

February 3, 2016

Public Service Commission

cc: Mayor James Gray

RECEIVED

PO Box 615

200 E Main St.

FEB 8 2016

Frankfort, KY 40602

Lexington, KY 40507

Public Service
Commission

Dear Public Service Commission Members,

Like other Central Kentucky residents, I just received notice of the now normal (more like expected) request for a rate hike every 3 years from Kentucky American Water. The pattern is as usual, to request an absurd rate hike of 19% since the last rate increase in 2013, even though the inflation rate is approximately 2% per year. I would fully expect that, as usual, the Public Services Commission will approve an increase of 6-9%, so that they can save face and say we only approved one half of the requested increase. However, what really needs to happen is this, to NOT APPROVE any increase.

What needs to be taken into consideration is: a) the water rate we are paying is more than 50% higher than other large municipal systems operated by other Cities b) the fact that water rates have nearly doubled since the City sold the water system to this public company less than 15 years ago c) the fact that this company is already earning MORE than a fair return on their original investment (see attached financials).

I fully realize that this is a public company and not a municipal water system. However the difference is that just by the nature of their business, a utility, they ARE subject to regulation of a Public Service Commission, your agency. You have the right to say NO, but you just keep letting them shove unfair price increases down our throats. This entity, after expenses, made \$73,000 PER EMPLOYEE last year. Their total return on investment was 5%, MORE than ample for a regulated industry that they are in.

The excuse for the increases is always the same; we need an increase because we need money for upgrades or modernization. In reality, this is really no more than routine maintenance funds that all companies must make on an annual basis just to stay in business. This company basically has a legalized monopoly, but they can't raise rates without your approval. DO the right thing and do not approve their increase. By copy of this letter to Mayor

Gray, I am requesting his assistance in making sure Governor Bevin pays close attention to what is approved, or hopefully NOT APPROVED, on this request.

Sincerely,

A handwritten signature in blue ink, appearing to be 'PE Caudill', written in a cursive style.

Paul E. Caudill

1048 Chetford Dr.

Lexington, KY 40509

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Key Statistics: AWK

AMERICAN WATER WORKS
64.26 ↓ **-1.28 (-1.95 %)** AS OF 1:33:00PM ET 02/04/2016

Trade Add to Watch List Set Alert Hypothetical Trade Option Chain Price History

Print | Help/Glossary
 Learn how to evaluate a company's health with our Fundamental Analysis education.

Accounting and Governance Risk

GMI Company Report (PDF) GMI - 06/02/15

GMI Risk Rating: Aggressive GMI Risk Rating Score: 17th Industry Percentile: 26th

Valuation

Industry Average & Percentile Methodology

	AWK	Water Utilities Average	Industry Percentile
Market Cap	\$11.73B	\$483.64M	100th
P/E (Trailing Twelve Months)	25.14	26.06	64th
P/E (5-Year Average)	19.66	20.34	30th
PEG Ratio (5-Year Projected)	3.26	3.97	17th
Enterprise Value	\$17.99B	\$13.66B	95th
Price/Cash Flow (Most Recent Quarter)	10.36	-17.87	69th
Price/Cash Flow (TTM)	13.02	14.06	37th
Price/Sales (Most Recent Quarter)	3.29	4.76	48th
Price/Sales (TTM)	3.79	6.08	45th
Price/Book	2.34	2.63	58th
	02/02/2016		
Book Value	28.59	20.24	100th
	09/30/2015		

Growth

	AWK	Water Utilities Average	Industry Percentile
EPS Growth (Last Qtr vs. Same Qtr Prior Year)	+10.34%	+0.63%	78th
EPS Growth (TTM vs. Prior TTM)	+17.65%	+10.02%	77th
EPS Growth (Last 5 Years)	-	+3.03%	-
Projected EPS Growth (Next Year vs. This Year)	+7.22%	+7.48%	67th
Forward EPS Long Term Growth (3-5 Yrs)	+7.72%	+6.69%	100th
Revenue % Change (Last Qtr vs. Same Qtr Prior Year)	+5.91%	-0.25%	85th
Revenue % Change (TTM)	+4.07%	+2.58%	67th
Revenue Growth (Last 5 Years)	+4.29%	+1.07%	56th
Capital Spending Growth (Last 5 Years)	+4.02%	+4.01%	70th
Book Value per Share Growth (Last 5 Years)	+4.20%	+7.25%	39th
Free Cash Flow (TTM)	\$30.30M	\$41.90M	90th
Cash Flow Growth Rate (Last 5 Years)	+69.31%	+27.75%	100th
Cash and Cash Equivalents Increase/Decrease (TTM vs. Prior TTM)	\$-0.68	\$-0.40	17th
Cash and Cash Equivalents Increase/Decrease (Last Qtr vs. Prior Qtr.)	\$0.05	\$0.13	56th

Profit Margins

	AWK	Water Utilities Average	Industry Percentile
Gross Margin (Most Recent Quarter, Annualized)	52.72%	53.61%	70th
Gross Margin (TTM)	48.25%	48.38%	78th
EBITD Margin (TTM)	48.25%	27.30%	89th
Profit Margin (Most Recent Quarter)	19.40%	-22.34%	70th
Operating Margin (Most Recent Quarter, Annualized)	40.31%	29.02%	90th
Operating Margin (TTM)	34.31%	13.29%	89th
Pretax Margin (Most Recent Quarter, Annualized)	32.03%	-13.91%	80th
Pretax Margin (TTM)	24.88%	-14.09%	78th

Returns

	AWK	Water Utilities Average	Industry Percentile
Return on Sales (Most Recent Quarter, Annualized)	19.40%	-22.34%	<input type="text"/> 70th
Return on Sales (TTM)	15.15%	-21.52%	<input type="text"/> 67th
Return on Equity (Most Recent Quarter, Annualized)	13.47%	18.92%	<input type="text"/> 58th
Return on Equity (TTM)	9.36%	9.47%	<input type="text"/> 62nd
Return on Assets (Most Recent Quarter, Annualized)	4.35%	4.11%	<input type="text"/> 50th
Return on Assets (TTM)	3.05%	2.93%	<input type="text"/> 62nd
Return on Investment (Most Recent Quarter, Annualized)	5.00%	7.36%	<input type="text"/> 50th
Return on Investment (TTM)	3.49%	3.65%	<input type="text"/> 56th

Debts

	AWK	Water Utilities Average	Industry Percentile
Long Term Debt/Equity (Most Recent Quarter, Annualized)	115.28%	142.65%	<input type="text"/> 60th
Long Term Debt/Equity (TTM)	110.76%	97.54%	<input type="text"/> 67th
Total Debt/Assets (Most Recent Quarter, Annualized)	39.75%	41.92%	<input type="text"/> 75th
Total Debt/Assets (TTM)	39.92%	34.68%	<input type="text"/> 84th
Total Debt/Capital (Most Recent Quarter)	45.66%	-	<input type="text"/> 65th
Total Debt/Capital (TTM)	45.66%	48.94%	<input type="text"/> 65th
Total Debt/Equity (Most Recent Quarter, Annualized)	123.07%	157.84%	<input type="text"/> 70th
Total Debt/Equity (TTM)	122.70%	106.45%	<input type="text"/> 73rd
Current Ratio (TTM)	0.61	0.78	<input type="text"/> 35th
Payout Ratio (TTM)	52.11%	68.95%	<input type="text"/> 17th

Operating Metrics

	AWK	Water Utilities Average	Industry Percentile
Income/Employee (TTM)	\$73,587.19	\$65,114.39	<input type="text"/> 43rd
Revenue/Employee (TTM)	\$485,590.00	\$501,550.00	<input type="text"/> 65th
Assets Turnover (Most Recent Quarter, Annualized)	0.22x	0.24x	<input type="text"/> 56th
Assets Turnover (TTM)	0.20x	0.20x	<input type="text"/> 62nd
Inventory Turnover (Most Recent Quarter, Annualized)	44.64x	-	<input type="text"/> 93rd
Inventory Turnover (TTM)	42.29x	39.07x	<input type="text"/> 86th
Receivables Turnover (Most Recent Quarter, Annualized)	11.75x	9.51x	<input type="text"/> 95th
Receivables Turnover (TTM)	12.25x	9.73x	<input type="text"/> 89th

S&P Capital IQ® Company Report S&P CAPITAL IQ® - 02/03/16

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