

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

<b>DESCRIPTION</b>	<b>Proposed 2003 Plan</b>	<b>Proposed 2004 Plan</b>
1 OPERATING REVENUES		
2 Water	43,077,369	46,081,610
3 Sewer	31,481	31,481
4 Other	1,102,920	1,107,783
5 Management		0
6 Total	44,211,770	47,220,874
7 OPERATING EXPENSES		
8 Labor	5,515,201	5,308,257
9 Purchased Water	327,774	448,869
10 Fuel & Power	1,768,532	1,808,930
11 Chemicals	1,131,511	1,286,945
12 Waste Disposal	180,060	166,530
13 Management Fees	3,160,125	4,368,484
14 Group Insurance	1,499,173	1,679,074
15 Pensions	691,579	712,368
16 Regulatory Expense	24,528	83,000
17 Insur. Oth. Than Group	476,318	526,685
18 Customer Accounting	977,692	538,080
19 Rents	87,808	87,808
20 General Office Expense	331,229	337,755
21 Miscellaneous	3,136,499	3,693,851
22 Other	1,312,271	1,301,196
23 Total O&M	20,620,300	22,347,832
24 Depreciation	5,789,522	6,209,857
25 Amortization	665,040	711,059
26 General Taxes	2,276,945	2,342,849
27 Total Operating Exp.	29,351,807	31,611,597
28 Utility Operating Income	14,859,963	15,609,277
29 OTHER INCOME & DEDUCTIONS		
30 Nonoperating Rent. Inc.	0	0
31 Dividend Income-Common	0	0
32 -Preferred	0	0
33 Interest Income	0	0
34 AFUDC - Equity	356,696	147,095
36 M & J & Miscell Income	0	0
37 Gain (Loss) on Dispos.	0	0
39 Tot.Other Inc.36-44	356,696	147,095
40 Misc. Amortization	1,494	1,494
42 Misc. Other Deductions	346,124	346,124
43 General Taxes	0	0
44 Tot.Oth.Deducts 46-51	347,618	347,618
45 Tot.Oth.Inc Net 45-52	9,078	(200,523)
46 Income Before Taxes and Interest	14,869,042	15,408,754
47 INTEREST CHARGES		
48 Interest Long Term Dbt	4,620,225	5,045,100
49 Amort Of Debt Expense	82,690	88,550

50	Int Short Term Bank Dbt	239,655	53,404
51	Other Interest Expense	0	0
52	AFUDC - Debt	(170,149)	(95,537)
53	Total Interest Expense	4,772,421	5,091,517
54	Income Before Taxes	10,096,621	10,317,237
55	State Income Taxes	883,739	905,765
56	Federal Income Taxes	3,310,535	3,377,166
57	State Income Taxes	(28,555)	(28,555)
58	Federal Income Taxes	(111,149)	(111,149)
59	Total Income Taxes	4,054,569	4,143,227
60	NET INCOME 54-61	6,042,052	6,174,010
61	Preferred Dividends	530,455	530,455
62	Net Income Common Stock	5,511,597	5,643,555

Reductions:

8 Labor

2004 Proposed Budget assumes the transfer of customer service to the Alton Call Center. This reduction is offset with the increase in Management Fees. Kentucky-American is still considering the appropriate for the transfer.

12 Waste Disposal

2004 Proposed Budget assumes a reduced sludge lagoon cleaning because they are on a 18-month cycle.

18 Customer Accounting

2004 Proposed Budget moves some of these expenses to Management Fees, which has been increased.

22 Other

2004 Proposed Budget moves postage expenses to Management Fees, which has been increased.

34 AFUDC Equity

2004 Proposed Budget reflects a completion of large capital projects including Customer Service Software.

50 Int Short Term Bank Debt

2004 Proposed Budget reflects a reduction offset by an increase in Interest on Long Term Bank Debt.



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