

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 36**

Description of Filing Requirement:

Cost of Service Study

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX36_043007.pdf

KENTUCKY AMERICAN WATER COMPANY
Lexington, Kentucky

COST OF SERVICE
ALLOCATION STUDY
AS OF NOVEMBER 30, 2008

AND
PROPOSED CUSTOMER RATES

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Harrisburg, Pennsylvania



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April 26, 2007

Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502

Attention Mr. Nick O. Rowe, President

Gentlemen:

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Pursuant to your request, we have conducted a cost of service allocation study based on pro forma revenue requirements for the test year ending November 30, 2008, and have prepared proposed rate schedules designed to produce the pro forma revenue requirements.

The attached report presents the results of the study, as well as supporting schedules which set forth the detailed cost allocation calculations. Schedule A on page 6 presents a comparison of the cost of service by customer classification with the pro forma revenues produced by each classification under present and proposed rates.

Respectfully submitted,

GANNETT FLEMING, INC.

A handwritten signature in cursive script that reads 'Paul R. Herbert'.

PAUL R. HERBERT
Sr. Vice President
Valuation and Rate Division

PRH:krm



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PART I. INTRODUCTION

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE ALLOCATION STUDY
AS OF NOVEMBER 30, 2008
AND PROPOSED CUSTOMER RATES

PART I. INTRODUCTION

PLAN OF REPORT

The report sets forth the results of the cost of service allocation study as of November 30, 2008, prepared for Kentucky American Water Company. Part I, Introduction, contains statements with respect to the basis of the study, the procedures employed, and a summary of the results of the study. Part II, Cost of Service by Customer Classification and cost function, presents detailed schedules of the allocation of costs to cost functions and customer classifications, as well as the bases for the allocations. Part III, Proposed Customer Rates, sets forth a comparison of the present and proposed rate structures, and the development of the proposed service charges.

BASIS OF THE STUDY

The purpose of the study was to allocate costs to several customer classifications based on considerations of quantity of water consumed, variability of rate of flow, and costs associated with metering, billing and accounting. The allocation study was based on recognized procedures for allocating the several categories of costs to customer classifications in proportion to each classification's use of the facilities, commodities and services which entail the total cost of providing water service.

ALLOCATION PROCEDURES

The allocation study was based on the Base-Extra Capacity Method for allocating costs to customer classifications. The method is described in the 2000 and prior editions of the Water Rates Manual, published by the American Water Works Association. The four basic categories of cost responsibility are base, extra capacity, customer and fire protection costs. The following discussions present a brief description of these costs and the manner in which they were allocated.

Base Costs are costs that tend to vary with the quantity of water used, plus costs associated with supplying, treating, pumping and distributing water to customers under average load conditions, without the elements necessary to meet peak demands. Base costs were allocated to customer classifications on the basis of average daily usage.

Extra Capacity Costs are costs associated with meeting usage requirements in excess of the average. They include operating and capital costs for additional plant and system capacity beyond that required for average use. The extra capacity costs in this study are subdivided into costs necessary to meet maximum day extra demand and costs to meet maximum hour extra demand. The extra capacity costs were allocated to customer classifications on the bases of each classification's maximum day and hour usage in excess of average usage. (Extra capacity costs related to fire protection are allocated directly to the fire protection classifications.)

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. Customer costs include the operating and capital costs related to meters and services, meter reading costs, and billing and collecting

costs. The customer costs were allocated on the bases of the relative cost of meters and services and the number of customers.

Fire Protection Costs are costs associated with providing the facilities to meet the potential peak demand of fire protection service. Fire protection costs are subdivided into costs to meet Public Fire Protection and Private Fire Protection demands. Operating and capital costs for hydrants were allocated directly to the Public Fire Protection classification. The extra capacity costs assigned to fire protection service were allocated to Public and Private Fire Protection on the basis of the total relative demands of the hydrants and fire service lines.

The data summarized in Schedule A, "Comparison of Cost of Service with Revenues Under Present and Proposed Rates for the Twelve Months Ending November 30, 2008," constitute the principal results of the allocation study.

The cost of service by customer classification, shown in column 2 of Schedule A, is developed in Schedule B, "Allocation of Cost of Service by Cost Function to Customer Classifications". The allocation of the cost of service by function to the several customer classifications was performed by applying the allocation factors referenced in column 2 of Schedule B to the cost of service by function in column 3. The bases of the allocation factors are presented in Schedule C.

The cost of service by cost function is set forth in Schedule D, "Cost of Service for the Twelve Months Ending November 30, 2008, Allocated to Cost Functions." The allocation of the cost of service to the cost functions was performed by applying the allocation factors referenced in column 2 to the cost of service by account in column 3. The bases of the factors are presented in Schedule E.

DESIGN OF PROPOSED RATES

A comparison of the present and proposed rate structures is presented in Schedule G of Part III of the report. All rate divisions are consolidated into the Central Division rate structure. The proposed rates maintain the existing Central Division Rate structure consisting of service charges by meter size applicable to all classes and single-block consumption charges for each classification. The service charges were developed on Schedule H, based on the cost of service related to meters, services, billing and collecting and meter reading. The overall increase to the service charges is approximately 4.9%.

The consumption charges as well as private and public fire rates were increased so that the revenues under proposed rates would move toward the indicated cost of service as shown in Schedule A.

KENTUCKY-AMERICAN WATER COMPANY

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008

Customer Classification (1)	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount (Schedule B) (2)	Percent (3)	Amount (4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Percent Increase (9)
Residential	\$ 32,837,582	53.1%	\$ 26,854,095	55.0%	\$ 33,701,972	54.4%	\$ 6,847,877	25.5%
Commercial	16,490,986	26.6%	12,739,187	26.1%	16,306,301	26.3%	3,567,114	28.0%
Industrial	2,442,262	3.9%	1,522,907	3.1%	2,025,504	3.3%	502,597	33.0%
Public Authority	4,843,819	7.8%	3,781,085	7.8%	4,801,994	7.8%	1,020,909	27.0%
Sales for Resale	1,341,423	2.2%	1,018,444	2.1%	1,346,371	2.2%	327,927	32.2%
Private Fire Service	1,365,825	2.2%	912,978	1.9%	1,231,859	2.0%	318,881	34.9%
Public Fire Service	2,582,548	4.2%	1,961,069	4.0%	2,490,402	4.0%	529,333	27.0%
Total Sales	61,904,445	100.0%	48,789,765	100.0%	61,904,403	100.0%	13,114,638	26.9%
Other Revenues	3,834,620		3,760,392		3,834,620		74,228	2.0%
Total	\$ 65,739,065		\$ 52,550,157		\$ 65,739,023		\$ 13,188,866	25.1%

PART II. COST OF SERVICE BY
CUSTOMER CLASSIFICATION AND COST FUNCTION

Schedule B

KENTUCKY-AMERICAN WATER COMPANY

ALLOCATION OF COST OF SERVICE BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

Cost Function (1)	Factor Ref.* (2)	Cost of Service (Schedule D) (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Sales for Resale (8)	Fire Service	
								Private Fire (9)	Public Fire (10)
Base	A	\$26,742,091	\$12,475,186	\$8,763,383	\$1,548,367	\$2,963,024	\$882,489	\$26,742	\$82,900
Extra Capacity - Maximum Day	B	9,741,599	4,838,652	3,210,831	467,597	958,573	265,946		
Extra Capacity - Maximum Hour	C	9,358,687	4,832,825	3,195,992	406,167	743,080	180,623		
Customer Facilities - Meters	D	3,417,363	2,618,041	618,543	16,062	120,633	10,252	33,832	
Customer Facilities - Services	E	1,581,029	1,366,800	146,561	1,107	14,071	632	51,858	
Billing and Collecting	F	5,420,689	4,906,266	406,552	2,168	32,524	1,084	70,469	1,626
Meter Reading	G	1,985,670	1,799,812	149,124	794	11,914	397	23,629	
Private Fire	H	1,159,295						1,159,295	
Public Fire	I	2,498,022							2,498,022
Total		\$61,904,445	\$32,837,582	\$16,490,986	\$2,442,262	\$4,843,819	\$1,341,423	\$1,365,825	\$2,582,548

* Schedule C.

Schedule C

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR A ALLOCATION OF BASE COSTS.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Classification (1)	Average Daily Consumption, CCF (2)	Allocation Factor (3)
Residential	23,398	0.4665
Commercial	16,437	0.3277
Industrial	2,904	0.0579
Other Public Authority	5,560	0.1108
Sales for Resale	1,653	0.0330
Private Fire Protection	51	0.0010
Public Fire Protection	157	0.0031
Total	<u>50,161</u>	<u>1.0000</u>

FACTOR B ALLOCATION OF MAXIMUM DAY EXTRA CAPACITY COSTS.

Factors are based on the maximum day extra capacity demand for each customer classification.

Customer Classification (1)	Average Daily Consumption, CCF (2)	Factor* (3)	Rate of Flow, CCF Per Day (4)=(2)x(3)	Allocation Factor (5)
Residential	23,398	0.90	21,058	0.4967
Commercial	16,437	0.85	13,971	0.3296
Industrial	2,904	0.70	2,033	0.0480
Other Public Authority	5,560	0.75	4,170	0.0984
Sales for Resale	1,653	0.70	1,157	0.0273
Total	<u>49,952</u>		<u>42,389</u>	<u>1.0000</u>

* Ratio of Maximum Day To Average Day Minus 1.0.

Schedule C

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR C ALLOCATION OF MAXIMUM HOUR EXTRA CAPACITY COSTS.

Factors are based on the maximum hour extra capacity demand for each customer classification.

Customer Classification (1)	Average Hourly Consumption, CCF (2)	Factor* (3)	Rate of Flow, CCF Per Hour (4)=(2)x(3)	Allocation Factor (5)
Residential	974.9	1.70	1,657.3	0.5164
Commercial	684.9	1.60	1,095.8	0.3415
Industrial	121.0	1.15	139.2	0.0434
Other Public Authority	231.7	1.10	254.9	0.0794
Sales for Resale	68.9	0.90	62.0	0.0193
Total	<u>2,081.4</u>		<u>3,209.2</u>	<u>1.0000</u>

* Ratio of Maximum Hour To Average Hour Minus 1.0.

FACTOR D ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification (1)	5/8" Dollar Equivalents (2)	Allocation Factor (3)
Residential	110,196	0.7661
Commercial	26,032	0.1810
Industrial	669	0.0047
Other Public Authority	5,077	0.0353
Sales for Resale	427	0.0030
Private Fire Protection	1,419	0.0099
Total	<u>143,820</u>	<u>1.0000</u>

Schedule C

KENTUCKY-AMERICAN WATER COMPANY

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size (1)	5/8" Dollar Equivalent (2)	Residential		Commercial		Industrial		Other Public Authority		Sales for Resale		Private Fire Protection		Total	
		Number of Meters (3)	Weighting (4)=(2)X(3)	Number of Meters (5)	Weighting (6)=(2)X(5)	Number of Meters (7)	Weighting (8)=(2)X(7)	Number of Meters (9)	Weighting (10)=(2)X(9)	Number of Meters (11)	Weighting (12)=(2)X(11)	Number of Meters (13)	Weighting (14)=(2)X(13)	Number of Meters (15)	Weighting (16)
5/8	1.0	105,910	105,910	4,858	4,858	2	2	141	141	0	0	1,419	1,419	112,330	112,330
1	1.8	1,760	3,168	2,191	3,944	2	4	167	301	0	0	0	0	4,120	7,417
1-1/2	5.4	16	86	168	907	1	5	26	140	3	16	0	0	214	1,154
2	8.9	107	952	1,660	14,774	24	214	335	2,982	7	62	0	0	2,133	18,984
3	14.0	0	0	5	70	0	0	0	0	0	0	0	0	5	70
4	27.0	0	0	27	729	12	324	39	1,053	7	189	0	0	85	2,295
6	40.0	2	80	10	400	3	120	9	360	4	160	0	0	28	1,120
8	50.0	0	0	7	350	0	0	2	100	0	0	0	0	9	450
Total		107,795	110,196	8,925	26,032	44	669	719	5,077	21	427	1,419	1,419	118,924	143,820

Schedule C

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR E ALLOCATION OF COSTS ASSOCIATED WITH SERVICES

Factors are based on the relative cost of services by size and customer classification, as developed on the following page and summarized below.

<u>Customer Classification</u> (1)	<u>3/4" Dollar Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	96,209	0.8645
Commercial	10,312	0.0927
Industrial	75	0.0007
Other Public Authority	993	0.0089
Sales for Resale	40	0.0004
Private Fire Protection	<u>3,645</u>	<u>0.0328</u>
Total	<u><u>111,274</u></u>	<u><u>1.0000</u></u>

FACTOR F ALLOCATION OF BILLING AND COLLECTING COSTS

Factors are based on the total number of customers.

<u>Customer Classification</u> (1)	<u>Total Customers</u> (2)	<u>Allocation Factor</u> (3)
Residential	107,795	0.9051
Commercial	8,926	0.0750
Industrial	44	0.0004
Other Public Authority	719	0.0060
Sales for Resale	21	0.0002
Private Fire Protection	1,545	0.0130
Public Fire Protection	<u>38</u>	<u>0.0003</u>
Total	<u><u>119,088</u></u>	<u><u>1.0000</u></u>

KENTUCKY-AMERICAN WATER COMPANY

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size (1)	3/4" Dollar Equivalent (2)	Residential		Commercial		Industrial		Other Public Authority		Sales for Resale		Private Fire Protection		Total	
		Number of Services (3)	Weighting (4)=(2)X(3)	Number of Services (5)	Weighting (6)=(2)X(5)	Number of Services (7)	Weighting (8)=(2)X(7)	Number of Services (9)	Weighting (10)=(2)X(9)	Number of Services (11)	Weighting (12)=(2)X(11)	Number of Services (13)	Weighting (14)=(2)X(13)	Number of Services (15)	Weighting (16)
3/4	1.00	75,910 *	75,910	4,858	4,858	2	2	141	141	0	0	0	0	80,911	80,911
1	1.20	16,760 *	20,112	2,191	2,629	2	2	167	200	0	0	0	0	19,120	22,943
1-1/2	1.30	16	21	168	218	1	1	26	34	3	4	0	0	214	278
2	1.50	107	161	1,660	2,490	24	36	335	503	7	11	45	68	2,178	3,269
4	2.20	0	0	32	70	12	26	39	86	7	15	313	689	403	886
6	2.50	2	5	10	25	3	8	9	23	4	10	779	1,948	807	2,019
8	3.20	0	0	7	22	0	0	2	6	0	0	269	861	278	889
10	5.60	0	0	0	0	0	0	0	0	0	0	7	39	7	39
12	6.00	0	0	0	0	0	0	0	0	0	0	4	24	4	24
>12	8.00	0	0	0	0	0	0	0	0	0	0	2	16	2	16
Total		92,795	96,209	8,926	10,312	44	75	719	993	21	40	1,419	3,645	103,924	111,274

*Adjusted to reflect that approximately 30,000 residential customers are served by 1-inch service lines each serving two residences.

Schedule C

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR G. ALLOCATION OF METER READING COSTS

Factors are based on the number of metered customers.

<u>Customer Classification</u> (1)	<u>Total Metered Customers</u> (2)	<u>Allocation Factor</u> (2)
Residential	107,795	0.9064
Commercial	8,926	0.0751
Industrial	44	0.0004
Other Public Authority	719	0.0060
Sales for Resale	21	0.0002
Private Fire Protection	<u>1,419</u>	<u>0.0119</u>
Total	<u><u>118,924</u></u>	<u><u>1.0000</u></u>

FACTOR H. ALLOCATION OF PRIVATE FIRE PROTECTION COSTS

These costs are assigned directly to Private Fire Protection.

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Private Fire Protection	<u><u>1.0000</u></u>

FACTOR I. ALLOCATION OF PUBLIC FIRE PROTECTION COSTS

These costs are assigned directly to Public Fire Protection.

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Public Fire Protection	<u><u>1.0000</u></u>

Schedule D

KENTUCKY-AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Extra Capacity (5)		Meters (7)	Customer Facilities Services (8)	Customer Accounting (9)		Fire Service (12)	
				Max Day	Max Hour			Billing & Collecting	Meter Reading	Private Fire	Public Fire
OPERATION AND MAINTENANCE EXPENSES											
SOURCE OF SUPPLY EXPENSES											
-OPERATION-											
600 Supervision & Engineering	2	0	0	0	0	0	0	0	0	0	0
601 Operation Expense and Labor Expenses	2	5,350	3,243	2,107	0	0	0	0	0	0	0
602 Purchased Water	1	477,463	477,463	0	0	0	0	0	0	0	0
603 Miscellaneous Expenses	2	40,435	24,508	15,927	0	0	0	0	0	0	0
604 Rents	2	0	0	0	0	0	0	0	0	0	0
Total Operation		523,248	505,213	18,035	0	0	0	0	0	0	0
-MAINTENANCE-											
610 Supervision & Engineering	2	0	0	0	0	0	0	0	0	0	0
612 Maint Coll & Impound Res	1	0	0	0	0	0	0	0	0	0	0
613.1 Maint Lakes, River & Intakes	2	0	0	0	0	0	0	0	0	0	0
613.2 Amort Lakes, River & Intakes	2	0	0	0	0	0	0	0	0	0	0
614 Wells and Springs Maint	2	0	0	0	0	0	0	0	0	0	0
616 Maint Supply Mains Mat	2	0	0	0	0	0	0	0	0	0	0
617 Maint Misc Water Source Expenses	2	167,580	101,570	66,010	0	0	0	0	0	0	0
617 Labor	2	0	0	0	0	0	0	0	0	0	0
Total Maintenance		167,580	101,570	66,010	0	0	0	0	0	0	0
Total Source of Supply		690,828	606,784	84,044	0	0	0	0	0	0	0
POWER AND PUMPING EXPENSES											
620 Pumping Supervision & Erg Electric	6	0	0	0	0	0	0	0	0	0	0
622 Pump Power Prod Labor & Exp Expenses	6	0	0	0	0	0	0	0	0	0	0
622 Labor	6	0	0	0	0	0	0	0	0	0	0
623 Pump Fuel and Power Purchase	1	2,986,277	2,986,277	0	0	0	0	0	0	0	0
624 Pump Labor and Expenses	6	0	0	0	0	0	0	0	0	0	0
624 Labor	6	0	0	0	0	0	0	0	0	0	0
626 Misc Pumping Expenses Electric	6	0	0	0	0	0	0	0	0	0	0
627 Rents	6	0	0	0	0	0	0	0	0	0	0
Total Operation		2,986,277	2,986,277	0	0	0	0	0	0	0	0

Schedule D

KENTUCKY-AMERICAN WATER COMPANY
COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Extra Capacity (5)		Customer Meters (7)	Customer Facilities Services (8)		Customer Accounting (9)		Fire Service (10)		Public Fire (12)
				Max Day	Max Hour		Meters	Reading	Private Fire (11)				
-MAINTENANCE-													
630 Supervision & Engineering	6	337,154	189,885	113,688	22,421	0	0	0	0	0	4,821	6,339	
631 Pump Struc & Imp Maint Expenses	6	0	0	0	0	0	0	0	0	0	0	0	
631 Pump Struc & Imp Maint Labor	6	0	0	0	0	0	0	0	0	0	0	0	
632 Pump Maint Power Prod Equipment Expenses	6	0	0	0	0	0	0	0	0	0	0	0	
632 Pump Maint Power Prod Equipment Labor	6	0	0	0	0	0	0	0	0	0	0	0	
633 Pump Maint Pumping Equipment Expenses	6	0	0	0	0	0	0	0	0	0	0	0	
633 Pump Maint Pumping Equipment Labor	6	0	0	0	0	0	0	0	0	0	0	0	
Total Maintenance		337,154	189,885	113,688	22,421	0	0	0	0	0	4,821	6,339	
Total Power and Pumping		3,323,431	3,176,162	113,688	22,421	0	0	0	0	0	4,821	6,339	
WATER TREATMENT -OPERATION-													
640 Supervision and Engineering	2	694,285	420,806	273,479	0	0	0	0	0	0	0	0	
641 Chemicals	1	1,505,218	1,505,218	0	0	0	0	0	0	0	0	0	
642.1 Labor and Expenses													
642.1 Labor	2	167,587	101,574	66,013	0	0	0	0	0	0	0	0	
642.1 Expenses	2	1,080,097	654,647	425,450	0	0	0	0	0	0	0	0	
643 Misc Water Treatment Exp-Current Expenses - Other	2	88,321	53,531	34,790	0	0	0	0	0	0	0	0	
643 Misc Water Treatment Exp-Current Expenses - Waste Disposal	1	262,237	262,237	0	0	0	0	0	0	0	0	0	
643 Misc Water Treatment Exp-Current Labor	1	0	0	0	0	0	0	0	0	0	0	0	
644 Rents	2	0	0	0	0	0	0	0	0	0	0	0	
Total Operation		3,797,745	2,998,014	799,731	0	0	0	0	0	0	0	0	
-MAINTENANCE-													
650 Supervision and Engineering	2	0	0	0	0	0	0	0	0	0	0	0	
651 Structures and Improvements Expenses	2	323,019	195,782	127,237	0	0	0	0	0	0	0	0	
651 Structures and Improvements Labor	2	0	0	0	0	0	0	0	0	0	0	0	
652 General Water Equip Expenses	2	90,040	54,573	35,467	0	0	0	0	0	0	0	0	
652 General Water Equip Labor	2	0	0	0	0	0	0	0	0	0	0	0	
Total Maintenance		413,059	250,355	162,704	0	0	0	0	0	0	0	0	
Total Water Treatment Expenses		4,210,804	3,248,369	962,435	0	0	0	0	0	0	0	0	

KENTUCKY-AMERICAN WATER COMPANY
COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account	Factor Ref.	Cost of Service	Extra Capacity		Customer Facilities		Customer Accounting		Fire Service		
			Max Day	Max Hour	Meters	Services	Billing & Collecting	Meter Reading	Private Fire	Public Fire	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
TRANSMISSION AND DISTRIBUTION EXPENSES											
-OPERATION-											
660 Supervision and Engineering	8	386,079	153,196	29,188	162,462	0	0	0	0	17,837	23,396
661 Storage Facilities Expense	5	0	0	0	0	0	0	0	0	0	0
662 Lines Expense	7	23,522	9,333	1,777	9,898	0	0	0	0	1,088	1,426
663 Meter Expense	7	803,784	318,930	60,732	338,237	0	0	0	0	37,170	48,715
664 Customer Installation Expenses	9	0	0	0	0	0	0	0	0	0	0
665 Maps and Records	9	0	0	0	0	0	0	0	0	0	0
666 Rents	8	23,765	9,430	1,797	10,000	0	0	0	0	1,098	1,440
Total Operation		1,605,822	637,179	121,365	675,735	0	0	0	0	74,225	97,318
-MAINTENANCE-											
670 Supervision and Engineering	14	0	0	0	0	0	0	0	0	0	0
671 T & D Structures & Improve Maint	14	0	0	0	0	0	0	0	0	0	0
672 Reservoirs and Standpipes	5	163,622	55,975	0	83,955	0	0	0	0	10,243	13,450
673 T & D Mains	7	0	0	0	0	0	0	0	0	0	0
675 Services	7	1,057,486	419,595	79,801	444,997	0	0	0	0	48,902	64,091
676 Meters	10	0	0	0	0	0	0	0	0	0	0
677 Expenses	10	0	0	0	0	0	0	0	0	0	0
678 Labor	9	42,962	0	0	0	0	0	0	0	0	0
Total Maintenance		1,663,970	475,570	79,801	528,952	0	0	0	0	69,145	87,541

Schedule D

KENTUCKY-AMERICAN WATER COMPANY
COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Extra Capacity (5)		Meters (7)	Customer Facilities Services (8)	Customer Accounting (9)		Meter Reading (10)	Fire Service (11)		Public Fire (12)
				Max Day	Max Hour			Billing & Collecting	Private Fire				
677 Hydrants Expenses	13	0	0	0	0	0	0	0	0	0	0	0	0
678 Miscellaneous Plant Expenses	14	577,113	217,110	36,474	241,522	19,622	0	0	0	0	27,009	35,377	0
Labor	14	0	0	0	0	0	0	0	0	0	0	0	0
Total Maintenance		1,841,183	682,681	116,374	770,473	62,584	0	0	0	0	86,154	112,917	0
Total Transmission and Distribution		3,447,005	1,329,859	237,739	1,446,208	62,584	0	0	0	0	160,379	210,236	0
CUSTOMER ACCOUNTS													
901 Supervision	11	43,798	0	0	0	0	0	43,798	0	0	0	0	0
902 Meter Reading Expenses	12	0	0	0	0	0	0	0	0	0	0	0	0
Labor	12	595,915	0	0	0	0	0	0	595,915	0	0	0	0
903 Recording and Collecting Expenses	11	953,859	0	0	0	0	0	953,859	0	0	0	0	0
Labor	11	235,671	0	0	0	0	0	235,671	0	0	0	0	0
904 Uncollectible Accounts	11	611,267	0	0	0	0	0	611,267	0	0	0	0	0
905 Misc Customer Accounting Expenses	11	12,571	0	0	0	0	0	12,571	0	0	0	0	0
907 Customer Service Expenses	11	0	0	0	0	0	0	0	0	0	0	0	0
Labor	11	0	0	0	0	0	0	0	0	0	0	0	0
Total Customers' Accounting and Collecting Expenses		2,453,080	0	0	0	0	0	1,857,165	595,915	0	0	0	0
ADMINISTRATIVE AND GENERAL EXPENSES													
-OPERATION-													
920 Administrative & General Salaries	15	116,089	40,852	18,249	19,166	813	0	24,239	7,778	2,159	2,833	2,833	0
Expenses	15	999,590	351,756	157,136	165,032	6,997	0	208,714	66,973	18,592	24,390	24,390	0
Labor	15	334,992	117,884	52,661	55,307	2,345	0	69,946	22,444	6,231	8,174	8,174	0
921 Miscellaneous Office Expenses	15	2,028,366	0	0	0	0	0	2,028,366	0	0	0	0	0
923 Outside Services	16	237,745	95,003	43,008	43,293	1,878	0	18,378	24,939	4,874	6,372	6,372	0
Customer Related	1	191,177	191,177	0	0	0	0	0	0	0	0	0	0
Employee Related	15	4,605,923	1,620,824	724,051	760,438	32,241	0	961,717	308,597	85,670	112,385	112,385	0
Water Quality	15	133,349	46,926	20,962	22,016	933	0	27,843	8,934	2,480	3,254	3,254	0
Other	16	158,761	63,441	28,720	28,910	1,254	0	12,272	16,954	3,255	4,255	4,255	0
924 Property Insurance	15	397,221	139,782	62,443	65,581	2,781	0	82,940	26,614	7,368	9,692	9,692	0
925 Workers Compensation	16	2,732,152	1,091,768	494,246	497,525	21,584	0	211,195	286,603	56,009	73,222	73,222	0
925.4 General Liability	15	292,195	102,823	45,933	48,241	2,045	0	61,010	19,577	5,435	7,130	7,130	0
926 Employee Pensions and Benefits	15	1,231,780	433,463	193,636	203,367	8,622	0	257,196	82,529	22,911	30,055	30,055	0
928 Regulatory Expenses	15	28,400	9,994	4,464	4,689	199	0	5,930	1,903	528	693	693	0
930 Miscellaneous General Expense	15	13,487,740	4,305,693	1,845,510	1,913,567	81,693	0	3,969,747	873,545	215,533	282,453	282,453	0
931 Administrative and General Rents	15	0	0	0	0	0	0	0	0	0	0	0	0
Total Operation		13,487,740	4,305,693	1,845,510	1,913,567	81,693	0	3,969,747	873,545	215,533	282,453	282,453	0

Schedule D

KENTUCKY-AMERICAN WATER COMPANY
COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Extra Capacity		Customer Facilities		Customer Accounting		Fire Service	
				Max Day (5)	Max Hour (6)	Meters (7)	Services (8)	Billing & Collecting (9)	Meter Reading (10)	Private Fire (11)	Public Fire (12)
-MAINTENANCE-											
932 Maintenance of General Plant	15	185,836	65,396	29,213	30,682	1,301	0	38,803	12,451	3,457	4,534
Total Maintenance											
Total Administrative and General Expenses		13,673,576	4,371,088	1,874,723	1,944,248	82,994	0	4,008,550	885,996	218,989	286,987
Total Operation and Maintenance Expenses		27,798,724	12,732,262	3,272,630	3,412,877	145,578	0	5,865,715	1,481,911	384,190	503,561

503 DEPRECIATION EXPENSE

301 Organization	17	0	0	0	0	0	0	0	0	0	0
302 Franchise and Consents	15	0	0	0	0	0	0	0	0	0	0
303 Other P/E Intangibles	17	0	0	0	0	0	0	0	0	0	0
310 Land and Land Rights	2	0	0	0	0	0	0	0	0	0	0
311 Source of Supply Struct & Improv	2	150,622	91,292	59,330	0	0	0	0	0	0	0
312 Collecting & Impounding Reservoirs	1	16,976	16,976	0	0	0	0	0	0	0	0
313 Lake, River and Other Intakes	2	14,148	8,575	5,573	0	0	0	0	0	0	0
314 Wells and Springs	2	0	0	0	0	0	0	0	0	0	0
316 Supply Mains	2	98,128	59,475	38,653	0	0	0	0	0	0	0
321 Pumping Structures & Improvements	6	105,306	59,308	35,509	7,003	0	0	0	0	1,506	1,980
322 Boiler Plant Equipment	6	0	0	0	0	0	0	0	0	0	0
323 Other Power Production Equipment	6	19,463	10,962	6,563	1,294	0	0	0	0	278	366
325 Electric Pumping Equipment	6	278,586	156,900	93,939	18,526	0	0	0	0	3,984	5,237
326 Diesel Pumping Equipment	6	46,490	26,183	15,676	3,092	0	0	0	0	665	874
328 Other Pumping Equipment	6	1,983	1,117	669	132	0	0	0	0	28	37
331 Water Treat Structures & Improv	2	267,950	162,404	105,546	0	0	0	0	0	0	0
332 Water Treat and Equipment	2	587,110	355,847	231,263	0	0	0	0	0	0	0
334 GAC	2	0	0	0	0	0	0	0	0	0	0
341 T & D Structures & Improvements	14	78,897	29,681	4,986	33,018	0	0	0	0	3,692	4,836
342 Distnb. Reservoirs & Standpipes	5	247,643	84,719	0	127,066	0	0	0	0	15,502	20,356
343 Transmission & Distribution Mains											
Distribution	4	1,455,847	511,730	0	767,523	0	0	0	0	76,432	100,162
Transmission	3	922,211	531,101	345,276	0	0	0	0	0	19,828	26,006
345 Services	10	561,243	0	0	0	0	561,243	0	0	0	0
346 Meters	9	315,450	0	0	0	315,450	0	0	0	0	0
347 Meter Installations	9	478,762	0	0	0	478,762	0	0	0	0	0
348 Fire Hydrants	13	175,931	0	0	0	0	0	0	0	0	175,931
349 Other T & D	14	0	0	0	0	0	0	0	0	0	0
369 Land and Land Rights	15	0	0	0	0	0	0	0	0	0	0
390 General Structures & Improvements	15	0	0	0	0	0	0	0	0	0	0
390.1 Office Structures	15	85,364	30,040	13,419	14,094	598	0	17,824	5,719	1,588	2,083
390.2 Stores Shop and Gar. Structures	15	24,654	8,676	3,876	4,070	173	0	5,148	1,652	459	602
390.3 Miscellaneous Structures & Improv	15	72,529	25,523	11,402	11,975	508	0	15,144	4,859	1,349	1,770
391 Office Furniture and Equipment	15	87,816	30,902	13,805	14,498	615	0	18,336	5,884	1,633	2,143

Schedule D

KENTUCKY-AMERICAN WATER COMPANY
COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Extra Capacity (5)		Max Hour (6)	Customer Facilities (7)		Customer Accounting (8)		Fire Service (9)	
				Max Day	Meters		Billing & Collecting	Meter Reading	Private Fire	Public Fire		
391.20 Computers & Peripheral Equipment	15	294,223	103,537	46,252	48,576	2,060	0	61,434	19,713	5,473	7,179	
391.25 Computer Software	15	473,989	166,797	74,511	78,256	3,318	0	98,969	31,757	8,816	11,565	
391.26 Personal Computer Software	15	267,078	93,985	41,985	44,095	1,870	0	55,766	17,894	4,968	6,517	
391.30 Other Office Equipment	15	171,055	60,194	26,890	28,241	1,197	0	35,716	11,461	3,182	4,174	
392.11 Transportation Equip-Light Trucks	15	154,535	54,381	24,293	25,514	1,082	0	32,267	10,354	2,874	3,771	
392.12 Transportation Equip-Heavy Trucks	15	60,958	21,451	9,583	10,064	427	0	12,728	4,084	1,134	1,487	
392.2 Transportation Equip-Cars	15	25,392	8,935	3,992	4,192	178	0	5,302	1,701	472	620	
392.3 Transportation Equip-Other	15	8,738	3,075	1,374	1,443	61	0	1,824	585	163	213	
393 Stores Equipment	15	2,314	814	364	382	16	0	483	155	43	56	
394 Tools, Shop & Garage Equipment	15	129,223	45,474	20,314	21,335	905	0	26,982	8,658	2,404	3,153	
395 Laboratory Equipment	2	70,783	42,902	27,881	0	0	0	0	0	0	0	
396 Power Operated Equipment	15	74,403	26,182	11,696	12,284	521	0	15,535	4,965	1,384	1,815	
397 Communication Equipment	15	133,640	47,028	21,008	22,064	935	0	27,904	8,954	2,486	3,261	
398 Miscellaneous Equipment	15	70,904	24,951	11,146	11,706	496	0	14,805	4,751	1,319	1,730	
399 Other Tangible Property	15	8,309	2,924	1,306	1,372	58	0	1,735	557	155	203	
Total Depreciation Expense		8,038,653	2,904,042	1,308,077	1,311,813	811,910	561,243	447,902	143,723	161,815	388,128	
404 AMORTIZATION EXPENSE												
AFUDC	18	25,730	10,138	4,670	4,323	2,336	970	911	293	574	1,516	
Acquisition Adjustment	18	13,049	5,141	2,368	2,192	1,185	492	462	149	291	769	
Property Losses	2	412,192	249,829	162,362	0	0	0	0	0	0	0	
Total Amortizations		450,972	265,109	169,401	6,515	3,521	1,462	1,373	442	865	2,284	
507.1 TAXES, OTHER THAN INCOME												
Federal and State Payroll Taxes	16	487,918	194,972	88,264	88,850	3,855	0	37,716	51,183	10,002	13,076	
Property Taxes	18	3,054,079	1,203,307	554,315	513,085	277,310	115,139	108,114	34,817	68,106	179,885	
Gross Receipts and surtax	19	107,321	44,914	16,474	15,808	5,860	2,694	12,063	3,284	1,964	4,261	
Other General Taxes	18	0	0	0	0	0	0	0	0	0	0	
Total Taxes, Other Than Income		3,649,318	1,443,193	659,053	617,744	287,025	117,833	157,893	89,283	80,072	197,222	

Schedule D

KENTUCKY-AMERICAN WATER COMPANY
COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account	Factor Ref.	Cost of Service	Extra Capacity		Customer Facilities		Customer Accounting		Fire Service		
			Max Day	Max Hour	Meters	Services	Billing & Collecting	Meter Reading	Private Fire	Public Fire	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
507.2 INCOME TAXES	18	7,521,558	2,963,494	1,365,163	1,263,622	682,957	283,563	286,263	85,746	167,731	443,020
Utility Operating Income Available for Return	18	18,279,839	7,202,257	3,317,791	3,071,013	1,659,809	689,150	647,106	208,390	407,640	1,076,663
Total Cost of Service		65,739,064	27,510,356	10,092,115	9,683,583	3,590,801	1,653,250	7,386,252	2,009,496	1,202,313	2,610,897
Less: Other Water Revenues	19	86,345	36,135	13,254	12,719	4,714	2,167	9,705	2,642	1,580	3,428
Customer Related	11	986,550	0	0	0	0	0	986,550	0	0	0
AFUDC	18	1,858,197	732,130	337,263	312,177	168,724	70,054	65,780	21,183	41,438	109,448
Billing and Collecting Services	11	903,528	0	0	0	0	0	903,528	0	0	0
Total Other Water Revenues		3,834,620	768,265	350,517	324,896	173,439	72,221	1,965,563	23,826	43,018	112,876
Total Cost of Service Related to Sales of Water		61,904,444	26,742,091	9,741,599	9,358,687	3,417,363	1,581,029	5,420,689	1,985,670	1,159,295	2,498,022

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Costs are allocated directly to the Base Cost Function.

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Base	<u>1.0000</u>

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY

The weighting of the Factors is based on the maximum day ratio of 1.65, based on a review of maximum day ratios experienced by the Company. (see Schedule F).

<u>Cost Function</u> (1)	<u>Maximum Day Ratio</u> (2)	<u>Allocation Factor</u> (3)
Average Day	1.00	0.6061
Maximum Day Extra Capacity	<u>0.65</u>	<u>0.3939</u>
Total	<u>1.65</u>	<u>1.0000</u>

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 3 ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA

Factors are based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum day ratio of 1.65 and the average pumpage for the test year. The system demand for fire protection is 10,000 Gallons per minute for 6 hours, or 3.6 MGD. The Allocation of Fire Protection is based on the relative demand flows, as shown on the following page and summarized below

Cost Function (1)	Ratio (2)	Rate of Flow, (GPD) (3)	Allocation Factor (4)	Allocation of Fire Protection (5)	Weighted Factor (6)
Average Day	1.00	41,730,943	0.5759		
Maximum Day Extra Capacity	0.65	27,125,113	0.3744		
Subtotal	1.65	68,856,056	0.9503		
Fire Protection		3,600,000	0.0497		
Private Fire				0.4324	0.0215
Public Fire				0.5676	0.0282
Total		72,456,056	1.0000	1.0000	0.0497

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR

The bases for the potential demand of general service are the maximum hour ratio of 2.5 and the average pumpage for the test year. The system demand for fire protection is 10,000 Gallons per minute for 6 hours. The Allocation of Fire Protection is based on the relative demand flows, as shown on the following page and summarized below.

Cost Function (1)	Ratio (2)	Rate of Flow, (GPM) (3)	Allocation Factor (4)	Allocation of Fire Protection (5)	Weighted Factor (6)
Average Hour	1.00	28,980	0.3515		
Maximum Hour Extra Capacity	1.50	43,470	0.5272		
Subtotal	2.50	72,450	0.8787		
Fire Protection		10,000	0.1213		
Private Fire				0.4324	0.0525
Public Fire				0.5676	0.0688
Total		82,450	1.0000	1.0000	0.1213

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE
TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

The demand for fire protection is assigned to private and public fire service based on the relative potential demands, as follows:

	Restrictive Diameter Squared (1)	Quantity (2)	Relative Demand* (3)	Allocation Factor (4)
<u>Private Fire Protection:</u>				
2 -inch Fire Line	4	45	270	
3 -inch Fire Line	9	0	0	
4 -inch Fire Line	16	313	7,512	
6 -inch Fire Line	36	779	42,066	
8 -inch Fire Line	64	269	25,824	
10 -inch Fire Line	100	7	1,050	
12 -inch Fire Line	144	4	864	
14 -inch Fire Line	196	1	294	
16 -inch Fire Line	256	1	384	
Private Hydrants	27 6	857	35,480	
Total Private Fire		<u>2,276</u>	<u>113,744</u>	<u>0.4324</u>
<u>Public Fire Protection:</u>				
4 - 1/4 inch w/ 2-2 1/2, 1-4 1/2	20 3	5,995	121,699	
5 - 1/4 inch w/ 2-2 1/2, 1-4 1/2	27 6	1,000	27,600	
Total Public Fire		<u>6,995</u>	<u>149,299</u>	<u>0.5676</u>
Total Fire Protection		<u>9,271</u>	<u>263,043</u>	<u>1.0000</u>

* Relative Demand for Private Fire lines and hydrants are calculated at 1.5 times the Public Fire Relative Demand.

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES.

Factors are based on the potential demand of general and fire protection service using the ratio of the capacity required for a 6-hour demand of fire flow as related to total storage capacity

$$\text{Fire Protection Weight} = \frac{10,000 \text{ gpm for 6 hours}}{24,860,000 \text{ Gallons Storage}} = 0.1448$$

$$\text{General Service} = 1.0000 - 0.1448 = 0.8552$$

The General Service weight is assigned to base and maximum hour extra capacity, based on the maximum hour ratio, as follows:

	<u>Ratio</u>	<u>Percent</u>	<u>Weight</u>
Base	1.00	0.4000	0.3421
Maximum Hour Extra Capacity	<u>1.50</u>	<u>0.6000</u>	<u>0.5131</u>
Total	2.50	1.0000	0.8552
Private Fire		0.4324	0.0626
Public Fire		<u>0.5676</u>	<u>0.0822</u>
Total Fire		1.0000	<u>0.1448</u>
Total			<u><u>1.0000</u></u>

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 6. ALLOCATION OF PUMPS AND PUMPING EXPENSES.

Cost Function (1)	Factor 2 (2)	Weighted Factor (3)=(2)x (4)	Factor 3 (4)	Weighted Factor (5)=(4)x (6)	Factor 4 (6)	Weighted Factor (7)=(6)x (8)	Allocation Factor (8)=(3)+(5)+(7)
Base							
Maximum Day Extra Capacity	0.6061	0.3116	0.5759	0.2072	0.3515	0.0444	0.5632
Maximum Hour Extra Capacity	0.3939	0.2025	0.3744	0.1347			0.3372
Private Fire Service			0.0215	0.0077	0.5272	0.0665	0.0665
Public Fire Service			0.0282	0.0101	0.0525	0.0066	0.0143
					0.0688	0.0087	0.0188
Total	1.0000	0.5141	1.0000	0.3597	1.0000	0.1262	1.0000

The weighting of the factors is based on the horsepower of pumps associated with maximum day facilities, maximum day and fire facilities, and maximum hour facilities, as follows:

	Horsepower of Pumps	Weight
Associated with Maximum Day	10,130	0.5141
Associated with Maximum Day and Fire	7,087	0.3597
Associated with Maximum Hour	2,486	0.1262
Total	19,703	1.0000

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 7. ALLOCATION OF LINES EXPENSES.

Cost Function (1)	Transmission Mains		Distribution Mains		Allocation Factor (6)=(3)+(5)
	Factor 3 (2)	Weighted Factor (3)=(2)x 0.2018	Factor 4 (4)	Weighted Factor (5)=(4)x 0.7982	
Base	0.5759	0.1162	0.3515	0.2806	0.3968
Maximum Day Extra Capacity	0.3744	0.0756	0.0000	0.0000	0.0756
Maximum Hour Extra Capacity	0.0000	0.0000	0.5272	0.4208	0.4208
Private Fire Service	0.0215	0.0043	0.0525	0.0419	0.0462
Public Fire Service	0.0282	0.0057	0.0688	0.0549	0.0606
Total	1.0000	0.2018	1.0000	0.7982	1.0000

The weighting of the factors is based on the total footage of mains, designated as either transmission mains or distribution mains, as follows:

	Total Footage of Mains	Weight
Transmission Mains	1,978,836	0.2018
Distribution Mains	7,826,647	0.7982
Total	9,805,483	1.0000

FACTOR 8. ALLOCATION OF TRANSMISSION AND DISTRIBUTION OPERATION SUPERVISION SALARIES AND WAGES.

The factors are based on the allocation of other transmission and distribution operating expenses, as follows:

Cost Function (1)	Transmission & Distribution Operating Expenses (2)	Allocation Factor (3)
Base	\$328,263	0.3968
Maximum Day Extra Capacity	62,509	0.0756
Maximum Hour Extra Capacity	348,135	0.4208
Private Fire Service	38,258	0.0462
Public Fire Service	50,140	0.0606
Total	\$827,306	1.0000

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 9 ALLOCATION OF COSTS ASSOCIATED WITH METERS

These costs are assigned directly to the Customer Facilities Cost Function.

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Meters	<u><u>1.0000</u></u>

FACTOR 10 ALLOCATION OF COSTS ASSOCIATED WITH SERVICES

These costs are assigned directly to the Customer Facilities Cost Function

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Services	<u><u>1.0000</u></u>

FACTOR 11 ALLOCATION OF COSTS ASSOCIATED WITH BILLING AND COLLECTING

These costs are assigned directly to the Customer Accounting Cost Function.

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Billing and Collecting	<u><u>1.0000</u></u>

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 12 ALLOCATION OF COSTS ASSOCIATED WITH METER READING

These costs are assigned directly to the Customer Accounting Cost Function.

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Meter Reading	<u>1.0000</u>

FACTOR 13 ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS

These costs are assigned directly to Public Fire Protection.

<u>Cost Function</u> (1)	<u>Allocation Factor</u> (2)
Public Fire Protection	<u>1.0000</u>

FACTOR 14 ALLOCATION OF TRANSMISSION AND DISTRIBUTION MISCELLANEOUS MAINTENANCE

The factors are based on the allocation of other transmission and distribution maintenance expenses.

<u>Cost Function</u> (1)	<u>Transmission & Distribution Maintenance Expenses</u> (2)	<u>Allocation Factor</u> (3)
Base	\$475,571	0.3762
Maximum Day Extra Capacity	79,901	0.0632
Maximum Hour Extra Capacity	528,951	0.4185
Meters	42,962	0.0340
Services	0	0.0000
Private Fire Service	59,145	0.0468
Public Fire Service	<u>77,540</u>	<u>0.0613</u>
Total	<u>\$1,264,070</u>	<u>1.0000</u>

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 15. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES

The factors are based on the allocation of all other operation and maintenance expenses excluding power, chemicals, and purchased water, as follows:

Cost Function	Other Operating Expenses	Allocation Factor
(1)	(2)	(3)
Base	\$3,129,979	0.3519
Maximum Day Extra Capacity	1,397,907	0.1572
Maximum Hour Extra Capacity	1,468,629	0.1651
Meters	62,584	0.0070
Services	0	0.0000
Billing and Collecting	1,857,165	0.2088
Meter Reading	595,915	0.0670
Private Fire Service	165,201	0.0186
Public Fire Service	216,574	0.0244
Total	<u>\$8,893,953</u>	<u>1.0000</u>

FACTOR 16. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS

The factors are based on the allocation of operation and maintenance direct labor expense, as summarized below.

Cost Function	Direct Labor Expense	Allocation Factor
(1)	(2)	(3)
Base	\$2,525,386	0.3996
Maximum Day Extra Capacity	1,142,730	0.1809
Maximum Hour Extra Capacity	1,150,722	0.1821
Meters	49,960	0.0079
Services	0	0.0000
Billing and Collecting	488,183	0.0773
Meter Reading	662,887	0.1049
Private Fire Service	129,252	0.0205
Public Fire Service	169,461	0.0268
Total	<u>\$6,318,580</u>	<u>1.0000</u>

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 17. ALLOCATION OF ORGANIZATION AND OTHER RATE BASE ELEMENTS.

The factors are based on the allocation of utility plant in service, as follows:

Cost Function	Utility Plant in Service	Allocation Factor
(1)	(2)	(3)
Base	\$103,176,051	0.3666
Maximum Day Extra Capacity	41,644,326	0.1480
Maximum Hour Extra Capacity	57,645,941	0.2048
Meters	22,196,704	0.0789
Services	28,893,967	0.1027
Billing and Collecting	1,826,642	0.0065
Meter Reading	586,135	0.0021
Private Fire Service	7,228,046	0.0257
Public Fire Service	18,210,713	0.0647
Total	<u>\$281,408,524</u>	<u>1.0000</u>

FACTOR 18. ALLOCATION OF TAXES AND UTILITY OPERATING INCOME.

The factors are based on the allocation of original cost rate base, as shown on the following pages and summarized below

Cost Function	Original Cost Rate Base	Allocation Factor
(1)	(2)	(3)
Base	\$83,371,740	0.3940
Maximum Day Extra Capacity	38,400,665	0.1815
Maximum Hour Extra Capacity	35,545,256	0.1680
Meters	19,212,977	0.0908
Services	7,977,599	0.0377
Billing and Collecting	7,486,009	0.0354
Meter Reading	2,401,640	0.0114
Private Fire Service	4,711,655	0.0223
Public Fire Service	12,464,675	0.0589
Total	<u>\$211,572,214</u>	<u>1.0000</u>

Schedule F

KENTUCKY-AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Extra Capacity (5)		Max Hour (6)	Customer Facilities (7)		Services (8)	Customer Accounting (9)		Fire Service (10)		Public (12)
				Max Day (5)	Max Hour (6)		Meters (7)	Meter Reading (10)		Private (11)	Public (12)			
RATE BASE														
301 Organization	17	37,347	13,691	5,527	7,649	2,947	2,947	3,836	243	78	960	2,416		
302 Franchise and Consents	17	70,261	25,758	10,399	14,389	5,544	5,544	7,216	457	148	1,806	4,546		
303 Other P/E Intangibles	17	0	0	0	0	0	0	0	0	0	0	0		
303.6 Other P/E Comprehensive Studies	17	0	0	0	0	0	0	0	0	0	0	0		
310 Land and Land Rights	2	1,065,891	646,037	419,854	0	0	0	0	0	0	0	0		
311 Source of Supply Struct & Improv	2	4,693,066	2,844,467	1,848,599	0	0	0	0	0	0	0	0		
312 Collecting & Impounding Reservoirs	1	675,105	675,105	0	0	0	0	0	0	0	0	0		
313 Lake, River and Other Intakes	2	457,035	277,009	180,026	0	0	0	0	0	0	0	0		
314 Wells and Springs	2	0	0	0	0	0	0	0	0	0	0	0		
316 Supply Mains	2	4,100,162	2,485,108	1,615,054	0	0	0	0	0	0	0	0		
320 Pumping Land & Land Rights	6	91,826	51,716	30,964	6,106	0	0	0	0	0	1,313	1,726		
321 Pumping Structures & Improvements	6	3,572,070	2,011,790	1,204,502	237,543	0	0	0	0	0	51,081	67,155		
323 Other Power Production Equipment	6	421,907	237,618	142,267	0	0	0	0	0	0	6,033	7,932		
325 Electric Pumping Equipment	6	5,445,998	3,067,186	1,836,391	362,159	0	0	0	0	0	77,878	102,385		
326 Diesel Pumping Equipment	6	1,628,612	917,234	549,168	108,303	0	0	0	0	0	23,289	30,618		
330 Land and Land Rights	2	68,164	41,314	26,850	0	0	0	0	0	0	0	0		
331 Water Treat Structures & Improv	2	11,912,133	7,219,944	4,692,189	0	0	0	0	0	0	0	0		
332 Water Treat and Equipment	2	13,927,259	8,441,312	5,485,947	0	0	0	0	0	0	0	0		
334 GAC	2	0	0	0	0	0	0	0	0	0	0	0		
340 Land and Land Rights	7	4,024,896	1,597,022	304,110	1,693,701	0	0	0	0	0	186,127	243,935		
341 T & D Structures & Improvements	14	1,326,141	498,894	83,812	554,990	45,089	45,089	0	0	0	62,063	81,292		
342 Disinf. Reservoirs & Standpipes	5	9,096,501	3,111,913	0	4,667,415	0	0	0	0	0	569,441	747,732		
343 Transmission & Distribution Mains														
Distribution	4	92,077,628	32,365,286	0	48,543,325	0	0	0	0	0	4,834,075	6,334,941		
Transmission	3	58,326,860	33,590,439	21,837,576	0	0	0	0	0	0	1,254,027	1,644,817		
345 Services	10	28,893,967	0	0	0	0	0	28,893,967	0	0	0	0		
346 Meters	9	10,351,171	0	0	0	10,351,171	0	0	0	0	0	0		
347 Meter Installations	9	11,739,206	0	0	0	11,739,206	0	0	0	0	0	0		
348 Fire Hydrants	13	8,734,721	0	0	0	0	0	0	0	0	0	0		
390.1 Office Structures	15	2,719,275	956,913	427,470	448,952	19,035	19,035	0	567,785	182,191	50,579	66,350		
390.2 General Structures - HVAC	15	2,674,685	941,222	420,460	441,590	18,723	18,723	0	558,474	179,204	49,749	65,262		
390.3 Miscellaneous Structures & Improv	15	0	0	0	0	0	0	0	0	0	0	0		
391 Office Furniture and Equipment	15	(652,179)	(229,502)	(102,523)	(107,675)	(4,565)	(4,565)	0	(136,175)	(43,696)	(12,131)	(15,913)		
392.11 Transportation Equip	15	(16,112)	(5,670)	(2,533)	(2,660)	(113)	(113)	0	(3,364)	(1,080)	(300)	(393)		
393 Stores Equipment	15	3,511	1,236	552	580	25	25	0	733	235	65	86		
394 Tools, Shop & Garage Equipment	15	1,327,251	467,060	208,644	219,129	9,291	9,291	0	277,130	88,926	24,687	32,385		
395 Laboratory Equipment	2	29,921	18,135	11,786	0	0	0	0	0	0	0	0		
396 Power Operated Equipment	15	760,593	267,653	119,565	125,574	5,324	5,324	0	158,812	50,960	14,147	18,558		
397 Communication Equipment	15	1,228,549	432,326	193,128	202,833	8,600	8,600	0	256,521	82,313	22,851	29,977		
398 Miscellaneous Equipment	15	876,505	308,442	137,787	144,711	6,136	6,136	0	183,014	58,726	16,393	21,387		
399 Other Tangible Property	15	(173,794)	(61,158)	(27,320)	(28,693)	(1,217)	(1,217)	0	(36,288)	(11,644)	(3,233)	(4,241)		
Boonesboro Water Depr. Reserve	17	(1,282,042)	(469,997)	(189,742)	(262,562)	(101,153)	(101,153)	(131,666)	(6,333)	(2,692)	(32,948)	(82,948)		
Total Depreciable Plant		280,234,090	102,745,503	41,470,509	57,405,417	22,104,041	22,104,041	28,773,353	1,819,008	583,669	7,197,863	18,134,727		

Schedule E

KENTUCKY-AMERICAN WATER COMPANY
 COST OF SERVICE FOR THE TWELVE MONTHS ENDING NOVEMBER 30, 2008, ALLOCATED TO COST FUNCTIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Base (4)	Extra Capacity (5)		Meters (7)	Customer Facilities Services (8)		Customer Accounting Billing & Meter Reading (10)		Fire Service Private Fire (11)		Public Fire (12)
				Max Day (5)	Max Hour (6)		Meters (7)	Services (8)	Collecting (9)	Reading (10)	Private Fire (11)	Public Fire (12)	
OTHER RATE BASE ELEMENTS													
Utility Plant Acquisition Adjustments	17	38,065	13,955	5,634	7,796	3,003	3,909	247	80	978	2,463		
Accumulated Amortization	17	(7,674)	(2,813)	(1,136)	(1,572)	(605)	(788)	(50)	(16)	(197)	(497)		
Contributions/Advances													
Mains	7	(48,551,287)	(19,264,469)	(3,668,406)	(20,430,684)	0	0	0	0	0	(2,245,202)	(2,942,526)	
Meters	9	(526,155)	0	0	0	(526,155)	0	0	0	0	0	0	
Services	10	(17,460,970)	0	0	0	0	(17,460,970)	0	0	0	0	0	
Hydrants	13	(1,405,305)	0	0	0	0	0	0	0	0	0	(1,405,305)	
Construction Work in Progress	15	23,186,818	8,159,441	3,644,968	3,828,144	162,308	0	4,841,408	1,553,517	431,275	565,758		
Working Capital Allowance	15	4,403,000	1,549,416	692,152	726,935	30,821	0	919,346	295,001	81,896	107,433		
Other Working Capital Allowance	15	523,761	184,311	82,335	86,473	3,666	0	109,361	35,092	9,742	12,780		
Deferred Income Taxes	17	(30,854,190)	(11,311,146)	(4,566,420)	(6,318,938)	(2,434,396)	(3,168,725)	(200,552)	(64,794)	(792,953)	(1,986,266)		
Deferred Investment Tax Credits	17	(94,805)	(34,756)	(14,031)	(19,416)	(7,480)	(9,736)	(616)	(199)	(2,436)	(6,134)		
Deferred Maintenance													
Treatment Plant	2	625,158	378,908	246,250	0	0	0	0	0	0	0	0	
Distribution Reservoir	5	1,116,295	381,885	0	572,771	0	0	0	0	69,880	91,759		
Deferred Debits													
Source of Supply	2	1,859,858	1,127,260	732,598	0	0	0	0	0	0	0	0	
General	15	38,065	13,395	5,984	6,285	266	0	7,948	2,550	708	929		
Other Rate Base Elements	17	(1,552,510)	(569,150)	(229,772)	(317,954)	(122,493)	(159,443)	(10,091)	(3,260)	(39,900)	(100,447)		
Community Education Costs	11	0	0	0	0	0	0	0	0	0	0		
Total Other Rate Base Elements		(68,661,876)	(19,373,764)	(3,069,845)	(21,860,161)	(2,891,064)	(20,795,753)	5,667,001	1,817,971	(2,486,209)	(5,670,053)		
Total Original Cost Measure of Value		211,572,214	83,371,740	38,400,665	35,545,256	19,212,977	7,977,599	7,486,009	2,401,640	4,711,655	12,464,675		

Schedule E

KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 19: ALLOCATION OF OTHER REVENUES

The factors are based on the allocation of total cost of service, as follows:

Cost Function	Total Cost of Service	Allocation Factor
(1)	(2)	(3)
Base	\$27,465,442	0.4185
Maximum Day Extra Capacity	10,075,642	0.1535
Maximum Hour Extra Capacity	9,667,775	0.1473
Meters	3,584,942	0.0546
Services	1,650,556	0.0251
Billing and Collecting	7,374,189	0.1124
Meter Reading	2,006,212	0.0306
Private Fire Service	1,200,349	0.0183
Public Fire Service	2,606,637	0.0397
Total	\$65,631,743	1.0000

Schedule F

KENTUCKY-AMERICAN WATER COMPANY

SUMMARY OF AVERAGE DAY AND PEAK DAY DELIVERY FOR THE YEARS 1990-2006

<u>Year</u>	<u>Annual Sendout (MG)</u>	<u>Average Day (MGD)</u>	<u>Peak Day (MGD)</u>	<u>Date</u>	<u>Ratio</u>
(1)	(2)	(3)	(4)	(5)	(6)
2006	15,619	42.79	67.22	8/7	1.57
2005	16,068	44.02	69.65	8/2	1.58
2004	14,931	40.91	56.89	6/29	1.39
2003	15,005	41.11	61.37	7/8	1.49
2002	15,956	43.72	71.82	8/5	1.64
2001	14,962	40.99	56.04	6/19	1.37
2000	14,565	39.90	66.37	6/13	1.66
1999	15,077	41.31	61.18	8/11	1.48
1998	14,799	40.55	64.67	9/14	1.60
1997	14,419	39.50	60.70	7/18	1.54
1996	14,265	39.08	53.70	6/30	1.37
1995	14,549	39.86	63.77	7/14	1.60
1994	14,471	39.65	58.36	6/16	1.47
1993	14,290	39.15	60.39	7/8	1.54
1992	13,303	36.45	47.22	7/13	1.30
1991	13,450	36.85	56.42	8/7	1.53
1990	12,557	34.40	58.05	7/9	1.69

PART III. PROPOSED CUSTOMER RATES

Schedule G

KENTUCKY-AMERICAN WATER COMPANY
COMPARISON OF PRESENT AND PROPOSED RATES
CENTRAL DIVISION

Meter Charges, Per Month:

<u>Meter Size</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
5/8	\$ 7.95	\$ 8.34
3/4	11.94	12.51
1	19.89	20.85
1-1/2	39.77	41.70
2	63.64	66.72
3	119.32	125.10
4	198.86	208.50
6	397.73	417.00
8	636.36	667.20

<u>Consumption Charges:</u>	<u>Per Thousand Gallons</u>		<u>Per CCF</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
Residential	\$2.43167	\$3.52187	\$1.82375	\$2.64140
Commercial	2.25164	3.03973	1.68873	2.27980
Industrial	1.83737	2.46587	1.37803	1.84940
Other Public Authority	2.15695	2.82627	1.61771	2.11970
Sales for Resale	2.15695	2.87720	1.61771	2.15790
Hidden Leak	2.43167	2.97021	1.82375	2.22766

Fire Protection:

<u>Private Fire Line Size</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
	<u>Per Annum</u>	<u>Per Annum</u>
2	\$ 52.23	\$ 70.68
4	208.93	281.88
6	469.57	633.60
8	834.67	1,126.08
10	1,304.23	1,759.68
12	1,878.39	2,534.28
14	2,557.02	3,450.00
16	3,338.93	4,504.92
Private Fire Hydrant	469.57	633.60
Public Fire Hydrant	312.87	397.32

Schedule G

KENTUCKY-AMERICAN WATER COMPANY
 COMPARISON OF PRESENT AND PROPOSED RATES
 NORTHERN DIVISION - TRI-VILLAGE

Meter Charges, Per Month:

<u>Meter Size</u>	<u>Present Minimum Rate</u>	<u>Proposed Rate</u>
5/8	\$ 19.40	\$ 8.34
3/4	19.40	12.51
1	19.40	20.85
1-1/2	19.40	41.70
2	19.40	66.72
3	19.40	125.10
4	19.40	208.50
6	19.40	417.00
8	19.40	667.20

<u>Consumption Charges:</u>	<u>Present Rate</u>		<u>Proposed Rate</u>	
	<u>Per 1,000 Gals.</u>	<u>Per CCF</u>	<u>Per 1,000 Gals.</u>	<u>Per CCF</u>
First 2,000 Gallons	Minimum	Minimum	Applicable Central Div. Rate	
Next 4,000 Gallons	\$ 6.22	\$ 4.665	Applicable Central Div. Rate	
Next 4,000 Gallons	6.10	4.575	Applicable Central Div. Rate	
Next 10,000 Gallons	5.98	4.485	Applicable Central Div. Rate	
Over 20,000 Gallons	5.74	4.305	Applicable Central Div. Rate	
Hidden Leak	-	-	Applicable Central Div. Rate	

Schedule G

KENTUCKY-AMERICAN WATER COMPANY
 COMPARISON OF PRESENT AND PROPOSED RATES
 NORTHERN DIVISION - ELK LAKE SHORES

Meter Charges, Per Month:

<u>Meter Size</u>	<u>Present Minimum Rate</u>	<u>Proposed Rate</u>
5/8	\$ 20.95	\$ 8.34
3/4	20.95	12.51
1	20.95	20.85
1-1/2	20.95	41.70
2	20.95	66.72
3	20.95	125.10
4	20.95	208.50
6	20.95	417.00
8	20.95	667.20

<u>Consumption Charges:</u>	<u>Present Rate</u>		<u>Proposed Rate</u>	
	<u>Per 1,000 Gals.</u>	<u>Per CCF</u>	<u>Per 1,000 Gals.</u>	<u>Per CCF</u>
First 2,000 Gallons	Minimum	Minimum	Applicable Central Div. Rate	
Next 2,000 Gallons	\$ 2.35	\$ 1.7625	Applicable Central Div. Rate	
Over 4,000 Gallons	1.70	1.2750	Applicable Central Div. Rate	
Hidden Leak	-	-	Applicable Central Div. Rate	

Schedule G

KENTUCKY-AMERICAN WATER COMPANY
 COMPARISON OF PRESENT AND PROPOSED RATES
 CITY OF OWENTON

Meter Charges, Per Month:

<u>Meter Size</u>	<u>Present Minimum Per Month</u>			<u>Proposed Rate</u>
	<u>Inside City</u>	<u>Rate B</u>	<u>Rate G</u>	
5/8	\$ 16.77	\$ 39.35	\$ 22.68	\$ 8.34
3/4	16.77	39.35	22.68	12.51
1	19.40	39.35	22.68	20.85
1-1/2	19.40	39.35	22.68	41.70
2	19.40	39.35	22.68	66.72
3	19.40	39.35	22.68	125.10
4	19.40	39.35	22.68	208.50
6	19.40	39.35	22.68	417.00
8	19.40	39.35	22.68	667.20

<u>Inside City</u>	<u>Present Rate</u>		<u>Proposed Rate</u>	
	<u>Per 1,000 Gals.</u>	<u>Per CCF</u>	<u>Per 1,000 Gals.</u>	<u>Per CCF</u>
<u>Consumption Charges:</u>				
First 2,000 Gallons	Minimum	Minimum	Applicable Central Div. Rate	
Next 1,000 Gallons	\$ 6.26	\$ 4.695	Applicable Central Div. Rate	
Next 2,000 Gallons	5.18	3.885	Applicable Central Div. Rate	
Next 5,000 Gallons	4.20	3.150	Applicable Central Div. Rate	
Next 10,000 Gallons	3.42	2.565	Applicable Central Div. Rate	
Next 20,000 Gallons	3.10	2.325	Applicable Central Div. Rate	
Over 40,000 Gallons	3.06	2.295	Applicable Central Div. Rate	
Hidden Leak	-	-	Applicable Central Div. Rate	

Rate B Consumption Charges:

First 6,000 Gallons	Minimum	Minimum	Applicable Central Div. Rate
Next 2,000 Gallons	\$ 6.04	\$ 4.5300	Applicable Central Div. Rate
Over 8,000 Gallons	4.55	3.4125	Applicable Central Div. Rate
Hidden Leak	-	-	Applicable Central Div. Rate

Rate G Consumption Charges:

First 2,000 Gallons	Minimum	Minimum	Applicable Central Div. Rate
Next 2,000 Gallons	\$ 7.56	\$ 5.6700	Applicable Central Div. Rate
Over 4,000 Gallons	4.55	3.4125	Applicable Central Div. Rate
Hidden Leak	-	-	Applicable Central Div. Rate

Schedule H

KENTUCKY-AMERICAN WATER COMPANY
CALCULATION OF MONTHLY SERVICE CHARGES

Cost Function (1)	Cost of Service (Schedule D) (2)	Number of Units (3)	Description (4)	Cost Per Unit Per Month (5)
Meters	\$ 3,417,363	143,820	5/8-inch meter equivalents	\$ 1.98
Services	1,581,029	111,274	3/4-inch service equivalents	1.18
Billing & Collecting	5,420,689	119,088	Number of customers	3.79
Meter Reading	<u>1,985,670</u>	118,924	No. of metered customers	<u>1.39</u>
Total	<u>\$ 12,404,751</u>			<u>\$ 8.34</u>

Meter Size (1)	Capacity Ratio	Present Rate	Proposed Rate
5/8-inch	1.0	\$ 7.95	\$ 8.34
3/4-inch	1.5	11.94	12.51
1-inch	2.5	19.89	20.85
1-1/2-inch	5.0	39.77	41.70
2-inch	8.0	63.64	66.72
3-inch	15.0	119.32	125.10
4-inch	25.0	198.86	208.50
6-inch	50.0	397.73	417.00
8-inch	80.0	636.36	667.20