

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2010-00036
COMMISSION STAFF'S SECOND SET OF INFORMATION REQUESTS**

Witness: Michael A. Miller/Sheila Miller

39. Provide a comparison of Kentucky-American's forecasted rate base, capital structure, and income statement from Case No. 2008-00427 with its actual results. Provide a detailed explanation for each variance.

Response:

The forecasted period in Case No. 2008-00427 was the twelve months ending May 31, 2010. A comparison to actual cannot be done until May 2010 accounting has been completed. The Company will provide this information when it becomes available.

For the electronic version, refer to KAW_R_PSCDR2#39_043010.pdf.

Supplemental Response:

See attached.

For the electronic version, refer to KAW_R_PSCDR2#39_supplemental_071510.pdf.

Kentucky-American Water Company
Commission Data Request No. 2#39
Case No. 2010-00036

	13 mo avg Actual 5/31/2010	Case No. 2008-00427 Forecasted Amount 5/31/2010	Difference
Rate Base Components			
Utility Plant in Service	382,656,965	385,086,157	(2,429,192) Offset by increase in CWIP & less developer jobs
Property Held for Future Use	275,468	18,488	256,980 Tri Village, Elk Lake, & Owenton not included in rate base
Utility Plant Acquisition Adjustments	(101,165,276)	(98,464,904)	(2,700,372) Underestimated NNS in rate filing
Accumulated Depreciation			
Net Utility Plant in Service	281,767,157	286,639,741	4,872,584
Construction Work in Progress	129,353,532	102,817,344	26,536,188 KRS II is progressing ahead of schedule by two months;
Working Capital Allowance	2,588,495	2,588,495	-
Other Working Capital Allowance	697,002	575,573	121,429 Change due to fluctuation in account from month to month
Contributions in Aid of Construction	(47,314,626)	(45,274,826)	(2,039,800) Difference due to receipts/refunds of contributions
Customer Advances	(13,247,981)	(15,618,202)	2,370,221 Less developer jobs
Deferred Income Taxes	(33,532,843)	(33,941,806)	408,963 Timing of UPIs
Deferred Investment Tax Credits	(87,158)	(87,154)	(4)
Deferred Maintenance	1,989,536	2,902,195	(912,659) Difference due to deferred maintenance on hold due to budget constraints
Deferred Debits	1,757,661	1,940,458	(182,797) Difference due to NRW study and water conservation study included in 2008 rate case
Other Rate Base Elements	(3,292,561)	(1,212,447)	(2,080,113) Change due to contract retentions for KRS II project more than estimatec
Total Rate Base	320,678,214	301,329,371	29,094,012

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Case No.
2008-00427

	Actual 13 mo avg Total 5/31/2010	Forecasted Capital 5/31/2010	Variance
Capital Structure			
Short Term Debt	39,419,897	31,620,833	7,799,064
Long Term Debt	133,189,494	138,870,420	(5,680,926)
Preferred Stock	5,973,829	5,953,603	20,226
Common Equity	<u>126,045,647</u>	<u>129,835,603</u>	<u>(3,789,956)</u>
Total Capital	<u>304,628,867</u>	<u>306,280,460</u>	<u>(1,651,592)</u>

12.94% 10.32%
43.72% 45.34%
1.96% 1.94%
41.38% 42.39%

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Income Statement	Actual Twelve Months 5/31/2010	Case No. 2008-00427 Forecasted 5/31/2010	Difference (4,165,069)
Operating Revenues	65,561,088	69,726,157	(4,165,069)
Operating Expenses:			
Operation & Maintenance	32,071,664	30,599,606	1,472,058
Depreciation	7,508,542	7,901,661	(393,119)
Amortization	518,460	445,022	73,438
Taxes Other	3,892,669	3,769,392	123,277
State Income Taxes	1,245,751	1,404,632	(158,881)
Federal Income Taxes	6,626,351	7,815,057	(1,188,706)
Total Operating Expenses	51,863,437	51,935,370	(71,933)
Utility Operating Income	13,697,651	17,790,787	(4,093,136)
Other Income/Net	3,308,428	3,094,804	213,624
Income Before Deductions	17,006,079	20,885,591	(3,879,512)
Income Deductions			
Interest on LTD	5,391,754	9,257,346	(3,865,592)
Amortization of Debt Expense	119,261	170,080	(50,819)
Interest on Bank Debt	174,895	1,187,284	(1,012,389)
Other Interest	767	-	767
Total Income Deductions	5,686,677	10,614,709	(4,928,032)
Net Income	11,319,402	10,270,882	1,048,520

Actual includes rate increase effective 6/09 - Case 2008-00427 forecast revenues at present rates as shown in the 2008 rate case

production costs less, actual paving costs higher
Less UPIS transferred than estimated in rate case; offset by add'l CWIP
gross receipts tax - no chg to acct until 12/09

AFUDC on additional investment

Tax exempt financing (int exp reduced by the AFUDC debt portion)
Fluctuations due to CAPEX spending for KRS II Project and permanent financing placements