expense is over the plan by (\$156) mainly due to increased net negative salvage from the large number of retirements that were booked during the month.

Depreciation is under the plan by \$643 due to the large number of retirements that were booked in December as well as the deby in some of the construction projects at the Kentucky Nexe Sabino. General taxes are over the plan by (\$147) mainly due to an increase in property tax and school tax (\$87), Preferred pividents are over the plan by (\$59) and are boing investigated.

Other Income & Deductions:

Tuesday, January 15, 2008 4:32:02 PM

Report ID: FRP.12 American Water Confidential

Operating Revenues:

Tuesday, January 15, 2008 4;32:03 PM

Income Statement - Quarter To Date Kentucky-American Dec 2007 (\$ In Thousands) Variance Explanation QTD Actual Vs. QTD Reforecast

Other Income & Deductions:

Operating Revenues:

QTD revenues are under the forecast by (\$649). Water, which excludes intra-company revenue, is under by (\$697) mainly due to lower sales during the quarter. Sewer revenue is over by \$18. Other revenues are over the forecast by \$31.

Production expenses are over the forecast by (\$59) mainly due to chemicals. Chemicals are over the forecast (\$66) due to source water quality.

Operating Expenses:

Labor related expenses are under the forecast by \$117. Labor is under \$24, pension expense is under \$43 and group insurance is under by \$57.

Management fees are under the forecast by \$217. Miscellancous is under the forecast by \$170 mainly due to the reversal of penalties \$162. Maintenance expense is over the forecasts by \$171) mainly due to increased response as over the forecasts by \$171) mainly due to increased ear inegative salvage from the large number of retirements that were booked during the month. Despeciation is under the forecast by \$706 due to the large number of retirements that were booked in Descenber as well as the delay in some of the construction projects at the Kentucky River Station. Preferred dividends are over the forecast by \$174) and are being investigated.

Close Status: Final source system data with prelim adjs and elims Report ID: FRP.1.3 American Water Confidential

ncome Statement - Year To Date Kentucky-American Dec YTD 2007 (\$ In Thousands)

250.61% 250.02)% (20.02)% (14.58)% 285.21% 14.13% 69.00% (21.83)% 6.71% 12.37% 16.17% (15.36)% 22.49% (2.52)% (51.61)% (9.63)% (13.73)% 4.48%
4.48%
(1.07)%
11.16%
(1.83)%
41.71%
(0.14)%
41.78%
2.16%
(1.91)% 6.39% (9.76)% 5.36% (6.43)% 5,643.22% 8.99% (246.35)% 158.54% (5.71)% 207.96% (229.95)% (3.01)% (100.63)% (200.39)% (200.36)% 31.98% 0.08% 32.55% (107.81)% (30.44)% % Variance 36 36 36 (4) 72 72 (26) 22 22 335 49 49 (525) 429 (45) 385 (185) 3,141 37 309 (792) 168 (41) (741) (76) (908) 125 460 (1,007) 103 (319) 569 (268) 327 327 327 0 (41) (286) 802 3,964 (99) (2,259) (2,259) (2,259) (144) (2,531) 1,433 1,433 (730) Variance Favorable (Unfavorable) (2) 5,111 409 65 5,583 117 73 46,795 303 1,912 (130) (130) 279 278 278 408 408 5,745 455 979 979 (142) 1,263 4,482 4,482 4,403 2,006 37,591 ۲. ۲. ۲. ۲. 0.05% 22.50% 17.46% 9.32% 9.32% 7.77% 26.15% 4.84% 1.72% 34.34% 35.14% 3.51% 6.78% (7.06)% 18.20% (385.82)% 1.27% 23.75% 24.30% 42.90% 100.78)% (33.22)% 28.39% (82.87)% 40.73% (35.37)% 56.20% 70.45% 4.47% (6.39)% 12.16)% 6.67% (1.91)% (27.26)% (1.93)% (1.49)% (3.57)% (7.62)% 155.28% (15.06)% (14.59)% (55.99)% 9.73% 30.23% (52.01)% (24.77)% % Variance 196 196 196 142) (41) (41) (156) 525 2,254 (190) (190) (64) (90) (31) (381) 1,308 (381) 1,308 (381) 1,308 (108) (1 79 79 31 204 (38) 2 8 700 505 1,020 587 (94) 494 494 127 1,035 (1,124) 38 76 33 62 24 (112) (124) (124) (23) (291) (532) 162 75 56 Variance Favorable YTD Plan (Unfavorable) 848 848 448 781 1,387 1,387 2,003 2, 5,978 681 309 131 49,912 278 1,891 5,837 456 1,654 199 8,146 6,988 277 278 278 278 (5,397) 365 365 2,595 (23) (89) 2,848 4,607 4,607 4,007 1,067 5,686 291 (1.23)% 7.82% 4.01% 0.55% 0.55% 7.76% 6.91% 5.33% (4.05)% 13.73% 13.73% 10.41% 0.25% 9.73% 62.82% 0.09% (3.79)% 5.92% 4.00% 0.00% 4.03% (18.50)% 0.000% (0.44)% 14.59% 22.87% 100.00)% 13.81% 13.81% 1,470.12% (2.58)% (2.45)% (11.68)% 7.09% 14.94% (6.69)% (6.04)% 27.64% 83.82% (5.91)% 21.59% %(96.0) (9.37)% 58.34% 0.60% 6.46% 2.67% 3.76)% 1.34% 2.56% (620) 25 86 0 7 (212) 1,050 79 972 972 (357) 38 46 45 11 198 198 31 80 80 2 208 208 208 208 713 713 731 731 732 731 732 731 195 (221) 0 (26) (26) 104 49 22 22 (206) 24 24 0 (8) (8) (16) 372 1,262 (35) (184) Variance Favorable (Unfavorable) YTD Reforecast 50,555 315 2,136 5.5,885 620 1774 (127) 4,847 1,195 (38) 5,876 739 335 97 (206) 172 172 0 311 311 139 (5,244) 8,447 8,447 3,054 394 2,830 1,630 277 5,132 3,582 4,865 0 4,865 3,812 1,053 49,936 340 2,222 196 196 319 319 319 (4,872) YTD Actuals 147 2,828 1,692 261 261 4,927 5,948 580 1,686 222 8,436 7,520 769 769 374 1,425 30 471 1,425 30 471 1,425 22,235 28,068 6,287 6,791 3,057 37,916 14,581 (127) 4,652 1,416 (38) 5,902 843 384 75 9,709 554 3,238 3,794 5,915 79 5,837 4,169 1,667 24 23 32 33 34 35 36 37 38 38 39 4 t 45 45 46 46 25 8888 Amortization of Debt Expense Preferred dividends of subsidiaries (Consolidatio OPERATIONS & MAINTENANCE EXPENSE otal operations and maintenance expense Federal Income Taxes
Tax Saving Acquisition Adjustment
State Income taxes (non-operating)
Federal Income taxes (non-operating)
Provision (Benefit) for Income Taxes
Net Income (Jesse) DITHER INCOME & DEDUCTIONS.
Interest Income Income (loss) before income taxes nterest on long-term debt nterest on Short-Term Bank Debt Miscellaneous Amortization Miscellaneous Other Deductions Gain on sale of assets Non-Operating Rental Income Dividend Income - Common Dividend Income - Preferred (otal other income (deductions) Current Year Retained Earnings Impairment charges Total operating expenses, net Operating income Net Income To Common Stock Common Dividend Declared Sewer Revenues Other Operating Revenues Management Revenues Operating Revenues Amortization Depreciation and amortization Regulatory expense Insurance Other Than Group Customer Accounting **O&M LABOR & OVERHEAD** Preferred Dividend Declared Shared business services Contracted services Total contracted services OPERATING REVENUES Total employee related **Fotal Other Deductions** Seneral office expense Other Interest Expense Miscellaneous Income **Fotal other income** Naste Disposal Fotal production costs otal interest expense State Income Taxes Labor Pensions Group insurances Other benefits Management fees Purchased Water Fuel and Power VFUDC - Equity Seneral taxes

Tuesday, January 15, 2008 4:32:03 PM

Tuesday, January 15, 2008 4:32:04 PM

Operating Revenues:

YTD revenues are over the plan by \$444. Water, which excludes intra-company revenue, is over by \$51. Sewer revenue is over by \$62. Other revenues are over the plan by \$330 due to increased reconnection and application fees associated with increased shut-off non-pay orders.

Operating Expenses:

Production expenses are under the plan by \$325 mainly due to the elimination of intra-company purchased water \$323. Fuel and power is under the plan by \$121 at the the cheesed system feelings, in 67fet by increased Chemical expense (\$102) due to source water quality. Waste disposal is over the plan by \$128) due to increased thiosulfate usage for dechloritation.

Labor related expenses are over the plan by (\$291). Labor is over (\$112) mainly due in the transfer of service company employees to Kentucky. Pension requests is also over the plan by (\$124), Management fees are over the plan by (\$1531) mainly due to SOX related expenses. Insurance other than group is under the plan by \$2194 due to retro adjustments earlier in the year as well as higher than planned capital credits.

Miscellaneous is under the plan by \$700 due to transportation \$166, miscellaneous operations \$48 communications \$48 and the reversal of penalties \$396. Maintenance expense is under the plan by \$505. This is mainly due to savings in materials and supplies \$188, miscellaneous maintenance \$110 and more construction related paving than forecasted \$130.

Other Income & Deductions:

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Report ID: FRP.13
American Water Confriential

Kentucky-American Dec 2007 (\$ In Thousands) Variance Explanation

American Water

Operating Revenues:

Operating Expenses:

Other Income & Deductions:

Report Filters - Outrancy: Local Version; Filtel, Subsidiary: SNO_SU Preject No Persion Water Suction: No Water Scatter Income Statement - Year To Date Kentucky-American Dec 2007 (\$ In Thousands)

Variance Explanation YTD Actual Vs. YTD Reforecast

YTD revenues are under the forecast by (\$482). Water, which excludes intra-company revenue, is under by (\$593) mainly due to lower sales during the last form months of the year. Sewer revenue is over by \$25. Other revenues are over the forecast by \$86 mainly due to increased reconnection and application fees.

American

Operating Revenues:

Tuesday, January 15, 2008 4:32:06 PM

Other Income & Deductions:

Operating Expenses:

Production expenses are under the forecast by \$178 mainly due to the elimination of intra-company purchased water \$221. Chemicals are over the forecast by (\$52) due to difficult to treat source water during the drought period this fall as well as elevated source water turbidity in December.

Labor related expenses are under the forecast by \$115. Labor is under \$36 due to more capital related work and less overtime than forecasted. Pension expense and group insurance were both under the forecast by \$40 and \$46 respectively.

Management fees are under the forecast by \$198. Regulatory expense is under \$31 due to a smaller amortization of rate case expense. Customer accounting tunden the forecast by \$30 due to bown underliedite expenses \$12.1 offset by increases in halfs service charges \$(\$20), calciforing agenties \$(\$12) and forms \$(\$9). Mischallencous is under the forecast by \$208. This smanh due to the reversal of penalties \$160 and reduced mischalencus expenses \$60.

Maintenance expense is over the forexast by (\$154). This is due to not negative salvage being over \$(296) due to the large number of retirements that were booked during December as well as savings in materials and supplies \$59, miscellaneous maintenance \$43 and more construction related paving than forecasted \$29. Depreciation is under the forecast by \$731 due to the large number of retirements and the auto-enterenent enty that was booked in December as well as the days in some of the construction projects at the kothucky River Station. General taxes are over the forecast by (\$450) mainly due to an increase in school tax (\$807) offset by savings in payroll taxes. Preferred dividends are over the forecast by (\$2,06) and are being investigated.

Report ID: FRP.2.0 American Water Confidential

Revenue Variance Summary Dec 2007 (\$ In Thousands)

American

Month to Date

Rates Demand

Water

Growth

Close Status: Final

source system data with Kentucky-American In Kentucky-American_I | Kentucky-American KY-Operations KY-Pineville Sewer KY-Management Cont KY-Corporate Other Water Revenue Variances Wastewater Revenue Variances Other Revenue Variances Number of Customers Balancing Accounts

Quarter to Date

	Kentucky Growth	KY-Corporate	KY-Pineville Sewer	KY-Pineville Sewer KY-Management Cont	KY-Operations	Kentucky-American I	KY-Operations Kentucky-American In Kentucky-American_I	Kentucky-American
Water								
Rates	1							•
Demand	•			•				0
Number of Customers	•			,				0
Balancing Accounts	•						,	
Growth	1						,	•
Other Water Revenue Variances	•		,				•	1
Wastewater Revenue Variances	•			•	=======================================	<u>8</u>	•	18
Other Revenue Variances	-			r:			-	1
Total	•	124	t		848	3	-	724

- 3	
9	
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- 3	
•	
•	į

Year to Date						
	Kentucky Growth	KY-Corporate	KY-Pineville Sewer KY-Management Cont	KY-Operations	Kentucky-American In Kentucky-America	an_I Kentucky-American
Water						
Rates	•		1		ı	ī
Demand	•		•		1	1
Number of Customers					i	•
Balancing Accounts	•				,	
Growth	· r		,		ı	1
Other Water Revenue Variances	•					
Wastewater Revenue Variances	•		,		1	•
Other Revenue Variances	-					1
Total	-					•

Report Discussion:

Tuesday, January 15, 2008 4:32:08 PM

Tuesday, January 15, 2008 4:32:08 PM

Close Status: Final source system data with prelim adjs and elims

Report ID: FRP,3,0

Balance Sheet Kentucky-American Dec YTD 2007 (\$ In Thousands)

American Water.

26.6% 15.4% (12.6)% 32.8% 224.6% 35.8% 405.7% (21.4)% 14.5% 2.1% (67.5)% (90.5)% 23.1% (100.0)% 16.6% 76.8% 82.8% (100.01)% (525) 38 52 52 (407) (3,708) 0 12 (4,100) 2,774 320 391 65 (459) 338 Increase (Decrease) 327,533 11,763 (75,828) 348 2,453 (261) 2,510 603 4,096 516 3,611 463 Prior Yr. Dec 69 10,065 150 9,754 283.885 (66.7)% (86.0)% 50.0% 26.1% (48.9)% (78.3)% 38.8% 44.1% 2.6% % Variance (23,488) 21,519 10,900 327 (5,547) 36 2,562 196 (2,393) 212 4,056 17 (5,715) (6,727) 486 (798) 6,385 3,181 Increase (Decrease) 2,781 423 9,189 (91,335) 277,086 7,475 (259) 1,196 603 8,586 134.1% (12.7)% 21.9% (13.4)% (51.9)% 114.5% 8.7% 72.3% (13.5)% 11.5% 0.8% 0.0% 0.8% 74.3% 1,568 (279) 62 62 (398) (212) 3,058 51 51 (112) 3,737 478 780 50 2,134 Increase (Decrease) 2,207 (286) 2,960 408 (2,670) 584 1,079 562 Reforecast 284,211 250 284,460 193 2,227 3,664 368 3,693 437 344,933 21,519 (80,435) 327 1,928 (223) 2,562 196 388 635 286,344 250 286,594 81 5,965 6,385 846 1,859 486 398 3,181 488 Regulatory assest - income tax recovery
Debt and preferred stock expense
Deferred postretirement benefit expense
Deferred security costs
Deferred security costs
Deferred security costs
Deferred users services project expens
Deferred integration costs
Deferred and painting costs
Deferred and painting costs
Deferred and painting costs
Asset premium recoverable thru rates
Environmental remediation recoverable thr
Regulatory Assets
Other regulatory Assets
Other regulatory Assets Cash and Cash Equivalents
Restricted funds
Littly customer accounts receivable
Allowance for uncollectable accounts
Accraed utility revenues
Other receivables, net
Taxes receivable, including federal income
Materials and supplies
Receivable from affilialed companies
Other Current Assets Construction Work in Progress
Accumulated Deprecation
Utility Plant Acquisition Adjustments
Other Utility Plant Adjustments
Total Utility Plant Adjustments
Total Non-Utility Plant Net
Total property, plant and equipment Goodwill Intangible assets Other Long Term Assets Total Regulatory & Other L/T Assets Long term receivable from affiliate Funds restricted for construction Current Assets otal Assets

Total Assets		305,804	296,491	9,313	3.1%
Capital & Liabilities					
Common Stock	32	36,569	36,569	0	0.0%
Paid in Capital	36	8,056	8,056	0	0.0%
Retained Eamings	37	30,024	29,348	675	2.3%
Accumulated other comprehensive income	38	•	•	•	
Unearned compensation	39	,	•	,	
Treasury stock	40	1	•	•	
Common stockholder's equity		74,649	73,973	675	0.9%
Preferred Stock without mandatory redemp	41	1,467	1,467	0	%0.0
Long term debt	42	79,800	79,800	0	0.0%
Redeemable preferred stock at redemption	43	4,500	4,500	0	0.0%
Total Capitalization		160,415	159,740	675	0.4%
Short Tem Debt	44	19,356	16,947	2,409	14.2%
Current Portion of Long-term Debt	45	3,100	3,100	0	0.0%
Current portion of redeemable stock at red	46		•		
Accounts Payable	47	6,308	3,423	2,886	84.3%
Taxes Accrued	48	5,202	2,727	2,475	80.8%
Interest Accrued	49	1,143	957	186	19.4%
Total Other Current Liabilities	20	2,027	1,783	244	13.7%
Total Current Liabilities		37,137	28,937	8,200	28.3%
Customer Advances for Construction	51	14,653	16,852	(2,199)	(13.0)%
Deferred Income Taxes	25	32,882	35,618	(2,736)	(7.7)%
Deferred Investment tax credits	53	1,218	1,246	(28)	(2.3)%
Regulatory liability-cost of removal	54	12,241	8,221	4,020	48.9%
Accrued pension expense	22	2,174	2,220	(46)	(2.1)%
Accrued postretirement benefit expense	20	384	. 193	191	88.9%
Other Deferred Credits	27	1,115	219	896	408.8%
Regulatory & Other Long Term Liabilities		64,667	64,570	26	0.2%
Contributions in aid of costruction	28	43,585	43,244	341	0.8%

190.0% (88.6)%

12,682 (24,000)

6,674 27,100

550.4%

175.5% 29.1%

2,290 4,029 0

86.5% (9.7)%

29,900

0.6% (3.6)% (19.0)%

478 (55) (18,754) 4,500 (13,831)

174,246 2,976

74,170 1,522 98,554

0.0% 0.0% 6.1%

36,569 8,056 28,295

(18.0)% 14,547.9% 1.6%

(8,000) 8,001 477

44,569 55 29,546

(3.4)% 86.9% 86.9% (40.9)% 86.9% (12.7)% (28.6)% (5.5)% (6.5)% (6.5)% (6.5)% (8.7)% 12.1% 23.% 2.3%

(220) (3,603) 531 (295) (1,840) (2,002) (2,002) (2003) 4,644 (2003) 4,644 (2003) 1,445 3,750

6,529 8,805 612 2,322 2,322 14,884 1,393 7,597 2,382 343 343 343 83,835

4,018 1,173 1,143 (8,595) 17,220 17,220 (3,520) 12,241 (555) 77 1,202 77 1,202 73,125 74,585

10,622 19,917 64,441 36,402

(20.3)% 25.2% 1,381.3% (37.7)%

2,729 307 (87) 103,792

43,585 305.804

otal capital and liabilities

Apport Filters - Currency: USD, Version: Final, Subsidiary: All Subsidiarie Project No Project, Water System: No Water System

Tuesday, January 15, 2008 4:32:09 PM

Report ID: FRP.3.0 American Water Confidential

Balance Sheet Kentucky-American Dec 2007 (\$ In Thousands)

Variance Explanation Actual Vs. Plan

American Water.

Assets:

15

Tuesday, January 15, 2008 4:32:09 PM

Report ID: FRP.3.0 American Water Confidential

Balance Sheet Kentucky-American Dec 2007 Variance Explanation Actual Vs. Plan

Capital & Liabilities:

Report Filters - Currency: Local, Version: Final, Subsidiary: SNO_SUB, Project: No Project, Water System: No Water System

16

American Water

Tuesday, January 15, 2008 4:32:10 PM

Report ID: FRP.3.0
American Water Confidential

Balance Sheet Kentucky-American Dec 2007 (\$ In Thousands)

Variance Explanation Actual Vs. Prior Year

1





Assets:

Tuesday, January 15, 2008 4:32:10 PM

Report ID: FRP.3.0 American Water Confidential

Balance Sheet Kentucky-American Dec 2007 Variance Explanation Actual Vs. Prior Year

American Water

Capital & Liabilities:

18

Tuesday, January 15, 2008 4:32:12 PM

Balance Sheet Kentucky-American Dec 2007 (\$ In Thousands)

Report ID: FRP.3.0 American Water Confidential

Variance Explanation Actual Vs. Reforecast

19



Assets:

Tuesday, January 15, 2008 4:32:12 PM

Report ID: FRP.3.0 American Water Confidential

Balance Sheet Kentucky-American Dec 2007 Variance Explanation Actual Vs. Reforecast

American Water

Capital & Liabilities:

20



Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business basis (AWE)

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar. Potential risks and opportunities have been identified and mitigating action plans have been developed.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) Regional Finance Director or Vice President

(Date)

Tuesday, January 15, 2008 4:32:12 PM

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Monthly Financial Review Package

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AWFRP 1.1 - Income Statement - MTD	
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AWFRP 1.1 - Income Statement - MTD Actual Vs MTD Reforecast	
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AWFRP 2.0 - Result of Operations - Revenue Variance	
E00012	8



Monthly Financial Reviews

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I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

Regional Finance Director or Vice President (Signature)

(Date)

Thursday, February 14, 2008 10:26:11 AM

(1.28)% 1,252.93% (194,867.85)% (27,556.68)% (36.93)% 1.43% (1,367.42)% 1,187.24%

, 42 24 25 24 1 (24)

(66.29)% (35.24)% (89.16)% 61.86% (82.88)% 84.80%

(531) 757 48 279 279 (31) (21) 303 454

Tax Saving Acquisition Adjustment State income taxes (non-operating) Federal income taxes (non-operating) Provision (Benefit) for Income Taxes

ncome (loss) before income taxe:

Fotal other income (deductions)

Miscellaneous Amortization Miscellaneous Other Deductions **Total Other Deductions**

Aiscellaneous Income Otal other income

Report ID: FRP.1.1

Close Status: Final source system load with prelim eliminations

Income Statement - Month To Date

Kentucky-American Jan 2008 (\$ In Thousands)

50.22%
(334.11)%
(43.21)%
(5.53)%
(5.53)%
(5.9.74)%
(6.92%
(10.56)%
26.15%
26.15%
23.87%
4.22% 25.93% (8.57)% 24.84% (12.13)% (44.21)% (5.40)% (11.15)% (12.59)% 41.19% 104.47% 104.47% 0.00% 16.47% 16.47% 88.00% (100.00)% (14.37)% (144.14)% (24.76)% % Variance (2) 36 <u>1</u> (51) (51) (51) (51) (51) (52) (7) (7) 21 21 14 14 13 (35) (7) (7) (278) (2 Variance Favorable (Unfavorable) 3,382 28 28 146 -(21) (21) 0 85 85 85 106 (525) (2) 427 35 MTD Pr. Yr. 4.59% (30.51)% (30.51)% (30.51)% (30.51)% (30.51)% (30.31)% (40.31)% (40.51 25.87% 30.22% (22.43)% (1.49)% 2.62% 15.05% 3.42% (11.77)% 155.28% 29.00% 184.28% (30.00)% 10.55% 71.80% (55.40)% (64.22)% % Variance 29 29 29 (30) (30) (17) (109) (143) (15) 28 (15) 29 (15) 2 Favorable (Unfavorable) 4,323 25 159 0 100 100 100 100 (594) 441 441 170 170 160 280 280 280 280 280 280 242 MTD Plan 4,259 25 182 (543) (583) (148) (774) (351) (317) (317) (317) (318) (419) (519) (519) (519) (519) (519) (619) (488) (87) (71) 70 70 757 757 (48) (279) 21 3 3 454 Variance Favorable (Unfavorable) MTD Reforecast 4,259 25 182 488 87 MTD Actuals 2 23 25 3385 OPERATIONS & MAINTENANCE EXPENSE PRODUCTION EXPENSES.

OTHER INCOME & DEDUCTIONS

otal operating expenses, net

epreciation and amortization

otal operations and mainte

ral office expense

Regulatory expense nsurance Other Than Group

ustomer Accounting

Shared business services Contracted services otal contracted services

otal employee related

Management fees

sterest on long-term debt sterest on Short-Term Bank Debt

otal interest expense

Amortization of Debt Expense Preferred dividends of subsidiaries

Gain on sale of assets Non-Operating Rental Incom

Net Income To Common Stack Common Dividend Declared

Preferred Dividend Declared

Sewer Revenues Other Operating Revenues Management Revenues Operating Revenues

OPERATING REVENUES
Water Revenues

D&M LABOR & OVERHEAD

Vaste Disposal Fotal production costs

Operating Revenues:

Operating Expenses:
Purchased vater is under plan by \$43 due to no intra-company purchased water expense. The budget includes purchases from Owerton by Tri-Village in the Northern district but this will no longer happen due to the December 2007 rate order and single tariff pricing across the company. This will also be reflected in revenue and should have a zero effect to not known.

Fiel and power expense is over the plan by (\$112). This is mainly due to increased power costs. Also, during the month, tests were conducted on new equipment that was placed in service. These tests required approximately 138 MG of water to be transferred that was not budgeted. The power costs for these tests is approximately (\$19) and a request to have these costs reclassed to the project will be submitted in February.

Contract services has a favorable variance of \$29 but \$22 of this is due to timing and will be spent later in the year,

Regulatory expense is under plan by \$511. This devocable to the condition of the planned. These costs were planned to be amortized \$511. This favorable variance is due to reduced rate case expenses and a longer amortized over 50 months. Another period until the next rate case was filed, however, per the December 7007 rate order these costs will be amortized over 56 months.

Customer accounting is under plan by \$69 due to the uncollectible expense. A favorable uncollectible rate ,5% as well as an adjustment to the reserve account for this variance.

Maintenance expense is under plan by \$52 mainly due to maintenance agreements (Hach, etc.) being budgeted in January but paid evenly over the course of the year.

Depreciation is under plan by \$187 and is being investigated. Approximately \$45 of this variance is due to the increased net negative salvage expense that resulted from a correction to the rates used in power plant. The budget included the lower rates that were used in mid-2007.

Miscellaneous other deductions is under plan by \$29 with \$5 being savings and \$24 being due to timing.

Preferred dividends has a favorable variance of \$32 due to the \$4.5M 8.47% Issue being included in both long-term debt and preferred dividends.

Other Income & Deductions:

Report ID: FRP.1.1 American Water Confidential

> Kentucky-American Jan 2008 (\$ In Thousands) Variance Explanation

American Water。

Operating Revenues:

On the state of th

Report Filters - Currency; Local, Version; Final, Subsidiary; SNO_SUB Project Ms Project Mana Section No Wester States

Close Status: Final source system load with prelim eliminations Report ID: FRP.1.3 American Water Confidential

income Statement - Year To Date Kentucky-American Jan YTD 2008 (\$ In Thousands)

American Water.

Company Comp				Æ	Favorable			Favorable		Œ,	Favorable	
1	OPERATING REVENUES		TD Actuals	Reforecast	(Unfavorable)	% Variance	ا۔		% Variance		(Unfavorable)	% Variance
1	Vater Revenues	← (4,259	•	4,259		4,323	(64)	(1.49)%	3,382	877	25.93%
## 4477	iewer Kevenues Other Operating Revenues	NΘ	25 182 182		25 182		55 55 56 57	24	2.62%	146	36 (2)	(8.57)% 24.84%
The color of the	Janagement Revenues	4	-	•	1		1 000	1 65	3	1 0	1	200
1			704,4	•	4,40/		4,500	(40)	%(09.0)	3,330	 	23.01%
1	MAIN LENANCE EN KPENSES											
1 1 1 1 1 1 1 1 1 1	urchased Water	വ	278	•	(5)		49	43	89.02%	38	32	85.85%
1	the micals	7	118		(118)		121	2 2	1.98%	115	(E)	(2.90)%
1	Vaste Disposal	00	23		(23)		20	(2)	(10.63)%	26	6	12.71%
1	otal production costs		424	•	(424)		355	(88)	(19.24)%	265	(159)	%(60.09)
1	DAM LABOR & OVERHEAD	c	543		(649)		091	96	4 500	909	(40)	740 19/8
1	ensions	. O	£ 68		(58)		303 43	(15)	4.33%	40	(18)	(44.21)%
1.2 7.34 1.04 1.05 1	iroup insurances	: =	148	1	(148)		165	17	10,21%	141	(<u>(</u> (8)	(5.40)%
1	other benefits	12	24	,	(24)		19	(9)	(30.60)%	22	(2)	(11.15)%
1 2 15 15 15 15 15 15	otal employee related		774	•	(774)		796	53	2.85%	687	(87)	(12.59)%
14 317 318	lanagement fees	13	351	•	(351)		321	(30)	(6.33)%	265	246	41.19%
15	hared husiness services	14	317	,	(317)		322	LC:	1.53%	,	(317)	
1	ontracted services	. to	. 4	•	(41)		5	29	41.16%	82	41	50.22%
15 54 54 54 54 54 54 54	otal contracted services		358		(358)		391	34	8.59%	82	(275)	(334,11)%
17 255 251 251 252	egulatory expense	16	43	•	(43)		7.5	31	42.19%	30	(13)	(43.21)%
18 23 19 19 19 19 19 19 19 1	surance Other Than Group	17	32 32	•	(55)		09	9 ;	9.33%	52	<u></u>	(5.53)%
The control of the	ustomer Accounting ents	∞ 5	29		(20)		128	69	54.17%	89	€ €	33.87%
The control of the	eneral office expense	2 8	. 19	•	(61)		46	(15)	(33.24)%	47	<u>(</u> 4)	(29.74)%
1	liscellaneous	21	126	•	(126)		139	52	9.49%	135	, (5)	6.92%
22	laintenance otel prenations and maintenance expense	22	191	•	(191)		243	111	21.52%	225	34	15.12%
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,		۶	1 200	•	(403)		2007		70 to	2,7,5	143	76 15%
145 145	epreciation	3 2	45		(42)		34	(8)	(22.77)%	39	<u>}</u> @	(8.07)%
25	epreciation and amortization		445		(445)		624	179	28.75%	584	140	23.87%
27 3.178 3.472 2.83 8.45% 3.097 (E) 28 4.88 1,288 1,035 2.54 2.412% 4.99 8.29 29 4.88 1,128 1,035 2.54 2.412% 4.99 8.29 30 87 (4.81) 505 17 3.42% 4.27 (61) 31 575 (57) 77 (9) (11.77% 3.5 (51) 32 82 82 66 17 2.8,87% 45 (51) 32 82 82 66 17 2.8,87% 45 (51) 32 82 1,47 6 (1) 2.2,87% 45 (51) 34 7 7 7 7 6 (1) 2.2,43% (6) 34 7 7 7 7 6 (1) 2.2,43% (7) (7) 35 1 1 2 8	eneral taxes	22	287	•	(287)		289	es	1.00%	299	13	4,22%
1,286 1,286 1,535 1,545 24,52% 456 829 829 30 31 34,2% 455	npairment charges	27	2 178		- (9 178)		- 24 472	- 202	8 45%	7 00 5	(83)	70 63/07
28 488 (488) 505 17 3.42% 427 (5) 310 87 - (488) 505 17 3.42% 427 (61) 310 87 - (87) 77 6 (11,77)% 35 (61) 31 555 - (57) 77 6 (11,47)% 427 (61) 32 82 - 82 65 17 226.87% 37 46 33 - - 82 65 17 226.87% 37 45 34 - <td>perating income</td> <td></td> <td>1,288</td> <td></td> <td>1,288</td> <td></td> <td>1,035</td> <td>254</td> <td>24.52%</td> <td>459</td> <td>829</td> <td>180.64%</td>	perating income		1,288		1,288		1,035	254	24.52%	459	829	180.64%
28 488 . (488) . 505 .	THER INCOME & DEDUCTIONS	ć								ξ	Ę	2000 0017
10 10 10 10 10 10 10 10	terest income terest on long-term debt	82 g	488		(488)		, 707	. 1	3 42%	(Z) 427	(2)	(100.00)%
31 576 576 576 583 8 140% 461 (114) 32 82 2 82 83 83 9 9 90.22% 17 (22) 33 33 2 2 2 2 2 2 2	terest on Short-Term Bank Debt	3 8	87	•	(87)		77	6	(11.77)%	35	(51)	(144.14)%
1.5	ther Interest Expense	31	575		(675)		- 883	۱	1 40%	781	(114)	761%
32 38 34 45 45 45 45 45 45 45	מים ווויבובטו בעליבווסב		25	Ī	(676)		200	• !	0.04-1	7		M(01.42)
34 7 7 7 6 (1) (22.43)% 6 (1) 26 -	FUDC - Equity FUDC Debt	3 23	39		39 82		65 30	71 9	25.87% 30.22%	37	(22)	120.72% (128.37)%
26 1	mortization of Debt Expense	34	7	•	6		9	€	(22.43)%	9	€	(20.04)%
26 -	referred dividends of subsidiaries (Consolida	tio 35	•	1	•					6	7	100.00%
37 -	ain on sale of assets	26	•	•	•			•			•	
38 1 1 21 21 40 1 1 1 21 21 41 1 1 1 2 1 21 21 41 71 1 0 0 155.28% 0 0 0 41 71 1 100 29 250.08% 85 14 70 7 70 1 100 29 250.08% 85 14 70 7 70 1 100 29 250.09% 106 (35) 14 70 757 7 1 100 63 10.55% (525) (7) 42 48 7 7 7 441 316 71.80% (66) 822 45 29 2 7 1 7 1 1 1 1 1 1 1 1 1 1 1 1 1	on-Uperating Kental Income ividend Income - Common	37										
39 1 - 1 (21) 21 40 0 - 1 (21) 21 41 71 - (71) 100 29 29.08% 85 14 71 - (71) 100 29 29.08% 85 14 70 - (71) 100 29 29.08% 85 14 70 - (71) 100 29 29.08% 85 14 70 - (71) 100 29 29.08% 85 14 70 - (71) 100 (30 30.00% 106 (35) 17 70 - (72) - (73 17 105% (55) (7) 70 - (72) - (73) 170 (109) (64.20% 0 17 46 (31) - - (48) 17 (11) (279)	ividend Income - Preferred	38	•	•	•		1	ı		1	î	
40 0 0 0 155.28% 0 0 41 71 - (71) 100 29 23.00% 85 14 71 - (71) 100 29 29.08% 85 14 70 - 77 100 29 29.08% 85 14 70 - 77 100 (30) 80.00% 106 (35) 72 757 - 757 441 316 71.56% (55) (77 42 48 279 - 757 441 316 71.06% (65) 822 48 37 279 170 (109) (64.20% (4) (77) 40 31 - 3 (10) (62.20% (4) (27) 41 23 (10) (62.20% (4) (27) (48) 42 48 33 (303) 160 (13)	iscellaneous Income	38		•			t	-		(21)	21	104.47%
410 10		;	,	•	- ,		. ,	- ,		(2)	7 '	04.47.00
71 (71) 100 29 29,08% 85 14 70 70 70 100 (30) (30,00)% 106 (35) 42 42 48 757 441 316 71,80% (65) 822 45 29 2,00% 41 31 (17) (65) 822 (7) 46 (3) 20 2,00% 41 (103) (64,23)% (7) (48) (41) (70) (48) (41) (70) (48) (42) (48) (48) (41) (70) (48) <	iscellaneous Amortization iscellaneous Other Deductions	40	0 F		0.11		100	29	755.28%	85 0	0 41	0.00%
To To To To To To To To	otal Other Deductions		F		(17)		100	29	29.08%	85	14	16.47%
S31)	ther, net		70	٠	70		100	(30)	(30.00)%	106	(32)	88.00%
42 48 - 757 441 316 71.80% (66) 822 43 279 - (279) 170 (109) (64.23% 0 (46) 46 (3) - 27 (7) (7) (65.29% (4) (27) 47 (21) - 21 (32) (11) (65.29% (4) (27) 303 - (303) 160 (13) (85.24% (21) 0 48 454 - 454 280 173 61.86% (42) 495 48 7 7 38 (32) 62.89% (42) 495 47 - 47 242 205 84.80% (42) 495 47 - 47 242 205 84.80% (42) 495	otal other income (deductions)		(531)	,	(531)		(594)	63	10.55%	(525)	6	(1.28)%
42 48 - (48) 31 (17) (55.40)% 0 (48) 43 229 - (279) 170 (109) (64.22)% 1 (278) 46 (3) - 3 (8) (5) (65.29)% (4) (2) 47 (21) - 21 (32) (11) (52.24)% (21) 0 303 303 303 160 (143) (85.24)% (4) (2) 48 454 - 454 280 173 61.86% (42) 495 48 7 7 38 (32) 62.86% (42) 495 47 - 47 242 205 84.80% (42) 489 47 - - 47 47 242 205 84.80% (42) 489	come (loss) before income taxes		757	•	757		441	316	71.80%	(99)	822	1,252,93%
43 279 (279) 170 (109) (64,2)% 1 (278) 46 (3) 3 (3) (4) (27) (1) (65,29)% (4) (2) 47 (21) 21 (32) (11) (65,29)% (4) (2) 9 (303) 160 (14) (83,24)% (21) 0 48 454 280 173 61,86% (42) 495 48 7 47 28 173 62,86% (42) 495 447 247 20 84,80% 40 7 489 6 6 6 84,80% 40 7 68,80% 60	tate Income Taxes	42	48	•	(48)		31	(17)	(55.40)%	0	(48)	(194,867.85)%
46 (3) 3 (8) (5) (66.29)% (4) (2) 47 (21) 21 (32) (11) (35.24)% (21) (2) 303 (303) (400) (143) (89.16)% (24) (27) 48 7 454 280 173 61.86% (42) 495 48 7 47 247 280 173 61.86% (42) 495 447 447 242 26 84.80% (42) 489 6 0 0 0 0 495 495	ederal Income Taxes	43	279	,	(279)		170	(109)	(64.22)%	-	(278)	(27,556.68)%
47 (21) - (21) - (21) 0.52,40% (21) 0.52,40% (22) 0.7 48 454 - 464 280 173 68.16% (24) (327) (7 48 7 - 7 38 (32) (82.86% (42) 495 447 - 447 242 26 84.80% (42) 489	tate income taxes (non-operating)	46	' <u>ල</u>		' m		(8)	· (g)	(66.29)%	(4)	(2)	(36.93)%
He laxes 303 - (303) 150 (143) (8315)% (24) (327) (143) (8315)% (24) (327) (143) (8415)% (24) (327) (143) (8415)% (24) (42) (42) (42) (43) (43) (43) (43) (44) (42) (43) (44) (42) (43) (44) (44) (44) (44) (44) (44) (44	ederal income taxes (non-operating)	47	(21)	t	21		(32)	(11)	(35.24)%	(21)	0	1.43%
ck 48 7 - 7 38 (32) (82.88)% 0 7 7 447 242 205 84.80% (42) 489 64 64 64 64 64 64 64 64 64 64 64 64 64	rovision (Benefit) for income Taxes et income (loss)		303 454		(303)		160 280	(143)	(89.16)% 61.86%	(24) (42)	(327)	(1,367.42)%
ck 447 2.42 2.05 84.80% (42) 489 ck 0 0 0	referred Dividend Declared	48	7	1	7		38	(32)	(82.88)%	Ó	7	
	et Income To Common Stock		447	r	447		242	205	84.80%	(42)	489	1,171.52%
COV (CIV) /200 FO LIV	Common Dividend Declared		'		' ;		0	0 100	2000	- 1077	- 004	4 414 1700

Thursday, February 14, 2008 10:26:13 AM

Report ID: FRP.1.3 American Water Confidential

> Kentucky-American Jan 2008 (\$ In Thousands) Variance Explanation

American Water

Operating Revenues:

Onerating Expenses:

Report Fillers - Currency: Local, Vession: Files, Subsidiary: SNO. Profest: No Project: Water System: No Weber System:

Thursday, February 14, 2008 10:26:15 AM

Report ID: FRP.1.3 American Water Confidential

Operating Revenues:

Other Income & Deductions:

AWFRP 2.0 - Result of Operations - Revenue Analysis

Revenue Variance Summary (\$ in Thousands)

Supplementary Tables and Discussion Kentucky-American Jan 2008

source system load with prelim eliminations Close Status: Final Report ID: BPR.3.7
American Water Confidential

		Budget			Forecast			Prior Year	
	MTD	QTD	YTD	MTD	QTD	YTD	MTD	QTD	AT
Budget / Forecast / Prior Year	4,506	4,506	4,506		•	ı	3,556	3,556	3,556
Rates		ı	1	•	•	1	ī	1	1
Ç									
DSIC	•	•	1	ī	•	•	1	ı	1
Surcharges	ı	•	-	1	ī	1	1	•	1
Balancing accounts	•	1	1	•		t	1	•	•
Water acuisitions	•	•	•	•	•	•	1	1	1
Sewer acquisitions	1	1	1		1	•	•	•	
Other	24	24	24	•	1	1	•	ı	1
Fire	•	1	1	•	•	1	1	1	1
Organic growth	1	ı	1	1	1	ı	ı	Ī	1
Demand / consumption	(40)	(40)	(40)	1	•	•		1	•
Sewer	•	1	1	1	•	t	•	•	•
Other Revenue Variances	(24)	(24)	(24)	4,467	4,467	4,467	911	911	911
Actual revenues	4.467	4,467	4,467	4,467	4,467	4,467	4,467	4,467	4,467
Total variance	(40)	(40)	(40)	4,467	4,467	4,467	911	911	911
		,		,					

American Water

Report Discussion:

Thursday, February 14, 2008 10:26:16 AM

Supplementary Tables and Discussion Kentucky-American Jan 2008

Revenues are reduced by not including intra-company sales. The budget includes sales from Owenton to Tri-Village in the Northern district but this will no

longer happen due to the December 2007 rate order and single tariff pricing across the company.

This is offset by an increase in reconnection / applications fees in Other Revenue.

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Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business (AWE)

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed.

Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) **Regional Finance Director or Vice President**

(Date)

Friday, March 14, 2008 10:47:13 AM

Close Status: Final

Income Statement - Month To Date

	MTW.	MTD Actuals	MTD Reforecast	Variance Favorable (Unfavorable) % Variance	U) NaTO Pilan (U	Variance Favorable (Unfavorable)	% Variance	MTD Pr. Yr.	Variance Favorable (Unfavorable)	% Varience
OPERATING REVENUES	1		1	١,		_ ا	97.50		103	6000
vvater kevenues Sewer Revenues	- 2	4, 140	. ,	4, 140	4, 194 24	(53) 4	15.86%	3,450	160	0.83%
Other Operating Revenues	i m	201	٠	201	159	42	26.60%	147	54	36.41%
Management Kevenues Operating Revenues	4	4,369		4,369	4,376	(£)	(0.17)%	3,624	745	20.55%
OPERATIONS & MAINTENANCE EXPENSE.										
Purchased Water	ις	7	•	(2)	47	40	84.43%	10	ю	27.25%
Fuel and Power Chemicals	6 7	167 136	1 1	(167) (136)	. 164	(27)	(2.18)% (25.17)%	204	37 (49)	17.96% (55.82)%
Waste Disposal	80	24		(24)	27	· en	10.52%	26	, 5	8.61%
Total production costs		334	•	(334)	346	12	3.43%	327	3	(2.14)%
Labor	6	452	٠	(452)	523	71	13.66%	428	(23)	(5.42)%
Pensions Group insurances	우 두	58 145		(58)	165	(14)	(33.19)%	8 E	6 (13)	9.17%
Other benefits	12	78	,	(28)	22	9	(27.62)%	23	(c.)	3.20%
Total employee related		683	•	(683)	753	7	9.37%	654	(29)	(4.48)%
Management fees	13	321	٠	(321)	315	(9)	(1.99)%	649	328	50.54%
Shared business services	4 t	308		(308)	306	(3)	(0.87)%	· &	(308)	7 53%
Total contracted services	2	362		(362)	369	∞ ∞	2.07%	28	(304)	(526.11)%
Regulatory expense	16	43	•	(43)	75	31	41.89%	30	(13)	(43.96)%
Insurance Other Than Group	17	33	•	(39)	09	22	35,78%	¥2.5	t t	27.94%
Customer Accounting Rents	o 6	, o		(70) 0	3	7 ~	94.17%	22	7,5	90.59%
General office expense	25	24 5	•	(42)	65	53	35.58%	23 1	(19)	(85.82)%
Miscellaneous Maintenance	52	211		(138)	170	32	18.99%	181	(65)	(89.41)%
Total operations and maintenance expense		2,254		(2,254)	2,457	203	8.26%	2,203	(51)	(2.33)%
Depreciation	23	406	•	(406)	590	184	31,20%	548	142	25.85%
Antoruzation Depreciation and amortization	\$7	448		(448)	625	176	28.24%	587	138	23.60%
General taxes	22	253	•	(253)	286	33	11,64%	221	(32)	(14.52)%
Impairment charges	27	, 100	t	1110 57	1 000	' :	0	1 0	1 1	2000
l otal operating expenses, net Operating income		1,413		(2,955) 1,413	1,008	413	40.23%	3,010	800	130.34%
OTHER INCOME & DEDUCTIONS										
Interest Income	28	887	•	- (488)	1 404	' ¢	3 12%	9(3)	ĐĘ	(100.00)%
Interest on Short-Term Bank Debt	363	67		(67)	67	0	(0.04)%	37.	(30)	(82.43)%
Other Interest Expense Total interest expense	50	- 222		(555)	572	17	3.02%	463	(65)	(19.97)%
AFUDC - Fouth	32	80	•	88	89	: 12	30.86%	45	44	97.19%
AFUDC Debt	33	45	•	42	31	; = :	35.85%	20.5	21	104.70%
Amortization of Debt Expense Preferred dividends of subsidiaries (Consolidatio	35 34	٠,	. ,	€'	u '	€ '	(22.43)%	9 (€6	(20.04)%
	28		•		•	,		<u></u>	(;)	
Non-Operating Rental Income	98 !		•		•	•		1	į	
Dividend Income - Common Dividend Income - Preferred	38	. ,								
Miscellaneous Income	39	4 ;	1	14	1	14		33	(19)	(56.61)%
	\$	<u>+</u> •	•	<u>+</u> •		4 (1	çç°	(el)	%() g.gc)
Miscellaneous Amoudzalion Miscellaneous Other Deductions	4 4	21		(21)	13	(8)	(66.48)%	11	(10)	(96.42)%
Total Other Deductions		21	i	(21)	13	(8)	88.80%	11	(10)	(96.42)%
Other, net		7	•	7	13	(9)	(48.15)%	22	(16)	39.80%
Total other income (deductions)		(439)	•	(439)	(493)	54	10.93%	(388)	(51)	(13.17)%
Income (loss) before income taxes		974	•	974	515	429	89.15%	226	749	331.51%
State Income Taxes Federal Income Taxes	42	334	, ,	(59)	27	(32)	(120.82)%	68	(67)	(896.68)%
Tax Saving Acquisition Adjustment	4	,	•	(12)	!	(20.1)	21(21:122)	ĵ'	(ii)	(2
State income taxes (non-operating) Federal income taxes (non-operating)	45 46	(2)		2	£\$	£ŝ	(74.96)% (51.82)%	 tO	7	126.41% 142.54%
Provision (Benefit) for Income Taxes Net income (loss)		391 583	, ,	(391) 583	189 326	(202) 258	(106.40)% 79.12%	(35) 261	(426) 323	(1,225.07)% 123,89%
Preferred Dividend Declared	47	7		7	38	(32)	(82.88)%	0	7	
Net Income To Common Stock		211		577	287	289	100.73%	261	316	121.38%
Current Year Retained Earnings		577		577	287	289	100.73%	261	316	121.38%

Operating Expenses:
The budget includes the style of the to no intra-company purchased water expense. The budget includes purchases from Owenton by Tri-Village in the Northern district but this will no longer happen due to the December 2007 rate order and single tariff pricing across the company. This is also reflected in revenue and should have a zero effect to net income.

Fied and power expense is over the plan by (\$4). This small variance is due to lower than expected consumption (kwh) as well as a fuel adjustment factor that is closer to the base plan amount. Also, during the month, an adjustment was made to reclass the fuel and power expenses, from tests on new equipment that were conducted in January, to the project.

Chemicals are over plan by (\$27) due to poor source water conditions. Due to rainfall, turbidity levels were higher than what was included in the base plan.

Labor has a favorable variance of \$71. This is mainly due to increased work on capital projects. Approximately 8% more than planned was charged to capital projects during the month \$51. An additional \$13 was due to vacancies.

Regulatory expense is under plan by \$31. This favorable variance is due to reduced rate case expenses and a longer amortization period than planned. These costs were planned to be amortized over an 18 month period until the next rate case was filed, however, per the December 2007 rate order these costs will be amortized over 36 months.

Oustomer accounting is under plan by \$45 due to the uncollectible expense. Effective collection efforts as well as an adjustment to the reserve account for this variance. General office is under plan by \$23 due to electricity costs. Miscellaneous is under plan by \$23 mainly due to conservation expense \$11 and miscellaneous operations expense \$12 - these are both timing differences. Maintenance expense is over plan by (\$37) mainly due to increased net negative astives costs (\$45). These will be reprofiled in the Q1Kr.

Depreciation is under plan by \$184 and is being investigated, Approximately \$45 of this variance is due to the increased net negative salvage expense that resulted from a consection to the natures used in power plant. The budget included the lower raiss that were used in mid-2007, General taxes are under plan by \$33. This is mainly due to an \$18 charge that will reverse in March.

Preferred dividends has a favorable variance of \$32 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends.

State and Federal Income Tax rates in aggregate are close to Plan, based on actual IBT. Statutory State rates were used for calculating State Income tax. March's income tax will reflect adjustments to record taxes at an effective rate.

Other Income & Deductions:

Operating Revenues:

Friday, March 14, 2008 10:47:14 AM

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Kentucky-American Feb 2008 (\$ In Thousands) Variance Explanation

American Water

Operating Revenues:

Operating Expenses:

Other Income & Deductions:

Report Filtons - Cumency: Local, Version: Final, Substiting: SNO, Project: No Project, Water System: No Water System

Close Status: Final Report ID: FRP.1.3 American Water Confidential

The color of the	1 1 1 1 1 1 1 1 1 1			1	YTD	Variance Favorable	2		Variance Favorable	2	ε. Α.	Variance Favorable	5 J. V.
Column C	Column C	OPERATING REVENUES.		Condia	1	Ι.	2000	_	١.			(o and a
Section Sect	Section Sect	Water Revenues	- c	8,399	•	8,399		8,517	(117)	(1.38)%	6,832	1,568	22.95%
1	Column C	Sewer Revenues Other Operating Revenues	v m	383		383		317	66	20.82%	293	(Z) 66	30.65%
Section Sect	1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	Management Revenues	4	'				; '	;		,		
1	Column C			8,835	•	8,835		8,882	(47)	(0.53)%	7,180	1,655	23.05%
1	1	ANCE EXPEN											
1	10 245	Purchased Water	ıc o	13	•	(13)		96	83	86.75%	48	35	73.43%
1	1	Fuel and Power Chemicals	9 1	445 254		(445)		329 229	(ell) (ell)	(35.01)%	202	(155) (52)	(25.73)%
1. 1. 1. 1. 1. 1. 1. 1.	1. 1. 1. 1. 1. 1. 1. 1.	Waste Disposal	∞	47	1	(47)		47]-	1.38%	52	9	10.64%
1. 1. 1. 1. 1. 1. 1. 1.	1. 1. 1. 1. 1. 1. 1. 1.	Total production costs		758	•	(758)		701	(20)	(8.05)%	592	(166)	(28.05)%
1 2 11 2 2 2 2 2 2 2	1. 1. 1. 1. 1. 1. 1. 1.	O&M LABOR & OVERHEAD	c	100		(300)		1 002	80	900	010	(60)	70.00,07
17 254 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	17 254 1 1 1 1 1 1 1 1 1	Lanor	, t	115		(115)		1,092 86	8 (6)	(33.47)%	103	(82) (12)	(11.51)%
13 1,456	13 1,145	Group insurances	=	294	•	(294)		330	37	11.06%	273	(20)	(7.48)%
13 1,502 1,102 1,503 1,504 2,5 1,046 1,246 1,104 1	13 1,100	Other benefits	12	53		(53)		41	(12)	(28.98)%	51	(2)	(2.95)%
13 672 673 674 675	13 10 10 10 10 10 10 10	l otal employee related		1,456	•	(1,456)		U,55U	83	6.02%	- 4 2.	(116)	(8.64)%
14 625	14 625 102	Management fees	5	672	•	(672)		636	(36)	(2.69)%	1,246	574	46.06%
1	1	Shared business services	7	625		(625)		627	g 5	0.36%	, 44	(625)	40 K2%
15 916 10 10 10 10 10 10 10	15 16 16 17 18 18 18 18 18 18 18	Total contracted services	2	719		(719)		761	41	5.42%	140	(579)	(413.25)%
17 944 194 112 22 22,255% 106 112 112 114 115 115 11	17 94 10 10 11 12 2.25.5% 10 10 10 10 10 10 10 1	Regulatory expense	16	98	1	(88)		149	63	42.04%	09	(26)	(43.59)%
1	10 110 110 110 110 110 110 110 110 12,248 110 11	Insurance Other Than Group	44	94	1	(94)		121	27	22.55%	106	12	11.51%
Column C	Column C	Customer Accounting Rents	<u> </u>	7		(nt)		9	<u>?</u> E	(22.93)%	543	(1)	(15.49)%
2.1 4.27 4.28 4.10	c 2,1 2,044 (1,074) 4,019 4,0	General office expense	23	103	•	(103)		110	;∞ ţ	6.97%	70	(33)	(47.78)%
Color Colo	Column C	Miscellaneous Maintenance	5 2	264 402		(264) (402)		309 418	\$ £	3.72%	208 406	(56) 4	(26.83)%
2.3 8.09 - (809) 1,181 37,1 1,082 284 2.4 8.09 - (823) 1,249 356 226,49% 1,171 278 284 2.5 5.39 - (633) 1,249 356 226,49% 1,171 278 (61) 2.5 5.39 - (6134) 6,134 - (6134) 6,144 706 1,171 278 (19) 2.7 6,134 - (6134) 6,134 - (6134) 6,134 1,171 278 (19) 2.9 976 - (576) 1,161 3,62 3,227% 1,173 1,629 2.9 976 - (154) 1,161 3,62 3,227% 1,173 1,629 2.9 976 - (154) 1,164 3,63 3,43% 8,63 (123) 2.0 1,130 1,130 1,145 3,63 3,43% 8,53 1,629 2.0 1,130 1,130 1,130 1,130 1,130	1, 18	Total operations and maintenance expense		4,701	'	(4,701)		5,016	314	6.26%	4,416	(285)	(6.45)%
24 884 (894) (894) 1,88 (19	24 884 (894) (894) 1,48 (16) (22,77)% (1,71) (16) 25 5.239 (539) 1,494 356 6.24% 1,171 1,18 27 6,134 (6,134) 6,649 7.05 10.22% 6,197 (19 2701 2,701 2,701 2,701 2,701 2,701 1,071 26 239 976 (878) 1,071 35 3,42% 6,197 1,629 230 154 (154) 1,115 25 3,42% 86,23 (172) 230 154 (154) 1,115 25 3,42% 86,23 (172) 230 154 (154) 1,145 3 3,42% 86,23 (172) 24 154 1,145 1,157 1,152 1,173 1,152 25 1,146 1,157 1,152 1,12 1,12 26 1,178 1,159 1,13 1,13 <th>Depreciation</th> <th>23</th> <td>809</td> <td>•</td> <td>(808)</td> <td></td> <td>1,181</td> <td>371</td> <td>31,47%</td> <td>1,093</td> <td>284</td> <td>26,00%</td>	Depreciation	23	809	•	(808)		1,181	371	31,47%	1,093	284	26,00%
27 5.39 5.39 5.75 3.6 5.29% 5.20 (19) 2	25 55.9 (53.9) 57.5 36 6.29% 55.0 (19) 27 6,134 6,440 706 10.22% 6,107 (26) 2,701 2,701 2,701 2,701 2,701 1,130 1,113 35 3,42% 6,107 (26) 30 154 (34) (6,33) 1,033 1,130 1,130 1,135 1,130 1,135 1,130 1,130 1,135 1,130	Amortization Demeciation and amortization	24	893		(84)		1.249	356	28.49%	1.171	(6)	(8.07)%
27 6.134 6.840 706 10.29% 6.107 2.66 2.701 2.701 2.042 659 32.27% 1,073 1,629 2.8 2.701 2.701 2,042 659 32.27% 1,073 1,629 2.9 1.6 2.701 2.042 659 3.42% 8.53 (2) 2.9 1.5 2.042 659 3.42% 8.53 (2) 3.0 1.5 2.00% 3.42% 8.53 (2) (2) 3.1 1.130 1.164 1.45 9. (6.33)% 72 (81) 3.2 1.130 1.155 2.2 2.0% 9.2 (20) (20) 3.2 1.0 1.1 1.1 3.0 2.243% 1.7 (3) (3) 3.2 1.0 1.0 1.0 1.0 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 <	27 6.134 6.840 706 10.2% 6.107 7.69 2,701 2,701 2,042 659 32.27% 1,073 1,629 2,901 1,011 36 3,42% 853 (73) 3,902 1,914 3,42% 853 (73) 3,11 1,130 1,101 3,42% 853 (73) 3,11 1,130 1,101 3,42% 853 (73) 3,11 1,130 1,165 2,20% 3,20% 3,60 3,2 1,130 1,165 2,5 2,20% 3,7 (70) 3,4 1,130 1,165 2,5 2,20% 3,2 (80) 3,4 1,6 1,0 1,15 2,2 2,20% 3,2 (80) 3,4 1,6 1,0 1,0 1,6 3,2,4% 3,2 (80) 3,4 1,6 1,0 1,0 1,0 1,0 1,0 1,0 1,0	general taxes	52	539	1	(233)		575	36	6.29%	520	(19)	(3.73)%
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14 17 17 18 18 18 18 18 18	1,007 1,00	DITHER INCOME & DEDUCTIONS	ć								ξ	ę	2000000
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17 17 17 18 18 18 18 18	32 170 133 38 28,41% 82 88 88 34 15 2 33.08% 37 (43) (43) 43.08% 37 (43) 34 15 - (15) - <th>Other interest expense Fotal interest expense</th> <th>5</th> <td>1,130</td> <td></td> <td>(1,130)</td> <td></td> <td>1,155</td> <td>25</td> <td>2.20%</td> <td>923</td> <td>(206)</td> <td>(22.36)%</td>	Other interest expense Fotal interest expense	5	1,130		(1,130)		1,155	25	2.20%	923	(206)	(22.36)%
100 100	14	AFI IDC - Faulty	32	170	'	170		133	23	28.41%	82	. 88	107.85%
1	10 10 10 10 10 10 10 10	AFUDC Debt	33 %	8 2		80		09	2 2	33.08%	37	(43)	(115.43)%
26 -	26 -	Amortization of Debt Expense Preferred dividence of subsidiaries (Consolidation		£.		(15)		12	⊕ '	(22.43)%	12	<u>(</u>) E	(20.04)%
36 -	36 1 1 1 1 1 2 3 4	Paris on safe of assets		•	•						<u>(</u>	2 '	
37 -	38 -	Non-Operating Rental Income	36	•	•	1		ī	1		1	1	•
15 15 15 15 15 15 15 15	15 15 15 15 15 15 15 15	Dividend Income - Common Dividend Income - Preferred	38			1 1			, ,		()	()	
15	15	Miscellaneous Income	39	15	1	15		'	15		12	3	22.51%
40 0 - 0 0 0 155.28% 0 0 41 92 - (92) 113 21 18.58% 96 4 77 - (77) 113 21 18.58% 96 4 77 - (77) (113 21 18.58% 96 4 1,731 - (77) (113 (78) (32.03)% 83 (7) 42 107 - (47) (1407) 58 (48) (85.48% (7) (159) (154) 44 (3) - (613) 37 (275) (8160)% (37) (415) (154) (154) 45 (3) - (83) (13) (120) (37) (415) (154) (154) 46 (3) - (894) (894) 33 (43) (114) (73) (154) 48 1,13 1,144% 1	40 0 - 0 0 155.28% 0 0 41 92 - (92) 113 21 18.58% 96 4 77 - (77) (113 21 18.58% 96 4 77 - (77) (113 21 18.58% 96 4 (970) - (970) (1,087) 116 10.22% (912) (7) 1,731 956 776 81.15% 160 1,571 (88) 42 107 (107) 58 (75) (81.15% 164) (1.54) 44 (3) - (613) 37 (275) (81.16% (7) (115) (1.54) 45 (3) - (613) 33 (39) (6) (642) (7) (115) (7) (115) 46 (3) - 1,037 1,037 1,037 1,037 1,037 1,037	Total other income		12	1	15		•	15		12	ю	22.51%
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(970) (970) (970) (1,087) (16	(970) (970) (970) (1,087) (16	Other, net		77	•	77		113	(36)	(32.03)%	83	6	18.58%
1,731	42 107 (107) 58 776 81.15% 160 1,571 43 613 (613) 337 (275) (81.60)% (7) (115) 64 (3) 23 (613) 337 (275) (81.60)% (32) (645) 65 47 (223) 23 (8) (6) (67.26)% (16) 7 65 634 (844) (854) (854) (7) (15) 7 65 634 (843) (846) (844) (845) (73 (15) 7 48 1,037 1,037 506 431 71.14% 219 818 1,024 1,024 1,024 529 495 93.45% 219 805 1,024 1,024 529 495 93.45% 219 805	fotal other income (deductions)		(970)	,	(920)		(1,087)	116	10.72%	(912)	(28)	(6.33)%
42 107 - (107) 58 (49) (85.74)% (7) (115) 43 613 - (613) 337 (275) (8160)% (32) (645) 90 46 (3) - 23 (9) (6) (67.26)% (3) 0 47 (223) - 23 (36) (13) (37.09)% (16) 7 69 (34) (34) (34) (35) (75) (73) (73) 68 1,037 - (34) (34) (13) (73) (73) 48 13 - 13 7 (64) (82.80)% (9) (73) 1024 1,024	42 107 - (107) 58 (49) (85.74)% (7) (115) (115) 43 613 - (613) 337 (275) (8160)% (32) (645) 69 47 (223) - 23 (9) (6) (67.26)% (16) 7 68 47 (223) - 23 (34) (85) (15) 7 69 47 (132) (37.09)% (16) (73) (73) (73) 1,037 1,037 1,037 506 431 71.14% 219 818 1,024 1,024 1,024 529 495 93.45% 219 805	ncome (loss) before income taxes		1,731	٠	1,731		926	776	81,15%	160	1,571	980,76%
trinent 43 613 - (613) 33/ (2/2) (81501)% (32/ (942) (942) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2) (972)% (31/2)	trentity 45 b13 - (b13) 337 (272) (81501)% (32) (1949) reality 46 (3) 3 (89) (6) (67256)% (3) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	State Income Taxes	42	107	•	(107)		22 22	(49)	(85.74)%	6	(115)	(1,540.15)%
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Petitolity) 4, (22) - (23) (24) (25) (10) (7,03) (10) (753) (10) (10) (10) (10) (10) (10) (10) (10	Patientily 47 (2-2) (2	State income taxes (non-operating)	46	ලදි	•	e 6		(6)	9	(67.26)%	(6)	01	(11.33)%
48 1,037 1,037 606 431 7114% 219 818 13 13 13 14 15 15 15 15 15 15 15 15 15 15 15 15 15	ck 1,027 1,037 606 431 7114% 219 818 ck 1,024 1,024 529 495 93,45% 219 805 ngs 1,024 1,024 529 495 93,45% 219 805	Provision (Benefit) for Income Taxes	÷	694		(694)		350	(345)	(98.50)%	(65)	(753)	(1,283.11)%
ck 1,024 1,024 5,7 (94) (92,49)? 1,9 (95) 805 (95,45). 219 805 (95,45). (96)	ck 1024 - 1,024 - 1,024 - 1,024 - 2,0 495 33,45% 219 805 ngs 1,024 - 1,024 529 495 93,45% 219 805	Net income (loss)	Ş	1,037	•	1,037		909	431	71.14%	219	818	373.76%
. 0 0	ngs 1,024 1,024 529 495 93.45% 2.19 805	Net Income To Common Stock	Ç.	1,024		1,024		529	495	93.45%	219	805	367,77%
	ngs 1,024 - 1,024 529 495 93.45% 219 805	Common Dividend Declared				,		0	0			1	

Friday, March 14, 2008 10:47:15 AM

American Water



Operating Revenues:

American

Reduced Residential demand -\$593k is being partially offset by increases in commercial demand +\$414k. Fire Service and Public Authority revenues are ahead of Plan by \$48k and \$26k respectively. Customer declines have had a slightly negative impact on revenue.

Operating Expenses:

Purchased water is under plan by \$83 due to no intra-company purchased water expense. The budget includes purchases from Owenton by Tri-Village in the Northern distribution kind in other happen does to the becember 2007 rate order and single tariff pricing across the company. This is also reflected in revenue and should have a zero effect to net income.

Fuel and power expense is over the plan by (\$115). This is mainly due to increased power costs.

Chemicals are over plan by (\$25) due to poor source water conditions in February. Due to rainfall, turbidity levels were higher than what was included in the base plan.

Labor has a favorable variance of \$98. This is mainly due to increased work on capital projects as well as vacancies totaling approximately \$26. These projects are coming to an end and we will not see this continue throughout the year.

Contract services has a favorable variance of \$39 due to timing. These costs will be reprofiled throughout the remainder of the year,

Regulatory expense is under plan by \$63. This favorable variance is due to reduced rate case expenses and a longer amortization period than planned. These costs were planned to be amortized over an 18 month period until the next rate case was filed, however, per the December 2007 rate order these costs will be amortized over 36 months.

Customer accounting is under plan by \$115 mainly due to the uncollectible expense. Effective collection efforts as well as adjustments to the reserve account for this variance. Nicelalineous is under plan by \$15 mainly due to contract services \$34. Maintenance expense is under plan by \$16 mainly due to increased near togethe eakage costs (\$91) offset by temporary savings in materials and supplies \$14, miscellaneous maintenance \$28 and less paving expense \$24. These costs will be respondied throughout the remainder of the year.

Depreciation is under plan by \$371 and is being investigated. Approximately \$91 of this variance is due to the increased net negative salvage expense that resulted from a correction to the rates used in power plant. The budget included the lower rates that were used in mid-2007. General taxes are under plan by \$36 mainly due to an \$18 charge that will reverse in March.

Miscellaneous other deductions is under the plan by \$21. This is due to lobbying expense \$15 and donations \$7,

State and Federal Income Tax rates in aggregate are close to Plan, based on actual IBT. Statutory State rates were used for calculating State Income tax. March's income tax will reflect adjustments to record taxes at an effective rate.

Preferred dividends has a favorable variance of \$64 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends.

Other Income & Deductions:

Report ID: FRP.1.3 American Water Confidential

> Kentucky-American Feb 2008 (\$ In Thousands) Variance Explanation

American Water

Operating Revenues:

on the second

oot Filtest - Gurenoy: Local, Version: Final, Subsidiary: SNO_St local McPreliner, Water System: No Water System

Report ID: BPR.3.7 American Water Confidential

Close Status: Final

AWFRP 2.0 - Result of Operations - Revenue Analysis

Revenue Variance Summary (\$ in Thousands)

		Budget			Forecast			Prior Year	
	MTD	QTD	ΔŢ	MTD	атр	YTD	MTD	QTD	YTD
Budget / Forecast / Prior Year	4,376	8,882	8,882	r	1	•	3,624	7,180	7,180
Rates	•	•	ı	•	,	ľ	675	675	675
DSIC	•	1	ı	Ì	1	•	•	ī	I
Surcharges	1	1	ı	•	1	•	1	1	•
Balancing accounts	1		ī	•	•	ı	1	•	t
Water acuisitions	•	1	1	Ī	ı	•	1	r	ī
Sewer acquisitions	1	•	ī	•	•	•	•	•	•
Other	42	99	99	,	1	•	54	54	54
Fire	ı	1	1	t		•	r	ſ	•
Organic growth	(34)	(34)	(34)	•	ı	1	30	30	30
Demand / consumption	(19)	(29)	(69)	•	ı	1	(14)	(14)	(14)
Sewer	4	4	4	1	1	ı	r	•	ı
Other Revenue Variances	0	(24)	(24)	4,369	8,835	8,835	0	910	910
Actual revenues	4,369	8,835	8,835	4,369	8,835	8,835	4,369	8,835	8,835
Total variance	(7)	(47)	(47)	4,369	8,835	8,835	745	1,655	1,655



Supplementary Tables and Discussion Kentucky-American Feb 2008

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Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business (AWE)

Ail key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed.

Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

Regional Finance Director or Vice President (Signature)

(Date)

Thursday, April 10, 2008 7:18:53 PM

KAW_R_AGDR1#170_042610 Page 45 of 247

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Thursday, April 10, 2008 7;18;54 PM

Mar QTD 2008 (\$ In Thousands)

Close Status: Final source system load

OPERATING REVENUES. 1 1,605 Water Revenues 2 78 Other Revenues 2 78 Other Revenues 3 590 Other Operating Revenues 4 1,273 Operating Revenues 4 1,273 Operating Revenues 5 22 Operating Revenues 6 681 Operating Revenues 7 7373 Purchased Water 6 681 Chemicals 7 1,151 Chemicals 7 1,151 Chemicals 8 1,151 Observation 9 1,489 Persions 1 1,73 Gould metal and actives 1 1,73 Gould metal active 1 1,68 Annation benefits 1 1,62 Annation benefits 1 1,73 Countries actives 1 1,73 Regularity expense 1 1,62 Regularity expense 1 1,62	(22) (22) (373) (373) (373) (373) (373) (1,151) (1,151) (1,151) (1,162) (1,02)	13,725 (170) 72 (67) 73 (70) 74 (70) 75 (70) 75 (70) 75 (70) 75 (70) 76 (70) 76 (70) 77 (70) 7	(1.33)% (1.33)	10,621 440 440 440 440 440 440 440 44	(48) (178) (182) (182) (182) (182) (183) (193) ((4.75 (1.23% (1.
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IQNS. 22 24 27 27 28 30 31 31 31 32 33 33 34 36 36 36 37 38 38 38 38 38 38 38 38 38	(1,560) (128) (128) (1788) (553) (9,764) 3,509			1,643 117 1,760 631 - 9,044	£ 13	(1.05)% (9.78)% (1.63)% (35.12)%
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MONS. 28 110NS. 28 Debt 28 Debt 30 33 40 and 41 and 40 and 41	(853) - (9,764) 3,509			9,044	(63)	(35.12)%
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tions 41	23	. 2		43	(20)	(47.28)%
40 tions 41 41 41 41 41	23			43	(30)	(47.28)%
41	0	0	155,28%	0	0 (0.00%
5	(105)			123	82	14.48%
	623	-	•	į 8		61 77%
	30			3 7	يَةٍ و	2000
	(/00'1)			(100,1)	(ac)	מינים פעני
income (loss) before Income taxes 2,122	2,122			29 /	1,354	1/5.38%
State Income Taxes 42 57 -	(57)	91 34 536 (239)	37.14%	310	(465)	(19.81)%
\$				•		
& .	ω.,			€;	<u>8</u> 6	(40,08)%
	(816)			333	(482)	(144.67)%
	1,306	979	33.39%	434	872	200.72%
47	1 286			0 727	20	196 19%
ă	002,1			670	11951	42.60%
Common Divisional Legisland Common	189			(537)	727	135.21%



fepont Silvers - Contency USQ, Version Pinel Halindeny All Balin L. Les the fibries and effects for property. In Version Property

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(19.75)% 107.54% (114.62)% (20.04)% 150.00%

(100.00)% (14.38)% (71.92)%

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434 434 972 972 637)

(80.72)% (70.30)% (44.02)% 33.39% (82.86)% 48.86% (36.51)% 213.13%

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State Income Taxes
Federal income Taxes
Tax Saving Acquisition Adjustment
State income taxes (non-operating)
Federal income taxes (non-operating)
Provision (Benefit) for Income Taxes
Net income (Iosa)
Provision (Benefit) for Income Taxes
Net income 10 Common Stock
Common Dividend Declared
Common Dividend Declared
Current Year Retained Earnings

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4 4

Income (loss) before income taxes

Total other income (deductions)

Miscellaneous Amortization Miscellaneous Other Deductions Total Other Deductions

Gain on sale of assats
Non-Operating Rental Income
Divident Income - Common
Divident Income - Preferred
Miscellanguus Income
Total other income

Kentucky-Amorican Mar YTO 2008 (\$ In Thousands)

	3€										1						-					1						ı						
	Variance Favorable (Unfavorable)	1,984 (5) 151	2,130	58 (192) (52)	7	(1/4) (48) (25)	3z E	(69)	746	(956)	(608)	@ \$3	1 <u>5</u> 6	(9.5) (9.5)	(36)	(51)	(11)	(23)	(720)	1,410	(2) (184) (91)	(772)	140 (68)	\$ \$ 8	•		, 000	(20)	o 85	50	es	(20)	1,354	(465)
	YTD Pr. Yr.	10,621 82 440	11,143	80 489 326	78	1,442	451	2,107	1,797	. 193	193	8 2	347	, 66 335	581	1,543	117		9,044	2,099	(2) 1,279 126	1,403	130	(20)	•		, 5	£	D 52	123	80	(1,331)	768	310
1	% Variance	(1.33)% 7,78% 24,10%	%(85.0)	84,73% (38,44)% (7,02]%	4.24%	(8,52)% 8,21% (33,14)%	11.93%	5.66%	(9.14)%	(1.76)% 25.19%	2,87%	48.86%	46,22%	15,56%	(5.11)%	6,31%	(24.71)%	1,01%	4.24%	12,24%	3.42%	1.24%	36.15% 40.30%	(22.43)%					155,28%	30,12%	(45,27)%	12,25%	37,29%	(44,64)%
	Variance Favorable (Unfavorable)	(170) 6 115	(05)	122 (189) (25)	3	(88) 133 (43)	B. B.	131	(88)	(17)	33	983	<u> </u>	24.	(30)	112	(75)	9 60	433	383	, 52 (31)	21	72 37	€'	•		* "	23	O 84	45	(89)	194	576	(239)
	YTO Plan (U	12,775 72 476	13,323	144 492 353	74	1,063 1,623 130	495 295 296 296	2,307	5963	940	1,135	195	383	154 485	587	1,772	103	862	10,197	3,126	1,515 186	1,701	199 90	£ ,	•		•		0	150	150	(1,581)	545.	536
	% Variance												e ²				ļ																	
	Variance Favorable (Unfavorable)	12,605 78 590	13,273	(22) (681) (378)	(71)	(1,151) (1,489) (173)	(436) (78)	(2,176)	(1,051)	(956)	(1,102)	(100)	(206)	(130)	(617)	(1,660)	(128)	(823)	(9,764)	3,509	(1,463)	(0.680)	270 127	(22)	•	• •	٤ '	23	0 (201)	(105)	23	(1,387)	2,122	(775)
	YTD Reforecast	† 1 I				, ,,	, , ,		•		:	, ,	•	,	,	. ,	,		, ,				••	• •	1			,			•	•	•	
	YTD Actuals	12,605 78 590	13,273	22 681 378	17	1,151	436	2,176	1,051	956 146	1,102	100	206	130	7 122	1,660	128	853	9,764	3,509	1,463	1,630	270 721	22.	1		, 8	23	105	105	83	(1,387)	2,122	775

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Greecal office expense
Miscellancous
Maintenance
Total operations and maintenance expense

Regulatory expense Insurance Other Than Group Customer Accounting

Shared business services Contracted services fotal contracted services

Group insurances Other benefits Total employee related fanagement fees 2 23

Depreciation
Amortization
Depreciation and amortization

27

Impairment charges
Total operating expenses, net
Operating income

Seneral taxes

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OTHER INCOME & DEDUCTIONS. Interest income interest on long-term debt interest on Short-term debt of other interest Expense Total interest expense Total interest expense

AFUDC - Equity AFUDC Debt Amartization of Debt Expense Preferred dividents of subsidiarios (Consolidatio

24,48% (470.69)% (470.69)% (10.21)% (10.21)% (10.21)% (10.51)% (10.51)% (10.51)% (10.51)% (10.51)% (10.51)% (10.51)% (10.51)% (10.51)% (10.51)%

(3.30)% (17,30)% 3,33% (17,11)% (3.28)% 41,54%

Thursday, April 10, 2008 7:18:55 PM

Water

OPERATIONS & MAINTENANCE EXPENSE.
PRODUCTION EXPENSES.
Purchased Water
Fuel and Power
Chemicals
Waste Disposal
Total production costs

DAM LABOR & OVERHEAD

Sewer Revenues
Other Operating Revenues
Management Revenues
Operating Revenues

OPEBATING REVENUES



YTD (QTD) Actual vs. Plan Kentucky American Water Variance Explanations (\$ in Thousands) March, 2008

Operating Revenues

Revenue is under plan by (\$50). Water revenue is under partly due to planned intra-company revenue that is not included. Other revenue is over due to increased reconnection fees \$63 and increased collections for others \$30. Lines 2&4

Operating Expenses

Purchased water is under plan by \$122 due to no intra-company expense and reduced purchased water in the Northern district. ine 5

Fuel and power is over mainly due to an increased fuel adjustment clause. Line 6

Labor is under \$133. This is mainly due to increased work on capital projects as well as vacancies totaling approximately \$30. Line 9

Pension expense is over plan and is being investigated. Line 10

Group insurance expense is under plan and is being investigated. Line 11

Other benefits are over due to employee awards, tuition aid and the defined contribution plan. Line 12

Contracted services are under due to temporary employees \$15, lab testing \$3, materials and supplies \$8, contract services \$23. Line 15

Regulatory expense is under \$95 due to reduced rate case expenses and a longer amortization period than planned. Line 16

Insurance other than group is under \$83 mainly due to a large retro adjustment in March for \$45.

Line 17

Customer accounting is under \$177. Uncollectible expense is under \$174 due to favorable collectability. Line 18

Seneral office expense is under \$24 due to electricity \$16 and employee expenses \$6. _ine 20

Amortizations are over plan by (\$25) and have been corrected in the Q1RF. ine 24

Other Income Deductions

Interest on short-term debt is over plan by (\$31) mainly due to the delay of the equity infusion. Line 30

AFUDC equity over plan due to capex timing. Line 32

AFUDC debt over plan due to capex timing. Line 33

Amortization of debt expense is within \$4 of plan. Line 34 Miscellaneous other deductions is under \$45 due to lobbying expense not utilized and donations. Line 41

Over plan due to operating results. ine 42-47

Preferred dividend is under plan \$95 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends. _ine 48



Kentucky American Water YTD (QTD) Actual vs. PY Variance Explanations (\$ in Thousands)

Operating Revenues

Revenue is over by \$2,130. Water revenue is over by \$1,984 mainly due to the December 2007 rate increase. Other revenue is over by \$151 due to the change in collection/shut-off policies that occurred in May 2007 that resulted in increased reconnection fees. Line 2&3

Operating Expenses

Other Income Deductions

or year. the prior year due to 2007 having less LTD (\$24M & \$14M issues vs the \$47M issue that replaced them) as well as	.08.						
Interest income is within \$2 of prior year. Interest on long-term debt is over the prior year due to 2007 having less LTD (\$24M & \$100 of the states than the \$47M issue.	Interest on short-term debt is over the prior year due to having more short-term debt in 2008.	AFUDC equity over due to capex timing.	AFUDC debt over due to capex timing,	Amortization of debt expense is within \$4.	Preferred dividends is over the prior year by (\$20) and needs to be investigated.	Miscellaneous income is under the prior year mainly due to the M&J items in 2007.	Line 42-47 Over prior year due to operating results.
Line 28 Line 29	Line 30	Line 32	Line 33	Line 34	Line 35	Line 39	Line 42-47

Close Status: Final source system load

Supplementary Tables and Discussion Kentucky-American Mar 2008

AWFRP 2.0 - Result of Operations - Revenue Analysis

American Water

Revenue Variance Summary (\$ in Thousands)

		Budget	·		Forecast			Prior Year	
	MTD	αтр	Ę	MTD	αтр	λ	MTD	QTD	Ę
Budget / Forecast / Prior Year	4,441	13,323	13,323	I	•	F	3,963	11,143	11,143
Rates	,	1	•	,	i.	ī	0	675	675
DSIC	1	ı	•	ı	1	ï	1	1	ı
Surcharges	ī	•	1	ī	ı	•		t	,
Balancing accounts	1	•	ı		•	•	1	1	ī
Water acrusitions	•	•	1	ı	1			,	1
Sewer acquisitions	r	ı	I	•	•	1	ı	ı	•
Other	42	108	108	1	ı		0	54	52
Fire	ı	r	,	1	i	1	ı	1	I
Organic growth	ო	(31)	(31)	•	•	•	0	30	30
Demand / consumption	(20)	(109)	(109)	•	1	1	0	(14)	(14)
Sewer	-	S	5	•	1	,	1	ı	,
Other Revenue Variances	*	(23)	(23)	4,437	13,273	13,273	474	1,385	1,385
Actual revenues	4,437	13,273	13,273	4,437	13,273	13,273	4,437	13,273	13,273
Total variance	(3)	(20)	(20)	4,437	13,273	13,273	474	2,130	2,130

Thursday, April 10, 2008 7:18:56 PM

Kentucky-American Mar YTD 2008 (\$ In Thousands)

Close Status: Final source system load

0.6% 4.8% (1.3)% (1.6)% 0.7% 8.2% 0.7% (3.4)% (4.8)% 47.0% 0.4% 2.1% (6.6)% (5.9)% (6.6)% (2.4)% 21.0% 0.0% 99.3% 0.6% 0.0% 0.0% 0.0% 0.0% 0.0% 0.3% 0.0% 1,935 1,021 (1,058) (5) 8,000 189 (<u>8</u>) 69 (312) E (S) 8,189 0 (3,100) fincrease Prior Yr. Dec (Decrease) 398 1,928 (223) 2,562 388 388 535 535 5,965 6,385 846 345,341 21,310 (80,435) 327 488 74,615 1,467 79,800 4,500 (60,382 19,356 3,100 36,569 8,056 29,990 3,181 (1,3)% 1,6% 5,3% (2,1)% 1.2% 58.6% (13.1)% (50.9)% 113.6% 2.3% 35.0% (8.0)% 0.0% 0.0% 0.0% (4.2)% 368.8% (52.3)% 2.7% (16.2)% 0.0% (33.3)% 2.6% 8.2% 0.1% % Variance (159) 0 (8.000) 177 (4,517) 344 4,583 (7) 45 Increase (Decrease) 437 13,195 90,034 1,467 76,700 4,500 72,700 4,140 3,100 351,794 21,987 (86,076) 329 288,033 250 288,283 807 , 1,813 (286) 2,960 408 (2,670) 584 , 584 , 3,810 6,304 724 36,569 24,056 29,409 3,566 % Variance 288,436 270 288,706 385 36,569 16,056 30,179 347,276 22,331 (81,492) 321 396 590 Increase (Decrease) Referencest 590 13,036 19,408 3,100 36,569 16,056 30,179 82,804 1,467 76,700 4,500 165,471 347,276 22,331 (81,492) 321 2,835 (118) 2,571 200 362 597 10 10 276 6,118 1,736 396 8388888888 888888 888888 001225 248 Regulatory assets - income tax recovery 100th and preferred stock expense 10 Deferred pension expense 20 Deferred pension expense 20 Deferred pension possets 20 Deferred business services project expense 20 Deferred husiness services project expense 20 Deferred integration costs 20 Deferred integration costs 20 Deferred integration costs 20 Deferred and ease Asset premium recoverable thru raics 20 Asset premium recoverable thru raics 20 Deferred integration recoverable thru 20 Deferr Common Stack
Paid in Capital
Retained Earnings
Accumulated other comprehensive income
Unearned compensation
Treasury stock Common stockholder's equity
Preferred Stock without mandatory redomp Long term debt Redeemable preferred stock at redemption fotal Capitalization Accrued utility revenues Other receivables, net Taxos receivable, including federal income ASSERT
Utility Plant
Constituted Work in Progress
Accumulated Deprecation
Utility Plant Acquisition Adjustments
Other Utility Plant Adjustments Materials and supplies
Receivable from affiliated companies
Other Current Assets
Current Assets Utility customer accounts receivable Allowance for uncollectible accounts Regulatory assets
Other investments
Long term receivable from affiliate
Funds restricted for construction
Goodwill Other Long Term Assets Total Regulatory & Other L/T Assets fotal Utility Plant fotal Non-Utility Plant, Net fotal proporty, plant and equipment Cash and Cash Equivalents Restricted funds Intangible assets common Stock otal Assets

(57.0)% (14.5)% (13.8)% (2.3)% (1.7)% (1.7)% (1.7)% (1.2.9)% (1.2.9)% (1.4)% (1.6.4)% (3.708) 706 706 706 (3.44) 384 (2.89) (2.89) (2.89) (2.89) (2.89) (2.45) 6.507 6.507 7.528 7.027 7.027 7.228 7.228 7.228 7.238 7.238 7.72 2.174 2.174 4.596 64,675 (55.8)% 15.6% 10.1% 10.1% 45.0% 45.0% (7.2)% (7.2)% (7.2)% (7.5)% (7.5)% (7.5)% (7.5)% (7.5)% (7.5)% (7.5)% (7.5)% (3.540) (3.540) (2.050) 10,451 (3.547) (46) 896 (45) 43 43 43 43 43 788 6,338 3,865 1,680 1,680 17,956 35,827 1,242 8,221 2,049 352 352 352 352 366 66,866 82,804 1,467 1,467 4,500 65,471 19,408 3,100 2,799 4,468 4,468 14,309 14,309 14,309 11,37 1,884 11,397 1,884 1,884 1,884 1,884 2,799 4,468 1,849 2,052 33,676 14,309 33,261 1,197 1,894 395 4,257 64,430 4444488 9888889 Short Term Debt
Current Portion of Long-term Debt
Current portion of redeemable stack at red
Accounts Payable Accrued pension expense
Accrued postretrement benefit expense Regulatory & Other Long Term Llabilities Customer Advances for Construction Deferred Investment tax credits Regulatory liability-cost of removal Contributions in aid of costruction Interest Accrued Total Other Current Liabilities Deferred Income Taxes oral Current Liabilities otal capital and liabilities Taxes Accrued





YTD (QTD) Actual vs. Plan Variance Explanations (\$ in Thousands) March, 2008

Kentucky American Water

Assets

Cash - less than expected in the plan. Line 7

Allowance for uncollectible accounts - higher collection ratio planned in March. Line 10

Accrued utility revenue - month-to-month fluctuations not budgeted.

Other receivables - decrease in miscellaneous AR (\$244). Line 12 Line 11

Taxes receivable - change in state tax refund receivable. Line 13 Other regulatory assets - deferred vacation (\$284), waste disposal (\$35) and other reg assets (\$137). _ine 28

Other long-term assets - RWIP contracted services \$182.

ine 34

Capital & Liabilities

Paid in capital - \$8M equity infusion in March, \$8M postponed until June 2008. Line 36

Short-term debt - timing of \$8M equity. Line 44

Accounts payable - balances under planned amount. Line 47

Taxes accrued - SIT and FIT higher than estimated by \$735K. Line 48 interest accrued - higher than estimated partly due to delay in equity timing (line 36) Line 49

Other current liabilities - accrued vacation (\$284), accrued waste disposal (\$145), unbilled items (\$507). Line 50 Line 51

Customer advances for construction - less than planned.

Regulatory liability, cost of removal - higher net negative salvage than planned. Line 54

Other deferred Credits - higher than estimated. Line 57

Assets

Line 16

YTD (QTD) Actual vs. PY Dec, 2007

Variance Explanations (\$ in Thousands) March, 2008

Kentucky American Water

Other current assets - increased prepaid taxes and insurance and deferred vacation pay.

Capital & Liabilities

Paid in capital - \$8M equity infusion in March 2008. Line 36 Line 47

Accounts payable - general accounts payable (\$1,629) and project expense accrual (\$2,150).

Taxes accrued - property tax payment (\$1,238), accrued FIT \$369.

Accrued pension expense - February accrued pension payment (\$481). Interest accrued - accrued interest on long-term debt \$706. Line 48 Line 49 Line 55

Table of Contents

Monthly Financial Review Package

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AWFRP 2.0 - Result of Operations - Revenue Variance	
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Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business

(AWE) basis

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed. Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

Regional Finance Director or Vice President (Signature)

(Date)

ė

Wednesday, May 14, 2008 11:27:36 AM

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Close Status: Day 7 source system load,

Report ID: FRP-1.1 American West Confidential

Kentucky-American Apr 2008 (\$ In Thousands)

Income Statement - Month To Date

14,08% (13,96)% 8,22% 73.58% 19.30)% 7.03% 4.21% (44.57)% 55.08% 2.56% (26.37)% (26.37)% (34.5)% (10.10)% (4.28)% 21.87% (10.77)% (10.77)% 105.82% (32.94)% 85.82% (77.01)% (126.14)% (15,00)% (15,00)% 38,81% 107.96% 109.09% (75.99)% 93.62% % Variance 529 0.5 % 0 8 8 8 EE (149) (149) (111) (111) (114) (114) (114) (114) (114) (114) (114) 263 Variance Favorable (Unfavorable) 3,754 29 185 36 27 38 MT. Y.Y. (0.38)% 11,32% 26,08% (31.20%)
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(31.242)% 3.55% (76.54)% (1.08)% 69.26% 75.05% (22.41)% (27.94)% 14.66% 62.93% (89.08)% (77.16)% 74.57)% 60.86)% 85.55)% 49.75% 64.95% Variance Favorable (Unfavorable) £ 33 k \(\) \(\ , t- § E = E 20 2 300 8 8 20 5 4,30 23 139 139 MTD Plan , జీ స (12.42)% (16.52%) (10.31%) (7.79)% (7.79)% (7.73)% (10.89 0,07% 11.32% 15,18% 2,26% 58,41% 155.28% (5.80)% 149.48% (10.26)% 19.97% 71.19% 25.74% (68.31)% (51.22)% 17.03% 635.07% (0.02)% 695.10% 13,97% 6,40% 10.04% 22,41)% 32, 26 33 o E| € 50 P 8 8 8 8 8 , 프로 # 교육 교육 Variance Favorable (Unfavorable) 4,280 174 , 127 , 127 , 102 , 102 , 608 283 200 200 200 , 523 523 7525 7525 7525 MTD Actuals ± 8 2 2 28 8 8785343 ន្តន 23 23 ននានាន **\$ 4** critzation of Debt Expense ferred dividends of subsidiaries (Consolidatio Federal Income Taxes
Tax Saving Acquisition Adjustment
State Income taxes (non-operating)
Federal income taxes (non-operating)
Provision (Benefit) for income Taxes THER INCOME & DEDUCTIONS псоте (loss) before income taxes 'otal other income (deductions) Net Income To Common Stock Common Dividend Declared Current Year Resained Eamings operating expenses, net Water Revenues Sewer Revenues Other Operating Revenues Management Revenues Operating Revenues &MIABOR & OVERHEAD gulatory expense surance Other Than Group Istomer Accounting preciation and emortization referred Dividend Declared racted services contracted services Chemicals Waste Disposal Total production costs ther benefits otal employee related ral office expense

Wednesday, May 14, 2008



Kentucky American Water Variance Explanations (\$ in Thousands) April, 2008

MTD Actual vs. Q1RF

Operating Revenues

Revenue is over by \$32. Water and sewer revenue had small variances. Other revenue is over \$26 due to increased connection fees and collections for others. Line 2&3

Operating Expenses

Purchased water is under by \$19. Purchased water from the Georgetown system was not needed at the planned level. Line 5

Fuel and power is under mainly due to not having to transfer water from the Kentucky River Station (KRS) and a lower fuel adjustment rate. Line 6

Geochemical testing for beneficial reuse permit (\$3). Line 8

Labor is under \$70 mainly due to increased work on capital projects as well as vacancies totaling approximately \$30. Line 9

Pension expense is over and is being investigated. _ine 10

Group insurance expense is under and is being investigated. Line 11

Other benefits has a minor variance within (\$2) of the plan amount.. Line 12

Management fees and shared business services are over by (\$46) due to Corporate and ITS management fees. Line 13

Contracted services are over due to legal (\$27). This accrual should have went to a project and will reverse in May. Line 15

Rents is within (\$1). Line 19 Miscellaneous is over mainly due to timing of items in the Q1 and several small variances. Line 21

Maintenance is under due to materials and supplies \$23, miscellaneous maintenance \$12 and paving \$25 due to more capital repairs. Line 22

Depreciation is under and is being investigated. Line 23

Other Income Deductions

Interest on short-term debt is under by \$74 and is being investigated. _ine 30

AFUDC debt is within \$5. Line 33

Amortization of debt expense is within (\$1). Line 34

Under due to operating results. Line 42-47



Kentucky American Water April, 2008 (\$ in Thousands) Variance Explanations MTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$27. Water revenue is under partly due to planned intra-company revenue that is not included. Sewer revenue is slightly over plan \$3. Other revenue is over due to increased connection fees \$26 and increased collections for others \$9 Lines 2&4

Operating Expenses

Purchased water is under plan by \$39 due to no intra-company expense and reduced purchased water in the Northern district. Line 5

Line 8 Geochemical testing for beneficial reuse permit (\$3).

abor is under \$75 mainly due to increased work on capital projects as well as vacancies totaling approximately Line 9

Line 10 Pension expense is over plan and is being investigated.

Line 11 Group insurance expense is under plan and is being investigated.

Line 12 Other benefits has a minor variance within (\$2) of the plan amount..

Confracted services are over due to legal (\$27). This accrual should have went to a project and will reverse in May. Line 15

Regulatory expense is under \$32 due to reduced rate case expenses and a longer amortization period than planned Line 16

Line 17 Insurance other than group is under \$13 due to a reconciliation of the accounts.

Line 19 Rents is within \$1.

Maintenance is under due to materials and supplies \$23, miscellaneous maintenance \$26, paving \$25 and is offset by NNS (\$46). Line 22

Depreciation is under plan and is being investigated.

_ine 23

ine 24 Amortizations are over plan by (\$7) and have been corrected in the Q1RF.

Other Income Deductions

Interest on short-term debt is over plan by (\$23) mainly due to the delay of the equity infusion. Line 30

Line 32 AFUDC equity over plan due to capex timing.

Line 33 AFUDC debt over plan due to capex timing.

Line 33 APOUC debt over plan due to capes uning. Line 34 Amortization of debt expense is within (\$1) of plan. Line 41 Miscellaneous other deductions is under \$4 due to lobbying expense not utilized.

Line 42-47 Over plan due to operating results.

Preferred dividend is under plan \$32 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends. Line 48

Close Status: Day 7 source system load. Report ID: FRP.1.3 American Water Confidential

Income Statemests - Year To Date Kentucky-American Apr YTD 2008 (\$ In Thousands)

5.95% 15.27% 26.62% (1.51)% (23.01)% (34.38)% (6.34)% (6.34)% (6.34)% (6.34)% (2.15)% 17,48% (7,73)% 26,54% (86.76)% (86.76)% 0.00% 13.43% 13.43% 100.19% (9.37)% (43.72)% (43.72)% (3.61)% (14.16)% 8.83% (20.05)% (2.06)% 42.99% 6.93% 208.36% 223.80% (116.71)% 157.98% 67,05% 100.00)% (14.53)% (26.99)% (16.07)% 100.06% 106.90)% (20.03)% 100.00% (69) (28) (56) (1,304) (1,286) 2,512 (9) 166 (170) (170) 20 20 20 20 1,798 (658) (658) (658) (658) (658) 1,116 (658) 990 Variance Favorable (Unfavorable) 14,376 111 624 198 148 146 50 50 (1,623) 1,285 82 463 2492 20 22 64 4 3 (249) ĔŸ 0.70% 44.27% 49.19% 22.43)% (1.09)% 8.62% 24.59% 9.51% (13.08%) (13.08%) (13.08%) (27.42)% (27.42)% (3.14)% (3. 3.45% (24.87)% 155.28% 27.82% 28.00% (42.76)% 12.79% 44.37% 4.23% (53.33)% 83.05% 26.92)% (7.70)% (4.23)% 79.83)% 56.94)% 37.90% 82.89)% 53.35% 87.62% (187) 8 156 (54) **5** 6 8 6 5 55 EE E. Variance Favorable (Unfavorable) 17,075 95 634 2,219 263 119 24 2,003 216 75 175 175 176 (2,036) 2,135 123 731 1,352 1,352 1,352 1,363 YTD Plan 0.02% 2.58% 3.45% 3.42% (5.38)% (5.38)% 2.75% (1.74)% (1.74)% (1.74)% (1.74)% (1.74)% (1.15% 3.39% (1.109)% 0.45% 0.45% 0.45% 0.45% 0.18% 0.18% 1.10% 0.18% 1.10% 0.18% 13.94% 13.94% 223.83% (0.94)% 5.17% 14.30% 9.66% 9.66% 9.66% 9.66% 0.001)% 0.000% 186.53% 36.99% 5.75% (1.28)% (4.48)% 3.98% 0.56% 21.54% 3.71% 1.76% 2.69% (4.80)% 00 th **'** ⊏ ₹ o E (2) 72 94 (8) 1 E (8) 88 4 98 99 0 28 Variance Favorable (Unfavorable) YTD Reforecast 16,885 100 764 2,288 373 173 28 2,054 216 90 90 1,352 1,352 1,502 1,1502 1,160 1,142 1,142 1,142 1,142 1,142 1,142 1,143 1,143 1,144 1 , <u>4</u>, 4, 4 23 23 23 125 126 103 (1,872) 2,683 85.44 16,888 103 790 2,203 379 178 29 1,984 229 914 914 9130 1,545 1 1,933 28 28 28 126 126 100 1,77 1,71 1,218 1,218 1,854 1,864 YTD Actuals 2722224 27 446 **5. 本**志 22 23 8888 DEFRATIONS & MAINTENANCE EXPENSE otal operations and maintenance expens State Income Taxes
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Federal Income Taxes
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Federal Income taxes (non-operating)
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Net Income To Common Stock
Common Dividend Deckared
Currenti Year Retained Earnings liscellaneous Other Deductions otal Other Deductions fotal other income (deductions) mpairment charges Total operating expenses, net Operating income preciation and amortization Regulatory expense insurance Other Than Group Customer Accounting AM LABOR & OVERHEAD iain on sale of assets on-Operating Rental Incomi Other Operating Revenues Management Revenues Operating Revenues hared business services ontracted services otal contracted services Group insurances Other benefits Total employee related Vaste Disposal otal production costs eral office expense fanagement fees vel and Power eneral taxes

Mednesday, May 14, 2008 11:27:37 AM



Kentucky American Water Variance Explanations (\$ in Thousands) April, 2008

YTD Actual vs. Q1RF

Operating Revenues

Revenue is over by \$32 mainly due to increased connection fees and collections for others. Line 2&3

Operating Expenses

Purchased water is under by \$19. Purchase water from the Georgetown system was not needed at the planned level. Rents is within \$1. Line 5 Line 19

Other Income Deductions

Interest on short-term debt is under by \$74 and is being investigated. Line 30 Line 39 Line 42-47 U

Miscellaneous income is within \$3, Under due to operating results.



Kentucky American Water Variance Explanations YTD Actual vs. Plan (\$ in Thousands) April, 2008

Operating Revenues

Revenue is under plan by (\$23). Water revenue is under partly due to planned intra-company revenue that is not included. Other revenue is over mainly due to increased reconnection fees \$88 and increased collections for others \$39. Lines 2&4

Operating Expenses

Purchased water is under plan by \$161 due to no intra-company expense and reduced purchased water in the Northern district. Line 5

Fuel and power is over mainly due to an increased fuel adjustment clause Line 6

Labor is under \$208. This is mainly due to increased work on capital projects as well as vacancies. Line 9

Pension expense is over plan and is being investigated. Line 10

Group insurance expense is under plan and is being investigated. Line 11

Other benefits are over due to employee awards and the defined contribution plan. _ine 12

Management fees are over due to corporate, region and business change expenses. Line 13

Contracted services are under due to contract services \$29, temporary employees \$19 offset by legal (\$27). The legal accrual will reverse. Line 15

Regulatory expense is under \$128 due to reduced rate case expenses and a longer amortization period than planned Line 16

nsurance other than group is under \$97 mainly due to a large retro adjustment in March for \$45 which may reverse in later months. Line 17

Customer accounting is under \$188. Uncollectible expense is under \$153 and bank service charges are under \$37. ine 18

Rents is within \$2. ine 19 General office expense is under \$22 mainly due to electricity \$16 and telephone expense \$4. _ine 20

Depreciation is under and is being investigated ine 23 Amortizations are over plan by (\$33) and have been corrected in the Q1RF. ine 24

Other Income Deductions

Interest on short-term debt is over plan by (\$54) mainly due to the delay of the equity infusion. Line 30 Line 32

AFUDC equity is over plan due to capex timing.

AFUDC debt is over plan due to capex timing. Line 33

Amortization of debt expense is within (\$5) of plan. Line 34 Miscellaneous other deductions is under \$49 due to lobbying expense not utilized and donations. Line 41

Over plan due to operating results. ine 42-47

Preferred dividend is under plan \$127 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends. ine 48

Report ID: BPR.3.7 American Water Confidential **Close Status:** Day 7 source system load.

Supplementary Tables and Discussion Kentucky-American Apr 2008

AWFRP 2.0 - Result of Operations - Revenue Analysis

American

Revenue Variance Summary (\$ in Thousands)

	AT	15,111	1,175	***	1	,	ı	ī	ı	69	ı	65	(24)	(4)	1,388	17,781	***
ear	>	3,968				•	t		•	ស		35	(10)	(4)	4	4,508	
Prior Year	QTD		500			1			ı	5		35	(10)	(4)	4		
	MTD	3,968	ιΩ										5			4,508	
	YTD	17,749	1		ī	1	t	•	3	26	•	1	က	ო	0	17,781	
Forecast	αтр	4,476	•		1	•	t		•	26	•	r	ო	m	0	4,508	
	MTD	4,476	•		,	1	t	r		26		,	ო	ო	0	4,508	
	닺	17,803	•		•	1	ı	1	1	149	ı	(31)	(125)	∞	(24)	17,781	
Budget	QTQ	4,481	,		•	•	3	r	ı	41	1	O.	(16)	m	(£)	4,508	
	MTD	4,481	•		•	ı	1	•	,	4	•	0	(16)	m	()	4,508	
		Budget / Forecast / Prior Year	Rates		DSIC	Surcharges	Balancing accounts	Water acuisitions	Sewer acquisitions	Other	Fíre	Organic growth	Demand / consumption	Sewer	Other Revenue Variances	Actual revenues	

Wednesday, May 14, 2008 11:27:38 AM

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Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business (AWE)

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed. Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) Regional Finance Director or Vice President

(Date)

Friday, June 13, 2008 11:36:46 AM

5.91% 21.01% (94.79)% (34.58)%

(138)

(69.09)% (52.39)% (141.48)% (43.66)% (82.92)% (40.16)%

(64.90)% (45.95)% (69.40)% (44.66)% (62.20)% (45.28)%

(45.28)%

Filday, June 13, 2008 11:36:47

(258.86)% 0.00% (61.71)% (61.71)% 197.16% 7.51% 24.73% 18.03% (127.55)%

165.28% 36.77% 192.05% (7.37)% 26.24% 24.90%

(62.86)% (141.01)%

155.28% 28.22% 183.50% 5.14% 32.58% 28.37% (78.88)% (169.89)%

(12) (12) (12) (13) (14) (23) (33) (34) (418) (213) (213)

33438

Close Status: Final source system data, prelim adjs and elims

Kentucky-American May 2008 (\$ In Thousands)

ncome Statement - Month To Date

Variance Favorable (Unfavorable)

4,511 22 159 MTD Plan 0.49% 7.13% 27.03%

24 m 色 1 配

1684 1684 1684

24 24 213 4,753

Sewer Revenues Other Operating Revenues Management Revenues Operating Revenues

OPERATING REVENUES

10.96% (11.37)% 40.78%

84 E 23 , R

0.09% 7.13% 34,65%

80.54% (16.23)% 19.19% 19.48% 8.50%

DAMLABOR & OVERHEAD

Vaste Disposal otal production costs

otal employee related

% Vапапсе

Variance Favorable (Unfavorable)

Pr.Yr.

Variance Favorable (Unfavorable)

MTD Reforecast

American Water.

69.86% (1.29)% 19.34% 19.48% 11,49%

(46.98)% (8.64)% (89.07)% (5.85)% (47.68)% 55.16%

(31.38)% (32.43)% (14.07% (20.46)% (2.36)% (2.36)% (4.73% (4.65)% (4.6

\$ C \$ \$ \$ 8 5 5 8

neral office expense

tegulatory expense nsurance Other Than Group tustomer Accounting hared business services fanagement fees

(\$70.58)% 55.40% (2.34)% (2.34)% (16.61)% (16.61)% (19.39)% (19.72)% (19.72)% (19.72)% (11.24% (11.24)%

(30.22)% (34.43)% (14.07)% (14.07)% (16.73)% (16

23

HER INCOME & DEDUCTIONS

tal operating expenses, net

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spreciation and amortization

2.26% 58.57% 87°

> 481 143 143 624 652 45 6 **亚克**农 722 47 8

705.67% (15.00)% 25.10% 100.00)% (17.36)% 151.98% 49.72% (29.25)% 100.00)%

1.46% 141.18% 43.26% (31.82)%

<u>8</u> ± <u>Ø</u>

15.49% 76.17% 4.64% (31.82)%

3,55% (24,34)%

2 2 2 7

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***** ននានាគ erest on long-term debt erest on Short-Term Bank Debt

nortization of Debt Expense eferred dividends of subsidiarles (Consolidatio

iin on sale of assets n-Operating Rental Income

otal other income

Miscellaneous Amortization Miscellaneous Other Deductions Total Other Deductions

Federal Income Taxes
Tax Saving Acquisition Adjustment
State income taxes (non-operating)
Federal income taxes (non-operating)
Provision (Benefit) for Income Taxes income (loss) before income taxe

Preferred Dividend Declared

epent Filters - Curencyl USD, Version; Final, Sabyldary; All reject; Ne Preject, Weter System: Ne Water System



Kentucky American Water Variance Explanations MTD Actual vs. Q1RF (\$ in Thousands) May, 2008

Operating Revenues

Revenue is over by \$69. Water revenue is over \$22. Sewer revenue is slightly over \$2. Other revenue is over due to increased connection fees \$33 and increased collections for others \$15. Line 1-3

Operating Expenses

Purchased water is under by \$23 due to no intra-company expense and reduced purchased water in the Northern district. Line 5

Better than anticipated source water quality at each facility. Line 7

Line 8

Timing difference due to being budgeted when purchased and charged out as used.

Labor is over (\$176) mainly due to the FLSA salary overtime payment. Line 9

Pension expense is over and will be reforecasted. Line 10

Other benefits has a minor variance and is within \$4 of the forecast. Group insurance expense is under and will be reforecasted. Line 11 Line 12

Contracted services are under \$26 due to the reversal of an April legal accrual (\$27). Line 15

Customer accounting is over by (\$50) mainly due to an increase in the uncollectible percentage from .4461% in April to .6216% in May. Line 18

Rents has a minor variance and is within \$1 of the forecast. Line 19

Savings in miscellaneous operations \$31 and miscellaneous general office \$47 are offset by increased transportation expense (\$35). Line 21

Other Income Deductions

Interest on short-term debt is under by \$84 and is being investigated. Line 30 Line 32

AFUDC equity is over by \$75 and is being investigated.

Amortization of debt expense has a minor variance and is within (\$2) of the forecast. Line 34 Miscellaneous other deductions is under \$10 mainly due to donations \$4 and other small miscellaneous items \$6. Line 41

Taxes are over the forecast mainly due to the correction of the tax on preferred dividends issue from prior years. Line 42-47

close Status: Final source system data, prelim adjs and elims

ne Statement - Year To Da Kentucky-American May YTD 2008 (\$ In Thousands)

The control of the	PRINCE PATIO Actuals Pedicares (Uniforwinble) Systations (TDP blan 1982) 2 1 1,473 1,1573 25 7.70% 21,1578 2												
The column The	PENSE. 5 2 126 21279			YTD Actuals	YTD Reforecast	Varience Favorable (Unfavorable)	% Variance	_		% Variance	_	Variance Favorable Unfavorable)	% Variance
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## 25.833 2.2453	PENSE. 5	nues ling Revenues	ณะ	126 1,003	422 932 52	4 12	3.39%	117 793	21.9	3,34% 26,60%	138 776	25 82 27 27	(8.44)% 29.32%
### 150 1,15	PENSE. 5	(Revenues	4	22.533	22.433	,101	0.45%	22.495	38	0.17%	19.359	3.174	16.40%
1	## 14.25 1.75							-					
1	## 1,178 1,178 50 4,25% ## 1,189 2,013 1,178 50 0,35% ## 1,189 2,013 1,14 0,35% ## 1,189 2,013 1,14 0,35% ## 1,189 2,013 1,14 0,35% ## 1,180 1,180 1,125% ## 1,180 1,180 1,125% ## 1,180 1,180 1,125% ## 1,180 1,180 1,125% ## 1,180 1,180 1,125% ## 1,180 1,180 1,125% ## 1,180 1,125% ## 1,120	JN EXPENSES /ater	ĸ	\$	82	42	49.57%	244	202	82,53%	144	101	70.40%
## 1479 116 126 127	9 177 118 1 0.959% 110 287 2613 (105) (14,401% 110 287 2613 (105) (105) (4,401% 111 716 716 716 (31) (1,180)% 112 1,537 3,756 (30) (2,140)% 113 1,535 1,1606 (23) (1,180)% 114 1,535 1,1606 (23) (1,180)% 115 1,537 1,1913 (24) (1,180)% 116 1,537 1,1913 (24) (1,180)% 117 1,194 1,193 (24) (1,180)% 120 2,194 1,193 (24) (1,180)% 121 1,194 1,193 (24) (1,180)% 122 2,194 1,124 1,194 (1,194) (1,196)% 123 2,195 2,195 1,198 2,198	ver	60 1~	1,128	1,178	2 20	4.26% 3.26%	904	(221) (9)	(24.35)%	932 905	(136) (126)	(21.03)%
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1	9 2,719 2,613 (105) (4,04)% (107.73% 110 716 716 716 51 (10.73)% (tion costs		1,899	2,013	411	2,65%	1,8/5	(24)	%(97.1)	/18'1	(k)	(4.48)%
10 170	10 287 288 (78) (10.73)% 13 1,692 1,196 51 (10.73)% 14 1,635 1,696 (29) (2.14)% 15 1,937 1,913 (24) (1.13)% 15 1,937 1,913 (24) (1.13)% 16 1,27 1,913 (24) (1.13)% 17 1,64 1,913 (24) (1.13)% 18 1,94 1,913 (24) (1.13)% 19 1,6 1,92 1,93 (2.11)% 19 1,6 1,92 1,93 (2.11)% 19 1,6 1,92 1,93 (2.11)% 19 1,93 1,93 1,93 (2.11)% 10 2,18 1,93 1,93 (2.11)% 10 2,18 2,19 1,93 (2.11)% 10 2,18 1,42 1,42 1,42 11 1,23 1,42 1,42 1,42 12 1,413 1,42 1,42 1,42 13 2,730 2,91 1,42 1,42 14 1,53 1,42 1,43 1,42 15 1,43 1,42 1,43 1,43 17 1,43 1,42 1,43 1,43 18 2,730 2,91 1,43 1,43 19 1,28 1,28 1,28 19 1,28 1,28 1,28 10 1,40,73 1,40 10 1,72 1,40 10 1,72 1,40 10 1,72 1,43 10 1,72 1,40 10 1,72	& OVERHEAD	on	2.719	2,613	(105)	(4.04)%	2.757	88	1.37%	2,415	(304)	(12.60)%
11 11 11 11 11 11 11 1	11 776 776 51 16 16 2 1 1928; 13 1652 16528; 14 1652 1666 (29) (1.1878; 15 1653 1666 (29) (1.1878; 16 1657 1913 62 1.1878; 17 164 193 62 2.178; 18 164 193 62 2.178; 21 164 193 64 10.898; 22 1018 102 2.27 11 (1.1878; 23 2.178 2.12 2.17 11 2.128; 24 2.17 1.183 1.128; 25 1.443 1.442 18 1.288; 26 2.404 2.425 2.2 0.908; 27 16.395 16.22 2.2 1.428; 28 2.404 2.425 18 12.398; 31 2.730 2.912 18 1.288; 32 2.25 417 19 3.498; 33 2.25 2.47 19 3.398; 34 2.730 2.912 18 1.288; 35 2.25 2.47 19 3.398; 36 2.404 2.425 18 1.288; 37 2.25 1.439 1.428; 38 2.25 2.47 19 3.498; 39 2.478 2.29		10	287	259	(28)	(10,73)%	216	Ē	(32.75)%	254	(33)	(13.01)%
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	13 1,632 1,661 (31) (1,45)% 14 1,635 1,606 (23) (1,43)% 15 1,937 1,913 (24) (1,25)% 17 1,913 (1,24) (1,25)% 18 1,927 1,913 (24) (1,25)% 19 15 1,025 (4,13)% 20 2,173 (39) (4,13)% 21 2,730 2,677 (10) (1,26)% 22 2,730 2,677 (10) (1,26)% 23 2,730 2,927 (10) (1,26)% 24 2,730 2,927 (10) (1,26)% 25 1,413 1,422 (18 1,28% 24 2,730 2,912 (18 1,28% 25 1,413 1,422 (18 1,28% 25 2,404 2,425 227 (10) (1,26)% 27 2,730 2,912 (18 1,28% 27 2,730 2,912 (18 1,28% 28 2,404 2,425 227 (10) (1,26)% 29 2,404 2,425 227 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (10) (1,26)% 20 2,404 2,425 2,27 (1,26)% (1,26)% 20 2,404 2,425 2,27 (1,26)% (1,26)% 20 2,404 2,225 2,18 (1,26)% (1,26)% 20 2,404 2,225 2,92 (1,26)% (1,26)% 20 2,404 2,235 (1,26)% (1,26)% 20 2,404 2,235 (1,26)% (1,26)% 20 2,404 2,235 (1,26)% (1,26)% (1,26)% 20 2,404 2,225 (1,26)% (1,26)% (1,26)% 20 2,404 2,235 (1,26)% (1,26)% (1,26)% 20 2,404 2,235 (1,26)% (1,26)% (1,26)% 20 2,404 2,235 (1,26)% (1,26)% (1,26)% (1,26)% 20 2,404 2,235 (1,26)% (1,26)	nces	- 5	716	766	, 5	6.59%	828 828	110 CD	13.27%	88	EE	(17.58)%
14 1582 1589 15	13 1,625 1,666 (31) (1,25)% 14 1,655 1,666 (29) (1,23)% 15 1,57 1,913 (24) (1,21)% 15 1,57 1,913 (24) (1,21)% 17 1,54 1,99 5 2,55% 18 504 465 (39) (4,13)% 20 2,19 2,12 (19) (4,13)% 21 2,736 2,899 101 3,49% 22 2,736 2,899 101 3,49% 23 2,736 2,899 101 3,49% 24 2,736 2,912 18 1,28% 25 1,413 1,422 19 (1,17)% 26 2,444 2,425 2,23 1,42% 27 16,395 1,422 19 (1,17)% 28 2,404 2,425 2,23 1,42% 29 2,404 2,425 2,23 1,42% 30 2,246 2,435 2,23 1,42% 31 2,736 2,912 18 (40,73)% 32 5,54 472 18 (40,73)% 34 1,422 18 (40,73)% 40 0 0 0 0 41 153 1,425 1,425 1,146% 42 1,76 1,45 1,45 (2,61)% 43 1,76 1,46 (2,61) 44 1,76 1,46 (2,61) 45 1,76 1,46 (2,61) 46 2,135 1,425 (2,61) 47 1,46 1,46 (2,61) 48 2,135 1,525 (2,61) 49 1,76 1,45 (2,61) 40 1,46 2,10 (1,13) 41 1,53 1,45 (2,61) 42 1,76 1,46 (2,61) 44 1,76 1,46 (2,61) 45 1,76 1,46 (2,61) 46 2,135 (2,61) 47 1,46 1,46 (2,61) 48 2,135 1,525 (2,61) 49 2,135 1,525 (2,61) 40 1,46 1,46 (2,61) 41 1,53 1,54 (2,61) 42 1,54 1,54 (2,61) 44 1,76 1,46 (2,61) 45 1,76 1,46 (2,61) 46 2,13 1,46 (2,61) 47 1,46 1,46 (2,61) 48 2,13 1,46 (2,61) 49 1,76 1,46 (2,61) 40 1,46 (2,61) 40 1,46 (2,61) 41 1,53 1,54 (2,61) 42 1,54 (2,61) 43 1,76 1,46 (2,61) 44 1,76 1,46 (2,61) 45 1,76 1,475 (2,61) 46 1,76 1,475 (2,61) 47 1,67 1,67 (2,61) 48 2,13 2,14 2,14 49 1,46 2,15 2,14 40 1,46 2,15 2,14 41 1,46 2,15 2,14 42 1,46 2,15 2,14 43 1,46 2,15 2,14 44 1,46 2,15 2,14 4	ee related		3,837	3,756	(08)	(2.14)%	3,897	09	1.54%	3,477	(386)	(10.54)%
14 1565 1508 1508 1509 1508 1509 1508 1509 1508 1509 15	Parise 14 1,655 1,866 (29) (1,39)% (1,51)% (1,	tfees	5	1,692	1,661	(31)	(1.85)%	1,555	(136)	(8.77)%	3,118	1,426	45,74%
15 177 171 171 172 173	5 178% 178	less services	14	1,635	1,606	(29)	(1.83)%	1,590	(48)	(2.89)%	1	(1,635)	
1	15 17 17 17 17 17 17 17	ervices	15	301	307	20	1,79%	356	55	15.34%	299	(7)	(0.78)
17 154 150	## 157 12.1 12.2 12.2 12.2 12.2 12.5 12.5 12.5		;	(06) 100	S 6.	(47)	6 (CZ-1)	n 1	P (2004	567	(1,000)	(0) (*C)
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13 15 14 (1) (k,13)k	19 15 14 (1) (0.5)%	counting	<u>.</u>	504	465	(66)	(8.41)%	940	136	21.26%	595	9.6	15,30%
The control of the	21 753 862 108 (2.50) 22 1018 12.508 24 12.194 12.312 118 10.2098 25 2.576 2.677 101 3.79% 25 1.413 1.432 18 10.2098 25 1.443 1.442 18 10.2088 25 2.404 2.462 2.23 18 1.22% 20 2.404 2.425 2.23 18 1.22% 21 2.730 2.912 18 1.23% 22 5.404 2.425 2.23 18 1.23% 23 5.40% 24 37 2.730 2.912 18 1.23% 25 5.40% 26 5.40% 27 16.395 16.22 23 1.42% 29 2.40% 2.402 80 1.23% 20 2.40% 2.402 80 1.23% 21 2.730 2.912 18 1.23% 22 5.40% 24 3.7 3.00% 24 4.0 1.3 3.4 3.4 3.4 (3.) (3.50)% 25 5.40% 26 5.40% 27 1.439 1.42 80 1.40.7 (3.) (3.50)% 28 13 2.2 18 7 7 1.13% 29 1.40 0 0 0 0.04.3% 20 1.40 1.3 406 605 17.76% 20 2.05 1.546 (3.9) (17.31)% 20 1.40 1.3 406 605 17.76% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 (0.04)% 20 2.05 1.548 2.0 3.3 37.0 (0.04)% 20 2.05 1.548 2.0 37.05% 20 2.0		£ 6	15	1 2.5	£	(4.13)%	14	£	7,680	4 ž	£	(8.92)
2	1, 19	senset se	35	753	862	108	12,59%	808	2 93	6.91%	416	(337)	(81,18)%
25	23 2,578 2,677 101 3,788 2,889 101 3,49% 1,42% 1,42% 1,43% 1,432 18 1,62% 2,37 1,42% 2,37 1,42% 2,39 1,42% 2,39 2,404 2,42% 2,39 2,39 2,404 2,42% 2,39 2,39 2,404 2,42% 2,39 2,39 2,404 2,42% 2,39 2,39 2,39 2,30 2,404 2,42% 2,39 2,39 2,39 2,39 2,39 2,39 2,40%	and morniament by bythere	22	1,018	1,082	118	5.88%	12 536	343	0 73%	11.184	(102)	(11.07)%
24 2.70 2.71 0 (77)% 171 (47) (41) (41) (41) (41) (42) (42) (41) <th< td=""><td>24 2.77 2.77 10.77</td><td>nis ailu illallitai lai lee aybellsa</td><td>8</td><td>7 575</td><td>1 5 5</td><td>201</td><td>2000</td><td>2000</td><td>186</td><td>7000</td><td>2812</td><td>738</td><td>S A 19</td></th<>	24 2.77 2.77 10.77	nis ailu illallitai lai lee aybellsa	8	7 575	1 5 5	201	2000	2000	186	7000	2812	738	S A 19
27 1,413 1,422 18 1,28% 1,140 12.8% 1,136 (277) 28 (5,136 5,501 5,39 5,82% 1,440 70 70 4,148% 15,202 (1099) 29 2,404 2,425 2,27 1,448% 2,632 747 13.8% 2,439 89 3,47% 2,097 (39) 20 3,23 498 185,23 1,23 1,23 1,23 1,23 1,23 1,23 1,23 1	27 14,13 1,432 161 3,49%, 2.78 1,413 1,432 18 1,128%, 2.89 101 3,49%, 2.75 14,2%, 2.75 1,42%, 2.75 1,42%, 2.75 1,42%, 2.75 1,42%, 2.75 1,24%, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.75 2,244, 2.25 2,248, 2.25 2,2		3 %	212	212	0	(0.17)%	171	(44)	(24.14)%	194	(18)	(9,28)
The control of the	28 1,413 1,422 18 1.28% 29 2,404 2,425 237 1,42% 30 329 2,404 2,425 22 0,30% 31 2,730 2,912 18	and amortization		2,788	2,889	101	3.49%	3,127	340	10.86%	3,006	218	7.27
16.395	7. 16.395	S	2 23	1,413	1,432	18	1.28%	1,440	. 27	1,87%	1,136	(772)	(24.40)%
28 (7) 2.464 5.392 747 13.85% 4,003 2,105 29 2,404 2,425 2,436 2,436 2,437 2,097 (00) 31 2,734 486 158 32,436 2,648 2,647 (0) (1) 31 2,734 486 158 2,743 2,697 (00) (0) 31 2,734 2,874 2,773 2,773 2,773 2,997 (00) 32 2,844 472 181 6,207 (00) (0) 33 2,246 472 181 6,207 (00) (0) 34 37 47 3,607 30 (0)	28 (2) 2, 475 5.2 0.90% 2.00% 2.2 0.90% 2.2 0.	ng expenses, net	;	16,395	16,632	237	1,42%	17,104	709	4.14%	15,326	(1,069)	%(26.9)
28 (2) 2, 404 2, 404 86 3,47% 2,097 (30) 39 2,404 4,85 188 32,43% 2,097 (30) 31 2,240 4,85 188 32,43% 2,097 (30) 31 2,730 2,912 181 6,23% 2,773 2,947 (30) 32 554 472 82 17,38% 2,73 2,947 (30) 33 255 218 7 3,09% 152 77 4,713% 2,947 (30) 34 37 3,09% 152 77 4,713% 2,947 (30) 35 2,57 3,09% 152 77 24,713% 2,947 (30) 36 1,3 (4,0,73)% 16 77 24,713% 10 10 37 1,3 (4,0,73)% 1 1 22,34% 1,00 1,00 38 1,3 1,0 1,0 1,	28	come		6,138	5,801	338	5,82%	5,392	747	13.85%	4,033	2,105	52.21%
25 2,404 2,475 22 10,90% 2,480 86 3,47% 2,097 (307) 31 (318) 32,43% 2,447 (307) 31 (318) 31 (318) 32,43% 2,563 (65) (65) (67,17% 2,91 (309) 31 (318) 31 (318) 32,447 (303) 31 (318) 31 (318) 32,447 (303) 31 (318)	29 2,404 2,425 22 0,39% 31 2,730 2,912 181 6,23% 32 5,54 772 82 17,33% 33 2,255 218 7 17,33% 34 37 34 7 34 (3) (9,56)% 35 5,54 77	OME & DEDUCTIONS.	80	6	1	0		•	8		6	€	(24.42)%
200 223 486 168 32,43% 263 663 (24777% 251 639 27/30	010 329 486 158 32.4% 31 2,730 2,912 181 6,23% 32 554 472 82 17.33% 34 325 248 7 17.33% 35 554 472 82 17.33% 36 13 2,730 2,912 181 6,23% 37 13 22 18 7 10.0% 40 0 0 0 0.024% 41 183 182 9 5,70% 42 185 1,548 605 17.76% 44 1,726 1,465 (25) (50.80)% 45 1,726 1,465 (25) (39) (41.23)% 46 (4) (7) (3) (21.63)% 47 (24) (7) (3) (21.63)% 48 2,065 1,825 270 14.72% 50 0.045% 50 0.05% 98 2,065 1,825 270 14.72% 98 2,065 1,825 270 14.72% 98 728 728 770 37.05%	ng-term debt	នេះ	2,40	2,425	' ដ	0.90%	2,490	8	3.47%	2,097	(307)	(14.62)%
1,730 2,912 181 6,23% 2,1753 23 0,85% 2,347 (3821) 32	72 554 472 82 17.38% 25.5 25.6 472 82 17.38% 25.5 25.6 472 82 17.38% 25.5 25.6 7 3 10.5% 25.5 25.6 7 3 10.5% 25.5 25.6 25.6 25.6 25.6 25.6 25.6 25.6	hort-Term Bank Debt If Expense	88	329	486	158	32,43%	263	(65) -	(24.77)%	294 38	(F)	(12.91)%
32 2554 472 82 71.38% 335 2719 65,18% 2559 226 34 37 34 31 (3.09% 152 773 47.31% 310 (170) 35	32 554 472 82 17.33% onsolidatio 35 - 255 472 82 17.33% onsolidatio 35 - 255 472 82 17.33% onsolidatio 35 - 255 3.4 (3) (9.56)% onsolidatio 35 - 25 3.4 (3) (9.56)% onsolidatio 35 - 25 3.6 (9) (40.73)% onsolidatio 35 1.3 0 0 0.4 (4.73)% onsolidatio 35 1.5 (2.73)% onsolidatio 3.4 (2.728) (2.738)	expense		2,730	2,912	181	6.23%	2,753	23	0.85%	2,347	(383)	(16.32)%
34 222 218 7 3109% 192 7/3 4/31% 118 (106) 36	035 225 218 7 3.09% 00 onsolidatio 35 - 2.18 7 3.09% 01 0	Agr.	33	554	472	82	17.38%	338	219	65.18%	259	295	113,95%
12 12 12 12 12 12 12 12	0150Modulo 35	t of Deht Expense	88	3.53	34 23	6	3.09%	35	₹6	47.31% (24.31%	2 C	(s)(2)	(21.87)
25 -	25 37 38 41 41 41 42 42 43 44 45 46 47 47 48 48 48 48 48 49 49 49 40 40 40 40 40 40 40 40 40 40	(Cons	_	; '	, ,	ŗí		,	:	<u>.</u>	(33)	33	100.00%
13	38	of assets	82	•	•	•		•	•		•	,	
38 13 23 (40.73)% - 13 192 (179) 40 0 0 (40.73)% - 13 192 (179) 40 0 0 0 (40.73)% - 13 192 (179) 41 153 162 9 5.70% 217 64 29.55% 0 0 41 153 162 9 5.70% 217 64 29.55% 163 9 41 153 140 0 (0.14)% 218 (78) (5.6.92)% 162 9 42 143 144 0 (0.14)% 2.818 (78) (5.6.92)% 30 110 42 136 (40.71) 1466 (5.24) (78) (74) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) (75.44) <td>38 13 23 (9) (40.73)% 40 0 0 0 909.24% 41 153 162 9 5.70% 41 153 162 9 5.70% 41 153 162 9 5.70% 42 173 140 0 (0.14)% 42 136 1,23 665 17.76% 45 1,75 1,465 (50.80)% 45 (4) (7) (9) (50.80)% 46 (4) (7) (9) (50.80)% 45 1,756 1,465 (26) (7) (7) 46 (4) (7) (9) (50.80)% 47 (4) (7) (9) (50.80)% 48 2,73 (33) (21.56)% 48 2,73 (33) (0.04)% 48 2,065 1,885 270 14.52% 48 2,065</td> <td>ig Rental Income ome - Common</td> <td>3 8</td> <td></td> <td></td> <td></td> <td></td> <td>1 1</td> <td></td> <td></td> <td>. 1</td> <td>; ;</td> <td></td>	38 13 23 (9) (40.73)% 40 0 0 0 909.24% 41 153 162 9 5.70% 41 153 162 9 5.70% 41 153 162 9 5.70% 42 173 140 0 (0.14)% 42 136 1,23 665 17.76% 45 1,75 1,465 (50.80)% 45 (4) (7) (9) (50.80)% 46 (4) (7) (9) (50.80)% 45 1,756 1,465 (26) (7) (7) 46 (4) (7) (9) (50.80)% 47 (4) (7) (9) (50.80)% 48 2,73 (33) (21.56)% 48 2,73 (33) (0.04)% 48 2,065 1,885 270 14.52% 48 2,065	ig Rental Income ome - Common	3 8					1 1			. 1	; ;	
13 23 (9) (40.73)%	13 23 (9) (40.73)% 140 0 0 0 0 0 0 0 0 0	ome - Preferred	88	,	•	•	:	1			1	•	
40 0 0 960.24% 0 0 155.28% 0 0 41 153 162 9 5.70% 217 64 26.58% 0 0 139 140 0 (0.14% 218 65 29.73% 162 9 40.1 139 140 0 (0.14% 218 (78) 75.93% 30 110 42 138 140 0 17.76% 2.878 1,132 39.34% 2,039 1,982 43 1,756 1,456 (25.13) 382 (744) (75.74% 7.29 (897) 46 (4) (7) (31 (43.33% (18) (14) (77.75)% 2 6 47 (24) (75.9% (34) (76.9% (34) (48) (37.4) (75.74% 7.29 (897) 47 (4) (7) (76.9% (44) (76.9% (44) (77.87% 2 <td>41 153 182 9 5.70% 41 153 182 9 5.70% 139 140 0 (0.44)% 42 (2,128) (2,585) 267 11,16% 42 136 122 (62) (50,80)% 43 1,726 1,465 (24) (71,31)% 46 (4) (7) (3) (24,39)% 47 (24) (33) (34) (21,55)% 48 2,065 1,885 270 14,52% 48 2,065 1,885 270 14,52% 48 2,065 1,885 270 14,52% 49 7,726 1,697 0 0,000%</td> <td>is income come</td> <td>es l</td> <td>13 13</td> <td>8 8</td> <td>6</td> <td>(40,73)%</td> <td>1 1</td> <td>13</td> <td></td> <td>192</td> <td>(179)</td> <td>(92,99)%</td>	41 153 182 9 5.70% 41 153 182 9 5.70% 139 140 0 (0.44)% 42 (2,128) (2,585) 267 11,16% 42 136 122 (62) (50,80)% 43 1,726 1,465 (24) (71,31)% 46 (4) (7) (3) (24,39)% 47 (24) (33) (34) (21,55)% 48 2,065 1,885 270 14,52% 48 2,065 1,885 270 14,52% 48 2,065 1,885 270 14,52% 49 7,726 1,697 0 0,000%	is income come	es l	13 13	8 8	6	(40,73)%	1 1	13		192	(179)	(92,99)%
153 152 9 5,70% 217 64 20,55% 163 9 139 140 0 0 141% 218 65 20,73% 162 9 139 140 0 0 0 141% 218 (78) 515.92% 30 110 (2,128) (2,385) 257 11,16% (2,513) 386 15.34% (2,004) (124) 42 135 125 (67) (50,80)% 194 (21) (12,55)% 163 (21) 43 1,726 1,455 (261) (17,31)% 382 (744) (75.74)% 729 (897) 44 1,726 1,455 (261) (17,31)% 382 (14) (77.75)% 2 6 47 (4) (7) (3) (43,33)% (18) (14) (77.75)% 2 6 47 1,883 1,548 270 (41,52% 1,589 (32,89)% 1,002 48 2,133 1,838 270 (41,26% 1,628 (32,89)% 1,002 49 1,825 270 (41,26% 1,628 457 (32,89)% 1,126 1,002 49 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 40 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 41 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 42 1,825 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 43 1,835 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 44 1,835 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 45 1,835 270 (41,39% 1,628 457 (32,89)% 1,126 1,002 45 1,835 270 (41,39% 1,628 457 (32,89)% 1,126 (32,89)% 1,126 (32,89)% 1,126 (32,89)% 1,126 (32,89)%	41 153 182 9 5.70% 153 162 9 5.62% 139 140 0 (0.14)% 42 138 140 60 11.16% 43 1,726 1,465 (52) (50.80)% 46 (4) (7) (3) (43.93)% 47 (24) (7) (3) (43.93)% 48 2,036 1,548 (34) (71.65)% 48 2,036 1,835 270 14.52% 1,037 0,097 0 0.000% 1,037 0,097 0 0.000% 1,037 7,037 0.000%	is Amortization	40	0	6	0	909,24%	0	0	155.28%	0	0	0000
139 140 0 0.14% 2.19 (7.8) (2.5.92)% 3.0 110 (2,128) (2,385) 2.57 11.16% (2,513) 3.86 15.34% (2.004) (12.4) 40.11 3,406 605 17.76% 2.878 1,132 39.34% 2.029 1,982 42 135 125 (62) (60,30)% 194 (21) (12.55)% 163 (2.1) 43 1,726 1,455 (2.61) (17.31)% 982 (7.44) (75.74)% 7.29 (897) 44 (4) (7) (3) (43.33)% (18) (14) (77.75)% 2 6 47 (24) (23) (24.33)% (18.65)% (19.65)% (19.65)% (19.65)% 48 2.138 1,588 2.70 (14.25% 1,589 (15.80) (15.80) 5 1,835 2.70 (14.25% 1,638 (15.44) (12.65)% (10.25) 5 1,835 2.70 (14.25% 1,638 (15.80) (15.80) (1.2.80) 6 1,825 2.70 (14.25% 1,638 (15.80) (1.2.80) 6 1,126 (1.2.90) (1.2.80) 7 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 7 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 8 1,835 2.70 (1.4.73% 1.6.28 (1.5.80) (1.5.80) 9 1,126 (1.2.50) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.80) (1.2.80) (1.2.80) (1.2.80) 1 1,837 2.035 (1.2.80) (1.2.8	(2,128) (2,385) 267 (11,18% 4011 3,408 605 17,76% 42 185 122 (62) (50,80)% 43 1,726 1,465 (261) (17,81)% 46 (4) (7) (3) (42,33)% 47 (24) (33) (9) (28,50)% 48 2,036 1,548 (339) (21,65)% 48 2,036 1,825 270 14,528% 48 2,036 1,825 270 14,728% 988 728 270 37,058%	is Other Deductions	41	153	162	6	5.70%	217	64 87	29.55%	163	6	5.84%
(2,123) (2,385) 267 11.16% (2,513) 386 (15,34% (2,004) (124) (124) (2,133) (2,134) (2,135) (2,134) (2,	(2,128) (2,385) 267 11.16% 4,011 3,406 605 17.75% 4,3 1,726 1,465 (261) (17.81)% 4,6 (4) (7) (3) (20.90)% 4,7 (2,4) (7) (3) (20.90)% 4,8 2,036 1,835 270 14,52% 4,8 2,036 1,825 270 14,75% 9,8 728 728 2,70 37,05%	6101000		22 5	į į		777.07		3 8	(35,02)%	¥ (£) <u>[</u>	98839
(4,142) (4,345) 257 11.10% (4,315) 300 15.34% (2,019) (1.27) 42 185 122 (52) (30,30)% (18) (17,317) 382 (744) (75.74)% 729 (997) 43 1,726 1,465 (261) (77.31)% 982 (744) (75.74)% 729 (997) 45 (4) (7) (3) (43,23)% (18) (14) (77.75)% 2 46 (4) (7) (3) (43,23)% (18) (14) (77.75)% 2 47 (24) (73) (28,90)% (18) (14) (77.75)% 2 48 (4) (7) (3) (44,22% (18) (19) (19) (19) (19) 48 2,128 1,588 270 (14,52% (18) (19) (19) (1902) 48 2,035 1,582 270 (14,12% (18) (19) (1902) 49 2,035 1,583 270 (14,12% (18) (19) (1902) 49 1,126 (1902) 40 1,135 1,583 270 (14,12% (18) (1902) 41 1,135	(4,142) (4,335) 257 11.10% 4,1 1,726 1,465 605 17.75% 4,3 1,726 1,465 (201) (17.31)% 4,7 (24) (7) (3) (43.29)% 4,7 (24) (7) (3) (43.29)% 4,7 (24) (7) (3) (43.29)% 2,138 1,548 (33.5) (21.65)% 2,138 1,548 (33.5) (21.65)% 2,138 1,548 (33.5) (21.65)% 2,138 1,548 (33.5) (21.65)% 2,138 1,528 (33.5) (14.52% 2,138 1,528 (33.5) (14.52% 3,3 3 0 (0.04)% 3,3 3 0 (0.04)% 3,3 3 0 (0.04)% 3,3 3 0 (0.04)% 3,4 3 3 3 0 (0.04)% 3,6 3 3 3 0 (0.04)% 3,6 3 3 3 0 (0.04)% 4,7 3 4 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	famother, 6 and 5		30, 10,	i ii	, 7AC	44 16%	2 2 2 2	388	76PE 31	2 00 2	77.77	(6.16)%
40	42 4,011 3,400 605 17.70% 43 1,726 1,425 (52) (50,80)% 46 (4) (7) (3) (45,33)% 47 (24) (33) (3) (24,33)% 47 (24) (33) (35) (21,65)% 2,128 1,548 (335) (71,65)% 48 2,035 1,548 (335) (10,64)% 2,035 1,825 270 14,73% 1,097 1,097 0 0,000% 998 728 270 37,05%	come (aeaucaons)		(4,140)	1,000,1	20.2 20.8 20.8	11.10.0	(5,0,5)	1133	70 FC 92	(x,vv-1)	1 982	1/01.07 Q7 RQW
42 135 122 (672) (30,30)% 164 (21) (12,55)% 153 (21) (41,55)% 154 (15,74)% 729 (887) (17) (17) (17) (17) (18) (17,71)% 882 (744) (75,74)% 729 (887) (187) (17,71)% (17,71)% (18,71)% (19) (19,71)% (19) (19,71)% (19) (19) (19) (19) (19) (19) (19) (19)	42 135 122 (62) (50,80)% 43 1,726 1,465 (26) (17,81)% 46 (4) (7) (3) (45,93)% 47 (24) (3) (9) (26,90)% 48 2,128 1,888 270 14,52% 48 33 30 (0.04)% 1,097 1,097 0 0,000% 998 728 270 34,05%) Defore income taxes	9	1.0,4	ontic	200	17.7070	0,010	201,1	0/40,200	400	2001	11 11 11 11 11 11 11 11 11 11 11 11 11
46 (4) (7) (3) (43,93)% (18) (14) (77,75)% 2 6 47 (24) (73) (9) (28,90)% (70) (46) (65,74)% 9 33 2,138 1,548 (23,5) (21,65)% 1,058 (824) (77,87)% 99.3 (879) 48 33 33 0 (4,65)% 1,658 1,789 1,126 1,002 2,095 1,825 270 14,78% 1,628 467 28,69% 1,126 970 1,097 1,097 0 0.00% 804 2293 (36,51)% 972 (125) 1,097 1,097 0 0.00% 804 2293 1,685 1,524 4,524 1,524 4,524 1,524 4,524 1,524 4,524 1,524 4,524 1,524 1,524 1,524 1,524 1,524 1,524 1,524 1,524 1,524 1,524 1,524 1,524 <td< td=""><td>46 (4) (7) (3) (45.35)% 47 (24) (33) (30) (20.90)% 1.853 1.548 (33-6) (21.65)% 2.128 1.858 270 14.52% 2.005 1.825 270 14.12% 1.097 1.097 0 0.000% 988 728 270 14.12%</td><td>: Taxes ne Taxes</td><td>4 €</td><td>1,726</td><td>2, 4,</td><td>(947) (261)</td><td>(17.81)%</td><td>982</td><td>(744)</td><td>(75.74)%</td><td>25.</td><td>(997)</td><td>(136.65)%</td></td<>	46 (4) (7) (3) (45.35)% 47 (24) (33) (30) (20.90)% 1.853 1.548 (33-6) (21.65)% 2.128 1.858 270 14.52% 2.005 1.825 270 14.12% 1.097 1.097 0 0.000% 988 728 270 14.12%	: Taxes ne Taxes	4 €	1,726	2, 4,	(947) (261)	(17.81)%	982	(744)	(75.74)%	25.	(997)	(136.65)%
47 (24) (33) (3) (3) (3) (3) (3) (3) (3) (3) (3) (3) (3) (3) (24) (73) (46) (65,4) 9 33 1,183 1,548 (334) (716) (1,088) (824) (77,87)% 943 (879) 48 2,128 1,588 20 (1,047) 1,520 308 14,244 1,126 970 2,035 1,825 20 1,627 1,628 467 28,69% 1,126 970 1,097 1,097 0 0,00% 804 2293 (65,51)% 972 (125) 1,007 1,097 0 0,00% 804 2293 1,63 1,54 1,54	47 (24) (33) (39) (20,50) 48 (38) (1,568 270 (15,65) 48 (38) (38) (0,04) 2,035 (1,825 270 (14,728) 1,097 (1,097 0 0,000) 998 728 270 37,058	cquisition Adjustment	ų,	' #	' 6	' ह	20120 597	. (48)	.45	77.751%	, 6	" (2	337 159
1,883 1,548 (334) (21.65)% 1,088 (824) (77.87)% 91.3 (979) 2,128 1,858 2.70 14,278 1,820 308 16,64% 1,126 1,002 2,035 1,825 2.70 14,73% 1,628 467 28,69% 1,126 970 1,097 1,097 0 0,00% 804 2293 (36,51)% 972 (125) 1,097 1,097 0 0,00% 804 2293 (36,51)% 972 (125) 1,097 1,097 0 0,00% 804 2293 (36,51)% 972 (125) 1,097 1,097 0 0,00% 804 2293 (36,51)% 972 (125) 1,097 1,097 0 0,00% 804 2293 (36,51)% 972 (125) 1,097 1,097 0 0,00% 804 2293 (36,51)% 972 (125) 1,097 1,097 0 0,00% 1,097	1,883 1,448 (333) (21.65)% 2,128 1,858 270 14.52% 48 33 33 0 (0.04)% 1,097 1,097 0 0,000% 998 728 270 37,05%	rakes (non-operating)	4 5	(24)	(33)	(6)	(26.90)%	(6)	(46)	(65.74)%	1 60	33	370.95%
48 715 720 (0.04)% 192 (159) (82.89)% 0 33 33 33 0 (0.04)% 192 (159) (82.89)% 0 33 1,825 1,825 270 14,78% 1,628 467 26,69% 1,126 970 1,097 1,097 0 0 0.00% 804 (2.93) (85.81)% 972 (12.5) 1,007 1,007 0 0 0.00% 804 (2.93) (35.81)% 972 (12.5)	A 48 7,133 1,33 0 (0.04)% 25 200 14,78% 2005 14,78% 2005 1,097 0 0,000% 2005 2005 2005 200 200 200 200 200 200	mefit) for income Taxes		1,883	1,548	(335)	(21.65)%	1,058	(824)	16.94%	903	(979) 1.002	(108.43)%
34 2,095 1,825 270 14,78% 1,628 467 28,65% 1,178 970 1,097 0 0,00% 804 (293) (36,51)% 972 (125) 0,00 0,00 0,00 804 (293) (36,51)% 972 (125) 0,00 <t< td=""><td>24 2.095 1.825 270 14.78% 1.097 1.097 0 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.</td><td>idend Declared</td><td>84</td><td>33</td><td>33</td><td>0</td><td>(0.04)%</td><td>192</td><td>(159)</td><td>(82.89)%</td><td>0</td><td>33</td><td></td></t<>	24 2.095 1.825 270 14.78% 1.097 1.097 0 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.097 0.00% 1.	idend Declared	84	33	33	0	(0.04)%	192	(159)	(82.89)%	0	33	
1,097 1,097 0 0,00% 804 (289) (36,51)% 972 (125)	1,097 1,097 0 998 728 270	o Common Stock		2,095	1,825	270	14.78%	1,628	467	28.69%	1,126	926	86.15%
	998 728 270	idend Declared		1,097	1,097	٥	0.00%	804	(293)	(36.51)%	972	(125)	(12.90)%

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Kentucky American Water (\$ in Thousands) May, 2008

Variance Explanations YTD Actual vs. Q1RF

Operating Revenues

Revenue is over by \$101 due to water \$25 and other revenue \$72. Other revenue is over the forecast due to increased connection fees and collections for others. Line 1-3

Operating Expenses

Purchased water is under by \$42. Purchased water from the Georgetown system was not needed at the planned level. Line 5

Line 10

Pensions is over by (\$28) and will be reforecasted. Group Insurance is under by \$51 and will be reforecasted. Line 11

Other Income Deductions

Interest on short-term debt is under by \$158 and is being investigated. Line 30 Line 32

AFUDC equity is over by \$82, mainly due to May's variance of \$75, and is being investigated.

Supplementary Tables and Discussion Kentucky-American May 2008

AWFRP 2.0 - Result of Operations - Revenue Analysis

American Water

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Revenue Variance Summary (\$ in Thousands)

Report ID: BPR.3.7 American Water Confidential

Close Status: Final source system data, prelim adjs and elims

		Budget			Forecast			Prior Year	
	MTD	QTD	E F	MTD	ата	Ę	MTD	атр	YTD
Budget / Forecast / Prior Year	4,692	9,173	22,495	4,684	9,160	22,433	4,248	8,216	19,359
Rates	ı	ı	•	1	•	•	475	975	1,650
DSIC	1	1	3	1	į	1.	ı	·	•
Surcharges	1	•	1	1	ı	•	•	•	1
Batancing accounts	1	ı	ı	i	•	1	r	1	1
Water acuisitions	•	•	,	1	į	1	•	•	ı
Sewer acquisitions	r	ı	•	ť	1	•	1	•	1
Other	55	96	204	45	7.1	71	62	7.7	131
Fire	ľ	ı	•	ı	ı		•	•	ı
Organic growth	0	0	(31)	ı	ı	f	0	35	65
Demand / consumption	4	(12)	(121)	22	25	25	(29)	(38)	(23)
Sewer	8	ID	10	2	ŧΩ	īO	(3)	<u>(</u>	6

Other Revenue Variances	0	(1)	(24)	0	0	0	0	4	1,388
Actual revenues	4,753	9,261	22,533	4,753	9,261	22,533	4,753	9,261	22,533
Total variance	61	88	38	69	101	101	505	1,045	3,174

Friday, June 13, 2008 11:36:49 AM

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Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business (AWE)

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed.

Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) Regional Finance Director or Vice President

(Date)

Tuesday, July 15, 2008 5:53:22 PM

	Jun Cito 2008	In Thousands)
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	5	OTD Activate	OTD References	Variance Fevorable (Unfevorable)	% Variance	E Plea	Variance Favorable (Littleworable)	% Variance	6 H	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES.	1										
Water Revenues Serior Boundings	r- (*	5, 18, 18,	13,508 13,508	, g	1.51%	13,538	81"	1.68%	12,716	050, 1,050	8378 8728 10 10 10 10 10 10 10 10 10 10 10 10 10 1
Other Operation Revenues	1 67	58	60.	* e	4.78%	476	15.	32.48%	223	18	18.45%
Management Revenues	4	•	•	•		. '	•		'	'	
Operating Revenues		14,470	14,182	588	203%	14,081	386	2.76%	13,330	1,741	8,56%
OPERATIONS & MAINTENANCE EXPENSE											
Purchased Water	so.	얾	35	ĸ	41,16%	151	119	79.00%	127	8	75.00%
Fuel and Power	9 1	55 55 56 55	13 E	8 8	3.69% 2.7%	8	9	3,57,3%	E 8	13 G	5.87%
Waste Disposal	- 00	3 8	Ę	3 00	6.65%	8	₽ E	(0.75)%	8	15	17.31%
Tensi production costs		1,186	1,261	75	5.97%	1,282	96	7,49%	1,400	214	15.27%
OMILABOR & OVERHEAD.		į	į	1		,	ţ		ļ		200
Labor	φç	ę.	5,7	િક	2.03%	1,675	<u> </u>	(3.48)%	1,477	6	(17,30)%
Group insurances	3 52	2	445	Ē	4.51%	8 8	Į.	14.61%	4	<u> </u>	(4.67)%
Other benefits	ij	Z,	8	١°	0.77%	25	i to	4.72%	5	(3)	(5,93)%
Total employee related		2381	2,427	45	1.87%	2,356	(S)	%(1.07)%	2,092	(289)	(13.83)%
Management fees	ដ	1,039	283	(20E)	(10.84)%	**	(155)	(17.49)%	1,939	900	46.43%
Shared business services	‡	1,044	1,014	(30)	(2.97)%	586	(65)	. (6.03)%	1	(1,044)	;
Contracted services	ž	228	251	2 6	5,48%	425	16,77	8.71%	£1.29	(48)	(26.99)% (#06.69)%
	•	* 1	892	<u>ē</u>	a (str)	ROY!	3	ac (nere)	B()	(1,032)	erioc-eno)
Regulatory expense Insurance Other Than Groun	5 t	4 E	র র্	r 15	3.23%	133	26	38.83%	8 2	8 2	25.22% 26.22%
Customer Accounting	: №	25	å	8	(14.48)%	388	(105)	(26.94)%	487	8	X(44).K
Rents	5 5	Б	o į	0	(4.89)%	°° ;	εļ	(12.58)%	ου (Εį	(6.37)%
Lisheral omce expense Miscellaneous	នុស	ā S	<u>ş</u>	<u>6</u> 8	73.71% 73.71%	Z 8	<u>ş</u> z	14.63%	23 23	<u> </u>	(82.34)%
Maintenance	22	818	624	80	1.32%	253	17	2.62%	\$	(382)	(41.95)%
I del operations and mainteristics expense		1725	7,769	₹	0.56%	7,728	7	9,6070	7,083	(250)	%(75°8)
Depreciation Amortization	ខ្ល	28. 5.	8	8 €	5.67%	E E	38.0	22.18% 25.75%	2,755 7,1	37 20	21.17%
Depreciation and emortization		1,511	1,593	83	5.18%	1,881	370	19.67%	1,872	361	19.29%
General taxes	XI !	25	878 878	166	19,58%	366	18r	21.28%	874	133	16.29%
Impairment charges	77	0 047	40.300	- 02	20 52 5	727 91	133	5 2146	0.770	1 (25.1/	11 42192
Operating income		4,553	3,973	280	14.61%	3,607	976	26.21%	3,551	1,002	28.21%
OTHER INCOME & DEDUCTIONS.	ę	Ę	ŧ	•	200		•		į	. 3	90,00
Interest income Interest on long-term debt	8 X	<u> </u>	T.	4 E	182.81% 0.76%	1.463	Ψ 12	25.5%	9	E 6	8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8
Interest on Short-Term Bank Debt	8	ន	1	3	(4.15)%	140	₩	(16.97)%	53	[8	61.55%
Other interest Expense Total interest expense	34	1.588	1,576	l eq	0.52%	1,600	1.25	2.12%	8 <u>5</u>	7477	(10.37)%
40 m	Ę		226	, ñ	3006	į	Ş	70.000	001	Ç.	200
AFUDC Debt	8 8	<u>\$</u>	3 5	ū	5.16%	2 8 2 8	§ 4	48 23%	§ 83	38	68.30%
Amortization of Debt Expense	¥ 18	ន	73	8	(6.75)%	9	©	(28.05)%	2 6	E E	(23.95)%
	8 3	ı	1	1		•	•		(82)	(40)	octopron)
Gain on sale of assets Non-Oceration Regard formes	8 8	, ,		1 1		• 1				, ;	
Dhidend Income - Common	16	•	•			1 1			•	•	
Dividend Income - Preferred	88	' ?	' §	1 8	2000	•	' \$		1 0	1 2	A(37 FO)
Total other income	3	Į,	9	88	392,88%	, ,	12		3	(119)	(81.45)%
Miscellaneous Amortization	3 :	0	•	٠	1,470,12%	0	a	155,28%	0	9	0.00%
Miscellaneous Citier Ceductions Total Other Deductions	14	2 2	8 8	2 2	16,06%	110	8 8	34.75%	3 2	3,3	27.7%
Opp. 184		25	(58)	8	52.87%	(110)	9	59.36%	\$	(88)	(113,62)%
Total other income (deductions)		0.310	0.180)	, p	8.61%	(1,422)	E	21.85%	(1.145)	8	2.98%
Incorpe (loss) before income taxes		3,442	2.783	629	23.68%	2,188	1,256	57,47%	2,405	1,036	43.06%
State Income Taxes	Ŝ,	319	174	(145)	(83,61)%	119	(2003)	(167.14)%	139	(180)	(129.97)%
Federal Income Taxes Tax Series American Administrator	Q 5	127	1,243	E	(2.70)%	ž	(542)	(73.86)%	787	(483)	(62,13)%
State income taxes (non-operating)	4 :	· @ ļ	· @	· &	(36.76)%	' ② ¦	E	(67.14)%	' ^ !	' 21	144,75%
Provision (Benedit) for income Taxes	₽	1,576	2 E	(5)	(73.33)%	808	(788)	(94,70)%	\$ 55 8	(238)	137.67%
Net income (fass)	Ę	1,866	1,392	474	34.01%	1,376	490	35.58%	1,428	854	30.67%
Net frome To Compan Stock	ŧ	1,847	1,373	474	34.50%	1,261	585	45.38%	1,428	854	29.29%
Common Dividend Declared		956	1,060	103	9.76%	793	(163)	(20.61)%	235	(721)	(306,671%
Current Year Retained Earnings		830	313	57.	78,21%	469	g	8878%	1,193	(303)	%(75.37)%



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Kentucky American Water
June, 2008
(\$ in Thousands)
Variance Explanations
QTD Actual vs. Q2RF

Operating Revenues

Lines 2&4 Revenue is over by \$289. Water revenue is over \$258 and other revenue is over \$29.

Operating Expenses

Line 5	Purchased water is under by \$22 due to reduced purchased water in the Northern district.
Line 6	Fuel and power is under mainly due to not transferring as much water to the Richmond Road Station as expected.
Line 7	Chemicals are under due to very low source water turbidity as a rsult of little rainfall during the month.
Line 13	Management fees are over primarily due to Corporate and Regional management fees and are being investigated for more details.
Line 18	Customer accounting is over (\$63). Uncollectible expense is over (\$61).
Line 25	General taxes are under by \$166 due to a true-up of property tax expense for 2007 and 2008.

Line 39 Miscellaneous in the uncollectil	aneous income is over by \$36 mainly due to a billing for damage to company property. This has been reserved for incollectible expense.



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Kentucky American Water June, 2008 (\$ in Thousands) Variance Explanations QTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$389. Water revenue is over by \$228. Other revenue is over \$154 due to increased reconnection fees \$93 and increased collections for others \$39. Lines 284

Operating Expenses

sed water in the Northern district. > being investigated for more details.	n penoa man piannea.	in the uncollectible % from .62% in May	cpense and the lower rates being used.		***************************************
Purchased water is under plan by \$119 due to no intra-company expense and reduced purchased water in the Northem district. Management fees are over primarily due to Corporate and Regional management fees and are being investigated for more details.	regulatory expense is under \$37 due to reduced rate case expenses and a longer amoruzation period trian planned, Insurance other than group is under \$70 mainly due to a large retro adjustment in June.	Customer accounting is over (\$105). Uncollectible expense is over (\$132) due to an increase in the uncollectible % from .62% in May to .74% in June.	Depreciation is under \$394 due to the increased net negative salvage going to maintenance expense and the lower rates being used.	Amortizations are over plan by (\$24) and have been corrected in the Q2RF.	General taxes are under by \$184 due to a true-up of property tax expense for 2007 and 2008.
Line 5 Line 13	Line 15	Line 18	Line 23	Line 24	Line 25

Line 32 A	AFUDC equity is over plan due to capex timing.
Line 33	AFUDC debt is over plan due to capex timing.
Line 39	Miscellaneous income is over by \$36 mainly due to a billing for damage to company property. This has been reserved for
-	in the uncollectible expense.
Line 41	Line 41 Miscellaneous other deductions is under \$38 mainly due to lobbying expense not utilized.
Line 42-46	Line 42-46 Over plan due to operating results and the correction of the tax on preferred dividends issue from prior years.
Line 47	Line 47 Preferred dividend is under plan \$95 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends

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1 120			හ. සී හසප ය පවිහල ඇති පිපුල උසම් වේන ගෙය සට සම .	2.41% 1.05% 1.04% 1.04% 1.04% 1.04% 1.04% 1.04% 1.04% 1.05%	24	2	25.25% 1.24% 1.24% 1.24% 2.27% 2.27% (2.26%) 1.32% 1.3	2516 2516 2517 2518 2518 377 2518 377 377 377 377 377 377 377	2	73.58% 13.58% 1.01%
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Fig. 1, 1979			n r පදිසය අපි පිපුල උසම් වෙමන යේ සට සම .	3.38% 1.14% (4.21)% (4.21)% (5.21)% (6.21)% (6.23)% (6.28)%	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	10 10 10 10 10 10 10 10	1.38% 0.32% 2.27% (32.64% (13.27% (13.27% (13.14% (14.82% (14.	253 253 347 258 885 774 277 277 277 272	14 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	13.53.8 (10.10.10.9), (10.10.10.10.10.10.10.10.10.10.10.10.10.1
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Colored Colo			ន _ម ន និ .	2.66% (0.26)% 2.44% 9.76%	3,755	506		13,746	(2,102)	10,42%
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protection of the control of	3289		166	9.76%	727.1	004	12.15%	3,631	æ	9,15%
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Control Cont	1 000		-	7000		' 60	A 7009.	18 672	1030/	74 6514
DEDICITIONS 28	8,062		280	7.78%	6,73	1,328	19.73%	5,650	2,412	42.69%
color 22 (6) (2) 4 1228/14 2.97 (1274) 2.97 (1474) 2.97 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>:</td> <td></td> <td></td>								:		
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(biolocidadions) (2,489) (2,577) 73 3.05% (3,002) 504 16,79% (2,475) (22) i hormin status 5,564 4,905 659 13,44% 3,731 1,822 48,11% 2,390 (139) ss 43 2,076 2,016 (14,69) (15,69) 1,270 (16,89) 1,374 2,380 (199) ss 43 2,016 (14,69) (15,69)	(123)	(13)	20	28.38%	(380)	133	51.24%	<u>(</u>	(88)	(SE35)%
Second	(2,498)	(2.577)	ዶ	3,05%	(3,002)	504	%62'9L	(2,476)	8	(0.88)%
42 376 221 (145) (62.20)% 210 (166) (78.80)% 158 (190)	5,564	4,905	629	13.44%	3,731	1,832	48,11%	3,174	2,390	75.31%
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47 (31) (35) (13,44% (15) (15,44) (1,015) (10,53) (10,	6	e	Q	(24.47)%	8	(16)	(74.97)%	e, 5	∞ <u>y</u>	289.84%
49 3172 2,688 474 17,55% 2,256 817 34,67% 1,682 1,310 8 8 3 38 38 8 474 17,81% 2,126 1,007 47,35% 1,507 1,507 2,508 2,157 103 4,90% 1,557 (457) (28,61)% 1,007 (346)	2,381	2206	(185)	(8.40)%	1,376	(1,016)	(73.84)%	1,311	(1,080)	(82,40)%
3.133 2.638 474 (1.51% 2.126 1.007 47.33% 1.822 1.270 2.063 2.157 103 4.80% 1.597 (457) (28.81% 1.007 (24.81)	2,12 2,000 2	2,686	474	17.55%	2336	817 101/	34.67%	1,862	1,310	70.32%
2,053 2,157 103 4,59% 1,597 (457) (28,61)% 1,207 (946)	3.133	2,659	474	17,81%	2,126	1,007	47,39%	1,862	1,270	6821%
	2,053	2,157	103	4.80%	1,597	(457)	(28.61)%	1,207	(846)	(70.13)%
rest Year Resained Earnings		18.88 18.88		1893. 2484. 2584. 2584. 2584. 201. 201. 201. 201. 201. 201. 201. 201	2,286 2,286 2,286 3,74 3,74 3,74 3,74 3,74 3,74 3,74 3,74	1,700 181 2,44%	3,287 2,56% 3,550 2,56% 3,550 2,56% 3,550 2,56% 3,550 2,56% 3,550 2,56% 3,550 2,56% 3,550 2,56% 3,755 1,26% 2,755 1,26% 2,755 1,26% 2,56	1,475 1,6	1,000 1,00	3,281 2,44% 3,785 456 12,15% 3,651 1,700 1185 9,78% 1,775 145 11,17% 1,445 1,500 12,60% 2,0671 989 4,72% 18,822 18,822 7,481 580 1,44% 2,0671 989 4,72% 18,822 2,26% 1,176% 6,733 1,47% 1,445 2,689 16 3,42% 2,438 2,26% 1,176% 2,26% 411 2,40 58,44% 3,18 2,86 1,5 1,24 3,20 65 16,76 2,68 4,86 1,1 3,21 3,20 65 16,76 2,68 2,84 7 2,26% 411 2,40 58,44 3,18 2,84 7 1,27 3,20 65 16,70 16,70 16,50 4,86 1,1 3,20 3,20 65 16,40 3,40 5,40 1,1 1,2

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Kentucky American Water June, 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Q2RF

Operating Revenues

Lines 2&4 Revenue is over by \$289. Water revenue is over \$258 and other revenue is over \$29.

Operating Expenses

Line 5	Purchased water is under by \$22 due to reduced purchased water in the Northern district.
Line 6	Fuel and power is under mainly due to not transferring as much water to the Richmond Road Station as expected.
Line 7	Chemicals are under due to very low source water turbidity as a rsult of liftle rainfall during the month.
Line 13	Management fees are over primarily due to Corporate and Regional management fees and are being investigated for more details.
Line 18	Customer accounting is over (\$63). Uncollectible expense is over (\$61).
Line 25	General taxes are under by \$166 due to a true-up of property tax expense for 2007 and 2008.

Line 39	Miscellaneous income is over by \$36 mainly due to a billing for damage to company property.	y. This has been reserved for
	in the uncollectible expense.	
Line 42-46	ie 42-46 Over due to operating results.	



Kentucky American Water

A compression of the contract

June, 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$389. Water revenue is over by \$58. Other revenue is over \$269 mainly due to increased reconnection fees and increased collections for others. Lines 2&4

Operating Expenses

		age to company property. This has been reserved for		expense not utilized and donations.	referred dividends issue from prior years.	being included in both long-term debt and preferred dividends.
AFUDC equity is over plan due to capex timing.	AFUDC debt is over plan due to capex timing.	Miscellaneous income is over by \$50 mainly due to a billing for da	in the uncollectible expense.	Miscellaneous other deductions is under \$83 mainly due to lobbying expense not utilized and donations.	Over plan due to operating results and the correction of the tax on	Preferred dividend is under plan \$191 due to the \$4.5M 8.47% iss
Line 32	Line 33	Line 39		Line 41	Line 42-46	Line 47



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Kentucky American Water June, 2008

The second secon

YTD Actual vs. PY Dec, 2007 Variance Explanations (\$ in Thousands)

Assets

Offier receivables variance is due to increased system miscellaneous accounts receivable. Accrued utility revenue - increase is primarily due to higher average revenue amounts. Line 11 Line 12

Taxes receivable - it is no longer necessary to reclass the state income tax receivable item.

Deferred rate case - decrease is due to monthly amortization. Line 13

Other long-term assets is being investigated. Line 25 Line 34

Capital & Liabilities

Paid in capital - \$8M equity infusion in March 2008 and \$8M equity infusion in June 2008. Line 36

Short-term debt decrease is primarily due to the \$16M equity infusion. Line 44

Accounts payable - general accounts payable decreased \$1,603 and contract retention decreased \$556. Line 47

faxes accrued is being investigated.

Other current liabilities - increase is primarily due to accrued wages. Line 48 Line 50

Line 55

Accrued pension expense - timing of pension payments and the difference between accruals and payments.

Report ID: BPR.3.7 American Water Confidential

Supplementary Tables and Discussion Kentucky-American Jun 2008

AWFRP 2.0 - Result of Operations - Revenue Analysis

American Water

Revenue Variance Summary (\$ in Thousands)

Close Status: Final pending reviews

		Budget			Forecast			Prior Year	
	Œ	QT _O	ξ	MTD	αTD	Ę	QTM	ΩTO	Ę
Budget / Forecast / Prior Year	4,909	14,081	27,404	4,921	14,182	27,454	5,113	13,330	24,473
Rates	•	1	ļ	1	•	•	(1,650)	(675)	44 No. of No. 47 Kills a way
DSIC	•	1	1	t	ı	1	•	•	
Surcharges	•		, 1	•	•	•		ı	
Balancing accounts	,		•	•	1	,	r		1
Water acuisitions	ı	•	•	•	•	•	•	•	1
Sewer acquisitions	0	0	0	ı	•	1	1		1
Other	65	161	569	(71)	0	,	(131)	(54)	
Tire	'1	1	•	. 1	•	1	. 1		1
Organic growth	(270)	(270)	(301)	•	,	,	(65)	(30)	•
Demand / consumption	480	468	328	(25)	0	•	53	4.	•
Sewer	73	7	12	(2)	Ö	•	7	0	1
Other Revenue Variances	24	8	O	390	289	289	1,882	1,886	3,270
Actual revenues	5,210	14,470	27,743	5,210	14,470	27,743	5,210	14,470	27,743
Total variance	301	389	339	289	289	289	96	1,141	3,270

American	02008	usande)
5	1	(\$ in The

							(\$ in T;	(\$ in Thousands)			
		Actuals	Reforecast	Increase (Decrease)	% Variance	Ptan	Increase (Decrease)	% Variance	Prior Yr. Dec	increase (Decrease)	% Variance
Assets.	T	400 000	****	!.	•	ŀ					
Construction Work in Progress	- 14	25,022	22,002	ş. 2	2.4.0 8.4.0	786.12	(\$00°,FF)	2 (C.)	245,241	11,527	1 3 K
Accumulated Depreciation	es.	(83,632)	(83,345)	(287)	(0.3)%	(88217)	4.585	, S	(B) 435	5 5	4 0 %
Utility Plant Acquisition Adjustments	41	376	318	Ö	00%	S	6	(22)%	327	E	1 % (T)
Total Utility Plant	,	295 RAB	204411	1 295	0.4%	- cos	. 000 3/	1910-01	, FF 400	1 000	40.0
Total Non-Liftity Plant, Net	9	270	570	0	0.0%	280	20	8.2%	7	3 8	2 % 2 % 2 %
Total property, plant and equipment		285,916	294,681	1,235	0.4%	302,780	(6,864)	(2.3)%	286,793	9,123	32%
Cash and Cash Equivalents	۰,	804	203	202	101.0%	236	121	42.4%	338	o	2.3%
National lumbs (Milly dustrance secon attacking)	000	2 6719	, 469 6	' 5	Š	, 6	١ ٤	č	' 8	' 6	i d
Alfowance for uncollectible accounts	, 5	247	270	96	17.88 8.88 8.88	380	ğ	73.6% 13.6%	328	3 6	\$ 50 CE
Accrued utility revenues	;;	2873	2733	3	5,1%	2960	38	28.8		Ē	72.1%
Other receivables, net		424	244	180	74.0%	804	16	4.0%	136	8	116.2%
Taxes receivable, including federal income		1 6	8	(3.26)	%(0.00L)	(2,670)	2,670	100.0%	388	(388)	(100.0)%
Materials and suppless December from affiliated comments	at h	22	96	88 9	6.5%	33	S	2.4%	8	4	0.6%
Other Current Assets	2 %	, 1 <u>7</u>	28.0	200	78 01%	100	1 65	200		'n	140 041
Current Assets		6,879	7,214	(336)	(4.6)%	3,628	3.253	89.7%	5.965	416	15.3%
Regulatory assets - income tax recovery	4	6.448	6.416	E	26 10	6.171	200	4 5%	285	8	796
Debt and preferred stock expense	82	808	803	l w	8	98	8	14.1%	38	3 (5)	(4.8)%
Deferred pension expense	9		•	1		•	•		•	,	
Deferred postremement benear expense	8 8	٠	•	•		1	k		,	•	
Deferred business services project expens			. 1	• ,1	•	•	1		•	•	
Deferred integration costs		•	•	•		. 1	1 1		• •	٠ ،	
Deferred tank painting costs	8	1,733	1,759	8	3,53%	1,514	119	7.4%	1,859	(126)	(6.8)%
Deferred rate case	K 3 (360	364	Œ	%(E'L)	335	8	7.2%	486	(126)	(26.0)%
Environmental remediation recoverable the			۱ ۱				1			ı	
Other Regulatory Assets		3,027	3.127	(68)	323%	3,439	(411)	(12.0)%	3.181	(154)	(4.8)%
Regulatory assets	,	12,374	12,469	(8)	%(8°0)	12.285	108	2,9%	12,758	(384)	308
Curer investments	ខាន	•	1	•		1	•				,
Funds restricted for construction	វ គ		,	• 1		, ,				٠.	
Goodwill	24	•	1	1		,	1		•,	•	
other Important Assets	R R	363	' car	¹ 8	700	1 107	, 4	700	, į	1 1	200
Total Regulatory & Other L/T Assets		13.227	13,236	(3)	%(0.0)	12,700	525	4.1%	13.245	8F.	(0.1)%
Oral Assets		316,022	315.131	168	0.3%	219 107	13 085	74 00%	308.003	10,010	2 200
				20	8 CHA	313, 10,	(266/6)	((-0)%	300,003	810,01	40%
Cactor & Lisbilities	į	9	200	. •	į		,	į			
Cotabon block Date in Capital	8 8	99798	38,58	۰;	8 6	36,569	o į	0.0% 0.0%	36,589	0	0.0%
Retained Earnings	88	31,069	30,482	4 [S	. c.	\$ 8 8 8 8 8	3 5	2 4 2 2 4	8,058 6,058 6,059	16,043	198.1% 198.1%
Accumulated other comprehensive income		1	•	•	ļ	, ,	ļ,	2		,	j
Uneamed compensation Treasury stock	8 8	1 1	•	•		•	•		•	•	
Common stockholder's equity	7	91.738	747.19	501	0.6%	90.500	4 225	<i>/4/</i>	200.07	45.45	30 02
Preferred Stock without mandatory redemp		1,458	1,458	ą o	3 % 0 0	1,467	3 6	* \$4 60 60 60 60 60 60 60 60 60 60 60 60 60	14,013	36	22.3%
Long term debr	4	76,700	76,700	0 1	20.0%	76,700	0	0.0%	208,67	(3.100)	%(6.5)
Total Capitalization	3	174,396	173.805	587	3880	173,160	122	2000 2000	160 387	14.014	200%
Short Term Debt	4	14 842	15,000	(460)	200	14 627	į "	2 20	930 01		2 3 6
Current Portion of Lang-term Debt	8	3,100	8.18 18	0	100 800	بر 195	n o	% 500 600	1 c.	(4.8.4) (4.00)	%(F'47)
Current portion of redeemable stock at red	å ć	'EJ'	• 000 /	¹ ę		1 4	• (1	1	
Taxes Acrued	3 8	3.476	4 E	2 <u>18</u>	* 50° 5	6.948 2.031	(2,374) (455)	(34.2)% (11.5)%	6,507	(S)	20 6.00 8.00 8.00 8.00 8.00
Interest Accrued	4	1,150	1,150	ř	0.0%	88 88	<u> </u>	28.7%	1,143	(1,731) 8	%(eve) %(eve)
Total Other Current Liabilities	ន	2.497	2,080	418	20.1%	6,279	(3.782)	(80.2)%	2,027	470	23.2%
I old Current Liabilities		28,336	29,137	g	%2.0	35,682	(6,343)	(17.8)%	37,362	(8,022)	(21.5)%
Customer Advances for Construction Deferred Income Tayer	វ ស	14,195 26,935	13,986	ឆ្	%	18,536	(4,340)	(23.4)%	14,653	(458)	(3.1)%
Deferred Investment tax credits	1 23	1.175	1,178		¢ 34 ₹ ₹ ₹ €	8 .	(A)	8(1.0)	32,877		% C C
Regulatory liability-cost of removal	波	9,465	9,348	4	13%	22.52	<u> </u>	15.1%	8772	¥8	6 (1.5)
Accred parsion expense	88	1,615	1,600	5 2	%60	1,877	(563)	(14.0)%	2,174	(299)	(25.7%
Other Deferred Credits	R G	\$ 1 5	181.4	88	* * * * * * * * * * * * * * * * * * *	25 E	358	107.8%	表 양 기	17	2,5% 2,5%
Regulatory & Other Long Term Liabilities		906'99	96,850	8	%1.0	66,535	351	0.5%	64,675	2,231	3.5%
Contributions in aid of costruction	88	45,381	45,339	4	\$1.0	43,701	1,679	3.8%	43,585	1,785	4.1%

Water

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Monthly Financial Review Package

7-08

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E00012	4	

								venes (ve)			
	3	TD Actuels	MTD Reforecast (1	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Vertance Favorable (Unfavorable)	% Variance	57.59	Variance Favorable (Unfavorable)	P. Variable
OPERATING REVENUES.		1	Į.	1							
Water Heveniuss Sewar Revenius	- c	5,32	5,448 22	(121)	8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	5,489	(142)	(2.59)%	5,003	333 1	6.49%
Other Describe Describer	VI (*	\$ \$	3 5	- 6	8 2 2	R	- 6	4. 1. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2.	ន	©	(16.39)%
Management Revenues	7	•	3 '	3 '	0.10.81	2 '	g ¹	41.00.T4	50	R3	11,55%
Operating Revenues		5,576	5,659	(SB)	(1.47)%	5,651	(57)	(1,33)%	5,233	343	6,56%
OPERATIONS & MAINTENANCE EXPENSE				•							
Pyrchased Water	w	ij	8	50	61.81%	35	2	77.33%	8	Ę	52.41%
Fuel and Power	φ,	Б	364	E S	20.14%		7	4.56%	152	<u> </u>	(12.91)%
Waste Disposal	- 80	<u>:</u> %	36 26	3°	30,5%	2 2 2 3	39	22,73%	ន្ទន	0 6	(1.39)% %(20,7)
Total production costs		460	586	126	21.52%	281	101	18,00%	24	E	(3.92)%
OMMLABOR & OVERHEAD		į									
Labor	o, ę	559	282	នុទ	5.53%	592	ន្តរ	8.53%	5	(gg)	(13,88)%
Group insurances	? =	អ៊ី	185	<u>5</u> 4	26.37%	\$ 2	© 4	26.37%	<u> </u>	2 8	17.89%
Other benefits	12	8	24	(6)	(37,10)%	17	(16)	(92,20)%	15	(18)	(120.88)%
i otal employee related		29	\$24	ß	7.58%	817	S	6,79%	716	(46)	(6.46)%
Management fees	22	304	88	(18)	(6.29)%	282	Ŷ	%(67.7)	297	283	49.10%
Shared business services Contracted coolings	4 t	88	88	e (0.88%	ខ្លួន	m (0.88%	* !	(330)	;
Total contracted services	2	33	413	38	(4.87%	282	(33)	(47,93)%	102	(I)	(0.51)%
Reculatory expense	4	. 2	4	•	0 0 00	9	(g) E	are see	3 8	(left)	0.426,367
Insurance Other Then Group	25	\$	3 8	- 74	3.02%	8 8	3 2	%50.61 %70.61	3 6	F 61	55,05%
Customer Accounting	₽ \$	ള '	140	33	26.21%	138	ន្ល	25,34%	8	£	(4.20)%
General office expense	2 8	- 5	25.5	⊕ {	(99,04)%	m [;	e ş	(99.04)%	φ μ	0 6	7.30)%
Miscellaneous	N:	124	262	120	38,56%	<u> </u>	8	18.90%	202	38	40.10%
Maintenance Total occupions and maintenance emenes	и	203	272	69	25,46%	ğ	31	13.32%	25	65	%(6Z:79)%
Democratical	ş		2,000	9	9.00.0	4,134	8	9.80%	2,439	(601)	(4,43)%
Amortization	3 %	₹ 4	8 4	3 €	15.16%	88 88	₹ 128	24,12%	88 88 88	117	19,83%
Depreciation and amortization		514	598	\$	13.98%	223	118	18.64%	627	113	17.99%
General taxes	88	589	ষ্ঠ	ន	7,59%	ষ্ট	23	7.59%	247	8	%(1.9.1)%
Total coerding emerges, net	7	3 332	2717	285	40.279	20.00	966	0	2000	- 1000	2000
Operating income		2,244	1,942	385	15.55%	1,993	S IS	12,57%	1,919	325	16.91%
OTHER INCOME & DEDUCTIONS.	8	•	•	-			,				
inverse income Interest on tono-term debt	8 8	0.0	0 13	۲°	2368	1 887	٥ţ	3 559	0 %	0	O. C.
Interest on Short-Term Bank Debt	នេះ	ង	9	IV)	12.16%	1	: 4	54.92%	8 E	<u> </u>	82.36%
Total interest expense	5	505	527	91	3.01%	FRE	.8	40.57%	0	0	m Asia
AFUDC. Equity	S	86	CX	: <u>\$</u>	24 80%	8	, °	2400	3 4	j 8	8 (14-12) 8 (14-12)
AFUDC Delte	ន	\$ \$	88	5 t3	38.54%	g 2	o ru	11.86%	6 8	3 =	33.00%
Amortzation of Debt Expense Proferred dividends of subsidiaries (Consolidatio	¥ %	٠,	ω 1	€ '	(22,54)%	6	€ '	(22.54)%	Φ (E	(21,23)%
Gain on sale of assets	: #		. 1			•	•		3	S	%(on:oo)
Non-Operating Rental Income	8	*	•				• 1		, ,		
Divident income - Common Divident income - Preferred	S 88		, ,	• •			•		•	•.	
Miscellaneous Income	æ	(13)	0	(13)		•	(13)		(26)	. 25	51.00%
total outer excelled	;	(F)		<u>e</u>		•	(13)		(26)	5	51.00%
miscellaneous Americanon Miscellaneous Other Deductions	\$ 4	9 8	٥.	30	155.28%	° ;	0	155.28%	O 4	0 90	0.00%
Total Other Deductions		8	12	(13)	76.99%	11	(18)	(9.76)%	2	(Z)	(441,39)%
Other, net		(42)	(£)	8	(154,19)%	Ê	(<u>F</u>)	(277.16)%	(32)	(11)	492,39%
Total other Income (deductions)		(411)	(430)	19	4,41%	(451)	40	8.80%	(427)	16	3.71%
Income (loss) before income taxes		, 833	1,512	22	27.22%	1,543	290	18.81%	1,493	340	22.81%
State Income Taxes Rederat Income Taxes	Ģ 5	13	15 å	<u> </u>	(49.94)%	K 5	<u>@</u> ;	(49.94)%	98	E	(17.48)%
Tax Saving Acquisition Adjustment	3 4	ş '	02 t	5 '	8.02°G	טרי י	£ ,	8.78%	528	8 '	11.88%
State income taxes (non-operating) Federal income taxes (non-operating)	84	ଟ୍	E 6	1-0	269.73%	es	-1	103.78%	E		84.26%
Provision (Benefit) for income Times		58.5	88	4	0.62%	88	15	2.67%	614	49	7.99%
Preferred Dividend Declared	47	9	ţ^	* o	1,23,8	3 8	86	31.76%	878 C	38 4	44.32%
Net income To Common Stock		1.262	937	325	34,62%	924	338	36.52%	879	383	43.58%
Common Dividend Declared		٥	٥	0		0	0		0	٥	
Curan ros remines canada		797	83 /	Ř	34.62%	954	33	36,52%	879	383	43.58%

American Water.

1 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,			YTD Actuals	ATD References		% Verfance			% Variance		Variance Favorable Unfavorable)	% Variance
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	PERATING REVENIES.	٠	800	400 40	904	704.0	100	ŀ				
1 144 1379 55 477 115 55 477 115 55 55 55 55 55 55	raun nevenues ewer Revenues	- 14	176	200,150	<u>5</u> 6	1.90%	2 2 2 2 2 3 3	<u> </u>	7.97%	28,280	85.5 E	40643%
Column	her Operating Revenues	1 179	1444	1.379	8	4.75%	1.110	2 Kg	30.18%	1168	3,5	23.66%
Column	snagement Revenues	4						'		2011		2000
Column	Jordang Revenues		33,319	33,114	502	0.62%	33,055	\$ \$	0.80%	29,705	3,613	12.16%
Column	PERATIONS & MAINTENANCE EXPENSE.				•							
1 1985 1985 1985 1985 148	rchased Water	15	99	30 L	3	38.85%	. 349	883	81.11%	236	173	72.40%
1	el and Power	ю t	1,697	1,798	Ē	5.62%	1,459	(S2)	(16.35)%	1,518	(180)	(11.83)%
1	emeats safe Disposal	~ «	803	3 5	3 ^u	5.83%	26	3 5	5,86%	875	φţ	0.65%
11 12 12 12 12 12 12 12	al production costs		2,797	2,998	201	6.71%	2.906	108	3 73%	2.818	2 2	10.45%
1 2,327 3,427 3,427 1,427 1,427 3,428 1,427	MIABOR & OVERHEAD			•	:	:		ļ		i	!	
11 12 12 12 12 12 12 12	oc	c)	3,781	3,851	2	1.81%	3.889	108	2.76%	3.410	1775)	20/08/01/
11 255 1,046 155 1,045 155 1,045	nsions	우	395	373	(19)	(4,99)%	305	68)	(29.55)%	365	2	7.36%
1 2,315 2,47 100 1,535 2,100 101 1,240 1,540	and insurances	=	981	1,046	æ	6.25%	1,156	175	15,14%	1,007	**	2.60%
13 2,531 2,524 120 1,155 2,526 1,245 1	ier cenems	2	282	157	8	(5.51)%	133	(33)	(24,14)%	133	(83)	(24.65)%
13 2,553 2,274 (120) (5,25% 2,225 (1,55% 4,535 1,540 (1,55% 4,535 1,540 (1,55% 4,535 1,540 (1,55% 4,535 (1,55% (1,55% 4,535 (1,55% 4,535 (1,55% 4,535 (1,55% 4,535 (1,55% 4,535 (1,55% 4,535 (1,55% 4,535 (1,55% (1,55% 4,55% (1,55% 4,55% (1,55% 4,55% (1,55% 4,55% (1,55% 4,55% (1,55% 4,55% (1,55% 4,55% (1,55% (1,55% 4,55% (1,55% 4,55% (1,55% (1,55% 4,55% (1,55% (1,55% 4,55% (1,55%	an employee regree		5,572	/24°C	3	%66°'L	5,480	181	2.94%	4,915	(405)	(8,23)%
14 2.34 2.34 2.34 2.35 1.105 2.35 2	negement fees	t	2,393	2,274	(120)	(2.26)%	2,129	(392)	(12.43)%	4,333	1,940	44.77%
15 2,077 277 277 277 278	ared business services	7	2,331	2,304	<u>(3</u>	(1.18)%	2,258	(E)	(3.23)%	•	(2,331)	
16 1.24 1.75 1.25 1.75 1.25 1.75 1.25 1.75 1.25 1.75 1.25 1.	tracted services	22	476	477	-	0.17%	508	32	6,33%	475	(2)	(0.34)%
16 154 158 38 1,17% 473 155 59,34% 211 57 18 203 273 273 273 273 255 59,34% 211 57 18 203 273 273 273 273 273 273 273 273 273 273 22 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 24 25 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 25 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 25 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 25 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 25 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 25 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 2,525 25 2,525 2	al contracted services		2,807	2,781	(<u>8</u> 2)	(0.95)%	2,766	(41)	(1.48)%	475	(2,332)	(491,53)%
17 255 255 255 254	julatory expense	9	\$	156	e	1,70%	378	83	59,39%	211	23	27.06%
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	urance Other than Group	<u>-</u>	825	18	8	12.39%	3	₹ 1	39.04%	88	ន	16.13%
22 1,538 1,132 1,43 1,144 1,152 1,523 1,447 1,152 1,434 1,152 1,434 1,144 1,152 1,435 1,447 1,152 1,434 1,152 1,434 1,144 1,152 1,434 1,144 1,152 1,434 1,144	Summer Accounting	5 É	3 6	* ?	€ €	6,555) 8,655,057	9 6	٤	32.11	ž s	<u>ප</u>	13.94%
21 1,152 1,45 1,244 1,144 105 1,145 177 2,50 22 1,459 1,512 1,45 1,154 105 1,514 177 2,50 24 1,529 1,572 1,572 1,572 1,572 1,772 2,50 1,57 1	neral office expense	2 8	\$ 98	286	3 E	(16,70)% (23,87)%	2 6	<u> </u>	(24.56)% (15.08)%	248	ŊĘ	%(\$0,LL) %(\$0,LL)
The control of the	cellaneous	×	1,039	1,182	₹	12.09%	74.	19	9.19%	18	698	(33.42)%
25 1,804 1,302 1,804 1,302 1,804 1,304 1,305	intenance	R	1.436	1,513	28	5.12%	1,454	18	1,22%	1.147	(289)	(25.20)%
22 3,515 3,852 167 4,53% 4,147 652 15,25% 3,395 4,77 2 3,473 3,979 169 4,17% 4,387 5,74 13,09% 4,525 4,45 2 1,804 1,992 178 9,44% 2,019 2,15 1,05% 1,559 1,105% 1,559 1,105 2 2,013 2,007 2,008 2,008 2,008 1,105	a operations and mannengine expense		18871	02/,1	Ŋ	1,82%	17,923	923	2.93%	16,185	(1,211)	(7.48)%
State	yeciation settemen	នាន	3,515	3,682	19	4.55%	4,147	23	15,25%	3,986	Ę	11.81%
25 1,504 1,572 1,58 9,44% 2,501 1,513 1,520 1,530 1,111 27 2,2013 2,686 677 2,88% 2,43% 2,136 5,41% 2,136 1,530 1,111 28 4,136 3,244 3,686 27 2,88% 3,486 1,27 1,579 1,579 1,579 1,579 1,579 1,111 1,579 1,579 1,579 1,111 1,579 1,111 1,579 1,111 <td< td=""><td>orogania Shebbion and senoritzation</td><td>ŝ</td><td>3 873</td><td>2 070</td><td>166</td><td>(0.95)76</td><td>7 307</td><td>86</td><td>12 000</td><td>272</td><td>8</td><td>(9,42)%</td></td<>	orogania Shebbion and senoritzation	ŝ	3 873	2 070	166	(0.95)76	7 307	86	12 000	272	8	(9,42)%
The color of the		į	900	200	3 5	e :	000	t 1	200	900	3	10.40%
28 013 23,640 677 2,85% 24,25% 1315 5,41% 22,196 (677) 28 3,444 3,986 22 0,65% 3,45% 12,73 (121) 29 3,444 3,986 22 0,65% 3,465 121 3,49% 2,734 (121) 29 3,444 3,986 22 0,65% 3,465 121 3,49% 2,734 (121) 29 3,444 3,986 22 0,65% 3,989 115 2,59% 3,317 (439) 29 3,448 3,777 24 0,65% 2,744 (101) (24,00)% 4,42 (101) (24,00)% 4,43 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,49 (101) (24,00)% 4,40 (101) (10	refer taxes	3 5	45°	266,1	\$2 '	% \$4.5 \$	2,019	215	10,65%	1,693	(111)	(6.56)%
10,306 9,423 882 9,30% 8,727 1,579 18,09% 7,559 2,754 (127) 28	il operating expenses, net	i	23,013	23,690	677	2.86%	24,328	1,315	5.41%	22,136	(477)	3.963%
28 (f) (2) 4 182,81% 6 3.49% (127) (121) 29 3,344 3,386 22 0,647% 3,466 (121 3,49% 2,774 (610) 31 415 417 22 0,647% 3,686 115 2,974 3,377 (456) 32 43 717 22 6,68% 228 89 3,416% 179 (456) 33 317 227 6,68% 228 89 3,16% 178 (456) 46 26 4 3 4 4,46% 27 4 4,44% 3,317 4 4 4,44% 3,317 4 4 4,44% 3,317 4 4 4,44% 3,317 4 4 4 4,44% 3,317 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4<	sating locame		10,306	8,423	ス	9,36%	8,727	1,579	18.09%	7,569	2,736	36,15%
25 3,444 3,396 22 10,41% 403 (12) (12) (13,12)% 2,744 (10) (12) (14,13)% 403 (12) (12) (14,13)% 403 (12) (12) (14,13)% (12) (12) (14,13)% (12) (14,13)% (14,	HER INCOME & DEDLYCTIONS	8	ş	1		,		•				
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31 3,772 24 6,83% 2,508 115 2,577% 2,371 (465) (46	rest on Short-Term Bank Debt	18	415	413	18	(0.41)%	403	25	302%	\$7.7 87.7	(ne)	K(15.21)
3.773 3.777 24 0.639% 3.696 115 2.57% 3.317 (426) 31 374 274 777 22 4.48% 501 246 49.41% 394 354 31 377 279 276 49 (3) (5.65)% 42 (10) (24.00)% 42 (10) (45.00)% 45 35	er Interest Expense	ਲ	•	,	ì '	2./	'	1	or/word	(38)	€	(100.00)%
32 749 717 32 4.48% 501 246 444.1% 354 354 34 52 49 (3) (5.65)% 22 23 24 179 (138) 35	si interest expense		3,753	3,777	22	0.63%	3,868	115	2.97%	3,317	(436)	(13.15)%
34 377 237 237 249 250 6.68% 225 899 33,16% 179 (199) 28	DC-Equity	8	5 <u>7</u>	717	8	4.48%	댨	248	49,41%	394	35	89.89%
25	DC Debt	83	317	, 534 534	ន៖	6.68 1.68 1.68 1.68 1.68 1.68 1.68 1.68	82°	8	39.16%	179	(138)	(76.89)%
28	concession or Least Expenses ferred dividends of subsidiaries (Consolidati	88	' k	7 1	ღ'	%(carc)	4.	ê '	(24.00)%	\$ §	6 4	(21.88)%
37 13 24 175,14% 37 163 1(126) 163 1(126) 163 1(126) 163 1(126) 163 1(126) 163 1(126) 163 1(126) 1	n on sale of accete	ž	1	1	•					ì	?	~~~
35 7 15 24 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 175,14% 2 2 175,14% 2 2 175,24% 2 2 175,24% 2 2 2 175,24% 2	-Operating Rental Income	8		' 1								
38 37 13 24 175,14% - 37 163 (126) 40 0 0 406,46% 0 1 155,26% 0 0 41 20 0 0 406,46% 271 65 22,81% 234 23 41 20 20 1 0.46% 271 65 24,02% 234 23 (5,500) (300) (300) 25 12,68% (272) 102 37,57% (71) (80) 42 489 (300) 32,57% (372) 102 37,57% (71) (80) 42 489 (4,17) (3,80) (4,81)% (3,80) (4,17) (4,10)% 1,122 2,230 (6) 47 (42) (4,17) (3,10) (4,81)% (3,80) (1,13) (1,130) (4,14) 1,122 2,240 2,70 44 (42) (4,14) (4,14) (4,14) (4,14)<	dend Income - Common	33	•	•	1		•	•		•	•	
1,	oend income » Presenta cellabers income	3 2	, tŧ	٤,	, 5	WAY 3C+	•	' \$		١,	' 665	
40 0 0 0 40e,46% 0 155,28% 0 112,0 41 207 207 1 0.38% 271 65 23.81% 234 28 (185) (194) 25 1.288% 277 65 24.02% 234 28 (2,909) (3,006) 36 3.28% (3,453) 544 15.75% (71) (8) 42 489 15.27% 5,724 2,123 40.28% 4,666 2,730 45 77 (8) (0,11)% 1,780 (737) (41.40)% 1,625 (891) 46 77 (8) (0,11)% 1,780 (737) (41.40)% 1,625 (891) 47 (42) (8) (0,11)% 1,780 (737) (41.40)% 1,625 (891) 46 77 (8) (0,11)% 1,780 (737) (41.40)% 1,625 (891) 47 4,64 1,64	al other income	3	32	73	24	757.12%		37		3 2	1426	77, 2019.
47 207 207 1 0.38% 271 65 2.237% 224 23 (180) 207 1 0.48% 277 65 2.400% 234 23 (180) (194) 25 1.268% 277 102 37.57% (71) (80) (2,009) (3,009) 8 3.25% (3,459) 5.774 (172) (2530) (71) (80) 42 48 2,517 2,514 (18) (58,73)% 2.66 (200) (71.24)% 2.82 (207) 45 77 2,517 2,514 (3) (0,11)% 1,730 (71.24)% 2.82 (207) 45 77 2,517 2,514 (3) (0,11)% 1,730 (71.40)% 1,825 (80) 45 77 2,517 2,517 1,635 (3) (4,40)% 1,825 (80) 45 77 2,517 2,517 2,517 2,517 1,52	scellaneous Amortization	9	c			408 ARK	c	; •	455 500	9		North Co
206 207 1 0.46% 272 65 24,02% 234 28 (2,005) (3,006) 36 12,68% (772) 102 37,67% (71) (80) 42 48 6,417 980 15,27% 5,74 2,123 40,28% 4,666 2,730 42 48 0,417 980 15,27% 5,74 2,123 40,28% 4,666 2,730 42 48 0,641 980 15,27% 5,74 2,123 40,28% 4,666 2,730 44 1,739 (73) (71,44)% 1,82 (20) 47 1,6 (1,31)% 1,730 (73) (71,44)% 1,625 (80) 47 1,6 (1,31) 1,126 (73) (4,40) 1,525 (80) 4,7 1,6 (1,31) 1,128 (1,40) 1,122 3,242 1,591 4,7 1,6 1,6 1,122 3,242	cettaneous Other Deductions	4	202	202		0.38%	`E	. R	23.87.8	25	28.0	11.88%
(168) (194) 25 12.68% (272) 102 37.57% (71) (88) (2.500) (3.006) 98 3.25% (3.453) 5.44 15.75% (2.303) (6) (7.500) (3.006) 98 3.25% (3.453) 5.44 15.75% (2.303) (6) (7.500) (7.	al Other Deductions		308	207	-	0.48%	272	88	24.02%	234	28	11.88%
(2,509) (3,006) 98 3.25% (3,453) 544 15.75% (2,303) (6) 42 489 506 (183) (59.73% 286 (2,13) (71.24)% 282 (207) 43 2,517 (2,0) (0.11)% 1,730 (7.37) (41.40)% 1,625 (891) 46 77 (42) (20) 4 (10.55% (87) (15) (17.24)% 2.55 (891) 47 (42) (20) 4 (10.55% (87) (15) (15) (15) (15) (15) (15) (15) (15	iet, net		(169)	(194)	ĸ	12.68%	(272)	102	37.67%	(7.2)	(88)	(89.17)%
42 489 15.27% 5.774 2.123 40.28% 4,666 2.730 42 489 3.66 (183) (59.73)% 2.86 (203) (71.44)% 2.82 (207) 45 (7) (4) (3) (0.11)% 1,730 (41.40)% 1,625 (891) 46 (7) (4) (3) (0.11)% (72) (13) (47.20)% 1,625 8 47 (40) (3) (4 (4.5) (6.15) (7.50) (4.140)% 1,625 8 47 (40) (3) (4.140)% (4.140)% 1,125 8 9 47 (40) (3.140) (3.140) (3.140) (3.140) 1,125 38.25% 1,125 1,125 44 44 46 3.50 7.141 1,125 38.25% 1,156 1,156 4,296 3.537 4.296 3.537 4.400 2,741 1,659 4,596 3.537	al other income (deductions)		(2,909)	(3,006)	86	3.25%	(3,453)	\$44	15.75%	(2.903)	6	(0.20)%
42 489 306 (183) (59.73)% 286 (203) (71.24)% 282 (207) 43 2517 2,514 (3) (0,11)% 1,780 (737) (41.40)% 1,625 (891) 46 (7) (8) 0 (4.81)% (22) (15) (67.62)% 2 47 (42) (35) 4 10.85% (15) (67.62)% 2 47 2,886 2,774 (182) (6.55)% 1,865 (1,000) (67.144)% 1,525 (1,001) 48 4,441 3,642 798 2,134% 3,318 (1,122 83.82% 2,741 1,689 4,326 3,537 789 2,213% 269 (225) (4.00% 2,741 1,683 2,053 2,157 (103.2 4,90% 1,597) (226.91)% 1,207 (236.91)	ome (toss) before income taxes		7,397	6,417	980	15.27%	5274	2.123	40.25%	4.666	2.730	58.51%
43 2577 2,514 (10) (2017), 1,780 (773) (41,40), 1,522 (801) 46 (7) (8) (41,40), 1,780 (773) (41,40), 1,522 (801) 47 (2) (8) (41,40), 1,780 (773) (41,40), 1,522 (801) 47 (2,50) (3,50) (41,40), 1,522 (41	te locome Taxes	8	489	305	7183)	720 73192	386	1000	200	Ş	400	
46 (7) (8) 0 (4.81)% (22) (15) (67.62)% 2 47 (42) (33) 4 10.85% (87) (48) (61.62)% 15 2.586 2.774 (182) (6.56)% 1.856 (1.000) (51.14)% 1.925 (1.001) 4.8 46 46 66 67 (2.17)% 2.88 (2.27) (1.001) 4.8 4.86 5.897 789 2.219% 3.597 (4.60)% 2.741 (1.639 2.003 2.157 103 4.89% 1.597 (4.57) (22.61)% 1.207	feral Income Taxes	18	2,517	2,514	<u> </u>	%(TT.0)	1,780	33	8,04,14) 8,04,140	, 525, 525,	(168)	(54.83)%
47 (47) (48) (47) (48) (47) (48) (48) (48) (48) (48) (48) (48) (48	c Saving Acquisition Adjustment	ą	'£	1 6	١,	200	1			1 (. • ,	. !
2,556 2,774 (182) (6,59)% 1,856 (1,000) (51,14)% 1,525 (1,001) (441 3,642 778 2,741 1,529 3,42% 2,741 1,539 4,441 4,6 4,6 0 (2,51)% 2,68 (722) (22,54)% 0 45 4,385 3,597 788 22,19% 3,590 1,345 4,469% 2,741 1,639 646	feral income taxes (non-operating)	4	€§) (S)	7	10.85%	38	(2)	(67.62)%	a fo	79 EC	377.63%
4,441 3,544 748 21,97% 3,518 1,122 33,82% 2,741 1,559 4,5 4,6 4,6 0 (0.31% 2.56 (7.23) (22.54)% 0 46 4,345 3,597 734 22.19% 3,050 1,345 44,05% 2,741 1,653 2,053 2,157 103 4,459% 1,597 (457) (22,61)% 1,207 (246)	vision (Benefit) for Income Taxes		2,956	2,774	(182)	%(95'9)	1,956	(000'L)	(51.14)%	1,925	(1,031)	(53,57)%
4,385 3,597 738 22.19% 3,050 1,345 44,05% 2,741 1,650 2,053 2,157 103 4,59% 1,587 (45,57) (25,51)% 1,207 (24,61)	urcome (adas) fecred Dividend Declared	87	144	3,642	96°	821.978	3,318	1.12 21.23 21.23	33,82%	2,741	689,	61.99%
2,053 2,157 103 4,597% 1,597 (457) (28,611% 1,207 (846)	Income To Consucer Stock		4,395	3,597	788	22.19%	3.050	1.345	44.09%	2.741	1653	60.32%
	nmon Dividend Declared		2,053	2,157	103	4.80%	1,597	(457)	(28,61)%	1,207	(846)	(70.13)%



Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed. Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) Regional Finance Director or Vice President

(Date)

Tuesday, August 12, 2008 8:12:53 AM



Kentucky American Water (\$ in Thousands)
Variance Explanations

MTD Actual vs. O2RF

Operating Revenues

Lines 2&4 Revenue is under by (\$83). Water revenue is under (\$121) and includes a discretionary adjustment to unbilled revenue. Other revenue is over \$37 due to increased reconnection fees and increased collections for others.

Operating Expenses



Kentucky American Water July, 2008

(\$ in Thousands)
Variance Explanations
MTD Actual vs. Plan

Operating Revenues

Revenue is under plan by (\$75). Water revenue is under by (\$142) and includes a discretionary adjustment to unbilled revenue. Other revenue is over \$66 mainly due to increased reconnection fees \$41 and increased collections for others \$14. Lines 2&4

Operating Expenses

Other Income Deductions

Preferred dividend is under plan \$32 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends. Line 47

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Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business (AWE)

basis

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

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Potential risks and opportunities have been identified and mitigating action plans have been developed. Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) (Date) Regional Finance Director or Vice President

Friday, September 12, 2008 12:09:28 AM

Close Status: Final source system financial data w prelim adjs and

				,			= e.	(spuresnot			
		ATD Acquets	MTD Referenses	Variance Favorable (Unfavorable)	% Variance	MTD Plan	Variance Favorable (Unfavorable)	% Vadance	M Pr. ye	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES.		240 2	**	1	1						Contract of the last
Sewer Revenues	- ~	27.	, ,	380	15.18%	5,472	3,5	6.64% 7.16%	4.794	1,041	21,71%
Other Operating Revenues	rs •	22	\$ <u>\$</u>	8	18,02%	<u>5</u>	. B	35.61%	217	2 4	1.83%
Operating Revenues	,	6,083	5,666	418	7.37%	5.654	47.9	7,60%	5.039	1.045	20.73%
OPERATIONS & MAINTENANCE EXPENSE. PROPINCTION EXPENSES									:	ļ	
Purchased Water	so :	1	33	2	70,71%	8	\$ †	\$0.30%	34	23	67.47%
ruei and rawer Chemicals	9 ~	133	18. 18.	8	(8.21)%	95 95 95 95 95 95 95 95 95 95 95 95 95 9	(63)	(30,91)%	295	<u> </u>	(33.20)%
Waste Disposal		8	72	10	(0.28)%	3 12	9	(12.37)%	ž to	3 (8)	(50.20)%
Committee of Commi		200	28	ε	(0.21)%	246	(43)	(7.96)%	528	(61)	(11.53)%
Lobor	ø	493	537	44	82.7%	537	44	8.71%	528	t.	A 73%
Pensions	2;	8	43	(je)	%(55.22)	4	Ē	(22.59)%	82	30	%(2S)%
Ortice benefits	<u>-</u> 2	147	25 25	28	10,68%	გ	άι	10.68%	153	ומטי	3.34%
Total employee related		711	770	29	7,70%	25	S	7.70%	250	× 65	821%
Management fees	ដ	285	273	(12)	(4.55)%	268	GE GE	(6.20)%	123	342	54.53%
Shared business services	7	354	319	(35)	%(06:01)	319	(d)	(10,90)%	•	989	!
Contracted services	2	112	2000	65	(60.45)%	1,2	(4-)	(57.41)%	23	(09)	(114.26)%
Constituted authors	ç	g :	3 5	<u> </u>	. (87.48)%	380	(S)	(19.37)%	S	(413)	(792.65)%
Insurance Other Than Group	2 12	<u> </u>	ū S	×	10,14%	å 5	. 63	70.92%	នុខ	4	55.70%
Customer Accounting	₽;	116	2	8	16.73%	: <u>원</u>	2	15,75%	38	(85)	(100,29)%
General office expense	28	9 %	ကည္က	2 50	93,50%	rn g	2 96	93,50%	1		72.87%
Miscellancous	22	135	181	4	25.30%	3 23	<u> </u>	10.67%	<u> </u>	(iv	4,15%
Total operations and maintenance expense	S	2,644	2,673	R 73	1.10%	2.579	8	(22.79)% (2.52)%	130	(75)	(57.50)%
Depreciation	ន	470	257	98	15.52%	208	7 (21 44%	685	(Jan 2)	0.(mc.c)
Amartization Decretation and smortization	75	2	25	E	(1.50)%	8	6	(25.10)%	3 6	(8)	(10.12)%
General taxes	ķ	9 6	200	8 }	14,30%	S (2	5 i	18,93%	621	301	17.34%
impoirment charges	2	,	,	3 '	15.00 to	'	4	12.30%	350	œ '	(0.74)%
i otal operating expenses, net Operating income		3,409	3,559	150	4.22%	3,499	3 8	2,57%	3,284	(124)	(3.79)%
OTHER INCOME & DEDUCTIONS	8	. •	ļ '	•		}	2	8	, c, ',	NZS	9,43,4
nicrest income nicrest on long-term debt	13 12	0 62		٠,	4	* 6	a 1	i	Q :	0	
nterest on Short-Term Bank Debr	8	3 %	4 15	2 2	21,34%	\$ 8 8	<u> </u>	3,55%	236	(174) (174)	(58.92)%
Other interest Expense Total interest expense	24	0 905	528		3.00%	04.5	- F	1000		0	0.71.70
N-UDC - Equity	۶	110	8	; 9	2000	9,0	۲ ۽	47.47.71	202	.	(0.72)%
APUDG Dekr	18	8	3 €	3 F	25.40%	38	<u>5</u> ,8	(12.64)%	£ &	5 7	31.84%
Amortzation of Debt Expense Preferred dividents of subsidiaries (Consolidatio	X X	٠,	19 °	€ '	(25.09)%	4	Ë	(25.09)%	آ ۾ آ	E((23.02)%
Sain on sale of assets	8		•	• •		• 1	r		3	ε	(100.00)%
Von-Operating Rental Income Syntone Income Common	9 5		•	•						٠,	
Dividend Income - Preferred	: # :		• •							• •	
riscellancous moome fotal other income	£	2 2	-	<u> </u>			7		5	6	182.98%
Assettanceus Americation	Q	0	o	٥	155,28%	0		155,28%	, 0	n c	0.00%
inscensing of the Deductions of al Other Deductions	2	2 2	2 2	6	(57.66)%	51	9	(15.53)%		(11)	(95.16)%
Ubor, net		1 6	. 4	9 49	20,404	2 6	Ī.	139,76%	Ξ ξ	E	(95, 16)%
otal other income (deductions)		(356)	(113)	8	13 18%	100%	= S	30.03%	(e) (f)	()	278,15%
ncome (toss) before income taxes		2,318	\$69'1	r rg	36.74%	1 746	3 5	20 P. C.	(/60)	E - 60	70.35%
tale Income Taxes	4	141	6	100	173 87195	ų	e i	S (5)	,	8	10.43.7s
'ederal Income Taxes av Savine Architetion Adumenta	£ .	ē	280	ŝŝ	(41.36)%	3 55	(210)	(36.24)%	474	(3) (5) (5) (5)	(67.02)%
tale ricome taxes (non-operating)	å 2	7 0	' €	'€	469.131%	• 6	' €	20,00	1 <	. 1 6	20000
ederal meome taxes (nan-operating) Itakistan (Benefit) for Income Taxes	ge ge	88	(4)	Z	(53.88)%	9	Į.	(86.27)%	26	30	19.55%
let income (loss)	ę	18.		(S)	30.99%	880 880	8 8 8 8	27.68%	88 56 88 66	(371) 590	(66.43)%
let knowne To Common Stock	;	1,383	1.054	900	71 50%	ES 55	(25)	(83.00)%	0	7	
ommon Dividend Declared		0		e de	21.10	OCO.	33	31,72%	SE	584	73,08%
Juron: Year Retained Earnings		1,383	1,054	329	31,19%	1,050	333	31.72%	799	288	73.09%
									!	¦	

Water



Kentucky American Water August, 2008 (\$ in Thousands) Variance Explanations MTD Actual vs. Q2RF

Operating Revenues

Revenue is over by \$414. Water revenue is over \$380. Other revenue is over 34 due to increased reconnection fees and increased collections for others. Lines 1&3

Operating Expenses

Line 5	Purchased water is under by \$26 due to reduced purchased water in the Northern district.
Line 6	Fuel and power is over (\$30) mainly due to higher energy costs.
Line 7	Chemicals are under by \$2 due to the increased costs from the source water quality offset by the reversal of the use tax.
Line 9	Labor is under by \$44 due to more capital work than in reforecast.
Lines 13&14	Lines 13&14 Management Fees are over (\$47) mainly due to corporate and ITS.
Line 15	Contracted services are over (\$42) mainly due to outside legal fees (\$19) and employment service fee (\$19).
Line 18	Customer accounting is under \$23 mainly due to a favorable uncollectible expense.
Line 20	General office expense is over (\$35) mainly due to relocation expenses (\$21) and cell phone expense (\$15) which is being investigated.
Line 21	Miscellaneous expense is under \$46 mainly due to transportation expense \$8 and miscellaneous expense \$25 being less than expected.
Line 22	Maintenance expense is under \$21 due mainly to paving expense.



Kentucky American Water August, 2008 (\$ in Thousands) Variance Explanations MTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$426. Water revenue is over by 363. Other revenue is over \$63 mainly due to increased reconnection fees and increased collections for others. Lines 1&3

Operating Expenses

em district.		e use tax.						equipment purchases.			rates being used.
Purchased water is under plan by \$45 due to no intra-company expense and reduced purchased water in the Northern district.	Fuel and power is over plan by (\$93) due to higher energy costs.	Chemicals are under plan by \$7 due to the increased costs from the source water quality offset by the reversal of the use tax.	Labor is under by \$44 due to more capital work than in reforecast.	_	Contracted services is over (\$41) plan mainly due to outside legal fees.	Regulatory expense is under \$33 due to reduced rate case expenses and a longer amortization period than planned.	Customer accounting is under \$22 mainly due to a favorable uncollectible expense.	General office expense is over (\$35) mainly due to relocation expenses (\$21) and cell phone expense (\$15) for new equipment purchases.	Miscellaneous operating is under \$16.	Maintenance expense is over (\$38) mainly due to being over in maintenance expense ARO and under in paving.	Depreciation is under \$128 due to the increased net negative salvage going to maintenance expense and the lower rates being used.
Line 5	Line 6	Line 7	Line 9	Lines 13&14	Line 15	Line 16	Line 18	Line 20	Line 21	Line 22	Line 23

Other Income Deductions

Line 47

Preferred dividend is under plan \$32 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends.

Column C					Vadanae			****			1	
1, 1954 1, 1954 1, 1954 1, 1954 1, 1954 1, 1954 1, 1954 1, 1955 1, 1954 1, 1955 1, 1			YTD Actuals	ATD Referense	Favorable (Unfavorable)	% Variance		Vanance Faverable (Unfavorable)	% Vardance		Variance Favorable Cinfavorable)	9
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	PERATING REVENUES.		663 66	22.046			1		201000100		(Supposition)	20 VBTBTCC
1, 1466	ower Revenues	~ ~	20,20	197	716	2.004.E	37,254	279	0,75 %3.0 %3.0 %3.0 %3.0 %3.0 %3.0 %3.0 %3.0	33,134	4,399	13,28%
1. 1. 1. 1. 1. 1. 1. 1.	ther Operating Revenues	n	1,666	1,567	8	6.34%	1,268	358	31.35%	385	<u> </u>	(9.43)%
1, 19, 19, 19, 19, 19, 19, 19, 19, 19,	aingenen Revenues Decido Revenues	4	20,400	, CE 96	665		•				'	
1. 1. 1. 1. 1. 1. 1. 1.			Total State	Carlon	328	g. 1 g. 1	38,703	250	1,79%	34,744	4.658	13,41%
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1, 10, 10, 10, 10, 10, 10, 10, 10, 10,	rchased Water	vs e	2	145	28	47,06%	405	328	81,00%	273	196	71.79%
1. 1. 1. 1. 1. 1. 1. 1.	remicals	0 1	2,5	1,005	: 8	3.30%	1,759	(33)	(18.84)%	1,812	(172)	4(15,31)%
1,386 1,386 1,387 1,48	aste Disposat	• 00	282	86.	200	9.13%	260	ڻ '	5.62%	1,058	82	2.65%
1. 1. 1. 1. 1. 1. 1. 1.	tal production costs		3,386	3.586	200	7855	3.451	, 20	4 000	200	-	5.59%
1 1,122 1,234 1,244 1,254 1,454	IN LABOR & OVERHEAD						•	3	0.00	2,000	(47)	or(/2-1)
1 1,123 1,11 1,123 1,121 1,123 1	bor	6	4.274	4.388	114	2 5002	3000	ŧ			1	:
1 1,23 1,21 1,2	กรม่อกร	5	445	416	(28)	(6.82)%	345	36.	3.42%	977	(6E)	8(8.60)%
1 6,000 1,000	Social designation of the second of the seco	F	1,128	1,211	8	6.85%	1.327	193	14.58%	1 150		(0.443) or (0.443)
13 2,070 6,130 147 1	Renderents	덜	8	782	£	2689%	158	8	(15,641%	6	5	20.48.48.48.48.48.48.48.48.48.48.48.48.48.
1. 2,859 2.847 (12) (5.18) 2.897 (11)	as employee related		6,030	6,198	187	2.70%	6,251	523	3.52%	5,665	(365)	(6.45)%
14 2,884 2,827 (87) (1,525	nagement fees	t	2,679	2,547	(132)	(5,18)%	2,397	(28:)	711,733%	Z GEN	5000	200 01
15 15 15 15 15 15 15 15	ared business services	4.	2684	2530	Ę	200				200,	707'7	40,007e
1,	ntracted services	12	88	547	(14)	868.0	770,7	(30)	7,18)%	1 6	(2.684)	
15 15 15 15 15 15 15 15	al contracted services		3,272	3,169	(103)	(3.26)%	3,156	910	(3.691%	265	(61)	7521 3418
17 2007 214	gulatory expense	16	167	171	*	454.6	,		or format and	i	191.0191	4 (44) 32)
18 200 21 21 22 22 22 22 2	urance Other Than Graup	1	302	345	* 29	7,00%	787	èè	50.63%	241	₹ 8	30,64%
13	Stomey Accounting	2 2	920	216	8	(0.27)%	1,049	123	12.28%	660	3 6	4,000
The color of the	Sil	co :	24	R	ε	(4.51)%	8	9	30.93%	3 2	2 6	5.4.4. o
Column	meral office expanse	2	440	88 88	(106)	8(07.16)	351	(<u>@</u>	75.07%	292	3,621,	(0,73)78 (F) 30/95
Column	intenance	3 2	57.7	4 5	185	13.85%	1256	12.	9.36%	920	(255)	(27,65)%
25 3,586 4,259 25 1,758 7,053 461 5,259 1,858 (1,441) 26 3,586 4,259 25 2,90% 2,306 1,132% 4,579 4,579 6,57 27 2,655 2,279 2,29 2,50% 2,72 1,610 1,132% 4,579 (4,71) 28 2,657 2,279 2,29 2,00% 2,306 2,53 1,038% 4,579 (4,71) 28 2,657 2,72 2,60% 2,536 2,539 2,540 (1,01) 29 3,67 3,67 3,52 1,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 4,60 1,73% 1,73% 2,73% 2,73% 1,73% 1,73% 1,73%	al operations and maintenance recense	ğ	20.04	20,203	8 6	5.68%	1,621	(20)	(1.261%	1,277	(364)	(28.50)%
The color of the	odicion.	£	1000	200,00	Ž :	457.	LDC'O	46	2,25%	18,599	(1,441)	%(57.7)
1, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2,	onization	3 %	95,	4,438	25 e	% 56.5 % 56.5	4,746	76.	15.03%	4,562	582	12,75%
25 2,085 2,296 2,33 9,00% 2,305 250 2,400	vectorion and amenization		4.326	4.578	286	5 509	5 030	(8)	(24.40)%	311	(30)	(9.51)%
The contract of the contract	leral taxes	X	2000	02.0			2000	i i	5.00 F	4,8/3	553	11,33%
286,422 27,249 824 21,289 1,449 1,5287 1,449	oirment charges	8	70017	6/7/7	***	8.80% 8.00%	3,305	220	10.86%	1,942	(113)	(5.81)%
12,080	al operating expenses, net		26,422	27,249	828	3.04%	27.827	1.405	2000	100750	1 100 17	
28	county income		12,980	11.530	1,450	12.58%	10,882	2,098	19.28%	9,323	3.657	30.77%
25 2, 14 2, 24	THE INCOME & DEDUCTIONS.	8	ý	ŧ	•							
17	rest on long-term debt	8	3814	2 847	4 £	162.81%	1	9	,	(127)	(1ZI)	(95.40)%
1	est on Short-Term Bank Debt	Я	451	459	3 00	1.74%	453	ž 4	\$ 55.00 \$ 55.0	3,030	(784)	(25.89)%
22 851 4,394 44 1,03% 4,446 187 4,20% 3,519% 480 3,519% 480 3,529% 480	interest expense	5	0		0		•	=	5	8 8	3 6	787.787
22 861 810 51 6,36% 654 227 35,79% 480 382 382 383 319 310% 362 363	a sinceres expense		4,259	4,304	3	1.03%	4,446	18;	4.20%	3,819	(440)	(1152)%
10	DC - Equity	8	861	\$10	55	6,36%	634		19 70%	187	į	10000
Column C	OC Design	ន	999 1	338	5	9.00%	288	*	28.29%	278	25.5	73,55% (69,6%)
25	nucesum of constructions entred dividents of subsidiaries (Consolidar	4 £	ŝ	SS	9	%(97.7)	48	E	(24.13)%	4	Ē	(22,02)%
10	control of seasonaires (Canadian	3 :		•						(23)	R	100.00%
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177 178	offancous Other Deductions	4	228	221	'6	(3.22)%	290	- 6	155,28%	0 20	o i	2000
(177) (208) 30 14.68% (280) 113 38.99% (77) (109) (3.265) (3.417) 153 4.46% (3.862) 597 15.46% (3.309) 35 42 5.75 8,112 15.03 19.76% 7.020 2.699 38.40% 6.023 3.692 43 3.368 3.074 (22.8)% 2.351 (28.9) (2.09)% 2.351 45 (8) (9) (13.19)% (2.4) (13.19)% 2.351 (14.19)% 2.099 (1.209) 46 (8) (9) (13.19)% (2.4) (13.19)% 2.351 (14.19)% 2.099 (1.209) 47 (4.6) (1.30) (1.30)% 2.351 (1.40) (13.19)% 2.409 (1.402) 48 (8) (1.30) (1.30)% 2.409 (1.30)% 2.409 (1.402) 49 (1.30) (1.30)% 2.409 (1.30) (2.20) 40 (1.30) (1.30)% 2.409 (1.30) (2.20) 41 (1.30) (1.30) (1.30)% 2.409 (1.30) (2.20) 42 (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) 43 (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) 44 (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) 45 (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) 46 (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) (1.30) 47 (1.30)	Curer Cooccuers		82 228	221	ω	(3.08)%	290	62	21,50%	245	12	7.05%
(3.265) (3.417) 153 4.46% (3.882) 597 15.46% (3.300) 35 9.775 8,112 1,603 19,76% 7,020 2,695 38.40% (5.023 3,692 43 5,308 3.074 (224) (7.62)% 2,361 (347) (40.13)% 2,099 (1.209) 46 (8) (9) (1) (13.13)% (24) (16) (86.25)% 2,699 (1.209) 47 (44) (42) (2.38) (3.36% 2,493 (1.402) 5.830 4.703 1,127 2,096% 4,406 1,422 32.31% 2,540 2,299 5.777 4,690 1,127 2,423% 4,406 1,422 32.31% 3,540 2,250 5.777 4,690 1,127 2,423% 4,406 2,250 2	י, הפנ		(571)	(208)	ጽ	14,68%	(230)	113	38.99%	14.6)	1001	20000
47 6.29 387 (24.3) (62.8)% 7.020 2.695 38.40% (6.23 3.682 43 3.06 3.074 (72.4) (62.8)% 7.0 2.691 (70.08)% 36 (75.0) 46 (8) (9) (1) (13.13)% (24) (16) (66.25)% 3.69 (75.0) 46 (8) (1) (13.13)% (24) (16) (66.25)% 2.09 (1.209) 47 (42) (1) (13.13)% (24) (16) (66.25)% 2.09 (1.209) 48 (30) (41) (42) (42) (42) (42) 1.209 (1.209) 48 (30) (40	other income (deductions)		(3,265)	(3,417)	551	4.46%	(3.862)	207	45.45	1000	lan.	o (horas)
42 529 387 (234) (256)% 7,720 2,359 35,47% 5,023 3,632 4,43 4,023 3,038 3,038 3,037 (234) (7,52)% 2,361 (947) (40.13)% 2,099 (1209) 4,43 (437) (413.13)% (234) (15) (82.26)% 2,361 (15) (82.26)% 2,099 (1209) 4,43 (437) (413.13)% (234) (16) (82.26)% 2,299 (1209) 4,83 (437) (13.13)% 2,364 (14.02)	ne (loss) before income taxes		9,715	8.112	1 603	10.76%	7000		20 to 1	(nne'e)	g	%/0.1
45 3.505 3.57 (23-4) (92.50)% 3.70 (255) (70.08)% 3.69 (750) 46 (3) (4) (13.13% (23) (13.13% (24) (15.13)% 2.099 (1.209) 47 (24) (23) (13) (13.13% (23) (14) (15.13)% 2.099 (1.209) 48 5.50 4.70 (4.06) (1.37)% 2.64 (1.277) (48.85)% 2.483 (1.402) 48 5.50 4.70 (1.12) (23.95)% 3.00 (1.259) (25.95)% 3.540 (2.25) 48 5.777 4.650 (1.12) (23.95)% 3.00 (1.259) (25.95)% 3.23 (2.25) 49 5.777 4.650 (1.12) (24.25% 4.00 (1.27) (25.95)% 3.240 (2.25) 40 6.65 (2.157 (1.12) (24.25% 4.00 (1.27) (25.95)% 3.240 (2.25) 41 6.50 (1.12) (24.25% 4.00 (1.27) (25.95)% 3.240 (2.25) 42 6.65 (1.12) (23.95)% 3.240 (2.25) (25.95)% 3.240 (2.25)	Income Taxes	Ç	263	.00		2000	7,0%	¢60'7	38.4U%	6,023	3,692	61.29%
46 (8) (9) (1) (13.13% (24) (16) (88.25% (1.209) 47 (44) (42) (1.327% (24) (16) (88.25% (1.402) 5.850 4.703 (4.70) (13.87% (2.64 (1.272) (48.56)% (2.48.26) 48 5.820 4.703 (1.427) (2.56% 4.406 1.422 (2.56% 2.483 (1.402)) 5.27 4.500 1.127 (2.55% 4.406 1.422 (2.55% 2.53% 2	and Income Taxes	4 8	3,308	3.074	3 6 3 6	(7.52)%	370	(259)	(70,08)%	369	(260)	(70.60)%
4b (3) (4) (13.13)% (24) (16) (66.25)% 2 9 4 (22) (4.2) 2 4.13% (53) (13.13% (54) (12.25) 1.4 (52.56)% 1.4 58 5.830 4.703 (1.37) 2.564 (1.272) (4.8.56)% 2.433 (1.402) 48 5.830 4.703 1.127 23.06% 4.406 1.423 32.31% 3.540 2.230 48 5.777 4.650 1.727 24.23% 4.100 1.527 3.540 2.230 2.053 2.187 1.03 4.80% 1.597 (45) 7.207 (45)	Seving Acquisition Adjustment	;	• ;				•		2/22/22	£,00,2	(602°)	%(\$C:/C)
3,886 3,409 (476) (13,738) 2,614 (1273) (32,518) 14 58 14 15 2,518 2,614 14 12 2,433 (1,442) 2,830 4,405 1,423 2,433 (1,442) 2,433 (1,442) 2,433 (1,442) 2,543 (1,442) 2,543 2,540 2,230	stal income taxes (non-operating)	\$ \$	@ §	€ §	£"	3,13,9%	8	(16)	(68.25)%	N	i en	\$95.89%
5530 4.703 1.127 23.06% 4.406 1.423 125.31% 5.540 2.205 1.4423 25.31% 5.540 2.205 2.577 4.650 1.127 24.25% 4.100 1.678 40.38% 3.540 2.205 2.57 2.157 1.05 4.80% 1.557 (4.57) (4.57) (28.51)% 1.27 (4.57) (4.58)	islon (Benefit) for Income Taxes		3,886	3,409	(476)	(13.97%	2614	(42)	(52.56)%	14	28	422.38%
48 57 52 0 (0.35)% 307 (754) (82.95)% 0 577 (4550 1,127 24.25% 4,100 1,678 40,95% 3,540 2,257 2,053 2,157 103 4.80% 1,597 (457) (28.61)% 1,207 (246)	ncome (loss)	•	5,830	4,703	1,127	23.96%	4,406	1.423	32.31%	36.6	(1) 40 (1) 10 (1	(56.46)%
2,053 2,157 103 4,80% 1,597 (4,57) (28,61)% 1,077 (24,6)	School Description	ğ	525		0	(0.35)%	307	950	(82.95)%	0	Si	
2,137 103 4,80% 1597 (457) (28,51)% 1,207 (245)	mod Dividend Declared		5,777	4,650	1,127	24.23%	4,100	1,678	40,93%	3,540	2,237	63.20%
	off Year Retained Families		2,023	2,157	203	4.80%	1 597	(457)	(28.61)%	1,207	(846)	(70.13)%



Kentucky American Water

August, 2008
. (\$ in Thousands)
Variance Explanations
YTD Actual vs. Q2RF

Operating Revenues

Revenue is over by \$616. Water revenue is over \$517 and other revenue is over \$99 mainly due to increased reconnection fees and increased collections for others. Lines 1&3

Operating Expenses

Line 5	Purchased water is under by \$68 due to reduced purchased water in the Northern district.
Line 6	Fuel and power is under \$71 mainly due to reduced system delivery.
Line 7	Chemicals are under \$56 due to very low source water turbidity and reduced system delivery.
Lines 13&14	Lines 13&14 Management fees are over (\$194) primarily due to Corporate and Regional management fees.
Line 20	General office expenses is over (\$106) mainly due to relocation expense (\$63), telephone (\$22) and (\$8) employee expenses.
Line 21	Miscellaneous is under \$189 due to favorable variances in conservation \$46, brochures \$22, transportation \$42, miscellaneous \$32 and electricity
	\$23.
Line 22	Maintenance is under \$99 mainly due to miscellaneous maintenance items due to timing.
Line 25	General taxes are under by \$223 mainly due to a true-up of property tax expense for 2007 and 2008.

Other Income Deductions

Line 42-46 Over due to operating results.



Kentucky American Water August, 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$677. Water revenue is over by \$279. Other revenue is over \$398 mainly due to increased reconnection fees and increased collections for others. Lines 183

Operating Expenses

istrict,		being used.
Purchased water is under plan by \$328 due to no intra-company expense and reduced purchased water in the Northern district. Fuel and power is over (\$331) mainly due to increased fuel costs. Group insurance is under \$193.	Lines 13&14 Management fees are over (\$389) primarily due to Corporate and Regional management fees. Line 16 Regulatory expense is under \$257 due to reduced rate case expenses and a longer amortization period than planned. Line 17 Insurance other than group is under \$177 due to retro adjustments and lower premiums.	Depreciation is under \$761 due to the increased net negative salvage going to maintenance expense and the lower rates being used. General taxes are under by \$250 mainly due to a true-up of property tax expense for 2007 and 2008.
Line 5 Line 6 Line 11	Line 16 Line 17 Line 17	Line 25

Report ID: BPR.3.7 American Water Confidential Close Status: Final source system financial data w prelim adjs and elims

Supplementary Tables and Discussion Kentucky with Growth Aug 2008

OOP RING

AWFRP 2.0 - Result of Operations - Revenue Analysis

Revenue Variance Summary (\$ in Thousands)

American Water

		Budget			Forecast			Drior Voor	
	QTM	QTD	Ę	QTM	QTO	Ę	CLIM	2 C	Ş
Budget / Forecast / Prior Year	5,654	11,305	38,709	5,666	11.325	38,779	5.030	1500	77. 70
Rates	•	ı	1	Ī			804	- (1.5)	ţ
					ı	I	(907'0)	→	1
DSIC		:							
Simple		•	1	•	•	•	•	P	ı
October 1988	ŧ	•	1	•	•	•	ı	1	1
Balancing accounts	•	1	,	,	•		1	!	1
							t	1	1
Water acuisitions	1		•	•					
Sewer acquisitions	1	Ó	•	i ,	ı	1	•	1	
		1	i	•	,	j	1	1	•
Other	(335)	(269)	,	(99)	c				
Fire	1	<u>}</u>		(00)	>	•	(276)	0	,
Organic growth	301	301		' (1 (1	•	1	1
Demand / Consumption	į	3)	>	ɔ	ı	(75)	0	•
	(717)	(328)	•	(136)	0	'	175	0	ł
Sewer	(13)	(12)	ı	9	0	ı	2		•
Other Dangage Manager		;						FIRE RANGE AND	
Oner Revenue Vanances	693	693	693	623	334	. 623	4,458	1,388	4,658
Actual revenues	6,083	11,659	39.402	6.083	11,650	30 402	000		
Total variance	927			255	600,11	29,402	0,U&3	11,659	39,402
	423	405	693	418	334	623	10/4	1 200	

Report Fibers - Currency: USD, Version: Final, Subsidiary: All Subsidiaries, Project: No Project, Water System: No Water System

7-08

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Quarterly Financial Review Package

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Month

AMERICAN WATER

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business

(AME)

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed. Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) (Date) Regional Finance Director or Vice President

Monday, October 13, 2008 5:02:18 PM

A section of the sect	Kentucky with Crowth Sep CTD 2008 (\$ In Thousands)
entered to the entere	
er i er skriver skriver e	
regional de la production de la company de l	AMERICAN WATER

	δ	D Actuals	OTD Reforecast	Variance Favorable (Unfavorable)	% Variance	QTD Plan	Variance Favorable (Unfavorable)	% Variance	ውያ ት	Variance Fevorable (Unfavorable)	% Variance
OPERATING REVENIES.			1, 1,			***		Ì			!
Water Revenues	- «	16,673	16,187	487	3.07%	16,416	, 25 25	1.57%	14,203	2,471	17,40%
Sever Revenues	N e	2	2 5	m (2	× •	10.63%	88 }	2	(10.07)
Cords Operating Hevenues	, ,	1,4	25.0	4		4/4	£	41.U.14	199	92	1.47%
Operating Revenues		17,423	16.893	230	3.14%	16.953	460	271%	14.952	2471	16.53%
OPERATIONS & MAINTENANCE EXPENSE						1			!	ī	
PRODUCTION EXPENSES											
Purchased Water	ur) (*	2	4	34.08%	1 5		79.55%	(118)	(152)	(128.48)%
	01	ğ	40°	88	8 (Z8.C)	50 5	(22)	3.08)%	3 6	(S)	8(17.22)
Waste Discossi	~ «	86	3 6	<u> </u>	42.49	705	<u> </u>	12 53%	\$ £	Ē	K(4/4)
Total moduction costs		1.649	1.640	ē	\$650	183	7	%7C0	1 249	(007)	(32.05)%
CARLICON TO A CARLING		:	!	ì	2,72	<u>}</u>	•			2	
Labor	ø	1 660	619	Ç	9 510	100	ç	4 0000	34.4	Š	19677
Pansions	? 5	3 2	441	100	2000	5	3 8	72 60164	7	100	8014
Ground insurances	? ;	213	75.	£ 4	1264	100	F	14 889,	\$ g	5 5	200
Other transfile	- 1	1	ş	2€	8 26 6	6	2 2	100 PC	2 4	Ŧ Ę	45.00 CS/
Total semulasses related	*	2317	2280	E (F	257778	23.6	5	2 020	57.6	102.57	70 62 (20
The same and for the same	:	3	200		w/267)	6490	2	4.0370	1.1	3	# (75°)
Hanagement tees	ដ	321	88	8	(6.14)%	ğ	(88)	(12.08)%	1,875	958	\$0505
Shared business services	7.	888	1,013	*	2.33%	981	8	(0.84)%	•	(888)	
Contracted services	15	298	286	H23	(4.20)%	208	(36)	(43.38)%	201	(76)	(48.50)%
Total contracted services		1,287	1,299	ij	289%	1,189	(86)	(8,29)%	201	(1,086)	(540.58)%
Regulationy excense	16	40	24	-	3.40%	137	76	70.71%	ş	S	30% 35
risurance Other Than Group	: [124	8	- 1/3	4.21%	ě	.	31.58%	88	8 8	27.43%
Customer Accounting	5	376	360	4.	(3.58)%	513	4	9.86%	282	312	(42.50)%
Rents	9	Ľπ	Ø		38.65%	80	(C)	34.89%	1		25.02%
General office expense	8	ă	5	8	(12.38)%	114	(112)	(98,03)%	126	(130)	(78.92)%
Macelaneous	N 6	5.5	84	8	4.69%	463	8	11.43%	471	<u>ا</u> و	12.87%
registerion. Fotal operations and maintenance expense	3	8 033	7887	(32)	(4.38)%	7042	(100)	78.47%	7.016	(CSU)	(58.18)% C14.40)8
	1		1		20001	7	3	orfue vil	2	(2) (2)	Def Charles
Americation	3 2	5.5	L 202, C	3 18	6.12%	1,797	387	21.52%	1,756	346	19.68%
Depreciation and emortization		1,538	1,629	8	5.55%	1,899	360	18.56%	1,900	361	19,01%
Seneral taxes	ĸ	382	873	2	2.18%	871	52	8	877	/483	26.36.9/
mpairment charges	12	•	1			-				()	or famous
Total operating expenses, net		10,368	10,327	(4)	%(62.0)	10,712	345	3.22%	9,665	(703)	727%
			7	ř	ar chira		3	R/07	9	98,77	******
Clark in a district the second of the second	8	c	٠	<			•		•	•	
merest on long-term debt	3 8	1.41	1 411	90	2600	1.683	î	* 55%	→ 888 8	123	28 977%
nterest on Short-Term Bank Debt	8	13	13	163	6.71%	275	12	58.14%	603	48	80.91%
Other Interest Expense	66	0		0	100.00%	,	Q	1007.07	٥	٥	1000
	i	200	90.	P	worn.	96/-	212	12,199	2	(gr	%(cs-2)
ARUDO-Equity 10 DOD-11	8 8	187	2	(385) (385)	(49.60)%	300	<u> </u>	(53.03)%	75 78 78 78 78 78	6	(24.35)%
Anadization of Date Expense	3 3	3 2	3 2	3	8(00°CE)	<u> </u>	षु	26(00) 26(00)	3 €	£	85(50.5) 87(50.5)
Preferred dividends of subsidiaries (Consolidatio	8	i '	, '	ξ'		· •	£ '		<u> </u>	8	%(00,00T)
Sain on sale of essets	8		•	•		٠	1		•	•	
Von-Operating Rental Income	8	•	•	•		1	ı		•	•	
Dividend Income - Common Dividend Income - Desterrad	R 8		•	•		•	•		1	1	
Miscellaneous Income	3 8	(E)	بي ا	33	G 469.271%	•	(3)		į į	1 65	(48.48)%
Fotal other income		(31)	-	(Z)	(3,469.27)%	,	(34)		(21)	(30)	(46.48)%
viscelianeous Amortization	\$	6	٥	•	1,470.12%	0	C	155.28%	٥	. 0	0,00%
Assettaneous Other Deductions	5	9/2	23	(16)	(27.55)%	43	8	(75.94)%	88	(69)	(189.27)%
		2	8	(81)	N (00 /2)	7	(20)	R(Prt)	8	(2) *	W(17701)
Jaker, Dec		(487)	(28)	?	(82.57)%	Ţ	<u> </u>	(145,80)%	£.	8	142,79%
fotal other income (deductions)		(1,359)	(1,069)	8	(27.18)%	(1,218)	(141)	(11.56)%	(1,214)	(145)	(11.30)%
noome (loss) before income taxes		5,896	5,497	158	3.62%	5,033	798	13.19%	4,073	1,624	39.87%
State Income Taxes	4	8	374	(18)	(5.75)%	243	(89)	(36.77)%	228	(105)	(46.02)%
receral income Taxes for Course Apprilation Adjustment	\$:	1,948	1,679	(S02)	(16.04)%	1,670	(278)	(16.64)%	1,385	(263)	(40.64)%
State income taxes (non-operating)	ŧ \$	· 63	' @	' 0	0.50%	. 3	'E	117,991%	'ε	٠.	37,06%
Federal income taxes (non-operating)	8	E	12	82	182,96%	(19	:0	(20.06)%	(11)	0	(2.88)%
Provision (Benefit) for Income Taxes		2.267	2,00	(1 87)	(13.20)%	1,896	(\$71)	(19.56)%	1,500	(867)	(41.66)%
Preferred Dividend Declared	47	19	202	(e)	6,32)%	115	8 9	24 CE CE S	6,4/2	96	30.1270
et Income To Common Stock		3.470	3.476	(65)	(1,881%	3.022	388	12.85%	2473	828	37.93%
Johnnon Dividend Declared		1 395	1257	(38)	110,977%	1 118	(TC)	724 761%	1.050	1345	20.841%
Jurent Year Retained Earnings		2,015	2218	(203)	(9.18)%	1,304	112	5.88%	1.42	583	41,69%



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Kentucky American Water
September 2008
(\$ in Thousands)
Variance Explanations - Income Statement
QTD Actual vs. Q3RF

Operating Revenues

Revenue is over by \$530. Water revenue is over \$487 mainly due to higher residential sales and public authority sales as well as a low NRW percentage for the month. No discretionary revenue adjustment was made in September. Other revenue is over \$40 due to collections for others and new customers. Lines 284

Operating Expenses

	00 4 17.
Other Maintenance Expense is over (\$32) due to the write off of the meter registers (\$60) offset by paying \$16, materials and supplies	
	Line 20
	Line 13
	Line 9
Waste Disposal is under by \$11 due to expired aged PO receipts that were reversed.	Line 8
Furchased water is under by \$17 due to reduced purchased water in the Northern district.	Line 5

Other Income Deductions

Depreciation is under \$92 mainly due lower rates being used.

Line 22 Line 23

\$7 and miscellaneous maintenance of \$5.

Line 32 Line 33	Line 32 AFUDC equity is under reforecast mainly due to correction of workorders that were originally set up as IPs not blankets. Line 33 AFUDC debt is under reforecast mainly due to correction of workorders that were originally set up as IDs and blankets.
Line 39	Line 39 Miscellaneous income is under by (\$32) mainly due to a write off for damage to company property.
Line 42	Over due to operating results.



Kentucky American Water
September 2008
(\$ in Thousands)
Variance Explanations - Income Statement
QTD Actual vs. Plan

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Operating Revenues

Revenue is over plan by \$460. Water revenue is over by \$276. Other revenue is over \$176 mainly due to increased reconnection fees of \$123, increased collections for others \$41and initiated service fees of \$11. Lines 2&4

Operating Expenses

district.	penses of (\$16). ance expense (\$145)	by materials and	ver rates being used.
Purchased water is under plan by \$131 due to no intra-company expense and reduced purchased water in the Northern district. Fuel & Power is over plan (\$100) due to increased fuel costs. Waste Disposal is under plan \$15 mainly due to June receipts that A/P has determined are not due the vendor. Regulatory expense is under \$97 due to reduced rate case expenses and a longer amortization period than planned.	Line 20 General Office is over plan by (\$112) mainly due to relocation (\$60), cell phone (\$36) and other miscellaneous office expenses of (\$16). Lines 12,15&21 Miscellaneous is over plan by (\$76) mainly due to contract services - legal (\$61) and transportation (\$12). Other Maintenance Expense is over plan by (\$92) primarily due to an increase in net negative salvage going to maintenance expense (\$145)	offset by paving expense being underspent by \$50. The meter register expense of \$60 that hit in September was offset by materials and supplies being underspent in July by \$62.	Depreciation is under \$387. This was due to an increase in net negative salvage going to maintenance expense and lower rates being used. Amortizations are over plan by (\$26). General taxes are under by \$75 due to a true-up of property tax expense for 2007 and 2008.
Line 5 Line 6 Line 8 Line 16	Line 20 Lines 12,1582	Line 22	Line 23 Line 24 Line 25

-					lividends.
AFUDC equity is under plan mainly due to the correction of workoders setup as IPs not blankets. AFUDC debt is under plan mainly due to the correction of workorders setup as IPs not blankets.	Miscellaneous income is under by (\$31) mainly due to a write off for damage to company property.	Miscellaneous other deductions is over (\$33) mainly due to contributions.	Over plan due to operating results and the correction of the tax on preferred dividends issue from prior years.	Over plan primarily due to tax issue of \$170.	Preferred dividend is under plan \$95 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred or
Line 32 Line 33	Line 39	Line 41	Line 42	Line 43	Line 47

AMERICAN WATER

Kentucky American Water September 2008 (\$ in Thousands) Variance Explanations - Income Statement QTD Actual vs. Prior Year

Operating Revenues

Line 2

Water revenue is over prior year by \$2,470 mainly due to the December 2007 rate increase.

Operating Expenses

ense and reduced		APPENDE EL AL			tenance expense	rrates being used.
Purchased water is over prior year by \$152 due to a top-side adjustment that was made in 2007 for no intra-company expense and reduced purchased water in the Northern district.	Fuel & Power is over prior year (\$185) due to increased fuel costs. Labor is over prior year by (\$194) partially due to merit increases as well as new positions.	Regulatory expen			Other Maintenance Expense is over prior year by (\$250) primarily due to an increase in net negative salvage going to maintenance expense (\$153), and materials & supplies (\$70).	Depreciation is under \$346. This was due to an increase in net negative salvage going to maintenance expense and lower rates being used.
Line 5	Line 6 Line 9	Line 16	Line 18	Line 20	Line 22	Line 23

Line 29	Line 29 Interest on long-term debt is over prior year (\$523) due to having increase in long-term debt from prior year.	
Line 30	Line 30 Interest on short-term debt is under prior year \$488 due to lower rates and decrease in short-term debt from prior year.	
Line 42	Line 42 Over prior year due to operating results.	
Line 43	Line 43 Over prior year partially due to fax issue of \$1.70 as well as one-rating results	

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46 (8) (8) 0 0.17% (25) 47 (42) (19) 23 118,46% (97) 478 458 4,344 (264) (6.02)% 3.272 48 592 687 (65) (0.39)% 5,492 48 543 6,609 (65) (0.39)% 5,148	0.17% (25) (17) (66.89)% (6.27)% (6.27)% (6.27)% (6.27)% (6.27)% (6.28)% (6.27)% (6.28	2465 (1.517) (61.08)%
47 (42) (19) 23 (17,17% (23) (23) (45) (45) (45) (45) (45) (45) (45) (45	1.8,4% (37) (53) (65,27)% (53) (65,27)% (55,27)%	. 1 4
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48 59 65 (0.111); 3-45 (6.05 (6.05)); (4.05); (5.148)	(0.11% 3.45 (226) (22.50% (1.11% 3.45 (22.50%	2,911 (1,747) (60.01)%
6.543 6,609 (65) (0,59)% 5,148	(0.39)% 5.148 1.396 27.11% (4.16)% 2.715 (734) (27.03)% (6.16)% 2.433 682 27.21%	58
	(6.16)% 2.433 662 27.21%	
3 208 (2015) (4.16)% 2.715	20777 Sept. 2077	(191,1)

Monday, October 13, 2008

MATTERS - Corporate 1480, Vermen First Standary All Submission

AMERICAN WATER

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Kentucky American Water September 2008 (\$ in Thousands)

Variance Explanations - Income Statement YTD Actual vs. Q3RF

Operating Revenues

Lines 2&4 Revenue is over by \$530. Water revenue is over \$487 and other revenue is over \$40.

Operating Expenses

Purchased water is under by \$17 due to reduced purchased water in the Northern district.	Waste Disposal is under by \$11 due to expired aged PO receipts that were reversed.		General Office is over (\$24) primarily due to cell phone accruals.
Line 5	Line 8	Line 13	Line 20



Kentucky American Water
September 2008
(\$ in Thousands)
Variance Explanations - Income Statement
YTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$799. Water revenue is over by \$371. Other revenue is over \$409 mainly due to increased reconnection fees and increased collections for others. Lines 284

Operating Expenses

Line 5	Purchased water is under plan by \$373 due to no intra-company expense and reduced purchased water in the Northern district.
Line 6	Fuel and power is over plan (\$307) mainly due to an increased fuel costs.
Line 10	Pensions is over plan (\$109).
Line 11	Group insurance is under plan \$209.
Line 13	Management fees are over plan (\$423) primarily due to Corporate and Regional management fees.
Line 16	Regulatory expense is under \$290 due to reduced rate case expenses and a longer amortization period than planned.
Line 17	Insurance other than group is under \$211 due to retro adjustments and lower premiums.
Line 18	Customer Accounting is under plan by \$111 due to favorable collectible expense.
Line 20	General Office is over plan by (\$111) mainly due to refocation (\$80), and cell phone (\$31).
	Other Maintenance Expense is over plan by (\$134) primarily due to the increase in net negative salvage going to mainenance expense of (\$422)
	offset by paving expense being under plan by \$137, materials and supplies under plan by \$107, and miscellaneous maintenance expense under
Line 22	plan by \$36.
Line 23	Depreciation is under \$893 due to the increased net negative salvage going to maintenance expense and the lower rates being used.
Line 25	General taxes are under by \$269 due to a true-up of property tax expense for 2007 and 2008.

Other Income Deductions



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Kentucky American Water September 2008 (\$ in Thousands) Variance Explanations- Income Statement YTD Actual vs. Prior Year

Operating Revenues

Revenue is over prior year \$5,742. Water revenue is over \$5,504 due to the December 2007 rate increase. Other revenue is over \$263 mainly due to the change in collection/shut off policies that occurred in May 2007 resulting in increased reconnection fees. Lines 2&4

Operating Expenses

Line 6	Fuel and power is over prior year (\$332) mainly due to increased fuel costs.
Line 9	Labor is over prior year (\$497) mainly due to merit increases and new positions.
Line 16	Regulatory expense is under \$91 due to reduced rate case expenses and a longer amortization period than prior planned.
Line 20	General Office is over prior year by (\$182) mainly due to relocation (\$80), employee expenses (\$43), and cell phone (\$42).
	Miscellaneous is over prior year by (\$422) mainly due to materials & supplies (\$100), legal (\$62), contract services - other (\$63), transportation
Lines 12,15&21	(\$143), and community relations (\$20).
	Other Maintenance Expense is over prior year by (\$468) primarily due to the increase in net negative salvage going to maintenance expense of
Line 22	(\$335), and materials and supplies (\$124).
Line 23	Depreciation is under \$699 due to the increased net negative salvage going to maintenance expense and the lower rates being used.

Other Income Deductions

Line 29	Interest on long-term debt is over prior year (\$958) due to having increase in long-term debt from prior year.
Line 30	Interest on short-term debt is under prior year \$658 due to lower rates and decrease in short-term debt from prior year.
Line 32	AFUDC equity is over due to capex timing.
Line 39	Miscellaneous income is under by (\$149) mainly due to the M&J items in 2007.
Line 42-46	Over prior year due to operating results.

Report ID: BPR.3.7 American Water Confidential

Supplementary Tables and Discussion Kentucky with Growth Sep 2008

AWFRP 2.0 - Result of Operations - Revenue Analysis

AMERICAN WATER

Revenue Variance Summary (\$ in Thousands)

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Close Status: Final

pending reviews

		Budget			Forecast			Prior Year	
	OTTW	άΤΦ	Ę	MTD	атр	È	GTM	атр	È
Budget / Forecast / Prior Year	5,659	16,963	44,367	5,234	16,893	44,636	4,680	14,952	39,424
Rates		1	ı	•	•	1	1	0	,
DSIC	,	,	ı	,	. •	1	•	•	•
Surcharges	•	٠ 1	•	ı	1	•	•	1	
Balancing accounts	•		1	•	1	1		1	TABLES VIC. TABLES VIC.
Water acuisitions	•	't	1	ŧ	•	ı	,	•	1
Sewer acquisitions	ŧ	0	1	F	•	1	•	•	
Other	9	(508)	09	t	0	1	•	0	1
Fire	•	•	•	1	ı	ı	•	· 1	
Organic growth	25	326	22		٥	1		0	1
Demand / consumption	17	(342)	42		0	٠		0	
Sewer	m	6)	m	1	0	1	•	0	•
Other Revenue Variances	0	693	693	230	530	230	1,084	2,471	5,742
Actual revenues	5,764	17,423	45,166	5,764	17,423	45,166	5,764	17,423	45,166
Total variance	105	460	799	530	530	530	1.084	2.471	5.742

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AMERICAN WATER							Kenauck Sep 7	Kentucky with Growth Sep YTD 2008 (\$ in Thousands)				
		Actuals	Reforecast	Increase (Decrease)	% Verfance	P.	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance	
Assets Utility Plant Constitution Mode in December	6	382,163	359,733	2,431	27.0	l	(26,010)	(6.7)%	345,341	-		
Accumulated Depreciation Utility Plant Acquisition Adjustments	10.4	(83.724) 316	(84.835) 317	61.1 61.1	4(5-4) 1.3% (0.3)%	(90,377) (318	2,653.8 5,653.9 5,653.9	2,47, 8,47, 8,88,88	27,310 (80,435) 327	16,589	7.87 8.1.47 8.8%	
Other Utility Plant Adjustments Total Utility Plant	2	316,654	314,892	1.762	0.6%	320.101	3447	(1.19%	286 543			
Non-utility Property Total property, plant and equipment	٥	316 924	315 162	1789	0.0%	250	88,6	82%	350		82%	
Cash and Cash Equivalents	7	262	284	, 1 8	%C.01	287	(3,420)	1.8%	388			
Restricted funds Utility customer accounts receivable	ထက	2,907	3,540	(834)	(17,9)%	3,029	(22)	(4.0)%	1.928			
Allowance for uncollectible accounts Accrued utility revenues	\$ F :	3,060	9,237 9,210	(3.5)	7.0.7 %C.7 %C.7	(286)	ម្ត	10.7%	(S) (S)		(14.3)%	
Other receivables, net Taxes receivable, including federal income	ដ្ឋា	& '	<u> </u>	8	%(9'%)	(2,670)	(119) 2,670	100.0%	55 88 88			
Marenaus and supplies Receivable from still oted companies	4 to (575	et 5.	€ €	(20.0)% (100.0)%	, 58°	ĝ'	(1.5)%	832		-	
Curent Assets Curent Assets	او	7,016	218 8,037	(1.020)	(37.8)%	193	2,511	(23.1)%	5.965			
Regulatory assets - income tax recovery Debt and preferred stock expense	₽	3,078 818	6,421	(3.344)	(52.1)% 3.5%	5,942	(2.864)	(48.2)%	6,385	(3,308)	(51.8)%	
Deferred pension expense Deferred postretirement benefit expense	2 8	1 1	• •	} ' '		' '	3 '	800	₹ '			
Deferred security costs Deferred business services omiect extrens	228	• •		•			1 1			• 1		
Deferred integration costs	រនុះ	' ' (' '				, ,			. ,		
Deferred rate case	4 14	<u> </u>	8 X	4 8	11.7%	7,545 298	\$ \$	82.9%	1,859	(186)	(10.0)%	
Asset premium recoverable thru rates Environmental remediation recoverable thr	88	٠.	• •			• •	, , ,		! ' '	Ì''		
Currer Regulatory Assets Regulatory assets	88	2,304	3.023	(393)	(3.9)%	3,309	(405)	(12.3)%	3,187	273	(8.7)%	
Other investments Long term receivable from affiliate	នុខ	, ,			2 ()	,	/ (kom)	Dr. (Lance)	9 1	(creece)	R (one)	
Funds restricted for construction Georgialis	3 ਲ 8		, ,			. ,	, 1			• •		
Intendible assets	3 FS F	' ' ;		. ,		• •			f	, ,		
Total Regulation & Other LIT Assets	8	659'6	13,256	(3,587)	(27,1)%	12,119	388	88.6%	13,245	337	68.2%	
Total Assets		323,600	336,455	(2.855)	(0.8)%	336,974	(3,374)	%(0,1)	306,003	27,597	%0'6	
Captol & Labitites Common Stock	*	36,569	36,569	0	%0°0	36.560	٠	9	dan de		ò	
11	88	33,085	33,288	4 800	0.0% %0.00	24,056) 5	0.3% 2.5%	8,050 9,050	16,061	199.4%	٠
Ansive Income	88	• •		[' '		; · ·	1 1	ř	766	Centra	823	
	8	. 777.88	93.970	(190)	70.07	30,400	1361	,69,	7.040	1 1 2 2	796 20	
datory redemp	1 4	75,700	1,456	00	%00 000	1,467	ξ°	(0.0) (0.0) (0.0)	1,467	(1.1) (1.1)	8 % (6.0) 8 % (6.0)	
nepeemative preferred stock at recemption	£	178,426	176,625	(189)	(0.1)%	4,500	1.353	0.0%	160,382	18.044	10.0%	
	4 4	22,835	22,950	588	**************************************	27,022	(3,187)	(11.8)%	19,356	4,479	23.1%	
Current portion of redeemable stock at red	3 t	3 ' 8	3 ' 6	3 ' 5	8	g ' i	3 1	85.0	100 100 100 100 100 100 100 100 100 10	٠.	80.0%	
	7 4 4	6.905. 6.905. 7.910	5.74.1 5.00 6.00 6.00	(88 (88 c	(8.5)% 10.9% 0.0%	7,150 4,461 1,698	2,145 444 619	90.00 20.00	6,507 5,228	2.788 88.5259	42.8% (6.2)%	
iablittes	S	2,655	2,689	(74)	0.5%	8,608	(2,953)	(52.7%	2027	627	30.9%	
Outstand Advances for Construction	ŭ	45,688	45,246	3	7.0% % 1.0%	49.040	(3,340)	%(8'9)	37,362	8.338	22.3%	
	ត់ ខា ខ	37,323	36,504	<u> </u>	(c.1)%	36,770	8,8 8,8 8,8 8,8	27.13% 1.5%	14,653 32,877	(356) 4,446	24)% 23.5%	
	838	9,813	9,182	8 6	6 6 7 7 7 8 8 8 8 8 8	81.18 22.22 126.	<u>.</u> & 8	62.45 42.45 42.45	1,218 8,772	<u></u>	(5.2)% 11.9%	
se benefit expense	1 St St	5. 5. 5. 5. 5. 5. 5. 5. 5. 5. 5. 5. 5. 5	212	\$ 55 E	4. 9. 8. 7.	207,r 201 201	23 23 38 38	(11.9)%	2,17 384	(672) 28	(30.9)%	
abilities	ň	65,271	4.085 67,593	(2322)	(3.4)%	219 67.898	(2.624)	(3.9)%	64,675	(3,827)	%E 23 % 0.9%	
ostruction	88	46.203	46,990	(787)	(1.7)%	44,966	1237	2.8%	43,585	2,618	809	
Total capital and liabilities		333,600	336.455	(2,855)	%(8.0)	336.974	(3.374)	CI.09%	306,003	27,597	80.6	

Kentucky American Water September 2008

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Variance Explanations - Balance Sheet YTD Actual vs. December 2007

(\$ in Thousands)

Assets

Utility plant - increase in capital spending primarily related to source of supply project. ines 1 - 5

Accounts receivable higher due to increased revenue. Line 9

Other receivables variance is due to increased system miscellaneous accounts receivable. Accrued utility revenue - increase is primarily due to higher average revenue amounts. Line 12 Line 11

Taxes receivable - it is no longer necessary to reclass the state income tax receivable item. Line 13

Other current assets increased due to an increase in deferred vacation pay. Line 16

Deferred tank painting costs decreased due to monthly amortization. Line 24

Deferred rate case - decrease is due to monthly amortization.

Other long-term assets increased \$337 due primarily to engineering clearing distribution OH. Line 25 Line 34

Capital & Liabilities

Paid in capital - \$8M equity infusion in March 2008 and \$8M equity infusion in June 2008. Line 36

Long term debt decreased due to the sinking fund payment of \$3.1M. Line 42

Short-term debt increase is primarily due to capital spending. Line 44

Accounts payable increased Line 47

Taxes accrued decreased due to quarterly payment. Interest accrued increased due to timing. Line 48 Line 49

Other current liabilities increased \$628 primarily due to accrued power \$165, accrued wages \$140, incentive plan cash annual \$250 and municipal tax \$55. Line 50 Line 52 Line 55

Deferred income taxes increased

Accrued pension expense - timing of pension payments and the difference between accruals and payments.

Table of Contents

Monthly Financial Review Package

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AWFRP 1.3 - Income Statement - YTD	
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AWFRP 2.0 - Result of Operations - Revenue Variance	
E00012G	4

Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business

(AWE)

Ail key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum. Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar. Potential risks and opportunities have been identified and mitigating action plans have been developed.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature)	TO AND SO WAS AND AND	(Date)
Regional Finance Director or Vice President		

Thursday, November 13, 2008 6:43:57 PM

The column The	The control of the	AMERICAN WATER							Kentucky Oct	Kentucky with Growth Oct 2008 (S in Thornsods)	a		
Number Number Colored Number	No. 1, 1975 1975				į	Variance			Variance		į	Variance	
1	Column			ATD Actuals	MTD Referencest	Favorable (Unfavorable)	% Variance	MTD Plan	Favorable (Unfavorable)	% Variance	7. Yr.	Unfavorable)	% Variance
1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1	DÖERATING REVENJES. Mater Revenues Sewer Revenues	- 8	5,477 24	5,032	439	8.73%	5,267	75 ° 75	3.87% 8.85%	878,4 82,83	795	17,00%
### 5.76 5.23	### 15.00	Other Operating Revenues Janapement Revenues	ω 4	ឱ '	<u>8</u>	3 '	24.075	20 1	š '	40.0076	907	2 '	2001
1	1	Operating Revenues		5,718	5,233	484	8528	5,448	200	4.35%	016,4	803	16.45%
1. 2. 2. 2. 2. 2. 2. 2.	1.	DPERALTONS & MAINLENANCE EXPENSE. PRODUCTION EXPENSES.	,	:	;	(4	Ş	é	200	É	Ę	747 55195
7 215	1	Purchased Weter	ro so	e e	ឧដ្ដ	N 4	8,13% 1,36%	₹ E.	9 €	(16.74)%	2 %		2.43%
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	10 10 10 10 10 10 10 10	Unemicals	~ <	8	202 1	<u>@</u> 6	(3.90)%	₩ 13. £	56	(60.51)% %75.8)	ឱ្យទ	4	4.08%
1	1. 1. 1. 1. 1. 1. 1. 1.	Yaste Disposal Total production costs		573	88	₹	(0.76)%	475	(86)	(20.58)%	554	(18)	(327)%
10 15 15 15 15 15 15 15	10 15 15 15 15 15 15 15	XM LABOR & OVERHEAD	•	i	į	¢		963	ţ	2 60%	6	(62)	7.351%
11 15 15 15 15 15 15 15	11 155	abor Ansions	. e	5 28		°E		ş 4	. £	(23.97)%	4	E	(30.76)%
1 1 1 1 1 1 1 1 1 1	1	incup insurances	=:	ភ្ន	靠	. 2 5		55 5	4.65	8.42%	₹	€₹	(6.10)%
14 358 357 10 10 10 10 10 10 10 1	14 358 258 258 271 (7.15)	tither benefits ornalisase zakated	22	797	F 8	€ P		812	St.	1.82%	72	3	(8.75)%
14 259 271 171 171 172	14 250 257 10 10 10 10 10 10 10 1	Sanadement fres	5	88	285	8		576	(SS)	(11.85)%	641	332	51,75%
15 15 15 15 15 15 15 15	15	hared business services	7	828	331	8		337	Ð	, (0.55)%	•	(339)	ļ
1	1	contracted services	15	88	12	EF.		8	88	(30.73)%	2 F	(E)	(512.41)%
15 2.7 19 19 19 19 19 19 19 1	1	obsi contracted services	:	428	413	<u>(6)</u>		8 4	3 8	(3.04)%	2 8	i i	26.248
15 213 134 77 74 74 75 75 75 75 7	15	kegulatory expense streams Other Than Group	24	tī £	5 33	~ 63		\$ &	355	20.84%	828	9	11.52%
19	10	sustamer Accounting	: ₩	213	8	2		136	<u>(J</u>	(55,74)%	35.	Ē	(56.80)%
1	15 15 15 15 15 15 15 15	lents	2 5	48	ლ ნ	€		m &	e	(34,32)% 136,14)%	N 92	¥6	(5.85) (5.85)
1,	1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	laneraj omice expense Kscellaneous	35	9 S	3 52	(P)		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	6	(20.58)%	Ê	E.	(1,498.80)%
The colored by the	22 448 582 94 16.68% 502 134 22.7% 585 170 24 511 644 52 1.537% 634 125 </td <th>laintenance order commissions and maintenance erromes</th> <th>83</th> <td>336</td> <td>2,758</td> <td>(34)</td> <td>l</td> <td>2.575</td> <td>(364)</td> <td>(14,13)%</td> <td>2,412</td> <td>(627)</td> <td>(21,87)%</td>	laintenance order commissions and maintenance erromes	83	336	2,758	(34)	l	2.575	(364)	(14,13)%	2,412	(627)	(21,87)%
24 45 45 45 11 (1,88)k 34 135 14,57 16 27 511 64 52 (1) (1,88)k 24 135 14 14,57 150	24 51 51 51 51 51 51 51 5	extension	ĸ	469	282	3		802	, 1	22,17%	595	126	21.23%
25 27 28 29 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 20 6.53% 201 6.53% 201 6.53% 201 6.53% 201 6.53% 201 6.53% 201 6.53% 201 6.53% 201 6.53% 201 6.53% 201 6.53% 7.53% 7.53% 7.53% 201 6.53% 7.53	25 27 28 29 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 201 65.93% 291 67.93% 291 201 67.93% 291 291 201 67.93% 291 201 67.93% 291	mortization	2	8	3	Ð		75.03	(8)	10 55%	42	(E)	19 73%
1,376 1,580 1,58	25 7.72 2.65 (1.80)/m 3.65 (1.20)/m 3.65 (1.20)/m 3.65 (1.20)/m 3.65 (1.20)/m 3.65 3.67 (1.20)/m 4.77 (1.20)/m 4.88 1.7 3.65 (1.20)/m 4.7 4.7 1.60 0.008% 4.88 1.7 2.64 1.70 4.7 1.60 1.7 1.60 1.7 1.60 1.7 1.60 4.7	opreciator and acronardon	ł	5 (\$ 8	9 6		èè	3 8	883%	8 8	ន	7.07%
3771 3,663 (18) (1,69) 3,503 (19) (12,04) (19)	3771 3,653 (68) (1,68)% 3,533 (219) (62,07% 1,580 (129) (1	eneral taxes toairment charges	3.5		1	3			3 '	200	1		
25	Colored State Colored Stat	otal operating expenses, net		3,721	3,653	88	78.35%	3,503	219	2.54%	1,570	(381)	27,18%
25 70 47 0 0.00% 48 17 3.55% 350 (720) 30 55 76 (9) (11.10)% 122 44 3.442% 350 (720) 31 555 547 (9) (11.10)% 122 44 3.442% 550 (50) 32 74 188 (114) (61.05)% 212 (13) (55.00)% 36 (12) 35 7 6 (10) (24.17)% 6 (10) (24.17)% 6 (10) (24.17)% 6 (11) (24.17)% 6 (11) (24.17)% 6 (11) (24.17)% 6 (11) (24.17)% 6 (11) (24.17)% 6 (12) (12) (12) (12) (12) (12) (13) (14.17)% 6 (13) (14.17)% 6 (13) (14.17)% 10 0 0 0 0 0 0 0 0 0 0<	22 7.0 4.0 0.048% 458 17 3.555% 3.50 (720) 30 65 76 (9) (11.18)% 129 44 3.442% 3.50 (720) 31 555 547 (10 (11.18)% 122 (138) (52.07)% 50 (52.07) 66 32 74 188 (11.4) (60.65)% 212 (138) (52.07)% 86 (12) 34 7 6 (11.4) (60.65)% 212 (138) (52.07)% 36 (12) 35 7 6 (11.4) (60.65)% 212 (139) (52.07)% 86 (12) 35 7 7 7 7 7 7 7 7 35 35 2 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 <			200				<u> </u>					
State	Secondaria Sec	tterest income	8	96	°Ę			* 488	95	2,55%	350	0 (120)	(34.40)%
31 5556	31 10 0 0 0 0 0 0 0 0	tterest an lang-term debt tterest an Short-Term Bank Debt	8 1	\$ 13	38			<u> </u>	: 4	34.42%	152	89	44.44%
3.2 7.4 188 (11) (12) (13) (13,3) <t< td=""><td>3.2 7.4 188 (11,4) (0.637)** 212 (138) (65.07)** 86 (12) 3.5 1.6 86 (70) (31.34)** 96 (80) (63.39)** 36 (12) 2.5 -</td><th>wher Interest Expense</th><th>চ</th><td>0</td><td>0 472</td><td></td><td></td><td>617</td><td>0 29</td><td>10.01%</td><td>502</td><td>0 (23)</td><td>(10.48)%</td></t<>	3.2 7.4 188 (11,4) (0.637)** 212 (138) (65.07)** 86 (12) 3.5 1.6 86 (70) (31.34)** 96 (80) (63.39)** 36 (12) 2.5 -	wher Interest Expense	চ	0	0 472			617	0 29	10.01%	502	0 (23)	(10.48)%
10	10		ç	12	188			212	(138)	(65,07)%	98	(12)	(13,95)%
34	34	FUDC Debt	នេ	92	8			88	(80)	(83.39)%	gg '	<u>g</u> :	(58.07)%
10 10 10 10 10 10 10 10	10 10 10 10 10 10 10 10	mortization of Debt Expense	\$ 18		60			un (€'	(24.17)%	a g	€ 8	100.00%
10	10	TENETTED CANCELLES OF SUBSICIONES (CONSOLICATION)	8 %	• •	• '			•			; '	: '	
35 5 -	35 5.2 -	John-Operating Rental Income	8		1			•	•		ì	•	
39 33 33 32 21 22 21 22 22 31 31 32 31 31 32<	39 53 6 33 7 51 22 21 22 <th>ividend Income - Common</th> <th>6</th> <td>•</td> <td></td> <td></td> <td>٠</td> <td>r. 1</td> <td>• •</td> <td></td> <td></td> <td>. •</td> <td></td>	ividend Income - Common	6	•			٠	r. 1	• •			. •	
40 90 33 - 53 172 21 41 8 2 (a) (175.36)% 7 (1) (45.66)% 9 1 41 8 2 (a) (175.36)% 7 (1) (45.66)% 9 1 42 91 (a) (Column C	rivicend income - Presented Streetlangous Income	88	. 8	0	_		1	88		12	72	179,75%
40 0 0 0 155.25% 0 0 155.25% 0 0 0 155.25% 0 0 0 155.25% 0 0 0 155.25% 0 0 0 155.25% 0 0 0 155.25% 0 0 0 155.25% 0 0 0 155.25% 0 0 0 155.25% 0 0 0 0 155.25% 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	40 0 0 155,238 0 0 155,238 0 0 155,238 0 0 155,238 0 0 155,238 0 0 155,238 0 0 155,238 0 0 0 155,238 0 <t< td=""><th>otal other income</th><th></th><td>8</td><td>0</td><td></td><td></td><td>1</td><td>8</td><td></td><td>22</td><td>51</td><td>46/8/L</td></t<>	otal other income		8	0			1	8		22	5 1	46/8/L
S	S	Ilacellaneous Amortization	\$:	0.0	00			o r	9	155.28%	00	-	15.51%
Columbia	Color Colo	disconsistences curies accommissional Other Deductions			2		ı	7	ε	140,02%	o	-	15,51%
(447) (280) (167) (39.49)% (321) (129) (30.44)% (321) (128)	(447) (220) (167) (39.49)% (321) (128) (30.44)% (321) (128) (128) 1,549 1,300 250 13.20% 1,624 (75) (4.62)% 1.248 301 42	Wer, net		18	Đ.			6	33	461,71%	~	ĸ	164.23%
1,549 1,300 250 15,20% 1,624 (75) (4,62)% 1,248 301 42	1,549 1,300 250 15,20% 1,624 (75) (4,62)% 1,248 301 42	otal other income (deductions)		(447)	(280)			(321)	(126)	(39.44)%	(321)	(126)	(39.12)%
42 91 59 (22) (54.10)% 77 (14) (18.56)% 71 (20) 43 52.2 411 (111) (27.03)% 539 16 2.55% 357 (136) 44 7 (111) (27.03)% (12) (136) (136) (136) 45 5 7 (122) (123) (123) (136) (136) 47 5 7 (1.03)% 16.13 (1.03)% 16.50 (1.05) 47 7 2 1	42 91 59 (52) (54,10)% 77 (14) (18.56)% 71 (20) 43 52.2 411 (111) (27.03)% 539 16 2.55% 357 (136) 44 7 2 (111) (27.03)% (12) (1) (10,50)% 2 (136) 45 5 2 (12) (11) (11) (11) (11) (11) (11) (11) (11) (11) (12) (11) (11) (12) (11) (12) (11) (12) (11) (12) (11) (12) (11) (12) (11) (12) (11) (12) (11) (12) (11) (12) (11) (12) <t< td=""><th>come (bas) before income laxes</th><th></th><td>1,549</td><td>1,300</td><td></td><td></td><td>1,624</td><td><u>(F)</u></td><td>(4.62)%</td><td>1,248</td><td>20.</td><td>24.10%</td></t<>	come (bas) before income laxes		1,549	1,300			1,624	<u>(F)</u>	(4.62)%	1,248	20.	24.10%
44 52 411 (111) (27.03)% 533 16 2.59% 35, (130) (130) 44 4 4 4 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6	44 52 411 (111) (27.03)% 533 16 2.59% 35/ (130) 45 5 7	state Income Texes	4	क	8			F	₹.	(18.56)%	E §	8	(27.65)%
45 1 20 11 (899,839 11) (11,000,15)% 0 (1) (10,000,15)% 0 (1) (10,000,15)% 0 (1) (10,000,15)% 0 (1) (10,000,15)% 0 (10,000,15)	1	ederal income Taxes	4 2	223	417			8 '	9. '	Z.35%	À,	(001)	(01.00)
40 615 497 (122) (24.513% 612 (7) (1.03)% 463 (156) 43 803 128 15.50% 1,012 (82) (5.07)% 788 (145) 47 77 7 0 (0.73)% 38 (32) (5.51)% 66 (39) 47 524 786 139 15.04% (30) (5.12)% 720 2.04 0 0 0 0 0	47 (127 (142) (7) (1,03)% 463 (156) 47 33 803 128 15,50% 1,012 (82) (6,07)% 78 145 47 7 7 0 (0,73)% 38 (82) (82) (80,71)% 66 (83) 23 73 73 73 8 (39) 8 (39) 66 (39) 0 <	state income taxes (non-operating)	\$:	· ۱	_{			Đ	Œ	(260,75)%	ON	E	(265.73)%
47 77 77 7 7 6 15,50% 1,012 (82) (8,07)% 788 (34) 47 77 7 7 0 (0.73)% 38 (32) (8,51)% 66 (39) 524 786 128 16,64% 374 (30) (5,12)% 720 204 7 0 0 0 0 0 0	47 77 77 78 15.50% 1,012 (82) (8.07)% 788 (39) (8.07)% 788 (39) (39) (30) (30) (30) (30) (30) (30) (30) (30	-ederal income taxes (non-operating) Provintion (Benefit) for Income Taxes	ş	619	487	1		672	6	%(50°L)	463	(156)	(33.70)%
47 524 736 128 16,04% 974 (50) (5,121% 720 204 0 0 0 0 0 0 0	47 \$224 796 128 16.04% 974 (50) (5.12)% 720 204 0	Net Income (loss)	ţ	330	8 2			1,012	<u> </u>	(8.07)% (83.01)%	8	(8)	%(80.08) %(80.08)
0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Preferred Dividend Declared	à	\$25	796			974	(<u>S</u>	(5.12)%	720	204	28,34%
	924 796 128 16,04% 974 (50) (5,12)% 720 204	Common Dividend Declared		D	0		li	0	0		0	0	

Kentucky American Water September 2008 (\$ in Thousands) Variance Explanations MTD Actual vs. Q3RF

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Operating Revenues

Lines 1 & 3 Revenue is over by \$484. Water revenue is over \$439. Other revenue is over \$43 due to increased reconnection fees and increased collections for others.

Operating Expenses

	Customer accounting is over (\$74) mainly due the uncollectible for D.F. Bailey of \$66. This was a duplicate payment to a vendor last year and most likely will not
Line 18	be collected.
Line 19	Rent is over (\$1) due to timing. September rent was underforecast.
	General Office is over (\$28) due to \$13 for travel for the board and NAWC meetings, \$8 for telephone, \$3 for ianitorial, \$2 for electricity, \$1 for
Line 20	dues/memberships, and \$1 for general office supplies.
Line 25	Maintenance is over (\$54) due to the timing of a change in a ball valve. The dollars are in the Q3RF for November but were spent in October.

Other Income Deductions

Line 32	AFUDC equity due to true-up on WOs that should not have had AFUDC. Researching with S. Kelly.
Line 33	Ar-UDC debt due to true-up on WOs that should not have had AFUDC. Researching with S. Keily.
Line 39	Miscellaneous income is over by \$33. The bill for the restoration work was paid in September, but the insurance company (USAA) was billed in October.
Line 41	Miscellaneous other deductions are over the reforecast (\$6) due mainfy to a \$4 donation to Fayette Cty Public Schools.

The programment of the first of the contract production of the production of the contract of the contract of the

Kentucky American Water (\$ in Thousands) Variance Explanations MTD Actual vs. Plan September 2008

Operating Revenues

Revenue is over plan by \$270. Water revenue is over by \$204. Other revenue is over \$64 mainly due to increased reconnection fees and increased collections for others. Lines 1 & 3

Operating Expenses

em district.		l cost.	ing to customers how to read their		ice last year.		fees, \$3 for janitorial, \$2 for	going to maintenance expense,	rates being used.
Purchased water is under plan by \$30 due to no intra-company expense and reduced purchased water in the Northern district.	Fuel and power is over plan by (\$46) due to higher energy costs.	Chemicals are over plan (\$80) due to the increased costs from the source water quality and an increase in chemical cost.		water bill, \$14 transportation, \$7 conservation and \$6 suppress. Remilatory expense is under \$32 due to reduced rate case expenses and a foncer amortization period than planned	Customer accounting is over (\$76) mainly due the uncollectible for D.F. Bailey. This is the vendor that was paid twice last year.	Rent is over (\$1) due to timing. September was under plan.	General Office is over (\$39) due to \$13 for travel for the board and NAWC meetings, \$8 for telephone, \$6 credit line fees, \$3 for janitorial, \$2 for electricity, \$1 for dues/memberships, and \$1 for general office supplies.	Maintenance is over (\$127). \$66 is due to the timing of a change in a ball valve, \$49 is due to net negative salvage going to maintenance expense, and \$12 is for accruals for general contract work with Happy's General Contracting.	Depreciation is under \$134 due to the increased net negative salvage going to maintenance expense and the lower rates being used.
Line 5	Line 6	Line 7	0 H	Line 16	Line 18	Line 19	Line 20	Line 22 ·	Line 23

Offier Income Deductions

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Close Status:

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AMERICAN WATER						(\$ In Thousands)	xraends)			
	YTDAGE	TTD TREGORGEST	Variance Fevorable ct (Linfavorable)	% Variance	YTO Plan	Vertence Favorable (Unfevorable)	% Variance	E FE	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENTES. Ware Reventes	1 48.5				47,986	8	1.08%	42,216	6,299	14,92%
Sewer Revenues Other Operating Revenues	2 255	250 113 2,030	. B	1,58%	¥8.	ឧឌ	9.24% 33.33%	7,834 7,834	(23) 2,739	(10,15)% 15,22%
Management Revenues Operating Revenues	50,884	384 49,869	1,014	2.03%	49,815	1,068	2,14%	44,334	6,549	14,77%
OPERATIONS & MAINTENANCE EXPENSE. PRODUCTION EXPENSES.	,				į	5	90	ĕ	ć	23.45%
Purchased Water Fuel and Power Chemicals	- 65.5 - 67.5	706 125 2,746 2,732 1,477 1,450	* *	752,51 %(0.51)% (1.86)%	1,325 384 384 485	(8 27)	(18.11)% (6.02)%	27.	<u> </u>	(13.37)% (2.08)%
Waste Disposa) Total production costs	8				4,473	(86)	(1.93)%	4,176	(383)	(9.16)%
OSM LABOR & OVERIFAD	5				5,584	苕	2.19%	4,528	(989)	(10.88)%
Pensions Group insurances	, 5 E :				45. F83.	£22 €	(27,65)% 13,50%	7, 512 2, 456 2, 456	<u> </u>	7.78)% 1.92% 24.01%
Other benefits Total employee related	12				7,862	188	2,42%	870,7	(693)	(8.37)%
Moragement fees	. 13				2,945	(375)	(12.72)%	6,253	2,933	45.31%
Shared business services Contracted services	4 5			-	3,242	8 98	6.38)%	, <u>8</u>	(3,328) (118) (3,446)	(18.28)%
Total contracted services Semistory proposes	4 ·				516	322	62.42%) E	107	35.58%
Insurance Other Than Group Customer Accounting		381 389	8 (88)	2.07%	1,323	**************************************	36.98%	1,282 1,282 1,282	# ()	78,46% 8,85% 8,85%
Rents General office expense	283				1997	05C)	0.17% (36.65)% 6.43%	4 % E	39E	(49.54)% (49.94)%
miscoloridous Maintenance Total metarikas and maintenance emperes					25,706	(14)	(12.23)%	23,174	(2,648)	(11.42)%
Depreciation	ងរ				5,949	1,026	17.25%	5,749	88	14.37%
Amoritzakon Depreciation and amoritzation					6,234	842	14.97%	6,169	818	13.28%
General taxes	25.				2,889	588	9.88%	2,485	(116)	(4.67)%
Ingentions and year Total operating expenses, not Operating income		33,770 33,662,		5,58%	34,886	2,184	3.20%	31,828	4,607	(6.10)% 36.83%
OTHER INCOME & DEDUCTIONS.					•	**		(127)	(121)	(95,40)%
interest income Interest on long-term debt Interest on Short-Term Bank Debt	1818 4	4,755 580 580 580	284	0.043%	4,928 730	, <u>t</u> \$	3,51% 20,53%	3,676	(872) 827	(29.36)% 55.60%
Other Interest Expense Total interest expense			9	0.01%	5,858	328	5.81%	4,817	(512)	(10.63)%
AFUDC - Equity					7, 28, 48,	(011) (98)	(10.74)%	3 8	55 SE	33.44%
Artic Debr Amortization of Debt Expense Preferred dividends of subsidiaries (Consolidatio	838		€' *E'	-	8,	E'	(25.54)%	8'	₹.	(23.57)%
Gain on sale of assets Noo-Connection Bental Income	88		1 1			• •			•	
Dividend Income - Common Dividend Income - Preferred						1 ,			x 1	
Miscellaneous income Total other income			150 150	1,67%		22.22		180	(128)	(71.30)%
Miscellangus Amortization	4 4			128,20%	310	- 9	155,28%	264	0 4	1.47%
Total Other Deductions					310	95	16,19%	264	য	1.47%
Other, net					(310)	102 20 20 20 20 20 20 20 20 20 20 20 20 2	32.81%	8 (2 (2 (2 (2 2)	(124)	(72.77)%
Total other shome (deductions) frome floss) before income taxes	કુ. ઇ <u>.</u>				10,388	î 5 7	23.30%	8,494	4,315	50.30%
State Income Taxes Federal Income Taxes	\$ \$	749 749 4.142	85 (88)		3,479	(\$889) (\$440)	(50.84)% (30.00)%	485 2,870	(314)	(64.76)% (57.58)%
Tax Saving Acquisition Adjustment State income taxes (non-operating)					' କୃତ୍	' <u>8</u> 2	(71.16)%	'-ţ	, co f	605.49%
Federal income taxes (non-operating) . Provision (Benefit) for income Taxes		(38) 277 277 4,890		7.90)%	3,884	(1,383)	(35.87)%	3.374	(1,903)	(56.40)%
Net income (loss) Preferred Dividend Declared	48			1	383	348	(82,97)%	5.055	2412	47.72%
Net income To Common Stock Common Dividend Declared	3			Ш	2,715	(F2)	%(E0'(Z)	2.257	(1,191)	(52.78)%
Current Year Retained Earnings	₩.				3,407	612	8/8/1	7,788	3	e to it

Kentucky American Water YTD Actual vs. Q3RF

Variance Explanations (\$ in Thousands) September 2008

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Operating Revenues

AMERICAN WATER

Revenue is over by \$1,014. Water revenue is over \$926 and other revenue is over \$84 mainly due to increased reconnection fees and increased collections for Lines 1 & 3

Operating Expenses

Line 5 Line 20

Purchased water is under by \$19 due to reduced purchased water in the Northern district. General office expenses is over (\$53) mainly due to relocation expense.

Other Income Deductions

AFUDC equity due to true-up on WOs that should not have had AFUDC. Researching with S. Kelly. AFUDC debt due to true-up on WOs that should not have had AFUDC. Researching with S. Kelly. Line 32 Line 33



Kentucky American Water September 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$1,068. Water revenue is over by \$519. Other revenue is over \$528 mainly due to increased reconnection fees and increased collections for others. Lines 1 & 3

Operating Expenses

n district.			\$471) offset by paving		ates being used.	
Purchased water is under plan by \$403 due to no intra-company expense and reduced purchased water in the Northern district. Fuel and power is over (\$421) mainly due to increased fuel costs. Pensions is over (\$119).	Group insurance is u	Kegulatory expense is under \$322 due to reduced rate case expenses and a longer amortization period than planned. Insurance other than group is under \$224 due to retro adjustments and lower premiums.	General office expense is over plan (\$150) mainly due to relocation \$80, cell phone \$34, travel \$26, \$7 office supplies. Maintenance is over plan (\$246) mainly due to the increase in net negative salvage going to maintenance expense of (\$471) offset by paving	expense being under plan by \$141 and miscellaneous maintenance being under plan by \$77.	Depreciation is under \$1,026 due to the increased net negative salvage going to maintenance expense and the lower rates being used.	General taxes are under by \$288 mainly due to a true-up of property tax expense for 2007 and 2008.
Line 5 Line 6 Line 10	Line 11 Lines 13&14	Line 16 Line 17	Line 20	Line 22	Line 23	Line 25

Other Income Deductions

Line 30	Interest on ST debt is under plan \$150 due to lower rates.
Line 32	AFUDC equity due to true-up on WOs that should not have had AFUDC. Researching with S. Kelly.
Line 33	AFUDC debt due to true-up on WOs that should not have had AFUDC. Researching with S. Kelly.
Line 48	Preferred dividend is under plan \$318 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends.

Close Status: Day 7 + Prelim Adjs & Elims

Supplementary Tables and Discussion Kentucky with Growth Oct 2008

AWFRP 2.0 - Result of Operations - Revenue Analysis

Revenue Variance Summary (\$ in Thousands)

AMERICAN WATER

		Budget			Forecast			Prior Year	
	MTD	QTD	È	QTM	ОТО	Ę	MTD	QTD	ξ
Budget / Forecast / Prior Year	5,448	5,448	49,815	5,233	5,233	49,869	4,910	4,910	44,334
Rates	•	1	ſ	•		•	(5,578)	(5,578)	,
DSIC	,	•	•	•	•	•	•	,	ı
Surcharges	•	ì	4	•	•	ī	ı		1
Balancing accounts	ŧ	1	í	1	•	1	1	•	
Water acuisitions	•		ľ	•	•	ı	•	r	ı
Sewer acquisitions	1		ł	•	ı		ţ	1	•
Other	(09)	(09)	•	(40)	(40)	•	(263)	(263)	•
Fire	3	t	1	•	1	•	•	١	1
Organic growth	(25)	(25)	•	•	,	,	(120)	(120)	1
Demand / consumption	(17)	(17)		(487)	(487)	•	194	194	•
Sewer	(6)	<u>®</u>	ı	(9)	<u></u>	i	25	25	t
Other Revenue Variances	375	375	1,068	1,014	1,014	1,014	6,550	6,550	6,549
Actual revenues	5,718	5,718	50,884	5,718	5,718	50,884	5,718	5,718	50,884
Total variance	270	270	1.068	484	484	1.014	808	808	6.549





11-08

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Monthly Financial Review Package

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Monthly Financial Reviews

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Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business

basis |§ |} |}

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed. Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) Regional Finance Director or Vice President

(Date)

Friday, December 12, 2008 8:15:29 PM

(103.77% (103.77% (103.12% (103.12% (0.65)% 27.38% 27.38% 226.10% (25.20)%

12.80% 108.08% 9.68% 0.38% 14.42% 17.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53% [7.53%]

155.28% 178.28% (30.08)% (11.50)% 24.07% 24.07% (53.31)% (51.38)% (51.38)% (51.38)% (51.28)% (51.28)% (51.28)% (51.28)%

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Kentucky with Growth Nov. 2008 (5 in Theusands)

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Income Statement - Month To Date

Friday, December 12, 200 £:1529 PM

Variance Favorable (Unfavorable) Taforocati

AMERICAN WATER

 Kentucky American Water November 2008 (\$ in Thousands)

Variance Explanations MTD Actual vs. Q3RF

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Operating Revenues

Revenue is over by \$7. Water revenue is under (\$40) offset by other revenue which is over \$39 due to increased reconnection fees and increased collections for others.

Operating Expenses

Lines 1 & 3

Purchased Water is under reforecast \$7 due reduced purchased water in the Northern district. Waste disposal is over forecast (\$5) due to timing. YTD is fine. Line 5 Line 8

temporary employees \$5, materials & supplies \$6, transportation \$26 (mainly due to the credit to transportation expense due to the change in OH percentage from 9% to 16%; \$18), advertising \$2, miscellaneous \$2, security \$2, offset by other benefits (ESOP) being over reforecast (\$4). Miscellaneous expense is under forecast \$64 due being underspert in contract services \$21 (c/s acctg. \$2, c/s legal \$3, c/s other \$16), other operating \$4, Lines 12, 15 & 21

Maintenance is under \$104. This is due to a true-up to the prepaid account \$13, materials and supplies \$25, miscellaneous \$8, def amort \$4, as well as due to timing of maintenance on equipment that was done in October but budgeted in the November forecast \$54. (October was over forecast

Line 22 (\$54).)

Other Income Deductions

Miscellaneous Other Deductions is over reforecast (\$3) mainly due to community donations. AFUDC equity is under reforecast (\$29) due to capex AFUDC debt under reforecast (\$12) due to capex Over due to operating results. Lines 42 & 43 Line 41 Line 32 Line 33

Kentucky American Water November 2008

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(\$ in Thousands)
Variance Explanations
MTD Actual vs. Plan

Operating Revenues

Revenue is over plan by \$15. Water revenue is under by (\$48) offset by other revenue which is over \$55 mainly due to increased reconnection fees and increased collections for others. Lines 1 & 3

Operating Expenses

rtation expense due to the change in OH percentage from 9% to 16%. ger amortization period than planned. travel savings of \$5.	t by materials and supplies of \$10 and miscelianeous/paving of \$15. maintenance expense and the lower rates.
Line 8 Waste Disposal is over plan (\$4) due to timing. If you look at YTD we are fine. Lines 12, 15 & 21 Miscellaneous expense is under plan by \$25 mostly due to the credit to transportation expense due to the change in OH percentage from 9% to 16%. Line 16 Regulatory expense is under \$32 due to reduced rate case expenses and a longer amortization period than planned. Line 20 General Office is over (\$6) due to credit line fees (\$3), telephone (\$8), offset by travel savings of \$5.	Maintenance is over (\$25) due to increased net negative salvage of (\$50) offset by materials and supplies of \$10 and miscelianeous/paving of \$15. Depreciation is under \$136 due to the increased net negative salvage going to maintenance expense and the lower rates.
Line 8 Lines 12, 15 & 2 Line 16 Line 20	Line 22 Line 23

Other Income Deductions

AFUDC Equity is under plan (\$55) due to capex.		<u> </u>	Preferred dividend is under plan \$32 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends.
Line 32	Line 33	Lines 42-46	Line 47

Glose Status: Final

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Kartucky with Growth
Now YTD 2008
(\$1n Thousands)

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			!	Variance			Variance			Variance	
CHIMALIAN CHIMALIAN		T) Actuals	Reforecast	Favorable (Unfavorable)	% Variance	Y7D Plan	Favorable (Unfavorable)	% Variance	Ež Ž	Favorable Unfevorable)	% Variance
Water Revenues	,-	23.20	59.967	888	7604	3	£	208.0	45.789	237 £	46.304
Sewer Revenuer	N	286	E	7	4,86%	×	8	11,82%	372	3 8	(8.46) %
Uther Operating Revenues Management Revenues	₩ 4	732	, 22 22	ង្គ '	855.8 8	1,744	88 °	33.45%	2,036	23	14,31%
Operating Revenues		55,855	54,833	1,022	1.86%	54,71	1,084	1,98%	48,135	7,720	16,04%
OPERATIONS & MAINTENANCE EXPENSE											
Purchased Water	(C)	116	141	82	18,11%	565	439	78.11%	25	£	(10.21)%
Fluet and Power Chemicals	ω >-	3,019 2,611	8, 15 19, 15,	± §	0.53%	2.573 1.522	(4.8) (4.8)	(17.32)% (5.86)%	2,614 1,554	<u>8</u>	(15,48)%
Weste Disposal Total conduction conte	8	254	259	S	1.82%	688	ត	4.76%	244	2	(4.31)%
OAK LABOR & CVERHEAD		ř	3	š	R	n ř	3	R(0)-11	į	(485)	*(50.0T)
Labor	œ ç	5,973	9	8	(0.80)%	5,113	4.	2.28%	5,417	(356)	(10.27)%
Group Insurances	? [:	8 S	1 23	3 8	8 477.3% 2 43%	1816	(121)	25.41% 43.67%		₹8	7.96.7 7.46%
Other banefits	12	252	237	: E	(6,21)%	232	8	(18,61)%	503	350	(25,00)%
Division and Continue areas	;	8,383	97.5	3	(0.34)%	8,616	8	2.65%	1,761	(23)	%(80°B)
	2 ;	11.9%	725	<u>g</u> :	(2.35)%	1221	(383)	(1241)%	6,883	3,273	47.55%
Contracted services	4 &	# #	286 287 287	5 1 m	0.32%	25.52 25.52	3 8	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	' 69	(3,648) (3,648)	44.7934
Total contracted services		4.442	4,459	11	0.38%	4,326	(116)	(268)%	269	(3.750)	(\$41.87)%
Regulatory expense	92	207	112	4	1.96%	295	356	63.09%	331	124	37.37%
unsurance coner than tanap Customer Accounting	18	£ 5	3 E	1 <u>2</u>	2.69%	456	15 25	35.88% 2.19%	នូន	¥ §	17,96%
Rents	#	ន	Ħ	Į'n.	4.83%	8	3 8	24.75	10	(8	(11,62)%
General office expense Miscellanoous	នុង	56.5	X E	Ê	(8.65)% 4.03%	ģį	(156)	(35.72)%	4 5	Ę	%(E9'04)
Meintenance	ន	2,436	2.454	3 22	0.72%	2,166	(27.1)	(12.50)%	1,77	(69)	(30,00) x
I oral operations and maintenance expense	. ;	28,167	23,067	(30E)	(0.35)%	28.106	(6 1)	% ₹₹₹₹	X S	(2,733)	%(4Z,Q1)
Depresation Amortzation	2 2	5,391	5,672 467	F 0	4.36%	376	7. 54.89	17.74%	80°9 29	\$ 6	17.80% 7.59%
Depreciation and amendration		5,860	6,139	8/2	4,54%	6,929	1,069	15,43%	\$,560	700	10.67%
General taxes Impairment changes	នន	7884	2,925	St.	1.08%	3,175	25	8.83%	2,767	(126)	%(95"+)
Total operating expenses, not	,	36.921	37,731	210	0.57%	38,211	1,250	3.37%	34,762	(2,159)	(6.21)%
Operating income		18,934	17,702	1,232	\$963	16,561	2,373	14.33%	13,373	5,581	41.58%
Interest income	8	9	9	c	2,00%	•	**		5	\$ CE	365 A018
Interest to long-term debt	នេះ	E E	5,226	9 19 1	96900	5,415	· 5	3.55%	191.4	(1,059)	(25.44)% %(44.85)
itterest of short-left bank Legs. Other instruct Expense	8 8	\$ °	577 0	⊕ •	1,88%	876 •	£ °	24.26%	<u>년</u> 왕	* 69 69	50.90% 7100.011%
Total interest expense		5,881	5,897	16	0.27%	623	410	6.52%	5,351	(163)	%(25·6)
AFIDC - Equity	ន្ទន	£,6	<u> </u>	(328)	(22.97)%	£.	(165)	(13.03)%	55 E	366	49,73%
Amortization of Debt Expense	381	ä	3 15	<u>.</u>	(6.70)%	នួន	35	(Se. 12) %	3 8	F	2 12 25 %
Printerned Gendends of suppliciation (Consolidado	#	1	•	•		•	•		•	•	
Non-Operating Rental Income	8 8		1 1	. 1			1 1				
Dividend Income - Demmon Dividend Income - Preferred	68	•	1	•		•	•			•	
Miscellaneous income	8	53	5	٥١٥	7505'0		51		186	(145)	(73,92)*
Total other incurse		ন	ī,	0	405.0	•	. 51		196	(145)	(73,92)%
Miscellaneous Ameritzation Miscellaneous Other Deductions	\$ 5	275	248	~ @	327.48%	- 8	~ €	155.28%	÷	9	0.00%
Total Other Deductions		7.72	249	<u>(3)</u>	(10.04)%	327	52	16.05%	12	0	(1.20)%
Orber, net		8	(198)	(52)	(12.48)%	(327)	ā	31.67%	8	(148)	(72.72)%
Total other Income (deductions)		(4,604)	(4,116)	(486)	(11.86)%	(4,843)	239	4.94%	(4.425)	(179)	(4.05)%
Income (less) before income taxes		14,330	13,586	744	5.47%	11,717	2,613	22 30%	8,948	5,382	60.14%
Sizia income Taxas Federal income Taxas	4 4	88 89 843 843	505 757	8 8	*(72.07) *(31.17)	3,922	(287) (287)	(50.04)%	511	(2.019)	(56.78)%
Tex Saving Acquisition Adjustment State income taxes (non-operation)	9	' 8	' é	'€	MS.33%	' 16		70 529 65	,		בינון כשוני
Federal income taxes (non-operating)	47	(46)	35	1	228.71%	(105)	(3)	(61.46)%	7.52	≥ড	291.98%
Net hacome (loss)	:	8,445 24.65	1 2 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Ē	2,70%	4 7. 2 2	1,111	15.15%	5,367 188,3	4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	36.65%
Preferred Dividend Declared Net Income To Common Stock	2	22.8	22.8	222	273%	£22 213	(350)	(82.97)%	72 F 919	3.054	(0.58)%
Common Divident Declared		3,448	3,310	(138)	(4,16)%	2,715	(352)	(27.03)%	2257	(1,191)	(52.78)%
Current Year Retained Earnings		4,825	4,840	13	1.75%	4,198	727	17.32%	3,061	1,863	60.36%

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Kentucky American Water

November 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Q3RF

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Operating Revenues

Revenue is over by \$1,022. Water revenue is over \$886 due to stronger sales, partially offset by lower customer count, and other revenue is over \$123 mainly due to increased reconnection fees and increased collections for others. Lines 1 & 3

Operating Expenses

Line 5

Purchased water is under by \$26 due to reduced purchased water in the Northern district.

Other Income Deductions

AFUDC Equity is under reforecast (\$328) primarily due the correction of the incorrect coding on WOs. AFUDC Debt is under reforecast (\$146) primarily due to the correction of the incorrect coding on Wos. Miscellaneous Other Deductions is over reforecast (\$25) due to community donations. Over due to operating results Line 42 & 43 Line 32 Line 33 Line 41

Kentucky American Water November 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Plan

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Operating Revenues

Revenue is over plan by \$1,084. Water revenue is over by \$470 due to stronger sales, partially offset by lower customer count. Other revenue is over \$583 mainly due to increased reconnection fees and increased collections for others. Lines 1 & 3

Operating Expenses

Line 5	Purchased water is under plan by \$439 due to no intra-company expense and reduced purchased water in the Northern district.
Line 6	Fuel and power is over (\$446) mainly due to increased fuel costs.
Line 10	Pensions is over (\$121).
Line 11	Group insurance is under \$248.
Lines 13&14	Management fees are over (\$495) primarily due to Corporate and Regional management fees.
Line 16	Regulatory expense is under \$354 due to reduced rate case expenses and a longer amortization period than planned.
Line 17	Insurance other than group is under \$237 due to retro adjustments and lower premiums.
	General office expense is over plan (\$156) mainly due to relocation (\$79), credit line fees (\$37), telephone (\$44), travel (\$15), (\$6) office supplies
Line 20	offset by janitorial supplies \$3, trash removal \$1, water & waste water expense \$2, and dues/memberships \$4.
	Maintenance is over plan (\$271) mainly due to the increase in net negative salvage going to maintenance expense of (\$521) offset by paving
Line 22	expense being under plan by \$147 and miscellaneous/other maintenance being under plan by \$103.
Line 23	Depreciation is under \$1,162 due to the increased net negative salvage going to maintenance expense and the lower rates being used.
Line 25	General taxes are under by \$282 due to a true-up of property tax expense for 2007 and 2008.

Other Income Deductions

Line 30	Interest on ST debt is under plan \$212 due to lower rates.
Line 32	AFUDC Equity is under plan (\$165) due the correction of the incorrect coding on WOs.
Line 33	AFUDC Debt is under plan (\$17) due to due the correction of the incorrect coding on WOs.
Lines 42-46	Over due to operating results, and \$170 tax adustment
Line 48	Preferred dividend is under plan \$350 due to the \$4.5M 8.47% issue being included in both long-term debt and preferred dividends.

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Supplementary Tables and Discussion Kentucky with Growth Nov 2008

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Close Status: Final financial source system data w/ prelim adjs and elims

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Revenue Variance Summary (\$ in Thousands)

AWFRP 2.0 - Result of Operations - Revenue Analysis

AMERICAN WATER

		Budget			Forecast			Prior Year	
	OTM	G G	È	MTD	QTD	ξ	MTD	αTD	5
Budget / Forecast / Prior Year	4,956	10,404	54,771	4,964	10,197	54,833	3,801	8,711	48,135
Rates	Φ	O	0	0	0	0	7,265	1,687	7,265
DSIC	1	٠	,	•	1	,	,	1	
Surcharges	t	1	ŧ	1	•	ì	1		
Balancing accounts	•	•	,	•	•	1	•	•	
Water acuisitions	•	,	ı	٠,	•	•	•	1	
Sewer acquisitions	1	•	•	•	ı	ï	,	,	
Other	583	923	583	123	8	123	291	88	8
Fire	,	•	•		ı	ï	•	•	
Organic growth	(44)	(466)	(441)	(441)	(441	<u>₹</u>	466	346	466
Demand / consumption	912	895	912	1,326	839	1,326	(276)	(82)	(276)
Sewer	30	72	30	14	£.	14	(56)	E	8
Other Revenue Variances	(1,069)	(694)	0	(1,015)	0	0	(6,550)	0	0
Actual revenues	4,971	10,689	55,855	4,971	10,689	55,855	4,971	10,689	55,855
Total variance	15	285	1,084	7	492	1,022	1,170	1,978	7,720

Report Fitzers - Curency: USD, Version: Ffral, Subsidiary: All Subsidiaries, Project: No Project, Water System: No Water System

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Supplementary Tables and Discussion Kentucky with Growth Nov 2008

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Report Filters - Currencyc USD, Version: Finst, Subsidiaryr, All Subsidiaries, Project: No Project, Water System

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		ΑTD	48,135 7,265			291	466 (276)	(52)	55,855 7,720	7,720		-	
	Prior Year	атр	8,711 1,321			28	165 465	<u> </u>	10,689 1,978	1,978			
10. E15 - A.M.		MTD	3,801 660			72	8 4 2 c	\	4,971 1,170	1,170			node a retrocer o
		YTD	54,833			123	(441) 1,326	±	55,855 1,022	1,022			
	Forecast	атр	10,197			83	(85) 484	=	10,689 492	492			
		MTD	4,964			39	(43) 2	D	4,971				
		ΥΤΌ	54,771			583	(441) 912	3	55,855 1,084	1,084			
	Budget	αтр	10,404			119	(85) 240	=	10,689 285	285			
		MTD	4,956			55	(43)	n	4,971 15	<u>τ</u>			
	Ŕ		Budget / Forecast / Prior Year Rates	DSIC Surcharges Balancing accounts	Water acuisitions Sewer acquisitions	Other	Organic growth Demand / consumption Sewier	Other Revenue Variances	Actual revenues Total variance	Check Check			

Month of November

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AMERICAN WATER

Monthly Financial Reviews

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Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business

(AWE)

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Potential risks and opportunities have been identified and mitigating action plans have been developed.

Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

Regional Finance Director or Vice President

(Signature)

(Date)

Thursday, January 15, 2009 10:23:02 AM

Thursday, January 15, 2009 10:23:02 AM

Close Status: Final source sytem financial data

hoome Statement - Quarter To Date Kentucky with Growth Dea QTD 2008 (\$ in Thousands)

14.58% (7.00)% 7.49% (9.00)% (4.15)% (8.94)% (9.76)% 53.44% (6.52)% 538.71)% 3.96% 3.96% 4.35% (55.01)% (44.40)% (55.01)% (25.01)% (22.66)% (6.25)% (1.90)% 36.25% 36.25% 59.29% 69.29% (23.04)% 51.30% (56.45)% (86. 64 38 64 38 (38) 48 (1,181) 198 2,483 1,278 174 (13) 755 SEESEEREE 1,554 (140)
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April 1982 A Section

2,486 7,588		YTD Actuals		YTD Referenses (L	Variance Favorable (Unfavorable)	% Variance	YTD Plan (Un		% Variance	770 P. Yr.	Favorable (Unfavorable)	% Variance
### 6 125		1-25	225 528 528	56,937 2,373	310 21 25 150	0.54% 5.08% 6.31%	57,380 278 1,902 訓訓報	(CTT) CS (CTT)	(0.20)% 11.37% 32.86%	49,936 開開 340 2,222 開開		14,64% (9,09)% 13,83%
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	'	8	.086	59,610	475	0.80%	59,540	546	0.92%	52,498	7,588	14.45%
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	NSE	v	, 20,	Ē	12	22 55%	100 miles	1877年前4月日前	%0Z 6Z	74	ম	14.37%
1. 2.00 5.440 0.00 1.00 0		. 97	8 8 8 8 8 8	3,269	38	0.74%	2794 劉明	(112)	(16.12)%	2,828 (Mill)		(14.76)%
1 1,500	,	8	330	5,448	28	1,09%	285 5,330	78 8	8.28%	4,927	(463)	(9.41)%
10 1,000		•	, i	e e	Val.	8	725	150	220%	2.948 848	HIGH SHEET WAS TANK	%(TC.01)
1			823	215	} [0	(0.86)%	518	(104)	(20.14)%	580	(43)	(7.36)%
1		12	238 238	1,792 785	20.0	6.15% (8.15)%	7,984 [[RR]][0 233	(48)	(19.67)%	8,8	(56)	(25.34)%
4,328 3.89 (49) (1.00% 3/81) (151) (6.20% 1.00%	•	6	8	8,202	88	0.36%	9,470	301	3.18%	8,436	(732) antintalene eesti	(8.58)%
1.			8 8	148,6	8 9	3(25.1)	3,48d minin		oz(07'11)		######################################	2
1,500 1,50	,		¥ 55 55	926	(S)	(2,90)%	828	(19)	(6.21)%	769	(111)	(14,48)%
1 1,500		•		\$ 55.	(8)	27 (UP.1)	4,710 607 Iuiflight	(202)	63.86%	374 衛衛		
18 1783 1444 172 144497 1248 1248 1444 1			4 8 4 8	88	건	23,8	128		32.46%	213	87	
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1,000 1,00			35	28.5	`&;	(10.64)%	484 個報期		39,30)%	45.		
Column C	•		987	2,671	(3)	(0,49)%	2,330 旧铜明	Manual Control	(15,75)%	2,235	(5)	
23 5,877 6,256 356 6,17% 7,174,0000000000000000000000000000000000	9		584	30,663	<u> </u>	(0.07)%	30,614	(02)	(1.24) (1.24) (1.24)	28,068	(010'7)	
23	,	-	512	6,256 509	88	6,17%	7.7.2 卓温度	(102)	(24.73)%	204	9	
25 3,177 3,179 4,424 409 4, 2,1407 1,423 1,424 1			gį į	6,765	55 t	5.65%	7,584	E 6	15,04% 8,4% 9,4%	18/30	9 6	
18 page				8(Z)E	7 '	8.05°	EG#'s	187	e :	i i	(100)	2/1000
28	•	315	243	18 964	879	0.59%	41,667	1,968	11.02%	14,581	5.261	36.08%
25 6,693 6,697 3 0,095 5,500 200 2,500 1,500 1,500 1,500 1,500 200 1,500			Į §	9		2000	<u>'</u>			11971	421)	(95.40)%
Care			58 58	5,697	. w.	880°	5,903	1	3,55%	4,652		(22.39)%
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1,350			449	6,488	œ en	0.59%		498	7.16%	5,902	(749)	%(97'A)
90 83 (7) (7.85% 71 (18) (25.52)% 75 (14) - <td></td> <td></td> <td>888</td> <td>1,673</td> <td>(22)</td> <td>(20.54)% (20.07)%</td> <td>213.</td> <td>(8) (8)</td> <td>(13.87)%</td> <td>\$ \$</td> <td>602</td> <td>53.34%</td>			888	1,673	(22)	(20.54)% (20.07)%	213.	(8) (8)	(13.87)%	\$ \$	602	53.34%
57 51 6 12.55% 57 156 diametric fields 67 61 6 12.55% 57 156 diametric fields 77 51 6 1.25% 7 156 diametric fields 79 57 51 6 1.25% 7 156 diametric fields 70 6 1.470,12% 1 7 1.552% 10 0 70 231 6 1.470,12% 1 4 2514% 319 40 278 281 6 1.470,12% 1 4 2514% 319 40 278 281 381 382 86 27.42% 319 40 478 478 472 36.15% (122) (89) 40 5.22 484 478 478 47.22 36.15% 47.23 31 485 485 485 485 485 485 485 485 485 485	allebatio		8 '	8 '	ε'	7.95)%		(13)	(25.32)%	ξ.	<u></u>	%(92°SL) .
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ST 51 6 12,65% - 57 198 determine tribing 0 0 1,70,12% -		38		, ,	. ,			• •			M. C. Complete Management	
Carry Carr	,	33	LS LS	5	up u	12,65%		66 66		196 888	(139)	(70.86)%
The control of the			; 0	; •		1,470.12%	۲-		155,28%	Θ;		0.00%
CZT CZS S			278	8	2	0.81%	383	3 8	23.14%	319	40	12,56%
(4,841) (4,390) (451) (10,27)% (5,190) 349 6.73% (4,872) 31 15,001 14,574 428 2.99% 12,683 2,318 18,28% 8,709 5,292 815 5,255 4,863 (393) (8,08)% 4,251 (19) (68.30)% 3,258 (18,190) (19) (68.30)% 3,258 (18,190) (19) (19) (19) (19) (19) (19) (19) (19			Şį	, (2)	, 0	3000	383 383	3 5	39.15%	(22)	(88)	(83.52)%
15,001 14,574 428 2.95% 12,623 2,318 18,28% 8,709 5,282 42 585 5,255 4,863 (3,03) (5,03)% 4,251 (19) (68,30)% (23,59)% 3,258 (11) (12) (13) (12) (13) (- 5	į	(4.30)	(457)	716 271%	(5.190)	349	6.73%	(4.872)	. E	0,64%
42 5,255 4,863 (303) (5,03)% 64.1 EMBREREPEND (23,15)% 5.888 EMBREREPEND (8) 4.451 (28,01)% 4,251 (19) (68,30)% 5,258 (18,15) (14) (14) (14) (14) (14) (14) (14) (14		£ #	1 6	14.574	428	2.93%	12.683	2,318	18.28%	9,709	5,282	84.51%
45 5,200 4,000 (330) (3,000) 4,501 (19) (683.0) 4,501 (19) (683.0) 4,502 (10) (683.0) 4,503 (10) (10) (10) (10) (10) (10) (10) (10)			88	852	(43)	(5.03)%	25.		(39.54)%	588	110000000000000000000000000000000000000	(52,25)%
45 (3) (1/2) (3) (24,017) (3) (25,215) (45 (27,215) (45 (} ' i	* "	(* (*	20,000	Combine of the Combin	1 OF	7010C 03/1		10	4 987 08%
6,088 5,751 (346) (6,073; 4,758 (1,359) (2813); 3,827 (4,274) 4,8 78 0 (9,275; 485 (382) (2,857); 5,882 (4,02) 4,8 78 0 (9,275; 485 (382) (2,827); 73 0 6,035 5,885 (118) (2,00%; 5,144 (829) (16,295); 4,166 (1,854)	,		(46)	48	33	193.80%	(197)	(62)	(57.81)%	, 1	46	3,304,91%
79 0 (9.27)% 480 (542) (8.37)% 79 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			5,088 1,904	5,757 8,822	<u>&</u> 8	(6.02)% 0.92%	4,758 7,925	(68) (1) (2)	12,35%	5,882	3,022	51.38%
5,885 (118) (2,00)% 5,164 (8,39) (18,25)% 4,169 (1,834)	•	8	200	2	06	(0.27)%	7.465	(E85)	(82,97)%	5.803	3.022	(0.59)%
	•		5003	5,885	(118)	(2.00)%	5,164	(839)	(18.25)%	4,169	(1,834)	(43.98)%

Supplementary Tables and Discussion Kentucky with Growth Dec 2008

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Close Status: Final source sytem financial data

AWFRP 2.0 - Result of Operations - Revenue Analysis

AMERICAN WATER

Revenue Variance Summary (\$ in Thousands)

		Budget			Forecast			Prior Year	
	MTD	QTD	Ę	MTD	QTD	Ę	MTD	ατρ	È
Budget / Forecast / Prior Year	4,769	15,173	59,540	4,777	14,974	59,610	4,362	13,073	52,498
Rates	0	0	1	0	0	1	(7,265)	(5,578)	i
			•						
DSIC	16	•	•	•	•	•	•	1	1
Surcharges	•	•	•	•	ŗ	•	,	ı	•
Balancing accounts	•	•	•	,	•	•	•	•	ı
						1	1	,	
water acuismons	•	•	1	•	•	i	1		
Sewer acquisitions	1	•	,	ſ	1	•	•	•	•
Other	(583)	(09)	1	(123)	(40)	ľ	(291)	(263)	1
Fire	•	ı		3	ſ	ī	•	ı	1
Organic growth	441	(22)	1	441	o	•	(466)	(120)	•
Demand / consumption	(912)	(17)	•	(1,326)	(487)	•	276	194	
Sewer	(30)	(ව)	•	(14)	<u>(9</u>	•	56	25	•
Other Revenue Variances	546	(147)	546	475	475	475	7,588	7,588	7,588
Actual revenues	4.231	14,920	60,086	4,231	14,920	60,086	4,231	14,920	60,086
Total variance	(538)	(253)	546	(547)	(55)	475	(132)	1,846	7,588

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		Actuals	Reforecast	Increase (Decrease)	% Variance	Pša	Increase (Decrease)	% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
Assets Instruct Disease		207.026	270 646	(050 t)	7615 (/)	ayo ayr	/20 ZB2/	/0 £18	176 376	24 100	100
Construction Work in Progress	- 01 0	54,50	48,083	6,408	13.3%	21,987	32,514	147.9%	21,310	8,18	155.8%
Accumulated Degreciation Utility Plent Acquisition Adjustments Other Halle, Plent Adjustments	3 4 A	(1) (1) (2) (3) (3) (4)	312	36	(2.3)%	313	8) (8)	(2.6)%	(80,433)	(Z)	(4.7)% (6.8)%
Total Littly Plant	,	340,079	332,168	7,911	2.4%	337,762	2,318	0.7%	286,543	53,535	18.7%
Northway Property Total property, plant and equipment	٥	340,349	332,438	7,917	2,4%	338,012	2,337	0.7%	286,793	53,556	18.7%
Cash and Cash Equivalents	۰ م	\$ 5	264	(30)	(11.2)%	286	8	(18.2)%	398	(184)	(41.2)%
Utility customer accounts receivable	90	2342	2,918	(575)	(19.7)%	2,322	' ក '	%6°0	1,928	414	21.5%
Allowance for uncollectible accounts Accuract unitive reventes	2 =	(5) (5) (6) (7) (7) (7) (7) (7) (7) (7) (7) (7) (7	(23) (23)	66	% (6.6.5 (6.6.6 (7.6.6)	98	£1 (§	4.3% 0.0%	8 2	<u> </u>	9 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4
Other receivables, net	: 23	412	310	ğ	32.8%	408		0.8%	82	215	109.7%
Taxes receivable, including federal income Materiale and sumplies	다 <u>구</u>	' E	9 0	0 67	30.017	(2,670)	2,670	100.0%	88 8	(S)	(100.0)%
Receivable from affiliated companies	<u>t</u> 10	è -	, 5 t5	(<u>1</u>	(95.7)%	\$ '	5"	w/1::)	3 '	<u> </u>	27.6
Other Current Assets	18	411 R R03	218	193	88.8%	193	218	112.9%	18	330	409.0%
	ç	0000) ti	(1)	2000	2	2000	200.	0000		200
Debt and preferred stock expense	2 8	38	8 E	ર કુંશ	%0°E	765	30	4,074 8,00.4	846 846	<u>1</u>	8 (4 (9) 8 (0) 9 (9)
Deferred pension expense	9 9	•	•	•		•	•		•		
Defected societivement beneat expense	3 8	• •		• •		• •	, ,		* 1	٠ ،	
Deferred business services project expens		٠	•	•		•	•		٠	•	
Deferred integration costs		1 10	1 60	1 0	ç	, 6	1 8	i i	1 6 6 6	1 100%	1919 67
Deferred tale case Deferred rate case		ž B	279	27. 27.	98.2%	4,8	8	815.4%	. 884 885	<u> </u>	14.0%
Asset premium recoverable thru rates Emirophant remodellon recoverable thru	88	1	. 1	1 :			1 ,		•	•	
Other Regulatory Assets		2,760	2,883	(133)	(4.6)%	3,179	(420)	(13.2)%	3,181	(422)	(13.3)%
Regulatory assets	Į.	9,076	11,919	(2,843)	(23.9)%	11,100	(2,024)	(18.2)%	12,758	(3,682)	(28.9)%
Other investments I ove term receiveble from officials		1 1	. 1	s 1		4 1	t :		•		
Funds restricted for construction	ខិត	•		r -t							
Goodwill Internitio assets	ន្តន	60 1	• •	ec '		• 1	6 0 1		• •	60 !	
Other Lang Term Assets	8	126	1,029	(803)	(87.8)%	437	(312)	(71.3)%	488	8	(74.2)%
Total Regulatory & Other L/T Assets		9,208	12,948	(3,740)	%(6.82)	11,538	(2,330)	(20.2)%	13,245	(4,038)	(30.5)%
Total Assets		356,160	352,801	3,359	1.0%	353,347	2,813	0.8%	306,003	50,157	16.4%
Capital & Lisbities	ų	90	90	•	100	99490	•	č	0	•	è
Connon Stock Paid in Capital	88	24,127	24,113	o 55	2 Q	24,056 24,056	9 8	% 60 00 00	8,056	16,070	199,5%
Retained Earnings	6	32,812	32,848	8	(0.1)%	31,649	1,183	3.7%	29,990	2,822	9.4%
Accumulated other comprehensive income Unearned compensation	88	. ,				• •					
Treasury stock	8	,	1 22	-		,					1
Common stockholder's equity Preferred Stock without mandetory redemp		1,456	92,530 1,456	ĝ°	%0.0 0.0%	92,274 1,467	ğ Ê	(0.9% % (8.0)	74,615	58,8T	(0.8)%
Long term debt	\$ \$	007.97	28,700	00	% 000	76,700	000	%0.0 %0.0	79,800	(3,100)	860 600 800 800 800 800 800 800 800 800
Total Capitalization	1	176,163	176,186	8	0.0%	174,941	1,222	0.7%	160,382	15,781	38%
Short Term Debt	4	53,106	43,333	9,774	22.6%	45.138	7,969	17.7%	19,356	33,750	174.4%
Current Portion of Long-term Debt Current cortion of redeemable stock at mo	& &	3,100	00 1	e '	0.0%	9,100 00',	ຍ່	0.0%	3,100	0 1	0.0%
-	4	8,445	7,074	1.37	19.4%	4,598	3,847	83.7%	6,507	1,938	23.8%
i axes Accrued Interest Accrued	₹ ₽	1, 150 150	1,130	(2411)	0.0%	1,662	(512) (512)	(30.8)%	1,143	(5,536) 6	%(9:50L) %9'0
Total Other Current Liabilities	ß	4,470	2,795	1.675	59.9%	3.410	1,060	31,1%	2,027	2,442	120.5%
Total Current Liabilities	i	59,953	59,554	10,409	17.5%	50,065	8,897	16.5%	37,362	32,601	87.3%
Customer Advances for Construction Deferred Income Taxes	នួន	37,875	15,137 37,126	(3.22.1) 245	21.39% 20%	27,052	(6, 133) (8, 133)	(43.4)% 1.3%	14,653	(2,737)	(18.7)% 15.2%
Deferred investment tax credits	R	1,133	1,137	£	(0.4)%	1.6	(SZ)	(24)%	1,218	(2 8)	(7.0)%
Regulatory liability	X 8	3,755	20,185 2,245	(430)	4 (), %	2	, 10, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5,	18.7%	2,77,2	8	11.2%
Accused postretirement benefit expense	3 13	87.4 87.8	272	* 98 87	97.0%	<u> </u>	Ē	116.4%	\$ 8	7.5 >	8,8%
Other Deferred Credits Requistory & Other Long Terra tabilities	27	736	86.098 203	(3,360)	(82.0% (8.7%	69 772	517	236.0%	64.675	(3,880)	(84.0%
Contributions in sid of costnortion	8	26.813	47.853	(1,038)	(2.2)%	48.569	(1.754)	868	43.585	3,230	7.4%
Total complete and lichtiffies	3	256 380	352 603	3 250	2 (20)	750 577	2 042	2000	200 306	50 1E7	18.49
THE ENGINEER OF THE PROPERTY.		W. 100	SOCION!	57075	17.76	122520	6,919	0 0 N	NAMAN	221.00	W. T. W.

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Kentucky American Water Variance Explanations QTD Actual vs. Q3RF December, 2008 (\$ in Thousands)

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Operating Revenues

Depreciation is under reforecast (favorable) by \$294 due to lower actual composite depreciation rates and lower in-service balances. Operating Expenses Line 23 Depred

Other Income & Deductions Line 32 AFUDC equity

AFUDC equity is under reforecast by \$159. This is due to ST Debt levels vs CWIP balances



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Kentucky American Water Variance Explanations QTD Actual vs. Plan December, 2008 (\$ in Thousands)

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Operating Revenues

Other Operating revenue is over (favorable) by \$163, mainly due to Reconnection fees (-\$310), Initiated service fees (\$136), and Collection for others (\$291) Line 3

Operating Expenses

Maintenance expense is higher than prior by \$234 (unfavorable) due to Net Negative Salvage (-\$150) and M&S Maintenance (-\$100) Depreciation is under plan (favorable) by \$410 due to lower actual composite depreciation rates and lower in-service balances. Line 22

Line 23

Ofher Income & Deductions

interest on Short Term bank debt is lower than projected (favorable) by \$177. This is primarily due to lower rates. AFUDC equity is under plan by \$206. This is due to ST Debt levels and CWIP balances. Line 30 Line 32

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QTD Actual vs. QTD Prior Year Kentucky American Water Variance Explanations December, 2008 (\$ in Thousands)

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Operating Revenues

Water revenues are higher (favorable) by \$1,808 due to higher Residential sales (\$920), Public authority sales (\$220), and Commercial sales (\$529) from rate increase. Line 1

Operating Expenses

Management fees are lower than prior year (favorable) by \$1,020 due to Management Fees (\$917); Corporate-P13880 (\$217) and Regional fees (-\$120)
Customer accounting is higher than prior year (unfavorable) by \$134 due to Uncollect Accounts (-\$68) and Uncollect Accts - MI's (-\$59)
Depreciation is over PY due to a higher in-service balance and a depreciation credit booked in Q4, 2007 partially offset by higher depreciation rates in Oct and Nov. Line 18 Line 23 Line 13

Other Income & Deductions

Line 32

AFUDC equity is over PY by \$215 (favorable), due to CWIP balance. Federal income tax is higher than PY (unfavorable) by \$502. Variance explanations will be provided by the tax group. Line 43



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Kentucky American Water December, 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Plan

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Uperating Expenses Line 5 Purchased Water is lower than projected (favorable), mainly due to Reconnection fees (-\$1,205), Collections for others (\$1,071) and Initiate Service fee (\$617). Operating Expenses Line 5 Purchased Water is lower than projected (favorable) by \$478. This is due to reduced PW Requirements Line 6 -\$37 Purchased Power TD; -\$117 Purchased Power WT) Line 11 Group Insurance is lower than plan (unfavorable) by \$302. Group Insurance B (-\$1477); Capitalized credits (\$338) and PBOP (\$1077) Line 11 Group Insurance Other than plan (favorable) by \$411 due to increases in Corp \$228 and Regional \$183 higher direct charges Line 15 Regulatory expense is lower than plan (favorable) primarily due to Relocation expense (\$399 Amort Rate case) and a longer amortization period than planned Line 17 Inc 17 Regulatory expense is lower than plan (favorable) primarily due to Relocation expense (\$80), Telephone (\$40), and cell phone (\$83). Line 17 Inc 20 General Office expense is higher than plan by \$182 (unfavorable) primarily due to Relocation expense (\$80), Telephone (\$40), and cell phone (\$83). Line 20 Maintenance expense is higher than plan by \$1,303 due to Net Negative Salvage (-\$572) and Paving/Backfill (\$130) Line 22 Depreciation is lower than plan by \$1,303 due to Net Negative Salvage going to maintenance and lower rates being used (\$284 Dep exp-General; \$285 Amort CIAC tax; \$754 Amort CIAC non-fax)
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Line 30	Interest on Short Term bank debt is lower than plan (favorable) by \$282. This is due to lower rates and decrease in short-term debt from plan.
Line 32	AFUDC equity is under plan by \$177 (unfavorable). This is due mainly to correction of work orders that were originally set up as IPs not blankets
Line 42	State income tax is higher than plan (unfavorable) by \$254. Variance explanations will be provided by the tax group.
Line 43	Federal income tax is higher than plan (unfavorable) by \$1,005. Variance explanations will be provided by the tax group.

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Kentucky American Water December, 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. YTD Q3RF

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Operating Revenues

Operating Expenses

Other Income & Deductions

AFUDC equity is under reforecast by \$344. This is due mainly to correction of work orders that were originally set up as IPs not blankets AFUDC debt is under reforecast by \$148. This is due mainly to correction of work orders that were originally set up as IPs not blankets Line 32 Line 33



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Kentucky American Water December, 2008 (\$ in Thousands) Variance Explanations YTD Actual vs. Prior YTD

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Coperating Revenues Line 1 Water I Sal Line 3 Other C Operating Expenses Line 6 Fuel an Line 9 Labor is Line 13 Manago Line 16 Regula Line 16 Regula	Water Revenues is over prior YTD (favorable) by \$7,312, mainly due to Residential sales (\$3,373), Public authority sales (\$991), Commercial Sales (\$2,337) and Sales for Resale (\$301) generated from December 2007 rate increase. Sales for Resale (\$301) generated from December 2007 rate increase. Other Operating revenue is over prior YTD (favorable) by \$307 due to Reconnection charges (\$201) and Collect for others (\$34) XXDENSES Fuel and Power is higher than prior (unfavorable) by \$417, due to fuel costs related to power generation (-\$71 Furchased Power P; -\$325 Furchased Power WT; -\$24 Fuel and Power) Labor is higher than prior (unfavorable) by \$637. This is due to merit increases and new positions (-\$71 Furchased (\$73,161); Corp/P13880 (\$736) and Regional Mignit Fees (-\$234) Regulatory expense is lower than prior (favorable) by \$153, due to reduced rate case expenses (\$165) and a longer amortization period than prior (favorable) by \$155, due to Relocation expense (\$80), Employee expense (\$41), and telecommunications (\$44).
Line 21	Miscellaneous expense is higher than prior by \$399 (unfavorable) due to Penalties/Non-deductible (-\$396) This was a credit in 2007 related to the release of a liability.
Line 22	Maintenance expense is higher than prior by \$448 (unfavorable) due to General Maintenance (-\$195) and Net Neg Salvage (-\$199)

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Kentucky American Water YTD Actual vs. Prior YTD Variance Explanations (\$ in Thousands)

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Construction work in Progress is higher than prior year by primarily driven by the Water Treatment plant (\$42M) partially offset by other CWIP balance change. Cash and cash equivalent is lower than prior year by \$164. (\$112 Deutsche Bank; -\$29 Cash-Mellon lockbox, -\$23 Cash-Imtransit)

Other receivables, net is higher by \$215 due to increased system miscellaneous accounts receivable (\$299 misc A/R; -\$44 Medicare subsidy; -\$83 Provision for uncollect, \$43 A/R Retro Ins) Utility customer accounts receivable increased by \$414, primarity due to higher rates and an increase in DSO. Accrued utility revenues is higher than prior year by \$338 due to higher average revenue amounts Taxes receivable is tower than last year by \$388 due to SIT refund receivable at year-end 2007. Line 9 Line 9 Line 11 Line 12

Other current assets increased by \$330 due to an increase in prepaid taxes (\$291) and prepaid other (\$34) Other Regulatory Assets is less than prior year by \$422 due to amortizations.

Other Long Term Assets is lower than prior year by \$362, balance is \$0 as of December 2008 Line 13 Line 28 Line 34

Accounts payable is higher than prior year by \$1,938 (-\$341 A/P General; \$247 Contract Retention; \$1,856 A/P projected expense accrual) Taxes accrued is tower than prior year by \$5,536. Variance explanations will be provided by the tax group. (-\$1,937 local property tax; Paid in Capital is higher than prior year by \$16,070 due to \$16M equity infusion (\$8M in each March/June) Short term debt is higher by \$33,750 due to capital spending related to the Water Treatment Plant Line 48 Line 36 Line 44 Line 47

Total Other Current Liabilities is higher than prior year by \$2,442 due to accrued power (\$38), accrued wages (\$50), advances for construction (current) (\$2,500); Accrued vacation pay (\$46); Accrued bank fees (\$33); and Accrued Rent (\$12) -\$3,750 FIT accrual; -\$270 SIT accrual; \$390 Sales and Use tax) Line 50

Deferred Income Tax is higher than prior year by \$4,994 detail following from tax department. Regulatory liability is higher by \$983 primarily due to cost of removal Line 52 Line 54

Customer Advances for Construction is lower than prior year by \$2,737

Line 51

Accused pension expense is lower by \$785 than prior year due to a timing of pension payments. Line 55 Line 57

Other Deferred Credits are lower than prior year by \$614 (-\$248 Def Compensation costs; -\$130 other deferred credits; -\$113 def FIT; -\$74 SIT; -\$49 ITC Gross up 3%)

Month of December

Κ¥		Budget			Forecast		·	Prior Year	
	QTM	QTD	ΔŢ	QTM	ОТΩ	YTD	MTD	QTD	YTD
Budget / Forecast / Prior Year Rates	4,769	15,173	59,540	4,777	14,974	59,610	4,362	13,073 1,321	52,498 7,265
DSIC Surcharges Balancing accounts									
Water acuisitions Sewer acquisitions						•			
Other	43	163	627	27	110	150	16	4	307
Fire	•	,	ı	•	,	•	•	1	•
Organic growth	∞.	(458)	(433)	1	(44 (144)	(441)	40	386	(386)
Demand / consumption	(280)	99	320	(574)	265	752	(182)	102	433
Sewer	~	5	32	-	4	75	(9)	9	(31)
Other Revenue Variances									
Actual revenues Total variance	4,231 (538)	14,920 (253)	60,086 546	4,231 (546)	14,920 (54)	60,086 476	4,231 (131)	14,920 1,847	60,086 7,588
Total Variance Validation Check	(538)	(253)	546	(546)	(54)	476	(131)	1,847	7,588

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Monthly Financial Review Package

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AWFRP 2.0 - Result of Operations - Revenue Variance	
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Monthly Financial Reviews

Detailed Financial Statements in accordance with GAAP are included on a consolidated basis and on a legal entity/state (Regulated) and Line of Business

(AWE)

All key variances are identified and explained in sufficient detailed information in order to keep follow-up communications to a minimum.

Variance analysis and commentary reflect financial results consistent with operation results.

All known items for the current period have been reflected in financial discussions.

Financial Review Package is submitted to Corporate Finance by due date as outlined in the Reporting Calendar. Potential risks and opportunities have been identified and mitigating action plans have been developed.

I have reviewed the contents of the Financial Review Package, and to the best of my knowledge and belief, all information presented in these reports is accurate.

(Signature) Regional Finance Director or Vice President

(Date)

Monday, February 16, 2009 10:15:18 AM

Monday, February 16, 2009 10:15:18 AM

Close Status: Final source system with preliminary consolidation entries

Income Statement - Month To Date Kentucky with Growth Jan 2009 (\$ In Thousands)

	≊	MTD Actuals	MTD Reforecast	Variance Favorable (Unfavorable) % Variance	Vari Favo MTD Plan (Unfav	Variance Favorable (Unfavorable) %	% Variance	MTD F.	Varience Favorable (Unfavorable)	% Variance
OPERATING REVENUES	,	1188		200	4215	(3/6)	76100 87	4 250	(340)	(9.15)%
vvater nevenues Sewer Revenues	- 63	27		27	28	E	(3,39)%	25.	() F	5.56%
Other Operating Revenues	ю ч	174	1 1	174	185	(12)	(6.38)%	182	6) '	(4.78)%
Operating Revenues		4,069	ı	4,069	4,429	(369)	(8.11)%	4,467	(397)	%(88.8)
OPERATIONS & MAINTENANCE EXPENSE.										
EDSULVE IN EXTENSES. Purchased Water	ហ	10	•	(10)	77	- 5	10.53%	to c	<u>@</u> 1	(95.53)%
Fuel and Power Chemicals	9 1~	219 164	1 1	(219) (164)	282 203	38	22.10% 19.34%	278 118	(4 6 g	20,36%
Waste Disposal	œ	1400	•	(14)	15	102	5.07%	23	9	37.85%
O 2M 1 ABOR & OVERHEAD		97	•	(ont.)	5	3	EVIEN I	į	2	
Labor	Φ.	565	1	(565)	575	∓ §	1.84%	543	(22)	(3,98)%
Pensions Group insurances	2 =	3 ₹	t 1	(123) (181)	157	§ (2	(15,27)%	3°24 84	38	(22,23)%
Other benefits	12	25	r	(25)	88	29	17.29%	24	9	(2.39)%
Total employee related	;	5 5 5 5 7 7 7	h	(894)	813	(10)	04(/A'R)	# I	(121)	oz(na'c))
Management fees	2 :	9	•	(695)	286	(c)	(49,14)%	100	(01)	60.19)%
Shared business services Contracted services	<u>4</u> %	33 33 33 33 34 35 35 35 35 35 35 35 35 35 35 35 35 35	1 1	(358)	337 76	43	(6.44)% 21.93%	317	(18) (18)	(13,21)% (44,63)%
Total contracted services	2	418		(418)	413	(2)	(1.22)%	358	(60)	(16,82)%
Regulatory expense	16	₽?	ı	(13)	44	0 "	0.65%	4 1	8 5	68,75%
Insurance Other than Group Customer Accounting	2 22	¥ 52	, ,	(126) (126)	136	° £	7.31%	8 68	(67)	(114,81)%
Rents	ξ	lo.	•	<u>ම</u>	.	0	(9.49)%	, r	- - -	22,16%
General office expanse Miscellaneous	2 23	4 5	1 1	(44) (145)	53 183	3, 63	7,65%	128	£)	(14.98)%
Maintenance	22	191		(191)	209	₽	8.58%	191	0	(0.13)%
Total operations and maintenance expense	8	2,558	•	(2,558)	2,083	<u>=</u> 8	8/ 70' OF	Z,44	(122)	%(IV.E)
Depreciation Amortization	2 23	47.9 43.0		(4/3) (43)	2/2	3 ~	3.85%	403 42	(£	(1.51)%
Depreciation and amortization		521	t	(521)	616	96	15.41%	445	(77)	(17,20)%
General taxes	88	286		(286)	297	. '	3,65%	287	- '	0.22%
impallment charges Total operating expenses, net	7	3,475		(3,475)	3,596	121	3,37%	3,178	(296)	(8.33)%
Operating income		595		989	833	(238)	(28.59)%	1,288	(984)	(53.85)%
OTHER INCOME & DEDUCTIONS Interest Income	28	•	•	•	•	1		1	•	
term debt	8	£4	•	(471)	481	OL TOP	2.02%	488	t t	3,45%
Interest on Short-Term Bank Debt Other Interest Expense	3 8	14		(41)	182 組織制		77.5U%	8/	θ,	9%/3%
Total interest expense		512		(512)	663	150	22.72%		63	10.89%
AFUDG - Equity	88	23		33.5	325	<u>8</u> 6	(28.86)%	82 HILLING		182.22%
APOLO Deut Amortization of Debt Expense	3 %	3 ~		3€	£ 49	Œ	(25.87)%		90	(1.47)%
Preferred dividends of subsidiaries (Consolidatio	99 i	•	•						,	
Gain on sate of assets Non-Operation Rental Income	8 8	, ,	٠ ،	7 1		. ,			, ,	
Dividend Income - Common	37	r	,	•		•		*	3	
Dividesta Income - Frentieu Miscelaneous Income	3 6	(9)	. 1	(9)		(9)		, –	8	(730.89)%
Total other income		(8)		(9)	•	(9)		y	6	(730,88)%
Miscellaneous Amortization	4 4	0 5		0 (25)	0 77	۵ <u>چ</u>	70.88%	۲.0	0 PE	0,00%
Total Other Deductions		88	!	(36)	125	88	70.70%	F	34	48,56%
Other, net		(42)	•	(42)	(125)	82	86.05%	(70)	87	(779.45)%
Total other income (deductions)		(207)	•	(207)	(320)	113	35.31%	(531)	324	61.06%
Income (loss) before income taxes		388	.'	388	513	(125)	(24,40)%	757	(369)	(48.78)%
State Income Taxes	42	128	1 1	(26)	¥ 55	∞ 5	28.97%	48	22	46,53% 46,21%
Tax Saving Acquisition Adjustment	} :	}	•	ían.		; * {	700,000	Transporter -	and the second state of th	200
State income taxes (non-operating) Federal income taxes (non-operating)	8 7	ଉତ	1 +	C) (D)	(40)	<u>e</u> E	(83,36)% (77,86)%	(3) (21)	(12)	(38.55)% (57.44)%
Provision (Benefit) for income Taxes		165	, :	(165)	195	30	15.33%	303	138	45.56%
Net income (loss) Preferred Dividend Declared	48	77		7	210	0 (0)	3.17%	7	0	2.56%
Net Income To Common Stock		216	*	216	311	(68)	(30.66)%	447	(231)	(\$1./3)%
Common Dividend Declared Current Year Retained Earnings		216	, 1	216	311	(36)	(30.66)%	447	(231)	(51,73)%

Monday, February 16, 2009 10:15:19 AM

Network IV FRM-1.3
And The Close Status: Final source system with preliminary consolidation entities.

			Vorion			Varianno	•	_	Jadanoe	
	YTD Actuals	YTD Is Reforecast	Favorable t (Unfavorable)	e ile) % Variance	YTD Plan (Favorable (Unfavorable)	% Variance	7. Y.	Favorable (Unfavorable)	% Variance
OPERATING REVENUES. Water Revenues				3,869	4,215	(346)	(8.22)%	4,259	(06E)	(9.15)%
Sewer Revenues Other Operating Revenues	3 174	2.5		174	28 28 28	(12)	(8.38)% (6.38)%	4 <u>8</u>	- 66	5,56% (4,78)%
Management Revenues Operating Revenues	4,069	33	ļ.	4,069	4,429	(328)	(8.11)%	4,467	(397)	(8.89)%
OPERATIONS & MAINTENANCE EXPENSE.										
Purchased Water	in d	0.9		(10)	27 6	~ €	10.53%	3,00	6 8	(95.53)%
Chemicals	D 1	164	, ,	(164)	38,	38.	19.34%	2 1 1 8 1 8 1 8 1 8 1	ş⊕°	(38.51)%
waste Disposal Total production costs	4	8	k 7	(408)	511	103	20,25%	424	16	3,79%
O&MIABOR & OVERHEAD.	ì	,		î	į		č	i	ć	20,000
Labor Pensions	5 C	ខ្លួន		(565) (123)	6 G	(S)	(144.28)%	58 58	(25) (89)	(3.98)%
Group Insurances	= :	:=:		(181)	157	(24)	(15.27)%	148	(<u>R</u>)	(22.23)%
Other benefits Total employee related	26	24	,	(894)	813	(18)	(9.97)%	774	(121)	(15.50)%
Management fees		œ.		(369)	286	(83)	(29.12)%	351	(18)	(5.19)%
Shared business services	14 358	22 5	,	(358)	337	<u>(3</u> 5	(6.44)%	317	(42)	(13,21)%
Contracted services Total contracted services		8		(418)	413	<u>2</u>	(1.22)%	358	(09)	(16.82)%
Regulatory expense	16	m		(13)	41	0	0.65%	43	23	68,75%
Insurance Other Than Group Customer Accounting		24 £		(54) (126)	<u>ද</u>	ۍ ئ	9.24% 7.31%	S 65	0 (<u>6</u>	0.82%
Rents		י מו		<u> </u>	ۍ ده	00	(9.49)%	۲- 5	, t F	22,16%
General office expense Miscellaneous	2.58	4 10		(44) (145)	<u>इ</u>	" දි	21,16%	126	(19)	(14.98)%
Maintenance Total operations and maintenance expense		80 80	[2]	(191)	209	क्ष	8.58%	2,447	(221)	(9,01)%
Degreciation		g.		(479)	572	93	16,31%	403	(92)	(18,83)%
Amortization	24	2		(43)	44	200	3.85%	42	Œ	(1.61)%
Depreciation and amortization		- 4		(32.1)	297	3 ∓	3.65%	287	(/)	0.22%
Unpairment charges	27.	2 • 1		/on=	, ,	: ' ;		ì ' i	. • 6	2000
Total operating expenses, net Operating income	3,47	ico ico	g 	595	3,596	(238)	3.37% (28.59)%	1,288	(586)	(53.85)%
OTHER INCOME & DEDUCTIONS										
interest income interest on long-term debt		• y		(471)	, 184	· 6	2.02%	488	14.	3,45%
Interest on Short-Term Bank Debt Other Interest Expense	330	Ξ'	. ,	(41)	182	182 间程院開始的新港	77.50%	. 87	46	52.79%
Total interest expense		2		(512)	663	150	22.72%	575	63	10.89%
AFUDG - Equity AFUDG Debt		# g		231	325	(94)	(28.86)% (16.52)%	82 MIES	85	182.22%
Amortization of Debt Expense Professor Ainfende of subsidiaries (Consolidation	: : : : : : : : : : : : : : : : : : : :		, ,	ie.	· •	€,	(25,87)%	r +	6 1	(1.47)%
Gain on sale of assets			,		٠	,		1	•	
Non-Operating Rental Income			,					1 1	1 1	
Dividend Income - Preferred				• • •	•	' * (. 1,	' (2000
Miscellaneous Income Total other income		9)	.,	99		(9)			60	(730.89)%
Miscellaneous Amortization	Q:	01	,	0	D	0.5	155.28%	97	0	0.00%
Miscellaneous Other Deductions Total Other Deductions		9	, ,	(36)	125	88	70.70%	*	35	48.56%
Other, net	4	8	,	(42)	(125)	82	66.05%	(70)	28	(779.45)%
Total other income (deductions)	(20	6		(202)	(320)	113	35.31%	(531)	324	61.06%
Income (loss) before income taxes	ř	92	ı	388	513	(125)	(24.40)%	797	(369)	(48.78)%
State Income Taxes Federal Income Taxes	42 26 43 150	£ 6	1.3	(26) (150)	34 211	& <u>F</u>	24.67% 28.97%	48 279 運輸票	22	46.53%
Tax Saving Acquisition Adjustment State Income taxes (non-operating)		' ନ		' 61	, (51)	' <u>6</u>	(83.36)%	' <u>@</u>	'€	(38.55)%
Federal income taxes (non-operating)		(6) H		9	(40) 50 70 70	(31)	(77.86)%	(21)	(12)	(57.44)%
Net income (loss)		201		222	3 5 6	(36)	(29,97)%	454	(23) (23)	(50.94)%
Preferred Dividend Declared Net Income To Common Stock	27	9		7 216	311	(95)	(30,66)%	447	(231)	(51,73)%
Common Dividend Declared				9		1 1	Monarchine	-	1	1
Current Year Retained Earnings	2	9	1	216	31	(32)	(30.66)%	7#	(231)	(51,73)%

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Supplementary Tables and Discussion Kentucky with Growth Jan 2009

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source system with preliminary consolidation entries

Close Status: Final

AWFRP 2.0 - Result of Operations - Revenue Analysis

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Revenue Variance Summary (\$ in Thousands)

		Budget			Forecast			Prior Year	
	MTD	QTD	Ę,	MTD	QTD	AT	MTD	атр	YTD
Budget / Forecast / Prior Year	4,429	4,429	4,429	1	•	,	4,467	4,467	4,467
Rates	1	•	1	•	•	ľ	1	1	1
DSIC	r	ſ	ľ	•	•	1	1	•	,
Surcharges		ı	1	•	ı	•	ı	1	•
Balancing accounts	1	1	ı	1	1	ı	1	ı	Ī
Water acuisitions	•	1	ı	•	•	1	į	•	I
Sewer acquisitions	1	•	ı		t	ı	•	r	ı
Other	(12)	(12)	(12)	ŝ	ı	ı	(6)	(6)	(6)
Fire	ı	ı	ı	•	1	ı	4	•	•
Organic growth	E	6	E)	1	1	ì	38	38	38
Demand / consumption	(244)	(244)	(244)	•	ŧ	Í	(332)	(332)	(332)
Sewer	(£)	(£)	(£)	•	•	1	, , , , , , , , , , , , , , , , , , , 	-	Ţve.
Other Revenue Variances	(92)	(92)	(92)	4,069	4,069	4,069	(36)	(36)	(98)
Actual revenues	4,069	4,069	4,069	4,069	4,069	4,069	4,069	4,069	4,069
Total variance	(328)	(359)	(359)	4.069	4.069	4.069	(268)	(397)	(397)

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Kentucky American Water Jan-09

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(\$ in Thousands)

I/S Variance Explanations

MTD Actual vs. Plan

Operating Revenues

Revenue is down for January. Residential, Commercial and Industrial Usage were below Plan. OPA revenues were also negatively impacted by the reversal of December's unbilled accrual \$95k

Operating Expenses

Management fees have \$18k unfavorable posting due to correction of true-up from last year. Insurance costs were being amortized over a 2 year period, but should have been only on one year. An adjustment was made in January to cover the unamortized amount. Increased Pension and O/S Services costs were also unfavorable. Pensions/OPEBs are higher than budget. Plan was \$50 and actual is \$135 Fuel and Power was lower than Plan primarily due to lower system delivery Chemical costs ere lower than Plan due to reduced usage Line 13 Line 10 Line 7 Line 6

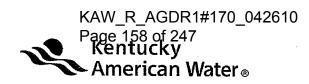
Depreciation Expenses are favorable based on an overall lower composite depreciation rate. In Service Miscellaneous costs are lower than Plan primarily due to lower overall Transportation Costs. Line 21 Line 23

Utility Plant is virtually equal to Plan

Other Income & Deductions

Interest on Short term bank debt is favorable by \$141K due to lower than Plan interest rates and a lower than plan average daily bafance. Line 30

Operations Review December 2007



Operational Issues Review

1. Source of Supply

Kentucky American Water ("KAW") continues to move forward and received bids for construction of a treatment plant on Pool 3 of the Kentucky River. The 404 permit application for construction in the waters from the US to the US Army Corps of Engineers was approved. The permit application for a 401B permit for stream flow crossings was approved by the KY DOW. The company still awaits the approval of one highway permit.

KAW and BWSC have executed an agreement to allow for the design expansion and are negotiating on a partnership agreement. In June, a joint letter from KAW and BWSC was sent to Senator Mitch McConnell requesting federal support of \$35 million to help defray the BWSC capital cost of the project.

KAW has made several presentations about the project to numerous business and civic groups. A group of property owners in Franklin County have formed to oppose the project. In June, the Franklin Fiscal Court voted 4-2 to oppose the company's plan to construct a pipeline through part of Franklin County and a water treatment plant in Owen County, just north of Franklin. The Owen County Fiscal Court passed a resolution supporting the project, along with the City of Owenton and the Owen County Chamber of Commerce.

Louisville Water Company made a presentation to the LFUCG Council indicating that a project to purchase water from them would be cheaper. They also filed a motion to intervene in the Certificate Case, and the motion was granted. KAW made a presentation to the LFUCG on August 21 and again on September 18. The Kentucky Attorney General's witness has filed testimony supporting the project. On November 13, rebuttal testimony was presented at a meeting in Frankfort. Frankfort Mayor Bill May announced his support for the Louisville Water Company recommendation.

KAW filed with the Public Service Commission a Certificate of Convenience and Necessity on March 30, 2007. PSC hearings were held on November 26, 27, and 28. A post hearing data request was ordered by the commission to be submitted on January 9, 2008. Briefs for the project are due to the commission on January 16, 2008 and the Commission could issue an order in February, 2008.

2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is under plan by \$16,610 for the month of December and under plan \$132,389 for YTD. There are two primary reasons for this underage: the fuel adjustment cost dropped again from \$0.00735/KWH to \$0.00254/KWH, and system delivery was under budget.

Chemicals are over plan for December by \$12,707 and over plan YTD with a variance of \$101,580. Excess rain (6.91 inches) in December led to an increase in the amount of chemicals required to address elevated turbidity in the source water. YTD chemical costs are over plan due to additional treatment necessary under summer drought conditions.

Additional rainfall in October and December has eliminated all drought indications according to the Palmer Drought Index and has brought the total annual rainfall total to within 2.2 inches of normal.

3. Rate Case/Orders: Timing, Value, Issues

A rate filing was submitted on April 30, 2007 to request a 25% rate increase to cover the cost of infrastructure investment. KAW filed its Notice of Intent to file the case with the KY Public Service Commission on April 2, 2007 per the required regulations. An agreement was reached with the Attorney General to settle the rate case on August 29, the first unanimous settlement of a Kentucky American Water rate case in over 20 years. On September 14, Kentucky American Water and all parties to its rate request went before the Kentucky Public Service Commission and agreed to a settlement that calls for \$8 million total in annual increases and single tariff pricing. The settlement was reached by all parties. including Kentucky American Water, the Attorney General's Office, Lexington Fayette Urban County Government, Community Action Council, and the Kentucky Industrial Utility Customers. It includes an increase in contributions to the H2O Help to Others Program, which will be paid by Kentucky American Water stockholders, not customers. On November 29, 2007, the PSC issued the order affirming the settlement in all respects. The new customer tariffs were effective December 1, 2007.

4. Commission Activity: Customer Complaints, Compliance

2007	YTD Co	llections	YTC	Billing	YTI) Totals
	Total	Justified	Total	Justified	Total	Justified
KY	40	0	39	0	79	0

5. Divestitures

The KY PSC issued an Order dated April 16, 2007, approving the divestiture application and the IPO, subject to certain conditions. RWE, KAW, and all other Applicants accepted these conditions in a filing dated April 26, 2007. American Water has received all necessary approvals in 13 states. On August 27, American Water filed a registration statement on Form S-1 with the SEC related to the proposed initial public offering of its common stock.

6. Major Operational Projects

- \$2.7 million in main replacements, including completion of Second Street, Madison Place and Merino Street, Lackawanna Drive, and Bucoto Court, to be completed in 2007. Main replacements on Saunier Street, Bruce Street, and Columbia Avenue are complete. New Circle Road also completed in 2007. South Limestone has been postponed until 2008 because of concerns with the University of Kentucky construction.
- Replacement of 30,000 feet of main in Owen County was completed in 2007 and the extension of 160,000 feet of main in Owen County is to be completed in March 2008.
- Replacement of residuals handling equipment at Richmond Road Station began in March 2007 and is 90% complete. Final completion expected in February 2008.
- Pump replacement at Parkers Mill Road tank began in March and was completed in October 2007.
- Reliability of treatment facilities, including intake pump and transfer pump replacement is scheduled for completion in March 2008. This project was temporarily delayed this summer and fall due to system delivery demand of plant facilities. Currently three of the six intake pumps have been replaced and one of the two transfer pumps is installed.
- Installation of 6,400 feet of 20-inch main in Clays Mill Road prior to the first phase of widening began in 2007, to be completed in March 2008.
- Installation of booster pump facilities in Mallard Point subdivision to improve area pressures began in 2006 and was completed in December 2007.
- The Northern District intake pump was remodeled and new pumps were installed; the project was completed in June.
- The Northern District Perry tank repair and repainting was completed in June with additional foundation repair completed in November 2007.
- The Northern District Sparta tank repair and repainting was completed in October 2007.

The third quarter net capex total of \$25 million was completed by December 31, 2007 as forecasted in the Q3RF.

7. Operational Regulatory Compliance: Status

Kentucky	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend**
Regulatory Maintenance:					
Meter Changes	9,981	8,501	0		

Kentucky	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend**
Maintenance:					
Valve Operation (<16") PUC*	100.0%	100.0%	0.0%	G	A
Valve Operation (>16") PUC*	100.0%	100.0%	0.0%		
Hydrant Inspection*	100.0%	100.0%	0.0%		
Tank Painting (#/\$000's)*	2of3/\$555	2of3/\$308	1/\$247		
*Not regulatory issue in KY.					

Note: KAW has completed hydrant inspections and small valve operations by year end.

8. Policy Compliance Issues

None to report at this time.

9. Union/Labor Issues/Activities

There are no current grievances at this time. The company entered into a new three-year contract with the Firemen and Oilers Union which provided for a 3% annual increase for each year of the agreement. The overall favorable relationship between union and management, as well as the collective efforts of the management negotiating team, resulted in a decisive 33 to 9 union vote to accept the proposed contract on October 4. The quick ratification of the contract is a testament to continued success of company teamwork and employee dedication. KAW will begin preparation for contract negotiations with the internal customer service group whose contract expires December 16, 2007. In November, KAW was informed that the inside union group is considering decertification from the Firemen and Oilers Union.

10. Explanation of NOVs, OSHA violations, etc.

- A routine sample taken in March at the Owenton, KY wastewater plant failed a required biological toxicity test. The company has not received an NOV for this in 2007. KAW has reviewed the issue thoroughly, putting measures in place to avoid a repeat occurrence. To date, the company has received no response from the state agency regarding this incident and has no NOV's recorded this year.
- There were 3 occupational injuries and 3 vehicular accidents reported in December.
 None of the injuries resulted in lost time accidents. Of the 3 occupational injuries, two
 employees were placed on restricted duties. All three vehicular accidents were
 preventable. Additional defensive driving training will be a part of employee development
 in 2008.

11. Revenue Generating Projects/Opportunities

None to report at this time.

12. O&M, DBO Contracts - Significant Operational/Financial Variances

13. Other Operational Issues

- Fire hydrant painting in Fayette County, which includes color coding, started in April. It is a two-year project that will bring KAW's system into alignment with the national fire safety code recommendations. KAW is working in cooperation with the LFUCG fire department and the project is on schedule as planned.
- KAW continues to see above normal numbers of non-pay orders being created and
 worked by the field service group. However, the total number of orders continues to
 decline from November totals thereby reducing overtime hours in the network department.
 Overall, the field services group worked over twice as many non-pay orders in 2007 as
 compared to 2006. This effort has significantly lowered the charge-off percentage for
 KAW.
- Fire hydrant inspection information will be provided each month to the Lexington Fire Department beginning the first week of January as agreed in the last rate case.



Regulatory Company

December YTD

Kentucky	Actual (YTD)	Actual Plan (YTD) Backlog Status Trend** (YTD)	Backlog	Status	Trend**
Regulatory Maintenance:					
Meter Changes	9,981	8,501	0	Ġ.	

Kentucky	Actual (YTD)	Plan (YTD) Backlog Status Trend**	Backlog	Status	Trend**
Maintenance:					
Valve Operation (<16") PUC*	. 100.0%	100.0%	%0.0	O	4
Valve Operation (>16") PUC*	100.0%	100.0%	%0.0	Ċ,	
Hydrant Inspection*	100.0%	100.0%	%0.0		1
Tank Painting (#/\$000's)*	2of3/\$555	2of3/\$308	1/\$247	5	*
*Not regulatory issue in KY.					

Note: KAW plans to complete hydrant inspections and small valve operations by year end.



Company Proprietary and Confidential Information, Not for External Distribution *







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Kentucky American Water Operations Review First Quarter 2008

Operations Review First Quarter 2008



Operational Issues Review

1. Source of Supply

Briefs were filed with the Public Service Commission March 20 and the record on the Certificate Case closed with no further delays. Louisville Water Company had asked for an additional informal conference or mediation, which was denied. Indications are that an Order may come as early as the end of April.

KAW requested and received revised bids for 90 and 120 days beyond the original term (with early May and early June expirations). The revised May bids reflect an increase of \$5.6 million over the initial project bids and would be the costs in place should the PSC rule favorably in April. KAW met with all contractors to develop a strategy for quick Notice of Award and groundbreaking.

There were no source of supply issues impacting current operations. YTD rainfall through March is significantly higher than normal (16.2 inches vs.11.2 inches). Reservoir levels at Jacobson and Lower Thomas Lake are at 100% capacity, and the March average Kentucky River flow through Lock 10 is 20% greater than average.

2. Operational Costs: Energy, Chemicals, Residuals

	March YTD	March YTD Plan	Variance	Q1RF	Q1RF Variance
Purchased Water	22,047	144,350	(122,303)	36,930	(14,883)
Fuel and Power	680,935	514,684	166,251	652,188	28,747
Chemicals	377,661	352,874	24,787	378,369	(708)
Waste Disposal	70,670	73,802	(3,132)	73,147	(2,477)
Total Production	1,151,313	1,085,710	65,603	1,140,634	10,679

Fuel and Power expenses were reforecast to increase 25% for the year, reflecting both a higher energy cost (\$/kwh) and higher electric consumption (based on khws/mg pumped) than in the original plan. (Other plan reductions will offset this projected increase.) The reforecast was based on a review of the most recent two-year consumption pattern, which showed increases in consumption over prior years, most likely attributable to efficiency losses over time. Completion in March of the Kentucky River Station pump and motor upgrades may serve to mitigate the increasing consumption trend in the future.

3. Rate Case/Orders: Timing, Value, Issues

A formal filing with the PSC documenting the sewer charges for Northern Division waste water tariff was filed on March 21.

In addition, testing of the Kentucky River withdrawal fee rate was performed in March. The tariff is reviewed and adjusted annually to determine the appropriate rate charged to customers based on the fees imposed by the KRA. The new rates are effective April 1, 2008 on all customer bills.

4. Commission Activity: Customer Complaints, Compliance

	YTD Collections	YTD Billing	YTD Total
2008	6	13	19
2007	3	15	18

5. Divestitures

There has been no additional activity to report.

6. Major Operational Projects

- The Kentucky River Station reliability project was essentially completed in March. All six intake pumps and both transfer pumps have been replaced and are in service. Minor electrical work remains once Kentucky Utilities installs a redundant transformer late in 2008.
- Replacement of residuals handling equipment at Richmond Road Station began in March 2007 and is 95% complete. Final completion is expected in April 2008.
- The extension of 160,000 feet of main in Owen County was completed in March 2008.
- Installation of 6,400 feet of 20-inch main in Clays Mill Road, begun in 2007, is to be completed in April 2008.
- A project to enhance operation of the Russell Cave Road tank and assist in supply to
 Toyota during peak demand periods has been accelerated, with design approved
 through CIMC and construction expected to begin later in 2008. Replacement of smaller
 diameter mains with 34,000 feet of 20-inch main on US 460 will also enable Muddy Ford
 tank to be taken out of service for maintenance more readily.

7. Operational Regulatory Compliance: Status

ку	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	4,737	4,764	27	Ġ	

КҮ	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Other Program Maintenance:					
Valve Operation (<16") PUC	857	896	39	G	
Valve Operation (>16") PUC	200	149	0	G	1
Tank Painting (#/\$000's)	1 of 1 YTD \$13K	1 of 1 FY \$281K	0	G	
Hydrant Inspections (2)	0	0	0	(G)	

- (1) Meter Changes To date, 4,737 of 2008's planned total of 19,050 5/8-inch meters have been changed. These represent both routine change-outs and those change-outs arising from the former meter life pilot program.
- (2) Fire Hydrant Inspection Information Fire hydrant inspections are scheduled to begin in April.

8. Regulatory Policy Compliance Issues

None to report at this time.

9. Union/Labor Issues/Activities

The inside union group submitted paperwork to the National Labor Relations Board to request decertification from the union. The decertification is now complete and the former inside bargaining group are currently non-union team members.

There is one grievance related to a confined space issue currently under review. We continue to meet with the bargaining unit to resolve this issue.

10. Explanation of NOVs, OSHA violations, etc.

On January 14, 2008, KAW received an NOV from the Division of Water (DOW) for improper maintenance of erosion control and sedimentation on a construction project on Clays Mill Road. The contractor also received an NOV. Additionally, the NOV cited lack of

filing a Notice of Intent for construction in a streambed. KAW placed the contractor on probation and reviewed internal procedures to ensure compliance by contractors in the future. KAW received notice in March that the DOW is satisfied with the company's response and no further enforcement or fine will be forthcoming.

The company also received a NOV in January for failing a required biological toxicity test in the 4th quarter of 2007. The testing was performed in November at the Owenton, KY wastewater plant. KAW has reviewed the issue thoroughly, putting measures in place to avoid a repeat occurrence. Disciplinary action was taken with the operator at the plant.

11. Revenue Generating Projects/Opportunities

No new projects to report.

12. O&M Contracts - Significant Operational/Financial Variances

The Kentucky Finance Cabinet contacted KAW on March 12 regarding the final year's renewal of the Bluegrass Station Operations agreement. The O&M contract was initially signed in 2003 for a two-year term, with four annual renewals. Kentucky American CDC is currently reviewing the agreement for final recommendation. KAW continues to operate the facility pending CDC action.

13. Other Operational Issues

On March 31, 2008, KAW's Richmond Road Station was presented with a Certificate of Recognition for meeting the Area-Wide Optimization for both settled and filtered water in 2007. The Richmond Road station is considered a "totally optimized plant" for turbidity by the Drinking Water Branch of the Kentucky Division of Water. This is the second year that the facility has been honored with this award that recognizes efforts to optimize or refine coagulation, flocculation, sedimentation and filtration.

Significant Events

A water leak was discovered in the basement of the Kentucky River Station control building in January. Ultimately, Field Operations and Production personnel found the leak to be on a 30" lock-joint pipe line that conveys water from the filtration units to the clearwell. Four of the plant's ten treatment units were down for several days once the pipe was uncovered, and before the repair could be made. A contractor repaired the line March 3 by welding a plate over the hole and then grouting the area around the repair. The leak occurred between two chemical dosing points, with indications that corrosion may have been a contributing factor. No customers were affected by this repair.

A late afternoon leak on a 12-inch line in Scott County resulted in a boil water advisory to approximately 1500 customers March 20. Although the leak was isolated and repaired in a timely manner, the 20 psi drop in pressure mandated that a precautionary boil water advisory be issued. KAW communicated the advisory through the Reverse 911 system as well as through local TV and radio media outlets. KAW also made immediate contact

with the administration of Northern Elementary School and delivered bottled water to enable the school to remain open the following day. The advisory was lifted March 22, 2008.

There have been 55 leaks repaired YTD compared to 95 for the same period last year.

KAW is continuing to revisit its NRW strategy, with focus on identified areas of concern and potential revenue losses. During March, all water loading station accounts were reviewed to confirm that inactive accounts were deactivated at the assigned stations and the account holder's information was verified. The confirmation of this information will minimize the potential for unauthorized use through inactive accounts that should be deactivated at the stations.

Field Service

Met appointment performance: 99.6%

Customer Billing

Lexington-Fayette Urban County Government passed an ordinance to increase sewer user fees beginning May 1, 2008. The programming changes are currently being tested and will be ready for implementation by May 1.

There were two significant customer accounts that required backbilling adjustments in March due to set-up or coding errors. One account required wastewater backbilling as a unique premise set-up was not identified from the current validation/exception reports. Additional reports were implemented in March to prevent future occurrences of this nature. That initial review surfaced a water backbilling requirement for another unrelated account, attributable to an error in the customer billing department. An account set-up code had been changed in mid-2007, resulting in a subsequent drop of meter reading data in the billing process. The billing department has since removed permissions to change set-ups, so new errors of this nature are less likely to occur. Both customers were personally notified by KAW representatives.

Safety and Loss Control

On January 8, a field service representative was struck on the passenger side of his truck while driving through an intersection. The employee missed three work days which resulted in the first lost time incident in over one year. The employee was not at fault.

There were no injuries or accidents reported in March. KAW is still on track to conduct defensive driving training for the employees in the second quarter. Competent person training was performed in March to ensure that field personnel are aware of OSHA requirements and are knowledgeable in detecting unsafe conditions at the job site. Excavation safety training and hearing and respiratory fit testing are planned during April.

Kentucky American Water Company Board Report – April 2008

Financial Performance

Year to Date Results - Actual to Budget:

Operating Income was \$0.383 million 12.2% over budget for the 3 months ended March 2008. Revenues were \$0.050 million under budget -.38%.

OPEX - variances were \$0.338 million favorable.

- 1. Production costs were \$0.088 higher than Plan due to increased fuel costs only partially offset by lower purchased water.
- 2. Employee related expenses were \$0.131 million favorable primarily due to higher than Plan capital projects and vacancies.
- Management fees were \$0.088 million unfavorable due to increased regional fees of \$.010 million and corporate \$0.078 million.
- Customer accounting expense was \$0.177 million favorable due to a decrease in the uncollectible reserve.
- 5. Regulatory expense is favorable to Plan \$0.095 million due to reduced rate case expenses and a longer amortization period than planned.
- Insurance other than Group is favorable \$0.083 million primarily due to a Q1 true-up in March.

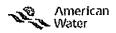
Depreciation is \$0.112 million favorable or 6.3%

Forecast (Full Year):

The official Q1RF forecast has not yet been completed.

Regulatory Climate

Nothing to Report.



Income Statement - Year To Date Kentucky-American Mar YTD 2008 (\$ In Thousends)

Close Status: Final source system load

		Y7D Actuals	YTO Plan	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES					
Weler Revenues	1	12,605 78	12,775 72	(170) 6	(1.33)% 7.78%
Sewer Revenues Other Operating Revenues	2	590	476	115	24.10%
Management Revenues	4	0	0	Ö	
Operating Revenues		13,273	13,323	(50)	(0.38)%
OPERATIONS & MAINTENANCE EXPENSE PRODUCTION EXPENSES					
Purchased Water	5 6	22 681	144 492	122 (189)	84.73% (38.44)%
Fuel and Power Chemicals	7	378	353	(25)	(7.02)%
Waste Disposal	8	71	74	3	4.24%
Total production costs	-	1,151	1,063	(88)	(8.32)%
OSM LABOR & OVERHEAD Labor	9	1,489	1,623	133	8.21%
Pensions	10	173	130	(43)	(33.14)%
Group insurances	11 12	436 78	495 59	59 (19)	11.93% (31.88)%
Other benefits Total employee related		2,176	2,307	131	5.66%
10 tal 6 hipoyeo Tolaka					
Management fees	13	1,051 956	953 940	(88) (17)	(9.14)% (1.76)%
Shared business services Contracted services	15	146	195	49	25.19%
Total contracted services		1,102	1,135	33	2.87%
Decidency assessed	16	100	195	95	48.86%
Regulatory expense Insurance Other Than Group	16 17	100 88	181	95 83	45.90%
Customer Accounting	18	206	383	177	46.22%
Rents	19	9	8	(1)	(8.87)%
General office expense	20 21	130 483	154 486	24 2	15.56% 0.47%
Miscellaneous Maintenance	22	617	587	(30)	(5.11)%
Total operations and maintenance expense		7,123	7,460	338	4.53%
Depreciation	23 24	1,660 128	1.772 103	112 (25)	6,31% {24.71}%
Amortization Depreciation and amortization		1,788	1,875	86	4.61%
•			000		4 DAGE
General taxes	25 27	853 D	862 0	9	1.01%
impaliment charges Total operating expanses, nat	• .	9,764	10,197	433	4.24%
Operating Income	-	3,509	3,126	383	12.24%
OTHER INCOME & DEDUCTIONS					
Interest Income	28	0	0	Đ	
Interest on long-term debt	29	1,463	1,515	52	3,42%
Interest on Short-Term Bank Debt	30 31	217 0	186 O	(31) 0	(16.58)%
Other Interest Expense Total Interest expense		1,580	1,701	21	1,24%
•			***		20.450
AFUDC - Equity AFUDC Debt	32 33	270 127	199 90	72 37	36.16% 40.80%
Amortization of Debt Expense	34	22	18	(4)	(22.43)%
Preferred dividends of subsidiaries (Consolidation only)	35	0	0	0	
Gain on sale of assets	26	0	0	0	
Non-Operating Rental Income	36	0	0	0	
Dividend Income - Common	37	0	0	0	
Dividend Income - Preferred Miscellaneous Income	38 39	0 23	0	0 23	
Total other income		23	0	23	
				0	
Miscelleneous Amortization Miscelleneous Other Deductions	40 41	105	150	45	155.28% 29.96%
Total Other Deductions		105	150	45	30,12%
Other, net		82	150	(68)	(45.27)%
Total other income (deductions)		(1.387)	(1,581)	194	12.25%
Income (loss) before income taxes		2.122	1,545	576	37.29%
State Income Taxes	42	57	91	34	37.14%
Federal Income Taxes	43	775 C	536 0		(44.64)%
Tax Saving Acquisition Adjustment State income taxes (non-operating)	46	(2)	(12)	(10)	(80.72)%
Federal income taxes (non-operating)	47	(14)	(48)	(34)	(70.30)%
Provision (Benefit) for Income Texes		816	566	(249)	(44.02)%
Net Income (loss) Preferred Dividend Declared	48	1,306 20	979 115		33.39% (82.88)%
Net Income To Common Stock	-70	1,286	864		48,86%
	No.				******



Balance Sheat Kentucky-American Mar YTD 2008 (\$ In Thousands)

Close Status: Final source system load

		Actuals	Plan	(Decrease)	% Variance
Assets		947 075	254.20	/4 54%	44 3301
Utility Plant Construction Work in Progress	1 2	347,275 22,331	351,794 21,987	(4.517) 344	(1.3)% 1.6%
Accumulated Depreciation	3	(81,492)	(86,076)	4.583	5.3%
Utility Plant Acquisition Adjustments	4	321	329	(7)	(2.1)%
Other Utility Plant Adjustments	5	D	0	Ò	
Total Utility Plant		288,436	288,033	403	0.1%
Total Non-Utility Plant, Nat	6	270	250	20	8.2%
Total property, plant and equipment		288,706	288,283	423	0.1%
Cash and Cash Equivalents	. 7	385	807	(422)	(52.3)%
Restricted funds	8 9	0 1.835	0 1.813	0 21	1.2%
Utility customer accounts receivable Allowance for uncollectible accounts	10	(118)	(286)	167	58.6%
Accrued utility revenues	11	2,571	2,950	(389)	{13.1}%
Other receivables, net	12	200	408	(208)	(50.9)%
Taxes receivable, including federal income	13	362	(2,670)	3,032	113.6%
Materials and supplies	14	597	584	13	2.3%
Receivable from alliliated companies	15	10	0	10	
Other Current Assets	16	276	193	83	43.2%
Current Assets		6,118	3,810	2,308	60.6%
Regulatory assets - income tax recovery	17	6.372	6,304	69	1.1%
Debt and preferred slock expense	18	824	724	100	13.8%
Deferred pension expense	19 20	0	0	0	
Deferred postretirement benefit expense	20	0	0	0	
Deferred business services project expenses	22	0	0	Ö	
Deferred integration costs	23	0	0	0	
Defend tank pointing costs	24	1,736	1,691	45	2.7%
Defended rate case	25	396	473	(77)	(16.2)%
Asset premium recoverable thru rates	26	0	0	Ó	(/
Environmental remediation recoverable thru rates	27	. 0	. 0	0	
Other Regulatory Assets	28	3,118	3,566	(448)	(12.6)%
Regulatory assets		12,446	12,757	(311)	(2.4)%
Other investments	29	0	0	0	
Long term receivable from affiliate	30	D	0	Ō	
Funds restricted for construction	31	D	0	. 0	
Goodwill	32	0	0	0	
Inlangible assets	33 34	0 590	0 437	0 153	35.0%
Other Long Term Assets		13,036	13,195	(159)	(1.2)%
Total Regulatory & Other L/T Assets					
Total Assets		307,861	305,288	2,573	0.8%
Capital & Liabilities					
Common Stock	35	36,569	36,569	0	0.0%
Paid in Capital	36	16,056	24,056	(8,000)	(33.3)%
Retained Earnings	37	30,179	29,409	771	2.6%
Accumulated other comprehensive income	38 39	0	0	0	
Unearned compensation Treasury stock	40	ŏ	ŏ	ŏ	
Common stockholder's equity		82,804	90,034	(7,229)	(8.0)%
Preferred Stock without mandatory redemption requirements	41	1,467	1,467	0	0.0%
Long term debt	42	76,700	76,700	ů.	0.0%
Redeemable preferred stock at redemption value	43	4,500	4,500	0	0.0%
Total Capitalization		165,471	172,700	(7,229)	(4.2)%
Short Term Debt	44	19,408	4,140	15,268	368.8%
Current Portion of Long-term Debt	45	3,100	3,100	0	0.0%
Current portion of redeemable stock at redemption value	46	0	0	0	
Accounts Payable	47	2.799	6,339	(3,540)	(55.8)%
Taxes Accrued	48	4,468	3,865	603	15.6%
Interest Accrued	49 50	1,849 2,052	1,680	169	10.1% (50.0)%
Total Other Current Liabilities Total Current Liabilities	30	33,676	4,101 23,225	(2,050) 10,451	45.0%
Customer Advances for Construction	51	14,309	17,956	(3,647)	(20.3)%
Deferred Income Taxes	52	33,261	35,827	(2,566)	(7.2)%
Deterred Investment tax credits	53	1,197	1,242	(46)	(3.7)%
Regulatory liability-cost of removal	54	9,117	8,221	896	10.9%
Accrued pension expense	55 56	1,894 395	2,049 352	(154)	(7.5)% 12.1%
Accrued postretirement banefit expense Other Deferred Credits	56 57	395 4,257	352 219	43 4,038	1,843.5%
Regulatory & Other Long Term Liabilities		64,430	65,866	(1,436)	(2.2)%
Contributions in sid of costruction	58	44,284	43,496	788	1.8%
Total capital and liabilities		307,861	305,288	2,573	0.8%
Loral Achital anto litabilinas	-	307,001	275,500	د,٠/٦	0.0%



Cash Flow Statement Kentucky-American Mar YTD 2008 (\$ In Thousands)

Cash Flow	T				
(\$ Millions)	YTD Actuals		YTD Plan		
Cash flows from operating activities		4.54	•	0.00	
Net (loss) income	\$	1.31	\$	0.98	
Adjustments:	_	4 70	_	4.00	
Depreciation and amortization	\$	1.79	\$	1.88	
Gain on disposition of property	\$	-	\$		
Changes in Deferred Taxes	\$	0.36	\$	2.97	
Changes in Working Capital	\$	(3.90)		3.64	
Other operating activities	\$	(0.80)	\$	(2.03)	
Net cash provided by operating activities	\$	(1.25)	\$	7.44	
C. I. Character and the second state of					
Cash flows from investing activities	\$	(2.06)	æ	(7.12)	
Capital expenditures	Ð.	(2.96)	Φ	(7.13)	
Acquisitions, net of cash acquired	c r	(0.00)	Φ.		
Other investing activities	\$ \$	(0.02)	\$	(7.13)	
Net cash used in investing activities	<u> </u>	(2.98)	Þ	17.13)	
Cash flows from financing activities					
Net borrowings (repayments) of short-term debt	\$	0.05	\$	(15.22)	
Customer advances and contributions, net of refunds	\$	0.36	\$	3.21	
Change in long-term debt	\$	(3.10)	-	(3.10)	
Proceeds from issuance of common stock	\$	8.00	ŝ	16.00	
Redemption of common stock	•	0.00	Ψ	10.00	
Redemption of preferred stock					
Dividends paid	\$	(1.10)	\$	(0.80)	
Net cash provided by (used in) financing activities	<u> </u>	4.21	\$	0.09	
Net cash provided by (dised in) finationing detarties	_				
Net increase (decrease) in cash and cash equivalents	\$	(0.02)	\$	0.41	
The second secon		•			
Cash and cash equivalents at beginning of year	\$	0.40	\$	0.40	
manima kan sa sa kan masani ang ang kankana ang kangan kan kan kan kan kan sa kan sa sa sa sa sa sa kananan ma					
Cash and cash equivalents at end of year	\$	0.38	\$	0.81	



Operations Review June 2008



Kentucky American Water Operations Review June 2008

Operational Issues Review

1. Source of Supply and New Water Treatment Plant

There are no source of supply issues impacting current operations. Precipitation for the month of June was less than normal (3.6" vs. 4.6"); contributing to system delivery being 52.5MG more than plan for the month. Flows in the Kentucky River trended downward throughout the month, and Jacobson Reservoir was at 96% of capacity at month end. YTD rainfall through June remained higher than normal (30 vs. 24 inches).

Water Treatment Plant - Contracts were executed with Reynolds-Rogers for the new water treatment plant and intake on May 28. Land closing occurred on June 17 on treatment plant property, and construction began that same day. The project is moving ahead very quickly. A progress meeting was held June 26, and the intake property closing was finalized June 30.

Transmission Main - Contracts were executed with Garney Construction for the 42-inch transmission main on May 23. KY DOT permits for Districts 5 and 7 were received in June. All permits for the project along the pipeline route have now been secured. The easement acquisition team began following up contacts, and letters to property owners and elected officials were mailed at the end of May. A progress meeting for the pipeline work was held June 25. Work schedules are being coordinated between easement acquisition and construction. Kentucky American Water is encouraged by response to follow-up easement acquisition conversations. Construction on the pipeline should begin in late July.

Booster Station - Contracts were executed with PAE for the booster station on June 2, and the land closing occurred on June 16. Construction began June 23. A construction partnering meeting with contractors and consultants for the entire water supply project was held June 25.

As a requirement of the recent Order on the water supply project, the first quarterly status report was filed with the PSC on July 1.

The Citizens for Alternative Water Solutions (CAWS), a local grassroots opposition group, filed an appeal in Franklin Circuit Court on June 24 on the PSC Order to deny a rehearing of the certificate application request. Intervenors in the water supply case (AG, BWSC, LFUCG) and the PSC have all asked for dismissal of the Appeal. Because of the critical nature of the project and the low probability of a successful appeal by CAWS, Kentucky American Water will continue to move forward with the project. Kentucky American Water is continuing to meet with local officials, property owners, and regulators on the project status. The project is on track with schedule and costs.



Kentucky American Water Operations Review June 2008

2. Operational Costs: Energy, Chemicals, Residuals

	June Actual	June Plan	Variance	YTD Actual	YTD Plan	Variance
Purchased Water	11,151	51,400	(40,249)	53,811	295,600	(241,789)
Fuel and Power	278,881	254,847	24,034	1,406,495	1,199,702	206,793
Chemicals	126,562	151,139	(24,577)	738,160	753,727	(15,567)
Waste Disposal	23,538	20,471	3,067	140,379	141,604	(1,225)
Total Production	440,132	477,857	(37,725)	2,338,845	2,390,633	(51,788)

Due to lack of rainfall in June, water was transferred to Richmond Road Station and Jacobson Reservoir all month. Budgeted transfer for June was 450MG and 481MG was actually transferred. A portion of this water was used to replenish the water stored in the reservoir. The water stored in Jacobson Reservoir increased by nearly 20% during the month and was at 96% of capacity by month end. This is critical in order to prepare our system to meet summer demand challenges. System delivery for June 2008 was 52MG higher than budgeted.

Chemicals were \$24,577 under budget due to very little source water turbidity (average of about 15 NTU well below the budgeted 63 NTU), also attributed to less precipitation in June.

3. Rate Case/Orders: Timing, Value, Issues
No new activity to report this period.

4. Commission Activity: Customer Complaints, Compliance

	YTD Collections YTD Billing		YTD Total
2008	14	25	39
2007	11	25	36

5. Divestitures

No additional activity to report.



Kentucky American Water Operations Review June 2008

6. Major Operational Projects

Design is 50% complete for the Carrick Pike main extension that will replace smaller diameter mains with approximately 34,000 feet of 16-inch main. This project will enhance operation of the Russell Cave Road tank while also assisting the supply to Toyota during peak demand periods. The main will also enable Muddy Ford tank to be taken out of service for maintenance more readily. Construction is expected to begin in fall 2008.

North Broadway replacement is currently under design with construction expected to begin later in 2008 for the replacement of approximately 5,400 feet of 6-inch CI main with 12-inch main. Approximately 1,100 feet of small mains on Granard Ave, Morrison Ave and Davidson Court will also be replaced with 8-inch main. The project will substantially increase fire flows for this downtown area, and replace mains which date back to early 1900s.

Construction for approximately 4,700 feet of 8-inch DI main on Yarnallton Road from Kearney Road to the North Yarnallton blow-off is expected to begin in September and be completed by year-end. This project will increase reliability in the area by looping together a back feed from Georgetown Road to the Leestown Road corridor by boring under Interstate 64 to tie in mains currently separated by the Interstate.

12-KY Gross	Original	Q1RF	Q2RF
Full Year Budget	\$55,679,329	\$48,442,182	\$48,442,182
To Date Budget	\$9,675,319	\$10,107,117	\$8,714,373
To Date Actual	\$11,724,307	\$11,724,307	\$11,724,307
To Date Variance	\$2,048,988	\$1,617,190	\$3,009,935

Variance to plan and reforecast primarily attributable to Pool 3 Water Treatment Plant construction beginning ahead of assumed planning dates.

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Kentucky American Water Operations Review June 2008

7. Operational Regulatory Compliance: Status

KY	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	12,190	9,528	0	n Gr	A

KY	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Other Program Maintenance:					
Valve Operation (<16") PUC (2)	2209	2565	356	Y	
Valve Operation (>16") PUC	209	239	30	C	>
Tank Painting (#/\$000's) (3)	1 of 1 YTD \$76K	1 of 1 FY \$281K	0		
Hydrant Inspections (4)	1760	2825	1,065	Y	

- (1) Meter Changes To date, 12,190 of 2008's planned total of 19,050 5/8-inch meters have been changed. These represent both routine change-outs, and those change-outs arising from the former meter life pilot program.
- (2) Small valve operation is 14% behind plan, largely due to resource limitations associated with extended illnesses and restricted duty assignments. Additional resourcing plans are being developed that are expected to enable achieving year-end target.
- (3) The fairgrounds tank painting project in Owenton has been cancelled until such time as water supply issues (with tank out of service) are adequately mitigated.
- (4) Fire Hydrant Inspection Information Fire hydrant inspections continued in June. The program began one month later than planned but is expected to meet year-end target. Information is logged and submitted to the Lexington Fire Department monthly, as agreed.
- 8. Regulatory Policy Compliance Issues
 None to report at this time.



9. Union/Labor Issues/Activities

The Union has requested that the confined space grievance be moved to mediation following the Company's response at the 3rd step grievance meeting. The Company's position, supported by OSHA, is current practice in compliance with all OSHA regulations. Union had perceived field operations practices to be different than production practices, leading to their initial grievance related to a single person reclassifying permitted space to non-permitted space.

10. Explanation of NOVs, OSHA violations, etc.

No NOV's were reported in June.

There were 3 vehicular accidents and 2 occupational injuries reported during the month. Two of the vehicular accidents were non-chargeable and one of the occupational injuries was non-recordable. YTD KAW results remain on track to meet the year-end target.

KAW	Month	2008 YTD	2008 Year	2007 YTD	2007 Year
			End Target		End
Injury Frequency Rate	9.57	2.91	5.76	3.06	6.06

There were no OSHA or DOT citations issued during the month.

11. Revenue Generating Projects/Opportunities

Current Business Development Strategy and Initiative

KAW has initiated a strong business development strategy that incorporates name recognition, branding, market identification and market segmentation. Business Development has identified specific target markets that include municipalities with water / waste water treatment plants and utility districts that provide water distribution in more rural settings. During May 2008, more than 250 letters were sent to Kentucky mayors indicating KAW's interest in developing a working relationship with their respective municipal systems. The letter outlines three business models—operations and management agreements (O & M), public-private partnerships (PPP), and an acquisition model. Additional correspondence will be directed to county judge executives who have some influence with local water districts.

KAW has identified and initiated negotiations with three municipalities that have expressed a keen interest in pursuing one of the KAW business models. The municipalities are: City of Jackson with 2340 water customers and 1194 sewer customers; City of North Middletown with 500 water and 500 waste water customers; and City of Georgetown, a billing services contract. Two additional municipalities with favorable responses and levels of interest include City of Midway and Elkhorn City. The BD lead has also identified and made initial



Kentucky American Water Operations Review June 2008

contact with 12 additional municipalities and/or utility districts in Kentucky and is developing a pipeline of prospects throughout the State of Kentucky.

12. O&M Contracts - Significant Operational/Financial Variances

Year-to-Date Contracts

On June 20, 2008, KAW signed a renewal agreement for an Operations and Management contract with Bluegrass Station (Kentucky Procurement Office). The renewal will mature in January 2009. The income stream from the contract is projected to be \$116,214 with an EBIT of \$47,086. The Bluegrass Station previously commissioned an engineering study of water infrastructure upgrades needed to support current operations and future growth expectations of the facility. The study has been temporarily placed on hold. As the O & M contractor, KAW is well positioned to take advantage of any future RFP's relative to a design-build-operations (DBO) agreement.

13. Other Operational Issues

The Kentucky River and Richmond Road plants were recognized for receiving the **Partnership for Safe Water** Director's Award 10 consecutive years. The award goes to utilities that examine their treatment plants and create plans to improve them. Only three other water utilities have received the award for a decade. Dillard Griffin, KAW manager of production operations, accepted the award on behalf of KAW at the annual AWWA conference in Atlanta June 10. A recognition breakfast is scheduled for July 15 to convey awards to individual plant-operators to acknowledge their role.

Employee Development/Training

Change management training is planned for members of the field operations group in July as individuals assume new organization roles. In addition, several management employees will attend a management seminar for people who supervise and manage others on August 20-21, 2008.

Approximately 35 employees attended the insider trading training session that was offered on June 13, 2008. Tom Wyatt joined the meeting by phone, to provide an overview of information presented at a recent AW presidents meeting.

Main Breaks/Leaks

There were 7 main breaks in June 2008 compared to 23 in June 2007. The drought conditions of 2007 and increased construction levels contributed to the larger number of breaks in the prior year. In June 2008, three of seven main breaks were caused by contractor damage.

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Kentucky American Water Operations Review June 2008

Field Service

Met appointment performance is 97% through June.

KAW hosted the Eastern Division's "Train the Trainer" session for field service representatives June 23-25 in Lexington. Representatives from Kentucky American, West Virginia, Tennessee, Virginia and Pennsylvania attended this training to ensure SOX compliance, share best practices and identify weak or gray areas in field service processes. One of the outcomes expected from the training session is improved levels of customer satisfaction.

Kentucky American Water Board Report – July 2008

Financial Performance

Year-to-Date Results - Actual to Budget:

Operating income was \$1.328 million 19.73% over budget for the six months ending June 2008. Revenues were \$0.339 million over budget 1.24%.

OPEX - variances were \$0.989 million favorable.

- 1. Production costs were on budget. Fuel and power was \$0.252 million unfavorable due to higher energy costs offset by lower purchased water costs \$0.242 million favorable in the Northern district.
- 2. Employee related expenses were \$0.105 million favorable primarily due to higher than plan capital projects offset by a one-time FLSA-related overtime payment.
- 3. Management fees were \$0.319 million unfavorable due to increased corporate fees of \$0.163 million, regional \$0.079 million and shared business services \$0.076 million.
- 4. Regulatory expense was favorable to plan \$0.192 million due to reduced rate case expenses and a longer amortization period than planned.
- 5. Insurance other than group was \$0.154 million favorable mainly due to retro adjustments in the first and second quarters.
- 6. General taxes were \$0.193 million favorable primarily due to a property tax true-up from 2007 and the first six months of 2008.

Depreciation and amortizations were favorable to plan by \$0.456.

Forecast (Full Year):

Operating income is forecasted to be \$0.334 million favorable for the year. Revenues are forecasted to be slightly over plan. Operating expenses are forecasted to be favorable by \$0.288 million. Production costs are forecasted to be unfavorable by \$0.254 million due to increased fuel costs offset by savings in purchased water. Management fees are expected to be unfavorable by \$0.213 million primarily due to Sox and ITS related expenses. Regulatory expense is forecasted to be favorable by \$0.377 million due to the reduced rate case expense and longer amortization period. Depreciation is forecasted to be favorable by \$0.675 million.



Income Statement - Year To Date Kentucky-American Jun YTD 2008 (\$ In Thousands)

Report ID: FRP.1.3 American Water Confedential Close Status: Final pending reviews

			(9	iii i nousenus)				
		YTD Actuals	YTD Plan	Variance Fav / (Unfav)	% Varience	YTD Pr. Yr.	Variance Fav / (Unfav)	% Variance
OPERATING REVENUES			22.040		0.000	02 227	3,033	13.00%
Water Revenues	1 2	26,371 152	26,313 140	58 12	0.22% 8.60%	23,337 168	(16)	(9.62)%
Sewer Revenues Other Operating Revenues	3	1,220	951	269	28.29%	967	253	26.17%
Management Revenues	4	0	0	0		0	0	
Operating Revenues		27,743	27,404	339	1.24%	24,473	3,270	13.36%
OPERATIONS & MAINTENANCE EXPENSE								
PRODUCTION EXPENSES Purchased Water	5	54	296	242	81,80%	207	153	73.97%
Fuel and Power	6	1,406	1,154	(252)	(21.87)%	1,260	(146)	(11.61)%
Chemicals	7	738	754	16	2.07%	746 161	8 22	1.01% 13.53%
Waste Disposal	8	139	142	3 8	1.85% 0.32%	2,373	36	1.51%
Total production costs		2,337	2,345	8	0.32%	2,313	35	1.51 %
O&M LABOR & OVERHEAD Labor	9	3,222	3,297	75	2.27%	2,919	(303)	(10.39)%
Pensions	10	344	259	(85)	(32.64)%	307	(37)	(12.14)%
Group insurances	11	859	991	131	13.27%	856 118	(4) (14)	(0.42)% (12.25)%
Other benefits	12	132	116	(16)	(13.91)%	4,199	(358)	(8.54)%
Total employee related		4,557	4,663	105	2.26%		, ,	
Management fees	13	2,090	1,847	(243)	(13.14)%	3,737	1,647	44.08%
Shared business services	14 15	2,000 373	1,924 439	(76) 65	(3.95)% 14.92%	0 372	(2,000) (1)	(0.30)%
Contracted services Total contracted services	-10	2,374	2,363	(10)	(0.44)%	372	(2,001)	(537.53)%
Regulatory expense	16	140	332	192	57.86%	181	40	22.40%
Insurance Other Than Group	17	209	363	154	42.36%	255	46	18.10%
Customer Accounting	18	700	772	72	9.32%	834 16	134 (2)	16.10% (12.37)%
Rents	19	18 275	16 276	(2) 1	(10.73)% 0.36%	192	(83)	(43.00)%
General office expense	20 21	275 915	992	76	7.70%	572	(343)	(60.00)%
Miscellaneous Maintenance	22	1,233	1,219	(13)	(1.10)%	1,015	(218)	(21.48)%
Total operations and maintenance expense	_	14,848	15,188	340	2.24%	13,746	(1,102)	(8.02)%
Depreciation	23	3,044	3,550 205	506 (50)	14.26% (24.24)%	3,398 233	354 (22)	10.42% (9.36)%
Amortization	24	255 3,299	3,755	456	12,15%	3,631	332	9.15%
Depreciation and amortization		3,289						
General taxes	25	1,535 0	1,727 0	193 0	11.17%	1,445 0	(89) 0	(6.16)%
Impairment charges	27	19,681	20,671	989	4,79%	18,823	(859)	(4.56)%
Total operating expenses, net Operating Income		8,062	6,733	1,328	19.73%	5,650	2,412	
OTHER INCOME & DEDUCTIONS								
Interest Income	28	(6)	0	6		(127)	(121)	(95.40)% (17.87)%
Interest on long-term debt	29	2,874	2,978	104	3,48% (16.75)%	2,438 551	(436) 171	30.99%
Interest on Short-Term Bank Debt	30 31	380 0	326 0	(55) 0		(38)	(38)	(100.00)%
Other Interest Expense Total Interest expense	31	3,248	3,303	55		2,824	(424)	
AFUDC - Equity	32	651	411	240	58.44%	318	333	
AFUDC Fedany AFUDC Debt	33	271	187	84	45.16%	145	(126)	
Amortization of Debt Expense	34	44	36	(9)		36	(8)	
Preferred dividends of subsidiaries (Consolidation only)	35	. 0	0	0		(39)	39	
Gain on sate of assets	26	0	0	0		0 0	0	
Non-Operating Rental Income	36	0 G	0	0		0	0	
Dividend Income - Common Dividend Income - Preferred	37 38	0	0	0		0	Ö	
Miscellaneous income	39	50	0	50	1	189	(139)	
Total other income		50	0	50		189	(139)	(73.67)%
Miscellaneous Amortization	40	0	0 260	1 83		0 229	0 52	
Miscellaneous Other Deductions Total Other Deductions	41	177 177	260	84		229	52	
Other, net		(127)	(260)	133	51.24%	(39)	(88)	(96.35)%
Total other income (deductions)		(2,498)	(3,002)	504	16.79%	(2,476)	(22)	(0.88)%
Income (loss) before income taxes		5,564	3,731	1,832	9.11%	3,174	2,390	75.31%
State Income Taxes	42	376	210	(166)		186 1,098	(190) (954)	
Federal Income Taxes	43	2,052	1,270 0	(782)		8e0,r 0	(954)	
Tax Saving Acquisition Adjustment	46	0 (5)	(21)	(16		3		
State income taxes (non-operating) Federal income taxes (non-operating)	47	(31)	(83)	(52	(62.61)%	24	55	229.91%
Provision (Benefit) for income Taxes		2,391	1,376			1,311	(1,080	
Net income (loss)	40	3,172 39	2,356 230			1,862 0	1,310 39	
Preferred Dividend Declared	48	3,133	2,126			1,862	1,270	
Net Income To Common Stock	-	J, 100	2,120	1,500	11.0370	.,,,,,,		THE REAL PROPERTY.



Balance Sheat Kentucky-American Jun YTD 2008 (\$ In Thousands) Report ID: FRP.3.0 American Water Confidential Close Status: Final pending reviews

		Actuals	Plen	Incr (Decr)	% Verience	Prior Yr. Dec	Incr (Decr)	% Variance
Assets	1	356,869	368.437	(11,568)	(3.1)%	345,341	11,527	3.3%
Utility Plant Construction Work in Progress	2	22,093	21,987	106	0.5%	21,310	783	3.7%
Accumulated Depreciation	3	(83,632)	(88,217)	4,585	5.2%	(80,435)	(3,197)	(4.0)%
Utility Plant Acquisition Adjustments	4	316	323	(7)	(2.2)%	327	(11)	(3.2)%
Other Utility Plant Adjustments	5	0	0	0		0	0	
Total Utility Plant		295,646	302,530	(6,884)	(2.3)%	286,543 250	9,103 20	3.2% 8.2%
Total Non-Utility Plant, Net	6	270	250	20	8.2%	286,793	9,123	3.2%
Total property, plant and equipment		295,916	302,780	(6,864)	(2.3)%	260,783	9,123	3.270
Cash and Cash Equivalents	7	408	286	121	42.4%	398	9	2.3%
Restricted funds	8	0	0	0		0	0	
Utility customer accounts receivable	9	2,608	2,150	458	21.3%	1,928	680	35.3%
Allowance for uncollectible accounts	10	(247)	(286)	39	13.6%	(223)	(24)	(10.6)%
Accrued utility revenues	11	2,873	2,960	(87)	(2.9)%	2,562	311	12.1%
Other receivables, net	12	424	408	16	4.0%	196 388	228 (388)	116.2% (100.0)%
Taxes receivable, including federal income	13 14	0 638	(2,670) 584	2,670 55	100,0% 9.4%	635	(300)	0.6%
Materials and supplies	15	038	564 0	0	5.470	033	0	0.028
Receivable from affiliated companies	16	174	193	(19)	(9.7)%	81	94	116.0%
Other Current Assets	-10	6,879	3,626	3,253	89.7%	5,965	914	15.3%
Current Assets		0,070	0,020	OLLUD	551,710	7,000		
Regulatory assets - income tax recovery	17	6,448	6,171	278	4.5%	6,385	63	1.0%
Debt and preferred stock expense	18	806	706	99	14.1%	846	(40)	(4.8)%
Deferred pension expense	19	0	0	0		0	0	
Deferred postretirement benefit expense	20	0	0	0		0	0	
Deferred security costs	21	0	0	0		0	0	
Deferred business services project expenses	22	0	0	0		0	0	
Deferred integration costs	23	0	0	0		0	0	/e 6\e/
Deferred tank painting costs	24	1,733	1,614	119		1,859 486	(126) (126)	(6.8)%
Deferred rate case	25	360	335	24 0		480	(120)	(26.0)%
Asset premium recoverable thru rates	26	0	0	0		0	0	
Environmental remediation recoverable thru rates	27 28	0 3,027	3,439	(411)		3,181	(154)	(4.8)%
Other Regulatory Assets	20	12,374	12,265	109		12,758	(384)	(3.0)%
Regulatory assets	29	12,374	12,200	0		12,730	(004)	(0.0/10
Other investments	30	ő	0	ő		Ö	Ö	
Long term receivable from affiliate	31	0	ő	0		ŏ	ő	
Funds restricted for construction	32	ŏ	ő	ŏ		ŏ	ō	
Goodwill	33	Ö	ő	ŏ		õ	ō	
Intangible assets Other Long Term Assets	34	853	437	416		488	365	74.9%
Total Regulatory & Other L/T Assets		13,227	12,702	525	4.1%	13,245	(19)	(0.1)%
Total Hogalitary & St.o. E. F. Social			*******			405.000	30.030	2 207
Total Assets	-	316,022	319,107	(3,086)	(1.0)%	306,003	10,019	3.3%
Capital & Liabilities	ar	26 560	36,569	0	0.0%	36,569	0	0.0%
Common Stock	35 36	36,569 24,099	24,056	43		8,056	16,043	
Paid in Capital	37	31,069	29,877	1,192		29,990	1,080	
Retained Earnings	37 38	31,009	23,077	1,132		25,550	0,000	
Accumulated other comprehensive income	39	Ö	ŏ	Õ		ŏ	ō	
Unearned compensation Treasury stock	40	ŏ	ŏ	Č		Ö	Ó	
Common stockholder's equity	-	91,738	90,502	1,235	1.4%	74,615	17,123	22.9%
Preferred Stock without mandatory redemption requirements	41	1,458	1,467	(9)		1,467	(9)	
Long term debt	42	76,700	76,700	`ć		79,800	(3,100)	(3.9)%
Redeemable preferred stock at redemption value	43	4,500	4,500		0.0%	4,500	C	0.010
Total Capitalization		174,396	173,169	1,227	0.7%	160,382	14,014	8.7%
•		44.540	44 507		0.00/	10 256	(4 04.6)	(24 (0))
Short Term Debt	44	14,542	14,537	5		19,356 3,100	(4,814)	
Current Portion of Long-term Debt	45	3,100	3,100 0	(3,100	Č	
Current portion of redeemable stock at redemption value	46 47	4,574		(2,374)			(1,933)	
Accounts Payable	48	3,476	3,931	(455)		5,228	(1,751)	
Taxes Accrued	49	1,150	886	263		1,143	(.,,,,,,	
Interest Accrued	50	2,497	6,279	(3,782		2,027	470	
Total Other Current Liabilities Total Current Liabilities		29,339	35,682	(6,343		37,362	(8,022)	
10mi Critetit Ciantides		20,000		(-1	, (,	,		,
Customer Advances for Construction	51	14,195	18,536	(4,340	(23.4)%	14,653	(458)	
Deferred Income Taxes	52	35,901	36,290	(389	(1.1)%	32,877	3,025	9.2%
Deferred Investment tax credits	53	1,175	1,219	(44	(3.6)%	1,218	(42)	
Regulatory liability-cost of removal	54	9,465	8,221	1,24	15.1%	8,772	693	
Accrued pension expense	55	1,615	1,877	(263		2,174	(560)	
Accrued postretirement benefit expense	56	401	193	208		384	17	
Other Deferred Credits	57	4,153	219	3,934		4,596	(444	
Regulatory & Other Long Term Liabilities		66,906	66,555	35	1 0.5%	64,675	2,231	3.5%
Contributions in aid of costruction	58	45,381	43,701	1,67	3.8%	43,585	1,795	5 4.1%
Total capital and liabilities		316,022	319,107	(3,086) (1.0)%	306,003	10,019	3.3%



Operations Review September 2008



Operational Issues Review

1. Source of Supply and New Water Treatment Plant

Kentucky American Water had been subject to water withdrawal restrictions due to low flows in the Kentucky River for portions of September and early October. The lower river flow also prompted KAW to begin sampling and reporting river water quality results to KY Division of Water. The restriction did not impact service to customers, given the level of customer demand. Although precipitation for the month of September was less than average (1.42" vs. 3.11"), with central Kentucky now in a moderate drought, water releases from upstream impoundments have increased river flows above the threshold which triggers restrictions.

Water Treatment Plant

Excavation and site work on the water treatment plant and booster station continued in July, following the June groundbreaking. Construction is progressing as scheduled, with slabs and walls formed for various sections of the Water Treatment Plant and Intake station. The first change order was processed for \$477,902 to include changes at the intake station as required by building code, installation of the third raw water screen and piping for reliability and additional blasting work adjacent to the treatment building. The road to the intake station was cleared and graded, and grading work was completed at the intake site.

Approximately 11,706 feet of pipe was installed in September, raising the total length installed to 21,834. Fifty percent of easements have been acquired, with another 35 percent in active negotiations. Meetings were held on September 19th and 26th with Franklin County Emergency Services to coordinate road closures for pipeline installation in the right-of-way. The contractor has made adjustments to allow traffic flow to continue around trenching equipment following the Transportation Cabinet's recent refusal to permit road closure on Indian Gap Road. Work is continuing on Iron Works Pike between Newtown Pike and I-75.

KAW held a public meeting August 25 with property owners to discuss corridor enhancement opportunities and concerns as part of an effort to develop stakeholder input. The meeting provided some additional insight although most attendees continued to express strong opposition to the project in general. KAW also met with a non-profit organization that is focused on the preservation of dry stone fences, many of which are along the corridor.

Excavation work is continuing on the booster station site, with materials ordered for pipe connections. The tank subcontractor is expected to begin in October. This portion of the project is also on schedule.

Overall, the project is on schedule with the project approximately 18% complete. A procedural schedule has not been set in the Franklin Circuit Court for the appeal by Citizens for Alternative Water Supply of Kentucky American Water's Certificate of Convenience and Necessity approved by the Kentucky Public Service Commission. On



September 19, four property owners in Franklin County filed a Petition for a Declaration of Rights by the Franklin Circuit Court, challenging Kentucky American Water's ability to condemn property for easements in Franklin County if necessary. KAW will file its response on October 13. Some property owners have indicated they are not willing to negotiate while this issue is pending in the court.

2. Operational Costs: Energy, Chemicals, Residuals

	September Actual	September Plan	Variance	September YTD	September YTD Plan	Variance
Purchased Water	11	55_	(45)	87	460	(373)
Fuel and Power	339	302	37	2,429	2,053	376
Chemicals	234	169	65	1,264	1,261	3
Waste Disposal	17	28	(11)	206	224	(18)
Total Production	600	554	46	3,986	3,998	(11)

Fuel and power is over plan for the month primarily attributable to increased energy costs. Production costs remain below plan YTD, attributable to lower purchased water which offset higher than plan fuel and power. The chemical overage is due to the need to enhance coagulation at KRS to meet regulatory requirements and the need to feed excess carbon at KRS and RRS. System delivery ended September 191 million gallons below plan and 459 million gallons under plan for the quarter.

3. Rate Case/Orders: Timing, Value, Issues Schedules and filing information are being assembled in preparation of a fall rate filing.

4. Commission Activity: Customer Complaints, Compliance

	Year	YTD Collections	YTD Billing	Pipeline	YTD Total
_	2008	26	39	1	66
	2007	33	32	0	65

5. Divestitures

No additional activity to report.



6. Major Operational Projects

The Carrick Pike main extension project will replace smaller diameter mains with approximately 28,000 feet of 16-inch main. This project will enhance operation of the Russell Cave Road tank while assisting the supply to Toyota during peak demand periods. The main will also enable Muddy Ford tank to be taken out of service for maintenance more readily. Bids for construction were received on September 17. Easement acquisition is progressing with construction expected to begin in late fall 2008.

The North Broadway Main Replacement Project will substantially increase fire flows for the downtown area of Lexington. The project will also replace approximately 5,400 feet of 6-inch main which dates back to the late 1800's and early 1900's. The first phase of the project, which is about to commence will be the replacement of approximately 1,100 feet of small mains on Granard Avenue and Morrison Avenue. This will connect to the mains on North Broadway. The remainder of the project on North Broadway will begin in early Spring 2009.

Construction for approximately 4,700 feet of 8-inch DI main on Yarnallton Road from Kearney Road to the North Yarnallton blow-off is nearing completion and is scheduled to be in service by mid-October 2008. This project will increase reliability in the area by looping together a back feed from Georgetown Road to the Leestown Road corridor by boring under Interstate 64 to tie in mains currently separated by the Interstate.

12-KY Gross	Original	Q1RF	Q2RF	Q3RF
Full Year Budget	\$55,679,329	\$48,442,182	\$48,442,182	\$52,800,082
To Date Budget	\$33,361,629	\$25,076,006	\$25,691,230	\$33,601,543
To Date Actual	\$34,502,198	\$34,502,198	\$34,502,198	\$34,502,198
To Date Variance	\$1,140,569	\$9,426,192	\$8,810,968	\$900,655

Actual spend is ahead of plan, primarily attributable \$1.627 work on the Water Treatment Plant project.

7. Operational Regulatory Compliance: Status

KY	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	20,330	14,292	0	G.F.	Ī



Other Program Maintenance:					
Valve Operation (<16") PUC (2)	3345	3921	576	Υ	
Valve Operation (>16") PUC	209	329	120	Y	
Tank Painting (#/\$000's) (3)	1 of 1 YTD \$72K	1 of 1 FY \$281K	0		
Hydrant Inspections (4)	4775	5700	925	Υ	1

- (1) Meter Changes To date, 20,330 meters have been replaced. These represent both routine periodic change-outs, and those change-outs arising from the former meter life pilot program.
- (2) Valve operations remain behind plan, attributable in part to redirection of personnel to other activities including NRW and leak repair. An assessment is underway to determine whether, and how, the year end target can be attained.
- (3) The fairgrounds tank painting project in Owenton has been cancelled until such time as water supply issues (with tank out of service) are adequately mitigated.
- (4) Fire Hydrant Inspection Information Fire hydrant inspections continued in September. Inspections continue to lag plan, attributable to the program beginning one month later than expected. Inspections are expected to meet year-end target, though are likely to extend beyond the October planned completion time frame.

8. Regulatory Compliance - Other

The Kentucky Public Service Commission conducted inspections of the Rockwell Village and Owenton wastewater treatment facilities, including lift stations in August. The PSC also inspected the Northern Division water system, including the Owenton water treatment plant. PSC staff found no deficiencies and were generally complimentary of operations.

Also in August, the Kentucky Division of Water conducted an unannounced inspection of our Northern Division waste water treatment plant. During this inspection, they reviewed data, observed all sampling and analyses, and collected split samples. No deviations were noted. The DOW also performed an inspection of the Central Division bacteriological laboratory, which passed certification.

Kentucky American has retained Gannett Fleming, Inc. to assist in developing a leak mitigation plan and Strand Associates, Inc. to assist in development of a water conservation/demand management plan. This satisfies Condition No. 8 of the Commission's April 25, 2008 Order requiring KAW to retain a qualified consultant to



review these plans consistent with the best practices in the water industry. The first report providing initial status to the PSC is due November 1.

On September 23, KAW hosted a tour of its facilities for PSC Commissioners and staff, and representatives from the Attorney General's office. KAW provided technical demonstrations of certain operational practices, as well as information regarding the Company and key personnel. The event provided a close-up view of water company operations for newer commissioners and staff, and an opportunity for newer KAW team members to interact with the PSC staff. PSC Executive Director Stephanie Stumbo personally sent a letter to thank the KAW team for its efforts and hospitality.

9. Union/Labor Issues/Activities

The mediation on the confined space issue was held on September 29, 2008. The Company and the Union agreed on a resolution to the grievance.

10. Explanation of NOVs, OSHA violations, etc.

There were no notices of violation reported in September.

There were 3 occupational injuries and 4 chargeable vehicular accidents reported during the quarter. One of the occupational injuries reported was denied by the company but is currently under investigation by Travelers Insurance. The other two occupational injuries were non-recordable. YTD KAW results remain on track to meet the year-end target.

			2008 Year		2007
	September	2008 YTD	End Target	2007 YTD	Year End
Injury Frequency Rate	0.00	2.83	5.76	4.93	6.06

11. Revenue Generating Projects/Opportunities

KAW expects to present a request to the regional Commercial Development Committee for development approval on two local projects during October. The City of North Middletown has approximately 375 water and 250 sewer customers and purchases water from KAW. South Shore Water Company (investor owned), located in Greenup County, provides water to 2,282 customers including the City of South Shore.

Business development activities are on-going with Elkhorn City in Pike County and Jackson Municipal in Breathitt County. Elkhorn City has 550 water and 500 sewer customers. Jackson Municipal has 2,189 water and 1,197 sewer customers.

New contacts for the month of September 2008 include Center Ridge Water District in Calloway County (Western KY) serving 350 residential customers and Cedarbrook, a privately owned waste water treatment facility in Harrison County.



A follow-up meeting with the Mayor of Midway and his water/sewer staff continued to build consensus with the Mayor. Midway currently purchases water from KAW and operates their own waste water treatment plant.

12. O&M Contracts - Significant Operational/Financial Variances

Year-to-Date Contracts

No activity to report this period.

13. Other Operational Issues

Kentucky American Water was one of just seven companies, out of 70 nominees, who received 2008 Republic Bank We CARE awards at the annual We CARE dinner held recently. The company was nominated in the Public Works, Services and Education category for the award, which recognizes companies who contribute to the community through corporate giving programs and employee volunteerism. WLEX-TV (NBC) was a media sponsor of the event, and will be showcasing winners in its news segments the next few weeks.

The Kentucky Division of Water (DOW) recently approved an internal general permitting process for Kentucky American Water. Company personnel can now internally review and approve main extension projects for 3 to 12 inch mains, and up to 10,000 feet in length. Previously every project was submitted to the DOW for this review, along with a permit fee for each project. Projects were not started until the DOW-approved permit was received. KAW began the extensive application process in 2005, actively participating in the process which established baseline standards for all utilities hoping to qualify for in-house review. Continued follow-up inquiries after the initial 2006 application eventually resulted in the recently executed order. The new process is expected to reduce overall operating costs; however, the greater benefit is that KAW expects to have faster turnaround time for projects which no longer have to wait in the DOW queue for permit approval. The majority of KAW projects are expected to fall into this self-approval category, with only the larger replacement/extension projects still requiring DOW approval.

There were two boil water advisories posted in September, one resulting from a 3rd party hit to a water main, the other attributable to a main break.

Non-Revenue Water

Field Operations and Production staff worked together to assess non-revenue water used in blow offs for water quality purposes. There are currently 10 blowoffs running in the outer lying areas of Scott and Clark counties which are necessary to address issues related to low demand from the small number of customers served. Changes made to blow off flow rates have reduced non-revenue water.



Newer versions of permalog leak monitoring equipment are replacing all 895 units that have been in use throughout the system. A representative of Fluid Conservation Systems is doing the work to address equipment performance issues. Approximately 300 were replaced in September, with the remainder scheduled for replacement in October.

Kentucky American Water Board Report – September 2008

Financial Performance

Year-to-Date Results – Actual to Budget:

Operating income was \$2.133 million 16.43% over budget for the nine months ending September 2008. Revenues were \$0.799 million over budget 1.80%.

Operations and Maintenance Expenses were \$0.250 million favorable.

- 1. Production costs were virtually on budget. Fuel and power was \$0.376 million unfavorable due to higher energy costs offset by lower purchased water costs \$0.373 million favorable in the Northern district and termination of intercompany purchases.
- Employee related expenses were \$0.175 million favorable primarily due to higher than plan capital projects offset by a one-time FLSA-related overtime payment.
- 3. Management fees were \$0.342 million unfavorable due to increased corporate fees of \$0.241 million, regional \$0.101 million. Shared business services were \$0.084 million unfavorable related primarily to ITS costs.
- 4. Regulatory expense was favorable to plan \$0.290 million due to reduced rate case expenses and a longer amortization period than reflected in the Plan.
- 5. Insurance other than group was \$0.211 million favorable mainly due to retro adjustments in the first, second and third quarters.
- 6. General taxes were \$0.268 million favorable primarily due to property tax true-up associated with the 2007 return and the first nine months of 2008.

Depreciation and amortizations were favorable to plan by \$0.817.

Forecast (Full Year):

Operating income is forecasted to be \$1.091 million favorable for the year. Revenues are forecasted to be slightly over plan. Total Operating Expenses are forecasted to be favorable by \$1.020 million. Production costs are forecasted to be unfavorable by \$0.119 million due to increased fuel costs offset by savings in purchased water. Management fees are expected to be unfavorable by \$0.353 million primarily due to SOX related expenses. Shared Business Services are forecast to be over Plan by \$0.108 million primarily due to ITS related costs. Regulatory expense is forecasted to be favorable by \$0.381 million due to the reduced rate case expense and longer amortization period. Depreciation is forecasted to be favorable by \$0.917 million.



Kentucky with Growth Dec YTD 2008 P&L Comparison (\$ In Thousands)

		FY Q3RF	Plan	Variance Favorable (Unfavorable)	% Variance
OPERATING REVENUES		F0 007	F7 000	(400)	-1%
Water Revenues	1 2	56,937 294	57,360 278	(423) 16	-1% 6%
Sewer Revenues Other Operating Revenues	3	2,379	1,902	477	25%
Management Revenues	4	0	0	0	
Operating Revenues		59,610	59,540	70	0%
OPERATIONS & MAINTENANCE EXPENSE PRODUCTION EXPENSES					
Purchased Water	5	162	604 2,794	442 (475)	73% -17%
Fuel and Power Chemicals	6 7	3,269 1,732	1,637	(475) (95)	-17%
Waste Disposal	Ŕ	287	295	8	3%
Total production costs		5,449	5,330	(119)	-2%
O&M LABOR & OVERHEAD Labor	9	6,535	6,735	200	3%
Pensions	10	617	518	(99)	-19%
Group insurances	11	1,792	1,984	192	10%
Other benefits	12	257	233	(24)	-10%
Total employee related		9,202	9,470	. 268	3%
Management fees	13	3,841	3,488	(353)	-10%
Shared business services	14	3,989	3,881	(108)	-3%
Contracted services	15	856	829	(27)	-3%
Total contracted services		4,845	4,710	(135)	-3%
Regulatory expense	16	226	607	381	63%
Insurance Other Than Group	17	502	726	224	31%
Customer Accounting	18	1,464	1,586	122	8%
Rents	19	35 584	32 464	(3) (120)	-9% -26%
General office expense Miscellaneous	20 21	1,846	1,870	(120)	
Maintenance	22	2,671	2,330	(341)	-15%
Total operations and maintenance expense		30,663	30,614	(49)	0%
Depreciation	23	6,256	7,173	917	13%
Amortization	24	509	411	(98)	-24%
Depreciation and amortization		6,765	7,584	819	11%
General taxes	25	3,219	3,469	250	7%
Impairment charges	27	0	0	0	
Total operating expenses, net		40,647	41,667	1,020	
Operating income		18,964	17,873	1,091	6%
OTHER INCOME & DEDUCTIONS Interest Income	28	(6)	0	6	
Interest on long-term debt	29	5,697	5,903	206	
Interest on Short-Term Bank Debt	30 31	797 0	1,044 0	247 0	
Other Interest Expense Total interest expense		6,488	6,947	459	
·	32	1,673	1,507	166	11%
AFUDC - Equity AFUDC Debt	33	737	684	53	
Amortization of Debt Expense	34	83	71	(12)	-17%
Preferred dividends of subsidiaries (Consolidation only	35	D	Đ	0	
Gain on sale of assets	26	0	0	0	
Non-Operating Rental Income	36	0	0	0	
Dividend Income - Common Dividend Income - Preferred	37 38	0	0		
Miscellaneous income	39	51	Ő	51	
Total other income		51	0	51	100%
Miscellaneous Amortization	40	0	1	0	
Miscellaneous Other Deductions	41	281 281	363 363	82 82	
Total Other Deductions		281	303	82	. 2370
Other, net,		(230)	(363)	133	37%
Total other income (deductions)		(4,390)	(5,190)	800	15%
Income (loss) before income taxes		14,574	12,683	1,891	15%
State Income Taxes	42	852	641	(211)	
Federal Income Taxes	43 44	4,863 0	4,251 0		
Tax Saving Acquisition Adjustment State income taxes (non-operating)	46	(12)	(27)	(15)	
Federal income taxes (non-operating)	47	48	(107)	(155)	145%
Provision for income taxes		5,751 8,822	4,758 7,925		-21% 11%
Net income (loss)		0,022	7,925	097	1170

Income Statement - Year To Date	Kentucky with Growth Sep YTD 2008	(\$ in Thousands)

. 744 1000	۶	YTD Actuals YT	V Fa YTD Reforecast (Un	Variance Favorable (Unfavorable) %	% Variance Y	Ve Far YTD Plan (Unfa	Variance Favorable (Unfavorable) %	% Variance	YTD Pr. Yr. (Ur	Variance Favorable (Unfavorable)	% Variance
<u>OPERATING REVENUES</u> Water Revenues	i i	43,044	42,557	487	1.14%	42,729	315	0.74%	37,540	5,504	14,66%
Sewer Revenues Other Operating Revenues	พดจ	£85.	1,850	. \$ c	2.19%	1,427	3 % -	32,53%	1,628	782°	16.14%
Management Revenues Operating Revenues	+	45,166	44,636	230	1,19%	44,367	799	1,80%	39,424	5,742	14.56%
OPERATIONS & MAINTENANCE EXPENSE PRODUCTION EXPENSES	;	!	!	ţ		Ę	į	300	Ş	•	350
Purchased Water Fuel and Power	un (co t	2,429	2,410	- @ ((0.76)%	2,053	(3) (3) (3) (3)	(18.29)%	2,097	(332)	(15,82)%
Cnemicals Waste Disposal Total production costs	ω	3,986	3,977	<u>;</u> =6	4,99%	3,998	2 2	8.02%	3,622	(364)	2.57%
OSM LABOR & OVERHEAD	σ	4801	4 834	(3)	(1.17)%	4.998	107	2.14%	4.394	(497)	(11.31)%
Labor Protestors Exercises	, t	498	488	(£)	(2.05)%	383	(109) 209	(28,06)%	1,313	(2) (2)	(5.78)% 2,79%
Orbotal management of the control of	12	209	202 6,817	(57)	(3.38)% (0.84)%	7,050	(32)	(17,84)% 2.49%	168	(528)	(8.33)%
Management fees	ដ	3,010	2,957	(23)	(1.80)%	2,669	(342)	(12.81)%	5,612	2,602	46,36%
Shared business services Contracted services Total contracted services	4 £	2,989 672 3,661	3,013 660 3,673	24 (12)	0.78% (1.82)% 0.31%	2,905 647 3,552	(25)	(2.90)% (3.84)% (3.07)%	573 573	(2,989) (99) (3,088)	(17.20)%
Regulatory expense	19	180	182	- 01	0.78%	470	230	61.62%	271	8	33.40%
Insurance Omer I han Group Customer Accounting	÷ 55 55	1,074	1,060 26	, ((1.35)%	1,187	113	9,51%	1,097 23	80	2,08%
General office expense Miscellaneous	128	500 1,325	1,346	គ្លួនត្ថ	(5.23)%	389	£ 25 £	(28,42)% 8.89% (6,65)%	318 1,043 1444	(182) (283) (468)	(57.24)% (27.11)% (32.40)%
Maintenance: Total operations and maintenance expense	21	22,881	22,732	(149)	(0.65)%	23,130	250	1.08%	20,762	(2,119)	(10.20)%
Deprectation Amortization	82	4,454	4,546	88	2.02% (0.41)%	308	(76)	16,70% (24,73)%	5,153	95 (6)	13,58% (1.59)%
Depreciation and amortization	;	858,4	4,526	9 5	8,50.	t coin	5 6	70000	1 40 4	(427)	/R 2319%
General taxes Impairment charges	28	2,330 30.049	2,348 0 30,008	5 o £	0.76%	31,383	33,0	4.25%	28,487	(1,562)	(5.48)%
Does operating income		15,117	14,628	489	3,35%	12,984	2,133	16,43%	10,937	4,180	38,22%
OTHER INCOME & DEDUCTIONS Interest broad in interest broad in interest broad in interest broad in interest on long-lerm death interest on long-lerm Benk Dobt Interest on interest Expense Other Interest Expense	3.8.23	(6) 4,285 495 0	(6) 4,285 504 0	0080	0.00% 0.01% 1.64% 100.00%	0 4,440 601 5,043	6 156 0 0	3.51% 17.54% 5.29%	(127) 3,326 1,154 (38) 4,315	(121) (959) 659 (38) (38)	(95.40)% (28.83)% 57.07% (100.00)%
Total interest expense		4,1/4	38/4	n.	\$ 0 0 0	÷	Š	200	2	(Act)	1
AFUDC - Equity AUDC Dobt - Expense Amoritzation of Dobt Expense Preferred dividends of subbidiaries (Consolidation only)	8888	838 380 67 0	1,023 444 65 0	(3) (8) (8) (9) (9)	(18.04)% (14.44)% (3.49)%	368 54 0	85 <u>6</u> 0	3,51% 3,20% (25,69)%	567 257 54 (59)	25 E &	47.92% 47.51% (23.64)% 100.00%
Gain on sale of assets Non-Operating Rental Income	188	000	000	000		000	000		000	000	
Divident income - Common Divident income - Preferred Miscellaneus income	88	0 6 6	50.00	(32)	(62,97)%	000	0 65 65		0 B B	(149) (149)	(88.82)%
Miscellanous Amortzation Miscellanous Amortzation	8 2	283	236	(46)	45,37% (6.91)%	303	₩.	155,28% 16,60%	255	20	0.00%
Total Other Deductions		252	236	(16)	%(88'9)	304	51	16.87%	255	2	%96.0
Other, net		(234)	(185)	(48)	(26.01)%	(304)	20	23.06%	(87)	(147)	(83.77)%
Total other income (deductions)		(3,857)	(3,567)	(230)	(8.14)%	(4,220)	363	8.61%	(3,691)	(166)	(4,51)%
Income (loss) before income taxes		11,260	11,061	199	1,80%	8,764	2,496	28.48%	7,246	4,014	55.39%
State Income Taxes Federal Income Taxes	24 8	709 4,000	891 3,731	(18) (269)	(2.62)% (7,22)%	2,940	(1,060)	(36.03)%	2,483	(295) (1,517)	(71.12)% (61.08)%
Tax Saving Acquisition Adjustment State income taxes (non-operating) State income taxes (non-operating)	45	- 8 <u>8</u>	86	208	0.17%	86	55.5°	(66,88)% (56,57)%	13.1	6 SS	784.05%
Provision (Benefit) for Income Taxes Not income (loss)		4,658 6,602	4,394 6,667	(264)	(6.02)% (0.98)%	3,272 5,492	(1,387)	(42,38)% 20,20%	2,911	(1,747) 2,267	(60.01)% 52,29%
Preferred Dividend Declared	\$	59	6,609	(65)	(0.39)%	345 5,148	(386)	27.11%	4,335	2,208	50,94%

		Actuals	s Reforecast	Increase (Decrease)	% Variance	Plan	Increase (Decrease) %	% Variance Pr	in Prior Yr. Dec (De	Increase (Decrease) %	% Variance
Assots	Utility Plant Construction Work in Progress Accumilated Depresdation Lifter Plant Acquisition Adjustments	1 362,163 2 37,899 3 (83,724) 4 310	3 359,733 39,677) (84,835)	2,431 (1,778) 1,110 (7)	0.7% (4.5)% 1.3% (2.3)%	388,173 21,987 (90,377) 318	(26,010) 15,912 6,653 (8)	(6.7)% 72.4% 7.4% (2.5)%	345,341 21,310 (80,435) 327	16,822 16,589 (3,290) (17)	4.9% 77.8% (4.1)% (5.2)%
Total Utility Plant	Other Utility Plant Adjustments Plant		314,892		0.6%	320,101	(3,453)	(1.1)%	286,543	30,104	10.5%
Non-udity F Total proper	Non-utility Property Total property, plant and equipment		1		%9,0	320,350	(3,432)	(1.1)%	286,793	30,125	10.5%
	Cosh and Cash Equivalents		2 264	χ, c	10.7%	787	100	1.8%	398	(106) 0	(26.7)%
	resultation units Utility customer accounts receivable Allowance for uncollectible accounts	9 2,907	, ~	9) ~	(17.9)% (7.6)%	3,029	(122)	(4.0)%	1,928	979	50.8%
	Accrued utility revenues Other receivables, net				(4.7)% (6.6)%	2,960 408	00t (et-)	3.4%	2,562 196	8 8 E	47.5%
	Taxes receivable, including federal income Materials and supplies				(20.0)%	(2,670) 584	2,670	100.0% (1.5)%	888 85	(88) (99)	(3.4)%
	Receivable from affiliated companies Other Current Assets	15 0 16 148		(13)	(100.0)% (31.8)%	. tg	(45)	(23.1)%	8 0	0 89	83,8%
Current Assets		7,01			(12.7)%	4,505	2,511	55.7%	5,965	1,052	17.6%
	Regulatory assets - income tax recovery Debt and preferred stock expense	17 3,078 18 818	8 6,421 8 790	(3,344)	(52.1)% 3,5%	5,942 688	(2,864)	(48.2)% 18.8%	6,385 846	(3,308) (28)	(51.8)%
	Deferred pension expense Deferred postretirement benefit expense	은 유 유		00		000	000		000	000	
	Deferred security costs Deferred business services project expenses	2 23	00	00		00	00		001	001	
	Deferred integration costs Deferred tank painting costs	24 23	1,669	•	0.2%	1,545	0 22 0	8.3%	1,859 486	(186) (124)	(10.0)%
	Deferred rate case Asset premium recoverable thru rates Figure 1.1	382			2	900	900		00		
	Ching interior a seets Other Regulatory Assets		3,0,5	(1)	3.9)%	3,309	(405)	(12.3)%	3,181	(277)	(30.8)%
Regulatory assets	assets Other investments	8,8,8 0	0 12,227	0 (0	8 (1.12)	0	0 (5,0,5)	Q (+·+7)	0	0	a faina)
	Long arm receivable from effilieto Euroke restricted for constitution					00			00	00	
	Goodwill accepte	88				00	90		00	6 0	:
1	Other Long Term Assets	ľ	ľ	(3.590)	(19.8)%	437	388 (2,453)	88.6% (20,2)%	488	(3,580)	69.2%
nfau imoi	3000 T 1010 T 1010				100		18,600	74 6192	306.003	27.547	30.6
Total Assets		333,600	336,455	(2,855)	R(0,0)	335,974	(3,574)	α(n:1)	200,000	(SE) 173	800
Capital & Liabilities	Spinal Chinal				%0'0			%0.0	36,569	0	0.0%
	Paid in Capital	36 24,117	24,113		80.0	24,056	1304	0.3% 4.1%	8,056	3,095	199.4%
	Ketained Earlings Accommissed other comprehensive income	8 6 8 8		000	2 (0:01		00	:	00	00	
	Treasury stock		1			ı	0	, 50	74.645	19 156	25.7%
Common s	tockholder's equity Preferred Stock without mandatory redemption requil 41	93,771	33,970	(SSL)	8 % 0.0 8 % 0.0	1,467	(TT)	(0.8) %(8.0) %0.0	1,467	(1.5) (1.5) (1.5)	(0.8) %(0.8) %(0.8)
	Long term debt Redeemable preferred stock at redemption value	43 4,50	ľ			1	1.353	%0.0	4,500	16,044	10.0%
Iodal Capitalization	Short Tern Debt				3.9%		(3,187)	(11.8)%	19,356	4,479	23,1%
	Current Portion of Long-term Debt	45 3,100		00	0.0%		00	0.0%	3,100 0	00	0.0 %
	Accounts Payable	\$ \$		(900)	(8.8)%		2,145	30.0% 9.9%	6,507	2,788 (322)	42.8%
	I axes Accued Interest Accued Total Other Current Lishilities	49 1,910 50 2,655	1,909		0.0%	1,698	212 (2,953)	12.5% (52.7)%	1,143	766 627	67.0% 30,9%
Total Current	- <u>18</u>	1			1.0%	1	(3,340)	%(8'9)	37,362	8,338	22.3%
	Customer Advances for Construction				(0.1)%	19,601	(5,303)	(27.1)% 1.5%	14,653	(356)	(2.4)% 13.5%
	Deferred Investment tax credits						(32)	(2.7)% 19.4%	1,218 8,772	1,041	(5.2)% 11.9%
	Accused persion expense Accused postratirement benefit expense	55 1,502 56 412	1,487	2002	1.0%		(203) 219	113,1%	2,174	(672) 28 28	7.2%
Regulatory	Other Deferred Cradits Requistory & Other Long Term Liabilities	1				9	(2,624)	(3.9)%	64,675	265	0.9%
Contribute	Contributions in aid of costruction	58 46,203		(787)	(1.7)%	44,966	1,237	2.8%	43,585	2,618	6.0%
		K K K	1000	1220 67	78.0/07	ATO 500	17.2.27	74 (0) 47	306 003	27.597	%0%

AMERICAN WAT



Operations Review November 2008



Operational Issues Review

1. Source of Supply and New Water Treatment Plant

There are no current source-of-supply issues. Central Kentucky remained in a moderate drought status through November. Precipitation was less than average at 2.5 vs. 3.4 inches for the month.

Water Treatment Plant

The water treatment plant foundation work was completed and concrete walls on all of the treatment processes are under construction. The structural caissons at the raw water intake site were completed at the end of November and construction work is beginning on the intake building. Work is on budget and on schedule for completion in May 2010.

Approximately 17,705 feet of pipe was installed in October and November, raising the total pipeline length installed to 41,276. Easement acquisition continues, with 86 of 111 easements signed, or 77%. Fifteen easements are still in negotiations and are potentially acquirable. The remaining 10 have either responded negatively and were not pursued pending negotiations on alignment of adjacent properties. KAW continues to work with the Kentucky Transportation Cabinet on complaints regarding construction within the right-of-way. Additionally, the Transportation Cabinet is now requiring pavement restoration beyond what was originally required in the contractor's bid which may require an increase in the project costs. Work is on budget and on schedule for completion in late 2009.

Excavation work was completed and construction of the walls for the booster pump station and three million gallon storage tank started in October. The concrete slab for the tank foundation was completed in November and the tank contractor has since demobilized for the winter. Work continues on the booster pump station building and grading work on site. Work is on budget and on schedule for completion in fourth quarter 2009.

Overall, the project is approximately 25% complete, and is on budget with a scheduled completion date of May 2010. The Franklin Circuit Court has not issued a procedural schedule in the appeal of the Certificate of Convenience and Necessity. A hearing was held November 10 in Franklin Circuit Court regarding a request by four property owners to determine if Kentucky American Water has the ability to exercise eminent domain in Franklin County for this project. Judge Shepherd requested that parties consider negotiations for an additional 30 days on potential easements.



2. Operational Costs: Energy, Chemicals, Residuals

	November	November		November	THE SECOND PROPERTY OF THE SECOND PROPERTY.	
	Actual	Plan	Variance	YTD	YTD Plan	Variance
Purchased Water	10 .	46	(36)	116	555	(439)
Fuel and Power	272	255	17	3,019	2,657	362
Chemicals	133	128	5	1,611	1,522	89
Waste Disposal	26	21	5	255	267	(12)
Total Production	441	450	(9)	5,000	5,000	

Increased costs for chemicals and fuel and power in 2008 were offset by the positive budget variance in purchased water.

3. Rate Case/Orders: Timing, Value, Issues

Kentucky American Water filed a request for a rate increase with the PSC on October 31, 2008. The request was for approximately \$18.5 million, or 31.27%. KAW has answered Staff's initial Data Request. The Attorney General's (AG) office, the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, and the Lexington Fayette Urban County Government (LFUCG) have intervened. In addition an individual customer has moved to intervene, and KAW has filed in opposition to that motion. The PSC issued an Order on November 26 suspending the rates and setting a procedural schedule. The first data request from all parties is due December 18. KAW and the AG have reached an informal agreement for the AG's office to submit earlier. KAW has received the AG's data requests and is attempting to provide responses before the holidays. Hearings are scheduled to begin April 14.

4. Commission Activity: Customer Complaints, Compliance

Year	YTD Collections	YTD Billing	YTD Total
2008	33	54	87
2007	37	42	79

5. Divestitures

No additional activity to report.

6. Major Operational Projects

Easement acquisition is progressing slower than anticipated on the Carrick Pike main extension project, which will replace smaller diameter mains with approximately 28,000 feet of 16-inch main. This project will enhance operation of the Russell Cave Road tank



while assisting the supply to Toyota during peak demand periods. The main will also enable Muddy Ford tank to be taken out of service for maintenance more readily. Currently, the anticipated start date is 2009 once easement acquisition is substantially complete.

The North Broadway Main Replacement Project will substantially increase fire flows for the downtown area of Lexington. The project will also replace approximately 5,400 feet of 6-inch main which dates back to the late 1800's and early 1900's. The first phase of the project started with construction on Morrison Ave. The contractor will begin installing meter services on Granard Avenue in January and will complete construction in early 2009. The remainder of the project, along North Broadway, is expected to start in March 2009.

12-KY Gross	Original	Q1RF	Q2RF	Q3RF
Full Year Budget	\$55,679,329	\$48,442,182	\$48,442,182	\$52,800,082
To Date Budget	\$49,531,414	\$39,348,731	\$39,613,457	\$45,672,509
To Date Actual	\$51,077,499	\$51,077,499	\$51,077,499	\$51,077,499
To Date Variance	\$1,546,085	\$11,728,768	\$11,464,042	\$5,404,990

Actual spend is ahead of plan, primarily attributable \$7.9 million work on the Water Treatment Plant project.

7. Operational Regulatory Compliance: Status

KY	Act (YT	ual Plan D) (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	21,5	17,468	0	G	

Other Program Maintenance:					
Valve Operation (<16") PUC (2)	3859	4840	981	Y	
Valve Operation (>16") PUC	243	409	166	Υ	
Tank Painting (#/\$000's) (3)	1 of 1 YTD \$50K	1 of 1 FY \$281K	0		1
Hydrant Inspections (4)	6891	6891	0	G.	

(1) To date, 21587 meters have been replaced. These represent both routine periodic change-outs, and those change-outs arising from the former meter life pilot program.



- (2) Valve operations remain behind plan, attributable in part to redirection of personnel to other activities including NRW and leak repair. Small valves will continue to be addressed as part of five year cycle. Large valves not operated this year will be targeted early 2009.
- (3) The fairgrounds tank painting project in Owenton has been cancelled until such time as water supply issues (with tank out of service) are adequately mitigated.
- (4) All planned inspections were reported completed through November.

8. Regulatory Compliance – Other

The Kentucky Cabinet for Health and Family Services performed inspections of the fluoride program at the Kentucky River Station and Richmond Road Station in November. The inspector noted that both plants were well run and professional. No deficiencies were noted.

9. Union/Labor Issues/Activities

There are no union issues pending at this time.

10. Explanation of NOVs, OSHA violations, etc.

There were no notices of violation reported in November.

There were two vehicular accidents reported during the month and one of the accidents resulted in an occupational injury. The employee was transported to the hospital by local medical personnel and released that evening. The employee sustained injuries to his back, shoulder and neck resulting in a total of 8 days away from work.

YTD KAW results remain on track to meet the year-end target.

	November	2008 YTD	2008 Year End Target	2007 YTD	2007 Year End
Injury Frequency Rate	8.62	3.10	5.76	6.06	4.90

11. Revenue Generating Projects/Opportunities

A team of KAW personnel performed an on-site inspection of the water assets of South Shore Water Works Company in November. A similar inspection for the City of North Middletown Municipal Water and Sewer occurred December 3. Inspection information for both is being evaluated to move potential proposals forward.

KAW is currently working on a proposal with Lexington Fayette Urban County Government (LFUCG) to provide billing services for the recently announced storm water



fee. The customer base is estimated to be 110,000. Collection of the proposed fee is projected to begin April 1, 2009, subject to approval by LFUCG Council.

12. O&M Contracts – Significant Operational/Financial Variances
No activity to report this period.

13. Other Operational Issues

Excavation equipment damaged a PVC main in Clark County November 26, requiring issuance of a boil water advisory as pressure dropped below 20 psi. Approximately 90 residential and 1 commercial customers were affected. KAW communicated this advisory through the utilization of the Reverse 911 system and door to door notification by company personnel. The advisory was lifted on November 27, 2008.

Kentucky American Water Board Report – November 2008

Financial Performance

Year-to-Date Results – Actual to Budget:

Operating income was \$2.373 million 14.33% over budget for the eleven months ending November 2008. Revenues were \$1.084 million over budget 1.98%.

OPEX – variances were \$1,290 million favorable.

- 1. Production costs were slightly over budget. Fuel and power was \$0.446 million unfavorable due to higher energy costs offset by lower purchased water costs \$0.439 million favorable in the Northern district. Chemicals costs were over budget \$.089 due to higher costs.
- 2. Employee related expenses were \$0.228 million favorable primarily due to higher than plan capital projects offset by a one-time FLSA-related overtime payment.
- 3. Management fees and shared business services were \$0.495 million unfavorable due to higher than plan corporate fees of \$0.248 million, regional \$0.151 million and shared business services \$0.096 million.
- 4. Regulatory expense was favorable to plan \$0.354 million due to lower than plan rate case expenses and a longer amortization period than planned.
- 5. Insurance other than group was \$0.237 million favorable mainly due to retro adjustments in the first, second and third quarters.
- 6. General taxes were \$0.282 million favorable primarily due to a property tax true-up from 2007 and the first eleven months of 2008.

Depreciation and amortizations were favorable to plan by \$1.069.

Forecast (Full Year):

Operating income is forecasted to be \$1.091 million favorable for the year. Revenues are forecasted to be slightly over plan. Operating expenses are forecasted to be favorable by \$1.020 million. Production costs are forecasted to be unfavorable by \$0.119 million due to increased fuel costs offset by savings in purchased water. Management fees are expected to be unfavorable by \$0.461 million primarily due to Sox and ITS related expenses. Regulatory expense is forecasted to be favorable by \$0.381 million due to the reduced rate case expense and longer amortization period. Depreciation is forecasted to be favorable by \$0.917 million.

Definity Plant Market Propess 2, 82,589 48,779 58,679 57,79 57		٩	Actuals F	n Reforecast (Do	increase % (Decrease) %	% Variance	Plan (E	increase (Decrease) %	% Variance	Prior Yr. Dec (D	Increase (Decrease) %	% Variance
Common State Comm		-0041 2.00	33,934 52,099 4,319)	362,716 48,766 (86,099) 314	1,218 3,333 1,780		399,232 21,987 (91,833) 314	(35,298) 30,112 7,513 (8)	(8.8)% 137.0% 8.2% (2.6)%	345,341 21,310 (80,435) 327	18,593 30,789 (3,885) (20) U	5.4% 144.5% (4.8)% (6.3)%
Property plane and equipment	Order Onliny Plant Adjustments Total Utility Plant Non-utility Property) w	32,020	325,696	6,324 U	1.9% U.U%	329,700	2,319 20	0.7% 8.2%	286,543	45,476 20	15.9% 8.2%
Particular Control of Control o	Total property, plant and equipment	ö	32,290	325,966	6,324	1,9%	329,950	2,340	0.7%	286,793	45,497	15.9%
Valvement of the control recolusible 9 3.035 3.151 (95) (31)% 2.584 Alexance for trunchicables necessary control recolusible including factoral incomes and control recolusible from affiliate order operation and are operation of long-terminal properation and are operation and are opera	Cash and Cash Equivalents Rectified funds	~ ∞	(g)	255 0	(312)	(122.4)%	3,631 0	(3,588)	(101.6)%	398	(455) 0	(114.3)%
Advances to uncollectible accounts 11 3.08 3.47.7 (19) (12.2% 2.8% 2.8% 2.8% 2.8% 2.8% 2.8% 2.8%	Utility customer accounts receivable	0	3,035	3,131	(96)	(3.1)%	2,564	472	18.4%	1,928	1,107	57.4%
These receivable, including factors income 12 507 310 197 3548 24	Allowance for uncollectible accounts Accrued utility revenues	2 =	3,139	3,210	€E!	(2.2)%	2,960	55.	%0.9 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	2,562	577	22.5%
Precedible from affiliate companies 14 610 718	Other receivables, net Tayes receivable inclinting federal income	54 tz	507	310	197 0	63.6%	(2,670)	2,670	100.0%	388	(388)	158.2% (100.0)%
Preceivable from affiliated companies 15 10 71 71 71 71 71 71 71	Materials and Supplies	‡	610	719	(109)	(15.2)%	584		4.5%	635	(52)	%(6:E)
The control of the	Receivable from affiliated companies Other Current Assets	សភ	0 XC	2 ⁷ 2	(F. 3)	(96.4)% (27.2)%	0 E	D (95)	%(6'/1)	⊃ <u>5</u>	0.80	96.3%
Pregulation Series : Noncept terms 1	Current Assets		7,107	7,618	(511)	(6.7)%	7,384	(773)	(3.8)%	5,965	1,142	19.2%
Deleted personners stock-potative brillion believed personners stock-potative brillion believed personners stock-potative brillion believed personners stock-particle brillion believed personners stock-particle brillion believed personners are stated by the personners are stock-particle brillion believed between the personners are stock-particle brillion believed between the personners are stock-particle brillion believed between the personners are stock-particle brillion br	Regulatory assets - income tax recovery	4	3,163	6,391	(3,228)	(50.5)%	5,735	(2,572)	(44.8)%	6,385	(3,223)	(50.5)%
Deferred security costs Deferred security security costs Deferred security costs Deferred security	Debt and preferred stock expense Deferred pension expense	5 5	20g	æ//	80	5.4%	0	y 0	÷	90	201	8 (1.5)
Deferred business contest project expenses 22	Deferred postretirement benefit expense	82	00	00	00		00	00		00	00	
Deferred integration coasts 2 4 1,735 1,622 113 6,9% 1,488	Deferred business services project expenses	18	0	0	0		0	0			00	
Preferred rate data	Deferred integration costs Deferred traft pointing costs	8 8	1.735	1,622	o <u>f</u>	6.9%	1.498	237	15.8%	1,859	(124)	(6.7)%
Sest presented from recoverable thru rates	Deferred rate case	183	494	294	500	68.0%	108	388	365.2%	486	· 20 C	1.7%
Pediatory Assets 28 2,494 2,1356 18 0.05% 3,223 1,133	. Asset premium recoverable thru rates Environmental remediation recoverable thru rates	85	00	00	0		00	00		00	00	
Common Stock		Ŗ	2,954	2,936	18 (579 <i>0)</i>	0.6%	3,223	(269)	(8.3)%	3,758	(3.609)	(7.2)%
Fuzzi restricted for construction 31	88	29	<u>,</u>	0	0	2 (2:0-2)	0	į		0	0	
Common Stock Comm	Long term receivable from affiliate	8 5	00	00	00		00	00		00	00	
Integration assets	Funds restricted for construction Goodwill	35	90	001	ာဏ		00	9 00 0		00	φο	٠
Regulatory & Other L/T Assets 1,770 128.9\% 1,770 1,700 1,700 1,770 1,700 1,770 1,700 1,770 1,	Intangible assets Other Long Term Assets	83	178.0	0 67,0,1	(50s)	(87.8)%	43/	(2TE)	%(6.17)	488	(362)	(/4.2)%
Padrin Capital February Stock Padrin Capital February Stoc	Total Regulatory & Other L/T Assets		9,281	13,051	(3,770)	(28.9)%	11,770	(2,490)	(21.2)%	13,245	(3,965)	(29.9)%
Paid in Capital Retained Earnings 35 36,569 36,569 0 0.07% 36,569 24,113 10 0.07% 24,056 24,0	otal Assets		48,678	346,635	2,043	0.6%	349,105	(427)	(0.1)%	suo,aus	44,075	02:070
Common Stock					•	į		•	č	i de	c	ò
Parameter comprehensive income 37 34,915 34,830 85 0.2% 33,546 Accumulated other comprehensive income 38 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			36,569	36,569	o <u>e</u>	%0.0 0.0	36,569 24,056	0 69	0.0% 0.3%	35,559 8,056	16,067	199.4%
Accumulated of niter comprehensive income Treasury stock Treasury stock Treasury stock Preferred stock without mandatory redemption requirements Ung team debt Current comprehensive income stock at redemption value Short Term Debt Current portion of redeemable stock at redemption value Accounts Payable Train Coher Current Liabilities Intelligities Accured pension expense Accured pensi			34,915	34,830	ន្លេទ	0.5%	33,546	1,369	4.1%	28,990	4,925	16,4%
Treasury stock demonstrates of the stock without mandatory redemption requirements of the stock without mandatory redemption requirements of the stock without mandatory redemption requirements of the stock without mandatory redemption value and the stock without mandatory redemption value and the stock of the stock	enensin		00	00:	000			00		00	00	
Perferned Stock without mandatory redemption requirements 1,456 1,456 0.00% 1,467 Long fearm of block without mandatory redemption requirements 42	Treasury stock	3	95 607	95.512	38	0.1%	94.171	1.436	1.5%	74,615	20,992	28.1%
Current portion of Long-form Debt 44 34,100 3,100 0.0% 4,500 0.0% 4,500 0.0% 4,500 0.0% 4,500 0.0% 4,500 0.0% 4,500 0.0% 4,500 0.0% 3,100 0.0%	Common Stocking Preferred Stock without mandatory redemption requirement		1,456	1,456	00	%0.0	1,467	Ę	(0.8)% 0.0%	1,467	(10)	(0.8)% (3.9)%
178,282 318,167 95 0.17% 178,388 Short Term Debt	Redeemable preferred stock at redemption value	13	4,500	4,500	0	0.0%	4,500	n .	0.0%	4,500	0 44	0.0%
Short Term Debt	Total Capitalization	-	78,262	178,167	S	%L.0	1/6,838	1,425	0.8%	795'001	100'/1	6 1.1.8
Current portion of redeemable stock at redemption value 46 0	Short Term Debt Current Portion of Long-term Debt	4 &	34,821 3,100	34,616 3,100	20e 0	0.6% 0.0%	39,316 3,100	(4,494) 0	0.0% 0.0%	3,100	0,400 0	% % % % % % %
Accounts Payable 47 17.10.2 3.778 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172 7.72% 3.172% 3.172 7.72% 3.172% 3.172 7.72% 3.172%	Current portion of redeemable stock at redemption value	ð í	0 0	0 5	0 27.6	104 0%	2,00	0 00 8	418 4%	0 507	4.594	70.6%
Interest Accrued 49 1,322 1,324 1,334	Accounts Payable Taxes Accrued	48	5,309	3,175	2,133	67.2%	3,197	2,112	66.1%	5,228	<u>~</u>	1.5%
Customer Advances for Construction 14,483 14,909 (426) (2.9)% 20,906	Interest Accrued Total Other Qurent Liabilities		7,322 7,403 203	1,322 6,066	(3,658)	0.0% (60.3)%	7,08,7 5,09,2	(2,584)	(52.7)%	2,027	381	18.8%
Customer Advances for Construction 51 14,483 14,909 (426) (2,9)% 20,906 Deferred Income Taxes 57 785 36,908 955 26,87 71,71 Deferred Income Taxes 53 1,44 (7) (6,6)% 1,172 Regulatory lability-cost of removal 54 9,657 10,063 (40)% 8,221 Accrued pension expense 56 357 350 7 2,0% 2,99 Accrued porsion expense 56 357 350 7 2,0% 2,99 Accrued porsion expense 56 357 350 7 2,0% 2,99 Accrued porsion expense 56 357 350 (4,1% 2,19 Other Deferred Chedits 57 4,09s (3,5s9) (4,18)% 2,19 Accrued porsion expense 56,570 68,737 (3,18) (4,6)% 8,441	Total Current Liabilities	1	58,062	52,056	6,007	11.5%	54,354	3,709	6.8%	37,362	20,701	55.4%
Deferred income Taxes 5.2 3/,853 30,940 533 2.2 3/,172 7.0 (6.6)% 1,172 7.	Customer Advances for Construction		14,483	14,909	(426)	(2.9)%	20,906	(6,423)	(30.7)%	14,653	(170)	(1.2)%
Regulatory liability-cost of removal 54 9,687 10,083 (4,0)% 8,221 Accrued position expense 55 1,322 1,283 4,7% 1,482 Accrued postreil emelf expense 56 357 350 7 20% 299 Accrued postreil ement benefit expense 57 747 4,095 (3,549) (81,3)% 219 Other Deferred Credits 65,570 68,737 (3,168) (4,6)% 69,472 & Other Long Term Liabilities 58 46,783 47,675 (19,9) 48,441	Deferred Income 1 axes Deferred Investment fax credits		1,140	1,147	36	(0.6)%	1,172	(32)	(2.7)%	1,218	<u>8</u> 2	(6.4)%
Accrued positretine month benefit expense 56 357 350 7 2.0% 299 Accrued positretine month benefit expense 5/1/4/1 4,096 (3,349) (81.8)% 219 Other Deferred Credits 65,570 68,737 (3,168) (4.6)% 69,472 So Other Long Term Liabilities 58 46,783 47,675 (892) (1.9)% 48,441 Ins in aid of costruction	Regulatory liability-cost of removal		9,657	10,063	(406) 59	(4.0)% 4.7%	8,221 1,482	1,436 (159)	17.5% (10.8)%	2,172	882) (852)	70.7% (39.2)%
8 Other Long Term Liabilities 65,570 68,737 (3,168) (4,6)% 69,472 and of costruction 58 46,783 47,675 (892) (1.9)% 48,441 and of costruction 6.00 (1.9)% 48,441	Account postation and the second Account benefit expense		357	350	7 (3,349)	2.0%	238 718 718	, 528 528	19.2%	384 596	(3,850) (3,850)	(7.2)% (83.8)%
ns in aid of costruction 58 46,783 47,675 (892) (1.9)% 48,441	Regulatory & Other Long Term Liabilities	1	65,570	68,737	(3,168)	(4.6)%	69,472	(3,902)	(5.6)%	64,675	895	1.4%
	Contributions in aid of costruction	28	46,783	47,675	(892)	(1.9)%	48,441	(1,658)	(3,4)%	43,585	3,198	7.3%
046,010 C40,020 C,042 UUT UUT U	Total capital and liabilities	Î	48,678	345,535	2,042	0.6%	349,105	(421)	(O.1)%	306,003	6/9/74	0,2%

AMERICAN WATER

4004 norn obt5 & 45 6teb829 82 82 828 88888 64 84 84 8	Income Statement - Year To Date Kentucky-American Nov YTD 2008 (\$ in Thousands)	Variance variance variance variance TD Plan (Unfavorable) % Variance YTD Actuals YTD Reforecast (Unfavorable) % Variance YTD Plan (Unfavorable) % Variance	53,242 52,357 286 272 2,327 2,204	55,855 54,833 1,022 1.86% 54,771 1,084 1.98% 48,135	5 116 141 26 18.11% 555 439 79.11% 105 (11) (10.21)% (5.3),9 3,029 11 0.35% 2.573 (446) (17.32)% 2.514 (405) (15.48)% 2.573 (4.46) (17.32)% 2.514 (4.05) (15.48)% 2.52 (4.46) (17.32)% 2.52 (4.46) (17.32)% 2.53 (4.46) (17.32)% 2.53 (4.46) (17.32)% 2.54 (4.46) (17	1,611 1,601 (10) (0,63% 1,522 (89) (5,86)% 1,534 (57) (10) (254 (27) (10) (254 (27) (10) (10) (10) (10) (10) (10) (10) (10	4,999 5,030 31 0.61% 4,510 (50) (50) 4,999 5,030 (4,05)	9 5,973 5,925 (48) (0.80)% 6,113 140 2.29% 5,417 (556) (10.27)% 10 596 574 (22) (3.77)% 4.75 (121) (25.41)% 552 (44) (7.95)%	1,568 1,623 56 3,43% 1,816 248 13,67% 1,591 24 25.2 23/ (15) (5,21)% 272 (39) (18,51)% 201 (30)	8,338 8,360 (28) (0.34)% 8,616 228 2,65% 7,761 (627)	3,610 3,527 (83) (2,55)% 3,211 (399) (12,41)% 9,605 3,273	0,040 5 0,000 7,000 1,00	4,442 4,539 1/ 0,35% 4,326 (1.15) (4,55% 052 (5,55%) 207 211 4 1,96% 562 354 63.09% 331 124	428 440 12 2.69% 665 237 35.69% 521 94 1,424 1,332 (92) (6.91)% 1,456 32 2.19% 1,329 (94)	30 32 2 4.83% 30 593 545 (47) (8.68)% 437	1,609 1,677 68 4,03% 1,721 112 6,55% 1,179 (439) 2,438 2,454 18 0,72% 2,186 (2/7) (12,50)% 1,772 (855)	28,167 28,067 (100) (0.36)% 28,106 (6.1) (0.22)% 25,434 (2,733) 5,391 5,672 281 4,96% 6,553 1,162 17,74% 6,098 708	463 467 (3) (U.62)% 3/6 5.860 6.139 2.78 4.54% 6.929	2,894 2,925 32 1,08% 3,175 282 8.88% 2,767 (126)	36,921	(6) (6) 0 0.00% 0 6 (127) (121)	5,223 5,226 3 0,06% 5,416 192 3,55% 654 677 13 1,88% 876 2,12 24,24% U U 69,93% U U 69,93% U U	5,881 5,897 16 0,27% 6,291 410 6,52% 5,351 (531)	1,101 1429 (328) (22.97% 1,265 (165) (13.03)% 77 482 628 (146) (22.23)% 575 (39) (16.14)% 3 82 77 (5) (6.70)% 65 (17) (25.42)% 6		38.80	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	51 51 0 0.50% 0 51 196 (145) 0 0.50% 1 1 155.28% 0 0	40 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	(198) (25) (12.48)% (327) 103 31.67% (75) (148)	(4,116) (488) (11,86)% (4,843) 239 4,94% (4,425) (179)	14,330 13,586 744 5,47% 11,717 2,613 22,30% 8,948 5,382	850 805 (10,57)% 593 (29.7) (50,04)% 5,043 4,537 (506) (11,16)% 3,922 (1,122) (28.60)%	(8) (9) (1) (15.33)% (27) (19) (70.62)% 2 10 (10) (15.34)% (10) (64) (61.46)% 27 61	5,885 5,364 8,445 8,222	72 7 (12.3)% 422 (3.54) (62.37)% 1.2 0 (0.25
	Inc		53,242 286 2,327	55,855	3,019	1,611 254	4,999	5,973 596	1,568	8,388	3,610	3,046 /94	4,442 207	428 1,424	30 593	1,609 2,436	28,167 5.391	469	2,894	36,921	(9)	5,223 664 U	5,881	1,101 482 82	0 (000	0 %	51	2/5	(223)	(4,604)	14,330	890 5,043	o (8) §	5,885 8,445	7.7



Quarterly Operations Review March 2009



Operational Issues Review

1. Source of Supply and New Water Treatment Plant

There are no current source-of-supply issues. Precipitation was less than average at 2.39 vs. 4.41 inches for the month. For the year, rainfall is slightly less than average at 9.25 vs. 11.20 inches.

Water Treatment Plant

Concrete construction work continued through March on the walls of the treatment plant and piping installation. At the raw water intake, work was completed on the wet well of the pumping station and coffer dam construction was started. Steel sheet piling installation began on March 30 and the subcontractor will work for three weeks to complete this portion of construction. A progress conference call was conducted on March 11, and a progress meeting was held on site March 25. Work continues on schedule and on budget.

An additional 7,215 feet of pipe was installed in March for a total of 72,110 feet installed. To date, 99 of 110 easements have been acquired (90%), with five in active negotiations. A progress call was held March 10 and a progress meeting was held on March 24. Work is on budget and on schedule.

At the booster pump station and tank site, the tank contractor started erecting the steel shell diagram and will begin concrete of the outside core wall. Construction of the masonry walls for the pump station building began as well. A progress conference call was held March 10, and a progress meeting was held on site March 25. Work continues on schedule and on budget.

Inclement winter weather slowed down progress on all three contracts in February, as expected. Currently the project is approximately 40% complete, on budget and on schedule for completion by May 2010.

The KY Public Service Commission completed the filing of all case documents with the Franklin Circuit Court for the appeal of the Certificate of Convenience and Necessity, and motions for a procedural schedule were submitted by all parties. Commissioners were appointed in the Pinkston condemnation case. KAW requested that the Department of Transportation reconsider allowing a road closure on two portions of the construction project where the right-of-way installation will be very confined.



2. Operational Costs: Energy, Chemicals, Residuals

•	March Actual	March Plan	Variance	March YTD	March YTD Plan	Variance
Purchased Water	16	14	2	33	34	(1)
Fuel and Power	251	270	(19)	704	787	(83)
Chemicals	171	176	(5)	506	514	(9)
Waste Disposal	17	30	(13)	44	60	(16)
Total Production	454	489	(35)	1,286	1,395	(109)

March fuel and power costs remain slightly under plan for the month and year to date. Slight under budget variances are due to lower system delivery than planned.

3. Rate Case/Orders: Timing, Value, Issues

All intervening parties to Kentucky American Water's rate case recently agreed to a proposed settlement, calling for a revenue increase of \$10.3 million. Kentucky American Water filed an \$18.5 million, or 31.27% request for a rate increase with the PSC on October 31, 2008. KAW had answered PSC Staff's initial and second set of data requests, as well as the initial set from Lexington-Fayette Urban County Government (LFUCG), the Attorney General (AG), and the Community Action Council (CAC) for Lexington-Fayette and surrounding counties. CAC filed testimony seeking increased contributions from KAW. The AG filed testimony recommending a total increase of \$3.873 million, essentially rejecting KAW's request to receive CWIP for ongoing investments in the new supply plant. Instead, the AG recommended AFUDC on all plant investments with the full rate impact for the new plant to be reflected in the next rate case. A hearing on the proposed settlement, which does include some CWIP recognition, will be held on April 14, 2009, and a PSC Order is expected by the end of May, 2009.

4. Commission Activity: Customer Complaints, Compliance

The overall number of complaints is slightly higher than prior year results, with collection complaints higher and billing complaints lower than for the same period last year.

	-more more tight or many place that the transfer of more many	YTD Collections	YTD Billing	YTD Total
	2008	6	13	19
ĺ	2009	15	6	21

5. Divestitures

No additional activity to report.

6. Major Operational Projects



Easement acquisitions are progressing on the Carrick Pike main extension project. This project entails replacement of smaller diameter mains with approximately 28,000 feet of 16-inch main. This main replacement will enhance operation of the Russell Cave Road tank while assisting the supply to Toyota during peak demand periods. The main will also enable Muddy Ford tank to be taken out of service for maintenance more readily. No start date is currently scheduled.

The North Broadway Main Replacement Project will substantially increase fire flow for the downtown area of Lexington. The project will also replace approximately 5,400 feet of 6-inch main which dates back to the late 1800's and early 1900's. The water line relocation on Shawnee Ave and Morrison Avenue is complete. Service renewals on these streets will begin in April and should be complete by the end of May. Water line relocation on Granard Avenue will begin in April and should be complete by the end of April. Service renewals on Granard Avenue will begin following completion of the water line relocation and should be complete by the end of June. The remainder of the project along North Broadway, installing the 12-inch main, is expected to start in May.

The Kentucky River Plant reliability project is nearing final completion. The second feed from the electric utility was energized and placed in service on April 1, 2009. The electrical study for the automatic transfer switch and substation is being reviewed by the engineer before final programming. This work is scheduled for the week of April 19.

Capital Expenditure results year-to-date, and the quarter 1 reforecast, reflect the higher than original plan spend for the water treatment project.

12-KY Gross	Original	Q1RF
Full Year Budget	\$82,568,841	\$98,885,357
To Date Budget	\$18,292,138	\$25,109,597
To Date Actual	\$25,917,886	\$25,917,886
To Date Variance	\$7,625,748	\$808,289

7. Operational Regulatory Compliance: Status

KY	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	2,321	1,262	0	Ge	

Other Program Maintenance:					
Valve Operation (<16") (2)	1224	1150	0	Ġ	



Valve Operation (>16")	127	105	0	3 (G. 1) →
Hydrant Inspections (3)	409	385	0	G

- (1) To date, 2,321 meters were replaced for the periodic meter change-outs. There are 17,087 periodic meter change-outs planned for the year.
- (2) Both small and large valve operations are on track for 2009.
- (3) Hydrant inspections started in March.

8. Regulatory Compliance - Other

Nothing to report.

9. Union/Labor Issues/Activities

KAW held an Employee Appreciation Breakfast February 25. Employees who celebrated milestone service anniversaries during 2008 were recognized, as well as those employees with perfect attendance. Sixteen retirees attended the breakfast and toured the renovated office facilities.

A grievance related to discipline associated with an auto accident was reported in March. Mediation is scheduled for April 27, 2009

10. Explanation of NOVs, OSHA violations, etc.

There were no notices of violation reported in March.

11. Revenue Generating Projects/Opportunities

The Commonwealth of Kentucky awarded Kentucky American Water the O & M contract for Bluegrass Station on April 9. The two-year contract will generate \$119,465 in annual revenues with a projected 17.8% net profit margin. The two-year contract has four additional one-year options. KAW also sells Bluegrass Station more than 55 million gallons of water annually.

Kentucky American Water plans to submit to the state and national Commercial Development Committee (CDC) a request to enter into a non-binding letter of intent to acquire South Shore Water Works. South Shore consists of 2,282 water customers in Greenup County, KY.

KAW has three additional opportunities in the pipeline including North Middletown, Elkhorn City and Center Ridge Water District. KAW continues to discuss a



billing services agreement with Lexington-Fayette Urban County Government (LFUCG) to collect an impending storm water fee.

12. O&M Contracts – Significant Operational/Financial Variances No activity to report this period.

13. Other Operational Issues

No KAW customers lost service during the January ice storm event. KAW experienced outages at the Jacobson Reservoir pump house and several booster stations, although generators provided continuity of service to all critical areas. All lost power was restored within five days.

The ice storm and cold temperatures during the last week of January did not significantly impact the number of main breaks. Normal ground contraction and expansion with fluctuating temperatures resulted in main breaks consistent with prior year results.

Main Breaks	2008	2009
March YTD	55	52

In February, KAW planned and executed repairs to a leaking 30-inch main on a major commercial artery, minimizing traffic disruption while continuing service to customers. Repairs to the main required that it be shut down and that a boil water advisory be issued as a precautionary measure. KAW crews laid temporary lines to businesses from other mains in the area, enabling them to remain open while repairs were being made to the main. The planning ensured that customers continued to receive water service during the entire repair event.

There was one work-related injury during March and one non-chargeable vehicle accident reported during the month.

Kentucky American Water Board Report – March 2009

Financial Performance

Quarter-to-Date Results - Actual to Budget:

Operating Revenues were unfavorable by \$216K, 1.65% below budget for the First Quarter of 2009. Revenues were unfavorable to than Plan primarily due to lower usage for the Commercial and Industrial Classes

OPEX - variances were \$1M favorable.

- 1. Production costs were lower than Budget. Fuel and power were lower than Plan by +\$83K primarily due to lower system delivery.
- 2. Labor costs were favorable by \$152K largely due to higher capitalization rates and an AIP adjustment.
- 3. Increased Contract Services were due to higher than Plan legal costs
- 4. Lower fuel costs account for the majority of the favorable Misc./Travel Expense variance.
- 5. Depreciation is favorable to Plan due to an overall lower composite depreciation rate.
- 6. Favorable Property taxes are due to a one time adjustment of \$66k and lower than expected 2009 property taxes to date.
- 7. Lower than Plan Short-term Interest rates have impacted results favorably as well.

Kentucky American Water

AMERICAN	WATER

\$ in Thousands Income Statement variance Vanance Favorable YTD Pr. Yr. Favoreble (Unfavorable) % Variance YTD Actuals YTO Plan (Unfavorable) % Variance OPERATING REVENUES (1.90)% (5.05)% 4.46% (237) (4) 25 U 12,605 (2.79)% (351)12,254 12,491 1 2 3 4 Water Revenues (9) (9) 78 590 U 0.49% (1.50)% 82 556 U Sewer Revenues Other Operating Revenues Management Revenues 581 U 12,913 13,129 (216)(1.65)% 13,273 (360)(2.71)% Operating Revenues OPERATIONS & MAINTENANCE EXPENSE PRODUCTION EXPENSES
Purchased Water (49.43)% 33 1.93% 34 5 6 7 8 704 506 44 787 514 60 10.53% 1.66% 27.34% (3.37)% (33.95)% 38.23% 83 9 16 681 (23) Fuel and Power (128) Chemicals Waste Disposal (135)(11.73)% 1.151 1,286 1,395 109 7.78% Total production costs O&M LABOR & OVERHEAD 1,489 173 436 /8 (29) (189) (92) (1.93)% 1,518 1,670 152 9.09% (24) 33 20 (7.24)% 5.87% 21.10% (109.51)% (21,00)% 5.93% 10 11 12 361 528 /3 Pensions Group Insurances Other benefits 561 (305) (14.00)% 2,660 6.76% 2,176 2,481 Total employee related 13.63% 2.07% 1.051 143 13 907 927 19 Management fees 42 (136° 6.18% (20.72)% 956 146 4.35% (93.57)% 915 14 15 Shared business services Contracted services (8.61)% 1,197 ,209 0.98% 1.102 (95)Total contracted services 41 0.65% 100 59 59.47% Regulatory expense Insurance Other Than Group 16 17 18 19 0 40 28 14 4 34 138 (54.15)% (87.22)% (12.95)% 180 399 (53) (180) 151 15.83% 98 3.46% 30.27% 206 Customer Accounting 385 10 14 (1) 9 20 21 22 155 609 633 130 General office expense 21.80% 6.86% 2.42% 5.71% (7.16)% 12 Miscellaneous Maintenance 472 682 7,633 8,222 589 7 17% 7,123 (510) Total operations and maintenance expense 16.39% 3.58% 1,660 128 221 13.31% 282 23 24 1,439 128 1,721 133 Depreciation (0.31)%1,854 15.47% 1,788 221 12.33% Depreciation and amortization 1.568 25 27 853 89 10.48% 764 891 127 14.28% General taxes 0,003 9,764 (200) mpairment charges Fotal operating expenses, net 0 10,967 9.15% (2.05)% 2,949 2,162 787 36.39% 3.509 (560) Operating income OTHER INCOME & DEDUCTIONS 28 29 30 31 0 Interest Income Interest on long-term debt Interest on Short-Term Bank Debt Other Interest Expense 14 466 U 1,463 217 0 53 76 U 1,411 141 1,425 1.00% 76.81% 3.60% 606 7 68% 2,031 23 63% 1.680 1,551 480 129 Total Interest expense 1,063 497 1.080 (17) 6 (1.54)% 270 793 293.32% AFUDC - Equity AFUDC Debt 32 33 127 22 291.20% 1.47% 370 (5) 0 (25.87)% Õ Amortization of Debt Expense 22 18 Preferred dividends of subsidiaries (Consolidation onl 0 0 0 26 36 37 38 39 0 0 0 0 35 Gain on sale of assets Non-Operating Rental Income Dividend Income - Common 0 23 Dividend Income - Preferred Miscellaneous Income 54.50% 54.50% 23 35 0 35 12 Total other income 0 169 155.28% 21./1% 0.00% (26.32)% 40 41 0 133 0 105 Miscellaneous Amortization Miscellaneous Other Deductions (26.32)% 170 37 21.87% 105 (28)**Total Other Deductions** 80.82% (97) (170) 72 42.57% (82) (15) Other, net (111) (648) 537 82.90% (1,387) 1,276 92.01% Total other income (deductions) 1,514 1,324 87.44% 2,122 717 33.78% Income (loss) before income taxes 2,838 State Income Taxes
Federal Income Taxes
Faderal Income Taxes
Tax Saving Acquisition Adjustment
State income taxes (non-operating)
Federal income taxes (non-operating)
Provision (Benefit) for Income Taxes (26) (168) (26.12)% (31.09)% 57 775 (68) 67 (119.76)% 8.70% 100 42 43 708 540 (14) (56) (102.61)% (102.51)% (115.30)% (109.57)% (2) 46 4/ 571 943 20 (264) 1,060 U (19) 697 (2.39)% 746 22\% 535 816 53.38% 0.36% 54.19% 1,306 2,003 20 Net Income (loss) Preferred Dividend Declared 48 1,286 1060 697 114.75% 1,983 924 Net Income To Common Stock (55.71)% 1,097 (611) Common Dividend Declared 1.708 1,603 (105)(6.56)% 140.47% 189 **Current Year Retained Earnings** 275 (680) 955



Quarterly Operations Review June 2009



Operational Issues Review

1. Source of Supply and New Water Treatment Plant

There are no current source-of-supply issues. Precipitation was greater than average for the month of June (5.2 vs. 4.6 inches). Year to date through June 30, rainfall is slightly ahead of normal (25.3 vs. 24 inches).

Water Treatment Plant

Work continued through June on the concrete walls of the treatment building. The residuals building masonry was started and the residuals presses were installed. The raw water intake construction continued with the installation of the pipe to the river.

An additional 8,193 feet of pipe was installed for a total of 92,722 feet (or 17.56 miles) of main. Six land easements remain to be obtained for the transmission line. KAW has secured nearly 95% of required easements (106 of 112) and is currently in earnest negotiations with two owners. Four easements remain at risk, although KAW and its representatives continue negotiations to obtain all needed land easements.

The KY Transportation Cabinet granted a permit revision to allow four road closures between June 12 and August 10 along the pipeline route in Franklin County (Garney Contract A). In order to meet that schedule, Garney Construction re-directed the trencher and pipe crew from Contract B in Scott County to assist in Franklin County. Pavement restoration continued in portions of Franklin County. Additional pavement requirements in Franklin County by the KY Transportation Cabinet are being addressed.

The tank contractor completed construction of the tank in June. Tank painting is expected to be completed by early August. The booster pump station work continues with the pumps being set and building roof completed.

Overall, the project is 55% complete and is on budget and on schedule to be completed in May 2010.

2. Operational Costs: Energy, Chemicals, Residuals

	June Actual	June Reforecast	Variance	June YTD	June YTD Reforecast	Variance
Purchased Water	7	10	3	57	60	3
Fuel and Power	243	414	171	1,435	1,606	171
Chemicals	249	222	(27)	1,134	1,107	(27)
Waste Disposal	13	28	15	92	107	15
Total Production	513	674	162	2,718	2,880	162



June fuel and power costs remain under plan for the month and year to date, primarily attributable to lower than plan system delivery. Above plan chemical costs are driven by high turbidity levels in the Kentucky River due to the wet weather patterns in 2009.

3. Rate Case/Orders: Timing, Value, Issues

A Kentucky Public Service Commission Order was issued in May approving the proposed rate settlement agreement. The new rates were effective June 1. All intervening parties to Kentucky American Water's rate case had agreed to a proposed settlement, calling for a revenue increase of \$10.3 million. Kentucky American Water had filed an \$18.5 million, or 31.27% request for a rate increase with the PSC on October 31, 2008. The AG filed testimony recommending a total increase of \$3.873 million, essentially rejecting KAW's request to receive CWIP for ongoing investments in the new supply plant. Instead, the AG recommended AFUDC on all plant investments with the full rate impact for the new plant to be reflected in the next rate case. The approved settlement included CWIP recognition on \$20M rather than the \$66M KAW initially requested.

4. Commission Activity: Customer Complaints, Compliance

The overall number of complaints to the Kentucky Public Service Commission year to date is slightly higher than 2008 results for the same period, although a greater percentage of this year's complaints have been related to collection activity.

	YTD Collections	YTD Billing	YTD Total
2008	14	27	41
2009	31	15	46

5. Divestitures

No additional activity to report.

6. Major Operational Projects

The North Broadway Main Replacement Project will replace approximately 5,400 feet of 6-inch main which dates back to the late 1800's and early 1900's. The project will also substantially increase fire flow for the downtown area of Lexington. The project entails water line relocations on Shawnee Avenue, Morrison Avenue and Granard Avenue, all of which are completed. The installation of 12-inch main along North Broadway has begun and is progressing on schedule. This construction is taking place in the evenings after rush hour.



Capital Expenditure results year-to-date, and the second quarter reforecast, reflect the higher than original plan spend for the water treatment project.

12-KY Gross	Original	Q1RF	Q2RF
Full Year Budget	\$82,568,841	\$98,885,357	\$99,055,070
To Date Budget	\$40,627,810	\$56,310,387	\$52,956,736
To Date Actual	\$51,974,850	\$51,974,850	\$51,974,850
To Date Variance	\$11,347,040	\$(4,335,537)	\$(981,8876)

7. Operational Regulatory Compliance: Status

ку	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	8,655	7,890	0	- 6	

Other Program Maintenance:					
Valve Operation (<16") (2)	3,182	2,785	0	G	
Valve Operation (>16")	310	330	20	Y	`
Hydrant Inspections (3)	3,017	3,009	0	Ė	

- (1) To date, 8655 meters were replaced for the periodic meter change-outs. There are 18,935 periodic meter change-outs planned for the year.
- (2) Both small and large valve operations are on track to complete 2009 plan.
- (3) Hydrant inspections started in March and are on target for 2009 completion.

8. Regulatory Compliance – Other

The citizen's opposition group impacted by the construction of the new water treatment plant (Citizens for Alternative Water Solutions "CAWS") applied for a rehearing of the Certificate of Necessity. The PSC denied the Application for Rehearing on June 5, 2008. CAWS filed an appeal in the Franklin County Circuit Court on June 23, 2008. The record was filed on February 2, 2009, and an Order approving an agreed-upon briefing schedule was issued on February 25, 2009. CAWS filed its brief on May 15, 2009; KAW's brief is due on August 4.



9. Union/Labor Issues/Activities

Arbitration is being scheduled for the third quarter to resolve a grievance issue with the Union. There were two additional grievances filed in June, one regarding uniforms and the second regarding supervisor interaction.

10. Explanation of NOVs, OSHA violations, etc.

There were no notices of violation reported during the quarter. KAW is working with KY Division of Water regarding an NOV issued to the transmission pipeline contractor (Garney).

11. Revenue Generating Projects/Opportunities

The Commonwealth of Kentucky awarded Kentucky American Water the O & M contract for Bluegrass Station on April 9. The two-year contract will generate approximately \$119,000 in annual revenues with a projected 17.8% net profit margin. The two-year contract has four additional one-year options. KAW also sells Bluegrass Station more than 55 million gallons of water annually.

Kentucky American Water has tendered a non-binding letter of intent to acquire the stock of South Shore Water Works which consist of 2, 282 water customers located in Greenup County, KY. This offer is contingent upon acceptance by the owner, and subject to due diligence inspection of finances and facilities.

Lexington Fayette Urban County Government (LFUCG) recently approved a contract with Kentucky American Water to bill and collect LFUCG's new water quality management fee. Billing for the new fee is slated to begin January 2010. The initial contract expires October 2011, to coincide with the sewage billing/collection contract and the landfill fee billing/collection contract. The water quality management fee contract is projected to yield annual revenue of approximately \$376,000, subject to annual CPI adjustments.

KAW continues to explore alternative relationships with North Middletown, recently meeting with HMB Engineering to discuss potential corrective measures that would alleviate the wastewater system's current inflow and infiltration (I.&.I) issues. The I.&.I problems cause the wastewater treatment plant to operate out of compliance at times. KAW and North Middleton stakeholders are also evaluating funding and O&M contract options that may lead to an operating agreement for KAW to correct the problems and bring the system into compliance.

12. O&M Contracts – Significant Operational/Financial Variances No activity to report this period.



13. Other Operational Issues

KAW operations personnel and contractors recently completed an emergency repair at the Kentucky River Station. On Thursday, June 18, a significant leak occurred on one of two 30-inch mains leading from the filters to the clearwell. The 50 year old concrete lock joint pipe was failing just below chemical feed injection points, threatening the plant's operational stability. A temporary repair band was manufactured, delivered and installed in one day to enable continued operation through the weekend. Excavation and site preparation began Saturday, and the repair began in earnest Monday morning. The repair involved removing four of the ten filters (limiting plant capacity) while two 30" valves, and 50' of 30" line were installed. The installation included feeding pipe through two chemical feed vaults. The repair was completed in two long working days, allowing the plant to return to full capacity by Wednesday June 24. Customer service was not affected, and the plant remained in compliance during the repair event.

There was one preventable vehicular accident in June. The OSHA recordable injury rate through June 30 is 9.1, compared to 2.9 for the same period in 2008.

Kentucky American Water conducted its annual water main flushing program in Fayette County during the last week in April.

KAW recently implemented a number of strategies to improve results for the Customer Satisfaction Survey. A small focused team is routinely diving into customer comments and transaction histories to identify actionable items in local processes, and training opportunities for customer service representatives. KAW has also begun recognizing those field service reps who receive a "5" for their performance, and a "5" on question 29. Strategies still under development include a communications approach to ensure key themes are appropriately delivered and received by customers. Results have improved over Q4 2008 and are on plan to meet year end 2009 targets.

		2007	2008	Current	2009
Question	Question Text	Results	Results	YTD	Target
	Satisfaction with Outcome of				
	Contact (% Extremely and Very				
Q29	Satisfied)	87%	83%	85%	85%
	Number of Times Contacted AW				
Q27	(%Contacted Once)	87%	75%	79%	N/A
	Reason for Contact Completely				
Q29b	Addressed (%Yes)	87%	93%	. 98%	N/A
	CSR Overall Performance (%			4 *	
Q7i	Excellent and Very Good)	87%	89%	87%	N/A
	FSR Overall Performance (%			10001	
Q21i	Excellent and Very Good)	87%	93%	100%	93%
	FSR Arrived as Scheduled During				
	Agreed Upon Appointment Window				
Q22h	(%Yes)	87%	74%	100%	90%



14. Communications and government affairs

Kentucky American Water made financial contributions, hosted informational booths and provided 'in-kind" services at the following events:

- Reforest the Bluegrass (April 11, Lexington)
- Downtown Trash Bash (April 22, Lexington)
- American Red Cross Hero of the Year Celebration (April 23, Lexington)
- Georgetown/Scott County 50th Anniversary Banquet Sponsor (April 24, Lexington)
- Arbor Day at the Arboretum (April 25, UK Arboretum, Lexington)
- Water for People Campaign (month of April, Lexington)
- Girl Scouts Thin Mint 5K (May 16, KY Horse Park, Georgetown)
- Founder's Day at McConnell Springs (May 16, Lexington)
- 9th Annual Chamber of Commerce Sporting Clays Shoot (June 6, Owenton)
- Liquid Assets: The Story of our Water Infrastructure (June 9, Lexington)
- Ducky Blast for Cash for Big Brothers/Big Sisters (June 27, Lexington)
- Water Professionals Conference (July 12 15, Lexington)
- River Sweep (July 18, Richmond)

Kentucky American Water Board Report – Q2 2009

Financial Performance

Quarter-to-Date Results - Actual to Plan:

Operating Revenues were unfavorable by \$499k, 3.19% below Plan for the Second Quarter of 2009. The largest driver of the revenue variance is from the rate case, which is completely offset by higher AFUDC. This accounts for a majority of the variance. In addition, revenues were unfavorable to than Plan primarily due to lower usage for the Commercial and Industrial Classes.

OPEX - were \$996k favorable to Plan.

- 1. Production costs were \$338k lower than Budget. Fuel and power were lower than Plan by \$303k primarily due to lower system delivery.
- 2. Labor costs were favorable by \$96k largely due to vacancy rates (5 vacant positions)
- 3. Miscellaneous expenses were favorable by \$337k, driven by lower than Planned fuel (gasoline) prices.
- 4. Depreciation is favorable by \$271k, driven by changes to Plant

Interest expense is favorable to Plan by \$1.0M, driven by lower short term rates and delays in issuance of \$45M of long-term debt (issued in June, budgeted in March).

Net income is \$818k favorable to Plan.

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Control (in) Profit (in) Annies	AMERICAN WATE						i	(Series	(\$ In Thusands)			
The control of the		Ā			1	% Variance			% Variance	Prior Yr. Dec	Increase (Decrease)	% Variance
1	185 Ulfiliy Plant Construction Work in Progress Accumulated Depreciation Utility Plant Acquisition Adjustments		8,067 7,109 7,398) 295	378,970 97,255 (87,560) 297	(903) (146) 163 (2)	(0.2)% (0.1)% (0.6)%	377,313 89,483 (90,434) 312	754 7,626 3,037 (17)	0.2% 8.5% 3.4% (5.4)%	369,486 54,501 (84,213) 305	8,581 42,608 (3,185) (10)	2.3% 78.2% (3.8)% (3.2)%
According the computed state of the compute	ther Utility Plant Adjustments I Utility Plant Intility Penetry		8,073	388,961	(888)	(0.2)%	376,673	11,401	3.0%	340,079	47,995	14.1%
Second continues Second cont	il property, plant and equipment	88	8,344	389,231	(888)	(0.2)%	376,943	11,401	3.0%	340,349	47,995	14,1%
Committee recovering 1	ash and Cash Equivalents estricted funds	~ ∞	382	(44,968)	45,350	100.8%	00Z	187	90.6%	234	14/	97.3%
b., the clusted force in the control of the	uility customer accounts receivable lowance for uncollectible accounts	60-	2,534 (241) 3,663	2,728 (209) 3,324	(194) (32) 338	(7.1)% (15.3)% 10.2%	2,536 (238) 3,628	ଅତ୍ୟ	(0.1)% (1.1)% 1.0%	2,342 (273) 2,900	191 33 763	8.2% 11.9% 26.3%
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control control of the contr	ther Current Assets	9	522 17,857	(37,237)	55,094	148.0%	7,368	10,489	142,4%	6,603	11,253	
Particular continue	ssets = income tax recovery ferred stock expense		3,974	3,857	118 514	3.1%	6,340 727	(2,366) 535	(37.3)% 73.6%	3,230 795	744 467	
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inching costs		E 23	į i	o '	o !		o '	o '				
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A yeasets to the properties bit C 1	thru rates	12 12 12 12 13 12 14 12 15 12 16 1	604	678	(75)	(11.0)%	- 685	(81)	(11.8)%	554	os '	9.0%
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The construction 31			10,328	9,931	396	4.0%	12,246	(1,918)	(15.7)%	9,076	1,252	
## Access ## 126	affiliate	3.30			1 1			, ,				
Accesses 34 126 (12) (6,0)% 1,005 (6,0)% 1,005 (6,0)% 1,006 <th< td=""><td></td><td>: 22 :</td><td></td><td></td><td>•</td><td></td><td>• 1</td><td></td><td></td><td>φ,</td><td>(9)</td><td></td></th<>		: 22 :			•		• 1			φ,	(9)	
17.50 17.5			126	138	(12)	(9.0)%	13 275	(903)	(87.8)%	126	1.246	
Secretary Secr	natury a Cultar C.	4	16,654	362,064	54,590	15.1%	397,586	19,068	4.8%	356,160	60,494	
38 -	ŞU,		36,569 46,646 34,289	36,569 46,645 34,952	0 1 (663)	0.0%	36,569 42,113 33,183	4,533 1,106	0.0% 10.8% 3.3%	36,569 24,127 32,812	0 22,519 1,477	
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red 44 37,196 (12,250) 49,446 403.6% 29,267 7,829 27.1% 53,106 (15,910) 45 3,100 3,100 0.0% 3,100 0 0.0% 3,100 0 47 14,067 10,703 3,365 3,14% 7,522 6,516 86.3% 8,445 5,822 49 (10,07 492 10,703 3,385 3,14% 7,522 6,516 86.3% 8,445 5,822 49 (10,07 492 10,093 134.3% 2,735 (1,186) (30.9)% 1,150 2,485 49 4,027 4,027 1,186 (1,186) (30.9)% 1,150 2,447 (4,47) 49 4,023 4,485 1,033.6% 1,587 4,387 1,160 2,17% 4,470 (4,47) 50 4,023 5,4485 1,033.6% 1,587 1,170 1,180 1,140 1,140 1,140 1,140 1,140 1,140 <td>conditions of the condition</td> <td></td> <td>42,450</td> <td>242,722</td> <td>(272)</td> <td>(0.1)%</td> <td>228,412</td> <td>14,038</td> <td>6.1%</td> <td>176,163</td> <td>66,286</td> <td></td>	conditions of the condition		42,450	242,722	(272)	(0.1)%	228,412	14,038	6.1%	176,163	66,286	
Columbia	hort Term Debt current Portion of Long-term Debt	4 2	37,196 3,100	(12,250)	49,446	403.6% 0.0%	29,267 3,100	7,929	27,1%	53,106 3,100	(15,910)	
48 (60) (1,069) 1,009 94,4% 2,735 (2,745) (10,27% (300) 748 49 1,152 4,007 15 10 144.3% 2,734 (7,145) (10,27% (300) 748 55,478 4,693 54,495 1,035.6% 48,874 1,0605 21,7% 65,983 (10,485) 51 12,710 12,791 (81) (0,6)% 15,687 (1,9)% 11,916 794 52 40,811 1,093 (2) (0,2)% 1,110 (2) (1,9)% 11,916 794 54 11,095 1,539 15,10 28 1,9% 1,110 (20) (15,9% 1,389 149 55 1,539 1,510 28 1,9% 1,093 165 15,8 9,785 1,40 57 62 63 64,0% 1,096 (4,034) (88,5)% 65,219 4,539 56 45,346 47,015 (44) (0,1)% 48,260 (1,292) (2,7)% 46,815 153			14,067	10,703	3,365	31.4%	7,552	6,516	86.3%	8,445	5,622	
50 54,023 64,007 10,248 3,022 10,248 10,022 10,022 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 10,023 11,023 11,030			., (6) (7) (8) (8) (8) (8) (8) (8) (8) (8) (8) (8	(1,069) 492	,009 660 7,	134.3%	2,735	(2,795) (1,196)	(50.9)% (50.9)%	1,150	240	
51 12,710 12,710 12,711 (19,0)% 15,887 (2,877) (19,0)% 11,916 794 52 1,091 1,092 2,78 0,7% 38,984 1,787 37,871 2,940 53 1,093 (2) 0,7% 38,984 1,787 1,787 1,787 1,787 2,940 54 1,092 (2) (2) (0,2)% 1,110 (1,8)% 1,387 1,429 55 1,539 1,114 (1,9) (0,1)% 10,300 (1,6) 1,389 1,440 56 4,51 2,8 1,384 1,389 1,440 3,58 1,389 1,440 57 4,52 2,06 84,0% 1,104 4,034 4,034 4,034 4,034 4,034 4,534 67,78 45,68 47,015 (4,6) (0,1)% 48,260 (1,292) (2,7)% 46,815 153	labilities –		4,023 59,478	4,983	54,495	1,093.6%	48,874	10,605	21.7%	69,963	(10,485)	
52 40,811 40,533 2,8 0,7% 30,384 1,627 4,7% 1,731 2,574 53 1,095 1,035 2,3 0,7% 30,304 1,65 1,731 2,731 4,72 54 11,095 11,111 (15) (0,1)% 10,300 165 1,5% 9,755 1,40 55 15,30 28 1,5% 1,090 1,6% 1,5% 1,38 1,40 6 45 28 1,5% 1,090 46,090 357 355,% 1,38 33 6 7,7 6 2,0% 1,10 4,090 4,000 4,000 4,000 4,000 4,000 4,000 4,000 4,539 4,539 6 6 7,0% 7,0% 7,0% 48,260 (1,292) (2,7)% 46,815 153	for Construction		12,710	12,791	(8)	(0.6)%	15,687	(2,977)	(19,0)%	11,916	794	
54 11,1059 11,111 (15) (0.1)% 10,300 156 1,5% 9,755 1,340 56 1,539 1,510 28 1,980 1,090 351 35,5% 1,389 33 6 451 245 206 84,0% 1,104 351 355,7% 1,389 33 7 62 45 0.1% 100 4,096 4,036 100 351 355,7% 138 33 8 67,758 67,758 67,758 413 0.6% 72,041 (4,234) (6,9)% 63,219 4,539 8 45,968 47,015 (46) (0.1)% 48,260 (1,292) (2.7)% 46,815 153			1,091	1,093	8 (2	(0.2)%	1,110	(20)	(1.8)%	1,133	(42)	
e 56 457, 206 84,0% 100 351 352,1% 418 33 57 62 62 0 0,1% 4,096 (4,034) (88,5)% 736 (674) 57 67,758 67,345 413 0,6% 72,041 (4,283) (5.9)% 63,219 4,539 58 45,968 47,015 (46) (0,1)% 48,260 (1,282) (2.7)% 46,815 153			11,095	11,11	(J.	(0,1)%	10,930	165	1.5%	9,755	1,340	
57 67,752 67,754 419 0.1% 7,059 (4,034) (5,91% 63,739 4,539 58 45,968 47,015 (46) (0.1)% 48,260 (1,292) (2.7)% 46,815 153			451	245	70e 7	84.0%	200	351	352.1%	418	33	
58 46,968 47,015 (46) (0.1)% 48,260 (1,292) (2.7)% 46,815 153	1		67,758	67,345	413	0.6%	72,041	(4,283)	%(6.3)% (5.9)%	63,219	4,539	
			46,968	47,015	(46)	(0.1)%	48.260	(1.292)	(2.7)%	46.815	153	

se Status: Final	ding reviews
Close	pendir

AERICAN WATEN							15 15 15 15 15	(\$ In Thousands)			
	5	OTD Actuals	QTD Reforecast	Variance Favorable (Unfavorable)	% Variance	QTD Plan	Verlence Favorable (Unfavorable)	% Variance	ero Y.Y.	Variance Favorable (Urfavorable)	% Variance
OPERATING BEVENUES. Water Revenues Sewar Revenues Other Operating Revenues	-46			## to	(1.13)% (3.68)% 4,22%		(598) (6) (6)	(3.99)% (7.49)% 18.90%	13,766 75 630	638 32	4,63% 6.98% 5.01%
Management Revenues	4	15.145	15.285	(140)	(0.92)%	15,645	(499)	(3.19)%	14,470	675	4,66%
Operating Revenues OPERATIONS & MAINTENANCE EXPENSE. PRODUCTION EXPENSES.		2		,	7				Ş	c	%78 EG
Purchased Water Fuel and Power Chamicals	~ o v	25 E 82	902 601 601	471 (28)	11.72% 18.97% (4.62)%	1,033 618	303 (10)	29.29% (1,64)%	360	(268)	(0.70)% (74.36)%
Waste Disposal Total production costs		1,432	1,593	161	23.32%	1,770	338	39.17%	1,186	(246)	(20.73)%
OAM LABOR & OVERHEAD. Labor	øn :	1,685	1,695	25	0,61%	1,730	45	2,63%	1,733	48	2.79%
Pensions Group insurances	2=2	528 61	357 557	€ % °	5.11%	561 92	3.8	5.80%	423	(105)	(24.88)% (12.38)%
Curer Denems Total employee related	1	2,624	2,668	44	1.64%	2,720	96	3.51%	2,381	(243)	%(10,Z1)%
Management fees	t	1,037	1,019	(18)	(1.76)%	952 1,016	(§)	3.89%	1,039	7 (9	6,44%
Shared business services Contracted services	2 2	328	307	(21)	(6.75)%	1,272	(33)	(28.18)% (2.56)%	1,272	(33)	(44.01)% (2.59)%
i qual contracted services Regulatory expense	8	25	ja j	, we	9,30%	57	. សជ្	9.58%	40	(11)	(28.25)% (52.67)%
Insurance Other Than Group Customer Accounting	<u>.</u> ≈ :	381	328	(21)	(5.93)%	421	44	9,63%	494	14.	23.00%
Rents General office expense Missellandarie	285	124 267	342	, 23 F	15.82%	147	23	15.75%	144	21 165	14,27% 38.18%
Maintenance	22	714	8,310	(72)	(11.28)%	748	34	4.48%	7,725	(387)	(5.02)%
otti operatoris and mainenance expense Depreciation	ន	1,460	1,545	. 35	5.53%	1,730	271	15.64%	1,384	(76)	(5.52)%
Amortization Denraciption and amortization	×	1,589	1,676	- 48	5.18%	1,864	275	14,75%	1,511	(78)	(5.18)%
General taxes	52	948	860	(88)	(10.29)%	888	(51)	(2.68)%	682	(267)	(39.18)%
impairment charges Total operating expenses, net	۵,	10,650	10,846	196	1.80%	11,646	986	8,55%	9,917	(733)	7.39%
Operating Income & DEDITCTIONS		4,495	4. 8.54.39	8	wc7'1	nn n	PG+				2000000
Interest income interest on long-term debt interest on Short-Term Bank Debt	888	1,412 132	1,605	193 20	12.04% 13.36%	2,086	673 350	32,29% 72.63%	(6) 1,411 163	©E∺'	(100.00) (0.11)% 19.32%
Other Interest Expense Total Interest expense	5	1,544	1,758	214	12.15%	2,567	1,023	39.86%	1,568		1,55%
AFUDC - Equity	22 23	1,230	1,328	(36)	(7.36)%	1,206	52.4	2.05%	381	850 445	309,00%
Amortization of Debt Expense Doeferred dividends of eitheldishes (Consolidatio	8 8	22 '	ες '	en *	12,27%	27	ı,	17,45%	53		(1.45)%
Gain on sale of assets	83	•		•			•		• •		
Non-Operating Rental Income Dividend Income - Common	868	:				, ,			1 *		
Dividend income Training	88	17	2 5	S S	37.08%	1	22		72	99	(38.34)%
Miscellaneous Amortization	9	. • ;	- 0	0 (1,470,12%	0 10		155.28%	0 5		0.00%
Miscellaneous Other Deductions Total Other Deductions	-	88	84	ε	(1.54)%	101					
Other, net		(7.1)	(74)	es ;	4.29%	(107)					(16.23)%
Total other Income (deductions)		182	68 6	93	103.98%	3.051	1,129	53.29%	3,442		
Income (1005) before income axes. State Income Taxes	24	351	275	(9)	(27.82)%	165	(186)	E,		(32)	(10.14)% (27.13)%
Federal Income Taxes Tax Saving Acquisition Adjustment	£	1,623	nee'i	(cg)	er (00.0)	1					
State income taxes (non-operating) Federal Income taxes (non-operating)	46	€€	(6) (3)	Ø.	(34.14)% (66.72)%	@ g	(06)	- 1			
Provision (Benefit) for Income Taxes Net Income (loss)		1,966	1,786	(180) (32) (32)	(10.07)% (1.16)%	1,892	818	43.24%	1,866	845	45.26%
Preferred Dividend Declared Net Income To Common Stock	48	2,691	2,723	(32)	(1.17)%	1,873	818				
Common Dividend Declared Current Year Retained Earnings		1,489	1,865	(631)	(73.51)% (35.54)%	1,015	(631)				

	Variance
moome stater — east to Date Kentuc irowth Jun Jun (\$ in Thousands)	Variance
	Variance

	۶	YTD Actuals	YTD YE	Variance Favorable (Unfavorable) %	% Variance	YTD Plan (Un	Verlence Favorable (Unfavorable) %	% Variance	YTD F: Pr. Yr. (Uni	Variance Favorabla (Unfavorable) %	% Variance
OPERATING REVENUES. Water Revenues			26,822	(164)	(0.61)%	27,493	(835)	(3.04)%	26,371	287	1.09%
Sewer Revenues Other Operating Revenues	N 60 T	1,243	1,216	. 25 E	2,20%	1,113	, es	11.68%	1,220	`ቘ '	1.86%
Management Revenues Operating Revenues	•	28,058	28,198	(140)	(0:20)%	28,774	(716)	(2.49)%	27,743	315	1.14%
OPERATIONS A MAINTENANCE EXPENSE. PRODUCTION EXPENSES.		!	;	ſ	1	ş	į	à	ž	£	76 19)9,
Purchased Water Fuel and Power Chemicals	n o r	1,435	1,606 1,107	(28)	10.65% (2.51)%	1,820 1,133	382	21.18% (0.14)%	1,406	3 9 (3)	(2.00)% (53.69)%
Waste Disposal Total production costs	80	2,718	2,880	15	5.60%	140 3,165	446	34.09%	139	(381)	33.62%
OSMIABOR & OVERHEAD.	ď	500	20.013	Ş	7620	3.400	197	5,80%	3,222	50	0.61%
Labor Pensions Comin insurance	, e t	3,203 712 1,056	711	:€8	(0.19)%	674	(38) 88	(5.65)% 5.83%	344 859	(368) (197)	(22.91)%
Choth histianices Choth beneficial	: 22	134	5.149	e 4	4.42%	185	51 275	5,12%	132	(548)	(12.02)%
Management fees	5	1,944	1,927	(18)	(0.93)%	1,878	(99)	(3.53)%	2,090	145	8:63
Shared business services	4 4	1,891	1,908	17	0.87%	1,991	100	5.01%	2,000	109 C237	5.44% (63.37)%
Contracted services Total contracted services	2	2,502	2,497	(\$)	(0.17)%	2,481	(21)	%(28.0)	2,374	(128)	(2.38)%
Regulatory expense Insurance Other Than Group	t 17	321	323	15 62	5.45%	360 360	39 6	5.87%	140 209	(112) 8 (5)	34.16%
Customer Accounting Rents	\$ £	766 17	245 20	(2 1)	(2.86)% 14.27%	82 82	≵ ∓	6.63% 38,42%	18	(g)	1,93%
General office expense	8 2	245	268	8 2	8.67%	302 1.213	57 72 75	18.86% 39.12%	275 915	8£	10.76% 19.30%
Maintenance	22	1,296	1,224	(27)	(5.92)%	1,381	1361	6.16%	1,233	(63)	(5.13)%
Depreciation	g	2,899	2,985	88	2.86%	3,452	553	16.01%	3,044	145	4,75%
Amerization Depreciation and amerization	24	3,156	3,243	87	2,68%	3,718	562	3.35%	3,299	142	4.31%
General taxes	52	1,712	1,624	(88)	(5.45)%	1,788	97.	4.26%	1,535	(178)	(11.58)%
Impairment charges Total operating expenses, net	/1	20,614	20,810	196	0.94%	22,613	1,999	8.84%	19,681	(833)	(4.74)%
Operating Income		7,444	7,389	25	0.75%	6,161	1,283	20.83%	8,062	(618)	(7.66)%
OTHER INCOME & DEDUCTIONS, Interest income Interest on long-term debt	8 8	2,823	3,016	193	6.41%	3,510	889	19.59%	(6) 2,874	(6)	(100.00)%
Interest on Short-Term Bank Debt Other Interest Evronee	នន	272	293	8 '	6.94%	1,088	815	74.96%	380	108	28.38%
Total Interest expense		3,095	3,309	214	6,46%	4,598	1,503	32.69%	3,248	153	4.72%
AFUDC - Equity AFUDC Delt	ន្តន	2,294	2,391	(6) (6) (6)	(4.09)% (2.65)%	2,286 1,038	∞ 14	0.36%	27.1	1,643 814	300.66%
Amortization of Debt Expense Preferred dividends of subsidiaries (Consolidatio	35 35 35 35	44	44	en '	6.54%	42	o '	0.29%	4,	o '	%(10,0)
Gain on sale of assets	92 8	•							٠.		
Non-Operating Nental Income Dividend Income - Common	37.8	1 7		• • •							
Miscellaneous Income	88	52	47	ď	9.56%	1	52	- Address	20	20	3.99%
Total other income	Ş	25	\$ 6	n =	8,36% 88,02%	٠ .	75 -	155.28%	g 0	10	%00'0
Miscellaneous Chromical Miscellaneous Other Deductions	4	221	219	EE	(0.65)%	276	28	20.14%	177	(44)	(24.60)%
		(69)	(172)	, en	1.86%	(277)	108	39.07%	(127)	(42)	28.60%
Total other income (deductions)		F	<u>(</u> 2	83	425.07%	(1,596)	1,667	104,44%	(2,498)	2,569	102,83%
Income (loss) before income taxes		7,515	7,367	148	2,01%	4,565	2,950	64,61%	5,564	1,951	35.07%
State Income Taxes Federal Income Taxes	2 2	477 2,331	400 2,238	(76) (93)	(19.10)% (4.14)%	265 1,576	(212) (754)	(80.15)% (47.86)%	376 2,052	(279)	(13.59)%
Tax Saving Acquisition Adjustment State (ncome taxes (non-operating)	94 1	'⊕(' @ {	' 86	(36.18)%	' <u>(53</u>	(61) (88)	(82.95)%	· 69 6	' £ 82	(27.61)%
Federal income taxes (non-operating) Provision (Senett) for income Taxes Not transmit down!		2,801	2,621 4 746	(180)	(6.86)%	1,730	(1,071)	(61.94)%	2,391	(410) 1,542	(17.13)% 48.60%
Not income (1055) Preferred Dividend Declared	8	33	30	(70)	(0.03)%	33	0	0.40%	39	0 2 542	49.21%
Net Income To Common Stock Common Dividend Declared		3,197	2,567	(52)	(24,58)%	2,461	(736)	(29.91)%	2,053	(1,144)	(55.73)%
Current Year Retained Earnings		1,477	2,140	(699)	%(20.97)%	335	1,142	340.94%	1,080	397	36.81%



Quarterly Operations Review September 2009



Operational Issues Review

1. Source of Supply and New Water Treatment Plant

There are no current source-of-supply issues. Precipitation was greater than average for the month of September (5.9 vs. 3.1 inches). As of September 30, rainfall is 21% more than normal (43.3 vs. 35.7 inches) for the year to date and 50% more than normal for the third quarter (18.0 vs. 11.9 inches).

Water Supply Project Update

Work continued through September on concrete and masonry work of treatment building. Raw water intake construction continued with the intake work nearly completed at the river. Roofing was placed on part of the treatment building and flocculators were installed in the flocculation basins. A progress meeting was held on September 23 and progress calls were held September 2, 9, 16, and 30. Work is on budget and on schedule.

An additional 7,896 feet of pipe was installed for a total of 126,034 feet or 23.87 miles (78%) of main. Work on Contract A in Franklin County continues around the fish hatchery and tunnel, with installation at the tunnel completed and tied in. In Scott County, progress continues along Iron Works Road. Easements on five parcels remain to be acquired; negotiations continue. A progress meeting was held on September 22, with progress conference calls on September 8, 15, and 29. Additional pavement requirements in Franklin County by the KY Transportation Cabinet are being addressed. Work continues on schedule and on budget.

Work continued on the booster station building and installation of equipment. Yard piping installation began at the end of August. A progress meeting was held September 23. Work continues on schedule and on budget.

A meeting was held on September 24 at the treatment plant to coordinate filling, disinfection, and flushing between all three contracts. Overall, the project is 70% complete and is on budget and on schedule to be substantially complete by late summer 2010.

2. Operational Costs: Energy, Chemicals, Residuals

	September Actual	Sept Plan	Variance	Sept YTD	Sept YTD Reforecast	Reforecast Variance
Purchased Water	10	16	6	94	100	6
Fuel and Power	375	416	41	2,363	2,405	42
Chemicals	179	263	84	1,759	1,843	84
Waste Disposal	25	27	2	172	174	2
Total Production	589	722	133	4,388	4,522	134



September fuel and power costs remain under plan for the month and year to date, primarily attributable to lower than plan system delivery. Below plan chemical costs are driven by lower negotiated prices, better source water quality from the Kentucky River and lower than planned system delivery.

Rate Case/Orders: Timing, Value, Issues No updates for September.

4. Commission Activity: Customer Complaints, Compliance

The overall number of complaints to the Kentucky Public Service Commission year to date is slightly higher than 2008 results for the same period, although a greater percentage of this year's complaints have been related to collection activity.

	YTD Collections	YTD Billing	Other Total	YTD Total
2008	39	26	1	66
2009	43	29	2	74

5. Divestitures

No additional activity to report.

6. Major Operational Projects

The South Limestone Water Main Replacement Project between Avenue of Champions and Vine Street is currently under construction. This project is being constructed in conjunction with the Lexington-Fayette Urban County Government's South Limestone Streetscape Project. The Project includes the replacement of existing 6-inch cast iron water main (dating back to the early 1900's, with a portion pre-1900's) with approximately 2400 LF of 12-inch ductile iron water main. The project is scheduled to be complete by the end of the year.

The North Broadway Main Replacement Project will replace approximately 5,400 feet of 6-inch main which dates back to the late 1800's and early 1900's. The water line relocation on Shawnee Ave, Granard Avenue, and Morrison Avenue is complete. Service renewals are also complete on these streets. The remainder of the project along North Broadway includes the installation of approximately 5,500 LF of 12-inch main between Church Street and Loudon Avenue. Currently, approximately 2,400 LF of main has been constructed from Church Street through Fourth Street. Construction of service line renewals is also occurring in this section. This construction is taking place in the evening after rush hour traffic and is scheduled to be complete in the spring of 2010.

The KY 607 Water Main Extension Project in Owen County completes a vital loop in the southern portion of the Northern System. The project includes the construction of approximately 15,900 LF of 6-inch main along KY 607 between US 127 and Herman



Greene Road. Construction on the project began on July 13, 2009, and the project was placed into service on September 24, 2009.

The Newtown Pike Downtown Relocation Project between Main Street and Versailles Road started at the end of September. This project is being constructed in conjunction with the Kentucky Transportation Cabinet's Newtown Pike Extension Project. The project includes the relocation of approximately 400 LF of 20-inch water main, 1,200 LF of 16-inch water main, 200 LF of 12-inch water main and 600 LF of 8-inch water main. The project is scheduled to be complete in the spring of 2010.

Capital Expenditure results year-to-date, and the third quarter reforecast, reflect the higher than original plan spend for the water treatment project.

12-KY Gross	Original	Q1RF	Q2RF	Q3RF
Full Year Budget	\$82,568,841	\$98,885,357	\$99,055,070	\$98,010,411
To Date Budget	\$61,921,044	\$84,562,239	\$82,289,575	\$79,705,965
To Date Actual	\$78,718,957	\$78,718,957	\$78,718,957	\$78,718,957
To Date Variance	\$16,797,913	\$(5,843,282)	\$(3,570,618)	\$(987,008)

7. Operational Regulatory Compliance: Status

кү	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	13,988	14,180	192		↓

Other Program Maintenance:				
Valve Operation (<16") (2)	4,301	4,300	0	
Valve Operation (>16")	456	422	0	
Hydrant Inspections (3)	6,450	5,859	.0	- TG 1.5

- (1) To date, 13,988 meters were replaced for the periodic meter change-outs. There are 18,935 periodic meter change-outs planned for the year.
- (2) Large valve operations are complete and small valves are on track to complete 2009 plan.



(3) Hydrant inspections are ahead of target for 2009 completion. KAW planned inspections total 7,035 for the year.

8. Regulatory Compliance - Other

The citizens group impacted by the construction of the new water treatment plant (Citizens for Alternative Water Solutions "CAWS") had applied for a rehearing of the Certificate of Necessity. The PSC denied the Application for Rehearing on June 5, 2008. CAWS filed an appeal in the Franklin County Circuit Court on June 23, 2008. The record was filed on February 2, 2009, and an Order approving an agreed-upon briefing schedule was issued on February 25, 2009. CAWS's filed its brief on May 15, 2009. KAW filed its brief on August 14, as did the Attorney General, the PSC, and the BWSC. CAWS filed its reply brief on September 28. All parties are currently awaiting a ruling from the judge.

9. Union/Labor Issues/Activities

An arbitration hearing scheduled for October was cancelled as a settlement was reached on the grievance issue.

10. Explanation of NOVs, OSHA violations, etc.

Kentucky American Water's Rockwell Village Wastewater Treatment Plant was issued an exceedance related to the 7-day geometric mean sample for fecal coliforms. The plant had recently switched to a different chlorine tablet that dissolved more rapidly, which contributed to the exceedance, as did use of a contract lab for this particular sample. The plant has switched to a more stable tablet to avoid future occurrences. A violation is not anticipated based upon this incident as the total month result was within limits.

The Kentucky Public Service Commission and the Kentucky Division of Water both performed inspections of our Northern Division sewer system in September 2009. No deviations were noted.

11. Financing activities

An additional \$26 million of tax-exempt financing was closed in September. This second issue through the Owen County Fiscal Courts, at 5.62%, raised the total tax exempt financing for the KRS II Treatment Plant and Pipeline project to \$71 million.

12. Revenue Generating Projects/Opportunities

Business development activities in September 2009 for Kentucky American Water included representation and a booth at the Kentucky League of Cities held at the Northern Kentucky Convention Center on the 23rd & 24th. The conference was attended by Mayors, Council Members, Commissioners and Directors from most municipalities in State.



American Water continues to promote Applied Water Management's water reuse (reuse of wastewater) program with Toyota Manufacturing with a proposed meeting in October 2009 including Gary Lohse, Sr. Mgr. of Engineering for AWM and Toyota's facilities management team.

13. O&M Contracts – Significant Operational/Financial Variances No activity to report this period.

14. Other Operational Issues

There were three vehicular accidents in September. However, the OSHA recordable incident rate at September is 0.00%. The OSHA recordable injury rate is 8.61 YTD.

KAW implemented a number of strategies to improve results for the Customer Satisfaction Survey. Results have improved through 2009 and are on plan to meet year end 2009 targets.

	Customer Satisfaction	Results	·		
Kentucky -	2009 YTD				
Question	Question Text	2007 Results	2008 Results	2009 YTD	2009 Target
Q29	Satisfaction with Outcome of Contact (% Extremely and Very Satisfied)	87%	83%	.88%	85%
Q27	Number of Times Contacted AW (%Contacted Once)	87%	75%	80%	N/A
Q29b	Reason for Contact Completely Addressed (%Yes)	87%	93%	96%	N/A
Q7i	CSR Overall Performance (% Excellent and Very Good)	87%	89%	89%	N/A
Q21i	FSR Overall Performance (% Excellent and Very Good)	87%	93%	100%	- 93%
Q22h	FSR Arrived as Scheduled During Agreed Upon Appointment Window (%Yes)	87%	74%	70%	90%



15. Communications and Government Affairs

Government affairs facilitated a panel discussion, along with the Lexington Fayette Urban County Government Environmental Quality Commissioner Cheryl Taylor, following a showing of the documentary, "Liquid Assets Panel and the University of Kentucky" on September 16.

KAW also led a tour of the new pipeline and water treatment plant for members of the Bluegrass Area Development District on 9/25, including several mayors and representatives of area municipal water utilities.

Community Relations activities in September included the following:

- A "Day of Water" at Springhouse Gardens on Sept 5 to present on the subjects of water quality, environmental stewardship and water conservation.
- Issued a press release about the pipeline construction project crossing, in an environmentally sensitive manner, the North Elkhorn Creek. The release resulted in media articles for two major dailies in the area (Herald Leader and Frankfort State Journal).
- Conducted a two-day tour program (50 8th grade students each day) of the Richmond Road Water Treatment Plant. In addition to the tour, students were provided with a presentation of water quality and conservation. Messaging was also provided on solving Central Kentucky water supply shortfall. The children also received the new water treatment brochure.

Kentucky American Water Board Report – Q3 2009

Financial Performance

Quarter-to-Date Results - Actual to Plan:

Operating Revenues were unfavorable by \$2,297k, 11.10% below Plan for the Third Quarter of 2009. The primary drivers of the variance are rate case results offset by interest expense and higher AFUDC (\$1.03M) and lower than planned customer demand (\$1.45M).

Operating expenses were \$685k favorable to Plan.

- Production costs were favorable by \$606k, driven by lower chemical prices from re-negotiated contracts and lower power costs from improved NWR and lower water sales
- 2. Depreciation was favorable by \$294k, driven by lower than planned composite depreciation rates
- 3. Management fees were unfavorable by \$110k, driven by additional costs for the FRCC during the transition to the new center in Lexington, KY
- 4. Labor was unfavorable by \$91k, driven by reclassification of labor that was capitalized to the incorrect work order

Interest expenses were favorable to Plan by \$1,487k, driven by tax exempt financings, which are capitalized against the Water Treatment Plant project during construction, lower rates on long-term debt (tax exempt financings) and lower short term interest rates. AFUDC was favorable by \$348k, driven by rate case outcome vs. Plan.

Net income was \$203k favorable to Plan.

Year-to-Date Results - Actual to Plan:

Operating Revenues were unfavorable by \$3,012k, 6.09% below Plan for 2009. The primary drivers of the variance are rate case results offset by lower interest costs and higher AFUDC (\$1.03M) and lower than planned customer demand (\$2.28M).

Operating expenses were \$2,684k favorable to Plan.

- 1. Production costs were favorable by \$1,052k, driven by lower chemical prices from re-negotiated contracts and lower power costs from improved NWR and lower water sales
- 2. Labor was favorable by \$185k, driven by lower headcount in early 2009 vs. Plan

- 3. Contracted services was \$175k unfavorable to Plan, driven by higher than expected temporary labor for maintenance
- 4. Miscellaneous was favorable \$433k, driven by lower than Planned fuel (gas) prices and capitalization of fleet costs, offset by water study write-off in Q3 of 2009 (\$159k)
- 5. Depreciation was favorable by \$294k, driven by lower than planned composite depreciation rates

Interest expenses were favorable to Plan by \$2,990k, driven by tax exempt financings, which are capitalized against the Water Treatment Plant project during construction, lower rates on long-term debt (tax exempt financings), timing of long-term debt offerings and lower short term interest rates. AFUDC was favorable by \$404k, driven by rate case outcome vs. Plan.

Net income was \$2,081k favorable to Plan.

AMERICAN WATER						-	Income Stateme varter Kentuck rowth Sep t. 09 Sep (\$ In Thousands)	varter To Date rowth A99 usands)	5		
	de de la companya de		QTD	Variance Favorable (Unfavorable)	% Variance	my CTO	Variance Favorable (Unfavorable)	% Variance	e F G :	Varience Fevorable (Unfavorable)	% Verlance
OPERATING REVENUES. Water Revenues Sewer Revenues Other Operation Revenues	- 25 5 7,				(1.42)% (4.44)% 2.58%			(12.36)% (6.47)% 33.28%	5,5	892 3 71	5.35% 4.17% 10.60%
Management Revenues Operating Revenues		18,390	18,628	(239)	(1.28)%	20,686	(2,297)	(11,10)%	17,423	796	5.55%
OPERATIONS & MAINTENANCE EXPENSE. PRODUCTION EXPENSES. Purchased Water Free and Power	10 cz	36 928 625	43 970 709	7 2 28	15.69% 4.29% 11.81%	36 1,249 908	0 321 283	(0.49)% 25,68% 31,17%	34 1,022 526	(3) (3) (4)	(8.25)% 9.18% (18.81)%
Viernicals Waste Disposal Total production costs	. 60	929	1,804	134	7.43%	2,276	909	2.57% 26.62%	1,649	(21)	(128)%
OAMLABOR & OVERHEAD. Labor Pensions Committeenese	e 5 t	1,816 356 572	1,775 352 523	(41) (43)	(2.31)% (1.19)% (9.21)%	1,757 337 561	(S) (S) (S) (S) (S) (S) (S) (S) (S) (S)	(3.34)% (5.66)% (1.97)%	1,669 154 418	(147) (747) (754)	(8.82)% (131.16)% (36.87)%
Other benefits Total employee related	12 2	80	2,728	(36)	(3.50)%	78 2,733	(9(2)	(2.82)%	2,317	(507)	(21.86)%
		:063	1,081	8 ,	1.67%	953	(110)	(11,50)%	921	(142)	(15.40)%
•	15	288	256	(32)	(12.44)%	1,009	(52)	(5.18)% (23.23)% (8.57)%	298	<u></u>	(7.35)% 3.40% (4.86)%
		95 76	81	(e)	6.05%	16	4	15.81%	40	(36)	(89.56)%
ace Other Than Group ner Accounting		121	172 469	3 2	29.61%	180 465	27.53	32.66% 5.81%	124 374	Đ((17.15)%
Rents General office expense Miscellaneous	2 2 2	, 164 616	148 611	<u>-66</u> 6	(10.72)% (10.96)%	148 575	(16) (42)	(11.16)% (7.23)%	528 410	(506)	27.24% (50.30)%
- sintenance expense		728	9,113	38	0.61%	9,378	321	3.42%	8,033	(1,025)	(12.76)%
	23	480	1,497	71	1,12%	1,774	. 294	3.01%	1,410	(<u>)</u>	(4.94)%
nd amortization		609	1,627	18	1.11%	1,907	298	15,62%	1,539	(02)	(4.54)%
	27.55	840	873	32	3,72%	906	99 '	7.30%	796	(45)	(5.61)%
Total operating expenses, net Operating income		1,507	7,016	106	0.91%	12,191	(1,612)	5.62%	10,368 7,055	(1,139)	(2.45)%
pt NS	30.28	1,302 53	1,301	'£8'	(0.05)% 64.00%	2,434	1,132	46.51% 87.21%	1,411	109 425 42	7.71% 53.69%
•		363	1,457	94	6.46%	2,851	1,487	52.18%	1,526	162	10,65%
	33 33	469 234	401 179 70	55.88	16.96% 30.81% 5.78%	243 111	225 123 6	92.65% 111,47% 19.51%	187 109 23	281 125 2	150.04% 114.79% 10.40%
subsidiaries (Consolidado		3 '	i '	. •		3 '	, 1		•	•	
6	36 37					• • •			111		
Dividend Income - Preferred Miscellaneous Income	38	1 60	'€	* o	1,018,35%	• •	1 00		(31)	39,	125.74%
Total other income Miscellaneous Amortization	9	∞ ⊖	€ °	o, o	1,018.35%	٠.	. 0	155,28%	(e)	, O	%000
Miscellaneous Other Deductions Total Other Deductions		88	29	22	37.90%	38	-	3.76%	76	8	51.81%
Other, net	*	(82)	(23)	31	52.26%	(38)	6 (24.91%	(107)	8 5	73.93%
Total other income (deductions)	_ •	(715)	(964)	250	25,90%	(2,566)	1,852	4.04%	969'5	472	8.29%
State Income Taxes Federal Income Taxes	27 57	378	327	(51)	(15.67)%	293	(85)	(28,95)% 2.26%	332 1,948	(45)	(13.64)% 0.56%
Tax Saving Acquisition Adjustment State Income taxes (non-operating)		' ଞ୍	'ଞ୍ଜ	۱		' ® €	104	7.42)%	, ⊚€	1010	(1.34)%
Provision (Benefit) for Income Taxes Net Income (Ioss)		2,296 3,872	2,364 3,687	68 185	2.88% 5.01%	3,669	(36)	(1.62)% 5.54%	2,267	(30)	(1.31)%
Preferred Dividend Declared Net Income To Common Stock	48	3,853	3,668	185		3,649	203	5.57%	3,410	442	72.0 72.97%
Common Dividend Declared Current Year Retained Eernings		1,846	1,691	(131)		1,691	(112)	(18.65)% (5.73)%	2,015	(169)	(8.39)%

Tuesday, October 13, 200 3-39-11 PM

FRP.1.3	Close Status: Final financial source system data
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Control Cont	American Water											
Column		>-	TD Actuals	YTD Reforecast	Variance Favorable (Unfavorable)	% Variance			% Variance	ት ሙሉ	Variance Fevorable (Unfevorable)	% Variance
Column	RATING REVENUES. Pr Revenues or Revenues	l	44,223	44,477	(254)	(0.57)%	47,534	(3,311)	(6.35)%	43,044	1,179	2.74%
Column	r Operating Revenues	1 to 4	586,1	1,966	19	0.95%	1,669	315	18,88%	1,891	94	4,96%
1	ating Revenues Rations & Maintenance Expense		46,448	46,687	(239)	(0.51)%	49,460	(3.012)	%(60.9)	45,166	1,282	2.84%
1	DUCTION EXPENSES. hased Water	ιΩ	94	160	7	8.75%	108	4	13.27%	87	(9)	(6.98)%
## 4, 250 4, 477 1, 120	and Power nicals	9 1	2,363	1,843	2 % 2 %	1,73%	3,069	281 281	13,79%	1,264	66 (495)	(39,18)%
1	a Disposal production costs	80	4,388	4,522	134	1,07%	5,440	1,052	19.34%	3,986	(402)	(10.08)%
10 1,225 1,254 (4) (1,329)4 1,111 1,125	LABOR & OVERHEAD.	d	910	4 077	144		5.157	139	2.69%	4.891	(127)	(2.61)%
1 1528 1579 648 0.0395 1582 234 1582 237 100	ions	0	1,068	1,064	<u></u>		1.01	<u>a</u>	(2.65)%	498	(570)	(114.60)%
13 7522 7523 7523 7524 693 71276 8113 152 72276 612774 71276	p insurances then effs	- 2	1,628 214	212	€ 6		1,682	55 49 49 49	3.23%	7/2,r 209	(351) (6)	(27.48)% (2.63)%
1. 2.557 2.558 1.5 0.0095 3.011 3.011	employee related		7,929	7,833	(96)		8,113	185	2,27%	6,874	(1,054)	(15.34)%
14 2855 2556 20 00.09% 3.0.01 4.8 4.13% 2.959 250	genent fees	5	3,007	3,025	\$		2,831	(176)	(6.21)%	3,010	rs	0,11%
1	ed business services	4 ;	2,953	2,956	e (3,001	48	7,59%	2,989	36	1,21%
1.5 4.50 4	eacted services	12	3.851	3.822	(25)	İ	3,724	(127)	(3.42)%	3,661	(190)	(5.20)%
17 14.5 14	Contraction of the contraction o	ŧ	169	122	tr		189	. 20	10,65%	180	12	6.54%
18 1,204 1,224 1,224 1,225 1,10 1,004	natory expense ance Other Than Group	45	54	493	· 53		233	97	18,08%	333	(109)	(32.56)%
25 1,495 1,595 (1,60,43% 1,489 (8) (4,64% 1,789 2,81% 1,597 1,597 (1,17) 27 1,535 1,489 (8) (1,60,4% 1,789 6,31 2,81% 1,597 1,197 (1,17) 29 2,6104 2,458 5,59 3,59 2,81% 2,827 2,437 4,454 7.7 20 4,786 1,79 1,234 5,25 847 1,528 1,724 1,	omer Accounting	₽ 5	1,204	1,235	ਲ ਦ		1,285	18	6.33%	4,0,1 23	(SC)	(8.02)%
The control of the	ral office expense	2 2	409	383	(4)		450	64	9.00%	500	3 63	18.19%
Consolidation Consolidatio	ellandous	2 2	1,355	1,349	(3g) (3g)		1,788	59	2.81%	1,912	(112)	(5.84)%
Controllidation Controllid	operations and maintenance expense	\$	24,803	24,858	55		26,485	1,682	6.35%	22,881	(1,922)	(8.40)%
Consolidation Consolidatio	eclation	8	4,379	4,396	17		5,225	847	16.20%	4,454	27 <u>(</u>	1,68%
25	dization ecistion and amortization	50	4,765	4,784	18		5,625	860	15.28%	4,838	72	1.50%
27 22, 12 22, 27 106 0,23/8 34,805 2,684 7,77% 30,049 0,0707 14,327 14,460 (133) (0,02)/8 1,466 (329) (2,24)/8 15,117 (799) 28	ral taxes	83	2,552	2,585	32		2,695	142	5.28%	2,330	(222)	(9.54)%
14,227 14,460 (133) (0,02)% 14,666 (329) (2,24)% 15,117 (790)	iment changes	23	32 121	32 227	106		34.805	2,684	7.71%	30,049	(2,072)	%(06'9)%
Consolidate 28	ating income		14,327	14,460	(133)		14,656	(329)	(2.24)%	15,117	(790)	(5.23)%
2.9	ER INCOME & DEDUCTIONS est Income	28	٠		•		•	٠		(9)	(9)	(100.00)%
Consolidatio 250	ast on long-term debt	8	4,124	4,124	€8	(0.02)%	5,944	1,820	30,61%	4,285	160	3,74%
Consolidatio 4,553 54 2.07% 7,449 2,990 40,15% 4,774 316 32 2,782 2,594 68 2,25% 2,529 234 9,24% 838 1,924 33 2,782 1,519 1,214 2 2,18% 76 8,25% 67 2 34 70 1,214 2 2,18% 76 8,25% 67 2 35 -	sst on Short-Term Bank Debt r Interest Expense	8 E	326	421	0	(0.04)%	cnc'ı	(8) (8)	8/00°0/	1	(8)	
1,2762 2,564 68 2,52% 2,529 224 5,24% 8,38 1,924 32 1,319 1,124 2, 2,18% 1,18 1,18 1,538 8,38 1,924 32 1,310 1,124 2, 2,18% 1,18 1,68 6 8,25% 6 7 8 38 1,310 1,124 2, 2,18% 1,18 1,18 1,18 1,18 38 60 51 9 1,739% - 60 19 41 41 257 279 27 279 27 279 27 279 27 27	Interest expense		4,458	4,553	76	2.07%	7,449	2,990	40.15%	4,774	316	6.62%
Fig. 2	DC - Equity	88	2,762	2,694	63	2.52%	2,529	234	9.24%	838	1,924	229.49%
Fig.	JC Desir dization of Debt Expense	3 %	2 2	7	3 64	2.18%	76	9	8.25%	67	8	3.54%
Sign	rred cividends of subsidiaries (Consolidati	32	•	•	٠		•	•		1	•	
23 5 5 5 5 5 5 5 5 5	on sale of assets Operation Rental Income	92 98			1 1			. ,		' '		
Sign	and Income - Common	181	•	•	ŧ		•	r			1 1	
Processes Color	iend income - Preferred ellaneous Income	8 8	' 8	. 52	· 6	17.39%		90		19	41	218.22%
ous Amortization 40 0 45.73% 1 15.22.8% 0 0 Ous Dividend Deductions 41 257 279 22 7.59% 314 57 18.08% 252 (4) Deductions (197) (228) 27 279 22 7.59% 314 57 34.8 252 (4) Productions (197) (228) 27 7.59% (4,162) 3.518 48.53% (234) 37 ss) before income taxes 42 855 804 (57) (4,62) 3.518 3.39% 11,260 2,423 Acquisition Adjustment 43 42.28 437 17 2,44% 3.588 (710) (19.94% 4.000 (286) Acquisition Adjustment 45 (7) (3) 11 18.16% (101) (18.94% 4.000 (286) Acquisition Adjustment 45 (7) (3) 11 18.16% (101) (13.94% 4.000 <t< td=""><td>driberincome</td><td></td><td>9</td><td>51</td><td>6</td><td></td><td>•</td><td>09</td><td></td><td>19</td><td></td><td>218.22%</td></t<>	driberincome		9	51	6		•	09		19		218.22%
Common backers Comm	ellangous Amortization	육 :	e į	0 6	۲ -			- 6	155.28%	o ry		0.00%
	ellaneous Other Deductions Other Deductions	4	257	279	22		314	828	18.34%	252		(1.73)%
	in most		(197)	(228)	8		(314)	117	37.37%	(234)		219.95%
42 855 804 (51) (6.37)% 558 (297) (3.23.25)% 11,260 2,423 45 456 4,375 (17) 2,44% 3,558 (70) (73.90)% (73.90)% (768) 46 (7) (3) 11 2,44% 3,558 (170) (73.90)% (70) (768) 47 (19) (3) 11 1,48,10% (101) (77.30)% (70) (73.90) (70) (789) 48 5,856 3,407 185 2,20% 5,504 2,652 (429) (590) (439) 48 5,32 1,32 5,504 1,32 2,20% 5,504 6,504 6,502 1,384 5,20 4,83 (3,13) (6,43)% 5,504 6,504 6,504 1,384 5,20 4,83 (3,13) (6,43)% 4,152 (1,032) (3,232)% 6,543 1,984 7,755 4,182 (1,032) (3,522)% <t< td=""><td>other income (deductions)</td><td></td><td>(644)</td><td>(894)</td><td>250</td><td></td><td>(4,162)</td><td>3,518</td><td>84,53%</td><td>(3,857)</td><td>3,213</td><td>83,31%</td></t<>	other income (deductions)		(644)	(894)	250		(4,162)	3,518	84,53%	(3,857)	3,213	83,31%
42 865 804 (517) (6.37)% 558 (797) (31.54)% 709 (146) 45 77 (3) 17 2.44% 3.558 (710) (19.94)% 4.000 (268) 46 (7) (3) 11 1.48.16% (73) (73.90)% (7) (73.90)% (73.90) <td>me (loss) before Income taxes</td> <td></td> <td>13,683</td> <td>13,566</td> <td>117</td> <td></td> <td>10,494</td> <td>3,189</td> <td>30,39%</td> <td>11,260</td> <td>2,423</td> <td>21.52%</td>	me (loss) before Income taxes		13,683	13,566	117		10,494	3,189	30,39%	11,260	2,423	21.52%
4.5 4,28 4,515 107 2,44% 5,536 (7.10) (15.55), 1,500 (2.2) 4.6 (7.7) (5) 11 2,53% (7.01) (132.0)% (13	a Income Taxes	3 5	855	804	(51)	_	558	(297)	(53.25)%	907	(146)	(20.62)%
46 (7) (5) 1 25,33% (25) (19) (73,00)% (0) (2) (2) (2) (2) (3) (3) (42) (2) (2) (2) (2) (42) (2) (2) (43) (43) (43) (43) (43) (43) (43) (43	iral income Taxes Saving Acquisition Adjustment	3	907'*	5	·		3 1	2 1		' 1	[' [100000
Section 5,037 5,165 68 1,32% 3,989 (1,104) (27,77)% 4,658 (439) 48 8,840 155 2,00% 6,504 2,003 5,602 1,984 48 59 0 (0,02)% 5,00 0 0,21% 59 8,577 8,547 1,884 188 2,22% 6,446 2,081 32,29% 6,543 1,984 5,204 4,888 (319) (6,43)% 4,152 (1,022) (25,32)% 3,448 (1,755)	s income taxes (non-operating)	46	e ē	€	- 5		(Zg)	(6C) (8Z)	(73.90)%	≅ {}	98	(15.35)%
8.586 8,401 185 2,20% 0,004 2,062 0,002 0,	tsion (Benefit) for Income Taxes		5,097	5,165	89		3,989	(1,108)	%(77.72)	4,658	(439)	(9,43)%
8,527 8,342 185 2,22% 6,445 2,081 32,29% 6,543 1,984 5,204 4,888 (315) (6,45)% 4,152 (1,052) (25,32)% 3,448 (1,755)	income (loss) proof Dividend Declared	48	8,586 59	8,401	185		6,504	2,082	32.00%	29 6	1,984	30,05%
5,204 4,888 (315) (6,45)% 4,152 (1,052) (25,32)% 3,448 (1,755)	income To Common Stock	1	8,527	8,342	185		6,446	2,081	32.29%	6,543	1,984	30,32%
000 COO COO COO COO COO COO COO COO COO	mon Dividend Declared		,000								114 11	

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Close St Inancial
Status: Fina Il source syst

Pr 10: FRP.3.0 Year Considerability

AMERICAN WATE.							Ē	(\$ In Thousands)		j	
		Actuals	Reforecast	Increase (Decrease)	% Variance	Plan	(Decrease)	% Variance	Prior Yr. Dec	(Decrease)	% Variance
Uslity Plant Uslity Plant Construction Work in Progress Accumulated Deprectation Utility Plant Acquisition Adjustments	- U & 4	382,211 119,954 (89,583) 290	381,002 121,800 (89,156) 291	1,209 (1,846) (427) (2)	0.3% (1.5)% (0.5)% (0.6)%	381,307 105,348 (92,323) 312	904 14,605 2,740 (22)	0.2% 13.9% 3.0% (7.1)%	369,486 54,501 (84,213) 305	12,725 65,453 (5,370) (15)	3.4% 120.1% (6.4)% (4.9)%
Other Utility Plant Adjustments Total Utility Plant	۳ م	412,871	413,937	(1,066)	%(0.0)%	394,644	18,227	4.6%	340,079	72,792	21.4%
Non-Luiny Property Total property, plant and equipment		413,141	414,207	(1,066)	(0.3)%	394,914	18,227	4,6%	340,349	72,792	21.4%
Cash and Cash Equivalents	r 0	495	25,990	(25,495)	(98.1)%	200	295	147.1%	234	261	
Dillity customer accounts receivable	တင္	3,032	2,862	170	5.9%	2,971	64	2.0%	2,342	689	
Allowance for uncollectible accounts Accrued utility revenues	2 = 9	3,698	4,059 (959,059)	(361)	%(6.8) %6.5	3,708	E ;	(0.3)%	2,900	798	27.5%
Other receivables, net Taxes receivable, including federal income	5 t	1.	2/5	€ '	13.8%	015	Ŧ,		71+	607	
Materials and supplies Receivable from affiliated companies	4 to	582 18,055	692	(110) 18,054	(15.9)% 1,687,301.0%	554 13	18,042	(12.3)%	1/6		3,118,240,3%
Other Current Assets Current Assets	9	26,711	34,428	(7,7,7)	(72.4)%	7,855	18,856		6,603	20,108	
Regulatory assets - income tax recovery Debt and preferred stock expense	14	4,081	4,033	380	1.2%	6,322	(2,241)	(35.4)%	3,230 795	851 882	26.4%
Deferred pension expense	\$		•	t		•	•			•	
Deferred postretirement benefit expense Deferred security costs	82		۰.	. 0		10	10				
Deferred business services project expens	:28	•	, ,						•		
Deferred integration costs Deferred tank painting costs	3 %	1,672	1,682	(10)	(0.6)%	1,462	210	14.4%	1,737	(65)	(3.8)%
Deferred rate case	3,32	544	233	י מי	1.0%	286	(25)	(8.7)%	554	(0L)	
Environmental remediation recoverable thr	128	, 52	1 to	, 235)	76 (7) 87	3.075	(808)	/16.41%	2.760		
Other Regulatory Assets Regulatory assets	87	10,545	10,356	188	1.8%	12,151	(1,606)	(13.2)%	9,076	1,469	16.2%
Other investments	88								, ,		
Funds restricted for construction	3 % 3	•		•		•			, 6	' @	/100 0/%
Goodwill Intangible assets	3 8	. 1				,			, ,		
Other Long Term Assets Total Regulatory & Other I // Assets	34	52	10,409	188	0.0%	13,180	(2,583)	(19.6)%	9,208	1,389	15.1%
Total Assets		450,449	459,043	(8,594)	%(1,9)%	415,949	34,500	8.3%	356,160	94,289	
Common Stock	35	36,569	36,569	0	0.0%	36,569	0		36,569		
Paid in Capital	36	36,135	36,266	(131)	0.0% (0.41%	35,142	4,538 994	10.8%	32,812	3,323	10.1%
Accumulated other comprehensive income	88	•		•			1	•			
Uneamed compensation Treesure stock									1 1		
Common stockholder's equity)	119,356	119,484	(128)	(0.1)%	113,824	5,532	4.9%	93,507	25,848	
Preferred Stock without mandatory redemp	4 4	1,456	144,990		%0.0 0.0	110,600	34,390		76,700	68,290	
Redeemable preferred stock at redemption	- 1	4,500	4,500	0 (428)	%0.0	4,500	39.931	17.3%	176.163	94.138	53.4%
Short Term Debi	44	39.105	48.190	(9,085)	(18.9)%	42,974	(3,868)	%(0.6)	53,106	~	_
Current Portion of Long-term Debt	45	3,100	3,100	۰ ۰	0.0%	3,100	0 '		3,100		
Current portion of redeemable stock at red Accounts Payable	4 4	11,309	14,309	(3,000)	(21.0)%	7,612	3,697				
Taxes Accrued	84 69	2,756	1744	(2,814)	(1,199.1)% 58.1%	3,099	(5,315)	(14.3% (5.1.1)%	1,150	1,606) (736.8)% 3 139.7%
Total Other Current Liabilities	20	5,688	3,989	1,699	42.6%	3,805	1,883				١
Total Current Liabilities	i	59,379	71,567	(12,188)	%(0.7.1)	63,325	(3,945)				
Customer Advances for Construction Deferred Income Taxes	52	13,382	13,011	3,253	7.6%	39,155	6,630	16.9%	37,871	7,914	20.9%
Deferred Investment tax credits	3	1,069	1,077	€	(0.7) %(5.0) %(5.0)	11,077	€,				
Regulatory liability Accrued pension expense	£ 55	1,444	1,426	18	1.2%	1,044	400				
Accrued postretirement benefit expense	2 22	83 83	32	196	75.2%	4 04	413				
Ower Deferred Credits Regulatory & Other Long Term Liabilities	í i	73,526	69,726	3,800	5.5%	72,912	614				
Contributions in aid of construction	28	47,242	47,321	(78)	(0.2)%	49,342	(2,100)	(4.3)%	46,815	427	7 0.9%



Quarterly Operations Review November 2009



Operational Issues Review

1. Source of Supply and New Water Treatment Plant

There are no current source-of-supply issues. Although precipitation during November was less than normal (0.97 vs. 3.3 inches), year-to-date rainfall has been 27% more than normal (50.0 vs. 39.3 inches).

Water Supply Project Update

Work continued through November with masonry work on the treatment building and raw water intake. The intake related work within the river was completed. Roofing is complete on all of the treatment buildings with the exception of the filter room. Leak testing continues on the flocculators, clarifiers, filters and sludge clarifiers. A progress meeting was held on November 18 and progress calls were held November 4, 11, and 25. Work is on budget and on schedule.

An additional 5,036 feet of pipe was installed in November for a total of 137,410 feet or 26.02 miles (85%). All of the pipe on Contract A in Franklin County has been installed, with testing and disinfection to follow in 2010. Work continues on Contract B in Scott County and Franklin County along US 460 and Woodlake Road. All easements have been acquired. A progress meeting was held on November 17, with progress conference calls on November 3, 10, and 24. Additional pavement requirements in Franklin County by the KY Transportation Cabinet are being addressed. Work continues on schedule and on budget.

Work continued on the booster station building and installation of equipment. Yard piping installation is complete. A progress meeting was held November 17. Work continues on schedule and on budget.

Overall, the project is 78% complete and is on budget and on schedule to be substantially complete in summer 2010.

2. Operational Costs: Energy, Chemicals, Residuals

	November Actual	Nov Plan	Variance	Nov YTD	Nov YTD Plan \	Plan /ariance
Purchased Water	15	7	(8)	121	124	3
Fuel and Power	253	336	83	2,811	3,785	974
Chemicals	. 165	193	28	2,086	2,520	434
Waste Disposal	20	24	4	212	272	60
Total Production	453	560	107	5,230	6,701	1,471

November fuel and power costs remain under plan for the month and year to date, primarily attributable to lower than plan system delivery. Below plan chemical costs are driven by lower prices and lower than planned system delivery.



Rate Case/Orders: Timing, Value, Issues No updates for November.

4. Commission Activity: Customer Complaints, Compliance

The overall number of complaints to the Kentucky Public Service Commission year to date is slightly higher than 2008 results for the same period.

	YTD Collections	YTD Billing	Other Total	YTD Total
2008	53	33	1	87
2009	49	35	5	89

5. Divestitures

No additional activity to report.

6. Major Operational Projects

The South Limestone Water Main Replacement Project between Avenue of Champions and Vine Street is currently under construction. This project is being constructed in conjunction with the Lexington-Fayette Urban County Government's South Limestone Streetscape Project. The Project includes the replacement of existing 6-inch cast iron water main (dating back to the early 1900's, with a portion pre-1900's) with approximately 2400 feet of 12-inch ductile iron water main. Currently, approximately 1,250 feet of main has been constructed between Avenue of Champions and Maxwell Street. Construction of service line renewals in this section is scheduled to be complete during first week of December. Construction of the remainder of the main replacement between Maxwell Street and Vine Street is underway. The project is scheduled to be complete by the end of the year.

The North Broadway area main replacement project replaces nearly one mile of old pipe on Broadway and neighborhood side streets, including mains which date back to the late 1800's and early 1900's. The water and service line replacements on Granard Avenue and Morrison Avenue are complete as are the service renewals. Approximately 2800 feet along Broadway has been constructed from Church Street to Fifth Street. Service line renewals are also complete in this section. Pavement restoration is complete between Church and Third Streets. Work on this project is taking place in the evening after rush hour traffic.

The Newtown Pike Downtown Relocation Project between Main Street and Versailles Road is currently under construction. This project is being constructed in conjunction with the Kentucky Transportation Cabinet's Newtown Pike Extension Project. The project includes the relocation of approximately 400 linear feet of 20-inch water main, 1,200 linear feet of 16-inch water main, 200 linear feet of 12-inch water main and 600 linear feet of 8-inch water main. Construction for the project is approximately 30% complete and it is scheduled to be finished in the spring of 2010.



Capital Expenditure results year-to-date, and the third quarter reforecast, reflect the higher than original plan spend for the water treatment project.

12-KY Gross	Original	Q1RF	Q2RF	Q3RF
Full Year Budget	\$82,568,841	\$98,885,357	\$99,055,070	\$98,010,411
To Date Budget	\$75,488,862	\$95,315,176	\$95,228,639	\$92,975,677
To Date Actual	\$93,434,088	\$93,434,088	\$93,434,088	\$93,434,088
To Date Variance	\$17,945,226	\$(1,881,088)	\$(1,794,551)	\$(458,411)

7. Operational Regulatory Compliance: Status

KY	Actual (YTD)	Plan (YTD)	Backlog	Status	Trend
Regulatory Maintenance:					
Meter Changes (1)	15,757	15,680	0	G	

Other Program Maintenance:				
Valve Operation (<16") (2)	5,021	4,913	0	G ☐
Valve Operation (>16")	459	422	0	G
Hydrant inspections (3)	7,571	7,035	0	

- (1) To date, 15,757 meters were replaced for the periodic meter change-outs.
- (2) Large and small valve operations are complete and above planned totals for 2009.
- (3) Hydrant inspections are complete and above planned totals for 2009.

8. Regulatory Compliance – Other

The citizens group impacted by the construction of the new water treatment plant (Citizens for Alternative Water Solutions "CAWS") had applied for a rehearing of the Certificate of Necessity. The PSC denied the Application for Rehearing on June 5, 2008. CAWS filed an appeal in the Franklin County Circuit Court on June 23, 2008. The record was filed on February 2, 2009, and an Order approving an agreed upon briefing schedule was issued on February 25, 2009. CAWS filed its brief on May 15, 2009. KAW filed its brief on August 14, 2009 as did the Attorney General, the PSC, and the BWSC. CAWS filed its reply brief on September 28, 2009. Oral argument was held on November 9, 2009. All parties are currently awaiting a ruling from the judge.

On July 8, 2009, KAW was repairing a downtown water main break when an OSHA inspector, responding to television coverage, visited and inspected the worksite.



Subsequently, on September 3, 2009, OSHA issued two citations for alleged violations. The first referenced working in a hole greater than five feet in depth without an adequate protective system, and the second is for not adequately bracing the protective system in which workers were working. KAW contested both charges on September 22, 2009, claiming (1) that workers did not work in the hole unprotected after it was dug to a depth of greater than five feet; and (2) that the protective system installed (a "manguard") did not require bracing as described by the OSHA inspector due to the manner in which excavation was prepared prior to installing the "manguard" protective shell.. OSHA filed its formal Complaint in the matter on September 30; 2009. KAW filed its answer on October 21, 2009. An initial informal conference scheduled for November 30, 2009 was re-scheduled to January 11, 2010.

9. Union/Labor Issues/Activities

Currently the company has two active grievances. One grievance is related to a pay issue and the other one is related to the union's desire to automatically incorporate the employees for the new plant into the existing bargaining unit.

10. Explanation of NOVs, OSHA violations, etc.

The Lexington Fayette County Urban County Government (LFUCG) performed storm water inspections of the Kentucky River Station and Richmond Road Station in October with no violations identified. However Kentucky American Water has agreed to the inspector's request that KAW provide additional training in regard to erosion and sediment control.

The Kentucky Public Service Commission performed an inspection of the Central Division water operations in November. Although final results have not been received, no violations were noted during the inspection.

11. Financing activities

The second debt issue through the Owen County Fiscal Courts, at 5.62%, raised the total tax exempt financing for the KRS II Treatment Plant and Pipeline project to \$71 million. American Water Works Company infused \$10 million of equity to Kentucky American in November 2009.

12. Revenue Generating Projects/Opportunities

KAW made a presentation to the City of Clinton in Hickman County. Clinton is currently owned by Utilities, Inc. The Mayor expressed an interest in assisting KAW in a potential purchase of the water and wastewater assets from Utilities, Inc. Clinton serves approximately 1,200 water and wastewater customers.

KAW is teaming up with American Water's Applied Water Management subsidiary to offer solutions to KAW customers in areas of potential water reuse. KAW facilitated two recent discussions with Toyota Manufacturing and the University of Kentucky. Follow up activities are expected with both customers.



13. O&M Contracts – Significant Operational/Financial Variances No activity to report this period.

14. Other Operational Issues

There were two vehicle accidents in November. The OSHA recordable incident rate in November is 8.8, with YTD results at 10.2.

KAW implemented a number of strategies to improve results for the Customer Satisfaction Survey. Results have improved through 2009 and are on plan to meet year end 2009 targets.

	Customer Satisfaction	Results			
Kentucky –	November 2009 YTD				
Question	Question Text	2007 Results	2008 Results	2009 YTD	2009 Target
Q29	Satisfaction with Outcome of Contact (% Extremely and Very Satisfied)	87%	83%	90%	85%
Q27	Number of Times Contacted AW (% Contacted Once)	87%	75%	82%	N/A
Q29b	Reason for Contact Completely Addressed (%Yes)	87%	93%	97%	N/A
Q7i	CSR Overall Performance (% Excellent and Very Good)	87%	· 89%	90%	N/A
Q21i	FSR Overall Performance (% Excellent and Very Good)	87%	93%	100%	93%
Q22h	FSR Arrived as Scheduled During Agreed Upon Appointment Window (%Yes)	87%	74%	78%	90%

15. Government Affairs and Communications

In late November, the Kentucky Division of Water received public comment on a number of new and amended regulations, including one regarding staffing requirements at water treatment plants. The issue was a concern to the company due to the potential fiscal impact of the regulation. Through communications with regulators, the new proposed rules were considerably scaled back, mitigating significant increases in personnel costs had the new requirements been implemented as originally proposed.

KAW regularly attends meetings of the Kentucky Infrastructure Authority, the Kentucky River Authority and relevant legislative committee hearings. New for this month, was the inaugural



meeting of the Kentucky Waterways Subcommittee on November 3, 2009, a sub-committee of the Interim Joint Committee on Transportation.

Kentucky American Water provided a guided tour of its new water treatment project to approximately 30 representatives of Commerce Lexington. The makeup of the group included members of the business community and other VIP's within the Central Kentucky area.

Kentucky American Water employees volunteered to provide water and conservation literature at the "Worth the Wait 5-K Race." The event supports a local children's adoption agency.

In addition, KAW sponsored or participated in:

- Lexington Urban League's Annual Awards Banquet
- Owen County 4-H program
- Bluegrass Tomorrow Vision Awards Banquet
- Sanders-Brown Center on Aging Foundation
- Diabetes Gala
- Hospice of the Bluegrass annual "Autumn Affair" fund-raiser
- Festival Latino program
- Dry Stone Conservancy's Walling Competition

Kentucky-American Water Board Report – December 2009

Financial Performance

Year-to-Date Results - Actual to Plan:

Operating Revenues were unfavorable by \$4,876k, 7.85% below Plan for Year-To-date 2009. The primary driver of the variance is water revenue which is \$5,266k unfavorable due to lower than planned customer demand (\$3,087k) and results from the 2009 rate case (\$2,179k) which are offset by AFUDC and tax exempt financing. Other operating revenues were favorable to Plan by \$409k due to higher reconnect fees.

Operating expenses were \$3,443k favorable to Plan.

- Production costs were favorable by \$1,481kk, driven by lower per-unit chemical prices and lower than planned fuel and power as a result of lower system delivery
- 2. Labor costs were favorable by \$309k, driven by position vacancies and lower than planned pension and other benefits expense
- 3. Management fees and contracted services were \$387k unfavorable to Plan, driven by higher costs from corporate functions and higher than planned temporary labor
- 4. Miscellaneous expenses were favorable to plan by \$489k, driven by lower fuel (gas) prices
- 5. Depreciation was favorable by \$1,026k, driven by lower actual composite rates

Other Income and Deductions were \$4,747 favorable to Plan.

- 6. Interest on Long term was favorable to the Plan by \$2,908k due to the receipt of \$71m in tax-exempt financing resulting in less than planned rates (this is offset by lower AFUDC and revenues versus plan due to outcomes of the rate case)
- 7. Interest on short term debt is favorable to the Plan by \$1,320k due to lower than planned short-term interest rates
- 8. AFUDC debt and equity were favorable to the Plan by \$428k due to results from the rate case (allowed to earn AFUDC on construction work in process for the new \$162m water treatment plant). Additional favorable AFUDC was offset by the favorable results from the tax exempt financing

Year-to-Date Net income was \$2,096k favorable to Plan.

		-	Ę.	Variance Favorable	1		Variance Favorable		E3	Variance Favorable	. seemonal o
OPERATING REVENUES.		Y ID Actuals	1	1,	% vanance		1 -	% Veriance	1 5	١,	2 28%
Water Kevenues Sewer Revenues Other Operating Revenues	- N 10	2, 453 2, 493 2,449	2,448 2,448	<u> </u>	(2.20)% 0.06%	312 312 2,040	(19) 409	(6.10)% 20.04%	23,27 2,327	7 221	2.62%
Management Revenues Operating Revenues	4	57,197	58,648	(1,451)	(2.47)%	62,073	(4,876)	(7.85)%	52,855	1,342	2.40%
OPERATIONS & MAINTENANCE EXPENSE PRODUCTION EXPENSES											
Purchased Water Fuel and Power	unφ	111 2,811	3,120	309	9.91%	3,785	13 974	10.27%	3,019	⁴ 508	3.81% 6.88%
Chemicals Waste Disposal	~ ∞	2,086	2,213	127 12	5.76% 5,29%	2,520	434	17.23%	1,611	(475) 42	(29.49)% 16.62%
Total production costs		5,220	5,674	454	8.00%	6,701	1,481	22.10%	4,999	(221)	(4.41)%
O&M_LABOR.&OVERHEAD_ Labor	ø,	6,124	6,154	33	0.48%	6,317	193	3,06%	5,973	(151)	(2.52)%
Pensions Group insurances	25	1,265	1,286	20	1.63%	1,236 2,056	<u> </u>	3.85%	1,568	(403) (403)	(26.09)%
Other benefits Total employee related	12	261 9.626	9,682	56 55	1.89%	327 9,935	309	3,11%	8,388	(1,238)	(3.57)%
Management fees	13	3,680	3,762	≅	2.16%	3,458	(222)	(6.43)%	3,610	(02)	(1.94)%
Shared business services	4 t	3,656	3,695	39	1,06%	3,652	99	%(0,09)% (18,61)%	3,648	23 . 3	(0.21)% (29.40)%
Contracted services Total contracted services	2	4,684	4,704	21	0.44%	4,519	(165)	(3.64)%	4,442	(241)	(5.43)%
Regulatory expense	1 5	219	23	t 23	6.30%	249 659	& £	12.01% 16.53%	207 428	(12) (22)	(5.74)% (28.59)%
Customer Accounting	£ 6	1,519	153	1 12 1	1,01%	1,585	88	4.18%	1,424	(82)	(6.70)%
Rents General office expense	2 8 3	48.5	486	n es ;	0.72%	239	3 Es §	10.55%	388	¹ 25	18,60%
Miscellaneous Maintenance	2.2	1,651 2,480	1,627 2,402	<u> </u>	(3.26)%	2,140	38	1,50%	2,436	(44)	(1.80)%
Total operations and maintenance expense		30,141	30,751	610	1.98%	32,356	2,215	6.85%	28,167	(1,974)	%(7.0.7)%
Depreciation Amortization	នន	5,393 473	5,417	24 4	0.44%	6,418 488	1,026 16	3.20%	5,391 469	301	(0.69)%
Depreciation and amortization	;	5,866	5,893	88 F	0.47%	6,907	1,041	75.08%	2,860	(e) (c) (c)	%(80.0) %(55.5)
General taxes Impairment charges	8 5	3,70/	3,130	2 ' }	6.64.7	+67'0	6 5	9/00	1,034	(615)	2(20.7)
Total operating expenses, net Operating income		18,083	18,817	(734)	(3.90)%	19,516	(1,433)	(7.34)%	18,934	(820)	(4.49)%
OTHER INCOME & DEDUCTIONS.	ć			-		•			g	· @	7100.003%
Interest income interest on long-term debt	ខ ខ្ល	5,029	5,028	. ≘£	(0.02)%	7,937	2,908	36.64%	5,223	317	3.71%
Interest on Short-Term Bank Debt Other Interest Expense	3 5	, e	200	SE E	(9,42)%	900'1	(B)	2000	0	(e)	(345,653.10)%
Total interest expense	;	5,385	5,655	271	4,79%	9,604	4,219	43,93%	5,881	564 6	6,44%
AFUDC - Equity AFUDC Debt	8 8	3,107	2,973	134	8.00%	1,302	189	14.54%	1,101 482 82	5015, 1,010,	209.54%
Amortization of Debt Expense Preferred dividends of subsidiaries (Consolidatio	¥ %	95	66	₹ 1	4.12%	104 1	on 1	% % %	3'	<u>5</u> '	8.5.5
Gain on sale of assets Non-Chamilton Bontal Income	35.			• •		• •			٠,	.,	
Dividend Income - Common	37	, ,	• •				• •			• 1	
Miscellaneous income	88	8	53	18	34.93%		69	i	51	128	34.79%
Total other income Miscellandous Amodization	40	2 0	<u>,</u>	<u> </u>	327,48%	٠,	3 -	155.28%	; =	0	%00'0
Miscellaneous Other Deductions	4	308	388	29	20.53%	330	22	6.35%	275	34 38	(12.42)%
Other, net		(240)	(337)	. 6	28.92%	(330)	9	27.48%	(223)	(16)	47.21%
Total other income (deductions)		(1,120)	(1,737)	617	35.52%	(5,867)	4,747	80.91%	(4,604)	3,484	75.68%
Income (loss) before income taxes		16,964	17,081	(117)	%(0.69)%	13,649	3,315	24.28%	14,330	2,634	18,38%
State Income Taxes Federal Income Taxes	4 4	1,061 5,441	955	(106) 125	(11.06)% 2.24%	716 4,607	(345) (834)	(48,10)% (18,10)%	890 5,043	(171)	(19.19)% (7.89)%
Tax Saving Acquisition Adjustment State income taxes (non-operating)	46	'₹ <u></u>	'€	' eo ;	114.55%	(2)	' <u>ନ</u>	(47.15)%	' ⊛(; ۵۰	81.92%
Federal income taxes (non-operating) Provision (Benefit) for Income Taxes	47	6,409	6,502	93	1.43%	5,191	(1,218)	(23.47)%	5,885	(524)	(8.90)%
Net income (loss) Preferred Dividend Declared	48	10,555 72	10,579	(24)	(0.23)%	8,458	2,096	24./8% 0.14%	2,445 27	2,110	0.05%
Net Income To Common Stock		10,483	10,507	(24)	(0.23)%	8,387	2,096	24.99%	3,448	2,110	(50.91)%
Common Dividend Declared Current Year Retained Earnings		5,279	5,619	(340)	(6.04)%	4,234	1,045	24.67%	4,925	354	7.20%

Witness: Michael A. Miller

171. Provide the twelve months-ending return on common equity for each month from January 2007 to the present.

Response:

Please see attached.

For the electronic version, refer to KAW_R_AGDR1#171_042610.pdf.

Kentucky American Water Reponse to AGDR1 #171

000 Omitted 2007	<u>Jan</u>	Feb	Mar	Apr	<u>May</u>	un <u>r</u>	<u> Inc</u>	Aug	Sep	Oct	NON	Dec
Net Income Common Equity ROE	3,145 73,187 4.297%	3,041 73,130 4.158%	3,221 72,553 4.440%	2,997 72,841 4.114%	3,197 73,135 4.371%	3,569 73,745 4.840%	4,212 74,625 5.644%	4,615 75,423 6.119%	4,561 75,229 6.063%	5,131 75,946 6.756%	5,196 76,213 6.818%	5,678 74,784 7.593%
108 Net Income Common Equity ROE	6,023 75,232 8.006%	6,471 75,809 8.536%	6,361 82,974 7.666%	6,921 83,526 8.286%	7,048 83,812 8.409%	7,069 91,907 7.691%	7,452 93,009 8.012%	7,931 94,395 8.402%	7,841 93,771 8.362%	8,045 94,698 8.495%	8,687 95,606 9.086%	8,931 93,507 9.551%
009 Net Income Common Equity ROE	8,670 93,730 9.250%	8,861 94,469 9.380%	9,628 116,295 8.279%	9,448 116,943 8.079%	10,141 117,899 8.601%	10,367 117,503 8.823%	10,443 118,843 8.787%	10,253 120,037 8.542%	10,809 119,356 9.056%	11,088 120,561 9.197%	10,935 131,314 8.327%	10,536 128,444 8.203%
110 Net Income Common Equity ROE	10,981 129,107 8.505%	11,080 130,390 8.498%	10,976 129,404 8.482%									

Witness: Michael A. Miller

172. Provide each and every statement or memorandum by management discussing the Company's level of earnings and/or return from January 2007 to the present.

Response:

None. Please see the response to KAW_R_AGDR1#170 and the information provided in Exhibit 30 with the Company's filing for the monthly financial reports prepared for management.

For the electronic version of this response, refer to KAW_R_AGDR1#172_042610.pdf.

Witness: Michael A. Miller/Sheila Miller/Linda Bridwell/Keith Cartier

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

Response:

Please see the response to KAW_R_AGDR1#159.

For the electronic version of this response, refer to KAW_R_AGDR1#173_042610.pdf.

Witness: Linda C. Bridwell

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

Response:

Please see attached.

For the electronic version, refer to KAW_R_AGDR1#174_042610.pdf.

KENTUCKY AMERICAN WATER COMPANY MODEL UPDATE MARCH, 1992 ELAST. % OF USE 85.0% 15.0% WATER DEMAND MODEL RUN DATE 04/12/10 SER INDOOR 0.1 U of L PROJECTIONS & UNACCOUNTED-FOR of 13% DIRECTORY \Engineering\Demand Projections SFR OUTDOOR 0.5 COMMERCIAL FILENAME: 04DEMFOR.XLs 100.0% 2005 Usage with 2000 Census and Kentucky State Data Center 2004 Population Projections, 200! SHEET: 04updtUL04 INDUSTRIAL 100.0% APARTMENT 100.0% Assumed Inflation Rate for the Year (CPI) 5.4% 4.21% 3.01% 2 99% 3 60% 2 50% 3 20% 2 29% 1 56% 3 45% 2 21% 2 80% 1 60% 2 30% 2 70% 2 89% 5 00% 5 00% 5 00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 4.04% 5.51% 51.80% 0.00% 3.32% 6.65% 6.19% 3.10% 0.00% 0.00% 0.00% 7.79% 20.00% 0.00% 0.00% 20.00% 5.00% 5.00% Projected Water/Sewer Rate Increase for the Year 13.0% 0.7% Losses and Non-Revenue Uses for Year 13.0% % GROWTH FOR YEAR - REFERENCE CASE 1.1% 1.1% 1.0% 0.8% 0.8% 0.7% 0.6% 0.6% 0.5% 0.5% 0.5% 0.5% 0.5% 0.5% 0.5% 0.5% 1.9% 1.6% 1.0% 0.9% 0.5% 0.5% 2.2% 1.1% 1.1% 1.1% 0.0% 1.1% 1.6% 1.5% 1.5% 1.5% 1.5% 1.4% 1.4% 1.4% 1.4% 1.4% 0.6% 0.2% 1.1% 0.4% 2.9% 0.8% 0.8% 0.8% 0.8% 5.0% 5.1% 4.8% 3.4% 3.3% Calendar Year 1986 1988 1990 2020 2025 2030 Total Population (Fayette County) 217701 220526 222912 222904 225366 228881 232395.2 235910 239424 242939 246454 249968 253483 256997 260512 262185 262648 265478 266451 268080 270190 272300 274410 276520 281613 295938 310262 320737 331212 71462 72235 72232 75741 76922 78103 79285 80466 81647 82828 84009 85190 86372 87553 88061.6 88570.2 89078.9 89587.6 90096 90605 91113.7 91622.4 92131.1 104273 107793 U of K Full Time Residents 8200 8153 8200 5911 5945.14 5979.29 6013.43 Inmates of Institutions Remaining Population Served (SFR, Fayette Co) 135,209 136,748 138,039 137,710 136,341 138,595 140,849 143,103 145,358 147,612 149,866 152,120 154,374 156,628 158,882 159,853 160,824 161,795 162,765 163,736 164,707 165,678 166,648 167,619 172,416 181,603 190,790 197.508 204.227 17477 5557 7529 9938 10491 11042 11591 13183 13746 14026 14915 Outside County Population Served 4720 4979 5256 5436 5721 5899 6050 6288 6584 6926 8187 8791 9511 12396 13465 13560 16265 18688 New Resident 2597 5454 8366 11224 14198 15595 17119 18641 20162 21937 23694 24947 26199 27450 31781 42323 52860 60790 68719 81301 Actual Number of Total Customers 69437 71500 73348 74653 76274 77871 79600 83382 85180 87403 89491 93391 96477 99199 101580 103659 105332 107424 109892 Usage Per Customer (gpd) 515 535 500 453 453 477 460 486 486 470 483 469 457 411 413 415 371 355 395 402 403 80.81 83.47 83.05 81.38 81.86 81.86 81.86 81.86 82.20 84.63 82.17 80.45 78.51 75.84 75.65 78.13 79.05 80.33 81.86 74.93 77.15 80.33 81.38 78.75 0.08 0.02 -0.04 -0.09 -0.06 0.13 0.47 -0.06 -0.07 0.14 -0.13 0.38 0.00 0.00 0.00 0.00 0.00 0.00 0.00 Single Family Residential Per Capita Use (gpd) 85.54 85.17 76.13 79.55 80.38 75.73 80.74 84.51 82.69 87.32 82.09 86.52 76.65 78.29 78.72 72.36 73.21 75.67 90.67 83.35 78.78 78.05 77.79 77.79 77.79 New Resident SFR Per Capita Use (gpd) 78.59 73.88 77 87 68 98 70.46 70.85 65 12 65.89 68 10 81 60 75.01 70.90 70.60 70 24 70.01 70.01 70.01 70.01 70.01 Single Family Residential 11.97 12.63 12.21 10.90 11.29 11.60 11.11 12.04 12.82 12.75 13.69 13.11 14.06 12.68 13.18 13.37 12.40 12.65 13.19 15.97 14.83 13.92 13.95 13.96 14.22 14.96 15.7 16.25 16.8 Fayette Co. Residential use (in mgd)..... 11.57 12.19 10.67 11.55 12.28 13.09 12.50 13.13 11.80 12.23 12.38 11.45 12.13 14.62 13.53 12.67 12.68 12.98 14.72 15.18 12.21 11.66 12.68 Apartment Population 82828 84009 85190 86372 87553 88062 88570 89079 89588 90605 92131 107793 71462 72235 72232 91114 91622 99459 104273 6415 7941 New Residents 1181 2362 3544 4725 5906 6923 7432 8449 8958 9467 9975 10484 12998 17812 22626 26146 2966 Number of Customers Usage Per Customer 75.81 81.90 85.09 87.66 82.24 77.93 74.92 87.66 71.82 70.01 69.27 189.49 185.37 184.38 182.34 69.27 189.49 75.58 81.84 85.22 88.14 87.40 87.23 80.73 78.11 75.12 87.14 72.18 68.75 70.01 69.04 185.37 184.38 182.34 -0.04 0.00 0.00 -0.07 0.05 0.01 -0.03 -0.06 0.09 0.30 -0.04 -0.04 0.10 0.21 0.00 0.00 0.00 Existing Apart. Resident Per Capita Use (gpd) 83.04 78.91 80.71 75.56 74.57 74.17 76.04 77.23 77.03 105.05 90.11 74.70 70.27 67.83 68.79 69.13 69.1 79.66 New Resident MFR Per Capita Use (gpd) Multi-Family Residentia 1.37 1.41 1.39 1.33 1.40 1.40 1.42 1.49 1.57 1.45 1.71 1.49 1.53 0.96 1.21 1.18 0.88 1.19 1.36 1.43 1.40 4.20 4.47 4.26 4.45 4.27 4.28 4.32 4.49 4.58 4.82 5.89 5.08 5.01 4.38 4.78 4.77 4.18 4.55 4.68 4.88 4.73 High Rise Apartments 0.05 0.05 0.05 0.05 0.05 0.05 0.05 0.06 0.06 0.02 1.10 1.00 1.11 1.05 0.96 0.91 1.02 0.91 0.02 0.02 0.02 Apartment use (in mgd)...... 5.62 5.93 5.70 5.83 5.72 5 74 5 79 6.03 6 21 6 29 8 70 7 57 7 65 6.40 6 94 6.86 6.07 6 65 6.06 6.33 6 15 6.31 6.36 6.30 6.50 6.81 7 13 7.36 7.59 Outside Counties (see "Counties" pages) Individual Cust. Use (in mgd)... 0.44 0.45 0.41 0 44 0.45 0.49 0.53 0.54 0.60 0.61 0.93 0.88 0.96 0.94 0.99 1.35 1.30 1.28 1 24 1.34 1.63 0.40 0.99 1.25 1.54 1.37 0.58 0.63 0.75 0.71 1.37 1.06 1.19 1.32 1.42 Bulk Sales Use (in mgd)... 0.53 0.77 0.73 0.61 0.64 0.78 0.80 0.85 1.08 1.46 1.39 1.38 1.17 1.22 1.24 1.16 1.26 10.72 0.03 0.02 0.01 -0.01 -0.03 -0.02 0.04 0.15 -0.02 -0.02 0.05 -0.05 0.14 0.00 0.00 0.00 0.00 0.00 0.00 0.00 8.10 7.74 7.18 8.37 7.84 8.12 8.40 8.04 7.83 7.21 8.98 9.95 9.45 8.73 8.91 9.25 9.89 10.37 Commercial Use (mgd) 7.75 7.79 7.53 7.93 Toyota Usage (mgd) 0.74 0.89 0.94 1.09 1.05 1.25 1.23 1.40 1.37 1.61 1.70 1.62 1.30 1.48 1.39 1.48 1.27 1.20 1.26 1.15 1.21 1.21 1.19 1.20 1.20 1.20 1.20 1.20 1.23 0.93 Industrial Use (mgd,non-Toyota) 1.64 1.23 1.31 1.38 University of Kentucky U of K Base Demand including residences (Main Campus only) 1.20 1.31 1.30 1.50 1.46 1.55 1.47 1.57 1.73 1.63 1.45 U of K Student Population 23081 24197 22461 23297 24132 24288 U of K per student use (g/d) 10.00 10.00 10.00 10.00 10.00 10.00 10.00 10.00 10.00 10.00 10.00 U of K student usage on campus (mgd)...... 0.24 0.22 0.23 0.23 0.23 0.24 0.24 0.24 0.24 0.24 0.24 Total U of K Main Campus Usage (mgd) 1.44 1.53 1.53 1.73 1.71 1.81 1.97 1.88 1.69 1.67 1.80 1.77 1.60 1.57 1.60 1.79 1.74 1.77 1.61 1.71 1.70 1.67 1.69 1.69 1.68 1.69 1.69 1.69 1.79 Calendar Year 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2015 2020 2025 2030 1.29 1.33 Other Public Use (in mad)..... 0.76 1.00 1.40 1.32 1.48 1.50 1.64 1.67 1.60 1.52 1.35 1.37 1.32 1.52 2.32 2.64 0.75 1.30 0.32 1.61 1.24 1.13 1.19 1.25 0.86 1.08 1.01 29.70 31.55 31.20 29.67 32.56 34.19 33.61 37.03 35.73 37.44 35.13 36.14 36.34 32.57 32.46 34.62 37.81 36.28 37.98 39.69 40.95 42.2 Total System Usage (mgd)...... 30.57 31.40 30.73 36.74 35.08 35.24 35.70 Losses and Non-Revenue Use (%) 16 90% 17 60% 15 00% 12 30% 11 60% 15 40% 16 10% 17 64% 15 69% 16 01% 12 25% 14 90% 12 30% 11 50% 11 90% 13 70% 15 20% 13 30% 18 50% 14 50% 18 70% 14 80% 14 14 80% 14 80% 5.25 4.56 5.77 4.98 6.41 6.04 6.74 5.51 4.16 4.01 5.71 5.90 6.97 6.36 6.41 5.17 6.25 4.88 5.84 7.86 8.45 6.09 6.12 6.20 6.30 6.60 6.89 Losses and Non-Revenue Use (mgd)... 7.11 Calculated Average Day Demand (mgd) 38.28 33.84 34.59 36.63 40.55 42.20 42.69 41.02 44.23 41.86 42.52 44.45 46.38 47.82 Average Day Demand w/out Conservation (mgd) 35.74 38.28 36.71 33.84 34.59 37.11 36.63 39.53 40.56 41.98 42.51 43.65 43.24 39.99 41.54 42.59 38.31 38.19 40.64 44.26 43.05 41.16 41.35 49.25 71.37 74.48 77.58 79.90 82.20 59.90 63.64 61.88 57.94 62.41 61.51 67.94 70.36 72.17 73.34 73.25 71.78 64.40 64.84 67.00 70.73 69.47 70.30 Maximum Day w/out Conservation (mgd) 59.32 65.61 68.05 70.62 74.26 69.16 57.47 54.89 63.91 47.72 58.52 56.42 47.22 59.49 58.36 63.77 53.7 60.7 64.67 61.18 66.37 56.04 71.82 61.37 56.89 69.65 67.22 Actual Maximum Day (mgd)

ADVANCED PLUMBING CODE E	FFECTS CA	ALCULATIO	N	
		1996	2006	
UNIT WATER SAVINGS, GDU				
TOILETS		21.12		
SHOWERHEADS		10.03		
FAUCETS ELIGIBLE POPULATION.%		13.73	3.00	
TOILETS		0.15	0.65	
SHOWERHEADS		0.15	0.9	
FAUCETS		0.25	0.9	
PARTICIPATION RATE				
LOW		0.75	0.75	
HIGH		0.90	0.90	
NUMBER OF CUSTOMERS CALC WATER USE,MGD SINGLE FA				
MULTI SFR PER CAP USAGE MFR PER CAP USAGE	•		90.67085	FROM AM\ FROM AM\
SFR POPULATION MFR POPULATION		165992 82828		
PEOPLE/UNIT EQU.RESID.CUSTOM	ERS	2.64 94250		
COMM & IND SAVING GOVT AND UK SAVIN ESTIMATED APC SAV	GS	0.15 0.08 0 1.00 0.87 0.94	0.44 0.15 3.15 2.73 2.94	

Assumed Inflation Rate for the Year (CPI) Projected Water/Sewer Rate Increase for the Year Losses and Non-Revenue Uses for Year % GROWTH FOR YEAR - REFERENCE CASE Calendar Year	1986	1987	1.1% 1.1% 1988	1.1% 0.0% 1989	5.4% 4.04% 1.0% 1.1% 1990	4.21% 5.51% 13.0% 1.0% 1.6% 1991	3.01% 51.80% 13.0% 0.9% 1.5% 1992	2.99% 0.00% 13.0% 0.8% 1.5% 1993	3.60% 3.32% 13.0% 0.8% 1.5% 1994	2.50% 6.65% 13.0% 0.7% 1.5% 1995	3.20% 6.19% 13.0% 0.7% 1.4% 1996	2.29% 3.10% 13.0% 0.6% 1.4% 1997	1.56% 0.00% 13.0% 0.6% 1.4% 1998	3.45% 0.00% 13.0% 0.5% 1.4% 1999	2.21% 0.00% 13.0% 0.5% 1.4% 2000	2.80% 7.79% 13.0% 0.5% 0.6% 2001	1.60% 20.00% 13.0% 0.5% 0.2% 2002	2.30% 0.00% 13.0% 0.5% 1.1% 2003	2.70% 0.00% 13.0% 0.5% 0.4% 2004	2.89% 8.83% 13.0% 2.2% 2.9% 2005	5.00% 0.00% 13.0% 0.5% 0.8% 2006	5.00% 20.00% 13.0% 0.5% 0.8% 2007	5.00% 5.00% 13.0% 0.5% 0.8% 2008	5.00% 5.00% 13.0% 0.5% 0.8% 2009	5.00% 5.00% 13.0% 1.9% 5.0% 2010	5.00% 5.00% 13.0% 1.6% 5.1% 2015	5.00% 5.00% 13.0% 1.1% 4.8% 2020	5.00% 5.00% 13.0% 1.1% 3.4% 2025	5.00% 5.00% 13.0% 1.1% 3.3% 2030
Conservation Impacts Total Average Day Demand (mgd)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-1.95	-0.31	-1.67	-0.55	-0.30	-0.53	-1.39	-1.96	-1.12	-3.71	-1.83	-4.02 39.03	-1.89 39.27	-2.07 39.27	-2.27 39.59	-1.93 40.59	-2.00 42.46	-2.06 44.32	-2.12 45.71	-2.17 47.08
Max Day: 95% Exceedance (mgd)	57.20	61.07	59.25	55.27	56.67	59.79	58.83	63.05	65.25	64.30	68.94	67.79	69.74	65.06	67.12	68.35	61.93	60.89	67.48	71.54	71.73	67.44	67.56	68.19	69.60	72.64	75.68	77.95	80.20
In Plant Usage (mgd) Total Max Day Production (mgd)[95%excd] previous forecast (1992 CPS) * NOTE: Revised to reflect actual 1986-1998 year-end bi	1.617 59.087 59.087 lled usage.	2.37 57.26 57.26	1.91 65.82 65.82	1.77 49.49 49.49	1.36 59.88 59.88	1.40 57.82 57.82	1.42 48.64 63.53	1.55 61.04 63.87	1.59 66.84 64.67	1.64 65.94 65.44	1.66 70.60 65.71	1.71 69.50 65.79	1.69 71.43 65.88	1.56 66.63 65.97	1.62 68.74 65.81	1.37 69.72	1.40 63.33	1.34 62.23	1.38 68.86	1.36 72.90 65.91	1.28 73.02	1.23 68.67	1.23 68.79	1.25 69.44	1.27 70.87 65.81	1.33 73.97 66.81	1.38 77.06 66.64	1.43 79.38	1.47 81.67
FOR SAME CONDITIONS UNDER HOT, DRY SCENARI	O:																												
TOTAL SYSTEM USAGE (mgd)	31.48	33.44	33.08	31.45	32.41	33.28	32.58	34.51	36.24	35.63	39.25	37.87	39.69	37.23	38.30	38.52	34.52	34.41	36.70	40.08	38.95	37.18	37.36	37.84	38.46	40.26	42.07	43.41	44.75
LOSSES AND NON-REVENUE USE (%) LOSSES AND NON-REVENUE USE (mgd)	16.90% 6.40	17.60% 7.14	15.00% 5.84	12.30% 4.41	11.60% 4.25	15.40% 6.06	16.10% 6.25	17.64% 7.39	15.69% 6.74	16.01% 6.79	12.25% 5.48	14.90% 6.63	12.30% 5.57	11.50% 4.84	11.90% 5.17	13.70% 6.11	15.20% 6.19	13.30% 5.28	18.50% 8.33	14.50% 6.80	18.70% 8.96	14.80% 6.46	14.80% 6.49	14.80% 6.57	14.80% 6.68	14.80% 6.99	14.80% 7.31	14.80% 7.54	14.80% 7.77
Average Day Demand w/out Conservation (mgd)	37.89	40.58	38.91	35.87	36.66	39.34	38.83	41.90	42.99	44.38	45.04	46.17	45.80	42.37	44.00	45.11	40.62	40.44	43.19	46.91	45.76	43.63	43.83	44.37	45.08	47.13	49.18	50.71	52.22
Maximum Day w/out Conservation (mgd)	63.63	67.60	65.73	61.56	63.02	66.30	65.34	69.70	72.16	74.51	76.60	77.71	77.73	72.25	74.95	76.19	68.42	68.79	71.34	78.86	75.33	73.45	73.78	74.66	75.79	79.10	82.40	84.86	87.31
ACTUAL MAXIMUM DAY (mgd)	57.47	54.89	63.91	47.72	58.52	56.42	47.22	59.49	58.36	63.77	53.70	60.70	64.67	61.18	66.37	56.04	71.82	61.37	56.89	69.65	67.22								
CONSERVATION IMPACTS Projected Average Day Demand (mgd)	0.00 37.89	0.00 40.58	0.00 38.91	0.00 35.87	0.00 36.66	0.00 39.34	0.00 38.83	0.00 41.90	-0.01 42.99	-1.95 42.42	-0.31 44.73	-1.67 44.50	-0.55 45.26	-0.30 42.07	-0.53 43.48	-1.39 43.72	-1.96 38.66	-1.12 39.32	-3.71 39.48	-1.83 45.08	-4.02 41.74	-1.89 41.74	-2.07 41.76	-2.27 42.10	-1.93 43.15	-2.00 45.13	-2.06 47.11	-2.12 48.59	-2.17 50.06
6-mo Summer Avg. Day Dem.: 95% C. I. (mgd) w/out co 6-mo Summer Avg. Day Dem.: 99% C. I. (mgd) w/out co		52 53	50 51	46 47	47 48	50 51	50 51	53 54	55 56	56 57	57 58	58 60	58 59	54 55	56 57	57 58	52 53	52 53	55 56	59 61	58 59	55 57	56 57	56 57	57 58	60 61	62 63	64 65	66 67
6-mo Summer Avg. Day Dem.: 95% C. I. (mgd) w/ cons. 6-mo Summer Avg. Day Dem.: 99% C. I. (mgd) w/ cons.	!	52 53	50 51	46 47	47 48	50 51	50 51	53 54	55 56	54 55	57 58	56 58	57 58	53 54	55 56	55 57	49 50	50 51	50 52	57 58	53 54	53 54	53 54	54 55	55 56	57 58	60 61	61 63	63 64
MAX DAY: 95% EXCEEDANCE (mgd)	60.63	64.73	62.80	58.59	60.07	63.37	62.35	66.83	69.17	69.57	73.29	73.03	74.25	69.08	71.38	71.75	63.38	64.58	67.50	76.88	71.18	71.43	71.57	72.25	73.73	76.96	80.19	82.61	85.00
IN PLANT USE(mgd) TOTAL MAX DAY PRODUCTION (mgd)[95%excd]	1.6	1.6 56.49	1.6 65.51	1.6 49.32	1.6 60.12	1.6 58.02	1.6 48.82	1.6 61.09	1.6 70.77	1.6 71.17	1.6 74.89	1.6 74.63	1.6 75.85	1.6 70.68	1.6 72.98	1.6 73.35	1.6 64.98	1.6 66.18	1.6 69.10	1.6 78.48	1.6 72.78	1.6 73.03	1.6 73.17	1.6 73.85	1.6 75.33	1.6 78.56	1.6 81.79	1.6 84.21	1.6 86.60
SURROUNDING COUNTIESINDIVIDUAL CUSTOMER WATER DEMAND	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	2025	2030
WOODFORD COUNTY																													
	40.004	40.070	40.000	40.000	40.055	00.070	00 505		04.000	04.000	04.000	00.044			00.000	00.070	00 500	00.074		04040	04000	0.4.500	04.000	04.000	04007	05 500	00 500	07.070	07.040
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD)	18,884 138 2.80 386 85.54	19,076 137 2.80 384 89.11	19,900 142 2.81 399 85.17	19,928 139 2.76 384 76.13	19,955 141 2.71 382 79.55	20,270 142 2.69 383 80.38	20,585 145 2.68 388 75.73	20,934 149 2.66 397 80.74	21,283 151 2.65 400 84.51	21,632 152 2.63 400 82.69	21,988 153 2.62 401 87.32 78.59	22,344 155 2.61 404 82.09 73.88	22,689 163 2.59 423 86.52 77.87	23,033 171 2.58 442 76.65 68.98	23,208 179 2.57 460 78.29 70.46	23,373 180 2.56 461 78.72 70.85	23,523 184 2.56 471 72.36 65.12	23,671 189 2.55 481 73.21 65.89	23,939 193 2.54 491 75.67 68.10	24,246 196 2.54 497 90.67 81.60	24,386 197 2.53 498 83.35 75.01	24,526 198 2.52 499 78.78 70.90	24,666 199 2.51 501 78.44 70.60	24,806 200 2.51 502 78.05 70.24	24,607 199 2.50 497 77.79 70.01	25,568 207 2.49 515 77.79 70.01	26,529 214 2.48 532 77.79 70.01	27,070 219 2.48 543 77.79 70.01	27,610 223 2.48 554 77.79 70.01
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD)	138 2.80 386	137 2.80 384	142 2.81 399	139 2.76 384	141 2.71 382	142 2.69 383	145 2.68 388	149 2.66 397	151 2.65 400	152 2.63 400	153 2.62 401 87.32	155 2.61 404 82.09	163 2.59 423 86.52	171 2.58 442 76.65	179 2.57 460 78.29	180 2.56 461 78.72	184 2.56 471 72.36	189 2.55 481 73.21	193 2.54 491 75.67	196 2.54 497 90.67	197 2.53 498 83.35	198 2.52 499 78.78	199 2.51 501 78.44	200 2.51 502 78.05	199 2.50 497 77.79	207 2.49 515 77.79	214 2.48 532 77.79	219 2.48 543 77.79	223 2.48 554 77.79
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD)	138 2.80 386 85.54	137 2.80 384 89.11	142 2.81 399 85.17	139 2.76 384 76.13	141 2.71 382 79.55	142 2.69 383 80.38	145 2.68 388 75.73	149 2.66 397 80.74	151 2.65 400 84.51	152 2.63 400 82.69	153 2.62 401 87.32 78.59	155 2.61 404 82.09 73.88	163 2.59 423 86.52 77.87	171 2.58 442 76.65 68.98	179 2.57 460 78.29 70.46	180 2.56 461 78.72 70.85	184 2.56 471 72.36 65.12	189 2.55 481 73.21 65.89	193 2.54 491 75.67 68.10	196 2.54 497 90.67 81.60	197 2.53 498 83.35 75.01	198 2.52 499 78.78 70.90	199 2.51 501 78.44 70.60	200 2.51 502 78.05 70.24	199 2.50 497 77.79 70.01	207 2.49 515 77.79 70.01	214 2.48 532 77.79 70.01	219 2.48 543 77.79 70.01	223 2.48 554 77.79 70.01
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD) WOODFORD CO. WATER DEMAND (in MGD) SCOTT COUNTY Population No. of resid. connections Persons per household Population Served Existing Customer Per Capita Use (GPD)	138 2.80 386 85.54 0.03 22,689 1055 2.90 3060	23,501 1149 2.90 3332	22,760 1287 2.77 3565	139 2.76 384 76.13 0.03 23,314 1373 2.73 3748	141 2.71 382 79.55 0.03 23,867 1446 2.69 3890	142 2.69 383 80.38 0.03 24,135 1507 2.68 4039	145 2.68 388 75.73 0.03 24,403 1571 2.67 4195	149 2.66 397 80.74 0.03 25,360 1628 2.66 4330	151 2.65 400 84.51 0.03 26,317 1716 2.65 4547	152 2.63 400 82.69 0.03 27,274 1799 2.64 4749	153 2.62 401 87.32 78.59 0.03 27,731 1926 2.63 5073 87.32	155 2.61 404 82.09 73.88 0.03 29,446 2142 2.63 5629 82.09	163 2.59 423 86.52 77.87 0.04 30,423 2362 2.62 6193 86.52	171 2.58 442 76.65 68.98 0.03 31,397 2560 2.62 6697 76.65	179 2.57 460 78.29 70.46 0.04 33,061 2770 2.61 7230 78.29	180 2.56 461 78.72 70.85 0.04 34,478 2920 2.61 7610 78.72	184 2.56 471 72.36 65.12 0.03 35,444 3114 2.60 8102 72.36	189 2.55 481 73.21 65.89 0.03 36,729 3307 2.60 8592 73.21	193 2.54 491 75.67 68.10 0.04 37,901 3501 2.59 9082 75.67	196 2.54 497 90.67 81.60 0.04 39,380 3789 2.59 9814 90.67	197 2.53 498 83.35 75.01 0.04 40,506 4071 2.59 10528 83.35	198 2.52 499 78.78 70.90 0.04 41,632 4184 2.58 10804 78.78	199 2.51 501 78.44 70.60 0.04 42,758 4297 2.58 11079 78.44	200 2.51 502 78.05 70.24 0.04 43,884 4411 2.57 11353 78.05	199 2.50 497 77.79 70.01 0.04 44,322 4265 2.57 10960 77.79	207 2.49 515 77.79 70.01 0.04 49,597 4772 2.57 12240 77.79	214 2.48 532 77.79 70.01 0.04 54,871 5279 2.56 13515 77.79	219 2.48 543 77.79 70.01 0.04 59,534 5728 2.56 14664 77.79	223 2.48 554 77.79 70.01 0.04 64,196 6177 2.56 15812 77.79
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD) WOODFORD CO. WATER DEMAND (in MGD) SCOTT COUNTY Population No. of resid. connections Persons per household Population Served Existing Customer Per Capita Use (GPD) New Customer Per Capita Use (GPD)	22,689 1055 2.90 3060 85.54	23,501 1149 2.90 3332 89.11	22,760 1287 2.77 3565 85.17	23,314 1373 2.73 3748 76.13	23,867 1446 2.69 3890 79.55	142 2.69 383 80.38 0.03 24,135 1507 2.68 4039 80.38	24,403 1571 2.67 4195 75.73	25,360 1628 2.66 397 80.74 0.03	26,317 1716 2.65 400 84.51 0.03	152 2.63 400 82.69 0.03 27,274 1799 2.64 4749 82.69	27,731 1926 2.63 5073 87.32 78.59 0.03	155 2.61 404 82.09 73.88 0.03 29,446 2142 2.63 5629 73.88	30,423 2.62 77.87 0.04 30,423 2.62 6.193 86.52 77.87	171 2.58 442 76.65 68.98 0.03 31,397 2560 2.62 6697 76.65 68.98	33,061 270 2.61 78.29 70.46 0.04	34,478 2920 2.61 76.72 70.85	184 2.56 471 72.36 65.12 0.03 35,444 3114 2.60 8102 72.36 65.12	189 2.55 481 73.21 65.89 0.03 36,729 3307 2.60 8592 73.21 65.89	37,901 3501 2.59 9982 75.67 68.10 0.04	39,380 3789 2.59 9814 90.67 81.60	197 2.53 498 83.35 75.01 0.04 40,506 4071 2.59 10528 83.35 75.01	198 2.52 499 78.78 70.90 0.04 41,632 4184 2.58 10804 78.78 70.90	199 2.51 501 78.44 70.60 0.04 42,758 4297 2.58 11079 78.44 70.60	200 2.51 502 78.05 70.24 0.04 43,884 4411 2.57 11353 78.05 70.24	199 2.50 497 77.79 70.01 0.04 44,322 4265 2.57 10960 77.79 70.01	207 2.49 515 77.79 70.01 0.04 49,597 4772 2.57 12240 77.79 70.01	214 2.48 532 77.79 70.01 0.04 54,871 5279 2.56 13515 77.79 70.01	219 2.48 543 77.79 70.01 0.04 59,534 5728 2.56 14664 77.79 70.01	223 2.48 554 77.79 70.01 0.04 64,196 6177 2.56 15812 77.79 70.01
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD) WOODFORD CO. WATER DEMAND (in MGD)	138 2.80 386 85.54 0.03 22,689 1055 2.90 3060 85.54 0.26	23,501 1149 2.90 3332 89.11 0.30	142 2.81 399 85.17 0.03 22,760 1287 2.77 3565 85.17 0.30	23,314 1373 2.76 23,314 1373 2.73 3748 76.13 0.29	141 2.71 382 79.55 0.03 23,867 1446 2.69 3890 79.55 0.31 19,236 409 2.63 1076	142 2.69 383 80.38 0.03 24,135 1507 2.68 4039 80.38 0.32	145 2.68 388 75.73 0.03 24,403 1571 2.67 4195 75.73 0.32	149 2.66 397 80.74 0.03 25,360 1628 2.66 4330 80.74 0.35	151 2.65 400 84.51 0.03 26,317 1716 2.65 4547 84.51 0.38	152 2.63 400 82.69 0.03 27,274 1799 2.64 4749 82.69 0.39	153 2.62 401 87.32 78.59 0.03 27,731 1926 2.63 5073 87.32 78.59 0.44	155 2.61 404 82.09 73.88 0.03 29,446 2142 2.63 5629 82.09 73.88 0.45	163 2.59 423 86.52 77.87 0.04 30,423 2362 2.62 6193 86.52 77.87 0.52	171 2.58 442 76.65 68.98 0.03 31,397 2560 2.62 6697 76.65 68.98 0.50	179 2.57 460 78.29 70.46 0.04 33,061 2.70 2.61 7230 70.46 0.55	180 2.56 461 78.72 70.85 0.04 34,478 2920 2.61 7610 78.72 70.85 0.58	184 2.56 471 72.36 65.12 0.03 35,444 3114 2.60 8102 72.36 65.12 0.56	189 2.55 481 73.21 65.89 0.03 36,729 3307 2.60 8592 73.21 65.89 0.60	193 2.54 491 75.67 68.10 0.04 37,901 3501 2.59 9082 75.67 68.10 0.65	196 2.54 497 90.67 81.60 0.04 39.380 3789 2.59 9814 90.67 81.60 0.84	197 2.53 498 83.35 75.01 0.04 40,506 40,71 2.59 10528 83.35 75.01 0.83	198 2.52 499 78.78 70.90 0.04 41,632 4184 2.58 10804 78.78 70.90 0.80 20,004 784 2.45 1920 78.78	199 2.51 78.44 70.60 0.04 42,758 4297 2.58 11079 78.44 70.60 0.82 20,090 788 2.44 1924	200 2.51 502 78.05 70.24 0.04 43.884 4411 2.57 11353 78.05 70.24 0.83 20,175 791 2.44 1927 78.05	199 2.50 497 77.79 70.01 0.04 44,322 4265 2.57 10960 77.79 70.01 0.80	207 2.49 515 77.79 70.01 0.04 49,597 4772 2.57 12240 77.79 70.01 0.89	214 2.48 532 77.79 70.01 0.04 54,871 5279 2.56 13515 77.79 70.01 0.98 21,457 812 2.41 1958 77.79	219 2.48 543 77.79 70.01 0.04 59,534 5728 2.56 14664 77.79 70.01 1.06	223 2.48 554 77.79 70.01 0.04 64,196 6177 2.56 15812 77.79 70.01 1.14 22,481 851 2.41 2052 77.79
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD) WOODFORD CO. WATER DEMAND (in MGD)	138 2.80 386 85.54 0.03 22,689 1055 2.90 3060 85.54 0.26 19,188 394 2.70 1064 85.54	137 2.80 384 89.11 0.03 23,501 1149 2.90 3332 89.11 0.30	142 2.81 399 85.17 0.03 22,760 1287 2.77 3565 85.17 0.30 18,978 394 2.73 1076 85.17	139 2.76 384 76.13 0.03 23,314 1373 2.73 3748 76.13 0.29 19,277 407 2.68 1091 76.13	141 2.71 382 79.55 0.03 23,867 1446 2.69 3890 79.55 0.31 19,236 409 2.63 1076 79.55	142 2.69 383 80.38 0.03 24,135 1507 2.68 4039 80.38 0.32	145 2.68 388 75.73 0.03 24,403 1571 2.67 4195 75.73 0.32 19,261 427 2.60 1111 75.73	149 2.66 397 80.74 0.03 25,360 1628 2.66 4330 80.74 0.35 19,273 433 2.59 1121 80.74	151 2.65 400 84.51 0.03 26,317 1716 2.65 4547 84.51 0.38 19,286 441 2.57 1135 84.51	152 2.63 400 82.69 0.03 27,274 1799 2.64 4749 82.69 0.39 19,298 477 2.56 1221 82.69	153 2.62 401 87.32 78.59 0.03 27,731 1926 2.63 5073 87.32 78.59 0.44 19,310 486 2.55 1237 87.32 78.59	155 2.61 404 82.09 73.88 0.03 29,446 2142 2.63 5629 82.09 73.88 0.45	163 2.59 423 86.52 77.87 0.04 30,423 2362 2.62 6193 86.52 77.87 0.52	171 2.58 442 76.65 68.98 0.03 31,397 2560 2.62 6697 76.65 68.98 0.50	179 2.57 460 78.29 70.46 0.04 33,061 2770 2.61 7230 78.29 70.46 0.55	180 2.56 461 78.72 70.85 0.04 34,478 2920 2.61 7610 78.72 70.85 0.58	184 2.56 471 72.36 65.12 0.03 35,444 3114 2.60 8102 72.36 65.12 0.56	189 2.55 481 73.21 65.89 0.03 36,729 3307 2.60 8592 73.21 65.89 0.60	193 2.54 491 75.67 68.10 0.04 37,901 3501 2.59 9082 75.67 68.10 0.65	196 2.54 497 90.67 81.60 0.04 39,380 3789 2.59 9814 90.67 81.60 0.84	197 2.53 498 83.35 75.01 0.04 40,506 4071 2.59 10528 83.35 75.01 0.83 19,919 781 2.45 1917 83.35 75.01	198 2.52 499 78.78 70.90 0.04 41,632 4184 2.58 10804 78.78 70.90 0.80 20,004 784 2.45 1920 78.78 70.90	199 2.51 78.44 70.60 0.04 42,758 4297 2.58 11079 78.44 70.60 0.82 20,090 788 2.44 1924 78.44 70.60	200 2.51 502 78.05 70.24 0.04 43,884 4411 2.57 11353 78.05 70.24 0.83 20,175 791 2.44 1927 78.05 70.24	199 2.50 497 77.79 70.01 0.04 44,322 4265 2.57 10960 77.79 70.01 0.80 20,215 765 2.43 1860 77.79 70.01	207 2.49 515 77.79 70.01 0.04 49,597 4772 2.57 12240 77.79 70.01 0.89 20,836 789 2.42 1909 77.79 70.01	214 2.48 532 77.79 70.01 0.04 54,871 5279 2.56 13515 77.79 70.01 0.98 21,457 812 2.41 1958 77.79 70.01	219 2.48 543 77.79 70.01 0.04 59,534 5728 2.56 14664 77.79 70.01 1.06 21,969 832 2.41 2005 77.79 70.01	223 2.48 554 77.79 70.01 0.04 64,196 6177 2.56 15812 77.79 70.01 1.14 22,481 851 2.41 2052 77.79 70.01
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD) WOODFORD CO. WATER DEMAND (in MGD) SCOTT COUNTY Population No. of resid. connections Persons per household Population Served Existing Customer Per Capita Use (GPD) New Customer Per Capita Use (GPD) SCOTT CO. WATER DEMAND (in MGD) BOURBON COUNTY Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD) BOURBON COUNTY Population No. of resid. connections Persons per household Population Served Existing Customer Per Capita Use (GPD) BOURBON CO. WATER DEMAND (in MGD)	138 2.80 386 85.54 0.03 22,689 1055 2.90 3060 85.54 0.26 19,188 394 2.70 1064 85.54 0.09	23,501 1149 2.90 3332 89.11 0.30 19,088 391 2.70 1056 89.11 0.09	142 2.81 399 85.17 0.03 22,760 1287 2.77 3565 85.17 0.30 18,978 394 2.73 1076 85.17 0.09	139 2.76 384 76.13 0.03 23,314 1373 3748 76.13 0.29 19,277 407 2.68 1091 76.13 0.08	141 2.71 382 79.55 0.03 23,867 1446 2.69 3890 79.55 0.31 19,236 409 2.63 1076 79.55 0.09	142 2.69 383 80.38 0.03 24,135 1507 2.68 4039 80.38 0.32 19,248 419 2.62 1096 80.38 0.09	145 2.68 388 75.73 0.03 24,403 1571 2.67 4195 75.73 0.32 19,261 427 2.60 1111 75.73 0.08	149 2.66 397 80.74 0.03 25,360 1628 2.66 4330 80.74 0.35 19,273 433 2.59 1121 80.74 0.09	151 2.65 400 84.51 0.03 26,317 1716 2.65 4547 84.51 0.38 19,286 441 2.57 1135 84.51 0.10	152 2.63 400 82.69 0.03 27,274 1799 2.64 4749 82.69 0.39 19,298 477 2.56 1221 82.69 0.10	153 2.62 401 87.32 78.59 0.03 27,731 1926 2.63 5073 87.32 78.59 0.44 19,310 486 2.55 1237 87.32 78.59 0.11	155 2.61 404 82.09 73.88 0.03 29,446 2142 2.63 5629 82.09 73.88 0.45 19,323 506 2.53 1281 82.09 73.88 0.10	163 2.59 423 86.52 77.87 0.04 30,423 2362 2.62 6193 86.52 77.87 0.52 19,335 538 2.52 1355 86.52 77.87 0.12	171 2.58 442 76.65 68.98 0.03 31,397 2560 2.62 6697 76.65 68.98 0.50 19,348 575 2.50 1440 76.65 68.98 0.11	179 2.57 460 78.29 70.46 0.04 33,061 2770 2.61 7230 78.29 70.46 0.55 19,360 645 2.49 1606 78.29 70.46 0.12	180 2.56 461 78.72 70.85 0.04 34,478 2920 2.61 7610 78.72 70.85 0.58 19,507 663 2.48 1647 78.72 70.85 0.13	184 2.56 471 72.36 65.12 0.03 35,444 3114 2.60 8102 72.36 65.12 0.56 19,494 683 2.48 1693 72.36 65.12 0.12	189 2.55 481 73.21 65.89 0.03 36,729 3307 2.60 8592 73.21 65.89 0.60 19,563 704 2.47 1739 73.21 65.89 0.12	193 2.54 491 75.67 68.10 0.04 37,901 3501 2.59 9082 75.67 68.10 0.65 19,694 724 2.47 1785 75.67 68.10 0.13	196 2.54 497 90.67 81.60 0.04 39,380 3789 2.59 9814 90.67 81.60 0.84 19,833 751 2.46 1847 90.67 81.60 0.16	197 2.53 498 83.35 75.01 0.04 40,506 4071 2.59 10528 83.35 75.01 0.83 19,919 781 2.45 1917 83.35 75.01 0.15	198 2.52 499 78.78 70.90 0.04 41,632 4184 2.58 10804 78.78 70.90 0.80 20,004 784 2.45 1920 78.78 70.90 0.15	199 2.51 78.44 70.60 0.04 42,758 4297 2.58 11079 78.44 70.60 0.82 20,090 788 2.44 70.60 0.15	200 2.51 502 78.05 70.24 0.04 43,884 4411 2.57 11353 78.05 70.24 0.83 20,175 791 2.44 1927 78.05 70.24 0.14	199 2.50 497 77.79 70.01 0.04 44,322 4265 2.57 10960 77.79 70.01 0.80 20,215 765 2.43 1860 77.79 70.01 0.14	207 2.49 515 77.79 70.01 0.04 49,597 4772 2.57 12240 77.79 70.01 0.89 20,836 789 2.42 1909 77.79 70.01 0.14	214 2.48 532 77.79 70.01 0.04 54,871 5279 2.56 13515 77.79 70.01 0.98 21,457 812 2.41 1958 77.79 70.01 0.15	219 2.48 543 77.79 70.01 0.04 59,534 5728 2.56 14664 77.79 70.01 1.06 21,969 832 2.41 2005 77.79 70.01 0.15	223 2.48 554 77.79 70.01 0.04 64,196 6177 2.56 15812 77.79 70.01 1.14 22,481 851 2.41 2052 77.79 70.01 0.15
Population No. of resid. connections Persons per household Population Served Existing Customer Per capita use (GPD) New Customer Per Capita Use (GPD) WOODFORD CO. WATER DEMAND (in MGD)	138 2.80 386 85.54 0.03 22,689 1055 2.90 3060 85.54 0.26 19,188 394 2.70 1064 85.54 0.09	23,501 1149 2.90 3332 89.11 0.30 19,088 391 2.70 1056 89.11 0.09	142 2.81 399 85.17 0.03 22,760 1287 2.77 3565 85.17 0.30 18,978 394 2.73 1076 85.17 0.09	139 2.76 384 76.13 0.03 23,314 1373 2.73 3748 76.13 0.29 19,277 407 2.68 1091 76.13 0.08	141 2.71 382 79.55 0.03 23,867 1446 2.69 3890 79.55 0.31 19,236 409 2.63 1076 79.55 0.09	142 2.69 383 80.38 0.03 24,135 1507 2.68 4039 80.38 0.32 19,248 419 2.62 1096 80.38 0.09	145 2.68 388 75.73 0.03 24,403 1571 2.67 4195 75.73 0.32 19,261 427 2.60 1111 75.73 0.08	149 2.66 397 80.74 0.03 25,360 1628 2.66 4330 80.74 0.35 19,273 433 2.59 1121 80.74 0.09	151 2.65 400 84.51 0.03 26,317 1716 2.65 4547 84.51 0.38 19,286 441 2.57 1135 84.51 0.10	152 2.63 400 82.69 0.03 27,274 1799 2.64 4749 82.69 0.39 19,298 477 2.56 1221 82.69 0.10	153 2.62 401 87.32 78.59 0.03 27,731 1926 2.63 5073 87.32 78.59 0.44 19,310 486 2.55 1237 87.32 78.59 0.11	155 2.61 404 82.09 73.88 0.03 29,446 2142 2.63 5629 82.09 73.88 0.45 19,323 506 2.53 1281 82.09 73.88 0.10	163 2.59 423 86.52 77.87 0.04 30,423 2362 2.62 6193 86.52 77.87 0.52 19,335 538 2.52 1355 86.52 77.87 0.12	171 2.58 442 76.65 68.98 0.03 31,397 2560 2.62 6697 76.65 68.98 0.50 19,348 575 2.50 1440 76.65 68.98 0.11	179 2.57 460 78.29 70.46 0.04 33,061 2.61 7230 70.46 0.55 19,360 645 2.49 1606 78.29 70.46 0.12	180 2.56 461 78.72 70.85 0.04 34,478 2920 2.61 7610 78.72 70.85 0.58 19,507 663 2.48 1647 78.72 70.85 0.13	184 2.56 471 72.36 65.12 0.03 35,444 3114 2.60 8102 72.36 65.12 0.56 19,494 683 2.48 1693 72.36 65.12 0.12	189 2.55 481 73.21 65.89 0.03 36,729 3307 2.60 8592 73.21 65.89 0.60 19,563 704 2.47 1739 73.21 65.89 0.12	193 2.54 491 75.67 68.10 0.04 37,901 3501 2.59 9082 75.67 68.10 0.65 19,694 724 2.47 1785 75.67 68.10 0.13	196 2.54 497 90.67 81.60 0.04 39.380 3789 2.59 9814 90.67 81.60 0.84 19,833 751 2.46 1847 90.67 81.60 0.16	197 2.53 498 83.35 75.01 0.04 40,506 40,71 2.59 10528 83.35 75.01 0.83 19,919 781 2.45 1917 83.35 75.01 0.15	198 2.52 499 78.78 70.90 0.04 41,632 4184 2.58 10804 78.78 70.90 0.80 20,004 784 2.45 1920 0.15 18,736 97 2.50 242 78.78 70.90	199 2.51 78.44 70.60 0.04 42,758 4297 2.58 11079 78.44 70.60 0.82 20,090 788 2.44 1924 78.44 70.60 0.15	200 2.51 502 78.05 70.24 0.04 43,884 4441 2.57 11353 78.05 70.24 0.83 20,175 791 2.44 1927 78.05 70.24 0.14	199 2.50 497 77.79 70.01 0.04 44,322 4265 2.57 10960 77.79 70.01 0.80 20,215 765 2.43 1860 77.79 70.01 0.14	207 2.49 515 77.79 70.01 0.04 49,597 4772 2.57 12240 77.79 70.01 0.89 20,836 789 2.42 1909 77.79 70.01 0.14	214 2.48 532 77.79 70.01 0.04 54,871 5279 2.56 13515 77.79 70.01 0.98 21,457 812 2.41 1958 77.79 70.01 0.15	219 2.48 543 77.79 70.01 0.04 59,534 572,56 14664 77.79 70.01 1.06 21,969 832 2.41 2005 77.79 70.01 0.15	223 2.48 554 77.79 70.01 0.04 64,196 61,77 2.56 15812 77.79 70.01 1.14 22,481 851 2.41 2052 77.79 70.01 0.15

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FAUCETS	13.73	3.00
ELIGIBLE POPULATION,%		
TOILETS	0.15	0.65
SHOWERHEADS	0.25	0.9
FAUCETS	0.25	0.9
DARTICIDATION RATE		

Assumed Inflation Rate for the Year (CPI) Projected Water/Sewer Rate Increase for the Year Losses and Non-Revenue Uses for Year % GROWTH FOR YEAR - REFERENCE CASE	4000	4007	1.1% 1.1%	1.1% 0.0% 1989	5.4% 4.04% 1.0% 1.1%	4.21% 5.51% 13.0% 1.0% 1.6%	3.01% 51.80% 13.0% 0.9% 1.5% 1992	2.99% 0.00% 13.0% 0.8% 1.5%	3.60% 3.32% 13.0% 0.8% 1.5% 1994	2.50% 6.65% 13.0% 0.7% 1.5%	3.20% 6.19% 13.0% 0.7% 1.4%	2.29% 3.10% 13.0% 0.6% 1.4%	1.56% 0.00% 13.0% 0.6% 1.4% 1998	3.45% 0.00% 13.0% 0.5% 1.4% 1999	2.21% 0.00% 13.0% 0.5% 1.4%	2.80% 7.79% 13.0% 0.5% 0.6%	1.60% 20.00% 13.0% 0.5% 0.2%	2.30% 0.00% 13.0% 0.5% 1.1%	2.70% 0.00% 13.0% 0.5% 0.4%	2.89% 8.83% 13.0% 2.2% 2.9%	5.00% 0.00% 13.0% 0.5% 0.8%	5.00% 20.00% 13.0% 0.5% 0.8%	5.00% 5.00% 13.0% 0.5% 0.8%	5.00% 5.00% 13.0% 0.5% 0.8%	5.00% 5.00% 13.0% 1.9% 5.0%	5.00% 5.00% 13.0% 1.6% 5.1%	5.00% 5.00% 13.0% 1.1% 4.8%	5.00% 5.00% 13.0% 1.1% 3.4%	5.00% 13.0% 1.1% 3.3%
Calendar Year	1986	1987	1988	1909	1990	1991	1992	1993	1994	1995	1996	1997			2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	2025	2030
CLARK CO. WATER DEMAND (in MGD) INDIVIDUAL CUSTOMER													0.24	0.23	0.23	0.23	0.21	0.22	0.23	0.27	0.25	0.24	0.24	0.24	0.24	0.25	0.26	0.26	0.27
TOTAL WATER DEMAND OUTSIDE COUNTIES	0.40	0.44	0.45	0.41	0.44	0.46	0.45	0.49	0.53	0.54	0.60	0.61	0.93	0.88	0.96	0.99	0.94	0.99	1.06	1.35	1.30	1.25	1.26	1.28	1.24	1.34	1.45	1.54	1.63
OUTSIDE COUNTIESBULK SALES WATER DEMAND	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	2025	2030
MIDWAY Woodford Co.population projections Projected bulk consumption (mgd)	18,884 0.16	19,076 0.17	19,900 0.10	19,928 0.10	19,955 0.10	20,270	20,585	20,934 0.12	21,283 0.13	21,632 0.13	21,988 0.16	22,344 0.15	22,689 0.13	23,033 0.14	23,208 0.15	23,416 0.19	23,623 0.18	23,831 0.20	24,038 0.19	24,246 0.19	24,454 0.17	24,661 0.18	24,869 0.18	25,076 0.18	24,607 0.18	25,568 0.18	26,529 0.19	27,070 0.19	27,610 0.20
MIDWAY WATER DEMAND (in MGD)	0.16	0.17	0.10	0.10	0.10	0.11	0.12	0.12	0.13	0.13	0.16	0.15	0.13	0.14	0.15	0.19	0.18	0.20	0.19	0.19	0.17	0.18	0.18	0.18	0.18	0.18	0.19	0.19	0.20
VERSAILLES Woodford Co.population projections Versailles projected tot. avg usage	18,884	19,076	19,900	19,928	19,955	20,270	20,585	20,934	21,283	21,632	21,988	22,344	22,689 4.00	23,033 4.00	23,208 3.13	23,416	23,623	23,831	24,038	24,246 3.56	24,454	24,661	24,869	25,076	24,607 3.72	25,568 4.07	26,529 4.22	27,070 4.31	27,610 4.40
Versailles production capacity(mgd) Projected bulk consumption (mgd) (supplemental supply)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	4.00	4.00	4.00	4.00	4.00	4.00 0.00	4.00 0.00	4.00 0.13	4.00 0.15	4.00 0.14	4.00 0.09	4.00 0.07	4.00 0.04	10.00 0.03	10.00 0.02	10.00 0.02	10.00 0.01	10.00 0.02	10.00 0.02	10.00 0.02	10.00 0.02	10.00 0.02
VERSAILLES WATER DEMAND (in MGD)	0.00	0.13	0.07	0.03	0.05	0.07	0.02	0.13	0.02	0.01	0.01	0.02	0.13	0.23	0.10	0.09	0.07	0.04	0.02	0.03	0.00	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.02
(FORMER SPEARS DISTRICT) CITY OF NICHOLASVIL Jessamine Co.population projections Average bulk consumption (mgd)	LE 28,911 0.12	29,338 0.15	30,610 0.15	30,559 0.11	30,508 0.11	31,361 0.12	32,215 0.14	33,068 0.13	33,921 0.11	34,775 0.10	35,628 0.14	36,481 0.15	37,334 0.17	38,188 0.20	39,041 0.26	39,785 0.22	40,689 0.19	41,444 0.07	42,256 0.06	43,463 0.09	44,292 0.06	45,120 0.07	45,949 0.07	46,778 0.07	47,328 0.07	50,899 0.08	54,469 0.08	56,979 0.09	59,489 0.09
SPEARS DISTRICT WATER DEMAND (in MGD)	0.12	0.15	0.15	0.11	0.11	0.12	0.14	0.13	0.11	0.10	0.14	0.15	0.17	0.20	0.26	0.22	0.19	0.07	0.06	0.09	0.06	0.07	0.07	0.07	0.07	0.08	0.08	0.09	0.09
SOUTH ELKHORN DISTRICT Jessamine Co.population projections Average bulk consumption (mgd)	28,911 0.25	29,338 0.33	30,610 0.41	30,559 0.37	30,508 0.32	31,361 0.35	32,215 0.36	33,068 0.40	33,921 0.39	34,775 0.38	35,628 0.40	36,481 0.41	37,334 0.42	38,188 0.51	39,041 0.52	39,785 0.54	40,689 0.64	41,444 0.56	42,256 0.48	43,463 0.64	44,292 0.57	45,120 0.57	45,949 0.60	46,778 0.59	47,328 0.60	50,899 0.64	54,469 0.69	56,979 0.72	59,489 0.75
SOUTH ELKHORN WATER DEMAND (in MGD)	0.25	0.33	0.41	0.37	0.32	0.35	0.36	0.40	0.39	0.38	0.40	0.41	0.42	0.51	0.52	0.54	0.64	0.56	0.48	0.64	0.57	0.57	0.60	0.59	0.60	0.64	0.69	0.72	0.75
NORTH MIDDLETOWN Bourbon Co. population projections Average bulk consumption (mgd)	19,188 0.00	19,088 0.00	18,978 0.00	19,277 0.00	19,236 0.00	19,248 0.00	19,261 0.00	19,273 0.00	19,286 0.10	19,298 0.09	19,310 0.09	19,323 0.10	19,335 0.11	19,348 0.13	19,360 0.14	19,455 0.20	19,549 0.19	19,644 0.21	19,738 0.35	19,833 0.21	19,928 0.20	20,022 0.25	20,117 0.22	20,211 0.22	20,215 0.23	20,836 0.24	21,457 0.24	21,969 0.25	22,481 0.26
NORTH MIDDLETOWN WATER DEMAND (in MGD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.09	0.09	0.10	0.11	0.13	0.14	0.20	0.19	0.21	0.35	0.21	0.20	0.25	0.22	0.22	0.23	0.24	0.24	0.25	0.26
GEORGETOWN MUNICIPAL WATER Scott Co. population projections Average bulk consumption (mgd)	22,689	23,501	22,760	23,314	23,867	24,135	24,403	25,360	26,317	27,274	27,731	29,446 0.02	30,423 0.12	31,397 0.25	33,061 0.22	34,325 0.06	35,589 0.03	36,852 0.01	38,116 0.04	39,380 0.02	40,644 0.00	41,908 0.02	43,171 0.01	44,435 0.01	44,322 0.01	49,597 0.02	54,871 0.02	59,534 0.02	64,196 0.02
GEORGETOWN WATER DEMAND (in MGD)												0.02	0.12	0.25	0.22	0.06	0.03	0.01	0.04	0.02	0.00	0.02	0.01	0.01	0.01	0.02	0.02	0.02	0.02
Harrison County Water Association Harrison County population projections Average bulk consumption (mgd)	15,722	15,907	15,887	16,195	16,248	16,422	16,595	16,769	16,942	17,116	17,289	17,463	17,636	17,810	17,983	18,044 0.07	18,100 0.08	18,268 0.07	18,330 0.07	18,527 0.08	18,631 0.08	18,736 0.08	18,840 0.08	18,944 0.08	19,026 0.08	19,774 0.08	20,403 0.08	20,913 0.09	21,288 0.09
HARRISON COUNTY WATER DEMAND (MGD)																0.07	0.08	0.07	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.09	0.09
BULK SALES TOTAL WATER DEMAND OUTSIDE COUNTIES	0.53	0.77	0.73	0.61	0.58	0.64	0.63	0.78	0.75	0.71	0.80	0.85	1.08	1.46	1.39	1.38	1.37	1.17	1.22	1.24	1.06	1.19	1.18	1.16	1.18	1.26	1.32	1.37	1.42
CONSERVATION PROGRAM IMPACTS	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2020	2025	2030
RESIDENTIAL RETROFIT PROGRAM SAVINGS PER HOUSEHOLD (gal/d) HOUSEHOLDS PARTICIPATING ANNUAL SAVINGS (MGD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.40 300 0.01	22.40 1500 0.03	22.40 2000 0.04	22.40 2500 0.06	22.40 3000 0.07	22.40 3500 0.08	0.00	0 0.00	0 0.00	0.00	0.00	0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00
CUMULATIVE SAVINGS (MGD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.09	0.14	0.21	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
RESIDENTIAL LANDSCAPE/TURF SCHEDULE SAVINGS PER HOUSEHOLD HOUSEHOLDS PARTICIPATING ANNUAL SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.80 500 0.00	3.80 3000 0.01	3.80 10000 0.04	3.80 12500 0.05	3.80 12500 0.05	3.80 12500 0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUMULATIVE SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.05	0.10	0.15	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19

FAUCETS	13.73	3.00
ELIGIBLE POPULATION,%		
TOILETS	0.15	0.65
SHOWERHEADS	0.25	0.9
FAUCETS	0.25	0.9
PARTICIPATION RATE		

Assumed Inflation Rate for the Year (CPI) Projected Water/Sewer Rate Increase for the Year Losses and Non-Revenue Uses for Year % GROWTH FOR YEAR - REFERENCE CASE			1.1%	1.1%	5.4% 4.04% 1.0%	4.21% 5.51% 13.0% 1.0%	3.01% 51.80% 13.0% 0.9%	2.99% 0.00% 13.0% 0.8%	3.60% 3.32% 13.0% 0.8%	2.50% 6.65% 13.0% 0.7%	3.20% 6.19% 13.0% 0.7%	2.29% 3.10% 13.0% 0.6%	1.56% 0.00% 13.0% 0.6%	3.45% 0.00% 13.0% 0.5%	2.21% 0.00% 13.0% 0.5%	2.80% 7.79% 13.0% 0.5%	1.60% 20.00% 13.0% 0.5%	2.30% 0.00% 13.0% 0.5%	2.70% 0.00% 13.0% 0.5%	2.89% 8.83% 13.0% 2.2%	5.00% 0.00% 13.0% 0.5%	5.00% 20.00% 13.0% 0.5%	5.00% 5.00% 13.0% 0.5%	5.00% 5.00% 13.0% 0.5%	5.00% 5.00% 13.0% 1.9%	5.00% 5.00% 13.0% 1.6%	5.00% 5.00% 13.0% 1.1%	5.00% 5.00% 13.0% 1.1%	5.00% 5.00% 13.0% 1.1%
	4000	4007	1.1%	0.0%	1.1%	1.6%	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	0.6%	0.2%	1.1%	0.4%	2.9%	0.8%	0.8%	0.8%	0.8%	5.0%	5.1%	4.8%	3.4%	3.3%
Calendar Year INTERIOR HOME CONSULTATION SAVINGS PER HOUSEHOLD HOUSEHOLDS PARTICIPATING ANNUAL SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.76 200 0.00	23.76 200 0.00	23.76 200 0.00	23.76 200 0.00	0.00	0.00	0.00	0.00
CUMULATIVE SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00
COMMERCIAL/INDUSTRIAL INTERNAL AUDIT SAVINGS PER COMMERCIAL UNIT UNITS PARTICIPATING ANNUAL SAVINGS SAVINGS PER INDUSTRIAL UNIT UNITS PARTICIPATING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	523 200 0.10 70824 1	523 200 0.10 70824 1	523 200 0.00 70824 1	0.00	0.00	0.00	0.00
ANNUAL SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.07	0.00	0.00	0.00	0.00	0.00
CUMULATIVE SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.35	0.00	0.00	0.00	0.00	0.00
INDUSTRIAL/UK EXTERIOR AUDIT UNIVERSITY OF KENTUCKY SAVINGS PER INDUSTRIAL UNIT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00					0.00					0.00	0.00	0.00	0.00	0.00
UNITS PARTICIPATING ANNUAL SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUMULATIVE SAVINGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCREASED LEAK DETECTION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.91	0.21	1.47	0.24	-0.14	0.05	0.91	1.48	0.64	3.23	1.35	3.54	1.40	1.41	1.43	1.45	1.52	1.58	1.63	1.69
TOTAL SAVINGS FROM CONSERVATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	1 95	0.31	1 67	0.55	0.30	0.53	1 39	1 96	1 12	3 71	1.83	4 02	1.89	2.07	2 27	1 93	2.00	2.06	2 12	2 17

FAUCETS	13.73	3.00
ELIGIBLE POPULATION,%		
TOILETS	0.15	0.65
SHOWERHEADS	0.25	0.9
FAUCETS	0.25	0.9
PARTICIPATION RATE		

Witness: Michael A. Miller/Sheila Miller

175. Please provide a complete side-by-side presentation of the filing showing actual 2009, base period ending May 31, 2010 and forward-looking test period ending September 30, 2011.

Response:

See attached.

For the electronic version, refer to KAW_R_AGDR1#175_042610.pdf.

362,672,028

321,809,786

Total Rate Base

Rate Base Components Utility Plant In Service Property Held for Future Use Utility Plant Acquisition Adjustments Accumulated Depreciation Net Utility Plant in Service Construction Work in Progress Working Capital Allowance Contributions in Aid of Construction Customer Advances Deferred Income Taxes Deferred Maintenance	Actual 12/31/2009 381,225,710 284,296 (100,385,556) 281,124,450 138,797,378 N/A 639,198 (46,837,411) (13,441,748) (36,239,467) (86,522) 1,608,740	Base Period Amount 385,169,760 - 11,963 (103,121,670) 282,060,053 160,146,033 3,804,000 642,421 (47,860,213) (16,921,528) (38,238,685) (83,332) 2,422,653	13-month avg Forecasted Amount 566,014,484 2,342 (110,085,251) 455,931,575 9,463,931 2,634,000 642,421 (48,865,890) (19,089,182) (40,026,731) (76,952) 2,708,236
	1,786,882	1,757,661	1,700,474
	1,786,882	1,757,661	1,700,474
	(5.541.714)	(2.430.828)	(2.349.854)

Kentucky-American Water Company AGDR1#175 Case No. 2010-00036

Capital Structure	Amount		<u>C</u>	F	Base Period	For	
Class of Capital	Outstanding 12/31/2009	Percent To Total	JULIC 12/31/2009	12/31/2009	Adjusted Capital	Adjusted Capital	
Short Term Debt	29,552,050	9.57%	91,991	29,644,041	46,493,434	8,843,758	
Long Term Debt	144,990,000	46.93%	451,331	145,441,331	140,682,835	191,353,809	
Preferred Stock	5,955,600	1.93%	18,539	5,974,139	5,951,739	5,949,504	
Common Equity	128,446,369	41.58%	399,834	128,846,203	140,772,902	163,873,149	
Total Capital	308,944,019	100.00%	961,695	309,905,714	333,900,910	370,020,221	

18,978,779

11,482,542

10,591,112

12,138,482

9,374,437

5,950,695

Total Income Deductions

Net Income

Kentucky-American Water Company AGDR1#175 Case No. 2010-00036

Income Statement

	- -		L
	1 werve Months 12/31/2009	5/31/2010	Forecast per 9/30/2011
Operating Revenues	61,710,499	67,042,231	93,725,732
Operating Expenses:			
Operation & Maintenance	32,881,853	33,264,400	35,661,911
Depreciation	5,826,151	7,867,005	11,086,076
Amortization	515,734	516,980	233,721
Taxes Other	3,439,505	4,080,774	5,202,130
State Income Taxes	1,180,221	1,177,694	1,690,164
Federal Income Taxes	5,727,343	6,319,076	9,380,648
Total Operating Expenses	49,570,807	53,225,929	63,254,650
Utility Operating Income	12.139.692	13.816.302	30.471.081
Other Income/Net	4,402,115	7,040,676	646,180
Income Before Deductions	16,541,807	20,856,978	31,117,261
Income Deductions			
Interest on LTD	5,481,409	9,044,525	11,716,890
Amortization of Debt Expense	105,230	148,576	629'86
Interest on Bank Debt	355,136	181,336	322,913
Other Interest	8,920		-

Witness: Michael A. Miller

176. Please list all year end closing accounting entries, both internal and those made by your external auditors, for 2007, 2008 and 2009.

Response:

There were no entries made by external auditors for KAW during 2007, 2008, and 2009, and they found no adjustments that meet the materiality criteria for a reopening of the Company's books during their year-end audit process. Please refer to the response to KAW_R_AGDR1#166_042610 for the entries the auditors reflected in the annual reports for the 2007-2009 periods, but were recorded on the books in the subsequent year.

Please see below for a listing of the standard entries performed monthly as needed as well as at year end for Kentucky in addition to the normal monthly accounting close:

- Amortization per rate cases
- Various accruals for unbilled portions of bank fees, utility bills, stationary, relocation costs, purchase water, waste disposal costs, vehicle leases, paving costs, legal bills
- Accruals for invoices received and not yet processed as well as invoices not yet received
- Accruals for inter-company transactions
- Reserves for past due accounts receivables
- Accruals for unbilled revenue as well as reserves for any pending customer credits not yet processed
- Fixed asset entries including depreciation, AFUDC and inventory issuances
- Adjustments in tax estimates
- Accrual for interest expense and income

For electronic version of this response, refer to KAW_W_AGDR1#176_042610.pdf.

Witness: Michael A. Miller

- 177. List each change in accounting principles made by the Company during 2007, 2008, 2009 and as forecasted for 2010 and 2011.
 - a. For each such change, state the revenue and/or expense or capital impact in this filing.

Response:

There were no changes in accounting principles that affected Kentucky during 2007, 2008, and 2009.

For the electronic version, refer to KAW_R_AGDR1#177_042610.pdf.

Witness: Michael A. Miller

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

Response:

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

For the electronic version, refer to KAW_R_AGDR1#178_042610.pdf