

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

IN THE MATTER OF:

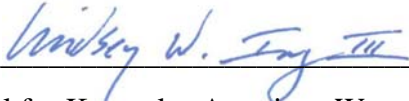
| | |
|---|-------------------|
| COMPLIANCE OF KENTUCKY-AMERICAN) | |
| WATER COMPANY, AMERICAN WATER WORKS) | |
| COMPANY, RWE AKTIENGESELLSCHAFT AND) | |
| THAMES WATER AQUA HOLDINGS GMBH WITH) | |
| THE PROVISIONS OF THE ORDERS) | CASE NO. |
| APPROVING THE TRANSFER OF CONTROL OF) | 2002-00277 |
| KENTUCKY-AMERICAN WATER COMPANY TO) | |
| RWE AKTIENGESELLSCHAFT AND THAMES) | |
| WATER AQUA HOLDINGS GMBH) | |

**NOTICE OF ORDERING PARAGRAPH 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 ordering paragraph 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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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, 2009 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 1st day of April, 2009.

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
Kentucky American Water
Units = \$

Revision Date Mar 30, 2009
 Status Approved 2009 Q1 Reforecast, proposed 2010

| Project Number | Brief Description of Proposed Expenditures | Total 2009 | Plan Total 2010 | Comment: |
|----------------|---|-------------------|-------------------|--|
| DV | Projects Funded by Others (Contrib./Adv./ Refunds) | 4,700,000 | 4,706,000 | |
| A | Mains - New | 560,000 | 595,000 | |
| B | Mains - Replaced / Restored | 555,300 | 1,005,300 | |
| C | Mains - Unscheduled | 239,400 | 239,400 | |
| D | Mains - Relocated | 1,005,300 | 1,005,300 | |
| E | Hydrants, Valves, and Manholes - New | 192,000 | 200,000 | |
| F | Hydrants, Valves, and Manholes - Replaced | 75,000 | 175,000 | |
| G | Services and Laterals - New | 980,000 | 980,000 | |
| H | Services and Laterals - Replaced | 650,000 | 1,500,000 | |
| I | Meters - New | 456,048 | 1,200,000 | |
| J | Meters - Replaced | 1,700,000 | 2,200,000 | |
| K | ITS Equipment and Systems | 102,000 | 100,000 | ITS projection has decreased due to ITS replacement during building remodeling |
| L | SCADA Equipment and Systems | 90,000 | 130,500 | |
| M | Security Equipment and Systems | 10,000 | 10,000 | |
| N | Offices and Operations Centers | 560,000 | 80,000 | Remodeled Offices and Operation was completed in 2008, FRCC facility to be completed in 2009 |
| O | Vehicles | 200,000 | 500,000 | |
| P | Tools and Equipment | 182,200 | 188,200 | |
| Q | Process Plant Facilities and Equipment | 800,000 | 850,000 | |
| R | Capitalized Tank Rehabilitation / Painting | 40,000 | | |
| S | Engineering Studies | 150,000 | 100,000 | |
| | TOTAL RECURRING PROJECTS | 13,247,248 | 15,764,700 | |
| 12020204 | Source of Supply Project Dev | 82,874,328 | 30,723,910 | Source of Supply Project is scheduled for mid year completion |
| 12020402 | Major Highway Relocations | 49,930 | | Major Highway relocation projects for 2010 have not been scheduled due to KTC Budget |
| 12020501 | Ground Storage Tank | 122,870 | 1,627,130 | |
| 12020508 | Kentucky Reliability Improvemnt | 80,000 | | Project should be completed in April |
| 12020602 | Yarnallton Road Main Extension | (1,929) | | Project was completed in 2008 |
| 12020701 | Kentucky Incline Car | 65,288 | 750,000 | |
| 12020702 | KY Major Highway | 386 | 950,000 | |
| IP-1202-5 | North Broadway Main Replacement | 2,417,159 | 52,917 | Two-year project - project should be completed in 2010 |
| IP-1202-6 | Install 34,000' of 16" along Carrick Pike | 11,423 | 2,626,072 | |
| IP-1202-9 | Install 22,700' of 12" in Todds and Cleveland Rd | | 50,000 | |
| IP-1202-11 | Install 19,000' of 12" along I-75 | | 30,000 | |
| IP-1202-12 | Install 16,000' if 12" Russell Cave Rd | | 60,000 | |
| IP-1202-13 | Install 14,700' of 12" & 3800' of 8" Greenwich Rd | | 50,000 | |
| IP-1232-1 | Owenton-Post Acquisition Phase 2 | 9,656 | 719,467 | |
| | TOTAL INVESTMENT PROJECTS | 85,629,111 | 37,639,496 | The total CAPEX has been significantly decreased due to new WTP on Pool 3 of the Kentucky River being completed mid year - 2010. |
| | TOTAL GROSS CAPEX | 98,876,359 | 53,404,196 | |



P&L Monthly View
 Kentucky
 2009
 Working
 (\$ In Thousands)

| | 2009 Plan | 2010 Plan | |
|--|---------------|---------------|--|
| <u>OPERATIONS & MAINTENANCE EXPENSE</u> | | | |
| <u>PRODUCTION EXPENSES</u> | | | |
| Purchased Water | 141 | 145 | |
| Fuel and Power | 4,030 | 4,421 | |
| Chemicals | 2,685 | 2,915 | |
| Waste Disposal | 297 | 326 | |
| Total production costs | 7,153 | 7,807 | |
| <u>O&M LABOR & OVERHEAD</u> | | | |
| Labor | 6,943 | 7,588 | |
| Pensions | 606 | 567 | Projected pensions expenses were lower |
| Group insurances | 1,886 | 1,859 | |
| Other benefits | 352 | 337 | Projected misc. benefits expenses were lower |
| Total employee related | 9,787 | 10,351 | |
| Management fees | 3,514 | 3,712 | |
| Shared business services | 3,997 | 4,082 | |
| Contracted services | 940 | 955 | |
| Total contracted services | 4,936 | 5,037 | |
| Regulatory expense | 279 | 367 | |
| Insurance Other Than Group | 719 | 779 | |
| Customer Accounting | 1,730 | 1,840 | |
| Rents | 57 | 58 | |
| General office expense | 584 | 582 | |
| Miscellaneous | 2,421 | 2,747 | |
| Maintenance | 2,732 | 2,944 | |
| Total operations and maintenance expense | 33,913 | 36,224 | |