

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 1

Witnesses: James McGivern and Daniel Kelleher

1. For each of the Joint Applicants (the "Applicants") other than Kentucky–American Water Company ("KAWC"), please provide the following:
 - a. The date, if any, on which each of the Applicants registered with the Kentucky Secretary of State to do business in the Commonwealth of Kentucky;
 - b. The service of process agent for each Applicant who is authorized to receive service of process within the Commonwealth of Kentucky on behalf of that Applicant;
 - c. If the answer to (a) or (b) above is none, then describe in detail how the Commission or other entities or persons can obtain jurisdiction over that Applicant in order to enforce orders and conditions or file complaints on conditions or other issues;
 - d. If any of the Applicants are not registered to do business in Kentucky or do not have a registered or designated service of process agent in Kentucky, please explain in detail how or why such registration is not required under Kentucky law for each entity;
 - e. If any of the Applicants are not registered to do business in Kentucky or do not have a registered or designated service of process agent in Kentucky, please explain in detail how or why that Applicant has the requisite authority to file applications before this Commission, and why such an application should not be considered to be void; and
 - f. Please state whether each of the Applicants intends to register to do business in Kentucky, and if so, when.

RESPONSE:

1.
 - a. If LFUCG is referring to a certificate of authority to transact business in Kentucky described in KRS 271B.15-010, none of the Joint Petitioners that are foreign corporations have such certificate of authority.
 - b. See the Response to Item 22 of the Attorney General's Initial Request for Information.
 - c. Legal jurisdictional issues are not pertinent to this proceeding. The jurisdictional rules applicable to orders of the Commission are as readily available to LFUCG as to the Joint Petitioners.
 - d. See KRS 271B.15-010 and decisions of Kentucky courts construing that statute.
 - e. Joint Petitioners are aware of no requirement of Kentucky law that an entity must be registered to do business in Kentucky or must have a registered or designated service of process agent in Kentucky in order to file an application with the Commission.
 - f. Joint Petitioners currently have no plans to register to do business in Kentucky.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 2

Witness: James McGivern

2. Please provide a certified copy of the resolution or other authorization from each of the Applicant's Board of Directors that authorized that Applicant to file the immediate action.

RESPONSE:

2. No such resolutions were required.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 3

Witnesses: James McGivern and Daniel Kelleher

3. Please provide all Board of Director minutes, and memoranda provided to the Board of Directors of any of the Applicants, in which the formation of Thames Water Aqua U.S. Holdings, Inc. ("TWUS") is discussed.

RESPONSE:

3. There are no such minutes or memoranda.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 4

Witness: Stephen Smith

4. According to the testimony of Stephen Smith, TWUS was established June 26, 2002, to take advantage of a German tax law change which became effective in December, 2001. Please explain in detail the following:
- a. Why none of the Applicants sought modification of the Order of May 30, 2002, in Case No. 2002-00018 to incorporate this change of control, in that the Commission retained jurisdiction over that matter until at least the date of the issuance of a Commission Order on Rehearing on July 10, 2002;
 - b. Why it took the Applicants six months to determine whether forming TWUS would be appropriate;
 - c. Why the Applicants never met the Commission's expectation that they would advise the Commission promptly of any changes in the proposed transaction in Case No. 2002-00018. See Order of July 10, 2002, at page 5; and
 - d. Additional conditions that are or may be necessary to assure that the Commission will in fact be promptly informed of any such changes in the future.

RESPONSE:

4. a. As noted in the Response to Item 1 above, TWUS was formed on July 26, 2002 (the June 26th date in the Smith testimony is erroneous). Thus, TWUS was not formed until after the referenced July 10, 2002, date.
- b. See the Response to Item 7(a) and (b) to the Commission Staff's First Set of Interrogatories and Requests for Production of Documents.
- c. See the Response to Item 4(b) above.
- d. No additional conditions.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 5

Witness: James McGivern and Daniel Kelleher

5. Please provide all analyses performed by any of the Applicants that describes or quantifies the benefits to be achieved by any of the Applicants through the formation of TWUS.

RESPONSE:

5. Other than the benefit of filing a consolidated tax return discussed in Mr. Smith's testimony, no such analyses have been performed.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 6

Witness: James Kelleher

6. Please explain in detail why tax savings achieved through the writing off losses of other entities against profits earned by KAWC and other operating companies should not be shared as a benefit with the ratepayers of KAWC.

RESPONSE:

6. KAWC has traditionally been regulated as a stand-alone company. This fairly reflects the tax attributable to the customers of KAWC.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 7

Witnesses: James McGivern and Daniel Kelleher

7. Please explain in detail why the immediate transaction, which is allegedly only intended to reduce the taxes paid by some of the Applicants, is in the public interest.

RESPONSE:

7. The "immediate transaction" only recognizes a housekeeping modification of the corporate structure of RWE AG. The change of control of KAWC to a subsidiary of RWE AG has already been found to be consistent with the public interest in Case No. 2002-00018 and the formation and use of the intermediary subsidiary, TWUS, will have no impact on the Commission's findings in Case No. 2002-00018 that that transaction is consistent with the public interest.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 8

Witness: Stephen Smith

8. Please explain whether losses incurred by unregulated activities in Kentucky would be eligible for the tax benefits to be obtained by the Applicants as a result of this transaction.

RESPONSE:

8. The tax laws of the United States allow for such set-offs in connection with consolidated tax returns.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 9

Witness: Stephen Smith

9. Please detail all other proposed or pending law changes in either Germany or England that may result in additional entities being created in the corporate structure leading from RWE Aktiengesellschaft ("RWE") to American Water Works Company, Inc. ("AWW")

RESPONSE:

9. No such changes are now known to Joint Petitioners.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 10

Witnesses: James McGivern and Daniel Kelleher

10. Please provide a description of all other corporate reorganizations that are currently under consideration which will either directly or indirectly affect the ownership of any of the Applicants.

RESPONSE:

10. No such corporate reorganizations are now under consideration.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 11

Witness: Stephen Smith

11. Please describe any pending or proposed law changes in the United States that may result in additional entities being created in the corporate structure leading from RWE to AWW or KAWC.

RESPONSE:

11. No such changes are now known to us.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 12

Witness: James McGivern

12. Please explain what restrictions, if any, are in place that would prevent TWUS from becoming involved in the operational control of AWW or KAWC.

RESPONSE:

12. No such restrictions are in place or required.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 13

Witnesses: James McGivern and Daniel Kelleher

13. Please provide a complete listing of any and all environmental fines or penalties that have been imposed on any of the Applicants in any of the jurisdictions in which they have been active in the last ten years. Include all details of the circumstances of such actions; the fine or penalty imposed; and the remedial action, if any, undertaken by the affected entity.

RESPONSE:

13. See Response to Staff Requests 8 and 9 and the attachment hereto. In addition, two of RWE's subsidiaries paid penalties.

(A) Consol Energy paid:

<u>Year</u>	<u>Fine</u>	<u>Agency</u>	<u>Cause</u>
1996	\$10,000	West Virginia DEP	Construction prior to issuance of air emission permit
1996	\$25,000	West Virginia DEP	Violation of air emission permit
1996	\$45,000	Virginia DMLR	Slurry Pond spill
1998	\$102,600	Ohio EPA	Water treatment facility failure
2000	\$10,000	West Virginia DEP	Construction prior to permit issuance

(B) Heidelberger Web Systems paid:

<u>Year</u>	<u>Clean-up Penalty</u>	<u>Agency</u>	<u>Cause</u>
2001	\$12,300	US EPA	Share of cost to clean up Superfund site

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 14

Witnesses: James McGivern and Daniel Kelleher

14. Please provide all analysts' reports in the possession of the Applicants that discuss the financial condition of any of the Applicants.

RESPONSE:

14. Reports that discuss the financial condition of the Joint Petitioners are found in the following data request responses in Case No. 2002-00018: Items 7, 13 and 31 of the Commission's Order of January 30, 2002; Items 1b, 2b and 3b of the Staff's data request dated February 22, 2002; Item 42 of the LFUCG data request dated February 22, 2002, and Items 96, 97, 98, 101, 148, 150, 151, 152 and 153 of the Attorney General's data request dated February 22, 2002. Additional reports that discuss financial condition are attached in electronic format.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 15

Witness: James McGivern

15. Please state whether the Applicants would agree to a condition that would require a new change of control filing in the event that a future functional or operational reorganization within the RWE corporate family meets the standards contained in KRS 278.020(4) or (5).

RESPONSE:

15. The Applicants would not accept such a condition, if it were to be applied to corporate housekeeping type matters.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 16

Witness: Roy W. Mundy II

16. Please indicate whether the Applicants intend to continue to utilize Jacobson Park as part of the KAWC system, and, if so, for how long. In the event that the Applicants do not intend to utilize Jacobson Park as part of the KAWC system for at least the remaining period of the existing lease agreement with the LFUCG, describe in detail for how long such use is intended, and what the Applicants intend to do with the park once it is no longer useful as part of the KAWC system.

RESPONSE:

16. See the Response to Bluegrass FLOW, Inc. Request No. 14.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 17

Witness: Roy W. Mundy II

17. Please provide all internal memoranda prepared by or for any of the Applicants that discusses future plans for Jacobson Park.

RESPONSE:

17. See the Response to Item No. 16 above.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 18

Witness: Roy W. Mundy II

18. Please provide the Applicants' estimate of the current market value of Jacobson Park, including all assumptions contained in such an estimate.

RESPONSE:

18. See the Response to Item No. 16 above.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 19

Witness: Roy W. Mundy II

19. Please state whether all of the Applicants would accept a condition that they will not sell Jacobson Park to anyone other than the LFUCG during the term of the current lease agreement with the LFUCG, even if KAWC finds a source of water supply sufficient to support a finding that Jacobson Park is no longer used and useful for water supply service. In the event any of the Applicants will not accept such a condition, please state why.

RESPONSE:

19. See the Response to Item No. 16 above.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 20

Witness: Roy W. Mundy II

20. Please provide an accounting for the expenditures incurred to date by any of the Applicants in the campaign against a "Government Takeover" of KAWC, including expenditures supporting the "Coalition Against a Government Takeover", with an explanation of the source of the funds used for such expenditures and the accounting procedures, if any, that will assure that KAWC ratepayers will not be responsible for such expenditures.

RESPONSE:

20. See the Response to Item No. 8 of the First Interim Request of Bluegrass FLOW, Inc.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 21

Witness: Roy W. Mundy II

21. Please state whether the Applicants intend to seek recovery of the expenses associated with PSC Case No. 2002-00018 and the immediate action from KAWC ratepayers, including, but not limited to, legal, professional and consulting expenses. If rate recovery for such costs is contemplated as a possibility, please provide an accounting of such costs to date, broken out by category of cost.

RESPONSE:

21. Joint Petitioners will not seek the recovery of any of those expenses from KAWC ratepayers.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 22

Witness:

22. Please list all treaties, laws, international agreements or related items that any of the Applicants could raise or rely on as a defense to any action by this Commission or a court of the Commonwealth of Kentucky brought to enforce conditions imposed as the result of either PSC Case No. 2002-00018 or the immediate action.

RESPONSE:

22. Joint Petitioners have not conducted the legal research necessary to provide a response to the foregoing question.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 23

Witnesses: James McGivern and Daniel Kelleher

23. Please state whether all of the Applicants are willing to waive the protections provided by any of the items listed in request number 22, above in the event that such an enforcement action is undertaken by either the Commission or a court of the Commonwealth of Kentucky. In the event that any of the Applicants will not accept such a condition, please state why.

RESPONSE:

23. See the Response to Item No. 20 of the Attorney General's Initial Request for Information.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 24

Witnesses: James McGivern and Daniel Kelleher

24. Please state the Applicants current estimate of the closing date for the acquisition of AWW.

RESPONSE:

24. The Joint Petitioners' current estimate is that the closing will occur in the first half of 2003.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 25

Witness: James McGivern

25. Please list any and all actions taken by RWE, Thames Water Aqua Holdings GmbH ("Thames") (or any of the Applicants on their behalf), in fulfilling the condition that they agreed to in PSC Case No. 2002-00018 that provided RWE and Thames "...will take the lead in enhancing KAWC's relationship with the Commission, with state and local governments, and with other community interests...".

RESPONSE:

25. Until the acquisition is accomplished, RWE, Thames Holdings and the other RWE related Petitioners are not empowered to take any actions on behalf of KAWC.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 26

Witness: James McGivern

26. Please list all reports filed by RWE, Thames or other subsidiaries of RWE that are equivalent to the reports currently required to be filed by AWW with the Securities and Exchange Commission. Please include the information to be provided by such reports, the agency to which such reports are made, and any areas of current SEC filings that will no longer be required to be reported to a regulatory agency.

RESPONSE:

26. As a company listed on the stock exchange, RWE is subject to regulation under the German Stock Exchange Act (Börsengesetz - BoersG) and the Securities Trading Act (Wertpapierhandelsgesetz - WpHG). The reporting requirements under these acts are not the same as U.S. Reporting requirements with the SEC. According to these regulations, RWE has to submit the following documents to the German Financial Supervisory Authority and Frankfurt and Dusseldorf Stock Exchanges.

- RWE Annual Report (Einzelabschluss);
- RWE Annual Report of the Group (Konzerngeschäftsbericht);
- Quarterly interim reports;
- The invitation to the Annual General Meeting;
- The dividend announcement;
- "Ad hoc announcements" in respect of price-sensitive information according to §15 of the Securities Trading Act.

The above documents make public substantially the same information that is provided by AWW's current SEC filings.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

**RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002**

ITEM NO. 27

Witness: James McGivern

27. Please provide specific current information as to the makeup of AWW's post-transaction board of directors (see Testimony of Stephen Smith at page 2).

RESPONSE:

27. The makeup of the post-transaction board of directors has not yet been determined.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

**RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002**

ITEM NO. 28

Witness: James McGivern

28. Please provide a copy of any and all documents that demonstrate a requirement that TWUS's Board of Directors will be the same as AWW's post-transaction board.

RESPONSE:

28. There is no such requirement.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 29

Witness: James McGivern

29. Please provide a copy of all documents that demonstrate a requirement that TWUS will be prevented from engaging in any commercial transactions with KAWC.

RESPONSE:

29. There are no such documents. KAWC intends to comply with the affiliate transaction rules.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 30

Witness: James McGivern

30. Thames Water PLC was acquired by RWE in November 2000 Please state whether the transition process with respect to Thames Water PLC is complete.

RESPONSE:

30. Yes.

KENTUCKY-AMERICAN WATER COMPANY
THAMES WATER AQUA HOLDINGS GMBH
RWE AKTIENGESELLSCHAFT
THAMES WATER AQUA US HOLDINGS, INC.
APOLLO ACQUISITION COMPANY
AMERICAN WATER WORKS COMPANY, INC.

CASE NO. 2002-00317

RESPONSES TO LFUCG'S FIRST SET OF REQUESTS
FOR INFORMATION DATED SEPTEMBER 23, 2002

ITEM NO. 31

Witness: Stephen Smith

31. One of Mr. Smith's responsibilities, as listed in his curriculum vitae, is described as "Restructuring of the TW group to minimize the exposure to German CFC legislation." Please describe or explain in detail the following:
- a. The German CFC legislation that is the focus of this effort;
 - b. Why the Applicants need to restructure in order to "minimize exposure" to such legislation;
 - c. How the creation of TWUS relates to "minimizing exposure" to the CFC legislation;
 - d. All restructuring activities that have been undertaken to date with respect to this function; and
 - e. Whether similar restructuring efforts will be undertaken or contemplated either pre- or post-merger to "minimize exposure" to similar American laws and regulations, and if so, what restructuring is contemplated.

RESPONSE:

31. (a) Between 1 January 2001 and 24 December 2001 dividends paid between tiers of controlled foreign (non German) companies ("CFCs") and also in respect of capital gains attributable to this sale of overseas (i.e. non German) assets were taxable in Germany under its controlled foreign companies (CFC) legislation as well as being taxed in the overseas jurisdictions. Under these detailed rules the additional tax applied to Thames Water Plc (Thames) from 1 April 2001. In the period between the acquisition of Thames in November 2000 and 1 April 2001 a restructuring took place. Specifically a number of companies within the Thames Group paid dividends up through the corporate chain and the ownership of other

companies were transferred from lower tiers in the corporate structure generally into the direct ownership of Thames Water Plc.

- (b) Without these actions dividends and capital gains passing through the Thames corporate structure would have been subject to multiple taxation in Germany.
- (c) This legislation was amended on 24 December 2001 and so will not apply to TWUS. It is this change in the legislation that makes TWUS viable.
- (d) As stated above certain dividends were paid within the Thames Group and companies were transferred within the Thames Group to flatten the corporate structure.
- (e) Currently there are no similar restructuring efforts contemplated in connection with similar American laws and regulations, but management intends to monitor the situation and reconsider should the American laws, regulations or conditions change.