

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF THE)	
TRANSFER OF CONTROL OF KENTUCKY-)	
AMERICAN WATER COMPANY TO RWE)	CASE NO. 2002-00018
AKTIENGESELLSCHAFT AND THAMES WATER)	
AQUA HOLDINGS GMBH)	

ORDER

Kentucky-American Water Company (Kentucky-American) and Thames Water Aqua Holdings GmbH (Thames Holdings) (Joint Applicants) have advised the Commission in writing of their intent to file an application for Commission approval of the transfer of control of Kentucky-American to Thames Holdings and RWE Aktiengesellschaft (RWE) and request that electronic filing procedures be used for this proceeding.

Having considered the request, the Commission finds that use of electronic procedures will assist in a thorough and efficient review of the Joint Applicants application and should be instituted for this proceeding. We further find that the Joint Applicants should be required to submit certain information that will assist our review of their application.

IT IS THEREFORE ORDERED that:

1. a. When filing any pleading or other document in this proceeding, all parties shall, except as otherwise required by the Commission, file an original and 3 copies in paper medium and one copy in electronic medium.

b. When a party is unable to file a document electronically (e.g., materials that are too large or bulky to transfer to electronic medium), it shall file an original and 7 copies.

2. When a party files testimony in this proceeding, it shall file 3 additional copies of that testimony. The original and at least 3 copies of the testimony shall:

a. Be filed together with cover letter listing each person presenting testimony.

b. Be bound in 3-ring binders or with any other fastener that readily opens and closes to facilitate easy copying.

c. Be tabbed to easily indicate the location of each witness's testimony.

d. Have every exhibit to each witness's testimony appropriately marked.

3. The electronic copy of any pleading or document shall be filed by uploading the files comprising that copy to the file transfer protocol (FTP) site designated by the Commission's Executive Director.

4. All electronic filings shall be in the following manner:¹

a. All documents and exhibits, including spreadsheets, shall be submitted in portable document format (PDF) and be capable of viewing with Adobe Acrobat Reader®.

b. Spreadsheets shall also be submitted in Microsoft Excel®97 format.

¹ For additional discussion of the Commission's procedures for electronic filings, see http://www.psc.state.ky.us/pscecf/filing_instructions.

c. All documents shall follow the naming conventions set forth in Appendix A.

d. The filing shall include an introductory document in PDF format that is named Read1st and that contains a general description of the filing. The electronic version of the cover letter accompanying the paper filing may be substituted for a general description.

e. Each filing shall also contain a document in PDF format that is named Index and that contains a listing of each file transmitted and a brief description of its contents. The listing shall follow the format set forth below:

<u>File Name</u>	<u>Description</u>
KAW_APP_041100.pdf	Kentucky-American Initial Application Case 2000-120
KAW_R_PSCDR1_042200.pdf	Kentucky-American Water Company's Response to the Commission's First Information Request
AGKY_RT_BFP_042300.pdf	Rebuttal Testimony of Attorney General Witness Benjamin F. Pierce

f. All files containing spreadsheets shall be self-contained and shall not contain any linked references to or macro commands involving external files.

g. If the electronic filing does not include all documents contained in the paper version (e.g., materials that are too large or bulky to transfer to electronic medium), then the absence of these materials shall be noted in the Read1st and Index files.

h. The electronic version of each document, will, where appropriate, be bookmarked to distinguish sections of the document.

5. Each party, upon completing its transfer of files to the designated FTP site, shall notify the Commission and all other parties by electronic mail message. This message shall be transmitted to the Commission at pscfilings@mail.state.ky.us and to all parties designated e-mail addresses, and shall state the nature of the filing, case

number, date and time of file(s) transmission, name of the party responsible for the filing, and the name and e-mail address of the person making the electronic filing. It shall also contain, as an attachment, a copy of the Read1st and Index files.

6. a. Within 10 days of the date of this Order, Kentucky-American shall notify the Commission in writing of the e-mail address to which all electronic notices and messages related to this proceeding should be served.

b. All other parties granted leave to intervene in this proceeding shall, within 5 days of entry of the Order granting intervention, notify the Commission and all other parties of record in writing of the e-mail address to which all electronic notices and messages related to this proceeding should be served.

7. When filing any document with the Commission, the party making the filing shall certify that:

a. The electronic version of the filing is a true and accurate copy of the document(s) filed in paper medium.

b. The electronic version of the filing has been transmitted to the Commission.

c. The party has notified the Commission and the other parties by electronic mail that the electronic version of the documents has been transmitted to the Commission.

8. The Commission's Executive Director shall make all electronic filings available at <ftp://205.204.186.239/pscecf> for public viewing and downloading.

9. Any party serving a request for information upon another party to this proceeding shall at the time of service of that request also serve upon that party by

electronic mail an electronic copy of its request. The electronic copy shall be in Microsoft Word®97 format.

10. A document shall be considered timely filed with the Commission if it has been successfully transmitted in electronic medium to the designated FTP site within the time allowed for filing and the original and copies in paper medium are received by the Commission on the next business day following the electronic filing.

11. Any document or pleading filed with the Commission shall continue to be served upon all parties in paper medium. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

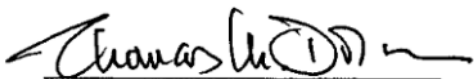
12. All documents that the Commission requires any party to file with the Commission shall also be served upon all parties of record at or before the time of filing.

13. The Joint Applicants shall file, within 14 days of tendering their application to the Commission, the original, 3 copies in paper medium, and an electronic copy of the information listed in Appendix B. Each paper copy of the requested information shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. The Joint Applicants shall include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

Done at Frankfort, Kentucky, this 30th day of January, 2002.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. [unclear]", written over a horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-00018 DATED January 30, 2002

FILE NAMING CONVENTIONS

General

Each document shall reflect the name of the sponsoring party, the type of filing, the date of filing, and the document format as shown below:

PartyName_DocType_Date of Filing.Format

Party Name

AGKY Attorney General of Kentucky
KAW Kentucky-American Water Company
LFC Lexington-Fayette County Urban Government
TWAH Thames Water Aqua Holdings GmbH
PSC Public Service Commission

Document Type

APP Application
APX Appendix
B Brief
DR Data Request
DT Direct Testimony
EX Exhibit
INDEX - Index
M - Motion
N Notice of Filing
R Response
RB Reply Brief
READ1ST Cover/Transmittal Letter
RM Response/Reply to Motion
RT Rebuttal Testimony
SCH Schedule
UR Updated Response (amended or supplemental responses to data requests)

1. Application.

a. If the application is composed of several files, each representing a different exhibit or schedule, then the document type indicator should indicate the schedule or

exhibit's number or letter. An underscore (_) should separate the schedule or exhibit from the application symbol.

Example: The document type indicator for Exhibit A of the Application is: APP_EXA.

Example: The document type indicator for Schedule 1 of Exhibit A of the Application is: APP_EXA_SCH1.

b. Although testimony may be considered as an exhibit to an application, files comprising a witness's testimony for file naming purposes should not be listed as part of the application. The file naming conventions for testimony, which are listed immediately below, should be used.

2. Testimony.

a. The document type indicator should show the initials of the witness. An underscore (_) should separate the testimony symbol from the initials.

Example: The document type indicator for the direct testimony of witness Franklin Delano Roosevelt is: DT_FDR.

Example: The document type indicator for the rebuttal testimony of witness Ulysses S. Grant is RT_USG.

b. If a witness's testimony is comprised of several files that reflect schedules, exhibits or appendices to his or her testimony, then the document type indicator should indicate the schedule or exhibit's number or letter. An underscore (_) should separate the schedule or exhibit from the testimony symbol and the witness's initials.

Example: The document type indicator for Exhibit A of the direct testimony of witness James A. Garfield is DT_JAG_EXA.

Example: The document type indicator for Schedule 4 of Exhibit A of the direct testimony of witness Chester B. Arthur is DT_CBA_EXA_SCH4.

c. If a witness's testimony or an exhibit or schedule thereto is subsequently amended or revised, the document type indicator should reflect the revisions with the addition of the Update symbol (U) in front of the testimony symbol.

Example: The document type indicator for the amended direct testimony of witness William McKinley is UDT_WK.

Example: The document type indicator for the amended Exhibit A to the rebuttal testimony of witness William McKinley is URT_WAK_EXA.

3. Data Requests and Responses.

a. If the document is a data request (DR), the document type indicator should indicate the number of the request.

Example: The Commission's first data request to Kentucky-American Water Company is: DR1.

b. If the document is a response (R) to a data request, the document type should indicate the pleading (and the party) to which a response is being made. An underscore (_) should separate the R from the indicator for the data request.

Example: The document type indicator for Kentucky-American Water Company's Response to the Commission's First Data Request to Kentucky-American Water Company is: R_PSCDR1.

c. If a party's response to a data request comprises several files, then the document type indicator should indicate the item number of the request to which response is made. A pound sign (#) should separate the item number from the data request symbol.

Example: The document type indicator for Kentucky-American Water Company's Response to Item 23 of the Commission's First Data Request to Kentucky-American Water Company is: R_PSCDR1#23.

d. If a party's response to an individual item of a data request is also comprised of several files, then the document type indicator should indicate the schedule and the item of the request to which response is made. A pound sign (#) should separate the item number from the data request symbol and an underscore (_) should separate the item number from the schedule number or letter.

Example: The document type indicator for Schedule 2 of Kentucky-American Water Company's Response to Item 7(a) of the Commission's First Data Request to Kentucky-American Water Company is: R_PSCDR1#7a_SCH2.

e. If a party's response to a data request or an exhibit or schedule thereto is subsequently amended or revised, the document type indicator should reflect the revisions with the addition of the Update symbol (U) in front of the response symbol.

Example: The document type indicator for an updated or amended version of Schedule 2 of Kentucky-American Water Company's Response to Item 7(a) of the Commission's First Data Request to Kentucky-American Water Company is: UR_PSCDR1#7a_SCH2.

4. Motions

If a party files more than one motion with the Commission on the same day, it should for file naming purposes only number each motion.

Example: On the same day, Kentucky-American Water Company files its Motion to Strike Testimony and its Motion to Postpone Hearing. The document type indicator for the Motion to Strike is M1. The document type indicator for the Motion to Postpone is M2.

5. Responses to Motions

a. If the document is a response to a motion (RM), the document type indicator should indicate the party that made the motion. An underscore (_) should separate the RM from the indicator for the moving party.

Example: The document type indicator for the Attorney General's Response to Kentucky-American Water Company's Motion to Strike is: RM_KAW.

b. If the document is a reply to a party's response to a motion, the document type indicator should indicate the party that made response. An underscore (_) should separate the RM from the indicator for the moving party.

Example: The document type indicator for Kentucky-American Water Company's Reply to the Attorney General's Response to Kentucky-American Water Company's Motion to Strike is: R_RM_AGKY.

6. Read1st

This document contains the transmittal or cover letter that accompanies the paper medium filing.

7. Index

This document contains the name of each electronic file with a brief description of the file's contents.

Date

Parties should indicate the date of filing as a 6-digit number (Month/Day/Year). The date of filing is the date of transfer to the designated FTP Site.

Example: If the Attorney General filed testimony with the Commission on May 2, 2000, the date of filing is: 050200.

Format

.pdf Portable Document Format (Adobe Acrobat)

.xls Microsoft Excel 97 Spreadsheet

General Examples:

1. On May 19, 2000, Kentucky-American Water Company files its first data request to the Attorney General. The electronic version should be named: **KAW_DR1_051900.pdf**.

2. On November 22, 2000, the Attorney General files his response to Kentucky-American Water Company's second data request. This request is composed of several files. The file that represents Schedule A (an Excel spreadsheet) of the response to Item 18(b) is named: **AGKY_R_KAWDR2#18b_SCHA_112200.xls**

3. On December 1, 2000, Lexington-Fayette County Urban Government files a response to Kentucky-American Water Company's Motion to Strike. The file is named: **LFC_RM_KAW_120100.pdf**.

4. On June 1, 2000, Kentucky-American Water Company files its response to the Commission's third data request. The index to its electronic filing is named: **KAW_Index_060100.pdf**. The cover letter to its paper medium filing is named: **KAW_Read1st_060100.pdf**. The file that represents Schedule 3 (an Excel spreadsheet) of Kentucky-American Water Company's Response to Item 12(b)(2) is named: **KAW_R_PSCDR3#12b2_SCH3_060100.xls**.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00018 DATED January 30, 2002

1.
 - a. Provide a description of the corporate structure of RWE.
 - b. Describe the degree of government regulation over RWE.
 - c. Provide a list of RWE's senior executive officers. For each officer, list all positions that he or she holds in RWE and any RWE subsidiaries or affiliates.
2. For each RWE subsidiary or affiliate that is operating within the United States as of December 31, 2001:
 - a. Describe the nature of that entity's business.
 - b. State RWE's ownership percentage of the subsidiary or affiliate.
 - c. Describe the degree of government regulation over the subsidiary or affiliate.
 - d. State the location of its corporate office and actual operations.
 - e. State whether the subsidiary or affiliate has had or will have a business relationship with Thames Holdings or any of its operating subsidiaries.
 - f. State whether it has had or will have a business relationship with American Water Works Company (American Water Works) or an American Water Works operating subsidiary.
 - g. List its senior executive officers and identify its corporate reporting relationship to RWE.
3. Provide a narrative discussing the history of RWE. This narrative shall include, but not be limited to:

a. The extent of any German government ownership of RWE and any changes in the nature of this ownership over RWE's existence.

b. The extent of any other foreign government ownership of RWE and any changes in the nature of this ownership over RWE's existence.

c. Each RWE corporate acquisition since 1991, including the date of acquisition, transferring entity, acquisition price, method of financing, and the nature of the acquired business.

d. Each business that RWE has liquidated or disposed since 1991, including the date of liquidation or disposal, sale price, acquiror, the nature of the business, and the reason(s) for liquidation or disposal.

e. Each joint venture in which RWE is currently participating, or has participated since 1991, the nature of the joint venture and the names of other entities participating in the joint venture.

4. Describe the relationship between RWE and Thames Holdings.

5. Describe the corporate structure of Thames Holdings, or its predecessor, including all subsidiaries and affiliates as of December 31, 2001. This description shall include, but not be limited to:

a. The name and nature of corporate business of each Thames Holdings subsidiary or affiliate.

b. Thames Holdings ownership percentage in each subsidiary or affiliate.

c. The degree of government regulation over Thames Holdings and each of its subsidiaries or affiliates.

d. The location of each subsidiary or affiliate s corporate offices and actual operations.

e. The number of customers of each Thames Holdings subsidiary or affiliate.

f. Total number of Thames Holdings employees (including corporate subsidiaries and affiliates).

g. Number of employees for each Thames Holdings subsidiary or affiliate.

h. Names of all Thames Holdings senior executive officers, their position with Thames Holdings, their positions with Thames Holdings subsidiaries and affiliates, and their corporate reporting relationships.

6. Provide a narrative discussing the history of Thames Holdings and its immediate predecessor. This narrative should include, but not be limited to:

a. The extent of any United Kingdom government ownership of Thames Holdings and any changes in the nature of this ownership over the existence of Thames Holdings and its immediate corporate predecessor.

b. The extent of any other foreign government ownership of Thames Holdings and any changes in the nature of this ownership over the existence of Thames Holdings and its immediate corporate predecessor.

c. Each Thames Holdings corporate acquisition since 1991, including the date of acquisition, transferring entity, acquisition price, method of financing, and the nature of the acquired business.

d. Each business that Thames Holdings has liquidated or disposed since 1991, including the date of liquidation or disposal, sale price, acquiror, the nature of the business, and the reason(s) for liquidation or disposal.

e. Each joint venture in which Thames Holdings is currently participating, or has participated since 1991, the nature of the joint venture and the names of other entities participating in the joint venture.

7. a. Provide Thames Holdings Annual Report for the 2000 and 2001.

b. Provide a current balance sheet and income statement for the most recent reporting quarter and annual or fiscal year for Thames Holdings and all Thames Holdings subsidiaries and affiliates.

c. State for Thames Holdings and for each Thames Holdings subsidiary the book value of its assets.

d. Provide the financial performance measures and ratios for Thames Holdings for the most recent reporting quarter and annual or fiscal year. Include, but do not limit the response to, the following measures and ratios:

(1) P/E Ratio (price divided by earnings per share).

(2) Dividend Yield (dividend yield based on present cash dividend rate).

(3) Payout Ratio (primary or basic earnings per share excluding extraordinary items paid to common shareholders in the form of cash dividends).

(4) Quick Ratio (cash plus short-term investments plus accounts receivable, divided by total current liabilities).

(5) Current Ratio (total current assets divided by total current liabilities).

(6) Interest Coverage (earnings before interest and taxes divided by interest expense).

(7) Equity Ratio (total common equity divided by total capitalization).

(8) Return on Equity (income available to common shareholders divided by common equity).

e. (1) State the current bond and/or debt ratings for Thames Holdings debt instruments and all debt instruments issued separately by a Thames Holdings subsidiary or affiliate. Identify the rating agency or institution.

(2) If any of the bond and/or debt ratings listed in the response to Item 7(e)(1) have changed since January 1, 1996, describe the change(s) and the reasons that the rating agency or institution provided for the change(s).

(3) If any rating agency or institution has any of the debt instruments on a credit watch or similar review that may lead to a change in any rating, identify the debt instrument and the rating agency or institution and state the reasons given for the placement on a credit watch.

f. Provide a comparison of Thames Holdings current financial performance measures and ratios and bond/debt ratings with other diversified utilities operating in the European Community.

g. Provide the dividend history of Thames Holdings (or any corporate predecessor) since 1991, as well as the dividend history of each subsidiary and affiliate since 1991.

h. Provide charts showing the stock price activity for Thames Holdings (or any corporate predecessor) since 1991, on the applicable European stock

exchanges and the New York Stock Exchange. Explain the reason(s) for any significant movements in the stock price during the period.

i. Provide investor ratings of Thames Holdings (or its corporate predecessors) and each subsidiary or affiliate since 1991. Identify any of these ratings that are currently under review and state the circumstances of such review.

j. List each entity or individual that holds 5 percent or more of Thames Holdings outstanding capital stock as of December 31, 2001 and state the percentage of capital stock held by that entity or individual.

8. a. List all regulatory and governmental approvals required for Thames Holdings acquisition of American Water Works. This listing shall be grouped by government (e.g., United States, United Kingdom, Federal Republic of Germany, European Community).

b. For each approval listed in response to Item 8(a), state the date an application for such approval will be submitted and the expected date of approval.

c. List all dispositions or liquidations of Thames Holdings and RWE's current holdings that the laws of the United States, United Kingdom, Federal Republic of Germany, or the European Community, would require for Thames Holdings acquisition of American Water Works.

9. Will Thames Holdings acquisition of American Water Works result in push down accounting (i.e. American Water Works and Kentucky-American are required to record a portion of the goodwill resulting from the acquisition premium that Thames Holdings paid for American Water Works stock)? Explain.

10. If push down accounting is not used, explain how Thames Holdings intends to recover its acquisition premium.

11. Describe how the Joint Applicants will ensure against the following occurrences:

a. The cross-subsidization of non-regulated activities by Kentucky-American.

b. The diversion of management talent away from Kentucky-American to Thames Holdings and/or its affiliates.

c. Thames Holdings adjustment of Kentucky-American's capital structure in a manner that could adversely affect its cost of capital and financial integrity.

d. Thames Holdings adjustment of Kentucky-American's dividend policy in a manner that could adversely affect its financing requirements, financing capabilities and financial integrity.

e. Thames Holdings refusal to provide necessary capital to Kentucky-American that could severely impair its ability to provide utility services.

f. Kentucky-American's guaranteeing of the debt of Thames Holdings and its affiliates that could unnecessarily place in jeopardy its financial position and resources.

g. Use of Kentucky-American as a dumping ground for employees, assets, and products associated with failed or troubled affiliate ventures, causing it to be viewed by Thames Holdings and the non-utility affiliates as the employer or purchaser of last resort.

h. A failed or failing unregulated affiliate adversely affecting Kentucky-American's operating and financial condition.

i. Restrictions or limitations upon the Commission's access in Kentucky to the books and records of Thames Holdings and its other affiliates and subsidiaries.

j. Restrictions or limitations upon the Commission's ability to monitor significant transfers of utility assets, business ventures of Thames Holdings, and other major transactions.

k. Restrictions or limitations upon the Commission's ability to obtain periodic and special reports from the Joint Applicants and American Water Works to assist the Commission with its monitoring activities.

12. For each item listed below, state whether the Joint Applicants, RWE and American Water Works will commit to filing the listed item:

a. A report of the number of persons employed by American Water Works and by each subsidiary based on payroll assignment (Quarterly).

b. A report of the years of service at Kentucky-American and the salaries of professional employees transferred from Kentucky-American to Thames Holdings, American Water Works or its subsidiaries (Annually).

c. A report of the cost allocation factors currently used by Kentucky-American, American Water Works and Thames Holdings (Annually).

d. A summary of each cost allocation study conducted and the basis for the methods used to determine the cost allocation in effect (At the time such studies are prepared).

e. A report of the methods used to update or revise the cost allocation factors in use (At least annually).

f. The articles of incorporation and bylaws of affiliated companies in water industry-related businesses or doing business with Kentucky-American (As requested).

g. The articles of incorporation of affiliated companies involved in non-related businesses (As requested).

h. A report describing the nature of intercompany transactions with specific identification of major transactions, including a description of the basis upon which cost allocations and transfer pricing have been established (Annually).

i. A report of Thames Holdings and American Water Works activities in a format similar to Securities and Exchange Commission (SEC) Form U-3A-2 (Annually).

j. A detailed organization chart of American Water Works that shows all subsidiaries (Annually).

k. Updates to the annual organization chart disclosing and describing any changes since the chart s submission (Quarterly).

13. Provide all reports related to the merger that financial advisors submitted to Thames Holdings or American Water Works.

14. a. Provide all materials that American Water Works or Thames Holdings provided to employees of American Water Works or its affiliates about changes in employee benefits plans due to the proposed merger.

b. Describe each change, if any, to employee stock option plans to occur after the merger.

c. List each collective bargaining agreement to which Kentucky-American is a party and state the date that indicates when each agreement is scheduled to expire.

15. For each person who is currently a member of the board of directors of RWE, Thames Holdings, American Water Works or Kentucky-American as of the date of this Order, state:

- a. His or her name and occupation.
- b. To which board(s) he or she is a member.
- c. The length of service on the board(s) of directors.
- d. The date his or her term expires.

16. a. Describe how RWE, Thames Holdings, American Water Works, and Kentucky-American select the members of their boards of directors.

b. State and describe all eligibility requirements for membership on the respective boards of directors.

17. a. Provide a schedule showing the excess deferred income taxes for Kentucky-American as of December 31, 2001 and the date of this Order.

b. Describe all effects of the merger of American Water Works and Thames Holdings will have on Kentucky-American's excess deferred income taxes.

18. a. Provide the total costs related to the proposed merger that Thames Holdings has incurred as of the date of this Order

b. Provide the total costs related to the proposed merger that American Water Works has incurred as of the date of this Order.

c. Provide the total costs related to the proposed merger that Thames Holdings expects to bear.

d. Provide the total costs related to the proposed merger that American Water Works expects to bear.

19. a. State whether Kentucky-American will bear any merger costs.

b. If yes, provide the estimated annual merger costs that Kentucky-American will bear for each year through 2010.

20. a. State whether Thames Holdings acquisition of American Water Works will result in any change in control payments to any individual or employee of American Water Works or Kentucky-American.

b. If yes, list each employee entitled to a payment and the total amount of his or her payments.

21. Provide all letters, analyses, notes, memoranda, studies and related documents that American Water Works or Kentucky-American prepared and that discuss the price to be paid by Thames Holdings for American Water Works stock.

22. Provide all letters, analyses, notes, memoranda, studies, and related documents that Thames Holdings prepared or commissioned the preparation of and that discuss the price to be paid for the American Water Works stock.

23. a. Describe the internal standards and policies of Thames Holdings (including its subsidiaries and affiliates) regarding service reliability and quality of its water utility operations.

b. Provide all written standards or policies related to service quality and reliability of water utility operations.

24. a. Describe the internal standards and policies of American Water Works and Kentucky-American regarding service reliability and quality of its water utility operations.

b. Provide all written standards or policies related to service quality and reliability of water utility operations.

25. a. State whether the Joint Applicants and American Water Works are willing to establish minimum service quality standards to assure the same level of reliability and service quality currently provided to Kentucky-American's customers. Explain.

b. If no, what assurances will Thames Holdings, American Water Works, and Kentucky-American provide to ensure that Kentucky-American's water operations will be adequately funded and maintained?

26. Provide a detailed analysis of all costs billed to Kentucky-American from the American Water Works Service Corporation and any other American Water Works affiliate that transacted business with Kentucky-American for calendar years 1999, 2000, and 2001. Include all workpapers, show all calculations, and state all assumptions used to prepare this analysis.

27. Provide a list and detailed description of each product or service that the merged Thames Holdings/American Water Works can offer that American Water Works is currently unable to provide.

28. For each jurisdiction in which Thames Holdings or American Water Works operates, describe the utility regulatory commission's policy regarding the recovery of plant acquisition adjustment. Refer in the response to any relevant statute, administrative regulation, or agency order that expressly addresses this issue.

29. Provide a detailed narrative chronology of the history of the Thames Holdings/American Water Works merger beginning when Thames Holdings

management first recommended to Thames Holdings shareholders that the merger or acquisition of American Water Works be pursued.

30. Provide all press releases, Web site postings, and other forms of public information disseminated by Thames Holdings, American Water Works, or Kentucky-American regarding the proposed merger since the execution of the Agreement and Plan of Merger.

31. Provide all materials and documents regarding the merger that the Joint Applicants, American Water Works, or RWE have submitted to:

- a. Investment firms.
- b. Credit rating agencies
- c. Shareholders of Thames Holdings or American Water Works.
- d. Employees of Thames Holdings or American Water Works.

32. Identify all utility mergers and acquisitions that Thames Holdings, or its predecessor, have been involved since 1991. For each merger or acquisition, provide the Thames Holdings/predecessor capital structure for the 3 years before and every year since the merger or acquisition.

33. Provide a detailed description of each pending legal or regulatory proceeding (e.g., rate investigation, service complaint) that could adversely affect Thames Holdings or American Water Works future earnings of the merged entity.

34. Provide all studies or analyses that Thames Holdings or American Water Works has performed or commissioned that identifies any realizable synergies that will occur between 2003 and 2008 as a result of the proposed merger.

35. For each regulated water utility that Thames Holdings owns or operates, provide in table format an analysis of the number and type of consumer complaints during the period from 1998 to 2001 and of how such complaints were resolved.

36. a. Provide all established operational excellence objectives or best practices that Thames Holdings employs.

b. Explain how these objectives or best practices were developed.

c. Provide a comparison of these objectives or best practices with those employed by Kentucky-American.

37. Provide for each of Thames Holdings regulated utilities the report of its most recent management audit and all updates or status reports regarding the audit's findings.

38. Provide all standards or codes of conduct that Thames Holdings or its affiliates use to govern their affiliate and non-affiliate transactions.

39. For each jurisdiction in which Thames Holdings has regulated operations, list and briefly explain each complaint filed against Thames Holdings or a Thames Holdings affiliate in which an established code or standard of conduct is alleged.

40. Provide all standards or codes of conduct that American Water Works or its affiliates use to govern their affiliate and non-affiliate transactions.

41. For each jurisdiction in which American Water Works has regulated operations, list and briefly explain each complaint filed against American Water Works or an American Water Works affiliate in which an established code or standard of conduct is alleged.

42. a. Provide Kentucky-American's actual construction expenditures, listing all capital and maintenance costs, for calendar years 1999, 2000, and 2001.

b. Provide Kentucky-American's construction budgets, listing all capital and maintenance costs, for calendar years 2002, 2003, and 2004.

43. a. For each Thames Holdings regulated operating company, provide its actual construction expenditures, listing all capital and maintenance costs, for calendar years 1999, 2000, and 2001.

b. For each Thames Holdings regulated operating company, provide its construction budgets, listing all capital and maintenance costs, for calendar years 2002, 2003, and 2004.

44. For each commitment listed below, state whether RWE, American Water Works, and the Joint Applicants will accept unconditionally the commitment. For each commitment that cannot be unconditionally accepted, state the reasons for the party's objection.

a. The books and records of Kentucky-American will be kept in Kentucky.

b. RWE, Thames Holdings, American Water Works, and Kentucky-American will not assert that the SEC's jurisdiction legally preempts the Commission from disallowing recovery in retail rates for the cost of goods and services that Kentucky-American obtains from or transfers to an associate, affiliate, or subsidiary in the same holding-company system.

c. RWE, Thames Holdings, American Water Works, and Kentucky-American will not assert in any proceeding before the Commission preemption by a United Kingdom, Federal Republic of Germany, European Community, or other foreign regulator of the review of the reasonableness of a cost.

d. RWE, Thames Holdings, American Water Works, and Kentucky-American will provide the Commission with notice 30 days prior to any SEC filing that proposes new allocation factors.

e. RWE, Thames Holdings, American Water Works, and Kentucky-American will make a good faith attempt to resolve differences, if any, with the Commission in advance of any filing with the SEC.

f. RWE, Thames Holdings, American Water Works, and Kentucky-American will obtain Commission approval prior to the transfer of any Kentucky-American asset with an original book value in excess of \$1 million.

g. Kentucky-American and its ratepayers, directly or indirectly, shall not incur any additional costs, liabilities, or obligations in conjunction with Thames Holdings acquisition of American Water Works.

h. Kentucky-American shall not incur any additional indebtedness, issue any additional securities, or pledge any assets to finance any part of the purchase price paid by Thames Holdings for the American Water Works stock.

i. The payment for the American Water Works stock shall be recorded on Thames Holdings books, not the books of Kentucky-American.

j. The premium paid by Thames Holdings for the American Water Works stock, as well as any other associated costs, shall not be pushed down to Kentucky-American.

k. All transaction-related costs, including the cost of purchase and the premium paid for American Water Works, shall be excluded for rate-making purposes from Kentucky-American's rates.

l. Kentucky-American shall not seek in future rate cases a higher rate of return on equity than it would have been sought if Thames Holdings acquisition of American Water Works had not occurred.

m. Kentucky-American's current outstanding preferred stock shall not be changed, converted, or otherwise exchanged in conjunction with the merger.

n. Thames Holdings acquisition of American Water Works shall not affect the accounting and rate-making treatments of Kentucky-American's excess deferred income taxes.

o. No change in control payments will be allocated to Kentucky-American ratepayers.

p. If early termination costs are incurred for any senior management of American Water Works or Kentucky-American, none of these costs will be allocated to Kentucky-American.

q. Kentucky-American will not bear any additional administrative costs incurred to comply with the financial and accounting standards of the United States, United Kingdom, Federal Republic of Germany, or European Community.

r. The corporate officers of Kentucky-American shall maintain their current titles and responsibilities as officers unless and until otherwise determined by Kentucky-American's Board of Directors.

s. RWE, Thames Holdings, and American Water Works will maintain the highest level of management experience within Kentucky-American, and will provide an opportunity to broaden that experience by exchanging positions with other managers in RWE and Thames Holdings organizations.

t. RWE and Thames Holdings will take an active and ongoing role in managing and operating Kentucky-American in the interests of customers, employees, and the Commonwealth of Kentucky, and take the lead in enhancing Kentucky-American's relationship with the Commission, with state and local government, and with other community interests, including, but not limited to, meetings between RWE's and Thames Holdings' chief executive and the Commission at least twice a year.

u. RWE and Thames Holdings will maintain a sound and constructive relationship with those labor organizations that may represent certain employees of American Water Works, and Kentucky-American; will remain neutral respecting an individual's right to choose whether or not to be a member of a trade union; will continue to recognize the unions that currently have collective bargaining agreements with Kentucky-American; and will honor those agreements.

v. RWE, Thames Holdings, American Water Works, and Kentucky-American will advise the Commission at least annually on the adoption and implementation of best practices at Kentucky-American following the consummation of Thames Holdings' acquisition of American Water Works.

w. RWE, Thames Holdings, American Water Works, and Kentucky-American will provide such information as the Commission may request regarding the implementation of best practices, customer service, reliability, and safety.

x. No workforce reductions in Kentucky-American's employees will be made as a result of Thames Holdings' acquisition of American-Water Works.

y. If either issues new debt or equity in excess of \$100 million, RWE and Thames Holdings will notify the Commission as soon as practicable prior to the issuance.

z. If it issues new debt or equity in excess of \$100 million, American Water Works will notify the Commission 30 days prior to the issuance.

aa. Thames Holdings will notify the Commission subsequent to its board approval and as soon as practicable following any public announcement of any acquisition of a regulated or non-regulated business representing 5 percent or more of Thames Holdings market capitalization.

bb. Thames Holdings will provide an annual report to the Commission detailing American Water Works proportionate share of Thames Holdings total assets, total operating revenues, operating and maintenance expenses, and number of employees. In the event American Water Works remains a subsidiary of Thames Holdings, this annual report will reflect American Water Works proportionate share of Thames Holdings total assets, total operating revenues, operating and maintenance expenses, and the number of employees.

cc. RWE and Thames Holdings will notify the Commission 30 days prior to paying any dividend or transferring more than 5 percent of the retained earnings of Kentucky-American to RWE and/or Thames Holdings.

dd. RWE, Thames Holdings, and American Water Works will file with the Commission a copy of their annual reports and their quarterly interim reports to their shareholders.

ee. RWE and Thames Holdings will file with the Commission such additional financial reports as the Commission, from time to time, reasonably determines to be necessary for it to effectively regulate the operation of Kentucky-American.

ff. RWE, Thames Holdings, American Water Works, and Kentucky-American will notify the Commission 30 days prior to making any capital contribution to Kentucky-American and will provide the accounting entries reflecting the capital contribution within 60 days after the close of the month in which the contribution was made.

gg. Kentucky-American customers will experience no material adverse change in utility service due to the merger.

hh. RWE, Thames Holdings, American Water Works, and Kentucky-American will adequately fund and maintain Kentucky-American's treatment, transmission, and distribution systems to comply with all applicable Kentucky statutes and administrative regulations and statutes and to supply Kentucky-American customers service needs.

ii. When implementing best practices, RWE, Thames Holdings, American Water Works, and Kentucky-American will take into full consideration the related impacts on the levels of customer service and customer satisfaction, including any negative impacts resulting from workforce reductions.

jj. RWE, Thames Holdings, American Water Works, and Kentucky-American will minimize, to the extent possible, any negative impacts on levels of customer service and customer satisfaction resulting from workforce reductions.

kk. Kentucky-American will periodically file with the Commission the various reliability and service quality measurements that it currently maintains to enable the Commission to ensure that reliability and service quality will not suffer as a result of the acquisition.

ll. RWE, Thames Holdings, American Water Works, and Kentucky-American will notify the Commission in writing 30 days prior to any material changes in their participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than 5 percent of any individual company's previous year's budget for research and development. The written notification will include an explanation and the reasons for the change in policy.

mm. Kentucky-American will maintain a substantial level of involvement in community activities, through annual charitable and other contributions, on a level comparable to or greater than the participation levels experienced prior to the date of the merger.

nn. RWE and Thames Holdings will maintain and support the relationship between Kentucky-American and the communities that it serves for a period of 10 years from Thames Holdings' acquisition of American Water Works.

oo. Within 60 days of the closing of any utility merger or acquisition in the United States that is exempted under KRS 278.020(4) and 278.020(5), RWE, Thames Holdings, American Water Works, and Kentucky-American will file with the Commission a petition setting forth a formal analysis of any potential synergies and benefits from the merger or acquisition and a proposed methodology for allotting an appropriate share of the potential synergies and benefits to Kentucky-American's ratepayers.

pp. For as long as Thames Holdings owns, controls, or manages American Water Works, at least one seat on Thames Holdings' Board of Directors will be held by a United States citizen who resides in American Water Works' service territories.

qq. American Water Works will hold 100 percent of the common stock of Kentucky-American and shall not transfer any of that stock without prior Commission approval even if the transfer is pursuant to a corporate reorganization as defined in KRS 278.020(6)(b).

rr. When Thames Holdings considers budgets, investments, dividend policies, projects, and business plans, Kentucky-American's chief executive officer or his designee will be present to offer a Kentucky perspective to the decision and will be permitted to participate in any discussions on those issues.

ss. If in connection with the proposed merger, any state or federal regulatory commission or agency imposes conditions on RWE, Thames Holdings, or American Water Works that would benefit ratepayers in any other jurisdiction, proportionate net benefits and conditions will be extended to Kentucky-American ratepayers.

tt. Kentucky-American will continue as a corporation organized under Kentucky law, with its headquarters in Lexington.

uu. Decision-making affecting Kentucky-American's operations will continue to be made at the local level.

vv. Kentucky-American will retain its current name.

ww. No material reductions in the operations workforce will be made as a result of the merger.

xx. Kentucky-American will continue to honor its collective bargaining agreement with union-represented employees.

yy. Employees of Kentucky-American will continue to be provided with benefits under employee benefit plans that are no less favorable than the greater of

those provided by American Water Works and its subsidiaries to such employees or those provided by Thames Holdings and its subsidiaries during the period ending on the third anniversary of the effective date of the merger.