

LOUISVILLE WATER COMPANY

2006 RATE STUDY

FOR FY 2007

LOUISVILLE WATER COMPANY

2006 RATE SCHEDULE

FOR FY 2007

**Presented to:
Louisville Water Company
Board of Water Works
December 12, 2006**

WATER RATES

LOUISVILLE WATER COMPANY LOUISVILLE, KENTUCKY

BOARD OF WATER WORKS RULES AND REGULATIONS

6.00 RATES

6.01 For the purpose of classifying revenues, and to provide for different classes of rates, there shall be established seven (7) classes of customers and five (5) areas of service.

The classes of customers shall be identified as:

Residential
Commercial
Industrial
Fire Service
Fire Hydrants
Municipal
Wholesale

The areas of service shall be identified as:

Retail Service Area
Kentucky Turnpike #1 Area
Kentucky Turnpike #2 Area
Goshen Utilities Area
Shepherdsville Area

6.02 The rate charge for metered water service shall be comprised of three components except for municipal customers as defined in KRS 96.270 who shall be served as provided therein at no cost to the customer and publicly owned fire hydrants:

- (1.) A service charge based on the size of the meter through which the customer receives such service, and
- (2.) A commodity charge based on the amount of water consumed, and
- (3.) An elevated service area surcharge, if applicable, in Rule 6.02.03.

The rate charge for metered water service shall be pro-rated based on the number of actual days in a billing cycle.

6.02.01 **Service Charge**

The service charge for classes of customers taking metered service and situated within the **Retail Service Area** and **Shepherdsville and Goshen Services one (1) inch and larger** shall be charged in accordance with the following schedule: (Goshen services rate effective following the February 2007 billing)

<u>Meter Size</u>	<u>Service Charge</u> <u>Monthly Bill</u>	
5/8" x 3/4"	\$	5.65
1"	\$	14.13
1 1/2"	\$	28.25
2"	\$	45.20
3"	\$	98.88
4"	\$	169.50
6"	\$	395.50
8"	\$	706.25
10"	\$	1,073.50
12"	\$	1,638.50
16"	\$	3,248.75

Monthly Debt Surcharge for Goshen Customers of \$1.73 per month.

The service charge for customer classes situated within the **Kentucky Turnpike #1** area shall be charged in accordance with the following schedule:

<u>Meter Size</u>				
5/8" x 3/4"	\$	6.00	+	5.65 = 11.65
1"	\$	24.00	+	14.13 = 38.13
1 1/2"	\$	54.00	+	28.25 = 82.25
2"	\$	96.00	+	45.20 = 141.20
3"	\$	216.00	+	98.88 = 314.88
4"	\$	384.00	+	169.50 = 553.50
6"	\$	864.00	+	395.50 = 1,259.50

6.02.02 Commodity Charge

The commodity charge for monthly usage for customers within the **Retail Service Area, Kentucky Turnpike #1, Goshen and Shepherdsville services one (1) inch and larger** area shall be computed in accordance with the following schedule: (Goshen services rate effective following the February 2007 billing)

Thousand Gallons
Per Month

First	3	at \$2.03 per 1,000 Gallons
Next	3	at \$2.22 per 1,000 Gallons
Next	194	at \$2.50 per 1,000 Gallons
Next	1,300	at \$2.36 per 1,000 Gallons
Next	3,500	at \$2.16 per 1,000 Gallons
Next	5,000	at \$1.58 per 1,000 Gallons
All Over	10,000	at \$1.44 per 1,000 Gallons

The commodity charge for monthly usage within the **Kentucky Turnpike #2** area shall be computed in accordance with the following schedule:

Thousand Gallons
Per Month

5/8 inch and 3/4 inch connection

First	2	\$15.67 Monthly Minimum
Next	3	at \$4.75 per 1,000 gallons
Next	5	at \$4.27 per 1,000 gallons
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons

1 inch connection

First	5	\$29.92 Monthly Minimum
Next	5	at \$4.27 per 1,000 gallons
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons

1 1/2 inch to 4 inch connection

First	10	\$51.27 Monthly Minimum
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons

Bernheim Forest \$100.00 per month

City of Lebanon Junction \$1.40 per 1,000 gallons

The commodity charge for monthly usage within the **Goshen Utilities Area under one (1) inch** shall be computed in accordance with the following schedule:

Thousand Gallons
Per Month

First	2	\$9.51 Monthly Minimum
Next	13	at \$3.00 per 1,000 gallons
Next	15	at \$2.42 per 1,000 gallons
Next	20	at \$1.84 per 1,000 gallons
Over	50	at \$1.27 per 1,000 gallons

Monthly Debt Surcharge of \$1.73 per month

The commodity charge for monthly usage within the **Shepherdsville Area services under one (1) inch** shall be computed in accordance with the following schedule:

Thousand Gallons
Per Month

First	2	\$10.41 Monthly Minimum
Next	3	at \$3.47 per 1,000 gallons
Next	5	at \$2.84 per 1,000 gallons
Next	15	at \$2.72 per 1,000 gallons
Next	25	at \$2.36 per 1,000 gallons
Next	50	at \$2.13 per 1,000 gallons
Over	100	at \$2.01 per 1,000 gallons

6.02.03 Elevated Service Area Surcharge

All customers shall pay a surcharge of \$0.27 per thousand gallons if water must be delivered at a higher elevation than the general pressure plane served by the Crescent Hill / Cardinal Hill System, excluding customers in the Kentucky Turnpike #2, Goshen Utilities and Shepherdsville services under one (1) inch.

6.03 Wholesale Customers

Wholesale customers which purchase water for resale wherever situated shall be charged: \$1.44 per thousand gallons for all water purchased, the elevated service area surcharge specified in Rule 6.02.3, if applicable, and the service charge specified in Rule 6.02.1. For 2007 these rates will go into effect for water service on and after May 1, 2007.

6.04 Fire Service Charges

The charge for fire service, where water may be taken for fire protection only, shall be in accordance with the following schedule. This charge will also be applicable to such fire hydrants as may be provided by private agencies.

<u>Size</u>	<u>Monthly Charge</u>
4"	\$ 15.50
6"	\$ 30.97
8"	\$ 60.14
10"	\$ 118.50
12"	\$ 237.89

6.05 At the Company's option, bills may be rendered monthly or bimonthly.

6.06 In the event that payment for any charge is not made within twenty (20) days from the billing date, the net amount of the bill shall be increased by 5% and the gross amount thus determined must be paid.

6.07 Where water is used without proper authorization, the estimated quantity of unmetered water used shall be paid for at the rate of \$10.00 per thousand gallons.

6.08 Water taken from a Louisville Water Company public fill station shall be paid for at the rate of \$2.50 per thousand gallons plus such deposits as may be established from time to time.

6.09 Temporary services shall be charged at the rate of \$2.00 per day, plus water consumed at the applicable rate schedule.

Upon adoption, these rates shall become effective for water service on and after January 1, 2007, except for wholesale customers as specified in rule 6.03.

COMPARISON OF REVENUE UNDER EXISTING RATES AND PROPOSED RATES

	UNITS		2006 PRESENT RATES		2007 PROPOSED		INCREASE	REVENUE
			RATES	REVENUE	RATES	REVENUE	OVER	% OF
			\$	(\$1,000)	\$	(\$1,000)	EXISTING	COST OF
						RATE	SERVICE	
						%	%	
RESIDENTIAL: Service Charge	3,199,931 E.U.		5.31	18,981.83	5.65	18,079.61		
Water Sold 0 - 3	7,770,840 T.G.		1.90	14,784.80	2.03	15,774.81		
4 - 6	4,612,740 T.G.		2.08	9,594.50	2.22	10,240.28		
7 - 200	3,448,390 T.G.		2.35	8,103.72	2.50	8,620.98		
201 - 1,500	97,295 T.G.		2.21	215.02	2.36	229.62		
1501-5000	<u>20,735</u> T.G.		2.02	<u>41.88</u>	2.16	<u>44.79</u>		
Total Residential	15,950,000 T.G.			49,711.35		52,990.08	6.6%	98.63
COMMERCIAL: Service Charge	1,029,121 E.U.		5.31	5,464.83	5.65	5,814.53		
Water Sold 0 - 3	699,000 T.G.		1.90	1,328.10	2.03	1,418.97		
4 - 6	582,500 T.G.		2.08	1,170.00	2.22	1,248.75		
7 - 200	7,219,500 T.G.		2.35	16,985.83	2.50	18,048.75		
201 - 1,500	3,951,000 T.G.		2.21	8,731.71	2.36	9,324.36		
1,501 - 5,000	1,200,000 T.G.		2.02	2,424.00	2.16	2,592.00		
5,001 - 10,000	403,500 T.G.		1.55	625.43	1.58	637.53		
Over 10,000	<u>964,500</u> T.G.		1.38	<u>1,331.01</u>	1.44	<u>1,388.88</u>		
Total Commercial	15,000,000 T.G.			38,040.70		40,473.77	6.4%	102.96
MUNICIPAL Service Charge	24,098 E.U.		5.31	127.95	5.65	136.14		
Water Sold 0 - 3	12,908 T.G.		1.90	24.53	2.03	26.20		
4 - 6	10,549 T.G.		2.08	21.94	2.22	23.42		
7 - 200	250,118 T.G.		2.35	587.78	2.50	625.30		
201 - 1,500	400,854 T.G.		2.21	885.89	2.36	946.02		
1,501 - 5,000	253,588 T.G.		2.02	512.25	2.16	547.75		
5,001 - 10,000	156,289 T.G.		1.55	242.25	1.58	246.94		
Over 10,000	<u>303,694</u> T.G.		1.38	<u>419.10</u>	1.44	<u>437.32</u>		
Total Municipal	1,388,000 T.G.			2,821.67		2,969.08	5.9%	102.28
INDUSTRIAL: Service Charge	88,276 E.U.		5.31	488.75	5.65	498.78		
Water Sold 0 - 3	9,989 T.G.		1.90	18.98	2.03	20.28		
4 - 6	8,740 T.G.		2.08	18.18	2.22	19.40		
7 - 200	243,061 T.G.		2.35	571.19	2.50	607.65		
201 - 1,500	782,872 T.G.		2.21	1,730.15	2.36	1,847.58		
1,501 - 5,000	983,064 T.G.		2.02	1,985.79	2.16	2,123.42		
5,001 - 10,000	718,381 T.G.		1.55	1,113.48	1.58	1,135.01		
Over 10,000	1,415,913 T.G.		1.38	<u>1,853.98</u>	1.44	<u>2,038.91</u>		
Total Industrial	4,162,000 T.G.			7,860.45		8,291.01	5.5%	101.33
TOTAL RETAIL: Service Charge	4,341,424 E.U.		5.31	23,052.98	5.65	24,529.05		
Water Sold 0 - 3	8,482,737 T.G.		1.90	16,138.20	2.03	17,240.28		
4 - 6	5,194,529 T.G.		2.08	10,804.82	2.22	11,531.85		
7 - 200	11,181,069 T.G.		2.35	26,228.51	2.50	27,902.67		
201 - 1,500	5,232,021 T.G.		2.21	11,562.77	2.36	12,347.57		
1,501 - 5,000	2,457,387 T.G.		2.02	4,963.92	2.16	5,307.96		
5,001 - 10,000	1,278,150 T.G.		1.55	1,981.13	1.58	2,019.48		
Over 10,000	2,684,107 T.G.		1.38	<u>3,704.07</u>	1.44	<u>3,865.11</u>		
Total General Pres. Retail	36,500,000 T.G.			98,434.18		104,743.95	6.4%	100.58
Elev. Serv. Area Surcharge	10,797,000 T.G.		0.25	2,699.25	0.27	2,915.19	8.0%	80.01
Private Fire Services				1,931.50		2,057.00		
Public Fire Services				<u>7,082.00</u>		<u>7,521.03</u>		
Total Retail Sales				110,126.93		117,237.17	6.5%	99.89
WHOLESALE SALES:								
Service Charge*	8,120 E.U.		5.31	32.50	5.65	33.89		
General Pressure Charge**	1,700,000 T.G.		1.38	2,348.00	1.44	2,414.34	4.3%	87.44
Elevated Service Area***	1,679,496 T.G.		0.25	<u>419.87</u>	0.27	<u>442.38</u>	8.0%	78.06
Total Wholesale Sales				<u>2,788.37</u>		<u>2,890.61</u>	3.3%	65.97
SUB-TOTAL SALES	38,200,000 T.G.			112,925.30		120,127.78	6.4%	99.50
Deduction for phased in rate increase				(650.00)		(692.25)		
KT #1 Surcharge/KT Rate Differential				1,182.18		1,084.60		
						0.00		
						0.00		
GRAND TOTAL ESTIMATED SALES				113,457.48		120,520.13		
2007 Budgeted Water Revenue						120,082.00		
						438.13		

E.U. is 5/8" meter equivalent units; water sold units are in thousands of gallons. (T.G.)

ENCLOSURE 1

COMPARISON OF MONTHLY BILLS AT VARIOUS CONSUMPTION LEVELS
(GENERAL PRESSURE AREA)
(METER CAPACITY)

	<u>CONSUMPTION</u> (Thousand Gallons)	<u>METER</u> <u>SIZE</u>	<u>2006</u> <u>PRESENT</u> <u>RATES</u>	<u>2007</u> <u>PROPOSED</u> <u>RATES</u>	<u>INCREASE</u> <u>AMOUNT</u>	<u>%</u>
0	(Minimum Bill)	5/8 x 3/4"	\$ 5.31	\$ 5.65	\$ 0.34	6.40
3		5/8 x 3/4"	11.01	11.74	0.73	6.63
6	(Average Bill) *	5/8 x 3/4"	17.25	18.40	1.15	6.67
10		5/8 x 3/4"	26.65	28.40	1.75	6.57
20		5/8 x 3/4"	50.15	53.40	3.25	6.48
40		1"	105.12	111.88	6.76	6.43
100		1"	246.12	261.88	15.76	6.40
200		2"	510.32	542.95	32.63	6.39
500		2"	1,173.32	1,250.95	77.63	6.62
1,000		3"	2,328.77	2,484.63	155.86	6.69
1,500		3"	3,433.77	3,664.63	230.86	6.72
5,000		6"	10,782.54	11,521.25	738.71	6.85
10,000		6"	18,532.54	19,421.25	888.71	4.80
27,383	(General Electric)	Various	45,271.43	47,379.23	2,107.80	4.66
93,250	(Oxy Vinyls)	Various	134,054.17	139,978.65	5,924.49	4.42

*Residential Customer

ENCLOSURE 2

COMPARISON OF MONTHLY BILLS AT VARIOUS CONSUMPTION LEVELS
(ELEVATED PRESSURE AREA)
(METER CAPACITY)

	<u>CONSUMPTION</u> (Thousand Gallons)	<u>METER</u> <u>SIZE</u>	<u>2006</u> <u>PRESENT</u> <u>RATES</u>	<u>2007</u> <u>PROPOSED</u> <u>RATES</u>	<u>INCREASE</u> <u>AMOUNT</u>	<u>%</u>
0	(Minimum Bill)	5/8 x 3/4"	\$ 5.31	\$ 5.65	\$ 0.34	6.40
3		5/8 x 3/4"	11.76	12.55	0.79	6.72
6	(Average Bill) *	5/8 x 3/4"	18.75	20.02	1.27	6.77
10		5/8 x 3/4"	29.15	31.10	1.95	6.69
20		5/8 x 3/4"	55.15	58.80	3.65	6.62
40		1"	115.12	122.68	7.56	6.57
100		1"	271.12	288.88	17.76	6.55
200		2"	560.32	596.95	36.63	6.54
500		2"	1,298.32	1,385.95	87.63	6.75
1,000		3"	2,578.77	2,754.63	175.86	6.82
1,500		3"	3,808.77	4,069.63	260.86	6.85
31,627	(Ford Motor -Westport)	Various	59,500.30	62,525.07	3,024.77	5.08
51,770	(Mt. Washington)	Various	85,129.04	89,270.67	4,141.63	4.87
19,265	(North Shelby)	Various	31,494.47	33,035.65	1,541.18	4.89
41,500	(Taylorsville)	Various	67,737.25	71,057.21	3,319.97	4.90
17,389	(West Shelby)	Various	28,502.69	29,893.78	1,391.09	4.88

* Residential Customer

ENCLOSURE 3

20 LARGEST CUSTOMERS OF
THE LOUISVILLE WATER COMPANY

<u>COMPANY</u>	<u>AVG MONTHLY CONSUMPTION (T.G.)</u>	<u>2006 PRESENT RATES</u>	<u>2007 PROPOSED RATES</u>	<u>INCREASE AMOUNT</u>	<u>%</u>
Oxy Vinyl	93,250	\$ 134,054	\$ 139,979	\$ 5,924	4.42
Ford Motors (Westport/Chamberlain)*	31,627	59,500	62,525	3,025	5.08
American Synthetic	44,129	67,370	70,418	3,048	4.52
General Electric	27,383	45,271	47,379	2,108	4.66
Metro Sewer District	25,380	40,713	42,586	1,873	4.60
E.I. Dupont	18,143	30,105	31,504	1,399	4.65
Ford Motors (Fern Valley Rd)	13,638	23,859	24,985	1,127	4.72
Protein Technologies	17,073	29,594	30,991	1,396	4.72
Brown Forman	22,437	36,684	38,382	1,698	4.63
Lou Gas & Electric (Shipley)	21,714	36,094	37,775	1,681	4.66
Harshaw - Filtral	10,154	19,767	20,730	963	4.87
United Catalysts - Crittenden	8,775	16,926	17,797	871	5.14
Sud-Chemie	18,420	31,487	32,967	1,479	4.70
Carbide Industries	9,962	18,570	19,462	892	4.80
Borden Chemical	9,465	17,839	18,721	881	4.94
Baptist Hospital East	7,650	15,322	16,168	846	5.52
Zeochem	10,342	19,090	19,990	901	4.72
MD Steam & Chilled Plant	11,800	22,623	23,649	1,026	4.54
Dean Milk	6,889	14,458	15,174	716	4.95
Lou Gas & Electric (Cane Run)	12,773	22,618	23,576	958	4.24

* ELEVATED SERVICE AREA

ENCLOSURE 4

COMPARISON OF MONTHLY WATER BILLS AMONG CITIES SIMILAR TO LOUISVILLE
(CUSTOMERS SERVED BY GENERAL PRESSURE) *

CITY	PROPOSED INCREASE FOR 2007		DATE OF LAST INCREASE (DECREASE)	5/8" METER 6,000 GALLONS		3" METER 2,250,000 GALLONS		4" METER 4,500,000 GALLONS		6" METER 10,000,000 GALLONS				
	INSIDE CITY	OUTSIDE CITY		INSIDE CITY	OUTSIDE CITY	INSIDE CITY	OUTSIDE CITY	INSIDE CITY	OUTSIDE CITY	INSIDE CITY	OUTSIDE CITY			
	RANK	RANK		RANK	RANK	RANK	RANK	RANK	RANK	RANK	RANK			
LOUISVILLE * (502) 569-3600	6.50%	6.50%	Jan '06	17.25	2	17.25	7	4,948.77	8	9,560.14	6	18,532.54	5	18,532.54
ATLANTA (404) 602-4410	TBD	TBD	Jan '06	21.53	9	24.26	10	11,497.84	10	22,556.06	10	41,443.67	10	50,131.68
CINCINNATI (513) 591-7951	7.00%	7.00%	Jan '06	15.65	4	18.92	3	3,540.81	3	4,468.68	5	15,396.43	7	19,439.48
COLUMBUS (614) 645-7761	10.00%	10.00%	Jan '06	28.97	10	37.65	2	3,447.67	4	4,490.06	2	14,134.15	4	18,400.46
INDIANAPOLIS (317) 263-6302	TBD	TBD	Jul '06	22.73	7	22.73	4	3,963.02	2	3,963.02	4	14,839.37	2	14,839.37
KNOXVILLE (865) 558-2381	TBD	TBD	Jan '06	19.37	6	23.15	5	4,018.64	6	4,816.84	5	13,455.63	3	16,174.46
LEXINGTON (606) 268-6308	WND	WND	Jan '05	22.54	6	22.54	8	5,185.51	8	5,185.51	6	18,771.43	6	18,771.43
MILWAUKEE (414) 286-2435	TBD	TBD	Sep '06	14.76	5	10.06	1	2,594.93	1	3,720.59	1	10,064.92	1	12,522.65
NASHVILLE (615) 882-4686	0.00%	0.00%	May '99	14.80	1	14.80	9	5,228.82	9	5,228.82	9	21,450.09	9	21,450.09
MISSOURI AMERICAN (ST. LOUIS CO) (314) 991-3404	WND	WND	May '02	18.35	3	18.35	6	4,603.51	5	4,603.51	7	20,413.48	8	20,413.48

Notes:
The bills shown are computed using basic rates only and do not include special charges such as the elevated area surcharge, public fire protection charges, sales, franchises, or other taxes. Water bills for LWC include 5% rate increase for 2006, water bills for other utilities do not include any proposed 2007 increase.

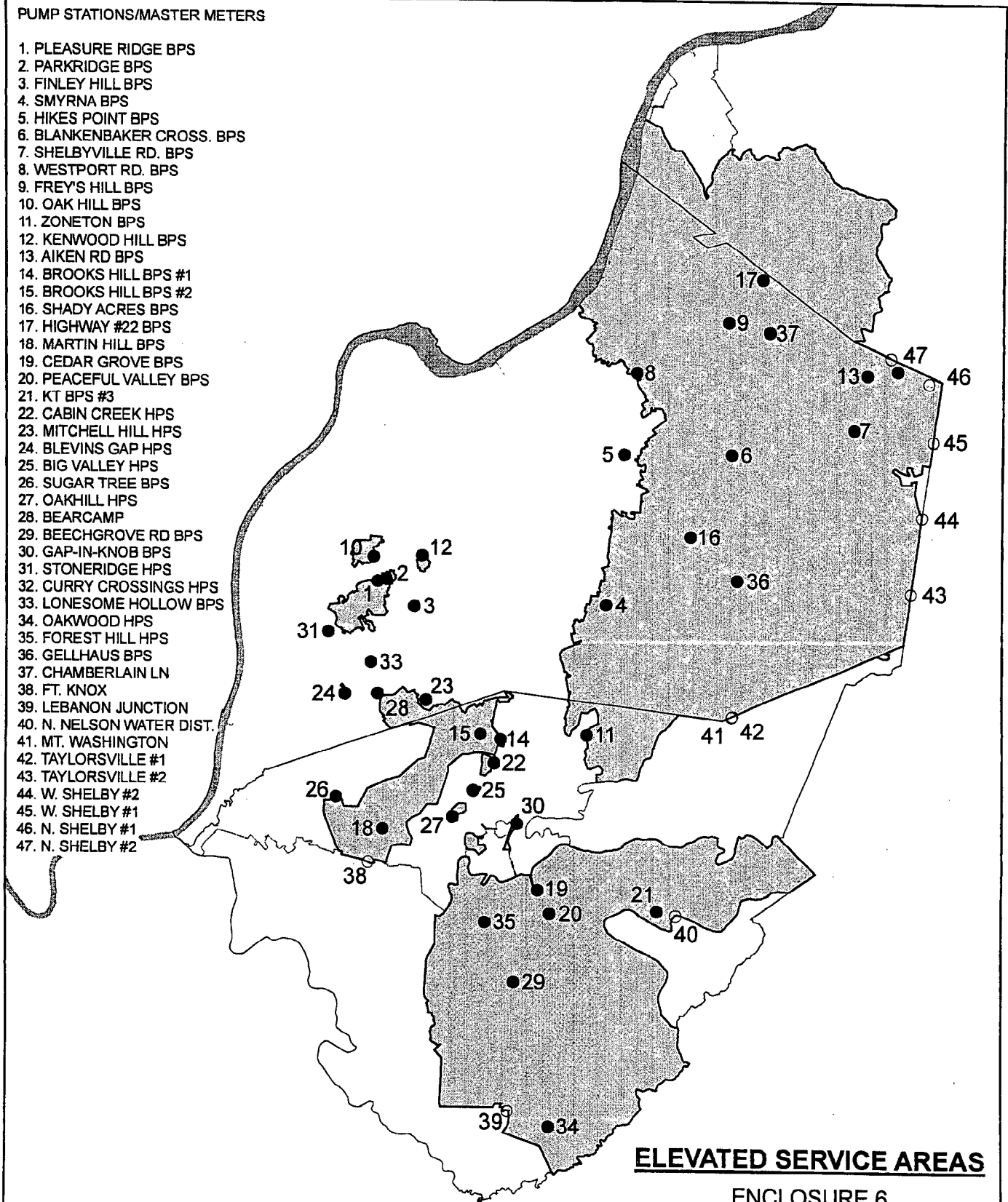
Rank #1 is lowest charge.

Lexington, and Missouri American are investor owned water utilities.

* For comparability purposes LWC 2006 rates were used.

PUMP STATIONS/MASTER METERS

1. PLEASURE RIDGE BPS
2. PARKRIDGE BPS
3. FINLEY HILL BPS
4. SMYRNA BPS
5. HIKES POINT BPS
6. BLANKENBAKER CROSS. BPS
7. SHELBYVILLE RD. BPS
8. WESTPORT RD. BPS
9. FREY'S HILL BPS
10. OAK HILL BPS
11. ZONETON BPS
12. KENWOOD HILL BPS
13. AIKEN RD BPS
14. BROOKS HILL BPS #1
15. BROOKS HILL BPS #2
16. SHADY ACRES BPS
17. HIGHWAY #22 BPS
18. MARTIN HILL BPS
19. CEDAR GROVE BPS
20. PEACEFUL VALLEY BPS
21. KT BPS #3
22. CABIN CREEK HPS
23. MITCHELL HILL HPS
24. BLEVINS GAP HPS
25. BIG VALLEY HPS
26. SUGAR TREE BPS
27. OAKHILL HPS
28. BEARCAMP
29. BEECHGROVE RD BPS
30. GAP-IN-KNOB BPS
31. STONERIDGE HPS
32. CURRY CROSSINGS HPS
33. LONESOME HOLLOW BPS
34. OAKWOOD HPS
35. FOREST HILL HPS
36. GELLHAUS BPS
37. CHAMBERLAIN LN
38. FT. KNOX
39. LEBANON JUNCTION
40. N. NELSON WATER DIST.
41. MT. WASHINGTON
42. TAYLORSVILLE #1
43. TAYLORSVILLE #2
44. W. SHELBY #2
45. W. SHELBY #1
46. N. SHELBY #1
47. N. SHELBY #2



ELEVATED SERVICE AREAS

ENCLOSURE 6
12/12/06

- BOOSTER PUMP STATION
- LWC MASTER METERS
- ELEVATED SERVICE AREA

2007 PROJECTION:
NUMBER OF CUSTOMERS: 112,370
PROJECTED ANNUAL WATER USAGE: 2007 THOUSAND GALLONS

RESIDENTIAL.....	6,309,700 GALLONS
COMMERCIAL.....	3,920,400 GALLONS
INDUSTRIAL.....	114,300 GALLONS
WHOLESALE.....	1,679,500 GALLONS
PRIVATE FIRE PROTECTION.....	9,100 GALLONS
TOTAL.....	12,033,000 GALLONS

LOUISVILLE WATER COMPANY

2006 RATE STUDY FOR YEAR 2007

DETERMINATION OF EXTRA COST ALLOCATION PERCENTAGES

<u>YEAR</u>	<u>AVERAGE DAY MGD</u>	<u>MAXIMUM DAY MGD</u>	<u>MAXIMUM HOUR MGD</u>
1996	121.3	169.3	187.6
1997	123.6	176.6	222.2
1998	124.3	173.3	223.0
1999	134.5	197.1	232.0
2000	127.2	190.0	226.1
2001	126.9	178.2	199.7
2002	129.9	191.4	244.0
2003	127.0	173.2	237.0
2004	126.8	164.6	189.0
2005	130.8	204.5	249.1
Ten Year Total	1,272.1	1,818.2	2,209.7
Average	127.2	181.8	221.0
Ratio	1.0	1.4	1.7

ALLOCATION PERCENTAGES

	<u>BASE</u>	<u>MAXIMUM DAY</u>	<u>MAXIMUM HOUR</u>
BASE/MAXIMUM DAY	70.0	30.0	
BASE/MAXIMUM HOUR	57.6	24.7	17.7

SCHEDULE 1

ALLOCATION OF LOUISVILLE WATER COMPANY ESTIMATED NET OPERATING EXPENSE TO FUNCTIONAL COST COMPONENTS
YEAR ENDED DECEMBER 31, 2007 (IN THOUSAND DOLLARS)

LINE NO.	ITEM	NET OPERATING EXPENSE	ELEVATED SERVICE AREA	COMMON TO ALL CUSTOMERS EXTRA CAPACITY MAXIMUM DAY	MAXIMUM HOUR	CUSTOMER	Base/Max Day/Hour COMMON TO ONLY RETAIL CUSTOMERS
1)	SOURCE OF SUPPLY			0.00	0.00		
2)	POWER AND PUMPING						
3)	Zorn Station, Power	1,101.48		1,101.48			
4)	Zorn Station, Other	45.40		31.76	13.64		
5)	Crescent Hill Station, Power	1,089.40		1,089.40			
6)	Crescent Hill Station, Other	1,401.13		808.63	346.26	248.24	
7)	B.E. Payne Station, Raw Water, Power	286.09		286.09			
8)	B.E. Payne Station, Raw Water, Other	17.98		12.58	5.40		
9)	B.E. Payne Sta., Finished Water, Power	858.28	583.63	274.65			
10)	B.E. Payne Sta., Finished Water, Other	230.37	156.65	42.44	18.22	13.06	
11)	Boosting Pumping, Power	527.91	452.40	75.51			
12)	Boosting Pumping, Other	292.78	234.22	33.74	14.77	10.04	
13)	Total Power and Pumping	5,850.81	1,426.90	3,754.28	398.28	271.35	0.00
14)	PURIFICATION						
15)	Chemicals, B.E. Payne	1,821.90		1,821.90			
16)	Chemicals, Crescent Hill	650.59		650.59			
17)	Purification, Other	5,305.47		3,712.04	1,593.43		
18)	Total Purification	7,777.95	0.00	6,184.52	1,593.43	0.00	0.00
19)	TRANSMISSION AND DISTRIBUTION						
20)	Transmission Mains	556.19		389.14	167.04		
21)	Distribution Mains	1,516.06		872.80	374.66	268.61	1,516.06
22)	Distribution Storage, Res. & Tanks	86.34	25.54	35.03	15.34	10.43	
23)	Services	1,018.18					1,018.18
24)	Meters	1,212.18					1,212.18
25)	Hydrants	264.64				264.64	264.64
26)	Transmission & Distribution Subtotal	4,653.59	25.54	1,296.97	557.04	543.67	2,230.36
27)	Percent	100.00%	0.55%	27.87%	11.97%	11.68%	47.93%
28)	General Transmission and Distribution	6,559.88	36.00	1,828.26	785.23	766.38	3,144.00
29)	Total Transmission and Distribution	11,213.47	61.55	3,125.24	1,342.27	1,310.06	5,374.36
30)	CUSTOMER ACCOUNTS AND SERVICE						
31)	Supervision	6,903.12					
32)	Meter Reading	1,784.33					
33)	Customer Records	1,034.64					
34)	Uncollected Accounts	711.69					
35)	Miscellaneous Customer Accounts	0.00					
36)	Total Customer Accounts & Service	10,433.77					10,433.77
37)	Subtotal	35,276.01	1,488.45	13,064.04	3,333.99	1,581.41	15,808.13
38)	Percent	100.00%	4.22%	37.03%	9.45%	4.48%	44.81%
39)	ADMINISTRATIVE AND GENERAL						
40)	Administrative and General	15,339.08					
41)	Labor Related Overhead	3,834.62					
42)	Less: Operating Expenses Applied	(2,298.70)					
43)	Total Administrative and General	16,875.00	712.03	6,249.45	1,594.88	756.50	7,562.14
44)	Total	52,151.00	2,200.48	19,313.48	4,928.86	2,337.90	23,370.27
45)	Free Water in Lieu of Taxes	3,089.40		3,089.40			
46)	Amortization	971.60		971.60			
47)	Retirement of Assets	1,000.00		287.85	123.56	88.59	500.00
48)	Total Operating Expenses	57,212.00	2,200.48	23,662.33	5,052.43	2,426.49	23,870.27
49)	Other Operating Income	(7,294.48)				(1,823.62)	(5,470.86)
50)	Net Operating Expense	49,917.52	2,200.48	23,662.33	5,052.43	602.87	18,399.41

Schedule 2

ALLOCATION OF LOUISVILLE WATER COMPANY ESTIMATED DEPRECIATION EXPENSE TO FUNCTIONAL COST COMPONENTS
 YEAR ENDED DECEMBER 31, 2007 (IN THOUSAND DOLLARS)

LINE NO.	ITEM	TOTAL DEPRECIATION EXPENSE	ELEVATED SERVICE AREA	COMMON TO ALL CUSTOMERS EXTRA CAPACITY BASE	COMMON TO ALL CUSTOMERS			Base/Max Day/Hour COMMON TO ONLY RETAIL CUSTOMERS
					MAXIMUM DAY	MAXIMUM HOUR	CUSTOMER	
1)	Land Improvements and Buildings	1,913.69	18.07	1,327.35	431.83	29.10	107.34	
2)	Basins and Ground Storage	808.08		565.38	242.70			
3)	Standpipes and Elevated Storage	392.55	298.31	54.26	23.29	16.70		
4)	Infiltration Systems including RBI	109.37		62.97	46.41			
5)	Pumping Equipment	467.21	202.48	185.22	79.51			
6)	Sludge Disposal Equipment	139.84		139.84				
7)	Purification Equipment	1,132.73		792.53	340.20			
8)	Transmission Mains	3,786.41		2,649.21	1,137.20			
9)	Distribution Mains	4,110.03		2,366.14	1,015.69	728.19		4,110.03
10)	Meters	622.86					622.86	
11)	Services	2,570.75					2,570.75	
12)	Meter Installations	867.49					867.49	
13)	Fire Hydrants	839.47				839.47		839.47
14)	Sub-total	17,760.49	518.86	8,142.90	3,316.83	1,613.46	4,168.44	4,949.50
15)	Percent	100.00%		47.23%	19.24%	9.36%	24.18%	
16)	General and Other Equipment	4,912.63	0.00	2,320.14	945.06	459.72	1,187.71	
17)	Depreciation Expense	22,673.11	518.86	10,463.04	4,261.89	2,073.18	5,356.15	4,949.50

Schedule 3

ALLOCATION OF ESTIMATED LOUISVILLE WATER COMPANY NET INVESTMENT (2007)
INCLUDING WORK-IN-PROGRESS
(THOUSAND DOLLARS)

LINE NO.	ITEM	NET PLANT INVESTMENT	ELEVATED SERVICE AREA	BASE	COMMON TO ALL CUSTOMERS			Base/Max Day/Hour COMMON TO ONLY RETAIL CUSTOMERS
					EXTRA CAPACITY MAXIMUM DAY	EXTRA CAPACITY MAXIMUM HOUR	CUSTOMER	
1)	Land	8,597.50	57.09	5,980.14	1,945.56	131.10	483.61	
2)	Land Improvements and Buildings	63,386.65	399.61	44,104.60	14,348.83	966.91	3,566.70	
3)	Basins and Ground Storage	19,917.51		13,935.54	5,981.98			
4)	Standpipes and Elevated Storage	12,163.76	11,111.47	605.81	260.05	186.44		
5)	Pumping Equipment	11,744.17	7,228.47	3,159.46	1,356.23			
6)	Sludge Disposal Equipment	3,439.36		3,439.36				
7)	Infiltration System	6,648.54		4,651.73	1,996.80			
8)	Purification Equipment	26,594.14		18,606.93	7,987.22			
9)	Transmission Mains	268,899.44		188,138.86	80,760.58			
10)	Distribution Mains	212,015.02		122,057.16	52,394.32	37,563.54		212,015.02
11)	Meters	6,509.05					6,509.05	
12)	Services	79,505.85					79,505.85	
13)	Meter Installations	27,859.37					27,859.37	
14)	Fire Hydrants	38,006.08				38,006.08		38,006.08
15)	Sub-total	785,286.54	18,796.64	404,679.59	167,031.56	76,854.08	117,924.58	250,021.10
16)	Percent	100.00%		52.80%	21.79%	10.03%	15.39%	31.84%
17)	Gen. Plant & Unamortized Capital Charges	25,710.72	0.00	13,574.35	5,602.82	2,577.95	3,955.60	8,185.83
18)	Total Plant	810,997.26	18,796.64	418,253.94	172,634.37	79,432.03	121,880.18	258,206.93
19)	Other Rate Base Items (1)	17,096.83	0.00	9,026.52	3,725.70	1,714.26	2,630.35	5,443.32
20)	Sub-total	828,094.09	18,796.64	427,280.46	176,360.07	81,146.29	124,510.53	263,650.26
21)	Contributions and Grants	(294,286.87)		(130,812.20)	(30,758.09)	(18,144.70)	(114,771.88)	(125,660.50)
22)	Total Net Plant Investment	533,807.22	18,796.64	296,668.27	145,601.98	63,001.59	9,738.65	137,989.76
23)	Annual Return @ 7.135%	38,087.15	1,341.14	21,167.28	10,388.70	4,495.16	694.85	9,845.57

1. Line 20, "Other Rate Base Items", includes: Inventory - \$7,500,000, Prepayments - \$800,000, and Working Capital - \$8,796,800 for a total of \$17,096,800

MAXIMUM DAY AND MAXIMUM HOUR PEAKING FACTORS
2006 Rate Study for 2007

MAXIMUM DAY MAXIMUM HOUR DEMAND DATA

		<u>Peak Day to Avg. Day</u>	<u>Peak Hour to Avg. Day</u>
		%	%
A	Residential		
1	Small 0-3	1.42	1.86
2	Medium 4-6	1.72	2.07
3	Large Over 6	1.97	2.36
B	Commercial		
1	Small 0-20	1.64	1.96
2	Medium 21-1,500	1.69	2.04
3	Large Over 1,500	1.69	2.04
C	Industrial		
1	Small 0-1,500	1.74	2.09
2	Medium 1,500-10,000	1.40	1.69
3	Large Over 10,000	1.34	1.64
D	Wholesale	1.76	2.15

NOTES:

Peaking Factors for 2007 rates are based on the average of computed and measured peaking factors for the previous five years.

Peaking Factors are used to allocate costs among consumption steps in various customer classes.

Schedule 5

ESTIMATED UNITS OF SERVICE BY CUSTOMER CLASS (2007)

CUSTOMER CLASS	ANNUAL WATER USED (M.G.)	AVERAGE DAY (M.G.D.)	%	MAXIMUM DAY				MAXIMUM HOUR				Base/Max Day/Hour Common to Only Retail Customers %	ANNUAL E.S.A. USAGE (M.G.)	ANNUAL CUSTOMER EQUIVALENT UNITS METER CAPACITY	
				CAPACITY FACTOR %	TOTAL CAPACITY (M.G.D.)	EXTRA CAPACITY (M.G.D.)	%	CAPACITY FACTOR %	TOTAL CAPACITY (M.G.D.)	EXTRA CAPACITY (M.G.D.)	%				
RETAIL															
1) Residential															
2) Small 0-3 T.G.	990.74	2.71	2.59	1.42	3.87	1.15	1.51	1.86	5.04	1.17	3.13	3.25			
3) Medium 4-6 T.G.	5,019.38	13.75	13.14	1.72	23.63	9.87	12.94	2.07	28.47	4.84	12.93	16.48			
4) Large over 6 T.G.	<u>9,939.89</u>	27.23	26.02	1.97	53.65	26.42	34.62	2.36	64.38	10.73	28.66	32.64		3,199,931	
	15,950.00														
5) Commercial															
6) Small 0-20 Gals.	1,195.04	3.27	3.13	1.64	5.38	2.11	2.76	1.96	6.43	1.05	2.80	3.92			
7) Medium 21-1,500 Gals.	10,354.34	28.37	27.11	1.69	48.00	19.63	25.73	2.04	57.81	9.82	26.22	34.00		1,053,217	
8) Large 1,501-5,000 T.G.	1,927.13	5.28	5.04	1.69	8.93	3.65	4.79	2.04	10.76	1.83	4.88	6.33			
9) Large 5,001-10,000 T.G.	826.40	2.26	2.16	1.69	3.83	1.57	2.05	2.04	4.61	0.78	2.09	0			
10) Extra Large over 10,000 T.G.	<u>2,085.10</u>	5.71	5.46	1.69	9.67	3.95	5.18	2.04	11.64	1.98	5.28	0			
	16,388.00														
11) Industrial															
12) Small 0-1,500 T.G.	373.42	1.02	0.98	1.74	1.78	0.75	0.99	2.09	2.14	0.36	0.97	1.23		88,276	
13) Medium 1,501-5,000 T.G.	652.29	1.79	1.71	1.40	2.50	0.71	0.93	1.69	3.02	0.52	1.38	2.14			
14) Large 5,001-10,000 T.G.	662.64	1.82	1.73	1.34	2.43	0.62	0.81	1.64	2.98	0.54	1.46	0			
15) Large 10,001-20,000 T.G.	<u>2,473.64</u>	6.78	6.48	1.34	9.08	2.30	3.02	1.64	11.11	2.03	5.43	0			
	4,162.00														
17) SUB-TOTAL (RETAIL)	36,500.00	100.00			172.74	72.74			208.39	35.65			10,353.50	4,341,424	
18) WHOLESALE	<u>1,700.00</u>	<u>4.66</u>	4.45	1.76	<u>8.22</u>	<u>3.56</u>	4.66	2.15	<u>10.00</u>	<u>1.78</u>	4.75		<u>1,679.50</u>	<u>6,120</u>	
19) TOTAL	38,200.00	104.66			180.95	76.30			218.39	37.43			12,033.00	4,347,544	

- 1) Total water used by customers in that specific class.
- 2) Consumption shown in 1,000 gallons per month.
- 3) Commercial includes Municipal.

COST OF SERVICE ALLOCATION TO CUSTOMER CLASSES (2007)

	BASE	EXTRA CAPACITY		Base/Max Day/Hour Common to Only Retail Customers	TOTAL COMMODITY COSTS(1)	ELEVATED SERVICE AREA	CUSTOMER COSTS	TOTAL COSTS
		(\$1,000)	MAXIMUM DAY					
		(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
<u>COST OF SERVICE SUMMARY</u>								
1) Net Operating Costs (Sch. 2)	18,542.52	3,959.23	472.43	6,343.45	29,317.62	2,200.48	18,399.41	49,917.51
2) Depreciation Expense (Sch. 3)	7,613.61	3,038.74	1,196.26	4,949.50	16,798.10	518.86	5,356.15	22,673.11
3) Return on Plant Invest. (7.135%, Sch. 4)	<u>15,499.18</u>	<u>7,955.61</u>	<u>2,750.78</u>	<u>9,845.57</u>	<u>36,051.16</u>	<u>1,341.14</u>	<u>694.85</u>	<u>38,087.15</u>
4) Total Cost of Service	41,655.31	14,953.59	4,419.47	21,138.52	82,166.88	4,060.48	24,450.42	110,677.77

COMMODITY COST DISTRIBUTION

CUSTOMER CLASS	% OF COST	(\$1,000)	% OF COST	(\$1,000)	% OF COST	(\$1,000)	% OF COST	(\$1,000)	TOTAL (\$1,000)	WATER USED BY CLASS (M.G.)
<u>Residential Retail</u>										
5) Small (0-3 T.G.)	2.59	1,080.35	1.51	225.56	3.13	138.44	3.25	687.72	2,132.08	990.74
6) Medium (4-6 T.G.)	13.14	5,473.40	12.94	1,935.17	12.93	571.51	16.48	3,484.22	11,464.30	5,019.38
7) Large (Over 6 T.G.)	26.02	10,838.98	34.62	5,177.24	28.66	1,266.81	32.64	6,899.81	24,182.84	9,939.89
<u>Commercial Retail</u>										
8) Small (0-20 T.G.)	3.13	1,303.14	2.76	413.25	2.80	123.70	3.92	829.54	2,669.63	1,195.04
9) Medium (21-1,500 T.G.)	27.11	11,290.92	25.73	3,847.45	26.22	1,158.86	34.00	7,187.50	23,484.73	10,354.34
10) Large (1,500-5,000 T.G.)	5.04	2,101.44	4.79	716.08	4.88	215.68	6.33	1,337.72	4,370.93	1,927.13
11) Large 5,001-10,000 T.G.	2.16	901.15	2.05	307.07	2.09	92.49	0.00	0.00	1,300.71	826.40
12) Extra Large over 10,000 T.G.	5.46	2,273.70	5.18	774.78	5.28	233.37	0.00	0.00	3,281.85	2,085.10
<u>Industrial Retail</u>										
13) Small (0-1,500 T.G.)	0.98	407.20	0.99	147.58	0.97	43.00	1.23	259.21	856.99	373.42
14) Medium (1,501-5,000 T.G.)	1.71	711.30	0.93	139.40	1.38	61.19	2.14	452.79	1,364.68	652.29
15) Large 5,001-10,000 T.G.	1.73	722.58	0.81	120.98	1.46	64.30	0.00	0.00	907.86	662.64
16) Large Over 10,000 T.G.	6.48	2,697.39	3.02	451.61	5.43	240.04	0.00	0.00	3,389.04	2,473.64
17) Wholesale	4.45	<u>1,853.77</u>	4.66	<u>697.41</u>	4.75	<u>210.06</u>	0.00	<u>0.00</u>	<u>2,761.24</u>	<u>1,700.00</u>
18) Total		41,655.31		14,953.59		4,419.47		21,138.52	82,166.88	38,200.00