

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT PETITION OF KENTUCKY-)
AMERICAN WATER COMPANY,)
THAMES WATER AQUA HOLDINGS) CASE NO. 2002-00317
GmbH, RWE AKTIENGESELLSCHAFT,)
THAMES WATER AQUA US HOLDINGS, INC.,)
APOLLO ACQUISITION COMPANY AND)
AMERICAN WATER WORKS COMPANY, INC.,)
FOR APPROVAL OF A CHANGE IN)
CONTROL OF KENTUCKY-AMERICAN)
WATER COMPANY)

**LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUESTS FOR INFORMATION**

Comes now the Lexington-Fayette Urban County Government (the "LFUCG"), by counsel and submits its Supplemental Requests for Information to the Joint Applicants (the "Applicants") to be answered in accord with the following. The LFUCG is in no way waiving the objections that it previously raised by motion with respect to the procedural schedule in this action, and specifically reserves the right to supplement these requests at a future point in time.

(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 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 counsel for the LFUCG.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, 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 that 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 counsel for the LFUCG 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.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
SUPPLEMENTAL REQUESTS FOR INFORMATION**

All references herein are to the Lexington-Fayette Urban County Government's Initial Requests for Information, unless otherwise specified. The "Applicant" or "Applicants" shall mean all of the Joint Applicants unless otherwise specified.

1. Reference No. 1(b) – the answer is not responsive. Please provide the name of any agent for the service of process within the Commonwealth of Kentucky for each of the Applicants. If none, so state.

A. For each Applicant that does not currently have an agent for service of process within the Commonwealth of Kentucky state whether that Applicant would agree to so designate such an agent as a condition of the approval of this application. If any Applicant would not so agree, please state why not.

2. Reference No. 1(c) – the answer is not responsive, as mere recitation of unspecified procedures is not a sufficient response. Please answer the question as posed.

3. Reference No. 1(d) – the answer is not responsive. Mere citation of a statutory section and unidentified case law does not constitute an explanation of why the Applicants are not required to register to do business in the Commonwealth. Please answer the question as posed.

4. Reference No. 2. The Commission has recently issued orders in a number of cases involving municipal utilities requiring that such utilities have specific authorization from the governing body of the municipality to file an application with this Commission. In particular, refer to In re: City of Pikeville, PSC Case No. 2000-540, Order of October 8, 2001. Please explain all reasons, if any, why municipal utility applications without such authorization are void, while applications from private utilities may be accepted without such authorizations from their governing bodies.

5. Reference No. 5. Please state whether tax savings realized as a result of the filing of a consolidated tax return will be included in merger savings to be reported to the Commission in PSC Case No. 2002-00277. If not, explain.

6. Reference No.'s 7 and 15. Please define the terms "housekeeping modification" and "corporate housekeeping type matters" as used in the responses to the referenced questions. In particular, provide any policy that has been adopted by any Applicant that provides guidance as to how such terms are to be defined and applied in corporate reorganizations or the creation of new subsidiaries.

7. Please explain how the Commission or the intervenors will be able to determine whether future reorganizations are in fact "housekeeping matters" absent a change of control filing.

8. Reference No. 12. Please state whether the Applicants would agree to prohibit Thames Water Aqua U.S. Holdings, Inc. (“TWUS”) from becoming involved in the operational control of American Water Works Company, Inc. (“AWW”) or Kentucky-American Water Company (“KAWC”) without the specific approval of the Commission as a condition of the approval of this application. If not, explain.

9. Reference No. 13. Please provide additional information with respect to the 1998 fine imposed on Consol Energy by the Ohio EPA for “Water treatment facility failure”. In particular, provide any order or findings of the Ohio EPA that were issued with respect to such fine. In the event that such documents do not exist, provide a narrative explanation of the circumstances of such fine.

10. Reference No. 14. In response to this interrogatory, the Applicants provided a copy of an analysis by Goldman Sachs (the merger advisor for AWW) of German utilities. At page 5 of that analysis, Goldman Sachs concludes that RWE has overpaid for assets in the past, and lists various acquisitions for which RWE has overpaid. Please state whether the Applicants agree with this analysis, and if not, please state the value which the Applicants place on the acquired companies, and why that valuation differs from that of Goldman Sachs.

11. Reference No.’s. 16 through 19. The answer provided to these requests is not responsive. The LFUCG is not precluded from this line of questioning. Please answer the questions as posed.

12. Reference No. 20. The answer is not responsive. Please answer the question as posed.

13. Reference No. 22. Please state whether the Applicants will agree to a condition that they will waive any and all of the defenses referenced in the original question with respect to future actions or proceedings before the Commission. If not, explain.

14. Reference No. 26. Please state whether AWW will be broken out for reporting as a separate entity in any of the filings referenced by the Applicants in the response to the original question. If so, please state in which reports, and for what purposes.

15. Reference No. 28. Please state whether the Applicants will accept a condition that TWUS’s Board of Director’s will be the same as AWW’s post-transaction Board of Directors.

16. Reference No 29. Please state whether the Applicants will accept a condition that TWUS will be prevented from engaging in any commercial transactions with AWW or KAWC.

17. Reference Response to Commission Staff's First Request, Item No. 9. At page 2 of the Response, there is a reference to a "large wastewater fine of 2/21/2000". However, this item does not appear to be listed with other environmental actions on the following pages. Please provide the information as provided for other events, in the same format. In addition, please provide a copy of any reports or findings issued by regulators or government officials in connection with this event, as well as copies of any documents filed by "the London Utility" in connection with this event.

Respectfully submitted,

LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT

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NOTICE AND CERTIFICATION

Counsel gives notice the original and three copies of the foregoing document have been filed by United States Mail, first class postage prepaid to Thomas M. Dorman, Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602-0615, and by uploading the filing to the file transfer protocol site designated by the Executive Director. The undersigned counsel hereby certifies that the electronic version is a true and accurate copy of the documents filed in paper, the electronic version has been transferred to the Commission, and the Commission and other parties have been notified by electronic mail that the electronic version has been transmitted to the Commission. Undersigned counsel also certifies that a copy of the foregoing motion was served by first class U.S. Mail delivery, postage prepaid, on the following, all on this the 7th day of October 2002:

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