

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 31**

Description of Filing Requirement:

Monthly Budget Variance Reports for 12 Months Pre-Base Period and as available, for Base Period and Subsequent Months

Response:

Please see attached.

For the electronic version, see [KAW_APP_EX31_043007.pdf](#)

**May 2006
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

KY - The Company is moving ahead with a strategy to build new treatment facilities on the Kentucky River, including a permit application filed last week for an intake in Pool 3 of the Kentucky River. An option to purchase properties for the intake site and plant are being drafted. Attempts continue to find ways to include other area water suppliers in the solution to the supply deficit. We are at a decision point as to how the other regional players will be involved.

2. Operational Costs: Energy, Chemicals, Residuals

YTD purchased power costs are \$51,500 over budget. Month to date, the actual expenses are \$57,684 under plan.

YTD chemical costs are \$85,786 lower than plan. MTD variance is \$62,155 below plan.

YTD purchased water costs are \$10,103 over plan and \$10,654 over plan for the MTD.

YTD waste disposal costs are \$31,623 under plan for the YTD and \$33,532 under plan for the MTD.

3. Rate Case/Orders: Timing, Value, Issues

Development work has been completed on the KY emergency pricing tariff, though the tariff has not yet been filed pending progress of the change of control filing and needed ITS enhancements.

4. Commission Activity: Customer Complaints, Compliance

2006 YTD	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	0	0	19	4	19	4





6. Divestitures

No new activity to report.

7. Major Operational Projects

8. Operational Regulatory Compliance: Status

Meter Change & Test		Actual YTD	Plan YTD	Backlog
	KY	5,571	2,579	4,327

9. Policy Compliance Issues

10. Union/Labor Issues/Activities

11. Explanation of NOV's, OSHA violations, etc.

No additional NOV's or waste water exceedences this month.

12. Revenue Generating Projects/Opportunities

13. O&M, DBO Contracts – Significant Operational/Financial Variances

14. Other Operational Issues

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American Water Works Company
Kentucky-American Water-Co 12
Total Company (USGAAP)
Income Statement Month & YTD
For the Period Ending 05/26/2006

Kentucky-American Water Co.

Description	May Actual	May Plan	May Variance	May Prior Year	Yr to Date Actual	Yr to Date Plan	Yr to Date Variance	Yr to Date Prior Year	Annual Forecast
1 OPERATING REVENUES									
1 Water	3,113,481	4,190,764	1,077,283	4,107,062	17,425,345	19,529,696	2,104,351	17,725,068	49,309,002
2 Sewer	169,729	29,391	2,184	2,374	113,304	146,955	33,651	16,059	352,692
4 Other	145,633	145,633	24,096	144,417	761,310	728,165	33,145	611,132	1,747,596
5 Management									
6 Total Revenues	3,310,417	4,365,788	1,055,371	4,253,853	18,299,959	20,404,816	2,104,857	18,353,859	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	331,461	435,695	104,234	400,931	2,011,812	2,111,382	99,570	1,963,760	5,156,940
9 Purchased Water	47,904	37,250	10,654	32,440	196,353	186,250	10,103	214,200	470,500
10 Fuel & Power	146,828	204,512	57,684	167,939	963,998	952,498	83,500	833,155	2,127,636
11 Chemicals	57,901	120,056	62,155	92,550	446,211	531,997	85,786	352,007	1,348,523
12 Waste Disposal	71,681	45,213	26,468	15,578	82,442	114,065	31,623	102,423	253,117
13 Management Fees	534,308	531,000	3,308	488,575	2,409,718	2,636,000	226,282	2,370,181	6,254,000
14 Group Insurance	122,854	153,286	30,432	140,651	752,423	88,123	86,123	696,382	1,824,563
15 Pensions	58,772	67,006	8,234	67,770	308,119	335,030	26,911	202,751	1,004,072
16 Regulatory Expense	30,066	29,451	615	31,725	150,451	147,255	3,196	98,230	353,412
17 Insurance Other Than Group	99,994	41,824	58,170	39,340	209,120	209,120	0	187,526	501,808
18 Customer Accounting	150,147	96,511	53,636	84,381	477,535	485,255	7,720	506,072	1,160,838
19 Rents	1,036	2,756	1,720	2,053	12,706	18,780	6,074	17,306	45,072
20 General Office Expense	49,977	23,941	26,036	37,830	234,801	141,107	93,614	174,234	329,289
21 Miscellaneous	207,991	262,436	54,445	4,126,055	1,075,720	1,098,044	22,324	5,393,613	2,534,684
25 Other Maintenance	173,007	82,226	90,781	268,779	964,073	642,589	321,483	1,031,253	1,248,184
Total Maintenance & Operations Expense	2,023,947	2,154,163	130,216	5,926,897	10,265,823	10,261,876	3,947	14,223,893	24,412,728
27 Depreciation	526,735	609,879	83,144	476,507	2,609,702	3,028,197	418,495	2,385,035	7,339,261
28 Amortization	40,477	40,507	30	59,135	175,160	202,535	27,375	286,677	7,486,084
29 General Taxes	244,972	228,820	16,152	217,624	1,144,856	1,131,859	12,997	1,124,840	2,721,809
30 State Income Taxes	1,241	70,060	68,819	77,619	160,305	121,243	39,062	162,029	1,627,295
31 Federal Income Taxes	6,960	284,660	277,692	698,803	685,962	1,158,531	472,569	535,042	3,588,510
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	2,844,340	3,397,089	552,749	5,516,833	14,971,800	16,104,261	1,132,463	17,333,374	39,535,617
34 Utility Operating Income	466,077	968,699	502,622	1,262,980	3,328,151	4,300,555	972,404	1,020,485	11,873,673
35 OTHER INCOME & DEDUCTIONS									
36 Non-Operating Rental Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income									
40 AFUDC Equity	19,784	8,410	11,374	23,599	149,131	72,461	76,670	101,394	175,832
42 W & J Miscellaneous Income	29,478	9,695	19,783	275,732	313	37,939	38,522	271,475	66,058
43 Gain(Loss) on Disposition									
45 Total Other Income	10,194	10,105	89	299,331	146,818	110,400	36,418	372,869	241,890
46 Miscellaneous Amortization		64	64	257		320	320		760
47 Tax Savings Acquisition Adjustment									
48 Misc Other Deductions	26,454	44,913	18,459	52,561	157,317	182,716	25,399	174,600	280,419
49 General Taxes									
50 State Income Taxes	2,083	3,400	1,317	830	10,416	14,417	4,001	8,859	23,044
51 Federal Income Taxes	10,417	13,236	2,819	4,431	52,084	56,123	4,039	44,294	89,700
52 Total Other Deductions	13,954	26,341	14,387	57,865	94,617	112,496	17,679	121,447	168,435
53 Total Other Income	24,140	10,236	13,912	242,046	54,001	2,096	56,097	251,422	73,455
54 Income Before Interest Charges	441,329	958,463	516,534	1,028,934	3,382,152	4,298,459	916,307	1,271,907	11,947,120
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	426,629	394,867	31,762	508,155	2,133,146	1,974,335	158,811	2,792,105	4,738,404
57 Amortization and Debt Expense	6,973	6,009	964	6,870	30,364	30,048	316	33,067	72,108
58 Interest-Short Term Bank Debt	24,361	49,126	24,745	6,534	164,883	242,139	77,456	35,741	625,948
59 Other Interest Expense					39	39		2,559	
60 AFUDC-Debt	0,864	1,819	955	9,625	65,543	32,907	32,636	46,745	79,851
61 Total Interest Charges	448,219	446,183	2,036	592,548	2,262,889	2,213,812	49,077	2,316,727	5,356,609
62 Net Income	6,290	512,280	518,570	1,613,482	1,119,263	2,084,647	965,384	1,044,820	6,590,519
64 Preferred Dividend Declared	6,562	38,325	31,763	121,127	32,810	191,625	158,807	33,686	459,900
65 Net Income to Common Stock	12,852	473,955	486,807	1,492,355	1,086,445	1,893,022	806,577	1,078,506	6,130,619

**June 2006
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

Longer term, KAW is moving forward with a proposed treatment plant on Pool 3 of the Kentucky River. The Company has secured an option on property for the raw water intake, and is negotiating an option on a site for the treatment plant. KAW has applied for a withdrawal permit and is preparing for a PSC Certificate of Convenience and Necessity that will likely be filed in early 2007.

2. Operational Costs: Energy, Chemicals, Residuals

YTD fuel and power and chemicals are approximately equal to plan, a variance of -2.0% due to accrual adjustments earlier in the year.

For the month, fuel and power variance to plan is \$52,470 and chemical expense is over \$21,870 as compared to budget totals.

3. Rate Case/Orders: Timing, Value, Issues

4. Commission Activity: Customer Complaints, Compliance

2006 YTD	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	0	0	22	4	22	4



No new activity to report in other SER jurisdictions.

6. Divestitures

No new activity to report.

7. Major Operational Projects

8. Operational Regulatory Compliance: Status

Meter Change & Test		Actual	Plan YTD	Backlog
		YTD		
	KY	7,328	3,624	2,570

9. Policy Compliance Issues

No new activity to report.

10. Union/Labor Issues/Activities

No new activity to report.

11. Explanation of NOV's, OSHA violations, etc.

No additional NOV's or waste water exceedences this month.

12. Revenue Generating Projects/Opportunities

13. O&M, DBO Contracts – Significant Operational/Financial Variances

14. Other Operational Issues

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American Water Works Company
Kentucky-American Water-Co 12
Total Company (USGAAP)
Income Statement Month & YTD
For the Period Ending 06/30/2006

Kentucky-American Water Co.

Description	June Actual	June Plan	June Variance	June Prior Year	Yr to Date Actual	Yr to Date Plan	Yr to Date Variance	Yr to Date Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	4,568,914	4,115,600	453,314	4,022,629	21,994,258	23,645,296	1,651,038-	21,748,497	49,309,002
3 Sewer	25,521	29,391	3,870-	4,323	130,825	176,346	37,521-	21,182	352,692
4 Other	184,370	145,633	38,737	175,575	945,680	873,798	71,882	786,708	1,747,596
5 Management									
6 Total Revenues	4,778,805	4,290,624	488,181	4,202,527	23,078,763	24,695,440	1,616,677-	22,556,387	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	508,288	435,895	72,593	410,670	2,520,100	2,547,077	26,977-	2,374,430	5,156,940
9 Purchased Water	34,563	36,250	1,687-	29,659	230,815	222,500	8,415	243,899	478,560
10 Fuel & Power	232,865	180,395	52,470	175,163	1,136,863	1,032,893	103,970	1,008,338	2,127,636
11 Chemicals	151,046	129,176	21,870	95,253	597,258	661,173	63,915-	440,060	1,348,523
12 Waste Disposal	21,345	21,213	1,132	87,410	1,868-	137,278	33,491-	189,833	253,117
13 Management Fees	657,297	532,000	125,297	423,099	3,067,015	3,168,000	100,985-	2,793,280	6,254,000
14 Group Insurance	143,605	153,286	9,681-	807,905	97,804-	97,804-	820,101	1,824,563	1,824,563
15 Pensions	67,006	67,006	0	116,261	371,365	402,036	30,671-	399,012	884,072
16 Regulatory Expense	38,656	29,451	9,205	31,725	189,107	176,706	12,401-	129,955	353,412
17 Insurance Other Than Group	42,413	41,824	589	37,161	369,997	280,944	119,053	224,687	501,888
18 Customer Accounting	118,553	96,511	22,042	93,202	596,088	581,766	14,322	599,274	1,169,838
19 Rents	882	3,756	2,874-	1,895	13,589	22,536	8,947-	19,201	45,072
20 General Office Expense	21,082	29,950	8,868-	31,604	255,884	171,137	84,747	205,819	329,299
21 Miscellaneous	357,276	222,852	134,424	82,317	1,432,996	1,320,896	112,100	5,475,930	2,534,684
25 Other Maintenance	218,301	88,191	130,110	200,830	1,182,373	1,730,781	451,592	1,231,282	1,248,184
Total Maintenance & Operations Expense	2,609,418	2,069,556	539,862	1,939,228	12,875,242	12,331,432	543,810	16,163,121	24,412,728
27 Depreciation	528,706	610,141	81,435-	477,062	3,138,408	3,630,338	499,930-	2,862,097	7,339,261
28 Amortization	38,869	40,507	1,638-	59,335	164,028	243,042	79,014-	356,012	486,084
29 General Taxes	244,382	227,020	17,362	231,192	1,389,237	1,358,879	30,358	1,358,032	2,721,809
30 State Income Taxes	64,098	79,914	15,816-	78,838	224,403	401,157	176,754-	83,191-	987,225
31 Federal Income Taxes	263,074	208,781	55,293	242,093	929,036	1,447,332	518,296-	292,949-	3,588,510
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	3,748,547	3,315,919	432,628	3,027,748	18,720,354	19,420,180	699,826-	20,361,122	39,535,617
34 Utility Operating Income	1,030,258	974,705	55,553	1,174,779	4,358,409	5,275,260	916,851-	2,195,265	11,873,673
35 OTHER INCOME & DEDUCTIONS									
36 Non-Operating Rental Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income									
40 AFUDC Equity	19,783	11,395	8,388	25,254	168,914	83,856	85,058	126,648	175,832
42 M & J Miscellaneous Income	42,599-	28,639-	13,960-	7,602	42,912-	9,300	52,212-	279,158	66,058
43 Gain(Loss) on Disposition									
45 Total Other Income	22,816-	17,244-	5,572-	32,936	126,002	93,156	32,846	405,806	241,890
46 Miscellaneous Amortization		64	64-			384	304-		768
47 Tax Savings Acquisition Adjustment	70,571	45,543	25,028	71,697	227,889	228,259	370-	246,297	280,419
48 Misc. Other Deductions									
49 General Taxes		6,532-	5,914	15,640	11,034-	20,949-	9,915	6,781	23,044-
50 State Income Taxes		25,427-	22,340	78,201	55,171-	81,550-	26,379	33,907	89,708-
51 Federal Income Taxes									
52 Total Other Deductions	66,866	13,448	53,218	165,538	161,684	126,144	35,540	286,985	168,435
53 Total Other Income	89,682-	30,892-	58,790-	132,602-	35,682-	32,988-	2,694-	118,821	73,455
54 Income Before Interest Charges	940,576	943,813	3,237-	1,042,177	4,322,727	5,242,272	919,545-	2,314,086	11,947,128
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	426,629	394,867	31,762	458,421	2,559,775	2,369,202	190,573	2,750,326	4,738,404
57 Amortization and Debt Expense	6,073	6,009	64	6,613	36,437	36,054	383	39,680	72,108
58 Interest-Short Term Bank Debt	43,051	52,868	9,817-	9,800	207,934	295,207	87,273-	45,541	625,948
59 Other Interest Expense									
60 AFUDC-Debt	9,297-	5,175-	4,032-	10,300-	74,750-	38,082-	36,668-	57,046-	79,051-
61 Total Interest Charges	466,552	448,569	17,983	464,534	2,729,442	2,662,381	67,061	2,781,261	5,356,609
62 Net Income	474,024	495,244	21,220-	577,643	1,593,285	2,579,891	986,606-	467,175-	6,580,519
64 Preferred Dividend Declared	6,562	39,325	32,763	6,330	229,950	190,570-	190,570-	40,014	459,900
65 Net Income to Common Stock	467,462	456,919	10,543	571,315	1,553,905	2,349,941	796,036-	507,189-	6,130,619

**July 2006
Operations Review
Southeast Region**

Operational Issues Review

1. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The design consultant was selected and the Company secured options for an intake site, as well as a treatment plant site. KAW applied for a withdrawal permit and is preparing to apply for a PSC Certificate of Convenience and Necessity at the end of the first quarter of 2007. The Company continues to assess potential options for a public-private partnership involving neighboring utilities.

2. Operational Costs: Energy, Chemicals, Residuals

July production costs are \$161,000 (or 8%) above plan, with the variance primarily attributed to purchased power expense of \$194,020 over plan.

MTD purchased power was over \$90,050 to plan and chemicals expense exceeded budget by \$31,423.

3. Rate Case/Orders: Timing, Value, Issues

Activity focused on preparation for Kentucky IPO hearing, scheduled for August 16

4. Commission Activity: Customer Complaints, Compliance

2006 YTD	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	0	0	25	4	25	4

5. [REDACTED]



6. Divestitures

No new activity to report.

7. Major Operational Projects

8. Operational Regulatory Compliance: Status

Meter Change & Test		Actual YTD	Plan YTD	Backlog
	KY	8,445	4,674	1,453

9. Policy Compliance Issues

No new activity to report.

10. Union/Labor Issues/Activities

11. Explanation of NOV's, OSHA violations, etc.

12. Revenue Generating Projects/Opportunities

13. O&M, DBO Contracts – Significant Operational/Financial Variances

14. Other Operational Issues

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American Water Works Company
Kentucky-American Water-Co 12
Total Company (USGAAP)
Income Statement Month & YTD
For the Period Ending 07/28/2006

Kentucky-American Water Co.

Description	July Actual	July Plan	July Variance	July Prior Year	Yr to Date Actual	Yr to Date Plan	Yr to Date Variance	Yr to Date Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	4,075,501	4,417,143	341,642-	5,158,720	26,069,759	28,062,439	1,992,680-	26,907,217	49,309,002
3 Sewer	26,562	29,391	2,829-	4,843	165,308	205,737	40,349-	26,025	352,692
4 Other	146,447	145,633	814	152,944	1,092,127	1,019,431	72,696	939,652	1,747,596
5 Management									
6 Total Revenues	4,248,510	4,592,167	343,657-	5,316,507	27,327,274	29,287,607	1,960,333-	27,872,894	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	406,331	418,256	11,925-	358,337	2,926,431	2,965,333	38,902-	2,732,767	5,156,940
9 Purchased Water	30,946	40,250	9,304-	37,298	261,661	262,750	889-	281,197	470,500
10 Fuel & Power	269,824	179,774	90,050	206,439	1,406,687	1,212,667	194,020	1,214,767	2,127,636
11 Chemicals	141,634	110,211	31,423	120,036	738,892	771,384	32,462-	568,096	1,348,523
12 Waste Disposal	19,949	23,213	3,264-	17,061	123,736	120,491	36,755-	206,914	253,117
13 Management Fees	513,425	502,000	11,425	436,229	3,580,440	3,670,000	89,560-	3,229,509	6,254,000
14 Group Insurance	140,649	149,619	8,970-	139,418	948,554	1,055,328	106,774-	959,518	1,824,563
15 Pensions	63,580	67,006	3,426-	68,477	469,042	34,097-	467,439	804,072	1,024,000
16 Regulatory Expense	30,086	29,451	635	31,948	219,193	206,157	13,036	161,903	353,412
17 Insurance Other Than Group	52,206	41,824	10,382	46,048	422,204	292,768	129,436	270,736	501,888
18 Customer Accounting	138,674	96,511	42,163	113,193	734,762	678,277	56,485	712,457	1,160,838
19 Rents	4,989	3,756	1,233	2,610	18,577	26,292	7,715-	21,811	45,072
20 General Office Expense	32,178	25,161	7,017	28,542	288,061	196,298	91,763	234,361	329,299
21 Miscellaneous	216,977	228,054	11,077-	1,649,973	1,548,950	101,023	101,023	5,819,351	2,534,684
25 Other Maintenance	152,083	91,087	60,996	184,558	1,334,456	821,868	512,588	1,415,840	1,248,184
Total Maintenance & Operations Expense	2,213,531	2,006,173	207,358	2,133,544	15,088,772	14,337,605	751,167	18,296,666	24,412,728
27 Depreciation	814,917	611,206	203,711	472,334	3,953,324	4,249,544	296,220-	3,334,451	7,339,261
28 Amortization	40,477	40,507	30-	59,335	283,505	204,505	79,004-	415,148	486,084
29 General Taxes	230,638	225,450	5,188	1,619,875	1,584,329	35,546	1,562,175	2,721,809	2,721,809
30 State Income Taxes	16,526	110,991	94,465-	192,200	512,148	512,148	271,219-	109,008	987,225
31 Federal Income Taxes	308,917	403,150	94,233-	658,800	1,237,953	1,850,482	612,529-	365,950	3,588,510
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	3,625,006	3,397,477	227,529	3,722,376	22,345,358	22,817,657	472,299-	24,083,498	39,535,617
34 Utility Operating Income	623,594	1,194,690	571,186-	1,594,131	4,983,916	6,469,950	1,488,034-	3,789,396	11,673,673
35 OTHER INCOME & DEDUCTIONS									
36 Non-Operating Rental Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income									
40 AFUDC Equity	18,646	11,473	7,173	28,538	187,560	95,329	92,231	155,186	175,832
42 M & J Miscellaneous Income	16,395	8,791	7,604	18,101-	26,517-	18,091	44,608-	261,056	66,058
43 Gain(Loss)on Disposition									
45 Total Other Income	35,041	20,264	14,777	10,437	161,043	113,420	47,623	416,242	241,890
46 Miscellaneous Amortization	354-	64	418-		354-	448	802-		768
47 Tax Savings Acquisition Adjustment									
48 Misc. Other Deductions	4,725	4,613	112	18,057	232,614	232,872	258-	264,354	280,419
49 General Taxes									
50 State Income Taxes	7,922-	67-	7,855-	4,481-	18,856-	21,016-	2,060	2,300	23,044-
51 Federal Income Taxes	39,609-	264-	39,345-	22,406-	81,814-	81,814-	12,966-	11,501	89,708-
52 Total Other Deductions	43,160-	4,346	47,506-	8,630-	118,524	130,490	11,966-	278,155	168,435
53 Total Other Income	78,201	15,918	62,283	19,267	42,519	17,070-	59,589	138,087	73,455
54 Income Before Interest Charges	701,795	1,210,698	508,903-	1,613,398	5,024,435	6,452,880	1,428,445-	3,927,483	11,947,128
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	426,629	394,867	31,762	458,431	2,986,404	2,764,069	222,335	3,208,947	4,738,404
57 Amortization and Debt Expense	6,071	6,009	64	6,613	42,400	42,963	446	46,294	72,108
58 Interest-Short Term Bank Debt	35,358	55,276	19,918-	12,282	243,292	350,483	107,191-	57,822	625,948
59 Other Interest Expense									
60 AFUDC-Debt	8,601-	5,210-	3,391-	11,640-	83,351-	43,292-	40,059-	66,685-	79,851-
61 Total Interest Charges	459,459	450,942	8,517	465,676	3,186,900	3,113,323	75,577	3,246,938	5,356,609
62 Net Income	242,246	759,656	517,420-	1,447,722	1,835,535	3,339,557	1,504,022-	680,545	6,589,519
64 Preferred Dividend Declared	6,582	38,325	31,763-	6,087	268,275	268,275	222,333-	46,101	459,900
65 Net Income to Common Stock	235,664	721,341	485,657-	1,441,635	1,789,593	3,071,282	1,281,689-	634,444	6,130,619

**August 2006
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The design consultant was selected and the Company secured options for an intake site, as well as a treatment plant site. KAW applied for a withdrawal permit and is preparing to apply for a PSC Certificate of Convenience and Necessity at the end of the first quarter of 2007. The Company continues to assess potential options for a public-private partnership involving neighboring utilities. No other significant items to report.

2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is over plan by \$95,623 and \$289,643 YTD due to the power accrual for the month totaling \$99,000. Compared to the Q2RF, purchased power is only slightly over plan by \$24,000. Chemicals are over plan by \$76,623 and 44,131 YTD; only \$22,000 over the MTD Q2RF. Purchased water is over plan by \$12,364 due to true up of balance sheet accrual account.

3. Rate Case/Orders: Timing, Value, Issues

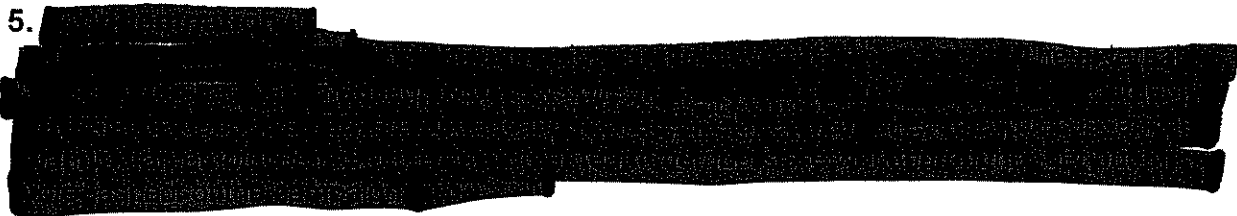
Notification is pending to PSC regarding the deferred treatment of hydrant paintings in 2007 and 2008. A hearing was held at the Kentucky PSC to seek approval of the IPO process from RWE divestiture. Nick testified for approximately 15 minutes. The PSC scheduled the hearing to last 3 full days and it was finished by 3:30 pm of the first day. The following witnesses testified on behalf of Kentucky American Water:

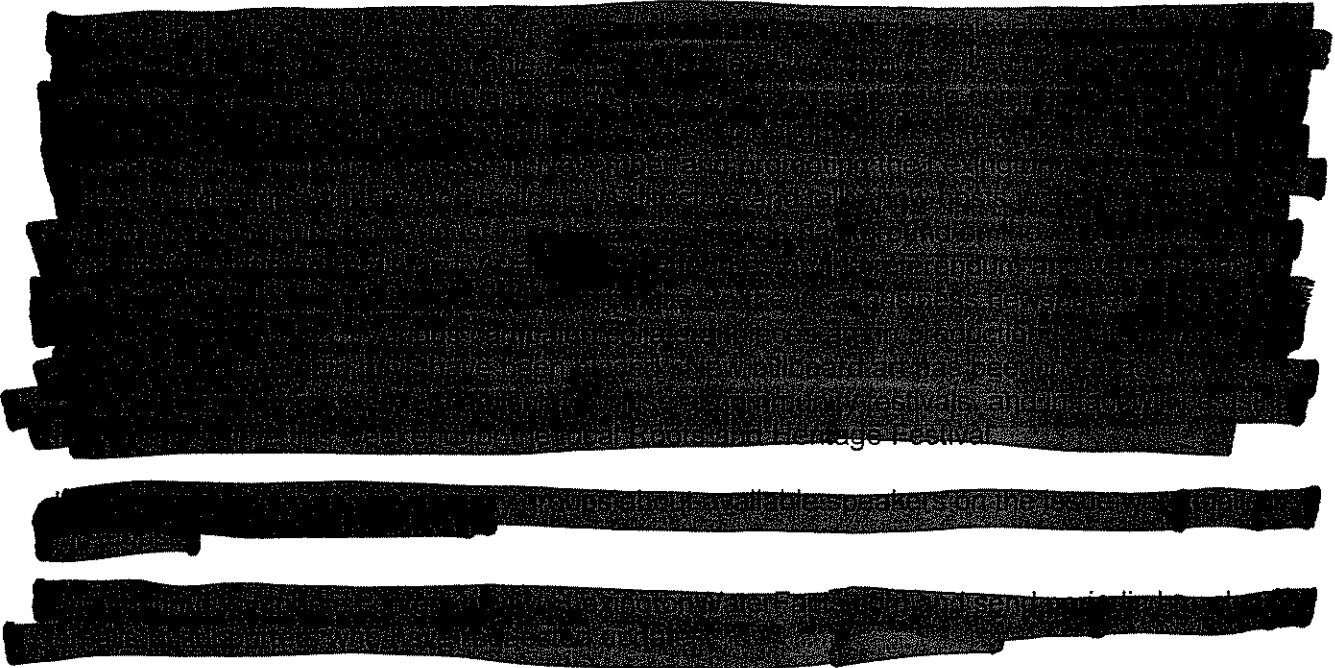
- Nick Rowe
- Mike Miller
- Ellen Wolfe
- John Young
- A representative from RWE

Also, Kentucky American Water is expected to submit additional testimony by Sept 22. The PSC will make their decision at an undetermined date. The PSC also stated that a decision will be made "expeditiously" but mention of a 120 day window does not apply to this case.

4. Commission Activity: Customer Complaints, Compliance

2006 YTD	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	1	0	6	0	7	0

5. 



6. Divestitures

No divestitures at this time.

7. Major Operational Projects

8. Operational Regulatory Compliance: Status

Meter Change & Test	Actual YTD	Plan YTD	Backlog
Aug info from Jeff Vires for the PSC report	7,209	7,700	1,000

Periodic small meter change outs: 75% complete
Periodic large meter change outs: 22% Will be 100% completed by October 15th
Large valve operation is 70% completed Small valve operation is 57% completed
Fire hydrant inspections have completed 60% at end of August This has been done within the last 4 months, therefore should have 100% complete by end of 2006.

9. Policy Compliance Issues

None to report at this time.

10. Union/Labor Issues/Activities

Currently, there is one grievance at third step on a uniform issue. We are conducting monthly labor/management meetings to enhance relationship and to improve communications.

11. Explanation of NOV's, OSHA violations, etc.

There are no OSHA violations to report and 2 NOV's to date. There was 1 wastewater exceedence in Pineville for August and another one for Bluegrass Station earlier this year. There was one medically treated injury in August.

12. Revenue Generating Projects/Opportunities

13. O&M, DBO Contracts – Significant Operational/Financial Variances

No DBO contracts. Revenues were under \$275,184 for the month, but only under \$58,966 under the MTD Q2RF. For the month of August, NI to common was \$232,479 under plan, and \$167,000 under the reforecast.

14. Other Operational Issues

Report any new activity/issues.

American Water Works Company
Kentucky-American Water-CD 12
Total Company (USGNAP)
Income Statement Month & YTD
For the Period Ending 08/25/2006

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Kentucky-American Water Co.

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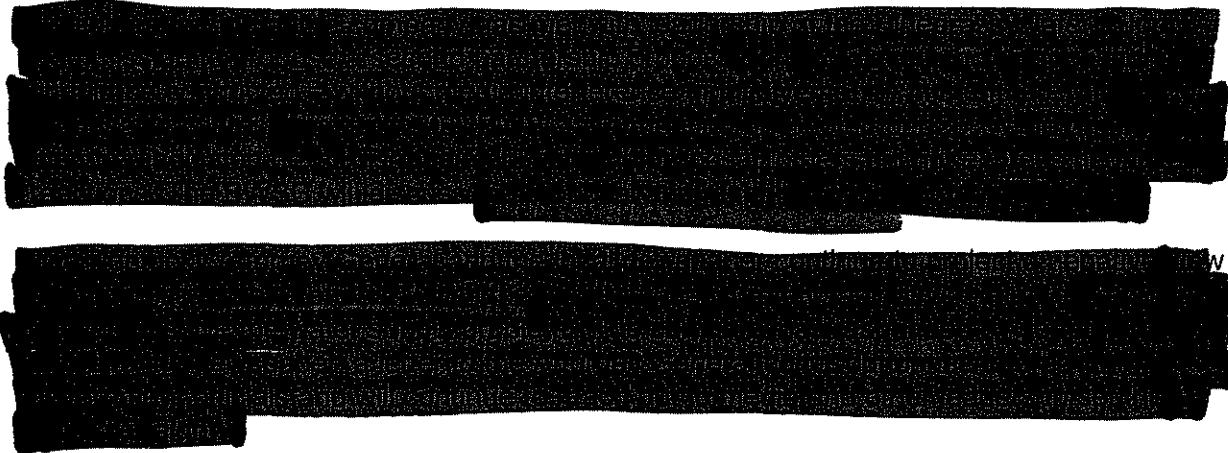
Description	August Actual	August Plan	August Variance	August Prior Year	Yr to Date Actual	Yr to Date August Plan	Yr to Date August Variance	Yr to Date August Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	4,186,106	4,474,254	288,148	4,840,079	30,255,866	32,536,693	2,280,827	31,747,295	49,309,002
3 Sewer	26,753	29,391	2,638	4,039	192,141	235,120	42,979	30,063	352,692
4 Other	161,235	145,633	15,602	159,953	1,253,362	1,165,064	88,298	1,099,605	1,747,596
5 Management									
6 Total Revenues	4,374,094	4,649,278	275,184	5,004,071	31,703,369	33,936,885	2,233,516	32,876,963	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	403,720	453,139	49,419	358,455	3,330,151	3,418,472	88,321	3,091,222	5,156,940
9 Purchased Water	53,614	41,250	12,364	35,320	315,475	304,000	11,475	316,517	470,500
10 Fuel & Power	278,022	182,199	95,823	1,684,709	1,395,066	1,395,066	289,643	1,465,100	2,137,636
11 Chemicals	171,563	94,940	76,623	126,010	910,455	866,324	44,131	694,106	1,348,523
12 Waste Disposal	21,256	23,113	1,857	18,131	144,992	183,704	38,712	225,045	253,117
13 Management Fees	482,784	532,000	49,216	489,428	4,063,144	4,202,000	138,856	3,718,936	6,254,000
14 Group Insurance	142,826	156,954	14,128	122,178	1,091,380	1,212,282	120,902	1,081,697	1,834,563
15 Pensions	63,540	67,006	3,466	62,276	498,485	536,048	37,563	529,715	804,072
16 Regulatory Expense	30,086	29,451	635	32,033	249,280	235,608	13,672	193,936	353,412
17 Insurance Other Than Group	52,261	41,824	10,437	39,673	474,465	334,592	139,873	310,408	501,888
18 Customer Accounting	112,946	96,511	16,435	109,731	847,788	774,788	72,970	822,189	1,160,838
19 Rents	792	756	36	2,981	19,369	30,648	10,679	24,791	45,072
20 General Office Expense	26,109	25,286	823	60,723	314,170	221,584	92,586	295,083	329,299
21 Miscellaneous	220,608	201,919	18,689	267,303	1,870,581	1,750,889	119,692	6,086,654	2,534,684
25 Other Maintenance	160,486	96,082	64,404	205,678	1,494,942	917,950	576,992	1,621,510	1,248,184
Total Maintenance & Operations Expense	2,220,533	2,045,750	174,783	2,180,252	17,309,306	16,383,355	925,951	20,476,917	24,412,728
27 Depreciation	531,484	614,195	82,711	470,485	4,484,888	4,863,739	378,911	3,804,936	7,339,261
28 Amortization	88,054	40,507	47,547	59,335	292,600	334,600	42,000	474,683	486,084
29 General Taxes	234,022	228,589	5,433	211,737	1,853,997	1,812,918	40,979	1,773,983	2,721,809
30 State Income Taxes	67,870	110,487	42,617	159,010	308,799	622,635	313,836	268,038	987,225
31 Federal Income Taxes	277,963	410,016	132,053	543,209	1,515,916	2,260,498	744,582	909,059	3,588,510
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	3,419,966	3,449,544	29,578	3,624,038	25,765,326	26,267,201	501,875	27,707,536	39,535,617
34 Utility Operating Income	954,128	1,199,734	245,606	1,380,033	5,936,043	7,669,684	1,733,641	5,169,427	11,873,673
35 OTHER INCOME & DEDUCTIONS									
36 Non-Operating Rental Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income									
40 AFUDC Equity	17,934	13,341	4,593	29,502	205,494	108,670	96,824	184,689	175,832
42 M & J Miscellaneous Income	1,818	11,217	9,399	3,659	24,599	29,308	54,007	264,715	66,058
43 Gain/(Loss) on Disposition									
45 Total Other Income	19,752	24,558	4,806	33,161	180,795	137,978	42,817	449,404	241,890
46 Miscellaneous Amortization	35	64	29	389	389	512	901	768	768
47 Tax Savings Acquisition Adjustment									
48 Misc. Other Deductions	10,888	7,083	3,805	12,273	243,501	239,955	3,546	276,627	280,419
49 General Taxes									
50 State Income Taxes									
51 Federal Income Taxes									
52 Total Other Deductions	10,888	7,083	3,805	12,273	243,501	239,955	3,546	276,627	280,419
53 Total Other Income	8,859	17,760	8,901	36,074	51,419	690	50,729	174,162	73,455
54 Income Before Interest Charges	963,027	1,217,494	254,467	1,416,107	5,987,462	7,670,374	1,682,912	5,343,589	11,947,128
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	426,629	394,867	31,762	450,421	3,413,034	3,158,404	254,630	2,667,368	4,738,404
57 Amortization and Debt Expense	6,073	6,009	64	48,582	48,076	48,076	510	52,807	72,108
58 Interest-Short Term Bank Debt	31,664	51,635	19,971	6,211	274,956	402,110	127,154	64,033	89,708
59 Other Interest Expense									
60 AFUDC-Debt	8,139	6,959	1,180	12,033	91,490	49,353	42,137	86,718	79,851
61 Total Interest Charges	456,227	446,452	9,775	459,267	3,645,128	3,559,775	85,353	3,706,204	5,356,609
62 Net Income	506,800	771,042	264,242	956,840	2,342,334	4,110,599	1,768,265	1,637,385	6,580,519
64 Preferred Dividend Declared	6,562	38,325	31,763	306,600	2,540,956	2,540,956	2,540,956	2,540,956	2,540,956
65 Net Income to Common Stock	500,238	732,717	232,479	950,272	2,209,829	3,803,999	1,514,170	1,504,716	6,130,619

**September 2006
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The KYDOW responded back to the request for a withdrawal permit, indicating the water would be available, but that some restrictions may be applied to the permit during low flow periods. They did not identify the extent of those restrictions. KAW has received proposals for design of the transmission main and booster from the new plant to KAW's current system. KAW presented a proposal for a partnership to the Bluegrass Water Supply Commission, who has formally established a negotiating committee. KAW is in the process of developing the EA strategy for the project duration.



2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is over plan by \$193,225 and \$482,868 YTD mainly due to Kentucky Utilities' surcharge for increased fuel costs. Compared to the Q3RF, fuel and power is only slightly over plan by \$38,608. Chemicals are over plan by \$91,986 and \$136,116 YTD. Increased rainfall has caused increased turbidity levels in the source water. The sludge lagoon is scheduled for cleaning in October. The project will cost approximately \$200,000 and its estimated completion date is December 2006. These costs will be deferred as previously approved by PSC guidance and amortized over 24 months.

3. Rate Case/Orders: Timing, Value, Issues

The PSC will also receive notification of the deferred costs associated with the sludge lagoon cleaning occurring in October as well as hydrant paintings scheduled for 2007.

4. Commission Activity: Customer Complaints, Compliance

2006 YTD	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	1	0	6	0	7	0

5.

[REDACTED]

6. Divestitures

Legal briefs were filed with the PSC on September 22, regarding the RWE divestiture. We are anticipating a PSC decision before year end.

7. Major Operational Projects

- \$2.7 million in replacement of older mains including Second Street from Mill to Jefferson Street, Lackawanna Drive, Royster Road and Sunset Drive from Park to High Street.
- Replacement of residuals handling facilities at the Richmond Road station
- Pump replacement project at Parkers Mill tank
- Reliability improvements at Kentucky River Station and Richmond Road Station including pump replacements and electrical improvements.
- Installation of 20" main in Clays Mill Road in anticipation of widening road.

8. Operational Regulatory Compliance: Status

Meter Change & Test	Actual YTD	Plan YTD	Backlog
Sept info from Jeff Vires for the PSC report	7,553	7,700	147

9. Policy Compliance Issues

None to report at this time.

10. Union/Labor Issues/Activities

In September, there was one grievance at third step. It is currently resolved.

11. Explanation of NOV's, OSHA violations, etc.

There are no OSHA violations to report and 2 NOV's to date. There was 1 wastewater exceedence in Pineville for August and another one for Bluegrass Station earlier this year.

There were 2 occupational injuries and no vehicular accidents reported for the month of September. Of the two injuries reported one was a "Lost Time" and the other was classified as "First Aid". The Lost Time injury resulted when one of the crew leaders injured his neck while turning a shutoff valve to make repairs to a water main leak. The First Aid injury resulted when one of our Field Service Representatives was robbed while working a turn on order. The employee sustained several cuts to his finger during the altercation with the robber. We have since put new policies in place to insure additional safety measures are taken, when working this area of town.

On September 26, the Company received a new NOV from the DOW concerning monitoring violations of the total coliform rule. The NOV was issued from a small administrative coding issue. Our preliminary discussions with the DOW indicate that this was sent in error and KAW is currently contesting the notice.

12. Revenue Generating Projects/Opportunities

None to report at this time.

13. O&M, DBO Contracts – Significant Operational/Financial Variances

In September, KAW delivered a letter to the Mayor and County Judge of Pineville stating that KAW decided against renewal of the O&M contract with Pineville.

Pineville has written a letter to KAW asking under what terms the contract could possibly be renewed. The company has responded to the inquiry by stating the financial issues involved and the rate increase that would be required. Nick Rowe also reassured the Pineville Commission that the current operational condition of the facility is much improved as compared to the condition at inception of the contract agreement and that we would exit the O&M contract effective Dec 31, 2006. Although unwilling to renew another O&M contract, KAW will consider a purchase arrangement, subject to KAW due diligence.

14. Other Operational Issues

During the work session on September 26, Bill O'Mara from the LFUCG Department of Revenue recommended to the LFUCG council, that the LFUCG Sewer O&M contract with KAW be extended for another year. Donna Counts, Commissioner of Finance, noted that the process improvements made by KAW, gives her assurance on which to base this recommendation. On September 28, the council approved this extension of sewer billing contract until October 2007. Revenues for this contract are approximately \$850,000 annually.

Results from the sewer billing audit will be reported on the LFUCG website very soon. All responses have been submitted to the LFUCG auditor and the compilation of responses should be in their final stages at this time.

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American Water Works Company
Kentucky-American Water- CO 12
Total Company (USGAAP)
Income Statement Month & YTD
For the Period Ending 09/29/2006

Kentucky-American Water Co.

Description	September Actual	September Plan	September Prior Year	Yr to Date Actual	Yr to Date September Plan	Yr to Date September Variance	Yr to Date September Prior Year	Annual Forecast
1 OPERATING REVENUES								
2 Water	5,346,418	4,171,404	4,395,571	35,602,204	36,708,097	1,105,813-	36,142,966	49,309,002
3 Sewer	25,847	29,391	14,940	217,987	264,519	46,532-	45,003	352,692
4 Other	200,211	145,633	195,266	1,453,574	1,310,697	142,877	1,294,871	1,747,596
5 Management								
6 Total Revenues	5,572,476	4,346,428	4,605,877	37,273,845	38,283,313	1,009,468-	37,482,840	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE								
8 Labor	543,466	435,695	374,777	3,073,617	3,854,167	19,450	3,465,999	5,156,940
9 Purchased Water	37,545	45,250	43,583	353,020	349,250	3,770	360,100	4,470,500
10 Fuel & Power	363,581	170,356	306,245	2,048,290	1,565,429	482,868	1,771,345	2,127,636
11 Chemicals	211,971	139,985	165,214	1,142,425	1,006,319	136,106	859,319	1,348,523
12 Waste Disposal	22,962	23,213	17,013	167,954	206,913	38,959-	242,059	253,117
13 Management Fees	753,665	517,000	4,836,665	4,719,008	4,719,008	97,809	4,242,996	6,254,000
14 Group Insurance	122,892	153,266	136,806	1,234,272	1,165,568	151,296-	1,218,503	1,824,563
15 Pensions	57,455	67,008	67,432	555,941	603,054	47,113-	597,147	884,072
16 Requitatory Expense	30,549	29,451	1,098	279,828	265,859	14,769	225,579	353,412
17 Insurance Other Than Group	34,422-	41,824	48,043	440,432	376,416	63,627	349,222	501,888
18 Customer Accounting	111,725	97,511	124,390	959,432	871,299	88,133	946,579	1,160,838
19 Rents	1,397	3,756	22,359-	22,766	33,804	11,038-	25,616	65,072
20 General Office Expense	31,733	27,821	33,216	345,903	249,405	96,498	370,289	339,299
21 Miscellaneous	324,108	216,066	260,700	2,194,689	1,966,095	227,794	6,347,553	7,554,684
25 Other Maintenance	167,520	82,891	151,236	1,562,462	1,000,841	561,621	1,772,754	1,248,184
Total Maintenance & Operations Expense	2,768,147	2,050,051	2,276,303	20,077,451	18,433,406	1,644,045	22,753,220	24,412,720
26 Depreciation	533,773	635,264	464,462	5,018,581	5,479,083	460,432	4,269,398	7,339,261
27 Amortization	45,234	40,587	4,727	5,317,831	5,761,563	443,732	6,729	8,067,084
29 General Taxes	219,941	220,220	226,849	2,091,838	2,041,338	50,760	2,000,752	2,784,909
30 State Income Taxes	76,652	85,065	113,443	385,650	2,708,501	322,851	379,381	3,987,225
31 Federal Income Taxes	458,875	311,212	378,441	1,974,591	2,571,710	597,119-	1,287,500	3,988,510
32 Tax Savings Acquisition Adjustment								
33 Total Operating Expenses	4,122,622	3,331,120	3,516,733	29,887,945	28,590,321	208,624	31,224,269	39,535,617
34 Utility Operating Income	1,449,854	1,015,300	1,089,144	7,385,900	8,684,992	1,299,092-	6,258,571	11,873,673
35 OTHER INCOME & DEDUCTIONS								
36 Non-Operating Rental Income								
37 Dividend Income-Common								
38 Dividend Income-Preferred								
39 Interest Income								
40 AFUDC Equity								
42 M & J Miscellaneous Income								
43 Gain/(Loss)/on Disposition								
45 Total Other Income	29,128	22,696	50,172	151,666	160,674	9,008-	499,576	241,090
46 Miscellaneous Amortization	35-	64	99-	425-	576	1,001-		768
47 Tax Savings Acquisition Adjustment								
48 Misc Other Deductions	9,779	29,185	22,563	253,280	269,140	15,860-	299,190	280,419
49 General Taxes	209	2,153-	603-	18,747-	23,240-	4,493	834	23,044-
50 State Income Taxes	1,046	8,382-	3,015-	93,734-	90,474-	3,260-	4,169-	89,708-
51 Federal Income Taxes	10,999	18,714	18,945	140,374	156,002	15,628-	298,187	168,435
52 Total Other Deductions	40,127-	3,902	31,227	11,292	4,672	6,620	209,309	71,455
53 Total Other Income	1,409,727	1,019,290	1,128,371	7,397,192	8,689,664	1,292,472-	6,463,960	11,947,128
54 Income Before Interest Charges	426,629	394,867	427,300	3,839,663	3,553,803	285,860	4,094,668	4,738,404
55 INTEREST CHARGES	6,073	6,009	6,073	54,655	54,081	574	50,980	72,108
56 Interest on Long-Term Debt	32,354	53,726	22,700	307,310	455,844	148,534-	86,734	625,948
58 Interest-Short Term Bank Debt			541	46		46	3,156	
59 Other Interest Expense	8,983-	6,636-	2,347-	100,473-	55,907-	44,486-	94,035-	79,851-
60 AFUDC-Debt								
61 Total Interest Charges	456,073	447,966	443,298	4,101,201	4,007,741	93,460	4,149,503	5,356,609
62 Net Income	953,654	571,324	677,073	3,295,991	4,601,923	1,385,932-	2,314,457	6,590,519
64 Preferred Dividend Declared	6,562	38,325	7,500	59,067	344,925	285,858-	60,169	459,900
65 Ret Income to Common Stock	947,092	532,999	669,573	3,236,924	4,336,998	1,100,074-	2,254,288	6,130,619

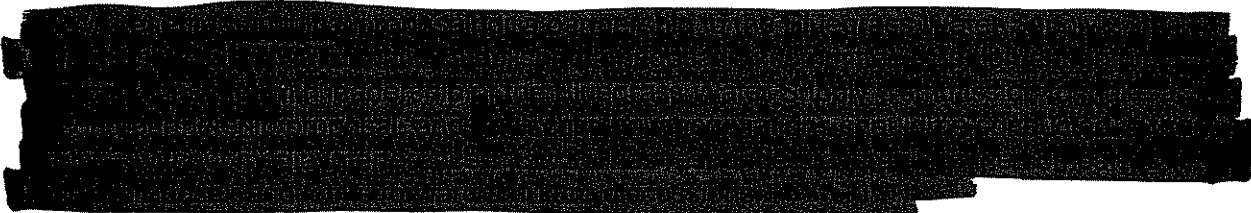
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**October 2006
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The KYDOW responded back to the request for a withdrawal permit, indicating the water would be available, but that some restrictions may be applied to the permit during low flow periods. They did not identify the extent of those restrictions. KAW has received proposals for design of the transmission main and booster from the new plant to KAW's current system. We have awarded contracts to local engineering firms for plant work, pipeline route, and booster stations. The company has completed 30% of the entire design for the project and is also seeking a financial consultant resource to work on the project.



KAW is in the process of developing the EA strategy for the project duration, and has secured an EA firm to implement. Town meetings are being scheduled for mid-December along the preferred route.

We continue to anticipate a filing with the Public Service Commission for a Certificate of Convenience and Necessity in Spring 2007.

2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is under plan by \$55,273 for the month of October and \$427,595 over plan for the YTD mainly due to Kentucky Utilities' surcharge for increased fuel costs. Chemicals are over plan by \$21,249 and \$157,366 YTD. Increased rainfall has caused increased turbidity levels in the source water. The sludge lagoon is scheduled for cleaning in October. The project will cost approximately \$200,000 and its estimated completion date is December 2006. These costs will be deferred as previously approved by PSC guidance and amortized over 24 months.

3. Rate Case/Orders: Timing, Value, Issues

Although PSC approval for amortization was granted in previous orders, official notification has been made to the Commission regarding deferrals of the sludge lagoon cleanings, tank painting, and hydrant painting.

4. Commission Activity: Customer Complaints, Compliance

2006 YTD	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	1	0	40	0	41	0

5.



6. Divestitures

Legal briefs were filed with the PSC on September 22, regarding the RWE divestiture. We are anticipating a PSC decision before year end.

7. Major Operational Projects

- \$2.2 million in main replacements including Second Street, Madison Place and Merino Street, Lackawanna Drive, and Bucoto Court to be completed this year. Main replacements in New Circle Road, Saunier Street, Bruce Street, Columbia Avenue and South Limestone will begin prior to year end but not be completed until next year. Replacement of 40,000 feet of main in Owen County will be completed this year with another 10,000 feet to be replaced in 2007.
- Replacement of residuals handling equipment at RRS - purchase of equipment this year with installation in 2007.
- Pump replacement at Parkers Mill Road tank to begin this year and be completed in 2007.
- Reliability of treatment facilities including intake pump replacement to begin this year and be completed in 2007.
- Installation of 6,400 feet of 20" in Clays Mill Road prior to the first phase of widening begun this year and to be completed in 2007.
- Installation of booster pump facilities in Mallard Point subdivision to improve area pressures, to begin this year and be completed in 2007.
- Installation of 29,000 feet of 12" main in Russell Cave Road to support operations of new tank, to be completed in 2006.

8. Operational Regulatory Compliance: Status

Meter Change & Test	Actual YTD	Plan 2006	Backlog
October info from Jeff Vires for the PSC report	7,626	7,700	74

On October 19, a PSC representative conducted a periodic regulatory compliance inspection of KAW facilities. The final report has been received and no deficiencies were documented.

9. Policy Compliance Issues

None to report at this time.

10. Union/Labor Issues/Activities

No issues to report.

11. Explanation of NOV's, OSHA violations, etc.

There are no OSHA violations to report and 2 NOV's to-date. There was one wastewater exceedence in Pineville for August and another exceedence for Bluegrass Station earlier this year.

On September 26, the Company received a new NOV from the DOW concerning monitoring violations of the total coliform rule. The NOV was issued from a minor administrative coding issue. KAW contested the notice and the DOW has since rescinded this NOV.

There were no injuries and no vehicular accidents to report for October.

12. Revenue Generating Projects/Opportunities

None to report at this time.

13. O&M, DBO Contracts – Significant Operational/Financial Variances

In September, KAW delivered a letter to the Mayor and County Judge of Pineville stating that KAW decided against renewal of the O&M contract with Pineville.

Pineville has written a letter to KAW asking under what terms the contract could possibly be renewed. The company has responded to the inquiry by stating the financial issues involved and the rate increase that would be required. Nick Rowe also reassured the Pineville Commission that the current operational condition of the facility is much improved as compared to the condition at inception of the contract agreement and that we would exit the O&M contract effective Dec 31, 2006. Although unwilling to renew another O&M contract, KAW will consider a purchase arrangement, subject to KAW due diligence.

Preliminary plans to transition the administrative functions from Shared Services to Pineville, are being reviewed and finalized in November.

14. Other Operational Issues

During the work session on September 26, Bill O'Mara from the LFUCG Department of Revenue recommended to the LFUCG council, that the LFUCG Sewer O&M contract with KAW be extended for another year. Donna Counts, Commissioner of Finance, noted that the process improvements made by KAW, gives her assurance on which to base this recommendation. On September 28, the council approved this extension of sewer billing contract until October 2007. Revenues for this contract are approximately \$850,000 annually. A renewal contract to be effective October 1, 2006 has been sent to the mayor and has been executed. New rates based on CPI were implemented effective October 1, 2006.

Results from the sewer billing audit were published on the LFUCG website in October. No adverse media resulted from its publication.

Discussions to negotiate a sewer billing contract with Scott County is planned for November. There are approximately 1400 customers that will be affected.

11/03/06
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American Water Works Company
Kentucky-American Water-Co 12
Total Company (USGMAF)
Income Statement Month % YTD
For the Period Ending 10/27/2006

Kentucky-American Water Co.

	October Actual	October Plan	October Variance	October Prior Year	Yr to Date Actual	Yr to Date Plan	Yr to Date Variance	Yr to Date October Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	3,531,621	4,461,375	929,754-	4,295,837	39,133,905	41,169,472	2,035,567-	40,430,803	49,309,002
3 Sewer	32,330	29,391	2,939	28,200	250,317	293,910	43,593-	73,203	352,692
4 Other	158,502	145,633	12,869	148,764	1,612,075	1,456,330	155,745	1,443,634	1,747,596
5 Management									
6 Total Revenues	3,722,453	4,636,399	913,946-	4,472,801	40,996,297	42,919,712	1,923,415-	41,955,640	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	397,213	410,256	21,043-	354,056	4,194,830	4,272,423	77,593-	3,785,055	5,156,940
9 Purchased Water	74,118	38,250	35,868	56,898	427,139	307,500	39,639	416,998	470,580
10 Fuel & Power	127,050	182,323	55,273-	287,559	2,175,340	1,747,745	2,427,595	1,961,904	2,127,636
11 Chemicals	136,162	104,913	31,249	94,478	1,268,586	1,111,222	157,366	953,797	1,348,523
12 Waste Disposal	10,806	15,400	4,594-	16,485	178,760	222,317	43,557-	258,544	253,117
13 Management Fees	507,918	505,000	2,918	410,741	5,324,727	5,224,000	100,727	4,653,737	6,254,000
14 Group Insurance	130,433	149,619	19,186-	134,153	1,352,705	1,515,187	162,482-	1,352,656	1,824,563
15 Pensions	63,360	67,006	3,646-	64,464	619,300	670,060	50,760-	661,610	804,072
16 Regulatory Expense	36,086	29,451	6,635	31,992	309,915	294,510	15,405	257,921	353,412
17 Insurance Other Than Group	52,051	41,824	10,227	38,989	492,094	418,240	73,854	387,811	501,888
18 Customer Accounting	117,903	96,511	21,392	167,851	1,077,335	967,810	109,525	1,114,430	1,160,838
19 Rents	5,180	3,756	1,424	4,619	27,945	37,560	9,615-	30,235	45,072
20 General Office Expense	33,159	22,411	10,748	41,832	379,062	271,816	107,246	369,831	329,299
21 Miscellaneous	205,275	199,307	5,968	269,895	2,399,965	2,166,202	233,763	2,713,248	2,534,684
22 Other Maintenance	184,965	101,086	83,879	214,326	1,857,427	1,101,927	755,500	1,987,080	1,248,184
Total Maintenance & Operations Expense	2,083,679	1,975,113	108,566	2,187,638	22,085,132	20,408,519	1,676,613	20,904,857	24,412,720
23 Depreciation	539,291	616,334	77,043-	384,552	5,557,872	6,095,337	537,465-	4,653,950	7,139,261
24 Amortization	40,477	40,507	30-	59,335	405,071	376,311	28,760	593,354	486,084
25 General Taxes	230,683	225,450	5,233	226,928	3,112,521	2,766,588	345,933	2,193,680	2,721,809
30 State Income Taxes	35,072	117,593	82,521-	102,938	420,722	826,094	405,372-	482,319	987,225
31 Federal Income Taxes	190,437	427,480	237,043-	347,544	2,132,028	2,999,190	867,162-	3,009,045	3,588,510
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	3,119,639	3,402,477	282,838-	3,108,935	32,886,586	33,000,798	114,212-	31,837,205	39,535,617
34 Utility Operating Income	602,814	1,233,922	631,108-	1,163,066	8,109,711	9,918,914	1,809,203-	10,118,435	11,873,673
35 OTHER INCOME & DEDUCTIONS									
36 Non-Operating Rental Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income									
40 AFUDC Equity	16,199	15,446	753	37,832	243,717	138,729	104,988	255,171	175,832
42 M & J Miscellaneous Income	10,637-	8,710	19,355-	28,028	86,490-	46,109	132,599-	30,266	66,058
43 Gain/(Loss)/on Disposition									
45 Total Other Income	5,562	24,164	18,602-	65,860	157,227	184,838	27,611-	275,437	241,890
46 Miscellaneous Amortization Adjustment	35-	64	99-		460-	640	1,100-		760
47 Tax Savings Acquisition Adjustment									
48 Misc. Other Deductions									
49 General Taxes	5,913	5,333	580	5,937	259,193	274,473	15,280-	305,127	280,419
50 State Income Taxes	2,083-	133-	1,950-	353-	20,830-	23,373-	2,543-	1,187-	23,044-
51 Federal Income Taxes	10,415-	510-	9,905-	1,765-	104,149-	90,992-	13,157-	5,934-	89,708-
52 Total Other Deductions	6,620-	4,746	1,874-	3,819	133,754	160,748	26,994-	298,006	168,435
53 Total Other Income	12,182	19,418	7,236-	62,041	23,473	24,090	617-	22,569-	73,455
54 Income Before Interest Charges	614,996	1,253,340	638,344-	1,225,907	8,133,184	9,943,004	1,809,820-	10,095,066	11,947,128
55 INTEREST CHARGES									
56 Amortization on Long-Term Debt	426,629	394,867	31,762	427,300	4,266,292	3,948,670	317,622	4,521,960	4,738,404
57 Amortization and Debt Expense	6,073	6,009	64	6,073	60,728	60,090	638	65,053	72,108
58 Interest-Short Term Bank Debt	31,522	57,151	25,629-	34,071	338,831	512,995	174,164-	120,804	625,948
59 Other Interest Expense	1,599	7,015	5,416-	1,645	107,828-	63,002-	44,826-	109,464-	79,851-
60 AFUDC-Debt	7,356-			15,430-	107,828-	63,002-	44,826-	109,464-	79,851-
61 Total Interest Charges	458,167	451,012	7,155	452,381	4,559,668	4,458,753	100,915	4,601,884	5,356,609
62 Net Income	156,529	802,328	645,799-	773,526	3,573,516	5,484,251	1,910,735-	5,493,982	6,590,519
64 Preferred Dividend Declared	6,562	36,125	29,563-	6,568	303,250	317,621	14,369-	66,738	459,900
65 Net Income to Common Stock	149,967	766,003	616,036-	766,958	3,507,887	5,101,001	1,591,114-	5,427,244	6,130,619

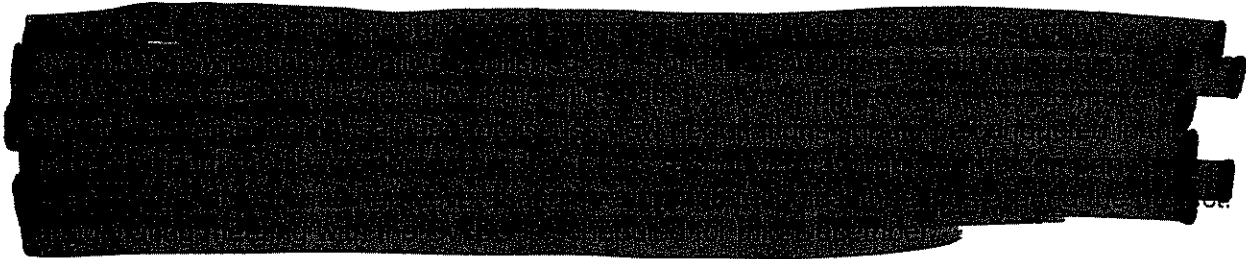


**November 2006
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The KYDOW responded back to the request for a withdrawal permit, indicating the water would be available, but that some restrictions may be applied to the permit during low flow periods. They did not identify the extent of those restrictions. KAW has received proposals for design of the transmission main and booster from the new plant to KAW's current system. We have awarded contracts to local engineering firms for plant work, pipeline route, and booster stations. The company has completed 30% of the entire design for the project and has secured a financial consultant resource to work on the project.



KAW is in the process of developing the EA strategy for the project duration, and has secured an EA firm to implement. Town meetings are being scheduled for mid-December along the preferred route.

We continue to anticipate a filing with the Public Service Commission for a Certificate of Convenience and Necessity in Spring 2007.

2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is over plan by \$46,874 for the month of November and \$474,469 over plan for the YTD mainly due to Kentucky Utilities' surcharge for increased fuel costs. Chemicals are over plan by \$29,602 and \$186,968 YTD. Increased rainfall has caused higher turbidity levels in the source water. The sludge lagoon was scheduled for cleaning in October. The project will cost approximately \$200,000 and its estimated completion date is December 2006. These costs will be deferred as previously approved by PSC guidance and amortized over 24 months.

3. Rate Case/Orders: Timing, Value, Issues

Although PSC approval for amortization was granted in previous orders, official notification has been made to the Commission regarding deferrals of the sludge lagoon cleanings, tank painting, and hydrant painting.

4. Commission Activity: Customer Complaints, Compliance

2006 D	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	2	0	45	0	47	0

5. [REDACTED]

[REDACTED]

6. Divestitures

Legal briefs were filed with the PSC on September 22, regarding the RWE divestiture. We are anticipating a PSC decision before year end.

7. Major Operational Projects

- \$2.2 million in main replacements including Second Street, Madison Place and Merino Street, Lackawanna Drive, and Bucoto Court to be completed this year. Main replacements in New Circle Road, Saunier Street, Bruce Street, Columbia Avenue and South Limestone will begin prior to year end but not be completed until next year. Replacement of 40,000 feet of main in Owen County will be completed this year with another 10,000 feet to be replaced in 2007.
- Replacement of residuals handling equipment at RRS - purchase of equipment this year with installation in 2007.
- Pump replacement at Parkers Mill Road tank to begin this year and be completed in 2007.
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- Installation of booster pump facilities in Mallard Point subdivision to improve area pressures, to begin this year and be completed in 2007.
- Installation of 29,000 feet of 12" main in Russell Cave Road to support operations of new tank, to be completed in 2006.

8. Operational Regulatory Compliance: Status

Meter Change & Test	Actual YTD	Plan 2006	Backlog
November info from Jeff Vires for the PSC report	7,728	7,700	0

On October 19, a PSC representative conducted a periodic regulatory compliance inspection of KAW facilities. The final report has been received and no deficiencies were documented.

9. Policy Compliance Issues

None to report at this time.

10. Union/Labor Issues/Activities

No issues to report.

11. Explanation of NOV's, OSHA violations, etc.

There are no OSHA violations to report and 3 NOV's to-date. There was one wastewater exceedence in Pineville for August and another exceedence for Bluegrass Station earlier this year.

On September 26, the Company received a new NOV from the DOW concerning monitoring violations of the total coliform rule. The NOV was issued from a minor administrative coding issue. KAW contested the notice and the DOW has since rescinded this NOV.

In November, an NOV was issued for a missing total organic carbon report that was part of the July 2006 monthly reporting package submitted by Pineville. KAW is contesting this notification because the package was deemed to be complete, and is awaiting a response from the DOW. We are presently working to schedule a meeting with the Secretary of the DNR to review the reporting process in the state of Kentucky. Other utilities throughout the state are having NOV's issued in error and the State realizes that it must improve its process.

There were no injuries and no vehicular accidents to report for November.

12. Revenue Generating Projects/Opportunities

None to report at this time.

13. O&M, DBO Contracts – Significant Operational/Financial Variances

In September, KAW delivered a letter to the Mayor and County Judge of Pineville stating that KAW decided against renewal of the O&M contract with Pineville.

Pineville has written a letter to KAW asking under what terms the contract could possibly be renewed. The company has responded to the inquiry by stating the financial issues involved and the rate increase that would be required. Nick Rowe also reassured the Pineville Commission that the current operational condition of the facility is much improved as compared to the condition at inception of the contract agreement and that we would exit the O&M contract effective Dec 31, 2006. Although unwilling to renew another O&M contract, KAW will consider a purchase arrangement, subject to KAW due diligence.

Preliminary plans to transition the administrative functions from Shared Services to Pineville, are being reviewed and finalized in December.

14. Other Operational Issues

During the work session on September 26, Bill O'Mara from the LFUCG Department of Revenue recommended to the LFUCG council, that the LFUCG Sewer O&M contract with KAW be extended for another year. Donna Counts, Commissioner of Finance, noted that the process improvements made by KAW, gives her assurance on which to base this recommendation. On September 28, the council approved this extension of sewer billing contract until October 2007. Revenues for this contract are approximately \$850,000 annually. A renewal contract to be effective October 1, 2006 has been sent to the mayor and has been executed. New rates based on CPI were implemented effective October 1, 2006.

Results from the sewer billing audit were published on the LFUCG website in October. No adverse media resulted from its publication.

**American Water Southeast Region
Operations Review**

Discussions to negotiate a sewer billing contract with Scott County will begin once the LFUCG sewer billing contract beginning October 2007, is renegotiated in the first quarter. There are approximately 1400 customers that will be affected in Scott County. The Company is working toward all sewer contracts being aligned and created under the same considerations for pricing and agreement terms.

The company is currently reviewing the reinstatement of an existing IVR (Predictive Dialer) that has been previously used. This will enable the Company to notify customers by telephone regarding emergencies and other notifications. The system will be fully utilized in the first quarter of 2007.

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American Water Works Company
Kentucky-American Water Co 12
Total Company (USRAP) YTD
Income Statement Month to YTD
For the Period Ending 12/01/2006

Kentucky-American Water Co.

Description	December Actual	December Plan	December Variance	December Prior Year	Yr to Date Actual	Yr to Date December Plan	Yr to Date December Variance	Yr to Date December Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	4,061,572	4,049,380	12,192	4,253,986	43,195,477	45,218,852	2,023,375	44,692,710	49,309,007
3 Sewer	25,420	29,391	3,971	29,789	275,737	323,501	47,764	402,952	352,892
4 Other	154,930	145,633	8,905	152,944	1,766,613	1,601,963	164,650	1,596,978	1,747,596
5 Management									
6 Total Revenues	4,241,922	4,224,404	17,126	4,436,639	45,237,827	47,144,316	1,906,289	46,392,200	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	529,099	447,385	81,714	437,887	4,723,929	4,719,808	4,121	4,222,142	5,156,940
9 Purchased Water	41,358	41,250	108	33,080	429,750	429,750	39,746	450,078	2,120,300
10 Fuel & Power	214,965	169,091	46,074	234,039	2,390,305	1,915,036	474,469	2,159,943	2,127,639
11 Chemicals	132,119	106,334	25,805	127,233	1,400,726	1,237,556	1,631,770	1,084,040	1,340,323
12 Waste Disposal	3,759	35,400	31,641	20,479	182,520	227,717	55,197	279,022	253,117
13 Management fees	570,759	509,000	61,759	496,460	5,895,487	5,733,000	1,624,887	5,150,137	6,254,000
14 Group Insurance	141,840	155,786	13,946	116,251	1,494,545	1,670,973	176,428	1,468,317	1,824,563
15 Pensions	63,952	67,006	3,054	54,384	603,252	737,066	53,844	715,395	804,072
16 Regulatory Expense	30,086	29,451	635	31,992	302,861	323,961	16,040	209,913	553,412
17 Insurance Other Than Group	52,065	41,824	10,241	37,796	460,064	460,064	94,095	425,607	504,868
18 Customer Accounting	221,201	96,511	124,690	123,463	1,298,535	1,064,321	234,214	1,237,893	1,160,838
19 Rent	3,756	3,756	0	26,748	28,209	41,316	13,107	56,353	45,072
20 General Office Expense	10,353	31,062	20,709	29,048	409,414	302,878	106,536	398,857	329,239
21 Miscellaneous	182,032	203,136	21,104	200,973	2,581,997	2,369,330	212,667	2,922,221	2,534,684
25 Other Maintenance	227,567	75,746	151,821	201,445	2,098,994	1,177,673	907,321	2,188,439	1,240,184
Total Maintenance & Operations Expense	2,441,439	1,991,738	449,701	2,170,416	24,526,569	22,400,257	2,126,312	23,083,273	24,412,720
27 Depreciation	540,011	617,402	77,391	594,004	6,097,883	6,712,739	614,856	5,157,954	7,339,461
28 Amortization	40,477	40,507	30	59,335	418,707	445,577	26,790	652,689	486,084
29 General Taxes	569,636	228,072	341,564	223,910	2,882,157	2,494,660	387,497	2,417,590	2,721,009
30 State Income Taxes	310,596	81,869	228,727	37,997	130,136	907,963	797,837	444,322	987,225
31 Federal Income Taxes	814,514	295,463	519,051	280,212	1,317,514	3,294,653	1,977,139	3,289,256	3,586,510
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	2,466,453	3,255,051	788,598	3,207,880	35,353,036	36,255,849	902,813	35,045,084	39,535,617
34 Utility Operating Income	1,775,077	969,353	805,724	1,228,759	9,884,791	10,888,267	1,003,476	11,347,196	11,873,673
35 OTHER INCOME & DEDUCTIONS									
36 Non-Operating Rental Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income									
40 AFUDC Equity	14,151	19,830	5,679	45,792	257,869	158,559	99,310	300,963	175,832
42 M & J Miscellaneous Income	10,605	9,716	889	1,443	75,884	55,625	131,709	21,708	66,058
43 Gain/Loss on Disposition									
45 Total Other Income	24,756	29,546	4,790	47,235	181,985	214,304	32,399	322,671	241,890
46 Miscellaneous Amortization	35	64	29	99	495	704	1,199	768	768
47 Tax Savings Acquisition Adjustment									
48 Misc. Other Deductions	14,379	3,913	10,466	24,431	273,572	278,386	4,814	329,558	280,419
49 General Taxes	2,083	66	2,149	1,547	22,913	23,307	394	360	23,044
50 State Income Taxes	10,415	257	10,672	7,733	114,564	90,735	23,829	1,799	69,708
51 Federal Income Taxes									
52 Total Other Deductions	1,046	4,300	3,254	33,711	135,600	165,048	29,448	331,717	168,435
53 Total Other Income	22,910	25,246	2,336	13,524	46,385	49,336	2,951	9,046	73,455
54 Income Before Interest Charges	1,797,987	994,559	803,388	1,242,283	9,931,176	10,937,693	1,006,427	11,338,159	11,947,128
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	426,629	394,867	31,762	419,919	4,692,921	4,343,537	349,384	4,941,888	4,738,404
57 Amortization and Debt Expense	6,073	6,009	64	6,073	66,099	66,099	701	71,126	72,108
58 Interest-Short Term Bank Debt	31,905	55,518	23,613	25,667	370,817	568,513	197,696	146,471	625,948
59 Other Interest Expense									
60 AFUDC-Debt	6,426	9,005	2,579	18,676	114,254	72,007	42,247	120,141	79,851
61 Total Interest Charges	458,261	447,389	10,872	432,903	5,017,939	4,906,442	111,787	5,034,867	5,356,609
62 Net Income	1,339,726	547,210	792,516	809,300	4,913,247	6,031,461	1,110,214	6,303,283	6,590,519
64 Preferred Dividend Declared	6,562	38,325	31,763	6,568	72,192	421,575	349,383	73,306	459,900
65 Net Income to Common Stock	1,333,164	508,885	824,279	802,732	4,841,055	5,609,886	768,831	6,229,977	6,130,619



Kentucky
American Water®

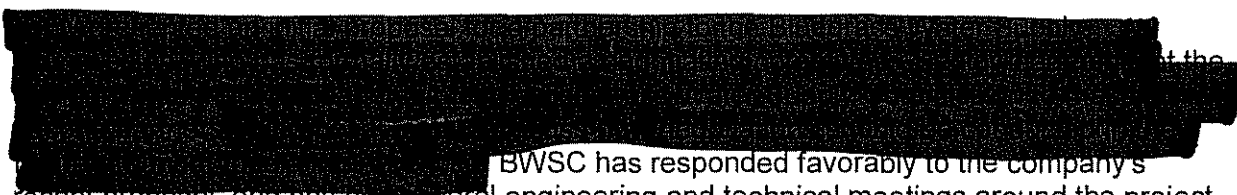
American Water Southeast Region
Operations Review December 2006

**December 2006
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The KYDOW responded back to the request for a withdrawal permit, indicating the water would be available, but that some restrictions may be applied to the permit during low flow periods. They did not identify the extent of those restrictions. KAW has received proposals for design of the transmission main and booster from the new plant to KAW's current system. We have awarded contracts to local engineering firms for plant work, pipeline route, and booster stations. The company has completed 30% of the entire design for the project and has secured a financial consultant resource to work on the project.



BWSC has responded favorably to the company's recent proposal, and has had several engineering and technical meetings around the project. A negotiating meeting with the BWSC was held in December. Both parties agreed to work towards an agreement for BWSC to pay for design costs of additional facilities. Approximately 200 people out of 1000 property owners attended the open houses which were held, to provide open communication between the company and the communities affected. Most feedback was cautiously optimistic with property owners wanting much more detail of exact routing of the main extensions.

We continue to anticipate a filing with the Public Service Commission for a Certificate of Convenience and Necessity in Spring 2007.

2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is over plan by \$36,165 for the month of December and \$510,634 over plan for the YTD mainly due to Kentucky Utilities' surcharge for increased fuel costs. Chemicals are under plan by \$35,806 and \$47,364 YTD. Increased rainfall has caused higher turbidity levels in the source water. The sludge lagoon was cleaned in December. The project cost was \$202,500 and these costs will be deferred as previously approved by PSC guidance and amortized over 24 months.

3. Rate Case/Orders: Timing, Value, Issues

Although PSC approval for amortization was granted in previous orders, official notification has been made to the Commission regarding deferrals of the sludge lagoon cleanings, tank painting, and hydrant painting. (no change)

4. Commission Activity: Customer Complaints, Compliance

	Collections		Billing		Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	2	0	45	0	47	0

This information has not been updated for December.

5. [REDACTED]

[REDACTED]

5. Divestitures

Legal briefs were filed with the PSC on September 22, regarding the RWE divestiture. We continue to wait for a PSC decision.

6. Major Operational Projects

- \$2.2 million in main replacements including Second Street, Madison Place and Merino Street, Lackawanna Drive, and Bucoto Court to be completed in 2006. Main replacements in New Circle Road, Saunier Street, Bruce Street, Columbia Avenue and South Limestone will begin prior to year end but not be completed until next year. Replacement of 40,000 feet of main in Owen County will be completed this year with another 10,000 feet to be replaced in 2007.
- Replacement of residuals handling equipment at RRS - purchase of equipment this year with installation in 2007.
- Pump replacement at Parkers Mill Road tank to begin this year and be completed in 2007.
- Reliability of treatment facilities including intake pump replacement to begin this year and be completed in 2007.
- Installation of 6,400 feet of 20" in Clays Mill Road prior to the first phase of widening begun this year and to be completed in 2007.
- Installation of booster pump facilities in Mallard Point subdivision to improve area pressures, to begin this year and be completed in 2007.
- Installation of 29,000 feet of 12" main in Russell Cave Road to support operations of new tank, was completed in 2006.

7. Operational Regulatory Compliance: Status

Meter Change & Test	Actual YTD	Plan 2006	Backlog
December info from Jeff Vires for the PSC report	8,353	7,700	0

Testing of all meter sizes totaled 8,473 out of 8,692. The remaining 2% of meters will be tested in January 2007.

On October 19, a PSC representative conducted a periodic regulatory compliance inspection of KAW facilities. The final report has been received and no deficiencies were documented. The same inspection was performed on the Northern facilities in November. The only issue noted was undetected line loss. The company has recognized that this is a problem and is in the process of replacing 135 meters and installing a Venturi meter to hopefully alleviate the potential lost revenue.

8. Policy Compliance Issues

None to report at this time.

9. Union/Labor Issues/Activities

No issues to report.

Explanation of NOV's, OSHA violations, etc.

There are no OSHA violations to report and 3 NOV's to-date. There was one wastewater exceedence in Pineville for August and another exceedence for Bluegrass Station earlier this year.

On September 26, the Company received a new NOV from the DOW concerning monitoring violations of the total coliform rule. The NOV was issued from a minor administrative coding issue. KAW contested the notice and the DOW has since rescinded this NOV.

In November, an NOV was issued for a missing total organic carbon report that was part of the July 2006 monthly reporting package submitted by Pineville. KAW is contesting this notification because the package was deemed to be complete, and is awaiting a response from the DOW. We are presently working to schedule a meeting with the Secretary of the DNR to review the reporting process in the state of Kentucky. Other utilities throughout the state are having NOV's issued in error and the State realizes that it must improve its process.

There were 2 injuries reported and no vehicular accidents to report for December.

10. Revenue Generating Projects/Opportunities

None to report at this time.

11. O&M, DBO Contracts – Significant Operational/Financial Variances

In September, KAW delivered a letter to the Mayor and County Judge of Pineville stating that KAW decided against renewal of the O&M contract with Pineville.

Pineville has written a letter to KAW asking under what terms the contract could possibly be renewed. The company has responded to the inquiry by stating the financial issues involved and the rate increase that would be required. Nick Rowe also reassured the Pineville Commission that the current operational condition of the facility is much improved as compared to the condition at inception of the contract agreement and that we would exit the O&M contract effective Dec 31, 2006. A signed payment plan commitment will be obtained from the Pineville Mayor, to cover the remaining accounts receivable balance of their O&M fee.

12. Other Operational Issues

During the work session on September 26, Bill O'Mara from the LFUCG Department of Revenue recommended to the LFUCG council, that the LFUCG Sewer O&M contract with KAW be extended for another year. Donna Counts, Commissioner of Finance, noted that the process improvements made by KAW, gives her assurance on which to base this recommendation. On September 28, the council approved this extension of sewer billing contract until October 2007. Revenues for this contract are approximately \$850,000 annually. A renewal contract to be effective October 1, 2006 has been sent to the mayor and has been executed. New rates based on CPI were implemented effective October 1, 2006.

**American Water Southeast Region
Operations Review December 2006**

Results from the sewer billing audit were published on the LFUCG website in October. No adverse media resulted from its publication.

Discussions to negotiate a sewer billing contract with Scott County will begin once the LFUCG sewer billing contract beginning October 2007, is renegotiated in the first quarter. There are approximately 1400 customers that will be affected in Scott County. The Company is working toward all sewer contracts being aligned and created under the same considerations for pricing and agreement terms.

The company is currently reviewing the reinstatement of an existing IVR (Predictive Dialer) that has been previously used. This will enable the Company to notify customers by telephone regarding emergencies and other notifications. The system will be fully utilized in the first quarter of 2007. No change.

Home based reporting pertaining to the field service representatives and the Tough Book capabilities are being discussed with regional employees at this time. More discussion regarding the process implementation is planned for 2007. A meeting is scheduled with the bargaining unit on February 8.

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American Water Works Company
Kentucky-American Water-Co 12
Total Company (USGMAP)
Income Statement Month & YTD
For the Period Ending 12/31/2006

83500
GL0121SAGP
0001R
Kentucky-American Water Co.

Description	December Actual	December Plan	December Variance	December Prior Year	Yr to Date Actual	Yr to Date Plan	Yr to Date Variance	Yr to Date December Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	3,599,545	4,090,150	490,605	3,567,605	46,795,023	49,309,002	2,513,979	48,260,315	49,309,002
3 Sewer	26,955	29,391	2,436	20,358	302,652	352,692	50,000	123,350	352,692
4 Other	145,819	145,633	186	139,375	1,912,432	1,747,596	164,836	1,735,954	1,747,596
5 Management									
6 Total Revenues	3,772,319	4,265,174	492,855	3,727,338	49,010,147	51,409,290	2,399,143	50,119,619	51,409,290
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	446,956	437,132	9,824	484,630	5,170,885	5,156,940	13,945	4,706,771	5,156,940
9 Purchased Water	38,130	41,750	3,620	31,020	506,626	470,500	36,126	401,098	470,500
10 Fuel & Power	247,965	211,800	36,165	169,975	2,638,270	2,127,636	510,634	2,127,636	2,127,636
11 Chemicals	95,161	130,967	35,806	131,750	1,495,887	1,349,523	147,364	1,212,790	1,349,523
12 Waste Disposal	141,928	15,400	126,528	324,447	71,330	253,117	71,330	253,117	253,117
13 Management Fees	716,927	521,000	195,927	762,487	6,612,414	6,254,000	358,414	5,912,604	6,254,000
14 Group Insurance	149,759	153,590	3,831	139,429	1,824,563	1,608,346	216,217	1,608,346	1,608,346
15 Penalties	65,022	67,006	1,984	66,349	748,274	804,072	55,798	782,135	804,072
16 Regulatory Expense	30,066	29,451	615	30,991	170,087	353,412	183,325	320,004	353,412
17 Insurance Other Than Group	105,883	41,824	63,179	38,737	649,152	1,160,838	511,686	464,344	1,160,838
18 Customer Accounting	101,070	96,517	4,553	139,976	1,399,605	1,177,856	221,749	1,177,856	1,177,856
19 Rentals	24,028	20,272	3,756	3,553	52,237	48,072	4,165	60,506	48,072
20 General Office Expense	60,752	26,421	34,331	514,571	470,171	329,299	140,872	913,427	329,299
21 Miscellaneous	351,445	165,346	186,099	1,018,444	2,913,442	2,534,684	378,758	3,940,665	2,534,684
25 Other Maintenance	199,679	70,531	129,148	224,793	2,284,673	1,248,184	1,036,489	2,413,208	1,248,184
Total Maintenance & Operations Expense	2,773,916	2,012,471	761,445	3,768,839	27,300,483	24,412,728	2,887,755	26,852,111	24,412,728
26 Depreciation	618,619	626,522	7,903	655,718	6,716,503	7,139,361	422,858	5,813,673	7,139,361
27 Amortization	40,477	40,507	30	40,477	486,884	486,884	76,820	486,884	486,884
29 General Taxes	21,699	227,149	205,450	319,287	2,860,457	2,723,809	136,648	2,723,809	2,723,809
30 State Income Taxes	344,787	79,262	265,525	637,155	984,913	987,225	32,312	1,061,477	987,225
31 Federal Income Taxes	283,044	293,857	10,813	884,611	2,169,470	3,580,310	1,419,040	2,404,645	3,580,310
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	3,473,056	3,279,768	193,288	4,536,865	39,861,090	39,535,617	325,473	39,561,949	39,535,617
34 Utility Operating Income	299,263	805,466	506,203	809,527	9,049,057	11,873,673	2,824,616	10,537,670	11,873,673
35 OTHER INCOME & DEDUCTIONS									
36 Non-Operating Rental Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income	2,213	17,273	15,060	45,571	273,684	175,932	97,752	346,533	175,932
40 AFUDC Equity	15,815	10,233	5,582	537	130,318	66,058	196,376	20,772	66,058
42 R & J Miscellaneous Income									
43 Gain/Loss/On Disposition									
45 Total Other Income	36,408	27,506	8,902	44,634	145,579	241,890	96,311	367,305	241,890
46 Miscellaneous Amortization	35	64	29		531	768	1,299		768
47 Tax Savings Acquisition Adjustment									
48 Misc. Other Deductions	4,929	2,033	2,896	8,770	278,501	280,419	1,918	338,328	280,419
49 General Taxes	5,513	263	5,250	22,589	28,426	23,044	5,382	22,229	23,044
50 State Income Taxes	27,562	1,027	26,535	112,944	142,128	89,708	52,420	111,145	89,708
51 Federal Income Taxes									
52 Total Other Deductions	28,101	3,307	24,794	126,763	107,418	168,435	61,017	204,954	168,435
53 Total Other Income	8,228	24,119	15,891	171,397	38,161	73,455	35,294	162,351	73,455
54 Income Before Interest Charges	251,038	1,009,543	758,505	638,130	9,087,218	11,947,128	2,859,910	10,700,021	11,947,128
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	418,324	394,867	23,457	426,629	5,111,245	4,738,404	372,841	5,368,517	4,738,404
57 Amortization and Debt Expense	6,073	6,009	64	6,073	72,873	72,108	765	77,198	72,108
58 Interest-Short Term Bank Debt	37,878	57,435	19,557	37,166	408,695	625,948	217,253	183,637	625,948
59 Other Interest Expense	2,457	2,457		2,457	4,102	4,102		4,102	4,102
60 AFUDC-Debt	2,262	7,844	5,582	19,504	116,516	79,051	37,465	147,644	79,051
61 Total Interest Charges	462,470	450,467	11,993	456,364	5,480,399	5,356,609	123,790	5,485,231	5,356,609
62 Net Income	171,432	559,058	387,626	1,088,494	3,606,819	6,590,519	2,983,700	5,214,790	6,590,519
64 Preferred Dividend Declared	6,515	38,325	31,810	6,568	78,706	381,194	302,488	79,874	381,194
65 Net Income to Common Stock	177,947	520,733	342,786	1,095,062	3,528,113	6,130,619	2,681,212	5,134,916	6,130,619



American Water Southeast Region
Operations Review January 2007

**January 2007
Operations Review
Kentucky American Water**

Operational Issues Review

2. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The KYDOW responded back to the request for a withdrawal permit, indicating the water would be available, but that some restrictions may be applied to the permit during low flow periods. They did not identify the extent of those restrictions. KAW has received approval from the Division of Water for the preliminary design, and will file the final design for approval.

KAW has received proposals for design of the transmission main and booster from the new plant to KAW's current system. We have awarded contracts to local engineering firms for plant work, pipeline route, and booster stations. The company has completed over 60% of the entire design for the project and has secured a financial consultant resource to work on the project.

KAW presented an initial proposal for a partnership to the Bluegrass Water Supply Commission, who has formally established a negotiating committee. On January 22, the Bluegrass Water Supply Commission voted in favor of authorizing funds for design work on an additional 5 MGD capacity for the water treatment plant.

Approximately 200 people out of 1000 property owners attended the open houses which were held in December, to provide open communication between the company and the communities affected. Most feedback was cautiously optimistic with property owners wanting much more detail of exact routing of the main extensions. The company hosted a follow-up question and answer session on January 23 in Peaks Mill. Approximately 40 people attended. Some indicated that they did not believe Central Kentucky had a water supply problem; they believe conservation is the answer. Some expressed other concerns regarding the project, including environmental concerns. The company provided additional information about the project and noted all concerns shared during the session. These concerns are being shared with the design team on the project for their consideration.

KAW has also met with representatives of the KY Department of Transportation to discuss potential use of state right-of-way in some areas for the transmission line. KAW will meet with representatives of the KY PSC staff on February 15 to present the preliminary design information and discuss expectations of the Certificate of Convenience and Necessity Application.

The Company anticipates filing with the Public Service Commission for a Certificate of Convenience and Necessity in the Spring of 2007.

6. Rate Case/Orders: Timing, Value, Issues

A rate filing is scheduled for May 1, 2007 to request a 20% increased in additional rates to cover the cost of infrastructure investment. A rate case task list was distributed in mid January to all parties responsible for schedules and exhibits. The company is on schedule to complete the filing as planned.

8. [REDACTED]

[REDACTED]

16. Other Operational

There are no NOV's to report in 2007 and no other operational issues to discuss at this time.



**Kentucky
American Water®**

**Kentucky American Water
Operations Review February 2007**

**February 2007
Operations Review
Kentucky American Water**

Operational Issues Review

1. Source of Supply:

KAW continues to move forward with the design of a treatment plant on Pool 3 of the Kentucky River. The KY DOW responded back to the request for a withdrawal permit, indicating the water would be available, but that some restrictions may be applied to the permit during low flow periods. They did not identify the extent of those restrictions. We have awarded contracts to local engineering firms for plant work, pipeline route, and booster stations. The company has completed 85% of the entire design for the project and has secured a financial consultant resource to work on the project. Permit applications to the Kentucky DOW for the transmission mains and boosters will be filed in March.

KAW presented an initial proposal for a partnership to the Bluegrass Water Supply Commission, who has formally established a negotiating committee. Senior leadership at the company has met with leadership of the Bluegrass Water Supply Commission to make a partnership proposal. BWSC has responded favorably to the company's recent proposal, and has had several engineering and technical meetings around the project. On January 22, the Bluegrass Water Supply Commission voted in favor of authorizing funds for design work on an additional 5 MGD capacity for the water treatment plant. Kentucky American and BWSC have executed an agreement to allow for the design expansion.

Approximately 200 people out of 1000 property owners attended the open houses which were held in December, to provide open communication between the company and the communities affected. A follow-up question and answer session was held on January 23 in Peaks Mill where approximately 40 people attended. KAW announced the preferred route for the transmission main on February 12 and met with the Franklin Fiscal Court on February 15. A number of residents came to that meeting and expressed concern over the environmental and cultural impact of the project in their county.

The Company anticipates filing with the Public Service Commission for a Certificate of Convenience and Necessity on March 30, 2007.

2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is over plan by \$35,913 for the month of February and under plan \$70,407 for the YTD. The February variance is due to the energy return true up of sales tax of \$31,000. Chemicals are under plan by \$17,563 and under plan YTD by \$33,698. Reversal of chemical tax accruals accounts for \$8,900 of the variance.

3. Rate Case/Orders: Timing, Value, Issues

A rate filing is scheduled for April 30, 2007 to request a 20% rate increase to cover the cost of infrastructure investment.

4. Commission Activity: Customer Complaints, Compliance

2007	YTD Collections		YTD Billing		YTD Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	0	0	7	0	7	0

5 Divestitures

Legal briefs were filed with the PSC on September 22, regarding the RWE divestiture. We continue to wait for a PSC decision.

6. Major Operational Projects

- \$2.7 million in main replacements including the completion of Second Street, Madison Place and Merino Street, Lackawanna Drive, and Bucoto Court to be completed in 2007. Main replacements in New Circle Road, Saunier Street, Bruce Street, Columbia Avenue and South Limestone will be completed in 2007. Replacement of 10,000 feet to be completed in 2007 for a total project of 50,000 feet in Owen County.
- Replacement of residuals handling equipment at Richmond Road Station to be completed by late summer of 2007.
- Pump replacement at Parkers Mill Road tank to be completed in 2007.
- Reliability of treatment facilities including intake pump replacement to began in 2006 and to be completed in 2008.
- Installation of 6,400 feet of 20" in Clays Mill Road prior to the first phase of widening began in 2006, to be completed in 2007.
- Installation of booster pump facilities in Mallard Point subdivision to improve area pressures, began in 2006 and to be completed in 2007.

7. Operational Regulatory Compliance: Status

	Actual YTD	Plan 2007	Backlog as of 02/28/07
Meter Change & Test			
February 2007 periodic meters –all sizes	625	8,501	380

8. Policy Compliance Issues

None to report at this time.

9. Union/Labor Issues/Activities

No issues to report.

10.Explanation of NOV's, OSHA violations, etc.

There are no OSHA violations to report and no NOV's to-date for 2007.

There was one occupational injury reported in February and one DOT citation for not having a DOT number on a truck. In March, all DOT trucks will be inspected to insure proper DOT numbering on all vehicles.

11. Revenue Generating Projects/Opportunities

None to report at this time.

12. O&M, DBO Contracts – Significant Operational/Financial Variances

A signed payment plan commitment was obtained from the Chairperson of the Pineville Utilities Commission, to cover the remaining accounts receivable balance of their O&M fee. Presentation to the Pineville Utilities Commission of the settlement fee is scheduled for March 20, 2007. Once approved, the settlement fee will be approximately \$145,000.

13. Other Operational Issues

The Company experienced main breaks in February that were in high profile traffic areas that caused local media attention. The Company explained that during extremely cold weather main breaks occur due to ground movement which is not abnormal.

Discussions to negotiate a sewer billing contract with Scott County and the renewal of the present Sewer Billing contract for LFUCG both will begin in March of 2007. There are approximately 1400 customers that will be affected in Scott County. The Company is working toward all sewer contracts being aligned and created under the same considerations for pricing and agreement terms.

The company is continuing to review the reinstatement of an existing IVR (Predictive Dialer) that has been previously used. This will enable the Company to notify customers by telephone regarding emergencies and other notifications. The Company will work toward utilization of this system during the first quarter of 2007.

Home based reporting pertaining to the field service representatives and the Tough Book capabilities are being discussed with regional employees at this time. More discussion regarding the process implementation is planned for 2007. The next meeting is scheduled with the bargaining unit on March 29.



Operations Review Kentucky American Water

Operational Issues Review

1. Source of Supply

Kentucky American Water ("KAW") continues to move forward and has finalized the design of a treatment plant on Pool 3 of the Kentucky River. The Kentucky Division of Water ("KY DOW") has granted a 20 MGD withdrawal permit with no restrictions, although some restrictions may be applied to the permit during low flow periods. Permit applications to the KY DOW for the transmission mains, water treatment plant, and boosters were filed in March. Plans for the transmission line were approved and a meeting was held with the KY DOW reviewer on plans for the water treatment plant. Approval is expected by end of April. A 404 permit application for construction in the waters of the US to the US Army Corps of Engineers was also filed in March. A permit application for a 401B permit for stream flow crossings was filed with the KY DOW on April 2.

KAW presented an initial proposal for a partnership to the Bluegrass Water Supply Commission ("BWSC"), who has formally established a negotiating committee. Senior leadership at the company has met with leadership of the BWSC to make a partnership proposal. BWSC has responded favorably to the company's recent proposal and has had several engineering and technical meetings around the project. On January 22, the BWSC voted in favor of authorizing funds for design work on an additional 5 MGD capacity for the water treatment plant. KAW and BWSC have executed an agreement to allow for the design expansion.

Approximately 200 people out of 1,000 property owners attended open houses held in December to provide open communication between KAW and the communities affected. A follow-up question and answer session was held on January 23 in Peaks Mill where approximately 40 people attended. KAW announced the preferred route for the transmission main on February 12 and met with the Franklin Fiscal Court on February 15. A number of residents attended that meeting and expressed concern over the environmental and cultural impact of the project in their county. KAW has begun making presentations about the project to numerous business and civic groups. A group of property owners in Franklin County has formed to oppose the project, however, they appear to be a small group.

KAW filed with the Public Service Commission a Certificate of Convenience and Necessity on March 30, 2007.

2. Operational Costs: Energy, Chemicals, Residuals

Fuel and Power is over plan by \$24,021 for the month of March and under plan \$49,218 YTD. The March variance is primarily due to increased usage and increased energy charge of \$30,000. YTD purchased power expense is reduced by prior year energy return adjustments of \$30,271. Chemicals are over plan by \$7,947 and under plan YTD by \$29,297.

3. Rate Case/Orders: Timing, Value, Issues

A rate filing is scheduled for April 30, 2007 to request a 20% rate increase to cover the cost of infrastructure investment. KAW filed its Notice of Intent to file the case with the KY Public Service Commission on April 2, 2007 per the required regulations. This case will seek approval for single tariff pricing for all districts of KAW.

4. Commission Activity: Customer Complaints, Compliance

2007	YTD Collections		YTD Billing		YTD Totals	
	Total	Justified	Total	Justified	Total	Justified
KY	2	0	12	0	14	0

5. Divestitures

Legal briefs were filed with the KY PSC on September 22, 2006 regarding the RWE divestiture. We continue to wait for a PSC decision.

6. Major Operational Projects

- \$2.7 million in main replacements, including completion of Second Street, Madison Place and Merino Street, Lackawanna Drive, and Bucoto Court to be completed in 2007. Main replacements in New Circle Road, Saunier Street, Bruce Street, Columbia Avenue and South Limestone will be completed in 2007.
- Replacement of 10,000 feet of main to be completed in 2007 for a total project of 50,000 feet in Owen County.
- Replacement of residuals handling equipment at Richmond Road Station began in March, to be completed in November 2007.
- Pump replacement at Parkers Mill Road tank began in March, to be completed in August.
- Reliability of treatment facilities, including intake pump replacement, will begin in April and is to be completed in 2008.
- Installation of 6,400 feet of 20-inch main in Clays Mill Road prior to the first phase of widening began in 2006, to be completed in 2007.
- Installation of booster pump facilities in Mallard Pointe subdivision to improve area pressures began in 2006 and is to be completed in 2007. The pump station is set, and we're working through start-up challenges.

Overall CAPEX is on plan as re-forecasted in Q1.

7. Operational Regulatory Compliance: Status

Meter Change & Test	Actual YTD	Plan 2007	Backlog
March 2007 periodic meters –all sizes	1,794	8,501	0

8. Policy Compliance Issues

None to report at this time.

9. Union/Labor Issues/Activities

No issues to report.

10. Explanation of NOV's, OSHA violations, etc.

- A routine sample taken at the Owenton, KY wastewater plant failed a required biological toxicity test. The company may receive an NOV in May. We have reviewed the issue thoroughly, putting measures in place to avoid a repeat occurrence.
- One occupational injury was reported in February and one DOT citation for not having a DOT number on a truck. In March, DOT trucks were inspected to insure proper DOT numbering on all vehicles. We expect the DOT citation to be rescinded.

11. Revenue Generating Projects/Opportunities

None to report at this time.

12. O&M, DBO Contracts – Significant Operational/Financial Variances

A signed payment plan commitment was obtained from the Chairperson of Pineville Utilities Commission to cover the remaining accounts receivable balance of their O&M fee. The settlement fee was approved by Pineville Utilities Commission for \$145,166 in March. KAW anticipates payment in April 2007.

13. Other Operational Issues

- Discussions to negotiate a sewer billing contract with Georgetown Municipal Water and Sewer ("GMWS") and the renewal of the present sewer billing contract for Lexington-Fayette Urban County Government ("LFUCG") both began in March 2007. Meeting dates have been set for agreement negotiations with LFUCG on the 2007 contract. Information has been provided to GMWS for their consideration. KAW is working toward all sewer contracts being aligned and created under the same considerations for pricing and agreement terms.
- KAW is continuing to review reinstatement of an existing IVR (Predictive Dialer) that has been previously used. This will enable KAW to notify customers by telephone regarding emergencies and other notifications. There are concerns regarding current information having correct telephone numbers. KAW is currently working through this issue and anticipates full implementation in the second quarter.
- Distribution system flushing will occur the third and fourth weeks in April as part of our ongoing maintenance program.
- Fire hydrant painting in Fayette County, which will include color coding, will begin the third week in April. It is a two-year project that will bring KAW's system into alignment with the national fire safety code regulations. We are working in cooperation with the LFUCG fire department.
- Home-based reporting pertaining to the field service representatives and the Tough Book capabilities was discussed with regional employees. Further discussion regarding the process implementation is planned for 2007. The next meeting with the bargaining unit is scheduled for April 12.

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American Water Works Company
Kentucky-American Water-Co 17
Total Company (USGMAP)
Income Statement Month & YTD
For the Period Ending 03/31/2007

Kentucky-American Water Co.

Description	March Actual	March Plan	March Variance	March Prior Year	Yr to Date March Actual	Yr to Date March Plan	Yr to Date March Variance	Yr to Date March Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	3,789,794	3,570,007	219,787	3,454,883	10,671,365	10,663,659	42,284-	10,440,431	49,911,817
3 Sewer	26,937	3,539	23,398	1,348	86,022	71,816	10,166	57,416	277,659
4 Other	146,460	157,624	11,164-	153,367	433,658	472,842	33,184-	454,060	1,891,356
5 Management									
6 Total Revenues	3,963,191	3,751,019	212,172	3,609,598	11,143,045	11,208,417	65,372-	10,952,707	52,080,834
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	438,465	480,817	42,452-	329,208	1,351,277	1,426,367	75,090-	1,145,505	5,836,735
9 Purchased Water	31,902	39,450	7,548-	38,693	79,643	117,000	37,357-	107,102	496,300
10 Fuel & Power	199,401	172,380	27,021	166,103	489,402	530,621	49,219-	589,293	2,960,000
11 Chemicals	124,263	136,316	12,053-	105,743	326,161	355,458	29,297-	273,690	1,590,118
12 Waste Disposal	25,879	18,625	7,254	14,958	78,115	63,550	14,565	53,115	232,325
13 Management Fees	550,740	609,367	57,527-	496,878	1,797,084	1,785,452	11,632	1,386,996	6,987,257
14 Group Insurance	178,238	137,821	40,418	134,977	451,486	413,463	38,023	1,400,463	1,653,852
15 Penalties	43,678	37,877	5,801	52,244	147,068	113,931	33,137	153,170	455,724
16 Remedial Expense	30,968	30,091	877	30,091	90,259	90,274	16	90,274	405,531
17 Insurance Other Than Group	17,206	60,072	42,866-	103,820	123,060	395,216	272,156-	224,801	780,864
18 Customer Accounting	104,595	130,412	25,817-	82,839	347,186	330,847	16,339	250,260	1,386,901
19 Rents	1,454	2,500	1,046-	2,385	7,341	8,000	659-	11,098	32,000
20 General Office Expense	29,634	41,968	12,334-	62,639	99,159	150,000	50,841-	189,222	479,085
21 Miscellaneous	195,572	275,572	79,999-	271,726	773,084	729,004	44,080-	678,232	3,044,851
25 Other Maintenance	175,354	207,526	32,172-	213,056	580,998	694,349	113,351-	610,415	2,740,291
Total Maintenance & Operations Expense	2,346,455	2,349,076	2,621-	2,104,530	6,820,834	7,104,011	283,177-	6,163,637	29,082,334
27 Depreciation	549,486	562,355	12,869-	522,898	1,642,903	1,682,626	39,723-	1,558,032	6,874,214
28 Amortization	18,869	34,117	15,248-	36,748	116,610	102,645	13,965	44,286	2,180,460
29 State Income Taxes	11,596	237,117	225,521-	198,052	631,268	710,182	78,914-	658,982	2,938,540
30 Federal Income Taxes	55,144	5,309	49,835	32,835	47,699	26,490	21,208	109,754	364,602
31 Federal Income Taxer	253,602	63,116	190,486	142,665	221,733	154,354	66,779	459,799	2,598,113
32 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	3,155,182	3,255,288	100,106-	2,964,508	9,480,238	9,730,900	250,670-	8,993,903	42,183,353
34 Utility Operating Income	800,029	495,731	304,298	645,090	1,662,807	1,477,899	185,298	1,958,784	9,890,481
35 OTHER INCOME & DEDUCTIONS									
36 Operating Rec'd Income									
37 Dividend Income-Common									
38 Dividend Income-Preferred									
39 Interest Income	130	41,968	41,838	29,588	130,285	99,955	30,300	104,920	601,063
40 AFUDC Ec. Inv.									
42 M & J Miscellaneous Income									
43 Gain(Loss)on Disposition									
45 Total Other Income	79,101	41,968	37,133	9,846	175,806	99,955	75,851	97,955	681,863
46 Miscellaneous Amortization	35-	64	29-	99-	106-	192	298-	768	
47 Tax Savings Acquisition Adjustment									
48 Misc. Other Deductions	27,146	18,150	8,996	18,245	122,778	123,485	707-	112,084	277,323
49 General Taxes	552-	1,497-	945	7,326-	2,900-	11,424-	7,444	21,978-	22,877-
50 State Income Taxes	4,939-	5,828-	889	31,079-	20,882-	44,471-	23,589	93,237-	89,055-
51 Federal Income Taxes									
52 Total Other Deductions	21,620	10,889	10,731	20,160-	97,810	67,782	30,028	3,131-	166,159
53 Total Other Income	57,481	31,079	26,402	30,006	77,996	32,173	45,823	101,086	514,904
54 Income Before Interest Charges	865,510	526,810	338,700	675,096	1,740,803	1,509,682	231,121	2,059,810	10,413,385
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	426,038	424,359	1,669	426,629	1,278,296	1,308,603	29,307-	1,279,888	5,686,455
57 Amortizat on sh. Debt	6,021	7,244	1,223-	6,072	18,278	21,512	3,234-	18,238	131,465
58 Interest-Short Term Bank Debt	53,931	16,251	37,700	32,056	126,103	24,726	101,377	107,432	293,367
59 Other Interest Expense									
60 AFUDC-Debt	21,938-	19,059-	2,869-	13,028-	59,182	45,393-	13,789-	45,557-	309,296
61 Total Interest Charges	464,134	428,005	35,329	451,746	1,425,651	1,309,440	116,203	1,360,058	5,799,991
62 Net Income	401,376	98,005	303,371	223,350	315,152	200,234	114,918	699,752	4,613,394
64 Preferred Dividend Declared	6,560	38,345	31,785-	6,557	19,673	114,975	95,302-	19,693	459,900
65 Net Income to Common Stock	394,816	59,660	335,136	216,793	295,479	85,259	210,220	680,059	4,153,494