

**KENTUCKY-AMERICAN WATER COMPANY
COST OF CAPITAL**

As of November 30, 2007

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short-Term Debt	0.60%	5.25%	0.03%
Long-Term Debt	53.20%	6.46%	3.44%
Preferred Stock	2.60%	7.75%	0.20%
Common Equity	43.60%	9.40%	4.10%
Total	100.00%		7.77%

Source: Exhibit_(JRW-1)