

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 (1)
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

Cell Phone
17,621
X .2397
= 4,224
+ 742
\$ 4,966

Miscellaneous expense allocated to direct service order labor

17,621 X .2397 = 4,224
314,904 X .2397 = 75,481

Direct Customer Service Expenses

520100 15 M & S Oper	\$ 4,910 (2)
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>

M & S Oper
(1) 114,418
X .2397
= 27,426
+ (2) 4,910
\$ 32,336

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
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