

**SCHEDULE J**

**COST OF CAPITAL SUMMARY**

**KENTUCKY-AMERICAN WATER COMPANY**

**CASE NO: 2004-00103**

Forecasted Test Period: FOR THE TWELVE MONTHS ENDED: NOVEMBER 2005

Base Period: FOR THE TWELVE MONTHS ENDED: JULY 2004

Schedule	Description
J-1	Cost of Capital Summary
J-1.1 / J-1.2	Cost of Capital Summary
J-2	Embedded Cost of Short-Term Debt
<b>J-3</b>	Embedded Cost of Long-Term Debt
J-4	Embedded Cost of Preferred Stock

For electronic version, see [KAW\\_APP\\_EX37J-1\\_043004.pdf](#)

KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2004-XXX  
OVERALL FINANCIAL SUMMARY  
NOVEMBER 30, 2005

DATA: \_\_\_ BASE PERIOD X FORECASTED PERIOD  
DATE OF CAPITAL STRUCTURE: END OF FORECASTED TEST YEAR  
TYPE OF FILING: X ORIGINAL \_\_\_ UPDATED \_\_\_ REVIS :D  
WORKPAPER REFERENCE NO(S): W/P-7

SCHEDULE J-1  
PAGE 1 of 2  
Witness Responsible: M.A. Miller

Line No.	Class of Capital	Reference	Net Cawing Amount		Adjusted Capital	Cost Rate	Terminal Weighted Cost	13 Month Average Weighted Cost
1								
2	Short-Term Debt	J-2, Page 1	\$3,164,128	1.994%	525,395	\$3,189,523	2.700%	0.100%
3								
4	Long-Term Debt	J-3, Page 1	81,982,071	51.664%	657,969	82,640,040	6.310%	3.250%
5								
6	Preferred Stock	J-4, Page 1	6,028,898	3.799%	48,382	6,077,280	7.720%	0.290%
7								
8	Common Equity		67,509,075	42.543%	541,809	68,050,864	11.200%	4.760%
9								
10	Total Capital		<u>\$158,684,172</u>	100.000%	\$ 1,273,555	5159,957,727	<u>8.360%</u>	<u>8.250%</u>
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16	(1) JDITC	<u>\$ 1,273,555</u>						
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2004-XXX  
**COST OF CAPITAL SUMMARY**  
AS OF JULY 31, 2004

DATA:  BASE PERIOD  FORECASTED PERIOD  
DATE OF CAPITAL STRUCTURE: AS OF END OF BASE PERIOD  
TYPE OF FILING:  ORIGINAL  UPDATED  REVISED  
WORKPAPER REFERENCE NO(S): W/P-7

SCHEDULE J-1  
PAGE 2 of 2  
Witness Responsible: MA. Miller

Line No.	Class of Capital	Reference	Amount	% of Total	Add (1)	Adjusted Capital	Cost Rate	Terminal Weighted Cost
1								
2	Short-Term Debt	J-2, Page 2	\$6,763,128	4.270%	59,069	\$6,822,197	2.700%	0.120%
4	Long-Term Debt	J-3, Page 2	81,878,981	51.694%	715,104	82,594,085	6.340%	3.280%
5								
6	Preferred Stock	J-4, Page 2	6,027,874	3.806%	52,650	6,080,524	7.720%	0.290%
7								
8	Common Equity		<u>63,722,727</u>	<u>40.231%</u>	<u>556,517</u>	<u>64,279,244</u>	<u>11.200%</u>	<u>4.510%</u>
9								
10	Total Capital		<u>\$158,392,710</u>	<u>100.001%</u>	<u>\$ 1,383,340</u>	<u>\$159,776,050</u>		<u>8.200%</u>
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16	(1) JDITC:	<u>\$ 1,383,340</u>						
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2004-XXX  
COST OF CAPITAL SUMMARY AT CURRENT AND PROPOSED RATES  
13 MONTH AVERAGE

SCHEDULE Jd. INd.2  
PAGE 1 of 1  
**Witness Responsible:** MA. Miller

DATA: \_\_\_\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
DATE OF CAPITAL STRUCTURE: AVERAGE FOR FORECASTED PERIOD  
N P E OF FILING: \_X\_ ORIGINAL \_\_\_\_ UPDATED \_ REVISD  
**WORKPAPER REFERENCE NO(S): W/P-7**

Line No.	Class of Capital	13 Month Average Amount		Adjusted Capital	Cost Rate	Average Weighted Cost
1						
2	Short-Term Debt	\$5,931,051	3.719%	\$ 48,956	\$5,980,007	2.700%
3						0.10%
4	Long-Term Debt	81,944,180	51.376%	676,299	82,620,479	6.330%
5						3.25%
6	Preferred Stock	6,028,514	3.780%	49,759	6,078,273	7.720%
7						0.29%
8	Common Equity	65,593,875	41.125%	541,358	66,135,233	11.200%
9						4.61%
10	Total Capital	<u>\$159,497,619</u>	100.000%	<u>\$ 1,316,372</u>	<u>\$160,813,991</u>	<u>8.25%</u>

(1) JDITC: \$ 1,316,372

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**KENTUCKY-AMERICAN WATER COMPANY**  
 CASE NO: **2004-XXX**  
 EMBEDDED COST OF SHORT-TERM DEBT  
 FROM AUGUST 1,2004 TO NOVEMBER 30,2006

DATA: \_\_\_ BASE PERIOD \_X\_ FORECASTED PERIOD  
 DATE OF CAPITAL STRUCTURE: END OF FORECASTED TEST YEAR  
 N P E OF FILING: \_X\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISD  
 WORKPAPER REFERENCE NO(S): **W/P-7**

SCHEDULE J-2  
**PAGE 1 of 2**  
 Witness Responsible: MA. Miller

Line No.	Issue	Amount Outstanding	Interest Rate	Interest Requirement
1				
2				
3				
4	Promissory Note	<u>\$ 3,164,128</u>	<u>2.700%</u>	<u>\$ 85,431</u>
5				
6				
7	Weighted Cost of Short-Term Debt	<u>2.700%</u>		
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2004-XXX  
EMBEDDED COST OF SHORT-TERM DEBT  
AS OF JULY 31, 2004

DATA: \_X\_ BASE PERIOD — FORECASTED PERIOD  
DATE OF CAPITAL STRUCTURE: AS OF END OF BASE PERIOD  
N P E OF FILING: \_X\_ ORIGINAL \_\_\_ UPDATED — REVISED  
WORKPAPER REFERENCE NO(S): W/P-7

SCHEDULE J-2  
PAGE 2 of 2  
Witness Responsible: MA. Miller

Line No.	Issue	Amount Outstanding	Interest Rate	Interest Requirement
1				
2				
3				
4	Promissory Note	<u>\$6,763,128</u>	<u>2.700%</u>	<u>5162.604</u>
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6				
7	Weighted Cost of Short-Term Debt	<u>2.700%</u>		
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: ~~2004-XXX~~  
**EMBEDDED COST OF LONG-TERM DEBT**  
NOVEMBER 30, 2005

DATA: \_\_\_\_\_ BASE PERIOD X FORECASTED PEWOD  
DATE OF CAPITAL STRUCTURE: END OF FORECASTED TEST YEAR  
TYPE OF FILING: X ORIGINAL \_\_\_\_\_ UPDATED \_\_\_\_\_ REVISED  
WORKPAPER REFERENCE NO(S): W/P-7

SCHEDULE J-3  
PAGE 1 of 2  
**Witness Responsible:** MA. Miller

No.	Debt Issue T e & Rate	Issue Date	Maturity Date	Amount Outstandin	Cost Rate at Issue	Cost Rate at Maturit	Bond Rating	Annualized	Principal Amount	Annual Amort. of Issue Ex ense	Unamortized Discount or Premium	Unamortized Debt Expense	Unamortized Gain/Loss	Carrying Value
1														
2														
3	<u>General Mortgage Bonds:</u>													
4	Series 6.79%	09120195	09101105	\$0	6.79096	0.000%	NIA	\$0	\$0	\$ 4,869	\$0	\$0	\$0	\$0
5	Series 6.87%	03/30/01	03129111	15,500,000	6.870%	7.273%	NIA	1,127,315	15,500,000	62,496	0	333,296	0	15,166,704
6	Series 6.96%	12101193	12101123	7,000,000	6.960%	7.007%	NIA	490,490	7,000,000	3,264	0	58,741	0	6,941,259
7	Series 7.15%	02/14/97	02101127	7,500,000	7.150%	7.182%	NIA	539,650	7,600,000	2,424	0	51,422	0	7,448,578
8	Series 6.99%	09101196	06101128	9,900,000	6.990%	7.026%	NIA	632,340	9,000,000	3,264	0	73,367	0	8,926,613
9	Series 5.65%	06112102	06112107	24,000,000	5.650%	5.653%	NIA	1,356,720	24,000,000	600	0	1,083	0	23,998,917
10	Series 4.75%	03101104	03101114	14,000,000	4.750%	4.750%	NIA	665,000	14,000,000	0	0	0	0	14,000,000
11														
12	Proposed 6.60%	10101105	10101135	5,500,000	6.600%	6.600%	NIA	363,000	5,500,000	0	0	0	0	5,500,000
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26	Total Long-Term Debt and Annualized Cost			<u>\$62,500,000</u>				<u>\$5,173,515</u>	<u>\$ 82,500,000</u>	<u>\$76,917</u>	<u>\$0</u>	<u>\$517,929</u>	<u>\$0</u>	<u>\$81,982,071</u>
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29	Annualized Cost Rate			<u>6.310%</u>										
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: 2004-XXX  
EMBEDDED COST OF LONG-TERM DEBT  
AS OF JULY 31,2004

SCHEDULE J-3

PAGE 2 of 2

Witness Responsible: MA. Miller

DATA: X BASE PERIOD \_\_\_\_ FORECASTED PERIOD  
DATE OF CAPITAL STRUCTURE: AS OF END OF BAS PER OD  
TYPE OF FILING: X ORIGINAL \_\_\_\_ UPDATED \_\_ RE1  
WORKPAPER REFERENCE NO(S): W/P-7

Line No.	Debt Issue Type & Rate	Issue Date	Maturity Date	Amount Outstanding	Cost Rate at Issue	Cost Rate at Maturity	Bond Rating at Issue	Annualized Interest	Principal Amount	Annual Amort. of Issue Expense	Unamortized Discount or Premium	Unamortized Debt Expense	Unamortized Gain/Loss	Cawing Value
1														
2														
3	General Mortgage Bonds:													
4	Series 6.79%	09/20/95	09/01/05	\$5,500,000	6.790%	6.908%	N/A	\$379,940	\$5,500,000	\$6,492	\$0	\$ 7,026	\$ -	\$5,492,974
5	Series 6.87%	03/30/01	03/29/11	15,500,000	6.870%	7.273%	N/A	1,127,315	15,500,000	62,496	0	416,624	0	15,083,376
6	Series 6.96%	12/01/93	12/01/23	7,000,000	6.960%	7.007%	N/A	490,490	7,000,000	3,264	0	63,093	0	6,936,907
7	Series 7.15%	02114197	02/01/27	7,500,000	7.150%	7.162%	N/A	538,650	7,500,000	2,424	0	54,654	0	7,445,346
8	Series 6.99%	09101198	06/01/28	9,000,000	6.990%	7.02646	N/A	832,340	9,000,000	3,264	0	77,739	0	8,922,261
9	Series 5.65%	08112102	06112107	24,000,000	5.650%	5.653%	N/A	1,356,720	24,000,000	600	0	1,883	0	23,998,117
10	Series 4.75%	03101104	03101114	14,000,000	4.750%	4.750%	N/A	685,000	14,000,000	0	0	0	0	14,000,000
11														
12	Proposed 6.60%	10/01/05	10101135	0	6.600%	0.000%	N/A	0	0	0	0	0	0	0
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26	Total Long-Term Debt and Annualized Cost				<u>\$82,500,000</u>			<u>\$5,190,455</u>	<u>\$82,500,000</u>	<u>\$78,540</u>	<u>\$0</u>	<u>\$621,019</u>	<u>\$0</u>	<u>\$81,878,981</u>
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29	Annualized Cost Rate				<u>6.340%</u>									
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KENTUCKY-AMERICAN WATER COMPANY  
CASE NO: ~~2004-300~~  
EMBEDDED COST OF PREFERRED STOCK  
NOVEMBER 30, 2005

DATA: \_\_\_ BASE PERIOD X FORECASTED PERIOD  
DATE OF CAPITAL STRUCTURE: END OF FORECASTED TEST YEAR  
N P E OF FILING: X ORIGINAL \_\_\_\_\_ UPDATED — REVISED  
WORKPAPER REFERENCE NO(S): W/P-7

SCHEDULE J-4  
PAGE 1 of 2  
Witness Responsible: MA. Miller

Line No.	Dividend Rate Type & Par Value	Date Issued	Amount Outstanding	Premium or Discount	Unamortized Issue Expense	Gain or Loss on Reacquired Stock	Net Proceeds	Annual Amort. of Issue Expense	Cost Rate at Issue	Cost Rate at Maturity	Annualized Dividends
1											
2											
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4											
5	Series B, 5 3/4%, \$100 Par	11121157	464,200	0	0	0	464,200	0	5.750%	5.750%	26,692
6											
7	Series C, 5 1/2%, \$100 Par	11/22/63	494,700	0	0	0	494,700	0	5.500%	5.500%	27,209
8											
9	Series D, 5%, \$100 Par	05110163	593,900	0	0	0	593,900	0	5.000%	5.000%	29,695
10											
11											
12											
13	8 1/2% Series, \$100 Par	01124192	4,500,000	0	23,902	0	4,476,098	768	8.470%	8.532%	361,901
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17											
18	Total		<u>\$6,052,800</u>	<u>\$0</u>	<u>\$23,902</u>	<u>\$0</u>	<u>\$6,026,898</u>	<u>\$768</u>			<u>\$465,497</u>
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21	Annualized Cost Rate		<u>7.720%</u>								
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KENTUCKY-AMERICAN WATER COMPANY  
**CASE NO: 2004-XXX**  
 EMBEDED COST OF PREFERRED STOCK  
 AS OF JULY 31, 2004

DATA: X BASE PERIOD \_\_\_ FORECASTED PERIOD  
 DATE OF CAPITAL STRUCTURE: AS OF END OF BASE PERIOD  
 TYPE OF FILING: X ORIGINAL \_\_\_ **UPDATED** \_\_\_ REVISED  
 WORKPAPER REFERENCE **NO(S)**: W/P-7

SCHEDULE J-4  
 PAGE 2 of 2  
 Witness Responsible: MA. Miller

Line No.	Dividend Rate, Types Par Value	Date Issued	Amount Outstanding	Premium or Discount	Unamortized Issue Expense	Gain or Loss on Reacquired Stock	Net Proceeds	Annual Amort. of issue Expense	Cost Rate at Issue	Cost Rate at Maturity	Annualized Dividends
1											
2											
3											
4											
5	Series B, 5 3/4%, \$100 Par	11/21/57	464,200	0	0	0	464,200	0	5.750%	5.750%	26,692
6											
7	Series C, 5 1/2%, \$100 Par	11/22/63	494,700	0	0	0	494,700	0	5.500%	5.500%	27,209
8											
9	Series D, 5%, \$100 Par	05/11/63	593,900	0	0	0	593,900	0	5.000%	5.000%	29,695
10											
11											
12											
13	8.47% Series, \$100 Par	01/24/92	4,500,000	0	24,926	0	4,475,074	768	8.470%	8.534%	381,903
14											
15											
16											
17											
18	TOTAL		<u>\$6,052,800</u>	<u>\$0</u>	<u>524,926</u>	<u>\$0</u>	<u>\$6,027,674</u>	<u>\$768</u>			<u>\$465,499</u>
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21	Annualized Cast Rate		<u>7.720%</u>								
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