

Exhibit_(JRW-1)

Kentucky-American Water Company
Cost of Capital

As of November 30, 2007

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short-Term Debt	0.60%	5.25%	0.03%
Long-Term Debt	53.20%	6.46%	3.44%
Preferred Stock	2.60%	7.75%	0.20%
Common Equity	43.60%	9.40%	4.10%
Total	100.00%		7.77%

Coverage Ratios

KAWC			
Before-income tax coverage if interest expense based on an effective federal and state tax income tax rate of	38.90%	3.03	X
After-income tax coverage of interest expense		2.24	X

Exhibit (JRW-2)
Kentucky-American Water Company
Summary Financial Statistics
Small Water Company Group

Company	S&P Bond Rating	Operating Revenue (\$mil)	Percent Water Revenue	Net Plant (\$mil)	Pre-Tax Interest Coverage	Primary Service Area	Common Equity Ratio*	Return on Equity	Price/Earnings Ratio	Market to Book Ratio
Artesian Resources Corp.	NR	49.7	90%	207.2	1.86	DE	38.0	10.4%	20.9	1.91
BIW Ltd.	NR	9.5	74%	29.2	1.86	CT	39.0	7.0%	34.4	2.42
Connecticut Water Services, Inc.	AAA	56.9	89%	216.8	3.04	CT	54.0	7.3%	30.8	2.06
Middlesex Water Company	A	81.8	89%	284.5	1.46	NJ, DE	49.0	8.5%	23.6	1.97
York Water Company	A-	29.4	92%	160.3	3.10	PA	55.0	10.6%	24.0	3.10
Mean		45.5	87%	179.6	2.13		47.0	8.8%	26.74	2.29

*Based on total capital

Data Sources: *AUS Utility Reports*, July, 2007 and *Value Line Investment Survey*, April 27, 2007. Interest coverage is computed using company data.

Summary Financial Statistics
Large Water Company Group

Company	S&P Bond Rating	Operating Revenue (\$mil)	Percent Water Revenue	Net Plant (\$mil)	Pre-Tax Interest Coverage	Primary Service Area	Common Equity Ratio*	Return on Equity	Price/Earnings Ratio	Market to Book Ratio
American States Water	A-	274.5	81%	661.4	3.09	CA, AZ	49.0	8.7%	25.4	2.10
Aqua America, Inc.	AA-	552.8	84%	2254.5	3.52	PA, OH, NJ, IL, ME, NC, TX, FL, KY	43.0	10.9%	32.4	3.26
California Water Service Group	NR	341.1	97%	842.5	2.38	CA, WA, NM	56.0	7.9%	26.5	2.01
SJW Corp.	NR	194.5	95%	601.8	2.84	CA	54.0	17.0%	15.5	2.45
Southwest Water Company	NR	221.5	40%	284.7	2.65	CA, NM, OK, TX	55.0	5.4%	32.1	1.85
Mean		316.9	79%	929.0	2.89		51.4	10.0%	26.4	2.33

*Based on total capital

Data Sources: *AUS Utility Reports*, July, 2007 and *Value Line Investment Survey*, April 27, 2007. Interest coverage is computed using company data.

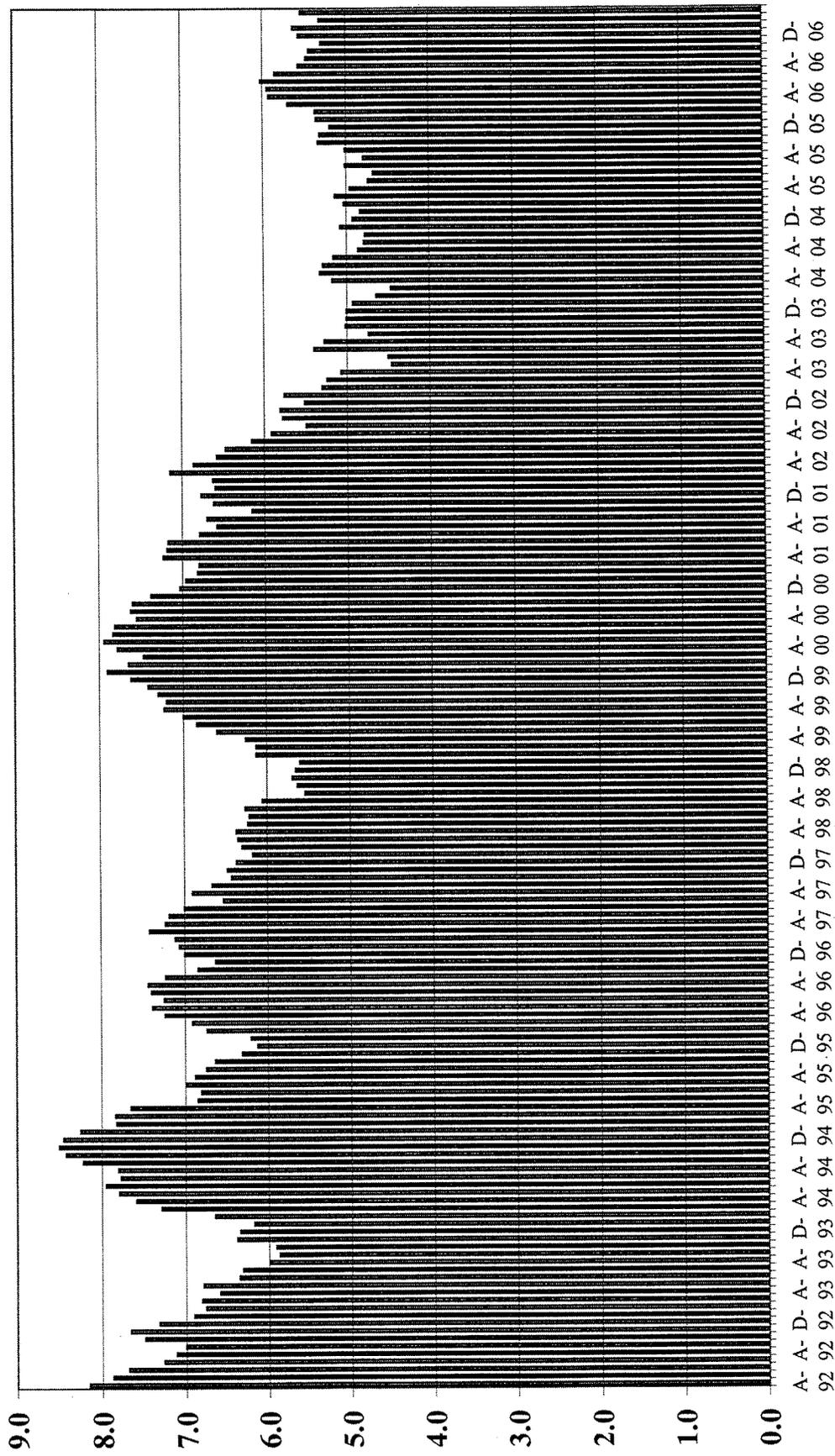
Exhibit_(JRW-3)
Kentucky-American Water Company

Capital Structure Ratios

KAWC's Proposed Capital Structure

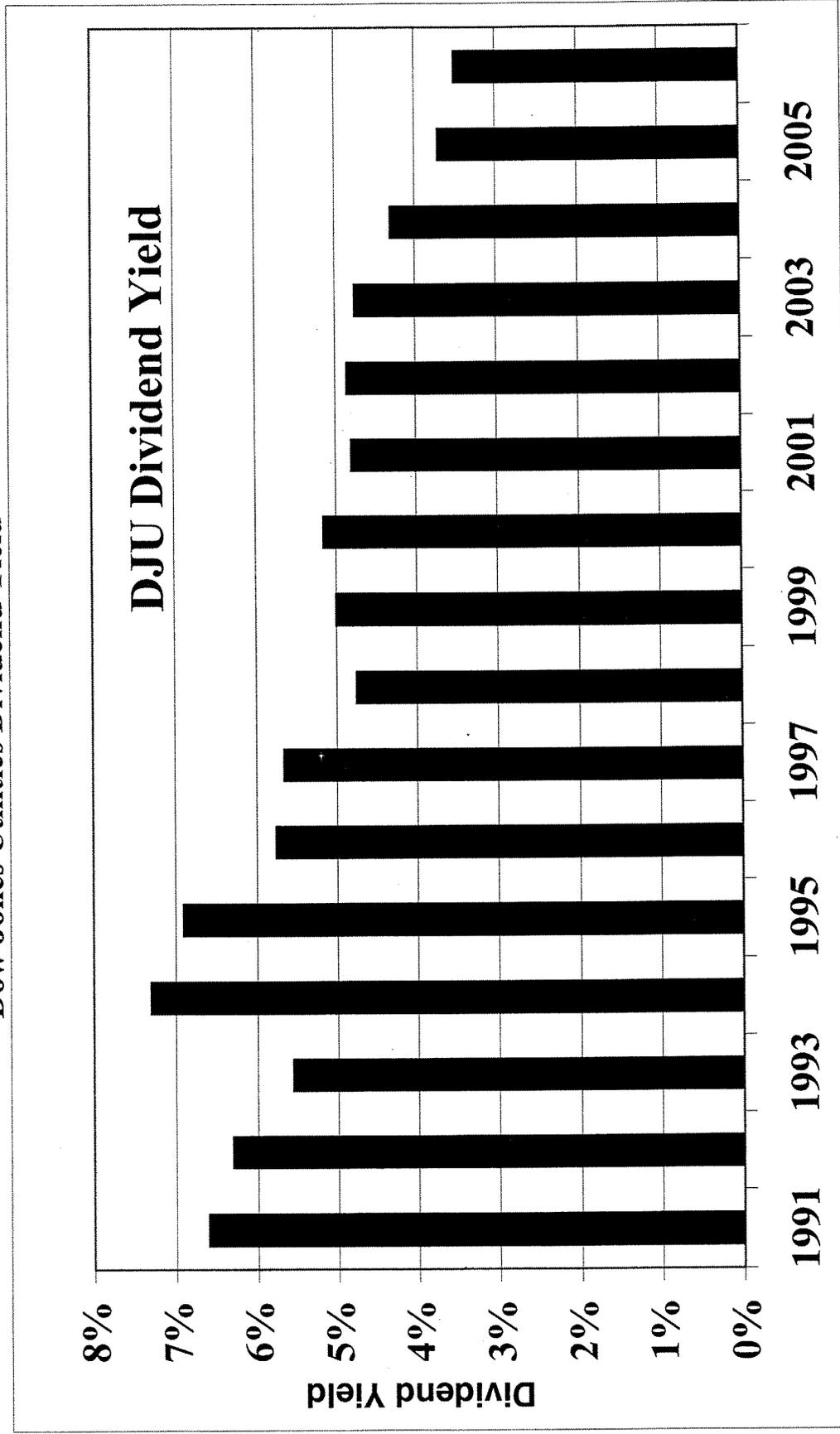
Type of Capital	Ratios	Cost Rate
Short-Term Debt	0.60%	5.25%
Long-Term Debt	53.20%	6.46%
Preferred Stock	2.60%	7.75%
Common Equity	43.60%	
Total	100.00%	

Exhibit (JRW-4) Long-Term 'A' Rated Public Utility Bonds



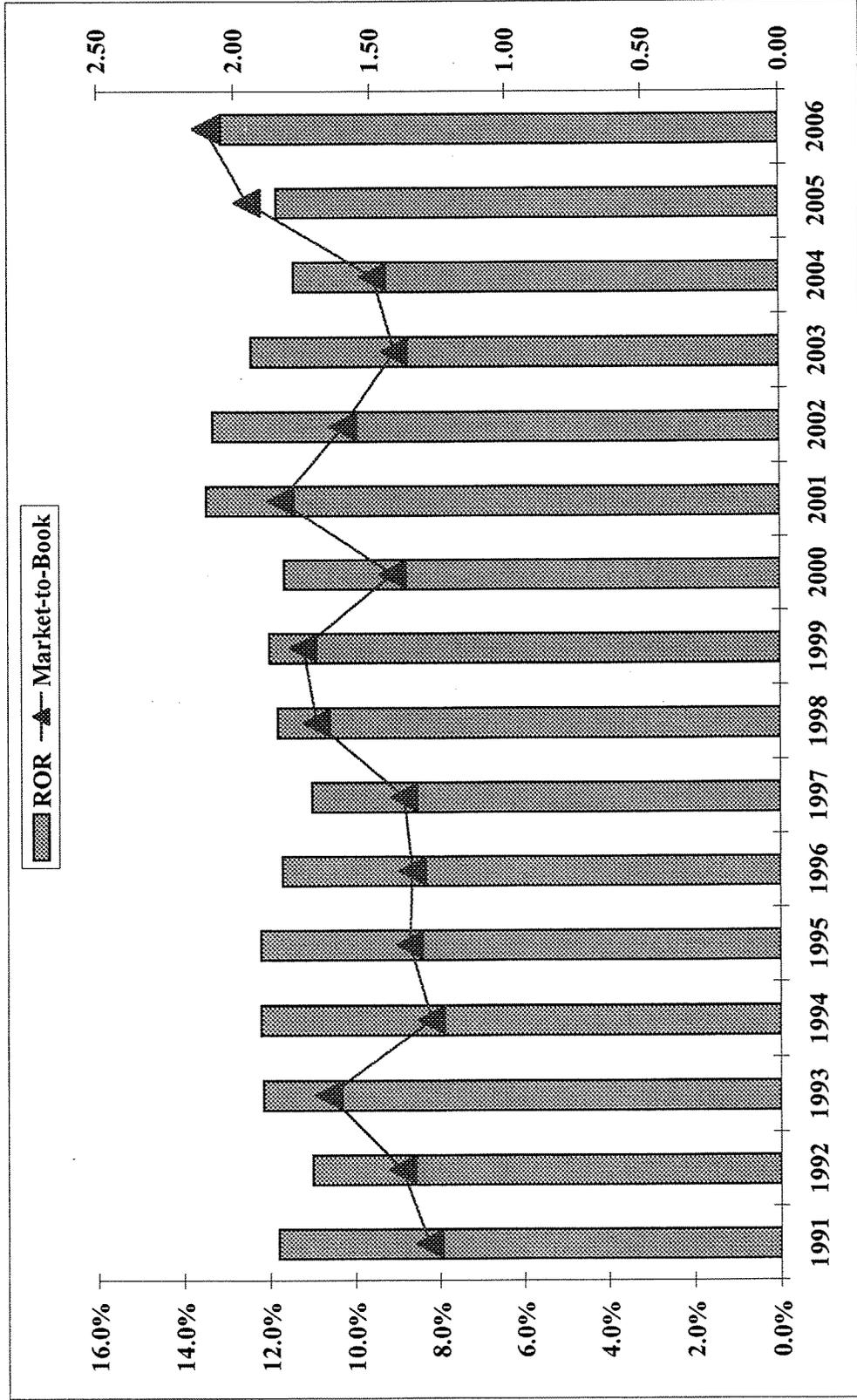
Data Source: Bloomberg (FMCJ Function).

Exhibit_(JRW-4)
Dow Jones Utilities Dividend Yield



Data Source: Value Line Investment Survey

Exhibit_(JRW-4)
Dow Jones Utilities - Market to Book and ROE



Data Source: Value Line Investment Survey

Exhibit_(JRW-5)

Industry Average Betas

Industry Name	Number of Firms	Beta	Industry Name	Number of Firms	Beta	Industry Name	Number of Firms	Beta
Semiconductor Equip	14	2.95	Retail Automotive	15	1.04	Publishing	50	0.89
Semiconductor	124	2.92	Grocery	19	1.04	Petroleum (Producing)	178	0.88
Wireless Networking	73	2.41	Foreign Electronics	10	1.03	Diversified Co.	134	0.87
Power	41	2.39	Office Equip/Supplies	26	1.02	Electric Utility (East)	29	0.87
Telecom. Equipment	136	2.35	Cement & Aggregates	13	1.02	Furn/Home Furnishings	38	0.87
Internet	329	2.30	Information Services	41	1.02	Environmental	96	0.87
E-Commerce	60	2.23	Metal Fabricating	37	1.01	Packaging & Container	36	0.87
Entertainment Tech	31	2.18	Natural Gas (Div.)	34	1.01	Maritime	46	0.86
Computers/Peripherals	148	1.99	Industrial Services	230	1.01	Home Appliance	14	0.84
Computer Software/Svcs	425	1.84	Machinery	139	1.01	Paper/Forest Products	42	0.84
Bank (Foreign)	4	1.78	Utility (Foreign)	6	1.00	Toiletries/Cosmetics	21	0.83
Cable TV	23	1.76	Auto Parts	64	0.99	Insurance (Prop/Cas.)	97	0.83
Coal	16	1.75	Advertising	36	0.99	Restaurant	81	0.80
Precision Instrument	104	1.71	Manuf. Housing/RV	19	0.99	Bank (Midwest)	37	0.79
Drug	334	1.59	Homebuilding	41	0.98	Tobacco	11	0.79
Biotechnology	105	1.56	Chemical (Specialty)	94	0.98	Household Products	31	0.79
Electrical Equipment	94	1.52	Trucking	38	0.98	R.E.I.T.	143	0.77
Steel (Integrated)	16	1.50	Retail (Special Lines)	164	0.98	Hotel/Gaming	84	0.77
Electronics	186	1.49	Building Materials	47	0.98	Newspaper	18	0.76
Telecom. Services	173	1.43	Chemical (Basic)	24	0.98	Investment Co.	20	0.75
Air Transport	56	1.38	Electric Utility (West)	16	0.97	Canadian Energy	14	0.73
Entertainment	101	1.30	Chemical (Diversified)	36	0.97	Natural Gas (Distrib.)	30	0.73
Securities Brokerage	32	1.29	Tire & Rubber	10	0.96	Water Utility	16	0.73
Auto & Truck	31	1.29	Railroad	20	0.96	Food Processing	123	0.72
Human Resources	35	1.22	Petroleum (Integrated)	30	0.96	Bank (Canadian)	7	0.72
Healthcare Information	34	1.22	Retail Building Supply	9	0.95	Food Wholesalers	21	0.72
Investment Co.(Foreign)	15	1.21	Medical Services	186	0.94	Beverage (Soft Drink)	21	0.71
Steel (General)	30	1.16	Retail Store	51	0.94	Beverage (Alcoholic)	27	0.66
Recreation	84	1.12	Electric Util. (Central)	24	0.94	Bank	550	0.59
Medical Supplies	279	1.11	Pharmacy Services	20	0.93	Thrift	248	0.56
Educational Services	37	1.09	Insurance (Life)	40	0.93	Market	7661	1.14
Shoe	24	1.08	Apparel	64	0.93			
Other	1	1.06	Aerospace/Defense	73	0.92			
Oilfield Svcs/Equip.	110	1.05	Precious Metals	67	0.90			
Metals & Mining (Div.)	82	1.04	Financial Svcs. (Div.)	269	0.89			

Data Source: <http://pages.stern.nyu.edu/~adamodar/>

Exhibit_(JRW-6)

**Kentucky-American Water Company
Discounted Cash Flow Analysis**

Small Water Company Group

Dividend Yield*	3.50%
Adjustment Factor	<u>1.03125</u>
Adjusted Dividend Yield	3.61%
Growth Rate**	<u>6.25%</u>
Equity Cost Rate	9.86%

* Page 2 of Exhibit_(JRW-6)

** Based on data provided on pages 3-5,
Exhibit_(JRW-6)

Large Water Company Group

Dividend Yield*	2.25%
Adjustment Factor	<u>1.035</u>
Adjusted Dividend Yield	2.33%
Growth Rate**	<u>7.00%</u>
Equity Cost Rate	9.33%

* Page 2 of Exhibit_(JRW-6)

** Based on data provided on pages 3-5,
Exhibit_(JRW-6)

Kentucky-American Water Company
DCF Monthly Dividend Yields

Small Water Company Group
February 2007 - July 2007

Company	Feb	Mar	Apr	May	June	July	Mean
Artesian Resources Corp.	3.3%	3.2%	3.3%	3.3%	3.4%	3.5%	3.3%
BIW Ltd.	4.3%	4.4%	4.2%	4.0%	4.0%	4.2%	4.2%
Connecticut Water Services, Inc.	3.6%	3.5%	3.5%	3.5%	3.6%	3.6%	3.6%
Middlesex Water Company	3.6%	3.7%	3.5%	3.6%	3.6%	3.6%	3.6%
York Water Company	2.6%	2.7%	2.8%	2.6%	2.7%	2.6%	2.7%
Mean	3.5%	3.5%	3.5%	3.4%	3.5%	3.5%	3.5%

Monthly Dividend Yields
Large Water Company Group
February 2007 - July 2007

Company	Feb	Mar	Apr	May	June	July	Mean
American States Water	2.5%	2.4%	2.5%	2.6%	2.6%	2.7%	2.6%
Aqua America, Inc.	2.1%	2.0%	2.1%	2.0%	2.1%	2.0%	2.1%
California Water Service Group	3.0%	2.8%	3.1%	2.8%	3.1%	3.2%	3.0%
SJW Corp.	1.5%	1.7%	1.7%	1.6%	1.9%	2.0%	1.7%
Southwest Water Company	1.9%	1.7%	1.8%	1.6%	1.9%	1.8%	1.8%
Mean	2.2%	2.1%	2.2%	2.1%	2.3%	2.3%	2.2%

Data Source: *AUS Utility Reports*, monthly issues.

Exhibit_(JRW-6)
Kentucky-American Water Company
DCF Equity Cost Growth Rate Measures
Historic Growth Rates

Small Water Company Group

Growth Rates	5 Year	10 Year
ARTN B - EPS	6.68%	7.49%
CTWS - EPS	-5.25%	-1.46%
MSEX - EPS	4.44%	3.17%
BIW-EPS	4.40%	-2.46%
YORW - EPS	6.02%	5.18%
Mean	3.26%	2.39%
Median	4.44%	3.17%
ARTN B - DPS	4.35%	4.31%
CTWS - DPS	1.24%	1.25%
MSEX - DPS	1.86%	2.13%
BIW-DPS	3.23%	10.52%
YORW - DPS	5.95%	4.23%
Mean	3.33%	4.49%
Median	3.23%	4.23%
ARTN B - BVPS	6.24%	4.60%
CTWS - BVPS	4.62%	3.61%
MSEX - BVPS	6.68%	5.32%
BIW-BVPS	-3.21%	10.38%
YORW - BVPS	8.99%	6.13%
Mean	4.66%	6.01%
Median	6.24%	5.32%
Mean (of Means)	3.75%	4.29%
Mean (of Medians)	4.63%	4.24%
Overall Mean	4.19%	4.27%
5-Year-10-Year Average		4.23%

Data Source: Mergent

Large Water Company Group

Growth Rates	5 Year	10 Year
AWR - EPS	-0.05%	1.67%
WTR - EPS	6.04%	8.84%
CWT - EPS	6.68%	-1.15%
SJW - EPS	9.18%	2.19%
SWWC - EPS	-1.07%	9.53%
Mean	4.16%	4.21%
Median	6.04%	2.19%
AWR - DPS	0.97%	1.05%
WTR - DPS	8.16%	6.80%
CWT - DPS	0.62%	1.01%
SJW - DPS	5.80%	4.42%
SWWC - DPS	7.99%	8.84%
Mean	4.71%	4.42%
Median	5.80%	4.42%
AWR - BVPS	4.70%	4.22%
WTR - BVPS	10.87%	6.67%
CWT - BVPS	7.18%	4.13%
SJW - BVPS	8.83%	7.06%
SWWC - BVPS	12.47%	8.54%
Mean	8.81%	6.12%
Median	8.83%	6.67%
Mean (of Means)	5.89%	4.92%
Mean (of Medians)	6.89%	4.43%
Overall Mean	6.39%	4.67%
5-Year-10-Year Average		5.53%

Exhibit (JRW-6)

Kentucky-American Water Company
DCF Equity Cost Growth Rate Measures
Value Line Historic and Projected Rates

Small Water Company Group

Value Line
Historic Growth

Company	Past 5 Years		Book Value	Past 1 Year		Book Value
	Earnings	Dividends		Earnings	Dividends	
Artesian Resources Corp.	NA	NA	NA	NA	NA	NA
BIW Ltd.	NA	NA	NA	NA	NA	NA
Connecticut Water Services, Inc.	-2.5%	1.0%	5.0%	-5.0%	1.0%	0.5%
Middlesex Water Company	3.5%	2.0%	5.0%	15.5%	1.5%	14.5%
York Water Company	4.5%	-3.0%	6.0%	3.5%	7.0%	20.5%
Mean	1.8%	0.0%	5.3%	4.7%	3.2%	11.8%
Median	3.5%	1.0%	5.0%	3.5%	1.5%	14.5%
Average of Mean and Median Figures =				4.7%		

Value Line
Projected Growth

Company	Value Line Projected Growth Est'd. '03-'05 to '10-'12			Return on Equity	Value Line Internal Growth	
	Earnings	Dividends	Book Value		Retention Rate	Internal Growth
Artesian Resources Corp.	NA	NA	NA	NA	NA	NA
BIW Ltd.	NA	NA	NA	NA	NA	NA
Connecticut Water Services, Inc.	NA	NA	NA	6.9%	NMF	NMF
Middlesex Water Company	NA	NA	NA	7.5%	16.0%	1.2%
York Water Company	NA	NA	NA	9.3%	23.0%	2.1%
Mean	NA	NA	NA	7.9%	19.5%	1.7%
Median	NA	NA	NA	7.5%	19.5%	1.7%
Average of Mean and Median Figures =			NA	Average of Mean and Median Figures = 1.7%		

Data Source: Value Line Investment Survey, April 27, 2007.

Large Water Company Group

Value Line
Historic Growth

Company	Past 10 Years			Past 5 Years		
	Earnings	Dividends	Book Value	Earnings	Dividends	Book Value
American States Water	0.0%	1.0%	4.0%	-2.5%	1.0%	4.5%
Aqua America, Inc.	9.0%	6.0%	9.5%	8.5%	6.5%	11.0%
California Water Service Group	1.0%	1.5%	3.0%	-0.5%	1.0%	3.0%
SJW Corp.	NA	NA	NA	7.5%	5.5%	7.0%
Southwest Water Company	13.5%	6.0%	9.5%	1.5%	10.0%	14.0%
Mean	5.9%	3.6%	6.5%	2.9%	4.8%	7.9%
Median	5.0%	3.8%	6.8%	1.5%	5.5%	7.0%
Average of Mean and Median Figures =				5.1%		

Value Line
Projected Growth

Company	Value Line Projected Growth Est'd. '03-'05 to '10-'12			Return on Equity	Value Line Internal Growth	
	Earnings	Dividends	Book Value		Retention Rate	Internal Growth
American States Water	9.0%	3.0%	6.0%	9.0%	48.0%	4.3%
Aqua America, Inc.	7.5%	9.5%	7.0%	11.5%	34.0%	3.9%
California Water Service Group	6.5%	1.0%	5.0%	10.0%	45.0%	4.5%
SJW Corp.	NA	NA	NA	10.6%	53.0%	5.6%
Southwest Water Company	11.0%	9.5%	8.5%	7.0%	46.0%	3.2%
Mean	8.5%	5.8%	6.6%	9.6%	45.2%	4.3%
Median	8.3%	6.3%	6.5%	10.0%	46.0%	4.3%
Average of Mean and Median Figures =			7.0%	Average of Mean and Median Figures = 4.3%		

Data Source: Value Line Investment Survey, April 27, 2007.

Exhibit_(JRW-6)

Kentucky-American Water Company
DCF Equity Cost Growth Rate Measures
Analysts Projected EPS Estimates

Small Water Company Group

Company	Symbol	Yahoo First Call	Reuters	Zack's	Average
Artesian Resources Corp.	ARTNA	7.0%	8.0%	7.0%	7.3%
BIW Ltd.	BIW	NA	NA	NA	NA
Connecticut Water Services, Inc.	CTWS	NA	10.0%	10.0%	10.0%
Middlesex Water Company	MSEX	8.0%	5.5%	8.0%	7.2%
York Water Company	YORW	8.0%	4.0%	7.0%	6.3%
Mean		7.7%	6.9%	8.0%	7.7%
Median		8.0%	6.8%	7.5%	7.3%

Data Sources: www.zacks.com, www.investor.reuters.com,
<http://quote.yahoo.com>, July, 2007.

Large Water Company Group

Company	Symbol	Yahoo First Call	Reuters	Zack's	Average
American States Water	AWR	5.5%	5.0%	5.0%	5.2%
Aqua America, Inc.	WTR	9.5%	10.3%	9.6%	9.8%
California Water Service Group	CWT	7.0%	8.2%	8.2%	7.8%
SJW Corp.	SJW	14.0%	10.0%	10.0%	11.3%
Southwest Water Company	SWWC	8.3%	10.0%	10.0%	9.4%
Mean		8.9%	8.7%	8.6%	8.7%
Median		8.3%	10.0%	9.6%	9.4%

Data Sources: www.zacks.com, www.investor.reuters.com,
<http://quote.yahoo.com>, July, 2007.

Kentucky-American Water Company
Capital Asset Pricing Model

Small Water Company Group

Risk-Free Interest Rate	5.25%
Beta*	0.77
<u>Ex Ante Equity Risk Premium**</u>	<u>4.12%</u>
CAPM Cost of Equity	8.42%

Large Water Company Group

Risk-Free Interest Rate	5.25%
Beta*	0.84
<u>Ex Ante Equity Risk Premium**</u>	<u>4.12%</u>
CAPM Cost of Equity	8.71%

* See page 2 of Exhibit_(JRW-8)

** See page 3 of Exhibit_(JRW-8)

Exhibit_(JRW-7)

Kentucky-American Water Company
Beta

Small Water Company Group

Company	Beta
Artesian Resources Corp.	N/A
BIW Ltd.	N/A
Connecticut Water Services, Inc.	0.90
Middlesex Water Company	0.85
York Water Company	0.55
Mean	0.77

Large Water Company Group

Company	Beta
American States Water	0.80
Aqua America, Inc.	0.90
California Water Service Group	0.90
SJW Corp.	0.70
Southwest Water Company	0.90
Mean	0.84

Data Source: *Value Line Investment Survey, July 28, 2006.*

Exhibit_(JRW-7)

Kentucky-American Water Company
Capital Asset Pricing Model
Equity Risk Premium

Category	Study Authors	Range		Mean	Category Average	
		Low	High	of Range Mean		
Historic	Ibbotson	Arithmetic		6.50%	5.75%	
		Geometric		5.00%		
	AVERAGE					5.75%
Puzzle Research	Claus Thomas				3.00%	
	Arnott and Bernstein				2.40%	
	Constantinides				6.90%	
	Cornell		3.50%	7.00%	5.25%	
	Dimson, Marsh, and Staunton	Arithmetic	2.50%	4.00%	3.81%	4.35%
		Geometric	3.50%	5.25%		
	Fama French				3.44%	
	Harris & Marston				7.14%	
	Siegel		Geometric		2.50%	
	AVERAGE					4.25%
Surveys	Survey of Financial Forecasters				2.50%	
	Duke - CFO Magazine CFO Survey				3.42%	
	Welch - Academics		5.00%	5.50%	5.25%	
	AVERAGE					3.72%
Social Security	Office of Chief Actuary		4.00%	4.70%		
	John Campbell		2.00%	3.50%		
	Peter Diamond		3.00%	4.80%		
	John Shoven		3.00%	3.50%	3.56%	
	AVERAGE					3.56%
Building Block	Ibbotson and Chen					
			Arithmetic		6.00%	5.00%
			Geometric		4.00%	
	Woolridge				2.41%	
AVERAGE					3.71%	
Other Studies	McKinsey		3.50%	4.00%	3.75%	
	AVERAGE					3.75%
	OVERALL AVERAGE					4.12%

Sources:

Ibbotson Associates, SBBI Yearbook, 2007.

Duke University - CFO Magazine Survey of CFOs, March 2007.

James Claus and Jacob Thomas, "Equity Risk Premia as Low as Three Percent? Empirical Evidence from Analysts' Earnings Forecasts for Domestic and International Stock Market," *Journal of Finance*, (October 2001).

Eugene F. Fama and Kenneth R. French, "The Equity Premium," *The Journal of Finance*, April 2002.

Elroy Dimson, Paul Marsh, and Mike Staunton, "New Evidence puts Risk Premium in Context," *Corporate Finance* (March 2003)

Ivo Welch, "The Equity Risk Premium Consensus Forecast Revisited," (September 2001). Cowles Foundation Discussion Paper No. 1325.

Federal Reserve Bank of Philadelphia, *Survey of Professional Forecasters*, February 13, 2007.

Marc H. Goedhart, Timothy M. Koller, and Zane D. Williams, "The Real Cost of Equity," *McKinsey on Finance* (Autumn 2002), p.14.

Roger Ibbotson and Peng Chen, "Long Run Returns: Participating in the Real Economy," *Financial Analysts Journal*, January 2003

Exhibit_(JRW-7)

**Survey of Professional Forecasters
Philadelphia Federal Reserve Bank
Long-Term Forecasts**

TABLE FIVE
LONG-TERM (10 YEAR) FORECASTS

<u>SERIES: CPI INFLATION RATE</u>		<u>SERIES: REAL GDP GROWTH RATE</u>	
STATISTIC		STATISTIC	
MINIMUM	1.690	MINIMUM	2.500
LOWER QUARTILE	2.200	LOWER QUARTILE	2.810
MEDIAN	2.350	MEDIAN	3.000
UPPER QUARTILE	2.600	UPPER QUARTILE	3.200
MAXIMUM	4.000	MAXIMUM	3.500
MEAN	2.410	MEAN	3.010
STD. DEV.	0.400	STD. DEV.	0.220
N	46	N	44
MISSING	3	MISSING	5
<u>SERIES: PRODUCTIVITY GROWTH</u>		<u>SERIES: STOCK RETURNS (S&P 500)</u>	
STATISTIC		STATISTIC	
MINIMUM	1.200	MINIMUM	5.000
LOWER QUARTILE	2.000	LOWER QUARTILE	6.400
MEDIAN	2.200	MEDIAN	7.500
UPPER QUARTILE	2.300	UPPER QUARTILE	8.130
MAXIMUM	3.000	MAXIMUM	15.000
MEAN	2.150	MEAN	7.680
STD. DEV.	0.320	STD. DEV.	2.050
N	0	N	32
MISSING	11	MISSING	17
<u>SERIES: BOND RETURNS (10-YEAR)</u>		<u>SERIES: BILL RETURNS (3-MONTH)</u>	
STATISTIC		STATISTIC	
MINIMUM	2.000	MINIMUM	3.000
LOWER QUARTILE	5.000	LOWER QUARTILE	4.000
MEDIAN	5.000	MEDIAN	4.500
UPPER QUARTILE	5.200	UPPER QUARTILE	4.680
MAXIMUM	6.000	MAXIMUM	6.000
MEAN	5.000	MEAN	4.330
STD. DEV.	0.600	STD. DEV.	0.670
N	39	N	39
MISSING	10	MISSING	10

Source: Philadelphia Federal Reserve Bank, Survey of Professional Forecasters, February 13, 2007.
<http://www.phil.frb.org/files/spf/spfq107.pdf>

Exhibit_(JRW-7)

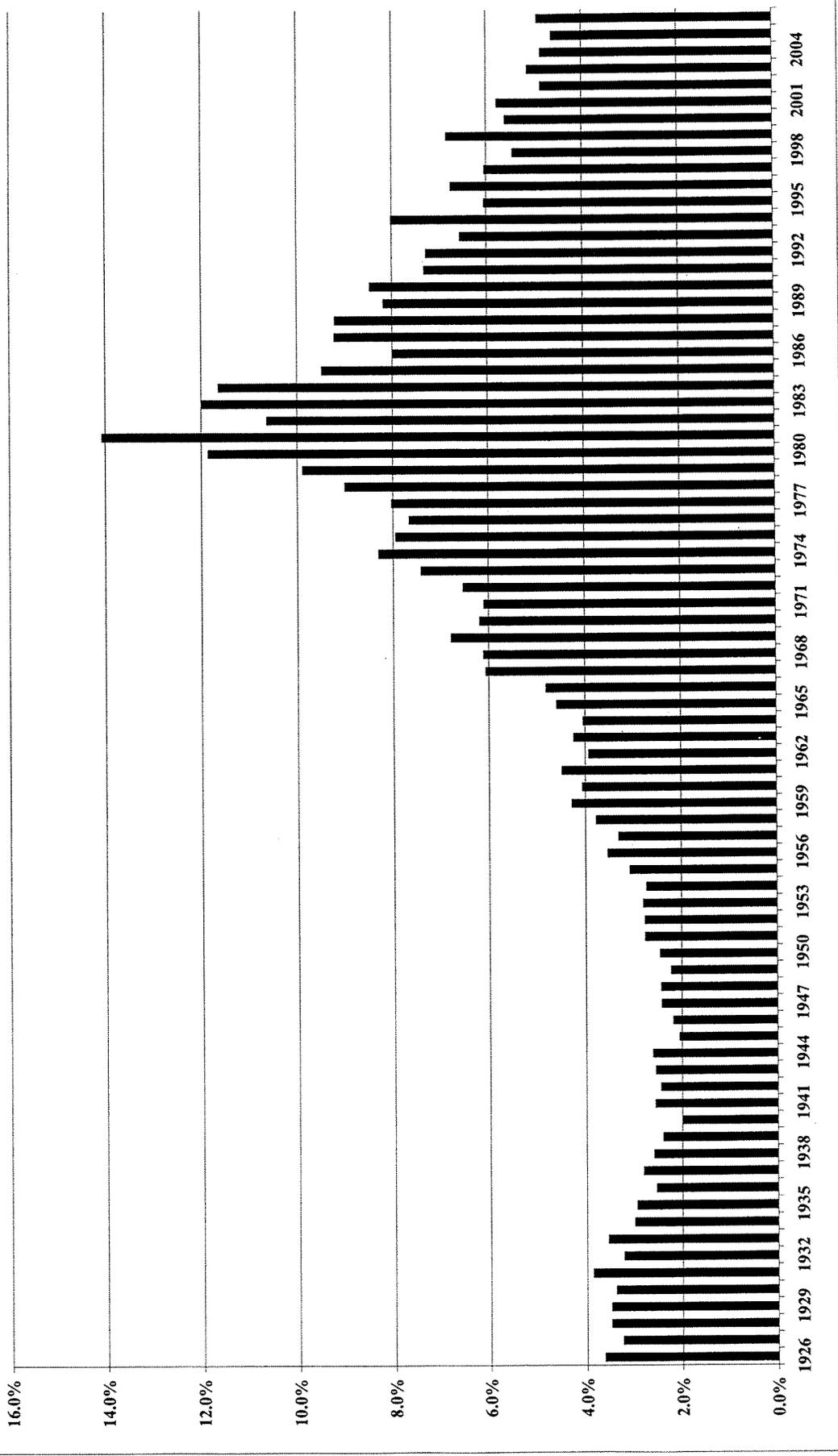
Kentucky-American Water Company

CAPM

Real S&P 500 EPS Growth Rate

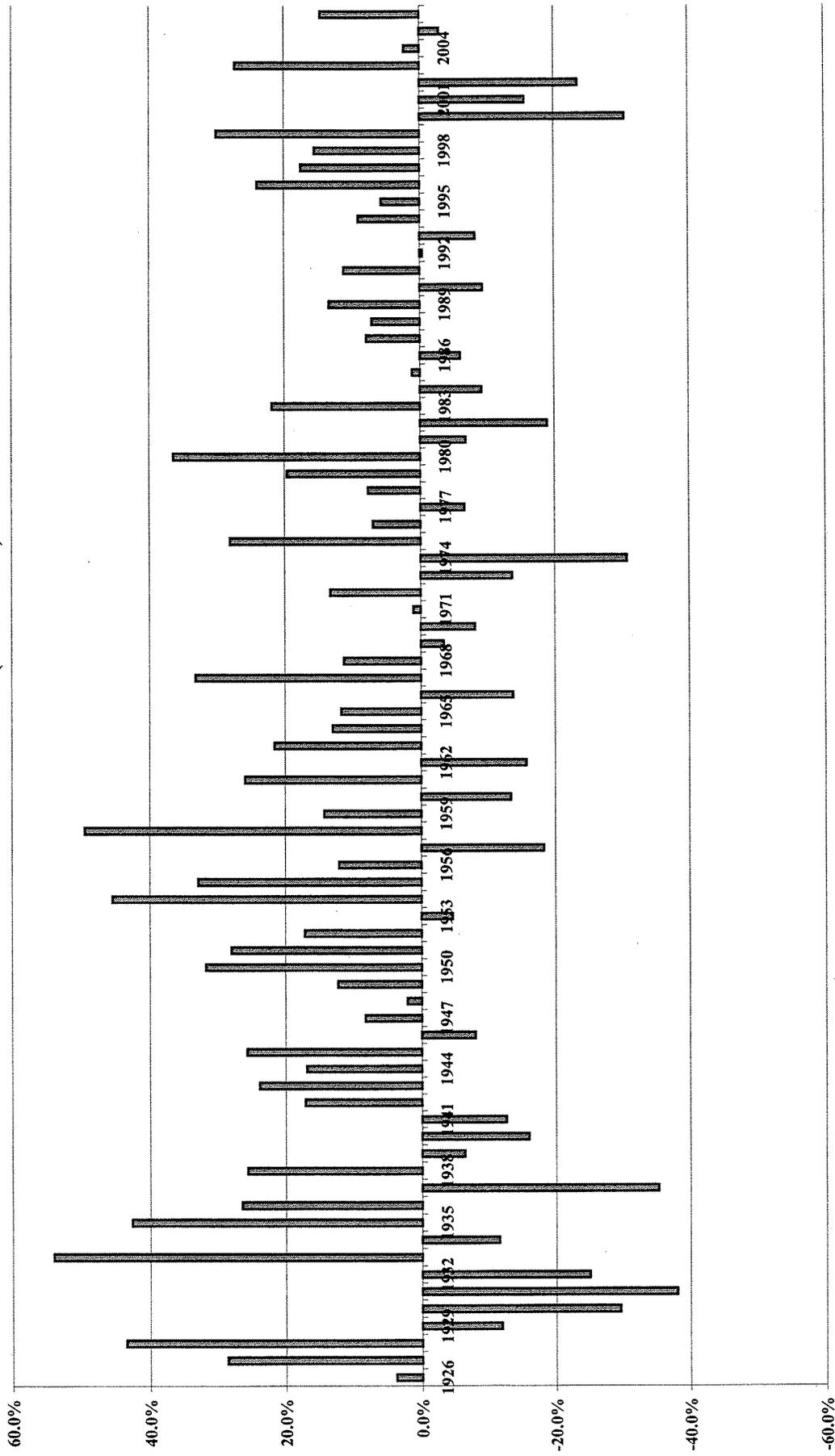
Year	S&P 500 EPS	Annual Inflation CPI	Inflation Adjustment Factor	Real S&P 500 EPS	
1960	3.10	1.40		3.10	
1961	3.37	0.70	1.01	3.35	
1962	3.67	1.30	1.02	3.59	
1963	4.13	1.60	1.04	3.99	
1964	4.76	1.00	1.05	4.55	
1965	5.30	1.90	1.07	4.97	
1966	5.41	3.50	1.10	4.90	
1967	5.46	3.00	1.14	4.80	
1968	5.72	4.70	1.19	4.81	
1969	6.10	6.20	1.26	4.83	<u>10-Year</u>
1970	5.51	5.60	1.34	4.13	2.89%
1971	5.57	3.30	1.38	4.04	
1972	6.17	3.40	1.43	4.33	
1973	7.96	8.70	1.55	5.13	
1974	9.35	12.30	1.74	5.37	
1975	7.71	6.90	1.86	4.14	
1976	9.75	4.90	1.95	4.99	
1977	10.87	6.70	2.08	5.22	
1978	11.64	9.00	2.27	5.13	
1979	14.55	13.30	2.57	5.66	<u>10-Year</u>
1980	14.99	12.50	2.89	5.18	2.30%
1981	15.18	8.90	3.15	4.82	
1982	13.82	3.80	3.27	4.23	
1983	13.29	3.80	3.40	3.91	
1984	16.84	3.90	3.53	4.77	
1985	15.68	3.80	3.66	4.28	
1986	14.43	1.10	3.70	3.90	
1987	16.04	4.40	3.87	4.15	
1988	22.77	4.40	4.04	5.64	
1989	24.03	4.60	4.22	5.69	<u>10-Year</u>
1990	21.73	6.10	4.48	4.85	-0.65%
1991	19.10	3.10	4.62	4.14	
1992	18.13	2.90	4.75	3.81	
1993	19.82	2.70	4.88	4.06	
1994	27.05	2.70	5.01	5.40	
1995	35.35	2.50	5.14	6.88	
1996	35.78	3.30	5.31	6.74	
1997	39.56	1.70	5.40	7.33	
1998	38.23	1.60	5.48	6.97	
1999	45.17	2.70	5.63	8.02	<u>10-Year</u>
2000	52.00	3.40	5.82	8.93	6.29%
2001	44.23	1.60	5.92	7.48	
2002	47.24	2.40	6.06	7.80	
2003	54.15	1.90	6.17	8.77	
2004	67.01	3.26	6.37	10.51	<u>5-Year</u>
2005	68.32	3.52	6.60	10.35	3.00%
2006	81.96	2.50	6.76	12.12	
Data Source: http://pages.stern.nyu.edu/~adamodar/				Real EPS Growth	3.0%

LT US Treasury Yields (1926 - 2006)

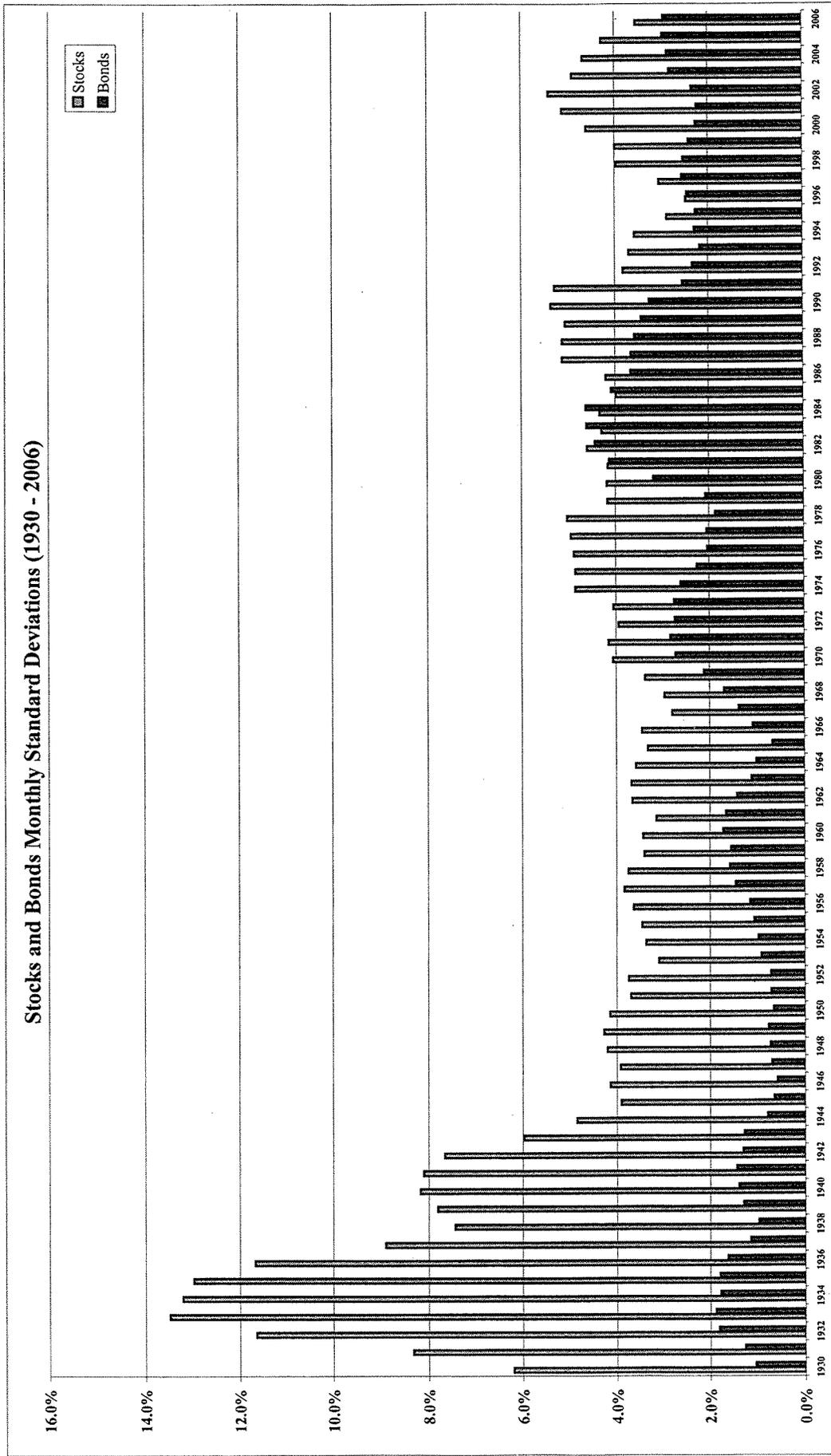


Data Source: Ibbotson Associates, *S&P Yearbook*, 2007.

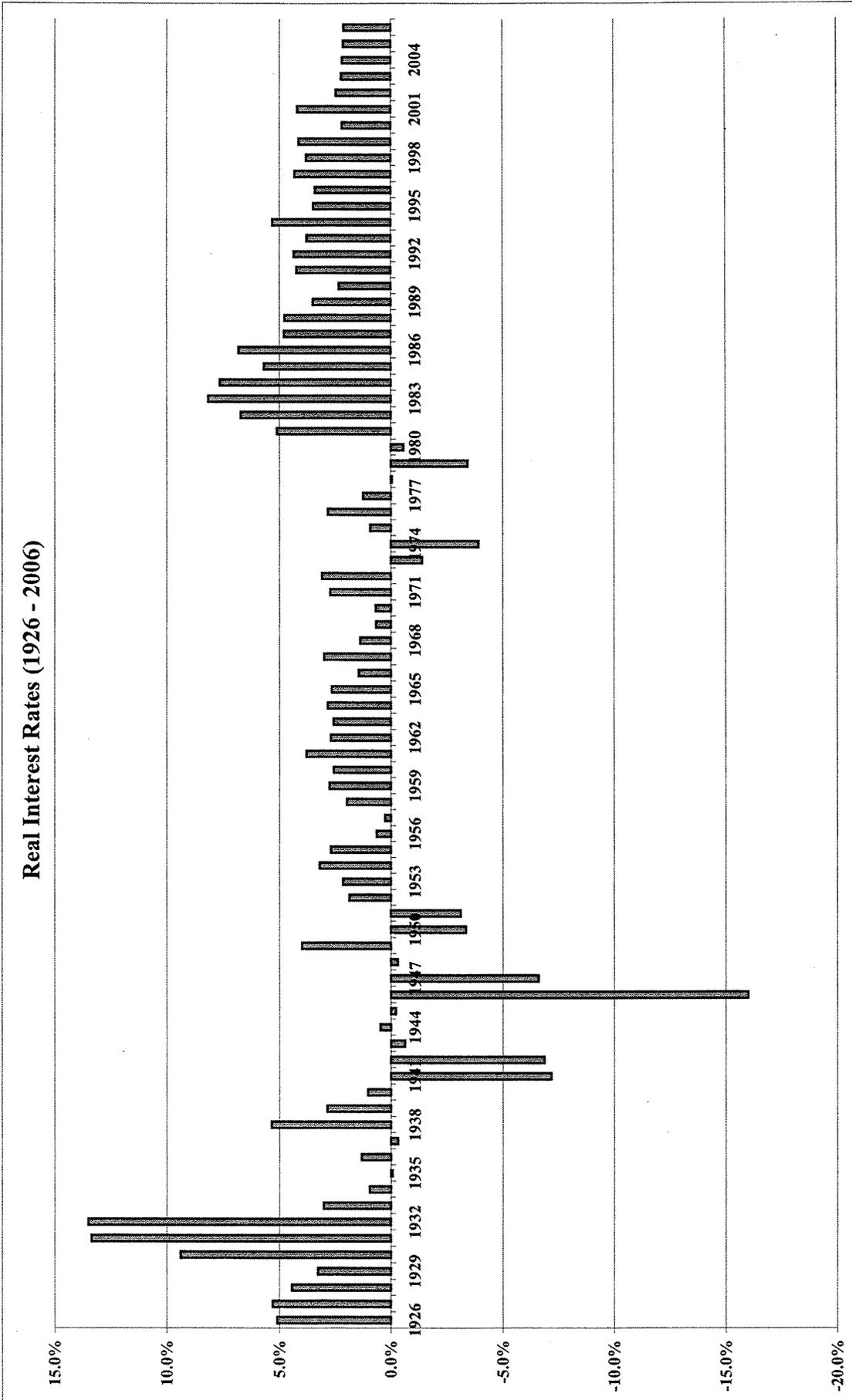
Market Risk Premium (1926 - 2006)



Data Source: Ibbotson Associates, *S&P 500 Yearbook*, 2007.



Data Source: Ibbotson Associates, *SEBI Yearbook*, 2007.



Data Source: Ibbotson Associates, *SBBI Yearbook*, 2007.

Kentucky-American Water Company**Growth Rates****GNP, S&P 500 Price, EPS, and DPS**

	GDP	S&P 500	Earnings	Dividends	
1960	526.4	58.11	3.10	1.98	
1961	544.7	71.55	3.37	2.04	
1962	585.6	63.1	3.67	2.15	
1963	617.7	75.02	4.13	2.35	
1964	663.6	84.75	4.76	2.58	
1965	719.1	92.43	5.30	2.83	
1966	787.8	80.33	5.41	2.88	
1967	832.6	96.47	5.46	2.98	
1968	910.0	103.86	5.72	3.04	
1969	984.6	92.06	6.10	3.24	
1970	1038.5	92.15	5.51	3.19	
1971	1127.1	102.09	5.57	3.16	
1972	1238.3	118.05	6.17	3.19	
1973	1382.7	97.55	7.96	3.61	
1974	1500.0	68.56	9.35	3.72	
1975	1638.3	90.19	7.71	3.73	
1976	1825.3	107.46	9.75	4.22	
1977	2030.9	95.1	10.87	4.86	
1978	2294.7	96.11	11.64	5.18	
1979	2563.3	107.94	14.55	5.97	
1980	2789.5	135.76	14.99	6.44	
1981	3128.4	122.55	15.18	6.83	
1982	3255.0	140.64	13.82	6.93	
1983	3536.7	164.93	13.29	7.12	
1984	3933.2	167.24	16.84	7.83	
1985	4220.3	211.28	15.68	8.20	
1986	4462.8	242.17	14.43	8.19	
1987	4739.5	247.08	16.04	9.17	
1988	5103.8	277.72	22.77	10.22	
1989	5484.4	353.4	24.03	11.73	
1990	5803.1	330.22	21.73	12.35	
1991	5995.9	417.09	19.10	12.97	
1992	6337.7	435.71	18.13	12.64	
1993	6657.4	466.45	19.82	12.69	
1994	7072.2	459.27	27.05	13.36	
1995	7397.7	615.93	35.35	14.17	
1996	7816.9	740.74	35.78	14.89	
1997	8304.3	970.43	39.56	15.52	
1998	8747.0	1229.23	38.23	16.20	
1999	9268.4	1469.25	45.17	16.71	
2000	9817.0	1320.28	52.00	16.27	
2001	10128.0	1148.09	44.23	15.74	
2002	10469.6	879.82	47.24	16.08	
2003	10960.8	1111.91	54.15	17.88	
2004	11712.5	1211.92	67.01	19.41	
2005	12455.8	1248.29	68.32	22.38	Average
2006	13246.6	1418.3	81.96	25.05	
Growth	7.26%	7.19%	7.38%	5.67%	6.88%

Data Sources: GDP - <http://research.stlouisfed.org/fred2/categories/106>

APPENDIX A

EDUCATIONAL BACKGROUND, RESEARCH, AND RELATED BUSINESS EXPERIENCE

J. RANDALL WOOLRIDGE

J. Randall Woolridge is a Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed Faculty Fellow in Business Administration in the College of Business Administration of the Pennsylvania State University in University Park, PA. In addition, Professor Woolridge is Director of the Smeal College Trading Room and President and CEO of the Nittany Lion Fund, LLC.

Professor Woolridge received a Bachelor of Arts degree in Economics from the University of North Carolina, a Master of Business Administration degree from the Pennsylvania State University, and a Doctor of Philosophy degree in Business Administration (major area-finance, minor area-statistics) from the University of Iowa. At Iowa he received a Graduate Fellowship and was awarded membership in Beta Gamma Sigma, a national business honorary society. He has taught Finance courses at the University of Iowa, Cornell College, and the University of Pittsburgh, as well as the Pennsylvania State University. These courses include corporation finance, commercial and investment banking, and investments at the undergraduate, graduate, and executive MBA levels.

Professor Woolridge's research has centered on the theoretical and empirical foundations of corporation finance and financial markets and institutions. He has published over 35 articles in the best academic and professional journals in the field, including the *Journal of Finance*, the *Journal of Financial Economics*, and the *Harvard Business Review*. His research has been cited extensively in the business press. His work has been featured in the *New York Times*, *Forbes*, *Fortune*, *The Economist*, *Financial World*, *Barron's*, *Wall Street Journal*, *Business Week*, *Washington Post*, *Investors' Business Daily*, *Worth Magazine*, *USA Today*, and other publications. In addition, Dr. Woolridge has appeared as a guest on CNN's *Money Line* and CNBC's *Morning Call* and *Business Today*.

The second edition of Professor Woolridge's popular stock valuation book, *The StreetSmart Guide to Valuing a Stock* (McGraw-Hill, 2003), was released in its second edition. He has also co-authored *Spinoffs and Equity Carve-Outs: Achieving Faster Growth and Better Performance* (Financial Executives Research Foundation, 1999) as well as a new textbook entitled *Applied Principles of Finance* (Kendall Hunt, 2006). Dr. Woolridge is a founder and a managing director of www.valuepro.net - a stock valuation website.

Professor Woolridge has also consulted with and prepared research reports for major corporations, financial institutions, and investment banking firms, and government agencies. In addition, he has directed and participated in over 500 university- and company- sponsored professional development programs for executives in 25 countries in North and South America, Europe, Asia, and Africa.

Dr. Woolridge has prepared testimony and/or provided consultation services in the following cases:

Pennsylvania: Dr. Woolridge has prepared testimony on behalf of the Pennsylvania Office of Consumer Advocate in the following cases before the Pennsylvania Public Utility Commission: Bell Telephone Company (R-811819), Peoples Natural Gas Company (R-832315), Pennsylvania Power Company (R-832409), Western Pennsylvania Water Company (R-832381), Pennsylvania Power Company (R-842740), Pennsylvania Gas and Water Company (R-850178), Metropolitan Edison Company (R-860384), Pennsylvania Electric Company (R-860413), North Penn Gas Company (R-860535), Philadelphia Electric Company (R-870629), Western Pennsylvania Water Company (R-

870825), York Water Company (R-870749), Pennsylvania-American Water Company (R-880916), Equitable Gas Company (R-880971), the Bloomsburg Water Co. (R-891494), Columbia Gas of Pennsylvania, Inc. (R-891468), Pennsylvania-American Water Company (R-90562), Breezewood Telephone Company (R-901666), York Water Company (R-901813), Columbia Gas of Pennsylvania, Inc. (R-901873), National Fuel Electric utility Company (R-911912), Pennsylvania-American Water Company (R-911909), Borough of Media Water Fund (R-912150), UGI Utilities, Inc. - Electric Utility Division (R-922195), Dauphin Consolidated Water Supply Company - General Waterworks of Pennsylvania, Inc. (R-932604), National Fuel Electric utility Company (R-932548), Commonwealth Telephone Company (I-920020), Conestoga Telephone and Telegraph Company (I-920015), Peoples Natural Gas Company (R-932866), Blue Mountain Consolidated Water Company (R-932873), National Fuel Gas Company (R-942991), UGI - Gas Division (R-953297), UGI - Electric Division (R-953534), Pennsylvania-American Water Company (R-973944), Pennsylvania-American Water Company (R-994638), Philadelphia Suburban Water Company (R-994868;R-994877;R-994878; R-9948790), Philadelphia Suburban Water Company (R-994868), Wellsboro Electric Company (R-00016356), Philadelphia Suburban Water Company (R-00016750), National Fuel Electric utility Company (R-00038168), Pennsylvania-American Water Company (R-00038304), York Water Company (R-00049165), Valley Energy Company (R-00049345), Wellsboro Electric Company (R-00049313), National Fuel Gas Utility Corporation (R-00049656), T.W. Phillips Gas and Oil Co. (R-00051178), PG Energy (R-00061365), City of Dubois Water Company (Docket No. R-00050671), R-00049165), York Water Company (R-00061322), and Emporium Water Company (R-00061297).

New Jersey: Dr. Woolridge prepared testimony for the New Jersey Department of the Public Advocate, Division of Rate Counsel: New Jersey-American Water Company (R-91081399J), New Jersey-American Water Company (R-92090908J), and Environmental Disposal Corp (R-94070319).

Alaska: Dr. Woolridge prepared testimony for Attorney General's Office of Alaska: Golden Heart Utilities, Inc. and College Utilities Corp. (Water Public Utility Service TA-29-118 and Sewer Public Utility Service TA-82-97).

Arizona: Dr. Woolridge prepared testimony for Utility Division Staff of the Arizona Corporation Commission, Arizona Public Service Company (Docket No. E-01345A-06-0009).

Hawaii: Dr. Woolridge prepared testimony for the Hawaii Office of the Consumer Advocate: East Honolulu Community Services, Inc. (Docket No. 7718).

Delaware: Dr. Woolridge prepared testimony for the Delaware Division of Public Advocate: Artesian Water Company (R-00-649). Dr. Woolridge prepared testimony for the Staff of the Public Service Commission: Artesian Water Company (R-06-158).

Ohio: Dr. Woolridge prepared testimony for the Ohio Office of Consumers' Council: SBC Ohio (Case No. 02-1280-TP-UNC R-00-649), and Cincinnati Gas & Electric Company (Case No. 05-0059-EL-AIR).

Texas: Dr. Woolridge prepared testimony for the Atmos Cities Steering Committee: Mid-Texas Division of Atmos Energy Corp. (Docket No. 9670).

New York: Dr. Woolridge prepared testimony for the County of Nassau in New York State: Long Island Lighting Company (PSC Case No. 942354).

Florida: Dr. Woolridge prepared testimony for the Office of Peoples Counsel in Florida: Florida Power & Light Co. (Docket No. 050045-EL).

Connecticut: Dr. Woolridge prepared testimony for the Office of Consumer Counsel in Connecticut: United Illuminating (Docket No. 96-03-29), Yankee Gas Company (Docket No. 04-06-01), Southern Connecticut Gas Company (Docket No. 03-03-17), the United Illuminating Company (Docket No. 05-06-04), Connecticut Light and Power Company (Docket No. 05-07-18), Birmingham Utilities, Inc. (Docket No. 06-05-10), Connecticut Water Company (Docket No. 06-07-08), and Connecticut Natural Gas Corp. (Docket No. 06-03-04).

California: Dr. Woolridge prepared testimony for the Office of Ratepayer Advocate in California: San Gabriel Valley Water Company (Docket No. 05-08-021).

South Carolina: Dr. Woolridge prepared testimony for the Office of Regulatory Staff in South Carolina: South Carolina Electric and Gas Company (Docket No. 2005-113-G), Carolina Water Service Co. (Docket No. 2006-87-WS), Tega Cay Water Company (Docket No. 2006-97-WS), United Utilities Companies, Inc. Company (Docket No. 2006-107-WS).

Missouri: Dr. Woolridge prepared testimony for the Department of Energy in Missouri: Kansas City Power & Light Company (CASE NO. ER-2006-0314).

Kentucky: Dr. Woolridge prepared testimony for the Office of Attorney General in Kentucky: Kentucky-American Water Company (Case No. 2004-00103), Union Heat, Light, and Power Company (Case No. 2004-00042), Kentucky Power Company (Case No. 2005-00341), Union Heat, Light, and Power Company (Case No. 2006-00172),

Washington, D.C.: Dr. Woolridge prepared testimony for the Office of the People's Counsel in the District of Columbia: Potomac Electric Power Company (Formal Case No. 939).

Washington: Dr. Woolridge consulted with trial staff of the Washington Utilities and Transportation Commission on the following cases: Puget Energy Corp. (Docket Nos. UE-011570 and UG-011571); and Avista Corporation (Docket No. UE-011514).

Kansas: Dr. Woolridge prepared testimony on behalf of the Kansas Citizens' Utility Ratepayer Board Utilities in the following cases: Western Resources Inc. (Docket No. 01-WSRE-949-GIE), UtiliCorp (Docket No. 02-UTCG701-CIG), and Westar Energy, Inc. (Docket No. 05-WSEE-981-RTS).

FERC: Dr. Woolridge has prepared testimony on behalf of the Pennsylvania Office of Consumer Advocate in the following cases before the Federal Energy Regulatory Commission: National Fuel Gas Supply Corporation (RP-92-73-000) and Columbia Gulf Transmission Company (RP97-52-000).

Vermont: Dr. Woolridge prepared testimony for the Department of Public Service in the Central Vermont Public Service (Docket No. 6988) and Vermont Gas Systems, Inc. (Docket No. 7160).