

November 25, 2008

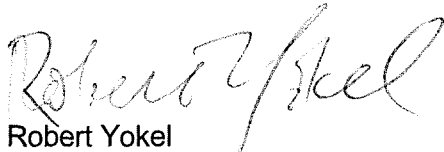
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

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PUBLIC SERVICE
COMMISSION

Dear Commission members:

I received a Notice from Kentucky American Water that it is seeking approval for an adjustment of rates. I see that that percentage of overall increased requested is 31.27%. I do not find in the notice any mention of expanded or improved service that is proposed to result from this requested rate increase. As we all know, the United States in entering a time of financial challenge for many people. This request seems ill timed in relation to our national (and the world) financial situation. The cost of living increase which can be found on the US Social Security Administration website shows an annual increase of ~ 2.6% for the past 10 years, possibly as high as 5.8% for 2008. In only two years, 1980 and 1981, did it exceed 10% (14.3 & 11.2%). It has not been anywhere near 31.27% since 1975.

The request by Kentucky American Water seems not only ill-timed by unjustified. I trust you will have the good judgement to not grant this request.



Robert Yokel
1300 Golf Course Circle
Lexington, KY 40517-3808

Social Security Online
Office of the Chief
Actuary

Automatic Increases



Cost-of-Living Adjustments

Automatic Increases

COLA determination

SSI payment rates
increase with COLA

Since 1975, Social Security general benefit increases have been cost-of-living adjustments or COLAs. The 1975-82 COLAs were effective with Social Security benefits payable for June in each of those years; thereafter COLAs have been effective with benefits payable for December.

Prior to 1975, Social Security benefit increases were set by legislation.

Social Security Cost-Of-Living Adjustments

Year	COLA	Year	COLA	Year	COLA
1975	8.0%	1990	5.4%	2005	4.1%
1976	6.4%	1991	3.7%	2006	3.3%
1977	5.9%	1992	3.0%	2007	2.3%
1978	6.5%	1993	2.6%	2008	<u>5.8%</u>
1979	9.9%	1994	2.8%		
1980	14.3%	1995	2.6%		
1981	11.2%	1996	2.9%		
1982	7.4%	1997	2.1%		
1983	3.5%	1998	1.3%		
1984	3.5%	1999 ^a	2.5%		
1985	3.1%	2000	3.5%		
1986	1.3%	2001	2.6%		
1987	4.2%	2002	1.4%		
1988	4.0%	2003	2.1%		
1989	4.7%	2004	2.7%		

^a The COLA for December 1999 was originally determined as 2.4 percent based on CPIs published by the Bureau of Labor Statistics. Pursuant to Public Law 106-554, however, this COLA is effectively now 2.5 percent.

The first automatic COLA, for June 1975, was based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the second quarter of 1974 to the first quarter of 1975. The 1976-83 COLAs were based on increases in the CPI-W from the first quarter of the prior year to the corresponding quarter of the current year in which the COLA became effective. After 1983, COLAs have been based on increases in the CPI-W from the third quarter of the prior year to the corresponding quarter of the current year in which the COLA became effective.

SSI COLAs