

Kentucky American Water - Case No. 2004-00103

Activation Fee

(Expenses are based on forecasted test year unless otherwise noted)

1. Labor and miscellaneous expenses:		
	Total Field Service Labor in test year	\$ 488,200
	Total Inside Customer Service Labor in test year	217,535
	Subtotal direct service order labor	<u>\$ 705,735</u>
	Total Remaining Distribution Department Labor in test year	\$ 2,238,574
	Grand total labor distribution department labor	\$ 2,944,309
	Direct service order labor as a % of grand total labor	23.97%
	Total Operations Superintendent Labor	\$ 90,513
	Allocated to Service Order Work	<u>\$ 21,695</u>
	Direct service order labor eligible for incentive pay	\$ 122,631
	Incentive pay as a % of eligible labor	8.81%
	Incentive pay allocated	<u>\$ 10,804</u>
	Miscellaneous expenses:	
535000	14 Contract Services - Other	\$ 32,519
520100	14 M & S Oper TD	114,418
575000	14 Misc Oper TD	72,612
575320	14 Electricity	4,090
575620	14 Office & Admin Supplies TD	17,835
575480	14 Heat - Office TD	31,618
575500	14 Janitorial TD	7,098
575780	14 Trash Removal TD	8,182
575820	14 Uniforms	8,911
575741	14 Cell Phone TD	17,621
	Subtotal miscellaneous expenses	\$ 314,904
	Miscellaneous expense allocated to direct service order labor	<u>\$ 75,481</u>
	Direct Customer Service Expenses	
520100	15 M & S Oper	\$ 4,910
575000	15 Misc Oper Customer Service	4,963
575620	15 Office & Admin	8,598
575741	15 Cell Phone	742
541400	15 Rents	5,521
535000	15 Contract Services - Other	69,351
535001	15 Contract Services - Temporary Labor	80,284
	Subtotal customer service expenses	<u>\$ 174,369</u>
2. Payroll overhead:		
	Direct service order labor plus allocated Operations Superintendent	\$ 727,430
	Payroll overhead factor for forecasted test year	54.45%
	Total payroll overhead allocated to direct service order labor	<u>\$ 396,086</u>
3. Transportation expense:		
	Total miles driven by field service persons in 2003	231,434

Total service orders worked by field service persons in 2003 (Central)	73,728
Miles driven per service order in 2003	3.14
Total service orders worked by field service persons in 2003 (Central)	73,728
Average customers 2003 (Lexington) [(Dec 2002 + Dec 2003)/2]	104,632
Service orders worked per average customer in 2003	0.705
Average customers in forecasted test year (Central)	109,856
Service orders worked per average customer in 2003	0.705
Estimated service orders worked in forecasted test year	77,409
Estimated service orders worked in forecasted test year	77,409
Miles driven per service order in 2003	3.14
Estimated miles driven by field service persons in test year	242,988
IRS rate per mile	\$ 0.375
Estimated transportation cost by field service persons in test year	<u>\$ 91,120</u>
4. Allocation of Customer Service Center Costs	
Call center costs in KY management fees in test year (Central)	\$ 758,817
Total service orders worked by field service persons in 2003 (Central)	73,728
Average customers 2003 (Lexington) [(Dec 2002 + Dec 2003)/2]	104,632
Estimated calls per customer	1.45
Estimated # of calls received by the Kentucky American Water Call Center	151,652
Ratio of service orders to calls received	48.6%
Allocate CSC costs to service orders based on ratio of service orders to calls received	<u>368,912</u>
5. Totals	
Direct service order labor	\$ 705,735
Operations Superintendent allocation	21,695
Incentive pay	10,804
Miscellaneous expenses	75,481
Customer Service expenses (service order closing)	174,369
Payroll overhead	396,086
Transportation expense	91,120
Customer Service Center costs	368,912
Subtotal	\$ 1,844,202
Estimated service orders worked during test year	77,409
Cost per service order (activation fee)	\$ 23.82
Round activation fee to \$24	<u>\$ 24.00</u>