COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF THE RATES OF KENTUCKY-AMERICAN WATER COMPANY	))	CASE NO. 2007-00143

COMMISSION STAFF'S THIRD SET OF INFORMATION REQUESTS TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company ("Kentucky-American"), pursuant to 807 KAR 5:001, is to file with the Commission the original, 1 paper copy, and one electronic copy of the following information, with a copy to all parties of record. The information requested herein is due on or before July 16, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky-American shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which Kentucky-American fails or refuses to furnish all or part of the requested information, Kentucky-American shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 4(a).

a. (1) State whether Kentucky-American has included the total cost of the Production Maintenance Tech – Northern Division position in the calculation of its water rates.

(2) If yes, state the amount of this cost that should be removed from water operations and allocated to wastewater operations since the position "is essential to aid in maintaining equipment at . . . [Kentucky-American's] water and wastewater facilities in . . [its] Northern Division."

b. (1) Kentucky-American states that the vacant Treatment Plant Operator is currently being "covered" by overtime. State whether this overtime is budgeted in the forecasted test-period.

(2) If yes, state why it is reasonable to include in forecasted operations overtime to "cover" the vacant position and employee expenses to fill the vacant position.

c. Regarding the Administrative Assistant – Cross Connection position, state:

(1) The name of the part-time employee filling the clerical needs of this position.

(2) The costs of this part-time employee that are included in the forecasted test period.

(3) Whether this part-time employee will continue to be employed after the Administrative Assistant – Cross Connection position is filled.

d. In its Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 3, pages 20 through 27 of 118, Kentucky-American listed vacant positions in addition to those set forth in its Response to Commission Staff's Second Set of Information Requests, Item 4(a). Beside the term "vacant" was listed a name.

(1) Define the term "vacant" as used in that Response.

(2) For each position listed in W/P 3, pages 20 through 27, in which the term "vacant" appears followed by a name,

(i) State whether the position is currently unoccupied.

(ii) State whether the named employee is currently filling job duties of the position.

(iii) If the position is not occupied or filled, provide the information requested in Commission Staff's Second Set of Information Requests, Item 4(a).

2. There are expenses included in Kentucky-American's forecasted operations for services provided by "temporary employees."

a. State whether any of these temporary employees are performing duties that will eventually be performed by the employees who fill the vacant positions listed in W/P 3, pages 20 through 27 of 118.

b. If yes, state the amount of temporary employment expense included in the forecasted test year for each vacant position.

3. a. Provide all studies and analyses that Kentucky-American has performed or commissioned since January 1, 2005 that quantify the benefits that its incentive compensation pay plans provide to its ratepayers.

b. Provide all studies and analyses that Kentucky-American has performed or commissioned that address how the cost of its incentive compensation pay plans should be allocated between Kentucky-American shareholders and ratepayers.

c. Provide all studies and analyses that Kentucky-American has performed or commissioned that address how other utilities allocate the cost of their incentive compensation pay plans between utility shareholders and ratepayers.

d. If no studies or analyses are submitted in response to Item 3(a)-(c), explain why, in light of the Commission's findings in Case No. 2004-00103,[1] recovery of these costs in Kentucky-American's rates is reasonable and appropriate.

[1] Case No. 2004-00103, Adjustment of the Rates of Kentucky-American Water Company (Ky. PSC Feb. 28, 2005), at 47-49.

4. State whether Kentucky-American capitalized any portion of its incentive pay plan. Explain.

5. Describe how Kentucky-American determines its forecast capitalization rate. If an historical rate is used, describe how Kentucky-American determines the historical rate.

6. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 9.

a. Provide the basis for the 3.5 percent pay increase to union and non-union employees.

b. State when the pay rates effective for the forecasted period will be approved.

c. Provide a comparison of projected pay rates used in Kentucky-American's budgeting process to those actually awarded to union and non-union employees over the previous 10 years.

7. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 14(a).

a. Describe how the replacement intake pumps were "factored into the higher kwh/mg values in the 2008 budget for KRS."

b. Define "higher kwh/mg values" as used in the Response.

c. Relate the historic five-year information to the forecasted KWH/MG included at W/P 3, pages 45 through 52, showing the effect of the replacement pumps separately.

8. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 16. State whether any of the listed Owen Electric Cooperative, Inc. or Kentucky Utilities Company accounts involve the purchase of electricity for any of Owenton's wastewater facilities.

9. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 3, pages 56 through 63 of 118.

a. State whether Kentucky-American incurs any chemical expenses for the operations of the Owenton Sewer Facility.

b. If yes, explain why no separate entry for the Owenton Sewer Facility's chemical expenses appears on these pages, while a separate entry is made for the Boonesboro Sewer Facility.[2]

c. State whether pages 56 through 63 contain any entries related to chemical expenses for the Owenton Sewer Facility.

10. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 20.

a. Kentucky-American includes in its forecasted operations the second year of the two-year amortization of the Kentucky River Station sludge lagoon cleaning, which it performed in December 2006. Considering that the prior cleaning was performed in November 2001, explain why a two-year amortization period for the 2006 cleaning costs is more appropriate than a five-year amortization period.

[2] See W/P 3, page 63 of 118 ("Boonesboro Sewer").

b. State whether the unamortized balance of the Kentucky River sludge lagoon cleaning is included in the forecasted 13-month average balance of deferred maintenance included in Kentucky-American's proposed rate base.

c. Explain why Kentucky-American does not amortize the cost of cleaning the Richmond Road Station's Lake Ellerslie and sedimentation basins.

d. State the date when the Richmond Road Station's Lake Ellerslie and sedimentation basins will be cleaned next.

11. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 3, page 66 of 118. Provide the basis for:

a. The 2007 Cleaning Richmond Road Station costs of $55,000.

b. Kentucky River Station Waste Disposal Current.

c. Richmond Road Station Waste Disposal Current.

12. In its Response to Commission Staff's Second Set of Information Requests, Item 22(c), Kentucky-American states that business development costs of $79,365 are included in requested forecasted management fees. In Case No. 2004-00103, the Commission denied management fee business development costs of $117,525 because Kentucky-American could not "appropriately document and separate forecasted management fees between those that are directly assignable and those that are allocated."[3]

a. List and describe the forecasted management fees that are directly assignable to Kentucky-American. Provide supporting invoices for these fees.

[3] Case No. 2004-00103, Order of February 28, 2005 at 52-53.

b. Explain why, if Kentucky-American cannot document and separate forecasted management fees between those that are directly assignable and those that are allocated, it is reasonable and appropriate to include these fees in Kentucky-American's rates.

13. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 22, page 3 of 4.

a. Management Fees in the current filing are stated as $6,246,717. Note 1 references Exhibit MAM-7 where, at page 1 of 2, Management Fees are stated as $4,064,421. Reconcile these differences and explain why the $6,246,717 should not replace the $4,064,421 on Exhibit MAM-7, which results in a negative savings or cost of $1,343,504 ($9,296,847 + $6,246,717 - $14,200,060).

b. Note 2 explains that a portion of the increase in Management Fees requested in this case over the amount allowed by the Commission in Case No. 2004-00103 is attributable to 4 percent pay raises, medical cost increases of 8 to 10 percent, and pension cost increases of up to 150 percent.

(1) Quantify the increase in management fees that is attributable to each factor stated in Note 2.

(2) Quantify the increase in management fees requested in this case over those allowed in Case No. 2004-00103 that is attributable to the increased work-hours of Service Company personnel assigned or allocated to Kentucky-American. This response shall include the number of work-hours allocated or assigned to Kentucky-American by each Service Company in the forecast period of this case as

compared to that of the forecast in Case No. 2004-00103, with explanations of all increases.

c. List all duties that the Service Companies will perform on Kentucky-American's behalf in the forecasted period of this case for which the proposed management fees will be charged that Kentucky-American employees performed during the forecasted period of Case No. 2004-00103.

d. At Exhibit MAM-7, page 1 of 2, of his written testimony, Mr. Miller refers to $1,321,183 of management fees approved in Case No. 2000-00120. In Case No. 2000-00120,[4] Kentucky-American requested service company fees of $1,021,021 and the Commission allowed a recovery of only $988,522. State how Mr. Miller determined the allowed level to be $1,321,183.

14. Refer to the Direct Testimony of Patrick Baryenbruch, PLB-1, Schedule 3.

a. Using the same format as used in Schedule 3, provide a chart of the hours that the Service Company assigned or allocated to Kentucky-American for the forecasted test period in Case No. 2004-00103 and for the forecasted test period in the present case. Explain any significant increases in hours allocated or assigned between these two cases.

b. Restate PLB-1, Schedule 3, to include hours for Customer Account Services.

c. Using the same format as used in Schedule 3, provide a chart of the hours that the Service Company assigned or allocated to Kentucky-American for the

[4] Case No. 2000-00120, Application of Kentucky-American Water Company to Increase Its Rates (Ky. PSC Nov. 28, 2000) at 49.

forecasted test period in Case No. 2004-00103 and for the forecasted test period in the present case but include hours assigned or allocated for Customer Account Services.

15. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 3, pages 71 through 118. Explain how the billing department coverage is estimated.

16. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 30.

a. Provide a comparison of estimated and actual rate case expenses for the previous 10 rate cases that Kentucky-American has filed with the Commission.

b. For each rate case listed in response to Item 16(a), state the case number, the type of test-period (e.g., historic, future) used, and the number of customers served or estimated to be served during the test-year.

17. For each American Water Company ("AWWC") subsidiary that a state utility regulatory commission regulates, state its name, the level of rate case expense that its state regulatory commission permitted in the most recently completed general rate proceeding, the number of customers (actual or projected) that it served during the during the test period year, and the allowed rate case expense per customer.

18. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 32(a).

a. Describe Kentucky-American's policy regarding the termination of water service for non-payment of bills.

b. State whether Kentucky-American requires customers to make a deposit to assure payment and retains that deposit for a significant period. Explain.

c. State whether Kentucky-American agrees that a uniform policy requiring customers to make a deposit will assist in minimizing "uncollectibles."

d. Describe each change in Kentucky-American's controls of customer accounts since January 1, 2005 and the effect of such change on Kentucky-American's uncollectibles.

e. Identify all measures that Kentucky-American intends to implement to reduce uncollectibles to the previously approved levels.

19. Provide a schedule that shows for each of the last 10 years:

a. Kentucky-American's uncollectibles expense.

b. Kentucky-American's total water sales.

c. Kentucky-American's uncollectibles expense as a percentage of water sales.

20. For each AWWC subsidiary that provides retail water service and is regulated by a state utility regulatory commission, describe the policy of its state utility regulatory commission towards uncollectibles for rate-making purposes.

21. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 42(b). Compare the information supplied in III-71 through III-101 to the Net Salvage percentages included on Exhibit JJS-1. For each account group where the net salvage percentages as stated on Exhibit JJS-1 are not identical to those calculated on III-71 through III-101, show the calculation of the net salvage values. The calculation should show how "estimates of other water companies within the industry" were used in the calculation as stated by Mr. Spanos and the source of the estimates.

22. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 43.

a. (1) State whether Mr. Spanos agrees that Kentucky-American intends to depreciate assets added to its system subsequent to the Commission's approval of the proposed depreciation study at a composite rate that corresponds with the life years cited at Item 43.

(2) If Mr. Spanos agrees, state whether Mr. Spanos also agrees that, for the assets listed in Item 43, the depreciation rates that he has calculated differ significantly from those included in Kentucky-American's last approved depreciation study.

b. For each account listed at Item 43, identify and explain why the net salvage and survivor curves that Mr. Spanos uses are more appropriate than those used in Kentucky-American's previously accepted deprecation study.

23. Refer to Kentucky-American's Response to Attorney General's ("AG") First Set of Information Requests, Item 225. Explain why it is reasonable to permit recovery of removal costs if Kentucky-American has no "legal obligation" to remove the assets. The response should explain why removal of all asset groups included in the depreciation study with negative salvage is necessary and list and discuss all factors that indicate that Kentucky-American will actually incur the costs of removing those assets.

24. a. State the amounts accrued on the books of Kentucky-American for asset removal costs immediately prior to the implementation of Financial Accounting Standards Board ("FASB") Statement 143.

b. Identify all accounts, on both sides of the balance sheet, to which the accrued amounts were recorded. State the amounts accrued to each account.

c. Describe how the accrued amounts were determined. Show all calculations and state all assumptions used to determine the amounts.

d. Explain what the accrued amounts represent.

25. a. State the amounts accrued on Kentucky-American's books to implement FASB Statement 143.

b. Identify the accounts, on both sides of the balance sheet, to which the accrued amounts were recorded. State the amounts accrued to each account.

c. Describe how the accrued amounts were determined. Show all calculations and state all assumptions used to determine the amounts.

d. Explain what the accrued amounts represent.

26. a. State the amount accrued on Kentucky-American's books related to asset removal costs as of December 31, 2006.

b. Provide the general ledger pages that show the accrued amounts for all accounts on both sides of the balance sheet.

c. Describe how the accrued amounts were determined. Show all calculations and state all assumptions used to determine the amounts.

d. Explain what the accrued amounts represent.

27. a. State the forecasted amount of asset removal costs on Kentucky-American's books as of November 30, 2008.

b. Identify the accounts to which the accrued amounts will be recorded and state the amounts accrued to each account.

c. Describe how the accrued amounts were determined. Show all calculations and state all assumptions used to determine the amounts.

d. Explain what the accrued amounts represent.

28. State whether the amounts currently accrued on Kentucky-American's books for asset removal costs are based upon Kentucky-American last approved depreciation study. If no, state the basis for the accrued amounts.

29. State the effect on each general ledger account to which asset removal costs are accrued if the Commission approves Kentucky-American's proposed depreciation study. Show all calculations and state all assumptions used to determine the amounts.

30. If the amounts accrued on Kentucky-American's books for asset removal costs are not based upon a depreciation study, explain why the negative salvage/cost of removal included in the depreciation study should not be based on the amounts that are booked by Kentucky-American.

31. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 230(a).

a. State whether Kentucky-American has ever determined that removal costs were not recovered.

b. If yes, describe how Kentucky-American determined the unrecovered amounts and state whether Kentucky-American established a regulatory asset to provide for rate recovery.

32. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 230(b).

a. State how the amounts reclassified from negative salvage to operation expenses are determined.

b. State whether the amounts reclassified to operation expenses are charged to and included in the accumulated depreciation balance.

33. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 230(c). Define "reclassification."

34. a. Provide the accumulated depreciation accounts as included in Kentucky-American's general ledger as of December 31, 2006. Indicate which accounts are designated as an accumulation of depreciation expense, cost of asset removal or any others.

b. Provide the information requested in Item 34(a) for the forecasted period ending November 30, 2008.

35. a. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 238. Explain the phrase "reclassified the regulatory liability at January 2007 to accumulated depreciation."

b. State whether Kentucky-American's books currently have a regulatory liability with a credit balance and an accumulated depreciation debit balance to account for asset removal costs as reflected in Kentucky-American's Response to AG's First Set of Information Requests, Item 228, page 2 of 26.

36. Refer to Kentucky-American's Application, Exhibit 37B (Revised), page 3 of 108.

a. Provide a schedule or workpaper reference that shows where the accumulated depreciation balance of $98,709,036 can be found.

b. (1) State whether the $98,709,036 reflects a debit balance for asset removal costs.

(2) If yes, state the amount of the credit and state its location in Kentucky-American's workpapers or schedules.

37. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 1(a), W/P 6, page 5 of 28. Explain why the tax basis accumulated depreciation balance decreases over time.

38. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 64.

a. Identify all benefits of the proposed single tariff other than the simplification of rate applications.

b. Kentucky-American states that "[t]he complexity of filing a rate case for the Company should be reduced significantly under a single tariff filing which will equate to savings in rate case expense." The rate case expense in this case is estimated at $700,000, excluding the cost of the depreciation study. State the level that Kentucky-American estimates that its rate case expense would have been if a single tariff was already in effect,

39. State whether Kentucky-American tracks rate recovery of asset removal costs for financial reporting or other purposes. If yes, state the amount recovered up to December 31, 2006.

40. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 65. List each AWWC subsidiary or affiliated entity that provides retail water service to separate and distinct operating divisions and is

subject to state utility regulatory commission regulation. For each AWWC subsidiary or affiliated entity listed, state whether it has been permitted to use a single, uniform tariff for its operating divisions.

41. List each AWWC subsidiary or affiliated entity that provides retail water service and is regulated by a state utility regulatory commission. For each entity, state:

a. Whether the state utility regulatory commission normalizes water sales for the effects of weather when establishing the entity's general service rates.

b. The type of test period (i.e., fully forecasted; historical adjusted for known changes; unadjusted historical) used to establish rates.

42. The information in Table I calculates the 10-year average daily sales per residential and commercial customer and was compiled from Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 66, and Kentucky-American's Annual Reports to the Commission.

Table I

	Year	Beg. # Cust.	End # Cust.	Average # Cust.	Gallons Sold	Annual Average	Days	Day Average	10 Year Day Average
Residential									
PSC DR 2 #66	2004							157.68	179.58
PSC DR 2 #66	2003							159.30	
PSC DR 2 #66	2002							179.50	
PSC DR 2 #66	2001							174.00	
PSC DR 2 #66	2000							177.88	188.95
PSC DR 2 #66	1999							187.85	
PSC DR 2 #66	1998							186.47	
PSC DR 2 #66	1997							182.24	
Annual Report	1996	76,354	78,426	77,390	5,584,098,000	72,155	366	197.15	
Annual Report	1995	74,674	76,354	75,514	5,338,751,000	70,699	365	193.70	
Annual Report	1994	72,697	74,674	73,686	5,295,460,000	71,866	365	196.89	
Annual Report	1993	70,960	72,697	71,829	5,021,343,000	69,907	365	191.53	
Annual Report	1992	69,450	70,960	70,205	4,688,000,000	66,776	366	182.45	
Annual Report	1991	67,950	69,450	68,700	4,848,257,000	70,571	365	193.35	
Commercial									
PSC DR 2 #66	2004							1,342.57	1,478.72
PSC DR 2 #66	2003							1,348.41	
PSC DR 2 #66	2002							1,463.36	
PSC DR 2 #66	2001							1,449.11	
PSC DR 2 #66	2000							1,482.79	1,542.48
PSC DR 2 #66	1999							1,540.95	
PSC DR 2 #66	1998							1,527.83	
PSC DR 2 #66	1997							1,497.26	
Annual Report	1996	7,236	7,339	7,288	4,180,937,000	573,713	366	1,567.52	
Annual Report	1995	7,168	7,236	7,202	4,120,172,000	572,087	365	1,567.36	
Annual Report	1994	7,085	7,168	7,127	4,198,617,000	589,156	365	1,614.12	
Annual Report	1993	7,048	7,085	7,067	4,057,656,000	574,210	365	1,573.18	
Annual Report	1992	6,981	7,048	7,015	3,870,467,000	551,781	366	1,507.60	
Annual Report	1991	6,847	6,981	6,914	3,901,888,000	564,346	365	1,546.15	

Table II shows a comparison of the 10-year average daily sales per residential and commercial customer as calculated in Table I and actual daily sales for the year subsequent to the last year of the averaged years shown in Table I.

Table II

	Actual	10-Year Average	Difference Gallons	Difference Percent
Residential				
2001	174.00	188.95	(14.95)	-8.59%
2005	175.99	179.58	(3.59)	-2.04%
Commercial				
2001	1,449.11	1,542.48	(93.37)	-6.44%
2005	1,434.97	1,478.72	(43.75)	-3.05%

Table III shows a comparison of the actual daily sales for the years subsequent to the last year of the averaged years in Table I and the daily sales for those same years as projected by Mr. Spitznagel's weather normalization model in Cases No. 2000-00120 and No. 2004-00103.

Table III

Residential				
2001	174.00	183.94	(9.94)	-5.71%
2005	175.99	165.42	10.57	6.01%
Commercial				
2001	1,449.11	1,553.43	(104.32)	-7.20%
2005	1,434.97	1,385.52	49.45	3.45%

a. The variances between Mr. Spitznagel's projections to actual sales as shown in Table III and the variances between the historic 10-year averages and actual sales are within the same relative range. State whether Kentucky-American agrees that basing forecasted revenues on historic averages, as is the basis for budgeting many of the expenses included in the forecasted test year, is as reliable a method of forecasting revenues as Mr. Spitznagel's weather normalization model. Explain.

b. State whether, given the relatively close range of variances noted in Tables II and III and considering the expected cost of the weather normalization study, Kentucky-American agrees that averaging sales is a more cost-effective method of forecasting water sales than its present method. Explain.

c. Explain how revenues are determined through Kentucky-American's annual budgeting process.

d. Provide a comparison of budgeted to actual sales for the previous 10 years separated by class of customer.

43. In his testimony, Dr. Spitznagel states that the residential customer weather normalized usage is 162.8 gallons per day. This usage is a decrease in the residential customer weather normalized usage of 165.42 gallons per day which Kentucky-American presented in Case No. 2004-00103. Dr. Spitznagel further states that commercial customer weather normalized usage is 1408.9 gallons per day, which is an increase in commercial customer weather normalized usage of 1385.52 gallons per day from Case No. 2004-00103.

a. (1) State the reasons for the decrease in the residential customer weather normalized usage.

(2) State whether Dr. Spitznagel expected this level of decrease in usage. Explain.

b. (1) State the reasons for the decrease in the commercial customer weather normalized usage.

(2) State whether Dr. Spitznagel expected this level of decrease in usage. Explain.

44. Refer to Direct Testimony of Michael A. Miller at 17. Describe how Mr. Miller determined that Kentucky-American would obtain an additional 2,816 residential customers and 124 commercial customers through normal growth.

45. Refer to Mr. Miller's testimony where he states that the current tariffs were used to derive revenue at current rates.

a. What tariffed rates were used to derive this revenue?

b. In what part of the service territory are these new customers expected to be added?

46. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 73. Explain in detail how the consumption charges were developed. Provide all work papers, show all calculations and state all assumptions used in developing the consumption charges for the various customer classes proposed in Schedule G.

47. In its Supplemental Responses to AG's First Set of Information Requests, Kentucky-American provided Exhibit 37M (Revised) in PDF format, but not in Excel format. Provide Exhibit 37M (Revised) in Excel spreadsheet format with all links and revisions in proper working order.

49. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 29.

a. State whether Kentucky-American has replaced any manual or touch read meters with the AMR type meters.

b. State Kentucky-American's current plans regarding the replacement of manual and touch read meters with the AMR type meters.

c. State whether the table contained in the response addresses Kentucky-American's entire service territory (i.e., Northern and Central Divisions). If the table does not represent Kentucky-American's entire service territory, provide a table using the same format that reflects Kentucky-American's entire service territory.

50. Refer to Kentucky-American's Response to AG's First Set of Information Requests, Item 36, in which Mr. Herbert states that approximately $92,146 of unrecovered public fire service costs was inadvertently omitted from the calculation of the 5 / 8 inch service charge. State whether Kentucky-American will amend its application to recover the $92,146. Explain.

51. Refer to Kentucky-American's Response to Commission Staff's First Set of Information Requests, Item 12. When opened, the Excel spreadsheet seeks to link to another file named "K_REV07.xls" to update the spreadsheet's contents. Commission Staff is unable to locate the file "K_REV07.xls" in Kentucky-American's application or subsequent filings.

a. State the location of K_REV07.xls.

b. If Kentucky-American has not submitted K_REV07.xls, provide a copy.

c. Provide a revised cost-of-service study in Excel spreadsheet format that includes all linked worksheets or files.

52. Provide a schedule for each of the past five years that shows:

a. The companies with whom Kentucky-American filed a consolidated income tax return for the tax year.

b. The taxable income or tax losses of each company in the tax year.

c. Whether a state utility regulatory commission regulates the listed company.

53. Refer to the Direct Testimony of Dr. Vander Weide, JVW-1, Schedule 1 and Schedule 2. Provide the amount of the flotation cost adjustment and the cost of equity without the adjustment.

54. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 79 and Direct Testimony of Dr. Vander Weide, Exhibit JVW-1, Schedules 1, 2, 7, and 8.

a. Describe how the market weights were calculated and then used in each of the Schedules.

b. Explain why it is appropriate to use market weighting in the calculations contained in each schedule.

c. Provide documentation from the SBBI Stocks, Bonds, Bills, and Inflation 2007 Yearbook Valuation Edition or other respected reference that demonstrates and explains how the use of market weighting is appropriate in the context of this case.

Beth O'Donnell
Executive Director
Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602-0615

Dated: July 2, 2007

cc: Parties of Record