33

FILE

Ohio American Water Company

Rate Case No. 07-1112-WS-AIR

Standard Filing Information

Rates and Tariffs

Section E-3.2
Cost of Service Study

Water Division

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TEST YEAR ENDED JUNE 30, 2007

Customer Classification	Cost of Service Amount (Schedule B)	Cost of Service Percent	Revenues, Present Rates Amount	Revenues, Present Rates Percent	Revenues, Proposed Rates Amount	Revenues, Proposed Rates Percent	Proposed Increase Amount	Proposed Increase Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	$ 22,670,146	66.7%	$ 19,472,222	65.6%	$ 22,574,049	66.4%	$ 3,101,827	15.9%
Commercial	4,397,517	13.0%	4,369,741	14.9%	4,962,951	14.6%	593,210	13.6%
Industrial	2,981,562	8.8%	2,629,030	8.9%	2,911,359	8.6%	282,329	10.7%
Public Authority	1,892,689	5.6%	1,528,434	5.2%	1,714,454	5.1%	186,020	12.2%
Consumers/Aqua	1,395,455	4.1%	1,082,826	3.7%	1,219,008	3.6%	136,182	12.6%
Private Fire Service	608,468	1.8%	501,159	1.7%	564,001	1.7%	62,842	12.5%
Total Sales	33,945,837	100.0%	29,583,412	100.0%	33,945,822	100.0%	4,362,410	14.7%
Other Revenues	826,784		826,784		826,784		-	0.0%
Total	$ 34,772,621		$ 30,410,196		$ 34,772,606		$ 4,362,410	14.3%

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Consumers/ Aqua (8)	Private Fire Protection (9)
OPERATION AND MAINTENANCE EXPENSES								
SOURCE OF SUPPLY EXPENSES								
Oper. Super. And Eng'ng -Labor	2	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SS Operating Expense	2	3,865	2,076	547	504	295	441	2
SS Operating Labor	2	0	0	0	0	0	0	0
Purchased Water	1A	1,031,237	567,902	181,188	183,354	97,658	0	1,134
TOTAL SS EXPENSE - OPERATION		1,035,102	569,976	181,736	183,858	97,953	441	1,137
Purchased Power SS	2	715,058	383,986	101,252	93,244	54,559	81,588	429
Misc Exp Oper SS	2	37,333	20,046	5,286	4,868	2,849	4,260	22
Transport Maint SS	2	485	260	69	63	37	55	0
Maint Super & Eng SS - Labor	2	0	0	0	0	0	0	0
Struct & Improve Maint SS	2	7,854	4,218	1,112	1,024	599	896	5
Maint. Of Intakes - Mat'l	2	0	0	0	0	0	0	0
Maint of Wells	2	16,121	8,657	2,283	2,102	1,230	1,839	10
Infilt Gall & Tunnels Maint SS	2	0	0	0	0	0	0	0
Supply Mains Maint SS	2	138	74	20	18	11	16	0
Misc Plant Maint SS - Mat'l	2	129,460	69,520	18,332	16,882	9,878	14,771	78
Misc Plant Maint SS - Labor	2	0	0	0	0	0	0	0
Contract Svc - Other Maint SS	2	670	360	95	87	51	76	0
TOTAL SS EXPENSE - MAINTENANCE		907,119	487,123	128,448	118,288	69,213	103,502	544
TOTAL SS EXPENSE		1,942,221	1,057,101	310,184	302,146	167,166	103,943	1,681
POWER AND PUMPING EXPENSES								
Oper Super and Eng - Labor	6	0	0	0	0	0	0	0
Fuel for Power Prod	1	0	0	0	0	0	0	0
Labor & Exp Oper Pwr Prod	6	0	0	0	0	0	0	0
Purch Fuel/Power for Pump	1	275,719	130,139	41,551	42,020	22,388	39,373	248
Pumping Labor	6	377,840	217,523	56,600	49,308	29,849	21,575	2,985
Pumping Expense	6	0	0	0	0	0	0	0
Misc Pumping Exp - Oper	6	34,338	19,768	5,144	4,481	2,713	1,961	271
Rents Oper P	6	0	0	0	0	0	0	0
TOTAL PUMPING EXPENSE - OPERATION		687,898	367,431	103,295	95,809	54,950	62,908	3,504
Maint super and Eng - Labor	6	0	0	0	0	0	0	0
Maint of Structures - Mat'l	6	0	0	0	0	0	0	0
Maint of Structures - Labor	6	30,272	17,428	4,535	3,951	2,391	1,729	239
Maint of Power Prod Eq -Maint	6	0	0	0	0	0	0	0
Maint of Power Prod Eq - Labor	6	0	0	0	0	0	0	0
Maint of Pumping Eq - Mat'l	6	9,333	5,373	1,398	1,218	737	533	74
Maint of Pumping Eq - Labor	6	24,617	14,172	3,688	3,212	1,945	1,406	194
TOTAL PUMPING EXPENSES - MAINTENANCE		64,222	36,972	9,620	8,381	5,074	3,667	507
TOTAL PUMPING EXPENSES		752,119	404,403	112,916	104,190	60,024	66,575	4,012

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Consumers/ Aqua	Private Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
WATER TREATMENT								
Oper Super and Eng - Labor	2	63,014	33,838	8,923	8,217	4,808	7,190	38
Chemicals - WT	1	1,299,235	613,239	195,795	198,003	105,498	185,531	1,169
Softening Chemicals								
Gen'l WT Labor	2	624,736	335,483	88,463	81,466	47,667	71,282	375
Softening Labor								
Gen'l WT Exp	2	72,355	38,855	10,245	9,436	5,521	8,256	43
Heat - Oil/Gas WT Exp	1	70,283	33,174	10,592	10,711	5,707	10,036	63
Lab Supplies	2	102,055	54,804	14,451	13,308	7,787	11,644	61
Softening Expenses								
Purchased Power WT	2	0	0	0	0	0	0	0
Waste Disposal Exp	1	183,060	86,404	27,587	27,898	14,864	26,141	165
Amort Waste Disposal Exp	2	18,461	9,914	2,614	2,407	1,409	2,106	11
M & S Oper WT	2	56,013	30,079	7,931	7,304	4,274	6,391	34
Trans Oper WT	2	679	365	96	89	52	77	0
Misc Oper WT	2	8,959	4,811	1,269	1,168	684	1,022	5
WT Rents	2	16,653	8,943	2,358	2,172	1,271	1,900	10
Contract Services WT	2	756	406	107	99	58	86	0
Contract Services Lab Testing	2	0	0	0	0	0	0	0
TOTAL WT EXPENSE - OPERATION		2,516,259	1,250,313	370,431	362,277	199,598	331,664	1,976
Maint Super & Eng - Labor	2	54,296	29,157	7,688	7,080	4,143	6,195	33
Maint of Structures - Mat'l	2	9,950	5,343	1,409	1,297	759	1,135	6
Maint of Structures - Labor	2	16,166	8,681	2,289	2,108	1,233	1,845	10
Maint. Of Treat Eq - Mat'l	2	207,634	111,499	29,401	27,075	15,842	23,691	125
Maint. Of Treat Eq - Labor	2	27,686	14,867	3,920	3,610	2,112	3,159	17
Maint.of Softening Eq - Labor								
TOTAL WT EXPENSE - MAINTENANCE		315,732	169,548	44,708	41,171	24,090	36,025	189
TOTAL WATER TREATMENT EXPENSE		2,831,991	1,419,861	415,138	403,448	223,689	367,689	2,165
TRANSMISSION AND DISTRIBUTION EXPENSES								
Super & Eng Oper TD - Labor	11	114,444	89,530	12,761	3,079	3,033	137	5,905
Storage Facilty Exp - Mat'l	5	0	0	0	0	0	0	0
Storage Facilty Exp - Labor	5	0	0	0	0	0	0	0
TD Lines Exp - Mat'l	7	0	0	0	0	0	0	0
TD Lines Exp - Labor	7	70,790	43,840	11,149	8,778	5,677	0	1,345
Misc Meter Expense	9	800	638	110	23	28	3	0
Misc Meter Labor	9	191,052	152,250	26,174	5,426	6,572	630	0

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Consumers/ Aqua	Private Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Customer Install Exp	10	0	0	0	0	0	0	0
Meter Installation - Labor	10	434,820	348,856	40,438	4,522	6,174	217	34,612
Purchased Power T&D	11	6,889	5,389	768	185	183	8	355
Misc T&D Oper Labor	11	283,714	221,950	31,634	7,632	7,518	340	14,640
Misc. T&D Exp	11	230,913	180,643	25,747	6,212	6,119	277	11,915
Rents Oper TD	11	81,336	63,629	9,069	2,188	2,155	98	4,197
TOTAL T & D EXPENSE OPERATION		1,414,759	1,106,725	157,650	38,044	37,460	1,711	72,969
Super & Eng Maint TD - Labor	12	52,524	38,616	6,387	2,831	2,132	16	2,542
Maint of Structures - Mat'l	12	273	201	33	15	11	0	13
Maint of Structures - Labor	12	8,485	6,238	1,032	457	345	3	411
Maint of Dist Res - Mat'l	5	0	0	0	0	0	0	0
Misc Maint of Mains - Mat's	7	49,546	30,684	7,803	6,144	3,974	0	941
Paving/Backfill T&D	7	194,987	120,755	30,710	24,178	15,638	0	3,705
Misc Maint of Mains - Labor	10	201,830	161,928	18,770	2,099	2,866	101	16,066
Fire Main Maint TD	8	0	0	0	0	0	0	0
Fire Main Maint TD	8	0	0	0	0	0	0	0
Maint of Services - Mat'l	10	33,024	26,495	3,071	343	469	17	2,629
Maint of Services - Labor	10	114,506	91,868	10,649	1,191	1,626	57	9,115
Maint of Meters - Mat'l	9	4,651	3,706	637	132	160	15	0
Maint of Meters - Labor	9	2,883	2,297	395	82	99	10	0
Maint of Hydrants - Mat'l	8	13,255	10,597	1,823	378	457	0	0
Maint of Hydrants - Labor	8	55,429	44,315	7,622	1,580	1,913	0	0
Maint Other T&D - Labor	12	148,936	109,498	18,111	8,028	6,047	45	7,209
Maint Other T&D - Mat'l	12	110,172	80,998	13,397	5,938	4,473	33	5,332
Misc Maint T&D	12	13,014	9,568	1,583	701	528	4	630
Amort Def Maint	12	375,645	276,174	45,678	20,247	15,251	113	18,181
Transport Maint T&D	7	1,200	743	189	149	96	0	23
Contract Svc - Other Maint T&D	7	0	0	0	0	0	0	0
TOTAL T & D EXPENSE - MAINTENANCE		1,380,360	1,014,683	167,890	74,493	56,086	412	66,796
TOTAL T & D EXPENSE		2,795,120	2,121,408	325,740	112,537	93,546	2,124	139,765
CUSTOMER ACCOUNTS								
Supervision Labor	13	21,883	19,966	1,475	74	118	2	247
Meter Reading Exp	14	0	0	0	0	0	0	0
Meter Reading Labor	14	215,207	198,593	14,677	753	1,162	22	0
Meter Reading Exp CA	14	0	0	0	0	0	0	0
Customer Records Labor	13	232,716	212,330	15,686	791	1,257	23	2,630
Cust Acct Supplies, Uniforms, Misc	13	53,913	49,190	3,634	183	291	5	609
Collection Agency Expense	13	22,380	20,420	1,508	76	121	2	253
Bank Service Charges	13	36,042	32,885	2,429	123	195	4	407
Postage	13	106,166	96,866	7,156	361	573	11	1,200
Uncollectible Accts	13	658,975	601,249	44,415	2,241	3,558	66	7,448

. OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Consumers/ Aqua	Private Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Customer Accounting Labor	13	27,248	24,861	1,837	93	147	3	308
Misc Expenses	13	34,338	31,330	2,314	117	185	3	388
Telephone	13	89,930	82,052	6,061	306	488	9	1,016
Misc Customer Service	13	0	0	0	0	0	0	0
Management & Contract Svc Cust Accting	13	0	0	0	0	0	0	0
Rents - Equip Cust Accting		0						
TOTAL CUSTOMER ACCOUNTING EXPENSE		1,498,798	1,369,742	101,191	5,117	8,094	150	14,505
ADMINISTRATIVE AND GENERAL EXPENSES								
Salaries AG	15	993,762	722,366	112,891	60,222	40,545	32,695	25,043
Pcard Undistributed	15	4,758	3,457	540	288	194	156	120
Purchased Power AG	15	11,877	8,633	1,349	720	485	391	299
Misc. General Exp	15	705,099	512,536	80,099	42,729	28,768	23,198	17,768
Other Supplies & Exp AG	15	25,379	18,448	2,883	1,538	1,035	835	640
Contract Services - Management	15	0	0	0	0	0	0	0
Management Fees	13		0	0	0	0	0	0
Customer Related	13	796,541	726,764	53,687	2,708	4,301	80	9,001
Employee Related	16	158,343	113,722	18,289	9,736	6,587	5,510	4,497
Water Quality Related	1	61,560	29,056	9,277	9,382	4,999	8,791	55
Other	15	2,156,762	1,567,750	245,008	130,700	87,998	70,957	54,350
Accounting Services	15	30,285	22,014	3,440	1,835	1,236	996	763
Legal Services	15	110,280	80,163	12,528	6,683	4,499	3,628	2,779
Other Services	13	131,243	119,746	8,846	446	709	13	1,483
Property Insurance	15		0	0	0	0	0	0
Ins Gen Liab Oper AG	15	297,788	216,461	33,828	18,046	12,150	9,797	7,504
Ins Work Comp AG	16	112,506	80,802	12,994	6,919	4,680	3,915	3,195
Ins Other Oper AG	15	139,991	101,759	15,903	8,483	5,712	4,606	3,528
Vehicle and Other Insurance	15	0	0	0	0	0	0	0
Injuries & Damages	16	4,945	3,551	571	304	206	172	140
Employee Pension & Benefits	16	2,217,177	1,592,376	256,084	136,358	92,235	77,158	62,968
Reg Commision Exp	15	374,917	272,527	42,591	22,720	15,297	12,335	9,448
Rents AG	15	23,503	17,084	2,670	1,424	959	773	592
Goodwill Advertising Exp	15	17,750	12,902	2,016	1,076	724	584	447
Misc General Expenses	15	707,694	514,423	80,394	42,886	28,874	23,283	17,834
Research & Development	15	0	0	0	0	0	0	0
TOTAL A & G OPERATIONS		9,082,156	6,736,542	995,890	505,204	342,190	279,874	222,466
General Plant Maint AG	15	34,845	25,329	3,958	2,112	1,422	1,146	878
General Plant Maint AG	15		0	0	0	0	0	0
TOTAL A & G EXPENSE - MAINTENANCE		34,845	25,329	3,958	2,112	1,422	1,146	878
TOTAL A & G EXPENSE		9,117,001	6,761,871	999,848	507,316	343,611	281,020	223,334
Total Operation & Maintenance Expenses		18,937,250	13,134,385	2,265,017	1,434,755	896,130	821,501	385,461

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Consumers/ Aqua	Private Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
DEPRECIATION EXPENSE								
Organization	17	0	0	0	0	0	0	0
Franchises	17	0	0	0	0	0	0	0
Comprehensive Planning Study	17	0	0	0	0	0	0	0
Land & Ld Rights SS	2	0	0	0	0	0	0	0
Land & Ld Rights P	6	0	0	0	0	0	0	0
Land & Ld Rights WT	7	0	0	0	0	0	0	0
Land & Ld Rights TD	15	0	0	0	0	0	0	0
Land & Land Rights AG	2	0	0	0	0	0	0	0
Struct & Imp SS	2	27,408	14,718	3,881	3,574	2,091	3,127	16
Struct & Imp P	6	57,875	33,319	8,670	7,553	4,572	3,305	457
Struct & Imp WT	2	106,106	56,979	15,025	13,836	8,096	12,107	64
Struct & Imp TD	7	1,187	735	187	147	96	0	23
Struct & Imp Offices	15		0	0	0	0	0	0
Struct & Imp Store,Shop,Gar	15	39,761	28,902	4,517	2,410	1,622	1,308	1,002
Struct & Imp General Plant	15		0	0	0	0	0	0
Collect & Impounding	1	24	11	4	4	2	3	0
Lake, River & Other Intakes	2	21,311	11,444	3,018	2,779	1,626	2,432	13
Infiltration Galleries & Tunnels	2	0	0	0	0	0	0	0
Wells & Springs	2	44,881	24,101	6,355	5,852	3,424	5,121	27
Supply Mains	2	5,167	2,775	732	674	394	590	3
Power Generation Equip Other	6	10,789	6,211	1,616	1,408	852	616	85
Pump Equip Electric	6	228,807	131,724	34,275	29,859	18,076	13,065	1,808
Pump Equip Diesel	6	3,980	2,291	596	519	314	227	31
Hydraulic Pumping Equipment	6	302	174	45	39	24	17	2
Pump Equip Other	6	674	388	101	88	53	38	5
WT Equip Non-Media	2	534,181	286,855	75,640	69,657	40,758	60,950	321
WT Equip Filter Media	2		0	0	0	0	0	0
Dist Reservoirs & Standpipe	5	115,607	71,306	18,613	14,728	9,757	0	1,202
TD Mains	7	616,611	381,867	97,116	76,460	49,452	0	11,716
Services	10	641,369	514,570	59,647	6,670	9,107	321	51,053
Meters	9	235,285	187,499	32,234	6,682	8,094	776	0
Meter Installations	9	54,363	43,322	7,448	1,544	1,870	179	0
Meter Installation Other	9		0	0	0	0	0	0
Hydrants	8	80,317	64,212	11,044	2,289	2,772	0	0
Other P/E Intangible	17		0	0	0	0	0	0
Other P/E WT Res Hand Equip	2		0	0	0	0	0	0
Other P/E TD	7	84	52	13	10	7	0	2
Other P/E CPS	16		0	0	0	0	0	0

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Consumers/ Aqua	Private Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Office Furniture & Equip	15	12,704	9,235	1,443	770	518	418	320
Comp & Periph Equip	15	277,764	201,907	31,554	16,832	11,333	9,138	7,000
Other Office Equipment	15	4,448	3,233	505	270	181	148	112
Trans Equip	15	(909)	(661)	(103)	(55)	(37)	(30)	(23)
Stores Equipment	15	919	668	104	56	37	30	23
Tools,Shop,Garage Equip	15	40,474	29,421	4,598	2,453	1,651	1,332	1,020
Laboratory Equipment	2	15,043	8,078	2,130	1,962	1,148	1,716	9
Power Operated Equipment	15	33,374	24,260	3,791	2,022	1,362	1,098	841
Comm Equip Non-Telephone	15	36,190	26,307	4,111	2,193	1,477	1,191	912
Misc Equipment	15	18,322	13,318	2,081	1,110	748	603	462
Amortization of Deferred Depreciation	15	5,607	4,076	637	340	229	184	141
Other Tangible Property	15	24,741	17,984	2,811	1,499	1,009	814	623
Total Depreciation Expense		3,294,766	2,201,281	434,439	276,235	182,717	120,824	79,270
Amort-Intangible Fin	2	1,988	1,068	282	259	152	227	1
Amort-Ltd Term Plt	2	7,795	4,186	1,104	1,016	595	889	5
Amort-Expense	2	20,631	11,079	2,921	2,690	1,574	2,354	12
ITC	2	(20,440)	(10,976)	(2,894)	(2,665)	(1,560)	(2,332)	(12)
Taxes Other Than Income								
Utility Reg Assessment Fee	19	55,191	36,823	7,158	4,868	3,085	2,274	982
Property Taxes	18	4,320,184	2,674,626	636,795	483,861	309,757	166,759	48,386
FUTA	16	4,604	3,307	532	283	192	160	131
FICA	16	347,439	249,531	40,129	21,367	14,453	12,091	9,867
SUTA	16	6,100	4,381	705	375	254	212	173
Other Taxes & Licenses	15	86,621	62,965	9,840	5,249	3,534	2,850	2,183
Gross Receipts Tax	19	1,570,809	1,048,044	203,734	138,545	87,808	64,717	27,960
Total Taxes, Other Than Income		6,390,948	4,079,676	898,893	654,549	419,083	249,064	89,683
Income Taxes	18	1,613,703	999,044	237,860	180,735	115,703	62,289	18,073
Utility Income Available for Return	18	4,525,980	2,802,034	667,129	506,910	324,513	174,703	50,691
Total Cost of Service		34,772,621	23,221,777	4,504,751	3,054,484	1,938,906	1,429,518	623,185
Less: Other Water Revenues	19	826,784	551,631	107,234	72,922	46,217	34,064	14,717
Total Other Water Revenues		826,784	551,631	107,234	72,922	46,217	34,064	14,717
Total Cost of Service Related to Sales of Water		$ 33,945,837	$ 22,670,146	$ 4,397,517	$ 2,981,562	$ 1,892,689	$ 1,395,455	$ 608,468

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 1 and 1A. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Factors are based on the pro forma test year average daily consumption for each customer classification. Factor 1 includes Consumers/Aqua, and Factor 1A excludes Consumers/Aqua.

Customer Classification	Average Daily Consumption, CCF	Factor 1 Allocation Factor	Factor 1A Allocation Factor
(1)	(2)	(3)	(4)
Residential	8,619.4	0.4720	0.5507
Commercial	2,751.1	0.1507	0.1757
Industrial	2,783.7	0.1524	0.1778
Other Public Authority	1,482.7	0.0812	0.0947
Consumers/Aqua	2,607.4	0.1428	0.0000
Private Fire Protection	16.8	0.0009	0.0011
Total	18,261.0	1.0000	1.0000

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

Factors are based on the weighting of the factors for average daily consumption (Factor 1) and the factors derived from maximum day extra capacity demand for each customer classification, as follows:

	Average Daily Consumption		Maximum Day Extra Capacity		
Customer Classification	Allocation Factor 1	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)x 0.7143	(4)	(5)=(4)x 0.2857	(6)=(3)+(5)
Residential	0.4720	0.3372	0.6993	0.1998	0.5370
Commercial	0.1507	0.1076	0.1190	0.0340	0.1416
Industrial	0.1524	0.1089	0.0753	0.0215	0.1304
Other Public Authority	0.0812	0.0580	0.0641	0.0183	0.0763
Consumers/Aqua	0.1428	0.1020	0.0423	0.0121	0.1141
Private Fire Protection	0.0009	0.0006			0.0006
Total	1.0000	0.7143	1.0000	0.2857	1.0000

The derivation of the maximum day extra capacity factors in column 4 and the basis for the column 3 and 5 weightings are presented on the following page.

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS, cont.

Customer Classification	Average Daily Consumption, CCF	Maximum Day Extra Capacity		
		Factor*	Rate of Flow, CCF Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	8,619.4	1.5	12,929.0	0.6993
Commercial	2,751.1	0.8	2,200.9	0.1190
Industrial	2,783.7	0.5	1,391.9	0.0753
Other Public Authority	1,482.7	0.8	1,186.1	0.0641
Consumers/Aqua	2,607.4	0.3	782.2	0.0423
Total	18,244.2		18,490.1	1.0000

The weighting of the factors is based on the maximum day ratio of 1.40, based on a review of maximum day ratios experienced during the period 2002 through 2006.

	Maximum Day Ratio	Weight
Average Day	1.00	0.7143
Maximum Day Extra Capacity	0.40	0.2857
Total	1.40	1.0000

* Ratio of maximum day to average day minus 1.0.

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

	Average Daily Consumption		Maximum Day Extra Capacity		Fire Protection		
Customer Classification	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2) X 0.6822	(4)	(5)=(4) X 0.2728	(6)	(7)=(6) X 0.0450	(8)=(3)+(5)+(7)
Residential	0.5507	0.3756	0.7301	0.1992	0.6893	0.0311	0.6059
Commercial	0.1757	0.1199	0.1243	0.0339	0.1185	0.0053	0.1591
Industrial	0.1778	0.1213	0.0786	0.0214	0.0246	0.0011	0.1438
Other Public Authority	0.0947	0.0646	0.0670	0.0183	0.0297	0.0013	0.0842
Private Fire Protection	0.0011	0.0008			0.1379	0.0062	0.0070
Total	1.0000	0.6822	1.0000	0.2728	1.0000	0.0450	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS, cont.

The weighting of the factors is 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 1.40 and the average daily system sendout for 2006 of 18.172 MGD. The system demand for fire protection is 5000 Gallons per minute for 4 hours.

	Ratio	Rate of Flow, (GPD)	Weight
Average Day	1.00	18,172,233	0.6822
Maximum Day Extra Capacity	0.40	7,268,893	0.2728
Subtotal	1.40	25,441,126	0.9550
Fire Protection		1,200,000	0.0450
Total		26,641,126	1.0000

The public and private fire protection allocation factors in column 6 on the previous page are based on the relative potential demands (see Schedule E).

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		
Customer Classification	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)	(4)=(3) X 0.4173	(5)	(6)=(5) X 0.4173	(7)	(8)=(7) X 0.1654	(9)=(4)+(6)+(8)
Residential	359.14	0.5507	0.2298	0.6715	0.2802	0.6893	0.1140	0.6239
Commercial	114.63	0.1757	0.0733	0.1531	0.0639	0.1185	0.0196	0.1569
Industrial	115.99	0.1778	0.0742	0.0929	0.0388	0.0246	0.0041	0.1171
Other Public Authority	61.78	0.0947	0.0395	0.0825	0.0344	0.0297	0.0049	0.0788
Private Fire Protection	0.70	0.0011	0.0005			0.1379	0.0228	0.0233
Total	652.24	1.0000	0.4173	1.0000	0.4173	1.0000	0.1654	1.0000

The maximum hour extra capacity factors in column 5 are determined on the next page.

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 2.00 and the average daily system sendout for 2006 of 18.172 MGD. The system demand for fire protection is 5000 gallons per minute.

	Ratio	Rate of Flow, (GPM)	Weight
Average Hour	1.00	12,620	0.4173
Maximum Hour Extra Capacity	1.00	12,620	0.4173
Subtotal	2.00	25,240	0.8346
Fire Protection		5,000	0.1654
Total		30,240	1.0000

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption CCF	updated Maximum Hour Extra Capacity Factor*	CCF Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	359.14	3.5	1,256.99	0.6715
Commercial	114.63	2.5	286.58	0.1531
Industrial	115.99	1.5	173.99	0.0929
Other Public Authority	61.78	2.5	154.45	0.0825
Total	651.54		1,872.01	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

The public and private fire protection allocation factors in column 7 on the previous page are based on

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES.

Factors are based on the weighting of the average hourly consumption, the maximum hour extra capacity demand, and the fire protection demand for each customer classification.

	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		
Customer Classification	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)	(4)=(3) X 0.4640	(5)	(6)=(5) X 0.4640	(7)	(8)=(7) X 0.0720	(9)=(4)+(6)+(8)
Residential	359.1	0.5505	0.2555	0.6715	0.3116	0.6893	0.0497	0.6168
Commercial	114.6	0.1757	0.0815	0.1531	0.0710	0.1185	0.0085	0.1610
Industrial	116.0	0.1779	0.0825	0.0929	0.0431	0.0246	0.0018	0.1274
Other Public Authority	61.8	0.0948	0.0440	0.0825	0.0383	0.0297	0.0021	0.0844
Private Fire Protection	0.7	0.0011	0.0005			0.1379	0.0099	0.0104
Total	652.2	1.0000	0.4640	1.0000	0.4640	1.0000	0.0720	1.0000

The weighting of the factors is based on the ratio of the capacity required for a 4 hour demand of fire flow, as related to total storage capacity. The calculation is shown on the following page.

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES, cont.

The weighting of the factors is based on the ratio of the capacity required for a 4 hour demand of fire flow, as related to total storage capacity.

$$\text{Fire Protection Weight} = \frac{5{,}000\ \text{GPM X 60 Min. X 4 Hrs.}}{16{,}661{,}500\ \text{Gallons}} = 0.0720$$

$$\text{General Service Weight} = 1.0000 - 0.0720 = 0.9280$$

The weighting of the average hourly consumption and maximum hour extra demand for general service is based on the maximum hour ratio, as follows:

	Maximum Hour Ratio	Percent	Weight
Average Hour	1.00	50.00	0.4640
Extra Capacity Maximum Hour	1.00	50.00	0.4640
Total	2.00	100.00	0.9280

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH POWER AND PUMPING FACILITIES.

Factors are based on the weighting of the maximum daily consumption, Factor 2, the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

	Maximum Daily Consumption		Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		
Customer Classification	Allocation Factor 2	Weighted Factor	Allocation Factor 3	Weighted Factor	Allocation Factor 4	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)X 0.5000	(4)	(5)=(4)X 0.2500	(6)	(7)=(6)X 0.2500	(8)=(3)+ (5)+(7)
Residential	0.5370	0.2684	0.6059	0.1513	0.6239	0.1560	0.5757
Commercial	0.1416	0.0708	0.1591	0.0398	0.1569	0.0392	0.1498
Industrial	0.1304	0.0652	0.1438	0.0360	0.1171	0.0293	0.1305
Other Public Authority	0.0763	0.0382	0.0842	0.0211	0.0788	0.0197	0.0790
Consumers/Aqua	0.1141	0.0571	0.0000	0.0000			0.0571
Private Fire Protection	0.0006	0.0003	0.0070	0.0018	0.0233	0.0058	0.0079
Total	1.0000	0.5000	1.0000	0.2500	1.0000	0.2500	1.0000

The weighting of the factors is based on the estimated percentage of pumps associated with maximum day facilities, maximum day and fire facilities, and maximum hour facilities, as follows:

	Weight
Associated with Maximum Day	0.5000
Associated with Maximum Day and Fire	0.2500
Associated with Maximum Hour	0.2500
Total	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS.

Factors are based on the weighting of the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

	Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		
Customer Classification	Allocation Factor 3	Weighted Factor	Allocation Factor 4	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)X 0.2603	(4)	(5)=(4)X 0.7397	(6)=(3)+(5)
Residential	0.6059	0.1578	0.6239	0.4615	0.6193
Commercial	0.1591	0.0414	0.1569	0.1161	0.1575
Industrial	0.1438	0.0374	0.1171	0.0866	0.1240
Other Public Authority	0.0842	0.0219	0.0788	0.0583	0.0802
Consumers/Aqua	0.0000	0.0000			0.0000
Private Fire Protection	0.0070	0.0018	0.0233	0.0172	0.0190
Total	1.0000	0.2603	1.0000	0.7397	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	908,586	0.2603
Distribution Mains	2,581,931	0.7397
Total	3,490,517	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS.

Factors are based on the relative capacity of meters by size and customer classification, as developed on the following page and summarized below, with the exception of Consumers/Aqua

Customer Classification	5/8" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	47,578	0.7995
Commercial	8,183	0.1375
Industrial	1,696	0.0285
Other Public Authority	2,054	0.0345
Total	59,511	1.0000

FACTOR 9. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative capacity of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification	5/8" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	47,578	0.7969
Commercial	8,183	0.1370
Industrial	1,696	0.0284
Other Public Authority	2,054	0.0344
Consumers/Aqua	200	0.0033
Private Fire	0	0.0000
Total	59,711	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

		Residential		Commercial		Industrial		Other Public Authority		Consumers/Aqua		Total	
Meter Size	5/8" Equivalent	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)=(2)X(11)	(13)	(14)
5/8	1.0	47,056	47,056	2,385	2,385	26	26	62	62	0	0	49,529	49,529
3/4	1.5	66	99	53	80	3	5	8	12	0	0	130	196
1	2.5	126	315	495	1,238	23	58	39	98	0	0	683	1,709
1-1/2	5.0	12	60	144	720	9	45	18	90	0	0	183	915
2	8.0	6	48	380	3,040	84	672	114	912	0	0	584	4,672
3	15.0	0	0	23	345	6	90	12	180	0	0	41	615
4	25.0	0	0	7	175	22	550	22	550	0	0	51	1,275
6	50.0	0	0	4	200	5	250	3	150	4	200	16	800
8	80.0	0	0	0	0	0	0	0	0	0	0	0	0
Total		47,266	47,578	3,491	8,183	178	1,696	278	2,054	4	200	51,217	59,711

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 10. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative capacity of services by size and customer classification, as developed on the following page and summarized below.

Customer Classification	3/4" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	47,430	0.8023
Commercial	5,498	0.0930
Industrial	616	0.0104
Other Public Authority	842	0.0142
Consumers/Aqua	32	0.0005
Private Fire Protection	4,707	0.0796
Total	59,125	1.0000

OHIO AMERICAN WATER COMPANY

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

		Residential		Commercial		Industrial		Other Public Authority		Consumers/Aqua		Private Fire Protection		Total	
Service Size	3/4" Equivalent	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)=(2)X(11)	(13)	(14)=(2)X(11)	(15)	(16)
3/4	1.00	47,122	47,122	2,438	2,438	29	29	70	70	0	0	0	0	49,659	49,659
1	2.00	126	252	495	990	23	46	39	78	0	0	0	0	683	1,366
1-1/2	2.70	12	32	144	389	9	24	18	49	0	0	0	0	183	494
2	4.00	6	24	380	1,520	84	336	114	456	0	0	95	380	679	2,716
3	4.00	0	0	23	92	6	24	12	48	0	0	1	4	42	168
4	5.30	0	0	7	37	22	117	22	117	0	0	61	323	112	594
6	8.00	0	0	4	32	5	40	3	24	4	32	237	1,896	253	2,024
8	10.70	0	0	0	0	0	0	0	0	0	0	163	1,744	163	1,744
10	13.30	0	0	0	0	0	0	0	0	0	0	15	200	15	200
12	16.00	0	0	0	0	0	0	0	0	0	0	10	160	10	160
	Total	47,266	47,430	3,491	5,498	178	616	278	842	4	32	582	4,707	51,799	59,125

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 11. ALLOCATION OF TRANSMISSION AND DISTRIBUTION OPERATION SUPERVISION AND ENGINEERING AND MISCELLANEOUS EXPENSES.

Factors are based on transmission and distribution operation expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Operating Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 545,584	0.7823
Commercial	77,872	0.1115
Industrial	18,749	0.0269
Other Public Authority	18,452	0.0265
Consumers/Aqua	851	0.0012
Private Fire Protection	35,957	0.0516
Total	697,463	1.0000

FACTOR 12. ALLOCATION OF TRANSMISSION AND DISTRIBUTION MAINTENANCE SUPERVISION AND ENGINEERING, STRUCTURES AND IMPROVEMENTS, AND OTHER EXPENSES.

Factors are based on transmission and distribution maintenance expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 492,646	0.7352
Commercial	81,481	0.1216
Industrial	36,127	0.0539
Other Public Authority	27,202	0.0406
Consumers/Aqua	200	0.0003
Private Fire Protection	32,455	0.0484
Total	$670,111	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 13. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification	Total Customers	Allocation Factor
(1)	(2)	(3)
Residential	47,266	0.9124
Commercial	3,491	0.0674
Industrial	178	0.0034
Other Public Authority	278	0.0054
Consumers/Aqua	4	0.0001
Private Fire Protection	584	0.0113
Total	51,801	1.0000

FACTOR 14. ALLOCATION OF METER READING COSTS.

Factors are based on the number of metered customers.

Customer Classification	Total Metered Customers	Allocation Factor
(1)	(2)	(3)
Residential	47,266	0.9228
Commercial	3,491	0.0682
Industrial	178	0.0035
Other Public Authority	278	0.0054
Consumers/Aqua	4	0.0001
Total	51,217	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 15. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES AND CASH WORKING CAPITAL.

Factors are based on the allocation of all other operation and maintenance expenses excluding purchased water, power, chemicals and waste disposal.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$4,590,843	0.7269
Commercial	717,796	0.1136
Industrial	382,920	0.0606
Other Public Authority	257,550	0.0408
Consumers/Aqua	207,848	0.0329
Private Fire Protection	158,982	0.0252
Total	$6,315,940	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 16. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of direct labor expense.

Customer Classification	Direct Labor Expense	Allocation Factor
(1)	(2)	(3)
Residential	$3,156,690	0.7182
Commercial	508,124	0.1155
Industrial	270,785	0.0615
Other Public Authority	183,037	0.0416
Consumers/Aqua	153,019	0.0348
Private Fire Protection	124,869	0.0284
Total	$4,396,525	1.0000

FACTOR 17. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS, MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation other than those items being allocated, as follows:

Customer Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
Residential	$37,595,186	0.6187
Commercial	8,974,099	0.1476
Industrial	6,817,988	0.1122
Other Public Authority	4,363,358	0.0718
Consumers/Aqua	2,343,026	0.0386
Private Fire Protection	675,775	0.0111
Total	$60,769,432	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 18. ALLOCATION OF INCOME TAXES AND INCOME AVAILABLE FOR RETURN.

Factors are based on the allocation of the original cost measure of value rate base as shown on the following pages and summarized below.

Customer Classification	Original Cost Measure of Value	Allocation Factor
(1)	(2)	(3)
Residential	$34,511,633	0.6191
Commercial	8,226,003	0.1474
Industrial	6,244,076	0.1120
Other Public Authority	3,996,053	0.0717
Consumers/Aqua	2,153,796	0.0386
Private Fire Protection	622,690	0.0112
Total	$55,754,251	1.0000

FACTOR 19. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER WATER REVENUES.

The factors are based on the allocation of the total cost of service, excluding those items being allocated.

Customer Classification	Total Cost of Service	Allocation Factor
(1)	(2)	(3)
Residential	$21,875,359	0.6672
Commercial	4,254,163	0.1297
Industrial	2,891,017	0.0882
Other Public Authority	1,834,275	0.0559
Consumers/Aqua	1,352,524	0.0412
Private Fire Protection	584,806	0.0178
Total	$32,792,144	1.0000

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Consumers/ Aqua	Private Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
RATE BASE								
Organization	17	$ 127,954	$ 79,165	$ 18,886	$ 14,356	$ 9,187	$ 4,939	$ 1,420
Franchises	17	11,180	6,917	1,650	1,254	803	432	124
Miscellaneous	17	48,476	29,992	7,155	5,439	3,481	1,871	538
Comprehensive Planning Study	17	(225,658)	(139,615)	(33,307)	(25,319)	(16,202)	(8,710)	(2,505)
Land & Ld Rights SS	2	584,040	313,629	82,700	76,159	44,562	66,639	350
Land & Ld Rights P	6	52,710	30,345	7,896	6,879	4,164	3,010	416
Land & Ld Rights WT	2	84,767	45,520	12,003	11,054	6,468	9,672	51
Land & Ld Rights TD	7	363,760	225,277	57,292	45,106	29,174	0	6,911
Land & Land Rights AG	15	44,411	32,282	5,045	2,691	1,812	1,461	1,119
Struct & Imp SS	2	949,240	509,742	134,412	123,781	72,427	108,308	570
Struct & Imp P	6	772,416	444,680	115,708	100,800	61,021	44,105	6,102
Struct & Imp WT	2	1,840,593	988,398	260,628	240,013	140,437	210,012	1,104
Struct & Imp TD	7	29,642	18,358	4,669	3,676	2,377	0	563
Struct & Imp Store,Shop,Gar	15	1,026,439	746,119	116,604	62,202	41,879	33,770	25,866
Limited Term Utility Plant	15	142,375	103,492	16,174	8,628	5,809	4,684	3,588
Collect & Impounding	1	269	127	41	41	22	38	0
Lake, River & Other Intakes	2	1,220,112	655,200	172,768	159,103	93,095	139,215	732
Infiltration Galleries & Tunnels	2	870	467	123	113	66	99	1
Wells & Springs	2	961,630	516,395	136,167	125,397	73,372	109,722	577
Supply Mains	2	262,570	141,000	37,180	34,239	20,034	29,959	158
Power Generation Equip Other	6	193,393	111,336	28,970	25,238	15,278	11,043	1,528
Boiler Plant Equipment P	6		0	0	0	0	0	0
Pump Equip Steam	6		0	0	0	0	0	0
Pump Equip Electric	6	4,613,040	2,655,727	691,033	602,002	364,430	263,405	36,443
Pump Equip Diesel	6	20,653	11,890	3,094	2,695	1,632	1,179	163
Pump Equip Hydraulic	6	9,191	5,291	1,377	1,199	726	525	73
Pump Equip Other	6	1,183	681	177	154	93	68	9
WT Equip Non-Media	2	10,528,608	5,653,863	1,490,851	1,372,931	803,333	1,201,314	6,317
Dist Reservoirs & Standpipe	5	2,715,592	1,674,977	437,210	345,966	229,196	0	28,242
TD Mains	7	25,208,799	15,611,809	3,970,386	3,125,891	2,021,746	0	478,967
Fire Mains	8		0	0	0	0	0	0
Services	10	254,102	203,866	23,631	2,643	3,608	127	20,227
Meters	9	3,225,036	2,570,032	441,830	91,591	110,941	10,643	0
Meter Installations	9	1,211,242	965,238	165,940	34,399	41,667	3,997	0
Hydrants	8	2,092,909	1,673,244	287,783	59,646	72,236	0	0
Other P/E TD	7	1,005	623	158	125	81	0	19
Office Furniture & Equip	15	141,356	102,751	16,058	8,566	5,767	4,651	3,562
Comp & Periph Equip	15	1,081,285	785,986	122,834	65,526	44,116	35,574	27,248
Office Machines and Equipment	15	44,641	32,450	5,071	2,705	1,821	1,469	1,125
Trans Equip	15	(574,136)	(417,339)	(65,222)	(34,793)	(23,425)	(18,889)	(14,468)
Stores Equipment	15	14,118	10,262	1,604	856	576	464	356
Tools,Shop,Garage Equip	15	760,764	552,999	86,423	46,102	31,039	25,029	19,171
Laboratory Equipment	2	153,026	82,175	21,666	19,955	11,676	17,460	92

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS
COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30,2007 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Consumers/ Aqua	Private Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Power Operated Equipment	15	345,660	251,260	39,267	20,947	14,103	11,372	8,711
Comm Equip Non-Telephone	15	55,974	40,686	6,359	3,392	2,284	1,842	1,411
Misc Equipment	15	336,145	244,344	38,186	20,370	13,715	11,059	8,471
Other Tangible Property	17	(117,210)	(72,518)	(17,300)	(13,151)	(8,416)	(4,524)	(1,301)
Total Utility Plant in Service		60,614,174	37,499,127	8,951,183	6,800,568	4,352,211	2,337,033	674,052
Other Rate Base Items								
Add:								
Other Utility Plant Adjustments	17		0	0	0	0	0	0
Deferred Debits	15	176,301	128,153	20,028	10,684	7,193	5,800	4,443
Cash Working Capital	15	0	0	0	0	0	0	0
Materials and Supplies	15		0	0	0	0	0	0
Prepayments	15		0	0	0	0	0	0
OPEB's Contributed to External Fund	16		0	0	0	0	0	0
Premature Retirement	17		0	0	0	0	0	0
Regulatory Deferrals	17		0	0	0	0	0	0
Less:								
Accumulated Deferred ITC (3%)	17	(54,539)	(33,743)	(8,050)	(6,119)	(3,916)	(2,105)	(605)
Tank Painting Reserve	5	(138,905)	(85,676)	(22,384)	(17,696)	(11,724)	0	(1,445)
Deferred Income Taxes	17	(4,770,923)	(2,951,770)	(704,188)	(535,298)	(342,552)	(184,158)	(52,957)
Overheads and AFUDC	17	(71,857)	(44,456)	(10,606)	(8,062)	(5,159)	(2,774)	(798)
Pensions	16		0	0	0	0	0	0
Total Other Rate Base Elements		(4,859,922)	(2,987,494)	(725,180)	(556,492)	(358,158)	(183,236)	(51,362)
Total Original Cost Measure of Value		$ 55,754,251	$ 34,511,633	$ 8,226,003	$ 6,244,076	$ 3,996,053	$ 2,153,796	$ 622,690

OHIO AMERICAN WATER COMPANY
WATER OPERATIONS

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

Description		Restrictive Diameters Squared	Quantity	Relative Demand*	Allocation Factor
(1)		(2)	(3)	(4)=(2)x(3)	(5)
PRIVATE FIRE PROTECTION					
Fire Lines					
2 -inch		4.00	95	380	
3 -inch		9.00	3	27	
4 -inch		16.00	61	976	
6 -inch		36.00	237	8,532	
8 -inch		64.00	163	10,432	
10 -inch		100.00	15	1,500	
12 -inch		144.00	10	1,440	
Private Hydrants		32.75	0	0	
Total Private Fire Protection			584	23,287	0.1379
PUBLIC FIRE PROTECTION					
Hydrant	Nozzle Sizes				
6" Valve	2- 2-1/2" & 1 - 4.5"	32.75	4,446	145,607	
Total Public Fire Protection			4,446	145,607	0.8621
Total Fire Protection			5,030	168,894	1.0000

REALLOCATE PUBLIC FIRE	Meter Equivalents	Factor 8, Allocation of Public Fire	Allocation of Public Fire Using Factor
Residential	47,578	0.7995	0.6893
Commercial	8,183	0.1375	0.1185
Industrial	1,696	0.0285	0.0246
Other Public Authority	2,054	0.0345	0.0297
	59,511	1.0000	0.8621

OHIO AMERICAN WATER COMPANY

Calculation of Customer Charge - Water Only
Using PUCO Staff Methodology

	Account Description	
	Variable Expenses per Meter Size	
	Plant Accounts	
345	Services	8,702,958
346	Meters	4,473,712
347	Meter installations	1,870,912
389	Land and land rights	44,411
390	Office Structures and Improvements	1,644,380
391	Office Furniture and Equipment	2,687,904
348	Hydrants	3,148,706
	Total Customer Plant	22,572,983
	Less Related Depreciation Reserve	
345	Services	8,389,534
346	Meters	1,332,649
347	Meter installations	659,670
389	Land and land rights	0
390	Office Structures and Improvements	475,566
391	Office Furniture and Equipment	1,420,622
348	Hydrants	1,016,840
	Total Customer Depreciation Reserve	13,294,881
	Total "Customer Rate Base"	9,278,102
	Rate of Return	8.27%
(1)	Return on "Customer Rate Base"	767,299
	Operation and Maintenance Expense Accounts:	
	Transmission & Distribution	
663	Meter Expense	191,852
664	Meter Installation Expense	434,820
675	Service Maintenance	147,530
676	Meter & Meter Installation Expense	7,534
677	Hydrant Expense	68,684
(2)	Total Operation & Maintenance Expense Accounts	850,420

OHIO AMERICAN WATER COMPANY

Calculation of Customer Charge - Water Only
Using PUCO Staff Methodology

	Account Description			
	Variable Taxes Per Meter Size			
	Property Taxes			4,320,184
	Gross Receipts Taxes			1,570,809
	PUCO & OCC Taxes			55,191
	Federal Income Taxes			1,613,703
	Total Variable Taxes			7,559,887
	Multiplied by Customer Conversion Factor			
	"Customer Rate Base"/Total Rate Base =	9,276,102 /	$ 55,754,251	16.64%
(3)	Total Customer Variable Taxes			1,257,965
	Depreciation Expense Accounts			
	Plant Accounts			
345	Services			641,369
346	Meters			235,285
347	Meter Installations			54,363
389	A&G Land			0
390	Office Structures and Improvements			39,761
391	Office Furniture & Equipment			294,916
348	Hydrants			80,317
(4)	Total Customer Plant Depreciation Expense			1,346,011
	Summary of Variable Expenses Per Meter Size			
(1)	Return on "Customer Rate Base"			767,299
(2)	Total Operation & Maintenance Expense Accounts			850,420
(3)	Total Customer Variable Taxes			1,257,965
(4)	Total Customer Plant Depreication Expense			1,346,011
	Total Variable Expenses			4,221,696
	Total Equivalent Monthly Meters	59,711 x	12	716,532
	Montly Customer Variable Charge			5.8918
	Fixed Expense Per Meter Size			
	Customer Accounting Expenses			
901	Supervision			21,883
902	Meter Reading Expenses			215,207
903	Customer Charges			451,217
905	Miscellaneous Customer Expense			151,516
	Management Fees - Customer Related			796,541
	Amort of Reg Asset			138,438
(5)	Total Customer Accounting Expenses			1,774,802

OHIO AMERICAN WATER COMPANY

Calculation of Customer Charge - Water Only
Using PUCO Staff Methodology

	Account Description			
	Customer Payroll Related Costs			
	Payroll Related Taxes			358,143
	Multiplied by Customer Conversion Factor			
	Customer Acct. Payroll/Total O&M Payroll =	469,806 /	4,089,910	11.49%
(6)	Total Customer Payroll Taxes			41,151
	Summary of Customer Fixed Expense			
(5)	Total Customer Accounting Expenses			1,774,802
(6)	Total Customer Payroll Taxes			41,151
	Total Fixed Expense			1,815,953
	Divide by Total Monthly Customer Billings			405,350
	Monthly Customer Fixed Charge			4.48
Summary:	Monthly Customer Variable Charge			5.8918
	Monthly Customer Fixed Charge			4.4800
	Monthly Customer Charge			10.3718
	Recommended Monthly Customer Charge			10.3718