JOHN N. HUGHES
ATTORNEY AT LAW
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124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

TELEPHONE: (502) 227-7270 JNHUGHES@fewpb.net TELEFAX (502) 875-7059

September 30, 2005

RECEIVED
SEP 30 2005
PUBLIC SERVICE COMMISSION

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case No. 2005-00325

Dear Ms. O'Donnell:

Please file the attached application for an adjustment of rates of Water Service Corporation of Kentucky. A separate petition for confidentiality is being filed for certain portions of exhibits contained in the application.

Submitted by:
John N Hughes
124 West Todd St.
Frankfort, KY 40601
502 227-7270
Attorney for Water Service
Corporation of Kentucky

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

SEP 3 0 2005

Application of Water Service Corporation of Kentucky for an Adjustment of Rates	)))	Case No. 2005-00325

PETITION FOR CONFIDENTIALITY

Water Service Corporation of Kentucky (WSCK) petitions the Commission ("Commission"), pursuant to 807 KAR 5:001, Section 7 and all other applicable law, for confidential treatment of three schedules related to pro forma adjustments, the Independent Auditor's Report and the Distribution of Expenses Report. In support of its Petition, WSCK states as follows:

In accordance with its rules and Kentucky law, the Commission requires certain information to be filed in support of an application for rate adjustment. Based on the reasons set forth below, the information in question is entitled to confidential treatment under 807 KAR 5:001, Section 7, and all other applicable law.

807 KAR 5:001§10(6)(k) requires the filing of the independent auditor's report. That report contain detailed financial information about WSCK and its parent Utilities, Inc., which if publicly disclosed, could have adverse consequences to their competitive standing. Utilities, Inc. is a privately held company operating in several states. The disclosure of detailed audit information will provide its competitors with information that those competitors do not disclose to Utilities, Inc.

807 KAR 5:001 generally requires supporting schedules for pro forma adjustments to the test year. Two of those schedules, included in exhibit 4 of the application, contain employee sensitive information about wages and salaries. Because of the area where WSCK operates,

disclosure of this information will create public awareness of personal information of the employees and will disclose wage rates that may impact the company's ability to attract and retain employees.

807 KAR 5:001 also requires information about the allocation of expenses among affiliates. Two documents in exhibit 12, the Distribution of Expenses Report and the Allocation Manual, contain information about Utilities, Inc.'s non-Kentucky affiliates and its allocation methods, which if disclosed would provide valuable financial and internal accounting policy information to its competitors.

WSCK or Utilities, Inc. do not as a matter of company policy publicly disclose the information described above, except as required by law or pursuant to a court order or subpoena. The company's internal policies are directed toward non-disclosure of the information in question. In fact, the information will not be disclosed to any personnel, except those who need to know in order to discharge their responsibilities. The information sought by the Commission is not information customarily disclosed to the public and is generally recognized as confidential and proprietary.

There is no significant interest in public disclosure of the attached information. Any public interest in favor of disclosure of the information is outweighed by the competitive interest in keeping the information confidential, thereby enabling WSCK to successfully compete for business in Kentucky and other states. Disclosure of the information in question would put WSCK at a competitive disadvantage. Moreover, the public interest would be best served by the nondisclosure of the materials in question because competition would thereby be promoted.

The information that WSCK seeks to be afforded confidential treatment also constitutes a trade secret under the two prong test of KRS 365.880: a) the economic value of the information is derived by not being readily ascertainable by other persons who might obtain economic value

by its disclosure; and, b) the information is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Both of the statutory tests are met in this instance. Only WSCK and Utilities, Inc. are in a position to know its business operations and financial condition. The economic value of this information is derived by WSCK and it parent maintaining the secrecy of the information, since its competitors could obtain economic value through its disclosure.

Pursuant to 807 KAR 5:001, Section 7(3), temporary confidentiality for the enclosed information should be maintained until the Commission enters an Order as to this Petition. Once the Order regarding confidentiality has been issued, WSCK would have twenty (20) days to seek alternative remedies pursuant to 807 KAR 5:001, Section 7(4).

WHEREFORE, WSCK petitions the Commission to treat as confidential all of the information identified in this Petition.

John N. Hughes
124 West Todd Street
Frankfort, Kentucky 40601
(502) 227-7270 (T)
(502) 875-7059 (F)

Attorney for Water Service
Corporation of Kentucky

Certificate of Service:

A copy of this petition was delivered to David Spenard of the Attorney General's Office, 1024 Capital Center Dr, Frankfort, KY 40601 the 30 day of September, 2005.

John N. Hughes

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
One North Wacker
Chicago IL 60606
Telephone (312) 298 2000
Facsimile (312) 298 2001

Report of Independent Auditors

To the Board of Directors and
Shareholder of Utilities, Inc.:

CONFIDENTIAL

In our opinion, the accompanying consolidated balance sheets and statements of capitalization as of December 31, 2004 and 2003 and the related consolidated statements of income, of cash flows and of common shareholder's equity present fairly, in all material respects, the financial position of Utilities, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 22, 2005

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Salary and Benefits

w/p [b]

	Total Annualized Salary	FICA 7.65%	FUTA 7,000 @ .8%	SUTA 8,000 @ 7.0%	Total Taxes	2004 Health Insurance	Pension at 3%	401(k) at 4%	2004 Other	Total Benefits
Maintenance										
Operator Allocation										
		[illegible]	66	560	[illegible]					
Office										

CONFIDENTIAL

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Pro Forma Operating Expense Charged to Plant

w/p [b-2]

	2004 W-2 (Allocated)	2004 Taxes (Allocated)	2004 Benefits per SE.50 (Allocated)	Total
Total Operating Expense Charged to Plant (from Schedule B)				
Total Allocated Salaries, Taxes, and Benefits (from above)				
Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant				
Pro Forma Salaries, Taxes, and Benefits for Operators (from w/p [b])				
Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant				
Pro Forma Operating Expense Charged to Plant				
(1) Adjustment to allocation for Daniel, Carl:				
Total taxes				
Allocation (from revised allocations)				
Total allocation taxes				
Total benefits				
Allocation (from revised allocations)				
Total allocated benefits				

CONFIDENTIA

WATER SERVICE CORPORATION

Distribution of Expenses

Year End 2004

CONFIDENTIAL

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 30 2005

PUBLIC SERVICE COMMISSION

In the Matter of:

Application of Kentucky Water	)	
Service Corporation of Kentucky	)	Case No. 2005-00325
For an Adjustment of Rates	)	

APPLICATION FOR WATER RATE ADJUSTMENT

Water Service Corporation of Kentucky, by counsel, submits its application for an increase in rates pursuant to KRS 278.190 to be effective October 30, 2005 or sooner if allowed by the Commission.

1. Water Service Corporation of Kentucky is a Kentucky corporation, whose stock is wholly owned by Utilities, Inc. The mailing address of Water Service is 2335 Sanders Road, Northbrook, Illinois, 60062.

2. A certified copy of the articles of incorporation was filed in Case No. 2002-00142. A copy of its current and proposed organizational structure is attached as exhibit 1.

3. Water Service currently owns and operates water production, transmission, and distribution facilities in both Middlesboro and Clinton. It serves approximately 7200 customers. It also has a contract with the city of Clinton to operate the city's wastewater system. The wastewater system and operations are not part of this rate application.

4. Notice of intent to file a rate application was given to the Commission on August 1, 2005.

5. The rates proposed are to recover operating expenses, debt service costs and other operating expenses, depreciation, taxes and other expenses related to the operation of both water systems. The reasons for the proposed increase are more fully explained in the testimony included with exhibit 5.

6. The company's Annual Reports have been filed with the Commission.

7. The company is not a limited partnership.

8. There is no assumed name.

9. Current and proposed tariffs are attached as exhibit 2.

10. Notice has been given as required by 807 KAR 5:001 (1). A copy is attached as exhibit 3.

11. A pro forma schedule of changes is attached as exhibit 4. A separate petition for confidentiality has been filed for certain related schedules.

12. Prepared testimony is attached as exhibit 5. Kristen Weeks, Pauline Ahern, CRRA and Carl Daniel are the witnesses supporting the rate adjustment and rate design, cost of capital and overview of Kentucky operations, respectively.

13. Estimated impact proposed rates will have on revenues is attached as exhibit 6.

14. The effect of the proposed rates on the average customer's bill is attached as exhibit 7.

15. A billing analysis is attached as exhibit 8.

16. A summary of the calculation of the revenue requirements is attached as exhibit 9.

17. A reconciliation of rate base and capital is attached as exhibit 10.

18. A current chart of accounts is attached as exhibit 11.

19. The independent auditor's report is attached as exhibit 12. A separate petition for confidentiality has been filed for this document.

20. There are no FERC or FCC audit reports.

21. The company has not performed a depreciation study. An explanation of the proposed depreciation rates is attached as exhibit 13.

22. A list of in house software is included in exhibit 14.

23. Water Service has no stock prospectus.

24. Water Service has no report to shareholders.

25. Monthly reports are attached as exhibit 15.

26. Allocations to affiliates are explained in exhibit 16. A separate petition for confidentiality has been filed for the Distribution of Expenses Report.

27. A cost of service study is not required due to the amount of the company's operating revenues.

28. An income statement and balance sheet are attached as exhibit 17.

29. The most recent capital budget is attached as exhibit 18.

    a. Pro forma adjustments related to plant additions are attached as exhibit 19.

30. An operating budget is not prepared by the company.

31. The number of new customers to be added to the test period is zero.

32. The percentage change and dollar change in rates for each customer class is in exhibit 7.

33. Present and proposed rates are reflected in the tariffs filed in exhibit 2.

34. The effect on the average customer's bill is in exhibit 7.

35. A copy of the public notice is contained in exhibit 3.

Based on the information filed, the company requests that the Commission approve the proposed rate change. It also requests a deviation pursuant to 807 KAR 5:001(14) from any requirement that might delay the review of the application if such requirement can be considered as substantially met or as unnecessary for a complete review of the proposed rates.

Submitted by:

John N. Hughes
124 West Todd St.
Frankfort, KY 40601

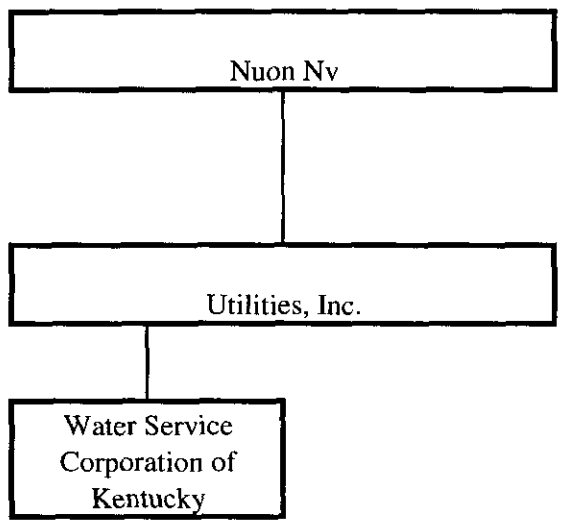
Attorney for Water Service
Corporation of Kentucky

Certificate of Service:

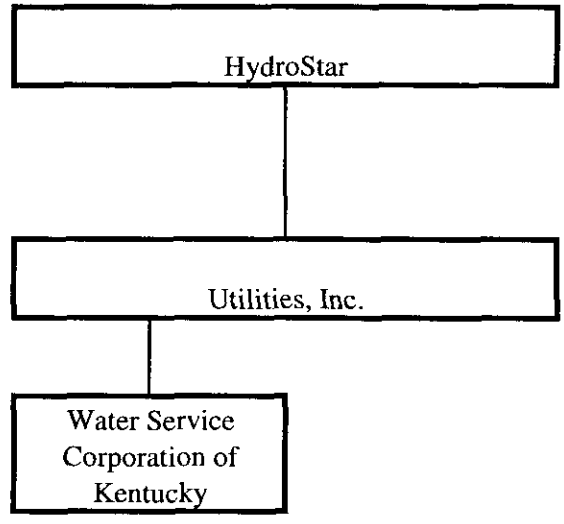
A copy of this application was delivered to David Spenard of the Attorney General's Office, 1024 Capital Center Dr, Frankfort, KY 40601 the 30 day of September, 2005.

John N. Hughes

WATER SERVICE CORPORATION OF KENTUCKY
CURRENT ORGANIZATIONAL CHART



WATER SERVICE CORPORATION OF KENTUCKY
PROPOSED ORGANIZATIONAL CHART



ADOPTION NOTICE

The undersigned Water Service Corporation of Kentucky hereby adopts, ratifies, and makes its own, in every respect as if the same had been originally filed and posted by it, all tariffs and supplements containing rates, rules and administrative regulations for furnishing water service in Bell County and Hickman County in the Commonwealth of Kentucky, filed with the Public Service Commission by Aqua/KWS, Inc. and Utilities of Kentucky, Inc., and in effect on the 1st day of October, 2002, the date on which the public service business of the said Aqua/KWS, Inc. and Utilities of Kentucky, Inc. was taken over by Water Service Corporation of Kentucky.

This notice is issued on the 1st day of October, 2002, in conformity with 807 KAR 5:011, Section 11 of the regulations adopted by the Public Service Commission.

Current Tariff

WATER SERVICE CORPORATION
OF KENTUCKY

By: _____
LAWRENCE SCHUMACHER,
PRESIDENT

Authorized by PSC Order dated June 14, 2002 in PSC Case No. 2002-00146

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

OCT 0 1 2002

PURSUANT TO 807 KAR 5:011
SECTION 9 (1)
BY _____
EXECUTIVE DIRECTOR

P.S.C. Ky. No. 1

Cancels P.S.C. Ky. No. KWS 1

AQUA/KWS, Inc.

(Formerly - Kentucky Water Service Company, Inc.)

OF

354 Waller Avenue
Lexington, Kentucky

Rates, Rules and Regulations for Furnishing

Water

AT

Middlesboro (Bell County) Kentucky

Clinton (Hickman County) Kentucky

Filed with PUBLIC SERVICE COMMISSION OF KENTUCKY
KENTUCKY

PUBLIC SERVICE COMMISSION OF KENTUCKY
EFFECTIVE
AUG 18 1992
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

ISSUED June 12, 19 92

EFFECTIVE June 12, 19 92

~~ISSUED~~ BY AQUA/KWS, Inc.
(Name of Utility)

BY Starling S. Gregory

Starling S. Gregory
Secretary-Treasurer

FOR Middlesboro and Clinton and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 1
Cancelling P.S.C. Ky. No. KWS 1
Sheet No.

AQUA/KWS, Inc.

RULES AND REGULATIONS

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PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June 18 1992 (Month Day Year)

ISSUED BY Starling S. Gregory Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 2
Cancelling P.S.C. Ky. No. KWS 1
Sheet No.

AQUA/KWS, Inc.

RULES AND REGULATIONS

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PUBLIC SERVICE COMMISSION
OF KENTUCKY
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AUG 18 1992

PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year)
DATE EFFECTIVE June 15 1992 (Month Day Year)

ISSUED BY [signature] Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

AQUA/KWS, Inc.

For: Middlesboro and Clinton and Adjacent Territory

P. S.C. KY. No. 1

Original Sheet No. 3

Canceling P.S. C. KY. No. KWS 1

KY Water Service Sheet Nos. 3-24

RULES AND REGULATIONS

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PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 19 1996

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Gordon C. Neel
FOR THE PUBLIC SERVICE COMMISSION

Date of Issue: May 16, 1996 (Month Day Year)

Date Effective: May 20, 1996 (Month Day Year)

Issued By Hal Williams, General Manager (Title) P.O. Box 22317, Lexington, KY 40522 (Address)

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 4
Cancelling P.S.C. Ky. No. KWS 1
KY Water Service Sheet Nos. 3-24

AQUA/KWS, Inc.

RULES AND REGULATIONS

TERRITORY TO WHICH RULES, REGULATIONS AND SERVICE CLASSIFICATIONS APPLY:

The Rules, Regulations, and Service Classifications contained in this tariff apply in the following:

City of Middlesboro and contiguous territory in Bell County, Kentucky
City of Clinton and contiguous territory in Hickman County, Kentucky

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June [illegible] (Month Day Year)

ISSUED BY [signature] Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/92

RULES AND REGULATIONS

DEFINITIONS

DEFINITIONS APPLICABLE TO RULES AND REGULATIONS:

(a) "Customer" shall mean any person, firm, corporation or municipality supplied by water service pursuant to these Rules and Regulations.

(b) "Bona fide prospective customer" shall mean any owner or lessee who is to be the occupant of an existing developed premises having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company, who shall file a signed application for a new street service connection and for water service to such premises to be occupied.

(c) "Company" shall mean the AQUA/KWS, Inc. acting through its officers, managers, or other duly authorized employees or agents.

(d) "Street service connections" shall mean a pipe with appurtenances used to conduct water from a distribution main of the Company to the curb line of the premises.

(e) "Premises" shall mean and include:

(1) a building under one roof and occupied as one business or residence and served through one street service connection; or

(2) a combination of buildings in common ownership in one common enclosure or on a single tract of land not crossed by public streets, roads, or ways and occupied by one family or business and served through one street connection or through more than one such connection if in the exclusive discretion of the Company, multiple connections are advisable in providing service; or

(3) one side of a double house having a solid vertical partition wall or each unit of a series of what are commonly known as row houses, each unit being occupied by one family or business and each served through one street service connection; or

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011, SECTION 9 (1)

BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

RULES AND REGULATIONS

DEFINITIONS Cont'd.

(4) a building having a number of apartments or offices and using halls and means of entrance in common, and served through one street service connection; or

(5) a building previously erected as a single family residence served through one street service connection and subsequently converted into apartments or offices or a combination of such, with two or more separate halls and means of entrance not used in common, and where separate water supply plumbing would not be practicable; or

(6) each residential or business single occupancy unit, served through one street service connection, in a building which is not a premises otherwise defined in these Rules.

(7) Rates are based on single family residences or multi-family units and are not applicable to other single family residences or multi-family units. Where two or more residences or multi-family units are served through one street connection the Company may allow service to be taken through one meter if the segregation of plumbing on customer's premises would involve undue expense to the customer, but in this event the unit blocks and minimum bills of rate would be multiplied by such number of residences or units.

PROVIDED: They are located on lots having curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company extending for at least one-half of the frontage of the lot on said street or highway.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June 15 1992 (Month Day Year)

ISSUED BY Starling S. Gregory (Name of Officer) Secretary-Treasurer (Title) Lexington, Kentucky

7/a

AQUA/KWS, Inc.

RULES AND REGULATIONS

1. RULES AND REGULATIONS GOVERNING RENDERING OF SERVICE:

(a) The Rules and Regulations in their entirety as hereinafter set forth or as they may hereafter be altered or amended in a regular and legal manner shall govern the rendering of water service and every customer upon signing of an application for water service or upon the taking of water service will be bound thereby.

(b) Except fire and special temporary services, all service will be rendered on a meter basis. Residential, commercial, industrial and municipal service is only regularly available for single premises as "premises" is defined in these Rules. When the interests of other customers would not be jeopardized or prejudiced, the Company's President or a Vice President may, by writing, authorize service at regular rates to governmental or political corporations, districts, or authorities not qualifying as "premises" under these Rules. In special cases, for good cause shown, the Public Service Commission may permit deviations from this regulation.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE (Month Day Year)

ISSUED BY [signature] Starling S. Gregory (Name of Officer) Secretary-Treasurer (Title) Lexington, Kentucky (Address)

RULES AND REGULATIONS

2. APPLICATIONS FOR WATER SERVICE

(a) New Street Service Connection

Upon written application by the owner, or his properly authorized agent, on forms furnished by the Company, for the immediate and continuous supply of water to premises having a curb line abutting on that part of a public street or highway in which a distribution main of the Company is located, the Company will install, own and maintain the street service connection to such premises. The Company shall determine the size of all street service connections.

(b) Existing Street Service Connection

When any person, firm or corporation, not theretofore taking water service from the Company, applies for water service, the application shall be in writing on forms supplied by the Company. When such application is accepted by the Company, it shall constitute a contract between the applicant and the Company for service at the premises named in the application and at any other premises at which the named applicant may be securing service unless a separate application for service to such other premises shall have been accepted by the Company.

Any change in the location of the contracting customer to any other premises will require notification of the Company by the Customer. The obligation of the customer to the Company under the existing contract will continue in full force and effect at the new location, premises or address.

The Company shall have the right to discontinue the supply of water to any premises if the owner or occupant does not have a contract for such service with the Company. Within twenty-four (24) hours after such termination, the Company shall send written notification to the Customer of the reason or reasons for the termination of service.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE (Month Day Year)

ISSUED BY [signature] Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/9

RULES AND REGULATIONS

3. USE OF WATER IN ACCORDANCE WITH APPLICATION:

No person or persons, corporation or partnership receiving water service from the Company will be permitted to use water for any other purposes than that for which they shall have contracted to pay as shown by their application, nor shall they supply water in any way to any other party or parties without a written permit from the President or a Vice President of the Company. An accepted application for water service to any premises shall constitute a license to the applicant to take and receive a supply of water for said premises but only for the uses specified in such applications and the supply shall not be used except for the premises specified in the application.

4. SPECIAL APPLICATIONS FOR WATER SERVICE:

(a) Water for transient, temporary or special services must be specially applied for.

(b) Water for building or construction purposes, when not furnished on an application for regular metered service, will be supplied under special application.

5. CUSTOMER'S LIABILITY FOR CHARGES:

A customer who has made application for water service to any premises shall be held liable for all water service furnished to such premises. Any Customer desiring service terminated or changed from one address to another shall give the Company three (3) working days' notice in person, in writing, or by telephone.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

7/9

RULES AND REGULATIONS

6. STREET SERVICE CONNECTIONS:

(a) The Company will make all connections to its mains and will specify the size, kind and quality of all materials entering into the street service connections.

(b) The corporation cock, meter box and the street service pipe from the street main to the curb line or meter box shall be furnished and installed by and shall be the property of the Company and under its sole control and jurisdiction.

(c) Where a street service connection is already laid to the curb line, or meter box, the Customer shall connect with the street service connection as laid.

(d) The meter box shall be set in sidewalk or just inside customer's property on a level with the grade of the sidewalk or yard and shall be kept accessible at all times.

(e) The street service connection from the main to and including the meter box will be maintained by the Company at its expense.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June 12 1992 (Month Day Year)

ISSUED BY [signature] Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/92

RULES AND REGULATIONS

7. CUSTOMER'S SERVICE PIPES:

(a) The Company will specify the size, kind and quality of the materials which shall be laid between the curb line and the structures on the premises to be supplied.

(b) The service pipe from the meter box to the place of consumption shall be furnished and installed by the Customer at his expense and risk.

(c) The Customer's service pipe and all connections and fixtures attached thereto shall be subject to the inspection and approval of the Company before the water will be turned on.

(d) The service pipe shall be laid below the frost line at all points and shall be placed on firm and continuous earth so as to give unyielding and permanent support, and shall be installed in a trench at least two feet in a horizontal direction from any other trench wherein are laid gas pipe, sewer pipe, or other facilities, public or private, unless specifically authorized and approved by the Company.

(e) The Customer shall install a stop and waste cock of a type approved by the Company on the service pipe immediately inside the foundation wall of the building supplied, and to be located so as to be easily accessible to the occupants and to provide proper drainage for all of the pipes in the building.

(f) The Customer shall make all changes in his portion of the service pipe required on account of changes of grade, relocation of mains or other causes.

(g) No fixtures shall be attached to or any branch made in the service pipe between the meter and the street main.

(h) Each premises shall be supplied through an independent service pipe from a separate meter box and the applicant for service shall be solely responsible for all water used on and in said premises.

PUBLIC SERVICE COMMISSION
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DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June 15 1992 (Month Day Year)

PURSUANT TO 807 KAR 5:011, SECTION 9 (1)

ISSUED BY Starling S. Gregory Secretary-Treasurer (Name of Officer, Title) Lexington, Kentucky (Address)

BY: PUBLIC SERVICE COMMISSION MANAGER

(i) When more than one premises is supplied through a single service pipe, any violation of the Rules and Regulations of the Company with reference to either or any of the said buildings or premises shall be deemed a violation as to all and the water service shall be discontinued after the Customer has been given at least ten (10) days written termination notice and reasonable opportunity allowed for each premises to attach their pipes to separately controlled service connections.

(j) Any repairs or maintenance necessary on the Customer's service pipe or on any pipe or fixture in or upon the Customer's premises shall be performed by the Customer at his expense and risk.

(k) In those instances where the Customer requires water pressure which differs from the standard pressure provided by the Company he shall be required to install and maintain at his own expense the necessary equipment to provide the desired pressure. Such equipment and the installation thereof to be approved by the Company. In no event, however, shall the pressure at the Customer's service pipe under normal conditions fall below thirty (30) psig nor shall the static pressure exceed 150 psig.

8. PLUMBING WORK MUST BE APPROVED BY COMPANY:

All plumbing work done in connection with the Company's water mains or appurtenances shall be submitted for the inspection of the Company, and no underground work shall be covered up until inspected and approved by the Company. Whenever the Company determines that a job of plumbing is obviously defective, although not in direct violation of these Rules and Regulations, the Company will insist upon its being corrected before the water will be turned on.

PUBLIC SERVICE COMMISSION
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ISSUED BY Starling S. Gregory, Secretary-Treasurer, Lexington, Kentucky
Starling S. Gregory — Name of Officer; Secretary-Treasurer — Title; Lexington, Kentucky — Address

7/92

RULES AND REGULATIONS

9. METERS AND METER INSTALLATIONS:

(a) The Company shall specify the kind and size of meter to be installed.

(b) Meters will be furnished, installed, and removed by the Company and shall remain its property.

(c) Each premises shall have a separate meter and the applicant for service shall be solely responsible for all water used on and in said buildings or premises.

(d) Meters will be maintained by the Company at its expense insofar as ordinary wear is concerned, but damage due to hot water, freezing (as a result of Customer's unauthorized removal of meter cover) or other external causes arising out of or caused by the Customer's negligence or carelessness shall be paid for by the Customer.

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Starling S. Gregory (Name of Officer) Title Address

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RULES AND REGULATIONS

10. METER TESTS AND TEST FEES:

(a) All meters are accurately tested before installation and are also periodically tested in accordance with the Public Service Commission's regulations. The Company may at any time remove any meter for periodic tests or for repairs or replacement and may, at its option and expense, test any meter when the Company has reason to believe that it is registering inaccurately.

(b) The Company shall make a test of the accuracy of any meter upon written request of the Customer, provided the Customer does not request such test more frequently than once in twelve months. For such request test, the fee as established herein shall be paid in advance by the complainant but should the said meter be found, upon said test, to be more than two (2) percent incorrect to the prejudice of the Customer, the fee so charged shall be returned to the complainant.

(c) For test of meters made upon request of the Customer and performed by the Company, the following fees shall be paid:

Outlet 1-inch or less	$15.00
Outlet 2-inches and over 1-inch	Cost of Test
Outlet 3-inches and over 2-inches	Cost of Test
Outlet 4-inches and over 3-inches	Cost of Test

Outlets greater than 4-inches as per special fee fixed by Public Service Commission.

(d) In addition to the request tests of meters performed by the Company, the Customer may, upon formal written application to the Public Service Commission accompanied by payment of the fees as set forth, have a test conducted by the Company in the presence of an employee of the Commission, or by an employee of the Commission. Should the meter by found, upon said test, to be more than two (2) percent incorrect to the prejudice of the Customer, the total cost of such test shall be assumed by the Company and the amount of the fee paid shall be returned to the Customer.

(e) For test of meters made upon complaint of the Customer and performed by the Public Service Commission, the charges therefore shall be in conformity with the rules and charges prescribed by the Commission.

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Lexington, Kentucky (Address)

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AQUA/KWS, Inc.

RULES AND REGULATIONS

11, 12, & 13. PUBLIC FIRE HYDRANTS (Including Private Fire Hydrants) and (Fire Hydrants in Unincorporated Areas)

Fire Protection Generally

1. On or after the effective date (June 7, 1992) of administrative regulation 807 KAR 5:066 Section 10(2)(b), fire hydrants may be installed by a Utility only if:

   a. A professional engineer with a Kentucky registration has certified that the system can provide a minimum fire flow of 250 gallons per minute; and

   b. The system supporting this flow has the capability of providing this flow for a period of not less than two (2) hours plus consumption at the maximum daily rate.

2. The location, installation, and the responsibility for maintenance of fire hydrants, public and private fire protection facilities, connecting mains, and their ownership may be subject to negotiation between the Utility and the applicant. Fire hydrants and public and private fire protection facilities shall be installed as required by the Utility and if owned by the Utility shall be subject to any conditions the Public Service Commission may impose, based upon the compensation received for this service.

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RULES AND REGULATIONS

14. DISCONTINUANCE OF WATER SERVICE:

(a) Service rendered under any application, contract or agreement may be discontinued by the Company after proper notification in accordance with 807 KAR 5:006, Section 14 for any of the following reasons:

(1) For willful or indifferent waste of water.

(2) For failure to protect the meter and its connections from injury or damage, or for failure to protect and maintain the service pipe or fixtures on the property of the Customer in a condition satisfactory to the Company.

(3) For molesting or tampering by the Customer, or others with the knowledge of the Customer, with any meter, connections, service pipe, seal or any other appliance of the Company controlling or regulating the Customer's water supply.

(4) For failure to provide the Company's employees free and reasonable access to the premises supplied or for obstructing the way of ingress to the meter or other appliances controlling or regulating the Customer's water supply.

(5) For non-payment of any account for water service, or for meter or service maintenance, or for any other fee or charge accruing under the contract.

(6) In case of vacancy of the premises unless the owner requests that water be left on and pays a minimum monthly bill.

(7) For violation of any rule or regulation of the Company.

(b) The water service will be discontinued to any premises on account of temporary vacancy upon request of the Customer, without in any way affecting the agreement in force, after the payment of all charges and fees due as provided for in the rates, rules and regulations of the Company.

(c) Discontinuing the supply of water to any premises for any reason shall not prevent the Company from pursuing lawful remedies by action at law or otherwise for the collection of moneys due from the Customer.

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE AUG 18 1992 PURSUANT TO 807 KAR 5:011, SECTION 9 (1) BY: PUBLIC SERVICE COMMISSION MANAGER

AQUA/KWS, Inc.

RULES AND REGULATIONS

15. RENEWAL OF WATER SERVICE AFTER DISCONTINUANCE:

When water service to any premises has been terminated for any reason other than temporary vacancy, it will be renewed after the acceptance of a new application and when the conditions, circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon the payment of all charges due and payable by the Customer in accordance with the rates, rules and regulations. The Company will then reconnect existing service within twenty-four (24) hours, and shall install and connect new service within seventy-two (72) hours.

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Starling S. Gregory (Name of Officer) Title Address

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RULES AND REGULATIONS

16. TURN-ON CHARGE

(a) When it has been necessary to discontinue water service to any premises because of a violation of the Rules and Regulations or on account of the non-payment of any bill; a charge will be made to cover the expense of turning on the water, and this charge together with any arrears that may be due the Company for charges against the Customer must be paid before the water will again be turned on.

(b) If at the time of such discontinuance of service, the Customer does not have a deposit with the Company, the Company may require a deposit as a guarantee of the payment of future bills before the water will be turned on.

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Starling S. Gregory (Name of Officer) Title Address

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RULES AND REGULATIONS

17. BILLS FOR WATER SERVICE:

(a) Customers are responsible for furnishing the Company with their correct address. Failure to receive bills will not be considered an excuse for non-payment nor permit an extension of the date when th account would be considered delinquent.

(b) All bills will be sent to the address entered in the application unless the Company is notified in writing by the Customer of any change of address.

(c) If requested in writing by the Customer, the Company will send bills to and will receive payments from agents or tenants. However, this accommodation will in no way relieve the Customer of the liability for all water charges and the Company shall not be obligated to notify the Customer of the non-payment of water bills by such agents or tenants.

(d) Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company.

(e) The Company will not be bound by bills rendered under mistake of fact and to the quantity of service rendered.

(f) The use of water by the same Customer in different premises or localities will not be combined, and each installation shall stand by itself.

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ISSUED BY Starling S. Gregory, Secretary-Treasurer, Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

AQUA/KWS, Inc.

RULES AND REGULATIONS

18. TERMS OF PAYMENT:

(a) Special charges shall be payable upon demand.

(b) Bills for metered service shall be rendered monthly and are due and payable when rendered.

(c) Bills for private fire service shall be rendered monthly in advance and are due and payable when rendered.

(d) If a bill is not paid within ten days after its due date, the Company may discontinue the water service. The Company will give at least five (5) days notice before termination for nonpayment and that service will not be terminated before 20 days after the mailing date of the original bill.

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Starling S. Gregory (Name of Officer) Title Address

n/a.

RULES AND REGULATIONS

19. ABATEMENTS AND REFUNDS:

(a) There shall be no abatement of the minimum rates due to the extended absence of the Customer without proper notice having been given to the Company. No abatement shall be made for leaks or for water wasted by improper or damaged service pipes or fixtures belonging to the Customer.

(b) If test results on a Customer's meter show an average error greater than two percent (2%) fast or slow, or if a Customer has been incorrectly billed for any other reason, except in an instance where a Company has filed a verified complaint with the appropriate law enforcement agency alleging fraud or theft by a Customer, the Company shall immediately determine the period during which the error has existed, and shall recompute and adjust the Customer's bill to either provide a refund to the Customer or collect an additional amount of revenue from the underbilled Customer. The account adjustment shall be performed according to 807 KAR 5:006 Section 10(2) with corrected billing or refund as directed therein.

20. BOILER AND ENGINE WATER SUPPLY:

The Company does not guarantee a sufficient or uniform pressure, or an uninterrupted supply of water, and Customers are cautioned to provide a sufficient storage of water where an absolutely uninterrupted supply must be assured; such as for steam boilers, hot water systems, gas engines, etc.

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Starling S. Gregory — Name of Officer; Title; Address

7/a

RULES AND REGULATIONS

21. INTERRUPTIONS IN WATER SUPPLY:

The Company may at any time shut off the water in the mains in case of accident, or for the purpose of making connections, alterations, repairs, changes, or for other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare may require it.

22. LIABILITY OF COMPANY:

(a) The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

(b) The Company shall in no event be liable for any damage or inconvenience caused by reason of any break, leak or defect in the Customer's service pipe or fixtures.

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RULES AND REGULATIONS

23. CROSS CONNECTIONS AND INTERCONNECTIONS:

(a) A cross-connection is any pipe, valve, or other arrangement or device connecting the pipelines of the Company or facilities directly or indirectly connected therewith to and with pipes of fixtures supplied with water from any source other than the lines of the Company directly connected.

(b) An interconnection is a plumbing arrangement, other than a cross-connection, by which continuation might be admitted or drawn into the distribution system of the Company, or into lines connected therewith, used for the conveyance of potable water.

(c) No cross-connection or interconnection will be made by Customer without the approval of the State Health Department and the Company.

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RULES AND REGULATIONS

24. GENERAL

(a) The service pipes, meters and fixtures on the Customer's premises shall at all reasonable hours be accessible to the Company for observation or inspection.

(b) No person shall turn the water on or off at any street valve, corporation cock, meter or other street connections, or disconnect or remove any meter without the consent of the Company. Penalties provided by law for any such action will be rigidly enforced.

(c) Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any service rendered to its Customers except as covered in these Rates, Rules and Regulations.

(d) No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement of representation contrary to the letter or intent of these Rules and Regulations.

(e) Any complaint against the service or employees of the Company should be made at the office of the Company and preferably in writing. If a complaint either written, in person or by telephone is not resolved, the Company shall advise the complainant of his right to file a complaint with the Public Service Commission and provide him/her with their address and telephone number.

25. APPROVAL OF THE RULES AND REGULATIONS:

All Rules and Regulations of the Company are subject to the approval of the Public Service Commission of the State of Kentucky and if any part thereof should be adjudged to be in violation of any rule or order made by the Commission, then that particular part shall be ineffective but without in any way affecting the other portions thereof.

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26. MAIN EXTENSIONS:

(a) The Company will extend existing distribution mains a distance of fifty (50) feet for each bona fide prospective customer, making application for service connection and water service therefrom for a period of one year or more under these Rules and Regulations. Such extensions will be made without cost to such customer(s).

(b) When an extension greater than fifty (50) feet in length for each bona fide prospective customer is required or requested such extension will be made under the terms of an "Extension Deposit Agreement" as hereinafter set forth. The Company shall have the exclusive right to determine the type and size of mains to be installed and of the related facilities required to render adequate service.

(c) In determining the length of any extension required pursuant hereto the terminal point of such extension shall, in all cases, be at that point in the curb line of the last lot on which is located a premises to be served which is equidistant from the side property lines of said lot.

(d) Before water lines are laid in new subdivisions, the subdivider shall furnish the Water Company with a plat (or plan) or the subdivision approved by the City-County Planning and Zoning Commission, and the plat (or plan) shall have been recorded in the County Court.

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ISSUED BY [signature] Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

N/a

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 29
Cancelling P.S.C. Ky. No. KWS 1
KY Water Service Sheet Nos. 3-24

AQUA/KWS, Inc.

RULES AND REGULATIONS

27. FORM OF EXTENSION AGREEMENT:

THIS CONTRACT made and entered into this the _____ day of _____ by and between AQUA/KWS, Inc., a Kentucky Corporation, hereinafter referred to as the Company, and _____, hereinafter referred to as the Customer.

W I T N E S S E T H

WHEREAS, Customer desires water service be made available to _____ _____ which is located on the _____ as shown on the attached print and marked Exhibit A, and

WHEREAS, the Company is willing to make this water main extension from their existing main located on the _____, as shown on the attached Exhibit A.

NOW, therefore for and in consideration of the above premises the mutual agreement and benefits herein contained, parties hereto agree as follows:

1. The Company agrees that it will secure the necessary material and install the main extensions hereinafter described and shown on the attached print and marked Exhibit A.

2. The amount and size of pipe and fittings required are as follows:

_____

_____

3. It is further agreed that for each customer connected to this main extension the Company will refund to the Customer a sum equivalent to the cost of 50' of this extension, or _____ per customer connected to said extension.

4. This contract applies only to customers connected to above size pipe, and shown on attached plan, Exhibit A.

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Starling S. Gregory, Title, Address
Name of Officer

RULES AND REGULATIONS

5. Such refund to Customer shall be made in December of each year for water customers connected to this water main extension, but in no event shall the refund be extended beyond ten (10) years from the date of this contract, and in the event that the total amount deposited by the Customer with Company is not refunded under the terms specified hereinbefore within said ten (10) years period the Company shall not be required to pay or refund the difference between the total amount of refund and the total amount deposited by Customer, any balance remaining in its hands shall belong to the Company.

6. The Company shall not be required to pay interest on the deposit or any part of unpaid balance thereof.

7. Nothing in this agreement shall give the Customer any right, title or interest in the ownership or operation of this water main extension or facilities to be installed by Company, as herein provided.

IN WITNESS WHEREOF the parties hereto have executed this agreement this day and year written above.

WITNESS: AQUA/KWS, Inc.

WITNESS: CUSTOMER:

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Starling S. Gregory (Name of Officer) Title Address

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28. SERVICE CHARGES:

The following charges will be made by the Company to cover the cost incurred in reconnecting the meter or service when the Customer's service has been disconnected:

(a) For non-payment of bills. $20.00

(b) For violation of the Company's Rules and Regulations after the Customer has qualified for and requested that the service be reconnected. $20.00

(c) At his request and at any time subsequently within 12 months is reconnected at the same location. $20.00

These charges are to be paid by customer before or at the time service is reconnected.

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RULES AND REGULATIONS

29. CUSTOMER'S DEPOSITS:

The Company may require a minimum cash deposit or other guarantee to secure payment of bills. Service may be refused or discontinued for failure to pay the requested deposit. Interest, as prescribed by KRS 278.460[1], will be paid annually either by refund or credit to the Customer's bill, except that no refund or credit will be made if the Customer's bill is delinquent on the anniversary date of the deposit.

The deposit may be waived upon a Customer's showing of satisfactory credit or payment history, and required deposits will be returned after one (1) year if the Customer has established a satisfactory payment record for that period. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. The Company may require a deposit in addition to the initial deposit if the Customer's classification of service changes or if there is a substantial change in usage. Upon termination of service, the deposit, any principal amounts, and any interest earned and owing will be credited to the final bill with any remainder refunded to the Customer.

In determining whether a deposit will be required or waived, the following criteria will be considered:

1. Previous payment history with the Company. If the Customer has no previous history with the Company, statements from other utilities, banks, etc. may be presented by the Customer as evidence of good credit.
2. Whether the customer has an established income or line or credit.
3. Length of time the customer has resided or been located in the area.
4. Whether the customer owns property in the area.
5. Whether the customer has filed bankruptcy proceedings within the last seven years.
6. Whether another customer with a good payment history is willing to sign as a guarantor for an amount equal to the required deposit.

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RULES AND REGULATIONS

If a deposit is held longer than 18 months, the deposit will be recalculated at the Customer's request based on the Customer's actual usage. If the deposit on account differs from the recalculated amount by more than $10.00 for a residential customer or 10 percent for a non-residential Customer, the Company may collect any underpayment and shall refund any overpayment by check or credit to the Customer's bill. No refund will be made if the Customer's bill is delinquent at the time of the recalculation.

Equal Deposits

All residential, small business and small commercial customers will pay equal deposits in the amount of $40.00. This amount does not exceed the average bill of residential customers served by the Company and is equal to 2/12 of the average annual bill. [3/12 where bills are rendered bimonthly or 4/12 where bills are rendered quarterly.]

Calculated Deposits

Large Business/Commercial or Industrial Customer's deposits shall be based upon actual usage of the Customer at the same or similar premises for the most recent 12-month period, if such information is available. If usage information is not available, the deposit will be based on the average bills of similar Customers and premises in the system. The deposit amount shall not exceed 2/12 of the Customer's actual or estimated annual bill where bills are rendered monthly, 3/12 where bills are rendered bimonthly, or 4/12 where bills are rendered quarterly.

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Starling S. Gregory (Name of Officer) Title Address

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RULES AND REGULATIONS

30. CUSTOMER BILL OF RIGHTS

As a residential Customer of a regulated public utility in Kentucky, you are guaranteed the following rights subject to Kentucky Revised Statutes and the provisions of the Kentucky Public Service Commission Administrative Regulations:

- You have the right to service, provided you (or a member of your household whose debt was accumulated at your address) are not indebted to the utility.
- You have the right in inspect and review the utility's rates and tariffed operating procedures during the utility's normal office hours.
- Your have the right to be present at any routine utility inspection of your service condition.
- You must be provided a separate, distinct disconnect notice alerting you to a possible disconnection of you service if payment is not received.
- You have the right to dispute the reasons for any announced termination of your service.
- You have the right to negotiate a partial payment plan when your service is threatened by disconnection for non-payment.
- You have the right to maintain your utility service for up to thirty (30) days upon presentation of a medical certificate issued by a health official.
- You have the right to prompt (within 24 hours) restoration of your service when the cause for discontinuance of the service has been corrected.
- You have the right to contact the Public Service Commission regarding any dispute that you have been unable to resolve with your utility (Call Toll Free 1-800-772-4636.)

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BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June 12 1992 (Month Day Year)

ISSUED BY [signature] Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/9-r

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 35
Cancelling P.S.C. Ky. No. KWS 1
KY Water Service Sheet Nos. 3-24

AQUA/KWS, Inc.

RULES AND REGULATIONS

CONTRACT FOR WATER SERVICE

DATE_____

NAME_____ ADDRESS_____

PHONE_____

SOCIAL SECURITY OF OTHER I.D. NO._____

Application for water service is accepted by and between the undersigned and the ____ _____ with the following stipulations and agreements:

1. Public Service Commission rules and regulations as set forth in 807 KAR 5 and Kentucky Department for Natural Resources, Division of Water standards and laws must be observed and adhered to, and may be viewed upon request by the applicant.

2. The applicant agrees to pay a $_____ meter deposit, which will be refunded with interest when the applicant ceases to be a water customer and all accounts are paid in full.

3. One household may be served by one meter. The Company reserves the right to terminate service at the meter if addition of other houses or mobile homes is suspected.

4. Company employees, possessing proper identification have right of egress and ingress for meter reading, maintenance and repair activities as they are warranted.

5. Water bills are due to be paid between the first and the tenth of each month at the Company office. If not paid by the tenth, a ten percent penalty is added to the amount due. If not paid in full by the twentieth, service is subject for disconnection. An additional meter deposit may be required and a service charge must be paid before service may be restored.

6. The water customer is responsible for water service lines from the meter to the dwelling. Installation, repair, and water loss are the responsibility of the Customer.

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

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PURSUANT TO 807 KAR 5:011, SECTION 9(1)

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June 15 (Month Day)

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BY [signature] PUBLIC SERVICE COMMISSION MANAGER

7/92

RULES AND REGULATIONS

7. Customer service lines and connections must be inspected by Company personnel to insure against cross-connections and inadequate materials for drinking water.

8. Customer service lines shall be of at least 3/4 inch pipe or larger, and shall be at least 160 pounds pressure with 200 psi preferred. Service line shall be buried at least 24 inches to prevent freezing.

9. No galvanized fittings may be used on Customer lines.

10. A cut-off valve outside the meter box must be installed on the Customer's service line for the Customer's use.

11. A check valve to prevent back flow in case of water outage must be installed in Customer's service line.

12. A plumbing inspection permit from the local Health Department must be shown before installation of a meter.

13. The Company agrees to supply potable water with adequate pressure to the Customer meter. If water must be off for a planned outage Customers will be notified. In case of emergency water line repair or unforseen water outage, the Company will restore service as soon as possible.

14. Upon fulfilling contract terms and desiring to discontinue water service, the Customer must give written notice in person or via telephone pursuant to 807 KAR 5:006 Section 12(1) of discontinuance at the Company office at least three days prior to the date on which disconnection is desired. If such notice is not given, the customer will remain liable for water used and service rendered to the premises by the Company until said notice is received by the Company office.

CONTRACT APPROVED BY:

Applicant/Customer

Company Representative

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PURSUANT TO 807 KAR 5:011,
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Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 37
Cancelling P.S.C. Ky. No. KWS 1
KY Water Service Sheet Nos. 3-24

AQUA/KWS, Inc.

RULES AND REGULATIONS

CUSTOMER BILL FORM (All Customers)

Payment due on or before % PENALTY
added after above date. Service will be discontinued, if payment not received by

DATE FROM	DATE TO	PREVIOUS READING	PRESENT READING	GALLONS USED	CODE	AMOUNT

ACCOUNT NUMBER	METER SIZE	AMOUNT NOW DUE
		MUST PAY BY

CODES: W - WATER, PN - PENALTY, GB - GARBAGE, S - SEWER, TX - STATE TAX, MS - MISC. CHARGES, ST, SC, SW, CY, CO - SCHOOL TAXES, GS - GAS, UB - UNPAID BALANCE

TO:

DATE DUE	AMOUNT DUE

HAILEY Corporation - (606) 273-6347

KEEP THIS PORTION FOR YOUR RECORDS — RETURN THIS PORTION WITH PAYMENT

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EFFECTIVE

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SECTION 9 (1)
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ISSUED BY Starling S. Gregory Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/9

RULES AND REGULATIONS

MONITORING OF CUSTOMER USAGE

At least once annually the Company will monitor the usage of each Customer according to the following procedure:

(1) The Customer's annual usage for the most recent 12-month period will be compared with the annual usage for the 12 months immediately preceding that period.

(2) If the annual usage for the two periods are substantially the same or if any difference is known to be attributed to unique circumstances, such as unusual weather conditions, common to all Customers, no further review will be done.

(3) If the annual usages differ by twenty (20) percent or more and cannot be attributed to a readily identified common cause, the Company will compare the Customer's monthly usage records for the 12-month period with the monthly usage for the same months of the preceding year.

(4) If the cause for the usage deviation cannot be determined from analysis of the Customer's meter reading and billing records, the Company will contact the Customer by telephone or in writing to determine whether there have been changes such as different number of household members or work staff, additional or different appliances, changes in business volume, or known leaks in the Customer's service line.

(5) Where the deviation is not otherwise explained, the Company will test the Customer's meter to determine whether it shows an average error greater than 2 percent fast or slow.

(6) The Company will notify the Customers of the investigation, its findings, and any refunds or backbilling in accordance with 807 KAR 5:006, Section 10(4) and (5).

In addition to the annual monitoring, the Company will immediately investigate usage deviations brought to its attention as a result of its on-going meter reading or billing process or customer inquiry.

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PUBLIC SERVICE COMMISSION MANAGER

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ISSUED BY Starling S. Gregory Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/92

AQUA/KWS, Inc.

CLASSIFICATION OF SERVICE

SCHEDULE OF SPECIAL SERVICE CHARGES

The following charges for special services shall be made:

1. Service Reconnection Charge. A charge of $20.00 shall be made for all service reconnections made during regular working hours, except that there shall be no connection charges made for service on the original installation of facilities.

2. Meter Reading Recheck Charge. A charge of $20.00 shall be made for a trip to recheck a meter reading when the Customer requests the meter to be rechecked for a correct reading and meter was not misread.

3. Meter Test. Upon request and payment of $15.00 the Customer may have his meter tested provided request by the Customer is not more frequent than once each twelve months. If such test shows the meter to be more than two percent fast, a refund of $15.00 charge shall be made and bill adjusted accordingly. If the periodic testing requirement of 807 KAR 5:006 has not been met for the meter tested, no charge will be made for the test regardless of results of the test.

4. PSC Meter Test Complaint. Any Customer of the Company may request a meter test by written application to the Kentucky Public Service Commission.

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ISSUED BY Starling S. Gregory Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/9

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 40
Cancelling P.S.C. Ky. No. KWS 1
KY Water Service Sheet Nos. 3-24

AQUA/KWS, Inc.

CLASSIFICATION OF SERVICE

WATER RATES

Applicable:

This rate is applicable within the City limits of Middlesboro, Kentucky and vicinity served by AQUA/KWS, Inc.

Availability of Service:

Available for General Domestic, Commercial and Industrial service to Customers on existing mains or secondary lines of the Company's water distribution system.

Rate (Net):

Consumption Block	Rate
First 1,000 gallons per month	$5.60 minimum
Next 9,000 gallons per month	2.25 per 1,000 gallons
Next 15,000 gallons per month	2.05 per 1,000 gallons
Next 25,000 gallons per month	1.95 per 1,000 gallons
Next 50,000 gallons per month	1.75 per 1,000 gallons
Over 100,000 gallons per month	1.60 per 1,000 gallons

Minimum Monthly Charge	Gallons Allowed
5/8" or 3/4" meter	$ 5.60 - 1,000/month
1" or 1-1/4" meter	16.85 - 6,000/month
1-1/2" meter	32.00 - 13,000/month
2" meter	49.22 - 21,400/month
3" meter	137.55 - 68,400/month
4" meter	236.85 - 127,500/month
6" meter	483.25 - 281,500/month

An additional surcharge of $0.5930 per 1,000 gallons/month shall be added and shown separately, on all Middlesboro billings. Service will be supplied under Company's General Rules and Regulations.

PUBLIC SERVICE COMMISSION
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ISSUED BY [signature] Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 89-340 and 90-067 dated October 10, 1990.

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. 1
Original Sheet No. 41
Cancelling P.S.C. Ky. No. KWS 1
KY Water Service Sheet Nos. 3-24

AQUA/KWS, Inc.

CLASSIFICATION OF SERVICE

WATER RATES

Applicable:

This rate is applicable within the City limits of Clinton, Kentucky and vicinity served by AQUA/KWS, Inc.

Availability of Service:

Available for General Domestic, Commercial and Industrial service to Customers on existing mains or secondary lines of the Company's water distribution system.

Rate (Net):

Consumption Block	Rate
First 1,000 gallons per month	$7.50 minimum
Next 9,000 gallons per month	4.25 per 1,000 gallons
Next 15,000 gallons per month	3.90 per 1,000 gallons
Next 25,000 gallons per month	3.55 per 1,000 gallons
Next 50,000 gallons per month	3.15 per 1,000 gallons
Over 100,000 gallons per month	2.75 per 1,000 gallons

Minimum Monthly Charge	Gallons Allowed
5/8" or 3/4" meter	$ 7.50 - 1,000/month
1" or 1-1/4" meter	25.78 - 5,300/month
1-1/2" meter	50.43 - 11,200/month
2" meter	75.39 - 17,600/month
3" meter	217.89 - 57,900/month
4" meter	369.75 - 100,700/month
6" meter	764.38 - 250,500/month

Service will be supplied under Company's General Rules and Regulations.

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AUG 18 1992

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SECTION 9 (1)
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Starling S. Gregory (Name of Officer) Title Address

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 89-340 and 90-067 dated October 10, 1990.

7/a

Middlesboro and Clinton
For: and Adjacent Territory

P. S. C. KY. No. 1

Aqua/KWS Sheet No. 42

AQUA/KWS, Inc.

RULES AND REGULATIONS

CUSTOMER COMPLAINTS

Complaints may be made to the System Manager whose decision may be appealed to the Aqua/KWS, Inc. General Manager. Such appeal shall be in writing within ten (10) days of the date of the decision by the Manager. Stating the nature of the complaint and supporting evidence. Decisions by the General Manager shall be in conjunction with the Aqua/KWS, Inc. Board of Directors, as needed. These decisions may be brought before the Public Service Commission in accordance with 807 KAR 5: 006, Section 9.

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JUN 19 1996

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Gordon C. Neal
FOR THE PUBLIC SERVICE COMMISSION

Date of Issue: May 16, 1996 (Month Day Year) Date Effective: May 20, 1996 (Month Day Year)

Issued By: Hal Wilson (Name) General Manager (Title) P.O. Box 22317 Lexington, KY 40522 (Address)

WATER SHORTAGE RESPONSE PLAN
Kentucky Water Service Company, Inc.
Clinton, Kentucky

This Water Shortage Response Plan is adopted pursuant to the recommendations of the Kentucky Public Service Commission and the Commission's Model Water Shortage Response Plan, as herein modified, which was transmitted to all jurisdictional water utilities by letter from the Commission dated July 12, 1988.

Section 1. Purpose. The purpose of this Plan is to provide for the declaration of official phases of water supply shortages and the implementation of voluntary and mandatory water conservation measures throughout the area served by Kentucky Water Service in the event a shortage is declared.

Section 2. Definitions. These terms are applicable only for this Plan unless specifically noted.

(a) "Customer" shall mean any person or entity using water for any purpose from the Kentucky Water Service water distribution system and for which either a regular charge is made or, in the case of bulk sales, a cash charge is made at the site of delivery.

(b) "Raw Water Supplies" shall mean all water potentially available to persons in the Kentucky Water Service.

(c) "Treated Water" shall mean water that has been introduced by the Kentucky Water Service Company into its water distribution system, including water offered for sale. Uses of treated water are classified as follows:

Essential Water Uses (Class 1):

The following uses of water, listed by site or user type, are essential.

Domestic:

- water necessary to sustain human life and the lives of domestic pets, and to maintain minimum standard of hygiene and sanitation.

Health Care Facilities:

- patient care and rehabilitation, including related filling and operation of swimming pools.

Water Hauling:

- sales for domestic use where not reasonably available elsewhere.

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Public Use:

- firefighting,

- health and public protection purposes, if specifically approved by health officials.

Socially or Economically Important Uses (Class 2):

The following uses of water, listed by site or user type, are socially or economically important.

Domestic:

- personal, in-house water use including kitchen, bathroom and laundry.

Water Hauling:

- non-domestic, when other sources are not reasonably available elsewhere.

Commercial and Civic Use:

- commercial car and truck washes.

- laundromats.

- restaurants, clubs, and eating places.

- schools, churches, motels/hotels, and similar commercial establishments.

Outdoor Non-Commercial Watering:

- minimal watering of vegetable gardens.

- minimal watering of trees where necessary to preserve them.

Outdoor Commercial or Public Watering (using conservation methods and when other sources of water are not available or feasible to use):

- agricultural irrigation for the production of food and fiber or the maintenance of livestock.

- watering by arboretums and public gardens of national, state, regional, or community significance where necessary to preserve specimens.

- watering by commercial nurseries at a minimum level necessary to maintain stock.

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- watering at a minimum rate necessary to establish or maintain revegetation or landscape plantings required pursuant to law or regulation.

- watering of woody plants where necessary to preserve them.

- minimal watering of golf course greens.

Recreational:

- operation of municipal swimming pools and residential pools that serve more than 25 dwelling units.

Air Conditioning:

- refilling for startup at the beginning of the cooling season.

- makeup of water during the cooling season.

- refilling specifically approved by health officials where the system has been drained for health protection or repair services.

Non-Essential Uses (Class 3):

Any waste of water, as defined herein, is non-essential. The following uses of water, listed by site or user type, are non-essential.

Public Use:

- use of fire hydrants (excluding Class 1 and Class 2 uses), including use of sprinkler caps, testing fire apparatus, and fire department drills.

- flushing of sewers and hydrants except as needed to ensure public health and safety as approved by health officials.

Commercial and Civic Use:

- serving water in restaurants, clubs, or eating places, except by customer request.

- failure to repair a controllable leak.

- increasing water levels in scenic and recreational ponds and lakes, except for the minimum amount required to support fish and wildlife.

Ornamental Purposes:

- fountains, reflecting pools, and artificial waterfalls.

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SECTION 9 (1)
BY:

Outdoor Non-Commercial Watering:

- use of water for dirt control or compaction.

- watering of annual or non-woody plants, lawns, parks, golf course fairways, playing fields, and other recreational areas.

- washing sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surface areas.

- washing down buildings or structures for purposes other than immediate fire protection.

- flushing gutters or permitting water to run or accumulate in any gutter or street.

Outdoor Commercial or Public Watering:

- expanding nursery facilities, placing new irrigated agricultural land in production, or planting of landscaping except when required by a site design review process.

- use of water for dirt control or compaction.

- watering of lawns, parks, golf course fairways, playing fields, and other recreational areas.

- washing sidewalks, walkways, driveways, parking lots, tennis courts or other hard-surface areas.

- washing down buildings or structures for purposes other than immediate fire protection.

- flushing gutters or permitting water to run or accumulate in any gutter or street.

Recreational uses other than those specified in Class 2.

Non-commercial washing of motor and other vehicles.

Air Conditioning (see also Class 2 purposes):

- refilling cooling towers after draining.

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(d) "Base Entitlement" shall mean the monthly usage for a customer during the same month of the preceding calendar year or the average per customer usage for each class of service during the same month of the preceding year.

(e) "Curtailed Entitlement" shall mean the monthly usage for a customer after any curtailment percentage has been applied.

(f) ""Curtailment" shall mean the reduction in entitlement by some percentage to meet anticipated water shortages.

(g) Water Shortage Response Phases:

"Advisory" shall mean that conditions exist which indicate the potential for serious raw or treated water supply shortages.

"Alert" shall mean the raw or treated water supplies are consistently below seasonal averages, and if they continue to decline, may not be adequate to met normal needs.

"Emergency" shall mean that raw or treated water supplies are below the level necessary to meet normal needs and that serious shortages exist in the area.

(h) "Rationing" shall mean that procedures must be established to provide for the equitable distribution of critically-limited raw or treated water supplies, in order to balance demand and limited available supplies, and to assure that sufficient water is available to preserve public health and safety.

Section 3. Applicability. The provisions of this Plan shall apply to all retail and wholesale customers of the Kentucky Water Service Company. When implemented, this Plan becomes Kentucky Water Service's Water Shortage Response Regulation.

Section 4. Entitlements. Entitlements shall be established for each customer by adjusting the base entitlement to reflect any known change in usage pattern.

Section 5. Determination of Water Shortage. Water supply and usage shall be monitored on a continuous basis. Unrestricted demand shall be projected from past records and adjusted for changes such as new developments and weather conditions on a regular basis. (Note: A sample calculation page is attached as Appendix A to assist in determining overall water levels. It is important that accurate water measurements be used.) Water shortages generally occur for two reasons: a reduction in available supplies or a system failure. Each of these has a distinct influence on the nature and duration of the conservation program implemented. Official declaration of a water shortage stage and implementation of the measures necessary to curtail water use shall be approved by the President of Kentucky Water Service Company, Inc.

Section 6. Term of Water Shortage Declaration. Any water shortage declaration shall remain in effect until water supplies and service conditions have returned to normal. A final determination as to terminating a water shortage declaration shall be made by the President of Kentucky Water Service Company.

JAN 13 1989
PUBLIC SERVICE COMMISSION
BY:

Section 7. Water Shortage Stage, Criteria, Conservation, and Curtailment Measures.

A. Advisory Stage:

(1) Criteria: A water advisory shall be declared when the amount of treated water or raw water available for treatment is projected to be no more than 15 percent above demand, or there are periods of low water pressure in one or more areas of the distribution system due to system failure or inadequacies or the State Division of Water issues a Water Shortage Watch which includes the areas from which the Kentucky Water Service draws water.

(2) Conservation and Curtailment Measures:

(a) Declare a Water Shortage Advisory.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Request voluntary conservation of all non-essential (Class 3) water use.

(e) Request wholesale customers also issue request for voluntary conservation by their customers of all non-essential (Class 3) water use.

B. Alert Stage:

(1) Criteria: A water alert shall be declared when the amount of treated water available is projected to be no more than 10 percent above demand, and raw water supplies are consistently below seasonal averages and if they continue to declines, may not be adequate to meet normal needs.

(2) Conservation and Curtailment Measures:

(a) Declare a Water Shortage Alert.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Prohibit all non-essential (Class 3) water uses.

(e) Curtail entitlements to all customers by the same percentage as the projected shortage.

(f) Begin billing all customer water usage in excess of curtailed entitlement at the normal rate plus an excess usage charge of $7.50 per 1,000 gallons.

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C. Emergency Stage:

1. Criteria: A Water Emergency shall be declared when the amount of treated water available is projected to be no more than 5 percent above demand, and there are periods of no water in one or more areas of the distribution system due to low water supply or raw water supplies below the level necessary to meet normal needs.

2. Conservation and Curtailment Measures:

(a) Declare a Water Shortage Emergency.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Prohibit all Class 3 uses of water.

(e) Prohibit all Class 2 uses of water except Domestic uses for kitchens, bathrooms, and laundries.

(f) Curtail all commercial and industrial entitlements (except Health Care Facilities) by 100%.

(g) Curtail Residential entitlements by the same percentage as the projected shortage.

(h) Curtail entitlements to all wholesale customers by the same percentage as the projected shortage.

(i) Begin billing all customer water usage in excess of curtailed entitlement at the normal rate plus an excess usage charge of $8.50 per 1,000 gallons.

D. Rationing Stage:

1. Criteria: Treated water available is below demand and raw water supplies are no more than 3 percent above the level necessary to meet essential needs, and in the opinion of the President and/or Manager of Kentucky Water Service, mandatory rationing is required to insure adequate water is available to maintain public health and safety.

SERVICE COMMISSION
JAN 13 1989
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)
BY

2. Conservation and Curtailment Measures:

(a) Declare Water Shortage Rationing.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Prohibit all Class 3 and Class 2 uses of water.

(e) Curtail all commercial and industrial entitlement (except Health Care Facilities) by 100%.

(f) Curtail all residential and wholesale entitlements by the same percentage as the projected shortage.

(g) Implement service interruptions to portions of system in accordance with approved published schedule. The schedule shall be provided to all local media.

(h) Begin billing customer water usage in excess of curtailment entitlement at the normal rate plus an excess usage charge of $9.50 per 1,000 gallons.

Section 8. Enforcement of Water Restriction. Any person who violates the provisions of this Plan, who fails to carry out the duties and responsibilities imposed by this Plan, or who impedes or interferes with any action undertaken or ordered pursuant to this Plan shall be subject to the following:

(a) If the utility official charged with implementation and enforcement of this Plan learns of any violation of any water use restriction imposed, a written notice of the violation shall be affixed to the property where the violation occurred and mailed to the customer of record. Said notice shall describe the violation and order that it be corrected, cured, or abated immediately or within 48 hours.

(b) The notice will inform the customer of his or her right to appeal by requesting a hearing before the utility's designee. If a hearing is requested by the customer, he or she shall be given full opportunity to be heard before termination. The governing body shall make findings of fact and decide whether service should continue or terminate.

(c) Any customer whose water service is terminated for violating provisions of this water curtailment plan shall be subject to the approved reconnection fee prior to reconnection of service.

(d) Any residential or non-residential water customer who exceeds the allotments established pursuant to this water shortage response plan will be subject to excess-use charges.

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE JAN 13 1989 PUBLIC SERVICE COMMISSION

(1) "Excess-use charges" will be collected based on the amount by which a customer's use exceeds the water allotments established pursuant to this Water Shortage Response Plan.

(2) Any monies collected through excess-use charges shall not be accounted for as income, but shall be placed in a reserve account that is dedicated to addressing water shortage problems and water conservation initiatives.

(3) However, the excess usage charge billing provisions of this Plan shall not be put in effect if a county or city ordinance containing penalty provisions is in effect to assist enforcement of this Plan.

Section 9. Request for Exception.

(a) Exception to water use restrictions: If compliance with any curtailment measure authorized herein would cause a customer to bear extraordinary hardship, that individual or entity may apply to the Kentucky Water Service Company for an exception. For these purposes, "extraordinary hardship" shall be defined as a condition which may threaten health and safety, or cause property or economic losses, each of which must be shown to be substantially more severe than the sacrifices borne by other users. If extraordinary hardship is found to exist, then an exception shall be granted and a written waiver issued to the customer. If an appeal is made, water service shall be continued until a decision is announced. Any person aggrieved by the decision may file a complaint with the Public Service Commission.

(b) Exception to curtailment surcharge: Exceptions to excess use charges shall not be considered or granted.

Section 10. Severability. If any provision of this Plan is declared invalid by the courts, the remainder of the Plan and its applicability to other persons and circumstances shall not be affected by that declaration.

Section 11. Effective Date. This Plan shall take effect immediately upon approval by the Public Service Commission.

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APR 1 3 1989

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: [illegible]

APPENDIX A

Kentucky Water Service Company, Inc.

Clinton, Kentucky

PROJECTED DEMAND WORKSHEET FOR _____
(Month) (Year)

The information below would be used to estimate projected demand for one (1) month.

Calculations will be done at the beginning of each month.

Average use in _____ (Last Month) for the past 5 years: _____

Average use in _____ (Last Month) for 2 years ago: _____

Average use in _____ (Last Month) for 1 year ago: _____

Average use in _____ (Last Month) for current year: _____

Average use in _____ (This Month) for the past 5 years: _____

Average use in _____ (This Month) for 2 years ago: _____

Average use in _____ (This Month) for 1 year ago: _____

Usage Notes: _____

_____

_____

_____

Weather Notes: _____

_____

_____

_____

Average projected use for _____

Without conservation measures: _____ gpd

With advisory conservation measures
(reduction) _____ gpd

With alert conservation measures
(More than reduction) _____ gpd

With emergency conservation measures
(More than reduction) _____ gpd

With rationing conservation measures
(More than reduction) _____ gpd

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P.S.C. Ky. No. 12

Cancels P.S.C. Ky. No. ~~KWS 1~~

Water Service Corporation of Kentucky
~~AQUA/KWS, Inc.~~ (aka WSCK)

~~(Formerly - Kentucky Water Service Company, Inc.)~~

OF

~~354 Waller Avenue~~ 2335 Sanders Road
~~Lexington, Kentucky~~ Northbrook, Illinois

Rates, Rules and Regulations for Furnishing

Water

AT

Middlesboro (Bell County) Kentucky

Clinton (Hickman County) Kentucky

Filed with PUBLIC SERVICE COMMISSION OF KENTUCKY

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~~ISSUED~~ BY ~~AQUA/KWS, Inc.~~ WSCK
(Name of Utility)

BY [signature]

~~Starling S. Gregory~~ Lawrence Schumacher
~~Secretary-Treasurer~~ President

WSCK
~~AQUA/KWS, Inc.~~

FOR Middlesboro and Clinton and Adjacent Territory
P.S.C. Ky. No. 12
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RULES AND REGULATIONS

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RULES AND REGULATIONS

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~~KY Water Service Sheet Nos. 3-24~~

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~~KY Water Service Sheet Nos. 3-24~~

RULES AND REGULATIONS

TERRITORY TO WHICH RULES, REGULATIONS AND SERVICE CLASSIFICATIONS APPLY:

The Rules, Regulations, and Service Classifications contained in this tariff apply in the following:

City of Middlesboro and contiguous territory in Bell County, Kentucky
City of Clinton and contiguous territory in Hickman County, Kentucky

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Middlesboro and Clinton
FOR and Adjacent Territory
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~~KY Water Service Sheet Nos. 3-24~~

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RULES AND REGULATIONS

DEFINITIONS

DEFINITIONS APPLICABLE TO RULES AND REGULATIONS:

(a) "Customer" shall mean any person, firm, corporation or municipality supplied by water service pursuant to these Rules and Regulations.

(b) "Bona fide prospective customer" shall mean any owner or lessee who is to be the occupant of an existing developed premises having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company, who shall file a signed application for a new street service connection and for water service to such premises to be occupied.

(c) "Company" shall mean the AQUA/KWS, Inc. acting through its officers, managers, or other duly authorized employees or agents.

(d) "Street service connections" shall mean a pipe with appurtenances used to conduct water from a distribution main of the Company to the curb line of the premises.

(e) "Premises" shall mean and include:

(1) a building under one roof and occupied as one business or residence and served through one street service connection; or

(2) a combination of buildings in common ownership in one common enclosure or on a single tract of land not crossed by public streets, roads, or ways and occupied by one family or business and served through one street connection or through more than one such connection if in the exclusive discretion of the Company, multiple connections are advisable in providing service; or

(3) one side of a double house having a solid vertical partition wall or each unit of a series of what are commonly known as row houses, each unit being occupied by one family or business and each served through one street service connection; or

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North Brook, Illinois
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RULES AND REGULATIONS

DEFINITIONS Cont'd.

(4) a building having a number of apartments or offices and using halls and means of entrance in common, and served through one street service connection; or

(5) a building previously erected as a single family residence served through one street service connection and subsequently converted into apartments or offices or a combination of such, with two or more separate halls and means of entrance not used in common, and where separate water supply plumbing would not be practicable; or

(6) each residential or business single occupancy unit, served through one street service connection, in a building which is not a premises otherwise defined in these Rules.

(7) Rates are based on single family residences or multi-family units and are not applicable to other single family residences or multi-family units. Where two or more residences or multi-family units are served through one street connection the Company may allow service to be taken through one meter if the segregation of plumbing on customer's premises would involve undue expense to the customer, but in this event the unit blocks and minimum bills of rate would be multiplied by such number of residences or units.

PROVIDED: They are located on lots having curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company extending for at least one-half of the frontage of the lot on said street or highway.

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Middlesboro and Clinton
FOR and Adjacent Territory
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~~KY Water Service Sheet Nos. 3-24~~

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RULES AND REGULATIONS

1. RULES AND REGULATIONS GOVERNING RENDERING OF SERVICE:

(a) The Rules and Regulations in their entirety as hereinafter set forth or as they may hereafter be altered or amended in a regular and legal manner shall govern the rendering of water service and every customer upon signing of an application for water service or upon the taking of water service will be bound thereby.

(b) Except fire and special temporary services, all service will be rendered on a meter basis. Residential, commercial, industrial and municipal service is only regularly available for single premises as "premises" is defined in these Rules. When the interests of other customers would not be jeopardized or prejudiced, the Company's President or a Vice President may, by writing, authorize service at regular rates to governmental or political corporations, districts, or authorities not qualifying as "premises" under these Rules. In special cases, for good cause shown, the Public Service Commission may permit deviations from this regulation.

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Lawrence Schumacher ~~Starling S. Gregory~~ Title Address
Name of Officer

7/92

RULES AND REGULATIONS

2. APPLICATIONS FOR WATER SERVICE

(a) New Street Service Connection

Upon written application by the owner, or his properly authorized agent, on forms furnished by the Company, for the immediate and continuous supply of water to premises having a curb line abutting on that part of a public street or highway in which a distribution main of the Company is located, the Company will install, own and maintain the street service connection to such premises. The Company shall determine the size of all street service connections.

(b) Existing Street Service Connection

When any person, firm or corporation, not theretofore taking water service from the Company, applies for water service, the application shall be in writing on forms supplied by the Company. When such application is accepted by the Company, it shall constitute a contract between the applicant and the Company for service at the premises named in the application and at any other premises at which the named applicant may be securing service unless a separate application for service to such other premises shall have been accepted by the Company.

Any change in the location of the contracting customer to any other premises will require notification of the Company by the Customer. The obligation of the customer to the Company under the existing contract will continue in full force and effect at the new location, premises or address.

The Company shall have the right to discontinue the supply of water to any premises if the owner or occupant does not have a contract for such service with the Company. Within twenty-four (24) hours after such termination, the Company shall send written notification to the Customer of the reason or reasons for the termination of service.

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~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer

Title

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

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RULES AND REGULATIONS

3. USE OF WATER IN ACCORDANCE WITH APPLICATION:

No person or persons, corporation or partnership receiving water service from the Company will be permitted to use water for any other purposes than that for which they shall have contracted to pay as shown by their application, nor shall they supply water in any way to any other party or parties without a written permit from the President or a Vice President of the Company. An accepted application for water service to any premises shall constitute a license to the applicant to take and receive a supply of water for said premises but only for the uses specified in such applications and the supply shall not be used except for the premises specified in the application.

4. SPECIAL APPLICATIONS FOR WATER SERVICE:

(a) Water for transient, temporary or special services must be specially applied for.

(b) Water for building or construction purposes, when not furnished on an application for regular metered service, will be supplied under special application.

5. CUSTOMER'S LIABILITY FOR CHARGES:

A customer who has made application for water service to any premises shall be held liable for all water service furnished to such premises. Any Customer desiring service terminated or changed from one address to another shall give the Company three (3) working days' notice in person, in writing, or by telephone.

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FOR Middlesboro and Clinton and Adjacent Territory
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~~KY Water Service Sheet Nos. 3-24~~

RULES AND REGULATIONS

6. STREET SERVICE CONNECTIONS:

(a) The Company will make all connections to its mains and will specify the size, kind and quality of all materials entering into the street service connections.

(b) The corporation cock, meter box and the street service pipe from the street main to the curb line or meter box shall be furnished and installed by and shall be the property of the Company and under its sole control and jurisdiction.

(c) Where a street service connection is already laid to the curb line, or meter box, the Customer shall connect with the street service connection as laid.

(d) The meter box shall be set in sidewalk or just inside customer's property on a level with the grade of the sidewalk or yard and shall be kept accessible at all times.

(e) The street service connection from the main to and including the meter box will be maintained by the Company at its expense.

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~~Starling S. Gregory~~ ~~Secretary Treasurer~~
Name of Officer Title

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

Lawrence Schumacher
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RULES AND REGULATIONS

7. CUSTOMER'S SERVICE PIPES:

(a) The Company will specify the size, kind and quality of the materials which shall be laid between the curb line and the structures on the premises to be supplied.

(b) The service pipe from the meter box to the place of consumption shall be furnished and installed by the Customer at his expense and risk.

(c) The Customer's service pipe and all connections and fixtures attached thereto shall be subject to the inspection and approval of the Company before the water will be turned on.

(d) The service pipe shall be laid below the frost line at all points and shall be placed on firm and continuous earth so as to give unyielding and permanent support, and shall be installed in a trench at least two feet in a horizontal direction from any other trench wherein are laid gas pipe, sewer pipe, or other facilities, public or private, unless specifically authorized and approved by the Company.

(e) The Customer shall install a stop and waste cock of a type approved by the Company on the service pipe immediately inside the foundation wall of the building supplied, and to be located so as to be easily accessible to the occupants and to provide proper drainage for all of the pipes in the building.

(f) The Customer shall make all changes in his portion of the service pipe required on account of changes of grade, relocation of mains or other causes.

(g) No fixtures shall be attached to or any branch made in the service pipe between the meter and the street main.

(h) Each premises shall be supplied through an independent service pipe from a separate meter box and the applicant for service shall be solely responsible for all water used on and in said premises.

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(i) When more than one premises is supplied through a single service pipe, any violation of the Rules and Regulations of the Company with reference to either or any of the said buildings or premises shall be deemed a violation as to all and the water service shall be discontinued after the Customer has been given at least ten (10) days written termination notice and reasonable opportunity allowed for each premises to attach their pipes to separately controlled service connections.

(j) Any repairs or maintenance necessary on the Customer's service pipe or on any pipe or fixture in or upon the Customer's premises shall be performed by the Customer at his expense and risk.

(k) In those instances where the Customer requires water pressure which differs from the standard pressure provided by the Company he shall be required to install and maintain at his own expense the necessary equipment to provide the desired pressure. Such equipment and the installation thereof to be approved by the Company. In no event, however, shall the pressure at the Customer's service pipe under normal conditions fall below thirty (30) psig nor shall the static pressure exceed 150 psig.

8. PLUMBING WORK MUST BE APPROVED BY COMPANY:

All plumbing work done in connection with the Company's water mains or appurtenances shall be submitted for the inspection of the Company, and no underground work shall be covered up until inspected and approved by the Company. Whenever the Company determines that a job of plumbing is obviously defective, although not in direct violation of these Rules and Regulations, the Company will insist upon its being corrected before the water will be turned on.

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~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer Title Address

7/92

RULES AND REGULATIONS

9. METERS AND METER INSTALLATIONS:

(a) The Company shall specify the kind and size of meter to be installed.

(b) Meters will be furnished, installed, and removed by the Company and shall remain its property.

(c) Each premises shall have a separate meter and the applicant for service shall be solely responsible for all water used on and in said buildings or premises.

(d) Meters will be maintained by the Company at its expense insofar as ordinary wear is concerned, but damage due to hot water, freezing (as a result of Customer's unauthorized removal of meter cover) or other external causes arising out of or caused by the Customer's negligence or carelessness shall be paid for by the Customer.

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~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer Title Address

7/92

RULES AND REGULATIONS

10. METER TESTS AND TEST FEES:

(a) All meters are accurately tested before installation and are also periodically tested in accordance with the Public Service Commission's regulations. The Company may at any time remove any meter for periodic tests or for repairs or replacement and may, at its option and expense, test any meter when the Company has reason to believe that it is registering inaccurately.

(b) The Company shall make a test of the accuracy of any meter upon written request of the Customer, provided the Customer does not request such test more frequently than once in twelve months. For such request test, the fee as established herein shall be paid in advance by the complainant but should the said meter be found, upon said test, to be more than two (2) percent incorrect to the prejudice of the Customer, the fee so charged shall be returned to the complainant.

(c) For test of meters made upon request of the Customer and performed by the Company, the following fees shall be paid:

Outlet 1-inch or less	$15.00
Outlet 2-inches and over 1-inch	Cost of Test
Outlet 3-inches and over 2-inches	Cost of Test
Outlet 4-inches and over 3-inches	Cost of Test

Outlets greater than 4-inches as per special fee fixed by Public Service Commission.

(d) In addition to the request tests of meters performed by the Company, the Customer may, upon formal written application to the Public Service Commission accompanied by payment of the fees as set forth, have a test conducted by the Company in the presence of an employee of the Commission, or by an employee of the Commission. Should the meter by found, upon said test, to be more than two (2) percent incorrect to the prejudice of the Customer, the total cost of such test shall be assumed by the Company and the amount of the fee paid shall be returned to the Customer.

(e) For test of meters made upon complaint of the Customer and performed by the Public Service Commission, the charges therefore shall be in accordance with the rules and charges prescribed by the Commission.

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~~Starling S. Gregory~~ Title
Name of Officer

~~Lexington, Kentucky~~ Northbrook, Illinois
~~Address~~

Lawrence Schumacher

7/92

RULES AND REGULATIONS

11, 12, & 13. PUBLIC FIRE HYDRANTS (Including Private Fire Hydrants) and (Fire Hydrants in Unincorporated Areas)

Fire Protection Generally

1. On or after the effective date (June 7, 1992) of administrative regulation 807 KAR 5:066 Section 10(2)(b), fire hydrants may be installed by a Utility only if:

   a. A professional engineer with a Kentucky registration has certified that the system can provide a minimum fire flow of 250 gallons per minute; and

   b. The system supporting this flow has the capability of providing this flow for a period of not less than two (2) hours plus consumption at the maximum daily rate.

2. The location, installation, and the responsibility for maintenance of fire hydrants, public and private fire protection facilities, connecting mains, and their ownership may be subject to negotiation between the Utility and the applicant. Fire hydrants and public and private fire protection facilities shall be installed as required by the Utility and if owned by the Utility shall be subject to any conditions the Public Service Commission may impose, based upon the compensation received for this service.

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~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer Title Address

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RULES AND REGULATIONS

14. DISCONTINUANCE OF WATER SERVICE:

(a) Service rendered under any application, contract or agreement may be discontinued by the Company after proper notification in accordance with 807 KAR 5:006, Section 14 for any of the following reasons:

(1) For willful or indifferent waste of water.

(2) For failure to protect the meter and its connections from injury or damage, or for failure to protect and maintain the service pipe or fixtures on the property of the Customer in a condition satisfactory to the Company.

(3) For molesting or tampering by the Customer, or others with the knowledge of the Customer, with any meter, connections, service pipe, seal or any other appliance of the Company controlling or regulating the Customer's water supply.

(4) For failure to provide the Company's employees free and reasonable access to the premises supplied or for obstructing the way of ingress to the meter or other appliances controlling or regulating the Customer's water supply.

(5) For non-payment of any account for water service, or for meter or service maintenance, or for any other fee or charge accruing under the contract.

(6) In case of vacancy of the premises unless the owner requests that water be left on and pays a minimum monthly bill.

(7) For violation of any rule or regulation of the Company.

(b) The water service will be discontinued to any premises on account of temporary vacancy upon request of the Customer, without in any way affecting the agreement in force, after the payment of all charges and fees due as provided for in the rates, rules and regulations of the Company.

(c) Discontinuing the supply of water to any premises for any reason shall not prevent the Company from pursuing lawful remedies by action at law or otherwise for the collection of moneys due from the Customer.

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~~Starling S. Gregory~~ Lawrence Schumacher
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Title

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AQUA/KWS, Inc.

RULES AND REGULATIONS

15. RENEWAL OF WATER SERVICE AFTER DISCONTINUANCE:

When water service to any premises has been terminated for any reason other than temporary vacancy, it will be renewed after the acceptance of a new application and when the conditions, circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon the payment of all charges due and payable by the Customer in accordance with the rates, rules and regulations. The Company will then reconnect existing service within twenty-four (24) hours, and shall install and connect new service within seventy-two (72) hours.

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ISSUED BY ~~Starling S. Gregory~~ President ~~Secretary-Treasurer~~ Northbrook, Illinois ~~Lexington, Kentucky~~
Lawrence Schumacher ~~Starling S. Gregory~~ Title Address
Name of Officer

7/92

WSCK
~~AQUA/KWS, Inc.~~

FOR Middlesboro and Clinton and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 21
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

RULES AND REGULATIONS

16. TURN-ON CHARGE

(a) When it has been necessary to discontinue water service to any premises because of a violation of the Rules and Regulations or on account of the non-payment of any bill; a charge will be made to cover the expense of turning on the water, and this charge together with any arrears that may be due the Company for charges against the Customer must be paid before the water will again be turned on.

(b) If at the time of such discontinuance of service, the Customer does not have a deposit with the Company, the Company may require a deposit as a guarantee of the payment of future bills before the water will be turned on.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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AUG 18 1992

PURSUANT TO 807 KAR 5:011.
SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE ~~June~~ ~~12~~ ~~1992~~ 2005
Month Day Year

DATE EFFECTIVE ~~June~~ ~~15~~ ~~1992~~ 2005
Month Day Year

ISSUED BY [signature] President ~~Secretary-Treasurer~~ Northbrook, Illinois ~~Lexington, Kentucky~~
Lawrence Schumacher ~~Starling S. Gregory~~ Title Address
Name of Officer

7/9

RULES AND REGULATIONS

17. BILLS FOR WATER SERVICE:

(a) Customers are responsible for furnishing the Company with their correct address. Failure to receive bills will not be considered an excuse for non-payment nor permit an extension of the date when th account would be considered delinquent.

(b) All bills will be sent to the address entered in the application unless the Company is notified in writing by the Customer of any change of address.

(c) If requested in writing by the Customer, the Company will send bills to and will receive payments from agents or tenants. However, this accommodation will in no way relieve the Customer of the liability for all water charges and the Company shall not be obligated to notify the Customer of the non-payment of water bills by such agents or tenants.

(d) Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company.

(e) The Company will not be bound by bills rendered under mistake of fact and to the quantity of service rendered.

(f) The use of water by the same Customer in different premises or localities will not be combined, and each installation shall stand by itself.

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Month Day Year
PUBLIC SERVICE COMMISSION MANAGER

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~~Starling S. Gregory~~ ~~Secretary-Treasurer~~
Name of Officer Title

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

Lawrence Schumacher
7/92

WSCK
~~AQUA/KWS, Inc.~~

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 23
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service~~ Sheet Nos. 3-24

RULES AND REGULATIONS

18. TERMS OF PAYMENT:

(a) Special charges shall be payable upon demand.

(b) Bills for metered service shall be rendered monthly and are due and payable when rendered.

(c) Bills for private fire service shall be rendered monthly in advance and are due and payable when rendered.

(d) If a bill is not paid within ten days after its due date, the Company may discontinue the water service. The Company will give at least five (5) days notice before termination for nonpayment and that service will not be terminated before 20 days after the mailing date of the original bill.

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Month Day Year

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~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer

Title

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Address

7/92

RULES AND REGULATIONS

19. ABATEMENTS AND REFUNDS:

(a) There shall be no abatement of the minimum rates due to the extended absence of the Customer without proper notice having been given to the Company. No abatement shall be made for leaks or for water wasted by improper or damaged service pipes or fixtures belonging to the Customer.

(b) If test results on a Customer's meter show an average error greater than two percent (2%) fast or slow, or if a Customer has been incorrectly billed for any other reason, except in an instance where a Company has filed a verified complaint with the appropriate law enforcement agency alleging fraud or theft by a Customer, the Company shall immediately determine the period during which the error has existed, and shall recompute and adjust the Customer's bill to either provide a refund to the Customer or collect an additional amount of revenue from the underbilled Customer. The account adjustment shall be performed according to 807 KAR 5:006 Section 10(2) with corrected billing or refund as directed therein.

20. BOILER AND ENGINE WATER SUPPLY:

The Company does not guarantee a sufficient or uniform pressure, or an uninterrupted supply of water, and Customers are cautioned to provide a sufficient storage of water where an absolutely uninterrupted supply must be assured; such as for steam boilers, hot water systems, gas engines, etc.

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~~Starling S. Gregory~~ Title
Lawrence Schumacher
Name of Officer

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

7/9

RULES AND REGULATIONS

21. INTERRUPTIONS IN WATER SUPPLY:

The Company may at any time shut off the water in the mains in case of accident, or for the purpose of making connections, alterations, repairs, changes, or for other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare may require it.

22. LIABILITY OF COMPANY:

(a) The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

(b) The Company shall in no event be liable for any damage or inconvenience caused by reason of any break, leak or defect in the Customer's service pipe or fixtures.

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~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer

Title

Northbrook, Illinois ~~Lexington, Kentucky~~
Address

7/92

RULES AND REGULATIONS

23. CROSS CONNECTIONS AND INTERCONNECTIONS:

(a) A cross-connection is any pipe, valve, or other arrangement or device connecting the pipelines of the Company or facilities directly or indirectly connected therewith to and with pipes of fixtures supplied with water from any source other than the lines of the Company directly connected.

(b) An interconnection is a plumbing arrangement, other than a cross-connection, by which continuation might be admitted or drawn into the distribution system of the Company, or into lines connected therewith, used for the conveyance of potable water.

(c) No cross-connection or interconnection will be made by Customer without the approval of the State Health Department and the Company.

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Month Day Year

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~~Starling S. Gregory~~ ~~Secretary-Treasurer~~
Name of Officer Title

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

Lawrence Schumacher
7/92

RULES AND REGULATIONS

24. GENERAL

(a) The service pipes, meters and fixtures on the Customer's premises shall at all reasonable hours be accessible to the Company for observation or inspection.

(b) No person shall turn the water on or off at any street valve, corporation cock, meter or other street connections, or disconnect or remove any meter without the consent of the Company. Penalties provided by law for any such action will be rigidly enforced.

(c) Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any service rendered to its Customers except as covered in these Rates, Rules and Regulations.

(d) No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement of representation contrary to the letter or intent of these Rules and Regulations.

(e) Any complaint against the service or employees of the Company should be made at the office of the Company and preferably in writing. If a complaint either written, in person or by telephone is not resolved, the Company shall advise the complainant of his right to file a complaint with the Public Service Commission and provide him/her with their address and telephone number.

25. APPROVAL OF THE RULES AND REGULATIONS:

All Rules and Regulations of the Company are subject to the approval of the Public Service Commission of the State of Kentucky and if any part thereof should be adjudged to be in violation of any rule or order made by the Commission, then that particular part shall be ineffective but without in any way affecting the other portions thereof.

PUBLIC SERVICE COMMISSION
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RULES AND REGULATIONS

26. MAIN EXTENSIONS:

(a) The Company will extend existing distribution mains a distance of fifty (50) feet for each bona fide prospective customer, making application for service connection and water service therefrom for a period of one year or more under these Rules and Regulations. Such extensions will be made without cost to such customer(s).

(b) When an extension greater than fifty (50) feet in length for each bona fide prospective customer is required or requested such extension will be made under the terms of an "Extension Deposit Agreement" as hereinafter set forth. The Company shall have the exclusive right to determine the type and size of mains to be installed and of the related facilities required to render adequate service.

(c) In determining the length of any extension required pursuant hereto the terminal point of such extension shall, in all cases, be at that point in the curb line of the last lot on which is located a premises to be served which is equidistant from the side property lines of said lot.

(d) Before water lines are laid in new subdivisions, the subdivider shall furnish the Water Company with a plat (or plan) or the subdivision approved by the City-County Planning and Zoning Commission, and the plat (or plan) shall have been recorded in the County Court.

PUBLIC SERVICE COMMISSION
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~~Public Service Commission Manager~~

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~~Starling S. Gregory~~
Name of Officer

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Lawrence Schumacher
7/9

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 29
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

WSCK
~~AQUA/KWS, Inc.~~

RULES AND REGULATIONS

27. FORM OF EXTENSION AGREEMENT:

THIS CONTRACT made and entered into this the _____ day of _____ by and between AQUA/KWS, Inc., a Kentucky Corporation, hereinafter referred to as the Company, and _____, hereinafter referred to as the Customer.

W I T N E S S E T H

WHEREAS, Customer desires water service be made available to _____ _____ which is located on the _____ as shown on the attached print and marked Exhibit A, and

WHEREAS, the Company is willing to make this water main extension from their existing main located on the _____, as shown on the attached Exhibit A.

NOW, therefore for and in consideration of the above premises the mutual agreement and benefits herein contained, parties hereto agree as follows:

1. The Company agrees that it will secure the necessary material and install the main extensions hereinafter described and shown on the attached print and marked Exhibit A.

2. The amount and size of pipe and fittings required are as follows:

_____

_____

3. It is further agreed that for each customer connected to this main extension the Company will refund to the Customer a sum equivalent to the cost of 50' of this extension, or _____ per customer connected to said extension.

4. This contract applies only to customers connected to above size pipe, and shown on attached plan, Exhibit A.

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ISSUED BY ~~Starling S. Gregory~~ ~~Secretary-Treasurer~~ President ~~Lexington~~ Northbrook, Illinois
Lawrence Schumacher ~~Starling S. Gregory~~ Title Address
Name of Officer

PUBLIC SERVICE COMMISSION MANAGER

7/92

RULES AND REGULATIONS

5. Such refund to Customer shall be made in December of each year for water customers connected to this water main extension, but in no event shall the refund be extended beyond ten (10) years from the date of this contract, and in the event that the total amount deposited by the Customer with Company is not refunded under the terms specified hereinbefore within said ten (10) years period the Company shall not be required to pay or refund the difference between the total amount of refund and the total amount deposited by Customer, any balance remaining in its hands shall belong to the Company.

6. The Company shall not be required to pay interest on the deposit or any part of unpaid balance thereof.

7. Nothing in this agreement shall give the Customer any right, title or interest in the ownership or operation of this water main extension or facilities to be installed by Company, as herein provided.

IN WITNESS WHEREOF the parties hereto have executed this agreement this day and year written above.

WITNESS: AQUA/KWS, Inc.

WITNESS: CUSTOMER:

PUBLIC SERVICE COMMISSION
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SECTION 9 (1)

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~~Starling S. Gregory~~ Lawrence Schumacher (Name of Officer) Title Address

7/9

RULES AND REGULATIONS

28. SERVICE CHARGES:

The following charges will be made by the Company to cover the cost incurred in reconnecting the meter or service when the Customer's service has been disconnected:

(a) For non-payment of bills. $20.00

(b) For violation of the Company's Rules and Regulations after the Customer has qualified for and requested that the service be reconnected. $20.00

(c) At his request and at any time subsequently within 12 months is reconnected at the same location. $20.00

These charges are to be paid by customer before or at the time service is reconnected.

PUBLIC SERVICE COMMISSION
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~~Starling S. Gregory~~ (Name of Officer) Title
Northbrook ~~Lexington, Kentucky~~ Address

Lawrence Schumacher
7/9

RULES AND REGULATIONS

29. CUSTOMER'S DEPOSITS:

The Company may require a minimum cash deposit or other guarantee to secure payment of bills. Service may be refused or discontinued for failure to pay the requested deposit. Interest, as prescribed by KRS 278.460[1], will be paid annually either by refund or credit to the Customer's bill, except that no refund or credit will be made if the Customer's bill is delinquent on the anniversary date of the deposit.

The deposit may be waived upon a Customer's showing of satisfactory credit or payment history, and required deposits will be returned after one (1) year if the Customer has established a satisfactory payment record for that period. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. The Company may require a deposit in addition to the initial deposit if the Customer's classification of service changes or if there is a substantial change in usage. Upon termination of service, the deposit, any principal amounts, and any interest earned and owing will be credited to the final bill with any remainder refunded to the Customer.

In determining whether a deposit will be required or waived, the following criteria will be considered:

1. Previous payment history with the Company. If the Customer has no previous history with the Company, statements from other utilities, banks, etc. may be presented by the Customer as evidence of good credit.
2. Whether the customer has an established income or line or credit.
3. Length of time the customer has resided or been located in the area.
4. Whether the customer owns property in the area.
5. Whether the customer has filed bankruptcy proceedings within the last seven years.
6. Whether another customer with a good payment history is willing to sign as a guarantor for an amount equal to the required deposit.

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Lawrence Schumacher ~~Starling S. Gregory~~ Title Address
Name of Officer

7/9

RULES AND REGULATIONS

If a deposit is held longer than 18 months, the deposit will be recalculated at the Customer's request based on the Customer's actual usage. If the deposit on account differs from the recalculated amount by more than $10.00 for a residential customer or 10 percent for a non-residential Customer, the Company may collect any underpayment and shall refund any overpayment by check or credit to the Customer's bill. No refund will be made if the Customer's bill is delinquent at the time of the recalculation.

Equal Deposits

All residential, small business and small commercial customers will pay equal deposits in the amount of $40.00. This amount does not exceed the average bill of residential customers served by the Company and is equal to 2/12 of the average annual bill. [3/12 where bills are rendered bimonthly or 4/12 where bills are rendered quarterly.]

Calculated Deposits

Large Business/Commercial or Industrial Customer's deposits shall be based upon actual usage of the Customer at the same or similar premises for the most recent 12-month period, if such information is available. If usage information is not available, the deposit will be based on the average bills of similar Customers and premises in the system. The deposit amount shall not exceed 2/12 of the Customer's actual or estimated annual bill where bills are rendered monthly, 3/12 where bills are rendered bimonthly, or 4/12 where bills are rendered quarterly.

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RULES AND REGULATIONS

30. CUSTOMER BILL OF RIGHTS

As a residential Customer of a regulated public utility in Kentucky, you are guaranteed the following rights subject to Kentucky Revised Statutes and the provisions of the Kentucky Public Service Commission Administrative Regulations:

- You have the right to service, provided you (or a member of your household whose debt was accumulated at your address) are not indebted to the utility.
- You have the right in inspect and review the utility's rates and tariffed operating procedures during the utility's normal office hours.
- Your have the right to be present at any routine utility inspection of your service condition.
- You must be provided a separate, distinct disconnect notice alerting you to a possible disconnection of you service if payment is not received.
- You have the right to dispute the reasons for any announced termination of your service.
- You have the right to negotiate a partial payment plan when your service is threatened by disconnection for non-payment.
- You have the right to maintain your utility service for up to thirty (30) days upon presentation of a medical certificate issued by a health official.
- You have the right to prompt (within 24 hours) restoration of your service when the cause for discontinuance of the service has been corrected.
- You have the right to contact the Public Service Commission regarding any dispute that you have been unable to resolve with your utility (Call Toll Free 1-800-772-4636.)

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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Month Day Year

ISSUED BY [signature] ~~Starling S. Gregory~~ ~~Secretary-Treasurer~~ President
~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer

Title

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

7/4

WSCK
~~AQUA/KWS, Inc.~~

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 35
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

RULES AND REGULATIONS

CONTRACT FOR WATER SERVICE

DATE_____

NAME_____ ADDRESS_____

PHONE_____

SOCIAL SECURITY OF OTHER I.D. NO._____

Application for water service is accepted by and between the undersigned and the _____ with the following stipulations and agreements:

1. Public Service Commission rules and regulations as set forth in 807 KAR 5 and Kentucky Department for Natural Resources, Division of Water standards and laws must be observed and adhered to, and may be viewed upon request by the applicant.

2. The applicant agrees to pay a $_____ meter deposit, which will be refunded with interest when the applicant ceases to be a water customer and all accounts are paid in full.

3. One household may be served by one meter. The Company reserves the right to terminate service at the meter if addition of other houses or mobile homes is suspected.

4. Company employees, possessing proper identification have right of egress and ingress for meter reading, maintenance and repair activities as they are warranted.

5. Water bills are due to be paid between the first and the tenth of each month at the Company office. If not paid by the tenth, a ten percent penalty is added to the amount due. If not paid in full by the twentieth, service is subject for disconnection. An additional meter deposit may be required and a service charge must be paid before service may be restored.

6. The water customer is responsible for water service lines from the meter to the dwelling. Installation, repair, and water loss are the responsibility of the Customer.

PUBLIC SERVICE COMMISSION OF KENTUCKY
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AUG 18 1992
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ISSUED BY ~~Starling S. Gregory~~ President ~~Secretary Treasurer~~ ~~Lexington, Kentucky~~
~~Starling S. Gregory~~ Title ~~Address~~
Name of Officer

Lawrence Schumacher
7/92

Northbrook, Illinois

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 36
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

WSCK
~~AQUA/KWS, Inc.~~

RULES AND REGULATIONS

7. Customer service lines and connections must be inspected by Company personnel to insure against cross-connections and inadequate materials for drinking water.

8. Customer service lines shall be of at least 3/4 inch pipe or larger, and shall be at least 160 pounds pressure with 200 psi preferred. Service line shall be buried at least 24 inches to prevent freezing.

9. No galvanized fittings may be used on Customer lines.

10. A cut-off valve outside the meter box must be installed on the Customer's service line for the Customer's use.

11. A check valve to prevent back flow in case of water outage must be installed in Customer's service line.

12. A plumbing inspection permit from the local Health Department must be shown before installation of a meter.

13. The Company agrees to supply potable water with adequate pressure to the Customer meter. If water must be off for a planned outage Customers will be notified. In case of emergency water line repair or unforseen water outage, the Company will restore service as soon as possible.

14. Upon fulfilling contract terms and desiring to discontinue water service, the Customer must give written notice in person or via telephone pursuant to 807 KAR 5:006 Section 12(1) of discontinuance at the Company office at least three days prior to the date on which disconnection is desired. If such notice is not given, the customer will remain liable for water used and service rendered to the premises by the Company until said notice is received by the Company office.

CONTRACT APPROVED BY:

Applicant/Customer

Company Representative

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OF KENTUCKY
EFFECTIVE

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SECTION 9 (1)

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BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

ISSUED BY [signature] President ~~Secretary-Treasurer~~ Lexington, Kentucky
Lawrence Schumacher ~~Starling S. Gregory~~ Title Address Northbrook, Illinois
Name of Officer

7/92

Utilities, Inc and Affiliated Companies

WATER SERVICE CORP OF KY
PO BOX 818
MIDDLESBORO KY 40965-0818

Acct # [redacted]
Due Date 10/12/05
Please Pay $12.72

N

[redacted]

WATER SERVICE CORP OF KY
PO BOX 818
MIDDLESBORO KY 40965-0818

To insure proper credit, return this portion. Please do not staple, clip, or tape.

Customer Service Information Please Retain for Your Records

Remittance Address:
WATER SERVICE CORP OF KY
PO BOX 818
MIDDLESBORO KY 40965-0818

For Service or Billing Inquiries Call:
606-248-5730

To Pay By Credit or Debit Card, Call 1-877-527-7852.
A Convenience Fee Will Be Charged.

Account Information

Account # [redacted]
Service Addr. [redacted]
Bill Date 09/21/05 **Due Date** 10/12/05

Prior Read	08/24/05	0
Current Read	09/09/05	2000
Usage		4000
# of days this period	16	
Average daily usage	250	
Average daily water cost	$0.77	
Average daily sewer cost	$0.00	
Last Payment	08/30/05	$10.87

Description of Charges

PRIOR BALANCE	$0.00
WATER	$12.35
CITY SCHOOL TAX	$0.37

THIS BILL IS DUE UPON RECEIPT. PAYMENT
IS REQUIRED BY THE DUE DATE.

PLEASE PAY $12.72

********** IMPORTANT SECURITY REMINDER **********

TO HELP US MAINTAIN SECURITY SURROUNDING YOUR DRINKING WATER SYSTEMS, PLEASE CALL OUR OFFICE AND THE POLICE IF YOU NOTICE SUSPICIOUS ACTIVITY.

****

PAYMENT OPTIONS

******* AVOID PAYING FEES TO ONLINE BILL PAYMENT CENTERS. WE CAN AUTOMATICALLY DRAFT YOUR PAYMENT FROM YOUR SAVINGS OR CHECKING ACCOUNT FREE OF CHARGE. FOR MORE INFORMATION, PLEASE CALL OUR CUSTOMER SERVICE REPRESENTATIVES AT THE SERVICE & BILLING INQUIRY NUMBER LISTED ABOVE.

YOU MAY PAY BY CREDIT OR DEBIT CARD (VISA & MASTERCARD) BY CALLING 1-877-527-7852. PAYMENTS MADE ON ANY VISA CARD THAT CAN BE USED AS A DEBIT OR CREDIT CARD WILL BE PROCESSED AS A DEBIT CARD. YOU MAY ALSO PAY OVER THE INTERNET BY ACCESSING PAYBYINTERNET.COM. TO PAY OVER THE INTERNET, YOU MUST INDICATE THAT YOU ARE MAKING PAYMENT TO OUR PARENT COMPANY, UTILITIES INC. A CONVENIENCE FEE WILL BE CHARGED FOR CREDIT/DEBIT CARD AND INTERNET PAYMENTS.

********** YOU MUST ALLOW FOR PROCESSING TIME. **********

Rate Schedule Available Upon Request

WSCK
~~AQUA/KWS, Inc.~~

FOR Middlesboro and Clinton and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 37
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

RULES AND REGULATIONS

CUSTOMER BILL FORM (All Customers)

Payment due on or before _____ % PENALTY added after above date. Service will be discontinued, if payment not received by _____

DATE FROM	DATE TO	PREVIOUS READING	PRESENT READING	GALLONS USED	CODE	AMOUNT

ACCOUNT NUMBER	METER SIZE	AMOUNT NOW DUE
		MUST PAY BY

CODES: W - WATER, PN - PENALTY, GB - GARBAGE, S - SEWER, TX - STATE TAX, MS - MISC. CHARGES, ST, SC, SW, CY, CO - SCHOOL TAXES, GS - GAS, UB - UNPAID BALANCE

TO:

DATE DUE	AMOUNT DUE

BAILEY Corporation · (606) 273-6547

KEEP THIS PORTION FOR YOUR RECORDS — RETURN THIS PORTION WITH PAYMENT

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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AUG 18 1992

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE June 12 1992 (Month Day Year) DATE EFFECTIVE June 15 1992 (Month Day Year)

ISSUED BY Starling S. Gregory Secretary-Treasurer Lexington, Kentucky
Starling S. Gregory (Name of Officer) Title Address

7/9

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 38
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

WSCK
~~AQUA/KWS, Inc.~~

RULES AND REGULATIONS

MONITORING OF CUSTOMER USAGE

At least once annually the Company will monitor the usage of each Customer according to the following procedure:

(1) The Customer's annual usage for the most recent 12-month period will be compared with the annual usage for the 12 months immediately preceding that period.

(2) If the annual usage for the two periods are substantially the same or if any difference is known to be attributed to unique circumstances, such as unusual weather conditions, common to all Customers, no further review will be done.

(3) If the annual usages differ by twenty (20) percent or more and cannot be attributed to a readily identified common cause, the Company will compare the Customer's monthly usage records for the 12-month period with the monthly usage for the same months of the preceding year.

(4) If the cause for the usage deviation cannot be determined from analysis of the Customer's meter reading and billing records, the Company will contact the Customer by telephone or in writing to determine whether there have been changes such as different number of household members or work staff, additional or different appliances, changes in business volume, or known leaks in the Customer's service line.

(5) Where the deviation is not otherwise explained, the Company will test the Customer's meter to determine whether it shows an average error greater than 2 percent fast or slow.

(6) The Company will notify the Customers of the investigation, its findings, and any refunds or backbilling in accordance with 807 KAR 5:006, Section 10(4) and (5).

In addition to the annual monitoring, the Company will immediately investigate usage deviations brought to its attention as a result of its on-going meter reading or billing process or customer inquiry.

PUBLIC SERVICE COMMISSION
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DATE OF ISSUE ~~June~~ ~~12~~ ~~1992~~ 2005
Month Day Year

DATE EFFECTIVE ~~June~~ ~~15~~ ~~1992~~ AUG 18 1992 2005
Month Day Year

PURSUANT TO 807 KAR 5:011, SECTION 9 (1)
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

ISSUED BY ~~Starling S. Gregory~~ ~~Secretary-Treasurer~~ President
~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer
Title

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

7/92

WSCK
~~AQUA/KWS, Inc.~~

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 39
Cancelling P.S.C. Ky. No. ~~KWS-1~~
~~KY Water Service Sheet Nos. 3-24~~

CLASSIFICATION OF SERVICE

SCHEDULE OF SPECIAL SERVICE CHARGES

The following charges for special services shall be made:

1. Service Reconnection Charge. A charge of $20.00 shall be made for all service reconnections made during regular working hours, except that there shall be no connection charges made for service on the original installation of facilities.

2. Meter Reading Recheck Charge. A charge of $20.00 shall be made for a trip to recheck a meter reading when the Customer requests the meter to be rechecked for a correct reading and meter was not misread.

3. Meter Test. Upon request and payment of $15.00 the Customer may have his meter tested provided request by the Customer is not more frequent than once each twelve months. If such test shows the meter to be more than two percent fast, a refund of $15.00 charge shall be made and bill adjusted accordingly. If the periodic testing requirement of 807 KAR 5:006 has not been met for the meter tested, no charge will be made for the test regardless of results of the test.

4. PSC Meter Test Complaint. Any Customer of the Company may request a meter test by written application to the Kentucky Public Service Commission.

PUBLIC SERVICE COMMISSION
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~~Starling S. Gregory~~ Lawrence Schumacher
Name of Officer

Title

~~Lexington, Kentucky~~ Northbrook, Illinois
Address

7/9

WSCK
~~AQUA/KWS, Inc.~~

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 40
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

CLASSIFICATION OF SERVICE

WATER RATES

Applicable:

This rate is applicable within the City limits of Middlesboro and Clinton, Kentucky and vicinity served by ~~AQUA/KWS,~~ WSCK Inc.

Availability of Service:

Available for General Domestic, Commercial and Industrial service to Customers on existing mains or secondary lines of the Company's water distribution system.

Rate (Net):

Consumption ~~Block~~	Rate
~~First~~ Per 1,000 gallons per month	~~$5.60~~ 2.17 minimum
~~Next 9,000 gallons per month~~	~~2.25 per 1,000 gallons~~
~~Next 15,000 gallons per month~~	~~2.05 per 1,000 gallons~~
~~Next 25,000 gallons per month~~	~~1.95 per 1,000 gallons~~
~~Next 50,000 gallons per month~~	~~1.75 per 1,000 gallons~~
~~Over 100,000 gallons per month~~	~~1.60 per 1,000 gallons~~

Minimum Monthly Charge		~~Gallons Allowed~~ Rate
5/8" or 3/4" meter	$6.40	~~$ 5.60 - 1,000/month~~
1" or 1-1/4" meter	16.01	~~16.85 - 6,000/month~~
1-1/2" meter	32.01	~~32.00 - 13,000/month~~
2" meter	51.22	~~49.22 - 21,400/month~~
3" meter	96.04	~~137.55 - 68,400/month~~
4" meter	160.07	~~236.85 - 127,500/month~~
6" meter	320.15	~~483.25 - 281,500/month~~

~~An additional surcharge of $0.5930 per 1,000 gallons/month shall be added and shown separately, on all Middlesboro billings. Service will be supplied under Company's General Rules and Regulations.~~

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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DATE OF ISSUE ~~June 12 1992~~ 2005 DATE EFFECTIVE ~~June 15 1992~~ AUG 18 1992 2005
Month Day Year Month Day Year

PURSUANT TO 807 KAR 5:011,
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ISSUED BY ~~Starling S. Gregory~~ Secretary-Treasurer Lexington, ~~Kentucky~~
~~Starling S. Gregory~~ Title Address
Name of Officer

BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. ~~89-340 and 90-067~~ dated ~~October 10, 1990.~~

7/0

Middlesboro and Clinton
FOR and Adjacent Territory
P.S.C. Ky. No. ~~1~~ 2
Original Sheet No. 40
Cancelling P.S.C. Ky. No. ~~KWS~~ 1
~~KY Water Service Sheet Nos. 3-24~~

WSCK
~~AQUA/KWS, Inc.~~

CLASSIFICATION OF SERVICE

WATER RATES

Applicable:

This rate is applicable within the City limits of Middlesboro, Kentucky and vicinity served by AQUA/KWS, Inc.

Availability of Service:

Available for General Domestic, Commercial and Industrial service to Customers on existing mains or secondary lines of the Company's water distribution system.

N

Rate (Net):

16010 - Industrial city special	$123.05/mo
16037 - Commercial city sprinkler	18.75/mo
16039 - Industrial city sprinkler	18.75/mo
16040 - Commercial city special	37.50/mo
16050 - Commercial county special	56.25/mo
16055 - Commercial county special	393.75/mo
16056 - Government city special	37.50/mo
16058 - Government city special	131.25/mo
16060 - Commercial city special	56.25/mo
16070 - Commercial city special	75.00/mo
16088 - Industrial city sprinkler	93.75/mo
16098 - Government city hydrant (per hydrant)	4.16/mo
16285 - Hydrant private	9.38/mo
16286 - 5/8" sprinkler - private	18.75/mo
16299 - Hydrant - municipal (per hydrant)	4.17/mo

PUBLIC SERVICE COMMISSION OF KENTUCKY
EFFECTIVE

DATE OF ISSUE ~~June 12 1992~~ 2005 (Month Day Year) DATE EFFECTIVE ~~June 15 1992~~ AUG 18 1992 2005 (Month Day Year)

ISSUED BY ~~Starling S. Gregory~~ President ~~Secretary-Treasurer~~ ~~Lexington, Kentucky~~ Northbrook, Illinois
Lawrence Schumacher ~~Starling S. Gregory~~ Title Address
Name of Officer

PURSUANT TO 807 KAR 5:011, ~~SECTION 9 (1)~~
BY: [signature]
PUBLIC SERVICE COMMISSION MANAGER

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. ~~89-340 and 90-067~~ dated ~~October 10, 1990.~~

7/a

Middlesboro and Clinton
For: and Adjacent Territory

P. S. C. KY. No. ~~1~~ 2

~~Aqua/KWS~~ Sheet No. 42

WSCK
~~AQUA/KWS, Inc.~~

RULES AND REGULATIONS

CUSTOMER COMPLAINTS

Complaints may be made to the ~~System~~ Area Manager whose decision may be appealed to the ~~Aqua/KWS, Inc.~~ WSCK ~~General~~ Regional Manager. Such appeal shall be in writing within ten (10) days of the date of the decision by the Manager. Stating the nature of the complaint and supporting evidence. ~~Decisions by the General Manager shall be in conjunction with the Aqua/KWS, Inc. Board of Directors, as needed.~~ These decisions may be brought before the Public Service Commission in accordance with 807 KAR 5: 006, Section 9.

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EFFECTIVE

JUN 19 1996

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Gordon C. Neal
FOR THE PUBLIC SERVICE COMMISSION

Date of Issue: ~~May 16, 1996~~ 2005 — Date Effective: ~~May 20, 1996~~ 2005
Month Day Year — Month Day Year

Issued By ~~Hal Williams~~ Lawrence Schumacher — ~~General Manager~~ President — ~~P.O. Box 22317 Lexington, KY 40522~~ Northbrook, Illinois
Name — Title — Address

WATER SHORTAGE RESPONSE PLAN
Kentucky Water Service Company, Inc.
Clinton, Kentucky

This Water Shortage Response Plan is adopted pursuant to the recommendations of the Kentucky Public Service Commission and the Commission's Model Water Shortage Response Plan, as herein modified, which was transmitted to all jurisdictional water utilities by letter from the Commission dated July 12, 1988.

Section 1. Purpose. The purpose of this Plan is to provide for the declaration of official phases of water supply shortages and the implementation of voluntary and mandatory water conservation measures throughout the area served by Kentucky Water Service in the event a shortage is declared.

Section 2. Definitions. These terms are applicable only for this Plan unless specifically noted.

(a) "Customer" shall mean any person or entity using water for any purpose from the Kentucky Water Service water distribution system and for which either a regular charge is made or, in the case of bulk sales, a cash charge is made at the site of delivery.

(b) "Raw Water Supplies" shall mean all water potentially available to persons in the Kentucky Water Service.

(c) "Treated Water" shall mean water that has been introduced by the Kentucky Water Service Company into its water distribution system, including water offered for sale. Uses of treated water are classified as follows:

Essential Water Uses (Class 1):

The following uses of water, listed by site or user type, are essential.

Domestic:

- water necessary to sustain human life and the lives of domestic pets, and to maintain minimum standard of hygiene and sanitation.

Health Care Facilities:

- patient care and rehabilitation, including related filling and operation of swimming pools.

Water Hauling:

- sales for domestic use where not reasonably available elsewhere.

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Public Use:

- firefighting,
- health and public protection purposes, if specifically approved by health officials.

Socially or Economically Important Uses (Class 2):

The following uses of water, listed by site or user type, are socially or economically important.

Domestic:

- personal, in-house water use including kitchen, bathroom and laundry.

Water Hauling:

- non-domestic, when other sources are not reasonably available elsewhere.

Commercial and Civic Use:

- commercial car and truck washes.
- laundromats.
- restaurants, clubs, and eating places.
- schools, churches, motels/hotels, and similar commercial establishments.

Outdoor Non-Commercial Watering:

- minimal watering of vegetable gardens.
- minimal watering of trees where necessary to preserve them.

Outdoor Commercial or Public Watering (using conservation methods and when other sources of water are not available or feasible to use):

- agricultural irrigation for the production of food and fiber or the maintenance of livestock.
- watering by arboretums and public gardens of national, state, regional, or community significance where necessary to preserve specimens.
- watering by commercial nurseries at a minimum level necessary to maintain stock.

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- watering at a minimum rate necessary to establish or maintain revegetation or landscape plantings required pursuant to law or regulation.

- watering of woody plants where necessary to preserve them.

- minimal watering of golf course greens.

Recreational:

- operation of municipal swimming pools and residential pools that serve more than 25 dwelling units.

Air Conditioning:

- refilling for startup at the beginning of the cooling season.

- makeup of water during the cooling season.

- refilling specifically approved by health officials where the system has been drained for health protection or repair services.

Non-Essential Uses (Class 3):

Any waste of water, as defined herein, is non-essential. The following uses of water, listed by site or user type, are non-essential.

Public Use:

- use of fire hydrants (excluding Class 1 and Class 2 uses), including use of sprinkler caps, testing fire apparatus, and fire department drills.

- flushing of sewers and hydrants except as needed to ensure public health and safety as approved by health officials.

Commercial and Civic Use:

- serving water in restaurants, clubs, or eating places, except by customer request.

- failure to repair a controllable leak.

- increasing water levels in scenic and recreational ponds and lakes, except for the minimum amount required to support fish and wildlife.

Ornamental Purposes:

- fountains, reflecting pools, and artificial waterfalls.

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Outdoor Non-Commercial Watering:

- use of water for dirt control or compaction.
- watering of annual or non-woody plants, lawns, parks, golf course fairways, playing fields, and other recreational areas.
- washing sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surface areas.
- washing down buildings or structures for purposes other than immediate fire protection.
- flushing gutters or permitting water to run or accumulate in any gutter or street.

Outdoor Commercial or Public Watering:

- expanding nursery facilities, placing new irrigated agricultural land in production, or planting of landscaping except when required by a site design review process.
- use of water for dirt control or compaction.
- watering of lawns, parks, golf course fairways, playing fields, and other recreational areas.
- washing sidewalks, walkways, driveways, parking lots, tennis courts or other hard-surface areas.
- washing down buildings or structures for purposes other than immediate fire protection.
- flushing gutters or permitting water to run or accumulate in any gutter or street.

Recreational uses other than those specified in Class 2.

Non-commercial washing of motor and other vehicles.

Air Conditioning (see also Class 2 purposes):

- refilling cooling towers after draining.

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(d) "Base Entitlement" shall mean the monthly usage for a customer during the same month of the preceding calendar year or the average per customer usage for each class of service during the same month of the preceding year.

(e) "Curtailed Entitlement" shall mean the monthly usage for a customer after any curtailment percentage has been applied.

(f) ""Curtailment" shall mean the reduction in entitlement by some percentage to meet anticipated water shortages.

(g) Water Shortage Response Phases:

"Advisory" shall mean that conditions exist which indicate the potential for serious raw or treated water supply shortages.

"Alert" shall mean the raw or treated water supplies are consistently below seasonal averages, and if they continue to decline, may not be adequate to met normal needs.

"Emergency" shall mean that raw or treated water supplies are below the level necessary to meet normal needs and that serious shortages exist in the area.

(h) **"Rationing"** shall mean that procedures must be established to provide for the equitable distribution of critically-limited raw or treated water supplies, in order to balance demand and limited available supplies, and to assure that sufficient water is available to preserve public health and safety.

Section 3. Applicability. The provisions of this Plan shall apply to all retail and wholesale customers of the Kentucky Water Service Company. When implemented, this Plan becomes Kentucky Water Service's Water Shortage Response Regulation.

Section 4. Entitlements. Entitlements shall be established for each customer by adjusting the base entitlement to reflect any known change in usage pattern.

Section 5. Determination of Water Shortage. Water supply and usage shall be monitored on a continuous basis. Unrestricted demand shall be projected from past records and adjusted for changes such as new developments and weather conditions on a regular basis. (Note: A sample calculation page is attached as Appendix A to assist in determining overall water levels. It is important that accurate water measurements be used.) Water shortages generally occur for two reasons: a reduction in available supplies or a system failure. Each of these has a distinct influence on the nature and duration of the conservation program implemented. Official declaration of a water shortage stage and implementation of the measures necessary to curtail water use shall be approved by the President of Kentucky Water Service Company, Inc.

Section 6. Term of Water Shortage Declaration. Any water shortage declaration shall remain in effect until water supplies and service conditions have returned to normal. A final determination as to terminating a water shortage declaration shall be made by the President of Kentucky Water Service Company.

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Section 7. Water Shortage Stage, Criteria, Conservation, and Curtailment Measures.

A. Advisory Stage:

(1) Criteria: A water advisory shall be declared when the amount of treated water or raw water available for treatment is projected to be no more than 15 percent above demand, or there are periods of low water pressure in one or more areas of the distribution system due to system failure or inadequacies or the State Division of Water issues a Water Shortage Watch which includes the areas from which the Kentucky Water Service draws water.

(2) Conservation and Curtailment Measures:

(a) Declare a Water Shortage Advisory.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Request voluntary conservation of all non-essential (Class 3) water use.

(e) Request wholesale customers also issue request for voluntary conservation by their customers of all non-essential (Class 3) water use.

B. Alert Stage:

(1) Criteria: A water alert shall be declared when the amount of treated water available is projected to be no more than 10 percent above demand, and raw water supplies are consistently below seasonal averages and if they continue to declines, may not be adequate to meet normal needs.

(2) Conservation and Curtailment Measures:

(a) Declare a Water Shortage Alert.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Prohibit all non-essential (Class 3) water uses.

(e) Curtail entitlements to all customers by the same percentage as the projected shortage.

(f) Begin billing all customer water usage in excess of curtailed entitlement at the normal rate plus an excess usage charge of $7.50 per 1,000 gallons.

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C. Emergency Stage:

1. Criteria: A Water Emergency shall be declared when the amount of treated water available is projected to be no more than 5 percent above demand, and there are periods of no water in one or more areas of the distribution system due to low water supply or raw water supplies below the level necessary to meet normal needs.

2. Conservation and Curtailment Measures:

(a) Declare a Water Shortage Emergency.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Prohibit all Class 3 uses of water.

(e) Prohibit all Class 2 uses of water except Domestic uses for kitchens, bathrooms, and laundries.

(f) Curtail all commercial and industrial entitlements (except Health Care Facilities) by 100%.

(g) Curtail Residential entitlements by the same percentage as the projected shortage.

(h) Curtail entitlements to all wholesale customers by the same percentage as the projected shortage.

(i) Begin billing all customer water usage in excess of curtailed entitlement at the normal rate plus an excess usage charge of $8.50 per 1,000 gallons.

D. Rationing Stage:

1. Criteria: Treated water available is below demand and raw water supplies are no more than 3 percent above the level necessary to meet essential needs, and in the opinion of the President and/or Manager of Kentucky Water Service, mandatory rationing is required to insure adequate water is available to maintain public health and safety.

JAN 13 1989
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BY

2. Conservation and Curtailment Measures:

(a) Declare Water Shortage Rationing.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Prohibit all Class 3 and Class 2 uses of water.

(e) Curtail all commercial and industrial entitlement (except Health Care Facilities) by 100%.

(f) Curtail all residential and wholesale entitlements by the same percentage as the projected shortage.

(g) Implement service interruptions to portions of system in accordance with approved published schedule. The schedule shall be provided to all local media.

(h) Begin billing customer water usage in excess of curtailment entitlement at the normal rate plus an excess usage charge of $9.50 per 1,000 gallons.

Section 8. Enforcement of Water Restriction. Any person who violates the provisions of this Plan, who fails to carry out the duties and responsibilities imposed by this Plan, or who impedes or interferes with any action undertaken or ordered pursuant to this Plan shall be subject to the following:

(a) If the utility official charged with implementation and enforcement of this Plan learns of any violation of any water use restriction imposed, a written notice of the violation shall be affixed to the property where the violation occurred and mailed to the customer of record. Said notice shall describe the violation and order that it be corrected, cured, or abated immediately or within 48 hours.

(b) The notice will inform the customer of his or her right to appeal by requesting a hearing before the utility's designee. If a hearing is requested by the customer, he or she shall be given full opportunity to be heard before termination. The governing body shall make findings of fact and decide whether service should continue or terminate.

(c) Any customer whose water service is terminated for violating provisions of this water curtailment plan shall be subject to the approved reconnection fee prior to reconnection of service.

(d) Any residential or non-residential water customer who exceeds the allotments established pursuant to this water shortage response plan will be subject to excess-use charges.

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(1) "Excess-use charges" will be collected based on the amount by which a customer's use exceeds the water allotments established pursuant to this Water Shortage Response Plan.

(2) Any monies collected through excess-use charges shall not be accounted for as income, but shall be placed in a reserve account that is dedicated to addressing water shortage problems and water conservation initiatives.

(3) However, the excess usage charge billing provisions of this Plan shall not be put in effect if a county or city ordinance containing penalty provisions is in effect to assist enforcement of this Plan.

Section 9. Request for Exception.

(a) Exception to water use restrictions: If compliance with any curtailment measure authorized herein would cause a customer to bear extraordinary hardship, that individual or entity may apply to the Kentucky Water Service Company for an exception. For these purposes, "extraordinary hardship" shall be defined as a condition which may threaten health and safety, or cause property or economic losses, each of which must be shown to be substantially more severe than the sacrifices borne by other users. If extraordinary hardship is found to exist, then an exception shall be granted and a written waiver issued to the customer. If an appeal is made, water service shall be continued until a decision is announced. Any person aggrieved by the decision may file a complaint with the Public Service Commission.

(b) Exception to curtailment surcharge: Exceptions to excess use charges shall not be considered or granted.

Section 10. Severability. If any provision of this Plan is declared invalid by the courts, the remainder of the Plan and its applicability to other persons and circumstances shall not be affected by that declaration.

Section 11. Effective Date. This Plan shall take effect immediately upon approval by the Public Service Commission.

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OF KENTUCKY
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JAN 13 1989

PURSUANT TO 807 KAR 5:011,
BY: [illegible]

APPENDIX A

Kentucky Water Service Company, Inc.

Clinton, Kentucky

PROJECTED DEMAND WORKSHEET FOR _____
(Month) (Year)

The information below would be used to estimate projected demand for one (1) month.

Calculations will be done at the beginning of each month.

Average use in _____ (Last Month) for the past 5 years: _____

Average use in _____ (Last Month) for 2 years ago: _____

Average use in _____ (Last Month) for 1 year ago: _____

Average use in _____ (Last Month) for current year: _____

Average use in _____ (This Month) for the past 5 years: _____

Average use in _____ (This Month) for 2 years ago: _____

Average use in _____ (This Month) for 1 year ago: _____

Usage Notes: _____

_____

_____

_____

Weather Notes: _____

_____

_____

_____

Average projected use for _____

Without conservation measures: _____ gpd

With advisory conservation measures
(reduction) _____ gpd

With alert conservation measures
(More than reduction) _____ gpd

With emergency conservation measures
(More than reduction) _____ gpd

With rationing conservation measures
(More than reduction) _____ gpd

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BY: _____

WATER SERVICE CORPORATION OF KENTUCKY
CLINTON AREA
NOTICE TO CUSTOMERS
WATER RATE ADJUSTMENT

Pursuant to the regulations of the Public Service Commission (Commission), Water Service Corporation of Kentucky (WSCK) gives notice to its customers in Clinton that it intends to adopt an increase/decrease in its water rates. The rates listed below, which approximate a 27.20% average decrease over the current 5/8" or 3/4" metered rates, are to be effective October 30, 2005, or sooner if approved by the Commission. The average customer bill for a 5/8" or 3/4" meter will decrease from $21.74 per month to $15.83 per month. Further information may be obtained from the Commission or WSCK. The rates proposed in this Notice may be modified by the Commission. Such action by the Commission may result in the rates being higher or lower than those proposed by the WSCK.

Any corporation, association, body politic or person may by timely motion, within 30 days of this Notice, request intervention in this case. Intervention beyond the 30 day period may be granted for good cause shown. The Motion must be submitted to the Public Service Commission, 211 Sower Blvd., Box 615, Frankfort, Ky. 40602 and should state the grounds for the request, including the interest and status of the party. Intervenors may obtain copies of the Application and any testimony filed by contacting WSCK at the address below. A copy of the Application is available for public review at the office of WSCK and at the Public Service Commission, 211 Sower Blvd., Frankfort, Ky. 40601, (502) 564-3940.

Steve Lubertozzi
Water Service Corporation of Kentucky
2335 Sanders Road
Northbrook, Illinois 60062
(847) 498-6440

Local Office:
100 East Jackson Street
P.O. Box 178
Clinton, Kentucky 42031
(270) 653-3621

	Current Rates (per 1,000 gallons):		Proposed Rates (gallonage):	
5/8" meters	First 1,000 (minimum)	$7.50	$6.40	Base charge
3/4" meters	Next 9,000	$4.25	$2.17	Per 1,000 gallons
	Next 15,000	$3.90		
	Next 25,000	$3.55		
	Next 50,000	$3.15		
	Over 100,000	$2.75		

1″ meters	First 5,300 (minimum)	$25.78	$16.01	Base charge
	Next 3,700	$4.25	$2.17	Per 1,000 gallons
	Next 15,000	$3.90		
	Next 25,000	$3.55		
	Next 50,000	$3.15		
	Over 100,000	$2.75		
1 ½″ meters	First 11,200 (minimum)	$50.43	$32.01	Base charge
	Next 13,800	$3.90	$2.17	Per 1,000 gallons
	Next 25,000	$3.55		
	Next 50,000	$3.15		
	Over 100,000	$2.75		
2″ meters	First 17,600 (minimum)	$75.39	$51.22	Base charge
	Next 7,400	$3.90	$2.17	Per 1,000 gallons
	Next 25,000	$3.55		
	Next 50,000	$3.15		
	Over 100,000	$2.75		
6″ meters	First 250,500 (minimum)	$764.38	$320.15	Base charge
	Over 250,500	$2.75	$2.17	Per 1,000 gallons

	Current Rates (flat):	Proposed Rates (flat):
Hydrant (private)	$7.50	$9.38
5/8″ sprinkler (private)	$15.00	$18.75
Hydrant (municipal)	$3.3334/hydrant	$4.17/hydrant

WATER SERVICE CORPORATION OF KENTUCKY
MIDDLESBORO AREA
NOTICE TO CUSTOMERS
WATER RATE ADJUSTMENT

Pursuant to the regulations of the Public Service Commission (Commission), Water Service Corporation of Kentucky (WSCK) gives notice to its customers in Middlesboro that it intends to adopt an increase in its water rates. The rates listed below, which approximate a 20.46% average increase over the current 5/8" metered rates, are to be effective October 30, 2005, or sooner if approved by the Commission. The average customer bill for a 5/8" meter will increase from $13.14 per month to $15.83 per month. Further information may be obtained from the Commission or WSCK. The rates proposed in this Notice may be modified by the Commission. Such action by the Commission may result in the rates being higher or lower than those proposed by the WSCK.

Any corporation, association, body politic or person may by timely motion, within 30 days of this Notice, request intervention in this case. Intervention beyond the 30 day period may be granted for good cause shown. The Motion must be submitted to the Public Service Commission, 211 Sower Blvd., Box 615, Frankfort, Ky. 40602 and should state the grounds for the request, including the interest and status of the party. Intervenors may obtain copies of the Application and any testimony filed by contacting WSCK at the address below. A copy of the Application is available for public review at the office of WSCK and at the Public Service Commission, 211 Sower Blvd., Frankfort, Ky. 40601, (502) 564-3940.

Steve Lubertozzi
Water Service Corporation of Kentucky
2335 Sanders Road
Northbrook, Illinois 60062
(847) 498-6440

Local Office:
1221 East Cumberland Avenue
P.O. Box 818
Middlesboro, Kentucky 40965
(606) 248-5730

	Current Rates (per 1,000 gallons):		Proposed Rates (gallonage):	
5/8" meters	First 1,000 (minimum)	$5.60	$6.40	Base charge
	Next 9,000	$2.25	$2.17	Per 1,000 gallons
	Next 15,000	$2.05		
	Next 25,000	$1.95		
	Next 50,000	$1.75		
	Over 100,000	$1.60		
1" meters	First 6,000 (minimum)	$16.85	$16.01	Base charge
	Next 4,000	$2.25	$2.17	Per 1,000 gallons

	Next 15,000	$2.05		
	Next 25,000	$1.95		
	Next 50,000	$1.70		
	Over 100,000	$1.60		
1 1/2″ meters	First 13,000 (minimum)	$32.00	$32.01	Base charge
	Next 12,000	$2.05	$2.17	Per 1,000 gallons
	Next 25,000	$1.95		
	Next 50,000	$1.75		
	Over 100,000	$1.60		
2″ meters	First 21,400 (minimum)	$49.22	$51.22	Base charge
	Next 3,600	$2.05	$2.17	Per 1,000 gallons
	Next 25,000	$1.95		
	Next 50,000	$1.75		
	Over 100,000	$1.60		
3″ meters	First 68,400 (minimum)	$137.55	$96.04	Base charge
	Next 31, 600	$1.75	$2.17	Per 1,000 gallons
	Over 100,000	$1.60		
4″ meters	First 127,500 (minimum)	$236.85	$160.07	Base charge
	Over 127,500	$1.60	$2.17	Per 1,000 gallons
6″ meters	First 281,500 (minimum)	$483.25	$320.15	Base charge
	Over 281,500	$1.60	$2.17	Per 1,000 gallons

	Current Rates (flat):	Proposed Rates (flat):
Industrial city special	$98.44	$123.05
Commercial city sprinkler	$15.00	$18.75
Industrial city sprinkler	$15.00	$18.75
Commercial city special	$30.00	$37.50
Commercial county special	$45.00	$56.25
Commercial county special	$315.00	$393.75
Government city special	$30.00	$37.50
Government city special	$105.00	$131.25
Commercial city special	$45.00	$56.25
Commercial city special	$60.00	$75.00

Industrial city sprinkler	$60.00	$75.00
Industrial city special	$75.00	$93.75
Government city hydrant	$3.33/hydrant	$4.16/hydrant

WATER SERVICE CORPORATION OF KENTUCKY
Income Statement
December 31, 2004

	Per Restatement	Pro Forma Adjustments		Pro Forma Present	Proposed Increase		Pro Forma Proposed
Operating Revenues							
Service Revenues - Water	$ 1,378,947	$ (7,278)	[l]	$ 1,371,669	$ 825,423	[a]	$ 2,197,092
Service Revenues - Sewer	-			-			-
Miscellaneous Revenues	36,738			36,738			36,738
Uncollectible Accounts	(16,783)			(16,783)	(10,100)	[b]	(26,883)
Total Operating Revenues	1,398,901	(7,278)		1,391,624	815,324		2,206,947
Maintenance Expenses							
Salaries and Wages	391,796	14,805	[c]	406,601			406,601
Purchased Power	42,517	2,346	[j]	44,863			44,863
Purchased Water	85,614	4,724	[j]	90,338			90,338
Maintenance and Repair	120,028	6,623	[j]	126,651			126,651
Maintenance Testing	16,320	901	[j]	17,220			17,220
Meter Reading	-	-	[j]	-			-
Chemicals	79,315	4,377	[j]	83,691			83,691
Transportation	26,615	1,469	[j]	28,084			28,084
Operating Exp. Charged to Plant	(121,266)	(6,310)	[k]	(127,576)			(127,576)
Outside Services - Other	18,261	1,008	[j]	19,268			19,268
Total	659,199	29,942		689,141	-		689,141
General Expenses							
Salaries and Wages	127,678	49,558	[c]	177,236			177,236
Office Supplies & Other Office Exp.	44,800	2,472	[j]	47,272			47,272
Regulatory Commission Exp.	-	39,384	[d]	39,384			39,384
Pension & Other Benefits	103,251	16,739	[c]	119,990			119,990
Rent	18,492	1,020	[j]	19,513			19,513
Insurance	67,228	3,710	[j]	70,938			70,938
Office Utilities	32,001	1,766	[j]	33,767			33,767
Miscellaneous	(18)	(1)	[j]	(19)			(19)
Total	393,433	114,648		508,081	-		508,081
Depreciation	183,354	66,464	[e]	249,818			249,818
Taxes Other Than Income	136,302	7,469	[f]	143,771	5,347	[f]	149,118
Income Taxes - Federal	(5,795)	(118,849)	[g]	(124,644)	259,999	[g]	135,355
Income Taxes - State	12,270	(27,545)	[g]	(15,275)	45,273	[g]	29,998
Expense Reduction Related to Clinton Sewer Operations	(102,670)	77,041	[m]	(25,629)			(25,629)
Amortization of CIAC and AIAC	(1,628)	(1,794)	[e]	(3,422)			(3,422)
Total	221,832	2,785		224,618	310,619		535,237
Total Operating Expenses	1,274,464	147,375		1,421,839	310,619		1,732,459
Net Operating Income	$ 124,437	$ (154,653)		$ (30,216)	$ 504,704		$ 474,489
Interest During Construction	(5,618)	5,618	[h]	-			-
Interest on Debt	136,089	75,652	[i]	211,741			211,741
Net Income	$ (6,034)	$ (235,922)		$ (241,956)	$ 504,704		$ 262,748

[a] Revenues are annualized at proposed rates using the actual test year customers.

[b] Uncollectible accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro forma proposed revenues.

[c] Salaries, wages and benefits are adjusted accordingly to reflect upcoming increases in salaries.

[d] Regulatory commission expense has been adjusted to reflect the cost of the current rate case over 3 years.

[e] Depreciation and amortization expense are annualized. Depreciation expense represents gross depreciable plant at 12/31/04 plus actual and estimated general ledger additions, actual and estimated net capital projects additions, and actual and estimated capitalized time additions, multiplied by the depreciation rate of 2.00% for water plant, and 25% for computers and vehicles.

[f] Taxes other than income are adjusted for annualized payroll taxes, utility commission taxes, real estate taxes, and gross receipts taxes.

[g] Income taxes are computed on taxable income at current rates (34% federal and the stepped state rate).

[h] AFUDC is eliminated for rate making purposes.

[i] Interest on debt has been computed using a 55.91% / 44.09% debt / equity ratio and a 7.28% cost of debt. The 55.91% and 7.28% are multiplied by pro forma present rate base to determine interest on debt.

[j] A 5.518% adjustment has been made to account for the increase in the consumer price index since acquisition.

[k] Operating expense charged to plant has been adjusted for projected increases in salaries, taxes, and benefits for operators.

[l] Revenues are adjusted to bring present revenues to the amount calculated from consumption information.

[m] Expenses for Clinton sewer operations have been reduced to actual expense reductions.

WATER SERVICE CORPORATION OF KENTUCKY **w/p [a]**
Uncollectible Accounts

	Water
Test Year / Present Revenues	$ 1,371,669
Uncollectible Accounts	$ 16,783
Uncollectible %	1.22%
Proposed Revenues	$ 2,197,092
Uncollectible %	1.22%
Uncollectible Accounts	$ 26,883

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Salary and Benefits

w/p 1b]

	Total Annualized Salary	FICA 7.65%	FUTA 7,000 @ .8%	SUTA 8,000 @ 7.0%	Total Taxes	2004 Health Insurance	Pension at 3%	401(k) at 4%	2004 Other	Total Benefits
Maintenance										
Operator Allocation		[illegible]	[illegible]	560	[illegible]					
Office										

CONFIDENTIAL

WATER SERVICE CORPORATION OF KENTUCKY
Using 2004 Customer Equivalent Numbers

w/p [b-1]

Allocation of Kentucky Office

	C.E.	Cust %
Water Service Corporation of Kentucky	4,085	100.00%
Total	4,085	100.00%

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Pro Forma Operating Expense Charged to Plant

w/p [b-2]

	2004 W-2 (Allocated)	2004 Taxes (Allocated)	2004 Benefits per SE.50 (Allocated)	Total
Total Operating Expense Charged to Plant (from Schedule B)				
Total Allocated Salaries, Taxes, and Benefits (from above)				
Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant				
Pro Forma Salaries, Taxes, and Benefits for Operators (from w/p [b])				
Percentage of Pro Forma Salaries, Taxes, and Benefits to Charge to Plant				
Pro Forma Operating Expense Charged to Plant				

(1) Adjustment to allocation for Daniel, Carl:
Total taxes
Allocation (from revised allocations)
Total allocation taxes

Total benefits
Allocation (from revised allocations)
Total allocated benefits

CONFIDENTIA

WATER SERVICE CORPORATION OF KENTUCKY
Revised Allocations

w/p [c]

SE.51

Account Number	Account Name	Original Allocation to WSCK	Revised Allocation to WSCK	Difference	Comments
6019045	Computer Salaries	9,730	9,730	-	allocation based on code 4
6369007	Computer Maint	2,727	2,727	-	allocation based on code 4
6369009	Computer-Amort & Prog. Cost	1,021	1,021	-	allocation based on code 4
6369012	Internet Supplier	385	385	-	allocation based on code 4
6759003	Computer Supplies	949	949	-	allocation based on code 4
6759016	Microfilming	734	734	-	allocation based on code 4
6759051	Computer Supplies - Billing	1,141	1,141	-	allocation based on code 4
6759115	Office Comp Phone Line	-	-	-	allocation based on code 4
4032098	Depreciation - Computer	2,602	2,435	167	in w/p [f]
		19,289	19,122	167	

SE.51

Account Number	Account Name	Original Allocation to WSCK	Revised Allocation to WSCK	Difference	Comments
6599090	Other Insurance	68,321	67,228	1,093	in TB - insurance

SE.60

Account Number	Account Name	Original Allocation to WSCK	Revised Allocation to WSCK	Difference	Comments
6019000	Non-Utility Salaries	-	-	-	N/A
6019030	Cap Sal - Admin	-	-	-	N/A
6019045	Sal-Computer	-	-	-	N/A
6019053	Sal-IL Office	-	-	-	N/A
6019050	Salaries - Office	32,097	29,306	2,791	in w/p [b]
6019070	Sal-IL Customer Service	-	-	-	N/A
6019071	Sal-IL Office Exempt	-	-	-	N/A
6708001	Agency Expense	202	185	17	in TB - uncollectibles
6338001	Legal Fees	77	70	7	in TB - outside services
6329002	Audit Fees	3,985	3,638	347	in TB - outside services
6369003	Temp Empl.	34	31	3	in TB - outside services
6369005	Payroll Services	880	804	76	in TB - outside services
6369006	Employ Finder Fees	1,066	973	93	in TB - outside services
6369007	Computer Maint	-	-	-	N/A
6369008	Director Fees	-	-	-	N/A
6369009	Computer-Amort & Prog. Cost	-	-	-	N/A
6319011	Engineering Fees	3	3	-	N/A
6329013	Accounting Studies	-	-	-	N/A
6329014	Tax Return Review	952	869	83	in TB - outside services
6369012	Internet Supplier	-	-	-	N/A
6369090	Other Outside Services	-	-	-	N/A
6049010	Health Ins. Reimb	3,216	3,009	207	in w/p [b]
6049011	Employee Ins. Deductions	(951)	(890)	(61)	in w/p [b]
6049012	Health Costs & Other	78	73	5	in w/p [b]
6049015	Dental Ins. Reimbursements	272	254	18	in w/p [b]
6049020	Pension Contributions	1,462	1,364	98	in w/p [b]
6049050	Health Ins. Premiums	672	629	43	in w/p [b]
6049055	Dental Premiums	19	18	1	in w/p [b]
6049060	Term Life Ins.	135	127	8	in w/p [b]
6049065	Term Life Ins. - OPT	3	3	-	N/A
6049066	Depend Life Ins.- OPT & AFLAC	-	-	-	N/A
6049067	AFLAC	1	1	-	N/A
6049070	ESOP Contributions	1,925	1,796	129	in w/p [b]
6049080	Disability Insurance	56	53	3	in w/p [b]
6049090	Other Emp Pens & Benefits	105	98	7	in w/p [b]
6599090	Other Insurance	-	-	-	N/A
6759001	Publ Subscriptions & Tapes	157	143	14	in TB - office supplies
6759002	Answering Serv	-	-	-	N/A
6759003	Computer Supplies	-	-	-	N/A

6759004	Printing & Blueprints	350	328	22	in TB - office supplies
6759005	Postage	(224)	(224)	-	N/A
6759006	UPS & Air Freight	553	553	-	N/A
6759008	Xerox	319	298	21	in TB - office supplies
6759009	Off Supply Stores	488	457	31	in TB - office supplies
6759010	Reim of Off Emp Exp.	38	35	3	in TB - office supplies
6759011	Envelopes	2,880	2,695	185	in TB - office supplies
6759013	Cleaning Supplies	48	45	3	in TB - office supplies
6759014	Memberships	12	11	1	in TB - office supplies
6759016	Microfilming	-	-	-	N/A
6759007	Printing Customer Service	128	120	8	in TB - office supplies
6759012	Bill Stock	1,084	1,014	70	in TB - office supplies
6759051	Computer Supplies - Billing	-	-	-	N/A
6759090	Other Office Expense	122	114	8	in TB - office supplies
6759110	Office Telephone	81	76	5	in TB - office utilities
6759111	Office Telephone - Long Dist	-	-	-	N/A
6759115	Office Comp Phone Line	-	-	-	N/A
6759120	Office Electric	533	499	34	in TB - office utilities
6759125	Office Water	116	108	8	in TB - office utilities
6759130	Office Gas	168	157	11	in TB - office utilities
6759160	Office Fax Phone Line	-	-	-	N/A
6759190	Office Utilities - Other	-	-	-	N/A
6759135	Operators Telephones	-	-	-	N/A
6759210	Office Cleaning Serv	576	539	37	in TB - office supplies
6759220	Landscaping, Mowing,Snow	621	581	40	in TB - office supplies
6759230	Office Garbage Removal	38	35	3	in TB - office supplies
6759250	Decor & Repaint Structures	-	-	-	N/A
6759260	Repair Off Mach & Heating	54	51	3	in TB - office supplies
6759290	Other Office Maint	1,027	962	65	in TB - office supplies
6759330	Memberships - Company	18	17	1	in TB - miscellaneous
7048050	Employees ED Expenses	58	54	4	in TB - miscellaneous
7048055	Office Education/Train Exp	527	493	34	in TB - miscellaneous
7758370	Meals & Related Exp	119	109	10	in TB - miscellaneous
7758380	Bank Serv Charges	4,570	4,172	398	in TB - miscellaneous
7758390	Other Misc General	303	276	27	in TB - miscellaneous
6759018	Operators - Other Office Exp	57	54	3	in TB - maintenance and repair
6759430	Sales/Use Tax Exp.	-	-	-	N/A
6509090	Other Trans. Exp.	-	-	-	N/A
4032090	Depreciation - Office Struct.	1,476	1,381	95	in w/p [f]
4032091	Depreciation - Office Furn.	1,460	1,367	93	in w/p [f]
4032093	Depreciation - Telephones	59	56	3	in w/p [f]
4032098	Depreciation - Computer	-	-	-	N/A
4081303	Franchise Tax	3	3	-	N/A
4081121	Real Estate Tax	1,343	1,257	86	in TB - taxes other than income
4081201	FICA Expense	3,400	3,182	218	in w/p [b]
4091060	SUTA-IL	148	139	9	in w/p [b]
4091128	SUTA-NC	-	-	-	N/A
4091050	FUTA	46	43	3	in w/p [b]
4091000	Income Taxes - Federal	-	-	-	N/A
4101000	Deferred Inc. Taxes - Federal	-	-	-	N/A
4191010	Interest Income	-	-	-	N/A
4131020	Rental Income	-	-	-	N/A
4141040	Sale of Trans Equipment	-	-	-	N/A
4192000	Interest - Interco.	8,881	8,450	431	in TB - interest
4201000	Interest During Const	-	-	-	N/A
4261000	Misc. Income	(346)	(324)	(22)	in TB - miscellaneous
4272090	S/T Int Exp Other	(62)	(58)	(4)	in TB - interest
		77,518	71,682	5,836	

WATER SERVICE CORPORATION OF KENTUCKY
Rate Case Expense

w/p [d]

					Total
Legal Fees					20,000
Customer Notices (2 notices):					
Postage	8,389 =	customers x $0.37			6,208
Stock	8,389 =	notices x (.0526)			883
Fed Ex, mailings, postage, and miscellaneous costs					15,000
		Personnel	Cost	# of Trips/ Nights	
Travel					
Airfare		2	350	3	2,100
Hotel/Meals		2	180	6	2,160
Rental Car			200	3	600
Water Service Personnel					
	hours	rate	$		
KEW	750	$ 39	29,250		
SWD	250	$ 29	7,250		
SML	100	$ 73	7,300		
LAC	25	$ 96	2,400		
Total					46,200
Cost of Capital Witness (AUS Consultants)					25,000
Total Cost of current case					118,151
Amortized over 3 years					3
Amortization Expense per year				$	39,384

Water	Sewer
$ 39,384	$ -

WATER SERVICE CORPORATION OF KENTUCKY **w/p [e]**
Calculation of Taxes Other Than Income Taxes

		Water
Test Year		
Utility/Commission Tax	$	11,453
Real Estate Tax		63,038
Personal Property Tax		2,209
Gross Receipts Tax		-
Franchise Tax		11,943
Payroll Taxes		47,659
Total	$	136,302
Pro Forma Present		
Payroll Tax Increase		7,469
Adjustment	**$**	**7,469**
Pro Forma Proposed		
Gross Receipts Increase	$	141,983
		3.00%
Adjustment	**$**	**4,259**
Utility/Commission Tax Increase		141,983
		0.77%
		1,088

WATER SERVICE CORPORATION OF KENTUCKY **w/p [f]**
Depreciation Expense

			Water
Gross Plant		$	6,994,408
Add:			
Pro forma projects			995,597
Actual and estimated general ledger additions			175,388
Actual and estimated capitalized time addtions			64,299
Less:			
Land			(20,044)
Organization			(163,991)
Computers			(13,282)
Pro forma project retirements			(559,367)
Vehicles			(399,123)
Net:		$	7,073,886
Plant Depreciation @	2.00%	$	141,478
Vehicles			399,123
Vehicle Depreciation @	25.00%	$	99,781
Computers			13,282
Computer Depreciation @	25.00%	$	3,320
Depreciation allocated from WSC			5,239
Total Depreciation		$	249,818
CIAC		$	(58,029)
Amortization @	2.00%	$	(1,161)
AIAC		$	(113,081)
Amortization @	2.00%	$	(2,262)

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Income Taxes

w/p [g]

WATER	Pro Forma Present	Pro Forma Proposed
.e Income Taxes		
Total Revenue	$ 1,391,624	$ 2,206,947
Maintenance Expense	689,141	689,141
General Expense	508,081	508,081
Depreciation & Amortization	246,396	246,396
Taxes Other Than Income	143,771	149,118
Income from Management Services	(25,629)	(25,629)
Interest Expense	211,741	211,741
Taxable Income	$ (381,875)	$ 428,101
State Tax Rate		
First $25,000 @ 4.0%	(15,275)	1,000
$25,001 to $50,000 @ 5.0%		1,250
$50,001 to $100,000 @ 6.0%		3,000
$100,001 to $250,000 @ 7.0%		10,500
Over $250,000 @ 8.0%		14,248
Total State Income Taxes	$ (15,275)	$ 29,998
Federal Taxes		
Taxable Income before taxes	$ (381,875)	$ 428,101
Less: State I/T	(15,275)	29,998
'eral Taxable Income	(366,600)	398,103
Federal Tax Rate	34%	34%
Total Federal Taxes	$ (124,644)	$ 135,355

UTILITIES, INC. AND SUBSIDIARIES
Capital Structure at December 31, 2004

w/p [h-1]

	December 31, 2004	Annual Interest Expense	Capital Structure
COMMON SHAREHOLDERS' EQUITY:			
Common shares, $.10 par value; authorized 1,000 and; 20,000,000 shares, issued 1,000 and 6,524,104 shares, respectively; 0 and 245,490 shares reserved for stock options, respectively	$ 100		
Paid-in capital	24,261,656		
Retained earnings ($42,152,239 restricted at December 31, 2003)	67,825,751		
Note receivable from parent	(2,650,000)		
Other Comprehensive Income	(473,910)		
Total Common Shareholder's Equity	$ 88,963,597		44.09%
LONG-TERM DEBT:			
Collateral trust notes -			
5.41%, $7,142,857 due in annual installments beginning in 2006 through 2012	$ 50,000,000	2,705,000	
9.16%, $1,000,000 due in annual installments through 2006	2,000,000	183,200	
9.01%, $1,500,000 due in annual installments through 2007	4,500,000	405,450	
7.87%, due June 1, 2005	15,000,000	1,180,500	
8.42%, $5,857,143 due in annual installments beginning in 2009 through 2015	41,000,000	3,452,200	
Other long-term debt -			
8.10% to 8.96% promissory notes payable to bank due in monthly installments through 2017	303,215	26,152	
Amortization of Debt and Acquisition Expense		254,504	
Total Long-Term Debt	$ 112,803,215	$ 8,207,006	55.91%
TOTAL CAPITALIZATION	$ 201,766,812		100.00%
COST OF DEBT	7.28%		

WATER SERVICE CORPORATION OF KENTUCKY

w/p [h]

Pro Forma Interest Expense

	Water
Pro Forma Present Rate Base	5,205,581
Debt Ratio	55.91%
Embedded Cost of Debt	7.28%
Pro Forma Interest Expense	211,741

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Working Capital

w/p [i]

			Water
est Year			
Maintenance Expenses		$	659,199
General Expenses			393,433
Taxes Other Than Income			136,302
Total		$	1,188,934
Working Capital	45/360	$	148,617
Pro Forma Present			
Maintenance Expenses		$	689,141
General Expenses			508,081
Taxes Other Than Income			143,771
Total		$	1,340,992
Working Capital	45/360	$	167,624

WATER SERVICE CORPORATION OF KENTUCKY w/p [o]
Plant Restatement
Through Acquisition

	Year Placed in Service	Date Acq.	Cost	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprec.
Plant								
Land	1981	1/1/1981	3,257.48	21.25	0.0%	-	3,257.48	No
Land	1981	1/1/1981	596.00	21.25	0.0%	-	596.00	No
Land	1981	1/1/1981	1,234.50	21.25	0.0%	-	1,234.50	No
Common	1985	11/21/1985	13,478.20	17.25	2.0%	4,649.98	8,828.22	No
Common	1985	11/21/1985	185,476.30	17.25	2.0%	63,989.32	121,486.98	No
Common	1985	11/21/1985	2,641.38	17.25	2.0%	911.28	1,730.10	No
Common	1985	11/21/1985	6,336.72	17.25	2.0%	2,186.17	4,150.55	No
Common	1985	11/21/1985	30,123.53	17.25	2.0%	10,392.62	19,730.91	No
Common	1985	11/21/1985	194,242.01	17.25	2.0%	67,013.49	127,228.52	No
Common	1985	11/21/1985	25,622.80	17.25	2.0%	8,839.87	16,782.93	No
Common	1985	11/21/1985	334,189.62	17.25	2.0%	115,295.42	218,894.20	No
Common	1985	11/21/1985	13,680.34	17.25	2.0%	4,719.72	8,960.62	No
Common	1985	11/21/1985	10,164.72	17.25	2.0%	3,506.83	6,657.89	No
Common	1985	11/21/1985	312,686.93	17.25	2.0%	107,876.99	204,809.94	No
Common	1985	11/21/1985	125,585.14	17.25	2.0%	43,326.87	82,258.27	No
Common	1985	11/21/1985	2,264,076.47	17.25	2.0%	781,106.38	1,482,970.09	No
Common	1985	11/21/1985	283,658.51	17.25	2.0%	97,862.19	185,796.32	No
Common	1985	11/21/1985	40,452.80	17.25	2.0%	13,956.22	26,496.58	No
Common	1985	11/21/1985	515,437.63	17.25	2.0%	177,825.98	337,611.65	No
Common	1985	11/21/1985	78,560.82	17.25	2.0%	27,103.48	51,457.34	No
Common	1985	11/21/1985	370,692.25	17.25	2.0%	127,888.83	242,803.42	No
Common	1985	11/21/1985	70,195.28	17.25	2.0%	24,217.37	45,977.91	No
Common	1985	11/21/1985	145,967.76	17.25	2.0%	50,358.88	95,608.88	No
Common	1985	11/21/1985	19,188.32	17.25	2.0%	6,619.97	12,568.35	No
Common	1985	11/21/1985	129,343.47	17.25	2.0%	44,623.50	84,719.97	No
Common	1985	11/21/1985	21,885.34	17.25	2.0%	7,550.44	14,334.90	No
Common	1997	7/31/1997	6,000.81	5.25	2.0%	630.09	5,370.72	No
Common	1997	7/31/1997	677.84	5.25	2.0%	71.17	606.67	No
Common	1997	7/31/1997	39,951.21	5.25	2.0%	4,194.88	35,756.33	No
Common	1997	7/31/1997	18,022.24	5.25	2.0%	1,892.34	16,129.90	No
Common	1997	7/31/1997	29,151.79	5.25	2.0%	3,060.94	26,090.85	No
Common	1997	7/31/1997	34,478.84	5.25	2.0%	3,620.28	30,858.56	No
Common	1997	7/31/1997	682.50	5.25	2.0%	71.66	610.84	No
Common	1997	7/31/1997	33,053.68	5.25	2.0%	3,470.64	29,583.04	No
Common	1997	7/31/1997	6,843.71	5.25	2.0%	718.59	6,125.12	No
Common	1997	7/31/1997	12,226.94	5.25	2.0%	1,283.83	10,943.11	No
Common	1997	7/31/1997	337.29	5.25	2.0%	35.42	301.87	No

	Year Placed in Service	Date Acq.	Cost	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprec.
Common	1997	7/31/1997	25,347.95	5.25	2.0%	2,661.53	22,686.42	No
Common	1997	7/31/1997	7,520.74	5.25	2.0%	789.68	6,731.06	No
Common	1997	7/31/1997	20,637.80	5.25	2.0%	2,166.97	18,470.83	No
Common	1997	7/31/1997	3,041.00	5.25	2.0%	319.31	2,721.70	No
Common	1997	7/31/1997	854.21	5.25	2.0%	89.69	764.52	No
Common	1997	7/31/1997	8,920.93	5.25	2.0%	936.70	7,984.23	No
Common	1997	7/31/1997	18,713.80	5.25	2.0%	1,964.95	16,748.85	No
Common	1997	7/31/1997	42,319.97	5.25	2.0%	4,443.60	37,876.37	No
Common	1997	7/31/1997	117,894.63	5.25	2.0%	12,378.94	105,515.69	No
Common	1997	7/31/1997	2,383.00	5.25	2.0%	250.22	2,132.79	No
Common	1997	7/31/1997	454.00	5.25	2.0%	47.67	406.33	No
Land	1997	7/31/1997	840.80	5.25	0.0%	-	840.80	No
Land	1997	7/31/1997	6,853.00	5.25	0.0%	-	6,853.00	No
Land	1997	7/31/1997	628.83	5.25	0.0%	-	628.83	No
Land	1997	7/31/1997	1,025.44	5.25	0.0%	-	1,025.44	No
Land	1997	7/31/1997	5,496.00	5.25	0.0%	-	5,496.00	No
Land	1997	7/31/1997	112.00	5.25	0.0%	-	112.00	No
Vehicle	1997	7/31/1997	91,200.55	5.25	25.0%	91,200.55	-	Yes
Vehicle	1997	7/31/1997	23,193.71	5.25	25.0%	23,193.71	-	Yes
Vehicle	1997	7/31/1997	30,641.95	5.25	25.0%	30,641.95	-	Yes
Vehicle	1997	7/31/1997	3,289.00	5.25	25.0%	3,289.00	-	Yes
Vehicle	1997	7/31/1997	626.00	5.25	25.0%	626.00	-	Yes
Vehicle	1999	7/1/1999	23,723.00	3.25	25.0%	19,274.94	4,448.06	No
Common	2000	12/1/2000	69,976.00	2.25	2.0%	3,148.92	66,827.08	No
Vehicle	2000	1/1/2000	21,601.00	2.25	25.0%	12,150.56	9,450.44	No
Vehicle	2000	3/1/2000	24,098.00	2.25	25.0%	13,555.13	10,542.88	No
Vehicle	2001	3/1/2001	32,326.00	1.25	25.0%	10,101.88	22,224.13	No
Organization	2002		36,282.69	0.25	0.0%	-	36,282.69	No
			6,000,203.17			2,044,103.48	3,956,099.69	
Advances in Aid of Construction								
Common	1991	7/15/1991	11,611.30	11.25	2.0%	2,612.54	8,998.76	No
Common	1993	12/15/1993	1,938.50	9.25	2.0%	358.62	1,579.88	No
Common	1995	1/11/1995	5,579.76	7.25	2.0%	809.07	4,770.69	No
Common	1995	3/15/1995	22,218.75	7.25	2.0%	3,221.72	18,997.03	No
Common	1995	3/15/1995	7,500.00	7.25	2.0%	1,087.50	6,412.50	No
Common	1997	7/14/1997	8,730.50	5.25	2.0%	916.70	7,813.80	No
Common	1997	6/30/1997	23,736.03	5.25	2.0%	2,492.28	21,243.75	No
Common	1999	8/25/1999	10,148.14	3.25	2.0%	659.63	9,488.51	No
Common	2000	10/2/2000	1,866.20	2.25	2.0%	83.98	1,782.22	No
Common	2000	4/17/2000	11,617.18	2.25	2.0%	522.77	11,094.41	No
Common	2000	2/16/2000	8,134.17	2.25	2.0%	366.04	7,768.13	No
			113,080.53			13,130.85	99,949.68	
Contributions in Aid of Construction								
Common	1988	7/12/1988	9,255.00	14.25	2.0%	2,637.68	6,617.33	No
Common	1990		19,145.65	12.25	2.0%	4,690.68	14,454.97	No
Common	1990		2,885.35	12.25	2.0%	706.91	2,178.44	No
Common	1992	4/12/1992	38,770.04	10.25	2.0%	7,947.86	30,822.18	No
Common	1994	6/26/1994	3,600.00	8.25	2.0%	594.00	3,006.00	No
Common	1997	2/27/1997	592.40	5.25	2.0%	62.20	530.20	No
Common	1998	4/20/1998	6,393.40	4.25	2.0%	543.44	5,849.96	No
Common	1998	4/27/1998	3,543.75	4.25	2.0%	301.22	3,242.53	No
Common	1999	8/31/1999	5,087.76	3.25	2.0%	330.70	4,757.06	No
			89,273.35			17,814.69	71,458.66	

WATER SERVICE CORPORATION OF KENTUCKY **w/p [q]**

Expenses & UPIS Allocated to the City of Clinton Sewer Operations

Expense Reductions	Amount
Salaries	$ (16,852)
Payroll taxes	(1,616)
Benefits	(3,792)
Transportation exp.	(1,118)
Vehicle depreciation	(2,252)
Total expense reduction	$ (25,629)

Rate Base Reductions	Amount
UPIS - Vehicles	$ (15,884)
Accum. Dep. - Vehicles	11,362
Total rate base reductions	$ (4,522)

WATER SERVICE CORPORATION OF KENTUCKY **w/p [q][1]**
Allocation between subsidiaries

Subdivision	Customer Equivalents	Percent to total
Middlesboro	3,261	79.83%
Clinton	824	20.17%
	4,085	100.00%

WATER SERVICE CORPORATION OF KENTUCKY **w/p [q][2]**
Basis for Salary Allocation

Employee	Percent Allocated to WSCK	Percent Allocated to Clinton	Percent Allocated to Clinton Sewer Operations	Total Percentage Allocated to Clinton Sewer Operations
Leonard, James	100.00%	20.17%	25.00%	5.04%
Pickard, Michael	100.00%	100.00%	25.00%	25.00%
Turner, John	100.00%	100.00%	25.00%	25.00%
Daniel, Carl	6.22%	20.17%	25.00%	0.31%

WATER SERVICE CORPORATION OF KENTUCKY
Calculation of Salary and Benefits Allocated to the City of Clinton Sewer Operations

w/p [q][3]

	Total Annualized Salary	FICA 7.65%	FUTA 7,000 @ .8%	SUTA 8,000 @ 7.0%	Total Taxes	2004 Health Insurance	Pension at 3%	401(k) at 4%	2004 Other	Total Benefits
Maintenance										
Leonard, James	54,972	4,205	56	560	4,821	4,332	1,649	2,199	387	8,567
Pickard, Michael	24,224	1,853	56	560	2,469	4,332	727	969	387	6,415
Turner, John	30,164	2,308	56	560	2,924	4,332	905	1,207	387	6,830
Supervisory										
Daniel, Carl	153,920	7,682	56	216	7,954	4,332	4,618	6,157	387	15,493
Total Operator Salary	263,280	16,048	224	1,896	18,168	17,328	7,898	10,531	1,548	37,306
Operator Allocation										
Leonard, James	2,772	212	3	28	243	218	83	111	20	432
Pickard, Michael	6,056	463	14	140	617	1,083	182	242	97	1,604
Turner, John	7,541	577	14	140	731	1,083	226	302	97	1,708
Supervisory										
Daniel, Carl	483	24	0	1	25	14	14	19	1	49
Total Operator Allocation	16,852	1,276	31	309	1,616	2,398	506	674	214	3,792

WATER SERVICE CORPORATION OF KENTUCKY **w/p [q][4]**
Transportation Allocation

		Amount	Percent to total
Total WSCK Operator's Salaries	$	406,601	96.02%
Total WSCK Operator's Salaries Allocated to City of Clinton Sewer Operations		16,852	3.98%
	$	423,453	100.00%
Total WSCK Transportation Expense	$	28,084	
Percent to Total Allocated to City of Clinton Sewer Operations		3.98%	
Total WSCK Transportation Expense Allocated to Clinton Sewer Operations	$	1,118	
Total WSCK Vehicle Depreciation	$	56,586	
Percent to Total Allocated to City of Clinton Sewer Operations		3.98%	
Total WSCK Transportation Expense Allocated to Clinton Sewer Operations	$	2,252	
Total WSCK Vehicle	$	399,123	
Percent to Total Allocated to City of Clinton Sewer Operations		3.98%	
Total WSCK UPIS Allocated to Clinton Sewer Operations	$	15,884	
Total WSCK Accumulated DepreciationVehicle	$	(285,506)	
Percent to Total Allocated to City of Clinton Sewer Operations		3.98%	
Total WSCK Accumulated Depreciation Vehicle Allocated to Clinton Sewer Operations	$	(11,362)	

WATER SERVICE CORPORATION OF KENTUCKY
Plant Restatement
Through Complete Rate Case

w/p [p]

	Year Placed in Service	Date Acq.	Utility Plant in Service Total	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprec.
Plant at Acquisition								
Land	1981	1/1/1981	3,257.48	24.5	0.0%	-	3,257.48	No
Land	1981	1/1/1981	596.00	24.5	0.0%	-	596.00	No
Land	1981	1/1/1981	1,234.50	24.5	0.0%	-	1,234.50	No
Common	1985	11/21/1985	13,478.20	20.5	2.0%	5,526.06	7,952.14	No
Common	1985	11/21/1985	185,476.30	20.5	2.0%	76,045.28	109,431.02	No
Common	1985	11/21/1985	2,641.38	20.5	2.0%	1,082.97	1,558.41	No
Common	1985	11/21/1985	6,336.72	20.5	2.0%	2,598.06	3,738.66	No
Common	1985	11/21/1985	30,123.53	20.5	2.0%	12,350.65	17,772.88	No
Common	1985	11/21/1985	194,242.01	20.5	2.0%	79,639.22	114,602.79	No
Common	1985	11/21/1985	25,622.80	20.5	2.0%	10,505.35	15,117.45	No
Common	1985	11/21/1985	334,189.62	20.5	2.0%	137,017.74	197,171.88	No
Common	1985	11/21/1985	13,680.34	20.5	2.0%	5,608.94	8,071.40	No
Common	1985	11/21/1985	10,164.72	20.5	2.0%	4,167.54	5,997.18	No
Common	1985	11/21/1985	312,686.93	20.5	2.0%	128,201.64	184,485.29	No
Common	1985	11/21/1985	125,585.14	20.5	2.0%	51,489.91	74,095.23	No
Common	1985	11/21/1985	2,264,076.47	20.5	2.0%	928,271.35	1,335,805.12	No
Common	1985	11/21/1985	283,658.51	20.5	2.0%	116,299.99	167,358.52	No
Common	1985	11/21/1985	40,452.80	20.5	2.0%	16,585.65	23,867.15	No
Common	1985	11/21/1985	515,437.63	20.5	2.0%	211,329.43	304,108.20	No
Common	1985	11/21/1985	78,560.82	20.5	2.0%	32,209.94	46,350.88	No
Common	1985	11/21/1985	370,692.25	20.5	2.0%	151,983.82	218,708.43	No
Common	1985	11/21/1985	70,195.28	20.5	2.0%	28,780.06	41,415.22	No
Common	1985	11/21/1985	145,967.76	20.5	2.0%	59,846.78	86,120.98	No
Common	1985	11/21/1985	19,188.32	20.5	2.0%	7,867.21	11,321.11	No
Common	1985	11/21/1985	129,343.47	20.5	2.0%	53,030.82	76,312.65	No
Common	1985	11/21/1985	21,885.34	20.5	2.0%	8,972.99	12,912.35	No
Common	1997	7/31/1997	6,000.81	8.5	2.0%	1,020.14	4,980.67	No
Common	1997	7/31/1997	677.84	8.5	2.0%	115.23	562.61	No
Common	1997	7/31/1997	39,951.21	8.5	2.0%	6,791.71	33,159.50	No
Common	1997	7/31/1997	18,022.24	8.5	2.0%	3,063.78	14,958.46	No
Common	1997	7/31/1997	29,151.79	8.5	2.0%	4,955.80	24,195.99	No
Common	1997	7/31/1997	34,478.84	8.5	2.0%	5,861.40	28,617.44	No
Common	1997	7/31/1997	682.50	8.5	2.0%	116.03	566.48	No
Common	1997	7/31/1997	33,053.68	8.5	2.0%	5,619.13	27,434.55	No
Common	1997	7/31/1997	6,843.71	8.5	2.0%	1,163.43	5,680.28	No
Common	1997	7/31/1997	12,226.94	8.5	2.0%	2,078.58	10,148.36	No
Common	1997	7/31/1997	337.29	8.5	2.0%	57.34	279.95	No

	Year Placed in Service	Date Acq.	Utility Plant in Service Total	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprec.
Common	1997	7/31/1997	25,347.95	8.5	2.0%	4,309.15	21,038.80	No
Common	1997	7/31/1997	7,520.74	8.5	2.0%	1,278.53	6,242.21	No
Common	1997	7/31/1997	20,637.80	8.5	2.0%	3,508.43	17,329.37	No
Common	1997	7/31/1997	3,041.00	8.5	2.0%	516.97	2,524.03	No
Common	1997	7/31/1997	854.21	8.5	2.0%	145.22	708.99	No
Common	1997	7/31/1997	8,920.93	8.5	2.0%	1,516.56	7,404.37	No
Common	1997	7/31/1997	18,713.80	8.5	2.0%	3,181.35	15,532.45	No
Common	1997	7/31/1997	42,319.97	8.5	2.0%	7,194.39	35,125.58	No
Common	1997	7/31/1997	117,894.63	8.5	2.0%	20,042.09	97,852.54	No
Common	1997	7/31/1997	2,383.00	8.5	2.0%	405.11	1,977.89	No
Common	1997	7/31/1997	454.00	8.5	2.0%	77.18	376.82	No
Land	1997	7/31/1997	840.80	8.5	0.0%	-	840.80	No
Land	1997	7/31/1997	6,853.00	8.5	0.0%	-	6,853.00	No
Land	1997	7/31/1997	628.83	8.5	0.0%	-	628.83	No
Land	1997	7/31/1997	1,025.44	8.5	0.0%	-	1,025.44	No
Land	1997	7/31/1997	5,496.00	8.5	0.0%	-	5,496.00	No
Land	1997	7/31/1997	112.00	8.5	0.0%	-	112.00	No
Vehicle	1997	7/31/1997	91,200.55	8.5	25.0%	91,200.55	-	Yes
Vehicle	1997	7/31/1997	23,193.71	8.5	25.0%	23,193.71	-	Yes
Vehicle	1997	7/31/1997	30,641.95	8.5	25.0%	30,641.95	-	Yes
Vehicle	1997	7/31/1997	3,289.00	8.5	25.0%	3,289.00	-	Yes
Vehicle	1997	7/31/1997	626.00	8.5	25.0%	626.00	-	Yes
Vehicle	1999	7/1/1999	23,723.00	6.5	25.0%	23,723.00	-	Yes
Common	2000	12/1/2000	69,976.00	5.5	2.0%	7,697.36	62,278.64	No
Vehicle	2000	1/1/2000	21,601.00	5.5	25.0%	21,601.00	-	Yes
Vehicle	2000	3/1/2000	24,098.00	5.5	25.0%	24,098.00	-	Yes
Vehicle	2001	3/1/2001	32,326.00	4.5	25.0%	32,326.00	-	Yes
Organization	2002		102,864.30	3.5	0.0%	-	102,864.30	No
Organization	2002		36,282.69	3.5	0.0%	-	36,282.69	No
Common	2002		38,243.82	3.5	2.0%	2,677.07	35,566.75	No
Computers	2002		5,780.15	3.5	25.0%	5,057.63	722.52	No
Vehicle	2002		25,878.91	3.5	25.0%	22,644.05	3,234.86	No
			6,172,970.35			2,491,204.24	3,681,766.11	
2003 Plant Additions								
Common	2003		210,574.95	2.5	2.0%	10,528.75	200,046.20	No
Computers	2003		3,592.20	2.5	25.0%	2,245.13	1,347.08	No
Vehicle	2003		66,712.73	2.5	25.0%	41,695.46	25,017.27	No
Land	2003		-	2.5	0.0%	-	-	Yes
Organization	2003		22,898.39	2.5	0.0%	-	22,898.39	No
		Subtotal	303,778.27			54,469.33	249,308.94	
2004 Plant Additions								
Common	2004		456,980.03	1.5	2.0%	13,709.40	443,270.63	No
Computers	2004		2,901.96	1.5	25.0%	1,088.24	1,813.73	No
Vehicle	2004		55,831.70	1.5	25.0%	20,936.89	34,894.81	No
Land	2004		-	1.5	0.0%	-	-	Yes
Organization	2004		1,945.82	1.5	0.0%	-	1,945.82	No
		Subtotal	517,659.51			35,734.52	481,924.99	
		Total	6,994,408.13			2,581,408.10	4,413,000.03	
Advances in Aid of Construction								
Common	1991	7/15/1991	11,611.30	14.5	2.0%	3,367.28	8,244.02	No
Common	1993	12/15/1993	1,938.50	12.5	2.0%	484.63	1,453.88	No
Common	1995	1/11/1995	5,579.76	10.5	2.0%	1,171.75	4,408.01	No
Common	1995	3/15/1995	22,218.75	10.5	2.0%	4,665.94	17,552.81	No
Common	1995	3/15/1995	7,500.00	10.5	2.0%	1,575.00	5,925.00	No
Common	1997	7/14/1997	8,730.50	8.5	2.0%	1,484.19	7,246.32	No

	Year Placed in Service	Date Acq.	Utility Plant in Service Total	Years in Service	Depr. Rate	Acc. Depr.	Net Plant	Fully Deprec.
Common	1997	6/30/1997	23,736.03	8.5	2.0%	4,035.13	19,700.90	No
Common	1999	8/25/1999	10,148.14	6.5	2.0%	1,319.26	8,828.88	No
Common	2000	10/2/2000	1,866.20	5.5	2.0%	205.28	1,660.92	No
Common	2000	4/17/2000	11,617.18	5.5	2.0%	1,277.89	10,339.29	No
Common	2000	2/16/2000	8,134.17	5.5	2.0%	894.76	7,239.41	No
		Subtotal	113,080.53			20,481.09	92,599.44	
		Total	113,080.53			20,481.09	92,599.44	
Contributions in Aid of Construction								
Common	1988	7/12/1988	9,255.00	17.5	2.0%	3,239.25	6,015.75	No
Common	1990		19,145.65	15.5	2.0%	5,935.15	13,210.50	No
Common	1990		2,885.35	15.5	2.0%	894.46	1,990.89	No
Common	1992	4/12/1992	38,770.04	13.5	2.0%	10,467.91	28,302.13	No
Common	1994	6/26/1994	3,600.00	11.5	2.0%	828.00	2,772.00	No
Common	1997	2/27/1997	592.40	8.5	2.0%	100.71	491.69	No
Common	1998	4/20/1998	6,393.40	7.5	2.0%	959.01	5,434.39	No
Common	1998	4/27/1998	3,543.75	7.5	2.0%	531.56	3,012.19	No
Common	1999	8/31/1999	5,087.76	6.5	2.0%	661.41	4,426.35	No
		Subtotal	89,273.35			23,617.46	65,655.89	
Contributions in Aid of Construction 2003 Additions								
Common	2003		(8,249.36)	2.5	2.0%	(412.47)	(7,836.89)	No
Common	2003		221.00	2.5	2.0%	11.05	209.95	No
		Subtotal	(8,028.36)			(401.42)	(7,626.94)	
		Total	81,244.99			23,216.04	58,028.95	

Q(1). PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS FOR THE RECORD.

A(1). My name is Kirsten E. Weeks. I am employed as a senior regulatory accountant at Utilities, Inc., 2335 Sanders Road, Northbrook, Illinois 60062.

Q(2). WHAT IS YOUR PROFESSIONAL BACKGROUND?

A(2). I have been employed by Utilities, Inc. since August of 2002. Since that time I have been involved in many phases of ratemaking in several regulatory jurisdictions. I graduated from Coe College in 2001, with a bachelors degree, and I am a Certified Public Accountant. I had one year of public accounting experience prior to joining Utilities, Inc. I have successfully completed the Western Utility Rate School sponsored by NARUC, and I have testified in rate adjustment cases before state utility regulatory commissions in Illinois and North Carolina. I have also provided written testimony in Illinois, New Jersey, North Carolina, Ohio, Pennsylvania, and South Carolina.

Q(3). PLEASE EXPLAIN YOUR JOB RESPONSIBILITIES AT UTILITIES, INC.

A(3). My responsibilities encompass aspects of utility commission regulation in sixteen of the states where Utilities, Inc. operates (Georgia does not regulate water and sewer utilities). These duties include preparation of rate case applications, coordinating and facilitating Commission and Staff audits, developing and delivering testimony before utility commissions, and keeping apprised of industry trends and current events.

Q(4). PLEASE DESCRIBE WATER SERVICE CORPORATION OF KENTUCKY.

A(4). Water Service Corporation of Kentucky, which I will sometime refer to as "WSCK" or the "Company", is a wholly owned subsidiary of Utilities, Inc. WSCK was incorporated in 2002 for the purpose of owning and operating water utility systems. Currently, WSCK serves approximately 6,347 water connections. These customers are located in Hickman and Bell Counties. WSCK maintains an operations and customer service office in both Clinton and Middlesboro. Customer payments, meter readings, and service orders are processed from both the Clinton and Middlesboro offices. Administrative functions such as management, accounting, data processing, and human resources are performed from the Utilities, Inc. office in Northbrook, Illinois.

Q(5). WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A(5). The purpose of my testimony is to sponsor the Company's application for an adjustment of certain rates and charges for the provision of water and sewer services.

Q(6). WHY IS WSCK REQUESTING RATE RELIEF AT THIS TIME?

A(6). For the test year ended December 31, 2004, WSCK earned a 3.13% return on its rate base, which is almost 6% lower than the return recommended by the Company's rate of return witness, Pauline M. Ahern. The Company's current return on rate base is also well below its cost of capital, which as the Commission will hear from Ms. Ahern, is 7.28%. Capital will become more costly and eventually unavailable without adequate relief. According to statistics compiled by the United States Department of Labor Bureau and Labor Statistics, the cost of water and sewer maintenance has increased approximately 5.518% per year since Utilities, Inc.'s acquisition of WSCK. Without rate relief, WSCK would become unable to meet its financial obligations. Such a scenario places in jeopardy the Company's ability to continue to provide safe, reliable, and efficient water utility services to its customers.

Q(7). PLEASE DESCRIBE THE COMPANY'S APPLICATION.

A(7). In addition to the proposed rate schedule, the Application contains financial statements consisting of a balance sheet, income statement, rate base and rate of return calculation, a test year revenue calculation under current rates, and a revenue calculation under proposed rates.

Q(8). WOULD YOU PLEASE SUMMARIZE THE PROPOSED RATE CHANGES IN THE COMPANY'S WATER RATE SCHEDULE?

A(8). The proposed changes to the Company's water rate schedule would change rates from a tiered rate structure to a monthly base facility charge and a gallonage charge per 1,000 gallons. Based on the proposed average residential bill, approximately 40% of the customer's bill would cover the base facility charge, while the remaining 60% would be related to the gallonage charge. In addition, under the Company's proposed rate structure, Clinton and Middlesboro customers will pay the same rates. This is currently not the case, as customers pay different tiered rates, depending on where they receive service. For 5/8" and 3/4" customers, the proposed base facility

charge is $6.40 per month, and the proposed gallonage charge is $2.17 per 1,000 gallons. Customers with meter sizes larger than 5/8" or 3/4" have proposed base facility charges increased proportionally based on the size of their water meter. Flat rate customers have proposed increases of 25.00%. Based on the average 5/8" or 3/4" bill of 4,350 gallons, a customer in Clinton currently paying $21.74 per month will pay $15.83 under the proposed rates. A 5/8" or 3/4" customer in Middlesboro currently paying $13.14 per month will also pay $15.83 under the proposed rates.

Q.(9) WHAT ARE THE ADVANTAGES OF A UNIFIED RATE STRUCTURE?

A.(9) Utilities, Inc. has a highly centralized billing and cash management system. All customers in WSCK are receiving the same level of service, and it stands to reason that these customers should pay the same rates. However, in the end, the Company realizes that this is purely a rate design issue, should the Commission choose to continue separate rate structures for WSCK's Clinton and Middlesboro systems.

Q(10). WHAT IS THE IMPACT OF THE PROPOSED WATER RATE CHANGES?

A(10). The proposed increase in water charges for a 5/8" or 3/4" Middlesboro customer is approximately 20.46%. In terms of dollars and cents, the requested increase in average water charges is $2.69. For a Clinton 5/8" or 3/4" customer, the impact of the proposed average water rate changes actually results in a decrease of 27.20%, or $5.91 decrease in terms of dollars and cents.

Q(11). MS. WEEKS, WERE THE FINANCIAL STATEMENTS ATTACHED TO THE APPLICATION PREPARED BY YOU OR UNDER YOUR DIRECTION?

A(11). Yes, they were.

Q(12). WHAT IS CONTAINED IN THE FINANCIAL STATEMENTS?

A(12). The test year chosen by the Company is the year ended December 31, 2004. Schedule A is the Balance Sheet as of December 31, 2004. At the end of the test year, WSCK had per books assets of approximately $4.3 million. This includes approximately $3.8 million of per books net utility plant. Schedule B is the Income Statement for the test year and is comprised on a list of brief explanations for the pro forma adjustments made to the Income Statement. In 2004, WSCK had a net loss of

over $6,000. With the pro forma adjustments proposed in Schedule B and described in my testimony, the Company has experienced (or will experience within a known and measurable period of time) an increase in operating expenses (excluding income taxes) of over $292,000 over test year operating expenses alone. The increase in expenses contributes to the Company's need for rate relief. Schedule C is the Rate Base and Rate of Return Statement for the test year. Schedule D is the Consumption Analysis under present rates. Schedule E reflects the same under proposed rates.

Q(13). WOULD YOU PLEASE PROVIDE A BRIEF EXPLANATION OF THE COLUMN ENTITLED "PER RESTATMENT" ON SCHEDULE B?

A(13). Certainly. As previously mentioned, WSCK is a wholly owned subsidiary of Utilities, Inc. Utilities, Inc. also wholly owns over 80 other subsidiaries in 17 different states. Utilities, Inc. also wholly owns Water Service Corporation, which I will sometimes refer to as "WSC", is a company that manages the water and sewer operations for Utilities, Inc. subsidiaries. WSC operates without profit. Costs that are not directly assignable to a specific subsidiary are booked to WSC and are allocated to the Utilities, Inc. subsidiaries at year end, based on a proper method of allocation. The majority of allocation methods are based on customer equivalents. A customer equivalent counts a water only customer as one customer, as well as a sewer only customer as one customer. If a customer receives both water and sewer service from Utilities, Inc., they would be counted as 1 1/2; the theory being that a customer who receives both services at the same address does not require double the manpower. For example, a new customer can set up these services at the same time, rather than requiring two phone calls to the Utilities, Inc. In addition, a service order for water and sewer could be resolved on the same visit to the address. Utilities, Inc. also serves water distribution and sewer collection customers. These are customers who receive service through Utilities, Inc., but water and/or sewer treatment is provided through another entity. A water distribution or sewer collection customer is counted as 1/2 of a customer. Finally, in some areas, Utilities, Inc. also serves water or sewer availability customers, which are customers who own lots to be served by Company lines, but have not yet tapped on to the system. An availability customer is counted as 1/4 of a customer. WSCK has water customers in Clinton and water distribution customers in Middlesboro. WSCK also operates a sewer system in Clinton, but does not own the system. In 2004, WSCK's allocations from WSC were

calculated incorrectly. The calculations included the sewer customers in Clinton, which WSCK does not own. Therefore, the allocations had to be recalculated based on the Middlesboro water distribution customers and the Clinton water customers only. Accounts affected by the allocations were adjusted. The "per restatement" column contains income statement amounts after the allocation adjustment.

Q(14). WOULD YOU ALSO PLEASE EXPLAIN THE "PRO FORMA ADJUSTMENTS" AND THE ADJUSTMENTS IN THE "PROPOSED INCREASE" COLUMN ON SCHEDULE B?

A(14). Revenues are adjusted to bring present revenues to the amount reflected on the consumption information in Schedule D. Salaries and wages for operators and office personnel were adjusted by 4% to reflect the anticipated raises for employees. Pension and other benefits were adjusted accordingly to account for the anticipated 4% increase in salaries. Operating expense charged to plant was also adjusted for projected increases in salaries, taxes and benefits for operators. Regulatory commission expense was adjusted to reflect the cost of this proceeding amortized over three years. Depreciation and amortization expenses are annualized to reflect the annual depreciation and amortization expense on test year plant and contributions and advances in aid of construction (CIAC and AIAC) respectively. In addition, adjusted depreciation expense represents gross depreciable plant at December 31, 2004, as well as actual and estimated general ledger additions, capital projects additions, and capitalized time additions. Water plant, CIAC, and AIAC are depreciated at a rate of 2%, while computers and vehicles are depreciated at a 25% depreciation rate. Taxes other than income were adjusted based on anticipated increases in payroll taxes associated with the pro forma adjustment to salaries discussed above. Taxes other than income are also adjusted in the "proposed increase" column to account for the increase in gross receipts tax on the proposed revenues. State and federal income taxes are calculated at a tiered rate for state income taxes and at a 34% federal income tax rate. These taxes have been adjusted accordingly in both the "pro forma adjustments" and the "proposed increase" columns. An adjustment was made to reflect the actual amount of salaries, benefits, payroll taxes, transportation expense, and vehicle depreciation that are attributable to the operator's time at the City of Clinton sewer facilities that are operated (but not owned) by WSCK. All other maintenance and general expenses were adjusted by

5.518% to account for the increase in the consumer price index since acquisition. Finally, in the "proposed increase" column, proposed revenues are annualized using the actual test year customers, and uncollectible accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro forma proposed revenues.

Q(15). WHAT IS CONTAINED IN SCHEDULE C?

A(15). Schedule C is the Rate Base and Rate of Return Statement. As of December 31, 2004, WSCK has a rate base of approximately $3,981,000. WSCK has invested nearly $1,000,000 in utility plant in service since acquisition, and has projected an increase of over $1.2 million in rate base in this proceeding. This increased investment has contributed to the need for rate relief. As indicated on page one of Schedule C, WSCK earned a 3.13% return on rate base during the test year. This is below the Company's cost of capital.

Q(16). WOULD YOU PLEASE PROVIDE A BRIEF EXPLANATION OF THE COLUMN ENTITLED "PER RESTATEMENT" ON SCHEDULE C?

A(16). Certainly. When the WSCK acquisition was booked, the Company relied on a compilation performed by the accounting firm Gamble, Givens, and Moody for verification of fixed asset balances. The Company booked these fixed asset balances and in addition, the prior owner's accumulated depreciation balances. However, the prior owner chose to report accumulated depreciation balances at tax depreciation rates, which depreciates plant too quickly. This creates overstated accumulated depreciation and understated net plant. Therefore, WSCK recalculated accumulated depreciation and accumulated amortization based on in-service dates of all utility plant in service, CIAC and AIAC based on the half-year convention method. WSCK used a composite rate of 2% for water plant, and a 25% depreciation rate for computers and transportation equipment. The rate filing also includes $36,282.69 of organizational costs in utility plant in service that was not booked at the time of acquisition.

Q(17). WHAT PRO FORMA ADJUSTMENTS ARE REFLECTED ON SCHEDULE C?

A(17). Gross plant in service and capitalized time have been adjusted to reflect actual and estimated general ledger additions through the hearing date. Accumulated depreciation has been adjusted to account for accumulated depreciation on actual and estimated general ledger additions through the hearing date, actual and estimated capitalized time additions through the hearing date, and actual and estimated pro forma plant additions through the hearing date. Cash working capital is adjusted based on 1/8 of the total pro form maintenance expense, pro forma general expenses, and pro forma taxes other than income. A reduction for transportation equipment and its related accumulated depreciation has been made to account for the percentage of transportation equipment used at the City of Clinton sewer facilities that are operated (but not owned) by WSCK. Finally, pro forma plant has been adjusted for net planned additional capital investments that will be completed by the hearing date.

Q(18). WHAT RATEMAKING METHODOLOGY DOES THE COMPANY PROPOSE THAT THE COMMISSION EMPLOY IN THIS CASE?

A(18). The Company proposes that its rates be determined utilizing the rate of return on rate base methodology.

Q(19). IS RATE OF RETURN ON RATE BASE TREATMENT APPROPRIATE FOR THE COMPANY?

A(19). Absolutely. The Company has a large rate base and needs to earn a rate of return that is sufficient to obtain the necessary equity and debt capital that a larger utility needs for sound operation.

Q(20). DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

A(20). Yes, it does.

AFFIDAVIT

COMMONWEALTH OF KENTUCKY

COUNTY OF KENTON

Affiant, Kirsten Weeks, after being first sworn, deposes and says that the foregoing prepared testimony is true and correct to the best of his knowledge and belief.

Kirsten E Weeks

This instrument was produced, signed and declared by to be his act and deed the 28 day of SEPTEMBER, 2005.

Justine N. Silvey
Notary Public

My Commission expires: 12-11-2008

OFFICIAL SEAL
JUSTINE N. SILVEY
NOTARY PUBLIC, STATE OF ILLINOIS
COMMISSION EXPIRES 12-11-2008

Direct Testimony
Carl Daniel
Water Service Corp. of Kentucky

1 **Q. Would you please state your name and business address.**

2 **A.** My name is Carl Daniel, and my business address is 5701 Westpark Drive, Suite 101,

3 Charlotte, NC 28217.

4

5 **Q. What is your current position of employment?**

6 **A.** I am Vice President and Regional Director of Operations for Water Service Corp. of KY.

7

8 **Q. How long have you been employed in the water and wastewater industries?**

9 **A.** Approximately 30 years.

10

11 **Q. What is your educational and professional background?**

12 **A.** I hold a Masters Degree in Business Administration from Pfeiffer University in North

13 Carolina. Throughout my career, I have held the positions of Operator, Operating

14 Manager, Area Manager, Regional Director, and Vice President. During that time, I have

15 both operated and managed water supply systems and wastewater treatment facilities.

16 Also, I have overseen the completion of major capital improvements and have been the

17 Company spokesperson with regard to health, environment, and utility regulations in

18 several states.

19

20 **Q. What are your duties with WSCK?**

21 **A.** I am responsible for making sure our customers receive the best possible service. As

22 such, I am responsible for all operating personnel, facilities, maintenance and capital

23 projects. In addition, I am responsible for communications with state and federal

1 regulators, including state utility commissions, regarding environmental and drinking
2 water standards as well as other operational issues.
3
4 **Q. Would you describe your experience in testifying before State Utility Commissions**
5 **regarding rate cases.**
6 **A.** Yes. I have testified before the Commissions in North Carolina, South Carolina,
7 Maryland, New Jersey, and Virginia.
8 **Q. Mr. Daniel, what is the purpose of your testimony in this proceeding?**
9 **A.** The purpose of my testimony is to provide the Commission with a brief overview of our
10 Kentucky operations, and the capital improvements we've made since our ownership.
11
12 **Q. Mr. Daniel, would you briefly describe your water operations here in Kentucky?**
13 **A.** Yes. I would be more than happy to do so.
14 WSCK provides water service to approximately 6,445 customers in two locations within
15 the state. We deliver safe and reliable water service to our customers' homes by way of
16 drilled wells in our Clinton operation and by way of a surface treatment facility in our
17 Middlesboro operations.
18
19 **Q. Who is responsible for ensuring that the WSCK customers are receiving quality**
20 **utility service?**
21 **A.** I have overall responsibility for ensuring that all our customers receive quality utility
22 service. To meet this responsibility, our company must hire and maintain a highly
23 qualified and professional staff of individuals both in the office and in the field. We also

1 continue to make customer satisfaction the primary responsibility of each and every
2 WSCK employee.
3
4 **Q. Since your ownership, has the Company made any capital investments in its water**
5 **treatment facilities?**
6 **A.** Yes, WSCK has made and continues to make improvements to its facilities. In fact, over
7 the past 3 years, we've made the following capital improvements to meet regulatory
8 requirements and to increase customer satisfaction:
9 We have replaced filter backwash troughs, installed new flocculator, replaced valve
10 actuators, installed filter rewash valves, rebuilt filters and replaced filter media, installed
11 new electrical controls at raw water pump station, installed activated carbon feed system,
12 replaced hydrants, refurbished ground storage tanks, replaced water main, replaced
13 pumps, and a number of other projects.
14
15 **Q. Are there any additional projects that the Commission should be made aware of?**
16 **A.** Yes, we have also installed standby power generators at the raw water pump stations and
17 the finished water plants to insure that our customers are provided uninterrupted water
18 service during power outages.
19
20 **Q. Does this conclude your testimony?**
21 **A.** Yes, it does.

WATER SERVICE CORPORATION OF KENTUCKY

DIRECT TESTIMONY

OF

PAULINE M. AHERN, CRRA
VICE PRESIDENT
AUS CONSULTANTS - UTILITY SERVICES

CONCERNING

FAIR RATE OF RETURN

AUGUST 2005

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Appendix A to the Direct Testimony of Pauline M. Ahern

I. INTRODUCTION

Q. Please state your name, occupation and business address.

A. My name is Pauline M. Ahern and I am a Vice President of AUS Consultants - Utility Services. My business address is 155 Gaither Drive, P.O. Box 1050, Moorestown, New Jersey 08057.

Q. Please summarize your educational background and professional experience.

A. I am a graduate of Clark University, Worcester, MA, where I received a Bachelor of Arts degree with honors in Economics in 1973. In 1991, I received a Master of Business Administration with high honors from Rutgers University.

In June 1988, I joined AUS Consultants - Utility Services as a Financial Analyst and am now a Vice President. I am responsible for the preparation of all fair rate of return and capital structure exhibits for AUS Consultants - Utility Services. I have offered expert testimony on behalf of investor-owned utilities before twenty state regulatory commissions. The details of these appearances, as well as details of my educational background, are shown in Appendix A supplementing this testimony.

I am also the Publisher of AUS Utility Reports (formerly C.A. Turner), responsible for the production, publication, distribution and marketing of these reports. AUS Utility Reports provides financial data and related ratios covering approximately 150 public utility companies on a monthly, quarterly, and annual basis. Coverage includes electric, combination gas and electric, gas distribution, gas transmission, telephone, water and international utilities.

I also calculate and maintain the A.G.A. Index under contract with the American Gas Association (A.G.A.). The A.G.A. Index is a market capitalization

weighted index of the common stocks of about 70 corporate members of the A.G.A.

I have co-authored an article with Frank J. Hanley, President, AUS Consultants - Utility Services entitled "Comparable Earnings: New Life for an Old Precept" which was published in the American Gas Association's Financial Quarterly Review, Summer 1994. I also assisted in the preparation of an article authored by Frank J. Hanley and A. Gerald Harris entitled "Does Diversification Increase the Cost of Equity Capital?" published in the July 15, 1991 issue of Public Utilities Fortnightly.

I am a member of the Society of Utility and Regulatory Financial Analysts, formerly the National Society of Rate of Return Analysts serving as Secretary/Treasurer for 2004-2006. In 1992, I was awarded the professional designation "Certified Rate of Return Analyst" (CRRA) by the National Society of Rate of Return Analysts. This designation is based upon education, experience and the successful completion of a comprehensive written examination.

I am an associate member of the National Association of Water Companies, serving on its Finance Committee, and a member of the Energy Association of Pennsylvania, formerly the Pennsylvania Gas Association.

Q. What is the purpose of your testimony?

A. The purpose is to provide testimony on behalf of the Water Service Corporation of Kentucky (WSC of KY or the Company) of the fair rate of return, including common equity cost rate, senior capital cost rate, and capital structure, which it should be afforded the opportunity to earn on its jurisdictional rate base.

Q. What is your recommended overall fair rate of return?

A. I recommend that the Kentucky Public Service Commission (KYPSC or the Commission) authorize the Company the opportunity to earn an overall rate of return of 9.12% based upon the consolidated capital structure at December 31, 2004 of Utilities, Inc., the parent of WSC of KY, which consisted of 55.91% total debt and 44.09% common equity capital, at a debt cost rate of 7.28% and my recommended common equity cost rate of 11.45%.

Q. Have you prepared an exhibit which supports your overall recommended fair rate of return?

A. Yes, I have. It has been marked for identification as Exhibit No. ___ and consists of Schedules PMA-1 through PMA-12. Hereinafter, references to Schedules within this testimony will be from this Exhibit, unless otherwise noted.

II. SUMMARY

Q. Please summarize the overall cost of capital and fair rate of return.

A. The overall cost of capital of 9.12% is summarized on Schedule PMA-1, page 1 and is based upon the consolidated capital structure, related ratios, and related capital cost rates at December 31, 2004.

The overall cost of capital is summarized in Table 1 below:

Table 1

	Capital Structure Ratios	Cost Rate	Weighted Return
Total Debt	55.91%	7.28%	4.07%
Common Equity	44.09	11.45	5.05
Total	100.00%		9.12%

Q. Please summarize your recommended common equity cost rate.

A. The basis of my recommended common equity cost rate of 11.45% is summarized on Schedule PMA-1, page 2. Because WSC of KY's common stock is not publicly traded, market-based common equity cost rates cannot be determined directly for WSC of KY. Therefore, in arriving at my recommended common equity cost rate of 11.45%, I assessed the market-based cost rates of companies of relatively similar risk, i.e., proxy group(s), for insight into a recommended common equity cost rate applicable to WSC of KY and suitable for cost of capital purposes. It is appropriate to look to a proxy group or groups of companies as similar in risk as possible whose common stocks are actively traded for insight into an appropriate common equity cost rate applicable to WSC of KY and then adjust the results upward to reflect WSC of KY's greater business risk (vis-à-vis the proxy group(s)). Using other utilities of relatively comparable risk as proxies is consistent with the principles of fair rate of return established in the Hope[1] and Bluefield[2] cases and adds reliability to the informed expert judgment used in arriving at a recommended common equity cost rate. However, no proxy group can be selected to be identical in risk to WSC of KY and

[1] Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944).

[2] Bluefield Water Works Improvement Co. v. Public Serv. Comm'n, 262 U.S. 679 (1922).

therefore, the proxy group(s)' results must be adjusted to reflect the greater relative business risk of WSC of KY as will be subsequently discussed in detail. Therefore, I have evaluated the market data of two proxy groups of water companies in arriving at my recommended common equity cost rate. The bases of selection are described below.

As explained in more detail below, my analysis reflects current capital market conditions and results from the application of four well-tested market-based cost of common equity models, the Discounted Cash Flow (DCF) approach, the Risk Premium Model (RPM), the Capital Asset Pricing Model (CAPM), and the Comparable Earnings Model (CEM).

The results derived from each are as follows:

Table 2

	Proxy Group of Six AUS Utility Reports Water Cos.	Proxy Group of Three Value Line (Std. Ed.) Water Cos.
Discounted Cash Flow Model	9.9%	10.1%
Risk Premium Model	10.6	10.8
Capital Asset Pricing Model	10.4	10.8
Comparable Earnings Model	14.3	14.2
Indicated Common Equity Cost Rate Before Business Risk Adjustment	10.70%	10.90%
Business Risk Adjustment	0.60	0.60
Common Equity Cost Rate After Adjustment for Business Risk	11.30%	11.55%
Recommended Common Equity Cost Rate	11.45%	

After reviewing the cost rates based upon the four models, I conclude that a common equity cost rate before a business risk adjustment of 10.70% is indicated based upon the application of all four models to the proxy group of six AUS Utility Reports water companies and 10.90% for the proxy group of three

Value Line (Standard Edition) water companies. After applying business risk adjustments due to WSC of KY's small size vis-a-vis the two proxy groups as will be discussed in detail subsequently, the indicated common equity cost rate for each proxy group is 11.30% and 11.55%, respectively. Based upon these cost rates, I recommend a common equity cost rate of 11.45% applicable to the Company's ratemaking common equity ratio of 44.09%.

III. GENERAL PRINCIPLES

Q. What general principles have you considered in arriving at your recommended common equity cost rate of 11.45%.

A. In unregulated industries, marketplace competition is the principal determinant of the price of a product or service. In the case of regulated public utilities, regulation must act as a substitute for marketplace competition. Consequently, marketplace data must be relied upon to assure that the utility can fulfill its obligations to the public and provide adequate service at all times. This requires a level of earnings sufficient to maintain the integrity of presently invested capital and permit the attraction of needed new capital at a reasonable cost in competition with other comparable-risk firms. These standards for a fair rate of return have been established by the U.S. Supreme Court in the Hope and Bluefield cases cited previously. Consequently, in my determination of a fair rate of return, I have also evaluated data gathered from the marketplace for utilities as similar in risk as possible to WSC of KY.

IV. BUSINESS RISK

Q. Please define business risk and explain why it is important to the determination of a fair rate of return?

A. Business risk incorporates all of the risks of a firm other than financial risk, which will be discussed subsequently. Examples of business risk include the quality of management and the regulatory environment which have a direct bearing on earnings.

Business risk is important to the determination of a fair rate of return because the greater the level or risk, the greater the rate of return investors demand, consistent with the basic financial precept of risk and return.

Q. Please discuss the business risks facing the water industry in general.

A. The water utility industry faces significant risks related to replacing aging transmission and distribution systems. Value Line Investment Survey[3] observes:

> Many of our nation's water systems are more than a century old. And as time passes they grow more obsolete and out of date. They require maintenance and in some cases massive renovations and rebuilding. With the threat of bioterrorism now, these costs are likely to grow even greater. Infrastructure repair costs are expected to climb in the hundreds of millions of dollars over the next two decades. However, many water companies are struggling to keep up with these escalating expenses. Most companies will have to take on the burden by themselves, though, as local and federal funds appear to be depleted. Therefore, many have been, and will likely continue to be, forced to issue shares of stock and/or debt to keep up with requirements. Others, unable to meet upkeep costs, are being forced to sell, resulting in a great deal of consolidation.
>
> But, while this trend is painting a bleak picture for many of the smaller utilities, it is providing a new growth avenue for others. Larger companies with the flexibility and capital to withstand the onslaught are taking advantage of the consolidation trend to fuel growth. *Aqua America*, the largest water utility in our survey, is a

[3] Value Line Investment Survey, April 29, 2005.

> prime example of such measures, making approximately 30 acquisitions annually in recent years. And the company is intent on maintaining its strategy. Management expects to add another 25 or so by year-end. As such, *Aqua America* offers the highest return on equity rate of the stocks in this industry.

In addition, because the water industry is much more capital-intensive than the electric, natural gas or telephone industries, the investment required to produce a dollar of revenue is greater. And, because investor-owned water utilities typically do not receive federal funds for infrastructure replacement, the challenge to investor-owned water utilities is exacerbated and their access to financing is restricted, thus increasing risk.

The water utility industry also experiences lower relative depreciation rates. Lower depreciation rates, as one of the principal sources of internal cash flows for all utilities, mean that water utility depreciation as a source of internally-generated cash is far less than for electric, natural gas or telephone utilities. Water utilities' assets have longer lives and, hence, longer capital recovery periods. As such, water utilities face greater risk due to inflation which results in a higher replacement cost per dollar of net plant than for other types of utilities.

In addition, as noted by S&P[4]:

> Environmental regulations, which can be particularly stringent for water utilities, impact credit quality. Mandatory compliance with environmental legislation is often quite capital intensive. This is particularly so in the areas of wastewater discharge and drinking water quality. In most jurisdictions observed by Standard & Poor's, pressures from environmental standards is likely to increase. High compliance costs can impact a water utility's creditworthiness if their financing is up-front and their recovery is over a long period, potentially putting stress on the financial profile in the short term.
>
> A key rating consideration is the extent of the link between a water utility's legislated environmental standards and its rate-setting mechanism. Stringent environmental rules requiring expensive

[4] Standard & Poor's, Criteria: Infrastructure Finance, Water and Wastewater Utilities, Projects and Concessions, September 1998, p. 47.

upgrade and compliance costs are not necessarily a negative rating factor, so long as the utility has a flexible and transparent process for passing the costs through to consumers, and these consumers are willing and able to bear these costs. Standard & Poor's considers whether the environmental and economic regulators are acting in isolation, or perhaps have different constituencies.

Moody's[5] also notes that:

We expect that the credit quality of the investor-owned U.S. water utilities will likely deteriorate over the next several years, due to ongoing large capital spending requirements in the industry. Larger capital expenditures facing the water utility industry result from the following factors:

- Continued federal and state environmental compliance requirements;
- Higher capital investments for constructing modern water treatment and filtration facilities;
- Ongoing improvement of maturing distribution and delivery infrastructure; and
- Heightened security measures for emergency preparedness designed to prevent potential terrorist acts.

Given the overwhelming importance of protecting the public health, the water utility industry remains regulated by the federal and state regulatory agencies. As a result of this importance, the level of state regulators' responsiveness is critical in enabling the water utilities to maintain their financial integrity. In addition, when utilities are permitted a fair rate of return and timely rate adjustments to reflect the costs of providing this essential service, they will be more able to implement the necessary safeguards to protect the public health.

In addition, the water utility industry, as well as the electric and natural gas utility industries, faces the need for increased funds to finance the increasing security costs required to protect the water supply and infrastructure from potential terrorist attacks in the post-September 11, 2001 world.

In view of the foregoing, it is clear that their high degree of capital intensity

[5] Moody's Investors Service, Global Credit Research, "Credit Risks and Increasing for U.S. Investor Owned Water Utilities", Special Comment, January 2004, p. 5.

coupled with the need for substantial infrastructure capital spending and increased anti-terrorism security spending, require regulatory support in the form of adequate and timely rate relief so water utilities will be able to successfully meet the challenges they face.

Q. Does WSC of KY face additional extraordinary business risk?

A. Yes. WSC of KY's smaller size, i.e., total capital of $3.873 million at December 31, 2004 (see page 3 of Schedule PMA-1) vis-à-vis average total capital of $553.127 million in 2004 for the proxy group of six AUS Utility Reports water companies (see page 3 of Schedule PMA-1), $947.613 million for the proxy group of three Value Line (Std. Ed.) water companies indicates greater relative business risk because all else equal, size has a bearing on risk.

Q. Please explain why size has a bearing on business risk.

A. Smaller companies are less capable of coping with significant events which affect sales, revenues and earnings.

The loss of revenues from a few larger customers, for example, would have a greater effect on a small company than on a much larger company with a larger customer base. Because WSC of KY is the regulated utility to whose rate base the KYPSC's ultimately allowed overall cost of capital and fair rate of return will be applied, the relevant risk reflected in the cost of capital must be that of WSC of KY, including the impact of its small size on common equity cost rate. Size is an important factor which affects common equity cost rate, and WSC of

KY is significantly smaller than the average company in each proxy group based upon total investor-provided capital as shown below:

Table 3

	2004 Total Capital ($ millions)	Times Greater than The Company	Market Capitalization(1) ($ Millions)	Times Greater than the Company
Proxy Group of Six AUS Utility Reports Water Companies	$553.127	142.8x	$752.830	87.6x
Proxy Group of Three Value Line (Std. Ed.) Water Companies	947.613	244.7x	1,341.742	150.9x
WSC of KY	3.873		8.594 (2) 8.890 (3)	

(1) From Schedule PMA-1, page 3.
(2) Based upon the average market-to-book ratio of the proxy group of six AUS Utility Reports water companies.
(3) Based upon the average market-to-book ratio of the proxy group of three Value Line (Std. Ed.) water companies.

I have also done a study of the market capitalization of the proxy groups of six AUS Utility Reports water companies and three Value Line (Std. Ed.) water companies. The results are shown on page 5 of Schedule PMA-1 which summarizes the market capitalizations as of June 20, 2005.

WSC of KY's common stock is not publicly traded. Consequently, I have assumed that if it were publicly traded, its consolidated common shares would be selling at the same market-to-book ratio as the average market-to-book ratio for each proxy group, or 261.3% (six water companies) and 270.3% (three water companies) at June 20, 2005. Hence, WSC of KY's market capitalization is estimated at $8.594 million and $8.890 million based upon the average market-to-book ratios of each proxy group, respectively, as of June 20, 2005. In contrast, the market capitalization of the average AUS Utility Reports water company was $752.830 million on June 20, 2005, or 87.6 times larger than WSC

of KY's estimated market capitalization. In addition, the market capitalization of the average Value Line (Std. Ed.) water company was $1.342 billion at June 20, 2005, or 150.9 times larger than WSC of KY. It is conventional wisdom, supported by actual returns over time, and a general premise contained in basic finance textbooks, that smaller companies tend to be more risky causing investors to expect greater returns as compensation for that risk.

Q. Does the financial literature affirm a relationship between size and common equity cost rate?

A. Yes. Brigham[6] states"

> A number of researchers have observed that portfolios of small-firms have earned consistently higher average returns than those of large-firms stocks; this is called "small-firm effect." On the surface, it would seem to be advantageous to the small firms to provide average returns in a stock market that are higher than those of larger firms. In reality, it is bad news for the small firm; what *the small-firm effect means is that the capital market demands higher returns on stocks of small firms than on otherwise similar stocks of the large firms.* (italics added)

V. FINANCIAL RISK

Q. Please define financial risk and explain why it is important to the determination of a fair rate of return?

A. Financial risk is the additional risk created by the introduction of senior capital, i.e., debt and preferred stock, into the capital structure. In other words, the higher the proportion of senior capital in the capital structure, the higher the financial risk.

[6] Eugene F. Brigham, Fundamentals of Financial Management, Fifth Edition, The Dryden Press, 1989, p. 623.

Utilities formerly were considered to have much less business risk vis-a-vis unregulated enterprises, and, as a result, a larger percentage of debt capital was acceptable to investors. In June 2004, S&P revised its utility financial guidelines and assigned new business profile scores to U.S. utility and power companies to better reflect the relative business risk among companies in the sector. S&P's revised financial guidelines to the bond rating process for utilities can be found in Schedule PMA-2, page 14, while pages 1 through 9 describe the utility bond rating process. As shown on page 14, S&P's revised financial guidelines for utilities establishes financial target ratios for ten levels of business position/profile with "1" being considered lowest risk and "10" being highest risk.

As shown on Schedule PMA-10, page 2, the average S&P bond rating (issue credit rating) and business profile of the six AUS Utility Reports water companies is A+ and "2.6", which rounds to "3" and A+/A and "2.7" (rounded to "3"), for the three Value Line (Std. Ed.) water companies.

Q. How can one measure the combined business and financial risks, i.e., investment risk of an enterprise?

A. Similar bond ratings/issue credit ratings reflect similar combined business and financial risks, i.e., total risk. Although the specific business or financial risks may differ between companies, the same bond rating indicates that the combined risks are similar as the bond rating process reflects acknowledgment of all diversifiable business and financial risks. For example, S&P expressly states that the bond rating process encompasses a qualitative analysis of business and financial risks (see pages 3 through 9 of Schedule PMA-2). There is no perfect single proxy, such as bond rating or common stock ranking, by which one can

differentiate common equity risk between companies. However, the bond rating provides a useful means to compare/differentiate common equity risk between companies because it is the result of a thorough and comprehensive analysis of all diversifiable business and financial risks, i.e., investment risk.

VI. WATER SERVICE CORPORATION OF KENTUCKY

Q. Have you reviewed financial data for WSC of KY?

A. Yes. WSC of KY provides water service to approximately 7,150 (year-end 2004) water and sewer customers in Hickman County. WSC of KY is a subsidiary of Utilities, Inc. Thus, the Company's common stock is not publicly traded.

VII. PROXY GROUPS

Q. Please explain how you chose the proxy group of six AUS Utility Reports water companies.

A. The basis of selection for the proxy group of six AUS Utility Reports water companies were those companies that meet the following criteria: 1) they are included in the Water Company Group of AUS Utility Reports (June 2005); 2) they have Value Line or Thomson FN/First Call Consensus; and 3) they have more than 70% of their 2004 operating revenues derived from water operations. Six companies met all of these criteria.

Q. Please describe Schedule PMA-3.

A. Schedule PMA-3 contains comparative capitalization and financial statistics for the

six AUS Utility Reports water companies for the years 2000 through 2004. The schedule consists of three pages. Page 1 contains a summary of the comparative data for the years 2000-2004. Page 2 contains notes relevant to page 1, as well as the basis of selection and names of the individual companies in the proxy group. Page 3 contains the capital structure ratios based upon total capital (including short-term debt) by company and on average for the years 2000-2004.

During the five-year period ending 2004, the historically achieved average earnings rate on book common equity for this group ranged between 8.97% in 2003, and 10.58% in 2002, and averaged 9.96%. The five-year ending 2004 average common equity ratio based upon total investor-provided capital was 42.89%, while the five-year average dividend payout ratio was 79.98%.

Coverage of interest charges, excluding all AFUDC from funds from operations for the years 2000-2004 ranged between 3.10 and 3.89 times and averaged 3.40 times during the five-year period, while funds from operations relative to total debt ranged from 13.52% to 16.51% and averaged 14.54% for the five-year period.

Q. Please explain how you chose the proxy group of three Value Line water companies.

A. The basis of selection for the proxy group of three Value Line (Standard Edition) water companies was to include those companies which are part of Value Line's (Standard Edition) Water Utility Industry Group.

Q. Please describe Schedule PMA-4.

A. Schedule PMA-4 contains comparative capitalization and financial statistics for the

three Value Line (Standard Edition) water companies for the years 2000 through 2004. The schedule consists of two pages. Page 1 contains a summary of the comparative data for the years 2000-2004. Page 2 contains notes relevant to page 1, as well as the basis of selection and names of the individual companies in the proxy group. Page 3 contains the capital structure ratios based upon total capital (including short-term debt) by company and on average for the years 2000-2004.

During the five-year period ending 2004, the historically achieved average earnings rate on book common equity for this group ranged between 8.86% in 2003, and 11.37% in 2000, and averaged 10.29%. The five-year ending 2004 average common equity ratio based upon total investor-provided capital was 43.06%, while the five-year average dividend payout ratio was 74.83%.

Coverage of interest charges, excluding all AFUDC from funds from operations for the years 2000-2004 ranged between 3.41 and 4.46 times and averaged 3.72 times during the five-year period, while funds from operations relative to total debt ranged from 14.55% to 20.35% and averaged 16.32% during the five-year period.

VIII. CAPITAL STRUCTURE

Q. Are the Company's proposed capital structure ratios appropriate in developing an overall fair rate of return for the Company?

A. Yes, the consolidated capital structure ratios of Utilities, Inc., WSC of KY's parent company, are appropriate to use for cost of capital purposes for WSC of KY. The price of service should be cost-based and company-specific to the greatest extent possible and should reflect the mix of capital financing the Company's rate base.

When an operating utility issues its own senior capital in the external capital markets, it is proper for rate of return purposes to use the capital structure ratios

and related senior capital cost rates of the regulated operating utility. However, when the parent provides all of the operating utility's external capital, it is appropriate to employ the capital structure and fixed capital cost rates of the parent and its subsidiaries on a consolidated basis for rate of return purposes if they are reasonable vis-à-vis those maintained by utilities of similar risk and consistent with S&P's financial guideline ratios. Therefore, it is appropriate that the consolidated capital structure ratios of Utilities, Inc. be employed when determining the overall rate of return for WSC of KY.

Q. How does WSC of KY's ratemaking common equity ratio of 44.09%, actual at December 31, 2004 compare with the common equity ratios maintained by the companies in the proxy groups?

A. Given the Company's small size vis-à-vis the companies in the proxy groups as previously discussed, WSC of KY's ratemaking common equity ratio of 44.09%, actual at December 31, 2004, is reasonable to use and consistent with the range of common equity ratios maintained on average, by the companies in the proxy groups of six AUS Utility Reports and three Value Line water companies upon which I base my 11.45% common equity cost rate. The common equity ratios of the six water companies ranged from 36.77% to 50.73% in 2004 and averaged 43.96% as shown on page 3 of Schedule PMA-3. Likewise, the common equity ratios of the three Value Line water companies ranged from 41.39% to 50.73% in 2004 and average 45.64% as shown on page 3 of Schedule PMA-4. As discussed previously, the bond rating process encompasses a qualitative analysis of business and financial risks. Total diversifiable investment risk is the sum of business and financial risks. Given the Company's small size, and hence greater relative business risk, vis-à-vis the proxy companies, its ratemaking common

equity ratio of 44.09% is consistent with that of the proxy companies, given their much larger size and hence lower business risk.

Q. How do WSC of KY's ratemaking capital structure ratios compare with S&P's revised financial guideline ratios?

A. They are reasonable in light of S&P's revised financial guideline ratios of total debt to total capital for utilities with long-term debt rated in the A category and of similar business position as the proxy groups, i.e., "3" (see page 2 of Schedule PMA-10.)

As shown on page 14 of Schedule PMA-2, based upon S&P's revised financial guideline ratios, a utility assigned a business position of "3", like the six AUS Utility Reports and three Value Line water companies and with bonds in the A bond rating category require a total debt to total capital target ratio in the range of 50% to 55%. WSC of KY's ratemaking total debt ratio is 55.91% at December 31, 2004. A total debt ratio of 55.91% falls just slightly above 55%, the top of the range of S&P's revised total debt to total capital target ratio of 50% to 55% for an A rated utility with a business position of "3".

In view of all the foregoing, it is my opinion that a capital structure based upon Utilities, Inc.'s consolidated capital structure at December 31, 2004 comprised of 55.91% total debt and 44.09% common equity is reasonable for WSC of KY. It is reasonable given WSC of KY's small relative size, the fact that all of its external capital is provided by its parent, Utilities, Inc., its consistency with the capital structures maintained, on average, by the water companies in the proxy groups of six AUS Utility Reports and three Value Line water companies, and its consistency with S&P's revised financial target ratios for a water company to obtain and maintain an A bond rating.

IX. LONG-TERM DEBT COST RATE

Q. What composite cost rate for debt is most appropriate for use in a cost of capital determination for WSC of KY?

A. Utilities, Inc.'s consolidated composite debt cost rate of 7.28%, actual at December 31, 2004 is the most appropriate. It is appropriate because it is the embedded debt cost rate associated with WSC of KY's ratemaking debt ratio; i.e., 55.91% based upon its parent's consolidated capital structure.

X. COMMON EQUITY COST RATE MODELS

A. The Efficient Market Hypothesis (EMH)

Q. Are the cost of common equity models you use market-based models, and hence based upon the EMH?

A. Yes. The DCF model is market-based in that market prices are utilized in developing the dividend yield component of the model. The RPM is market-based in that the bond ratings and expected bond yields used in the application of the RPM reflect the market's assessment of risk. In addition, the use of betas to determine the equity risk premium also reflects the market's assessment of risk as betas are derived from regression analyses of market prices. The CAPM is market-based for many of the same reasons that the RPM is market-based i.e., the use of expected bond (Treasury bond) yields and betas. The CEM is market-based in that the process of selecting the comparable risk non-utility companies is based upon statistics which result from regression analyses of market prices. Therefore, all the cost of common equity models I utilize are market-based models,

and hence based upon the EMH.

Q. Please describe the conceptual basis of the EMH.

A. The Efficient Market Hypothesis (EMH), which is the foundation of modern investment theory, was pioneered by Eugene F. Fama[7] in 1970. An efficient market is one in which security prices reflect all relevant information all the time. This implies that prices adjust instantaneously to new information, thus reflecting the intrinsic fundamental economic value of a security.[8]

The essential components of the EMH are:

A. Investors are rational and invest in assets providing the highest expected return given a particular level of risk.

B. Current market prices reflect all publicly available information.

C. Returns are independent i.e., today's market returns are unrelated to yesterday's returns.

D. Capital markets follow a random walk i.e., the probability distribution of expected returns approximates a normal distribution.

Brealey and Myers state:[9]

> When economists say that the security market is 'efficient', they are not talking about whether the filing is up to date or whether desktops are tidy. They mean that information is widely and cheaply available to investors and that all relevant and ascertainable information is already reflected in security prices.

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[7] Fama, Eugene F., "Efficient Capital Markets: A Review of Theory and Empirical Work". Journal of Finance, May 1970, pp. 383-417.

[8] Morin, Roger A., Regulatory Finance - Utilities' Cost of Capital. Public Utility Reports, Inc., Arlington, VA, 1994, p. 136.

[9] Brealey, R.A. and Myers, S.C., Principles of Corporate Finance, McGraw-Hill Publications, Inc., 1996, pp. 323-324.

The three forms of the EMH are:

A. The "weak" form which asserts that all past market prices and data are fully reflected in securities prices i.e., technical analysis cannot enable an investor to "outperform the market".

B. The "semistrong" form which asserts that all publicly available information is fully reflected in securities prices i.e., fundamental analysis cannot enable an investor to "outperform the market".

C. The "strong" form which asserts that all information, both public and private, is fully reflected in securities prices i.e., even insider information cannot enable an investor to "outperform the market".

The "semistrong" form of the EMH is generally held to be true because the use of insider information often enables investors to "outperform the market" and earn excessive returns. The generally-accepted "semistrong" form of the EMH means that all perceived risks are taken into account by investors in the prices they pay for securities. Investors are aware of all publicly-available information, including bond ratings, discussions about companies by bond rating agencies and investment analysts as well as the various cost of common equity methodologies (models) discussed in the financial literature. In an attempt to emulate investor behavior, this means that no single common equity cost rate model should be relied upon in determining a cost rate of common equity and that the results of multiple cost of common equity models should be taken into account.

Q. Is there support in the academic literature for the need to rely upon more than one cost of common equity model in arriving at a recommended common equity cost rate?

A. Yes. For example, Phillips[10] states:

[10] Charles F. Phillips, Jr., The Regulation of Public Utilities-Theory and Practice, 1993, Public Utility Reports, Inc., Arlington, VA, p. 396, 398.

> Since regulation establishes a level of authorized earnings which, in turn, implicitly influences dividends per share, *estimation of the growth rate from such data is an inherently circular process. For these reasons, the DCF model "suggests a degree of precision which is in fact not present" and leaves "wide room for controversy and argument about the level of k" [investors' capitalization or discount rate, i.e., the cost of capital].* (italics added) (p. 396)

* * *

> Despite the difficulty of measuring relative risk, the comparable earnings standard is no harder to apply than is the market-determined standard. The DCF method, to illustrate, requires a subjective determination of the growth rate the market is contemplating. Moreover, as Leventhal has argued: *'Unless the utility is permitted to earn a return comparable to that available elsewhere on similar risk, it will not be able in the long run to attract capital.'* (italics added) (p. 398)

Also, Morin[11] states:

> Sole reliance on the DCF model ignores the capital market evidence and financial theory formalized in the CAPM and other risk premium methods. The DCF model is one of many tools to be employed in conjunction with other methods to estimate the cost of equity. *It is not a superior methodology that supplants other financial theory and market evidence. The broad usage of the DCF methodology in regulatory proceedings does not make it superior to other methods.* (italics added) (Morin, pp. 231-232)

> Each methodology requires the exercise of considerable judgment on the reasonableness of the assumptions underlying the methodology and on the reasonableness of the proxies used to validate a theory. *The failure of the traditional infinite growth DCF model to account for changes in relative market valuation, discussed above, is a vivid example of the potential shortcomings of the DCF model when applied to a given company. It follows that more than one methodology should be employed in arriving at a judgment on the cost of equity and that these methodologies should be applied across a series of comparable risk companies. ...Financial literature supports the use of multiple methods.* (italics added) (Morin, p. 239)

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[11] Roger A. Morin, Regulatory Finance-Utilities' Cost of Capital, 1994, Public Utilities Reports, Inc., Arlington, VA, pp. 231-232, 239-240.

Professor Eugene Brigham, a widely respected scholar and finance academician asserted:

> *In practical work, it is often best to use all three methods -CAPM, bond yield plus risk premium, and DCF* - and then apply judgement when the methods produce different results. People experienced in estimating capital costs recognize that both careful analysis and very fine judgements are required. It would be nice to pretend that these judgements are unnecessary and to specify an easy, precise way of determining the exact cost of equity capital. Unfortunately, this is not possible. (italics added) (Morin, pp. 239-240)

Another prominent finance scholar, Professor Stewart Myers, in his best-selling corporate finance textbook stated:

> *The constant growth formula and the capital asset pricing model are two different ways of getting a handle on the same problem.* (italics added) (Morin, p. 240)

In an earlier article, Professor Myers explained the point more fully:

> Use more than one model when you can. Because estimating the opportunity cost of capital is difficult, only a fool throws away useful information. That means you should not use any one model or measure mechanically and exclusively. Beta is helpful as one tool in a kit, to be used in parallel with DCF models or other techniques for interpreting capital market data. (Morin, p. 240)

In view of the foregoing, it is clear that investors are aware of all of the models available for use in determining a common equity cost rate. The EMH requires the assumption that, collectively, investors use them all.

B. Discounted Cash Flow Model (DCF)

1. Theoretical Basis

Q. What is the theoretical basis of the DCF model?

A. The theory of the DCF model is that the present value of an expected future stream

of net cash flows during the investment holding period can be determined by discounting the cash flows at the cost of capital, or the capitalization rate. DCF theory suggests that an investor buys a stock for an expected total return rate which is expected to be derived from cash flows received in the form of dividends plus appreciation in market price (the expected growth rate). Thus, the dividend yield on market price plus a growth rate equals the capitalization rate, i.e., the total return rate expected by investors.

Q. Please comment on the applicability of the DCF model in establishing a cost of common equity for WSC of KY.

A. The extent to which the DCF is relied upon should depend upon the extent to which the cost rate results differ from those resulting from the use of other cost of common equity models because the DCF model has a tendency to mis-specify investors' required return rate when the market value of common stock differs significantly from its book value. Market values and book values of common stocks are seldom at unity. The market-based DCF model will result in a total annual dollar return on book common equity equal to the total annual dollar return expected by investors only when market and book values are equal, a rare and unlikely situation. In recent years, the market values of utilities' common stocks have been well in excess of their book values as shown on page 1 of Schedule PMA-3 ranging between 191.35% and 232.50% for the proxy group of six AUS Utility Reports water companies and between 206.93% and 225.26% for the proxy group of three Value Line (Std. Ed.) water companies as shown on page 1 of Schedule PMA-4.

Mathematically, the DCF model understates/overstates investors' required return rate when market value exceeds/is less than book value because, in many

instances, market prices reflect investors' assessments of long-range market price growth potentials (consistent with the infinite investment horizon implicit in the standard regulatory version of the DCF model) not fully reflected in analysts' shorter range forecasts of future growth for earnings per share (EPS) and dividends per share (DPS) accounting proxies. This indicates the need to better match market prices with investors' longer range growth expectations embedded in those prices. However, the understatement/overstatement of investors' required return rate associated with the application of the market price-based DCF model to the book value of common equity clearly illustrates why reliance upon a single common equity cost rate model should be avoided.

2. Applicability of a Market-Based Common Equity Cost Rate to a Book Value Rate Base

Q. Is it reasonable to expect the market values of utilities' common stocks to continue to sell well above their book values?

A. Yes. I believe that the common stocks of utilities will continue to sell substantially above their book values, because many investors, especially individuals who traditionally committed less capital to the equity markets, will likely continue to commit a greater percentage of their available capital to common stocks in view of lower interest rate alternative investment opportunities and to provide for retirement. The recent past and current capital market environment is in stark contrast to the late 1970's and early 1980's when very high (by historical standards) yields on secured debt instruments in public utilities were available. Despite the fact that the market declined significantly during late 2001 through 2003, following the September 11, 2001 tragedy, utility stocks have continued to sell at market prices well above their book values. The significant recent increases in market-to-book ratios have been influenced by factors other than

fundamentals such as actual and reported growth in earnings per share (EPS) and dividends per share (DPS).

Traditional rate base/rate of return regulation, where a market-based common equity cost rate is applied to a book value rate base, presumes that market-to-book ratios are one. However, there is ample empirical evidence over sustained periods which demonstrate that this is an *incorrect presumption.* Market-to-book ratios of one are rarely the case as there are many factors affecting the market price of common stocks, in addition to earnings. Moreover, allowed ROEs have a limited effect on utilities' market/book ratios as market prices of common stocks are influenced by a number of other factors beyond the direct influence of the regulatory process.

For example, Phillips[12] states:

> Many question the assumption that market price should equal book value, believing that 'the earnings of utilities should be sufficiently high to achieve market-to-book ratios which are consistent with those prevailing for stocks of unregulated companies.'

In addition, Bonbright[13] states:

> In the first place, commissions cannot forecast, except within wide limits, the effect their rate orders will have on the market prices of the stocks of the companies they regulate. In the second place, *whatever the initial market prices may be, they are sure to change not only with the changing prospects for earnings, but with the changing outlook of an inherently volatile stock market.* In short, market prices are beyond the control, though not beyond the influence of rate regulation. Moreover, even if a commission did possess the power of control, any attempt to exercise it ... would result in harmful, uneconomic shifts in public utility rate levels. (italics added)

In view of the foregoing, a mismatch results in the application of the DCF

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[12] Id., at p. 395.

[13] James C. Bonbright, Albert L. Danielsen and David R. Kamerschen, Principles of Public Utility Rates, 1988, Public Utilities Reports, Inc., Arlington, VA, p. 334.

model as market prices reflect long range expectations of growth in market prices (consistent with the presumed infinite investment horizon of the standard DCF model), while the short range forecasts of growth in accounting proxies, i.e., EPS and DPS, do not reflect the full measure of growth (market price appreciation) expected in per share market value.

Q. Please explain why a DCF-derived common equity cost rate mis-specifies investors' expected common equity cost rate when the market/book ratio is greater or less than unity (100%).

A. Under the DCF model, the rate of return investors require is related to the price paid for a stock i.e., market price is the basis upon which they formulate the required rate of return. A regulated utility is limited to earning on its net book value (depreciated original cost) rate base. As discussed previously, market values differ from book values for many reasons unrelated to earnings. Thus, when market values differ significantly from book values, a market-based DCF cost rate applied to the book value of common equity will not accurately reflect investors' expected common equity cost rate. It will either overstate or understate investors' expected common equity cost rate (without regard to any adjustment for flotation costs which may, at times, be appropriate on an ad hoc basis) depending upon whether market value is less than or greater than book value.

Schedule PMA-5 demonstrates how a market-based DCF cost rate applied to a book value which is either below or above market value will either understate or overstate investors' expectations because these expectations are based on a required return on market value. As shown, there is no realistic

opportunity to earn the market-based rate of return on book value. Note that in Column 1, investors expect a 10.00% return on a market price of $24.00. Moreover, as shown in Column 2, when the 10.00% return rate on market value is applied to book value which is approximately 55.5% of market value, the total annual return opportunity is just $1.333 on book value. With an annual dividend of $0.840, there is an opportunity for growth of $0.493 which translates to just 2.05% in contrast to the 6.50% growth in market price expected by investors. There is no way to possibly achieve the expected growth of $1.560 or 6.50% absent a huge cut in the annual dividend, an unreasonable expectation which would result in an extremely adverse reaction by investors because it would be a sign of extreme financial distress.

Conversely, in Column 3, where the market-to-book ratio is 80%, when the 10.00% return rate on market value is applied to a book value which is approximately 25.0% greater than market value, the total annual return opportunity is $3.000 on book value with an annual dividend of $0.840, there is an opportunity for growth of $2.160 which translates to 9.00% in contrast to the 6.50% growth in market price expected by investors.

In view of the foregoing, it is clear that the DCF model either understates or overstates investors' required cost of common equity capital when market values exceed or are less than their underlying book values and thus multiple cost of common equity models should be relied upon when estimating investors' expectations.

Q. Have any commissions explicitly stated that the DCF model should not be relied upon exclusively?

A. Yes. As stated previously, the majority of regulatory commissions rely upon a

combination of the various cost of common equity models available.

Specifically, the Iowa Utilities Board (IUB) has recognized the tendency of the DCF model to understate investors' expected cost of common equity capital when market values are significantly above their book values. In its June 17, 1994 Final Decision and Order in Re U.S. West Communications, Docket No. RPU-93-9 the IUB stated:[14]

> While the Board has relied in the past on the DCF model, in *Iowa Electric Light and Power Company*, Docket No. RPU-89-9, "Final Decision and Order" (October 15, 1990), the Board stated: '[T]he DCF model may understate the return on equity in some circumstances. This is particularly true when the market is relatively volatile and the company in question has a market-to-book ratio in excess of one." Those conditions exist in this case and the Board will not rely on the DCF return. (Consumer Advocate Ex. 367, See Tr. 2208, 2250, 2277, 2283-2284). *The DCF approach underestimates the cost of equity needed to assure capital attraction during this time of market uncertainty and volatility. The board will, therefore, give preference to the risk premium approach.* (italics added)

Similarly, in 1994, the Indiana Utility Regulatory Commission (IURC), for example, recognized the tendency of the DCF model to understate the cost of equity when market value exceeds book value[15]:

> In determining a common equity cost rate, we must again recognize the tendency of the traditional DCF model, . . . to understate the cost of common equity. As the Commission stated in Indiana-Mich. Power Co. (BPU 8/24/90), Cause No. 38728, 116 PUR 4th 1, 17-18, *"the unadjusted DCF result is almost always well below what any informed financial analyst would regard as defensible, and therefore, requires an upward adjustment based largely on the expert witness's judgement."* (italics added)

* * *

[14] Re: U.S. West Communications, Inc., Docket No. RPU-93-9, 152 PUR4th at 459.

[15] Re: Indiana-American Water Company, Inc., Cause No. 39595, 150 PUR4th at 167-168.

> [u]nder the traditional DCF model . . . the appropriate earnings level of the utility would not be derived by applying the DCF result to the market price of the Company's stock . . . it would be applied to the utility's net original cost rate base. *If the market price of the stock exceeds its book value, . . . the investor will not achieve the return which the model finds is necessary.* (italics added)

Also, the Hawaii Public Utilities Commission (HPUC) recognized this phenomenon in a decision dated June 30, 1992[16] in a case regarding Hawaiian Electric Company, Inc., when it stated:

> In this docket, as in other rate proceedings, experts disagree on the relative merits of the various methods of determining the cost of common equity. In this docket, HECO is particularly critical of the use of the constant growth DCF methodology. It asserts that method is imbued with downward bias and, thus, its use will understate common equity cost. *We are cognizant of the shortcomings of the DCF method.* There are, however, shortcomings to be found with the use of CAPM and the RP methods as well. We reiterate that, despite the problems with the use of any methodology, *all methods should be considered and that the DCF method and the combined CAPM and RP methods should be given equal weight.* (italics added)

Q. Do other cost of common equity models contain unrealistic assumptions and have shortcomings?

A. Yes. That is why I am not recommending that any of the models be relied upon exclusively. I have focused on the shortcomings of the DCF model because some regulatory commissions still place excessive or exclusive reliance upon it. Although the DCF model is useful, it is not a superior methodology that supplants financial theory and market evidence based upon other valid cost of common equity models. For these reasons, no model, including the DCF, should be relied

[16] Re: Hawaiian Electric Company, Inc., Docket No. 6998, 134 PUR4th at 479.

upon exclusively.

3. Application of the Single-Stage DCF Model

a. Dividend Yield

Q. Please describe the dividend yield you used in your application of the DCF model.

A. The unadjusted dividend yields are based upon an average of a recent spot date (June 20, 2005) as well as an average of the three months ended May 31, 2005, respectively, which are shown on Schedule PMA-7. The average unadjusted yield is 3.0% for the six AUS Utility Reports water companies and 2.8% for the three Value Line (Std. Ed.) water companies.

b. Discrete Adjustment of Dividend Yield

Q. Please explain the dividend growth component shown on Schedule PMA-6, pages 1 and 2, Column 2.

A. Because dividends are paid quarterly, or periodically, as opposed to continuously (daily), an adjustment to the dividend yield must be made. This is often referred to as the discrete, or the Gordon Periodic, version of the DCF model.

Since the various companies in the proxy group increase their quarterly dividend at various times during the year, a reasonable assumption is to reflect one-half the annual dividend growth rate in the D_1 expression, or $D_{1/2}$. This is a conservative approach which does not overstate the dividend yield which should be representative of the next twelve-month period. Therefore, the actual average dividend yields in Column 1 on Schedule PMA-6 have been adjusted upward to reflect one-half the growth rates shown in Column 4.

c. Selection of Growth Rates for Use in the Single-Stage DCF Model

Q. Please explain the basis of the growth rates of the proxy group of six AUS Utility Reports water companies and the proxy group of three Value Line (Std. Ed.) water companies which you use in your application of the DCF model.

A. Schedule PMA-8 indicates that 79.2% of the common shares of the proxy group of six AUS Utility Reports water companies and 69.4% of the common shares of the proxy group of three Value Line (Std. Ed.) water companies are held by individuals as opposed to institutional investors. Individual investors are particularly likely to place great significance on the opinions expressed by financial information services, such as Value Line and Thomson FN/First Call, which are easily accessible and/or available on the Internet.

Forecasts by analysts, including Value Line, are typically limited to five years. In my opinion, I believe that investors in water utilities would have little interest in historical growth rates beyond the most recent five years because an historical five-year period balances the five-year period for projected growth rates. Consequently, the use of five-year historical and five-year projected growth rates in earnings per share (EPS) and dividends per share (DPS) as well as the sum of internal and external growth in per share value (BR + SV) is appropriate to consider in the determination of a growth rate for use in this application of the DCF model. In addition, investors realize that analysts have significant insight into the dynamics of the industries and they analyze individual companies as well as companies' abilities to effectively manage the effects of changing laws and regulations. Consequently, I have reviewed analysts' projected growth in EPS, as well as historical and projected five-year compound growth rates in EPS, DPS and (BR + SV) for each company in each proxy group.

The historical growth rates are from Value Line or are calculated in a manner similar to Value Line, while the projected growth rates in earnings are from Value Line and Thomson FN/First Call forecasts. Thomson FN/First Call growth rate estimates are not available for DPS and internal growth, and they do not include the Value Line projections.

In addition to evaluating EPS and DPS growth rates, it is reasonable to assume that investors also assess (BR + SV). The concept is based on well documented financial theory that future dividend growth is a function of the portion of the overall return to investors which is reinvested in the firm plus the sales of new common stock. Consequently, the growth component as proxied by internal and external growth is defined as follows:

$$g = BR + SV$$

Where:

B = the fraction of earnings retained by the firm, i.e., retention ratio

R = the return on common equity

S = the growth in common shares outstanding

V = the premium/discount of a company's stock price relative to its book value, i.e., one minus the complement of the market/book ratio.

Consistent with the use of five-year historical and five-year projected growth rates in EPS and DPS, I have derived five-year historical and five-year projected (BR + SV) growth. Projected EPS growth rate averages are shown in Column 4 on the lower half of Schedule PMA-6, while historical and projected growth in DPS, EPS, and BR + SV is shown in Column 4 on the upper half of Schedule PMA-6. The bases of these growth rates are summarized for the companies in each proxy group on page 1, Schedule PMA-9. Supporting growth rate data are detailed on pages 2 through 9 of Schedule PMA-9, while pages 8

through 12 contain all of the most current Value Line Investment Survey data for the companies in both proxy groups.

d. Conclusion of Single-Stage Cost Rates

Q. Please summarize the single-stage growth DCF model results.

A. As shown on Schedule PMA-6, the results of the applications of the single-stage DCF model are 9.9% for the proxy group of six AUS Utility Reports water companies and 10.1% for the proxy group of three Value Line (Std. Ed.) water companies. In arriving at conclusions of indicated common equity cost rates for the two proxy groups, I included only those single-stage DCF results which are 8.3% or greater, i.e., 200 basis points above the average prospective yield on Moody's A rated public utility bonds of 6.3% based upon Blue Chip Financial Forecasts' June 1, 2005 consensus forecast of about 50 economists of the expected yield on Aaa rated corporate bonds as discussed subsequently and derived in Note 3 on page 6 of Schedule PMA-10. As will also be discussed subsequently, it is necessary to adjust the average Aaa rated corporate bond yield to be equivalent to a Moody's A2 rated public utility bond. As detailed in Note 2 on page 1 of Schedule PMA-10, an adjustment to the average prospective yield on Aaa rated corporate bonds of 0.4% was required. Thus, the average prospective yield on Moody's A rated public utility bonds is 6.3%.

Based upon a review of recent authorized returns on common equity (ROE) in Kentucky vis-à-vis concurrent estimates of the forecasted average yield on A rated public utility bonds, I determined that the equity risk premium implicit in recent KYPSC authorized ROEs is between 323 and 339 basis points. In addition, the equity risk premium implicit in all regulatory awarded returns on common equity for January 2005 through June 2005, ranged from 310 to 527

basis points, averaging 380 basis points. In accordance with the EMH, investors are aware of these implicit equity risk premia and, in my opinion, would not consider returns providing an equity risk premium of only 200 basis points either reasonable or credible. Therefore, it is reasonable, if not conservative, to eliminate any single-stage DCF results which are no more than 200 basis points above the current prospective average yield on A rated public utility bonds of 6.3%.

4. Conclusion of DCF Cost Rates

Q. Please summarize the DCF model results.

A. As shown on Schedule PMA-6, the results of the applications of the DCF model are 9.9% for the proxy group of six AUS Utility Reports water companies and 10.1% for the proxy group of three Value Line (Std. Ed.) water companies.

C. The Risk Premium Model (RPM)

1. Theoretical Basis

Q. Please describe the theoretical basis of the RPM.

A. Risk Premium theory indicates that the cost of common equity capital is greater than the prospective company-specific cost rate for long-term debt capital. In other words, the cost of common equity equals the expected cost rate for long-term debt capital plus a risk premium to compensate common shareholders for the added risk of being unsecured and last-in-line for any claim on the corporation's assets and earnings.

Q. Some analysts state that the RPM is another form of the CAPM. Do you agree?

A. While there are some similarities, there is a very significant distinction between the two models. The RPM and CAPM both add a "risk premium" to an interest rate. However, the beta approach to the determination of an equity risk premium in the RPM should not be confused with the CAPM. Beta is a measure of systematic, or market, risk, a relatively small percentage of total risk (the sum of both non-diversifiable systematic and diversifiable unsystematic risk). Unsystematic risk is fully captured in the RPM through the use of the prospective long-term bond yield as can be shown by reference to pages 3 through 9 of Schedule PMA-2, which confirm that the bond rating process involves an assessment of all business and financial risks. In contrast, the use of a risk-free rate of return in the CAPM does not, and by definition cannot, reflect a company's specific i.e., unsystematic risk. Consequently, a much larger portion of the total common equity cost rate is reflected in the company-specific bond yield (a product of the bond rating) than is reflected in the risk-free rate in the CAPM, or indeed even by the dividend yield employed in the DCF model. Moreover, the financial literature recognizes the RPM and CAPM as two separate and distinct cost of common equity models as discussed previously.

Q. Have you performed RPM analyses of common equity cost rate for the two proxy groups?

A. Yes. The results of my application of the RPM are summarized on page 1 of Schedule PMA-10. On Line No. 3, page 1, Schedule PMA-10, I show the average expected yield on A rated public utility bonds of 6.3%. On Line No. 4, I show the adjustments, if necessary, that need to be made to the average 6.3% expected A rated utility bond yield so that the expected yields of 6.3% in Line No.

5 is reflective of the average Moody's bond rating of A2 for both the proxy groups of six AUS Utility Reports' water companies and the three Value Line (Std. Ed.) water companies. On Line No. 6 of page 1, my conclusions of an equity risk premium applicable to each proxy group are shown, while the total risk premium common equity cost rates are shown on Line No. 7.

2. Estimation of Expected Bond Yield

Q. Please explain the basis of the expected bond yield of 6.5% applicable to the average company in both proxy groups.

A. Because the cost of common equity is prospective, a prospective yield on similarly-rated long-term debt is essential. As shown on Schedule PMA-10, page 2, the average Moody's bond rating of both proxy groups is A2. I relied upon a consensus forecast of about 50 economists of the expected yield on Aaa rated corporate bonds for the six calendar quarters ending with the third calendar quarter of 2006 as derived from the June 1, 2005 Blue Chip Financial Forecasts (shown on page 7 of Schedule PMA-10). As shown on Line No. 1 of page 1 of Schedule PMA-10, the average expected yield on Moody's Aaa rated corporate bonds is 5.9%. It is necessary to adjust that average yield to be equivalent to a Moody's A2 rated public utility bond. Consequently, an adjustment to the average prospective yield on Aaa rated corporate bonds of 0.4% was required. It is shown on Line No. 2, page 1 of Schedule PMA-10 and explained in Note 2 at the bottom of the page. After adjustment, the expected bond yield applicable to a Moody's A rated public utility bond is 6.3% as shown on Line No. 3, page 1 of Schedule PMA-10.

Because both the proxy group of six AUS Utility Reports water companies' and the proxy group of three Value Line (Std. Ed.) water companies'

average Moody's bond rating is A2, no adjustment is necessary to make the prospective bond yield applicable to an A2 public utility bond. Therefore, the expected specific bond yield is 6.3% for both proxy groups of water companies.

3. Estimation of the Equity Risk Premium

Q. Please explain the method utilized to estimate the equity risk premium.

A. I evaluated the results of two different historical equity risk premium studies, as well as Value Line's forecasted total annual market return in excess of the prospective yield on high grade corporate bonds, as detailed on pages 5, 6 and 8 of Schedule PMA-10. As shown on Line No. 3, page 5 of Schedule PMA-12, the mean equity risk premium based on both of the studies is 4.3% applicable to the proxy group of six AUS Utility Reports water companies and 4.5% applicable to the proxy group of three Value Line (Std. Ed.) water companies. These estimates are the result of an average of a beta-derived historical equity risk premium and a forecasted total market equity risk premium as well as the mean historical equity risk premium applicable to public utilities with bonds rated A based upon holding period returns.

The basis of the beta-derived equity risk premia applicable to the proxy groups is shown on page 6 of Schedule PMA-10. Beta-determined equity risk premia should receive substantial weight because betas are derived from the market prices of common stocks over a recent five-year period. Beta is a meaningful measure of prospective relative risk to the market as a whole and is a logical means by which to allocate a relative share of the market's total equity risk premium.

The total market equity risk premium utilized is 6.4% and is based upon an average of both the long-term historical and forecasted market risk premia of

6.3% and 6.5%, respectively, as shown on page 6 of Schedule PMA-10. To derive the historical market equity risk premium, I used the most recent Ibbotson Associates' data on holding period returns for the S&P 500 Composite Index and the average historical yield on Moody's Aaa and A rated corporate bonds for the period 1926-2004. The use of holding period returns over a very long period of time is useful in the beta approach. As Ibbotson Associates'[17] Valuation Edition 2005 Yearbook states:

> The estimate of the equity risk premium depends on the length of the data series studied. A proper estimate of the equity risk premium requires a data series long enough to give a reliable average without being unduly influenced by very good and very poor short-term returns. When calculated using a long data series, the historical equity risk premium is relatively stable.[5] Furthermore, because an average of the realized equity risk premium is quite volatile when calculated using a short history, using a long series makes it less likely that the analyst can justify any number he or she wants. The magnitude of how shorter periods can affect the result will be explored later in this chapter.
>
> Some analysts estimate the expected equity risk premium using a shorter, more recent time period on the basis that recent events are more likely to be repeated in the near future; furthermore, they believe that the 1920s, 1930s and 1940s contain too many unusual events. This view is suspect because all periods contain "unusual" events. Some of the most unusual events this century took place quite recently, including the inflation of the late 1970s and early 1980s, the October 1987 stock market crash, the collapse of the high-yield bond market, the major contraction and consolidation of the thrift industry, the collapse of the Soviet Union, and the development of the European Economic Community – all of these happened in the last 30 years.
>
> It is even difficult for economists to predict the economic environment of the future. For example, if one were analyzing the stock market in 1987 before the crash, it would be statistically improbable to predict the impending short-term volatility without considering the stock market crash and market volatility of the

[17] Ibbotson Associates, Stocks, Bonds, Bills and Inflation – Valuation Edition 2005 Yearbook, pp. 80-81.

1929-1931 period.

> Without an appreciation of the 1920s and 1930s, no one would believe that such events could happen. The 79-year period starting with 1926 is representative of what can happen: it includes high and low returns, volatile and quiet markets, war and peace, inflation and deflation, and prosperity and depression. Restricting attention to a shorter historical period underestimates the amount of change that could occur in a long future period. Finally, because historical event-types (not specific events) tend to repeat themselves, long-run capital market return studies can reveal a great deal about the future. Investors probably expect "unusual" events to occur from time to time, and their return expectations reflect this. (footnote omitted)

In addition, the use of long-term data in a RPM model is consistent with the long-term investment horizon presumed by the DCF model. Consequently, the long-term arithmetic mean total return rates on the market as a whole of 12.4% and the long-term arithmetic mean yield on corporate bonds of 6.1% were used, as shown at Line Nos. 1 and 2 of page 6 of Schedule PMA-10. As shown on Line No. 3 of page 6, the resultant long-term historical equity risk premium on the market as a whole is 6.3%.

I used arithmetic mean return rates because they are appropriate for cost of capital purposes. As Ibbotson Associates state in their Valuation Edition 2005 Yearbook[18]:

> The equity risk premium data presented in this book are arithmetic average risk premia as opposed to geometric average risk premia. The arithmetic average equity risk premium can be demonstrated to be most appropriate when discounting future cash flows. For use as the expected equity risk premium in either the CAPM or the building block approach, the arithmetic mean or the simple difference of the arithmetic means of stock market returns and riskless rates is the relevant number. This is because both the CAPM and the building block approach are additive models, in which the cost of capital is the sum of its parts. The geometric

[18] Id., p. 75.

> average is more appropriate for reporting past performance, since it represents the compound average return.
>
> The argument for using the arithmetic average is quite straightforward. In looking at projected cash flows, the equity risk premium that should be employed is the equity risk premium that is expected to actually be incurred over the future time periods. Graph 5-3 shows the realized equity risk premium for each year based on the returns of the S&P 500 and the income return on long-term government bonds. (The actual, observed difference between the return on the stock market and the riskless rate is known as the realized equity risk premium.) There is considerable volatility in the year-by-year statistics. At times the realized equity risk premium is even negative.

As Ibbotson Associates[19] states in their 1999 Yearbook:

> The expected equity risk premium should always be calculated using the arithmetic mean. The arithmetic mean is the rate of return which, when compounded over multiple periods, gives the mean of the probability distribution of ending wealth values....Stated another way, the arithmetic mean is correct because an investment with uncertain returns will have a higher expected ending wealth value than an investment which earns, with certainty, its compound or geometric rate of return every year....*Therefore, in the investment markets, where returns are described by a probability distribution, the arithmetic mean is the measure that accounts for uncertainty, and is the appropriate one for estimating discount rates and the cost of capital.* (italics added)

Ex-post (historical) total returns and equity risk premium spreads differ in size and direction over time. This is precisely why the arithmetic mean is important as it provides insight into the variance and standard deviation of returns. This prospect for variance, as captured in the arithmetic mean, provides the valuable insight needed by investors to estimate future risk when making a current investment. Absent such valuable insight into the potential variance of returns, investors cannot meaningfully evaluate prospective risk. As discussed previously, all of the cost of common equity models, including the DCF, are

[19] Ibbotson Associates, Stocks, Bonds, Bills and Inflation - 1999 Yearbook, pp. 157-158.

premised upon the EMH, that all publicly available information is reflected in the market prices paid. If investors relied upon the geometric mean of ex-post spreads, they would have no insight into the potential variance of future returns because the geometric mean relates the change over many periods to a constant rate of change, thereby obviating the year-to-year fluctuations, or variance, *critical to risk analysis*.

The basis of the forecasted market equity risk premium can be found on Line Nos. 4 through 6 on page 6 of Schedule PMA-10. It is derived from an average of the most recent 3-month (using the months of March through May 2005) and a recent spot (June 17, 2005) median market price appreciation potentials by Value Line as explained in detail in Note 1 on page 3 of Schedule PMA-11. The average expected price appreciation is 50% which translates to 10.67% per annum and, when added to the average (similarly calculated) dividend yield of 1.69% equates to a forecasted annual total return rate on the market as a whole of 12.36%, rounded to 12.4%. Thus, this methodology is consistent with the use of the 3-month and spot dividend yields in my application of the DCF model. To derive the forecasted total market equity risk premium of 6.5% shown on Schedule PMA-10, page 6, Line No. 6, the June 1, 2005 forecast of about 50 economists of the expected yield on Moody's Aaa rated corporate bonds for the six calendar quarters ending with the third calendar quarter 2006 of 5.9% from Blue Chip Financial Forecasts was deducted from the Value Line total market return of 12.4%. The calculation resulted in an expected market risk premium of 6.5%.

The average of the historical and projected market equity risk premia of 6.3% and 6.5% is 6.4%.

On page 9 of Schedule PMA-10, the most current Value Line (Standard Edition) betas for the companies in the two proxy groups are shown. Applying

the average beta of each proxy group to the average market equity risk premium of 6.4% results in a beta adjusted equity risk premium of 4.4% for the proxy group of six AUS Utility Reports water companies and 4.7% for the proxy group of three Value Line (Std. Ed.) water companies as shown on Schedule PMA-10, page 6, Line No. 9.

A mean equity risk premium of 4.2% applicable to companies with A rated public utility bonds was calculated based upon holding period returns from a study using public utilities, as shown on Line No. 2, page 5 of Schedule PMA-10, and detailed on page 8 of the same schedule.

The equity risk premia applicable to the proxy group of six AUS Utility Reports water companies and the proxy group of three Value Line (Std. Ed.) water companies are the averages of the beta-derived premia and that based upon the holding period returns of public utilities with A rated bonds, as summarized on Schedule PMA-10, page 5, i.e., 4.3% and 4.5%.

Q. What are the RPM calculated common equity cost rates?

A. They are 10.6% for the six AUS Utility Reports water companies and 10.8% for the three Value Line (Std. Ed.) water companies as shown on Schedule PMA-10, page 1.

Q. Some critics of the RPM model claim that its weakness is that it presumes a constant equity risk premium. Is such a claim valid?

A. No. The equity risk premium varies inversely with interest rate changes, although not in tandem with those changes. This presumption of a constant equity risk premium is no different than the presumption of a constant "g", or

growth component, in the DCF model. If one calculates a DCF cost rate today, the absolute result "k", as well as the growth component "g", would invariably differ from a calculation made just one or several months earlier. This implies that the "g" does change, although in the application of the standard DCF model, the "g" is presumed to be constant. Hence, there is no difference between the RPM and DCF models in that both models assume a constant component, but in reality, these components, the "g" and the equity risk premium both change.

As Morin[20] states with respect to the DCF model:

> It is not necessary that *g* be constant year after year to make the model valid. *The growth rate may vary randomly around some average expected value. Random variations around trend are perfectly acceptable, as long as the mean expected growth is constant.* The growth rate must be 'expectationally constant' to use formal statistical jargon. (italics added)

The foregoing confirms that the RPM is similar to the DCF model. Both assume an "expectationally constant" risk premium and growth rate, respectively, but in reality both vary (change) randomly around an arithmetic mean. Consequently, the use of the arithmetic mean, and not the geometric mean is confirmed as appropriate in the determination of an equity risk premium as discussed previously.

D. The Capital Asset Pricing Model (CAPM)

1. Theoretical Basis

Q. Please explain the theoretical basis of the CAPM.

A. CAPM theory defines risk as the covariability of a security's returns with the

[20] Id., p. 111.

market's returns. This covariability is measured by beta ("β"), an index measure of an individual security's variability relative to the market. A beta less than 1.0 indicates lower variability while a beta greater than 1.0 indicates greater variability than the market.

The CAPM assumes that all other risk, i.e., all non-market or unsystematic risk, can be eliminated through diversification. The risk that cannot be eliminated through diversification is called market, or systematic, risk. The CAPM presumes that investors require compensation for risks that cannot be eliminated through diversification. Systematic risks are caused by macroeconomic and other events that affect the returns on all assets. Essentially, the model is applied by adding a risk-free rate of return to a market risk premium. This market risk premium is adjusted proportionately to reflect the systematic risk of the individual security relative to the market as measured by beta. The traditional CAPM model is expressed as:

$$R_s = R_f + \beta(R_m - R_f)$$

Where:	R_s	=	Return rate on the common stock
	R_f	=	Risk-free rate of return
	R_m	=	Return rate on the market as a whole
	β	=	Adjusted beta (volatility of the security relative to the market as a whole)

Numerous tests of the CAPM have confirmed its validity. These tests have measured the extent to which security returns and betas are related as predicted by the CAPM. However, Morin observes that while the results support the notion that beta is related to security returns, it has been determined that the empirical Security Market Line (SML) described by the CAPM is not as steeply

sloped as the predicted SML. Morin[21] states:

> With few exceptions, the empirical studies agree that ... low-beta securities earn returns somewhat higher than the CAPM would predict, and high-beta securities earn less than predicted.
>
> * * *
>
> Therefore, the empirical evidence suggests that the expected return on a security is related to its risk by the following approximation:
>
> $$K = R_F + x\,\beta(R_M - R_F) + (1-x)\ \beta(R_M - R_F)$$
>
> where x is a fraction to be determined empirically. ...the value of x that best explains the observed relationship is between 0.25 and 0.30. If x = 0.25, the equation becomes:
>
> $$K = R_F + 0.25(R_M - R_F) + 0.75\,\beta(R_M - R_F)$$ [22]

In view of theory and practical research, I have applied both the traditional CAPM and the empirical CAPM to the companies in the proxy groups and averaged the results.

2. Risk-Free Rate of Return

Q. Please describe your selection of a risk-free rate of return.

A. My applications of the traditional and empirical CAPM are summarized on Schedule PMA-11, page 1. As shown on Line Nos. 1 and 4, the risk-free rate adopted for both applications is 5.2%. It is based upon the average consensus forecast of the reporting economists in the June 1, 2005 Blue Chip Financial Forecasts as shown in Note 2, page 4, of the expected yields on long-term U.S.

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[21] Id., at p. 321.

[22] Id., at pp. 335-336.

Treasury bonds for the six quarters ending with the third calendar quarter 2006.

Q. Why is the prospective yield on long-term U.S. Treasury Bonds appropriate for use as the risk-free rate?

A. The yield on long-term T-Bonds is almost risk-free and its term is consistent with the long-term cost of capital to public utilities measured by the yields on A rated public utility bonds, and is consistent with the long-term investment horizon inherent in utilities' common stocks. Therefore, it is consistent with the long-term investment horizon presumed in the standard DCF model employed in regulatory ratemaking. Moreover, Morin[23] states:

> Equity investors generally have an investment horizon far in excess of fifty days. More importantly, the short-term T-bill yields reflect the impact of factors different from those influencing long-term securities, such as common stock. For example, the premium for expected inflation absorbed into 90-day Treasury bills is likely to be far different than the inflationary premium absorbed into long-term securities yields. The yields on long-term Treasury bonds match more closely with common stock returns. *For investors with a long time horizon, a long-term government bond is almost risk-free.* (italics added)

In addition, Ibbotson Associates note in their Valuation Edition 2005 Yearbook[24]

> The horizon of the chosen Treasury security should match the horizon of whatever is being valued. When valuing a business that is being treated as a going concern, the appropriate Treasury yield should be that of a long-term Treasury bond. Note that the horizon is a function of the investment, not the investor. If an investor plans to hold stock in a company for only five years, the

[23] Id., at p. 308.

[24] Id., p. 57.

yield on a five-year Treasury Note would not be appropriate since the Company will continue to exist beyond those five years.

In conclusion, the average expected yield on long-term Treasury Bonds is the appropriate proxy for the risk-free rate in the CAPM because it is less volatile than yields on Treasury Bills, is almost risk-free as noted by Morin above and is consistent with the long-term investment horizon implicit in common stocks.

3. Market Equity Risk Premium

Q. Please explain the estimation of the expected equity risk premium for the market.

A. First, I estimate investors' expected total return rate for the market. Then I estimate the expected risk-free rate which I subtract from the expected total return rate for the market. The result is an expected equity risk premium for the market, some proportion of which must be allocated to the companies in the proxy group through the use of beta. As a measure of risk relative to the market as a whole, the beta is an appropriate means by which to apportion the market risk premium to a specific company or group.

As shown on Schedule PMA-11, page 1, Line No. 2, the proportional market equity risk premium, based on the traditional CAPM, is 4.9% for the proxy group of six AUS Utility Reports water companies and 5.3% for the proxy group of three Value Line (Std. Ed.) water companies. Applying the empirical CAPM results in an equity risk premium of 5.5% for the six AUS Utility Reports water companies and 5.8% for the three Value Line (Std. Ed.) water companies as shown on Line No. 5 on page 1 of Schedule PMA-11. The total market equity risk premium utilized was 7.2% and is based upon an average of the long-term historical and projected market risk premia.

The basis of the projected median market equity risk premium is

explained in detail in Note 1 on page 3 of Schedule PMA-11. As previously discussed, it is derived from an average of the most recent 3-month (using the months of March through May 2005) and a recent spot (June 17, 2005) 3 - 5 year median total market price appreciation projections from Value Line, and the long-term historical average from Ibbotson Associates. The appreciation projections by Value Line plus average dividend yield equate to a forecasted annual total return rate on the market of 12.4%. The long-term historical return rate of 12.4% on the market as a whole is from Ibbotson Associates' Stocks, Bonds, Bills and Inflation – Valuation Edition 2005 Yearbook. In each instance, the relevant risk-free rate was deducted from the total market return rate. For example, from the Value Line projected total market return of 12.4%, the forecasted average risk-free rate of 5.2% was deducted indicating a forecasted market risk premium of 7.2%. From the Ibbotson Associates' long-term historical total return rate of 12.4%, the long-term historical income return rate on long-term U.S. Government Securities of 5.2% was deducted indicating an historical equity risk premium of 7.2%. Thus, the average of the projected and historical total market risk premia of 7.2% and 7.2%, respectively, is 7.2%.

Q What are the results of your applications of the traditional and empirical CAPM to the proxy groups?

A. As shown on Schedule PMA-11, Line No. 3 of page 1, the traditional CAPM cost rate is 10.1% for the proxy group of six AUS Utility Reports water companies and 10.5% for the proxy group of three Value Line (Std. Ed.) water companies. And, as shown on Line No. 6 of page 1, the empirical CAPM cost rate is 10.7% for the six water companies and 11.0% for the three Value Line (Std. Ed.) water companies. The traditional and empirical CAPM cost rates are shown

individually by company on pages 2 and 3 of Schedule PMA-11. As shown on Line No. 7, the CAPM cost rate applicable to the proxy group of six AUS Utility Reports water companies is 10.4% and 10.8% applicable to the proxy group of three Value Line (Std. Ed.) water companies based upon the traditional and empirical CAPM results.

Q. Some critics of the ECAPM model claim that using adjusted betas in a traditional CAPM amounts to using an ECAPM. Is such a claim valid?

A. No. Frank J. Hanley, President, AUS Consultants - Utility Services and a colleague of mine, has been in communication with Dr. Roger A. Morin of Georgia State University and the author of Regulatory Finance – Utilities' Cost of Capital (1994, Public Utility Reports, Inc., Arlington, VA). Via e-mail, Dr. Morin has indicated that the ECAPM compensates for CAPM's inherent bias by ascribing a higher intercept and flatter slope to CAPM. It is not an attempt to increase beta. In his e-mail of August 31, 2000, Dr. Morin states:

> There are two distinct separate issues involved when implementing the CAPM. First, given the validity of the standard CAPM, what is the best proxy for expected beta? Second, and more fundamentally, does the standard form of the CAPM provide the best explanation of the risk-return relationship observed on capital markets?

Regarding the standard, or traditional, CAPM, Dr. Morin also states:

> There have been countless empirical tests of the CAPM to determine to what extent security returns and betas are related in the manner predicted by the CAPM. The results of the tests support the idea that beta is related to security returns, that the risk-return tradeoff is positive, and that the relationship is linear. The contradictory finding is that the risk-return tradeoff is not as steeply sloped as the predicted CAPM. That is, low-beta securities earn returns somewhat higher than the CAPM would predict, and high-beta securities earn less than predicted. This is one of the most well-known results in finance. A

> CAPM-based estimate of cost of capital underestimates the return required from low-beta securities and overstates the return from high-beta securities, based on the empirical evidence. The empirical form of the CAPM refines the standard form of the CAPM to account for this phenomenon.
>
> Thus, I do not share the view that the ECAPM is equivalent to a beta adjustment. For utility stocks with betas less than one, the CAPM understates the return. The ECAPM allows for the CAPM's inherent bias by ascribing a higher intercept and flatter slope to the CAPM. The ECAPM is a return (Y-axis, vertical axis) adjustment. It is not a beta risk (X-axis, horizontal) adjustment. <u>The ECAPM is not an attempt to increase the beta estimate, which would be a horizontal x-axis adjustment. The ECAPM is a return adjustment rather than a risk adjustment</u>. (emphasis added.)

Dr. Morin also indicates in his correspondence with Mr. Hanley that there "is a huge financial literature which supports both the use of the ECAPM and the use of adjusted betas."

Moreover, regulatory support for the ECAPM can be found in the New York Public Service Commission's Generic Financing Docket, Case 91-M-0509. In addition, the Regulatory Commission of Alaska (RCA) in its Order No. 151 in Docket No. P-97-4 re: In the Matter of the Correct Calculation and Use of Acceptable Input Data to Calculate the 1997, 1998, 1999, 2000, 2001 and 2002 Tariff Rates for the Intrastate Transportation of Petroleum over the TransAlaska Pipeline System notice:

> Although we primarily rely upon Tesoro's recommendation, we are concerned, however, about Tesoro's CAPM analysis. Tesoro averaged the results it obtained from CAPM and ECAPM while at the same time providing empirical testimony[604] that the ECAPM results are more accurate then [sic] traditional CAPM results. The reasonable investor would be aware of these empirical results. Therefore, we adjust Tesoro's recommendation to reflect only the ECAPM result.

Moreover, the slope of the Security Market Line (SML) should not be

confused with beta. As Eugene F. Brigham, finance professor emeritus and the author of many financial textbooks states[25] :

> The slope of the SML reflects the degree of risk aversion in the economy – the greater the average investor's aversion to risk, then (1) the steeper is the slope of the line, (2) the greater is the risk premium for any risky asset, and (3) the higher is the required rate of return on risky assets.[12]
>
> [12]Students sometimes confuse beta with the slope of the SML. This is a mistake. As we saw earlier in connection with Figure 6-8, and as is developed further in Appendix 6A, beta does represent the slope of a line, but *not* the Security Market Line. This confusion arises partly because the SML equation is generally written, in this book and throughout the finance literature, as $k_i = R_F + b_i(k_M - R_F)$, and in this form b_i looks like the slope coefficient and $(k_M - R_F)$ the variable. It would perhaps be less confusing if the second term were written $(k_M - R_F)b_i$, but this is not generally done.

In view of the foregoing, using adjusted betas in an ECAPM analysis is not incorrect, nor inconsistent with the financial literature. Rather, the use of the traditional CAPM results in an understated estimate of the cost of common equity capital for a utility with an adjusted beta below 1.00. And notwithstanding regulatory support for the use of only the ECAPM, my CAPM analysis, which includes both the traditional CAPM and the ECAPM, is a conservative approach resulting in a reasonable estimate of the cost of common equity

E. Comparable Earnings Model (CEM)

1. Theoretical Basis

Q. Please describe your application of the Comparable Earnings Model and how it is used to determine common equity cost rate.

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[25] Eugene F. Brigham, Financial Management – Theory and Practice, 4th Ed., The Dryden Press, 1985, p. 203.

A. My application of the CEM is summarized on Schedule PMA-12 which consists of six pages. Pages 1 and 2 show the CEM results for the proxy group of six AUS Utility Reports water companies and pages 3 and 4 show the CEM results for the proxy group of three Value Line (Std. Ed.) water companies. Pages 5 and 6 contain notes related to pages 1 through 4.

The comparable earnings approach is derived from the "corresponding risk" standard of the landmark cases of the U.S. Supreme Court. Therefore, it is consistent with the Hope doctrine that the return to the equity investor should be commensurate with returns on investments in other firms having corresponding risks.

The CEM is based upon the fundamental economic concept of opportunity cost which maintains that the true cost of an investment is equal to the cost of the best available alternative use of the funds to be invested. The opportunity cost principle is also consistent with one of the fundamental principles upon which regulation rests: that regulation is intended to act as a surrogate for competition and to provide a fair rate of return to investors.

The CEM is designed to measure the returns expected to be earned on the book common equity, in this case net worth, of similar risk enterprises. Thus, it provides a direct measure of return, since it translates into practice the competitive principle upon which regulation rests. In my opinion, it is inappropriate to use the achieved returns of regulated utilities of similar risk because to do so would be circular and inconsistent with the principle of equality of risk with non-price regulated firms.

The difficulty in application of the CEM is to select a proxy group of companies which are similar in risk, but are not price regulated utilities. Consequently, the first step in determining a cost of common equity using the comparable earnings model is to choose an appropriate proxy group of non-price

regulated firms. The proxy group should be broad-based in order to obviate any company-specific aberrations. As stated previously, utilities need to be eliminated to avoid circularity since the returns on book common equity of utilities are substantially influenced by regulatory awards and are therefore not representative of the returns that could be earned in a truly competitive market.

2. Application of the CEM

Q. Please describe your application of the CEM.

A. My application of the CEM is market-based in that the selection of non-price regulated firms of comparable risk is based upon statistics derived from the market prices paid by investors.

I have chosen two proxy groups of domestic, non-price regulated firms to reflect both the systematic and unsystematic risks of the proxy group of six AUS Utility Reports water companies and the proxy group of three Value Line (Std. Ed.) water companies, respectively. The proxy group of eighty-one non-utility companies similar in risk to the proxy group of six AUS Utility Reports water companies and ninety non-utility companies similar in risk to the proxy group of three Value Line (Std. Ed.) water companies are listed on pages 1 through 4, Schedule PMA-14. The criteria used in the selection of these proxy companies were that they be domestic non-utility companies and have a meaningful rate of return on net worth, common equity or partners' capital reported in Value Line (Standard Edition) for each of the five years ended 2004, or projected for 2008-2010. Value Line betas were used as a measure of systematic risk. The standard error of the regression was used as a measure of each firm's specific, i.e., unsystematic risk. The standard error of the regression reflects the extent to which events specific to a company's operations will affect its stock price and,

therefore, is a measure of diversifiable, unsystematic, company-specific risk. *In essence, companies which have similar betas and standard errors of the regressions, have similar investment risk, i.e., the sum of systematic (market) risk as reflected by beta and unsystematic (business and financial) risk, as reflected by the standard error of the regression, respectively. Those statistics are derived from regression analyses using market prices which, under the EMH reflect all relevant risks. The application of these criteria results in proxy groups of non-price regulated firms similar in risk to the average company in each proxy group.*

Using a Value Line, Inc. database dated June 14, 2005, the proxy group of eighty-one non-price regulated companies were chosen based upon ranges of unadjusted beta and standard error of the regression. The ranges were based upon the average standard deviations of the unadjusted beta and the average standard error of the regression for the proxy group of six AUS Utility Reports water companies.

The six AUS Utility Reports water companies in the proxy group have an average unadjusted beta of 0.48 whose standard deviation is 0.0964 as of June 14, 2005, as shown on page 2, Schedule PMA-12. The average standard error of the regression is 3.4792 as also shown on Schedule PMA-12, page 2 with a standard deviation of 0.1529 as derived in Note 5, page 5 of Schedule PMA-12. Ranges of unadjusted betas from 0.19 to 0.77 and of standard errors of the regression from 3.0205 to 3.9379 were used to select the proxy group of eighty-one domestic non-utility companies comparable to the profile of the proxy group of six AUS Utility Reports water companies as can be gleaned from pages 1 and 2 and explained in Note 1 on page 5 of Schedule PMA-12. These ranges are based upon the proxy group's average unadjusted beta of 0.47 and average standard error of the regression of 3.4792 plus or minus three standard deviations of beta (0.0964 x 3 = 0.1920) and standard error of the regressions

(0.1529 x 3 = 0.4587). The use of three standard deviations assures capturing 99.73% of the distribution of unadjusted betas and standard errors, assuring comparability.

Likewise, using the same Value Line, Inc. database dated June 14, 2005, the proxy group of ninety non-price regulated companies were chosen based upon ranges of unadjusted beta and standard error of the regression. The ranges were based upon the average standard deviations of the unadjusted beta and the average standard error of the regression for the proxy group of three Value Line (Std. Ed.) water companies.

The three Value Line (Std. Ed.) water companies in the proxy group have an average unadjusted beta of 0.57 whose standard deviation is 0.0905 as of June 14, 2005, as shown on page 4, Schedule PMA-12. The average standard error of the regression is 3.3128 as also shown on Schedule PMA-12, page 4 with a standard deviation of 0.1456 as derived in Note 10, page 6 of Schedule PMA-12. Ranges of unadjusted betas from 0.30 to 0.84 and of standard errors of the regression from 2.8760 to 3.7496 were used to select the proxy group of ninety domestic non-utility companies comparable to the profile of the proxy group of three Value Line (Std. Ed.) water companies as can be gleaned from pages 3 and 4 and explained in Note 9 on pages 5 and 6 of Schedule PMA-12. These ranges are based upon the proxy group's average unadjusted beta of 0.57 and average standard error of the regression of 3.3128 plus or minus three standard deviations of beta (0.0905 x 3 = 0.2715) and standard error of the regressions (0.1456 x 3 = 0.4368). The use of three standard deviations assures capturing 99.73% of the distribution of unadjusted betas and standard errors, assuring comparability.

I believe that this methodology for selecting non-price regulated firms of similar total risk (i.e., non-diversifiable systematic and diversifiable non-

systematic risk) is meaningful and effectively responds to the criticisms normally associated with the selection of firms presumed to be comparable in total risk. This is because the selection of non-price regulated companies comparable in total risk is based upon regression analyses of market prices which reflect investors' assessment of all risks, diversifiable and non-diversifiable. Thus, the empirical selection process results in companies comparable in both systematic and unsystematic risks, i.e., total risk.

Once proxy groups of non-price regulated companies are selected, it is then necessary to derive returns on book common equity, net worth or partners' capital for the companies in the groups. I have measured these returns using the rate of return on net worth, common equity or partners' capital reported by Value Line (Standard Edition). It is reasonable to measure these returns over both the most recent historical five-year period as well as those projected over the ensuing five-year period.

Q. What are your conclusions of CEM cost rate?

A. Conclusions of CEM cost rates are 17.1% for the proxy group of six AUS Utility Reports water companies as shown on page 2 of Schedule PMA-12 and 16.6% for the proxy group of three Value Line (Std. Ed.) water companies as shown on page 4. Note that I have applied a test of significance (Student's t-statistic) to determine whether any of the historical or projected returns are significantly different from their respective means at the 95% confidence level. As a result, the historical and the projected means of several companies have been excluded.

I have also eliminated from the groups of non-price regulated companies, all those rates of return which are 20.0% or greater than 8.3% and below, i.e.,

200 basis points above the current prospective yield of 6.3% on Moody's A rated public utility bonds (see page 1 of Schedule PMA-10) for reasons discussed previously. Such an elimination results in an arithmetic mean return rate of 14.6% on an historical five-year and 13.9% on a projected five-year basis for the six AUS Utility Reports water companies and 14.5% on an historical five-year basis and 13.9% on a projected five-year basis for the three Value Line (Std. Ed.) water companies as shown on pages 2 and 4 of Schedule PMA-12, respectively. I rely upon the midpoint of the arithmetic mean historical five-year and projected five-year rates of return of 14.3% and 14.1% as my CEM conclusions for each proxy group, respectively.

XI. RECOMMENDED COMMON EQUITY COST RATE

Q. What is your recommended common equity cost rate?

A. It is 11.45%, based upon a range of common equity cost rates of 11.30% to 11.55% after business risk adjustment based upon the common equity cost rates resulting from all four cost of common equity models consistent with the EMH which logically mandates the use of multiple cost of common equity models.

In formulating my recommended common equity cost rate of 11.45%, I reviewed the results of the application of four different cost of common equity models, namely, the DCF, RPM, CAPM, and CEM for the two proxy groups. I employ all four cost of common equity models as primary tools in arriving at my recommended common equity cost rate because no single model is so inherently precise that it can be relied upon solely, to the exclusion of other theoretically sound models. As discussed above, all four models are based upon the Efficient Market Hypothesis (EMH), and therefore, have application problems associated with them. The EMH, as also previously discussed, requires the assumption that

investors rely upon multiple cost of common equity models. Moreover, as demonstrated in this testimony, the prudence of using multiple cost of common equity models is supported in the financial literature. Therefore, none should be relied upon exclusively to estimate investors' required rate of return on common equity.

In a market environment where market value deviates significantly from book value (lower or higher), sole reliance on the DCF model is problematic for a regulated utility because its application results in an overstatement or understatement, respectively, of investors' required rate of return. Investors expect to achieve their required rate of return based upon dividends received and appreciation in market price. This testimony has shown that market prices are significantly influenced by factors other than earnings per share (EPS) and dividends per share (DPS). Thus, because it is necessary to use accounting proxies for growth in the DCF model (such as EPS, DPS, or their derivative, internal growth), that model does not reflect the full extent of market price growth expected by investors. Market prices reflect other factors affecting growth not accounted for in the standard regulatory version of the DCF model such as an increase in the market value per share due to expected increases in price/earnings multiples and less obvious factors included in the long-range goals of investors. For these reasons, sole reliance on the DCF model should be avoided. In fact, as discussed in detail above, state commissions in Iowa, Indiana and Hawaii, which have previously relied primarily upon the DCF, have explicitly recognized this tendency of the DCF model to understate the common equity cost rate when, as now, market prices significantly exceed book values.

The results of the four cost of common equity models applied to the proxy groups of six AUS Utility Reports water companies and three Value Line (Std. Ed.) water companies are shown on Schedule PMA-1, page 2 and summarized

below:

Table 4

	Proxy Group of Six AUS Utility Reports Water Cos.	Proxy Group of Three Value Line (Std. Ed.) Water Cos.
Discounted Cash Flow Model	9.9%	10.1%
Risk Premium Model	10.6	10.8
Capital Asset Pricing Model	10.4	10.8
Comparable Earnings Model	14.3	14.2
Indicated Common Equity Cost Rate Before Business Risk Adjustment	10.70%	10.90%
Business Risk Adjustment	0.60	0.65
Common Equity Cost Rate After Adjustment for Business Risk	11.30%	11.55%
Recommended Common Equity Cost Rate	11.45%	

Based upon these common equity cost rate results, I conclude that a common equity cost rate of 10.70% is indicated for the proxy group of six AUS Utility Reports water companies and of 10.90% for the proxy group of three Value Line (Std. Ed.) water companies based upon the use of multiple common equity cost rate models and before any adjustment for WSC of KY's greater relative business risk as shown on Line No. 5, page 2 of Schedule PMA-1.

However, as discussed previously, WSC of KY has greater business risk than the average proxy group company because of its small size vis-à-vis each proxy group, whether measured by book capitalization or the market capitalization of common equity (estimated market value for WSC of KY, whose common stock is not traded). Therefore, it is necessary to upwardly adjust the 10.70% and 10.90% indicated common equity cost rates based upon each proxy group, respectively.

Based upon WSC of KY's small relative size, an adjustment to reflect its

smaller relative size of 4.42% (442 basis points) relative to the indicated common equity cost rate of the six AUS Utility Reports water companies and 4.80% (480 basis points) relative to the indicated common equity cost rate of the three Value Line (Std. Ed.) water companies are indicated. These adjustments are based upon data contained in Chapter 7 entitled "Firm Size and Return" from Ibbotson Associates' Stocks, Bonds, Bills and Inflation-Valuation Edition 2005 Yearbook. The determinations are based on the size premia for decile portfolios of New York Stock Exchange (NYSE), American Stock Exchange (AMEX) and NASDAQ listed companies for the 1926-2004 period and related data shown on pages 3 through 18 of Schedule PMA-1. The average size premia for the deciles in which the proxy groups fall have been compared to the average size premia for the 10th decile in which WSC of KY would fall if its stock were traded and sold at the June 20, 2005 average market/book ratio of either 261.3% or 270.3% experienced by each proxy group, respectively. As shown on page 3 of Schedule PMA-1, the size premium spread between WSC of KY and the six water companies is 4.42% and 4.80% between WSC of KY and the three Value Line (Std. Ed.) water companies. Page 4 contains notes relative to page 3. Page 5 contains data in support of page 3 while pages 6 through 18 of PMA-1 contain relevant information from the Ibbotson Associates' Valuation Edition 2005 Yearbook discussed previously.

Consequently, business risk adjustments of 4.42% and 4.80% are indicated for the six water companies and the three Value Line (Std. Ed.) water companies, respectively. However, I will make conservatively reasonable business risk adjustments of 0.60% (60 basis points) and 0.65% (65 basis points) to the indicated common equity cost rates of 10.70% and 10.90% for the six AUS Utility Reports water companies and the three Value Line (Std. Ed.) water companies, respectively.

1 Therefore, as shown on page 2 of Schedule PMA-1 at Line No. 7 and
2 Table 4 above, the indicated common equity cost rates based on each proxy
3 group, including the business adjustment based upon WSC of KY's small size
4 are 11.30% and 11.55%. My recommended common equity cost rate of 11.45%
5 is based upon the average of these cost rates, 11.43%, rounded to 11.45%. In
6 my opinion, such a cost rate is both reasonable and conservative.
7

8 Q. Does that conclude your direct testimony?

9 A. Yes.

APPENDIX A

PROFESSIONAL QUALIFICATIONS

OF

PAULINE M. AHERN, CRRA
VICE PRESIDENT

AUS CONSULTANTS – UTILITY SERVICES

PROFESSIONAL QUALIFICATIONS
OF
PAULINE M. AHERN, CRRA
VICE PRESIDENT
AUS CONSULTANTS – UTILITY SERVICES

PROFESSIONAL EXPERIENCE

1996-Present

As a Vice President, I continue to prepare fair rate of return and cost of capital exhibits, as well as submitting testimony on same before state public utility commissions. I continue to provide assistance and support throughout the entire ratemaking litigation process.

As the Publisher of AUS Utility Reports (formerly C. A. Turner Utility Reports), I am responsible for the production, publishing, and distribution of the reports. AUS Utility Reports provides financial data and related ratios for about 200 public utilities, i.e., electric, combination gas and electric, natural gas distribution, natural gas transmission, telephone, and water utilities, on a monthly, quarterly and annual basis. Among the subscribers of AUS Utility Reports are utilities, many state regulatory commissions, federal agencies, individuals, brokerage firms, attorneys, as well as public and academic libraries. The publication has continuously provided financial statistics on the utility industry since 1930.

As the Publisher of AUS Utility Reports, I supervise the production, publishing, and distribution of the AGA Rate Service publications under license from the American Gas Association. I am also responsible for maintaining and calculating the performance of the AGA Index, a market capitalization weighted index of the common stocks of the approximately 70 corporate members of the AGA. In addition, I supervise the production of a quarterly survey of investor-owned water company rate case activity on behalf of the National Association of Water Companies.

1994-1996

As an Assistant Vice President, I prepared fair rate of return and cost of capital exhibits which are filed along with expert testimony before various state and federal public utility regulatory bodies. These supporting exhibits include the determination of an appropriate ratemaking capital structure and the development of embedded cost rates of senior capital. The exhibits also support the determination of a recommended return on common equity through the use of various market models, such as, but not limited to, Discounted Cash Flow analysis, Capital Asset Pricing Model and Risk Premium Methodology, as well as an assessment of the risk characteristics of the client utility. I also assisted in the preparation of responses to any interrogatories received regarding such testimonies filed on behalf of client utilities. Following the filing of fair rate of return testimonies, I assisted in the evaluation of opposition testimony in order to prepare interrogatory questions, areas of cross-examination, and rebuttal testimony. I also evaluated and assisted in the preparation of briefs and exceptions following the hearing process. I have submitted testimony before state public utility commissions regarding appropriate capital structure ratios and fixed capital cost rates.

1990-1994

As a Senior Financial Analyst, I supervised two analysts in the preparation of fair rate of return and cost of capital exhibits which are filed along with expert testimony before various state and federal public utility regulatory bodies. The team also assisted in the preparation of interrogatory responses.

I evaluated the final orders and decisions of various commissions to determine whether further actions are warranted and to gain insight which may assist in the preparation of future rate of return studies.

I assisted in the preparation of an article authored by Frank J. Hanley and A. Gerald Harris entitled "Does Diversification Increase the Cost of Equity Capital?" published in the July 15, 1991 issue of Public Utilities Fortnightly.

I co-authored an article with Frank J. Hanley entitled "Comparable Earnings: New Life for an Old Precept" which was published in the American Gas Association's Financial Quarterly Review, Summer 1994.

I was awarded the professional designation "Certified Rate of Return Analyst" (CRRA) by the National Society of Rate of Return Analysts (now the Society of Utility and Regulatory Financial Analysts (SURFA)). This designation is based upon education, experience and the successful completion of a comprehensive examination.

As Administrator of Financial Analysis for AUS Utility Reports, which reports financial data for over 200 utility companies and has approximately 1,000 subscribers, I oversee the preparation of this monthly publication, as well as the annual publication, Financial Statistics - Public Utilities.

1988-1990

As a Financial Analyst, I assisted in the preparation of fair rate of return studies including capital structure determination, development of senior capital cost rates, as well as the determination of an appropriate rate of return on equity. I also assisted in the preparation of interrogatory responses, interrogatory questions of the opposition, areas of cross-examination and rebuttal testimony. I also assisted in the preparation of the annual publication C. A. Turner Utility Reports - Financial Statistics - Public Utilities.

1973-1975

As a research assistant in the Research Department of the Regional Economics Division of the Federal Reserve Bank of Boston, I was involved in the development and maintenance of econometric models to simulate regional economic conditions in New England in order to study the effects of, among other things, the energy crisis of the early 1970's and property tax revaluations on the economy of New England. I was also involved in the statistical analysis and preparation of articles for the New England Economic Review. Also, I acted as assistant editor for New England Business Indicators.

1972

As a research assistant in the Office of the Assistant Secretary for International Affairs, U.S. Treasury Department, Washington, D.C., I developed and maintained econometric models which simulated the economy of the United States in order to study the results of various alternate foreign trade policies so that national trade policy could be formulated and recommended.

I am also a member of the Society of Utility and Regulatory Financial Analysts (formerly the National Society of Rate of Return Analysts).

Clients Served

I have offered expert testimony before the following commissions:

Arkansas
California
Delaware
Florida
Hawaii
Idaho
Illinois
Indiana
Maine
Maryland
Michigan
Missouri
New Jersey
New York
North Carolina
Ohio
Pennsylvania
South Carolina
Virginia
Washington

I have sponsored testimony on the rate of return and capital structure effects of merger and acquisition issues for:

California-American Water Company
New Jersey-American Water Company

I have sponsored testimony on fair rate of return and related issues for:

Aqua Illinois, Inc.
Audubon Water Company
Carolina Pines Utilities, Inc.
Carolina Water Service, Inc.
Consumers Illinois Water Company
Consumers Maine Water Company
Consumers New Jersey Water Company
Elizabethtown Water Company
Emporium Water Company
GTE Hawaiian Telephone Inc.
Greenridge Utilities, Inc.
Long Neck Water Company
Middlesex Water Company
Missouri-American Water Company
Mt. Holly Water Company
Nero Utility Services, Inc.
New Jersey-American Water Company
Ohio-American Water Company
Penn Estates
Pinelands Waste Water Company
Pittsburgh Thermal
Sussex Shores Water Company
Thames Water Americas
Tidewater Utilities, Inc.
Transylvania Utilities, Inc.
Twin Lakes Utilities, Inc.
United Utility Companies
United Water Arkansas, Inc.
United Water Delaware, Inc.
United Water Idaho, Inc.
United Water Indiana, Inc.
United Water New Rochelle, Inc.
United Water Virginia, Inc.
United Water West Lafayette, Inc.
Utilities, Inc. of Florida
Utilities Services of South Carolina
Valley Energy, Inc.
Wellsboro Electric Company
Western Utilities, Inc.

I have sponsored testimony on capital structure and senior capital cost rates for the following clients:

Alpena Power Company
Arkansas-Western Gas Company
Associated Natural Gas Company
PG Energy Inc.
United Water Delaware, Inc.
Washington Natural Gas Company

I have assisted in the preparation of rate of return studies on behalf of the following clients:

Algonquin Gas Transmission Company
Arkansas-Louisiana Gas Company
Arkansas Western Gas Company
Artesian Water Company
Associated Natural Gas Company
Atlantic City Electric Company
Bridgeport-Hydraulic Company
Cambridge Electric Light Company
Carolina Power & Light Company
Citizens Gas and Coke Utility
City of Vernon, CA
Columbia Gas/Gulf Transmission Cos.
Commonwealth Electric Company
Commonwealth Telephone Company
Conestoga Telephone & Telegraph Co.
Connecticut Natural Gas Corporation
Consolidated Gas Transmission Company
Consumers Power Company
CWS Systems, Inc.
Delmarva Power & Light Company

Rate of Return Study Clients, Continued

East Honolulu Community Services, Inc.
Equitable Gas Company
Equitrans, Inc.
Florida Power & Light Company
Gary Hobart Water Company
Gasco, Inc.
GTE Arkansas, Inc.
GTE California, Inc.
GTE Florida, Inc.
GTE Hawaiian Telephone
GTE North, Inc.
GTE Northwest, Inc.
GTE Southwest, Inc.
Great Lakes Gas Transmission L.P.
Hawaiian Electric Company
Hawaiian Electric Light Company
IES Utilities Inc.
Illinois Power Company
Interstate Power Company
Iowa Electric Light and Power Company
Iowa Southern Utilities Company
Kentucky-West Virginia Gas Company
Lockhart Power Company
Middlesex Water Company
Milwaukee Metropolitan Sewer District
Mountaineer Gas Company
National Fuel Gas Distribution Corp.
National Fuel Gas Supply Corp.
Newco Waste Systems of NJ, Inc.
New Jersey-American Water Company
New Jersey Natural Gas Company
New York-American Water Company
North Carolina Natural Gas Corp.
Northumbrian Water Company
Ohio-American Water Company
Oklahoma Natural Gas Company
Orange and Rockland Utilities
Paiute Pipeline Company
PECO Energy Company
Penn-York Energy Corporation
Pennsylvania-American Water Co.
PG Energy Inc.
Philadelphia Electric Company
South Carolina Pipeline Company
Southwest Gas Corporation
Stamford Water Company
Tesoro Alaska Petroleum Company
United Telephone of New Jersey
United Utility Companies
United Water Arkansas, Inc.
United Water Delaware, Inc.
United Water Idaho, Inc.
United Water Indiana, Inc.
United Water New Jersey, Inc.
United Water New York, Inc.
United Water Pennsylvania, Inc.
United Water Virginia, Inc.
United Water West Lafayette, Inc.
Vista-United Telecommunications Corp.
Washington Natural Gas Company
Washington Water Power Corporation
Waste Management of New Jersey – Transfer Station A
Wellsboro Electric Company
Western Reserve Telephone Company
Western Utilities, Inc.

EDUCATION:

1973 – Clark University – B.A. – Honors in Economics
1991 – Rutgers University – M.B.A. – High Honors

PROFESSIONAL AFFILIATIONS:

Society of Utility and Regulatory Financial Analysts (serve as Secretary/Treasurer from 2004-2006)
Energy Association of Pennsylvania
National Association of Water Companies – Member of the Finance Committee

WATER SERVICE CORPORATION OF KENTUCKY

EXHIBIT

TO ACCOMPANY THE

DIRECT TESTIMONY

OF

PAULINE M. AHERN, CRRA
VICE PRESIDENT
AUS CONSULTANTS - UTILITY SERVICES

CONCERNING

FAIR RATE OF RETURN

AUGUST 2005

Water Service Corporation of Kentucky
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to the Financial Supporting Exhibits
of Pauline M. Ahern

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Water Service Corporation of Kentucky
Summary of Cost of Capital and Fair Rate of Return
Based on the Actual Consolidated Capital Structure of Utilities, Inc. at December 31, 2004

Type of Capital	Ratios (1)	Cost Rate	Weighted Cost Rate
Total Debt	55.91 %	7.28 % (1)	4.07 %
Common Equity	44.09	11.45	5.05
Total	100.00 %		9.12 %

(1) Company-Provided.

(2) Based upon informed judgment from the entire study, the principal results of which are summarized on page 2 of this Schedule.

Water Service Corporation of Kentucky
Brief Summary of Common Equity Cost Rate

No.	Principal Methods	Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Three Value Line (Standard Edition) Water Companies
1.	Discounted Cash Flow Model (DCF) (1)	9.9 %	10.1 %
2.	Risk Premium Model (RPM) (2)	10.6	10.8
3.	Capital Asset Pricing Model (CAPM) (3)	10.4	10.8
4.	Comparable Earnings Model (CEM) (4)	14.3	14.2
5.	Indicated Common Equity Cost Rate before Adjustment for business Risk	10.70 %	10.90 %
6.	Business Risk Adjustment (5)	0.60	0.65
7.	Indicated Common Equity Cost Rate after Adjustment for Business Risk	11.30 %	11.55 %
8.	Average	11.43%	
9.	Recommendation	11.45%	

Notes: (1) From Schedule PMA-6.
(2) From page 1 of Schedule PMA-10.
(3) From page 1 Schedule PMA-11.
(4) From page 2 and 4 of Schedule PMA-12.
(5) Business risk adjustment to reflect Water Service Corporation of Kentucky's greater business risk due to its small size vis-à-vis each proxy group as detailed in Ms. Ahern's accompanying direct testimony.

Water Service Corporation of Kentucky
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.		1			2			3	4		5
		Total Capitalization (incl. Short-Term Debt) for the Year 2004 (millions)		(times larger)	Market Capitalization on June 1, 2005 (1) (millions)		(times larger)	Applicable Decile of the NYSE/AMEX/ NASDAQ	Applicable Size Premium		Spread from Applicable Size Premium (2)
1.	Water Service Corporation of Kentucky	$ 3.873	(3)								
A.	Based upon the Proxy Group of Six AUS Utility Reports Water Companies				$ 8.594			10 (4)	6.41%	(5)	
B.	Based upon the Proxy Group of Three Value Line (Standard Edition) Water Companies				$ 8.890			10 (4)	6.41%	(5)	
2.	Proxy Group of Six AUS Utility Reports Water Companies	$ 553.127	(6)	142.8 x	$ 752.830		87.6 x	7 - 8 (7)	1.99%	(8)	4.42%
3.	Proxy Group of Three Value Line (Standard Edition) Water Companies	$ 947.613	(9)	244.7	$ 1,341.742		150.9	6 (10)	1.61%	(11)	4.80%

Decile	Number of Companies	Recent Total Market Capitalization (millions)	Recent Average Market Capitalization (millions)
1 - Largest	172	$8,214,688.366	$47,759.816
2	177	1,722,153.325	9,729.680
3	199	894,917.914	4,497.075
4	209	548,389.454	2,623.873
5	219	400,381.543	1,828.226
6	257	325,662.936	1,267.171
7	300	264,131.617	880.439
8	372	219,976.996	591.336
9	589	230,476.080	391.301
10 - Smallest	1782	185,820.318	104.276

See page 4 for notes.

Water Service Corporation of Kentucky
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE

Notes:

(1) From page 5 of this Schedule.

(2) Line No. 1 – Line No. 2 and Line No. 1 – Line No. 3 of Columns 3 and 4, respectively. For example, the 4.42% in Column 5, Line No. 2 is derived as follows 4.42% = 6.41% - 1.99%.

(3) At December 31, 2004 from Water Service Corporation of Kentucky's Annual Report to the Kentucky Public Service Commission for the Year Ended December 31, 2004.

(4) With an estimated market capitalization of $8.594 million (based upon the proxy group of six AUS Utility Reports water companies) and $8.890 (based upon the proxy group of three Value Line (Standard Edition) water companies), Water Service Corporation of Kentucky falls in the 10th decile of the NYSE/AMEX/NASDAQ which has an average market capitalization of $104.276 as shown in the table on the bottom half of page 3 of this Schedule.

(5) Size premium applicable to the 10th decile of the NYSE/AMEX/NASDAQ as shown on page 15 of this Schedule.

(6) From page 1 of Schedule PMA-3.

(7) With an estimated market capitalization of $752.830 million, the proxy group of six AUS Utility Reports water companies falls between the 7th and 8th deciles of the NYSE/AMEX/NASDAQ which have an average market capitalization of $735.888 million as can be gleaned from the information shown in the table on the bottom half of page 3 of this Schedule.

(8) Average size premium applicable to the 7th and 8th deciles of the NYSE/AMEX/NASDAQ as can be gleaned from the information shown on page 15 of this Schedule.

(9) From page 1 of Schedule PMA-4.

(10) With an estimated market capitalization of $1,341.742 million, the proxy group of three Value Line (Standard Edition) water companies falls in the 6th decile of the NYSE/AMEX/NASDAQ which has an average market capitalization of $1,267.171 million as shown in the table on the bottom half of page 3 of this Schedule.

(11) Size premium applicable to the 6th decile of the NYSE/AMEX/NASDAQ as shown on page 15 of this Schedule.

Source of Information: Ibbotson Associates, Stocks, Bonds, Bills and Inflation – Valuation Edition – 2005 Yearbook, Chicago, IL, 2005

Water Service Cor. of Kentucky

Market Capitalization of Water Service Corporation of Kentucky
the Proxy Group of Six AUS Utility Reports Water Companies and the
the Proxy Group of Three Value Line (Standard (Edition) Water Companies

Company	1 Common Stock Shares Outstanding at March 31, 2005 (millions)	2 Book Value per Share at March 31, 2005 (1)	3 Total Common Equity at March 31, 2005 (millions)	4 Closing Stock Market Price on June 20, 2005	5 Market-to-Book Ratio at June 20, 2005 (2)	6 Market Capitalization on June 20, 2005 (3) (millions)
Water Service Corporation of Kentucky						
Based upon the Proxy Group of Six AUS Utility Reports Water Companies	NA (4)	NA	$ 3.289 (4)	NA		
					261.3 % (5)	$ 8.594 (6)
Based upon the Proxy Group of Three Value Line (Standard Edition) Water Companies						
					270.3 % (7)	$ 8.890 (8)
Proxy Group of Six AUS Utility Reports Water Companies						
American States Water Co.	16.761	$ 15.022	$ 251.784	$ 29.240	194.6 %	$ 490.092
Aqua America, Inc.	95.388	7.970	760.237	29.900	375.2	2,852.101
Artesian Resources Corp.	3.967	13.980	55.457	29.180	208.7	115.757
California Water Service Group	18.371	15.413	283.158	37.180	241.2	683.034
Middlesex Water Company	11.377	8.344	94.930	19.780	237.1	225.037
York Water Company	6.900	7.041	48.585	21.878	310.7	150.958
Average	25.461	$ 11.295	$ 249.025	$ 27.860	261.3 %	$ 752.830
Proxy Group of Three Value Line (Standard Edition) Water Companies						
American States Water Co.	$ 16.761	$ 15.022	$ 251.784	$ 29.240	194.6 %	$ 490.092
Aqua America, Inc.	95.388	7.970	760.237	29.900	375.2	2,852.101
California Water Service Group	18.371	15.413	283.158	37.180	241.2	683.034
	$ 43.507	$ 12.802	$ 431.726	$ 32.107	270.3 %	$ 1,341.742

NA = Not Available

Notes:
(1) Column 3 / Column 1.
(2) Column 4 / Column 2.
(3) Column 5 * Column 3.
(4) At December 31, 2004. From Water Service Corporation of Kentucky's Annual Report to the Kentucky Public Service Commission for the Year Ended December 31, 2004.
(5) The market-to-book ratio of Water Service Corporation of Kentucky at June 20, 2005 is assumed to be equal to the average market-to-book ratio at June 20, 2005 of the proxy group of six AUS Utility Reports Water Companies.
(6) Water Service Corporation of Kentucky's common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at June 20, 2005 of the proxy group of six AUS Utility Reports water companies, 261.3%, and Water Service Corporation of Kentucky's market capitalization at June 20, 2005 would therefore have been $8.594 million. ($8.594 = $3.289 * 261.3%).
(7) The market-to-book ratio of Water Service Corporation of Kentucky at June 20, 2005 is assumed to be equal to the average market-to-book ratio at June 20, 2005 of the proxy group of three Value Line (Standard Edition) water companies.
(8) Water Service Corporation of Kentucky's common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at June 20, 2005 of the proxy group of three Value Line (Standard Edition) water companies, 270.3%, and Water Service Corporation of Kentucky's market capitalization at June 20, 2005 would therefore have been $8.890 million. ($8.890 = $3.289 * 270.3%).

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus Research Insight Data Base
Water Service Corporation of Kentucky's Annual Report to the Kentucky Public Service Commission for the Year Ended December 31, 2004

Stocks, Bonds, Bills, and Inflation

SBBI

Valuation Edition
2005 Yearbook

Ibbotson Associates

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Chapter 7

Firm Size and Return

The Firm Size Phenomenon

One of the most remarkable discoveries of modern finance is that of a relationship between firm size and return. The relationship cuts across the entire size spectrum but is most evident among smaller companies, which have higher returns on average than larger ones. Many studies have looked at the effect of firm size on return.[1] In this chapter, the returns across the entire range of firm size are examined.

Construction of the Decile Portfolios

The portfolios used in this chapter are those created by the Center for Research in Security Prices (CRSP) at the University of Chicago's Graduate School of Business. CRSP has refined the methodology of creating size-based portfolios and has applied this methodology to the entire universe of NYSE/AMEX/NASDAQ-listed securities going back to 1926.

The New York Stock Exchange universe excludes closed-end mutual funds, preferred stocks, real estate investment trusts, foreign stocks, American Depository Receipts, unit investment trusts, and Americus Trusts. All companies on the NYSE are ranked by the combined market capitalization of their eligible equity securities. The companies are then split into 10 equally populated groups, or deciles. Eligible companies traded on the American Stock Exchange (AMEX) and the Nasdaq National Market (NASDAQ) are then assigned to the appropriate deciles according to their capitalization in relation to the NYSE breakpoints. The portfolios are rebalanced, using closing prices for the last trading day of March, June, September, and December. Securities added during the quarter are assigned to the appropriate portfolio when two consecutive month-end prices are available. If the final NYSE price of a security that becomes delisted is a month-end price, then that month's return is included in the quarterly return of the security's portfolio. When a month-end NYSE price is missing, the month-end value of the security is derived from merger terms, quotations on regional exchanges, and other sources. If a month-end value still is not determined, the last available daily price is used.

Base security returns are monthly holding period returns. All distributions are added to the month-end prices, and appropriate price adjustments are made to account for stock splits and dividends. The return on a portfolio for one month is calculated as the weighted average of the returns for its individual stocks. Annual portfolio returns are calculated by compounding the monthly portfolio returns.

Size of the Deciles

Table 7-1 reveals that the top three deciles of the NYSE/AMEX/NASDAQ account for most of the total market value of its stocks. Approximately two-thirds of the market value is represented by the first decile, which currently consists of 172 stocks, while the smallest decile accounts for just over one percent of the market value. The data in the second column of Table 7-1 are averages across all

1 Rolf W. Banz was the first to document this phenomenon. See Banz, Rolf W. "The Relationship Between Returns and Market Value of Common Stocks," *Journal of Financial Economics*, Vol. 9, 1981, pp. 3–18.

79 years. Of course, the proportion of market value represented by the various deciles varies from year to year.

Columns three and four give recent figures on the number of companies and their market capitalization, presenting a snapshot of the structure of the deciles near the end of 2004.

Table 7-1

Size-Decile Portfolios of the NYSE/AMEX/NASDAQ Size and Composition
1926-2004

Decile	Historical Average Percentage of Total Capitalization	Recent Number of Companies	Recent Decile Market Capitalization (in thousands)	Recent Percentage of Total Capitalization
1-Largest	63.31%	172	$8,214,688,366	63.16%
2	13.97%	177	1,722,153,325	13.24%
3	7.58%	199	894,917,914	6.88%
4	4.74%	209	548,389,454	4.22%
5	3.24%	219	400,381,543	3.08%
6	2.37%	257	325,662,936	2.50%
7	1.73%	300	264,131,617	2.03%
8	1.28%	372	219,976,996	1.69%
9	0.98%	589	230,476,080	1.77%
10-Smallest	0.80%	1,782	185,820,318	1.43%
Mid-Cap 3–5	15.56%	627	1,843,688,910	14.18%
Low-Cap 6–8	5.38%	929	809,771,549	6.23%
Micro-Cap 9–10	1.79%	2,371	416,296,398	3.20%

Source: © 200503 CRSP® Center for Research in Security Prices. Graduate School of Business, The University of Chicago. Used with permission. All rights reserved. www.crsp.uchicago.edu.

Historical average percentage of total capitalization shows the average, over the last 79 years, of the decile market values as a percentage of the total NYSE/AMEX/NASDAQ calculated each month. Number of companies in deciles, recent market capitalization of deciles, and recent percentage of total capitalization are as of September 30, 2004.

Table 7-2 gives the current breakpoints that define the composition of the NYSE/AMEX/NASDAQ size deciles. The largest company and its market capitalization are presented for each decile. Table 7-3 shows the historical breakpoints for each of the three size groupings presented throughout this chapter. Mid-cap stocks are defined here as the aggregate of deciles 3–5. Based on the most recent data (Table 7-2), companies within this mid-cap range have market capitalizations at or below $6,241,953,000 but greater than $1,607,854,000. Low-cap stocks include deciles 6–8 and currently include all companies in the NYSE/AMEX/NASDAQ with market capitalizations at or below $1,607,854,000 but greater than $505,437,000. Micro-cap stocks include deciles 9–10 and include companies with market capitalizations at or below $505,437,000. The market capitalization of the smallest company included in the micro-capitalization group is currently $1,393,000.

Table 7-2

Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, Largest Company and Its Market Capitalization by Decile
September 30, 2004

Decile	Market Capitalization of Largest Company (in thousands)	Company Name
1-Largest	$342,087,219	General Electric Co.
2	14,096,886	Agilent Technologies Inc.
3	6,241,953	Tenet Healthcare Corp.
4	3,464,104	Wellchoice Inc.
5	2,231,707	OGE Energy Corp.
6	1,607,854	Entercom Communications Corp.
7	1,097,603	Vintage Petroleum Inc.
8	746,219	Wabash National Corp.
9	505,437	World Fuel Services Corp.
10-Smallest	262,725	Mastec Inc.

Source: Center for Research in Security Prices, University of Chicago.

Presentation of the Decile Data

Summary statistics of annual returns of the 10 deciles over 1926–2004 are presented in Table 7-4. Note from this exhibit that both the average return and the total risk, or standard deviation of annual returns, tend to increase as one moves from the largest decile to the smallest. Furthermore, the serial correlations of returns are near zero for all but the smallest two deciles. Serial correlations and their significance will be discussed in detail later in this chapter.

Graph 7-1 depicts the growth of one dollar invested in each of three NYSE/AMEX/NASDAQ groups broken down into mid-cap, low-cap, and micro-cap stocks. The index value of the entire NYSE/AMEX/NASDAQ is also included. All returns presented are value-weighted based on the market capitalizations of the deciles contained in each subgroup. The sheer magnitude of the size effect in some years is noteworthy. While the largest stocks actually declined in 1977, the smallest stocks rose more than 20 percent. A more extreme case occurred in the depression-recovery year of 1933, when the difference between the first and tenth decile returns was far more substantial. This divergence in the performance of small and large company stocks is a common occurrence.

Table 7-3

Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
Largest and Smallest Company by Size Group

from 1926 to1965

	Capitalization of Largest Company (in thousands)			Capitalization of Smallest Company (in thousands)		
Date (Sept 30)	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10
1926	$61,490	$14,040	$4,305	$14,100	$4,325	$43
1927	$65,281	$14,746	$4,450	$15,311	$4,496	$72
1928	$81,998	$18,975	$5,074	$19,050	$5,119	$135
1929	$107,085	$24,328	$5,875	$24,480	$5,915	$126
1930	$67,808	$13,050	$3,219	$13,068	$3,264	$30
1931	$42,607	$8,142	$1,905	$8,222	$1,927	$15
1932	$12,431	$2,170	$473	$2,196	$477	$19
1933	$40,298	$7,210	$1,830	$7,280	$1,875	$100
1934	$38,129	$6,669	$1,669	$6,734	$1,673	$68
1935	$37,631	$6,519	$1,350	$6,549	$1,383	$38
1936	$46,920	$11,505	$2,660	$11,526	$2,668	$98
1937	$51,750	$13,601	$3,500	$13,635	$3,539	$68
1938	$36,102	$8,325	$2,125	$8,372	$2,145	$60
1939	$35,784	$7,367	$1,697	$7,389	$1,800	$75
1940	$31,050	$7,990	$1,861	$8,007	$1,872	$51
1941	$31,744	$8,316	$2,086	$8,336	$2,087	$72
1942	$26,135	$6,870	$1,779	$6,875	$1,788	$82
1943	$43,218	$11,475	$3,847	$11,460	$3,903	$395
1944	$46,621	$13,066	$4,800	$13,068	$4,812	$309
1945	$55,268	$17,325	$6,413	$17,575	$6,428	$225
1946	$79,158	$24,192	$10,013	$24,199	$10,051	$829
1947	$57,830	$17,735	$6,373	$17,872	$6,380	$747
1948	$67,238	$19,575	$7,313	$19,651	$7,329	$784
1949	$55,506	$14,549	$5,037	$14,577	$5,108	$379
1950	$65,881	$18,675	$6,176	$18,750	$6,201	$303
1951	$82,517	$22,750	$7,567	$22,860	$7,598	$668
1952	$97,936	$25,452	$8,428	$25,532	$8,480	$480
1953	$98,595	$25,374	$8,156	$25,395	$8,168	$459
1954	$125,834	$29,645	$8,484	$29,707	$8,488	$463
1955	$170,829	$41,445	$12,353	$41,681	$12,366	$553
1956	$183,434	$46,805	$13,481	$46,886	$13,524	$1,122
1957	$192,861	$47,658	$13,844	$48,509	$13,848	$925
1958	$195,083	$46,774	$13,789	$46,871	$13,816	$550
1959	$253,644	$64,221	$19,500	$64,372	$19,548	$1,804
1960	$246,202	$61,485	$19,344	$61,529	$19,385	$831
1961	$296,261	$79,058	$23,562	$79,422	$23,613	$2,455
1962	$250,433	$58,866	$18,952	$59,143	$18,968	$1,018
1963	$308,438	$71,846	$23,819	$71,971	$23,822	$296
1964	$344,033	$79,343	$25,594	$79,508	$25,595	$223
1965	$363,759	$84,479	$28,365	$84,600	$28,375	$250

Source: Center for Research in Security Prices, University of Chicago.

Table 7-3 (continued)

Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
Largest and Smallest Company by Size Group

from 1966 to 2004

	Capitalization of Largest Company (in thousands)			Capitalization of Smallest Company (in thousands)		
Date (Sept 30)	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10	Mid-Cap 3-5	Low-Cap 6-8	Micro-Cap 9-10
1966	$399,455	$99,578	$34,884	$99,935	$34,966	$381
1967	$459,170	$117,985	$42,267	$118,329	$42,313	$381
1968	$528,326	$149,261	$60,351	$150,128	$60,397	$592
1969	$517,452	$144,770	$54,273	$145,684	$54,280	$2,119
1970	$380,246	$94,025	$29,910	$94,047	$29,916	$822
1971	$542,517	$145,340	$45,571	$145,673	$45,589	$865
1972	$545,211	$139,647	$46,728	$139,710	$46,757	$1,031
1973	$424,584	$94,809	$29,601	$95,378	$29,606	$561
1974	$344,013	$75,272	$22,475	$75,853	$22,481	$444
1975	$465,763	$96,954	$28,140	$97,266	$28,144	$540
1976	$551,071	$116,184	$31,987	$116,212	$32,002	$564
1977	$573,084	$135,804	$39,192	$137,323	$39,254	$513
1978	$572,967	$159,778	$46,621	$160,524	$46,629	$830
1979	$661,336	$174,480	$49,088	$174,517	$49,172	$948
1980	$754,562	$194,012	$48,671	$194,241	$48,953	$549
1981	$954,665	$259,028	$71,276	$261,059	$71,289	$1,446
1982	$762,028	$205,590	$54,675	$206,536	$54,883	$1,060
1983	$1,200,680	$352,698	$103,443	$352,944	$103,530	$2,025
1984	$1,068,972	$314,650	$90,419	$315,214	$90,659	$2,093
1985	$1,432,342	$367,413	$93,810	$368,249	$94,000	$760
1986	$1,857,621	$444,827	$109,956	$445,648	$109,975	$706
1987	$2,059,143	$467,430	$112,035	$468,948	$112,125	$1,277
1988	$1,957,926	$420,257	$94,268	$421,340	$94,302	$696
1989	$2,147,608	$480,975	$100,285	$483,623	$100,384	$96
1990	$2,164,185	$472,003	$93,627	$474,065	$93,750	$132
1991	$2,129,863	$457,958	$87,586	$458,853	$87,733	$278
1992	$2,428,671	$500,346	$103,352	$501,050	$103,500	$510
1993	$2,711,068	$608,520	$137,945	$608,825	$137,987	$602
1994	$2,497,073	$601,552	$149,435	$602,552	$149,532	$598
1995	$2,793,761	$653,178	$158,011	$654,019	$158,063	$89
1996	$3,150,685	$763,377	$195,188	$763,812	$195,326	$1,043
1997	$3,511,132	$818,299	$230,472	$821,028	$230,554	$480
1998	$4,216,707	$934,264	$253,329	$936,727	$253,336	$1,671
1999	$4,251,741	$875,309	$218,336	$875,582	$218,368	$1,502
2000	$4,143,902	$840,000	$192,598	$840,730	$192,721	$1,462
2001	$5,252,063	$1,114,792	$269,275	$1,115,200	$270,391	$443
2002	$5,012,705	$1,143,845	$314,042	$1,144,452	$314,174	$501
2003	$4,794,027	$1,166,799	$330,608	$1,167,040	$330,797	$332
2004	$6,241,953	$1,607,854	$505,437	$1,607,931	$506,410	$1,393

Source: Center for Research in Security Prices, University of Chicago.

Table 7-4

Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, Summary Statistics of Annual Returns 1926–2004

Decile	Geometric Mean	Arithmetic Mean	Standard Deviation	Serial Correlation
1-Largest	9.6%	11.4%	19.27%	0.09
2	10.9	13.2	22.00	0.03
3	11.3	13.8	23.81	-0.02
4	11.3	14.4	26.10	-0.02
5	11.7	15.0	26.94	-0.02
6	11.8	15.5	27.97	0.04
7	11.6	15.7	30.17	0.01
8	11.9	16.7	33.65	0.04
9	12.2	17.7	36.77	0.05
10-Smallest	14.0	21.8	45.67	0.15
Mid-Cap, 3–5	11.4	14.2	24.90	-0.02
Low-Cap, 6–8	11.8	15.8	29.68	0.03
Micro-Cap, 9–10	12.8	19.0	39.38	0.08
NYSE/AMEX/NASDAQ				
Total Value-Weighted Index	10.1	12.1	20.32	0.03

Source: Center for Research in Security Prices, University of Chicago.

Aspects of the Firm Size Effect

The firm size phenomenon is remarkable in several ways. First, the greater risk of small stocks does not, in the context of the capital asset pricing model (CAPM), fully account for their higher returns over the long term. In the CAPM, only systematic or beta risk is rewarded; small company stocks have had returns in excess of those implied by their betas.

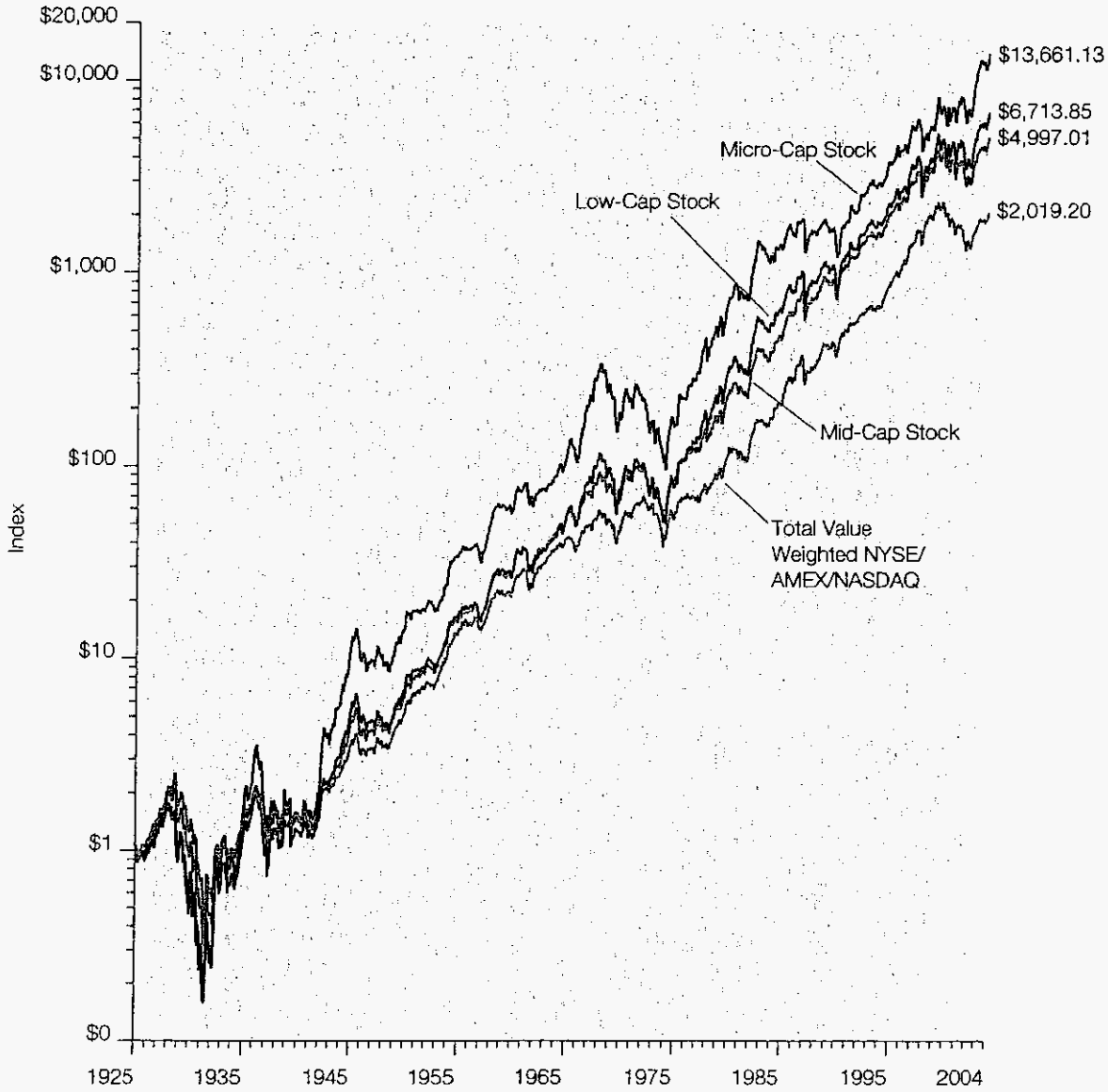
Second, the calendar annual return differences between small and large companies are serially correlated. This suggests that past annual returns may be of some value in predicting future annual returns. Such serial correlation, or autocorrelation, is practically unknown in the market for large stocks and in most other equity markets but is evident in the size premia.

Third, the firm size effect is seasonal. For example, small company stocks outperformed large company stocks in the month of January in a large majority of the years. Such predictability is surprising and suspicious in light of modern capital market theory. These three aspects of the firm size effect—long-term returns in excess of systematic risk, serial correlation, and seasonality—will be analyzed thoroughly in the following sections.

Graph 7-1

Size-Decile Portfolios of the NYSE/AMEX/NASDAQ: Wealth Indices of Investments in Mid-, Low-, Micro- and Total Capitalization Stocks
1925–2004

Year-end 1925 = $1.00



Source: Center for Research in Security Prices, University of Chicago.

Long-Term Returns in Excess of Systematic Risk

The capital asset pricing model (CAPM) does not fully account for the higher returns of small company stocks. Table 7-5 shows the returns in excess of systematic risk over the past 79 years for each decile of the NYSE/AMEX/NASDAQ. Recall that the CAPM is expressed as follows:

$$k_s = r_f + (\beta_s \times ERP)$$

Table 7-5 uses the CAPM to estimate the return in excess of the riskless rate and compares this estimate to historical performance. According to the CAPM, the expected return on a security should consist of the riskless rate plus an additional return to compensate for the systematic risk of the security. The return in excess of the riskless rate is estimated in the context of the CAPM by multiplying the equity risk premium by β (beta). The equity risk premium is the return that compensates investors for taking on risk equal to the risk of the market as a whole (systematic risk).[2] Beta measures the extent to which a security or portfolio is exposed to systematic risk.[3] The beta of each decile indicates the degree to which the decile's return moves with that of the overall market.

A beta greater than one indicates that the security or portfolio has greater systematic risk than the market; according to the CAPM equation, investors are compensated for taking on this additional risk. Yet, Table 7-5 illustrates that the smaller deciles have had returns that are not fully explainable by their higher betas. This return in excess of that predicted by CAPM increases as one moves from the largest companies in decile 1 to the smallest in decile 10. The excess return is especially pronounced for micro-cap stocks (deciles 9–10). This size-related phenomenon has prompted a revision to the CAPM, which includes a size premium. Chapter 4 presents this modified CAPM theory and its application in more detail.

This phenomenon can also be viewed graphically, as depicted in the Graph 7-2. The security market line is based on the pure CAPM without adjustment for the size premium. Based on the risk (or beta) of a security, the expected return lies on the security market line. However, the actual historic returns for the smaller deciles of the NYSE/AMEX/NASDAQ lie above the line, indicating that these deciles have had returns in excess of that which is appropriate for their systematic risk.

2 The equity risk premium is estimated by the 79-year arithmetic mean return on large company stocks, 12.39 percent, less the 79-year arithmetic mean income-return component of 20-year government bonds as the historical riskless rate, in this case 5.22 percent. (It is appropriate, however, to match the maturity, or duration, of the riskless asset with the investment horizon.) See Chapter 5 for more detail on equity risk premium estimation.

3 Historical betas were calculated using a simple regression of the monthly portfolio (decile) total returns in excess of the 30-day U.S. *Treasury bill total returns versus the S&P 500* total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2004. See Chapter 6 for more detail on beta estimation.

Table 7-5

Long-Term Returns in Excess of CAPM Estimation for Decile Portfolios of the NYSE/AMEX/NASDAQ
1926–2004

Decile	Beta*	Arithmetic Mean Return	Realized Return in Excess of Riskless Rate**	Estimated Return in Excess of Riskless Rate†	Size Premium (Return in Excess of CAPM)
1-Largest	0.91	11.39%	6.16%	6.53%	–0.37%
2	1.04	13.24%	8.02%	7.42%	0.60%
3	1.10	13.84%	8.62%	7.86%	0.75%
4	1.13	14.38%	9.15%	8.08%	1.07%
5	1.16	14.96%	9.74%	8.30%	1.44%
6	1.18	15.46%	10.23%	8.48%	1.75%
7	1.23	15.67%	10.45%	8.83%	1.61%
8	1.28	16.74%	11.51%	9.15%	2.36%
9	1.34	17.71%	12.48%	9.62%	2.86%
10-Smallest	1.41	21.77%	16.54%	10.14%	6.41%
Mid-Cap, 3-5	1.12	14.19%	8.96%	8.01%	0.95%
Low-Cap, 6-8	1.22	15.76%	10.54%	8.73%	1.81%
Micro-Cap, 9-10	1.36	18.97%	13.74%	9.72%	4.02%

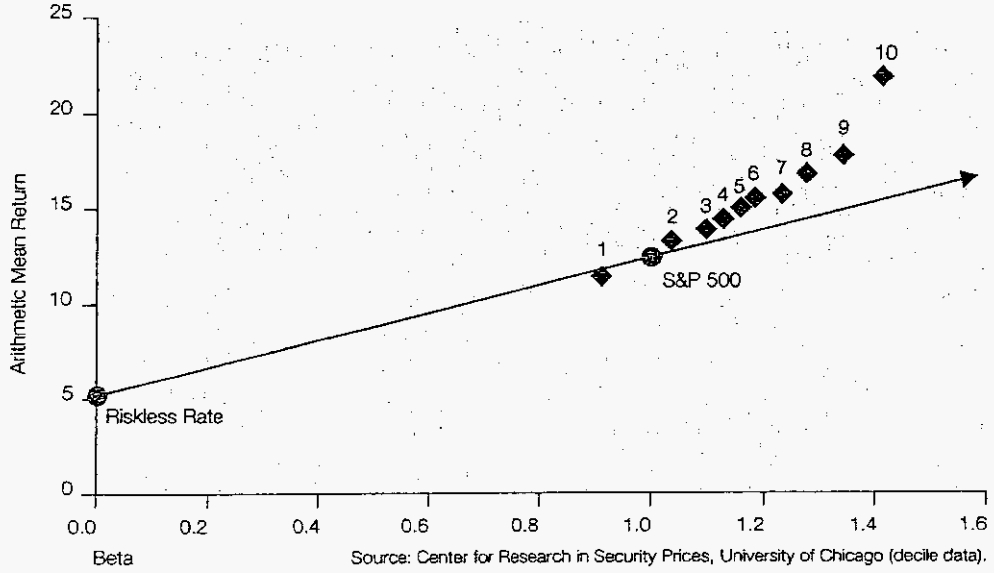
*Betas are estimated from monthly portfolio total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2004.

**Historical riskless rate is measured by the 79-year arithmetic mean income return component of 20-year government bonds (5.22 percent).

†Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (12.39 percent) minus the arithmetic mean income return component of 20-year government bonds (5.22 percent) from 1926–2004.

Graph 7-2

Security Market Line versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ
1926–2004



Source: Center for Research in Security Prices, University of Chicago (decile data).

Further Analysis of the 10th Decile

The size premia presented thus far do a great deal to explain the return due solely to size in publicly traded companies. However, by splitting the 10th decile into two size groupings we can get a closer look at the smallest companies. This magnification of the smallest companies will demonstrate whether the company size to size premia relationship continues to hold true.

As previously discussed, the method for determining the size groupings for size premia analysis was to take the stocks traded on the NYSE and break them up into 10 deciles, after which stocks traded on the AMEX and NASDAQ were allocated into the same size groupings. This same methodology was used to split the 10th decile into two parts: 10a and 10b, with 10b being the smaller of the two. This is equivalent to breaking the stocks down into 20 size groupings, with portfolios 19 and 20 representing 10a and 10b.

Table 7-7 shows that the pattern continues; as companies get smaller their size premium increases. There is a noticeable increase in size premium from 10a to 10b, which can also be demonstrated visually in Graph 7-3. This can be useful in valuing companies that are extremely small. Table 7-6 presents the size, composition, and breakpoints of deciles 10a and 10b. First, the recent number of companies and total decile market capitalization are presented. Then the largest company and its market capitalization are presented.

Breaking the smallest decile down lowers the significance of the results compared to results for the 10th decile taken as a whole, however. The same holds true for comparing the 10th decile with the Micro-Cap aggregation of the 9th and 10th deciles. The more stocks included in a sample the more significance can be placed on the results. While this is not as much of a factor with the recent years of data, these size premia are constructed with data back to 1926. By breaking the 10th decile down into smaller components we have cut the number of stocks included in each grouping. The change over time of the number of stocks included in the 10th decile for the NYSE/AMEX/NASDAQ is presented in Table 7-8. With fewer stocks included in the analysis early on, there is a strong possibility that just a few stocks can dominate the returns for those early years.

While the number of companies included in the 10th decile for the early years of our analysis is low, it is not too low to still draw meaningful results even when broken down into subdivisions 10a and 10b. All things considered, size premia developed for deciles 10a and 10b are significant and can be used in cost of capital analysis. These size premia should greatly enhance the development of cost of capital analysis for very small companies.

Table 7-6

Size-Decile Portfolios 10a and 10b of the NYSE/AMEX/NASDAQ, Largest Company and Its Market Capitalization
September 30, 2004

Decile	Recent Number of Companies	Recent Decile Market Capitalization (in thousands)	Market Capitalization of Largest Company (in thousands)	Company Name
10a	532	$98,581,341	$262,725	Mastec Inc.
10b	1,261	$83,633,980	$143,916	Rex Stores Corp.

Note: These numbers may not aggregate to equal decile 10 figures.
Source: Center for Research in Security Prices, University of Chicago.

Table 7-7

Long-Term Returns in Excess of CAPM Estimation for Decile Portfolios of the NYSE/AMEX/NASDAQ, with 10th Decile Split
1926–2004

	Beta*	Arithmetic Mean Return	Realized Return in Excess of Riskless Rate**	Estimated Return in Excess of Riskless Rate†	Size Premium (Return in Excess of CAPM)
1-Largest	0.91	11.39%	6.16%	6.53%	–0.37%
2	1.04	13.24%	8.02%	7.42%	0.60%
3	1.10	13.84%	8.62%	7.86%	0.75%
4	1.13	14.38%	9.15%	8.08%	1.07%
5	1.16	14.96%	9.74%	8.30%	1.44%
6	1.18	15.46%	10.23%	8.48%	1.75%
7	1.23	15.67%	10.45%	8.83%	1.61%
8	1.28	16.74%	11.51%	9.15%	2.36%
9	1.34	17.71%	12.48%	9.62%	2.86%
10a	1.42	19.95%	14.73%	10.19%	4.54%
10b-Smallest	1.39	25.13%	19.90%	10.00%	9.90%
Mid-Cap, 3–5	1.12	14.19%	8.96%	8.01%	0.95%
Low-Cap, 6–8	1.22	15.76%	10.54%	8.73%	1.81%
Micro-Cap, 9-10	1.36	18.97%	13.74%	9.72%	4.02%

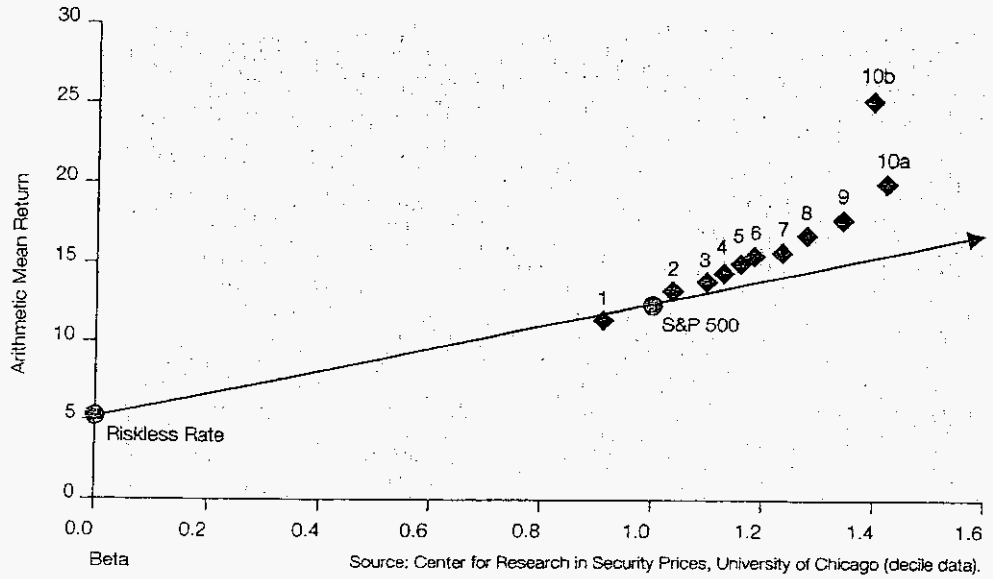
*Betas are estimated from monthly portfolio total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926–December 2004.

**Historical riskless rate is measured by the 79-year arithmetic mean income return component of 20-year government bonds (5.22 percent).

†Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (12.39 percent) minus the arithmetic mean income return component of 20-year government bonds (5.22 percent) from 1926–2004.

Graph 7-3

Security Market Line versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ, with 10th Decile Split
1926-2004



Source: Center for Research in Security Prices, University of Chicago (decile data).

Table 7-8

Historical Number of Companies for NYSE/AMEX/NASDAQ Decile 10

Sept.	Number of Companies
1926	52*
1930	72
1940	78
1950	100
1960	109
1970	865
1980	685
1990	1,814
2000	1,927
2004	1,782

*The fewest number of companies was 49 in March, 1926

Source: Center for Research in Security Prices, University of Chicago.

Alternative Methods of Calculating the Size Premia

The size premia estimation method presented above makes several assumptions with respect to the market benchmark and the measurement of beta. The impact of these assumptions can best be examined by looking at some alternatives. In this section we will examine the impact on the size premia of using a different market benchmark for estimating the equity risk premia and beta. We will also examine the effect on the size premia study of using sum beta or an annual beta.[4]

Changing the Market Benchmark

In the original size premia study, the S&P 500 is used as the market benchmark in the calculation of the realized historical equity risk premium and of each size group's beta. The NYSE total value-weighted index is a common alternative market benchmark used to calculate beta. Table 7-9 uses this market benchmark in the calculation of beta. In order to isolate the size effect, we require an equity risk premium based on a large company stock benchmark. The NYSE deciles 1–2 large company index offers a mutually exclusive set of portfolios for the analysis of the smaller company groups: mid-cap deciles 3–5, low-cap deciles 6–8, and micro-cap deciles 9–10. The size premia analyses using these benchmarks are summarized in Table 7-9 and depicted graphically in Graph 7-4.

For the entire period analyzed, 1926–2004, the betas obtained using the NYSE total value-weighted index are higher than those obtained using the S&P 500. Since smaller companies had higher betas using the NYSE benchmark, one would expect the size premia to shrink. However, as was illustrated in Chapter 5, the equity risk premium calculated using the NYSE deciles 1–2 benchmark results in a value of 6.40, as opposed to 7.17 when using the S&P 500. The effect of the higher betas and lower equity risk premium cancel each other out, and the resulting size premia in Table 7-9 are slightly higher than those resulting from the original study.

4 Sum beta is the method of beta estimation described in Chapter 6 that was developed to better account for the lagged reaction of small stocks to market movements. The sum beta methodology was developed for the same reason that the size premia were developed; small company betas were too small to account for all of their excess returns.

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Utilities

The utilities rating methodology encompasses two basic components: business risk analysis and financial analysis. Evaluation of industry characteristics, the utility's position within that industry, its regulation, and its management provides the context for assessing a firm's financial condition.

Historical analysis is a tool for identifying strengths and weaknesses, and provides a starting point for evaluating financial condition. Business position assessment is the qualitative measure of a utility's fundamental creditworthiness. It focuses on the forces that will shape the utilities' future.

Utilities credit analysis factors

Business risk	Financial risk
• Markets and service area economy	• Earnings protection
• Competitive position	• Capital structure
• Operations	• Cash flow adequacy
• Regulation	• Financial flexibility/capital attraction
• Management	
• Fuel, power, and water supply	
• Asset concentration	

The credit analysis of utilities is quickly evolving, as utilities are treated less as regulated monopolies and more as entities faced with a host of challengers in a competitive environment. Marketplace dynamics are supplanting the power of regulation, making it critically important to reduce costs and/or market new services in order to thwart competitors' inroads.

Markets and service area economy

Assessing service territory begins with the economic and demographic evaluation of the area in which the utility has its franchise. Strength of long-term demand for the product is examined from a macroeconomic perspective. This enables Standard & Poor's to evaluate the affordability of rates and the staying power of demand.

Standard & Poor's tries to discern any secular consumption trends and, more importantly, the reasons for them. Specific items examined include the size and growth rate of the market, strength of the franchise, historical and projected sales growth, income levels and trends in population, employment, and per capita income. A utility with a healthy economy and customer base—as illustrated by diverse employment opportunities, average or above-average wealth and income statistics, and low unemployment—will have a greater capacity to support its operations.

For electric and gas utilities, distribution by customer class is scrutinized to assess the depth and diversity of the utility's customer mix. For example, heavy industrial concentration is viewed cautiously, since a utility may have significant exposure to cyclical volatility. Alternatively, a large residential component yields a stable and more predictable revenue stream. The largest utility customers are identified to determine their importance to the bottom line and assess the risk of their loss and potential adverse effect on the utility's financial position. Credit concerns arise when individual customers represent more than 5% of revenues. The company or industry may play a significant role in the overall economic base of the service area. Moreover, large customers may turn to cogeneration or alternative power supplies to meet their energy needs, potentially leading to reduced cash flow for the utility (even in cases where a large customer pays discounted rates and is not a profitable account for the utility). Customer concentration is less significant for water and telecommunication utilities.

Competitive position

As competitive pressures have intensified in the utilities industry, Standard & Poor's analysis has deepened to include a more thorough review of competitive position.

Electric utility competition

For electric utilities, competitive factors examined include: percentage of firm wholesale revenues that are most vulnerable to competition; industrial load concentration; exposure of key customers to alternative suppliers; commercial concentrations; rates for various customer classes; rate design and flexibility; production costs, both marginal and fixed; the regional capacity situation; and transmission constraints. A regional focus is evident, but high costs and rates relative to national averages are also of significant concern because of the potential for electricity substitutes over time.

Mounting competition in the electric utility industry derives from excess generating capacity, lower barriers to entering the electric generating business, and marginal costs that are below embedded costs. Standard & Poor's has already witnessed declining prices in wholesale markets, as *de facto* retail competition is already being seen in several parts of the country. Standard & Poor's believes that over the coming years more and more customers will want and demand lower prices. Initial concerns focus on the largest industrial loads, but other customer classes will be increasingly vulnerable. Competition will not necessar-

ily be driven by legislation. Other pressures will arise from global competition and improving technologies, whether it be the declining cost of incremental generation or advances in transmission capacity or substitute energy sources like the fuel cell. It is impossible to say precisely when wide-open retail competition will occur; this will be evolutionary. However, significantly greater competition in retail markets is inevitable.

Gas utility competition

Similarly, gas utilities are analyzed with regard to their competitive standing in the three major areas of demand: residential, commercial, and industrial. Although regulated as holders of monopoly power, natural gas utilities have for some time been actively competing for energy market share with fuel oil, electricity, coal, solar, wood, etc. The long-term staying power of market demand for natural gas cannot be taken for granted. In fact, as the electric utility industry restructures and reduces costs, electric power will become more cost competitive and threaten certain gas markets. In addition, independent gas marketers have made greater inroads behind the city gate and are competing for large gas users. Moreover, the recent trend by state regulators to unbundle utility services is creating opportunities for outsiders to market niche products. Distributors still have the upper hand, but those who do not reduce and control costs, and thus rates, could find competition even more difficult.

Natural gas pipelines are judged to carry a somewhat higher business risk than distribution companies because they face competition in every one of their markets. To the extent a pipeline serves utilities versus industrial end users, its stability is greater. Over the next five years, pipeline competition will heat up since many service contracts with customers are expiring. Most distributor or end-use customers are looking to reduce pipeline costs and are working to improve their load factor to do so. Thus, pipelines will likely find it difficult to recontract all capacity in coming years. Being the pipeline of choice is a function of attractive transportation rates, diversity and quality of services provided, and capacity available in each particular market. In all cases though, periodic discounting of rates to retain customers will occur and put pressure on profitability.

Water utility competition

As the last true utility monopoly, water utilities face very little competition and there is currently no challenge to the continuation of franchise areas. The only exceptions have been cases where investor-owned water companies have been subject to condemnation and municipalization because of poor service or political motivations. In that regard, Standard & Poor's pays close attention to costs and rates in relation to neighboring utilities and national averages. (In contrast, the privatization of public water facilities has begun, albeit at a slower pace than anticipated. This is occurring mostly in the form of operating contracts and public/private partnerships, and not in asset transfers. This trend should continue as cities look for ways to balance their tight budgets.) Also, water utilities are not fully immune to the forces of competition; in a few instances wholesale customers can access more than one supplier.

Telephone competition

The Telecommunications Act of 1996 accelerates the continuing challenge to the local exchange companies' (LECs) century-old monopoly in the local loop. Competitive access providers (CAPs), both facilities-based and resellers, are aggressively pursuing customers, generally targeting metropolitan areas, and promising lower rates and better service.

Most long-distance calls are still originated and terminated on the local telephone company network. To complete such a call, the long-distance provider (including AT&T, MCI, Sprint and a host of smaller interexchange carriers or "IXCs") must pay the local telephone company a steep "access" fee to compensate the local phone company for the use of its local network. CAPs, in contrast, build or lease facilities that directly connect customers to their long-distance carrier, bypassing the local telephone company and avoiding access fees, and thereby can offer lower long-distance rates. But the LECs are not standing still; they are combating the loss of business to CAPs by lowering access fees, thereby reducing the economic incentive for a high usage long-distance customer to use a CAP. LECs are attempting to make up for the loss of revenues from lower access fees by increasing basic local service rates (or at least not lowering them), since basic service is far less subject to competition. LECs are improving operating efficiency and marketing high margin, value-added new services. Additionally, in the wake of the Telecommunications Act, LECs will capture at least some of the inter-LATA long-distance market. As a result of these initiatives, LECs continue to rebuild themselves—from the traditional utility monopoly to leaner, more marketing oriented organizations.

While LECs, and indeed all segments of the telecommunications sector, face increasing competition, there are favorable industry factors that tend to offset heightened business risk and auger for overall ratings stability for most LECs. Importantly, telecommunications is a declining-cost business. With increased deployment of fiber optics, the cost of transport has fallen dramatically and digital switching hardware and software have yielded more capable, trouble-free and cost-efficient networks. As a result, the cost of network maintenance has dropped sharply, as illustrated by the ratio of employees per 10,000 access lines, an oft cited measurement of efficiency. Ratios as low as 25 employees per 10,000 lines are being seen, down from the typical 40 or more employees per 10,000 ratio of only a few years ago.

In addition, networks are far more capable. They are increasingly digitally switched and able to accommodate high-speed communications. The infrastructure needed to accommodate switched broadband services will be built into telephone networks over the next few years. These advanced networks will enable telephone companies to look to a greater variety of high-margin, value-added serv-

ices. In addition to those current services such as call waiting or caller ID, the delivery of hundreds of broadcast and interactive video channels will be possible. While these services offer the potential of new revenue streams, they will simultaneously present a formidable challenge. LECs will be entering the new (to them) arena of multimedia entertainment and will have to develop expertise in marketing and entertainment programming acumen; such skills stand in sharp contrast to LECs' traditional strengths in engineering and customer service.

Operations

Standard & Poor's focuses on the nature of operations from the perspective of cost, reliability, and quality of service. Here, emphasis is placed on those areas that require management attention in terms of time or money and which, if unresolved, may lead to political, regulatory, or competitive problems.

Operations of electric utilities

For electrics, the status of utility plant investment is reviewed with regard to generating plant availability and utilization, and also for compliance with existing and contemplated environmental and other regulatory standards. The record of plant outages, equivalent availability, load factors, heat rates, and capacity factors are examined. Also important is efficiency, as defined by total megawatt hour per employee and customers per employee. Transmission interconnections are evaluated in terms of the number of utilities to which the utility in question has access, the cost structures and available generating capacity of these other utilities, and the price paid for wholesale power.

Because of mounting competition and the substantial escalation in decommissioning estimates, significant weight is given to the operation of nuclear facilities. Nuclear plants are becoming more vulnerable to high production costs that make their rates uneconomic. Significant asset concentration may expose the utility to poor performance, unscheduled outages or premature shutdowns, and large deferrals or regulatory assets that may need to be written off for the utility to remain competitive. Also, nuclear facilities tend to represent significant portions of their operators' generating capability and assets. The loss of a productive nuclear unit from both power supply and rate base can interrupt the revenue stream and create substantial additional costs for repairs and improvements and replacement power. The ability to keep these stations running smoothly and economically directly influences the ability to meet electric demand, the stability of revenues and costs, and, by extension, the ability to maintain adequate creditworthiness. Thus, economic operation, safe operation, and long-term operation are examined in depth. Specifically, emphasis is placed on operation and maintenance costs, busbar costs, fuel costs, refueling outages, forced outages, plant statistics, NRC evaluations, the potential need for repairs, operating licenses, decommissioning estimates and amounts held in external trusts, spent fuel storage capacity, and management's nuclear experience. In essence, favorable nuclear operations offer significant opportunities but, if a nuclear unit runs poorly or not at all, the attendant risks can be great.

Operations of gas utilities

For gas pipeline and distribution companies, the degree of plant utilization, the physical condition of the mains and lines, adequacy of storage to meet seasonal needs, "lost and unaccounted for" gas levels, and per-unit nongas operating and construction costs are important factors. Efficiency statistics such as load factor, operating costs per customer, and operating income per employee are also evaluated in comparison to other utilities and the industry as a whole.

Operations of water utilities

As a group, water utilities are continually upgrading their physical plant to satisfy regulations and to develop additional supply. Over the next decade, water systems will increasingly face the task of maintaining compliance, as drinking water regulations change and infrastructure ages. Given that the Safe Drinking Water Act was authorized in 1974, the first generation of treatment plants built to conform with these rules are almost 20 years old. Additionally, because the focus during this period was on satisfying environmental standards, deferred maintenance of distribution systems has been common, especially in older urban areas. The increasing cost of supplying treated water argues against the high level of unaccounted for water witnessed in the industry. Consequently, Standard & Poor's anticipates capital plans for rebuilding distribution lines and major renewal and replacement efforts aimed at treatment plants.

Operations of telephone companies

For telephone companies, cost-of-service analysis focuses on plant capability and measures of efficiency and quality of service. Plant capability is ascertained by looking at such parameters as percentage of digitally switched lines; fiber optic deployment, in particular in those portions of the plant key to network survival; and the degree of broadband capacity fiber and coaxial deployment and broadband switching capacity. Efficiency measures include operating margins, the ratio of employees per 10,000 access lines, and the extent of network and operations consolidation. Quality of service encompasses examination of quantitative measures, such as trouble reports and repeat service calls, as well as an assessment of qualitative factors, that may include service quality goals mandated by regulators.

Regulation

Regulatory rate-setting actions are reviewed on a case-by-case basis with regard to the potential effect on creditworthiness. Regulators' authorizing high rates of return is of little value unless the returns are earnable. Furthermore, allowing high returns based on noncash items does not benefit bondholders. Also, to be viewed positively, regulatory treatment should allow consistent performance from

period to period, given the importance of financial stability as a rating consideration.

The utility group meets frequently with commission and staff members, both at Standard & Poor's offices and at commission headquarters, demonstrating the importance Standard & Poor's places on the regulatory arena for credit quality evaluation. Input from these meetings and from review of rate orders and their impact weigh heavily in Standard & Poor's analysis.

Standard & Poor's does not "rate" regulatory commissions. State commissions typically regulate a number of diverse industries, and regulatory approaches to different types of companies often differ within a single regulatory jurisdiction. This makes it all but impossible to develop inclusive "ratings" for regulators.

Standard & Poor's evaluation of regulation also encompasses the administrative, judicial, and legislative processes involved in state and federal regulation. These can affect rate-setting activities and other aspects of the business, such as competitive entry, environmental and safety rules, facility siting, and securities sales.

As the utility industry faces an increasingly deregulated environment, alternatives to traditional rate-making are becoming more critical to the ability of utilities to effectively compete, maintain earnings power, and sustain creditor protection. Thus, Standard & Poor's focuses on whether regulators, both state and federal, will help or hinder utilities as they are exposed to greater competition. There is much that regulators can do, from allocating costs to more captive customers to allowing pricing flexibility—and sometimes just stepping out of the way.

Under traditional rate-making, rates and earnings are tied to the amount of invested capital and the cost of capital. This can sometimes reward companies more for justifying costs than for containing them. Moreover, most current regulatory policies do not permit utilities to be flexible when responding to competitive pressures of a deregulated market. Lack of flexible tariffs for electric utilities may lure large customers to wheel cheaper power from other sources.

In general, a regulatory jurisdiction is viewed favorably if it permits earning a return based on the ability to sustain rates at competitive levels. In addition to performance-based rewards or penalties, flexible plans could include market-based rates, price caps, index-based prices, and rates premised on the value of customer service. Such rates more closely mirror the competitive environment that utilities are confronting.

Electric industry regulation

The ability to enter into long-term arrangements at negotiated rates without having to seek regulatory approval for each contract is also important in the electric industry. (While contracting at reduced rates constrains financial performance, it lessens the potential adverse impact in the event of retail wheeling. Since revenue losses associated with this strategy are not likely to be recovered from ratepayers, utilities must control costs well enough to remain competitive if they are to sustain current levels of bondholder protection.)

Natural gas industry regulation

In the gas industry, too, several state commission policies weigh heavily in the evaluation of regulatory support. Examples include stabilization mechanisms to adjust revenues for changes in weather or the economy, rate and service unbundling decisions, revenue and cost allocation between sales and transportation customers, flexible industrial rates, and the general supportiveness of construction costs and gas purchases.

Water industry regulation

In all water utility activities, federal and state environmental regulations continue to play a critical role. The legislative timetable to effect the 1986 amendments to the Safe Drinking Water Act of 1974 was quite aggressive. But environmental standards-setting has actually slowed over the past couple of years due largely to increasing sentiment that the stringent, costly standards have not been justified on the basis of public health. A moratorium on the promulgation of significant new environmental rules is anticipated.

Telecommunications industry regulation

Despite the advances in telecommunications deregulation, analysis of regulation of telephone operators will continue to be a key rating determinant for the foreseeable future. The method of regulation may be either classic rate-based rate of return or some form of price cap mechanism. The most important factor is to assess whether the regulatory framework—no matter which type—provides sufficient financial incentive to encourage the rated company to maintain its quality of service and to upgrade its plant to accommodate new services while facing increasing competition from wireless operators and cable television companies.

Where regulators do still set tariffs based on an authorized return, Standard & Poor's strives to explore with regulators their view of the rate-of-return components that can materially impact reported versus regulatory earnings. Specifically these include the allowable base upon which the authorized return can be earned, allowable expenses, and the authorized return. Since regulatory oversight runs the gamut from strict, adversarial relationships with the regulated operating companies to highly supportive postures, Standard & Poor's probes beyond the apparent regulatory environment to ascertain the actual impact of regulation on the rated company.

Management

Evaluating the management of a utility is of paramount importance to the analytical process since management's abilities and decisions affect all areas of a company's operations. While regulation, the economy, and other outside factors can influence results, it is ultimately the quality of management that determines the success of a company.

With emerging competition, utility management will be more closely scrutinized by Standard & Poor's and will become an increasingly critical component of the credit evaluation. Management strategies can be the key determinant in differentiating utilities and in establishing where companies lie on the business position spectrum. It is imperative that managements be adaptable, aggressive, and proactive if their utilities are to be viable in the future; this is especially important for utilities that are currently uncompetitive.

The assessment of management is accomplished through meetings, conversations, and reviews of company plans. It is based on such factors as tenure, industry experience, grasp of industry issues, knowledge of customers and their needs, knowledge of competitors, accounting and financing practices, and commitment to credit quality. Management's ability and willingness to develop workable strategies to address their systems' needs, to deal with the competitive pressures of free market, to execute reasonable and effective long-term plans, and to be proactive in leading their utilities into the future are assessed. Management quality is also indicated by thoughtful balancing of public and private priorities, a record of credibility, and effective communication with the public, regulatory bodies, and the financial community. Boards of directors will receive ever more attention with respect to their role in setting appropriate management incentives.

With competition the watchword, Standard & Poor's also focuses on management's efforts to enhance financial condition. Management can bolster bondholder protection by taking any number of discretionary actions, such as selling common equity, lowering the common dividend payout, and paying down debt. Also important for the electric industry will be creativity in entering into strategic alliances and working partnerships that improve efficiency, such as central dispatching for a number of utilities or locking up at-risk customers through long-term contracts or expanded flexible pricing agreements. Proactive management teams will also seek alternatives to traditional rate-base, rate-of-return rate-making, move to adopt higher depreciation rates for generating facilities, segment customers by individual market preferences, and attempt to create superior service organizations.

In general, management's ability to respond to mounting competition and changes in the utility industry in a swift and appropriate manner will be necessary to maintain credit health.

Fuel, power, and water supply

Assessment of present and prospective fuel and power supply is critical to every electric utility analysis, while gauging the long-term natural gas supply position for gas pipeline and distribution companies and the water resources of a water utility is equally important. There is no similar analytical category for telephone utilities.

Electric utilities

For electric utilities emphasis is placed on generating reserve margins, fuel mix, fuel contract terms, demand-side management techniques, and purchased power arrangements. The adequacy of generating margins is examined nationally, regionally, and for each individual company. However, the reserve margin picture is muddied by the imprecise nature of peak-load growth forecasting, and also supply uncertainty relating to such things as Canadian capacity availability and potential plant shutdowns due to age, new NRC rules, acid rain remedies, fuel shortages, problems associated with nontraditional technologies, and so forth. Even apparently ample reserves may not be what they seem. Moreover, the quality of capacity is just as important as the size of reserves. Companies' reserve requirements differ, depending upon individual operating characteristics.

Fuel diversity provides flexibility in a changing environment. Supply disruptions and price hikes can raise rates and ignite political and regulatory pressures that ultimately lead to erosion in financial performance. Thus, the ability to alter generating sources and take advantage of lower cost fuels is viewed favorably.

Dependence on any single fuel means exposure to that fuel's problems: electric utilities that rely on oil or gas face the potential for shortages and rapid price increases; utilities that own nuclear generating facilities face escalating costs for decommissioning; and coal-fired capacity entails environmental problems stemming from concerns over acid rain and the "greenhouse effect."

Buying power from neighboring utilities, qualifying facility projects, or independent power producers may be the best choice for a utility that faces increasing electricity demand. There has been a growing reliance on purchased power arrangements as an alternative to new plant construction. This can be an important advantage, since the purchasing utility avoids potential construction cost overruns as well as risking substantial capital. Also, utilities can avoid the financial risks typical of a multiyear construction program that are caused by regulatory lag and prudence reviews. Furthermore, purchased power may enhance supply flexibility, fuel resource diversity, and maximize load factors. Utilities that plan to meet demand projections with a portfolio of supply-side options also may be better able to adapt to future growth uncertainties. Notwithstanding the benefits of purchasing, such a strategy has risks associated with it. By entering into a firm long-term purchased power contract that contains a fixed-cost component, utilities can incur substantial market, operating, regulatory, and financial risks. Moreover, regulatory treatment of purchased power removes any upside potential that might help offset the risks. Utilities are not compensated through incentive rate-making; rather, purchased power is recovered dollar-for-dollar as an operating expense.

To analyze the financial impact of purchased power, Standard & Poor's first calculates the net present value of future annual capacity payments (discounted at 10%). This represents a potential debt equivalent—the off-balance-sheet obligation that a utility incurs when it enters into a long-term purchased power contract. However, Standard

& Poor's adds to the utility's balance sheet only a portion of this amount, recognizing that such a contractual arrangement is not entirely the equivalent of debt. What percentage is added is a function of Standard & Poor's qualitative analysis of the specific contract and the extent to which market, operating, and regulatory risks are borne by the utility (the risk factor). For unconditional, take-or-pay contracts, the risk factor range is from 40%-80%, with the average hovering around 60%. A lower risk factor is typically assigned for system purchases from coal-fired utilities and a higher risk factor is usually designated for unit-specific nuclear purchases. The range for take-and-pay performance obligations is between 10%-50%.

Gas utilities

For gas distribution utilities, long-term supply adequacy obviously is critical, but the supply role has become even more important in credit analysis since the Federal Energy Regulatory Commission's Order 636 eliminated the interstate pipeline merchant business. This thrust gas supply responsibilities squarely on local gas distributors. Standard & Poor's has always believed distributor management has the expertise and wherewithal to perform the job well, but the risks are significant since gas costs are such a large percentage of total utility costs. In that regard, it is important for utilities to get preapprovals of supply plans by state regulators or at least keep the staff and commissioners well informed. To minimize risks, a well-run program would diversify gas sources among different producers or marketers, different gas basins in the U.S. and Canada, and different pipeline routes. Also, purchase contracts should be firm, with minimal take-or-pay provisions, and have prices tied to an industry index. A modest percentage of fixed-price gas is not unreasonable. Contracts, whether of gas purchases or pipeline capacity, should be intermediate term. Staggering contract expirations (preferably annually) provides an opportunity to be an active market player. A modest degree of reliance on spot purchases provides flexibility, as does the use of market-based storage. Gas storage and on-property gas resources such as liquefied natural gas or propane air are effective peak-day and peak-season supply management tools.

Since pipeline companies no longer buy and sell natural gas and are just common carriers, connections with varied reserve basins and many wells within those basins are of great importance. Diversity of sources helps offset the risks arising from the natural production declines eventually experienced by all reserve basins and individual wells. Moreover, such diversity can enhance a pipeline's attractiveness as a transporter of natural gas to distributors and end users seeking to buy the most economical gas available for their needs.

Water utilities

Nearly all water systems throughout the U.S. have ample long-term water supplies. Yet to gain comfort, Standard & Poor's assesses the production capability of treatment plants and the ability to pump water from underground aquifers in relation to the usage demands from consumers. Having adequate treated water storage facilities has become important in recent years and has helped many systems meet demands during peak summer periods. Of interest is whether the resources are owned by the utility or purchased from other utilities or local authorities. Owning properties with water rights provides more supply security. This is especially so in states like California where water allocations are being reduced, particularly since recent droughts and environmental issues have created alarm. Since the primary cost for water companies is treatment, it makes little difference whether raw water is owned or bought. In fact, compliance with federal and state water regulations is very high, and the overall cost to deliver treated water to consumers remains relatively affordable.

Asset concentration in the electric utility industry

In the electric industry, Standard & Poor's follows the operations of major generating facilities to assess if they are well managed or troubled. Significant dependence on one generating facility or a large financial investment in a single asset suggests high risk. The size or magnitude of a particular asset relative to total generation, net plant in service, and common equity is evaluated. Where substantial asset concentration exists, the financial profile of a company may experience wide swings depending on the asset's performance. Heavy asset concentration is most prevalent among utilities with costly nuclear units.

Earnings protection

In this category, pretax cash income coverage of all interest charges is the primary ratio. For this calculation, allowance for funds used during construction (AFUDC) is removed from income and interest expense. AFUDC and other such noncash items do not provide any protection for bondholders. To identify total interest expense, the analyst reclassifies certain operating expenses. The interest component of various off-balance-sheet obligations, such as leases and some purchased-power contracts, is included in interest expense. This provides the most direct indication of a utility's ability to service its debt burden.

While considerable emphasis in assessing credit protection is placed on coverage ratios, this measure does not provide the entire earnings protection picture. Also important are a company's earned returns on both equity and capital, measures that highlight a firm's earnings performance. Consideration is given to the interaction of embedded costs, financial leverage, and pretax return on capital.

Capital structure

Analyzing debt leverage goes beyond the balance sheet and covers quasi-debt items and elements of hidden financial leverage. Noncapitalized leases (including sale/leaseback obligations), debt guarantees, receivables financing, and purchased-power contracts are all considered debt equivalents and are reflected as debt in calculating capital

structure ratios. By making debt level adjustments, the analyst can compare the degree of leverage used by each utility company.

Furthermore, assets are examined to identify undervalued or overvalued items. Assets of questionable value are discounted to more accurately evaluate asset protection.

Some firms use short-term debt as a permanent piece of their capital structure. Short-term debt also is considered part of permanent capital when it is used as a bridge to permanent financing. Seasonal, self-liquidating debt is excluded from the permanent debt amount, but this situation is rare—with the exception of certain gas utilities. Given the long life of almost all utility assets, short-term debt may expose these companies to interest-rate volatility, remarketing risk, bank line backup risk, and regulatory exposure that cannot be readily offset. The lower cost of shorter-term obligations (assuming a positively sloped yield curve) is a positive factor that partially mitigates the risk of interest-rate variability. As a rule of thumb, a level of short-term debt that exceeds 10% of total capital is cause for concern.

Similarly, if floating-rate debt and preferred stock constitute over one-third of total debt plus preferred stock, this level is viewed as unusually high and may be cause for concern. It might also indicate that management is aggressive in its financial policies.

A layer of preferred stock in the capital structure is usually viewed as equity—since dividends are discretionary and the subordinated claim on assets provides a cushion for providers of debt capital. A preferred component of up to 10% is typically viewed as a permanent wedge in the capital structure of utilities. However, as rate-of-return regulation is phased out, preferred stock may be viewed by utilities—as many industrial firms would—as a temporary option for companies that are not current taxpayers that do not benefit from the tax deductibility of interest. Even now, floating-rate preferred and money market perpetual preferred are problematic; a rise in the rate due to deteriorating credit quality tends to induce a company to take out such preferred stock with debt. Structures that convey tax deductibility to preferred stock have become very popular and do generally afford such financings with equity treatment.

Cash flow adequacy

Cash flow adequacy relates to a company's ability to generate funds internally relative to its needs. It is a basic component of credit analysis because it takes cash to pay expenses, fund capital spending, pay dividends, and make interest and principal payments. Since both common and preferred dividend payments are important to maintain capital market access, Standard & Poor's looks at cash flow measures both before and after dividends are paid.

To determine cash flow adequacy, several quantitative relationships are examined. Emphasis is placed on cash flow relative to debt, debt service requirements, and capital spending. Cash flow adequacy is evaluated with respect to a firm's ability to meet all fixed charges, including capacity payments under purchased-power contracts. Despite the conditional nature of some contracts, the purchaser is obligated to pay a minimum capacity charge. The ratio used is funds from operations plus interest and capacity payments divided by interest plus capacity payments.

Financial flexibility/capital attraction

Financing flexibility incorporates a utility's financing needs, plans, and alternatives, as well as its flexibility to accomplish its financing program under stress without damaging creditworthiness. External funding capability complements internal cash flow. Especially since utilities are so capital intensive, a firm's ability to tap capital markets on an ongoing basis must be considered. Debt capacity reflects all the earlier elements: earnings protection, debt leverage, and cash flow adequacy. Market access at reasonable rates is restricted if a reasonable capital structure is not maintained and the company's financial prospects dim. The analyst also reviews indenture restrictions and the impact of additional debt on covenant tests.

Standard & Poor's assesses a company's capacity and willingness to issue common equity. This is affected by various factors, including the market-to-book ratio, dividend policy, and any regulatory restrictions regarding the composition of the capital structure.

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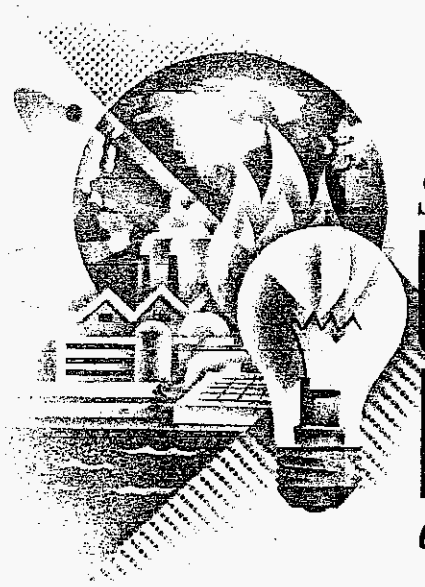

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STANDARD
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New Business Profile Scores Assigned for U.S. Utility and Power Companies; Financial Guidelines Revised

Standard & Poor's Ratings Services has assigned new business profile scores to U.S. utility and power companies to better reflect the relative business risk among companies in the sector. Standard & Poor's also has revised its published risk-adjusted financial guidelines. The new business scores and financial guidelines do not represent a change to Standard & Poor's ratings criteria or methodology, and no ratings changes are anticipated from the new business profile scores or revised financial guidelines.

New Business Profile Scores and Revised Financial Guidelines

Standard & Poor's has always monitored changes in the industry and altered its business risk assessments accordingly. This is the first time since the 10-point business profile scale for U.S. investor-owned utilities was implemented that a comprehensive assessment of the benefits and the application of the methodology has been made. The principal purpose was to determine if the methodology continues to provide meaningful differentiation of business risk. The review indicated that while business profile scoring continues to provide analytical benefits, the complete range of the 10-point scale was not being utilized to the fullest extent.

Standard & Poor's has also revised the key financial guidelines that it uses as an integral part of evaluating the credit quality of U.S. utility and power companies. These guidelines were last updated in June 1999. The financial guidelines for three principal ratios (funds from operations (FFO) interest coverage, FFO to total debt, and total debt to total capital) have been broadened so as to be more flexible. Pretax interest cov-

Chart 1

Distribution of Business Profile Scores

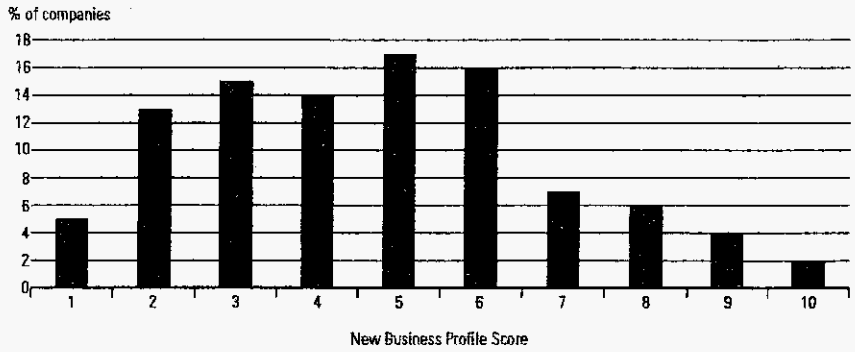
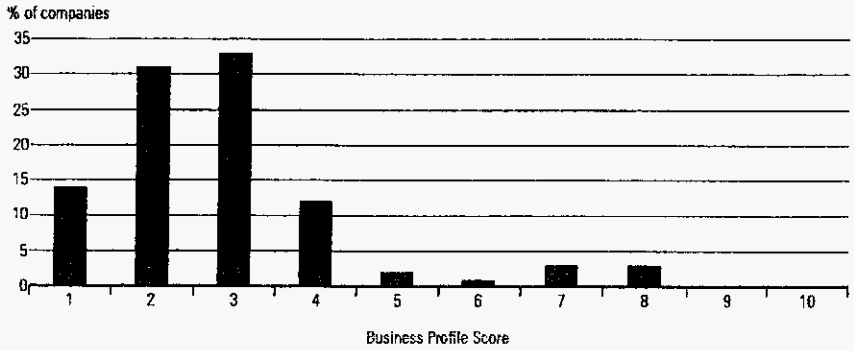


Chart 2

Transmission and Distribution—Water, Gas, and Electric



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erage as a key credit ratio was eliminated.

Finally, Standard & Poor's has segmented the utility and power industry into sub-sectors based on the dominant corporate strategy that a company is pursuing. Standard & Poor's has published a new U.S. utility and power company ranking list that reflects these sub-sectors.

There are numerous benefits to the reassessment. Fuller utilization of the entire 10-point scale provides a superior relative ranking of qualitative business risk. A revision of the financial guidelines supports the goal of not causing rating changes from the recalibration of the business profiles. Classification of companies by sub-sectors will ensure greater comparability and consistency in ratings. The use of industry segmentation will also allow more in-depth statistical analysis of ratings distributions and rating changes.

The reassessment does not represent a change to Standard & Poor's criteria or methodology for determining ratings for utility and power companies. Each business profile score should be considered as the assignment of a new score; these scores do not represent improvement or deterioration in our assessment of an individual company's business risk relative to the previously assigned score. The financial guidelines continue to be risk-adjusted based on historical utility and industrial medians. Segmentation into industry sub-sectors does not imply that specific company characteristics will not weigh heavily into the assignment of a company's business profile score.

Results

Previously, 83% of U.S. utility and power business profile scores fell between '3' and '6', which clearly does not reflect the risk differentiation that exists in the utility and power industry today. Since the 10-point scale was introduced, the industry has transformed into a much less homogenous industry, where the divergence of business risk—particularly regarding management, strategy, and degree of competitive market exposure—has created a much wider spectrum of risk profiles. Yet over the same period, business profile scores actually converged more tightly around a median score of '4'. The new business pro-

Chart 3

Transmission Only—Electric, Gas, and Other

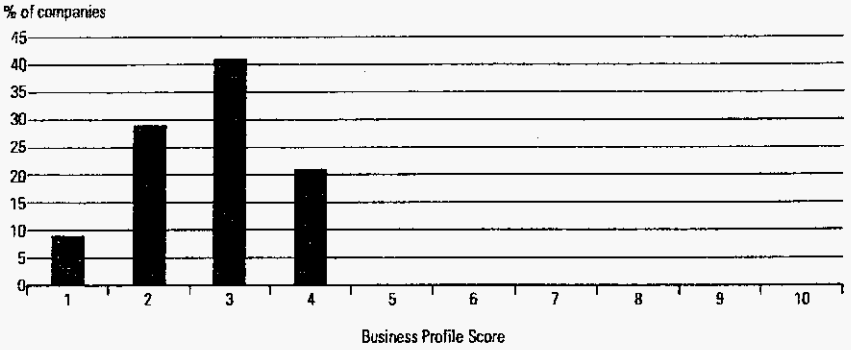
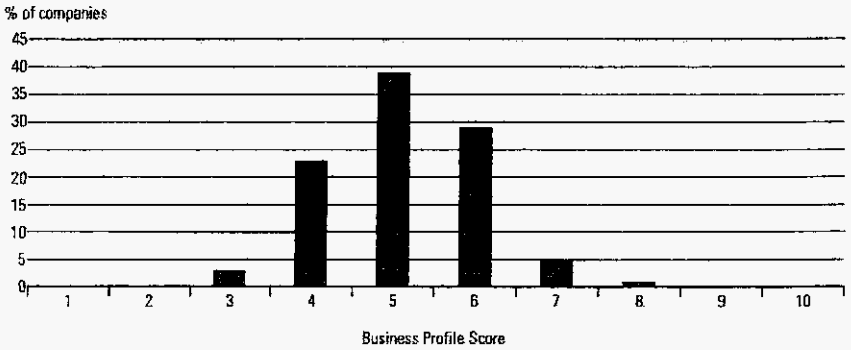


Chart 4

Integrated Electric, Gas, and Combination Utilities



file scores, as of June 2, are shown in Chart 1. The overall median business profile score is now '5'.

Table 1 contains the revised financial guidelines. It is important to emphasize that these metrics are only guidelines associated with expectations for various rating levels. Although credit ratio analysis is an important part of the ratings process, these three statistics are by no means the only critical financial measures that Standard & Poor's uses in its analytical process. We also analyze a wide array of financial ratios that do not have published guidelines for each rating category.

Again, ratings analysis is not driven solely by these financial ratios, nor has it ever been. In fact, the new financial guidelines that Standard & Poor's is incorporating for the specified rating categories reinforce the analytical framework whereby other factors can outweigh the achievement of otherwise acceptable financial ratios. These factors include:

- Effectiveness of liability and liquidity management;
- Analysis of internal funding sources;
- Return on invested capital;
- The execution record of stated business strategies;
- Accuracy of projected performance versus actual results, as well as the trend;
- Assessment of management's financial policies and attitude toward credit; and
- Corporate governance practices.

Charts 2 through 6 show business profile scores broken out by industry sub-sector. The five industry sub-sectors are:

- Transmission and distribution—Water, gas, and electric;
- Transmission only—Electric, gas, and other;
- Integrated electric, gas, and combination utilities;
- Diversified energy and diversified nonenergy; and
- Energy merchant/power developer/trading and marketing companies.

The average business profile scores for transmission and distribution companies and transmission-only companies are lower on the scale than the previous averages, while the average business profile scores for integrated utilities, diversified energy, and energy merchants and developers are higher.

Chart 5

Diversified Energy and Diversified Non-Energy

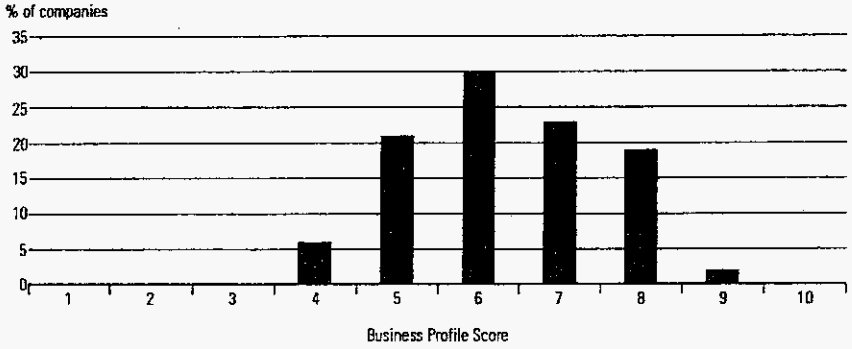
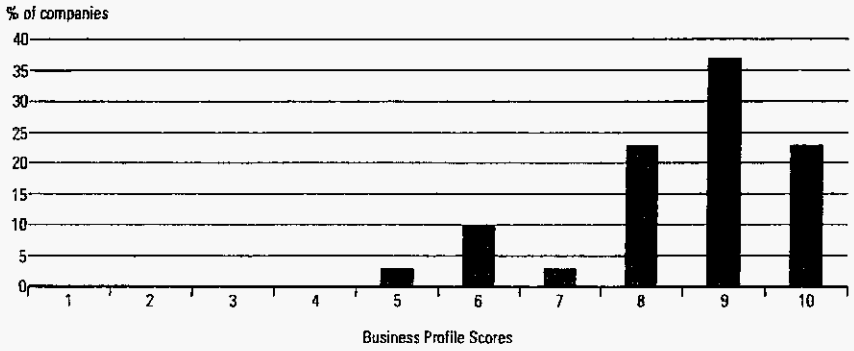


Chart 6

Energy Merchant/Developers/Trading and Marketing



See pages 16 to 19 for the company ranking list of business profile scores segmented by industry sub-sector and ranked in order of credit rating, outlook, business profile score, and relative strength.

Business Profile Score Methodology

Standard & Poor's methodology of determining corporate utility business risk is anchored in the assessment of certain specific characteristics that define the sector. We assign business profile scores to each of the rated companies in the utility and power sector on a 10-point scale, where '1' represents the lowest risk and '10' the highest risk. Business profile scores are assigned to all rated utility and power companies, whether they are holding companies, subsidiaries, or stand-alone corporations. For operating subsidiaries and stand-alone companies, the score is a bottom-up assessment. Scores for families of companies are a composite of the operating subsidiaries' scores. The actual credit rating of a company is analyzed, in part, by comparing the business profile score with the risk-adjusted financial guidelines.

For most companies, business profile scores are assessed using five categories; specifically, regulation, markets, operations, competitiveness, and management. The emphasis placed on each category may be influenced by the

Table 1

Revised Financial Guidelines

Funds from operations/interest coverage (x)

Business Profile	AA		A		BBB		BB	
1	3	2.5	2.5	1.5	1.5	1		
2	4	3	3	2	2	1		
3	4.5	3.5	3.5	2.5	2.5	1.5	1.5	1
4	5	4.2	4.2	3.5	3.5	2.5	2.5	1.5
5	5.5	4.5	4.5	3.8	3.8	2.8	2.8	1.8
6	6	5.2	5.2	4.2	4.2	3	3	2
7	8	6.5	6.5	4.5	4.5	3.2	3.2	2.2
8	10	7.5	7.5	5.5	5.5	3.5	3.5	2.5
9			10	7	7	4	4	2.8
10			11	8	8	5	5	3

Funds from operation/total debt (%)

Business Profile	AA		A		BBB		BB	
1	20	15	15	10	10	5		
2	25	20	20	12	12	8		
3	30	25	25	15	15	10	10	5
4	35	28	28	20	20	12	12	8
5	40	30	30	22	22	15	15	10
6	45	35	35	28	28	18	18	12
7	55	45	45	30	30	20	20	15
8	70	55	55	40	40	25	25	15
9			65	45	45	30	30	20
10			70	55	55	40	40	25

Total debt/total capital (%)

Business Profile	AA		A		BBB		BB	
1	48	55	55	60	60	70		
2	45	52	52	58	58	68		
3	42	50	50	55	55	65	65	70
4	38	45	45	52	52	62	62	68
5	35	42	42	50	50	60	60	65
6	32	40	40	48	48	58	58	62
7	30	38	38	45	45	55	55	60
8	25	35	35	42	42	52	52	58
9			32	40	40	50	50	55
10			25	35	35	48	48	52

dominant strategy of the company or other factors. For example, for a regulated transmission and distribution company, regulation may account for 30% to 40% of the business profile score because regulation can be the single-most important credit driver for this type of company. Conversely, competition, which may not exist for a transmission and distribution company, would provide a much lower proportion (e.g., 5% to 15%) of the business profile score.

For certain types of companies, such as power generators, power developers, oil and gas exploration and production companies, or nonenergy-related holdings, where these five components may not be appropriate, Standard & Poor's will use other, more appropriate methodologies. Some of these companies are assigned business profile scores that are useful only for relative ranking purposes.

As noted above, the business profile score for a parent or holding company is a composite of the business profile scores of its individual subsidiary companies. Again, Standard & Poor's does not apply rigid guidelines for determining the proportion or weighting that each subsidiary represents in the overall business profile score. Instead, it is determined based on a number of factors. Standard & Poor's will analyze each subsidiary's contribution to FFO, forecast capital expenditures, liquidity requirements, and other parameters, including the extent to which one subsidiary has higher growth. The weighting is determined case-by-case. ■

Ronald M. Barone
New York (1) 212-438-7662
Richard W. Cortright, Jr.
New York (1) 212-438-7665
Suzanne G. Smith
New York (1) 212-438-2106
John W. Whitlock
New York (1) 212-438-7678
Andrew Watt
New York (1) 212-438-7868
Arthur F. Simonson
New York (1) 212-438-2094

PROXY GROUP OF SIX AUS UTILITY REPORTS WATER COMPANIES
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2000 - 2004, INCLUSIVE

	2004	2003	2002	2001	2000	
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$527.770	$470.628	$407.791	$375.005	$331.405	
SHORT-TERM DEBT	$25.357	$32.067	$35.125	$30.666	$26.752	
TOTAL CAPITAL EMPLOYED	$553.127	$502.695	$442.916	$405.670	$358.157	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.88 %	6.02 %	6.27 %	6.84 %	7.42 %	
PREFERRED STOCK	5.34	5.34	5.73	5.31	5.20	
CAPITAL STRUCTURE RATIOS						5 YEAR AVERAGE
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	53.82 %	54.07 %	54.19 %	54.26 %	52.09 %	53.69 %
PREFERRED STOCK	0.43	0.49	0.57	0.76	0.88	0.62
COMMON EQUITY	45.75	45.44	45.24	44.98	47.03	45.69
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	55.63 %	57.27 %	57.18 %	57.64 %	54.89 %	56.52 %
PREFERRED STOCK	0.41	0.47	0.52	0.70	0.84	0.59
COMMON EQUITY	43.96	42.26	42.30	41.66	44.27	42.89
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	4.31 %	3.85 %	4.90 %	4.92 %	5.33 %	4.66 %
MARKET / AVERAGE BOOK RATIO	231.71	232.50	221.41	215.22	191.35	218.44
DIVIDEND YIELD	3.20	3.28	3.63	3.81	4.26	3.63
DIVIDEND PAYOUT RATIO	74.58	87.80	74.83	79.40	83.28	79.98
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	9.80 %	8.97 %	10.58 %	10.35 %	10.09 %	9.96 %
FUNDS FROM OPERATIONS / INTEREST COVERAGE (3)	3.89 X	3.37 X	3.37 X	3.26 X	3.10 X	3.40 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	16.51 %	13.52 %	14.00 %	14.05 %	14.60 %	14.54 %
TOTAL DEBT / TOTAL CAPITAL	55.63 %	57.27 %	57.18 %	57.64 %	54.89 %	56.52 %

See Page 2 for notes.

Proxy Group of Six AUS Utility Reports Water Companies
Capitalization and Financial Statistics
1999-2004, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.

(2) Computed by relating actual long-term debt interest or preferred stock dividends booked to average of beginning and ending long-term debt or preferred stock reported to be outstanding.

(3) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges divided by interest charges.

(4) Funds from operations (as defined in Note 3) as a percentage of total debt.

Selection Criteria:

The basis of selection was to include those water companies: 1) which are included in the Water Company Group of C. A. Turner Public Utility Reports (June 2005); 2) which have Value Line (Standard Edition) five-year EPS growth rate projections or Thomson FN / First Call consensus five-year EPS growth rate projections; and 3) which have more than 70% of their 2004 operating revenues derived from water operations.

The following six water companies met the above criteria:

American States Water Co.
Aqua America, Inc.
Artesian Resources, Inc.
California Water Service Group
Middlesex Water Company
York Water Co.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database
Company Annual Forms 10K

Water Service Corporation of Kentucky
Capital Structure Based upon Total Capital for
the Proxy Group of Six AUS Utility Reports Water Companies
for the Years 2000 through 2004

	2004	2003	2002	2001	2000	5 YEAR AVERAGE
American States Water Co.						
Long-Term Debt	51.21 %	53.41 %	55.89 %	58.74 %	42.50 %	52.35 %
Short-Term Debt	7.40	9.72	6.22	3.72	10.80	7.57
Preferred Stock	0.00	0.00	0.00	0.35	0.46	0.16
Common Equity	41.39	36.87	37.89	37.19	46.24	39.92
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America, Inc.						
Long-Term Debt	50.03 %	49.35 %	50.36 %	47.67 %	48.18 %	49.12 %
Short-Term Debt	5.10	6.47	9.39	9.83	8.84	7.93
Preferred Stock	0.08	0.06	0.06	0.17	0.46	0.17
Common Equity	44.79	44.12	40.19	42.33	42.52	42.79
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Artesian Resources Corp.						
Long-Term Debt	55.85 %	54.83 %	53.82 %	49.44 %	58.71 %	54.53 %
Short-Term Debt	7.38	9.39	3.23	16.68	3.65	8.07
Preferred Stock	0.00	0.00	0.17	0.56	0.76	0.30
Common Equity	36.77	35.78	42.78	33.32	36.88	37.11
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
California Water Service Group						
Long-Term Debt	48.66 %	51.77 %	51.25 %	48.36 %	46.69 %	49.35 %
Short-Term Debt	0.00	1.22	7.42	5.11	3.59	3.47
Preferred Stock	0.61	0.66	0.71	0.81	0.85	0.73
Common Equity	50.73	46.35	40.62	45.72	48.87	46.46
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Middlesex Water Company						
Long-Term Debt	51.36 %	50.58 %	47.29 %	49.70 %	50.48 %	49.88 %
Short-Term Debt	4.86	6.42	9.47	7.42	3.71	6.38
Preferred Stock	1.79	2.09	2.18	2.28	2.49	2.17
Common Equity	41.99	40.91	41.06	40.60	43.32	41.58
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
York Water Company						
Long-Term Debt	51.94 %	41.40 %	45.00 %	46.35 %	48.29 %	46.60 %
Short-Term Debt	0.00	9.07	3.77	2.83	3.90	3.91
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	48.06	49.53	51.23	50.82	47.81	49.49
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Six AUS Utility Reports Water Companies						
Long-Term Debt	51.51 %	50.22 %	50.60 %	50.04 %	49.14 %	50.30 %
Short-Term Debt	4.12	7.05	6.58	7.60	5.75	6.22
Preferred Stock	0.41	0.47	0.52	0.70	0.84	0.59
Common Equity	43.96	42.26	42.30	41.66	44.27	42.89
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base
Company Annual Forms 10K (Sinking Fund Requirements)

PROXY GROUP OF THREE VALUE LINE WATER COMPANIES
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2000 - 2004, INCLUSIVE

	2004	2003	2002	2001	2000	5 YEAR AVERAGE
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$904.241	$812.157	$697.461	$643.704	$560.379	
SHORT-TERM DEBT	$43.372	$52.971	$62.164	$50.556	$49.531	
TOTAL CAPITAL EMPLOYED	$947.613	$865.128	$759.625	$694.260	$609.910	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.81 %	5.90 %	6.04 %	6.66 %	7.44 %	
PREFERRED STOCK	4.40	4.40	3.84	4.03	3.76	
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	52.23 %	54.78 %	56.84 %	54.95 %	49.65 %	53.69 %
PREFERRED STOCK	0.23	0.24	0.28	0.47	0.63	0.37
COMMON EQUITY	47.54	44.98	42.88	44.58	49.72	45.94
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	54.13 %	57.31 %	60.18 %	57.81 %	53.53 %	56.59 %
PREFERRED STOCK	0.23	0.24	0.25	0.44	0.59	0.35
COMMON EQUITY	45.64	42.45	39.57	41.75	45.88	43.06
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	4.50 %	3.89 %	5.17 %	4.70 %	5.47 %	4.75 %
MARKET / AVERAGE BOOK RATIO	222.76	225.26	217.33	225.22	206.93	219.50
DIVIDEND YIELD	3.17	3.32	3.63	3.61	3.77	3.50
DIVIDEND PAYOUT RATIO	69.70	86.86	69.87	78.54	69.17	74.83
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	9.70 %	8.86 %	11.10 %	10.40 %	11.37 %	10.29 %
FUNDS FROM OPERATIONS / INTEREST COVERAGE (3)	4.46 X	3.52 X	3.63 X	3.55 X	3.41 X	3.72 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	20.35 %	14.55 %	14.75 %	15.23 %	16.70 %	16.32 %
TOTAL DEBT / TOTAL CAPITAL	54.13 %	57.31 %	60.18 %	57.81 %	53.53 %	56.59 %

See Page 2 for notes.

Proxy Group of Three Value Line (Standard Edition) Water Companies
Capitalization and Financial Statistics
1999-2004, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.

(2) Computed by relating actual long-term debt interest or preferred stock dividends booked to average of beginning and ending long-term debt or preferred stock reported to be outstanding.

(3) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges divided by interest charges.

(4) Funds from operations (as defined in Note 3) as a percentage of total debt.

Selection Criteria:

The basis of selection was to include those water companies: 1) which are included in the Value Line (Standard Edition).

The following three water companies met the above criteria:

American States Water Co.
Aqua America, Inc.
California Water Service Group

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database
Company Annual Forms 10K

Water Service Corporation of Kentucky
Capital Structure Based upon Total Capital for
the Proxy Group of Three Value Line Water Companies
for the Years 2000 through 2004

	2004	2003	2002	2001	2000	5 YEAR AVERAGE
American States Water Co.						
Long-Term Debt	51.21 %	53.41 %	55.89 %	58.74 %	42.50 %	52.35 %
Short-Term Debt	7.40	9.72	6.22	3.72	10.80	7.57
Preferred Stock	0.00	0.00	0.00	0.35	0.46	0.16
Common Equity	41.39	36.87	37.89	37.19	46.24	39.92
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America, Inc.						
Long-Term Debt	50.03 %	49.35 %	50.36 %	47.67 %	48.18 %	49.12 %
Short-Term Debt	5.10	6.47	9.39	9.83	8.84	7.93
Preferred Stock	0.08	0.06	0.06	0.17	0.46	0.17
Common Equity	44.79	44.12	40.19	42.33	42.52	42.79
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
California Water Service Group						
Long-Term Debt	48.66 %	51.77 %	51.25 %	48.36 %	46.69 %	49.35 %
Short-Term Debt	0.00	1.22	7.42	5.11	3.59	3.47
Preferred Stock	0.61	0.66	0.71	0.81	0.85	0.73
Common Equity	50.73	46.35	40.62	45.72	48.87	46.46
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Three Value Line Water Companies						
Long-Term Debt	49.96 %	51.51 %	52.50 %	51.59 %	45.79 %	50.27 %
Short-Term Debt	4.17	5.80	7.68	6.22	7.74	6.32
Preferred Stock	0.23	0.24	0.25	0.44	0.59	0.35
Common Equity	45.64	42.45	39.57	41.75	45.88	43.06
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base
Company Annual Forms 10K (Sinking Fund Requirements)

Exhibit No. ___
Schedule PMA-5

Water Service Corporation of Kentucky
Hypothetical Example of the Inadequacy of
A DCF Return Rate Related to Book Value
When Market Value is Greater / Less than Book Value

Line No.		1 Market Value	2 Book Value with Market to Book Ratio of 180%	3 Book Value with Market to Book Ratio of 80%
1.	Per Share	$ 24.00	$ 13.33	$ 30.00
2.	DCF Cost Rate (1)	10.00%	10.00%	10.00%
3.	Return in Dollars	$ 2.400	$ 1.333	$ 3.000
4.	Dividends (2)	$ 0.840	$ 0.840	$ 0.840
5.	Growth in Dollars	$ 1.560	$ 0.493	$ 2.160
6.	Return on Market Value	10.00%	5.55% (3)	12.50% (4)
7.	Rate of Growth on Market Value	6.50% (5)	2.05% (6)	9.00% (7)

Notes:
(1) Comprised of 3.5% dividend yield and 6.5% growth.
(2) $24.00 * 3.5% yield = $0.840.
(3) $1.333 / $24.00 market value = 5.55%.
(4) $3.000 / $24.00 market value = 12.50%.
(5) Expected rate of growth per market based DCF model.
(6) Actual rate of growth when DCF cost rate is applied to book value ($1.333 possible earnings - $0.840 dividends = $0.493 for growth / $24.00 market value = 2.05%).
(7) Actual rate of growth when DCF cost rate is applied to book value ($3.000 possible earnings - $0.840 dividends = $2.160 for growth / $24.00 market value = 9.00%).

Exhibit No. __
Schedule PMA-6

Water Service Corporation of Kentucky
Indicated Common Equity Cost Rate Through Use of the
Single Stage Discounted Cash Flow Model for
the Proxy Group of Six AUS Utility Reports Companies and the
Proxy Group of Three Value Line (Standard Edition) Water Companies

Based upon Historical and Projected Growth in DPS, EPS, and BR+SV

	1	2	3	4	5
	Average Dividend Yield (1)	Dividend Growth Component (2)	Adjusted Dividend Yield (3)	Growth Rate (4)	Indicated Common Equity Cost Rate (5)
Proxy Group of Six AUS Utility Reports Water Companies					
American States Water Co.	3.3 %	0.1 %	3.4 %	4.3 %	7.7 %
Aqua America, Inc.	1.9	0.1	2.0	8.1	10.1
Artesian Resources Corp.	3.0	0.1	3.1	5.8	8.9
California Water Services Group	3.2	0.1	3.3	5.6	8.9
Middlesex Water Company	3.6	0.1	3.7	3.9	7.6
York Water Company	3.0	0.1	3.1	5.4	8.5
Average	3.0 %	0.1 %	3.1 %	5.5 %	9.1 % (6)
Proxy Group of Three Value Line (Standard Edition) Water Companies					
American States Water Co.	3.3 %	0.1 %	3.4 %	4.3 %	7.7 %
Aqua America, Inc.	1.9	0.1	2.0	7.9	9.9
California Water Services Group	3.2	0.1	3.3	5.6	8.9
Average	2.8 %	0.1 %	2.9 %	5.9 %	9.4 % (6)

Based upon Projected Growth in EPS

	1	2	3	4	5
	Average Dividend Yield (1)	Dividend Growth Component (2)	Adjusted Dividend Yield (3)	Growth Rate (4)	Indicated Common Equity Cost Rate (5)
Proxy Group of Six AUS Utility Reports Water Companies					
American States Water Co.	3.3 %	0.1 %	3.4 %	5.5 %	8.9 %
Aqua America, Inc.	1.9	0.1	2.0	9.3	11.3
Artesian Resources Corp.	3.0	0.1	3.1	8.5	11.6
California Water Services Group	3.2	0.1	3.3	8.5	11.8
Middlesex Water Company	3.6	0.1	3.7	6.0	9.7
York Water Company	3.0	0.1	3.1	7.3	10.4
Average	3.0 %	0.1 %	3.1 %	7.5 %	10.6 % (6)
Proxy Group of Three Value Line (Standard Edition) Water Companies					
American States Water Co.	3.3 %	0.1 %	3.4 %	5.5 %	8.9 %
Aqua America, Inc.	1.9	0.1	2.0	9.3	11.3
California Water Services Group	3.2	0.1	3.3	8.5	11.8
Average	2.8 %	0.1 %	2.9 %	7.8 %	10.7 % (6)

Conclusion	
Proxy Group of Six AUS Utility Reports Water Companies	9.9 %
Proxy Group of Three Value Line (Standard Edition) Water Companies	10.1 %

Notes: (1) From Schedule PMA-7.

(2) This reflects a growth rate component equal to one-half the conclusion of growth rate (from page 1 of Schedule PMA-9) x Column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co., 3.3% x (1/2 x

(3) Column 1 + Column 2.

(4) From page 1 Schedule PMA-9.

(5) Column 3 + Column 4.

(6) Includes only those indicated common equity cost rates which are greater than 8.3%, i.e., 200 basis points above the prospective yield on A rated Moody's public utility bonds of 6.3% (from page 1 of Schedule PMA-10).

Exhibit No. __
Schedule PMA-7

Water Service Corporation of Kentucky
Derivation of Dividend Yield for Use in the
Discounted Cash Flow Model

	Dividend Yield		
	Spot (6/20/05) (1)	Average of Last 3 Months (2)	Average Dividend Yield (3)
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	3.1 %	3.4 %	3.3 %
Aqua America, Inc.	1.7	2.0	1.9
Artesian Resources Corp.	3.0	2.9	3.0
California Water Services Group	3.1	3.3	3.2
Middlesex Water Company	3.4	3.7	3.6
York Water Company	2.9	3.1	3.0
Average	2.9 %	3.1 %	3.0 %
Proxy Group of Three Value Line (Standard Edition) Water Companies			
American States Water Co.	3.1	3.4 %	3.3 %
Aqua America, Inc.	1.7	2.0	1.9
California Water Services Group	3.1	3.3	3.2
Average	2.6 %	2.9 %	2.8 %

Notes:
(1) The spot dividend yield is the current annualized dividend per share divided by the spot market price on 6/20/05.
(2) The average 3-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the three months ended May 31, 2005.
(3) Equal weight has been given to the 3-month average and spot dividend yield. This provides recognition of current conditions, but does not place undue emphasis thereon.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus
Research Insight Database
quotes.nasdaq.com

Exhibit No. ___
Schedule PMA-8

Water Service Coropration of Kentucky
Current Institutional Holdings (1) and Individual Holdings (2) for
the Proxy Group of Six AUS Utility Reports Water Companies,
the Proxy Group of Three Value Line (Standard Edition) Water Companies

	1	2
	June 2005 Percentage of Institutional Holdings (1)	June 2005 Percentage of Individual Holdings (2)
Proxy Group of Six AUS Utility Reports Water Companies		
American States Water Co.	37.9 %	62.1 %
Aqua America	28.7	71.3
Artesian Resources Corp.	10.6	89.4
California Water Service Group	25.1	74.9
Middlesex Water Company	16.8	83.2
York Water Company	5.9	94.1
Average	20.8 %	79.2 %
Proxy Group of Three Value Line Water Companies		
American States Water Co.	37.9 %	62.1 %
Aqua America	28.7	71.3
California Water Service Group	25.1	74.9
Average	30.6 %	69.4 %

Notes: (1) (1 - column 1).

Source of Information: yahoo.investor.reuters.com, Updated June 20, 2005

Water Service Corporation of Kentucky
Historical and Projected Growth

	1	2	3	4	5	6		7	8	9	10	11	12	13
	Value Line Historical Five Year Growth Rate (1)		Five Year Historical BR + SV (2)	Value Line Projected 2002-04 to 2008-'10 Growth Rate (1)		ThomsonFN / First Call Mean Consensus Projected Five Year Growth Rate		Average Projected Five Year Growth Rate in EPS (3)	Projected Five Year BR + SV (4)	Range of Growth Rates			Average of all Growth Rates	Average of Midpoint and Average of all Growth Rates (9)
	DPS	EPS		DPS	EPS	EPS	No. of Est.			Low	High	Midpoint		
Proxy Group of Six AUS Utility Reports Water Companies														
American States Water Co.	1.0 %	1.5 %	5.1 %	1.5 %	8.0 %	3.0 %	[1]	5.5 %	8.0 %	1.0 %	8.0 %	4.5 %	4.0 %	4.3 %
Aqua America, Inc.	6.5	8.5	8.7	7.0	9.0	9.6	[5]	9.3	6.8	6.5	9.6	8.1	8.0	8.1
Artesian Resources Corp.	4.0 (5)	4.1 (5)	4.7	NA	NA	8.5	[2]	8.5	NA	4.0	8.5	6.3	5.3	5.8
California Water Services Group	1.0	(6.5)	5.2	1.5	10.5	6.5	[4]	8.5	6.8	1.0 (8)	10.5 (8)	5.8	5.3 (8)	5.6
Middlesex Water Company	2.5	(0.5)	2.4	NA	NA	6.0	[1]	6.0	NA	2.4 (8)	6.0	4.2	3.6 (8)	3.9
York Water Company	3.6 (5)	5.7 (5)	4.3	NA	NA	7.3	[2]	7.3	NA	3.6	7.3	5.5	5.2	5.4
Average	3.1 %	5.0 % (8)	5.1 %	3.3 %	9.2 %	6.8 %		7.5 %	7.2 %	3.1 %	8.3 %	5.7 %	5.2 %	5.5 %
Proxy Group of Three Value Line (Standard Edition) Water Companies														
American States Water Co.	1.0 %	1.5 %	5.1 %	1.5 %	8.0 %	3.0 %	[1]	5.5 %	8.0 %	1.0 %	8.0 %	4.5 %	4.0 %	4.3 %
Aqua America, Inc.	6.5	8.5	8.7	7.0	9.0	9.6	[5]	9.3	6.8	6.5	9.0	7.8	8.0	7.9
California Water Services Group	1.0	(6.5)	5.2	1.5	10.5	6.5	[4]	8.5	6.8	1.0 (8)	10.5 (8)	5.8	5.3 (8)	5.6
Average	2.8 %	5.0 % (8)	6.3 %	3.3 %	9.2 %	6.4 %		7.8 %	7.2 %	2.8 %	9.2 %	6.0 %	5.6 %	5.9 %

Notes:
(1) As shown on pages 8 through 12 of this Schedule. Historical growth rates are five-year compound growth rates.
(2) From page 2 of this Schedule.
(3) Average of Columns 5 and 6.
(4) *From page 8 of this Schedule.*
(5) Calculated using the same methodology as Value Line Investment Survey, i.e., three-year base periods ending 2004.
(6) Average of Columns 1, 2, 3, 4, 5, 6, and 8.
(7) From Column 7.
(8) Excludes negatives.
(9) Average of Column 11 and Column 12.

Source of Information: Value Line Investment Survey, April 29, 2005
ThomsonFN First Call Earnings, ec.thomsonfn.com, updated June 18, 2005

Water Service Corporation of Kentucky
Calculation of Historical BR + SV

	1	2	3	4	5
	BR (1)	S Factor (2)	V Factor (3)	SV (4)	BR + SV (5)
Proxy Group of Six AUS Utility Reports Water Companies					
American States Water Co.	3.1 %	4.6 %	42.6 %	2.0 %	5.1 %
Aqua America, Inc.	5.6	4.7	65.1	3.1	8.7
Artesian Resources Corp.	2.1	6.1	42.3	2.6	4.7
California Water Services Group	1.5	7.5	49.4	3.7	5.2
Middlesex Water Company	0.9	2.6	57.2	1.5	2.4
York Water Company	2.4	3.2	59.2	1.9	4.3
Average	2.6 %	4.8 %	52.6 %	2.5 %	5.1 %
Proxy Group of Three Value Line (Standard Edition) Water Companies					
American States Water Co.	3.1 %	4.6 %	42.6 %	2.0 %	5.1 %
Aqua America, Inc.	5.6	2.2	65.1	1.4	7.0
California Water Services Group	1.5	7.5	49.4	3.7	5.2
Average	3.4 %	4.8 %	52.4 %	2.4 %	5.8 %

Notes:
(1) From column 6, page 3 of this Schedule.
(2) From column 12, page 4 of this Schedule.
(3) From column 7, page 5 of this Schedule.
(4) Column 2 * column 3.
(5) Column 1 + column 4.

Water Service Corporation of Kentucky
Historical Internal Growth Rate (1), i.e., BR, for
the Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Three Value Line (Standard Edition) Water Companies
for the Years 2000 -2004

	1	2	3	4	5	6
	2004	2003	2002	2001	2000	Five-Year Average 1999-2003 Internal Growth Rate, i.e., BR
Proxy Group of Six AUS Utility Reports Water Companies						
American States Water Co.						
Common Equity Return Rate	7.99 %	5.59 %	9.83 %	10.37 %	10.24 %	
Retention Ratio	25.17	(12.98)	35.04	35.65	32.06	
Internal Growth Rate (1)	2.01	(0.73)	3.44	3.70	3.28	3.1 % (2)
Aqua America, Inc.						
Common Equity Return Rate	11.39 %	12.30 %	13.92 %	13.34 %	13.32 %	
Retention Ratio	42.75	43.61	45.22	42.95	42.40	
Internal Growth Rate (1)	4.87	5.36	6.29	5.73	5.65	5.6
Artesian Resources Corp.						
Common Equity Return Rate	8.18 %	7.41 %	9.67 %	9.80 %	7.39 %	
Retention Ratio	25.80	19.24	34.96	31.35	8.12	
Internal Growth Rate (1)	2.11	1.43	3.38	3.07	0.60	2.1
California Water Services Group						
Common Equity Return Rate	9.72 %	8.68 %	9.56 %	7.49 %	10.54 %	
Retention Ratio	22.97	8.79	10.13	(14.22)	18.03	
Internal Growth Rate (1)	2.23	0.76	0.97	(1.07)	1.90	1.5 (2)
Middlesex Water Company						
Common Equity Return Rate	9.37 %	8.17 %	10.10 %	9.37 %	7.16 %	
Retention Ratio	9.95	(6.51)	13.33	5.88	(21.76)	
Internal Growth Rate (1)	0.93	(0.53)	1.35	0.55	(1.56)	0.9 (2)
York Water Company						
Common Equity Return Rate	12.17 %	11.66 %	10.37 %	11.73 %	11.88 %	
Retention Ratio	25.86	21.04	12.32	21.97	21.50	
Internal Growth Rate (1)	3.15	2.45	1.28	2.58	2.55	2.4
Average						2.6 %
Proxy Group of Three Value Line (Standard Edition) Water Companies						
American States Water Co.						
Common Equity Return Rate	7.99 %	5.59 %	9.83 %	10.37 %	10.24 %	
Retention Ratio	25.17	(12.98)	35.04	35.65	32.06	
Internal Growth Rate (1)	2.01	(0.73)	3.44	3.70	3.28	3.1 % (2)
Aqua America, Inc.						
Common Equity Return Rate	11.39 %	12.30 %	13.92 %	13.34 %	13.32 %	
Retention Ratio	42.75	43.61	45.22	42.95	42.40	
Internal Growth Rate (1)	4.87	5.36	6.29	5.73	5.65	5.6
California Water Services Group						
Common Equity Return Rate	9.72 %	8.68 %	9.56 %	7.49 %	10.54 %	
Retention Ratio	22.97	8.79	10.13	(14.22)	18.03	
Internal Growth Rate (1)	2.23	0.76	0.97	(1.07)	1.90	1.5 (2)
Average						3.4 %

Notes: (1) The internal growth rate is calculated by multiplying the common equity return rate by the retention ratio (100% minus the dividend payout ratio). All data are on a consolidated basis.

(2) Excludes negatives.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database

Water Service Corporation of Kentucky
Calculation of Five Year Average Growth in Common Shares Outstanding (1), i.e., S Factor

	1 1999 Common Shares Outstanding (1)	2 97-98 Growth	3 2000 Common Shares Outstanding (1)	4 98-99 Growth	5 2001 Common Shares Outstanding (1)	6 99-00 Growth	7 2002 Common Shares Outstanding (1)	8 00-01 Growth	9 2003 Common Shares Outstanding (1)	10 01-02 Growth	11 2004 Common Shares Outstanding (1)	12 Five Year Average Common Share Growth
Proxy Group of Six AUS Utility Reports Water Companies												
American States Water Co.	13.437	12.5 %	15.120	0.0 %	15.120	0.4 %	15.181	0.2 %	15.212	10.1 %	16.752	4.6 %
Aqua America, Inc.	80.104	4.7	83.869	1.9	85.483	(0.7)	84.896	9.1	92.589	3.0	95.385	4.7 (2)
Artesian Resources Corp.	2.997	0.8	3.020	1.3	3.060	26.2	3.863	1.0	3.901	1.4	3.956	6.1
California Water Services Group	12.936	17.1	15.146	0.2	15.182	0.0	15.182	11.5	16.932	8.5	18.367	7.5
Middlesex Water Company	10.002	1.0	10.098	0.7	10.168	1.8	10.356	2.0	10.567	7.5	11.359	2.6
York Water Company	5.902	1.8	6.010	5.0	6.308	0.9	6.365	0.8	6.419	7.3	6.887	3.2
Average												4.8 %
Proxy Group of Three Value Line (Standard Edition) Water Companies												
American States Water Co.	13.437	12.5 %	15.120	0.0 %	15.120	0.4 %	15.181	0.2 %	15.212	10.1 %	16.752	4.6 %
Aqua America, Inc.	80.104	4.7	83.869	1.9	85.483	(0.7)	84.896	9.1	92.589	3.0	95.385	2.2 (2)
California Water Services Group	12.936	17.1	15.146	0.2	15.182	0.0	15.182	11.5	16.932	8.5	18.367	7.5
Average												4.8 %

Notes: (1) Year-end shares outstanding.
(2) Excludes negatives.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database

Water Service Corporation of Kentucky
Calculation of the Premium/Discount of a
Company's Stock Price Relative to Its Book Value, i.e., V Factor

	1	2	3	4	5	6	7
	2000 Market to Book Ratio (1)	2001 Market to Book Ratio (1)	2002 Market to Book Ratio (1)	2003 Market to Book Ratio (1)	2004 Market to Book Ratio (1)	Five Year Average Market to Book Ratio	V Factor (2)
Proxy Group of Six AUS Utility Reports Water Companies							
American States Water Co.	170.8 %	174.8 %	180.6 %	180.3 %	164.3 %	174.2 %	42.60 %
Aqua America, Inc.	252.9	303.5	289.8	295.6	291.4	286.6	65.10
Artesian Resources Corp.	163.3	163.8	162.1	184.5	192.8	173.3	42.30
California Water Services Group	197.1	197.4	181.6	199.8	212.6	197.7	49.40
Middlesex Water Company	209.9	236.9	232.9	247.9	241.7	233.9	57.20
York Water Company	154.2	214.9	281.5	286.9	287.4	245.0	59.20
Average						218.5 %	52.60 %
Proxy Group of Three Value Line (Standard Edition) Water Companies							
American States Water Co.	170.8 %	174.8 %	180.6 %	180.3 %	164.3 %	174.2 %	42.60 %
Aqua America, Inc.	252.9	303.5	289.8	295.6	291.4	286.6	65.10
California Water Services Group	197.1	197.4	181.6	199.8	212.6	197.7	49.40
Average						219.5 %	52.40 %

Notes: (1) Market to Book Ratio = average of yearly high-low market price divided by the average of beginning and ending year's balance of book common equity per share.
(2) (1 - (100 / column 6)).

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database

Water Service Corporation of Kentucky
Calculation of Projected BR + SV

	1	2	3	4	5	6	7	8	9	10	11
	Common Shares Outstanding (1) (000,000)			Projected 2008 - 2010 (1)							
	Actual 2004	Projected 2008-2010	S Factor (2)	High Stock Price	Low Stock Price	Book Value	Average Stock Price (3)	V Factor (4)	SV (5)	BR (6)	BR + SV (7)
Proxy Group of Six AUS Utility Reports Water Companies											
American States Water Co.	16.77	20.00	3.6 %	35.00	20.00	17.65	$27.50	35.8 %	1.3 %	6.7 %	8.0 %
Aqua America, Inc.	95.38	100.00	1.0	35.00	25.00	9.70	30.00	67.7	0.7	6.1	6.8
Artesian Resources Corp.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
California Water Services Group	18.37	23.00	4.6	40.00	30.00	19.55	35.00	44.1	2.0	4.8	6.8
Middlesex Water Company	11.36	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
York Water Company	6.89	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Average			3.1 %					49.2 %	1.3 %	5.9 %	7.2 %
Proxy Group of Three Value Line (Standard Edition) Water											
American States Water Co.	16.77	20.00	3.6 %	$35.00	$20.00	$17.65	$27.50	35.8 %	1.3 %	6.8 %	8.1 %
Aqua America, Inc.	95.38	100.00	1.0	35.00	25.00	9.70	30.00	67.7	0.7	6.0	6.7
California Water Services Group	18.37	23.00	4.6	40.00	30.00	19.55	35.00	44.1	2.0	4.9	6.9
Average			3.1 %					49.2 %	1.3 %	5.9 %	7.2 %

NA = Not Available

Notes:
(1) From pages 8 through 12 of this Schedule.
(2) The S Factor is the six or five year compound growth rate between the 2003 and 2009 (mid-point of 2008-2010 projection) common shares outstanding.
(3) The Average Stock Price is the average of column 4 and column 5.
(4) (1 - (column 6 / column 7))
(5) Column 3 * column 8.
(6) From page 9, column 14 of this Schedule.
(7) Column 9 + column 10.

Source of Information: Value Line Investment Survey, April 29, 2005

Water Service Corporation of Kentucky
Projected Internal Growth Rate

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	2004			2008-2010					2008-2010					
	Common Equity (%) (1)	Total Capital ($ mill) (1)	Common Equity ($ mill) (2)	Common Equity (%) (1)	Total Capital ($ mill) (1)	Common Equity ($ mill) (3)	Annual Common Equity Growth Rate (4)	ROE Adjustment Factor (5)	Return on Common Equity (1)	Return on Average Common Equity (6)	EPS (1)	DPS (1)	Retention Ratio (7)	Projected Internal Growth (8)
Proxy Group of Six AUS Utility Reports Water Companies														
American States Water Co.	52.30 %	$480.40	$251.25	48.00 %	$735.00	$352.80	7.02 %	1.03 %	12.00 %	12.36 %	$2.10	$0.96	54.3 %	6.7 %
Aqua America, Inc.	50.00	1,497.30	748.65	60.00	1,615.00	969.00	5.30	1.03	13.00	13.39	1.25	0.69	45.6	6.1
Artesian Resources Corp.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
California Water Services Group	50.80	565.90	287.48	50.00	900.00	450.00	9.38	1.04	11.00	11.44	2.15	1.24	42.3	4.8
Middlesex Water Company	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
York Water Company	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Average														5.9 %
Proxy Group of Three Value Line (Standard Edition) Water Companies														
American States Water Co.	52.30 %	$480.40	$251.25	52.30 %	$735.00	$384.41	6.98 %	1.04 %	12.00 %	12.48 %	$2.10	$0.96	54.3 %	6.8 %
Aqua America, Inc.	50.00	1,497.30	748.65	50.00	1,615.00	807.50	1.52	1.01	13.00	13.13	1.25	0.69	45.6	6.0
California Water Services Group	50.80	565.90	287.48	50.80	900.00	457.20	9.72	1.05	11.00	11.55	2.15	1.24	42.3	4.8
Average														5.9 %

NA = Not Available

Notes:
(1) From pages 8 through 12 of this Schedule.
(2) Column 1 * column 2.
(3) Column 4 * column 5.
(4) Five year compound growth rate in common equity from 2004 to 2008-2010 or ((((column 6 / column 3) ^ (1/5)) - 1)).
(5) 2 * ((1 + column 7) / (2 + column 7)) .
(6) Column 8 * column 9.
(7) 1 - (column 12 / column 11).
(8) Column 10 * column 13.

Source of Information: Value Line Investment Survey, April 29, 2005

AMER. STATES WATER NYSE-AWR

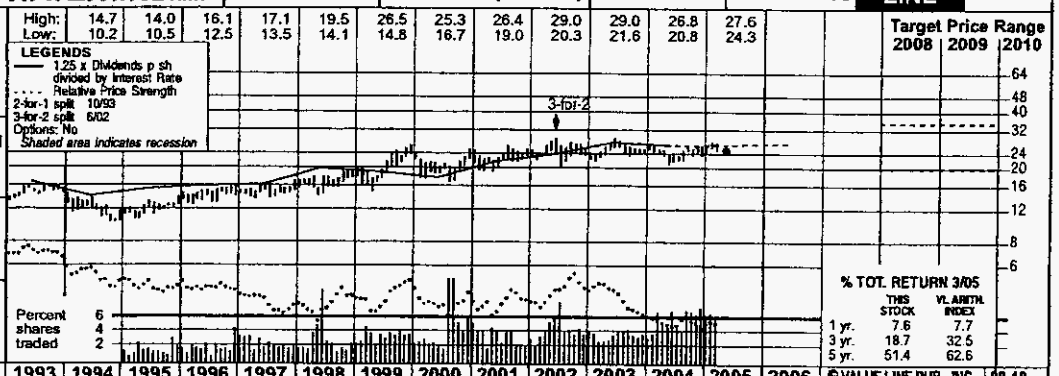
RECENT PRICE 24.96 | P/E RATIO 19.8 (Trailing: 20.8 Median: 16.0) | RELATIVE P/E RATIO 1.11 | DIV'D YLD 3.6% | VALUE LINE

TIMELINESS 4 Raised 11/7/03
SAFETY 3 New 2/4/00
TECHNICAL 3 Lowered 2/25/05
BETA .70 (1.00 = Market)

High:	14.7	14.0	16.1	17.1	19.5	26.5	25.3	26.4	29.0	29.0	26.8	27.6	
Low:	10.2	10.5	12.5	13.5	14.1	14.8	16.7	19.0	20.3	21.6	20.8	24.3	

Target Price Range 2008 | 2009 | 2010

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
---- Relative Price Strength
2-for-1 split 10/93
3-for-2 split 6/02
Options: No
Shaded area indicates recession



2008-10 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+40%)	12%
Low	20	(-20%)	-1%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2004	3Q2004	4Q2004
to Buy	45	52	57
to Sell	35	25	29
Hld's(000)	5584	5938	5663

% TOT. RETURN 3/05

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.6	7.7
3 yr.	18.7	32.5
5 yr.	51.4	62.6

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	© VALUE LINE PUB., INC.	08-10
9.12	9.58	9.15	10.10	9.27	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.60	*14.20*	*14.70*	Revenues per sh	*16.00*
1.44	1.49	1.78	1.81	1.67	1.68	1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.22	*2.65*	*2.95*	"Cash Flow" per sh	*3.70*
.92	.94	1.19	1.15	1.11	.95	1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	*1.35*	*1.55*	Earnings per sh A	*2.10*
.69	.72	.73	.77	.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	*.90*	*.91*	Div'd Decl'd per sh B■	*.96*
2.46	2.53	2.77	2.31	1.90	2.43	2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.02	*5.15*	*5.25*	Cap'l Spending per sh	*5.50*
7.31	7.54	8.39	8.85	9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	14.98	*15.20*	*15.35*	Book Value per sh	*17.65*
9.39	9.43	9.91	9.96	11.71	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.77	*17.25*	*18.00*	Common Shs Outst'g C	*20.00*
9.7	10.2	8.6	10.6	13.4	12.8	11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.73	.76	.56	.64	.79	.84	.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	*Value Line*		Relative P/E Ratio	*.85*
7.7%	7.5%	7.0%	6.3%	5.3%	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.7%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

2000	2001	2002	2003	2004	2005	2006		08-10
129.8	151.5	153.8	148.1	173.4	184.0	197.5	209.2	212.7	228.0	*245*	*265*	Revenues ($mill)	*320*
12.2	13.5	14.1	14.6	16.1	18.0	20.4	20.3	11.9	16.4	*23.0*	*28.0*	Net Profit ($mill)	*42.0*
41.9%	43.3%	41.1%	40.9%	46.0%	45.7%	43.0%	38.9%	43.5%	37.7%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	AFUDC % to Net Profit	*Nil*
46.6%	41.9%	43.0%	43.6%	51.0%	47.5%	54.9%	52.0%	52.0%	47.7%	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
52.5%	57.3%	56.3%	55.7%	48.4%	51.9%	44.7%	48.0%	48.0%	52.3%	*49.0%*	*49.0%*	Common Equity Ratio	*48.0%*
230.6	256.0	268.4	277.1	328.2	371.1	447.6	444.4	442.3	480.4	*535*	*600*	Total Capital ($mill)	*735*
335.0	357.8	383.6	414.8	449.6	509.1	539.8	563.3	602.3	664.2	*710*	*770*	Net Plant ($mill)	*915*
7.2%	6.9%	6.9%	7.0%	6.6%	6.4%	6.1%	6.5%	4.6%	4.9%	*7.5%*	*8.0%*	Return on Total Cap'l	*7.5%*
9.9%	9.0%	9.2%	9.4%	10.0%	9.2%	10.1%	9.5%	5.6%	6.5%	*9.0%*	*9.5%*	Rurn on Shr. Equity	*12.0%*
10.0%	9.0%	9.2%	9.4%	10.1%	9.3%	10.1%	9.5%	5.6%	6.5%	*9.0%*	*9.5%*	Return on Com Equity	*12.0%*
2.1%	2.4%	1.8%	2.1%	2.9%	3.0%	3.6%	3.3%	NMF	NMF	*2.5%*	*4.0%*	Retained to Com Eq	*6.5%*
79%	73%	80%	78%	72%	68%	65%	65%	113%	91%	*68%*	*59%*	All Div'ds to Net Prof	*46%*

CAPITAL STRUCTURE as of 12/31/04
Total Debt $274.8 mill. Due in 5 Yrs $65.0 mill.
LT Debt $228.9 mill. LT Interest $18.0 mill.
(Total interest coverage: 2.6x)

Leases, Uncapitalized: None
Pension Assets-12/04 $51.3 mill.
Oblig. $70.3 mill.
Pfd Stock None. Pfd Div'd None.

Common Stock 16,768,396 shs.
as of 3/11/05
MARKET CAP: $425 million (Small Cap)

CURRENT POSITION ($MILL.)	2002	2003	12/31/04
Cash Assets	18.4	12.8	4.3
Receivables	10.8	11.8	14.3
Inventory (Avg Cst)	.9	1.4	1.5
Other	21.7	32.4	32.9
Current Assets	51.8	58.4	53.0
Accts Payable	11.6	18.8	18.2
Debt Due	48.3	56.8	45.9
Other	19.6	20.3	22.2
Current Liab.	79.5	95.90	86.3
Fix. Chg. Cov.	285%	255%	200%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '08-'10
Revenues	3.5%	4.0%	*2.0%*
"Cash Flow"	3.0%	5.0%	*5.0%*
Earnings	--	1.5%	*8.0%*
Dividends	1.5%	1.0%	*1.5%*
Book Value	4.5%	4.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2002	44.5	52.8	61.6	50.3	209.2
2003	46.7	51.8	63.7	50.5	212.7
2004	46.7	59.3	69.0	53.0	228.0
2005	*50.0*	*63.0*	*73.0*	*59.0*	*245*
2006	*55.0*	*68.0*	*78.0*	*64.0*	*265*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2002	.25	.36	.50	.23	1.34
2003	.20	.19	.51	d.12	.78
2004	.08	.30	.52	.16	1.05
2005	*.20*	*.35*	*.55*	*.25*	*1.35*
2006	*.25*	*.40*	*.60*	*.30*	*1.55*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.217	.217	.217	.217	.87
2002	.217	.217	.217	.221	.87
2003	.221	.221	.221	.221	.88
2004	.221	.221	.221	.225	.89
2005	.225				

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Southern California Water Company, it supplies water to 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to approximately 22,000 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00); 11,400 customers. Has roughly 525 employees. Off. & dir. own 2.4% of common stock (4/05 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Incorporated: CA. Add.: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel.: 909-394-3600. Web: www.aswater.com.

An improving regulatory environment is painting a positive backdrop for American States Water. Indeed, more favorable and timely rate request decisions by the California Public Utility Commission (CPUC) helped the company post $0.16 share net in the fourth quarter, versus a loss of $0.12 last year, despite unseasonably rainy weather. We look for the current regulatory landscape to get even better at the urging of Governor Schwarzenegger. He recently replaced two regulatory commissioners, considered to be antagonists of rate relief for utilities, with more business friendly members. The CPUC has already approved rate increases for Region I and II customer areas, which should boost AWR's top line by more than $5 million. This relief along with more normal weather ought to fuel better-than 25% earnings growth this year.

Earnings growth should tail off a bit in 2006. We are concerned that the company's strapped financials will become a hindrance to growth. Infrastructure costs are growing higher everyday and do not look as though they will be receding anytime soon. With only minimal cash on hand, AWR will likely be forced to sell stock and debt to fund these expenditures. Such a development would undoubtedly dilute earnings, despite brighter top-line prospects. We, therefore, look for American's earnings growth rate to slow to 15% in 2006. However, there might be a catalyst on the horizon. The utility filed a general rate case for region III during the first quarter. Region III is its largest service area with roughly 40% of AWR's customer base. The company is requesting a 24% revenue increase, effective January 2006. If a favorable ruling is handed down, our share-net figure would probably prove too conservative.

Most investors will want to look elsewhere. AWR stock offers minimal appreciation potential to 2008-2010 and is ranked 4 (Below Average) for Timeliness. Although consolidating industry trends could provide some opportunities for the company, a dearth of funds limits the likelihood of such measures. That said, income-oriented investors might want to consider the issue because AWR offers an above average dividend yield.

Andre J. Costanza *April 29, 2005*

(A) Primary earnings. Excludes nonrecurring gains: '91, 73¢; '92, 13¢; '04, 14¢. Next earnings report due late July. Qurterly earnings may not sum due to change in share count.

(B) Dividends historically paid in early March, June, September, December. ■ Div'd reinvestment plan available.

(C) In millions, adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	80
Earnings Predictability	70

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AQUA AMERICA NYSE-WTR

RECENT PRICE 25.90 | P/E RATIO 27.8 (Trailing: 30.1 Median: 21.0) | RELATIVE P/E RATIO 1.55 | DIV'D YLD 2.0% | VALUE LINE

TIMELINESS 4 Lowered 6/4/04
SAFETY 3 Lowered 8/1/03
TECHNICAL 3 Lowered 3/4/05
BETA .75 (1.00 = Market)

High:	5.0	5.5	7.6	11.4	15.4	15.4	16.0	19.7	20.0	22.4	24.6	27.0
Low:	4.4	4.4	5.2	5.9	9.7	10.1	8.4	12.5	12.8	15.8	18.9	23.3

Target Price Range 2008 | 2009 | 2010

2008-10 PROJECTIONS

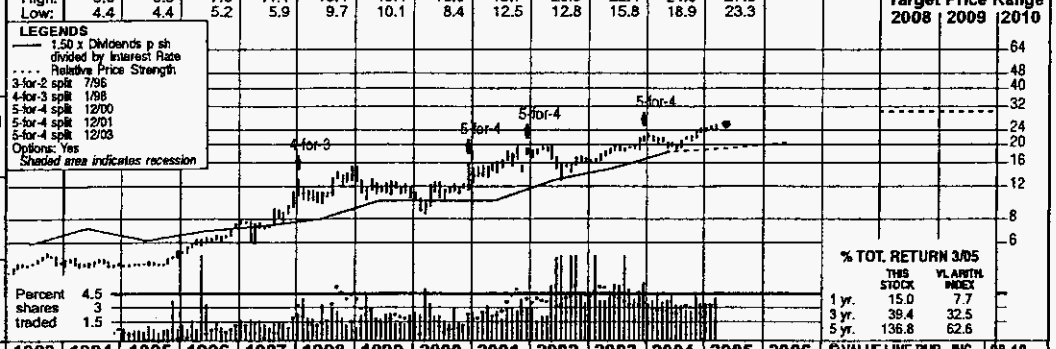
	Price	Gain	Ann'l Total Return
High	35	(+35%)	9%
Low	25	(+5%)	1%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	1	0	0	0	0	0	0	0	0
Options	0	0	0	0	1	0	0	0	1
to Sell	1	0	1	0	0	0	0	0	2

Institutional Decisions

	2Q2004	3Q2004	4Q2004
to Buy	90	90	103
to Sell	62	45	49
Hld's(000)	26345	26282	27052



% TOT. RETURN 3/05

	THIS STOCK	VL ARITH. INDEX
1 yr.	15.0	7.7
3 yr.	39.4	32.5
5 yr.	136.8	62.6

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	© VALUE LINE PUB., INC.	08-10
4.53	2.70	2.85	2.43	2.27	2.42	2.45	2.48	2.69	2.79	3.21	3.29	3.59	3.79	3.97	4.63	*5.00*	*5.30*	Revenues per sh	*6.50*
.65	.58	.59	.52	.56	.56	.63	.67	.74	.81	.96	1.01	1.15	1.26	1.28	1.46	*1.55*	*1.65*	"Cash Flow" per sh	*1.90*
.27	.33	.33	.31	.33	.35	.39	.40	.46	.53	.56	.62	.68	.72	.76	.85	*.95*	*1.05*	Earnings per sh A	*1.25*
.24	.26	.26	.27	.27	.28	.29	.30	.32	.34	.36	.38	.40	.43	.46	.49	*.52*	*.56*	Div'd Decl'd per sh B■	*.68*
1.15	1.01	.72	.80	.63	.61	.69	.64	.77	1.09	1.20	1.55	1.45	1.60	1.76	2.05	*1.85*	*1.80*	Cap'l Spending per sh	*1.85*
2.92	2.80	2.76	2.79	3.05	3.21	3.28	3.59	3.79	4.28	4.57	5.13	5.53	5.81	7.12	7.85	*8.05*	*8.45*	Book Value per sh	*9.70*
29.45	30.48	31.06	38.40	44.55	44.83	47.81	49.31	50.60	54.15	80.10	83.87	85.48	84.90	92.59	95.38	*98.00*	*98.00*	Common Shs Outst'g C	*100.00*
12.9	10.2	10.8	12.5	14.4	13.5	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	*Bold figures are*		Avg Ann'l P/E Ratio	*23.0*
.98	.76	.69	.76	.85	.89	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.34	*Value Line*		Relative P/E Ratio	*1.55*
6.9%	7.7%	7.2%	6.8%	5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	*estimates*		Avg Ann'l Div'd Yield	*2.4%*

CAPITAL STRUCTURE as of 12/31/04
Total Debt $884.2 mill. Due in 5 Yrs $221.6 mill.
LT Debt $748.9 mill. LT Interest $40.0 mill.
(Total interest coverage: 3.7x)

Pension Assets-12/04 $115.3 mill. Oblig. $171.1 mill.

Pfd Stock None

Common Stock 95,475,161 shares as of 2/18/05

MARKET CAP: $2.5 billion (Mid Cap)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		08-10
117.0	122.5	136.2	151.0	257.3	275.5	307.3	322.0	367.2	442.0	*490*	*525*	Revenues ($mill)	*650*
19.0	19.8	23.2	28.8	45.0	50.7	58.5	62.7	67.3	80.0	*95.0*	*105.0*	Net Profit ($mill)	*125*
40.4%	41.4%	40.6%	40.5%	38.4%	38.9%	39.3%	38.5%	39.3%	39.4%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
1.6%	--	--	--	--	--	--	--	2.2%	3.2%	*3.5%*	*3.5%*	AFUDC % to Net Profit	*4.0%*
51.9%	54.1%	54.4%	52.7%	52.9%	52.0%	52.2%	54.2%	51.4%	50.0%	*48.0%*	*46.0%*	Long-Term Debt Ratio	*40.0%*
46.4%	44.0%	44.8%	46.6%	46.7%	47.8%	47.7%	45.8%	48.6%	50.0%	*52.0%*	*54.0%*	Common Equity Ratio	*60.0%*
338.0	401.7	427.2	496.6	782.7	901.1	990.4	1076.2	1355.7	1497.3	*1525*	*1550*	Total Capital ($mill)	*1615*
436.9	502.9	534.5	609.8	1135.4	1251.4	1368.1	1490.8	1824.3	2069.8	*2125*	*2175*	Net Plant ($mill)	*2325*
7.7%	6.8%	7.4%	7.6%	7.6%	7.4%	7.8%	7.6%	6.4%	6.7%	*7.5%*	*8.0%*	Return on Total Cap'l	*8.5%*
11.7%	10.7%	11.9%	12.3%	12.2%	11.7%	12.3%	12.7%	10.2%	10.7%	*12.0%*	*12.5%*	Return on Shr. Equity	*13.0%*
11.7%	11.2%	12.0%	12.4%	12.3%	11.7%	12.4%	12.7%	10.2%	10.7%	*12.0%*	*12.5%*	Return on Com Equity	*13.0%*
3.5%	2.8%	3.6%	4.5%	4.3%	4.7%	5.1%	5.2%	4.2%	4.6%	*5.5%*	*6.0%*	Retained to Com Eq	*6.0%*
71%	75%	70%	64%	65%	60%	59%	59%	59%	57%	*55%*	*53%*	All Div'ds to Net Prof	*55%*

CURRENT POSITION ($MILL.)	2002	2003	12/31/04
Cash Assets	49.7	39.2	13.1
Receivables	57.7	62.3	64.5
Inventory (AvgCst)	4.6	5.8	6.9
Other	2.7	5.1	5.6
Current Assets	114.7	112.4	90.1
Accts Payable	31.1	32.3	23.5
Debt Due	149.4	135.8	135.3
Other	46.0	63.9	58.6
Current Liab.	226.5	232.0	217.4
Fix. Chg. Cov.	347%	344%	364%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '08-'10
Revenues	5.5%	7.5%	*8.0%*
"Cash Flow"	9.5%	9.5%	*7.0%*
Earnings	9.0%	8.5%	*9.0%*
Dividends	5.5%	6.5%	*7.0%*
Book Value	8.5%	10.5%	*6.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	71.7	76.6	91.9	81.8	322.0
2003	80.5	83.4	102.1	101.2	367.2
2004	99.8	106.5	120.3	115.4	442.0
2005	*110*	*120*	*130*	*130*	*490*
2006	*120*	*130*	*140*	*135*	*525*

Cal-endar	EARNINGS PER SHARE A D Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.14	.16	.25	.17	.72
2003	.15	.18	.24	.19	.76
2004	.17	.19	.26	.24	.85
2005	*.19*	*.23*	*.27*	*.26*	*.95*
2006	*.21*	*.25*	*.30*	*.29*	*1.05*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.099	.099	.099	.106	.40
2002	.106	.106	.106	.112	.43
2003	.112	.112	.112	.12	.46
2004	.12	.12	.12	.13	.49
2005	.13				

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately 2.5 million residents in Pennsylvania, Ohio, New Jersey, Illinois, Maine, North Carolina, Texas, Florida, Kentucky, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired Consumers Water, 4/99; AquaSource, 7/03; and others. Water supply revenues '04: residential, 60%; commercial, 15%; industrial & other, 25%. Officers and directors own 1.5% of the common stock (4/05 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

We look for Aqua America to realize an earnings gain of about 12% in the current year, following similar increases in 2004. Continued growth will likely stem from further acquisitions and some rate increases. The company could also benefit from a long hot summer, as reservoirs in the Northeast are at or near capacity thanks to a wet winter, which will enable the utility to meet customer demand from its own facilities.

Management has been fairly successful in securing rate increases. A pending North Carolina case will yield a $3.2 million increase if granted in full. We believe a realistic decision will be reached, based on previous outcomes in that state. Utility commissions are more apt to award increases due to rising capital costs rather than operating expenses. Its ability to lower the ratio of expenses to revenues impresses the commission.

The company is further expanding through acquisitions. WTR completed eight purchases in the first quarter of 2005. We expect a similar rate of expansion throughout the year. Most of these operations are located in Pennsylvania and New Jersey, areas in which the company already has a strong presence. It is likely to file for additional rate hikes, reflecting the cost of hose acquisitions. Also, three of these purchases represent Aqua's first venture into the specialized area of wastewater treatment. It will enable the company to provide internal sludge hauling and collection system maintenance for its own treatment facilities in southeastern Pennsylvania. If this allows tighter cost control, it may be applied to other geographic regions as opportunity allows, perhaps providing a new source of earnings.

This stock's Price/Earnings ratio is somewhat above its 15-year median. Consequently, despite decent earnings growth prospects, this equity's appreciation potential to 2008–2010 is unattractive. But acquisitions of additional small water utilities will likely continue. The company has typically been able to increase returns on those operations, due to its larger size and lower capital costs. Accordingly, our projections might well prove conservative.

Marc Denton *April 29, 2005*

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec. gains (losses): '90, (38¢); '91, (34¢); '92, (38¢); '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due early May. (B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount). (C) In millions, adjusted for stock splits. (D) May not sum due to rounding.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	95
Earnings Predictability	100

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CALIFORNIA WATER NYSE-CWT

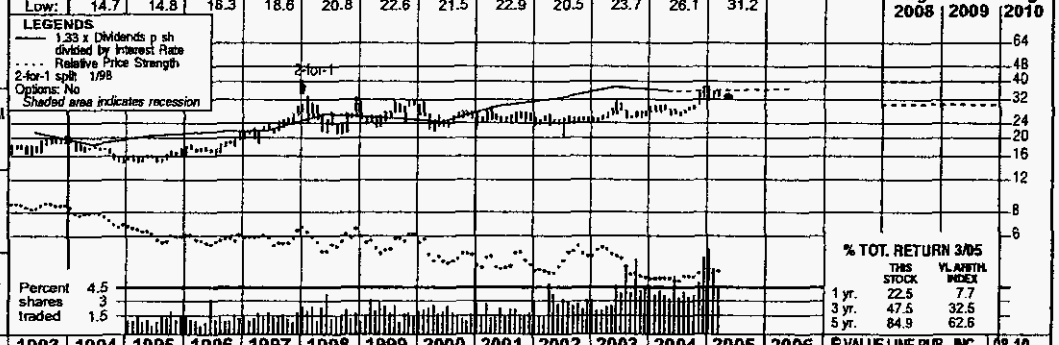
RECENT PRICE 33.30 | P/E RATIO 21.5 (Trailing: 22.8 Median: 17.0) | RELATIVE P/E RATIO 1.20 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 4 Lowered 2/4/05
SAFETY 2 Lowered 8/11/95
TECHNICAL 2 Raised 4/29/05
BETA .75 (1.00 = Market)

High:	20.5	17.6	21.9	29.6	33.8	32.0	31.4	28.8	26.9	31.4	37.9	37.8
Low:	14.7	14.8	16.3	18.6	20.8	22.6	21.5	22.9	20.5	23.7	26.1	31.2

Target Price Range 2008 | 2009 | 2010

LEGENDS
— 1.33 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 1/98
Options: No
Shaded area indicates recession



2008-10 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+20%)	8%
Low	30	(-10%)	2%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	0	0	0	0	5	0	0
to Sell	0	0	0	0	0	1	5	0	0

Institutional Decisions

	2Q2004	3Q2004	4Q2004
to Buy	40	38	49
to Sell	30	28	26
Hld's(000)	4047	3994	4419

% TOT. RETURN 3/05

	THIS STOCK	VL ARITH. INDEX
1 yr.	22.5	7.7
3 yr.	47.5	32.5
5 yr.	84.9	62.6

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	© VALUE LINE PUB., INC.	08-10
10.33	10.93	11.18	12.29	13.34	12.59	13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	*18.15*	*18.95*	Revenues per sh	*21.75*
1.89	1.97	1.98	1.92	2.25	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.84	*3.10*	*3.40*	"Cash Flow" per sh	*4.10*
1.20	1.25	1.21	1.09	1.35	1.22	1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	*1.60*	*1.75*	Earnings per sh A	*2.15*
.84	.87	.90	.93	.96	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	*1.14*	*1.15*	Div'd Decl'd per sh B ■	*1.24*
2.40	2.36	3.03	3.09	2.53	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	*3.85*	*3.95*	Cap'l Spending per sh	*4.15*
9.66	10.04	10.35	10.51	10.90	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.65	*16.00*	*16.90*	Book Value per sh C	*19.55*
11.38	11.38	11.38	11.38	11.38	12.49	12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	*18.75*	*19.25*	Common Shs Outst'g D	*23.00*
10.6	10.4	11.2	14.1	13.6	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.80	.77	.72	.86	.80	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	*Value Line*		Relative P/E Ratio	*1.05*
6.6%	6.7%	6.6%	6.1%	5.2%	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	5.0%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

CAPITAL STRUCTURE as of 12/31/04
Total Debt $274.8 mill. Due in 5 Yrs $11.0 mill.
LT Debt $274.8 mill. LT Interest $18.5 mill.

(LT interest earned: 3.8x; total int. cov.: 3.4x)

Pension Assets-12/04 $75.1 mill.
Oblig. $87.6 mill.
Pfd Stock $3.5 mill. Pfd Div'd $.15 mill.
139,000 shares, 4.4% cumulative ($25 par).

Common Stock 18,372,496 shs.
as of 3/4/05
MARKET CAP: $600 million (Small Cap)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		08-10
165.1	182.8	195.3	186.3	206.4	244.8	246.8	263.2	277.1	315.6	*340*	*365*	Revenues ($mill)	*500*
14.7	19.1	23.3	18.4	19.9	20.0	14.4	19.1	19.4	26.0	*30.0*	*35.0*	Net Profit ($mill)	*50.0*
40.1%	38.9%	37.4%	36.4%	37.9%	42.3%	39.4%	39.7%	39.9%	39.6%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	AFUDC % to Net Profit	*Nil*
49.2%	47.4%	45.4%	44.2%	46.9%	48.9%	50.3%	55.3%	50.2%	48.6%	*49.5%*	*49.5%*	Long-Term Debt Ratio	*49.5%*
49.7%	51.4%	53.5%	54.7%	52.0%	50.2%	48.8%	44.0%	49.1%	50.8%	*50.0%*	*50.0%*	Common Equity Ratio	*50.0%*
296.0	299.9	306.7	306.6	333.8	388.8	402.7	453.1	498.4	565.9	*600*	*650*	Total Capital ($mill)	*900*
422.2	443.6	460.4	478.3	515.4	582.0	624.3	697.0	759.5	800.3	*850*	*900*	Net Plant ($mill)	*1050*
6.8%	8.3%	9.4%	7.8%	7.8%	6.8%	5.3%	5.9%	5.6%	6.1%	*6.5%*	*7.0%*	Return on Total Cap'l	*7.5%*
9.8%	12.1%	13.9%	10.7%	11.2%	10.0%	7.2%	9.4%	7.8%	8.9%	*10.0%*	*10.5%*	Return on Shr. Equity	*11.0%*
9.9%	12.3%	14.1%	10.8%	11.4%	10.1%	7.2%	9.5%	7.9%	9.0%	*10.0%*	*10.5%*	Return on Com Equity	*11.0%*
1.2%	3.8%	6.0%	2.8%	3.5%	1.8%	NMF	1.0%	.7%	1.8%	*3.0%*	*4.0%*	Retained to Com Eq	*5.0%*
88%	69%	58%	74%	70%	82%	119%	90%	91%	80%	*71%*	*63%*	All Div'ds to Net Prof	*57%*

CURRENT POSITION ($MILL.)	2002	2003	12/31/04
Cash Assets	1.1	2.9	18.8
Other	41.9	40.6	51.6
Current Assets	43.0	43.5	70.4
Accts Payable	23.7	23.8	19.8
Debt Due	24.8	7.3	--
Other	43.0	32.5	36.4
Current Liab.	91.5	63.6	57.2
Fix. Chg. Cov.	250%	218%	200%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '08-'10
Revenues	3.0%	2.0%	*4.0%*
"Cash Flow"	2.0%	-1.5%	*7.5%*
Earnings	-0.5%	-6.5%	*9.5%*
Dividends	2.0%	1.0%	*1.5%*
Book Value	2.5%	1.0%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	51.7	69.2	81.4	60.9	263.2
2003	51.3	68.0	88.2	69.6	277.1
2004	60.2	88.9	97.1	69.4	315.6
2005	*65.0*	*90.0*	*105*	*80.0*	*340*
2006	*75.0*	*95.0*	*110*	*85.0*	*365*

Cal-endar	EARNINGS PER SHARE A E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.12	.43	.50	.20	1.25
2003	d.05	.30	.53	.41	1.21
2004	.08	.59	.59	.20	1.46
2005	*.10*	*.60*	*.65*	*.25*	*1.60*
2006	*.15*	*.63*	*.67*	*.30*	*1.75*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.279	.279	.279	.279	1.12
2002	.28	.28	.28	.28	1.12
2003	.281	.281	.281	.281	1.12
2004	.283	.283	.283	.283	1.13
2005	.285				

BUSINESS: California Water Service Group provides regulated and nonregulated water service to over 2 million people (451,800 customers) in 75 communities in California, Washington, and New Mexico. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired National Utility Company (5/04); Rio Grande Corp. (11/00). Revenue breakdown, '04: residential, 70%; business, 18%; public authorities, 5%; industrial, 4%; other, 3%. '04 reported deprec. rate: 2.3%. Has about 837 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson. Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwater.com.

Changes within the California Public Utility Commission (CPUC) paint a brighter picture for California Water Service Group going forward. The company has been forced to deal with regulatory delays from the board for years, as general rate case requests often remained in limbo for up to two years. However, two of the main adversaries to rate increase requests stepped down earlier this year and were replaced with more business-friendly candidates. The landscape has already improved, as CWT received approval to increase rates on an annual basis by $4.1 million effective January, 2005. The company is currently awaiting a decision on its 2004 general rate case for eight districts, totaling $26.5 million.

However, there are some concerns looming. Earlier this year, the Office of Ratepayer Advocates (ORA) took issue with CWT's land sale program. The CPUC branch, responsible for looking out for ratepayers, charged that CWT violated the California Water Utility Infrastructure Improvement Act of 1995, challenging its land sales since 1996. It recommended that the company pay a small fine and that an unspecified portion of the $19.2 million in gains from these sales be allocated for the benefit of the ratepayers. The company denies the charges. The CPUC does not have to take the ORA's advice, but this is the first case of this nature, making timeline and outcome of a resolution difficult to pin down. We expect the claim to slow earnings growth until the matter is concluded, though. As a result, we have lowered our 2005 earnings estimate by a dime, to $1.60 a share.

Growth-minded investors will want to look elsewhere. These untimely shares are likely to underperform the broad market out to late decade. Besides the uncertainty surrounding the motion by the ORA, profits will likely be thwarted by ongoing share and debt issuances, a product of rising infrastructure costs.

However, Cal may interest those looking for some income. The company offers an above-average dividend yield. And the recent dividend hike marks the 38th consecutive year that it has increased its payout. Risk-averse investors should like the stock's 2 (Above Average) Safety rank.

Andre J. Costanza *April 29, 2005*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; Q2 '02, 8¢. Next earnings report due late July.
(B) Dividends historically paid in mid-Feb., May, Aug., Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '04: $54.3 mill., $2.96/sh.
(D) In millions, adjusted for split.
(E) May not total due to change in shares.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	95
Earnings Predictability	65

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MIDDLESEX WATER NDQ–MSEX

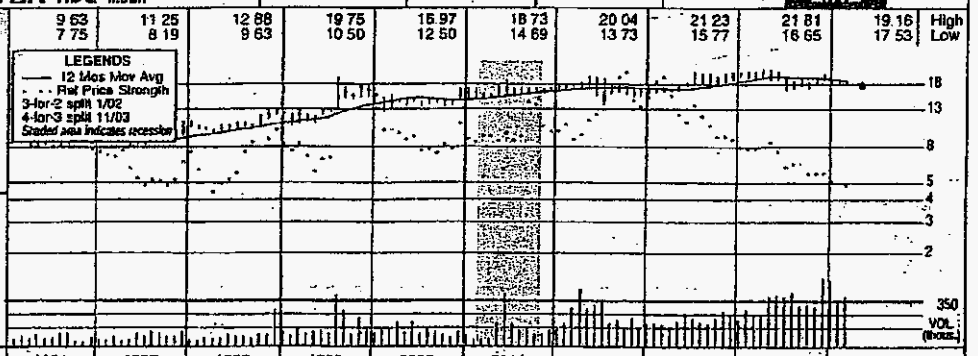
RECENT PRICE 17.68 | TRAILING P/E RATIO 24.2 | RELATIVE P/E RATIO 1.27 | DIV'D YLD 3.8% | VALUE LINE 4705

	9.63	11.25	12.88	19.75	15.97	18.73	20.04	21.23	21.81	19.16	High
	7.75	8.19	9.63	10.50	12.50	14.69	13.73	15.77	16.65	17.53	Low

RANKS

PERFORMANCE 3 Average
Technical 3 Average
SAFETY 2 Above Average
BETA .65 (1.00 = Market)

Financial Strength B++
Price Stability 95
Price Growth Persistence 75
Earnings Predictability 70



© VALUE LINE PUBLISHING, INC.	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005/2006
SALES PER SH	4.52	4.72	4.39	5.35	5.39	5.87	5.98	6.12	6.25	
"CASH FLOW" PER SH	.94	1.02	1.02	1.19	.99	1.18	1.20	1.15	1.28	
EARNINGS PER SH	.60	.67	.71	.76	.51	.66	.73	.61	.73	.79[A] B/NA
DIV'DS DECL'D PER SH	.55	.57	.58	.60	.61	.62	.63	.65	.66	
CAP'L SPENDING PER SH	.73	1.20	2.68	2.33	1.32	1.25	1.59	1.87	2.63	
BOOK VALUE PER SH	5.85	6.00	6.80	6.95	6.98	7.11	7.39	7.60	8.38	
COMMON SHS OUTST'G (MILL.)	8.41	8.54	9.82	10.00	10.11	10.17	10.36	10.48	11.36	
AVG ANN'L P/E RATIO	14.4	13.4	15.2	17.6	28.7	24.6	23.5	30.0	25.4	22.4/NA
RELATIVE P/E RATIO	.90	.77	.79	1.00	1.87	1.26	1.28	1.71	1.39	
AVG ANN'L DIV'D YIELD	6.4%	6.3%	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	
SALES ($MILL.)	38.0	40.3	43.1	53.5	54.5	59.6	61.9	64.1	71.0	Bold figures
OPERATING MARGIN	36.0%	37.2%	37.0%	33.9%	32.2%	47.2%	47.1%	44.0%	44.4%	are consensus
DEPRECIATION ($MILL.)	2.9	3.1	3.8	4.3	4.9	5.3	5.0	5.6	6.4	earnings
NET PROFIT ($MILL.)	5.2	5.9	6.5	7.9	5.3	7.0	7.8	6.6	8.4	estimates
INCOME TAX RATE	32.8%	34.9%	31.5%	28.8%	33.1%	34.8%	33.3%	32.8%	31.1%	and, using the
NET PROFIT MARGIN	13.6%	14.5%	15.1%	14.7%	9.7%	11.7%	12.5%	10.3%	11.9%	recent prices,
WORKING CAP'L ($MILL.)	2.0	d2.9	14.6	6.8	d2.7	d.9	d9.3	d13.3	d11.8	P/E ratios.
LONG-TERM DEBT ($MILL.)	53.0	52.9	78.0	82.3	81.1	88.1	87.5	97.4	115.3	
SHR. EQUITY ($MILL.)	51.9	56.2	71.7	74.6	74.7	76.4	80.6	83.7	99.2	
RETURN ON TOTAL CAP'L	6.4%	6.8%	5.7%	6.4%	4.9%	5.8%	6.0%	5.0%	5.1%	
RETURN ON SHR. EQUITY	10.0%	10.4%	9.1%	10.6%	7.1%	9.1%	9.6%	7.9%	8.5%	
RETAINED TO COM EQ	8%	1.7%	1.8%	2.5%	NMF	.5%	1.3%	NMF	9%	
ALL DIV'DS TO NET PROF	92%	85%	81%	78%	121%	94%	87%	106%	90%	

[A]No. of analysts changing earn. est. in last 16 days: 0 up, 0 down, consensus 5-year earnings growth 6.0% per year. [B]Based upon one analyst's estimate.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	5.0%	2.0%
"Cash Flow"	2.5%	12.0%
Earnings	-0.5%	19.5%
Dividends	2.5%	2.0%
Book Value	3.5%	10.0%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/02	14.3	15.5	17.0	15.1	61.9
12/31/03	15.0	16.0	17.6	15.5	64.1
12/31/04	15.9	17.8	19.8	17.5	71.0
12/31/05					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/01	.08	.18	.23	.17	.66
12/31/02	.12	.18	.24	.19	.73
12/31/03	.11	.17	.22	.11	.61
12/31/04	.09	.16	.29	.19	.73
12/31/05	.12	.24	.28		

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2002	.158	.158	.158	.161	.64
2003	.161	.161	.161	.165	.65
2004	.165	.165	.165	.168	.66
2005	.168				

INSTITUTIONAL DECISIONS

	2Q'04	3Q'04	4Q'04
to Buy	19	12	16
to Sell	13	17	12
Hld's(000)	1911	1882	1881

ASSETS ($mill.)	2002	2003	12/31/04
Cash Assets	2.9	3.0	4.0
Receivables	9.2	5.7	9.9
Inventory (Avg cost)	1.2	1.4	1.2
Other	7.0	4.3	.9
Current Assets	20.3	14.4	16.0
Property, Plant & Equip. at cost	259.3	278.4	308.4
Accum. Depreciation	47.9	47.5	52.0
Net Property	211.4	230.9	256.4
Other	12.9	17.9	26.7
Total Assets	244.6	263.2	299.1
LIABILITIES ($mill.)			
Accts Payable	2.1	4.8	6.0
Debt Due	18.3	13.6	12.1
Other	9.2	9.3	9.7
Current Liab.	29.6	27.7	27.8

LONG-TERM DEBT AND EQUITY as of 12/31/04

Total Debt $127.4 mill. Due in 5 Yrs. $19.4 mill.
LT Debt $115.3 mill. (54% of Cap'l)
Including Cap. Leases None

Leases, Uncapitalized Annual rentals None

Pension Liability $5.5 mill. in '04 vs. $5.1 mill. in '03

Pfd Stock $4.1 mill. Pfd Div'd Paid $.3 mill. (2% of Cap'l)

Common Stock 11,358,772 shares (44% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Middlesex Water Company, through its subsidiaries, engages in the ownership and operation of regulated water utility systems in central and southern New Jersey, and in Delaware, as well as a regulated wastewater utility in southern New Jersey. Its New Jersey water utility system (the Middlesex System) provides water services to retail customers in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey. The company operates the water supply system and wastewater system for the city of Perth Amboy in New Jersey in partnership with its subsidiary, Utility Service Affiliates (Perth Amboy), Inc. Its other New Jersey subsidiaries provide water and wastewater services to residents in Southampton Township. The company's Delaware subsidiaries, comprising Tidewater Utilities, Inc. and Southern Shores Water Company, LLC, offer water services to retail customers in New Castle, Kent, and Sussex Counties. Has 220 employees. Chairman: J. Richard Tompkins. Inc.: NJ. Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: (732) 634-1500. Internet: http://www.middlesexwater.com. *A.O.*

April 29, 2005

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 3/31/2005

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-3.31%	3.09%	-9.13%	15.07%	48.21%

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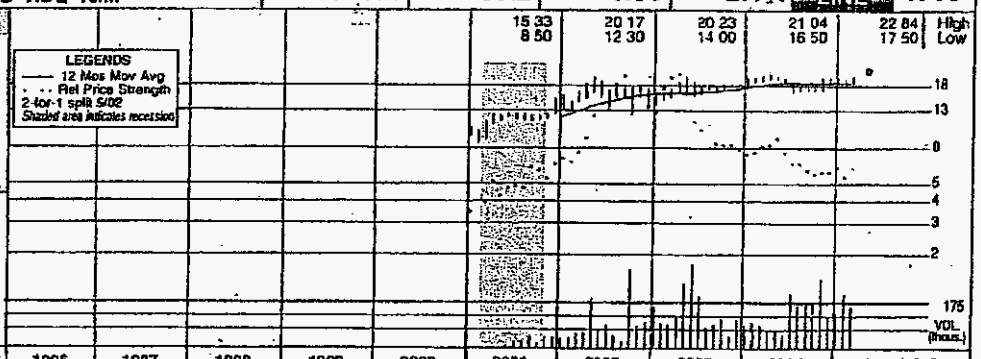
YORK WATER CO NDQ–YORW

RECENT PRICE 22.01 | TRAILING P/E RATIO 30.2 | RELATIVE P/E RATIO 1.58 | DIV'D YLD 2.8% | VALUE LINE 4708

RANKS

PERFORMANCE 2 Above Average
Technical 2 Above Average
SAFETY 3 Average
BETA .55 (1.00 = Market)

Financial Strength B+
Price Stability 70
Price Growth Persistence NMF
Earnings Predictability NMF



© VALUE LINE PUBLISHING, INC.	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005/2006
REVENUES PER SH	--	--	--	--	6.07	3.08	3.07	3.25	3.27	
"CASH FLOW" PER SH	--	--	--	--	1.79	.88	.86	.97	.98	
EARNINGS PER SH	--	--	--	--	1.24	.65	.60	.70	.73	.80[A-B]/.87[C]
DIV'D DECL'D PER SH	--	--	--	--	.98	.51	.53	.55	.59	
CAP'L SPENDING PER SH	--	--	--	--	2.11	1.12	.99	1.61	3.76	
BOOK VALUE PER SH	--	--	--	--	10.66	5.69	5.85	6.06	6.98	
COMMON SHS OUTST'G (MILL.)	--	--	--	--	3.04	6.31	6.36	6.42	6.89	
AVG ANN'L P/E RATIO	--	--	--	--	--	17.9	26.9	24.5	25.7	27.5/25.3
RELATIVE P/E RATIO	--	--	--	--	--	.92	1.47	1.40	1.35	
AVG ANN'L DIV'D YIELD	--	--	--	--	--	4.3%	3.3%	3.2%	3.1%	
REVENUES ($MILL.)	--	--	--	--	18.5	19.4	19.6	20.9	22.5	Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.
NET PROFIT ($MILL.)	--	--	--	--	3.8	4.0	3.8	4.4	4.8	
INCOME TAX RATE	--	--	--	--	35.7%	35.8%	34.9%	34.8%	36.7%	
AFUDC % TO NET PROFIT	--	--	--	--	--	2.2%	3.7%	--	--	
LONG-TERM DEBT RATIO	--	--	--	--	50.2%	47.7%	46.7%	43.4%	42.5%	
COMMON EQUITY RATIO	--	--	--	--	49.8%	52.3%	53.3%	56.6%	57.5%	
TOTAL CAPITAL ($MILL.)	--	--	--	--	65.2	68.6	69.9	69.0	83.6	
NET PLANT ($MILL.)	--	--	--	--	97.0	102.3	106.7	116.5	140.0	
RETURN ON TOTAL CAP'L	--	--	--	--	7.9%	7.9%	7.4%	8.5%	7.6%	
RETURN ON SHR. EQUITY	--	--	--	--	11.6%	11.2%	10.2%	11.4%	10.0%	
RETURN ON COM EQUITY	--	--	--	--	11.6%	11.2%	10.2%	11.4%	10.0%	
RETAINED TO COM EQ	--	--	--	--	2.5%	2.5%	1.3%	2.6%	2.1%	
ALL DIV'DS TO NET PROF	--	--	--	--	78%	78%	88%	77%	79%	

[A]No. of analysts changing earn. est. in last 16 days: 0 up, 0 down, consensus 5-year earnings growth 7.3% per year. [B]Based upon 2 analysts' estimates. [C]Based upon one analyst's estimate.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	--	0.5%
"Cash Flow"	--	1.0%
Earnings	--	4.5%
Dividends	--	7.5%
Book Value	--	14.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/02	4.7	4.9	5.3	4.7	19.6
12/31/03	4.8	5.0	5.8	5.3	20.9
12/31/04	5.3	5.5	5.6	6.1	22.5
12/31/05					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/01	.13	.14	.23	.15	.65
12/31/02	.14	.15	.18	.13	.60
12/31/03	.12	.16	.24	.18	.70
12/31/04	.18	.16	.18	.21	.73
12/31/05	.19	.20	.21		

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2002	.13	.13	.13	.13	.52
2003	.135	.135	.135	.135	.54
2004	.145	.145	.145	.145	.58
2005	.156				

INSTITUTIONAL DECISIONS

	2Q'04	3Q'04	4Q'04
to Buy	1	5	4
to Sell	6	4	2
Hld's(000)	541	430	443

ASSETS ($mill.)	2002	2003	12/31/04
Cash Assets	.0	.0	.2
Receivables	2.8	3.2	3.7
Inventory	.5	.6	.7
Other	.4	.3	.4
Current Assets	3.7	4.1	5.0
Property, Plant & Equip. at cost	127.7	139.1	164.3
Accum. Depreciation	21.0	22.6	24.3
Net Property	106.7	116.5	140.0
Other	8.0	6.9	11.1
Total Assets	118.4	127.5	156.1
LIABILITIES ($mill.)			
Accts Payable	.7	1.7	1.8
Debt Due	2.8	9.9	16.3
Other	2.0	2.4	3.1
Current Liab	5.5	14.0	21.2

LONG-TERM DEBT AND EQUITY as of 12/31/04

Total Debt $51.9 mill. Due in 5 Yrs. $19.2 mill.
LT Debt $35.6 mill.
Including Cap. Leases $7.0 mill.
(43% of Cap'l)

Leases, Uncapitalized Annual rentals None

Pension Liability $3.0 mill. in '04 vs. None in '03

Pfd Stock None Pfd Div'd Paid None

Common Stock 6,887,047 shares
(57% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: York Water Company engages in the impounding, purification, and distribution of water in York County, Pennsylvania. The company has two reservoirs, Lake Williams and Lake Redman, which together hold up to 2.75 billion gallons of water. It supplies water for domestic, commercial, industrial, and fire protection purposes. The company serves approximately 149,000 people in 31 municipalities in York County, Pennsylvania. It supplies through the company's own distribution system to the city of York; the boroughs of New York State. In March, York Water Company entered into an agreement to acquire the water system of Spring Grove Borough that serves customers in York County. In the same month, the company also agreed to acquire the water system of Mountain View Water Company that serves customers and a 220-unit mobile home park in Conewago Township, York County. Has 95 employees. Chairman: William Morris. Inc.: PA. Address: 130 East Market Street, York, PA 17405. Tel.: (717) 845-3601. Internet: http://www.yorkwater.com.

A.O.

April 29, 2005

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 3/31/2005

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-1.03%	11.61%	-3.46%	35.88%	125.57%

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Water Service Corporation of Kentucky
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Six AUS Utility Reports Water	Proxy Group of Three Value Line (Standard Edition) Water Companies
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.9 %	5.9 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	0.4 (2)	0.4 (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	6.3 %	6.3 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.0 (3)	0.0 (3)
5.	Adjusted Prospective Bond Yield	6.3	6.3
6.	Equity Risk Premium (4)	4.3	4.5
7.	Risk Premium Derived Common Equity Cost Rate	10.6 %	10.8 %

Notes:
(1) Derived in Note (3) on page 6 of this Schedule.
(2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.38%, rounded to 0.4% from page 4 of this Schedule.
(3) No adjustment necessary as the average Moody's bond rating of the proxy group is A2.
(4) From page 5 of this Schedule.

Water Service Corporation of Kentucky
Comparison of Bond Ratings and Business Profile for
the Proxy Group of Six AUS Utility Reports Water Companies and
the Proxy Group of Three Value Line (Standard Edition) Water Companies

	May 2005 Moody's Bond Rating		May 2005 Standard & Poor's Bond Rating				Standard & Poor's Business Position / Profile (2)
	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)	Credit Rating	Numerical Weighting (1)	
Proxy Group of Six AUS Utility Reports Water Companies							
American States Water Co. (3)	A2	6	A-	7	A-	7	3
Aqua America, Inc. (4)	NR	--	AA-	4	A+	5	2
Artesian Resources, Inc.	NR	--	NR	--	NR	--	--
California Water Service Group (5)	A2	6	NR	--	A+	5	3
Middlesex Water Company	NR	--	A+	5	A	6	3
York Water Company	NR	--	NR	--	A-	5	2
Average	A2	6.0	A+	5.3	A	5.6	2.6
Proxy Group of Three Value Line (Standard Edition) Water							
American States Water Co. (3)	A2	6	A-	7	A-	7	3.0
Aqua America, Inc. (4)	NR	--	AA-	4	A+	5	2.0
California Water Service Group (5)	A2	6	NR	--	A+	5	3.0
Average	A2	6.0	A+ / A	5.5	A	5.7	2.7

Notes:
(1) From page 3 of this Schedule.
(2) From Standard & Poor's U.S. Utilities and Power Ranking List, June 17, 2005.
(3) Ratings and business profile are those of Southern California Water Company
(4) Ratings and business profile are those of Aqua Pennsylvania, Inc.
(5) Ratings and business profile are those of California Water Service Company.

Source of Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Water Service Corporation of Kentucky
Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

Moody's
Comparison of Interest Rate Trends
for the Three Months Ending May 2005 (1)

Years	Corporate Bonds	Public Utility Bonds			Spread - Corporate v. Public Utility Bonds			Spread - Public Utility Bonds	
	Aaa Rated	Aa Rated	A Rated	Baa Rated	Aa (Pub. Util.) over Aaa (Corp.)	A (Pub. Util.) over Aaa (Corp.)	Baa (Pub. Util.) over Aaa (Corp.)	A over Aa	Baa over A
March-05	5.40 %	5.76 %	5.83 %	6.01 %					
April-05	5.33	5.56	5.64	5.95					
May-05	5.15	5.39	5.53	5.88					
Average of Last 3 Months	5.29 %	5.57 %	5.67 %	5.95 %	0.28 %	0.38 %	0.66 %	0.10 %	0.28 %

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record , June 2005, Vol. 72, No. 6

Water Service Corporation of Kentucky
Judgment of Equity Risk Premium for
the Proxy Group of Six AUS Utility Reports Water Companies and
the Proxy Group of Three Value Line (Standard Edition) Water Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Three Value Line (Standard Edition) Water Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	4.4 %	4.7 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.2	4.2
3.	Average equity risk premium	4.3 %	4.5 %

Notes: (1) From page 6 of this Schedule.
(2) From page 8 of this Schedule.

Water Service Corporation of Kentucky
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Six AUS Utility Reports Water Companies and
the Proxy Group of Three Value Line (Standard Edition) Water Companies

Line No.		Proxy Group of Six AUS Utility Reports Water	Proxy Group of Three Value Line (Standard Edition) Water Companies
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2004 (1)	12.4 %	12.4 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2004 (2)	(6.1)	(6.1)
3.	Historical Equity Risk Premium	6.3 %	6.3 %
4.	Forecasted 3-5 year Total Annual Market Return (3)	12.4 %	12.4 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	(5.9)	(5.9)
6.	Forecasted Equity Risk Premium	6.5 %	6.5 %
7.	Average of Historical and Forecasted Equity Risk Premium (5)	6.4 %	6.4 %
8.	Adjusted Value Line Beta (6)	0.68	0.73
9.	Beta Adjusted Equity Risk Premium	4.4 %	4.7 %

Notes: (1) From Stocks, Bonds, Bills and Inflation - 2005 Yearbook Valuation Edition, Ibbotson Associates, Inc., Chicago, IL, 2005.

(2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.

(3) From page 3 of Schedule PMA-11.

(4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated June 1, 2005 (see page 7 of this Schedule). The estimates are detailed below.

Second Quarter 2005	5.3 %
Third Quarter 2005	5.6
Fourth Quarter 2005	5.9
First Quarter 2006	6.1
Second Quarter 2006	6.3
Third Quarter 2006	6.3
Average	5.9 %

(5) Average of the Historical Equity Risk Premium of 6.3% from Line No. 3 and the Forecasted Equity Risk Premium of 5.9% from Line No. 6 ((6.3% + 6.5%) / 2 = 6.4%).

(5) From page 9 of this Schedule.

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

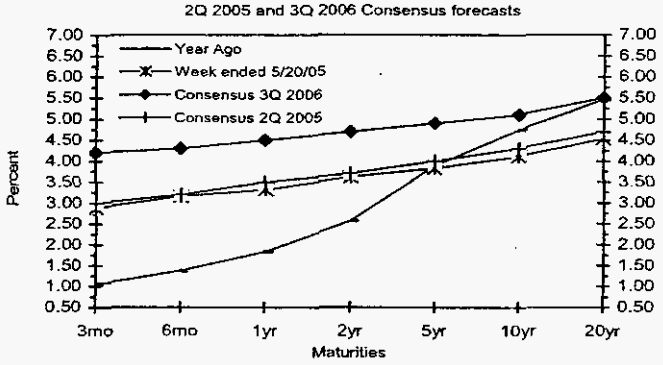
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			Latest Q	2Q	3Q	4Q	1Q	2Q	3Q
Interest Rates	May 20	May 13	May 6	Apr. 29	Apr.	Mar.	Feb.	1Q 2005	2005	2005	2005	2006	2006	2006
Federal Funds Rate	3.01	2.99	2.96	2.78	2.79	2.63	2.50	2.47	3.0	3.4	3.7	4.0	4.2	4.3
Prime Rate	6.00	4.00	3.82	3.75	3.75	5.58	5.49	5.44	6.0	6.4	6.7	7.0	7.2	7.3
LIBOR, 3-mo.	3.26	3.26	3.22	3.19	3.15	3.02	2.82	2.84	3.2	3.7	4.0	4.2	4.4	4.4
Commercial Paper, 1-mo.	2.98	2.97	2.97	2.89	2.84	2.67	2.49	2.50	3.0	3.5	3.8	4.1	4.2	4.3
Treasury bill, 3-mo.	2.88	2.88	2.88	2.90	2.84	2.80	2.58	2.58	3.0	3.4	3.7	4.0	4.1	4.2
Treasury bill, 6-mo.	3.16	3.18	3.18	3.13	3.14	3.09	2.85	2.87	3.2	3.7	4.0	4.1	4.3	4.3
Treasury bill, 1 yr.	3.32	3.35	3.33	3.28	3.32	3.30	3.03	3.06	3.5	3.8	4.1	4.3	4.5	4.5
Treasury note, 2 yr.	3.62	3.68	3.65	3.57	3.65	3.73	3.38	3.44	3.7	4.1	4.3	4.5	4.6	4.7
Treasury note, 5 yr.	3.83	3.91	3.88	3.90	4.00	4.17	3.77	3.88	4.0	4.3	4.6	4.7	4.9	4.9
Treasury note, 10 yr.	4.11	4.21	4.22	4.26	4.34	4.50	4.17	4.30	4.3	4.6	4.8	5.0	5.1	5.1
Treasury note, 20 yr.	4.53	4.62	4.64	4.68	4.75	4.89	4.61	4.76	4.7	5.0	5.2	5.4	5.5	5.5
Corporate Aaa bond	5.10	5.20	5.25	5.27	5.33	5.40	5.20	5.32	5.3	5.6	5.9	6.1	6.3	6.3
Corporate Baa bond	6.02	6.03	6.02	6.01	6.05	6.06	5.82	5.97	6.1	6.4	6.7	6.9	7.0	7.1
State & Local bonds	4.25	4.35	4.38	4.42	4.46	4.57	4.35	4.44	4.4	4.7	4.9	5.0	5.1	5.2
Home mortgage rate	5.71	5.77	5.75	5.80	5.86	5.93	5.63	5.76	5.8	6.1	6.3	6.5	6.6	6.6

	History								Consensus Forecasts-Quarterly Avg.					
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q*	2Q	3Q	4Q	1Q	2Q	3Q
Key Assumptions	2003	2003	2003	2004	2004	2004	2004	2005	2005	2005	2005	2006	2006	2006
Major Currency Index	90.8	90.7	87.8	85.3	88.0	86.5	81.9	81.3	82.3	82.2	81.5	80.9	80.5	80.4
Real GDP	4.1	7.4	4.2	4.5	3.3	4.0	3.8	3.5	3.3	3.4	3.4	3.3	3.3	3.4
GDP Price Index	1.1	1.4	1.6	2.8	3.2	1.4	2.3	3.2	2.6	2.1	2.2	2.3	2.2	2.2
Consumer Price Index	0.4	2.2	0.9	4.0	4.4	1.7	3.4	2.5	3.9	2.4	2.5	2.6	2.6	2.5

[1]Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes ...lable from *The Wall Street Journal*. Definitions reported here are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for ...S. Federal Reserve Board's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Eco-...nic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

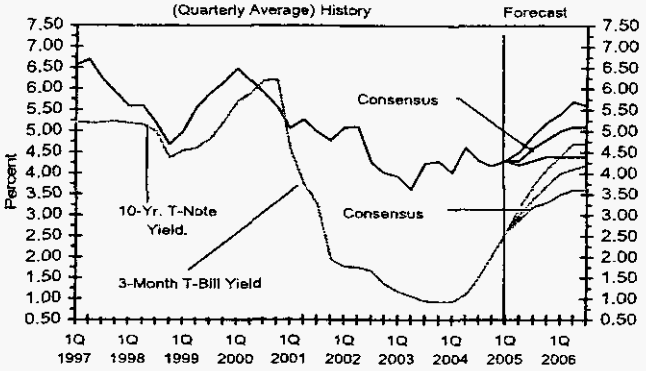
U.S. Treasury Yield Curve

Week ended May 20, 2005 and Year Ago vs. 2Q 2005 and 3Q 2006 Consensus forecasts



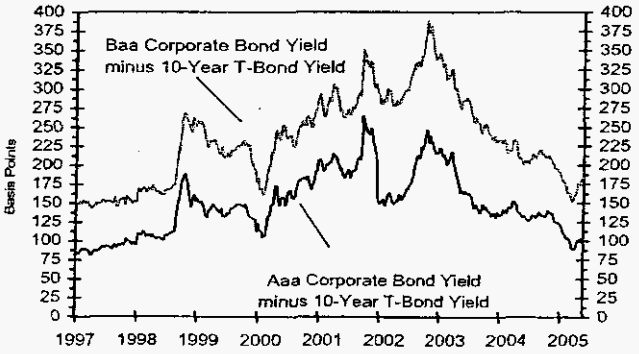
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History



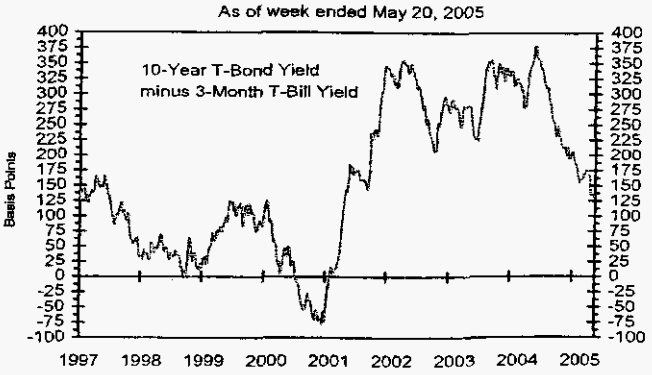
Corporate Bond Spreads

As of week ended May 20, 2005



U.S. Treasury Yield Curve

As of week ended May 20, 2005



Water Service Corporation of Kentucky
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

Line No.		Over A Rated Public Utility Bonds AUS Consultants - Utility Services Study (1)
		1
Time Period		1928-2003
1.	Arithmetic Mean Holding Period Returns (2): Standard & Poor's Public Utility Index	10.8 %
2.	Arithmetic Mean Yield on: A Rated Public Utility Bonds	(6.6)
3.	Equity Risk Premium	4.2 %

Notes: (1) S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2003, (US Consultants - Utility Services, 2004).

(2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

Water Service Corporation of Kentucky
Value Line Adjusted Betas for
the Proxy Group of Six AUS Utility Reports Water Companies and
the Proxy Group of Three Value Line (Standard Edition) Water Companies

	Value Line Adjusted Beta
Proxy Group of Six AUS Utility Reports Water Companies	
American States Water Co.	0.70
Aqua America, Inc.	0.75
Artesian Resources Corp.	NA
California Water Service Group	0.75
Middlesex Water Company	0.65
York Water Company	0.55
Average	0.68
Proxy Group of Three Value Line (Standard Edition) Water	
American States Water Co.	0.70
Aqua America, Inc.	0.75
California Water Service Group	0.75
Average	0.73

NA = Not Available

Source of Information: Value Line Investment Survey, April 29, 2005
Standard Edition and Small and Mid-Cap Edition

Water Service Corporation of Kentucky
of the Capital Asset Pricing Model for
the Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Three Value Line (Standard Edition) Water Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Three Value Line (Standard Edition) Water Companies
		Traditional Capital Asset Pricing Model	
1.	Risk-Free Rate (1)	5.2 %	5.2 %
2.	Average Company-Specific Market Premium (2)	4.9	5.3
3.	Capital Asset Pricing Model Derived Company Equity Cost Rate	10.1 %	10.5 %
		Empirical Capital Asset Pricing Model	
4.	Risk-Free Rate (1)	5.2 %	5.2 %
5.	Average Company-Specific Market Premium (2)	5.5	5.8
6.	Capital Asset Pricing Model Derived Company Equity Cost Rate	10.7 %	11.0 %
7.	Conclusion	10.4 %	10.8 %

Notes: (1) Developed in note 2 of page 3 of this Schedule.
(2) Developed on page 2 of this Schedule.

Water Service Corporation of Kentucky
Indicated Common Equity Cost Rate Through Use
of the Capital Asset Pricing Model

	Value Line Adjusted Beta	Company-Specific Risk Premium Based on Market Premium of 7.2% (1)	CAPM Result Including Risk-Free Rate of 5.2% (2)
		Traditional Capital Asset Pricing Model (3)	
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	0.70	5.0 %	10.2 %
Aqua America, Inc.	0.75	5.4	10.6
Artesian Resources Corp.	NA	NA	NA
California Water Service Group	0.75	5.4	10.6
Middlesex Water Company	0.65	4.7	9.9
York Water Company	0.55	4.0	9.2
Average	0.68	4.9 %	10.1 % (3)
Proxy Group of Three Value Line (Standard Edition) Water Companies			
American States Water Co.	0.70	5.0 %	10.2 %
Aqua America, Inc.	0.75	5.4	10.6
California Water Service Group	0.75	5.4	10.6
Average	0.73	5.3 %	10.5 % (3)
		Empirical Capital Asset Pricing Model (5)	
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	0.70	5.6 %	10.8 %
Aqua America, Inc.	0.75	5.9	11.1
Artesian Resources Corp.	NA	NA	NA
California Water Service Group	0.75	5.9	11.1
Middlesex Water Company	0.65	5.3	10.5
York Water Company	0.55	4.8	10.0
Average	0.68	5.5 %	10.7 % (3)
Proxy Group of Three Value Line (Standard Edition) Water Companies			
American States Water Co.	0.70	5.6 %	10.8 %
Aqua America, Inc.	0.75	5.9	11.1
California Water Service Group	0.75	5.9	11.1
	0.73	5.8 %	11.0 % (3)

See page 3 for notes.

Water Service Corporation. of Kentucky
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Six AUS Utility Reports Water Companies and the
Proxy Group of Three Value Line (Standard Edition) Water Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

(1) From the three previous month-end (Mar. '05 – May '05), as well as a recently available (Jun. 17, 2005), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 12.4% can be derived by averaging the 3-month and spot forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 50% produces a four-year average annual return of 10.67% ($(1.50^{25}) - 1$). When the average annual forecasted dividend yield of 1.69% is added, a total average market return of 12.36%, rounded to 12.4%, (1.69% + 10.67%) is derived.

The 3-month and spot forecasted total market return of 12.0% minus the risk-free rate of 5.2% (developed in Note 2) is 7.2% (12.4% - 5.2%). The Ibbotson Associates calculated market premium of 7.2% for the period 1926-2004 results from a total market return of 12.4% less the average income return on long-term U.S. Government Securities of 5.2% (12.4% - 5.2% = 7.2%). This is then averaged with the 7.2% Value Line market premium resulting in a 7.2% market premium. The 7.2% market premium is then multiplied by the beta in column 1 of page 2 of this Schedule.

(2) Average forecast based upon six quarterly estimates of 20-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated June 1, 2005 (see page 7 of Schedule PMA-10). The estimates are detailed below:

	20-Year Treasury Note Yield
Second Quarter 2005	4.7%
Third Quarter 2005	5.0
Fourth Quarter 2005	5.2
First Quarter 2006	5.4
Second Quarter 2006	5.5
Third First Quarter 2006	5.6
Average	5.2%

(3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$$R_S = R_F + \beta (R_M - R_F)$$

Where R_S = Return rate of common stock
R_F = Risk Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

(4) Includes only those indicated common equity cost rates which are above 8.3%, i.e., 200 basis points above the prospective yield of 6.3% on A rated Moody's public utility bonds (page 1 of Schedule PMA-10).

(5) The empirical CAPM is applied using the following formula:

$$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$$

Where R_S = Return rate of common stock
R_F = Risk-Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, June 1, 2005
Value Line Investment Survey, April 29, 2005, Standard Edition and Small and Mid-Cap Edition
Stocks, Bonds, Bills and Inflation – Valuation Edition 2005 Yearbook,
Ibbotson Associates, Inc., Chicago, IL

Water Service Corporation of Kentucky
Comparable Earnings Analysis
for a Proxy Group of Eighty-One Non-Utility Companies Comparable to the
Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of Eighty-One Non-Utility Companies Comparable to the Proxy Group of Six AUS Utility Reports Water Companies (1)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Net Worth 2000	2001	2002	2003	2004	5-year Average (2) Percent	5-year Average (2) Student's T-Test	5-Year Projected (3) Percent	5-Year Projected (3) Student's T-Test
ABM Industries Inc.	0.80	0.62	3.5110	0.0959	13.7 %	12.5 %	12.1 %	8.2 %	9.5 %	11.2 %	(0.65)	14.0 %	(0.49)
Abbott Labs.	0.80	0.65	3.5208	0.0962	32.5	32.5	30.4	26.6	24.6	29.3	0.69	27.5	1.36
Allied Capital Corp.	0.85	0.75	3.5466	0.0969	13.8	14.8	14.7	10.0	12.6	13.2	(0.50)	15.0	(0.36)
Annaly Mortgage Mgmt.	0.70	0.50	3.5358	0.0966	12.2	13.8	20.3	15.7	14.6	15.3	(0.35)	14.0	(0.49)
Archer Daniels Midl'd	0.70	0.52	3.5857	0.0980	4.9	6.1	5.8	6.2	9.7	6.7	(0.99)	9.5	(1.11)
Arrow Int'l	0.65	0.41	3.1999	0.0874	17.0	14.3	13.1	13.3	12.5	14.0	(0.44)	15.0	(0.36)
Ball Corp.	0.85	0.76	3.5176	0.0961	16.6	21.0	32.3	29.4	27.7	25.4	0.40	20.5	0.40
Bard (C.R.)	0.70	0.54	3.3556	0.0917	20.4	18.2	20.1	19.5	19.3	19.5	(0.04)	23.5	0.81
Barnes Group	0.80	0.68	3.4809	0.0951	17.7	9.6	13.0	10.3	10.8	12.3	(0.57)	13.5	(0.56)
Beckman Coulter	0.55	0.26	3.8605	0.1055	36.5	27.3	26.9	20.3	19.3	26.1	0.45	13.5	(0.56)
Becton Dickinson	0.80	0.63	3.3174	0.0907	20.1	18.8	19.3	19.6	22.0	20.0	-	20.0	0.33
Blyth Inc.	0.75	0.60	3.5528	0.0971	23.0	16.5	16.9	17.0	17.9	18.3	(0.13)	14.0	(0.49)
Bob Evans Farms	0.85	0.72	3.4602	0.0946	11.1	12.5	13.4	11.4	6.0 E	10.9	(0.67)	11.0	(0.90)
CLARCOR Inc.	0.85	0.76	3.3053	0.0903	16.6	15.3	14.8	14.7	14.9	15.3	(0.35)	13.0	(0.63)
Casey's Gen'l Stores	0.85	0.73	3.7995	0.1038	10.3	8.6	9.8	8.3	8.5 E	9.1	(0.81)	14.0	(0.49)
Church & Dwight	0.55	0.27	3.7166	0.1016	20.9	19.1	19.4	17.9	15.9	18.6	(0.10)	13.0	(0.63)
Clorox Co.	0.65	0.41	3.5551	0.0972	23.4	20.2	23.8	42.3	35.5	29.0	0.67	54.5	5.05
Coca-Cola	0.65	0.42	3.3112	0.0905	38.4	35.0	34.7	34.0	31.5	34.9	1.10	32.5	2.04
Coca-Cola Bottling	0.55	0.24	3.8584	0.1054	9.5	38.5	69.0	58.5	33.9	41.9	1.62	33.5	2.18
Corn Products Int'l	0.80	0.66	3.7187	0.1016	6.4	6.7	7.6	8.3	8.7	7.5	(0.93)	10.0	(1.04)
Curtiss-Wright	0.70	0.53	3.5981	0.0983	13.1	11.6	10.1	10.9	11.3	11.4	(0.64)	11.0	(0.90)
Dean Foods	0.65	0.46	3.5606	0.0973	20.1	9.5	17.0	12.6	12.2	14.1	(0.44)	11.0	(0.90)
Dentsply Int'l	0.70	0.52	3.1969	0.0874	19.4	18.0	17.5	15.4	13.6	16.8	(0.24)	12.5	(0.70)
Dionex Corp.	0.85	0.77	3.5282	0.0964	28.7	24.5	21.0	19.7	22.6	23.3	0.24	23.0	0.74
ESCO Technologies	0.80	0.63	3.8108	0.1041	5.4	6.1	7.1	12.0	12.6	8.6	(0.84)	12.5	(0.70)
Fannie Mae	0.80	0.69	3.4473	0.0942	21.3	29.6	38.6	31.7	31.5 E	30.5	0.78	23.0	0.74
Fortune Brands	0.80	0.67	3.3447	0.0914	17.1	17.8	21.2	20.9	24.4	20.3	0.02	17.5	(0.01)
Franklin Electric	0.70	0.54	3.8591	0.1055	20.9	22.0	21.0	17.9	16.3	19.6	(0.03)	16.0	(0.22)
Freddie Mac	0.85	0.76	3.2976	0.0901	24.7	15.0	32.2	15.3	9.0	19.2	(0.06)	17.5	(0.01)
Gen'l Dynamics	0.80	0.65	3.3856	0.0925	23.6	20.8	20.2	16.8	17.1	19.7	(0.02)	17.0	(0.08)
Gillette	0.60	0.33	3.3548	0.0917	65.0	48.9	53.5	61.8	59.6	57.8	2.80	31.5	1.90
Golden West Fin'l	0.85	0.74	3.3692	0.0921	14.8	19.1	18.9	18.5	17.6	17.8	(0.16)	20.5	0.40
Harland (John H.)	0.75	0.59	3.8621	0.1055	16.7	19.3	22.4	22.0	20.1	20.1	0.01	21.5	0.53
Hillenbrand Inds.	0.75	0.58	3.2063	0.0876	18.7	17.7	19.8	21.1	17.5	18.0	(0.07)	16.0	(0.22)
Int'l Flavors & Frag.	0.75	0.57	3.5746	0.0977	23.7	25.8	32.0	26.9	21.5	26.0	0.44	17.0	(0.08)
Invacare Corp.	0.85	0.72	3.4485	0.0942	15.1	15.8	13.5	11.6	10.0	13.2	(0.50)	12.0	(0.77)
Kellogg	0.60	0.36	3.0791	0.0841	72.6	61.1	79.4	54.5	39.5	61.4	3.07	25.5	1.08
Kimball Int'l 'B'	0.85	0.72	3.8867	0.1062	10.3	8.2	5.8	1.3	5.0	6.1	(1.03)	10.0	(1.04)
Lancaster Colony	0.75	0.60	3.1832	0.0864	24.8	19.6	16.6	16.1	13.4	18.1	(0.14)	14.5	(0.42)
Lance Inc.	0.75	0.57	3.7570	0.1027	12.6	13.4	11.0	13.1	12.5	12.5	(0.56)	15.0	(0.36)
Lauder (Estee)	0.85	0.77	3.6646	0.1001	20.7	20.3	15.8	18.7	21.7	19.4	(0.04)	26.5	1.22
Lawson Products	0.70	0.49	3.6989	0.1011	16.3	8.7	7.7	9.7	11.9	10.9	(0.67)	15.0	(0.36)
Lincoln Elec Hldgs.	0.85	0.71	3.7365	0.1021	19.3	16.8	17.2	11.7	14.8	16.0	(0.30)	13.5	(0.56)
Lockheed Martin	0.70	0.48	3.4792	0.0951	6.0	10.8	18.0	15.6	18.0	13.7	(0.47)	21.0	0.47
Mattel Inc.	0.75	0.56	3.8355	0.1048	20.9	20.5	24.6	24.9	22.0	22.6	0.19	18.5	0.12
Matthews Int'l	0.70	0.51	3.4359	0.0939	22.0	21.0	21.1	17.5	18.0	19.9	(0.01)	15.0	(0.36)
Medtronic Inc.	0.85	0.71	3.4198	0.0935	23.4	23.0	21.8	22.0	21.7	22.4	0.18	20.0	0.33
Mercury General	0.85	0.75	3.0464	0.0833	10.6	9.8	10.2	14.1	18.4	12.6	(0.55)	16.0	(0.22)
Newell Rubbermaid	0.85	0.73	3.9246	0.1072	18.5	13.1	20.5	20.2	21.6	18.8	(0.09)	21.0	0.47
Northrop Grumman	0.65	0.41	3.5019	0.0957	15.9	5.5	4.8	4.8	6.4	7.5	(0.93)	11.0	(0.90)

Water Service Corporation of Kentucky
Comparable Earnings Analysis
for a Proxy Group of Eighty-One Non-Utility Companies Comparable to the
Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of Eighty-One Non-Utility Companies Comparable to the Proxy Group of Six AUS Utility Reports Water Companies (1)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Net Worth 2000	2001	2002	2003	2004	5-year Average (2) Percent	5-year Average (2) Student's T-Test	5-Year Projected (3) Percent	5-Year Projected (3) Student's T-Test
Occidental Petroleum	0.85	0.75	3.1972	0.0874	27.8	23.6	16.2	20.3	25.4	22.7	0.20	15.0	(0.36)
Packaging Corp.	0.85	0.73	3.2201	0.0880	19.9	14.0	6.1	5.3	6.3	10.3	(0.72)	18.5	0.12
Pactiv Corp.	0.85	0.72	3.6658	0.1002	9.3	9.8	24.5	21.7	20.4	17.1	(0.21)	15.5	(0.29)
Papa John's Int'l	0.75	0.55	3.5804	0.0978	28.5	24.2	38.4	23.0	28.1	28.4	0.62	17.0	(0.06)
People's Bank	0.85	0.71	3.0615	0.0837	12.3	2.6	5.9	6.4	7.8	7.0	(0.98)	11.5	(0.84)
PepsiAmericas Inc.	0.75	0.60	3.2919	0.0900	5.8	6.3	9.4	9.6	10.8	8.4	(0.86)	10.5	(0.97)
Pfizer Inc.	0.60	0.68	3.1080	0.0849	40.4	45.6	47.9	19.5	23.6	35.4	1.14	21.0	0.47
Quaker Chemical	0.85	0.72	3.8589	0.1055	20.2	16.8	16.2	13.2	7.6	14.8	(0.39)	9.5	(1.11)
Ralcorp Holdings	0.55	0.28	3.4459	0.0942	10.8	9.9	12.3	13.0	15.0	12.2	(0.58)	12.5	(0.70)
Regis Corp.	0.85	0.75	3.8744	0.1059	18.8	15.6	15.8	15.4	15.3	16.2	(0.28)	14.5	(0.42)
Renal Care Group	0.85	0.41	3.7784	0.1033	15.9	15.0	17.0	18.5	20.1	17.3	(0.20)	20.0	0.33
Republic Services	0.70	0.51	3.8264	0.1046	13.4	12.1	12.6	11.3	12.7	12.4	(0.56)	17.0	(0.08)
Ruddick Corp.	0.85	0.73	3.4600	0.0946	10.8	10.8	12.3	12.1	11.8	11.6	(0.62)	13.5	(0.56)
SLM Corporation	0.70	0.49	3.1634	0.0864	34.9	37.3	31.9	33.3	29.7	33.4	0.99	22.5	0.67
Sara Lee Corp.	0.60	0.35	3.0810	0.0842	92.0	99.9	63.8	59.1	43.1	71.6	3.82	28.5	1.49
Selective Ins. Group	0.85	0.73	3.4963	0.0955	4.6	4.5	6.1	7.7	15.5 E	7.7	(0.91)	12.5	(0.70)
Sensient Techn.	0.80	0.67	3.4371	0.0939	16.7	15.1	16.2	13.4	11.5	14.8	(0.40)	11.5	(0.84)
ServiceMaster Co.	0.80	0.63	3.5363	0.0966	15.9	9.4	14.0	19.4	17.4	15.2	(0.36)	19.0	0.19
Sigma-Aldrich	0.80	0.68	3.1336	0.0856	16.2	17.4	14.8	19.3	19.2	17.4	(0.19)	14.5	(0.42)
Smucker (J.M.)	0.85	0.43	3.5683	0.0975	13.4	12.2	9.3	10.0	9.0 E	10.8	(0.68)	11.0	(0.80)
Stryker Corp.	0.70	0.51	3.3853	0.0925	25.9	25.7	23.8	21.0	21.3	23.5	0.26	26.5	1.22
Sysco Corp.	0.75	0.60	3.0584	0.0835	25.8	27.8	31.9	35.4	35.4	31.3 (4)	0.84	28.5	1.63
Tennant Co.	0.85	0.71	3.3274	0.0909	18.2	3.1	8.0	8.5	8.5	9.3	(0.79)	12.0	(0.77)
Thomas Inds.	0.80	0.63	3.7196	0.1016	13.5	11.9	10.4	9.4	6.1	10.3	(0.72)	7.0	(1.45)
Thornburg Mtg.	0.70	0.51	3.2909	0.0899	9.2	11.0	14.4	14.2	13.0	12.4	(0.56)	11.5	(0.84)
Toro Co.	0.90	0.77	3.1168	0.0852	14.3	14.8	17.4	18.5	26.0	18.2	(0.13)	27.0	1.29
UnitedHealth Group	0.60	0.39	3.6090	0.0986	19.1	23.5	30.5	35.6	24.1	26.6	0.49	30.5	1.77
Walgreen Co.	0.75	0.62	3.4542	0.0944	17.9	16.7	16.3	16.1	16.5	16.7	(0.24)	17.5	(0.01)
Wendy's Int'l	0.70	0.50	3.6809	0.1006	16.1	18.6	15.1	13.4	14.2	15.5	(0.33)	15.0	(0.36)
West Pharmac. Svcs.	0.75	0.57	3.6573	0.0999	8.3	11.8	6.4	10.6	13.6	10.1	(0.73)	13.5	(0.56)
Zimmer Holdings	0.75	0.61	3.7142	0.1168	73.6	242.4	70.4	9.3	15.2	82.2	4.61	14.5	(0.42)
Average for the Non-Utility Group	0.76	0.59	3.4936	0.0957									
Average for the Proxy Group of Six AUS Utility Reports Water Companies	0.68	0.48	3.4792 (5)	0.0964									
Mean										17.5%		16.7%	
Conclusion (6)											17.1% (6)		
Conservative Mean (7)										14.6%		13.9%	
Conservative Conclusion (8)											14.3% (8)		

See pages 5 and 6 for notes.

Exhibit No. ___
Schedule PMA-12
Page 2 of 6

Water Service Corporation of Kentucky
Comparable Earnings Analysis
for a Proxy Group of Ninety Non-Utility Companies Comparable to the
Proxy Group of Three Value Line (Standard Edition) Water Companies (9)

Proxy Group of Ninety Non-Utility Companies Comparable to the Proxy Group of Three Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Net Worth 2000	2001	2002	2003	2004		5-year Average (2) Percent	5-year Average (2) Student's T-Test	5-Year Projected (3) Percent	5-Year Projected (3) Student's T-Test
ABM Industries Inc.	0.80	0.62	3.5110	0.0959	13.7 %	12.5 %	12.1 %	8.2 %	9.5 %		11.2 %	(0.60)	14.0 %	(0.41)
AFLAC Inc.	0.90	0.83	3.5043	0.0956	14.0	12.7	12.9	14.8	15.3	E	13.9	(0.39)	14.5	(0.35)
Abbott Labs.	0.80	0.65	3.5208	0.0962	32.5	32.5	30.4	26.6	24.6		29.3	0.79	27.5	1.39
Alexander & Baldwin	0.90	0.84	2.9852	0.0816	11.3	9.5	8.0	10.0	11.2		10.0	(0.69)	12.0	(0.68)
Allied Capital Corp.	0.85	0.75	3.5486	0.0969	13.8	14.8	14.7	10.0	12.6		13.2	(0.45)	15.0	(0.28)
Allstate Corp.	0.90	0.79	3.1731	0.0867	12.1	6.9	11.9	12.9	14.2		11.6	(0.57)	14.5	(0.35)
AmSouth Bancorp.	0.90	0.83	3.1525	0.0862	20.0	18.1	19.5	19.4	18.9		19.2	0.02	19.0	0.25
Annaly Mortgage Mgmt.	0.70	0.50	3.5358	0.0966	12.2	13.8	20.3	15.7	14.6		15.3	(0.28)	14.0	(0.41)
AptarGroup	0.90	0.81	3.0676	0.0838	14.7	13.8	11.8	10.2	10.5	E	12.2	(0.52)	11.5	(0.75)
Archer Daniels Midl'd	0.70	0.52	3.5857	0.0980	4.9	6.1	6.8	8.2	9.7		6.7	(0.95)	9.5	(1.01)
Arrow Int'l	0.65	0.41	3.1899	0.0874	17.0	14.3	13.1	13.3	12.5		14.0	(0.38)	15.0	(0.28)
Ashland Inc.	0.85	0.73	3.0168	0.0824	14.9	18.2	5.9	4.5	14.7		11.6	(0.57)	10.5	(0.88)
Ball Corp.	0.85	0.76	3.5176	0.0961	16.6	21.0	32.3	29.4	27.7		25.4	0.49	20.5	0.45
Bard (C.R.)	0.70	0.54	3.3556	0.0917	20.4	18.2	20.1	19.5	19.3		19.5	0.04	23.5	0.85
Barnes Group	0.80	0.68	3.4809	0.0951	17.7	9.6	13.0	10.3	10.8		12.3	(0.52)	13.5	(0.48)
Becton Dickinson	0.80	0.63	3.3174	0.0907	20.1	18.8	19.3	19.8	22.0		20.0	0.08	20.0	0.39
Blyth Inc.	0.75	0.60	3.5528	0.0971	23.0	16.5	16.9	17.0	17.9		18.3	(0.05)	14.0	(0.41)
Bob Evans Farms	0.85	0.72	3.4602	0.0946	11.1	12.5	13.4	11.4	6.0	E	10.9	(0.62)	11.0	(0.81)
CLARCOR Inc.	0.85	0.76	3.3053	0.0903	16.6	15.3	14.8	14.7	14.9		15.3	(0.28)	13.0	(0.55)
Capitol Fed. Fin'l	0.75	0.55	2.9136	0.0796	7.7	7.4	9.1	5.3	4.8		6.9	(0.93)	9.5	(1.01)
Clorox Co.	0.65	0.41	3.5551	0.0972	23.4	20.2	23.8	42.3	35.5		29.0	0.77	54.5	4.99
Coca-Cola	0.65	0.42	3.3112	0.0905	39.4	35.0	34.7	34.0	31.5		34.9	1.22	32.5	2.05
ConAgra Foods	0.70	0.47	3.0129	0.0823	27.0	17.1	18.2	18.2	16.4		19.4	0.03	18.0	0.12
ConocoPhillips	0.85	0.77	3.0040	0.0821	28.4	11.4	5.1	13.4	19.0		15.5	(0.27)	6.5	(1.41)
Corn Products Int'l	0.80	0.66	3.7187	0.1016	6.4	6.7	7.6	8.3	8.7		7.5	(0.88)	10.0	(0.95)
Curtiss-Wright	0.70	0.53	3.5961	0.0983	13.1	11.6	10.1	10.9	11.3		11.4	(0.58)	11.0	(0.81)
Dean Foods	0.65	0.46	3.5606	0.0973	20.1	8.5	17.0	12.8	12.2		14.1	(0.38)	11.0	(0.81)
Dentsply Int'l	0.70	0.52	3.1969	0.0874	19.4	18.0	17.5	15.4	13.6		16.8	(0.17)	12.5	(0.61)
Dionex Corp.	0.85	0.77	3.5282	0.0964	28.7	24.5	21.0	19.7	22.6		23.3	0.33	23.0	0.79
Fannie Mae	0.80	0.69	3.4473	0.0942	21.3	29.6	38.6	31.7	31.5	E	30.5	0.98	23.0	0.79
Fortune Brands	0.80	0.67	3.3447	0.0914	17.1	17.8	21.2	20.9	24.4		20.3	0.10	17.5	0.05
Freddie Mac	0.85	0.76	3.2976	0.0901	24.7	15.0	32.2	15.3	9.0		19.2	0.02	17.5	0.05
Gen'l Dynamics	0.80	0.65	3.3856	0.0925	23.6	20.8	20.2	16.8	17.1		19.7	0.05	17.0	(0.01)
Gillette	0.60	0.33	3.3548	0.0917	65.0	48.9	53.5	61.8	59.6		57.8	2.98	31.5	1.92
Golden West Fin'l	0.85	0.74	3.3692	0.0921	14.8	19.1	18.9	18.5	17.6		17.8	(0.09)	20.5	0.45
HON Industries Inc.	0.80	0.69	2.9269	0.0800	18.5	15.2	14.1	13.8	17.0		15.7	(0.25)	17.5	0.05
Hershey Foods	0.65	0.40	2.9022	0.0793	28.1	32.9	31.8	37.1	48.6		35.7	1.28	41.5	3.25
Hillenbrand Inds.	0.75	0.58	3.2063	0.0876	18.7	17.7	19.8	21.1	17.5		19.0	-	16.0	(0.15)
Hospitality Properties	0.90	0.78	2.9196	0.0798	8.5	8.2	8.7	7.0	7.5		8.0	(0.85)	10.0	(0.95)
IHOP Corp.	0.90	0.64	3.5435	0.0968	13.6	12.9	11.2	11.1	12.0		12.2	(0.52)	14.5	(0.35)
Int'l Flavors & Frag.	0.75	0.57	3.5746	0.0977	23.7	25.8	32.0	26.9	21.5		26.0	0.54	17.0	(0.01)
Invacare Corp.	0.85	0.72	3.4485	0.0942	15.1	15.8	13.5	11.6	10.0		13.2	(0.45)	12.0	(0.88)
Kellogg	0.60	0.36	3.0791	0.0841	72.6	61.1	79.4	54.5	39.5		61.4	3.26	25.5	1.12
Lancaster Colony	0.75	0.60	3.1632	0.0864	24.6	19.6	16.6	16.1	13.4		18.1	(0.07)	14.5	(0.35)
Lauder (Estee)	0.85	0.77	3.6546	0.1001	20.7	20.3	15.8	18.7	21.7		19.4	0.03	26.5	1.25
Lawson Products	0.70	0.49	3.6969	0.1011	16.3	8.7	7.7	9.7	11.9		10.9	(0.62)	15.0	(0.28)
Lincoln Elec Hldgs.	0.85	0.71	3.7365	0.1021	19.3	16.8	17.2	11.7	14.8		16.0	(0.23)	13.5	(0.48)
Lockheed Martin	0.70	0.48	3.4792	0.0951	6.0	10.9	18.0	15.6	18.0		13.7	(0.41)	21.0	0.52
Marathon Oil Corp.	0.90	0.82	3.0986	0.0847	27.0	26.7	11.1	18.7	16.2		19.5	0.04	13.0	(0.55)
Matthews Int'l	0.70	0.51	3.4359	0.0939	22.0	21.0	21.1	17.5	18.0		19.9	0.07	15.0	(0.28)
McGraw-Hill	0.80	0.63	2.8856	0.0789	26.2	25.9	26.6	24.6	24.7		25.6	0.51	21.5	0.59
Media General 'A'	0.90	0.83	3.0397	0.0831	4.6	1.5	5.0	4.9	6.8		4.6	(1.11)	7.5	(1.28)
Medtronic Inc.	0.85	0.71	3.4198	0.0935	23.4	23.0	21.8	22.0	21.7		22.4	0.26	20.0	0.39
Mercury General	0.85	0.75	3.0464	0.0833	10.6	9.8	10.2	14.1	16.4		12.6	(0.49)	16.0	(0.15)
New Plan Excel R'lty	0.70	0.51	2.8894	0.0790	7.9	7.0	7.8	8.1	8.2		7.8	(0.86)	12.5	(0.61)
Northrop Grumman	0.65	0.41	3.5019	0.0957	15.9	5.5	4.8	4.8	6.4		7.5	(0.88)	11.0	(0.81)

Water Service Corporation of Kentucky
Comparable Earnings Analysis
for a Proxy Group of Ninety Non-Utility Companies Comparable to the
Proxy Group of Three Value Line (Standard Edition) Water Companies (9)

Proxy Group of Ninety Non-Utility Companies Comparable to the Proxy Group of Three Value Line (Standard Edition) Water Companies (9)	Adj. Beta	Unadj. Beta	Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Net Worth 2000	2001	2002	2003	2004	5-year Average (2) Percent	Student's T-Test	5-Year Projected (3) Percent	Student's T-Test
Occidental Petroleum	0.85	0.75	3.1972	0.0874	27.8	23.6	16.2	20.3	25.4	22.7	0.28	15.0	(0.28)
Packaging Corp.	0.85	0.73	3.2201	0.0880	19.9	14.0	6.1	5.3	6.3	10.3	(0.67)	16.5	0.19
Pactiv Corp.	0.85	0.72	3.6659	0.1002	9.3	9.8	24.5	21.7	20.4	17.1	(0.15)	15.5	(0.21)
Papa John's Int'l	0.75	0.55	3.5804	0.0978	28.5	24.2	38.4	23.0	28.1	28.4	0.72	17.0	(0.01)
People's Bank	0.85	0.71	3.0615	0.0837	12.3	2.6	5.9	6.4	7.8	7.0	(0.92)	11.5	(0.75)
PepsiAmericas Inc.	0.75	0.60	3.2919	0.0900	5.8	6.3	9.4	9.8	10.8	8.4	(0.82)	10.5	(0.68)
Pfizer Inc.	0.80	0.68	3.1080	0.0849	40.4	45.6	47.9	19.5	23.6	35.4	1.26	21.0	0.52
RLI Corp.	0.70	0.53	2.9794	0.0814	8.8	9.0	8.4	10.6	10.3	9.4	(0.74)	10.0	(0.95)
Reinsurance Group	0.90	0.82	3.4862	0.0953	12.3	4.0	10.5	8.5	9.9	9.0	(0.77)	11.5	(0.75)
Ruddick Corp.	0.85	0.73	3.4600	0.0946	10.8	10.8	12.3	12.1	11.8	11.6	(0.57)	13.5	(0.48)
SLM Corporation	0.70	0.49	3.1634	0.0864	34.8	37.3	31.9	33.3	29.7	33.4	1.11	22.5	0.72
Sara Lee Corp.	0.60	0.35	3.0810	0.0842	92.0	99.9	63.8	59.1	43.1	71.8	4.05	28.5	1.52
Selective Ins. Group	0.85	0.73	3.4963	0.0955	4.6	4.5	6.1	7.7	15.5 E	7.7	(0.87)	12.5	(0.61)
Sensient Techn.	0.80	0.67	3.4371	0.0939	16.7	15.1	16.2	13.4	11.5	14.8	(0.34)	11.5	(0.75)
ServiceMaster Co.	0.80	0.63	3.5363	0.0966	15.9	9.4	14.0	19.4	17.4	15.2	(0.29)	19.0	0.25
Sigma-Aldrich	0.80	0.68	3.1336	0.0856	16.2	17.4	14.8	19.3	19.2	17.4	(0.12)	14.5	(0.35)
Smucker (J.M.)	0.65	0.43	3.5683	0.0975	13.4	12.2	9.3	10.0	9.0 E	10.8	(0.63)	11.0	(0.81)
Standex Int'l	0.90	0.79	3.4472	0.0942	16.5	14.5	11.4	11.1	13.5	13.8	(0.40)	16.5	(0.06)
Stryker Corp.	0.70	0.51	3.3853	0.0925	25.9	25.7	23.8	21.0	21.3	23.5	0.35	26.5	1.25
Sysco Corp.	0.75	0.60	3.0564	0.0835	25.8	27.6	31.9	35.4	35.4	31.3 (4)	0.95	29.5	1.65
Tennant Co.	0.85	0.71	3.3274	0.0909	18.2	3.1	8.0	8.5	8.5	9.3	(0.75)	12.0	(0.68)
Thomas Inds.	0.80	0.63	3.7196	0.1016	13.5	11.9	10.4	9.4	8.1	10.3	(0.67)	7.0	(1.35)
Thornburg Mtg.	0.70	0.51	3.2909	0.0899	9.2	11.0	14.4	14.2	13.0	12.4	(0.51)	11.5	(0.75)
Toro Co.	0.90	0.77	3.1198	0.0852	14.3	14.8	17.4	18.5	26.0	18.2	(0.06)	27.0	1.32
UnitedHealth Group	0.60	0.39	3.6090	0.0986	19.1	23.5	30.5	35.8	24.1	26.8	0.58	30.5	1.79
Universal Corp.	0.70	0.49	2.9922	0.0815	23.7	21.4	18.1	18.3	13.5 E	19.0	-	12.0	(0.68)
Unocal Corp.	0.90	0.82	3.1318	0.0856	26.6	19.2	10.0	16.0	23.2	19.0	-	16.0	(0.15)
Valspar Corp.	0.90	0.81	3.3500	0.0915	19.8	7.9	16.3	12.9	14.3	14.2	(0.37)	13.5	(0.48)
Wal-Mart Stores	0.85	0.70	2.9916	0.0818	20.1	19.1	20.4	20.3	20.8	20.1	0.08	21.5	0.59
Walgreen Co.	0.75	0.62	3.4542	0.0944	17.9	16.7	16.3	16.1	16.5	16.7	(0.18)	17.5	0.05
Waste Management	0.90	0.84	3.5089	0.0959	15.6	13.6	15.2	13.2	13.7	14.3	(0.36)	19.5	0.32
Wendy's Int'l	0.70	0.50	3.6809	0.1006	16.1	18.8	15.1	13.4	14.2	15.5	(0.27)	15.0	(0.28)
West Pharmac. Svcs.	0.75	0.57	3.6573	0.0999	8.3	11.8	6.4	10.6	13.6	10.1	(0.68)	13.5	(0.48)
Zimmer Holdings	0.75	0.61	3.7142	0.1168	73.6	242.4	70.4	9.3	15.2	82.2	4.86	14.5	(0.35)
Average for the Non-Utility Group	0.78	0.64	3.3327	0.0912									
Average for the Proxy Group of Three Value Line (Standard Edition) Water Companies	0.75	0.57	3.3128 (10)	0.0905									
Mean										16.7%		16.5%	
Conclusion (6)											16.6% (6)		
Conservative Mean (7)										14.5%		13.9%	
Conservative Conclusion (8)											14.2% (8)		

See pages 5 and 6 for notes.

Water Service Corporation of Kentucky
Comparable Earnings Analysis

E = Estimated

Notes: (1) The criteria for selection of the proxy group of eighty-one non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on net worth, common equity or partners' capital for each of the five years ended 2004 or projected 2008 - 2010 as reported in Value Line Investment Survey (Standard Edition). The proxy group of eighty-one non-utility companies was selected based upon the proxy group of six AUS Utility Reports water companies' unadjusted beta range of 0.19 - 0.77 and standard error of the regression range of 3.0205 – 3.9379. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

(2) Ending 2004.

(3) 2008 - 2010.

(4) The Student's T-statistic associated with these returns exceeds 1.96 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper mean historical and projected returns as fully explained in Ms. Ahern's testimony.

(5) The standard deviation of group of six AUS Utility Reports water companies' standard error of the regression is 0.1529. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{/2N}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1529 = \frac{3.4792}{/518} = \frac{3.4792}{22.7596}$$

(6) Mid-point of the arithmetic mean of the historical five year average and five year projected rate of return on net worth.

(7) Arithmetic mean of historical five year rates of return and five year projected rates of return on net worth, common equity or partners' capital excluding those 20% and greater as well as those 8.3% or less, i.e., 200 basis points above the prospective yield of 6.3% on A rated Moody's public utility bonds (from page 1 of Schedule PMA-10.)

(8) Mid-point of the arithmetic mean of historical five year rates of return and five year projected rates of return on net worth, common equity or partners' capital excluding those 20% and greater as well as those 8.3% or less, i.e., 200 basis points above the prospective yield of 6.3% on A rated Moody's public utility bonds (from page 1 of Schedule PMA-10.)

(9) The criteria for selection of the proxy group of ninety non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on net worth, common equity or partners' capital for each of the five years ended 2004 or projected 2008 - 2010 as reported in Value Line Investment Survey (Standard Edition). The proxy group of ninety

Water Service Corporation of Kentucky
Comparable Earnings Analysis

non-utility companies was selected based upon the proxy group of three Value Line (Standard Edition) water companies' unadjusted beta range of 0.30 - 0.84 and standard error of the regression range of 2.8760– 3.7496. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

(10) The standard deviation of the proxy group of three Value Line (Standard Edition) water companies' standard error of the regression is 0.1456 (3.3128 / 22.7596).

Source of Information: Value Line, Inc., June 14, 2005
Value Line Investment Survey (Standard Edition)

WATER SERVICE CORPORATION OF KENTUCKY
ESTIMATED IMPACT OF PROPOSED RATES ON REVENUE

Revenues	Water	% Increase
Present	$ 1,371,669	
Proposed	$ 2,197,092	60.18%

WATER SERVICE CORPORATION OF KENTUCKY
Average Bill

		Rate	Average Usage	Average Bill	Percent Increase in Average Bill
Present:	5/8" meters - Middlesboro		4,350	$ 13.14	20.47%
	First 1,000 (minimum 1,000)	$ 5.60			
	Next 9,000	2.25			
	Next 15,000	2.05			
	Next 25,000	1.95			
	Next 50,000	1.75			
	Over 100,000	1.60			
Present:	1" meters - Middlesboro		17,573	$ 41.37	30.71%
	First 6,000 (minimum charge)	$ 16.85			
	Next 4,000	2.25			
	Next 15,000	2.05			
	Next 25,000	1.95			
	Next 50,000	1.75			
	Over 100,000	1.60			
Present:	1 1/2" meters - Middlesboro		47,432	$ 100.34	34.33%
	First 13,000 (minimum charge)	$ 32.00			
	Next 12,000	2.05			
	Next 25,000	1.95			
	Next 50,000	1.75			
	Over 100,000	1.60			
Present:	2" meters - Middlesboro		75,575	$ 150.11	43.21%
	First 21,400 (minimum charge)	$ 49.22			
	Next 3,600	2.05			
	Next 25,000	1.95			
	Next 50,000	1.75			
	Over 100,000	1.60			
Present:	3" meters - Middlesboro		218,986	$ 383.23	48.87%
	First 68,400 (minimum charge)	$ 137.55			
	Next 31,600	1.75			
	Over 100,000	1.60			
Present:	4" meters - Middlesboro		112,078	$ 236.85	70.11%
	First 127,500 gallons (minimum charge)	$ 236.85			
	Over 127,500 gallons	1.60			
Present:	6" meters - Middlesboro		13,124,458	$ 21,031.98	36.73%
	First 281,500 (minimum charge)	$ 483.25			
	Over 281,500	1.60			
Present:	16010 - Industrial city special w/ school tax and KY state sales tax - Middlesboro (flat rate)	$ 98.44	-	$ 98.44	25.00%
Present:	16037 - Commercial city sprinkler - Middlesboro (flat rate)	$ 15.00	-	$ 15.00	25.00%
Present:	16039 - Industrial city sprinkler - Middlesboro (flat rate)	$ 15.00	-	$ 15.00	25.00%
Present:	16040 - Commercial city special - Middlesboro (flat rate)	$ 30.00	-	$ 30.00	25.00%
Present:	16050 - Commercial county special - Middlesboro (flat rate)	$ 45.00	-	$ 45.00	25.00%
Present:	16055 - Commercial county special - Middlesboro (flat rate)	$ 315.00	-	$ 315.00	25.00%
Present:	16056 - Government city special - Middlesboro (flat rate)	$ 30.00	-	$ 30.00	25.00%
Present:	16058 - Government city special - Middlesboro (flat rate)	$ 105.00	-	$ 105.00	25.00%
Present:	16060 - Commercial city special - Middlesboro (flat rate)	$ 45.00	-	$ 45.00	25.00%
Present:	16070 - Commercial city special - Middlesboro (flat rate)	$ 60.00	-	$ 60.00	25.00%
Present:	16088 - Industrial city sprinkler - Middlesboro (flat rate)	$ 60.00	-	$ 60.00	25.00%
Present:	16089 - Industrial city special - Middlesboro (flat rate)	$ 75.00	-	$ 75.00	25.00%
Present:	16098 - Government city hydrant (per hydrant) - Middlesboro (flat rate)	$ 3.33	-	$ 3.33	25.00%

WATER SERVICE CORPORATION OF KENTUCKY
Average Bill

		Rate	Average Usage	Average Bill	Percent Increase in Average Bill
Present:	5/8" and 3/4" meters - Clinton		4,350	$ 21.74	-27.19%
	First 1,000 (minimum charge)	$ 7.50			
	Next 9,000	4.25			
	Next 15,000	3.90			
	Next 25,000	3.55			
	Next 50,000	3.15			
	Over 100,000	2.75			
Present:	1" meters - Clinton		17,573	$ 74.94	-27.83%
	First 5,300 (minimum charge)	$ 25.78			
	Next 3,700	4.25			
	Next 15,000	3.90			
	Next 25,000	3.55			
	Next 50,000	3.15			
	Over 100,000	2.75			
Present:	1 1/2" meters - Clinton		47,432	$ 183.88	-26.70%
	First 11,200 (minimum)	$ 50.43			
	Next 13,800	3.90			
	Next 25,000	3.55			
	Next 50,000	3.15			
	Over 100,000	2.75			
Present:	2" meters - Clinton		75,575	$ 273.56	-21.42%
	First 17,600 (minimum)	$ 75.39			
	Next 7,400	3.90			
	Next 25,000	3.55			
	Next 50,000	3.15			
	Over 100,000	2.75			
Present:	6" meters - Clinton		13,124,458	$ 36,167.76	-20.49%
	First 250,500 (minimum)	$ 764.38			
	Over 250,500	2.75			
Present:	16285 - Hydrant - private ($7.50/month) - Clinton (flat rate)	$ 7.50	-	$ 7.50	25.00%
Present:	16286 - 5/8" sprinkler - private ($15.00/month) - Clinton (flat rate)	$ 15.00	-	$ 15.00	25.00%
Present:	16299 - Hydrant - municipal ($3.3334/hydrant/month) - Clinton (flat rate)	$ 3.33	-	$ 3.33	25.00%

WATER SERVICE CORPORATION OF KENTUCKY
Average Bill

			Rate	Average Usage	Average Bill	Percent Increase in Average Bill
Proposed:	5/8" meters			4,350	$ 15.83	
		Base Charge:	$ 6.40			
		Gallonage:	2.17			
Proposed:	1" meters			17,573	$ 54.08	
		Base Charge:	$ 16.01			
		Gallonage:	2.17			
Proposed:	1 1/2" meters			47,432	$ 134.79	
		Base Charge:	$ 32.01			
		Gallonage:	2.17			
Proposed:	2" meters			75,575	$ 214.97	
		Base Charge:	$ 51.22			
		Gallonage:	2.17			
Proposed:	3" meters			218,986	$ 570.52	
		Base Charge:	96.04			
		Gallonage:	2.17			
Proposed:	4" meters			112,078	$ 402.91	
		Base Charge:	$ 160.07			
		Gallonage:	2.17			
Proposed:	6" meters			13,124,458	$ 28,756.70	
		Base Charge:	$ 320.15			
		Gallonage:	2.17			
Proposed:	16010 - Industrial city special w/ school tax and KY state sales tax - Middlesboro (flat rate)		$ 123.05	-	$ 123.05	
Proposed:	16037 - Commercial city sprinkler - Middlesboro (flat rate)		$ 18.75	-	$ 18.75	
Proposed:	16039 - Industrial city sprinkler - Middlesboro (flat rate)		$ 18.75	-	$ 18.75	
Proposed:	16040 - Commercial city special - Middlesboro (flat rate)		$ 37.50	-	$ 37.50	
Proposed:	16050 - Commercial county special - Middlesboro (flat rate)		$ 56.25	-	$ 56.25	
Proposed:	16055 - Commercial county special - Middlesboro (flat rate)		$ 393.75	-	$ 393.75	
Proposed:	16056 - Government city special - Middlesboro (flat rate)		$ 37.50	-	$ 37.50	
Proposed:	16058 - Government city special - Middlesboro (flat rate)		$ 131.25	-	$ 131.25	
Proposed:	16060 - Commercial city special - Middlesboro (flat rate)		$ 56.25	-	$ 56.25	
Proposed:	16070 - Commercial city special - Middlesboro (flat rate)		$ 75.00	-	$ 75.00	
Proposed:	16088 - Industrial city sprinkler - Middlesboro (flat rate)		$ 75.00	-	$ 75.00	
Proposed:	16089 - industrial city special - Middlesboro (flat rate)		$ 93.75	-	$ 93.75	
Proposed:	16098 - Government city hydrant (per hydrant) - Middlesboro (flat rate)		$ 4.16	-	$ 4.16	
Proposed:	16285 - Hydrant - private ($9.38/month) - Clinton (flat rate)		$ 9.38	-	$ 9.38	
Proposed:	16286 - 5/8" sprinkler - private ($18.75/month) - Clinton (flat rate)		$ 18.75	-	$ 18.75	
Proposed:	16299 - Hydrant - municipal ($4.17/hydrant/month) - Clinton (flat rate)		$ 4.17	-	$ 4.17	

WATER SERVICE CORPORATION OF KENTUCKY
Test Year/Present Revenues
December 31, 2004

Schedule D

MIDDLESBORO	Gallonage	Units	Revenue	Total Water Revenue	Revenue per T/B	Difference
16001 5/8" residential city w/ school tax	60,087,800	13,808	$ 183,028	$ 183,028	$ 183,942	$ (914)
16001 5/8" residential city w/ school tax	66,983,560	15,143	202,599	202,599	203,109	(510)
16001 5/8" residential city w/ school tax	52,197,600	12,339	159,728	159,728	160,283	(555)
01 5/8" residential city w/ school tax	42,786,200	10,447	131,926	131,926	133,324	(1,398)
11 5/8" commercial city w/ school tax and KY state sales tax	9,404,974	2,006	27,567	27,567	27,490	77
011 5/8" commercial city w/ school tax and KY state sales tax	6,446,200	972	17,645	17,645	18,067	(422)
16011 5/8" commercial city w/ school tax and KY state sales tax	5,913,000	1,051	16,694	16,694	16,737	(43)
16011 5/8" commercial city w/ school tax and KY state sales tax	5,324,400	1,549	17,333	17,333	17,577	(244)
16012 3/4" commercial city w/ school tax and KY state sales tax	42,800	12	137	137	133	4
16031 5/8" residential county w/ school tax	4,124,800	840	12,012	12,012	11,953	59
16031 5/8" residential county w/ school tax	1,623,400	257	4,471	4,471	4,581	(110)
16031 5/8" residential county w/ school tax	13,405,700	2,436	37,886	37,886	37,911	(25)
16031 5/8" residential county w/ school tax	17,380,400	4,194	53,484	53,484	54,258	(774)
16041 5/8" commercial county w/ school tax and KY state sales tax	2,200	12	72	72	69	3
16041 5/8" commercial county w/ school tax and KY state sales tax	85,400	264	1,633	1,633	1,633	(0)
16071 5/8" industrial city w/ school tax and KY state sales tax	246,400	58	760	760	768	(8)
16071 5/8" industrial city w/ school tax and KY state sales tax	1,257,200	12	2,396	2,396	2,431	(35)
16071 5/8" industrial city w/ school tax and KY state sales tax	72,000	12	202	202	202	(0)
16081 5/8" commercial city w/ school tax	803,600	192	2,521	2,521	2,500	21
16081 5/8" commercial city w/ school tax	667,600	120	1,897	1,897	1,908	(11)
16081 5/8" commercial city w/ school tax	78,800	72	496	496	482	14
16081 5/8" commercial city w/ school tax	208,800	89	820	820	806	14
16091 5/8" government city w/ school tax	48,000	30	236	236	250	(14)
16091 5/8" government city w/ school tax	78,200	24	260	260	261	(1)
16091 5/8" government city w/ school tax	277,600	70	892	892	926	(34)
16091 5/8" government city w/ school tax	1,865,200	36	3,503	3,503	3,560	(57)
	291,411,834	66,045	$ 880,198	$ 880,198	$ 885,160	$ (4,962)

Rates per 1,000 gallons (minimum 1,000):

First 1,000	$ 5.60
Next 9,000	2.25
Next 15,000	2.05
Next 25,000	1.95
Next 50,000	1.75
Over 100,000	1.60

16003 1" residential city w/ school tax	465,000	90	$ 1,675	$ 1,675	$ 1,656	$ 19
16003 1" residential city w/ school tax	1,111,800	96	2,979	2,979	2,992	(13)
16003 1" residential city w/ school tax	258,000	24	669	669	679	(10)
16013 1" commercial city w/ school tax and KY state sales tax	5,957,400	324	14,207	14,207	14,256	(49)
16013 1" commercial city w/ school tax and KY state sales tax	586,200	72	1,707	1,707	1,705	2
16013 1" commercial city w/ school tax and KY state sales tax	10,060,000	297	21,639	21,639	22,203	(564)
16013 1" commercial city w/ school tax and KY state sales tax	300,000	26	751	751	700	51
16033 1" residential county w/ school tax	74,200	12	223	223	223	0
16043 1" commercial county w/ school tax and KY state sales tax	125,400	12	319	319	308	11
16073 1" industrial city w/ school tax and KY state sales tax	60,300	12	205	205	203	2
16082 1" commercial city w/ school tax	564,400	36	1,518	1,518	1,479	39
16082 1" commercial city w/ school tax	116,200	12	308	308	324	(16)
16082 1" commercial city w/ school tax	25,200	12	204	204	202	2
16082 1" commercial city w/ school tax	10,000	12	204	204	202	2
16092 1" government city w/ school tax	219,800	38	830	830	845	(15)
	19,933,900	1,075	$ 47,438	$ 47,438	$ 47,979	$ (541)

Rates per 1,000 gallons (minimum 6,000):

First 6,000	$ 16.85
Next 4,000	2.25
Next 15,000	2.05
Next 25,000	1.95
Next 50,000	1.75
Over 100,000	1.60

16015 1 1/2" commercial city w/ school tax and KY state sales tax	2,154,200	62	$ 4,969	$ 4,969	$ 4,965	$ 4
16015 1 1/2" commercial city w/ school tax and KY state sales tax	556,400	33	1,680	1,680	1,681	$ (1)
16015 1 1/2" commercial city w/ school tax and KY state sales tax	3,139,200	55	6,308	6,308	6,505	$ (197)
16015 1 1/2" commercial city w/ school tax and KY state sales tax	1,982,600	45	4,500	4,500	4,623	$ (123)
16045 1 1/2" commercial county w/ school tax and KY state sales tax	51,600	12	384	384	384	-
16075 1 1/2" industrial city w/ school tax and KY state sales tax	412,600	12	966	966	920	$ 46
16075 1 1/2" industrial city w/ school tax and KY state sales tax	497,800	12	1,044	1,044	1,036	$ 8
16093 1 1/2" government city w/ school tax	3,371,400	24	6,054	6,054	6,228	$ (174)
16093 1 1/2" government city w/ school tax	1,913,400	23	3,673	3,673	3,641	$ 32
16093 1 1/2" government city w/ school tax	17,000	12	384	384	384	$ -
	14,096,200	290	$ 29,962	$ 29,962	$ 30,367	$ (405)

Rates per 1,000 gallons (minimum 13,000):

First 13,000	$ 32.00
Next12,000	2.05
Next 25,000	1.95
Next 50,000	1.75
Over 100,000	1.60

16016 2" commercial city w/ school tax and KY state sales tax	3,827,200	72	$ 8,625	$ 8,625	$ 8,574	$ 51
16016 2" commercial city w/ school tax and KY state sales tax	3,051,400	32	5,833	5,833	5,967	(134)
16016 2" commercial city w/ school tax and KY state sales tax	7,522,200	108	15,279	15,279	15,402	(123)
16016 2" commercial city w/ school tax and KY state sales tax	4,101,200	60	8,161	8,161	7,871	290
16076 2" industrial city w/ school tax and KY state sales tax	319,200	24	1,184	1,184	1,187	(3)
16076 2" industrial city w/ school tax and KY state sales tax	510,200	12	1,086	1,086	1,089	(3)
16083 2" commercial city w/ school tax	156,400	12	588	588	591	(3)
16083 2" commercial city w/ school tax	9,307,200	36	15,924	15,924	15,881	43
16094 2" government city w/ school tax	2,594,600	60	6,083	6,083	6,155	(72)
16094 2" government city w/ school tax	2,104,010	36	1,781	1,781	1,778	3
16094 2" government city w/ school tax	3,762,200	36	7,252	7,252	7,200	52
16094 2" government city w/ school tax	2,645,200	51	5,797	5,797	5,820	(23)
	39,901,010	539	$ 77,593	$ 77,593	$ 77,516	$ 77

Rates per 1,000 gallons (minimum 21,400):

First 21,400	$ 49.22
Next 3,600	2.05
Next 25,000	1.95
Next 50,000	1.75
Over 100,000	1.60

16017 3" commercial city w/ school tax and KY state sales tax			135,800	12	$	1,656	$	1,656	$	1,651	$	5
16017 3" commercial city w/ school tax and KY state sales tax			3,800,200	24		7,158		7,158		7,231		(73)
16077 3" industrial city w/ school tax and KY state sales tax			13,977,600	12		22,759		22,759		22,706		53
16090 3" commercial Pineville with school tax			112,400	1		225		225		225		0
16095 3" government city w/ school tax			1,303,600	12		2,666		2,666		2,664		2
16095 3" government city w/ school tax			4,430,400	48		11,586		11,586		11,356		230
			23,760,000	109	$	46,050	$	46,050	$	45,833	$	217
Rates per 1,000 gallons (minimum 68,400):												
First 68,400	$	137.55										
Next 31,600		1.75										
Over 100,000		1.60										
1 4" commercial city w/ school tax and KY state sales tax			1,589,400	12	$	3,211	$	3,211	$	3,211	$	0
78 4" industrial city w/ school tax and KY state sales tax			2,231,000	12		4,023		4,023		4,084		(61)
16096 4" government city w/ school tax			214,400	12		2,844		2,844		2,842		2
			4,034,800	36	$	10,078	$	10,078	$	10,137	$	(59)
Rates per 1,000 gallons (minimum 127,500):												
First 127,500	$	236.85										
Over 127,500		1.60										
16019 6" commercial city w/ school tax and KY state sales tax			1,674,800	12	$	5,796	$	5,796	$	5,799	$	(3)
16079 6" industrial city w/ school tax and KY state sales tax			313,312,200	12		56,265		56,265		50,712		5,553
			314,987,000	24	$	62,061	$	62,061	$	56,511	$	5,550
Rates per 1,000 gallons (minimum 281,500):												
First 281,500	$	483.25										
Over 281,500		1.60										
16010 Industrial city special w/ school tax and KY state sales tax	$	98.44		12	$	1,176	$	1,176	$	1,181	$	(5)
16037 Commercial city sprinkler	$	15.00	-	108	$	1,620	$	1,620	$	1,620	$	-
16037 Commercial city sprinkler	$	15.00	-	24	$	360	$	360	$	360	$	-
16037 Commercial city sprinkler	$	15.00	-	96	$	1,440	$	1,440	$	1,440	$	-
16037 Commercial city sprinkler	$	15.00	-	36	$	540	$	540	$	540	$	-
16039 Industrial city sprinkler	$	15.00	-	24	$	360	$	360	$	360	$	-
16039 Industrial city sprinkler	$	15.00	-	12	$	180.00	$	180.00	$	180.00	$	-
16040 Commercial city special	$	30.00	-	24	$	720.00	$	720.00	$	720.00	$	-
16040 Commercial city special	$	30.00	-	12	$	360.00	$	360.00	$	360.00	$	-
16050 Commercial county special	$	45.00	-	12	$	540.00	$	540.00	$	540.00	$	-
16055 Commercial county special	$	315.00	-	12	$	3,780.00	$	3,780.00	$	3,780.00	$	-
16056 Government city special	$	30.00	-	12	$	360	$	360	$	360	$	-
16056 Government city special	$	30.00	-	12	$	360	$	360	$	360	$	-
16058 Government city special	$	105.00	-	12	$	1,260	$	1,260	$	1,260	$	-
16060 Commercial city special	$	45.00	-	12	$	540.00	$	540.00	$	540.00	$	-
16070 Commercial city special	$	60.00	-	12	$	720.00	$	720.00	$	720.00	$	-
088 Industrial city special	$	60.00	-	12	$	720.00	$	720.00	$	720.00	$	-
9 Industrial city special	$	75.00	-	12	$	900.00	$	900.00	$	900.00	$	-
16098 Government city hydrant	$	3.33	-	12	$	10,959	$	10,959	$	10,969	$	(10)

CLINTON

16204 5/8" commercial w/ school tax and KY state sales tax		208,500	41	$ 1,010	$ 1,010	$ 1,068	$ (58)
16205 5/8" residential w/ school tax		953,600	252	5,022.00	5,022.00	4,995.00	27
16206 5/8" public authority w/ school tax		22,400	24	203.00	203.00	202.13	1
16214 3/4" commercial w/ school tax and KY state sales tax		1,505,390	572	8,913.00	8,913.00	8,265.12	648
16234 3/4" commercial out of city w/ school tax and KY state sales tax		478,800	60	2,111.00	2,111.00	2,210.30	(99)
16235 3/4" residential w/ school tax		21,722,826	5,701	112,235.00	112,235.00	112,167.15	68
16236 3/4" public authority out of city w/ school tax		5,000	12	96.00	96.00	90.00	6
16242 3/4" commercial w/ school tax		354,500	146	2,190.00	2,190.00	2,061.89	128
16246 3/4" public authority w/ school tax		345,500	83	1,713.00	1,713.00	1,363.69	349
16263 3/4" residential w/ school tax and KY state sales tax		198,900	39	964.00	964.00	886.51	77
3/4" residential out of city w/ school tax		2,345,000	491	11,561.00	11,561.00	11,523.73	37
3/4" multi commercial w/ school tax		20,500	12	124.00	124.00	126.15	(2)
5/8" multi commercial w/ school tax and KY state sales tax		-	-	-	-	-	-
3/4" multi commercial w/ school and KY state sales tax		285,900	60	1,455.00	1,455.00	1,340.80	114
		28,446,816	7,493	$ 147,597	$ 147,597	$ 146,301	$ 1,296
Rates per 1,000 gallons (minimum 1,000):							
First 1,000	$ 7.50						
Next 9,000	4.25						
Next 15,000	3.90						
Next 25,000	3.55						
Next 50,000	3.15						
Over 100,000	2.75						
16208 1" public authority w/ school tax		324,200	25	$ 1,580	$ 1,580	$ 1,579	$ 1
16230 1" commercial out of city w/ school tax and KY state sales tax		172,200	12	759	759	750	9
16244 1" commercial w/ school tax and KY state sales tax		76,600	44	1,149	1,149	1,506	(357)
16247 1" multi residential w/ school tax and KY state sales tax		1,283,100	84	5,548	5,548	5,522	26
		1,856,100	165	$ 9,036	$ 9,036	$ 9,357	$ (321)
Rates per 1,000 gallons (minimum 5,300):							
First 5,300	$ 25.78						
Next 3,700	4.25						
Next 15,000	3.90						
Next 25,000	3.55						
Next 50,000	3.15						
Over 100,000	2.75						
16238 1 1/2" public authority w/ school tax		1,246,000	24	$ 4,810	$ 4,810	$ 4,735	$ 75
16252 1 1/2" industrial city w/ school tax and KY state sales tax		-	-	-	-	-	-
16254 1 1/2" commercial w/ school tax and KY state sales tax		120,700	12	733	733	764	(31)
		1,366,700	36	$ 5,543	$ 5,543	$ 5,499	$ 44
Rates per 1,000 gallons (minimum 11,200):							
First 11,200	$ 50.43						
Next 13,800	3.90						
Next 25,000	3.55						
Next 50,000	3.15						
Over 100,000	2.75						
16248 2" public authority w/ school tax		4,518,200	48	$ 15,795	$ 15,795	$ 15,810	$ (15)
16257 2" multi residential w/ school tax and KY state sales tax		338,200	12	1,375	1,375	1,293	82
16262 2" industrial w/ school tax and KY state sales tax		-	1	-	-	75	(75)
16264 2" commercial w/ school tax and KY state sales tax		2,401,200	24	8,712	8,712	7,608	1,104
		7,257,600	85	$ 25,882	$ 25,882	$ 24,786	$ 1,096
Rates per 1,000 gallons (minimum 17,600):							
First 17,600	$ 75.39						
Next 7,400	3.90						
Next 25,000	3.55						
Next 50,000	3.15						
Over 100,000	2.75						
6" commercial w/ school tax and KY state sales tax		-	-	$ -	$ -	$ -	$ -
		-	-	$ -	$ -	$ -	$ -
Rates per 1,000 gallons (minimum 250,500)	$ 764.38						
Over 250,500	2.75						
16285 Hydrant - private	$ 7.50	-	12	$ 96	$ 96	$ 90	$ 6
16286 5/8" sprinkler - private	$ 15.00	-	72	$ 1,080	$ 1,080	$ 1,080	$ -
16299 Hydrant - municipal	$ 3.33	-	12	$ 2,160	$ 2,160	$ 2,160	$ -
Total Water Service Corporation of Kentucky Present Revenues		747,051,960	76,461	$ 1,371,669	$ 1,371,669	$ 1,369,686	$ 1,983
							0.14%

WATER SERVICE CORPORATION OF KENTUCKY
Proposed Revenues
December 31, 2004

Schedule E

MIDDLESBORO

	Gallonage	Usage Charge	Units	BFC	Revenues
16001 5/8" residential city w/ school tax	60,087,800	$ 2.17	13,808	$ 6.40	$ 218,603
16001 5/8" residential city w/ school tax	66,983,560	2.17	15,143	6.40	242,092
16001 5/8" residential city w/ school tax	52,197,600	2.17	12,339	6.40	192,102
16001 5/8" residential city w/ school tax	42,786,200	2.17	10,447	6.40	159,596
16011 5/8" commercial city w/ school tax and KY state sales tax	9,404,974	2.17	2,006	6.40	33,222
16011 5/8" commercial city w/ school tax and KY state sales tax	6,446,200	2.17	972	6.40	20,191
16011 5/8" commercial city w/ school tax and KY state sales tax	5,913,000	2.17	1,051	6.40	19,541
16011 5/8" commercial city w/ school tax and KY state sales tax	5,324,400	2.17	1,549	6.40	21,454
16012 3/4" commercial city w/ school tax and KY state sales tax	42,800	2.17	12	6.40	170
16031 5/8" residential county w/ school tax	4,124,800	2.17	840	6.40	14,316
16031 5/8" residential county w/ school tax	1,623,400	2.17	257	6.40	5,163
16031 5/8" residential county w/ school tax	13,405,700	2.17	2,436	6.40	44,643
16031 5/8" residential county w/ school tax	17,380,400	2.17	4,194	6.40	64,512
16041 5/8" commercial county w/ school tax and KY state sales tax	2,200	2.17	12	6.40	82
16041 5/8" commercial county w/ school tax and KY state sales tax	85,400	2.17	264	6.40	1,875
16071 5/8" industrial city w/ school tax and KY state sales tax	246,400	2.17	58	6.40	905
16071 5/8" industrial city w/ school tax and KY state sales tax	1,257,200	2.17	12	6.40	2,801
16071 5/8" industrial city w/ school tax and KY state sales tax	72,000	2.17	12	6.40	233
16081 5/8" commercial city w/ school tax	803,600	2.17	192	6.40	2,971
16081 5/8" commercial city w/ school tax	667,600	2.17	120	6.40	2,215
16081 5/8" commercial city w/ school tax	78,800	2.17	72	6.40	632
16081 5/8" commercial city w/ school tax	208,800	2.17	89	6.40	1,022
16091 5/8" government city w/ school tax	48,000	2.17	30	6.40	296
16091 5/8" government city w/ school tax	78,200	2.17	24	6.40	323
16091 5/8" government city w/ school tax	277,600	2.17	70	6.40	1,050
16091 5/8" government city w/ school tax	1,865,200	2.17	36	6.40	4,272
	291,411,834		66,045		$ 1,054,279
16003 1" residential city w/ school tax	465,000	$ 2.17	90	$ 16.01	$ 2,448
16003 1" residential city w/ school tax	1,111,800	2.17	96	16.01	3,946
16003 1" residential city w/ school tax	258,000	2.17	24	16.01	943
16013 1" commercial city w/ school tax and KY state sales tax	5,957,400	2.17	324	16.01	18,094
16013 1" commercial city w/ school tax and KY state sales tax	586,200	2.17	72	16.01	2,423
16013 1" commercial city w/ school tax and KY state sales tax	10,060,000	2.17	297	16.01	26,551
16013 1" commercial city w/ school tax and KY state sales tax	300,000	2.17	26	16.01	1,066
16033 1" residential county w/ school tax	74,200	2.17	12	16.01	353
16043 1" commercial county w/ school tax and KY state sales tax	125,400	2.17	12	16.01	464
16073 1" industrial city w/ school tax and KY state sales tax	60,300	2.17	12	16.01	323
16082 1" commercial city w/ school tax	564,400	2.17	36	16.01	1,799
16082 1" commercial city w/ school tax	116,200	2.17	12	16.01	444
16082 1" commercial city w/ school tax	25,200	2.17	12	16.01	247
16082 1" commercial city w/ school tax	10,000	2.17	12	16.01	214
16092 1" government city w/ school tax	219,800	2.17	38	16.01	1,085
	19,933,900		1,075		$ 60,398
16015 1 1/2" commercial city w/ school tax and KY state sales tax	2,154,200	$ 2.17	62	$ 32.01	$ 6,652
16015 1 1/2" commercial city w/ school tax and KY state sales tax	556,400	2.17	33	32.01	2,262
16015 1 1/2" commercial city w/ school tax and KY state sales tax	3,139,200	2.17	55	32.01	8,562
16015 1 1/2" commercial city w/ school tax and KY state sales tax	1,982,600	2.17	45	32.01	5,736
16045 1 1/2" commercial county w/ school tax and KY state sales tax	51,600	2.17	12	32.01	496
16075 1 1/2" industrial city w/ school tax and KY state sales tax	412,600	2.17	12	32.01	1,278
16075 1 1/2" industrial city w/ school tax and KY state sales tax	497,800	2.17	12	32.01	1,463
16093 1 1/2" government city w/ school tax	3,371,400	2.17	24	32.01	8,073
16093 1 1/2" government city w/ school tax	1,913,400	2.17	23	32.01	4,882
16093 1 1/2" government city w/ school tax	17,000	2.17	12	32.01	421
	14,096,200		290		$ 39,826
16016 2" commercial city w/ school tax and KY state sales tax	3,827,200	$ 2.17	72	$ 51.22	$ 11,980
16016 2" commercial city w/ school tax and KY state sales tax	3,051,400	2.17	32	51.22	8,251
16016 2" commercial city w/ school tax and KY state sales tax	7,522,200	2.17	108	51.22	21,830
16016 2" commercial city w/ school tax and KY state sales tax	4,101,200	2.17	60	51.22	11,959
16076 2" industrial city w/ school tax and KY state sales tax	319,200	2.17	24	51.22	1,921
16076 2" industrial city w/ school tax and KY state sales tax	510,200	2.17	12	51.22	1,720
16083 2" commercial city w/ school tax	156,400	2.17	12	51.22	954
16083 2" commercial city w/ school tax	9,307,200	2.17	36	51.22	22,010
16094 2" government city w/ school tax	2,594,600	2.17	60	51.22	8,695
16094 2" government city w/ school tax	2,104,010	2.17	36	51.22	6,403
16094 2" government city w/ school tax	3,762,200	2.17	36	51.22	9,996
16094 2" government city w/ school tax	2,645,200	2.17	51	51.22	8,344
	39,901,010		539		$ 114,062
16017 3" commercial city w/ school tax and KY state sales tax	135,800	$ 2.17	12	$ 96.04	$ 1,447
16017 3" commercial city w/ school tax and KY state sales tax	3,800,200	2.17	24	96.04	10,539
16077 3" industrial city w/ school tax and KY state sales tax	13,977,600	2.17	12	96.04	31,438
16096 3" commercial Pineville with school tax	112,400	2.17	1	96.04	292
16095 3" government city w/ school tax	1,303,600	2.17	12	96.04	3,977
16095 3" government city w/ school tax	4,430,400	2.17	48	96.04	14,209
	23,760,000		109		$ 61,901
16018 4" commercial city w/ school tax and KY state sales tax	1,589,400	$ 2.17	12	$ 160.07	$ 5,365
16078 4" industrial city w/ school tax and KY state sales tax	2,231,000	2.17	12	160.07	6,755
16096 4" government city w/ school tax	214,400	2.17	12	160.07	2,385
	4,034,800		36		$ 14,505
16019 6" commercial city w/ school tax and KY state sales tax	1,674,800	$ 2.17	12	$ 320.15	$ 7,471
16079 6" industrial city w/ school tax and KY state sales tax	313,312,200	2.17	12	320.15	682,690
	314,987,000		24		$ 690,161
16010 Industrial city special w/ school tax and KY state sales tax	$ 123.05	-	12		$ 1,477
16037 Commercial city sprinkler	$ 18.75	-	108		$ 2,025
16037 Commercial city sprinkler	$ 18.75	-	24		$ 450
16037 Commercial city sprinkler	$ 18.75	-	96		$ 1,800
16037 Commercial city sprinkler	$ 18.75	-	36		$ 675
16039 Industrial city sprinkler	$ 18.75	-	24		$ 450
16039 Industrial city sprinkler	$ 18.75	-	12		$ 225
16040 Commercial city special	$ 37.50	-	24		$ 900
Commercial city special	$ 37.50	-	12		$ 450
50 Commercial county special	$ 56.25	-	12		$ 675
16055 Commercial county special	$ 393.75	-	12		$ 4,725
16056 Government city special	$ 37.50	-	12		$ 450
16056 Government city special	$ 37.50		12		$ 450
16058 Government city special	$ 131.25	-	12		$ 1,575

16060 Commercial city special	$	56.25	-	12	$ 675
16070 Commercial city special	$	75.00	-	12	$ 900
16088 Industrial city special	$	75.00	-	12	$ 900
16089 Industrial city special	$	93.75	-	12	$ 1,125
16098 Government city hydrant	$	4.16	-	12	$ 50

CLINTON

		Gallonage	Usage Charge	Units	BFC	Revenues
16204 5/8" commercial w/ school tax and KY state sales tax		208,500	$ 2.17	41	$ 6.40	$ 714
16205 5/8" residential w/ school tax		953,600	2.17	252	6.40	3,676
16206 5/8" public authority w/ school tax		22,400	2.17	24	6.40	202
16214 3/4" commercial w/ school tax and KY state sales tax		1,505,390	2.17	572	6.40	6,923
16234 3/4" commercial out of city w/ school tax and KY state sales tax		478,800	2.17	60	6.40	1,423
16235 3/4" residential w/ school tax		21,722,826	2.17	5,701	6.40	83,569
16236 3/4" public authority out of city w/ school tax		5,000	2.17	12	6.40	88
16242 3/4" commercial w/ school tax		354,500	2.17	146	6.40	1,705
16246 3/4" public authority w/ school tax		345,500	2.17	83	6.40	1,282
16263 3/4" residential w/ school tax and KY state sales tax		198,900	2.17	39	6.40	682
3/4" residential out of city w/ school tax		2,345,000	2.17	491	6.40	8,226
3/4" multi commercial w/ school tax		20,500	2.17	12	6.40	121
5/8" multi commercial w/ school tax and KY state sales tax		-	2.17	-	6.40	-
3/4" multi commercial w/ school and KY state sales tax		285,900	2.17	60	6.40	1,004
		28,446,816		7,493		$ 109,615
16208 1" public authority w/ school tax		324,200	$ 2.17	25	$ 16.01	$ 1,107
16230 1" commercial out of city w/ school tax and KY state sales tax		172,200	2.17	12	16.01	565
16244 1" commercial w/ school tax and KY state sales tax		76,600	2.17	44	16.01	866
16247 1" multi residential w/ school tax and KY state sales tax		1,283,100	2.17	84	16.01	4,125
		1,856,100		165		$ 6,663
16238 1 1/2" public authority w/ school tax		1,246,000	$ 2.17	24	$ 32.01	$ 3,468
16252 1 1/2" industrial city w/ school tax and KY state sales tax		-	$ 2.17	-	$ 6.40	-
16254 1 1/2" commercial w/ school tax and KY state sales tax		120,700	2.17	12	32.01	646
		1,366,700		36		$ 4,114
16248 2" public authority w/ school tax		4,518,200	$ 2.17	48	$ 51.22	$ 12,248
16257 2" multi residential w/ school tax and KY state sales tax		338,200	2.17	12	51.22	1,347
16262 2" industrial w/ school tax and KY state sales tax		-	2.17	1	51.22	51
16264 2" commercial w/ school tax and KY state sales tax		2,401,200	2.17	24	51.22	6,432
		7,257,600		85		$ 20,079
16280 6" commercial w/ school tax and KY state sales tax		-	$ 2.17	-	$ 320.15	$ -
		-		-		$ -
16285 Hydrant - private	$ 9.38	-		12		$ 113
16286 5/8" sprinkler - private	$ 18.75	-		72		$ 1,350
16299 Hydrant - municipal	$ 4.17	-		12		$ 50
Total Water Service Corporation of Kentucky Proposed Revenues		747,051,960		76,461		$ 2,197,092

WATER SERVICE CORPORATION OF KENTUCKY
Rate Base and Rate of Return
December 31, 2004

	Per Restatement		Pro Forma Adjustments		As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	$ 124,437		(154,653)		$ (30,216)	504,704	$ 474,489
Gross Plant In Service	$ 6,994,408	[a]	175,388	[f]	7,169,796	-	$ 7,169,796
Accumulated Depreciation	(2,581,408)	[b]	533,896	[e]	(2,047,512)	-	(2,047,512)
Net Plant In Service	4,413,000		709,284		5,122,284	-	5,122,284
Cash Working Capital	148,617		19,007	[c]	167,624	-	167,624
Contributions In Aid of Construction	(58,029)	[b]	-		(58,029)	-	(58,029)
Advances in Aid of Construction	(92,599)	[b]	-		(92,599)	-	(92,599)
Accumulated Deferred Income Taxes	(358,146)		-		(358,146)	-	(358,146)
Customer Deposits	(114,589)		-	[f]	(114,589)	-	(114,589)
Capitalized Time	-		64,299	[g]	64,299	-	64,299
Reduction for Transportation Equipment	-		(4,522)	[h]	(4,522)	-	(4,522)
Water Service Corporation	43,029		-		43,029	-	43,029
Pro Forma Plant	-		995,597	[d]	995,597	-	995,597
Pro Forma Plant Retirements	-		(559,367)	[d]	(559,367)	-	(559,367)
Total Rate Base	$ 3,981,283		$ 1,224,299		$ 5,205,581	$ -	$ 5,205,581
Return on Rate Base	3.13%				-0.58%		9.12%

[a] Gross plant in service has been restated to account for an asset that was not booked at the time of acquisition.

[b] Accumulated depreciation, CIAC, and AIAC have been restated to reflect a 2% depreciation rate from the time the assets or liabilities were put in service.

[c] Working capital is calculated based on pro forma maintenance expenses, pro forma general expenses, and taxes other than income.

[d] Pro forma plant is adjusted for net planned additional capital investments that will be completed by the hearing date and is only an estimate. The Company will only be requesting rate base treatment on actual capital expenditures through the hearing date.

[e] Accumulated depreciation is adjusted for planned additional capital investments [d], invoiced and estimated additions to gross plant in service [f], and completed and estimated additions to capitalized time [g].

[f] January 2005 through July 2005 actual invoiced general ledger additions, plus estimated invoiced general ledger additions through the hearing date. This is only an estimate. The Company will only be requesting rate base treatment on actual capital expenditures through the hearing date.

[g] January 2005 through July 2005 actual capitalized time additions, plus estimated capitalized time additions through the hearing date. This is only an estimate. The Company will only be requesting rate base treatment on actual capital expenditures through the hearing date.

[h] Transportation equipment has been reduced due to operator time for Clinton sewer operations.

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
01		A-1L01.BALSHT	S	BALANCE SHEET	ACTIVE
02		A-101.1	S	WTR UTILITY PLANT IN SERVICE	ACTIVE
	03	A-3011000	D	WATER PLANT	ACTIVE
	03	A-3011001	D	ORGANIZATION	ACTIVE
	03	A-3021002	D	FRANCHISES	ACTIVE
	03	A-3033020	D	LAND & LAND RIGHTS (PUMP PLT)	ACTIVE
	03	A-3034030	D	L & L RIGHTS (WATER TREAT)	ACTIVE
	03	A-3035040	D	L & L RIGHTS(TRANS&DIST)	ACTIVE
	03	A-3036010	D	LAND & LAND RIGHTS	ACTIVE
	03	A-3036050	D	WATER RIGHTS	ACTIVE
	03	A-3036089	D	L & L RIGHTS (GEN PLT)	ACTIVE
	03	A-3042011	D	STRUCT & IMPRV (SOURCE SUP)	ACTIVE
	03	A-3043021	D	STRUCT & IMPRV (PUMP PLT)	ACTIVE
	03	A-3044031	D	STRUCT & IMPRV (WATER T P)	ACTIVE
	03	A-3052012	D	COLLECTING RESERVOIRS	ACTIVE
	03	A-3072014	D	WELLS & SPRINGS	ACTIVE
	03	A-3113025	D	ELECTRIC PUMP EQUIP	ACTIVE
	03	A-3113026	D	ELECTRIC PUMP EQPT SM-NC ONLY	ACTIVE
	03	A-3204032	D	WATER TREATMENT EQPT	ACTIVE
	03	A-3305042	D	DIST RESV & STNDPIPES	ACTIVE
	03	A-3315043	D	TRANS & DISTR MAINS	ACTIVE
	03	A-3315044	D	GALV MAINS - CNC ONLY	ACTIVE
	03	A-3335045	D	SERVICE LINES	ACTIVE
	03	A-3345046	D	METERS	ACTIVE
	03	A-3345047	D	METER INSTALLATIONS	ACTIVE
	03	A-3355048	D	HYDRANTS	ACTIVE
	03	A-3391088	D	UNIFORMS	ACTIVE
	03	A-3406090	D	OFF STRUCT & IMPRV	ACTIVE
	03	A-3406091	D	OFF FURN & EQPT	ACTIVE
	03	A-3446080	D	LAB FACILITIES-MOREHEAD CITY	ACTIVE
	03	A-3446095	D	LABORATORY EQPT	ACTIVE
	03	A-3466093	D	TELEPHONES	ACTIVE
	03	A-3466094	D	TOOLS SHOP & MISC EQPT	ACTIVE
	03	A-3466097	D	COMMUNICATION EQPT	ACTIVE
	03	A-3486096	D	UNDISTR WATER PLANT	ACTIVE
	03	A-3486098	D	OTHER ASSETS	ACTIVE
02		A-101.2	S	SWR UTILITY PLANT IN SERVICE	ACTIVE
	03	A-3511000	D	SEWER PLANT	ACTIVE
	03	A-3511001	D	ORGANIZATION	ACTIVE
	03	A-3521020	D	FRANCHISES	ACTIVE
	03	A-3537002	D	L & L RIGHTS	ACTIVE
	03	A-3542011	D	LIFT STATION	ACTIVE
	03	A-3547003	D	BLDGS & STRUCTS	ACTIVE
	03	A-3547012	D	SPRAY IRRIG FACILITIES	ACTIVE
	03	A-3547021	D	PLANT SEWER-SPECIAL	ACTIVE
	03	A-3547050	D	SEWER PLANT ALLOCATED	ACTIVE
	03	A-3547051	D	SEWER PLANT ALLOCATED	ACTIVE
	03	A-3547096	D	UNDISTR SEWER PLANT	ACTIVE
	03	A-3602006	D	SEWAGE SERVICE LINES	ACTIVE
	03	A-3602007	D	FORCE OR VACUUM MAINS	ACTIVE
	03	A-3612008	D	SEWER MAINS	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
	03----------	A-3612010	D	MANHOLES	ACTIVE
	03----------	A-3804004	D	SEWER LAGOONS	ACTIVE
	03----------	A-3804005	D	SEWAGE TRTMT PLANT	ACTIVE
	03----------	A-3824009	D	OUTFALL LINES	ACTIVE
	03----------	A-3907090	D	OFF STRUCT & IMPRV	ACTIVE
	03----------	A-3907091	D	OFF FURN & EQPT	ACTIVE
	03----------	A-3937094	D	TOOLS SHOP & MISC EQPT	ACTIVE
	03----------	A-3947095	D	LABORATORY EQPT	ACTIVE
	03----------	A-3967097	D	COMMUNICATION EQPT	ACTIVE
02----------		A-101.3	S	TRANSPORTATION EQPT	ACTIVE
	03----------	A-3917000	D	TRANSPORTATION EQPT	ACTIVE
	03----------	A-3917050	D	TRANSPORT EQPT ALLOCATED	ACTIVE
	03----------	A-3917051	D	TRANSPORT ALLOCATED	ACTIVE
02----------		A-101.4	S	COMPUTERS	ACTIVE
	03----------	A-3406000	D	COMPUTERS	ACTIVE
	03----------	A-3406010	D	MAINFRAME COMPUTER	ACTIVE
	03----------	A-3406020	D	MINI COMPUTERS	ACTIVE
	03----------	A-3406050	D	COMPUTER ALLOCATED	ACTIVE
	03----------	A-3406051	D	COMPUTER ALLOCATED	ACTIVE
	03----------	A-3406100	D	COMP SYS COST-BEING AMORT	ACTIVE
	03----------	A-3406110	D	COMP SYS COST	ACTIVE
	03----------	A-3406120	D	MICRO SYS COST	ACTIVE
02----------		A-101.5	S	OTHER PLANT	ACTIVE
	03----------	A-3486000	D	OTHER PLANT	ACTIVE
	03----------	A-3486050	D	WATER PLANT ALLOCATED	ACTIVE
02----------		A-101.6	S	REUSE PLANT	ACTIVE
	03----------	A-3662006	D	REUSE SERVICES	ACTIVE
	03----------	A-3675046	D	REUSE MTR/INSTALLATIONS	ACTIVE
	03----------	A-3745042	D	REUSE DIST RESERVOIRS	ACTIVE
	03----------	A-3752008	D	REUSE TRANMISSION & DIST SYS	ACTIVE
02----------		A-103.1	S	PLANT HELD FOR FUTURE USE	ACTIVE
	03----------	A-1032000	D	PLT HELD FUTURE USE-WTR	ACTIVE
	03----------	A-1032010	D	PLT HELD FUTURE USE-SWR-15YR	ACTIVE
	03----------	A-1032020	D	PLT HELD FUTURE USE-SWR-20 YR	ACTIVE
02----------		A-104.1	S	ESCROW DEPOSIT	ACTIVE
	03----------	A-1041000	D	UTIL PLANT ACQUIRED/DISPOSED	ACTIVE
02----------		A-105.1	S	WORK IN PROGRESS	ACTIVE
	03----------	A-1051000	D	UTILITY PLANT NOT IN SERVICE	INACTIVE
	03----------	A-1051001	D	WATER PLANT WORK IN PROCESS	INACTIVE
	03----------	A-1051002	D	WORK IN PROCESS - PROJ #02	INACTIVE
	03----------	A-1051003	D	WORK IN PROCESS - PROJ #03	INACTIVE
	03----------	A-1051004	D	WORK IN PROCESS - PROJ #04	INACTIVE
	03----------	A-1051005	D	WORK IN PROCESS - PROJ #05	INACTIVE
	03----------	A-1051006	D	WORK IN PROCESS - PROJ #06	INACTIVE
	03----------	A-1051007	D	WORK IN PROCESS - PROJ #07	INACTIVE
	03----------	A-1051008	D	WORK IN PROCESS - PROJ #08	INACTIVE
	03----------	A-1051009	D	WORK IN PROCESS - PROJ #09	INACTIVE
	03----------	A-1051010	D	WORK IN PROCESS - PROJ #10	INACTIVE
	03----------	A-1051011	D	WORK IN PROCESS - PROJ #11	INACTIVE
	03----------	A-1051012	D	WORK IN PROCESS - PROJ #12	INACTIVE
	03----------	A-1051013	D	WORK IN PROCESS - PROJ #13	INACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
	03	A-1051014	D	WORK IN PROCESS - PROJ #14	INACTIVE
	03	A-1051015	D	WORK IN PROCESS - PROJ #15	INACTIVE
	03	A-1051016	D	WORK IN PROCESS - PROJ #16	INACTIVE
	03	A-1051090	D	WORK IN PROCESS - SEWER	INACTIVE
	03	A-1051091	D	WORK IN PROCESS - WATER	INACTIVE
	03	A-1051092	D	SEWER PLANT IN PROCESS	ACTIVE
	03	A-1051093	D	WORK IN PROCESS - OTHER	INACTIVE
	03	A-1051094	D	WORK IN PROCESS - DEF. CHGS.	INACTIVE
	03	A-1052000	D	WORK IN PROCESS	ACTIVE
	03	A-1052091	D	WATER PLANT IN PROCESS	ACTIVE
	03	A-1052093	D	OTHER PLANT IN PROCESS	ACTIVE
	03	A-1053000	D	WORK IN PROGRESS	ACTIVE
	03	A-1053094	D	DEFERRED PLANT IN PROCESS	ACTIVE
02		A-108.1	S	ACCUM DEPR COMPUTER	ACTIVE
	03	A-1081000	D	ACCUM DEPR-COMPUTERS	ACTIVE
	03	A-1081010	D	ACCUM DEPR-MAINFRAME COMP	ACTIVE
	03	A-1081020	D	ACCUM DEPR-MINI COMP	ACTIVE
	03	A-1081050	D	ACC DEPR-COMPUTER ALLOCATED	ACTIVE
	03	A-1081051	D	ACC.DEPR-COMPUTER ALLOCATED	ACTIVE
	03	A-3406150	D	COMP SYS AMORTIZATION	ACTIVE
	03	A-3406160	D	MICRO SYS AMORTIZATION	ACTIVE
02		A-108.2	S	ACCUM DEPR TRANSPORTATION	ACTIVE
	03	A-1082000	D	ACCUM DEPR-TRANSPORTATION	ACTIVE
	03	A-1082050	D	ACC DEPR-TRANS EQPT ALLOCATED	ACTIVE
	03	A-1082051	D	ACC.DEPR-TRANS EQPT ALLOCATED	ACTIVE
02		A-108.3	S	ACCUM DEPR WATER PLANT	ACTIVE
	03	A-1083001	D	ACCUM DEPR.-3011001	ACTIVE
	03	A-1083002	D	ACCUM DEPR.-3021002	ACTIVE
	03	A-1083010	D	ACCUM DEPR-WATER PLANT	ACTIVE
	03	A-1083011	D	ACCUM DEPR.-3042011	ACTIVE
	03	A-1083014	D	ACCUM DEPR.-3072014	ACTIVE
	03	A-1083021	D	ACCUM DEPR.-3043021	ACTIVE
	03	A-1083025	D	ACCUM DEPR.-3113025	ACTIVE
	03	A-1083026	D	ACCUM DEPR.-3113026	ACTIVE
	03	A-1083031	D	ACCUM DEPR.-3044031	ACTIVE
	03	A-1083032	D	ACCUM DEPR.-3204032	ACTIVE
	03	A-1083042	D	ACCUM DEPR.-3305042	ACTIVE
	03	A-1083043	D	ACCUM DEPR.-3315043	ACTIVE
	03	A-1083044	D	ACCUM DEPR.-3315044	ACTIVE
	03	A-1083045	D	ACCUM DEPR.-3335045	ACTIVE
	03	A-1083046	D	ACCUM DEPR.-3345046	ACTIVE
	03	A-1083047	D	ACCUM DEPR.-3345047	ACTIVE
	03	A-1083048	D	ACCUM DEPR.-3355048	ACTIVE
	03	A-1083050	D	ACC. DEPR-WATER ALLOCATED	ACTIVE
	03	A-1083080	D	ACCUM DEPR.-10180	ACTIVE
	03	A-1083088	D	ACCUM DEPR.-10188	ACTIVE
	03	A-1083090	D	ACCUM DEPR.-3406090	ACTIVE
	03	A-1083091	D	ACCUM DEPR.-3406091	ACTIVE
	03	A-1083093	D	ACCUM DEPR-TELEPHONES	ACTIVE
	03	A-1083094	D	ACCUM DEPR.-3466094	ACTIVE
	03	A-1083095	D	ACCUM DEPR.-3446095	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
	03----------	A-1083096	D	ACCUM DEPR.-10196	ACTIVE
	03----------	A-1083097	D	ACCUM DEPR.-3466097	ACTIVE
	03----------	A-1083098	D	ACCUM DEPR-COMPUTER	ACTIVE
02----------		A-108.4	S	ACCUM DEPR SEWER PLANT	ACTIVE
	03----------	A-1084000	D	ACCUM DEPR-SEWER	ACTIVE
	03----------	A-1084001	D	ACCUM DEPR.-3511001	ACTIVE
	03----------	A-1084003	D	ACCUM DEPR.-3547003	ACTIVE
	03----------	A-1084004	D	ACCUM DEPR.-3804004	ACTIVE
	03----------	A-1084005	D	ACCUM DEPR.-3804005	ACTIVE
	03----------	A-1084006	D	ACCUM DEPR.-3602006	ACTIVE
	03----------	A-1084007	D	ACCUM DEPR.-3602007	ACTIVE
	03----------	A-1084008	D	ACCUM DEPR.-3612008	ACTIVE
	03----------	A-1084009	D	ACCUM DEPR.-3824009	ACTIVE
	03----------	A-1084010	D	ACCUM DEPR.-3612010	ACTIVE
	03----------	A-1084011	D	ACCUM DEPR.-3542011	ACTIVE
	03----------	A-1084012	D	ACCUM DEPR.-3547012	ACTIVE
	03----------	A-1084020	D	ACCUM DEPR.-3521020	ACTIVE
	03----------	A-1084021	D	ACCUM DEPR.-3547021	ACTIVE
	03----------	A-1084050	D	ACC. DEPR-SEWER ALLOCATED	ACTIVE
	03----------	A-1084051	D	ACC. DEPR-SEWER ALLOCATED	ACTIVE
	03----------	A-1084090	D	ACCUM DEPR.-3907090	ACTIVE
	03----------	A-1084091	D	ACCUM DEPR.-3907091	ACTIVE
	03----------	A-1084094	D	ACCUM DEPR.-3937094	ACTIVE
	03----------	A-1084095	D	ACCUM DEPR.-3947095	ACTIVE
	03----------	A-1084096	D	ACCUM DEPR.-10296	ACTIVE
	03----------	A-1084097	D	ACCUM DEPR.-3967097	ACTIVE
02----------		A-108.5	S	ACCUM DEPR REUSE PLANT	ACTIVE
	03----------	A-1085006	D	ACCUM DEPR.-3662006	ACTIVE
	03----------	A-1085008	D	ACCUM DEPR.-3752008	ACTIVE
	03----------	A-1085042	D	ACCUM DEPR.-3745042	ACTIVE
	03----------	A-1085046	D	ACCUM DEPR.-3675046	ACTIVE
02----------		A-114.1	S	NET UTILITY PAA WTR PLANT	ACTIVE
	03----------	A-1141000	D	NET UTIL PLT ACQ ADJ-WATER	ACTIVE
	03----------	A-1141010	D	UTIL PLT ACQ ADJ-WATER	ACTIVE
02----------		A-114.2	S	NET UTILITY PAA SWR PLANT	ACTIVE
	03----------	A-1142000	D	NET UTIL PLT ACQ ADJ-SEWER	ACTIVE
	03----------	A-1142010	D	UTIL PLT ACQ ADJ-SEWER	ACTIVE
02----------		A-115.1	S	ACCUM PROV UTIL PAA WTR PLANT	ACTIVE
	03----------	A-1151020	D	ACCUM PROV UTIL PAA-WATER	ACTIVE
02----------		A-115.2	S	ACCUM PROV UTIL PAA SWR PLANT	ACTIVE
	03----------	A-1152020	D	ACCUM PROV UTIL PAA-SEWER	ACTIVE
02----------		A-121.1	S	NON UTILITY PROPERTY & INV	ACTIVE
	03----------	A-1211000	D	NON-UTIL PROP & INVENTORY	ACTIVE
	03----------	A-1211001	D	ORGANIZATION	ACTIVE
	03----------	A-1211010	D	LAND & LAB RIGHTS	ACTIVE
	03----------	A-1211015	D	PROCESSING PLANT	ACTIVE
	03----------	A-1211020	D	OFF STRUCT & IMPROV	ACTIVE
	03----------	A-1211021	D	PORTABLE OFFICE STRUCTURE	ACTIVE
	03----------	A-1211025	D	OFFICE FURNITURE	ACTIVE
	03----------	A-1211027	D	OFFICE EQUIPMENT	ACTIVE
	03----------	A-1211030	D	MAINTENANCE STRUCTURES & IMPROVEMENT	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
	03----------	A-1211035	D	LAB FURNITURE	ACTIVE
	03----------	A-1211037	D	MAINTENANCE TOOLS	ACTIVE
	03----------	A-1211047	D	EQUIPMENT & MACHINERY	ACTIVE
	03----------	A-1211056	D	COMMUNICATION EQUIPMENT	ACTIVE
02----------		A-122.1	S	ACCUM DEPR NON UTILITY PROP & INV	ACTIVE
	03----------	A-1221058	D	ACCUM DEPR-PROCESSING PLANT	ACTIVE
	03----------	A-1221081	D	ACCUM DEPR-PORT OFF STRUCTURE	ACTIVE
	03----------	A-1221090	D	ACCUM DEPR - OFF STRUCTURE	ACTIVE
	03----------	A-1221091	D	ACCUM DEPR - OFF FURNITURE	ACTIVE
	03----------	A-1221092	D	ACCUM DEPR - OFF EQUIPMENT	ACTIVE
	03----------	A-1221093	D	ACCUM DEPR - LAB STRUCTURE	ACTIVE
	03----------	A-1221094	D	ACCUM DEPR - LAB FURNITURE	ACTIVE
	03----------	A-1221095	D	ACCUM DEPR - LAB EQUIPMENT	ACTIVE
	03----------	A-1221096	D	ACCUM DEPR - EQ & MACHINERY	ACTIVE
	03----------	A-1221097	D	ACCUM DEPR - COMMUN EQPT	ACTIVE
	03----------	A-1221098	D	ACCUM AMORT - ORGANIZATION	ACTIVE
02----------		A-123.1	S	INVEST IN OPERATING COS	ACTIVE
	03----------	A-1231000	D	INVEST IN OPER COS	ACTIVE
	03----------	A-1231002	D	INVEST IN WTR SERV CORP	ACTIVE
	03----------	A-1231003	D	INVEST IN WTR SERV DISB	ACTIVE
	03----------	A-1231005	D	INVEST IN APPLE CANYON	ACTIVE
	03----------	A-1231006	D	INVEST IN CAMELOT	ACTIVE
	03----------	A-1231007	D	INVEST IN CHARMAR	ACTIVE
	03----------	A-1231008	D	INVEST IN CHERRY HILL	ACTIVE
	03----------	A-1231009	D	INVEST IN CLARENDON	ACTIVE
	03----------	A-1231011	D	INVEST IN COUNTY LINE	ACTIVE
	03----------	A-1231012	D	INVEST IN DEL MAR	ACTIVE
	03----------	A-1231013	D	INVEST IN FERSON CREEK	ACTIVE
	03----------	A-1231014	D	INVEST IN GALENA TERRITORY	ACTIVE
	03----------	A-1231015	D	INVEST IN KILLARNEY	ACTIVE
	03----------	A-1231016	D	INVEST IN LAKE HOLIDAY	ACTIVE
	03----------	A-1231017	D	INVEST IN LAKE WILDWOOD	ACTIVE
	03----------	A-1231018	D	INVEST IN NORTHERN HILLS	ACTIVE
	03----------	A-1231019	D	INVEST IN PRESTWICK	INACTIVE
	03----------	A-1231020	D	INVEST IN LAKE MARIAN	ACTIVE
	03----------	A-1231021	D	INVEST IN WILDWOOD	ACTIVE
	03----------	A-1231022	D	INVEST IN VALENTINE	ACTIVE
	03----------	A-1231023	D	INVEST IN WALK UP WOODS	ACTIVE
	03----------	A-1231024	D	INVEST IN WHISPERING HILLS	ACTIVE
	03----------	A-1231025	D	INVEST IN HOLIDAY HILLS	ACTIVE
	03----------	A-1231026	D	INVEST IN MEDINA	ACTIVE
	03----------	A-1231027	D	INVEST IN WESTLAKE	ACTIVE
	03----------	A-1231028	D	INVEST IN CEDAR BLUFF	ACTIVE
	03----------	A-1231029	D	INVEST IN HARBOR RIDGE	ACTIVE
	03----------	A-1231030	D	INVEST IN GREAT NORTHERN	ACTIVE
	03----------	A-1231031	D	INVEST IN ILL COST CTR	ACTIVE
	03----------	A-1231034	D	INVEST IN UI OF NEVADA	ACTIVE
	03----------	A-1231035	D	INVEST IN SPRING CREEK	ACTIVE
	03----------	A-1231036	D	INVEST IN LA WTR SERV	ACTIVE
	03----------	A-1231038	D	INVEST IN UI OF LA	ACTIVE
	03----------	A-1231040	D	INVEST IN U I OF MARYLAND	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1231041	D	INVEST IN COLCHESTER	ACTIVE
		03----------	A-1231042	D	INVEST IN GREENRIDGE	ACTIVE
		03----------	A-1231043	D	INVEST IN PROVINCES	ACTIVE
		03----------	A-1231044	D	INVEST IN PINTO	ACTIVE
		03----------	A-1231045	D	INVEST IN OCCOQUAN SEWER	ACTIVE
		03----------	A-1231046	D	INVEST IN OCCOQUAN WATER	ACTIVE
		03----------	A-1231047	D	INVEST IN MASSANUTTEN SEWER	ACTIVE
		03----------	A-1231050	D	INVEST IN HOLIDAY SERVICE	ACTIVE
		03----------	A-1231051	D	INVEST IN WESTGATE	ACTIVE
		03----------	A-1231052	D	INVEST IN UI OF PA	ACTIVE
		03----------	A-1231053	D	INVEST IN PENN ESTATES	ACTIVE
		03----------	A-1231054	D	INVEST IND BLU MT LAKE	ACTIVE
		03----------	A-1231055	D	INVEST IN SKIDAWAY ISLAND	ACTIVE
		03----------	A-1231056	D	INVEST IN ELK RIVER	ACTIVE
		03----------	A-1231057	D	INVEST IN MONTAGUE WATER	ACTIVE
		03----------	A-1231058	D	INVEST IN MONTAGUE SEWER	ACTIVE
		03----------	A-1231060	D	INVEST IN TWIN LAKES	ACTIVE
		03----------	A-1231061	D	INVEST IN TIERRE VERDE	ACTIVE
		03----------	A-1231062	D	INVEST IN LAKE PLACID	ACTIVE
		03----------	A-1231064	D	INVEST IN EAST LAKE	ACTIVE
		03----------	A-1231065	D	INVEST IN CHARLESTON U I	ACTIVE
		03----------	A-1231066	D	INVEST IN PEBBLECREEK	ACTIVE
		03----------	A-1231067	D	INVEST IN ALAFAYA	ACTIVE
		03----------	A-1231068	D	INVEST IN LONGWOOD	ACTIVE
		03----------	A-1231069	D	INVEST IN WEDGEFIELD	ACTIVE
		03----------	A-1231070	D	INVEST IN CAROLINA WTR SERV	ACTIVE
		03----------	A-1231071	D	INVEST IN UTIL SERV OF SC INC	ACTIVE
		03----------	A-1231072	D	INVEST IN CYPRESS LAKES UTIL INC	ACTIVE
		03----------	A-1231073	D	INVEST IN UTIL INC EAGLE RIDGE	ACTIVE
		03----------	A-1231074	D	INVEST IN SOUTHLAND	ACTIVE
		03----------	A-1231075	D	INVEST IN UNITED UTILITY	ACTIVE
		03----------	A-1231076	D	INVEST IN KEOWEE KEY	ACTIVE
		03----------	A-1231077	D	INVEST IN S C UTILITIES	ACTIVE
		03----------	A-1231078	D	INVEST IN WILD DUNES	ACTIVE
		03----------	A-1231079	D	INVEST IN TEGA CAY	ACTIVE
		03----------	A-1231080	D	INVEST IN CWS INC OF N C	ACTIVE
		03----------	A-1231081	D	INVEST IN RIVER POINTE	ACTIVE
		03----------	A-1231083	D	INVEST IN FAIRFIELD	ACTIVE
		03----------	A-1231084	D	INVEST IN CNC-GENOA	ACTIVE
		03----------	A-1231085	D	INVEST IN WATAUGA VISTA	ACTIVE
		03----------	A-1231086	D	INVEST IN BRANDYWINE BAY	ACTIVE
		03----------	A-1231087	D	INVEST IN TRANSYLVANIA	ACTIVE
		03----------	A-1231088	D	INVEST IN MID COUNTY	ACTIVE
		03----------	A-1231089	D	INVEST IN LAKE UTIL INC	ACTIVE
		03----------	A-1231090	D	INVEST IN U I OF FLORIDA	ACTIVE
		03----------	A-1231091	D	INVEST IN MILES GRANT	ACTIVE
		03----------	A-1231092	D	INVEST IN TENN WTR SERV	ACTIVE
		03----------	A-1231093	D	INVEST IN BIO TECH	ACTIVE
		03----------	A-1231094	D	INVEST IN HUTCHINSON ISLAND IRRG CO	ACTIVE
		03----------	A-1231101	D	INVEST IN SANLANDO	ACTIVE
		03----------	A-1231102	D	INVEST IN LAKE GROVES	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LV 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03	A-1231103	D	INVEST IN SANDALVEN	ACTIVE
		03	A-1231104	D	INVEST IN BAYSIDE	ACTIVE
		03	A-1231105	D	INVEST IN SOUTH GATE	ACTIVE
		03	A-1231106	D	INVEST IN LABRADOR UI	ACTIVE
		03	A-1231107	D	INVEST IN UI OF PENNBROOKE	ACTIVE
		03	A-1231108	D	INVEST IN UI OF HUTCHINSON ISLAND	ACTIVE
		03	A-1231109	D	INVEST IN SANDY CREEK	ACTIVE
		03	A-1231120	D	INVEST IN NORTH TOPSAIL	ACTIVE
		03	A-1231121	D	INVEST IN CAROLINA PINES	ACTIVE
		03	A-1231122	D	INVEST IN BRADFIELD FARMS	ACTIVE
		03	A-1231123	D	INVEST IN NERO UTILITY	ACTIVE
		03	A-1231133	D	INVEST IN SKY RANCH	ACTIVE
		03	A-1231135	D	INVEST IN BERMUDA WATER CO	ACTIVE
		03	A-1231140	D	INVEST IN UI OF CENTRAL NEVADA	ACTIVE
		03	A-1231150	D	INVEST IN WTR SERV CO OF IN INC	ACTIVE
		03	A-1231151	D	INVEST IN INDIANA WATER SERV INC	ACTIVE
		03	A-1231160	D	INVEST IN WTR SERV CORP OF KY	ACTIVE
		03	A-1231165	D	INVEST IN WATER SERVICE COMPANY OF GEORGIA INC	ACTIVE
	02		A-131.1	S	CASH UNAPPLIED	ACTIVE
		03	A-1311000	D	CASH UNAPPLIED	ACTIVE
		03	A-1311001	D	CASH UNAPPLIED-NSF'S	ACTIVE
		03	A-1311002	D	CASH-UNAPPL-TRANS CR DEP	ACTIVE
	02		A-131.2	S	CASH	ACTIVE
		03	A-1312000	D	CASH	ACTIVE
		03	A-1312001	D	CASH CLEARING ACCOUNT	ACTIVE
		03	A-1312002	D	CASH CLEARING-COLLECT A/C	ACTIVE
		03	A-1312010	D	CASH-BANK ONE-UI	ACTIVE
		03	A-1312011	D	CASH-AMERICAN NATL-WSCIL	ACTIVE
		03	A-1312012	D	CASH-BANK ONE-WSD DISB-CONSOL	ACTIVE
		03	A-1312013	D	CASH-AMERICAN NATL-DEP(1003)	ACTIVE
		03	A-1312014	D	CASH-AMERICAN NATL-WSC INS DISB	ACTIVE
		03	A-1312016	D	CASH-BANK ONE-WSC COLL ACCT	ACTIVE
		03	A-1312017	D	CASH-BIO TECH	ACTIVE
		03	A-1312018	D	CASH-NATIONS BANK-L&LT CASH REC	INACTIVE
		03	A-1312019	D	CASH-WD COLLECTION ACCT	ACTIVE
		03	A-1312020	D	CASH-AMERICAN NATL-CWS COLL ACCT	ACTIVE
		03	A-1312021	D	CASH-BK OF AMERICA-WSC & UI	ACTIVE
		03	A-1312024	D	CASH-ANB-CREDIT CARD	ACTIVE
		03	A-1312025	D	CASH-ANB-FLEXSERV	ACTIVE
		03	A-1312033	D	CASH-BANK OF AMERICA-CWS	ACTIVE
		03	A-1312041	D	CASH-WILLIAM BLAIR	ACTIVE
		03	A-1312051	D	CASH-U U NATIONS BANK	INACTIVE
		03	A-1312053	D	CASH-CNC MOREHEAD CITY-WACHOVIA	ACTIVE
		03	A-1312055	D	CASH-BANK ONE-AZ 2185-0135	ACTIVE
		03	A-1312056	D	CASH-CO AMERICA-AZ	ACTIVE
		03	A-1312060	D	CASH-BANK OF AMERICA-GA	ACTIVE
		03	A-1312061	D	CASH-BANK OF AMERICA-NV	ACTIVE
		03	A-1312062	D	CASH-AMERICAN NATL-SPG CRK HYDRANT	ACTIVE
		03	A-1312063	D	CASH-AMERICAN NATL-SPG CRK-CAPITAL	ACTIVE
		03	A-1312065	D	CASH-FIRST NAT'L OF MD	ACTIVE
		03	A-1312067	D	CASH-AM NATL-BETTERMENT FEES	ACTIVE

STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LV 1	LVL 2	LVL 3	NUMERIC ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1312068	D	CASH-AM NATL-PLT CAP FUND	ACTIVE
		03----------	A-1312069	D	CASH-AM NATL-WTR STORAGE CAP FUND	ACTIVE
		03----------	A-1312071	D	CASH-FL NAT'L OF ORLANDO	ACTIVE
		03----------	A-1312075	D	CASH-KENTUCKY	ACTIVE
		03----------	A-1312076	D	CASH-CLINTON 1ST NATL BANK CLINTON	ACTIVE
		03----------	A-1312077	D	CASH-CLINTON-DEBT RESERVE	ACTIVE
		03----------	A-1312081	D	CASH-BANK OF AMERICA-FL	ACTIVE
		03----------	A-1312082	D	CASH-NATIONS BANK-SEUI	ACTIVE
		03----------	A-1312083	D	CASH-BARNETT BANK (0640)	ACTIVE
		03----------	A-1312093	D	CASH-BANK ONE - LOUISIANA	ACTIVE
		03----------	A-1312094	D	CASH-BANK OF AMERICA	ACTIVE
		03----------	A-1312095	D	CASH-COLCHESTER ESCROW ACCT	ACTIVE
		03----------	A-1312096	D	CASH-TALLAHATCHIE-MS	ACTIVE
		03----------	A-1312097	D	CASH-BB&T	ACTIVE
	02----------		A-131.3	S	PETTY CASH	ACTIVE
		03----------	A-1311015	D	CASH-AMERICAN NATL-WSC PETTY CASH	ACTIVE
		03----------	A-1311040	D	CASH-CWS & UUC PETTY CASH	ACTIVE
		03----------	A-1311050	D	CASH-CNC PETTY CASH	ACTIVE
		03----------	A-1311052	D	CASH-UUC PETTY CASH	INACTIVE
		03----------	A-1311066	D	CASH-MD PETTY CASH	ACTIVE
		03----------	A-1311085	D	CASH-FL PETTY CASH-BARNETT BK	ACTIVE
		03----------	A-1311086	D	CASH-SKIDAWAY PETTY CASH	ACTIVE
		03----------	A-1311089	D	CASH-LA PETTY CASH	ACTIVE
		03----------	A-1311092	D	CASH-TALLAHATCH-#011-062-0	ACTIVE
		03----------	A-1312057	D	CASH-BANK ONE AZ #2703-2774 PC CKG	ACTIVE
		03----------	A-1321000	D	PETTY CASH	ACTIVE
	02----------		A-132.1	S	SPECIAL DEPOSITS	ACTIVE
		03----------	A-1322000	D	SPECIAL DEPOSITS	ACTIVE
		03----------	A-1322001	D	SPEC DEP-16716 ALEXANDER	ACTIVE
		03----------	A-1322002	D	SPEC DEP-1888 VIKING	ACTIVE
		03----------	A-1322003	D	SPEC DEP-1074 PRODUCERS	ACTIVE
		03----------	A-1322004	D	SPEC DEP-0916 VAN WATERS	INACTIVE
		03----------	A-1322005	D	SPEC DEP-14235 INDUST CHEM	ACTIVE
		03----------	A-1322006	D	SPEC DEP-14983 THATCHER NV	ACTIVE
		03----------	A-1322007	D	SPEC DEP-15118	INACTIVE
		03----------	A-1322008	D	SPEC DEP-V15018 UNIVAR	ACTIVE
		03----------	A-1322009	D	SPEC DEP-0540 GAMECOCK	ACTIVE
		03----------	A-1322010	D	SPEC DEP-4007 PRILLAMAN	INACTIVE
		03----------	A-1322011	D	SPEC DEP-0719 BURRIS	INACTIVE
		03----------	A-1322012	D	SPEC DEP-0751 JONES CHEM	INACTIVE
		03----------	A-1322013	D	SPEC DEP-1553 JEFFERSON	INACTIVE
		03----------	A-1322014	D	SPEC DEP-1324 TICAR CHEM	INACTIVE
		03----------	A-1322015	D	SPEC DEP-1686 WORTH CHEM	INACTIVE
		03----------	A-1322016	D	SPEC DEP-15720 LA CHEMICAL	ACTIVE
		03----------	A-1322017	D	SPEC DEP-0083 ASHLAND	INACTIVE
		03----------	A-1322018	D	SPEC DEP-V16615 SOWEGA	ACTIVE
		03----------	A-1322020	D	SPEC DEP-1319 THERMO-CHM	INACTIVE
		03----------	A-1322021	D	SPEC DEP-15969 COYNE CHEMICAL	INACTIVE
		03----------	A-1322022	D	SPEC DEP-0949 BONDED	INACTIVE
		03----------	A-1322023	D	NOT IN USE	INACTIVE
		03----------	A-1322024	D	SPEC DEP-V15371 POOLTECH	INACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1322025	D	SPEC DEP-2893 DIBS CHEM	INACTIVE
		03----------	A-1322026	D	SPEC DEP-0600 GULF COAST	INACTIVE
		03----------	A-1322027	D	NOT IN USE	INACTIVE
		03----------	A-1322028	D	NOT IN USE	INACTIVE
		03----------	A-1322029	D	SPEC DEP-3761 LINDE-MERRITT H	INACTIVE
		03----------	A-1322030	D	SPEC DEP-SEE V3893 OR 134-41	INACTIVE
		03----------	A-1322031	D	SPEC DEP-4055 MANLEY-REG	INACTIVE
		03----------	A-1322032	D	SPEC DEP-4883 HYDRITE	ACTIVE
		03----------	A-1322033	D	SPEC DEP-SEE V2756 OR 134-40	INACTIVE
		03----------	A-1322034	D	NOT IN USE	INACTIVE
		03----------	A-1322035	D	NOT IN USE	INACTIVE
		03----------	A-1322036	D	SPEC DEP-1192 BRENNTAG	INACTIVE
		03----------	A-1322037	D	SPEC DEP-2994 SOUTHCHEM	INACTIVE
		03----------	A-1322038	D	SPEC DEP-4489 ACE SUPPLY	INACTIVE
		03----------	A-1322039	D	SPEC DEP-1773 ROBINSON	INACTIVE
		03----------	A-1322040	D	SPEC DEP-2756 HARCROS	INACTIVE
		03----------	A-1322041	D	SPEC DEP-3893 VALLEY IND	INACTIVE
		03----------	A-1322042	D	SPEC DEP-4144 SAVANNAH BRSH	INACTIVE
		03----------	A-1322043	D	SPEC DEP-3956 WARSAW	ACTIVE
		03----------	A-1322044	D	SPEC DEP-3293 CHEM PLUS	INACTIVE
		03----------	A-1322045	D	SPEC DEP-6744 AQUA CHEM	INACTIVE
		03----------	A-1322046	D	SPEC DEP-7639 C&S PRODUCTS	INACTIVE
		03----------	A-1322047	D	SPEC DEP-7641 INDCHEM	INACTIVE
		03----------	A-1322048	D	SPEC DEP-V8225 COASTAL CAROLINA	INACTIVE
		03----------	A-1322049	D	SPEC DEP-V8308 RAMSEY GROUP	INACTIVE
		03----------	A-1322050	D	SPEC DEP-V8304 APPERSON CHEMICAL	INACTIVE
		03----------	A-1322051	D	SPEC DEP-V7838 COMM CHEM	INACTIVE
		03----------	A-1322052	D	SPEC DEP-V7626 ULRICH CHEM	ACTIVE
		03----------	A-1322053	D	SPEC DEP-V9210 COBURN CHEM	INACTIVE
		03----------	A-1322054	D	SPEC DEP-V9804 CHEM & SOLVENTS	INACTIVE
		03----------	A-1322055	D	SPEC DEP-V10377E&E(US)MID ST CHEMICALS	INACTIVE
		03----------	A-1322056	D	SPEC DEP-V11744 SIERRA CHEM	ACTIVE
		03----------	A-1322057	D	SPEC DEP-V11057 WECHSLER	INACTIVE
		03----------	A-1322058	D	SPEC DEP-V12612 MAIN POOL & CHEM	INACTIVE
		03----------	A-1322059	D	SPEC DEP-V12699 BERRY HINCKLEY	INACTIVE
		03----------	A-1322060	D	SPEC DEP-V10724 C&L AQUA	INACTIVE
		03----------	A-1322061	D	SPEC DEP-V13188 DPC	INACTIVE
	02----------		A-141.1	S	ACCOUNTS RECEIVABLE CUSTOMER	ACTIVE
		03----------	A-1411000	D	A/R-CUSTOMER	ACTIVE
		03----------	A-1411002	D	A/R-CUSTOMER ACCRUAL	ACTIVE
	02----------		A-142.1	S	ACCOUNTS RECEIVABLE OTHER	ACTIVE
		03----------	A-1421000	D	A/R-OTHER	ACTIVE
		03----------	A-1421001	D	A/R OTHER	ACTIVE
		03----------	A-1421002	D	A/R-NUON GLOBAL SOLUTIONS	ACTIVE
		03----------	A-1421003	D	A/R-ESOP	ACTIVE
		03----------	A-1421004	D	A/R-LLT	INACTIVE
		03----------	A-1421005	D	A/R-GRANT TRUST ACCT	INACTIVE
		03----------	A-1421011	D	A/R-PERRY B OWENS	ACTIVE
		03----------	A-1421012	D	A/R-MARILYN SHEPPERD	ACTIVE
		03----------	A-1421013	D	A/R-TIM BRANT	ACTIVE
		03----------	A-1421014	D	A/R-DAVID H DEMAREE	ACTIVE

STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	NUMERIC ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1421015	D	A/R-CARY GLENN EDWARDS	ACTIVE
		03----------	A-1421016	D	A/R-BILL ESHMONT	INACTIVE
		03----------	A-1421017	D	A/R-DANNY DELGADO	ACTIVE
		03----------	A-1421018	D	A/R-ROSE ANN TRENT	ACTIVE
		03----------	A-1421019	D	A/R-WILLIAM ANDREWS	ACTIVE
		03----------	A-1421020	D	A/R-NICK DANIELS	ACTIVE
		03----------	A-1421021	D	A/R-DEBBI FIELDS	ACTIVE
		03----------	A-1421022	D	A/R-DON RASMUSSEN	ACTIVE
		03----------	A-1421023	D	A/R-DARRIN LEWIS	ACTIVE
		03----------	A-1421024	D	A/R-RANDY HOFFER	ACTIVE
		03----------	A-1421025	D	A/R-DARRIN YOUNT	ACTIVE
		03----------	A-1421026	D	A/R-GRADY THIGPEN	ACTIVE
		03----------	A-1421027	D	A/R-MICHAEL TAYLOR	ACTIVE
		03----------	A-1421028	D	A/R-LELAND PLANK	ACTIVE
		03----------	A-1421029	D	A/R-JOHN P HANSON	ACTIVE
		03----------	A-1421030	D	A/R-BOB BISHOP	ACTIVE
		03----------	A-1421031	D	A/R-REX WOODY	ACTIVE
		03----------	A-1421032	D	A/R-JERRY UNDERWOOD	ACTIVE
		03----------	A-1421033	D	A/R-ROBERT FRIEZE	ACTIVE
		03----------	A-1421034	D	A/R-ADRIENNE LOWMAN	ACTIVE
		03----------	A-1421035	D	A/R-JAMES CHAMBLESS	ACTIVE
		03----------	A-1421036	D	A/R-GREG HOLDEN	ACTIVE
		03----------	A-1421037	D	A/R-JOYCE GUIDICE	ACTIVE
		03----------	A-1421038	D	A/R-ROBERT WOODY	ACTIVE
		03----------	A-1421039	D	A/R-EDITH TRAVER	ACTIVE
		03----------	A-1421040	D	A/R-RAY YOUNG	ACTIVE
		03----------	A-1421041	D	A/R-CHRIS HULT	ACTIVE
		03----------	A-1421042	D	A/R-SONNY CUNNINGHAM	ACTIVE
		03----------	A-1421043	D	A/R-JONI WELZIEN	ACTIVE
		03----------	A-1421044	D	A/R-ANDREW DOPUCH	ACTIVE
		03----------	A-1421045	D	A/R-WES PARKER	ACTIVE
		03----------	A-1421046	D	A/R-ROBERT FRITSCH	ACTIVE
		03----------	A-1421047	D	A/R-EDDIE BALDWIN	ACTIVE
		03----------	A-1421048	D	A/R-BRUCE HAAS	ACTIVE
		03----------	A-1421049	D	A/R-JACKIE RASMUSSEN	ACTIVE
		03----------	A-1421050	D	A/R-MICHELLE COHN	ACTIVE
		03----------	A-1421051	D	A/R-JAMES LEONARD	ACTIVE
		03----------	A-1421052	D	A/R-CARL DANIEL	ACTIVE
		03----------	A-1421053	D	A/R-MARJORIE PARRISH	ACTIVE
		03----------	A-1421054	D	A/R-DONALD FRANKLIN	INACTIVE
		03----------	A-1421055	D	A/R-MARTIN LASHUA	ACTIVE
		03----------	A-1421056	D	A/R-DIANE ARNOUX	ACTIVE
		03----------	A-1421057	D	A/R-CATHERINE OWENS	INACTIVE
		03----------	A-1421058	D	A/R-WYMAN MCDANIEL	ACTIVE
		03----------	A-1421059	D	A/R-MARY PEDEN	ACTIVE
		03----------	A-1421060	D	A/R-JAY JONES	ACTIVE
		03----------	A-1421061	D	A/R-PAM THOMAS	ACTIVE
		03----------	A-1421062	D	A/R-REBA STANDIFER	ACTIVE
		03----------	A-1421063	D	A/R-DONNA CARTER	ACTIVE
		03----------	A-1421064	D	A/R-SANDRA BERRY	ACTIVE
		03----------	A-1421065	D	A/R-JIM CAMAREN-CSV	ACTIVE

STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	NUMERIC ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1421066	D	A/R-CARL WENZ	ACTIVE
		03----------	A-1421067	D	A/R-JIM CAMAREN	ACTIVE
		03----------	A-1421068	D	A/R-JIM TESCH	ACTIVE
		03----------	A-1421069	D	A/R-KENNETH HAMRICK	INACTIVE
		03----------	A-1421070	D	A/R-JAMES L CAMAREN	ACTIVE
		03----------	A-1421071	D	A/R-EDWIN MCFALLS	ACTIVE
		03----------	A-1421072	D	A/R-JAMES JEFFERSON	ACTIVE
		03----------	A-1421073	D	A/R-ROBERT MCBEE	INACTIVE
		03----------	A-1421074	D	A/R-KEITH HAIRSTON	INACTIVE
		03----------	A-1421075	D	A/R-NELSON MILLER	INACTIVE
		03----------	A-1421076	D	A/R-C.CHRISTIE	ACTIVE
		03----------	A-1421077	D	A/R-AVERY MCKINNEY JR	ACTIVE
		03----------	A-1421078	D	A/R-DENISE CAPE	INACTIVE
		03----------	A-1421079	D	A/R-BUNNY DOTSON - PC	ACTIVE
		03----------	A-1421080	D	A/R-BECKY DANIELS P/C	ACTIVE
		03----------	A-1421081	D	A/R-KAREN ACOSTAR P/C	INACTIVE
		03----------	A-1421082	D	A/R-TONY SHARP-PC	ACTIVE
		03----------	A-1421083	D	A/R DAVID KNIGHT P/C	ACTIVE
		03----------	A-1421084	D	A/R-LINDA WATERS P/C	INACTIVE
		03----------	A-1421085	D	A/R-JOHNNIE TAYLOR P/C	ACTIVE
		03----------	A-1421086	D	A/R-MARGARET FOSBERRY P/C	INACTIVE
		03----------	A-1421087	D	A/R-DOLLY LEWIS P/C	ACTIVE
		03----------	A-1421088	D	A/R-RICK BRYAN	ACTIVE
		03----------	A-1421089	D	A/R-SANDRA BERRY P/C	ACTIVE
		03----------	A-1421090	D	A/R-LINDA MATTHEWS	ACTIVE
		03----------	A-1421091	D	A/R-EDITH TRAVER	ACTIVE
		03----------	A-1421092	D	A/R-KAREN SASIC P/C	ACTIVE
		03----------	A-1421093	D	A/R-AARON BRUCE	ACTIVE
		03----------	A-1421094	D	A/R-DIANE ARNOUX P/C	ACTIVE
		03----------	A-1421095	D	A/R-KATHY DRUMM P/C	INACTIVE
		03----------	A-1421096	D	A/R-JIM SING P/C	INACTIVE
		03----------	A-1421097	D	A/R-ALICE DAVIS-PC	ACTIVE
		03----------	A-1421098	D	A/R-MICHAEL TAYLOR	ACTIVE
		03----------	A-1421099	D	A/R-JOEL CLARKE P/C	ACTIVE
		03----------	A-1422001	D	A/R-RICHARD LEWIS	ACTIVE
		03----------	A-1422002	D	A/R-CHUCK SCHWADES P/C	INACTIVE
		03----------	A-1422003	D	A/R-RICK A CLEVERINGA	INACTIVE
		03----------	A-1422004	D	A/R-MORETTA WILLIAMS	ACTIVE
		03----------	A-1422005	D	A/R-DELOS R. WILLIAMS	ACTIVE
		03----------	A-1422006	D	A/R-JOHN HAWKS	ACTIVE
		03----------	A-1422007	D	A/R-SALLY BOYLE	INACTIVE
		03----------	A-1422008	D	A/R-MARK BURRIS	INACTIVE
		03----------	A-1422009	D	A/R-JOHN HAYNES	ACTIVE
		03----------	A-1422010	D	A/R-JUNE GAYNES	ACTIVE
		03----------	A-1422011	D	A/R-SANDRA BICOS	INACTIVE
		03----------	A-1422012	D	A/R-MARK MENARD	ACTIVE
		03----------	A-1422013	D	A/R-E.L. HAIRSTON	INACTIVE
		03----------	A-1422014	D	A/R-TONY BALDWIN	INACTIVE
		03----------	A-1422015	D	A/R-DONNA CARTER	ACTIVE
		03----------	A-1422016	D	A/R-JOEL NORRIS	ACTIVE
		03----------	A-1422017	D	A/R-HOWARD JAY ALDRICH	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1422018	D	A/R-DOUG WILLBANKS	ACTIVE
		03----------	A-1422019	D	A/R-MARK BRINTLE	INACTIVE
		03----------	A-1422020	D	A/R-JULIE CLEVELAND	INACTIVE
		03----------	A-1422021	D	A/R-JENNY MAPES	INACTIVE
		03----------	A-1422022	D	A/R-CELIA R. SNIPES	INACTIVE
		03----------	A-1422023	D	A/R-GRADY BANKS - PC	INACTIVE
		03----------	A-1422024	D	A/R-ALBERT VAN DYKE	ACTIVE
		03----------	A-1422025	D	A/R-ROBERT AUCORN	ACTIVE
		03----------	A-1422026	D	A/R-KEITH MURPHY	INACTIVE
		03----------	A-1422027	D	A/R-LAWRENECE SCHUMACHER	ACTIVE
		03----------	A-1422028	D	A/R-JIM TESCH	ACTIVE
		03----------	A-1422029	D	A/R-ALAN WATKINS	ACTIVE
		03----------	A-1422030	D	A/R-GABRIEL SLATTON	INACTIVE
		03----------	A-1422031	D	A/R-KEVIN ROBERTS	ACTIVE
		03----------	A-1422032	D	A/R-ANDREW DUPOCH	ACTIVE
		03----------	A-1422033	D	A/R-LYNN SMITH	INACTIVE
		03----------	A-1422034	D	A/R-ALVIN KENNEDY	ACTIVE
		03----------	A-1422035	D	A/R-CHUCK CUMMINGS	ACTIVE
		03----------	A-1422036	D	A/R-KATHLEEN DRUMM	INACTIVE
		03----------	A-1422037	D	A/R-MARK BAUM	INACTIVE
		03----------	A-1422038	D	A/R-KEN OUZTS	INACTIVE
		03----------	A-1422039	D	A/R-KATHRINA JACQUES	INACTIVE
		03----------	A-1422040	D	A/R-JAMES SANDERS	ACTIVE
		03----------	A-1422041	D	A/R-JOHN JOHANSEN	ACTIVE
		03----------	A-1422042	D	A/R-CHRIS LEE	ACTIVE
		03----------	A-1422043	D	A/R-DAVID MEDLING	ACTIVE
		03----------	A-1422044	D	A/R-HARRY ZIMMER (JOLIET AREA)	ACTIVE
		03----------	A-1422045	D	A/R-RAY RUTHENBERG	ACTIVE
		03----------	A-1422046	D	A/R-BILL CONARD	ACTIVE
		03----------	A-1422047	D	A/R-TERRY STARR	INACTIVE
		03----------	A-1422048	D	A/R-MARJORIE RAUCH	INACTIVE
		03----------	A-1422049	D	A/R-RICHARD THOENNES	INACTIVE
		03----------	A-1422050	D	A/R-THOMAS MCNEIL	ACTIVE
		03----------	A-1422051	D	A/R-WALT MCCONNELL	ACTIVE
		03----------	A-1422052	D	A/R-JONATHAN DIXON	ACTIVE
		03----------	A-1422053	D	A/R-E.L.HAIRSTON	INACTIVE
		03----------	A-1422054	D	A/R-WILLIAM HOLDER	ACTIVE
		03----------	A-1422055	D	A/R-DOUGLAS TROY	ACTIVE
		03----------	A-1422056	D	A/R-MARK KRAMER	ACTIVE
		03----------	A-1422057	D	A/R-BRIAN GONGRE	ACTIVE
		03----------	A-1422058	D	A/R-KERRY WALTON	ACTIVE
		03----------	A-1422059	D	A/R-DOUG CORN	ACTIVE
		03----------	A-1422060	D	A/R-BOBBIE PAULIN	INACTIVE
		03----------	A-1422061	D	A/R-OLIVER BOND	ACTIVE
		03----------	A-1422062	D	A/R-MARK RUOHONEN	ACTIVE
		03----------	A-1422063	D	A/R-MARION SIMS	ACTIVE
		03----------	A-1422064	D	A/R-TODD CHRISTMAN	ACTIVE
		03----------	A-1422065	D	A/R-NOEL DIMAILIG	INACTIVE
		03----------	A-1422066	D	A/R KEN SIBLEY	ACTIVE
		03----------	A-1422067	D	A/R-BENNY SHELTON	ACTIVE
		03----------	A-1422068	D	A/R-ROBERT FULCHER	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LV 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1422069	D	A/R-STEVE MCGOWAN	ACTIVE
		03----------	A-1422070	D	A/R-DEBRA ANN GONGRE	ACTIVE
		03----------	A-1422071	D	A/R-CHRIS MONTGOMERY	ACTIVE
		03----------	A-1422072	D	A/R-JOHN HAWKES JR	ACTIVE
		03----------	A-1422073	D	A/R-TERRI BONNECARRE	ACTIVE
		03----------	A-1422074	D	A/R-RICHARD NEWBERG	ACTIVE
		03----------	A-1422075	D	A/R-CHARLES MADISON	ACTIVE
		03----------	A-1422076	D	A/R-KEVIN MULLINEAUX	ACTIVE
		03----------	A-1422077	D	A/R-LINDA TYLER	ACTIVE
		03----------	A-1422078	D	A/R-WILLIAM PETERSON	ACTIVE
		03----------	A-1422079	D	A/R-JAMES CASADOS	ACTIVE
		03----------	A-1422080	D	A/R-ARNOLD JACKSON	ACTIVE
		03----------	A-1422081	D	A/R-BRIAN GONGRE	ACTIVE
		03----------	A-1422082	D	A/R-TANIA WARDE	ACTIVE
		03----------	A-1422083	D	A/R-JENNIFER PONCHER	ACTIVE
		03----------	A-1422084	D	A/R-JOSEPH CRIBBS	ACTIVE
		03----------	A-1422085	D	A/R-LELAND PLANK	ACTIVE
		03----------	A-1422086	D	A/R-JAMES VENEZIA	ACTIVE
		03----------	A-1422087	D	A/R-DAVE CARTER	ACTIVE
		03----------	A-1422088	D	A/R-DENNIS CLOUD	ACTIVE
		03----------	A-1422089	D	A/R-ELLEN O'DELL	ACTIVE
		03----------	A-1422090	D	A/R-BRAD STAHL	ACTIVE
		03----------	A-1422091	D	A/R-JERRY HAHN	ACTIVE
		03----------	A-1422092	D	A/R-SAM DAVIS	ACTIVE
		03----------	A-1422093	D	A/R-DAVID ORR	ACTIVE
		03----------	A-1422094	D	A/R-GREGORY LEE	ACTIVE
		03----------	A-1422095	D	A/R-GARY PEACOCK	ACTIVE
		03----------	A-1422096	D	A/R-PATRICK FLYNN	ACTIVE
		03----------	A-1422097	D	A/R-CHARLES STAATS	ACTIVE
		03----------	A-1422098	D	A/R SCOTT MALCOLM STEWART	ACTIVE
		03----------	A-1422099	D	A/R-RANDALL PLUMMER	ACTIVE
	02----------		A-143.1	S	ACCUM PROV UNCOLL AC	ACTIVE
		03----------	A-1431000	D	ACCUM PROV UNCOLLECT ACCTS	ACTIVE
	02----------		A-144.1	S	NOTES REC ACCOCIATED COS	ACTIVE
		03----------	A-1441000	D	N/R ASSOC COS	ACTIVE
		03----------	A-1441001	D	N/R UTILITIES INC	ACTIVE
		03----------	A-1441002	D	N/R WATER SERVICE CORP	ACTIVE
		03----------	A-1441003	D	N/R WATER SERVICE DISB	ACTIVE
		03----------	A-1441005	D	N/R APPLE CANYON	ACTIVE
		03----------	A-1441006	D	N/R CAMELOT	ACTIVE
		03----------	A-1441007	D	N/R CHARMAR	ACTIVE
		03----------	A-1441008	D	N/R CHERRY HILL	ACTIVE
		03----------	A-1441009	D	N/R CLARENDON	ACTIVE
		03----------	A-1441011	D	N/R COUNTY LINE	ACTIVE
		03----------	A-1441012	D	N/R DEL MAR	ACTIVE
		03----------	A-1441013	D	N/R FERSON CREEK	ACTIVE
		03----------	A-1441014	D	N/R GALENA TERRITORY	ACTIVE
		03----------	A-1441015	D	N/R KILLARNEY	ACTIVE
		03----------	A-1441016	D	N/R LAKE HOLIDAY	ACTIVE
		03----------	A-1441017	D	N/R LAKE WILDWOOD	ACTIVE
		03----------	A-1441019	D	N/R PRESTWICK	INACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03	A-1441021	D	N/R TURNBERRY	INACTIVE
		03	A-1441022	D	N/R VALENTINE	ACTIVE
		03	A-1441023	D	N/R WALK UP WOODS	ACTIVE
		03	A-1441024	D	N/R WHISPERING HILLS	ACTIVE
		03	A-1441026	D	N/R MEDINA	ACTIVE
		03	A-1441028	D	N/R CEDAR BLUFF	ACTIVE
		03	A-1441029	D	N/R HARBOR RIDGE	ACTIVE
		03	A-1441036	D	N/R LOUISIANA WATER SERVICE	ACTIVE
		03	A-1441040	D	N/R U I OF MARYLAND	ACTIVE
		03	A-1441041	D	N/R COLCHESTER	ACTIVE
		03	A-1441045	D	N/R OCCOQUAN SEWER	INACTIVE
		03	A-1441046	D	N/R OCCOQUAN WATER	INACTIVE
		03	A-1441047	D	N/R MASSANUTTEN SEWER	ACTIVE
		03	A-1441048	D	N/R MASSANUTTEN WATER	ACTIVE
		03	A-1441050	D	N/R HOLIDAY SERVICE	ACTIVE
		03	A-1441055	D	N/R SKIDAWAY ISLAND	ACTIVE
		03	A-1441056	D	N/R TWIN LAKES	ACTIVE
		03	A-1441057	D	N/R CHARLESTON U I	ACTIVE
		03	A-1441070	D	N/R CAROLINA WATER SERVICE	ACTIVE
		03	A-1441074	D	N/R SOUTHLAND	ACTIVE
		03	A-1441075	D	N/R UNITED UTILITY	ACTIVE
		03	A-1441077	D	N/R S C UTILITIES	ACTIVE
		03	A-1441078	D	N/R WILD DUNES	ACTIVE
		03	A-1441080	D	N/R CWS INC OF N C	ACTIVE
		03	A-1441085	D	N/R WATAUGA VISTA	ACTIVE
		03	A-1441086	D	N/R BRANDYWINE BAY	ACTIVE
		03	A-1441087	D	N/R QUEENS HARBOR	ACTIVE
		03	A-1441088	D	N/R BELVEDERE UTILITY	ACTIVE
		03	A-1441090	D	N/R U I OF FLORIDA	ACTIVE
		03	A-1441091	D	N/R MILES GRANT	ACTIVE
		03	A-1441092	D	N/R TENNESSEE WTR SERV	ACTIVE
	02		A-144.2	S	NOTES RECEIVABLE OTHER	ACTIVE
		03	A-1442000	D	N/R OTHER	ACTIVE
	02		A-144.3	S	LONG TERM NOTES REC	ACTIVE
		03	A-1443000	D	LONG TERM NOTES RECEIVABLE	ACTIVE
	02		A-144.4	S	N/R STOCK PURCHASE	ACTIVE
		03	A-1444000	D	N/R STOCK PURCHASE	ACTIVE
		03	A-1444001	D	N/R STK PURCH	INACTIVE
		03	A-1444002	D	N/R STK PURCH	INACTIVE
		03	A-1444003	D	N/R STK PURCH	INACTIVE
		03	A-1444004	D	N/R STK PURCH	INACTIVE
		03	A-1444005	D	N/R STK PURCH	INACTIVE
		03	A-1444006	D	N/R STK PURCH	INACTIVE
		03	A-1444007	D	N/R STK PURCH	INACTIVE
		03	A-1444008	D	N/R STK PURCH	INACTIVE
		03	A-1444009	D	N/R STK PURCH	INACTIVE
		03	A-1444010	D	N/R STK PURCH	INACTIVE
		03	A-2011050	D	UNDISTRIBUTED STOCK	ACTIVE
	02		A-145.1	S	ACCTS REC ASSOCIATED COS	ACTIVE
		03	A-1451000	D	A/R ASSOC COS	ACTIVE
		03	A-1451001	D	A/R UTILITIES, INC	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1451002	D	A/R WATER SERVICE CORP	ACTIVE
		03----------	A-1451005	D	A/R APPLE CANYON	ACTIVE
		03----------	A-1451006	D	A/R CAMELOT	ACTIVE
		03----------	A-1451007	D	A/R CHARMAR	ACTIVE
		03----------	A-1451008	D	A/R CHERRY HILL	ACTIVE
		03----------	A-1451009	D	A/R CLARENDON	ACTIVE
		03----------	A-1451010	D	A/R HILLDALE MANOR	ACTIVE
		03----------	A-1451011	D	A/R COUNTY LINE	ACTIVE
		03----------	A-1451012	D	A/R DEL MAR	ACTIVE
		03----------	A-1451013	D	A/R FERSON CREEK	ACTIVE
		03----------	A-1451014	D	A/R GALENA TERRITORY	ACTIVE
		03----------	A-1451015	D	A/R KILLARNEY	ACTIVE
		03----------	A-1451016	D	A/R LAKE HOLIDAY	ACTIVE
		03----------	A-1451017	D	A/R LAKE WILDWOOD	ACTIVE
		03----------	A-1451018	D	A/R NORTHERN HILLS W&S CO.	ACTIVE
		03----------	A-1451019	D	A/R PRESTWICK	ACTIVE
		03----------	A-1451020	D	A/R LAKE MARIAN	ACTIVE
		03----------	A-1451021	D	A/R WILDWOOD	ACTIVE
		03----------	A-1451022	D	A/R VALENTINE	ACTIVE
		03----------	A-1451023	D	A/R WALK UP WOODS	ACTIVE
		03----------	A-1451024	D	A/R WHISPERING HILLS	ACTIVE
		03----------	A-1451025	D	A/R HOLIDAY HILLS	ACTIVE
		03----------	A-1451026	D	A/R MEDINA	ACTIVE
		03----------	A-1451027	D	A/R WESTLAKE	ACTIVE
		03----------	A-1451028	D	A/R CEDAR BLUFF	ACTIVE
		03----------	A-1451029	D	A/R HARBOR RIDGE	ACTIVE
		03----------	A-1451030	D	A/R GREAT NORTHERN	ACTIVE
		03----------	A-1451031	D	A/R ILLINOIS COST CENTER	ACTIVE
		03----------	A-1451032	D	A/R PEACH ORCHARD	ACTIVE
		03----------	A-1451033	D	A/R HARRCO UTILITIES CORP	ACTIVE
		03----------	A-1451034	D	A/R UI OF NEVADA	ACTIVE
		03----------	A-1451035	D	A/R SPRING CREEK	ACTIVE
		03----------	A-1451036	D	A/R LOUISIANA WATER SERVICE	ACTIVE
		03----------	A-1451037	D	A/R FRENCH BR EST WTR SYS INC	ACTIVE
		03----------	A-1451038	D	A/R UTILITIES INC. OF LA	ACTIVE
		03----------	A-1451040	D	A/R U I MARYLAND	ACTIVE
		03----------	A-1451041	D	A/R COLCHESTER	ACTIVE
		03----------	A-1451042	D	A/R GREEN RIDGE	ACTIVE
		03----------	A-1451043	D	A/R PROVINCES	ACTIVE
		03----------	A-1451044	D	A/R MARYLAND WATER SERVICES	ACTIVE
		03----------	A-1451045	D	A/R OCCOQUAN SEWER	INACTIVE
		03----------	A-1451046	D	A/R OCCOQUAN WATER	INACTIVE
		03----------	A-1451047	D	A/R MASSANUTTEN SEWER	ACTIVE
		03----------	A-1451048	D	A/R MASSANUTTEN WATER	ACTIVE
		03----------	A-1451050	D	A/R HOLIDAY SERVICE	ACTIVE
		03----------	A-1451051	D	A/R WESTGATE	ACTIVE
		03----------	A-1451052	D	A/R UI OF PENNSYLVANIA	ACTIVE
		03----------	A-1451053	D	A/R PENN ESTATES	ACTIVE
		03----------	A-1451054	D	A/R BLUE MT LAKE	ACTIVE
		03----------	A-1451055	D	A/R SKIDAWAY ISLAND	ACTIVE
		03----------	A-1451056	D	A/R ELK RIVER	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1451057	D	A/R MONTAGUE WATER	ACTIVE
		03----------	A-1451058	D	A/R MONTAGUE SEWER	ACTIVE
		03----------	A-1451060	D	A/R TWIN LAKES	ACTIVE
		03----------	A-1451061	D	A/R TIERRA VERDE	ACTIVE
		03----------	A-1451062	D	A/R LAKE PLACID U.I.	ACTIVE
		03----------	A-1451063	D	A/R SE STATE UI	ACTIVE
		03----------	A-1451064	D	A/R EAST LAKE U. I.	ACTIVE
		03----------	A-1451065	D	A/R CHARLESTON U I	ACTIVE
		03----------	A-1451066	D	A/R PEBBLE CREEK	ACTIVE
		03----------	A-1451067	D	A/R ALAYAFA	ACTIVE
		03----------	A-1451068	D	A/R UTILITIES, INC. OF LONGWOOD	ACTIVE
		03----------	A-1451069	D	A/R WEDGEFIELD U.I.	ACTIVE
		03----------	A-1451070	D	A/R CAROLINA WATER SERVICE	ACTIVE
		03----------	A-1451071	D	A/R UISCI	ACTIVE
		03----------	A-1451072	D	A/R CYPRESS LAKES UTIL INC	ACTIVE
		03----------	A-1451073	D	A/R UTILITIES,INC EAGLE RIDGE	ACTIVE
		03----------	A-1451074	D	A/R SOUTHLAND	ACTIVE
		03----------	A-1451075	D	A/R UNITED UTILITY	ACTIVE
		03----------	A-1451076	D	A/R KEOWEE KEY	INACTIVE
		03----------	A-1451077	D	A/R S C UTILITIES	ACTIVE
		03----------	A-1451078	D	A/R WILD DUNES	INACTIVE
		03----------	A-1451079	D	A/R TEGA CAY	ACTIVE
		03----------	A-1451080	D	A/R CWS INC OF N C	ACTIVE
		03----------	A-1451081	D	A/R RIVERPOINTE UTIL	ACTIVE
		03----------	A-1451082	D	A/R PIED PIPER UTILITY	INACTIVE
		03----------	A-1451083	D	A/R CWS SYSTEMS INC	ACTIVE
		03----------	A-1451084	D	A/R CWS OF N C 2	INACTIVE
		03----------	A-1451085	D	A/R WATAUGA VISTA	ACTIVE
		03----------	A-1451086	D	A/R CAROLINA TRACE	ACTIVE
		03----------	A-1451087	D	A/R TRANSYLVANIA	ACTIVE
		03----------	A-1451088	D	A/R MID COUNTY	ACTIVE
		03----------	A-1451089	D	A/R LAKE UTILITIES INC	ACTIVE
		03----------	A-1451090	D	A/R U I OF FLORIDA	ACTIVE
		03----------	A-1451091	D	A/R MILES GRANT	ACTIVE
		03----------	A-1451092	D	A/R TENNESSEE WATER SERVICE	ACTIVE
		03----------	A-1451093	D	A/R BIO TECH	ACTIVE
		03----------	A-1451094	D	A/R HUTCHINSON ISLAND IRRG CO	ACTIVE
		03----------	A-1451101	D	A/R SANLANDO UTILITIES CORP	ACTIVE
		03----------	A-1451102	D	A/R LAKE GROVES UTILITIES INC	ACTIVE
		03----------	A-1451103	D	A/R UTILITIES INC OF SANDALHAVEN	ACTIVE
		03----------	A-1451104	D	A/R BAYSIDE UTILITY SVCS INC	ACTIVE
		03----------	A-1451105	D	A/R SOUTH GATE UTILITIES INC	ACTIVE
		03----------	A-1451106	D	A/R LABRADOR	ACTIVE
		03----------	A-1451107	D	A/R PENNBROOKE	ACTIVE
		03----------	A-1451108	D	A/R HUTCINSON ISLAND	ACTIVE
		03----------	A-1451109	D	A/R SANDY CREEK	ACTIVE
		03----------	A-1451120	D	A/R NORTH TOPSAIL UTILITIES INC	ACTIVE
		03----------	A-1451121	D	A/R CAROLINA PINES UTIL INC	ACTIVE
		03----------	A-1451122	D	A/R BRADFIELD FARMS	ACTIVE
		03----------	A-1451123	D	A/R NERO UTILITY	ACTIVE
		03----------	A-1451133	D	A/R SKY RANCH WTR SERV	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03	A-1451135	D	A/R BERMUDA WATER COMPANY	ACTIVE
		03	A-1451140	D	A/R UICNV	ACTIVE
		03	A-1451150	D	A/R WTR SERV CO OF IN INC	ACTIVE
		03	A-1451151	D	A/R INDIANA WATER SERV INC	ACTIVE
		03	A-1451160	D	A/R WSCKY	ACTIVE
		03	A-1451165	D	A/R WSCGA	ACTIVE
	02		A-145.2	S	ACCTS REC ASSOCIATED COS	ACTIVE
		03	A-1452024	D	A/R ASSOC COS WHISPERING HILLS	ACTIVE
	02		A-151.1	S	INVENTORY	ACTIVE
		03	A-1511005	D	INVENTORY	ACTIVE
		03	A-1511010	D	INVENTORY - LABOR	ACTIVE
		03	A-1511015	D	INVENTORY ADJUSTMENT	ACTIVE
	02		A-151.2	S	INVENTORY	ACTIVE
		03	A-1512000	D	INVENTORY	ACTIVE
	02		A-162.1	S	PREPAYMENTS	ACTIVE
		03	A-1621000	D	PREPAYMENTS	ACTIVE
		03	A-1621010	D	PREPAID INSURANCE	ACTIVE
		03	A-1621020	D	PREPAID - DEPOSITS	ACTIVE
		03	A-1621030	D	PREPAID - BACK BILLS	ACTIVE
		03	A-1651040	D	PREPAID - INTEREST	ACTIVE
		03	A-1651070	D	UICNV ST1 TARIFF FUNDS	ACTIVE
		03	A-1651071	D	UICNV ST1 TARIFF - SLUDGE	ACTIVE
		03	A-1651080	D	CREDIT CARD SERVICE FEES	ACTIVE
		03	A-1651090	D	OTHER PREPAYMENTS	ACTIVE
	02		A-171.1	S	INTEREST & DIVIDENDS REC	ACTIVE
		03	A-1711000	D	INTEREST & DIVIDENDS REC	ACTIVE
		03	A-1711010	D	INTEREST RECEIVABLE	ACTIVE
		03	A-1711020	D	DIVIDENDS RECEIVABLE	ACTIVE
	02		A-174.1	S	MISC CURRENT ASSETS	ACTIVE
		03	A-1741000	D	MISC CURRENT ASSETS	ACTIVE
		03	A-1741010	D	INVESTMENTS IN STOCK	ACTIVE
		03	A-1741020	D	TEMPORARY CASH INVESTMENTS	ACTIVE
		03	A-1741030	D	DEFERRED STOCK COMPENSATION	ACTIVE
		03	A-1741040	D	OTHER MISC CURRENT ASSETS	ACTIVE
		03	A-1741090	D	OTHER MISC CURRENT ASSETS	ACTIVE
	02		A-174.2	S	CASH VALUE OF LIFE INS	ACTIVE
		03	A-1742000	D	CASH VALUE OF LIFE INS	ACTIVE
	02		A-181.1	S	UNAMORTIZED DEBT DISC & EXP	ACTIVE
		03	A-1811000	D	UNAMORT DEBT DISCOUNT &EXP	ACTIVE
	02		A-181.2	S	DEBT & ACQ EXP BEING AMORT	ACTIVE
		03	A-1812000	D	DEBT & ACQUIS EXP BEING AMORT	ACTIVE
	02		A-183.1	S	PRELIMINARY SURVEY	ACTIVE
		03	A-1831000	D	PRELIMINARY SURVEY	ACTIVE
		03	A-1831001	D	P/S-MERGER	ACTIVE
		03	A-1831002	D	P/S-FLORIDA REGION	ACTIVE
		03	A-1831003	D	P/S-LOUISIANA REGION	ACTIVE
		03	A-1831004	D	P/S-NORTH CAROLINA REGION	ACTIVE
		03	A-1831005	D	P/S-MIDWEST REGION	ACTIVE
		03	A-1831006	D	P/S-MID ATLANTIC REGION	ACTIVE
		03	A-1831007	D	P/S-SOUTHEAST REGION	ACTIVE
		03	A-1831008	D	P/S-WEST REGION	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1831009	D	P/S-CORPORATE REGION	ACTIVE
		03----------	A-1831070	D	PRELIM SURVEY-MEALS &ENT	ACTIVE
	02----------		A-184.1	S	PAYROLL CLEARING	ACTIVE
		03----------	A-1841000	D	PAYROLL CLEARING	ACTIVE
		03----------	A-1841050	D	FLEX SERV	ACTIVE
		03----------	A-1841090	D	401K CLEARING	ACTIVE
	02----------		A-186.1	S	REGULATORY EXP BEING AMORT	ACTIVE
		03----------	A-1863000	D	REG EXP BEING AMORT	ACTIVE
		03----------	A-1863001	D	R.C.EXP-CNC TAP SUB 118	ACTIVE
		03----------	A-1863002	D	R.C.EXP-CNC SS AUDIT SUB 128	ACTIVE
		03----------	A-1863003	D	R.C.EXP-CNC ATL.BCH SUB 129	ACTIVE
		03----------	A-1863004	D	R.C.EXP-CNC SUG.MT SUB 116	ACTIVE
		03----------	A-1863010	D	RATE CASE EXPENSE--0	ACTIVE
		03----------	A-1863011	D	RATE CASE EXPENSE--1	ACTIVE
		03----------	A-1863012	D	RATE CASE EXPENSE--2	ACTIVE
		03----------	A-1863013	D	RATE CASE EXPENSE--3	ACTIVE
		03----------	A-1863014	D	RATE CASE EXPENSE--4	ACTIVE
		03----------	A-1863015	D	RATE CASE EXPENSE--5	ACTIVE
		03----------	A-1863016	D	RATE CASE EXPENSE--6	ACTIVE
		03----------	A-1863017	D	RATE CASE EXPENSE--7	ACTIVE
		03----------	A-1863018	D	RATE CASE EXPENSE--8	ACTIVE
		03----------	A-1863019	D	RATE CASE EXPENSE--9	ACTIVE
		03----------	A-1863020	D	ORIG COST EXPENSE--0	ACTIVE
		03----------	A-1863021	D	ORIG COST EXPENSE--1	ACTIVE
		03----------	A-1863022	D	ORIG COST EXPENSE--2	ACTIVE
		03----------	A-1863023	D	ORIG COST EXPENSE--3	ACTIVE
		03----------	A-1863024	D	ORIG COST EXPENSE--4	ACTIVE
		03----------	A-1863025	D	ORIG COST EXPENSE--5	ACTIVE
		03----------	A-1863026	D	ORIG COST EXPENSE--6	ACTIVE
		03----------	A-1863027	D	ORIG COST EXPENSE--7	ACTIVE
		03----------	A-1863028	D	ORIG COST EXPENSE--8	ACTIVE
		03----------	A-1863029	D	ORIG COST EXPENSE--9	ACTIVE
		03----------	A-1863030	D	MISC REGULATORY COMM EXP	ACTIVE
		03----------	A-1863031	D	MISC REGULATORY COMM EXP - IL	ACTIVE
		03----------	A-1863051	D	R.C.-CNC TAP SUB 118-AMORT	ACTIVE
		03----------	A-1863052	D	R.C.-CNC SS AUDIT 128-AMORT	ACTIVE
		03----------	A-1863053	D	R.C.-CNC ATL.BCH 129-AMORT	ACTIVE
		03----------	A-1863054	D	R.C.-CNC SUG.MT 116-AMORT	ACTIVE
		03----------	A-1863060	D	RATE CASE EXP AMORT--0	ACTIVE
		03----------	A-1863061	D	RATE CASE EXP AMORT--1	ACTIVE
		03----------	A-1863062	D	RATE CASE EXP AMORT--2	ACTIVE
		03----------	A-1863063	D	RATE CASE EXP AMORT--3	ACTIVE
		03----------	A-1863064	D	RATE CASE EXP AMORT--4	ACTIVE
		03----------	A-1863065	D	RATE CASE EXP AMORT--5	ACTIVE
		03----------	A-1863066	D	RATE CASE EXP AMORT--6	ACTIVE
		03----------	A-1863067	D	RATE CASE EXP AMORT--7	ACTIVE
		03----------	A-1863068	D	RATE CASE EXP AMORT--8	ACTIVE
		03----------	A-1863069	D	RATE CASE EXP AMORT--9	ACTIVE
		03----------	A-1863070	D	ORIG COST AMORTIZATION--0	ACTIVE
		03----------	A-1863071	D	ORIG COST AMORTIZATION--1	ACTIVE
		03----------	A-1863072	D	ORIG COST AMORTIZATION--2	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1863073	D	ORIG COST AMORTIZATION--3	ACTIVE
		03----------	A-1863074	D	ORIG COST AMORTIZATION--4	ACTIVE
		03----------	A-1863075	D	ORIG COST AMORTIZATION--5	ACTIVE
		03----------	A-1863076	D	ORIG COST AMORTIZATION--6	ACTIVE
		03----------	A-1863077	D	ORIG COST AMORTIZATION--7	ACTIVE
		03----------	A-1863078	D	ORIG COST AMORTIZATION--8	ACTIVE
		03----------	A-1863079	D	ORIG COST AMORTIZATION--9	ACTIVE
		03----------	A-1863080	D	MISC.REG.COMM.EXP-AMORT.	ACTIVE
	02----------		A-186.2	S	OTHER DEFERRED CHARGES	ACTIVE
		03----------	A-1862000	D	OTHER DEFERRED CHARGES	ACTIVE
		03----------	A-1862001	D	DEF CHGS-LANDSCAPING	ACTIVE
		03----------	A-1862002	D	DEF CHGS-UNIFORMS	ACTIVE
		03----------	A-1862003	D	DEF CHGS-EMPLOYMENT PLACEMENTS	ACTIVE
		03----------	A-1862004	D	DEF CHGS-CUSTOMER COMPLAINTS	ACTIVE
		03----------	A-1862010	D	DEF CHGS-MAIN BREAKS (WATER)	ACTIVE
		03----------	A-1862011	D	DEF CHGS-MAJOR REPAIRS (WATER)	ACTIVE
		03----------	A-1862019	D	DEF CHGS-OTHER (WATER)	ACTIVE
		03----------	A-1862020	D	DEF CHGS-TANK MAINT&REP(WTR)-0	ACTIVE
		03----------	A-1862021	D	DEF CHGS-TANK MAINT&REP(WTR)-1	ACTIVE
		03----------	A-1862022	D	DEF CHGS-TANK MAINT&REP(WTR)-2	ACTIVE
		03----------	A-1862023	D	DEF CHGS-TANK MAINT&REP(WTR)-3	ACTIVE
		03----------	A-1862024	D	DEF CHGS-TANK MAINT&REP(WTR)-4	ACTIVE
		03----------	A-1862025	D	DEF CHGS-TANK MAINT&REP(WTR)-5	ACTIVE
		03----------	A-1862026	D	DEF CHGS-TANK MAINT&REP(WTR)-6	ACTIVE
		03----------	A-1862027	D	DEF CHGS-TANK MAINT&REP(WTR)-7	ACTIVE
		03----------	A-1862028	D	DEF CHGS-TANK MAINT&REP(WTR)-8	ACTIVE
		03----------	A-1862029	D	DEF CHGS-TANK MAINT&REP(WTR)-9	ACTIVE
		03----------	A-1862030	D	DEF CHGS-SECURITIES ISSUANCE	ACTIVE
		03----------	A-1862040	D	DEF CHGS-RELOCATION EXPENSES	ACTIVE
		03----------	A-1862041	D	DEF CHGS-ATTORNEY FEE	ACTIVE
		03----------	A-1862042	D	DEF CHGS-HURRICANE/STORMS COST	ACTIVE
		03----------	A-1862043	D	DEF CHGS-EMP FEES	ACTIVE
		03----------	A-1862044	D	DEF CHGS-HUGO 1990	ACTIVE
		03----------	A-1862045	D	DEF CHGS-OTHER	ACTIVE
		03----------	A-1862046	D	DEF CHGS-SALES TAX	ACTIVE
		03----------	A-1862047	D	DEF CHGS-ASBESTOS	ACTIVE
		03----------	A-1862048	D	DEF CHGS-OTHER (WTR & SWR)	ACTIVE
		03----------	A-1862049	D	DEF CHGS-VOC TESTING	ACTIVE
		03----------	A-1862050	D	DEF CHGS-MAIN BREAKS (SEWER)	ACTIVE
		03----------	A-1862051	D	DEF CHGS-MAJOR REPAIRS (SEWER)	ACTIVE
		03----------	A-1862052	D	DEF CHGS-SLUDGE HAULING	ACTIVE
		03----------	A-1862053	D	DEF CHGS-PR WASH/JET SWR MAINS	ACTIVE
		03----------	A-1862054	D	DEF CHGS-TV SEWER MAINS	ACTIVE
		03----------	A-1862055	D	DEF CHGS-SWR ABANDON	ACTIVE
		03----------	A-1862060	D	DEF CHGS-TANK MAINT&REP(SWR)-0	ACTIVE
		03----------	A-1862061	D	DEF CHGS-TANK MAINT&REP(SWR)-1	ACTIVE
		03----------	A-1862062	D	DEF CHGS-TANK MAINT&REP(SWR)-2	ACTIVE
		03----------	A-1862063	D	DEF CHGS-TANK MAINT&REP(SWR)-3	ACTIVE
		03----------	A-1862064	D	DEF CHGS-TANK MAINT&REP(SWR)-4	ACTIVE
		03----------	A-1862065	D	DEF CHGS-TANK MAINT&REP(SWR)-5	ACTIVE
		03----------	A-1862066	D	DEF CHGS-TANK MAINT&REP(SWR)-6	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1862067	D	DEF CHGS-TANK MAINT&REP(SWR)-7	ACTIVE
		03----------	A-1862068	D	DEF CHGS-TANK MAINT&REP(SWR)-8	ACTIVE
		03----------	A-1862069	D	DEF CHGS-TANK MAINT&REP(SWR)-9	ACTIVE
		03----------	A-1862070	D	TANK MAINT & REP AMORT--0	INACTIVE
		03----------	A-1862071	D	TANK MAINT & REP AMORT--1	INACTIVE
		03----------	A-1862072	D	TANK MAINT & REP AMORT--2	INACTIVE
		03----------	A-1862073	D	TANK MAINT & REP AMORT--3	INACTIVE
		03----------	A-1862074	D	TANK MAINT & REP AMORT--4	INACTIVE
		03----------	A-1862075	D	TANK MAINT & REP AMORT--5	INACTIVE
		03----------	A-1862076	D	TANK MAINT & REP AMORT--6	INACTIVE
		03----------	A-1862077	D	TANK MAINT & REP AMORT--7	INACTIVE
		03----------	A-1862078	D	TANK MAINT & REP AMORT--8	INACTIVE
		03----------	A-1862079	D	TANK MAINT & REP AMORT--9	INACTIVE
		03----------	A-1862080	D	SEC ISSUANCE AMORTIZATION	INACTIVE
		03----------	A-1862090	D	RELOCATION EXP AMORTIZATION	INACTIVE
		03----------	A-1862091	D	ATTORNEYS FEES AMORTIZATION	INACTIVE
		03----------	A-1862092	D	DEF.CHGES-HUGO AMORT.	INACTIVE
		03----------	A-1862095	D	PROPERTY SALES AMORTIZATION	INACTIVE
		03----------	A-1862098	D	OTHER DEFERRED CRGES AMORT	INACTIVE
		03----------	A-1865001	D	AMORT - LANDSCAPING	ACTIVE
		03----------	A-1865002	D	AMORT - UNIFORMS	ACTIVE
		03----------	A-1865003	D	AMORT - EMPLOYMENT PLACEMENTS	ACTIVE
		03----------	A-1865004	D	AMORT - CUSTOMER COMPLAINTS	ACTIVE
		03----------	A-1865010	D	AMORT - MAIN BREAK (WATER)	ACTIVE
		03----------	A-1865011	D	AMORT - MAJOR REPAIRS (WATER)	ACTIVE
		03----------	A-1865019	D	AMORT - OTHER (WATER)	ACTIVE
		03----------	A-1865020	D	AMORT - TANK MAINT&REP (WTR)-0	ACTIVE
		03----------	A-1865021	D	AMORT - TANK MAINT&REP (WTR)-1	ACTIVE
		03----------	A-1865022	D	AMORT - TANK MAINT&REP (WTR)-2	ACTIVE
		03----------	A-1865023	D	AMORT - TANK MAINT&REP (WTR)-3	ACTIVE
		03----------	A-1865024	D	AMORT - TANK MAINT&REP (WTR)-4	ACTIVE
		03----------	A-1865025	D	AMORT - TANK MAINT&REP (WTR)-5	ACTIVE
		03----------	A-1865026	D	AMORT - TANK MAINT&REP (WTR)-6	ACTIVE
		03----------	A-1865027	D	AMORT - TANK MAINT&REP (WTR)-7	ACTIVE
		03----------	A-1865028	D	AMORT - TANK MAINT&REP (WTR)-8	ACTIVE
		03----------	A-1865029	D	AMORT - TANK MAINT&REP (WTR)-9	ACTIVE
		03----------	A-1865030	D	AMORT - SEC ISSUANCE	ACTIVE
		03----------	A-1865040	D	AMORT - RELOCATION EXP	ACTIVE
		03----------	A-1865041	D	AMORT - ATTORNEY FEE	ACTIVE
		03----------	A-1865042	D	AMORT - HURRICANE/STORMS	ACTIVE
		03----------	A-1865043	D	AMORT - EMPLOYEE FEES	ACTIVE
		03----------	A-1865044	D	AMORT - HUGO 1990	ACTIVE
		03----------	A-1865045	D	AMORT - OTHER	ACTIVE
		03----------	A-1865046	D	AMORT - SALES TAX	ACTIVE
		03----------	A-1865047	D	AMORT - ASBESTOS	ACTIVE
		03----------	A-1865048	D	AMORT - OTHER (WTR & SWR)	ACTIVE
		03----------	A-1865049	D	AMORT - VOC TESTING	ACTIVE
		03----------	A-1865050	D	AMORT - MAIN BREAKS (SEWER)	ACTIVE
		03----------	A-1865051	D	AMORT - MAJOR REPAIRS (SEWER)	ACTIVE
		03----------	A-1865052	D	AMORT - SLUDGE HAULING	ACTIVE
		03----------	A-1865053	D	AMORT - PR WASH/JET SWR MAINS	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-1865054	D	AMORT - TV SEWER MAINS	ACTIVE
		03----------	A-1865055	D	AMORT - SWR ABANDON	ACTIVE
		03----------	A-1865060	D	AMORT - TANK MAINT&REP(SWR)-0	ACTIVE
		03----------	A-1865061	D	AMORT - TANK MAINT&REP(SWR)-1	ACTIVE
		03----------	A-1865062	D	AMORT - TANK MAINT&REP(SWR)-2	ACTIVE
		03----------	A-1865063	D	AMORT - TANK MAINT&REP(SWR)-3	ACTIVE
		03----------	A-1865064	D	AMORT - TANK MAINT&REP(SWR)-4	ACTIVE
		03----------	A-1865065	D	AMORT - TANK MAINT&REP(SWR)-5	ACTIVE
		03----------	A-1865066	D	AMORT - TANK MAINT&REP(SWR)-6	ACTIVE
		03----------	A-1865067	D	AMORT - TANK MAINT&REP(SWR)-7	ACTIVE
		03----------	A-1865068	D	AMORT - TANK MAINT&REP(SWR)-8	ACTIVE
		03----------	A-1865069	D	AMORT - TANK MAINT&REP(SWR)-9	ACTIVE
	02----------		A-186.3	S	REGULATORY INCOME TAX ASSET	ACTIVE
		03----------	A-1864000	D	REGULATORY INCOME TAX ASSET	ACTIVE
	02----------		A-190.1	S	ACCUM DEFERRED FIT	ACTIVE
		03----------	A-1901000	D	ACCUM DEF INCOME TAX-FED	ACTIVE
		03----------	A-1901011	D	DEF FED TAX - CIAC PRE 1987	ACTIVE
		03----------	A-1901012	D	DEF FED TAX-TAP FEE POST 2000	ACTIVE
		03----------	A-1901015	D	DEF FED TAX - IDC	ACTIVE
		03----------	A-1901020	D	DEF FED TAX - RATE CASE	ACTIVE
		03----------	A-1901021	D	DEF FED TAX - DEF MAINT	ACTIVE
		03----------	A-1901022	D	DEF FED TAX - OTHER OPERATION	ACTIVE
		03----------	A-1901023	D	FED INC TAX - SOLD CO.	ACTIVE
		03----------	A-1901024	D	DEF FED TAX - ORGN EXP	ACTIVE
		03----------	A-1901025	D	DEF FED TAX - BAD DEBTS '86	ACTIVE
		03----------	A-1901026	D	DEF FED TAX - BAD DEBTS CURRENT	ACTIVE
		03----------	A-1901031	D	DEF FED TAX - DEPRECIATION	ACTIVE
		03----------	A-1901032	D	DEF FED TAX - PRE ACRS	ACTIVE
		03----------	A-1901036	D	DEF FED TAX - BILL UNDER BOND	ACTIVE
		03----------	A-1901041	D	DEF FED TAX - CONT. PROP.	ACTIVE
		03----------	A-1901046	D	DEF FED TAX - AMT	ACTIVE
		03----------	A-1901047	D	DEF FED TAX - RES CAP FEE	ACTIVE
	02----------		A-190.2	S	ACCUM DEFERRED SIT	ACTIVE
		03----------	A-1902000	D	ACCUM DEF INCOME TAX - ST	ACTIVE
		03----------	A-1902011	D	DEF ST TAX - CIAC PRE 1987	ACTIVE
		03----------	A-1902012	D	DEF ST TAX-TAP FEE POST 2000	ACTIVE
		03----------	A-1902020	D	DEF ST TAX - RATE CASE	ACTIVE
		03----------	A-1902021	D	DEF ST TAX - DEF MAINT	ACTIVE
		03----------	A-1902022	D	DEF ST TAX - OTHER OPERATIONS	ACTIVE
		03----------	A-1902023	D	DEF ST TAX - SOLD CO.	ACTIVE
		03----------	A-1902031	D	DEF ST TAX - DEPRECIATION	ACTIVE
		03----------	A-1902041	D	DEF ST TAX - CONT. PROP.	ACTIVE
		03----------	A-1902046	D	DEF ST TAX - AMT	ACTIVE
		03----------	A-1902047	D	DEF ST TAX - RES CAP FEE	ACTIVE
	02----------		A-202.1	S	COMMON STOCK & CS SUBSCR	ACTIVE
		03----------	A-2021000	D	COMMON STOCK & C S SUBSCR	ACTIVE
		03----------	A-2021010	D	COMMON STOCK	ACTIVE
		03----------	A-2021020	D	COMMON STOCK SUBSCRIBED	ACTIVE
		03----------	A-2161030	D	TREASURY STOCK	ACTIVE
	02----------		A-203.1	S	DEFERRED COMP-RESTRICTED STOCK	ACTIVE
		03----------	A-2031000	D	DEFERRED COMP-RESTRICTED STOCK	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
	02		A-207.1	S	PREMIUM ON COMMON STOCK	ACTIVE
		03	A-2071000	D	PREM ON COMMON STOCK	ACTIVE
	02		A-207.2	S	DONATIONS RECD FROM SHAREHLDRS	ACTIVE
		03	A-2072000	D	DONATION RECD FROM SHRHLDRS	ACTIVE
	02		A-211.1	S	PAID IN CAPITAL	ACTIVE
		03	A-2111000	D	PAID-IN CAPITAL	ACTIVE
	02		A-211.2	S	MISC PAID IN CAPITAL	ACTIVE
		03	A-2112000	D	MISC PAID-IN CAPITAL	ACTIVE
	02		A-213.1	S	CAPITAL STOCK EXPENSE	ACTIVE
		03	A-2131000	D	CAPITAL STOCK EXPENSE	ACTIVE
	02		A-214.1	S	RETAINED EARNINGS CURRENT	ACTIVE
		03	A-2141000	D	RETAINED EARN-CURRENT YR	ACTIVE
	02		A-215.1	S	RETAINED EARNINGS PRIOR	ACTIVE
		03	A-2151000	D	RETAINED EARN-PRIOR YEARS	ACTIVE
	02		A-216.1	S	TREASURY STOCK	ACTIVE
		03	A-2162000	D	TREASURY STOCK	ACTIVE
	02		A-224.1	S	LONG TERM DEBT	ACTIVE
		03	A-2241000	D	LONG TERM DEBT	ACTIVE
		03	A-2241011	D	L/T N/P TO MUTUAL TR LIFE INS	ACTIVE
		03	A-2241012	D	L/T N/P TO LINC NAT LIFE INS	ACTIVE
		03	A-2241013	D	L/T N/P TO IDS LIFE INS	ACTIVE
		03	A-2241014	D	L/T N/P TEACHERS 8.95%	ACTIVE
		03	A-2241021	D	L/T N/P $50MM	ACTIVE
		03	A-2241022	D	L/T N/P AMERICAN NATL	ACTIVE
		03	A-2241025	D	L/T N/P CENTURY 21	ACTIVE
		03	A-2241031	D	L/T N/P 20M @ 4.55%	ACTIVE
		03	A-2241032	D	L/T N/P 20M @ 4.62	ACTIVE
		03	A-2241039	D	L/T N/P TEACHERS 9.16%	ACTIVE
		03	A-2241041	D	L/T DEBT-SOUTHERN GULF	ACTIVE
		03	A-2241042	D	L/T N/P TEACHERS 9.01%	ACTIVE
		03	A-2241043	D	N/P CITY OF ST PETERSBURG #1	ACTIVE
		03	A-2241044	D	N/P CITY OF ST PETERSBURG #2	ACTIVE
		03	A-2241045	D	L/T N/P LINCOLN/AMERICAN 7.87%	ACTIVE
		03	A-2241046	D	L/T N/P FIRST UNION	ACTIVE
		03	A-2241047	D	L/T N/P $41MM 8.42%	ACTIVE
		03	A-2241050	D	L/T DEBT BERMUDA	ACTIVE
		03	A-2241090	D	L/T N/P TO TIERRA VERDE	ACTIVE
	02		A-231.1	S	ACCOUNTS PAYABLE TRADE	ACTIVE
		03	A-2311000	D	A/P TRADE	ACTIVE
		03	A-2311010	D	A/P RETIREMENT PLANS	ACTIVE
		03	A-2311020	D	A/P CITY OF CLINTON	ACTIVE
		03	A-2311050	D	A/P TRADE - ACCRUAL	ACTIVE
	02		A-231.2	S	PAYABLE TO DEVELOPER	ACTIVE
		03	A-2312000	D	PAYABLE TO DEVELOPER	ACTIVE
	02		A-232.1	S	NOTES PAYABLE SHORT TERM	ACTIVE
		03	A-2321000	D	N/P SHORT TERM	ACTIVE
		03	A-2321010	D	N/P AMERICAN NATL	ACTIVE
		03	A-2321020	D	N/P BANK OF AMERICA	ACTIVE
		03	A-2321030	D	N/P C & S NATIONAL BANK	ACTIVE
		03	A-2321040	D	N/P NATIONS BANK	ACTIVE
		03	A-2321046	D	S/T N/P FIRST UNION	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-2321050	D	N/P UTIL SUPPLY AMERICA	ACTIVE
	02----------		A-233.1	S	ACCTS PAYABLE ASSOC COS	ACTIVE
		03----------	A-2331040	D	A/P-MD UNSORTED U I OF MD	ACTIVE
		03----------	A-2331045	D	A/P-MD UNSORTED-OCCOQUAN	ACTIVE
		03----------	A-2331047	D	A/P-MD UNSORTED-MASSANUTTEN	ACTIVE
	02----------		A-233.2	S	ACCTS PAYABLE ASSOC COS	ACTIVE
		03----------	A-2332000	D	A/P NC UNSORTED CASH	ACTIVE
		03----------	A-2332055	D	A/P NC UNSORTED SKIDAWAY ISL	ACTIVE
		03----------	A-2332070	D	A/P UNSORTED CAROLINA W S	ACTIVE
		03----------	A-2332074	D	A/P NC UNSORTED SOUTHLAND	ACTIVE
		03----------	A-2332080	D	A/P NC UNSORTED CWS OF NC	ACTIVE
		03----------	A-2332084	D	A/P NC UNSORTED CWS SYSTEMS	ACTIVE
		03----------	A-2332085	D	A/P NC UNSORTED WATAUGA VISTA	ACTIVE
		03----------	A-2332086	D	A/P NC UNSORTED BRANDYWINE BAY	ACTIVE
		03----------	A-2332092	D	A/P NC UNSORTED TENNESSEE	ACTIVE
	02----------		A-233.3	S	ACCTS PAYABLE ASSOC COS	ACTIVE
		03----------	A-2333045	D	A/P UNSORTED OCCOQUAN	ACTIVE
		03----------	A-2333070	D	A/P UNSORTED CAROLINA W S	ACTIVE
		03----------	A-2333074	D	A/P UNSORTED SOUTHLAND UTIL	ACTIVE
		03----------	A-2333080	D	A/P UNSORTED CWS INC OF NC	ACTIVE
		03----------	A-2333084	D	A/P UNSORTED CWS SYSTEMS INC	ACTIVE
		03----------	A-2333086	D	A/P UNSORTED BRANDYWINE BAY	ACTIVE
		03----------	A-2333090	D	A/P CASH BK U.I. OF FLORIDA	ACTIVE
		03----------	A-2333091	D	A/P UNSORTED MILES GRANT	ACTIVE
		03----------	A-2333300	D	A/P UNSORTED CASH	ACTIVE
	02----------		A-233.4	S	ACCTS PAYABLE ASSOC COS	ACTIVE
		03----------	A-2334000	D	ACCTS.PAYABLE-ASSOC. COS.	ACTIVE
		03----------	A-2334002	D	A/P WATER SERVICE CORP	ACTIVE
		03----------	A-2334003	D	A/P WATER SERVICE DISB	ACTIVE
		03----------	A-2334050	D	A/P INTERCOMPANY	ACTIVE
	02----------		A-234.1	S	L/T N/P TO ASSOC COS	ACTIVE
		03----------	A-2341000	D	L/T N/P TO ASSOC COS	ACTIVE
	02----------		A-234.2	S	NOTES PAYABLE ASSOC COS	ACTIVE
		03----------	A-2342000	D	N/P TO ASSOC COS UI	ACTIVE
	02----------		A-235.1	S	CUSTOMER DEPOSITS	ACTIVE
		03----------	A-2351000	D	CUSTOMER DEPOSITS	ACTIVE
		03----------	A-2351010	D	METER DEPOSITS-AZ	ACTIVE
	02----------		A-236.1	S	ACCRUED TAXES	ACTIVE
		03----------	A-2361100	D	ACCRUED TAXES	ACTIVE
		03----------	A-2361101	D	ACCRUED GROSS RECEIPT TAX	ACTIVE
		03----------	A-2361102	D	ACCRUED CAPITAL STOCK TAX	ACTIVE
		03----------	A-2361103	D	ACCRUED FRANCHISE TAX	ACTIVE
		03----------	A-2361104	D	ACCRUED UTIL OR COMM TAX	ACTIVE
		03----------	A-2361105	D	ACCRUED FICA WITHHOLDING	ACTIVE
		03----------	A-2361106	D	ACCRUED FED WITHHOLDING	ACTIVE
		03----------	A-2361107	D	ACCRUED SAFE DRINKING ACT	ACTIVE
		03----------	A-2361108	D	ACCRUED SUI - PA	ACTIVE
		03----------	A-2361109	D	ACCRUED ST DISABILITY-NJ	ACTIVE
		03----------	A-2361121	D	ACCRUED REAL EST TAX	ACTIVE
		03----------	A-2361122	D	ACCRUED PERS PROP & ICT TAX	ACTIVE
		03----------	A-2361123	D	ACCRUED SPECIAL ASSESSMENTS	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-2361132	D	ACCRUED ST W/H TAX GEORGIA	ACTIVE
		03----------	A-2361133	D	ACCRUED ST W/H TAX ILLINOIS	ACTIVE
		03----------	A-2361134	D	ACCRUED ST W/H TAX INDIANA	ACTIVE
		03----------	A-2361135	D	ACCRUED ST W/H TAX MISS	ACTIVE
		03----------	A-2361136	D	ACCRUED ST W/H TAX N C	ACTIVE
		03----------	A-2361137	D	ACCRUED ST W/H TAX OHIO	ACTIVE
		03----------	A-2361138	D	ACCRUED ST W/H TAX S C	ACTIVE
		03----------	A-2361139	D	ACCRUED ST W/H TAX VIRGINIA	ACTIVE
		03----------	A-2361140	D	ACCRUED ST W/H TAX WISCONSIN	ACTIVE
		03----------	A-2361141	D	ACCRUED ST W/H TAX LOUISIANA	ACTIVE
		03----------	A-2361142	D	ACCRUED ST W/H TAX TENNESSEE	ACTIVE
		03----------	A-2361143	D	ACCRUED ST W/H TAX MARYLAND	ACTIVE
		03----------	A-2361144	D	ACCRUED ST W/H TAX PA	ACTIVE
		03----------	A-2361145	D	ACCRUED ST W/H TAX NJ	ACTIVE
		03----------	A-2361146	D	ACCRUED ST W/H TAX-BIO TECH	ACTIVE
		03----------	A-2361150	D	ACCRUED FED UNEMP TAX	ACTIVE
		03----------	A-2361160	D	ACCRUED FED W/H DIVIDENDS	ACTIVE
		03----------	A-2361170	D	ACCRUED SALES TAX	ACTIVE
		03----------	A-2361171	D	ACCRUED SALES TAX 2	ACTIVE
		03----------	A-2361172	D	ACCRUED COUNTY TAX-ORANGE	ACTIVE
		03----------	A-2361173	D	ACCRUED COUNTY TAX-SEMINOLE	ACTIVE
		03----------	A-2361174	D	ACCRUED SEWER MONITORING	ACTIVE
		03----------	A-2361175	D	ACCRUED TAX - CITY	ACTIVE
		03----------	A-2361176	D	ACCRUED TAX-POLK	ACTIVE
		03----------	A-2361177	D	ACCRUED MD BAY RESTORATION FUND	ACTIVE
		03----------	A-2361290	D	ACCRUED INCOME TAX	ACTIVE
		03----------	A-2361291	D	ACCRUED FED INCOME TAX	ACTIVE
		03----------	A-2361292	D	ACCRUED ST INCOME TAX	ACTIVE
	02----------		A-237.1	S	ACCRUED INTEREST	ACTIVE
		03----------	A-2371000	D	ACCRUED INTEREST	ACTIVE
		03----------	A-2371010	D	ACCRUED INTER-CO INTEREST	ACTIVE
		03----------	A-2371050	D	ACCRUED L/T BANK DEBT INT	ACTIVE
		03----------	A-2372020	D	ACCRUED S/T BK DEBT INTEREST	ACTIVE
		03----------	A-2372030	D	ACCRUED CUST DEP INTEREST	ACTIVE
		03----------	A-2372040	D	ACCRUED INS CO INTEREST	ACTIVE
		03----------	A-2372060	D	ACCRUED MORT DEBT INTEREST	ACTIVE
		03----------	A-2372070	D	ACCRUED OTHER INTEREST	ACTIVE
		03----------	A-2372080	D	ACCRUED COMMISSIONS	ACTIVE
	02----------		A-239.1	S	CURRENT MATURITY L/T DEBT	ACTIVE
		03----------	A-2391000	D	CURR MATURITIES ON L/T DEBT	ACTIVE
	02----------		A-241.1	S	BOOK VALUE IN EXCESS INV	ACTIVE
		03----------	A-2411000	D	BK VAL IN EXCESS OF INVEST	ACTIVE
		03----------	A-2411010	D	UNAMORT EXCESS BK VAL	ACTIVE
		03----------	A-2411020	D	ACCUM AMORT OF EXC BK VAL	ACTIVE
	02----------		A-241.2	S	ACCOUNTS PAYABLE MISC	ACTIVE
		03----------	A-2412000	D	A/P MISCELLANEOUS	ACTIVE
		03----------	A-2412001	D	A/P MISCELLANEOUS	ACTIVE
		03----------	A-2412002	D	A/P DEFERRED COMPENSATION	ACTIVE
		03----------	A-2412003	D	A/P EBRP	ACTIVE
		03----------	A-2412036	D	A/P LOUSIANA WATER SERV	ACTIVE
		03----------	A-2412045	D	A/P OCCOQUAN SEWER	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-2412046	D	A/P OCCOQUAN WATER	ACTIVE
		03----------	A-2412047	D	A/P MASSANUTTEN SEWER	ACTIVE
		03----------	A-2412048	D	A/P MASSANUTTEN SEWER	ACTIVE
		03----------	A-2412049	D	A/P DIVISION	ACTIVE
		03----------	A-2412050	D	A/P DIVISION	ACTIVE
	02----------		A-241.3	S	ADVANCES FROM UI	ACTIVE
		03----------	A-2413000	D	ADVANCES FROM UTILITIES INC	ACTIVE
	02----------		A-241.4	S	ACCRUED SALARIES	ACTIVE
		03----------	A-2414000	D	SALARIES PAYABLE	ACTIVE
		03----------	A-2414010	D	SALARIES PAYABLE - NBK	ACTIVE
		03----------	A-2414020	D	SALARIES BURDEN - NBK	ACTIVE
	02----------		A-252.1	S	ADVANCES IN AID WATER	ACTIVE
		03----------	A-2525000	D	ADV-IN-AID OF CONST-WATER	ACTIVE
	02----------		A-252.2	S	ADVANCES IN AID SEWER	ACTIVE
		03----------	A-2526000	D	ADV-IN-AID OF CONST-SEWER	ACTIVE
	02----------		A-252.3	S	ACC AMORT AIA WATER	ACTIVE
		03----------	A-2527000	D	ACC. AMORT-AIA-WATER	ACTIVE
	02----------		A-252.4	S	ACC AMORT AIA SEWER	ACTIVE
		03----------	A-2528000	D	ACC. AMORT-CIA-SEWER	ACTIVE
	02----------		A-253.1	S	DEFERRED REVENUE	ACTIVE
		03----------	A-2531000	D	DEFERRED REVENUE	ACTIVE
	02----------		A-253.2	S	DEFERRED REV TAX REFORM	ACTIVE
		03----------	A-2532000	D	DEF REV TAX REFORM ACT	ACTIVE
	02----------		A-253.3	S	RESERVE PENDING REG MATTER	ACTIVE
		03----------	A-2533000	D	RESERVE-PEND REG MATTER	ACTIVE
	02----------		A-253.4	S	DEF CREDITS	ACTIVE
		03----------	A-2333000	D	DEF CRS OTHER (USE 230-01)	ACTIVE
		03----------	A-2333010	D	AMORT.DEF.CREDITS	ACTIVE
	02----------		A-255.1	S	UNAMORT INVEST TAX CREDIT	ACTIVE
		03----------	A-2551000	D	UNAMORT INVEST TAX CREDIT	ACTIVE
	02----------		A-255.2	S	UNAMORT INVEST TAX CR UI	ACTIVE
		03----------	A-2552000	D	UNAMORT INVEST TAX CR UI	ACTIVE
	02----------		A-263.1	S	OTHER COMPREHENSIVE INCOME-NET	ACTIVE
		03----------	A-2631000	D	OTHER COMPREHENSIVE INCOMME-NET	ACTIVE
	02----------		A-271.1	S	CONTRIBUTIONS IN AID WATER	ACTIVE
		03----------	A-2711000	D	CIAC-WATER-UNDISTR.	ACTIVE
		03----------	A-2711001	D	CIAC-WTR.ORGANIZATION	ACTIVE
		03----------	A-2711002	D	CIAC-WTR.FRANCHISES	ACTIVE
		03----------	A-2711010	D	CIAC-WATER-TAX	ACTIVE
		03----------	A-2711011	D	CIAC-WTR.STRUCT & IMPRV(SOURCE SUP)	ACTIVE
		03----------	A-2711012	D	CIAC-WTR.COLLECTING RESERVIORS	ACTIVE
		03----------	A-2711014	D	CIAC-WTR.WELLS & SPRINGS	ACTIVE
		03----------	A-2711021	D	CIAC-WTR.STRUCT & IMPRV (PUMP PLT)	ACTIVE
		03----------	A-2711025	D	CIAC-WTR.ELECTRIC PUMP EQUIP	ACTIVE
		03----------	A-2711026	D	CIAC-WTR.ELECTRIC PUMP EQPT SM-NC ONLY	ACTIVE
		03----------	A-2711031	D	CIAC-WTR.STRUCT & IMPRV (WTR T P)	ACTIVE
		03----------	A-2711032	D	CIAC-WTR.WATER TREATMENT EQPT	ACTIVE
		03----------	A-2711042	D	CIAC-WTR.DIS RESV & STNDPIPES	ACTIVE
		03----------	A-2711043	D	CIAC-WTR.TRANS & DISTR MAINS	ACTIVE
		03----------	A-2711044	D	CIAC-WTR.GALV MAINS-CNC ONLY	ACTIVE
		03----------	A-2711045	D	CIAC-WTR.SERVICE LINES	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-2711046	D	CIAC-WTR.METERS	ACTIVE
		03----------	A-2711047	D	CIAC-WTR.METER INSTALLATIONS	ACTIVE
		03----------	A-2711048	D	CIAC-WTR.HYDRANTS	ACTIVE
		03----------	A-2711050	D	ACCUM AMORT OF CIA - WATER	ACTIVE
		03----------	A-2711090	D	CIAC-WTR.OFF STRUCT & IMPRV	ACTIVE
		03----------	A-2711091	D	CIAC-WTR.OFF FURN & EQPT	ACTIVE
		03----------	A-2711093	D	CIAC-WTR.TELEPHONES	ACTIVE
		03----------	A-2711094	D	CIAC-WTR.TOOLS SHOP & MISC EQPT	ACTIVE
		03----------	A-2711095	D	CIAC-WTR.LABORATORY EQPT	ACTIVE
		03----------	A-2711097	D	CIAC-WTR.COMMUNICATION EQPT	ACTIVE
	02----------		A-271.2	S	CONTRIBUTIONS IN AID SEWER	ACTIVE
		03----------	A-2721000	D	CIAC-SEWER-UNDISTRIB.	ACTIVE
		03----------	A-2721001	D	CIAC-SWR.ORGANIZATION	ACTIVE
		03----------	A-2721003	D	CIAC-SWR.BLDGS & STRUCTS	ACTIVE
		03----------	A-2721004	D	CIAC-SWR.SEWER LAGOONS	ACTIVE
		03----------	A-2721005	D	CIAC-SWR.SEWAGE TRTMT PLANT	ACTIVE
		03----------	A-2721006	D	CIAC-SWR.SEWAGE SERVICE LINES	ACTIVE
		03----------	A-2721007	D	CIAC-SWR.FORCE OR VACUUM MAINS	ACTIVE
		03----------	A-2721008	D	CIAC-SWR.SEWER MAINS	ACTIVE
		03----------	A-2721009	D	CIAC-SWR.OUTFALL LINES	ACTIVE
		03----------	A-2721010	D	CIAC-SEWER-TAX	ACTIVE
		03----------	A-2721011	D	CIAC-SWR.LIFT STATION	ACTIVE
		03----------	A-2721012	D	CIAC-SWR.SPRAY IRRIG FACILITIES	ACTIVE
		03----------	A-2721020	D	CIAC-SWR.FRANCHISES	ACTIVE
		03----------	A-2721050	D	CIAC-REUSE	ACTIVE
		03----------	A-2721090	D	CIAC-SWR.OFF STRUCT & IMPRV	ACTIVE
		03----------	A-2721091	D	CIAC-SWR.OFF FURN & EQPT	ACTIVE
		03----------	A-2721094	D	CIAC-SWR.TOOLS SHOP & MISC EQPT	ACTIVE
		03----------	A-2721095	D	CIAC-SWR.LABORATORY EQPT	ACTIVE
		03----------	A-2721097	D	CIAC-SWR.COMMUNICATION EQPT	ACTIVE
		03----------	A-2721098	D	CIAC-SWR MANHOLES	ACTIVE
	02----------		A-272.1	S	ACCUM AMORT OF CIA WATER	ACTIVE
		03----------	A-2722000	D	ACC. AMORT-CIA-WATER	ACTIVE
		03----------	A-2722001	D	ACC AMORT ORGANIZATION	ACTIVE
		03----------	A-2722002	D	ACC AMORT FRANCHISES	ACTIVE
		03----------	A-2722010	D	ACC AMORT CIAC TAX	ACTIVE
		03----------	A-2722011	D	ACC AMORT STRUCT & IMPRV	ACTIVE
		03----------	A-2722012	D	ACC AMORT COLLECTING RESERVIORS	ACTIVE
		03----------	A-2722014	D	ACC AMORT WELLS & SPRINGS	ACTIVE
		03----------	A-2722020	D	ACC. AMORT-CIAC.WTR.TAX	ACTIVE
		03----------	A-2722021	D	ACC AMORT STRUCT & IMPRV	ACTIVE
		03----------	A-2722025	D	ACC AMORT ELECTRIC PUMP EQUIP	ACTIVE
		03----------	A-2722026	D	ACC AMORT ELECTRIC PUMP EQPT SM-NC	ACTIVE
		03----------	A-2722031	D	ACC AMORT STRUCT & IMPRV	ACTIVE
		03----------	A-2722032	D	ACC AMORT WATER TREATMENT EQPT	ACTIVE
		03----------	A-2722042	D	ACC AMORT DIS RESV & STNDPIPES	ACTIVE
		03----------	A-2722043	D	ACC AMORT TRANS & DISTR MAINS	ACTIVE
		03----------	A-2722044	D	ACC AMORT GALV MAINS CNC ONLY	ACTIVE
		03----------	A-2722045	D	ACC AMORT SERVICE LINES	ACTIVE
		03----------	A-2722046	D	ACC AMORT METERS	ACTIVE
		03----------	A-2722047	D	ACC AMORT METER INSTALLATIONS	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L01.BALSHT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-2722048	D	ACC AMORT HYDRANTS	ACTIVE
		03----------	A-2722050	D	ACC AMORT CIA WTR	ACTIVE
		03----------	A-2722090	D	ACC AMORT OFF STRUCT & IMPRV	ACTIVE
		03----------	A-2722091	D	ACC AMORT OFF FURN & EQPT	ACTIVE
		03----------	A-2722093	D	ACC AMORT TELEPHONES	ACTIVE
		03----------	A-2722094	D	ACC AMORT TOOLS SHOP & MISC EQPT	ACTIVE
		03----------	A-2722095	D	ACC AMORT LABORATORY EQPT	ACTIVE
		03----------	A-2722097	D	ACC AMORT COMMUNICATION EQPT	ACTIVE
	02----------		A-272.2	S	ACCUM AMORT OF CIA SEWER	ACTIVE
		03----------	A-2723000	D	ACC. AMORT-CIA-SEWER	ACTIVE
		03----------	A-2723001	D	ACC AMORT ORGANIZATION	ACTIVE
		03----------	A-2723003	D	ACC AMORT BLDGS & STRUCTS	ACTIVE
		03----------	A-2723004	D	ACC AMORT SEWER LAGOONS	ACTIVE
		03----------	A-2723005	D	ACC AMORT SEWAGE TRTMT PLANT	ACTIVE
		03----------	A-2723006	D	ACC AMORT SEWAGE SERVICE LINES	ACTIVE
		03----------	A-2723007	D	ACC AMORT FORCE OR VACUUM MAINS	ACTIVE
		03----------	A-2723008	D	ACC AMORT SEWER MAINS	ACTIVE
		03----------	A-2723009	D	ACC AMORT OUTFALL LINES	ACTIVE
		03----------	A-2723010	D	ACC AMORT SEWER CIAC	ACTIVE
		03----------	A-2723011	D	ACC AMORT LIFT STATION	ACTIVE
		03----------	A-2723012	D	ACC AMORT SPRAY IRRIG FACILITIES	ACTIVE
		03----------	A-2723020	D	ACC AMORT FRANCHISES	ACTIVE
		03----------	A-2723030	D	ACC.AMORT-CIAC-SWR-TAX	ACTIVE
		03----------	A-2723050	D	ACC. AMORT-CIA REUSE	ACTIVE
		03----------	A-2723090	D	ACC AMORT OFF STRUCT & IMPRV	ACTIVE
		03----------	A-2723091	D	ACC AMORT OFF FURN & EQPT	ACTIVE
		03----------	A-2723094	D	ACC AMORT TOOLS SHOP & MISC EQPT	ACTIVE
		03----------	A-2723095	D	ACC AMORT LABORATORY EQPT	ACTIVE
		03----------	A-2723097	D	ACC AMORT COMMUNICATION EQPT	ACTIVE
		03----------	A-2723098	D	ACC AMORT MANHOLES	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
01			A-1L02.INC STMT	S	INCOME STATEMENT	ACTIVE
	02		A-400.1	S	WATER REVENUE	ACTIVE
		03	A-4611000	D	WATER REVENUE	ACTIVE
		03	A-4611020	D	WATER REVENUE-METERED	ACTIVE
		03	A-4611099	D	WATER REVENUE ACCRUALS	ACTIVE
		03	A-4612030	D	WATER REVENUE-COMMERCIAL	ACTIVE
	02		A-400.2	S	SEWER REVENUE	ACTIVE
		03	A-5221000	D	SEWER REVENUE	ACTIVE
		03	A-5221050	D	SEWER SOLIDS PUMPING CHGE	ACTIVE
		03	A-5221099	D	SEWER REVENUE ACCRUALS	ACTIVE
		03	A-5222030	D	SEWER REVENUE-COMMERCIAL	ACTIVE
	02		A-400.3	S	FORFEITED DISCOUNTS	ACTIVE
		03	A-4701000	D	FORFEITED DISCOUNTS	ACTIVE
		03	A-4701099	D	FORFEITED DISCOUNTS ACCRUAL	ACTIVE
	02		A-400.4	S	MISC. SERVICE REVENUES	ACTIVE
		03	A-4711000	D	MISC SERVICE REVENUES	ACTIVE
		03	A-4711025	D	CONNECTION METER FEES	ACTIVE
		03	A-4711050	D	RESERVATION CAPACITY CHARGE	ACTIVE
		03	A-4711099	D	MISC REVENUE ACCRUAL	ACTIVE
		03	A-4741001	D	NEW CUSTOMER CHGE - WATER	ACTIVE
		03	A-4741003	D	NEW CUSTOMER CHGE - W & S	ACTIVE
		03	A-4741004	D	NOTIFICATION FEE	ACTIVE
		03	A-4741006	D	LIGHTING CHARGE	ACTIVE
		03	A-4741007	D	EXIT CHARGE	ACTIVE
		03	A-4741008	D	NSF CHECK CHARGE	ACTIVE
		03	A-4741009	D	CUT-OFF CHARGE	ACTIVE
		03	A-4741010	D	TESTING SURCHARGE	ACTIVE
		03	A-4741011	D	HYDRANT SURCHARGE	ACTIVE
		03	A-4741012	D	FIRE FLOW FEE	ACTIVE
		03	A-4741013	D	TAMPERING FEE	ACTIVE
		03	A-4741014	D	DEQ PERMIT FEE	ACTIVE
		03	A-4741015	D	3RD PARTY BILLING FEE	ACTIVE
		03	A-5361002	D	NEW CUSTOMER CHGE - SEWER	ACTIVE
		03	A-5401000	D	REUSE REVENUE	ACTIVE
	02		A-400.5	S	MAINTENANCE IN HOUSE REVENUE	ACTIVE
		03	A-4211000	D	MAINTENANCE REVENUE	ACTIVE
		03	A-4211010	D	MAINTENANCE-IN HOUSE-LABOR REVENUE	ACTIVE
		03	A-4211015	D	MAINTENANCE-IN HOUSE-MATERIALS REVENUE	ACTIVE
		03	A-4211030	D	N/A	ACTIVE
	02		A-400.6	S	MAINTENANCE OUT HOUSE REVENUE	ACTIVE
		03	A-4211035	D	MAINTENANCE - OUT HOUSE - LABOR	ACTIVE
		03	A-4211040	D	MAINTENANCE - OUT HOUSE - MATERIALS	ACTIVE
	02		A-400.7	S	SLUDGE REVENUE IN HOUSE	ACTIVE
		03	A-4211020	D	REVENUE - IN HOUSE - MISC	ACTIVE
		03	A-4212000	D	REVENUE IN HOUSE SLUDGE	ACTIVE
		03	A-4212001	D	REVENUE - IN HOUSE - RECEIVING CHG	ACTIVE
		03	A-4212002	D	REVENUE - IN HOUSE - TRANSPORTATION	ACTIVE
		03	A-4212003	D	REVENUE - IN HOUSE - SEPTAGE	ACTIVE
	02		A-400.8	S	SLUDGE REVENUE OUT HOUSE	ACTIVE
		03	A-4211025	D	REVENUE - OUT HOUSE - MISC	ACTIVE
		03	A-4211045	D	REVENUE - OUT HOUSE - RECEIVING CHG	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03	A-4211050	D	REVENUE - OUT HOUSE - TRANSPORTATION	ACTIVE
		03	A-4211060	D	REVENUE - OUT HOUSE - SEPTAGE	ACTIVE
	02		A-401.1A	S	OPERATING EXPENSES	ACTIVE
		03	A-4011001	D	OPERATING EXPENSES	ACTIVE
	02		A-401.1B	S	PURCHASED WATER	ACTIVE
		03	A-6101000	D	PURCHASED WATER	ACTIVE
		03	A-6101010	D	PURCHASED WATER-WATER SYS	ACTIVE
		03	A-6101020	D	PURCHASED WATER-SEWER SYS	ACTIVE
		03	A-6101050	D	PURCHASED WATER-SUSPENSE	ACTIVE
		03	A-6101090	D	PURCHASED WATER - BILLINGS	ACTIVE
	02		A-401.1C	S	PURCHASED SEWAGE TREATMT	ACTIVE
		03	A-7105000	D	PURCHASED SEWAGE TRTMNT	ACTIVE
		03	A-7105090	D	PURCHASED SEWER - BILLINGS	ACTIVE
	02		A-401.1D	S	PURCHSED GARBAGE SERVICE	ACTIVE
		03	A-4741005	D	GARBAGE CHARGE	ACTIVE
		03	A-8000000	D	PURCHASED GARBAGE SERVICE	ACTIVE
	02		A-401.1E	S	ELECTRIC POWER	ACTIVE
		03	A-6151000	D	ELECTRIC POWER	ACTIVE
		03	A-6151010	D	ELEC PWR - WATER SYSTEM	ACTIVE
		03	A-6151030	D	ELEC PWR - SPLIT 50/50-W&S	ACTIVE
		03	A-6151040	D	ELEC PWR - GAS F/MAINT OP	ACTIVE
		03	A-6151050	D	ELEC PWR - SUSPENSE	ACTIVE
		03	A-6151090	D	ELEC PWR - OTHER PURCH FUEL	ACTIVE
		03	A-6161060	D	ELEC PWR - OTHER	ACTIVE
		03	A-7151020	D	ELEC PWR - SEWER SYSTEM	ACTIVE
	02		A-401.1F	S	CHEMICALS	ACTIVE
		03	A-6181010	D	CHLORINE	ACTIVE
		03	A-6181050	D	ODOR CONTROL CHEMICALS	ACTIVE
		03	A-6181090	D	OTHER CHEMICALS (TREATMENT)	ACTIVE
	02		A-401.1G	S	METER READING	ACTIVE
		03	A-6361000	D	METER READING	ACTIVE
	02		A-401.1H	S	SALARIES	ACTIVE
		03	A-6019000	D	SALARIES	ACTIVE
		03	A-6019001	D	SALARIES-FL OPERATORS F/T	ACTIVE
		03	A-6019002	D	SALARIES-GA OPERATORS F/T	ACTIVE
		03	A-6019003	D	SALARIES-IL OPERATORS F/T	ACTIVE
		03	A-6019004	D	SALARIES-IN OPERATORS F/T	ACTIVE
		03	A-6019005	D	SALARIES-MS OPERATORS F/T	ACTIVE
		03	A-6019006	D	SALARIES-NC OPERATORS F/T	ACTIVE
		03	A-6019007	D	SALARIES-OH OPERATORS F/T	ACTIVE
		03	A-6019008	D	SALARIES-SC OPERATORS F/T	ACTIVE
		03	A-6019009	D	SALARIES-VA OPERATORS F/T	ACTIVE
		03	A-6019011	D	SALARIES-LA OPERATORS F/T	ACTIVE
		03	A-6019012	D	SALARIES-ICT	ACTIVE
		03	A-6019013	D	SALARIES-TN OPERATORS F/T	ACTIVE
		03	A-6019014	D	SALARIES-TCE	INACTIVE
		03	A-6019015	D	SALARIES-OTHER IL	ACTIVE
		03	A-6019016	D	SALARIES-MCT	INACTIVE
		03	A-6019017	D	SALARIES-MD OPERATORS F/T	ACTIVE
		03	A-6019019	D	SALARIES-BIO TECH SC F/T	ACTIVE
		03	A-6019020	D	SALARIES-CHGD TO PLT-WSC	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-6019021	D	SALARIES-LLT NC F/T	INACTIVE
		03----------	A-6019022	D	SALARIES-BIO TECH SC P/T	ACTIVE
		03----------	A-6019023	D	SALARIES-LLT NC P/T	INACTIVE
		03----------	A-6019024	D	SALARIES-PA OPERATORS F/T	ACTIVE
		03----------	A-6019025	D	SALARIES-PA OPERATORS P/T	ACTIVE
		03----------	A-6019026	D	SALARIES-NJ OPERATORS F/T	ACTIVE
		03----------	A-6019027	D	SALARIES-NJ OPERATORS P/T	ACTIVE
		03----------	A-6019028	D	SALARIES-NV OPERATORS F/T	ACTIVE
		03----------	A-6019029	D	SALARIES-NV OPERATORS P/T	ACTIVE
		03----------	A-6019030	D	CAPITALIZED SALARIES - ADMIN	ACTIVE
		03----------	A-6019040	D	SALARIES-OPERATIONS	ACTIVE
		03----------	A-6019045	D	SALARIES-WTR SERV-COMPUTERS	ACTIVE
		03----------	A-6019050	D	SALARIES-OFFICE	ACTIVE
		03----------	A-6019051	D	SALARIES-FL OFFICE F/T	ACTIVE
		03----------	A-6019052	D	SALARIES-GA OFFICE F/T	ACTIVE
		03----------	A-6019053	D	SALARIES-IL OFFICE	ACTIVE
		03----------	A-6019054	D	SALARIES-IL ADMIN	ACTIVE
		03----------	A-6019055	D	SALARIES-MS OFFICE F/T	ACTIVE
		03----------	A-6019056	D	SALARIES-NC OFFICE F/T	ACTIVE
		03----------	A-6019058	D	SALARIES-SC OFFICE F/T	ACTIVE
		03----------	A-6019061	D	SALARIES-LA OFFICE F/T	ACTIVE
		03----------	A-6019062	D	SALARIES-NV OFFICE F/T	ACTIVE
		03----------	A-6019063	D	SALARIES-NV OFFICE P/T	ACTIVE
		03----------	A-6019067	D	SALARIES-MD OFFICE F/T	ACTIVE
		03----------	A-6019070	D	SALARIES-IL ADMIN OFFICE	ACTIVE
		03----------	A-6019071	D	SALARIES-IL OFFICE EXEMPT	ACTIVE
		03----------	A-6019072	D	SALARIES-FL OFFICE P/T	ACTIVE
		03----------	A-6019073	D	SALARIES-GA OFFICE P/T	ACTIVE
		03----------	A-6019074	D	SALARIES-LA OFFICE P/T	ACTIVE
		03----------	A-6019075	D	SALARIES-MD OFFICE P/T	ACTIVE
		03----------	A-6019076	D	SALARIES-MS OFFICE P/T	ACTIVE
		03----------	A-6019077	D	SALARIES-NC OFFICE P/T	ACTIVE
		03----------	A-6019078	D	SALARIES-SC OFFICE P/T	ACTIVE
		03----------	A-6019079	D	SALARIES-FL OPERATORS P/T	ACTIVE
		03----------	A-6019080	D	SALARIES-GA OPERATORS P/T	ACTIVE
		03----------	A-6019081	D	SALARIES-IL OPERATORS P/T	ACTIVE
		03----------	A-6019082	D	SALARIES-IN OPERATORS P/T	ACTIVE
		03----------	A-6019083	D	SALARIES-LA OPERATORS P/T	ACTIVE
		03----------	A-6019084	D	SALARIES-MD OPERATORS P/T	ACTIVE
		03----------	A-6019085	D	SALARIES-MS OPERATORS P/T	ACTIVE
		03----------	A-6019086	D	SALARIES-NC OPERATORS P/T	ACTIVE
		03----------	A-6019087	D	SALARIES-OH OPERATORS P/T	ACTIVE
		03----------	A-6019088	D	SALARIES-SC OPERATORS P/T	ACTIVE
		03----------	A-6019089	D	SALARIES-VA OPERATORS P/T	ACTIVE
		03----------	A-6019090	D	SALARIES-SC	ACTIVE
		03----------	A-6019091	D	SALARIES-NC	ACTIVE
		03----------	A-6019092	D	SALARIES-FL	ACTIVE
		03----------	A-6019093	D	SALARIES-GA	ACTIVE
		03----------	A-6019099	D	SALARIES - REIMB.SELLERS	ACTIVE
	02----------		A-401.1I	S	BIO TECH COST OF GOODS SOLD	ACTIVE
		03----------	A-6019100	D	BIO TECH COST OF GOODS SOLD	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
02			A-401.1J	S	SALARIES-LLT	ACTIVE
	03		A-6019201	D	TECHNICIAN SALARIES	ACTIVE
	03		A-6019202	D	MARKETING SALARIES	ACTIVE
	03		A-6019203	D	GENERAL SALARIES	ACTIVE
	03		A-6019204	D	SALARIES QUALITY CONTROL	ACTIVE
02			A-401.1K	S	UNCOLLECTIBLE ACCOUNTS	ACTIVE
	03		A-6708000	D	UNCOLLECTIBLE ACCOUNTS	ACTIVE
	03		A-6708001	D	AGENCY EXPENSE	ACTIVE
	03		A-6708099	D	UNCOLL. ACCOUNTS ACCRUAL	ACTIVE
02			A-401.1L	S	OUTSIDE SERVICES-DIRECT	ACTIVE
	03		A-6319011	D	ENGINEERING FEES	ACTIVE
	03		A-6329002	D	AUDIT FEES	ACTIVE
	03		A-6329013	D	ACCOUNTING STUDIES	ACTIVE
	03		A-6329014	D	TAX RETURN REVIEW	ACTIVE
	03		A-6338001	D	LEGAL FEES	ACTIVE
	03		A-6369000	D	OUTSIDE SERVICES - DIRECT	ACTIVE
	03		A-6369003	D	TEMP EMPLOY - CLERICAL	ACTIVE
	03		A-6369005	D	PAYROLL SERVICES	ACTIVE
	03		A-6369006	D	EMPLOY FINDER FEES	ACTIVE
	03		A-6369008	D	DIRECTORS FEES	ACTIVE
	03		A-6369010	D	FINANCING	ACTIVE
	03		A-6369015	D	COMPUTER PROGRAMMING & MAINT	ACTIVE
	03		A-6369016	D	COMPUTER EQUIPMENT COST	ACTIVE
	03		A-6369017	D	COMPUTER SALARIES & BENEFITS	ACTIVE
	03		A-6369090	D	OTHER DIR OUTSIDE SERVICES	ACTIVE
	03		A-6369095	D	COMPUTER OPER.-WSC	ACTIVE
	03		A-6369096	D	COMPUTER OPER.-WSC CMN EXP	ACTIVE
02			A-401.1LL	S	IT DEPARTMENT	ACTIVE
	03		A-6369007	D	COMPUTER MAINT	ACTIVE
	03		A-6369009	D	COMPUTER-AMORT & PROG COST	ACTIVE
	03		A-6369012	D	INTERNET SUPPLIER	ACTIVE
	03		A-6759003	D	COMPUTER SUPPLIES	ACTIVE
	03		A-6759016	D	MICROFILMING	ACTIVE
02			A-401.1M	S	OUTSIDE SERVICE-WSC	ACTIVE
	03		A-6369001	D	OUTSIDE-SERV-WSC CMN EXP	ACTIVE
	03		A-6369100	D	OUTSIDE SERV-WATER SERV	ACTIVE
02			A-401.1N	S	EMPLOYEE PENSION&BENEFITS	ACTIVE
	03		A-6049000	D	EMP PENSIONS & BENEFITS	ACTIVE
	03		A-6049010	D	HEALTH INS REIMBURSEMENTS	ACTIVE
	03		A-6049011	D	EMPLOYEE INS DEDUCTIONS	ACTIVE
	03		A-6049012	D	HEALTH COSTS & OTHER	ACTIVE
	03		A-6049015	D	DENTAL INS REIMBURSEMENTS	ACTIVE
	03		A-6049020	D	PENSION CONTRIBUTIONS	ACTIVE
	03		A-6049030	D	TUITION	ACTIVE
	03		A-6049040	D	DEF COMPENSATION	ACTIVE
	03		A-6049041	D	DEF.COMP.EXP-RESTRICTED STOCK	ACTIVE
	03		A-6049045	D	DEF COMP FOR RETIREES	ACTIVE
	03		A-6049050	D	HEALTH INS PREMIUMS	ACTIVE
	03		A-6049055	D	DENTAL PREMIUMS	ACTIVE
	03		A-6049060	D	TERM LIFE INS	ACTIVE
	03		A-6049065	D	TERM LIFE INS - OPT	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-6049066	D	DEPEND LIFE INS-OPT	ACTIVE
		03----------	A-6049067	D	AFLAC	ACTIVE
		03----------	A-6049070	D	401K/ESOP CONTRIBUTIONS	ACTIVE
		03----------	A-6049080	D	DISABILITY INSURANCE	ACTIVE
		03----------	A-6049085	D	FLEX SERV	ACTIVE
		03----------	A-6049086	D	DEF. COMP.-WSC CMN EXP	ACTIVE
		03----------	A-6049087	D	HEALTH INS.PREM-WSC CMN EXP	ACTIVE
		03----------	A-6049088	D	ESOP CONTRIB.-WSC CMN EXP	ACTIVE
		03----------	A-6049089	D	OTHER BENEFITS-WSC CMN EXP	ACTIVE
		03----------	A-6049090	D	OTHER EMP PENS & BENEFITS	ACTIVE
		03----------	A-6049091	D	BENEFITS - WSC BURDEN	ACTIVE
		03----------	A-6049095	D	PENSION CONTRIB-WSC	ACTIVE
		03----------	A-6049096	D	DEF.COMP.-WSC	ACTIVE
		03----------	A-6049097	D	HEALTH INS.PREM-WSC	ACTIVE
		03----------	A-6049098	D	ESOP CONTRIB.-WSC	ACTIVE
		03----------	A-6049099	D	OTHER BENEFITS-WSC	ACTIVE
	02----------		A-401.1O	S	INSURANCE	ACTIVE
		03----------	A-6569010	D	AUTO INS	ACTIVE
		03----------	A-6579000	D	INSURANCE	ACTIVE
		03----------	A-6579040	D	LIABILITY INS	ACTIVE
		03----------	A-6589020	D	WORKMEN'S COMP	ACTIVE
		03----------	A-6589030	D	SELF-INS PAYMENTS	ACTIVE
		03----------	A-6599050	D	PROPERTY INS	ACTIVE
		03----------	A-6599090	D	OTHER INS	ACTIVE
		03----------	A-6599095	D	OTHER INSURANCE-WSC	ACTIVE
	02----------		A-401.1P	S	REGULATORY COMMISSION EXP	ACTIVE
		03----------	A-7668000	D	REG COMMISSION EXP	ACTIVE
		03----------	A-7668010	D	RATE CASE EXPENSE	ACTIVE
		03----------	A-7668020	D	ORIGINAL COST STUDIES	ACTIVE
		03----------	A-7678030	D	MISC REG MATTERS COMM EXP	ACTIVE
	02----------		A-401.1Q	S	RENT	ACTIVE
		03----------	A-6419027	D	RENT-BURLA ENTERPRISES	ACTIVE
		03----------	A-6419028	D	RENT-PROFESSIONAL COURT	ACTIVE
		03----------	A-6419029	D	RENT-ROBY BLANKENSHIP	INACTIVE
		03----------	A-6419030	D	RENT-SIGMAN, LLOYD M.	ACTIVE
		03----------	A-6419031	D	RENT-FAIRFIELD MOUNTAINS	ACTIVE
		03----------	A-6419032	D	RENT-CHARLOTTE WAREHOUSE	ACTIVE
		03----------	A-6419033	D	RENT-HESTRON CORP	INACTIVE
		03----------	A-6419034	D	RENT-HUDSON & ASSOC	ACTIVE
		03----------	A-6419035	D	RENT-COLUMBIA	ACTIVE
		03----------	A-6419036	D	RENT-SPARTANBURG	ACTIVE
		03----------	A-6419037	D	RENT-BRIDGETON	ACTIVE
		03----------	A-6419038	D	RENT-TEGA CAY RECREATION	INACTIVE
		03----------	A-6419039	D	RENT-DOUG STAHL-LK HOLIDAY	ACTIVE
		03----------	A-6419040	D	RENT-TIDE WTR EXEC CTR-CHAR,SC	ACTIVE
		03----------	A-6419041	D	RENT-DEPOT-LK HOLIDAY	ACTIVE
		03----------	A-6419042	D	RENT-TAMCO	ACTIVE
		03----------	A-6419043	D	RENT-STIRLING PROP INC	ACTIVE
		03----------	A-6419044	D	RENT-SPACE MASTER	ACTIVE
		03----------	A-6419045	D	RENT-DONALD J DECKER-NEVADA	ACTIVE
		03----------	A-6419090	D	RENT-OTHERS	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-6419095	D	OTHER RENT-WSC	INACTIVE
		03----------	A-6419096	D	OTHER RENT-WSC CMN EXP	INACTIVE
		03----------	A-7418000	D	RENT-WILLIAM W BOWEN MD	INACTIVE
		03----------	A-7418002	D	RENT-PARKER & HODGE	INACTIVE
		03----------	A-7418003	D	RENT-BOB LANE REALTY	INACTIVE
		03----------	A-7418004	D	RENT-FIRST PROPERTIES GRP	INACTIVE
		03----------	A-7418005	D	RENT-BUSTER MCLEAN	INACTIVE
		03----------	A-7418007	D	RENT-HOWARD ENTERPRIZES INC	INACTIVE
		03----------	A-7418009	D	RENT-NED RICE	INACTIVE
		03----------	A-7418011	D	RENT-A C DAVIS	INACTIVE
		03----------	A-7418012	D	RENT-MILL ENTERPRISES	INACTIVE
		03----------	A-7418013	D	RENT-TYVOLA ASSOCIATES	ACTIVE
		03----------	A-7418014	D	RENT-WHISPERING PINES INC	INACTIVE
		03----------	A-7418015	D	RENT-SOON JA BARBER	INACTIVE
		03----------	A-7418016	D	RENT-MASSANUTTEN PROP OWN	INACTIVE
		03----------	A-7418017	D	RENT-HAWKINS HARDWARE	INACTIVE
		03----------	A-7418018	D	RENT-JAMES T HENSON	ACTIVE
		03----------	A-7418019	D	RENT-LINDEN & COMPANY	INACTIVE
		03----------	A-7418020	D	RENT-SECOR BANK	INACTIVE
		03----------	A-7418021	D	RENT-E R A R M POST INC	INACTIVE
		03----------	A-7418022	D	RENT-SOUTHSIDE REALTY	INACTIVE
		03----------	A-7418023	D	RENT-FRANKENBURY SQUARE	INACTIVE
		03----------	A-7418024	D	RENT-RUSSELL AXON INC	ACTIVE
		03----------	A-7418025	D	RENT-HOLIDAY LAKE POA	ACTIVE
		03----------	A-7418026	D	RENT-CITY OF CHARLESTON	ACTIVE
	02----------		A-401.1R	S	OFFICE SUPPLIES	ACTIVE
		03----------	A-6609017	D	ADVERTISING	ACTIVE
		03----------	A-6759001	D	PUBL SUBSCRIPTIONS & TAPES	ACTIVE
		03----------	A-6759002	D	ANSWERING SERV	ACTIVE
		03----------	A-6759004	D	PRINTING & BLUEPRINTS	ACTIVE
		03----------	A-6759006	D	UPS & AIR FREIGHT	ACTIVE
		03----------	A-6759008	D	XEROX	ACTIVE
		03----------	A-6759009	D	OFFICE SUPPLY STORES	ACTIVE
		03----------	A-6759010	D	REIM OFFICE EMPLOYEE EXPENSES	ACTIVE
		03----------	A-6759013	D	CLEANING SUPPLIES	ACTIVE
		03----------	A-6759014	D	MEMBERSHIPS - OFFICE EMPLOYEE	ACTIVE
		03----------	A-6759015	D	PETTY CASH - OFFICE	ACTIVE
		03----------	A-6759050	D	COFFEE - CWS	ACTIVE
		03----------	A-6759052	D	XMAS/PICNICS - CWS	ACTIVE
		03----------	A-6759060	D	COFFEE	ACTIVE
		03----------	A-6759061	D	TAXICABS	ACTIVE
		03----------	A-6759062	D	XMAS/PICNICS	ACTIVE
		03----------	A-6759063	D	MISC OFFICE SUPPLIES	INACTIVE
		03----------	A-6759064	D	MISC OFFICE SUPPLIES	ACTIVE
		03----------	A-6759072	D	XMAS/PICNICS-CNC	ACTIVE
		03----------	A-6759090	D	OTHER OFFICE EXPENSES	ACTIVE
		03----------	A-6759095	D	OFFICE SUPPLIES-WSC	INACTIVE
		03----------	A-6759096	D	OTHER OFFICE EXP-WSC	INACTIVE
		03----------	A-6759097	D	OFFICE SUPPLIES-WSC CMN EXP	INACTIVE
		03----------	A-6759098	D	OTHER OFFICE EXP-WSC CMN EXP	INACTIVE
	02----------		A-401.1RR	S	BILLING & CUSTOMER SERVICE	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-6759005	D	POSTAGE & POSTAGE METER-OFFICE	ACTIVE
		03----------	A-6759007	D	PRINTING CUSTOMER SERVICE	ACTIVE
		03----------	A-6759011	D	ENVELOPES	ACTIVE
		03----------	A-6759012	D	BILL STOCK	ACTIVE
		03----------	A-6759051	D	COMPUTER SUPPLIES - BILLING	ACTIVE
	02----------		A-401.1S	S	OFFICE UTILITIES	ACTIVE
		03----------	A-6759100	D	OFFICE UTILITIES	ACTIVE
		03----------	A-6759110	D	OFFICE TELEPHONE	ACTIVE
		03----------	A-6759111	D	OFFICE TELEPHONE-LONG DISTANCE	ACTIVE
		03----------	A-6759115	D	OFFICE COMP PHONE LINE	ACTIVE
		03----------	A-6759116	D	OFFICE COMPUTER PHONE-LD	ACTIVE
		03----------	A-6759120	D	OFFICE ELECTRIC	ACTIVE
		03----------	A-6759125	D	OFFICE WATER	ACTIVE
		03----------	A-6759130	D	OFFICE GAS	ACTIVE
		03----------	A-6759135	D	OPERATIONS TELEPHONES	ACTIVE
		03----------	A-6759136	D	OPERATIONS TELEPHONES-LONG DIST	ACTIVE
		03----------	A-6759140	D	ALARM SYS PHONE EXPENSE	ACTIVE
		03----------	A-6759141	D	ALARM SYSTEMS PHONE-LD	ACTIVE
		03----------	A-6759150	D	TELEMETERING PHONE EXPENSE	ACTIVE
		03----------	A-6759151	D	TELEMETER PHONE-LD	ACTIVE
		03----------	A-6759160	D	OFFICE FAX MACH PHONE LINE	ACTIVE
		03----------	A-6759161	D	OFFICE FAX MACHINE-L/D	ACTIVE
		03----------	A-6759190	D	OTHER OFFICE UTILITIES	ACTIVE
		03----------	A-6759195	D	OTHER OFF. UTIL-WSC	INACTIVE
		03----------	A-6759196	D	OTHER OFF. UTIL-WSC CMN EXP	INACTIVE
	02----------		A-401.1T	S	MARKETING EXPENSE	ACTIVE
		03----------	A-6609001	D	MARKETING: SALES/ADVERTISING	ACTIVE
		03----------	A-6609002	D	MARKETING: TRAVELS/LODGING	ACTIVE
		03----------	A-6609003	D	MARKETING: SHOW EXPENSES	ACTIVE
		03----------	A-6609004	D	MARKETING COMMISSION	ACTIVE
		03----------	A-6609005	D	MARKETING: MEALS & RELATED EXP	ACTIVE
		03----------	A-6609007	D	MARKETING: TUITION/SEMINARS	ACTIVE
		03----------	A-6609008	D	MARKETING & ENTERTAINMENT	ACTIVE
	02----------		A-401.1U	S	OFFICE MAINTENANCE	ACTIVE
		03----------	A-6759200	D	OFFICE MAINTENANCE	ACTIVE
		03----------	A-6759210	D	OFFICE CLEANING SERV	ACTIVE
		03----------	A-6759220	D	LNDSCPING MOWING & SNOWPLWNG	ACTIVE
		03----------	A-6759230	D	OFFICE GARBAGE REMOVAL	ACTIVE
		03----------	A-6759240	D	OFFICE MAINTENANCE	ACTIVE
		03----------	A-6759250	D	DECOR & REPAINT TO STRUCTURES	ACTIVE
		03----------	A-6759260	D	REPAIR OFF MACH & HEATING	ACTIVE
		03----------	A-6759290	D	OTHER OFFICE MAINT	ACTIVE
		03----------	A-6759295	D	OTHER OFF. MAINT-WSC	INACTIVE
	02----------		A-401.1V	S	MISCELLANEOUS EXPENSE	ACTIVE
		03----------	A-6509010	D	AUTO LEASES	ACTIVE
		03----------	A-6759300	D	MISCELLANEOUS GENERAL	ACTIVE
		03----------	A-6759301	D	MISC EXPENSE-SPECIAL	ACTIVE
		03----------	A-6759320	D	CONTRIBUTIONS	ACTIVE
		03----------	A-6759330	D	MEMBERSHIPS - COMPANY	ACTIVE
		03----------	A-7048050	D	EMPLOYEES ED EXPENSES	ACTIVE
		03----------	A-7048055	D	OFFICE EDUCATION/TRAIN. EXP	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03	A-7758340	D	REPRESENTATION SERV	ACTIVE
		03	A-7758360	D	EMPLOYEES EXP REIM	ACTIVE
		03	A-7758365	D	TRAVELS/LODGING	ACTIVE
		03	A-7758370	D	MEALS & RELATED EXP	ACTIVE
		03	A-7758380	D	BANK SERV CHARGES	ACTIVE
		03	A-7758385	D	LICENSE FEES	ACTIVE
		03	A-7758390	D	OTHER MISC GENERAL	ACTIVE
		03	A-7758395	D	OTHER MISC.GENL-WSC	INACTIVE
		03	A-7758396	D	OTHER MISC.GENL-WSC CMN EXP	INACTIVE
	02		A-401.1W	S	MAINTENANCE EXPENSES	ACTIVE
		03	A-6759501	D	MAINTENANCE EXPENSES	ACTIVE
	02		A-401.1X	S	MAINTENANCE-WATER PLANT	ACTIVE
		03	A-6755070	D	WATER PERMITS	ACTIVE
		03	A-6755090	D	WATER-OTHER MAINT EXP	ACTIVE
		03	A-6759503	D	WATER-MAINT SUPPLIES	ACTIVE
		03	A-6759506	D	WATER-MAINT REPAIRS	ACTIVE
		03	A-6759507	D	WATER-MAIN BREAKS	ACTIVE
		03	A-6759509	D	WATER-ELEC EQUIPT REPAIR	ACTIVE
	02		A-401.1Y	S	MAINTENANCE-SEWER PLANT	ACTIVE
		03	A-7754003	D	SEWER-MAINT SUPPLIES	ACTIVE
		03	A-7754006	D	SEWER-MAINT REPAIRS	ACTIVE
		03	A-7754007	D	SEWER-MAIN BREAKS	ACTIVE
		03	A-7754009	D	SEWER-ELEC EQUIPT REPAIR	ACTIVE
		03	A-7755070	D	SEWER PERMITS	ACTIVE
		03	A-7758490	D	SEWER-OTHER MAINT EXP	ACTIVE
	02		A-401.1YY	S	SLUDGE/RODDING	ACTIVE
		03	A-7754008	D	SEWER-SLUDGE HAULING	ACTIVE
		03	A-7754011	D	SEWER-SEWER RODDING	ACTIVE
	02		A-401.1Z	S	MAINTENANCE-WTR&SWR PLANT	ACTIVE
		03	A-6751009	D	ELEC EQUIPT REPAIR	INACTIVE
		03	A-6753008	D	SLUDGE HAULING	INACTIVE
		03	A-6753011	D	SEWER RODDING	INACTIVE
		03	A-6754007	D	MAIN BREAKS	INACTIVE
		03	A-6759080	D	MAINT-DEFERRED CHARGES	ACTIVE
		03	A-6759081	D	HURRICANE/STORMS COST	ACTIVE
		03	A-6759401	D	MAINTENANCE-DIRECT	ACTIVE
		03	A-6759402	D	PART-TIME OPERATORS	ACTIVE
		03	A-6759405	D	COMMUNICATION EXPENSES	ACTIVE
		03	A-6759406	D	MAINTENANCE REPAIRS	INACTIVE
		03	A-6759412	D	UNIFORMS	ACTIVE
		03	A-6759415	D	MOWING/SNOWPLOWING	ACTIVE
		03	A-6759430	D	SALES/USE TAX EXPENSE	ACTIVE
		03	A-6759490	D	GARBAGE REMOVAL WTR/SWR	ACTIVE
		03	A-6759498	D	DISCOUNTS	ACTIVE
		03	A-7202003	D	MAINTENANCE SUPPLIES	INACTIVE
	02		A-401.1ZZ	S	OPERATORS EXPENSES	ACTIVE
		03	A-6205003	D	OPERATORS EXPENSES	ACTIVE
		03	A-6759017	D	OPERATORS-CLEANING SUPPLIES	ACTIVE
		03	A-6759018	D	OPERATORS-OTHER OFFICE EXPENSE	ACTIVE
		03	A-6759019	D	OPERATORS-PUBLICATIONS/SUSCRIPTIONS	ACTIVE
		03	A-6759410	D	OPERATORS ED EXPENSES	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LV 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03	A-6759413	D	OPERATORS-POSTAGE	ACTIVE
		03	A-6759414	D	OPERATORS-OFFICE SUPPLY STORES	ACTIVE
		03	A-6759416	D	OPERATORS-MEMBERSHIPS	ACTIVE
	02		A-401.2A	S	MAINTENANCE-WATER SERVICE	ACTIVE
		03	A-6755100	D	MAINT.EXP-WSC	ACTIVE
	02		A-401.2B	S	MAINTENANCE-TESTING	ACTIVE
		03	A-6355010	D	WATER TESTS	ACTIVE
		03	A-6355030	D	TESTING EQUIP & CHEM	ACTIVE
		03	A-6355040	D	SAFE WTR DRINKING TEST	ACTIVE
		03	A-7352020	D	SEWER TESTS	ACTIVE
	02		A-401.2C	S	MAINTENANCE-LAND & LAB	ACTIVE
		03	A-6201020	D	SUPPLIES - CHEMICALS - LAND	ACTIVE
		03	A-6201021	D	SUPPLIES - EXPENDABLE	ACTIVE
		03	A-6201022	D	SUPPLIES - FIXED	ACTIVE
		03	A-6201023	D	SUPPLIES-EXPENDABLE QC	ACTIVE
		03	A-6201024	D	CUSTOMER BB SUPPLIES	ACTIVE
		03	A-6201025	D	COMPUTER MAINTENANCE	ACTIVE
		03	A-6201026	D	SOFTWARE SUPPORT	ACTIVE
		03	A-6201027	D	COMMUNICATION EXPENSE	ACTIVE
		03	A-6359001	D	OUTSIDE LAB FEES - LAB	ACTIVE
		03	A-6359002	D	OUTSIDE LAB FEES - LAND	ACTIVE
		03	A-6359003	D	OUTSIDE LAB FEES - PENDING	ACTIVE
		03	A-6359004	D	PROFESSIONAL SERVICES	ACTIVE
		03	A-6359005	D	OUTSIDE LAB CONSULTANT	ACTIVE
		03	A-6367006	D	SLUDGE DISPOSAL	ACTIVE
		03	A-6367007	D	SLUDGE HAULING	ACTIVE
		03	A-6367008	D	SAMPLE TRANSPORT	ACTIVE
		03	A-6367009	D	SAMPLE COLLECTION	ACTIVE
		03	A-6367010	D	REPAIRS & MAINT - MAINTENANCE	ACTIVE
		03	A-6367011	D	REPAIRS & MAINT - LAND	ACTIVE
		03	A-6369512	D	TEMP EMPLOY - OPERATIONS	ACTIVE
		03	A-6421015	D	EQUIPMENT RENTALS - MAINTENANCE	ACTIVE
		03	A-6421016	D	EQUIPMENT RENTALS - LAND	ACTIVE
	02		A-401.2D	S	TRANSPORTATION EXPENSE	ACTIVE
		03	A-6501020	D	GASOLINE	ACTIVE
		03	A-6501030	D	AUTO REPAIR & TIRES	ACTIVE
		03	A-6501040	D	AUTO LICENSES	ACTIVE
		03	A-6501080	D	TRANS - WATER SERV	ACTIVE
		03	A-6509060	D	HOTELS	INACTIVE
		03	A-6509090	D	OTHER TRANS EXPENSES	ACTIVE
		03	A-6509095	D	DEF.CHG.MAINT-WSC	INACTIVE
		03	A-6509096	D	OTHER TRANS.EXP-WSC	INACTIVE
		03	A-6509100	D	TRANSPORTATION	ACTIVE
		03	A-6509110	D	OPERATORS TRANS REIM	ACTIVE
	02		A-403.1	S	P&L CLEARING ACCOUNT	ACTIVE
		03	A-4031000	D	P & L CLEARING ACCT	ACTIVE
	02		A-403.2	S	DEPRECIATION EXP-WATER	ACTIVE
		03	A-4032000	D	DEPRECIATION - WATER	ACTIVE
		03	A-4032001	D	DEPRECIATION-10101	ACTIVE
		03	A-4032002	D	DEPRECIATION-10102	ACTIVE
		03	A-4032010	D	DEPRECIATION-WATER PLANT	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03	A-4032011	D	DEPRECIATION-10111	ACTIVE
		03	A-4032014	D	DEPRECIATION-10114	ACTIVE
		03	A-4032021	D	DEPRECIATION-10121	ACTIVE
		03	A-4032025	D	DEPRECIATION-10125	ACTIVE
		03	A-4032031	D	DEPRECIATION-10131	ACTIVE
		03	A-4032032	D	DEPRECIATION-10132	ACTIVE
		03	A-4032042	D	DEPRECIATION-10142	ACTIVE
		03	A-4032043	D	DEPRECIATION-10143	ACTIVE
		03	A-4032045	D	DEPRECIATION-10145	ACTIVE
		03	A-4032046	D	DEPRECIATION-10146	ACTIVE
		03	A-4032047	D	DEPRECIATION-10147	ACTIVE
		03	A-4032048	D	DEPRECIATION-10148	ACTIVE
		03	A-4032050	D	AMORT. EXP. OF CIA-WATER	ACTIVE
		03	A-4032089	D	DEPRECIATION-10189	ACTIVE
		03	A-4032090	D	DEPRECIATION-10190	ACTIVE
		03	A-4032091	D	DEPRECIATION-10191	ACTIVE
		03	A-4032092	D	DEPRECIATION-10300	ACTIVE
		03	A-4032093	D	DEPRECIATION-10193	ACTIVE
		03	A-4032094	D	DEPRECIATION-10194	ACTIVE
		03	A-4032095	D	DEPRECIATION-10195	ACTIVE
		03	A-4032096	D	TRANSPORTATION DEPR-WSC	ACTIVE
		03	A-4032097	D	DEPRECIATION-10197	ACTIVE
		03	A-4032098	D	DEPRECIATION-COMPUTER	ACTIVE
	02		A-403.3	S	DEPRECIATION EXP-SEWER	ACTIVE
		03	A-4033000	D	DEPRECIATION-SEWER	ACTIVE
		03	A-4033001	D	DEPRECIATION-10201	ACTIVE
		03	A-4033003	D	DEPRECIATION-10203	ACTIVE
		03	A-4033004	D	DEPRECIATION-10204	ACTIVE
		03	A-4033005	D	DEPRECIATION-10205	ACTIVE
		03	A-4033006	D	DEPRECIATION-10206	ACTIVE
		03	A-4033007	D	DEPRECIATION-10207	ACTIVE
		03	A-4033008	D	DEPRECIATION-10208	ACTIVE
		03	A-4033009	D	DEPRECIATION-10209	ACTIVE
		03	A-4033010	D	DEPRECIATION-10210	ACTIVE
		03	A-4033011	D	DEPRECIATION-10211	ACTIVE
		03	A-4033012	D	DEPRECIATION-10212	ACTIVE
		03	A-4033020	D	DEPRECIATION-10220	ACTIVE
		03	A-4033021	D	DEPRECIATION-10221	ACTIVE
		03	A-4033090	D	DEPRECIATION-10290	ACTIVE
		03	A-4033091	D	DEPRECIATION-10291	ACTIVE
		03	A-4033092	D	DEPRECIATION-TRANS EQUIPT	ACTIVE
		03	A-4033094	D	DEPRECIATION-10294	ACTIVE
		03	A-4033095	D	DEPRECIATION-10295	ACTIVE
		03	A-4033097	D	DEPRECIATION-10297	ACTIVE
		03	A-4033098	D	DEPRECIATION-COMPUTER	ACTIVE
	02		A-403.4	S	DEPRECIATION EXP LAND&LAB	ACTIVE
		03	A-4034000	D	DEPRECIATION EXP - LAND & LAB	ACTIVE
	02		A-403.5	S	AMORT EXP-AIA-WATER	ACTIVE
		03	A-4035000	D	AMORT EXP-AIA-WATER	ACTIVE
	02		A-403.6	S	AMORT EXP-AIA-SEWER	ACTIVE
		03	A-4036000	D	AMORT EXP-AIA-SEWER	ACTIVE

STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	NUMERIC ITEM	SD	DESCRIPTION	STATUS
	02		A-403.7	S	DEPRECIATION EXP-REUSE	ACTIVE
		03	A-4037006	D	DEPRECIATION-3662006	ACTIVE
		03	A-4037008	D	DEPRECIATION-3752008	ACTIVE
		03	A-4037042	D	DEPRECIATION-3745042	ACTIVE
		03	A-4037046	D	DEPRECIATION-3675046	ACTIVE
	02		A-406.1	S	AMORT OF UTILITY PAA-WTR	ACTIVE
		03	A-4061000	D	AMORT OF UTIL PAA-WATER	ACTIVE
	02		A-406.2	S	AMORT OF UTILITY PAA-SWR	ACTIVE
		03	A-4062000	D	AMORT OF UTIL PAA-SEWER	ACTIVE
	02		A-407.6	S	AMORT EXP-CIA-WATER	ACTIVE
		03	A-4071000	D	AMORT EXP-CIA-WATER	ACTIVE
		03	A-4071001	S	AMORT EXP 2711001	ACTIVE
		03	A-4071002	D	AMORT EXP 2711002	ACTIVE
		03	A-4071010	D	AMORT EXP 2711010	ACTIVE
		03	A-4071011	D	AMORT EXP 2711011	ACTIVE
		03	A-4071012	D	AMORT EXP 2711012	ACTIVE
		03	A-4071014	D	AMORT EXP 2711014	ACTIVE
		03	A-4071021	D	AMORT EXP 2711021	ACTIVE
		03	A-4071025	D	AMORT EXP 2711025	ACTIVE
		03	A-4071026	D	AMORT EXP 2711026	ACTIVE
		03	A-4071031	D	AMORT EXP 2711031	ACTIVE
		03	A-4071032	D	AMORT EXP 2711032	ACTIVE
		03	A-4071042	D	AMORT EXP 2711042	ACTIVE
		03	A-4071043	D	AMORT EXP 2711043	ACTIVE
		03	A-4071044	D	AMORT EXP 2711044	ACTIVE
		03	A-4071045	D	AMORT EXP 2711045	ACTIVE
		03	A-4071046	D	AMORT EXP 2711046	ACTIVE
		03	A-4071047	D	AMORT EXP 2711047	ACTIVE
		03	A-4071048	D	AMORT EXP 2711048	ACTIVE
		03	A-4071050	D	AMORT EXP 2711050	ACTIVE
		03	A-4071090	D	AMORT EXP 2711090	ACTIVE
		03	A-4071091	D	AMORT EXP 2711090	ACTIVE
		03	A-4071093	D	AMORT EXP 2711093	ACTIVE
		03	A-4071094	D	AMORT EXP 2711094	ACTIVE
		03	A-4071095	D	AMORT EXP 2711095	ACTIVE
		03	A-4071097	D	AMORT EXP 2711097	ACTIVE
	02		A-407.7	S	AMORT EXP-CIA-SEWER	ACTIVE
		03	A-4073000	D	AMORT EXP-CIA-SEWER	ACTIVE
		03	A-4073001	D	AMORT EXP 2721001	ACTIVE
		03	A-4073003	D	AMORT EXP 2721003	ACTIVE
		03	A-4073004	D	AMORT EXP 2721004	ACTIVE
		03	A-4073005	D	AMORT EXP 2721005	ACTIVE
		03	A-4073006	D	AMORT EXP 2721006	ACTIVE
		03	A-4073007	D	AMORT EXP 2721007	ACTIVE
		03	A-4073008	D	AMORT EXP 2721008	ACTIVE
		03	A-4073009	D	AMORT EXP 2721009	ACTIVE
		03	A-4073010	D	AMORT EXP 2721010	ACTIVE
		03	A-4073011	D	AMORT EXP 2721011	ACTIVE
		03	A-4073012	D	AMORT EXP 2721012	ACTIVE
		03	A-4073020	D	AMORT EXP 2721020	ACTIVE
		03	A-4073050	D	AMORT EXP 2721050	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LV 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-4073090	D	AMORT EXP 2721090	ACTIVE
		03----------	A-4073091	D	AMORT EXP 2721091	ACTIVE
		03----------	A-4073094	D	AMORT EXP 2721094	ACTIVE
		03----------	A-4073095	D	AMORT EXP 2721095	ACTIVE
		03----------	A-4073097	D	AMORT EXP 2721097	ACTIVE
		03----------	A-4073098	D	AMORT EXP 2721098	ACTIVE
	02----------		A-408.2	S	PAYROLL TAXES	ACTIVE
		03----------	A-4081200	D	PAYROLL TAXES	ACTIVE
		03----------	A-4081201	D	FICA EXPENSE	ACTIVE
		03----------	A-4081290	D	PAYROLL TAXES-DIRECT	ACTIVE
		03----------	A-4081295	D	PAYROLL TAXES-WSC	ACTIVE
		03----------	A-4081296	D	PAYROLL TAXES-WSC CMN EXP	ACTIVE
		03----------	A-4091050	D	FED UNEMPLOYMENT TAX	ACTIVE
		03----------	A-4091060	D	ST UNEMPLOYMENT TAX	ACTIVE
		03----------	A-4091120	D	ST UNEMPLOYMENT TAX	ACTIVE
		03----------	A-4091121	D	ST UNEMPLOYMENT TAX-FL	INACTIVE
		03----------	A-4091122	D	ST UNEMPLOYMENT TAX-GA	ACTIVE
		03----------	A-4091123	D	ST UNEMPLOYMENT TAX-IL	ACTIVE
		03----------	A-4091124	D	ST UNEMPLOYMENT TAX-IN	ACTIVE
		03----------	A-4091125	D	ST UNEMPLOYMENT TAX-MS	ACTIVE
		03----------	A-4091126	D	ST UNEMPLOYMENT TAX-NC	ACTIVE
		03----------	A-4091127	D	ST UNEMPLOYMENT TAX-OH	ACTIVE
		03----------	A-4091128	D	ST UNEMPLOYMENT TAX-SC	ACTIVE
		03----------	A-4091129	D	ST UNEMPLOYMENT TAX-VA	ACTIVE
		03----------	A-4091131	D	ST UNEMPLOYMENT TAX-LA	ACTIVE
		03----------	A-4091132	D	ST UNEMPLOYMENT TAX-TN	ACTIVE
		03----------	A-4091133	D	ST UNEMPLOYMENT TAX-MD	ACTIVE
		03----------	A-4091134	D	ST UNEMPLOYMENT TAX-PA	ACTIVE
		03----------	A-4091135	D	ST UNEMPLOY/DISABILITY-NJ	ACTIVE
		03----------	A-4091136	D	ST UNEMPLOYMENT TAX-NV	ACTIVE
		03----------	A-4091137	D	ST UNEMPLOYMENT TAX-BIOTECH	ACTIVE
	02----------		A-408.3	S	OTHER TAXES	ACTIVE
		03----------	A-4081004	D	UTIL OR COMMISSION TAX	ACTIVE
		03----------	A-4081100	D	PROPERTY & OTHER GEN TAXES	ACTIVE
		03----------	A-4081121	D	REAL ESTATE TAX	ACTIVE
		03----------	A-4081122	D	PERS PROP & ICT TAX	ACTIVE
		03----------	A-4081123	D	SPECIAL ASSESSMENTS	ACTIVE
		03----------	A-4081301	D	GROSS RECEIPTS TAX	ACTIVE
		03----------	A-4081302	D	CAPITAL STOCK TAX	ACTIVE
		03----------	A-4081303	D	FRANCHISE TAX	ACTIVE
		03----------	A-4081307	D	USE TAX	ACTIVE
	02----------		A-409.1	S	INCOME TAXES-FEDERAL	ACTIVE
		03----------	A-4091000	D	INCOME TAXES-FEDERAL	ACTIVE
	02----------		A-409.2	S	INCOME TAXES-STATE	ACTIVE
		03----------	A-4091100	D	INCOME TAXES-STATE	ACTIVE
	02----------		A-410.1	S	DEF INCOME TAX-FED ITC	ACTIVE
		03----------	A-4102000	D	DEF INCOME TAX-FED ITC	ACTIVE
	02----------		A-410.2	S	DEFERRED INCOME TAXES-ST	ACTIVE
		03----------	A-4101100	D	DEF INCOME TAXES-STATE	ACTIVE
	02----------		A-412.1	S	AMORT OF INVEST TAX CR	ACTIVE
		03----------	A-4122000	D	AMORT OF INVEST TAX CREDIT	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
	02		A-412.2	S	AMORT OF EXCESS BOOK VAL	ACTIVE
		03	A-4123000	D	AMORT OF EXCESS BK VALUE	ACTIVE
	02		A-412.3	S	TAX EFFECT OF CAP TRANS	ACTIVE
		03	A-4123050	D	CURRENT TAX-FIT-SOLD CO.	ACTIVE
		03	A-4123055	D	DEFERRED TAX-FIT-SOLD CO	ACTIVE
		03	A-4123060	D	CURRENT TAX-SIT-SOLD CO.	ACTIVE
		03	A-4123065	D	DEFERRED TAX-SIT-SOLD CO.	ACTIVE
		03	A-4124000	D	TAX EFFECT OF CAP. TRANS.	ACTIVE
	02		A-413.1	S	RENTAL & OTHER INCOME	ACTIVE
		03	A-4131000	D	RENTAL & OTHER INCOME	ACTIVE
		03	A-4131020	D	RENTAL INCOME	ACTIVE
		03	A-4141040	D	SALE OF EQUIPMENT	ACTIVE
		03	A-4151030	D	LABORATORY FEES INCOME	ACTIVE
		03	A-4191010	D	INTEREST INCOME-OTHER	ACTIVE
	02		A-414.1	S	GAIN ON SALE OF UTIL PROP	ACTIVE
		03	A-4141000	D	SALE OF UTILITY PROPERTY	ACTIVE
		03	A-4141001	D	GAIN ON SALE-PRESTWICK	ACTIVE
		03	A-4141002	D	GAIN ON SALE-GREENSPRINGS	ACTIVE
		03	A-4141003	D	GAIN ON SALE-BEATTIES FORD	ACTIVE
		03	A-4141004	D	GAIN ON SALE-TURNBERRY	ACTIVE
		03	A-4141005	D	GAIN ON SALE-HOLLY.H/MANDEL	ACTIVE
		03	A-4141006	D	GAIN ON SALE-RIVERBEND	ACTIVE
		03	A-4141007	D	GAIN ON SALE-RAINTREE	ACTIVE
		03	A-4141008	D	GAIN ON SALE-GENOA	ACTIVE
		03	A-4141009	D	GAIN ON SALE-ROLLING HILLS EST	ACTIVE
		03	A-4141010	D	GAIN ON SALE-MT CARMEL	ACTIVE
		03	A-4141011	D	GAIN ON SALE-BOTANY ACRES	ACTIVE
		03	A-4141012	D	GAIN ON SALE-OCCOQUAN	ACTIVE
		03	A-4141013	D	GAIN ON SALE-DEAN SPRINGS	ACTIVE
		03	A-4141014	D	GAIN ON SALE-HAYNES HILLS	ACTIVE
		03	A-4141015	D	GAIN ON SALE-OAKATEE	ACTIVE
		03	A-4141016	D	GAIN ON SALE-WILD DUNES	ACTIVE
		03	A-4141017	D	GAIN ON SALE-IDLEWOOD	ACTIVE
		03	A-4141018	D	GAIN ON SALE BLACK HORSE RUN	ACTIVE
		03	A-4141019	D	GAIN ON SALE-NORTH CAROLINA	ACTIVE
		03	A-4141020	D	GAIN ON SALE-HILLCREST	ACTIVE
		03	A-4141021	D	GAIN ON SALE-MISC UNITED	ACTIVE
		03	A-4141022	D	GAIN ON SALE KEOWEE KEY	ACTIVE
		03	A-4141023	D	GAIN ON SALE-LWS OFFICE	ACTIVE
		03	A-4141024	D	GAIN ON SALE-FARMWOOD B	ACTIVE
		03	A-4141025	D	GAIN ON SALE-PEPPERHILL	ACTIVE
		03	A-4141026	D	GAIN ON SALE-HABERSHAM	ACTIVE
		03	A-4141027	D	GAIN ON SALE-FARMWOOD 18/HIDDEN HILLS	ACTIVE
		03	A-4141028	D	GAIN ON SALE-MALLARD CROSSING	ACTIVE
		03	A-4141029	D	GAIN ON SALE-I-20/LK MURRAY	ACTIVE
		03	A-4141030	D	GAIN ON SALE-WHISPERING PINES	ACTIVE
		03	A-4141031	D	GAIN ON SALE-DRUID ISLES	ACTIVE
		03	A-4141032	D	GAIN ON SALE-SKY RANCH	ACTIVE
		03	A-4141099	D	SALES - MISC.	ACTIVE
		03	A-4142040	D	GAIN ON SALE-PRIOR	ACTIVE
	02		A-414.2	S	LOSS ON SALE OF UTIL PROP	ACTIVE

STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	NUMERIC ITEM	SD	DESCRIPTION	STATUS
		03	A-4142000	D	LOSS ON SALE OF UTIL PROP	ACTIVE
	02		A-415.1	S	INCOME FROM MGMT SERVICES	ACTIVE
		03	A-4152000	D	INCOME FROM MGMT. SERVICES	ACTIVE
		03	A-4152001	D	M/F CADE CARTERET CTR (SASS)	INACTIVE
		03	A-4152002	D	M/F-COLONIAL MOBILE HM PK	INACTIVE
		03	A-4152003	D	M/F-COLONY BY THE SEA	ACTIVE
		03	A-4152004	D	M/F-CORAL BAY WEST CONDO	INACTIVE
		03	A-4152005	D	M/F-8 1/2 MARINA	ACTIVE
		03	A-4152006	D	M/F-GENESIS DEVELOPMENT	ACTIVE
		03	A-4152007	D	M/F-MARINERS POINT HOA	INACTIVE
		03	A-4152008	D	M/F-OCEAN BAY VILLAS	INACTIVE
		03	A-4152009	D	M/F-OCEANS BAY CONDOS	INACTIVE
		03	A-4152010	D	M/F-OCEAN TERRACE	INACTIVE
		03	A-4152011	D	M/F-PEBBLE BEACH HOA	INACTIVE
		03	A-4152012	D	M/F-PEPPERTREE RESORTS LTD	INACTIVE
		03	A-4152013	D	M/F-SOUTHWINDS CONDOS	INACTIVE
		03	A-4152014	D	M/F CITY OF DUNLAP	INACTIVE
		03	A-4152015	D	M/F-K & B #090 INC	ACTIVE
		03	A-4152016	D	M/F-UNITED UTIL LAB	INACTIVE
		03	A-4152017	D	CHEMICAL EXP	ACTIVE
		03	A-4152018	D	CEDAR POINT VILLA	INACTIVE
		03	A-4152019	D	SUMMER WIND	INACTIVE
		03	A-4152020	D	WINDWARD DUNES	INACTIVE
		03	A-4152021	D	SUPPLIES	ACTIVE
		03	A-4152022	D	M/F-MC GINNIS POINT	INACTIVE
		03	A-4152023	D	M/F-WOLF LAUREL	INACTIVE
		03	A-4152024	D	PORT LOUIS SAIL	INACTIVE
		03	A-4152025	D	LAB FEES-CWS	INACTIVE
		03	A-4152026	D	M/F-MITCHENER INC-MERRITT FORD	INACTIVE
		03	A-4152027	D	M/F-SHERWOOD FOREST	INACTIVE
		03	A-4152028	D	PHILIPP WATER ASSN	INACTIVE
		03	A-4152029	D	M/F-ATLANTIC STATION	ACTIVE
		03	A-4152030	D	TURNBERRY UTIL	INACTIVE
		03	A-4152031	D	M/F-OCEAN SANDS	ACTIVE
		03	A-4152032	D	M/F-BLUE MTN-EAGLES N	INACTIVE
		03	A-4152033	D	M/F-BEACON'S REACH	INACTIVE
		03	A-4152034	D	M/F-TOPSAIL GREEN	INACTIVE
		03	A-4152035	D	M/F-HAYSTACKS	INACTIVE
		03	A-4152036	D	M/F/PRESTONFIELD	INACTIVE
		03	A-4152037	D	M/F-MCGINNIS PT	INACTIVE
		03	A-4152038	D	M/F-CARTARET CT APTS	INACTIVE
		03	A-4152039	D	M/F-MANDEL/HOLLYWOOD HILLS	INACTIVE
		03	A-4152040	D	M/F-CYPRESS LAKE	ACTIVE
		03	A-4152041	D	M/R-BRIDGETON	ACTIVE
	02		A-419.1	S	DEFERRED INCOME TAXES-FED	ACTIVE
		03	A-4101000	D	DEF INCOME TAX-FEDERAL	ACTIVE
	02		A-419.2	S	INTEREST EXPENSE-INTERCO	ACTIVE
		03	A-4192000	D	INTEREST EXPENSE-INTER-CO	ACTIVE
	02		A-419.3	S	INTEREST INCOME-INTERCO	ACTIVE
		03	A-4192500	D	INTEREST INCOME-INTER-CO	ACTIVE
	02		A-419.4	S	DIVIDEND INCOME	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 1L02.INC STMT

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
		03----------	A-4193000	D	DIVIDEND INCOME	ACTIVE
	02----------		A-420.1	S	INTEREST DURING CONSTRUCTION	ACTIVE
		03----------	A-4201000	D	INTEREST DURING CONSTRUCTION	ACTIVE
	02----------		A-421.1	S	NON-UTILITY REVENUES	ACTIVE
		03----------	A-4213000	D	NON-UTILITY REVENUES	ACTIVE
	02----------		A-426.1	S	MISCELLANEOUS INCOME	ACTIVE
		03----------	A-4261000	D	MISCELLANEOUS INCOME	ACTIVE
		03----------	A-4263000	D	EXTRA ORDINARY GAIN/LOSS	ACTIVE
	02----------		A-426.2	S	NON-UTILITY EXPENSES	ACTIVE
		03----------	A-4262000	D	NON-UTILITY EXPENSES	ACTIVE
	02----------		A-426.3	S	NON-UTILITY INCOME TAXES	ACTIVE
		03----------	A-4264000	D	NON-UTILITY INCOME TAXES	ACTIVE
		03----------	A-4264010	D	NON-UTILITY-CURRENT TAXES-FIT	ACTIVE
		03----------	A-4264015	D	NON-UTILITY-DEFERRED TAXES-FIT	ACTIVE
		03----------	A-4264020	D	NON-UTILITY-CURRENT TAXES-SIT	ACTIVE
		03----------	A-4264025	D	NON-UTILITY-DEFERRED TAX-SIT	ACTIVE
	02----------		A-427.2	S	SHORT TERM INTEREST EXP	ACTIVE
		03----------	A-4272000	D	SHORT TERM INTEREST EXP	ACTIVE
		03----------	A-4272011	D	S/T INT EXP BANK ONE	ACTIVE
		03----------	A-4272012	D	S/T INT EXP BK OF AMERICA	ACTIVE
		03----------	A-4272013	D	S/T INT EXP C & S NATL BK	ACTIVE
		03----------	A-4272014	D	S/T INT EXP NATIONS BANK	ACTIVE
		03----------	A-4272046	D	S/T INT EXP FIRST UNION	ACTIVE
		03----------	A-4272050	D	S/T INT EXP CUSTOMERS DEP	ACTIVE
		03----------	A-4272055	D	S/T INT EXP UTIL SUP AMER	ACTIVE
		03----------	A-4272060	D	S/T INT EXP OTHER	ACTIVE
		03----------	A-4272090	D	S/T INT EXP OTHER	ACTIVE
	02----------		A-427.3	S	LONG TERM INTEREST EXP	ACTIVE
		03----------	A-4273010	D	L/T INT EXP BANK ONE	ACTIVE
		03----------	A-4273020	D	L/T INT EXP BK OF AMERICA	ACTIVE
		03----------	A-4273021	D	L/T INT EXP $50MM	ACTIVE
		03----------	A-4273030	D	L/T INT EXP C&S NATL BK	ACTIVE
		03----------	A-4273031	D	L/T INT EXP 20M 4.55%	ACTIVE
		03----------	A-4273032	D	L/T INT EXP 20M 4.62	ACTIVE
		03----------	A-4273035	D	L/T INT EXP N C NATIONAL	ACTIVE
		03----------	A-4273036	D	L/T INT EXP CENTURY 21	ACTIVE
		03----------	A-4273040	D	L/T INT EXP IDS LIFE INS	ACTIVE
		03----------	A-4273045	D	L/T INT EXP PRUDENTIAL BACHE	ACTIVE
		03----------	A-4273046	D	L/T INT EXP FIRST UNION	ACTIVE
		03----------	A-4273047	D	L/T INT EXP $41MM 8.42%	ACTIVE
		03----------	A-4273050	D	L/T INT EXP LINCOLN LIFE INS	ACTIVE
		03----------	A-4273055	D	L/T INT EXP TEACHERS INS.& ANN.	ACTIVE
		03----------	A-4273056	D	L/T INT EXP 15M LINCOLN NATL	ACTIVE
		03----------	A-4273060	D	L/T INT EXP MUTUAL TRST LIFE	ACTIVE
		03----------	A-4273070	D	L/T INT EXP MORTGAGES	ACTIVE
		03----------	A-4273080	D	L/T INT EXP DEBT DISC	ACTIVE
		03----------	A-4275090	D	L/T INT EXP OTHER	ACTIVE
	02----------		A-428.1	S	AMORT OF DEB & ACQ EXP	ACTIVE
		03----------	A-4281000	D	AMORT.OF DEBT & ACQ. EXP.	ACTIVE
	02----------		A-433.1	S	EXTRORD GAIN NET OP LOSS	ACTIVE
		03----------	A-4331000	D	EXTRAORD.GAIN-NET OP.LOSS	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 990.1

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
01			A-990.1	S	STATISTICS	ACTIVE
	02		A-9900100	D	WATER CUSTOMER COUNT	ACTIVE
	02		A-9900200	D	SEWER CUSTOMER COUNT	ACTIVE
	02		A-9900300	D	AVAIL CUSTOMER COUNT	ACTIVE
	02		A-9901100	D	CUSTOMER EQUIVALENTS	ACTIVE
	02		A-9902100	D	NO. OF SHARES	ACTIVE
	02		A-9903100	D	DEPREC.RATE WATER	ACTIVE
	02		A-9903200	D	DEPREC.RATE SEWER	ACTIVE
	02		A-9903300	D	PAA WATER AMORT. RATE	ACTIVE
	02		A-9903400	D	PAA SEWER AMORT. RATE	ACTIVE
	02		A-9903500	D	CUSTOMER DEPOSIT INTEREST RATE	ACTIVE
	02		A-9903600	D	CIA WATER AMORT. RATE	ACTIVE
	02		A-9903700	D	CIA SEWER AMORT. RATE	ACTIVE
	02		A-9904000	D	OFFICE SALARIES	ACTIVE
	02		A-9905100	D	WATER CONSUMPTION	ACTIVE
	02		A-9905200	D	SEWER CONSUMPTION	ACTIVE
	02		A-9905600	D	WATER UNITS	ACTIVE
	02		A-9905700	D	SEWER UNITS	ACTIVE
	02		A-9905800	D	STATISTICS CLEARING	ACTIVE
	02		A-9905900	D	BILLING STATS CLEARING ACCT	ACTIVE
	02		A-9906100	D	SE1 RETIREMENTS-WTR	ACTIVE
	02		A-9906200	D	SE1 RETIREMENTS-SWR	ACTIVE
	02		A-9906300	D	SE1 RETIREMENTS-ACQ-WTR	ACTIVE
	02		A-9906400	D	SE1 RETIREMENTS-ACQ-SWR	ACTIVE
	02		A-9906500	D	SE1 RETIREMENTS-ADJ-WTR	ACTIVE
	02		A-9906600	D	SE1 RETIREMENTS-ADJ-SWR	ACTIVE
	02		A-9906900	D	SE1 CLEARING	ACTIVE
	02		A-9909800	D	TEXT	ACTIVE
	02		A-9910100	D	DEPR.RATE-10101	ACTIVE
	02		A-9911100	D	DEPR.RATE-10111	ACTIVE
	02		A-9911400	D	DEPR.RATE-10114	ACTIVE
	02		A-9912100	D	DEPR.RATE-10121	ACTIVE
	02		A-9912500	D	DEPR.RATE-10125	ACTIVE
	02		A-9912600	D	DEPR.RATE-10126	ACTIVE
	02		A-9913100	D	DEPR.RATE-10131	ACTIVE
	02		A-9913200	D	DEPR.RATE-10132	ACTIVE
	02		A-9914200	D	DEPR.RATE-10142	ACTIVE
	02		A-9914300	D	DEPR.RATE-10143	ACTIVE
	02		A-9914400	D	DEPR.RATE-10144	ACTIVE
	02		A-9914500	D	DEPR.RATE-10145	ACTIVE
	02		A-9914600	D	DEPR.RATE-10146	ACTIVE
	02		A-9914700	D	DEPR.RATE-10147	ACTIVE
	02		A-9914800	D	DEPR.RATE-10148	ACTIVE
	02		A-9915000	D	DEPR.RATE-10150	ACTIVE
	02		A-9918000	D	DEPR.RATE-10180	ACTIVE
	02		A-9918800	D	DEPR.RATE-10188	ACTIVE
	02		A-9919000	D	DEPR.RATE-10190	ACTIVE
	02		A-9919100	D	DEPR.RATE-10191	ACTIVE
	02		A-9919300	D	DEPR.RATE-10193	ACTIVE
	02		A-9919400	D	DEPR.RATE-10194	ACTIVE
	02		A-9919500	D	DEPR.RATE-10195	ACTIVE

NUMERIC STRUCTURE FOR ACCOUNT - 990.1

LVL 1	LVL 2	LVL 3	ITEM	SD	DESCRIPTION	STATUS
	02		A-9919600	D	DEPR.RATE-10196	ACTIVE
	02		A-9919700	D	DEPR.RATE-10197	ACTIVE
	02		A-9920100	D	DEPR.RATE-10201	ACTIVE
	02		A-9920300	D	DEPR.RATE-10203	ACTIVE
	02		A-9920400	D	DEPR.RATE-10204	ACTIVE
	02		A-9920500	D	DEPR.RATE-10205	ACTIVE
	02		A-9920600	D	DEPR.RATE-10206	ACTIVE
	02		A-9920700	D	DEPR.RATE-10207	ACTIVE
	02		A-9920800	D	DEPR.RATE-10208	ACTIVE
	02		A-9920900	D	DEPR.RATE-10209	ACTIVE
	02		A-9921000	D	DEPR.RATE-10210	ACTIVE
	02		A-9921100	D	DEPR.RATE-10211	ACTIVE
	02		A-9921200	D	DEPR.RATE-10212	ACTIVE
	02		A-9922000	D	DEPR.RATE-10220	ACTIVE
	02		A-9922100	D	DEPR.RATE-10221	ACTIVE
	02		A-9925000	D	DEPR.RATE-10250	ACTIVE
	02		A-9925100	D	DEPR.RATE-10251	ACTIVE
	02		A-9929000	D	DEPR.RATE-10290	ACTIVE
	02		A-9929100	D	DEPR.RATE-10291	ACTIVE
	02		A-9929400	D	DEPR.RATE-10294	ACTIVE
	02		A-9929500	D	DEPR.RATE-10295	ACTIVE
	02		A-9929600	D	DEPR.RATE-10296	ACTIVE
	02		A-9929700	D	DEPR.RATE-10297	ACTIVE

1312003	CASH-BANK ONE-WS DIS-A/P
2950000	BEG.BAL.LOAD CLEARING
2960000	CLOSE CP TO GL
2970000	A/P CLEARING
2980000	NET INCOME (LOSS)
2990000	J/E CLEARING
7990000	P&L CLEARING ACCOUNT
9990000	TOTAL TEXT
9990100	COMPANY NAME
9990200	CO NAME-95.ILL COS
9990300	CO NAME-96.OOS COS
9990400	CO NAME-97.OPER COS
RPTYEAR	REPORT YEAR
STATES0	STATES

Exhibit 12
Independent Auditor's Report

Confidential

Water Service Corporation of Kentucky depreciates its water plant at a rate of 2%, and its vehicles and computers at a rate of 25%. Four years is the average life span of computers and vehicles, while water plant, if not based on a class of asset depreciation, is typically depreciated over 50 years for most Utilities, Inc. companies.

Water Service Corporation of Kentucky uses Microsoft Office as its software.

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

MONTHLY BALANCE SHEET PYA

NT	DESCRIPTION	PYA;BEG:JAN	PYA;BEG:FEB	PYA;BEG:MAR	PYA;BEG:APR	PYA;BEG:MAY	PYA;BEG:JUN
3011001	ORGANIZATION	126676.40	127083.51	127083.51	127083.51	127083.51	127083.51
3036010	LAND & LAND RIGHTS	20044.05	20044.05	20044.05	20044.05	20044.05	20044.05
3042011	STRUCT & IMPRV (SOURCE SUP)	0.00	0.00	0.00	0.00	0.00	0.00
3043021	STRUCT & IMPRV (PUMP PLT)	29582.06	29964.80	30379.54	30379.54	30379.54	30379.54
3044031	STRUCT & IMPRV (WATER T P)	343144.02	343144.02	343144.02	343144.02	343144.02	343144.02
3072014	WELLS & SPRINGS	38158.19	38158.19	38158.19	38158.19	38158.19	38158.19
3113025	ELECTRIC PUMP EQUIP	254377.88	267058.22	266745.20	267755.20	267755.20	267755.20
3204032	WATER TREATMENT EQPT	375577.96	376127.96	376127.96	376127.96	376127.96	376259.76
3305042	DIST RESV & STNDPIPES	456337.08	456337.08	456337.08	456337.08	456337.08	456337.08
3315043	TRANS & DISTR MAINS	2632325.68	2632325.68	2632325.68	2633135.72	2633135.72	2633135.72
3335045	SERVICE LINES	623987.66	624574.28	625420.93	625420.93	625420.93	633385.63
3345046	METERS	454447.59	454460.69	456427.38	457334.18	457334.18	458243.53
3345047	METER INSTALLATIONS	175568.83	175568.83	175568.83	175568.83	175568.83	175568.83
3355048	HYDRANTS	157429.73	157429.73	157429.73	157429.73	157429.73	157429.73
3406090	OFF STRUCT & IMPRV	60250.17	60250.17	60250.17	60250.17	60250.17	60250.17
3406091	OFF FURN & EQPT	60683.62	60683.62	60683.62	60683.62	60683.62	60683.62
3446095	LABORATORY EQPT	30035.95	30035.95	30035.95	30035.95	30035.95	30035.95
3466094	TOOLS SHOP & MISC EQPT	141358.08	141358.08	142179.08	142179.08	142979.08	144028.02
3466097	COMMUNICATION EQPT	43245.39	43245.39	43245.39	43245.39	43245.39	43245.39
3486096	UNDISTR WATER PLANT	69976.00	69976.00	69976.00	69976.00	69976.00	69976.00
101.1	WTR UTILITY PLANT IN SERVICE	6093206.34	6107826.25	6111562.31	6114289.15	6115089.15	6125143.94
3917000	TRANSPORTATION EQPT	343290.85	343290.85	343290.85	343290.85	343290.85	343290.85
101.3	TRANSPORTATION EQPT	343290.85	343290.85	343290.85	343290.85	343290.85	343290.85
3406020	MINI COMPUTERS	9157.11	9314.14	9314.14	9524.31	9545.40	9545.40
3406120	MICRO SYS COST	2108.99	2108.99	2108.99	2108.99	2728.91	2728.91
[illegible]	COMPUTERS	11266.10	11423.13	11423.13	11633.30	12274.31	12274.31
10[illegible]2091	WATER PLANT IN PROCESS	17082.91	4402.57	11147.46	22071.79	80436.47	94463.01
105.1	WORK IN PROGRESS	17082.91	4402.57	11147.46	22071.79	80436.47	94463.01
1081020	ACCUM DEPR-MINI COMP	2663.08-	2893.33-	3123.58-	3356.75-	3590.17-	3823.59-
3406160	MICRO SYS AMORTIZATION	1468.00-	1527.00-	1586.00-	1645.00-	1721.00-	1797.00-
108.1	ACCUM DEPR COMPUTER	4131.08-	4420.33-	4709.58-	5001.75-	5311.17-	5620.59-
1082000	ACCUM DEPR-TRANSPORTATION	228919.91-	228919.91-	242368.38-	228919.91-	228919.91-	255816.86-
108.2	ACCUM DEPR TRANSPORTATION	228919.91-	228919.91-	242368.38-	228919.91-	228919.91-	255816.86-
1083001	ACCUM DEPR.-3011001	2384.55-	2594.10-	2803.65-	3013.20-	3222.75-	3432.30-
1083010	ACCUM DEPR-WATER PLANT	23182.53-	23182.53-	16682.53-	16682.53-	16682.53-	14482.53-
1083014	ACCUM DEPR.-3072014	24936.73-	25000.33-	25063.93-	25127.53-	25191.13-	25254.73-
1083021	ACCUM DEPR.-3043021	13348.76-	13398.06-	13447.36-	13496.66-	13545.96-	13595.26-
1083025	ACCUM DEPR.-3113025	79383.32-	79807.29-	80231.26-	80655.23-	81079.20-	81503.17-
1083031	ACCUM DEPR.-3044031	98736.33-	99308.23-	99880.13-	100452.03-	101023.93-	101595.83-

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-SL26U.KY WATER SERVICE CORP OF KENTUCKY

MC 'Y BALANCE SHEET PYA

ACC..NT	DESCRIPTION	PYA;BEG:JAN	PYA;BEG:FEB	PYA;BEG:MAR	PYA;BEG:APR	PYA;BEG:MAY	PYA;BEG:JUN
1083032	ACCUM DEPR.-3204032	138288.94-	138914.90-	139540.86-	140166.82-	140792.78-	141418.74-
1083042	ACCUM DEPR.-3305042	162916.81-	163677.37-	164437.93-	165198.49-	165959.05-	166719.61-
1083043	ACCUM DEPR.-3315043	961877.88-	966265.09-	970652.30-	975039.51-	979426.72-	983813.93-
1083045	ACCUM DEPR.-3335045	480695.88-	481735.63-	482775.38-	483815.13-	484854.88-	485894.63-
1083046	ACCUM DEPR.-3345046	364161.89-	364912.05-	365662.21-	366412.37-	367162.53-	367912.69-
1083047	ACCUM DEPR.-3345047	136400.40-	136693.02-	136985.64-	137278.26-	137570.88-	137863.50-
1083048	ACCUM DEPR.-3355048	56205.86-	56468.24-	56730.62-	56993.00-	57255.38-	57517.76-
1083090	ACCUM DEPR.-3406090	5620.15-	5720.56-	5820.97-	5921.38-	6021.79-	6122.20-
1083091	ACCUM DEPR.-3406091	43732.89-	43834.03-	43935.17-	44036.31-	44137.45-	44238.59-
1083094	ACCUM DEPR.-3466094	86045.92-	86281.52-	86517.12-	86752.72-	86988.32-	87223.92-
1083095	ACCUM DEPR.-3446095	22205.45-	22255.51-	22305.57-	22355.63-	22405.69-	22455.75-
1083096	ACCUM DEPR.-10196	1856.69-	1856.69-	1856.69-	1856.69-	1856.69-	1856.69-
1083097	ACCUM DEPR.-3466097	30403.46-	30475.54-	30547.62-	30619.70-	30691.78-	30763.86-
108.3	ACCUM DEPR WATER PLANT	2732384.44-	2742380.69-	2745876.94-	2755873.19-	2765869.44-	2773665.69-
1141000	NET UTIL PLT ACQ ADJ-WATER	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-
114.1	NET UTILITY PAA WTR PLANT	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-
1151020	ACCUM PROV UTIL PAA-WATER	3965.52	4270.56	4575.60	4880.64	5185.68	5490.72
115.1	ACCUM PROV UTIL PAA WTR PLANT	3965.52	4270.56	4575.60	4880.64	5185.68	5490.72
1311001	CASH UNAPPLIED-NSF'S	0.16-	0.00	0.00	0.00	0.00	33.17
1311002	CASH-UNAPPL-TRANS CR DEP	0.00	0.00	80.00-	0.00	80.00-	0.00
131.1	CASH UNAPPLIED	0.16-	0.00	80.00-	0.00	80.00-	33.17
1312075	CASH-KENTUCKY	15532.51	11269.04	14836.98	26650.29	7414.20	15563.96
1 76	CASH-CLINTON 1ST NATL BANK CLINTON	73411.05	89042.58	79792.88	74002.59	68020.79	58038.48
1 7	CASH-CLINTON-DEBT RESERVE	24572.33	24572.33	24572.33	7543.58	7543.58	50.00
131.2	CASH	113515.89	124883.95	119202.19	108196.46	82978.57	73652.44
1322000	SPECIAL DEPOSITS	200.00	200.00	200.00	200.00	200.00	200.00
132.1	SPECIAL DEPOSITS	200.00	200.00	200.00	200.00	200.00	200.00
1411000	A/R-CUSTOMER	147477.83	130481.14	132401.85	140001.67	151479.93	157324.82
1411002	A/R-CUSTOMER ACCRUAL	131889.00	113704.00	110634.00	121771.00	119772.00	123576.00
141.1	ACCOUNTS RECEIVABLE CUSTOMER	279366.83	244185.14	243035.85	261772.67	271251.93	280900.82
1863013	RATE CASE EXPENSE--3	0.00	0.00	0.00	0.00	0.00	0.00
186.1	REGULATORY EXP BEING AMORT	0.00	0.00	0.00	0.00	0.00	0.00
1862022	DEF CHGS-TANK MAINT&REP(WTR)-2	45800.00	45800.00	45800.00	45800.00	45800.00	45800.00
1862023	DEF CHGS-TANK MAINT&REP(WTR)-3	47800.00	47800.00	47800.00	47800.00	47800.00	47800.00
1862024	DEF CHGS-TANK MAINT&REP(WTR)-4	0.00	0.00	0.00	0.00	0.00	5000.00
1862052	DEF CHGS-SLUDGE HAULING	0.00	0.00	989.41	989.41	989.41	989.41

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

M Y BALANCE SHEET PYA

ACCOUNT	DESCRIPTION	PYA;BEG:JAN	PYA;BEG:FEB	PYA;BEG:MAR	PYA;BEG:APR	PYA;BEG:MAY	PYA;BEG:JUN
1865022	AMORT - TANK MAINT&REP (WTR)-2	3815.00-	4578.00-	5341.00-	6104.00-	6867.00-	7630.00-
1865023	AMORT - TANK MAINT&REP (WTR)-3	7173.00-	7970.00-	8767.00-	9564.00-	10361.00-	11158.00-
1865024	AMORT - TANK MAINT&REP (WTR)-4	0.00	0.00	0.00	0.00	0.00	83.00-
1865052	AMORT - SLUDGE HAULING	0.00	0.00	16.00-	32.00-	48.00-	64.00-
186.2	OTHER DEFERRED CHARGES	82612.00	81052.00	80465.41	78889.41	77313.41	80654.41
1901012	DEF FED TAX-TAP FEE POST 2000	70.00	70.00	70.00	70.00	70.00	70.00
1901020	DEF FED TAX - RATE CASE	0.00	0.00	0.00	0.00	0.00	0.00
1901021	DEF FED TAX - DEF MAINT	26422.00-	26422.00-	26422.00-	26422.00-	26422.00-	26422.00-
1901024	DEF FED TAX - ORGN EXP	15167.00-	15167.00-	15167.00-	15167.00-	15167.00-	15167.00-
1901031	DEF FED TAX - DEPRECIATION	104010.00-	104010.00-	104010.00-	104010.00-	104010.00-	104010.00-
190.1	ACCUM DEFERRED FIT	145529.00-	145529.00-	145529.00-	145529.00-	145529.00-	145529.00-
1902012	DEF ST TAX-TAP FEE POST 2000	15.00	15.00	15.00	15.00	15.00	15.00
1902020	DEF ST TAX - RATE CASE	0.00	0.00	0.00	0.00	0.00	0.00
1902021	DEF ST TAX - DEF MAINT	5846.00-	5846.00-	5846.00-	5846.00-	5846.00-	5846.00-
190.2	ACCUM DEFERRED SIT	5831.00-	5831.00-	5831.00-	5831.00-	5831.00-	5831.00-
2021000	COMMON STOCK & C S SUBSCR	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-
202.1	COMMON STOCK & CS SUBSCR	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-
2111000	PAID-IN CAPITAL	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-
211.1	PAID IN CAPITAL	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-
2112000	MISC PAID-IN CAPITAL	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-
2	MISC PAID IN CAPITAL	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-
2151000	RETAINED EARN-PRIOR YEARS	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-
215.1	RETAINED EARNINGS PRIOR	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-
2311000	A/P TRADE	4716.30	5586.67	1089.73	4666.82	3368.82-	5766.02-
2311020	A/P CITY OF CLINTON	87335.13-	102689.10-	95255.91-	70417.03-	66967.56-	52857.04-
2311050	A/P TRADE - ACCRUAL	10923.87-	9481.52-	3583.31-	4461.40-	7721.27-	3886.92-
231.1	ACCOUNTS PAYABLE TRADE	93542.70-	106583.95-	97749.49-	70211.61-	78057.65-	62509.98-
2334002	A/P WATER SERVICE CORP	867255.68-	905967.85-	944249.33-	984536.60-	1019307.64-	1056543.61-
2334003	A/P WATER SERVICE DISB	672016.94	741847.35	801520.07	843638.65	892390.19	916822.19
233.4	ACCTS PAYABLE ASSOC COS	195238.74-	164120.50-	142729.26-	140897.95-	126917.45-	139721.42-
2351000	CUSTOMER DEPOSITS	108594.10-	108754.10-	108904.10-	109579.10-	109969.10-	110794.10-
235.1	CUSTOMER DEPOSITS	108594.10-	108754.10-	108904.10-	109579.10-	109969.10-	110794.10-

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

M[illegible]Y BALANCE SHEET PYA

ACCOUNT	DESCRIPTION	PYA;BEG:JAN	PYA;BEG:FEB	PYA;BEG:MAR	PYA;BEG:APR	PYA;BEG:MAY	PYA;BEG:JUN
2361170	ACCRUED SALES TAX	7463.99-	11986.85-	16388.02-	7513.70-	12198.11-	17009.69-
2361171	ACCRUED SALES TAX 2	2729.11-	2941.13-	3150.52-	3414.52-	3630.77-	3866.40-
2361292	ACCRUED ST INCOME TAX	6000.00-	6000.00-	1500.00	1500.00	1500.00	1982.10
236.1	ACCRUED TAXES	16193.10-	20927.98-	18038.54-	9428.22-	14328.88-	18893.99-
2372030	ACCRUED CUST DEP INTEREST	7164.58-	2121.68-	2613.49-	3100.75-	3593.86-	4091.71-
237.1	ACCRUED INTEREST	7164.58-	2121.68-	2613.49-	3100.75-	3593.86-	4091.71-
2413000	ADVANCES FROM UTILITIES INC	68790.79-	68790.79-	68790.79-	68790.79-	68790.79-	52626.81-
241.3	ADVANCES FROM UI	68790.79-	68790.79-	68790.79-	68790.79-	68790.79-	52626.81-
2525000	ADV-IN-AID OF CONST-WATER	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-
252.1	ADVANCES IN AID WATER	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-
2711000	CIAC-WATER-UNDISTR.	81023.99-	81023.99-	81023.99-	81023.99-	81023.99-	81023.99-
2711010	CIAC-WATER-TAX	221.00-	221.00-	221.00-	221.00-	221.00-	221.00-
271.1	CONTRIBUTIONS IN AID WATER	81244.99-	81244.99-	81244.99-	81244.99-	81244.99-	81244.99-
2722000	ACC. AMORT-CIA-WATER	1872.92	2008.60	2144.28	2279.96	2415.64	2551.32
272.1	ACCUM AMORT OF CIA WATER	1872.92	2008.60	2144.28	2279.96	2415.64	2551.32
	TOTAL BALANCE SHEET	36284.15	21387.51	40050.90	100565.35	133462.15	139778.23

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;BEG:JUL	PYA;BEG:AUG	PYA;BEG:SEP	PYA;BEG:OCT	PYA;BEG:NOV	PYA;BEG:DEC
3011001	ORGANIZATION	127083.51	127083.51	127083.51	127083.51	127708.51	127708.51
3036010	LAND & LAND RIGHTS	20044.05	20044.05	20044.05	20044.05	20044.05	20044.05
3042011	STRUCT & IMPRV (SOURCE SUP)	0.00	0.00	0.00	1000.00	1000.00	1000.00
3043021	STRUCT & IMPRV (PUMP PLT)	30379.54	30379.54	30379.54	30379.54	30379.54	30379.54
3044031	STRUCT & IMPRV (WATER T P)	343144.02	343144.02	343144.02	343144.02	343144.02	343144.02
3072014	WELLS & SPRINGS	38158.19	38158.19	38158.19	38158.19	38158.19	38158.19
3113025	ELECTRIC PUMP EQUIP	268238.35	268440.25	268440.25	268783.49	268783.49	269153.39
3204032	WATER TREATMENT EQPT	377101.15	377954.39	377954.39	377954.39	378304.39	378304.39
3305042	DIST RESV & STNDPIPES	456337.08	456337.08	456337.08	456337.08	456337.08	456337.08
3315043	TRANS & DISTR MAINS	2633135.72	2633135.72	2633135.72	2633135.72	2633775.72	2633775.72
3335045	SERVICE LINES	633385.63	635363.02	635707.83	636952.75	636952.75	637942.70
3345046	METERS	459152.88	460262.13	462082.13	463900.83	463900.83	463900.83
3345047	METER INSTALLATIONS	175568.83	175568.83	175568.83	175568.83	175568.83	175568.83
3355048	HYDRANTS	157429.73	157429.73	157429.73	157429.73	157429.73	157429.73
3406090	OFF STRUCT & IMPRV	60250.17	60250.17	60250.17	60250.17	60250.17	60250.17
3406091	OFF FURN & EQPT	60683.62	60683.62	60683.62	60683.62	60683.62	60683.62
3446095	LABORATORY EQPT	30035.95	30035.95	30035.95	30035.95	30035.95	30035.95
3466094	TOOLS SHOP & MISC EQPT	144028.02	145726.25	146388.24	146388.24	147538.66	147538.66
3466097	COMMUNICATION EQPT	43245.39	43245.39	43245.39	43245.39	43245.39	43245.39
3486096	UNDISTR WATER PLANT	69976.00	69976.00	69976.00	69976.00	69976.00	69976.00
101.1	WTR UTILITY PLANT IN SERVICE	6127377.83	6133217.84	6136044.64	6140451.50	6143216.92	6144576.77
3917000	TRANSPORTATION EQPT	343290.85	343290.85	343290.85	395891.98	399122.55	399122.55
101.3	TRANSPORTATION EQPT	343290.85	343290.85	343290.85	395891.98	399122.55	399122.55
3406020	MINI COMPUTERS	9545.40	9545.40	9545.40	9545.40	9545.40	9545.40
3406120	MICRO SYS COST	2728.91	2728.91	2728.91	2728.91	2728.91	2728.91
[illegible]	COMPUTERS	12274.31	12274.31	12274.31	12274.31	12274.31	12274.31
1052091	WATER PLANT IN PROCESS	95824.25	117136.60	127729.66	186083.19	345136.42	357612.06
105.1	WORK IN PROGRESS	95824.25	117136.60	127729.66	186083.19	345136.42	357612.06
1081020	ACCUM DEPR-MINI COMP	4057.01-	4290.43-	4523.85-	4757.27-	4990.69-	5236.00-
3406160	MICRO SYS AMORTIZATION	1873.00-	1949.00-	2025.00-	2101.00-	2177.00-	2318.63-
108.1	ACCUM DEPR COMPUTER	5930.01-	6239.43-	6548.85-	6858.27-	7167.69-	7554.63-
1082000	ACCUM DEPR-TRANSPORTATION	228919.91-	228919.91-	269265.33-	228919.91-	228919.91-	285505.80-
108.2	ACCUM DEPR TRANSPORTATION	228919.91-	228919.91-	269265.33-	228919.91-	228919.91-	285505.80-
1083001	ACCUM DEPR.-3011001	2186.46-	2186.46-	2186.46-	2186.46-	2186.46-	2186.46-
1083010	ACCUM DEPR-WATER PLANT	14613.53-	13863.53-	13863.53-	13863.53-	13863.53-	13103.53-
1083014	ACCUM DEPR.-3072014	25318.33-	25381.93-	25445.53-	25509.13-	25572.73-	25636.33-
1083021	ACCUM DEPR.-3043021	13645.89-	13696.52-	13747.15-	13797.78-	13848.41-	13899.04-
1083025	ACCUM DEPR.-3113025	81949.43-	82395.69-	82841.95-	83288.21-	83734.47-	84180.73-
1083031	ACCUM DEPR.-3044031	102167.73-	102739.63-	103311.53-	103883.43-	104455.33-	105027.23-

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;BEG:JUL	PYA;BEG:AUG	PYA;BEG:SEP	PYA;BEG:OCT	PYA;BEG:NOV	PYA;BEG:DEC
1083032	ACCUM DEPR.-3204032	142045.84-	142672.94-	143300.04-	143927.14-	144554.24-	145181.34-
1083042	ACCUM DEPR.-3305042	167480.17-	168240.73-	169001.29-	169761.85-	170522.41-	171282.97-
1083043	ACCUM DEPR.-3315043	988202.49-	992591.05-	996979.61-	1001368.17-	1005756.73-	1010145.29-
1083045	ACCUM DEPR.-3335045	486950.27-	488005.91-	489061.55-	490117.19-	491172.83-	492228.47-
1083046	ACCUM DEPR.-3345046	368676.43-	369440.17-	370203.91-	370967.65-	371731.39-	372495.13-
1083047	ACCUM DEPR.-3345047	138156.12-	138448.74-	138741.36-	139033.98-	139326.60-	139619.22-
1083048	ACCUM DEPR.-3355048	57780.14-	58042.52-	58304.90-	58567.28-	58829.66-	59092.04-
1083090	ACCUM DEPR.-3406090	6222.61-	6323.02-	6423.43-	6523.84-	6624.25-	6724.66-
1083091	ACCUM DEPR.-3406091	44339.73-	44440.87-	44542.01-	44643.15-	44744.29-	44845.43-
1083094	ACCUM DEPR.-3466094	87463.97-	87704.02-	87944.07-	88184.12-	88424.17-	88664.22-
1083095	ACCUM DEPR.-3446095	22505.81-	22555.87-	22605.93-	22655.99-	22706.05-	22756.11-
1083096	ACCUM DEPR.-10196	1856.69-	1856.69-	1856.69-	1856.69-	1856.69-	1856.69-
1083097	ACCUM DEPR.-3466097	30835.94-	30908.02-	30980.10-	31052.18-	31124.26-	31196.34-
108.3	ACCUM DEPR WATER PLANT	2782397.58-	2791494.31-	2801341.04-	2811187.77-	2821034.50-	2830121.23-
1141000	NET UTIL PLT ACQ ADJ-WATER	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-
114.1	NET UTILITY PAA WTR PLANT	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-	183024.56-
1151020	ACCUM PROV UTIL PAA-WATER	5795.76	6100.80	6405.84	6710.88	7015.92	7320.96
115.1	ACCUM PROV UTIL PAA WTR PLANT	5795.76	6100.80	6405.84	6710.88	7015.92	7320.96
1311001	CASH UNAPPLIED-NSF'S	33.17	0.00	8.00-	0.00	37.50-	0.00
1311002	CASH-UNAPPL-TRANS CR DEP	10.00	40.00	0.00	0.00	0.00	0.00
131.1	CASH UNAPPLIED	43.17	40.00	8.00-	0.00	37.50-	0.00
1312075	CASH-KENTUCKY	10188.97	21880.39	20700.71	15111.41	24550.43	7794.38
[illegible]076	CASH-CLINTON 1ST NATL BANK CLINTON	79769.49	86354.19	70202.69	78553.41	71567.17	80925.74
[illegible]77	CASH-CLINTON-DEBT RESERVE	0.00	0.00	0.00	0.00	0.00	0.00
131.2	CASH	89958.46	108234.58	90903.40	93664.82	96117.60	88720.12
1322000	SPECIAL DEPOSITS	200.00	200.00	200.00	100.00	6100.00	6100.00
132.1	SPECIAL DEPOSITS	200.00	200.00	200.00	100.00	6100.00	6100.00
1411000	A/R-CUSTOMER	159690.81	147068.95	159787.19	138456.61	149714.68	158127.48
1411002	A/R-CUSTOMER ACCRUAL	130090.00	126559.00	127722.00	119805.00	121828.00	124924.00
141.1	ACCOUNTS RECEIVABLE CUSTOMER	289780.81	273627.95	287509.19	258261.61	271542.68	283051.48
1863013	RATE CASE EXPENSE--3	0.00	0.00	0.00	0.00	0.00	0.00
186.1	REGULATORY EXP BEING AMORT	0.00	0.00	0.00	0.00	0.00	0.00
1862022	DEF CHGS-TANK MAINT&REP(WTR)-2	45800.00	45800.00	45800.00	45800.00	45800.00	45800.00
1862023	DEF CHGS-TANK MAINT&REP(WTR)-3	47800.00	47800.00	47800.00	47800.00	47800.00	47800.00
1862024	DEF CHGS-TANK MAINT&REP(WTR)-4	5000.00	5000.00	80633.30	160468.45	173073.45	189805.85
1862052	DEF CHGS-SLUDGE HAULING	989.41	989.41	989.41	989.41	989.41	989.41

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;BEG:JUL	PYA;BEG:AUG	PYA;BEG:SEP	PYA;BEG:OCT	PYA;BEG:NOV	PYA;BEG:DEC
1865022	AMORT - TANK MAINT&REP (WTR)-2	8393.00-	9156.00-	9919.00-	10682.00-	11445.00-	12208.00-
1865023	AMORT - TANK MAINT&REP (WTR)-3	11955.00-	12752.00-	13549.00-	14346.00-	15143.00-	15940.00-
1865024	AMORT - TANK MAINT&REP (WTR)-4	166.00-	249.00-	1593.00-	4267.00-	7151.00-	10314.00-
1865052	AMORT - SLUDGE HAULING	80.00-	96.00-	112.00-	128.00-	144.00-	989.41-
186.2	OTHER DEFERRED CHARGES	78995.41	77336.41	150049.71	225634.86	233779.86	244943.85
1901012	DEF FED TAX-TAP FEE POST 2000	70.00	70.00	70.00	70.00	70.00	69.00
1901020	DEF FED TAX - RATE CASE	0.00	0.00	0.00	0.00	0.00	0.00
1901021	DEF FED TAX - DEF MAINT	26422.00-	26422.00-	26422.00-	26422.00-	26422.00-	26422.00-
1901024	DEF FED TAX - ORGN EXP	15167.00-	15167.00-	15167.00-	15167.00-	15167.00-	15167.00-
1901031	DEF FED TAX - DEPRECIATION	104010.00-	104010.00-	104010.00-	104010.00-	104010.00-	131968.00-
190.1	ACCUM DEFERRED FIT	145529.00-	145529.00-	145529.00-	145529.00-	145529.00-	173488.00-
1902012	DEF ST TAX-TAP FEE POST 2000	15.00	15.00	15.00	15.00	15.00	15.00
1902020	DEF ST TAX - RATE CASE	0.00	0.00	0.00	0.00	0.00	0.00
1902021	DEF ST TAX - DEF MAINT	5846.00-	5846.00-	5846.00-	5846.00-	5846.00-	5846.00-
190.2	ACCUM DEFERRED SIT	5831.00-	5831.00-	5831.00-	5831.00-	5831.00-	5831.00-
2021000	COMMON STOCK & C S SUBSCR	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-
202.1	COMMON STOCK & CS SUBSCR	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-	1000.00-
2111000	PAID-IN CAPITAL	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-
211.1	PAID IN CAPITAL	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-	2834076.00-
2112000	MISC PAID-IN CAPITAL	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-
[illegible]	MISC PAID IN CAPITAL	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-	55414.74-
2151000	RETAINED EARN-PRIOR YEARS	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-
215.1	RETAINED EARNINGS PRIOR	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-	35934.79-
2311000	A/P TRADE	6570.21	1146.65	2051.18-	4119.96-	6668.87-	9776.49-
2311020	A/P CITY OF CLINTON	69778.48-	74667.21-	59047.44-	61721.86-	63550.51-	67147.41-
2311050	A/P TRADE - ACCRUAL	7234.40-	1710.82-	2507.62-	3019.21-	1572.62-	9786.96-
231.1	ACCOUNTS PAYABLE TRADE	70442.67-	75231.38-	63606.24-	68861.03-	71792.00-	86710.86-
2334002	A/P WATER SERVICE CORP	1116794.24-	1156277.87-	1195823.93-	1235993.06-	1275104.49-	1315492.06-
2334003	A/P WATER SERVICE DISB	998179.99	1051859.80	1039805.53	959999.11	851526.65	901358.93
233.4	ACCTS PAYABLE ASSOC COS	118614.25-	104418.07-	156018.40-	275993.95-	423577.84-	414133.13-
2351000	CUSTOMER DEPOSITS	110579.10-	110929.10-	111824.10-	112604.10-	113569.10-	114589.10-
235.1	CUSTOMER DEPOSITS	110579.10-	110929.10-	111824.10-	112604.10-	113569.10-	114589.10-

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;BEG:JUL	PYA;BEG:AUG	PYA;BEG:SEP	PYA;BEG:OCT	PYA;BEG:NOV	PYA;BEG:DEC
2361170	ACCRUED SALES TAX	8164.66-	11674.21-	16820.55-	9793.65-	12834.00-	16582.43-
2361171	ACCRUED SALES TAX 2	4105.98-	4351.42-	4579.80-	4810.49-	5019.64-	5275.46-
2361292	ACCRUED ST INCOME TAX	1982.10	1982.10	1982.10	2232.10	2232.10	5143.00-
236.1	ACCRUED TAXES	10288.54-	14043.53-	19418.25-	12372.04-	15621.54-	27000.89-
2372030	ACCRUED CUST DEP INTEREST	4561.50-	5044.01-	5538.22-	6029.00-	6513.42-	7011.69-
237.1	ACCRUED INTEREST	4561.50-	5044.01-	5538.22-	6029.00-	6513.42-	7011.69-
2413000	ADVANCES FROM UTILITIES INC	52596.81-	52626.81-	52596.81-	52596.81-	52596.81-	24638.81-
241.3	ADVANCES FROM UI	52596.81-	52626.81-	52596.81-	52596.81-	52596.81-	24638.81-
2525000	ADV-IN-AID OF CONST-WATER	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-
252.1	ADVANCES IN AID WATER	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-	113080.53-
2711000	CIAC-WATER-UNDISTR.	81023.99-	81023.99-	81023.99-	81023.99-	81023.99-	81023.99-
2711010	CIAC-WATER-TAX	221.00-	221.00-	221.00-	221.00-	221.00-	221.00-
271.1	CONTRIBUTIONS IN AID WATER	81244.99-	81244.99-	81244.99-	81244.99-	81244.99-	81244.99-
2722000	ACC. AMORT-CIA-WATER	2687.00	2822.68	2958.36	3094.04	3229.72	3365.40
272.1	ACCUM AMORT OF CIA WATER	2687.00	2822.68	2958.36	3094.04	3229.72	3365.40
	TOTAL BALANCE SHEET	206761.87	230199.86	216065.11	291608.70	321570.06	266726.75

COLUMN-SET 3

14:51:33 22 SEP 2005 (BS.MONTH.PYA) PA

ACCOUNT	DESCRIPTION	PAY BEG ADJ	PYA BEG ALC
3011001	ORGANIZATION	127708.51	127708.51
3036010	LAND & LAND RIGHTS	20044.05	20044.05
3042011	STRUCT & IMPRV (SOURCE SUP)	1000.00	1000.00
3043021	STRUCT & IMPRV (PUMP PLT)	30379.54	30379.54
3044031	STRUCT & IMPRV (WATER T P)	343400.52	343400.52
3072014	WELLS & SPRINGS	40667.69	40667.69
3113025	ELECTRIC PUMP EQUIP	380707.38	380707.38
3204032	WATER TREATMENT EQPT	497838.39	497838.39
3305042	DIST RESV & STNDPIPES	466204.08	466204.08
3315043	TRANS & DISTR MAINS	2669405.94	2669405.94
3335045	SERVICE LINES	641835.20	641835.20
3345046	METERS	463900.83	463900.83
3345047	METER INSTALLATIONS	193837.33	193837.33
3355048	HYDRANTS	258069.33	258069.33
3406090	OFF STRUCT & IMPRV	60250.17	60250.17
3406091	OFF FURN & EQPT	60683.62	60683.62
3446095	LABORATORY EQPT	30035.95	30035.95
3466094	TOOLS SHOP & MISC EQPT	147538.66	147538.66
3466097	COMMUNICATION EQPT	43245.39	43245.39
3486096	UNDISTR WATER PLANT	69976.00	69976.00
101.1	WTR UTILITY PLANT IN SERVICE	6546728.58	6546728.58
3917000	TRANSPORTATION EQPT	399122.55	399122.55
101.3	TRANSPORTATION EQPT	399122.55	399122.55
3406020	MINI COMPUTERS	9545.40	9545.40
3406120	MICRO SYS COST	2728.91	2728.91
1	COMPUTERS	12274.31	12274.31
1052091	WATER PLANT IN PROCESS	48077.25	48077.25
105.1	WORK IN PROGRESS	48077.25	48077.25
1081020	ACCUM DEPR-MINI COMP	5236.00-	5236.00-
3406160	MICRO SYS AMORTIZATION	2318.63-	2318.63-
108.1	ACCUM DEPR COMPUTER	7554.63-	7554.63-
1082000	ACCUM DEPR-TRANSPORTATION	285505.80-	285505.80-
108.2	ACCUM DEPR TRANSPORTATION	285505.80-	285505.80-
1083001	ACCUM DEPR.-3011001	2186.46-	2186.46-
1083010	ACCUM DEPR-WATER PLANT	13103.53-	13103.53-
1083014	ACCUM DEPR.-3072014	25636.33-	25636.33-
1083021	ACCUM DEPR.-3043021	13899.04-	13899.04-
1083025	ACCUM DEPR.-3113025	47020.73-	47020.73-
1083031	ACCUM DEPR.-3044031	105027.23-	105027.23-

COLUMN-SET 3

14:51:33 22 SEP 2005 (BS.MONTH.PYA) PA

A OUNT	DESCRIPTION	PAY BEG ADJ	PYA BEG ALC
1083032	ACCUM DEPR.-3204032	145739.34-	145739.34-
1083042	ACCUM DEPR.-3305042	171282.97-	171282.97-
1083043	ACCUM DEPR.-3315043	1010145.29-	1010145.29-
1083045	ACCUM DEPR.-3335045	492228.47-	492228.47-
1083046	ACCUM DEPR.-3345046	372495.13-	372495.13-
1083047	ACCUM DEPR.-3345047	139619.22-	139619.22-
1083048	ACCUM DEPR.-3355048	59092.04-	59092.04-
1083090	ACCUM DEPR.-3406090	6724.66-	6724.66-
1083091	ACCUM DEPR.-3406091	44845.43-	44845.43-
1083094	ACCUM DEPR.-3466094	88664.22-	88664.22-
1083095	ACCUM DEPR.-3446095	22756.11-	22756.11-
1083096	ACCUM DEPR.-10196	1856.69-	1856.69-
1083097	ACCUM DEPR.-3466097	31196.34-	31196.34-
108.3	ACCUM DEPR WATER PLANT	2793519.23-	2793519.23-
1141000	NET UTIL PLT ACQ ADJ-WATER	183024.56-	183024.56-
114.1	NET UTILITY PAA WTR PLANT	183024.56-	183024.56-
1151020	ACCUM PROV UTIL PAA-WATER	7320.96	7320.96
115.1	ACCUM PROV UTIL PAA WTR PLANT	7320.96	7320.96
1311001	CASH UNAPPLIED-NSF'S	0.00	0.00
1311002	CASH-UNAPPL-TRANS CR DEP	0.00	0.00
131.1	CASH UNAPPLIED	0.00	0.00
1312075	CASH-KENTUCKY	7794.38	7794.38
1[illegible]076	CASH-CLINTON 1ST NATL BANK CLINTON	80925.74	80925.74
77	CASH-CLINTON-DEBT RESERVE	0.00	0.00
131.2	CASH	88720.12	88720.12
1322000	SPECIAL DEPOSITS	6100.00	6100.00
132.1	SPECIAL DEPOSITS	6100.00	6100.00
1411000	A/R-CUSTOMER	158127.48	158127.48
1411002	A/R-CUSTOMER ACCRUAL	124924.00	124924.00
141.1	ACCOUNTS RECEIVABLE CUSTOMER	283051.48	283051.48
1863013	RATE CASE EXPENSE--3	1420.00	1420.00
186.1	REGULATORY EXP BEING AMORT	1420.00	1420.00
1862022	DEF CHGS-TANK MAINT&REP(WTR)-2	45800.00	45800.00
1862023	DEF CHGS-TANK MAINT&REP(WTR)-3	47800.00	47800.00
1862024	DEF CHGS-TANK MAINT&REP(WTR)-4	189805.85	189805.85
1862052	DEF CHGS-SLUDGE HAULING	0.00	0.00

COLUMN-SET 3

14:51:33 22 SEP 2005 (BS.MONTH.PYA) PA

A .ONT	DESCRIPTION	PAY BEG ADJ	PYA BEG ALC
1865022	AMORT - TANK MAINT&REP (WTR)-2	12208.00-	12208.00-
1865023	AMORT - TANK MAINT&REP (WTR)-3	15940.00-	15940.00-
1865024	AMORT - TANK MAINT&REP (WTR)-4	10314.00-	10314.00-
1865052	AMORT - SLUDGE HAULING	0.00	0.00
186.2	OTHER DEFERRED CHARGES	244943.85	244943.85
1901012	DEF FED TAX-TAP FEE POST 2000	69.00	69.00
1901020	DEF FED TAX - RATE CASE	449.00-	449.00-
1901021	DEF FED TAX - DEF MAINT	77451.00-	77451.00-
1901024	DEF FED TAX - ORGN EXP	23851.00-	23851.00-
1901031	DEF FED TAX - DEPRECIATION	239238.00-	239238.00-
190.1	ACCUM DEFERRED FIT	340920.00-	340920.00-
1902012	DEF ST TAX-TAP FEE POST 2000	15.00	15.00
1902020	DEF ST TAX - RATE CASE	99.00-	99.00-
1902021	DEF ST TAX - DEF MAINT	17142.00-	17142.00-
190.2	ACCUM DEFERRED SIT	17226.00-	17226.00-
2021000	COMMON STOCK & C S SUBSCR	1000.00-	1000.00-
202.1	COMMON STOCK & CS SUBSCR	1000.00-	1000.00-
2111000	PAID-IN CAPITAL	2834076.00-	2834076.00-
211.1	PAID IN CAPITAL	2834076.00-	2834076.00-
2112000	MISC PAID-IN CAPITAL	423681.05-	423681.05-
	MISC PAID IN CAPITAL	423681.05-	423681.05-
2151000	RETAINED EARN-PRIOR YEARS	35934.79-	30302.54-
215.1	RETAINED EARNINGS PRIOR	35934.79-	30302.54-
2311000	A/P TRADE	9776.49-	9776.49-
2311020	A/P CITY OF CLINTON	67147.41-	67147.41-
2311050	A/P TRADE - ACCRUAL	9786.96-	9786.96-
231.1	ACCOUNTS PAYABLE TRADE	86710.86-	86710.86-
2334002	A/P WATER SERVICE CORP	1319805.06-	1484933.06-
2334003	A/P WATER SERVICE DISB	901358.93	901358.93
233.4	ACCTS PAYABLE ASSOC COS	418446.13-	583574.13-
2351000	CUSTOMER DEPOSITS	114589.10-	114589.10-
235.1	CUSTOMER DEPOSITS	114589.10-	114589.10-

COLUMN-SET 3

14:51:33 22 SEP 2005 (BS.MONTH.PYA) PA

ACCOUNT	DESCRIPTION	PAY BEG ADJ	PYA BEG ALC
2361170	ACCRUED SALES TAX	16582.43-	16582.43-
2361171	ACCRUED SALES TAX 2	5275.46-	5275.46-
2361292	ACCRUED ST INCOME TAX	5143.00-	5143.00-
236.1	ACCRUED TAXES	27000.89-	27000.89-
2372030	ACCRUED CUST DEP INTEREST	7011.69-	7011.69-
237.1	ACCRUED INTEREST	7011.69-	7011.69-
2413000	ADVANCES FROM UTILITIES INC	395722.50	288897.50
241.3	ADVANCES FROM UI	395722.50	288897.50
2525000	ADV-IN-AID OF CONST-WATER	113080.53-	113080.53-
252.1	ADVANCES IN AID WATER	113080.53-	113080.53-
2711000	CIAC-WATER-UNDISTR.	81023.99-	81023.99-
2711010	CIAC-WATER-TAX	221.00-	221.00-
271.1	CONTRIBUTIONS IN AID WATER	81244.99-	81244.99-
2722000	ACC. AMORT-CIA-WATER	3365.40	3365.40
272.1	ACCUM AMORT OF CIA WATER	3365.40	3365.40
	TOTAL BALANCE SHEET	266320.75	0.00

COLUMN-SET 4
GE 1

COLUMN-SET 4
GE 2

COLUMN-SET 4
GE 3

COLUMN-SET 4
GE 4

BS.MONTH.PYA

TIMINGS FOR EACH PHASE OF THIS REPORT

LODE/VALIDATE	00:00:00	26.5768%
TRIEVE	00:00:01	44.5557%
CALCULATE	00:00:00	00.6197%
FORMAT	00:00:00	28.2478%
TOTAL	00:00:02	100%

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

MONTHLY INCOME STATEMENT PYA

ACCT	DESCRIPTION	PYA;JAN	PYA;FEB	PYA;MAR	PYA;APR	PYA;MAY	PYA;JUN
4611020	WATER REVENUE-METERED	120059.34-	102645.11-	99293.84-	110418.36-	108137.18-	112189.19-
4611099	WATER REVENUE ACCRUALS	16226.00-	18185.00	3070.00	11137.00-	1999.00	3804.00-
4612030	WATER REVENUE-COMMERCIAL	3091.53-	2581.27-	2802.79-	2849.33-	2908.56-	2841.47-
400.1	WATER REVENUE	139376.87-	87041.38-	99026.63-	124404.69-	109046.74-	118834.66-
4701000	FORFEITED DISCOUNTS	2487.22-	2814.74-	2598.97-	2132.55-	2839.01-	2903.00-
400.3	FORFEITED DISCOUNTS	2487.22-	2814.74-	2598.97-	2132.55-	2839.01-	2903.00-
4711000	MISC SERVICE REVENUES	338.61	734.63	459.42	628.94	292.08	553.24
4741009	CUT-OFF CHARGE	560.00-	820.00-	800.00-	440.00-	500.00-	220.00-
400.4	MISC. SERVICE REVENUES	221.39-	85.37-	340.58-	188.94	207.92-	333.24
6101010	PURCHASED WATER-WATER SYS	7100.00	7430.00	7100.00	7100.00	7100.00	7100.00
401.1B	PURCHASED WATER	7100.00	7430.00	7100.00	7100.00	7100.00	7100.00
6151010	ELEC PWR - WATER SYSTEM	4268.69	4887.80	3365.02	569.44	6902.67	3439.64
6151040	ELEC PWR - GAS F/MAINT OP	239.21	189.17	257.48	74.26	55.44	25.38
401.1E	ELECTRIC POWER	4507.90	5076.97	3622.50	643.70	6958.11	3465.02
6181010	CHLORINE	839.11	2474.69	1052.86	1194.53	7049.55	3365.74
6181090	OTHER CHEMICALS (TREATMENT)	3631.95	4408.71	2028.51	504.75	2196.82	4290.86
401.1F	CHEMICALS	4471.06	6883.40	3081.37	1699.28	9246.37	7656.60
6019020	SALARIES-CHGD TO PLT-WSC	0.00	0.00	0.00	0.00	0.00	0.00
6[illegible]40	SALARIES-OPERATIONS	31248.10	28609.12	31972.39	33799.82	26469.84	30742.98
6[illegible]5	SALARIES-WTR SERV-COMPUTERS	0.00	0.00	0.00	0.00	0.00	0.00
60[illegible]50	SALARIES-OFFICE	6962.27	6346.18	7298.18	6981.18	6663.18	7038.24
401.1H	SALARIES	38210.37	34955.30	39270.57	40781.00	33133.02	37781.22
6708000	UNCOLLECTIBLE ACCOUNTS	2102.50	1400.64	1117.45	773.24	1761.07	1094.69
6708001	AGENCY EXPENSE	9.29	6.55	29.42	9.34-	13.02	7.70
401.1K	UNCOLLECTIBLE ACCOUNTS	2111.79	1407.19	1146.87	763.90	1774.09	1102.39
6319011	ENGINEERING FEES	0.00	0.00	0.00	0.00	0.00	0.00
6329002	AUDIT FEES	0.00	0.00	0.00	0.00	0.00	0.00
6329013	ACCOUNTING STUDIES	400.00	400.00	400.00	400.00	400.00	400.00
6329014	TAX RETURN REVIEW	0.00	0.00	0.00	0.00	0.00	0.00
6338001	LEGAL FEES	0.00	0.00	0.00	0.00	0.00	0.00
6369003	TEMP EMPLOY - CLERICAL	0.00	0.00	0.00	0.00	0.00	1120.00
6369005	PAYROLL SERVICES	0.00	0.00	0.00	0.00	0.00	0.00
6369006	EMPLOY FINDER FEES	0.00	0.00	0.00	0.00	0.00	0.00
401.1L	OUTSIDE SERVICES-DIRECT	400.00	400.00	400.00	400.00	400.00	1520.00

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

MONTHLY INCOME STATEMENT PYA

ACCOUNT	DESCRIPTION	PYA;JAN	PYA;FEB	PYA;MAR	PYA;APR	PYA;MAY	PYA;JUN
6369007	COMPUTER MAINT	0.00	0.00	0.00	0.00	0.00	0.00
6369009	COMPUTER-AMORT & PROG COST	59.00	59.00	59.00	59.00	76.00	76.00
6369012	INTERNET SUPPLIER	0.00	0.00	0.00	0.00	0.00	0.00
6759003	COMPUTER SUPPLIES	0.00	110.60	0.00	0.00	0.00	0.00
6759016	MICROFILMING	0.00	0.00	0.00	0.00	0.00	0.00
401.1LL	IT DEPARTMENT	59.00	169.60	59.00	59.00	76.00	76.00
6049010	HEALTH INS REIMBURSEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
6049011	EMPLOYEE INS DEDUCTIONS	0.00	0.00	0.00	0.00	0.00	0.00
6049012	HEALTH COSTS & OTHER	0.00	0.00	0.00	0.00	0.00	0.00
6049015	DENTAL INS REIMBURSEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
6049020	PENSION CONTRIBUTIONS	0.00	0.00	0.00	0.00	0.00	0.00
6049050	HEALTH INS PREMIUMS	0.00	0.00	0.00	0.00	0.00	0.00
6049055	DENTAL PREMIUMS	0.00	0.00	0.00	0.00	0.00	0.00
6049060	TERM LIFE INS	0.00	0.00	0.00	0.00	0.00	0.00
6049065	TERM LIFE INS - OPT	0.00	0.00	0.00	0.00	0.00	0.00
6049067	AFLAC	0.00	0.00	0.00	0.00	0.00	0.00
6049070	401K/ESOP CONTRIBUTIONS	0.00	0.00	0.00	0.00	0.00	0.00
6049080	DISABILITY INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00
6049090	OTHER EMP PENS & BENEFITS	0.00	0.00	0.00	0.00	0.00	0.00
401.1N	EMPLOYEE PENSION&BENEFITS	0.00	0.00	0.00	0.00	0.00	0.00
6599090	OTHER INS	0.00	0.00	0.00	0.00	0.00	0.00
401.1O	INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00
6419090	RENT-OTHERS	1355.00	1566.50	1750.00	1366.00	1546.48	1760.00
4[illegible]	RENT	1355.00	1566.50	1750.00	1366.00	1546.48	1760.00
6759001	PUBL SUBSCRIPTIONS & TAPES	0.00	0.00	0.00	0.00	0.00	0.00
6759004	PRINTING & BLUEPRINTS	0.00	0.00	0.00	0.00	1233.63	1233.63-
6759006	UPS & AIR FREIGHT	0.00	24.84	12.45	0.00	87.49	37.36
6759008	XEROX	0.00	0.00	0.00	0.00	0.00	0.00
6759009	OFFICE SUPPLY STORES	0.00	35.14	0.00	0.00	0.00	174.11
6759010	REIM OFFICE EMPLOYEE EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
6759013	CLEANING SUPPLIES	0.00	0.00	0.00	0.00	0.00	0.00
6759014	MEMBERSHIPS - OFFICE EMPLOYEE	250.00	0.00	0.00	0.00	0.00	0.00
6759090	OTHER OFFICE EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
401.1R	OFFICE SUPPLIES	250.00	59.98	12.45	0.00	1321.12	1022.16-
6759005	POSTAGE & POSTAGE METER-OFFICE	1848.00	115.00	4147.80	1959.00	2014.00	2555.85
6759007	PRINTING CUSTOMER SERVICE	0.00	0.00	0.00	0.00	0.00	1233.63
6759011	ENVELOPES	0.00	0.00	0.00	0.00	0.00	0.00
6759012	BILL STOCK	0.00	0.00	0.00	0.00	0.00	0.00
6759051	COMPUTER SUPPLIES - BILLING	0.00	0.00	0.00	0.00	0.00	0.00
401.1RR	BILLING & CUSTOMER SERVICE	1848.00	115.00	4147.80	1959.00	2014.00	3789.48

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

M[illegible]LY INCOME STATEMENT PYA

ACCOUNT	DESCRIPTION	PYA;JAN	PYA;FEB	PYA;MAR	PYA;APR	PYA;MAY	PYA;JUN
6759110	OFFICE TELEPHONE	241.12	240.86	256.41	277.64	465.53	510.66
6759120	OFFICE ELECTRIC	0.00	184.05	250.83	73.73	174.88	531.53
6759125	OFFICE WATER	67.13	73.03	45.40	53.86	42.05	39.74
6759130	OFFICE GAS	411.86	371.01	336.59	249.30	96.22	33.59
6759135	OPERATIONS TELEPHONES	1227.22	1816.32	2364.08	1074.32	1708.16	2394.01
6759140	ALARM SYS PHONE EXPENSE	55.81	105.24	155.23	56.25	105.78	155.26
6759190	OTHER OFFICE UTILITIES	3.42	2.73	4.11	4.11	4.79	3.42
401.1S	OFFICE UTILITIES	2006.56	2793.24	3412.65	1789.21	2597.41	3668.21
6759210	OFFICE CLEANING SERV	325.00	395.00	345.00	345.00	370.00	335.00
6759220	LNDSCPING MOWING & SNOWPLWNG	0.00	0.00	0.00	0.00	0.00	0.00
6759230	OFFICE GARBAGE REMOVAL	0.00	0.00	0.00	68.04	0.00	0.00
6759260	REPAIR OFF MACH & HEATING	0.00	0.00	0.00	0.00	0.00	0.00
6759290	OTHER OFFICE MAINT	0.00	350.00	0.00	103.00	0.00	0.00
401.1U	OFFICE MAINTENANCE	325.00	745.00	345.00	516.04	370.00	335.00
6759330	MEMBERSHIPS - COMPANY	0.00	0.00	0.00	0.00	0.00	0.00
7048050	EMPLOYEES ED EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
7048055	OFFICE EDUCATION/TRAIN. EXP	0.00	0.00	0.00	0.00	0.00	0.00
7758370	MEALS & RELATED EXP	18.62	67.00	142.85	144.52	91.37	262.54
7758380	BANK SERV CHARGES	0.50	0.00	0.00	34.22	0.50	33.06
7758390	OTHER MISC GENERAL	920.01-	0.16-	164.97	820.00-	100.00-	68.05
401.1V	MISCELLANEOUS EXPENSE	900.89-	66.84	307.82	641.26-	8.13-	363.65
6755090	WATER-OTHER MAINT EXP	1732.14	2394.45	938.25	867.00	388.66	875.50
6759503	WATER-MAINT SUPPLIES	168.28	0.00	1741.59	315.02	93.19	340.07
6[illegible]06	WATER-MAINT REPAIRS	0.00	16425.33	340.26	2369.08	362.50	1113.07
6[illegible]07	WATER-MAIN BREAKS	0.00	265.59	0.00	90.62	0.00	0.00
67[illegible]509	WATER-ELEC EQUIPT REPAIR	13.85	9.03	0.00	60.75	0.00	5.06
401.1X	MAINTENANCE-WATER PLANT	1914.27	19094.40	3020.10	3702.47	844.35	2333.70
7754009	SEWER-ELEC EQUIPT REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
401.1Y	MAINTENANCE-SEWER PLANT	0.00	0.00	0.00	0.00	0.00	0.00
7754011	SEWER-SEWER RODDING	0.00	0.00	0.00	0.00	0.00	0.00
401.1YY	SLUDGE/RODDING	0.00	0.00	0.00	0.00	0.00	0.00
6759080	MAINT-DEFERRED CHARGES	1560.00	1560.00	1576.00	1576.00	1576.00	1659.00
6759402	PART-TIME OPERATORS	71.40	71.40	0.00	0.00	306.00	1200.00
6759405	COMMUNICATION EXPENSES	100.00	110.00	220.00	0.00	110.00	110.00
6759412	UNIFORMS	0.00	0.00	0.00	2561.39	0.00	0.00
6759415	MOWING/SNOWPLOWING	0.00	0.00	0.00	0.00	0.00	40.00
6759490	GARBAGE REMOVAL WTR/SWR	40.61	41.34	81.84	40.94	41.14	41.02
401.1Z	MAINTENANCE-WTR&SWR PLANT	1772.01	1782.74	1877.84	4178.33	2033.14	3050.02

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

M[illegible]LY INCOME STATEMENT PYA

ACCOUNT	DESCRIPTION	PYA;JAN	PYA;FEB	PYA;MAR	PYA;APR	PYA;MAY	PYA;JUN
6205003	OPERATORS EXPENSES	0.00	632.15	789.62	132.50	1241.51	609.32
6759017	OPERATORS-CLEANING SUPPLIES	0.00	194.89	200.18	12.56	0.00	217.85
6759018	OPERATORS-OTHER OFFICE EXPENSE	541.32	1027.01	660.74	687.29	110.40	1378.31
6759019	OPERATORS-PUBLICATIONS/SUSCRIPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
6759410	OPERATORS ED EXPENSES	543.21	150.00	0.00	0.00	374.28	0.00
6759413	OPERATORS-POSTAGE	220.60	17.88	250.49	98.24	642.14	532.01
6759414	OPERATORS-OFFICE SUPPLY STORES	629.35	623.01	287.01	165.68	378.45	222.66
6759416	OPERATORS-MEMBERSHIPS	709.00	405.00	0.00	501.00	0.00	500.00
401.1ZZ	OPERATORS EXPENSES	2643.48	3049.94	2188.04	1597.27	2746.78	3460.15
6355010	WATER TESTS	361.50	1768.50	1107.00	949.00	1792.50	1305.34
6355030	TESTING EQUIP & CHEM	137.16	301.52	488.09	244.26	41.72	847.87
7352020	SEWER TESTS	0.00	0.00	0.00	0.00	0.00	0.00
401.2B	MAINTENANCE-TESTING	498.66	2070.02	1595.09	1193.26	1834.22	2153.21
6501020	GASOLINE	890.17	1447.07	1367.83	1497.99	1365.96	2260.68
6501030	AUTO REPAIR & TIRES	1676.94	442.42-	530.98	997.12	227.66-	126.48
6509090	OTHER TRANS EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
6509110	OPERATORS TRANS REIM	0.00	198.75	0.00	0.00	0.00	0.00
401.2D	TRANSPORTATION EXPENSE	2567.11	1203.40	1898.81	2495.11	1138.30	2387.16
4032001	DEPRECIATION-10101	209.55	209.55	209.55	209.55	209.55	209.55
4032014	DEPRECIATION-10114	63.60	63.60	63.60	63.60	63.60	63.60
4032021	DEPRECIATION-10121	49.30	49.30	49.30	49.30	49.30	49.30
4032025	DEPRECIATION-10125	423.97	423.97	423.97	423.97	423.97	423.97
4032031	DEPRECIATION-10131	571.90	571.90	571.90	571.90	571.90	571.90
4[illegible]32	DEPRECIATION-10132	625.96	625.96	625.96	625.96	625.96	625.96
4[illegible]42	DEPRECIATION-10142	760.56	760.56	760.56	760.56	760.56	760.56
4032043	DEPRECIATION-10143	4387.21	4387.21	4387.21	4387.21	4387.21	4387.21
4032045	DEPRECIATION-10145	1039.75	1039.75	1039.75	1039.75	1039.75	1039.75
4032046	DEPRECIATION-10146	750.16	750.16	750.16	750.16	750.16	750.16
4032047	DEPRECIATION-10147	292.62	292.62	292.62	292.62	292.62	292.62
4032048	DEPRECIATION-10148	262.38	262.38	262.38	262.38	262.38	262.38
4032090	DEPRECIATION-10190	100.41	100.41	100.41	100.41	100.41	100.41
4032091	DEPRECIATION-10191	101.14	101.14	101.14	101.14	101.14	101.14
4032092	DEPRECIATION-10300	0.00	0.00	13448.47	13448.47-	0.00	26896.95
4032093	DEPRECIATION-10193	0.00	0.00	0.00	0.00	0.00	0.00
4032094	DEPRECIATION-10194	235.60	235.60	235.60	235.60	235.60	235.60
4032095	DEPRECIATION-10195	50.06	50.06	50.06	50.06	50.06	50.06
4032097	DEPRECIATION-10197	72.08	72.08	72.08	72.08	72.08	72.08
4032098	DEPRECIATION-COMPUTER	228.08	230.25	230.25	233.17	233.42	233.42
403.2	DEPRECIATION EXP-WATER	10224.33	10226.50	23674.97	3219.05-	10229.67	37126.62
4061000	AMORT OF UTIL PAA-WATER	305.04-	305.04-	305.04-	305.04-	305.04-	305.04-
406.1	AMORT OF UTILITY PAA-WTR	305.04-	305.04-	305.04-	305.04-	305.04-	305.04-

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

MONTHLY INCOME STATEMENT PYA

ACCOUNT	DESCRIPTION	PYA;JAN	PYA;FEB	PYA;MAR	PYA;APR	PYA;MAY	PYA;JUN
4071000	AMORT EXP-CIA-WATER	135.68-	135.68-	135.68-	135.68-	135.68-	135.68-
407.6	AMORT EXP-CIA-WATER	135.68-	135.68-	135.68-	135.68-	135.68-	135.68-
4081201	FICA EXPENSE	2745.72	2525.59	2829.11	2954.01	2385.00	2744.46
4091050	FED UNEMPLOYMENT TAX	344.99	244.81	153.38	38.79	3.00-	33.36
4091060	ST UNEMPLOYMENT TAX	1243.63	950.71	636.42	4663.53	349.14	288.93
408.2	PAYROLL TAXES	4334.34	3721.11	3618.91	7656.33	2731.14	3066.75
4081004	UTIL OR COMMISSION TAX	0.00	0.00	0.00	0.00	0.00	0.00
4081121	REAL ESTATE TAX	26896.36	0.00	0.00	0.00	0.00	0.00
4081122	PERS PROP & ICT TAX	0.00	1921.72	0.00	0.00	0.00	0.00
4081303	FRANCHISE TAX	2682.41	0.00	15.00	0.00	0.00	0.00
408.3	OTHER TAXES	29578.77	1921.72	15.00	0.00	0.00	0.00
4091000	INCOME TAXES-FEDERAL	0.00	0.00	0.00	0.00	0.00	0.00
409.1	INCOME TAXES-FEDERAL	0.00	0.00	0.00	0.00	0.00	0.00
4091100	INCOME TAXES-STATE	0.00	0.00	0.00	0.00	0.00	0.00
409.2	INCOME TAXES-STATE	0.00	0.00	0.00	0.00	0.00	0.00
4101100	DEF INCOME TAXES-STATE	0.00	0.00	0.00	0.00	0.00	0.00
410.2	DEFERRED INCOME TAXES-ST	0.00	0.00	0.00	0.00	0.00	0.00
4141040	SALE OF EQUIPMENT	925.00-	0.00	400.00-	130.00-	0.00	0.00
4	RENTAL & OTHER INCOME	925.00-	0.00	400.00-	130.00-	0.00	0.00
4152000	INCOME FROM MGMT. SERVICES	8649.71-	0.00	18941.28-	8175.02-	8988.48-	6183.96-
415.1	INCOME FROM MGMT SERVICES	8649.71-	0.00	18941.28-	8175.02-	8988.48-	6183.96-
4101000	DEF INCOME TAX-FEDERAL	0.00	0.00	0.00	0.00	0.00	0.00
419.1	DEFERRED INCOME TAXES-FED	0.00	0.00	0.00	0.00	0.00	0.00
4192000	INTEREST EXPENSE-INTER-CO	0.00	0.00	0.00	0.00	0.00	0.00
419.2	INTEREST EXPENSE-INTERCO	0.00	0.00	0.00	0.00	0.00	0.00
4201000	INTEREST DURING CONSTRUCTION	0.00	0.00	0.00	0.00	0.00	0.00
420.1	INTEREST DURING CONSTRUCTION	0.00	0.00	0.00	0.00	0.00	0.00
4261000	MISCELLANEOUS INCOME	0.00	0.00	0.00	0.00	0.00	0.00
426.1	MISCELLANEOUS INCOME	0.00	0.00	0.00	0.00	0.00	0.00

COLUMN-SET 1
PERIOD ENDING: 12/31/04
SUBDIV: S-5L26U.KY WATER SERVICE CORP OF KENTUCKY

MONTHLY INCOME STATEMENT PYA

ACCOUNT	DESCRIPTION	PYA;JAN	PYA;FEB	PYA;MAR	PYA;APR	PYA;MAY	PYA;JUN
4272050	S/T INT EXP CUSTOMERS DEP	540.00	540.00	540.00	540.00	540.00	540.00
4272090	S/T INT EXP OTHER	0.00	0.00	0.00	0.00	0.00	0.00
427.2	SHORT TERM INTEREST EXP	540.00	540.00	540.00	540.00	540.00	540.00
	TOTAL INCOME STATEMENT	36284.15-	14896.64	18663.39-	60514.45-	32896.80-	6316.08-

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;JUL	PYA;AUG	PYA;SEP	PYA;OCT	PYA;NOV	PYA;DEC
4611020	WATER REVENUE-METERED	118138.27-	115265.67-	116135.75-	108121.61-	110503.50-	113311.50-
4611099	WATER REVENUE ACCRUALS	6514.00-	3531.00	1163.00-	7917.00	2023.00-	3096.00-
4612030	WATER REVENUE-COMMERCIAL	3469.65-	2734.17-	3110.95-	3162.48-	2816.50-	3097.65-
400.1	WATER REVENUE	128121.92-	114468.84-	120409.70-	103367.09-	115343.00-	119505.15-
4701000	FORFEITED DISCOUNTS	2687.83-	3030.72-	2832.32-	2796.28-	2877.03-	2919.01-
400.3	FORFEITED DISCOUNTS	2687.83-	3030.72-	2832.32-	2796.28-	2877.03-	2919.01-
4711000	MISC SERVICE REVENUES	197.30-	443.74	89.58	397.47-	329.52	305.67
4741009	CUT-OFF CHARGE	720.00-	920.00-	480.00-	660.00-	400.00-	880.00-
400.4	MISC. SERVICE REVENUES	917.30-	476.26-	390.42-	1057.47-	70.48-	574.33-
6101010	PURCHASED WATER-WATER SYS	7100.00	7184.24	7100.00	7100.00	7100.00	7100.00
401.1B	PURCHASED WATER	7100.00	7184.24	7100.00	7100.00	7100.00	7100.00
6151010	ELEC PWR - WATER SYSTEM	3415.36	3708.46	4240.33	3414.82	1376.35-	4647.26
6151040	ELEC PWR - GAS F/MAINT OP	26.50	23.16	24.27	25.78	29.95	62.76
401.1E	ELECTRIC POWER	3441.86	3731.62	4264.60	3440.60	1346.40-	4710.02
6181010	CHLORINE	3664.95	2224.15	2458.78	1298.78	10501.24	4711.81
6181090	OTHER CHEMICALS (TREATMENT)	2541.53	8811.51	3770.05	957.58	1937.01	3399.09
401.1F	CHEMICALS	6206.48	11035.66	6228.83	2256.36	12438.25	8110.90
020	SALARIES-CHGD TO PLT-WSC	0.00	0.00	0.00	0.00	0.00	0.00
040	SALARIES-OPERATIONS	36122.82	32577.41	32290.03	32353.34	31474.37	34099.60
6019045	SALARIES-WTR SERV-COMPUTERS	0.00	0.00	0.00	0.00	0.00	0.00
6019050	SALARIES-OFFICE	7378.96	7378.02	7370.02	7035.02	7370.02	8029.86
401.1H	SALARIES	43501.78	39955.43	39660.05	39388.36	38844.39	42129.46
6708000	UNCOLLECTIBLE ACCOUNTS	1316.32	631.28	1791.47	1757.61	982.56	1674.30
6708001	AGENCY EXPENSE	26.67	0.00	24.57	33.43	0.00	53.79
401.1K	UNCOLLECTIBLE ACCOUNTS	1342.99	631.28	1816.04	1791.04	982.56	1728.09
6319011	ENGINEERING FEES	0.00	0.00	0.00	0.00	0.00	0.00
6329002	AUDIT FEES	0.00	0.00	0.00	0.00	0.00	0.00
6329013	ACCOUNTING STUDIES	400.00	400.00	400.00	400.00	400.00	400.00
6329014	TAX RETURN REVIEW	0.00	0.00	0.00	0.00	0.00	0.00
6338001	LEGAL FEES	0.00	0.00	0.00	0.00	0.00	0.00
6369003	TEMP EMPLOY - CLERICAL	0.00	140.00	280.00	0.00	490.00	0.00
6369005	PAYROLL SERVICES	0.00	0.00	0.00	0.00	0.00	0.00
6369006	EMPLOY FINDER FEES	0.00	0.00	0.00	0.00	0.00	0.00
401.1L	OUTSIDE SERVICES-DIRECT	400.00	540.00	680.00	400.00	890.00	400.00

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;JUL	PYA;AUG	PYA;SEP	PYA;OCT	PYA;NOV	PYA;DEC
6369007	COMPUTER MAINT	0.00	0.00	0.00	0.00	0.00	0.00
6369009	COMPUTER-AMORT & PROG COST	76.00	76.00	76.00	76.00	76.00	141.63
6369012	INTERNET SUPPLIER	0.00	0.00	0.00	0.00	0.00	0.00
6759003	COMPUTER SUPPLIES	0.00	0.00	0.00	0.00	0.00	0.00
6759016	MICROFILMING	0.00	0.00	0.00	0.00	0.00	0.00
401.1LL	IT DEPARTMENT	76.00	76.00	76.00	76.00	76.00	141.63
6049010	HEALTH INS REIMBURSEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
6049011	EMPLOYEE INS DEDUCTIONS	0.00	0.00	0.00	0.00	0.00	0.00
6049012	HEALTH COSTS & OTHER	0.00	0.00	0.00	0.00	0.00	0.00
6049015	DENTAL INS REIMBURSEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
6049020	PENSION CONTRIBUTIONS	0.00	0.00	0.00	0.00	0.00	0.00
6049050	HEALTH INS PREMIUMS	0.00	0.00	0.00	0.00	0.00	0.00
6049055	DENTAL PREMIUMS	0.00	0.00	0.00	0.00	0.00	0.00
6049060	TERM LIFE INS	0.00	0.00	0.00	0.00	0.00	0.00
6049065	TERM LIFE INS - OPT	0.00	0.00	0.00	0.00	0.00	0.00
6049067	AFLAC	0.00	0.00	0.00	0.00	0.00	0.00
6049070	401K/ESOP CONTRIBUTIONS	0.00	0.00	0.00	0.00	0.00	0.00
6049080	DISABILITY INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00
6049090	OTHER EMP PENS & BENEFITS	0.00	0.00	0.00	0.00	0.00	0.00
401.1N	EMPLOYEE PENSION&BENEFITS	0.00	0.00	0.00	0.00	0.00	0.00
6599090	OTHER INS	0.00	0.00	0.00	0.00	0.00	0.00
401.1O	INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00
6419090	RENT-OTHERS	1257.50	1755.00	1260.00	1950.00	1551.00	1375.00
.Q	RENT	1257.50	1755.00	1260.00	1950.00	1551.00	1375.00
6759001	PUBL SUBSCRIPTIONS & TAPES	0.00	0.00	0.00	0.00	0.00	0.00
6759004	PRINTING & BLUEPRINTS	0.00	0.00	0.00	0.00	0.00	0.00
6759006	UPS & AIR FREIGHT	0.00	0.00	0.00	0.00	0.00	0.00
6759008	XEROX	0.00	0.00	0.00	0.00	0.00	0.00
6759009	OFFICE SUPPLY STORES	0.00	40.23	0.00	0.00	0.00	37.62
6759010	REIM OFFICE EMPLOYEE EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
6759013	CLEANING SUPPLIES	3.18	0.00	0.00	0.00	0.00	0.00
6759014	MEMBERSHIPS - OFFICE EMPLOYEE	0.00	0.00	0.00	0.00	0.00	0.00
6759090	OTHER OFFICE EXPENSES	7.25	186.87	0.00	233.15	63.57	113.28
401.1R	OFFICE SUPPLIES	10.43	227.10	0.00	233.15	63.57	150.90
6759005	POSTAGE & POSTAGE METER-OFFICE	1848.00	1848.00	1959.00	2044.00	4211.00	2044.00
6759007	PRINTING CUSTOMER SERVICE	0.00	0.00	0.00	0.00	0.00	0.00
6759011	ENVELOPES	0.00	0.00	0.00	0.00	0.00	0.00
6759012	BILL STOCK	0.00	0.00	0.00	0.00	0.00	0.00
6759051	COMPUTER SUPPLIES - BILLING	0.00	0.00	0.00	0.00	0.00	0.00
401.1RR	BILLING & CUSTOMER SERVICE	1848.00	1848.00	1959.00	2044.00	4211.00	2044.00

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;JUL	PYA;AUG	PYA;SEP	PYA;OCT	PYA;NOV	PYA;DEC
6759110	OFFICE TELEPHONE	682.56	389.40	369.24	393.13	361.08	363.13
6759120	OFFICE ELECTRIC	0.00	774.61	129.32	415.56	268.60	38.02
6759125	OFFICE WATER	50.12	51.05	50.12	42.63	46.21	0.00
6759130	OFFICE GAS	23.57	23.81	23.81	23.81	39.15	154.05
6759135	OPERATIONS TELEPHONES	1479.77	1957.36	1494.23	1628.87	1711.39	1305.26
6759140	ALARM SYS PHONE EXPENSE	56.26	104.99	104.21	104.43	104.26	103.85
6759190	OTHER OFFICE UTILITIES	4.79	2.73	4.79	3.87	4.79	4.79
401.1S	OFFICE UTILITIES	2297.07	3303.95	2175.72	2612.30	2535.48	1969.10
6759210	OFFICE CLEANING SERV	335.00	410.00	360.00	385.00	360.00	310.00
6759220	LNDSCPING MOWING & SNOWPLWNG	0.00	0.00	0.00	0.00	0.00	0.00
6759230	OFFICE GARBAGE REMOVAL	68.70	0.00	0.00	70.23	0.00	0.00
6759260	REPAIR OFF MACH & HEATING	0.00	0.00	0.00	0.00	0.00	0.00
6759290	OTHER OFFICE MAINT	0.00	0.00	0.00	0.00	0.00	0.00
401.1U	OFFICE MAINTENANCE	403.70	410.00	360.00	455.23	360.00	310.00
6759330	MEMBERSHIPS - COMPANY	0.00	0.00	0.00	0.00	0.00	0.00
7048050	EMPLOYEES ED EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
7048055	OFFICE EDUCATION/TRAIN. EXP	0.00	0.00	0.00	0.00	0.00	0.00
7758370	MEALS & RELATED EXP	208.02	0.00	0.00	143.70	68.72	98.64
7758380	BANK SERV CHARGES	0.50	0.02	11.33	0.50	0.00	0.00
7758390	OTHER MISC GENERAL	1060.00-	0.00	100.00-	0.00	1342.47-	173.20
401.1V	MISCELLANEOUS EXPENSE	851.48-	0.02	88.67-	144.20	1273.75-	271.84
6755090	WATER-OTHER MAINT EXP	965.94	1376.96	516.90	7612.93	639.53	787.92
6759503	WATER-MAINT SUPPLIES	221.02	242.51	246.89	29.80	92.74	12.10-
[illegible]506	WATER-MAINT REPAIRS	1281.37	2090.92	0.00	0.00	1648.61	1186.94
[illegible]07	WATER-MAIN BREAKS	0.00	0.00	171.18	108.01	0.00	1167.33
6[illegible]9509	WATER-ELEC EQUIPT REPAIR	0.00	2.71	150.23	0.00	0.00	0.00
401.1X	MAINTENANCE-WATER PLANT	2468.33	3713.10	1085.20	7750.74	2380.88	3130.09
7754009	SEWER-ELEC EQUIPT REPAIR	0.00	238.50	0.00	0.00	0.00	238.50-
401.1Y	MAINTENANCE-SEWER PLANT	0.00	238.50	0.00	0.00	0.00	238.50-
7754011	SEWER-SEWER RODDING	0.00	0.00	0.00	0.00	350.00	350.00-
401.1YY	SLUDGE/RODDING	0.00	0.00	0.00	0.00	350.00	350.00-
6759080	MAINT-DEFERRED CHARGES	1659.00	1659.00	2920.00	4250.00	4460.00	5568.41
6759402	PART-TIME OPERATORS	0.00	600.00	1200.00	600.00	0.00	0.00
6759405	COMMUNICATION EXPENSES	110.00	220.00	110.00	0.00	220.00	110.00
6759412	UNIFORMS	363.15	0.00	957.40	767.05	270.24	0.00
6759415	MOWING/SNOWPLOWING	0.00	0.00	0.00	0.00	0.00	0.00
6759490	GARBAGE REMOVAL WTR/SWR	41.13	41.30	41.28	0.00	41.83	41.83
401.1Z	MAINTENANCE-WTR&SWR PLANT	2173.28	2520.30	5228.68	5617.05	4992.07	5720.24

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;JUL	PYA;AUG	PYA;SEP	PYA;OCT	PYA;NOV	PYA;DEC
6205003	OPERATORS EXPENSES	147.15	0.00	89.10	100.63	77.53	87.42
6759017	OPERATORS-CLEANING SUPPLIES	13.63	0.00	71.45	0.00	214.87	62.55
6759018	OPERATORS-OTHER OFFICE EXPENSE	1028.79	1178.18	748.79	531.94	1877.78	497.58
6759019	OPERATORS-PUBLICATIONS/SUSCRIPTIONS	0.00	0.00	0.00	0.00	24.00	0.00
6759410	OPERATORS ED EXPENSES	0.00	440.00	0.00	0.00	0.00	187.56
6759413	OPERATORS-POSTAGE	277.80	345.68	278.47	212.45	320.47	466.67
6759414	OPERATORS-OFFICE SUPPLY STORES	678.40	0.00	348.75	538.52	384.78	5.16
6759416	OPERATORS-MEMBERSHIPS	70.00	125.00	0.00	0.00	250.00	264.00
401.1ZZ	OPERATORS EXPENSES	2215.77	2088.86	1536.56	1383.54	3149.43	1570.94
6355010	WATER TESTS	1848.50	480.62	1118.74	660.50	75.00	1018.00
6355030	TESTING EQUIP & CHEM	498.74	42.26	205.01	158.65	182.18	647.10
7352020	SEWER TESTS	0.00	0.00	26.62	0.00	0.00	13.31
401.2B	MAINTENANCE-TESTING	2347.24	522.88	1350.37	819.15	257.18	1678.41
6501020	GASOLINE	1295.41	1504.21	1842.92	1654.61	1256.26	2021.41
6501030	AUTO REPAIR & TIRES	3619.06	537.79-	1213.53	264.74	503.34	207.08
6509090	OTHER TRANS EXPENSES	0.00	0.00	80.54	0.00	0.00	0.00
6509110	OPERATORS TRANS REIM	0.00	0.00	0.00	0.00	0.00	0.00
401.2D	TRANSPORTATION EXPENSE	4914.47	966.42	3136.99	1919.35	1759.60	2228.49
4032001	DEPRECIATION-10101	1245.84-	0.00	0.00	0.00	0.00	0.00
4032014	DEPRECIATION-10114	63.60	63.60	63.60	63.60	63.60	63.60
4032021	DEPRECIATION-10121	50.63	50.63	50.63	50.63	50.63	50.63
4032025	DEPRECIATION-10125	446.26	446.26	446.26	446.26	446.26	446.26
4032031	DEPRECIATION-10131	571.90	571.90	571.90	571.90	571.90	571.90
032	DEPRECIATION-10132	627.10	627.10	627.10	627.10	627.10	627.10
42	DEPRECIATION-10142	760.56	760.56	760.56	760.56	760.56	760.56
4032043	DEPRECIATION-10143	4388.56	4388.56	4388.56	4388.56	4388.56	4388.56
4032045	DEPRECIATION-10145	1055.64	1055.64	1055.64	1055.64	1055.64	1055.64
4032046	DEPRECIATION-10146	763.74	763.74	763.74	763.74	763.74	763.74
4032047	DEPRECIATION-10147	292.62	292.62	292.62	292.62	292.62	292.62
4032048	DEPRECIATION-10148	262.38	262.38	262.38	262.38	262.38	262.38
4032090	DEPRECIATION-10190	100.41	100.41	100.41	100.41	100.41	100.41
4032091	DEPRECIATION-10191	101.14	101.14	101.14	101.14	101.14	101.14
4032092	DEPRECIATION-10300	26896.95-	0.00	40345.42	40345.42-	0.00	56585.89
4032093	DEPRECIATION-10193	0.00	0.00	0.00	0.00	0.00	0.00
4032094	DEPRECIATION-10194	240.05	240.05	240.05	240.05	240.05	240.05
4032095	DEPRECIATION-10195	50.06	50.06	50.06	50.06	50.06	50.06
4032097	DEPRECIATION-10197	72.08	72.08	72.08	72.08	72.08	72.08
4032098	DEPRECIATION-COMPUTER	233.42	233.42	233.42	233.42	233.42	245.31
403.2	DEPRECIATION EXP-WATER	18062.64-	10080.15	50425.57	30265.27-	10080.15	66677.93
4061000	AMORT OF UTIL PAA-WATER	305.04-	305.04-	305.04-	305.04-	305.04-	305.04-
406.1	AMORT OF UTILITY PAA-WTR	305.04-	305.04-	305.04-	305.04-	305.04-	305.04-

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;JUL	PYA;AUG	PYA;SEP	PYA;OCT	PYA;NOV	PYA;DEC
4071000	AMORT EXP-CIA-WATER	135.68-	135.68-	135.68-	135.68-	135.68-	135.68-
407.6	AMORT EXP-CIA-WATER	135.68-	135.68-	135.68-	135.68-	135.68-	135.68-
4081201	FICA EXPENSE	3165.78	2891.12	2868.55	2854.77	2830.04	3032.11
4091050	FED UNEMPLOYMENT TAX	43.14	19.34	8.56	0.00	0.00	0.00
4091060	ST UNEMPLOYMENT TAX	390.93	225.74	74.90	0.00	0.00	0.00
408.2	PAYROLL TAXES	3599.85	3136.20	2952.01	2854.77	2830.04	3032.11
4081004	UTIL OR COMMISSION TAX	2385.07	9068.00	0.00	0.00	0.00	0.00
4081121	REAL ESTATE TAX	0.00	0.00	18693.77	12532.25-	4404.34	24318.79
4081122	PERS PROP & ICT TAX	0.00	0.00	0.00	287.37	0.00	0.00
4081303	FRANCHISE TAX	2742.67	0.00	0.00	0.00	0.00	6500.00
408.3	OTHER TAXES	5127.74	9068.00	18693.77	12244.88-	4404.34	30818.79
4091000	INCOME TAXES-FEDERAL	0.00	0.00	0.00	0.00	0.00	0.00
409.1	INCOME TAXES-FEDERAL	0.00	0.00	0.00	0.00	0.00	0.00
4091100	INCOME TAXES-STATE	0.00	0.00	0.00	0.00	0.00	875.10
409.2	INCOME TAXES-STATE	0.00	0.00	0.00	0.00	0.00	875.10
4101100	DEF INCOME TAXES-STATE	0.00	0.00	0.00	0.00	0.00	0.00
410.2	DEFERRED INCOME TAXES-ST	0.00	0.00	0.00	0.00	0.00	0.00
4141040	SALE OF EQUIPMENT	0.00	0.00	250.00-	0.00	500.00-	0.00
.	RENTAL & OTHER INCOME	0.00	0.00	250.00-	0.00	500.00-	0.00
4152000	INCOME FROM MGMT. SERVICES	7188.23-	8608.15-	11996.80-	8161.71-	7919.91-	7857.01-
415.1	INCOME FROM MGMT SERVICES	7188.23-	8608.15-	11996.80-	8161.71-	7919.91-	7857.01-
4101000	DEF INCOME TAX-FEDERAL	0.00	0.00	0.00	0.00	0.00	1.00
419.1	DEFERRED INCOME TAXES-FED	0.00	0.00	0.00	0.00	0.00	1.00
4192000	INTEREST EXPENSE-INTER-CO	0.00	0.00	0.00	0.00	0.00	0.00
419.2	INTEREST EXPENSE-INTERCO	0.00	0.00	0.00	0.00	0.00	0.00
4201000	INTEREST DURING CONSTRUCTION	0.00	0.00	0.00	0.00	0.00	0.00
420.1	INTEREST DURING CONSTRUCTION	0.00	0.00	0.00	0.00	0.00	0.00
4261000	MISCELLANEOUS INCOME	0.00	0.00	0.00	0.00	0.00	0.00
426.1	MISCELLANEOUS INCOME	0.00	0.00	0.00	0.00	0.00	0.00

COLUMN-SET 2

ACCOUNT	DESCRIPTION	PYA;JUL	PYA;AUG	PYA;SEP	PYA;OCT	PYA;NOV	PYA;DEC
4272050	S/T INT EXP CUSTOMERS DEP	553.99	553.99	553.99	553.99	553.99	553.99
4272090	S/T INT EXP OTHER	0.00	0.00	0.00	0.00	0.00	0.00
427.2	SHORT TERM INTEREST EXP	553.99	553.99	553.99	553.99	553.99	553.99
	TOTAL INCOME STATEMENT	66983.64-	23437.99-	14134.75	75543.59-	29961.36-	54843.31

COLUMN-SET 3

ACCOUNT	DESCRIPTION	PYA;ADJ	PYA ALC	PYA;Y/E
4611020	WATER REVENUE-METERED	0.00	0.00	1334219.32-
4611099	WATER REVENUE ACCRUALS	0.00	0.00	9261.00-
4612030	WATER REVENUE-COMMERCIAL	0.00	0.00	35466.35-
400.1	WATER REVENUE	0.00	0.00	1378946.67-
4701000	FORFEITED DISCOUNTS	0.00	0.00	32918.68-
400.3	FORFEITED DISCOUNTS	0.00	0.00	32918.68-
4711000	MISC SERVICE REVENUES	0.00	0.00	3580.66
4741009	CUT-OFF CHARGE	0.00	0.00	7400.00-
400.4	MISC. SERVICE REVENUES	0.00	0.00	3819.34-
6101010	PURCHASED WATER-WATER SYS	0.00	0.00	85614.24
401.1B	PURCHASED WATER	0.00	0.00	85614.24
6151010	ELEC PWR - WATER SYSTEM	0.00	0.00	41483.14
6151040	ELEC PWR - GAS F/MAINT OP	0.00	0.00	1033.36
401.1E	ELECTRIC POWER	0.00	0.00	42516.50
6181010	CHLORINE	0.00	0.00	40836.19
6181090	OTHER CHEMICALS (TREATMENT)	0.00	0.00	38478.37
401.1F	CHEMICALS	0.00	0.00	79314.56
020	SALARIES-CHGD TO PLT-WSC	121266.00-	0.00	121266.00-
040	SALARIES-OPERATIONS	0.00	10036.00	391795.82
6019045	SALARIES-WTR SERV-COMPUTERS	0.00	9730.00	9730.00
6019050	SALARIES-OFFICE	0.00	32097.00	117948.13
401.1H	SALARIES	121266.00-	51863.00	398207.95
6708000	UNCOLLECTIBLE ACCOUNTS	0.00	0.00	16403.13
6708001	AGENCY EXPENSE	0.00	202.00	397.10
401.1K	UNCOLLECTIBLE ACCOUNTS	0.00	202.00	16800.23
6319011	ENGINEERING FEES	0.00	3.00	3.00
6329002	AUDIT FEES	0.00	3985.00	3985.00
6329013	ACCOUNTING STUDIES	0.00	0.00	4800.00
6329014	TAX RETURN REVIEW	0.00	952.00	952.00
6338001	LEGAL FEES	0.00	77.00	77.00
6369003	TEMP EMPLOY - CLERICAL	0.00	34.00	2064.00
6369005	PAYROLL SERVICES	0.00	880.00	880.00
6369006	EMPLOY FINDER FEES	0.00	1066.00	1066.00
401.1L	OUTSIDE SERVICES-DIRECT	0.00	6997.00	13827.00

ACCOUNT	DESCRIPTION	PYA;ADJ	PYA ALC	PYA;Y/E
6369007	COMPUTER MAINT	0.00	2727.00	2727.00
6369009	COMPUTER-AMORT & PROG COST	0.00	1021.00	1930.63
6369012	INTERNET SUPPLIER	0.00	385.00	385.00
6759003	COMPUTER SUPPLIES	0.00	949.00	1059.60
6759016	MICROFILMING	0.00	734.00	734.00
401.1LL	IT DEPARTMENT	0.00	5816.00	6836.23
6049010	HEALTH INS REIMBURSEMENTS	0.00	68490.00	68490.00
6049011	EMPLOYEE INS DEDUCTIONS	0.00	951.00-	951.00-
6049012	HEALTH COSTS & OTHER	0.00	78.00	78.00
6049015	DENTAL INS REIMBURSEMENTS	0.00	272.00	272.00
6049020	PENSION CONTRIBUTIONS	0.00	12282.00	12282.00
6049050	HEALTH INS PREMIUMS	0.00	672.00	672.00
6049055	DENTAL PREMIUMS	0.00	19.00	19.00
6049060	TERM LIFE INS	0.00	135.00	135.00
6049065	TERM LIFE INS - OPT	0.00	3.00	3.00
6049067	AFLAC	0.00	1.00	1.00
6049070	401K/ESOP CONTRIBUTIONS	0.00	16258.00	16258.00
6049080	DISABILITY INSURANCE	0.00	56.00	56.00
6049090	OTHER EMP PENS & BENEFITS	0.00	5936.00	5936.00
401.1N	EMPLOYEE PENSION&BENEFITS	0.00	103251.00	103251.00
6599090	OTHER INS	0.00	68321.00	68321.00
401.1O	INSURANCE	0.00	68321.00	68321.00
6419090	RENT-OTHERS	0.00	0.00	18492.48
1Q	RENT	0.00	0.00	18492.48
6759001	PUBL SUBSCRIPTIONS & TAPES	0.00	157.00	157.00
6759004	PRINTING & BLUEPRINTS	0.00	350.00	350.00
6759006	UPS & AIR FREIGHT	0.00	553.00	715.14
6759008	XEROX	0.00	319.00	319.00
6759009	OFFICE SUPPLY STORES	0.00	488.00	775.10
6759010	REIM OFFICE EMPLOYEE EXPENSES	0.00	38.00	38.00
6759013	CLEANING SUPPLIES	0.00	48.00	51.18
6759014	MEMBERSHIPS - OFFICE EMPLOYEE	0.00	12.00	262.00
6759090	OTHER OFFICE EXPENSES	0.00	122.00	726.12
401.1R	OFFICE SUPPLIES	0.00	2087.00	3393.54
6759005	POSTAGE & POSTAGE METER-OFFICE	0.00	224.00-	26369.65
6759007	PRINTING CUSTOMER SERVICE	0.00	128.00	1361.63
6759011	ENVELOPES	0.00	2880.00	2880.00
6759012	BILL STOCK	0.00	1084.00	1084.00
6759051	COMPUTER SUPPLIES - BILLING	0.00	1141.00	1141.00
401.1RR	BILLING & CUSTOMER SERVICE	0.00	5009.00	32836.28

ACCOUNT	DESCRIPTION	PYA;ADJ	PYA ALC	PYA;Y/E
6759110	OFFICE TELEPHONE	0.00	81.00	4631.76
6759120	OFFICE ELECTRIC	0.00	533.00	3374.13
6759125	OFFICE WATER	0.00	116.00	677.34
6759130	OFFICE GAS	0.00	168.00	1954.77
6759135	OPERATIONS TELEPHONES	0.00	0.00	20160.99
6759140	ALARM SYS PHONE EXPENSE	0.00	0.00	1211.57
6759190	OTHER OFFICE UTILITIES	0.00	0.00	48.34
401.1S	OFFICE UTILITIES	0.00	898.00	32058.90
6759210	OFFICE CLEANING SERV	0.00	576.00	4851.00
6759220	LNDSCPING MOWING & SNOWPLWNG	0.00	621.00	621.00
6759230	OFFICE GARBAGE REMOVAL	0.00	38.00	244.97
6759260	REPAIR OFF MACH & HEATING	0.00	54.00	54.00
6759290	OTHER OFFICE MAINT	0.00	1027.00	1480.00
401.1U	OFFICE MAINTENANCE	0.00	2316.00	7250.97
6759330	MEMBERSHIPS - COMPANY	0.00	18.00	18.00
7048050	EMPLOYEES ED EXPENSES	0.00	58.00	58.00
7048055	OFFICE EDUCATION/TRAIN. EXP	0.00	527.00	527.00
7758370	MEALS & RELATED EXP	0.00	119.00	1364.98
7758380	BANK SERV CHARGES	0.00	4570.00	4650.63
7758390	OTHER MISC GENERAL	0.00	303.00	3633.42-
401.1V	MISCELLANEOUS EXPENSE	0.00	5595.00	2985.19
6755090	WATER-OTHER MAINT EXP	0.00	0.00	19096.18
6759503	WATER-MAINT SUPPLIES	0.00	0.00	3479.01
6[illegible]506	WATER-MAINT REPAIRS	0.00	0.00	26818.08
[illegible]07	WATER-MAIN BREAKS	0.00	0.00	1802.73
6[illegible]509	WATER-ELEC EQUIPT REPAIR	0.00	0.00	241.63
401.1X	MAINTENANCE-WATER PLANT	0.00	0.00	51437.63
7754009	SEWER-ELEC EQUIPT REPAIR	0.00	0.00	0.00
401.1Y	MAINTENANCE-SEWER PLANT	0.00	0.00	0.00
7754011	SEWER-SEWER RODDING	0.00	0.00	0.00
401.1YY	SLUDGE/RODDING	0.00	0.00	0.00
6759080	MAINT-DEFERRED CHARGES	0.00	0.00	30023.41
6759402	PART-TIME OPERATORS	0.00	0.00	4048.80
6759405	COMMUNICATION EXPENSES	0.00	0.00	1420.00
6759412	UNIFORMS	0.00	0.00	4919.23
6759415	MOWING/SNOWPLOWING	0.00	0.00	40.00
6759490	GARBAGE REMOVAL WTR/SWR	0.00	0.00	494.26
401.1Z	MAINTENANCE-WTR&SWR PLANT	0.00	0.00	40945.70

ACCOUNT	DESCRIPTION	PYA;ADJ	PYA ALC	PYA;Y/E
6205003	OPERATORS EXPENSES	0.00	0.00	3906.93
6759017	OPERATORS-CLEANING SUPPLIES	0.00	0.00	987.98
6759018	OPERATORS-OTHER OFFICE EXPENSE	0.00	57.00	10325.13
6759019	OPERATORS-PUBLICATIONS/SUSCRIPTIONS	0.00	0.00	24.00
6759410	OPERATORS ED EXPENSES	0.00	0.00	1695.05
6759413	OPERATORS-POSTAGE	0.00	0.00	3662.90
6759414	OPERATORS-OFFICE SUPPLY STORES	0.00	0.00	4261.77
6759416	OPERATORS-MEMBERSHIPS	0.00	0.00	2824.00
401.1ZZ	OPERATORS EXPENSES	0.00	57.00	27687.76
6355010	WATER TESTS	0.00	0.00	12485.20
6355030	TESTING EQUIP & CHEM	0.00	0.00	3794.56
7352020	SEWER TESTS	0.00	0.00	39.93
401.2B	MAINTENANCE-TESTING	0.00	0.00	16319.69
6501020	GASOLINE	0.00	0.00	18404.52
6501030	AUTO REPAIR & TIRES	0.00	0.00	7931.40
6509090	OTHER TRANS EXPENSES	0.00	0.00	80.54
6509110	OPERATORS TRANS REIM	0.00	0.00	198.75
401.2D	TRANSPORTATION EXPENSE	0.00	0.00	26615.21
4032001	DEPRECIATION-10101	0.00	0.00	11.46
4032014	DEPRECIATION-10114	0.00	0.00	763.20
4032021	DEPRECIATION-10121	0.00	0.00	599.58
4032025	DEPRECIATION-10125	0.00	0.00	5221.38
4032031	DEPRECIATION-10131	0.00	0.00	6862.80
032	DEPRECIATION-10132	558.00	0.00	8076.36
042	DEPRECIATION-10142	0.00	0.00	9126.72
4032043	DEPRECIATION-10143	0.00	0.00	52654.62
4032045	DEPRECIATION-10145	0.00	0.00	12572.34
4032046	DEPRECIATION-10146	0.00	0.00	9083.40
4032047	DEPRECIATION-10147	0.00	0.00	3511.44
4032048	DEPRECIATION-10148	0.00	0.00	3148.56
4032090	DEPRECIATION-10190	0.00	1476.00	2680.92
4032091	DEPRECIATION-10191	0.00	1460.00	2673.68
4032092	DEPRECIATION-10300	0.00	0.00	56585.89
4032093	DEPRECIATION-10193	0.00	59.00	59.00
4032094	DEPRECIATION-10194	0.00	0.00	2853.90
4032095	DEPRECIATION-10195	0.00	0.00	600.72
4032097	DEPRECIATION-10197	0.00	0.00	864.96
4032098	DEPRECIATION-COMPUTER	0.00	2602.00	5403.00
403.2	DEPRECIATION EXP-WATER	558.00	5597.00	183353.93
4061000	AMORT OF UTIL PAA-WATER	0.00	0.00	3660.48-
406.1	AMORT OF UTILITY PAA-WTR	0.00	0.00	3660.48-

ACCOUNT	DESCRIPTION	PYA;ADJ	PYA ALC	PYA;Y/E
4071000	AMORT EXP-CIA-WATER	0.00	0.00	1628.16-
407.6	AMORT EXP-CIA-WATER	0.00	0.00	1628.16-
4081201	FICA EXPENSE	0.00	3915.00	37741.26
4091050	FED UNEMPLOYMENT TAX	0.00	50.00	933.37
4091060	ST UNEMPLOYMENT TAX	0.00	160.00	8983.93
408.2	PAYROLL TAXES	0.00	4125.00	47658.56
4081004	UTIL OR COMMISSION TAX	0.00	0.00	11453.07
4081121	REAL ESTATE TAX	0.00	1343.00	63124.01
4081122	PERS PROP & ICT TAX	0.00	0.00	2209.09
4081303	FRANCHISE TAX	0.00	3.00	11943.08
408.3	OTHER TAXES	0.00	1346.00	88729.25
4091000	INCOME TAXES-FEDERAL	173228.00-	0.00	173228.00-
409.1	INCOME TAXES-FEDERAL	173228.00-	0.00	173228.00-
4091100	INCOME TAXES-STATE	0.00	0.00	875.10
409.2	INCOME TAXES-STATE	0.00	0.00	875.10
4101100	DEF INCOME TAXES-STATE	11395.00	0.00	11395.00
410.2	DEFERRED INCOME TAXES-ST	11395.00	0.00	11395.00
4141040	SALE OF EQUIPMENT	0.00	0.00	2205.00-
.	RENTAL & OTHER INCOME	0.00	0.00	2205.00-
4152000	INCOME FROM MGMT. SERVICES	0.00	0.00	102670.26-
415.1	INCOME FROM MGMT SERVICES	0.00	0.00	102670.26-
4101000	DEF INCOME TAX-FEDERAL	167432.00	0.00	167433.00
419.1	DEFERRED INCOME TAXES-FED	167432.00	0.00	167433.00
4192000	INTEREST EXPENSE-INTER-CO	121133.00	8881.00	130014.00
419.2	INTEREST EXPENSE-INTERCO	121133.00	8881.00	130014.00
4201000	INTEREST DURING CONSTRUCTION	5618.00-	0.00	5618.00-
420.1	INTEREST DURING CONSTRUCTION	5618.00-	0.00	5618.00-
4261000	MISCELLANEOUS INCOME	0.00	346.00-	346.00-
426.1	MISCELLANEOUS INCOME	0.00	346.00-	346.00-

ACCOUNT	DESCRIPTION	PYA;ADJ	PYA ALC	PYA;Y/E
4272050	S/T INT EXP CUSTOMERS DEP	0.00	0.00	6563.94
4272090	S/T INT EXP OTHER	0.00	62.00-	62.00-
427.2	SHORT TERM INTEREST EXP	0.00	62.00-	6501.94
	TOTAL INCOME STATEMENT	406.00	271953.00	5632.25

IS.MONTH.PYA

TIMINGS FOR EACH PHASE OF THIS REPORT

LODE/VALIDATE	00:00:00	04.1461%
..FRIEVE	00:00:01	19.1166%
CALCULATE	00:00:00	03.2737%
FORMAT	00:00:05	73.4635%
TOTAL	00:00:07	100%

Exhibit 16
Allocation of Expenses

Confidential

Water Service Corporation

Distribution of Rate Base and Expenses

Handbook

CONFIDENTIAL

COMPANY: C-160 WATER SERVICE CORPORATION OF KENTUCKY

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
3011001	ORGANIZATION	127,708.51	0.00	127,708.51
3036010	LAND & LAND RIGHTS	20,044.05	0.00	20,044.05
3042011	STRUCT & IMPRV (SOURCE SUP)	1,000.00	0.00	1,000.00
3043021	STRUCT & IMPRV (PUMP PLT)	30,379.54	0.00	30,379.54
3044031	STRUCT & IMPRV (WATER T P)	343,400.52	0.00	343,400.52
3072014	WELLS & SPRINGS	40,667.69	0.00	40,667.69
3113025	ELECTRIC PUMP EQUIP	380,707.38	0.00	380,707.38
3204032	WATER TREATMENT EQPT	497,838.39	0.00	497,838.39
3305042	DIST RESV & STNDPIPES	466,204.08	0.00	466,204.08
3315043	TRANS & DISTR MAINS	2,669,405.94	0.00	2,669,405.94
3335045	SERVICE LINES	641,835.20	0.00	641,835.20
3345046	METERS	463,900.83	0.00	463,900.83
3345047	METER INSTALLATIONS	193,837.33	0.00	193,837.33
3355048	HYDRANTS	258,069.33	0.00	258,069.33
3406090	OFF STRUCT & IMPRV	60,250.17	0.00	60,250.17
3406091	OFF FURN & EQPT	60,683.62	0.00	60,683.62
3446095	LABORATORY EQPT	30,035.95	0.00	30,035.95
3466094	TOOLS SHOP & MISC EQPT	147,538.66	0.00	147,538.66
3466097	COMMUNICATION EQPT	43,245.39	0.00	43,245.39
3486096	UNDISTR WATER PLANT	69,976.00	0.00	69,976.00
101.1	WTR UTILITY PLANT IN SERVICE	6,546,728.58	0.00	6,546,728.58
3917000	TRANSPORTATION EQPT	399,122.55	0.00	399,122.55
101.3	TRANSPORTATION EQPT	399,122.55	0.00	399,122.55
3[illegible]020	MINI COMPUTERS	9,545.40	0.00	9,545.40
20	MICRO SYS COST	2,728.91	0.00	2,728.91
101.4	COMPUTERS	12,274.31	0.00	12,274.31
1052091	WATER PLANT IN PROCESS	48,077.25	0.00	48,077.25
105.1	WORK IN PROGRESS	48,077.25	0.00	48,077.25
1081020	ACCUM DEPR-MINI COMP	5,236.00-	0.00	5,236.00-
3406160	MICRO SYS AMORTIZATION	2,318.63-	0.00	2,318.63-
108.1	ACCUM DEPR COMPUTER	7,554.63-	0.00	7,554.63-
1082000	ACCUM DEPR-TRANSPORTATION	285,505.80-	0.00	285,505.80-
108.2	ACCUM DEPR TRANSPORTATION	285,505.80-	0.00	285,505.80-
1083001	ACCUM DEPR.-3011001	2,186.46-	0.00	2,186.46-
1083010	ACCUM DEPR-WATER PLANT	13,103.53-	0.00	13,103.53-
1083014	ACCUM DEPR.-3072014	25,636.33-	0.00	25,636.33-

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
1083021	ACCUM DEPR.-3043021	13,899.04-	0.00	13,899.04-
1083025	ACCUM DEPR.-3113025	47,020.73-	0.00	47,020.73-
1083031	ACCUM DEPR.-3044031	105,027.23-	0.00	105,027.23-
1083032	ACCUM DEPR.-3204032	145,739.34-	0.00	145,739.34-
1083042	ACCUM DEPR.-3305042	171,282.97-	0.00	171,282.97-
1083043	ACCUM DEPR.-3315043	1,010,145.29-	0.00	1,010,145.29-
1083045	ACCUM DEPR.-3335045	492,228.47-	0.00	492,228.47-
1083046	ACCUM DEPR.-3345046	372,495.13-	0.00	372,495.13-
1083047	ACCUM DEPR.-3345047	139,619.22-	0.00	139,619.22-
1083048	ACCUM DEPR.-3355048	59,092.04-	0.00	59,092.04-
1083090	ACCUM DEPR.-3406090	6,724.66-	0.00	6,724.66-
1083091	ACCUM DEPR.-3406091	44,845.43-	0.00	44,845.43-
1083094	ACCUM DEPR.-3466094	88,664.22-	0.00	88,664.22-
1083095	ACCUM DEPR.-3446095	22,756.11-	0.00	22,756.11-
1083096	ACCUM DEPR.-10196	1,856.69-	0.00	1,856.69-
1083097	ACCUM DEPR.-3466097	31,196.34-	0.00	31,196.34-
108.3	ACCUM DEPR WATER PLANT	2,793,519.23-	0.00	2,793,519.23-
1141000	NET UTIL PLT ACQ ADJ-WATER	183,024.56-	0.00	183,024.56-
114.1	NET UTILITY PAA WTR PLANT	183,024.56-	0.00	183,024.56-
1151020	ACCUM PROV UTIL PAA-WATER	7,320.96	0.00	7,320.96
115.1	ACCUM PROV UTIL PAA WTR PLANT	7,320.96	0.00	7,320.96
1[illegible]75	CASH-KENTUCKY	7,794.38	0.00	7,794.38
1[illegible]6	CASH-CLINTON 1ST NATL BANK CLINTON	80,925.74	0.00	80,925.74
131.2	CASH	88,720.12	0.00	88,720.12
1322000	SPECIAL DEPOSITS	6,100.00	0.00	6,100.00
132.1	SPECIAL DEPOSITS	6,100.00	0.00	6,100.00
1411000	A/R-CUSTOMER	158,127.48	0.00	158,127.48
1411002	A/R-CUSTOMER ACCRUAL	124,924.00	0.00	124,924.00
141.1	ACCOUNTS RECEIVABLE CUSTOMER	283,051.48	0.00	283,051.48
1863013	RATE CASE EXPENSE--3	1,420.00	0.00	1,420.00
186.1	REGULATORY EXP BEING AMORT	1,420.00	0.00	1,420.00
1862022	DEF CHGS-TANK MAINT&REP(WTR)-2	45,800.00	0.00	45,800.00
1862023	DEF CHGS-TANK MAINT&REP(WTR)-3	47,800.00	0.00	47,800.00
1862024	DEF CHGS-TANK MAINT&REP(WTR)-4	189,805.85	0.00	189,805.85
1865022	AMORT - TANK MAINT&REP (WTR)-2	12,208.00-	0.00	12,208.00-

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
1865023	AMORT - TANK MAINT&REP (WTR)-3	15,940.00-	0.00	15,940.00-
1865024	AMORT - TANK MAINT&REP (WTR)-4	10,314.00-	0.00	10,314.00-
186.2	OTHER DEFERRED CHARGES	244,943.85	0.00	244,943.85
1901012	DEF FED TAX-TAP FEE POST 2000	69.00	0.00	69.00
1901020	DEF FED TAX - RATE CASE	449.00-	0.00	449.00-
1901021	DEF FED TAX - DEF MAINT	77,451.00-	0.00	77,451.00-
1901024	DEF FED TAX - ORGN EXP	23,851.00-	0.00	23,851.00-
1901031	DEF FED TAX - DEPRECIATION	239,238.00-	0.00	239,238.00-
190.1	ACCUM DEFERRED FIT	340,920.00-	0.00	340,920.00-
1902012	DEF ST TAX-TAP FEE POST 2000	15.00	0.00	15.00
1902020	DEF ST TAX - RATE CASE	99.00-	0.00	99.00-
1902021	DEF ST TAX - DEF MAINT	17,142.00-	0.00	17,142.00-
190.2	ACCUM DEFERRED SIT	17,226.00-	0.00	17,226.00-
2021000	COMMON STOCK & C S SUBSCR	1,000.00-	0.00	1,000.00-
202.1	COMMON STOCK & CS SUBSCR	1,000.00-	0.00	1,000.00-
2111000	PAID-IN CAPITAL	2,834,076.00-	0.00	2,834,076.00-
211.1	PAID IN CAPITAL	2,834,076.00-	0.00	2,834,076.00-
2[illegible]00	MISC PAID-IN CAPITAL	423,681.05-	0.00	423,681.05-
21[illegible].2	MISC PAID IN CAPITAL	423,681.05-	0.00	423,681.05-
2151000	RETAINED EARN-PRIOR YEARS	35,934.79-	5,632.25	30,302.54-
215.1	RETAINED EARNINGS PRIOR	35,934.79-	5,632.25	30,302.54-
2311000	A/P TRADE	9,776.49-	0.00	9,776.49-
2311020	A/P CITY OF CLINTON	67,147.41-	0.00	67,147.41-
2311050	A/P TRADE - ACCRUAL	9,786.96-	0.00	9,786.96-
231.1	ACCOUNTS PAYABLE TRADE	86,710.86-	0.00	86,710.86-
2334002	A/P WATER SERVICE CORP	1,402,369.06-	82,564.00-	1,484,933.06-
2334003	A/P WATER SERVICE DISB	901,358.93	0.00	901,358.93
233.4	ACCTS PAYABLE ASSOC COS	501,010.13-	82,564.00-	583,574.13-
2351000	CUSTOMER DEPOSITS	114,589.10-	0.00	114,589.10-
235.1	CUSTOMER DEPOSITS	114,589.10-	0.00	114,589.10-

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
2361170	ACCRUED SALES TAX	16,582.43-	0.00	16,582.43-
2361171	ACCRUED SALES TAX 2	5,275.46-	0.00	5,275.46-
2361292	ACCRUED ST INCOME TAX	5,143.00-	0.00	5,143.00-
236.1	ACCRUED TAXES	27,000.89-	0.00	27,000.89-
2372030	ACCRUED CUST DEP INTEREST	7,011.69-	0.00	7,011.69-
237.1	ACCRUED INTEREST	7,011.69-	0.00	7,011.69-
2413000	ADVANCES FROM UTILITIES INC	342,310.00	53,412.50-	288,897.50
241.3	ADVANCES FROM UI	342,310.00	53,412.50-	288,897.50
2525000	ADV-IN-AID OF CONST-WATER	113,080.53-	0.00	113,080.53-
252.1	ADVANCES IN AID WATER	113,080.53-	0.00	113,080.53-
2711000	CIAC-WATER-UNDISTR.	81,023.99-	0.00	81,023.99-
2711010	CIAC-WATER-TAX	221.00-	0.00	221.00-
271.1	CONTRIBUTIONS IN AID WATER	81,244.99-	0.00	81,244.99-
2722000	ACC. AMORT-CIA-WATER	3,365.40	0.00	3,365.40
272.1	ACCUM AMORT OF CIA WATER	3,365.40	0.00	3,365.40
	TOTAL BALANCE SHEET	130,344.25	130,344.25-	0.00

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
4611020	WATER REVENUE-METERED	1,334,219.32-	0.00	1,334,219.32-
4611099	WATER REVENUE ACCRUALS	9,261.00-	0.00	9,261.00-
4612030	WATER REVENUE-COMMERCIAL	35,466.35-	0.00	35,466.35-
400.1	WATER REVENUE	1,378,946.67-	0.00	1,378,946.67-
4701000	FORFEITED DISCOUNTS	32,918.68-	0.00	32,918.68-
400.3	FORFEITED DISCOUNTS	32,918.68-	0.00	32,918.68-
4711000	MISC SERVICE REVENUES	3,580.66	0.00	3,580.66
4741009	CUT-OFF CHARGE	7,400.00-	0.00	7,400.00-
400.4	MISC. SERVICE REVENUES	3,819.34-	0.00	3,819.34-
6101010	PURCHASED WATER-WATER SYS	85,614.24	0.00	85,614.24
401.1B	PURCHASED WATER	85,614.24	0.00	85,614.24
6151010	ELEC PWR - WATER SYSTEM	41,483.14	0.00	41,483.14
6151040	ELEC PWR - GAS F/MAINT OP	1,033.36	0.00	1,033.36
401.1E	ELECTRIC POWER	42,516.50	0.00	42,516.50
6181010	CHLORINE	40,836.19	0.00	40,836.19
6181090	OTHER CHEMICALS (TREATMENT)	38,478.37	0.00	38,478.37
40[illegible]	CHEMICALS	79,314.56	0.00	79,314.56
60[illegible]020	SALARIES-CHGD TO PLT-WSC	121,266.00-	0.00	121,266.00-
6019040	SALARIES-OPERATIONS	386,777.82	5,018.00	391,795.82
6019045	SALARIES-WTR SERV-COMPUTERS	4,865.00	4,865.00	9,730.00
6019050	SALARIES-OFFICE	101,899.63	16,048.50	117,948.13
401.1H	SALARIES	372,276.45	25,931.50	398,207.95
6708000	UNCOLLECTIBLE ACCOUNTS	16,403.13	0.00	16,403.13
6708001	AGENCY EXPENSE	296.10	101.00	397.10
401.1K	UNCOLLECTIBLE ACCOUNTS	16,699.23	101.00	16,800.23
6319011	ENGINEERING FEES	1.50	1.50	3.00
6329002	AUDIT FEES	1,992.50	1,992.50	3,985.00
6329013	ACCOUNTING STUDIES	4,800.00	0.00	4,800.00
6329014	TAX RETURN REVIEW	476.00	476.00	952.00
6338001	LEGAL FEES	38.50	38.50	77.00
6369003	TEMP EMPLOY - CLERICAL	2,047.00	17.00	2,064.00
6369005	PAYROLL SERVICES	440.00	440.00	880.00
6369006	EMPLOY FINDER FEES	533.00	533.00	1,066.00

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
401.1L	OUTSIDE SERVICES-DIRECT	10,328.50	3,498.50	13,827.00
6369007	COMPUTER MAINT	1,363.50	1,363.50	2,727.00
6369009	COMPUTER-AMORT & PROG COST	1,420.13	510.50	1,930.63
6369012	INTERNET SUPPLIER	192.50	192.50	385.00
6759003	COMPUTER SUPPLIES	585.10	474.50	1,059.60
6759016	MICROFILMING	367.00	367.00	734.00
401.1LL	IT DEPARTMENT	3,928.23	2,908.00	6,836.23
6049010	HEALTH INS REIMBURSEMENTS	34,245.00	34,245.00	68,490.00
6049011	EMPLOYEE INS DEDUCTIONS	475.50-	475.50-	951.00-
6049012	HEALTH COSTS & OTHER	39.00	39.00	78.00
6049015	DENTAL INS REIMBURSEMENTS	136.00	136.00	272.00
6049020	PENSION CONTRIBUTIONS	6,141.00	6,141.00	12,282.00
6049050	HEALTH INS PREMIUMS	336.00	336.00	672.00
6049055	DENTAL PREMIUMS	9.50	9.50	19.00
6049060	TERM LIFE INS	67.50	67.50	135.00
6049065	TERM LIFE INS - OPT	1.50	1.50	3.00
6049067	AFLAC	0.50	0.50	1.00
6049070	401K/ESOP CONTRIBUTIONS	8,129.00	8,129.00	16,258.00
6049080	DISABILITY INSURANCE	28.00	28.00	56.00
6049090	OTHER EMP PENS & BENEFITS	2,968.00	2,968.00	5,936.00
401.1N	EMPLOYEE PENSION&BENEFITS	51,625.50	51,625.50	103,251.00
6[illegible]0	OTHER INS	34,160.50	34,160.50	68,321.00
401.1O	INSURANCE	34,160.50	34,160.50	68,321.00
6419090	RENT-OTHERS	18,492.48	0.00	18,492.48
401.1Q	RENT	18,492.48	0.00	18,492.48
6759001	PUBL SUBSCRIPTIONS & TAPES	78.50	78.50	157.00
6759004	PRINTING & BLUEPRINTS	175.00	175.00	350.00
6759006	UPS & AIR FREIGHT	438.64	276.50	715.14
6759008	XEROX	159.50	159.50	319.00
6759009	OFFICE SUPPLY STORES	531.10	244.00	775.10
6759010	REIM OFFICE EMPLOYEE EXPENSES	19.00	19.00	38.00
6759013	CLEANING SUPPLIES	27.18	24.00	51.18
6759014	MEMBERSHIPS - OFFICE EMPLOYEE	256.00	6.00	262.00
6759090	OTHER OFFICE EXPENSES	665.12	61.00	726.12
401.1R	OFFICE SUPPLIES	2,350.04	1,043.50	3,393.54
6759005	POSTAGE & POSTAGE METER-OFFICE	26,481.65	112.00-	26,369.65
6759007	PRINTING CUSTOMER SERVICE	1,297.63	64.00	1,361.63

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
6759011	ENVELOPES	1,440.00	1,440.00	2,880.00
6759012	BILL STOCK	542.00	542.00	1,084.00
6759051	COMPUTER SUPPLIES - BILLING	570.50	570.50	1,141.00
401.1RR	BILLING & CUSTOMER SERVICE	30,331.78	2,504.50	32,836.28
6759110	OFFICE TELEPHONE	4,591.26	40.50	4,631.76
6759120	OFFICE ELECTRIC	3,107.63	266.50	3,374.13
6759125	OFFICE WATER	619.34	58.00	677.34
6759130	OFFICE GAS	1,870.77	84.00	1,954.77
6759135	OPERATIONS TELEPHONES	20,160.99	0.00	20,160.99
6759140	ALARM SYS PHONE EXPENSE	1,211.57	0.00	1,211.57
6759190	OTHER OFFICE UTILITIES	48.34	0.00	48.34
401.1S	OFFICE UTILITIES	31,609.90	449.00	32,058.90
6759210	OFFICE CLEANING SERV	4,563.00	288.00	4,851.00
6759220	LNDSCPING MOWING & SNOWPLWNG	310.50	310.50	621.00
6759230	OFFICE GARBAGE REMOVAL	225.97	19.00	244.97
6759260	REPAIR OFF MACH & HEATING	27.00	27.00	54.00
6759290	OTHER OFFICE MAINT	966.50	513.50	1,480.00
401.1U	OFFICE MAINTENANCE	6,092.97	1,158.00	7,250.97
6759330	MEMBERSHIPS - COMPANY	9.00	9.00	18.00
7048050	EMPLOYEES ED EXPENSES	29.00	29.00	58.00
7048055	OFFICE EDUCATION/TRAIN. EXP	263.50	263.50	527.00
77 70	MEALS & RELATED EXP	1,305.48	59.50	1,364.98
7 0	BANK SERV CHARGES	2,365.63	2,285.00	4,650.63
7 90	OTHER MISC GENERAL	3,784.92-	151.50	3,633.42-
401.1V	MISCELLANEOUS EXPENSE	187.69	2,797.50	2,985.19
6755090	WATER-OTHER MAINT EXP	19,096.18	0.00	19,096.18
6759503	WATER-MAINT SUPPLIES	3,479.01	0.00	3,479.01
6759506	WATER-MAINT REPAIRS	26,818.08	0.00	26,818.08
6759507	WATER-MAIN BREAKS	1,802.73	0.00	1,802.73
6759509	WATER-ELEC EQUIPT REPAIR	241.63	0.00	241.63
401.1X	MAINTENANCE-WATER PLANT	51,437.63	0.00	51,437.63
6759080	MAINT-DEFERRED CHARGES	30,023.41	0.00	30,023.41
6759402	PART-TIME OPERATORS	4,048.80	0.00	4,048.80
6759405	COMMUNICATION EXPENSES	1,420.00	0.00	1,420.00
6759412	UNIFORMS	4,919.23	0.00	4,919.23
6759415	MOWING/SNOWPLOWING	40.00	0.00	40.00
6759490	GARBAGE REMOVAL WTR/SWR	494.26	0.00	494.26
401.1Z	MAINTENANCE-WTR&SWR PLANT	40,945.70	0.00	40,945.70

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
6205003	OPERATORS EXPENSES	3,906.93	0.00	3,906.93
6759017	OPERATORS-CLEANING SUPPLIES	987.98	0.00	987.98
6759018	OPERATORS-OTHER OFFICE EXPENSE	10,296.63	28.50	10,325.13
6759019	OPERATORS-PUBLICATIONS/SUSCRIPTIONS	24.00	0.00	24.00
6759410	OPERATORS ED EXPENSES	1,695.05	0.00	1,695.05
6759413	OPERATORS-POSTAGE	3,662.90	0.00	3,662.90
6759414	OPERATORS-OFFICE SUPPLY STORES	4,261.77	0.00	4,261.77
6759416	OPERATORS-MEMBERSHIPS	2,824.00	0.00	2,824.00
401.1ZZ	OPERATORS EXPENSES	27,659.26	28.50	27,687.76
6355010	WATER TESTS	12,485.20	0.00	12,485.20
6355030	TESTING EQUIP & CHEM	3,794.56	0.00	3,794.56
7352020	SEWER TESTS	39.93	0.00	39.93
401.2B	MAINTENANCE-TESTING	16,319.69	0.00	16,319.69
6501020	GASOLINE	18,404.52	0.00	18,404.52
6501030	AUTO REPAIR & TIRES	7,931.40	0.00	7,931.40
6509090	OTHER TRANS EXPENSES	80.54	0.00	80.54
6509110	OPERATORS TRANS REIM	198.75	0.00	198.75
401.2D	TRANSPORTATION EXPENSE	26,615.21	0.00	26,615.21
4032001	DEPRECIATION-10101	11.46	0.00	11.46
4032014	DEPRECIATION-10114	763.20	0.00	763.20
4[illegible]1	DEPRECIATION-10121	599.58	0.00	599.58
4[illegible]5	DEPRECIATION-10125	5,221.38	0.00	5,221.38
403[illegible]31	DEPRECIATION-10131	6,862.80	0.00	6,862.80
4032032	DEPRECIATION-10132	8,076.36	0.00	8,076.36
4032042	DEPRECIATION-10142	9,126.72	0.00	9,126.72
4032043	DEPRECIATION-10143	52,654.62	0.00	52,654.62
4032045	DEPRECIATION-10145	12,572.34	0.00	12,572.34
4032046	DEPRECIATION-10146	9,083.40	0.00	9,083.40
4032047	DEPRECIATION-10147	3,511.44	0.00	3,511.44
4032048	DEPRECIATION-10148	3,148.56	0.00	3,148.56
4032090	DEPRECIATION-10190	1,942.92	738.00	2,680.92
4032091	DEPRECIATION-10191	1,943.68	730.00	2,673.68
4032092	DEPRECIATION-10300	56,585.89	0.00	56,585.89
4032093	DEPRECIATION-10193	29.50	29.50	59.00
4032094	DEPRECIATION-10194	2,853.90	0.00	2,853.90
4032095	DEPRECIATION-10195	600.72	0.00	600.72
4032097	DEPRECIATION-10197	864.96	0.00	864.96
4032098	DEPRECIATION-COMPUTER	4,102.00	1,301.00	5,403.00
403.2	DEPRECIATION EXP-WATER	180,555.43	2,798.50	183,353.93
4061000	AMORT OF UTIL PAA-WATER	3,660.48-	0.00	3,660.48-

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
406.1	AMORT OF UTILITY PAA-WTR	3,660.48-	0.00	3,660.48-
4071000	AMORT EXP-CIA-WATER	1,628.16-	0.00	1,628.16-
407.6	AMORT EXP-CIA-WATER	1,628.16-	0.00	1,628.16-
4081201	FICA EXPENSE	35,783.76	1,957.50	37,741.26
4091050	FED UNEMPLOYMENT TAX	908.37	25.00	933.37
4091060	ST UNEMPLOYMENT TAX	8,903.93	80.00	8,983.93
408.2	PAYROLL TAXES	45,596.06	2,062.50	47,658.56
4081004	UTIL OR COMMISSION TAX	11,453.07	0.00	11,453.07
4081121	REAL ESTATE TAX	62,452.51	671.50	63,124.01
4081122	PERS PROP & ICT TAX	2,209.09	0.00	2,209.09
4081303	FRANCHISE TAX	11,941.58	1.50	11,943.08
408.3	OTHER TAXES	88,056.25	673.00	88,729.25
4091000	INCOME TAXES-FEDERAL	173,228.00-	0.00	173,228.00-
409.1	INCOME TAXES-FEDERAL	173,228.00-	0.00	173,228.00-
4091100	INCOME TAXES-STATE	875.10	0.00	875.10
409.2	INCOME TAXES-STATE	875.10	0.00	875.10
4 0	DEF INCOME TAXES-STATE	11,395.00	0.00	11,395.00
410.2	DEFERRED INCOME TAXES-ST	11,395.00	0.00	11,395.00
4141040	SALE OF EQUIPMENT	2,205.00-	0.00	2,205.00-
413.1	RENTAL & OTHER INCOME	2,205.00-	0.00	2,205.00-
4152000	INCOME FROM MGMT. SERVICES	102,670.26-	0.00	102,670.26-
415.1	INCOME FROM MGMT SERVICES	102,670.26-	0.00	102,670.26-
4101000	DEF INCOME TAX-FEDERAL	167,433.00	0.00	167,433.00
419.1	DEFERRED INCOME TAXES-FED	167,433.00	0.00	167,433.00
4192000	INTEREST EXPENSE-INTER-CO	125,573.50	4,440.50	130,014.00
419.2	INTEREST EXPENSE-INTERCO	125,573.50	4,440.50	130,014.00
4201000	INTEREST DURING CONSTRUCTION	5,618.00-	0.00	5,618.00-

DETAIL TB BY COMPANY

U T I L I T I E S , I N C O R P O R A T E D

DETAIL TRIAL BALANCE

ACCOUNT	DESCRIPTION	BEG-BALANCE	CURRENT	END-BALANCE
420.1	INTEREST DURING CONSTRUCTION	5,618.00-	0.00	5,618.00-
4261000	MISCELLANEOUS INCOME	173.00-	173.00-	346.00-
426.1	MISCELLANEOUS INCOME	173.00-	173.00-	346.00-
4272050	S/T INT EXP CUSTOMERS DEP	6,563.94	0.00	6,563.94
4272090	S/T INT EXP OTHER	31.00-	31.00-	62.00-
427.2	SHORT TERM INTEREST EXP	6,532.94	31.00-	6,501.94
	TOTAL INCOME STATEMENT	130,344.25-	135,976.50	5,632.25
	TOTAL BALANCE SHEET	130,344.25	130,344.25-	0.00
	TOTAL INCOME STATEMENT	130,344.25-	135,976.50	5,632.25

NV.1CO.TB.LY

TIMINGS FOR EACH PHASE OF THIS REPORT

LODE/VALIDATE	00:00:00	10.0493%
RETRIEVE	00:00:01	12.8279%
CALCULATE	00:00:00	00.2358%
FORMAT	00:00:07	76.887%
TOTAL	00:00:09	100%

Capital Projects - List

* = has been Amended

System# State	Region #	Project Name	Start Date Complete Date	Estimated Cost Total Spent	Other Information
0170 Middlesboro KY -- Atlantic		Move WTP Sludge from Farm Ponds to Drying Area	10/17/2002 11/30/2002	$5,570.00	0.00%
ID# 658	Closed	160-0170-7754008			
0162 Clinton KY -- Atlantic		Paint two water tanks	05/01/2003 06/01/2003	$93,600.00	0.00%
ID# 668	Closed	160-0160-1862022			
0162 Clinton KY -- Atlantic		Replace 100-year old clear well tank	12/01/2004 12/31/2005	$350,000.00 $25,427.70	7.27%
ID# 669	Open	W/O#: 160-0162-115-05-01			
0170 Middlesboro KY -- Atlantic		Filter water level control system	01/01/2003 02/01/2003	$8,000.00 $9,000.00	112.50%
ID# 676	Closed	W/O#: 160-0170-115-02-01		*** OVER BUDGET! ***	
0170 Middlesboro KY -- Atlantic		Install New Flash Mixer	08/01/2003 12/15/2003 *	$11,400.00	0.00%
ID# 677	Closed	160-0170-3204032			
0170 Middlesboro KY -- Atlantic		Install new flocculator	11/01/2003 12/30/2004	$82,000.00 $83,367.63	101.67%
ID# 678	Closed	W/O#: 160-0170-115-04-01			
0170 Middlesboro KY --		Paint 1978 1.2M Gal Storage Tank-Lead Abatement	06/01/2004 10/30/2004	$190,294.00 $189,805.85	99.74%
ID# 679	*Completed	160-0160-1862024			
0170 Middlesboro KY -- Atlantic		Eliminate recycle water from returning into plant	11/01/2003 12/01/2004 *	$9,825.55 $8,357.22	85.06%
ID# 680	Closed	W/O#: 160-0170-115-03-01			
0170 Middlesboro KY -- Atlantic		Replace Filter Media-Rebuild 2 Dual Media Filters	10/01/2003 06/30/2004	$54,306.30 $55,794.04	102.74%
ID# 681	Closed	W/O#: 160-0170-115-03-03			
0170 Middlesboro KY -- Atlantic		Install Filter Rewash Valves	08/01/2003 01/31/2005 *	$39,600.00* $39,419.26	99.54%
ID# 682	*Completed	W/O#: 160-0170-115-04-02			
0170 Middlesboro KY -- Atlantic		Change serv. to 8" main	12/01/2002 06/30/2003	$13,200.00	0.00%
883	DECLINED				

Capital Projects - List

* = has been Amended

System# State	Region #	Project Name	Start Date / Complete Date	Estimated Cost / Total Spent	Other Information
0[illegible] Middlesboro -- Atlantic		Avondale Project	12/01/2002 12/31/2005 *	$19,954.00* $10,956.76	54.91%
ID# 898	*Completed	W/O#: 160-0170-115-02-02			
0170 Middlesboro KY -- Atlantic		Relocation of Middlesboro Water Office	03/01/2003 04/01/2003	$14,789.29 $14,226.84	96.20%
ID# 1149	Closed	W/O#: 160-0170-117-03-01			
0170 Middlesboro KY -- Atlantic		Move Water Plant Sludge from Farm Ponds to Drying	08/15/2003 09/30/1903 *	$5,620.00	0.00%
ID# 1537	Closed	160-0160-1862052			
0170 Middlesboro KY -- Atlantic		Land Applications with Water Plant Sludge	08/01/2003 08/01/2004	$22,000.00	0.00%
ID# 1541	DECLINED				
0170 Middlesboro KY -- Atlantic		Change Out Elec Controls at Raw Water Pump Station	08/01/2003 02/01/2004 *	$30,726.39 $30,907.14	100.59%
ID# 1544	Closed	W/O#: 160-0170-115-03-02			
0170 Middlesboro [illegible] -- Atlantic		Perimeter Fence Lagoons	10/15/2003 11/30/2003	$9,349.00	0.00%
ID# 1656	Closed	160-0170-3043021			
0170 Middlesboro KY -- [illegible]		Install Powdered Activated Carbon Feed System	06/21/2004 12/31/2004	$51,850.00 $50,690.96	97.76%
ID# 1662	Closed	W/O#: 160-0170-115-04-04			
0170 Middlesboro KY -- Atlantic		Flow Test Fire Hydrants to acquire a hydrolic Model	01/01/2004 12/31/2004	$20,535.57	0.00%
ID# 1666	DECLINED				
0170 Middlesboro KY -- Atlantic		Replace 30 Hydrants,12 Flush Hydrants: Flow Test, Repaint & Refurbish all 271	01/01/2004 12/31/2004	$75,101.58 $63,208.60	84.16%
ID# 1669	Closed	W/O#: 160-0170-115-04-03			
0170 Middlesboro KY -- Atlantic		Rebuild 100 meter base settings	01/01/2005 12/31/2005	$17,450.00 $14,127.82	80.96%
ID# 1714	Open	W/O#: 160-0170-115-05-01			
0162 Clinton KY -- Atlantic		Rebuild Existing Well Pumps	08/01/2004 11/01/2004	$44,000.00	0.00%
1719	DECLINED				

Capital Projects - List

* = has been Amended

System# State	Region #	Project Name	Start Date Complete Date	Estimated Cost Total Spent	Other Information
0170 Middlesboro KY -- Atlantic		Rebuild 100 Meter Base Settings	01/01/2005 01/01/2006	$18,000.00	0.00%
ID# 1878	Capital Planning	Priority: 1 - Regulatory			
0170 Middlesboro KY -- Atlantic		Rebuild 100 Meter base settings	01/01/2006 12/31/2006	$18,000.00	0.00%
ID# 1880	Capital Planning	Priority: 1 - Regulatory			
0170 Middlesboro KY -- Atlantic		Rebuild 100 Meter Base Settings	01/01/2008 12/31/2008	$18,000.00	0.00%
ID# 1881	Capital Planning	Priority: 1 - Regulatory			
0170 Middlesboro KY -- Atlantic		To Land fill Alum Sludge	12/01/2003 12/10/2003	$17,175.00 $989.41	5.76%
ID# 1978	*Completed	160-0160-1862052			
0162 Clinton KY -- Atlantic		Replace Clinton's Well Pumps	06/21/2004 11/30/2004 *	$60,422.14* $59,149.36	97.89%
ID# 2295	Closed	W/O#: 160-0162-115-04-01			
0160 Water Service Corporation of KY -- Atlantic		Replace maintenance dump truck	05/10/2004 10/30/2004	$56,901.00 $52,601.13	92.44%
ID# 2381	*Completed	160-0160-3917000			
0170 Middlesboro KY --		Move Water Plant Sludge from Ponds to Drying Area	08/15/2004 11/01/2004 *	$7,000.00 $6,700.00	95.71%
ID# 2497	*Completed	160-0170-7754008			
0170 Middlesboro KY -- Atlantic		Install Generators at 3 MGD Surface WTP	05/01/2005 06/30/2006	$131,400.00	0.00%
ID# 2583	Open	W/O#: 160-0170-115-05-06			
0170 Middlesboro KY -- Atlantic		To Paint the exterior of 1.2 Million Gallon Tank	10/01/2004 08/01/2005 *	$20,000.00 $19,165.94	95.83%
ID# 2590	*Completed	160-0160-1862024			
0170 Middlesboro KY -- Atlantic		Purchase a new Lawn and Garden Tractor	02/01/2005 04/01/2005	$8,000.00 $7,612.50	95.16%
ID# 2666	*Completed	160-0170-3466094			
0170 Middlesboro KY -- Atlantic		Replace Filter Backwash Troughs	04/01/2005 12/31/2005 *	$52,475.00	0.00%
2672	Open	W/O#: 160-0170-115-05-07			

Capital Projects - List

* = has been Amended

System# State	Region #	Project Name	Start Date Complete Date	Estimated Cost Total Spent	Other Information
0[illegible] Middlesboro KY -- Atlantic		Replace Filter Pump Starters & Plant Electrical Panal	01/01/2005 12/31/2005	$8,500.00	0.00%
ID# 2674	Placed In Service	3113025			
0170 Middlesboro KY -- Atlantic		Re Surface WTP Driveway	04/01/2005 10/31/2005	$12,500.00 $499.00	3.99%
ID# 2675	Placed In Service	160-0170-3043021			
0170 Middlesboro KY -- Atlantic		Replace 2 in. Water Main / 42nd st. & Winchester Ave.	03/01/2005 12/31/2005	$26,500.00 $7,497.03	28.29%
ID# 2678	Open	W/O#: 160-0170-115-05-03			
0170 Middlesboro KY -- Atlantic		Looping 6in. Main @ 35th st. & Dorchester Ave	03/01/2005 12/31/2005	$20,250.00 $1,954.34	9.65%
ID# 2679	Open	W/O#: 160-0170-115-05-04			
0170 Middlesboro KY -- Atlantic		46th Street 6in. Water Main Extenion	03/01/2005 12/31/2005	$21,700.00 $6,031.96	27.80%
ID# 2680	Placed In Service	W/O#: 160-0170-115-05-05			
0170 Middlesboro KY -- Atlantic		Replace Main on Brentwood Road & Turner Lane	01/01/2007 12/31/2007	$8,000.00	0.00%
ID# 2681	Capital Planning	Priority: 3 - Cost Reduction			
0170 Middlesboro KY --		Replace 30 Fire Hydrants	05/31/2007 12/31/2007	$80,000.00	0.00%
ID# 2683	Capital Planning	Priority: 4 - Maintenance			
0170 Middlesboro KY -- Atlantic		Replace Backhoe	01/01/2005 06/01/2005	$60,000.00 $62,661.00	104.44%
ID# 2684	*Completed	160-0170-3917000			
0170 Middlesboro KY -- Atlantic		Replace 10% of WSCK's Water Meters	01/01/2005 12/31/2005	$25,980.00 $24,125.00	92.86%
ID# 2685	Open	W/O#: 160-0170-115-05-02			
0162 Clinton KY -- Atlantic		Rebuild 100 meter base settings	03/01/2005 12/31/2005	$36,200.00 $21,119.68	58.34%
ID# 2686	Placed In Service	W/O#: 160-0162-115-05-02			
0162 Clinton KY -- Atlantic		Fence Standpipe Lots	04/01/2005 12/31/2005	$15,000.00	0.00%
2687	Capital Planning	Priority: 1 - Regulatory			

Capital Projects - List

* = has been Amended

System# State	Region #	Project Name	Start Date Complete Date	Estimated Cost Total Spent	Other Information
0*	Clinton -- Atlantic	Replace 30 Fire Hydrants	03/01/2007 12/31/2007	$150,000.00	0.00%
ID# 2688	Capital Planning	Priority: 4 - Maintenance			
0170 KY	Middlesboro -- Atlantic	Replace Valve Actuators in Pipe Gallery	01/01/2005 12/31/2005	$48,000.00	0.00%
ID# 2689	Open	160-0170-3113025			
0170 KY	Middlesboro -- Atlantic	To Purchase Lab Equipment for Surface WTP	08/01/2005 12/31/2005	$5,600.00	0.00%
ID# 3565	Open	3446095			

WATER SEF : CORPORATION OF KENTUCKY
Pro Forma Pla. .o be Included in Rate Case

w/p [j]

Project Description	Costs through Jul-05	Additional Cost to Complete	Total Cost of Project	Estimated Date of Completion	W/O Number	Database Number	Project Status
Replace 100 year old clear well tank (engineering)	$ 1,113	$ 32,958	$ 34,070	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (generator)	-	56,784	56,784	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (building and site work)	-	63,598	63,598	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (electrical)	-	39,749	39,749	Dec-05	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (bolted steel clear well)	-	111,853	111,853	May-06	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (stainless steel aerator)	-	28,392	28,392	May-06	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (high service booster pumps)	-	28,392	28,392	May-06	160-0162-115-05-01	669	Open
Replace 100 year old clear well tank (telemetering and piping)	-	56,784	56,784	May-06	160-0162-115-05-01	669	Open
Rebuild 100 meter base settings	18,744	29,048	47,792	Dec-05	160-0162-115-05-02	2686	Open
Avondale project	19,607	-	19,607	Jun-05	160-0170-115-02-02	898	Completed
Install filter rewash valves	50,416	-	50,416	Jun-05	160-0170-115-04-02	682	Completed
Rebuild 100 meter base settings	14,641	13,805	28,446	Nov-05	160-0170-115-05-01	1714	Open
Replace 10% of WSCK's water meters	23,698	8,570	32,268	Nov-05	160-0170-115-05-02	2685	Open
Replace 2" water main at 42nd St and Winchester Ave	102	28,693	28,794	Dec-05	160-0170-115-05-03	2678	Open
Looping 6" main at 35th St and Dorchester Ave	1,990	20,315	22,304	Dec-05	160-0170-115-05-04	2679	Open
46th St 6" water main extension	6,465	17,345	23,810	Dec-05	160-0170-115-05-05	2680	Open
Replace valve actuators in pipe gallery	-	48,000	48,000	Dec-05		2689	Open
Resurface WTP driveway	-	12,500	12,500	Sep-05		2675	Open
Replace filter backwash troughs	-	52,475	52,475	Aug-05		2672	Submitted
Install generators @ 3 mgd surface at WTP	-	131,400	131,400	Dec-05		2583	Submitted
Replace filter pump starters and plant electrical panel	-	9,500	9,500	Dec-05		2674	Capital planning
CL17 free chlorine process analyzer	-	2,453	2,453	Dec-05			Capital planning
Lab stirrer, 6 paddle, 120 vac	-	2,238	2,238	Dec-05			Capital planning
Laboratory turbidimeter	-	1,553	1,553	Dec-05			Capital planning
KTO: Dr 5000 Spectro	-	5,320	5,320	Dec-05			Capital planning
Replace building roof in Middlesboro	-	55,000	55,000	Dec-05			Capital planning
Repair/replace building roof in Clinton	-	2,100	2,100	Dec-05			Capital planning
	$ 136,774	**$ 801,723**	**$ 995,597**				

Note: Project 669 has been broken out into eight separate components. Four of these components are expected to be completed by the estimated hearing date.

WATER SERVICE CORPORATION OF KENTUCKY **w/p [k]**
Retirements Made for Pro Forma Plant

Project Description	Total Cost of Project	75% Water Retirement
Replace 100 year old clear well tank (engineering)	$ 34,070	$ 25,553
Replace 100 year old clear well tank (generator)	56,784	42,588
Replace 100 year old clear well tank (building and site work)	63,598	47,699
Replace 100 year old clear well tank (electrical)	39,749	29,812
Replace 100 year old clear well tank (bolted steel clear well)	111,853	83,890
Replace 100 year old clear well tank (stainless steel aerator)	28,392	21,294
Replace 100 year old clear well tank (high service booster pumps)	28,392	21,294
Replace 100 year old clear well tank (telemetering and piping)	56,784	42,588
Rebuild 100 meter base settings	47,792	35,844
Rebuild 100 meter base settings	28,446	21,335
Replace 10% of WSCK's water meters	32,268	24,201
Replace 2" water main at 42nd St and Winchester Ave	28,794	21,596
Replace valve actuators in pipe gallery	48,000	36,000
Resurface WTP driveway	12,500	9,375
Replace filter backwash troughs	52,475	39,356
Replace filter pump starters and plant electrical panel	9,500	7,125
CL17 free chlorine process analyzer	2,453	1,839
Laboratory turbidimeter	1,553	1,164
KTO: Dr 5000 Spectro	5,320	3,990
Replace building roof in Middlesboro	55,000	41,250
Repair/replace building roof in Clinton	2,100	1,575
	$ 688,722	**$ 559,367**

WATER SERVICE CORPORATION OF KENTUCKY
General Ledger Plant Additions

w/p [I]

Account Number	Description	Invoiced Additions through July	Estimated Additions from August through December	Total Additions (Invoiced and Estimated)
3043021	Structures & Improvements (Pump Plt)	788.67	563.34	1,352.01
3113025	Electric Pumping Equipment	3,353.93	2,395.66	5,749.59
3204032	Water Treatment Equipment	143.83	102.74	246.57
3305042	Distrib. Reservoirs & Standpipes	409.75	292.68	702.43
3315043	Transmission & Distribution Mains	1,852.45	1,323.18	3,175.63
3335045	Service Lines	3,644.28	2,603.06	6,247.34
3345046	Meters	10,769.67	7,692.62	18,462.29
3355048	Hydrants	1,385.19	989.42	2,374.61
3406090	Office Structures & Improvements	263.94	188.53	452.47
3406091	Office Furniture & Equipments	318.00	227.14	545.14
3446095	Laboratory Equipment	397.60	284.00	681.60
3466094	Tools, Shop, & Misc Equipment	77,042.03	55,030.02	132,072.05
3406020	Mini Computers	1,814.48	1,296.06	3,110.54
3406120	Micro Sys Cost	125.82	89.87	215.69
	Total	102,309.64	73,078.31	175,387.95

WATER SERVICE CORPORATION OF KENTUCKY
Capitalized Time Additions for Projects

w/p [m]

Account Number	Description	Capitalized Time through July 2005	Estimated Additions from August through December	Total Additions (Invoiced and Estimated)
3113025	Electric Pumping Equipment	171.00	122.14	293.14
3204032	Water Treatment Equipment	1,311.00	936.43	2,247.43
3305042	Distrib. Reservoirs & Standpipes	514.50	367.50	882.00
3315043	Transmission & Distribution Mains	20,320.50	14,514.64	34,835.14
3335045	Service Lines	2,451.00	1,750.71	4,201.71
3345047	Meter Installations	12,739.50	9,099.64	21,839.14
	Total	37,507.50	26,791.07	64,298.57