

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF RATES OF) CASE NO.
KENTUCKY-AMERICAN WATER COMPANY) 2000-120

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file the original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions related to the information provided. Careful attention shall be given to copied material to ensure its legibility. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than 20 days from the date Kentucky-American tenders its application for rate adjustment. When applicable, the information requested herein shall be provided for total company operations and jurisdictional operations, separately. Each response should include complete details of any items which are allocated among Kentucky-American and other affiliated entities.

1. Provide a complete copy of the workpapers, calculations, and assumptions Kentucky-American used to develop its forecasted test-period financial information.

2. Provide a complete copy of all of Kentucky-American's internal accounting manuals, directives, and policies and procedures that have been revised or issued since February 1, 1997.

3. Provide a complete copy of all of Kentucky-American's budget instructions, assumptions, directives, manuals, policies and procedures, timelines, and descriptions of budget procedures that have been revised or issued since February 1, 1997.

4. Provide a comparison of Kentucky-American's monthly operating budgets to the actual results, by account, for 1998 and 1999. Explain in detail any yearly account variance greater than 5 percent. In the response include comparisons for the following major expense categories:

- a. Fuel and Power Expense
- b. Chemical Expense
- c. Management Fee Expense
- d. Customer Accounting Expense
- e. General Office Expense
- f. Miscellaneous Expense
- g. Maintenance Expense

5. Provide the same information requested in Item 4 for 2000 as it becomes available.

6. Provide a reconciliation and detailed explanation of any differences in the capitalization and the net investment rate base of Kentucky-American for the base period.

7. Provide a rate base, capital structure, and statement of income for Kentucky-American for the most recent actual 12-month period at the time of the company's rate filing and for the base period used in this case. Provide detailed explanations necessary to reconcile this data with the filed base period revenue requirement information.

8. Describe the procedures that Kentucky-American uses to plan and approve construction projects.

9. Provide Kentucky-American's long-term construction planning program.

10. For each construction project begun during the last ten calendar years, provide the information requested in the format contained in Schedule 1. For each project, include the amount of any cost variance and delay encountered, and explain in detail the reasons for such variances and delays.

11. Provide, in the format provided as Schedule 2, an analysis of the Construction Work in Progress as defined in the Uniform System of Accounts for the 12 months preceding the base period, the base period, and the forecasted test period.

12. Provide the information requested in Schedule 3 for each construction project in progress listed on Schedule 2.

13. Provide the information requested in Schedule 4 for budgeted and actual regular wages, overtime wages, and total wages by employee group, by month, for the most recent two years available. Explain in detail any variance exceeding 5 percent in any one month. Update as further information becomes available.

14. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, or surveys conducted by or for Kentucky-American or utilized by Kentucky-American since the 1994 study.

15. State the amount, percentage increases, and effective dates for general wage increases and, separately, for merit increases granted for the years 1999, the base period and the forecasted period for each employee group.

16. Provide complete details of all early retirement plans or other staff reduction programs Kentucky-American intends to offer its employees during the forecasted test period. Include all cost-benefit analyses associated with these programs.

17. Provide a detailed list of all fringe benefits available to Kentucky-American employees and the expected cost of each benefit in the forecasted test year. Provide comparative cost information for the two years preceding the base year and the base year. Indicate which fringe benefits, if any, are limited to management employees. Explain any changes in fringe benefits occurring over this period.

18. List separately the budgeted and actual numbers of full- and part-time employees by employee group, by month and by year, for the five years immediately preceding the base period, the base period, and the forecasted period.

19. Provide complete details of Kentucky-American's Other Post-retirement Employee Benefits ("OPEB") package(s) provided to employees.

20. Provide all current labor contracts and the most recent contracts previously in effect.

21. Provide a complete copy of Kentucky-American's current medical insurance policy.

22. Provide, for each major functional plant property group or account, the plant beginning and ending balances, gross additions, retirements, and transfers for Kentucky-American occurring in the forecasted test period in the format provided in Schedule 5. If in

a particular account, transfers regularly occur in the normal course of business, provide a general description of the nature of the transfers.

23. List all properties leased to the utility and improvements to leased properties, together with annual lease payments which are capitalized in the format provided in Schedule 6. For each property listed, provide a description of its type and use, the name of lessor, the lease payment amount, and the dollar value of the property.

24. List all property held for future use included in rate base in the format provided in Schedule 7. For each property listed, provide a description, its date of acquisition, its original cost, its accumulated depreciation, its expected in-service date, and its expected use.

25. Provide the information requested in Schedule 8 regarding Certain Deferred Credits, Accumulated Deferred Income Taxes, and Other Rate Base items included in the forecasted test period rate base.

26. Provide the following monthly account balances and a calculation of the average (13 month) account balances for the total company and jurisdictional operations (original cost):

- a. Plant in Service;
- b. Plant Purchased or Sold;
- c. Property Held for Future Use;
- d. Construction Work in Progress (Separate this balance into CWIP eligible for capitalized interest and other CWIP);
- e. Completed Construction Not Classified;
- f. Accumulated Depreciation and Amortization;

- g. Plant Acquisition Adjustment;
- h. Amortization of Utility Plant Acquisition Adjustment;
- i. Materials and Supplies;
- j. Balance in Accounts Payable Applicable to each account in (i) above;

(If actual cannot be determined, give reasonable estimate.)

- k. Unamortized Investment Tax Credit - Pre-Revenue Act of 1971;
- l. Unamortized Investment Tax Credit - Revenue Act of 1971;
- m. Accumulated Deferred Income Taxes;
- n. A Summary of Customer Deposits;
- o. Computation and Development of Minimum Cash Requirements;
- p. Balance in accounts payable applicable to amounts included in utility

plant in service; (If actual cannot be determined, give reasonable estimate.)

q. Balance in accounts payable applicable to prepayments by major category or subaccount;

r. Balance in accounts payable applicable to amounts included in plant under construction; (If actual cannot be determined, give reasonable estimate);

- s. All Current Assets and Current Liability Accounts not included above.

27. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income for the base period and the forecasted period in the format provided in Schedule 9.

28. Provide a trial balance as of the last day of the base period (all income statement accounts should show activity for 12 months) showing account number, account title, and actual base period accounts.

29. Provide the following information regarding the implementation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes":

- a. the date of implementation;
- b. the effect on the financial statements;
- c. whether the base year or forecasted period includes any impact of the implementation. If so, provide detailed information regarding the impact.

30. If the 1989 service contract with the American Waterworks Service Company ("Service Company") has been modified, amended, or replaced, provide a complete copy of the current service contract and identify the areas that differ from the 1971 and 1989 service contracts.

31. a. Provide copies of all other service agreements and contracts that Kentucky-American has with any affiliate company.

b. Provide a narrative discussion of the pricing policies of Kentucky-American and its affiliates with regard to affiliate company transactions.

32. a. Provide a comprehensive list and detailed description of any service that has been rendered to Kentucky-American by any affiliated company.

b. Provide a comprehensive list and detailed description of the services that Kentucky-American has provided to any affiliated companies.

33. What benefits does Kentucky-American derive from having affiliates render the services enumerated?

34. a. Provide separate detailed comparisons, using the 1971 and 1989 contracts (or the current contract), of allocated charges expensed by Kentucky-American in

the base period, and the projected allocated amount expensed in the forecasted period, in the format attached as Schedule 10a.

b. Provide a detailed analysis of the Service Company charges directly billed to Kentucky-American and expensed during the base period, and the projected expenses for the forecasted period as shown in Schedule 10b.

c. Provide a separate detailed analysis of the Service Company charges allocated or directly billed to Kentucky-American and capitalized during the base period, and the projected amounts for the forecasted period.

Done at Frankfort, Kentucky, this 13th day of April, 2000.

By the Commission

ATTEST:



Executive Director

Kentucky-American
Case No. 2000-120
Construction Projects

As of _____

Data: ___Base Period ___Forecasted Period

Schedule 1

Type of Filing: ___Original ___Updated ___Revised

Page 1 of 1

Workpaper Reference No(s): _____

Witness Responsible:

—
—
—
—
—
—
—
—
—
—
—
—
—
—

Project /Description	Annual Actual Cost	Annual Original Budget	Variance In Dollars	Variance As Percent	Percent Of Budget	Total Actual Project Cost	Total Budget Project Cost	Variance In Dollars	Date Original Budget Start	Date Original Budget End	Dat Actu Sta
-------------------------	--------------------------	------------------------------	---------------------------	---------------------------	-------------------------	------------------------------------	------------------------------------	---------------------------	-------------------------------------	-----------------------------------	--------------------

Kentucky-American
Case No. 2000-120
Construction Work in Progress
As of _____

Data: ___ Base Period ___ Forecasted Period
Schedule 2

Type of Filing: ___ Original ___ Updated ___ Revised
Page 1 of 1

Workpaper Reference No(s): _____
Witness Responsible:

Line Total No. Cost (A)	Project Percent No. (B) (G=D+E+F)	Description of Project Completed (C) (H)	Construction Amount (D)	Accumulated Costs		
				Estimated Indirect		Physical Costs
				AFDUC Capitalized (E)	Other (F)*	
			\$	\$	\$	\$
	\$					

TOTAL

*Explain the nature of all other indirect costs in footnotes.

Kentucky-American
 Case No. 2000-120
 Construction Work in Progress - Percent Complete*
 As of _____

Data: ___Base Period ___Forecasted Period
 Schedule 3
 Type of Filing: ___Original ___Updated ___Revised
 Page 1 of 1
 Workpaper Reference No(s).: _____
 Witness Responsible: _____

—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—

Line No.	Project Total Project No. Expenditures	Date Percent of Construction Work Began	Estimated Project Completion Date	Percent of Elapsed Time	Original Budget Estimate	Most Recent Budget Estimate
(A)	(B)	(C)	(D)	(E)	(F)	(G)
(H)	(I)=(G)+(F)					
					\$	\$
						\$

*Should be based on expenditures including AFUDC.

Kentucky-American
Case No. 2000-120
Monthly Payroll Variance Analysis
As of _____

Type of Filing: ___Original ___Updated ___Revised
Schedule 4

Workpaper Reference No(s): _____
Page 1 of 1

i
t
n
e
s
s

R
e
s
p
o
n
s
i
b
l
e
:

Employee	Monthly Budget	Monthly Actual
----------	----------------	----------------

Variance Percent

Date	Reg.	Group OT	Total	Reg.	OT	Total	Reg.	OT	Total
------	------	-------------	-------	------	----	-------	------	----	-------

Gross Additions, Retirements, and Transfers

From _____ To _____

Data: ___Base Period ___Forecasted Period

Schedule 5

Type of Filing: ___Original ___Updated ___Revised

Page 1 of 1

Workpaper Reference No(s): _____

Witness Responsible:

-
-
-
-
-
-
-
-
-
-
-
-
-
-
-

nsfers/Reclassifications Tra

Line No.	Acct. No.	Account Title	Beginning Balance	Ending Balance	Additions	Retirements	Amount	
			\$	\$	\$	\$	\$	b

Data: ___Base Period ___Forecasted Period

Schedule 6

Type of Filing: ___Original ___Updated ___Revised

Page 1 of 1

Workpaper Reference No(s): _____

Witness Responsible:

—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—
—

Identification or Reference Number	Description of Type Explain Method of and Use of Property Capitalization	Name of Lessee	Frequency of Payment	Amount of Lease Payment	Dollar* Value of Property Involved
--	---	-------------------	-------------------------	----------------------------	---

*If not available, an estimate should be furnished.

Kentucky-American
Case No. 2000-120
Property Held for Future Use Included in Rate Base
As of _____

Data: ___ Base Period ___ Forecasted Period
Schedule 7

Type of Filing: ___ Original ___ Updated ___ Revised
Page 1 of 1

Workpaper Reference No(s): _____
Witness Responsible: _____

Description					Net	Revenue Realized	
Expenses Incurred		Acquisition	Original	Accumulated	Original	Acct.	
Line	and Location	Date	Cost	Depreciation	Cost	Amount	Description
No.	of Property	No.					
	Amount	Description					

Kentucky-American
Case No. 2000-120
Certain Deferred Credits and Accumulated Deferred Income Taxes
As of _____

Data: ___ Base Period ___ Forecasted Period
Schedule 8
Type of Filing: ___ Original ___ Updated ___ Revised
Page 1 of 1
Workpaper Reference No(s): _____
Witness Responsible: _____

Line No.	Account No.	Description
-------------	-------------	-------------

- Customers' Advances for Construction
- Contributions in Aid of Construction
- Investment Tax Credits:
 - Pre 1971 3% Credit
 - 1971 4% Credit
 - 1975 6% Additional Credit
 - 1981 10% Credit on Recovery Property
- ITC Tax Benefits Sold
- Deferred Income Taxes:
 - Accelerated Amortization
 - Liberalized Depreciation
 - ACRS Tax Benefits Sold
 - Other (Specify and list separately)
- Other (Specify and list separately)

Also provide the ITC option elected in 1971 and 1975 under Section 46(f) of the 1954 Internal Revenue Code

Kentucky-American
Case No. 2000-120

Adjusted Jurisdictional _____ Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: ___ Base Period ___ Forecasted Period
Schedule 9
Type of Filing: ___ Original ___ Updated ___ Revised
Page 1 of 3
Workpaper Reference No(s): _____
Witness Responsible: _____

Proposed Rates Line No.	Adjusted Description (5)	At Current Rates Schedule 49			At
		Unadjusted (1)	Adjustments (2)	Adjusted (3)	Adjustments (4)
1	Operating Income Before Income Taxes \$	\$	\$	\$	\$
2	Reconciling Items:				
3	Interest Charges				
4	Tax Accelerated Depreciation				
5	Book Depreciation _____	_____	_____	_____	
6	Excess of Tax Over Book Depreciation				
7	Other Reconciling Items (Specify and List _____	_____	_____	_____	
8	Total Reconciling Items				
9	Taxable Income _____	_____	_____	_____	
10	Income Tax Rates:				
11	\$ _____ @ _____%				
12	\$ _____ @ _____%				
13	\$ _____ @ _____%				
14	\$ _____ @ _____%				
15	Over \$ _____ @ _____%	_____	_____	_____	

16 Federal (State) Income Tax Liability

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 2000-120

Adjusted Jurisdictional _____ Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: ___ Base Period ___ Forecasted Period
Schedule 9

Type of Filing: ___ Original ___ Updated ___ Revised
Page 2 of 3

Workpaper Reference No(s): _____
Witness Responsible:

Line No.	Adjustments Description (5)	Adjusted	At Current Rates Schedule 49			At (4)
			Unadjusted (1)	Adjustments (2)	Adjusted (3)	
17	Investment Tax Credits \$ _____		\$ _____	\$ _____	\$ _____	\$ _____
18	Federal (State) Income Taxes – Current \$ _____		\$ _____	\$ _____	\$ _____	\$ _____
19	Deferred Income Taxes:					
20	Tax Accelerated Depreciation					
21	Tax Straight-Line Depreciation		_____	_____	_____	
22	Excess of Accelerated Over Straight-Line Depreciation					
23	Deferred Income Tax @ _____%					
24	Amortization of Prior Years Deferred Income Taxes		_____	_____	_____	
25	Net Deferred Income Taxes Resulting from Depreciation					
26	Investment Tax Credit Deferred					
27	Amortization of Prior Years I.T.C.		_____	_____	_____	

*Separate schedules should be completed for the federal and state calculation.

30	Total Deferred Income Taxes	\$	\$	\$
		<u> </u>	<u> </u>	<u> </u>
		\$	\$	\$
31	Total Federal (State) Income Taxes	\$	\$	\$
		<u> </u>	<u> </u>	<u> </u>
	(18 + 30)			

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 2000-120
Service Company Contract Comparison

From _____ To _____

Data: ___ Base Period ___ Forecasted Period
Type of Filing: ___ Original ___ Updated ___ Revised
Workpaper Reference No(s): _____

Schedule 10a
Page 1 of 1
Witness Responsible:

<u>Description</u>	<u>1971 Contract</u>	<u>Difference</u>	<u>1989 Contract</u>
Administrative			
Regional Office			
General Office			
Engineering			
Regional Office			
General Office			
Customer Relations			
Regional Office			
General Office			
Employee Relations			
Regional Office			
General Office			
Water Quality			
Regional Office			
General Office			
Secretarial			
Regional Office			
General Office			
Accounting			
Regional Office			
General Office			
Treasury			
Regional Office			
General Office			
Data Processing-			
General			
Internal Auditing			
Total			
Regional Office			
General Office			
Data Processing			
Authorization			
Total A/C _____			
Customer Billing A/C _____			
Auth/Water Quality/Var Accounts			
Construction/Maintenance			
Grand Total			

Kentucky-American
Case No. 2000-120
Service Company Contract Comparison

From _____ To _____

Data: ___ Base Period ___ Forecasted Period
 Type of Filing: ___ Original ___ Updated ___ Revised
 Workpaper Reference No(s): _____

Schedule 10b
 Page 1 of 1
 Witness Responsible:

<u>Description</u>	<u>Base Period</u>	<u>Forecasted Period</u>
Administrative		
Regional Office		
General Office		
Engineering		
Regional Office		
General Office		
Customer Relations		
Regional Office		
General Office		
Employee Relations		
Regional Office		
General Office		
Water Quality		
Regional Office		
General Office		
Secretarial		
Regional Office		
General Office		
Accounting		
Regional Office		
General Office		
Treasury		
Regional Office		
General Office		
Data Processing-		
General		
Internal Auditing		
Total		
Regional Office		
General Office		
Data Processing		
Authorization		
Total A/C _____		
Customer Billing A/C _____		
Auth/Water Quality/Var Accounts		
Construction/Maintenance		
Grand Total		