Dinsmore&Shohl LLP
ATTORNEYS

RECEIVED
NOV 09 2007
PUBLIC SERVICE
COMMISSION

Edward T. Depp
(502) 540-2347 (Direct Dial)
tip.depp@dinslaw.com

November 9, 2007

VIA HAND DELIVERY
Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: ***Application of Kentucky-American Water Company, a/k/a Kentucky American Water for Certificate of Convenience and Public Necessity Authorizing Construction of Kentucky River Station II ("KRS II"), Associated Facilities, and Transmission Line;*** **Case No. 2007-00134**

Dear Ms. O'Donnell:

We have enclosed, for filing, the original and eleven (11) copies of Louisville Water Company's Third Amended Responses to Kentucky-American Water Company's Initial Data Requests.

Please file-stamp one copy and return it to our delivery person

Thank you, and please call us if you have any questions.

Sincerely,

Edward T. Depp

ETD/lb
cc: All parties of record (Case No. 2007-00134) (w/ encl.)
Barbara K. Dickens, Esq. (w/ encl.)

126834_1
38306-1

1400 PNC Plaza, 500 West Jefferson Street Louisville, KY 40202
502.540.2300 502.585.2207 fax www.dinslaw.com

RECEIVED
NOV 09 2007
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION OF KENTUCKY RIVER STATION II, ASSOCIATED FACILITIES AND TRANSMISSION MAIN

CASE NO. 2007-00134

LOUISVILLE WATER COMPANY'S THIRD AMENDED RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S <u>INITIAL DATA REQUESTS</u>

For its third amended responses to the initial data requests of Kentucky-American Water Company ("KAWC"), Louisville Water Company ("LWC"), by counsel hereby states as follows.

REQUESTS FOR INFORMATION

2. Provide a copy of your audited financials and certified audit reports for the last five years.

Responsible Witness: **Greg Heitzman**

<u>RESPONSE:</u> In addition to the documents previously produced by LWC in response to this request, please also see the attached 2003 annual report of LWC.

Respectfully submitted,

Barbara K. Dickens

Barbara K. Dickens
Vice President and General Counsel
Louisville Water Company
550 South Third Street
Louisville, KY 40202

-and-

John E. Selent
Edward T. Depp
DINSMORE & SHOHL LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202
tel: (502) 540-2300
fax: (502) 585-2207

Counsel to Louisville Water Company

CERTIFICATION

I hereby certify that I have supervised the preparation of Louisville Water Company's first amended responses to the supplemental data requests of Kentucky American Water Company and that the responses contained herein (and for which I am designated the responsible witness) are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

____

Gregory C. Heitzman,
President of Louisville Water Company

Date: ____________________

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by was served via first-class United States mail, sufficient postage prepaid, on the following individuals this 9th day of November, 2007:

David Jeffrey Barberie
Corporate Counsel
Lexington-Fayette Urban County Government
Department of Law
200 East Main Street
Lexington, KY 40507

David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
2110 CBLD Building
Cincinnati, OH 45202

Thomas J. FitzGerald
Counsel & Director
Kentucky Resources Council, Inc.
Post Office Box 1070
Frankfort, KY 40602

Lindsey W. Ingram, III
Attorney at Law
Stoll Keenon Ogden PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801

Kentucky River Authority
70 Wilkinson Boulevard
Frankfort, KY 40601

Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
2110 CBLD Building
Cincinnati, OH 45202

David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

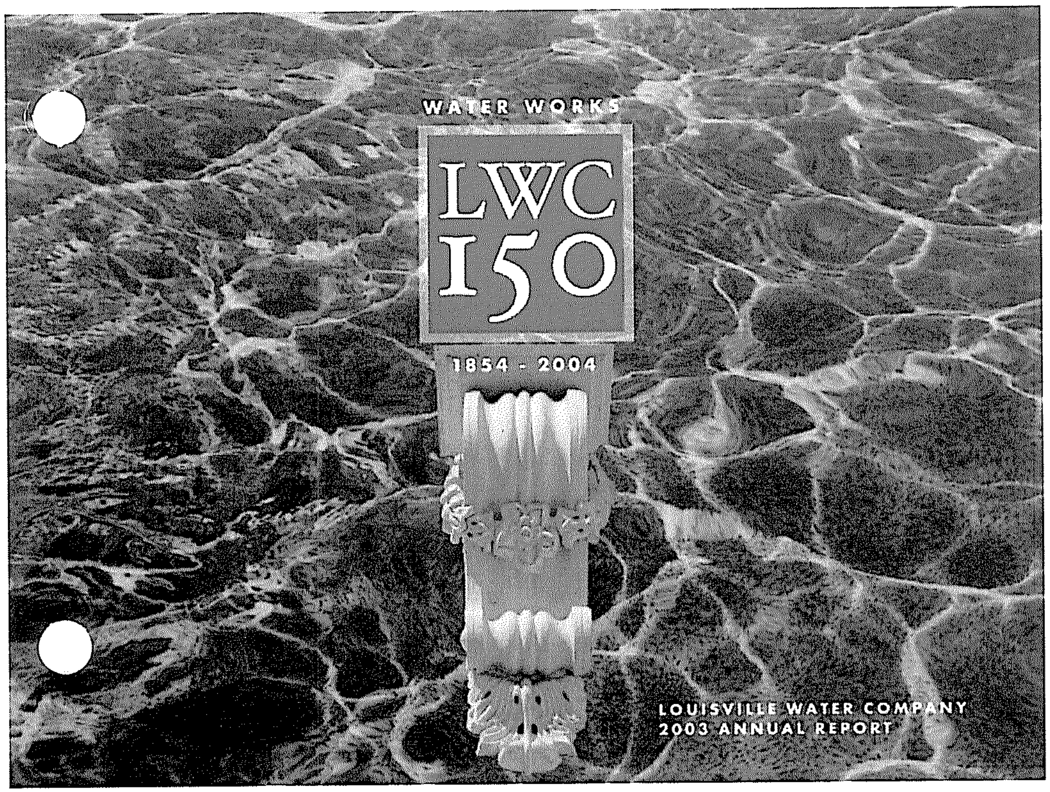
Damon R. Talley
Attorney at Law
P.O. Box 150
Hodgenville, KY 42748-0150

A.W. Turner, Jr.
Attorney at Law
Kentucky-American Water Company aka Kentucky American Water
2300 Richmond Road
Lexington, KY 40502

John N. Hughes
124 West Todd Street
Frankfort, KY 40601

Counsel to Louisville Water Company

Error! Unknown document property name.


WATER WORKS
LWC 150
1854 - 2004
LOUISVILLE WATER COMPANY
2003 ANNUAL REPORT

WATER WORKS

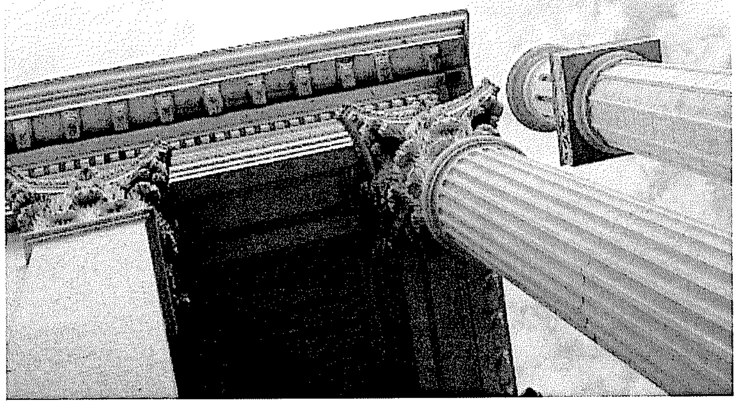
LWC 150

1854 - 2004

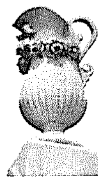
VISION To be a water supplier of choice throughout the region, operating in a highly competitive, customer-focused manner; delivering outstanding quality, customer satisfaction and value.

MISSION To serve the water needs of our customers through outstanding quality, service and value at a market return to our shareholders.

VALUES Customer Focus, Teamwork, Pride in Workmanship, Trust, Empowerment, Diversity, Continuous Learning, Continuous Improvement



PRESIDENT'S MESSAGE



In the mid-nineteenth century Louisville leaders knew a public water supply was essential if the community were to thrive. In 1854, these leaders chartered Louisville Water Company and efforts to capitalize the enterprise began. Initial stock subscriptions lagged, but in 1856 the City of Louisville gained authority to purchase stock in the company. Planning, design and construction began, and by 1860 the water was flowing.

The company came into being to provide a lifeline service to assure public health and safety. From the beginning the company focused on quality, customer satisfaction and value. In 2004 we celebrate the company's 150th anniversary. Today we hold dear the public trust for health and safety, and remain dedicated to continually achieving higher standards for quality, customer satisfaction and value.

2003 was marked by high levels of success in the area of water quality and customer satisfaction, but disappointing results for net income. Several years ago the company set very challenging goals for the quality of water distributed to customers. The goals far exceeded regulatory standards. In 2003, performance exceeded these high standards in every area.

The other area of major success was in customer satisfaction, which was the highest since we began surveying customers.

Net income for 2003 was significantly below target. Income was down due mainly to two factors: a relatively wet summer, reducing the amount of water normally sold for irrigation, and falling interest rates paid on investments.

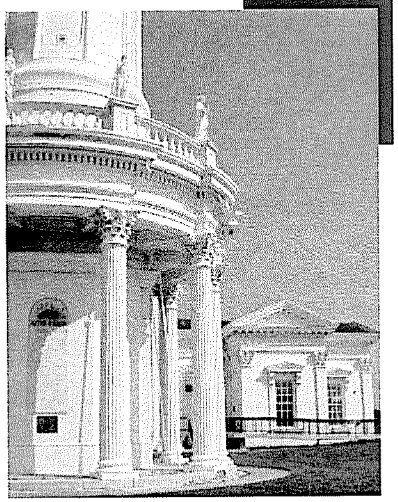
Operations and maintenance expenses grew, due to a high number of weather-related main breaks in January, plus increases in the costs of energy, materials and supplies. As soon as the situation became apparent, we began taking measures to reduce expenses. While these measures reduced costs by about $800,000 in 2003, our net income declined about $3.3 million from 2002.

In the area of governance, the Board of WaterWorks adopted a new Audit Committee charter. While the company is not subject to the requirements of the federal Sarbanes-Oxley Act, the Audit Committee and Board adopted the key practices and philosophies of the Act.

During the year a significant change occurred in the Board. Jack Segell, a Board Member since 1994, died in October. Owen Hammons, who had served since 1988, retired, and Stephen C. Gault, who had served since 1999, also retired from the Board. They were replaced by Dr. Joseph B. Wise III, Marita Willis and Gerald Martin.

We greatly appreciate the work and wisdom of the former members, and look forward to the counsel and guidance of the new members. As we celebrate our anniversary year, we recognize the value of the strong leadership that has blessed our company for the past century and a half. We hope to continue that tradition in the years ahead.

INTRODUCTION



Louisville Water Company provides water to about 810,000 people in Louisville Metro and parts of Oldham and Bullitt Counties. In 2003 the company delivered an average of 127 million gallons per day through nearly 3,500 miles of water main.

Water is drawn from the Ohio River at two points: the raw water pump station at Zorn Avenue and River Road, and the B. E. Payne pump station northeast of Harrods Creek. Water also is drawn from a riverbank infiltration well at the Payne plant.

The water is treated at two locations: the Crescent Hill plant, which has a capacity of 180 million gallons per day, and the Payne plant, which has a capacity of 45 million gallons per day. Both plants use processes that include coagulation, softening, corrosion stabilization, disinfection, filtration and fluoridation.

Storage capacity for treated water totals over 90 million gallons, in reservoirs, elevated tanks, and stand-pipes. Mains range up to 60 inches in diameter. Booster pump stations, pressure reducing stations and water storage facilities are used to maintain the appropriate pressure throughout the system.

To ensure the highest quality, the company operates a laboratory certified by the state of Kentucky under U.S. Environmental Protection Agency standards, performing more than 120,000 water quality tests every year.

In addition to water sold to retail customers, the company wholesales water to West Shelby Water District, North Shelby Water Company, North Nelson Water District, Taylorsville, and Mount Washington.

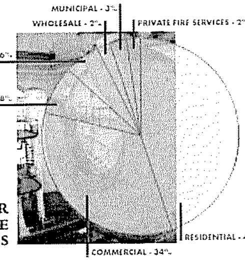
OPERATIONS HIGHLIGHTS

	2003	2002	2001	2000	1999	1998
The following in millions of gallons:						
Water delivered to mains	46,340	47,405	46,313	46,414	49,092	45,357
Total consumption*	38,044	40,204	39,378	39,776	41,989	38,588
Unaccounted-for water	7,423	7,201	6,934	6,639	7,103	6,521
Average daily delivery	127	130	127	127	134	124
Average daily water usage	104	110	108	109	115	106
Average daily pumpage	127	130	127	***127(130)	138	126
Maximum daily pumpage	174	178	175	***188(190)	198	173
Other measures:						
Percent of unaccounted-for water	16%	15%	15%	14%	14%	14%
Average residential monthly water bill **	$ 15.87	$ 14.13	$ 13.50	$ 12.99	$ 12.62	$ 12.28

*Excludes temporary service consumption

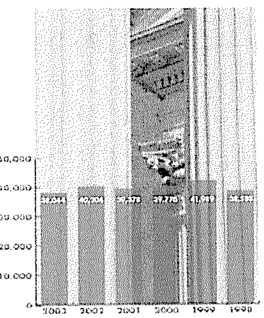
** Based upon median usage of 6,000 gallons per month

***Figures corrected from 2000 annual report figures, shown in parenthesis



2003 WATER REVENUE HIGHLIGHTS

TOTAL WATER CONSUMPTION HIGHLIGHTS



HISTORICAL REVIEW HIGHLIGHTS

	2003	2002	2001	2000	1999
Operating revenues	$ 97,687,143	$ 98,172,031	$ 92,769,157	$ 88,255,340	$ 87,718,540
Total operating expenses	68,980,817	65,742,954	62,814,427	57,117,953	56,517,914
Net non-operating expenses	(4,125,792)	(4,596,329)	(1,429,411)	(2,019,886)	(2,236,973)
Net income before distributions, contributions and extraordinary items	24,580,534	27,832,748	28,525,319	29,117,501	28,963,653
Extraordinary items	-	-	(2,253,356)	-	-
Distributed property	-	(879,564)	-	-	-
Dividends paid and payable	(11,251,319)	(12,379,623)	(13,076,344)	(12,876,681)	(13,295,191)
Contributions	13,249,414	16,646,769	14,527,045	27,779,233	16,259,418
Increase in net assets	26,578,629	31,220,330	27,722,664	44,020,053	31,927,880
Net assets, beginning of year	515,240,200	484,019,870	456,297,208	412,277,155	380,349,275
Net assets, end of year	541,818,829	515,240,200	484,019,872	456,297,208	412,277,155
Other					
Investment in system	$ 42,340,839	$ 61,760,384	$ 48,515,271	$ 63,161,056	$ 48,256,711
Debt service coverage	2.79	3.33	4.35	4.83	5.15
Return on total assets	3.53%	4.13%	4.06%	4.68%	5.70%

YEAR IN REVIEW

Whether it be water quality, service, value or the beautiful yet functional architecture of our facilities, it's the attention to detail that has made Louisville Water Company a mainstay in the community for 150 years. This annual report provides financial, water quality and customer service details. The accompanying photographs highlight some of our incredible architectural history.

FINANCIAL PERFORMANCE

Louisville Water Company had earnings of nearly $24.6 million in 2003—a good performance by many standards and our ninth highest year. However, our earnings target for the year—based upon historical earnings data for a benchmark group of investor-owned utilities—was $29.2 million, leaving a gap of $4.6 million below our earnings target. That was the first occasion in more than 20 years when we had not achieved our earnings target for the year. A combination of events contributed to the shortfall: lower-than-usual summer water sales, higher expenses and low earnings on investments.

Water utilities, with a diverse customer base, are typically less influenced than many other businesses by swings in the economy. They are, however, influenced by unusual weather patterns. And while we saw the continuing effects of lagging economic conditions, the weather dealt Louisville Water Company a double blow in 2003.

First, the weather turned unusually cold in mid-January. Extremely cold water temperatures can cause the materials in the distribution system to contract, increasing the number of water main breaks and leaks. The number of main breaks in January was more than twice the normal number for the month and cost over $300,000 more than budgeted.

Then came the rain. Normally, cold-weather maintenance costs can be offset by higher sales in the summer when water is used for irrigation. But the summer of 2003 was considerably wetter than normal in Louisville, with no extended dry spells. Water sales were at expected levels from January through June. But beginning in July, summer sales were markedly lower than normal. Residential and commercial water sales were more than $3 million less than budgeted for the year.

Earnings were further impacted by an assortment of other issues. Interest earnings on our investments were about $435,000 less than budgeted. Loss on disposition of assets no longer in service was about $574,000 more than budgeted. Writedown of preliminary engineering expenses for canceled projects and delinquent commercial accounts receivable totaled nearly $423,000.

In February, we took action to reduce costs. The measures included delaying filling vacant positions; canceling travel; reducing expenses for training, materials and supplies; reducing some contractual services; and delaying selected maintenance projects. By late spring, it appeared that these measures had helped put our earnings back on track.

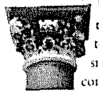
But the normal summer increase in sales was much less than expected. By early August, it became apparent that more economies were needed. We deferred deposits to the Infrastructure Replacement reserve, and developed and implemented an early retirement incentive program.

As a result of these factors, operating revenue for 2003 was $2,444,255 lower than budgeted; operating expenses were $1,070,450 more than budgeted; and net non-operating expenses were $1,142,836 more than budgeted. (Additional detail is available in the Management's Discussion and Analysis Section.)

As 2003 came to a close, we developed a revised financial plan for 2004 to increase our earnings while fully offsetting the cost of the early retirement incentive program. Cost reduction measures should help reduce our 2004 expenses by $2 million. Retail water rates were increased by 4.9 percent beginning January 1, 2004. And wholesale rates will increase by 9.5 percent beginning May 1, 2004—the first increase in wholesale rates since 1994.

We have faced the difficulties of 2003 and set a course continued financial success in 2004.

CUSTOMER SATISFACTION

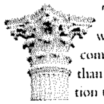


Customer satisfaction in 2003 increased to its highest level since we began compiling our customer satisfaction index in 1993.

Among the contributing factors:

- Water quality was the highest ever.
- Customer service representatives continued to handle calls more quickly and efficiently. The number of customer calls handled by our computerized voice response system increased.
- Both factors reduced the waiting time for customers before their calls were answered.
- Our backlog of service orders decreased.
- The percentage of accounts that were billed on time increased to more than 99.9 percent, and the percentage of bills that were inaccurate decreased to less than 0.3 percent.
- Our Customer Advisory Council continued to meet regularly, providing valuable ideas on customer communication opportunities and new programs.

WATER QUALITY



The quality of the water we provide the community was higher than ever in 2003. In addition to complying with all water quality standards set by the U.S. Environmental Protection Agency and the state of Kentucky, we have met or exceeded all of our internal water quality goals.

Our internal goals are much more stringent than federal and state regulations because we are planning for stricter federal regulations expected in the future.

To continue to offer the highest quality water in Kentucky, we expect to start constructing a new riverbank infiltration well field along the Ohio River in 2005.

The wells take advantage of the natural filtering and purifying effects of the ground to clean the Ohio River water before it reaches our treatment plant. The concept has been proven with a demonstration well at our B. E. Payne plant, which has been providing a steady, clean and reliable source of water since June 1999.

The new field will consist of 35 to 40 wells, connected by an 8,000-foot tunnel drilled through bedrock. The tunnel will lead to a new pump house next to the existing pump station at the Payne plant. Everything except the pump house will be at or below ground level.

To protect this new field from groundwater contamination, we have been working with state and federal agencies to develop a wellhead protection plan.

Property acquisition for the new well field began in 2003. Construction is scheduled to begin in 2005 and to be completed in 2007.

MAINTAINING OUR SYSTEM

Keeping our system up-to-date and in good repair is one of our top priorities. Despite higher-than-expected operations and maintenance costs in 2003, we kept on schedule in the second year of our $250 million, 20-year distribution system improvement program.

An ongoing program to replace or rehabilitate all 660 miles of water mains installed before 1935 is on schedule to be completed by the end of 2007. We also plan to replace all of the remaining lead-pipe service lines between our mains and our customers' lines by 2015.

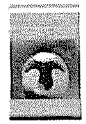
Our progress in 2003:

- 15.7 miles of old mains replaced;
- 7.5 miles of old mains rehabilitated;
- 2,300 lead services replaced;
- At a cost of $8.9 million.

We also came close to solving the remaining problems at our pair of reservoirs at the Crescent Hill plant, now more than 125 years old. Underground leaks made it necessary to start an extensive renovation program in the mid-1990s; unforeseen problems have required more work than originally estimated.

By the end of 2004, most of the major work will be complete. And new security measures will give the public access to the scenic walkway around the reservoirs again.

EXPANSION AND DEVELOPMENT



New water mains and new treatment, pumping and storage facilities will be needed to meet the anticipated growth in our service area in the next 20 years. To meet this demand, we continued to expand and improve our system.

In Jefferson County, we:

- Neared the halfway point in our $20.5 million program to increase capacity, improve reliability and improve water quality at our B. E. Payne plant. The work will increase the plant's capacity from the present 45 million gallons per day to 60 million gallons per day.
- Built 6.5 miles of new water mains, serving 68 new customers.
- Accepted 40.1 miles of new water mains built by developers, eventually serving 4,319 new customers.

Outside Jefferson County, we made major improvements in systems acquired during the past few years. These improvements are financed through rates paid by the customers served. Their rates will be adjusted to Louisville Water Company rates when the improvements are paid for.

Our major accomplishments in these service areas in 2003:

- $5.8 million was invested in the former Kentucky Turnpike systems in Bullitt County, as part of a 10-year program of improvements.
- $852,000 was spent in the Shepherdsville system, acquired in December 2002.
- $128,000 was spent on projects in the Goshen system, acquired in July 2002.
- $464,000 was spent on projects in Oldham County outside Goshen.

CONTENTS

SALE OF WATER REVENUE ANALYSIS

	Number of Customers through December 31		Consumption - YTD 1000 Gallons		Revenue - YTD		Revenue 1000 Gallons	
	2003	2002	2003	2002	2003	2002	2003	2002
GENERAL PRESSURE SERVICES								
Residential	151,483	149,800	9,556,240	9,855,039	25,532,284.81	24,942,465.85	2.67179	2.53094
Commercial	16,857	16,609	11,197,613	11,233,766	23,484,138.45	22,952,901.70	2.09725	2.04321
Industrial	331	333	4,633,789	4,698,612	7,339,314.37	7,222,314.44	1.58387	1.53712
Fire Services & Fire Hydrants	3,022	2,988	36,228	27,512	1,088,551.21	1,052,746.64		
Public Fire Hydrants	11,741	11,548	-	-	3,484,178.75	3,279,388.97		
Municipal **	524	505	1,266,808	1,271,311	2,326,148.42	2,318,442.42	1.83623	1.82366
Wholesale	2	2	61,750	232,807	105,693.65	325,814.57	1.71164	1.39951
Total GP Services	183,960	181,785	26,752,428	27,319,047	63,360,309.66	62,094,074.59	2.21981	2.13739
ELEVATED PRESSURE SERVICES								
Residential *	84,423	81,286	6,099,354	6,882,175	16,591,673.39	17,523,078.91	2.72023	2.54615
Commercial *	5,395	5,251	3,587,029	4,003,668	8,462,701.82	9,133,855.30	2.35925	2.28137
Industrial	10	9	241,662	239,820	396,410.34	388,682.92	1.64035	1.62073
Fire Services & Fire Hydrants	1,405	1,370	9,220	10,259	552,782.38	543,926.25		
Public Fire Hydrants	7,141	6,745	-	-	2,075,578.46	1,910,212.00		
Municipal **	3	3	18,749	408,371	60,729.75	544,806.82	3.23909	1.33410
Wholesale	3	4	1,335,655	1,340,472	1,824,427.11	1,829,685.03	1.36594	1.36496
Total Elevated Services	98,380	94,668	11,291,669	12,884,765	29,964,303.25	31,874,247.23	2.42151	2.31630
TOTALS								
Residential *	235,906	231,086	15,655,594	16,737,214	42,123,958.20	42,465,544.76	2.69066	2.53719
Commercial *	22,252	21,860	14,784,642	15,237,434	31,946,840.27	32,086,757.00	2.16081	2.10578
Industrial	341	342	4,875,451	4,938,432	7,735,724.71	7,610,997.36	1.58667	1.54118
Fire Services & Fire Hydrants	4,427	4,358	45,448	37,771	1,641,333.59	1,596,672.89		
Public Fire Hydrants	18,882	18,293	-	-	5,559,757.21	5,189,600.97		
Municipal **	527	508	1,285,557	1,679,682	2,386,878.17	2,863,249.24	1.85669	1.70464
Wholesale	5	6	1,397,405	1,573,279	1,930,120.76	2,155,499.60	1.38122	1.37007
GRAND TOTALS	282,340	276,453	38,044,097	40,203,812	93,324,612.91	93,968,321.82	2.26649	2.17054

Note: All categories, excluding Wholesale, are services active in the last 30 days.

* *As of January 2003: includes City of Shepherdsville customers*

** *As of January 2003: LWC water usage excluded; County facilities included*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Louisville Water Company's financial performance provides an overview of the Company's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the President's Message at the front of this report and the Company's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Additional Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements. The statements are followed by a section of Additional Information that further explains and supports the information in the Financial Statements. Figure A-1 shows how the required parts of the annual financial report are arranged and relate to one another. The Financial Statements of the Company report information about the Company using accounting methods similar to those used by private sector water utility companies, except for the reporting of contributions in aid of construction, equity capital and retained earnings. These statements offer short and long term financial information about its activities.

FIGURE A-1

Required Components of Louisville Water Company's Annual Financial Report

Management's Discussion And Analysis

Basic Financial Statements

Additional Information

Statement of Net Assets

Statement of Revenues, Expenses and Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Summary ⟷ Detail

The Statement of Net Assets includes all of the Company's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Company creditors (liabilities). It also provides the basis for evaluating the capital structure of the Company and assessing the liquidity and *financial flexibility of the Company.*

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the Company's operations over the past year and can be used to determine whether the Company has successfully recovered all of its costs through its water rates and other charges, has earned a profit, and has maintained credit worthiness.

The final required financial statement is the Statement of Cash Flows. *The primary purpose of this statement is to provide* information about the Company's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides information on the sources and uses of cash and the changes in cash balances during the year.

FINANCIAL HIGHLIGHTS

- *Total Assets increased* by $21,097,294 or 3.1%, from $673,590,102 in 2002 to $694,687,396 in 2003, due to increases in Utility Plant that were financed from cash generated from operations, contributions in aid of construction, and draws from the Depreciation Fund and the Infrastructure Replacement Reserve.
- Operating Revenues decreased by $484,888 or 0.5%, from $98,172,031 to $97,687,143, due to decreased residential and commercial water sales.
- *Operating Expenses increased by $3,237,863 or 4.9% from $65,742,954* to $68,980,817, due to increases in Operation and Maintenance Expenses, Depreciation Expense, and Loss from Disposition of Assets.
- Net Non-Operating Expenses decreased by $470,537 or 10.2% from $4,596,329 to $4,125,792. Decreased uncollectible damage claims expenses were offset by low interest rate yields on investments.
- Net Income before distributions and contributions decreased by $3,252,214 or 11.7%, from $27,832,748 to $24,580,534 due to decreased *Sale of Water and Interest Income and increased Operating Expenses.*
- Dividends Paid and Payable decreased by $60,792 or .5%, from $12,379,623 to $12,318,831.

STATEMENT OF NET ASSETS

Total Net Assets increased by $25,511,117 in 2003 (see Figure A-2). The largest portion of Net Assets is Utility Plant, which increased by $42,340,839 in 2003 through capital improvements. *The capital improvements were funded by cash generated* from operations, draws from the Depreciation Fund and the Infrastructure Replacement Reserve, and by Contributions in Aid of Construction from developers, customers and governmental agencies. Noncurrent Assets, excluding Utility Plant, decreased by $17,162,658 due to the draws from the Depreciation Fund and the Infrastructure Replacement Reserve. There were no deposits to the Infrastructure Replacement Reserve during 2003. Debt decreased by $4,637,779 primarily due to principal payments on the Series 2000 and 2001 Bonds made during the year. No bond principal payments were due on the Series 2000 Bond Issue in 2000, 2001 and 2002. The first principal payment for the Series 2000 Bonds was in November

2003. Long-term debt is discussed in more detail in the section titled Capital Assets and Debt Administration.

FIGURE A-2
Condensed Statement of Net Assets

	2003	2002	Difference	Percent
Current assets	$ 22,549,969	$ 26,749,777	$ (4,199,808)	(15.7%)
Noncurrent assets	41,456,743	58,500,480	(17,043,737)	(29.1%)
Utility plant	630,680,684	588,339,845	42,340,839	7.2%
Total assets	694,687,396	673,590,102	21,097,294	3.1%
Current liabilities	23,650,861	23,225,211	425,650	1.8%
Long-term liabilities	130,285,218	135,124,691	(4,839,473)	(3.6%)
Total net assets	$ 540,751,317	$ 515,240,200	$ 25,511,117	5.0%

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Operating Revenues decreased by $484,888 in 2003 (see Figure A-3) despite a rate increase of 3.5% effective January 1, 2003. Water sales decreased by 2,159.7 million gallons in 2003. This is equivalent to approximately twenty days of billable consumption. The decrease in operating revenues is due to decreased residential and commercial water sales during the summer months. Rainfall was nearly twice as high as normal during May through September 2003 when increased water usage for irrigation usually occurs.

Operating Expenses increased by $3,237,863 due to increases in Operation and Maintenance Expenses, Depreciation Expense, and Loss from Disposition of Assets. Operation and Maintenance Expenses increased by $1,708,147 due to increased winter-related main break costs, higher power costs from increased electric rates, additional maintenance in recently acquired water systems, and implementation costs for the new Financial Information System. Depreciation Expense increased by $982,292 due to additions to Utility Plant in Service during the year. Loss from Disposition of Assets increased by $634,305 due to write-off of assets no longer in service.

Net non-operating expenses (non-operating expenses less non-operating income) decreased by $470,537. Non-operating expenses decreased due to lower uncollectible damage claims expenses; however, this was offset by low interest rate yields on investments, write-off of preliminary engineering expenses for cancelled projects, lower than anticipated capitalized interest, lower rental income due to cancelled leases, and write-down of commercial accounts receivable.

Income before distributions and contributions decreased by $3,252,214. The formula for computing the dividend is established as a covenant in the Series 1992 Bond Resolution. The dividend is calculated as sixty percent of net income after

deducting bond principal payments and certain other items. Dividends Paid and Payable decreased by $60,792 or .5%, from $12,379,623 to $12,318,831, due to the lower net income and exclusion of higher principal payments made during the year.

Contributions in Aid of Construction are composed of: pipeline contributions from developers for water main extensions and from governmental agencies for water main relocations; service installation fees from customers; apportionment warrant fees and tapping fees from customers to extend water service into unserved residences; and system development charges from customers for growth-related expansion. The level of capital contributions varies from year-to-year and is affected by economic cycles. These types of projects are fully funded or nearly-fully funded by outside entities in advance of construction. Grants and Contributions in Aid of Construction are not a part of net income eligible for distribution as a dividend.

FIGURE A-3
Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2003	2002	Difference	Percent
Operating revenue	$ 97,687,143	$ 98,172,031	$ (484,888)	(0.5%)
Operating expenses	68,980,817	65,742,954	3,237,863	4.9%
Net operating revenue	28,706,326	32,429,077	(3,722,751)	(11.5%)
Net non-operating expenses	4,125,792	4,596,329	(470,537)	(10.2%)
Income before distributions and contributions	24,580,534	27,832,748	(3,252,214)	(11.7%)
Dividends paid and payable	(12,318,831)	(12,379,623)	(60,792)	(0.5%)
Distributed property	-	(879,564)	(879,564)	(100.0%)
Contributions in aid of construction	13,249,414	16,646,769	(3,397,355)	(20.4%)
Increase in net assets	25,511,117	31,220,330	(5,709,213)	(18.3%)
Net assets, beginning of year	515,240,200	484,019,870	31,220,330	6.5%
Net assets, end of year	$ 540,751,317	$ 515,240,200	$ 25,511,117	5.0%

STATEMENT OF CASH FLOWS

Cash from Operating Activities decreased by $1,331,410 (see Figure A-4) due to increased operating expenses and inventories and decreased operating revenues and miscellaneous receivables. Cash from Capital and Related Financing Activities decreased by $1,886,330 due to decreased contributions in aid of construction and acquisition and construction of utility plant. Cash from Investing Activities decreased by $1,403,157 due to reduced interest income. The net change in cash and temporary investments was ($2,746,971) and was consistent with Management's expectations.

FIGURE A-4
Condensed Statement of Cash Flows

	2003	2002	Difference	Percent
Cash from operating activities	$ 48,826,486	$ 50,157,896	$ (1,331,410)	(2.7%)
Cash from capital and related financing activities	(69,292,281)	(67,405,951)	(1,886,330)	(2.8%)
Cash from investing activities	17,718,824	19,121,981	(1,403,157)	(7.3%)
Change in cash and temporary investments	(2,746,971)	1,873,926	(4,620,897)	(246.6%)
Cash and temporary investments, beginning of year	6,627,144	4,753,218	1,873,926	39.4%
Cash and temporary investments, end of year	$ 3,880,173	$ 6,627,144	$ (2,746,971)	(41.5%)

CAPITAL ASSETS

The Company uses a five-year Capital Improvements Program (CIP) that is updated annually. Development of the CIP is based on the Company's current facilities plan and recommendations from the annual inspection of facilities. The CIP also identifies anticipated capital expenditures for a total of 20 years. The Company's current facilities plan covers the years from 2002 through 2021. The Company expects to invest $327,248,234 in capital improvements during 2004-2008. The key capital projects for 2004 are: construction of an additional treatment barrier, renewal of buried infrastructure, renovation of water treatment plant facilities, improvements to storage and boosted pressure systems, investments in information technology architecture, and transmission and distribution system improvements.

DEBT ADMINISTRATION

At December 31, 2003, the Company had $77,510,000 principal outstanding for the Series 2000 Bonds and $51,230,000 principal outstanding for the Series 2001 Bonds, for a total of $128,740,000. The aggregate net debt service for 2003 increased due to the commencement of bond principal payments for the Series 2000 Bonds and an increased bond principal payment for the Series 2001 Bonds. As shown in Figure A-5, the debt service coverage of 2.77 times in 2003 is favorable to the statutory and bond resolution limits of 1.3 times. The Series 2000 Bonds are insured and carry an AAA rating from Moody's and an AAA rating from Standard & Poor's. The Series 2001 Bonds are not insured and carry an AA1 rating from Moody's and an AA rating from Standard & Poor's. The Company's debt rating is among the very highest in the United States for water utility revenue bonds. No additional borrowing is contemplated by management for 2004.

FIGURE A-5
Debt Service Coverage

	2003	2002	Difference	Percent
Income available for debt service	$ 30,588,609	$ 33,184,600	$ (2,595,991)	(8.3%)
Current aggregate net debt Service	$ 10,971,400	$ 9,951,400	$ 1,020,000	10.3%
Coverage times	2.79	3.33	(0.54)	(16.2%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

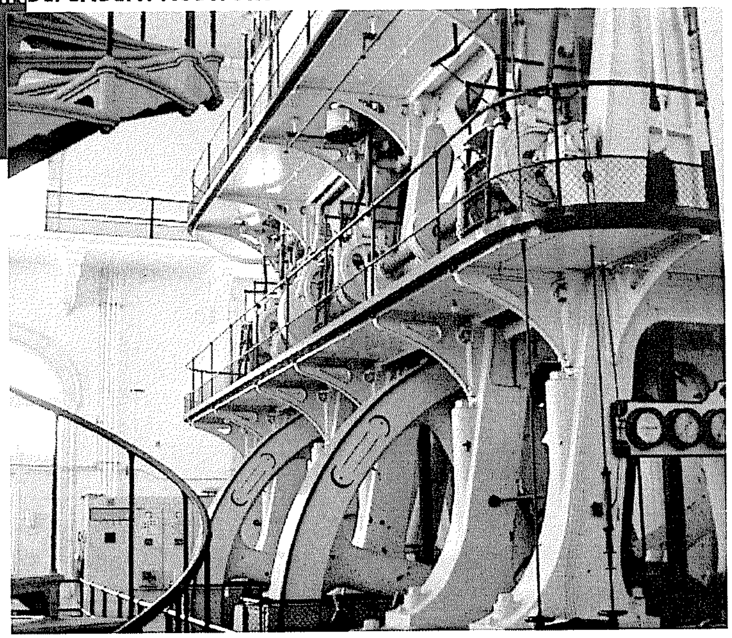
Water sales in 2004 are not expected to increase over the 2003 Budget due to lagging local and national economic conditions. Operation and maintenance expenses in 2004 are budgeted to increase by $2,151,500 or 4.9% from the 2003 Budget to address increased employee labor and benefits, electric power, liability insurance, and water treatment chemicals expenses. Water rates will be increased for retail water service by 4.9% for water service on and after January 1, 2004. Approximately 1.4% of the water rate increase was needed to replace the decreased investment income due to record low interest rates. Water rates will be increased for wholesale water service by 10.6% effective May 1, 2004. This is the first increase in wholesale water rates since 1994.

Management believes that the 2004 Budget adequately addresses all revenue requirements, pending stable economic conditions and normal weather conditions. If the water sales continue to decrease in 2004, Management believes that an additional interim increase in water rates may be needed to offset reduced sales. During the fourth quarter of 2003, Management began a major cost reduction initiative, targeting three areas to reduce costs by $2,000,000 in 2004: Depreciation Expense, Operations and Maintenance Non-Labor Expense, and Operations and Maintenance Labor Expense. A key element of the cost reduction initiative was an early retirement incentive program. Management believes that it will be able to achieve the planned cost reductions and provide additional flexibility in responding to future financial challenges while continuing to be a high quality service provider that is focused on customer satisfaction and provide a quality of work life for our employees.

CONTACTING THE COMPANY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, ratepayers, customers, creditors and stockholder with a general overview of the Company's finances and to show the Company's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at Louisville Water Company, 550 South Third Street, Louisville, KY, 40202.

REPORT OF INDEPENDENT AUDITORS



Board of Water Works
Louisville Water Company
Louisville, Kentucky

We have audited the accompanying consolidated statements of net assets of Louisville Water Company as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisville Water Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Louisville Water Company taken as a whole. The data contained on pages 41 through 46 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) on pages 14 through 20 is not a required part of the consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Louisville, Kentucky
February 12, 2004

CONSOLIDATED STATEMENTS OF NET ASSETS

December 31, 2003 and 2002

	2003	2002
ASSETS		
Current assets		
Cash and temporary investments	$ 3,880,173	$ 6,627,144
Accounts receivable, net of allowance:		
Water	3,792,198	4,000,285
Sewer (contra)	6,573,132	5,652,228
Other	907,114	2,909,623
Contracts receivable, current portion	155,882	118,921
Materials and supplies	5,048,543	4,280,110
Bond Service Account – Series 2001	458,514	614,756
Bond Service Account – Series 2000	483,571	445,513
KTWD Debt Discharge Fund	511,789	1,367,161
Prepaid expenses	670,605	656,881
Accrued interest receivable	68,448	77,155
Total current assets	22,549,969	26,749,777
Noncurrent assets		
Non-utility property	104,581	105,121
Contracts receivable	3,222,550	3,868,122
Bond Reserve Account	3,059,858	3,059,858
Depreciation Fund	25,162,372	39,674,829
Infrastructure Replacement Reserve Fund	216,010	5,453,412
Apportionment Warrant Reserve	906,367	22,817
System Development Charge Reserve	2,871,629	324,863
U.S. Treasury State and Local Government Fund	1,640,143	1,640,143
Bullitt County Water Reserve	509,670	234,141
Shepherdsville Water Reserve	171,725	-
Retirement plan past service costs, net	1,564,943	1,778,344
Unamortized debt discount and expense	971,381	1,001,692
Preliminary engineering charges	974,096	1,146,235
Other deferred charges	81,418	190,903
Utility plant, net	630,680,684	588,339,845
Total noncurrent assets	672,137,427	646,840,325
Total assets	$ 694,687,396	$ 673,590,102

	2003	2002
LIABILITIES		
Current liabilities		
Accounts payable	$ 1,120,200	$ 1,670,523
Sewer collections (contra)	7,346,619	6,265,040
Customer advances, currently refundable	23,271	34,812
Customer deposits	3,420,039	2,340,174
Tax collections payable	245,962	234,680
Bonds and notes payable, current portion	6,161,489	5,719,268
Accrued interest payable	924,807	937,660
Dividend payable	-	357,886
Contracts payable, retainage percentage	934,519	1,755,267
Accrued payroll	275,938	-
Accrued vacation and sick leave	2,373,673	2,492,786
Insurance reserve	824,344	1,417,115
Total current liabilities	23,650,861	23,225,211
Long-term liabilities		
Customer advances for construction	6,625,218	6,384,691
Bonds payable, less current portion	123,660,000	128,740,000
Total long-term liabilities	130,285,218	135,124,691
Total liabilities	153,936,079	158,349,902
NET ASSETS		
Invested in capital assets, net of related debt	500,859,195	453,880,577
Restricted, expendable	35,991,648	52,837,493
Unrestricted	3,900,474	8,522,130
Total net assets	$ 540,751,317	$ 515,240,200

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2003 and 2002

	2003	2002
Operating revenues	$ 97,687,143	$ 98,172,031
Operating expenses		
Operation and maintenance expenses	44,076,070	42,367,923
Depreciation	15,535,467	14,553,175
Amortization	(39,283)	(133,958)
Taxes and water service provided in lieu of taxes	7,984,209	8,165,765
Loss from sale and salvage of retired assets	1,424,354	790,049
Total operating expenses	68,980,817	65,742,954
Net operating revenue	28,706,326	32,429,077
Non-operating income (expense)		
Interest income	1,231,207	1,880,024
Other expense	(154,798)	(744,066)
)n		
Interest expense	(5,202,201)	(5,732,287)
Net non-operating expense	(4,125,792)	(4,596,329)
Income before distributions and contributions	24,580,534	27,832,748
Distributed property	-	(879,564)
Dividends paid and payable	(12,318,831)	(12,379,623)
Contributions in aid of construction	13,249,414	16,646,769
Increase in net assets	25,511,117	31,220,330
Net assets, beginning of year	515,240,200	484,019,870
Net assets, end of year	$ 540,751,317	$ 515,240,200

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Cash received from customers	$ 91,151,561	$ 90,041,237
Cash paid to suppliers and others	(15,307,681)	(11,831,198)
Cash paid to employees for services	(27,017,394)	(28,052,143)
Net cash from operating activities	48,826,486	50,157,896
Cash flows from capital and related financing activities		
Acquisition and construction of utility plant	(60,413,810)	(62,703,948)
Debt issued	-	490,000
Contributions in aid of construction	13,249,414	16,646,769
Customer advances for construction	413,061	787,018
Refunds of customer advances for construction	(184,075)	(428,850)
Preliminary engineering charges	172,139	806,038
Principal paid	(4,637,779)	(4,828,234)
Interest paid	(5,215,054)	(5,676,176)
Dividends paid	(12,676,717)	(12,498,831)
Non-utility property reduction	540	263
Net cash from capital and related financing activities	(69,292,281)	(67,405,951)
Cash flows from investing activities		
Reserved funds	15,872,289	13,319,148
Restricted funds	973,556	2,751,792
Contracts	608,611	1,118,522
Contracts, retainage percentage	(820,748)	566,793
Interest received	1,239,914	2,109,792
Other non-operating expense	(154,798)	(744,066)
Net cash from investing activities	17,718,824	19,121,981
Net change in cash and temporary investments	$ (2,746,971)	$ 1,873,926
Cash and temporary investments, beginning of year	6,627,144	4,753,218
Cash and temporary investments, end of year	$ 3,880,173	$ 6,627,144

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2003 and 2002

	2003	2002
Reconciliation of net operating revenue to net cash provided by operating activities		
Net operating revenue	$ 28,706,326	$ 32,429,077
Adjustments to reconcile net operating revenue to net cash from operating activities:		
Depreciation	16,718,211	15,780,272
Amortization	(39,283)	(133,958)
Amortization of retirement plan past service costs	213,401	213,401
Loss from sale and salvage of retired assets	1,424,354	790,049
(Increase) decrease in cash due to changes in assets and liabilities		
Accounts receivable	1,289,692	378,609
Materials and supplies	(768,433)	605,485
Prepaid expenses	(13,724)	69,971
Other deferred charges	109,485	693,068
Accounts payable	(550,323)	637,613
Accounts payable, sewer collections	1,081,579	(776,484)
Customer deposits	1,079,865	(232,250)
Tax collections payable	11,282	(42,357)
Accrued vacation and sick leave	(119,113)	94,018
Accrued payroll	275,938	(292,510)
Insurance reserve	(592,771)	(56,108)
Total adjustments	20,120,160	17,728,819
Net cash from operating activities	$ 48,826,486	$ 50,157,896

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Description of the Business: Louisville Water Company ("Company") is a provider of water and related services to residential, commercial, industrial, fire and wholesale consumers in Jefferson, Bullitt and Oldham Counties. The Company is wholly owned by the City of Louisville and therefore follows Governmental Accounting Standards.

Basis of Presentation: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The consolidated financial statements include the accounts of Louisville Water Company and Goshen Utilities (see Note 12) and have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Company reports as a Business Type Activity (BTA). BTAs are those activities that are financed in whole or in part by fees charged to external parties for goods and services.

The Company classifies resources for accounting and reporting purposes into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**

  Nonexpendable- Net assets subjected to externally imposed stipulations that they be maintained permanently by the Company.

  Expendable- Net assets whose use by the Company is subject to externally imposed stipulations that can be fulfilled by actions of the Company pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net assets whose use by the Company is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Water Works or may otherwise be limited by contractual agreements with outside parties.

Method of Accounting: The Company's accounting policies conform to accounting principles generally accepted in the United States of America for water utilities. Although the Company is not subject to regulation, the accounts are maintained in accordance with the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners, except with respect to the treatment of gains and losses from the retirement or disposition of fixed assets. The Company recognizes gain or loss, including cost of removal, upon the retirement or disposition of fixed assets rather than the transfer of cost to accumulated depreciation, as provided by the National Association of Regulatory Utility Commissioners.

Estimates in the Consolidated Financial Statements: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of *contingent assets and liabilities at the* date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Utility Plant: Utility plant is stated at cost of *acquisition or construction, including certain indirect costs.* The Company applies the straight-line method of depreciation to the estimated useful lives of the various classes of depreciable property. The estimated useful lives of some significant asset categories are as follows:

Buildings	50 to 100 years
Pipelines	65 to 100 years
Fire hydrants	50 years
Services	40 years
Meters	15 years
Equipment	5 to 10 years
Trucks and autos	5 years

Depreciation expense for 2003 was $16,718,211 of which $1,182,744 was allocated to other operating expenses. Depreciation expense for 2002 was $15,780,272 of which $1,227,097 was allocated to other operating expenses.

Capitalized Interest: The Company follows the practice of capitalizing interest during construction on the capital projects paid with the proceeds of bond issues. Interest in the amount of $1,358,720 and $1,054,894 was capitalized during 2003 and 2002, respectively.

Revenue: Revenue is recognized in the period in which billings are rendered to consumers. The Company does not accrue revenue for water delivered but not billed.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is established based on historical collection experience and a review of the current status of existing receivables.

Materials and Supplies: Materials and supplies inventories are stated at the lower of average cost or market.

Statements of Cash Flows: For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be temporary investments.

Accrued Vacation and Sick Leave: Employees' vested and accumulated vacation and sick leave are recorded as liabilities in the consolidated financial statements. Accrued vacation and sick leave was $2,373,673 at December 31, 2003, and $2,492,786 at December 31, 2002.

Customer Deposits: In 2002, the Company acquired Goshen Utilities, which required a security deposit for new customer accounts. The Company retained the policy for the Goshen customers and pays 6% interest on all deposits held for one year. Total security deposits at December 31, 2003 and 2002 were $102,631 and $107,895, respectively. Customer deposits are included as current liabilities on the statement of net assets.

Customer Advances for Construction: The Company requires customers to make a deposit for the cost of construction of pipelines and special services. Advances are refundable, within certain time limits up to twenty years, under the terms of the various contracts.

The customer advance accounts reflect the liability for probable refunds of these construction advances. The amount estimated to be payable within the next fiscal year is shown as a current liability. Once the refund period has expired, any balance is transferred to net assets as a contribution in aid of construction.

Investment Securities: Investments are reported at fair value with gains and losses included in the statements of revenues, expenses and changes in net assets. Gains or losses on dispositions are determined using the specific identification method.

Union Employees: The Company has numerous employees who are covered by a collective bargaining agreement. At December 31, 2003, 45% of the Company's employees were covered by a collective bargaining agreement. The existing agreement was renegotiated in 2001 and expires on January 31, 2006.

Taxes: The Company, by virtue of its ownership by the City of Louisville, is exempt from taxation by federal, state and local taxing authorities. However, the Company is liable for certain other taxes and provides water and fire services in lieu of taxes to the City of Louisville. Tax expense, which includes water and fire services in lieu of taxes for December 31, 2003 and 2002, was $7,984,209 and $8,165,765, respectively.

Reclassification: Certain reclassifications have been made to the 2002 consolidated financial statements to conform to the classifications used in 2003.

NOTE 2 - 2001 BOND ISSUE RESOLUTION FUNDS

Bond Reserve Account: The Master Bond Resolution requires that a bond reserve account be established at one-half of the highest future annual maximum aggregate net bond service of $6,119,715 to be paid in 2014. The fund is to be used to pay maturing bonds and interest in the event funds in the Bond Service Account are not sufficient. Otherwise, funds may not be withdrawn until the bond issue is paid in full. However, the income earned on investments may be transferred to the Bond Service Account. The reserve is invested in U. S. Treasury Bonds and is shown at fair value.

Depreciation Fund: The Master Bond Resolution requires the Company to make monthly deposits of an amount equal to one-twelfth of an amount not less than the annual depreciation charges into a depreciation fund. The balance includes interest income earned and the gain on sale of property and is available to fund capital improvements to the water system. The fund is invested in a money market account, fixed income obligations, and a sweep account, which are stated at fair value. This fund and the funding requirements are also included in the 2000 bond issue (see Note 3).

Infrastructure Replacement Reserve Fund: The Master Bond Resolution was revised to provide for the creation and funding in 1993 of the Infrastructure Replacement Reserve Fund to support the infrastructure main replacement and rehabilitation projects. Budgeted funding was $2,825,000 and $2,520,000 for 2003 and 2002, respectively. There were no deposits to the fund in 2003. The balance at December 31 is stated at fair value and represents the remaining funds and interest earned on monies invested in a sweep account.

U. S. Treasury State and Local Government Fund: The Series 2 Note Reserve was established in the amount of $1,440,400 pursuant to the Master Bond Resolution. The note was paid in August 1993 and the reserve amount was transferred to the Company and was deposited in the U.S. Treasury State and Local Government Fund. The excess funds from the 2001 Bond Refunding were deposited in this fund. The fund is invested in U.S. Treasury bonds and is shown at fair value.

Bond Service Account: Except to the extent that the interest and principal are to be paid from other available sources, the Company is required to deposit monthly, into the Trustee's Bond Service Account, one-sixth of the amount of the next succeeding interest payment on the 2001 Bonds outstanding and one-twelfth of the next maturing principal of those bonds. The account is invested in a money market fund and commercial paper, which are stated at fair value.

NOTE 3 – 2000 BOND ISSUE RESOLUTION FUNDS

Bond Reserve Account: The resolution authorizing the Bond Issue of 2000 requires that a bond reserve account be established at one-half of the highest future annual maximum aggregate net bond service. As an alternative, the Resolution provides for deposit of an insurance policy, surety bond or other comparable security into the Reserve Account in an amount sufficient to meet the bond reserve requirement. The Company maintains an insurance policy to meet this requirement. The fund is to be used to pay maturing bonds and interest in the event funds in the Bond Service Account are not sufficient.

Depreciation Fund: The Series 2000 Bond Resolution authorizing the Bond Issue of 2000 requires the Company to maintain the depreciation fund in the same manner as required for the 2001 series (refunding 1992) bond issue (see Note 2).

Bond Service Account: Per the Series 2000 Bond Resolution, except to the extent that the interest and principal are to be paid from other available sources, the Company is required to deposit monthly, into the Trustee's Bond Service Account, one-sixth of the amount of the next succeeding interest payment on the 2000 Bonds outstanding and (beginning with the twelfth month preceding the first maturity of any bonds) one-twelfth of the next maturing principal of those bonds. The account is invested primarily in U. S. Treasury Notes and commercial paper, which are stated at fair value.

Operation Fund: Per the Series 2000 Bond Resolution, each month the Company shall, after making required payments to the Bond Service Account, the Bond Reserve Account, and the Depreciation Fund, withdraw from the Revenue Fund and deposit with a Depository in the name of the Company to the credit of the Operation Fund the balance remaining in the Revenue Fund. The fund is included in cash and temporary investments.

Rebate Fund: The Rebate Fund is created by the Series 2000 Bond Resolution. Monies credited to the Rebate Fund shall be free from the lien of the Resolution. Payments shall be made by the Board and the Company within 15 days following each five-year computation period for the calculation of excess rebateable arbitrage under the Code. The Board and the Company have covenanted to rebate excess earnings to the United States in accordance with law. There were no deposits required to be made to this fund during 2002 or 2003.

NOTE 4 - EXTENSION OF WATER SERVICE IN JEFFERSON COUNTY

The Company is implementing a plan to extend water service to unserved residences in Jefferson County. The planned extension of water service will cost approximately $54 million and will be funded by a combination of customer, government, and Company funds, summarized as follows:

Apportionment Warrant Reserve: Monies from the County and from new customers in the extension area are deposited in the Apportionment Warrant Reserve account. New customers in the extension area must pay an "apportionment warrant" fee. To supplement these customer monies, Jefferson County made commitments to fund a total of $6 million of the cost of the water service extension project through 2003. Disbursements from this account can only be used to pay for the cost of construction of water main extensions in the designated area. The account is invested in a sweep account, which is stated at fair value.

System Development Charge Reserve: A System Development Charge Reserve has been established to finance growth-related expansion in the apportionment warrant extension area and is assessed for new service connections other than initial connections. The collections are deposited to the System Development Charge Reserve account and disbursements from this account can only be used to pay for growth-related expansion. The account is invested in a sweep account, which is stated at fair value.

Company Monies: The Company has budgeted a total of $17 million of Company funds to pay for the transmission component, or "backbone grid", of the extension program.

NOTE 5 - CASH AND INVESTMENTS

At December 31, 2003 and 2002, the carrying value of the Company's cash and temporary investments was $3,880,173 and $6,627,144, respectively. The bank balance, including temporary investments, was $3,462,651 and $6,470,215, respectively, which were collateralized by U.S. Government Agency securities.

The Company's investments, including certificates of deposit, as of December 31, 2003 and 2002, are classified as to credit risk by the three categories described below:

Category 1:
Insured or registered, with securities held by the Company or its agent in the Company's name.

Category 2:
Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the Company's name.

Category 3:
Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agency, but not in the Company's name.

All of the Company's investments are classified as Category 1 at December 31, 2003 and 2002.

The differences between cost and fair value are not material. The fair value of investment securities at December 31, 2003 and 2002, are as follows:

	2003	2002
U.S. Government obligations	$ 20,700,001	$ 17,659,769
Certificates of deposit	100,000	100,000
Money market investments	8,394,112	30,701,533
Repurchase agreements	6,797,535	4,376,191
	$ 35,991,648	$ 52,837,493

At December 31, 2003 and 2002, no investment securities were pledged.

NOTE 6 – UTILITY PLANT, NET

The following is a schedule of utility plant for the year ended December 31, 2003:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 5,689,588	$ 268,926	$ (150,094)	$ 5,808,420
Construction in progress	47,291,394	61,136,458	(44,573,802)	63,854,050
Total capital assets not being depreciated	52,980,982	61,405,384	(44,723,896)	69,662,470
Other capital assets:				
Buildings	68,544,116	2,181,810	(1,179,660)	69,546,266
Machinery and equipment	32,058,079	1,944,045	(1,739,334)	32,262,790
Infrastructure	644,297,412	41,643,260	(11,446,783)	674,493,889
Total other capital assets at historical cost	744,899,607	45,769,115	(14,365,777)	776,302,945
Less accumulated depreciation for:				
Buildings	$ (26,259,446)	$ (1,409,119)	$ 1,111,297	$ (26,557,268)
Machinery and equipment	(19,084,116)	(3,091,861)	1,684,670	(20,491,307)
Infrastructure	(164,197,182)	(12,217,231)	8,178,257	(168,236,156)
Total accumulated depreciation	(209,540,744)	(16,718,211)	10,974,224	(215,284,731)
Other capital assets, net	535,358,863	29,050,904	(3,391,553)	561,018,214
Capital assets, net	$ 588,339,845	$ 90,456,288	$ (48,115,449)	$ 630,680,684

The following is a schedule of utility plant for the year ended December 31, 2002:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 5,332,102	$ 357,486	$ -	$ 5,689,588
Construction in progress	49,682,614	66,872,227	(69,263,447)	47,291,394
Total capital assets not being depreciated	55,014,716	67,229,713	(69,263,447)	52,980,982
Other capital assets:				
Buildings	67,630,397	3,399,144	(2,485,425)	68,544,116
Machinery and equipment	30,932,050	3,017,817	(1,891,788)	32,058,079
Infrastructure	586,282,019	59,840,561	(1,825,168)	644,297,412
Total other capital assets at historical cost	684,844,466	66,257,522	(6,202,381)	744,899,607
Less accumulated depreciation for:				
Buildings	(26,464,005)	(1,052,369)	1,256,928	(26,259,446)
Machinery and equipment	(18,448,020)	(2,092,810)	1,456,714	(19,084,116)
Infrastructure	(151,985,112)	(12,635,093)	423,023	(164,197,182)
Total accumulated depreciation	(196,897,137)	(15,780,272)	3,136,665	(209,540,744)
Other capital assets, net	487,947,329	50,477,250	(3,065,716)	535,358,863
Capital assets, net	$ 542,962,045	$ 117,706,963	$ (72,329,163)	$ 588,339,845

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2003, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 134,459,268	$ -	$ 4,637,779	$ 129,821,489	$ 6,161,489	$ 123,660,000
Customer advances for construction	6,419,503	413,061	184,075	6,648,489	23,271	6,625,218
Total long-term liabilities	$ 140,878,771	$ 413,061	$ 4,821,854	$ 136,469,978	$ 6,184,760	$ 130,285,218

Long-term liabilities at December 31, 2002, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 138,797,502	$ 490,000	$ 4,828,234	$ 134,459,268	$ 5,719,268	$ 128,740,000
Customer advances for construction	6,061,335	787,018	428,850	6,419,503	34,812	6,384,691
Total long-term liabilities	$ 144,858,837	$ 1,277,018	$ 5,257,084	$ 140,878,771	$ 5,754,080	$ 135,124,691

Bonds and notes payable at December 31, 2003 and 2002 consist of the following:

	2003	2002
Water System Revenue Bonds, 2000 tax exempt, interest rates ranging from 5.0% to 5.5% with maturities from 2003 through 2025	$ 77,510,000	$ 78,500,000
Water System Revenue Bonds, 2001 tax exempt, interest rates of 4.0% to 4.7% with maturities from 2001 through 2014	51,230,000	54,725,000
Kentucky Infrastructure Authority Assistance Agreement, interest rates ranging from 4.25% to 5.75% with final maturity in 2008	390,003(A)	465,106(A)
Kentucky Infrastructure Authority Deferred Loan, interest rate of 7.0% with maturity in 2008	175,888(A)	175,888(A)
Kentucky Infrastructure Authority Note, interest rates ranging from 4.25% to 5.75% with principal and interest paid semi-annually from 2001 through 2008	86,598(A)	103,274(A)
GMAC Bonds acquired from Shepherdsville system acquisition, interest rate of 3.875% with principal and interest paid semi-annually with maturity in 2006	155,000(A)	205,000A)
GMAC Bonds acquired from Shepherdsville system acquisition, interest rate of 5.0% with principal and interest paid semi-annually with maturity in 2019	274,000(A)	285,000(A)
	129,821,489	134,459,268
Less current portion	6,161,489	5,719,268
	$ 123,660,000	$ 128,740,000

All bonds are subject to optional redemption provisions.

The Water System Revenue Bond resolutions contain a rate covenant requiring that the schedule of rates and charges, and the rules and regulations for water services will not be revised so as to result in a decrease of revenues. Future adjustments to water rates and charges are required as necessary so that annual net revenues will not be less than 130% of the total annual bond debt service requirements for the then outstanding bonds.

(A) Funds are being held in escrow to pay off this debt so it is classified as current.

Maturities of long-term debt are as follows:

Year	Principal	Interest	Total
2004	$ 6,161,489	$ 6,334,927	$ 12,496,416
2005	5,900,000	6,061,809	11,961,809
2006	6,210,000	5,795,497	12,005,497
2007	6,495,000	5,514,997	12,009,997
2008	6,800,000	5,221,634	12,021,634
Thereafter	98,255,000	41,353,921	139,608,921
	$ 129,821,489	$ 70,282,785	$ 200,104,274

NOTE 8 - DIVIDENDS

The Company is required by bond resolution to pay a dividend to the City of Louisville, the sole stockholder. The dividend is calculated in accordance with the provisions of the resolution and paid quarterly based on budgeted income. The required annual dividend is sixty percent of the Company's income before distributions and contributions with certain adjustments and exclusions. The dividend computed under these provisions was $11,251,319 for 2003 and $12,379,623 for 2002. A settlement based on actual income is made after year-end.

NOTE 9 - DEFERRED COMPENSATION PLANS

The Company offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. An employee may contribute up to a maximum of 25 percent of his or her adjusted gross compensation or $12,000; whichever is less, to the plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Plan assets and liabilities are not recorded by the Company. The Company contributes $0.25 for every $1.00 of an employee's contribution up to $1,500 ($375 maximum Company contribution) to the plan. The amount contributed to the plan by the Company and charged to expense was approximately $86,000 and $91,000 for the years ended December 31, 2003 and 2002, respectively.

The Company has a defined contribution plan covering substantially all employees of the Company. An eligible employee can contribute up to an annual maximum of 25 percent of his or her adjusted gross compensation or $12,000; whichever is less, to the plan. The Company contributes $0.25 for every $1.00 of an employee's contribution ($375 maximum Company contribution) to the plan. The amount contributed to the plan by the Company and charged to expense for the years ended December 31, 2003 and 2002 was approximately $23,000.

NOTE 10 - PENSION PLAN

All full-time employees of the Company participate in the County Employee Retirement System (CERS) which is a cost-sharing multiple-employer defined benefit retirement plan administered by Kentucky Retirement Systems, an agency of the Commonwealth of Kentucky.

Normal retirement is at age 65 with at least 48 months of service. This entitles an employee to a basic benefit of 2.2% of final compensation multiplied by years of service. Final compensation is the employee's average salary for the highest five plan years. A reduced early retirement benefit is available from ages 55 to 64 with 60 months of service, at least 12 of which are current, or at any age after 25 years of service. CERS also provides death, disability, optional joint and survivorship, and certain health care benefits. Eligibility and benefits are established by state statute.

Eligible employees are required by state statute to contribute 5% of their salary to the Plan. The Company is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The Company's actuarially determined contribution rate was 6.41% effective July 1, 2001 through June 2002 and 6.34% effective July 1, 2002 through June 2003 and 7.34% effective July 1, 2003. For 2003 and 2002, participating employees contributed 5% of creditable compensation to CERS totaling $1,391,160 and $1,293,074, respectively. Employer contribution rates are intended to fund the normal cost on a current basis plus an amount equal to the amortization of unfunded past service costs over thirty years. The Company contributed $2,092,949 and $1,648,628 for 2003 and 2002, respectively. The Company's total payroll was $28,133,934 and $25,953,963 for 2003 and 2002, respectively. CERS covered payroll was $27,811,890 and $25,799,047 for 2003 and 2002, respectively.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, 12 of which are current service.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the CERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the Public Employee Retirement Systems and employers. The CERS does not make separate measurements of assets and pension benefit obligations for individual employers.

The following table provides information on the CERS as a whole, determined through the most recent actuarial valuations:

	June 30	
	2003	2002
Net assets available for benefits	$6,753,584,903	$6,883,298,951
Pension benefit obligation	5,917,226,584	5,492,646,422
Net assets in excess of pension benefit obligation	$836,358,319	$1,390,652,529

Ten year historical trend information showing the CERS's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' June 30, 2003, annual financial report (which is a matter of public record).

In addition to the assets transferred from its previous plan, the Company became obligated to CERS for $4,273,873 for remaining unfunded past service costs. The remaining liability for unfunded past service costs plus accrued interest was paid with proceeds from the 1992 Series 2 Note Payable. The related past service cost asset is being amortized over twenty years on the straight-line method.

NOTE 11 - CONTINGENT LIABILITIES

The Company retains certain insurable risks up to a fixed maximum per claim exposure. Effective October 1, 2003, liability claims are retained up to $1,000,000 per occurrence, with insurance coverage for any judgment or settlement of up to $35,000,000 above that amount. The retained amount for claims prior to October 1, 2003 was $500,000 per occurrence. Workers' compensation is self-funded up to $350,000 per claim, with an aggregate limit of 90% of the premium that would be developed by applying the rate times the payroll. A reserve of $824,344 and $1,417,115 was established at December 31, 2003 and 2002, respectively, to provide for aggregate claims incurred.

The Company is involved in litigation, which has arisen out of operations in the ordinary course of business. While it is not possible to forecast the outcome of this litigation, it is the opinion of the Company's management that it will not have a material adverse effect on the consolidated financial statements of the Company.

NOTE 12 – ACQUISITIONS

During 2002, the Company acquired Goshen Utilities (Goshen) and the Shepherdsville Water System (Shepherdsville). Goshen was a stock purchase, which took place on July 31, 2002. Goshen is being held by the Company as a wholly owned subsidiary. The Company assumed the assets and liabilities of Shepherdsville on December 31, 2002, from the City of Shepherdsville. The assets and liabilities from these acquisitions have been included in the consolidated financial statements of the Company and are not material.

SCHEDULE OF INVESTMENTS

December 31, 2003

		Maturity	Par	Fair Value
Bond Reserve Account				
U. S. Treasury Bonds	8.220%	11/15/13	$ 3,059,858	$ 3,059,858
Depreciation Fund				
FNMA	0.98%	01/07/04	4,000,000	4,000,000
FHLMC	3.25%	01/15/04	3,000,000	3,000,000
FHLB	2.125%	12/15/04	2,000,000	2,000,000
FHLB	1.39%	12/17/04	2,000,000	2,000,000
Federal Farm Credit Bank	1.25%	05/03/04	3,000,000	3,000,000
FHLB	1.4%	12/23/04	2,000,000	2,000,000
Goldman Sachs	0.764%		7,039,922	7,039,922
Certificate of Deposit	3.5%	03/06/05	100,000	100,000
Sweep Account	0.764%		2,022,450	2,022,450
Infrastructure Replacement				
Reserve Fund				
Sweep Account	0.764%		216,010	216,010
Apportionment Warrant Reserve				
Sweep Account	0.764%		906,367	906,367
System Development Charge Reserve				
Sweep Account	0.764%		2,871,629	2,871,629
U. S. Treasury State and				
Local Government Fund				
U. S. Treasury Bonds	8.220%	11/25/13	1,640,143	1,640,143
Bond Service Account – Series 2000				
Armada Funds	1.47%		483,571	483,571

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2003

		Maturity	Par	Fair Value
Bond Service Account – Series 2001				
Armarda Funds			458,514	458,514
Bullitt County Water Reserve				
Sweep Account	0.764%		271,161	271,161
Kentucky Infrastructure Deposits			238,509	238,509
Shepherdsville Water Reserve				
Sweep Account	0.764%		171,725	171,725
KTWD Debt Discharge Fund				
Sweep Account	0.764%		511,789	511,789
			$ 35,991,648	$ 35,991,648

2001 SERIES BOND ISSUE

December 31, 2003

The Water Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

Master resolution date	July 14, 1992
Secondary resolution date	February 13, 2001
Original amount	$60,300,000
Interest rate	4.00% to 4.70%
Bonds payable	November 15
Interest payable	May 15 and November 15
Call provisions in inverse	100% after November 15, 2010

2000 SERIES BOND ISSUE

The Water Revenue Bonds were issued by the Board of Water Works and are payable only from revenue of the Company.

Resolution date	September 1, 2000
Original amount	$78,500,000
Interest rate	5.00% to 5.50%
Bonds payable	November 15
Interest payable	May 15 and November 15

Sinking Fund installments for 2022 and 2024 maturity bonds:

November 15, 2022		November 15, 2024	
Year	Amount	Year	Amount
2021	$4,710,000	2023	$ 5,260,000
2022	4,975,000	2024	5,555,000
	$9,685,000		$10,815,000

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

December 31, 2003

	2001 Bonds		Aggregate
	Principal Installments	Interest	Bond Service
Year Ending December 31			
2004	$ 3,655,000	$ 2,277,877	$ 5,932,877
2005	3,825,000	2,122,540	5,947,540
2006	4,000,000	1,959,978	5,959,978
2007	4,185,000	1,789,978	5,974,978
2008	4,380,000	1,612,115	5,992,115
2009	4,590,000	1,415,015	6,005,015
2010	4,820,000	1,208,465	6,028,465
2011	5,055,000	991,565	6,046,565
2012	5,305,000	764,090	6,069,090
2013	5,570,000	525,365	6,095,365
2014	5,845,000	274,715	6,119,715
Total 2001 Bonds	$51,230,000	$14,941,703	$66,171,703

SCHEDULE OF OUTSTANDING BOND INDEBTEDNESS AND ANNUAL DEBT SERVICE REQUIREMENTS

December 31, 2003

	2000 Bonds		Aggregate
	Principal Installments	Interest	Bond Service
Year Ending December 31			
2004	$ 1,425,000	$ 4,010,519	$ 5,435,519
2005	2,075,000	3,939,269	6,014,269
2006	2,210,000	3,835,519	6,045,519
2007	2,310,000	3,725,019	6,035,019
2008	2,420,000	3,609,519	6,029,519
2009	2,540,000	3,488,519	6,028,519
2010	2,660,000	3,361,519	6,021,519
2011	2,790,000	3,228,519	6,018,519
2012	2,930,000	3,089,019	6,019,019
2013	3,075,000	2,942,519	6,017,519
2014	3,235,000	2,788,769	6,023,769
2015	3,405,000	2,627,019	6,032,019
2016	3,590,000	2,452,512	6,042,512
2017	3,790,000	2,264,037	6,054,037
2018	4,000,000	2,065,062	6,065,062
2019	4,225,000	1,855,062	6,080,062
2020	4,460,000	1,633,250	6,093,250
2021	4,710,000	1,399,100	6,109,100
2022	4,975,000	1,151,825	6,126,825
2023	5,260,000	890,637	6,150,637
2024	5,555,000	614,487	6,169,487
2025	5,870,000	322,850	6,192,850
Total 2000 Bonds	$77,510,000	$55,294,550	$132,804,550

SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES AND TAXES

Years ended December 31, 2003 and 2002

	2003	2002
OPERATION AND MAINTENANCE EXPENSES		
Pumping	$ 6,193,995	$ 4,448,788
Water treatment	4,936,423	6,482,921
Transmission and distribution	11,228,607	11,594,133
Customer accounts expenses	7,120,705	7,421,797
Administrative and general expenses	13,858,740	12,446,022
Operation expenses under (over) applied	737,600	(25,738)
Total operation and maintenance expenses	$44,076,070	$42,367,923
TAXES		
Water and fire services in lieu of taxes	$ 7,946,610	$ 8,051,931
Social security taxes	1,975,668	1,915,696
State unemployment taxes	37,599	4,584
Payroll taxes allocated	(1,975,668)	(1,806,446)
Total taxes	$ 7,984,209	$ 8,165,765

CORPORATE INFORMATION

BOARD OF WATER WORKS

The Board of Water Works is composed of seven members:

- The Louisville Metro Mayor appoints all members
- The membership is bi-partisan, with no more than 50% from the same political party
- All new board members serve staggered four-year terms
- The Metro Louisville Mayor serves as ex officio
- Louisville Water Company President serves as Board Chairman, without vote

The Board meets the second Tuesday of each month at 12:30 pm at 550 South Third Street. Each April they appoint the officers of the company.


Jerry Abramson


Phillip D. Bond


Stewart E. Conner


Gerald Martin


Wendy C. Welsh


Marita Willis

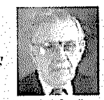

Dr. Joseph B. Wise, III

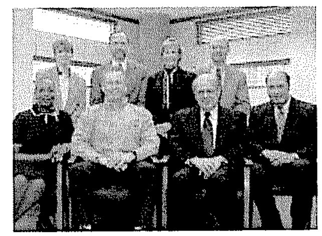
RETIRING BOARD MEMBERS


Stephen C. Gault


Owen C. Hammons

In 2003 we were saddened by the passing of longtime board member Jack Segell. His excellent service and contributions to the Board and Louisville Water Company were greatly appreciated. We will miss the generous public spirit he brought to the board and shared with us all.


Jack H. Segell
President
Jack H. Segell Corporation


EXECUTIVE LEADERSHIP TEAM

WATER WORKS
LWC 150
1854 - 2004

LOUISVILLE WATER COMPANY
550 South Third Street
Louisville, KY 40202
Phone 502-569-3600
www.louisvillewater.com