

KENTUCKY-AMERICANWATER COMPANY
CASE NO: 2004-XXX
COST OF CAPITAL SUMMARY
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

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 | | <u>63,722,727</u> | <u>40.240%</u> | <u>556,656</u> | <u>64,279,383</u> | <u>11.200%</u> | <u>4.510%</u> |
| 9 | | | | | | | | |
| 10 | Total Capital | | <u>\$156,357,710</u> | <u>100.000%</u> | <u>\$ 1,383,340</u> | <u>\$159,741,050</u> | | <u>8.190%</u> |
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| 16 | (1) JDITC: | <u>\$ 1,383,340</u> | | | | | | |
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KENTUCKY-AMERICANWATERCOMPANY
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
WORKPAPER REFERENCE 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 | Short-Term Debt | \$5,896,051 | 3.697% | \$ 48,666 | \$5,944,717 | 2.700% | 0.10% |
| 3 | | | | | | | |
| 4 | Long-Term Debt | 81,944,180 | 51.388% | 676,457 | 82,620,637 | 6.330% | 3.25% |
| 5 | | | | | | | |
| 6 | Preferred Stock | 6,028,514 | 3.781% | 49,772 | 6,078,286 | 7.720% | 0.29% |
| 7 | | | | | | | |
| 8 | Common Equity | 65,593,875 | 41.134% | 541,476 | 66,135,351 | 11.200% | 4.61% |
| 9 | | | | | | | |
| 10 | Total Capital | <u>\$159,462,619</u> | <u>100.000%</u> | <u>\$ 1,316,371</u> | <u>\$160,778,990</u> | | <u>8.25%</u> |
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| 15 | | | | | | | |
| 16 | (1) JDITC: | | | <u>\$ 1,316,372</u> | | | |
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KENTUCKY-AMERICAN WATERCOMPANY
CASE NO: ~~2004-XXX~~
EMBEDDED COST OF SHORT-TERM DEBT
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

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

| Line No. | Issue | Amount Outstanding | Interest Rate | Interest Requirement |
|----------|----------------------------------|-----------------------------|---------------|----------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | Promissory Note | <u> </u> | <u>2.700%</u> | <u>\$ 84,486</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
TYPE OF FILING: X ORIGINAL — UPDATED — REVISED
WORKPAPER REFERENCE(S): WIP-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>\$6,728,128</u> | <u>2.700%</u> | <u>\$181,659</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 LONG-TERM DEBT
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): WIP-7

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

| 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 | Carrying Value |
|-----|--|----------------------|---------------|---------------------|--------------------|-----------------------|----------------------|---------------------|----------------------|--------------------------------|---------------------------------|--------------------------|-----------------------|---------------------|
| 1 | | | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | | | |
| 3 | <u>General Mortgage Bonds:</u> | | | | | | | | | | | | | |
| 4 | Series 6.79% | 09/12/01 | 09/01/05 | \$0 | 6.790% | 0.000% | N/A | \$0 | \$0 | 4,869 | \$0 | \$0 | \$0 | \$0 |
| 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 | 333,296 | 0 | 15,166,704 |
| 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 | 58,741 | 0 | 6,941,259 |
| 7 | Series 7.15% | 02/14/97 | 02/01/27 | 7,500,000 | 7.150% | 7.182% | N/A | 538,650 | 7,500,000 | 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 | 73,367 | 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 | 0 | 0 | 0 | 14,000,000 |
| 11 | | | | | | | | | | | | | | |
| 12 | 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 |
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| 26 | Total Long-Term Debt and Annualized Cost | | | <u>\$82,500,000</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
CASENO: 2004-XXX
EMBEDDED COST OF LONG-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
WORKPAPER REFERENCE NO(S): WIP-7

SCHEDULE J-3

PAGE 2 of 2

Witness Responsible: MA Miller

| 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 | Carrying 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% | 02/14/97 | 02/01/27 | 7,500,000 | 7.150% | 7.182% | N/A | 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 | 06/12/07 | 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 |
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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> |
| 27 | | | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | | | |
| 29 | | Annualized Cost Rate | | | <u>6.340%</u> | | | | | | | | | |
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KAW_R_PSCDR2#115_SCHEDULEJ_062804
Page 6 of 8

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2004-XXX
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): WIP-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 Reacquired Stock | Net Proceeds | Annual Amort. of Issue Expense | Cost Rate at Issue | Cost Rate at Maturity | Annualized Dividends |
|----------|---------------------------------|-------------|--------------------|---------------------|---------------------------|----------------------------------|--------------|--------------------------------|--------------------|-----------------------|----------------------|
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| 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 | 05/10/63 | 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 | 23,902 | 0 | 4,476,098 | 768 | 8.470% | 8.532% | 381,901 |
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| 17 | | | | | | | | | | | |
| 18 | Total | | \$6,052,800 | \$0 | \$23,902 | \$0 | \$6,028,898 | \$768 | | | \$465,497 |
| 19 | | | | | | | | | | | |
| 20 | | | | | | | | | | | |
| 21 | Annualized Cost Rate | | <u>7.720%</u> | | | | | | | | |
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KENTUCKY-AMERICAN WATERCOMPANY
CASENO: 2004-XXX
EMBEDDED COST OF PREFERRED STOCK
AS OF JULY 31, 2004

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

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

| 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 | | | | | | | | | | | |
| 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 | 01/12/49 | 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>\$24,926</u> | <u>\$0</u> | <u>\$6,027,874</u> | <u>\$768</u> | | | <u>\$465,499</u> |
| 19 | | | | | | | | | | | |
| 20 | | | | | | | | | | | |
| 21 | Annualized Cost Rate | | <u>7.720%</u> | | | | | | | | |
| 22 | | | | | | | | | | | |
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