

AGREEMENT

Agreement dated January 1, 1989, between AMERICAN WATER WORKS SERVICE COMPANY, INC., a Delaware corporation (hereinafter "Service Company"), and KENTUCKY-AMERICAN WATER COMPANY, a Kentucky corporation (hereinafter "Water Company").

The background of this Agreement is that:

1. Both Service Company and Water Company are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American").
2. Water Company has been organized for and is presently engaged in the business of providing potable water as a public utility in the State of Kentucky.
3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business, including the development, business and property of Water Company, and are experienced in the efficient management, financing, accounting and operation of water utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise Water Company in its business operations through the services to be performed under this Agreement.
4. Service Company has provided administrative and operating services to Water Company for many years, the past 17 years pursuant to an agreement dated January 1,

1971. Because Water Company is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into a new agreement with Service Company more specifically defining the types of services available to it.

5. Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated water companies (hereinafter collectively "Water Companies").

6. The services to be rendered under this agreement are to be rendered by Service Company to Water Companies at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the Water Company and Service Company agree that:

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

1.1 During the term of this agreement and upon the terms and conditions hereinafter set forth, Service Company shall provide corporate guidance for Water Company. In addition to the guidance provided by the officers and employees of Service Company through the coordination of functional activities for all subsidiaries of American, the officers and employees of Service Company shall furnish and Water Company shall purchase from Service Company, the following services: Accounting, Administration, Communication, Corporate Secretarial, Engineering, Financial, Human Resources,

Information Systems, Operation, Rates and Revenue, Risk Management and Water Quality, together with such other services as Water Company and Service Company may agree; provided, however, that Water Company may perform the service with its own personnel or engage another company or person to provide those services on its behalf. Service Company by mutual consent may engage another Company or person to provide such services on its behalf.

1.2 Service Company shall employ qualified officers and employees and those persons shall be available for election by Water Company to serve as officers of Water Company.

1.3 Without limitation, services to be provided by the Service Company shall be rendered as follows:

A. Accounting: Service Company shall assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulations of governmental authorities having jurisdiction and review Water Company's monthly financial reports, annual reports and other reports to stockholders and to any governmental authorities. It shall advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. Service Company shall maintain accounting records as required by Water Company. When appropriate, Service Company shall cooperate and consult with Water Company's independent certified public accountants.

Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Water Company.

B. Administration: Service Company shall make qualified employees available to perform or assist in the performance of Water Company's corporate activities. Those employees shall keep themselves informed on all aspects of Water Company's operations and shall regularly visit Water Company's facilities. They shall make recommendations to Water Company for operating expenditures and for additions to and improvements of property, plant and equipment. They shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Service Company shall provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Water Company and submit reports thereon.

C. Communications: Service Company shall recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches) plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial: Service Company shall maintain, in such places and manner as may be required by applicable law, documents of Water Company, such as minute books, charters, by-laws, contracts, deeds and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Water Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfer of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company shall review and may assist in the preparation of documents and reports required by Water Company such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Engineering: Service Company shall advise, and provide engineering services to assist Water Company in planning for, operating, maintaining and constructing its facilities.

It shall conduct distribution system surveys and hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data.

It shall assist Water Company in the proper maintenance and protection of Water Company properties by periodic inspection of its structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company shall also include the conduct of field investigations as necessary to

obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Water Company's source of supply, treatment plant, pumping stations, distribution system, and such other facilities as Water Company may request. Service Company shall provide a Materials Management Program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Water Company and assist in the evaluation of new and existing products and application procedures.

F. Financial: Service Company shall assist in the development and implementation of financing programs for Water Company, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advise concerning arrangements for the sale of its securities; and assist in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. It shall prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company shall assist Water Company in cash management including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

Service Company shall provide assistance to Water Company in the preparation of all financial reports.

G. Human Resources: Service Company shall assist in obtaining qualified personnel for Water Company; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units representing Water Company employees. It shall carry out training programs for the development of personnel and advise and assist Water Company regarding personnel. It shall also advise and assist Water Company in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will keep Water Company apprised of all employment laws and develop procedures and controls to assure compliance.

H. Information Systems: Service Company shall make available to Water Company electronic data processing services. Those services shall include customer billing and accounting, preparation of financial statements and other reports including those required by Federal and State agencies.

I. Operation: Service Company shall develop and assist in the implementation of operating procedures to promote the efficient and economic operation of Water Company. Periodic operational reviews will be performed by Service Company personnel and any deviations from adopted procedures will be reported to Water Company.

J. Rates and Revenue: Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist Water Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel

shall keep abreast of economic and regulatory developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Rates and Revenue personnel shall assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by the Water Company and their respective regulatory commissions. Service Company shall also provide qualified personnel to testify on Water Company's behalf as required during any regulatory proceedings.

K. Risk Management: Service Company shall provide a Risk Management Program to review the exposures to accidental loss of the Water Company, recommend efficient methods of protection either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. It shall also supervise investigation procedures; review claims; and negotiate and assist in, and evaluate proposals for, settlement at the request of Water Company. It shall assist in the establishment of safety and security programs to avoid or minimize risk and loss.

L. Water Quality: Service Company shall assist Water Company to comply with standards of governmental agencies and establish and attain water quality objectives of the Water Company. It shall assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing

technical assistance and general direction for Water Company personnel.

It shall also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by Water Company.

ARTICLE II. PAYMENT FOR SERVICES

2.1 In consideration for the services to be rendered by Service Company as hereinabove provided, Water Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

2.2 All costs of service rendered by Service Company personnel for Water Company or in common with other Water Companies shall be charged to Water Company based on actual time spent by those personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

2.3 All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Water Company, shall be charged directly to Water Company.

2.4 All costs incurred in rendering services to Water Company in common with similar services to other Water Companies which cannot be identified and related exclusively to services rendered to a particular Water Company, shall be allocated among all Water Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water

Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

2.5 Cost for support personnel (secretaries, clerical personnel, clerks, messengers, telephone operators, mail clerks, and other incidental support personnel of the Service Company) as well as the cost of lease payments, depreciation, utilities and other costs associated with leasing office space and equipment by Service Company shall be allocated among the Water Companies on the basis of the proportion of the aggregate cost allocated under Sections 2.3 and 2.4.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1 In determining the cost to be assessed by Service Company for the rendering of services to Water Company as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company, as defined below, properly allocable thereto. Such percentage shall be calculated each month and shall be the ratio of the total general overhead of the Service Company for the month to the total salaries of the employees for whose service charges are to be made to the Water Companies. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

3.2 The term "general overhead" shall include:

- (a) pension and insurance premiums paid for the benefit of Service Company employees,

- (b) legal and other fees for services rendered to the Service Company,
- (c) taxes,
- (d) other general office supplies and other similar expenses, and
- (e) interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Water Company for all amounts due from Water Company for services and expenses for such month plus an amount equal to the estimated cost of such services and expenses for the current month, all computed pursuant to Articles II and III. Such bill shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall reflect the credit for payments made on the estimated portion of the prior bill and shall be paid by Water Company within a reasonable time after receipt of the bill therefore.

4.2 Service Company agrees to keep its books and records available at all times for inspection by representatives of Water Company or by regulatory bodies having jurisdiction over Water Company.

4.3 Service Company shall at any time, upon request of Water Company, furnish any and all information required by Water Company with respect to the services rendered by Service Company

hereunder, the costs thereof, and the allocation of such costs among Water Companies.

ARTICLE V. OTHER AGREEMENTS

5.1 It is understood by Water Company that Service Company has entered or may enter into similar agreements with other Water Companies that are affiliated with American to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

5.2 It is understood by Water Company that Service Company has entered or may enter into an agreement or agreements with American and certain other companies not engaged in the water or sewer service business to which limited services are to be furnished; Water Company consents to such additional agreements, provided, however, that no part of the cost of furnishing such services will be charged to Water Company.

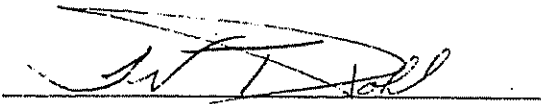
ARTICLE VI. TERM OF AGREEMENT

This agreement shall become effective as of the later of (a) the date first mentioned above or (b) the date the parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction in the premises. Upon becoming effective, this agreement shall be the sole agreement between the parties concerning the subject matter hereof and shall supersede all prior agreements, written or oral, including the agreement dated January 1, 1971, which shall terminate on the date this

agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety day's notice in writing; provided, however, that this agreement shall terminate as of the date Water Company or Service Company ceases to be an affiliate of American.

IN WITNESS WHEREOF, Service Company and Water Company have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

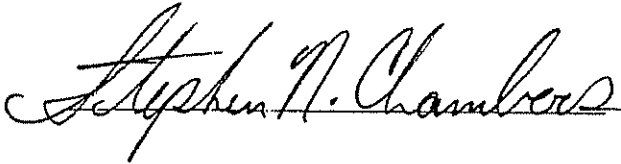
ATTEST:



AMERICAN WATER WORKS SERVICE
COMPANY, INC.

By 
President

ATTEST:



KENTUCKY-AMERICAN WATER COMPANY

By 
President

**AMERICAN WATER WORKS SERVICE COMPANY, INC.
CUSTOMER COUNT
AS OF 12/09/2005**

COMPANY NUMBER	COMPANY NAME	WATER	WASTEWATER	TOTAL	%
05	CALIFORNIA-AMERICAN	169,414	2,369	171,783	5.29%
09	ILLINOIS-AMERICAN	274,837	21,602	296,439	9.12%
10	INDIANA-AMERICAN	279,863	462	280,325	8.63%
11	IOWA-AMERICAN	59,438	-	59,438	1.83%
12	KENTUCKY-AMERICAN	112,235	719	112,954	3.48%
13	MARYLAND-AMERICAN	4,772	-	4,772	0.15%
16	MICHIGAN-AMERICAN	3,062	-	3,062	0.09%
17	MISSOURI-AMERICAN	458,564	1,000	459,564	14.14%
18	NEW JERSEY-AMERICAN	374,865	26,884	401,749	12.36%
19	NEW MEXICO-AMERICAN	16,372	-	16,372	0.50%
22	OHIO-AMERICAN	51,265	6,652	57,917	1.78%
23	ARIZONA-AMERICAN	93,791	47,324	141,115	4.34%
24	PENNSYLVANIA-AMERICAN	618,998	18,849	637,847	19.63%
26	TENNESSEE-AMERICAN	72,660	-	72,660	2.24%
27	VIRGINIA-AMERICAN	54,233	-	54,233	1.67%
28	WEST VIRGINIA-AMERICAN	165,801	-	165,801	5.10%
30	HAWAII-AMERICAN	-	9,212	9,212	0.28%
38	LONG ISLAND-AMERICAN	73,500	-	73,500	2.26%
42	UNITED WATER VIRGINIA	2,316	-	2,316	0.07%
50	TEXAS-AMERICAN	4,067	1,342	5,409	0.17%
52	ELIZABETHTOWN WATER Co	206,850	-	206,850	6.37%
53	MI HOLLY WATER Co	16,135	-	16,135	0.50%
Total		3,113,038	136,415	3,249,453	100.00%

100001 CP-ALL REGULATED CO'S (W & WW)

05	CALIFORNIA-AMERICAN			171,783	5.29%
09	ILLINOIS-AMERICAN			296,439	9.12%
10	INDIANA-AMERICAN			280,325	8.63%
11	IOWA-AMERICAN			59,438	1.83%
12	KENTUCKY-AMERICAN			112,954	3.48%
13	MARYLAND-AMERICAN			4,772	0.15%
16	MICHIGAN-AMERICAN			3,062	0.09%
17	MISSOURI-AMERICAN			459,564	14.14%
18	NEW JERSEY-AMERICAN			401,749	12.36%
19	NEW MEXICO-AMERICAN			16,372	0.50%
22	OHIO-AMERICAN			57,917	1.78%
23	ARIZONA-AMERICAN			141,115	4.34%
24	PENNSYLVANIA-AMERICAN			637,847	19.63%
26	TENNESSEE-AMERICAN			72,660	2.24%
27	VIRGINIA-AMERICAN			54,233	1.67%
28	WEST VIRGINIA-AMERICAN			165,801	5.10%
30	HAWAII-AMERICAN			9,212	0.28%
38	LONG ISLAND-AMERICAN			73,500	2.26%
42	UNITED WATER VIRGINIA			2,316	0.07%
50	TEXAS-AMERICAN			5,409	0.17%
52	ELIZABETHTOWN WATER Co			206,850	6.37%
53	MI HOLLY WATER Co			16,135	0.50%
Total		0	0	3,249,453	100.00%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
CUSTOMER COUNT
AS OF 12/09/2005

COMPANY NUMBER	COMPANY NAME	WATER	WASTEWATER	TOTAL	%
100533 CP-ALL REGULATED WATER CO'S					
05	CALIFORNIA-AMERICAN	169,414			5.44%
09	ILLINOIS-AMERICAN	274,837			8.83%
10	INDIANA-AMERICAN	279,863			8.99%
11	IOWA-AMERICAN	59,438			1.91%
12	KENTUCKY-AMERICAN	112,235			3.61%
13	MARYLAND-AMERICAN	4,772			0.15%
16	MICHIGAN-AMERICAN	3,062			0.10%
17	MISSOURI-AMERICAN	458,564			14.73%
18	NEW JERSEY-AMERICAN	374,865			12.04%
19	NEW MEXICO-AMERICAN	16,372			0.53%
22	OHIO-AMERICAN	51,265			1.65%
23	ARIZONA-AMERICAN	93,791			3.01%
24	PENNSYLVANIA-AMERICAN	618,998			19.89%
26	TENNESSEE-AMERICAN	72,660			2.33%
27	VIRGINIA-AMERICAN	54,233			1.74%
28	WEST VIRGINIA-AMERICAN	165,801			5.33%
30	HAWAII-AMERICAN	-			0.00%
38	LONG ISLAND-AMERICAN	73,500			2.36%
42	UNITED WATER VIRGINIA	2,316			0.07%
50	TEXAS-AMERICAN	4,067			0.13%
52	ELIZABETHTOWN WATER Co	206,850			6.64%
53	MI HOLLY WATER Co	16,135			0.52%
Total		3,113,038	0	0	100.00%

100233 CP-ALL REGULATED WASTE WTR CO					
05	CALIFORNIA-AMERICAN		2,369		1.74%
09	ILLINOIS-AMERICAN		21,602		15.84%
10	INDIANA-AMERICAN		462		0.34%
11	IOWA-AMERICAN		-		0.00%
12	KENTUCKY-AMERICAN		719		0.53%
13	MARYLAND-AMERICAN		-		0.00%
16	MICHIGAN-AMERICAN		-		0.00%
17	MISSOURI-AMERICAN		1,000		0.73%
18	NEW JERSEY-AMERICAN		26,884		19.71%
19	NEW MEXICO-AMERICAN		-		0.00%
22	OHIO-AMERICAN		6,652		4.88%
23	ARIZONA-AMERICAN		47,324		34.68%
24	PENNSYLVANIA-AMERICAN		18,849		13.82%
26	TENNESSEE-AMERICAN		-		0.00%
27	VIRGINIA-AMERICAN		-		0.00%
28	WEST VIRGINIA-AMERICAN		-		0.00%
30	HAWAII-AMERICAN		9,212		6.75%
38	LONG ISLAND-AMERICAN		-		0.00%
42	UNITED WATER VIRGINIA		-		0.00%
50	TEXAS-AMERICAN		1,342		0.98%
52	ELIZABETHTOWN WATER Co		-		0.00%
53	MI HOLLY WATER Co		-		0.00%
Total		0	136,415	0	100.00%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
CUSTOMER COUNT
AS OF 12/09/2005

COMPANY NUMBER	COMPANY NAME	WATER	WASTEWATER	TOTAL	%
100524 CP-CUST CALL CNTR REG CO'S		Do Not Update		End Date Period 2, 2006	
05	CALIFORNIA-AMERICAN			171,783	5.69%
09	ILLINOIS-AMERICAN			296,439	9.82%
10	INDIANA-AMERICAN			280,325	9.29%
11	IOWA-AMERICAN			59,438	1.97%
12	KENTUCKY-AMERICAN			112,954	3.74%
13	MARYLAND-AMERICAN			4,772	0.16%
17	MISSOURI-AMERICAN			459,564	15.23%
18	NEW JERSEY-AMERICAN			401,749	13.31%
19	NEW MEXICO-AMERICAN			16,372	0.54%
22	OHIO-AMERICAN			57,917	1.92%
23	ARIZONA-AMERICAN			141,115	4.68%
24	PENNSYLVANIA-AMERICAN			637,847	21.12%
26	TENNESSEE-AMERICAN			72,660	2.41%
27	VIRGINIA-AMERICAN			54,233	1.80%
28	WEST VIRGINIA-AMERICAN			165,801	5.49%
30	HAWAII-AMERICAN			9,212	0.31%
38	LONG ISLAND-AMERICAN			73,500	2.44%
42	UNITED WATER VIRGINIA			2,316	0.08%
Total		0	0	3,017,997	100.00%
100014 WE-ALL REGION REGULATED					
05	CALIFORNIA-AMERICAN			171,783	49.96%
19	NEW MEXICO-AMERICAN			16,372	4.76%
23	ARIZONA-AMERICAN			141,115	41.03%
30	HAWAII-AMERICAN			9,212	2.68%
50	TEXAS-AMERICAN			5,409	1.57%
Total		0	0	343,891	100.00%
100032 CE-ALL REGION REGULATED					
09	ILLINOIS-AMERICAN			296,439	25.63%
10	INDIANA-AMERICAN			280,325	24.23%
11	IOWA-AMERICAN			59,438	5.14%
16	MICHIGAN-AMERICAN			3,062	0.26%
17	MISSOURI-AMERICAN			459,564	39.73%
22	OHIO-AMERICAN			57,917	5.01%
Total		0	0	1,156,745	100.00%
100052 SE-ALL REGION REGULATED					
12	KENTUCKY-AMERICAN			112,954	10.75%
13	MARYLAND-AMERICAN			4,772	0.45%
24	PENNSYLVANIA-AMERICAN			637,847	60.72%
26	TENNESSEE-AMERICAN			72,660	6.92%
27	VIRGINIA-AMERICAN			54,233	5.16%
28	WEST VIRGINIA-AMERICAN			165,801	15.78%
42	UNITED WATER VIRGINIA			2,316	0.22%
Total		0	0	1,050,583	100.00%
100074 NE-ALL REGION REGULATED					
18	NEW JERSEY-AMERICAN			401,749	57.54%
38	LONG ISLAND-AMERICAN			73,500	10.53%
52	ELIZABETHTOWN WATER Co			206,850	29.62%
53	MI HOLLY WATER Co			16,135	2.31%
Total		0	0	698,234	100.00%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/09/2005

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100016	WE-PLANT/REV/EMPLOY						
	REV	\$ 182,814	\$ 17,428	\$ 200,042	91.20%	8.71%	100.00%
	PLANT	\$ 872,298	\$ 1,380	\$ 873,678	99.84%	0.16%	100.00%
	EMPLOYEES	411	33	444	92.57%	7.43%	100.00%
	AVERAGE				94.57%	5.43%	100.00%
ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%		FINAL %		
05	CALIFORNIA-AMERICAN	171,783	49.96%		47.25%		
19	NEW MEXICO-AMERICAN	16,372	4.76%		4.50%		
23	ARIZONA-AMERICAN	141,115	41.03%		38.80%		
30	HAWAII-AMERICAN	9,212	2.68%		2.53%		
50	TEXAS-AMERICAN	5,409	1.57%		1.48%		
	Total	343,891	100.00%		94.58%		

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 5.43%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100018	WE-REV/EMPLOY						
	REV	\$ 182,814	\$ 17,428	\$ 200,042	91.29%	8.71%	100.00%
	EMPLOYEES	411	33	444	92.57%	7.43%	100.00%
	AVERAGE				91.93%	8.07%	100.00%
ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%		FINAL %		
05	CALIFORNIA-AMERICAN	171,783	49.96%		45.94%		
19	NEW MEXICO-AMERICAN	16,372	4.76%		4.38%		
23	ARIZONA-AMERICAN	141,115	41.03%		37.72%		
30	HAWAII-AMERICAN	9,212	2.68%		2.46%		
50	TEXAS-AMERICAN	5,409	1.57%		1.44%		
	Total	343,891	100.00%		91.84%		

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 8.07%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100504	WE-EMPLOYEES						
	EMPLOYEES	411	33	444	92.57%	7.43%	100.00%
	AVERAGE				92.57%	7.43%	100.00%
ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%		FINAL %		
05	CALIFORNIA-AMERICAN	171,783	49.96%		46.25%		
19	NEW MEXICO-AMERICAN	16,372	4.76%		4.41%		
23	ARIZONA-AMERICAN	141,115	41.03%		37.98%		
30	HAWAII-AMERICAN	9,212	2.68%		2.48%		
50	TEXAS-AMERICAN	5,409	1.57%		1.45%		
	Total	343,891	100.00%		92.57%		

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 7.43%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100020	WE-CAPEX						
	CAPEX	\$ 135,187	\$ 2	135,189	100.00%	0.00%	100.00%
	AVERAGE				100.00%	0.00%	100.00%
ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%		FINAL %		
05	CALIFORNIA-AMERICAN	171,783	49.96%		49.96%		
19	NEW MEXICO-AMERICAN	16,372	4.76%		4.76%		
23	ARIZONA-AMERICAN	141,115	41.03%		41.03%		
30	HAWAII-AMERICAN	9,212	2.68%		2.68%		
50	TEXAS-AMERICAN	5,409	1.57%		1.57%		
	Total	343,891	100.00%		100.00%		

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 0.00%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100508	WE-PURCHASE ORDERS						
	INVOICES SUBSTITUTED	\$ 55,079	\$ 2,197	58,176	96.22%	3.78%	100.00%
	AVERAGE				96.22%	3.78%	100.00%
ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%		FINAL %		
05	CALIFORNIA-AMERICAN	171,783	49.96%		48.07%		
19	NEW MEXICO-AMERICAN	16,372	4.76%		4.58%		
23	ARIZONA-AMERICAN	141,115	41.03%		39.48%		
30	HAWAII-AMERICAN	9,212	2.68%		2.58%		
50	TEXAS-AMERICAN	5,409	1.57%		1.51%		
	Total	343,891	100.00%		96.22%		

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 3.78%

AMERICAN WATER WORKS SERVICE COMPANY, INC
TIER 1 FORMULAS
AS OF 12/09/2005

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100034	CE-PLANT/REV/EMPLOY						
	REV	\$ 547,958	\$ 17,550	\$ 565,508	98.90%	3.10%	100.00%
	PLANT	\$ 2,218,824	\$ 62	\$ 2,218,886	100.00%	0.00%	100.00%
	EMPLOYEES	1,382	77	1,459	94.72%	5.28%	100.00%
	AVERAGE				97.21%	2.79%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	296,439	25.63%	24.01%
10	INDIANA-AMERICAN	280,325	24.23%	23.55%
11	IOWA-AMERICAN	59,438	5.14%	5.00%
16	MICHIGAN-AMERICAN	3,062	0.26%	0.25%
17	MISSOURI-AMERICAN	459,564	39.73%	38.63%
22	OHIO-AMERICAN	57,917	5.01%	4.87%
	Total	1,156,745	100.00%	97.21%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 2.79%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100936	CE-REV/EMPLOY						
	REV	\$ 547,958	\$ 17,550	\$ 565,508	96.90%	3.10%	100.00%
	EMPLOYEES	1,382	77	1,459	94.72%	5.28%	100.00%
	AVERAGE				95.61%	4.19%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	296,439	25.63%	24.56%
10	INDIANA-AMERICAN	280,325	24.23%	23.21%
11	IOWA-AMERICAN	59,438	5.14%	4.92%
16	MICHIGAN-AMERICAN	3,062	0.26%	0.25%
17	MISSOURI-AMERICAN	459,564	39.73%	38.07%
22	OHIO-AMERICAN	57,917	5.01%	4.80%
	Total	1,156,745	100.00%	95.61%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 4.19%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100502	CE-EMPLOYEES						
	EMPLOYEES	1,382	77	1,459	94.72%	5.28%	100.00%
	AVERAGE				94.72%	5.28%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	296,439	25.63%	24.28%
10	INDIANA-AMERICAN	280,325	24.23%	22.95%
11	IOWA-AMERICAN	59,438	5.14%	4.87%
16	MICHIGAN-AMERICAN	3,062	0.26%	0.25%
17	MISSOURI-AMERICAN	459,564	39.73%	37.62%
22	OHIO-AMERICAN	57,917	5.01%	4.75%
	Total	1,156,745	100.00%	94.72%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 5.28%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100036	CE-CAPEX						
	CAPEX	\$ 158,598	\$ 67	158,665	99.96%	0.04%	100.00%
	AVERAGE				99.96%	0.04%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	296,439	25.63%	25.02%
10	INDIANA-AMERICAN	280,325	24.23%	24.22%
11	IOWA-AMERICAN	59,438	5.14%	5.14%
16	MICHIGAN-AMERICAN	3,062	0.26%	0.26%
17	MISSOURI-AMERICAN	459,564	39.73%	39.71%
22	OHIO-AMERICAN	57,917	5.01%	5.01%
	Total	1,156,745	100.00%	99.96%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 0.04%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100509	CE-PURCHASE ORDERS						
	INVOICES SUBSTITUTED	\$ 129,515	\$ 8,019	137,534	94.17%	5.83%	100.00%
	AVERAGE				94.17%	5.83%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
09	ILLINOIS-AMERICAN	296,439	25.63%	24.14%
10	INDIANA-AMERICAN	280,325	24.23%	22.82%
11	IOWA-AMERICAN	59,438	5.14%	4.84%
16	MICHIGAN-AMERICAN	3,062	0.26%	0.24%
17	MISSOURI-AMERICAN	459,564	39.73%	37.41%
22	OHIO-AMERICAN	57,917	5.01%	4.72%
	Total	1,156,745	100.00%	94.17%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 5.83%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100076	NE-PLANT/REVIEMPLOY						
	REV	\$ 495,687	\$ 55,025	\$ 550,712	90.01%	9.99%	100.00%
	PLANT	\$ 1,995,703	\$ 14,455	\$ 2,010,158	99.28%	0.72%	100.00%
	EMPLOYEES	807	84	891	90.57%	9.43%	100.00%
	AVERAGE				93.29%	6.71%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT		%	FINAL %
18	NEW JERSEY-AMERICAN	401,749	57.54%	53.69%	
38	LONG ISLAND-AMERICAN	73,500	10.53%	9.82%	
52	ELIZABETHTOWN WATER Co	206,850	29.62%	27.63%	
53	MI HOLLY WATER Co	16,135	2.31%	2.15%	
	Total	698,234	100.00%	93.29%	

ALLOCATE NON-REGULATED TO:		REV	PLANT	EMPLOY	
31	AW Products & Services	\$ 28,862	\$ 85	78	6.71%
54	Edison Water Company	\$ 6,750	\$ 6,043	-	
55	Liberty Water Company	\$ 16,119	\$ 7,824	-	
56	Etown Services LLC	\$ 3,294	\$ 503	6	
	Total Non-Regulated	\$ 55,025	\$ 14,455	84	

Individual Factor Percentages:		% REV	% PLANT	% EMPLOY	% AVG	FINAL %
31	AW Products & Services	52.45%	0.59%	92.86%	48.63%	3.26%
54	Edison Water Company	12.27%	41.81%	0.00%	18.02%	1.21%
55	Liberty Water Company	29.29%	54.13%	0.00%	27.81%	1.67%
56	Etown Services LLC	5.99%	3.48%	7.14%	5.54%	0.37%
	Total Non-Regulated	100.00%	100.00%	100.00%	100.00%	6.71%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100078	NE-REVIEMPLOY						
	REV	\$ 495,687	\$ 55,025	\$ 550,712	90.01%	9.99%	100.00%
	EMPLOYEES	807	84	891	90.57%	9.43%	100.00%
	AVERAGE				90.29%	9.71%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT		%	FINAL %
18	NEW JERSEY-AMERICAN	401,749	57.54%	51.95%	
38	LONG ISLAND-AMERICAN	73,500	10.53%	9.51%	
52	ELIZABETHTOWN WATER Co	206,850	29.62%	26.74%	
53	MI HOLLY WATER Co	16,135	2.31%	2.09%	
	Total	698,234	100.00%	90.29%	

ALLOCATE NON-REGULATED TO:		REV	EMPLOY	
31	AW Products & Services	\$ 28,862	78	9.71%
54	Edison Water Company	\$ 6,750	-	
55	Liberty Water Company	\$ 16,110	-	
56	Etown Services LLC	\$ 3,294	6	
	Total Non-Regulated	\$ 55,026	84	

Individual Factor Percentages:		% REV	% EMPLOY	% AVG	FINAL %
31	AW Products & Services	52.45%	92.86%	72.65%	7.05%
54	Edison Water Company	12.27%	0.00%	6.13%	0.60%
55	Liberty Water Company	29.29%	0.00%	14.65%	1.42%
56	Etown Services LLC	5.99%	7.14%	6.56%	0.64%
	Total Non-Regulated	100.00%	100.00%	100.00%	9.71%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100500	NE-EMPLOYEES						
	EMPLOYEES	807	84	891	90.57%	9.43%	100.00%
	AVERAGE				90.57%	9.43%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT		%	FINAL %
18	NEW JERSEY-AMERICAN	401,749	57.54%	52.11%	
38	LONG ISLAND-AMERICAN	73,500	10.53%	9.54%	
52	ELIZABETHTOWN WATER Co	206,850	29.62%	26.03%	
53	MI HOLLY WATER Co	16,135	2.31%	2.09%	
	Total	698,234	100.00%	90.57%	

ALLOCATE NON-REGULATED TO:		EMPLOY	% EMPLOY	FINAL %
31	AW Products & Services	78	92.86%	8.76%
54	Edison Water Company	-	0.00%	0.00%
55	Liberty Water Company	-	0.00%	0.00%
56	Etown Services LLC	6	7.14%	0.67%
	Total Non-Regulated	84	100.00%	9.43%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100080	NE-CAPEX						
	CAPEX	\$ 45,521	\$ 1,854	\$ 47,375	96.09%	3.91%	100.00%
	AVERAGE				96.09%	3.91%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT		%	FINAL %
18	NEW JERSEY-AMERICAN	401,749	57.54%	55.29%	
38	LONG ISLAND-AMERICAN	73,500	10.53%	10.12%	
52	ELIZABETHTOWN WATER Co	206,850	29.62%	28.46%	
53	MI HOLLY WATER Co	16,135	2.31%	2.22%	
	Total	698,234	100.00%	96.09%	

ALLOCATE NON-REGULATED TO:		CAPEX	% CAPEX	FINAL %
31	AW Products & Services	\$ 86	4.64%	0.16%
54	Edison Water Company	\$ 303	16.34%	0.64%
55	Liberty Water Company	\$ 1,465	79.02%	3.09%
56	Etown Services LLC	\$ -	0.00%	0.00%
	Total Non-Regulated	\$ 1,854	100.00%	3.91%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100510	NE-PURCHASE ORDERS						
	INVOICES SUBSTITUTED	\$ 74,836	\$ 18,071	\$ 92,907	80.55%	19.45%	100.00%
	AVERAGE				80.55%	19.45%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT		%	FINAL %
18	NEW JERSEY-AMERICAN	401,749	57.54%	46.35%	
38	LONG ISLAND-AMERICAN	73,500	10.53%	8.48%	
52	ELIZABETHTOWN WATER Co	206,850	29.62%	23.86%	
53	MI HOLLY WATER Co	16,135	2.31%	1.86%	
	Total	698,234	100.00%	80.55%	

ALLOCATE NON-REGULATED TO:		INVOICES	% INVOICES	FINAL %
31	AW Products & Services	\$ 18,071	100.00%	19.45%
54	Edison Water Company	\$ -	0.00%	0.00%
55	Liberty Water Company	\$ -	0.00%	0.00%
56	Etown Services LLC	\$ -	0.00%	0.00%
	Total Non-Regulated	\$ 18,071	100.00%	19.45%

AMERICAN WATER WORKS SERVICE COMPANY, INC.
TIER 1 FORMULAS
AS OF 12/09/2006

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100654	SE-PLANT/REV/EMPLOY						
	REV	\$ 626,935	\$ 15,965	\$ 642,900	97.52%	2.48%	100.00%
	PLANT	\$ 2,657,124	\$ 59	\$ 2,657,183	100.00%	0.00%	100.00%
	EMPLOYEES	1,414	111	1,525	92.72%	7.28%	100.00%
	AVERAGE				96.75%	3.25%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	112,954	10.75%	10.40%
13	MARYLAND-AMERICAN	4,772	0.45%	0.44%
24	PENNSYLVANIA-AMERICAN	637,847	60.72%	58.75%
26	TENNESSEE-AMERICAN	72,660	6.92%	6.69%
27	VIRGINIA-AMERICAN	54,233	5.16%	4.99%
28	WEST VIRGINIA-AMERICAN	165,801	15.78%	15.27%
42	UNITED WATER VIRGINIA	2,316	0.22%	0.21%
	Total	1,050,583	100.00%	96.75%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 3.25%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100656	SE-REV/EMPLOY						
	REV	\$ 626,935	\$ 15,965	\$ 642,900	97.52%	2.48%	100.00%
	EMPLOYEES	1,414	111	1,525	92.72%	7.28%	100.00%
	AVERAGE				95.12%	4.88%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	112,954	10.75%	10.23%
13	MARYLAND-AMERICAN	4,772	0.45%	0.43%
24	PENNSYLVANIA-AMERICAN	637,847	60.72%	57.75%
26	TENNESSEE-AMERICAN	72,660	6.92%	6.58%
27	VIRGINIA-AMERICAN	54,233	5.16%	4.91%
28	WEST VIRGINIA-AMERICAN	165,801	15.78%	15.01%
42	UNITED WATER VIRGINIA	2,316	0.22%	0.21%
	Total	1,050,583	100.00%	95.12%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 4.88%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100603	SE-EMPLOYEES						
	EMPLOYEES	1,414	111	1,525	92.72%	7.28%	100.00%
	AVERAGE				92.72%	7.28%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	112,954	10.75%	9.97%
13	MARYLAND-AMERICAN	4,772	0.45%	0.42%
24	PENNSYLVANIA-AMERICAN	637,847	60.72%	56.30%
26	TENNESSEE-AMERICAN	72,660	6.92%	6.42%
27	VIRGINIA-AMERICAN	54,233	5.16%	4.78%
28	WEST VIRGINIA-AMERICAN	165,801	15.78%	14.63%
42	UNITED WATER VIRGINIA	2,316	0.22%	0.20%
	Total	1,050,583	100.00%	92.72%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 7.28%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100658	SE-CAPEX						
	CAPEX	\$ 185,804	\$ 28	\$ 185,832	99.90%	0.02%	100.00%
	AVERAGE				99.98%	0.02%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	112,954	10.75%	10.75%
13	MARYLAND-AMERICAN	4,772	0.45%	0.45%
24	PENNSYLVANIA-AMERICAN	637,847	60.72%	60.70%
26	TENNESSEE-AMERICAN	72,660	6.92%	6.92%
27	VIRGINIA-AMERICAN	54,233	5.16%	5.16%
28	WEST VIRGINIA-AMERICAN	165,801	15.78%	15.78%
42	UNITED WATER VIRGINIA	2,316	0.22%	0.22%
	Total	1,050,583	100.00%	99.98%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 0.02%

FORMULA #	FORMULA DESCRIPTION	DATA			PERCENTAGES		
		REG	NON-REG	TOTAL	REG	NON-REG	TOTAL
100511	SE-PURCHASE ORDERS						
	INVOICES SUBSTITUTED	\$ 135,545	\$ 5,464	\$ 141,009	96.13%	3.87%	100.00%
	AVERAGE				96.13%	3.87%	100.00%

ALLOCATE REGULATED BY CUSTOMER COUNT		CUST COUNT	%	FINAL %
12	KENTUCKY-AMERICAN	112,954	10.75%	10.33%
13	MARYLAND-AMERICAN	4,772	0.45%	0.43%
24	PENNSYLVANIA-AMERICAN	637,847	60.72%	58.38%
26	TENNESSEE-AMERICAN	72,660	6.92%	6.65%
27	VIRGINIA-AMERICAN	54,233	5.16%	4.96%
28	WEST VIRGINIA-AMERICAN	165,801	15.78%	15.17%
42	UNITED WATER VIRGINIA	2,316	0.22%	0.21%
	Total	1,050,583	100.00%	96.13%

ALLOCATE NON-REGULATED TO:
31 AW Products & Services 3.87%