

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134**

**HEARING DATA REQUESTS TO KENTUCKY AMERICAN WATER
Item 11 of 15**

11. Provide a narrative description of the basis of each of the assumptions used in the corrections to the R.W. Beck Report described by Mr. Harold Walker at the hearing of this matter.

Response:

Attached is the cost of service comparisons for both Pool 3 (HDR 11.1) and Section 2 (HDR 11.2) that was discussed during Mr. Walker's cross examination. The comparisons list the individual dollars of cost of service items listed on the R.W. Beck Analyses (Flat MGD) from Appendix B. These cost of service items were then compared to the expense items included in Mr. Walker's rebuttal analyses. It should be noted that Mr. Walker recalculated his cost of service items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The Present Value ("PV") cost difference was calculated using a 4.7% discount rate.

POOL 3 OPTION COST OF SERVICE COMPARISONS

Attached is **HDR 11.1** which lists the individual dollars of cost of service items listed on the R.W. Beck Analyses (Flat MGD) from Appendix B-1 for Pool 3 (dated October 2007). These cost of service items were then compared to the expense items included in Mr. Walker's rebuttal analyses. It should be noted that Mr. Walker recalculated his expense items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The PV cost difference was calculated using a 4.7% discount rate.

Chemicals

On row 1 (see column B) of **HDR 11.1**, Chemicals from the R.W. Beck Appendix B-1 are shown. On row 2 of HDR 11.1, Chemical Costs from Mr. Walker Revised Schedule 4 line #36 are listed. Mr. Walker recalculated his cost of service items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The annual difference between the two items is shown on row 3 of HDR 11.1. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 4 of HDR 11.1. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$54,099 just for Chemicals alone. The basis for the chemicals costs from Mr. Walker's calculations are Table 4 to Ms. Bridwell's direct testimony, inflated from 2007 to 2010, and annually thereafter.

Labor

On row 6 (see column B) of HDR 11.1, Labor from the R.W. Beck Appendix B-1 are shown. On row 7 of HDR 11.1, Labor Costs Total from Mr. Walker Revised Schedule 4 line #20 is listed. Mr. Walker recalculated his cost of service items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The annual difference between the two items is shown on row 8 of

HDR 11.1. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 9 of HDR 11.1. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$1,392,477 just for Labor alone. The basis for the labor costs from Mr. Walker's calculation are Table 4 to Ms. Bridwell's direct testimony, inflated from 2007 to 2010, and annually thereafter.

Electricity

On rows 11 and 12 (see column B) of HDR 11.1, Treatment Plant & Booster Pump Electricity from the R.W. Beck Appendix B-1 are shown. On row 14 of HDR 11.1, Power Costs Total from Mr. Walker Revised Schedule 4 line #26 is listed. Mr. Walker recalculated his cost of service items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The annual difference between the two items is shown on row 15 of HDR 11.1. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 16 of HDR 11.1. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$219,011 just for Electricity alone. The basis for the electricity costs from Mr. Walker's calculation are Table 4 to Ms. Bridwell's direct testimony, inflated from 2007 to 2010, and annually thereafter.

Property Taxes

On row 18 (see column B) of HDR 11.1, Property Taxes from the R.W. Beck Appendix B-1 is shown. On row 19 of HDR 11.1, Property Taxes from Mr. Walker Revised Schedule 4 line #40 are listed. Mr. Walker recalculated his cost of service items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The recalculated property taxes are shown on HDR 11.3 for property taxes based on net original cost property increasing at 2.4% per year. The annual difference between the two items is shown on row 20 of HDR 11.1. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 21 of HDR 11.1. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$5,189,993 just for Property Taxes alone. The basis for the electricity costs from Mr. Walker's calculation are Table 4 to Ms. Bridwell's direct testimony and the property tax schedule provided in this case, inflated annually on the depreciated original value of the facilities.

KRA Withdrawal Fee

On row 23 (see column B) of HDR 11.1, KRA Withdrawal Fee from the R.W. Beck Appendix B-1 are shown. On row 24 of HDR 11.1, KRA Withdrawal Fee from Mr. Walker Revised Schedule 4 line #38 is revised to \$0 based on the oral testimony at the hearings (i.e., withdrawals from Pool 3 are offsets of withdrawals from Pool 9). The annual difference between the two items is shown on row 25 of HDR 11.1. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 26 of HDR 11.1. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$1,285,347 just for KRA Withdrawal Fee alone.

Return of Capital (i.e., capital recovery or depreciation expense)

On row 30 (see column B) of HDR 11.1, The "Renewal and Replacement Fund" or R&R – TP at row 30 (see column B) of HDR 11.1, R&R – UV at row 31 (see column B) of HDR 11.1, R&R – TL at row 32 all from the R.W. Beck Appendix B-1. On row 34 (see column B) of HDR 11.1, Municipal Bond Principal Repayment was derived from the R.W. Beck Appendix B-1. The details of the Municipal Bond Principal Repayment are shown on the debt service schedule

attached as page 1 HDR 11.4. On row 35 of HDR 11.1 the total Return of Capital from the R.W. Beck Appendix B-1 is totaled.

On row 38 of HDR 11.1, Depreciation from Mr. Walker Revised Schedule 4 line #39 is listed. On row 39 of HDR 11.1, BWSC Principal Repayment was derived from the Mr. Walker Revised Schedule 4. The details of the BWSC Principal Repayment are shown on the debt service schedule attached as page 2 HDR 11.4. On row 40 of HDR 11.1 the total Return of Capital from the Mr. Walker Revised Schedule 4 is totaled.

The annual difference between the two items is shown on row 41 of HDR 11.1. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 42 of HDR 11.1. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$19,203,489 just for Return of Capital alone.

Return on Capital (i.e., rate of return and income taxes)

On row 46 (see column B) of HDR 11.1, KAWC Cost of Capital (80%) (17) from the R.W. Beck Appendix B-1. On row 47 (see column B) of HDR 11.1, UV Cost of Capital from the R.W. Beck Appendix B-1. On row 48 (see column B) of HDR 11.1, Municipal Bond Interest Payment was derived from the R.W. Beck Appendix B-1. The details of the Municipal Bond Interest Payment are shown on the debt service schedule attached as page 1 HDR 11.4. On row 49 of HDR 11.1 the Total Pre-Tax Return on Capital from the R.W. Beck Appendix B-1 is totaled.

On row 51 of HDR 11.1, Income Taxes & Sales Taxes from Mr. Walker Revised Schedule 4 are shown. On row 52 of HDR 11.1, KAW - Income Before Interest Charges from Mr. Walker Revised Schedule 4 are shown. On row 53 of HDR 11.1, BWSC - Bond Interest Payment derived from Mr. Walker Revised Schedule 4 are shown. The details of the BWSC Bond Interest Payment are shown on the debt service schedule attached as page 2 HDR 11.4. On row 54 of HDR 11.1, Total Pre-Tax Return on Capital from Mr. Walker Revised Schedule 4 is shown.

The annual difference between the two items (row 49 vs. row 54) is shown on row 55 of HDR 11.1. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 56 of HDR 11.1. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$24,485,669 just for Return on Capital alone.

Summary of Pool 3 Option Cost of Service Comparisons

The PV cost of seven cost of service items summarized above totals \$51,830,085. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was overstated by \$51,830,085. Accordingly, R.W. Beck's PV cost for the Pool 3 Option (Appendix B-1) is overstated by \$51,830,085 and, therefore, R.W. Beck's PV cost for the Pool 3 Option of \$303,334,024 (Appendix B-1) should, in fact, be \$251,503,939 after these correction are reflected.

SECTION 2 OPTION COST OF SERVICE COMPARISONS

Attached is **HDR 11.2** which lists the individual dollars of cost of service items listed on the

R.W. Beck Analyses (Flat MGD) from Appendix B-2 for Pool 2 (dated October 2007). These cost of service items were then compared to the expense items included in Mr. Walker's rebuttal analyses. It should be noted that Mr. Walker recalculated his expense items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The PV cost difference was calculated using a 4.7% discount rate.

Electricity

On row 1 (see column B) of **HDR 11.2**, Electricity from the R.W. Beck Appendix B-2 is shown. On row 2 of HDR 11.2, Power Costs Total from Mr. Walker Schedule 5 line #29 is listed. Mr. Walker recalculated his cost of service items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The annual difference between the two items is shown on row 3 of HDR 11.2. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 4 of HDR 11.2. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was understated by \$2,608,324 just for Electricity alone. The basis for the electricity costs in Mr. Walker's calculation is an increase in electricity calculated in the R.W. Beck report based on the elevation difference between the two systems, using a 12.5 MGD purchase.

Wholesale Water Cost

On row 4 (see column B) of HDR 11.2, Wholesale Water Cost from the R.W. Beck Appendix B-2 are shown. On row 4 of HDR 11.2, Wholesale Water Charges Total from Mr. Walker Schedule 5 line #29 is listed. Mr. Walker calculated his wholesale water cost items using the rates listed in Mr. Heitznman's. The annual difference between the two items is shown on row 5 of HDR 11.2. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 6 of HDR 11.2. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was understated by \$79,220,894 just for Wholesale Water Cost alone. The basis for the Wholesale Water Cost in Mr. Walker's calculation is the cost of providing 12.5 MGD.

Meter Charge

On row 8 (see column B) of HDR 11.2, Meter Charge from the R.W. Beck Appendix B-2 are shown. On row 9 of HDR 11.2, Meter Charges Total from Mr. Walker Schedule 5 line #29 is listed. Mr. Walker recalculated his cost of service items using a 2.4% inflation rate to be consistent with the R.W. Beck analyses. The annual difference between the two items is shown on row 10 of HDR 11.2. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 11 of HDR 11.2. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was understated by \$9,413,221 just for Meter Charge alone. The basis for the meter charge in Mr. Walker's calculation is the stated LWC cost for an 8" meter, multiplied by five to provide capacity available for the full 25 MGD.

Return on Capital (i.e., rate of return and income taxes)

On row 15 (see column B) of HDR 11.2, Municipal Bond Interest Payment was derived from the R.W. Beck Appendix B-2. The details of the Municipal Bond Interest Payment are shown on the debt service schedule attached as page 3 HDR 11.4. On row 17 of HDR 11.2 the Total Pre-Tax Return on Capital from the R.W. Beck Appendix B-2 is totaled.

On row 17 of HDR 11.2, Income Taxes & Sales Taxes from Mr. Walker Schedule 5 are shown.

On row 19 of HDR 11.2, KAW - Income Before Interest Charges from Mr. Walker Schedule 5 are shown. On row 20 of HDR 11.2, BWSC - Bond Interest Payment derived from Mr. Walker Schedule 5 are shown. The details of the BWSC Bond Interest Payment are shown on the debt service schedule attached as page 4 HDR 11.4. On row 21 of HDR 11.2, Total Pre-Tax Return on Capital from Mr. Walker Schedule 5 is shown.

The annual difference between the two items (row 17 vs. row 21) is shown on row 22 of HDR 11.2. The PV cost difference was calculated using a 4.7% discount rate and is shown in row 23 of HDR 11.2. The PV cost difference demonstrates the R.W. Beck Pool 3 total PV cost was understated by \$85,662,560 for Return on Capital alone.

Summary of Section 2 Option Cost of Service Comparisons

The PV cost of seven cost of service items summarized above totals \$176,904,999. The PV cost difference demonstrates the R.W. Beck Section 2 total PV cost was understated by \$176,904,999. Accordingly, R.W. Beck's PV cost for the Section 2 Option (Appendix B-2) is understated by \$176,904,999, and, therefore, R.W. Beck's PV cost for the Section 2 Option of \$146,693,865 (Appendix B-2) should, in fact, be \$323,598,864 after these corrections are reflected.

**Pool 3 Option
Cost Comparison**

Ln #		Basis		2007	2008	2009	2010	2011	2012
		%	Row#						
Beck's Actual	Chemicals	2.4%	1	\$ -	\$ -		\$168,555	\$172,600	\$176,743
GF Base # 36.	Chemical Costs	2.4%	2	153,300	156,979	160,746	164,604	168,554	172,599
	Difference - (Beck # - GF #)		3				3,951	4,046	4,144
	PV of Difference		4				\$3,364	\$3,291	\$3,219
			5						
Beck's Actual	Labor	2.4%	6	\$ -	\$ -		\$650,518	\$666,130	\$682,117
GF Base # 0	Labor Costs Total	2.4%	7	542,622	555,645	568,980	582,636	596,619	610,938
	Difference - (Beck # - GF #)		8				67,882	69,511	71,179
	PV of Difference		9				\$57,802	\$56,532	\$55,290
			10						
Beck's Actual	Treatment Plant Electricity		11				\$526,415	\$539,049	\$551,987
Beck's Actual	Booster Pump Electricity (14)		12				120,273	123,160	126,116
Beck's Actual	Total Electricity	2.4%	13	\$ -	\$ -		646,689	662,209	678,102
GF Base # 26.	Power Costs Total	2.4%	14	588,159	602,275	616,730	631,532	646,689	662,210
	Difference - (Beck # - GF #)		15				15,157	15,520	15,892
	PV of Difference		16				\$12,906	\$12,622	\$12,345
			17						
Beck's Actual	Property Taxes (15)	2.4%	18	\$ -	\$ -		\$1,212,834	\$1,241,942	\$1,271,749
GF Base # 40	Property Taxes	2.4%	19				1,025,253	1,030,736	1,035,891
	Difference - (Beck # - GF #)		20				187,581	211,206	235,858
	PV of Difference		21				\$159,726	\$171,770	\$183,208
			22						
Beck's Actual	KRA Withdrawal Fee (16)	0.0%	23	\$ -	\$ -		\$109,500	\$109,500	\$109,500
GF Base # 38	KRA Withdrawal Fee	0.0%	24				0	0	0
	Difference - (Beck # - GF #)		25				109,500	109,500	109,500
	PV of Difference		26				\$93,240	\$89,054	\$85,056
			27						
			28						
	Return of Capital		29						
Beck's Actual	Renewal and Replacement Fund		30						
Beck's Actual	R&R (TP) (16)	2.500%	30	\$ -	\$ -	\$ -	\$2,253,928	\$2,253,928	\$2,253,928
Beck's Actual	R&R (UV) ()	2.500%	31						209,323
Beck's Actual	R&R (TL) (17)	1.333%	32	0	0	0	982,129	982,129	982,129
Beck's Actual	Total Renewal and Replacement Fund Costs (Depreciation)		33				3,236,057	3,236,057	3,445,381
Beck's Actual	Municipal Bond Principal Repayment		34				1,045,172	1,094,295	1,145,727
	Total Capital Recovery		35				4,281,229	4,330,352	4,591,107
			36						
			37						
GF Base # 39	Depreciation		38				2,685,567	2,685,567	2,685,567
GF Base # 9	BWSC Principal Repayment		39				398,656	417,613	437,472
	Total Capital Recovery		40				3,084,223	3,103,180	3,123,039
	Difference - (Beck # - GF #)		41				1,197,006	1,227,172	1,468,069
	PV of Difference		42				\$1,019,255	\$998,034	\$1,140,354
			43						
			44						
	Return on Capital		45						
	Phase I Project		46						
Beck's Actual	KAWC Cost of Capital (80%) (17)		46				16,836,675	17,363,451	17,031,600
Beck's Actual	UV Cost of Capital (100%) (17)		47						1,046,452
Beck's Actual	Municipal Bond Interest Payment		48				1,573,743	1,524,619	1,473,188
Beck's Actual	Total Pre-Tax Return on Capital		49				18,410,418	18,888,071	19,551,240
			50						
GF Base # 41	Income Taxes & Sales Taxes		51				4,254,995	4,176,577	4,098,158
GF Base # 43	KAW - Income Before Interest Charges		52				11,147,505	10,942,059	10,736,613
GF Base #	BWSC - Bond Interest Payment		53				1,724,691	1,705,734	1,685,875
	Total Pre-Tax Return on Capital		54				17,127,191	16,824,370	16,520,646
	Difference - (Beck # - GF #)		55				1,283,227	2,063,701	3,030,593
	PV of Difference		56				\$1,092,673	\$1,678,366	\$2,354,078
			57						

**Pool 3 Option
Cost Comparison**

Ln #	Basis	%	Row#	B						
				2013	2014	2015	2016	2017	2018	
Beck's Actual	Chemicals	2.4%	1	\$180,985	\$185,328	\$189,776	\$194,331	\$198,995	\$203,771	
GF Base # 36.	Chemical Costs	2.4%	2	176,741	180,983	185,327	189,775	194,330	198,994	
	Difference - (Beck # - GF #)		3	4,244	4,345	4,449	4,556	4,665	4,777	
	PV of Difference		4	\$3,148	\$3,079	\$3,011	\$2,945	\$2,880	\$2,817	
			5							
Beck's Actual	Labor	2.4%	6	\$698,488	\$715,252	\$732,418	\$749,996	\$767,996	\$786,428	
GF Base # 0	Labor Costs Total	2.4%	7	625,601	640,615	655,990	671,734	687,856	704,365	
	Difference - (Beck # - GF #)		8	72,887	74,637	76,428	78,262	80,140	82,063	
	PV of Difference		9	\$54,075	\$52,887	\$51,725	\$50,589	\$49,477	\$48,390	
			10							
Beck's Actual	Treatment Plant Electricity		11	\$565,234	\$578,800	\$592,691	\$606,916	\$621,482	\$636,397	
Beck's Actual	Booster Pump Electricity (14)		12	129,143	132,242	135,416	138,666	141,994	145,402	
Beck's Actual	Total Electricity	2.4%	13	694,377	711,042	728,107	745,581	763,475	781,799	
GF Base # 26	Power Costs Total	2.4%	14	678,103	694,377	711,042	728,107	745,582	763,476	
	Difference - (Beck # - GF #)		15	16,274	16,665	17,065	17,474	17,893	18,323	
	PV of Difference		16	\$12,074	\$11,809	\$11,549	\$11,296	\$11,047	\$10,804	
			17							
Beck's Actual	Property Taxes (15)	2.4%	18	\$1,302,271	\$1,333,526	\$1,365,530	\$1,398,303	\$1,431,862	\$1,466,227	
GF Base # 40.	Property Taxes	2.4%	19	1,040,701	1,045,144	1,049,201	1,052,852	1,056,073	1,058,842	
	Difference - (Beck # - GF #)		20	261,570	288,382	316,329	345,451	375,789	407,385	
	PV of Difference		21	\$194,059	\$204,347	\$214,088	\$223,302	\$232,009	\$240,225	
			22							
Beck's Actual	KRA Withdrawal Fee (16)	0.0%	23	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500	
GF Base # 38	KRA Withdrawal Fee	0.0%	24	0	0	0	0	0	0	
	Difference - (Beck # - GF #)		25	109,500	109,500	109,500	109,500	109,500	109,500	
	PV of Difference		26	\$81,238	\$77,591	\$74,108	\$70,782	\$67,604	\$64,569	
			27							
			28							
			29							
	Return of Capital		30							
Beck's Actual	Renewal and Replacement Fund		31	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	
Beck's Actual	R&R (TP) (16)	2.500%	32	209,323	209,323	209,323	209,323	209,323	209,323	
Beck's Actual	R&R (UV) (1)	2.500%	33	982,129	982,129	982,129	982,129	982,129	982,129	
Beck's Actual	R&R (TL) (17)	1.333%	34	3,445,381	3,445,381	3,445,381	3,445,381	3,445,381	3,445,381	
Beck's Actual	Total Renewal and Replacement Fund Costs (Depreciation)		35	1,199,576	1,255,956	1,314,986	1,376,790	1,441,499	1,509,250	
Beck's Actual	Municipal Bond Principal Repayment		36	4,644,956	4,701,336	4,760,366	4,822,171	4,886,880	4,954,630	
	Total Capital Recovery		37							
			38	2,685,567	2,685,567	2,685,567	2,685,567	2,685,567	2,685,567	
GF Base # 39	Depreciation		39	458,274	480,066	502,895	526,808	551,859	578,101	
GF Base # 9	BWSC Principal Repayment		40	3,143,841	3,165,633	3,188,462	3,212,375	3,237,426	3,263,668	
	Total Capital Recovery		41	1,501,115	1,535,703	1,571,905	1,609,795	1,649,454	1,690,962	
	Difference - (Beck # - GF #)		42	\$1,113,680	\$1,088,196	\$1,063,848	\$1,040,584	\$1,018,357	\$997,119	
	PV of Difference		43	\$19,203,489						
			44							
	Return on Capital		45							
	Phase I Project		46	16,699,749	16,367,898	16,036,046	15,704,195	15,372,344	15,040,493	
Beck's Actual	KAWC Cost of Capital (80%) (17)		47	1,019,620	992,788	965,956	939,124	912,292	885,459	
Beck's Actual	UV Cost of Capital (100%) (17)		48	1,419,338	1,362,958	1,303,928	1,242,124	1,177,415	1,109,665	
Beck's Actual	Municipal Bond Interest Payment		49	19,138,707	18,723,644	18,305,931	17,885,443	17,462,051	17,035,617	
Beck's Actual	Total Pre-Tax Return on Capital		50							
			51	4,019,740	3,941,321	3,862,902	3,784,484	3,706,065	3,627,647	
GF Base # 41	Income Taxes & Sales Taxes		52	10,531,167	10,325,721	10,120,275	9,914,829	9,709,384	9,503,938	
GF Base # 43	KAW - Income Before Interest Charges		53	1,665,073	1,643,281	1,620,452	1,596,539	1,571,488	1,545,246	
GF Base #	BWSC - Bond Interest Payment		54	16,215,980	15,910,323	15,603,629	15,295,852	14,986,937	14,676,831	
	Total Pre-Tax Return on Capital		55	2,922,728	2,813,321	2,702,301	2,589,591	2,475,114	2,358,786	
	Difference - (Beck # - GF #)		56	\$2,168,378	\$1,993,514	\$1,828,887	\$1,673,932	\$1,528,111	\$1,390,919	
	PV of Difference		57	\$24,485,669						

**Pool 3 Option
Cost Comparison**

		A	B					
		Basis	Row#					
Ln #		%	2019	2020	2021	2022	2023	2024
Beck's Actual	Chemicals	2.4%	\$208,661	\$213,669	\$218,797	\$224,048	\$229,425	\$234,932
GF Base # 36	Chemical Costs	2.4%	203,770	208,660	213,668	218,796	224,047	229,424
	Difference - (Beck # - GF #)		4,891	5,009	5,129	5,252	5,378	5,508
	PV of Difference		\$57,099					
Beck's Actual	Labor	2.4%	\$805,302	\$824,629	\$844,420	\$864,686	\$885,439	\$906,689
GF Base # 0	Labor Costs Total	2.4%	721,270	738,580	756,306	774,457	793,044	812,077
	Difference - (Beck # - GF #)		84,032	86,049	88,114	90,229	92,395	94,612
	PV of Difference		\$1,392,477					
Beck's Actual	Treatment Plant Electricity		\$651,671	\$667,311	\$683,326	\$699,726	\$716,519	\$733,716
Beck's Actual	Booster Pump Electricity (14)		148,891	152,465	156,124	159,871	163,708	167,637
Beck's Actual	Total Electricity	2.4%	800,562	819,775	839,450	859,597	880,227	901,353
GF Base # 26	Power Costs Total	2.4%	781,799	800,562	819,775	839,450	859,597	880,227
	Difference - (Beck # - GF #)		18,763	19,213	19,675	20,147	20,630	21,126
	PV of Difference		\$219,011					
Beck's Actual	Property Taxes (15)	2.4%	\$1,501,416	\$1,537,450	\$1,574,349	\$1,612,133	\$1,650,825	\$1,690,444
GF Base # 40	Property Taxes	2.4%	1,061,135	1,062,930	1,064,199	1,064,916	1,065,055	1,064,588
	Difference - (Beck # - GF #)		440,281	474,520	510,150	547,217	585,770	625,856
	PV of Difference		\$5,189,993					
Beck's Actual	KRA Withdrawal Fee (16)	0.0%	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500
GF Base # 38	KRA Withdrawal Fee	0.0%	0	0	0	0	0	0
	Difference - (Beck # - GF #)		109,500	109,500	109,500	109,500	109,500	109,500
	PV of Difference		\$1,285,347					
Return of Capital								
Beck's Actual	Renewal and Replacement Fund							
Beck's Actual	R&R (TP) (16)	2.500%	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928
Beck's Actual	R&R (UV) ()	2.500%	209,323	209,323	209,323	209,323	209,323	209,323
Beck's Actual	R&R (TL) (17)	1.333%	982,129	982,129	982,129	982,129	982,129	982,129
Beck's Actual	Total Renewal and Replacement Fund Costs (Depreciation)		3,445,381	3,445,381	3,445,381	3,445,381	3,445,381	3,445,381
Beck's Actual	Municipal Bond Principal Repayment		1,580,184	1,654,453	1,732,212	1,813,626	1,898,867	1,988,114
	Total Capital Recovery		5,025,565	5,099,834	5,177,593	5,259,007	5,344,247	5,433,494
GF Base # 39	Depreciation		2,685,567	2,685,567	2,685,567	2,685,567	2,685,567	2,685,567
GF Base # 9	BWSC Principal Repayment		605,591	634,389	664,555	696,156	729,260	763,938
	Total Capital Recovery		3,291,158	3,319,956	3,350,122	3,381,723	3,414,827	3,449,505
	Difference - (Beck # - GF #)		1,734,407	1,779,878	1,827,471	1,877,284	1,929,420	1,983,989
	PV of Difference		\$19,203,489					
Return on Capital								
Phase I Project								
Beck's Actual	KAWC Cost of Capital (80%) (17)		14,708,642	14,376,790	14,044,939	13,713,088	13,381,237	13,049,386
Beck's Actual	UV Cost of Capital (100%) (17)		858,627	831,795	804,963	778,131	751,299	724,467
Beck's Actual	Municipal Bond Interest Payment		1,038,730	964,461	886,702	805,288	720,047	630,801
Beck's Actual	Total Pre-Tax Return on Capital		16,605,999	16,173,047	15,736,604	15,296,507	14,852,583	14,404,653
GF Base # 41	Income Taxes & Sales Taxes		3,549,228	3,470,810	3,392,391	3,313,973	3,235,554	3,157,135
GF Base # 43	KAW - Income Before Interest Charges		9,298,492	9,093,046	8,887,600	8,682,154	8,476,708	8,271,262
GF Base #	BWSC - Bond Interest Payment		1,517,756	1,488,958	1,458,792	1,427,191	1,394,087	1,359,409
	Total Pre-Tax Return on Capital		14,365,476	14,052,814	13,738,783	13,423,318	13,106,349	12,787,806
	Difference - (Beck # - GF #)		2,240,523	2,120,232	1,997,821	1,873,189	1,746,234	1,616,847
	PV of Difference		\$24,485,669					

**Pool 3 Option
Cost Comparison**

		A	B							
		Basis								
Ln #		%	Row#	2025	2026	2027	2028	2029	2030	
Beck's Actual	Chemicals	2.4%	1	\$240,570	\$246,344	\$252,256	\$258,310	\$264,509	\$270,858	
GF Base # 36	Chemical Costs	2.4%	2	234,930	240,568	246,342	252,254	258,308	264,507	
	Difference - (Beck # - GF #)		3	5,640	5,776	5,914	6,056	6,201	6,351	
	PV of Difference		4	\$2,411	\$2,359	\$2,307	\$2,256	\$2,206	\$2,158	
			5							
Beck's Actual	Labor	2.4%	6	\$1,097,945	\$1,124,295	\$1,151,279	\$1,178,909	\$1,207,203	\$1,236,176	
GF Base # 0	Labor Costs Total	2.4%	7	831,567	851,525	871,962	892,889	914,318	936,262	
	Difference - (Beck # - GF #)		8	266,378	272,770	279,317	286,020	292,885	299,914	
	PV of Difference		9	\$113,890	\$111,388	\$108,941	\$106,547	\$104,207	\$101,918	
			10							
Beck's Actual	Treatment Plant Electricity		11	\$751,325	\$769,357	\$787,822	\$806,729	\$826,091	\$845,917	
Beck's Actual	Booster Pump Electricity (14)		12	171,660	175,780	179,998	184,318	188,742	193,272	
Beck's Actual	Total Electricity	2.4%	13	922,985	945,137	967,820	991,048	1,014,833	1,039,189	
GF Base # 26	Power Costs Total	2.4%	14	901,352	922,984	945,136	967,819	991,047	1,014,832	
	Difference - (Beck # - GF #)		15	21,633	22,153	22,684	23,229	23,786	24,357	
	PV of Difference		16	\$9,249	\$9,046	\$8,847	\$8,653	\$8,463	\$8,277	
			17							
Beck's Actual	Property Taxes (15)	2.4%	18	\$1,731,015	\$1,772,559	\$1,815,101	\$1,858,663	\$1,903,271	\$1,948,950	
GF Base # 40	Property Taxes	2.4%	19	1,063,484	1,061,715	1,059,249	1,056,050	1,052,090	1,047,331	
	Difference - (Beck # - GF #)		20	667,531	710,844	755,852	802,613	851,181	901,619	
	PV of Difference		21	\$285,403	\$290,278	\$294,802	\$298,987	\$302,846	\$306,391	
			22							
Beck's Actual	KRA Withdrawal Fee (16)	0.0%	23	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500	\$109,500	
GF Base # 38	KRA Withdrawal Fee	0.0%	24	0	0	0	0	0	0	
	Difference - (Beck # - GF #)		25	109,500	109,500	109,500	109,500	109,500	109,500	
	PV of Difference		26	\$46,817	\$44,715	\$42,708	\$40,791	\$38,960	\$37,211	
			27							
			28							
			29							
	Return of Capital		30							
Beck's Actual	Renewal and Replacement Fund		31							
Beck's Actual	R&R (TP) (16)	2.500%	30	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	\$2,253,928	
Beck's Actual	R&R (UV) (1)	2.500%	31	209,323	209,323	209,323	209,323	209,323	209,323	
Beck's Actual	R&R (TL) (17)	1.333%	32	982,129	982,129	982,129	982,129	982,129	982,129	
Beck's Actual	Total Renewal and Replacement Fund Costs (Depreciation)		33	3,445,381	3,445,381	3,445,381	3,445,381	3,445,381	3,445,381	
Beck's Actual	Municipal Bond Principal Repayment	Derived Amount	34	2,081,555	2,179,388	2,281,819	2,389,065	2,501,351	2,618,381	
	Total Capital Recovery		35	5,526,935	5,624,769	5,727,200	5,834,445	5,946,731	6,063,761	
			36							
			37							
GF Base # 39	Depreciation		38	2,685,567	2,685,567	2,685,567	2,685,567	2,685,567	2,685,567	
GF Base # 9	BWSC Principal Repayment	Derived Amount	39	800,265	838,319	878,183	919,943	963,688	1,009,514	
	Total Capital Recovery		40	3,485,832	3,523,886	3,563,750	3,605,510	3,649,255	3,695,081	
	Difference - (Beck # - GF #)		41	2,041,103	2,100,882	2,163,449	2,228,935	2,297,476	(249,700)	
	PV of Difference		42	\$872,673	\$857,909	\$843,800	\$830,317	\$817,430	(\$84,854)	
			43							
			44							
	Return on Capital		45							
	Phase I Project		46							
Beck's Actual	KAWC Cost of Capital (80%) (17)		45	12,818,250	12,486,398	12,154,547	11,822,696	11,490,845	11,158,994	
Beck's Actual	UV Cost of Capital (100%) (17)		47	697,635	670,803	643,971	617,138	590,306	563,474	
Beck's Actual	Municipal Bond Interest Payment	Derived Amount	48	537,359	439,526	337,095	229,850	117,563	0	
Beck's Actual	Total Pre-Tax Return on Capital		49	14,053,244	13,596,727	13,135,613	12,669,684	12,198,715	11,722,468	
			50							
GF Base # 41	Income Taxes & Sales Taxes		51	3,078,717	3,000,298	2,921,880	2,843,461	2,765,043	2,686,624	
GF Base # 43	KAW - Income Before Interest Charges		52	8,065,817	7,860,371	7,654,925	7,449,479	7,244,033	7,038,587	
GF Base #	BWSC - Bond Interest Payment	Derived Amount	53	1,323,082	1,285,028	1,245,164	1,203,404	1,159,659	1,113,833	
	Total Pre-Tax Return on Capital		54	12,467,616	12,145,697	11,821,969	11,496,344	11,168,735	10,839,044	
	Difference - (Beck # - GF #)		55	1,585,628	1,451,031	1,313,644	1,173,340	1,029,980	883,424	
	PV of Difference		56	\$677,934	\$592,538	\$512,355	\$437,089	\$366,462	\$300,208	
			57							

**Section 2 Option
Cost Comparison**

Ln #		A		B							
		%	Row#	2007	2008	2009	2010	2011	2012	2013	
Beck's Actual	Electricity (8)	2.4%	1	\$ -	\$ -		\$172,266	\$176,400	\$180,634	\$184,969	
GF Base # 29	Power Costs Total	2.4%	2	328,548	336,433	344,507	352,775	361,242	369,912	378,790	
	Difference - (Beck # - GF #)		3				(180,509)	(184,842)	(189,278)	(193,821)	
	PV of Difference		4				(\$153,704)	(\$150,328)	(\$147,026)	(\$143,796)	
	Difference - (Beck # - GF #)		5				(4,056,975)	(3,944,628)	(3,828,911)	(3,709,722)	
	PV of Difference		6				(\$3,454,530)	(\$3,208,086)	(\$2,974,188)	(\$2,752,250)	
			7								
Beck's Actual	Meter Charge	2.4%	8				\$18,522	\$19,077	\$19,650	\$20,239	
GF Base # 39	Meter Charges Total	2.4%	9	42,375	43,392	44,433	45,499	887,040	887,040	887,040	
	Difference - (Beck # - GF #)		10				(26,977)	(867,963)	(867,390)	(866,801)	
	PV of Difference		11				(\$22,971)	(\$705,896)	(\$673,764)	(\$643,081)	
			12								
			13								
			14								
	Phase I Project		15								
Beck's Actual	Municipal Bond Interest Payment		16	Derived Amount			\$5,324,833	\$5,158,623	\$4,984,601	\$4,802,400	
Beck's Actual	Total Pre-Tax Return on Capital		17				5,324,833	5,158,623	4,984,601	4,802,400	
			18								
GF Base # 52.	Income Taxes & Other Taxes		19				3,280,057	3,225,379	3,170,701	3,116,023	
GF Base # 54.	KAW - Income Before Interest Charges		20				8,043,298	7,909,217	7,775,137	7,641,056	
GF Base # 55.	BWSC - Annual Debt Service		21				1,542,145	1,542,145	1,542,145	1,542,145	
GF Base #	BWSC - Bond Interest Payment		22	Derived Amount			1,252,609	1,238,841	1,224,418	1,209,309	
GF Base #	Total Pre-Tax Return on Capital		23				12,575,964	12,373,437	12,170,256	11,966,388	
	Difference - (Beck # - GF #)		24				(7,251,130)	(7,214,814)	(7,185,655)	(7,163,989)	
	PV of Difference		25				(\$6,174,366)	(\$5,867,661)	(\$5,581,612)	(\$5,314,978)	
			26								

**Section 2 Option
Cost Comparison**

Ln #		Basis		2020	2021	2022	2023	2024	2025
		A %	B Row#						
Beck's Actual	Electricity (8)	2.4%	1	\$218,373	\$223,614	\$228,980	\$234,476	\$240,103	\$245,866
GF Base # 29	Power Costs Total	2.4%	2	447,197	457,930	468,920	480,174	491,698	503,499
	Difference - (Beck # - GF #)		3	(228,824)	(234,316)	(239,940)	(245,698)	(251,595)	(257,633)
	PV of Difference		4	(\$2,608,324)	(\$120,386)	(\$117,741)	(\$115,155)	(\$112,625)	(\$110,151)
	Difference - (Beck # - GF #)		5	(7,340,629)	(7,808,317)	(8,302,408)	(8,824,315)	(9,375,521)	(9,957,587)
	PV of Difference		6	(\$79,220,894)	(\$4,011,719)	(\$4,074,089)	(\$4,135,812)	(\$4,196,899)	(\$4,257,361)
			7						
Beck's Actual	Meter Charge	2.4%	8	\$24,892	\$25,638	\$26,408	\$27,200	\$28,016	\$28,856
GF Base # 39	Meter Charges Total	2.4%	9	887,040	887,040	887,040	887,040	887,040	887,040
	Difference - (Beck # - GF #)		10	(862,148)	(861,402)	(860,632)	(859,840)	(859,024)	(858,184)
	PV of Difference		11	(\$9,413,221)	(\$442,567)	(\$422,322)	(\$402,993)	(\$384,537)	(\$366,916)
			12						
			13						
			14						
Beck's Actual	Phase I Project								
	Municipal Bond Interest Payment		16	\$3,263,301	\$3,000,198	\$2,724,730	\$2,436,315	\$2,134,344	\$1,818,181
Beck's Actual	Total Pre-Tax Return on Capital		17	3,263,301	3,000,198	2,724,730	2,436,315	2,134,344	1,818,181
			18						
GF Base # 52.	Income Taxes & Other Taxes		19	2,733,276	2,678,598	2,623,920	2,569,242	2,514,564	2,459,885
GF Base # 54.	KAW - Income Before Interest Charges		20	6,702,492	6,568,411	6,434,330	6,300,250	6,166,169	6,032,088
GF Base # 55.	BWSC - Annual Debt Service		21	1,542,145	1,542,145	1,542,145	1,542,145	1,542,145	1,542,145
GF Base #	BWSC - Bond Interest Payment		22	1,081,401	1,059,492	1,036,540	1,012,498	987,312	960,928
GF Base #	Total Pre-Tax Return on Capital		23	10,517,169	10,306,501	10,094,790	9,881,990	9,668,045	9,452,901
	Difference - (Beck # - GF #)		24	(7,253,868)	(7,306,302)	(7,370,060)	(7,445,675)	(7,533,700)	(7,634,720)
	PV of Difference		25	(\$85,662,560)	(\$3,753,797)	(\$3,616,575)	(\$3,489,666)	(\$3,372,418)	(\$3,264,221)
			26						

**Section 2 Option
Cost Comparison**

Ln #	Basis							
		%	Row#	2026	2027	2028	2029	2030
Beck's Actual	Electricity (8)	2.4%	1	\$251,767	\$257,809	\$263,997	\$270,332	\$276,820
GF Base # 29.	Power Costs Total	2.4%	2	515,583	527,957	540,628	553,603	566,889
	Difference - (Beck # - GF #)		3	(263,816)	(270,148)	(276,631)	(283,271)	(290,069)
	PV of Difference		4	(\$107,731)	(\$105,365)	(\$103,050)	(\$100,786)	(\$98,572)
	Difference - (Beck # - GF #)		5	(10,572,155)	(11,220,952)	(11,905,794)	(12,628,592)	(13,391,356)
	PV of Difference		6	(\$4,317,210)	(\$4,376,458)	(\$4,435,113)	(\$4,493,188)	(\$4,550,693)
			7					
Beck's Actual	Meter Charge	2.4%	8	\$29,722	\$30,614	\$31,532	\$32,478	\$33,452
GF Base # 39	Meter Charges Total	2.4%	9	887,040	887,040	887,040	887,040	887,040
	Difference - (Beck # - GF #)		10	(857,318)	(856,426)	(855,508)	(854,562)	(853,588)
	PV of Difference		11	(\$9,413,221)				
			12					
			13					
			14					
	Phase I Project		15					
Beck's Actual	Municipal Bond Interest Payment		16	\$1,487,158	\$1,140,577	\$777,707	\$397,782	\$2,618,914
Beck's Actual	Total Pre-Tax Return on Capital		17	1,487,158	1,140,577	777,707	397,782	2,618,914
			18					
GF Base # 52.	Income Taxes & Other Taxes		19	2,405,208	2,350,529	2,295,852	2,241,173	2,186,495
GF Base # 54.	KAW - Income Before Interest Charges		20	5,898,008	5,763,927	5,629,847	5,495,766	5,361,685
GF Base # 55.	BWSC - Annual Debt Service		21	1,542,145	1,542,145	1,542,145	1,542,145	1,542,145
GF Base #	BWSC - Bond Interest Payment		22	933,290	904,338	874,008	842,237	808,955
GF Base #	Total Pre-Tax Return on Capital		23	9,236,506	9,018,794	8,799,707	8,579,176	8,357,135
	Difference - (Beck # - GF #)		24	(7,749,348)	(7,878,216)	(8,022,000)	(8,181,394)	(8,338,221)
	PV of Difference		25	(\$85,662,560)				
			26					

Kentucky American Water Company
Mar-07
Asses By County for Property Tax Assessment

Item	20 MGD at 90% Design	Own	Own	Franklin County	Franklin County	Scott County	Scott County	Payette County	Payette County	Total
Raw Water Pumping Station Structure	\$1,157,267 (*)									\$1,157,267
Electric Pumping Equipment	7,157,267 (*)									57,157,267
Supply Mains	933,556									5933,556
Water Treatment Plant Structure	46,461,518 (*)									546,461,518
Equipment	13,038,613									50
Electric Pumping Equipment	4,290,876 (*)									54,290,876
Finished Water Main	62,080,466 (*)									562,080,466
Transmission Storage	2,056,611 (*)									52,056,611
Structure	2,169,134 (*)									53,169,134
Electric Pumping Equipment	1,345,006 (*)									51,345,006
Land	647,774									5647,774
Inake and Water Treatment Plant	80,381									580,381
Transmission Storage and Pumping	898,751									5898,751
Finished Water Main										58,031,555
Total - Depreciable	\$142,815,074	\$46,783,723	\$4,290,876	\$45,734,035	\$1,345,006	\$22,208,009	\$22,208,009	\$7,968,070	\$113,355	\$128,631,719
Total	\$144,441,980	\$46,870,797	\$4,290,876	\$47,079,002	\$1,345,006	\$22,229,519	\$22,229,519	\$8,083,425	\$0	\$130,158,625
Total - Non-Depreciable	\$1,626,906	\$85,075	\$0	\$1,104,966	\$0	\$321,510	\$0	\$113,355	\$0	\$1,626,906

(*) Includes 10% contingency on Construction and Permitting and Legal
 Note - manufacturing equipment is not assessed with empty property tax - so raw water pumps and WTP equipment have been removed from assessment

Item	Accrual	Own	Own	Franklin County	Franklin County	Scott County	Scott County	Payette County	Payette County	Total
Label, River and Other Inakes	306,000									523,754
Raw Water Pumping Station Structure	304,290									138,851
Electric Pumping Equipment	311,200									16,991
Supply Mains	309,000									0
Water Treatment Plant Structure	304,300									887,415
Equipment	320,100									0
Electric Pumping Equipment	311,200									105,126
Finished Water Main	331,000									1,030,536
Transmission Storage	330,100									46,274
Structure	304,200									61,481
Electric Pumping Equipment	311,200									32,953
Land	304,200									0
Inake and Water Treatment Plant	304,200									0
Transmission Storage and Pumping	304,200									0
Finished Water Main	304,200									0
Total	5892,797	5105,126	881,581	312,953	308,653	50	50	50	50	52,343,381

Kentucky American Water Company
 May-07
 Asses by County for Property Tax Assessment

Year	County	Real Estate	Tangible	Net Assesable Value	Effective Rate Adjusted for Inflation
2010	Net Assesable Value	\$46,870,976	\$2,529,519	\$49,399,495	0.0000%
2011	Net Assesable Value	45,978,000	7,951,155	53,929,155	0.0000%
2012	Net Assesable Value	45,085,204	7,818,885	52,904,089	0.0000%
2013	Net Assesable Value	44,192,407	7,686,165	51,878,572	0.0000%
2014	Net Assesable Value	43,299,610	7,544,545	50,844,155	0.0000%
2015	Net Assesable Value	42,406,613	7,422,808	49,829,421	0.0000%
2016	Net Assesable Value	41,513,416	7,299,805	48,813,221	0.0000%
2017	Net Assesable Value	40,621,220	7,177,535	47,798,755	0.0000%
2018	Net Assesable Value	39,728,423	7,055,266	46,783,689	0.0000%
2019	Net Assesable Value	38,835,626	6,892,996	45,728,622	0.0000%
2020	Net Assesable Value	37,942,829	6,760,726	44,703,555	0.0000%
2021	Net Assesable Value	37,050,032	6,628,456	43,678,488	0.0000%
2022	Net Assesable Value	36,157,235	6,496,186	42,653,421	0.0000%
2023	Net Assesable Value	35,264,439	6,363,916	41,629,355	0.0000%
2024	Net Assesable Value	34,371,642	6,231,646	40,603,288	0.0000%
2025	Net Assesable Value	33,478,845	6,099,376	39,578,221	0.0000%
2026	Net Assesable Value	32,586,048	5,967,106	38,553,155	0.0000%
2027	Net Assesable Value	31,693,252	5,834,836	37,528,088	0.0000%
2028	Net Assesable Value	30,800,455	5,702,566	36,503,021	0.0000%
2029	Net Assesable Value	29,907,658	5,570,296	35,478,955	0.0000%
2030	Net Assesable Value	29,014,861	5,438,026	34,453,888	0.0000%
2010	Real Estate	1,077%	0.5705%	0.8600%	0.0000%
2011	Real Estate	1,106%	0.5842%	0.8806%	0.0000%
2012	Real Estate	1,131%	0.5983%	0.9013%	0.0000%
2013	Real Estate	1,159%	0.6126%	0.924%	0.0000%
2014	Real Estate	1,181%	0.627%	0.9456%	0.0000%
2015	Real Estate	1,216%	0.6425%	0.9683%	0.0000%
2016	Real Estate	1,248%	0.6577%	0.9915%	0.0000%
2017	Real Estate	1,277%	0.6735%	1.0153%	0.0000%
2018	Real Estate	1,303%	0.6897%	1.0397%	0.0000%
2019	Real Estate	1,336%	0.7062%	1.0646%	0.0000%
2020	Real Estate	1,367%	0.7232%	1.0899%	0.0000%
2021	Real Estate	1,401%	0.7406%	1.1156%	0.0000%
2022	Real Estate	1,432%	0.7583%	1.1416%	0.0000%
2023	Real Estate	1,452%	0.7765%	1.1679%	0.0000%
2024	Real Estate	1,480%	0.7952%	1.1945%	0.0000%
2025	Real Estate	1,511%	0.8142%	1.2214%	0.0000%
2026	Real Estate	1,541%	0.8338%	1.2486%	0.0000%
2027	Real Estate	1,571%	0.8538%	1.2761%	0.0000%
2028	Real Estate	1,601%	0.8743%	1.3039%	0.0000%
2029	Real Estate	1,631%	0.8953%	1.332%	0.0000%
2030	Real Estate	1,661%	0.9168%	1.3606%	0.0000%
2010	Estimated Property Taxes	\$40,389	\$12,531	\$52,920	0.0000%
2011	Estimated Property Taxes	40,901	12,725	53,626	0.0000%
2012	Estimated Property Taxes	40,599	12,703	53,302	0.0000%
2013	Estimated Property Taxes	40,081	13,124	53,205	0.0000%
2014	Estimated Property Taxes	40,922	13,071	53,993	0.0000%
2015	Estimated Property Taxes	41,614	13,285	54,899	0.0000%
2016	Estimated Property Taxes	41,617	13,637	55,254	0.0000%
2017	Estimated Property Taxes	41,431	12,460	53,891	0.0000%
2018	Estimated Property Taxes	41,407	12,382	53,789	0.0000%
2019	Estimated Property Taxes	41,435	12,292	53,727	0.0000%
2020	Estimated Property Taxes	41,565	12,192	53,757	0.0000%
2021	Estimated Property Taxes	41,606	12,079	53,685	0.0000%
2022	Estimated Property Taxes	41,326	11,954	53,280	0.0000%
2023	Estimated Property Taxes	41,279	11,816	53,095	0.0000%
2024	Estimated Property Taxes	41,201	11,665	52,866	0.0000%
2025	Estimated Property Taxes	41,030	11,500	52,530	0.0000%
2026	Estimated Property Taxes	40,571	11,319	51,890	0.0000%
2027	Estimated Property Taxes	40,910	11,124	52,034	0.0000%
2028	Estimated Property Taxes	40,888	10,913	51,801	0.0000%
2029	Estimated Property Taxes	40,627	10,685	51,312	0.0000%
2030	Estimated Property Taxes	40,076	10,440	50,516	0.0000%

Bluegrass Water Supply Commission
Pool Three Option Share
Debt Issuance 2010

Coupon Rate: 4.70%

Term of Debt in Years: 20

Number of Payments Annually: 1

Total Principal Amount: \$33,483,883

Percentage of Final Balloon Payment: 0.00%

	<u>A</u> Beginning Principal Outstanding	<u>B</u> Principal Repayment	<u>C</u> Interest	<u>D</u> Debt Service	<u>E</u> Cumulative Principal Repayment	<u>F</u> Ending Principal Outstanding
1	\$33,483,883	(\$1,045,172)	(\$1,573,743)	(\$2,618,914)	(\$1,045,172)	\$35,748,879
2	32,438,712	(\$1,094,295)	(1,524,619)	(2,618,914)	(2,139,466)	34,654,585
3	31,344,417	(\$1,145,727)	(1,473,188)	(2,618,914)	(3,285,193)	33,508,858
4	30,198,690	(\$1,199,576)	(1,419,338)	(2,618,914)	(4,484,769)	32,309,282
5	28,999,114	(\$1,255,956)	(1,362,958)	(2,618,914)	(5,740,725)	31,053,326
6	27,743,159	(\$1,314,986)	(1,303,928)	(2,618,914)	(7,055,710)	29,738,341
7	26,428,173	(\$1,376,790)	(1,242,124)	(2,618,914)	(8,432,500)	28,361,551
8	25,051,383	(\$1,441,499)	(1,177,415)	(2,618,914)	(9,874,000)	26,920,051
9	23,609,884	(\$1,509,250)	(1,109,665)	(2,618,914)	(11,383,249)	25,410,802
10	22,100,634	(\$1,580,184)	(1,038,730)	(2,618,914)	(12,963,434)	23,830,617
11	20,520,450	(\$1,654,453)	(964,461)	(2,618,914)	(14,617,887)	22,176,164
12	18,865,996	(\$1,732,212)	(886,702)	(2,618,914)	(16,350,099)	20,443,952
13	17,133,784	(\$1,813,626)	(805,288)	(2,618,914)	(18,163,726)	18,630,325
14	15,320,158	(\$1,898,867)	(720,047)	(2,618,914)	(20,062,592)	16,731,459
15	13,421,291	(\$1,988,114)	(630,801)	(2,618,914)	(22,050,706)	14,743,345
16	11,433,177	(\$2,081,555)	(537,359)	(2,618,914)	(24,132,261)	12,661,790
17	9,351,623	(\$2,179,388)	(439,526)	(2,618,914)	(26,311,649)	10,482,402
18	7,172,235	(\$2,281,819)	(337,095)	(2,618,914)	(28,593,468)	8,200,583
19	4,890,415	(\$2,389,065)	(229,850)	(2,618,914)	(30,982,533)	5,811,518
20	2,501,351	(\$2,501,351)	(117,563)	(2,618,914)	(33,483,883)	3,310,168

Bluegrass Water Supply Commission
Pool Three Option Share
Debt Issuance 2010

Coupon Rate: 4.70%

Term of Debt in Years: 25

Number of Payments Annually: 2

Total Principal Amount: \$36,794,051

Percentage of Final Balloon Payment: 50.00%

	<u>A</u> Beginning Principal Outstanding	<u>B</u> Principal Repayment	<u>C</u> Interest	<u>D</u> Debt Service	<u>E</u> Cumulative Principal Repayment	<u>F</u> Ending Principal Outstanding
1	\$36,794,051	(\$197,013)	(\$864,660)	(\$1,061,673)	(\$197,013)	\$36,597,038
2	36,597,038	(201,643)	(860,030)	(1,061,673)	(398,656)	36,395,395
3	36,395,395	(206,382)	(855,292)	(1,061,673)	(605,038)	36,189,013
4	36,189,013	(211,232)	(850,442)	(1,061,673)	(816,269)	35,977,782
5	35,977,782	(216,195)	(845,478)	(1,061,673)	(1,032,465)	35,761,586
6	35,761,586	(221,276)	(840,397)	(1,061,673)	(1,253,741)	35,540,310
7	35,540,310	(226,476)	(835,197)	(1,061,673)	(1,480,217)	35,313,834
8	35,313,834	(231,798)	(829,875)	(1,061,673)	(1,712,015)	35,082,036
9	35,082,036	(237,246)	(824,428)	(1,061,673)	(1,949,261)	34,844,790
10	34,844,790	(242,821)	(818,853)	(1,061,673)	(2,192,081)	34,601,970
11	34,601,970	(248,527)	(813,146)	(1,061,673)	(2,440,609)	34,353,442
12	34,353,442	(254,367)	(807,306)	(1,061,673)	(2,694,976)	34,099,075
13	34,099,075	(260,345)	(801,328)	(1,061,673)	(2,955,321)	33,838,730
14	33,838,730	(266,463)	(795,210)	(1,061,673)	(3,221,784)	33,572,267
15	33,572,267	(272,725)	(788,948)	(1,061,673)	(3,494,509)	33,299,542
16	33,299,542	(279,134)	(782,539)	(1,061,673)	(3,773,643)	33,020,408
17	33,020,408	(285,694)	(775,980)	(1,061,673)	(4,059,337)	32,734,714
18	32,734,714	(292,408)	(769,266)	(1,061,673)	(4,351,745)	32,442,306
19	32,442,306	(299,279)	(762,394)	(1,061,673)	(4,651,024)	32,143,027
20	32,143,027	(306,312)	(755,361)	(1,061,673)	(4,957,336)	31,836,715
21	31,836,715	(313,511)	(748,163)	(1,061,673)	(5,270,847)	31,523,204
22	31,523,204	(320,878)	(740,795)	(1,061,673)	(5,591,725)	31,202,326
23	31,202,326	(328,419)	(733,255)	(1,061,673)	(5,920,144)	30,873,907
24	30,873,907	(336,137)	(725,537)	(1,061,673)	(6,256,280)	30,537,771
25	30,537,771	(344,036)	(717,638)	(1,061,673)	(6,600,316)	30,193,735
26	30,193,735	(352,121)	(709,553)	(1,061,673)	(6,952,436)	29,841,615
27	29,841,615	(360,395)	(701,278)	(1,061,673)	(7,312,832)	29,481,219
28	29,481,219	(368,865)	(692,809)	(1,061,673)	(7,681,697)	29,112,354
29	29,112,354	(377,533)	(684,140)	(1,061,673)	(8,059,230)	28,734,821
30	28,734,821	(386,405)	(675,268)	(1,061,673)	(8,445,635)	28,348,416
31	28,348,416	(395,486)	(666,188)	(1,061,673)	(8,841,120)	27,952,931
32	27,952,931	(404,779)	(656,894)	(1,061,673)	(9,245,900)	27,548,151
33	27,548,151	(414,292)	(647,382)	(1,061,673)	(9,660,191)	27,133,860
34	27,133,860	(424,028)	(637,646)	(1,061,673)	(10,084,219)	26,709,832
35	26,709,832	(433,992)	(627,681)	(1,061,673)	(10,518,211)	26,275,840
36	26,275,840	(444,191)	(617,482)	(1,061,673)	(10,962,403)	25,831,648
37	25,831,648	(454,630)	(607,044)	(1,061,673)	(11,417,032)	25,377,019
38	25,377,019	(465,313)	(596,360)	(1,061,673)	(11,882,346)	24,911,705
39	24,911,705	(476,248)	(585,425)	(1,061,673)	(12,358,594)	24,435,457
40	24,435,457	(487,440)	(574,233)	(1,061,673)	(12,846,034)	23,948,017
41	23,948,017	(498,895)	(562,778)	(1,061,673)	(13,344,929)	23,449,122
42	23,449,122	(510,619)	(551,054)	(1,061,673)	(13,855,548)	22,938,503
43	22,938,503	(522,619)	(539,055)	(1,061,673)	(14,378,166)	22,415,885
44	22,415,885	(534,900)	(526,773)	(1,061,673)	(14,913,067)	21,880,984
45	21,880,984	(547,470)	(514,203)	(1,061,673)	(15,460,537)	21,333,514
46	21,333,514	(560,336)	(501,338)	(1,061,673)	(16,020,873)	20,773,178
47	20,773,178	(573,504)	(488,170)	(1,061,673)	(16,594,376)	20,199,675
48	20,199,675	(586,981)	(474,692)	(1,061,673)	(17,181,357)	19,612,694
49	19,612,694	(600,775)	(460,898)	(1,061,673)	(17,782,132)	19,011,919
50	19,011,919	(614,893)	(446,780)	(1,061,673)	(18,397,025)	18,397,026

Bluegrass Water Supply Commission
Section 2 Option Share
Debt Issuance 2010

Coupon Rate: 4.70%

Term of Debt in Years: 20

Number of Payments Annually: 1

Total Principal Amount: \$113,294,327

Percentage of Final Balloon Payment: 0.00%

	<u>A</u> Beginning Principal Outstanding	<u>B</u> Principal Repayment	<u>C</u> Interest	<u>D</u> Debt Service	<u>E</u> Cumulative Principal Repayment	<u>F</u> Ending Principal Outstanding
1	\$113,294,327	(\$3,536,389)	(\$5,324,833)	(\$8,861,222)	(\$3,536,389)	\$33,257,662
2	109,757,938	(\$3,702,599)	(5,158,623)	(8,861,222)	(7,238,987)	106,055,339
3	106,055,339	(\$3,876,621)	(4,984,601)	(8,861,222)	(11,115,608)	102,178,718
4	102,178,718	(\$4,058,822)	(4,802,400)	(8,861,222)	(15,174,431)	98,119,896
5	98,119,896	(\$4,249,587)	(4,611,635)	(8,861,222)	(19,424,017)	93,870,309
6	93,870,309	(\$4,449,317)	(4,411,905)	(8,861,222)	(23,873,335)	89,420,992
7	89,420,992	(\$4,658,435)	(4,202,787)	(8,861,222)	(28,531,770)	84,762,556
8	84,762,556	(\$4,877,382)	(3,983,840)	(8,861,222)	(33,409,152)	79,885,175
9	79,885,175	(\$5,106,619)	(3,754,603)	(8,861,222)	(38,515,771)	74,778,556
10	74,778,556	(\$5,346,630)	(3,514,592)	(8,861,222)	(43,862,401)	69,431,926
11	69,431,926	(\$5,597,921)	(3,263,301)	(8,861,222)	(49,460,322)	63,834,005
12	63,834,005	(\$5,861,024)	(3,000,198)	(8,861,222)	(55,321,346)	57,972,981
13	57,972,981	(\$6,136,492)	(2,724,730)	(8,861,222)	(61,457,838)	51,836,489
14	51,836,489	(\$6,424,907)	(2,436,315)	(8,861,222)	(67,882,744)	45,411,582
15	45,411,582	(\$6,726,878)	(2,134,344)	(8,861,222)	(74,609,622)	38,684,705
16	38,684,705	(\$7,043,041)	(1,818,181)	(8,861,222)	(81,652,663)	31,641,664
17	31,641,664	(\$7,374,064)	(1,487,158)	(8,861,222)	(89,026,727)	24,267,600
18	24,267,600	(\$7,720,645)	(1,140,577)	(8,861,222)	(96,747,371)	16,546,955
19	16,546,955	(\$8,083,515)	(777,707)	(8,861,222)	(104,830,886)	8,463,440
20	8,463,440	(\$8,463,440)	(397,782)	(8,861,222)	(113,294,327)	(0)

Bluegrass Water Supply Commission
Public/Private Ownership - LWC "Section 2" Share
Debt Issuance 2010

Coupon Rate: 4.70%

Term of Debt in Years: 25

Number of Payments Annually: 2

Total Principal Amount: \$26,722,800

Percentage of Final Balloon Payment: 50.00%

	<u>A</u> Beginning Principal Outstanding	<u>B</u> Principal Repayment	<u>C</u> Interest	<u>D</u> Debt Service	<u>E</u> Cumulative Principal Repayment	<u>F</u> Ending Principal Outstanding
1	\$26,722,800	(\$143,087)	(\$627,986)	(\$771,073)	(\$143,087)	\$26,579,713
2	26,579,713	(146,449)	(624,623)	(771,073)	(289,536)	26,433,264
3	26,433,264	(149,891)	(621,182)	(771,073)	(439,427)	26,283,373
4	26,283,373	(153,413)	(617,659)	(771,073)	(592,840)	26,129,960
5	26,129,960	(157,019)	(614,054)	(771,073)	(749,859)	25,972,941
6	25,972,941	(160,708)	(610,364)	(771,073)	(910,567)	25,812,233
7	25,812,233	(164,485)	(606,587)	(771,073)	(1,075,053)	25,647,747
8	25,647,747	(168,351)	(602,722)	(771,073)	(1,243,403)	25,479,397
9	25,479,397	(172,307)	(598,766)	(771,073)	(1,415,710)	25,307,090
10	25,307,090	(176,356)	(594,717)	(771,073)	(1,592,066)	25,130,734
11	25,130,734	(180,500)	(590,572)	(771,073)	(1,772,566)	24,950,234
12	24,950,234	(184,742)	(586,330)	(771,073)	(1,957,308)	24,765,492
13	24,765,492	(189,084)	(581,989)	(771,073)	(2,146,392)	24,576,408
14	24,576,408	(193,527)	(577,546)	(771,073)	(2,339,919)	24,382,881
15	24,382,881	(198,075)	(572,998)	(771,073)	(2,537,994)	24,184,806
16	24,184,806	(202,730)	(568,343)	(771,073)	(2,740,723)	23,982,077
17	23,982,077	(207,494)	(563,579)	(771,073)	(2,948,217)	23,774,583
18	23,774,583	(212,370)	(558,703)	(771,073)	(3,160,587)	23,562,213
19	23,562,213	(217,361)	(553,712)	(771,073)	(3,377,948)	23,344,852
20	23,344,852	(222,469)	(548,604)	(771,073)	(3,600,416)	23,122,384
21	23,122,384	(227,697)	(543,376)	(771,073)	(3,828,113)	22,894,687
22	22,894,687	(233,047)	(538,025)	(771,073)	(4,061,160)	22,661,640
23	22,661,640	(238,524)	(532,549)	(771,073)	(4,299,685)	22,423,115
24	22,423,115	(244,129)	(526,943)	(771,073)	(4,543,814)	22,178,986
25	22,178,986	(249,866)	(521,206)	(771,073)	(4,793,680)	21,929,120
26	21,929,120	(255,738)	(515,334)	(771,073)	(5,049,419)	21,673,381
27	21,673,381	(261,748)	(509,324)	(771,073)	(5,311,167)	21,411,633
28	21,411,633	(267,899)	(503,173)	(771,073)	(5,579,066)	21,143,734
29	21,143,734	(274,195)	(496,878)	(771,073)	(5,853,261)	20,869,539
30	20,869,539	(280,638)	(490,434)	(771,073)	(6,133,899)	20,588,901
31	20,588,901	(287,233)	(483,839)	(771,073)	(6,421,133)	20,301,667
32	20,301,667	(293,983)	(477,089)	(771,073)	(6,715,116)	20,007,684
33	20,007,684	(300,892)	(470,181)	(771,073)	(7,016,008)	19,706,792
34	19,706,792	(307,963)	(463,110)	(771,073)	(7,323,971)	19,398,829
35	19,398,829	(315,200)	(455,872)	(771,073)	(7,639,171)	19,083,629
36	19,083,629	(322,607)	(448,465)	(771,073)	(7,961,779)	18,761,021
37	18,761,021	(330,189)	(440,884)	(771,073)	(8,291,967)	18,430,833
38	18,430,833	(337,948)	(433,125)	(771,073)	(8,629,915)	18,092,885
39	18,092,885	(345,890)	(425,183)	(771,073)	(8,975,805)	17,746,995
40	17,746,995	(354,018)	(417,054)	(771,073)	(9,329,823)	17,392,977
41	17,392,977	(362,338)	(408,735)	(771,073)	(9,692,161)	17,030,639
42	17,030,639	(370,853)	(400,220)	(771,073)	(10,063,014)	16,659,786
43	16,659,786	(379,568)	(391,505)	(771,073)	(10,442,581)	16,280,219
44	16,280,219	(388,487)	(382,585)	(771,073)	(10,831,069)	15,891,731
45	15,891,731	(397,617)	(373,456)	(771,073)	(11,228,686)	15,494,114
46	15,494,114	(406,961)	(364,112)	(771,073)	(11,635,647)	15,087,153
47	15,087,153	(416,524)	(354,548)	(771,073)	(12,052,171)	14,670,629
48	14,670,629	(426,313)	(344,760)	(771,073)	(12,478,484)	14,244,316
49	14,244,316	(436,331)	(334,741)	(771,073)	(12,914,815)	13,807,985
50	13,807,985	(446,585)	(324,488)	(771,073)	(13,361,400)	13,361,400

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12. Provide in electronic format the spreadsheet of the model prepared by Mr. Harold Walker in performing his analysis of the R.W. Beck Report.

Response:

Please see the Excel file named KAW_R_HDR#12_ATT_121007.xls that was produced by electronic mail from Kentucky American Water's counsel on December 10, 2007.

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13. State whether Kentucky American Water pays Tier 1 and/or Tier 2 of the Kentucky River Authority withdrawal fee and provide the rate(s) applicable to those payments.

Response:

KAW pays both Tier 1 and Tier 2 KRA withdrawal fees. The Tier 1 rate is currently \$0.022 per 1,000 gallons and the Tier 2 rate is currently \$0.016 per 1,000 gallons.

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14. To the extent the estimated cost of the project proposed in this case has changed significantly such that a corresponding significant change to the estimated rate impact has occurred, please provide the current estimated rate impact.

Response:

There have been no significant changes in the costs or other factors that would impact the rate impact of the Pool 3 Option.

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15. Provide the depreciation rates Kentucky American Water plans to use for the assets proposed in this case by 300 account and for tax accounting purposes.

Response:

<u>Acct. #</u>	<u>Description</u>	<u>Book Depr. Rate</u>	<u>Tax Depr. Rate</u>
306.00	Lake, River & Other Intakes	2.29%	4.00%
304.20	Raw Wtr. Pump.- Structure	1.94%	4.00%
311.20	Raw Wtr. Pump.-Elec. Pump. Equip.	2.45%	4.00%
309.00	Raw Wtr. Pump.-Supply Mains	1.82%	4.00%
304.30	Wtr. Treat. Plant- Structure	1.91%	4.00%
320.10	Wtr. Treat. Plant-Equipment	2.21%	4.00%
311.20	Wtr. Treat. Plant-Elec. Pump. Equip.	2.45%	4.00%
331.00	Finished Water Main	1.66%	4.00%
330.10	Transmission Storage	2.25%	4.00%
304.20	Trans. Wtr. Pump. Sta.-Structure	2.01%	4.00%
311.20	Trans. Wtr. Pump. Sta.-Elec. Pump. Equip.	2.45%	4.00%