KENTUCKY-AMERICANWATER COMPANY CASE NO: 2004-XXX COST OF CAPITAL SUMMARY AS OF JULY 31,2004

DATA: _X_ BASE PERIOD ___ FORECASTEDPERIOD
DATE OF CAPITAL STRUCTURE: AS OF END OF BASE PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED __ REVISED
WORKPAPER REFERENCE NO(S).: WIP-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	\$6,728,128	4.249% \$	58,778	\$6,786,906	2.700%	0.110%
3		_						
4	Long-Term Debt	J-3, Page 2	81,878,981	51.705%	715,256	82,594,237	6.340%	3.280%
5								
6	Preferred Stock	J-4, Page 2	6,027,674	3.806%	52.650	6,080,524	7.720%	0.290%
7								
8	Common Equity		63,722,727	40.240%	556,656	64,279,383	11.200%	4.510%
9								
10	Total Capital		<u>\$156,357,710</u>	100.000% \$	1,383,340	\$159,741,050		8.190%
11			-					
12								

(1) JDITC:

\$ 1,383,340

KENTUCKY-AMERICANWATER COMPANY CASE NO: 2004-XXX COST OF CAPITAL SUMMARY AT CURRENT AND PROPOSED RATES 13 MONTH AVERAGE

DATA: ____BASE PERIOD_X_FORECASTED PERIOD
DATE OF CAPITAL STRUCTURE: AVERAGE FOR FORECASTED PERIOD
TYPE OF FILING: _X_ORIGINAL ___ UPDATED__ REVISED
WORKPAPERREFERENCE NO(S).: WIP-7

SCHEDULE J-1.1/J-1.2 PAGE 1 of 1

Witness Responsible: M.A. Miller

Line No.	Class of Capital	13 Month Average Amount	% of Total	Add (1)	Adjusted Capital	Cost Rate	Average Weighted cost	
1 2 3	Short-Term Debt	\$5,896,051	3.697% \$	48,666	\$5,944,717	2.700%	0.10%	
4 5	Long-Term Debt	81,944,180	51.388%	676,457	82,620,637	6.330%	3.25%	
6 7	Preferred Stock	6,028,514	3.781%	49,772	6,078,286	7.720%	0.29%	
8 9	Common Equity	65,593,875	41.134%	541,476	66,135,351	11.200%	4.61%	
10	Total Capital	\$159,462,619	100.000% \$	1,316,371	\$160,778,990	-	8.25%	
11								

 (1) JDITC:

\$ 1,316,372

SCHEDULE J-2

PAGE 1 of 2

KENTUCKY-AMERICAN WATER COMPANY CASE NO: 2004-XXX EMBEDDED COST OF SHORT-TERMDEBT FROM AUGUST 1,2004 TO NOVEMBER 30,2005

DATA: ____ BASE PERIOD_X_FORECASTED PERIOD DATE OF CAPITAL STRUCTURE: END OF FORECASTED TEST YEAR TYPE OF FILING: _X_ ORIGINAL___ UPDATED__ REVISED WORKPAPER REFERENCE NO(S).: W/P-7

48 49 50

Witness Responsible: M.A. Miller

Interest						
Promissory Note S. 3,129,126 2,700% S. 84,486 Weighted Coal of Short-Term Debt 2,700% 8 9 10 11 11 11 11 11 11 11 11 11 11 11 11	Line	•	Amount	Interest	Interest	
Promissony Noto \$ 3,129,128 2,700% Weighted Cost of Short-Term Debt 2,700% 9 10 11 11 12 13 14 15 16 17 18 18 19 20 21 22 23 24 25 26 27 28 29 30 30 30 30 30 30 30 30 30 3	No.	Issue	Outstanding	Rate	Requirement	
Promissory Note <u>\$ 3.129.128</u> <u>2.700%</u> <u>\$ 84.496</u> Weighted Cost of Short-Term Debt <u>2.700%</u> 10 11 11 12 13 14 15 16 17 18 19 20 20 20 20 20 20 20 20 20 2	1					
Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Ter	3					
Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Term Debt 2.700% Weighted Cost of Short-Ter	4	Promissory Note	\$ 3 129 128	2 700%	\$ 84 486	
8 9 10 11 11 12 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 29 29 30 31 31 32 33 34 35 36 37 37 38 39 40 41 42 42 44 44 45	5	Trainingsory Trace		2.70070	<u> </u>	
8 9 10 11 11 12 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 29 29 30 31 31 32 33 34 35 36 37 37 38 39 40 41 42 42 44 44 45	6					
8 9 10 11 11 12 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 29 29 30 31 31 32 33 34 35 36 37 37 38 39 40 41 42 42 44 44 45	7	Weighted Cost of Short-Term Debt	2.700%			
9 10 11 11 12 13 14 15 16 17 18 19 20 21 22 22 24 25 26 27 28 29 30 31 31 32 33 34 35 36 37 38 39 40 40 41 44 44 45	8	3				
10 11 12 13 14 16 17 18 19 20 21 22 23 24 25 26 27 29 29 30 31 31 32 33 34 35 36 36 37 38 39 40 40 41 42 42 43 44 45	9					
12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 30 31 31 32 33 34 35 36 37 38 39 40 40 41 42 42 43 43	10					
14 15 16 17 18 19 20 21 22 23 24 25 26 27 27 28 30 30 31 41 42 43 44 45	11					
14 15 16 17 18 19 20 21 22 23 24 25 26 27 27 28 30 30 31 41 42 43 44 45	12					
15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 31 32 33 34 35 36 37 38 39 40 41 41 42 43	13					
16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 31 32 33 34 35 55 36 37 38 39 40 41 42 43 44 45	14					
17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 31 32 33 34 35 37 38 39 40 41 42 43	15					
18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45	10 17					
20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 44 45 46	18					
20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 44 45 46	19					
23 24 25 26 27 28 29 30 31 31 32 33 34 35 36 36 37 38 39 40 41 42 43 44 45	20					
23 24 25 26 27 28 29 30 31 31 32 33 34 35 36 36 37 38 39 40 41 42 43 44 45	21					
23 24 25 26 27 28 29 30 31 31 32 33 34 35 36 36 37 38 39 40 41 42 43 44 45	22					
31 32 33 34 35 36 37 38 39 40 41 42 43 43 44	23					
31 32 33 34 35 36 37 38 39 40 41 42 43 43 44	24					
31 32 33 34 35 36 37 38 39 40 41 42 43 43 44	25					
31 32 33 34 35 36 37 38 39 40 41 42 43 43 44	26 27					
31 32 33 34 35 36 37 38 39 40 41 42 43 43 44	28					
31 32 33 34 35 36 37 38 39 40 41 42 43 43 44	29					
31 32 33 34 35 36 37 38 39 40 41 42 43 43 44	30					
35 36 37 38 39 40 41 42 43 44 45	31					
35 36 37 38 39 40 41 42 43 44 45	32					
35 36 37 38 39 40 41 42 43 44 45	33					
35 36 37 38 39 40 41 42 43 44 45	34					
37 38 39 40 41 42 43 44 45	35					
39 40 41 42 43 44 45 46	36					
39 40 41 42 43 44 45 46	3/					
40 41 42 43 44 45 46	38 30					
41 42 43 44 45 46	40					
42 43 44 45 46	41					
43 44 45 46	42					
44 45 46	43					
45 46 47	44					
46 47	45					
47	46					
40						

KENTUCKY-AMERICANWATER 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

TYPE OF FILING: _X_ ORIGINAL ___ UPDATED __ REVISED

WORKPAPED DEFEDENCE NO(S): WIP 7

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

WORKPAPE	RREFERENCE NO(S).: W/P-7				
Line No.	Issue	Amount Outstanding	Interest Rate	Interest Requirement	
1		-		·	
2					
4	Promissory Note	<u>\$6,728,128</u>	2.700%	\$181,659	
5	1 formsory Note	40,720,120	2.10078	Ψ101,009	
6					
7	Weighted Cost of Short-Term Debt	2.700%			
8					
9					
10 11					
12					
13					
14					
15					
16 17					
17					
19					
20					

KENTUCKY-AMERICAN WATER COMPANY CASE NO: 2004-XXX EMBEDDED COST OF LONG-TERMDEBT NOVEMBER 30,2005

DATA: ___BASE PERIOD_X_FORECASTEDPERIOD
DATE OF CAPITAL STRUCTURE: END OF FORECASTEDTEST YEAR
TYPE OF FILING: _X_ORIGINAL___UPDATED__REVISED
WORKPAPER REFERENCE NO(S).: WIP-7

Annualized Cost Rate

6.310%

SCHEDULE J-3 PAGE 1 of 2

Witness Responsible: M.A. Miller

	Debt Issue	Issue	Maturity	Amount	Cost Rate	Cost Rate	Bond Rating	Annualized	Principal	Annual Amort, of Issue	Unamortized Discount or	Unamortized	Unamortized	Carrying
No.	Type & Rate	Date	Date	Outstanding	at Issue	at Maturity	at Issue	Interest	Amount	Expense	Premium	Debt Expense	Gain/Loss	Value
1														
2	0	Daniela.												
3	General Mortgage I		00/04/05		0.7000/	0.0000/	B / / B	**			**	40	**	00
4	Series 6.79%	09/20/95	09/01/05 03/29/11	\$0 45 500 000	6.790%	0.000% 7.273%	N/A	\$0 4.437.345	\$0		\$0	\$0	\$0	\$0 45.466.704
5 6	Series 6.87% Series 6.96%	03/30/01 12/01/93	12/01/23	15,500,000 7,000,000	6.870% 6.960%	7.273% 7.007%	N/A N/A	1,127,315 490,490	15,500,000 7,000,000	62,496	. 0	333,296 58,741	0	15,166,704 6,941,259
7	Series 7.15%	02/14/97	02/01/27	7,500,000	7.150%	7.182%	N/A N/A	538,650	7,500,000	3,264 2,424	0	51,422	0	7,448,578
8	Series 6.99%	09/01/98	06/01/28	9,000,000	6.990%	7.026%	N/A	632,340	9,000,000	3,264	0	73,387	0	8,926,613
9	Series 5.65%	06/12/02	06/12/07	24,000,000	5.650%	5.653%	N/A	1,356,720	24,000,000	600	0	1,083	0	23,998,917
10	Series 4.75%	03/01/04	03/01/14	14,000,000	4.750%	4.750%	N/A	665,000	14,000,000	0	Ö	0	ő	14,000,000
11	001100 1.7070	00/01/04	00/01/11	(1,000,000	1.70070	1.70070	1471	000,000	14,000,000	·	·	v	V	1-1,000,000
	Proposed 6.60%	10/01/05	10/01/35	5,500,000	6.600%	6.600%	N/A	363,000	5,500,000	0	0	0	0	5,500,000
13	,		, , , , , , , ,	-,000,	0.00070	0.000.0		300,000	0,000,000	•	•	•	Ť	0,000,000
14														
15														
16														
17														
18														
19														
20														
21														
22											***			
23														
24														
25	Tatall and Ta	man Dalat amal Am	avalinad Cast	\$00.500.000				05 470 545	A 00 F00 000	#70.047		4547.000	**	#04 GOD 074
26	rotal Long-Te	rm Debt and An	nualized Cost	\$82,500,000			i	\$5,173,515	\$ 82,500,000	\$76,917	\$0	\$517 <u>,929</u>	\$0	\$81,982,071
27														
28			_											

KENTUCKY-AMERICAN WATER COMPANY CASE NO: 2004-XXX EMBEDDED COST OF LONG-TERMDEBT 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).: WIP-7

Annualized Cost Rate

6 340%

SCHEDULE J-3
PAGE 2 of 2

Witness Responsible:	M.A.	Miller	
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Line	Debt Issue	Issue	Maturity	Amount	Cost Rate	Cost Rate	Bond Rating	Annualized	Principal	Annual Amort. of Issue	Unamortized Discount or	Unamortized	Unamortized	Carrying
No.	Type & Rate	Date	Date	Outstanding	at Issue	at Maturity	at Issue	Interest	Amount	Expense	Premium	Debt Expense	Gain/Loss	Value
1	Typo a riaio	24.0	24.0	- Guiotarianing	at rooms	armatanty	arioudo		7 11 10 CH	2/100100		D ODY EXPONDS	G-11112000	74.40
2														
3	General Mortgage I	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%	02/14/97	02/01/27	7,500,000	7.150%	7.182%	NIA	538,650	7,500,000	2,424	0	54,654	0	7,445,346
8	Series 6.99%	09/01/98	06/01/28	9,000,000	6.990%	7.026%	N/A	632,340	9,000,000	3,264	0	77,739	0	8,922,261
9	Series 5.65%	06/12/02	06/12107	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%	03/01/04	03/01/14	14,000,000	4.750%	4.750%	N/A	665,000	14,000,000	0	0	0	0	14,000,000
11														
12	Proposed 6.60'	10/01/05	10/01/35	0	6.600%	0.000%	N/A	0	0	0	0	0	0	0
13														
14														
15														
26 17														
18														
19 20														
21														
22														
23														
24														
25														
	Total Long-Term D	ebt and Annualiz	red Cost	\$82,500,000				\$5,190,455	\$82,500,000	\$78,540	\$0	\$621,019	. \$0	\$81,878,981
27				+52,500,000				ψ5,190,700	Ψ02,000,000	₩70,540	ΨΟ	ΨUΣ1,013	ΨΟ	ΨΟ1,070,301
28														
20	_		_											

KENTUCKY-AMERICAN WATER COMPANY CASE NO: 2004-XXX EMBEDDED COST OF PREFERRED STOCK NOVEMBER 30,2005

DATA: ____BASE PERIOD_X_FORECASTEDPERIOD 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: M.A. Miller

Line No.	Dividend Rate, Type & Par Value	Date Issued	Amount Outstanding	Premium or Discount	Unamortized Issue Expense	Gain or Loss on Reaquired Stock	Net Proceeds	Annual Amort. of Issue Expense	Cost Rate at Issue	Cost Rate at Maturity	Annualized Dividends	
1	Type & Fair Value	Date 133aca	Outstariumg	Discount	Ехропос	Otock	11000003	Ехропас	at 133uc	at Maturity	Dividends	
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	Series C, 5 1/2%, \$100 Par	11122163	494,700	0	0	0	494,700	0	5.500%	5.500%	27,209	
8	Selles C, 5 1/2%, \$100 Fal	11122100	494,700	0	U	U	494,700	U	5.500 %	5.500%	21,209	
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	8.47% Series, \$100 Par	01/24/92	4,500,000	0	23,902	0	4,476,098	768_	8.470%	8.532%_	381.901	
14 15												
16												
17												
18	Total		\$6,052,800	\$0	\$23,902	\$0	\$6,028 <u>,898</u>	\$768			\$465,497	
19										=		
20												
21	Annualized Co	st Rate	7 720%									

Annualized Cost Rate

KENTUCKY-AMERICAN WATER COMPANY CASE NO: 2004-XXX EMBEDDED COST OF PREFERREDSTOCK AS OF JULY 31,2004

DATA: _X_ BASE PERIOD ___ FORECASTEDPERIOD
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

					Unamortized	Gain or Loss		Annual Amort.				
Line	Dividend Rate.		Amount	Premium or	Issue	on Reaquired	Net	of Issue	Cost Rate	Cost Rate	Annualized	
No.	Type & Par Value	Date Issued	Outstanding	Discount	Expense	Stock	Proceeds	Expense	at Issue	at Maturity	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	11122163	494,700	0	0	0	494.700	0	5.500%	5.500%	27,209	
8												
9	Series D, 5%, \$100 Par	05110/63	593.900	0	0	0	593.900	0	5.000%	5.000%	29,695	
10												
11												
12												
13	8.47% Series, \$100 Par	01124192	4,500,000	0	24,926	0	4,475,074	768	8.470%	8.534% _	381,903	
14												
15												
16												
17	TOTAL		40.050.000	•	201.000	••	00 007 074	#700			0.405.400	
18	TOTAL		\$6,052,800	\$0	\$24,926	\$0	\$6,027,874	\$768		-	\$465,499	
19												
20												
21	Annualized Co	st Rate	7.720%									