

Commonwealth of Kentucky
Before the Public Service Commission

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR CONTINUED) Case No. 2006-00418
PARTICIPATION WITH AMERICAN WATER)
CAPITAL CORP.)

ATTORNEY GENERAL'S REQUEST FOR INFORMATION

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits this Request for Information to the Kentucky American Water Company.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, work-paper or information as requested does not exist, but a similar document, work-paper or information does exist, provide the similar document, work-paper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL

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Certificate of Service and Filing

Counsel certifies filing of the original and ten photocopies of this Request for Information by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, service of the filing was by mailing a true and correct of the same, first class postage prepaid, to Lindsey W. Ingram, III, Stoll Keenon Ogden PLLC, 300 West Vine Street, Suite 2100, Lexington, Kentucky 40507-1801 (and a version in electronic format has been e-mailed to L.Ingram@skofirm.com), all on this 5th day of December 2006.

David Edward Spenard
Assistant Attorney General

Attorney General's Request for Information
Public Service Commission Case No. 2006-00418

AG-1-1) RE: Numbered Paragraph 10. The Application indicates, in part, that "RWE has expressed its intention, upon securing the regulatory approvals for the sale of the common stock of American Water, to terminate its support to American Water Capital Corp. and call its notes which support the short-term debt, and both the 4.750% series and the 5.650% series long-term indebtedness of Kentucky American Water." With regard to this paragraph, please answer the following.

- a. Please explain how the notes it plans to call support both the 4.750% series and the 5.650% series long-term indebtedness of Kentucky American Water Company.
- b. Is there any legal requirement that mandates or otherwise obligates the call of these notes? If the answer is yes, then please identify and explain the requirement.
- c. If there is no legal requirement that mandates or otherwise obligates the call of these notes such that the decision is a matter of discretion, then please provide (i) the factors or reasons supporting the decision to take such an action and (ii) the identity of who made the decision.
- d. Please identify the benefits to Kentucky American Water Company that result from calling these notes.
- e. Please identify the projected interest rate for both the 4.750% and the 5.650% series post-call (the anticipated interest rate for the refinancing).
- f. For a scenario in which RWE does not secure regulatory approval for the sale of the common stock of American Water, does RWE plan to terminate its support of American Water Capital Corp.? A response stating that Kentucky American Water Company is certain or otherwise expects that RWE will obtain all necessary regulatory approvals will be deemed inadequate.
- g. For the 5.650% series in the amount of \$24,000,000 due June 12, 2007, explain what happens if the Commission approves this Application but RWE has not secured regulatory approval for the sale of the common stock of American Water by June 12, 2007. A

response stating that Kentucky American Water Company is certain or otherwise expects that RWE will obtain all necessary regulatory approvals before June 12, 2007, will be deemed inadequate.

AG-1-2) RE: Numbered Paragraph 11. Please provide the derivation of the approximate \$158,000 in annual savings and supply any work-papers or memoranda supporting the calculation.

AG-1-3) RE: Numbered Paragraph 11. Please provide a side-by-side comparison for the "current arrangement" versus the proposal for the first twenty-four (24) months following an approval of the application (or, alternatively, for the time period from 1 January 2007 through and until 31 December 2008), and supply any work-papers or memoranda supporting the comparison.

AG-1-4) RE: Numbered Paragraph 12. Please indicate the status of the issuance of \$12,000,000 of additional long-term debt (projected for issuance in November 2006, and \$8,000,000 in capital (projected for issuance in November 2006).