

**Kentucky American Water
Analysis of Interest Rates of Past Year
And Projected Interest Rates for 2005**

**Rebuttal Exhibit MAM-2
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| <u>Value Line Publication Date</u> | <u>As of Market Date</u> | <u>"A" Rated Utility Bonds</u> | <u>30-year Treasury Bonds</u> | <u>Spread</u> | <u>10-year Corporate Bonds</u> | <u>10-year Treasury Bonds</u> | <u>Spread</u> | <u>13-Week Treasury Bills</u> | <u>Federal Reserve Rate</u> |
|--|----------------------------------|--|---------------------------------------|---------------|--|---------------------------------------|---------------|---------------------------------------|-------------------------------------|
| 10/10/2003 | 10/2/2003 | 5.910% | 4.930% | 0.980% | 5.130% | 3.990% | 1.140% | 0.930% | 1.000% |
| 10/17/2003 | 10/9/2003 | 6.090% | 5.210% | 0.880% | 5.550% | 4.290% | 1.260% | 0.900% | 1.000% |
| 10/24/2003 | 10/16/2003 | 6.150% | 5.310% | 0.840% | 5.680% | 4.460% | 1.220% | 0.920% | 1.000% |
| 10/31/2003 | 10/23/2003 | 6.020% | 5.200% | 0.820% | 5.450% | 4.320% | 1.130% | 0.940% | 1.000% |
| 11/7/2003 | 10/30/2003 | 6.200% | 5.190% | 1.010% | 5.460% | 4.340% | 1.120% | 0.950% | 1.000% |
| 11/14/2003 | 11/6/2003 | 6.070% | 5.240% | 0.830% | 5.610% | 4.410% | 1.200% | 0.940% | 1.000% |
| 11/21/2003 | 11/13/2003 | 5.920% | 5.100% | 0.820% | 5.480% | 4.270% | 1.210% | 0.950% | 1.000% |
| 11/28/2003 | 11/20/2003 | 5.770% | 5.010% | 0.760% | 5.320% | 4.150% | 1.170% | 0.940% | 1.000% |
| 12/5/2003 | 11/26/2003 | 5.830% | 5.070% | 0.760% | 5.430% | 4.250% | 1.180% | 0.930% | 1.000% |
| 12/12/2003 | 12/4/2003 | 5.930% | 5.160% | 0.770% | 5.530% | 4.370% | 1.160% | 0.910% | 1.000% |
| 12/19/2003 | 12/11/2003 | 5.860% | 5.100% | 0.760% | 5.380% | 4.230% | 1.150% | 0.890% | 1.000% |
| 12/26/2003 | 12/18/2003 | 5.670% | 4.940% | 0.730% | 5.250% | 4.130% | 1.120% | 0.880% | 1.000% |
| 1/2/2004 | 12/23/2003 | 5.750% | 5.050% | 0.700% | 5.380% | 4.260% | 1.120% | 0.890% | 1.000% |
| 1/9/2004 | 12/30/2003 | <u>5.770%</u> | <u>5.080%</u> | <u>0.690%</u> | <u>5.400%</u> | <u>4.260%</u> | <u>1.140%</u> | <u>0.930%</u> | <u>1.000%</u> |
| Quarterly Average | | 5.924% | 5.114% | 0.811% | 5.432% | 4.266% | 1.166% | 0.921% | 1.000% |
| 1/16/2004 | 1/8/2004 | 5.770% | 5.090% | 0.680% | 5.370% | 4.260% | 1.110% | 0.870% | 1.000% |
| 1/23/2004 | 1/15/2004 | 5.560% | 4.860% | 0.700% | 5.070% | 3.970% | 1.100% | 0.870% | 1.000% |
| 1/30/2004 | 1/21/2004 | 5.550% | 4.840% | 0.710% | 5.080% | 3.950% | 1.130% | 0.870% | 1.000% |
| 2/6/2004 | 1/29/2004 | 5.720% | 5.000% | 0.720% | 5.250% | 4.170% | 1.080% | 0.930% | 1.000% |
| 2/13/2004 | 2/5/2004 | 5.700% | 4.980% | 0.720% | 5.240% | 4.170% | 1.070% | 0.930% | 1.000% |
| 2/20/2004 | 2/12/2004 | 5.660% | 4.930% | 0.730% | 5.110% | 4.040% | 1.070% | 0.910% | 1.000% |
| 2/27/2004 | 2/19/2004 | 5.570% | 4.890% | 0.680% | 4.980% | 4.030% | 0.950% | 0.930% | 1.000% |
| 3/5/2004 | 2/27/2004 | 5.620% | 4.910% | 0.710% | 5.020% | 4.030% | 0.990% | 0.950% | 1.000% |
| 3/12/2004 | 3/4/2004 | 5.580% | 4.880% | 0.700% | 4.970% | 4.020% | 0.950% | 0.963% | 1.000% |
| 3/19/2004 | 3/11/2004 | 5.410% | 4.660% | 0.750% | 4.640% | 3.700% | 0.940% | 0.940% | 1.000% |
| 3/26/2004 | 3/19/2004 | 5.470% | 4.700% | 0.770% | 4.700% | 3.750% | 0.950% | 0.930% | 1.000% |
| 4/2/2004 | 3/25/2004 | 5.490% | 4.690% | 0.800% | 4.680% | 3.740% | 0.940% | 0.930% | 1.000% |
| 4/4/2004 | 3/27/2004 | | | | | | | | |
| Quarterly Average | | 5.592% | 4.869% | 0.723% | 5.009% | 3.986% | 1.023% | 0.919% | 1.000% |
| 4/9/2004 | 4/1/2004 | 5.580% | 4.800% | 0.780% | 4.890% | 3.880% | 1.010% | 0.930% | 1.000% |
| 4/16/2004 | 4/7/2004 | 5.800% | 5.010% | 0.790% | 5.190% | 4.160% | 1.030% | 0.930% | 1.000% |
| 4/23/2004 | 4/15/2004 | 5.970% | 5.210% | 0.760% | 5.420% | 4.400% | 1.020% | 0.940% | 1.000% |
| 4/30/2004 | 4/22/2004 | 5.960% | 5.190% | 0.770% | 5.360% | 4.380% | 0.980% | 0.950% | 1.000% |
| 5/7/2004 | 4/29/2004 | 6.060% | 5.310% | 0.750% | 5.480% | 4.540% | 0.940% | 0.970% | 1.000% |
| 5/14/2004 | 5/6/2004 | 6.120% | 5.370% | 0.750% | 5.580% | 4.600% | 0.980% | 0.990% | 1.000% |
| 5/21/2004 | 5/13/2004 | 6.340% | 5.560% | 0.780% | 5.800% | 4.850% | 0.950% | 0.990% | 1.000% |
| 5/28/2004 | 5/20/2004 | 6.170% | 5.420% | 0.750% | 5.600% | 4.700% | 0.900% | 1.020% | 1.000% |
| 6/4/2004 | 5/27/2004 | 6.080% | 5.320% | 0.760% | 5.500% | 4.600% | 0.900% | 1.060% | 1.000% |
| 6/11/2004 | 6/3/2004 | 6.140% | 5.410% | 0.730% | 5.570% | 4.710% | 0.860% | 1.160% | 1.000% |
| 6/18/2004 | 6/10/2004 | 6.180% | 5.470% | 0.710% | 5.660% | 4.790% | 0.870% | 1.270% | 1.000% |
| 6/25/2004 | 6/17/2004 | 6.070% | 5.350% | 0.720% | 5.590% | 4.680% | 0.910% | 1.250% | 1.000% |
| 7/2/2004 | 6/24/2004 | 6.050% | 5.340% | 0.710% | 5.530% | 4.640% | 0.890% | 1.270% | 1.000% |
| Quarterly Average | | 6.040% | 5.289% | 0.751% | 5.475% | 4.533% | 0.942% | 1.056% | 1.000% |

| <u>Value Line Publication Date</u> | <u>As of Market Date</u> | <u>"A" Rated Utility Bonds</u> | <u>30-year Treasury Bonds</u> | <u>Spread</u> | <u>10-year Corporate Bonds</u> | <u>10-year Treasury Bonds</u> | <u>Spread</u> | <u>13-Week Treasury Bills</u> | <u>Federal Reserve Rate</u> |
|--|----------------------------------|--|---------------------------------------|---------------|--|---------------------------------------|---------------|---------------------------------------|-------------------------------------|
| 7/9/2004 | 7/1/2004 | 6.050% | 5.290% | 0.760% | 5.450% | 4.560% | 0.890% | 1.210% | 1.250% |
| 7/16/2004 | 7/8/2004 | 5.950% | 5.220% | 0.730% | 5.330% | 4.470% | 0.860% | 1.260% | 1.250% |
| 7/23/2004 | 7/15/2004 | 5.960% | 5.210% | 0.750% | 5.330% | 4.480% | 0.850% | 1.330% | 1.250% |
| 7/30/2004 | 7/22/2004 | 5.940% | 5.190% | 0.750% | 5.390% | 4.440% | 0.950% | 1.350% | 1.250% |
| 8/6/2004 | 7/29/2004 | 6.050% | 5.290% | 0.760% | 5.520% | 4.580% | 0.940% | 1.440% | 1.250% |
| 8/13/2004 | 8/5/2004 | 5.900% | 5.150% | 0.750% | 5.350% | 4.400% | 0.950% | 1.470% | 1.250% |
| 8/20/2004 | 8/13/2004 | 5.780% | 5.050% | 0.730% | 5.190% | 4.250% | 0.940% | 1.440% | 1.500% |
| 8/27/2004 | 8/19/2004 | 5.810% | 5.030% | 0.780% | 5.140% | 4.210% | 0.930% | 1.470% | 1.500% |
| 9/3/2004 | 8/26/2004 | 5.800% | 5.010% | 0.790% | 5.140% | 4.210% | 0.930% | 1.540% | 1.500% |
| 9/10/2004 | 9/2/2004 | 5.780% | 5.000% | 0.780% | 5.160% | 4.210% | 0.950% | 1.590% | 1.500% |
| 9/17/2004 | 9/9/2004 | 5.770% | 4.990% | 0.780% | 5.140% | 4.200% | 0.940% | 1.630% | 1.500% |
| 9/24/2004 | 9/16/2004 | 5.630% | 4.870% | 0.760% | 5.010% | 4.070% | 0.940% | 1.660% | 1.500% |
| Quarterly Average | | 5.868% | 5.108% | 0.760% | 5.263% | 4.340% | 0.852% | 1.449% | 1.375% |
| Latest 1 Quarter Average | | 5.868% | 5.108% | 0.760% | 5.263% | 4.340% | 0.923% | 1.449% | 1.375% |
| Latest 2 Quarter Average | | 5.954% | 5.199% | 0.755% | 5.369% | 4.437% | 0.932% | 1.253% | 1.188% |
| Latest 3 Quarter Average | | 5.833% | 5.089% | 0.744% | 5.249% | 4.286% | 0.962% | 1.141% | 1.125% |
| Latest 4 Quarter Average | | 5.856% | 5.095% | 0.761% | 5.295% | 4.281% | 1.013% | 1.086% | 1.094% |

| | <u>2005 Projected 30-Yr. "A" Rated Util. Bond Rate</u> | <u>30-Year T-bond 2005 Value Line Forecast</u> | <u>Average Spread</u> | <u>2005 Projected Corp. 10-Yr. Bond Rate</u> | <u>10-year T-bond 2005 Value Line Forecast</u> | <u>Average Spread</u> |
|---|--|--|---------------------------|--|--|---------------------------|
| 2004 Value Line Projection (08-27-04): "A" Rated Utility Bonds 30-Yr. & 10-Yr. Corp. Bonds based on: | | | | | | |
| Latest 2 Qtr. Avg. Spread | 6.76% | 6.00% | 0.755% | 6.23% | 5.30% | 0.932% |
| Latest 4 Qtr. Avg. Spread | 6.76% | 6.00% | 0.761% | 6.31% | 5.30% | 1.013% |