

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
COMMUNITY ACTION COUNCIL'S FIRST REQUEST FOR INFORMATION

Witness: Linda C. Bridwell

1. What is the total amount of funding Kentucky American Water Company has contributed in each year 2008, 2009, 2010, 2011, 2012, and thus far in 2013 to programs that directly assist its customers who have difficulty paying their bills?

Response:

In 2008, Kentucky American Water contributed \$50,000 to Community Action Council for the H2O Help to Others Program and \$500 to the Black Church Coalition for water utility payment assistance, for a total of \$50,500.

In 2009 the company contributed \$50,000 to Community Action Council for the H2O Help to Others Program.

In 2010 the company contributed \$60,000 to Community Action Council for the H2O Help to Others Program and \$1,500 to the Black Church Coalition for water utility payment assistance, for a total of \$61,500.

In 2011 the company contributed \$60,000 to Community Action Council for the H2O Help to Other Program, \$1,000 to the Black Church Coalition and \$250 to Lex-Care for water utility payment assistance, for a total of \$61,250.

In 2012 the company contributed \$60,000 to Community Action Council for the H2O Help to Others Program and \$500 to Lex-Care for water utility payment assistance, for a total of \$60,500.

Thus far for 2013 the company has contributed \$30,000 to Community Action Council for the H2O Help to Others Program and \$1,000 to Black Church Coalition for water utility payment assistance, for a total of \$31,000.

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2. How many dollars have Kentucky American Water Company ratepayers, through voluntary donations, contributed to the Help To Others program in each year 2008, 2009, 2010, 2011, 2012, and thus far in 2013?

Response:

Kentucky American Water ratepayers have contributed the following voluntary donations via their Kentucky American Water water bills:

2008: \$913
2009: \$1,144.41
2010: \$867
2011: \$1,528.91
2012: \$1,018
2013: \$49 (to date)

We do not know the value of contributions that ratepayers made to the program during these same years via other means, such as through direct donations to Community Action Council.

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- 3.** Please provide a list of Kentucky counties in which Kentucky American Water Company provides service and the number of residential customers in each of those counties. If feasible, please provide an electronic copy of this information in spreadsheet format such as Microsoft Excel.

Response:

Please see attached.

County	Customer Class	Active Customer Count
Bourbon	Residential	806
Clark	Residential	1,313
Fayette	Residential	101,945
Harrison	Residential	96
Scott	Residential	4,936
Woodford	Residential	198
Grant	Residential	61
Gallatin	Residential	179
Owen	Residential	3,498
	Total	113,032

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- 4.** What is the current average total monthly cost of water for residential customers of Kentucky American Water Company?

Response:

The current average total monthly costs for residential customers of Kentucky American Water Company is detailed on Schedule N filed in the Company's original application and labeled as KAW_APP_EX37N_122812 Page 2 of 7.

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5. What is the current average total monthly water usage for residential customers of Kentucky American Water Company?

Response:

4,500 gallons per month.

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- 6.** Based on the requested residential rate increase, what will be the real dollar annual increase in the water bill for the average residential customer?

Response:

\$69.12. In addition, please refer to Schedule N filed in the Company's original application and labeled as KAW_APP_EX37N_122812 Page 2 of 7.

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7. Assuming approval of the requested residential rate increase, what will be the estimated average total monthly cost of water for residential customers?

Response:

The proposed average total monthly costs for residential customers of Kentucky American Water Company is detailed on Schedule N filed in the Company's original application and labeled as KAW_APP_EX37N_122812 Page 2 of 7.

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- 8.** Has the Company calculated the likely impact of the residential rate increase on shutoffs and arrearages? If yes, what are the results of that calculation?

Response:

No, it has not.

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Witness: **Linda C. Bridwell/Cheryl D. Norton**

9. Given that the proposed increase in rates will make water less affordable for many residential customers, explain Kentucky American Water Company's plan to prevent increases in its shutoff rates and the amount of arrearages owed by its residential customers?

Response:

KAW's termination of service is governed by the Public Service Commission's Rules and Regulations and by KAW's own Rules and Regulations as approved by the Public Service Commission. KAW shareholders contribute significant funds to the "Help to Others" program, as do some of KAW's customers on a voluntary basis, to support customers who have trouble paying water bills. In 2012, KAW took a number of steps to reduce its shutoff rates. These included raising the outstanding balance threshold amount from \$25 to \$75, and implementing a late fee to encourage customers to pay bills timely rather than get in arrears. KAW has also been working with American Water on the introduction of e-billing for residential customers to provide additional methods of billing and payments. Finally, KAW has continued to work with the CAC and the Attorney General's Office on legislation that will allow a low income discount tariff.

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- 10.** Has Kentucky American Water Company considered offering conservation rates, low-income rates or other mechanisms or programs for making water more affordable for those whose income is not sufficient to pay for all essential services? If yes, what did the company conclude and what was the rationale for its conclusion? If no, why not?

Response:

Kentucky American Water already provides what are considered conservation rates and has for years through its single block pricing for all customer classes. This was described in the review of its conservation program compared to best practices of the water industry in response to Ordering Paragraph 9 of the Order in Case No. 2007-00134 dated April 25, 2008.

With regard to low-income rates or other mechanisms please refer to the response to Item 9 of this same data request.

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Witness: **Linda C. Bridwell/Gary M. VerDouw**

- 11.** Do other American Water companies offer conservation rates, low-income rates or other mechanisms or programs for making water more affordable for those whose income is not sufficient to pay for all essential services? If yes, please identify each American Water company that offers conservation rates, low-income rates, or other mechanisms or programs for affordability, and provide a description of each.

Response:

Conservation

California American Water Company has conservation rates. In Case A.10-07-007, the Parties agreed to create a framework of seven principles for effective rate design including the importance of any rate design to encourage water conservation, maintain affordability and revenue neutrality and to be practical and understandable for customers. In developing the Settlement Agreement and parameters discussed below, the Parties agreed on the following general principles for rate design in each district:

- Encourage water conservation and efficient use;
- Maintain affordability for essential levels of indoor water use;
- Practical, easy to implement, and understandable for customers;
- Maintain revenue neutrality; (1)
- Adhere to the principle of gradualism, giving residential customers the opportunity to adjust to new price signals from the rate design, in addition to higher rates due to increased revenue requirements;
- Bear a reasonable relationship to the cost of service; and
- Fair in their treatment of diverse groups of customers.

Note (1): Revenue neutrality refers to the Water Revenue Adjustment Mechanism and the Modified Cost Balancing Account ("WRAM/MCBA"). The conservation program shifts a portion of revenues traditionally captured through the meter, or service charge to the volumetric, or quantity charge. The usage blocks for residential customers are inverted, that is, each block rate increases for higher levels of consumption. A revenue decoupling mechanism, the WRAM/MCBA was setup to ensure the Company could pursue conservation without financial harm to the Company. The WRAM/MCBA tracks the difference between adopted and actual volumetric revenues as well as the difference between adopted and actual variable costs. When the balances in these two accounts reach a certain percentage of total operating revenues, the Company may net the balances and seek to recover any negative balances from customers, or refund any positive balances.

New Jersey American offers a H2O Conservation Program. The Company's Conservation Program offerings applicable to qualified low income residential customers are free of charge and can include instructions on performing a home water audit, a retrofit kit for use with certain appliances and fixtures, and a leak repair of fixtures for which the customer is normally responsible up to a \$300 maximum. Customers must be a part of the H2O Discount Program ("LIPP") to be eligible for the H2O Conservation Program. Please see the attachment for more information on the H2O Discount Program.

Pennsylvania American Water Company offers a Conservation Program. Conservation Consultants, Inc. administers the conservation program for the Company. The Company offers to qualified customers, education on conservation measures, conservation kits with water saving devices (and installation assistance for those who are unable to install the devices) and minor plumbing repairs for those with plumbing leaks. Customers who qualify for the Low Income Payment Program also qualify for the conservation services.

Low Income

The following is a list of American Water regulated companies that offer a form of low income support. Please see the attachment for a description of each plan by company.

California American Water Company
Illinois American Water Company
Iowa American Water Company
Kentucky American Water Company
Missouri American Water Company
New Jersey American Water Company
Pennsylvania American Water Company
Tennessee American Water Company
Virginia American Water Company
West Virginia American Water Company

Rate design varies from state to state and may function as conservation or low income rates without being the primary specifically identified as such.

State	Program	Description	Amount of Credit/Other	Low-Income Criteria
CA	H2O Help To Others Advice Letter No. 954 regulatory approval, called "H2O Help to Others".	Low Income Residential Assistance (LIRA) Program for water. The Company provides to qualified low income residential customers a monthly bill surcredit.	Credit varies by District	A LIRA household where the total income from all sources, including total income from all persons living full-time in the household, is less than the amount shown on C.P.U.C. Sheet No. 6803-W.
		Advice to be submitted Dec 2012.	Proposed, there will be two rates, one for Active Systems, one for Passive Systems	Total income guidelines copied from Advice letter 954
IL	H2O Help to Others	H2O program funded by company with some customer donations. Ceiling of \$141,400. Administered by Salvation Army	The Salvation Army may assist with a maximum of \$150.00 per individual/family on a delinquent account.	Any Illinois American Water residential customer, who requests assistance from the Salvation Army, has a delinquent account and demonstrates financial need under the criteria established by the Salvation Army is eligible to participate in the H2O Help program.
	H2O Help to Others	H2O Help to Others is an emergency assistance program created by Iowa American Water and Community Action of Eastern Iowa. The program helps provide supplemental funding to Iowa American Water customers who would otherwise have trouble paying their bills.	H2O Help to Others is supported by customers' voluntary donations and contributions from Iowa American Water. The Community Action Agencies' trained caseworkers determine the needs of families and individuals, who must be Iowa American Water customers.	The Community Action Agencies' trained caseworkers determine the needs of families and individuals, who must be Iowa American Water customers. Any individual or family whose water service is being provided by Iowa American Water and who is in danger of losing their primary source of water and meets the "basic needs" criteria as set by Community Action Agency caseworkers can be qualified for assistance
KY	H2O Help to Others	Qualified low income customers receive grants funded by customer and Company contributions. The Community Action Council administers the dollars based on need, up to \$100 per customer per year.	Less than or equal to \$100.00	Serves households with incomes up to 150% of Federal poverty guidelines. Assistance may be for water service, activation fees, and reactivations fees. Participants can receive up to \$100 per calendar year if disconnected or in danger of being disconnected.
	Late Fee Exemption	Customers receiving low income assistance from an authorized agency are not required to pay late fee on bill for which they are receiving assistance.		
MO	H2O Help to Others	H2O program funded by Company with some customer donations. Ceiling of \$80,000. Administered by Community Action Agencies.	The Community Action Agency may assist with a maximum of \$120.00 per occurrence individual/family on a delinquent account.	Any Missouri American Water residential customer, who requests assistance from the Community Action Agency, has a delinquent account and demonstrates financial need under the criteria established by the Community Action Agency is eligible to participate in the H2O Help program.
	H2O Help To Others	The Company pays a 3rd party, NJ Shares, to administer its H2O Help To Others Assistance Program. Qualified low income residential customers receive grants to cover a portion or all of an overdue account balance. The Program is funded by customer contributions which are matched by the Company.	Varies depending on Customer's need but not in excess of \$500 annually	Have total annual income at or below 200% of the Federal Poverty Guidelines; overdue account balance; have made good faith payments against overdue account balance; have not received a grant in the prior 12 months;
NJ	H2O Assistance (Grant) Program	The Company provides to qualified low income residential customers a monthly bill credit equal to the customer monthly fixed service charge (maxed at 1 inch meter). If the customer is also a wastewater service customer of the Company, the customer receives a 2nd bill credit in an amount equal to the monthly water service credit.	Equal to the customer monthly fixed service charge (maxed at 1 inch meter)	Have total annual income at or below 200% of the Federal Poverty Guidelines;
	H2O Discount Program ("LIPP")			

State	Program	Description	Amount of Credit/Other	Low-Income Criteria
PA	H2O Help to others	The Company pays The Dollar Energy Fund, Inc. to administer the grant program for water and wastewater customers. Qualified low income customers receive grants funded by customer contributions and Company contributions for water. Qualified low income customers receive grants funded by customer contributions and Company contributions for our wastewater customers in Coatesville, Lehman Pike, Claysville, Clarion, E. Strousburg, and Bushkill (Winona Lakes Area).	Qualified customers can receive grant amounts of up to \$500.00 for water and wastewater per program year. Eligibility criteria is attached. Grant amounts are determined by the catch up amount of an agreement and/or restoration amounts.	Customer must be at or below 200% of the Poverty Income Guidelines of that particular year.
	Grant Program	Service charge discount for water and discount for wastewater. Wastewater customers are eligible for the discount in the following areas: Coatesville, Lehman Pike, Claysville, Clarion, E. Strousburg, and Bushkill (Winona Lakes area).	65% of the service charge (customer billed only 35% of prevailing rate for water). Wastewater customers receive a 15% discount off their total wastewater bill.	150% based on Federal Poverty Level
	Low Income Payment Program			
TN	H2O Help to Others			
	Project Water Help	Project Water Help is an emergency assistance program created by Tennessee American Water to help provide supplemental funding to Tennessee American Water customers who would otherwise have trouble paying their bills. Project Water Help is supported by Tennessee American Water's customers' voluntary donations and contributions. Customers may make a voluntary donation to the program on their water bills. Customers that are unable to pay their water bill can contact United Way's Help Line by dialing 211 and United Way will direct them to the proper third-party agency for assistance. Agency case workers determine the needs of families and individuals, who must be Tennessee American Water customers.		Any individual or family whose water service is being provided by Tennessee American Water and who is in danger of losing their primary source of water and meets the "basic needs" criteria as set by the agency's case workers.
VA	Grant Program	The Company pays The Dollar Energy Fund, Inc. to administer the grant program. Qualified low income customers receive grants funded by customer contributions and Company contributions.	Eligible customers can receive a one-time grant of up to \$500 applied directly to their water bill. Money from the program is distributed on a first come, first served basis by the Dollar Energy Fund based on their fiscal year (Oct. 1 - Sept. 30).	To be eligible for the program, grant recipients must have received a utility shutoff notice or have already had service disconnected. Recipients must also have made a sincere effort to pay the bill (at least \$50 on the outstanding water bill in the past 90 days), applied for all open and available state and federal programs, and have a household income at or below 150 percent of the federal poverty income guidelines, which for a family of four is up to \$33,075 annually.
	Grant Program	The Company pays The Dollar Energy Fund, Inc. to administer the grant program. Qualified low income customers receive grants funded by customer contributions and Company contributions.	Eligible customers can receive a one-time grant of up to \$500 applied directly to their water bill. Money from the program is distributed on a first come, first served basis by the Dollar Energy Fund based on their fiscal year (Oct. 1 - Sept. 30).	At or below 150% of the Federal Poverty Income Guidelines (FPIGs). Must have made a sincere effort of payment on their water bill in the last 90 days (at least \$50), must have a minimum balance of \$50 on their water bill, and must have either received shutoff notice or had their water service terminated.
WV	Grant Program	The Company pays The Dollar Energy Fund, Inc. to administer the grant program. Qualified low income customers receive grants funded by customer contributions and Company contributions.	Eligible customers can receive a one-time grant of up to \$500 applied directly to their water bill. Money from the program is distributed on a first come, first served basis by the Dollar Energy Fund based on their fiscal year (Oct. 1 - Sept. 30).	Enrollment in 1 of the following plans: SSI, TANF, TANF-UP or SNAP.
	Special Reduced Rate Residential Service	Customers who are already enrolled in one of the following: (1) Social Security Supplemental Security Income (SSI); (2) Temporary Assistance for Needy Families (TANF); (3) Temporary Assistance for Needy Families-Unemployed Parent Program (TANF-UP); or (4) Assistance from the Supplemental Nutrition Assistance Program (SNAP) if they are sixty years of age or older.	20% of the service charge and the usage charge (customer billed only 80% of prevailing rates)	