

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

**COMPLIANCE OF KENTUCKY-AMERICAN )  
WATER COMPANY, AMERICAN WATER WORKS )  
COMPANY, RWE AKTIENGESELLSCHAFT AND )  
THAMES WATER AQUA HOLDINGS GMBH WITH )  
THE PROVISIONS OF THE ORDERS )  
APPROVING THE TRANSFER OF CONTROL OF )  
KENTUCKY-AMERICAN WATER COMPANY TO )  
RWE AKTIENGESELLSCHAFT AND THAMES )  
WATER AQUA HOLDINGS GMBH )**

**CASE NO.  
2002-00277**

**NOTICE OF CONDITION 10 REPORT – CAPITAL AND  
OPERATION AND MAINTENANCE BUDGETS**

Come Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft, American Water Works Company, Inc., Thames Water Aqua U.S. Holdings, Inc. and Kentucky-American Water Company, and pursuant to Condition 10 of the Commission’s Order dated December 20, 2002, in Case No. 2002-00317, file herewith the Two-Year Capital and Operation and Maintenance Budgets of Kentucky-American Water Company.

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And

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Kentucky-American Water Company

**CERTIFICATION**

In conformity with paragraph 7 of the Commission's Order dated January 30, 2002, in Case No. 2002-00018, this is to certify that the electronic version of this pleading is a true and accurate copy of the pleading filed in paper medium; that the Petitioners have notified the Commission and the parties in Case No. 2002-00018 by electronic mail on March 31, 2004, that the electronic version of this pleading has been transmitted to the Commission, and that a copy has been served by mail upon:

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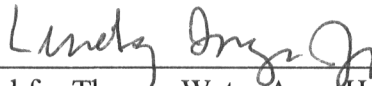
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and that the original and three copies have been filed with the Public Service Commission in paper medium on the 31st day of March, 2004.



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Counsel for Thames Water Aqua Holdings GmbH,  
RWE AG, American Water Works Company, Inc.,  
Thames Water Aqua U.S. Holdings, Inc. and  
Kentucky-American Water Company

**STRATEGIC CAPITAL EXPENDITURE PLAN**  
**Kentucky American Water**

Units = \$

Revision Date Mar 2, 2004  
 Status Approved Q1 Reforecast

District	CPS Code	Project Code	Brief Description of Proposed Expenditures	Plan 2004	Plan 2005
		04-80	Mains, Hydrants, Valves, Meters - Deposit/Contribution	4,000,000	4,080,000
		04-81	Network - Replacement Renewal	525,000	600,000
		04-82	Network - Extension	250,000	255,000
		04-83	Hydrants - Replacement	25,000	25,500
		04-84	Hydrants - New	260,000	300,000
		04-85	Services - Replacement	465,650	500,000
		04-86	Services - New	1,034,350	1,157,000
		04-87	Meters - Replacement	650,937	816,800
		04-88	Meters - New	957,213	721,500
		04-89	ITS Equipment & Systems	75,000	76,500
		04-90	Offices and Operations Centers	50,000	55,000
		04-91	Vehicles	125,000	200,000
		04-92	Tools and Equipment	76,400	160,000
		04-93	Process Plant - Replacement	179,250	350,000
		04-94	Process Plant - Additions	20,000	50,000
		04-95	Treatment Media Replacement and Process Rehabilitation (capitalized)	0	0
		04-96	Tank Rehabilitation / Painting (capitalized)	0	0
		04-97	Comprehensive Planning Studies	0	0
			<b>TOTAL RECURRING PROJECTS</b>	<b>8,693,801</b>	<b>9,347,300</b>
			Carryovers	16,374	
		01-02	Clays Mill Ground Storage Tank - 3.0 MG (342)	666,850	0
		01-03	SCADA Improvements (391.2)	70,000	0
		01-04	Scott County Mains (343)	0	
		01-05	Russell Cave Road Tank - 1.0 MG (342)	950,000	451,600
		01-10	RRS Hydraulic Improvements (332)	-11,370	
		01-11	New Columbus Project (343)	150,000	0
		02-01	Leestown Road Main Improvements (343)	616,000	0
		02-02	Major Highway Relocations 2002 (343)	-3,616	
		02-03	Replace Travelling Screen Housing (311)	450,000	0
		02-04	Source of Supply Project Development (343)	214,902	1,500,000
		03-01	Elevated Storage Tank - 2.0 MG (342)	1,100,000	1,600,000
		03-02	Major Highway Relocations 2003 (343)	1,432	
		03-03	Electrical Reliability upgrades /System Reliability (332)	1,010,000	319,800
		04-04	Business Process Efficiency Project & Orcom Budget (391.2)	630,000	0
		04-02	Major Highway Relocations (343)	400,000	400,000
		04-03	Owen County Main Extensions (343)	60,000	240,000
			Incline Car Replacement @KRS (311)	0	250,000
			North Broadway Main Replacement (343)	0	0
			Ground Storage Tank - 3.0 MG (342)	0	75,000
			Replace Trac-Vac System at RRS (332)	0	250,000
			Replace Trash Rake @ KRS (311)	0	0
			Valve House Upgrades at KRS (332)	0	0
			KRS Filter Media Replacement - Hyd 3 & 4 (332)	0	250,000
			Sludge Handling Improvements - RRS (332)	0	0
			Yarnallton Road Main (343)	0	0
			North Upper Street Main Replacement Project (343)	0	0
			UV Installation - KRS/RRS (332)	0	0
			Leestown Road Main Improvements (343)	0	0
			Russell Cave Road Main - 34,000' of 12" (343)	0	500,000
			Rockwell Village Wastewater Pipeline	0	350,000
			Source of Supply Project (343)	0	0
			KRS Clearwell Improvements (332)	0	0
			<b>TOTAL INVESTMENT PROJECTS</b>	<b>6,320,571</b>	<b>6,186,400</b>

**Kentucky-American Water Company  
Operations & Maintenance**

DESCRIPTION	Proposed 2004 Plan	Proposed 2005 Plan
1 OPERATING REVENUES		
2 WATER (L9,SC5)	45,930,526	50,304,072
3 SEWER	301,517	358,492
4 OTHER	1,114,681	1,115,605
5 MANAGEMENT	0	0
6 TOTAL	47,346,724	51,778,169
7 OPERATING EXPENSE		
8 LABOR (L14,SC5)	5,606,473	5,774,669
9 PURCHASED WATER	351,774	351,774
10 FUEL & POWER	2,152,615	2,176,255
11 CHEMICALS	1,389,574	1,432,350
12 WASTE DISPOSAL	177,979	241,726
13 MANAGEMENT FEES	3,236,268	3,535,080
14 GROUP INSURANCE	1,597,893	1,680,720
15 PENSIONS	1,063,160	962,592
16 REG. EXPENSE (L18,SC5)	24,528	24,528
17 INSURANCE NOT GROUP	536,887	570,174
18 CUSTOMER ACCTG (L22,SC5)	982,319	1,006,565
19 RENTS	109,234	111,617
20 GENERAL OFFICE	359,053	358,306
21 MISCELLANEOUS	3,007,943	3,591,940
25 OTHER MAINT. EXPENSE	1,199,535	1,297,190
22 TOTAL	21,795,235	23,115,487
<b>OTHER OPERATING EXPENSES</b>		
27 DEPRECIATION	6,256,526	6,947,685
28 AMORTIZATION	673,596	673,596
29 GENERAL TAXES (L41,SC5)	2,371,229	2,391,954
30 SIT (L48,SC5)	984,486	1,136,581
31 FIT (L53,SC5)	3,671,597	4,256,077
32		
33 TOTAL OPERATING EXP	35,752,669	38,521,380
34 UTILITY OPER INCOME	11,594,055	13,256,789
35 OTHER INCOME & DED		
36 NONOPERATING RENTAL INCOME	0	0
37 DIVIDEND INCOME - COMMON	0	0
38 - PREFERRED	0	0
39 INTEREST INCOME (L62,SC3)	0	0
40 AFUDC (AFUDC WORKSHEET)	289,394	104,286
41	0	0
42 M&J MISC INC	29,974	30,199
43 GAIN (LOSS) ON DISPOSITION	0	0
44	0	0
45 TOTAL OTHER INCOME	319,368	134,485
46 MISC AMORTIZATION (L69,SC5)	1,494	1,494
47	0	0
48 MISC OTHER DEDUCTIONS	345,433	345,854
49 GENERAL TAXES	0	0
50 SIT (SCH 4)	(28,555)	(26,042)
51 FIT (SCH 4)	(111,149)	(101,365)
52 TOTAL OTHER DEDUCTIONS	207,223	219,942
53 TOTAL OTHER INCOME NET	112,146	(85,457)
54 INCOME BEFORE INTEREST	11,706,201	13,171,333
55 INTEREST CHARGES:	0	0
56 LONG TERM DEBT	4,790,600	4,951,246
57 AMORTIZATION	82,290	80,235
58 SHORT TERM DEBT (L56,SC3)	241,492	343,408
59 OTHER	0	0
60 AFUDC DEBT	(138,045)	(49,746)
61 TOTAL INTEREST	4,976,337	5,325,143
62 NET INCOME	6,729,864	7,846,190
63		
64 PREFERRED DIVIDENDS	527,295	524,135
65 NET INCOME TO COMMON	6,202,569	7,322,055