

**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.

Respectfully submitted,

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BY: 

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Thames Water Aqua Holdings GmbH, Thames  
Water Aqua US Holdings, Inc., RWE AG and  
American Water Works Company, Inc.

**CERTIFICATION**

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. 2002-00317 by electronic mail on March 31, 2006 that the electronic version of this pleading has been transmitted to the Commission, and that a paper copy has been served by mail upon:

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and that the original and three paper copies have been filed with the Public Service Commission on the 31st day of March, 2006.

BY: 

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

**STRATEGIC CAPITAL EXPENDITURE PLAN  
PROGRAM**

Business Unit	Kentucky
Revision Date	3/0606
Description	Q 1 RF

Business Unit	Business Unit No.	Project Title	Total 2006	Total 2007
		<b>RECURRING PROJECTS</b>		
Kentucky	xxxxxx80	Developer / Governmental Contributions	\$688,353	\$688,353
Kentucky	xxxxxx81	Network - Replacement / Renewal	\$0	\$0
Kentucky	xxxxxx82	Network - Extension	\$0	\$0
Kentucky	xxxxxx83	Hydrants - Replacement	\$0	\$70,000
Kentucky	xxxxxx84	Hydrants - New	\$129,469	\$129,469
Kentucky	xxxxxx85	Services - Replacement	\$64,500	\$64,500
Kentucky	xxxxxx86	Services - New	\$0	(\$75,000)
Kentucky	xxxxxx87	Meters - Replacement	\$54,371	\$104,771
Kentucky	xxxxxx88	Meters - New	\$0	\$0
Kentucky	xxxxxx89	ITS Equipment and Systems	\$0	\$0
Kentucky	xxxxxx90	Offices and Operations Centers	\$0	\$0
Kentucky	xxxxxx91	Vehicles	\$121,445	\$0
Kentucky	xxxxxx92	Tools and Equipment	\$0	\$0
Kentucky	xxxxxx93	Process Plant - Replacements	\$0	\$0
Kentucky	xxxxxx94	Process Plant - Additions	\$0	\$0
Kentucky	xxxxxx95	Tritmt Media Rplcmnt and Process Rehab (capitalized)	\$0	\$0
Kentucky	xxxxxx96	Tank Rehabilitation / Painting (capitalized)	\$0	\$0
Kentucky	xxxxxx97	Comprehensive Planning Studies	\$0	\$0
		<b>Total Recurring Projects</b>	<b>1,068,138</b>	<b>962,093</b>
		<b>INVESTMENT PROJECTS</b>		
Kentucky	12320507	Owenton Acquisition Water	400,000	0
Kentucky		Owenton Acquisition sewer	0	0
Kentucky	12300403	Owen County Main Extensions (343)	770,000	230,000
Kentucky	12020404	STEP project	0	0
Kentucky		UV Installation - KRS/RRS (332)	0	0
Kentucky	12020204	Source of Supply Development Project (343)	180,000	10,000,000
Kentucky	12020402	Major Highway Relocations (343)	780,000	500,000
Kentucky	12020505	Replace Trac-Vac System at RRS (332)	750,000	0
Kentucky	12020506	Sludge Handling Improvements - RRS (332)	25,000	475,000
Kentucky	12020502	Russell Cave Road Main - 34,000' of 12" (343)	1,400,000	0
Kentucky	12020603	8400'-20" Main, Clays Mill Road	0	100,000
Kentucky		Emergency Power Improvements	0	0
Kentucky	12330604	SCADA - Owen County	500,000	0
Kentucky		Replace Parkers Mill Pump and Diesel	350,000	0
Kentucky	12020605	Mellard Point Pressure Improvements	325,000	0
Kentucky	12020501	Ground Storage Tank - 3.0 MG (342)	0	775,000
Kentucky		Incline Car Replacement @KRS (311)	0	250,000
Kentucky		KRS Clearwell improvements (332)	0	0
Kentucky		North Broadway Main Replacement (343)	0	0
Kentucky		North Upper Street Main Replacement Project (343)	0	0
Kentucky		Install 22,700', 12" in Todds and Cleveland Rd	0	0
Kentucky	12020601	Valve House Upgrades at KRS (332)	350,000	0
Kentucky		Replace Trash Rake @ KRS (311)	0	0
Kentucky	12020201	Leestown Road Main Improvements (343)	0	100,000
Kentucky	12020105	Russell Cave Road Tank - 1.0 MG (342)	0	0
Kentucky	12020301	Elevated Storage Tank - 2.0 MG (342)	0	0
Kentucky	12020303	Electrical Reliability upgrades /System Reliability (332)	0	0
Kentucky		KRS Filter Media Replacement - Hyd 3 & 4 (332)	0	0
Kentucky	12020602	Yamilton Road Main (343)	200,000	0
Kentucky		Mechanical Upgrades - KRS Valve House	0	0
Kentucky	12500503	Rockwell Village Wastewater Pipeline	100,000	300,000
Kentucky	12020504	KRS Valve Mechanical Improvement	0	0
Kentucky		Reliability Improvements	2,000,000	3,000,000
Kentucky		KY NRW	120,000	235,000
Kentucky		Energy Efficiency	0	0
Kentucky		Security	0	0
Kentucky		SCADA	0	0
Kentucky			0	0
Kentucky			0	0
Kentucky			0	0
Kentucky			0	0
Kentucky		Non Budgeted Ips	0	0
Kentucky			0	0
Kentucky			0	0
		<b>Total Investment Projects</b>	<b>8,250,000</b>	<b>15,965,000</b>
		<b>TOTAL CONTRIBUTIONS / ADVANCES (4 plus 5)</b>	<b>2,500,000</b>	<b>2,000,000</b>
		<b>COMPANY FUNDED PROJECT EXPENDITURE (3 minus</b>	<b>5,800,000</b>	<b>5,800,000</b>
		<b>Total Refunds</b>	<b>3,000,000</b>	<b>3,500,000</b>
		<b>IAS NET CAPEX (15 plus 8a)</b>	<b>683,000</b>	<b>683,000</b>
		Drinking Water - Source of Supply	0	0

**KENTUCKY-AMERICAN WATER COMPANY  
ANNUAL BUSINESS PLAN**

	<b>Proposed 2006 Plan</b>	<b>Proposed 2007 Plan</b>
1 OPERATING REVENUES		
2 WATER	49,309,002	50,309,303
3 SEWER	352,692	367,026
4 OTHER	1,747,596	1,747,592
5 MANAGEMENT	0	-
6 TOTAL	51,409,290	52,423,921
7 OPERATING EXPENSE		
8 LABOR	5,156,940	5,311,651
9 PURCHASED WATER	470,500	470,500
10 FUEL & POWER	2,127,636	2,157,813
11 CHEMICALS	1,348,523	1,429,434
12 WASTE DISPOSAL	253,117	210,124
13 MANAGEMENT FEES	6,254,000	5,794,334
14 GROUP INSURANCE	1,824,563	1,820,474
15 PENSIONS	804,072	683,654
16 REG. EXPENSE	353,412	353,412
17 INSURANCE NOT GROUP	501,888	521,030
18 CUSTOMER ACCTG	1,160,838	1,168,839
19 RENTS	45,072	40,531
20 GENERAL OFFICE	329,299	362,366
21 MISCELLANEOUS	2,534,684	2,361,822
25 OTHER MAINT. EXPENSE	1,248,184	1,243,576
22 TOTAL	24,412,728	23,929,561
27 DEPRECIATION	7,339,261	7,607,640
28 AMORTIZATION	486,084	472,230
29 GENERAL TAXES	2,721,809	2,780,956
30 SIT	987,225	1,066,533
31 FIT	3,588,510	3,949,855
33 TOTAL OPERATING EXP	39,535,617	39,806,775
34 UTILITY OPER INCOME	11,873,673	12,617,146
35 OTHER INCOME & DED		
36 NONOPERATING RENTAL INCOME		
37 DIVIDEND INCOME - COMMON		
38 - PREFERRED		
39 INTEREST INCOME		
40 AFUDC (AFUDC WORKSHEET)	175,832	219,068
42 M&J MISC INC	66,058	16,104
43 GAIN (LOSS) ON DISPOSITION		
45 TOTAL OTHER INCOME	241,890	235,172
46 MISC AMORTIZATION	768	768
48 MISC OTHER DEDUCTIONS	280,419	345,423
49 GENERAL TAXES		
50 SIT	(23,044)	(27,169)
51 FIT	(89,708)	(105,753)
52 TOTAL OTHER DEDUCTIONS	168,435	213,269
53 TOTAL OTHER INCOME NET	73,455	21,903
54 INCOME BEFORE INTEREST	11,947,128	12,639,050
55 INTEREST CHARGES:		
56 LONG TERM DEBT	4,738,404	4,299,925
57 AMORTIZATION	72,108	71,723
58 SHORT TERM DEBT	625,948	981,990
59 OTHER		
60 AFUDC DEBT	(79,851)	(99,487)
61 TOTAL INTEREST	5,356,609	5,254,151
62 NET INCOME	6,590,519	7,384,899
64 PREFERRED DIVIDENDS	459,900	459,898
65 NET INCOME TO COMMON	6,130,619	6,925,001