

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY HELD
IN VOORHEES, NEW JERSEY
AT 10:00 A.M. ON FRIDAY, APRIL 25, 2003**

Present: Lindsey W. Ingram, Jr.
Chris E. Jarrett
Daniel L. Kelleher
Roy W. Mundy II

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: Michael W. Miller, Vice President, Treasurer and Comptroller
Nick O. Rowe, Vice President – Operations
Herbert A. Miller, Jr., Vice President and Secretary
David Schultz – Vice President
John Young – Vice President Technical Services, American Water

Mr. D. L. Kelleher, Senior Vice President Regulated Utilities of American Water, called the meeting to order and presided as Chairman of the meeting, and Mr. H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

[REDACTED]

[REDACTED]

The minutes of the meeting of the Board of Directors held on October 22, 2002, were presented to the Board by Roy W. Mundy II, President of the Company, and on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors of this Company held on October 22, 2002, be and the same hereby are approved in the form presented to this meeting.

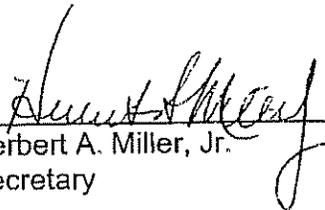
[REDACTED]



The Board also discussed issues regarding the Company's source of supply, plans for improvements on the Kentucky River and alternatives for additional supply for the region.

[REDACTED]

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.


Herbert A. Miller, Jr.
Secretary

Southeast Region
2003 Internal Cash vs. CapX

Revised: 4/21/2003

Kentucky
[Redacted]

[Redacted]

[Redacted]

CapX:							
Gross CapX per 993	13,123	358	5,953	6,942	18,675	45,051	
Less: AFUDC	(395)	(2)	(87)	0	(338)	(822)	
Add: Cost of Removal	<u>120</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>800</u>	<u>920</u>	

Net Capx	12,848	356	5,866	6,942	19,137	45,149	
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[Redacted]

FORM 993 Kentucky-American Water Company
2003 INVESTMENT PLAN

Investment Item	Brief Description of Proposed Expenditures	Authorized Expenditures					Strategic Business Plan			Original SBP		Current SBP				
		FY2003	FY2004	FY2005	2002	2001	2000	1999	Cost	Year	Cost	Year				
A	Mains, Hydrants, Valves, Meters - Deposit/Contribution	4,250,000							X	X	X	X	2925000	2002	1,500,000	2002
B	Mains, Hydrants, Valves - Company Expense	975,000							X	X	X	X	552,000	1997	1,500,000	1999
C	Services	1,425,000							X	X	X	X	600,000	1998	694,000	2002
D	Meters	1,500,000							X	X	X	X	500,000	1998	750,000	2002
E	Office Furniture & Equipment	25,000							X	X	X	X	500,000	1997	1,150,000	1997
F	Transportation	0							X	X	X	X	1,630,200	1998	1,630,200	2002
G	General Equipment	357,750							X	X	X	X	1,800,000	2001	1,800,000	2002
H	Miscellaneous	163,400							X	X	X	X	600,000	2002	600,000	2002
	TOTAL ITEM A THROUGH H	8,696,150							X	X	X	X				
96-19	Current Investment Projects															
01-02	Customer Service Software	2,265,124	2,199,924	96,300	0	0			X	X	X	X	2925000	2002	1,500,000	2002
01-03	Clays Mill Ground Storage Tank - 3.0 MG	1,500,000	117,800	500,000	882,200	0			X	X	X	X	1,500,000	1999	1,500,000	2002
01-04	SCADA Improvements	684,000	214,200	479,600	0	0			X	X	X	X	694,000	2002	694,000	2002
01-05	Scott County Mains	2,100,000	1,625,000	475,000	0	0			X	X	X	X	750,000	2002	750,000	2002
01-10	Russell Cave Rd. Tank - 1.0 MG	1,500,000	100,000	150,000	775,000	475,000			X	X	X	X	1,500,000	1997	1,500,000	2002
01-11	RRS Hydraulic Improvements	1,815,000	1,131,400	483,600	0	0			X	X	X	X	1,630,200	1998	1,630,200	2002
02-04	New Columbus Project	1,800,000	1,014,700	785,300	0	0			X	X	X	X	1,800,000	2001	1,800,000	2002
	Source of Supply Project Development	600,000	232,700	207,300	160,000	0			X	X	X	X	600,000	2002	600,000	2002
	Proposed Investment Projects								X	X	X	X				
03-	Elevated Storage Tank - 2.0 MG	3,000,000	0	150,000	700,000	2,150,000			X	X	X	X	1,000,000	2000	1,000,000	2002
03-	Major Highway Relocations	700,000	0	700,000	0	0			X	X	X	X	2,000,000			
03-	Electrical reliability upgrades at KRS	1,320,000	0	400,000	920,000	0			X	X	X	X				
	INVESTMENT PROJECT TOTAL	4,427,300							X	X	X	X				
Line 1	TOTAL ITEM A THROUGH IP's (2000)	13,123,450							X	X	X	X				
Line 2	Item A, IP Contributions and Tap Fees	6,720,000							X	X	X	X				
Line 3	COMPANY FUNDED EXPENDITURES (1 minus 2)	6,403,450							X	X	X	X				
	Acquisitions															
Line 4	TOTAL ACQUISITIONS (2000)															
Line 5	TOTAL-CAPITAL EXPENDITURES (1 plus 4) (2000)	13,123,450							X	X	X	X				

President _____ Date _____

Approved by Board of Directors for the Year 2003

	2003	2004	2005
Source of Supply - Water	307,200	160,000	0
Pumps - Water	0	0	0
Treatment - Water	963,400	0	0
Storage - Water	800,000	1,377,100	2,621,000
Drinking - Water	10,110,300	0	0
Other Water Plant	1,611,450	910,000	0
Pumps - Sewer	0	0	0
Treatment - Sewer	0	0	0
Catchment - Sewer	0	0	0
Other Sewer Plant	0	0	0
Total (Line 1)	13,123,450	3,437,200	2,621,000
Infrastructure Improvements	2,497,210	910,000	0
Regulatory Mandates	3,196,500	1,517,200	1,611,000
Revenue Support & Growth	8,433,700	0	0
Total (Line 7)	13,123,450	3,437,200	2,621,000

Kentucky-American Water Company
Preliminary 2004 ACBP
ANNUAL CAPITAL BUSINESS PLAN

Investment Item	Brief Description of Proposed Expenditures	Authorized Expenditures					
		2004	2005	2006	2007	2008	2009
A	Mains, Hydrants, Valves, Meters - Deposit/Contribution	4,421,700					
B	Mains, Hydrants, Valves - Company Expense	1,025,000					
C	Services	1,460,000					
D	Meters	1,550,000					
E	Office Furniture & Equipment	75,000					
F	Transportation	53,000					
G	General Equipment	186,900					
H	Miscellaneous	228,900					
	TOTAL ITEM A THROUGH H	8,990,500	0	0	0	0	0
	Current Investment Projects						
01-02	Clays Mill Ground Storage Tank - 3.0 MG	1,500,000	617,800				
01-05	Russell Cave Road Tank - 1.0 MG	1,500,000	250,000				
02-01	Leeslown Road Main Improvements	700,000	75,600		475,000		
02-03	Replace Travelling Screen Housing	450,000	0		205,000		
02-04	Source of Supply Project Development	500,000	440,000				
03-01	Elevated Storage Tank - 2.0 MG	3,000,000	150,000		700,000		
03-03	Electrical Reliability upgrades/system reliability	1,320,000	400,000				
	Proposed Investment Projects						
	Owen County Main Extensions	700,000			240,000		
	Major Highway Relocations	300,000			170,000		
	KRS Filter Media Replacement - Hyd 3 & 4	250,000					
		0					
		0					
	INVESTMENT PROJECT TOTAL	4,392,200					
Line 1	TOTAL ITEM A THROUGH IP's	13,382,700					
Line 2	Item A, IP Contributions and Tap Fees	5,621,700					
Line 3	COMPANY FUNDED EXPENDITURES (1 minus 2)	7,761,000					
	Acquisitions						
Line 4	TOTAL ACQUISITIONS	0					
Line 5	TOTAL-CAPITAL EXPENDITURES (1 plus 4)	13,382,700					

\$ in millions	2004	2005	2006	2007	2008	2009
Source of Supply - Water	180,000					
Pumping - Water	0					
Treatment - Water	1,415,000					
Storage Water	2,357,200					
Distribution - Water	8,906,700					
Other Water Plant	543,800					
Pumping - Sewer	0					
Treatment - Sewer	0					
Collection - Sewer	0					
Other Sewer Plant	0					
Total (Line 1)	13,384,704					
Infrastructure Improvements	3,003,800					
Regulatory Mandates	2,517,200					
Revenue Supported Growth	7,781,700					
Total (Line 7)	13,382,700					

Nov 10 03 12:06p

NOV 07 2003 17:18 FR KAWC

859 268 6327 TO 918566722877-800 P.06/16

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY HELD
IN VOORHEES, NEW JERSEY
AT 9:30 A.M. ON FRIDAY, JULY 25, 2003**

Present: Lindsey W. Ingram, Jr. (telephonically)
Chris E. Jarrett (telephonically)
Daniel L. Kelleher (telephonically)
Roy W. Mundy II (telephonically)

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: James D. McGivern, Chief Operating Officer, American Water (phone)
Ellen C. Wolf, Chief Financial Officer, American Water (telephonically)
Michael Carmedy, VP Financial Services, American Water (phone)
Nick O. Rowe, Vice President – Operations (telephonically)
Herbert A. Miller, Jr., Corporate Counsel & Secretary (telephonically)
Michael A. Miller, Vice President, Treasurer & Comptroller (telephonically)
Stephen N. Chambers, Assistant Secretary (telephonically)
David B. Schultz, Vice President (telephonically)

Mr. D. L. Kelleher, Senior Vice President Regulated Utilities, American Water, called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on April 25, 2003, were presented to the Board and, on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors of the Company held on April 25, 2003, be and the same hereby are approved in the form presented at this meeting.

[REDACTED]

[REDACTED]

Nov 10 03 12:06p

NOV 07 2003 17:18 FR KAWC

859 268 6327 TO 918566722877-800 P.07/16



Nov 10 03 12:06p

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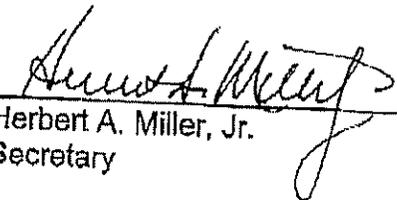
859 268 6327 TO 918566722877-800 P.08/16

[REDACTED]

The Board received reports regarding the Company's Investment Plan, [REDACTED]

[REDACTED]

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.


Herbert A. Miller, Jr.
Secretary

FORM 993 Kentucky-American Water Company ANNUAL CAPITAL BUSINESS PLAN
2003 INVESTMENT PLAN

Investment Item	Brief Description of Proposed Expenditures	Authorized Expenditures					Strategic Business Plan				Original SBP		Current SBP	
		Estimated Cost	Prior	FY2003	FY2004	FY2005	2002	2001	2000	1999	Cost	Year	Cost	Year
A	Mains, Hydrants, Valves, Meters - Deposit/Contribution			3,850,000										
B	Mains, Hydrants, Valves - Company Expense			975,000										
C	Services			1,425,000										
D	Meters			1,500,000										
E	Office Furniture & Equipment			25,000										
F	Transportation			0										
G	General Equipment			357,750										
H	Miscellaneous			163,400										
	TOTAL ITEMS A THROUGH H			8,396,150										
96-19	Current Investment Projects													
01-02	Customer Service Software	2,265,124	1,986,124	277,000	0	0								
01-03	Clays Mill Ground Storage Tank - 3.0 MG	1,500,000	117,800	500,000	882,200	0								
01-04	SCADA Improvements	694,000	214,000	480,000	0	0								
01-10	Scott County Mains	2,100,000	1,500,000	600,000	0	0								
01-11	Russell Cave Rd. Tank - 1.0 MG	1,500,000	325,000	195,000	1,025,000	0								
02-04	RRS Hydraulic Improvements	1,800,000	1,125,000	480,000	0	0								
03-	New Columbus Project	1,800,000	1,015,000	785,000	0	0								
03	Source of Supply Project Development	522,700	392,700	130,000	0	0								
	Elevated Storage Tank - 2.0 MG	3,000,000	0	150,000	700,000	2,150,000								
	Major Highway Relocations	700,000	0	700,000	0	0								
	Electrical reliability upgrades at KRS	1,320,000	0	400,000	920,000	0								
	Proposed Investment Projects													
	INVESTMENT PROJECT TOTAL			4,662,000										
Line 1	TOTAL ITEMS A THROUGH H (000)			13,058,150										
Line 2	Item A and B Contribution (Subtotal back-up fund)			5,270,000										
Line 3	COMPANY FUNDED EXPENDITURES (1 minus 2)			8,788,150										
Line 4	TOTAL REVENUES			1,980,000										
Line 5	Trade Company Funded Capital Expenditures (1 plus 4)			8,768,150										
	Acquisitions													
Line 6	TOTAL ACQUISITIONS (000)													
Line 7	TOTAL CAPITAL EXPENDITURES (1 plus 6) (000)			13,058,150										

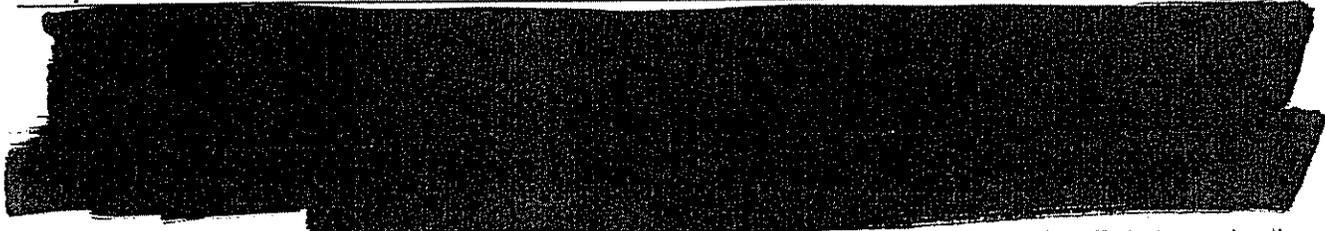
Investment Item	Brief Description of Proposed Expenditures	Authorized Expenditures					Strategic Business Plan				Original SBP		Current SBP	
		Estimated Cost	Prior	FY2003	FY2004	FY2005	2002	2001	2000	1999	Cost	Year	Cost	Year
	Supply - Water													
	Pumps - Water			130,000										
	Treatment - Water			1,370,000										
	Storage - Water			800,000	2,607,200	2,110,000								
	Distribution - Water			10,481,110										
	Other Water Plant			37,000										
	Pumping - Sewer			0										
	Treatment - Sewer			0										
	Collection - Sewer			0										
	Other Sewer Plant			0										
	Total (Line 1)			13,058,150	3,527,200	2,150,000								
	Infrastructure Improvements*													
	Regulatory Mandates			10,673,110	3,337,200	2,130,000								
	Revenue Supported Grants			700,000	0	0								
	Total (Line 7)			13,058,150	3,527,200	2,150,000								



Capex is slightly over the forecast by \$176,000, due to timing.



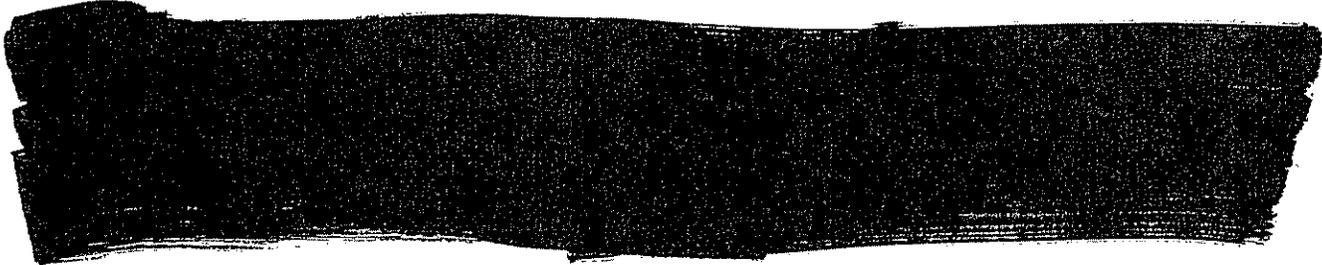
2. Operational Issues



KAWC continues to be an active participant in the Bluegrass Water Supply Consortium in its efforts to resolve the water supply deficit. The study efforts are still on track for a fall 2003 completion. A fourth public workshop was held in late May in Nicholasville to determine the 6-8 most viable alternative solutions for cost analysis. These included Kentucky River (new treatment facilities at pool 3), Ohio River (Cincinnati purchased water, Louisville purchased water or new treatment facilities on the Ohio), and groundwater alternatives (Fleming County purchased water or Carrollton purchased water). The group met on June 9th in Frankfort with regulators from the Division of Water, the Kentucky Infrastructure Authority, and Rural Development. The Public Service Commission declined to attend based on the outstanding Administrative Case to address Kentucky American's source of supply issue.

The Kentucky River Authority (KRA) has completed its assessments and action plans in the event of failure of any of the dams along the Kentucky River. The plan has been presented to the Kentucky River Authority. Originally, the plan specifics were not released publicly for security purposes at Kentucky American's request. After internal legal review, the KRA chose to release the plan publicly. KAWC made every effort to secure the KRA plans prior to their release.

Year-to-date investment expenditures are \$5,933,000. The investment budget forecast reflects the Q2RF update. There are no significant changes to report this month regarding deviations from forecasted investment cash flows.



**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY HELD
IN LEXINGTON, KENTUCKY
AT 10:00 A.M. ON FRIDAY, OCTOBER 24, 2003**

Present: Lindsey W. Ingram, Jr.
Chris E. Jarrett
Roy W. Mundy II

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

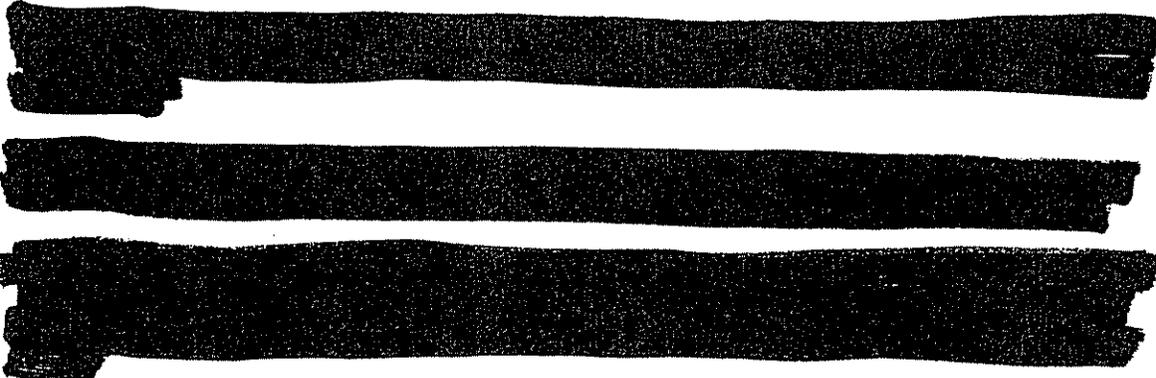
Absent: Daniel L. Kelleher

Also present: Jim McGivern, Chief Operating Officer, American Water
John Bigelow, Vice President Finance, American Water (by telephone)
Michael A. Miller, Vice President Finance, Treasurer and Comptroller
Nick O. Rowe, Vice President – Operations
David B. Schultz, Vice President
Herbert A. Miller, Jr., Vice President & Secretary
Stephen N. Chambers, Assistant Secretary

Mr. R. W. Mundy II, President of the Company, called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on July 25, 2003, were presented to the Board. On a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors of the Company held on July 25, 2003, be and the same hereby are approved in the form presented to this meeting.



Feb 16 04 03:09p

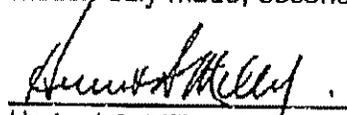
JAN 05 2004 14:27 FR KAWC

059 260 6327 TO 918566722877-800 P.03/10



Mr. Mundy updated the Board on the proposed acquisition of the water and wastewater assets of the City of Owenton.

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.


Herbert A. Miller, Jr.
Secretary

NOV 07 2003 17:17 FR KAWC

859 268 6327 TO 918566722877-800 P.05/16

**UNANIMOUS CONSENT OF THE DIRECTORS
OF KENTUCKY-AMERICAN WATER COMPANY**

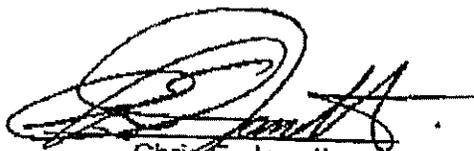
The undersigned, constituting all of the members of the Board of Directors of Kentucky-American Water Company. (hereinafter "Company"), do hereby take the following corporate action by this unanimous written consent, which action shall have the same validity and effect as if taken at a meeting of the Board of Directors, duly called and held, at which all members of the Board attended and voted therefore:

RESOLVED, that the Board of Directors of the Kentucky-American Water Company ("Company") hereby authorizes the appropriate officers of the Company to enter into an Agreement For the Purchase of Assets ("Agreement") of the potable water and wastewater systems ("Systems") of the City of Owenton, Kentucky ("City"), for a total price not to exceed \$2,851,478, as may be adjusted as provided in the Agreement, with such approval contingent upon the terms and conditions in the Agreement, including, but not limited to, final approval by the City, receipt of a final unappealable order of approval by the Kentucky Public Service Commission, all other approvals of the appropriate regulatory authorities, and satisfactory results of Company due diligence investigations of the financial, regulatory, management and physical condition of the Systems to be purchased by the Company.

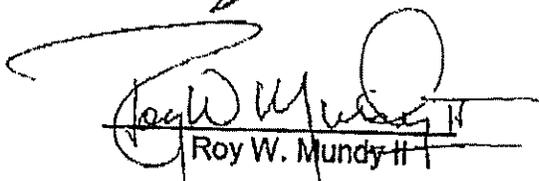
FURTHER RESOLVED, that the officers of the Company are authorized to take all necessary actions to effect the intent of this Resolution, including, but limited to the execution of any documents, contracts, agreements, and instruments to further the transaction and the application for all regulatory approvals.

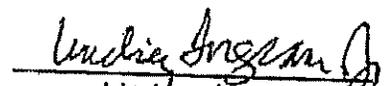
These actions without a meeting of the Board of Directors is taken pursuant to the authority of Chapter 271B, Subtitle 8, Section 210, of the Kentucky Revised Statutes, and shall be effective September 22, 2003.

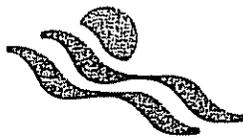
All signatures need not appear on the same counterpart of this consent, and all counterparts of this consent shall constitute one and the same instrument.


Chris E. Jarrett


Daniel L. Kelleher


Roy W. Mundy II


Lindsey Ingram, Jr.



Kentucky American Water

Executive Board of Directors Report October 2003

[REDACTED]

Capital Spending

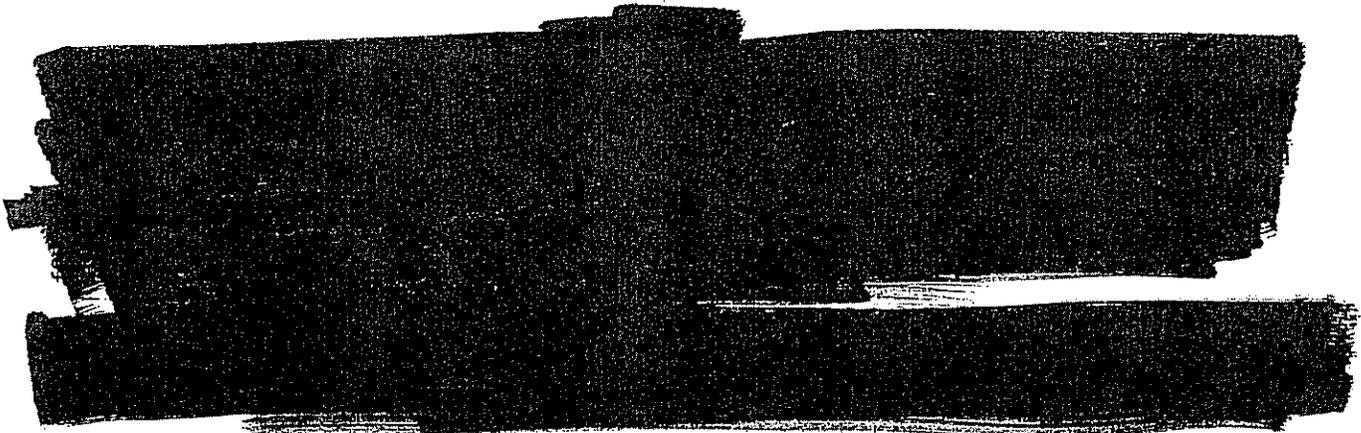
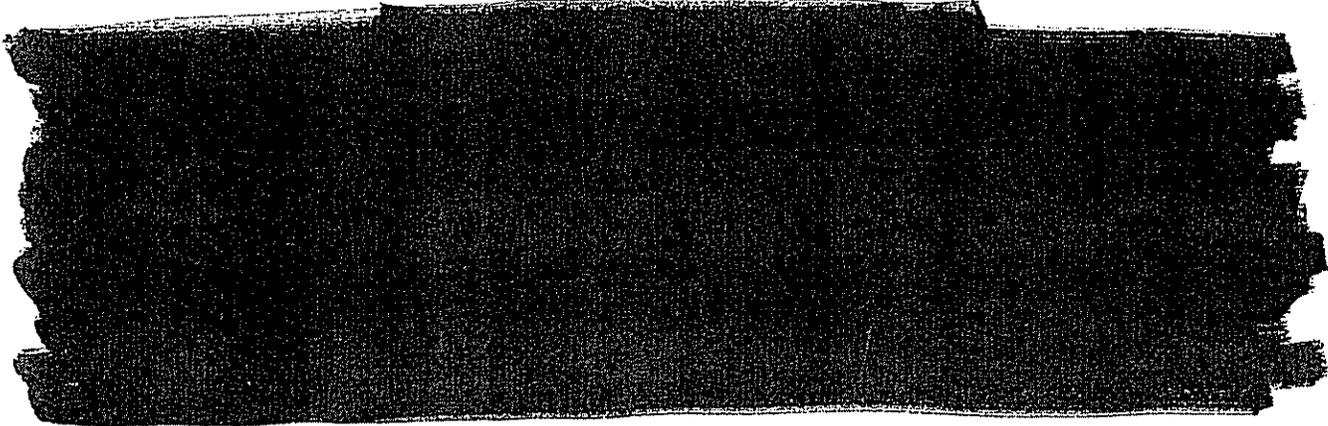
Capital Expenditures through the end of the third quarter are \$1,088,000 behind planned levels. Capital expenditures for the year are expected to be at Plan levels due to higher than anticipated highway relocations, a pent-up demand for new services which are behind schedule due to the adverse wet weather experienced during 2003 and a \$500,000 increase for the ORCOM capital expenditures. Project delays on the Russell Cave Road tank and the Elevated

2.0 mg storage tank have caused \$130,000 in capital expenditures to be deferred to 2004. This has been offset by capital expenditures on the New Columbus project that will exceed total project estimate by \$100,000 due to PVC price increases. The Richmond Road Station Hydraulic Improvement project was completed during the third quarter. A trial of 30 mgd was successfully run through the Richmond Road Station in August. This project was completed at \$150,000 above estimated cost due to change orders from yard piping difficulties. The project caused minimal disruption to the operations and is in final clean-up stage.



Environmental/Health & Safety

Rockwell Village Sewage Treatment Plant: Negotiations continue on how best to connect this small treatment and distribution system (<100 customers) to the Winchester Municipal Utilities (WMU) system. The discharge permit has expired and was not renewed due to state requirements to connect to the nearest public system. KAW appealed the regulatory orders and was expected to connect in 2002; however, the estimated capital costs to connect now exceed \$400,000. KAW has proposed a connection option to the regulators and is awaiting a reply.



**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY HELD
IN LEXINGTON, KENTUCKY
AT 1:00 P.M. ON FRIDAY, DECEMBER 12, 2003**

Present: Lindsey W. Ingram, Jr.
Chris E. Jarrett
Daniel L. Kelleher
Roy W. Mundy II

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: Herbert A. Miller, Jr., Vice President & Secretary
Michael A. Miller, Vice President Finance, Treasurer and Comptroller
David B. Schultz, Vice President
Stephen N. Chambers, Assistant Secretary

Mr. R. W. Mundy II, President of the Company, called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on October 24, 2003, were presented to the Board. On a motion duly made, seconded and carried, the following resolution was duly adopted:

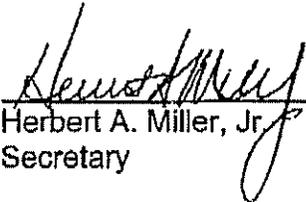
RESOLVED, that the minutes of the meeting of the Board of Directors of the Company held on October 24, 2003, be and the same hereby are approved in the form presented to this meeting.

[REDACTED]

[REDACTED]

[REDACTED]

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.



Herbert A. Miller, Jr.
Secretary



Kentucky American Water

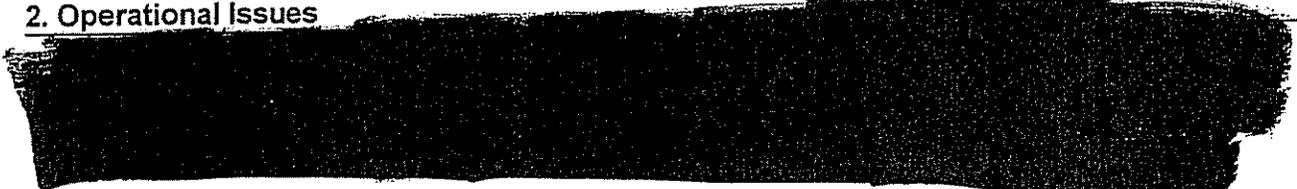
Executive Board of Directors Report December 2003

Capital Spending

Capital Expenditures for the year are expected to be under the Q3RF by \$15,000. Project delays in new services and relocations from earlier in the year due to wet weather have caught up to planned levels. Project delays on the Russell Cave Road tank and the elevated 2.0 mg storage tank have caused \$130,000 in capital expenditures to be deferred to 2004. This has been offset by capital expenditures on the New Columbus project that will exceed total project estimate by \$100,000 due to PVC price increases and the Clays Mill 3.0 mg storage tank construction, which is ahead of plan by \$200,000 due to late year favorable weather.



2. Operational Issues



A draft Executive Summary of the Bluegrass Water Supply Consortium report was received for comment on November 7, with the draft report expected November 14. A final report will be published in December. The Consortium Technical Group met on November 5 to begin organization of the formal Commission. The Lexington-Fayette Urban County Government will be invited to join even though it is not a water utility.

Capital Expenditures were at planned amounts Year-to-Date. Item A expenditures are behind planned levels and are not expected to increase to planned levels by year end. Items C and D are above planned levels due to continued customer growth and new services. The projected lag in service installations due to the conversion to the Alton Call Center October 20 was not reflected in November but may still show up in December. Mild weather in November cause aggressive construction levels above what was projected in October for the Clays Mill Road tank project. This was offset by a lag in Highway relocation work that will be carried over into 2004. Total capital expenditures for year end is projected to be \$500,000 above plan due to \$720,000 unplanned expenditure on the Customer Service project. There is a concern that the accelerated fixed asset closing schedule announced on October 29 may cause a problem with booking all appropriate expenditures by the closing on December 4.

The conversion to ORCOM and the transfer to the Alton Call Center have caused the Customer Service Software expenditures to exceed planned amounts and are projected to exceed annual planned amounts by \$622,100

The New Columbus project and Richmond Road Station Hydraulic Improvements will exceed originally planned amounts due to a carryover from 2002 expenditures. The New Columbus project, and the SCADA improvements project will now carryover some expenditures into 2004. The Clays Mill tank construction will not carryover additional expenditures to 2004 and are actually on a more aggressive construction schedule than anticipated at the end of October because of unseasonably mild weather in November

The Electrical Reliability project has been delayed while focused on completing the RRS and SCADA improvements project but is on schedule for completion in 2004. A consultant has been retained to coordinate design and implementation, and meetings were held with the electric utility for to discuss equipment lead times and costs. The project is on target for substantial completion by June 2004.



REGULATORY



3. Management Focus

KAW continues to be an active participant in the Bluegrass Water Supply Consortium in its efforts to resolve the

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
VIA TELECONFERENCE
AT 9:30 A.M. ON THURSDAY, APRIL 15, 2004**

Present: John R. Bigelow
Lindsey W. Ingram, Jr.
Chris E. Jarrett
Daniel L. Kelleher
Roy W. Mundy II

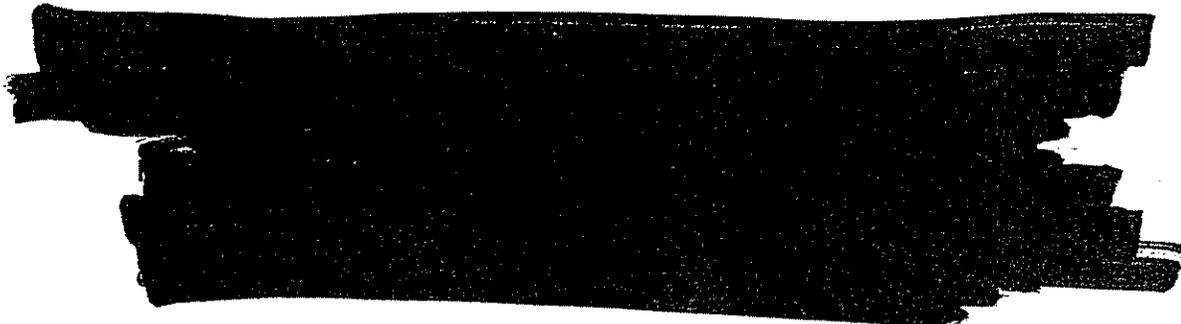
Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

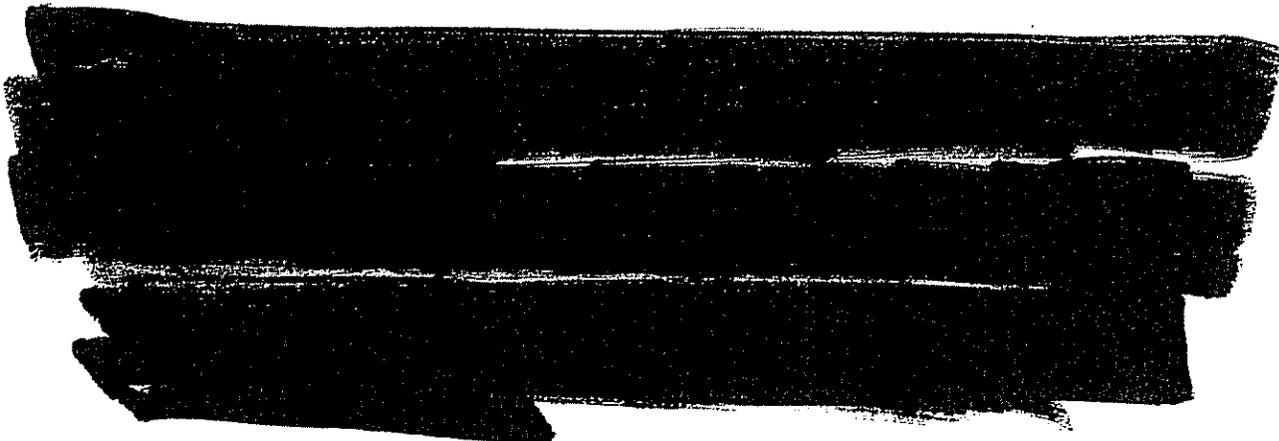
Also present: Robert M. Ross
John Young
Robert W. Freeston
Velma A. Redmond, Esq.
William C. Kelvington
David B. Schultz
Herbert A. Miller, Jr., Esq.
Michael A. Miller
Stephen N. Chambers, Esq.

Mr. Chris Jarrett called the meeting to order and presided as Chairman of the meeting, and Mr. Herb Miller, Secretary of the Company, acted as Secretary of the meeting.

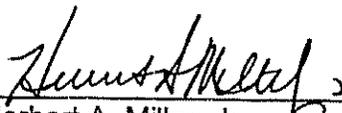
The minutes of the meeting of the Board of Directors held on December 12, 2003, were presented to the Board by Mr. Herb Miller, and on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the regular meeting of the Board of Directors of this Company held on December 12, 2003, be and the same hereby are approved in the form presented to this meeting.





After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.



Herbert A. Miller, Jr.
Secretary

Kentucky American \$
Balance Scorecard
March-04
USD m's

Financial Indicators	Unit	Actual	Budget	Actual vs Budget	2004 Target	Comment	Regional Owner
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capex	USD	2.2	6.3	(4.1)	19.2	Progress against Budget (Co. Funded Net)	JM/JY
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Process Indicators	Unit	Actual	2004 Target	Comment	Regional Owner
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Employee Indicators	Unit	Actual	2004 Target	Comment	Regional Owner
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Market/Customer Indicators	Unit	Actual	2004 Target	Comment	Regional Owner
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

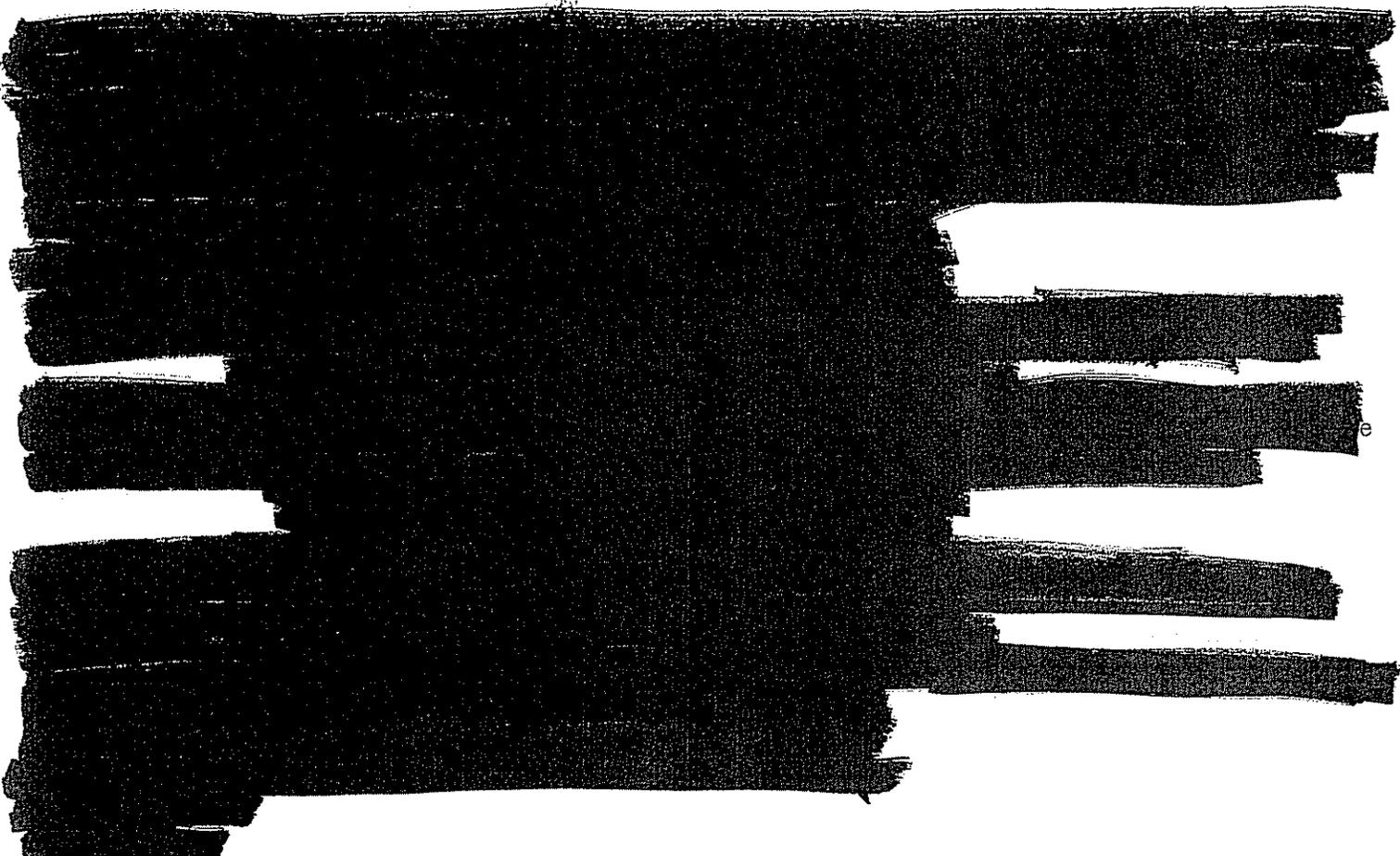


Kentucky Amer
Financial Summ
March-04
USD m's

	MONTH - March 2004		YEAR-TO-DATE - March 2004		FULL YEAR OUTLOOK - 2004										
	Actual	Budget	Q1RF	Actual vs Budget	Actual	Budget	Q1RF	Actual vs Budget	Last year	Budget	Q1RF vs Last year				
Financial Summary	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]				
	0.7	1.2	1.1	(0.6)	(0.4)	2.2	6.3	2.6	(4.1)	(0.4)	17.7	19.2	13.9	(1.5)	3.7
Capex	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

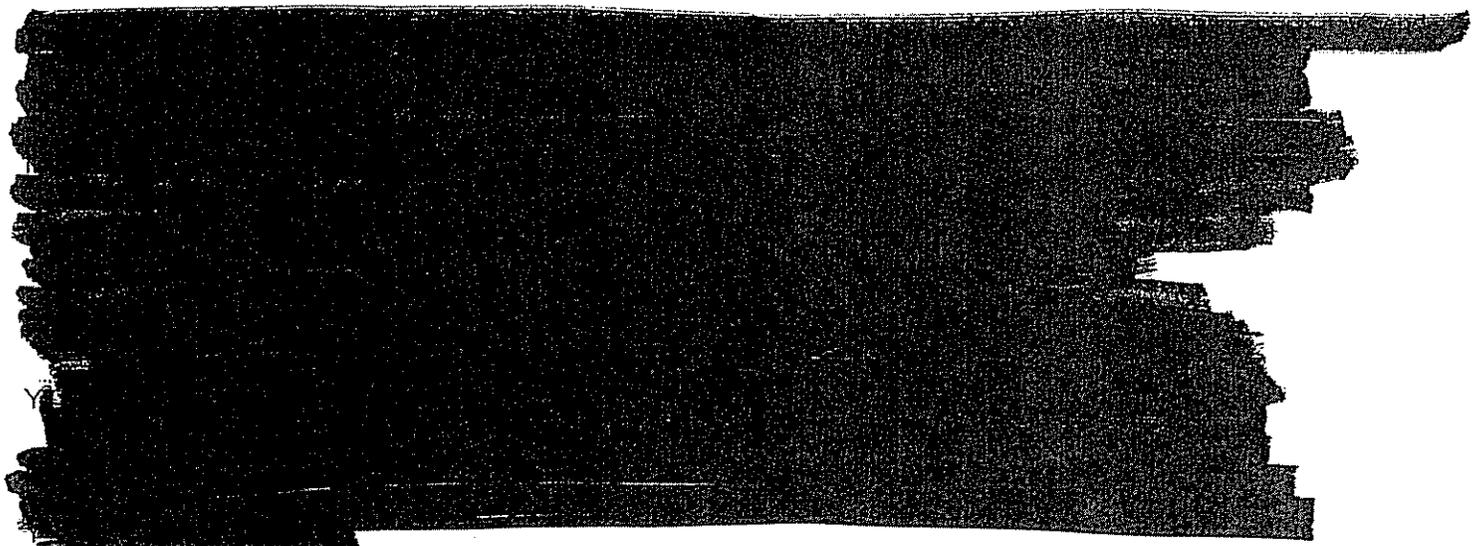
Kentucky American \$
Financial Indicators
Actual vs Budget - March 2004
USD

Financial Indicators (Briefly describe the following KPIs against Budget & latest Forecast):



Capex, gross

Month vs Budget - CAPX is \$600,000 under budget because of delays in construction. The company expects to spend capex in Q1RF for the year.



Kentucky American \$
Financial Indicators
Actual vs Q1RF - March 2004
USD

Financial Indicators (Briefly describe the following KPIs against Budget & latest Forecast):

[REDACTED]

Capex, gross

Month vs Forecast - Capex is under forecast \$400,000 due to delays. The company expects to spend capex for the year at levels in Q1RF.

YTD vs Forecast - (Month and YTD variances to forecast are the same since this is the first month of the Q1RF)

[REDACTED]

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
VIA TELECONFERENCE
AT 8:30 A.M. ON WEDNESDAY, JULY 21, 2004**

Present: John R. Bigelow
Patricia A. Freibert
Lindsey W. Ingram, Jr.
Chris E. Jarrett
Daniel L. Kelleher
Robert M. Ross
William G. Sisson

Absent: Roy W. Mundy II

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: James D. McGivern
Velma Redmond, Esq.
Nick O. Rowe,
Herbert A. Miller, Jr., Esq.
Michael A. Miller
Susan S. Marsh, Esq.

Mr. Chris Jarrett called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on April 15, 2004, were presented to the Board and, on a motion duly made, seconded and carried, the following resolution was duly adopted:

[REDACTED]

[REDACTED]

[REDACTED]

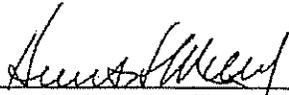
[REDACTED]

[REDACTED]

[REDACTED]

The Chairman welcomed the new Board Members.

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.



Herbert A. Miller, Jr.
Secretary

Financial Indicators	Unit	Actual	Budget	Actual vs Budget	2004 Target	Comment	Regional Owner
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capex	USD	5.6	11.1	(5.5)	19.2	Progress against Budget (Co. Funded Net)	JM/JY
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Market/Customer Indicators	Unit	Actual	2004 Target	Comment	Regional Owner
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Owners: JP-Jeremy Pelcozer, JM-Jim McGivern, DF-Dietrich Firnhaber, DK-Dan Kelleher, JB-John Bigelow, MH-Matt Huckin
 Responsible Persons: ML-Michael Leese, JY-John Young, DT-David Turner, WM-William Malarkey, BC-Bob Collington, MC-Mick Carmedy, NR-Nick Rowe, OO-Opuiyo Oforokuma, WG-William Griffin

	MONTH - June 2004			YEAR-TO-DATE - June 2004			FULL YEAR OUTLOOK - 2004							
	Actual	Budget	Q2RF	Actual vs Budget	Actual vs Q2RF	Actual vs Budget	Actual vs Q2RF	Budget	Last year	Q2RF vs Budget	Q2RF vs Last year			
Financial Summary	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			
Capex	1.2	1.3	4.2	(0.1)	(3.0)	5.6	11.1	8.6	(5.5)	17.1	19.2	13.9	(2.1)	3.2

Kentucky American \$
Financial Indicators
Actual vs Budget - June 2004
USD

Financial Indicators (Briefly describe the following KPIs against Budget & latest Forecast):

[REDACTED]

Capex, gross

Month vs Budget - CAPX is \$100,000 under budget because of delays in construction. The company expects to spend capex in Q2RF for the year.

YTD vs Budget - CAPX is \$5.5 million under budget due to delays and reductions. The company still expects to spend capex at the level in Q1RF for the year.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Kentucky American \$
Financial Indicators
Actual vs Q2RF - June 2004
USD

Financial Indicators (Briefly describe the following KPIs against Budget & latest Forecast):

[REDACTED]

Capex, gross

Month vs Forecast - Capex is under forecast \$3.0 million due to delays. The company expects to spend capex for the year at levels in Q2RF.

YTD vs Forecast - (Month and YTD variances to forecast are the same since this is the first month of the Q2RF.)

[REDACTED]

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
HELD VIA TELECONFERENCE
AT 8:15 A.M. ON THURSDAY, OCTOBER 21, 2004**

Present: Christopher C. Buls
Patricia A. Freibert
Lindsey W. Ingram, Jr.
Chris E. Jarrett
William C. Kelvington
Robert M. Ross
William G. Sisson
John S. Young

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: Nick Rowe
Herbert A. Miller, Jr., Esq.
Velma Redmond, Esq.
Michael A. Miller

Mr. Chris E. Jarrett called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on July 21, 2004, were presented to the Board. On a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors of the Company held on July 21, 2004, be and the same hereby are approved in the form presented to this meeting.

[REDACTED]

[REDACTED]

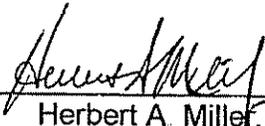
SECTION 13. INDEMNIFICATION

[REDACTED]

[REDACTED]

[REDACTED]

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.



Herbert A. Miller, Jr.
Secretary

	MONTH - September 2004			YEAR-TO-DATE - September 2004			FULL YEAR OUTLOOK - 2004					
	Actual	Budget	Q3RF	Actual vs Budget	Actual vs Q3RF	Actual	Budget	Q3RF	Budget	Last year	Q3RF vs Budget	Q3RF vs Last year
Financial Summary	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capex	1.5	1.4	1.6	0.1	(0.1)	9.5	15.5	9.7	(6.0)	(0.1)	17.4	19.2
												13.9
												(1.8)
												3.5

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY HELD
HELD VIA TELECONFERENCE
AT 8:15 A.M. ON THURSDAY, DECEMBER 16, 2004**

****DRAFT****

Present: Christopher E. Buls
Patricia A. Freibert
Lindsey W. Ingram, Jr.
Chris E. Jarrett
William C. Kelvington
Robert M. Ross
William G. Sisson

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Absent: John S. Young

Also present: Nick O. Rowe
Velma Redmond, Esq.
Herbert A. Miller, Jr., Esq.
Michael A. Miller

Mr. Chris E. Jarrett called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on October 21, 2004, were presented to the Board. On a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors of the Company held on October 21, 2004, be and the same hereby are approved in the form presented to this meeting.

[REDACTED]

Mr. Mike Miller recommended the Board approve the 2005 Annual Business Plan and Investment Projects. On a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the 2005 Annual Business Plan and Investment Projects is approved in the form presented to this meeting.

The Chairman further recommended to the Board that it adopt appropriate resolutions authorizing certain officers of the Company to undertake to do all such acts and things as may be necessary or desirable in connection with the Operation and Maintenance, Lease and Capital Investment Plan of the Company heretofore approved by the Board at this meeting. After a discussion, the following resolutions were unanimously adopted:

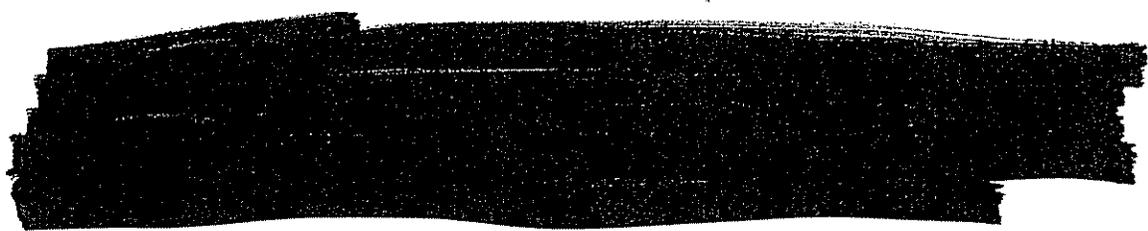
RESOLVED, that the President or any Vice President of the Company be, and each of them hereby is, authorized and empowered on behalf of the Company to execute and deliver contracts, leases or other agreements for equipment, facilities or property contained in the Company's approved schedule of lease agreements, such lease agreements to be in such forms with such changes or amendments as to the officer executing same shall determine to be necessary or advisable, the necessity or advisability thereof to be conclusively evidenced by the execution and delivery of such lease agreements.

RESOLVED, that the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company be, and each of them hereby is, authorized and empowered to do any and all such acts and things as any one of them may deem necessary or advisable in order to carry out all actions authorized by the Board of Directors of the Company, as reflected on the Operations and Maintenance, Lease and Capital Investment Plan for 2005, and the schedules thereof, heretofore approved at this meeting and incorporated by reference as a part of the minutes hereof.

Mr. Mike Miller recommended the Board approve Capital Investment Project 04-04 for Standardized Technology Enabled Processes (STEP). After discussion and on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that Capital Investment Project 04-04 for Standardized Technology Enabled Processes be and the same hereby are approved in the form presented to this meeting.

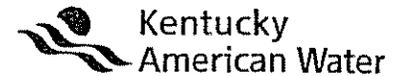




After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.

*****DRAFT*****

Herbert A. Miller, Jr.
Secretary



December 16, 2004

Kentucky American Board of Directors:

Standardized Technology Enabled Process (STEP) is a comprehensive business and technology program that is critical to American Water's corporate vision and strategy as it provides the tools with which to fundamentally transform how we operate our business in the future. STEP is the first major coordinated, integrated approach to technology-enabled delivery of business capability in AW; this should be distinguished from previous project-specific approaches. The program is expected to cost approximately \$150 million over an eight year period, including expenditures already incurred in 2004. Of this amount, \$130 million is expected to occur during the five year business planning period from 2005-2009, of which approximately \$4,000,000 has been included in the proposed capital expenditures for Kentucky American based on an allocation in proportion to customers. The attached schedule provides a year-by-year breakdown of the expenditures and the allocations by company, followed by a breakdown of the costs by individual project.

STEP will be composed of "Best-of-Value" software solutions from industry leaders that provide the most value to American Water by achieving the right balance between business functionality (i.e. to achieve operational excellence), technology considerations, and economic affordability / viability. The potential to generate cost and technology synergies by selecting solutions that incorporate applications such as Maximo (for asset management) and SAP ERP (for financial, human resources, and materials management), with which there is already significant experience within RWE and/or Thames Water, is advantageous to AW. The proposed STEP solution has been subjected to rigorous and independent analysis by our Trusted Advisors, Deloitte Consulting, including comparisons to several alternate solution sets. The resulting STEP solution is believed to offer the "Best of Value" for AW.

Individual projects within the program include business applications for asset management, customer call handling improvements, Work Order Diagnostic, operational efficiency, financial, human resources, and supply chain management. While most of the program is now in the mobilization phase, some projects (Service First, IVR/VRP) were already underway in 2004. Key program management issues that are being addressed during mobilization include resourcing, risk mitigation, procurement strategy, and securing / maintaining full business support for the Program, especially benefits delivery.

American Water

Herbert A. Miller, Jr.
VP & Corporate Counsel
2300 Richmond Road
Lexington, KY 40502

T +1 859.268.6339
F +1 859.268.6327
I www.amwater.com

12/8/04

11:04 PM
US dollar
Scale 0

Key Financial Indicators
July 2004
Kentucky American \$ (KENTUCKY)

Y1BP05 December 2005	Y2BP05 December 2006	Y3BP05 Yearly 2007	Y3BP05 Yearly 2008	Y3BP05 Yearly 2009	Y3BP05 Yearly 2010
[REDACTED]					
[REDACTED]					
18,154.0	14,588.0	14,814.0	12,278.0	19,281.0	
[REDACTED]					

KPI
BUDKPYRS

entucky American \$
Financial Summary
November-04
SD m's

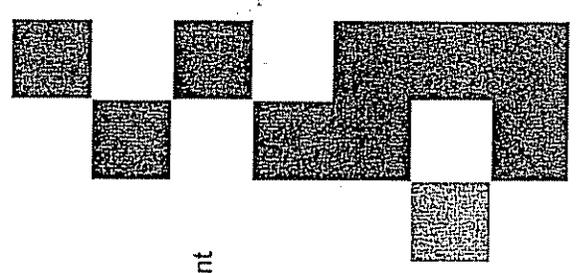
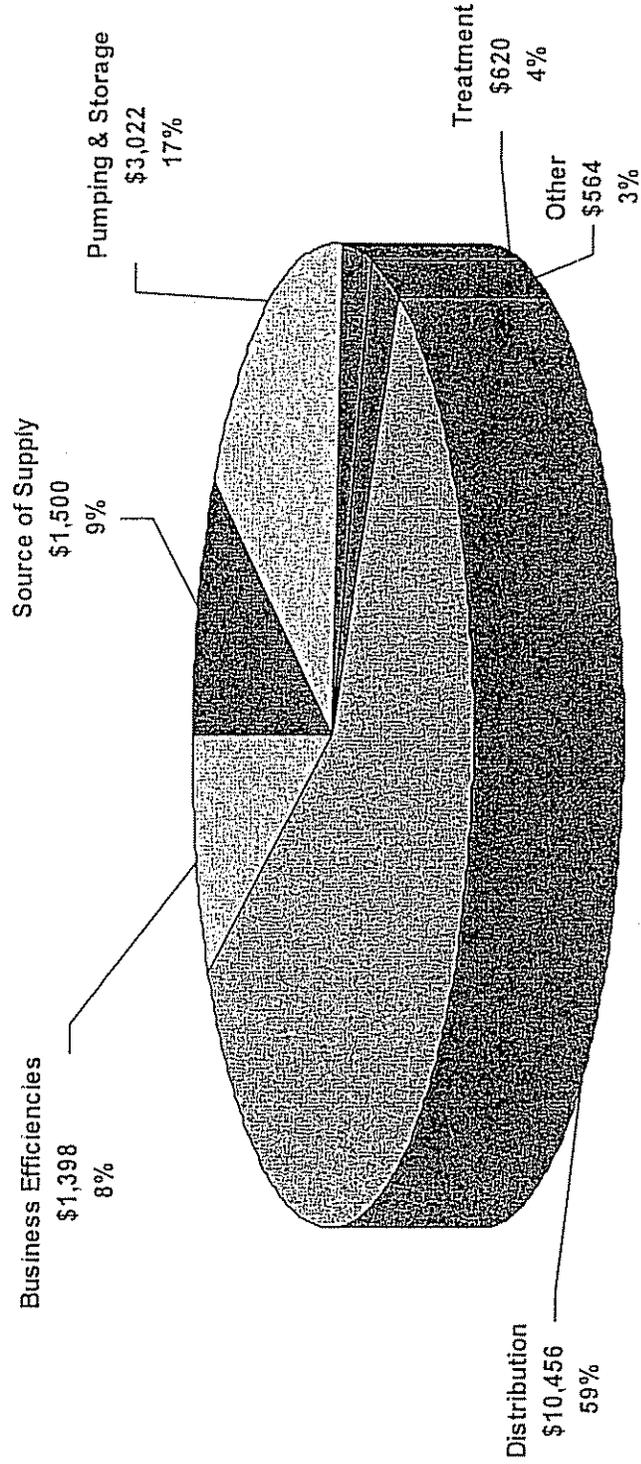
	MONTH - November 2004				YEAR-TO-DATE - November 2004				FULL YEAR OUTLOOK - 2004				
	Actual	Budget	Q3RF	Actual vs Budget	Actual	Budget	Q3RF	Actual vs Budget	Actual vs Q3RF	Budget	Last year	Q3RF vs Budget	Q3RF vs Last year
Financial Summary	[REDACTED]												
Capex	2.0	1.2	2.4	0.8 (0.3)	13.5	18.2	15.3	(4.7) (1.8)	17.4	19.2	13.9	(1.8)	3.5
	[REDACTED]												



Kentucky American Water

2005 Business Plan

Capital Expenditures \$17,560,000




Kentucky-American 2005 CAPEX Projects

1. 01-05 – Russell Cave Road Tank – 1.0MG - Provides \$766,600 for the completion of the \$1,500,000 Russell Cave Road 1.0 MG ground storage tank and pump facilities in the Central Division.
2. 02-04 – Source of Supply Development - Provides an estimated \$1,500,000 for the Source of Supply Project Development.
3. 03-01 – Elevated Storage Tank - Provides \$2,180,000 of the \$2,700,000 completion of the Elevated 2.0 MG tank in the Central Division.
4. 04-04 – Business Process Efficiency Project & Orcom Budget - Provides \$1,381,874 for additional Business Process Efficiencies.
5. 04-03 – Owen County Main Extensions - Provides \$240,000 of a total \$700,000 for Kentucky American Water portion of main extension in the Northern Division.
6. 05-01 - Provides \$910,000 to relocate mains associated with major highway construction including the relocation of 1,500 feet of 24” in an urban area of the Central Division.
7. 05-02 – Ground Storage Tank – 3.0 MG - Provides \$75,000 to initiate design for an additional 3.0 MG ground storage tank in the Central Division projected to cost a total \$1,600,000.
8. 05-03 – Russell Cave Road Main – 34,000’ of 12” - Provides \$500,000 of a total \$1,800,000 to install approximately 10,000 feet of a total 34,000 feet of 12” main in Russell Cave Road to support the new ground storage facility in the Central Division.
9. 05-04 – Rockwell Village Wastewater Pipeline - Provides \$350,000 to install a new trunk sewer line on Rockwell Road to tie into the Winchester sewer system and decommission the existing package sewer treatment plant in the Central Division.
10. 05-05 – KRS Valve Mechanical Improvements - Provides \$350,000 to install mechanical improvements to the Kentucky River Station filter control valves on the ten hydrotreaters.
11. 03-03 Electrical Reliability Upgrades – Provides \$219,800 to complete electrical system upgrades at the Kentucky River Station Plant.

STRATEGIC CAPITAL EXPENDITURE PLAN

Units = \$

Program

State Kentucky
Revision Date
Status

District	CPS Code	Project Code	Brief Description of Proposed Expenditures	Stage (PNI, PIA, P/CA, New)	Business Plan 5-year total	Total 2005	Plan 2006	Plan 2007	Plan 2008	Plan 2009
		04-80	Mains, Hydrants, Valves, Meters - Deposit/Contribution	New	21,232,394	4,080,000	4,161,500	4,244,800	4,329,700	4,416,294
		04-81	Network - Replacement Renewal	New	3,465,000	600,000	650,000	700,000	750,000	765,000
		04-82	Network - Extension	New	1,912,100	255,000	260,100	290,000	350,000	357,000
		04-83	Hydrants - Replacement	New	132,540	25,500	26,000	26,500	27,000	27,540
		04-84	Hydrants - New	New	1,563,066	300,000	306,000	312,100	320,300	324,666
		04-85	Services - Replacement	New	2,736,500	500,000	525,000	550,000	575,000	586,500
		04-86	Services - New	New	6,570,956	1,157,000	1,180,100	1,203,700	1,227,800	1,802,356
		04-87	Meters - Replacement	New	3,850,536	416,800	833,000	849,800	866,800	884,136
		04-88	Meters - New	New	4,154,512	1,121,500	735,900	750,600	765,600	780,912
		04-89	ITS Equipment & Systems	New	527,500	75,500	100,000	150,000	100,000	102,000
		04-90	Offices and Operations Centers	New	389,440	55,000	54,000	135,000	72,000	73,440
		04-91	Vehicles	New	0	0	0	0	0	0
		04-92	Tools and Equipment	New	521,800	160,000	90,000	90,000	90,000	91,800
		04-93	Process Plant - Replacement	New	1,254,500	350,000	225,000	225,000	225,000	229,500
		04-94	Process Plant - Additions	New	351,500	50,000	50,000	100,000	75,000	76,500
		04-95	Treatment Media Replacement and Process Rehabilitation (capitalized)	New	0	0	0	0	0	0
		04-96	Tank Rehabilitation / Painting (capitalized)	New	0	0	0	0	0	0
		04-97	Comprehensive Planning Studies	New	300,000	0	0	0	0	300,000
			TOTAL RECURRING PROJECTS		49,562,344	9,146,300	9,196,700	9,627,500	9,774,200	10,817,644
		01-05	Russell Cave Road Tank - 1.0 MG (342)	PIA	766,600	766,600	0	0	0	0
		02-04	Source of Supply Development Project (343)	PIA	1,500,000	1,500,000	0	0	0	0
		03-01	Elevated Storage Tank - 2.0 MG (342)	PIA	2,180,000	2,180,000	0	0	0	0
		03-03	Electrical Reliability upgrades /System Reliability (332)	PIA	219,800	219,800	0	0	0	0
		04-03	Owen County Main Extensions (343)	PIA	640,000	240,000	170,000	230,000	0	0
			Major Highway Relocations (343)	PIA	3,240,000	910,000	530,000	600,000	600,000	600,000
			Incline Car Replacement @KRS (311)	PIA	1,150,000	0	250,000	900,000	0	0
			Ground Storage Tank - 3.0 MG (342)	PIA	1,675,000	75,000	700,000	900,000	0	0
			Replace Trac-Vac System at RRS (332)	PIA	250,000	0	250,000	0	0	0
			KRS Filter Media Replacement - Hyd 3 & 4 (332)	PNI	0	0	0	0	0	0
			Russell Cave Road Main - 34,000' of 12" (343)	PNI	1,800,000	500,000	800,000	500,000	0	0
			Rockwell Village Wastewater Pipeline	PNI	350,000	350,000	0	0	0	0
			North Broadway Main Replacement (343)	New	1,900,000	0	800,000	900,000	200,000	0
			Replace Trash Rake @ KRS (311)	New	325,000	0	325,000	0	0	0

04KYSCPEP 05-09

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
HELD VIA TELECONFERENCE
AT 8:00 A.M. ON FRIDAY, APRIL 25, 2005**

Present: Christopher E. Buls
Patricia A. Freibert
Lindsey W. Ingram, Jr.
Chris E. Jarrett, Chairman
William C. Kelvington
William G. Sisson
John S. Young

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: Nick O. Rowe
Velma Redmond, Esq.
Herbert A. Miller, Jr., Esq.
Michael A. Miller
Deborah Herndon



The minutes of the meeting of the Board of Directors held on December 16, 2004, were presented to the Board. On a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors of the Company held on December 16, 2004, be and the same hereby are approved in the form presented to this meeting.

The Chairman reviewed the Managing Director's report.



The Chairman and Mr. Mike Miller reviewed with the Board the Company's Key Strategic Issues.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

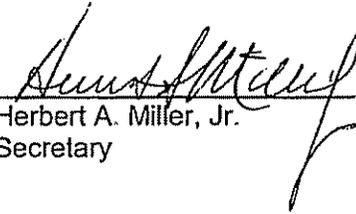
[REDACTED]

WHEREAS, the Lexington-Fayette Urban County Government ("LFUCG") has requested grants of easements of sanitary sewer service lines to serve three restroom facilities within the Jacobson Park in order to improve the watershed by the elimination of ground septic systems near the Jacobson Reservoir;

BE IT RESOLVED, that in consideration of One Dollar and other valuable consideration, including the elimination of ground septic systems near the Jacobson Reservoir, the Board of Directors of Kentucky-American Water Company ("Company") authorizes the President or Vice President of the Company to execute the appropriate documents to effect the deeds of easement for the said three sanitary sewer service lines.

[REDACTED]

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.


Herbert A. Miller, Jr.
Secretary

Kentucky American US GAAP \$
Financial Summary
March-05
SD

	MONTH - March 2005			YEAR-TO-DATE - March 2005			FULL YEAR OUTLOOK - 2005								
	Actual	Budget	LYA	Actual vs Budget	Actual vs LYA	Actual vs Budget	Actual vs LYA	q1rf	Budget	q1rf vs Budget	q1rf vs Last year				
Financial Summary	0.9	1.4	0.7	(0.5)	0.2	3.3	3.4	2.3	(0.1)	0.9	17.8	18.5	15.4	(0.7)	2.4
apex															

Southeast Region
KPIs
March 2005 - MONTH
JSD m's

TURNOVER				OPEX (excl Depn)				EBITDA					
Actual	Budget	LYA	Actual vs Budget	Actual vs Budget	LYA	Actual vs Budget	Actual vs Budget	Actual	Budget	LYA	Actual vs Budget	Actual vs Budget	LYA
[REDACTED]													

Kentucky

OPERATING RESULT				PBT				Net cash from operating activities					
Actual	Budget	LYA	Actual vs Budget	Actual vs Budget	LYA	Actual vs Budget	Actual vs Budget	Actual	Budget	LYA	Actual vs Budget	Actual vs Budget	LYA
[REDACTED]													

Kentucky

CAPEX, Gross				FREE CASH FLOW I			
Actual	Budget	LYA	Actual vs Budget	Actual vs Budget	LYA	Actual vs Budget	Actual vs Budget
0.9	1.4	0.7	(0.5)	0.2			
[REDACTED]							

Kentucky

Southeast Region
KPIs
March 2005 - YTD
USD m's

	TURNOVER		OPEX (excl Depn)		EBITDA		Actual vs Actual vs	
	Budget	LYA	Budget	LYA	Budget	LYA	Budget	LYA

Kentucky	[REDACTED]							
----------	------------	------------	------------	------------	------------	------------	------------	------------

	OPERATING RESULT		PBT		Net cash from operating activities		Actual vs Actual vs	
	Budget	LYA	Budget	LYA	Budget	LYA	Budget	LYA

Kentucky	[REDACTED]							
----------	------------	------------	------------	------------	------------	------------	------------	------------

	CAPEX, Gross		FREE CASH FLOW		NET DEBT		Actual vs Actual vs	
	Budget	LYA	Budget	LYA	Budget	LYA	Budget	LYA

Kentucky	3.1	3.3	2.2	(0.2)	0.9	[REDACTED]	[REDACTED]	[REDACTED]
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	NOA		VALUE CONTRIBUTION		HEADCOUNT		Actual vs Actual vs	
	Budget	LYA	Budget	LYA	Budget	LYA	Budget	LYA

Kentucky	[REDACTED]							
----------	------------	------------	------------	------------	------------	------------	------------	------------

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
HELD VIA TELECONFERENCE
AT 8:00 A.M. ON FRIDAY, JULY 22, 2005**

Present: Christopher C. Buls
Patricia A. Freibert
Lindsey W. Ingram, Jr.
William G. Sisson
Daniel W. Warnock
John S. Young

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: Velma Redmond, Esq.
Nick O. Rowe,
Herbert A. Miller, Jr., Esq.
Michael A. Miller
Deborah Herndon, Esq.

Mr. Dan Warnock called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

[REDACTED]

The minutes of the meeting of the Board of Directors held on April 25, 2005, were presented to the Board and, on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on April 25, 2005 be, and the same hereby are, approved in the form presented to this meeting.

Mr. Dan Warnock updated the Board on [REDACTED]
[REDACTED] (3) Water Supply, [REDACTED]
[REDACTED]

Messrs. Mike Miller and Nick Rowe reviewed the Key Strategic Issues with the Board, including the current and forecasted financial activity of the Company.

[REDACTED]

[REDACTED]

[REDACTED]

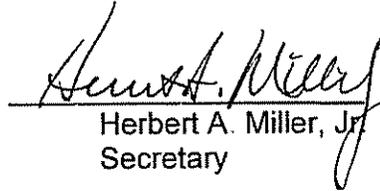
[REDACTED]

[REDACTED]

[REDACTED]



After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.


Herbert A. Miller, Jr.
Secretary

Kentucky American Water Company
June-05
USD m's

Operational Performance

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Growth from 'tuck-in' acquisitions - Operating Result explanation and potential growth opportunities

Comments:

City of Owenton, KY – Water and Wastewater System Acquisition: On May 17, the City of Owenton and KAW executed an agreement for KAW to acquire the city's 1,100-customer water and 600-customer wastewater systems for \$1.735 and \$0.861 million, respectively. In June, the Kentucky Attorney General's Office intervened in our application approval before the Kentucky PSC. We expect that this action may result in a full investigation of the acquisition and could delay closing until late Q3-2005.

[REDACTED]

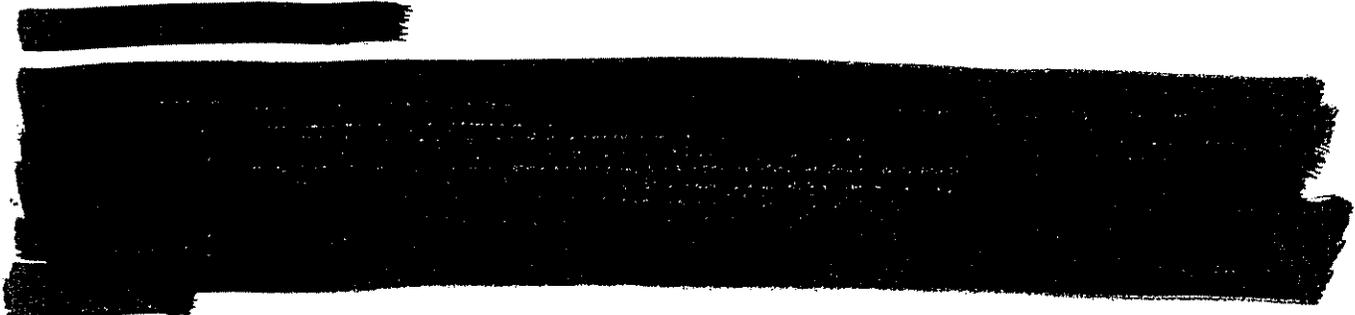
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Kentucky American Water Company
June-05
USD m's

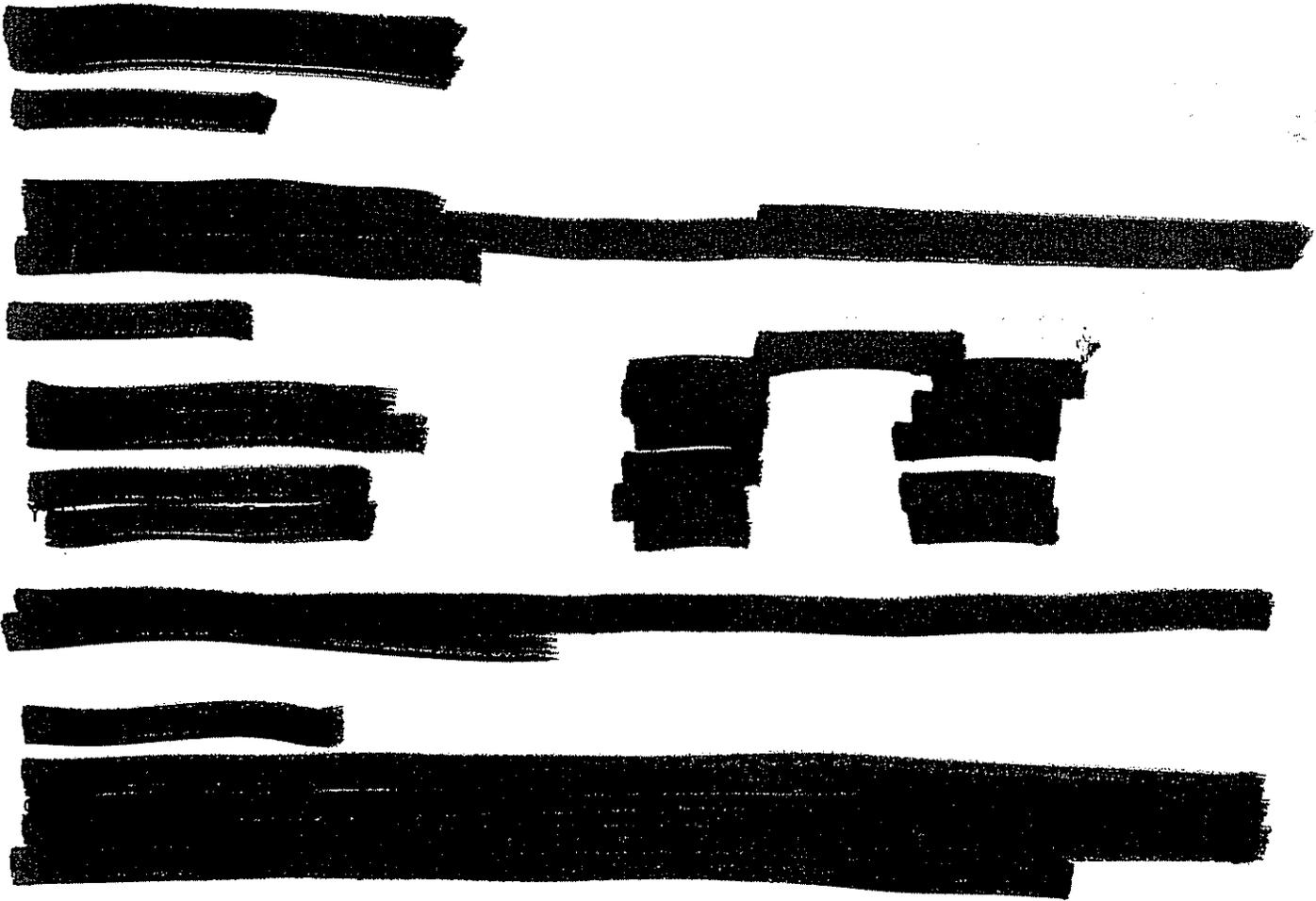


Process Indicators

Net Capex

Net capital expenditure for month and YTD compared to original budget and reforecasted number. Any significant capital projects can be described indicating status compared to plan.

Actual capital expenditures for Period 6 were \$1.530 million, or \$589,000 less than Plan expenditures of \$2.119 million. Actual year-to-date expenditures of \$7.236 million were \$1.972 less than the Plan amount of \$9.208 million due to timing of expenditures. The Company expects to spend its CAPEX budget for the year.



Kentucky American US GAAP \$
Financial Summary
June-05
USD

	QUARTER-TO-DATE - June 2005			YEAR-TO-DATE - June 2005			FULL YEAR OUTLOOK - 2005								
	Actual	Budget	LYA	Actual vs Budget	Actual vs LYA	Actual vs Budget	Actual vs LYA	q2rf	Budget	Last year	q2rf vs Budget	q2rf vs Last year			
Financial Summary															
Capex	1.5	2.1	1.3	(0.6)	0.3	7.2	9.2	5.8	(2.0)	1.4	17.8	18.5	15.4	(0.7)	2.4
Net Operating Assets															
Average Net Operating Assets															
Value Contribution															
Headcount															

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY AMERICAN WATER COMPANY
HELD IN LEXINGTON, KENTUCKY
AT 8:00 A.M. ON OCTOBER 26, 2005**

Present: Christopher C. Buls
Patricia A. Freibert
Lindsey W. Ingram, Jr.
Nick O. Rowe
William G. Sisson
Daniel W. Warnock
John S. Young

Constituting a majority and a quorum of the Board of Directors necessary for the transaction business.

Also present: Herbert A. Miller, Esq.
Michael A. Miller
Velma Redmond, Esq.

Mr. Dan Warnock called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on July 22, 2005, were presented to the Board and, on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held July 22, 2005, and the same hereby are, approved in the form presented to this meeting.

Mr. Dan Warnock updated the Board on [REDACTED] (2) water supply and [REDACTED]
[REDACTED]

Messrs. Mike Miller and Nick Rowe reviewed the Key Strategic Issues with Board, including the current and forecasted financial activity of the Company.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

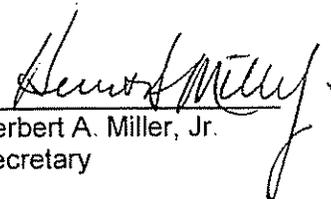
[REDACTED]

[REDACTED]

[REDACTED]

The Board heard a report from Mr. Buls on the plans for implementation of new information system called "mySAP" and indicated its desire to proceed pending a review of the final estimated costs.

After a general discussion of the Company and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.


Herbert A. Miller, Jr.
Secretary

Kentucky American Water Company
September-05
USD m's

Operational Performance

[REDACTED]

Growth from 'tuck-in' acquisitions - Operating Result explanation and potential growth opportunities

Comments:

Owenton, KY Water & Wastewater System Acquisition: On September 15, KAW closed on the acquisition of the City of Owenton's 1,100-customer water and 600-customer wastewater systems for \$1 735 million and \$0.861 million, respectively. In July, the Kentucky Public Service Commission determined that it did not have jurisdiction over the approval of the Asset Purchase Agreement and further approved the adoption of Owenton's existing rates for the customers formerly served by the City of Owenton. This represents the third and fourth acquisitions in the SE Region in 2005 and the first acquisition of a wastewater system for Kentucky American. Anticipated year-1 revenues and operating result are \$820,000 and \$355,000, respectively.

[REDACTED]

Kentucky American Water Company
September-05
USD m's

Process Indicators

Net Capex

Net capital expenditure for month and YTD compared to original budget and reforecasted number. Any significant capital projects can be described indicating status compared to plan.

Actual year-to-date expenditures of \$11 410 million were \$2.892 less than the Plan amount of \$14 302 million due to timing of expenditures. The Company expects to spend its CAPEX Q3RF for the year

[REDACTED]

Contributions have also been made in the area of CAPEX savings through regional sourcing and negotiating efforts - most recently for the purchase of wireless radio antennae components for an initiative to eliminate leased phone lines. Additional discounts were negotiated with an existing supplier. Standardization and sourcing of VFD's is also being evaluated as a potential savings opportunity. Efforts are underway to accumulate all Southeast Region agreements sourced by supply chain or others. Tank rehabilitation savings are being calculated for reverse auctions performed since late 2004.

[REDACTED]

Rocky American US GAAP \$
Financial Summary
Quarter-05

	QUARTER-TO-DATE - September 2005		YEAR-TO-DATE - September 2005		FULL YEAR OUTLOOK - 2005								
	Actual	Budget	Actual vs LYA	Actual vs Budget	Actual	Budget	LYA	Actual vs Budget	q3rf vs Budget	Last year	Budget	q3rf vs Last year	
Capital Expenditures	2.1	1.6	1.6	0.5	11.4	14.3	9.9	(2.9)	17.8	18.5	15.4	(0.7)	2.4
Operating Expenses													
Depreciation													
Amortization													
Goodwill Impairment													
Restructuring Costs													
Other Operating Expenses													
Operating Income													
Interest Expense													
Interest Income													
Other Income													
Income Before Tax													
Income Tax Expense													
Net Income													

x CAPEX

**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
HELD IN LEXINGTON, KENTUCKY
AT 9:00 A.M. ON JANUARY 25, 2006**

Present: Christopher C. Buis
Patricia A. Freibert
Lindsey W. Ingram, Jr.
Nick O. Rowe
William G. Sisson
Daniel W. Warnock
Absent: John S. Young

Constituting a majority and a quorum of the Board of Directors necessary for the transaction business.

Also present: Herbert A. Miller, Esq.
Michael A. Miller
Velma Redmond, Esq.

Mr. Nick Rowe called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

The minutes of the meeting of the Board of Directors held on October 26, 2005, were presented to the Board and, on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held October 26, 2005, and the same hereby are, approved as amended.

[REDACTED]

Mr. Rowe updated the Board on [REDACTED] and the efforts to solve the regional water supply deficit. An informal conference with the Public Service Commission will be held on March 14, 2006 on water supply.

[REDACTED]

Messrs. Mike Miller and Nick Rowe reviewed the Key Strategic Issues with Board, [REDACTED]. Mr. M. Miller also reviewed the proposed 2006 Business Plan. [REDACTED] Mr. Rowe reviewed the capital issues associated with the proposed Plan. On a motion made, seconded and adopted the following resolution was passed:

RESOLVED, that the 2006 Business Plan for Kentucky American Water is hereby approved as presented.

[REDACTED]

[REDACTED]

[REDACTED]

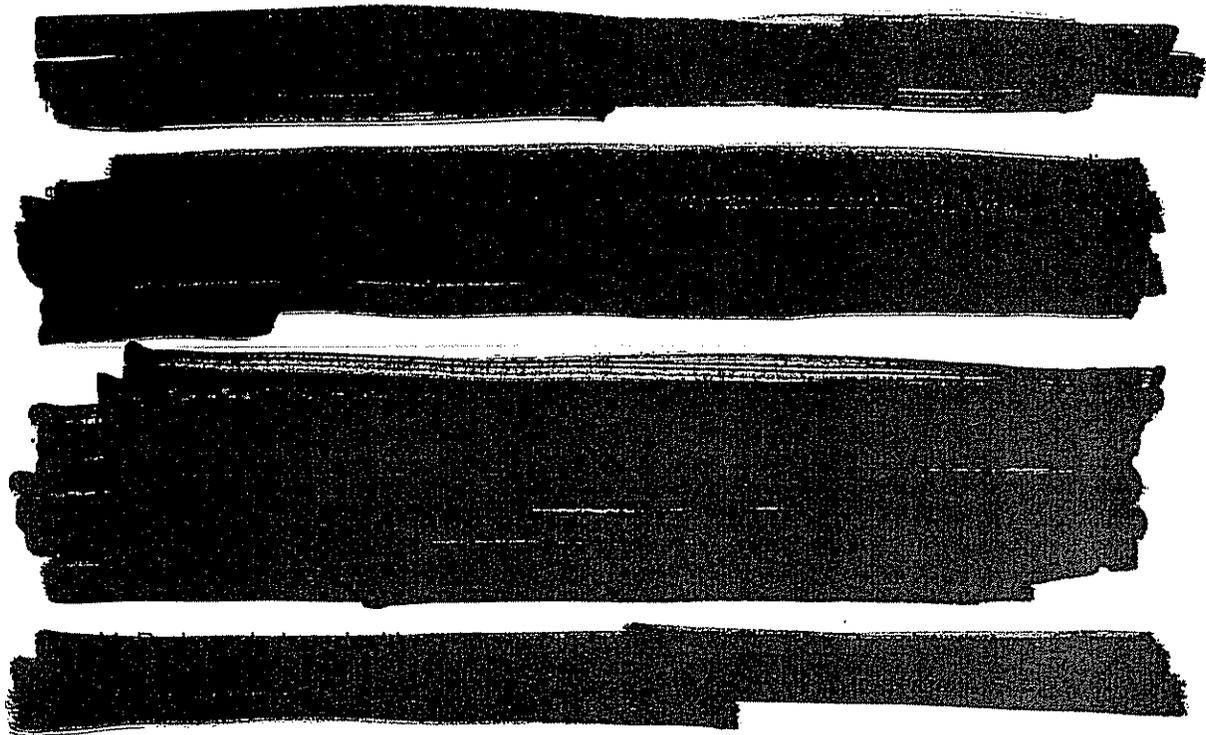
[REDACTED]

[REDACTED]

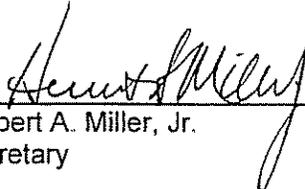
[REDACTED]

[REDACTED]

[REDACTED]



With no further business, and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.

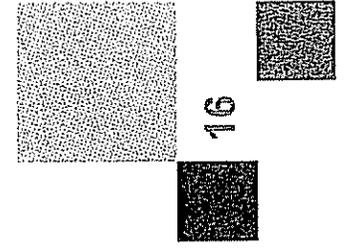
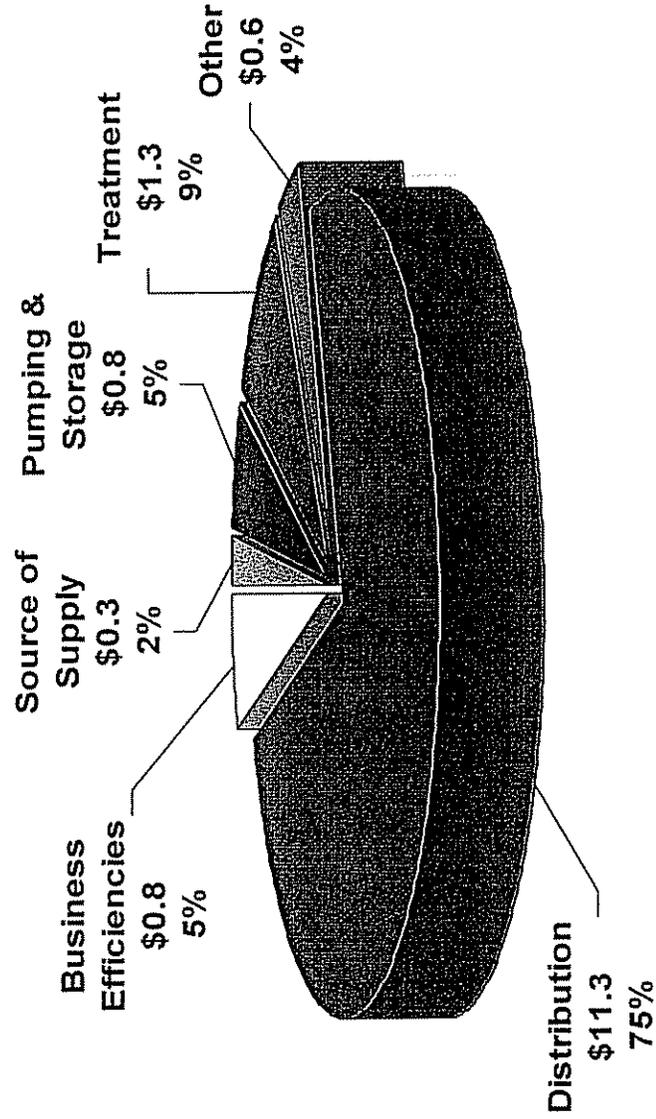


Herbert A. Miller, Jr.
Secretary

Kentucky American Water 2006 Business Plan



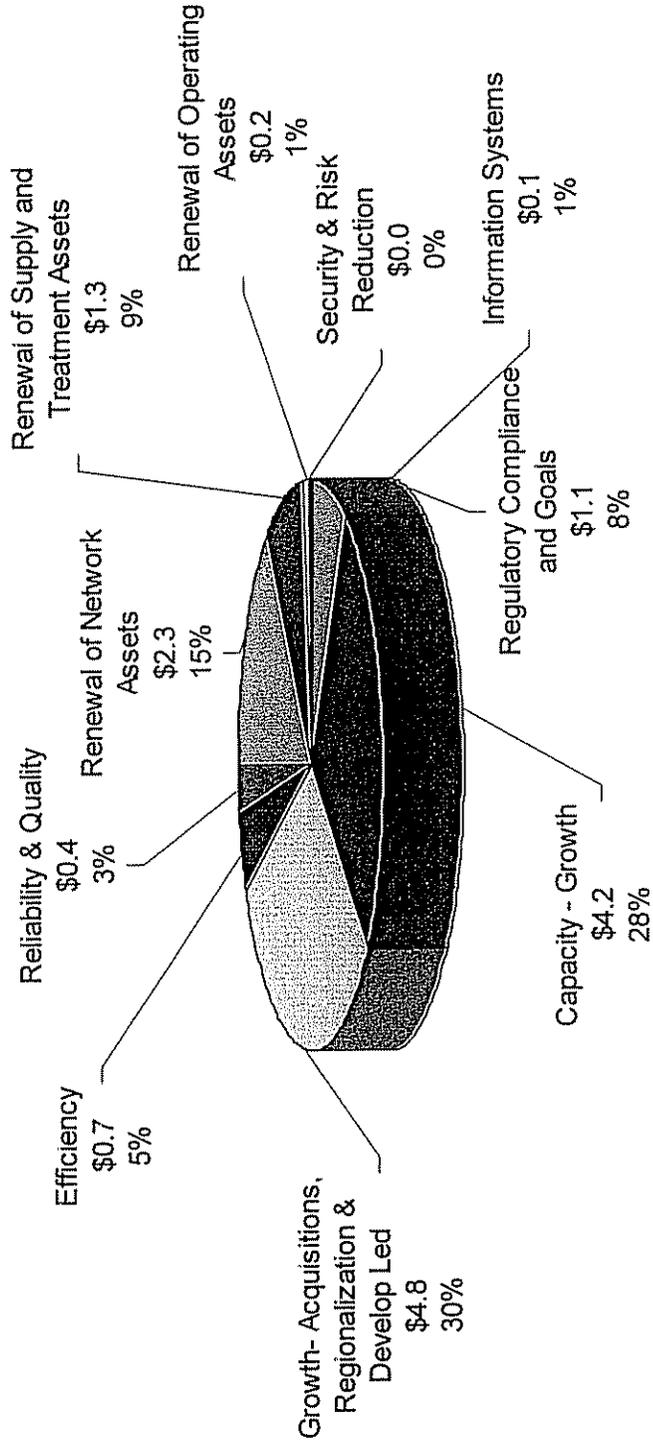
Asset Type \$15.1 million



Kentucky American Water 2006 Business Plan



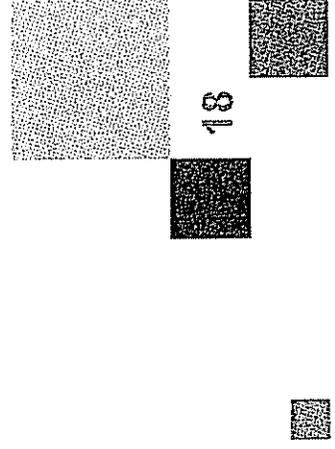
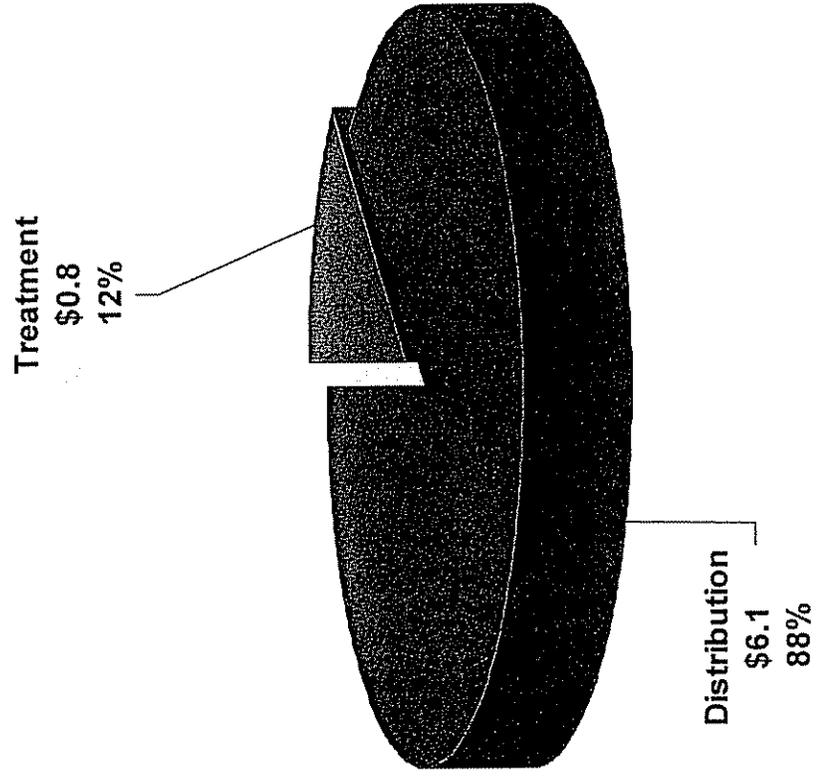
Asset Investment Strategy \$15.1 million





Kentucky American Water 2006 Business Plan

Supplemental Capital \$6.9 million



**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
9:00 A.M. APRIL 25, 2006**

Present: Christopher C. Buls
Patricia A. Freibert
Lindsey W. Ingram, Jr.
Nick O. Rowe
William G. Sisson
Daniel W. Warnock
Absent: John S. Young

Constituting a majority and a quorum of the Board of Directors necessary for the transaction business.

Also present: John R. Bigelow
Herbert A. Miller, Esq.
Michael A. Miller
Velma Redmond, Esq.

Mr. Nick Rowe called the meeting to order and presided as Chairman of the meeting, and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

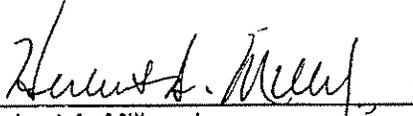
The minutes of the meeting of the Board of Directors held on January 25, 2006, were presented to the Board and, on a motion duly made, seconded and carried, the following resolution was duly adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held January 25, 2006, and the same hereby are, approved as amended.

[REDACTED]

The next meeting will occur July 21, in Charleston, West Virginia.

With no further business, and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.



Herbert A. Miller, Jr.
Secretary

Kentucky American Water Company
Board Report – April 2006

Financial Performance

[REDACTED]

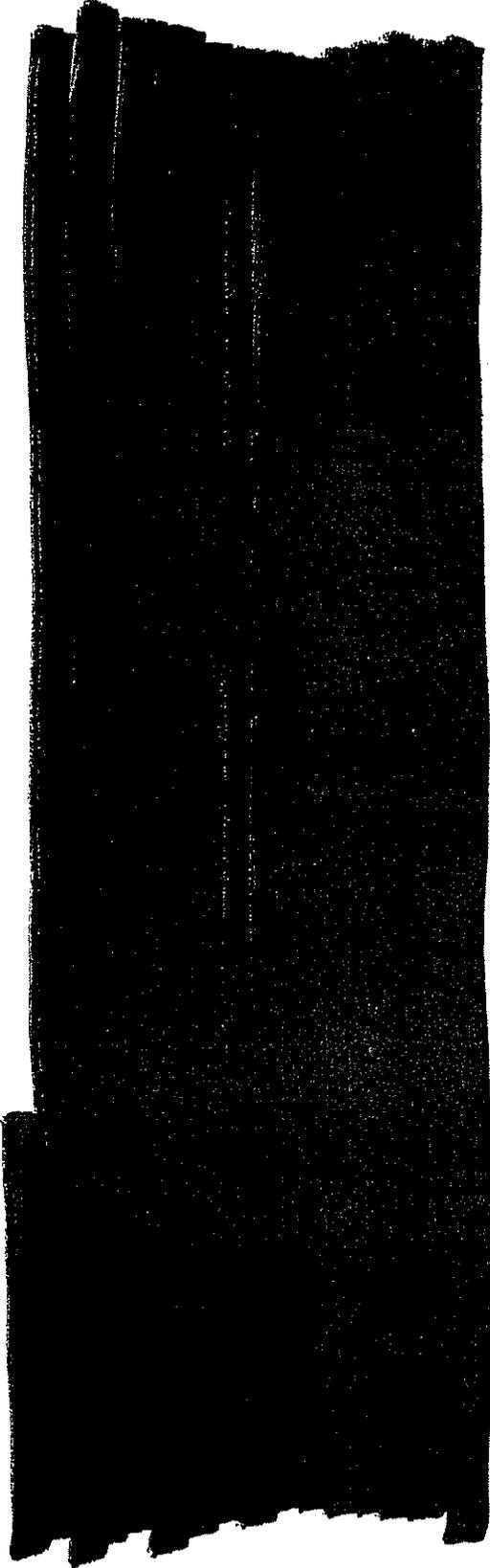
CAPEX – Budgeted capital expenditures for the first three months were \$3.5 million, actual capital expenditures were \$1.9 million. The Company expects to spend its CAPEX included in the forecast.

[REDACTED]

Kentucky American US GAAP \$
Comparative Cash Flow Statement
(for internal purposes only)

	Actual 3/31/2006	Budget 3/31/2006	Q1RF 3/31/2006	Actual 3/31/2005
--	---------------------	---------------------	-------------------	---------------------

(in thousand dollars)



Cash flows from investing activities				
Capital expenditures	(1,850)	(3,076)	(4,118)	(3,669)
Advances & contributions	2,423	945	1,768	879



**MINUTES OF THE BOARD OF DIRECTORS OF
KENTUCKY-AMERICAN WATER COMPANY
LEXINGTON, KENTUCKY
July 21, 2006**

Present: Patricia A. Freibert
Lindsey W. Ingram, Jr.
Nick O. Rowe
William G. Sisson
Daniel W. Warnock
John S. Young

Absent: Christopher C. Buls

Constituting a majority and a quorum of the Board of Directors necessary for the transaction of business.

Also present: Ellen C. Wolf
Velma Redmond, Esq.
Herbert A. Miller, Jr., Esq.
Michael A. Miller
Chuck Gilbert

Mr. Rowe called the meeting to order and presided as Chairman of the meeting and H. A. Miller, Jr., Secretary of the Company, acted as Secretary of the meeting.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Mr. Dan Warnock presented his Regional President's Report to the Board, which included:

[REDACTED] (2) a report on the STEP Program and the portions implemented such as Service First and the telephone IVR system at the Call Center,

[REDACTED]

Mr. Rowe reported on the Company's operations: including (1) projected capital expenditures for 2006, (2) distribution system growth and improvements

[REDACTED]



It was announced that the next board meeting is tentatively scheduled for October 19, 2006.

With no further business and upon motion duly made, seconded and unanimously adopted, the meeting adjourned.

Herbert A. Miller, Jr.
Secretary



TO: Kentucky American Board of Directors

FROM: Dan Warnock

DATE: July 14, 2006

SUBJECT: STEP Program

Standardized Technology Enabled Process (STEP), which began in November 2003, was formerly known as "5 Year Business IT Systems Delivery Development." STEP was a comprehensive business and technology program providing the tools with which to fundamentally transform how we would operate our business in the future. STEP required a significant amount of resources in order to deliver the program. Projects affiliated with STEP included, Service First Project, IVR (Interactive Voice Response), VRP (Voice Recognition Project), Assets, Operations, Customer, and Back Office (SAP). STEP was the first major coordinated, integrated approach to technology-enabled delivery of business capability in American Water.

The projected capital spending costs for STEP increased from \$158m to \$200m due to the reassessment of timing and duration of project costs. Costs for the STEP program included hardware, software, internal resources, external integration and vendor support on all individual projects. During the five year business planning period from 2005-2009, the Southeast region's allocation in proportion to customers was a projected 33%.

With the November 4, 2005 announcement by RWE to sell American Water, the American Water Executive Management Team (EMT) has decided to postpone the implementation of a resource package of new financial and HR systems. However, the company has decided to accelerate the work required to enable American Water to become compliant with the Sarbanes-Oxley Act of 2002 (SOX).

As a result of Sarbanes-Oxley and the change of control, it was decided to cancel the STEP program. Due to the nature of this decision it was felt important that we inform our Board of Directors of this decision by American Water's Executive Management Team.

**KENTUCKY AMERICAN WATER BOARD OF DIRECTORS
OPERATIONS & BUSINESS ACTIVITY UPDATE SUMMARY
JULY 21, 2006**

CAPITAL EXPENDITURES

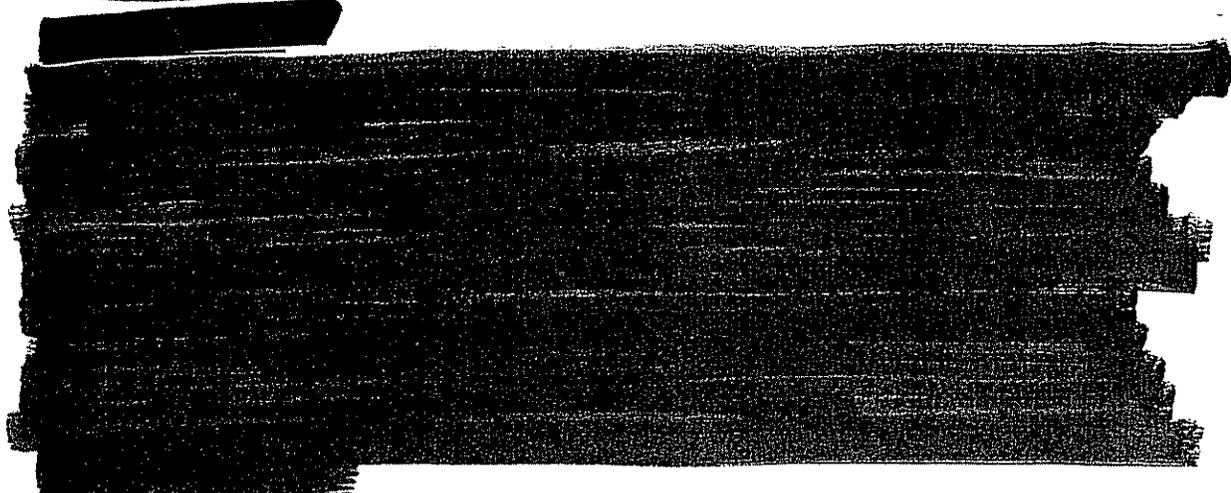
Kentucky American Water has a projected 2006 CAPEX budget of \$27,219,070, increased from \$19,100,000 actual expenditures in 2005. This includes \$6,500,000 in new main extensions funded by developers and \$2,400,000 in new services. Major projects include a 20-inch main installation on Clays Mill Road as part of road reconstruction, a project to increase reliability at the Kentucky River Station, an additional 12-inch main out Russell Cave Road to optimize operations of the new tank, and initial efforts on the new water treatment plant on Pool 3. Various other smaller projects are addressing capital needs at the treatment plants and distribution systems.

As of the end of May, recurring capital projects were \$109,500 ahead of budget. This is due primarily to a strong early start on main extensions that is expected to continue throughout the year. There are fifteen main replacement projects exceeding \$3 million that are expected to go out to bid in the next two months and be completed this year. The large investment projects were behind budget by \$1,000,000 due to a slow start on the Clays Mill Road and Russell Cave Road main projects. This will catch up into the third quarter and is projected to be on target well before year end. Kentucky American Water is adding one new engineering position to assist in delivering the capital budget, and has placed a priority on filling engineering and construction vacancies. The staff is also utilizing consultants through Master Service Agreements to assist in project development with the large increase in proposed capital. Net capital is showing a significant variance, as Kentucky American has received over \$2 million more in advances year-to-date than during the same period last year.

[REDACTED]

[REDACTED]

[REDACTED]



WATER SUPPLY

The company is working with The Moriah Group on developing a strategy regarding the evolving water supply issue. A portion of the messaging and strategy, of course, is dependent on the company's decision regarding how it will partner with the Bluegrass Water Supply Commission.

Because of the sporadic rainfall this year, water supply has not been a challenge for us thus far. Jacobson Reservoir has continually been at 90% or greater and there are good passing flows in the Kentucky River. We will continue to monitor flows to ensure alignment with the Demand Management Plan (DMP). In preparation for the upcoming summer months, we have made all repairs to our intake on the Kentucky River and all six pumps and motors are in operating order. Our last summer project for the intake will be to place spare pumps and a motor back at the intake. The location of the intake will require barge work which should be underway within the next month.

