

Analysis of Interest Rates - July 16, 2008  
Prepared by Michael Miller

Revised Exhibit MAM-5  
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Value Line Publication Date	As of Market Date	"A" Rated Utility Bonds	30-year Treasury Bonds	Spread	"BBB" Rated Utility Bonds	30-year Treasury Bonds	Spread	10-year Corporate Bonds	10-year Treasury Bonds	Spread	13-Week Treasury Bills	Federal Reserve Rate
1/11/2008	1/2/2008	5.940%	4.350%	1.590%	6.110%	4.350%	1.760%	5.860%	3.900%	1.960%	3.250%	4.250%
1/18/2008	1/9/2008	5.990%	4.340%	1.650%	6.170%	4.340%	1.830%	5.790%	3.820%	1.970%	3.230%	4.250%
1/25/2008	1/16/2008	6.070%	4.340%	1.730%	6.220%	4.340%	1.880%	5.790%	3.740%	2.050%	3.130%	4.250%
2/1/2008	1/23/2008	6.130%	4.310%	1.820%	6.200%	4.310%	1.890%	5.860%	3.600%	2.260%	2.220%	3.500%
2/8/2008	1/30/2008	6.060%	4.380%	1.680%	6.150%	4.380%	1.770%	5.600%	3.670%	1.930%	2.150%	3.000%
2/15/2008	2/6/2008	6.020%	4.360%	1.660%	6.200%	4.360%	1.840%	5.540%	3.590%	1.950%	2.090%	3.000%
2/22/2008	2/13/2008	6.200%	4.540%	1.660%	6.350%	4.540%	1.810%	5.780%	3.730%	2.050%	2.260%	3.000%
2/29/2008	2/20/2008	6.150%	4.610%	1.540%	6.330%	4.610%	1.720%	5.820%	3.890%	1.930%	2.220%	3.000%
3/1/2008	2/27/2008	6.200%	4.650%	1.550%	6.480%	4.650%	1.830%	5.810%	3.850%	1.960%	1.960%	3.000%
3/14/2008	3/5/2008	6.280%	4.600%	1.660%	6.390%	4.600%	1.790%	5.960%	3.670%	2.290%	1.490%	3.000%
3/21/2008	3/12/2008	6.080%	4.410%	1.670%	6.270%	4.410%	1.860%	6.050%	3.460%	2.590%	1.410%	3.000%
3/28/2008	3/19/2008	5.960%	4.410%	1.750%	6.140%	4.210%	1.930%	5.890%	3.300%	2.590%	0.560%	2.250%
4/4/2008	3/26/2008	6.030%	4.310%	1.720%	6.240%	4.310%	1.930%	6.060%	3.460%	2.600%	1.270%	2.250%
Quarterly Average		6.084%	4.416%	1.668%	6.250%	4.416%	1.834%	5.832%	3.668%	2.164%	2.095%	3.212%
4/11/2008	4/2/2008	6.160%	4.410%	1.750%	6.250%	4.410%	1.840%	6.300%	3.600%	2.700%	1.370%	2.250%
4/18/2008	4/9/2008	6.140%	4.320%	1.820%	6.280%	4.320%	1.960%	6.060%	3.480%	2.580%	1.300%	2.250%
4/25/2008	4/16/2008	6.280%	4.490%	1.790%	6.400%	4.490%	1.910%	6.110%	3.690%	2.420%	1.120%	2.250%
5/2/2008	4/23/2008	6.150%	4.490%	1.660%	6.270%	4.490%	1.780%	6.030%	3.730%	2.300%	1.210%	2.250%
5/9/2008	4/30/2008	6.120%	4.470%	1.650%	6.310%	4.470%	1.840%	5.910%	3.730%	2.180%	1.380%	2.000%
5/16/2008	5/7/2008	6.390%	4.610%	1.780%	6.390%	4.610%	1.800%	5.740%	3.850%	1.890%	1.660%	2.000%
5/23/2008	5/14/2008	6.100%	4.610%	1.490%	6.410%	4.610%	1.800%	5.680%	3.910%	1.770%	1.820%	2.000%
5/30/2008	5/21/2008	6.040%	4.540%	1.500%	6.360%	4.540%	1.820%	5.540%	3.810%	1.730%	1.860%	2.000%
6/6/2008	5/28/2008	6.130%	4.690%	1.440%	6.470%	4.690%	1.780%	5.720%	4.000%	1.720%	1.880%	2.000%
6/13/2008	6/4/2008	6.230%	4.700%	1.530%	6.500%	4.700%	1.800%	5.740%	3.960%	1.760%	1.840%	2.000%
6/20/2008	6/11/2008	6.230%	4.690%	1.540%	6.500%	4.690%	1.810%	5.860%	4.070%	1.790%	1.940%	2.000%
6/27/2008	6/18/2008	6.270%	4.710%	1.560%	6.500%	4.710%	1.790%	6.100%	4.140%	1.960%	1.920%	2.000%
7/4/2008	6/25/2008	6.250%	4.640%	1.610%	6.480%	4.640%	1.840%	6.220%	4.100%	2.120%	1.790%	2.000%
Quarterly Average		6.192%	4.567%	1.625%	6.394%	4.567%	1.827%	5.924%	3.853%	2.071%	1.622%	2.077%
7/11/2008	7/1/2008	6.240%	4.550%	1.690%	6.430%	4.550%	1.880%	6.370%	4.000%	2.370%	1.860%	2.000%
7/18/2008	7/9/2008	6.250%	4.420%	1.830%	6.350%	4.420%	1.930%	6.080%	3.810%	2.270%	1.790%	2.000%
7/25/2008	7/16/2008	6.350%	4.590%	1.760%	6.560%	4.590%	1.970%	6.200%	3.930%	2.270%	1.790%	2.000%
8/1/2008	7/23/2008	6.350%	4.670%	1.680%	6.650%	4.670%	1.980%	6.400%	4.120%	2.280%	1.550%	2.000%
8/8/2008	7/30/2008	6.310%	4.650%	1.660%	6.780%	4.650%	2.130%	6.380%	4.040%	2.340%	1.680%	2.000%
8/15/2008	8/6/2008	6.370%	4.700%	1.670%	6.860%	4.700%	2.160%	6.340%	4.050%	2.290%	1.650%	2.000%
8/22/2008	8/13/2008	6.270%	4.560%	1.710%	6.750%	4.560%	2.190%	6.200%	3.930%	2.270%	1.830%	2.000%
8/29/2008	8/20/2008	6.170%	4.450%	1.720%	6.650%	4.450%	2.200%	6.460%	3.800%	2.660%	1.680%	2.000%
9/5/2008	8/27/2008	6.150%	4.380%	1.770%	6.570%	4.380%	2.190%	6.600%	3.760%	2.840%	1.670%	2.000%
9/12/2008	9/3/2008	6.130%	4.320%	1.810%	6.540%	4.320%	2.220%	6.990%	3.700%	2.990%	1.680%	2.000%
9/19/2008	9/10/2008	6.040%	4.230%	1.810%	6.510%	4.230%	2.260%	6.510%	3.700%	2.880%	1.640%	2.000%
9/26/2008	9/17/2008	5.940%	4.070%	1.870%	6.510%	4.070%	2.440%	6.779%	3.410%	3.369%	0.800%	2.000%
10/3/2008	9/24/2008	6.500%	4.410%	2.090%	6.740%	4.410%	2.330%	7.140%	3.810%	3.330%	0.460%	2.000%
Quarterly Average		6.236%	4.462%	1.775%	6.606%	4.462%	2.145%	6.473%	3.845%	2.628%	1.480%	2.000%

10/10/2008	10/1/2008	6.460%	4.220%	2.240%	6.610%	4.220%	2.390%	7.250%	3.740%	3.510%	0.800%	2.000%
10/17/2008	10/8/2008	6.580%	4.050%	2.530%	6.930%	4.050%	2.880%	7.340%	3.640%	3.700%	0.610%	1.500%
10/24/2008	10/15/2008	6.670%	4.190%	2.480%	7.030%	4.190%	2.840%	8.190%	3.950%	4.240%	0.210%	1.500%
10/31/2008	10/22/2008	6.540%	4.060%	2.480%	6.590%	4.060%	3.590%	8.480%	3.590%	4.890%	1.010%	1.500%
11/7/2008	10/29/2008	7.270%	4.230%	3.040%	7.290%	4.230%	3.060%	8.950%	3.860%	5.090%	0.580%	1.000%
11/14/2008	11/5/2008	7.250%	4.180%	3.070%	7.450%	4.180%	3.270%	9.320%	3.700%	5.620%	0.390%	1.000%
11/21/2008	11/12/2008	7.620%	4.170%	3.450%	8.070%	4.170%	3.900%	9.340%	3.650%	5.690%	0.140%	1.000%
11/28/2008	11/19/2008	7.340%	3.910%	3.430%	8.200%	3.910%	4.290%	8.730%	3.320%	5.410%	0.060%	1.000%
12/5/2008	11/25/2008	7.200%	3.620%	3.580%	7.950%	3.620%	4.330%	8.590%	3.110%	5.480%	0.100%	1.000%
12/12/2008	12/3/2008	6.830%	3.120%	3.710%	7.580%	3.120%	4.460%	8.090%	2.620%	5.470%	0.010%	1.000%
12/19/2008	12/3/2008	6.790%	3.090%	3.700%	7.550%	3.090%	4.460%	8.290%	2.680%	5.610%	0.010%	1.000%
12/26/2008	12/10/2008	6.280%	2.650%	3.610%	7.090%	2.650%	4.440%	7.500%	2.190%	5.310%	0.010%	0.250%
1/2/2009	12/23/2008	5.900%	2.630%	3.270%	7.070%	2.630%	4.440%	7.080%	2.160%	4.920%	0.010%	0.250%
1/9/2009	12/30/2008	5.850%	2.560%	3.290%	6.580%	2.560%	4.020%	7.080%	2.050%	5.030%	0.090%	0.250%
Quarterly Average		6.754%	3.620%	3.134%	7.285%	3.620%	3.665%	8.159%	3.161%	4.998%	0.288%	1.018%
1/16/2009	1/7/2009	6.070%	3.040%	3.030%	6.720%	3.040%	3.680%	7.560%	2.490%	5.070%	0.090%	0.250%
1/23/2009	1/14/2009	5.880%	2.890%	2.980%	6.600%	2.890%	3.710%	7.150%	2.200%	4.950%	0.090%	0.250%
1/30/2009	1/21/2009	6.030%	3.160%	2.870%	6.680%	3.160%	3.500%	7.970%	2.540%	5.430%	0.110%	0.250%
2/6/2009	1/28/2009	6.100%	3.420%	2.680%	7.040%	3.420%	3.620%	7.960%	2.670%	5.290%	0.180%	0.250%
2/13/2009	2/4/2009	6.000%	3.680%	2.320%	7.270%	3.680%	3.590%	8.030%	2.940%	5.090%	0.290%	0.250%
2/20/2009	2/11/2009	5.600%	3.440%	2.160%	7.000%	3.440%	3.560%	8.090%	2.750%	5.340%	0.290%	0.250%
2/27/2009	2/18/2009	5.740%	3.550%	2.190%	7.070%	3.550%	3.520%	8.330%	2.760%	5.570%	0.300%	0.250%
				0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
				0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
				0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Quarterly Average		5.917%	3.311%	2.606%	6.909%	3.311%	3.597%	7.870%	2.621%	5.249%	0.193%	0.250%
<b>Current Bond Rates</b>		<b>"A" Rated 2009 Bond Rate</b>	<b>11-21-08 Value Line 30 Yr. T-Bond Forecast For 2009/2010</b>	<b>Avg. Spread</b>	<b>"BBB" Rated 2009 Bond Rate</b>	<b>11-21-08 Value Line 30 Yr. T-Bond Forecast For 2009/2010</b>	<b>Avg. Spread</b>	<b>10 Yr. "A" Rated 2009 Bond Rate</b>	<b>11-21-08 Value Line 10 Yr. T-Bond Forecast For 2009/2010</b>	<b>Avg. Spread</b>		
Latest 4 qtr. Avg.		5.600%	3.550%	2.050%	5.918%	3.550%	2.368%	6.065%	3.100%	2.965%		
Latest 2 Qtr. Avg.		6.004%	3.550%	2.454%	6.455%	3.550%	2.905%	6.913%	3.100%	3.813%		
Latest Qtr.		6.684%	3.550%	3.134%	7.215%	3.550%	3.665%	8.098%	3.100%	4.998%		
MTD January 2009		6.156%	3.550%	2.606%	7.147%	3.550%	3.597%	8.349%	3.100%	5.249%		

**Used in Update to the Case :**  
January 2009 "BBB" Utility Bond Rate  
Market Entrance Fee  
**Forecasted Long-term Bond Rate**

7.150%  
~~0.250%~~  
**7.400%**

**Kentucky American Water Company  
Calculation of Short-term Interest Rate  
Based on 5 Months ending June 2008**

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	<b>Weighted Monthly Avg. ST Debt Interest Rate</b>	<b>Avg. Fed Funds Rate for the Month</b>	<b><u>Avg. Spread</u></b>
Jan-09	0.87%	0.25%	0.62%
December	2.80%	0.55%	2.25%
November	3.33%	1.00%	2.33%
October	4.07%	1.50%	2.57%
September	3.27%	2.00%	1.27%
August	2.96%	2.00%	0.96%
July	2.96%	2.00%	0.96%
June	3.04%	2.00%	1.04%
May	3.28%	2.00%	1.28%
April	3.22%	2.25%	0.97%
March	3.48%	2.63%	0.85%
February	4.12%	3.00%	<u>1.12%</u>
<b>Quarterly Average Spread</b>			1.35%
<b>Forecast of 2009/2010 Fed Funds Rate Per "Value Line" Publication of 5-23-08</b>			<u>1.57%</u>
<b>Forecasted ST Interest Rate For the 2009 Rate Year</b>			<b>2.92%</b>