

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

Witness: Keith Cartier/Sheila Miller

77. With regard to the account 535000 – Contract Services Other Operations shown on W/P 3-13, page 3, please provide the following information:
- a. Provide the actual expense booked for this account in 2003, 2004 and the 12-month period ended 11/30/08.
 - b. Provide a detailed breakout of all of the expense components making up the actual expenses in this account booked in 2005 through 2007, the 12-month period ended 11/30/08 and the forecasted test period.
 - c. Explain why the forecasted test year amount of \$308,900 is so much higher than the recent actual historic expense levels from 2005 through 11/30/08.
 - d. Provide the equivalent 535000 – Contract Services Other Operations expenses that were included in the Company's Operating Budgets for 2003 through 2008 and in the annual budget plans for 2009 and 2010.

Response:

a.

| | Actual | Actual | Actual |
|-----------|---------|---------|---------|
| | | | 12M |
| Account | 2003 | 2004 | 11/2008 |
| 535000.11 | 10,454 | 663 | |
| 535000.13 | 103,412 | 139,754 | 135,901 |
| 535000.14 | 32,335 | 41,695 | 109,284 |
| 535000.15 | 27,758 | 53,104 | 181,253 |
| 535000.16 | 158,754 | 164,494 | 135,782 |
| Total | 332,713 | 399,710 | 562,220 |

- b. See attached transaction journal for the requested dates that contains all activity for the contract services account, we do not maintain a segregation of expense components.
- c. The forecasted test year amount of \$308,900 in account 535000.13 is higher than recent levels due to a transfer to budgeted costs in the amount of \$81,500 to this account from account 675000 in the 2009 and 2010 budgets. However, account 675000.14 is overstated in the maintenance line due to \$72,000 being budgeted for the amortization of tank paintings which should have been budgeted to account 675050. The company prepared a separate calculation for the tank painting amortization from its

deferred maintenance file in this case. The forecasted test-year also includes work at the reservoir and watershed area that will be completed in the amount of \$24,000 which has not been performed in recent years. The additional \$72,000 in the maintenance line will be corrected in a revised filing.

d. See table below:

| Account | Budget 2003 | Budget 2004 | Budget 2005 | Budget 2006 | Budget 2007 | Budget 2008 | Budget 2009 | Budget 2010 |
|-----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 535000.11 | | 14,340 | 14,388 | | | | | |
| 535000.13 | 108,000 | 113,100 | 118,724 | 139,920 | 199,040 | 203,212 | 301,250 | 322,719 |
| 535000.14 | 40,200 | 41,332 | 41,969 | 58,537 | 69,200 | 79,500 | 73,440 | 75,768 |
| 535000.15 | 28,452 | 67,800 | 69,492 | 84,000 | 111,600 | 69,000 | 164,268 | 169,200 |
| 535000.16 | 146,654 | 126,952 | 127,772 | 196,595 | 200,360 | 206,360 | 175,000 | 177,832 |
| Total | 323,306 | 363,524 | 372,345 | 479,052 | 580,200 | 558,072 | 713,958 | 745,519 |

For the electronic version, refer to KAW_R_AGDR1#77_122308.pdf.