

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF KENTUCKY-) CASE NO. 2007-00143
AMERICAN WATER COMPANY)

O R D E R

The parties to this proceeding have submitted for Commission review and approval a Settlement Agreement that resolves all outstanding issues in this proceeding. By this Order, the Commission approves the terms of this agreement, including the agreed rates for water service.

On April 30, 2007, Kentucky-American Water Company ("Kentucky-American") applied for an adjustment of its rates for water service and certain non-recurring charges. The proposed rates, which Kentucky-American proposed to become effective on May 30, 2007 and which were based upon a fully forecasted test year ending November 30, 2008, would produce additional revenues of \$11,005,465, or 20.8 percent, over forecasted operating revenues from existing rates of \$53,003,297.¹

The Commission established this docket² and permitted the following parties to intervene in this matter: the Attorney General of Kentucky ("AG"), Lexington-Fayette

¹ The original financial exhibits in Kentucky-American's application supported an annual revenue increase of \$13,188,906, a 25.1 percent increase over forecasted operating revenues from present rates of \$52,550,157. On June 25, 2007, Kentucky-American submitted revised financial exhibits that corrected certain errors and resulted in a lower requested revenue increase. The revisions did not affect the proposed rates.

² On May 2, 2007, the Commission granted Kentucky-American's request for use of electronic filing procedures for this proceeding and directed that all documents and pleadings in this proceeding be filed with Commission and served electronically upon all parties. We continued to require the service of a paper copy upon all parties.

Urban County Government ("LFUCG"), Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC"), and Kentucky Industrial Utility Customers, Inc.

On May 12, 2007, the Commission, suspended the operation of the proposed rates for 6 months and established a schedule for their examination. Following extensive discovery and the submission of written testimony,³ the Commission held a hearing on September 18, 2007. Nick O. Rowe, President of Kentucky-American, and Michael A. Miller, Kentucky-American's Assistant Treasurer, were the only persons to present testimony at this hearing.⁴

On September 14, 2007, Kentucky-American filed with the Commission a "Settlement Agreement, Stipulation, and Recommendation" which all parties had executed and which purported to resolve all outstanding issues in this proceeding. A copy of this Agreement is appended to this Order as Appendix B.

In their agreement, all parties agreed and recommend to the Commission that:

1. Kentucky-American should be authorized rates, effective December 1, 2007, that would permit the recovery of \$8 million in annual revenues more than present rates permit. The agreed rates are set forth in Exhibit A to the Settlement Agreement.

³ The following persons submitted written testimony on behalf of Kentucky-American: Patrick L. Baryenbruch; Linda C. Bridwell; Michael A. Miller; Nick O. Rowe; Shelia A. Miller; John J. Spandos; Dr. Edward L. Spitznagel, Jr.; and Dr. James H. Vander Weide. Michael J. Majoros, Jr., Scott J. Rubin, and Dr. J. Randall Woolridge submitted written testimony on the AG's behalf regarding the application in its entirety. Chief Robert G. Hendricks of the LFUCG Division of Fire and Emergency Services submitted written testimony on behalf of LFUCG regarding Kentucky-American's operation of fire hydrants in Fayette County, Kentucky. Jack E. Burch submitted written testimony on behalf of CAC regarding the effect of the proposed rates on low-income ratepayers.

⁴ This testimony was limited to the merits of the Settlement Agreement.

2. Kentucky-American should be permitted to implement a single tariff pricing model that requires the same rates for each customer class regardless of the division in which the customer is located.

3. New composite depreciation rates, as set forth in Exhibit B to the Settlement Agreement, should be authorized effective December 1, 2007.

4. Kentucky-American and LFUCG will dismiss their pending actions in Franklin Circuit Court⁵ in which they sought review of portions of the Commission's Order in Case No. 2004-00103.⁶

5. Kentucky-American, beginning in Fiscal Year 2008, will increase its annual contribution to the Help to Others Program to a total contribution of \$50,000.

6. With regard to fire hydrants located in Fayette County, Kentucky-American will establish a liaison or point of contact; continue painting of hydrants in accordance with Chapter 5 of National Fire Protection Association Code 291 "Recommend Practice for Fire Flow Testing and Marking of Hydrants", and provide LFUCG with information on the inspection and testing of hydrants within 30 days of inspection and testing or provide a monthly summary of such information.

Having reviewed the Settlement Agreement and the evidence of record, the Commission finds that its terms are reasonable and in the public interest and should be approved. As to the proposed rates, the Commission notes that they represent a compromise between the two proposals presented to us. Kentucky-American proposed rates that would produce a revenue increase of \$11,005,465 over forecasted operating revenues from present rates. The AG had recommended a revenue increase of

⁵ Kentucky-American Water Company v. Public Service Commission, Civil Action No. 2005-CI-00587 (Franklin Cir. Ct. filed April 27, 2005); Lexington-Fayette Urban County Government v. Public Service Commission, Civil Action No. 2005-CI-00609 (Franklin Cir. Ct. filed May 2, 2005).

⁶ Case No. 2004-00103, Adjustment of the Rates of Kentucky-American Water Company (Ky. PSC Feb. 28, 2005).

\$4,981,288.⁷ The proposed rates set forth in the Settlement Agreement will produce an additional \$7,999,759 in annual operating revenues and are within the zone of reasonableness.

We further find that the parties' recommendation of the adoption of a single tariff pricing model is reasonable. As a result of its acquisition of the water systems of Tri-Village Water District and the city of Owenton, Kentucky-American currently operates as two divisions. Each division maintains separate and distinct rate schedules. In Case No. 2004-00103, we had previously suggested that single tariff pricing was a desirable policy goal by requiring Kentucky-American's Central Division to absorb the total effects of a required revenue increase while leaving the rates of its Northern Division unchanged.⁸ Implementation of the parties' recommendation of a single tariff pricing model achieves this policy goal.

We further find that the parties' recommended depreciation rates are reasonable. Kentucky-American's current depreciation rates were developed in 1996. The water utility currently uses a composite depreciation rate of 2.52 percent. In its application in this proceeding, Kentucky-American submitted a study that calculated straight-line, remaining life depreciation rates based on anticipated service lives, salvage values, and the cost of removal for plant in service as of December 31, 2006. The study recommended an overall composite depreciation rate of 2.58 percent. The AG recommended an overall composite depreciation rate of 2.34 percent. The parties subsequently agreed to an overall composite depreciation rate of 2.39 percent.

⁷ This amount is derived from revised recalculations that the AG submitted in response to Commission Staff discovery requests. See Majoros Exhibits MJM-1 (Updated), MJM-2 (Updated), MJM-3 (Updated), and MJM-4 (Updated).

⁸ Case No. 2004-00103, Order of Feb. 28, 2005 at 75-76.

IT IS THEREFORE ORDERED that:

1. Kentucky-American's Motion to Approve Settlement is granted.
2. The Settlement Agreement is approved.
3. The rates and charges set forth in Appendix A of this Order are approved for water service that Kentucky-American renders on and after December 1, 2007.
4. The depreciation rates set forth in Exhibit B of the Settlement Agreement are approved and authorized for Kentucky-American's use effective December 1, 2007.
5. Subject to the filing of timely petition for rehearing pursuant to KRS 278.400, these proceedings are closed. The Executive Director shall place any future filings in the appropriate utility's general correspondence file or shall docket the filing as a new proceeding.

Done at Frankfort, Kentucky, this 29th day of November, 2007.

By the Commission

Commissioner Clark abstains.

ATTEST:



Executive Director

Case No. 2007-00143

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00143 DATED November 29, 2007

The following rates and charges are prescribed for the customers in the area served by Kentucky-American Water Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Service Charge

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$7.95
3/4"	11.94
1"	19.89
1-1/2"	39.77
2"	63.64
3"	119.32
4"	198.86
6"	397.73
8"	636.36

Consumption Rates
Service Classification No. 1

<u>Customer</u> <u>Category</u>	<u>Rate Per</u> <u>1,000 Gallons</u> <u>All Consumption</u>	<u>Rate Per</u> <u>100 Cubic Feet</u> <u>All Consumption</u>
Residential	\$3.11706	\$2.33779
Commercial	2.85069	2.13802
Industrial	2.28552	1.71414
Municipal & Other Public Authority	2.66001	1.99501
Sales for Resale	2.68381	2.01286

Municipal or Private Fire Protection Service
Service Classification No. 3

<u>Size of Service</u>	<u>Rate Per</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
2" Diameter	\$5.02	\$60.24
4" Diameter	20.10	241.20
6" Diameter	45.17	542.04
8" Diameter	80.28	963.36
10" Diameter	125.45	1,505.40
12" Diameter	180.68	2,168.16
14" Diameter	245.95	2,951.40
16" Diameter	321.16	3,853.92

Rates for Public or Private Fire Service
Service Classification No. 4

<u>Rates for Public Fire Service</u>	<u>Rate Per</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions	\$27.14	\$325.68

<u>Rates for Private Fire Service</u>	<u>Rate Per</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
For each private fire hydrant contracted for by Industries or Private Institutions	\$45.17	\$542.04

Tapping (Connection) Fees

<u>Size of Meter Connection</u>	
5/8Inch	\$660.00
1 Inch	1,254.00
2 Inch	2,945.00
Service larger than 2"	Actual Cost
Non-Recurring Charges	
Reconnection Charge	\$26.00
Activation Fee	26.00

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00143 DATED November 29, 2007

SETTLEMENT AGREEMENT

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

IN THE MATTER OF:)	
)	
NOTICE OF ADJUSTMENT OF THE RATES OF)	CASE NO. 2007-00143
KENTUCKY-AMERICAN WATER COMPANY)	
EFFECTIVE ON AND AFTER MAY 30, 2007)	

SETTLEMENT AGREEMENT, STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely Kentucky-American Water Company ("KAW"); the Attorney General of the Commonwealth of Kentucky ("AG"); the Lexington-Fayette Urban County Government ("LFUCG"); the Kentucky Industrial Utility Customers ("KIUC"); and Community Action Council ("CAC"), to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding.

It is understood by all parties that this Settlement Agreement, Stipulation and Recommendation ("Agreement") is not binding upon the Public Service Commission ("Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to KAW's rates. The parties have expended considerable efforts to reach the agreements that form the basis of this Agreement. All of the parties, representing diverse interests and divergent viewpoints, agree that this Agreement, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

The adoption of this Agreement will eliminate the need for the Commission and the parties to expend significant resources litigating this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. The parties agree that this Agreement is supported by sufficient and adequate data and information, and should be

approved by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Agreement, the parties hereby agree to, stipulate and recommend the following:

1. KAW should be authorized to adjust its rates in order to permit it to recover \$8,000,000.00 more in annual revenue than it is recovering under its current rates, with such revised rates to be effective for service rendered on and after December 1, 2007. The increased revenue requirement shall be reflected in increases to the customer charges associated with KAW's various rate schedules as reflected in the tariff sheets attached as Exhibit A, which rates are to be effective as of December 1, 2007 and will be filed upon the Commission's approval of this Agreement. These tariff sheets further reflect rates that are designed to allow KAW to recover the increased revenue from its various classes of customers in the manner agreed to by the parties to this Agreement. The parties agree that these rates are fair, just and reasonable.

2. The attached tariff sheets reflect implementation of the single tariff pricing model proposed by KAW in this proceeding which will result in the same rates being charged to each customer class regardless of whether that class is/was in KAW's Northern or Central Division.

3. The depreciation study KAW submitted in this proceeding has been the subject of discussion between KAW and the AG. The parties to this proceeding agree that the depreciation rates set forth in Exhibit B to this Agreement should be accepted by the Commission and made effective as of December 1, 2007.

4. The parties agree that, within a reasonable time after the Commission accepts and approves this Agreement, KAW will take all necessary steps to cause its Complaint for the appeal of the Commission's February 28, 2005 and March 30, 2006 Orders in KAW's last

general rate case (Case No. 2004-00103), which Complaint is currently pending in the Franklin Circuit Court, Civil Action No. 2005-00587, to be dismissed. However, the parties further agree that KAW shall not be precluded from requesting, pursuing, or in any way applying for relief on the issues in that appeal in subsequent KAW general rate cases. For example, one of the issues in KAW's pending appeal is the Commission's decision on the subject of a consolidated income tax adjustment. The parties agree that the voluntary dismissal of KAW's Complaint shall have no effect on KAW's ability to make any argument or request any relief it deems appropriate on the issue of a consolidated income tax adjustment in future general rate cases. Finally, the parties agree that dismissal of KAW's Complaint in Civil Action No. 2005-00587 shall in no way affect KAW's rights, defenses or arguments in defending the LFUCG's Complaint in the action that began in the Franklin Circuit Court as Civil Action No. 2005-00609, but which was consolidated with Civil Action No. 2005-00587 by Order of June 7, 2006.

5. The parties agree that beginning in KAW's 2008 fiscal year, KAW will increase its annual contribution to the Help to Others Program to a total of \$50,000.00.

6. The parties agree that KAWC will take the following actions with respect to fire hydrants located in Fayette County: (a) establish a liaison or point of contact with respect to fire hydrants; (b) continue to paint hydrants in accordance with NFPA 291, Chapter 5, on a timely basis; (c) either provide LFUCG with the information related to the inspection and testing of each fire hydrant within 30 days of its inspection or testing, or provide a monthly summary update of the same information. Further, the parties agree that, within a reasonable time after the Commission accepts and approves this Agreement, LFUCG will take all necessary steps to cause its Complaint for the appeal of the Commission's February 28, 2005 and March 30, 2006 Orders in KAW's last general rate case (Case No. 2004-00103) to be dismissed. That Complaint

commenced Civil Action No. 2005-00609 in the Franklin Circuit Court which was consolidated with Civil Action No. 2005-00587 by Order of June 7, 2006.

7. Attached to this Agreement as Exhibit C are proof-of-revenue sheets, showing that the rates set forth in Exhibit A will generate the proposed revenue increase to which the parties have agreed in Paragraph No. 1 above.

8 Each party waives all cross-examination of the other parties' witnesses unless the Commission disapproves this Agreement, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.

9. This Agreement is submitted for purposes of this case only and is not deemed binding upon the parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving KAW or any other utility.

10. If the Commission issues an order adopting this Agreement in its entirety, each of the parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.

11. In the event the Commission should reject or modify all or any portion of this Agreement, or impose additional conditions or requirements upon the parties, each party shall have the right, within thirty (30) days of the Commission's order, to either file an application for rehearing or terminate and withdraw from the Agreement by filing a notice with the Commission. Upon rehearing, any party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Agreement. In such event, the terms of this Agreement shall not be deemed binding upon the parties and the Agreement shall not be admitted into evidence, or referred to, or relied upon in

any manner by any party. In order to facilitate the execution of this Agreement and to achieve one of the purposes of this Agreement, KAW will not file rebuttal testimony that might have otherwise been filed. However, should any party require that hearings go forward pursuant to this paragraph, then the parties agree that all parties should be permitted to move the Commission for the establishment of a procedural schedule which would permit the parties to submit evidence that was not been submitted as a result of reaching this Agreement.

12. The parties agree that this Agreement is a fair, just and reasonable resolution of the issues in this proceeding and is in the best interests of all concerned. The parties urge the Commission to adopt the Agreement in its entirety. The parties agree that, following the execution of this Agreement, it shall be submitted to the Commission together with a request for consideration and approval of the Agreement. The parties agree that this Agreement is subject to the acceptance of and approval by the Commission and they further agree to act in good faith and to use their best efforts to recommend to the Commission that this Agreement be accepted and approved.

13. The parties agree that this Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns.

14. The parties agree that this Agreement constitutes the complete understanding among the parties and any and all oral statements, representations or agreements made prior to the execution of this Agreement shall be null and void and shall be deemed to have been merged into this Agreement.

15. The signatories to this Agreement warrant that they have informed, advised and otherwise consulted with the parties for whom they sign regarding the contents and significance

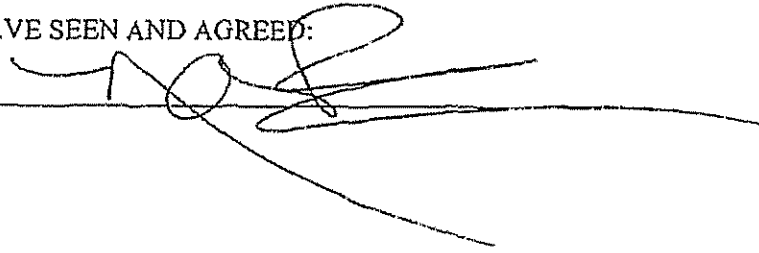
of this Agreement, and, based upon those communications, the signatories represent they are authorized to execute this Agreement on behalf of the parties.

16. The parties agree that this Agreement may be executed in multiple counterparts.

KENTUCKY-AMERICAN WATER COMPANY

HAVE SEEN AND AGREED:

By

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, written over a horizontal line.

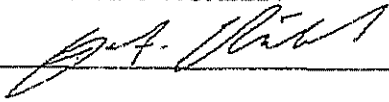
ATTORNEY GENERAL OF KENTUCKY

HAVE SEEN AND AGREED:

By David Lee Spence

COMMUNITY ACTION COUNCIL

HAVE SEEN AND AGREED:

By 

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

HAVE SEEN AND AGREED:

By  (APPROVED BY COUNCIL 9/13/07)

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS

HAVE SEEN AND AGREED:

By David P. Boehm

P.S.C KY No 6

COVER SHEET AND ORIGINAL SHEETS:

Nos 1, 2, 5 through 19, 20.1, 21, 24 1, 26, 29 through 49,

49.4, 49.5, 49 6, 51, 54, 58, 59, 61, 62, 63, 64, and 64a;

First Revised Sheet Nos. 4, 24, 25, 28, 49.1, 49.2, 49.3, 50.3, 57,

58.1, 58.2, 58 3, 58.4, 58.5, 60, 65 and Appendix H

Second Revised Sheet Nos. 22, 23, 27, 50.1, 50.2, 52.1, 55, 56;

Third Revised Sheet No 3 1

Fourth Revised Sheet Nos. 28.1 and 28.2;

Fifth Revised Sheet Nos. 20, 55.1

Tenth Revised Sheet No. 3:

Twenty-First Revised Sheet No. 53;

Twenty-Third Revised Sheet No. 52;

Twenty-Seventh Revised Sheet No 50

KENTUCKY-AMERICAN WATER COMPANY

2300 RICHMOND ROAD, LEXINGTON, KENTUCKY

FOR SERVICE IN KENTUCKY COUNTIES OF

BOURBON, CLARK, FAYETTE, GALLATIN, GRANT, HARRISON,

JESSAMINE, OWEN, SCOTT AND WOODFORD

FILED WITH THE PUBLIC SERVICE COMMISSION OF KENTUCKY

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Tenth Revised Sheet No. 3
Canceling Ninth Revised Sheet No. 3

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<u>Rule Number</u>	<u>Title</u>	<u>Sheet No.</u>
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	Rules and Regulations for furnishing Sewer Service at Rockwell Village Mobile Homepark (Continued)	49.2
	Rules and Regulations for furnishing Sewer Service at Rockwell Village Mobile Homepark - Late Charges	49.3
	Rules and Regulations for furnishing Sewer Service at Rockwell Village Mobile Homepark - Rate per Unit	49.4
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(D)	Customers in Northern Division formerly Served by Tri-Village Water District	50.1
(D)	Customers in Northern Division formerly Served by Elk Lake Shores Subdivision	50.2
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(T) Indicates a text change
(D) Indicates discontinued

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No 6
Third Revised Sheet No. 3.1
Canceling Second Sheet No. 3.1

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(D) Indicates discontinued tariff

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Twenty-Seventh Revised Sheet No. 50
Canceling Twenty-Sixth Revised Sheet No. 50

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable
(T) Applicable to the entire Service Territory of Kentucky-American Water Company

Availability of Service
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service

Meter Rates
The following shall be the rates for consumption, in addition to the service charges provided for herein;

	<u>Customer Category</u>	<u>Rate Per 1,000 Gallons All Consumption</u>	<u>Rate Per 100 Cubic Feet All Consumption</u>
(I)	Residential	\$3 11706	\$2 33779
(I)	Commercial	2 85069	2 13802
(I)	Industrial	2 28552	1.71414
	Municipal & Other		
(I)	Public Authority	2 66001	1 99501
(I)	Sales for Resale	2.68381	2.01286

Service Charges
All metered general water service customers shall pay a service charge based on the size of meter installed. The service charge will not entitle the customer to any water.

	<u>Size of Meter</u>	<u>Service Charge Per Month</u>
(I)	5/8"	\$7.95
(I)	3/4"	11.94
(I)	1"	19.89
(I)	1-1/2"	39.77
(I)	2"	63.64
(I)	3"	119.32
(I)	4"	198.86
(I)	6"	397.73
(I)	8"	636.36

(T) Indicates Text Change
(I) Indicates Increase

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 50 1
Canceling First Revised Sheet No. 50 1

9d

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

(D) Applicable

Applicable to all customers in the Company's Northern Division formerly served by the Tri-Village Water District.

(D) Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

(D) Monthly Water Rates

The following shall be the rates for water consumption.

Rate Per 1,000 Gallons

(D)	First	2,000 gallons	\$19.40 minimum bill
(D)	Next	4,000 gallons	6.22 per 1,000 gallons
(D)	Next	4,000 gallons	6.10 per 1,000 gallons
(D)	Next	10,000 gallons	5.98 per 1,000 gallons
(D)	Over	20,000 gallons	5.74 per 1,000 gallons

Rate Per 100 Cubic Feet

(D)	First	2.67 100 cubic feet	\$19.40 minimum bill
(D)	Next	5.33 100 cubic feet	4.665 per 100 cubic feet
(D)	Next	5.33 100 cubic feet	4.575 per 100 cubic feet
(D)	Next	13.33 100 cubic feet	4.485 per 100 cubic feet
(D)	Over	26.66 100 cubic feet	4.305 per 100 cubic feet

(D) Indicates Discontinued

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 50.2
Canceling First Revised Sheet No. 50.2

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

- (D) **Applicable**
Applicable to all customers in the Company's Northern Division formerly served by the Elk Lake Shores Subdivision.
- (D) **Availability of Service**
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

(D) **Monthly Water Rates**

The following shall be the rates for water consumption.

5/8 inch x 3/4 inch metered

- | | | |
|-----|---------------------------|---------------------------|
| (D) | First 2,000 gallons | \$20.95 minimum bill |
| (D) | Next 2,000 gallons | 2.35 per 1,000 gallons |
| (D) | Over 4,000 gallons | 1.70 per 1,000 gallons |
| (D) | First 2.67 100 cubic feet | \$20.95 minimum bill |
| (D) | Next 2.67 100 cubic feet | 1.7625 per 100 cubic feet |
| (D) | Over 5.34 100 cubic feet | 1.2750 per 100 cubic feet |

All meters shall be read to the nearest one hundred (100) gallons each month.

- (D) The monthly bill for a customer served by a 5/8" x 3/4" meter shall be \$20.95 for metered usages of zero (0) to two thousand (2,000) gallons or 2.67 100 cubic feet. The additional charge for usage in excess of two thousand gallons shall be computed to the nearest one hundred (100) gallons of usage on the basis of the above unit costs per one thousand (1,000) gallons.

Size of Service Line

The service line of all service shall be 3/4" with 5/8" x 3/4" meter.

(D) Indicates Discontinued

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C No 6
First Revised Sheet 50.3
Canceling Original Sheet No 50.3

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

(D) Applicable

Applicable to all customers in the City of Owenton.

(D) Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service

(D) Monthly Water Rates

The following shall be the rates for water consumption.

Within the City Limits

Per 1,000 gallons		Per CCF	
(D) First 2,000 gallons	\$16.77 minimum bill	First 2.67 CCF	\$16.77 minimum bill
(D) Next 1,000 gallons	6.26 per 1,000 gallons	Next 1.33 CCF	4.695 per CCF
(D) Next 2,000 gallons	5.18 per 1,000 gallons	Next 2.67 CCF	3.885 per CCF
(D) Next 5,000 gallons	4.20 per 1,000 gallons	Next 6.67 CCF	3.150 per CCF
(D) Next 10,000 gallons	3.42 per 1,000 gallons	Next 13.33 CCF	2.565 per CCF
(D) Next 20,000 gallons	3.10 per 1,000 gallons	Next 26.67 CCF	2.325 per CCF
(D) All over 40,000 gallons	3.06 per 1,000 gallons	All over 53.34 CCF	2.295 per CCF

Outside the City Limits

RATE B

(D) First 6,000 gallons	\$39.35 minimum bill	First 8.0 CCF	\$39.35 minimum bill
(D) Next 2,000 gallons	6.04 per 1,000 gallons	Next 2.67 CCF	4.53 per CCF
(D) All over 8,000 gallons	4.55 per 1,000 gallons	All over 10.67 CCF	3.4125 per CCF

RATE G

(D) First 2,000 gallons	\$22.68 minimum bill	First 2.67 CCF	\$22.68 minimum bill
(D) Next 2,000 gallons	7.56 per 1,000 gallons	Next 2.67 CCF	5.67 per CCF
(D) All over 4,000 gallons	4.55 per 1,000 gallons	All over 5.34 CCF	3.4125 per CCF

(D) Indicates Discontinued

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Twenty-Third Revised Sheet No. 52
Canceling Twenty-Second Revised Sheet No. 52

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 3

Applicable
(T) Applicable to the entire Service Territory of Kentucky-American Water Company

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes

Rates

	<u>Size of Service</u>	<u>Rate Per</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
(I)	2" Diameter	\$ 5 02	\$ 60 24
(I)	4" Diameter	20.10	241 20
(I)	6" Diameter	45.17	542 04
(I)	8" Diameter	80.28	963 36
(I)	10" Diameter	125 45	1,505 40
(I)	12" Diameter	180 68	2,168 16
(I)	14" Diameter	245 95	2,951 40
(I)	16" Diameter	321 16	3,853 92

Special Provisions
No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall not be drawn from a private fire service connection for any other purpose

(I) Indicates Increase
(T) Indicates Text Change

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
Second Revised Sheet No. 52.1
Canceling First Revised Sheet 52.1

TAPPING FEES

Applicable

(T) Applicable to the entire Service Territory of Kentucky-American Water Company

Availability of Service

Available for residential, commercial, industrial, other public authority and sales for resale customers

Tapping (Connection) Fees

Size of Meter Connected

(I)	5/8-Inch	\$ 660.00
(I)	1-Inch	1,254.00
(R)	2-Inch	2,945.00
	Service larger than 2"	Actual Cost

For services greater than 2", a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

(T) Indicates Text Change
(I) Indicates Increase
(R) Indicates Reduction

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No 6
Twenty-First Revised Sheet No 53
Canceling Twentieth Revised Sheet No. 53

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4

- Applicable**
(T) Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates For Public Fire Service

	<u>Rate Per</u> <u>Month</u>	<u>Rate Per</u> <u>Annum</u>
(I) For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	\$27.14	\$325.68

Rates For Private Service
For each private fire hydrant contracted for by Industries or Private Institutions

(I)	\$45.17	\$542.04
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(I) Indicates Increase
(T) Indicates Text Change

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P S C Ky No 6
Second Revised Sheet No. 56
Canceling First Revised Sheet No. 56

RECONNECTION CHARGE

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of (I) Twenty-six Dollars (\$26.00) will be made to cover the expense of turning on the water service

(I) Indicates Increase

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.1
Cancelling Original Sheet No. 58.1.

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

Applicable to customers in the Company's Northern Division formerly served by the Tri-Village Water District.

(D) TAPPING FEES

Size of Meter Connected

(D)	5/8-Inch	\$ 530.00
(D)	1-Inch	945.00
(D)	2-Inch	4,250.00
(D)	Service larger than 2"	Actual Cost

(D) For services greater than 2", a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

	Service Run	\$23 ** (refer below)
	Collection of Delinquent Bill	\$23
(R)	Reconnection Charge	\$26
	Deposit for New Service	\$40
	Returned Check Charge	\$10

** This applies anytime the service men come to remove the meter for non-payment of the bill and the customer pays while they are there or tells them that they will come to the office to pay the bill.

(D) Indicates Discontinued
(R) Indicates Reduction

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58.2
Canceling Original Sheet No. 58.2

CUSTOMER SPECIFIC TARIFF CHARGES

Applicable

Applicable to customers in the Company's Northern Division formerly served by the Elk Lake Shores Subdivision

SERVICE RUN

The cost of a service run shall be \$40.00. This applies anytime the service men come to remove the meter for non-payment of the bill and the customer pays while they are there or tells them that they will come to the office to pay the bill.

PENALTY CLAUSE

The rates, as listed, are net and all bills will be rendered in the net amount. A penalty of 10% shall be added to the bill if payment is not received by the 15th of the month. A penalty will be assessed only once on any bill for rendered service.

RETURNED CHECK FEE

Customer will be charged \$10.00 on any returned checks.

RECONNECTION CHARGE

- (R) A Reconnection Charge of \$26.00 shall be made by the Company to cover the cost incurred for reconnecting the meter or service when the customer's service has been disconnected at his request, or for any other reason, as set forth in these Regulations.

METER REMOVAL CHARGE

A Meter Removal Charge of \$56.00 shall be made when the customer's service has been disconnected at his request, or for any other reason, as set forth in these Regulations.

(R) Indicates Reduction

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY AMERICAN WATER COMPANY

P.S.C. Ky No 6
First Revised Sheet No 58.3
Canceling Original Sheet No 58.3

NEW ACCOUNT SET UP

ACTIVATION FEE

Applicable

Applicable to all customers who request a new account or a change in ownership of an existing account

Availability of Service

Available for all customers.

Rate

- (1) An activation fee of Twenty-six (\$26.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

(1) Indicates Increase

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. Ky No. 6
First Revised Sheet No. 58 5
Canceling Original Sheet No. 58 5

CHARGES FOR METER INSTALLATIONS

Applicable

(D) Applicable to customers in the Company's Northern Division formerly served by the Elk Lake Shores Subdivision

(D) The following prices as listed, includes the meter, meter vault, meter yoke where required, any necessary valve required, and the service line of the required size running to the customer's property line.

5/8" x 3/4" Meter Installation \$360 00

Large Meters Actual cost of installation

(D) Each customer must fill-out and sign the Meter Application furnished by Kentucky-American Water Company and pay the connection fee in advance. There are no exceptions to this requirement

(D) Indicates Discontinued

ISSUED:

EFFECTIVE: December 1, 2007

ISSUED BY: _____

2300 Richmond Road, Lexington, KY 40502

KENTUCKY AMERICAN WATER COMPANY

Depreciation Rates Per KAWC's Updated Depreciation Study

<u>DEPRECIABLE GROUP</u>	<u>ACCRUAL RATE</u>
<u>STRUCTURES & IMPROVEMENTS</u>	
304 10 SOURCE OF SUPPLY	3 03
304.20 POWER & PUMPING STRUCTURES	1 94
304.30 WATER TREATMENT	1.91
304 40 TRANSMISSION & DISTRIBUTION	4 34
304 60 OFFICE BUILDINGS	2 01
304 70 STORE, SHOP & GARAGE STRUCTURES	2 33
304 80 MISCELLANEOUS STRUCTURES	4 19
305 00 COLLECTING AND IMPOUNDING RESERVOIRS	1.50
306 00 LAKE, RIVER AND OTHER INTAKES	2.29
309 00 SUPPLY MAINS	1 82
310 10 OTHER POWER GENERATION EQUIPMENT	3 16
<u>PUMPING EQUIPMENT</u>	
311 20 ELECTRIC	2.45
311.30 DIESEL	2.47
311 40 HYDRAULIC	2.31
320 10 PURIFICATION SYSTEM - EQUIPMENT	2.21
330 10 DISTRIBUTION RESERVOIRS AND STANDPIPES	2 25
331 00 MAINS & ACCESSORIES	1 66
333 00 SERVICES	3 24
<u>METERS</u>	
334 10 METERS	2 78
334 11 BRONZE CASE	2 86
334 12 PLASTIC CASE	2.87
334 13 OTHER	2 81
334 20 METER INSTALLATIONS	2 92
335 00 FIRE HYDRANTS	1 72
339 10 OTHER SOURCE OF SUPPLY PLANT	19.96
<u>OFFICE FURNITURE & EQUIPMENT</u>	
340 10 FURNITURE	7 48
340 21 MAINFRAME	8 04
340 22 PERSONAL COMPUTERS	9 52
340 23 PERIPHERAL-OTHER	17 49
340 30 COMPUTER SOFTWARE	6 87
340 32 COMPUTER SOFTWARE-PERSONAL	-
340 33 COMPUTER SOFTWARE-OTHER	18 00
340 50 OTHER	7 17

Exhibit B
Page 2 of 2

<u>TRANSPORTATION EQUIPMENT</u>		
341 10	LIGHT DUTY TRUCKS	7 22
341.20	HEAVY DUTY TRUCKS	6 48
341 30	AUTOS	10 90
341.40	OTHER	6 39
342 00	STORES EQUIPMENT	5 18
343 00	TOOLS, SHOP AND GARAGE EQUIPMENT	5 67
344 00	LABORATORY EQUIPMENT	7 10
345 00	POWER OPERATED EQUIPMENT	4 45
346 10	COMMUNICATION EQUIPMENT - NON-TELEPHONE	6 12
347 00	MISCELLANEOUS EQUIPMENT	5 23
348 00	OTHER TANGIBLE PROPERTY	5 55
	Composite Depreciation Rate	2 39

* The accrual rate for new additions in Account 340 32 will be 20%

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2007-00143
REVENUES AT PRESENT AND PROPOSED RATES
TWELVE MONTHS ENDED NOVEMBER 30, 2008

Line No.	Rate Classification (A)	Sales (B)	Revenues at Present Rates (C)	Revenues at Proposed Rates (D)	Revenue Change (Amt) (E)	% of Revenues Change (F)
1						
2						
3						
4						
5						
6						
7	Residential	8,540,385	\$26,854,095	\$30,588,327	\$3,734,232	13.906%
8	Commercial	5,999,505	12,739,157	15,334,100	2,594,913	20.370%
9	Industrial	1,059,832	1,522,907	1,879,127	356,220	23.391%
10	Other Public Authority	2,029,386	3,781,095	4,525,838	744,753	19.697%
11	Sales for Resale	603,242	1,016,444	1,256,815	238,371	23.405%
12	Miscellaneous	0	0	0	0	0.000%
13	Private Fire Service	0	1,065,763	1,230,214	164,451	15.430%
14	Public Fire Service	0	2,261,424	2,354,015	92,591	4.094%
15						
16	Total	<u>18,232,350</u>	<u>\$49,242,009</u>	<u>\$57,168,436</u>	<u>\$7,925,531</u>	<u>16.095%</u>
17						
18	<u>Proforma Other Operating Revenues</u>					
19	Other Revenue-Rents Water Property		\$86,345	\$86,345	0	0.000%
20	Other Revenue - Collections for Others		903,528	903,528	0	0.000%
21	Other Revenues - NSF Checks		21,588	21,588	0	0.000%
22	Other Rev-App/Initiate Serv Fee		667,152	723,422	56,270	7.804%
23	Reconnection Fee		223,582	241,540	17,958	8.032%
24						
25	AFDUC		<u>1,858,187</u>	<u>1,858,187</u>	<u>0</u>	<u>0.000%</u>
26						
27	Proforma Total Operating Revenues		<u>\$53,003,297</u>	<u>\$61,003,056</u>	<u>\$7,999,759</u>	<u>15.090%</u>
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