

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Paul R. Herbert/Michael A. Miller

1.
 - a. In its responses to information requests, Kentucky-American appears to have revised portions of the Cost of Service Study that it provided in its application. State whether Kentucky-American has made revisions to portions of the original cost-of-service study.
 - b. If revisions have been made to sections of the original cost-of-service study, state whether Kentucky-American has revised the original cost-of-service study in its entirety to reflect these revisions.
 - c.
 - (1) If the original cost-of-service study has been revised in its entirety, provide a copy of this revised edition and highlight the revised areas.
 - (2) If the original cost-of-service study has not been revised in its entirety to reflect revisions to portions of the original study, explain why not and provide a revised edition that highlights the changed portions resulting from revisions made since the filing of Kentucky-American's application.

Response:

- a. The Company has not revised the original Cost of Service Study.
- b. See response to part a.
- c.
 - (1) See response to part a.
 - (2) A revised filing will be made by the Company incorporating all changes that have been uncovered in the discovery phase. Along with its amended filing the Company will provide an update to its cost of service study that will address the allocation of costs compared to existing rates. The Company does not anticipate any changes to the allocation formulas or other data in the study, just an allocation of the updated cost of service elements.

For the electronic version, refer to KAW_R_PSCDR3#1_020909.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller/Others (potential witness from Towers Perrin)

2. Refer to Kentucky-American's Response to the Attorney General's ("AG") Second Request for Information, Item 109(a).
 - a. In Case No. 2004-00103,¹ the Commission eliminated the costs associated with the long-term incentive compensation and annual incentive plan compensation programs (respectively, "LIP" and "AIP") because Kentucky-American failed to provide any studies or analyses that would quantify those programs' benefits. Explain why Kentucky-American has not performed the studies and analyses to which the Commission referred in its decision in Case No. 2004-00103.
 - b. Kentucky-American states that the "portion of total compensation represented by the AIP is an at-risk portion intended to improve performance based on the parameters measured in the plan." Provide documentation to support this statement.
 - c. If Kentucky-American is unable to document the benefits of its incentive compensation programs, explain why the costs of these plans should be deemed reasonable and recovered through rates.

Response:

- a. The Company has investigated the availability of resources to perform studies or analyses which would quantify the benefits to ratepayers of its AIP and LIP programs. The Company has been unable to locate any examples of such specific studies being available generally. After consultation with its Human Resources consultant, Towers Perrin, the Company is of the belief that such a study would be complex to perform, would require the design of a new data gathering system to collect necessary data, and would involve a period of time to collect the data and analyze it. The Company has not requested a proposal to perform such a study given the limitations and the likely expense of obtaining a quantitative study.

In terms of quantified measures of the benefits of its AIP program, the Company collects data on its performance relative to a number of objective factors. These are described more fully at pages 3 through 5 of the AIP program booklet, previously provided in response to AG 1-105. As noted in the following excerpt from the plan booklet, the Company's Environmental Compliance, Safety Performance, Customer Satisfaction, and Service Quality are all monitored and become the basis for the Operational Component of the plan payout calculation. These key performance indicators are included in each employee's incentive plan

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

targets. This element makes up 30% of the plan award potential. These are the objective performance elements the Company can measure.

- The **Operational** component is based on the following:

Environmental Compliance (NOV)

Environmental Compliance is measured by “Notice of Violation” (NOV) count defined as the number of times an official notice is issued by a primacy agency for failure to comply with a federal, state, or local environmental statute or regulation that is covered under the scope of the American Water Environmental Management Policy.

Safety Performance

Safety performance will be measured on an OSHA Total Recordable Incident Rate (ORIR) which is defined as the rate of total injuries requiring treatment beyond first aid per 200,000 hours worked. ORIR focuses on total injury reduction which by extension improves Lost Work Day Case Rate (LWCR) and correlates more closely to workers compensation claims and costs. LWCR will remain a personal performance goal for the Operations and Operational Risk Management functions.

Customer Satisfaction

Customer Satisfaction is based on the results of the annual Customer Satisfaction Survey (CSS) conducted in the fourth quarter each year through randomly selected customer contacts in each State. This survey will ask our customers “Overall, how satisfied have you been with (Company Name) in general during the past twelve months?” This has a five-point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied).

Service Quality

Service Quality is based on the annual results of the Service Quality Surveys (SQS) conducted throughout the year with customers having had recent contact with an AW Customer Service (CSR) or Field Service (FSR) Representative. This survey will ask the customer, “Overall, how satisfied were you with the outcome of your service contact?” having (sic) a five point response scale (Extremely Satisfied, Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, Very Dissatisfied), is used to measure performance by evaluating the response percentage total for the top two categories (extremely or very satisfied).

While these measures may not be readily convertible to a dollar value to customers, there is no doubt they are important measures of the Company's performance relative to the customers and the community served.

Further, the individual performance component of the AIP program, which is described more fully at pages 8 through 10 of the program booklet, is intended to provide a number of objective measures of each employee's performance, and quantify the results versus the objectives. While these measures are not the same for all employees, they are targeted by the employee and his manager to be meaningful measures providing increasing value to the Company and its customers. Examples of individual goals would include: (1) meter change outs that would maintain compliance with Commission guidelines and improve revenue generation, (2) targets for valve operation, hydrant inspections, and tank painting that incentivize employees to plan and complete the work necessary to maintain operational integrity, and (3) personal development targets that promote more effective management skills, education, key job skills and developing capable employees for succession planning. The individual measurable objectives are also based on a systematic approach to measuring employee performance and development which the Company's Human Resources Department has developed. Again, as with the Operations measures, these are not readily convertible to a dollar value to customers, but there is no doubt they are important measures of the employee's performance relative to the Company, its customers and the community served. This element makes up 30% of the plan award potential. The remaining 40% of the plan award potential is based upon financial performance.

While the Company has not been able to locate any studies that have attempted to quantify the benefits to customers of such incentive plans and believes such a study would be extremely costly if possible at all, the Company believes that such plans do in fact generate more efficient, safe and reliable utility infrastructure and service which provides a direct benefit to current and future customers. The impact of a well run and efficient utility also equates to a lower cost of service than a poorly run and inefficient utility, again a direct financial benefit to current and future customers.

- b. The parameters of the plan include the Operations and Individual components as described above, all of which are designed to improve Company and employee performance. The Company sets its salary ranges based on salary surveys it regularly conducts. Please see the salary survey provided (confidentially) in response to PSC 1-14. The Company utilizes survey information to set salary range mid-points at the 50th percentile of the survey as shown in the comparisons in the survey. Therefore, base salaries are intended to be competitive with the mid point of compensation levels of comparable positions in the marketplace. As further explained in the response to Attorney General's ("AG") Second Request for Information, Item 109(b), the incentive plan provides for the employee to potentially receive increased total compensation ranging from the 50th percentile

to the 65th percentile in the survey data based on performance measures as set forth in the incentive plan.

Please also see the attached analysis of actual AIP payout for each plan year from 2002 to 2006. In each of those years, payouts were not 100% of targeted payout amounts. Therefore, the payouts in each of these years were reduced for failure to fully complete performance measures for all elements of the plans, and a portion of compensation is truly at risk based on performance. Please also see the response to part a. of this question.

- c. Please see parts a. and b. of this response. As noted in part a., the fact that there is difficulty in quantifying the effectiveness of a measure does not obviate its value. There are many situations for which such quantifications are not possible, but the measure is undertaken in any case. For example, there is much debate in public water supply today about the efficacy of fluoridation of drinking water. While quantitative cost/benefit studies, such as are at issue in this question, may not have been performed regarding fluoridation, most communities have implemented fluoridation as a normal practice, at additional cost to ratepayers.

Also, cost/benefit studies are not routinely performed on the value of internal audits, but nonetheless internal audits are undertaken by the vast majority of utility companies on a regular basis at an additional cost to ratepayers.

In these and other situations, the complexity and difficulty of undertaking such quantitative assessments is not an obstacle to reaching the conclusion that it is beneficial, because of the qualitative benefits that are accepted as a valid result of the actions. In this case, the Company has presented such qualitative information in response to Attorney General's ("AG") Second Request for Information, Item 109. As with the case of the prevalence of public water supply fluoridation, or performing internal audits, the prevalence of the practice of motivating performance by providing an annual incentive plan at the levels the Company has utilized, as has been demonstrated by their general acceptance in the utility industry as well as in business in general, provides assurance that the practice provides value in motivating enhanced performance from its employees. Given the fact that the incentive plan metrics all work directly or indirectly to improve quality of service, as well as to increase the efficiency and effectiveness of service provided, it is imperative to recover associated costs from customers who ultimately benefit in better service and lower costs from the actions driven by incentivizing the employees to achieve specific, measurable key performance targets that contribute to efficient and cost effective service, system reliability, customer satisfaction, effective planning, and improved financial performance. Please also see the attached updated survey of the prevalence of incentive compensation plans in both the utility and general business segments.

For the electronic version, refer to KAW_R_PSCDR3#2_020909.pdf.

4/3/2007

2002 and 2006
AIP Plans
Payout Analysis
April 3, 2007

Participants	FINANCIAL (Operating Result \$640.m)	Operational	Individual	Actual Payout Total	Projected Total (Target 100%)	# AIP Target levels below ML4=4 20%, 15%, 10%, 5%
2006 Participants 1,653	\$5,476,919	\$3,636,194	\$7,596,125	\$10,235,951	\$16,709,238	
2005 Participants 1,498	FINANCIAL (VA & FCF1) ⁽¹⁾ \$3,485,637 (Achieved Corp. Regions varied)	Operational \$1,462,115	Individual \$2,852,744	Actual Payout Total \$7,800,496	Projected Total (Target 100%) \$11,684,659	# AIP Target levels below ML4=3 17.3%, 11.5% & 3.8%
2004 Participants 1,514	FINANCIAL (VC & FCF1) ⁽²⁾ \$5,313,420 (VC-73.5, FCF1 192%)	Operational \$1,299,423	Individual \$1,720,518	Actual Payout Total \$8,333,361	Projected Total (Target 100%) \$11,796,760	# AIP Target levels below comparable ML4s=3 17.3%, 11.5% & 3.8%
2003 Participants 126 1,217 1,343	FINANCIAL (OR and Net Debt) ⁽³⁾ N/A N/A	Operational N/A N/A	Individual N/A N/A	Actual Payout Total \$570,494 \$4,489,904 \$5,060,398	Projected Total (Target 100%) N/A	AIP Discretionary
2002 Participants 1,300	FINANCIAL (Economic Profit) ⁽⁴⁾ N/A	Operational N/A	Individual N/A	Actual Payout Total \$0	Projected Total (Target 100%) N/A	

(1) ML1-ML4 based on TW Financials (a) Value Added Target 36M Euros (b) FCF1 Target (78m Euros)
Below ML4 Based on Region; Corporate based on AW Financials 75.2%, WE-74.6%, SE-79.0%, NE-87.9%, CE-83.9%
(2) 2004 first year for using Value Added/Value Contribution and Free Cash Flow
(3) 2003 AIP- small payouts in Western and Central Regions. All others paid at 40% as discretionary bonus (Financial goals not met)
Goals will be set at the organizational level at which you work ("home") and at the next higher organization level ("one level up") based on the business plan.
(4) Percent of Capital Cost Earned (a) Net operating profit after tax as a percent of average (beginning and ending) invested capital multiplied by the weighted average cost of capital (debt and equity.)



Memorandum

DATE: February 4, 2009

TO: Dan Shallow — American Water

FROM: Larry Parks — Towers Perrin
Jim Dickinson — Towers Perrin

RE: ANNUAL AND LONG-TERM INCENTIVE PLAN PREVALENCE

As requested, this memorandum provides information on the prevalence of annual and long-term incentive plans in the utility and broader general industry.

Market References and Data Sources

Energy/Utility Industry

Data are based on the total sample of utilities that provided data to our energy industry compensation databases and were collected from the following sources:

- Towers Perrin's 2008 Energy Services Industry Executive Compensation Database
- Towers Perrin's 2008 Energy Services Industry Middle Management and Professional (MMAPS) Database

Core Industry

Data are based on the total sample of our general industry databases excluding a number of market segments viewed by American Water as less relevant from a competitive perspective (e.g. banking, financial services, insurance, media/entertainment, pharmaceuticals). Data were collected from the following sources:

- Towers Perrin's 2008 General Industry Executive Compensation Database
- Towers Perrin's 2008 General Industry Middle Management and Professional (MMAPS) Database

A list of the companies included each sample is provided in the attached Exhibits.

The data presented in our analysis are collected and reported by dedicated staff within Towers Perrin's Databases Unit. Data are collected each year through a survey of participating companies. Towers Perrin makes the data generated from our surveys available exclusively to participants in the surveys and does not sell, license or otherwise make the data available to any third-party sources or authorize any third

parties to use the data in any way. Data are only available for the use of participants for purposes of their individual compensation planning, and by Towers Perrin for purposes of training, quality assurance, research and development, compensation consulting services for survey participants and general promotional activities. These databases are the primary source of competitive compensation information used in our work with clients.

Results

Annual Incentive plans are prevalent in both the energy/utility industry as well as the broader core industry sample. Long-term incentive plans, however, are more prevalent for senior executives than for mid-level management positions in both industry sources. The following table summarizes the results of our analysis and provides data on the percent of companies that maintain formal incentive plans.

Source	Annual Incentive Prevalence	Long-Term Incentive Prevalence
2008 Energy Services Executive database	100%	98%
2008 Energy Services Middle Management database	98%	65%
2008 General Industry Executive database	99%	98%
2008 General Industry Middle Management database	95%	58%

Energy Services Executive Compensation Database Participants (n=53)

AGL Resources	Energy	Pepco Holdings
Allegheny Energy	Exelon	Pinnacle West Capital
Alleite	FirstEnergy	PNM Resources
Alliant Energy	FPL Group	Portland General Electric
Ameren	Hawaiian Electric	PPL
American Electric Power	IDACORP	Progress Energy
Avista	Integrys Energy Group	Public Service Enterprise Group
Black Hills Power and Light	MDU Resources	Puget Energy
CenterPoint Energy	MGE Energy	SCANA
Cleco	Nicor	Sempra Energy
CMS Energy	Northeast Utilities	Southern Company Services
Consolidated Edison	NorthWestern Energy	Southern Union Company
Constellation Energy	NSTAR	UIL Holdings
Dominion Resources	NW Natural	UniSource Energy
Duke Energy	OGE Energy	Unitil
E.ON U.S.	Otter Tail	Westar Energy
Edison International	Pacific Gas & Electric	Wisconsin Energy
Energy Future Holdings	PacifiCorp	

Energy Services Middle Management and Professional (MMAPS) Compensation Database Participants (n=63)

AGL Resources	E.ON U.S.	PacifiCorp
Allegheny Energy	Energy	Pepco Holdings
Alleite	Exelon	Pinnacle West Capital
Alliant Energy	FirstEnergy	PNM Resources
Ameren	FPL Group	Portland General Electric
American Electric Power	Great Plains Energy	PPL
Avista	Hawaiian Electric	Progress Energy
CenterPoint Energy	IDACORP	Public Service Enterprise Group
Central Vermont Public Service	Integrys Energy Group	Puget Energy
CH Energy Group	KAPL	SCANA
Cleco	MGE Energy	Sempra Energy
CMS Energy	Nicor	Sierra Pacific Resources
Consolidated Edison	NiSource	Southern Company Services
Constellation Energy	Northeast Utilities	Southern Union Company
Dominion Resources	NorthWestern Energy	TECO Energy
DPL	NSTAR	UIL Holdings
Duke Energy	NW Natural	UniSource Energy
Duquesne Light	OGE Energy	Unitil
Edison International	ONEOK	Vectren
El Paso Electric	Otter Tail	Westar Energy
Energy Future Holdings	Pacific Gas & Electric	Wisconsin Energy

General Industry Executive Compensation Database Core Industry Participants (n=206)

ADTRAN	Chevron Phillips Chemical	Fleetwood Enterprises
Advanced Medical Optics	Chiquita Brands	Flowers Foods
Air Products and Chemicals	CHS	Fluor
Alcoa	Cincinnati Bell	Ford
Alexander & Baldwin	Cleveland-Cliffs	Freeport-McMoRan Copper & Gold
Alliant Techsystems	Clorox	Furniture Brands International
Altria Group	Coca-Cola	Garmin
Anadarko Petroleum	Coca-Cola Enterprises	GATX
Anheuser-Busch	Colgate-Palmolive	General Dynamics
Archer Daniels Midland	Columbia Sportswear	General Electric
Armstrong World Industries	ConAgra Foods	General Mills
Ashland	ConocoPhillips	General Motors
A.T. Cross	Cooper Tire & Rubber	Global Crossing
AT&T	Covidien	Goodrich
Avon	Crown Castle	Hanesbrands
Beckman Coulter	CSX	Harley-Davidson
Blyth	Curtiss-Wright	Harman International Industries
Bob Evans Farms	Cytec	Harris
Boeing	Dana	Hasbro
Boston Scientific	Dean Foods	Hayes Lemmerz
BP	Delphi	H.B. Fuller
Brown-Forman	Delta Air Lines	Henry Schein
Building Materials Holding	Dentsply	Hercules
Bunge	Devon Energy	Hershey
Burlington Northern Santa Fe	Dow Chemical	Hess
Cabot	Dow Corning	Hexcel
Callaway Golf	DuPont	H.J. Heinz
Campbell Soup	Eastman Chemical	HNI
Cardinal Health	Eastman Kodak	Hologic
Carpenter Technology	Ecolab	Honeywell
Celanese Americas	Embarq	Hormel Foods
Centex	EMCOR Group	Huntsman
Century Aluminum	Exterran	International Flavors & Fragrances
Charter Communications	ExxonMobil	International Paper
Chevron	FedEx	Interstate Bakeries

General Industry Executive Compensation Database Core Industry Participants (n=206)

ION Geophysical	Norfolk Southern	Spectra Energy
Jack in the Box	Nortel Networks	Spirit AeroSystems
Jacobs Engineering	Northrop Grumman	Sprint Nextel
Jarden	Northwest Airlines	Starbucks
J.M. Smucker	NOVA Chemicals	Steelcase
Johnson Controls	Occidental Petroleum	Sunoco
Kellogg	Oshkosh Truck	Tellabs
Kennametal	Owens Corning	Temple-Inland
Kimberly-Clark	PepsiAmericas	Terra Industries
Kraft Foods	PepsiCo	Tesoro
Lear	PolyOne	Texas Petrochemicals
Leggett and Platt	PPG Industries	TRW Automotive
Level 3 Communications	Praxair	Tupperware
Lincoln Electric	Procter & Gamble	Ulticom
Lockheed Martin	Pulte Homes	Union Pacific
L-3 Communications	QUALCOMM	United Airlines
Lyndell Chemical	Qwest Communications	United Parcel Service
Magellan Midstream Partners	Ralcorp Holdings	United States Cellular
Marathon Oil	Rayonier	United States Steel
Martin Marietta Materials	Raytheon	United Technologies
Masco	Reddy Ice	Valero Energy
Mattel	Revlon	Verizon
McDermott	Reynolds American	Virgin Mobile USA
McKesson	Rockwell Collins	Visteon
Medtronic	Rohm and Haas	Vulcan Materials
MetroPCS Communications	Ryder System	Warnaco
Molson Coors Brewing	Sara Lee	Weyerhaeuser
Monaco Coach	Schlumberger	Whirlpool
Monsanto	Schweitzer-Mauduit	Wm. Wrigley Jr.
Mosaic	Scotts Miracle-Gro	W.R. Grace
Motorola	Shell Oil	Zimmer Holdings
Murphy Oil	Sherwin-Williams	
Nalco	Sigma-Aldrich	
Navistar International	Smurfit-Stone Container	
NIKE	Solutia	

General Industry Middle Management and Professional (MMAPS) Database Core Industry Participants (n=310)

- | | | |
|---------------------------------|--------------------------------|---------------------------------|
| ACH Food | Cargill | EMCOR Group |
| ADTRAN | Cargill Meat Solutions | EnCana Oil & Gas USA |
| Aerofjet | Carpenier Technology | Enterprise Rent-A-Car |
| Air Liquide America | Celanese Americas | Essilor of America |
| Air Products and Chemicals | Centex | Estee Lauder |
| Alberto-Culver | Charter Communications | Evergreen Packaging |
| Alcatel-Lucent | Chevron | Exterran |
| Alcoa | Chevron Phillips Chemical | ExxonMobil |
| Alexander & Baldwin | Chiquita Brands | Federal-Mogul |
| Alliance Pipeline | C.H. Robinson Worldwide | FedEx |
| Alliant Techsystems | CHS | FedEx Ground |
| Alstom Power | CH2M Hill | Fellowes |
| Altria Group | Ciba Specialty Chemicals | Fleetwood Enterprises |
| American Airlines | CITGO Petroleum | Flint Group USA |
| American Crystal Sugar | Cleveland-Cliffs | Flint Hills Resources |
| American Greetings | Coca-Cola | Flowers Foods |
| Anheuser-Busch | Coca-Cola Enterprises | Fluor |
| Apache | Colt Telecommunications | Ford |
| APL | Comair | GATX |
| Arclin USA | Converse | General Mills |
| Armstrong World Industries | ConAgra Foods | General Motors |
| A.T. Cross | ConocoPhillips | Geox |
| AT&T | Constellation Brands | Global Crossing |
| Avaya | Continental Automotive Systems | Goodrich |
| Avery Dennison | Corporate Express US | Gorton's |
| Avon | Covidien | Greyhound Lines |
| Barrick Gold of North America | Crown Castle | GSMA |
| BASF | CSX | Hanesbrands |
| Bayer CropScience | Curtiss-Wright | Harland Clarke |
| Bechtel Group | Cytec | Harley-Davidson |
| Belkin | Daimler Trucks North America | Harman International Industries |
| Benteler Automotive | Danisco | Harris |
| BG US Services | Dannon | Hayes Lemmerz |
| BIC | Dean Foods | H. E. Butt Grocery |
| Blyth | Degussa | Helmerich & Payne |
| Bob Evans Farms | Del Monte Foods | Henkel |
| Boeing | Delphi | Henry Schein |
| Boise | DENSO International America | Hercules |
| Bombardier Transportation | Dentsply | Hershey |
| Boston Scientific | Devon Energy | Hess |
| Bovis Lend Lease | Diageo North America | Hexcel |
| BP | Dockwise | Hexion Specialty Chemicals |
| Brown-Forman | Dole Foods | HNTB |
| BT | Domtar | Honeywell Specialty Materials |
| Bunge | Dow Chemical | Hormel Foods |
| Burlington Northern Santa Fe | Dr Pepper Snapple | Huntsman |
| Bush Brothers | DuPont | Inmarsat |
| Cabot | Eastman Chemical | International Paper |
| Cadbury-Schweppes North America | Eastman Kodak | Interstate Bakeries |
| Campbell Soup | Ecolab | ION Geophysical |
| Canadian Pacific Railway | E & J Gallo Winery | Irving Oil |
| Cardinal Health | Embarq | ISP |



General Industry Middle Management and Professional (MMAPS) Database Core Industry Participants (n=310)

Jacobs Engineering	Nestle USA	Smurfit-Stone Container
Jarden	NIKE	SNC-Lavalin
JM Family	Nong Shim Holdings	Sodexho
J.M. Smucker	Noranda Aluminum	Solutia
Johnson Controls	Norfolk Southern	Solvay America
Jostens	Nortel Networks	Sony Corporation of America
J.R. Simplot	Northrop Grumman Newport News	Sony Ericsson Mobile Communications
Kaman Industrial Technologies	Northwest Airlines	Spectra Energy
KB Home	NOVA Chemicals	Spirit AeroSystems
Kellogg	Nypro	Sprint Nextel
Kennametal	Occidental Chemical	Starbucks
Keystone Foods	Occidental Petroleum	Steelcase
Kimberly-Clark	Ocean Spray Cranberries	Suncor Energy USA
Kinross Gold	Orange Business Services	Sunoco
Kohler	Owens Corning	S.W.I.F.T.
Kraft Foods	Oxford Industries	Syngenta Crop Protection
Lanxess	PACCAR	Tellabs
Ledcor Group of Companies	PepsiAmericas	Temple-Inland
Leprino Foods	Pepsi Bottling Group	Tesoro
Levi Strauss	PepsiCo	Texas Petrochemicals
LG Electronics USA	PGT Industries	T-Mobile
Luck Stone	Plains Exploration & Production	Total Petrochemicals USA
Lyondell Chemical	PolyOne	Trane
Magellan Midstream Partners	Potash	Transocean
Marathon Oil	PPG Industries	Tupperware
Mars North America	Praxair	Tyson Foods
Martin Marietta Materials	Pulte Homes	Ulitcom
Mary Kay	QUALCOMM	Unilever United States
Mazda North American Operations	Quebecor World - US	Union Pacific
McCain Foods USA	Qwest Communications	United Airlines
McCormick	Ralcorp Holdings	United Parcel Service
McDermott	Rayonier	United States Cellular
McKesson	Reebok	United States Steel
MDC Holdings	Remy International	United Technologies
Medtronic	Research in Motion	U.S. Foodservice
MetroPCS Communications	Revlon	Valero Energy
Metropolitan Transit Authority	Reynolds American	Verizon
Millennium Inorganic Chemicals	Rich Products	Virgin Mobile USA
Miller Brewing	Rio Tinto	Vistar
Mission Foods	Riviana Foods	Visteon
MITRE	Robert Bosch	Volvo Group North America
MOL America	Roche Diagnostics	Warnaco
Molson Coors Brewing	Rohm and Haas	Washington Division
Monaco Coach	Ryder System	Washington Savannah River
Monsanto	Sara Lee	Wayne Farms
Mosaic	Schreiber Foods	Wells' Dairy
Motorola	Schwan's	Weyerhaeuser
Nalco	S.C. Johnson	Whirlpool
National Starch & Chemical	Seaboard	Wm. Wrigley, Jr.
Navistar International	Shell Oil	Zimmer Holdings
NCH	Sherwin-Williams	
Nestle Purina PetCare	Sigma-Aldrich	

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Witness: Michael A. Miller/Others (potential witness from Towers Perrin)

3. Refer to Kentucky-American's Response to the AG's Second Request for Information, item 109(b) and (c).
 - a. In Case No. 2004-00103, the Commission found that the use of incentive pay plans by other utilities is insufficient evidence to demonstrate that the incentive pay plans benefit ratepayers and that their costs should be recovered through rates. Explain how the use of incentive pay plans by other utilities and businesses in general demonstrates that Kentucky-American's plans benefit its ratepayers.
 - b. Provide documentation showing the effect of Kentucky-American's incentive compensation programs on employee retention.

Response:

- a. Please see the response to the PSCDR3#2. As noted in that response, the cost and level of complexity of quantitative studies makes it impractical for the Company to undertake such studies with the anticipation of providing a satisfactory answer to the Commission's concern in this area. The analogy provided in PSCDR3#2(c) is the basis upon which the Company believes the prevalence of such plans in the utility industry as well as business in general indicates benefit to customers. The incentive plan is viewed by the Company (and most companies according to the attachment to PSCDR3#2(c)) as part of the overall compensation package available to attract and retain qualified and capable employees. The Company believes the customers benefit from making a portion of that total compensation at risk to incentivize employees to perform at high and improved levels that are required to meet the incentive plan targets for each employee. The customers can benefit in a number of ways, including improved service, more reliable service, and ultimately lower costs through the efficiencies and productivities gained from high performing employees. In addition, the customers benefit if employees don't perform to expected levels in the form of lower employee compensation costs.
- b. If the intent of the question is for the Company to provide quantitative data in response, the Company is unable to do so at this time, for reasons which the Company set forth in the response to PSCDR3#2(a). The Company has many years of experience in its management group, has been able to attract highly qualified and capable employees in the management group when required, and has been able to develop talent internally for promotion. The years of service for KAWC employees can be found in the response to PSCDR1#1 and labeled as KAW_R_PSCDR1#1a_WP3-1_111408, pages 46-53.

For the electronic version, refer to KAW_R_PSCDR3#3_020909.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: **Michael A. Miller**

4. Refer to Kentucky-American's Response to the AG's Second Request for Information, Item 113(a).
 - a. Identify by position the American Water Works Service Company ("Service Company") employees who are eligible to participate in the LIP. For each position listed, provide the total amount of LIP budgeted for the forecasted period and the amount allocated to Kentucky-American.
 - b. Identify by position the Service Company employees who are eligible to participate in the AIP. For each position listed, provide the total amount of LIP budgeted for the forecasted period and the amount allocated to Kentucky-American.
 - c. State whether the incentive pay plans offered to the Service Company employees is identical to the plan offered to the Kentucky-American employees. If not, explain how the plans differ.
 - d. Provide an analysis or study showing how the incentive compensation programs paid at the Service Company level benefit Kentucky-American's ratepayers and state why the cost of such programs should be recovered through rates.

Response:

- a. Please see attached schedule of Positions Eligible for LTIP. The information for the budget is not available for each individual employee. The attached schedule shows the total LTIP budgeted for each function under the job title for the leader's position of each function.
- b. Please see the attached schedule of Service Company positions for which amounts are forecasted to be allocated to KAWC for the test year.
- c. The AIP plan offered to employees of Kentucky American is the same plan offered at AWWSC employees except that in some instances the AWWSC parameters are tailored specifically to the services provided by AWWSC while the specific performance parameters for Kentucky American Water Company are specific to KAWC functions. The plan parameters for all water utility subsidiaries of American Water Works Company, Inc. are similar in nature. The intent of these differences between the utility subsidiary plan details and the Service company plan details is to provide measures which the employees can impact by their performance. As noted at page 8 of the brochure, "We believe it is essential that you are accountable for, measured on and rewarded for performance that you can directly impact or influence." The specific operational metrics set forth at pages 15 through 18 of the brochure are designed for subsidiaries such as Kentucky American. However, such measures would not be meaningful for Service Company functions. Therefore, operations metrics more specifically

targeted for such functional offices have been developed, and are shown at pages 19 and 20. At page 5 of the plan booklet differences in the financial plan component are set forth. The state financial performance is a portion of the plan measures for the state utility subsidiaries. This is not the case for the Service Company plans. Please also see the response to PSC Staff 3-2.

- d. As noted at pages 3 and 4 of the plan brochure, performance measures have been set up to target the activities of particular service company functions. Additionally, individual performance measures are set up under the individual component of each employees plan to motivate individual development and performance improvement. Each year, the performance evaluation of each employee includes an assessment of the employee's personal performance measures and personal development plan. Such measures provide an incentive for employees to improve the quantity and quality of the work they do day to day. The personal improvement plans are intended to enhance the employee's abilities, and or skills, making them more valuable to the Company. This, in turn, positively affects the services provided to affiliates, including Kentucky American. Benefits are provided to ratepayers in that the measures provide incentives to employees to be more efficient, or accurate in their work, and to improve their skills so that they either provide a higher level of performance in their present function, or can be promoted to a higher level when these become available, thus reducing the company's costs of recruiting such higher level positions when they become vacant.

Service Company employees' specific daily tasks and actions do impact operational, customer service and financial performance for the regulated subsidiaries that they support. The Company believes the functions performed at the service company are essential elements of providing water service, and would have to either be replicated at the local operation or contracted from third parties if not performed by AWWSC employees. As shown in the testimony and report of Mr. Baryenbruch, the services provided by AWWSC could not be performed on a cost effective basis by outside vendors, and the overall cost per customer for AWWSC service is very competitive to the service company costs of other utilities for which publicly available information on service company costs is available. The benefits to the ratepayers, as previously discussed in the response to PSCDR3#2, derived from incentivizing the AWWSC employees to perform at high levels, improve performance, focus on customer satisfaction and service levels, gain knowledge through development plans and develop management expertise and skills to move up in the Company are just as applicable to the customers of KAWC as the employees on the direct payroll of KAWC.

In addition, improved financial performance resulting from incentive plan measured metrics provides benefits to ratepayers from improved ratings of the Company in the financial community. All else being equal, a Company with better financial performance is able to raise capital in the capital markets at lower

costs. Given the capital intensiveness of water utilities, improved financial measures can have a significant impact on the cost of providing the replacement of water utility facilities. This reduced cost of financing provides a direct benefit to ratepayers in that rates for service are lower than they would otherwise be, all else being equal.

Given the fact that the AIP metrics all work directly or indirectly to induce actions and behaviors of employees which improve quality of service, as well as to increase the efficiency and effectiveness of service provided, it is imperative to recover the costs from customers who benefit from the actions driven by the incentive plans in the form of improved service, reliable service, operational integrity and ultimately lower costs than a utility who does not perform as efficiently and effectively.

For the electronic version, refer to [KAW_R_PSCDR3#4_020909.pdf](#).

**American Water Works Service Company, Inc.
Positions Eligible for LTIP
LTIP Amounts and Amounts Budgeted for Kentucky American**

Home BU	BU Name	Job Title	LTIP	LTIP Budgeted to Kentucky American
CSC Alton	CCA-Administration	VP Customer Svc	\$ 34,039	\$ 1,151
Audit	CORP-Audit	VP Internal Audit	46,479	1,571
Bus Develop	CORP-Corporate Bus Development	Sr. VP Sales & Business Dev	295,209	9,978
Eastern Division Ops	CORP-Eastern Division Ops	Exec VP Eastern Division	197,872	6,688
External Affairs	CORP-ExtA Government Affairs	Dir Govt Affairs (Corp)		
External Affairs	CORP-ExtA Internal Communication	Dir Internal Comms		
External Affairs	CORP-ExtA Marketing & Sales	Dir Marketing (Corp)		
External Affairs	CORP-External Affairs	SVP External Affairs (Corp)	318,339	10,760
External Affairs	CORP-External Communications	Dir External Comm		
Finance	CORP-Finance	VP & Controller		
Finance	CORP-Finance	VP Finance & Accounting		
Finance	CORP-Finance Planning & Reporting	VP Planning & Reporting	487,071	16,464
Finance	CORP-Finance Treasury	VP & Treasurer		
Human Resources	CORP-HR Business Center	Director Talent Management		
Human Resources	CORP-HR Comp/Benefits	Dir Comp & Benefits		
Human Resources	CORP-HR Labor Relations	Dir Labor & Employee Relations		
Human Resources	CORP-HR Systems & Processes	Dir HR Systems & Processes		
Human Resources	CORP-HR Talent Development	Dir Organization & Talent Dev		
Human Resources	CORP-Human Resources	SVP Human Resources	435,681	14,727
Investor Relations	CORP-Investor Relations	VP Investor Relations		
ITS	CORP-ITS Admin	VP & CIO	172,614	5,835
Legal	CORP-Legal	SVP General Counsel & Secty	589,042	19,910
Legal	CORP-Legal	Counsel (SEC)		
Legal	CORP-Legal	Employment & Labor Law Counsel		
Operations	CORP-OP Chief Operating Officer	Chief Operating Officer	786,174	26,573
Operations	CORP-OP Chief Operating Officer	VP Operations Services		
Operations	CORP-OP Operational Risk	Sr Dir Operational Risk Mgt		
Regulated Operations	CORP-OP Regulated Operations	President - Regulated Operations	228,220	7,714
Regulated Operations	CORP-OP Regulated Operations	Finance Position		
Operations	CORP-OP Research & Env Excellen	Dir Res & Environ Excellence		
Operations	CORP-OP Supply Chain-Sourcing	Dir Supply Chain		
Operations	CORP-OP Maintenance	Sr Dir Maintnc & SCADA Svcs		
Regulatory	CORP-Regulatory	VP Regulatory Affairs	12,143	410
SSC	SSC-Administration	VP Shared Services	113,694	3,843
Western Division	WD - Western Division Ops	Executive VP Western Division	267,667	9,047
Western Division	WD - Western Division Ops	VP Service Delivery		
Western Division	WE-Administration	State President		
Bus Develop	WE-Business Development	Dir Business Development		
Finance	WE-Finance	Regional Dir Finance		
Legal	WE-Legal	Regional General Counsel		
Total			\$ 3,984,244	\$ 134,671

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Belleville Lab	BVLAB-Water Quality	Clerk Documentation (N)	\$1,721	3.6%	\$62
Belleville Lab	BVLAB-Water Quality	Clerk Documentation (N)	1,466	3.6%	53
Belleville Lab	BVLAB-Water Quality	Documentation Lead (N)	1,810	3.6%	65
Belleville Lab	BVLAB-Water Quality	HR Asst (N)	2,037	3.6%	73
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,381	3.6%	85
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,333	3.6%	84
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,656	3.6%	95
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,826	3.6%	101
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,569	3.6%	92
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,093	3.6%	75
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,425	3.6%	87
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,172	3.6%	78
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,676	3.6%	96
Belleville Lab	BVLAB-Water Quality	Lab Analyst	2,610	3.6%	94
Belleville Lab	BVLAB-Water Quality	Lab Analyst (N)	2,534	3.6%	91
Belleville Lab	BVLAB-Water Quality	Lab Analyst (N)	2,275	3.6%	82
Belleville Lab	BVLAB-Water Quality	Lab Tech (N)	1,525	3.6%	55
Belleville Lab	BVLAB-Water Quality	Lab Tech (N)	1,670	3.6%	60
Belleville Lab	BVLAB-Water Quality	Lab Tech (N)	1,551	3.6%	56
Belleville Lab	BVLAB-Water Quality	Lab Tech (N)	1,551	3.6%	56
Belleville Lab	BVLAB-Water Quality	Laboratory Director	29,535	3.6%	1,060
Belleville Lab	BVLAB-Water Quality	Maint Tech (N)	1,726	3.6%	62
Belleville Lab	BVLAB-Water Quality	Mgr Chemistry	11,743	3.6%	422
Belleville Lab	BVLAB-Water Quality	Mgr Chemistry	12,875	3.6%	462
Belleville Lab	BVLAB-Water Quality	Mgr QA/QC Water Quality	12,495	3.6%	449
Belleville Lab	BVLAB-Water Quality	Sample Custody Lead (N)	1,810	3.6%	65
Belleville Lab	BVLAB-Water Quality	Specialist QA/QC	5,983	3.6%	215
Belleville Lab	BVLAB-Water Quality	Specialist QA/QC	6,303	3.6%	226
Belleville Lab	BVLAB-Water Quality	Sr Lab Analyst	5,926	3.6%	213
Belleville Lab	BVLAB-Water Quality	Sr Lab Analyst	5,714	3.6%	205
Belleville Lab	BVLAB-Water Quality	Sr Lab Analyst	5,967	3.6%	214
Belleville Lab	BVLAB-Water Quality	Sr Lab Analyst	5,811	3.6%	209
Belleville Lab	BVLAB-Water Quality	Sr Lab Tech (N)	1,805	3.6%	65
Benefits Svc Ctr	CORP-Benefits Service Center	Admin Asst (N)	2,179	3.4%	75
Benefits Svc Ctr	CORP-Benefits Service Center	Benefits Administrator	6,215	3.4%	214
Benefits Svc Ctr	CORP-Benefits Service Center	Benefits Administrator	6,586	3.4%	227
Benefits Svc Ctr	CORP-Benefits Service Center	Benefits Administrator	6,412	3.4%	221
Benefits Svc Ctr	CORP-Benefits Service Center	Mgr Benefits	22,218	3.4%	766
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,472	3.4%	85
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,215	3.4%	76
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,245	3.4%	77
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,289	3.4%	79
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,264	3.4%	78
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,456	3.4%	85
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,689	3.4%	93
Benefits Svc Ctr	CORP-Benefits Service Center	Sr Specialist Benefits (N)	2,472	3.4%	85
Benefits Svc Ctr	CORP-Benefits Service Center	Supvr Benefits Service Center	8,687	3.4%	299
Benefits Svc Ctr	CORP-Benefits Service Center	Team Lead Benefits	7,071	3.4%	244
Benefits Svc Ctr	CORP-Benefits Service Center	Team Lead Reporting & Analysis	7,327	3.4%	253
Corporate	CORP-Asset Management	Administrator Capital Program	6,065	3.3%	203
Corporate	CORP-Asset Management	Capital Program Administrator	5,688	3.3%	190
Corporate	CORP-Asset Management	Dir Engineering - Capital	33,920	3.3%	1,133
Corporate	CORP-Asset Management	Engineer	3,258	3.3%	109
Corporate	CORP-Asset Management	Engineer	2,844	3.3%	95
Corporate	CORP-Asset Management	Engineer (entry level)	2,637	3.3%	88

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Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Corporate	CORP-Asset Management	Mgr Eng-Enterprise Capital Prg	21,800	3.3%	728
Corporate	CORP-Asset Management	Mgr Engineering	25,027	3.3%	836
Corporate	CORP-Asset Management	Planning Engineer	7,911	3.3%	264
Corporate	CORP-Asset Management	Planning Engineer	4,224	3.3%	141
Corporate	CORP-Asset Management	Project Mgr - Cap Prog Spec Proj	7,756	3.3%	259
Corporate	CORP-Asset Management	Project Mgr - Cap Program	7,239	3.3%	242
Corporate	CORP-Asset Management	Sr Eng Tech (GIS)	3,086	3.3%	103
Corporate	CORP-Asset Management	Sr Eng Tech (Modeling)	3,361	3.3%	112
Corporate	CORP-Asset Management	Sr Planning Engineer	13,061	3.3%	436
Corporate	CORP-Asset Management	Sr Planning Engineer	13,185	3.3%	440
Corporate	CORP-Asset Management	Sr Planning Engineer (GIS)	6,213	3.3%	207
Corporate	CORP-Audit	Exec Asst	3,002	3.3%	100
Corporate	CORP-Audit	Internal Auditor IT	7,030	3.3%	234
Corporate	CORP-Audit	Internal Auditor IT	6,918	3.3%	230
Corporate	CORP-Audit	Mgr Internal Audit	26,888	3.3%	896
Corporate	CORP-Audit	Mgr Internal Audit	21,717	3.3%	723
Corporate	CORP-Audit	Sr Auditor	9,307	3.3%	310
Corporate	CORP-Audit	Sr Internal Auditor	9,056	3.3%	302
Corporate	CORP-Audit	Sr Internal Auditor	9,124	3.3%	304
Corporate	CORP-Audit	Sr Internal Auditor IT	8,743	3.3%	291
Corporate	CORP-Audit	VP Internal Audit	54,012	3.3%	1,799
Corporate	CORP-Building Services	Mail Room Clerk (N)	1,694	3.2%	54
Corporate	CORP-Building Services	Mail Room Clerk (N)	1,690	3.2%	54
Corporate	CORP-Building Services	Mail Room Clerk (N)	1,468	3.2%	47
Corporate	CORP-Building Services	Mgr Facilities	9,216	3.2%	293
Corporate	CORP-Building Services Woodcre	Asst. Facilities Mgr	3,206	3.1%	98
Corporate	CORP-Building Services Woodcre	Mail Room Clerk (N)	1,448	3.1%	44
Corporate	CORP-Building Services Woodcre	Mail Room Clerk (N)	1,448	3.1%	44
Corporate	CORP-Building Services Woodcre	Sr Mailroom Coord (N)	1,863	3.1%	57
Corporate	CORP-Business Center HR	Admin Asst (N)	2,482	3.4%	84
Corporate	CORP-Business Center HR	Director Talent Management	41,366	3.4%	1,403
Corporate	CORP-Business Center HR	HR Generalist	5,832	3.4%	198
Corporate	CORP-Business Center HR	HR Manager	15,512	3.4%	526
Corporate	CORP-Business Center HR	Mgr Human Resources	19,359	3.4%	657
Corporate	CORP-Business Center HR	Specialist Human Resources	2,663	3.4%	90
Corporate	CORP-Business Center HR	Sr HR Generalist	8,067	3.4%	274
Corporate	CORP-Chief Operating Officer	Chief Operating Officer	220,792	3.5%	7,657
Corporate	CORP-Chief Operating Officer	Exec Asst to EMT	2,911	3.5%	101
Corporate	CORP-Chief Operating Officer	VP Operations Services	55,586	3.5%	1,928
Corporate	CORP-COE-Engineering	Construction Engineer	8,118	2.3%	191
Corporate	CORP-COE-Engineering	Construction Engineer	7,756	2.3%	182
Corporate	CORP-COE-Engineering	Construction/Project Engineer	6,205	2.3%	146
Corporate	CORP-COE-Engineering	Dir Engineering - Construction	26,609	2.3%	625
Corporate	CORP-COE-Engineering	Specialist Engrg	2,560	2.3%	60
Corporate	CORP-COE-Engineering	Sr Construction Engineer	14,426	2.3%	339
Corporate	CORP-COE-Engineering	Sr Construction Engineer	14,690	2.3%	345
Corporate	CORP-COE-Engineering	Sr Construction Engineer	15,318	2.3%	360
Corporate	CORP-COE-Engineering	Sr Construction Engineer	16,009	2.3%	376
Corporate	CORP-COE-Engineering	Sr Construction Insp (PA/NJ)	7,797	2.3%	183
Corporate	CORP-COE-Engineering	Sr. Construction Inspector	6,205	2.3%	146
Corporate	CORP-COE-Engineering	Sr. Cost Engineer	13,651	2.3%	321
Corporate	CORP-COE-Technical Services	Design Engineer	7,901	2.3%	180
Corporate	CORP-COE-Technical Services	Design Engineer	7,901	2.3%	180
Corporate	CORP-COE-Technical Services	Design Engineer	8,066	2.3%	183
Corporate	CORP-COE-Technical Services	Dir Engineering - Tech Svcs	25,902	2.3%	589

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Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Corporate	CORP-COE-Technical Services	Engineer	4,752	2.3%	108
Corporate	CORP-COE-Technical Services	Engineering Practice Lead	21,717	2.3%	494
Corporate	CORP-COE-Technical Services	Project Engineer	7,704	2.3%	175
Corporate	CORP-COE-Technical Services	Sr Design Engineer	15,854	2.3%	361
Corporate	CORP-COE-Technical Services	Sr Design Engineer	14,737	2.3%	335
Corporate	CORP-COE-Technical Services	Sr Design Engineer	17,064	2.3%	388
Corporate	CORP-COE-Technical Services	Sr Design Engineer	15,512	2.3%	353
Corporate	CORP-COE-Technical Services	Sr Drafter CAD Design	2,999	2.3%	68
Corporate	CORP-Corporate Bus Development	Dir Business Dev	36,331	2.2%	794
Corporate	CORP-Corporate Bus Development	Exec Asst to EMT	3,187	2.2%	70
Corporate	CORP-Corporate Bus Development	Mgr Corp Development	14,464	2.2%	316
Corporate	CORP-Corporate Bus Development	Proposal Manager	15,392	2.2%	336
Corporate	CORP-Corporate Bus Development	Proposal Manager	10,395	2.2%	227
Corporate	CORP-Corporate Bus Development	Sr Mgr Corporate Dev	25,713	2.2%	562
Corporate	CORP-Corporate Bus Development	Sr. VP Sales & Business Dev	108,902	2.2%	2,380
Corporate	CORP-Eastern Division Ops	Exec Asst to EMT	3,266	13.8%	452
Corporate	CORP-Eastern Division Ops	Exec VP Eastern Division	124,098	13.8%	17,181
Corporate	CORP-External Affairs	Exec Asst to EMT (Corp)	3,381	3.2%	110
Corporate	CORP-External Affairs	SVP External Affairs (Corp)	135,267	3.2%	4,394
Corporate	CORP-External Communications	Coordinator Corp Comm (Corp)	2,505	3.2%	81
Corporate	CORP-External Communications	Dir External Comm	34,127	3.2%	1,108
Corporate	CORP-External Communications	Mgr Corporate Affairs (Corp)	11,696	3.2%	380
Corporate	CORP-Finance	Dir Corp Accounting	32,164	3.3%	1,073
Corporate	CORP-Finance	Exec Asst	2,420	3.3%	81
Corporate	CORP-Finance	Intmd Financial Analyst	5,887	3.3%	196
Corporate	CORP-Finance	Mgr Accounting Standards	20,101	3.3%	671
Corporate	CORP-Finance	Mgr Corp Consolidated Fin Rptg	27,561	3.3%	920
Corporate	CORP-Finance	Sr Accountant	6,830	3.3%	228
Corporate	CORP-Finance	Sr Analyst Financial	9,440	3.3%	315
Corporate	CORP-Finance	Sr Analyst Financial	8,669	3.3%	289
Corporate	CORP-Finance	Sr Analyst Financial	7,950	3.3%	265
Corporate	CORP-Finance	VP & Controller	60,239	3.3%	2,010
Corporate	CORP-Finance	VP Finance & Accounting	58,947	3.3%	1,967
Corporate	CORP-Government Affairs	Dir Govt Affairs (Corp)	38,781	3.2%	1,249
Corporate	CORP-Government Affairs	Govt Affairs Mgr(Corp)	7,392	3.2%	238
Corporate	CORP-HR Comp/Benefits	Analyst Compesation	5,688	3.2%	184
Corporate	CORP-HR Comp/Benefits	Dir Comp & Benefits	49,136	3.2%	1,592
Corporate	CORP-HR Comp/Benefits	Exec Asst	2,637	3.2%	85
Corporate	CORP-HR Comp/Benefits	Mgr Compensation	24,400	3.2%	790
Corporate	CORP-HR Comp/Benefits	Sr Analyst Compensation	7,271	3.2%	236
Corporate	CORP-HR Comp/Benefits	Sr Analyst Compensation	7,950	3.2%	258
Corporate	CORP-HR Labor Relations	Admin Asst (N)	1,993	3.3%	65
Corporate	CORP-HR Labor Relations	Dir Labor & Employee Relations	46,628	3.3%	1,530
Corporate	CORP-HR Systems & Processes	Dir HR Systems & Processes	39,851	3.3%	1,325
Corporate	CORP-HR Systems & Processes	Sr HR Generalist	7,091	3.3%	236
Corporate	CORP-HR Talent Development	Dir Organization & Talent Dev	41,366	3.4%	1,415
Corporate	CORP-HR Talent Development	HR Project Asst	2,848	3.4%	97
Corporate	CORP-Human Resources	Exec Asst to EMT	3,522	2.8%	97
Corporate	CORP-Human Resources	SVP Human Resources	97,210	2.8%	2,691
Corporate	CORP-Income Tax	Assist Tax Mng-Financial Reporting	15,978	3.5%	553
Corporate	CORP-Income Tax	Dir Tax	36,137	3.5%	1,251
Corporate	CORP-Income Tax	Intermediate Accountant Tax	2,372	3.5%	82
Corporate	CORP-Income Tax	Intmd Accountant Tax	6,440	3.5%	223
Corporate	CORP-Income Tax	Intmd Accountant Tax	6,392	3.5%	221
Corporate	CORP-Income Tax	Spec Income Tax	2,379	3.5%	82

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Corporate	CORP-Income Tax	Sr Accountant Tax	9,101	3.5%	315
Corporate	CORP-Income Tax	Sr Accountant Tax	7,456	3.5%	258
Corporate	CORP-Income Tax	Sr Accountant Tax	8,900	3.5%	308
Corporate	CORP-Income Tax	Sr Accountant Tax	8,958	3.5%	310
Corporate	CORP-Income Tax	Sr Accountant Tax	8,586	3.5%	297
Corporate	CORP-Income Tax	Sr Accountant Tax	8,280	3.5%	287
Corporate	CORP-Income Tax	Sr Accountant Tax	8,222	3.5%	285
Corporate	CORP-Income Tax	Sr Accountant Tax	9,427	3.5%	326
Corporate	CORP-Income Tax	Team Lead Tax Compliance	17,746	3.5%	615
Corporate	CORP-Income Tax	Team Lead Tax Res & Spec Proj	18,429	3.5%	638
Corporate	CORP-Internal Communications	Dir Internal Comms	31,425	3.2%	1,021
Corporate	CORP-Internal Communications	Mgr Internal Comm (Corp)	10,612	3.2%	345
Corporate	CORP-Investor Relations	Exec Asst	2,798	1.7%	46
Corporate	CORP-Investor Relations	Invst Relations Manager	9,824	1.7%	163
Corporate	CORP-Investor Relations	VP Investor Relations	53,745	1.7%	890
Corporate	CORP-Legal	Admin Asst (N)	2,534	3.2%	82
Corporate	CORP-Legal	Admin Asst (N)	2,611	3.2%	85
Corporate	CORP-Legal	Assoc Paralegal (N)	3,002	3.2%	97
Corporate	CORP-Legal	Corp Counsel III	28,863	3.2%	934
Corporate	CORP-Legal	Corp Counsel III	32,224	3.2%	1,043
Corporate	CORP-Legal	Corporate Legal Assistant	3,597	3.2%	116
Corporate	CORP-Legal	Counsel (SEC)	38,829	3.2%	1,257
Corporate	CORP-Legal	Employment & Labor Law Counsel	43,615	3.2%	1,412
Corporate	CORP-Legal	Exec Asst to EMT	2,658	3.2%	86
Corporate	CORP-Legal	Paralegal added Q1RF 2008	3,620	3.2%	117
Corporate	CORP-Legal	Paralegal Securities (N)	3,490	3.2%	113
Corporate	CORP-Legal	SVP General Counsel & Secty	128,235	3.2%	4,150
Corporate	CORP-Maintenance	Sr Dir Maintnc & SCADA Svcs	36,195	3.5%	1,284
Corporate	CORP-Marketing & Sales	Brand Manager (Corp)	13,617	3.5%	470
Corporate	CORP-Marketing & Sales	Dir Marketing (Corp)	36,842	3.5%	1,273
Corporate	CORP-Marketing & Sales	Marketing Assistant	1,810	3.5%	63
Corporate	CORP-Marketing & Sales	Mgr Advertising (Corp)	14,101	3.5%	487
Corporate	CORP-Marketing & Sales	Mgr CSC Communications (CSC)	12,410	3.5%	429
Corporate	CORP-Marketing & Sales	Specialist Corp Comm (Corp)	3,258	3.5%	113
Corporate	CORP-Operational Performance	Admin Asst (BOP)(N)	2,288	3.5%	79
Corporate	CORP-Operational Performance	Dir Process & Systems Mgmt	33,127	3.5%	1,145
Corporate	CORP-Operational Performance	Mgr O&M	24,199	3.5%	836
Corporate	CORP-Operational Performance	Mgr O&M	23,496	3.5%	812
Corporate	CORP-Operational Performance	Mgr O&M	19,897	3.5%	688
Corporate	CORP-Operational Risk	Assistant Oprtnl Risk Mgt (N)	2,442	3.5%	87
Corporate	CORP-Operational Risk	Mgr Physical Security	14,470	3.5%	513
Corporate	CORP-Operational Risk	Mgr Security	7,167	3.5%	254
Corporate	CORP-Operational Risk	Mgr Security	8,105	3.5%	287
Corporate	CORP-Operational Risk	Specialist Sec Syst Supp (N)	2,534	3.5%	90
Corporate	CORP-Operational Risk	Specialist Sec Syst Supp (N)	2,472	3.5%	88
Corporate	CORP-Operational Risk	Specialist Security	2,585	3.5%	92
Corporate	CORP-Operational Risk	Specialist Security	2,585	3.5%	92
Corporate	CORP-Operational Risk	Sr Dir Operational Risk Mgt	41,798	3.5%	1,481
Corporate	CORP-Planning & Reporting	Analyst Project	3,526	3.3%	118
Corporate	CORP-Planning & Reporting	Dir Business Performance Rptg	31,603	3.3%	1,058
Corporate	CORP-Planning & Reporting	Intmrd Financial Analyst	6,517	3.3%	218
Corporate	CORP-Planning & Reporting	Mgr Business Planning	22,396	3.3%	750
Corporate	CORP-Planning & Reporting	Mgr Financial Modeling & Evals	27,176	3.3%	910
Corporate	CORP-Planning & Reporting	Mgr Financial Perf Plng & Rptg	25,046	3.3%	838
Corporate	CORP-Planning & Reporting	Sr Analyst Financial	8,209	3.3%	275

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Corporate	CORP-Planning & Reporting	Sr Analyst Financial	7,756	3.3%	260
Corporate	CORP-Planning & Reporting	Sr Analyst Financial	9,972	3.3%	334
Corporate	CORP-Planning & Reporting	Sr Analyst Financial	8,437	3.3%	282
Corporate	CORP-Planning & Reporting	Sr Analyst Financial	9,075	3.3%	304
Corporate	CORP-Planning & Reporting	Sr Analyst Financial	8,266	3.3%	277
Corporate	CORP-Planning & Reporting	Team Lead GA	7,927	3.3%	265
Corporate	CORP-Planning & Reporting	VP Planning & Reporting	54,273	3.3%	1,817
Corporate	CORP-Regulated Operations	Exec Asst to EMT	3,266	3.6%	117
Corporate	CORP-Regulated Operations	Finance Position	51,708	3.6%	1,846
Corporate	CORP-Regulated Operations	President - Regulated Operations	151,814	3.6%	5,419
Corporate	CORP-Regulatory UFS	Project Analyst	2,327	3.5%	82
Corporate	CORP-Regulatory UFS	VP Regulatory Programs	38,265	3.5%	1,341
Corporate	CORP-Reporting & Compliance	Dir Internal Controls	31,556	3.3%	1,037
Corporate	CORP-Reporting & Compliance	Intermediate Analyst Intrnl	5,688	3.3%	187
Corporate	CORP-Reporting & Compliance	Mgr Internal Control IT	16,746	3.3%	550
Corporate	CORP-Reporting & Compliance	Sr Analyst Intrnl	9,824	3.3%	323
Corporate	CORP-Reporting & Compliance	Sr Analyst Intrnl Cntl-Fin Rpt	9,587	3.3%	315
Corporate	CORP-Reporting & Compliance	Sr Analyst Intrnl Cntl-Fin Rpt	9,307	3.3%	306
Corporate	CORP-Reporting & Compliance	Sr Analyst Intrnl Cntl-Fin Rpt	8,122	3.3%	267
Corporate	CORP-Research & Env Excellence	Analyst Research	2,844	3.3%	93
Corporate	CORP-Research & Env Excellence	Analyst Research	2,376	3.3%	78
Corporate	CORP-Research & Env Excellence	Dir Res & Environ Excellence	41,273	3.3%	1,355
Corporate	CORP-Research & Env Excellence	Engr Environmental	7,183	3.3%	236
Corporate	CORP-Research & Env Excellence	Engr Environmental	8,057	3.3%	265
Corporate	CORP-Research & Env Excellence	Engr Environmental	8,889	3.3%	292
Corporate	CORP-Research & Env Excellence	Environ Auditor/Scientist	7,933	3.3%	261
Corporate	CORP-Research & Env Excellence	Environ Auditor/Scientist	6,722	3.3%	221
Corporate	CORP-Research & Env Excellence	Environ Auditor/Scientist	8,159	3.3%	268
Corporate	CORP-Research & Env Excellence	Mgr Environ Compliance/Stwdshp	20,391	3.3%	670
Corporate	CORP-Research & Env Excellence	Specialist Opns	2,667	3.3%	88
Corporate	CORP-Research & Env Excellence	Sr Analyst Research	6,790	3.3%	223
Corporate	CORP-Research & Env Excellence	Sr Engr Environmental	16,407	3.3%	539
Corporate	CORP-Research & Env Excellence	Sr Engr Infrastructure	16,551	3.3%	544
Corporate	CORP-Research & Env Excellence	Sr Scientist Environmental	14,247	3.3%	468
Corporate	CORP-Research & Env Excellence	Techl Mgr Commercial WW Proj	25,291	3.3%	831
Corporate	CORP-Research & Env Excellence	Water Quality Specialist	2,151	3.3%	71
Corporate	CORP-Treasury	Analyst Cash Management	2,339	3.2%	75
Corporate	CORP-Treasury	Asst Treasurer	36,195	3.2%	1,159
Corporate	CORP-Treasury	Dir Insurance & Risk Mgt	26,355	3.2%	844
Corporate	CORP-Treasury	Mgr Cash - Corp Treas	12,358	3.2%	396
Corporate	CORP-Treasury	Mgr Financial Eval & Analysis	12,818	3.2%	410
Corporate	CORP-Treasury	Senior Insurance Analyst	8,790	3.2%	281
Corporate	CORP-Treasury	Sr Analyst Cash Management	6,657	3.2%	213
Corporate	CORP-Treasury	Sr Analyst Cash Management	7,289	3.2%	233
Corporate	CORP-Treasury	Sr Analyst Cash Management	5,796	3.2%	186
Corporate	CORP-Treasury	Sr Analyst Cash Management	6,308	3.2%	202
Corporate	CORP-Treasury	Sr Analyst Treasury	15,745	3.2%	504
Corporate	CORP-Treasury	Sr Analyst Treasury	8,958	3.2%	287
Corporate	CORP-Treasury	VP & Treasurer	55,520	3.2%	1,778
Customer Svc Ctr	CCA-Administration	Admin Asst (N)	1,629	3.5%	57
Customer Svc Ctr	CCA-Administration	Admin Asst (N)	1,724	3.5%	60
Customer Svc Ctr	CCA-Administration	Admin Asst (N)	1,650	3.5%	58
Customer Svc Ctr	CCA-Administration	Admin Asst (N)	1,601	3.5%	56
Customer Svc Ctr	CCA-Administration	Analyst Business	3,361	3.5%	118
Customer Svc Ctr	CCA-Administration	Mgr O&M	27,662	3.5%	967

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Customer Svc Ctr	CCA-Administration	Office Manager	6,359	3.5%	222
Customer Svc Ctr	CCA-Administration	Specialist Opns & Perf Rptg	2,508	3.5%	88
Customer Svc Ctr	CCA-Administration	Sr Specialist Business Svcs	8,379	3.5%	293
Customer Svc Ctr	CCA-Administration	VP Customer Svc	39,556	3.5%	1,383
Customer Svc Ctr	CCA-Billing	Mgr Billing	12,352	3.5%	432
Customer Svc Ctr	CCA-Billing	Specialist Performance	2,028	3.5%	71
Customer Svc Ctr	CCA-Billing	Specialist Performance	2,026	3.5%	71
Customer Svc Ctr	CCA-Billing	Specialist Performance	2,042	3.5%	71
Customer Svc Ctr	CCA-Billing	Specialist Performance	2,037	3.5%	71
Customer Svc Ctr	CCA-Billing	Specialist Performance	2,028	3.5%	71
Customer Svc Ctr	CCA-Billing	Specialist Performance	2,028	3.5%	71
Customer Svc Ctr	CCA-Billing	Specialist Performance	2,028	3.5%	71
Customer Svc Ctr	CCA-Billing	Supvr Billing Group	5,700	3.5%	199
Customer Svc Ctr	CCA-Billing	Supvr Billing Group	6,369	3.5%	223
Customer Svc Ctr	CCA-Billing	Team Supvr Billing	2,271	3.5%	79
Customer Svc Ctr	CCA-Billing	Team Supvr Billing	2,095	3.5%	73
Customer Svc Ctr	CCA-Billing	Team Supvr Billing	2,356	3.5%	82
Customer Svc Ctr	CCA-Billing	Team Supvr Billing	2,121	3.5%	74
Customer Svc Ctr	CCA-Billing	Team Supvr Billing	2,451	3.5%	86
Customer Svc Ctr	CCA-Billing	Team Supvr Billing	2,028	3.5%	71
Customer Svc Ctr	CCA-Billing	Team Supvr Billing	2,181	3.5%	76
Customer Svc Ctr	CCA-Business Services	Mgr Business Services	18,111	3.5%	633
Customer Svc Ctr	CCA-Business Services	Spec Customer Resolution (N)	2,216	3.5%	77
Customer Svc Ctr	CCA-Business Services	Spec Customer Resolution (N)	2,216	3.5%	77
Customer Svc Ctr	CCA-Business Services	Specialist Business Svcs	3,169	3.5%	111
Customer Svc Ctr	CCA-Business Services	Specialist Performance	3,121	3.5%	109
Customer Svc Ctr	CCA-Business Services	Specialist Performance	2,428	3.5%	85
Customer Svc Ctr	CCA-Business Services	Specialist Water Quality	2,937	3.5%	103
Customer Svc Ctr	CCA-Business Services	Sr Specialist Business Svcs	2,873	3.5%	100
Customer Svc Ctr	CCA-Business Services	Sr Specialist Business Svcs	8,229	3.5%	288
Customer Svc Ctr	CCA-Business Services	Supr Business Services	2,751	3.5%	96
Customer Svc Ctr	CCA-Call Handling	Mgr Call Handling	12,749	3.5%	446
Customer Svc Ctr	CCA-Call Handling	Mgr Call Handling	12,343	3.5%	432
Customer Svc Ctr	CCA-Call Handling	Specialist Performance	2,033	3.5%	71
Customer Svc Ctr	CCA-Call Handling	Specialist Performance	2,033	3.5%	71
Customer Svc Ctr	CCA-Call Handling	Specialist Performance	2,033	3.5%	71
Customer Svc Ctr	CCA-Call Handling	Specialist Performance	2,033	3.5%	71
Customer Svc Ctr	CCA-Call Handling	Suprv Floor (N)	1,693	3.5%	59
Customer Svc Ctr	CCA-Call Handling	Suprv Floor (N)	1,693	3.5%	59
Customer Svc Ctr	CCA-Call Handling	Suprv Floor (N)	1,693	3.5%	59
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,029	3.5%	71
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,182	3.5%	76
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,122	3.5%	74
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,172	3.5%	76
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,517	3.5%	88
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,142	3.5%	75
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,454	3.5%	86
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	1,970	3.5%	69
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,650	3.5%	93
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,242	3.5%	78
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,068	3.5%	72
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,111	3.5%	74
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,250	3.5%	79
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,353	3.5%	82
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,474	3.5%	87

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,511	3.5%	88
Customer Svc Ctr	CCA-Call Handling	Team Supvr Call Handling	2,068	3.5%	72
Customer Svc Ctr	CCA-Collections	Collection Liaison	2,441	3.5%	85
Customer Svc Ctr	CCA-Collections	Collection Liaison	2,786	3.5%	97
Customer Svc Ctr	CCA-Collections	Mgr Collections	11,481	3.5%	401
Customer Svc Ctr	CCA-Collections	Specialist Performance	2,210	3.5%	77
Customer Svc Ctr	CCA-Collections	Specialist Performance	2,033	3.5%	71
Customer Svc Ctr	CCA-Collections	Specialist Performance	2,033	3.5%	71
Customer Svc Ctr	CCA-Collections	Team Supvr Collections	2,365	3.5%	83
Customer Svc Ctr	CCA-Collections	Team Supvr Collections	2,202	3.5%	77
Customer Svc Ctr	CCA-Education & Development	Analyst QA	2,087	3.5%	73
Customer Svc Ctr	CCA-Education & Development	Analyst QA	2,042	3.5%	71
Customer Svc Ctr	CCA-Education & Development	Analyst QA	1,893	3.5%	66
Customer Svc Ctr	CCA-Education & Development	Analyst QA	1,804	3.5%	63
Customer Svc Ctr	CCA-Education & Development	Analyst QA	1,861	3.5%	65
Customer Svc Ctr	CCA-Education & Development	Analyst QA	2,231	3.5%	78
Customer Svc Ctr	CCA-Education & Development	Mgr Educ Dev & Quality	6,751	3.5%	236
Customer Svc Ctr	CCA-Education & Development	Mgr Process	7,433	3.5%	260
Customer Svc Ctr	CCA-Education & Development	Specialist Educ & Dev	2,130	3.5%	74
Customer Svc Ctr	CCA-Education & Development	Specialist Educ & Dev	2,130	3.5%	74
Customer Svc Ctr	CCA-Education & Development	Specialist Educ & Dev	2,130	3.5%	74
Customer Svc Ctr	CCA-Education & Development	Specialist Performance	2,594	3.5%	91
Customer Svc Ctr	CCA-Education & Development	Specialist Performance	2,445	3.5%	85
Customer Svc Ctr	CCA-Education & Development	Specialist Performance	2,354	3.5%	82
Customer Svc Ctr	CCA-Education & Development	Specialist Performance	2,379	3.5%	83
Customer Svc Ctr	CCA-Education & Development	Sr Specialist Education & Dev	2,937	3.5%	103
Customer Svc Ctr	CCA-Education & Development	Sr Specialist Education & Dev	2,829	3.5%	99
Customer Svc Ctr	CCA-Education & Development	Training Asst (N)	1,655	3.5%	58
Customer Svc Ctr	CCA-Human Resources	Dir HR	27,467	3.5%	960
Customer Svc Ctr	CCA-Human Resources	HR Generalist	5,374	3.5%	188
Customer Svc Ctr	CCA-Human Resources	HR Generalist	6,185	3.5%	216
Customer Svc Ctr	CCA-Human Resources	HR Generalist	5,378	3.5%	188
Customer Svc Ctr	CCA-Human Resources	Specialist Human Resources	2,044	3.5%	71
Customer Svc Ctr	CCA-Human Resources	Sr HR Generalist	7,139	3.5%	250
Customer Svc Ctr	CCA-Operations & Performance	Analyst Traffic & Scheduling	2,435	3.5%	85
Customer Svc Ctr	CCA-Operations & Performance	Analyst Traffic & Scheduling	2,086	3.5%	73
Customer Svc Ctr	CCA-Operations & Performance	Analyst Traffic & Scheduling	2,029	3.5%	71
Customer Svc Ctr	CCA-Operations & Performance	Analyst Traffic & Scheduling	2,035	3.5%	71
Customer Svc Ctr	CCA-Operations & Performance	Analyst Traffic & Scheduling	2,394	3.5%	84
Customer Svc Ctr	CCA-Operations & Performance	Analyst Traffic & Scheduling	2,068	3.5%	72
Customer Svc Ctr	CCA-Operations & Performance	Intnd Financial Analyst	5,808	3.5%	203
Customer Svc Ctr	CCA-Operations & Performance	Maint Tech (N)	1,649	3.5%	58
Customer Svc Ctr	CCA-Operations & Performance	Mgr Building Services	6,727	3.5%	235
Customer Svc Ctr	CCA-Operations & Performance	Mgr CSC Opns & Performance	13,829	3.5%	484
Customer Svc Ctr	CCA-Operations & Performance	Sr Analyst Financial	7,635	3.5%	267
Customer Svc Ctr	CCA-Operations & Performance	Sr Analyst Financial	7,367	3.5%	258
Customer Svc Ctr	CCP-Administration	Admin Asst (N)	1,882	3.5%	66
Customer Svc Ctr	CCP-Call Handling	Mgr Call Handling	11,732	3.5%	410
Customer Svc Ctr	CCP-Call Handling	Supvr Call Handling Group	5,207	3.5%	182
Customer Svc Ctr	CCP-Call Handling	Supvr Call Handling Group	5,426	3.5%	190
Customer Svc Ctr	CCP-Call Handling	Supvr Call Handling Group	5,426	3.5%	190
Customer Svc Ctr	CCP-Call Handling	Supvr Floor (N)	1,740	3.5%	61
Customer Svc Ctr	CCP-Call Handling	Supvr Floor (N)	1,740	3.5%	61
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	1,970	3.5%	69
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,104	3.5%	74

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,151	3.5%	75
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,047	3.5%	72
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,086	3.5%	73
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,029	3.5%	71
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,050	3.5%	72
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,242	3.5%	78
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,032	3.5%	71
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,051	3.5%	72
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,087	3.5%	73
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,028	3.5%	71
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,033	3.5%	71
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,051	3.5%	72
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,018	3.5%	71
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	2,077	3.5%	73
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	1,970	3.5%	69
Customer Svc Ctr	CCP-Call Handling	Team Supvr Call Handling	1,970	3.5%	69
Customer Svc Ctr	CCP-Education & Development	Analyst QA	1,806	3.5%	63
Customer Svc Ctr	CCP-Education & Development	Analyst QA	1,798	3.5%	63
Customer Svc Ctr	CCP-Education & Development	Analyst QA	1,798	3.5%	63
Customer Svc Ctr	CCP-Education & Development	Analyst QA	1,798	3.5%	63
Customer Svc Ctr	CCP-Education & Development	Specialist Educ & Dev	2,703	3.5%	95
Customer Svc Ctr	CCP-Education & Development	Specialist Educ & Dev	2,729	3.5%	95
Customer Svc Ctr	CCP-Education & Development	Training Asst (N)	1,917	3.5%	67
Customer Svc Ctr	CCP-Human Resources ODI	Specialist Human Resources	2,065	3.5%	72
Customer Svc Ctr	CCP-Human Resources ODI	Sr HR Generalist	6,503	3.5%	227
Customer Svc Ctr	CCP-Operations and Support	Analyst Traffic & Scheduling	2,086	3.5%	73
Customer Svc Ctr	CCP-Operations and Support	Analyst Traffic & Scheduling	2,047	3.5%	72
Customer Svc Ctr	CCP-Operations and Support	Maint Tech (N)	1,725	3.5%	60
Customer Svc Ctr	CCP-Operations and Support	Mgr Building Services	5,373	3.5%	188
ITS	Chg Ctrl & Desktop Automation	Chg Mgmt Specialist	7,342	3.5%	257
ITS	Chg Ctrl & Desktop Automation	Chg Mgmt Specialist	8,790	3.5%	308
ITS	Chg Ctrl & Desktop Automation	Lead Specialist Support ITS	13,876	3.5%	486
ITS	Chg Ctrl & Desktop Automation	Mgr Service ITS	25,854	3.5%	906
ITS	Client Relationship Management	Client Relationship Manager	24,820	3.1%	781
ITS	Client Relationship Management	Financial Liaison	12,410	3.1%	390
ITS	Client Relationship Management	Materials Analyst	6,545	3.1%	206
ITS	Client Relationship Management	Mgr Client Suprt HELP Desk ITS	12,410	3.1%	390
ITS	Client Relationship Management	Spec Business Appl Support ITS	7,756	3.1%	244
ITS	Client Relationship Management	Technical Lead Mobile ITS	17,542	3.1%	552
ITS	Client Relationship Management	Trainer/Documenter ITS	3,137	3.1%	99
ITS	Client Relationship Management	Trainer/Documenter ITS	2,836	3.1%	89
ITS	CORP-Adm Business Solutions	Database Administrator ITS	14,415	3.5%	499
ITS	CORP-Adm Business Solutions	Database Architect	8,316	3.5%	288
ITS	CORP-Adm Business Solutions	Database Architect	10,638	3.5%	369
ITS	CORP-Adm Business Solutions	Dir Core Business Systems ITS	34,127	3.5%	1,183
ITS	CORP-Adm Business Solutions	Mgr App Dev 1	23,786	3.5%	824
ITS	CORP-Adm Business Solutions	Mgr Business Development ITS	22,472	3.5%	779
ITS	CORP-Adm Business Solutions	Mgr Technical JDE (ITS)	23,991	3.5%	831
ITS	CORP-Adm Business Solutions	Team Lead Data ITS	14,659	3.5%	508
ITS	CORP-Communications	Lead Specialist Support ITS	14,226	3.5%	494
ITS	CORP-Communications	Mgr Telecomm ITS	20,683	3.5%	718
ITS	CORP-Communications	Spec Comm Voice/Video ITS	8,273	3.5%	287
ITS	CORP-Communications	Spec Comm Voice/Video ITS	7,357	3.5%	255
ITS	CORP-Communications	Wan/Lan Support ITS	13,690	3.5%	475
ITS	CORP-Communications	Wan/Lan Support ITS	9,817	3.5%	341

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Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
ITS	CORP-Communications	Wan/Lan Support ITS	7,492	3.5%	260
ITS	CORP-Communications	Wan/Lan Support ITS	7,511	3.5%	261
ITS	CORP-Functional Applications	Analyst Business ITS	6,789	3.4%	228
ITS	CORP-Functional Applications	Analyst Business ITS	6,974	3.4%	234
ITS	CORP-Functional Applications	Analyst Business ITS	6,962	3.4%	234
ITS	CORP-Functional Applications	Analyst Business ITS	5,772	3.4%	194
ITS	CORP-Functional Applications	Mgr Application Dev ITS	22,803	3.4%	765
ITS	CORP-Functional Applications	Spec Business Appl Support ITS	9,773	3.4%	328
ITS	CORP-Functional Applications	Spec Business Appl Support ITS	8,497	3.4%	285
ITS	CORP-Functional Applications	Spec Business Appl Support ITS	9,007	3.4%	302
ITS	CORP-Functional Applications	Spec Business Appl Support ITS	7,961	3.4%	267
ITS	CORP-Functional Applications	Spec Business Appl Support ITS	8,415	3.4%	282
ITS	CORP-Functional Applications	Sr Analyst Business Reporting	8,855	3.4%	297
ITS	CORP-Functional Applications	Sr Developer ITS	7,806	3.4%	262
ITS	CORP-Functional Applications	Team Lead Appl Dev ITS	13,680	3.4%	459
ITS	CORP-Functional Applications	Team Lead JDE (ITS)	13,680	3.4%	459
ITS	CORP-Functional Applications	Team Lead Reporting ITS	14,638	3.4%	491
ITS	CORP-ITS Admin	Admin FTE	15,400	3.4%	528
ITS	CORP-ITS Admin	Mgr Perf Measures & Govern ITS	23,766	3.4%	814
ITS	CORP-ITS Admin	VP & CIO	95,142	3.4%	3,259
ITS	CORP-ITS Appl Adm & Security	Mgr Appl Adm & Security ITS	20,342	3.5%	710
ITS	CORP-ITS Appl Adm & Security	Spec Business Appl Support ITS	7,601	3.5%	265
ITS	CORP-ITS Appl Adm & Security	Spec Business Appl Support ITS	6,205	3.5%	216
ITS	CORP-ITS Appl Adm & Security	Spec Business Appl Support ITS	7,754	3.5%	271
ITS	CORP-ITS Appl Adm & Security	Specialist QA Change ITS	7,259	3.5%	253
ITS	CORP-ITS Appl Adm & Security	Team Lead Data ITS	15,256	3.5%	532
ITS	CORP-ITS Bus Development	Analyst Business ITS	6,287	2.7%	167
ITS	CORP-ITS Bus Development	Analyst Business ITS	6,331	2.7%	168
ITS	CORP-ITS Bus Development	Spec Business Appl Support ITS	6,734	2.7%	179
ITS	CORP-ITS Bus Development	Sr Developer ITS	9,121	2.7%	242
ITS	CORP-ITS Client Rel Admin	Dir Client Relations ITS	26,309	3.4%	907
ITS	CORP-ITS Design Authority	Application Solution Architect	19,390	3.5%	676
ITS	CORP-ITS Design Authority	Data Architect ITS	7,239	3.5%	252
ITS	CORP-ITS Design Authority	Dir Strategy & Arch ITS	34,127	3.5%	1,190
ITS	CORP-ITS Design Authority	Enterprise Arch Wintel ITS	25,027	3.5%	872
ITS	CORP-ITS Design Authority	Mgr Technical Data ITS	25,127	3.5%	876
ITS	CORP-ITS Design Authority	Process Architect	14,784	3.5%	515
ITS	CORP-ITS Design Authority	Sr Data Architect ITS	13,690	3.5%	477
ITS	CORP-ITS Design Authority	Sr Data Architect ITS	13,640	3.5%	475
ITS	CORP-ITS Design Authority	Telecomm Architect/Engineer	17,839	3.5%	622
ITS	CORP-ITS Design Authority	Telephony Architect/Engineer	17,839	3.5%	622
ITS	CORP-ITS Infra/Oper Admin	Dir Infrastructure & Opns ITS	30,707	3.5%	1,070
ITS	CORP-ITS PMO	Career Level Project Mgr ITS	14,977	3.5%	520
ITS	CORP-ITS PMO	Career Level Project Mgr ITS	13,961	3.5%	484
ITS	CORP-ITS PMO	Career Level Project Mgr ITS	14,911	3.5%	517
ITS	CORP-ITS PMO	Career Level Project Mgr ITS	14,159	3.5%	491
ITS	CORP-ITS PMO	Contracts Mgmt	28,969	3.5%	1,005
ITS	CORP-ITS PMO	Dir PMO ITS	27,922	3.5%	969
ITS	CORP-ITS PMO	Lead PM	21,717	3.5%	753
ITS	CORP-ITS PMO	Lead PM	20,683	3.5%	718
ITS	CORP-ITS PMO	Lead PM	21,717	3.5%	753
ITS	CORP-ITS PMO	Master PM	26,178	3.5%	908
ITS	CORP-ITS PMO	Sr Analyst PMO ITS	14,291	3.5%	496
ITS	CORP-ITS Production	Computer Operator ITS (N)	1,642	3.3%	55
ITS	CORP-ITS Production	Computer Operator ITS (N)	1,751	3.3%	58

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Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
ITS	CORP-ITS Production	Lead Computer Operator (N)	3,138	3.3%	104
ITS	CORP-ITS Production	Lead Computer Operator (N)	2,913	3.3%	97
ITS	CORP-ITS Production	Mgr Production ITS	20,305	3.3%	675
ITS	CORP-ITS Production	Sr Computer Operator ITS (N)	1,551	3.3%	52
ITS	CORP-ITS Production	Sr Computer Operator ITS (N)	2,717	3.3%	90
ITS	CORP-ITS Production	Sr Computer Operator ITS (N)	2,189	3.3%	73
ITS	CORP-ITS Production	Sr Computer Operator ITS (N)	2,617	3.3%	87
ITS	CORP-ITS Quality Assurance	Analyst QA ITS	6,329	3.5%	220
ITS	CORP-ITS Quality Assurance	Analyst QA ITS	6,205	3.5%	216
ITS	CORP-ITS Quality Assurance	Analyst QA ITS	4,728	3.5%	164
ITS	CORP-ITS Quality Assurance	Analyst QA ITS	6,493	3.5%	226
ITS	CORP-ITS Quality Assurance	Analyst QA ITS	6,116	3.5%	213
ITS	CORP-ITS Quality Assurance	Analyst QA ITS	6,116	3.5%	213
ITS	CORP-ITS Quality Assurance	Analyst QA ITS	6,116	3.5%	213
ITS	CORP-ITS Quality Assurance	Bus Process	13,961	3.5%	486
ITS	CORP-ITS Quality Assurance	Business Analyst	14,243	3.5%	495
ITS	CORP-ITS Quality Assurance	Mgr Quality Assurance ITS	21,459	3.5%	746
ITS	CORP-ITS Quality Assurance	SDLC Analyst	14,737	3.5%	513
ITS	CORP-ITS Security Architecture	Dir Security Programs	33,609	3.5%	1,173
ITS	CORP-ITS Security Operations	Dir IT Security	25,920	3.5%	899
ITS	CORP-ITS Security Operations	Mcafee Specialist	3,054	3.5%	106
ITS	CORP-ITS Security Operations	Princ Spec Entrprs Network Sec	12,826	3.5%	445
ITS	CORP-ITS Security Operations	Project Mgr Security	14,450	3.5%	501
ITS	CORP-ITS Security Operations	Sr Spec Network Server (Sec)	10,951	3.5%	380
ITS	CORP-ITS Security Operations	Sr Spec Network Server (Sec)	10,548	3.5%	366
ITS	CORP-ITS Security Operations	Sr Spec Network Server (Sec)	11,268	3.5%	391
ITS	CORP-Service Desk	Problem Analyst	8,024	3.2%	255
ITS	CORP-Service Desk	Specialist Client Supp I (N)	2,094	3.2%	66
ITS	CORP-Service Desk	Specialist Client Supp I (N)	2,173	3.2%	69
ITS	CORP-Service Desk	Specialist Client Supp I (N)	2,419	3.2%	77
ITS	CORP-Service Desk	Specialist Client Supp II (N)	3,500	3.2%	111
ITS	CORP-Service Desk	Specialist Client Supp II (N)	2,585	3.2%	82
ITS	CORP-Service Desk	Specialist Client Supp II (N)	2,905	3.2%	92
ITS	CORP-Service Desk	Specialist Client Supp II (N)	3,157	3.2%	100
ITS	CORP-System Maint & Perf	Active Directory	8,790	3.4%	297
ITS	CORP-System Maint & Perf	Database Administrator ITS	13,961	3.4%	472
ITS	CORP-System Maint & Perf	Lead Specialist Support ITS	13,961	3.4%	472
ITS	CORP-System Maint & Perf	Mgr Syst Maint & Perf ITS	24,820	3.4%	840
ITS	CORP-System Maint & Perf	Spec Business Appl Support ITS	8,035	3.4%	272
ITS	CORP-System Maint & Perf	Spec Middleware Supp-Citrix	8,253	3.4%	279
ITS	CORP-System Maint & Perf	Spec Network Server AIX ITS	10,995	3.4%	372
ITS	CORP-System Maint & Perf	Spec Network Server AIX ITS	15,901	3.4%	538
ITS	CORP-System Maint & Perf	Spec Network Server AIX ITS	12,392	3.4%	419
ITS	CORP-System Maint & Perf	Spec Network Server AIX ITS	15,636	3.4%	529
ITS	CORP-System Maint & Perf	Spec Network Server AIX ITS	13,253	3.4%	448
ITS	CORP-System Maint & Perf	Specialist Middleware Supp ITS	8,066	3.4%	273
ITS	CORP-System Maint & Perf	Specialist Midrange Server ITS	11,185	3.4%	378
ITS	CORP-System Maint & Perf	Specialist Midrange Server ITS	12,738	3.4%	431
ITS	CORP-System Maint & Perf	Specialist Web Groupware ITS	7,886	3.4%	267
ITS	CORP-System Maint & Perf	Supp Spec Windows	12,410	3.4%	420
ITS	CORP-System Maint & Perf	Svc Delivery Analyst	6,981	3.4%	236
ITS	CORP-System Maint & Perf	Team Lead Domino Admin ITS	12,875	3.4%	436
ITS	CORP-Technical Applications	Mgr App Dev 2	11,893	3.4%	408
ITS	CORP-Technical Applications	Mgr Application Dev ITS	25,225	3.4%	866
ITS	CORP-Technical Applications	Programmer Analyst	6,336	3.4%	218

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<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
ITS	CORP-Technical Applications	Programmer Analyst	4,224	3.4%	145
ITS	CORP-Technical Applications	Programmer Analyst	4,224	3.4%	145
ITS	CORP-Technical Applications	Spec Business Appl Support ITS	8,544	3.4%	293
ITS	CORP-Technical Applications	Sr Developer ITS	7,943	3.4%	273
ITS	CORP-Technical Applications	Sr Developer ITS	7,786	3.4%	267
ITS	CORP-Technical Applications	Sr Developer ITS	8,549	3.4%	294
ITS	CORP-Technical Applications	Sr Developer ITS	8,249	3.4%	283
ITS	CORP-Technical Applications	Sr Developer ITS	8,249	3.4%	283
ITS	CORP-Technical Applications	Sr Developer ITS	8,757	3.4%	301
ITS	CORP-Technical Applications	Sr Developer ITS	7,420	3.4%	255
ITS	CORP-Technical Applications	Sr Developer ITS	8,268	3.4%	284
ITS	CORP-Technical Applications	Sr Developer ITS	8,771	3.4%	301
ITS	CORP-Technical Applications	Sr Developer ITS	9,002	3.4%	309
ITS	CORP-Technical Applications	Sr Developer ITS	8,262	3.4%	284
ITS	CORP-Technical Applications	Sr Developer ITS	8,356	3.4%	287
ITS	CORP-Technical Applications	Team Lead Appl Dev ITS	13,515	3.4%	464
ITS	CORP-Technical Applications	Team Lead Appl Dev ITS	15,080	3.4%	518
ITS	CORP-Technical Applications	Team Lead Appl Dev ITS	14,008	3.4%	481
ITS	CORP-Technical Applications	Web Master ITS	10,342	3.4%	355
ITS	CORP-Technical Applications	Web Specialist	9,824	3.4%	337
ITS	NE-Eastern CS & S	Lead Specialist Support ITS	12,458	6.6%	819
ITS	NE-Eastern CS & S	Lead Specialist Support ITS	13,071	6.6%	859
ITS	NE-Eastern CS & S	Mgr Regional Client Rel ITS	21,924	6.6%	1,441
ITS	NE-Eastern CS & S	Specialist Support ITS	2,650	6.6%	174
ITS	NE-Eastern CS & S	Specialist Support ITS	3,071	6.6%	202
ITS	NE-Eastern CS & S	Specialist Support ITS	2,877	6.6%	189
ITS	NE-Eastern CS & S	Specialist Support ITS	2,630	6.6%	173
ITS	NE-Eastern CS & S	Specialist Support ITS	2,585	6.6%	170
ITS	NE-Eastern CS & S	Specialist Support ITS	2,921	6.6%	192
ITS	NE-Eastern CS & S	Specialist Support ITS	2,599	6.6%	171
ITS	NE-Eastern CS & S	Specialist Support ITS	2,963	6.6%	195
ITS	NE-Eastern CS & S	Specialist Support ITS	3,032	6.6%	199
ITS	NE-Eastern CS & S	Specialist Support ITS	2,585	6.6%	170
ITS	NE-Eastern CS & S	Sr Spec Computer Support ITS	6,601	6.6%	434
ITS	NE-Eastern CS & S	Sr Spec Computer Support ITS	7,253	6.6%	477
ITS	NE-Eastern CS & S	Sr Spec Computer Support ITS	5,579	6.6%	367
ITS	NE-Eastern CS & S	Sr Spec Computer Support ITS	6,653	6.6%	437
ITS	NE-Eastern CS & S	Sr Spec Computer Support ITS	7,956	6.6%	523
ITS	NE-Eastern CS & S	Sr Spec Computer Support ITS	6,852	6.6%	450
ITS	NE-Eastern CS & S	Team Lead IT Regional Support	13,005	6.6%	855
ITS	NE-Eastern CS & S	Team Lead IT Regional Support	11,575	6.6%	761
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,172	3.4%	75
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,296	3.4%	79
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,508	3.4%	86
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,280	3.4%	78
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,141	3.4%	74
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,141	3.4%	74
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,179	3.4%	75
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,299	3.4%	79
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,084	3.4%	72
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,213	3.4%	76
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,229	3.4%	77
Shared Svc Ctr	SSC-Accounts Payable	Analyst Accounts Payable (N)	2,275	3.4%	78
Shared Svc Ctr	SSC-Accounts Payable	Mgr Accounts Payable	14,737	3.4%	506
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,763	3.4%	61

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Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	2,042	3.4%	70
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,753	3.4%	60
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	2,017	3.4%	69
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,965	3.4%	68
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,825	3.4%	63
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,965	3.4%	68
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	2,095	3.4%	72
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,805	3.4%	62
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,825	3.4%	63
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,913	3.4%	66
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	2,172	3.4%	75
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,944	3.4%	67
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,805	3.4%	62
Shared Svc Ctr	SSC-Accounts Payable	Specialist Accts Payable (N)	1,861	3.4%	64
Shared Svc Ctr	SSC-Accounts Payable	Sr Analyst Accts Payable (N)	2,606	3.4%	90
Shared Svc Ctr	SSC-Accounts Payable	Team Lead Accounts Payable	5,977	3.4%	205
Shared Svc Ctr	SSC-Accounts Payable	Team Lead Accounts Payable	7,260	3.4%	249
Shared Svc Ctr	SSC-Accounts Payable	Team Lead Accounts Payable	5,869	3.4%	202
Shared Svc Ctr	SSC-Accounts Payable	Team Lead Accounts Payable	6,060	3.4%	208
Shared Svc Ctr	SSC-Administration	Admin Asst (N)	2,069	3.3%	68
Shared Svc Ctr	SSC-Administration	Dir Accounting	29,784	3.3%	980
Shared Svc Ctr	SSC-Administration	Dir Accounting	30,673	3.3%	1,009
Shared Svc Ctr	SSC-Administration	Dir Accounting	35,182	3.3%	1,157
Shared Svc Ctr	SSC-Administration	Dir Accounting	30,714	3.3%	1,010
Shared Svc Ctr	SSC-Administration	Dir Financial Services	28,367	3.3%	933
Shared Svc Ctr	SSC-Administration	Dir Financial Services	29,597	3.3%	974
Shared Svc Ctr	SSC-Administration	Dir Financial Services	29,473	3.3%	969
Shared Svc Ctr	SSC-Administration	Exec Asst	2,854	3.3%	94
Shared Svc Ctr	SSC-Administration	Mgr Service Quality	23,455	3.3%	771
Shared Svc Ctr	SSC-Administration	VP Shared Services	53,278	3.3%	1,752
Shared Svc Ctr	SSC-Business Support Services	Analyst Business Performance	9,111	3.3%	299
Shared Svc Ctr	SSC-Business Support Services	Analyst Support Services	2,823	3.3%	93
Shared Svc Ctr	SSC-Business Support Services	Analyst Support Services	2,880	3.3%	94
Shared Svc Ctr	SSC-Business Support Services	Business Liaison	12,922	3.3%	423
Shared Svc Ctr	SSC-Business Support Services	Business Liaison	14,287	3.3%	468
Shared Svc Ctr	SSC-Business Support Services	Specialist Ldrshp & Staff Dev	8,211	3.3%	269
Shared Svc Ctr	SSC-Business Support Services	Sr Analst Systems	6,619	3.3%	217
Shared Svc Ctr	SSC-Business Support Services	Sr Analyst Support Services	6,765	3.3%	222
Shared Svc Ctr	SSC-Business Support Services	Systems Administrator	13,961	3.3%	457
Shared Svc Ctr	SSC-Business Support Services	Training Asst (N)	2,084	3.3%	68
Shared Svc Ctr	SSC-Cash Management	Analyst Cash Management	2,425	3.7%	90
Shared Svc Ctr	SSC-Cash Management	Analyst Cash Management	2,756	3.7%	103
Shared Svc Ctr	SSC-Cash Management	Analyst Cash Management	2,394	3.7%	89
Shared Svc Ctr	SSC-Cash Management	Analyst Cash Management	2,425	3.7%	90
Shared Svc Ctr	SSC-Cash Management	Mgr Cash	14,457	3.7%	538
Shared Svc Ctr	SSC-Cash Management	Specialist Cash Management (N)	1,649	3.7%	61
Shared Svc Ctr	SSC-Cash Management	Specialist Cash Management (N)	2,032	3.7%	76
Shared Svc Ctr	SSC-Cash Management	Specialist Cash Management (N)	1,830	3.7%	68
Shared Svc Ctr	SSC-Cash Management	Specialist Cash Management (N)	1,758	3.7%	65
Shared Svc Ctr	SSC-Cash Management	Specialist Cash Management (N)	1,876	3.7%	70
Shared Svc Ctr	SSC-Cash Management	Specialist Cash Management (N)	2,084	3.7%	78
Shared Svc Ctr	SSC-Cash Management	Specialist Cash Management (N)	1,924	3.7%	72
Shared Svc Ctr	SSC-Cash Management	Sr Analyst Cash Management	5,905	3.7%	220
Shared Svc Ctr	SSC-Cash Management	Sr Analyst Cash Management	6,343	3.7%	236
Shared Svc Ctr	SSC-Cash Management	Team Lead Cash Management	7,208	3.7%	268

KY PSC Staff Data Request 3-4b
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<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Shared Svc Ctr	SSC-Cash Management	Team Lead Cash Management	7,043	3.7%	262
Shared Svc Ctr	SSC-Employee Services	Analyst HR	3,121	3.0%	94
Shared Svc Ctr	SSC-Employee Services	Analyst HR	2,658	3.0%	80
Shared Svc Ctr	SSC-Employee Services	Analyst HR	3,154	3.0%	95
Shared Svc Ctr	SSC-Employee Services	Analyst HR	3,035	3.0%	91
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	2,896	3.0%	87
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	3,025	3.0%	91
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	2,741	3.0%	82
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	3,289	3.0%	99
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	3,056	3.0%	92
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	3,340	3.0%	100
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	3,330	3.0%	100
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	3,025	3.0%	91
Shared Svc Ctr	SSC-Employee Services	Analyst Payroll	2,890	3.0%	87
Shared Svc Ctr	SSC-Employee Services	Mgr Employee Svcs	14,457	3.0%	433
Shared Svc Ctr	SSC-Employee Services	Specialist HRIS (N)	2,502	3.0%	75
Shared Svc Ctr	SSC-Employee Services	Specialist HRIS (N)	2,233	3.0%	67
Shared Svc Ctr	SSC-Employee Services	Specialist HRIS (N)	2,461	3.0%	74
Shared Svc Ctr	SSC-Employee Services	Specialist HRIS (N)	2,440	3.0%	73
Shared Svc Ctr	SSC-Employee Services	Specialist HRIS (N)	2,461	3.0%	74
Shared Svc Ctr	SSC-Employee Services	Specialist Payroll (N)	2,679	3.0%	80
Shared Svc Ctr	SSC-Employee Services	Specialist Payroll (N)	2,636	3.0%	79
Shared Svc Ctr	SSC-Employee Services	Specialist Payroll (N)	2,285	3.0%	68
Shared Svc Ctr	SSC-Employee Services	Specialist Payroll (N)	2,238	3.0%	67
Shared Svc Ctr	SSC-Employee Services	Specialist Payroll (N)	2,352	3.0%	70
Shared Svc Ctr	SSC-Employee Services	Specialist Payroll (N)	2,192	3.0%	66
Shared Svc Ctr	SSC-Employee Services	Sr Specialist Payroll (N)	2,673	3.0%	80
Shared Svc Ctr	SSC-Employee Services	Sr Specialist Payroll (N)	2,734	3.0%	82
Shared Svc Ctr	SSC-Employee Services	Team Lead HR Data Mgmt	8,087	3.0%	242
Shared Svc Ctr	SSC-Employee Services	Team Lead Payroll	7,074	3.0%	212
Shared Svc Ctr	SSC-Employee Services	Team Lead Payroll	7,342	3.0%	220
Shared Svc Ctr	SSC-Employee Services	Team Lead Payroll	7,239	3.0%	217
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Accountant (N)	2,385	3.2%	77
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Accountant (N)	2,298	3.2%	75
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Accountant (N)	2,525	3.2%	82
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Accountant (N)	2,365	3.2%	77
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Accountant (N)	2,561	3.2%	83
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Accountant (N)	2,504	3.2%	81
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Intm Accountant	2,663	3.2%	86
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Intm Accountant	2,466	3.2%	80
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Intm Accountant	2,622	3.2%	85
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Mgr FA/JC	13,502	3.2%	438
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Specialist Accounting (N)	2,223	3.2%	72
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Specialist Accounting (N)	4,447	3.2%	144
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Sr Accountant	6,205	3.2%	201
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Sr Accountant	6,205	3.2%	201
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Sr Accountant	5,905	3.2%	192
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Sr Accountant	5,977	3.2%	194
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Sr Accountant	6,494	3.2%	211
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Team Lead FA/JC	7,508	3.2%	244
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Team Lead FA/JC	7,032	3.2%	228
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Team Lead FA/JC	8,687	3.2%	282
Shared Svc Ctr	SSC-Fixed Assets/Job Cost	Team Lead FA/JC	7,239	3.2%	235
Shared Svc Ctr	SSC-General Accounting	Accountant (N)	2,239	3.1%	69
Shared Svc Ctr	SSC-General Accounting	Accountant (N)	2,223	3.1%	69

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Shared Svc Ctr	SSC-General Accounting	Accountant (N)	2,322	3.1%	72
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,353	3.1%	73
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,529	3.1%	78
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,534	3.1%	78
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,601	3.1%	80
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,487	3.1%	77
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,627	3.1%	81
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,534	3.1%	78
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,673	3.1%	83
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,456	3.1%	76
Shared Svc Ctr	SSC-General Accounting	Intm Accountant	2,544	3.1%	79
Shared Svc Ctr	SSC-General Accounting	Intm Accountant Tax	5,543	3.1%	171
Shared Svc Ctr	SSC-General Accounting	Mgr Accounting	12,658	3.1%	391
Shared Svc Ctr	SSC-General Accounting	Mgr Accounting	11,657	3.1%	360
Shared Svc Ctr	SSC-General Accounting	Mgr Accounting ADD	13,961	3.1%	432
Shared Svc Ctr	SSC-General Accounting	Mgr Accounting ADD	14,737	3.1%	456
Shared Svc Ctr	SSC-General Accounting	Mgr Financial Reporting	12,100	3.1%	374
Shared Svc Ctr	SSC-General Accounting	Mgr Financial Reporting	13,930	3.1%	431
Shared Svc Ctr	SSC-General Accounting	Mgr Financial Reporting	14,923	3.1%	461
Shared Svc Ctr	SSC-General Accounting	Mgr Financial Reporting	13,030	3.1%	403
Shared Svc Ctr	SSC-General Accounting	Specialist Accounting (N)	1,665	3.1%	51
Shared Svc Ctr	SSC-General Accounting	Specialist Accounting (N)	2,001	3.1%	62
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	5,926	3.1%	183
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,825	3.1%	211
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,133	3.1%	190
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	5,895	3.1%	182
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	5,967	3.1%	184
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,251	3.1%	193
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,226	3.1%	192
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,355	3.1%	196
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,639	3.1%	205
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,215	3.1%	192
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	5,946	3.1%	184
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	5,895	3.1%	182
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	5,895	3.1%	182
Shared Svc Ctr	SSC-General Accounting	Sr Accountant	6,122	3.1%	189
Shared Svc Ctr	SSC-Project Management	Project Mgr	13,977	3.4%	478
Shared Svc Ctr	SSC-Project Management	Project Mgr	12,968	3.4%	444
Shared Svc Ctr	SSC-Project Management	Project Mgr	11,215	3.4%	384
Shared Svc Ctr	SSC-Rates & Regulation	Analyst Financial	2,487	2.6%	65
Shared Svc Ctr	SSC-Rates & Regulation	Asst Mgr Rates	15,249	2.6%	400
Shared Svc Ctr	SSC-Rates & Regulation	Intm Financial Analyst	7,632	2.6%	200
Shared Svc Ctr	SSC-Rates & Regulation	Intm Financial Analyst	6,639	2.6%	174
Shared Svc Ctr	SSC-Rates & Regulation	Mgr Rates & Regulations	31,883	2.6%	837
Shared Svc Ctr	SSC-Rates & Regulation	Sr Analyst Financial	9,473	2.6%	249
Shared Svc Ctr	SSC-Rates & Regulation	Sr Analyst Financial	8,770	2.6%	230
Shared Svc Ctr	SSC-Rates & Regulation	Sr Analyst Financial	8,387	2.6%	220
Shared Svc Ctr	SSC-Rates & Regulation	Sr Analyst Financial	9,400	2.6%	247
Shared Svc Ctr	SSC-Rates & Regulation	Sr Analyst Financial	7,353	2.6%	193
Shared Svc Ctr	SSC-Rates & Regulation	Team Lead Rates	10,192	2.6%	267
Shared Svc Ctr	SSC-Tax	Accountant Tax (N)	2,888	3.5%	100
Shared Svc Ctr	SSC-Tax	Accountant Tax (N)	2,888	3.5%	100
Shared Svc Ctr	SSC-Tax	Intm Accountant Tax	5,264	3.5%	182
Shared Svc Ctr	SSC-Tax	Intm Accountant Tax	5,502	3.5%	190
Shared Svc Ctr	SSC-Tax	Intm Accountant Tax	5,481	3.5%	189

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Shared Svc Ctr	SSC-Tax	Intmtd Accountant Tax	5,481	3.5%	189
Shared Svc Ctr	SSC-Tax	Mgr General Tax	15,939	3.5%	551
Shared Svc Ctr	SSC-Tax	Mgr General Tax	14,737	3.5%	509
Shared Svc Ctr	SSC-Tax	Tax Asst (N)	1,822	3.5%	63
Shared Svc Ctr	SSC-Tax	Tax Asst (N)	1,822	3.5%	63
Shared Svc Ctr	SSC-Tax	Team Lead Tax Accounting	10,742	3.5%	371
Southeast Region	SE-Administration	Admin Asst (N)	2,069	11.0%	227
Southeast Region	SE-Administration	Supvr Admin Support	3,480	11.0%	382
Southeast Region	SE-Business Development	Business Developer	25,351	13.2%	3,350
Southeast Region	SE-Business Development	Business Developer	27,268	13.2%	3,603
Southeast Region	SE-Business Development	Dir Business Development - Eastern Div	51,708	13.2%	6,832
Southeast Region	SE-Business Development	Mgr Bid	14,324	13.2%	1,893
Southeast Region	SE-Business Development	Specialist Market Development	2,564	13.2%	339
Southeast Region	SE-Business Development	Sr Mgr Business Dev	23,475	13.2%	3,102
Southeast Region	SE-Business Development	Wastewater Director	28,739	13.2%	3,797
Southeast Region	SE-Customer Relations	Admin Support Rep (N)	2,009	11.0%	220
Southeast Region	SE-Customer Relations	Admin Support Rep (N)	1,980	11.0%	217
Southeast Region	SE-Customer Relations	Admin Support Rep (N)	2,130	11.0%	234
Southeast Region	SE-Customer Relations	Administrator FRCC System	2,616	11.0%	287
Southeast Region	SE-Customer Relations	Analyst Premise QA (N)	2,255	11.0%	247
Southeast Region	SE-Customer Relations	Analyst Premise QA (N)	2,253	11.0%	247
Southeast Region	SE-Customer Relations	Collections/Compliance Rep (N)	1,775	11.0%	195
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,535	11.0%	278
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,425	11.0%	266
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,379	11.0%	261
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,105	11.0%	231
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,068	11.0%	227
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,068	11.0%	227
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,322	11.0%	255
Southeast Region	SE-Customer Relations	Coordinator FRCC	2,332	11.0%	256
Southeast Region	SE-Customer Relations	Dir Customer Relations	13,533	11.0%	1,484
Southeast Region	SE-Customer Relations	Mgr Billing/Collection & Pymt	7,454	11.0%	818
Southeast Region	SE-Customer Relations	Mgr Customer Advocacy	6,906	11.0%	758
Southeast Region	SE-Customer Relations	Mgr Major Customer Accts	7,239	11.0%	794
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,839	11.0%	202
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,974	11.0%	217
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,968	11.0%	216
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,889	11.0%	207
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	2,130	11.0%	234
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	2,130	11.0%	234
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,912	11.0%	210
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,860	11.0%	204
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,974	11.0%	217
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	2,130	11.0%	234
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,974	11.0%	217
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	2,130	11.0%	234
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	1,918	11.0%	210
Southeast Region	SE-Customer Relations	Regional Svc Support Rep (N)	2,130	11.0%	234
Southeast Region	SE-Customer Relations	Supt FRCC	6,221	11.0%	682
Southeast Region	SE-External Affairs	Administrative Assistant - Area 2	1,921	28.3%	544
Southeast Region	SE-External Affairs	Dir External Affairs - Area 2	29,991	28.3%	8,490
Southeast Region	SE-External Affairs	Mgr Customer Communications - Area 2	12,410	28.3%	3,513
Southeast Region	SE-External Affairs	Mgr Internal Communications - Area 2	13,027	28.3%	3,688
Southeast Region	SE-Finance	Analyst Financial	3,302	12.9%	424
Southeast Region	SE-Finance	Analyst Financial	2,614	12.9%	336

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Southeast Region	SE-Finance	Asst Mgr Rates	15,056	12.9%	1,936
Southeast Region	SE-Finance	Asst Mgr Rates	15,502	12.9%	1,993
Southeast Region	SE-Finance	Asst Mgr Rates	13,092	12.9%	1,683
Southeast Region	SE-Finance	Capital Compliance Analyst	6,681	12.9%	859
Southeast Region	SE-Finance	Director for Rates	32,059	12.9%	4,121
Southeast Region	SE-Finance	Exec Asst	2,678	12.9%	344
Southeast Region	SE-Finance	Finance Planning and Analysis Mgr	13,969	12.9%	1,796
Southeast Region	SE-Finance	Finance Planning and Analysis Mgr	13,969	12.9%	1,796
Southeast Region	SE-Finance	Financial Analyst II - FP&A - New Vacant	6,681	12.9%	859
Southeast Region	SE-Finance	Financial Analyst III - Compliance (L08)	7,911	12.9%	1,017
Southeast Region	SE-Finance	Financial Analyst III - Compliance (L08)	7,911	12.9%	1,017
Southeast Region	SE-Finance	Financial Analyst III - FP&A - New Vacant	4,039	12.9%	519
Southeast Region	SE-Finance	Financial Analyst III - FP&A Tennessee	7,911	12.9%	1,017
Southeast Region	SE-Finance	Manager of Rates	9,824	12.9%	1,263
Southeast Region	SE-Finance	Mgr Compliance	27,715	12.9%	3,563
Southeast Region	SE-Finance	Mgr Financial Perf Plng & Rptg	24,673	12.9%	3,172
Southeast Region	SE-Finance	Mgr Rates & Regulations	29,928	12.9%	3,847
Southeast Region	SE-Finance	Regional Dir Finance	43,021	12.9%	5,530
Southeast Region	SE-Finance	Sr Analyst Financial	8,143	12.9%	1,047
Southeast Region	SE-Finance	Sr Analyst Financial	6,201	12.9%	797
Southeast Region	SE-Finance	Sr Analyst Financial	8,101	12.9%	1,041
Southeast Region	SE-Finance	Sr Analyst Financial	7,989	12.9%	1,027
Southeast Region	SE-Finance	Sr Analyst Financial	6,257	12.9%	804
Southeast Region	SE-Finance	Sr Secretary (N)	2,288	12.9%	294
Southeast Region	SE-Human Resources	Exec Asst	2,776	15.4%	427
Southeast Region	SE-Human Resources	HR Generalist	6,877	15.4%	1,057
Southeast Region	SE-Human Resources	Mgr Human Resources	13,903	15.4%	2,137
Southeast Region	SE-Human Resources	Mgr Human Resources	17,064	15.4%	2,623
Southeast Region	SE-Human Resources	Mgr Training & Development	14,536	15.4%	2,234
Southeast Region	SE-Human Resources	Regional Dir HR	42,659	15.4%	6,558
Southeast Region	SE-Human Resources	Sr HR Generalist	7,456	15.4%	1,146
Southeast Region	SE-Human Resources	Trainer HR	3,199	15.4%	492
Southeast Region	SE-Legal	Corp Counsel III Regional	25,937	15.2%	3,950
Southeast Region	SE-Legal	Corp Counsel III Regional	24,003	15.2%	3,655
Southeast Region	SE-Legal	Exec Asst	2,675	15.2%	407
Southeast Region	SE-Legal	Legal Secy (N)	2,102	15.2%	320
Southeast Region	SE-Legal	Paralegal	3,529	15.2%	537
Southeast Region	SE-Legal	Regional General Counsel	49,150	15.2%	7,485
Southeast Region	SE-Maintenance	Dir Maintenance	19,856	11.4%	2,264
Southeast Region	SE-Maintenance	Mgr Maintenance	13,728	11.4%	1,566
Southeast Region	SE-Maintenance	Mgr SCADA	8,739	11.4%	997
Southeast Region	SE-Maintenance	Supvr Maint Service	6,050	11.4%	690
Southeast Region	SE-Maintenance	Supvr Maint Service	6,660	11.4%	759
Southeast Region	SE-Maintenance	Supvr Maint Service	6,086	11.4%	694
Southeast Region	SE-Maintenance	Supvr Maint Service	7,125	11.4%	813
Southeast Region	SE-Maintenance	Supvr Maint Service	6,262	11.4%	714
Southeast Region	SE-Maintenance	Supvr Maint Service	7,213	11.4%	823
Southeast Region	SE-Maintenance	Supvr Maint Service	6,515	11.4%	743
Southeast Region	SE-Maintenance	Supvr Maint Service	6,577	11.4%	750
Southeast Region	SE-Maintenance	Supvr SCADA	6,443	11.4%	735
Southeast Region	SE-Maintenance	Supvr SCADA	6,567	11.4%	749
Southeast Region	SE-Operational Risk	Dir Operational Risk Mgmt	25,091	7.9%	1,977
Southeast Region	SE-Operational Risk	Mgr Loss Control	8,060	7.9%	635
Southeast Region	SE-Operational Risk	ORM Specialist	2,585	7.9%	204
Supply Chain	CORP-Supply Chain-Sourcing	Admin Asst (N)	2,052	3.5%	73

KY PSC Staff Data Request 3-4b
Forecasted Svc Co Annual Incentive Plan Expense to KAWC by Position

<u>Location</u>	<u>BU Name</u>	<u>Job Title</u>	<u>Forecasted Test Year AIP</u>	<u>KAWC Alloc Pct</u>	<u>KAWC Alloc Amount</u>
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement (N)	2,042	3.5%	72
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement (N)	2,342	3.5%	83
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement (N)	1,913	3.5%	68
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement (N)	1,908	3.5%	68
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement Business	2,689	3.5%	95
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement Business	2,885	3.5%	102
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement Business	2,689	3.5%	95
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement Business	2,622	3.5%	93
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Procurement Business	2,766	3.5%	98
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Supply Chain Bus Perf	2,885	3.5%	102
Supply Chain	CORP-Supply Chain-Sourcing	Analyst Supply Chain Bus Perf	2,689	3.5%	95
Supply Chain	CORP-Supply Chain-Sourcing	Coord Procurement Change	7,384	3.5%	261
Supply Chain	CORP-Supply Chain-Sourcing	Coord Procurement Contract	7,798	3.5%	276
Supply Chain	CORP-Supply Chain-Sourcing	Dir Supply Chain	38,711	3.5%	1,370
Supply Chain	CORP-Supply Chain-Sourcing	Mgr Energy Supply Chain	14,364	3.5%	508
Supply Chain	CORP-Supply Chain-Sourcing	Mgr Fleet Supply Chain	15,171	3.5%	537
Supply Chain	CORP-Supply Chain-Sourcing	Mgr Procurement Category	15,900	3.5%	563
Supply Chain	CORP-Supply Chain-Sourcing	Mgr Procurement Category	16,753	3.5%	593
Supply Chain	CORP-Supply Chain-Sourcing	Mgr Supply Chain Performance	14,085	3.5%	498
Supply Chain	CORP-Supply Chain-Sourcing	Sr Strategic Buyer	7,167	3.5%	254
Supply Chain	CORP-Supply Chain-Sourcing	Sr Strategic Buyer	8,449	3.5%	299
Supply Chain	CORP-Supply Chain-Sourcing	Sr Strategic Buyer	8,480	3.5%	300
Supply Chain	CORP-Supply Chain-Sourcing	Sr Strategic Buyer	8,273	3.5%	293
Supply Chain	CORP-Supply Chain-Sourcing	Sr Strategic Buyer	6,825	3.5%	241
Supply Chain	CORP-Supply Chain-Sourcing	Sr Strategic Buyer	7,239	3.5%	256
Supply Chain	CORP-Supply Chain-Sourcing	Strategic Buyer	8,325	3.5%	295
Supply Chain	CORP-Supply Chain-Sourcing	Strategic Buyer	6,205	3.5%	220
Supply Chain	CORP-Supply Chain-Sourcing	Team Lead Supply Chain Procure	6,681	3.5%	236
Supply Chain	SE-Supply Chain	Analyst Procurement Business	2,663	11.6%	309
Supply Chain	SE-Supply Chain	Mgr Procurement	16,691	11.6%	1,938
			<u>13,377,157</u>		<u>435,863</u>
			forecast test year as filed -->		437,247
			variance-->		(1,384)

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller

5. Refer to Kentucky-American's Response to the AG's Second Request for Information, Item 114.
 - a. Provide a detailed separation of the forecasted management fees for business development services of \$224,043 between those that are directly assignable to Kentucky-American and those that are allocated.
 - b. Provide a detailed description of the business development services that are directly assignable to Kentucky-American in the forecasted period.
 - c. Provide a listing of the directly assignable business management services provided to Kentucky-American for the calendar years 2005, 2006, and 2007.

Response:

- a. Please see the attached schedule for a detailing of the business development costs in the forecasted test year. The attached schedule differs from the \$224,043 in the original filing of the Company. The attached schedule, which totals \$226,147 is a revised forecast amount intended to be filed as part of a revision to Management Fee Expense as referenced in the Company's response to Staff's Data Request #22c. The forecasted costs are determined based upon prior period actual billed amounts to determine allocation factors in the forecasted period. The prior period actual billed amounts include direct charges, allocations, and overhead distributions billed in accordance with the contract between KAWC and the Service Company.
- b. The Company currently has one AWWSC employee assigned full time support to business development. This employee is on the AWWSC payroll for ease of accounting so that the employee can charge other AWW subsidiaries when that employee is asked to support business development opportunities in other jurisdictions. The job description for the Sr. Manager of Business Development assigned to KAWC is attached and provides a detailed description of the role and required qualifications for this employee. The majority of the direct charges identified on the schedule attached to part (a) above relate to this position. In addition to the Sr. Manager assigned to KAWC, other regional and corporate AWWSC employees are in place to support the development and completion of business development opportunities identified and pursued by the local business development manager. Business development opportunities result in growth for KAWC which permits fixed costs to be borne by a larger customer base, provide

additional revenue and earnings, all of which result in lower costs to the existing customers when that growth is embedded into the base rates of the Company.

- c. Please see the attached schedule providing details of business development costs directly charged to KAWC and allocated to KAWC for 2005 through 2008.

For the electronic version, refer to KAW_R_PSCDR3#5_020909.pdf.

Kentucky American Water Company
PSCDR3#5
Business Development Costs

	2005		2006		2007		2008		2008		Forecasted	
	Direct Chg	Allocated	Direct Chg	Allocated	Direct Chg	Allocated	Direct Chg	Allocated	Direct Chg	Allocated	Direct Chg	Allocated
labor	\$ 16,182	\$ 28,780	\$ 7,340	\$ 16,701	\$ 17,188	\$ 55,878	\$ 88,334	\$ 18,106	\$ 106,440	\$ 111,325	\$ 22,819	\$ 134,144
Incentive Pay	-	11,742	-	11,168	1,742	10,006	16,192	2,123	18,315	29,894	3,920	33,814
Labor Benefits	-	13,634	-	28,303	411	40,146	4,694	20,580	25,274	7,000	30,690	37,690
Contract Services	13,357	4,496	3,396	(950)	1,157	721	-	699	699	-	2,870	2,870
Other Expenses	3,557	14,178	1,938	16,001	1,253	26,648	1,584	11,678	13,262	2,106	15,523	17,629
Total	\$ 33,096	\$ 72,830	\$ 12,674	\$ 71,223	\$ 21,751	\$ 133,399	\$ 110,804	\$ 53,186	\$ 163,990	\$ 150,325	\$ 75,822	\$ 226,147

*Forecasted Test Year Labor is \$135,353 less \$1,209 of forecasted costs expected to be capitalized.

JOB DESCRIPTION

Position Title:	Sr Mgr Business Dev	Job Code: <u>552708</u>
	Grade: <u>L06</u>	FLSA: <u>Exempt</u>
Salary Plan:	Level:	
Reports To:	State President/Dir Bus Dev (Div/Region)	

Approved: 10/31/2007

Revised:

Primary Role: To pro-actively identify and secure suitable new business, lead the deal structuring & bid management process in the allocated territory and support the Director Business Developer in developing, updating the Regional business development plan and implementing the plan to secure profitable and sustainable business growth in line with the company's business plan targets and strategy.

Key Accountabilities:	Percentage of Time (Must Add To 100%)
Build the business development pipeline and target opportunities to help maintain a steady flow of projects and secure those within plan timescales, Identify, qualify and prioritize leads through the use of appropriate tools, local market data and active targeted prospecting; Negotiate and close deals in line with the agreed commercial parameters and which contribute to business plan targets.	40
Develop, shape & track potential opportunities and match service and product offerings with customer needs. Combine service offerings to create commercially viable solutions to meet customer needs.	25
Manage the end to end business development cycle; Effectively project manage the business development process from deal structuring through to commercial operation for major contract services, tuck-ins and service offerings; Identify creative approaches to developing & structuring new opportunities which accurately reflect client needs & support business plan priorities.	15
Lead the development of the bid strategy, deal structuring, project financing and credit assessment of opportunities and champion projects through the Division/Regional/Corporate investment appraisal process; Identify, secure and manage cross functional and Regional resources to help evaluate, risk assess, develop & structure bids and develop implementation plans which outline resource & capability requirements to deliver the deal.	10

Create market awareness and interest in American Water, and develop and maintain American Water brand image with the key industry stakeholders within the designated territory.	5
Ensure effective and timely deal documentation from the qualification process through the development of the project & contract negotiation history data and ensure this data is updated in the relevant databases in order to enable efficient transition to the Operational teams.	5
Education:	Bachelor Degree required.
Skills:	Strong team management & communication skills Ability to follow-through, converting long term relationships into value adding deals Highly developed relationship management & communication skills Ability to follow-through, converting long term relationships into value adding deals Project, bid structuring & negotiation skills. High levels of integrity and ability to operate within established company frameworks
Knowledge:	Water and wastewater utility infrastructure Strong financial and commercial acumen.
Scope: <i>Please record minimum numbers for all that apply.</i>	Total Supervised: Exempt <u>5</u> Non-Exempt: <u>0</u> Direct Budget: <u>\$0.00</u> Indirect Budget: <u>\$0.00</u> Direct Revenue <u>\$0.00</u> Indirect Revenue: <u>\$0.00</u>
Experience:	Accomplished business developer with a minimum of 10 years experience and a proven track record of success in the water and waste water utility services in the regulated and non-regulated markets.
Certifications & Licenses:	
Work Environment:	Office
Travel Requirements:	40%
Key Interfaces:	State President (Regulated BD) and state leadership team Division/Regional Business Development Director Bid support team State and Corporate functional experts: Operations, HR, Legal, Finance Business Developers within & across the Division/Region SVP, Sales and Business Development External Affairs (Marketing Communications) AWE VP Business Development
Other:	1. Combines two current jobs Client Executive (#550902) and Business Developer (#550802). 2. Depending on a State's business development strategy/opportunities the "client executive" or "business developer" aspects of this position may be emphasized. 3. The title of Director can be used for external business.

	Total Supervised: Exempt 2-8 (Deal Team)
--	--

Competencies (from the Water Division Competency Dictionary):

Analysis and Problem Solving - Analyzes and resolves business issues through the application of critical reasoning skills and general business experience.

Delivers Results - Delivers bottom line results through bold, decisive actions, working through risks and uncertainty to create opportunity. Continually raises standards and promotes entrepreneurial behavior.

Influencing - The ability to articulate an objective or idea in a compelling manner, so that others are persuaded to act on its merit.

Market/Customer Focus - Identifying, understanding and meeting customer expectations both internally and externally.

Sharing Knowledge & Expertise - Drives business performance by developing and contributing specific technical or professional knowledge, skills and experience. Demonstrates a professional attitude.

Teamworking - Is committed to working collaboratively to achieve business goals, building cohesiveness and identity with a work group, and valuing individual perspectives and contributions.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller/Nick O. Rowe

6. Refer to Kentucky-American's Response to the AG's Second Request for Information, Item 115.
 - a. Provide a detailed separation of the forecasted management fees for government affairs of \$22,693 between those that are directly assignable to Kentucky-American and those that are allocated.
 - b. Provide a detailed separation of the forecasted management fees for external affairs of \$219,832 between those that are directly assignable to Kentucky-American and those that are allocated.

Response:

- a. Please see the attached schedule for a detailing of the external affairs and government affairs costs in the forecasted test year. The attached schedule differs from the \$242,525 (22,693 + 219,832) in the original filing of the Company. The attached schedule, which totals \$244,515, is a revised forecasted amount intended to be filed as part of a revision to Management Fee Expense as referenced in the Company's Response to Staff's Second Data Request #22c. The forecasted costs are based upon prior period actual billed amounts to determine allocation factors. The prior period actual billed amounts include direct charges, allocations, and overhead distributions billed in accordance to the contract between KAWC and the Service Company.
- b. Please see response to part (a) above. Please see the attached schedule providing details of external affairs and government affairs costs directly charged to KAWC and allocated to KAWC for 2005 through 2008. The separation of the costs between external affairs and government affairs for the periods 2005 through 2008 is not readily available.

For the electronic version, refer to KAW_R_PSCDR3#6_020909.pdf.

Kentucky American Water Company
PSCDR3#6
External Affairs and Government Affairs Costs

	2005		2006		2007		2008		2008		2008		Forecasted	
	Direct Chg	Allocated	Total	Direct Chg	Allocated	Total	Direct Chg	Allocated	Total	Direct Chg	Allocated	Total	Direct Chg	Allocated
labor	\$ 133,328	\$ 32,031	\$ 165,359	\$ 169,574	\$ 198,587	\$ 19,447	\$ 16,449	\$ 35,896	\$ 23,205	\$ 90,698	\$ 113,903	\$ 23,427	\$ 91,568	\$ 114,995
Incentive Pay	-	13,813	13,813	-	11,865	563	8,190	8,753	3,844	15,028	18,872	6,635	25,939	32,574
Labor Benefits	-	15,508	15,508	-	16,041	-	14,287	14,287	12	19,829	19,841	26	43,536	43,562
Contract Services	-	10,962	10,962	-	9,320	-	1,169	1,169	-	7,220	7,220	-	7,021	7,021
Other Expenses	446	18,908	19,354	3,099	18,188	2,859	18,534	21,393	8,827	18,958	27,785	14,729	31,634	46,363
Total	\$ 133,774	\$ 91,222	\$ 224,996	\$ 172,673	\$ 254,001	\$ 22,869	\$ 58,629	\$ 81,498	\$ 35,888	\$ 151,733	\$ 187,621	\$ 44,818	\$ 199,697	\$ 244,515

*Forecasted Test Year Labor is \$121,106 less \$6,111 of forecasted costs expected to be capitalized.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Keith L. Cartier/Sheila A. Miller

7. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 10.
 - a. State the date the production technician position was posted and the projected date the position will be filled.
 - b. Kentucky-American states that Justin Sensabaugh was promoted to one of the vacant treatment plant operator positions.
 - (1) Provide the position title that Mr. Sensabaugh held prior to his promotion and state the total cost of the position included in the forecasted test period (i.e., payroll expenses, payroll capitalized, retirement, taxes, insurance benefits).
 - (2) Provide the current status of Mr. Sensabaugh's former position. State when the position will be posted and provide the projected date the position will be filled.
 - c. Provide the date the vacant treatment plant operator position will be or was posted and the projected date the position will be filled.
 - d. Given Kentucky-American's response, explain why the cost of the "administrative assistant – cross connection" should remain in the forecasted operating expenses.

Response:

- a. The requisition for the production technician position was completed on January 26, 2009. There was a delay in getting the posting completed due to technical issues with job posting software system. Our goal is to fill the position as quickly as possible during the first quarter, although it is difficult to project a specific date, which will depend on the response by qualified candidates (i.e., those with a Class IV water treatment license). KAW has expanded our search processes to more aggressively identify potential candidates. For example, in March 2007 the HR department sent a letter to all of the water treatment operators in the State who hold a Class IV license. In 2008, KAW staffed a booth at the KY Rural Water Association to provide additional information about our organization and to increase interest in our organization. A thank you letter was later sent to all of the individuals who attended the meeting and expressed an interest in more information about the organization. We also plan to have a booth at the 2009 KY/TN AWWA (American Water Works Association) section meeting to be held in Lexington, KY. In addition to KY Rural Water, we have expanded our recruiting efforts to include the KY Water and Wastewater Association.

- b. Justin Sensabaugh was hired to fill a vacant treatment plant operator position. He held no position prior to being hired. Although he began going through the application and interview process earlier, his employment began December 8, 2008. There was no former position.
- c. KAW has reviewed the sole remaining treatment plant operator vacancy, and has concluded that at this time we will maintain this vacancy, which is a second third shift operator position, as a vacancy. The Company will amend its current filing to reflect this change.
- d. It appropriate for the position to remain in forecasted operating expenses in anticipation of the cross connection program's continuing maturation and the likelihood that the administrative support needs will overwhelm the current capabilities. As indicated, we have been successful to this point in addressing program needs through multi-tasking of other support personnel, which we believe to be prudent. However, KAW has not determined whether that is a feasible long-term solution to support the needs of a growing cross connection program.

For the electronic version, refer to [KAW_R_PSCDR3#7_020909.pdf](#).

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Keith L. Cartier

8. 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.
 - b. If yes, state the amount of temporary employment expense included in the forecasted test year for each vacant position.

Response:

- a. No.
- b. See response to part (a) above.

For the electronic version, refer to KAW_R_PSCDR2#8_020909.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Michael A. Miller

9. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 10. Kentucky-American references schedules entitled PSCDR2#12 d and PSCDR2#12 e that are attached to its response. However, the two copies provided to the Commission do not have the attached schedules. Provide two copies of the referenced schedules.

Response:

The attachments labeled as PSCDR2#12 d and PSCDR2#12 e. were provided on January 8, 2009 under a cover letter from Lindsey Ingram III to Jeff Derouen, Executive Director of the Public Service Commission. The referenced schedules were designated as being subject to a Petition for Confidential Treatment also filed on January 8, 2009, and, therefore, were provided to the Commission under seal in both hard copy and electronically on a CD.

For the electronic version, refer to KAW_R_PSCDR2#9_020909.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Sheila A. Miller

10. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 16. Explain how Kentucky-American can operate its sewer treatment plant without purchasing water.

Response:

The Company does not perform its sewer operations without using/purchasing water. The response to PSCDR2#16 simply states that the Company has not included any purchased water expense in its forecasted test-year filing. The Company's filing in this case to seek increased rates is limited to its water operations. The Company properly eliminated all sewer and non-jurisdictional revenues and expenses from this filing.

For the electronic version, refer to KAW_R_PSCDR3#10_020909.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Keith L. Cartier/Michael A. Miller

11. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 19(b). Describe the impact that the current prices of oil (diesel fuel) and natural gas will have on Kentucky-American's forecasted chemical expenses.

Response:

The Company has obtained contract prices for its water treatment chemicals for 2009. Those contracts were competitively bid, but the quoted prices are not broken down in a manner that would permit the Company to quantify the impact of current oil and natural gas prices on the contract price. The Company believes the current and expected prices of oil and natural gas and the impact of those prices on the cost to manufacture and deliver those chemicals is taken into account by the bidder along with many other factors, such as, the current and expected cost of capital, market uncertainty, cost of labor & benefits, etc. The Company believes it obtained the lowest cost possible for those water treatment chemicals that are essential to providing water that meets or exceeds all regulatory standards through the competitive bid process.

For the electronic version, refer to KAW_R_PSCDR3#11_020909.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF’S THIRD REQUEST FOR INFORMATION**

Witness: Michael A. Miller

- 12. Refer to Kentucky-American’s Response to Commission Staff’s Second Set of Information Requests, Item 23(a) and (b).
 - a. Provide a detailed explanation of why the Service Company pension costs increased from \$0.691 million in 2004 to \$10.294 million in 2009.
 - b. Provide a detailed explanation of why the Service Company “Gr. Ins Y PBOB costs” increased from \$9.078 million in 2004 to \$23.294 million in 2009.
 - c. For each former Kentucky-American employee listed in this response as a current Service Company employee provide the following:
 - (1) The total amount of salary forecasted for the test period and the amount that was allocated to Kentucky-American.
 - (2) The comparison of the actual fringe benefits paid to each employee to the Overhead allocation of 1.1328 percent.

Response:

- a. The Service Company Defined Benefit Pension plan (“DBP”) is part of the American Water Works Company, Inc. (“AWK”) plan. Annual expense for the plan can be determined under FAS 87, or the annual plan contributions made under ERISA requirements can be the basis for annual expense. For the periods 2003 to 2006 the Service Company utilized an ERISA cost basis for pension expense, which was billed through the Service Company bill to all utility subsidiaries. During that period, ERISA pension contributions were as follows:

<u>Year</u>	<u>Service Co</u>
2003	\$ 690,685
2004	1,442,658
2005	2,591,138
2006	8,346,597

At the end of 2006, the Service Company began billing pension expense to subsidiaries on the basis of FAS 87. In 2007, \$10,986,815 in pension cost on a FAS87 basis was billed in the Service Company bill. In 2008, the billed amount was \$10,936,775, and the projected amount for 2009 budget purposes at the time this case was filed was \$10,294,800. The updated projections for 2009 pension costs under FAS 87 are now \$20,027,657, based upon updated actuarial projections from Towers Perrin using updated earnings projections based on the current financial market conditions.

The primary reason for the increase in pension cost from the 2004 rate case to the 2008 rate case is driven by lower DBP earnings for the Plan investments in the financial markets compared to the Plan Earnings prior to the financial market declines that have transpired in the last few years and increases in the level of employees at the Service Company. As explained in the testimony of Mr. Miller, Exhibit MAM-6 and the response to PSCDR2#23 (a) (b), page 4 of 4, there has been a significant shift of employees to AWWSC from KAWC since the 2004 rate case. Mr. Miller's testimony and Exhibit MAM-6 describe that shift to management fees and corresponding reduction in KAWC's costs. The DBP earnings performance in recent years has not matched the DBP investment earnings experienced at the prior to the time of the 2004 rate case. The lower plan earnings experienced in 2007/2008 and forecasted for the future have led to increased contributions required to meet minimum ERISA funding requirements and higher accrued costs under the FAS 87 requirements. The higher FAS 87 costs for 2007/2008 and forecasted for 2009 were still less than the cash basis ERISA contributions to the DBP. Since 2007, FAS 87 expense has actually been lower than required plan contributions. There have been no DBP changes made since 2003 which would have contributed to an increase in expense. In fact, employees hired beginning January 1, 2006 are not eligible for the DBP, but are eligible for a Defined Contribution Pension ("DCP") only.

- b. The primary reasons for the increases as noted in the question are related to group insurance coverage. The increase in group insurance costs has been primarily driven by the continuing trend of substantial increases in health care costs and the increase in the number of AWWSC employees as described in part (a) above.

Service Company OPEB costs were \$2.337 million in 2003, and increased to \$2.887 million for the 2009 budget. However, the updated 2009 amount for OPEBS is \$4.026 million. This increase has been primarily driven by the increase in AWWSC employees addressed previously in this response. There have been no DBP plan changes made since 2003 which have contributed to an increase in this expense. In fact, employees hired beginning January 1, 2006 (non – union) and January 1, 2001 (union employees) are no longer eligible for the OPEB DBP but are eligible for the less costly OPEB DBP plan.

- c. See the attached schedule.

For the electronic version, refer to KAW_R_PSCDR3#12_020909.pdf.

FORECASTED PAYROLL FOR SPECIFIED INDIVIDUALS TRANSFERRING TO/FROM SVC CO & KAWC

	2008		2008		2008		2008		2009		2010		2008 ALLOC	
	PAYROLL	PAYROLL TAX	401K EXPENSE	DCP EXPENSE	2008 TOTAL BURDENED LABOR	3.5% INFLATION TO FORECAST TEST YEAR	FORECASTED TEST YEAR	PERCENT TO KAWC	AMOUNT TO KAWC	PERCENT TO KAWC	AMOUNT TO KAWC			
Braxton, Donna L.	\$ 85,909	\$ 7,154	\$ 2,208	\$ -	\$ 95,271	\$ 98,606	\$ 102,057	\$ 99,181	\$ 99,181	96.95%	\$ 96,158	96.95%	\$ 96,158	
Currey, Richard D.	\$ 77,738	\$ 6,473	\$ 2,074	\$ -	\$ 86,285	\$ 89,305	\$ 92,431	\$ 89,826	\$ 89,826	42.69%	\$ 38,350	42.69%	\$ 38,350	
Lancho, Susan L.	\$ 82,968	\$ 6,909	\$ 2,074	\$ -	\$ 91,950	\$ 95,169	\$ 98,500	\$ 95,724	\$ 95,724	49.11%	\$ 47,012	49.11%	\$ 47,012	
Magee, Louise G.	\$ 47,620	\$ 3,965	\$ 1,905	\$ 2,084	\$ 55,574	\$ 57,519	\$ 59,532	\$ 57,855	\$ 57,855	89.82%	\$ 51,968	89.82%	\$ 51,968	
Shryock, Michael W.	\$ 80,283	\$ 6,685	\$ 230	\$ -	\$ 87,199	\$ 90,251	\$ 93,409	\$ 90,777	\$ 90,777	96.76%	\$ 87,834	96.76%	\$ 87,834	
Taylor, Donna S.	\$ 83,535	\$ 6,956	\$ 2,113	\$ -	\$ 92,604	\$ 95,845	\$ 99,200	\$ 96,404	\$ 96,404	3.58%	\$ 3,451	3.58%	\$ 3,451	
Turner Jr., Aubrey W.	\$ 114,653	\$ 9,547	\$ 3,221	\$ 6,019	\$ 133,441	\$ 138,111	\$ 142,945	\$ 138,917	\$ 138,917	83.95%	\$ 116,625	83.95%	\$ 116,625	
Grand Total	\$ 572,706	\$ 47,689	\$ 13,826	\$ 8,103	\$ 642,325	\$ 664,806	\$ 688,074	\$ 668,684	\$ 668,684					

2008 BURDENED RATE 112.2%

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller/Sheila A. Miller

13. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 46.
- a. Provide a schedule that lists each construction project¹ that is subject to the Allowance for Funds Used During Construction ("AFUDC") accrual, the end-of-test period balance, the 13-month average balance, and the AFUDC accrual for each project. The total AFUDC accrual on this schedule should equal the AFUDC adjustment on Schedule D-3 of \$3,094,804.
 - b. Kentucky-American calculates an AFUDC accrual of \$3,016,061 in its Response to Commission Staff's Second Set of Information Requests, Item 40. Provide the same information requested in 18(a) for the AFUDC accrual of \$3,016,061.

Response:

- a. See attached schedule.
- b. See attached schedule.

For the electronic version, refer to KAW_R_PSCDR3#13.pdf.

¹ Each construction project should be listed by total project cost and not be broken down into each account as Kentucky-American has shown in the workpapers that are referenced in its response.

Kentucky American Water Company
PSCDR3#13a

<u>Construction Project</u>	<u>End of period Balance</u>	<u>13-month avg balance</u>	<u>AFUDC Accrual</u>
DV-Main Extensions	631,757	410,259	0
A - Mains new	12,493	44,521	4,005
B - Mains planned replacement/restored	92,500	84,446	7,103
C - Mains unscheduled replacement	9,039	19,112	1,693
D - Mains relocated	90,000	84,254	7,104
E - Hydrants, valves and manholes (new)	28,807	17,152	1,376
F - Hydrants, valves & manholes (replaced)	15,225	12,829	1,079
S - engineering studies	3,802	11,297	1,004
1202-5 North Broadway main replacement	0	225,773	9,827
12020204 Source of Supply development p	1,963,956	1,947,190	156,511
12020607 New WTP Pool 3	64,611,008	31,633,909	2,838,118
12020701 Kentucky incline car	0	337,555	24,789
12020702 Major highway main replacement	0	350,000	26,115
12020501 Ground storage tank	1,092,870	226,758	16,080
			<u>3,094,804</u>

PSCDR3#13b

<u>Construction Project</u>	<u>End of period Balance</u>	<u>13-month avg balance</u>	<u>AFUDC Accrual</u>
DV-Main Extensions	779,592	506,262	0
A - Mains new	15,419	54,942	4,953
B - Mains planned replacement/restored	114,143	104,205	8,786
C - Mains unscheduled replacement	11,153	23,583	2,092
D - Mains relocated	111,059	103,969	8,786
E - Hydrants, valves and manholes (new)	35,548	21,167	1,702
F - Hydrants, valves & manholes (replaced)	18,788	15,831	1,333
S - engineering studies	4,689	13,940	1,241
1202-5 North Broadway main replacement	0	219,011	9,533
12020204 Source of Supply development p	1,961,671	1,945,415	156,366
12020607 New WTP Pool 3	62,648,126	30,672,871	2,751,904
12020701 Kentucky incline car	0	329,487	24,199
12020702 Major highway main replacement	0	339,367	25,323
12020501 Ground storage tank	1,348,612	279,821	19,843
			<u>3,016,061</u>

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller

14. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 47(b). State whether Kentucky-American will be required to accrue AFUDC for income tax purposes if Kentucky-American does not accrue an AFUDC for ratemaking purposes.

Response:

Mr. Miller was mistaken in the Company's previous response to PSCDR2#47(b) regarding accruing AFUDC for tax purposes. The Company would need to continue to accrue AFUDC, for tax purposes only, on the CWIP expenditure for KRS II from May 31, 2009 until the project is placed in service (completion of the project). The Company proposes to accrue both book (ratemaking) and tax AFUDC on the CWIP expenditure for KRS II after May 31, 2009. The Company has filed its original petition in this case consistent with the response to this DR.

For the electronic version, refer to KAW_R_PSCDR3#14_020909.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Michael A. Miller

15. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 47(e). If the Commission were to include construction work in progress in rate base without the AFUDC offset, demonstrate how this action would affect the current rate request and future rate requests. Provide copies of all workpapers, show all calculations, and state all assumptions used in this response.

Response:

If the AFUDC offset for CWIP included in the Company's petition was eliminated the revenue requirement would increase an additional \$5,091,408. See the attached working papers.

For the electronic version, refer to KAW_R_PSCDR3#15_020909.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE C-1, PAGE 1 OF 1
Witness Responsible: M.A. Miller/S. A. Miller

DATA: ___ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): SCH C-2 (TOTAL COMPANY)

Line No.	Description	Forecasted Return at Current Rates	Proposed Increase	Forecasted Return at Proposed Rates	original filing	Variance
2	Operating Revenues	\$59,150,470	\$23,586,038	\$82,736,508	80,739,905	1,996,603
3	Operating Expenses	original revenue requirement adjustment to revenue requirement	18,494,631			
4			5,091,407			
5	Operation and Maintenance	31,760,768	180,040	31,940,808	31,901,944	38,864
6	Depreciation and Amortization	8,398,250	0	8,398,250	8,398,250	0
7	Taxes Other Than Income	3,752,543	38,941	3,791,484	3,783,078	8,406
8	State Income Taxes	512,850	1,402,024	1,914,874	1,611,848	303,026
9	Federal Income Taxes	2,925,121	7,687,762	10,612,883	8,951,289	1,661,594
10	Total Operating Expenses	47,349,532	9,308,767	56,658,299	54,646,409	2,011,890
11	Utility Operating Income	\$11,800,938	\$14,277,271	\$26,078,209	\$26,093,496	-15,287
12	Rate Base	\$ 305,365,471		\$305,365,471	305,544,471	-179,000
13	Rate of Return	3.86%		8.54%	8.54%	8.54%

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE C-2, PAGE 1 OF 1
Witness Responsible: M.A. Miller/S. A. Miller

DATA: X BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: X ORIGINAL X UPDATED X REVISED
WORKPAPER REFERENCE NO(S): W/P-2,3,4,5 & 6 (TOTAL COMPANY)

Line No.	Major Group Classification	Base Year Revenues & Expenses	Adjustments	Schedule Reference	Forecasted Revenues & Expenses
2	Operating Revenues				
3	Water Sales	\$57,201,459	(\$340,745)	Sch D-1	\$ 56,860,714
4	Other Operating Revenues	2,269,162	20,594	Sch D-1	2,289,756
5		59,470,621	(320,151)		59,150,470
6	Operating Expenses				
7	Labor	6,630,142	432,406	Sch D-1	7,062,548
8	Purchased Water	326,689	(212,103)	Sch D-1	114,586
9	Fuel and Power	2,958,624	639,995	Sch D-1	3,598,619
10	Chemicals	1,654,395	1,090,666	Sch D-1	2,745,061
11	Waste Disposal	254,519	42,712	Sch D-1	297,231
12	Management Fees	7,670,470	(57,878)	Sch D-1	7,612,592
13	Group Insurance	1,818,349	(8,079)	Sch D-1	1,810,270
14	Pensions	600,317	(18,616)	Sch D-1	581,701
15	Regulatory Expense	353,239	2,343	Sch D-1	355,582
16	Insurance Other than Group	565,537	129,061	Sch D-1	694,598
17	Customer Accounting	1,554,943	43,842	Sch D-1	1,598,785
18	Rents	34,970	(3,002)	Sch D-1	31,968
19	General Office Expense	507,707	68,549	Sch D-1	576,256
20	Miscellaneous	2,813,226	475,628	Sch D-1	3,288,854
21	Maintenance - Other	1,163,615	228,503	Sch D-1	1,392,118
22					
23	Total O & M Expenses	28,906,742	2,854,026		31,760,768
24					
25	Depreciation	7,851,307	50,354	Sch D-1	7,901,661
26	Amortization	471,177	25,412	Sch D-1	496,589
27	General Taxes				
28	Property and Capital Stock	2,637,334	476,268	Sch D-1	3,113,602
29	Gross Receipts and Sales	0	97,656	Sch D-1	97,656
30	Payroll	532,391	8,894	Sch D-1	541,285
31	Miscellaneous	95,356	(95,356)	Sch D-1	0
32	State Income Taxes				
33	Current	517,861	(190,482)	Sch E-1.5	327,379
34	Deferred	353,738	(168,267)	Sch E-1.5	185,471
35					
36					
37	Federal Income Taxes				
38	Current	2,939,576	(1,144,446)	Sch E-1.5	1,795,130
39	Deferred	1,910,207	(695,419)	Sch E-1.5	1,214,788
40	Deferred - ITC	(84,795)	(2)	Sch E-1.5	(84,797)
41					
42					
43					
44	Total Operating Expenses	46,130,894	1,218,638		47,349,532
45					
46	Utility Operating Income	\$13,339,727	(\$1,538,789)		\$11,800,938
47					
48					
49					
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE C-2.1, PAGE 1 OF 1
Witness Responsible: M.A. Miller/S. A. Miller

DATA: X BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: X ORIGINAL UPDATED REVISED
WORKPAPER REFERENCE NO(S): SCH D-1 (TOTAL COMPANY)

Line No.	Major Group Classification	Base Year		Jurisdictional Percent	Base Year		Jurisdictional Method/Description
		Revenues & Expenses			Unadjusted Jurisdiction		
2	Operating Revenues						
3	Water Sales	\$57,201,459			\$57,201,459		Not Applicable to Kentucky-American
4	Other Operating Revenues	2,269,162		100.00%	2,269,162		Water Company
5		<u>59,470,621</u>			<u>59,470,621</u>		
6	Operating Expenses						
7	Labor	6,630,142			6,630,142		
8	Purchased Water	326,689			326,689		
9	Fuel and Power	2,958,624			2,958,624		
10	Chemicals	1,654,395			1,654,395		
11	Waste Disposal	254,519			254,519		
12	Management Fees	7,670,470			7,670,470		
13	Group Insurance	1,818,349			1,818,349		
14	Pensions	600,317			600,317		
15	Regulatory Expense	353,239			353,239		
16	Insurance Other than Group	565,537			565,537		
17	Customer Accounting	1,554,943			1,554,943		
18	Rents	34,970			34,970		
19	General Office Expense	507,707			507,707		
20	Miscellaneous	2,813,226			2,813,226		
21	Maintenance - Other	1,163,615			1,163,615		
22		<u>28,906,742</u>			<u>28,906,742</u>		
23	Total O & M Expenses						
24	Depreciation	7,851,307			7,851,307		
25	Amortization	471,177			471,177		
26	General Taxes						
27	Property and Capital Stock	2,637,334			2,637,334		
28	Gross Receipts and Sales	0			0		
29	Payroll	532,391			532,391		
30	Miscellaneous	95,356			95,356		
31	State Income Taxes						
32	Current	517,861			517,861		
33	Deferred	353,738			353,738		
34							
35	Federal Income Taxes						
36	Current	2,939,576			2,939,576		
37	Deferred	1,910,207			1,910,207		
38	Deferred - ITC	(84,795)			(84,795)		
39							
40							
41							
42							
43							
44	Total Operating Expenses	<u>46,130,894</u>			<u>46,130,894</u>		
45	Utility Operating Income	<u>\$13,339,727</u>			<u>\$13,339,727</u>		
46							
47							
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
SUMMARY OF ADJUSTMENTS TO OPERATING INCOME ACCOUNTS
FOR THE TWELVE MONTHS ENDED: MAY 31, 2010

SCHEDULE D-1
Page 1 of 19
Witness Responsible: M.A. Miller/S. A. Miller

DATA: _X_ BASE PERIOD _X_ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): SCH D-2.1/D-2.2 (TOTAL COMPANY)

Line No.	Account Number	Description	Base Period	Adj. D-1 Sch D-2.1	Adj. D-2 Sch D-2.2	Adj. D-3 Sch D-2.2	Total Adjustments
1		<u>Water Revenues</u>					
2	461100	Residential - Billed	\$ 30,526,232	\$ 62,103	\$ 0	\$ 0	\$62,103
3	461110	Residential - Unbilled	214,240	(214,240)	0	0	(214,240)
4	461200	Commercial - Billed	14,809,999	246,533	0	0	246,533
5	461210	Commercial - Unbilled	41,593	(41,593)	0	0	(41,593)
6	461300	Industrial - Billed	1,706,360	(82,917)	0	0	(82,917)
7	461310	Industrial - Unbilled	7,541	(7,541)	0	0	(7,541)
8	461400	Miscellaneous - Billed	7,814	(7,814)	0	0	(7,814)
9	461410	Miscellaneous - Water Sales Billed Unmetered	0	0	0	0	0
10	462000	Private Fire - Billed	1,300,207	(46,137)	0	0	(46,137)
11	462100	Private Fire - Unbilled	0	0	0	0	0
12	463000	Public Fire - Billed	2,331,769	134,280	0	0	134,280
13	463100	Public Fire - Unbilled	0	0	0	0	0
14	464200	OPA - Billed	4,734,077	(226,617)	0	0	(226,617)
15	464210	OPA - Unbilled	129,897	(129,897)	0	0	(129,897)
16	466000	Sales for Resale - Billed	1,349,598	15,227	0	0	15,227
17	466100	Sales for Resale - Unbilled	42,132	(42,132)	0	0	(42,132)
18		Total Water Revenues	57,201,459	(340,745)	0	0	(340,745)
19							
20		<u>Sewer Revenues</u>					
21	461000	Residential - Billed	0	0	0	0	0
22	461010	Residential - Billed Surcharge	0	0	0	0	0
23	461020	Commercial - Billed	0	0	0	0	0
24	461030	Commercial - Unbilled	0	0	0	0	0
25	462210	Industrial - Billed	0	0	0	0	0
26	462110	Industrial - Unbilled	0	0	0	0	0
27		Total Sewer Revenues	0	0	0	0	0
28							
29							
30		<u>OTHER OPERATING REVENUES</u>					
31	471100	Reconnection Charges/Activation fees	1,163,735	0	1	0	1
32	471200	Other Miscellaneous Service Revenues	22,950	0	(1,362)	0	(1,362)
33	472000	Rents from Water Property	92,085	0	1,935	0	1,935
34	474100	Billing & Collection Services	987,227	0	23,185	0	23,185
35	474300	Other Water Revenues	3,165	0	(3,165)	0	(3,165)
36		AFUDC	0	0	0	0	0
37		TOTAL OTHER OPERATING REVENUES	2,269,162	0	20,594	0	20,594
38							
39		TOTAL OPERATING REVENUES	\$59,470,621	(\$340,745)	\$20,594	\$0	(\$320,151)
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: MAY 2010
TOTAL COMPANY

DATA: ___ BASE PERIOD ___X___ FORECASTED PERIOD
TYPE OF FILING: ___X___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.3
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$59,150,470	\$0	\$59,150,470	\$23,586,038	\$82,736,508
3						
4	Operating Expenses				180,040	31,940,808
5	Operation & Maintenance Expenses	31,760,768	0	31,760,768		8,398,250
6	Depreciation & Amortization	8,398,250	0	8,398,250	0	3,791,484
7	Taxes other than Income	3,752,543	0	3,752,543	38,941	1,729,403
8	State Income Taxes - Current	327,379	0	327,379	1,402,024	
9	Federal Income Taxes					
10						
11	Total Operating Expenses before FIT	44,238,940	0	44,238,940	1,621,005	45,859,945
12						
13	Operating Income before Federal Income Taxes	14,911,530	0	14,911,530	21,965,033	36,876,563
14	Reconciling Items;					
15	Interest Charges	(10,748,865)	0	(10,748,865)	0	(10,748,865)
16						
17	Permanent Differences					
18	Taxable meals/lobbying	6,935	0	6,935	0	6,935
19	Nondeductible donations	0	0	0	0	0
20	Medicare Subsidy	(156,133)	0	(156,133)	0	(156,133)
21		(149,198)	0	(149,198)	0	(149,198)
22						
23	Book Depreciation	7,901,661	0	7,901,661	0	7,901,661
24	Tax Depreciation	(13,333,441)	0	(13,333,441)	0	(13,333,441)
25	Non-Deductible Meals/lobbying	0	0	0	0	0
26	Additional Taxable AFUDC	4,645,672	0	4,645,672	0	4,645,672
27	Deferred Debits	449,128	0	449,128	0	449,128
28	Amortization of UPAA	13,051	0	13,051	0	13,051
29	Deferred Maintenance	365,759	0	365,759	0	365,759
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	71,346	0	71,346	0	71,346
32	Taxable Advances and CIAC	1,002,300	0	1,002,300	0	1,002,300
33	Reserved	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37						
38	Total Reconciling Items	1,115,476	0	1,115,476	0	1,115,476
39						
40	Federal Taxable Income	5,128,943	0	5,128,943	21,965,033	27,093,976
41						
42	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%
43						
44	Federal Income Tax - Current	1,795,130	0	1,795,130	7,687,762	9,482,892
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: MAY 2010
TOTAL COMPANY

DATA: ___ BASE PERIOD ___X___ FORECASTED PERIOD
TYPE OF FILING: ___X___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.3
PAGE 2 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Deferred Income Taxes:					
3	Def FIT Regulatory Asset/Liability	\$232,447	\$0	\$232,447	\$0	\$232,447
4	Def FIT UPIS	1,254,728	0	1,254,728	0	1,254,728
5	Def FIT Deferred Maintenance	(120,335)	0	(120,335)	0	(120,335)
6	Def FIT Deferred Debits	(152,052)	0	(152,052)	0	(152,052)
7	Def FIT Property Losses	0	0	0	0	0
8						
9						
10		1,214,788	0	1,214,788	0	1,214,788
11	Amort Deferred ITC	(84,797)	0	(84,797)	0	(84,797)
12						
13	Total Deferred Federal Income Taxes	1,129,991	0	1,129,991	0	1,129,991
14						
15	Total Federal Income Taxes	\$2,925,121	\$0	\$2,925,121	\$7,687,762	\$10,612,883
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: MAY 2010
TOTAL COMPANY

DATA: ___ BASE PERIOD ___X___ FORECASTED PERIOD
TYPE OF FILING: ___X___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.4
PAGE 1 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Operating Revenues	\$ 59,150,470	\$ -	\$ 59,150,470	\$ 23,586,038	\$ 82,736,508
3						
4	Operating Expenses	\$ 31,760,768	\$ -	\$ 31,760,768	\$ 180,040	\$ 31,940,808
5	Operation & Maintenance Expenses	8,398,250	0	8,398,250	0	8,398,250
6	Depreciation & Amortization	3,752,543	0	3,752,543	38,941	3,791,484
7	Taxes other than Income					
8	State Income Taxes - Current					
9	Federal Income Taxes					
10						
11	Total Operating Expenses before FIT	\$ 43,911,561	\$ -	\$ 43,911,561	\$ 218,981	\$ 44,130,542
12						
13	Operating Income before Federal Income Taxes	\$ 15,238,909	\$ -	\$ 15,238,909	\$ 23,367,057	\$ 38,605,966
14	Reconciling Items;					
15	Interest Charges	(10,748,865)	0	(10,748,865)	0	(10,748,865)
16						
17	Permanent differences					
18	Taxable meals/lobbying	6,935	0	6,935	0	6,935
19	Nondeductible donations	0	0	0	0	0
20	Medicare Subsidy	(156,133)	0	(156,133)	0	(156,133)
21		(149,198)	0	(149,198)	0	(149,198)
22						
23	Book Depreciation	7,901,661	0	7,901,661	0	7,901,661
24	Tax Depreciation	(13,333,441)	0	(13,333,441)	0	(13,333,441)
25	Non-Deductible Meals/lobbying	0	0	0	0	0
26	Additional Taxable AFUDC	4,645,672	0	4,645,672	0	4,645,672
27	Deferred Debits	449,128	0	449,128	0	449,128
28	Amortization of UPAA	13,051	0	13,051	0	13,051
29	Deferred Maintenance	365,759	0	365,759	0	365,759
30	Property Losses	0	0	0	0	0
31	Amort Regulatory Assets / Liabilities	71,346	0	71,346	0	71,346
32	Taxable Advances and CIAC	1,002,300	0	1,002,300	0	1,002,300
33	Reserved	0	0	0	0	0
34	Reserved	0	0	0	0	0
35	Reserved	0	0	0	0	0
36	Reserved	0	0	0	0	0
37						
38	Total Reconciling Items	\$ 1,115,476	\$ -	\$ 1,115,476	\$ -	\$ 1,115,476
39						
40	State Taxable Income	\$ 5,456,322	\$ -	\$ 5,456,322	\$ 23,367,057	\$ 28,823,379
41						
42	State Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%
43						
44	State Income Tax Liability	\$ 327,379	\$ -	\$ 327,379	\$ 1,402,023	\$ 1,729,403
45						
46						
47	State Income Taxes - Current	\$ 327,379	\$ -	\$ 327,379	\$ 1,402,023	\$ 1,729,403
48						
49						
50						

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
STATE INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED: MAY 2010
TOTAL COMPANY

DATA: ___ BASE PERIOD ___ X ___ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.4
PAGE 2 of 2
Witness Responsible: M.A. Miller

Line No.	Description	At Current Rates Unadjusted	Adjustments	Adjusted	At Proposed Rates Adjustments	Adjusted
1						
2	Deferred Income Taxes:					
3	Def SIT Regulatory Asset/Liability	\$6,326	\$0	\$6,326	\$0	\$6,326
4	Def SIT UPIS	228,824	0	228,824	0	228,824
5	Def SIT Deferred Maintenance	(21,947)	0	(21,947)	0	(21,947)
6	Def SIT Deferred Debits	(27,732)	0	(27,732)	0	(27,732)
7	Def SIT Property Losses	0	0	0	0	0
8						
9						
10		185,471	0	185,471	0	185,471
11	Amort Deferred ITC	0	0	0	0	0
12						
13	Total Deferred State Income Taxes	185,471	0	185,471	0	185,471
14						
15	Total State Income Taxes	\$512,850	\$0	\$512,850	\$1,402,023	\$1,914,874
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17						
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
SUMMARY OF INCOME TAX ADJUSTMENTS
TOTAL COMPANY

DATA: __X__BASE PERIOD __X__ FORECASTED PERIOD
TYPE OF FILING: __X__ ORIGINAL __ __ UPDATED __ __ REVISED
WORKPAPER REFERENCE NO(S): W/P-6

SCHEDULE E-1.5
PAGE 1 of 1
Witness Responsible: M.A. Miller

Line No.	Reference Base Period	Description	Forecasted Period	At Current Rates Base Period	Present Rates Forecasted Period	Adjustment
3	Sch E-1.2	State Income Taxes				
4	Sch E-1.2	Current	Sch E-1.4	\$517,861	\$ 327,379	(\$190,482)
5	Sch E-1.2	Deferred	Sch E-1.4	353,738	185,471	(168,267)
6		Reserved		0	0	0
7		Reserved		0	0	0
9		Total State Income Taxes		\$ 871,599	\$ 512,850	\$ (358,749)
13	Sch E-1.1	Federal Income Taxes				
14	Sch E-1.1	Current	Sch E-1.3	2,939,576	\$ 1,795,130	(\$1,144,446)
15	Sch E-1.1	Deferred - ITC	Sch E-1.3	1,910,207	1,214,788	(695,419)
16	Sch E-1.1	Reserved	Sch E-1.3	(84,795)	(84,797)	(2)
17		Reserved		0	0	0
18		Reserved		0	0	0
19		Total Federal Income Taxes		\$ 4,764,988	\$ 2,925,121	\$ (1,839,867)
21		Total Income Taxes		\$ 5,636,587	\$ 3,437,971	\$ (2,198,616)

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
RATE BASE SUMMARY
AS OF MAY 31, 2010

SCHEDULE B-1
PAGE 2 OF 2
Witness Responsible: S.A. Miller / L. Bridwell

DATA: ___ BASE PERIOD ___ X ___ FORECASTED PERIOD ___
TYPE OF FILING: ___ X ___ ORIGINAL ___ UPDATED ___ REVISED ___
WORKPAPER REFERENCE NO(S): W/P-1

Line No.	Rate Base Component	Supporting Schedule Reference	End of Period Amount	13 Month Avg Forecasted Period Amount
2	Utility Plant In Service	B-2	\$395,901,041	\$387,567,724
3	Property Held for Future Use	B-2.6	0	0
4	Utility Plant Acquisition Adjustments	W/P-1-2	11,963	18,488
5	Accumulated Depreciation	B-3	(102,285,596)	(98,516,471)
6	Net Utility Plant In Service		293,627,408	289,069,741
7	Construction Work in Progress	B-4 / W/P-1-4	135,704,098	102,817,344
8	Working Capital Allowance	B-5	4,092,000	4,092,000
9	Other Working Capital Allowance	B-5	575,573	575,573
10	Contributions in Aid of Construction	B-6	(46,235,776)	(45,274,826)
11	Customer Advances	B-6	(16,780,247)	(15,618,202)
12	Deferred Income Taxes	B-6	(34,001,726)	(33,911,117)
13	Deferred Investment Tax Credits	B-6	(87,154)	(83,326)
14	Deferred Maintenance	W/P-1-10	3,793,755	2,951,785
15	Deferred Debits	W/P-1-11	1,905,411	1,958,946
16	Other Rate Base Elements	W/P-1-11	(1,015,992)	(1,212,447)
17	Jurisdictional Rate Base		\$341,577,350	\$305,365,471

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
ALLOWANCE FOR WORKING CAPITAL
FEBRUARY 1, 2009 TO MAY 31, 2010

DATA: ___ BASE PERIOD ___ X_ FORECASTED PERIOD
TYPE OF FILING: ___ X_ ORIGINAL ___ X_ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): SCH 5.1/5.2

SCHEDULE B-5
PAGE 2 OF 2
Witness Responsible: S.A. Miller

Line No.	Working Capital Component	Description of Methodology Used to Determine Jurisdictional Requirement	Workpaper Reference	Total Company	Jurisdictional Percent	Jurisdictional Amount
1						
2						
3						
4						
5						
6	Working Capital	Lead/Lag Study	B-5.2, Page 1/3	\$4,092,000	100.00%	\$4,092,000
7						
8						
9						
10	Materials and Supplies	13 Month Average Balance	B-5.1	\$575,573	100.00%	\$575,573
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
WORKING CAPITAL COMPONENTS
FEBRUARY 1, 2009 TO MAY 31, 2010

DATA: ___ BASE PERIOD ___ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): W/P-1-6

SCHEDULE B-5.1
PAGE 2 OF 2
Witness Responsible: S.A. Miller

Line No.	Description	Total Company	13 - Month Average For Period Jurisdictional Percent	Jurisdictional Amount	Total Company	Period Balance Jurisdictional Percent	Jurisdictional Amount
1							
2							
3							
4							
5							
6	Materials and Supplies						
7							
8							
9	Plant Materials	\$419,912	100.00%	\$419,912	\$419,912	100.00%	\$419,912
10							
11	Chemicals	155,661		155,661	155,661		155,661
12							
13							
14							
15							
16							
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
WORKING CAPITAL - LEAD/LAG STUDY
FEBRUARY 1, 2009 TO MAY 31, 2010

SCHEDULE B-5.2
PAGE 4 OF 6
Witness Responsible: S.A. Miller

DATA: ___ BASE PERIOD FORECASTED PERIOD
TYPE OF FILING: ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): Sch 5.2

Line No.	Description	Days	Amount
1			
2			
3	Total Operating Funds		<u>\$82,988,629</u>
4			
5	Average Daily Operating Funds		227,366
6			
7	Composite Average Days Interval Between:		
8			
9	(A) Date Service Furnished and Date Collections Deposited	42.48	
10			
11	(B) Date Expenses Incurred and Date of Payment	<u>24.48</u>	
12			
13	(C) Net Interval	<u>18.00</u>	
14			
15	Total Working Capital		<u><u>\$4,092,242</u></u>
16			
17			
18	Use		<u><u>\$4,092,000</u></u>
19			
20			
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KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
WORKING CAPITAL - LEAD/LAG STUDY
FEBRUARY 1, 2009 TO MAY 31, 2010

DATA: ___ BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S):

Line No.	DESCRIPTION	Amount	Post Payment or (Lead) Days	Dollar Days
1	Payrolls Charged to Expense - Union/ATS Group	\$4,796,812	12.00	57,561,744
2	Payrolls Charged to Expense - Salaried	2,265,736	12.00	27,188,832
3				
4				
5	Fuel and Power	3,598,619	26.96	97,018,759
6	Chemicals	2,745,061	6.65	18,254,653
7	Service Company Charges	7,612,592	0.40	3,045,037
8	Group Insurance	1,249,992	(6.81)	(8,512,446)
9	Opex	560,278	23.13	12,959,230
10	Pensions	581,701	(5.50)	(3,199,355)
11	Insurance Other than Group	694,598	(44.70)	(31,048,517)
12	Transportation Expense	722,490	13.56	9,796,963
13	Rents	31,968	18.39	587,892
14	Telephone Expense	227,514	10.31	2,345,669
15	Postage Expense	569,610	23.47	13,368,747
16	Stock E	100,242	28.03	2,809,783
17	Maintenance Expense, excluding Amortizations	1,026,359	18.54	19,028,696
18	Amortization	365,759	0.00	-
19	Uncollectibles	431,442	0.00	-
20	Waste Disposal	297,231	25.97	7,719,089
21	Other Operating Expenses	3,882,765	24.44	94,894,778
22	Total O & M Expenses	31,760,768		239,068,978
23				
24				
25	Depreciation and Amortization	8,411,301	0.00	-
26	Taxes, Other than Income			
27	Payroll - FUTA	5,507	69.86	384,719
28	Payroll - SUTA	5,210	75.14	391,479
29	Payroll - FICA	530,568	15.00	7,958,520
30	Other	3,211,258	70.95	227,838,755
31	Income Taxes - Current - SIT	1,729,403	52.75	91,226,008
32	Income Taxes - Current - FIT	9,482,892	30.13	285,719,536
33	Deferred Income Taxes	1,315,462	0.00	-
34	Interest Expense - Long - Term Debt	9,527,403	119.64	1,139,858,495
35	Interest Expense - Short - Term Debt	1,221,462	14.60	17,833,345
36	Preferred Dividends	458,048	46.40	21,253,427
37	Net Income	15,329,347	0.00	-
38	Net Operating Funds	\$82,988,629		\$2,031,533,262
39				
40				
41				
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Average Days Interval between Date Expenses are Incurred and Date of Payment

24.48

KENTUCKY-AMERICAN WATER COMPANY
CASE NO: 2008-00427
WORKING CAPITAL - LEAD/LAG STUDY
FEBRUARY 1, 2009 TO MAY 31, 2010

SCHEDULE B-5.2
PAGE 6 OF 6
Witness Responsible: S.A. Miller

DATA: ___ BASE PERIOD X_ FORECASTED PERIOD
TYPE OF FILING: _X_ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S):
AGDR2#19(4)

Line No.	Revenues Amount	Median Service Days	Dollar Days
1			
2			
3			
4			
5	\$53,140,595	15.21	\$808,268,450
6	2,289,756	34.54	79,088,172
7	3,720,119	(15.26)	(56,769,016)
8			
9			
10			
11			
12			
13			
14			
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Total	\$59,150,470		\$830,587,606
Average Median Service Days		14.042	
Number of Days between the Reading Date and the Billing Date		4.17	
Number of Days between the Billing Date and the Date the Bills are Paid		24.27	
Total Average Days' Interval between Number of Days from Date Services are Furnished to Date Collections are Received		42.48	

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller

16. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 48(b).
- a. Identify all Commission decisions of which Kentucky-American is aware in which the Commission permitted a utility to accrue AFUDC in the manner Kentucky-American is proposing.
 - b. Provide copies of decisions from other state regulatory commissions that have permitted an American Water Works Company subsidiary to accrue AFUDC in the manner Kentucky-American is proposing.

Response:

- a. The Company is aware that the Commission has routinely permitted LG&E to include CWIP in rate base without an AFUDC offset. Please see the response to AGDR2#1 for a listing of the case history and case number cites.
- b. Attached to this response is a copy of the Order of the West Virginia Commission in case number 96-0317-W-PWD-PC-PN dated September 12, 1997. Attached to that Order is a copy of a stipulation that addressed "special rate making" treatment proposed by WVAWC in that proceeding. The "special rate making" treatment included pre-approved step-rates for CWIP during construction of this multi-year construction project. The Special Step Rate Increases for Company Facilities is shown on pages 15-18 (numbered paragraphs 46-54) of the stipulation. Paragraphs 48-54 address the step rate increases, the timing of those increases, and the special AFUDC treatment. In essence, the stipulation approved by the Commission permits AFUDC on the Fayette County Regional Project, however, once the CWIP at pre-determined intervals is recognized for rate recovery (cash), an offset is made to the book AFUDC on that portion of CWIP. That process effectively eliminates AFUDC on the portion of CWIP upon which a rate base return (cash) is earned. Mr. Miller could not readily locate the stipulation from the Mercer Summers Regional Treatment Plant certificate case, however, as indicated in the attached order from case number 94-0098-W-PWD-PC-CN, the Commission also approved "special rate making" treatment for pre-approved step rate increases for that multi-year construction project. As indicated on page 15-16 of the stipulation in case number 96-0317-W—PWC-PC-CN, the Commission approved identical treatment of step rates and AFUDC as described above for the Bluestone Treatment Plant.

For the electronic version, refer to KAW_R_PSCDR3#16_020909.pdf.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 12th day of September, 1997.

CASE NO. 96-0317-W-PWD-PC

WEST VIRGINIA-AMERICAN WATER COMPANY
and SALEM-GATEWOOD PUBLIC SERVICE DISTRICT
Petition for consent and approval of the
sale of water and utility assets of Salem-
Gatewood Public Service District to West
Virginia-American Water Company.

and

Case No. 96-1477-W-PWD-PC-CN

WEST VIRGINIA-AMERICAN WATER COMPANY,
COUNTY COMMISSION OF FAYETTE COUNTY,
and NEW HAVEN PUBLIC SERVICE DISTRICT.
Joint petition for Commission approval
of agreement and related transactions,
and for expansion of New Haven Public
Service District; and joint application
for a certificate of convenience and
necessity to construct the Fayette
Plateau Treatment Plant.

COMMISSION ORDER

On December 2, 1996, West Virginia-American Water Company (WVAWC), the County Commission of Fayette County (County) and New Haven Public Service District (District) filed a Joint Application for Consent and Approval to Agreement and Approval of the Related Transactions and Certain Ratemaking Treatment; and for Certificate of Convenience and Necessity for the Construction of Facilities (Joint

1

Application). The Joint Application seeks Commission approval of: (1) a proposed operation and maintenance (O&M) agreement between WVAWC and the District; (2) various financial arrangements, including a capital lease, between WVAWC and County; (3) rate making described in the O&M agreement; (4) a certificate of convenience and necessity to construct various facilities (the Project), including a water treatment plan (the Fayette Plateau Treatment Plant); and (5) the County's expansion of the District's service area. The joint applicants also moved to consolidate these proceedings.

By Order dated June 24, 1997, the Commission rescinded its previously issued referral order in Case No. 96-1477-W-PWD-PC-CN and retained the consolidated cases for its determination. The Order additionally established a procedural schedule for the cases.

The pre-filed testimony in this case indicates that the Project will provide water to approximately 1,600 customers, or over 4,000 people, not currently receiving service from a water supply systems. The new facilities will serve approximately 8,850 customers in total, or over 25,000 people. In addition to the Fayette Plateau Treatment Plant, the Project facilities to be constructed include a 500,000 gallon water storage tank, two other storage tanks, and approximately 60 miles of transmission and distribution mains. In addition, WVAWC's current treatment facilities in Oak Hill, Mossy, and Ansted will be removed from service, and all of these systems will receive water from the Fayette Plateau Treatment Plant. See *Pre-filed Testimony of David*

B. Schultz.

On August 21, 1997, the Affiliated Construction Trades Foundation (ACT) filed a petition to intervene in Case No. 96-1477-W-PWD-PC-CN. On August 25, 1997, ACT filed pre-filed testimony and comments on funding with respect to the project proposed in Case No. 96-1477-W-PWD-PC-CN.

On August 27, 1997, the West Virginia-American Water Company (WVAWC) filed its response to ACT's petition to intervene, stating its opposition thereto.

On August 29, 1997, the parties filed with the Commission a letter of understanding setting forth the parties' agreements in principle, subject to the preparation and execution of a joint stipulation in these cases.

By Order issued on September 2, 1997, the Commission granted ACT's petition to intervene with respect to issues relevant to Case No. 96-1477-W-PWD-PC-CN.

The hearing in these matters commenced as scheduled on September 3, 1997 and reconvened on September 5, 1997.

At the hearing on September 3, 1997, WVAWC, Commission Staff and the CAD informed the Commission that they had reached an agreement in

principle regarding the issues in these consolidated cases, and were working together on drafting a written stipulation for filing with the Commission on September 5, 1997. The intervenor, ACT clarified its issues in this case to the Commission and explained that it would not joined in the written stipulation because it did not anticipate that the written stipulation would address its concerns. All of the parties, including ACT, represented to the Commission that they had agreed not to cross-examine each others' witnesses, and that all pre-filed testimony would be offered into the record unchallenged.

Following statements by counsel, numerous members of the public located in the areas to be served by the proposed Project and representing businesses, residents, and local government, made statements in favor of the Fayette Plateau Treatment plant and the Project. No member of the public expressed any opposition to the Project. The hearing was adjourned and continued until September 5, 1997.

On September 5, 1997, the hearing was reconvened, and WVAWC, Commission Staff and CAD offered into evidence the Joint Stipulation and Agreement for Settlement (Stipulation), attached hereto as Attachment 1, in resolution of these consolidated cases. Michael A. Miller, Vice President and Treasurer of WVAWC, testified in support of the Stipulation. Following Mr. Miller's testimony, counsel for the intervenor further clarified the intervenor's concerns as follows: (i) The intervenor requests that in the event that the proposed financing

currently sought by the District proves to be unavailable to the District, and the District incurs greater costs than anticipated in connection with its portion of the Project, then the Use Fee obligation of WVAWC set forth in paragraphs 56, 57, and 58 of the Stipulation, not be limited as proposed in the Stipulation, and (ii) The intervenor requests that the Commission order that in the event the District proposes in the future to sell to WVAWC the facilities constructed and owned by the District in connection with this Project, that such sale be at fair market value.¹

The Commission has reviewed and considered the pre-filed testimony in this case, the Stipulation and the issues raised by ACT. The Commission is of the opinion that the Stipulation is a reasonable resolution of the issues in these consolidated cases, and that it should be adopted. Accordingly, the petitions filed in each of these cases should be approved as provided in the Stipulation.

With respect to ACT's first issue regarding the Use Fee, we note that if the proposed funding for the District's portion of the Project is not obtained, the Joint applicants shall be required by the provisions of this Order to reopen this proceeding for approval of revised financing. At such time, the Commission would consider the reasonableness and sufficiency of the Use Fee as the repayment mechanism for such revised refinancing.

¹The facilities proposed to be constructed by the District are described in the pre-filed testimony of Edward L. Shutt.

With respect to ACT's second issue regarding the possible future transfer of District properties to WVAWC, we similarly note that the District and WVAWC would be required by *West Virginia Code § 24-2-12* to obtain Commission approval for any sale of District assets to WVAWC. If such a transaction is proposed, the public would be provided notice and an opportunity to object to the terms of such sale. Accordingly, we have considered both of ACT's concerns but it is not necessary or appropriate to take any additional action with respect to ACT's concerns at this time.

FINDINGS OF FACT

1. On December 2, 1996, West Virginia-American Water Company (WVAWC), the County Commission of Fayette County (County) and New Haven Public Service District (District) filed a joint application seeking Commission approval of: (1) a proposed operation and maintenance (O&M) agreement between WVAWC and NHPSD; (2) various financial arrangements, including a capital lease, between WVAWC and County; (3) rate making described in the O&M agreement; (4) a certificate of convenience and necessity to construct various facilities (the Project), including a water treatment plan (the Fayette Plateau Treatment Plant); and (5) the County's expansion of NHPSD's service area.

2. The joint applicants also moved to consolidate these proceedings.

3. By Order dated June 24, 1997, the Commission rescinded its previously issued referral order in Case No. 96-1477-W-PWD-PC-CN and retained the consolidated cases for its determination. The Order additionally established a procedural schedule for the cases.

4. The pre-filed testimony in this case indicates that the Project will provide water to approximately 1,600 customers, or over 4,000 people, not currently receiving service from a water supply systems.

5. The new facilities will serve approximately 8,850 customers in total, or over 25,000 people. In addition to the Fayette Plateau Treatment Plant a 500,000 gallon water storage tank, and two other storage tanks, approximately 60 miles of transmission and distribution mains will be constructed. In addition, WVAWC's current treatment facilities in Oak Hill, Mossy, and Ansted will be removed from service, and all of these systems will receive water from the Fayette Plateau Treatment Plant. See *Pre-filed Testimony of David B. Schultz*.

6. On August 21, 1997, ACT filed a petition to intervene in Case No. 96-1477-W-PWD-PC-CN. On August 25, 1997, ACT filed pre-filed testimony and comments on funding with respect to the project proposed in Case No. 96-1477-W-PWD-PC-CN.

7. On August 27, 1997, the West Virginia-American Water Company

(WVAWC) filed its response to ACT's petition to intervene, stating its opposition thereto.

8. On August 29, 1997, the parties filed with the Commission a letter of understanding setting forth the parties' agreements in principle subject to the preparation and execution of a Joint Stipulation.

9. By Order issued on September 2, 1997, the Commission granted ACT's petition to intervene with respect to issues relevant to Case No. 96-1477-W-PWD-PC-CN.

10. The hearing in these matters commenced as scheduled on September 3, 1997 and reconvened on September 5, 1997.

11. At the hearing on September 3, 1997, WVAWC, Commission Staff and the CAD informed the Commission that they had reached an agreement in principle regarding the issues in these consolidated cases, and were working together on drafting a written stipulation for filing with the Commission on September 5, 1997.

12. Also at the September 3, 1997 hearing, the intervenor, ACT, clarified its issues in this case to the Commission and explained that it would not join in the written stipulation because it anticipated that the written stipulation would not address its concerns.

13. All of the parties, including ACT, represented to the Commission that they had agreed not to cross-examine each others' witnesses, and that all pre-filed testimony would be offered into the record unchallenged.

14. Following the statements by counsel, numerous members of the public located in the areas to be served by the proposed Project and representing businesses, residents, and local government, made statements in favor of the Fayette Plateau Treatment plant and the Project.

15. No member of the public expressed any opposition to the Project. The hearing was adjourned and continued until September 5, 1997.

16. On September 5, 1997, the hearing was reconvened and WVAWC, Commission Staff and CAD offered into evidence the Stipulation and Agreement for Settlement, attached hereto as Attachment 1, in resolution of this case.

17. Michael A. Miller, Vice President and Treasurer of WVAWC, testified in support of the Stipulation.

18. Following Mr. Miller's testimony, counsel for the intervenor further clarified the intervenor's concerns as follows: (i) The intervenor requests that in the event that the proposed financing

currently sought by the District proves to be unavailable to the District, and the District incurs greater costs than anticipated in connection with its portion of the Project, then the Use Fee obligation of WVAWC set forth in paragraphs 56, 57, and 58 of the Stipulation, not be limited as proposed in the Stipulation, and (ii) The intervenor requests that the Commission order that in the event the District proposes in the future to sell to WVAWC the facilities constructed and owned by the District in connection with this Project, that such sale be at fair market value.

CONCLUSIONS OF LAW

1. The Joint Stipulation and Agreement for Settlement is a reasonable resolution of the issues in these consolidated cases and should be adopted.

2. The petitions filed in each of these cases should be granted as provided in the Joint Stipulation.

3. With respect to ACT's first issue regarding the Use Fee, if the proposed funding for the District's portion of the Project is not obtained, the Joint applicants shall be required by the provisions of this Order to reopen this proceeding for approval of revised financing. At such time, the Commission would consider the reasonableness and sufficiency of the Use Fee as the repayment mechanism for such revised refinancing.

4. With respect to ACT's second issue regarding the possible future transfer of District properties to WVAWC, the District and WVAWC would be required by *West Virginia Code § 24-2-12* to obtain Commission approval for any sale of District assets to WVAWC. If such a transaction is proposed, the public would be provided notice and an opportunity to object to the terms of such sale.

5. It is not necessary or appropriate to take any action with respect to ACT's concerns at this time.

ORDER

IT IS THEREFORE ORDERED that: (i) the proposed Operation and Maintenance Agreement between WVAWC and the District, (ii) the proposed financing methodology, including the use of Industrial Development Bonds, a capital lease between WVAWC and the Fayette County Commission, and the payment of a Use Fee by WVAWC to the District, (iii) the Step Rate Increases and rate base treatment for the facilities to be constructed, and (iv) the expansion of the District's boundaries, as the foregoing are further described in the Joint Stipulation and Agreement for Settlement attached hereto as Attachment 1, and subject to the contingencies set forth in paragraphs 43, 44 and 46 of the Stipulation, are hereby approved.

IT IS FURTHER ORDERED that the sale of the water utility assets of Salem-Gatewood Public Service District to WVAWC as contemplated by

the Stipulation is hereby approved subject to the contingencies set forth in paragraphs 43, 44 and 46 of the Stipulation.

IT IS FURTHER ORDERED that the joint applications for a certificates of convenience and necessity to construct the facilities described in the Joint Application and the Stipulation are hereby granted contingent upon the contingencies described in paragraphs 43, 44, and 46 of the Stipulation.

IT IS FURTHER ORDERED that the proposed funding of the Project, as contemplated in the Joint Application and in the Stipulation is hereby approved.

IT IS FURTHER ORDERED that if there are any changes to the scope, terms or financing of the Project as contemplated in the Joint Application or in the Stipulation, the joint applicants shall petition the Commission for approval of such changes prior to beginning construction.

IT IS FURTHER ORDERED that the Commission's Executive Secretary shall serve a copy of this Order on all parties of record by First Class United States Mail, and upon Commission Staff by hand delivery.

A True Copy, Teste:



Sandra Neal
Executive Secretary

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

PSC CASE NO. 96-1477-W-PWD-PC-CN

WEST VIRGINIA-AMERICAN WATER COMPANY,
NEW HAVEN PUBLIC SERVICE DISTRICT AND
THE COUNTY COMMISSION OF FAYETTE COUNTY

and

PSC CASE NO. 96-0317-W-PWD-PC

WEST VIRGINIA-AMERICAN WATER COMPANY AND
SALEM-GATEWOOD PUBLIC SERVICE DISTRICT

RECEIVED
MAY 14 1996

JOINT STIPULATION AND
AGREEMENT FOR SETTLEMENT

Pursuant to W. Va. Code § 24-1-9 and Rules 11 and 13.4 of the Rules of Practice and Procedure of the Public Service Commission of West Virginia ("Commission"), West Virginia-American Water Company ("Company"), New Haven Public Service District ("District"), County Commission of Fayette County ("County Commission"), Staff of the Public Service Commission of West Virginia ("Staff"), and Consumer Advocate Division of the Public Service Commission ("CAD")(hereinafter collectively the "Parties"), join in this Joint Stipulation and Agreement for Settlement ("Joint Stipulation") and in support thereof, respectfully represent:

PROCEDURAL BACKGROUND

1. On March 20, 1996, Company and Salem-Gatewood Public Service District ("Salem-Gatewood") filed a joint request for Commission approval of the sale and

transfer of the water utility assets of Salem-Gatewood to Company and approval of the related Purchase Agreement which was attached to and made a part of the Petition. This case was designated Case No. 96-0317-W-PWD-PC ("Salem-Gatewood case").

2. The Purchase Agreement in the Salem-Gatewood case was conditioned on certification of the results of an election pursuant to W. Va. Code § 7-11B-6 regarding a tax increment financing ("TIF") plan for the construction of a portion of the water facilities under the Company's Fayette County Water Plan ("Plan") and on the granting of a certificate of convenience and necessity for the construction of the Fayette Plateau Regional Treatment Plant ("Plant") by the Commission pursuant to orders acceptable to Company.

3. On July 31, 1996, Company filed a Motion for Continuance of the hearing then scheduled for the Salem-Gatewood case and for an extension of the due date of the decision of the Administrative Law Judge ("ALJ"). The Motion stated that due to an Order entered by the Supreme Court of Appeals of West Virginia finding W. Va. Code § 7-11B-6, the TIF legislation, to be unconstitutional, the sale could not be completed under the Agreement submitted to the Commission. The Motion also stated that Company was examining other options available in order to provide a means to accomplish the purchase of the assets of Salem-Gatewood, and that Company would amend the Agreement and submit the same for Commission approval when an alternate financing plan had been adopted.

4. On August 6, 1996, the Commission entered an Order extending the ALJ decision due date until December 30, 1996.

5. On August 6, 1996, ALJ Anderson issued a Procedural Order in the Salem-Gatewood case generally continuing the hearing and requiring the joint petitioners to

submit a status report on or about October 16, 1996, if a modified agreement had not been submitted to the Commission prior to that date.

6. On October 15, 1996, Company filed a letter with the Commission stating that Company was attempting to finalize a County-wide water plan for Fayette County and would be filing an Application for a Certificate of Convenience and Necessity for the construction of certain water treatment, distribution and transmission facilities to serve the Fayette Plateau Region of Fayette County incident to the Plan.

7. The letter also stated that this filing would entail a different funding arrangement than the TIF plan originally contemplated by Company, that the plan would be conditioned on finalization of that funding arrangement, and that Company would move to consolidate the two cases.

8. On December 2, 1996, Company, the County Commission and the District filed a Joint Application with the Commission seeking approval of (i) a proposed Operation and Maintenance Agreement ("O&M Agreement") between Company and the District, (ii) a financing methodology and associated transactions, including the use of Industrial Development Bonds ("IDBs"), a capital lease ("Capital Lease"), between Company and the County Commission and the payment of a "Use Fee" to the District; (iii) the ratemaking described in the O&M Agreement, including the approval of certain Step Rate Increases and rate base treatment for the facilities to be constructed and acquired by Company under the Plan ("Company Facilities"), to be conveyed to the County Commission and owned by the County Commission, and to be leased to Company by the County Commission under the Capital Lease; and (iv) an Order of the County Commission proposing

to expand the boundaries of the District to include the current geographic territories of Salem-Gatewood, the Mossy Public Service District and Beckwith Public Service District. A waiver of any prefiling requirements was also requested. This case was designated Case No. 96-1477-W-PWD-PC-CN.

9. In addition to seeking the approval of the items listed in paragraph 8, Company and the District also requested Certificates of Convenience and Necessity to construct certain facilities, including the Plant and related raw water intake structure, to be constructed or acquired by Company or to be constructed by the District (all of such Company and District facilities hereinafter being collectively referred to as the "Project") necessary to provide potable water to the unserved or inadequately served areas of Fayette County contemplated by the Plan.

10. Company and Salem-Gatewood also requested that the funding proposed in this Joint Application be considered as an amendment to the funding methodology provided in the Joint Petition filed in Case No. 96-0317-W-PWD-PC, and a Motion filed with the Joint Application requested that Case No. 96-0317-W-PWD-PC be consolidated with Case No. 96-1477-W-PWD-PC-CN for further processing before the Commission.

11. On December 5, 1996, the Commission directed that a Notice of Filing was to be published once in a newspaper of general circulation in Fayette County. An Affidavit of Publication was required to be filed with the Commission immediately after publication of the Notice of Filing.

12. On December 13, 1996, the Consumer Advocate Division filed a Petition to Intervene in this case.

13. On December 23, 1996, the Commission entered an Order consolidating Case No. 96-0317-W-PWD-PC and Case No. 96-1477-W-PC-CN.

14. On February 26, 1997, the ALJ issued a Procedural Order granting CAD's Petition to Intervene and scheduling this case for hearing on April 28, 1997. The Order also stated that mandatory prefiling requirements had not been met and, accordingly, the District was required to publish a Class II Notice complying with the provisions of W. Va. Code § 16-13A-25. The ALJ required that the Notice provide as the date of filing of the Application for a Certificate of Convenience and Necessity the date thirty days after the date of second publication. The Executive Secretary of the Commission was ordered to consider the date of filing of the Application for a Certificate of Convenience and Necessity as thirty-one days after the date of the second publication.

15. On April 1, 1997, Company filed an Affidavit of Publication evidencing publication of the Notice of Filing on March 10 and March 17, 1997, in The Fayette Tribune. This publication satisfied the requirements of W. Va. Code § 16-13A-25.

16. On April 17, 1997, Company filed a letter stating that the Parties, in order to facilitate the orderly processing of this case, had agreed that this case should be heard on a date later than the scheduled hearing date of April 29, 1997. The letter also stated that July 29, 1997 was agreeable to the Parties and that Company would file a Petition to Redesignate the Filing Date for the Application for a Certificate of Convenience and

Necessity as of February 1, 1997, which would enable the Commission to enter a Final Order by the end of October 1997.

17. On April 18, 1997, Company filed a Motion to Redesignate the Filing Date of the Application for a Certificate of Convenience and Necessity to February 1, 1997, and to extend the ALJ decision due date until September 1997.

18. On April 23, 1997, the Commission granted the Motion to Redesignate Filing Date, redesignated the filing date of Case No. 96-1477-W-PWD-PC-CN as February 1, 1997, and extended the ALJ decision due date to September 30, 1997, in Case No. 96-1477-W-PWD-PC-CN. On April 24, 1997, the Commission issued a Further Order extending the ALJ decision due date to September 30, 1997, in Case No. 96-0317-W-PWD-PC.

19. The ALJ issued a Procedural Order on April 25, 1997, setting these consolidated cases for hearing.

20. On April 25, 1997, the Commission issued an Order canceling the hearing scheduled for April 28, 1997, and rescheduled the same for July 29, 1997.

21. On June 4, 1997, Company filed a Motion for the Commission to hear and decide these consolidated cases, and on June 9, 1997, CAD filed a Response to Company's Motion stating that CAD had no objection to the relief sought by Company.

22. On June 24, 1997, the Commission issued an Order rescinding the December 23, 1996, Order referring the consolidated cases to the ALJ Division and established that the Commission would hear the consolidated proceedings. The Order also

fixed a procedural schedule for the consolidated proceedings and scheduled a hearing for September 3-5, 1997.

23. On August 20, 1997, the Affiliated Construction Trades Foundation ("ACT") filed a Petition to Intervene.

24. On August 27, 1997, Company filed a Response in Opposition to the Petition to Intervene filed by ACT.

TESTIMONY OF WITNESSES

25. On August 22, 1997, the Parties filed the following testimony and exhibits:

<u>Company Witnesses:</u>	<u>Nature of Testimony:</u>
Chris E. Jarrett	Policy witness; historical and background development of the Project; needs of the County addressed by the Project; and the status of Plans and Specifications.
David B. Schultz	Company Engineering approach to Project; distribution, transmission and storage; necessity for Project; Company perspective on design engineering analysis; and Plans and Specifications.
John S. Young	Design and cost of the Project; preparation and description of Design Concept; cost savings analysis; plant capacity; treatment process; raw water characteristics and intake structure; process enhancements incorporated into Project; selection of engineering design; schedule for development of Plans and Specifications; and evaluation of engineering consultant proposals.
Allen Parsley	Technical aspects of transmission, distribution and storage for Project on south side of New River Gorge.

Dr. Mark A. Thompson Projected economic impact associated with proposed water service improvements from the Project in Fayette County.

Michael A. Miller Revenue requirement; Special Project Step Rates; accounting and ratemaking issues associated with the financing methodology, including the use of IDBs, Capital Lease and Use Fee; and the possible changes to Company's General Mortgage Bond Indenture ("Indenture").

Lee O. Hill Impact and disposition of Tax Increment Financing; concept, operation and tax and accounting treatment of IDBs in complex financings; and amendments necessary to Company's Indenture.

District and County
Commission Witnesses: Nature of Testimony:

Edward Shutt Historical involvement with Project and description of engineering and facilities for the portion of Project serving north side of New River Gorge.

John Witt Approval and support of Project by County Commission of Fayette County.

David Pollard Necessity of Project for orderly development of Fayette County and impact on and service to unserved and under served areas of Fayette County.

W. D. Smith Involvement and support of Project by Region IV Planning and Development Council and nature of public/private effort for the Project.

CAD Witnesses: Nature of Testimony:

Darryll R. Bauer Evaluation of Project; Project Recommendations; and Sponsorship of CAD Report on Project.

Bruce H. Leymaster Financial evaluation of Project for CAD Report.

Staff Witnesses:

Nature of Testimony:

Thomas L. Wagoner

Staff recommendation regarding financial impact of Project upon Company and customers.

James E. Spurlock

Staff engineering report and cost estimates regarding scope, need and feasibility of Project.

26. Staff, at the time that it filed its Direct Testimony in the case, also filed a Motion to Dismiss Company's case on the basis that Company had failed to file Plans and Specifications.

27. In addition to the testimony of witnesses for the Parties, on August 22, 1997, ACT filed the testimony of Michael Kavanaugh.

28. On August 29, 1997, Company filed the rebuttal testimony of Messrs. Jarrett, Schultz, Young, Parsley and Miller to the testimony and exhibits filed by Staff and CAD.

DISCOVERY AND NEGOTIATIONS

29. There has been extensive discovery in this case, particularly by CAD. CAD, upon the filing of this case and the establishment of a procedural schedule, requested a meeting between CAD's expert witnesses, Messrs. Bauer and Leymaster, and Company personnel. That meeting was held, and at that meeting Company explained the Project to Mr. Bauer and responded to the questions posed by Messrs. Bauer and Leymaster.

30. Messrs. Bauer and Leymaster also toured the proposed service territories of Company and the District; toured the existing Oak Hill and Ansted Treatment Plants; and asked additional questions about the Project. CAD also served approximately

56 multi-part Interrogatories, Data Requests or Requests for Clarification on Company, all of which Company attempted to answer within the time frame specified by CAD.

31. Staff's discovery consisted mainly of informal discovery related principally to the financing and ratemaking issues involved in the Project. Staff formally requested copies of the Plans and Specifications and, as indicated above, Staff took the position that Company's failure to file formal Plans and Specifications made it difficult for Staff to assess the engineering and financial impact of the Project.

32. In addition to the formal and informal discovery discussed above, the Parties and ACT attended a prehearing conference on Thursday, August 28, 1997, at which conference all aspects of the Project were discussed by the Parties. At that conference, the Parties also reviewed and discussed legal and factual differences about the Project and the development of these cases and attempted to narrow the issues to be litigated at the proceedings scheduled to commence before the Commission on September 3, 1997.

33. Following lengthy discussions at that prehearing conference, the Parties reached an agreement in principle about a settlement of this proceeding and agreed to submit a letter of understanding to the Commission outlining the general terms and conditions of the proposed resolution and settlement of the issues in this case.

34. By letter dated August 29, 1997, executed by Counsel for Company, CAD and Staff, the Parties tendered the letter of understanding to the Executive Secretary of the Commission for distribution to the Commission. The Parties expressly agreed that the letter of understanding was subject to the preparation and execution of this definitive Joint Stipulation.

DISCUSSION AND RESOLUTION OF CASE

35. The Project is a complex, region-wide undertaking involving a multi-party agreement between public entities and the Company. The Project has changed in scope and format over the years during which it has been under consideration by Company and the various public partners in the Fayette Plateau Region of Fayette County. It is this changing nature of the Project and of the participants in the Plan which has caused some of the procedural difficulties described in the earlier paragraphs of this Joint Stipulation and also created some of the conflicts between and among the Parties which are being resolved by this Joint Stipulation.

Size of the Proposed Treatment Plant Facility.

36. At the time of the original submission of the Joint Application to the Commission, Company anticipated constructing a 5 MGD (expandable to 15 MGD) water treatment plant similar in many respects to Company's recently completed Bluestone Treatment Plant; however, because Company also planned to prepare a Design Concept and to distribute that Design Concept with a Request for Proposal and Design Concept to a group of four highly qualified engineering firms, Company met with CAD to discuss the concerns expressed by CAD about the proposed size of the Plant.

37. Following discussions and negotiations with CAD about the likely demand to be experienced in the Fayette Plateau Region and about concerns about the proposed size of the Plant, Company elected to prepare a Design Concept for a 4 MGD Plant. On May 12, 1997, Company forwarded a Request for Proposal and Design Concept ("RFP") to the List of Consultants attached to that RFP, and provided a copy of that RFP to

Staff and CAD by letter dated May 19, 1997. That RFP is incorporated by reference in this Joint Stipulation as Exhibit A.

38. As detailed in the testimony of Mr. Young, Company's Design Concept, which was incorporated into the RFP, proposed certain items for consideration in the RFP which were potential cost savings measures resulting from the Weston and Bluestone Plants. The RFP also provided for the construction of a 4 MGD plant, but, under the RFP, certain components of the Plant which cannot be cost-effectively upgraded in the future will be designed and constructed with reserve capacity, including, for example, the hydraulic capacity of the Plant which will be 6 MGD and the raw water intake and pipeline which will accommodate future plant expansion without substantial upgrades.

39. Subject to a review of the Plans and Specifications as detailed in paragraphs 40 to 45 below, the Parties stipulate and agree that the Plant should receive a certificate of convenience and necessity; that the Plant should be certificated and constructed with a 4 MGD capacity as detailed in the RFP; and that the related facilities should be sized as described in the RFP, the testimony of Mr. Young and this Joint Stipulation.

Certificate Contingent on Submission of Plans and Specifications.

40. One of the key issues in dispute between Company and Staff has been the lack of Plans and Specifications submitted with the Joint Application. Staff takes the position that Commission case precedent and the Rules of the Commission require that Plans and Specifications, or an otherwise "full description of the proposed new construction or extension" pursuant to Rule 10.3, be included with the Application for a Certificate or af

least be submitted in time for Staff to review the Plans and Specifications prior to the hearing.

41. Company has taken the position that the Rules require only that the Joint Application contain a "description of the new construction including the manner in which the same shall be constructed"; that requirement is satisfied by the information supplied by the Joint Application and the RFP; and that nothing in the Rules specifically requires the submission of Plans and Specifications with the Joint Application or prior to the granting of a Certificate of Convenience and Necessity. Further, Company has asserted that the numerous uncertainties in the funding, ratemaking treatment, and size and nature of the Plant make it imprudent for Company to expend the substantial amount necessary for the completion of Plans and Specifications prior to obtaining some indication from the Commission about whether the Commission would be otherwise prepared to approve the Project.

42. The dispute about the existence of and need and timing for submission of Plans and Specifications by Company on various Company projects, including the Project, has been a source of continuing strain between Company and Staff. The Parties, in their discussion about the possible settlement of the issue of Plans and Specifications in this proceeding, agreed that a resolution of the issue of Plans and Specifications in this case should also suggest a mechanism or set of parameters for the handling of Plans and Specifications in future filings by Company, either for its own certificated construction projects or in public/private partnerships with other entities.

43. As a resolution of the issue of Plans and Specifications in this case, and without prejudice to the position of the Parties about the need for Plans and Specifications in future proceedings, the Parties recommend that the Commission, in this proceeding, issue a Certificate of Convenience and Necessity for the Project, including construction of the Company Facilities and the District Facilities, contingent on the submission of the final Plans and Specifications for the Treatment Plant related raw water intake structure, and transmission and distribution facilities to be prepared pursuant to the RFP discussed earlier, which Plans and Specifications Company anticipates having prepared for submission during February 1998.

44. Upon receipt of those Plans and Specifications by Company in February 1998, the Parties stipulate, agree and recommend that the Parties shall have a period of thirty (30) days from the date of such submission to request a reopening of this certificate case and (i) a change in such Plans and Specifications from Company or (ii) a further hearing before the Commission on such Plans and Specifications in order to challenge any portion of such Plans and Specifications. In the event that no such change or hearing is requested, the Plans and Specifications shall be deemed approved thirty (30) days following submission of the Plans and Specifications.

45. The Parties further stipulate and agree, as a part of the proposed settlement of this proceeding, that Company, Staff and CAD will submit to the Commission, within ninety (90) days of an Order approving this Joint Stipulation, a recommended procedure for handling Plans and Specifications in future proceedings involving Company, either for its own projects or for projects in which it is engaged in public/private partnerships

with other public entities. If the parties are unable to agree on a recommended procedure, Company, Staff and CAD will seek direction from the Commission through a formal case filing.

Bid Prices Consistent with Estimated Costs of Construction.

46. The Parties further agree and stipulate that the Certificates of Convenience and Necessity to be issued in this case for Company and the District's portion of the Project should be further contingent on the receipt of bid prices which shall be consistent with the detailed prices submitted in Company's Design Concept, RFP, and the Joint Application and related exhibits. In the event that the total bid price for Company Facilities or for the District Facilities exceed the amounts set forth in the Joint Application or the RFP for Company or the District's portion of the Project, Company or the District shall be required to return to the Commission to explain such bid price discrepancies or suggest other ways of completing the Project within the estimates originally submitted before commencing construction on that portion of the Project.

Special Step Rate Increases for Company Facilities.

47. Company in the Joint Application in this case has requested the right to implement Special Project Step Rate Increases for Company Facilities. The Project is one of the specifically identified projects referred to in the Joint Stipulation and Agreement for Settlement submitted and approved by the Commission in West Virginia-American Water Company, Case No. 95-0228-W-42T. Further, the Special Project Step Rate Increase methodology proposed in this case is identical in all respects, except for the timing of the implementation of those Step Rate Increases, with the Special Project Step Rates approved

for use in Company's Bluestone Treatment Plant, West Virginia-American Water Company,
Case No. 94-0098-W-PWD-PC-CN.

48. The Parties stipulate, recommend and agree that the Step Rates for Company's portion of the Project be implemented under the following terms and conditions and on the following approximate time frames:

A. An incremental increase in rates to be included in Company's general rate case to be filed in 1998 ("1998 Rate Case") for the cost of the first portion of the Plant to be constructed. Company will be afforded terminal rate base treatment in the 1998 Rate Case for the actual and estimated Construction Work in Progress ("CWIP") expended on that portion of the Project financed directly by Company through December 31, 1998, such rates to become effective on or about January 1, 1999;

B. An additional incremental increase in rates, to be effective July 15, 1999; to be based upon actual CWIP at May 31, 1999, adjusted by a true-up for the portion of the estimated CWIP recognized in the 1998 Rate Case; and to be spread volumetrically based on the Company's water sales volume recognized in the 1998 Rate Case; and

C. A final incremental increase in rates, at the in-service date of Company Facilities, based upon total CWIP expended on the portion of the Project financed by Company. The final incremental increase will be included as a stand alone increase; provided, however, that if Company makes a general rate filing in 1999 ("1999 Rate Case"), the final incremental increase of the cost of Company's portion of the Project shall be included as, and given rate base recognition as, terminal rate base in that rate filing.

49. The estimated amount and timing of such increases, based on the current estimated cost of Company's portion of the Project and assuming construction of the Project beginning on or about June 1, 1998, and substantial completion on or about January 1, 2000, are reflected on Exhibit B attached to and incorporated in this Joint Stipulation.

50. Prior to the CWIP discussed above being included in any of the above rate changes, the Company shall be permitted to calculate and include in that CWIP an

allowance for funds used during construction ("AFUDC") on the amounts expended during construction.

51. The Company agrees that the return for computing Step Rates as herein agreed will be based on the Company's return on common equity and the actual debt and preferred stock cost approved as a part of the Company's 1998 Rate Case and 1999 Rate Case, if applicable.

52. From and after the time that the CWIP related to the Project has been included and recognized in rates as described above in paragraph 48, the capital cost recovered in base rates shall be credited against AFUDC calculated on the Company's books.

53. The Parties stipulate agree that under no circumstances will the total incremental increases in rates provided in subparagraphs A through C of paragraph 48 above exceed the revenue requirement on (i) \$23.346 million of investment reflected in the Joint Stipulation for Company's portion of the Project, as adjusted for the increased cost of the Project attributable to the change in AFUDC associated with the new implementation dates for those three incremental increases, and (ii) the use fee of \$380,000 per year provided in the Joint Application and discussed in paragraphs 55 through 60 below.

54. In the event that the cost of Company Facilities exceed the \$23.346 million, adjusted for the increased cost of the Project attributable to the change in AFUDC discussed in the Joint Application and paragraph 53 above, Company shall have the right to seek rate base treatment for the excess over such amount upon a proper showing in a subsequent general rate case that Company should be entitled thereto. Staff and CAD shall

be free to raise any legal or factual arguments in support of or in opposition to such additional amount.

Approval of Financing Methodology Using IDBs, Capital Lease and Use Fee.

55. Company, the County Commission, and the District, in the Joint Application, proposed the use of IDBs, a Capital Lease and a Use Fee to assist in the financing of the Project. The treatment and methodology for the IDBs and Capital Lease are described in the testimony of Company witnesses, Messrs. Miller and Hill. Essentially, Company will construct or acquire all of the facilities identified as the "Company Facilities" in the Joint Application, using Company's standard mix of debt and equity. After completion of the construction or acquisition of Company Facilities, those facilities will be conveyed to the County Commission in exchange for IDBs of the County Commission.

56. After the County Commission has title to those properties, the County Commission will lease those facilities to Company under a Capital Lease, and Company will operate those leased facilities as a part of Company's utility system. Because the newly-constructed or newly-acquired Company Facilities conveyed to the County Commission and owned by the County Commission are not subject to property taxes, Company has agreed to pay to the District a Use Fee for the use of District Facilities to be constructed by and owned by the District.

57. This Use Fee initially is calculated at the approximate avoided property tax on Company Facilities conveyed to the County Commission; however, unlike a property tax which would otherwise decline over time because of the depreciation expense which

would be applicable to those facilities, the Use Fee will remain fixed during the term of the O&M Agreement.

58. The Use Fee paid to the District will provide an income stream to the District sufficient to permit the District to service bonds which the District will sell to raise capital to construct the District Facilities. The Use Fee remains constant over the 40-year life of the O&M Agreement under which Company has agreed, at the cost and expense of Company, to operate, repair, maintain, and replace the District Facilities and provide water to the customers of the District at a rate designed to mirror the rates and charges of Company approved from time to time by the Commission.

59. The Parties agree and stipulate that the funding mechanism proposed in the Joint Application and set forth in this Joint Stipulation, including the use of IDBs, a Capital Lease and the Use Fee, is fair and reasonable, will provide sufficient funding to complete the Project, will provide a vehicle for providing service to the customers of the District to be served under the O&M Agreement, and is similar to the funding mechanism approved by the Commission in the Bluestone Project.

60. The Use Fee of \$380,000 provided in the Joint Application for the use of the District Facilities is fair and reasonable and will provide the basis for the construction of the District 's portion of the Project at a fair and reasonable basis.

61. The Parties stipulate, agree and recommend that Company receive rate base recognition for the utility property leased by Company from the County Commission under the Capital Lease and that the recognition of the utility property under the Capital Lease as rate base for Company is fair and reasonable, does not result in any unfair or unjust

imposition of rates or charges on Company or the District's customers, and should be approved by the Commission.

Approval of Salem-Gatewood Transaction.

62. The Parties also stipulate, agree and recommend to the Commission that the Commission approve the Joint Application for consent to the sale of the water utility assets and for approval of the related Agreement of Purchase between Company and Salem-Gatewood.

63. The Salem-Gatewood case is similar to other acquisitions of the water utility assets of public service districts and is essentially on terms and conditions approved by the Commission in those other transactions.

Unaccounted for Water

64. In the CAD Report on the Fayette Water Project, CAD witness Darryll Bauer raised questions concerning (i) the appropriate level of unaccounted for water which should be allowed by the Commission rules; (ii) proper accounting for unaccounted for water; and (iii) the level of unaccounted for water experienced by some of the entities participating in the Fayette County Project. The Parties agree that they will continue to discuss these issues in an attempt to reach a mutually agreeable solution for this and future projects. By entering into the agreement contained in this paragraph, none of the Parties limits the rights they may have to petition the Commission for amendment or clarification of existing rules concerning unaccounted for water.

ACCEPTANCE BY THE COMMISSION

65. This Stipulation is entered into subject to the acceptance and approval of the Commission.

66. Except to the extent otherwise provided in this Joint Stipulation, the Joint Stipulation is made without admission or prejudice to any positions which any party might adopt during subsequent litigation, including any further litigation in this case, except that the Parties agree to be bound by any procedure relating to Plans and Specifications submitted to and approved by the Commission.

67. The parties adopt this Stipulation as in the public interest, without agreeing that any of the positions set forth herein shall be applicable to future proceedings. The parties acknowledge that it is the Commission's prerogative to accept, reject, or modify any stipulation. However, in the event that this Stipulation is rejected or modified by the Commission, it is expressly understood by the parties that they are not bound to accept this Stipulation as modified or rejected, and may avail themselves of whatever rights are available to them by law and the Commission's Rules of Practice and Procedure, and may pursue fully all issues and positions herein, as if no proposed Stipulation existed.

WHEREFORE, Company, the District, the County Commission, Staff and CAD, on the basis of all of the foregoing, respectfully request that the Commission make appropriate Findings of Fact and Conclusions of Law adopting and approving this Stipulation.

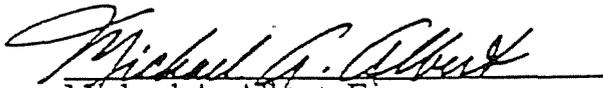
Respectfully submitted this 4th day of September 1997.

WEST VIRGINIA-AMERICAN WATER
COMPANY

NEW HAVEN PUBLIC SERVICE DISTRICT

COUNTY COMMISSION OF FAYETTE
COUNTY

By Counsel



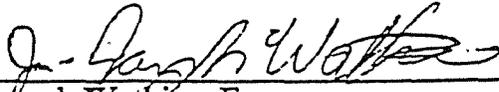
Michael A. Albert, Esq.
Chris L. Callas, Esq.
JACKSON & KELLY
1600 Laidley Tower
P. O. Box 553
Charleston, West Virginia 25322

Travers R. Harrington, Esq.
JESSER & HARRINGTON
P. O. Drawer 450
Fayetteville, WV 25840

Philip J. Tissue, Esq.
HAMILTON, BURGESS, YOUNG,
TISSUE & POLLARD
One Hamilton Place
P. O. Box 1145
Oak Hill, West Virginia 25901

STAFF OF THE PUBLIC SERVICE
COMMISSION OF WEST VIRGINIA

By Counsel



J. Joseph Watkins, Esq.
STAFF, PUBLIC SERVICE COMMISSION
201 Brooks Street
P. O. Box 812
Charleston, West Virginia 25323

CONSUMER ADVOCATE DIVISION OF
THE PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA



Billy Jack Gregg, Esq.
CONSUMER ADVOCATE DIVISION
7th Floor, Union Building
723 Kanawha Boulevard, East
Charleston, West Virginia 25323

CHASFS3:103882

**WEST VIRGINIA-AMERICAN WATER COMPANY
 CALCULATION OF INCREASED REVENUE REQUIREMENT FOR
THE FAYETTE PLATEAU REGIONAL WATER PROJECT**

**Water Systems to be Acquired and New Main Extensions, Plus
 Estimated Customers to be Served:**

(1) Town of Ansted - 721; (2) Mossy PSD - 235;
 (3) Salem/Gatewood - 786; (4) Beckwith PSD - 250;
 (5) New Haven PSD - 920; (6) Main extensions to serve
 Turkey Creek, Big Creek, Sanger, Hawks Nest and
 Meadow Fork - 105; and (7) customers added by interconnecting
 systems - 318

**Estimated Revenue Requirement to be Included as Part of
 the General Rate Increase Estimated to Become Effective
 on or About January 1, 1999:**

	(000)
Estimated CWIP @ 12/31/98	\$12,329
Less: Rule 5.5 for the Ansted acquisition (721 customers x \$1,060)	- 764
	<u>\$11,565</u>
Overall	x 9.24%
	\$ 1,069
Revenue conversion factor	x 1.34
Estimated revenue requirement effective 1/1/99	<u>\$ 1,432</u>
Estimated percent increase required	<u>2.24%</u>

Estimated Revenue Requirement on Second Step Rate (Eff. 7/15/99):

Estimated CWIP @ 5/31/99	\$19,112
Less: Rule 5.5 for the Ansted acquisition (721 customers x \$1,060)	- 764
	<u>\$18,348</u>
Overall	x 9.24%
	\$ 1,695
Revenue conversion factor	1.34
Estimated revenue requirement effective 7/15/99	<u>\$ 2,272</u>
Estimated percent increase required	<u>1.31%</u>

Estimated Revenue Requirement for this Project:

Investment required	\$23,346
Additional AFUDC attributable to the change in effective date of project rates	<u>164</u>
	\$23,510
Less: Depreciation	400
Deferred income tax	<u>140</u>
	\$22,970
Less: Rule 5.5 investment per customer \$1,060 x 3,335	<u>- 3,535</u>
	\$19,435
Overall return last approved by PSC	<u>x 9.24%</u>
	1,796
Revenue conversion factor	<u>x 1.34</u>
	2,406
"Use fee" public sector	380
Depreciation \$20,499 x 2%	<u>400</u>
Increased revenue requirement to service investment	<u>\$ 3,186. (A)</u>
Estimated company going-level revenues	<u>\$64,000. (B)</u>
Estimated percent increase (A) ÷ (B)	4.98%
Less: First and second step increase	<u>3.55%</u>
Estimated increases for "true-up"	<u>1.43%</u>

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 28th day of October, 1994.

CASE NO. 94-0098-W-PWD-PC-CN

WEST VIRGINIA AMERICAN WATER COMPANY;
THE COUNTY COMMISSION OF MERCER COUNTY;
THE COUNTY COMMISSION OF SUMMERS COUNTY;
THE CITY OF HINTON, WEST VIRGINIA; THE
CITY OF PRINCETON, WEST VIRGINIA; and
OAKVALE ROAD PUBLIC SERVICE DISTRICT.

Application for a certificate of convenience and necessity to construct a new treatment plant and for approval of operating agreement incidental thereto.

COMMISSION ORDER

On February 14, 1994, West Virginia-American Water Company (Company), the Mercer County Commission (Mercer County), the Summers County Commission (Summers County), the City of Hinton (Hinton), the City of Princeton (Princeton), and Oakvale Road Public Service District (District), filed with the Commission a joint application for a certificate of convenience and necessity for the construction of certain water treatment transmission, distribution and storage facilities to provide potable water to currently unserved areas and to improve water service to other residents. The applicants also filed a joint petition for the Commission's consent and approval of an agreement between the Company and the District. It requested ratemaking approval of rates described in that agreement and the joint application.

A hearing was held on the matter on October 13, 1994 with the Company, the District, Staff and the Consumer Advocate Division (CAD) participating. The proposed project includes two phases with an originally estimated total cost of approximately \$23,954,000.¹ Only issues relating to Phase I are currently before the Commission. Under Phase I of the project, the Company will construct a raw water intake structure, related raw water line, a 5 million gallon a day

¹On October 26, 1994, the Company indicated to the Commission that project estimates had to be substantially increased because bids on the Company's portion of the project came in \$12,100,000 over estimates. The Company continues to support the project despite the large unexpected increase in project costs. Staff and CAD have likewise indicated that they have not changed their positions as a result of the increase.

(MGD) treatment plant, and the necessary piping to provide service to Hinton, Princeton, Pipestem State Park and unserved areas along the transmission mains. The District will construct transmission and distribution lines through its territory and a 500,000 gallon storage tank. Phase I construction will enable the Company and the District to serve approximately 600 customers who are not currently receiving water service. Phase II of the project involves the installation by the District of additional distribution mains to serve approximately an additional 705 customers.

There is little dispute as to the issue of need. The project will provide a large source of potable water for Mercer and Summer Counties and provide service for a significant number of unserved customers. The treatment plant is designed to be expandable to treat up to 15 MGD. The source of raw water will also accommodate that volume of water. The plant will provide a basis for future expansion of water service in the area. The project will allow the Company to forego major renovations of its Hinton and Princeton treatment plants which are nearly one hundred years old and in need of extensive upgrades. The project will supply additional water for the Pipestem resort which is currently unable to further expand due to limitations of available potable water. We believe that the parties have demonstrated a need for Phase I of the proposed project.

In the application, the Company requested special rate treatment for the project. Staff, CAD and the Company underwent significant negotiations concerning the proposed special rate treatment. The parties compromised and entered into a partial joint stipulation which addressed certain ratemaking issues. The parties presented the stipulation to the Commission for review on May 31, 1994. The Commission, on June 29, 1994, ordered the Company to publish relevant facts about the proposed stipulation in all the counties where the Company operates. Only one individual filed a letter of protest concerning the stipulation. The Commission ordered the parties to provide supporting testimony for the stipulation at hearing. The stipulation allows the Company to implement two rate surcharges to include in rates the impact of the Company's construction expenditures. The stipulation establishes a certain procedural mechanism to allow Staff, CAD and Commission review and involvement in determining the exact amount of a proper surcharge. We believe that the special rate treatment, as outlined in the stipulation, is appropriate because of the unusual scope and complexity of the project. We believe that, under the circumstances in this case, that the rate treatment is reasonable and in the public interest. By approving this particular rate treatment, we are not intending to modify the Commission's approach to traditional ratemaking. It is just that this particular project justifies a different ratemaking treatment. We will accordingly adopt and approve the partial stipulation filed by the parties on May 31, 1994.

Also at issue in this proceeding is a special surcharge which the Applicants propose to charge the new District customers served by the project. The surcharge (which is estimated to be about \$10 a month for an average customer) will be used to pay off the loan the District needs to complete the project. Other than the approximate \$1.5 million loan, the District is constructing its facilities with grant money. Staff argues that the Company should pick up the \$1.5 million and collect it from all of its ratepayers. The Company argues that its average investment per new customer should not exceed \$1,500 which is its current imbedded average investment per customer. It argues that other similar private-public projects throughout the state have used similar surcharges which have been approved by the Commission. It argues that its current customer base should not be used as a tool for future development and expansion of water service to new unserved areas. Finally, it argues that there has not been a complaint by the new customers at issue regarding the surcharge. We believe that the proposed surcharge is a reasonable and necessary method of financing the money needed to complete the project. The Company is already investing well over the \$1,500 per anticipated new customer.² The \$1,500,000 funding gap occurred on the public side of the project with the District needing to borrow additional funds to complete its portion of the project. The new District customers are the persons which most directly benefit from the District's portion of the project. It is reasonable to apply a surcharge upon their bills to complete the funding. We believe that the amount of the surcharge must be reasonable. The estimated monthly surcharge for the average user (4,500 gallons a month) is ten dollars. We believe that a ten dollar monthly surcharge is reasonable and justified in this case³. We note that none of the prospective new customers have complained about the proposal surcharge. We are concerned that the exact amount of the surcharge cannot yet be determined because the project is in too preliminary a stage. An average surcharge of ten dollars a month is acceptable. A much higher surcharge may not be acceptable. We will accordingly approve the surcharge as a necessary and reasonable part of this project. We will, however, condition the issuance of any certificate upon the average monthly surcharge being ten dollars or less.

²The Company's investment per new customer appeared to be in the \$1,500 range until the recent increase in the cost of the project as a result of the receipt of bids. Now the Company's investment per new customer is well over the \$1,500 range.

³We are less than comfortable with any surcharge. If the parties are able to devise some mechanism to reduce this surcharge or even eliminate it by finding an additional source of public funding, the Commission would welcome such a change.

The Staff also challenges whether the District's certificate case is ready to be properly considered. Many of the District's plans and specifications are simply not yet available. Staff fears that customers may be inappropriately removed from the project if yet another financial gap appears. The District has failed to take action to cause its boundaries to be increased. At least one of the District's small cities block grants has not yet been filed with the Commission. The District has only recently converted its filing from a pre-filing to an actual certificate case. The District failed to make the necessary publication in accordance with the W.Va. Code §24-2-11 until the week of hearing. The Code provision provides for a thirty day period for protests after publication. That period will not even expire until after the statutory deadline in the Company's case. The Staff has moved the Commission to bifurcate the proceeding in order to consider the District's case at a later date. The Company has opposed the motion to bifurcate arguing that the project is a single project which must be decided together and that the District's portion of the project is fairly routine as far as the engineering issues go. There is much merit to the Staff's motion. The District's case is premature for a complete examination. We are nevertheless willing to issue both certificates. However, given the state of the District's case and the record, we are obligated to put certain conditions on the District's certificate. The District's certificate is contingent upon the following:

- a) proper enlargement of District boundaries;
- b) the ultimate surcharge for District customers must not exceed ten dollars a month for the average residential user;
- c) the District must file with the Commission its commitment of funding including all grants;
- d) the District and Company must file with the Commission all necessary permits;
- e) bids for the District's portion of the project must not exceed \$9,000,000;
- f) Commission review and approval of detailed final plans and specifications for all transmission and distribution lines; and
- g) the absence of any substantial protests received within thirty days of publication by the District of its notice as required by W.Va. Code §24-2-11.

The Commission is willing to issue the conditional certificate because we are convinced that the project as described by the parties is in the public interest. We are also reluctant to delay approval of the certificates. However, it is critical that the parties fulfill the conditions required to finalize the certificate. The Commission has a statutory obligation to review a sufficient amount of information to protect the public interest.

We believe that the Company has presented enough information to justify issuing its certificate. However, since the project is a single project with the utility of each portion of the project dependant upon the whole, we believe that the Company's certificate must be contingent upon the District's fulfilling the conditions placed upon the District's certificate.

The parties have also offered a joint operating agreement for Commission approval. The agreement calls for the Company to operate, maintain, repair and replace the equipment the District builds and owns related to the project. The Company in return will collect from the District customers the same rates it would collect as if the District customers were Company customers (in addition to the surcharge discussed above). The agreement is similar to other joint operating agreements the Commission has approved for the Company in other projects. The joint operating agreement should be approved.

FINDINGS OF FACT

1. On February 14, 1994, West Virginia-American Water Company, Mercer County, Summers County, Hinton, Princeton, and Oakvale Road Public Service District, filed with the Commission a joint application for a certificate of convenience and necessity for the construction of certain water treatment transmission, distribution and storage facilities to provide potable water to currently unserved areas and to improve water service to other residents.

2. The applicants also filed a joint petition for the Commission's consent and approval of an agreement between the

"We note that in these public-private partnerships that the projects depend on both the private and public entities developing their cases on the same schedule. Given that W.Va. Water has much more experience in developing and presenting a legally sufficient certificate case, it seems appropriate to the Commission for W.Va. Water to offer assistance to its partners in properly developing their portions of the case. It may be that in this case had the Company provided more assistance to the District that the District's case would have been ready for complete Commission review.

Company and the District. It requested ratemaking approval of rates described in that agreement and the joint application.

3. A hearing was held on the matter on October 13, 1994 with the Company, the District, Staff and the CAD participating.

4. The proposed project includes two phases with an originally estimated total cost of approximately \$23,954,000.

5. On October 26, 1994, the Company filed documents indicating that total estimated cost for the project had increased \$12,100,000 because the bids were substantially over estimates.

6. The Company has indicated that it still supports the project despite the increase costs.

7. Staff and CAD have indicated that the increased costs have not resulted in a change in their position.

8. Under Phase I of the project, the Company will construct a raw water intake structure, related raw water line, a 5 MGD treatment plant, and the necessary piping to provide service to Hinton, Princeton, Pipestem State Park and unserved areas along the transmission mains.

9. The District will construct transmission and distribution lines through its territory and a 500,000 gallon storage tank.

10. Phase I construction will enable the Company and the District to serve approximately six hundred customers who are not currently receiving water service.

11. The project will provide a large source of potable water for Mercer and Summer Counties and provide service for a significant number of unserved customers.

12. The treatment plant is designed to be expandable to treat up to 15 MGD. The source of raw water will also accommodate that volume of water.

13. The plant will provide a basis for future expansion of water service in the area.

14. The project will allow the Company to forego major renovations of its Hinton and Princeton treatment plants which are nearly one hundred years old and in need of extensive upgrades.

15. The project will supply additional water for the Pipestem resort.

16. In the application, the Company requested special rate treatment for the project.

17. Staff, CAD and the Company entered a joint stipulation concerning special rate treatment for the project and submitted it for Commission approval on May 31, 1994.

18. The Commission, on June 29, 1994, ordered the Company to publish relevant facts about the proposed stipulation in all the counties where the Company operates.

19. Only one individual filed a letter of protest concerning the stipulation.

20. The stipulation allows the Company to implement two rate surcharges to include in rates the impact of the Company's construction expenditures.

21. The stipulation establishes a certain procedural mechanism to allow Staff, CAD and Commission review and involvement in determining the exact amount of a proper surcharge.

22. The Applicants have also proposed to charge a special surcharge to the new District customers.

23. The surcharge (which is estimated to be about \$10 a month for an average customer) will be used to pay off the loan the District needs to complete the project.

24. The Company is investing well over \$1,500 per anticipated new customer in the project.

25. The funding gap occurred on the public side of the project with the District needing to borrow additional funds to complete its portion of the project.

26. The new District customers are the persons which most directly benefit from the District's portion of the project.

27. The estimated monthly surcharge for the average user (4,500 gallons a month) is ten dollars.

28. None of the prospective new customers have complained about the proposal surcharge.

29. Many of the District's plans and specifications are simply not yet available.

30. The District has failed to take action to cause its boundaries to be increased.

31. At least one of the District's small cities block grants has not yet been filed with the Commission.

32. The District has only recently converted its filing from a prefiling to an actual certificate case.

33. The District failed to make the necessary publication in accordance with the W.Va. Code §24-2-11 until the week of hearing.

34. The protest period as provided by W.Va. Code §24-2-11 will not even expire until after the statutory deadline in the Company's case.

35. The parties have also offered a joint operating agreement for Commission approval.

36. The agreement calls for the Company to operate, maintain, repair and replace the equipment the District builds and owns related to the project.

37. The Company in return will collect from the District customers the same rates it would collect as if the District customers were Company customers (in addition to the surcharge discussed above).

38. The agreement is similar to other joint operating agreements the Commission has approved for the Company in other projects.

39. The joint operating agreement should be approved.

CONCLUSIONS OF LAW

1. The applicant's have demonstrated a need for Phase I of the proposed project.

2. The special rate treatment, as outlined in the stipulation, is appropriate because of the unusual scope and complexity of the project.

3. By approving this particular rate treatment, we are not intending to modify the Commission's approach to traditional ratemaking.

4. The partial stipulation filed by the parties on May 31, 1994 should be approved.

5. We believe that the proposed surcharge for District customers is a reasonable and necessary method of financing the money needed to complete the project.

6. The amount of the surcharge must be reasonable.

7. We believe that a ten dollar monthly surcharge is reasonable and justified in this case.

8. Given that the exact amount of the surcharge for District customers cannot yet be determined, the issuance of the certificate should be conditioned upon the average monthly surcharge being ten dollars or less.

9. W.Va. Code §24-2-11 provides for a thirty day period for protests after publication.

10. The District's case is premature for a complete examination at this time and can only be issued with certain conditions which result in additional Commission review of the project.

11. We believe that a conditional certificate should be issued to the District. Given the state of the District's case and the record, we are obligated to put certain conditions on the District's certificate. The District's certificate is contingent upon the following:

- a) proper enlargement of District boundaries;
- b) the ultimate surcharge for District customers not exceeding fifteen dollars a month for the average residential user (4,500 gallons a month);
- c) the District filing with the Commission its commitment of funding including all grants;
- d) the District and Company filing with the Commission all necessary permits;
- e) bids for the District's portion of the project not exceeding \$5,000,000;
- f) Commission review and approval of detailed final plans and specifications for all transmission and distribution lines; and
- g) the absence of any substantial protests received within thirty days of publication by the District of its notice as required by W.Va. Code §24-2-11.

12. A conditional certificate should be issued to the Company. Since the project is a single project with the utility of each portion of the project dependant upon the whole, we believe that the

Company's certificate must be contingent upon the District's fulfilling the conditions placed upon the District's certificate.

IT IS, THEREFORE, ORDERED that the partial joint stipulation concerning special rate treatment which the parties filed May 31, 1994 is approved and hereby adopted by the Commission.

IT IS FURTHER ORDERED that the District's application for a certificate is granted contingent upon the following conditions:

- a) proper enlargement of District boundaries;
- b) the ultimate surcharge for District customers not exceeding ten dollars a month for the average residential user (4,500 gallons a month);
- c) the District filing with the Commission its commitment of funding including all grants;
- d) the District and Company filing with the Commission all necessary permits;
- e) bids for the District's portion of the project not exceeding \$5,000,000;
- f) Commission review and approval of detailed final plans and specifications for all transmission and distribution lines; and
- g) the absence of any substantial protests received within thirty days of publication by the District of its notice as required by W.Va. Code §24-2-11.

IT IS FURTHER ORDERED that the Company's application for a certificate is hereby granted contingent on the District's fulfilling the conditions placed upon the District's certificate.

IT IS FURTHER ORDERED that the rate treatment discussed in the joint application as amended by the joint stipulation and Commission conditions on the certificate is hereby approved.

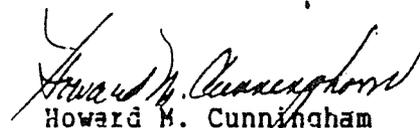
IT IS FURTHER ORDERED that the joint operating agreement offered by the parties is hereby approved.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

ARC

JRS-wpd/940

A True Copy, Teste:


Howard M. Cunningham
Executive Secretary

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Michael A. Miller

17. 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.

Response:

- a. Please see the attached schedule.
- b. Please see the response to part (a) above.
- c. Please see the response to part (a) above.

For the electronic version, refer to KAW_R_PSCDR3#17_020909.pdf.

	2003	2004	2005	2006	2007
NON OPERATING HOLDING COMPANIES					
AMER. WATER WORKS CO., INC.	(\$117,530,020)	(\$40,478,053)	(\$30,559,831)	(\$60,060,006)	(\$16,783,433)
GREENWICH					
OCCOQUAN LAND CORP.					
AMER. COMMONWEALTH					
THAMES WATER AQUA US HOLDINGS, INC.	(60,519,073)	(106,961,914)	(106,933,653)	(101,906,320)	(81,524,255)
AMER. COMM. MGMT.					
AWW SERVICE CO.	(2,305,282)	6,924,158	(3,336,560)	31,877,296	(8,229,126)
AMERICAN WATER CAPITAL CORP	6,139,085	(2,637,491)	11,921,347	(27,741,164)	(556,073)
E TOWN CORPOATION	(19,601,116)	(17,250,214)	(18,630,728)	(15,032,029)	
THAMES WATER HOLDINGS, INC	1,554,959	(126,253)	(1,435,003)	1,091,968	
ELIMINATION ENTRY	242,014	172,663			
ADJUSTMENTS	(11,550,322)	(3,554,944)	(8,384,131)	(451,069)	
Subtotal	(203,569,755)	(163,912,048)	(157,358,559)	(172,221,324)	(107,092,887)
NON REGULATED COMPANIES					
ACUS Corp.	(93,473)	(104,345)	495,511	248,744	(3,568,182)
APPLIED WASTEWATER MANAGEMENT, INC.	(728,138)	(556,024)	(404,061)	(722,799)	(942,004)
APPLIED WASTEWATER SERVICES, INC.	18,902	(562,706)	(304,213)	(419,755)	394,357
AAET, Inc.				(32,105)	(64,985)
AMERICAN ANGLIAN ENVIRONMENTAL	(75,429)	(34,169)			
AMERICAN WATER ENTERPRISES, INC.				(35,637,323)	(31,432,697)
AMERICAN WATER ENTERPRISES HOLDING, INC.				(104,456)	(104,160)
AMERICAN WATER SERVICES CDM, INC.	(37,316)	(50,725)	(80,161)	(61,428)	99,033
AMERICAN WATER RESOURCES	4,710,409	7,880,225	19,454,451	16,763,171	17,189,627
AMERICAN WATER SERVICES, INC.	(21,442,518)	(18,940,041)	(29,557,184)		
AMERICAN WATER (USA), INC.	(1,270,763)	(46,540)	4,888	2,657,324	(7,314,755)
AMERICAN WATER SERVICES ENG, INC.	(128,456)	(145,954)	(117,290)	(121,027)	(121,212)
AMERICAN WATER SERVICES INDUSTRIAL OPERATIONS	189,519	(895,936)	(213,910)	(377,933)	(201,407)
AMERICAN WATER SERVICES OPERATIONS &	(6,647,139)	(4,452,689)	(4,653,014)	(4,514,316)	3,584,200
AMERICAN WATER SERVICES RESIDUALS	(4,343,718)	(1,993,528)	(1,533,373)	(210,762)	162,037
AMERICAN WATER SERVICES UNDERGROUND INFRASTRUCTURE	1,922,456	1,763,294	2,621,694	2,055,368	
AWS INDUSTRIALS CORP	(3,896)	(6,045)	(6,045)	(6,045)	(6,045)
American Water Industrials, Inc.	(33,734)	(34,666)	(18,535)	(2,628)	(11,555)
MAGNOLIA CONSTRUCTION COMPANY, INC.	(4,186)	(10,024)	(3,548)	(33,906)	
APPLIED WATER MANAGEMENT OF DELAWARE, INC		(48,428)	72,681	(564,683)	(123,395)
APPLIED WATER MANAGEMENT, INC.				(2,723,546)	870,866
MASSACHUSETTS RESORCE CO.(applied water mgmt)	1,433,896	2,478,084	2,220,524		
PHILIP AUTOMATED MANAGEMENT CONTROLS, INC.	(1,104,205)	(609,226)	(423,606)	(1,135,485)	(384,997)
TRIMAX RESIDUALS MANAGEMENT (USA) INC.	128,302	(1,200,474)	(1,840,912)		
ASHBROOK CORPORATION	1,637,395	639,948	4,441,126		
E TOWN PROPERTIES, INC	32,681	(135,979)	(139,297)	(579,558)	8,450,363
F B LEOPOLD COMPANY, INC	1,704,833	3,478,011			
THAMES WATER NORTH AMERICAN, INC	(12,534,224)	374,873	(2,054,800)	(3,900,229)	(179,902)
HYDRO-AEROBICS, INC	(354,560)	75,490	750,000	0	0
USEG HOLDINGS, INC	(15,600,000)				
UTILITY MANAGEMENT & ENGINEERING, INC.	(5,943)	(6,674)	(6,524)	242,691	(6,659)
Laurel Oak Properties			1,222,103	(797,598)	142,231
MOBILE RESIDUALS MANAGEMENT (USA) Inc.				(934,297)	(3,361,750)
TOTAL NON-REG LOSSES	(52,629,305)	(13,144,248)	(10,073,495)	(30,912,581)	(16,930,991)
TOTAL PARENT & NON-REGLATED COMPANIES.	(256,199,060)	(177,056,296)	(167,432,054)	(203,133,905)	(124,023,878)
Regulated Subsidiaries					
ELIZABETHTOWN WATER COMPANY	38,947,391	35,369,689	12,735,276	13,894,202	
THE MOUNT HOLLY WATER COMPANY	636,395	(18,756)	(410,593)	(239,289)	
AMERICAN LAKE WATER COMPANY	1,687,532	502,250	2,930,768	2,374,701	2,273,759
PENNSYLVANIA - AMERICAN - 1	30,170,102	36,266,349	73,738,289	79,876,035	68,058,657
LONG ISLAND WATER	(2,232,500)	(4,369,262)	356,766	741,477	(3,836,689)
TEXAS - AMERICAN					(664,915)
NEW JERSEY-AMERICAN	8,283,663	19,544,332	37,456,743	27,527,132	79,903,052
IOWA - AMERICAN	1,682,860	(607,619)	1,592,967	2,583,339	209,424
ILLINOIS - AMERICAN	6,752,828	20,484,856	15,540,324	21,399,469	4,088,859
NORTHWEST ILLINOIS					
INDIANA - AMERICAN	7,878,387	16,024,866	14,720,925	19,977,542	24,545,225
MISSOURI - AMERICAN	7,276,080	(14,187,108)	22,085,024	9,432,723	7,968,489
OHIO - AMERICAN	(1,707,304)	(4,359,015)	(3,668,505)	(5,503,257)	(3,925,329)
MICHIGAN - AMERICAN	236,187	(141,741)	57,117	(86,084)	29,346
CALIFORNIA AMERICAN	(4,340,682)	2,866,559	(1,405,734)	(7,317,512)	(1,702,408)
ARIZONA - AMERICAN	(6,351,952)	(6,535,608)	(3,147,875)	1,123,055	(2,256,451)
NEW MEXICO - AMERICAN	1,565,133	(228,549)	1,387,782	(784,614)	190,457
SOUTHWEST UTILITIES, INC	(12,777)	(373,423)	(60,573)	(462,942)	507,612
HAWAII - AMERICAN	(62,335)	(335,798)	1,144,621	1,467,202	2,323,271
WALKER WATER WORKS, INC.	(49,281)	(233,447)	(127,812)	(157,454)	163,166
EDISON WATER COMPANY	(507,096)	(596,549)	(31,472)	837,501	(16,461)
LIBERTY WATER COMPANY	1,835,276	785,967	717,958	2,112,711	(48,873)
VIRGINIA - AMERICAN	1,353,477	571,271	4,913,310	3,579,240	4,766,737
UNITED WATER VIRGINIA	221,430	133,725	145,591	161,642	84,230
WEST VIRGINIA - AMERICAN	(936,411)	(4,322,760)	7,476,993	(4,842,806)	2,149,718
BLUEFIELD VALLEY	(73,646)	(75,987)	30,060	(97,419)	(31,575)
MARYLAND - AMERICAN	649,846	743,575	247,498	140,738	167,986
KENTUCKY - AMERICAN	2,123,369	(1,297,080)	3,896,807	7,944,883	5,443,743
TENNESSEE - AMERICAN	3,124,181	906,630	3,086,542	2,622,179	3,231,565
SUBTOTAL REGULATED OPERATING COMPANIES	98,150,153	96,517,367	195,408,797	178,304,394	193,622,595
GRAND TOTAL	(158,048,907)	(80,538,929)	27,976,743	(24,829,511)	69,598,717

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Michael A. Miller

18. The Kentucky River Authority charges Kentucky-American a fee based on the volume of water withdrawn.
- a. State whether Kentucky-American considers the fee an expense. Explain.
 - b. State whether Kentucky-American considers the fee a tax. Explain.

Response:

- (a & b) The Company considers the Kentucky River Authority fee neither an expense nor a tax. The Company considers it to be a water use fee as defined at 420 KAR 1:010(11). The Company further considers it to be a fee that it passes through to its customers in accordance with KRS 151.720(5) and KRS 151.723.

For the electronic version, refer to KAW_R_PSCDR3#18_020909.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller

19. 807 KAR 5:067 provides the process by which a privately-owned water utility can adjust its rates when a supplier's rate increases. State whether Kentucky-American should use this process to recover the increases in the Kentucky River Authority Fee. Explain.

Response:

The regulation cited allows a private water utility to apply for a rate adjustment for its purchased water expenses when the supplier of the purchased water implements a change in its rates. In other words, it creates a mechanism by which a private water utility can recover the actual cost of water it purchases. To the extent the regulation establishes the concept that a private water utility should be afforded a streamlined procedure by which it can be made whole for its purchased water expenses, Kentucky American Water agrees with that concept. Moreover, Kentucky American Water agrees with the concept that it should be made whole on the Kentucky River Authority ("KRA") fees that it must collect and pay to the KRA. That concept is codified at KRS 151.720(5) where it states that those who must pay the KRA water use fees "may pass on all or any part of the fee."

In Case No. 2006-00154, the Commission established a procedure by which Kentucky American Water submits annual information to the Commission regarding KRA fees and related water use. That procedure leads to a revision in the amounts collected by Kentucky American Water from its customers. That procedure works and Kentucky American Water sees no reason to abandon it in favor of a mechanism that was designed for the different purpose of implementing purchased water adjustments. For an example of that difference, an increase in the wholesale price of purchased water is much more likely to be permanent, whereas the KRA water use fees are entirely dependent on the amount of water withdrawn from the Kentucky River, and, thus, are subject to frequent fluctuations driven by all the factors that drive customer demand. Having said that, Kentucky American Water is more than willing to discuss revising the procedure established in Case No. 2006-00154 to the extent the Commission feels the procedure is inadequate.

For the electronic version, refer to KAW_R_PSCDR3#19_020909.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Keith L. Cartier

20. Describe in detail Kentucky-American's current leak detection/elimination plan or program.

Response:

KAW's leak detection efforts combine electronic acoustic monitoring and manual sounding for distribution system leaks. Over the last four years, KAW conducted 89,071 manual soundings each year and, utilizing permalogs, an additional 146,967 soundings. Approximately 25% of the system is surveyed every year, with an overlap in older areas of the system, large mains, stream crossings, and cross country lines. KAW will typically survey the entire system over a period of five years, with certain areas surveyed annually.

Manual soundings entail making contact with line valves, meter settings, fire hydrants and other access points to listen for leak sounds that indicate some form of leakage, which often does not surface. Once it has been confirmed that a leak exists, a leak correlator (computer) is utilized to pinpoint the location of the leak. Repair crews are then dispatched to excavate the site of the non-surfacing leak to make repairs.

Permalog acoustic monitoring devices are deployed in parts of the system to provide ongoing monitoring. Approximately 800 devices are deployed in targeted areas such as older parts of the system that are more susceptible to leakage. This equipment is periodically interrogated by a drive-by unit which captures data from the permalog unit. The data is analyzed to assess whether potential leaks exist in the area of deployment. Correlators and acoustic ground microphones are then utilized to pinpoint the location of the leak where the excavation will be made for repairs or replacements.

Information obtained from leak surveys is utilized to develop long term strategies for future survey work and other leak mitigation activities such as service line and main replacements that eliminate the potential for further losses.

For the electronic version, refer to KAW_R_PSCDR3#20_020909.pdf.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Keith L. Cartier

21. Identify the Kentucky-American employees who are involved with the leak detection/elimination plan or program.

Response:

The following list is comprised of the primary KAWC employees responsible for leak detection and other water loss program activities:

Jon Felts-Operations Specialist (full time)
Erin Houston-Crew Leader (full time)
Paul Rookard-Operations Supervisor (25%)
Wayne Mattingly-Operations Supervisor (10%)

Other maintenance employees are involved once leaks are identified to repair the leaks.

For the electronic version, refer to KAW_R_PSCDR3#21_020909.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Michael A. Miller/Keith L. Cartier

22. State the forecasted cost of the leak detection/elimination plan or program.

Response:

Attached is a schedule which captures the labor and labor overhead costs of the KAWC employees primarily responsible for the leak detection and other water loss activities of KAWC based on the allocation of time for each of those employees identified in the response to PSCDR3#21. The Company does not capture other expenses associated with the leak detection and water loss activities, such as, transportation, office supplies, etc. in a separate account or business unit. Those other miscellaneous operation and maintenance expenses are embedded in the field service business unit costs included in the filing and the Company has no way to break out those other miscellaneous expenses directly related to the leak detection and other water loss activities, but does not believe those expenses would be significant.

For the electronic version, refer to KAW_R_PSCDR3#22_020909.pdf.

Kentucky American Water Company
 Leak Detection costs
 PSCDR3#22

	Labor	401K	DCP	Incentive	Group Ins	Pensions	OPEB's	W/C	PR taxes	Total	% to Leak Detection	Total Leak Detection costs
Jon Felts	58,519	987	0	0	10,358	4,822	4,641	1,264	4,483	85,073	100%	85,073
Erin Houston	49,990	-	2,072	0	8,848		3,964	1,080	3,829	69,783	100%	69,783
Paul Rookard	49,073	1,291	0	6,543	8,686	4,044	3,891	1,060	3,759	78,347	25%	19,587
Wayne Mattingly	58,385	1,537	0	7,785	10,334	4,811	4,630	1,261	4,472	93,215	10%	9,322
	215,967	3,815	2,072	14,328	38,226	13,677	17,126	4,665	16,543	326,419		183,765

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Michael A. Miller/Keith L. Cartier

23. a. If the unaccounted-for water loss were to be eliminated, what would the associated savings be to Kentucky-American ratepayers?
b. Estimate the costs Kentucky-American would incur to eliminate the unaccounted-for water loss.

Response:

- a. The Company is concerned that this question asks the Company to quantify the savings based on the total elimination of unaccounted-for water ("UFW"), a standard that is impossible to meet for any water system. The Company believes every water system will have some amount of UFW because mains, services and other distribution system elements are installed and replaced over the life of the system. The Company's depreciation rates recognize book lives of approximately 60 years for mains and 21 years for service lines, and many water mains (for all utilities) remain in service longer than 60-70 years. The age of the distribution system facilities, the type of material used, the level of maintenance on the system, system pressures, geography, soil conditions and many other variables will impact the level of water loss in any particular water system. In addition, meters have a useful life of 10-20 years and no meter is going to measure every drop of water especially at very low flows, adding some element of water pumped but not sold due to meter registration. Even a relatively new distribution system will have some level of water loss due to leaks in joints, service connections, meter registration, etc. The Company is not aware of any regulatory commission or state environmental agency that establishes targets and goals for UFW that do not recognize that every water system will experience some level of UFW. The American Water Works has established a standard calculation of UFW which can be expressed by the following formula:

$$\text{Distribution water loss (\%)} = [\text{volume distributed} - (\text{water billed} + \text{volume billed but authorized}) / \text{volume distributed}].^1$$

There is also a publication titled Survey of State Agency Water Loss Reporting Practices – Final report to the American Water Works Association, January 2002 that provides a discussion about the water loss practices established by various

¹ American Water Works Association - Benchmarking Performance Indicators for Water and Wastewater Utilities: Survey Data and Analysis Report, page 136.

regulatory commissions and state environmental regulatory agencies which addresses the various standards, goals, targets and actions required established in numerous states around the country, and the inconsistencies and confusion about the topic of UFW. That report does not indicate any state where the expected standard, target or goal is no UFW.

Further, the Commission has ordered the Company to prepare and file a Water Loss Study as part of the Order in case number 2007-00134. The Company is currently preparing that study which will address the level of water loss, the Company's efforts in regards to controlling or reducing water loss, recommendations regarding modification of current processes or new approaches to address water losses, and recommendations about the appropriate level of investment in mains, services and other infrastructure to further reduce water loss. That study is expected to be filed in the second quarter of 2009.

Notwithstanding the prior discussion on this subject, if the Company were to reduce UFW entirely (an unattainable objective), the Company could reduce variable production costs (purchased water, power and chemical costs) by approximately \$878,000 per year based on the cost per 1000 gallons of purchased water, power and chemical costs included in its forecasted test-year in this case.

- b. The Company has performed no study or analysis on which to base an estimate of the capital and O&M costs required to reach the unattainable standard of eliminating UFW entirely. The Company expects the Water Loss Study to make recommendations regarding the additional costs required to improve its level of unaccounted for water. The following is an excerpt from the AWWA Research Foundation report titled "Evaluating Water Loss and Planning Water Loss Reduction Strategies."

From an economic perspective, it is rarely possible to justify main replacement purely on the basis of the reduction in leakage anticipated, except in a few of the worst performing mains in the utility. In reality, mains are replaced for many other different reasons such as inadequate capacity, growth in demand, cost of continued repairs, water quality problems and good asset management.²

The Company believes that the increased capital costs and revenue requirement associated with main and service replacement programs needed to further improve the Company's relatively low UFW ratio will exceed any savings derived from the incremental cost of UFW reduction.

For the electronic version, refer to KAW_R_PSCDR3#23_020909.pdf.

² At page 149.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Michael A. Miller/Keith L. Cartier

24. a. State the amount of water that Kentucky-American expects to save during the forecasted test period as a result of its current leak detection program.
- b. Explain how these savings have been factored into its forecasted operations.

Response:

- a. The Company has forecasted a UFW ratio of 13.6% for the forecasted test-year compared to the 15.99% UFW in the base period filed in this case and the 14.40% UFW experienced for the year 2008. The reduction in UFW in the forecasted test-year from the level in the base period results in a 450.780 MG lower system delivery for the forecasted test-year than would have been present if the Company has used the higher UFW % in the base period.
- b. The Company based its power and chemical cost for the forecasted test-year on the system delivery for the forecasted test-year determined by adding the lower UFW % shown in part (a) above and non-revenue usage to the water sales determined for the forecasted test-year. The Company's approach automatically embedded approximately \$183,000 of savings from the lower UFW % into the company's filing in this case.

For the electronic version, refer to KAW_R_PSCDR3#24_020909.pdf.