

2300 Richmond Road • Lexington, Kentucky 40502 • (859) 269-2386 • Fax (859) 268-6327

March 7, 2001 IP 96-19 Project No. 10619

KENTUCKY-AMERICAN WATER COMPANY

REVISED INVESTMENT PROJECT 96-19 PURCHASE AND IMPLEMENT CUSTOMER SERVICE SOFTWARE

REFERENCE: Budget Project Memoranda Dated November 14, 1996, June 16, 1998, November 11, 1998, and November 11, 1999

Approved Estimated Cost	\$1,820,000
Prior Expenditures	\$ 990,000
Budgeted 2000 Expenditure	\$ 347,000
Budgeted 2001 Expenditure	\$ 483,000
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Revised Estimated Cost	\$2,925,000
Prior Expenditures	\$1,187,400
Proposed 2001 Expenditure	\$ 835,300
	Ψ 000,000

INVESTMENT	PROJECT REVIEW	
DEPARTMENT	BY	DATE
ENGINEERING		***************************************
WATER QUALITY		
INFORMATION SYSTEMS	- XT	3/23/01
OTHER		***************************************
RECOMMENDED FOR APPR	ROVAL:	

			Proposed	Proposed
Item	Responsibility	11/98 Estimate	11/99 Estimate	3/01 Estimate
Implementation and Data Conversion		\$477,067	\$ 844,043	\$1,828,566
EDIS Remediation		44 AV	\$ 118,950	\$ 119,407
Software		122,815	122,815	\$ 122,815
Labor & Travel Costs		105,995	309,362	\$ 254,243
Equipment		177,000	166,132	\$ 176,463
	Subtotal	\$882,877	\$1,561,302	\$2,501,494
	AFUDC	83,760	259,101	\$ 423,274
	Total	\$966,637	\$1,820,403	\$2,924,768

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		DEC				Include a Partier I foragement As 1 4-17																		\$2,470	16,886	\$19,356
		NOV																						\$16,299	16,814	\$33,113
Carlotte de la Carlot											-													\$71,231	16,478	\$87,709
		SEPT				1	÷																	\$62,038	15,968	\$78,006
	in .	AUG																						\$51,083	15,535	\$66,618
	FNTOOKY AMERICA (* ATERSOMPANY And Mediements Costomershery of equative 12,002	JUL							-															\$58,960	15,113	\$74,073
		NOS																						\$70,948	14,616	\$85,564
		MAY																						\$69,489	14,078	\$83,567
	NY AMMERIC PLEMENTS FERE	APR																						\$64,422	13,565	\$77,987
		MAR																						\$96,888	12,947	\$109,835
	ALOHA:	FEB	1			1																		\$99,320	12,196	\$111,516
		JAN				1																		\$63,344	11,573	\$74,917
		Entity Responsible		0,87471	KAWC																			\$726,492	175,769	\$902,261
	ERAHOMINE Province	Description of Activity		Payment/	Installation																			Subtotal	AFUDC	CASH FORECAST



Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502

606-269-2386

November 11, 1999 IP 96-19 Project No. 10619

KENTUCKY-AMERICAN WATER COMPANY

REVISED INVESTMENT PROJECT 96-19 PURCHASE AND IMPLEMENT CUSTOMER SERVICE SOFTWARE

REFERENCE: Budget Project Memoranda Dated November 14, 1996, June 16, 1998, and November 11, 1998

Approved Estimated Cost	\$	966,000
Prior Expenditures	\$	93,067
Budgeted 1998 Expenditure	\$	623,133
Budgeted 1999 Expenditure	\$	250,400
Revised Estimated Cost	\$1	,820,000
Prior Expenditures	\$	990,000
Proposed 2000 Expenditure	\$	347,000
Proposed 2001 Expenditure	\$	483,000

INVESTMENT I	PROJECT REVIEW	
DEPARTMENT	BY	DATE
ENGINEERING		
WATER QUALITY	\sim	
INFORMATION SYSTEMS	I Just	11/17/99
OTHER		
RECOMMENDED FOR APPRO	OVAL:	

KAW_R_AGDR1#181_Attachment2_122308 Page 5 of 31

November 11, 1999 IP 96-19 Project No. 10619 Page Two

DISCUSSION

This project was proposed to replace the legacy customer service software with software designed by ORCOM Systems. The project was revised previously to include funds for local expenses (travel, temporary labor, etc.), an increase in the overall project implementation cost and additional PCs and equipment related at several locations to get the full benefit of the software.

Implementation of the project was delayed to accomplish EDIS remediation for Y2K readiness.

This revision includes the remediation of the EDIS software and the revision of the start-up date as specified in the current implementation schedule. AFUDC on this project has increased accordingly.

Currently, KAWC's estimated start-up date is September 2001.

Coleman D. Bush Vice-President and Treasurer

CDB/dm

Item	Responsibility	11/98 Estimate	Proposed 11/99 Estimate
Implementation and Data Conversion		\$477,067	\$844,043
EDIS Remediation			\$118,950
Software		122,815	122,815
Labor & Travel Costs		105,995	309,362
Equipment		177,000	166,132
	Subtotal	\$882,877	\$1,561,302
	AFUDC	83,760	259,101
	Total	\$966,637	\$1,820,403

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		DEC	•	•	THE THE PASSE OF T					Р	age	10	of	31				\$26,54	7,09	\$33,6	ent2_122308
		NOV																\$41,035	6,835	\$47,870	
		0CT																\$21,857	6,594	\$28,451	
		SEPT																\$20,540	6,432	\$26,972	
		AUG									•••							\$20,843	6,274	\$27,117	
NY ESOFTW		JUL																\$24,687	660'9	\$30,786	
R COMPA R SERVIC		Nut																\$24,591	5,910	\$30,601	
AN WATE USTOME 9 (10619)	_	MAY																\$22,817	5,729	\$28,546	
EMENT EMENT IP 96-1		APR								-	į.							\$20,926	5,561	\$26,487	
ENTUCKS AND IMP		MAR																\$18,650	5,410	\$24,060	
K URCHASE		FEB																\$17,489	5,271	\$22,760	
a		NAL																\$15,119	5,146	\$20,265	
		ENTITY RESPONSIBLE	KAWC															\$275,097	72,355	\$347,452	4T doc
KENTUCKY-AMBRICAN WATBR COMPANY PURCHASE AND IMPLEMENT CUSTOMER SERVICE SOFTIWARE TR96-19 (10619)		DESCRIPTION OF ACTIVITY	Payment/	Implementation														SUBTOTAL	AFUDC	CASH FORECAST	H VEngineering/BP/SOFTWARE-GNT.doc

12233088		(1.0619) (1.0619)				F F 96-1	9(10619)							
\$336,833 \$28,613 \$49,862 \$32,408 \$45,578 \$31925 \$33,386 \$29,217 \$9,392 \$9,214 \$17,569 \$17,569 \$17,514 \$141,698 \$335,918 \$557,468 \$40,329 \$553,798 \$441,698 \$335,918 \$557,468 \$40,329 \$553,798 \$40,442 \$42,153 \$38,227 \$34,403 \$223,403 \$227,105 \$22,105 \$32,10	DESCRIPTION OF ACTIVITY	ENTITY RESPONSIBLE	JAN	FEB	MAR	APR	MAY	NUL	JUL	AUG	SEPT	OCT	NOV	DEC
\$336,823 \$28,613 \$49,862 \$32,408 \$45,578 \$31,925 \$33,386 \$29,221 \$25,630 \$20,101 \$17,569 \$12,514 \$104,875 7,305 \$35,408 \$40,329 \$35,798 \$40,442 \$441,698 \$35,918 \$35,748 \$441,698 \$35,918 \$35,748 \$441,698 \$35,918 \$35,748 \$340,42 \$42,153 \$38,227 \$348,877 \$39,693 \$37,105 \$32,105	Payment/	KAWC												
\$336,823 \$28,613 \$49,862 \$32,740\$ \$445,578 \$31,925 \$333.86 \$29,221 \$25,630 \$20,101 \$17,569 \$12,514 \$104,875 7,305 7,606 7,921 8,517 8,767 9,006 9,217 9,392 9,536 9,651 \$241,698 \$355,918 \$57,468 \$40,329 \$553,798 \$40,442 \$542,159 \$53,798 \$31,215 \$31,105 \$3	Implementation													• •
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\$336,823 \$28,613 \$40,802 \$337,988 \$345,578 \$31,025 \$338,227 \$338,227 \$34,847 \$320,101 \$17,564 \$221,165														
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5336,823 528,613 \$49,862 \$32,408 \$45,578 \$31,925 \$33,386 \$229,221 \$25,630 \$20,101 \$17,569 \$12,514 104,875 7,305 7,606 7,921 8,517 8,517 9,006 9,217 9,392 9,536 \$441,698 \$35,918 \$57,468 \$40,329 \$53,798 \$40,442 \$42,153 \$38,227 \$34,847 \$29,493 \$27,105 \$22,165														ige
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\$336,823 \$28,613 \$49,862 \$32,408 \$45,578 \$31,925 \$33,386 \$29,221 \$25,630 \$20,101 \$17,569 \$12,514 104,875 7,305 7,606 7,921 8,517 8,517 8,767 9,006 9,217 9,392 9,536 9,651 \$441,698 \$35,918 \$57,468 \$40,329 \$53,798 \$42,153 \$38,227 \$34,847 \$29,493 \$27,105 \$22,165														
104,875 7,305 7,606 7,921 8,220 8,517 8,767 9,006 9,217 9,392 9,536 9,651 \$441,698 \$35,918 \$57,468 \$40,329 \$53,798 \$40,442 \$42,153 \$38,227 \$34,847 \$29,493 \$27,105 \$22,165	SUBTOTAL			\$49,862	\$32,408	\$45,578	\$31,925	\$33,386	\$29,221	\$25,630	\$20,101	\$17,569	\$12,514	\$10,01
\$441,698 \$57,468 \$40,329 \$53,798 \$40,442 \$42,153 \$38,227 \$34,847 \$29,493 \$27,105 \$22,165	AFUDC		_	7,606	7,921	8,220	8,517	8,767	900'6	9,217	9,392	9,536	9,651	9,73
	CASH FORECAST			\$57,468	\$40,329	\$53,798	\$40,442	\$42,153	\$38,227	\$34,847	\$29,493	\$27,105	\$22,165	\$19,75
	\Engineering\BP\SOFTWARE	-GNT doc												

KENTUCKY-AMERICAN WATER COMPANY ECONOMIC ANALYSIS OF THE IMPACT OF CAPITAL SPENDING PROPOSAL ORCOM - CUSTOMER SERVICE SOFTWARE

Determination of Revenue Requirement Authorized Rate of Return on Common E	Coulbr		11.00%
Federal Income Tax Rate	-quity		35.00%
Return on Common Equity before FIT			16.92%
State Income Tax Rate			8.25%
Required Rate of Return on CE for Proje	ct		18.44%
Common Equity Ratio for Project			40.00%
Weighted Cost of Common Equity before	Tax		7.38%
Long Term Debt Ratio for Project			60.00%
Estimated Cost Rate for New Debt			7.00%
Weighted Cost of Debt		•	4.20%
110.9.1100 0.201 0.222		t	
Total Pre-Tax Cost of Capital			11.58%
Total Estimated Cost of Project			\$ 1,820,000
Investment by Others			0.00,020,7 Ф
Net Investment Financed by Company		*	\$ 1,820,000
New Common Equity	\$ 728,000	•	<u> </u>
New Long Term Debt	1,092,000		
tron bong romi boss	, ,		
Total Revenue Requirement		<u>Amount</u>	Rate
Required Pre-Tax Operating Income		\$ 210,756	11.58%
Depreciation Rate	1.180%	21,476	1.18%
Property Tax Rate	0.6990%	12,722	0.70%
Change in Operation & Maint. Expense		0	0.00%
Revenue from New Customers		0	0.00%
Total Net Revenue Requirement		\$ 244,954	13.46%
Revenue Tax Rate	0.14537%	357	0.02%
Total Revenue Requirement		\$ 245,311	13.48%
Latest 12 Months Revenue - 05/30/1999		\$ 38,184,069	
Required Price Increase		0.64%	
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Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502 • (606) 269-2386 • Fax (606) 268-6327

November 11, 1998 IP 96-19 Project No. 10619

KENTUCKY-AMERICAN WATER COMPANY

REVISED INVESTMENT PROJECT 96-19 PURCHASE AND IMPLEMENT CUSTOMER SERVICE SOFTWARE

REFERENCE: Budget Project Memoranda Dated November 14, 1996 and June 16, 1998

Approved Estimated Cost	\$746,916
Prior Expenditures	\$72,017
Budgeted 1998 Expenditure	\$550,227
Budgeted 1999 Expenditure	\$124,672
Revised Estimated Cost	\$966,600
Prior Expenditures	\$93,067
Prior Expenditures Proposed 1998 Expenditure	\$93,067 \$623,133
*	,

INVESTMENT	PROJECT REVIEW	
DEPARTMENT	BY	DATE
ENGINEERING		
WATER QUALITY		
INFORMATION SYSTEMS	Sellian Just	12/3/98
OTHER		
RECOMMENDED FOR APPR	OVAL:	

November 11, 1998 IP 96-19 Project No. 10619 Page Two

DISCUSSION

This project was proposed to replace the internally generated customer service software with software designed by ORCOM Systems. The project was revised previously to include funds for local expenses (travel, temporary labor, etc.), an increase in the overall project implementation costs and additional PCs and equipment required at several locations to get the full benefit of the software.

Additional costs for implementation now require the project to be further revised.

Coleman D. Bush

Vice-President and Treasurer

CDB/dm

			Proposed
ltem	Responsibility	6/98 Estimate	11/98 Estimate
Implementation		\$201,273	\$477,067
Software and Data Conversion		\$123,445	\$122,815
Labor & Travel Costs		\$182,500	\$105,995
Equipment		\$177,000	\$177,000
	Subtotal	\$684,218	\$882,877
	AFUDC	\$ 62,698	\$83,760
	Total	\$746,916	\$966,637

Kentucky-American Water Company Economic Analysis of the Impact of Capital Spending Proposal Purchase and Implement Customer Service Software

Determination of Revenue Requirement			
Authorized Rate of Return on Common E	Equity		11.00%
Federal Income Tax Rate			35.00%
Return on Common Equity before FIT		•	16.92%
State Income Tax Rate			8.25%
Required Rate of Return on CE for Proje	ct	•	18.44%
Common Equity Ratio for Project			40.00%
Weighted Cost of Common Equity before	e Tax	=	7.38%
Long Term Debt Ratio for Project			60.00%
Estimated Cost Rate for New Debt			7.00%
Weighted Cost of Debt		-	4.20%
Total Pre-Tax Cost of Capital			11.58%
,		Ξ	
Total Estimated Cost of Project			\$966,637
Investment by Others		_	0
Net Investment Financed by Company			\$966,637
New Common Equity	\$386,655		
New Long Term Debt	579,982		
Total Revenue Requirement		<u>Amount</u>	<u>Rate</u>
Required Pre-Tax Operating Income		\$111,937	11.58%
Depreciation Rate	20.030%	193,617	20.03%
Property Tax Rate	0.6990%	6,757	0.70%
Change in Operation & Maint. Expense		0	0.00%
Revenue from New Customers		0	0.00%
Total Net Revenue Requirement		\$312,311	32.31%
Revenue Tax Rate	0.14537%	455	0.05%
Total Revenue Requirement		\$312,766	32.36%
Latest 12 Months Revenue - 9/30/98		\$37,453,760	
Required Price Increase		0.84%	

EcoAnalysis-MCF Ky 11/12/98 11:27 AM Page 12 of 12.



2300 Richmond Road · Lexington, Kentucky 40502 · (606) 269-2386 · Fax (606) 268-6327

June 16, 1998 BP 96-19 Project No. 10619

KENTUCKY-AMERICAN WATER COMPANY

REVISED CAPITAL BUDGET PROJECT 96-19 PURCHASE AND IMPLEMENT CUSTOMER SERVICE SOFTWARE

REFERENCE: Budget Project Memorandum Dated November 14, 1996

Approved Estimated Cost	\$352,200
Budgeted 1996 Expenditure	\$ 11,800
Budgeted 1997 Expenditure	\$ 0
Budgeted 1998 Expenditure	\$197,100
Budgeted 1999 Expenditure	\$143,300
_	
Revised Estimated Cost	\$746,916
Proposed 1996 Expenditure	\$ 12,072
Proposed 1997 Expenditure	\$ 59,945
Proposed 1998 Expenditure	\$550,227
Proposed 1999 Expenditure	\$124,672

BUD	GET PROJECT REVIEW	
DEPARTMENT	<u>BY</u>	DATE
ENGINEERING		
WATER QUALITY OTHER ACCOMMENDED FOR	APPROVAL:	6/17/98
Toy WM	RESIDENT	6/16/98
1		

June 16, 1998 BP 96-19 Project No. 10619 Page Two

DISCUSSION

This project was proposed to replace the internally generated customer service software with software designed by ORCOM Systems. As written, the original budget project did not include any funds for local expenses (travel, temporary labor, etc.). Implementation of the software will require significant expenditures at the local level for travel and for temporary labor to replace hourly employees while traveling. Additional labor and travel expense will also be necessary as a result of Kentucky-American Water Company employees' work on the core implementation team. This revision also includes an increase in the overall project implementation cost.

During the initial stages of training and implementation, we have learned more about the specific characteristics of the software. It is clear that to get the full benefit of the software throughout the company, additional PCs and equipment will be required at several locations. This additional equipment has been included in this revision.

AFUDC on this project has increased accordingly.

Completion of the project is expected in November 1999.

Coleman D. Bush

Vice-President and Treasurer

CDB/dm

			Proposed
Item	Responsibility	11/96 Estimate	6/98 Estimate
Implementation Costs		\$169,400	\$201,273
Software Installation and Data Conversion Costs		119,500	123,445
Labor & Travel Costs		49,100	182,500
Equipment			177,000
	Subtotal	\$338,000	\$684,218
	AFUDC	14,200	62,698
	Total	\$352,200	\$746,916

Kentucky-American Water Company Economic Analysis of the Impact of Capital Spending Proposal

Purchase and Implement Customer Service Software

Determination of Revenue Requirement			
Authorized Rate of Return on Common E	quity		11.00%
Federal Income Tax Rate			35.00%
Return on Common Equity before FIT			16.92%
State Income Tax Rate			8.25%
Required Rate of Return on CE for Project	ct		18.44%
Common Equity Ratio for Project			40.00%
Weighted Cost of Common Equity before	Tax		7.38%
Long Term Debt Ratio for Project			60.00%
Estimated Cost Rate for New Debt			7.00%
Weighted Cost of Debt			4.20%
Total Pre-Tax Cost of Capital			11.58%
Total Estimated Cost of Project			\$746,916
Investment by Others			0
Net Investment Financed by Company			746,916
New Common Equity	\$298,766		
New Long Term Debt	448,150		
Total Revenue Requirement		Amount	<u>Rate</u>
Required Pre-Tax Operating Income		\$86,493	11.58%
Depreciation Rate	20.030%	149,607	20.03%
Property Tax Rate	0.6990%	5,221	0.70%
Change in Operation & Maint. Expense		0	0.00%
Revenue from New Customers		0	0.00%
Total Net Revenue Requirement		\$241,321	32.31%
Revenue Tax Rate	0.14537%	351	0.05%
Total Revenue Requirement		\$241,672	32.36%
Latest 12 Months Revenue		\$36,167,332	_
Required Price Increase		0.67%	: :

6/16/98 10:47 AM Economic Eco Impact

	DEC		Page 24 of 31	\$22,364
	NOV			\$23,598
	LOO LOO			\$25,790
	SEPT			\$95,597
ARE.	AUG			\$147,923
KENHUCKY-AMERICANAWATERGOMEANY PURCHASE AND IMPLEMENT CUSTOMER SERVICE SOFTWARE (BP 96-19 (10619))	JUL			\$27,857
BRCOMPA Residente	JUN			\$76,305
JAIN WAYDI CUSHOME IIO ((10619)) 1998 - E	MAY			\$18,212
V-AMTERIT EEMTENIT (BP 96-	APR			\$50,821
AND IMP	MAR			\$20,975
K URCHEASID	FEB			\$17,518
P. C. C. D. C.	JAN			\$23,266
P	ENTITY RESPONSIBLE KAWC	KAWC		
	DESCRIPTION OF ACTIVITY Payment/	Equipment		CASH FORECAST

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Approved at Board of **Directors Meeting** December 16 1996

200 East Park Drive • Suite 600 • P.O. Box 1688 • Mt. Laurel, New Jersey 08054 • 609-778-0400

November 14, 1996

KENTUCKY-AMERICAN WATER COMPANY PROPOSED CAPITAL BUDGET PROJECT 96-19 PURCHASE AND IMPLEMENT CUSTOMER SERVICE SOFTWARE

SUBJECT OF STUDY

A review of existing customer service system software and software available from outside vendors has been conducted to determine the software required to meet current and future needs of the Company.

RECOMMENDATION

It is recommended that the Company purchase software licensing and implementation services from Orcom Systems, Inc.

ESTIMATED COST

Total Estimated Cost	\$352,200
Proposed 1996 Expenditure	\$11,800
Proposed 1997 Expenditure	\$0
Proposed 1998 Expenditures	\$197,100
Proposed 1999 Expenditures	\$143,300

ADEQUACY

The new Orcom system software will provide an adequate customer service information system for the next three (3) to five (5) years with the implementation of necessary software upgrades.

BUDGET	PROJECT REVIE	W
DEPARTMENT:	BY:	DATE:
ENGINEERING		
WATER COLALITY	;/) 1 (A)	/-
OTHER 2	Hachert J	12/2
RECOMMENDED FO	R APPROVAL:	1.1
(and)	Till	1//4/96
PRESIDENT		

KAWC - Purchase and Implement Customer Service Software Proposed Capital Budget Project 96-_

November 14, 1996 Page Two

DISCUSSION

In 1995, the American Water Works System began an investigation regarding the adequacy and compatibility of its various customer service software systems. The recommendation of the committee established to investigate the customer service software systems was to purchase software from Orcom Systems, Inc. of Bend, Oregon.

Kentucky-American is currently using internally developed software. This development was done in conjunction with the Information System Offices in the American Water System located at Richmond, Indiana; Hershey, Pennsylvania and Haddon Heights, New Jersey. The development of the customer service software has been an on-going project which would not have been completed for several years. This effort has been terminated as a result of the American Water System decision to pursue outside standard customer service software applications.

While the current software applications meet many of our information and customer service needs, they do not have many features built into the Orcom Systems software that would allow for advanced capabilities. Substantial programing would be required in order for our current software to perform the features included in the Orcom Systems software. The Orcom Systems software advanced features will improve the customer service and reporting efficiency of the Company. In addition, it is expected that the needs for programming support will reduce greatly.

Wayne D. Morgan

Vice-President

Detailed Cost Estimate

Implementation Costs		\$169,400
Software Installation and Data Conversion C	Costs	\$119,500
Labor & Travel Costs		\$49,100
AFUDC		<u>\$14,200</u>
	Total	\$352,200

The rate impact related to the capital cost of the project is 0.2 percent.

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