

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**


**In the Matter of:**

APPLICATION OF KENTUCKY-AMERICAN WATER )  
COMPANY FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY AUTHORIZING ) CASE NO. 2012-00096  
THE CONSTRUCTION OF WATER TRANSMISSION )  
MAINS, BOOSTER PUMP STATION AND TWO )  
ELEVATED STORAGE TANKS FOR THE )  
NORTHERN DIVISION CONNECTION )

**CERTIFICATION OF RESPONSES TO INFORMATION REQUESTS**

This is to certify that I have supervised the preparation of Kentucky-American Water Company's October 26, 2012 Responses to the Hearing Data Requests in this matter and that the responses are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: 10/25/12

  
Linda Bridwell  
Manager, Rates and Regulation  
Kentucky-American Water Company

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness: Lance Williams**

1. If the requested CPCN is granted, will Kentucky American Water be in a position to supply the town of Wheatley with finished water?

**Response:**

No. The area around the town of Wheatley is currently served through a purchase agreement with Carroll County Water District No. 1. If the CPCN is granted, Kentucky American Water would additionally need to upsize a portion of small diameter mains along US 127 and KY 335 to provide reliable service to this area.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness: Lance Williams**

2. If the requested CPCN is granted, will Kentucky American Water be in a position to supply the town of Glencoe with finished water?

**Response:**

No. The area around the town of Glencoe is currently served through a purchase agreement with Gallatin County Water District. If the CPCN is granted, Kentucky American Water would additionally need to upsize a portion of small diameter mains along US 127 to provide reliable service to this area.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness: Lance Williams**

3. When and how did Kentucky American Water request the information provided by Strand Associates, Inc. in its April 4, 2012 letter located at pages 18-19 of Kentucky American Water's response to Item No. 1 of Commission Staff's First Information Request?

**Response:**

Kentucky American Water verbally requested Strand and Associates to provide an update for the for the Owenton Water Treatment Plant Improvements on February 8, 2012.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness: Lance Williams**

4. If the requested CPCN is granted, how long will it take for water to travel from Kentucky River Station II to the City of Owenton?

**Response:**

The total distance between Kentucky River Station II and the intersection of US 127/KY22 in Owenton is 79,650 feet which will hold 831,500 gallons in a 16-inch pipe. Assuming 1.0 million gallons per day demand on average, it would take 19.9 hours for the water in the pipe to travel from the Kentucky River Station II to the City of Owenton.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness: Lance Williams**

5. In reference to Kentucky American Water's response to Item No. 12(a)-(b) of Kentucky American Water's response to Commission Staff's First Information request, please provide the applicable years in addition to the months already provided.

**Response:**

For Item No. 12(a), the average flow rate was based on data collected from June 1, 2011 through August 31, 2011 and from June 1, 2012 through July 10, 2012. For Item No. 12(b), the average flow rate was based on data collected from September 10, 2010 through May 31, 2011 and from September 1, 2011 through May 31, 2012.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness: Lance Williams**

6. Reference the Preliminary Design Report attached to Kentucky American Water's response to Item No. 1 of Commission Staff's First Information request (page 3 of 19). Provide the date upon which the venturi flow meter was installed.

**Response:**

We do not have the specific date construction was complete. However, based on drawings, the installation would have occurred between March 2006 and November 2007. Construction drawings are dated March 2006. Record drawings are dated November 2007.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
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**Witness: Lance Williams**

7. Reference the Preliminary Design Report attached to Kentucky American Water's response to Item No. 1 of Commission Staff's First Information request (page 3 of 19). Provide the date upon which the disinfection facilities were installed.

**Response:**

We do not have the specific date installation was complete. However, based upon drawings, installation would have occurred between August 2006 and November 2007. Construction drawings are dated August 2006. Record drawings are dated November 2007.



**KENTUCKY-AMERICAN WATER COMPANY**  
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**Witness: Lance Williams**

8. Please advise when Kentucky American Water plans to commence construction of the "607 loop" project in its Northern Division.

**Response:**

Kentucky American Water plans to commence construction of the "607 loop" in November 2012.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
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**Witness: Lance Williams**

9. State whether construction of the two water storage tanks proposed as part of the Northern Division Connection project will help pressure issues existing in Kentucky American Water's Northern Division.

**Response:**

Yes, they will. Please refer to the response provided to Item No. 4 of the Attorney General's First Request for Information.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness:**     **Linda C. Bridwell**

10.     Since Kentucky River Station II became operational, please provide the date(s) upon which Kentucky American Water made contact with the City of Winchester on the issue of the possibility of providing finished water to the City of Winchester.

**Response:**

      Kentucky American Water first contacted the City of Winchester in March 2011 to discuss the possibility of providing finished water to the City of Winchester and met with the Mayor of Winchester on March 30, 2011.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness:**      **Linda C. Bridwell**

11.      Reference Kentucky American Water's responses to Items 19(f) and 21 of the Attorney General's First Information Request. Please provide the total ratemaking impact if the Owenton Water Treatment Plan is retired.

**Response:**

Please refer to the attachment. In the analysis of the KRS II proposed facilities, the retirement of the Owenton Treatment Plant facilities are shown on Lines 22 and 23 of pages 3 and 4. KAW has not assumed any costs for removal or salvage in this analysis. There is no change to accumulated deferred taxes due to the retirement of those assets in the analysis. The reduction of the current depreciation expense of \$84,930, which was not included in the original analysis, is included in Line 39 of the KRS II proposed facilities on pages 3 and 4.

**Kentucky American Water**  
**Case No. 2012-00096, Certificate Case for Northern Connection Project**  
**PSC DR3 #11**  
**Hearing DR #11**

Line	Option	Notes	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	Proposed Facilities KRS II Pipeline	Line 41, pages 3 - 4	\$ 1,140,345	\$ 1,110,623	\$ 1,082,015	\$ 1,057,477	\$ 1,034,467	\$ 1,013,187	\$ 993,746	\$ 976,341	\$ 961,169	\$ 948,445	\$ 938,405
2	Owenton WTP Solution	Line 35, pages 5 - 6	\$ 1,524,383	\$ 1,500,426	\$ 1,471,427	\$ 1,474,747	\$ 1,481,156	\$ 1,488,418	\$ 1,499,281	\$ 1,514,039	\$ 1,533,008	\$ 1,556,533	\$ 1,584,989
	<b>Annual (Savings) or Added Expense, Proposed Facilities</b>												
3		<b>(Line 1 - Line 2)</b>	\$ (384,039)	\$ (389,803)	\$ (389,412)	\$ (417,270)	\$ (446,688)	\$ (475,231)	\$ (505,535)	\$ (537,698)	\$ (571,839)	\$ (608,088)	\$ (646,583)
	<b>Cumulative (Savings) or Added Expense, Proposed Facilities</b>												
4		<b>(Line 3 + Prior Year Line 4)</b>	\$ (384,039)	\$ (773,841)	\$ (1,163,254)	\$ (1,580,524)	\$ (2,027,213)	\$ (2,502,444)	\$ (3,007,979)	\$ (3,545,677)	\$ (4,117,516)	\$ (4,725,604)	\$ (5,372,187)

**Kentucky American Water**  
**Case No. 2012-00096, Certificate Case for Northern Connection I**  
**PSC DR3 #11**  
**Hearing DR #11**

Line	Option	Notes	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1	Proposed Facilities KRS II Pipeline	Line 41, pages 3 - 4	\$ 931,309	\$ 927,442	\$ 927,116	\$ 930,674	\$ 938,493	\$ 950,987	\$ 968,609	\$ 991,858	\$ 1,021,281	\$ 1,057,479	\$ 1,101,113
2	Owenton WTP Solution	Line 35, pages 5 - 6	\$ 1,618,784	\$ 1,658,363	\$ 1,704,211	\$ 1,756,854	\$ 1,816,868	\$ 1,884,878	\$ 1,961,567	\$ 2,047,680	\$ 2,144,026	\$ 2,251,492	\$ 2,371,043
<b>Annual (Savings) or Added Expense, Proposed Facilities</b>													
3		<b>(Line 1 - Line 2)</b>	\$ (687,474)	\$ (730,921)	\$ (777,095)	\$ (826,181)	\$ (878,375)	\$ (933,892)	\$ (992,959)	\$ (1,055,822)	\$ (1,122,745)	\$ (1,194,013)	\$ (1,269,930)
<b>Cumulative (Savings) or Added Expense, Proposed Facilities</b>													
4		<b>(Line 3 + Prior Year Line 4)</b>	\$ (6,059,661)	\$ (6,790,582)	\$ (7,567,678)	\$ (8,393,858)	\$ (9,272,233)	\$ (10,206,125)	\$ (11,199,084)	\$ (12,254,906)	\$ (13,377,651)	\$ (14,571,663)	\$ (15,841,594)



**Kentucky American Water**  
**Case No. 2012-00096, Certificate Case for Northern Connection Project**  
**PSC DR3 #11**  
**Hearing DR #11**

**A) O&M Additions: Incremental KRS II Costs for Additional Production Costs & for Depreciation of I**

Line #	Item	Notes	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1	O&M*												
2	Labor		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Chemical	Appendix E, Original Filing	\$ 74,076	\$ 79,261	\$ 84,809	\$ 90,746	\$ 97,098	\$ 103,895	\$ 111,168	\$ 118,949	\$ 127,276	\$ 136,185	\$ 145,718
4	Fuel & Power KRS II	Appendix E, Original Filing	\$ 267,085	\$ 293,794	\$ 323,173	\$ 355,491	\$ 391,040	\$ 430,144	\$ 473,158	\$ 520,474	\$ 572,521	\$ 629,773	\$ 692,751
5	Fuel & Power New Booster Station	Appendix E, Original Filing	\$ 47,539	\$ 52,293	\$ 57,522	\$ 63,274	\$ 69,602	\$ 76,562	\$ 84,218	\$ 92,640	\$ 101,904	\$ 112,095	\$ 123,304
6													
7	Depreciation (New Investments)	See Pages 7 - 8	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913	\$ 249,913
8	General Tax (New Investments)	Investments x 0.736% (Propety Tax Assumption)	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875	\$ 103,875
9	Income Tax Effect	-(Sum Lines 1-8) x Tax Rate 38.9% (Makes Gross Up Work Properly)	\$ (288,828)	\$ (303,084)	\$ (318,705)	\$ (335,823)	\$ (354,584)	\$ (375,147)	\$ (397,687)	\$ (422,396)	\$ (449,485)	\$ (479,186)	\$ (511,753)
		-Rate Base x Auth Cost of Debt 3.36% x Tax Rate 0.389											
10	Income Tax (Interest Effect)	(Makes Gross Up Work Properly)	\$ (127,154)	\$ (122,126)	\$ (117,098)	\$ (112,070)	\$ (107,042)	\$ (102,014)	\$ (96,986)	\$ (91,958)	\$ (86,930)	\$ (81,902)	\$ (76,874)
11	<b>Total O&amp;M, Depreciation, Tax (Sum Lines 1-10)</b>		<b>\$ 326,506</b>	<b>\$ 353,926</b>	<b>\$ 383,490</b>	<b>\$ 415,406</b>	<b>\$ 449,901</b>	<b>\$ 487,228</b>	<b>\$ 527,659</b>	<b>\$ 571,497</b>	<b>\$ 619,074</b>	<b>\$ 670,753</b>	<b>\$ 726,934</b>

**B) Rate Base Type Costs- Capital Investments to Build Pipeline and Booster**

Line #	Item	Notes	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
15	Additional UPIS	Per Appendix C, Original Filing	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868	\$ 14,104,868
16	Accumulated Depreciation	1/2 Line 7 First Year + Line 7 Each Additional Year	\$ (2,873,999)	\$ (3,123,912)	\$ (3,373,825)	\$ (3,623,737)	\$ (3,873,650)	\$ (4,123,563)	\$ (4,373,476)	\$ (4,623,389)	\$ (4,873,302)	\$ (5,123,215)	\$ (5,373,128)
17	Deferred Taxes	See Line 46 on Pages 7 - 8	\$ (1,506,852)	\$ (1,641,454)	\$ (1,776,056)	\$ (1,910,658)	\$ (2,045,260)	\$ (2,179,862)	\$ (2,314,465)	\$ (2,449,067)	\$ (2,583,669)	\$ (2,718,271)	\$ (2,852,873)
18	<b>Net Rate Base, Investment (Sum Lines 15 - 17)</b>		<b>\$ 9,724,017</b>	<b>\$ 9,339,502</b>	<b>\$ 8,954,987</b>	<b>\$ 8,570,472</b>	<b>\$ 8,185,957</b>	<b>\$ 7,801,442</b>	<b>\$ 7,416,927</b>	<b>\$ 7,032,412</b>	<b>\$ 6,647,897</b>	<b>\$ 6,263,382</b>	<b>\$ 5,878,867</b>

**C) Rate Base Type Costs- Retirement of Owenton WTP Facilities**

Line #	Item	Notes	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
22	UPIS		\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)	\$ (3,339,021)
23	Accumulated Depreciation		\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021	\$ 3,339,021
24	<b>Net Rate Base, Retirement (Sum Lines 22 - 23)</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**B + C = Total Net Rate Base Changes (Line 18 + Line 24)** **\$ 9,724,017** **\$ 9,339,502** **\$ 8,954,987** **\$ 8,570,472** **\$ 8,185,957** **\$ 7,801,442** **\$ 7,416,927** **\$ 7,032,412** **\$ 6,647,897** **\$ 6,263,382** **\$ 5,878,867**

Rate of Return Per Case 2010-00036 7.74% 7.74% 7.74% 7.74% 7.74% 7.74% 7.74% 7.74% 7.74% 7.74% 7.74% 7.74% 7.74%

**Return on B + C Rate Base (Line 26 x Line 28)** **\$ 752,639** **\$ 722,877** **\$ 693,116** **\$ 663,355** **\$ 633,593** **\$ 603,832** **\$ 574,070** **\$ 544,309** **\$ 514,547** **\$ 484,786** **\$ 455,024**

**D) Total Cost of Service**

**Cost of Service Before Gross-Up (Line 11 + Line 29)** **\$ 1,079,145** **\$ 1,076,803** **\$ 1,076,606** **\$ 1,078,760** **\$ 1,083,494** **\$ 1,091,059** **\$ 1,101,729** **\$ 1,115,806** **\$ 1,133,621** **\$ 1,155,539** **\$ 1,181,958**

Gross-Up Per Case 2010-00036 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716 1.6515716

**Cost of Service After Gross-Up (Line 31 x Line 33)** **\$ 1,782,285** **\$ 1,778,418** **\$ 1,778,091** **\$ 1,781,650** **\$ 1,789,469** **\$ 1,801,962** **\$ 1,819,584** **\$ 1,842,833** **\$ 1,872,257** **\$ 1,908,455** **\$ 1,952,089**

**E) Net Ratemaking Impact**

Savings by Discontinuing Owenton WTP Operation & Depreciation  
(Line 33, pages 5 - 6) **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976** **\$ 850,976**

**Net Ratemaking Impact (Line 36 - Line 39)** **\$ 931,309** **\$ 927,442** **\$ 927,116** **\$ 930,674** **\$ 938,493** **\$ 950,987** **\$ 968,609** **\$ 991,858** **\$ 1,021,281** **\$ 1,057,479** **\$ 1,101,113**

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**KRS II Option**  
**O&M Costs as Filed in Case No. 2012-00096**  
**Depreciation & Deferred Tax Calculations**  
**Hearing DR #11**

Appendix E		Costs from Appendix E, Projected through 2035, Using Same Inflation Assumptions Used in Original Filing																		
Line #	Incremental O&M	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Chemical	\$ 40,292	\$ 40,292	\$ 40,292	\$ 43,113	\$ 46,113	\$ 49,360	\$ 52,815	\$ 56,512	\$ 60,468	\$ 64,701	\$ 69,230	\$ 74,076	\$ 79,261	\$ 84,809	\$ 90,746	\$ 97,098	\$ 103,895	\$ 111,168	\$ 118,949
3	Fuel & Power - KRS II	\$ 93,612	\$ 102,973	\$ 113,270	\$ 124,597	\$ 137,057	\$ 150,762	\$ 165,839	\$ 182,423	\$ 200,665	\$ 220,732	\$ 242,805	\$ 267,085	\$ 293,794	\$ 323,173	\$ 355,491	\$ 391,040	\$ 430,144	\$ 473,158	\$ 520,474
4	Fuel & Power New Booster Station	\$ 16,662	\$ 18,328	\$ 20,161	\$ 22,177	\$ 24,395	\$ 26,835	\$ 29,518	\$ 32,470	\$ 35,717	\$ 39,288	\$ 43,217	\$ 47,539	\$ 52,293	\$ 57,522	\$ 63,274	\$ 69,602	\$ 76,562	\$ 84,218	\$ 92,640
12	<b>Total Non-Rate Base Cost</b>	<b>\$ 150,566</b>	<b>\$ 161,593</b>	<b>\$ 173,723</b>	<b>\$ 189,887</b>	<b>\$ 207,565</b>	<b>\$ 226,957</b>	<b>\$ 248,172</b>	<b>\$ 271,405</b>	<b>\$ 296,850</b>	<b>\$ 324,721</b>	<b>\$ 355,252</b>	<b>\$ 388,700</b>	<b>\$ 425,348</b>	<b>\$ 465,505</b>	<b>\$ 509,511</b>	<b>\$ 557,740</b>	<b>\$ 610,601</b>	<b>\$ 668,544</b>	<b>\$ 732,063</b>

Line #	Incremental Capital Per Appendix C Original Filing	Amount	Depreciation Rates	Subsidiary	Description	Annual Depreciation & COR Expense	Book Depreciation		2014	2015	2016	2017	2018	2019	2020	
							Rate Only	Annual Depreciation Only								
14	Phase 1 - US 127 Material Cost	\$ 1,472,260	1.66%	331300	TD Mains 10in to 16in	\$ 24,440	1.44%	\$ 21,201	29,445	58,890	58,890	58,890	58,890	58,890	58,890	58,890
16	Phase 1 - US 127 Construction Contractor Costs	\$ 2,792,219	1.66%	331300	TD Mains 10in to 16in	\$ 46,351	1.44%	\$ 40,208	55,844	111,689	111,689	111,689	111,689	111,689	111,689	111,689
17	Phase 2 Materials Costs	\$ 1,685,357	1.66%	331300	TD Mains 10in to 16in	\$ 27,977	1.44%	\$ 24,269	33,707	67,414	67,414	67,414	67,414	67,414	67,414	67,414
18	Phase 2 Construction Contractor Costs	\$ 2,352,760	1.66%	331300	TD Mains 10in to 16in	\$ 39,056	1.44%	\$ 33,880	47,055	94,110	94,110	94,110	94,110	94,110	94,110	94,110
19	Phase 3 Constructions Costs (Includes Materials) - 83% for Tanks	\$ 3,041,203	2.03%	330100	Elevated Tanks & Standpip	\$ 61,736	1.62%	\$ 49,267	60,824	121,648	121,648	121,648	121,648	121,648	121,648	121,648
20	Phase 3 Constructions Costs (Includes Materials) - 17% for Pumping Equipment and Controls	\$ 622,897	2.43%	311540	Equipment TD Pumping	\$ 15,136	2.02%	\$ 12,583	12,458	24,916	24,916	24,916	24,916	24,916	24,916	24,916
21	Design, Easement Development & Acquisition	\$ 512,960	1.79%		Lines 14 - 19	\$ 9,203	1.52%	\$ 7,776	10,259	20,518	20,518	20,518	20,518	20,518	20,518	20,518
22	BPS and Tank Site Purchase	\$ 81,250	0.00%	303500	Land & Ld Rights TD	\$ -		\$ -	-	-	-	-	-	-	-	-
23	Easement Purchase	\$ 94,000	0.00%	303501	Land & Ld Rights TD	\$ -		\$ -	-	-	-	-	-	-	-	-
24	Construction Administration & Inspection	\$ 257,000	1.79%		Lines 14 - 19	\$ 4,611	1.52%	\$ 3,896	5,140	10,280	10,280	10,280	10,280	10,280	10,280	10,280
25	9.2% Misc.	\$ 1,192,962	1.79%		Lines 14 - 19	\$ 21,403	1.52%	\$ 18,085	23,859	47,718	47,718	47,718	47,718	47,718	47,718	47,718
26		\$ 14,104,868				\$ 249,913		\$ 211,164	278,592	557,185	557,185	557,185	557,185	557,185	557,185	557,185

Accumulated Tax Depreciation 278,592 835,777 1,392,962 1,950,147 2,507,331 3,064,516 3,621,701

	2014	2015	2016	2017	2018	2019	2020
a	(3,207)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)
b	(6,083)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)
c	(3,671)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)
d	(5,125)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)
e	(4,496)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)
f	48	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)
g	(966)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)
h	-	-	-	-	-	-	-
i	-	-	-	-	-	-	-
j	(484)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)
k	(2,246)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)
	(26,230)	(134,602)	(134,602)	(134,602)	(134,602)	(134,602)	(134,602)

Deferred Tax Liability Total (26,230) (160,832) (295,434) (430,036) (564,638) (699,240) (833,842)

Deferred Tax Asset / (Deferred Tax Liability)

**KRS II Option**  
**O&M Costs as Filed in Case No. 2012-00096**  
**Depreciation & Deferred Tax Calculations**  
**Hearing DR #11**

**Appendix E**

Line #	Incremental O&M	2033	2034	2035
1	Labor	\$ -	\$ -	\$ -
2	Chemical	\$ 127,276	\$ 136,185	\$ 145,718
3	Fuel & Power - KRS II	\$ 572,521	\$ 629,773	\$ 692,751
4	Fuel & Power New Booster Station	\$ 101,904	\$ 112,095	\$ 123,304
12	<b>Total Non-Rate Base Cost</b>	<b>\$ 801,701</b>	<b>\$ 878,053</b>	<b>\$ 961,773</b>

13 **Tax Depreciation**

**Incremental Capital**

14	Per Appendix C Original Filing	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
15	Phase 1 - US 127 Material Cost	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890	58,890
16	Phase 1 - US 127 Construction Contractor Costs	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689	111,689
17	Phase 2 Materials Costs	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414	67,414
18	Phase 2 Construction Contractor Costs	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110	94,110
19	Phase 3 Constructions Costs (Includes Materials) - 83% for Tanks	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648	121,648
20	Phase 3 Constructions Costs (Includes Materials) - 17% for Pumping Equipment and Controls	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916	24,916
21	Design, Easement Development & Acquisition	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518	20,518
22	BPS and Tank Site Purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Easement Purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Construction Administration & Inspection	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280	10,280
25	9.2% Misc.	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718	47,718
26		<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>	<b>557,185</b>
28		<b>4,178,885</b>	<b>4,736,070</b>	<b>5,293,255</b>	<b>5,850,440</b>	<b>6,407,624</b>	<b>6,964,809</b>	<b>7,521,994</b>	<b>8,079,178</b>	<b>8,636,363</b>	<b>9,193,548</b>	<b>9,750,733</b>	<b>10,307,917</b>	<b>10,865,102</b>	<b>11,422,287</b>	<b>11,979,471</b>

**Deferred Taxes**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
32	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)	(14,661)
33	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)	(27,806)
34	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)	(16,783)
35	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)	(23,430)
36	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)	(28,156)
37	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)	(4,798)
38	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)	(4,957)
39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)	(2,483)
42	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)	(11,528)
43	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>	<b>(134,602)</b>
44	<b>(968,444)</b>	<b>(1,103,046)</b>	<b>(1,237,648)</b>	<b>(1,372,250)</b>	<b>(1,506,852)</b>	<b>(1,641,454)</b>	<b>(1,776,056)</b>	<b>(1,910,658)</b>	<b>(2,045,260)</b>	<b>(2,179,862)</b>	<b>(2,314,465)</b>	<b>(2,449,067)</b>	<b>(2,583,669)</b>	<b>(2,718,271)</b>	<b>(2,852,873)</b>

**Owenton WTP Option**  
**O&M Costs as Filed in Case No. 2012-00096**  
**Depreciation & Deferred Tax Calculations**  
**Hearing DR #11**

Appendix D Costs		Costs from Appendix D, Calculate through 2035, Using Same Inflation Assumptions as in Original Filing																	
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Line #	Continued O&M																		
1	Labor	\$ 362,653	\$ 373,532	\$ 384,738	\$ 396,280	\$ 408,169	\$ 420,414	\$ 433,026	\$ 446,017	\$ 459,397	\$ 473,179	\$ 487,375	\$ 501,996	\$ 517,056	\$ 532,567	\$ 548,544	\$ 565,001	\$ 581,951	\$ 599,409
2	Chemical	\$ 222,307	\$ 222,307	\$ 222,307	\$ 237,868	\$ 254,519	\$ 272,336	\$ 291,399	\$ 311,797	\$ 333,623	\$ 356,976	\$ 381,965	\$ 408,702	\$ 437,311	\$ 467,923	\$ 500,678	\$ 535,725	\$ 573,226	\$ 613,352
3	Fuel & Power	\$ 141,320	\$ 150,126	\$ 153,529	\$ 168,882	\$ 185,770	\$ 204,347	\$ 224,782	\$ 247,260	\$ 271,986	\$ 299,185	\$ 329,103	\$ 362,014	\$ 398,215	\$ 438,037	\$ 481,840	\$ 530,024	\$ 583,027	\$ 641,329
4	Sludge Disposal	\$ 32,083	\$ 33,687	\$ 35,371	\$ 37,140	\$ 38,997	\$ 40,947	\$ 42,994	\$ 45,144	\$ 47,401	\$ 49,771	\$ 52,259	\$ 54,872	\$ 57,616	\$ 60,497	\$ 63,522	\$ 66,698	\$ 70,033	\$ 73,534
5		\$ 758,363	\$ 779,652	\$ 795,945	\$ 840,170	\$ 887,455	\$ 938,044	\$ 992,201	\$ 1,050,218	\$ 1,112,407	\$ 1,179,111	\$ 1,250,702	\$ 1,327,584	\$ 1,410,198	\$ 1,499,024	\$ 1,594,584	\$ 1,697,448	\$ 1,808,236	\$ 1,927,625

7	Book Depreciation																			

8	Incremental Capital Per Page 5 of Original Filing	Capital Investment	Depreciation			Annual Depreciation & COR Expense	Annual Depreciation			2014-2019										
			Rate	Subsidiary	Description		Rate Only	Depreciation Only		2014	2015	2016	2017	2018	2019					
9	Chemical Bulk Storage Improvements	\$ 2,100,000	2.59%	320100	WT Equip Non-Media	\$ 54,390	2.16%	\$ 45,360	a	42,000	84,000	84,000	84,000	84,000	84,000					
10	Pretreatment Reliability Improvements	\$ 1,200,000	2.59%	320100	WT Equip Non-Media	\$ 31,080	2.16%	\$ 25,920	b	24,000	48,000	48,000	48,000	48,000	48,000					
11	Residuals Handling Improvements	\$ 1,800,000	2.59%	320100	WT Equip Non-Media	\$ 46,620	2.16%	\$ 38,880	c	36,000	72,000	72,000	72,000	72,000	72,000					
12	Filter Reliability Improvements	\$ 1,700,000	2.59%	320100	WT Equip Non-Media	\$ 44,030	2.16%	\$ 36,720	d	34,000	68,000	68,000	68,000	68,000	68,000					
13	Emergency Power Reliability Improvement	\$ 600,000	2.93%	310000	Power Generation Equip	\$ 17,580	2.93%	\$ 17,580	e	12,000	24,000	24,000	24,000	24,000	24,000					
14	SCADA Improvements	\$ 300,000	20.00%	340330	Comp Software Other	\$ 60,000	20.00%	\$ 60,000	f	100,000	100,000	100,000	-	-	-					
15	Raw Water Intake Improvements	\$ 1,400,000	2.05%	306000	Lake, River & Other Intak	\$ 28,700	2.05%	\$ 28,700	g	28,000	56,000	56,000	56,000	56,000	56,000					
16	New Storage Tank	\$ 2,300,000	2.03%	330100	Elevated Tanks & Standpip	\$ 46,690	1.62%	\$ 37,260	h	46,000	92,000	92,000	92,000	92,000	92,000					
17		\$ 11,400,000				\$ 329,090		\$ 290,420		322,000	544,000	544,000	444,000	444,000	444,000					
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Accumulated Tax Depreciation 322,000 866,000 1,410,000 1,854,000 2,298,000 2,742,000

	2014	2015	2016	2017	2018	2019
a	1,307	(15,031)	(15,031)	(15,031)	(15,031)	(15,031)
b	747	(8,589)	(8,589)	(8,589)	(8,589)	(8,589)
c	1,120	(12,884)	(12,884)	(12,884)	(12,884)	(12,884)
d	1,058	(12,168)	(12,168)	(12,168)	(12,168)	(12,168)
e	2,171	(2,497)	(2,497)	(2,497)	(2,497)	(2,497)
f	(15,560)	(15,560)	(15,560)	23,340	23,340	-
g	272	(10,620)	(10,620)	(10,620)	(10,620)	(10,620)
h	(3,400)	(21,294)	(21,294)	(21,294)	(21,294)	(21,294)
	(12,285)	(98,643)	(98,643)	(59,743)	(59,743)	(83,083)

Deferred Tax Liability Total (12,285) (110,927) (209,570) (269,312) (329,055) (412,138)

Deferred Tax Asset / (Deferred Tax Liability)  
 Rates: Federal 35.00% State 6.00%  
 Blended 38.90%



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

---

**Witness:**     **Linda C. Bridwell**

12.     Reference the ratemaking attachment to Kentucky American Water's response to Item No. 21 of the Attorney General's First Information Request. That attachment provides information through 2018. Please provide the same information through 2035.

**Response:**

      Please refer to the attachment to Hearing Data Request Item No. 11, which extends the ratemaking impact analysis through 2035. Pages 1 and 2 provide a comparison of the costs, as well as the net annual and cumulative savings of implementing the KRS II connection proposed in this case. Please note that the cumulative savings (through 2035) of making the proposed Northern Division Connection versus making the necessary improvements to the Owenton Water Treatment Plant exceed \$15 million dollars.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness:**     **Keith Cartier**

13.     Reference Lindsey Ingram III's July 6, 2012 letter to the Commission on the topic of Kentucky River Station II pumpage exceeding 80% of rated capacity (80% would be 16 million gallons) on June 28, 2012. Provide all other dates when pumpage from Kentucky River Station II has exceeded 80% (16 million gallons) of Kentucky River Station II's rated capacity.

**Response:**

Pumpage from Kentucky River Station II exceeded 80% of the rated capacity on the following dates: June 28-30, July 3, and July 5-11.



**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2012-00096**  
***HEARING REQUEST FOR INFORMATION***

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**Witness:**     **Linda C. Bridwell**

14.     Reference Lindsey Ingram III's July 6, 2012 letter to the Commission on the topic of Kentucky River Station II pumpage exceeding 80% of rated capacity (80% would be 16 million gallons) on June 28, 2012. The letter states that system wide pumpage on June 28, 2012 was "at 77 percent of system wide rated capacity on that day." State whether the 77 percent figure was based on a Kentucky River Station I capacity of 40 or 45 million gallons per day.

**Response:**

      The 77% figure assumes a capacity of 40 mgd at Kentucky River Station I. Utilizing the 45 million gallons per day, the pumpage that day would equal 72.8 % of system wide rated capacity on that day.