

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT PETITION OF KENTUCKY-AMERICAN)
WATER COMPANY AND THAMES WATER AQUA)
HOLDINGS GMBH FOR APPROVAL OF A) CASE NO. 2002-00018
CHANGE OF CONTROL OF KENTUCKY-)
AMERICAN WATER COMPANY)

COMMISSION STAFF S SECOND SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION
OF DOCUMENTS TO KENTUCKY-AMERICAN WATER COMPANY
AND THAMES WATER AQUA HOLDINGS GmbH

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Kentucky-American Water Company (Kentucky-American) and Thames Water Aqua Holdings GmbH (Thames Holdings) (collectively "Joint Applicants") shall file the original and 8 copies of the following information with the Commission no later than March 21, 2002, with a copy to all parties of record. Each copy of the information requested shall 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 relating to the information provided. Careful attention shall be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. In their Response to Commission Staff's First Set of Interrogatories and Requests for Production of Documents, Item 5, Joint Applicants state that [t]he transaction will be financed by RWE with cash secured through normal corporate sources.

a. List each corporate source and the amount of funds from that source that will be used to finance the transaction.

b. If the transaction will be financed by mixture of debt and stock, provide the percentages of stock and debt and state the estimated interest rate on each debt instrument.

2. Refer to Joint Applicants' Response to Commission Staff's First Set of Interrogatories and Requests for Production of Documents, Item 8(b). The Joint Applicants' Response was not responsive. Provide the amount of acquisition cost that would be allocated to Kentucky-American if the goodwill were to be pushed down to American Water's operating subsidiaries and compare that amount to the book value of Kentucky-American's outstanding stock. Provide all workpapers, show all calculations and state all assumptions used to obtain the Joint Applicants' response.

3. Refer to Joint Applicants' Response to the Attorney General's Initial Requests for Information, Item 114.

a. List and describe each expense item included in the category AWW advisor costs. Identify each person or organization to whom payments are expected to be made.

b. Describe AWW retention bonuses and explain why such bonuses are needed.

c. State the basis of determining the amount of the retention bonuses and explain how Thames Holdings or American Water Works Company (AWWC) determined who would receive the bonuses.

d. For each AWWC employee who is to receive a retention bonus, state:

- (1) His or her name.
- (2) His or her title or position.
- (3) The operating subsidiary where he or she is employed.
- (4) The amount of the bonus.

4. Refer to Joint Applicants Response to Commission Staff s First Set of Interrogatories and Requests for Production of Documents, Item 15.

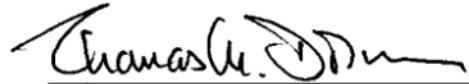
a. Provide a detailed analysis of Kentucky-American s assets that have a book value in excess of \$1 million.

b. Given that Kentucky-American does not currently have a single asset on its books that has a book value in excess of \$10 million, explain why the commitments as amended to reflect the \$10 million threshold would be relevant.

5. Refer to Joint Applicants Response to Commission Staff s First Set of Interrogatories and Requests for Production of Documents, Item 19(a). The portions of the Agreement and Plan of Merger to which the Joint Applicants refer appear only to allow AWWC employees to continue receiving their current benefits for the near future. Explain why these provisions should be considered generous terms.

6. Refer to Joint Applicants Response to Commission Staff s First Set of Interrogatories and Requests for Production of Documents, Item 19(b). Provide a

comparison in US dollars of the salaries paid to the US employees with the salaries paid to European employees.



Thomas M. Dorman
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Public Service Commission
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DATED: March 11, 2002

cc: Parties of Record