

COPY

WATER

CLASS A & B WATER COMPANIES

ANNUAL REPORT

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OF

MAR 30 2007

PUBLIC SERVICE
COMMISSION

KENTUCKY AMERICAN WATER COMPANY

2300 Richmond Road, Lexington, Kentucky 40502

TO THE

PUBLIC SERVICE COMMISSION

OF THE

COMMONWEALTH OF KENTUCKY

211 SOWER BLVD.
P. O. BOX 615
FRANKFORT, KENTUCKY 40602

FOR THE YEAR ENDED DECEMBER 31, 2006

Kentucky American
Internal Check List

							Difference	Variance
Utility Plant Acquisition Adjustment	Page 7	347,965	Page 17	347,965	0			
Provision for Uncollectible Accounts	Page 7	2,794,913	Page 19	2,794,913	0			
Material & Supplies	Page 7	515,515	Page 20	515,515	0			
Prepayments	Page 7	69,208	Page 20	69,208	0			
Unamortized Debt Discount & Expense	Page 8	462,791	Page 21	462,791	0			
Extraordinary Property Losses	Page 8	0	Page 21	0	0			
Miscellaneous Deferred Debits	Page 8	5,530,696	Page 20	5,530,696	0			
Accumulated Deferred Income Taxes	Page 8	0	Page 21	0	0			
Common Stock Issued	Page 9	36,568,776	Page 22	36,568,776	0			
Preferred Stock Issued	Page 9	5,966,100	Page 22	5,966,100	0			
Retained Earnings	Page 9	28,434,769	Page 13	28,434,769	0			
Bonds	Page 9	49,900,000	Page 24	49,900,000	0			
Notes Payable	Page 9	3,297,057	Page 25	3,297,057	0			
Accounts Payable Associated Company	Page 9	1,018,691	Page 25	1,018,691	0			
Current Portion Long Term Debt	Page 9	27,100,000	Page 25	27,100,000	0			
Accrued Taxes	Page 9	8,512,511	Page 26	8,512,511	0			
Interest Accrued	Page 9	581,042	Page 27	581,042	0			
Miscellaneous Current & Accrued Liabilities	Page 9	5,395,964	Page 27a	5,395,964	0			
Unamortized Premium on Debt	Page 10	0	Page 21	0	0			
Advances for Construction	Page 10	16,492,638	Page 22	16,492,638	0			
Contributions in Aid of Construction	Page 10	50,089,413	Page 28	50,089,413	0			
Accumulated Amortization of CIAC	Page 10	(10,254,181)	Page 28	(10,254,181)	0			
Operating Revenues	Page 11	48,706,602	Page 30	48,706,602	0			
Operating Expense	Page 11	25,960,316	Page 31	25,960,316	0			
Water Purchased for Resale	Page 32	75,995	Page 33	75,995	0			
Water Pumped	Page 32	15,542,842	Page 33	15,542,842	0			
Water Sold	Page 32	12,727,217	Page 33	12,727,217	0			
amortization of debt expense	page 12	72,873	page 21	72,873	0			

0 sewer property listed c
0

CLASS "A & B"
WATER COMPANIES

ANNUAL REPORT

OF

KENTUCKY-AMERICAN WATER COMPANY
Exact Legal Name of Respondent

FOR THE
YEAR ENDED DECEMBER 31, 2006

NOTICE

1. Prepare this report in conformity with the 1984 National Association of Utility Regulatory Commissioners Uniform System of Accounts for Water Utilities as adopted by this Commission for Class A & B water companies.
2. Interpret all accounting words and phrases in accordance with the USOA.
3. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the work "None" where it truly and completely states the fact.
4. For any question, section, or page which is not applicable to the respondent, enter the words "Not Applicable" or "NA". Do not omit any pages.
5. Where dates are called for, the month and day should be stated as well as the year.
6. Complete this report by means which result in a permanent record, such as by typewriter. Money items (except averages) throughout the report should be shown in units of dollars adjusted to accord with footings.
7. If there is not enough room on any schedule, an additional page or pages may be added provided the format of the added schedule matches the format of the schedule with not enough room. Such a schedule should reference the appropriate schedules, state the name of the utility, and state the year of the report.
8. The report should be filled out in duplicate and one copy returned by March 31 of the year following the date of the report. The report should be returned to:

**Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, Kentucky 40602**

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2006

1. Amount of Principal Payment during calendar year _____ \$0
2. Is Principal current? YES x NO _____
3. Is Interest current? YES x NO _____
4. Has all long-term debt been approved by the Public Service Commission?
YES x NO _____ PSC Case No. _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are the financial statements examined by a Certified Public Accountant?

YES x NO _____

If YES, which service is performed?

Audit x

Compilation _____

Review _____

Please enclose a copy of the accountant's report with annual report.

Additional Requested Information

Utility Name Kentucky American Water

Contact Person Rachel Cole

Contact Person's E-Mail Address RCole@KAWC.com

Utility's Web Address www.kawc.com

Please Complete the above Information, if it is available

If there are multiple staff who may be contacts please include their names and e-mail addresses also.

Additional Information Required By Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Items/Explanations
2002-00018		The attached supplements #1 and #2 are in reponse to ordering paragraph #7 and Condition #35 in Public Service Commission Case #2002-0018.

Attach additional sheets if more room is required

MAJOR WATER PROJECTS

Instructions: Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service Commission. For the limited purpose of this report, a "major Project is defined as one which is not in the ordinary course of business, and which will increase your current utility plant by at least 20%.

Brief Project Description (improvement, replacement, building construction, expansion. If expansion, provide the estimate number of new customers):

Resolution of Source of Supply and treatment capacity deficits. Kentucky American has proposed a 20 mgd treatment plant on Pool 3 of the Kentucky River with a transmission line to bring water into the Central District distribution system. KAW is currently negotiating on a regional partnership with the Bluegrass Water Supply Commission and the plant may be expanded to as large as 30 mgd. One storage tank and booster pump station will be necessary along the transmission line.

Projected Costs and Funding Sources/Amounts:

Estimated cost is now \$155 million. KAW is prepared to provide funding for the entire project through private funding. Cost allocations and funding sources for the Bluegrass Water Supply Commission have not been determined yet.

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Application for Certificate of Convenience and Necessity will be filed in Spring 2007. Bids will be advertised in Spring 2007.

Location: (community, area or nearby roads)

The proposed Water Treatment Plant will be located in Owen County on US 127 at the Franklin County line. The raw water intake station is proposed on an adjacent property in Franklin County. The transmission line is proposed to run 30.5 miles along KY 1262 in Franklin County, to Woodlake Road, then along US 460 to Ironworks in Scott County, then south to I-75 in Fayette County, continuing along Ironworks with a connection at Newtown Pike. The proposed storage tank and booster pump station will be located near the Franklin/Scott County line on Woodlake Road north of US 460.

RWE Order Requirement #7 and Condition #35

<u>KAWC Operational Measures</u>	<u>2005</u>	<u>2006</u>
1 Number of water service interruptions (boil water advisories):	141	27
2 Average # of customers impacted from water service interruptions:	24.68	54.5
3 Average length of time of water service interruption/loss of water (l in hours):	2.62	4.04
4 Number of Customer Complaints from PSC:	52	51
5 Average response time to answer phones (in seconds):	41	63
6 Number of customer calls:	171,248	165,192

List of Drinking Water Contaminants & MCLs

National Primary Drinking Water Regulations

National Primary Drinking Water Regulations (NPDWRs or primary standards) are legally enforceable standards that apply to public water systems. Primary standards protect public health by limiting the levels of contaminants in drinking water.

Updated Monday, January 22, 2007 by David Shehee
 URL: <http://www.epa.gov/safewater/mcl.html>

Microorganisms

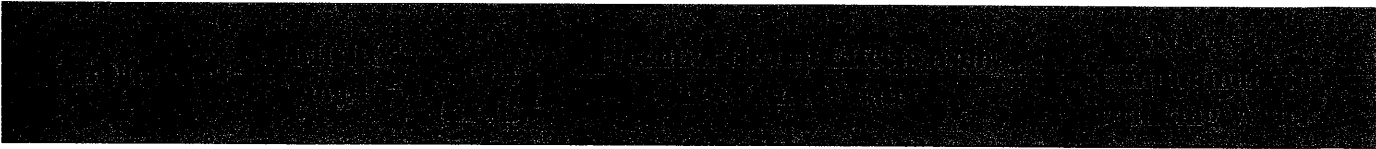
<u>Cryptosporidium</u> (pdf file)	zero	TT ³	Gastrointestinal illness (e.g., diarrhea, vomiting, cramps)	Human and fecal animal waste
Giardia lamblia	zero	TT ³	Gastrointestinal illness (e.g., diarrhea, vomiting, cramps)	Human and animal fecal waste
Heterotrophic plate count	n/a	TT ³	HPC has no health effects; it is an analytic method used to measure the variety of bacteria that are common in water. The lower the concentration of bacteria in drinking water, the better maintained the water system is.	HPC measures a range of bacteria that are naturally present in the environment
Legionella	zero	TT ³	Legionnaire's Disease, a type of pneumonia	Found naturally in water; multiplies in heating systems
<u>Total Coliforms (including fecal coliform and E. Coli)</u>	zero	5.0% ⁴	Not a health threat in itself; it is used to indicate whether other potentially harmful bacteria may be present ⁵	Coliforms are naturally present in the environment; as well as feces; fecal coliforms and <i>E. coli</i> only come from human and animal fecal waste.
<u>Turbidity</u>	n/a	TT ³	Turbidity is a measure of the cloudiness of water. It is used to	Soil runoff

indicate water quality and filtration effectiveness (e.g., whether disease-causing organisms are present). Higher turbidity levels are often associated with higher levels of disease-causing microorganisms such as viruses, parasites and some bacteria. These organisms can cause symptoms such as nausea, cramps, diarrhea, and associated headaches.

Viruses (enteric)	zero	TT ³	Gastrointestinal illness (e.g., diarrhea, vomiting, cramps)	Human and animal fecal waste
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Disinfection Byproducts



<u>Bromate</u>	zero	0.010	Increased risk of cancer	Byproduct of drinking water disinfection
<u>Chlorite</u>	0.8	1.0	Anemia; infants & young children: nervous system effects	Byproduct of drinking water disinfection
<u>Haloacetic acids (HAA5)</u>	n/a ⁶	0.060	Increased risk of cancer	Byproduct of drinking water disinfection
<u>Total Trihalomethanes (TTHMs)</u>	none ⁷ ----- n/a ⁶	0.10 ----- - 0.080	Liver, kidney or central nervous system problems; increased risk of cancer	Byproduct of drinking water disinfection

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Disinfectants



<u>Chloramines (as Cl₂)</u>	MRDLG=4 ¹	MRDL=4.0 ¹	Eye/nose irritation; stomach discomfort, anemia	Water additive used to control microbes
<u>Chlorine (as Cl₂)</u>	MRDLG=4 ¹	MRDL=4.0 ¹	Eye/nose irritation; stomach discomfort	Water additive used to control microbes
<u>Chlorine dioxide (as ClO₂)</u>	MRDLG=0.8 ¹	MRDL=0.8 ¹	Anemia; infants & young children: nervous system effects	Water additive used to control microbes

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Inorganic Chemicals

<u>Antimony</u>	0.006	0.006	Increase in blood cholesterol; decrease in blood sugar	Discharge from petroleum refineries; fire retardants; ceramics; electronics; solder
<u>Arsenic</u>	0 ⁷	0.010 as of 01/23/06	Skin damage or problems with circulatory systems; and may have increased risk of getting cancer	Erosion of natural deposits; runoff from orchards, runoff from glass & electronics production wastes
<u>Asbestos (fiber >10 micrometers)</u>	7 million fibers per liter	7 MFL	Increased risk of developing benign intestinal polyps	Decay of asbestos cement in water mains; erosion of natural deposits
<u>Barium</u>	2	2	Increase in blood pressure	Discharge of drilling wastes; discharge from metal refineries; erosion of natural deposits
<u>Beryllium</u>	0.004	0.004	Intestinal lesions	Discharge from metal refineries and coal-burning factories; discharge from electrical, aerospace, and defense industries
<u>Cadmium</u>	0.005	0.005	Kidney damage	Corrosion of galvanized pipes; erosion of natural

				deposits; discharge from metal refineries; runoff from waste batteries and paints
<u>Chromium (total)</u>	0.1	0.1	Allergic dermatitis	Discharge from steel and pulp mills; erosion of natural deposits
<u>Copper</u>	1.3	TT ⁸ ; Action Level=1.3	Short term exposure: Gastrointestinal distress Long term exposure: Liver or kidney damage People with Wilson's Disease should consult their personal doctor if the amount of copper in their water exceeds the action level	Corrosion of household plumbing systems; erosion of natural deposits
<u>Cyanide (as free cyanide)</u>	0.2	0.2	Nerve damage or thyroid problems	Discharge from steel/metal factories; discharge from plastic and fertilizer factories
<u>Fluoride</u>	4.0	4.0	Bone disease (pain and tenderness of the bones); Children may get mottled teeth	Water additive which promotes strong teeth; erosion of natural deposits; discharge from fertilizer and aluminum factories
<u>Lead</u>	zero	TT ⁸ ; Action Level=0.015	Infants and children: Delays in physical or mental development; children could show slight deficits in attention span and learning abilities Adults: Kidney problems; high blood pressure	Corrosion of household plumbing systems; erosion of natural deposits
<u>Mercury (inorganic)</u>	0.002	0.002	Kidney damage	Erosion of natural deposits; discharge from refineries and factories; runoff from landfills and croplands

<u>Nitrate (measured as Nitrogen)</u>	10	10	Infants below the age of six months who drink water containing nitrate in excess of the MCL could become seriously ill and, if untreated, may die. Symptoms include shortness of breath and blue-baby syndrome.	Runoff from fertilizer use; leaching from septic tanks, sewage; erosion of natural deposits
<u>Nitrite (measured as Nitrogen)</u>	1	1	Infants below the age of six months who drink water containing nitrite in excess of the MCL could become seriously ill and, if untreated, may die. Symptoms include shortness of breath and blue-baby syndrome.	Runoff from fertilizer use; leaching from septic tanks, sewage; erosion of natural deposits
<u>Selenium</u>	0.05	0.05	Hair or fingernail loss; numbness in fingers or toes; circulatory problems	Discharge from petroleum refineries; erosion of natural deposits; discharge from mines
<u>Thallium</u>	0.0005	0.002	Hair loss; changes in blood; kidney, intestine, or liver problems	Leaching from ore-processing sites; discharge from electronics, glass, and drug factories

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Organic Chemicals

<u>Acrylamide</u>	zero	TT ²	Nervous system or blood problems; increased risk of cancer	Added to water during sewage/wastewater treatment
<u>Alachlor</u>	zero	0.002	Eye, liver, kidney or spleen problems; anemia; increased risk of cancer	Runoff from herbicide used on row crops
<u>Atrazine</u>	0.003	0.003	Cardiovascular system or	Runoff from

			reproductive problems	herbicide used on row crops
<u>Benzene</u>	zero	0.005	Anemia; decrease in blood platelets; increased risk of cancer	Discharge from factories; leaching from gas storage tanks and landfills
<u>Benzo(a)pyrene (PAHs)</u>	zero	0.0002	Reproductive difficulties; increased risk of cancer	Leaching from linings of water storage tanks and distribution lines
<u>Carbofuran</u>	0.04	0.04	Problems with blood, nervous system, or reproductive system	Leaching of soil fumigant used on rice and alfalfa
<u>Carbon tetrachloride</u>	zero	0.005	Liver problems; increased risk of cancer	Discharge from chemical plants and other industrial activities
<u>Chlordane</u>	zero	0.002	Liver or nervous system problems; increased risk of cancer	Residue of banned termiticide
<u>Chlorobenzene</u>	0.1	0.1	Liver or kidney problems	Discharge from chemical and agricultural chemical factories
<u>2,4-D</u>	0.07	0.07	Kidney, liver, or adrenal gland problems	Runoff from herbicide used on row crops
<u>Dalapon</u>	0.2	0.2	Minor kidney changes	Runoff from herbicide used on rights of way
<u>1,2-Dibromo-3-chloropropane (DBCP)</u>	zero	0.0002	Reproductive difficulties; increased risk of cancer	Runoff/leaching from soil fumigant used on soybeans, cotton, pineapples, and orchards
<u>o-Dichlorobenzene</u>	0.6	0.6	Liver, kidney, or circulatory system	Discharge from industrial chemical

			problems	factories
<u>p-Dichlorobenzene</u>	0.075	0.075	Anemia; liver, kidney or spleen damage; changes in blood	Discharge from industrial chemical factories
<u>1,2-Dichloroethane</u>	zero	0.005	Increased risk of cancer	Discharge from industrial chemical factories
<u>1,1-Dichloroethylene</u>	0.007	0.007	Liver problems	Discharge from industrial chemical factories
<u>cis-1,2-Dichloroethylene</u>	0.07	0.07	Liver problems	Discharge from industrial chemical factories
<u>trans-1,2-Dichloroethylene</u>	0.1	0.1	Liver problems	Discharge from industrial chemical factories
<u>Dichloromethane</u>	zero	0.005	Liver problems; increased risk of cancer	Discharge from drug and chemical factories
<u>1,2-Dichloropropane</u>	zero	0.005	Increased risk of cancer	Discharge from industrial chemical factories
Di(2-ethylhexyl) adipate	0.4	0.4	Weight loss, liver problems, or possible reproductive difficulties.	Discharge from chemical factories
Di(2-ethylhexyl) phthalate	zero	0.006	Reproductive difficulties; liver problems; increased risk of cancer	Discharge from rubber and chemical factories
<u>Dinoseb</u>	0.007	0.007	Reproductive difficulties	Runoff from herbicide used on soybeans and vegetables
<u>Dioxin (2,3,7,8-TCDD)</u>	zero	0.00000003	Reproductive difficulties; increased risk of cancer	Emissions from waste incineration and other combustion;

				discharge from chemical factories
<u>Diquat</u>	0.02	0.02	Cataracts	Runoff from herbicide use
<u>Endothall</u>	0.1	0.1	Stomach and intestinal problems	Runoff from herbicide use
<u>Endrin</u>	0.002	0.002	Liver problems	Residue of banned insecticide
<u>Epichlorohydrin</u>	zero	TT ²	Increased cancer risk, and over a long period of time, stomach problems	Discharge from industrial chemical factories; an impurity of some water treatment chemicals
<u>Ethylbenzene</u>	0.7	0.7	Liver or kidneys problems	Discharge from petroleum refineries
<u>Ethylene dibromide</u>	zero	0.00005	Problems with liver, stomach, reproductive system, or kidneys; increased risk of cancer	Discharge from petroleum refineries
<u>Glyphosate</u>	0.7	0.7	Kidney problems; reproductive difficulties	Runoff from herbicide use
<u>Heptachlor</u>	zero	0.0004	Liver damage; increased risk of cancer	Residue of banned termiticide
<u>Heptachlor epoxide</u>	zero	0.0002	Liver damage; increased risk of cancer	Breakdown of heptachlor
<u>Hexachlorobenzene</u>	zero	0.001	Liver or kidney problems; reproductive difficulties; increased risk of cancer	Discharge from metal refineries and agricultural chemical factories
<u>Hexachlorocyclopentadiene</u>	0.05	0.05	Kidney or stomach problems	Discharge from chemical factories
<u>Lindane</u>	0.0002	0.0002	Liver or kidney problems	Runoff/leaching from insecticide

				used on cattle, lumber, gardens
<u>Methoxychlor</u>	0.04	0.04	Reproductive difficulties	Runoff/leaching from insecticide used on fruits, vegetables, alfalfa, livestock
<u>Oxamyl (Vydate)</u>	0.2	0.2	Slight nervous system effects	Runoff/leaching from insecticide used on apples, potatoes, and tomatoes
<u>Polychlorinated biphenyls (PCBs)</u>	zero	0.0005	Skin changes; thymus gland problems; immune deficiencies; reproductive or nervous system difficulties; increased risk of cancer	Runoff from landfills; discharge of waste chemicals
<u>Pentachlorophenol</u>	zero	0.001	Liver or kidney problems; increased cancer risk	Discharge from wood preserving factories
<u>Picloram</u>	0.5	0.5	Liver problems	Herbicide runoff
<u>Simazine</u>	0.004	0.004	Problems with blood	Herbicide runoff
<u>Styrene</u>	0.1	0.1	Liver, kidney, or circulatory system problems	Discharge from rubber and plastic factories; leaching from landfills
<u>Tetrachloroethylene</u>	zero	0.005	Liver problems; increased risk of cancer	Discharge from factories and dry cleaners
<u>Toluene</u>	1	1	Nervous system, kidney, or liver problems	Discharge from petroleum factories
<u>Toxaphene</u>	zero	0.003	Kidney, liver, or thyroid problems; increased risk of cancer	Runoff/leaching from insecticide used on cotton and cattle

<u>2,4,5-TP (Silvex)</u>	0.05	0.05	Liver problems	Residue of banned herbicide
<u>1,2,4-Trichlorobenzene</u>	0.07	0.07	Changes in adrenal glands	Discharge from textile finishing factories
<u>1,1,1-Trichloroethane</u>	0.20	0.2	Liver, nervous system, or circulatory problems	Discharge from metal degreasing sites and other factories
<u>1,1,2-Trichloroethane</u>	0.003	0.005	Liver, kidney, or immune system problems	Discharge from industrial chemical factories
<u>Trichloroethylene</u>	zero	0.005	Liver problems; increased risk of cancer	Discharge from metal degreasing sites and other factories
<u>Vinyl chloride</u>	zero	0.002	Increased risk of cancer	Leaching from PVC pipes; discharge from plastic factories
<u>Xylenes (total)</u>	10	10	Nervous system damage	Discharge from petroleum factories; discharge from chemical factories

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Radionuclides

Alpha particles	none ⁷ ----- zero	15 picocuries per Liter (pCi/L)	Increased risk of cancer	Erosion of natural deposits of certain minerals that are radioactive and may emit a form of radiation known as alpha radiation
Beta particles and	none ⁷	4	Increased risk of cancer	Decay of natural and

photon emitters	----- zero	millirems per year		man-made deposits of certain minerals that are radioactive and may emit forms of radiation known as photons and beta radiation
Radium 226 and Radium 228 (combined)	none ⁷ ----- zero	5 pCi/L	Increased risk of cancer	Erosion of natural deposits
Uranium	zero	30 ug/L as of 12/08/03	Increased risk of cancer, kidney toxicity	Erosion of natural deposits

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Notes

¹ Definitions:

Maximum Contaminant Level (MCL) - The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to MCLGs as feasible using the best available treatment technology and taking cost into consideration. MCLs are enforceable standards.

Maximum Contaminant Level Goal (MCLG) - The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety and are non-enforceable public health goals.

Maximum Residual Disinfectant Level (MRDL) - The highest level of a disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.

Maximum Residual Disinfectant Level Goal (MRDLG) - The level of a drinking water disinfectant below which there is no known or expected risk to health. MRDLGs do not reflect the benefits of the use of disinfectants to control microbial contaminants.

Treatment Technique - A required process intended to reduce the level of a contaminant in drinking water.

² Units are in milligrams per liter (mg/L) unless otherwise noted. Milligrams per liter are equivalent to parts per million.

³ EPA's surface water treatment rules require systems using surface water or ground water under the direct influence of surface water to (1) disinfect their water, and (2) filter their water or meet criteria for avoiding filtration so that the following contaminants are controlled at the following levels:

- Cryptosporidium: (as of 1/1/02 for systems serving >10,000 and 1/14/05 for systems serving <10,000) 99% removal.

- *Giardia lamblia*: 99.9% removal/inactivation
- Viruses: 99.99% removal/inactivation
- *Legionella*: No limit, but EPA believes that if *Giardia* and viruses are removed/inactivated, *Legionella* will also be controlled.
- Turbidity: At no time can turbidity (cloudiness of water) go above 5 nephelometric turbidity units (NTU); systems that filter must ensure that the turbidity go no higher than 1 NTU (0.5 NTU for conventional or direct filtration) in at least 95% of the daily samples in any month. As of January 1, 2002, turbidity may never exceed 1 NTU, and must not exceed 0.3 NTU in 95% of daily samples in any month.
- HPC: No more than 500 bacterial colonies per milliliter.
- Long Term 1 Enhanced Surface Water Treatment (Effective Date: January 14, 2005); Surface water systems or (GWUDI) systems serving fewer than 10,000 people must comply with the applicable Long Term 1 Enhanced Surface Water Treatment Rule provisions (e.g. turbidity standards, individual filter monitoring, *Cryptosporidium* removal requirements, updated watershed control requirements for unfiltered systems).
- Filter Backwash Recycling; The Filter Backwash Recycling Rule requires systems that recycle to return specific recycle flows through all processes of the system's existing conventional or direct filtration system or at an alternate location approved by the state.

⁴ more than 5.0% samples total coliform-positive in a month. (For water systems that collect fewer than 40 routine samples per month, no more than one sample can be total coliform-positive per month.) Every sample that has total coliform must be analyzed for either fecal coliforms or *E. coli* if two consecutive TC-positive samples, and one is also positive for *E. coli* fecal coliforms, system has an acute MCL violation.

⁵ Fecal coliform and *E. coli* are bacteria whose presence indicates that the water may be contaminated with human or animal wastes. Disease-causing microbes (pathogens) in these wastes can cause diarrhea, cramps, nausea, headaches, or other symptoms. These pathogens may pose a special health risk for infants, young children, and people with severely compromised immune systems.

⁶ Although there is no collective MCLG for this contaminant group, there are individual MCLGs for some of the individual contaminants:

- Trihalomethanes: bromodichloromethane (zero); bromoform (zero); dibromochloromethane (0.06 mg/L). Chloroform is regulated with this group but has no MCLG.
- Haloacetic acids: dichloroacetic acid (zero); trichloroacetic acid (0.3 mg/L). Monochloroacetic acid, bromoacetic acid, and dibromoacetic acid are regulated with this group but have no MCLGs.

⁷ MCLGs were not established before the 1986 Amendments to the Safe Drinking Water Act. Therefore, there is no MCLG for this contaminant.

⁸ Lead and copper are regulated by a Treatment Technique that requires systems to control the corrosiveness of their water. If more than 10% of tap water samples exceed the action level, water systems must take additional steps. For copper, the action level is 1.3 mg/L, and for lead is 0.015 mg/L.

⁹ Each water system must certify, in writing, to the state (using third-party or manufacturer's certification) that when acrylamide and epichlorohydrin are used in drinking water systems, the combination (or product) of dose and monomer level does not exceed the levels specified, as follows:

- Acrylamide = 0.05% dosed at 1 mg/L (or equivalent)
- Epichlorohydrin = 0.01% dosed at 20 mg/L (or equivalent)


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National Secondary Drinking Water Regulations

National Secondary Drinking Water Regulations (NSDWRs or secondary standards) are non-enforceable guidelines regulating contaminants that may cause cosmetic effects (such as skin or tooth discoloration) or aesthetic effects (such as taste, odor, or color) in drinking water. EPA recommends secondary standards to water systems but does not require systems to comply. However, states may choose to adopt them as enforceable standards.

- [National Secondary Drinking Water Regulations](#) - The complete regulations regarding these contaminants available from the Code of Federal Regulations Web Site.
- For more information, read [Secondary Drinking Water Regulations: Guidance for Nuisance Chemicals](#).

List of National Secondary Drinking Water Regulations



Aluminum	0.05 to 0.2 mg/L
Chloride	250 mg/L
Color	15 (color units)
Copper	1.0 mg/L
Corrosivity	noncorrosive
Fluoride	2.0 mg/L
Foaming Agents	0.5 mg/L
Iron	0.3 mg/L

Manganese	0.05 mg/L
Odor	3 threshold odor number
pH	6.5-8.5
Silver	0.10 mg/L
Sulfate	250 mg/L
Total Dissolved Solids	500 mg/L
Zinc	5 mg/L

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Unregulated Contaminants

This list of contaminants which, at the time of publication, are not subject to any proposed or promulgated national primary drinking water regulation (NPDWR), are known or anticipated to occur in public water systems, and may require regulations under SDWA. For more information check out the list, or visit the Drinking Water Contaminant Candidate List (CCL) web site.

- [Drinking Water Contaminant Candidate List 2](#)
- [Drinking Water Contaminant Candidate List \(CCL\) Web Site](#)
- [Unregulated Contaminant Monitoring Program \(UCM\)](#)
- **Information on specific unregulated contaminants**
 - [MTBE \(methyl-t-butyl ether\) in drinking water](#)

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HISTORY

1. Exact name of utility making this report. (Use the words "The", "Company" or "Incorporated" only when a part of the corporate name.)

Kentucky-American Water Company

2. Give the location including city, street and number, of the executive office.

2300 Richmond Road
Lexington, Kentucky 40502

3. Give the location, including street and number, and telephone number of the principal office in Kentucky.

Same as above

4. Name and address of principal officer within Kentucky.

Nick O. Rowe
2300 Richmond Road, Lexington, KY. 40502
(606) 268 - 6320

5. Give name, title address and telephone number of the officer to whom correspondence concerning this report should be addressed.

Michael A. Miller
1600 Pennsylvania Avenue Charleston, WV 25302
(304) 353-6303

6. Date of organization. February 27, 1882.

7. Under the laws of what Government, State or Territory organized? (If more than one, name all. Give reference to each statute and amendments thereof.)

Incorporated as Lexington Hydraulic & Manufacturing Company by Acts of General
Assembly of the Commonwealth of Ky. Chap 22, Approved February 27, 1882.

8. If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same.

The Articles of Incorporation of Lexington Hydraulic and Manufacturing Company were amended 10/20/1922 to change name to Lexington Water Company. By Agreement of Consolidation dated 9/15/1927, Lexington Water Company and Blue Grass State Water Company were consolidated into one corporation known as the Lexington Water Company. The Articles of Incorporation of the Lexington Water Company were amended 3/30/1973 to change name to Kentucky-American Water Company.

9. Date and authority for each consolidation and each merger.

October 20, 1922 - Name change by amendment of Articles of Incorporation

September 15, 1927 - Agreement of Consolidation

March 30, 1973 - Name change by amendment of Articles of Incorporation

10. State whether respondent is a corporation, a joint stock association, a firm or partnership, or an individual.

Corporation

11. If a reorganized company, give name of original corporation, refer to laws under which it was organized and the occasion for the reorganization.

See No. 8, above

12. Name all other operating departments.

None

13. Name of counties in which you furnish water service.

Bourbon, Fayette, Harrison, Scott, Clark, Woodford, Gallatin, Grant, Owen and Bell counties. In addition, the company sells water for resale to customers in Bourbon, Jessamine, Scott, and Woodford counties.

REPORT OF
KENTUCKY-AMERICAN WATER COMPANY

For Year Ended December 31, 2006

Location where books and records are located:

2300 Richmond Rd.
Lexington, KY 40502

Contacts:

Name	Title	Principal Business Address	Salary Charged Utility
Send correspondence to: Nick O. Rowe	President	2300 Richmond Road Lexington, KY 40502-1308	XXXXXXXXXXXX
Report prepared by: Thomas C. Spitz	Manager	131 Woodcrest Rd Cherry Hill, NJ 08003	XXXXXXXXXXXX
Officers & Managers: Nick O. Rowe	President	2300 Richmond Road Lexington, KY 40502-1308	ALLOCATED
Robin Quinn	Assistant Comptroller	131 Woodcrest Rd Cherry Hill, NJ 08003	ALLOCATED
Thomas Bailey	Assistant Comptroller	1325 Virginia Street Charleston, WV 25301	ALLOCATED
Michael C. Miller	Treasurer & Comptroller	1325 Virginia Street Charleston, WV 25301	ALLOCATED
Sheila Valentine Miller	Assistant Secretary Assistant Treasurer	1325 Virginia Street Charleston, WV 25301	ALLOCATED
Velma A. Redmond	Assistant Secretary	800 W. Hersheypark Drive Hershey, PA 17033	ALLOCATED
Rachel S. Cole	Assistant Comptroller	2300 Richmond Road Lexington, KY 40502-1308	\$ 68,730
William J. Schiavi	Assistant Comptroller	131 Woodcrest Road Cherry Hill, NJ 08003	ALLOCATED
Thomas C. Spitz	Assistant Comptroller	131 Woodcrest Road Cherry Hill, NJ 08003	ALLOCATED
David A. Stewart	Assistant Comptroller	131 Woodcrest Rd Cherry Hill, NJ 08003	ALLOCATED
Doneen S. Hobbs	Assistant Comptroller	131 Woodcrest Rd Cherry Hill, NJ 08003	ALLOCATED
Rod Nevirauskas	Assistant Comptroller	131 Woodcrest Rd Cherry Hill, NJ 08003	ALLOCATED

Report every corporation or person owning or holding directly or indirectly 5 percent or more of the voting securities of the reporting utility:

Name	Percent Ownership in Utility	Principal Business Address	Salary Charged Utility
American Water Works Company, Inc.	100%	1025 Laurel Oak Road P.O.Box 1770, Voorhes, NJ 08043	N/A

**Kentucky American
Notes to Balance Sheet
For the Year Ended 12/31/06**

Due to audit adjustments made subsequent to the filing of the 2005 report, for the accounts listed below, the beginning as reported in the 2006 report, do not match the ending balances in the 2005 report.

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS

ACCT. NO.	ACCOUNT NAME	REF. PAGE	Balance at beginning of year With Audit Adjustments 12/31/06 Report	Balance at end of year As Filed FYE 12/31/05 Report	Net Change
(a)	(b)	(c)			
108-110	Less: Accumulated Depreciation and Amortization	16	(75,440,331)	(68,879,350)	(6,560,981)
204	Preferred Stock Issues	22	5,968,700	1,468,700	4,500,000
214-215	Retained Earnings	13	27,082,028	25,898,028	1,184,000
221	Bonds	24	77,000,000	81,500,000	(4,500,000)
236	Accrued Taxes	26	2,549,648	3,858,648	(1,309,000)
237	Interest Accrued	27	1,334,089	1,365,851	(31,762)
242	Miscellaneous Current and Accrued Liabilities	27 A	5,555,088	5,442,325	112,763
253	Other Deferred Credits		4,024,809	10,590,791	(6,565,982)
283	Accumulated Deferred Income Taxes		36,293,243	36,244,243	49,000

Due to these audit adjustments, the beginning balances and comparative prior year balances were changed from what was reported on the 2005 report for the following pages

Page 11 - 12 Comparative Operating Income Statement
Page 13 Statement of Retained Earnings
Page 14 Accumulated Depreciation
Page 16 Analysis of Accumulated Depreciation
Page 26 Taxes Accrued
Page 27 Interest Accrued

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY PLANT			
101-106	Utility Plant	14	315,150,300	339,306,900
108-110	Less: Accumulated Depreciation and Amortization	16	(75,440,331)	(83,425,396)
	Net Plant		239,709,969	255,881,504
114-115	Utility Plant Acquisition			
	Adjustments (Net)	17	338,465	347,965
116	Other Utility Plant Adjustments			
	Total Net Utility Plant		240,048,434	256,229,469
	OTHER PROPERTY AND INVESTMENTS			
121	Nonutility Property		249,738	249,738
122	Less: Accumulated Depreciation and Amortization			
	Net Nonutility Property			
123	Investment in Associated Companies	18		
124	Utility Investments	18		
125	Other Investments	18		
126-127	Special Funds	18		
	Total Other Property & Investments		249,738	249,738
	CURRENT AND ACCRUED ASSETS			
131	Cash		837,822	901,769
132	Special Deposits			
133	Other Special Deposits			
134	Working Funds		2,400	2,400
135	Temporary Cash Investments			
141-144	Accounts and Notes Receivable, Less Accumulated			
	Provision for Uncollectible Accounts	19	3,759,974	2,794,913
145	Accounts Receivable from Associated Companies		2,165,188	4,096,176
146	Notes Receivable from Associated Companies			
151-153	Materials and Supplies	20	425,930	515,515
163	Misc Deposits		1,000	0
165	Prepayments		63,536	69,208
171	Accrued Interest and Dividends Receivable			
172	Rents Receivable			
173	Accrued Utility Revenues		4,529,612	2,510,265
174	Misc. Current and Accrued Assets		196,826	197,763
	Total Current and Accrued Assets		11,982,288	11,088,009

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	21	535,665	462,791
182	Extraordinary Property Losses	21		
183	Preliminary Survey & Investigation Charges		134,963	125,657
184	Clearing Accounts			
185	Temporary Facilities			
186	Misc. Deferred Debits	20	6,139,843	5,530,696
187	Research & Development Expenditures			
190	Accumulated Deferred Income Taxes	21		
	Regulatory Assets		4,688,465	3,611,087
	Total Deferred Debits		11,498,936	9,730,231
	TOTAL ASSETS AND OTHER DEBITS		263,779,396	277,297,447

NOTES TO THE BALANCE SHEET

See attached audited financial statements for notes related to Balance Sheet items.

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
EQUITY CAPITAL				
201	Common Stock Issued	22	36,568,776	36,568,776
204	Preferred Stock Issues	22	5,968,700	5,966,100
202,205	Capital Stock Subscribed		0	0
203,206	Capital Stock Liability for Conversion		0	0
207	Premium on Capital Stock		56,139	8,056,139
209	Reduction in Par or Stated Value of Capital Stock			
210	Gain on Resale or Cancellation of Reacquired Capital Stock			180
211	Other Paid-In Capital			
212	Discount on Capital Stock			
213	Capital Stock Expense			
214-215	Retained Earnings	13	27,082,028	28,434,769
216	Reacquired Capital Stock			
218	Proprietary Capital (Proprietorship and Partnership Only)			
	Total Equity Capital		69,675,643	79,025,964
LONG-TERM DEBT				
221	Bonds	24	77,000,000	49,900,000
222	Required Bonds			
223	Advances from Associated Companies			
224	Other Long-Term Debt			
	Total Long-Term Debt		77,000,000	49,900,000
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable		5,134,659	6,335,298
232	Notes Payable	25	7,992,103	3,297,057
233	Accounts Payable to Associated Co	25	215,482	1,018,691
234	Current Long Term Debt	25	0	27,100,000
235	Customer Deposits		6,560	0
236	Accrued Taxes	26	2,549,648	8,512,511
237	Accrued Interest	27	1,334,089	581,042
238	Accrued Dividends		0	0
239	Matured Long-Term Debt			
240	Matured Interest			
241	Tax Collections Payable		502,709	334,059
242	Miscellaneous Current and Accrued Liabilities	27A	5,555,088	5,395,964
	Total Current and Accrued Liabilities		23,290,338	52,574,622

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED CREDITS			
251	Unamortized Premium on Debt	21		
252	Advances for Construction	22	16,448,419	16,492,638
253	Other Deferred Credits		4,024,809	2,998,399
255	Accumulated Deferred Investment Tax Credits		1,365,134	1,302,648
	Total Deferred Credits		21,838,362	20,793,685
	OTHER NON-CURRENT LIABILITIES			
	Accumulated Provision for:			
261	Property Insurance			
262	Injuries and Damages			
263	Pensions and Benefits			
265	Miscellaneous Operating Reserves			
266	Rate Refunds			
	Total Other Non-Current Liabilities			
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions in Aid of Construction	28	44,761,766	50,089,413
	Tap-on Fees - Customers			
	Federal Grants in Aid of Construction			
	Other			
272	Accumulated Amortization of Contributions in Aid of Construction	28	(9,079,956)	(10,254,181)
	Total Net C.I.A.C.		35,681,810	39,835,232
	ACCUMULATED DEFERRED INCOME TAXES			
281	Accumulated Deferred Income Taxes Accelerated Depreciation			
282	Accumulated Deferred Income Taxes Liberalized Depreciation			
283	Accumulated Deferred Income Taxes Other		36,293,243	35,167,944
	Total Accumulated Deferred Income Taxes		36,293,243	35,167,944
	TOTAL EQUITY CAPITAL AND LIABILITIES		263,779,396	277,297,447

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY OPERATING INCOME			0
400	Operating Revenues	30	49,995,285	48,706,602
401	Operating Expenses	31	25,657,770	25,960,316
403	Depreciation Expenses		6,929,709	7,883,962
406	Amortization of Utility Plant Acquisition Adjustment		21,611	21,611
407	Amortization Expense		671,555	437,654
408.1	Taxes Other Than Income		2,736,002	2,856,475
409.1	Income Taxes		2,019,699	3,329,055
410.10	Deferred Federal Income Taxes		629,311	(936,223)
410.11	Deferred State Income Taxes		932,708	205,668
410.12	Deferred Local Income Taxes			0
411.10	Provision for Deferred Income Taxes Credit			0
412.10	Investment Tax Credits Deferred to Future Periods			0
412.11	Investment Tax Credits Restored to Operating Income		(95,596)	(84,757)
	Utility Operating Expenses		39,502,769	39,673,761
	Utility Operating Income		10,492,516	9,032,841
413	Income From Utility Plant Leased to Others			
414	Gains (Losses) from Disposition of Utility Property		0	0
	Total Utility Operating Income		10,492,516	9,032,841
			0	
	OTHER INCOME AND DEDUCTIONS			
415	Revenues from Merchandising, Jobbing and Contract Deductions		1,638,090	1,629,103
416	Costs and Expenses of Merchandising, Jobbing and Contract Work		(1,633,597)	(1,777,840)
419	Interest & Dividend Income		0	2,213
420	Allowance for Funds Used During Construction		494,178	390,200
421	Nonutility Income			
426	Miscellaneous Nonutility Expenses		(338,328)	(277,970)
	Total Other Income and Deductions		160,343	(34,294)

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income			
409.20	Income Taxes		(133,374)	(170,552)
410.20	Provision for Deferred Income Taxes			
411.20	Provision for Deferred Income Taxes Credit			
412.20	Investment Tax Credits - Net			
412.21	Investment Tax Credits Restored to Nonoperating Income			
	Total Taxes Applicable to Other Income		(133,374)	(170,552)
	INTEREST EXPENSE			
427	Interest Expense		5,174,523	5,205,056
428	Amortization of Debt Discount & Exp.		77,198	72,873
429	Amortization of Premium on Debt			
	Total Interest Expense		5,251,721	5,277,929
	EXTRAORDINARY ITEMS			
433	Extraordinary Income			
434	Extraordinary Deduction			
409.30	Income Taxes, Extraordinary Items			
	Total Extraordinary Items			
	NET INCOME		5,534,512	3,891,170
				0

STATEMENT OF RETAINED EARNINGS

1. Dividends should be shown for each class and series of capital stock. Show amounts of dividends per share.
2. Show separately the state and federal income tax effect of items shown in Account No. 439.

ACCT. NO. (a)	(b)	AMOUNTS (c)
215	Unappropriated Retained Earnings:	
	Balance beginning of year	27,082,028
	Changes to account:	
	Adjustments to Retained Earnings (requires Commission Approval prior to use):	
	Credits _____	
	Total Credits _____	
	Debits _____	
	Total Debits _____	
435	Balance Transferred from Income Water	3,891,170
	Sewer	(73,370)
436	Appropriations of Retained Earnings:	

	Total Appropriations of Retained Earnings _____	
437	Dividends Declared:	
	Preferred Stock Dividends Declared _____	458,799
	Common Stock Dividends Declared _____	2,006,260
	Total Dividends Declared _____	2,465,059
	Balance end of year _____	1,352,741
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	

	Total Appropriated Retained Earnings _____	
	Total Retained Earnings	28,434,769

Notes to Statement of Retained Earnings:

NET UTILITY PLANT (ACCTS. 101 - 106)

ACCT. NO.	PLANT ACCOUNTS	TOTAL
101	Utility Plant in Service	323,642,454
102	Utility Plant Leased to Others (Regulatory Asset - AFUDC-Debt)	272,637
103	Property Held for Future Use	114,076
104	Utility Plant Purchased or Sold	0
105	Construction Work in Progress	11,773,549
106	Completed Construction Not Classified	
	Total Utility Plant	335,802,716

ACCUMULATED DEPRECIATION (ACCT. 108)

DESCRIPTION	
Balance first of year	74,112,606
Credit during year:	
Accruals Charged to Account 108.1	8,755,185
Accruals Charged to Account 108.2	
Accruals Charged to Account 108.3	
Accruals Charged to Other Accounts (specify)	

Salvage - Scrap	16,843
Other Credits (specify):	
_____	0
_____	0
Total Credits	8,772,028
Debits during year:	
Book Cost of Plant Retired	670,943
Cost of Removal	190,493
Other Debits (specify):	
<i>accum. Amort UPIS write-off</i>	7,673

Total Debits	869,109
Balance end of year	82,015,525

WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)	.1 INTANGIBLE PLANT (g)	.2 SOURCE OF SUPPLY & PUMPING PLANT (h)	.3 WATER TREATMENT PLANT (i)	.4 TRANS. & DISTRIBUTION PLANT (j)	.5 GENERAL PLANT (k)
301	Organization	30,624	1,017		31,641	31,641				
302	Franchises	70,261			70,261	70,261				
303	Land and Land Rights	4,533,618	2,194		4,535,812		447,792	68,164	4,019,856	
304	Structures and Improvements	20,749,276	3,009,489	27,900	23,730,865		7,368,450	8,962,557	825,967	6,573,890
305	Collecting & Impounding Reservoirs	1,015,696	857		1,016,553		1,016,553			
306	Lake River & Other Intakes	581,930		20,500	561,430		561,430			
307	Wells & Springs	0			0		0			
308	Infiltration Galleries & Tunnels	0			0		0			
309	Supply Mains	5,084,342			5,084,342		5,084,342			
310	Power Generation Equipment	572,278	176		572,454		572,454			
311	Pumping Equipment	10,209,956	187,447	10,400	10,387,003		10,387,003			
320	Water Treatment Equipment	26,507,335	76,201	122,300	26,461,236			26,461,236		
330	Distribution Reservoirs & Standpipes	8,254,462	3,559,007		11,813,469				11,813,469	
331	Transmission & Distribution Mains	141,057,772	10,477,642	31,765	151,503,649				151,503,649	
333	Services	32,566,071	2,763,761	3,882	35,325,950				35,325,950	
334	Meters and Meter Installations	21,815,169	2,070,210	184,704	23,700,675				23,700,675	
335	Hydrants	9,289,362	875,698	17,275	10,147,785				10,147,785	
339	Other Plant and Miscellaneous Equipment	740,702	(736,864)		3,838	3,838				
340	Office Furniture and Equipment	8,366,886	293,166	3,847	8,656,205					8,656,205
341	Transportation Equipment	2,369,081	694,052	245,498	2,817,635					2,817,635
342	Stores Equipment	35,547			35,547					35,547
343	Tools, Shop and Garage Equipment	803,223	618,066		1,421,289					1,421,289
344	Laboratory Equipment	839,579	3,520		843,099					843,099
345	Power Operated Equipment	1,580,265	9,546		1,589,811					1,589,811
346	Communication Equipment	1,908,079	23,066		1,931,145					1,931,145
347	Miscellaneous Equipment	714,945	550,204	2,872	1,262,277					1,262,277
348	Other Tangible Plant	138,485			138,485					138,485
Total Water Plant		299,834,944	24,478,455	670,943	323,642,456	105,740	25,438,024	35,491,957	237,337,351	25,269,383

SEWER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	CURRENT YEAR (f)	.1 INTANGIBLE PLANT (g)	.2 SOURCE OF SUPPLY & PUMPING PLANT (h)	.3 WATER TREATMENT PLANT (i)	.4 TRANS. & DISTRIBUTION PLANT (j)	.5 GENERAL PLANT (k)
353	Land & Land Rights	2,250			2,250		2,250			
354	Structures & Improvements	2,454,362	22,054	2552	2,473,864		2,473,864		853,518	
360	Collection Sewers - Force	853,518			853,518					
363	Services To Customers	9,550			9,550				9,550	
371	Pumping Equipment	10,708			10,708		10,708			
					0					
					0					
					0					
					0					
					0					
380	Treatment & Disposal Equipment	17,750	4,966		22,716			22,716		
					0					
390	Office Furniture & Equipment	11,637			11,637					11,637
391	Transportation Equipment	35,144			35,144					35,144
392	Stores Equipment	500			500					500
393	Tool, Shop & Garage Equipment	24,395	1,354		25,749					25,749
395	Power Operated Equipment	37,141			37,141					37,141
396	Communication Equipment	1,396			1,396					1,396
397	Misc Equipment	12,970	6,774		19,744					19,744
	Total Sewer Plant	3,471,321	35,148	2,552	3,503,917	0	2,486,822	22,716	863,068	131,311

ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT 2006

ACCT. NO. (a)	WATER ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR		CHARGES DURING THE YEAR		BALANCE END OF YEAR (h)
			CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	PLANT RETIREMENTS (f)	OTHER CHARGES (g)	
301	Organization	0					0
302	Franchises	58,778					58,778
303	Limited Term Interest in Land and Land Rights	26,813					26,813
304	Structures and Improvements	3,374,516	532,163		27,900	(25)	3,878,804
305	Collecting and Impounding Reservoirs	290,103	22,355				312,458
306	Lake River and Other Intakes	94,422	12,433		20,500	72,600	13,755
307	Wells and Springs	0					0
308	Infiltration Galleries and Tunnels	0					0
309	Supply Mains	805,710	56,414				862,124
310	Power Generating Equipment	248,279	19,163				267,442
311	Pumping Equipment	4,424,225	376,466		10,400	2,907	4,787,384
320	Water Treatment Equipment	11,896,883	1,027,426		122,300	1,313	12,800,696
330	Distribution Reservoirs and Standpipes	2,731,596	272,156				3,003,752
331	Transmission and Distribution Mains	20,090,009	1,731,698	7,995	31,765	10,540	21,787,397
333	Services	12,387,864	1,425,379		3,882	46,363	13,762,998
334	Meters & Meter Installations	4,370,376	565,866	8,848	184,703	68,174	4,692,213
335	Hydrants	2,323,286	250,208		17,275	1,512	2,554,707
339	Other Plant and Miscellaneous Equipment	333,062	61,849				394,911
340	Office Furniture and Equipment	6,069,188	1,558,639		3,847		7,623,980
341	Transportation Equipment	1,678,017	355,592		245,498	(12,892)	1,801,003
342	Stores Equipment	25,733	1,379				27,112
343	Tools, Shop and Garage Equipment	522,187	70,035				592,222
344	Laboratory Equipment	363,076	92,004				455,080
345	Power Operated Equipment	536,693	142,803				679,496
346	Communication Equipment	440,195	91,607				531,802
347	Miscellaneous Equipment	179,336	53,733		2,873	0	230,196
348	Other Tangible Plant	296,927	28,917				325,844
	Boonesboro Acquisition	447,969					447,969
	Subtotal	74,015,243	8,748,285	16,843	670,943	190,492	81,918,936
	Acc Depr Reg Asset	89,689	6,900				96,589
	Acc Amort UPIS	7,673				7,673	0
	TOTALS	74,112,605	8,755,185	16,843	670,943	198,165	82,015,525

ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT 2006

ACCT. NO. (a)	SEWER ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR			CHARGES DURING THE YEAR		BALANCE END OF YEAR (h)
			CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	PLANT RETIREMENTS (f)	OTHER CHARGES (g)		
351	WW Organization	0					0	
352	WW Franchises	0					0	
353	WW Land and Land Rights	0	0				0	
354	WW Structures and Improvements	809,707	51,121	0	2,552	0	858,276	
360	WW Collection Sewers- Force	310,793	18,815				329,608	
361	WW Collection Sewers- Gravity	0	0	0			0	
362	WW Special Collecting Structures	0					0	
363	WW Services to Customers	0	191				191	
364	WW Flow Measuring Devices	0	0				0	
365	WW Flow Measuring Installations	0	0				0	
370	WW Receiving Wells	0	0				0	
371	WW Pumping Equipment	0	535				535	
380	WW Treatment And Disposal Equipment	4,509	990			0	5,499	
381	WW Plant Sewers	0	0			0	0	
382	WW Outfall Sewer Lines	0	0			0	0	
389	WW Other Plant And Miscellaneous Equipment	169,188				0	169,188	
390	WW Office Furniture And Equipment	32,992	1,201				34,193	
391	WW Transportation Equipment	0	3,908				3,908	
392	WW Stores Equipment	0	50				50	
393	WW Tools, Shop and Garage Equipment	0	2,562				2,562	
394	WW Laboratory Equipment	0	0				0	
395	WW Power Operated Equipment	0	3,810				3,810	
396	WW Communication Equipment	0	140				140	
397	WW Miscellaneous Equipment	536	1,375				1,911	
398	WW Other Tangible Plant	0	0	0		0	0	
		0	0				0	
		0	0				0	
		0	0				0	
		0	0				0	
	Subtotal	1,327,725	84,698	0	2,552	0	1,409,871	
	Acc Depr Reg Asset	0	0				0	
	Acc Amort UPIS	0					0	
	TOTALS	1,327,725	84,698	0	2,552	0	1,409,871	

INVESTMENTS AND SPECIAL FUNDS (ACCTS. 123 - 127)

Report hereunder all investments and special funds carried in Accounts 123 through 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (ACCT. 123):		

Total Investment in Associated Companies:		
UTILITY INVESTMENTS (ACCT. 124):		

Total Utility Investments		
OTHER INVESTMENTS (ACCT. 125):		

Total Other Investments		
SPECIAL FUNDS (ACCTS. 126 & 127):		

Total Special Funds		

ACCUMULATED AMORTIZATION (ACCT. 110)

DESCRIPTION	TOTAL
Balance first of year	0
Credit during year:	
Accruals Charged to Account 110.1	
Accruals Charged to Account 110.2	
Other Credits (specify)	

Total Credits	0
Debits during year:	
Book Cost of Plant Retired	
Other Debits (specify)	

Total Debits	0
Balance end of year	0

UTILITY PLANT ACQUISITION ADJUSTMENTS (ACCTS. 114 - 115)

Report each acquisition adjustment and related accumulated amortization separately. For any acquisition adjustment approved by the Commission, include the Order Number.

ACCOUNT NAME	TOTAL
Acquisition Adjustments (114)	
Boonesboro Water Association	138,217
Tri-Village	334,694
Owentown	(16,961)

Total Plant Acquisition Adjustments	455,950
Accumulated Amortization (115)	
Amortization Boones boro Water Association	(75,046)
Amortization Tri Village Water Association	(33,470)
Amortization Owentown	531

Total Accumulated Amortization	(107,985)
Net Acquisition Adjustments	347,965

ACCOUNTS AND NOTES RECEIVABLE - NET (ACCOUNTS 141 - 144)

Report hereunder all accounts and notes receivable included in Accounts 141, 142 and 144. Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION		TOTAL
ACCOUNTS & NOTES RECEIVABLE:		
Customer Accounts Receivable (Acct. 141)		2,453,029
Other Accounts Receivable (Acct. 142)		
	602,981	
		602,981
Notes Receivable (Acct. 144)		
Total Accounts and Notes Receivable		3,056,010
Accumulated Provision for Uncollectible Accounts (Acct. 143):		
Balance first of year	(258,904)	
Add: Provision for uncollectibles for current year	0	
	(409,469)	
Collections of accounts previously written off	100,420	
Utility Accounts	0	
Others		
Yearly Provision Calculation	(185,406)	
Total Additions	(753,359)	
Deduct accounts written off during year:	492,262	
Utility Accounts		
Other		
Total accounts written off		
Balance end of year		(261,097)
Total Accounts and Notes Receivable - Net		2,794,913

MATERIALS AND SUPPLIES (151 - 153)

ACCOUNT NAME	TOTAL
Plant Materials and Supplies (Account 151)	515,515
Merchandise (Account 152)	
Other Materials and Supplies (Account 153)	
Total Materials and Supplies	515,515

PREPAYMENTS (ACCT. 162)

DESCRIPTION	TOTAL
Prepaid Insurance	708
Prepaid Rents	
Prepaid Interest	
Prepaid Taxes	0
Prepaid PUC/PSC Assessments	41,173
Other Prepayments (Specify)	
Licensing Fees	5,347
PW Audit fees	0
Oracle	16,916
Legal Fees	5,064
AWWA Research Fees	0
Lotus Notes Fees	0
Total Prepayments	69,208

MISCELLANEOUS DEFERRED DEBITS (ACCT. 186)

DESCRIPTION	TOTAL
Miscellaneous Deferred Debits (Acct. 186):	
Deferred Rate Case Expense (Acct. 186.1)	421,207
Other Deferred Debits (Acct. 186.2)	5,109,489
Total Miscellaneous Deferred Debits	5,530,696

UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT (ACCTS. 181 & 251)

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION	AMOUNT WRITTEN OFF DURING YEAR	YEAR END BALANCE
Unamortized Debt Discount and Expense (Acct. 181):		
Series 8.50%	933	15,783
Series 7.21%	0	0
Series 6.96%	2,331	39,428
Series 6.79%	0	0
Series 7.15%	2,429	48,786
Series 6.99%	3,262	69,863
Series 6.87%	62,494	265,597
Preferred Stock Series 7.9%	0	0
Preferred Stock Series 8.47%	771	23,062
Series 5.65%	654	272
Total Unamortized Debt Discount and Expense	72,873	462,791
Unamortized Premium on Debt (Acct. 251):		
Total Unamortized Premium on Debt		

EXTRAORDINARY PROPERTY LOSSES (ACCT. 182)

Report each item separately.

DESCRIPTION	TOTAL
Extraordinary Property Losses (Acct. 182):	
Total Extraordinary Property Losses	

ACCUMULATED DEFERRED INCOME TAXES (ACCT. 190)

DESCRIPTION	TOTAL
Accumulated Deferred Income Taxes (Acct. 190):	
Federal (190.1)	
State (190.2)	
Local (190.3)	
Total Accumulated Deferred Income Taxes	

ADVANCES FOR CONSTRUCTION (ACCT. 252)

DESCRIPTION	TOTAL
Balance first of year	16,448,419
Add credits during year	6,531,310
Deduct charges during year	6,487,091
Balance end of year	16,492,638

CAPITAL STOCK (ACCTS. 201 - 204)

(a)	COMMON STOCK (b)	PREFERRED STOCK (c)
Par or stated value per share	NO PAR	100
Shares authorized	2,000,000	85,000
Shares issued and outstanding	1,567,391	14,661
Total par value of stock issued	36,568,776	5,966,100
Dividends declared per share for year	1.28	31.29

LONG TERM DEBT (ACCT. 224)

DESCRIPTION OF OBLIGATION (INCLUDING NOMINAL DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL PER BALANCE SHEET DATE (d)
	RATE (b)	AMOUNT (c)	
n/a			
Total		0	0

BONDS (ACCT. 221)

Line No.	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Value of Amount Held by or for Respondent (3)	Actually Outstanding At Close of Year (4)	Interest During Year	
					Accrued (5)	Actually Paid (6)
1						
2						
3	14,000,000	14,000,000	0	14,000,000	663,153	665,000
4	7,000,000	7,000,000	0	7,000,000	485,847	487,200
5	0	0	0	0	0	0
6	7,500,000	7,500,000	0	7,500,000	534,760	536,250
7	9,000,000	9,000,000	0	9,000,000	627,352	629,100
8	15,500,000	15,500,000	0	12,400,000	1,067,808	1,064,850
9	24,000,000	24,000,000	0	0	1,352,234	2,101,800
10	0	0	0	0	0	0
Total	77,000,000	77,000,000	0	49,900,000	4,731,154	5,484,200

SCHEDULE OF BOND MATURITIES

(The total of column 12 must agree with the total of column 4)

Line No.	Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amount (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
1						
2						
3		12/1/2023	6.96%	7,000,000		7,000,000
4		2/1/2027	7.15%	7,500,000		7,500,000
5		6/1/2028	6.99%	9,000,000		9,000,000
6		3/29/2011	6.87%	15,500,000		12,400,000
7		6/12/2007	5.65%	24,000,000		-
8		3/1/2014	4.75%	14,000,000		14,000,000
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
Total				77,000,000	0	49,900,000

NOTES PAYABLE (ACCOUNTS 232 & 234)

(a)	NOMINAL DATE OF ISSUE (b)	DATE OF MATURITY (c)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
			RATE (d)	AMOUNT OF PAYMENT (e)	
Account 232 - Notes Payable: Notes Payable _ AWW Cap Corp					3,297,057
Total Account 232					3,297,057
Account 234 - Notes Payable to Associated Companies:					
Sinking Fund					3,100,000
		3/09/2007	6.87%		
		6/12/2007	5.65%		24,000,000
Total Account 234					27,100,000

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCOUNT 233)

SHOW PAYABLE TO EACH ASSOCIATED COMPANY SEPARATELY	AMOUNT
American Water Works Service Co., Inc.	1,018,691
Total Account 233	1,018,691

TAXES ACCRUED (ACCOUNT 236)

ACCT. NO. (a)	DESCRIPTION (b)	TOTAL (c)
	Balance first of year	2,549,648
	Accruals Charged:	
408.10	Utility regulatory assessment fees	76,655
408.11	Property taxes	2,376,846
408.12	Payroll taxes	403,803
408.13	Other taxes and licenses	3,153
408.20	Taxes other than income, other income and deductions	0
409.10	Federal income taxes	3,099,392
409.11	State income taxes	229,663
409.12	Local income taxes	
409.20	Income taxes, other income taxes, other income and deductions	(170,552)
409.30	Income taxes, extraordinary items	
410.10	Deferred federal income taxes	(936,223)
410.11	Deferred state income taxes	205,668
410.12	Deferred local income taxes	
410.20	Provisions for deferred income taxes, other income and deductions	
411.10	Deferred income taxes - credit	
411.20	Provisions for deferred income taxes - credit, other income and deductions	
412.10	ITC deferred to future periods	
412.11	ITC restored to operating income	(84,757)
412.20	ITC - Net nonutility operators	
412.21	ITC - Restored to nonoperating inc., util. operations	
	Total taxes accrued	5,203,648
	Taxes paid during year:	
408.10	Utility regulatory assessment fees	76,655
408.11	Property taxes	699,978
408.12	Payroll taxes	431,734
408.13	Other taxes and licenses	3,153
408.20	Taxes other than income, net change in sales tax accruals	(1,439,011)
409.10	Federal income taxes	584,021
409.11	State income taxes	(129,881)
409.12	Local income taxes	
409.20	Income taxes, other income taxes, other income and deductions	(170,552)
409.30	Income taxes, extraordinary items	
410.10	Deferred federal income taxes	(936,223)
410.11	Deferred state income taxes	205,668
410.12	Deferred local income taxes	
410.20	Provisions for deferred income taxes, other income and deductions	
411.10	Deferred income taxes - credit	
411.20	Provisions for deferred income taxes - credit, other income and deductions	0
412.10	ITC deferred to future periods	
412.11	ITC restored to operating income	(84,757)
412.20	ITC - Net nonutility operators	
412.21	ITC - Restored to nonoperating inc., util. operations	
	Total taxes paid	(759,215)
	Balance end of year	8,512,511

ACCRUED INTEREST (ACCOUNT 237)

DESCRIPTION OF DEBT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR (c)	INTEREST PAID DURING YEAR (d)	BALANCE END OF YEAR (e)
Account No. 237.1 - Accrued Interest on Long-Term Debt:	1,334,089	4,731,154	5,484,201	581,042
Total Acct. No. 237.1	1,334,089	4,731,154	5,484,201	581,042
Account No. 237.2 - Accrued Interest on Other Liabilities:				
Interest on Note Balance (AWCC)	0	408,695	408,695	0
Other Interest Expense	0	65,207	65,207	0
Total Acct. No. 237.2	0	473,902	473,902	0
Total Acct. No. 237	1,334,089	5,205,056	5,958,103	581,042

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (ACCOUNT 242)

DESCRIPTION (a)	BALANCE END OF YEAR (b)
Accrued Vacation Payable	24,138
Accrued Water	33,268
Accrued Power	273,336
Accrued Legal	21,806
Accrued Audit Fees	1,055
Accrued Wages	205,867
Accrued Insurance	1
Accrued Rents	30,625
Accrued Waste Disposal	120,218
Accrued Retiree Medical Reimb	3,500
Accrued DPB Contribution	5,239
Accrued bank Fees	34,155
Withheld Payroll - Union Dues	0
Withheld Payroll - Garnishment	0
Withheld Payroll - Tax Coll Pay FIT/SIT/LIT/FICA	16,376
Withheld Payroll - Charitable Contributions	0
Withheld Payroll - Savings Account	0
Withheld Payroll - Credit Union	0
Withheld Payroll - Flexible Spending Accounts	1,774
Withheld Payroll - 401k	30,824
Withheld Payroll - Miscellaneous	0
Accrued 401k Expense	10,510
Accrued Preferred Dividend Requirements	50,164
Construction Costs Payable	57,053
Withheld Payroll - ESOP	0
Unclaimed Credits	52,621
Unclaimed Extension Deposit Refunds	4,599
Accrued Unbilled Items	28,771
Contract Liab Property Purchase Payments	0
Unbilled Stock C	66,572
Unbilled Stock E	113,168
CFO - Mgmt Contracts	164,030
Bank Clearing	3,377,353
Other Current Liabilities Analyzed	668,941
Refund Rate Under Bonds	0
Total Miscellaneous Current and Accrued Liabilities	5,395,964

**REGULATORY COMMISSION EXPENSE - AMORTIZATION
OF RATE CASE EXPENSE (ACCOUNTS 666 & 667)**

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	AMOUNT TRANSFERRED TO ACCOUNT NO.186.1 (c)	CHARGED OFF DURING YEAR	
			ACCT. (d)	AMOUNT (e)
Rate Case Expense	0	0	666	361,517
Demand Study	0	0	667	0
Cost of Service Study	0	0	667	8,569
Total	0	0	0	370,086

CONTRIBUTIONS IN AID OF CONSTRUCTION (ACCOUNT 271 and ACCOUNT 272)

DESCRIPTION	TOTAL
Balance first of year	44,761,766
Add credits during year	5,327,647
Deduct charges during year	0
Balance end of year	50,089,413
Less Accumulated Amortization	10,254,181
Net Contributions in Aid of Construction	39,835,232

**RECONCILIATION OF REPORTED NET INCOME
WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES**

1. The reconciliation should include the same detail as furnished on Schedule M-1 of the Federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computation of all tax accruals.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State name of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

DESCRIPTION	REF.	AMOUNT
Net income for the year		3,817,800
Federal Income Tax Accrual		1,936,286
State & Local Income Tax Accrual		406,905
Pre-Tax Book Income		6,160,991
Permanent Differences:		
Meal & Entertainment		16,507
Nondeductible Penalties		217,010
Medicare Subsidy		(226,862)
Lobbying Expenses		26,274
Total Permanent Differences		32,929
Financial Taxable Income		6,193,920
Temporary Differences:		
Uncollectible Accounts		26,047
Vacation Pay		(25,963)
Taxable Contributions (CIAC)		408,545
Taxable Advances		(1,157,583)
Rate Case Expense		331,204
Depreciation & Amortization		(1,075,879)
Reg Asset - AFUDC Debt		6,325
Gains & Losses		0
Abandonment Losses		(739,670)
Cost of Removal		89
Amortization UPAA		19,315
Cost of Service Study		78,893
Incent Plan (Incen 3)		23,763
Incent Plan (Incen 5)		11,987
Regulatory Pension (Pension 2)		(581,951)
Regulatory Pension (Pension 3)		119,890
Accrued OPEB		159,205
AFUDC (AFUDC 1)		(14,855)
AFUDC Equity CWIP (AFUDC 2)		(92,759)
Amortization of Regulatory (AFUDC 3)		23,584
Deferred Maintenance (Maint 1)		270,705
Miscellaneous Deferred Debits (Misc 1)		404,366
Miscellaneous Deferred Credits (Misc 3)		(380,089)
Deferred Security Costs		0
Deferred Customer Service Center Costs		0
Deferred Financial Services Costs		0
Total Temporary Differences		(2,184,831)
Federal Taxable Income Before SIT		4,009,089
State Income Tax Deduction		(124,303)
Federal Taxable Income		3,884,786
Tax Rate		35%
Federal Income Tax Payable		1,359,675
Provision Adjustment		0
Federal Income Tax Expense		1,359,675

WATER OPERATING REVENUE

ACCT. NO. (a)	(b)	BEGINNING YEAR NO. CUSTOMERS (c)	YEAR END NUMBER CUSTOMERS (d)	AMOUNTS (e)
	Operating Revenues			
460	Unmetered Water Revenue			
461	Metered Water Revenue:			
461.1	Sales to Residential Customers	101,770	104,754	25,901,272
461.2	Sales to Commercial Customers	8,261	8,573	11,709,164
461.3	Sales to Industrial Customers	21	21	1,377,233
461.4	Sales to Public Authorities			
461.5	Sales to Multiple Family Dwellings			
461.6	Sales through Bulk Loading Stations			19,513
	Total Metered Sales	110,052	113,348	39,007,182
462	Fire Protection Revenue:			
462.1	Public Fire Protection	36	37	2,182,373
462.2	Private Fire Protection	1,206	1,693	1,052,544
	Total Fire Protection Revenue	1,242	1,730	3,234,917
464	Other Sales to Public Authorities	484	486	3,420,071
465	Sales to Irrigation Customers			
466	Sales for Resale	10	11	882,262
467	Interdepartmental Sales			250,589
	Total Sale of Water	111,788	115,575	46,795,021
	Other Water Revenues:			
470	Forfeited Discounts			0
471	Miscellaneous Service Revenues			899,030
472	Rents from Water Property			114,921
473	Interdepartmental Rents			
474	Other Water Revenues			897,630
475	Provision for Rate Refunds			
	Total Other Water Revenues			1,911,581
	Total Water Operating Revenues			48,706,602

WATER UTILITY EXPENSE ACCOUNTS

ACCT. NO.	ACCOUNT NAME	WATER EXPENSE ACCOUNT MATRIX									
		.1	.2	.3	.4	.5	.6	.7	.8		
		SOURCE OF SUPPLY OPERATION (d)	SOURCE OF SUPPLY MAINTEN. (e)	WATER TREATMENT EXPENSES OPERATION (f)	WATER TREATMENT EXPENSES MAINTEN. (g)	TRANS. & DISTRIBU. EXPENSES OPERATION (h)	TRANS. & DISTRIBU. EXPENSES MAINTEN. (i)	CUSTOMER ACCOUNTS EXPENSE (j)	ADMINISTRATIVE & GENERAL EXPENSES (k)		
601	Salaries & Wages - Employer ok	0	61,580	1,350,656	95,598	1,578,176	772,245	883,171	376,738		
603	Salaries & Wages - Officers, Directors & Majority Stockholders ok	0						0	0		
604	Employee Pensions & Benefits ok	2,538,602			0				2,538,602		
610	Purchased Water ok	470,620									
615	Purchased Power ok	2,520,856		2,274,093		239					
616	Fuel for Power Production ok	6,678									
618	Chemicals ok	1,466,252		1,466,252							
620	Materials and Supplies	(4,310)	68,113	20,055	60,909	107,353	216,906	1,993	58,847		
631	Contractual Services - Eng	15,778				(142)	15,920		0		
632	Contractual Services - Acct	66,367							66,367		
633	Contractual Services - Legal	50,103		232					49,871		
634	Contractual Services - Management Fees	0							0		
635	Contractual Services - Other	7,336,045		114,090		86,032	0	192,837	6,942,904		
641	Rental of Bldg./Real Property	2,426				2,426			0		
642	Rental of Equipment	49,812		0		20,300			29,512		
650	Transportation Expenses	497,139		85		6,113		486	490,623		
656	Insurance - Vehicle ok	0									
657	Insurance - General Liability ok	423,980							423,980		
658	Insurance - Worker's Compensation ok	113,815							113,815		
659	Insurance - Other ok	111,368							111,368		
660	Advertising Expense	26,797							26,797		
666	Regulatory Commission Expense										
667	- Amortization of Rate Ca ok	361,518							361,518		
667	Regulatory Commission Expense - Other ok	8,570							8,570		
670	Bad Debt Expense	409,469						409,469	0		
675	Miscellaneous Expenses	3,836,091	5,175	504,543	204,700	221,835	369,433	988,070	1,509,176		
	Total Water Utility Expenses	25,960,316	134,868	5,730,006	361,207	2,022,332	1,374,504	2,476,026	13,108,688		

PUMPING AND PURCHASED WATER STATISTICS

(a)	WATER PURCHASED FOR RESALE (Omit 000's) (b)	WATER PUMPED (Omit 000's) (c)	TOTAL WATER PUMPED AND PURCHASED (Omit 000's) (d)	WATER SOLD TO CUSTOMERS (Omit 000's) (e)
January	6,115	1,156,895	1,163,010	1,020,255
February	5,709	1,042,876	1,048,585	860,796
March	6,684	1,134,100	1,140,784	914,404
April	7,141	1,167,251	1,174,392	960,114
May	7,738	1,264,961	1,272,699	970,479
June	6,907	1,429,465	1,436,372	1,119,642
July	8,844	1,519,123	1,527,967	1,261,112
August	8,339	1,616,357	1,624,696	1,273,494
September	6,919	1,427,132	1,434,051	1,374,870
October	3,880	1,362,042	1,365,922	1,043,157
November	3,710	1,234,180	1,237,890	980,773
December	4,009	1,188,460	1,192,469	948,121
Total for year	75,995	15,542,842	15,618,837	12,727,217
Maximum gallons pumped by all methods in any one day (Omit 000's):				67,220
Date <u>8/7/2006</u>				
Minimum gallons pumped by all methods in any one day (Omit 000's):				31,860
Date <u>03/18/06</u>				
If water is purchased for resale, indicate the following:				
Vendor:	<u>Winchester Municipal Utilities, City of Owenton, Gallatin County Water District</u>			
	<u>Georgetown Municipal Water & Waste Water.</u>			
Point of Delivery:	<u>Clark County (4), Owen County (4), Gallatin County (1)</u>			
If water is sold to other water utilities for redistribution, list names of such utilities below:				
	<u>CITY OF MIDWAY</u>			
	<u>EAST CLARK WATER</u>			
	<u>CITY OF NORTH MIDDLETOWN</u>			
	<u>CITY OF NICHOLASVILLE</u>			
	<u>CITY OF VERSAILLES</u>			
	<u>JESSAMINE SOUTH ELKHORN WATER DISTRICT (2)</u>			
	<u>HARRISON COUNTY WATER DISTRICT</u>			
	<u>GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE</u>			

SALES FOR RESALE (466)

LINE #	COMPANY	1,000 GALLONS	AVG. RATE (CENTS)	AMOUNT
1	CITY OF MIDWAY	60,529	2.22	134,099
2	EAST CLARK WATER	167	5.03	838
3	CITY OF NORTH MIDDLETOWN	71,479	2.21	157,727
4	CITY OF NICHOLASVILLE	20,497	2.70	55,258
5	CITY OF VERSAILLES	1,326	8.17	10,831
6	JESSAMINE SOUTH ELKHORN WATER DIST (2 ACCTS)	207,391	2.20	455,377
7	HARRISON COUNTY WATER DISTRICT	27,439	2.28	62,489
8	GEORGETOWN MUNICIPAL WATER AND SEWER SERVICE	49	114.35	5,643
9		0		0
10	TOTAL	388,877	2.27	882,262
WATER STATISTICS				
LINE #	ITEM	1,000 GALLONS		
1	WATER PRODUCED AND PURCHASED:			
2	Water Produced	15,542,842		
3	Water Purchased	75,995		
4	TOTAL PRODUCED AND PURCHASED	15,618,837		
5				
6	Water Sales:			
7	Residential	6,143,291		
8	Commercial	4,066,490		
9	Industrial	738,084		
10	Bulk Loading Station	1,400		
11	Resale	388,879		
12	Other Sales - Public Authority	1,389,073		
13	TOTAL WATER SALES	12,727,217		
14				
15	OTHER WATER USED:			
16	Utility/ Water Treatment	0		
17	Wastewater Plant			
18	System Flushing			
19	Fire Department			
20	Other (Construction, Flushing, Disinfection, Etc.)	557,667		
21	OTHER WATER USED	557,667		
22				
23	Water Loss	2,333,953		
24				
25	TOTAL OTHER WATER USED	2,891,620		
26				
27	Water Loss Percentage:	14.9%		

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS
AS OF DECEMBER 31, 2006**

Provide the following information:

1. Number of public fire hydrants, by size.
2. Number of private fire hydrants, by size.
3. Whether water supply is river, impounded streams, wells, springs, artificial lake or collector type well.
4. Whether supply is by gravity, pumping, or a combination.
5. Type, capacity, and elevation of reservoirs at overflow and ground level.
6. Miles of main by size and kind.
7. Types of filters: gravity or pressure, number of units, and total rated capacity in gallons per minute.
8. Type of chlorinators, number of units and capacity in pounds per 24 hours.
9. Station equipment. List each pump separately, giving type and capacity and H.P. of driving unit and character of driving unit (steam, electric, or internal combustion). State whether pump is high or low duty.
10. Quantity of fuel used: coal in pounds, gas in cu.ft., oil in gallons, and electric in kWh.
11. Give a description and total cost of any sizable additions or retirements to plant in service outside the normal system growth for the period covered by this report.
12. Capacity of clear well.
13. Peak month, in gallons of water sold.
14. Peak day, in gallons of water sold.

PLEASE REFER TO PAGES 35 THROUGH 54.

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEMS 1 THROUGH 4)
AS OF DECEMBER 31, 2006**

1) Number of public fire hydrants:

Fayette County	6,831
Scott County	232
Clark County	5
Bourbon County	28
Woodford County	4
Total Public	<u><u>7,100</u></u>

2) Number of private fire hydrants:

Fayette County	796
Scott County	114
Clark County	-
Bourbon County	-
Woodford County	4
Total Private	<u><u>914</u></u>

3) Source of water supply:

Kentucky-American Water Company's major source of supply is the Kentucky River, located twelve miles southeast of downtown Lexington. The company also utilizes Lake Ellerslie which impounds West Hickman Creek and Jacobson Reservoir which impounds East Hickman Creek.

4) Method of water supply:

Water from the Kentucky River is pumped up a 400 foot cliff through three water lines to the adjacent treatment facility (Kentucky River Station). Raw water from the Kentucky River can also be pumped to Jacobson Reservoir or directly to the Richmond Road Station. The impounded waters of Jacobson Reservoir are pumped to a treatment facility in Lexington (Richmond Road Station). Lake Ellerslie, located adjacent to the Richmond Road Station, is used only as a standby supply.

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 5)
AS OF DECEMBER 31, 2006**

5) Reservoir Statistics:

Greater Fayette System

Tates Creek Tank - 500,000 Gallon Elevated	
Foundation Elevation	1,037.00
Overflow Elevation	1,185.25
York Street Tank - 1,000,000 Gallon Ground Storage	
Foundation Elevation	965.50
Overflow Elevation	1,000.50
Cox Street Tank - 1,000,000 Gallon Ground Storage	
Foundation Elevation	967.00
Overflow Elevation	1,002.50
Cox Street Tank - 1,000,000 Gallon Elevated	
Foundation Elevation	957.00
Overflow Elevation	1,117.00
Mercer Road Tank - 2,000,000 Gallon Elevated	
Foundation Elevation	982.00
Overflow Elevation	1,107.00
Parkers Mill Road Tank - 3,000,000 Gallon Ground Storage	
Foundation Elevation	985.50
Overflow Elevation	1,025.50
Hume Road Rank - 3,000,000 Gallon Ground Storage	
Foundation Elevation	943.50
Overflow Elevation	979.50
Hall Tank - 210,000 Gallon Standpipe	
Foundation Elevation	1,025.00
Overflow Elevation	1,115.00
Muddy Ford Tank - 750,000 Gallon Elevated	
Foundation Elevation	1,008.50
Overflow Elevation	1,130.00
Sadieville Tank - 380,000 Gallon Standpipe	
Foundation Elevation	920.00
Overflow Elevation	992.00
Clays Mill Tank #1 - 3,000,000 Gallon Ground Storage	
Foundation Elevation	985.50
Overflow Elevation	1,022.50

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 5)
AS OF DECEMBER 31, 2006**

5) Clays Mill Tank #2 - 3,000,000 Gallon Ground Storage
 Foundation Elevation 985.50
 Overflow Elevation 1,022.50

Briar Hill Tank - 750,000 Gallon Elevated
 Foundation Elevation 1,012.00
 Overflow Elevation 1,150.00

Russell Cave Tank - 1,000,000 Gallon Ground
 Foundation Elevation 990.50
 Overflow Elevation 1,020.80

Eastland Tank - 2,000,000 Gallon Elevated
 Foundation Elevation 1,034.00
 Overflow Elevation 1,170.00

Owen County System

Long Ridge Tank - 100,000 Gallon Standpipe
 Foundation Elevation 965.00
 Overflow Elevation 1,043.60

Glencoe Tank - 100,000 Gallon Standpipe
 Foundation Elevation 793.00
 Overflow Elevation 820.30

Sparta Tank - 50,000 Gallon Standpipe
 Foundation Elevation 640.00
 Overflow Elevation 663.00

Brombley Tank - 177,000 Gallon Standpipe
 Foundation Elevation 908.00
 Overflow Elevation 1,015.00

Hesler Tank - 237,000 Gallon Standpipe
 Foundation Elevation 953.00
 Overflow Elevation 1,055.00

Monterey Tank - 117,000 Gallon Standpipe
 Foundation Elevation 600.00
 Overflow Elevation 652.00

Wheatley Tank - 186,000 Gallon Standpipe	
Foundation Elevation	908.26
Overflow Elevation	1,015.00
Elk Lake Tank - 100,000 Gallon Standpipe	
Foundation Elevation	910.50
Overflow Elevation	1,015.00
New Columbus Tank - 229,000 Gallon Standpipe	
Foundation Elevation	909.5
Overflow Elevation	1021.5

KENTUCKY-AMERICAN WATER
PLANT STATISTICS (ITEM 6)
AS OF DECEMBER 31, 2006

1 OF 3

SIZE	KIND	CENTRAL DIVISION NORTHERN DIVISION LEASED SYSTEM		
		FEET (MILES)	FEET (MILES)	FEET (MILES)
36	<i>RW LJ</i>	256		
		0.048		
36	<i>DI</i>	368		
		0.070		
30	<i>DI</i>	61427		
		11.634		
30	<i>CONC</i>	46152		
		8.741		
30	<i>RW DI</i>	46649		
		8.835		
30	<i>RW CONC</i>	1789		
		0.339		
24	<i>CONC</i>	83387		
		15.793		
24	<i>DI</i>	236094		
		44.715		
20	<i>DI</i>	11611		
		2.199		
20	<i>CONC</i>	18136		
		3.435		
20	<i>RW AC</i>	12116		
		2.295		
20	<i>CI</i>	13901		
		2.633		
20	<i>RW CI</i>	1481		
		0.280		
20	<i>RW DI</i>	0		
		0.000		
20	<i>RW STEEL</i>	520		
		0.098		
14	<i>PEP</i>	3450		
		0.653		
16	<i>DI</i>	12731		
		2.411		
16	<i>CONC</i>	19022		
		3.603		
16	<i>CI</i>	54283		
		10.281		
16	<i>AC</i>	179036		
		33.908		
16	<i>RW CI</i>	14381		
		2.724		
16	<i>RW DI</i>	527		

0.100

KENTUCKY-AMERICAN WATER

2 OF 3

PLANT STATISTICS (ITEM 6)

AS OF DECEMBER 31, 2005

SIZE	KIND	CENTRAL DIVISION NORTHERN DIVISION LEASED SYSTEM		
		FEET (MILES)	FEET (MILES)	FEET (MILES)
12	CI	273879		
		51.871		
12	AC	287392		
		54.430		
12	DI	579980		
		109.845		
12	PVC	20268	0	
		3.839		
10	CI	1286		
		0.244		
10	AC	24796		
		4.696		
10	DI	2		
		0.000		
8	CI	480476		
		90.999		
8	AC	804793		
		152.423		
8	PVC	1796935	89020	
		340.329	16.860	
8	DI	672005		
		127.274		
6	CI	539453		
		102.169		
6	AC	959758	132000	
		181.772	25.000	
6	PVC	360343.9	115900	87330
		68.247	21.951	16.540
6	DI	173488		910
		32.858		0.172
4	AC	235343	164460	
		44.573	31.148	
4	CI	89843		
		17.016		
4	PVC	33415.1	191010	49408
		6.329	36.176	9.358
4	GAL	1213		
		0.230		
4	DI	55771.5		520
		10.563		0.098
4	STEEL	60		
		0.011		

3 AC 39900 27000
7.557 5.114

KENTUCKY-AMERICAN WATER
PLANT STATISTICS (ITEM 6)
AS OF DECEMBER 31, 2005

SIZE	KIND	CENTRAL DIVISION NORTHERN DIVISION LEASED SYSTEM		
		FEET (MILES)	FEET (MILES)	FEET (MILES)
3	PVC	178322	174940	
		33.773	33.133	
3	GAL	767		
		0.145		
3	CI	0		
		0.000		
3	STEEL	45		
		0.009		
2.5	PVC	43160		
		8.174		
2.2	CI	77194		
		44.715		
2	CI	74330		
		14.078		
2	PVC	71396	46880	
		3.435	8.879	
2	GAL	14828	15840	
		2.808	3.000	
2	VARIOUS	408		
		0.077		
1.2	CI	2086		
		0.395		
1	PVC	11		
		0.002		
SUB TOTAL		8710265	957050	138168
		1649.671	181.259	26.168
TOTAL				9805483
				1857.099

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEMS 7 THROUGH 8)
AS OF DECEMBER 31, 2006**

7) Types of filters:

Kentucky River Station

Type:	Gravity
Units:	10
Capacity Per Unit Per Minute:	0.00278 MG/min
Total Capacity Per Minute:	0.02778 MG/min
DOW Temporary High Rate:	0.0313 MG/min (on peak)

Richmond Road Station

Type:	Gravity
Units:	16
Capacity Per Unit Per Minute:	0.00109 MG/min
Total Capacity Per Minute:	0.01736 MG/min

8) Chlorinators:

Kentucky River Station

Type:	Wallace & Tiernan Model V-2020
Units:	4
Capacity:	3,000 pounds per day
Total Capacity:	12,000 pounds per day

Richmond Road Station

Type:	5
Units:	5 @ 3,000 pounds per day
Capacity:	15,000 pounds per day
Total Capacity:	9,000 pounds per day

TRI-VILLAGE

Long Ridge	Wallace & Tiernan
Hwy. 22 & 127	Wallace & Tiernan

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 9 - Kentucky River Station)
AS OF DECEMBER 31, 2006**

9) Station Equipment

**KENTUCKY RIVER STATION
CONDENSED SYSTEM DATA**

- A. **PLANT CAPACITY** - 40,000,000 gallons
DOW TEMPORARY HIGH RATE - 45,000,000 gallons (on peak)
- B. **SOURCE OF SUPPLY** - Kentucky River
- C. **INTAKE (Low Service)** - Kentucky River

Pump No. 1: Peerless Vertical Turbine Pump
8680 GPM (12.50 MGD)
401.6 Feet Total Dynamic Head
Model No. 27MA and Serial No. 258669
Purchased in 1990 under Work Order No. A-7218
1250 H.P. General Electric Induction Motor
Model No. 8436468601 and Serial No. 840384
In Service April 1992

Pump No. 2: Peerless Vertical Turbine Pump
8680 GPM (12.50 MGD)-
401.6 Feet Total Dynamic Head
Model No. 27MA and Serial No. 258672
Purchased in 1990 under Work Order No. A-7218
1250 H.P. General Electric Induction Motor
Model No. 8436468601 and Serial No. 840380
In Service April 1992

Pump No. 3: Peerless Vertical Turbine Pump
8680 GPM (12.50 MGD)
401.6 Feet Total Dynamic Head
Model No. 27MA and Serial No. 258667
Purchased in 1990 under Work Order No. A-7218
1250 H.P. General Electric Induction Motor
Model No. 8436468601 and Serial No. 840383
In Service April 1992

KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 9 - Kentucky River Station)
AS OF DECEMBER 31, 2006

C. INTAKE (Low Service) - (Continued)

- Pump No. 4: Peerless Vertical Turbine Pump
8680 GPM (12.50 MGD)
401.6 Feet Total Dynamic Head
Model No. 27MA and Serial No. 258668
Purchased in 1990 under Work Order No. A-7218
1250 H.P. General Electric Induction Motor
Model No. 8436468601 and Serial No. 840382
In Service February 1992
- Pump No. 5: Peerless Vertical Turbine Pump
8680 GPM (12.50 MGD)
401.6 Feet Total Dynamic Head
Model No. 27MA and Serial No. 258670
Purchased in 1990 under Work Order No. A-7218
1250 H.P. General Electric Induction Motor
Model No. 8436468601 and Serial No. 840381
In Service February 1992
- Pump No. 6: Peerless Vertical Turbine Pump
8680 GPM (12.50 MGD)
401.6 Feet Total Dynamic Head
Model No. 27MA and Serial No. 258671
Purchased in 1990 under Work Order No. A-7218
1250 H.P. General Electric Induction Motor
Model No. 8436468601 and Serial No. 840385

D. RAW WATER TRANSFER STATION

- Pump No. 8: Patterson Pump, Centrifugal Split Case
Size/ 18x14 MABS
7600 GPM (11 MGD), 315 TDH
Serial No. 91PT16109A14
Purchased in 1992 under BP 91-8 (A-7421)
900 H.P. General Electric Induction Motor
Type K, Frame 8309S
Serial No. 831036
In Service September 1992

D. RAW WATER TRANSFER STATION - (Continued)

- Pump No. 9: Patterson Pump, Centrifugal Split Case
Size/ 18x14 MABS
7600 GPM (11 MGD), 315 TDH
Serial No. 91PT16108A14
Purchased in 1992 under BP 91-8 (A-7421)
900 H.P. General Electric Induction Motor
Type K, Frame 8309S
Serial No. 831037
In Service September 1992

Tri-Village Pressure Pump

- Pump 1 - 127 PACO LC
3070 225 GPM
130 TDH
Electric High Efficiency

- Pump 2 - 127 & 22
PACO 3070-7
806 GPM 145 TDH
Electric High Efficiency

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 9 - Kentucky River Station)
AS OF DECEMBER 31, 2006**

E. RAW WATER CONTROL VAULT

The 36-inch raw water line enters the control vault which contains a Pratt Rubber Seated Butterfly, electric operated, size 30-inch serial No. 8-1067-86, year 1991, PSIG MAX,150. This valve is controlled from the computer located in the control room.

Purchased in 1980 under Work Order No. A-4810

F. CHEMICAL RAPID MIX BASINS

There are two mix tanks. One high energy mix tank equipped with lightning mixer with 50 h.p., U.S. motor drive adjustable speed.

One low energy mix tank equipped with 15 h.p., U.S. motor drive, adjustable speed. Chlorine, coagulant aid, polyaluminum chloride, carbon ferric chloride, caustic soda, polymer and lime slurry are added to raw water. After mixing, water leaves tanks via two 30-inch mains to the ten (10) Aldrich units.

Purchased in 1980 under Work Order No. A-4810

G. ALDRICH UNITS

Ten Aldrich Units (hydrotreaters) equipped with automatic sludge removal and mixed media filters and equipped with Dorr-Oliver variable frequency drives. Each unit 69' 8-inches in diameter and 17' 9-inches high.

1, 2, 3, 4 - Purchased in 1958 under Work Order No. A-521

5, 6 - Purchased in 1966 under Work Order No. A-1919

G. ALDRICH UNITS - (Continued)

7,8 - Purchased in 1970 under Work Order No. A-2535

9, 10 - Purchased in 1980 under Work Order No. A-4808

H. FILTERS (outside portion of Aldrich Units)

Total of ten filters. 4 MGD rating. 720 square feet of filter area per unit. 40 MGD total.

All filters are equipped with surface wash capability; chlorine and filter aid can be applied to the settled water prior to filtration.

Two wash water pumps, Worthington 10 HH-110-3 (1.44 MGD), US motor, 25 h.p., 440 volts. Purchased in 1958 under Work Order No. A-665. Pumps to two ground storage tanks with 0.53 MG of capacity.

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 9 - Kentucky River Station)
AS OF DECEMBER 31, 2006**

I. CLEARWELLS

Ammonia, zinc orthophosphate, caustic soda and hydrofluorosilicic acid are applied to the filtered water just prior to the clearwells.

One concrete clearwell located under control building. (0.485 MG capacity).

Purchased in 1958 under Work Order No. A-746

One concrete clearwell located under control building. (.490 MG) and is connected to first clearwell by (2) 36-inch sluice gates and (1) 48-inch sluice gate.

Purchased in 1970 under Work Order No. A-2537

One above ground steel clearwell 110' in diameter by 30' high holding 2.0 MG is connected to No. 1 and No. 2 well by 24-inch pipeline.

Purchased in 1982 under Work Order No. A-4806

J. CLEARWELL TRANSFER PUMP

Pump used to fill No. 3 clearwell, Allis Chalmers vertical pump model 500, 3500 GPM (5 MGD) vs. 25' TDH, GE motor, 40 h.p., 460 volts.

K. HIGH SERVICE PUMPS

- 1) H.S. Pump No. 10, Peerless discharge, flung bowls, 3 stage, 5560 GPM (8.0 MGD) vs. 380' TDH, Siemaen electric motor, 700 h.p., 4160 volts.

Purchased in 1988 under Work Order No. A-6425

- 2) H.S. Pump No. 11, Patterson vertical turbine, PVT, Size/Type-19 RMC, 5556 G.P.M. (8 MGD), 380' TDH, U.S. Electric Motor, 700 H.P., 4160-volt, 1780 R.P.M. (Purchased in 1998 under BP 98-03, W.O. No. A-8919)

- 3) H.S. Pump No. 12, DeLaval Pump, 2 stage, 5600 GPM (8.5 MGD) vs. 380' TDH, Ideal motor, 700 h.p., 4160 volts. (Purchased in 1966 under Work Order No. A-1872).

- 4) H.S. Pump No. 13, DeLaval P16/14D, 7000 GPM (10 MGD), vs. 380' TDH, Continental Electric motor, 800 h.p., 4160 volts. (Purchased in 1966 under Work Order No. A-1967).

- 5) H.S. Pump No. 14 - Peerless vertical turbine, 24 MA/H X B, 7000 GPM (10 MGD) vs. 380' TDH, Westinghouse motor, 800 h.p., 4160 volts. (Purchased in 1970 under Work Order No. A-2536).

- 6) H.S. Pump No. 15 - Allis Chalmers vertical turbine, H20 x 16, VTMC-7, 7000 GPM (10 MGD) vs. 380' TDH, Continental electric motor, 900 h.p., 4160 volts.

Purchased in 1981 under Work Order No. A-4812.

L. STANDBY EQUIPMENT

H.S. Pump No. 15 - Allis Chalmers vertical turbine VTMC-7, 7000 GPD (10 MGD) vs. 380' TDH, diesel driven by Detroit Diesel V-16, through a right angle drive, 765 h.p. (Purchased in 1981 under Work Order No. A-4804).

Emergency Generator No. 1 - Detroit Diesel, 4 Cyl., 90 k.w., 480 volts. (Purchased in 1981 under Work Order No. A-4805).

Emergency Generator No. 2 - Detroit Diesel, 4 Cyl, 75 k.w., 480 volts. (Purchased in 1981 under Work Order No. A-4811).

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 9 - Kentucky River Station)
AS OF DECEMBER 31, 2006**

M. IN PLANT MONITORING EQUIPMENT

Level	- Kentucky River
Chemtrac Streaming Current Monitor	- Treated Water
Hach	- Raw Water
Prominent and Wallace and Tiernan	- Treated Water
Hach	- Entrance to Clearwell
Leeds and Northrum	- Distributed water
Loss of Head	- Filters
Rate of Flow	- Filters
Level	- Filters
Turbidimeters (12) Hach	- Filtered water (each filter)
	- Raw Water
	- Distributed water
Particle Counts (12) IBR	- Entrance to Clearwell
	- Filtered water (each filter)
	- Distributed water
Chlorine Residual Analyzers - Hach	- Entrance to Clearwell
	- Distributed water
Prominent and Wallace and Tiernan	- Treated Water
Phosphate Analyzer	- Distributed water
Flouride Analyzer	- Distributed water
Monochloramine Analyzer	- Distributed water
SCADA (entire plant operations)	- Intake Pumps
	- Raw water flow control
	- Transfer pumps
	- Supernatant pit pumps
	- Filter backwash water handling system
	- Filter operations
	- Dechlorination system
	- Distributed water vaults
	- Chemical feed ssytems
	- Filter operations
	- Clearwell levels

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 9 - Richmond Road Station)
AS OF DECEMBER 31, 2006**

**RICHMOND ROAD STATION
CONDENSED SYSTEM DATA**

A. **PLANT CAPACITY** - 25,000,000 gallons

DOW TEMPORARY HIGH RATE - 30,000,000 gallons (on peak)

B. **SOURCE OF SUPPLY** - Kentucky River
Jacobson Reservoir - 745 MG
Lake Ellerslie Reservoir - 88.7 MG

C. **INTAKE (Low Service)**

1) Kentucky River - See Plant Statistics (Item 9.C Intake <LOW SERVICE> -Kentucky River Station)

2) Jacobson Reservoir

a. L.S. Pump Unit No. 1, DeLaval A-1018L, 2800 GPM (4* MGD) vs. 110' TDH, Westinghouse motor, 100 h.p., 440 volts. (Purchased in 1966 under Work Order No. A-2050).

b. L.S. Pump Unit No. 2, DeLaval A-1018L, 2800 GPM (4* MGD), vs. 110' TDH, Westinghouse motor, 100 h.p., 440 volts. (Purchased in 1966 under Work Order No. A-2050).

c. L.S. Pump Unit No. 3, Allis Chalmers Model, 205-848-503, 8350 GPM (12* MGD) vs. 180' TH, Ideal motor, 400 h.p., 2300 volts. (Purchased in 1956 under Work Order No. A-472).

* Low service pumps nos. 1,2 and 3 have name plate ratings of 4,4 and 12 MGD respectively. Historical performance since the installation of a 30-inch line on the outlet side of the pumps and a reduction in head pressure has been 6,6 and 16 MGD respectively.

d. Aeration System

Two (2) Ingersoll-Rand rotary screw air compressors with capacities of 117 CFM and 30 HP each supply the aeration system for Jacobson Reservoir. The aerator lines consist of two runs of tubing, 3,600 feet each, complete with buoyancy hose.

3) Lake Ellerslie Reservoir

a. L.S. Pump Unit No. 5, Ingersoll-Rand 12 AFV, 4160 GPM (6 MGD) vs. 50' TH, GE motor, 60 h.p., 440 volts. (Purchased in 1948 under Work Order No. E-152).

b. L.S. Pump Unit No. 4, DeLaval 250544, 2800 GPM (4 MGD) vs. 50' TH, GE motor, 40 h.p., 440 volts. (Purchased in 1938).

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D. JACOBSON RESERVOIR INTAKE

The 24-inch line from the Jacobson Reservoir intake feeds a 16-inch, 20-inch, and a 24-inch main which, in turn, feeds to the suction side of the Jacobson Reservoir L.S. pumps, 1, 2, and 3. Also connected into the 24-inch line is a 30-inch raw water line from the Kentucky River.

The Lake Ellerslie Reservoir intake has two (2) 24-inch lines leaving the intake to feed the suction of L.S. pumps No. 4 and 5. From the discharge side two (2) lines go to the chemical feed vault, a 12-inch and 20-inch. Potassium permanganate is added to the raw water at the intake for taste and odor control.

E. INFLUENT RAW WATER VAULT

The 30-inch, 20-inch and 16-inch raw water mains from Jacobson Reservoir flow into two (2) raw water control vaults inside the plant property.

Pre chlorine and pre caustic are fed at each raw water control vault. The remaining treatment chemicals are added at the influent of each sedimentation basin.

F. RAPID MIX FLOCCULATORS AND SEDIMENTATION BASINS

There are two (2) - 1.5 MG concrete settling basins each equipped with rapid mix at the point of application and eight (8) flocculators in each chamber passage directly in front of the Riffle plate aerators. Water is carried to these basins by a 30-inch and 24-inch main. Water departs these basins in a 30-inch main which splits into two 24-inch mains which loop the filter building. At the rapid mix, aluminum sulfate, caustic, ferric chloride, carbon, cationic polymer, and chlorine are applied.

G. FILTERS

A total of 16 filters rated at 1.56 MGD each, 20' x 17' or 340 sq. ft. each, with Leopold bottoms and air wash backwash. The media consists of 24 inches of granular activated carbon and six inches of sand. Filter aid can be applied to each filter when necessary.

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G. FILTERS - (Continued)

One wash pump, Allis Chalmers Model C-3, 1000 GPM (1.44 MGD) vs. 90' TH, GE motor, 20 h.p., 440 volts which pumps to a steel 50,000 gallon wash water tank, 24' in diameter by 14' 10 - ½ inch high. The filter water gravity drips into a 0.6 MG clearwell under the filter building and flows by gravity through two 30-inch mains to a below-ground concrete clearwell of 0.45 MG capacity. Caustic soda, hydrofluorosilicic acid, ammonia, and zinc orthophosphate are added to the filtered water prior to entering the 0.45m clearwell. Chlorine is added prior to and after the 0.6 MG clearwell.

H. HIGH SERVICE PUMPS

- 1) H.S. Pump No. 8, Ingersoll Rand, 2780 GPM (4.0 MGD) vs. 240' TH, Continental motor, 200 h.p., 460 volts. (Purchased in 1955 under Work Order No. A-452).
- 2) H.S. Pump No. 7, DeLaval, 8333 GPM (12.0 MGD) vs. 240' TH, Continental motor, 500 h.p., 460 volts. (Purchased in 1955 under Work Order No. A-452).
- 4) H.S. Pump No. 6, DeLaval, 4520 GPM (6.5 MGD) vs. 190' TH, Continental motor, 250 h.p., 460 volts. (Purchased in 1953 under Work Order No. A-252).

I. HIGH SERVICE PUMPS WITH STANDBY DIESEL EQUIPMENT

- 1) H.S. diesel driven pump No. 9, Patterson Pump, 4862 GPM (7.0 MGD) VS 235, Cummins diesel 372 HP. (Purchased in 1993 under Work Order No. A-7322).
- 2) H.S. diesel driven pump No. 11, Peerless, 2800 GPM (4.03 MGD) vs. 220' TH, 180 h.p. diesel driver. (Purchased in 1965 under Work Order No. A-1784).
- 3) H.S. diesel driven pump No. 10, DeLaval, 3850 GPM (5.54 MGD) vs 231' TH, GM diesel, 580 h.p., or electric driven by Continental motor, 250 h.p., 460 volts. (Purchased in 1988 under Work Order No. A-6424 under BP-84-10).

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J. STANDBY EQUIPMENT

Emergency Generator No. 1 (High Service Pumps) - GM diesel Model 6151E, 440 volt, 115 KW, 144 KVA.

Emergency Generator No. 2 (Chemical Feed Systems) - Onan Model 250 ODFM17R/3028N, 250 KW, 312.5 KVA, 390 h.p. (Purchased in 1988 under Work Order No. A-6218).

Emergency Generator No. 3 (Sludge Processing Systems) - Onan Model 500, ODFY-4xR/30285E, 500 KW, 625 KVA, 760 h.p. (purchased in 1988 under Work Order No. A-6218).

J. IN-PLANT MONITORING EQUIPMENT

Level	- Jacobson Reservoir
Chemtrac Streaming Current Monitor	- Treated Water
pH	- Treated Water
Loss of Head	- Filters
Rate of Flow	- Filters
Level	- Filters
Turbidimeters (19)	-Raw water
	- Filtered Water (each filter)
	Entrance to clearwell
	-Effluent
Chlorine residual analyzers (5)	-Treated water
	-North and south basins
	- Entrance to Clearwell
	- Distributed Water
SCADA (entire plant operation)	-Intake pumps
	-Raw water flow control
	-Filter operation
Particle counts	-Distributed water
	-Filter backwash water handling system
	-Distributed water venturi
Flouride	-Distributed water
	-Chemical feed system
	-Distributed water @ RRS
	-Distributed system operation
Monochloramine Analyzer	-Distributed water
Phosphate Analyzer	-Distributed water

**KENTUCKY-AMERICAN WATER COMPANY
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K. SYSTEM STORAGE

Twenty-six (26) storage tanks ranging in size from 100,000 gallons to 3,000,000 gallons with a total storage capacity of 24,360,000 gallons (does not include clearwell storage).

TANK	MG	YEAR
Greater Fayette System		
Tates Creek Road Elevated	0.50	
Cox Street Elevated	1.00	1955
Cox Street Ground	1.00	1948
York Street Ground	1.00	1948
Mercer Road Elevated	2.00	
Parkers Mill Road Ground	3.00	
Sadieville Standpipe	0.38	1975
Hall Standpipe	0.21	
Muddy Ford Standpipe	0.75	1988
Hume Road Ground	3.00	1987
Briar Hill Tank	0.75	1999
Clays Mill Tank 1	3.00	1996
Clays Mill Tank 2	3.00	2004
Eastland Tank	2.00	2005
Russell Cave Tnk	1.00	2005
 Owen County System		
Long Ridge	0.10	
Brombley	0.18	
Sparta	0.05	
Glencoe	0.10	
New Wheatley	0.17	
Hesler	0.23	
Monterey	0.12	
Elk Lake	0.10	
New Columbus	0.23	2002
Perry Street	0.10	2005
Ellis Road	0.40	2005
TOTAL TANK STORAGE	24.36	
 CLEARWELLS		
Clearwells - KY River Station	1.00	
Clearwells - Richmond Road Station	1.00	
Clearwells - Storage Tank KRS	2.00	
Clearwells - Storage Owenton concrete underg	0.06	
Clearwells - Storage Owenton -above ground	0.24	
TOTAL TANK/CLEARWELL STORAGE	28.66	

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEM 9 - Richmond Road Station)
AS OF DECEMBER 31, 2006**

***NORTHERN DISTRICT
CONDENSED SYSTEM DATA***

Storage tanks:

Perry Street tank 100,000 gallons
Ellis Road tank 400,000 gallons

Raw water pumps Severn Creek:
2 pumps rated at 1,000,000 gallons per day each

Raw water pumps Lower Thomas Lake:
2 pumps rated at 1,440,000 gallons per day each

Clear well transfer pumps
2 pumps rated at 1,440,000 gallons per day each

High Service pumps:
2 pumps rated at 1,440,000 gallons per day each

Clear Wells:
1 concrete under ground 59,000 gallons
1 steel above ground 235,000 gallons

**KENTUCKY-AMERICAN WATER COMPANY
PLANT STATISTICS (ITEMS 10 THROUGH 14)
AS OF DECEMBER 31, 2006**

10) Quantity of Fuel Used:

Coal:	-
Gas:	-
Electricity:	49,360,290 kWh

11) Description of Sizable Plant Additions/Retirements:

Major hydraulic improvements (piping) completed in 2003 with most attendat SCADA improvements completed in 2004 and remainder to be completed in 2005.
In the summer of 2004 the 3 MG Clay's Mill ground tank #2 was completed and placed in service.

12) Clear Well Capacities:

Kentucky River Station

Clearwell No. 1 - Concrete structure under control building	485,000	Gallons
Clearwell No. 2 - Concrete structure under and adjacent to building	490,000	Gallons
Clearwell No. 3 - Steel above ground reservoir	2,000,000	Gallons

Richmond Road Station

Clearwell No. 1 - Concrete structure underneath filters	600,000	Gallons
Clearwell No. 2 - Concrete structure adjacent to pumping station	450,000	Gallons

Northern District

Clearwell No. 1 - Concrete structure underground	59,000	Gallons
Clearwell No. 2 - 1 steel above ground	235,000	Gallons

13) Peak Month of Water Sold:

September was the peak month for water sold with sales of 1,429,305 gallons.

14) Peak Day of Water Sold:

Based on our peak day delivery of 67,220,000 gallons on August 7, 2006 and using an 84.5 % sales/delivery ratio, our estimated peak day sales would be 56,800,900 gallons.

OATH

Commonwealth of Kentucky)
County of Fayette)

Michael A. Miller makes oath and says
(Insert here the name of the affiant)

that he is TREASURER AND COMPTROLLER of
(Insert here the official title of the affiant)

Kentucky-American Water Company
(Insert her the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

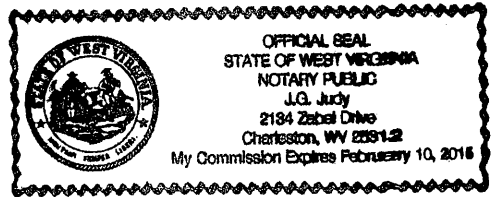
January 1, 2006, to and including December 31, 2006

Michael A. Miller
(Signature of official)

Subscribed and sworn to before me, _____ Notary Public _____, in and for the

~~State and County above named~~, this 28th day of March, 2009
State of West Virginia
County of Kanawha

(APPLY SEAL HERE)



My commission expires February 10, 2015

J.G. Judy
(Signature of officer authorized to administer oaths)