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KENTUCKY-AMERICAN WATER COMPANY CASE NO. 2008-00427 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_103108.pdf.

Supplemental Response:

Please see the revised Cost of Service Study.

For electronic version, refer to KAW_SAPP_EX36_030909.pdf.

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> Exhibit No. 36-REVISED Witness: P. R. Herbert

KENTUCKY AMERICAN WATER COMPANY Lexington, Kentucky

REVISED

COST OF SERVICE

ALLOCATION STUDY

AS OF MAY 31, 2010

AND

PROPOSED CUSTOMER RATES

MARCH 3, 2009

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION

Harrisburg, Pennsylvania

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES FOR THE TWELVE MONTHS ENDING MAY 31, 2010

	Cost of Service	ervice					Proposed Increase	ICTEASE
Customer	Amount (Schodulo B)	1.000	Revenues, Present Rates	sent Rates	Revenues, Proposed Rates	ed Rates		Percent
(1)	(2)	(3)	(4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Increase (9)
Residential	\$ 39,541,202	52.2%	\$ 30,609,961 (a)	1) 53.7%	\$ 39,844,720 (a)	52.8%	\$ 9,234,759	30.2%
Commercial	20,385,654	26.9%	15,056,532	26.5%	20,285,729	26.9%	5,229,197	34.7%
Industrial	2,718,748	3.6%	1,623,443	2.9%	2,271,313	3.0%	647,870	39.9%
Public Authority	6,235,453	8.2%	4,508,892	7.9%	6,205,880	8.2%	1,696,988	37.6%
Sales for Resale	1,941,531	2.6%	1,388,967	2.4%	1,929,638	2.6%	540,671	38.9%
Private Fire Service	1,835,908	2.4%	1,283,769	2.3%	1,784,526	2.4%	500,757	39.0%
Public Fire Service	3,113,541	4.1%	2,428,896	4.3%	3,073,261	4.1%	644,365	26.5%
Total Sales	75,772,037	100.0%	56,900,460	100.0%	75,395,067	100.0%	18,494,607	32.5%
Other Revenues	5,620,686		\$5,620,686		5,620,686		I	0.0%
Total	\$ 81,392,723		\$ 62,521,146		\$ 81,015,753		\$ 18,494,607	29.6%
(a) Includes miscellaneous water sales.	neous water sales.							

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COST OF SERVICE BY CUSTOMER CLASSIFICATION AND COST FUNCTION

ervice	Public Fire (10)	\$118,260					1,393			2,993,888	\$3,113,541
Fire Service	Private Fire (9)	\$86,956			38,157	119,947	80,809	25,025	1,485,014		\$1,835,908
	Sales for Resale (8)	\$1,297,378	431,872	198,333	11,177	1,411	929	431			\$1,941,531
	Public Authorities (7)	\$3,913,004	1,397,645	731,749	120,254	32,456	27,401	12,944			\$6,235,453
	Industrial (6)	\$1,763,460	588,409	345,045	16,573	2,540	1,858	863			\$2,718,748
	Commercial (5)	\$11,311,190	4,577,289	3,075,518	629,020	294,364	339,492	158,781			\$20,385,654
	Residential (4)	\$16,292,009	6,981,239	4,705,651	3,039,106	2,371,565	4,192,329	1,959,303			\$39,541,202
Cost of	Service (Schedule D) (3)	\$34,782,256	13,976,454	9,056,296	3,854,288	2,822,283	4,644,210	2,157,349	1,485,014	2,993,888	\$75,772,038
L	Factor Ref.* (2)	۲	В	U	Ω	ш	u.	ი	I		
	Cost Function (1)	Base	Extra Capacity - Maximum Day	Extra Capacity - Maximum Hour	Customer Facilities - Meters	Customer Facilities - Services	Billing and Collecting	Meter Reading	Private Fire	Public Fire	Total

ALLOCATION OF COST OF SERVICE BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

KENTUCKY-AMERICAN WATER COMPANY

* Schedule C.

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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, <u>CCF</u> (2)	Allocation Factor (3)
Residential	23,032	0.4684
Commercial	15,993	0.3252
Industrial	2,495	0.0507
Other Public Authority	5,533	0.1125
Sales for Resale	1,833	0.0373
Private Fire Protection	121	0.0025
Public Fire Protection	166	0.0034
Total	49,173	1.0000

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	23,032	0.90	20,729	0.4995
Commercial	15,993	0.85	13,594	0.3275
Industrial	2,495	0.70	1,747	0.0421
Other Public Authority	5,533	0.75	4,150	0.1000
Sales for Resale	1,833	0.70	1,283	0.0309
Total	48,886		41,503	1.0000

* Ratio of Maximum Day To Average Day Minus 1.0.

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, <u>CCF</u> (2)	Factor* (3)	Rate of Flow, CCF Per Hour (4)=(2)x(3)	Allocation Factor (5)
Residential	959.7	1.70	1,631.5	0.5196
Commercial	666.4	1.60	1,066.2	0.3396
Industrial	104.0	1.15	119.6	0.0381
Other Public Authority	230.5	1.10	253.6	0.0808
Sales for Resale	76.4	0.90	68.8	0.0219
Total	2,037.0		3,139.7	1.0000

* 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	5/8" Dollar	Allocation
Classification	Equivalents	Factor
(1)	(2)	(3)
Residential	113,279	0.7885
Commercial	23,441	0.1632
Industrial	623	0.0043
Other Public Authority	4,477	0.0312
Sales for Resale	414	0.0029
Private Fire Protection	1,415	0.0099
Total	143,649	1.0000

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

tal	Weighting (16)	115,671	7,643	1,161	15,162	84	2,268	1,160	500	143,649
Total	Number of Meters (15)	115,671	4,246	215	2,166	Ģ	84	29	10	122,427
Protection	Weighting (14)=(2)X(11)	1,415	0	0	0	0	0	0	0	1,415
Private Fire Protection	Number of Meters (13)	1,415	0	0	0	0	0	0	0	1,415
Resale	Weighting (12)=(2)X(11)	0	0	16	49	0	189	160	0	414
Sales for Resale	Number of Meters (11)	0	0	ю	2	ο	7	4	0	21
c Authority	Weighting (10)=(2)X(9)	133	317	146	2,422	0	666	360	100	4,477
Other Public Authority	Number of Meters (9)	133	176	27	346	0	37	σ	2	730
trial	Weighting (8)=(2)X(7)	ы	4	S	168	0	324	120	0	623
Industrial	Number of Meters (7)	Ν	7	-	24	0	12	n	0	44
iercial	Weighting (6)=(2)X(5)	4,795	4,120	918	11,928	84	756	440	400	23,441
Commercial	Number of Meters (5)	4,795	2,289	170	1,704	9	28	5	8	9,011
ential	Weighting (4)=(2)X(3)	109,326	3,202	76	595	0	٥	80	0	113,279
Residential	Number of Meters (3)	109,326	1,779	14	85	0	0	0	0	111,206
5/8"	Dollar Equivalent (2)	1.0	.8	5.4	7.0	14.0	27.0	40 0	50.0	··
	Size (1)	5/8		1-1/2	0	б	4	9	ω	Total

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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.

Customer Classification (1)	3/4" Dollar Equivalents (2)	Allocation Factor (3)
Residential	113,127	0.8403
Commercial	14,041	0.1043
Industrial	120	0.0009
Other Public Authority	1,550	0.0115
Sales for Resale	65	0.0005
Private Fire Protection	5,719	0.0425
Total	134,622	1.0000

FACTOR F. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification (1)	Total Customers (2)	Allocation Factor (3)
Residential	111,206	0.9027
Commercial	9,011	0.0731
Industrial	44	0.0004
Other Public Authority	730	0.0059
Sales for Resale	21	0.0002
Private Fire Protection	2,147	0.0174
Public Fire Protection	38	0.0003
Total	123,197	1.0000

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

jej	Ĩ	(19) 84 256	38,492	473	5,333	1,524	3,192	1,239	62	38	13	134,622
Total	0 8	(10) 84.256	19,246	215	2,222	435	798	243	7	4	-	107,427
Protection	Weighting	0	0	0	134	1,208	3,076	1,188	62	38	13	5,719
Private Fire Protection	Number of Services		0	o	56	345	269	233	7	4	-	1,415
. Resale	Weighting	0	0	7	17	25	16	0	0	0	0	65
Sales for Resale	Number of Services	0	0	ы	7	7	4	0	0	0	0	21
c Authority	Weighting (10)⇒(2)X/9)	133	352	59	830	130	36	10	0	0	0	1,550
Other Public Authority	Number of Services	133	176	27	346	37	6	7	0	0	0	730
trial	Weighting (8)=(2)X(7)	2	4	64	58	42	12	0	0	0	0	120
Industrial	Number of Services	7	6	۴	24	12	ы	0	0	0	0	44
	Weighting (6)=(2)X(5)	4,795	4,578	374	4,090	119	44	41	0	0	0	14,041
Commercial	Number of Services (5)	4,795	2,289	170	1,704	34	11	80	0	0	0	9,011
ential	VVeighting (4)=(2)X(3)	79,326	33,558	31	204	0	8	0	0	0	0	113,127
Residential	Number of Services (3)	79,326 *	16,779 *	14	85	Q	0	0	0	0	0	96,206
3/4"	Dollar Equivalent (2)	1.00	2.00	2.20	2.40	3.50	4.00	5 10	8 90	9 50	12.70	
	Service Size (1)	3/4	-	1-1/2	5	4	9	80	10	12	>12	Total

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

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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.

Customer	Total Metered	Allocation
Classification	Customers	Factor
(1)	(2)	(2)
Residential	111,206	0.9082
Commercial	9,011	0.0736
Industrial	44	0.0004
Other Public Authority	730	0.0060
Sales for Resale	21	0.0002
Private Fire Protection	1,415	0.0116
Total	122,427	1.0000

FACTOR H. ALLOCATION OF PRIVATE FIRE PROTECTION COSTS.

These costs are assigned directly to Private Fire Protection.

Cost Function	Allocation Factor
(1)	(2)
Private Fire Protection	1.0000

FACTOR I. ALLOCATION OF PUBLIC FIRE PROTECTION COSTS.

These costs are assigned directly to Public Fire Protection.

Cost	Allocation
Function	Factor
(1)	(2)
Public Fire Protection	1.0000

	Factor	Cost of		00 11 11	-41000		3455 L	Customer Accounting	CCOUNTING	FIRE SERVICE	VICE
Account	Ref.	Cust of Service	Base -	Max Day Max	pacity Max Hour	Uustomer Facilities Meters Service	Facilities Services	Billing & Collecting	Meter Reading	Private Fire	Public Fire
(1)	(2)	(3)	(4)	(5)	(9)	(2)	(8)	(6)	(10)	(11)	(12)
OPERATION AND MAINTENANCE EXPENSES	0										
SOURCE OF SUPPLY EXPENSES											
600 Supervision & Engineering	ç	c	c	c	c	c	c	d	¢	c	¢
	4	2	2	0	0	þ	5	Þ	5	D	Ð
Expenses	2	0	0	0	0	c	c	C	C	C	C
	2	0	0	0	,	,	•	,	,	>	•
		114,586	114,586	0	0	0	0	0	0	0	0
	7	41,523	25,167	16,356	0	0	0	0	0	0	0
604 Rents	1	0	0	0	0	0	0	0	0	0	0
Total Operation		156,109	139,753	16,356	0	0	0	0	0	0	0
-MAINTENANCE-											
	5	0	0	0	0	0	0	C	C	C	C
612 Maint Coll & Impound Res	6	0	0	0	0	0	0	0	, o	• c	
613.1 Maint Lakes, River & Intakes	7	0	0	0	0	0	0	• 0	0	0	0
	7	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	7	0	0	0	0	0	0	0	0	0	0
617 Maint Misc Water Source		0									
Expenses	0	169,450	102,704	66,746	0	0	0	0	0	0	0
Lavo	1	0	0	0	0	0	0	0	0	0	0
Total Maintenance		169,450	102,704	66,746	0	0	0	0	0	0	0
Total Source of Supply		325,559	242,457	83,102	0	0	0	0	0	0	0
POWER AND PUMPING EXPENSES											
620 Pumping Supervision & Eng Electric 622 Pump Power Prod Labor & Exp	9	0	0	0	0	0	0	0	0	0	0
	ų	C	C	c	c	c	c	c	c	¢	c
	о Ф	0	0	00				5 0) (50	50
	-	3,600,382	3,600,382	0	, o	00	00	0	00	00	- C
624 Pump Labor and Expenses											1
Expenses	9	0	0	0	0	0	0	0	0	0	0
Labut 626 - Misc Dymeina Evenence Flantic	ω.	0	0	0	0	0	0	0	0	0	0
62 Doute	٥	3,060	1,677	976	264	0	0	0	0	60	83
-	ا م	0	0	0	0	0	0	0	0	0	0
Total Operation		3,603,442	3,602,059	976	264	0	0	0	0	60	83
				×							

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		Factor	Cost of		Extra Capacity	pacity	Customer Facilities	Facilities	Billing & Meter	Meter	Private P	Public
(1) (2) (3) (4) (5) (6) (10) (10) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11) (11)	Account	Ref.	Service	Base	Max Day	Max Hour	Meters	Services	Collecting	Reading	Fire	Fire
NULL NULL NULL NULL <t< th=""><th>(1)</th><th>(2)</th><th>(3)</th><th>(4)</th><th>(5)</th><th>(9)</th><th>(1)</th><th>(8)</th><th>(6)</th><th>(10)</th><th>(11)</th><th>(12)</th></t<>	(1)	(2)	(3)	(4)	(5)	(9)	(1)	(8)	(6)	(10)	(11)	(12)
State-tion (Section (Sect	-MAINTENANCE-											
Theme Since is the fundate teaction: Image since teaction: Image since set since Image sinc Image since Image	630 Supervision & Engineering	9	197,097	108,029	62,854	16,990	0	0	0	0	3 883	5341
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Fund Main Funding Equipment 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0<	Expenses	9	0	0	0	0	0	0	0	0	0	0
		9	0	0	0	0	0	0	0	0	0	0
Mathematication 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Expenses	9	0	0	0	0	0	0	0	0	0	0
Total Native 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 <t< td=""><td></td><td>9</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td></td></t<>		9	0	0	0	0	0	0	0	0	0	
Expension 6 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0									,	,	0	>
Lobort 6 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 </td <td>Expenses</td> <td>9</td> <td>0</td> <td>0</td> <td>0</td> <td>C</td> <td>С</td> <td>C</td> <td>c</td> <td>C</td> <td>C</td> <td>C</td>	Expenses	9	0	0	0	C	С	C	c	C	C	C
Total Manterance 197,037 198,029 22,84 16,900 0 0 0 3,803 al Power and Pumping 3,90,539 3,710,089 63,830 17,254 0 0 0 3,943 EX TREATMENT 3,90,539 3,710,089 63,830 17,254 0 0 0 0 3,943 EX TREATMENT 3,90,539 3,710,089 63,830 17,254 0 0 0 0 3,943 EX TREATMENT 2,746,803 2,746,803 2,746,803 2,746,803 2,746,803 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 <td< td=""><td>Labor</td><td>9 9</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>00</td></td<>	Labor	9 9	0	0	0	0	0	0	0	0	0	00
Information 3800.59 3,710.08 3330 17,264 0 0 0 0 3,903 ERTRATIMENT ERTRATIMENT 2 3,00.593 3,710.086 3,310 17,264 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Total Maintenance		197,097	108,029	62,854	16,990	0	0	0	0	3,883	5,341
EX TREATMENT EX TREATMENT EX TREATMENT FEA.TOL. EXATOL 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Total Power and Pumping		3,800,539	3,710,088	63,830	17,254	0	0	0	0	3,943	5,424
Supervision and Engineering Tommass 2 815,083 244,022 321,061 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	WATER TREATMENT -OPERATION-											
Total Application 2 315,033 44,022 321,061 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0												
Offenenses 1 2/46.06 2/46.06 2/46.06 2/46.06 2/46.06 2/46.06 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0<		.7	815,083	494,022	321,061	0	0	0	0	0	0	0
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	042 Labor and Expenses											\$
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4 General Liability 586,126 Employee Pensions and Benefits 15 386,126 Regulatory Expenses 19 355,582 Miscellameous General Expense 15 1,190,104 Administrative and General Rents 15 27,504 Total Operation 16 448,879 4	nsation	16	165.350		010,42	170'77	-,-,+	0,245	33,510	11,393	2,/39	3,767
Employee Pensions and Benefits163,749,4401,Regulatory Expenses193,55,682Miscellaneous General Expense151,190,104Administrative and General Rents1527,504Total Operation16,449,8794		5 t	386 176	100,000	21.40K	2000'/7	2,303	10,940	11,684	18,079	3,074	4,214
Regulatory Expenses 19 3,55,582 Miscellaneous General Expense 15 1,190,104 Miscellaneous General Expense 15 1,190,104 Administrative and General Rents 15 27,504 Total Operation 16,449.879 4	ons and Benefits	2 4	071,000	12/1/271	00,0,00	7/0'00	4,402	20,465	83,133	28,264	6,796	9,344
Negrotory Concernance 15 1,190,104 Administrative and General Rents 15 1,190,104 16,140 Administrative and General Rents 15 27,564 1 Total Operation 16,449.879 4 4		2 4	0,144,247,0	1,308,927	623,532	614,533	53,617	248,213	265,085	410,189	69,740	95,611
Miscellatricus General Rents 15 1,104 Administrative and General Rents 15 27,504 Total Operation 16,449.879 4		<u>.</u>	290,000	158,447	64,467	41,141	17,850	12,623	30,936	9,458	6,827	13,832
Total Operation 15 27,504 10 Comparison 15 27,504 19 Comparison 16,449,879 4 90		<u> </u>	1,190,104	3/7,501	170,661	172,208	13,567	63,076	256,229	87,116	20,946	28,801
16.449.879		2	27,504	8,724	3,944	3,980	314	1,458	5,922	2,013	484	666
			16 AAO 870	100 200 4	007 727 C							
			5	- 04 - 07 F	511111	100'101'7	189,000	809,769	4,332,216	1,180,765	258,295	359,306

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	I							Customer Accounting	ccounting	Fire Service	vice
Account	Factor Ref.	Cost of Service	Base	Extra Capacity Max Dav Max	apacity Max Hour	Customer Facilities Meters Servic	Facilities Services	Billing & Collecting	Meter	Private Fire	Public Fire
(1)	(5)	(3)	(4)	(5)	(9)	(2)	(8)	(6)	(10)	(11)	(12)
-MAINTENANCE- 932 Maintenance of General Plant Total Maintenance	15	141,244	44,803	20,254	20,438	1,610	7,486	30,410	10,339	2,486	3,418
Total Administrative and General Expenses		16,591,123	5,042,094	2,191,361	2,172,019	191,160	817,255	4,362,626	1,191,104	260,781	362,724
Total Operation and Maintenance Expenses	·	32,504,361	14,704,040	3,504,158	3,496,773	295,970	1,302,351	6,333,270	1,861,200	422,254	584,343
503 DEPRECIATION EXPENSE											
301 Organization	17	a	C	C	c	c	c	c	c	c	c
	15	0	00	0	> 0	0 0) C				о с
-	17	110,411	43,690	20,404	17,975	12,222	3,666	1,215	409	3,036	7.795
310 Latid and Land Rights 311 Source of Sunaly Struct & Improve	C4 C	0 000		0 10	0	0	0	0	0	0	0
-	J ←	34,66U 15 187	781.21	31,373		00	00	0 0	0 0	0 0	0
	. 61	12,300	7,455	4.845	00	00		э с	00	00	00
	5	0	0	0	0	00	0	00	00	00	0
	2	93,528	56,687	36,841	0	0	0	0	0	0	0
327 Pumping Structures & Improvements	ю (106,264	58,243	33,888	9,160	0	0	0	0	2,093	2,880
	0 «	0 25 001	0 112	0101		0 0	0	0	0	0	0
	9 0	382 418	209.603	121053	2,157	0 0	00	0 0	0	493	678
	9	17,894	9,808	5,706	1.542	00	о с		э с	1,534	10,364
	9	20,106	11,020	6,412	1,733	, o	, o	0		396	400 545
331 Water Treat Structures & Improv	0	166,570	100,958	65,612	0	0	0	0) O	0	0
	N C	689,985 ô	418,200	271,785	0	0	0	0	0	0	0
	14	000.96	0 460	0 0, 1	0 000 0,	0	0	0	0	Ö	0
	ţ	287 033	87,408 87,096	- 409 0	10,808	1,938	8,978 õ	0	0	1,448	1,989
	>	222	000,10	5	/00'001	5	C	0	0	29,191	40,099
Distribution	4	1,507,677	531,908	0	798,013	0	C	С	c	020 07	102 824
	ო	946,523	529,012	343,872	0	0	0	. 0) C	31 046	42 594
	10	565,209	0	0	0	0	565,209	0	0	0	0
	თ	432,436	0	0	0	432,436	0	0	0	, c) C
	о	466,552	0	0	0	466,552	0	0	0	0	
240 Other Pydramts	ç Ç	174,898	0	0	0	0	0	0	0	0	174.898
380 Tand and Land Diret.	4	0	0	0	0	0	0	0	0	0	0
	15	о (0	0	0	0	0	0	0	0	0
.	0 v	0,00	0	0	0	0	0	0	0	0	0
390.2 Stores Shon and Car Structures	Ωų	90,486	28,702	12,976	13,093	1,032	4,796	19,482	6,624	1,593	2,190
390.3 Miscellaneous Structures & Improv	<u>c</u> ų	23,/3/	/,529 57,525	3,404	3,435	271	1,258	5,111	1,738	418	574
391 Office Furniture and Equipment	<u>ה</u> ע	01,910 246 466	25,983	11,746	11,853	934	4,341	17,636	5,996	1,442	1,982
Ñ	0 4 0	661,612 110,001	68,247 20.007	30,853 17 625	31,133	2,453	11,403	46,323	15,749	3,787	5,207
	2	176,011	20,301	C70'JI	11,100	1,401	6,514	26,463	8,997	2,163	2,974

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	Factor	Cost of		Extra Canacity	nacity	Customer Facilities	Facilities .	Customer Accounting Billing & Matar	.ccounting Mater	Fire Service	Vice
	Servic	æ	Base	Max Day	Max Hour	Meters	Services	Collecting	Reading	Fire	Fire
(2) (3)	(3)		(4)	(5)	(9)	(2)	(8)	(6)	(10)	(11)	(12)
15 312,827	312,82	27	99,229	44,859	45,266	3,566	16,580	67.352	22,899	5 506	7 570
15 114,635	114,6;	35	36,362	16,439	16,588	1,307	6,076	24,681	8,391	2.018	2.774
	7'2'	6 <u>1</u>	2,395	1,083	1,092	86	400	1,625	553	133	183
*	129,23	35	40,993	18,532	18,700	1,473	6,849	27,824	9,460	2.275	3.127
	69,78	õ	22,134	10,006	10,097	795	3,698	15,024	5,108	1,228	1,689
	41,16	2	13,056	5,902	5,956	469	2,182	8,862	3,013	724	966
	27,23		8,638	3,905	3,940	310	1,443	5,863	1,993	479	629
	1,75	7	557	252	254	20	63	378	129	31	43
	142,75	~ ~	45,281	20,470	20,656	1,627	7,566	30,734	10,449	2,512	3,455
	84,41	4	51,165	33,252	0	0	0	0	0	0	0
	70,86	e	22,478	10,162	10,254	808	3,756	15,257	5,187	1.247	1.715
.	139,811	_	44,348	20,049	20,231	1,594	7,410	30,101	10,234	2,461	3,383
Q	66,766		21,178	9,574	9,661	761	3,539	14,375	4,887	1,175	1,616
15 7,686	7,686	. 1	2,438	1,102	1,112	88	407	1,655	563	135	186
7,901,661	7,901,661		2,739,248	1,230,332	1,246,117	932,144	666,164	359,959	122,378	179,847	425,472
	71,346		32,719	17,416	8,183	5,073	1,584	642	221	1,691	3.817
18 13,051 2 412,192	13,051 412,192		5,985 249,830	3,186 162,362	1,497 0	928 0	290 0	117 0	40	309 0	698 0
496,589	496,589		288,534	182,964	9,680	6,001	1,874	760	262	2,000	4,515
	539,441		196,950	89,709	88,414	7,714	35,711	38,138	59,015	10,034	13.756
с т	3,112,966		1,427,606	759,875	357,057	221,332	69,108	28,017	9,650	73,777	166,544
19 129,269	129,269		57,602	23,436	14,956	6,489	4,589	11,246	3,439	2,482	5,029
18	0	I	0	0	0	0	0	0	0	0	0
3,781,676	3,781,676		1,682,158	873,021	460,428	235,535	109,408	77,402	72,104	86,293	185,328

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	ł							Customer Accounting	ccounting	Fire Service	rvice
	Factor	Cost of		Extra C	Extra Capacity	Customer	Customer Facilities	Billing &	Meter	Private	Public
Account	Ref.	Service	Base	Max Day	Max Hour	Meters	Services	Collecting	Reading	Fire	Fire
(1)	(2)	(3)	(4)	(5)	(9)	(2)	(8)	(6)	(10)	(11)	(12)
507.2 INCOME TAXES	18	10,481,001	4,806,587	2,558,412	1,202,171	745,199	232,678	94,329	32,491	248,400	560,734
Utility Operating Income Available for Return	18	26,227,436	12,027,902	6,402,117	3,008,287	1,864,771	582,249	236,047	81,305	621,590	1,403,168
Total Cost of Service		81,392,724	36,248,470	14,751,004	9,423,456	4,079,620	2,894,724	7,101,766	2,169,740	1,560,384	3,163,560
Less. Other Water Revenues Customer Related AFUDC Billing and Collecting Services	6 6 6 5 5	105,143 1,349,315 3,094,989 1,071,239	46,852 0 1,419,362 0	19,062 0 755,487 0	12,165 0 354,995 0	5,278 0 220,054 0	3,733 0 68,709	9,147 1,349,315 27,855 1,071,239	2,797 0 9,594 0	2,019 0 73,351	4,090 0 165,582 0
Total Other Water Revenues		5,620,686	1,466,214	774,549	367,160	225,332	72,441	2,457,556	12,391	75,370	169,672
Total Cost of Service Related to Sales of Water	Η	75,772,038	34,782,256	13,976,454	9,056,296	3,854,288	2,822,283	4,644,210	2,157,349	1,485,014	2,993,888

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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.



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

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).

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

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 10 hours, or 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	43,108,090	0.5589		
Maximum Day Extra Capacity	0.65	28,020,259	0.3633		
Subtotal	1.65	71,128,349	0.9222		
Fire Protection Private Fire Public Fire		6,000,000	0.0778	0.4212 0.5788	0.0328 0.0 4 50
Total		77,128,349	1.0000	1.0000	0.0778

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 10 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 <u>Protection</u> (5)	Weighted Factor
Average Hour	1.00	29,936	0.3528		
Maximum Hour Extra Capacity	1.50	44,904	0.5293		
Subtotal	2.50	74,840	0.8821		
Fire Protection Private Fire Public Fire		10,000	0.1179	0.4212 0.5788	0.0497
Total		84,840	1.0000	1.0000	0.1179

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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 	Allocation Factor (4)
Private Fire Protection:				
2 -inch Fire Line	4	56	336	
3 -inch Fire Line	9	0	0	
4 -inch Fire Line	16	345	8,280	
6 -inch Fire Line	36	769	41,526	
8 -inch Fire Line	64	233	22,368	
10 -inch Fire Line	100	7	1,050	
12 -inch Fire Line	144	4	864	
14 -inch Fire Line	196	0	0	
16 -inch Fire Line	256	1	384	
Private Hydrants	27.6	983	40,696	
Total Private Fire	:	2,398	115,504	0.4212
Public Fire Protection:				
4 -1/4 inch w/ 2-2 1/2, 1-4 1/2	20.3	6,458	131,096	
5 -1/4 inch w/ 2-2 1/2, 1-4 1/2	27.6	1,000	27,600	
Total Public Fire	-	7,458	158,696	0.5788
Total Fire Protection	-	9,856	274,200	1.0000

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

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 10-hour demand of fire flow as related to total storage capacity.

fire Not updated - storage updated			
Fire Protection Weight =	10,000 gpm for 1	0 hours=	0.2414
	24,860,000 Gallons S	storage	
General Service =	1.0000 - (0.2414 =	0.7586

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

	Ratio	Percent	Weight
Base Maximum Hour	1.00	0.4000	0.3034
Extra Capacity	1.50	0.6000	0.4552
Total	2.50	1.0000	0.7586
Private Fire Public Fire		0.4212 0.5788	0.1017 0.1397
Total Fire		1.0000	0.2414
Total			1.0000

FAC	FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS	DCATING COST	OF SERVICE	E TO COST FUN	ICTIONS		
FACTOR 6. ALLOCATION OF PUMPS AND PUMPING EXPENSES.	AND PUMPING I	EXPENSES.					
Cost Function	Factor 2	Weighted Factor	Factor 3	Weighted Factor	Factor 4	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)× 0.4824	(4)	$(5)=(4)\times$ 0.3547	(9)	(7)=(6)x 0.1629	$(\overline{8})=(3)+(5)+(7)$
Base Movimum Dov Extra Connecting	0.6061	0.2924	0.5589	0.1982	0.3528	0.0575	0.5481
Maximum Day Extra Capacity Maximum Hour Extra Capacity	0.3939	0.1900	0.3633	0.1289	0 5293	0 0862	0.3189 0.0862
Private Fire Service			0.0328	0.0116	0.0497	0.0081	0.0197
Public Fire Service			0.0450	0.0160	0.0682	0.0111	0.0271
Total	1.0000	0.4824	1.0000	0.3547	1.0000	0.1629	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	the horsepower c	of pumps associa	ated with maxir	num day facilitie	s, maximum da	ay and fire facili	ties, and
			Horsepower of Pumps		Weight		
Associated with Maximum Day			10,130		0.4824		
Associated with Maximum Day and Fire			7,447		0.3547		

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

0.1629

3,421

1.0000

20,998

Total

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Associated with Maximum Hour

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KENTUCKY-AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR 7. ALLOCATION OF LINES EXPENSES.

	Transmis	sion Mains	Distribut	tion Mains	
Cost Function	Factor 3	Weighted Factor	Factor 4	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)x 0.2014	(4)	(5)=(4)x 0.7986	(6)=(3)+(5)
Base	0.5589	0.1126	0.3528	0.2817	0.3943
Maximum Day Extra Capacity	0.3633	0.0732	0.0000	0.0000	0.0732
Maximum Hour Extra Capacity	0.0000	0.0000	0.5293	0.4227	0.4227
Private Fire Service	0.0328	0.0066	0.0497	0.0397	0.0463
Public Fire Service	0.0450	0.0091	0.0682	0.0545	0.0635
Total	1.0000	0.2014	1.0000	0.7986	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	2,042,783	0.2014
Distribution Mains	8,099,071	0.7986
Total	10,141,854	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	\$335,054	0.3943
Maximum Day Extra Capacity	62,179	0.0732
Maximum Hour Extra Capacity	359,165	0.4227
Private Fire Service	39,338	0.0463
Public Fire Service	53,980	0.0635
Total	\$849,716	1.0000

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.

Cost Function	Allocation Factor
(1)	(2)
Meters	1.0000

FACTOR 10. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

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

Cost Function	Allocation Factor
(1)	(2)
Services	1.0000

FACTOR 11. ALLOCATION OF COSTS ASSOCIATED WITH BILLING AND COLLECTING.

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

Cost	Allocation
Function	Factor
(1)	(2)
Billing and Collecting	1.0000

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.

Cost Function	Allocation Factor
(1)	(2)
Meter Reading	1.0000

FACTOR 13. ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS.

These costs are assigned directly to Public Fire Protection.

Cost Function	Allocation Factor
(1)	(2)
Public Fire Protection	1.0000

FACTOR 14. ALLOCATION OF TRANSMISSION AND DISTRIBUTION MISCELLANEOUS MAINTENANCE EXPENSES.

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

Cost Function (1)	Transmission & Distribution Maintenance Expenses (2)	Allocation Factor (3)
Base	\$416,515	0.2623
Maximum Day Extra Capacity	64,612	0.0407
Maximum Hour Extra Capacity	475,766	0.2994
Meters	85,398	0.0537
Services	395,195	0.2487
Private Fire Service	63,789	0.0401
Public Fire Service	87,564	0.0551
Total	\$1,588,839	1.0000

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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:

	Other	
Cost	Operating	Allocation
Function	Expenses	Factor
(1)	(2)	(3)
Base	\$2,902,943	0.3172
Maximum Day Extra Capacity	1,312,798	0.1434
Maximum Hour Extra Capacity	1,324,754	0.1447
Meters	104,810	0.0114
Services	485,097	0.0530
Billing and Collecting	1,970,644	0.2153
Meter Reading	670,096	0.0732
Private Fire Service	161,473	0.0176
Public Fire Service	221,619	0.0242
Total	\$9,154,233	1.0000

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.

	Direct	
Cost	Labor	Allocation
Function	Expense	Factor
(1)	(2)	(3)
Base	\$2,536,398	0.3651
Maximum Day Extra Capacity	1,155,168	0.1663
Maximum Hour Extra Capacity	1,138,554	0.1639
Meters	99,373	0.0143
Services	460,168	0.0662
Billing and Collecting	491,451	0.0707
Meter Reading	759,832	0.1094
Private Fire Service	128,873	0.0186
Public Fire Service	176,896	0.0255
Total	\$6,946,714	1.0000

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 <u>Function</u> (1)	Utility Plant in Service (2)	Allocation Factor (3)
Base	\$90,072,578	0.3957
Maximum Day Extra Capacity	42,066,929	0.1848
Maximum Hour Extra Capacity	37,052,617	0.1628
Meters	25,201,816	0.1107
Services	7,558,021	0.0332
Billing and Collecting	2,508,311	0.0110
Meter Reading	852,802	0.0037
Private Fire Service	6,248,368	0.0275
Public Fire Service	16,061,935	0.0706
Total	\$227,623,378	1.0000

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	\$139,694,477	0.4586
Maximum Day Extra Capacity	74,358,925	0.2441
Maximum Hour Extra Capacity	34,929,185	0.1147
Meters	21,661,516	0.0711
Services	6,755,874	0.0222
Billing and Collecting	2,743,730	0.0090
Meter Reading	934,259	0.0031
Private Fire Service	7,233,877	0.0237
Public Fire Service	16,304,144	0.0535
Total	\$304,615,988	1.0000

Account (1) (1) RATE BASE 301 Organization 302 Franchise and Consents 303 Other P/E Intangibles 3036 Other P/E Comprehensive Studies 310 Land and Land Rights	Lactor			Extra C	Extra Capacity	Customer Facilities	Facilities	Billing &	Meter	Private	Public
(1) RATE BASE 301 Organization 302 Franchuse and Consents 303 Other P/E Intangibles 303.6 Other P/E Comprehensive Studies 310 Land and Land Rights	Ref.	Service	Base	Max Day	Max Hour	Meters	Services	Collecting	Reading	Fire	Fire
RATE BASE 301 Organization 302 Franchuse and Consents 303 Other P/E Intangibles 303 Other P/E Comprehensive Studies 310 Fond and Lond Rights	(2)	(3)	(4)	(5)	(9)	(2)	(8)	(6)	(10)	(11)	(12)
 301 Organization 302 Franchise and Consents 303 Other P/E Intangibles 3036 Other P/E Comprehensive Studies 310 Land and Land Rinhts 											
302 Franchise and Consents 303 Other P/E Intangibles 3036 Other P/E Comprehensive Studies 310 Land and Land Rinhts	17	37,534	14,852	6,936	6,111	4,155	1.246	413	139	1.032	2.650
 303 Other P/E Intangibles 303.6 Other P/E Comprehensive Studies 310 Land and Land Richts 	17	70,261	27,802	12,984	11,438	7,778	2,333	773	260	1,932	4,960
303.6 Other P/E Comprehensive Studies 310 - Land and Land Rinhts	17	6,148	2,433	1,136	1,001	681	204	68	23	169	434
	17	420,904	166,552	77,783	68,523	46,594	13,974	4,630	1,557	11,575	29.716
	7	335,512	203,354	132,158	0	0	0	0	0	0	0
	2	3,012,645	1,825,964	1,186,681	0	0	0	0	0	0	0
	****	653, 183	653,183	0	0	0	0	0	0	0	0
	2	485,437	294,223	191,214	0	0	0	0	0	0	
	7	0	0	0	0	0	0	0	0	0	0
	5	3,985,807	2,415,798	1,570,009	0	0	0	0	0	0	0
	9	91,827	50,330	29,284	7,915	0	0	0	0	1.809	2 489
	9	3,651,657	2,001,473	1,164,513	314,773	0	0	0	0	71.938	98,960
	9	455,120	249,451	145,138	39,231	0	0	0	0	8,966	12 334
	9	12,017,817	6,586,965	3,832,482	1,035,936	0	0	0	. 0	236.751	325 683
	9	368,842	202,162	117,624	31,794	0	0	0	0	7.266	9886
-	9	843,367	462,249	268,950	72,698	0	0	0	0	16.614	22,855
	0	68,164	41,314	26,850	0	0	0				000
	2	8,492,370	5,147,225	3,345,145	0	0	0	00) C	
	2	16,337,180	9,901,965	6,435,215	0	0	0	. 0) C		, c
	7	0	0	0	0	0	0	• •	0) C
	7	4,053,825	1,598,475	296,644	1,713,503	0	0	0	c	187.676	257 527
	14	296,055	77,655	12,049	88,639	15,898	73.629	0	• 0	11 872	16.313
	5	9,322,911	2,828,571	0	4,243,789	0	0	0		948 140	1 302 411
343 Transmission & Distribution Mains					-		,	•	0		5 F (477)
Distribution	4	52,557,226	18,542,189	0	27,818,540	0	0	C	С	2 612 094	3 584 403
	3	59,152,345	33,060,245	21,490,047	0	0		, c) C	1 940 197	0,001,100 0,661,856
	10	6,866,926	0	0	Ō	0	6.866.926	, c) C		o , , , , , , , ,
	6	13,698,459	0	0	0	13,698,459	C	• C		, c	
	თ	11,354,645	0	0	0	11,354,645	0	C	, c	, c	
348 Fire Hydrants	13	7,485,173	0	0	0	0	0	0	. С		7 485 173
	15	3,474,181	1,102,010	498,197	502,714	39,606	184,132	747.991	254.310	61 146	84.075
390 2 General Structures - HVAC	15	786,220	249,389	112,744	113,766	8,963	41,670	169,273	57,551	13.837	19.027
\sim	15	1,508,707	478,562	216,349	218,310	17,199	79,961	324,825	110,437	26.553	36,511
391 Office Furniture and Equipment	15	598,845	189,954	85,874	86,653	6,827	31,739	128,931	43,835	10.540	14 492
-	15	948,896	300,990	136,072	137,305	10,817	50,291	204,297	69,459	16.701	22,963
	15	1,160	368	166	168	13	61	250	85	20	28
	15	1,692,722	536,931	242,736	244,937	19,297	89,714	364,443	123,907	29.792	40.964
395 Parrie Construction	2	386,579	234,306	152,273	0	0	0	0	0	0	0
	15	637,537	202,227	91,423	92,252	7,268	33,789	137,262	46,668	11.221	15.428
	15	1,393,199	441,923	199,785	201,596	15,882	73,840	299,956	101,982	24,520	33.715
	15	794,857	252,129	113,982	115,016	9,061	42,127	171.133	58,184	13 989	19 236
- 389 Uther Langible Property	15 I	(186,018)	(59,005)	(26,675)	(26,917)	(2,121)	(9,859)	(40,050)	(13,617)	(3,274)	(4,502)
Total Depreciable Plant Net of Accumulated Depreciation,	Depreciation.										
Contributions and Advances		228,158,225	90,284.217	42,165,769	37.139.690	25 261 024	7 575 778	2 514 104	864 781	6 763 076	10,000
			r 		/		>	r), 'r))'s		010,004,0	10,039,030

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	, oto T						Ĩ	Customer Accounting	ccounting	Fire Service	vice
Account	Pof	Cost of	c c C	Extra Capacity	apacity	Customer Facilities	Facilities	Billing &	Meter	Private	Public
Accuart	-124	Service	base	мах ∪ау	Max Hour	Meters	Services	Collecting	Reading	Fire	Fire
(1)	(2)	(3)	(4)	(5)	(9)	Ē	(8)	(6)	(10)	(11)	(12)
OTHER RATE BASE ELEMENTS											
Utility Plant Acquisition Adjustments	17	18,488	7,316	3,417	3,010	2.047	614	203	68	508	1.305
Accumulated Amortization	17	0	0	0	0	0	0	0	0	0	0
CWIP - Water Treatment Plant and Supply Mains	5	57,737,073	34,994,440	22,742,633	0	0	0	0	0	0	• •
CWIP - Transmission Mains	С	39,414,556	22,028,795	14,319,308	0	0	0	0	0	1.292.797	1.773.655
CWIP - Reservoirs and Standpipes	ŝ	3,570,681	1,083,345	0	1,625,374	0	0	0	0	363,138	498.824
CWIP - Distribution Mains	4	1,437,461	507,136	0	760,848	0	0	0	0	71,442	98,035
CWIP - Meters and Meter Installations	6	269,212	0	0	0	269,212	0	0	0	0	0
CWIP - Services	10	198,186	0	0	0	0	198,186	0	0	0	0
CWIP - Hydrants	13	29,981	0	0	0	0	0	0	0	0	29.981
CWIP - Other	15	160,194	50,814	22,972	23,180	1,826	8.490	34.490	11.726	2.819	3,877
Working Capital Allowance	20	3,417,000	2,075,144	281,903	284,294	22,552	104,219	423,025	143,856	34.512	47.496
Other Working Capital Allowance	15	575,573	182,572	82,537	83,285	6,562	30,505	123,921	42.132	10,130	13,929
Deferred Income Taxes	17	(33,963,284)	(13,439,271)	(6,276,415)	(5,529,223)	(3,759,736)	(1,127,581)	(373,596)	(125,664)	(933,990)	(2.397.808)
Deferred Investment Tax Credits	17	(87,154)	(34,487)	(16,106)	(14,189)	(9,648)	(2,894)	(959)	(322)	(2.397)	(6 153)
Deferred Maintenance								()	()	((221, (2))
Treatment Plant	2	1,356,340	822,078	534,262	0	0	0	С	C	C	C
Distribution Reservoir	5	1,595,446	484,058	0	726.247	0	c	c	. С	162 257	222 884
Deferred Debits					-	,	•	,	•		
Source of Supply	2	1,774,227	1.075.359	698,868	0	C	C	c	c	c	c
General	15	166,230	52,728	23,837	24.053	1 895	8 810	35 789	12 168	2 2 976	2 0 2
Other Rate Base Elements	17	(1,212,447)	(479,765)	(224.060)	(197 386)	(134 218)	(40.253)	(13 337)	(4.486)	(33 340)	(85 500)
Community Education Costs	1	0	Ò	ò	0	0	0	0	0	0	0
Total Other Rate Base Elements		76,457,763	49,410,261	32,193,156	(2,210,505)	(3,599,508)	(819,904)	229,536	79,478	970,800	204,449
Total Original Cost Measure of Value	11	304,615,988	139,694,477	74,358,925	34,929,185	21,661,516	6,755,874	2,743,730	934,259	7,233,877	16,304,144

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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 (1)	Total Cost of Service (2)	Allocation Factor (3)
Base	\$35,987,617	0.4456
Maximum Day Extra Capacity	14,642,846	0.1813
Maximum Hour Extra Capacity	9,346,921	0.1157
Meters	4,053,670	0.0502
Services	2,870,026	0.0355
Billing and Collecting	7,029,174	0.0870
Meter Reading	2,146,504	0.0266
Private Fire Service	1,548,589	0.0192
Public Fire Service	3,141,281	0.0389
Total	\$80,766,629	1.0000

FACTOR 20. ALLOCATION OF CASH WORKING CAPITAL.

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

Cost Function (1)	Total Cost of Service (2)	Allocation Factor (3)
Base	\$9,661,947	0.6073
Maximum Day Extra Capacity	1,312,798	0.0825
Maximum Hour Extra Capacity	1,324,754	0.0832
Meters	104,810	0.0066
Services	485,097	0.0305
Billing and Collecting	1,970,644	0.1238
Meter Reading	670,096	0.0421
Private Fire Service	161,473	0.0101
Public Fire Service	221,619	0.0139
Total	\$15,913,237	1.0000

SUMMARYOF AVERAGE DAY AND PEAK DAY DELIVERY FOR THE YEARS 1990-2007

Year	Annual Sendout (MG)	Average Day (MGD)	Peak Day (MGD)	Date	Ratio
(1)	(2)	(3)	(4)	(5)	(6)
2007	15,734	43.11	64.30	6/15	1.49
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

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PROPOSED CUSTOMER RATES

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KENTUCKY-AMERICAN WATER COMPANY

COMPARISON OF PRESENT AND PROPOSED RATES

Meter Charges, Per Month:

Meter <u>Size</u>	Present <u>Rate</u>	Proposed <u>Rate</u>
5/8	\$ 7.95	\$ 8.60
3/4	11.94	12.90
1	19.89	21.50
1-1/2	39.77	43.00
2	63.64	68.80
3	119.32	129.00
4	198.86	215.00
6	397.73	430.00
8	636.36	688.00

	Per Thousa	and Gallons	Per	CCF
Consumption Charges:	Present	Proposed	Present	Proposed
Residential	\$ 3.11705	\$ 4.44000	\$ 2.33779	\$ 3.33000
Commercial	2.850693	3.99733	2.13802	2,99800
Industrial	2.285520	3.22667	1.71414	2.42000
Other Public Authority	2.660013	3.75467	1.99501	2.81600
Sales for Resale	2.683813	3.75467	2.01286	2.81600
Hidden Leak	0.779263	1.11000	0.58445	0.83250

Fire Protection:

Private Fire Line Size	Present Rate <u>Per Annum</u>	Proposed Rate <u>Per Annum</u>
2	\$ 60.24	\$ 83.76
4	241.20	335.28
6	542.05	753.48
8	963.36	1,339.08
10	1,505.40	2,092.56
12	2,168.16	3,013.80
14	2,851.40	4,102.44
16	3,853.92	5,356.92
PrivateFire Hydrant	542.04	753.48
Public Fire Hydrant	325.68	411.60

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KENTUCKY-AMERICAN WATER COMPANY

CALCULATION OF MONTHLY SERVICE CHARGES

Cost Function (1)	Cost of Service (Schedule D) (2)	Number of Units (3)	Description (4)	Per	Per Unit Month (5)
Meters	\$ 3,854,288	143,649	5/8-inch meter equivalents	\$	2.24
Services	2,822,283	134,622	3/4-inch service equivalents		1.75
Billing & Collecting	4,644,210	123,197	Number of customers		3.14
Meter Reading	2,157,349	122,427	No. of metered customers		1.47
Total	\$ 13,478,130			\$	8.60

Meter Size (1)	Capacity Ratio	Present Rate	Proposed Rate
5/8-inch	1.0	\$ 7.9	95 \$ 8.60
3/4-inch	1.5	11.9	12.90
1-inch	2.5	19.8	9 21.50
1-1/2-inch	5.0	39.7	7 43.00
2-inch	8.0	63.6	4 68.80
3-inch	15.0	119.3	2 129.00
4-inch	25.0	198.8	6 215.00
6-inch	50.0	397.7	3 430.00
8-inch	80.0	636.3	6 688.00