

10 Year Pro Forma Income Statement

LOUISVILLE WATER COMPANY
TEN YEAR PROFORMA INCOME STATEMENT AND ROE CALCULATION
(Thousand Dollars)
Scenario with 6.5% Increase

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	2005 Actual	2006 Budget	2006 Forecast	2007 Budget	2008	2009	2010	2011	2012	2013	2014	2015	2016
1 Operating Revenues													
2 Sale of Water	110,316.7	113,771.6	111,758.6	120,082.0	129,762.8	138,961.5	148,620.5	157,904.6	168,213.8	177,908.4	188,195.7	199,109.4	209,691.7
3 Other Operating Revenue	4,913.6	4,835.0	5,072.1	5,213.9	5,344.2	5,477.9	5,614.8	5,755.2	5,899.0	6,046.5	6,197.7	6,352.6	6,511.4
4 Total Operating Revenue	115,230.3	118,606.6	116,830.7	125,295.9	135,107.0	144,439.4	154,235.3	163,659.7	174,112.8	183,954.9	194,393.4	205,462.0	216,203.1
5 Operation & Maintenance Expense	47,442.0	50,267.4	49,242.3	52,753.0	55,395.9	58,165.7	61,074.0	64,127.7	67,334.1	70,700.8	74,235.8	77,947.6	81,845.0
6 EBITDA (Operating Income)	67,788.3	68,339.3	67,588.4	72,539.9	79,711.1	86,273.7	93,161.3	99,532.1	106,778.8	113,254.1	120,157.6	127,514.5	134,358.1
7 Depreciation and Amortization	18,330.2	20,300.0	21,150.5	22,744.7	25,390.7	26,822.4	28,544.4	29,896.5	32,136.4	34,025.7	37,362.4	40,207.6	44,061.6
8 Retirement of Assets	1,169.3	1,175.0	877.0	1,000.0	1,010.0	1,020.1	1,030.3	1,040.6	1,051.0	1,061.5	1,072.1	1,082.9	1,093.7
9 EBIT	48,288.9	46,864.3	45,560.9	48,793.2	53,310.5	58,431.2	63,586.6	68,595.0	73,592.3	78,168.9	81,723.0	86,224.0	89,202.8
10 Bond Interest (Net including capital interest)	4,855.9	6,425.3	6,910.8	8,583.9	7,726.5	10,251.9	10,788.5	12,524.7	12,957.5	13,308.3	13,103.3	12,368.9	14,031.2
11 Taxes including Water in Lieu of Taxes	9,435.2	9,986.3	10,052.9	10,706.3	11,402.3	12,114.9	12,890.2	13,594.8	14,279.2	14,890.3	15,444.3	16,062.1	16,544.0
12 Non-operating Income	1,084.0	1,874.2	3,365.8	5,038.7	2,971.5	4,831.4	3,471.5	3,865.1	2,833.6	2,898.8	2,603.6	1,301.8	2,898.8
13 Non-operating Expenses	360.0	300.0	300.0	75.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0
14 Extraordinary Items	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Net Income	34,721.7	32,026.9	31,662.9	34,466.6	37,038.2	40,780.9	43,264.3	46,285.7	49,074.3	52,792.1	55,664.0	58,979.8	61,411.5
17 Dividend Distribution	16,178.0	14,842.1	14,842.1	15,673.5	16,066.9	17,076.5	17,211.1	18,435.7	18,943.4	20,819.0	21,865.0	26,826.4	28,323.9
18 Net Income to Unrestricted Retained Earnings	18,543.7	17,184.8	16,820.8	18,793.2	20,971.3	23,704.3	26,053.2	27,849.9	30,130.8	31,973.1	33,799.1	32,153.4	33,087.6
19 Less: Infrastructure Replacement Reserve	1,858.3	480.0	-	960.0	1,460.0	2,310.0	2,810.0	3,560.0	3,310.0	3,560.0	3,560.0	3,560.0	3,310.0
20 Net Income to Restricted Retained Earnings	16,685.4	16,704.8	16,820.8	17,833.2	19,511.3	21,394.3	23,243.2	24,289.9	26,820.8	28,413.1	30,239.1	28,593.4	29,777.6
21 Less: Interest on Construction Fund	-	600.0	716.0	389.2	275.0	700.0	390.0	275.0	700.0	390.0	275.0	700.0	390.0
22 Net Income before Dividend for ROE	32,863.4	30,946.9	30,946.9	33,117.4	35,303.2	37,770.9	40,064.3	42,450.7	45,064.3	48,421.1	51,829.0	54,719.8	57,711.5
23 Net Income	34,721.7	32,026.9	31,662.9	34,466.6	37,038.2	40,780.9	43,264.3	46,285.7	49,074.3	52,792.1	55,664.0	58,979.8	61,411.5
24 Less: Infrastructure Reserve	1,858.3	480.0	0.0	960.0	1,460.0	2,310.0	2,810.0	3,560.0	3,310.0	3,560.0	3,560.0	3,560.0	3,310.0
25 Less: Construction Fund Interest	-	600.0	716.0	389.2	275.0	700.0	390.0	275.0	700.0	390.0	275.0	700.0	390.0
26 Less: Bond Principal (Existing Issues)	5,900.0	6,210.0	6,210.0	6,495.0	6,800.0	7,130.0	7,480.0	7,845.0	8,235.0	8,645.0	9,080.0	3,405.0	3,405.0
27 Less: Bond Principal (New Issues)	-	-	-	500.0	1,726.0	2,160.0	3,899.1	3,879.4	5,256.9	5,498.7	6,307.4	6,604.2	7,100.0
28 Net Income Available for Dividend	26,963.4	24,736.9	24,736.9	26,122.4	26,778.2	28,460.9	28,685.2	30,726.2	31,572.4	34,698.3	36,441.6	44,710.7	47,206.5
29 Dividend Payment	16,178.0	14,842.1	14,842.1	15,673.5	16,066.9	17,076.5	17,211.1	18,435.7	18,943.4	20,819.0	21,865.0	26,826.4	28,323.9
30 Net Income for ROE *	32,863.4	30,946.9	30,946.9	33,117.4	35,303.2	37,770.9	40,064.3	42,450.7	45,064.3	48,421.1	51,829.0	54,719.8	57,711.5
31 Beginning Unrestricted Equity Capital	293,201.6	309,604.9	309,886.9	326,707.7	344,540.9	364,052.2	385,446.5	408,689.7	432,979.7	459,800.5	488,213.6	518,452.6	547,046.1
32 Current Year addition to Retained Earnings **	16,685.4	16,704.8	16,820.8	17,833.2	19,511.3	21,394.3	23,243.2	24,289.9	26,820.8	28,413.1	30,239.1	28,593.4	29,777.6
33 Ending Unrestricted Equity Capital	309,886.9	326,309.7	326,707.7	344,540.9	364,052.2	385,446.5	408,689.7	432,979.7	459,800.5	488,213.6	518,452.6	547,046.1	576,823.7

34 Return on Equity	10.61%	9.48%	9.47%	9.61%	9.70%	9.80%	9.80%	9.80%	9.80%	10.00%	10.00%	10.00%	10.01%
35 Return on Equity Target	9.22%	9.48%	9.48%	9.74%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
36 Annual Rate Increases	6.60%	5.00%	5.00%	6.50%	6.50%	6.25%	6.40%	5.00%	5.50%	4.00%	4.00%	4.00%	3.00%

Notes:

*Excludes infrastructure reserve deposits and construction interest

**Excludes current year infrastructure reserve deposits

Unrestricted Equity Capital excludes all cumulative deposits to infrastructure reserve

10 Year CIP Funding & Debt Plan

CIP Funding and Debt Plan

	Estimated 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Operating Revenue	46,835,860	52,641,866	53,463,902	58,113,324	60,159,911	64,208,307	67,568,838	72,485,603	77,511,153	89,061,117	91,624,099
Less: Dividend Payment	14,842,150	15,673,452	16,066,945	17,076,524	17,211,110	18,435,742	18,943,435	20,819,001	21,864,958	26,826,397	28,323,877
Net Revenue	31,993,710	36,968,413	37,396,957	41,036,800	42,948,800	45,772,565	48,625,403	51,666,602	55,646,195	62,234,719	63,300,222
Change in Working Capital	5,300,000	622,234	433,627	455,309	478,074	501,978	527,077	553,431	581,102	610,157	640,665
Cash from Operations	26,693,710	36,346,179	36,963,329	40,581,491	42,470,726	45,270,587	48,098,326	51,113,172	55,065,093	61,624,562	62,659,557
Beginning Fund Balance	2,750,313	8,050,313	8,672,547	9,106,175	9,561,483	10,039,558	10,541,535	11,068,612	11,622,043	12,203,145	12,813,302
Change in Fund Balance	5,300,000	622,234	433,627	455,309	478,074	501,978	527,077	553,431	581,102	610,157	640,665
Ending Fund Balance	8,050,313	8,672,547	9,106,175	9,561,483	10,039,558	10,541,535	11,068,612	11,622,043	12,203,145	12,813,302	13,453,967
CIP Funding Amount	\$ 73,161,729	\$ 78,401,468	\$ 86,498,637	\$ 81,106,446	\$ 87,340,304	\$ 79,189,812	\$ 73,539,719	\$ 73,539,719	\$ 73,539,719	\$ 73,539,719	\$ 73,539,719
CIP Funding Sources											
Contributed Capital	15,369,058	15,481,757	12,838,646	11,616,046	12,259,646	11,259,646	11,259,646	11,259,646	11,259,646	11,259,646	11,259,646
Infr. Replacement Withdrawal	-	26,577,313	36,697,080	(36,697,080)	32,610,904	(32,610,904)	14,183,370	(14,183,370)	7,217,365	658,283	(7,875,648)
Cash from Operations	26,693,710	36,346,179	36,963,329	40,581,491	42,470,726	45,270,587	48,098,326	51,113,172	55,065,093	61,624,562	62,659,557
Debt Financed	21,337,961	-	-	65,605,989	-	55,270,484	-	25,350,271	-	-	7,496,164
Total	73,161,729	78,405,249	86,498,637	81,106,446	87,341,276	79,189,812	73,541,342	73,539,719	73,542,104	73,542,491	73,539,719
Debt Amount											
CIP Portion	82,605,664	-	-	65,605,989	-	55,270,484	-	25,350,271	-	-	7,496,164
COI and DSRF	3,645,295	-	-	5,248,479	-	4,421,639	-	2,028,022	-	-	599,693
Total Debt Amount	86,250,959	-	-	70,854,468	-	59,692,122	-	27,378,293	(0)	-	8,095,858

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