

**Kentucky American Water
Management Fees
Customer Service, Billing, Finance, Accounting, Rates & Business Development
Current Rate Filing Versus 2000 Rate Case**

| | <u>2005 Rate Filing</u> | <u>2000 Rate Case</u> | <u>Variance</u> |
|--|-----------------------------|---------------------------|------------------|
| Cost of SE Region Service Company | 804,286 | 448,622 | 355,664 |
| Cost of National Customer Care Center | 831,065 | 0 | 831,065 |
| Cost National Shared Services Center | 448,017 | 0 | 448,017 |
| | 2,083,368 | 448,622 | 1,634,746 |
| Customer Care Savings (Labor & OH) (From Exhibit MAM-2, page 2 of 5) | | | (533,690) |
| Other Customer Accounting Savings (From Exhibit MAM-2, page 3 of 5) | | | (264,245) |
| Finance\Accounting Savings (Labor & OH) (From Exhibit MAM-2, page 4 of 5) | | | (1,039,794) |
| Other Finance\Accounting Savings (From Exhibit MAM-5) | | | <u>(29,285)</u> |
| Gross Savings | | | (232,268) |
| Unamortized Customer Care Center Transition Cost @ 11-30-04 | 571,405 | | |
| Rate Recovery of Amortization over 10 Years | | | 57,141 |
| Unamortized Shared Services Centerr Transition Cost @ 11-30-04 | 557,506 | | |
| Rate Recovery of Amortization over 10 Years | | | <u>55,751</u> |
| Net Savings | | | (119,377) |

**Kentucky American Water
Labor and Overhead Cost Savings From Customer Care Center Transition**

**Exhibit MAM-5
Page 2 Of 5**

| <u>Name</u> | <u>Title</u> | <u>2003 Salary</u> | <u>2005 Budget Salary</u> | <u>Pensions at 17.34%</u> | <u>Work. Comp. at 1.22%</u> | <u>Group Ins. at 18.4%</u> | <u>OPEP's at 11.87%</u> | <u>FICA at 7.51%</u> | <u>FUTA at 0.8% (8000)</u> | <u>SUTA at 0.5% (7000)</u> | <u>401K</u> | <u>ESOP</u> | <u>Total Labor & OH</u> |
|---------------|----------------|------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------------|-----------------------------|--------------------------|--------------------------------|--------------------------------|--------------|--------------|-------------------------------------|
| Schriefer | CSR-III | 28,902 | 30,783 | 5,338 | 376 | 5,664 | 3,654 | 2,171 | 64 | 35 | 1,156 | | 49,240 |
| Merritt | CSR-III | 39,770 | 30,783 | 5,338 | 376 | 5,664 | 3,654 | 2,987 | 64 | 35 | 1,591 | | 50,491 |
| Stepp | CSR-III | 29,053 | 30,990 | 5,374 | 378 | 5,702 | 3,679 | 2,182 | 64 | 35 | 1,162 | | 49,565 |
| Stone | CSR-III | 26,374 | 30,251 | 5,246 | 369 | 5,566 | 3,591 | 1,981 | 64 | 35 | 1,055 | | 48,157 |
| Deiningner | Supv-Billing | 46,695 | 30,783 | 5,338 | 376 | 5,664 | 3,654 | 3,507 | 64 | 35 | 1,868 | 1,167 | 52,455 |
| McCann | CSR-II | 25,472 | 30,783 | 5,338 | 376 | 5,664 | 3,654 | 1,913 | 64 | 35 | 1,019 | | 48,845 |
| Cross | CSR-II | 23,495 | 30,783 | 5,338 | 376 | 5,664 | 3,654 | 1,764 | 64 | 35 | 940 | | 48,618 |
| Shy | CSR-II | 24,856 | 30,783 | 5,338 | 376 | 5,664 | 3,654 | 1,867 | 64 | 35 | 994 | | 48,774 |
| Burns | Dir. Cus. Ser. | 69,466 | <u>85,811</u> | <u>14,880</u> | <u>1,047</u> | <u>15,789</u> | <u>10,186</u> | <u>5,217</u> | <u>64</u> | <u>35</u> | <u>2,779</u> | <u>1,737</u> | <u>137,544</u> |
| Total Savings | | | 331,750 | 57,525 | 4,047 | 61,042 | 39,379 | 23,588 | 576 | 315 | 12,563 | 2,904 | 533,690 |

Kentucky American Water
Analysis of Savings in Other Customer Accounting Expenses

Exhibit MAM-5
Page 3 of 5

| | <u>2000</u> <u>Rate Case</u> | <u>2004</u> <u>Projected</u> | <u>2005</u> <u>Projected</u> | <u>Increase\</u> <u>(Decrease)</u> <u>2005 vs.</u> <u>Prev. Case</u> |
|-----------------------|---------------------------------|---------------------------------|---------------------------------|---|
| Office Supplies | 38,259 | 18,408 | 18,868 | (19,391) |
| small tools | 400 | 0 | 0 | (400) |
| safety supplies | 400 | 0 | 0 | (400) |
| contract services | 90,360 | 0 | 0 | (90,360) |
| temporary agencies | 43,848 | 0 | 0 | (43,848) |
| Miscellaneous | 16,400 | 8,450 | 6,092 | (10,308) |
| collection agencies | 37,200 | 30,000 | 30,750 | (6,450) |
| employee expenses | 3,400 | 0 | 0 | (3,400) |
| lockbox & bank fees | 224,684 | 139,608 | 139,608 | (85,076) |
| mobile communications | 3,600 | 720 | 738 | (2,862) |
| overtime meals | 600 | 0 | 0 | (600) |
| subscriptions | <u>1,150</u> | <u>0</u> | <u>0</u> | <u>(1,150)</u> |
| Totals | 460,301 | 197,186 | 196,056 | (264,245) |

**Kentucky American Water
Labor and Overhead Cost Savings From Finance/Accounting Transition**

**Exhibit MAM-5
Page 4 of 5**

| <u>Name</u> | <u>Title</u> | <u>Term. Or Reclass Date</u> | <u>Salary at Term. or Reclass.</u> | <u>2005 Budget Salary</u> | <u>Pensions at 17.34%</u> | <u>Work. Comp. at 1.22%</u> | <u>Group Ins. at 18.4%</u> | <u>OPEP's at 11.87%</u> | <u>FICA at 7.51%</u> | <u>FUTA at 0.8% (8,000)</u> | <u>SUTA at 0.5% (7000)</u> | <u>401K</u> | <u>ESOP</u> | <u>Total Labor & OH</u> |
|---------------|-----------------|--------------------------------------|--|-------------------------------|-------------------------------|---------------------------------|--------------------------------|-----------------------------|--------------------------|---------------------------------|--------------------------------|-------------|-------------|-------------------------------------|
| Coleman Bush | VP&Treas. | 12/22/2002 | \$ 118,250 | 128,893 | 22,350 | 1,572 | 23,716 | 15,300 | 9,680 | 64 | 35 | 5,156 | 3,222 | 209,988 |
| R. Wilkins | Sr. Fin. Ana. | 11/27/2000 | \$ 61,400 | 70,610 | 12,244 | 861 | 12,992 | 8,381 | 5,303 | 64 | 35 | 2,824 | 1,765 | 115,080 |
| S. Barker | Sr. Fin. Ana. | 4/1/2000 | \$ 50,600 | 58,190 | 10,090 | 710 | 10,707 | 6,907 | 4,370 | 64 | 35 | 2,328 | 1,455 | 94,856 |
| L. Helton | Sec. | 11/6/2000 | \$ 15.09 | 36,095 | 6,259 | 440 | 6,642 | 4,285 | 2,711 | 64 | 35 | 1,444 | | 57,974 |
| L. Cosby | Sr. Acct. | 11/30/2000 | \$ 39,800 | 45,770 | 7,937 | 558 | 8,422 | 5,433 | 3,437 | 64 | 35 | 1,831 | 1,144 | 74,631 |
| R. Cook | Sr. Acct. | 2/26/2000 | \$ 34,700 | 39,905 | 6,920 | 487 | 7,343 | 4,737 | 2,997 | 64 | 35 | 1,596 | 998 | 65,080 |
| M. Tan | Acct. | 12/28/2001 | \$ 17.31 | 40,325 | 6,992 | 492 | 7,420 | 4,787 | 3,028 | 64 | 35 | 1,613 | | 64,757 |
| M. Meetze | Payroll Clerk | 1/24/2002 | \$ 11.77 | 26,685 | 4,627 | 326 | 4,910 | 3,168 | 2,004 | 64 | 35 | 1,067 | | 42,886 |
| J. Rhorer | AP Clerk | 8/6/2001 | \$ 13.94 | 32,475 | 5,631 | 396 | 5,975 | 3,855 | 2,439 | 64 | 35 | 1,299 | | 52,169 |
| M. Pugh | CPR Clerk | 2/11/2001 | \$ 13.94 | 32,475 | 5,631 | 396 | 5,975 | 3,855 | 2,439 | 64 | 35 | 1,299 | | 52,169 |
| S. Owens | Gen Acct. Clerk | 3/1/2002 | \$ 13.62 | 30,879 | 5,354 | 377 | 5,682 | 3,665 | 2,319 | 64 | 35 | 1,235 | | 49,611 |
| David Baker | Bus. Dev. | 2/16/2001 | \$ 88,000 | 98,560 | 17,090 | 1,202 | 18,135 | 11,699 | 7,402 | 64 | 35 | 3,942 | 2,464 | 160,594 |
| Total Savings | | | | 640,862 | 111,125 | 7,819 | 117,919 | 76,070 | 48,129 | 768 | 420 | 25,634 | 11,048 | 1,039,794 |

**Kentucky American Water
 Analysis of Savings in Other AG (accounting/finance) Expenses**

**Exhibit MAM-5
 Page 5 of 5**

| | <u>2000</u> <u>Rate Case</u> | <u>2004</u> <u>Projected</u> | <u>2005</u> <u>Projected</u> | Increase (Decrease) 2005 vs. <u>Prev. Case</u> |
|--|---|---|---|---|
| Miscellaneous AG Miscellaneous and Materials and Supplies | 108,534 | 84,712 | 86,406 | (22,128) |
| AG Forms | 1,800 | 600 | 612 | (1,188) |
| Subscriptions | <u>5,969</u> | <u>0</u> | <u>0</u> | <u>(5,969)</u> |
| Totals | 116,303 | 85,312 | 87,018 | (29,285) |