Kentucky-American Water Company
Case No. 2010-00036
Exhibit RCS-2
Copies of Non-Confidential Material Referenced in the Direct Testimony and Schedules of Ralph C. Smith

Document	Subject	Confidential	No. of Pages	Page No.
W/P 3-10	KAWC Workpaper Regarding Uncollectibles	No	9	2 - 10
	IAWC Docket No. 09-0319: Company Schedule B-1, Second Revised - CWIP at Zero Balance to Determine Rate Base	No	6	11 - 16
AG 1-15	Incentive Compensation Plans	No	39	17 - 55
	IAWC Docket No. 09-0319: Company Witness Teasley's Testimony Excerpt Regarding Incentive Compensation	No	3	56 - 58
	AAWC Docket Nos. W-01301A-09-0343 & SW-01303A-09-0343: Excerpt of Company Witnesses Broderick and Kiger's Rebuttlal Testimony Regarding the Removal of Stock- Based Compensation	No	3	59 - 61
	Rocky Mountain Power Docket Nos. 09-035-23 and 09-035-03: Utah PSC Order Regarding Change in Income Tax Treatment of Repair Deductions	No	18	62 - 79
PSC 3-10	Five change orders for the water treatment plant, netting to a change order total of $1,051,441.	No	2	80 - 81
PSC 3-11	42-inch pipeline listing of six change orders for Section A and five for Section B, netting to a change order total of $2,484,427 for Section A and $1,514,439 for Section B, for a combined total of $3,998,866 for the pipeline.	No	3	82 - 84
PSC 3-12	Four change orders for the booster pumping station contract and storage tank contract, netting to a change order total of $325,133.	No	2	85 - 86
AG 1-133	Change orders descriptions, that the cost for KRS II in the current KAWC case is $163,885,837; originally projected amount was $161,290,000 in the KRS II certification case; cost overrun reported on page 10 of 11 is $529,998, not including additional AFUDC of $2,065,839.	No	11	87 - 97
	Total Pages Including this Page		97	

Information Leaving this File

Account	Forecasted Amount					
904000	522551	Going out to K_COS10.xls				
903300	282805					
903520	907161			Check Total	Check Total	Check Total
Grand Total	1712517			Per Col C	Per Pivot	Per Database
			1,712,517	1,712,517	1,712,517	1,712,517

Uncollectible % Factor	0.7836%
Uncollectibles	507,403

Kentucky-American Water Company
Forecasted Cutomer Accounting Expenses
CASE NO: 2010-00036

Uncollectibles Expense			Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	March 2011	April 2011	May 2011	June 2011	July 2011	Aug 2011	Sept 2011	Total
Object.Sub	**BU**	**Aww Acct**	**F1**	**F2**	**F3**	**F4**	**F5**	**F6**	**F7**	**F8**	**F9**	**F10**	**F11**	**F12**	**Forecast**
570100.15	120205	904000	42,284	42,284	42,284	42,284	42,284	42,284	42,284	42,284	42,284	42,284	42,286	42,286	507,412
570100.15	120201	904000	1514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,515	1,515	1,515	1,515	18,172
			43,798	43,798	43,798	43,798	43,798	43,798	43,798	43,798	43,799	43,799	43,801	43,801	525,584

KENTUCKY-AMERICAN WATER COMPANY
Accumulated provision for Uncollectibles

2001 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	Net charge-offs
KY-AM	JANUARY	55,567.00	20,711.71	0.00	26,025.66	5,313.95	55,567.00	20,711.71	
	FEBRUARY	55,567.00	6,863.54	0.00	12,333.29	5,469.75	55,567.00	6,863.54	
	MARCH	55,567.00	3,779.81	0.00	17,131.82	10,239.01	52,454.00	3,779.81	
	APRIL	52,454.00	10,727.87	0.00	17,469.81	6,741.94	52,454.00	10,727.87	
	MAY	52,454.00	22,206.85	0.00	30,408.09	8,201.24	52,454.00	22,206.85	
	JUNE	52,454.00	18,144.47	0.00	20,853.26	9,238.79	58,984.00	18,144.47	
	JULY	58,984.00	15,247.45	0.00	20,256.56	5,009.11	58,984.00	15,247.45	
	AUGUST	58,984.00	23,881.08	0.00	29,735.93	5,854.85	58,984.00	23,881.08	
	SEPTEMBER	58,984.00	31,396.59	0.00	30,263.06	7,590.47	67,708.00	31,396.59	
	OCTOBER	67,708.00	19,498.06	0.00	29,145.49	9,647.43	67,708.00	19,498.06	
	NOVEMBER	67,708.00	18,134.14	0.00	24,309.12	6,174.98	67,708.00	18,134.14	
	DECEMBER	67,708.00	9,896.00	0.00	25,474.05	6,011.83	58,141.78	9,896.00	
					283,406.14	85,493.35		200,487.57	197,912.79

2002 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	
KY-AM	JANUARY	58,141.78	25,690.98	0.00	25,212.28	-478.70	58,141.78	25,690.98	
	FEBRUARY	58,141.78	22,192.84	0.00	28,945.49	6,752.65	58,141.78	22,192.84	
	MARCH	58,141.78	17,807.55	0.00	17,964.95	-130.38	57,854.00	17,807.55	
	APRIL	57,854.00	15,928.12	0.00	23,853.23	7,925.11	57,854.00	15,928.12	
	MAY	57,854.00	22,283.82	0.00	34,976.93	12,693.11	57,854.00	22,283.82	
	JUNE	57,854.00	19,075.93	0.00	24,103.07	7,313.14	60,140.00	19,075.93	
	JULY	60,140.00	9,442.13	0.00	19,439.71	8,813.20	58,955.62	9,442.13	
	AUGUST	58,955.62	14,482.17	0.00	20,281.25	6,983.46	60,140.00	14,482.17	
	SEPTEMBER	60,140.00	36,081.00	0.00	30,713.96	6,349.10	71,856.14	36,081.00	
	OCTOBER	71,856.14	22,608.90	0.00	28,866.42	6,257.52	71,856.14	22,608.90	
	NOVEMBER	71,856.14	33,348.07	0.00	32,965.12	-382.95	71,856.14	33,348.07	
	DECEMBER	71,856.14	18,614.52	0.00	28,525.41	5,023.75	66,969.00	18,614.52	
					315,847.82	67,119.01		257,556.03	248,728.81

2003 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	
KY-AM	JANUARY	66,969.00	15,871.00	0.00	858.88	4,311.51	86,292.63	15,871.00	
	FEBRUARY	86,292.63	17,804.50	0.00	47,791.25	7,316.00	63,621.88	17,804.50	
	MARCH	63,621.88	32,734.40	0.00	18,045.53	-5,198.75	73,112.00	32,734.40	
	APRIL	73,112.00	14,645.67	0.00	22,111.06	8,033.69	73,680.30	14,645.67	
	MAY	73,680.30	19,497.16	0.00	17,213.46	-572.30	75,391.70	19,497.16	
	JUNE	75,391.70	33,681.77	0.00	31,667.37	401.90	77,808.00	33,681.77	
	JULY	77,808.00	28,181.32	0.00	26,046.16	-209.16	79,734.00	28,181.32	
	AUGUST	79,734.00	6,990.63	0.00	27,311.95	24,815.32	84,228.00	6,990.63	
	SEPTEMBER	84,228.00	-36,734.91	0.00	-33,444.76	9,101.15	90,039.00	-36,734.91	
	OCTOBER	90,039.00	4,073.16	0.00	5,425.12	3,577.13	92,264.17	4,073.16	
	NOVEMBER	92,264.17	-10,796.69	0.00	0.00	598.52	82,066.00	-10,796.69	
	DECEMBER	82,066.00	58,548.90	0.00	70,294.19	495.29	70,816.00	58,548.90	
					233,320.21	52,670.30		184,496.91	180,649.91

2004 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	
KY-AM	JANUARY	70,816.00	43,980.44	0.00	31,950.09	2,225.65	85,072.00	44,291.92	
	FEBRUARY	85,072.00	20,176.68	0.00	28,176.02	3,220.34	80,293.00	20,258.10	
	MARCH	80,293.00	12,933.58	0.00	18,766.02	3,759.44	78,220.00	13,011.74	
	APRIL	78,220.00	40,302.42	0.00	33,163.64	1,864.22	87,223.00	40,302.42	
	MAY	87,223.00	25,484.59	0.00	37,564.31	4,454.72	79,598.00	25,712.89	
	JUNE	79,598.00	38,659.82	0.00	31,749.86	3,076.04	89,584.00	38,687.57	
	JULY	89,584.00	69,315.22	0.00	66,391.31	1,421.09	93,929.00	69,393.54	
	AUGUST	93,929.00	29,042.50	0.00	19,064.87	2,034.37	105,941.00	9,384.72	
	SEPTEMBER	105,941.00	62,837.45	0.00	50,159.10	2,968.65	121,588.00	62,837.45	
	OCTOBER	121,588.00	25,917.25	0.00	30,483.65	3,966.40	120,988.00	26,124.49	
	NOVEMBER	120,988.00	34,930.88	0.00	30,373.36	2,819.48	128,365.00	34,930.88	
	DECEMBER	128,365.00	71,775.54	0.00	32,600.25	2,158.71	169,699.00	65,461.94	
					410,442.48	33,969.11		450,397.66	376,473.37

2005 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	
KY-AM	JANUARY	169,699.00	-20,267.65	0.00	28,153.99	3,971.64	125,249.00	-20,580.39	
	FEBRUARY	125,249.00	56,760.57	0.00	56,627.99	5,225.42	130,607.00	56,760.57	
	MARCH	130,607.00	48,241.93	0.00	40,883.54	6,281.61	144,247.00	38,599.90	
	APRIL	144,247.00	37,483.32	0.00	31,226.35	4,511.03	155,015.00	37,483.32	
	MAY	155,015.00	10,112.76	0.00	24,144.69	4,950.93	145,934.00	10,112.76	
	JUNE	145,934.00	22,310.79	0.00	27,783.85	3,437.06	143,898.00	22,310.79	
	JULY	143,898.00	37,707.36	0.00	43,278.66	3,000.30	141,327.00	37,707.36	
	AUGUST	141,327.00	41,780.79	0.00	40,359.51	3,665.72	146,414.00	41,780.79	
	SEPTEMBER	146,414.00	48,820.18	0.00	35,898.18	4,397.00	163,733.00	48,820.18	
	OCTOBER	163,733.00	95,246.01	0.00	44,454.09	4,889.08	219,414.00	95,246.01	
	NOVEMBER	219,414.00	44,307.74	0.00	35,212.89	2,843.96	231,352.81	44,307.74	
	DECEMBER	231,352.81	64,808.80	0.00	39,384.93	2,126.83	258,903.51	64,808.80	
					447,408.67	49,300.58		477,357.83	398,108.09

2006 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	
KY-AM	JANUARY	258,903.51	-7,630.69	0.00	43,130.58	9,884.88	218,027.12	-7,567.17	
	FEBRUARY	218,027.12	32,924.01	0.00	46,063.70	6,480.58	211,368.01	33,433.15	
	MARCH	211,368.01	13,721.25	0.00	33,007.28	4,684.34	196,766.32	13,861.59	
	APRIL	196,766.32	23,256.63	0.00	33,394.66	2,937.00	189,565.29	23,397.08	
	MAY	189,565.29	5,218.68	0.00	24,080.43	7,393.91	178,097.45	17,468.38	
	JUNE	178,097.45	36,679.76	0.00	43,148.54	5,284.58	176,913.25	36,877.80	
	JULY	176,913.25	54,037.59	0.00	39,172.12	4,147.64	195,926.36	54,037.59	
	AUGUST	195,926.36	20,359.50	0.00	27,924.91	4,260.78	192,621.73	20,359.49	
	SEPTEMBER	192,621.73	-3,585.41	0.00	1,032.12	6,186.90	194,191.10	23,454.59	
	OCTOBER	194,191.10	59,306.11	0.00	75,198.58	3,951.71	182,250.34	32,265.11	
	NOVEMBER	182,250.34	134,914.43	0.00	35,677.33	3,463.84	284,951.28	134,914.43	
	DECEMBER	284,951.28	17,309.22	0.00	43,624.01	2,460.47	261,096.96	23,309.22	
					445,454.26	61,136.63		405,811.26	384,317.63

2007 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	
KY-AM	JANUARY	261,096.96	3,846.77	0.00	26,111.43	3,496.80	242,329.10	3,910.50	
	FEBRUARY	242,329.10	52,691.64	0.00	39,273.15	6,029.25	261,776.84	51,146.55	
	MARCH	261,776.84	35,950.50	0.00	29,736.12	3,576.50	271,567.72	35,944.99	
	APRIL	271,567.72	16,230.99	0.00	55,889.42	3,025.41	234,934.70	15,695.77	
	MAY	234,934.70	51,702.39	0.00	41,470.60	5,117.21	250,283.70	52,030.74	
	JUNE	250,283.70	143,137.13	0.00	63,008.90	3,463.77	333,875.70	143,128.33	
	JULY	333,875.70	30,205.07	0.00	38,061.92	5,127.85	331,146.70	29,872.48	
	AUGUST	331,146.70	-25,887.38	0.00	28,272.42	8,764.80	285,751.70	-28,430.73	
	SEPTEMBER	285,751.70	19,078.99	0.00	50,378.50	6,339.93	260,792.12	19,015.96	
	OCTOBER	260,792.12	44,705.53	0.00	40,193.87	4,163.31	269,467.09	44,695.80	
	NOVEMBER	269,467.09	19,108.14	0.00	33,047.21	5,438.52	260,966.54	19,679.61	
	DECEMBER	260,966.54	-2,728.13	0.00	37,771.30	2,842.09	223,309.20	-2,732.67	
					483,214.84	57,385.44		383,957.33	425,829.40

2008 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15	
KY-AM	JANUARY	223,309.20	-16,245.09	0.00	36,584.65	6,736.10	177,215.56	-37,107.18	
	FEBRUARY	177,215.56	-7,841.56	0.00	26,557.12	10,546.96	153,363.84	-8,241.24	
	MARCH	153,363.84	-15,929.18	0.00	25,162.78	6,068.03	118,339.91	-15,933.46	
	APRIL	118,339.91	55,035.30	0.00	30,510.85	4,348.24	147,212.60	55,033.73	
	MAY	147,212.60	94,599.45	0.00	38,039.44	5,797.07	209,569.68	94,081.93	
	JUNE	209,569.68	70,641.48	0.00	37,969.73	4,660.57	246,902.00	70,613.60	
	JULY	246,902.00	15,058.20	0.00	34,761.42	7,645.43	234,844.21	14,142.63	
	AUGUST	234,844.21	26,710.34	0.00	31,296.38	6,870.07	237,128.24	28,784.30	
	SEPTEMBER	237,128.24	53,638.92	0.00	39,420.29	3,812.55	255,159.42	52,579.32	
	OCTOBER	255,159.42	51,628.93	0.00	36,521.32	4,578.55	274,845.58	51,620.90	
	NOVEMBER	274,845.58	52,061.64	0.00	44,597.66	3,116.60	285,426.16	52,056.27	
	DECEMBER	285,426.16	25,927.83	0.00	44,052.16	6,053.95	273,355.78	25,888.86	
					425,473.80	70,234.12		383,519.66	355,239.68

2009 COMPANY	MONTH	BEGINNING BALANCE	PROVISION	MISC JE ADJUSTMENT	CHARGE OFFS	RECOVERIES	ENDING BALANCE	ACCT 570100.15
KY-AM	JANUARY	273,355.78	34,457.31	0.00	45,704.10	3,909.98	266,018.97	34,455.06
	FEBRUARY	266,018.97	51,243.38	0.00	62,422.32	4,980.65	259,820.68	51,441.03
	MARCH	259,820.68	17,361.31	0.00	38,558.47	6,279.84	244,903.36	17,339.17
	APRIL	244,903.36	(6,562.45)	0.00	30,478.11	6,346.12	214,208.92	(9,052.46)
	MAY	214,208.92	39,273.18	0.00	51,306.67	5,501.22	207,676.65	39,356.01
	JUNE	207,676.65	79,166.32	0.00	51,137.59	5,060.92	240,766.30	79,153.15
	JULY	240,766.30	73,938.15	0.00	37,577.65	6,217.49	283,344.29	73,925.42
	AUGUST	283,344.29	49,039.96	0.00	38,706.67	5,680.17	299,357.75	48,969.70
	SEPTEMBER	299,357.75	12,001.96	0.00	40,291.45	6,095.72	277,163.98	12,013.66
	OCTOBER	277,163.98	72,262.25	0.00	42,699.92	4,582.94	311,309.25	72,333.13
	NOVEMBER	311,309.25	29,109.88	0.00	40,405.65	4,019.76	304,033.24	29,499.02
	DECEMBER	304,033.24	10,610.23	0.00	42,874.27	5,241.72	277,010.92	10,580.64
					522,162.87	63,916.53		460,013.53

Kentucky-American Water Company
Forecasted Uncollectibles Expense
CASE NO: 2010-00036

Forecasted Information Oct 2010 - Sept 2011 at present rates

billed revenues	64,753,488	507,403	0.7836%

Historical Information

	Billed Revenues Lexington	uncollectible balance	Uncollectible Percentage	3 year avg
2007	50,164,648	383,957	0.7654%	
2008	56,909,702	383,520	0.6739%	
2009	58,705,778	460,014	0.7836%	0.7410%

Kentucky-American Water Company
Forecasted Customer Accounting Expense Data Base
CASE NO: 2010-00036

RT012USR				Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept			
SRKYLINE18				2010	2010	2010	2011	2011	2011	2011	2011	2011	2011	2011	2011			Total
Object.Sub	**BU**	**JDE Object Description**	**Aww Acct**	**F1**	**F2**	**F3**	**F4**	**F5**	**F6**	**F7**	**F8**	**F9**	**F10**	**F11**	**F12**	**L168**	**L169**	**Forecast**
570100.15	120205	Uncollectible Accounts	904000	42,284	42,284	42,284	42,284	42,284	42,284	42,284	42,283	42,283	42,283	42,283	42,283	18		507,403
570100.15	120205	Uncollectible Accounts-alloc to OS,RS,BGS	904000	-252	-252	-252	-252	-252	-252	-252	-252	-252	-252	-252	-252	18		-3,024
570100.16	120105	Uncollectible Accounts	904000	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	1,514	18		18,172
575100.15	120105	Bank Service Charges CA	903300	17,750	17,750	17,750	17,750	17,750	17,750	17,750	17,750	17,750	17,750	17,750	17,750	18		213,000
575100.15	120105	Bank Service Charges CA-alloc to OS,RS,B	903300	-100	-100	-100	-100	-108	-108	-109	-109	-109	-109	-109	-109	18		-1,270
575200.15	120205	Collection Agencies CA	903300	5,959	5,959	5,959	5,959	5,959	5,959	5,958	5,958	5,958	5,958	5,958	5,958	18		71,502
575200.15	120205	Collection Agencies CA-alloc to OS,RS,BGS	903300	-36	-36	-36	-36	-36	-36	-35	-35	-35	-35	-35	-36	18		-427
575420.15	120105	Forms	903520	17,716	17,716	17,716	18,247	18,247	18,247	18,247	18,247	18,247	18,247	18,247	18,247	18		217,371
575420.15	120105	Forms-alloc to OS,RS,BGS	903520	-107	-107	-107	-107	-107	-108	-108	-109	-109	-109	-109	-109	18		-1,296
575660.15	120105	Postage	903520	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	18		597,072
575660.15	120105	Postage-alloc to OS,RS,BGS	903520	-296	-296	-296	-296	-296	-296	-296	-296	-298	-298	-298	-298	18		-3,560
575740.15	120113	Telephone	903520	8,000	8,000	8,000	8,240	8,240	8,240	8,240	8,240	8,240	8,240	8,240	8,240	18		98,160
575740.15	120113	Telephone-alloc to OS,RS,BGS	903520	-48	-48	-48	-48	-49	-49	-49	-49	-49	-49	-50	-50	18		-586
				142,188	142,188	142,188	142,959	142,951	142,950	142,949	142,947	142,945	142,945	142,945	142,944			1,712,517
Owenton Sewer																		
570100.15	120205	Uncollectible Accounts	904000	220	220	220	220	220	220	220	220	221	221	221	221			2,644
575100.15	120105	Bank Service Chgs allocated from Lexingtor	903300	92	92	92	92	92	92	93	93	93	93	93	93			1,110
575200.15	120205	Collection Agencies allocated from Lex	903300	31	31	31	31	31	31	31	31	31	31	31	32			373
575420.15	120105	Forms allocated from Lex	903520	94	94	94	94	94	94	94	95	95	95	95	95			1,133
575660.15	120105	Postage-allocated from Lex	903520	259	259	259	259	259	259	259	259	260	260	260	260			3,112
575740.15	120113	Telephone-allocate from Lex	903520	42	42	42	42	43	43	43	43	43	43	43	43			512
																		8,884
Boonesboro Sewer																		
570100.15	120205	Uncollectible Accounts	904000	32	32	32	32	32	32	32	32	31	31	31	31			380
575100.15	120105	Bank Service Chgs allocated from Lexingtor	903300	8	8	8	8	16	16	16	16	16	16	16	16			160
575200.15	120205	Collection Agencies allocated from Lex	903300	5	5	5	5	5	5	4	4	4	4	4	4			54
575420.15	120105	Forms allocated from Lex	903520	13	13	13	13	13	14	14	14	14	14	14	14			163
575660.15	120105	Postage-allocated from Lex	903520	37	37	37	37	37	37	37	37	38	38	38	38			448
575740.15	120113	Telephone-allocate from Lex	903520	6	6	6	6	6	6	6	6	6	6	7	7			74
																		1,279
																		1,722,680

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American Water Worl   )any
Kentucky-American Wa. .o 12
Total Company (USGAAP)
Analysis of Income Month & YTD
For the Period Ending 12/31/2008

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Description	December Actual	December Plan	December Variance	December Prior Year	Yr to Date December Actual	Yr to date December Plan	Yr to date December Variance	Yr to date December Prior Year	Annual Forecast
00012 Kentucky-American Water Co.									
P02 Water Revenues									
401110 Res Sales Billed									
Res Sales Billed	2,356,927CR	2,381,015CR	24,088	2,139,806CR	30,854,938CR	30,529,500CR	325,438CR	27,594,445CR	30,529,500CR
401120 Res Sales Unbilled									
Res Sales Unbilled	142,747		142,747	145,876CR	194,318CR		194,318CR	81,378CR	
401210 Com Sales Billed									
Com Sales Billed	1,045,765CR	1,193,285CR	147,520	896,670CR	14,530,582CR	15,312,175CR	781,593	12,388,694CR	15,312,175CR
401220 Com Sales Unbilled									
Com Sales Unbilled	148,864		148,864	14,780CR	141,492CR		141,492CR	54,059	
401310 Ind Sales Billed									
Ind Sales Billed	101,715CR	150,767CR	49,052	114,366CR	1,480,364CR	1,875,230CR	394,866	1,480,187CR	1,875,230CR
401320 Ind Sales Unbilled									
Ind Sales Unbilled	16,616		16,616	13,556CR	14,168		14,168	18,828CR	
401410 Pub Fire Billed									
Pub Fire Billed	196,087CR	102,086CR	94,001CR	192,287CR	2,333,248CR	1,225,032CR	1,108,216CR	2,216,224CR	1,225,032CR
401450 Priv Fire Billed									
Priv Fire Billed	112,046CR	194,365CR	82,319	106,429CR	1,354,634CR	2,332,380CR	977,746	1,138,372CR	2,332,380CR
401460 Priv Fire Unbilled									
Priv Fire Unbilled	962		962	490	82CR		82CR	577	
401510 Pub Auth Billed									
Pub Auth Billed	336,637CR	449,624CR	112,987	274,602CR	4,890,969CR	4,516,895CR	374,074CR	3,896,261CR	4,516,895CR
401520 Pub Auth Unbilled									
Pub Auth Unbilled	70,098CR		70,098CR	110,217CR	19,171CR		19,171CR	22,706CR	
401610 SFR Billed									
SFR Billed	93,292CR	110,633CR	17,341	109,565CR	1,438,391CR	1,494,452CR	56,061	1,151,111CR	1,494,452CR
401620 Sales for Resale Unbilled									
Sales for Resale Unbilled	175CR		175CR	30,036CR	3,113		3,113	16,497	
401630 Sales for Resale Interco									
AW12 Sale for Resale AW09				26,179				280,564CR	
401710 Misc Sales Billed									
Misc Sales Billed	1,627CR		1,627CR	611CR	26,577CR		26,577CR	18,789CR	
P02 Water Revenues	4,005,180CR	4,581,775CR	576,595	4,122,132CR	57,247,485CR	57,285,664CR	38,179	50,216,426CR	57,285,664CR
P03 Sewer Revenues									
402110 Dom WW Serv Billed									
Dom WW Serv Billed	14,833CR	14,692CR	141CR	16,207CR	192,489CR	178,241CR	14,248CR	195,969CR	178,241CR
402210 Com WW Serv Billed									
Com WW Serv Billed	8,175CR	5,981CR	2,194CR	11,872CR	108,997CR	82,394CR	26,603CR	110,744CR	82,394CR
402310 Ind WW Serv Billed									
Ind WW Serv Billed	618CR	1,587CR	969	61CR	7,725CR	17,024CR	9,299	33,547CR	17,024CR
402510 Pub Auth WW Svc Billed									
Pub Auth WW Svc Billed								140	
P03 Sewer Revenues	23,626CR	22,260CR	1,366CR	28,140CR	309,211CR	277,659CR	31,552CR	340,120CR	277,659CR
P04 Other Revenues									
403101 Oth Rev-Forfeited Discounts									
Oth Rev-Forfeited Discounts								49	
403102 Oth Rev-Rents Water Property									
Oth Rev-Rents Water Propert	6,406CR	7,196CR	790	7,835CR	105,144CR	86,354CR	18,790CR	111,988CR	86,354CR
403103 Oth Rev-Collect for Others									
Oth Rev-Collect for Others	102,175CR	75,294CR	26,881CR	84,611CR	1,071,239CR	903,528CR	167,711CR	976,746CR	903,528CR
403104 Oth Rev-NSF Check Charge									
Oth Rev-NSF Check Charge	2,328CR	1,799CR	529CR	1,740CR	25,802CR	21,588CR	4,214CR	21,890CR	21,588CR
403105 Oth Rev-Appl/Initiate Serv Fee									
Oth Rev-Appl/Initiate Serv	37,926CR	60,285CR	22,359	39,866CR	617,172CR	723,420CR	106,248	600,930CR	723,420CR
403107 Oth Rev-Reconnection Charges									
Oth Rev-Reconnection Charge	50,860CR	20,129CR	30,731CR	51,257CR	696,888CR	241,542CR	455,346CR	496,098CR	241,542CR
403198 Oth Rev-Misc Service Rev									
Oth Rev-Misc Service Rev	1,445CR		1,445CR		4,165CR		4,165CR	5,990CR	
403199 Oth Rev-Other Water Rev									
Oth Rev-Other Water Rev	856CR		856CR	701CR	8,500CR		8,500CR	8,078CR	
P04 Other Revenues	201,996CR	164,703CR	37,293CR	186,010CR	2,528,910CR	1,976,432CR	552,478CR	2,221,671CR	1,976,432CR
P08 Labor									
501200 Labor									
12 Labor Oper P								139	
13 Labor Oper WT	115,558		115,558	132,668	959,752		959,752	918,461	
1305 Labor Oper WT Super/Eng	83,005		83,005	72,469	623,624		623,624	614,877	
14 Labor Oper TD	120,419		120,419	112,486	977,056		977,056	974,141	
1405 Labor Oper TD Super/Eng	17,422		17,422		37,438		37,438		
1410 Labor Oper TD Storage				65	78		78	488	
1415 Labor Oper TD Lines	20,357		20,357	7,885	145,852		145,852	64,646	
1420 Labor Oper TD Meter	75,469		75,469	87,805	823,738		823,738	865,083	
15 Labor Oper CA	27,148		27,148	21,866	121,624		121,624	143,098	
1510 Labor Oper CA Mtr Read	63,752		63,752	45,047	549,433		549,433	510,104	

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American Water Wor. ...pany
Kentucky-American Wat...-Co 12
Total Company (USGAAP)
Analysis of Income Month & YTD
For the Period Ending 12/31/2009

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Description	December Actual	December Plan	December Variance	December Prior Year	Yr to Date December Actual	Yr to date December Plan	Yr to date December Variance	Yr to date December Prior Year	Annual Forecast
00012 Kentucky-American Water Co.									
P02 Water Revenues									
401110 Res Sales Billed									
Res Sales Billed	2,712,837CR	2,985,671CR	272,834	2,356,927CR	31,956,121CR	35,224,291CR	3,268,170	30,854,938CR	35,224,291CR
401120 Res Sales Unbilled									
Res Sales Unbilled	170,101		170,101	142,747	91,673CR		91,673CR	194,318CR	
401210 Com Sales Billed									
Com Sales Billed	1,216,787CR	1,413,019CR	196,232	1,045,765CR	14,949,949CR	17,248,761CR	2,298,812	14,530,582CR	17,248,761CR
401220 Com Sales Unbilled									
Com Sales Unbilled	114,497		114,497	148,864	200,394CR		200,394CR	141,492CR	
401310 Ind Sales Billed									
Ind Sales Billed	127,785CR	172,927CR	45,142	101,715CR	1,403,661CR	1,998,815CR	595,154	1,480,364CR	1,998,815CR
401320 Ind Sales Unbilled									
Ind Sales Unbilled	2,926		2,926	16,616	32,721CR		32,721CR	14,168	
401410 Pub Fire Billed									
Pub Fire Billed	226,134CR	129,861CR	96,273CR	196,087CR	2,567,693CR	1,421,505CR	1,146,188CR	2,333,248CR	1,421,505CR
401420 Pub Fire Unbilled									
Pub Fire Unbilled	1CR		1CR						
401450 Priv Fire Billed									
Priv Fire Billed	136,690CR	252,499CR	115,809	112,046CR	1,538,493CR	2,747,927CR	1,209,434	1,354,634CR	2,747,927CR
401460 Priv Fire Unbilled									
Priv Fire Unbilled				962				82CR	
401510 Pub Auth Billed									
Pub Auth Billed	371,871CR	432,614CR	60,743	336,637CR	4,808,636CR	5,173,145CR	364,509	4,890,969CR	5,173,145CR
401520 Pub Auth Unbilled									
Pub Auth Unbilled	2,880		2,880	70,098CR	16,019		16,019	19,171CR	
401610 SFR Billed									
SFR Billed	120,610CR	116,561CR	4,049CR	93,292CR	1,456,417CR	1,409,161CR	47,256CR	1,438,391CR	1,409,161CR
401620 Sales for Resale Unbilled									
Sales for Resale Unbilled	53,420		53,420	175CR	22,077CR		22,077CR	3,113	
401630 Sales for Resale Interco									
AW12 Sale for Resale AW09	1,207CR		1,207CR		11,068CR		11,068CR		
401710 Misc Sales Billed									
Misc Sales Billed	1,827CR		1,827CR	1,627CR	13,740CR		13,740CR	26,577CR	
P02 Water Revenues	4,571,925CR	5,503,152CR	931,227	4,005,180CR	59,036,624CR	65,223,605CR	6,186,981	57,247,485CR	65,223,605CR
P03 Sewer Revenues									
402110 Dom WW Serv Billed									
Dom WW Serv Billed	15,144CR	16,207CR	1,063	14,833CR	191,296CR	195,972CR	4,676	192,489CR	195,972CR
402210 Com WW Serv Billed									
Com WW Serv Billed	8,778CR	11,872CR	3,094	8,175CR	115,954CR	110,744CR	5,210CR	108,997CR	110,744CR
402310 Ind WW Serv Billed									
Ind WW Serv Billed	553CR	1,126CR	573	618CR	6,799CR	34,612CR	27,813	7,725CR	34,612CR
402510 Pub Auth WW Svc Billed									
Pub Auth WW Svc Billed	625CR		625CR		4,120CR		4,120CR		
P03 Sewer Revenues	25,100CR	29,205CR	4,105	23,626CR	318,169CR	341,328CR	23,159	309,211CR	341,328CR
P04 Other Revenues									
403003 Oth Rev-Interco Rent									
AW03 Oth Rev-Interco Rent	20,988CR		20,988CR		91,889CR		91,889CR		
403101 Oth Rev-Forfeited Discounts									
Oth Rev-Forfeited Discounts					35		35		
403102 Oth Rev-Rents Water Property									
Oth Rev-Rents Water Propert	7,308CR	7,835CR	527	6,406CR	98,158CR	94,020CR	4,138CR	105,144CR	94,020CR
403103 Oth Rev-Collect for Others									
Oth Rev-Collect for Others	93,375CR	84,201CR	9,174CR	102,175CR	1,111,400CR	1,010,412CR	100,988CR	1,071,239CR	1,010,412CR
403104 Oth Rev-NSF Check Charge									
Oth Rev-NSF Check Charge	3,564CR	1,799CR	1,765CR	2,328CR	25,273CR	21,588CR	3,685CR	25,802CR	21,588CR
403105 Oth Rev-Appl/Initiate Serv Fee									
Oth Rev-Appl/Initiate Serv	44,616CR	50,050CR	5,434	37,926CR	617,492CR	600,600CR	16,892CR	617,172CR	600,600CR
403107 Oth Rev-Reconnection Charges									
Oth Rev-Reconnection Charge	47,268CR	41,600CR	5,668CR	50,860CR	709,280CR	499,200CR	210,080CR	696,888CR	499,200CR
403198 Oth Rev-Misc Service Rev									
Oth Rev-Misc Service Rev	219CR		219CR	1,445CR	3,396CR		3,396CR	4,165CR	
403199 Oth Rev-Other Water Rev									
Oth Rev-Other Water Rev	857CR		857CR	856CR	10,618CR		10,618CR	8,500CR	
P04 Other Revenues	218,195CR	185,485CR	32,710CR	201,996CR	2,667,471CR	2,225,820CR	441,651CR	2,528,910CR	2,225,820CR
P08 Labor									
501200 Labor									
13 Labor Oper WT	64,385	15,986	48,399	115,558	838,865	134,791	704,074	959,752	134,791
1305 Labor Oper WT Super/Eng	46,830	948	45,882	83,005	653,898	11,271	642,627	623,624	11,271
14 Labor Oper TD	114,507		114,507	120,419	941,108		941,108	977,056	
1405 Labor Oper TD Super/Eng	10,429		10,429	17,422	142,072		142,072	37,438	
1410 Labor Oper TD Storage					30		30	78	
1415 Labor Oper TD Lines	12,493		12,493	20,357	212,112		212,112	145,852	

ILLINOIS-AMERICAN WATER COMPANY
Jurisdictional Rate Base Summary by ICC Account
Period Reported: January 2010 through December 2010

September 14, 2009
Docket No. 09-0319
Section 285.2005
Schedule B-1 Second Revised
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Witness Responsible: Rich Kerckhove

Exhibit No. 15.00
Total Company
Workpaper Reference: ______

Line No.	Supporting Schedule	ICC Account Number	Rate Base Component	Prior Balance Test Year Dec-2010	Adjustments From Schedule B-2	Adjusted Test Year Dec-2010
1	B-4	101-106	Gross utility plant in service at original cost	$ 1,227,399,654	$ 4,220,103	$ 1,231,619,757
2	B-6	108-110	Less: Reserve for accumulated depreciation and amortization	426,611,610	(1,322,501)	425,289,109
3			Net utility plant in service	800,788,044	5,542,604	806,330,648
4	B-7	105	Construction Work in Progress	-	-	-
5		114 & 115	Utility Plant Acquistion Adjustment - DuPage	-	154,534	154,534
6	B-8	131-186	Plus: Working capital allowance	5,809,000	(161,000)	5,648,000
7	B-8.1	151 & 153	Plus: Materials and supplies inventory	3,002,240	-	3,002,240
8	B-10	186	Plus: Deferred Charges - Tank Painting	10,843,278	-	10,843,278
9		186.3 & 253.1	Plus: FAS 109 Regulatory Asset - Net of Liability	-	(99,811)	(99,811)
10	B-15	252	Less: Customer advances for construction	81,851,048	-	81,851,048
11		262	Less: Pension Rate Base Deduction	-	3,772,986	3,772,986
12		262	Less: OPEB Rate Base Deduction	-	2,165,869	2,165,869
13	B-15	271	Less: Contributions in aid of construction	138,948,076	-	138,948,076
14	B-15	272	Less: Accumulated depr. on contributed property	(57,677,724)	-	(57,677,724)
15	B-14		Less: Budget payment plan	(11,623)	23,246	11,623
16		101-272	Less: Bolingbrook acquisition rate base adjustment	-	-	-
17	B-9	281-283	Less: Deferred federal income tax	34,894,063	-	34,894,063
18	B-9	281-283	Less: Deferred state income tax	1,213,151	-	1,213,151
19		255	Less: Investment tax credit - pre 1971	3,714	-	3,714
20			Total Rate Base	$ 621,221,856	$ (525,774)	$ 620,696,083

ILLINOIS-AMERICAN WATER COMPANY
Jurisdictional Rate Base Summary by ICC Account
Period Reported: January 2010 through December 2010

September 14, 2009
Docket No. 09-0319
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Witness Responsible: Rich Kerckhove

Exhibit No. 15.00
Zone 1
Workpaper Reference: ______

Line No.	Supporting Schedule	ICC Account Number	Rate Base Component	Prior Balance Test Year Dec-2010	Adjustments From Schedule B-2	Adjusted Test Year Dec-2010
1	B-4	101-106	Gross utility plant in service at original cost	$ 818,708,931	$ 5,475,038	$ 824,183,969
2	B-6	108-110	Less: Reserve for accumulated depreciation and amortization	280,081,735	(1,205,163)	278,876,572
3			Net utility plant in service	538,627,196	6,680,201	545,307,397
4	B-7	105	Construction Work in Progress	-	-	-
5		114 & 115	Utility Plant Acquistion Adjustment - DuPage	-	-	-
6	B-8	131-186	Plus: Working capital allowance	3,334,000	(144,000)	3,190,000
7	B-8.1	151 & 153	Plus: Materials and supplies inventory	2,670,964	-	2,670,964
8	B-10	186	Plus: Deferred Charges - Tank Painting	7,217,794	-	7,217,794
9		186.3 & 253.1	Plus: FAS 109 Regulatory Asset - Net of Liability	-	(76,994)	(76,994)
10	B-15	252	Less: Customer advances for construction	52,606,885	-	52,606,885
11		263	Less: Pension Rate Base Deduction	-	2,904,726	2,904,726
12		262	Less: OPEB Rate Base Deduction	-	1,670,750	1,670,750
13	B-15	271	Less: Contributions in aid of construction	45,880,407	-	45,880,407
14	B-15	272	Less: Accumulated depr. on contributed property	(15,757,468)	-	(15,757,468)
15	B-14		Less: Budget payment plan	(11,623)	23,246	11,623
16		101-272	Less: Bolingbrook acquisition rate base adjustment	-	-	-
17	B-9	281-283	Less: Deferred federal income tax	23,590,457	-	23,590,457
18	B-9	281-283	Less: Deferred state income tax	820,162	-	820,162
19		255	Less: Investment tax credit - pre 1971	2,865	-	2,865
20			Total Rate Base	$ 444,718,270	$ 1,860,485	$ 446,578,755

ILLINOIS-AMERICAN WATER COMPANY
Jurisdictional Rate Base Summary by ICC Account
Period Reported: January 2010 through December 2010

September 14, 2009
Docket No. 09-0319
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Witness Responsible: Rich Kerckhove

Exhibit No. 15.00
Chicago Metro - Water
Workpaper Reference: ______

Line No.	Supporting Schedule	ICC Account Number	Rate Base Component	Prior Balance Test Year Dec-2010	Adjustments From Schedule B-2	Adjusted Test Year Dec-2010
1	B-4	101-106	Gross utility plant in service at original cost	$ 223,862,403	$ (2,505,426)	$ 221,356,977
2	B-6	108-110	Less: Reserve for accumulated depreciation and amortization	74,095,925	127,291	74,223,216
3			Net utility plant in service	149,766,478	(2,632,717)	147,133,761
4	B-7	105	Construction Work in Progress	-	-	-
5		114 & 115	Utility Plant Acquistion Adjustment - DuPage	-	90,972	90,972
6	B-8	131-186	Plus: Working capital allowance	1,912,000	7,000	1,919,000
7	B-8.1	151 & 153	Plus: Materials and supplies inventory	152,706	-	152,706
8	B-10	186	Plus: Deferred Charges - Tank Painting	2,956,061	-	2,956,061
9		186.3 & 253.1	Plus: FAS 109 Regulatory Asset - Net of Liability	-	(9,291)	(9,291)
10	B-15	252	Less: Customer advances for construction	25,367,209	-	25,367,209
11		263	Less: Pension Rate Base Deduction	-	584,102	584,102
12		262	Less: OPEB Rate Base Deduction	-	201,614	201,614
13	B-15	271	Less: Contributions in aid of construction	31,943,442	-	31,943,442
14	B-15	272	Less: Accumulated depr. on contributed property	(13,873,964)	-	(13,873,964)
15	B-14		Less: Budget payment plan	-	-	-
16		101-272	Less: Bolingbrook acquisition rate base adjustment	-	-	-
17	B-9	281-283	Less: Deferred federal income tax	6,034,262	-	6,034,262
18	B-9	281-283	Less: Deferred state income tax	209,791	-	209,791
19		255	Less: Investment tax credit - pre 1971	346	-	346
20			Total Rate Base	$ 105,106,160	$ (3,329,752)	$ 101,776,408

ILLINOIS-AMERICAN WATER COMPANY
Jurisdictional Rate Base Summary by ICC Account
Period Reported: January 2010 through December 2010

September 14, 2009
Docket No. 09-0319
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Witness Responsible: Rich Kerckhove

Exhibit No. 15.00
Chicago Metro - Waste Water
Workpaper Reference: ______

Line No.	Supporting Schedule	ICC Account Number	Rate Base Component	Prior Balance Test Year Dec-2010	Adjustments From Schedule B-2	Adjusted Test Year Dec-2010
1	B-4	101-106	Gross utility plant in service at original cost	$ 132,250,262	$ 636,762	$ 132,887,024
2	B-6	108-110	Less: Reserve for accumulated depreciation and amortization	49,980,161	(75,890)	49,904,271
3			Net utility plant in service	82,270,102	712,651	82,982,753
4	B-7	105	Construction Work in Progress	-	-	-
5		114 & 115	Utility Plant Acquistion Adjustment - DuPage	-	63,562	63,562
6	B08	131-186	Plus: Working capital allowance	206,000	(12,000)	194,000
7	B-8.1	151 & 153	Plus: Materials and supplies inventory	16,289	-	16,289
8	B-10	186	Plus: Deferred Charges - Tank Painting	-	-	-
9		186.3 & 253.1	Plus: FAS 109 Regulatory Asset - Net of Liability	-	(6,492)	(6,492)
10	B-15	252	Less: Customer advances for construction	1,406,725	-	1,406,725
11		263	Less: Pension Rate Base Deduction	-	78,933	78,933
12		262	Less: OPEB Rate Base Deduction	-	140,869	140,869
13	B-15	271	Less: Contributions in aid of construction	58,360,510	-	58,360,510
14	B-15	272	Less: Accumulated depr. on contributed property	(27,018,513)	-	(27,018,513)
15	B-14		Less: Budget payment plan	-	-	-
16		101-272	Less: Bolingbrook acquisition rate base adjustment	-	-	-
17	B-9	281-283	Less: Deferred federal income tax	3,827,512	-	3,827,512
18	B-9	281-283	Less: Deferred state income tax	133,070	-	133,070
19		255	Less: Investment tax credit - pre 1971	242	-	242
20			Total Rate Base	$ 45,782,844	$ 537,920	$ 46,320,764

ILLINOIS-AMERICAN WATER COMPANY
Jurisdictional Rate Base Summary by ICC Account
Period Reported: January 2010 through December 2010

September 14, 2009
Docket No. 09-0319
Section 285.2005
Schedule B-1 Second Revised

Witness Responsible: Rich Kerckhove

Exhibit No. 15.00
Pekin
Workpaper Reference: ______

Line No.	Supporting Schedule	ICC Account Number	Rate Base Component	Prior Balance Test Year Dec-2010	Adjustments From Schedule B-2	Adjusted Test Year Dec-2010
1	B-4	101-106	Gross utility plant in service at original cost	$ 30,495,933	$ 631,920	$ 31,127,853
2	B-6	108-110	Less: Reserve for accumulated depreciation and amortization	11,517,778	(112,638)	11,405,140
3			Net utility plant in service	18,978,154	744,559	19,722,713
4	B-7	105	Construction Work in Progress	-	-	-
5		114 & 115	Utility Plant Acquistion Adjustment - DuPage	-	-	-
6	B-8	131-186	Plus: Working capital allowance	214,000	(7,000)	207,000
7	B-8.1	151 & 153	Plus: Materials and supplies inventory	108,934	-	108,934
8	B-10	186	Plus: Deferred Charges - Tank Painting	371,542	-	371,542
9		186.3 & 253.1	Plus: FAS 109 Regulatory Asset - Net of Liability	-	(4,995)	(4,995)
10	B-15	252	Less: Customer advances for construction	1,469,056	-	1,469,056
11		263	Less: Pension Rate Base Deduction	-	134,186	134,186
12		262	Less: OPEB Rate Base Deduction	-	108,400	108,400
13	B-15	271	Less: Contributions in aid of construction	1,989,417	-	1,989,417
14	B-15	272	Less: Accumulated depr. on contributed property	(807,024)	-	(807,024)
15	B-14		Less: Budget payment plan	-	-	-
16		101-272	Less: Bolingbrook acquisition rate base adjustment	-	-	-
17	B-9	281-283	Less: Deferred federal income tax	877,760	-	877,760
18	B-9	281-283	Less: Deferred state income tax	30,517	-	30,517
19		255	Less: Investment tax credit - pre 1971	186	-	186
20			Total Rate Base	$ 16,112,719	$ 489,978	$ 16,602,696

ILLINOIS-AMERICAN WATER COMPANY
Jurisdictional Rate Base Summary by ICC Account
Period Reported: January 2010 through December 2010

September 14, 2009
Docket No. 09-0319
Section 285.2005
Schedule B-1 Second Revised

Witness Responsible: Rich Kerckhove

Exhibit No. 15.00
Lincoln
Workpaper Reference: ______

Line No.	Supporting Schedule	ICC Account Number	Rate Base Component	Prior Balance Test Year Dec-2010	Adjustments From Schedule B-2	Adjusted Test Year Dec-2010
1	B-4	101-106	Gross utility plant in service at original cost	$ 22,082,126	$ (18,192)	$ 22,063,934
2	B-6	108-110	Less: Reserve for accumulated depreciation and amortization	10,936,011	(56,101)	10,879,910
3			Net utility plant in service	11,146,115	37,909	11,184,024
4	B-7	105	Construction Work in Progress	-	-	-
5		114 & 115	Utility Plant Acquistion Adjustment - DuPage	-	-	-
6	B-8	131-186	Plus: Working capital allowance	143,000	(5,000)	138,000
7	B-8.1	151 & 153	Plus: Materials and supplies inventory	53,347	-	53,347
8	B-10	186	Plus: Deferred Charges - Tank Painting	297,880	-	297,880
9		186.3 & 253.1	Plus: FAS 109 Regulatory Asset - Net of Liability	-	(2,039)	(2,039)
10	B-15	252	Less: Customer advances for construction	1,001,172	-	1,001,172
11		263	Less: Pension Rate Base Deduction	-	71,039	71,039
12		262	Less: OPEB Rate Base Deduction	-	44,236	44,236
13	B-15	271	Less: Contributions in aid of construction	774,300	-	774,300
14	B-15	272	Less: Accumulated depr. on contributed property	(220,754)	-	(220,754)
15	B-14		Less: Budget payment plan	-	-	-
16		101-272	Less: Bolingbrook acquisition rate base adjustment	-	-	-
17	B-9	281-283	Less: Deferred federal income tax	564,072	-	564,072
18	B-9	281-283	Less: Deferred state income tax	19,611	-	19,611
19		255	Less: Investment tax credit - pre 1971	76	-	76
20			Total Rate Base	$ 9,501,864	$ (84,405)	$ 9,417,460

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

Witness: Michael A. Miller

15. Please provide a copy of all incentive compensation/bonus plans and provide the level of related bonus payments included in 2008, 2009, 2010 and for the forecast test year. In addition, please provide the level of bonus payments included in the Company's future test year cost of service.

Response:

Attached are the incentive plans and the level of incentive plan payments included in 2008, 2009, 2010 and for the test year and future test year. Also attached are the Service Company incentive plan expenses included in Management Fees and charged to KAWC for the years 2008, 2009, the test year and future test year. For recap of the stock based compensation amounts see the response to KAW_R_AGDR1#47_042610.

For the electronic version of this response, refer to KAW_R_AGDR1#15_042610.pdf.

Kentucky American Water Company
Data Request AG 15 Attachment A
Incentive Plan Payments

				2008			2009	2010	Future Test Year
Employee #	**Employee Name**	**BU #**	**Job Title**	**AIP**	**LTIP**	**Ret/Compl**	**AIP**	**AIP**	**AIP**
12000086	Anderson, Richard T.	120114	Specialist Engrg (N)	2,429			2,313		
12000114	Ballard, Patricia L.	120121	Exec Secretary (N)	2,612			584		
12000101	Braxton, Donna L.	120118	Mgr Human Resources				11,933	18,157	14,766
12000128	Bridwell, Linda C.	120114	Mgr Engrg - Project Delivery	19,351			17,256	25,160	21,767
12000017	Brumfield, Robert	120114	Specialist Engrg (N)	2,896			2,793		
12000080	Buchanan, Richard A.	123301	Supvr Opns I	7,429			7,502	9,150	7,837
12000002	Buckner, William S.	120206	Supvr Field Operations	6,709				4,891	7,859
12000125	Buehler, Pamela	120118	Specialist Human Resources (N)	2,237			2,189		
50066495	Carr, Shana D.	125001	Specialist Water Quality	2,320			2,309	2,245	2,812
50085740	Cartier, Keith	120105	VP Operations (Large)	19,579			22,450	39,148	29,428
12000096	Cole, Rachel S.	120105	Supvr Business Process	6,472			6,386	10,785	7,675
12000142	Combs, Mitzi R.	120251	Supvr Production	5,758			5,773	7,518	7,372
12000117	Coy, Timothy	120201	Supvr Production	2,443			2,435	5,826	5,673
12000005	Farmer, Danny R.	120114	Supvr Storeroom	5,011			4,779	1,612	
12000075	Felts, Jon W.	120206	Specialist Operations (N)				2,233		
12000123	Floyd, Elizabeth A.	120206	Specialist Operations (N)	2,382			2,326		
50271711	Galavotti, Michael D.	120114	Sr Project Engr	11,609			11,484	14,043	13,754
50395960	Golden, Ray	120121	Manager External Affairs						13,844
50299154	Golden, Virginia-Bibb W.	120114	Supvr Storeroom	5,609			5,636	6,788	6,640
12000120	Griffin, Dillard	120206	Mgr Field Operations	14,639			18,731	30,879	23,439
50413314	Hack, John-Mark B.	120122	Dir Govt Affairs (State)				10,785	24,290	23,814
12000068	Hawthorne, Richard B.	120114	Specialist Engrg (N)	2,380			2,328		
50285333	Hurt, Jason M.	120114	Engineering Project Manager	6,196			6,155	7,472	7,345
12000127	Jackson, Jarold T.	120206	Supvr Field Operations	8,337				8,849	8,647
12000038	Johnson, Dorothy J.	123017	Specialist Water Quality	2,639			2,591	3,160	2,903
50273918	Kruchinski, Ronald K.	120252	Supvr Production WTP	2,397			2,387	7,923	6,975
12000073	Mattingly, Marion W.	120206	Supvr Field Operations	6,973			6,563	6,855	8,192
50491468	Money, Mary G.	120105	Mgr Finance (State)					4,976	14,766
12000103	Mullins, Mark E.	120201	Supvr Production	6,110			6,021	5,148	7,201
12000143	Owens, Stacy R.	120206	Supvr Field Operations	5,491			5,954		
50329350	Ramey, Karin J.	120114	Specialist Operations (N)	1,869			2,062		
12000067	Roney, Roy K.	120217	Sr Specialist Cross Connect(N)	1,854			2,246		
12000076	Rookard, Paul E.	120206	Supvr Field Operations	5,850					
50059079	Ross Sr., Frank A.	120119	Supvr Loss Control	6,777			6,377	4,726	7,557
12000052	Rowe, Nick O.	120105	President (States)	50,183	110,077	76,000			
12004012	Shehee, David B.	123017	Supvr Wtr Qlty & Envrn Cmpl	6,468			6,454	7,729	7,519
12000147	Shryock, Michael W.	120113	Sr Spec Computer Supp ITS (N)				5,908		
12000100	Siler, Bryan V.	120206	Specialist Operations (N)	5,825			2,766		
12000036	Slone, Peggy A.	120105	Exec Asst (N)	2,577			2,548		
50230952	Swope, Valeria R.	120121	Specialist Communications	2,579					
12007090	Tomko, Gregory V.	120114	Engineering Project Manager	6,507			6,449	5,750	7,572
12007318	Tudor, Carol F.	123305	Specialist Service Delivery	2,565			2,490	2,677	2,702
	Vacant	120114	Engineer						6,153
	Vacant	120201	Mgr Production						22,645
	Vacant	120114	Planning Engineer						7,282
12007131	Walker, Shannyn C	120206	Supvr Field Operations	5,962			5,876	8,397	7,284
3016239	Walker, Takisha D.	120206	Supvr Field Operations					2,884	7,059
12000156	Walters, Mark A.	120206	Supvr Field Operations	3,085			4,329	5,016	6,027
12000066	White, Joe C.	120101	Supvr Production	6,803			6,677	4,706	
12000047	White, William F.	120206	Supt Field Operations	9,514					
12000116	Whitehouse, David M.	120122	Dir Govt Affairs (State)	-					
50416677	Williams, Lance E.	120114	Dir Engineering (Large)				10,475	25,394	25,020
12000159	Witherite, Richard L.	120206	Clerk Opns (N)				1,793		
50401265	Wright, Brian F.	120121	Mgr Ext Affairs (State)				7,060		
Total				278,428	110,077	76,000	245,403	312,153	349,529

Kentucky American Water Company
Data Request AG 15 Attachment B
Incentive Plan Expense

Service Company Incentive Plan Expense Charged to KAWC:

	AIP	LTIP	Ret/Compl	Total
2008	304,619	(4,812)	25,328	325,135
2009	359,440			359,440
Test Year	420,548	11,918	99	432,564
Future Test Year	391,863			391,863

AMERICAN WATER

2009 Annual Incentive Plan Highlights Brochure

February 2009

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THE 2009 AMERICAN WATER ANNUAL INCENTIVE PLAN

Your Performance — Your Award

At American Water, your performance counts. We rely on our employees' knowledge and skills to help the Company achieve its business objectives.

The American Water 2009 Annual Incentive Plan (AIP) is designed to give eligible exempt employees an annual opportunity to earn a cash award that recognizes and rewards their contributions to the Company's success. We have made significant changes to the AIP design to reinforce the link between Company and individual performance and award payouts. This means that Company and individual performance are both taken into account to determine cash awards under the plan. Starting with the 2009 AIP:

- We are adopting **a new approach to AIP funding** that directly ties the amount of available cash for AIP payouts to Company performance against specific metrics. Additionally, AIP funding for all eligible, exempt employees — regardless of role — will depend on the Company's achieving its financial and non-financial goals.
- Your **individual performance will play a greater role in determining the amount of your payout.** Employees who exceed their performance targets could receive significantly higher payouts. Conversely, employees who under-perform and do not meet their performance targets could receive lower payouts or no payout at all. In short, *your* performance directly impacts the amount of *your* award.

The 2009 AIP is designed to challenge and motivate you to perform at your highest level, and promote the creation of shareholder value. Read this brochure to learn about how the 2009 plan works and what it means for you and your AIP award going forward.

The 2009 AIP	
What's Changing	**What's Staying the Same**

■ Awards are more closely aligned with the Company's ability to fund the award and with individual performance.
■ AIP award pool funding is based on overall corporate performance against specific financial and non-financial goals (represented by the Corporate Multiplier), then allocated across organizational groups/functional areas — at senior management's discretion — depending on organizational group/functional area results.
  ■ AIP funding for **all employees** — regardless of your role or position in the Company — depends on the Company achieving its financial as well as non-financial goals.
  ■ Financial metrics updated to reflect Diluted Earnings per Share.
■ Individual award payouts will be based on individual performance against specific goals (represented by the Individual Performance Factor) and paid from available organizational group/functional area funding.
■ For 2009, the Individual Performance Factor range has been changed from 0%-120% to **0%-200%.** Individual payouts will be capped at 200% of AIP target award.
	■ Award opportunity (Target Award) is still expressed as a percentage of base salary. (See Attachment B).
	  ■ Actual payout may be lower or higher than target depending on Company and individual performance against specific goals.
	■ Individual performance is assessed by your manager and measured against your pre-determined performance goals.
	■ Your AIP will be distributed as a cash award in March.
	  ■ You must be actively employed with American Water on the date awards are made to receive your 2009 AIP payout.
	  ■ If you are disabled, retire, experience a layoff or die, you or your beneficiary may be eligible to receive an award prorated to reflect your service during the plan year.

Eligibility

- You are eligible for an AIP award opportunity if you are a full-time exempt employee of American Water. Eligible exempt employees who join American Water on or before September 30, 2009 are also eligible to participate in the AIP on a prorated basis. Employees transferred from nonexempt to exempt status on or after September 30th are not eligible in the transfer year.

- You must be an active employee with American Water on the date the payout is made in order to receive the award. In certain circumstances, such as disability, retirement, layoff or death, an award may be made — prorated to reflect your service during the plan year.
- If you are promoted during the plan year to a position with a *higher* AIP target level, or if you are reclassified to a position with a *lower* AIP target level, your award payout will be based on your new target level as of December 14, 2009.
- If your performance or Company performance falls below "Adequate" or "Too Soon to Rate," you will not receive a payout.

Why Change?

Since the value (as reflected in our share price and our return to shareholders) and success of our business depend on the achievement of annual Company and individual performance goals, American Water recognizes the need to differentiate and reward the performance of employees who enable us to reach these goals. The 2009 AIP is designed to ensure that award payouts are directly tied to measurable contributions — both Company and individual — to American Water's success.

DETERMINING AIP AWARDS

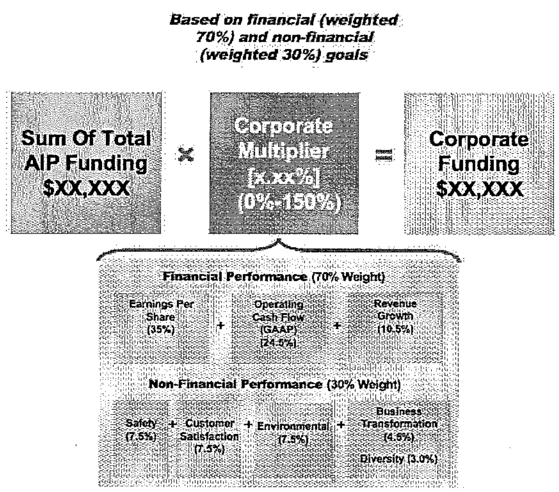
AIP award payouts depend on individual performance; they also depend on overall corporate performance and organizational group/functional area results (which determine award pool funding).

AIP awards will be determined according to the following three-step process:

Step 1:	**Establish initial award pool based on overall corporate performance**
Step 2:	**Allocate overall corporate funding to organizational groups/functional areas, and adjust specific organizational group/functional area funding to reflect results**
Step 3:	**Determine AIP award based on individual performance; awards are paid from available organizational group/functional area funding**

Step 1: Establish initial award pool based on overall corporate performance

Each year, American Water establishes funding for the AIP award pool. Starting in 2009, the funding will be directly tied to Company performance and represented by the **Corporate Multiplier**. The Corporate Multiplier can range from 0% to 150% depending on how well the Company performed against the financial and non-financial goals described below. Note that a pre-determined **threshold** for Company performance - **2009 Diluted Earnings Per Share (EPS) must be at least 90.9% of target** - must be met in order for funding and any award to be provided under the AIP.



- **Financial Metrics (Weighted 70%) (See Attachment A)**
  - *Diluted Earnings Per Share (35%)* is a widely tracked measure of financial performance/profitability, and is calculated as follows:

Net Income to Common Stockholders
÷
Average Outstanding Shares (including dilutive securities such as stock options)
=
Diluted Earnings per Share

  - *Operating Cash Flow (GAAP) (24.5%)* reflects the amount of cash generated from our operations and is used as an additional measure of profitability. Operating cash flow is calculated as follows:

Net Income
+
Depreciation and Amortization
-
Deferred Expenses
+/-
Changes in Payables and Receivables
=
Operating Cash Flow

  - *Revenue Growth (10.5%)* is a measure of how quickly our business is growing and reflects the percentage of planned increase in revenues achieved.

- **Non-Financial Metrics (Weighted 30%)***
  - Safety (7.5%)
  - Environmental (7.5%)
  - Customer Satisfaction (7.5%)
  - Business Transformation (4.5%)
  - Diversity (3.0%)

**These outcomes are based on a combination of surveys, end-of-year results, data and other annual reports (see Attachment A at the back of this brochure).*

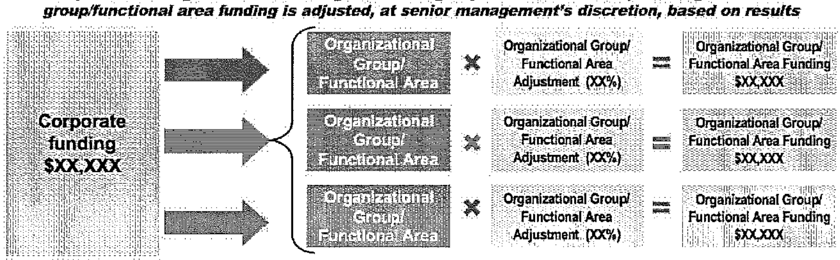
Please note that AIP funding for all employees (regardless of role or position) will depend on how well the Company achieves its financial goals as well as non-financial goals.

The financial and non-financial metrics are added together to determine the Corporate Multiplier. So, even if certain metrics are not achieved, the funding may be reduced, but not eliminated altogether. However, if the Company's financial performance does not meet the threshold, the Corporate Multiplier will be reduced to zero, which would eliminate your award payout (as indicated in the examples on page 10). The Corporate Multiplier (and thus funding for payouts) may be adjusted to take into account "uncontrollable events" including — but not limited to — severe weather conditions that significantly impact financial results (i.e., hurricanes), impairment charges, dissolution or acquisition of businesses or costs related to public offerings.

Step 2: Allocate overall corporate funding to organizational groups/ functional areas, and adjust specific organizational group/functional area funding to reflect results

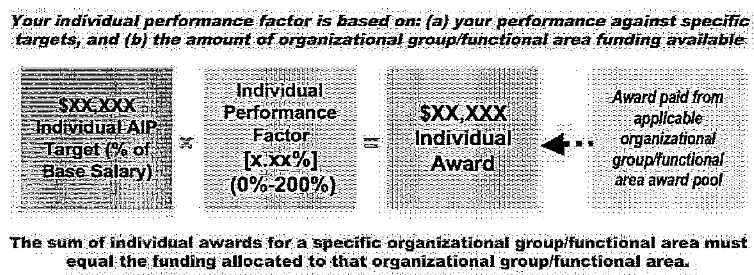
Once the overall corporate funding is determined as described under Step 1, senior management will allocate the Corporate funding to American Water's organizational groups and functional areas. The funding for each organizational group/functional area may be increased or decreased, at senior management's discretion, to reflect specific organizational group/functional area results.

Corporate funding is allocated to organizational groups/ functional areas; then organizational group/functional area funding is adjusted, at senior management's discretion, based on results



Step 3: Determine individual AIP award based on (a) individual performance, and (b) available organizational group/functional area funding; awards are paid from applicable organizational group/functional area award pool

Your **AIP target award** (i.e., your award opportunity) is based on your role or position with the Company and is expressed as a percentage of your base salary. Your actual award payout may be higher or lower than target depending on whether individual and Company performance goals have been met, and your organizational group's/functional area's results. Contact your manager for information on your individual AIP Target Award.



The **Individual Performance Factor** represents how well you achieve your annual individual performance goals. Your Individual Performance Factor can range from 0% to 200%, depending on your performance for the plan year and the amount of organizational group/functional area funding available. This performance factor will then be multiplied by your Target Award to determine your 2009 AIP award payout. Individual payouts will be capped at 200% of AIP target award.

Individual AIP awards are then paid from the applicable organizational group/functional area award funding. The sum of all individual awards within a given organizational group/functional area may not exceed its allocated pool of dollars.

WHAT THE 2009 AIP MEANS FOR YOU

Performance Ratings

Most people are motivated to do their best; therefore the better you perform, the greater your potential award will be under the Plan. It is your responsibility to maximize your award opportunity by achieving or exceeding your goals.

Each year, you and your manager identify four to six high priority and challenging performance targets, which represent where you can directly impact the Company's success. These performance targets and their weightings should be specific, measurable and aligned with the Company's performance targets. During your year-end performance review, you and your manager will discuss how well you performed against the established targets, and rate your performance using one of the following performance ratings:

2009 Performance Rating Scale	
Rating	**Description**
Exceptional	Contributions are widely recognized as extraordinary. Results far exceed all defined expectations, producing important and substantial impact on the Company, Division, Operating Company, Line of Business or Function.
Significant	Contributions are widely recognized as distinguished. Results exceed all or most expectations, producing a tangible and material impact on the Company, Division, Operating Company, Line of Business or Function.
Commendable	Contributions are widely recognized as meaningful. Results meet, and in some cases exceed expectations, producing a positive and desirable impact on the Company, Division, Operating Company, Line of Business or Function.
Adequate	Contributions are widely recognized as limited. Results meet and in some cases fall slightly short of expectations, producing inconsistent and marginal impact on the Company, Division, Operating Company, Line of Business or Function.
Unacceptable	Contributions are widely recognized as unsatisfactory. Results fall considerably short of expectations, producing negligible or no impact on the Company, Division, Operating Company, Line of Business or Function.
Too Soon to Rate	Contributions cannot be measured at this time because more time is needed to see a result.

Later, during the AIP process, your manager will use your rating to determine your Individual Performance Factor. Depending on how you performed during the year, you could potentially earn a higher payout than in previous years — or you could earn a lower payout or no payout at all (as the examples on the following page demonstrate). In other words, the new AIP design gives you more power than ever before to impact the size of your award. It also means that you are more accountable than ever before for meeting your goals.

Award Payout Examples

Let's calculate possible award payouts for a sample AIP participant, under four possible scenarios:

AIP Participant Assumptions				
Salary Level	L07			
Annual Base Salary	$90,000			
Individual AIP Target	$13,500 (15% of Base Salary)			
Total of all AIP Targets	$20,000,000			
Total AIP for Organizational Group	$2,000,000			
	Performance			
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**
■ **Company**	Above Target	Target	Threshold	Below Threshold
— Financial Performance Factor	1.39	0.94	0.50	0.00
— Non-Financial Performance Factor	0.77	1.12	0.50	0.00
■ **Individual**	Adequate	Significant	Adequate	Commendable
— Individual Performance Factor	0.80	1.50	0.40	1.00

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
STEP 1: Establish corporate funding based on overall corporate performance				
Total of AIP Targets (A)	$20,000,000	$20,000,000	$20,000,000	$20,000,000
Financial Performance Factor (i) (70% weight)	1.39 × 0.70 = **0.97**	0.94 × 0.70 = **0.66**	0.50 × 0.70 = **0.35**	0.00 × 0.70 = **0.00**
Non-Financial Performance Factor (ii) (30% weight)	0.77 × 0.30 = **0.23**	1.12 × 0.30 = **0.34**	0.50 × 0.30 = **0.15**	0.00 × 0.30 = **0.00**
i + ii = Corporate Multiplier (B)	**1.20**	**1.00**	**0.50**	**0.00**
A × B = Corporate Funding	$20,000,000 ×1.20 = $24,000,000	$20,000,000 ×1.00 = $20,000,000	$20,000,000 × 0.50 = $10,000,000	$20,000,000 ×0.00 = $0
STEP 2: Allocate overall corporate funding to organizational groups/functional areas; adjust specific organizational group/functional area funding to reflect results				
Organizational Group Pool (C) *(Allocated from corporate funding)*	$2,400,000	$2,000,000	$1,000,000	$0
Organizational Group Adjustment (D)	1.00 (Target)	.80 (Below Target)	1.20 (Above Target)	1.00 (Target)
C × D = Organizational Group Pool *(adjusted based on results)*	$2,400,000 ×1.00 = $2,400,000	$2,000,000 × 0.80 = $1,600,000	$1,000,000 ×1.20 = $1,200,000	$0 ×1.00 = $0
STEP 3: Determine individual award based on individual performance and available organizational group/functional area funding; awards are paid from applicable organizational group/functional area award pool				
Individual AIP Target (E)	$13,500	$13,500	$13,500	$13,500
Individual Performance Factor (F) *(Range of 0 – 2.00)*	0.80 (Adequate)	1.50 (Significant)	0.40 (Adequate)	1.00 (Commendable)
E×F = Individual Award	13,500 × 0.80 = **$10,800** *(80% of AIP target)*	13,500 × 1.50 = **$20,250** *(150% of AIP target)*	13,500 × 0.40 = **$5,400** *(40% of AIP target)*	13,500 × 1.00 = $13,500 **however, payout will be $0 since award pool = $0**

As you can see, both Company and individual performance can significantly impact your final payout. Also, remember that the sum of individual awards for a specific organizational group/functional area must equal the funding allocated to that organizational group/functional area.

Please discuss the new AIP process with your manager to ensure you clearly understand how the new formula works and how your performance impacts your potential award payout.

Receiving Your AIP Award

Awards will be paid in cash by March 15 of the year following the year in which they are earned. If you're eligible for an award payout, please keep in mind that:

- The payout will be based on your salary as of December 14, 2009 and subject to all federal, state and local income tax withholdings.
- The American Water Board, or its Designee, reserves the right to determine whether awards are payable to any individual or group of individuals; the Board may withhold all award payouts in certain circumstances.

Remember, it's your *performance —and* your *award: The contributions you make to American Water's success throughout the year ultimately impact the size of your payout. Be sure to carefully review this brochure; then speak with your manager about the new AIP and about what you can do to improve your performance and share the financial rewards of American Water's success.*

FREQUENTLY ASKED QUESTIONS

Question	Answer
Why is American Water making changes to the AIP?	American Water changed the AIP to allow us to differentiate and reward the performance of employees who contribute to the achievement of the Company's goals. The 2009 AIP directly ties award payouts to measurable contributions (Company and individual) to American Water's success.
Who is eligible for the AIP?	All full-time exempt employees are eligible to participate. If you join American Water on or before September 30, 2009, you are also eligible to participate in the plan on a prorated basis.
What do I have to do to receive an AIP award?	If you are eligible for an AIP award opportunity, any payout you receive will depend largely on your performance, as well as on Company performance (including financial and non-financial), which determines funding. If your performance is rated "Adequate" or higher, you may receive an award payout — but only if threshold Company performance metrics have been met. If your performance or Company performance falls below "Adequate" or "Too Soon to Rate," you will not receive a payout. To maximize your award opportunity, it's important to meet with your manager to establish meaningful performance goals, then work hard throughout the year to achieve those goals.
How is my AIP target award opportunity determined? How can I find out what it is?	Your AIP target award opportunity is based on your role and expressed as a percentage of your base salary. Please see your manager to learn more about your target award opportunity for 2009.
How will my AIP award payout be calculated? How does this differ from the 2008 award calculation?	The size of the pool which funds your award is determined based on overall corporate performance, adjusted to reflect specific organizational group/functional area results. AIP funding for all employees, regardless of role or position, will depend on the Company achieving its non-financial as well as financial goals. Once individual awards are calculated, they are paid from the applicable organizational group/functional area funding. Under the 2008 AIP, financial, non-financial and individual results were weighted and the results were *added* together to determine the final payout. Also, non-financial goals did not

Question	Answer
	apply to all employees in all roles and positions. All AIP payouts are subject to approval by the American Water Board.
What is the minimum and maximum that could be paid under the plan (as a percent of target)?	AIP award payouts could range from zero, to a maximum of two times the participant's target award (i.e., Individual Performance Factor of 200%). Payouts are capped at 200% of AIP target award.
Will I receive an award payout if I meet my individual performance goals but the Company *does not* achieve minimum (threshold) performance?	No. Award payouts will be made only if both the Company and the individual have met the minimum (or threshold) performance goals for the year.
What happens if I leave American Water before I receive my award payout?	To receive the award payout to which you are entitled, you must be actively employed with American Water on the date the payment is to be made. If you are disabled, retire, experience a layoff or die during the plan year, you or your beneficiary may be eligible to receive an award, prorated to reflect your service during the year.
Do the AIP changes for 2009 affect my 2008 award?	No. The changes to the AIP for 2009 will be reflected in your March 2010 award payout.
What happens if I change job positions within American Water during the plan year?	If you are promoted during the plan year to a position with a *higher* AIP target level, or if you are reclassified to a position with a *lower* AIP target level, your award payout will be based on your salary and target level percentage as of December 14, 2009.

This brochure provides an overview of the 2009 American Water Annual Incentive Plan. The American Water Board or its Designee, whose decisions will be final and binding, will determine interpretations of the Plan. The Company reserves the right to amend, modify, or discontinue the Plan during the plan year or at any time in the future. Participation in the Plan does not convey any commitment to ongoing employment. If there are any differences between the information contained here and the Plan Document, the Plan Documents will govern.

Attachment A

2009 AIP FINANCIAL PAYOUT CURVE

Diluted Earnings Per Share (EPS), Operating Cash Flow, Revenue Growth

% Target Achieved	% Payout
115%	150%
112%	140%
109%	130%
106%	120%
103%	110%
100%	100%
98.2%	90%
96.4%	80%
94.5%	70%
92.7%	60%
90.9%	50%
<90.9%	0%

2009 AIP NON-FINANCIAL MEASURES

Environmental Compliance

For determining environmental compliance, AW will count Notices of Violation (NOV) for which the Company is responsible as described in the Environmental Non-Compliance Reporting Practice. For 2009 AW will continue to use the NOV target of 21.

NOVs	Award
11	150%
13	140%
15	130%
17	120%
19	110%
21	**100%**
23	90%
25	80%
27	70%
29	60%
30	50%
>30	0%

Safety Performance

Safety performance will be determined using the total OSHA Recordable Incident Rate (ORIR) for American Water. ORIR measures all injuries and illnesses requiring treatment beyond first aid for every 200,000 hours worked. For 2009 the target has been set at 5.5 which is 5% below the Bureau of Labor Statistics (BLS) Water Utility Average ORIR of 5.8.

ORIR	Award
4.5	150%
4.7	140%
4.9	130%
5.1	120%
5.3	110%
5.5	**100%**
5.7	90%
5.9	80%
6.1	70%
6.3	60%
6.5	50%
>6.5	0%

2009 AIP NON-FINANCIAL MEASURES

Service Quality

This metric is measured by the Service Quality Survey (SQS) which is conducted throughout the year for customers having had recent contact with an AW Customer Service Representative (CSR) or Field Service Representative (FSR). The score is based on SQS Q29: "Overall, how satisfied were you with the outcome of your service contact?" taking the top two response categories (extremely satisfied or very satisfied) of a 5 point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied). The AW target for 2009 is 85% which is 2% higher than the 2008 target.

SQS %	Award
90	150%
89	140%
88	130%
87	120%
86	110%
85	**100%**
84	90%
83	80%
82	70%
81	60%
80	50%
< 80	0%

Customer Satisfaction

This metric measures overall customer satisfaction through an annual survey containing the following question, "Overall, how satisfied have you been with (Company Name) in general during the past twelve months", which has a five-point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied), response percentages in the top three categories are indicative of overall customer satisfaction levels and a 90% target has been set.

CSS%	Award
95	150%
94	140%
93	130%
92	120%
91	110%
90	**100%**
89	90%
88	80%
87	70%
86	60%
85	50%
<85	0%

2009 AIP NON-FINANCIAL MEASURES

Business Transformation

- Approval and sign-off by each process area's Advisory Council. Each Council includes at least two state presidents, process owners, and significant internal customers.
- Also, approval and sign-off required by Business Transformation Steering Committee that includes President of AW Regulated Operations, President of AW Services Company, SVP & Chief Financial Officer, and SVP Human Resources.

Diversity

- Complete diversity awareness training for all ML-4 and above
- 25% of selection pool for L-5 positions will be diversity candidates
- 50% of strategic sourcing events will include a pre-qualified diverse supplier/contractor

2009 ANNUAL INCENTIVE PLAN TARGETS

EXEMPT POSITIONS	
Grade	**AIP %**
L5 – L6	20%
L7	15%
L8-L9	10%
L10 – L12	5%

AMERICAN WATER WORKS COMPANY, INC.

2007 OMNIBUS EQUITY COMPENSATION PLAN

AMERICAN WATER WORKS COMPANY, INC.

2007 OMNIBUS EQUITY COMPENSATION PLAN

1. **Purpose**

The purpose of the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan") is to provide (i) designated employees of American Water Works Company, Inc. (the "Company") and its subsidiaries and (ii) non-employee members of the board of directors of the Company with the opportunity to receive grants of stock options, stock units, stock awards, stock appreciation rights and other stock-based awards. The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefiting the Company's stockholders, and will align the economic interests of the participants with those of the stockholders.

2. **Definitions**

Whenever used in this Plan, the following terms will have the respective meanings set forth below:

(a) *"Board"* means the Company's Board of Directors.

(b) *"Change of Control"* shall be deemed to have occurred if:

(i) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act) becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the voting power of the then outstanding securities of the Company; provided that a Change of Control shall not be deemed to occur as a result of (A) a transaction in which the Company becomes a subsidiary of another corporation and in which the stockholders of the Company, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the parent corporation would be entitled in the election of directors, (B) the initial public offering of the Company Stock, or (C) any subsequent offering of shares of the Company Stock;

(ii) The consummation of (A) a merger or consolidation of the Company with another corporation where the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors, (B) a sale or other disposition of all or substantially all of the assets of the Company, or (C) a liquidation or dissolution of the Company; or

(iii) After the Effective Date, directors are elected such that a majority of the members of the Board shall have been members of the Board for less than one year, unless the election or nomination for election of each new director who was not a director at the beginning of such one-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

Notwithstanding the foregoing, the Committee may provide for a different definition of a "Change of Control" in a Grant Agreement if such Grant is subject to the requirements of section 409A of the Code and the Grant will become payable on a Change of Control.

(c) *"Code"* means the Internal Revenue Code of 1986, as amended.

(d) *"Committee"* means (i) with respect to Grants to Employees, the Compensation Committee of the Board or another committee appointed by the Board to administer the Plan, (ii) with respect to Grants made to Non-Employee Directors, the Board, and (iii) with respect to Grants that are intended to be "qualified performance-based compensation" under section 162(m) of the Code, a committee that consists of two or more persons appointed by the Board, all of whom shall be "outside directors" as defined under section 162(m) of the Code and related Treasury regulations.

(e) *"Company"* means American Water Works Company, Inc. and any successor corporation.

(f) *"Company Stock"* means the common stock of the Company, par value $0.01 per share.

(g) *"Dividend Equivalent"* means an amount calculated with respect to a Stock Unit, which is determined by multiplying the number of shares of Company Stock subject to the Stock Unit by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on its Company Stock. If interest is credited on accumulated dividend equivalents, the term "Dividend Equivalent" shall include the accrued interest.

(h) "*Effective Date*" of the Plan shall mean the day immediately preceding the date of the Underwriting Agreement is executed and the Company Stock is priced for the initial public offering of such Company Stock.

(i) *"Employee"* means an employee of the Employer (including an officer or director who is also an employee), but excluding any person who is classified by the Employer as a "contractor" or "consultant," no matter how characterized by the Internal Revenue Service, other governmental agency or a court. Any change of characterization of an individual by the Internal Revenue Service or any court or government agency shall have no effect upon the classification of an individual as an Employee for purposes of this Plan, unless the Committee determines otherwise.

(j) *"Employer"* means the Company and its subsidiaries.

(k) *"Exchange Act"* means the Securities Exchange Act of 1934, as amended.

(l) *"Exercise Price"* means the per share price at which shares of Company Stock may be purchased under an Option, as designated by the Committee.

(m) *"Fair Market Value"* of Company Stock means, unless the Committee determines otherwise with respect to a particular Grant, (i) if the principal trading market for the Company Stock is a national securities exchange, the last reported sale price of Company Stock on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, (ii) if the Company Stock is not principally traded on such exchange, the mean between the last reported "bid" and "asked" prices of Company Stock on the relevant date, as reported on the OTC Bulletin Board, or (iii) if the Company Stock is not publicly traded or, if publicly traded, is not so reported, the Fair Market Value per share shall be as determined by the Committee.

(n) *"Grant"* means an Option, Stock Unit, Stock Award, SAR or Other Stock-Based Award granted under the Plan.

(o) *"Grant Agreement"* means the written instrument that sets forth the terms and conditions of a Grant, including all amendments thereto.

(p) *"Incentive Stock Option"* means an Option that is intended to meet the requirements of an incentive stock option under section 422 of the Code.

(q) *"Non-Employee Director"* means a member of the Board who is not an Employee.

(r) *"Nonqualified Stock Option"* means an Option that is not intended to be taxed as an incentive stock option under section 422 of the Code.

(s) "*1933 Act*" means the Securities Act of 1933, as amended.

(t) *"Option"* means an option to purchase shares of Company Stock, as described in Section 7.

(u) *"Other Stock-Based Award"* means a grant that is based on, measured by or payable in Company Stock (other than an Option, Stock Unit, Stock Award or SAR), as described in Section 11.

(v) *"Participant"* means an Employee or Non-Employee Director designated by the Committee to participate in the Plan.

(w) *"Plan"* means this American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as may be amended from time to time.

(x) *"SAR"* means a stock appreciation right as described in Section 10.

(y) *"Stock Award"* means an award of Company Stock as described in Section 9.

(z) *"Stock Unit"* means an award of a phantom unit representing a share of Company Stock, as described in Section 8.

(aa) *"Underwriting Agreement"* means the agreement between the Company and the underwriter or underwriters managing the initial public offering of the Company Stock.

3. Administration

(a) Committee. The Plan shall be administered and interpreted by the Committee. Ministerial functions may be performed by an administrative committee comprised of Company employees appointed by the Committee.

(b) Committee Authority. The Committee shall have the sole authority to (i) determine the Participants to whom Grants shall be made under the Plan, (ii) determine the type, size and terms and conditions of the Grants to be made to each such Participant, (iii) determine the time when the Grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, (iv) amend the terms and conditions of any previously issued Grant, subject to the provisions of Section 18 below, and (v) deal with any other matters arising under the Plan.

(c) Committee Determinations. The Committee shall have full power and express discretionary authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated Participants.

4. Grants

(a) Grants under the Plan may consist of Options as described in Section 7, Stock Units as described in Section 8, Stock Awards as described in Section 9, SARs as described in Section 10 and Other Stock-Based Awards as described in Section 11. All Grants shall be subject to such terms and conditions as the Committee deems appropriate and as are specified in writing by the Committee to the Participant in the Grant Agreement.

(b) All Grants shall be made conditional upon the Participant's acknowledgement, in writing or by acceptance of the Grant, that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under such Grant. Grants under a particular Section of the Plan need not be uniform as among the Participants.

5. **Shares Subject to the Plan**

(a) Shares Authorized. The total aggregate number of shares of Company Stock that may be issued under the Plan is 6,000,000 shares, subject to adjustment as described in subsection (d) below.

(b) Source of Shares; Share Counting. Shares issued under the Plan may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent Options or SARs granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any Stock Awards, Stock Units, or Other Stock-Based Awards are forfeited or terminated, or otherwise are not paid in full, the shares reserved for such Grants shall again be available for purposes of the Plan. Shares of Stock surrendered in payment of the Exercise Price of an Option, and shares withheld or surrendered for payment of taxes, shall not be available for re-issuance under the Plan. If SARs are granted, the full number of shares subject to the SARs shall be considered issued under the Plan, without regard to the number of shares issued upon exercise of the SARs and without regard to any cash settlement of the SARs. To the extent that a Grant of Stock Units is designated in the Grant Agreement to be paid in cash, and not in shares of Company Stock, such Grants shall not count against the share limits in subsection (a).

(c) Individual Limits. All Grants under the Plan shall be expressed in shares of Company Stock. The maximum aggregate number of shares of Company Stock with respect to which all Grants may be made under the Plan to any individual during any calendar year shall be 500,000 shares, subject to adjustment as described in subsection (d) below. The individual limits of this subsection (c) shall apply without regard to whether the Grants are to be paid in Company Stock or cash. All cash payments (other than with respect to Dividend Equivalents) shall equal the Fair Market Value of the shares of Company Stock to which the cash payments relate. A Participant may not accrue Dividend Equivalents during any calendar year in excess of $750,000.

(d) Adjustments. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Company Stock available for issuance under the Plan, the maximum number of shares of Company Stock for which any individual may receive Grants in any year, the kind and number of shares covered by outstanding Grants, the kind and number of shares issued and to be issued under the Plan, and the price per share or the applicable market value of such Grants shall be equitably adjusted by the Committee, in such manner as the Committee deems appropriate, to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the

Plan and such outstanding Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. In addition, in the event of a Change of Control of the Company, the provisions of Section 16 of the Plan shall apply. Any adjustments to outstanding Grants shall be consistent with section 409A or 422 of the Code, to the extent applicable. Any adjustments determined by the Committee shall be final, binding and conclusive.

6. Eligibility for Participation

(a) Eligible Persons. All Employees and Non-Employee Directors shall be eligible to participate in the Plan.

(b) Selection of Participants. The Committee shall select the Employees and Non-Employee Directors to receive Grants and shall determine the number of shares of Company Stock subject to each Grant.

7. Options

(a) General Requirements. The Committee may grant Options to an Employee or Non-Employee Director upon such terms and conditions as the Committee deems appropriate under this Section 7. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees and Non-Employee Directors.

(b) Type of Option, Price and Term.

(i) The Committee may grant Incentive Stock Options or Nonqualified Stock Options or any combination of the two, all in accordance with the terms and conditions set forth herein. Incentive Stock Options may be granted only to Employees of the Company or its parents or subsidiaries, as defined in section 424 of the Code. Nonqualified Stock Options may be granted to Employees or Non-Employee Directors.

(ii) The Exercise Price of Company Stock subject to an Option shall be determined by the Committee and may be equal to or greater than the Fair Market Value of a share of Company Stock on the date the Option is granted. However, an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, unless the Exercise Price per share is not less than 110% of the Fair Market Value of the Company Stock on the date of grant.

(iii) The Committee shall determine the term of each Option, which shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, may not have a term that exceeds five years from the date of grant.

(c) Exercisability of Options.

(i) Options shall become exercisable in accordance with such terms and conditions as may be determined by the Committee and specified in the Grant Agreement. The Committee may grant Options that are subject to achievement of performance goals or other conditions. The Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason.

(ii) The Committee may provide in a Grant Agreement that the Participant may elect to exercise part or all of an Option before it otherwise has become exercisable. Any shares so purchased shall be restricted shares and shall be subject to a repurchase right in favor of the Company during a specified restriction period, with the repurchase price equal to the lesser of (A) the Exercise Price or (B) the Fair Market Value of such shares at the time of repurchase, or such other restrictions as the Committee deems appropriate.

(iii) Options granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such Options may become exercisable, as determined by the Committee, upon the Participant's death, disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(d) Termination of Employment or Service. Except as provided in the Grant Agreement, an Option may only be exercised while the Participant is employed as an Employee or providing service as a Non-Employee Director. The Committee shall determine in the Grant Agreement under what circumstances and during what time periods a Participant may exercise an Option after termination of employment or service.

(e) Exercise of Options. A Participant may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company. The Participant shall pay the Exercise Price for the Option (i) in cash, (ii) if permitted by the Committee, by delivering shares of Company Stock owned by the Participant and having a Fair Market Value on the date of exercise equal to the Exercise Price or by attestation to ownership of shares of Company Stock having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iv) by such other method as the Committee may approve, to the extent permitted by applicable law. Shares of Company Stock used to exercise an Option shall have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. Payment for the shares pursuant to the Option, and any required withholding taxes, must be received by the time specified by the Committee depending on the type of payment being made, but in all cases prior to the issuance of the Company Stock.

(f) Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, as defined in section 424 of the Code, exceeds $100,000, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company or a parent or subsidiary, as defined in section 424 of the Code.

8. Stock Units

(a) General Requirements. The Committee may grant Stock Units to an Employee or Non-Employee Director, upon such terms and conditions as the Committee deems appropriate under this Section 8. Each Stock Unit shall represent the right of the Participant to receive a share of Company Stock or an amount based on the value of a share of Company Stock. All Stock Units shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan.

(b) Terms of Stock Units. The Committee may grant Stock Units that are payable on terms and conditions determined by the Committee, which may include payment based on achievement of performance goals. Stock Units may be paid at the end of a specified vesting or performance period, or payment may be deferred to a date authorized by the Committee. The Committee shall determine the number of Stock Units to be granted and the requirements applicable to such Stock Units.

(c) Payment With Respect to Stock Units. Payment with respect to Stock Units shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee. The Grant Agreement shall specify the maximum number of shares that can be issued under the Stock Units.

(d) Requirement of Employment or Service. The Committee shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Units after termination of the Participant's employment or service, and the circumstances under which Stock Units may be forfeited.

(e) Dividend Equivalents. The Committee may grant Dividend Equivalents in connection with Stock Units, under such terms and conditions as the Committee deems appropriate. Dividend Equivalents may be paid to Participants currently or may be deferred. All Dividend Equivalents that are not paid currently shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan. Dividend Equivalents may be accrued as a cash obligation, or may be converted to additional Stock Units for the Participant, and deferred Dividend Equivalents may accrue interest, all as determined by the Committee. The Committee may provide that Dividend Equivalents shall be payable based on the achievement of specific performance goals. Dividend Equivalents may be payable in cash or shares of Company Stock or in a combination of the two, as determined by the Committee.

9. Stock Awards

(a) General Requirements. The Committee may issue shares of Company Stock to an Employee or Non-Employee Director under a Stock Award, upon such terms and conditions as the Committee deems appropriate under this Section 9. Shares of Company Stock issued pursuant to Stock Awards may be issued for cash consideration or for no cash consideration, and subject to restrictions or no restrictions, as determined by the Committee. The Committee may establish conditions under which restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as the Committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The Committee shall determine the number of shares of Company Stock to be issued pursuant to a Stock Award.

(b) Requirement of Employment or Service. The Committee shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Awards after termination of the Participant's employment or service, and the circumstances under which Stock Awards may be forfeited.

(c) Restrictions on Transfer. While Stock Awards are subject to restrictions, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of a Stock Award except upon death as described in Section 15(a). If certificates are issued, each certificate for a share of a Stock Award shall contain a legend giving appropriate notice of the restrictions in the Grant. The Participant shall be entitled to have the legend removed when all restrictions on such shares have lapsed. The Company may retain possession of any certificates for Stock Awards until all restrictions on such shares have lapsed.

(d) Right to Vote and to Receive Dividends. The Committee shall determine to what extent, and under what conditions, the Participant shall have the right to vote shares of Stock Awards and to receive any dividends or other distributions paid on such shares during the restriction period. The Committee may determine that dividends on Stock Awards shall be withheld while the Stock Awards are subject to restrictions and that the dividends shall be payable only upon the lapse of the restrictions on the Stock Awards, or on such other terms as the Committee determines. Dividends that are not paid currently shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan. Accumulated dividends may accrue interest, as determined by the Committee, and shall be paid in cash, shares of Company Stock, or in such other form as dividends are paid on Company Stock, as determined by the Committee.

10. Stock Appreciation Rights

(a) General Requirements. The Committee may grant SARs to an Employee or Non-Employee Director separately or in tandem with an Option. The Committee shall establish the number of shares, the terms and the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be not less than the Fair Market Value of a share of Company Stock as of the date of grant of the SAR.

(b) Tandem SARs. The Committee may grant tandem SARs either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the date of the grant of the Incentive Stock Option. In the case of tandem SARs, the number of SARs granted to a Participant that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Participant may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

(c) Exercisability. A SAR shall become exercisable in accordance with such terms and conditions as may be specified. The Committee may grant SARs that are subject to achievement of performance goals or other conditions. The Committee may accelerate the exercisability of any or all outstanding SARs at any time for any reason. The Committee shall determine in the Grant Agreement under what circumstances and during what periods a Participant may exercise a SAR after termination of employment or service. A tandem SAR shall be exercisable only while the Option to which it is related is exercisable.

(d) Grants to Non-Exempt Employees. SARs granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such SARs may become exercisable, as determined by the Committee, upon the Participant's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(e) Exercise of SARs. When a Participant exercises SARs, the Participant shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised. The stock appreciation for a SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as specified in the Grant Agreement.

(f) Form of Payment. The Committee shall determine whether the stock appreciation for a SAR shall be paid in the form of shares of Company Stock, cash or a combination of the two. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR. If shares of Company Stock are to be received upon exercise of a SAR, cash shall be delivered in lieu of any fractional share.

11. Other Stock-Based Awards

The Committee may grant other awards not specified in Sections 7, 8, 9 or 10 above that are based on or measured by Company Stock to Employees and Non-Employee Directors, on such terms and conditions as the Committee deems appropriate. Other Stock-Based Awards may be granted subject to achievement of performance goals or other conditions and may be payable in Company Stock or cash, or in a combination of the two, as determined by the Committee in the Grant Agreement.

12. Qualified Performance-Based Compensation

(a) Designation as Qualified Performance-Based Compensation. The Committee may determine that Stock Units, Stock Awards, Dividend Equivalents or Other Stock-Based Awards granted to an Employee shall be considered "qualified performance-based compensation" under section 162(m) of the Code, in which case the provisions of this Section 12 shall apply.

(b) Performance Goals. When Grants are made under this Section 12, the Committee shall establish in writing (i) the objective performance goals that must be met, (ii) the period during which performance will be measured, (iii) the maximum amounts that may be paid if the performance goals are met, and (iv) any other conditions that the Committee deems appropriate and consistent with the requirements of section 162(m) of the Code for "qualified performance-based compensation." The performance goals shall satisfy the requirements for "qualified performance-based compensation," including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable, pursuant to Grants identified by the Committee as "qualified performance-based compensation."

(c) Criteria Used for Objective Performance Goals. The Committee shall use objectively determinable performance goals based on one or more of the following criteria: stock price, earnings per share, price-earnings multiples, net earnings, operating earnings, revenue, number of days sales outstanding in accounts receivable, productivity, margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, stockholder return, return on equity, return on capital employed, net income to shares of Company Stock, growth in assets, unit volume, sales, cash flow, market share, relative performance to a comparison group designated by the Committee, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may relate to one or more business units or the performance of the Company and its subsidiaries as a whole, or any combination of the foregoing. Performance goals need not be uniform as among Participants.

(d) Timing of Establishment of Goals. The Committee shall establish the performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of (i) 90 days after the beginning of the performance period or (ii) the date on which 25% of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under section 162(m) of the Code.

(e) Certification of Results. The Committee shall certify the performance results for the performance period specified in the Grant Agreement after the performance period ends. The Committee shall determine the amount, if any, to be paid pursuant to each Grant based on the achievement of the performance goals and the satisfaction of all other terms of the Grant Agreement.

(f) Death, Disability or Other Circumstances. The Committee may provide in the Grant Agreement that Grants under this Section 12 shall be payable, in whole or in part, in the event of the Participant's death or disability, a Change of Control or under other circumstances consistent with the Treasury regulations and rulings under section 162(m) of the Code.

13. Deferrals

The Committee may permit or require a Participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the Participant in connection with any Grant. The Committee shall establish rules and procedures for any such deferrals, consistent with applicable requirements of section 409A of the Code.

14. Withholding of Taxes

(a) Required Withholding. All Grants under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require that the Participant or other person receiving or exercising Grants pay to the Company the amount of any federal, state or local taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants.

(b) Election to Withhold Shares. If the Committee so permits, shares of Company Stock may be withheld to satisfy the Company's tax withholding obligation with respect to Grants paid in Company Stock, at the time such Grants become taxable, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities.

15. Transferability of Grants

(a) Restrictions on Transfer. Except as described in subsection (b) below, only the Participant may exercise rights under a Grant during the Participant's lifetime, and a Participant may not transfer those rights except by will or by the laws of descent and distribution. When a Participant dies, the personal representative or other person entitled to succeed to the rights of the Participant may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Participant's will or under the applicable laws of descent and distribution.

(b) Transfer of Nonqualified Stock Options to or for Family Members. Notwithstanding the foregoing, the Committee may provide, in a Grant Agreement, that a Participant may transfer Nonqualified Stock Options to family members, or one or more trusts or other entities for the benefit of or owned by family members, consistent with applicable securities laws, according to such terms as the Committee may determine; provided that the Participant receives no consideration for the transfer of a Nonqualified Stock Option and the transferred Nonqualified Stock Option shall continue to be subject to the same terms and conditions as were applicable to the Nonqualified Stock Option immediately before the transfer.

16. Consequences of a Change of Control

In the event of a Change of Control, the Committee may take any one or more of the following actions with respect to any or all outstanding Grants, without the consent of any Participant: (i) the Committee may determine that outstanding Options and SARs shall be fully exercisable, and restrictions on outstanding Stock Awards and Stock Units shall lapse, as of the date of the Change of Control or at such other time as the Committee determines, (ii) the Committee may require that Participants surrender their outstanding Options and SARs in exchange for one or more payments by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the amount, if any, by which the then Fair Market Value of the shares of Company Stock subject to the Participant's unexercised Options and SARs exceeds the Exercise Price, and on such terms as the Committee determines, (iii) after giving Participants an opportunity to exercise their outstanding Options and SARs, the Committee may terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate, (iv) with respect to Participants holding Stock Units and Other Stock-Based Awards, the Committee may determine that such Participants shall receive one or more payments in settlement of such Stock Units and Other Stock-Based Awards, in such amount and form and on such terms as may be determined by the Committee, or (v) determine that all outstanding Options and SARs that are not exercised shall be assumed by, or replaced with comparable options or rights by the surviving corporation (or a parent or subsidiary of the surviving corporation), and other outstanding Grants that remain in effect after the Change of Control shall be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation). Such acceleration, surrender, termination, settlement or conversion shall take place as of the date of the Change of Control or such other date as the Committee may specify. The Committee may provide in a Grant Agreement that a sale or other transaction involving a subsidiary or other business unit of the Company shall be considered a Change of Control for purposes of a Grant, or the Committee may establish other provisions that shall be applicable in the event of a specified transaction.

17. Requirements for Issuance of Shares

No Company Stock shall be issued in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable, and certificates representing such shares may be legended to reflect any such restrictions. Certificates representing shares of Company Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon. No Participant shall have any right as a stockholder with respect to Company Stock covered by a Grant until shares have been issued to the Participant.

18. Amendment and Termination of the Plan

(a) Amendment. The Board may amend or terminate the Plan at any time; provided, however, that the Board shall not amend the Plan without approval of the stockholders of the Company if such approval is required in order to comply with the Code or applicable laws, or to comply with applicable stock exchange requirements. No amendment or termination of this Plan shall, without the consent of the Participant, materially impair any rights or obligations under any Grant previously made to the Participant under the Plan, unless such right has been reserved in the Plan or the Grant Agreement, or except as provided in Section 19(b) below. Notwithstanding anything in the Plan to the contrary, the Board may amend the Plan in such manner as it deems appropriate in the event of a change in applicable law or regulations.

(b) No Repricing Without Stockholder Approval. Notwithstanding anything in the Plan to the contrary, the Committee may not reprice Options or SARs, nor may the Board amend the Plan to permit repricing of Options or SARs, unless the stockholders of the Company provide prior approval for such repricing. The term "repricing" shall have the meaning given that term in accordance with the applicable stock exchange in which such shares of Company Stock are registered, as in effect from time to time.

(c) Stockholder Approval for "Qualified Performance-Based Compensation." If Grants are made under Section 12 above, the Plan must be reapproved by the Company's stockholders no later than the first stockholders meeting that occurs in the fifth year following the year in which the stockholders previously approved the provisions of Section 12, if additional Grants are to be made under Section 12 and if required by section 162(m) of the Code or the regulations thereunder.

(d) Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth anniversary of its Effective Date, unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the stockholders. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant.

19. Miscellaneous

(a) Effective Date. The Plan shall be effective as of the Effective Date.

(b) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other stock-based awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for a grant made by such corporation. The terms and conditions of the Grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives, as determined by the Committee.

(c) Compliance with Law. The Plan, the exercise of Options and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that

Incentive Stock Options comply with the applicable provisions of section 422 of the Code, that Grants of "qualified performance-based compensation" comply with the applicable provisions of section 162(m) of the Code and that, to the extent applicable, Grants comply with the requirements of section 409A of the Code or an exception from such requirements. To the extent that any legal requirement of section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(d) Enforceability. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

(e) Funding of the Plan; Limitation on Rights. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. Nothing contained in the Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Participant or any other person. No Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. To the extent that any person acquires a right to receive payment from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(f) Rights of Participants. Nothing in this Plan shall entitle any Employee, Non-Employee Director or other person to any claim or right to receive a Grant under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employment or service of the Employer.

(g) No Fractional Shares. No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(h) Employees Subject to Taxation Outside the United States. With respect to Participants who are subject to taxation in countries other than the United States, the Committee may make Grants on such terms and conditions as the Committee deems appropriate to comply with the laws of the applicable countries, and the Committee may create such procedures, addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws.

(i) Governing Law. The validity, construction, interpretation and effect of the Plan and Grant Agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

ILLINOIS COMMERCE COMMISSION

IAWC EXHIBIT 1.00

DIRECT TESTIMONY OF

KARLA O. TEASLEY

ILLINOIS-AMERICAN WATER COMPANY

DIRECT TESTIMONY OF KARLA O. TEASLEY **EXHIBIT NO. 1.00**

I. WITNESS IDENTIFICATION AND BACKGROUND

Q1. Please state your name.

A. My name is Karla O. Teasley.

Q2. Please state your business address.

A. 300 North Water Works Drive, Belleville, Illinois 62223.

Q3. By whom are you employed and in what capacity?

A. I am employed by Illinois-American Water Company ("IAWC" or "Company"), and serve as President of the Company.

Q4. Please summarize your education and employment history.

A. I hold a bachelor's degree from the University of Wisconsin (Eau Claire) and a Juris Doctor from the University of Minnesota Law School. I am a member of the bar in Minnesota and Florida, currently on inactive status in both states. I have been President of the Company since January 2007. Since graduating from law school in 1983, I have held increasingly responsible positions in the public utility industry. Between 1983 and 1989, I was a staff attorney for Minnesota Power based in Duluth, Minnesota. From 1989 through 1997, I was Vice President, General Counsel, Secretary and Director of Florida Water Services, a privately owned water and wastewater utility based in Orlando, Florida. In addition to my duties as Secretary for the Board of Directors, I provided all in-house legal services for the utility including contracts, regulatory affairs (including rate and environmental regulation), human resources, bond issues, eminent domain and real property. From 1997 through January 2007, I was a Vice President of Louisville Water Company in Louisville, Kentucky. When I left that position, I had this proceeding on April 18, 2007 which ordered the Company to undertake the commitments agreed to in the stipulation. The Commission also ordered IAWC to take certain steps with regard to record keeping and reporting, customer service and communication, hydrant inspection, and billing.

Q27. Have you prepared information regarding the status of the compliance with the Docket 05-0681 requirements?

A. Yes. IAWC Exhibit 1.03 shows each requirement of the Docket 05-0681 Order, and indicates the status of the Company's compliance with each such requirement.

VII. INCENTIVE COMPENSATION

Q28. Has the Company proposed recovery of expense related to payments under an incentive compensation plan?

A. No. In the Docket 07-0507 Order, the Commission denied recovery of incentive compensation expense due to the presence of a parent company financial trigger. In recognition of the Commission's concern as stated in Docket 07-0507, IAWC will not pursue rate recovery of this cost.

VIII. DEMAND AND COST-OF-SERVICE STUDIES

Q29. Did the Commission establish other requirements in the Docket 07-0507 Order issued in the Company's last rate case?

A. Yes. In the Docket 07-0507 Order, the Commission required IAWC to, in its next rate proceeding, perform a Demand Study and Cost of Service Study and address several matters related to the design of IAWC's rates. Also, in the Docket 08-0463 Order, the Commission initiated a rate design investigation between FAS 87 and ERISA for the districts in this case is approved for recovery over a five-year or less amortization period. A similar recovery can occur for the balance of the Company's other districts in their next rate case. The Company ***strongly opposes*** approval of FAS 87 ***if the transition issues are ignored***. The Company will be carefully reviewing the April 15, 2010 surrebuttal testimony on this topic, especially that of RUCO, and we may ask American Water's internal corporate pension expert and / or our actuarial, Towers Perrin, to provide rejoinder testimony on pension expense.

V ACCEPTED POSITIONS OF STAFF AND RUCO

STOCK BASED COMPENSATION LABOR EXPENSE

Q. RUCO'S MR. SMITH RECOMMENDS DENIAL OF THE TEST YEAR STOCK BASED COMPENSATION EXPENSE (Page 44, line 8 thru page 48, line 8). DOES THE COMPANY AGREE?

A. Yes, with the exception of a minor partial double counting error Mr. Smith made which is corrected by Company witness Miles H. Kiger. In the past, such compensation has been minor and there is no stock based compensation budgeted for 2010. The 2008 test year was high because American Water's IPO was underway and a one-time grant of restricted stock was provided to **all** non-union employees. In order to vest, employees needed to remain working at American Water for at least three months following the IPO. Even though we accept Mr. Smith's adjustment as corrected, we felt it important to clarify that the 2008 stock compensation – unlike the other companies Mr. Smith cited - was not executive and officer targeted.

COST OF CAPITAL

Q. DO YOU ACCEPT STAFF'S PROPOSED 7.2% COST OF CAPITAL?

Q. WHY DID RUCO WITNESS MR. SMITH DOUBLE COUNT A PORTION OF THE STOCK BASED COMPENSATION LABOR EXPENSE IN HIS ADJUSTMENT TO REMOVE IT FROM OPERATING EXPENSE?

A. A portion of the test year stock based compensation was inadvertently booked to an Arizona-American district not part of this case, instead of the Company's Corporate account, as disclosed in data response RUCO 6-3 (Exhibit MHK-4R). Because this portion of stock based compensation was not included in the Company's original case as filed, RUCO's adjustment removing all stock based compensation over-adjusts by an amount equal to each Arizona-American district's 4-Factor allocation of the incremental stock based compensation inadvertently booked to the wrong business unit (a total of $40,740 for the five districts in this case). To correct this, test year labor needs to be increased by $40,740 prior to a reversing adjustment. Therefore, when Company witness Mr. Broderick states the Company agrees to remove stock based compensation, he means the amount included in its original filing request. Hence, the Company has removed all of the test year stock based compensation in Adjustment MHK-2R – Accept RUCO's Removal of Stock Based Compensation.

Q. DID RUCO WITNESS MR. SMITH ALSO INCORRECTLY REMOVE SERVICE COMPANY STOCK BASED COMPENSATION FROM ARIZONA LABOR EXPENSE?

A. Yes. As shown on RUCO schedules "RCS-2, Schedule C.1" and "RCS-3, Schedule C.1" RUCO witness Mr. Smith removes stock based compensation as an adjustment to the Arizona labor line, but only a portion of the Company's stock based compensation relates to Arizona labor. Some of the stock based compensation relates to the American Water Works Service Company ("Service Company") and should be adjusted out the Management Fee line. Exhibit MHK-4R - "Company Response RUCO 6-3, Stock" shows the stock based compensation amounts as they pertain to the Service Company and Arizona labor. Accordingly, Arizona-American has reflected properly the adjustment in both the Labor and Management Fee lines in Company Adjustment MHK- R – Accept RUCO's Removal of Stock Based Compensation.

Q. HAVE YOU INCORPORATED MR. SMITH'S PROPOSED ARIZONA LABOR ADJUSTMENT DISALLOWING 30% OF ACHIEVEMENT INCENTIVE PAY?

A. Yes. Company witness Mr. Paul Townsley discusses this topic. Company Adjustment MHK-1R – Accept RUCO's 30% Disallowance of AIP demonstrates this. A summary of the combined Arizona labor adjustments is shown in Table 3 below.

Table 3. Summary of Rebuttal Labor *Pro Forma* Adjustments

District	Anthem Water	Sun City Water	Anthem/ Agua Fria Wastewater	Sun City Wastewater	Sun City West Wastewater
Labor *Pro Forma* Adjustment	($14,417)	($31,378)	($25,483)	($18,616)	($21,078)

C FUEL & POWER

Q. DOES THE COMPANY ACCEPT THE FUEL & POWER EXPENSE ADJUSTMENT PROPOSED BY STAFF WITNESSES MR. BECKER AND MR. MCMURRY?

A. Yes. Arizona-American accepts Staff's proposed Fuel & Power Expense adjustment, which reflects the final rate increase approved in the recent Arizona Public Service ("APS") rate case. A summary of the Fuel & Power Expense Adjustments is shown in Table 4 below.

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations	DOCKET NO. 09-035-23
In the Matter of the Division of Public Utilities' Review and Audit of Rocky Mountain Power's Deferred Tax Normalization Method	DOCKET NO. 09-035-03 ORDER APPROVING STIPULATION REGARDING CHANGE IN INCOME TAX TREATMENT OF REPAIR DEDUCTIONS AND BASIS NORMALIZATION

ISSUED: December 8, 2009

By The Commission:

INTRODUCTION

On October 26, 2009, the Commission received a Stipulation Regarding Change in Income Tax Treatment of Repair Deductions and Basis Normalization (Stipulation) in the Revenue Requirement portion of Docket No. 09-035-23 and in resolution of Docket No. 09-035-03, *In the Matter of the Division of Public Utilities' Review and Audit of Rocky Mountain Power's Deferred Tax Normalization Method.* The Stipulation was entered into by and among Rocky Mountain Power, (Company) the Division of Public Utilities (DPU), the Office of Consumer Services (OCS), UAE Intervention Group (UAE), Utah Industrial Energy Consumers (UIEC), and Wal-Mart, Inc. (Wal-Mart). The purpose of the Stipulation is to address and settle issues pertaining to the regulatory treatment of deferred income taxes on temporary book-tax differences, and to address and settle issues pertaining to a change in the method of accounting for repairs deduction for income tax purposes.

On Tuesday, November 3, 2009, at a duly noticed hearing, the Commission considered whether to accept or reject the settlement proposal stated in the Stipulation. Yvonne R. Hogle, counsel for Rocky Mountain Power, appeared on behalf of the Company. Ryan Fuller testified for the Company. Michael Ginsberg, Assistant Attorney General, appeared on behalf of the DPU. Dr. Artie M. Powell testified for the DPU. Paul Proctor, Assistant Attorney General, appeared on behalf of the OCS. Robert Reeder appeared on behalf of UIEC. Gary Dodge appeared on behalf of the UAE Industrial Group, and Joshua Mauss appeared on behalf of Wal-Mart.

BACKGROUND

In the Company's 1982 general rate case (Docket No. 82-035-13) the Company began the process of normalizing deferred income taxes on property-related book-tax basis differences. However, the book-tax differences giving rise to deferred income taxes on property-related book-tax differences were never normalized beyond forty percent and they so remain in the 2009 general rate case (Docket No. 09-035-23) as originally filed by the Company.

In the Company's 2007 general rate case, Docket No. 07-035-93, the Company used a normalized level of one-hundred percent for all deferred income taxes, including property related book-tax basis differences. In Docket No. 07-035-93, this approach was deferred for future consideration. In Docket No. 08-999-02, a miscellaneous docket, the DPU, by letter dated July 8, 2008, notified the Commission it was preparing to audit and analyze the Company's

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proposed Deferred Tax Normalization method, with the assistance of an outside auditor. The Commission subsequently opened Docket No. 09-035-03 to allow the DPU to present its analysis and allow interested parties to study the regulatory treatment of deferred income taxes and to analyze the effects of prospective changes to full normalization.

As a result of the activity and exchange of information in the 2007, 2008, and 2009 general rate case dockets and several continued detailed discussions by and among the Company, the DPU, the OCS, UAE, UIEC and Wal-Mart, an ongoing policy recommendation was agreed to for the regulatory treatment of this aspect of income taxes in Utah. The recommended regulatory policy calls for the normalized treatment of all book-tax timing differences giving rise to deferred income taxes on the Company's regulated books, with the exception of book-tax differences reported on the Allowance for Equity Funds Used During Construction ("Equity AFUDC"), which the parties recommend be accounted for on a flow-through basis. Under flow-through accounting, deferred income taxes are not recovered through the cost-of-service component of ratemaking. Nor is the related accumulated deferred income tax liability or asset included as rate base reduction or addition, respectively. The parties represent that the proposed regulatory policy complies with the normalization requirements of the Internal Revenue Code (IRC).

In addition to the policy recommendations presented in the Stipulation, the Parties also testified or represented that the Stipulation requires an update to the 2009 Utah general rate case, Docket No. 09-035-23, to reflect the IRC Section 481(a) adjustment and the 2008 repairs deduction taken in the Company's 2008 federal income tax return and an estimate of the repairs

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deduction from January 1, 2009, through June 30, 2010, consistent with the test year ended June 30, 2010. The adjustment estimated in the Stipulation is to be updated based upon the final outcome for weighted cost of capital to be made in the 2009 general rate case.

The Parties to the Stipulation testified or represented to the Commission that the settlement proposal is just and reasonable, and that the settlement proposal is in the public interest and the interest of other affected persons. The Parties recommended that the Commission approve the Stipulation and all of its terms and conditions.

DISCUSSION AND CONCLUSIONS

Based on examination and review of the Stipulation, consideration of the public interest and the interests of other affected persons, and based upon the evidence contained in the record of Docket No. 09-035-03 and Docket No. 09-035-23 as well as the analysis and the recommendations of the parties, and because no party offered evidence in opposition to the Stipulation, we conclude that the terms of the settlement proposal as set forth in the Stipulation are just and reasonable.

ORDER

We therefore order as follows:

1. The Stipulation Regarding Change in Income Tax Treatment of Repair Deductions and Basis Normalization is approved. The Stipulation is attached to this order as Attachment A.

2. Effective July 1, 2009, the ongoing regulatory policy for deferred income taxes in Utah is normalized treatment of all book-tax differences arising after June 30, 2009, giving rise

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to the Company's deferred income taxes, with the exception of book-tax differences associated with Equity AFUDC, and flow-through treatment of book-tax differences associated with Equity AFUDC.

3. Pursuant to Utah Code 63G-4-301 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code 63G-4-401 through -403 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 8th day of December, 2009.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#64428 Docket No. 09-035-23
G#64429 Docket No. 09-035-03

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Attachment A

**BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH**

In the Matter of the Application of Rocky Mountain Power for Authority To Increase its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations.	DOCKET NO. 09-035-23
In the Docket on Rocky Mountain Power's Deferred Income Tax Normalization Method	DOCKET NO. 09-035-03
	STIPULATION REGARDING CHANGE IN INCOME TAX TREATMENT OF REPAIR DEDUCTIONS AND BASIS NORMALIZATION.

I. INTRODUCTION

1. This Stipulation ("Stipulation") in the Revenue Requirement Phase of Docket 09-035-23 and in resolution of Docket 09-035-03 related to a deferred income tax review is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to herein as the "Parties").

2. The terms and conditions of this Stipulation are set forth herein. The Parties contend that this Stipulation is in the public interest and recommend that the Public Service Commission of Utah (the "Commission") approve the Stipulation and all of its terms and conditions. The Parties request that the Commission make findings of fact and reach conclusions of law based on this Stipulation and issue an appropriate order thereon.

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II. REGULATORY TREATMENT OF DEFERRED INCOME TAXES ON TEMPORARY BOOK-TAX DIFFERENCES

3. With the exception of deferred income taxes on certain property related book-tax basis differences, the Company accounts for deferred income taxes on a fully normalized basis on its regulated books of account, meaning that the Company recovers deferred income taxes through the cost-of-service component of ratemaking with a corresponding rate base reduction or addition for the related accumulated deferred income tax liability or asset, respectively.

4. In the Company's 1982 general rate case (Docket No. 82-035-13), the Company began the process of normalizing deferred income taxes on property-related book-tax basis differences. For various reasons, the book-tax differences giving rise to deferred income taxes on property-related book-tax differences were never normalized beyond forty percent and they remain at that level in the 2009 general rate case (Docket No. 09-035-23) as originally filed by the Company.

5. The Company filed its 2007 general rate case (Docket No. 07-035-93) using a normalized level one-hundred percent for all deferred income taxes, including property related book-tax basis differences. Ultimately, in that case, this approach was deferred for future consideration. The Commission subsequently opened Docket No. 08-999-02 and Docket No. 09-035-03 to audit the Company's regulatory treatment of deferred income taxes and to analyze the effects of a future change to full normalization.

6. As the result of the recent activity and exchange of information in the 2007, 2008, and 2009 general rate case dockets and several detailed discussions by and among the parties, an ongoing policy recommendation has been agreed to for the regulatory treatment of income taxes in Utah. The recommended regulatory policy calls for the normalized treatment of all book-tax timing differences giving rise to deferred income taxes on the Company's regulated books, with the exception of book-tax differences reported on the Allowance for Equity Funds Used During

Construction ("Equity AFUDC") which will be accounted for on a flow-through basis. Under flow-through accounting, deferred income tax is not recovered through the cost-of-service component of ratemaking, nor is the related accumulated deferred income tax liability or asset included as rate base reduction or addition, respectively. The proposed regulatory policy is compliant with the normalization requirements of the Internal Revenue Code (IRC).

III. UPDATE FOR CHANGE IN METHOD OF ACCOUNTING FOR INCOME TAX PURPOSES: REPAIRS DEDUCTION

7. On December 30, 2008, the Company filed Form 3115, Application for Change in Accounting Method, with the Internal Revenue Service (IRS) requesting permission to change its method of accounting for routine repairs and maintenance costs associated with electric generation, transmission, and distribution assets. The new accounting method ("repairs deduction") will permit PacifiCorp to expense costs associated with the repair and maintenance of generation, transmission, and distribution assets in the taxable year paid or incurred. Currently these costs are being capitalized for both book and tax purposes and are recovered through depreciation. The IRS granted consent to the Company's proposed change in accounting method on October 2 and 7, 2009.

8. The change in accounting method is reflected in the Company's 2008 federal income tax return. The Company's 2008 federal income tax return contains a repairs deduction for the calendar year ended December 31, 2008 and a one-time adjustment (tax deduction) known as an IRC Section 481(a) adjustment. The IRC Section 481(a) adjustment is meant to prevent amounts from being duplicated or omitted in transition from the old method of accounting to the new method of accounting, and is generally determined as if the new method of accounting had always been used.

9. The repairs deduction was not included with the initial filing of the Company's 2009 Utah general rate case due to a combination of significant uncertainties regarding: 1)

whether or not the IRS would consent to the Company's proposed change in accounting method; 2) whether or not the new method and the IRC Section 481(a) adjustment would be reflected in the Company's 2008 federal income tax return; and 3) how much of the originally filed 2008 repairs deduction and IRC Section 481(a) adjustment will be sustained upon final examination by the IRS. As noted in paragraph 7, the Company has subsequently received IRS consent for the change in accounting method, and as noted in paragraph 8, the IRC Section 481(a) adjustment and a repairs deduction for the calendar year ended December 31, 2008 were taken in the Company's 2008 federal income tax return. These subsequent events do not eliminate the uncertainty associated with the IRS examination.

IV. TERMS OF STIPULATION

10. The Parties agree that the recommended ongoing regulatory policy for deferred income taxes in the Company's Utah jurisdiction is: 1) normalized treatment of all book-tax differences giving rise to the Company's deferred income taxes, with the exception of book-tax differences associated with Equity AFUDC; and, 2) flow-through treatment of book-tax differences associated with Equity AFUDC. The Parties request that the Commission approve the implementation of this policy coincident with the test period in this Docket beginning July 1, 2009. The estimated amount of this adjustment is $2.18 million as provided for in Attachment 1 of the Stipulation and based on the Company's filed weighted average cost of capital "WACC". This adjustment will be updated based on the Commission ordered WACC in Docket No. 09-035-23.

11. The Parties agree that the 2009 Utah general rate case, Docket No. 09-035-23, shall be updated to reflect the IRC Section 481(a) adjustment and the 2008 repairs deduction taken in the Company's 2008 federal income tax return and an estimate of the repairs deduction from January 1, 2009, through June 30, 2010, consistent with the test year ended June 30, 2010. The estimated amount of this adjustment is $7.35 million as provided for in Attachment 2 of the

stipulation and based on the company's filed WACC. This adjustment will be updated based on the Commission ordered WACC in this Docket, No. 09-035-23.

12. The Parties agree that customers and the Company shall be held harmless from the impacts of over/under estimates of the repairs deduction projected for tax years 2009 and 2010 that are incorporated in Attachment 2 of the Stipulation. Accordingly, differences between the Utah revenue requirement calculation made for the repairs deduction as ordered by the Commission in this Docket, as calculated in Attachment 2 of this Stipulation, updated for the actual repairs deductions taken in the Company's 2009 and 2010 originally filed federal income tax returns, will be recorded as a regulatory asset or liability and included in rate base. The same calculation methodology as that presented in Attachment 2 will be employed in deriving the amount of the regulatory asset or liability, with the WACC estimate included in Attachment 2 of 11.979% being replaced with the WACC approved by the Commission in this docket. The Company will begin amortization of the regulatory asset or liability in its next general rate case over a period not to exceed five years.

13. The Parties agree that customers and the Company shall be held harmless from interest paid to the IRS upon the final determination of the repairs deduction. Final determination means the final determination by the IRS of the IRC Section 481(a) adjustment and 2008 repairs deduction as filed in the 2008 federal income tax return. Accordingly, after final determination by the IRS, a regulatory asset or liability will be established for the interest paid to the IRS with respect to the adjustments made by the IRS to the IRC Section 481(a) adjustments for 2008 and the 2008 repairs deduction (as conceptually illustrated in Attachment 3, Table 1). With respect to that portion of the IRC Section 481(a) adjustment related to retirements, and spread equally over the four-year period beginning December 31, 2008, a regulatory asset or liability will be established for the product of: 1) the difference between the annual spread as reported in the Company's 2009 and 2010 federal income tax returns and the annual spread for 2009 and 2010

as finally determined by the IRS, and 2) the statutory interest rate assessed by the IRS on tax deficiencies for the respective tax years through the duration of the projected assessment period (as conceptually illustrated in Attachment 3, Table 2). Additionally, a regulatory asset or liability will be established for the product of: 1) the disallowance ratio on the 2008 repairs deductions as finally determined by the IRS, 2) the 2009 and 2010 repairs deduction updated and described in Paragraph 12, above, and 3) the statutory interest rate assessed by the IRS on tax deficiencies for the respective tax years through the duration of the projected assessment period (as conceptually illustrated in Attachment 3, Table 3). The disallowance ratio is the amount of the 2008 repairs deduction disallowed by the IRS upon final determination as a ratio of the 2008 repairs deduction as originally filed in the 2008 federal income tax return (as conceptually illustrated in Attachment 3, Table 3). After final determination by the IRS, the Company will begin amortization of the regulatory asset or liability in its next general rate case over a period not to exceed five years.

14. If the Stipulation is approved by the Commission, the Company will update the revenue requirement in the 2009 rate case, Docket No. 09-035-23, to reflect the impacts of the Stipulation as described in paragraphs 10 and 11, the computations for which are provided in Attachments 1 and 2 to this Stipulation. In the event the Stipulation is rejected by the Commission, the parties request that they be allowed the opportunity to file additional direct testimony in this docket to present recommendations regarding (1) the tax normalization issue, (2) the IRC Section 481(a) adjustment, (3) the 2008 repairs deduction taken on the Company's 2008 federal income tax return, and (4) projected 2009 and 2010 repairs deductions. This will include updates to the parties overall revenue requirement recommendations as impacted by the above identified four (4) items. In addition, the Commission's approval of this Stipulation will result in the resolution and conclusion of Docket 08-999-02 and Docket 09-035-03 related to a deferred income tax review.

V. GENERAL TERMS AND CONDITIONS

15. All negotiations related to this Stipulation are privileged and confidential and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation nor the order adopting this Stipulation shall be deemed to constitute an admission or acknowledgment by any Party of any liability, the validity or invalidity of any claim or defense, the validity or invalidity of any principle or practice, or the basis of an estoppel or waiver by any Party other than with respect to issues resolved by this Stipulation; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except a proceeding to enforce the approval or terms of this Stipulation.

16. The Company, the Division and the Office each agree to make one or more witnesses available to explain and support this Stipulation to the Commission. Such witnesses will be available for examination. So that the record in this Docket is complete, the Parties may move for admission of evidence, comments, position statements or exhibits that have been filed on the issues resolved by this Stipulation; however, notwithstanding the admission of such documents, the Parties shall support the Commission's approval of the Stipulation and the Commission order approving the Stipulation. As applied to the Division and the Office, the explanation and support shall be consistent with their statutory authority and responsibility.

17. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use its best efforts to support the terms and conditions of the Stipulation. As applied to the Division and Office, the phrase "use its best efforts" means that they shall do so in a manner consistent with their statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Party shall take a position in that judicial review opposed to the Stipulation.

18. Except with regard to the obligations of the Parties under the two immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the

Parties until it has been approved without material change or condition by the Commission. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission's approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and no Party shall be bound or prejudiced by the terms and conditions of the Stipulation.

19. The Parties may execute this Stipulation in counterparts each of which is deemed an original and all of which only constitute one original.

20. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions, considered together as a whole, will assist in producing fair, just and reasonable Utah retail electric utility rates in the 2009 general rate case that provide Rocky Mountain Power a reasonable opportunity to earn its authorized return.

BASED ON THE FOREGOING, the Parties request that the Commission issue an order approving this Stipulation and adopting the terms and conditions of this Stipulation.

Respectfully submitted this ___ day of October , 2009.

ROCKY MOUNTAIN POWER

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For the Twelve Months Ended June 30, 2010			
Basis Difference Description	**Flow-Through Variance**		
	07/01 - 12/31/2009	**01/01 - 06/30/2010**	**Total**
ACRS_Fed	0	0	0
AFUDC_Debt_Fed	2,027,823	3,561,498	5,589,321
AFUDC_Equity_Fed	(2,626,190)	(4,552,257)	(7,178,447)
Avoided_Cost_Fed	0	0	0
CIAC_Fed	0	0	0
Coal_Ext_Dev_Fed	154,609	28,432	183,041
Total	**(443,758)**	**(962,327)**	**(1,406,085)**

Total Decrease to Income Tax Expense	(1,406,085)
Gross-Up Factor = 1/(1-Tax Rate) Tax Rate = 37.951%	1.6116
Revenue Requirement Decrease for Income Tax Expense	**(2,266,088)**

Total Decrease to Net Accumulated Deferred Income Tax Liability	1,406,085
Beginning/Ending Average	703,043
Weighted Average Cost of Capital (UT GRC: 09-035-23)	11.979%
Revenue Requirement Decrease for Rate Base	**84,218**

Reduction to Revenue Requirement	**(2,181,870)**

Utah Allocated Accumulated Deferred Income Tax Liability: Repairs Deduction in Excess of Tax Depreciation						Annual Activity	
	IRC Section 481(a)	Annual Repairs Deduction					
Tax Year	Adjustment	12/31/2008	12/31/2009	12/31/2010	Total	January 1 - June 30	July 1 - December 31
12/31/2008	(81,995,460)	(11,304,307)	0	0	**(93,299,767)**	0	0
12/31/2009	(75,424,956)	(10,402,235)	(9,587,198)	0	**(95,414,389)**	(1,057,311)	(1,057,311)
12/31/2010	(69,293,409)	(9,575,720)	(8,821,674)	(18,261,328)	**(105,952,131)**	(5,268,871)	(5,268,871)

Weighted Average Cost of Capital: 2009 UTAH GRC						
Item	Capital Structure	Embedded Cost	Weighted Cost	Tax Gross-Up	Pre-Tax Cost	After Tax Cost
DEBT	48.70%	5.98%	2.912%	1.0000	2.912%	1.807%
PREFERRED	0.30%	5.41%	0.016%	1.6116	0.026%	0.016%
COMMON	51.00%	11.00%	5.610%	1.6116	9.041%	5.610%
TOTAL	**100.000%**		**8.538%**		**11.979%**	**7.433%**

Revenue Requirement Calculation	Amount
Beginning Balance: June 30, 2009	(94,357,078)
Change in Balance	(6,326,182)
Ending Balance: June 30, 2010	**(100,683,260)**
Beginning Ending Average	**(97,520,169)**
Weighted Average Cost of Capital (UT GRC 09-035-23)	11.979%
Reduction to Revenue Requirement before Proration	**(11,681,968)**
Pro-rata percentage	62.917%
Reduction to Revenue Requirement	**(7,350,000)**

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TABLE 1

2008 Tax Return					
	IRC Section 481(a) Adjustment			2008	
Description	Repairs	Retirements	Subtotal	Repairs Deduction	Total
As Originally Filed	(250,000,000)	5,000,000	**(245,000,000)**	(50,000,000)	**(295,000,000)**
As Finally Determined by IRS	(200,000,000)	4,000,000	**(196,000,000)**	(40,000,000)	**(236,000,000)**
Increase / <Decrease> to Taxable Income	**50,000,000**	**(1,000,000)**	**49,000,000**	**10,000,000**	**59,000,000**
Federal & State Blended Statutory Tax Rate	37.951%	37.951%		37.951%	
Income Tax Underpayment / <Overpayment>	**18,975,500**	**(379,510)**	**18,595,990**	**3,795,100**	**22,391,090**
IRS Statutory Interest Rate	5%	5%		5%	
Annually Assessed Interest <Income> / Expense	**948,775**	**(18,976)**	**929,799**	**189,755**	**1,119,554**
Actual Assessment Period (Years)	3	3		3	
Regulatory Asset / <Liability>	**2,846,325**	**(56,928)**	**2,789,397**	**569,265**	**3,358,662**

TABLE 2

IRC Section 481(a) Adjustment: Retirements					
		Four-Year Spread			
Description	Total	2008	2009	2010	2011
As Originally Filed	**20,000,000**	5,000,000	5,000,000	5,000,000	5,000,000
As Finally Determined by IRS	**16,000,000**	4,000,000	4,000,000	4,000,000	4,000,000
Increase / <Decrease> to Taxable Income	**(4,000,000)**	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**
Federal & State Blended Statutory Tax Rate			37.951%	37.951%	
Income Tax Underpayment / <Overpayment>			**(379,510)**	**(379,510)**	
IRS Statutory Interest Rate			5%	5%	
Annually Assessed Interest <Income> / Expense			**(18,976)**	**(18,976)**	
Projected Assessment Period (Years)			3	2	
Regulatory Asset / <Liability>			**(56,928)**	**(37,952)**	

TABLE 3

Forecasted Repairs Deductions			
Description	2009 Repairs Deduction	2010 Repairs Deduction	Total
As Originally Filed	(45,000,000)	(45,000,000)	**(90,000,000)**
Disallowance Ratio	20%	20%	
Increase / <Decrease> to Taxable Income	**9,000,000**	**9,000,000**	**18,000,000**
Federal & State Blended Statutory Tax Rate	37.951%	37.951%	
Income Tax Underpayment / <Overpayment>	**3,415,590**	**3,415,590**	**6,831,180**
IRS Statutory Interest Rate	5%	5%	
Annually Assessed Interest <Income> / Expense	**170,780**	**170,780**	**341,560**
Projected Assessment Period (Years)	3	2	
Regulatory Asset / <Liability>	**512,340**	**341,560**	**853,900**

Disallowance Ratio			
	As Filed	Disallowed	Ratio
2008 Repairs Deduction	(50,000,000)	10,000,000	**20%**

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

Witness: Linda C. Bridwell

10. On page 12 of her Direct Testimony, Linda Bridwell states that "there have been five approved change orders on the water treatment plant." Provide a schedule that separately lists and describes each approved change order. Include the cost of each approved change order and identify whether the change order was requested by Kentucky-American.

Response:

Please see the attached schedule. For a detailed description of each change order, refer to the response to the Attorney General's First Request for Information, Item #133 in this same case. Please note that the descriptions of the final two items on Change Order #4 were omitted from that data request in error.

For the electronic version of this response, refer to KAW_R_PSCDR3#10_052810.pdf.

Case No. 2010-00036
Public Service Commision's Second Supplemental Data Request Item 10
FP 12020607
Water Treatment Plant Contract

Change Order	Date Executed	Item No	Description	Amount	
1	9/22/2008	1	Third raw water intake line, screen and pier	$472,726	KAW initiated
		2	Additional site blasting	$2,600	KAW initiated
		3	Handrail modification at raw water pump station	$2,576	
		4	Extension of substantial completion date 48 days	$0	
		5	Extension of final completion date 30 days	$0	
			Total	**$477,902**	
2	24-Feb-09	1	Installation of 42" transmission main to edge of property and installation of 42" gate valve at connection point	$25,888	KAW initiated
		2	Re-alignment of road at raw water intake	$125,957	KAW initiated
		3	Underslab drain modifications	($34,683)	
		4	Underground electrical service to raw water intake	($78,255)	
		5	Addition of two pipe support piers on raw water pipe	$15,772	
			Total	**$54,679**	
3	23-Jul-09	1	Change from 800 amps to 2,500 amps electrical wiring	$302,631	
		2	Separate electrical structures originally shown as one	$26,616	
		3	Revise wiring from the generator	($31,838)	
		4	Provide electrical power to 9 solenoid valves	$6,530	
		5	Install stairwell lighting in wastewater pump station	$6,469	
		6	Delete emergency generator load bank	($68,218)	
		7	Provide and install conduit and wiring for emergency chlorine scrubber system	$2,877	
		8	Install explosion proof lighting fixtures	$15,230	
		9	Replace wiring	($10,500)	
		10	Provide and install conduit and fiber optic cable for security system not in original bid documents	$131,191	KAW initiated
		11	Replace electrical switches and modify wash water pump starters	($3,565)	
		12	Delete four disconnect switches	($12,140)	
		13	Additional conduit and wiring for additional circuit assignments	$3,899	
		14	Install additional wire and conduit for mixer motor	$3,716	
			Total	**$372,897**	
4	27-Sep-09	1	Upgrades to door hardware for security	$6,409	
		2	Relocation of water line on intake property	$10,588	
		3	Installation of stainless steel headers and rebar in residuals building roof slab	$1,632	
		4	Installation of additional door hardware and electric strikes for additional security	$9,895	
		5	Modification to intake piping including valve nest	$114,282	
		6	Substitute aluminum picket handrail for steel	$11,992	
		7	Provide and install rough--ins, raceways, and CAT 6 cable for IT	$32,626	KAW initiated
			Total	**$187,424**	
5	3-Feb-10	1	Installation of portable generator connection	$11,000	
		2	Provide and install increased VFD for vertical turbine pumps	$29,368	
		3	Provide and install roadway and electrical duct bank for Owen Electric	$34,826	KAW initiated
		4	Modifications to water quality analyzers, deletion of particle counters, and combine chlorine/pH analyzers	($57,802)	KAW initiated
		5	Provide and install circuit to generator load center	$15,179	KAW initiated
		6	Provide and install materials for installation of overflow pipe for ponds at raw water station	$1,718	KAW initiated
		7	Provide and install material for four load cells for ammonia hydroxide bulk tank	$1,720	
		8	Provide and install additional structural steel to accommodate HVAC roof openings	$9,995	
		9	Uninstalled H piles at raw water intake caisson	($84,315)	
		10	Uninstalled H piles at raw water intake screen	($3,150)	
		11	Extend substantial completion date 30 days	$0	
			Total	**($41,462)**	
			Change Order Total	**$1,051,441**	

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

Witness: Linda C. Bridwell

11. On page 13 of her Direct Testimony, Linda Bridwell states that "there have been ten change orders on the pipeline, five on Section A and five on Section B." Provide a schedule that separately lists and describes each approved change order. Include the cost of each approved change order and identify whether the change order was requested by Kentucky-American.

Response:

Please see the attached. Note that since the time of filing my direct testimony, a sixth change order has been approved on Section A and is included in the attachment. For a detailed description of the items in each change order, refer to response to Item 133 of the Attorney General's First Request for Information. There are three corrections that need to be made in the aforementioned Item 133: 1) in Change Order #4-A the cost of the second item is incorrect and should be $118,730 as shown on the attached schedule; 2) Change Order 3-B was executed March 24, 2009 as shown on the attached schedule; and 3) Change Order 3-B the cost of the fifth item is incorrect and should be $18,750 as shown on the attached schedule.

For the electronic version, refer to KAW_R_PSCDR3#11_052810.pdf.

Case No. 2010-00036
Public Service Commision's Second Supplemental Data Request Item 11
FP 12020607
42" Transmission Main

Change Order	Date Executed	Item No	Description	Amount	
1-A	1-Oct-08	1	Increase in 60" boring price	$195,580	
		2	Furnish 12" diameter bypass at 42" gate valves	$45,840	KAW initiated
		3	Additional silt fencing	$28,000	
			Total	**$269,420**	
2-A	21-Nov-08	1	Furnish additional gate valve at treatment plant connection	$41,005	KAW initiated
		2	Additional temporary easement work on Robinson property	$5,000	
			Total	**$46,005**	
3-A	24-Mar-09	1	Additional permanent fencing	$30,000	
		2	Pipe alignment change	$0	
		3	Furnish and install pre-cast concrete vaults with 4' diameter manhole lids in lieu of valve boxes and lids	$10,000	
		4	Eliminate insulation for combination air vaults and gate vaults	($4,900)	
		5	Additional pavement binder required by KY Transportation Cabinet	$28,119	
			Total	**$63,219**	
4-A	23-Jul-09	1	Flowable Fill in lieu of dense graded aggregate required by KY Transportation Cabinet	$362,965	
		2	Revised base pavement requirements from the KY Transportation Cabinet	$118,730	
			Total	**$481,695**	
5-A	27-Sep-09	1	Repair additional pavement required by KY Transportation Cabinet	$84,355	
		2	Two trencher moves due to incomplete easement acquisition	$205,982	
		3	Maintain traffic along Jones Lane as required by KY Transportation Cabinet	$245,076	
		4	Additional milling and pavement repair required by KY Transportation Cabinet	$352,741	
		5	Two days of trencher delay at Rocky Branch Road	$24,370	
			Total	**$912,523**	
6-A	10-Mar-10	1	Final paving overlay as required by KY Transportation Cabinet	$706,042	
		2	Two bollard posts at each fire hydrant	$3,839	KAW initiated
		3	Concrete pad installed under each 42" gate valve	$1,685	KAW initiated
			Total	$711,566	
			Contract A Change Order Total	**$2,484,427**	

Case No. 2010-00036
Public Service Commision's Second Supplemental Data Request Item 11
FP 12020607
42" Transmission Main

Change Order	Date Executed	Item No	Description	Amount	
1-B	1-Oct-08	1	Increase in 60" boring price	$1,110,470	
		2	Furnish 12" diameter bypass at 42" gate valves	$126,060	KAW initiated
		3	Additional silt fencing	$28,000	
		4	Open cut at Interstate 75 Right-of-Way	($337,230)	
		5	Relocate a combination air valve and provide 3 additional air valves	$12,000	
			Total	$939,300	
2-B	21-Nov-08	1	Trencher move to accommodate easement negotiations	$129,750	
		2	Furnish 24" gate valve at the tie-in to Newtown Pike	$37,240	KAW initiated
			Total	$166,990	
3-B	24-Mar-09	1	12" outlet at US 62 and Ironworks as flushing point	$14,050	KAW initiated
		2	Additional permanent fencing	$30,000	
		3	Furnish and install pig launch point	$76,900	KAW initiated
		4	Alignment change	$0	
		5	Furnish and install pre-cast concrete vaults with 4' diameter manhole lids in lieu of valve boxes and lids	$18,750	
		6	Extra depth at KY Horse Park to accommodate new entrance	$37,674	
		7	Eliminate insulation for combination air vaults and gate vaults	($11,600)	
			Total	$165,774	
4-B	30-Sep-09	1	Outlet valve at US 460 and Woodlake Road as flushing point	$27,400	KAW initiated
		2	Extra trench epth due to property owner negotiations	$8,050	
		3	Removal of 900 linear feet of existing fencing as part of easement negotiations	$2,250	
			Total	$37,700	
5-B	27-Sep-09	1	Trencher move around property owner from 2-B	$93,287	
		2	Delays due to lack of easement acquisitions	$111,388	
			Total	$204,675	
			Contract B Change Order Total	**$1,514,439**	
			42" Transmission Main Change Order Total	$3,998,866	

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

Witness: Linda C. Bridwell

12. On page 13 of her Direct Testimony, Linda Bridwell states that "there have been three approved change orders on the booster pumping station contract." Provide a schedule that separately lists and describes each approved change order. Include the cost of each approved change order and identify whether the change order was requested by Kentucky-American.

Response:

Please see the attached. Please note that a fourth change order on the Booster Station and Storage Tank Contract was executed after filing my direct testimony, and has been included on the attached schedule. For a detailed description of each component within the change orders, please refer to the response to Item 133 of the Attorney General's First Data Request in this same case.

For the electronic version of this response, refer to KAW_R_PSCDR3#12_052810.pdf.

Case No. 2010-00036
Public Service Commision's Second Supplemental Data Request Item 12
FP 12020607
Booster Station and Tank

Change Order	Date Executed	Item No	Description	Amount	
1	24-Feb-09	1	Revision in suction piping from 24" to 30"	$128,139	
		2	Complete work on property as part of easement negotiations	$4,778	
			Total	**$132,917**	
2	24-Feb-09	1	Changes to the floor drain	$4,626	
		2	Correct contract drawings for yard piping adjustments	$0	
		3	Delete 198 feet of yard piping and two fittings to eliminate conflicts with tank piping	$76,583	
		4	Replacement of four fittings in yard piping	$7,174	
			Total	**$88,383**	
3	27-Sep-09	1	Increase size of door	$2,288	KAW initiated
		2	Change to emergency generator set	$4,438	KAW initiated
		3	Additional piping for future fourth pump	$6,834	KAW initiated
		4	Revisions to HVC	$3,688	
		5	Change to retainage held to reflect addendum 5	$0	
			Total	**$17,248**	
4	10-Mar-10	1	Change SCADA antennae mount	$1,660	
		2	Change color of roll door	$3,029	
		3	Additional work as part of easement negotiations	$34,603	
		4	HVAC electrical modifications	$4,090	
		5	Exterior masonry wall work	$5,599	
		6	Modifications for changes in electrical service from KU	$37,605	
			Total	**$86,586**	
			Contract Change Order Total	**$325,133**	

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

Witness: Linda C. Bridwell/Michael A. Miller/Sheila Miller

133. Refer to Ms. Bridwell's testimony concerning the water supply and treatment project.

a. Please identify, quantify and explain each cost overrun that has occurred for the project through 3/31/2010.

b. Please identify how much KAWC is requesting in rate base for the plant in excess of the cost estimates that KAWC had previously provided to the Commission when it was seeking approval. Include supporting calculations and provide references to sources for the amounts used.

c. Has KAWC included the entire cost of the project in rate base? If not, explain fully why not. If so, please identify exactly how that was reflected.

d. Has KAWC reflected the project in rate base on a 13-month average basis? If not, explain fully why not. If so, please show exactly how that was done.

Response:

a. In May 2008, Kentucky American Water established a detailed cost budget of the project. As with all projects, the budget included labor, contractor costs, consultant costs, land and easement costs, inspection costs, other utility connections, miscellaneous costs, interest costs, and an allowance for omissions and contingencies that may arise during the project implementation. As contractor costs have increased, the omissions and contingencies have been reduced. The original budget in May 2008 totaled $162,311,710 without the preliminary source of supply development charges. The project has been included in the current case for a total of $163,885,837 including the preliminary source of supply development charges. A number of increases from the original budget detail have resulted in the change in the estimate. The table listing below shows the significant changes in the project estimate.

Item	May 2008 estimate	Current estimate	Variance
Preliminary source of supply development	$0	$2,200,060	$2,200,060

KAW labor and OH	$520,500	$1,326,621	$806,121
AW Const. Admin.	$460,000	$919,947	$459,947
Consultant Const Admin	$1,000,000	$1,093,580	$93,580
Resident Observation (Inspection)	$1,000,000	$1,365,560	$365,560
Contractor Costs	$126,086,653	$131,577,589	$5,490,936
Easements and Land	$3,437,315	$4,242,129	$804,814
WTP Electric	$0	$2,000,000	$2,000,000
Capitalized Clearing	$7,715,862	$933,751	($6,782,111)
AFUDC	$10,278,033	$12,343,872	$2,065,839
Omissions and Contingencies	$6,500,000	$889,546	($5,610,454)

The amounts reflected above for the Consultant Construction Administration cost reflect the amount rounded in the budget, where my testimony identified the original contract costs with the combined consultants of $942,580. The costs necessary for the WTP Electric were not identified in the original project budget, as the electrical provider had not been identified at that point. In addition to the explanations in my testimony, the change in the contractor costs are detailed below:

Change Order #1 – WTP Contract

The first change order, executed September 22, 2008, covered five items for a net increase of $477,902 as well as an extension in the contract substantial completion date of 48 days and an extension of the contract final completion date of 30 days. The first item in the change order was for the addition of the third raw water intake line, screen and pier at $472,726. This item was originally considered a component of Phase II (the expansion to 25 mgd) but after further review, KAW realized that the reliability of the intake facility was less than 20 mgd without the third raw water intake line, screen and pier. This installation was necessary for reliability and the contractor was asked to separate this from the original Phase II costs and include in the contract. The second item was for additional site rock blasting. This blasting cost $2,600 and would be required at any point that the plant would be expanded. Although there are no current plans to immediately expand the plant, it was recognized that this blasting was a minor cost on the project and would protect the existing building during any future expansion. There was no excavation of the material. The third item was for a modification of the aluminum handrail for the exterior concrete stairway at the raw water pump station based on Kentucky Division of Building Code Enforcement and increased the project cost $2,576. The fourth and fifth items were for the extension of the contract times at no additional cost based on the execution of the contract occurring on May 28, 2008, which was later than anticipated even in the bid extension request.

Change Order #2 – WTP Contract

The second change order, executed February 24, 2009, covered five items for a net increase to the project costs of $54,679.36. The first item was the installation of a 42” water transmission main to the edge of the treatment plant property and the installation of 42” gate valve at the connection point. This item was $25,888.23 but was offset by a reduction in pipe installed by Garney on the 42” transmission main portion of the project. The second item was for additional work to the raw water intake station access road. This new alignment was a condition of the property owner at the time of the closing, and was not part of the original bid. It eliminated the need for any additional easement on the remaining property. This increased the project cost $125,957. The third item was the installation of under slab drain modifications as proposed by Reynolds-Rogers that decreased the project cost $34,683. The fourth item was the installation of underground electrical service to the Raw Water Pump station in lieu of overhead installation and replacement of electrical conduit from stainless steel to aluminum. This decreased the project cost $78,255. The fifth item was the addition of two pipe support piers on the raw water pipe that were omitted in the original scope of work. This is an increase in the project cost of $15,772.13.

Change Order #3 -- WTP Contract

The third change order, executed July 23, 2009, encompassed fourteen items for a total net increase in contract price of $372,897.27. These items represent electrical changes after detailed review by the electrical subcontractor and the engineer due primarily to omissions in the original electrical design. The first was for a change from 800 amps to 2,500 amps due to a contract drawing omission for $302,631.17 from the electrical subcontractor. It did not include equipment increases that may be required. The second item was to install separate structures for three electrical equipment pieces that were originally shown as one structure, which increased the cost by $26,615.72. The third item was a credit of $31,838.39 due to a change in wiring from the generator. The fourth item was to provide and install electrical power to nine solenoid valves that were omitted in the original contract drawings at a cost of $6,529.56. The fifth item was to install stairwell lighting in the waste water pump station, which was omitted from the original drawings, at a cost of $6,469.12. The sixth item was to delete the emergency generator load bank for a credit of $68,218.33. The seventh item was to provide and install the conduit and wiring for the emergency chlorine scrubber system, which was an increase over the original wiring size from the scrubber manufacturer at a cost of $2,877.47. The eighth item was to install explosion proof lighting fixtures for rooms that store potentially flammable material that were not specified correctly in the original plans for $15,230.20. The ninth item was for replacing wiring for a credit of $10,500. The tenth item was to provide and install conduit and fiber optic cable for the security system, which was not part of the original bid documents, at a cost of $131,191.25. The eleventh item was to replace electrical switches and modify the wash water pump starters for a credit of $3,565.49. The twelfth item was to delete four disconnect switches that were not required due to electrical changes for a credit of $12,140.21. The thirteenth item was for additional conduit and wiring for additional circuit assignments that were omitted in the original plans for an increase of $3,899.23. The fourteenth item was to install additional wire and conduit for the mixer motor that was not included in the original plans for an increase of $3,715.96.

Change Order #4 - WTP Contract

The fourth change order, executed September 27, 2009, included seven items for a net increase of $163,440.45. The first item was for upgrades to the door hardware for security purposes for $6,408.95. The second item was for relocation of a water line on the intake property access easement as part of the access road construction, which was not anticipated when the easement was acquired, for an additional $10,587.88. The third item was for the installation of stainless steel headers and additional rebar in the residuals building roof slab due to an error in the original plans for $1,632.30. The fourth item was for the installation of additional door hardware and electric strikes necessary for additional security for $9,894.60. The fifth item was the modification of the intake piping per a revised drawing, which included the modification of the valve nest and relocated the valves inside the caisson, and the extension of the third intake and construction of a third valve to accommodate the piping reconfiguration. The design did not include these items, but site conditions warranted the overall change, and the piping configuration had to be adjusted. This item represents an increase of $114,282.47.

Change Order #5 – WTP Contract

The fifth change order, executed February 3, 2010 was for eleven items that decreased the contract price by $41,461.65 and an extension in contract times of 30 days on the substantial completion date with no change to the final completion date. The first item was for the installation of material for the portable generator connection that was omitted from original plans for an additional $11,000.32. The second item was to increase the variable frequency drive (VFD) motors to accommodate the full load amps of the raw water and high service vertical turbines for an increase of $29,367.61. The third item was to install a roadway and electrical duct bank for Owen Electric incoming primary electric service, at an additional cost of $34,825.65. The fourth item was to modify water quality analyzers and delete particle counters for a credit of $57,801.55. The fifth item was to provide and install material for the circuit to the generator load center that was omitted from the original plans for a cost increase of $15,179.13. The sixth item was to provide and install materials for the overflow pipe for the ponds adjacent to the raw water pump station access road that, after negotiations with the property owner, increased costs by $1,717.64. The seventh item was to provide and install material for four load cells for the ammonia hydroxide bulk tank because the drawings did not match the tanks available from the vendor. This item was an additional cost of $1,719.90. The eighth item was to provide additional structural steel to accommodate the two large HVAC roof openings for an increase of $9,994.65. The ninth item was a credit for uninstalled steel H piles included in the bid that were replaced with jet grouted columns at the raw water intake caisson for a savings of $84,315. The tenth item was a credit for steel H piles reflecting a reduced length per pile at the location of the intake screens for $3,150. The eleventh item was to extend the substantial completion date by 30 days due to significant weather days that have occurred.

Change Order #1-A – 42” Transmission Main Contract

The first change order on Section A, executed October 1, 2008, covered three items for an increase in the contact price of $269,420. The first item was an increase in unit pricing on 60” boring due to unprecedented steel pricing increases between the time that the bids were extended and the time that the contracts were executed. None of the boring subcontractors was willing to honor their previous bids to Garney. This item represented $195,580. The second item was a request by KAW for a 12” diameter bypass to be furnished at each 42” gate valve assembly and represented an increase of $45,840. The third item was for unit pricing for additional silt fencing not shown on the original plans of erosion and sedimentation control for an increase of $28,000.

Change Order #2-A – 42”Transmission Main Contract

The second change order on Section A, executed November 21, 2008, covered two items for an increased cost of $46,005. The first was an increase to furnish an additional 42" gate valve at the treatment plant connection that was not included in the original plans for $41,005. The second item was an increase to perform work as part of a temporary easement agreement that was not included in the original bid documents for $5,000.

Change Order #3-A – 42" Transmission Main Contract

The third change order on Section A, executed March 24, 2009, covered five items for a total increase of $63,219. The first item was to furnish additional permanent fencing in the contract that was not included in the original plans, estimated at $30,000. The second item was for a pipe alignment that reflected no cost increase. The third item was to furnish and install pre-cast concrete vaults with 4' diameter manhole lids in lieu of valve boxes and lids for $10,000. The fourth item eliminated insulation to be provided in the combination air valve vaults and gate valve vaults, which was no longer necessary as part of furnishing the pre-cast vaults, reducing costs by $4,900. The fifth item was for additional pavement binder that was required by the KY Transportation Cabinet on Indian Gap Road for an increase of $28,119.

Change Order #4-A – 42" Transmission Main Contract

The fourth change order on Section A, executed July 23, 2009, covered two items for an increase of $481,694.55. The first item was for additional flowable fill in lieu of dense graded aggregate required by the KY Transportation Cabinet and additional binder on the asphalt paving for an estimated $362,964.55. The second item was for revised base pavement requirements from the KY Transportation Cabinet for an increase of $118,737.

Change Order #5-A – 42" Transmission Main Contract

The fifth change order on Section A, executed September 27, 2009, covered five items for an increase of $912,522.86. The first item was an increase to repair additional pavement as required by the KY Transportation Cabinet beyond the scope that was bid in the original plans for an increase for $84,355.20. The second item was for two trencher moves, one at Rocky Branch Road and another from the west to east side of Elkhorn Creek due to incomplete easement acquisition, for an increase of $205,981.51. The third item was for additional construction costs for work to maintain traffic along Jones Lane for an increase of $245,075.60. The fourth item was for additional milling and pavement repair work required by the KY Transportation Cabinet as part of the negotiations for the permit requirements, for an increase of $352,740.55. The fifth item was for two days of delay for the trencher at Rocky Branch Road prior to the move identified in the second item of this answer for an increase of $24,370.00.

Change Order #6-A – 42” Transmission Main Contract

The sixth change order on Section A was executed March 10, 2010, after my testimony was submitted. It covered three items for an increase of $711,565.68. The first item was for the final paving overlay installed under a work change directive as required by the Kentucky Transportation Cabinet beyond the scope that was bid in the original plans for an increase of $706,042.06. The second item is for two (2) bollard posts at each fire hydrant on the route to protect the hydrants in the rural area from being damaged by vehicles, for an increase of $3,838.80. The third item is for a concrete valve pad poured underneath each 42” gate valve assembly at KAW’s request for easier long-term maintenance of the valve. This was an increase of $1,684.82.

Change Order #1-B – 42” Transmission Main Contract

The first change order on Section B, executed October 1, 2008, covered five items for an increase of $939,000. The first item was an increase due to additional 60” bore footage as required by the final permit with the KY Transportation Cabinet for an increase of $1,110,470. The second item was to furnish a 12” diameter bypass at each 42” gate valve assembly for an increase of $126,060. The third item was to furnish additional silt fencing not shown on original plans for erosion and sedimentation controls for an increase of $28,000. The fourth item was a change in construction at Interstate 75 that allowed an open cut between interstate ramps for a reduction of $337,230. The fifth item was to relocate a combination air valve and provide three additional air valves for an increase of $12,000.

Change Order #2-B – 42” Transmission Main Contract

The second change order, executed November 21, 2008, covered two items for an increase of $166,990. The first item was a trencher move to accommodate construction as part of easement negotiations, at an additional cost of $129,750. The second item was to furnish a 24” gate valve at the tie-in to Newtown Pike that was not included in the original design for an increase cost of $37,240.

Change Order #3-B – 42” Transmission Main Contract

The third change order, executed March 19, 2009, covered seven items for an increased cost of $165,774. The first item was for the installation of a 12” outlet at US 62 and Ironworks as a flushing point for an increase of $14,050. The second item was for additional permanent fencing along temporary easements that was not included in the original plans for an increase of $30,000. The third item was for the construction of a launch point within the pipeline alignment that would allow KAW to insert a cleaning device in the pipe called a “pig”. This change was made at the request of KAW for an increase cost of $76,900. The fourth item was for pipe alignment changes that result in no change in the contract price. The fifth item was for the installation of pre-cast concrete vaults in lieu of valve boxes and lids at the request of KAW for an increase in cost of $37,674. The sixth item was for extra trench depth in the vicinity of the KY Horse Park to accommodate a new entrance for an additional cost of $37,674. The seventh item was to eliminate insulation in the combination vaults as a result in the use of the pre-cast concrete vaults for a decrease of $11,600.

Change Order #4-B – Transmission Main Contract

The fourth change order on Section B, executed September 30, 2009, covered three items for an increase of cost of $37,700. The first item was for the installation of an outlet at US 460 and Woodlake Road as a flushing point for an additional $27,400. The second item was for extra trench depth due to negotiations with property owners for easements for an increase of $8,050. The third item was for the removal of 900 linear feet of existing fencing as part of easement negotiations for an increase cost of $2,250.

Change Order #5-B – Transmission Main Contract

The fifth change order on Section B, executed September 27, 2009, covered two items for an increase cost of $204,674.50. The first item was for a trencher move around a property where the pipeline had been completed earlier as part of easement negotiations, for an increase of $93,287. The second item was for delays due to lack of easement acquisitions for an increased cost of $111,387.50.

Change Order #1 – Booster Station and Storage Tank Contract

The first change order, executed February 24, 2009, covered two items for an increase of $132,916.50. The first item was for a change in suction piping from 24” to 30” required by the pump manufacturer, for an additional $128,139.00. The second item was to complete work on the property as part of easement negotiations for an increase cost of $4,777.50.

Change Order # 2 – Booster Station and Storage Tank Contract

The second change order, also executed February 24, 2009, covered four items for an increase of $88,383.00. The first item was for changes to the floor drain system as required by building inspection regulations for an increased cost of $4,626.00. The second item was to correct contract drawings to reflect yard piping adjustments for no change in contract price. The third item was the deletion of 198 feet of yard piping and two fittings to eliminate conflicts with tank piping, for an additional cost of $144,526 and a reduction offset of $67,943.00. The fourth item was the replacement of four fittings in the yard piping due to alignment changes, for an additional cost of $7,174.00.

Change Order #3 – Booster Station and Storage Tank Contract

The third change order, executed September 27, 2009, covered five items for an increase of $17,248. The first item was for a revision in the booster station door size from 3' 4" to 6' 4" in width requested by KAW to accommodate larger pieces of equipment, at an additional cost of $2,288. The second item was for a change to the emergency generator set to include changes requested by KAW during the submittal review process, at a cost of $4,438.00. The third item was for additional piping for a future fourth pump as requested by KAW, at an additional cost of $6,834.00. The fourth item was for revisions to the HVAC system due to building code compliance issues raised by the HVAC subcontractor, for an increase of $3,688.00. The fifth item was for a change to correct the contractor retainage held from 15% to 10% as reflected in addendum 5 of the bid documents that was not incorporated into the executed contract documents. This item did not change the overall contract price.

Change Order #4 – Booster Station and Storage Tank Contract

The fourth change order, executed March 10, 2010, covered six items for an increase of $86,585.50. The first item was the increase in pricing to change the SCADA antennae mount, detaching it from the tank. This item was an additional $1,659.50. The second item was an increase to change the roll door color to match the building roof and trim, at an additional $3,029.00. The third item was for additional work on John Mucci's property to meet the terms of the booster station site easement. This work was originally authorized under Work Change Directive #1 and estimated at $25,000, however, additional grading work was required. The final increase is $34,603. The fourth item is for HVAC electrical modifications as required by changes to the HVAC unit. This work was an additional $4,090.00. The fifth item is for additional work to exterior masonry walls due to an additional joint installation requirement for $5,599.00. The sixth item is for modifications required due to the change in the electrical service from KU. This is an additional $37,605.00.

b. Please see the table below which compares the KRS II costs included in this case to the equivalent costs included in both the 2008 rate case and the 2007 certificate case. At the March 6, 2008 hearing in case number 2007-00134, KAW identified an estimated project cost of $155.837 million[1] for a 20 MGD facility. Ms. Bridwell at the hearing indicated upon questioning by Chairman Goss that the bids received in December 2007 had expired in February 2008 and that the Company had received revised bids which the contractors would hold until May 2008, but the revised bids were $5.453 million higher[2]. The project costs provided in the certificate case assumed that approximately $89 million of CWIP for the project would be given full rate base treatment, with AFUDC ceasing on the $89 million, upon the effective date of rates in the 2008 rate case[3] (June 1,

[1] Case No. 2007-00134, Hearing Exhibit 12.
[2] See transcript of March 6, 2008 hearing in case number 2007-00134, at pages 81-82. Also see Pool 3 Progress Report filed with the Commission on July 1, 2008 as required by the Order in case number 2007-00134.
[3] Case number 2007-00134, Hearing Exhibit 12.

2009). In case number 2008-00427, the Company included a request for $66.0 million of CWIP for full rate base treatment with AFUDC ceasing on that $66 million on June 1, 2009. As outlined in the Settlement Agreement[4] in case number 2008-00427, the parties to that case, including the AG, agreed to recognize $20.2 million of the KRS II costs in rate base and cease AFUDC on the $20.2 million on the effective date of the new tariffs from that case. The result of including nearly $46.0 million less CWIP in full rate base in the 2008 rate case settlement than had been used in the Company's certificate case results in an increase in AFUDC over the level on which the estimate in the both the certificate case and the treatment proposed in the 2008 rate case was based. The AG and the Company had lengthy discussion on this impact during the 2008 rate case process, and prior to reaching settlement in that case. The table below includes the additional AFUDC related to the lower CWIP fully embedded in the 2008 rate case rate base. When this "apples to apples" comparison is made, the KRS II costs included in this case are $459,712 or 0.3% (3/10ths of 1%) lower than the estimate used in the 2008 rate case, and $529,998 or 0.3% (3/10ths of 1 %) over the estimate used in the certificate case. The Company has been able to keep the project on budget and in line with the estimate provided in the certificate case.

	KRS II Cost in Current Case	**Est. in 2008 Rate Case**	**Variance**	**Est. KRS II costs in Cert. Case**	**Variance**
	$163,885,837	$162,311,710		$161,290,000	
Add'l AFUDC	0	$2,065,839		$2,065,839	
Comparable Total	$163,885,837	$164,377,549	($491,712)	$163,355,839	$529,998

c. Yes. Please refer to KAW_R_PSCDR1#1a_WP1-4_031610, pages 10-12 and pages 29-31 of 53. The electronic version of these work papers can be found in the response to KAW_R_AGDR1#1_042610, file name Constrr-10.xls, under the construction tab.

d. Yes. The additions are reflected in the utility plant accounts in the month the project was completed and additional charges are detailed in the respective utility plant accounts in subsequent months thereafter. This is detailed on the excel file provided in response to KAW_R_AGDR1#1 on the file labeled Constr-10.xls under the Construction tab. As detailed on the excel file provided in response to KAW_R_AGDR1#1 on file K-RB10.XLS under tab WPS RB, the Company started with the ending utility plant balances by account as of May 31, 2009 and detailed the additions, retirements and net month end balances by account for each month from June 2009 through September 2011. The 13-month average utility plant balance was then calculated using the month end balances from September 2010 through September 2011.

[4] Case No. 2008-00427, Settlement Agreement , Stipulation and Recommendation, paragraph 4.

For the electronic version of this response, refer to KAW_R_AGDR1#133_042610.pdf.