

Exhibit JRW-1

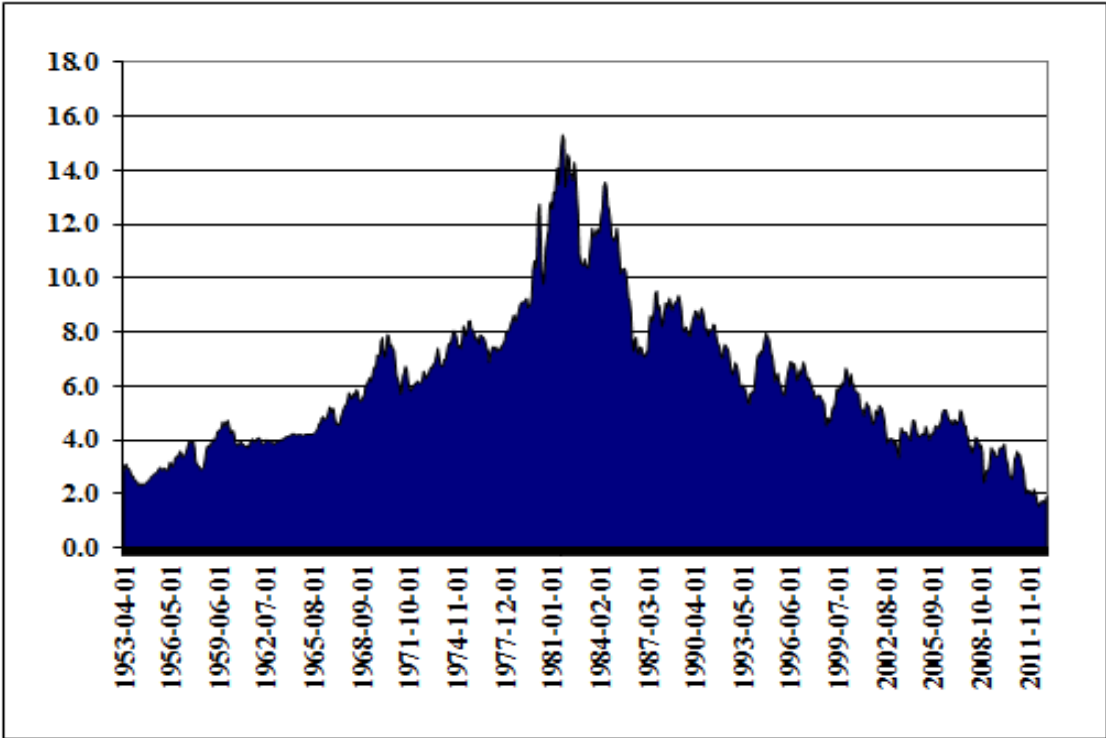
Kentucky-American Water Company

Cost of Capital

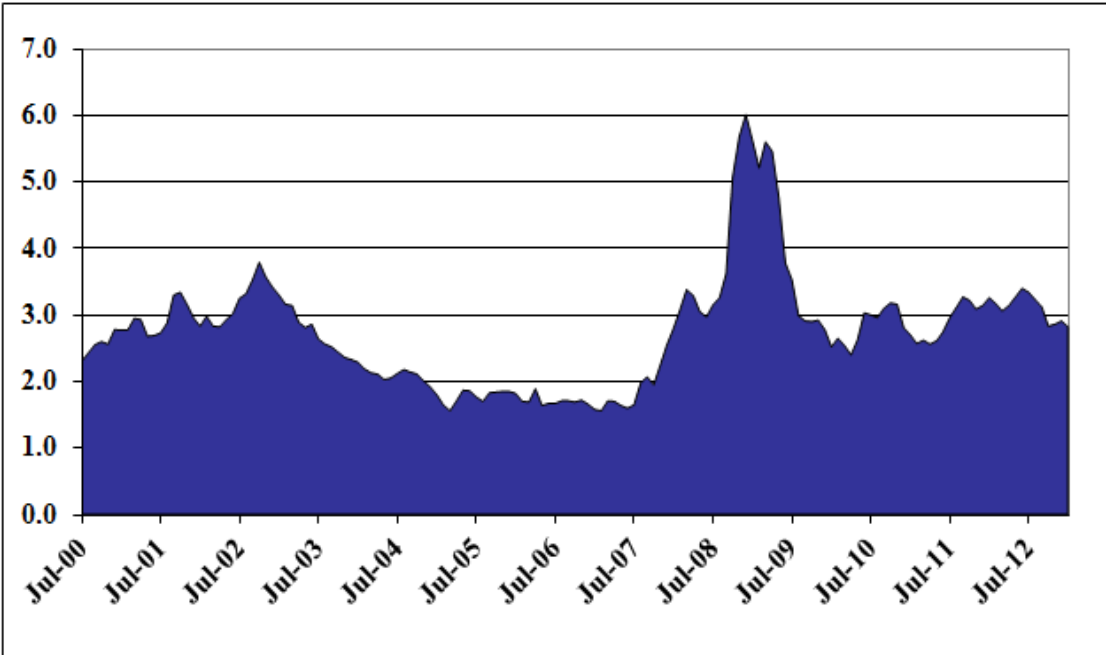
Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short-Term Debt	2.04%	0.81%	0.02%
Long-Term Debt	52.04%	6.05%	3.15%
Preferred Stock	1.17%	8.52%	0.10%
Common Equity	44.75%	8.50%	3.80%
Total Capital	100.00%		7.07%

Exhibit JRW-2

Panel A
Ten-Year Treasury Yields
1953-Present

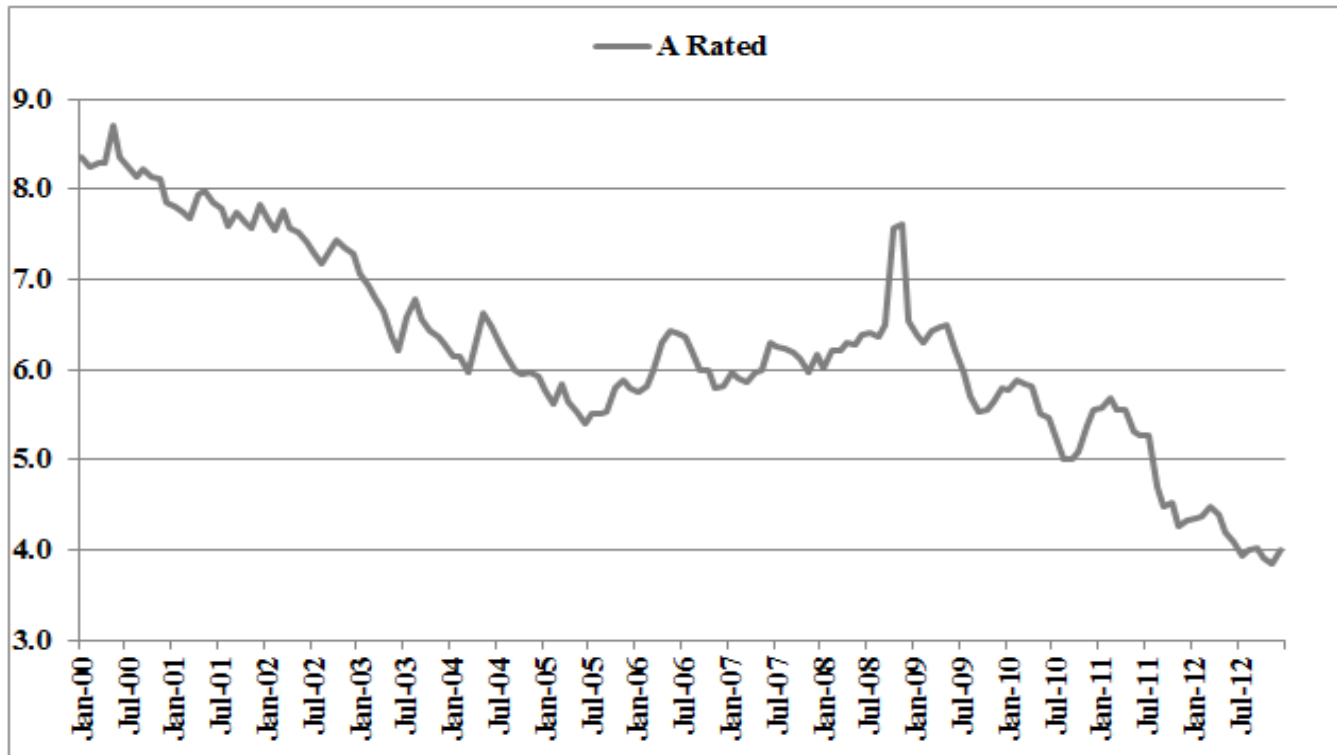


Panel B
Long-Term Moody's Baa Yields Minus Ten-Year Treasury Yields
2000-Present

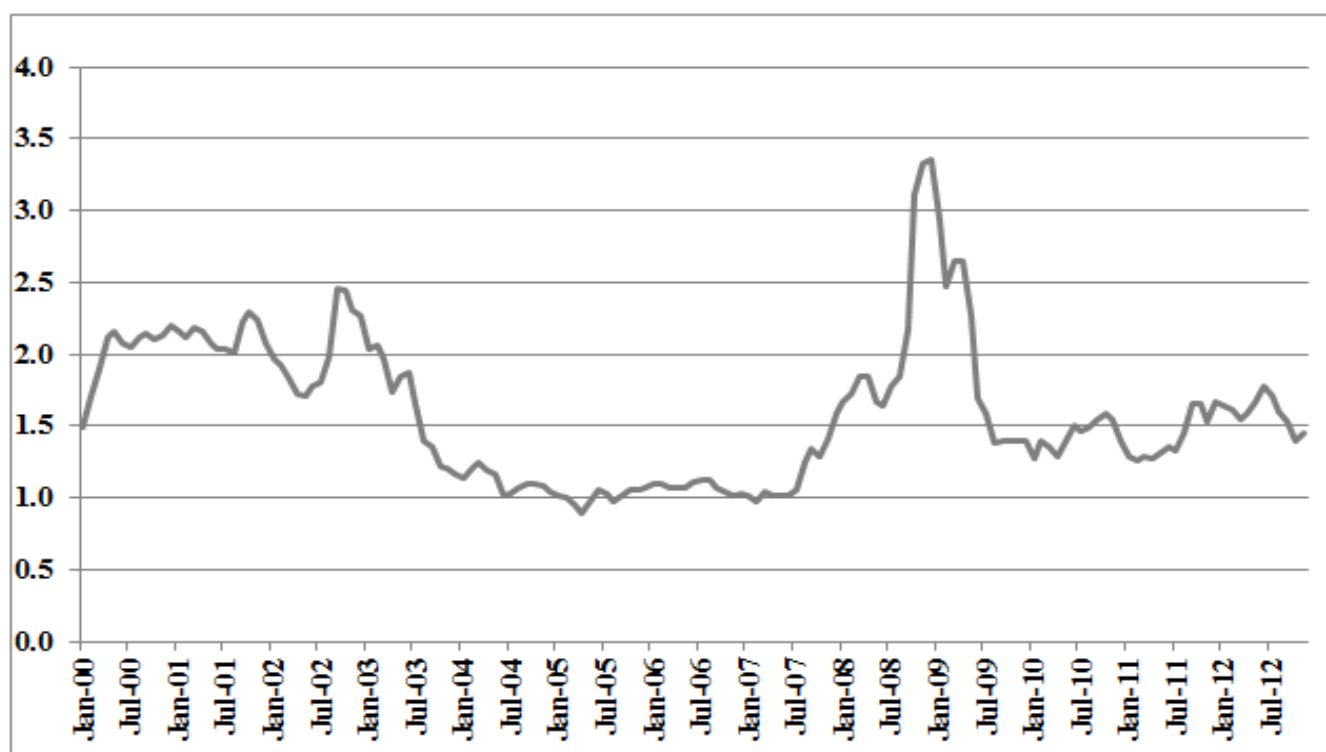


Source: Federal Reserve Bank of St. Louis, FRED Database.

Exhibit JRW-3
Panel A
Long-Term, A-Rated Public Utility Yields



Panel B
Long-Term, A-Rated Public Utility Yields minus -Twenty-Year Treasury Yields



Source: Mergent Bond Record

Panel A
Ten-Year Treasury Yields
2010 and 2012

Mar-10	3.73	Aug-12	1.68
Apr-10	3.85	Sep-12	1.72
May-10	3.42	Oct-12	1.75
Jun-10	3.20	Nov-12	1.65
Jul-10	3.01	Dec-12	1.72
Aug-10	2.70	Jan-13	1.91
Average	3.32	Average	1.74

Source: Federal Reserve Bank of St. Louis, FRED Database.

Panel B
Thirty-Year, A-Rated Public Utility Bonds
2010 and 2012

Mar-10	5.84	Aug-12	4.00
Apr-10	5.81	Sep-12	4.02
May-10	5.50	Oct-12	3.91
Jun-10	5.46	Nov-12	3.84
Jul-10	5.26	Dec-12	4.00
Aug-10	5.01	Jan-13	4.15
Average	5.48	Average	3.99

Source: Mergent Bond Record

Exhibit JRW-4
Kentucky-American Water Company
Summary Financial Statistics

Panel A

Water Proxy Group

Company	Operating Revenue (\$mil)	Percent Water Revenue	Net Plant (\$mil)	S&P Bond Rating	Moody's Bond Rating	Pre-Tax Interest Coverage	Primary Service Area	Common Equity Ratio*	Return on Equity	Market to Book Ratio
American States Water Co. (NYSE-AWR)	449.7	68	912.0	A+	A2	5.2	CA, AZ	56.6	11.8	2.17
American Water Works Co., Inc. (NYSE-AWK)	2,716.1	89	11,380.3	A	Baa1	4.3	30 States	44.5	9.9	1.50
Aqua America, Inc. (NYSE-WTR)	755.7	96	3,863.4	AA-	NR	4.4	13 States	44.2	13.0	2.83
Artesian Resources Corp. (NDQ-ARTNA)	69.7	91	362.3	NR	NR	NA	DE,MD,PA	49.5	8.7	1.53
California Water Service Group Inc. (NDQ-CWT)	541.5	100	1,443.1	AA-	NR	6.0	CA,WA,NM	46.5	9.8	1.68
Connecticut Water Service, Inc. (NDQ-CTWS)	79.8	100	422.6	A	NR	17.8	CT	37.5	11.2	2.06
Middlesex Water Company (NDQ-MSEX)	106.6	89	433.3	A	NR	5.0	NJ, DE	51.8	7.5	1.67
SJW Corporation (NYSE-SJW)	261.4	96	870.5	A	NR	4.6	CA, TX	44.3	8.6	1.80
York Water Company (NDQ-YORW)	41.1	100	238.5	A-	NR	NA	PA	53.7	9.4	2.39
Mean	558.0	92.1	2214.0	A	NR	6.8		47.6	10.0	1.96
Median	261.4	96.0	870.5	A	NR	5.0		46.5	9.8	1.80

Data Source: AUS Utility Reports, February 2013; Pre-Tax Interest Coverage and Primary Service Territory are from Value Line Investment Survey, 2013.

Panel B
Gas Proxy Group

Company	Operating Revenue (\$mil)	Percent Gas Revenue	Net Plant (\$mil)	S&P Bond Rating	Moody's Bond Rating	Pre-Tax Interest Coverage	Primary Service Area	Common Equity Ratio	Return on Equity	Market to Book Ratio
AGL Resources Inc. (NYSE-AGL)	3,494.0	71	8,212.0	A-	A1/A2	6.5	GA, TN, VA, NJ, FL, MD, IL	42.3	7.9	1.43
Atmos Energy Corporation (NYSE-ATO)	3,438.5	70	5,475.6	BBB+	Baa1	3.1	LA, KY, TX, MS, CO, KS, KY	48.3	9.3	1.39
Laclede Group, Inc. (NYSE-LG)	1,125.5	68	1,029.5	A	A2	4.6	MO	59.8	10.7	1.46
Northwest Natural Gas Co. (NYSE-NWN)	785.0	48	1,957.2	A+	A1	3.4	OR, WA	46.7	8.6	1.64
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	1,133.4	100	2,936.5	A	A3	3.4	NC, SC, TN	47.1	10.9	2.21
South Jersey Industries, Inc. (NYSE-SJI)	707.3	67	1,463.0	A	A2	6.3	NJ	43.4	16.0	2.33
Southwest Gas Corporation (NYSE-SWX)	1,956.9	70	3,299.6	BBB+	Baa1	3.8	AZ, NV, CA	50.1	10.3	1.57
WGL Holdings, Inc. (NYSE-WGL)	2,425.3	46	2,667.4	A+	A2	5.7	DC, MD, VA	59.5	11.3	1.62
Mean	1,883.2	68	3,380.1	A/A-	A2/A3	4.6		49.7	10.6	1.71
Median	1,545.2	69	2,802.0	A/A-	A2/A3	4.2		47.7	10.5	1.60

Data Source: AUS Utility Reports, February 2013; Pre-Tax Interest Coverage and Primary Service Territory are from Value Line Investment Survey, 2013.

Exhibit JRW-4
Kentucky-American Water Company
Value Line Risk Metrics

Panel A
Water Proxy Group

Company	Beta	Safety Rank	Financial Strength	Earnings Predictability	Price Stability
American States Water Co. (NYSE-AWR)	0.70	2	A	90	90
American Water Works Co., Inc. (NYSE-AWK)	0.65	3	B	20	95
Aqua America, Inc. (NYSE-WTR)	0.60	2	B++	100	100
Artesian Resources Corp. (NDQ-ARTNA)	0.55	2	B++	85	100
California Water Service Group (NYSE-CWT)	0.65	3	B+	90	100
Connecticut Water Service, Inc. (NDQ-CTWS)	0.75	3	B+	85	90
Middlesex Water Company (NDQ-MSEX)	0.70	2	B+	85	95
SJW Corporation (NYSE-SJW)	0.85	3	B+	80	80
York Water Company (NDQ-YORW)	0.70	2	B++	100	95
Mean	0.68	2.4	B+	82	94

Data Source: *Value Line Investment Survey*, 2013.

Panel B
Gas Proxy Group

Company	Beta	Safety Rank	Financial Strength	Earnings Predictability	Price Stability
AGL Resources Inc. (NYSE-ATG)	0.75	1	A	75	100
Atmos Energy Corporation (NYSE-ATO)	0.70	2	B++	90	100
Laclede Group, Inc. (NYSE-LG)	0.55	2	B++	80	100
Northwest Natural Gas Co. (NYSE-NWN)	0.60	1	A	90	100
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	0.65	2	B++	100	100
South Jersey Industries, Inc. (NYSE-SJI)	0.65	2	B++	85	100
Southwest Gas Corporation (NYSE-SWX)	0.75	3	B	75	100
WGL Holdings, Inc. (NYSE-WGL)	0.65	1	A	95	100
Mean	0.66	1.8	B++	86	100

Data Source: *Value Line Investment Survey*, 2013.

Exhibit JRW-5
Kentucky-American Water Company
Capital Structure Ratios and Cost of Capital

Panel A - KAWC's Proposed Capitalization Ratios and Senior Capital Cost Rates

Capital Source	Capitalization Ratio	Cost Rates
Short-Term Debt	2.04%	0.81%
Long-Term Debt	52.04%	6.14%
Preferred Stock	1.17%	8.52%
Common Equity	44.75%	

Panel B - AG's Proposed Capitalization Ratios and Senior Capital Cost Rates

Capital Source	Capitalization Ratio	Cost Rates
Short-Term Debt	2.04%	0.50%
Long-Term Debt	52.04%	6.05%
Preferred Stock	1.17%	8.52%
Common Equity	44.75%	

**Exhibit JRW-5
 Kentucky-American Water Company
 Capital Structure Ratios and Cost of Capital**

Panel A - Short-Term Interest Rates

Federal Reserve Rates

Rate	Current	1 Year Prior	Rate	Current	1 Year Prior
Fed Funds Rate	0.17	0.13	USD LIBOR 1-Month	0.20	0.24
Fed Reserve Target	0.25	0.25	USD LIBOR 3-Month	0.28	0.47
Prime Rate	3.25	3.25			

Source: www.bloomberg.com

Panel B - Long-Term Debt Cost Rate

KENTUCKY-AMERICAN WATER COMPANY
 Case No. 2012-00520
 EMBEDDED COST OF LONG-TERM DEBT
 AS OF JULY 31, 2014

DATA SOURCE: BASE PERIOD: X, FORECASTED PERIOD: X
 DATE OF CAPITAL STRUCTURE: X, DATE OF FORECASTED ESTIMATE: X
 TYPE OF LINKING: X, ORIGINAL: X, UPDATED: X, REVISED: X
 WORKPAPER REFERENCE NO(S): JW/P-7-5

Exhibit 97, Schedule 3
 Exhibit (Capital Structure) / Capital Structure 2012.xls | Sheet 3
 PAGE 2 OF 2
 Witness Responsible: Scott Ungren

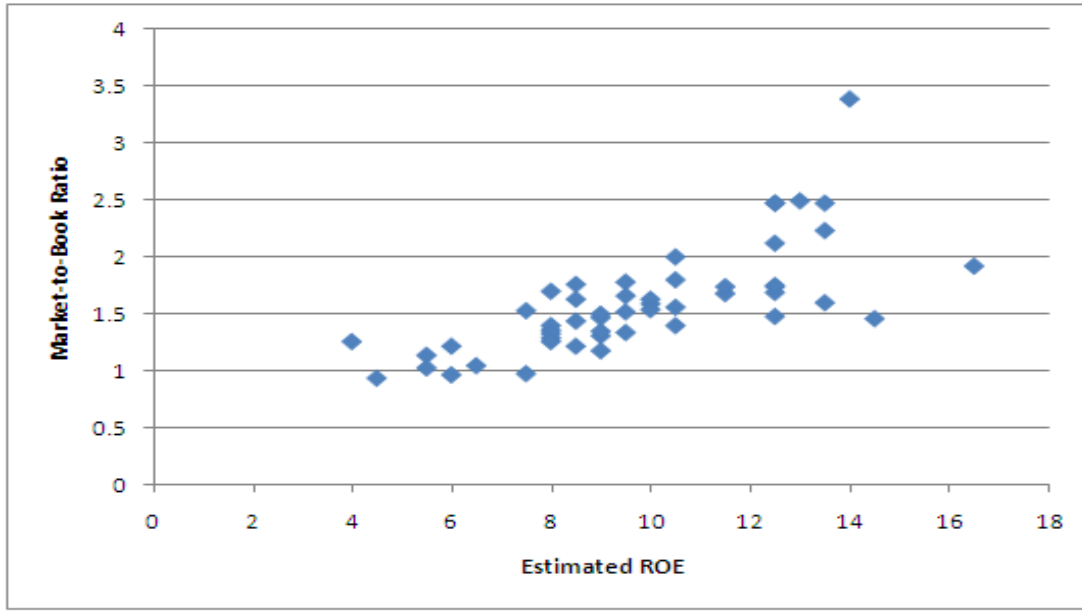
No.	Debt Issue Type	Issue Date	Maturity Date	Amount Outstanding	Cost Rate at Issue	Cost Rate at Maturity	Bond Rating at Issue	Annualized Interest	Principal Amount	Annualized mort. of Issue Expense	Unamortized Discount/Premium	Unamortized Debt Expense	Unamortized Gain/Loss	Carrying Value
1														
2														
3	<u>General Mortgage Bonds:</u>													
4														
5	Series 06	12/01/99	12/01/23	7,000,000	6.980%	7.000%	N/A	490,420	7,000,000	3,227	0	90,116	0	6,909,884
6	Series 07	02/14/97	02/01/27	7,500,000	7.150%	7.182%	N/A	538,650	7,500,000	2,429	0	90,961	0	7,409,039
7	Series 09	09/01/98	06/01/28	9,000,000	6.990%	7.028%	N/A	682,840	9,000,000	3,262	0	45,122	0	8,954,878
8	Series 10	6/12/2002	6/12/2017	47,000,000	6.599%	6.628%	N/A	3,115,160	47,000,000	16,574	0	365,338	0	46,634,662
9	Series 15	6/23/2009	6/1/2039	45,390,000	6.250%	6.293%	N/A	2,857,301	45,390,000	20,390	0	506,356	0	44,883,644
10	Series 16	09/10/09	09/01/39	25,000,000	5.625%	5.675%	N/A	1,475,500	25,000,000	13,008	0	126,290	0	25,678,710
11	Series 17	06/01/10	06/01/40	26,000,000	5.375%	5.417%	N/A	1,408,420	26,000,000	10,866	0	280,683	0	25,719,307
12	Series 18	11/01/10	11/01/40	20,000,000	5.050%	5.050%	N/A	1,010,000	20,000,000	0	0	0	0	20,000,000
13	Proposed 19	05/15/13	05/15/43	8,000,000	4.300%	4.400%	N/A	352,000	8,000,000	8,000	0	290,391	0	7,709,609
14	Proposed 20	05/15/13	05/15/43	3,000,000	4.300%	4.400%	N/A	132,000	3,000,000	3,000	0	86,375	0	2,913,625
15	Proposed 21	11/15/13	11/15/43	3,000,000	4.300%	4.371%	N/A	131,130	3,000,000	2,125	0	87,875	0	2,912,125
16	Proposed 22	05/15/14	05/15/44	3,000,000	4.300%	4.321%	N/A	129,630	3,000,000	625	0	89,375	0	2,910,625
17														
18														
19														
20														
21														
22														
23														
24														
25	Total Long-Term Debt (incl. Annualized Cost)				\$4,890,000			\$272,551	\$4,890,000	\$1,505	\$0	\$98,254	\$0	\$4,791,746
26														
27														
28					Annualized Cost Rate	6.050%								

Source: www.KAWC Response to PSC 2-45, page 2.

Exhibit JRW-6

Electric Utilities

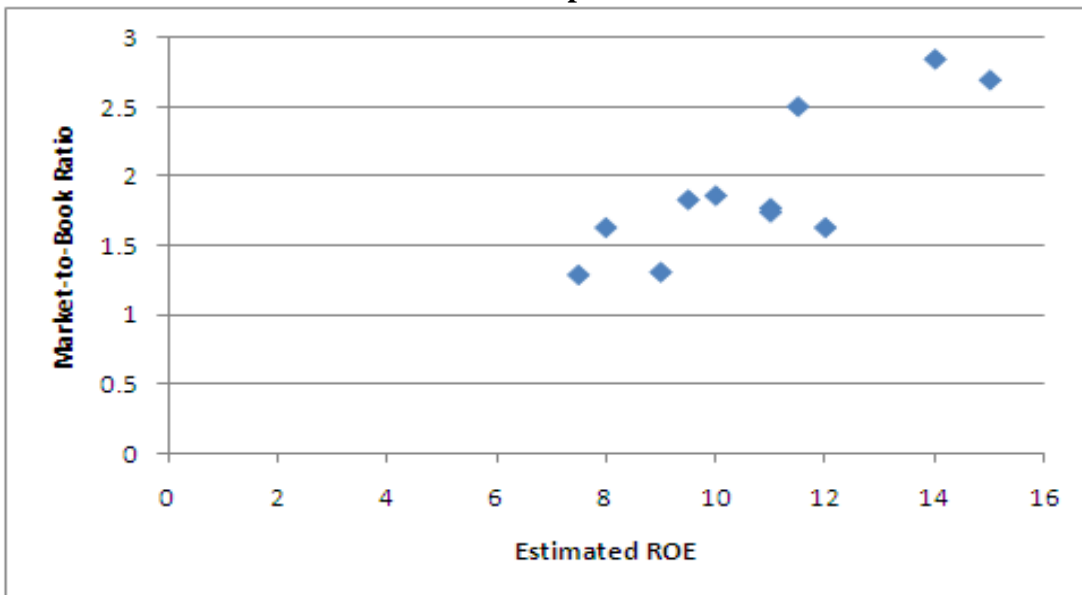
Panel A



R-Square = .52, N=51.

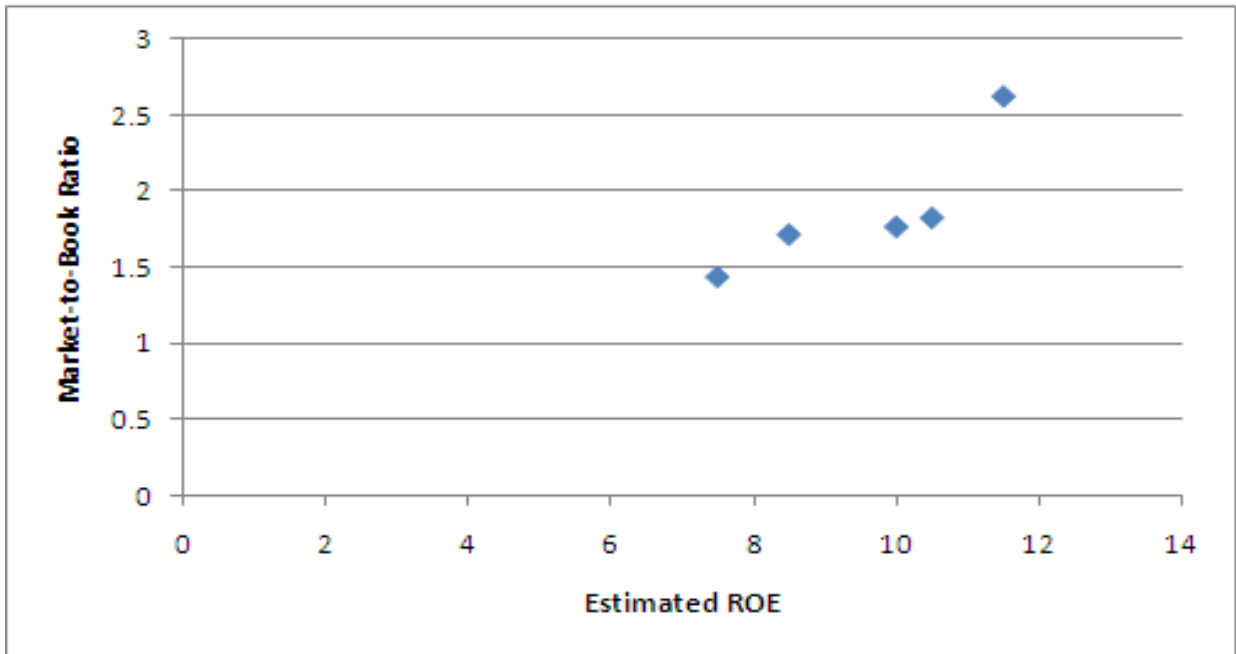
Panel B

Gas Companies



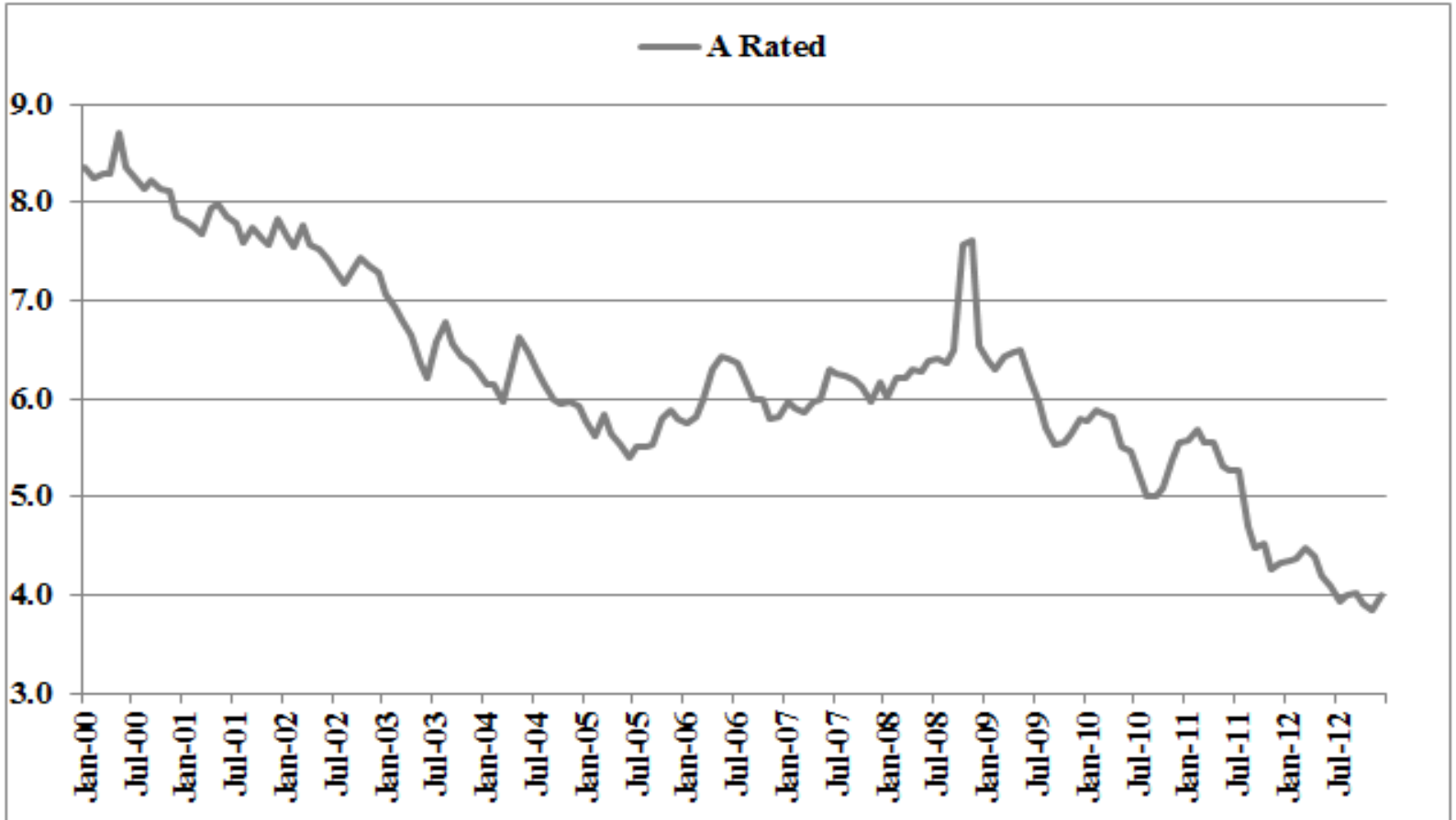
R-Square = .71, N=11.

Exhibit JRW-6
Water Companies
Panel C



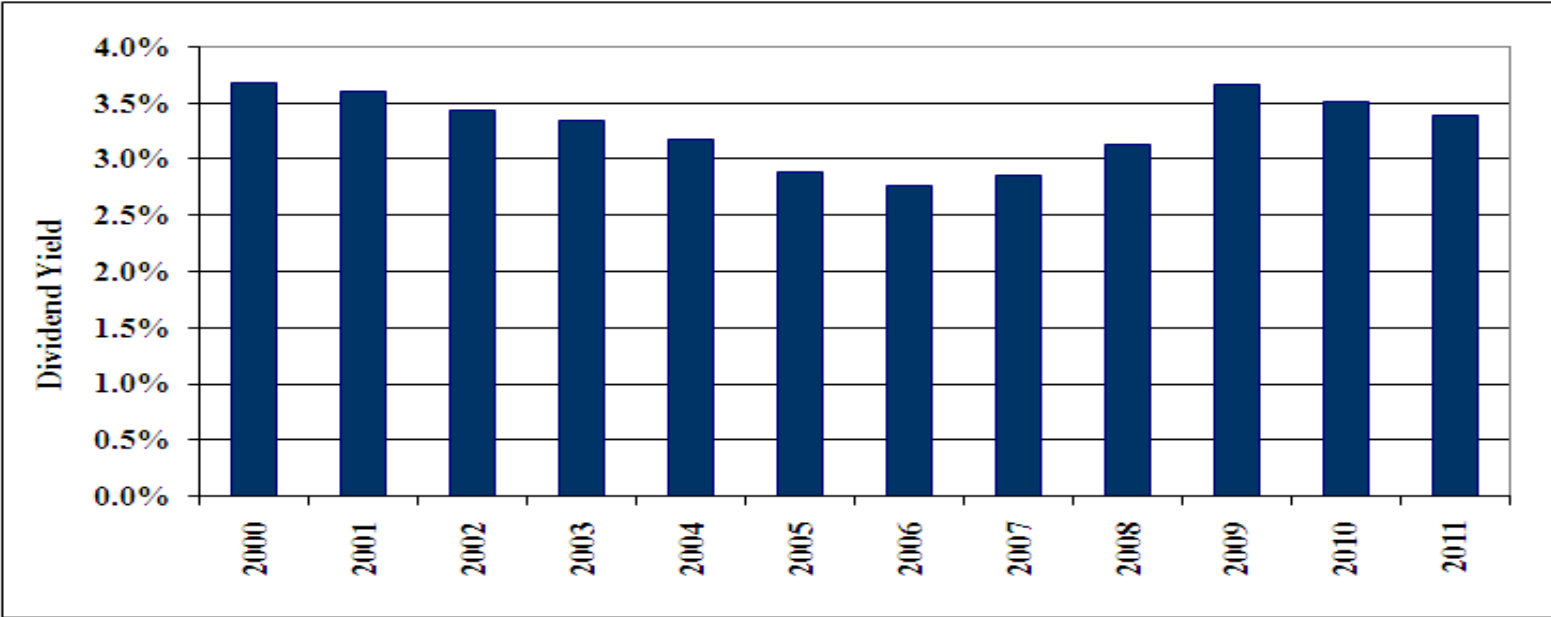
R-Square = .77, N=5.

Exhibit JRW-7
Long-Term 'A' Rated Public Utility Bonds

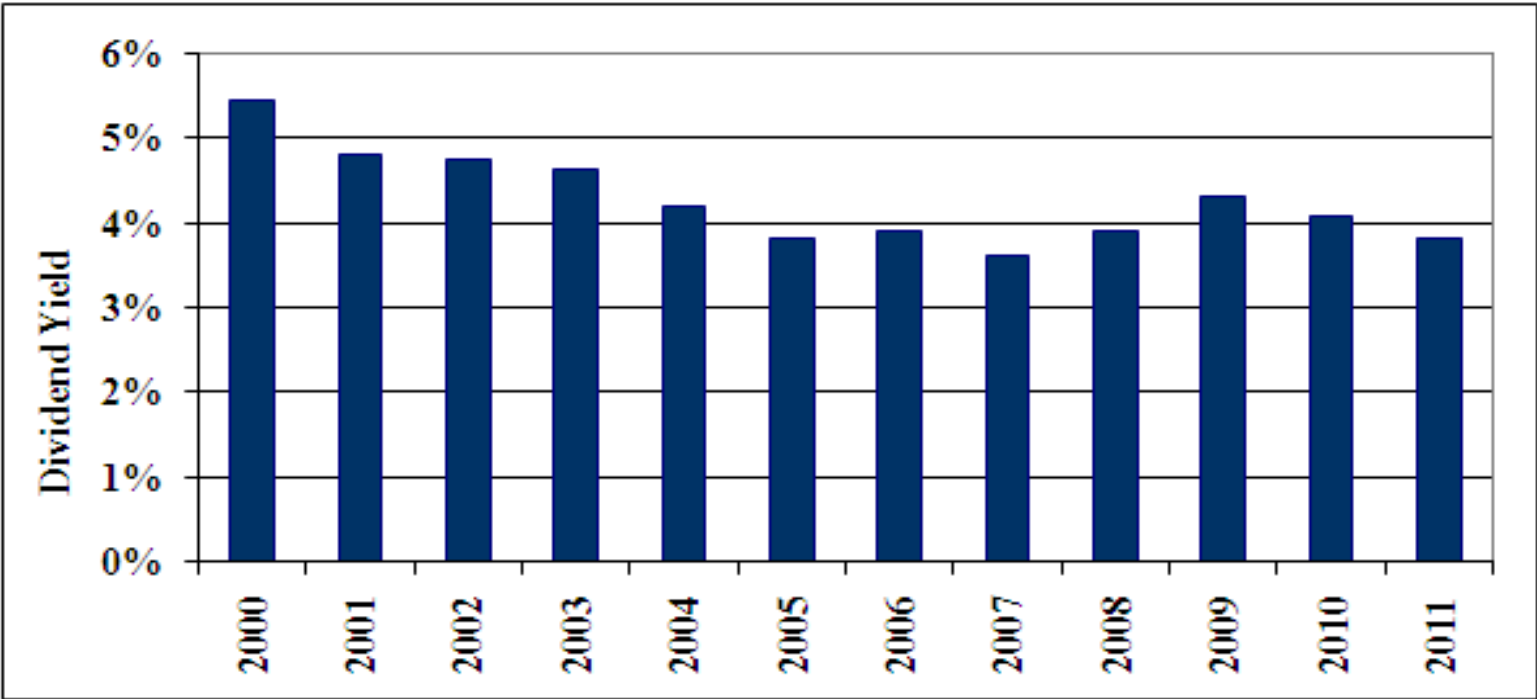


Source: Mergent Bond Record

Exhibit JRW-7
Panel A
Water Proxy Group Average Dividend Yield



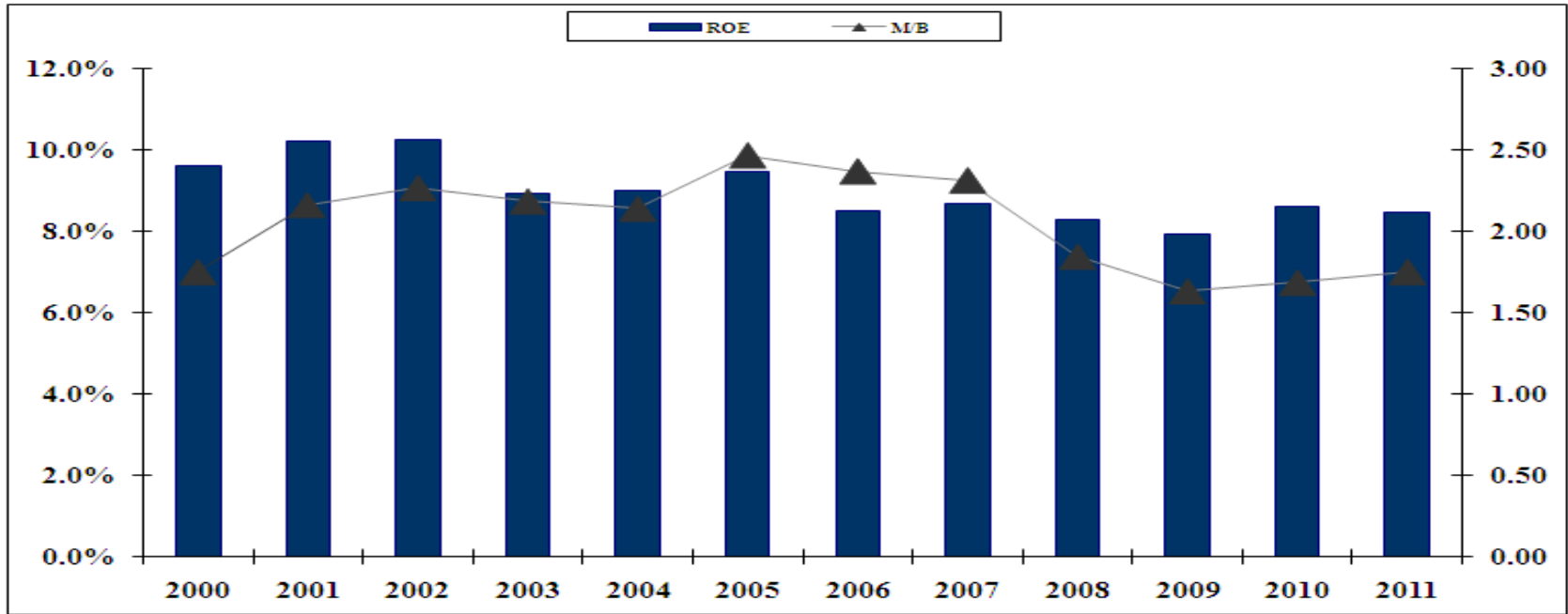
Panel B
Gas Proxy Group Average Dividend Yield



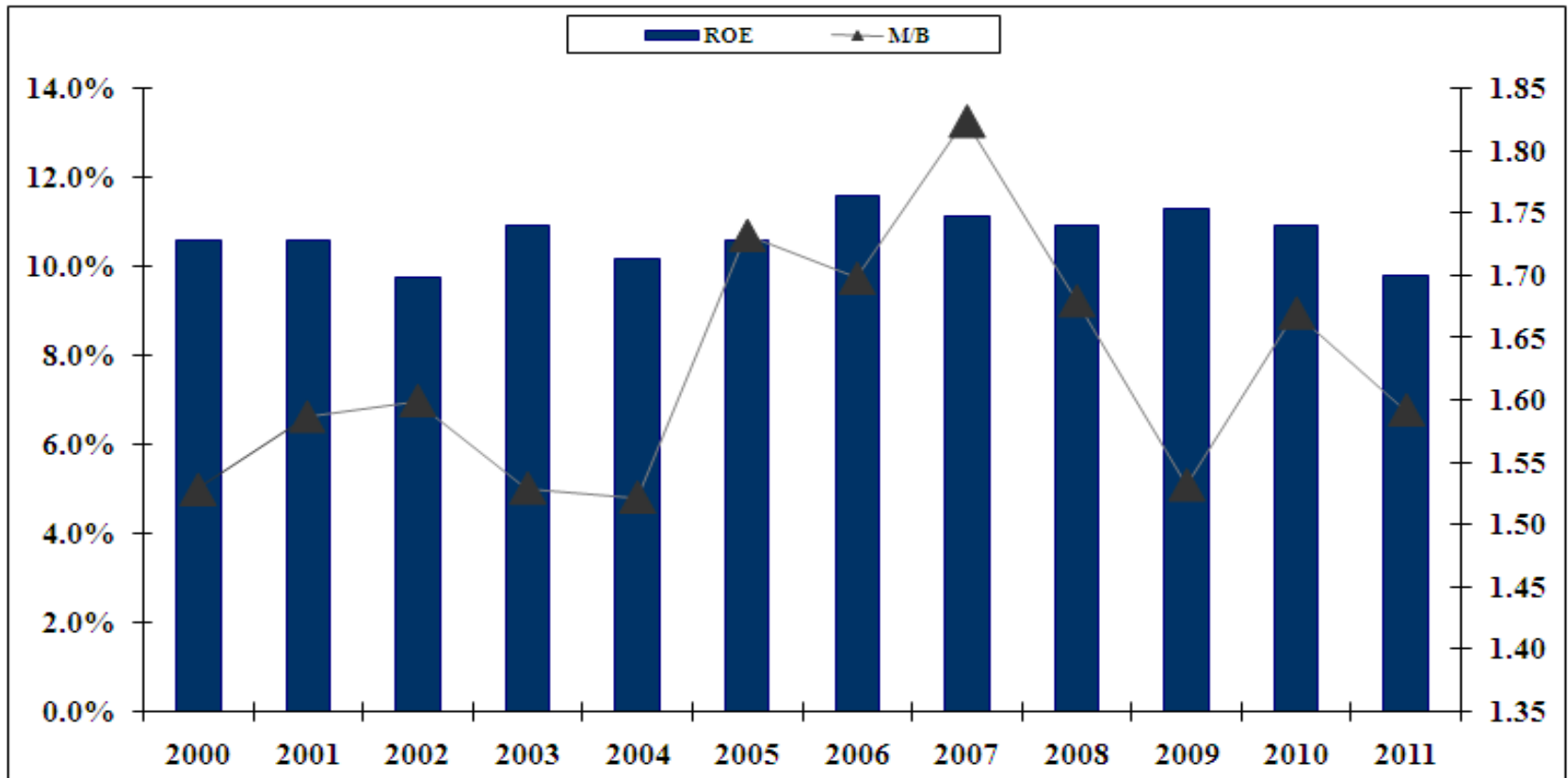
Data Source: Value Line Investment Survey.

Exhibit JRW-7

Panel A
 Water Proxy Group Average Return on Equity and Market-to-Book Ratios



Panel B
 Gas Proxy Group Average Return on Equity and Market-to-Book Ratios



Data Source: Value Line Investment Survey.

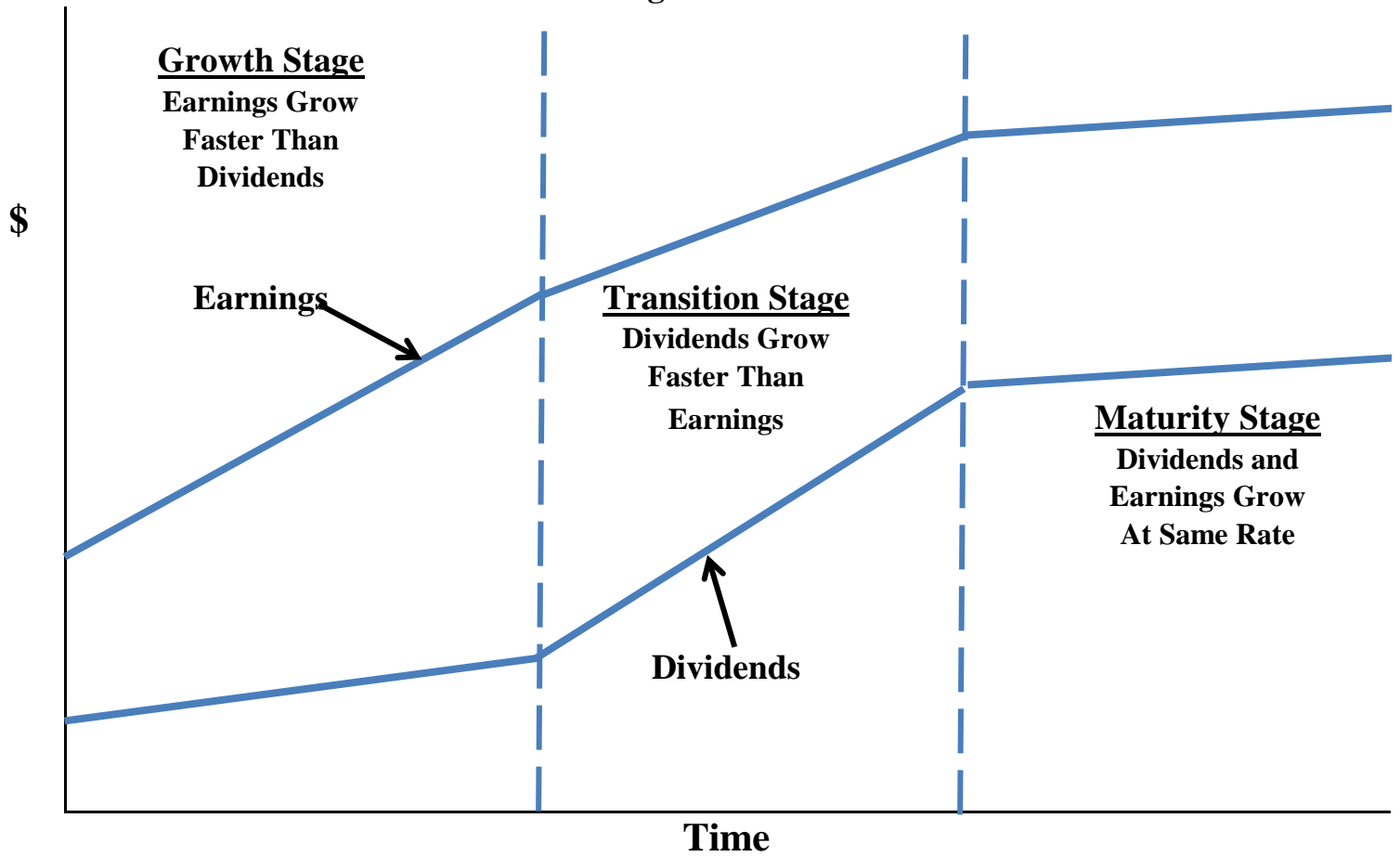
Exhibit JRW-8

Industry Average Betas

Industry Name	No.	Beta	Industry Name	No.	Beta	Industry Name	No.	Beta
Public/Private Equity	11	2.18	Natural Gas (Div.)	29	1.33	IT Services	60	1.06
Advertising	31	2.02	Financial Svcs. (Div.)	225	1.31	Retail Building Supply	8	1.04
Furn/Home Furnishings	35	1.81	Toiletries/Cosmetics	15	1.30	Computer Software	184	1.04
Heavy Truck & Equip	21	1.80	Apparel	57	1.30	Med Supp Non-Invasiv	146	1.03
Semiconductor Equip	12	1.79	Computers/Peripherals	87	1.30	Biotechnology	158	1.03
Retail (Hardlines)	75	1.77	Retail Store	37	1.29	E-Commerce	57	1.03
Newspaper	13	1.76	Chemical (Specialty)	70	1.28	Telecom. Equipment	99	1.02
Hotel/Gaming	51	1.74	Precision Instrument	77	1.28	Pipeline MLPs	27	0.98
Auto Parts	51	1.70	Wireless Networking	57	1.27	Telecom. Services	74	0.98
Steel	32	1.68	Restaurant	63	1.27	Oil/Gas Distribution	13	0.96
Entertainment	77	1.63	Shoe	19	1.25	Utility (Foreign)	4	0.96
Metal Fabricating	24	1.59	Publishing	24	1.25	Industrial Services	137	0.93
Automotive	12	1.59	Trucking	36	1.24	Bank (Midwest)	45	0.93
Insurance (Life)	30	1.58	Human Resources	23	1.24	Reinsurance	13	0.93
Oilfield Svcs/Equip.	93	1.55	Entertainment Tech	40	1.23	Food Processing	112	0.91
Coal	20	1.53	Engineering & Const	25	1.22	Medical Services	122	0.91
Chemical (Diversified)	31	1.51	Air Transport	36	1.21	Insurance (Prop/Cas.)	49	0.91
Building Materials	45	1.50	Machinery	100	1.20	Beverage	34	0.88
Semiconductor	141	1.50	Securities Brokerage	28	1.20	Telecom. Utility	25	0.88
R.E.I.T.	5	1.47	Petroleum (Integrated)	20	1.18	Tobacco	11	0.85
Homebuilding	23	1.45	Healthcare Information	25	1.17	Med Supp Invasive	83	0.85
Recreation	56	1.45	Packaging & Container	26	1.16	Educational Services	34	0.83
Railroad	12	1.44	Precious Metals	84	1.15	Environmental	82	0.81
Retail (Softlines)	47	1.44	Diversified Co.	107	1.14	Bank	426	0.77
Maritime	52	1.40	Funeral Services	6	1.14	Electric Util. (Central)	21	0.75
Office Equip/Supplies	24	1.38	Property Management	31	1.13	Electric Utility (West)	14	0.75
Cable TV	21	1.37	Pharmacy Services	19	1.12	Retail/Wholesale Food	30	0.75
Retail Automotive	20	1.37	Drug	279	1.12	Thrift	148	0.71
Chemical (Basic)	16	1.36	Aerospace/Defense	64	1.10	Electric Utility (East)	21	0.70
Paper/Forest Products	32	1.36	Foreign Electronics	9	1.09	Natural Gas Utility	22	0.66
Power	93	1.35	Internet	186	1.09	Water Utility	11	0.66
Petroleum (Producing)	176	1.34	Information Services	27	1.07	Total Market	5891	1.15
Electrical Equipment	68	1.33	Household Products	26	1.07			
Metals & Mining (Div.)	73	1.33	Electronics	139	1.07			

Source: Damodaran Online 2012 - <http://pages.stern.nyu.edu/~adamodar/>

Exhibit JRW-9
Three-Stage DCF Model



Source: William F. Sharpe, Gordon J. Alexander, and Jeffrey V. Bailey, Investments (Prentice-Hall, 1995), pp. 590-91.

Exhibit JRW-10

**Kentucky-American Water Company
Discounted Cash Flow Analysis**

**Panel A
Water Proxy Group**

Dividend Yield*	3.00%
Adjustment Factor (1 + 1/2g)	<u>1.0275</u>
Adjusted Dividend Yield	3.08%
Growth Rate**	<u>5.50%</u>
Equity Cost Rate	8.6%

* Page 2 of Exhibit JRW-10 and testimony at page 30.

** Based on data provided on pages 3, 4, 5,
and 6 of Exhibit JRW-10

**Panel B
Gas Proxy Group**

Dividend Yield*	3.90%
Adjustment Factor (1 + 1/2g)	<u>1.0225</u>
Adjusted Dividend Yield	3.99%
Growth Rate**	<u>4.50%</u>
Equity Cost Rate	8.5%

* Page 2 of Exhibit JRW-10 and testimony at page 30.

** Based on data provided on pages 3, 4, 5,
and 6 of Exhibit JRW-10

Exhibit JRW-10

Kentucky-American Water Company
Monthly Dividend YieldsPanel A
Water Proxy Group

Company	Oct	Nov	Dec	Jan	Feb	Mar	Mean
American States Water Co. (NYSE-AWR)	3.3%	3.2%	3.3%	3.0%	2.8%	2.7%	3.1%
American Water Works Co., Inc. (NYSE-AWK)	2.7%	2.7%	2.7%	2.6%	2.6%	2.5%	2.6%
Aqua America, Inc. (NYSE-WTR)	2.7%	2.6%	2.8%	2.8%	2.6%	2.4%	2.7%
Artesian Resources Corp. (NDQ-ARTNA)	3.5%	3.3%	3.8%	3.8%	3.6%	3.6%	3.6%
California Water Service Group (NYSE-CWT)	3.4%	3.3%	3.6%	3.5%	3.3%	3.3%	3.4%
Connecticut Water Service, Inc. (NDQ-CTWS)	3.1%	3.1%	3.2%	3.3%	3.3%	3.2%	3.2%
Middlesex Water Company (NDQ-MSEX)	3.9%	3.9%	4.1%	4.0%	3.9%	3.9%	4.0%
SJW Corporation (NYSE-SJW)	2.8%	2.8%	3.0%	2.8%	2.7%	2.6%	2.8%
York Water Company (NDQ-YORW)	2.9%	3.0%	3.1%	3.1%	3.0%	2.9%	3.0%
Mean	3.1%	3.1%	3.3%	3.2%	3.1%	3.0%	3.1%
Median	3.1%	3.1%	3.2%	3.1%	3.0%	2.9%	3.1%

Data Source: AUS Utility Reports , monthly issues.

Panel B
Gas Proxy Group

Company	Oct	Nov	Dec	Jan	Feb	Mar	Mean
AGL Resources Inc. (NYSE-ATG)	4.5%	4.5%	4.8%	4.6%	4.5%	4.7%	4.6%
Atmos Energy Corporation (NYSE-ATO)	3.9%	3.7%	4.0%	3.9%	3.8%	3.7%	3.8%
Laclede Group, Inc. (NYSE-LG)	4.0%	3.8%	4.2%	4.3%	4.4%	4.2%	4.2%
Northwest Natural Gas Co. (NYSE-NWN)	3.6%	3.6%	4.2%	4.1%	4.2%	4.0%	4.0%
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	3.7%	3.7%	4.0%	3.7%	3.7%	3.7%	3.8%
South Jersey Industries, Inc. (NYSE-SJI)	3.1%	3.1%	3.3%	3.5%	3.4%	3.2%	3.3%
Southwest Gas Corporation (NYSE-SWX)	2.7%	2.6%	2.9%	2.8%	2.7%	2.6%	2.7%
WGL Holdings, Inc. (NYSE-WGL)	4.0%	4.0%	4.3%	4.0%	4.0%	3.8%	4.0%
Mean	3.7%	3.6%	4.0%	3.9%	3.8%	3.7%	3.8%
Median	3.8%	3.7%	4.1%	4.0%	3.9%	3.8%	3.9%

Data Source: AUS Utility Reports , monthly issues.

Exhibit JRW-10

Kentucky-American Water Company
DCF Equity Cost Growth Rate Measures
Value Line Historic Growth Rates

Panel A
Water Proxy Group

Company	<i>Value Line</i> Historic Growth					
	Past 10 Years			Past 5 Years		
	Earnings	Dividends	Book Value	Earnings	Dividends	Book Value
American States Water Co. (NYSE-AWR)	4.5%	2.0%	5.0%	11.5%	2.5%	5.0%
American Water Works Co., Inc. (NYSE-AWK)						
Aqua America, Inc. (NYSE-WTR)	6.5%	7.5%	9.0%	4.5%	8.0%	7.0%
Artesian Resources Corp. (NDQ-ARTNA)				2.5%	5.0%	5.5%
California Water Service Group (NYSE-CWT)	4.0%	1.0%	5.0%	5.0%	1.0%	5.0%
Connecticut Water Service, Inc. (NDQ-CTWS)	0.5%	1.5%	4.0%	4.0%	1.5%	3.0%
Middlesex Water Company (NDQ-MSEX)	2.5%	2.0%	4.5%	4.5%	1.5%	5.5%
SJW Corporation (NYSE-SJW)	2.0%	5.0%	5.5%	-3.0%	5.0%	4.5%
York Water Company (NDQ-YORW)				5.0%	4.0%	7.0%
Mean	3.3%	3.2%	5.5%	4.3%	3.6%	5.3%
Median	3.3%	2.0%	5.0%	4.5%	3.3%	5.3%
Data Source: <i>Value Line Investment Survey, 2013.</i>			Average of Median Figures =			3.9%

Panel B
Gas Proxy Group

Company	<i>Value Line</i> Historic Growth					
	Past 10 Years			Past 5 Years		
	Earnings	Dividends	Book Value	Earnings	Dividends	Book Value
AGL Resources Inc. (NYSE-ATG)	8.0%	5.0%	8.0%	1.5%	6.5%	5.0%
Atmos Energy Corporation (NYSE-ATO)	5.0%	1.5%	6.5%	3.0%	1.5%	4.0%
Laclede Group, Inc. (NYSE-LG)	7.0%	2.0%	5.5%	4.0%	3.0%	6.5%
Northwest Natural Gas Co. (NYSE-NWN)	4.0%	3.0%	4.0%	4.5%	4.5%	4.0%
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	5.0%	5.0%	5.0%	3.5%	5.5%	3.0%
South Jersey Industries, Inc. (NYSE-SJI)	9.5%	6.5%	10.5%	7.0%	9.5%	7.0%
Southwest Gas Corporation (NYSE-SWX)	6.0%	2.0%	4.5%	6.5%	4.0%	5.0%
WGL Holdings, Inc. (NYSE-WGL)	4.0%	2.0%	4.0%	3.0%	3.0%	4.5%
Mean	6.1%	3.4%	6.0%	4.1%	4.7%	4.9%
Median	5.5%	2.5%	5.3%	3.8%	4.3%	4.8%
Data Source: <i>Value Line Investment Survey, 2013.</i>			Average of Median Figures =			4.3%

Exhibit JRW-10

Kentucky-American Water Company
DCF Equity Cost Growth Rate Measures
Value Line Projected Growth Rates

Panel A
Water Proxy Group

Company	Value Line			Value Line		
	Projected Growth			Sustainable Growth		
	Est'd. '09-'11 to '15-'17			Return on Equity	Retention Rate	Sustainable Growth
Earnings	Dividends	Book Value				
American States Water Co. (NYSE-AWR)	5.5%	7.5%	2.5%	12.0%	43.0%	5.2%
American Water Works Co., Inc. (NYSE-AWK)	9.0%	6.5%	2.5%	9.0%	49.0%	4.4%
Aqua America, Inc. (NYSE-WTR)	7.0%	5.0%	4.0%	12.5%	41.0%	5.1%
Artesian Resources Corp. (NDQ-ARTNA)						
California Water Service Group (NYSE-CWT)	6.0%	3.0%	3.5%	10.5%	45.0%	4.7%
Connecticut Water Service, Inc. (NDQ-CTWS)	7.5%	3.0%	5.0%	10.5%	37.0%	3.9%
Middlesex Water Company (NDQ-MSEX)	7.0%	1.5%	3.5%	9.0%	36.0%	3.2%
SJW Corporation (NYSE-SJW)	8.0%	3.0%	4.5%	7.0%	43.0%	3.0%
York Water Company (NDQ-YORW)						
Mean	7.1%	4.2%	3.6%	10.1%	42.0%	4.2%
Median	7.0%	3.0%	3.5%	10.5%	43.0%	4.4%
Average of Median Figures =	4.5%				Median =	4.4%

Data Source: *Value Line Investment Survey, 2013.*

Panel B
Gas Proxy Group

Company	Value Line			Value Line		
	Projected Growth			Sustainable Growth		
	Est'd. '09-'11 to '15-'17			Return on Equity	Retention Rate	Internal Growth
Earnings	Dividends	Book Value				
AGL Resources Inc. (NYSE-ATG)	9.0%	2.0%	5.0%	6.0%	50.0%	3.0%
Atmos Energy Corporation (NYSE-ATO)	5.5%	1.5%	5.5%	8.5%	50.0%	4.3%
Laclede Group, Inc. (NYSE-LG)	5.5%	2.0%	5.5%	10.5%	50.0%	5.3%
Northwest Natural Gas Co. (NYSE-NWN)	3.0%	2.5%	1.0%	11.5%	39.0%	4.5%
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	3.0%	3.0%	4.0%	11.0%	26.0%	2.9%
South Jersey Industries, Inc. (NYSE-SJI)	9.0%	9.0%	7.0%	15.5%	48.0%	7.4%
Southwest Gas Corporation (NYSE-SWX)	8.0%	7.0%	5.0%	10.5%	58.0%	6.1%
WGL Holdings, Inc. (NYSE-WGL)	2.0%	3.0%	3.5%	9.5%	32.0%	3.0%
Mean	5.6%	3.8%	4.6%	10.4%	44.1%	4.6%
Median	5.5%	2.8%	5.0%	10.5%	49.0%	4.4%
Average of Median Figures =	4.4%				Median =	4.4%

Data Source: *Value Line Investment Survey, 2013.*

Exhibit JRW-10

Kentucky-American Water Company
DCF Equity Cost Growth Rate Measures
Analysts Projected EPS Growth Rate Estimates

Panel A
Water Proxy Group

Company	Yahoo	Zack's	Reuters	Average
American States Water Co. (NYSE-AWR)	6.0%	6.0%	6.0%	6.0%
American Water Works Co., Inc. (NYSE-AWK)	8.5%	8.0%	9.6%	8.7%
Aqua America, Inc. (NYSE-WTR)	4.9%	6.9%	6.3%	6.0%
Artesian Resources Corp. (NDQ-ARTNA)	4.0%	n/a	n/a	4.0%
California Water Service Group (NYSE-CWT)	6.0%	5.0%	6.0%	5.7%
Connecticut Water Service, Inc. (NDQ-CTWS)	6.1%	n/a	n/a	6.1%
Middlesex Water Company (NDQ-MSEX)	2.7%	n/a	n/a	2.7%
SJW Corporation (NYSE-SJW)	14.0%	n/a	n/a	14.0%
York Water Company (NDQ-YORW)	4.9%	n/a	n/a	4.9%
Mean	6.3%	6.5%	7.0%	6.5%
Median	6.0%	6.5%	6.1%	6.0%

Data Sources: www.reuters.com, www.zacks.com, http://quote.yahoo.com, March 8, 2013

Panel B
Gas Proxy Group

Company	Yahoo	Zack's	Reuters	Average
AGL Resources Inc. (NYSE-GAS)	-5.7%	3.5%	3.8%	0.5%
Atmos Energy Corporation (NYSE-ATO)	5.9%	6.0%	5.9%	6.0%
Laclede Group, Inc. (NYSE-LG)	5.3%	3.0%	n/a	4.2%
Northwest Natural Gas Co. (NYSE-NWN)	4.5%	3.8%	4.5%	4.3%
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	5.6%	3.7%	5.6%	4.9%
South Jersey Industries, Inc. (NYSE-SJI)	6.0%	6.0%	n/a	6.0%
Southwest Gas Corporation (NYSE-SWX)	4.1%	4.9%	4.1%	4.3%
WGL Holdings, Inc. (NYSE-WGL)	5.3%	5.3%	5.3%	5.3%
Mean	3.9%	4.5%	4.9%	4.4%
Median	5.3%	4.4%	4.9%	4.6%

Data Sources: www.reuters.com, www.zacks.com, http://quote.yahoo.com, March 8, 2013

Exhibit JRW-10

**Kentucky-American Water Company
 DCF Growth Rate Indicators**

DCF Growth Rate Indicators

Summary Growth Rates

Growth Rate Indicator	Water Proxy Group	Gas Proxy Group
Historic <i>Value Line</i> Growth in EPS, DPS, and BVPS	3.9%	4.3%
Projected <i>Value Line</i> Growth in EPS, DPS, and BVPS	4.5%	4.4%
Sustainable Growth ROE * Retention Rate	4.4%	4.4%
Projected EPS Growth from Yahoo, Zacks, and Reuters	6.0%	4.6%
Average of Historic and Projected Growth Rates	4.7%	4.4%
Average of Sustainable and Projected Growth Rates	5.0%	4.5%

Exhibit JRW-11

**Kentucky-American Water Company
Capital Asset Pricing Model**

**Panel A
Water Proxy Group**

Risk-Free Interest Rate	4.00%
Beta*	0.70
<u>Ex Ante Equity Risk Premium**</u>	<u>5.00%</u>
CAPM Cost of Equity	7.5%

* See page 3 of Exhibit JRW-11 and testimony at page 49.

** See pages 5 and 6 of Exhibit JRW-11

**Panel B
Gas Proxy Group**

Risk-Free Interest Rate	4.00%
Beta*	0.65
<u>Ex Ante Equity Risk Premium**</u>	<u>5.00%</u>
CAPM Cost of Equity	7.3%

* See page 3 of Exhibit JRW-11 and testimony at page 49.

** See pages 5 and 6 of Exhibit JRW-11

Exhibit JRW-11

Ten-Year U.S. Treasury Yields
January 2000-Present

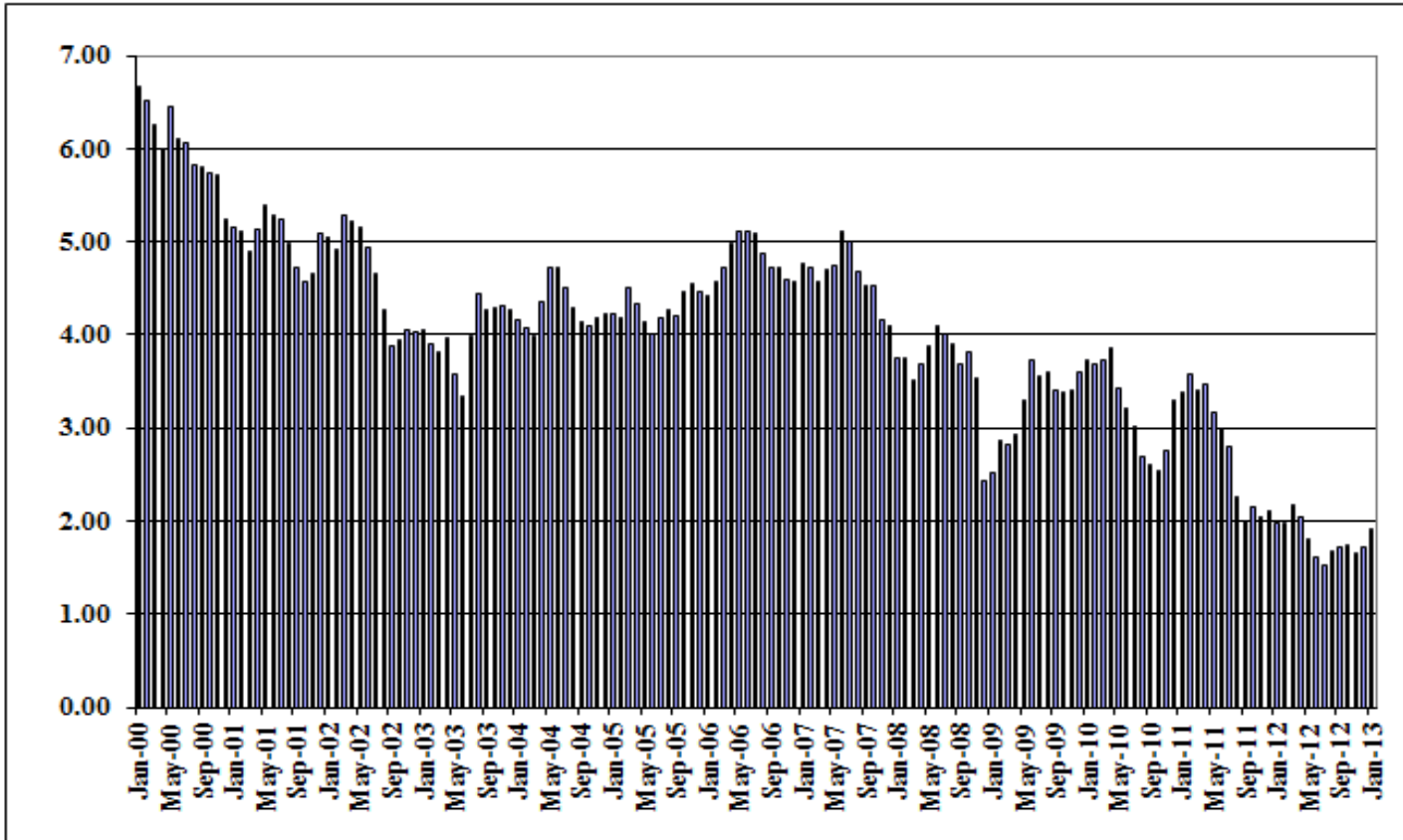
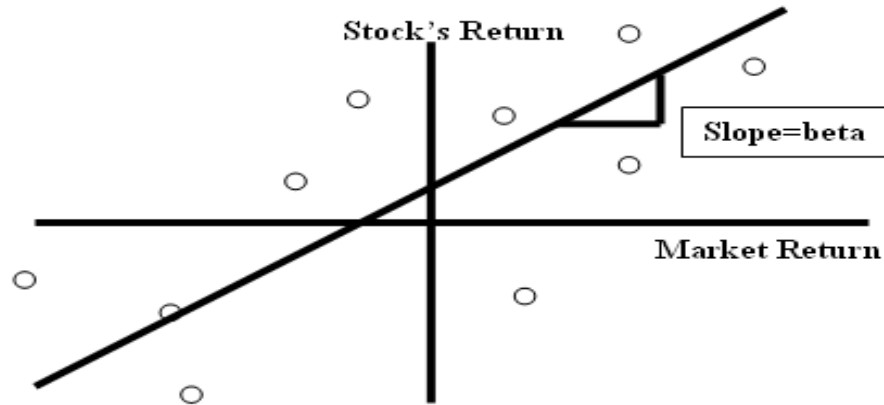


Exhibit JRW-11

Panel A

Betas

Calculation of Beta



Water Proxy Group

Company	Beta
American States Water Co. (NYSE-AWR)	0.70
American Water Works Co., Inc. (NYSE-AWK)	0.65
Aqua America, Inc. (NYSE-WTR)	0.60
Artesian Resources Corp. (NDQ-ARTNA)	0.55
California Water Service Group (NYSE-CWT)	0.65
Connecticut Water Service, Inc. (NDQ-CTWS)	0.75
Middlesex Water Company (NDQ-MSEX)	0.70
SJW Corporation (NYSE-SJW)	0.85
York Water Company (NDQ-YORW)	0.70
Mean	0.68
Median	0.70

Data Source: *Value Line Investment Survey, 2013.*

Gas Proxy Group

Company	Beta
AGL Resources Inc. (NYSE-ATG)	0.75
Atmos Energy Corporation (NYSE-ATO)	0.70
Laclede Group, Inc. (NYSE-LG)	0.55
Northwest Natural Gas Co. (NYSE-NWN)	0.60
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	0.65
South Jersey Industries, Inc. (NYSE-SJI)	0.65
Southwest Gas Corporation (NYSE-SWX)	0.75
WGL Holdings, Inc. (NYSE-WGL)	0.65
Mean	0.66
Median	0.65

Data Source: *Value Line Investment Survey, 2013.*

Exhibit JRW-11
Risk Premium Approaches

	Historical Ex Post Returns	Surveys	Expected Return Models and Market Data
Means of Assessing The Market Risk Premium	Historical Average Stock Minus Bond Returns	Surveys of CFOs, Financial Forecasters, Companies, Analysts on Expected Returns and Market Risk Premiums	Use Market Prices and Market Fundamentals (such as Growth Rates) to Compute Expected Returns and Market Risk Premiums
Problems/Debated Issues	Time Variation in Required Returns, Measurement and Time Period Issues, and Biases such as Market and Company Survivorship Bias	Questions Regarding Survey Histories, Responses, and Representativeness Surveys may be Subject to Biases, such as Extrapolation	Assumptions Regarding Expectations, Especially Growth

Source: Adapted from Antti Ilmanen, "Expected Returns on Stocks and Bonds," *Journal of Portfolio Management*, (Winter 2003).

Authorized ROEs for Publicly-Held Water Companies

	Authorized ROE	Date
American States Water	9.99%	Nov-11
American Water Works	9.61%	
Aqua America, Inc.	10.33%	
Artesian Resources Corp.	10.00%	Sep-09
California Water Service Group	9.99%	Nov-11
Connecticut Water Services, Inc.	9.75%	Jul-10
Middlesex Water Company	10.15%	
SJW Corp.	9.99%	Nov-11
York Water Company	NA	
Average	9.98%	

Data Source: *AUS Utility Reports, March, 2013.*

Panel A

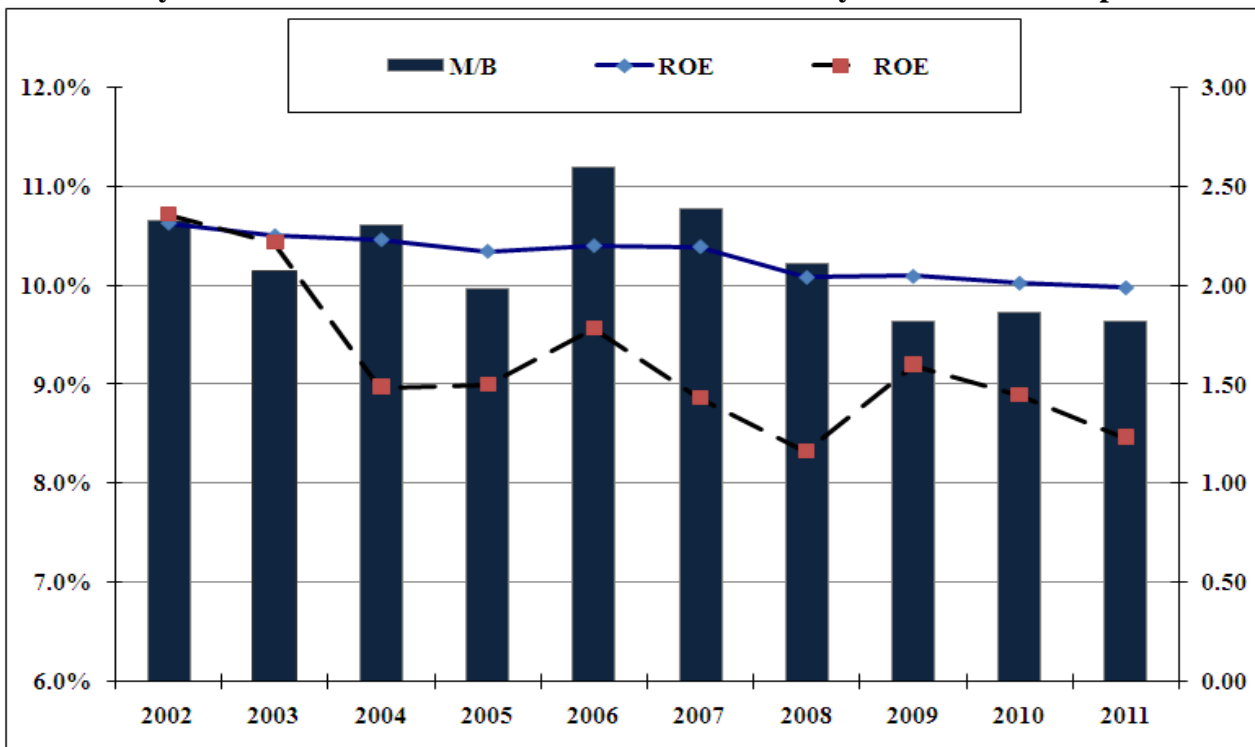
Authorized and Earned ROEs and M/B Ratios for Publicly-Held Water Companies

Year	Authorized ROE	Earned ROE	M/B
2002	10.63%	10.72%	2.33
2003	10.50%	10.44%	2.07
2004	10.46%	8.98%	2.31
2005	10.35%	9.00%	1.98
2006	10.40%	9.57%	2.59
2007	10.39%	8.86%	2.39
2008	10.08%	8.33%	2.11
2009	10.09%	9.20%	1.82
2010	10.02%	8.89%	1.87
2011	9.98%	8.47%	1.82

Data Source: AUS Utilities Report, Value Line Investment Survey

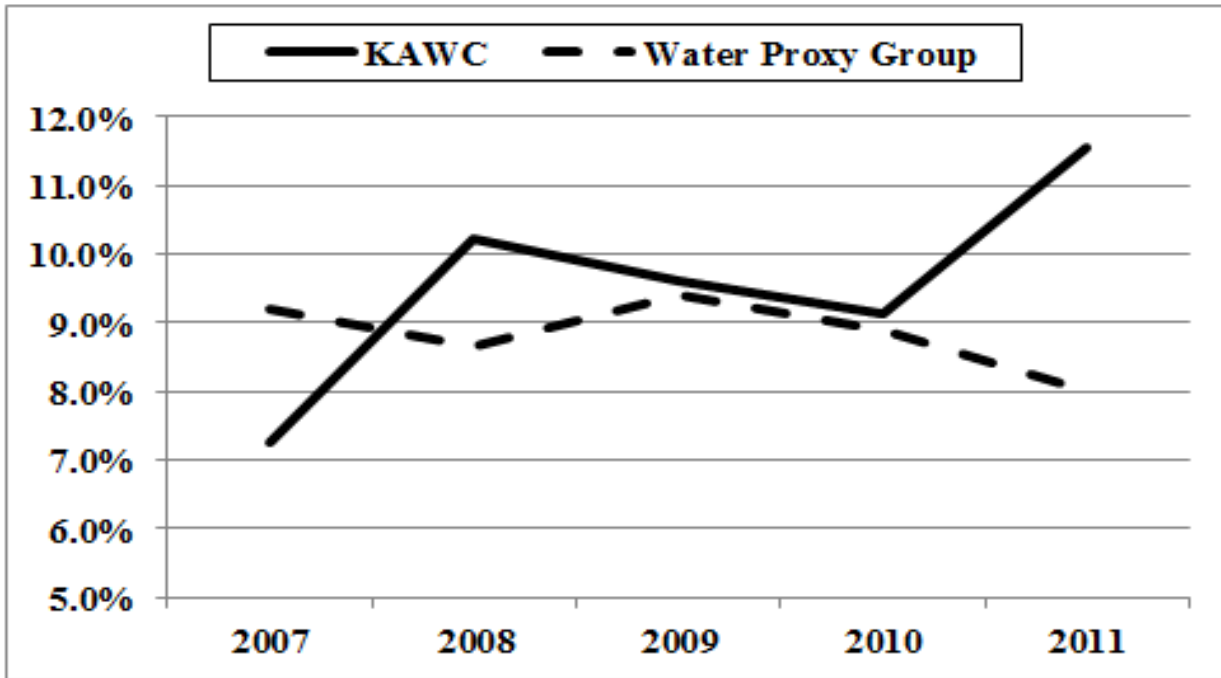
Panel B

Summary of Authorized ROEs and M/B Ratios for Publicly-Held Water Companies



Data Source: AUS Utilities Report, Value Line Investment Survey

Assessment of KAWC and Water Company Earned ROEs



Data Sources: *Value Line Investment Survey* and KAWC response to AG DR 1-28.

KAWC's 2012 ROE was 9.21%. The earned ROEs for the water companies are not yet available.

Exhibit JRW-13

Kentucky-American Water Company

Cost of Capital

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short-Term Debt	2.04%	0.81%	0.02%
Long-Term Debt	52.04%	6.14%	3.20%
Preferred Stock	1.17%	8.52%	0.10%
Common Equity	44.75%	10.90%	4.88%
Total Capital	100.00%		8.19%

Panel A

Summary of Dr. Vander Weide's Equity Cost Rate Approaches and Results

Approach	Cost of Equity
DCF - Water	10.50%
DCF - LDC	10.40%
Ex Ante Risk Premium	11.40%
Ex Post Risk Premium	10.80%
Equity Cost Rate Range	10.40%-11.4%

Panel B

Summary of Dr. Vander Weide's DCF - Water Results

	Utility Proxy Group
Average Adjusted Dividend Yield*	3.25%
Growth**	7.25%
DCF Result	10.50%

* Includes adjustments for quarterly payments and flotation costs

** Expected EPS Growth from IBES and *Value Line*

Summary of Dr. Vander Weide's DCF - Gas Results

	Utility Proxy Group
Average Adjusted Dividend Yield*	4.80%
Growth**	5.60%
DCF Result	10.40%

* Includes adjustments for quarterly payments and flotation costs

** Expected EPS Growth from IBES and *not Value Line*

Panel C

Summary of Dr. Vander Weide's Ex Ante Risk Premium Results

	Ex Ante Risk Premium
'A' Rated PU Yield	6.60%
Ex Ante Risk Premium*	4.80%
Equity Cost Rate	11.40%

* Flotation Cost included in risk premium

Panel D

Summary of Dr. Vander Weide's Ex Post Risk Premium Results

	Ex Ante Risk Premium
Projected 'A' Rated PU Yield	6.60%
Historic Risk Premium*	4.05%
Equity Cost Rate	10.65%
Flotation Cost Adjustment	0.17%
Adjusted CAPM Result	10.82%

* Midpoint of 3.8% and 4.3%

Panel E

Summary of Dr. Vander Weide's Historical CAPM Results

	Utility Proxy Group
Risk-Free Rate	5.11%
Beta	0.65
Equity Risk Premium	6.62%
CAPM Result	9.41%
Flotation Cost Adjustment	0.17%
Adjusted CAPM Result	9.58%

Panel F

Summary of Dr. Vander Weide's Expected CAPM Results

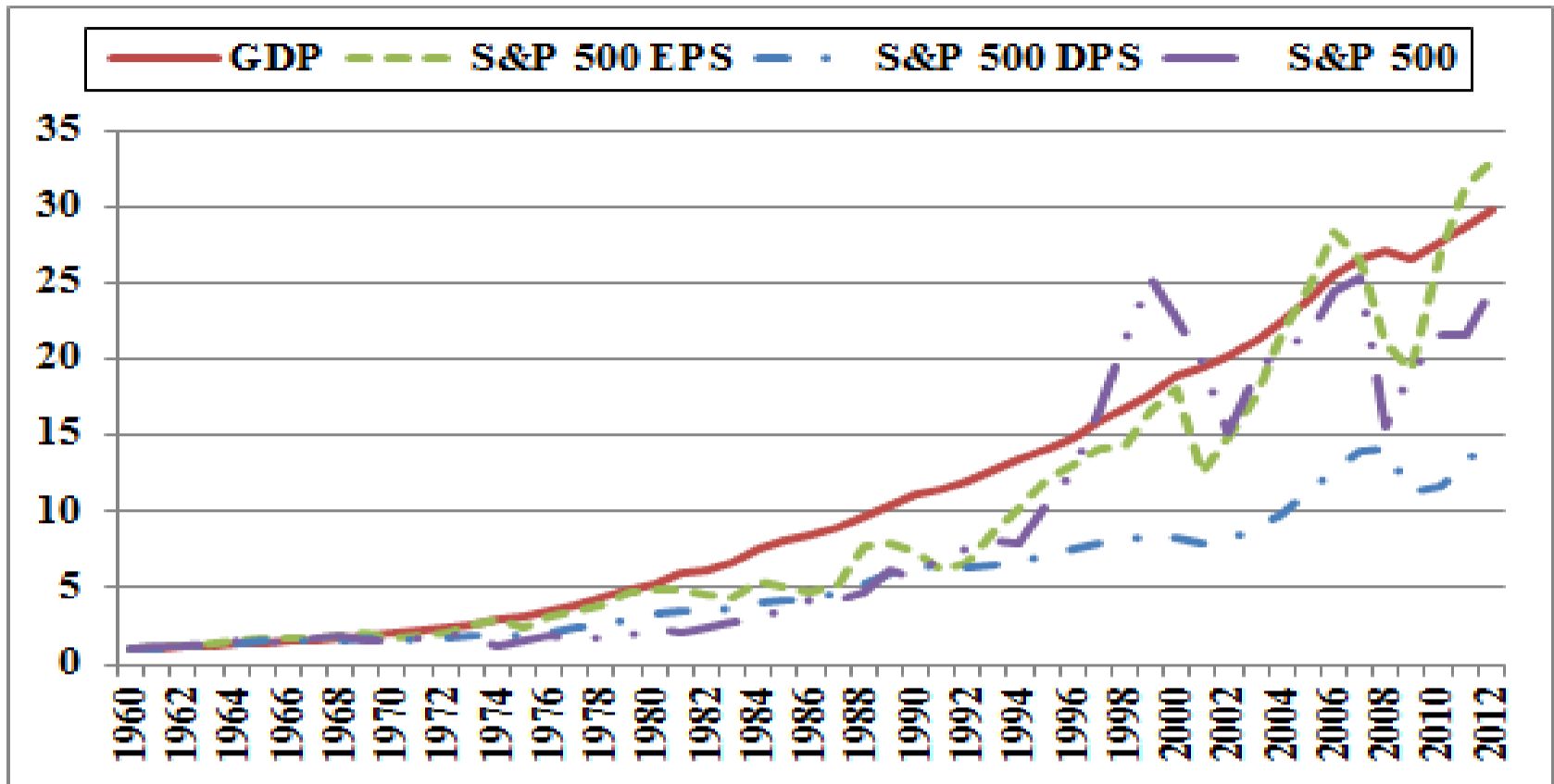
	Utility Proxy Group
Risk-Free Rate	5.11%
Beta	0.65
Equity Risk Premium	7.49%
CAPM Result	9.98%
Flotation Cost Adjustment	0.17%
Adjusted CAPM Result	10.15%

Growth Rates
GDP, S&P 500 Price, EPS, and DPS

	GDP	S&P 500	Earnings	Dividends	
1960	526.4	58.11	3.10	1.98	
1961	544.8	71.55	3.37	2.04	
1962	585.7	63.10	3.67	2.15	
1963	617.8	75.02	4.13	2.35	
1964	663.6	84.75	4.76	2.58	
1965	719.1	92.43	5.30	2.83	
1966	787.7	80.33	5.41	2.88	
1967	832.4	96.47	5.46	2.98	
1968	909.8	103.86	5.72	3.04	
1969	984.4	92.06	6.10	3.24	
1970	1038.3	92.15	5.51	3.19	
1971	1126.8	102.09	5.57	3.16	
1972	1237.9	118.05	6.17	3.19	
1973	1382.3	97.55	7.96	3.61	
1974	1499.5	68.56	9.35	3.72	
1975	1637.7	90.19	7.71	3.73	
1976	1824.6	107.46	9.75	4.22	
1977	2030.1	95.10	10.87	4.86	
1978	2293.8	96.11	11.64	5.18	
1979	2562.2	107.94	14.55	5.97	
1980	2788.1	135.76	14.99	6.44	
1981	3126.8	122.55	15.18	6.83	
1982	3253.2	140.64	13.82	6.93	
1983	3534.6	164.93	13.29	7.12	
1984	3930.9	167.24	16.84	7.83	
1985	4217.5	211.28	15.68	8.20	
1986	4460.1	242.17	14.43	8.19	
1987	4736.4	247.08	16.04	9.17	
1988	5100.4	277.72	24.12	10.22	
1989	5482.1	353.40	24.32	11.73	
1990	5800.5	330.22	22.65	12.35	
1991	5992.1	417.09	19.30	12.97	
1992	6342.3	435.71	20.87	12.64	
1993	6667.4	466.45	26.90	12.69	
1994	7085.2	459.27	31.75	13.36	
1995	7414.7	615.93	37.70	14.17	
1996	7838.5	740.74	40.63	14.89	
1997	8332.4	970.43	44.09	15.52	
1998	8793.5	1229.23	44.27	16.20	
1999	9353.5	1469.25	51.68	16.71	
2000	9951.5	1320.28	56.13	16.27	
2001	10286.2	1148.09	38.85	15.74	
2002	10642.3	879.82	46.04	16.08	
2003	11142.2	1111.91	54.69	17.88	
2004	11853.3	1211.92	67.68	19.41	
2005	12623.0	1248.29	76.45	22.38	
2006	13377.2	1418.30	87.72	25.05	
2007	14028.7	1468.36	82.54	27.73	
2008	14291.5	903.25	65.39	28.05	
2009	13973.7	1115.10	59.65	22.31	
2010	14498.9	1257.64	83.66	23.12	
2011	15075.7	1257.60	97.05	26.02	Average
2012	15681.5	1426.19	102.47	30.44	
Growth Rates	6.74	6.35	6.96	5.39	6.36

Data Sources: GDP - <http://research.stlouisfed.org/fred2/categories/106>S&P 500, EPS and DPS - <http://pages.stern.nyu.edu/~adamodar/>

Long-Term Growth of GDP, S&P 500, S&P 500 EPS, and S&P 500 DPS



	GDP	S&P 500	S&P 500 EPS	S&P 500 DPS
Growth Rates	6.74%	6.35%	6.96%	5.39%

Panel A
Historic GDP Growth Rates

10-Year Average	4.0%
20-Year Average	4.6%
30-Year Average	5.1%
40-Year Average	6.6%
50-Year Average	6.8%

Calculated using GDP data on Page 1 of Exhibit JRW-14

Panel B
Projected GDP Growth Rates

	Time Frame	Projected Nominal GDP Growth Rate
Congressional Budget Office	2013-2023	4.6%
Survey of Financial Forecasters	Ten Year	4.8%
Energy Information Administration	2011-2040	4.5%

Sources:

http://www.cbo.gov/ftpdocs/120xx/doc12039/01-26_FY2013Outlook.pdf page XIII

http://www.eia.gov/forecasts/aeo/tables_ref.cfm Table 20

<http://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2013/survq113.cfm>