

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:** )  
 )  
**NOTICE OF ADJUSTMENT OF THE RATES OF** ) **CASE NO. 2004-00103**  
**KENTUCKY-AMERICAN WATER COMPANY** )  
**EFFECTIVE ON AND AFTER MAY 30, 2004** )

**REPORT IN RESPONSE TO ORDERING PARAGRAPH 10**  
**OF THE COMMISSION’S ORDER OF FEBRUARY 28, 2005**

Attached to this report are the organization charts for Kentucky-American Water, American Water Works Service Company – Southeast Region, and American Water Works Service Company – Corporate Business Center.

- a. Strategic Policy – Strategic Policy for American Water is developed through the Executive Management Team (“EMT”) and is ultimately approved by the Board of Directors. The EMT develops the strategic policy through consultation with functional department directors, Managing Directors from each Regional Office along with their functional staff members, and the Presidents and/or General Managers along with their staffs from each State Operating Company. In many instances for such national functional areas such as, the call center, shared services center, national laboratory services, etc.; teams of representatives from the various regions and states are created to develop strategic plans, policies, and procedures for the operation of these shared functions to be in line with state and local Commission rules, and local state specific needs.

Kentucky-American utilizes the American Water Corporate strategic policy as a guideline to establish a strategic plan specific to Kentucky-American. The Kentucky-American plan includes specifics to the operations, production and source of supply, customer service, rate filings, human resources, communications and other issues present at Kentucky-American that will assure the best in class service to the company’s customers. The President and other officers prepare the strategic policies, goals, and plan for Kentucky-American, and present the strategic plan to its Board of Directors for Approval.

As stated above, Kentucky-American takes an active role in the overall strategic policy of American Water, as well as, the specific issues related to the Company.

**Functions of American Water – Corporate Business Center:**

The Corporate Center is comprised of the various functions outlined in the American Water Works Service Co. Agreements. The function of the Corporate Center is to set overall Company goals and objectives; coordinate with the various Regions and state operations to assure compliance with overall corporate policy and various national, state and local regulatory rules and/or policies; provide uniform direction and advice to the various regional and state operations for each functional area; provide least cost capital and material purchases through the use of the economies of scale and purchasing power of American Water; seek and implement best practices and efficiency measures on a uniform basis when possible to do so; and measure and monitor compliance of each state in meeting the service needs and levels for each of its operating subsidiaries.

Within the overall guidelines mentioned in the previous paragraph, the following sections of this response will provide a brief description of the functions of each area or department.

**Executive Management** – Responsible for establishing overall policy for all functions of the Company in areas of operations, customer service, water quality, production, human resources, finance, accounting, legal, external affairs, strategy and regulation, business development, information technology and capital investment programs in both the regulated and unregulated lines of the business. Provide information to and carry out the direction of the Board of Directors and the capital investors of the Company.

**Legal** – provide companywide strategic direction to the various regional counsels on legal matters, such as, employee issues, property issues, contract management, regulatory compliance, and litigation.

**Business Development** – Develop growth in the regulated business when it benefits the stockholders and existing customers to do so, and develop products and services that can be marketed to potential customers desiring those products and services.

**Finance and Accounting** – provide companywide strategic direction on finance, accounting, and business planning issues to the various regional and state operations. Implement audit procedures for both internal and external audits. Manage American Water Capital Corp. in obtaining external financings at the least cost. Provide shared services support for transactional accounting functions at the least cost in areas such as, payroll, procurement, accounts payable and general accounting. Provide Service Company accounting information to the various operating subsidiaries.

**Human Resources** – provide companywide strategic direction for salary administration, benefit plans and bargaining unit negotiations to the various

regional and state operations. Develop, negotiate when applicable, implement and administer employee benefit packages for all American Water employees.

**External Affairs** – provide companywide strategic direction for both internal and external communications, government affairs and corporate responsibility to the various regional and state operations assuring a consistent message to the customers and various regulatory bodies.

**Business Services** – provide customer service, billing, transactional accounting, procurement, and information technology on a uniform and cost effective manner to the various operating companies.

**Operations and Capital Investment Performance** – provide companywide strategic direction in capital asset management, new capital investment, operations consistency, uniformly sharing best practices, environmental compliance, risk assessment and management to the various regional and operating company staffs. Engineering services are also provided on an as needed basis for project design, project administration and project construction.

**Strategy and Regulation** – obtain companywide input into strategic policy development and provide companywide direction in areas of rate regulation. Provide direction in regulatory relations, including participating in national and regional regulatory forums. Provide uniform direction in rate case preparation and processing, data request responses, and testimony. Maintain data base of regulatory testimony, regulatory issues, and Orders from various jurisdictions. Provide assistance in obtaining internal and external witnesses as needed.

**American Water Enterprises** – provide strategic direction to non-regulated businesses such as contract operations, residuals, engineering, underground infrastructure, carbon, homeowner services, and military contracts.

**Information Technology** – provide strategic direction and develop uniform hardware and software platforms for use by the operating subsidiaries utilizing the economies of scale and purchasing power to provide this critical service in the most cost effective manner possible. Provides technical support for all hardware and software applications.

**Functions of SE Regional Offices:**

The SE Region is headquartered in Hershey, PA. , with another office located in Charleston, WV. The SE Regional offices include similar departments to those at the Corporate Business Center (with the exceptions of the functions at Corporate which provide business services on a national level), but while the regional offices provide significant input into the Corporate strategies, they are responsible for developing plans and strategies for each operating subsidiary included in the Region that are within the overall corporate guidelines but more specific to each

state or operating subsidiary. The Regional Office takes advantage of sharing and economies of scale to provide highly qualified and capable officers and support staff to each state in several important areas. Employees of the SE Region Office provide services to Kentucky American Water as well as to operating companies in five other states. Over the last two years American Water has been undergoing a reorganization which has had little direct impact on employees located in Kentucky, but has had a significant impact on the SE Region Offices. The new Region reflects a more functional arrangement to manage the current operation of a modern water utility and to align management responsibilities more closely to the customer. As can be seen in the SE Region organization chart attached to this response, a number of functions have been rearranged to make a more focused management organization to oversee the highly specialized areas of responsibility.

**Executive Management** – The Regional Managing Director is responsible for all the functions of the region, is an officer and/or a member of the Board of Directors for each operating company. The Regional MD is also a member of the Corporate Executive Management Team and is responsible for providing significant input to the Corporate Strategic policies and guidelines. The Regional MD is responsible for establishing and implementing state specific plans that are in line with overall corporate guidelines when possible and are approved by each operating subsidiaries Board of Directors.

**Finance\Accounting\Rates** – responsible for developing and implementing business plans for each operating company within the Region, financial statement generation, financial statement review and reporting including compliance with external auditors review, and preparation and processing of rate case applications, preparation and processing of all other regulatory commission reports, rule proceedings and other required filings. The Regional Finance Director is and officer and/or a member of the Board of Directors of each operating company, and several regional finance employees are officers of each operating company.

**Service Delivery** – responsible for developing and implementing business plans for each operating company within the Region that includes implementing best practices and uniform operating procedures when possible, establishing and administering capital spending plans, monitoring operating procedures and customer service to assure customer satisfaction, monitoring and implementing safety and risk management programs, developing and administering maintenance programs, developing and implementing environmental management and compliance, developing and administering production related activities, and developing and administering distribution, meter reading, field service, and local customer service activities. The Regional Director of Service Delivery is an officer and/or member of the Board of Directors for each operating company.

**Business Development** - responsible for developing and implementing business plans regarding growth opportunities for both regulated and non-regulated entities

within the Region. Develops contacts, prepares bids and proposals for development opportunities. Assists in regulatory filings for approval as required.

**General Counsel** – responsible for developing and implementing plans for legal work on litigation as required, corporate secretary duties, capital financing documents, rate and other regulatory filing documents, property and right-of-way issues, and other legal matters as they arise. The Regional General Counsel is an officer and/or member of the Board of Directors for each operating company.

**External Affairs** – responsible for developing and implementing plans for internal and external communications activities, customer communications, community affairs activities and budgets, and government and regulatory relations activities for each operating company within the Region.

**Human Resources** – responsible for developing, implementing and administering plans for salary administration, filling of vacancies, employee communications, employee benefit programs, and negotiations with bargaining unit personnel.

- b. The affiliated services provided to Kentucky American Water by American Water Works Service Company, Inc. are described in the response to part (a) of this request. These services are provided under the Service Company Contract dated January 1, 1989. In addition other affiliated services are provided by:
1. American Water Capital Corp. - Cash management, and obtaining long and short-term debt as required are provided by AWCC under agreement dated June 15, 2000 and approved by the Commission in Case No. 2000-189.
  2. American Water Resources, Inc. (formerly American Anglian Environmental Technologies, L.P.) dba American Carbon Services by agreement dated January 21, 2002 for the purchase of services and products for water treatment purposes.
- c. American Water is continually exploring ways to operate more effectively and efficiently, and modifications to the organization structure are a necessary and ongoing process to accomplish this goal. The reorganization that has been ongoing since 2003 has recently impacted some employees of Kentucky-American, however, these changes are believed to benefit Kentucky-American and are expected to improve the Company's ability to charge time and expenses across regulated and non-regulated businesses. In the new Regional alignment, which is functionally driven to improve best operating procedures, improve efficiencies and improve customer satisfaction; several Kentucky-American employees have been moved to the Service Company payroll. These employees still reside in Kentucky-American's service area and the vast majority of their time is still charged to Kentucky-American. Placing these employees on the Service

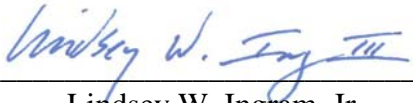
Company payroll will permit a much more efficient charging of their time when on occasion they are asked to use their expertise to assist other American Water subsidiaries in the SE Region as well as other Regions and non-regulated activities. In several instances former Kentucky-American employees are now Regional employees and now have responsibility for multiple states within the SE Region. The following list provides employees who are now on the Service Company payroll and where their primary responsibilities reside.

1. Nick Rowe – primarily Kentucky, will charge time to Corporate regarding responsibilities as Diversity Leader.
2. Herb Miller – Associate Counsel for both Kentucky and Tennessee
3. Susan Lancho – Manager of Communications for Kentucky, Tennessee, and West Virginia.
4. Donna Braxton – Manager of Human Resources for both Kentucky and Tennessee.
5. David Whitehouse – Manager of External Affairs for both Kentucky and Tennessee.
6. Linda Bridwell – Project Delivery and Developer Services Manager – Kentucky, Tennessee, West Virginia.
7. Frank Ross – Loss Control Supervisor – Kentucky and Tennessee.
8. Rich Svindland – Technical Services Manager – entire SE Region
9. R. Curry – Large Reliability Maintenance Supervisor – primarily Kentucky
10. B. Siler – Intermediate Financial Analyst – primarily Kentucky
11. D. Taylor – Sr. Business Reporting Agent – Kentucky and Tennessee
12. M. Shyrock – Sr. ITS Support Specialist – primarily Kentucky

There are no other planned reorganizations at this time. American Water is however involved with several major initiative projects that could impact the organization at a future date. The first initiative project is called STEP and it is a multi-year project that encompasses all areas of the business. The first STEP project is called Service First and involves the use of mobile computing for the field service representatives. This project will permit real time access by field personnel to the customer records as well as distribution maps and information. This initiative will improve efficiency and will also permit the field personnel to

be more responsive to the customer and permit improved scheduling of customer contacts for the customers convenience. Future STEP projects will involve replacement of the JDE accounting software and the ORCOM customer information and billing software as well as other efficiency projects. The second initiative project is called SOP and is being developed to standardize best practice operating procedures across the American Water System, again to improve efficiencies and be more responsive to the customers.

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BY:   
\_\_\_\_\_  
Lindsey W. Ingram, Jr.  
Lindsey W. Ingram III

ATTORNEYS FOR  
KENTUCKY AMERICAN WATER

**CERTIFICATION**

This is to certify that a true and accurate copy of the foregoing has been electronically transmitted to the Public Service Commission on May 3, 2005; that the Public Service Commission and other parties participating by electronic means have been notified of such electronic transmission; that, on May 3, 2005, the original and one (1) copy in paper medium will be hand-delivered to the Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; and that on May 3, 2005, one (1) copy in paper medium will be served upon the following via U.S. Mail:

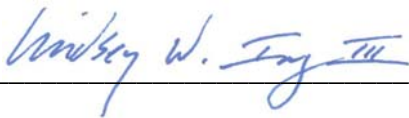
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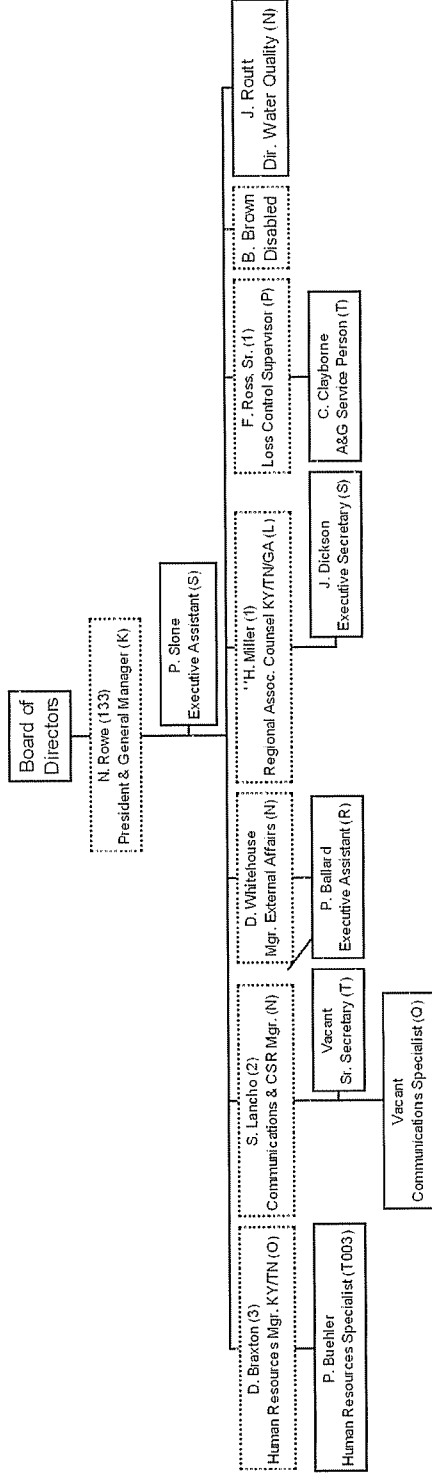
STOLL, KEENON & PARK, LLP

By  \_\_\_\_\_

ATTORNEYS FOR  
KENTUCKY AMERICAN WATER

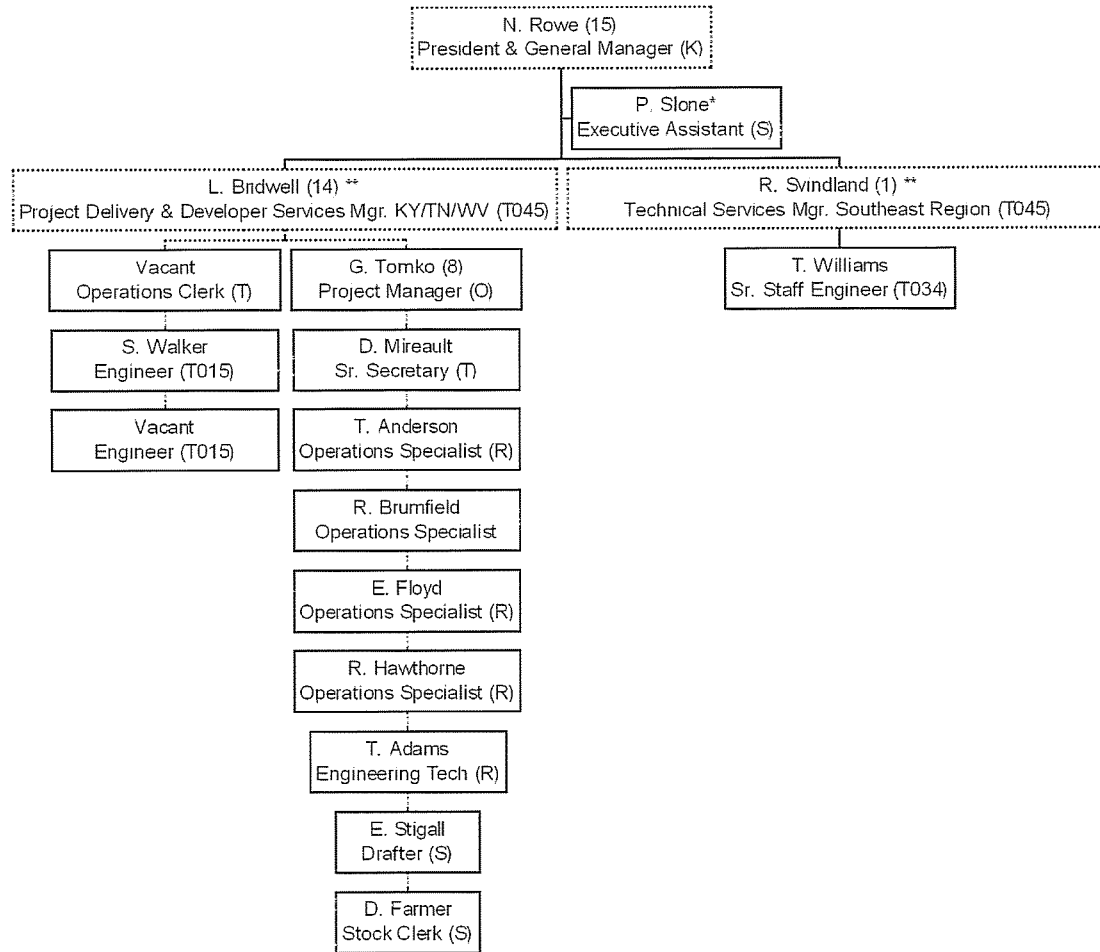


# KY American Water



\*\* Corporate Counsel, Business Development and Information Systems personnel report to KAW but are on regional payroll. Support for these positions is at KAW.

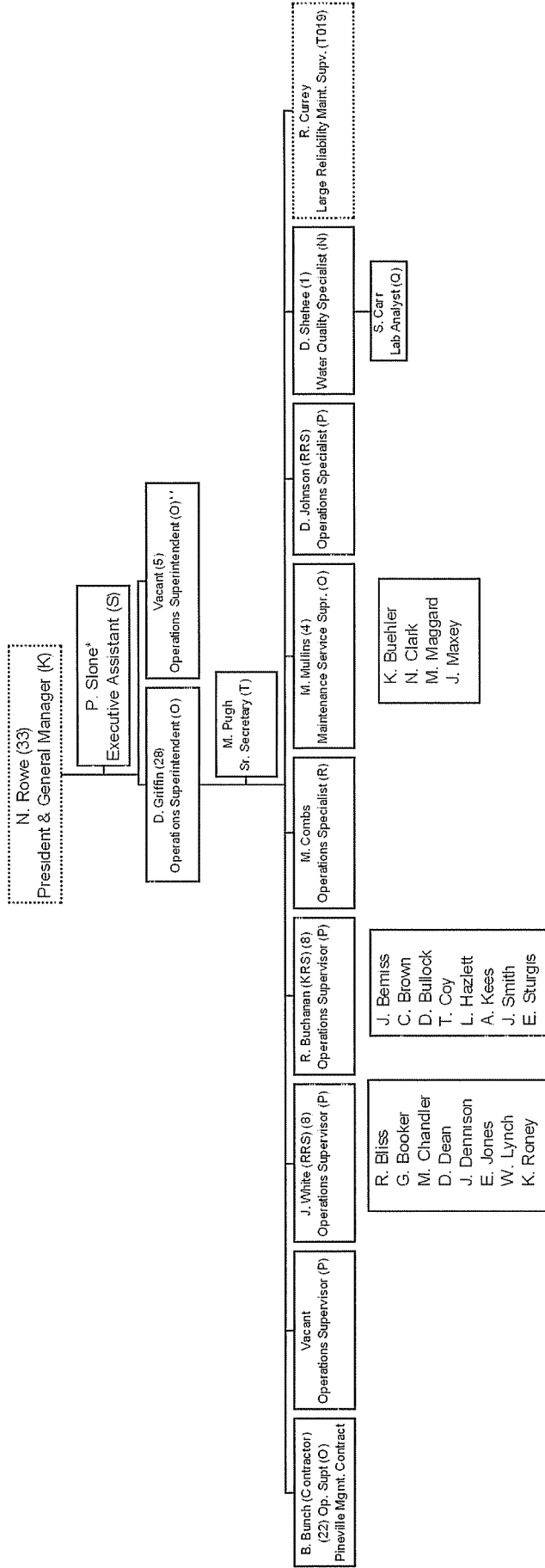
# KY American Water Engineering



\* Performs duties for other mgmt. employees

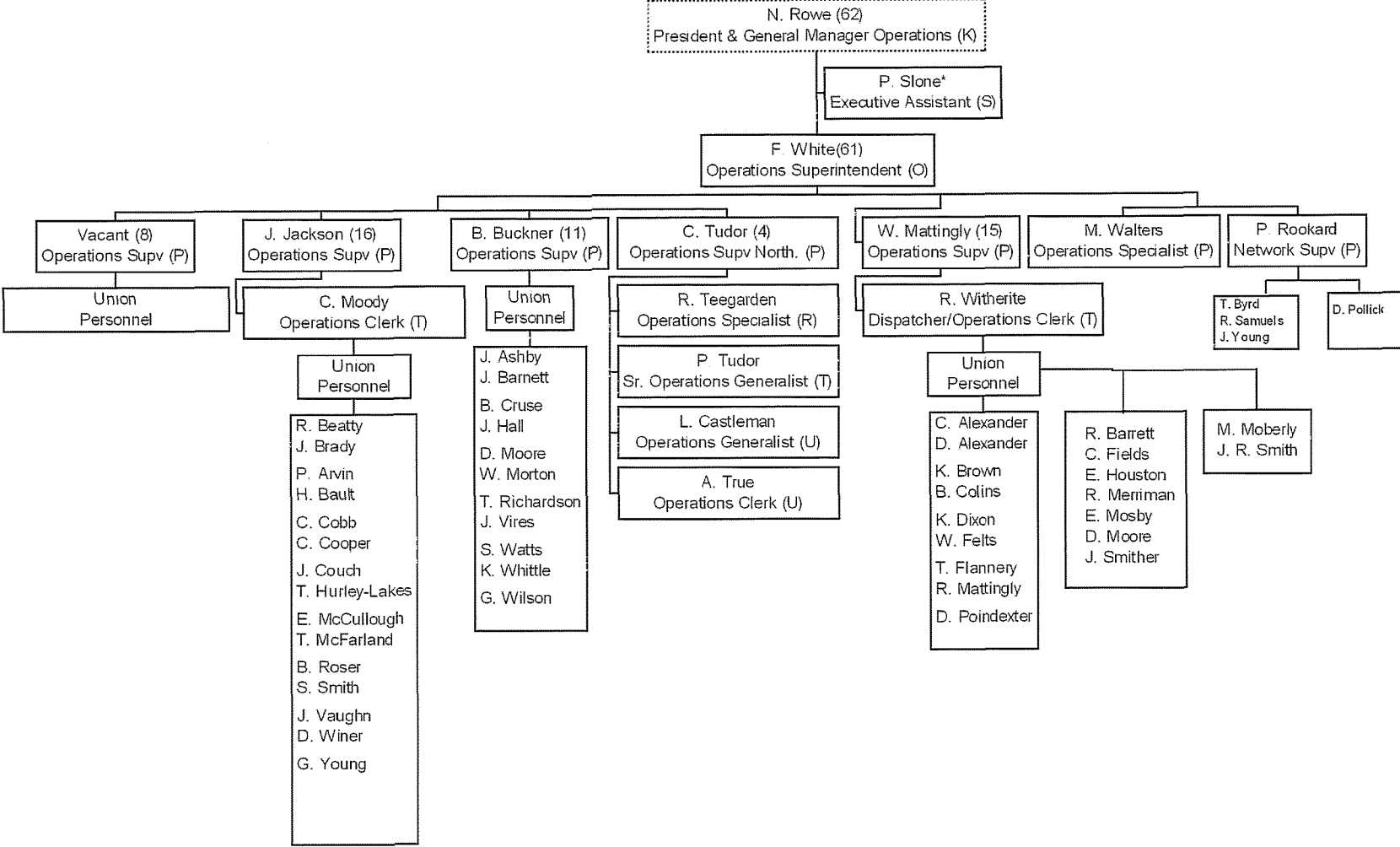
\*\* Reports to Regional office, but currently located in Kentucky.

# KY American Water Production/Water Quality

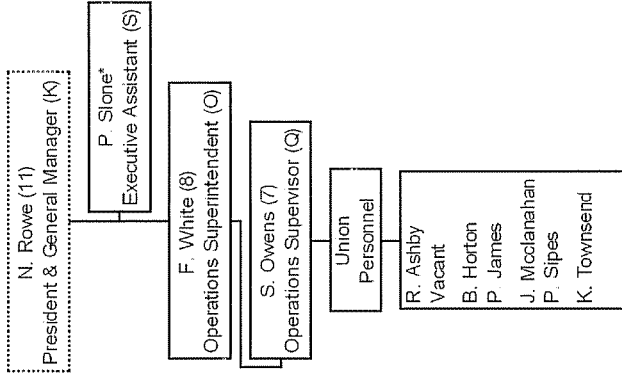


\*\* Position moved to the region

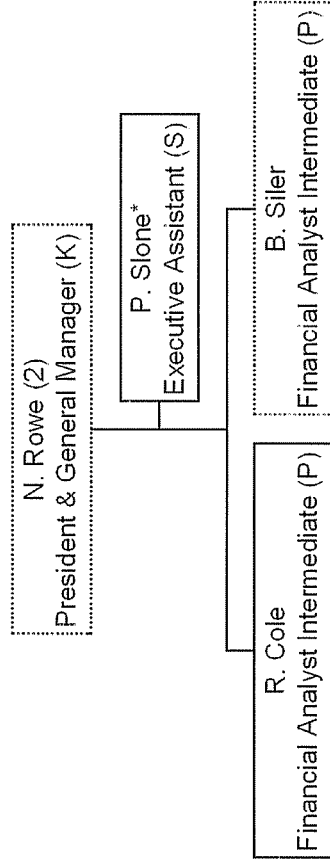
# KY American Water Network



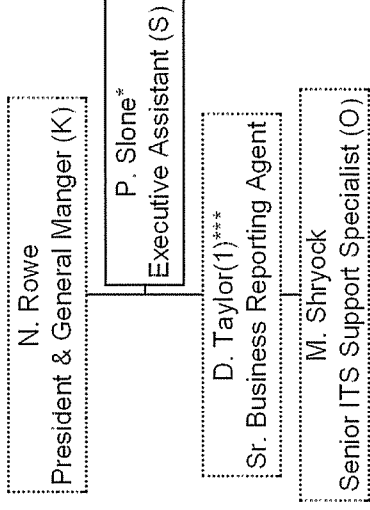
# KY American Water Operations Center



# KY American Water Finance



# KY American Water Information Systems



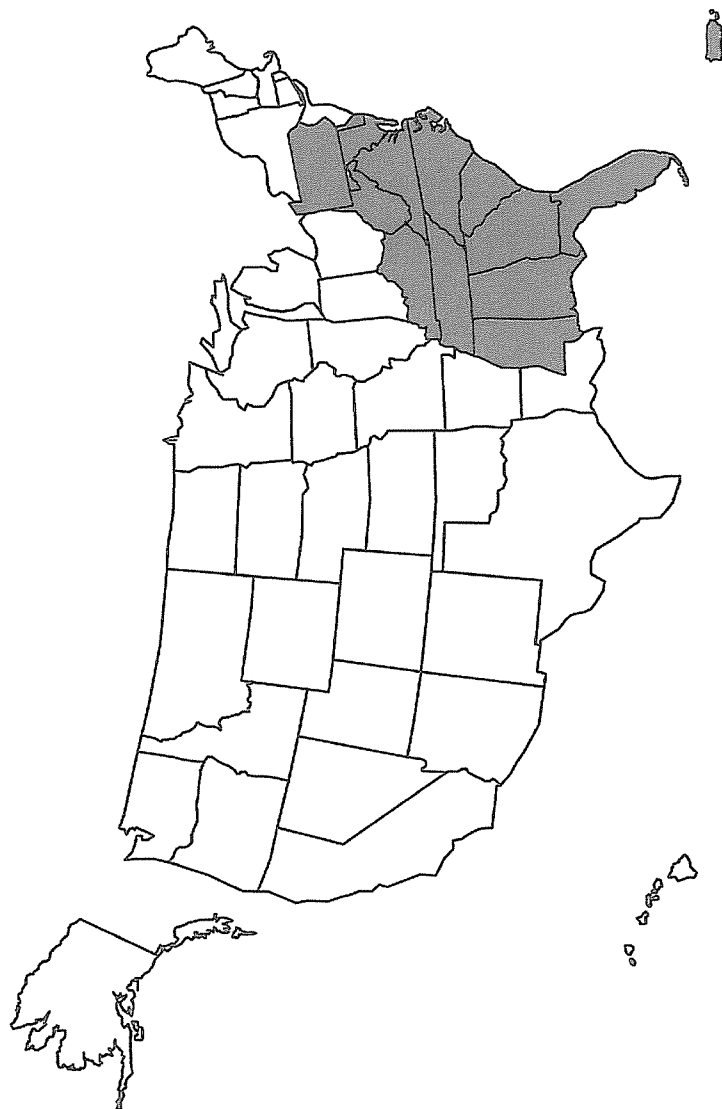
\*\*\*ITS Report to Region Office

Effective  
12/06/04



# SOUTHEAST REGION ORGANIZATIONAL CHARTS

April 2005





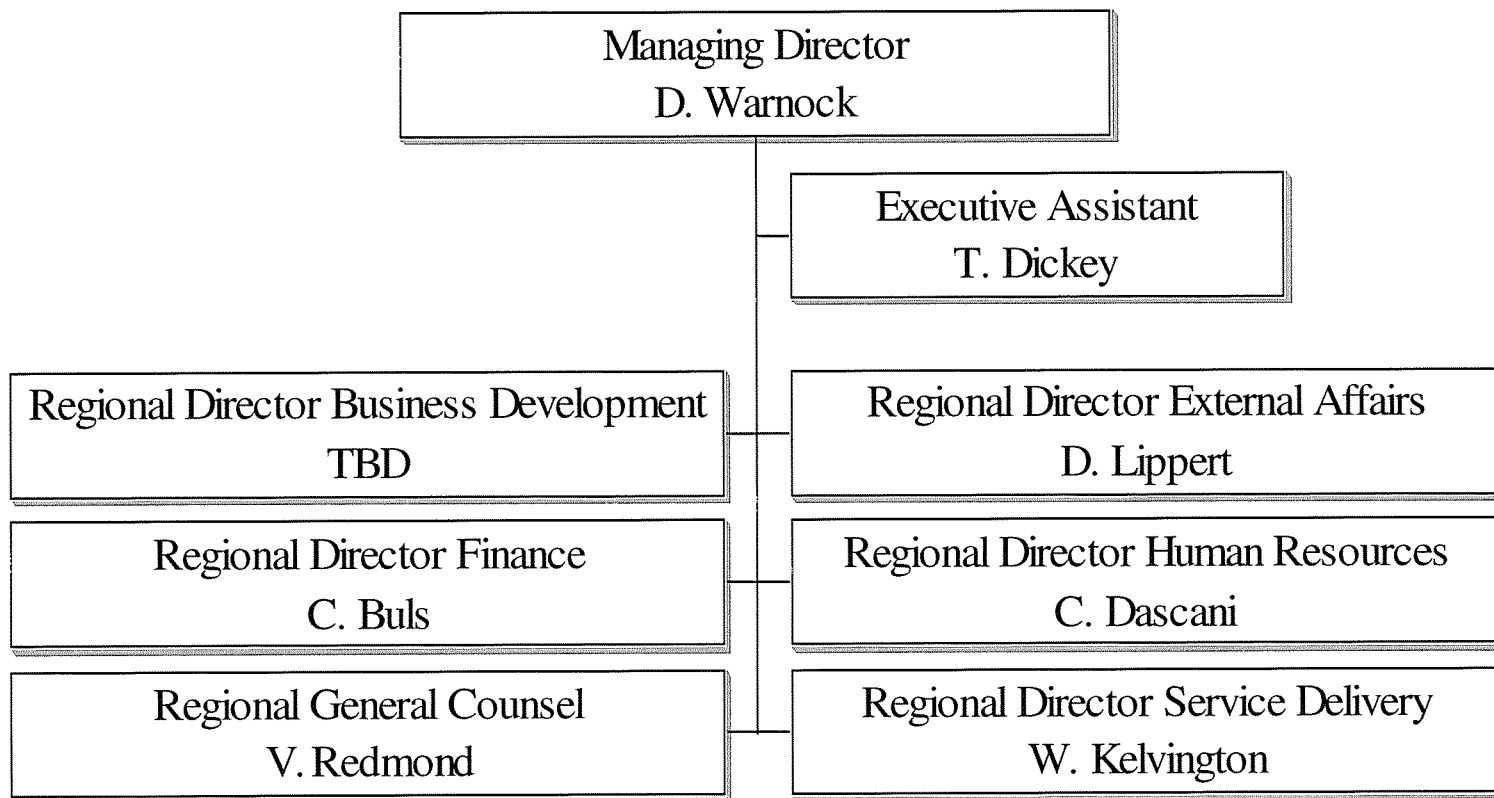
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# Southeast Region Regional Directors

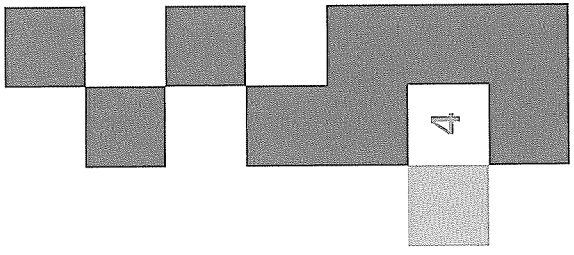
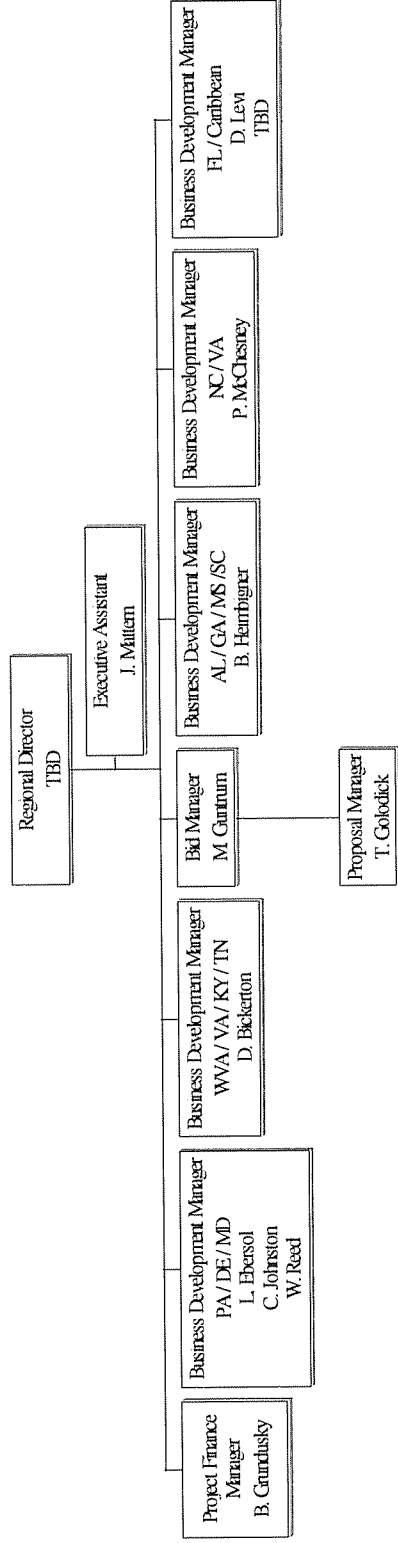
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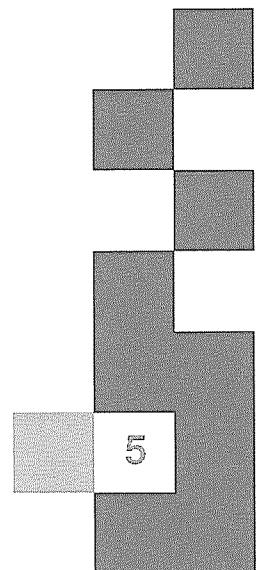
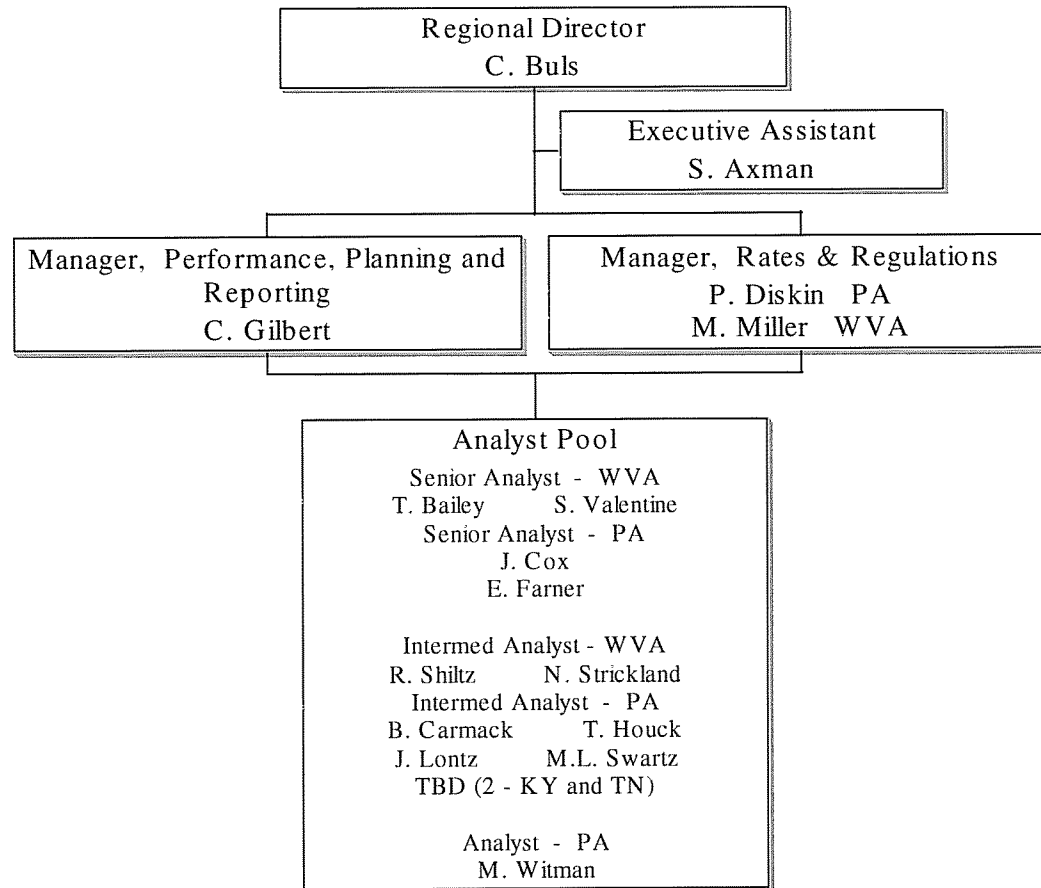
# Southeast Region Business Development

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# Southeast Region Finance

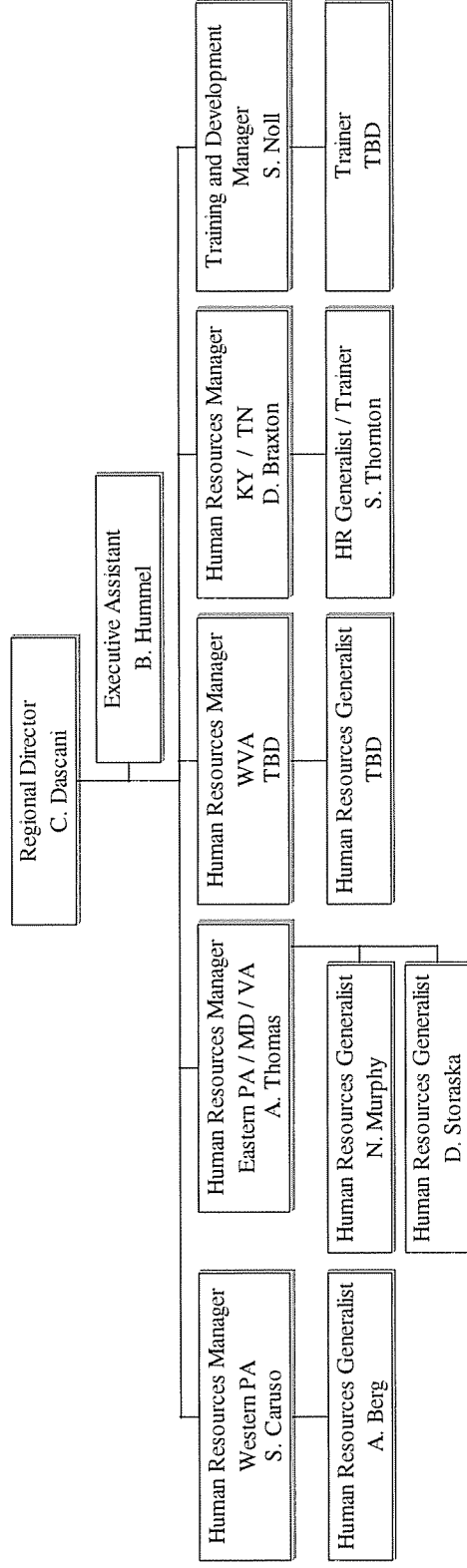
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# Southeast Region Human Resources

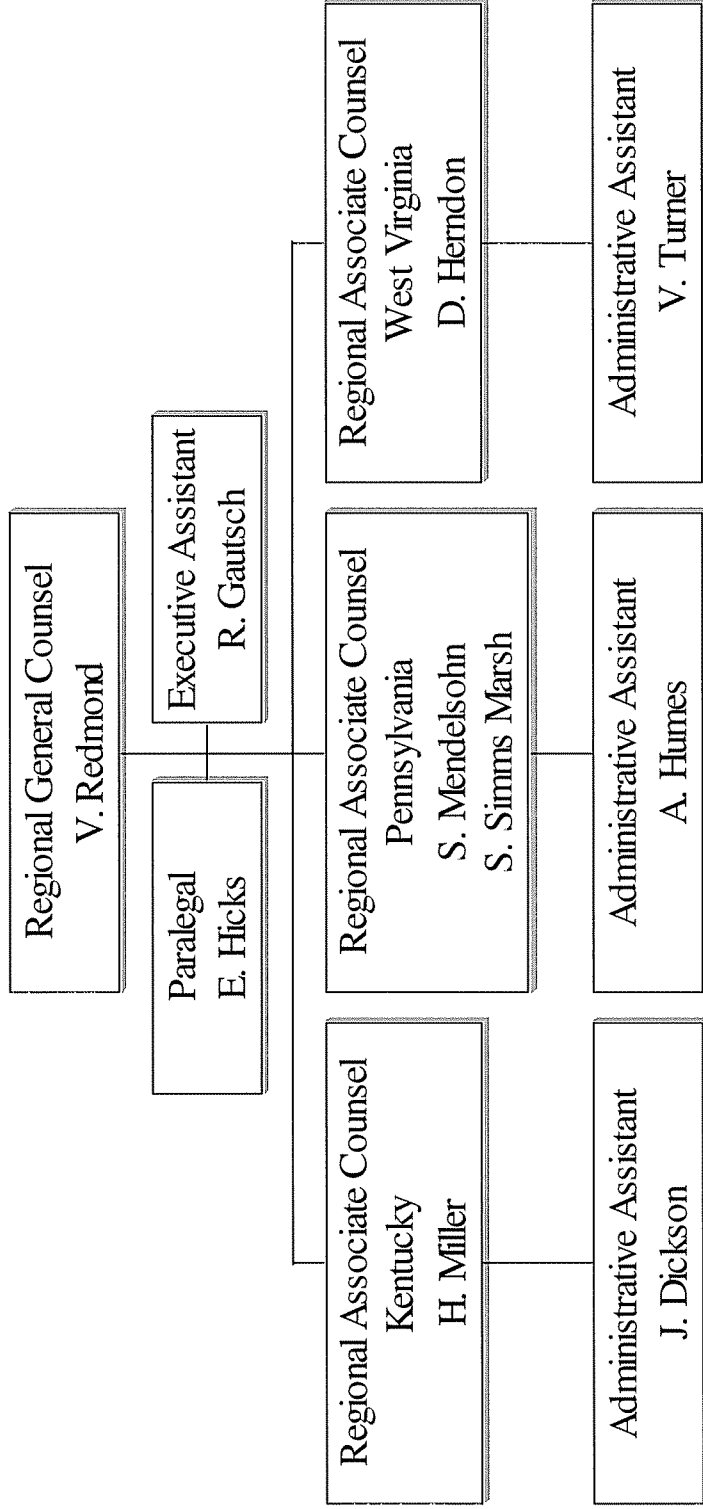
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# Southeast Region Legal



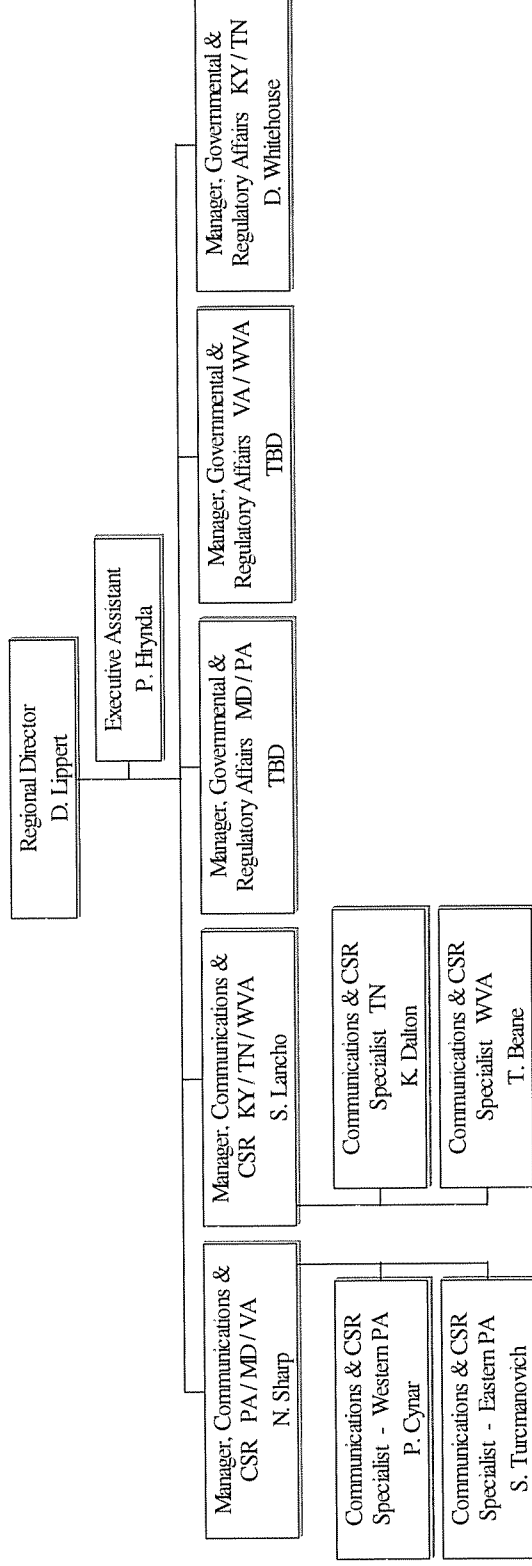
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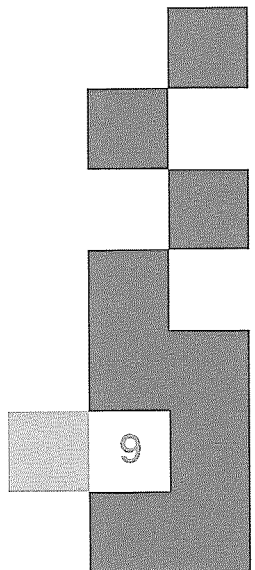
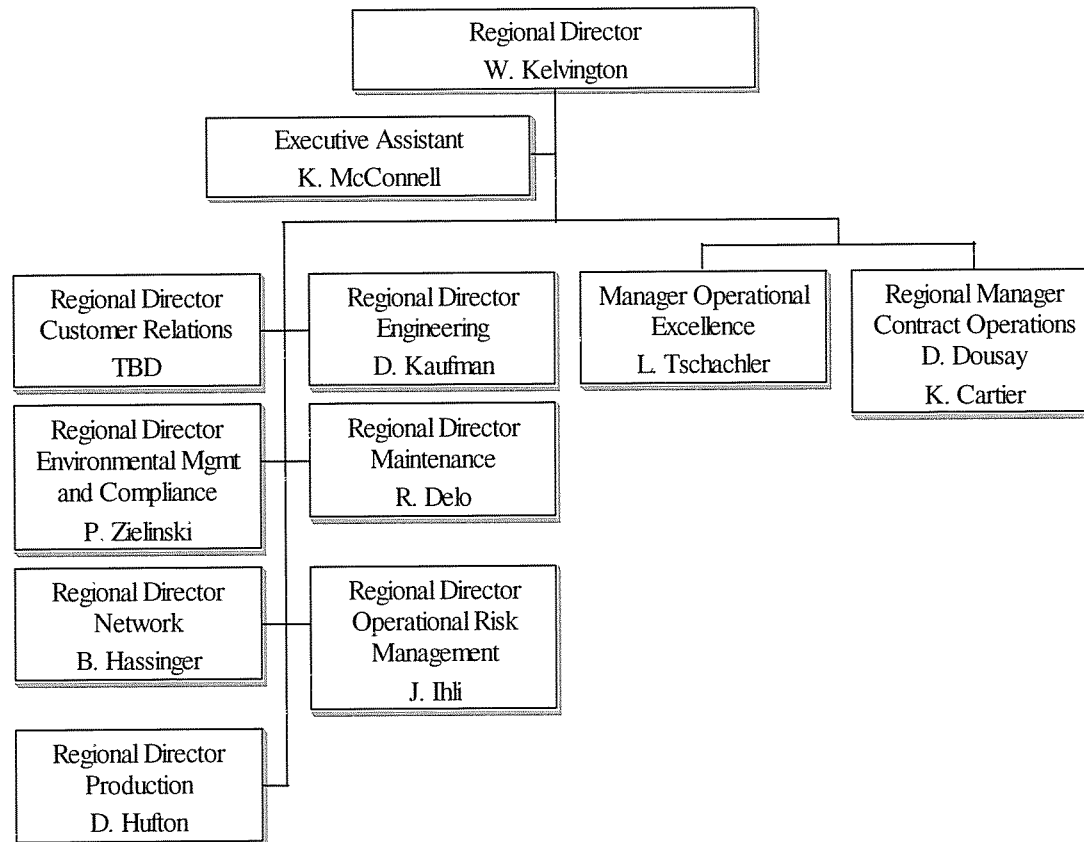
# Southeast Region External Affairs

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# Southeast Region Service Delivery

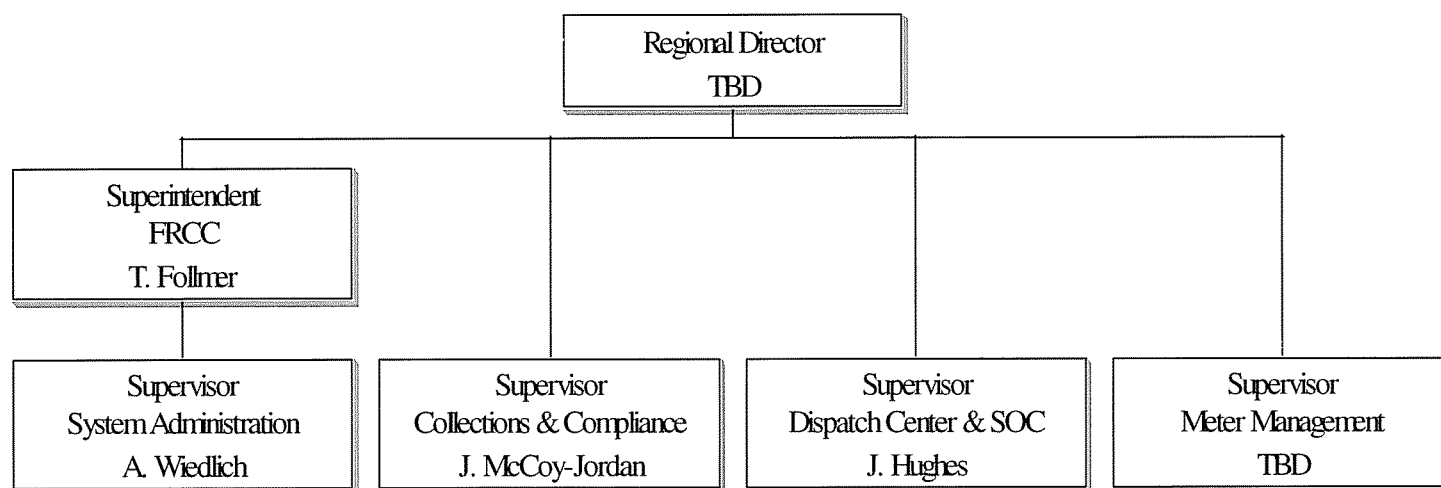
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# Southeast Region Service Delivery Customer Relations

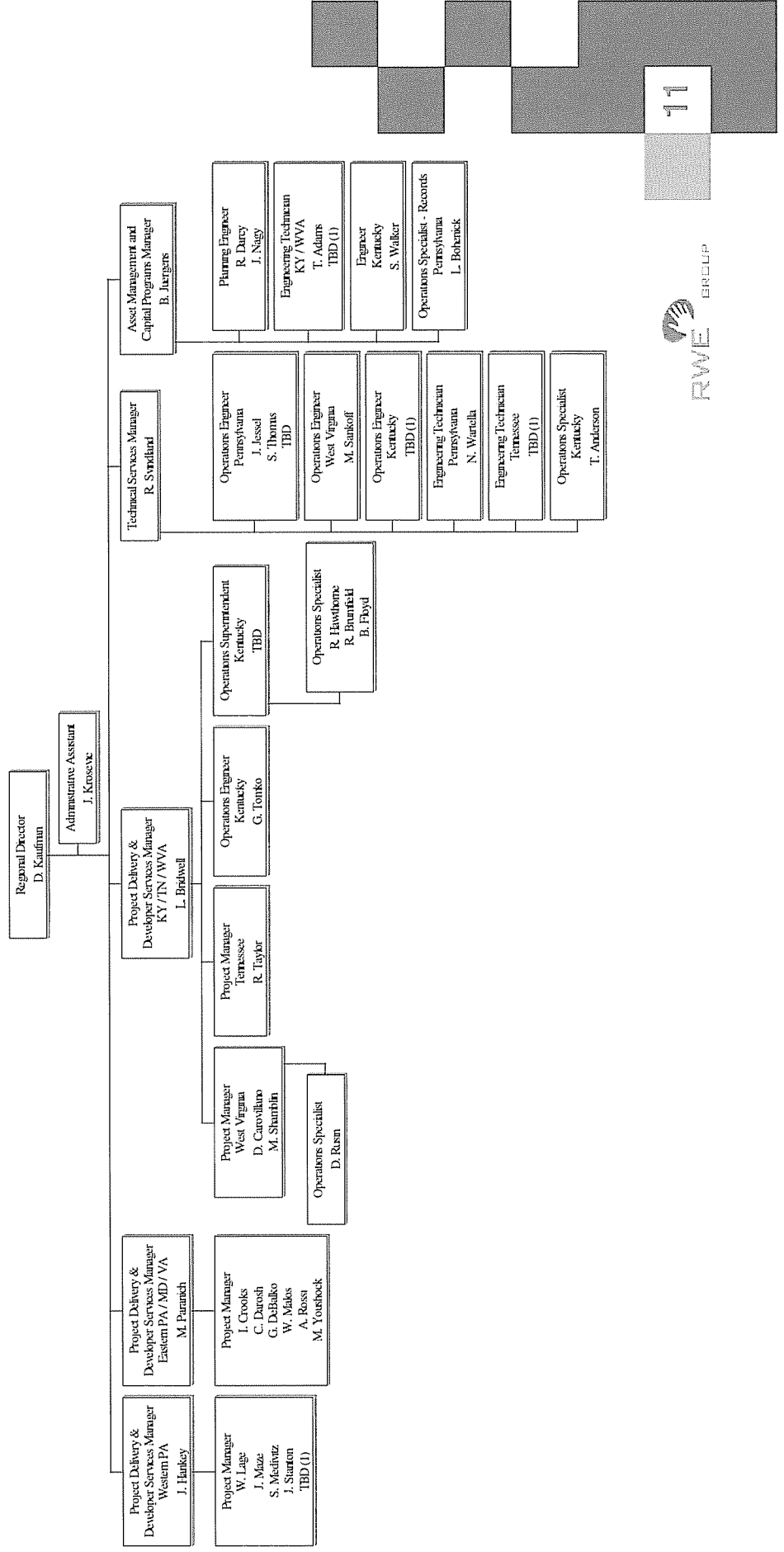
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# Southeast Region Service Delivery Engineering

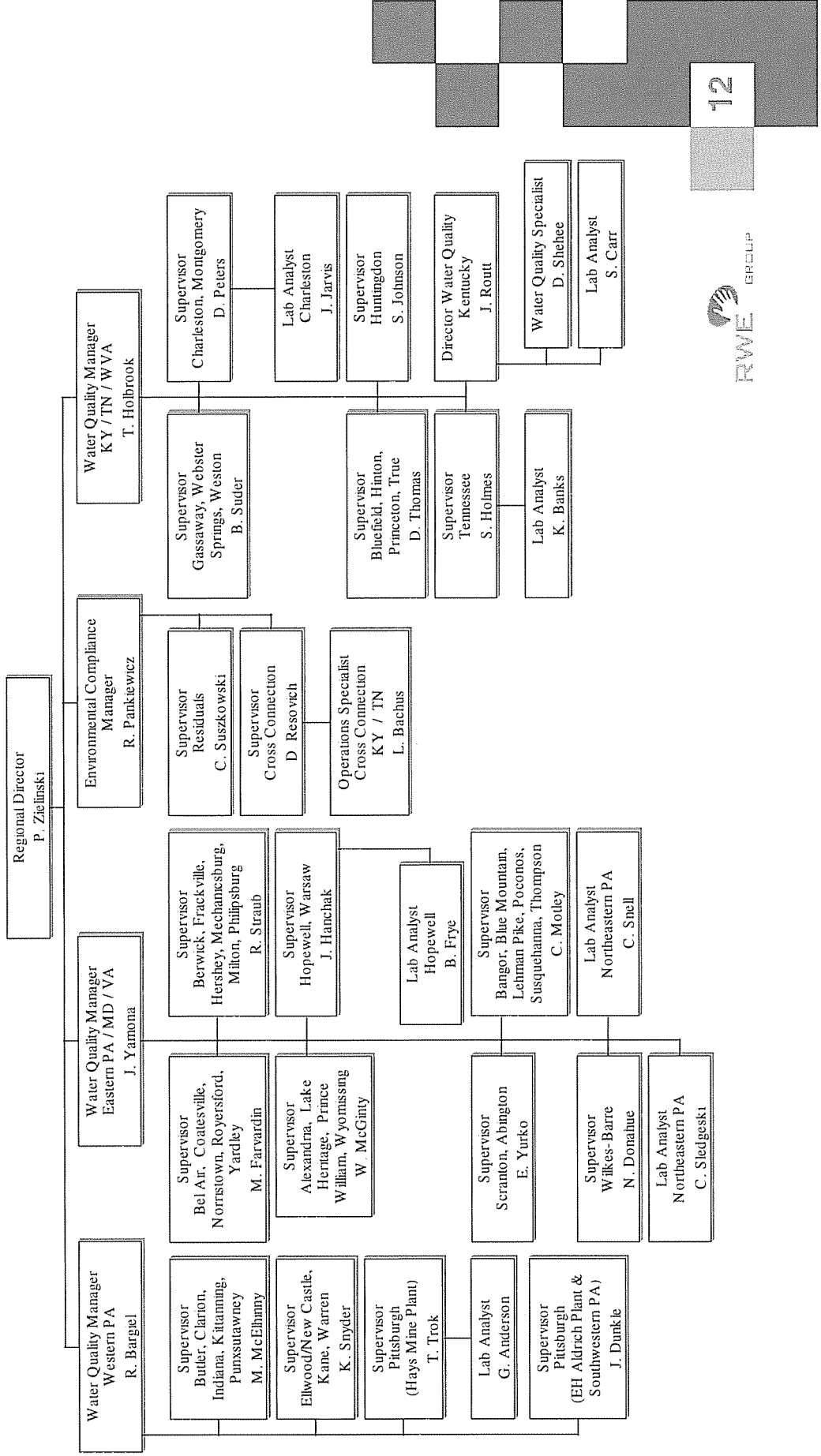
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# Southeast Region Service Delivery Environmental Management & Compliance

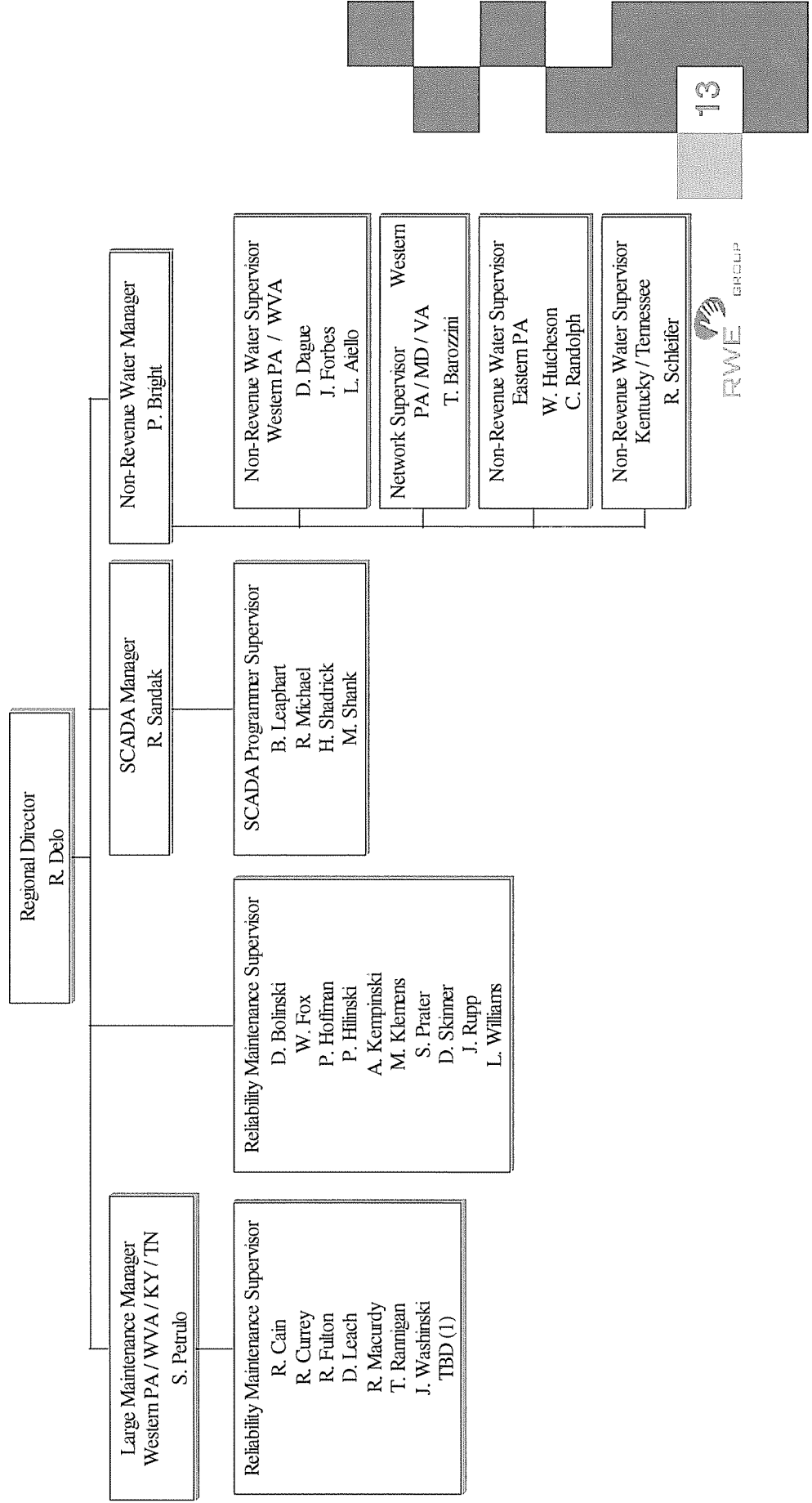
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# Southeast Region Service Delivery Maintenance

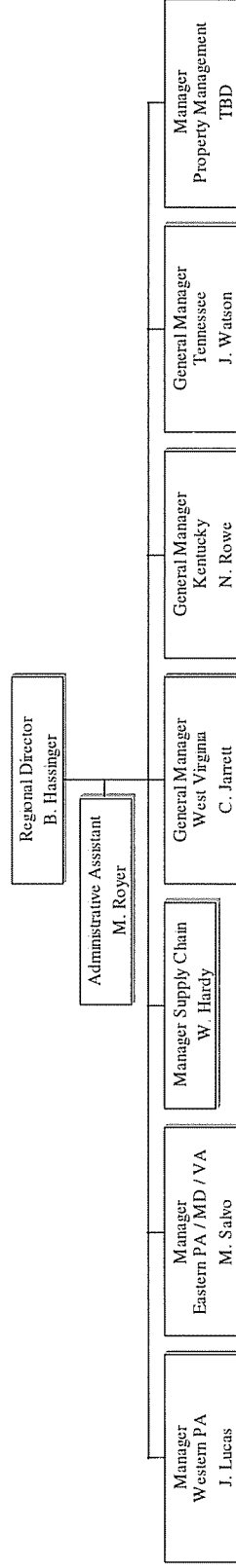
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# Southeast Region Service Delivery Network (1 of 4)

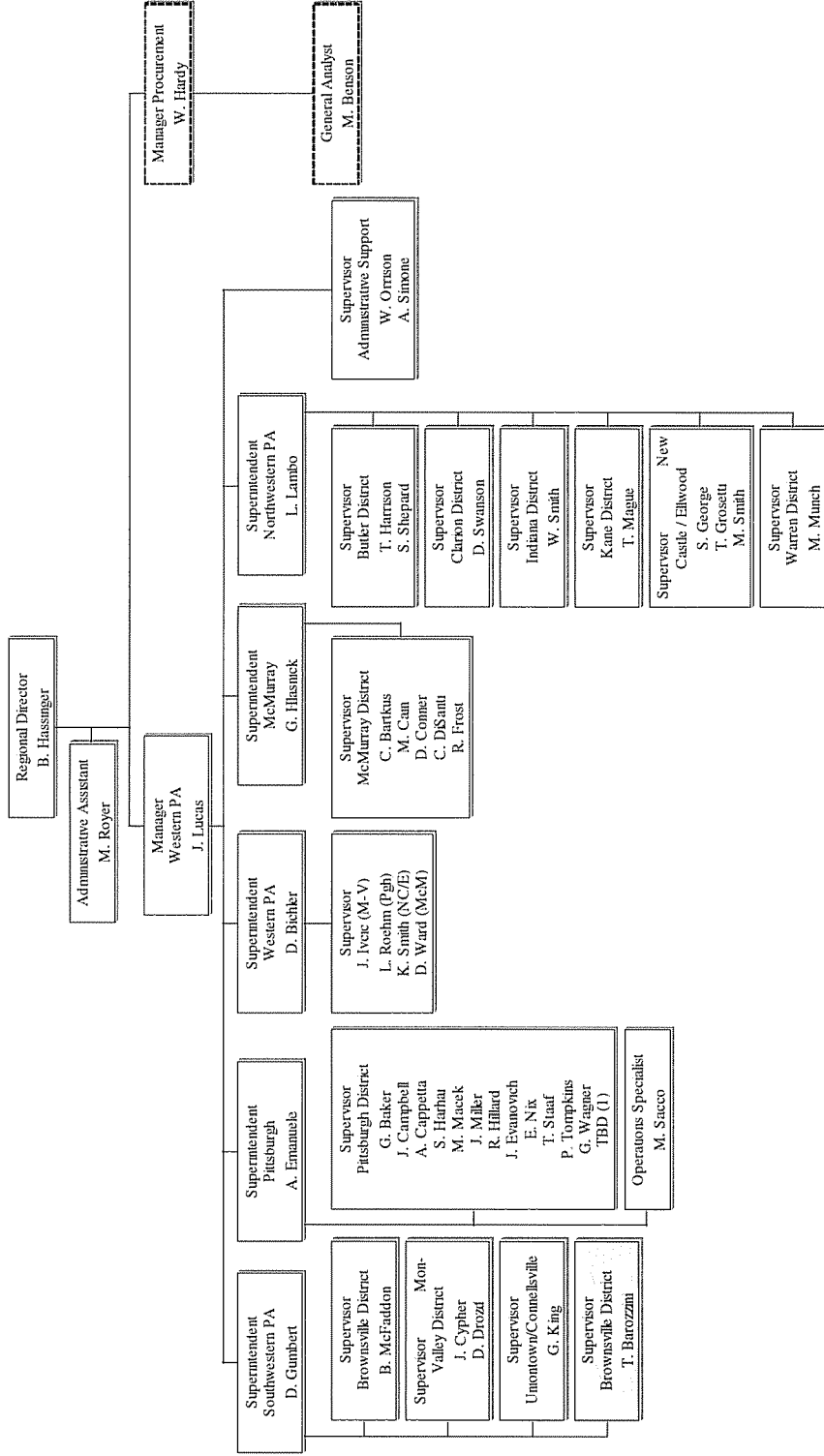
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# Southeast Region Service Delivery Network (2 of 4)

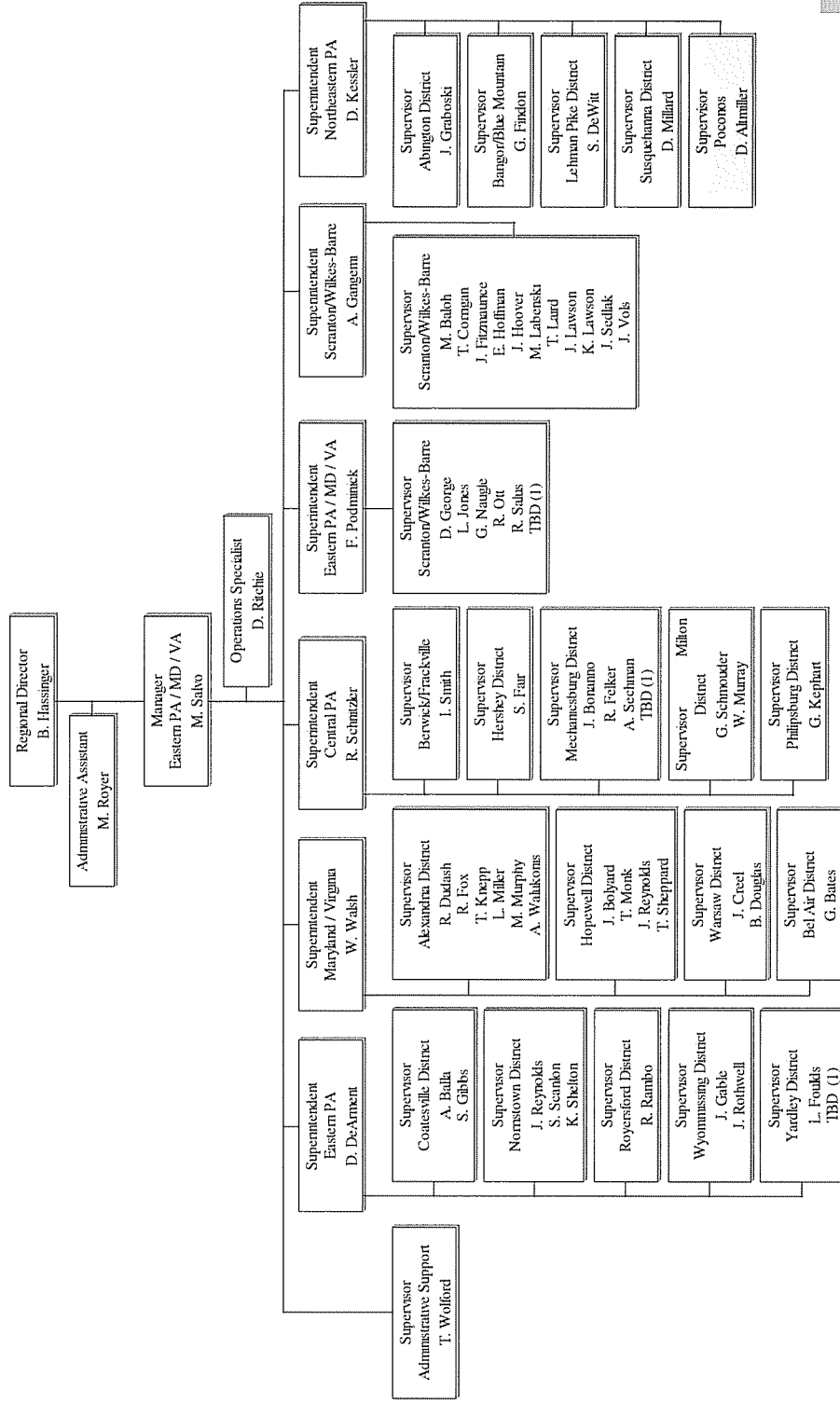
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# Southeast Region Service Delivery Network (3 of 4)

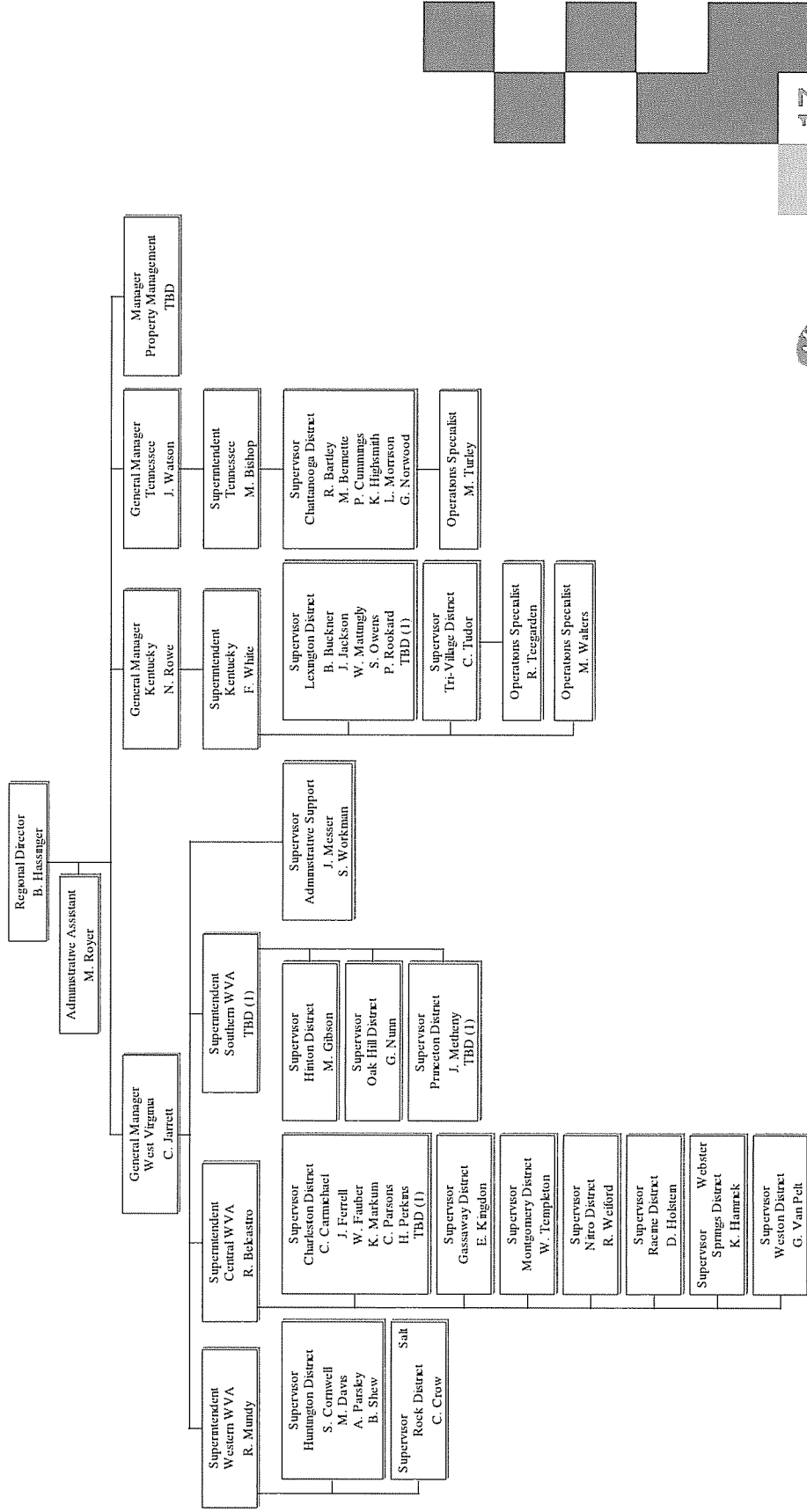
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# Southeast Region Service Delivery Network (4 of 4)

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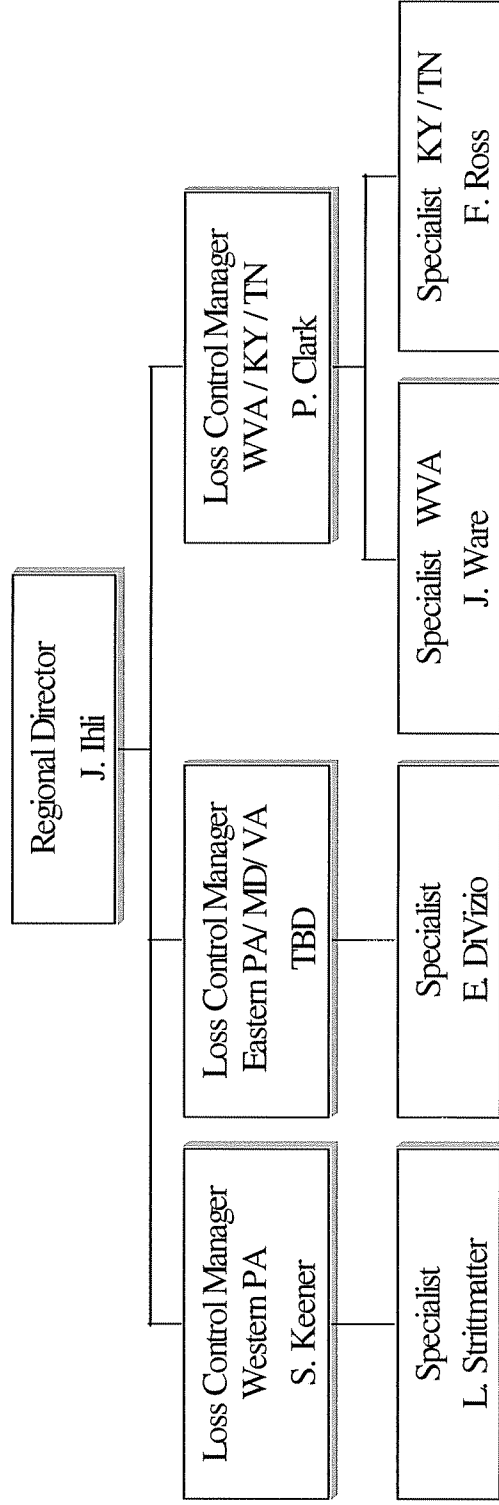






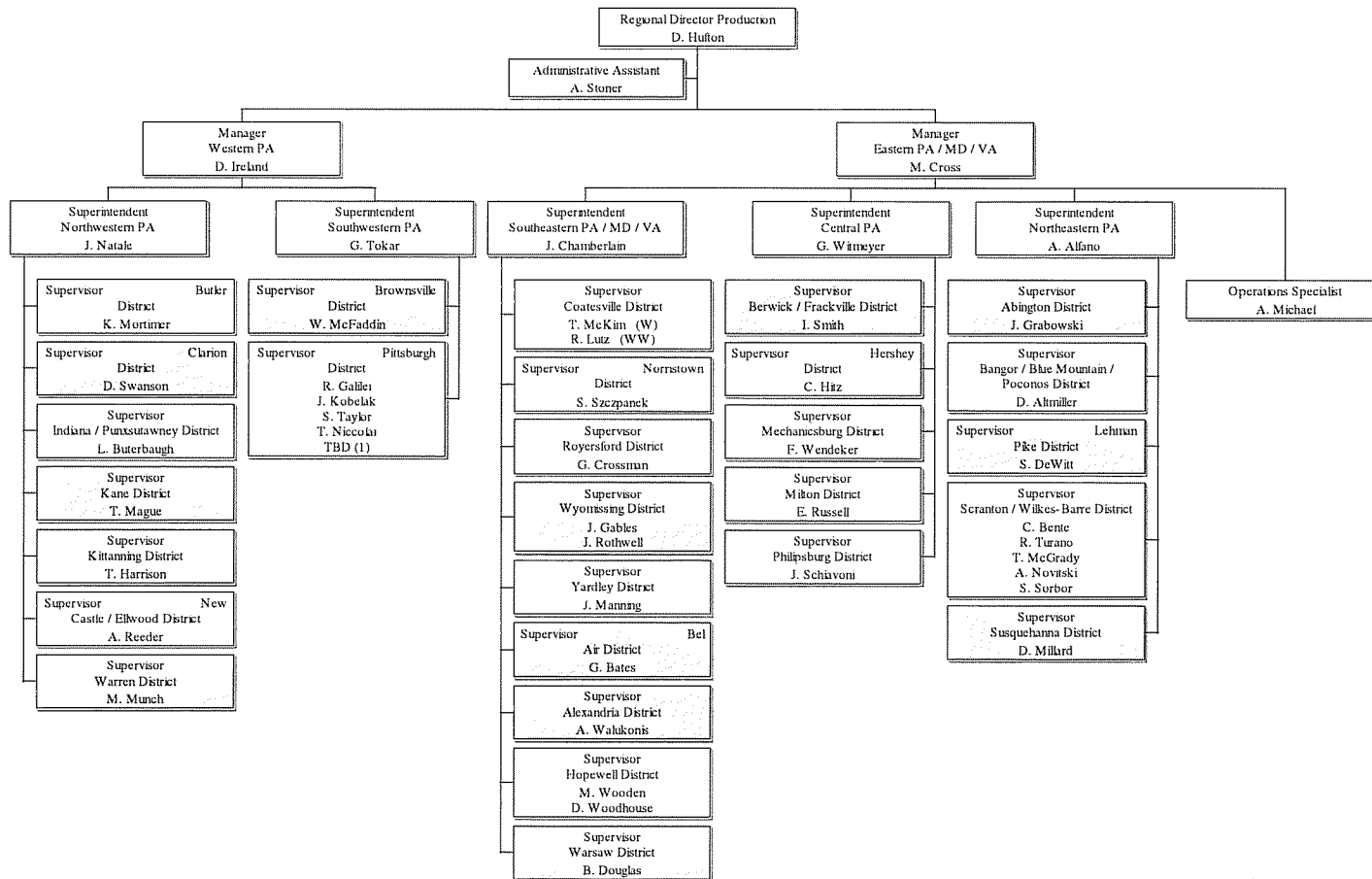
# Southeast Region Service Delivery Operational Risk Management

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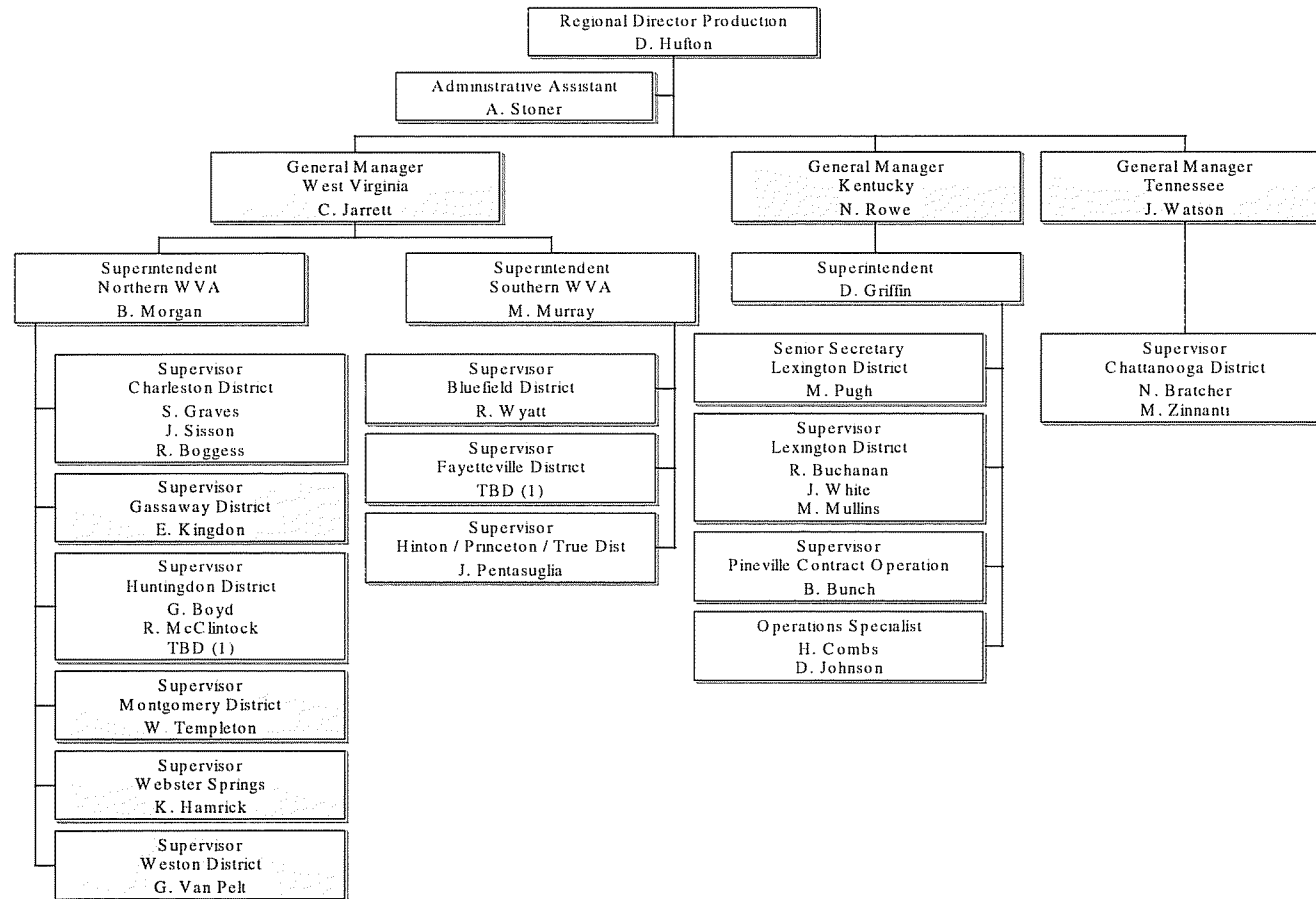
# Southeast Region Service Delivery Production (1 of 2)

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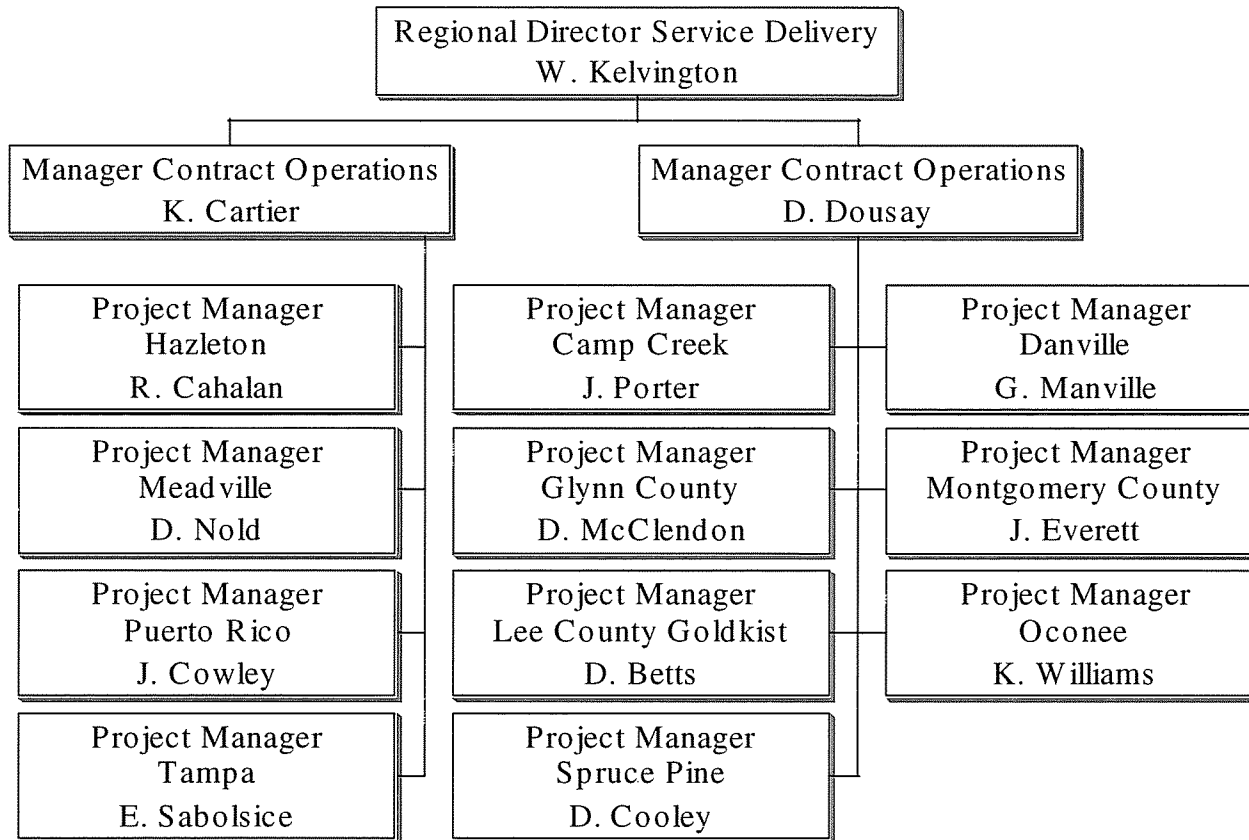
# Southeast Region Service Delivery Production (2 of 2)

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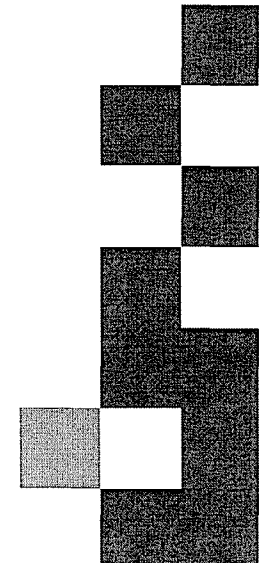
# Southeast Region Service Delivery Non-Regulated Contract Operations

April 2005



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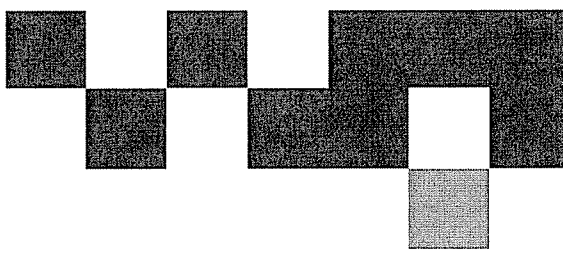




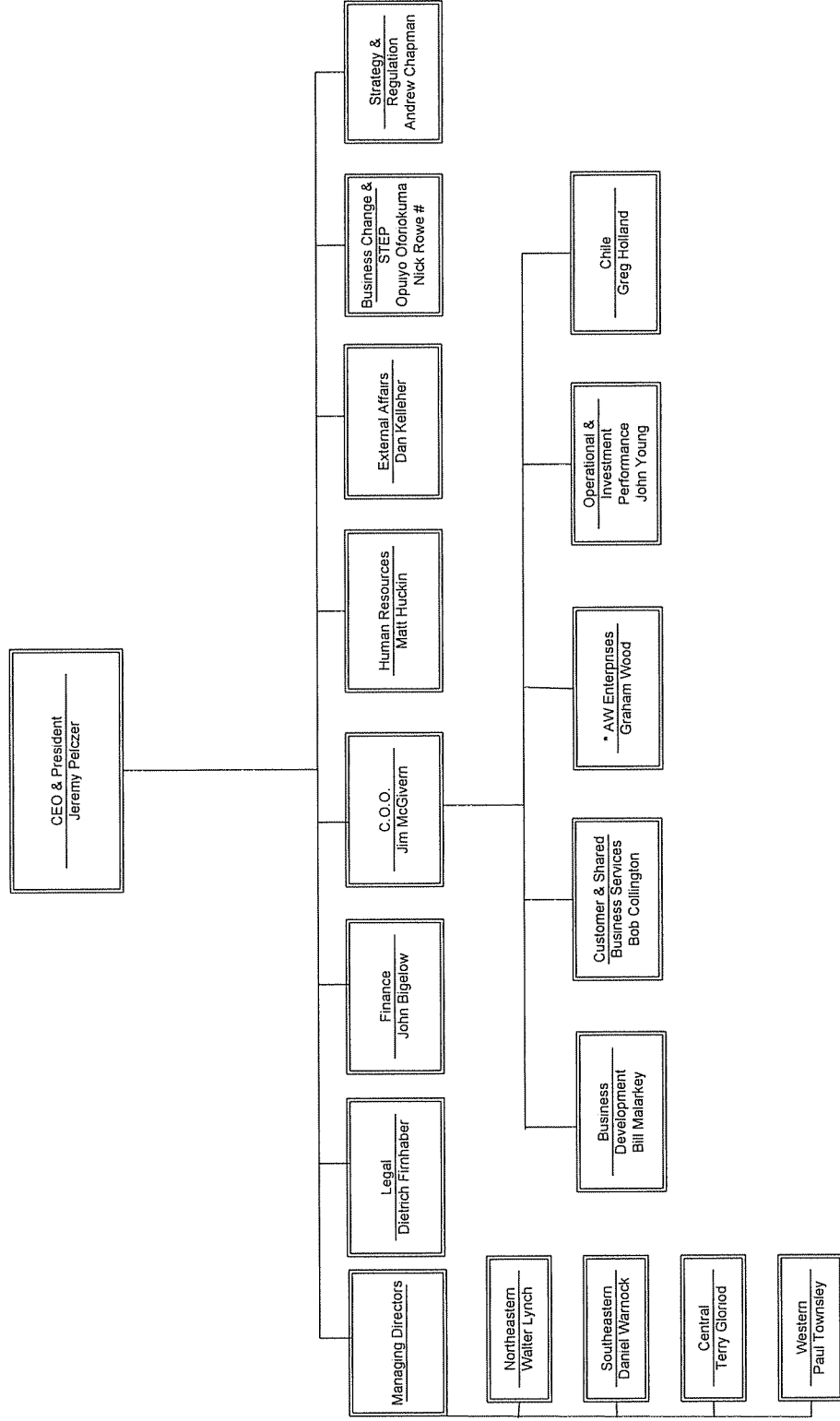
# Business Center

# Structure Charts

April, 2005



# American Water – Executive Team

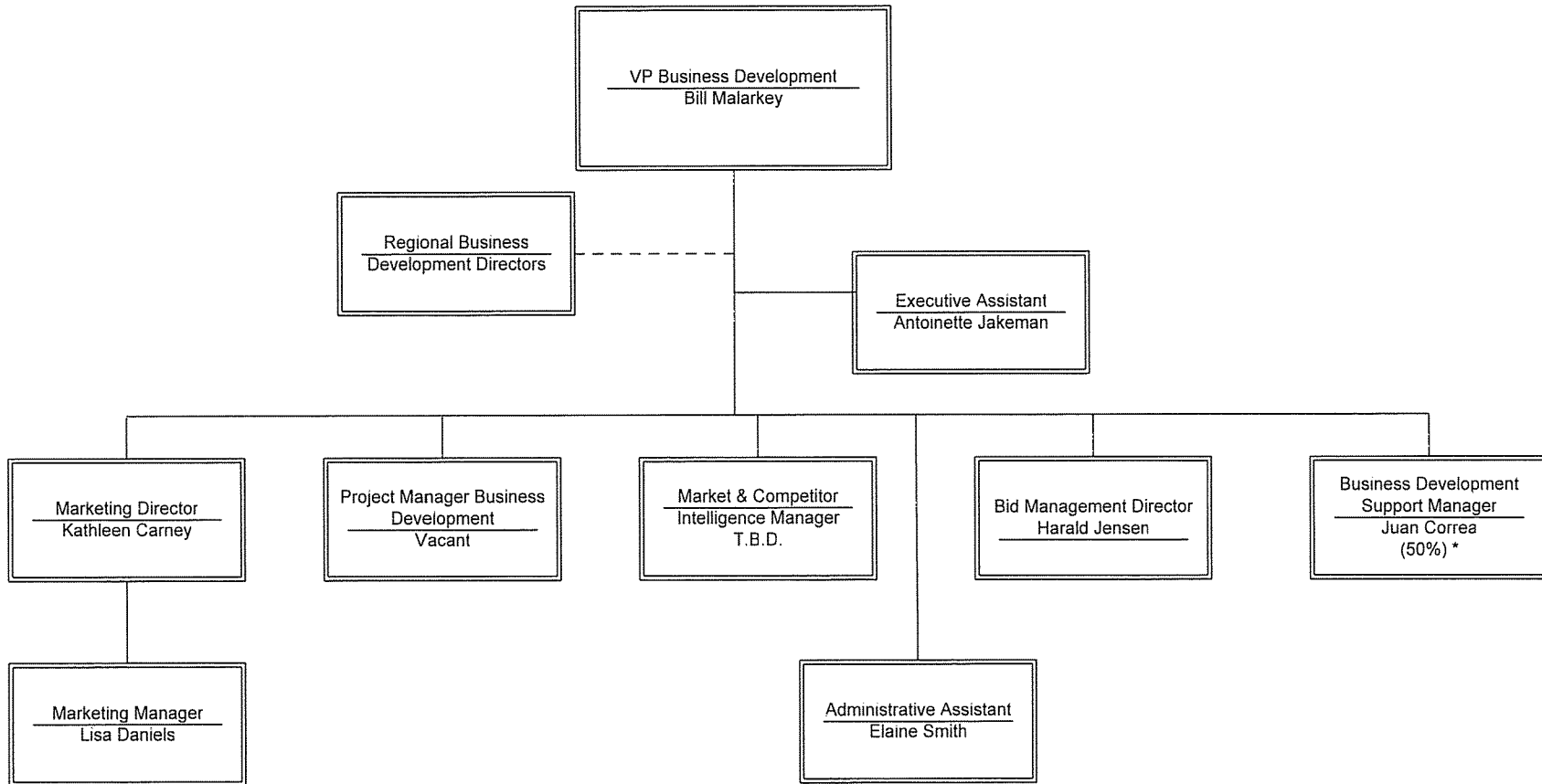


# Nick Rowe is also Interim General Manager, Kentucky and Diversity Officer

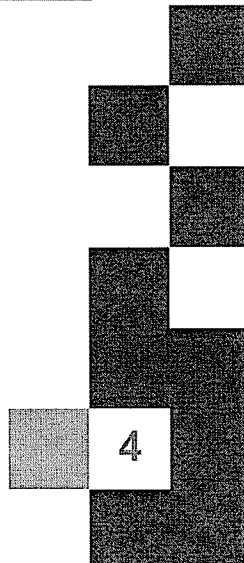
\* Formerly Products & Services



# Business Center – Business Development

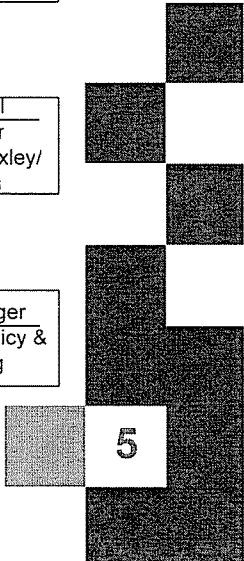
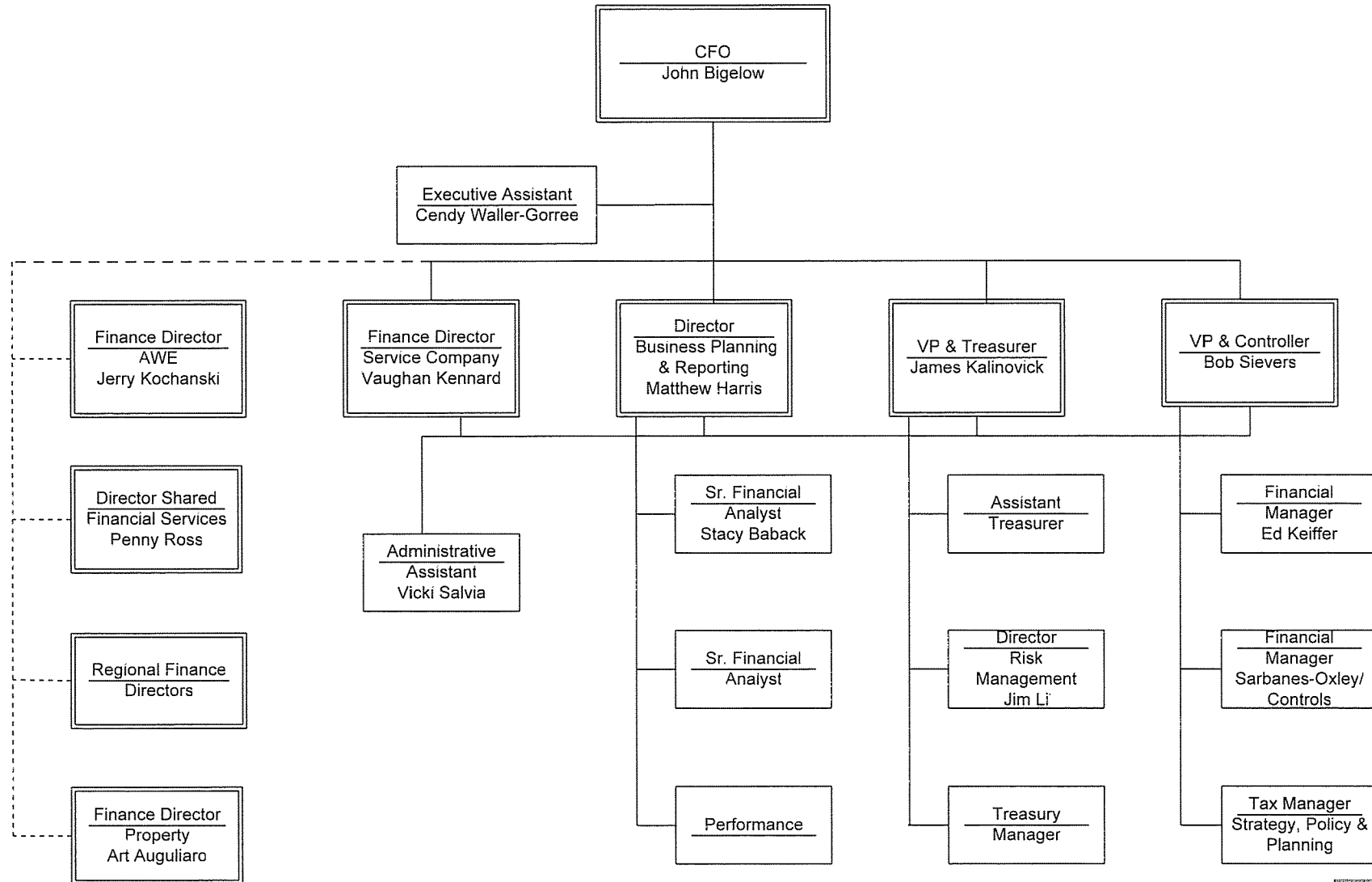


\* Shared with Regulatory and Contract Performance

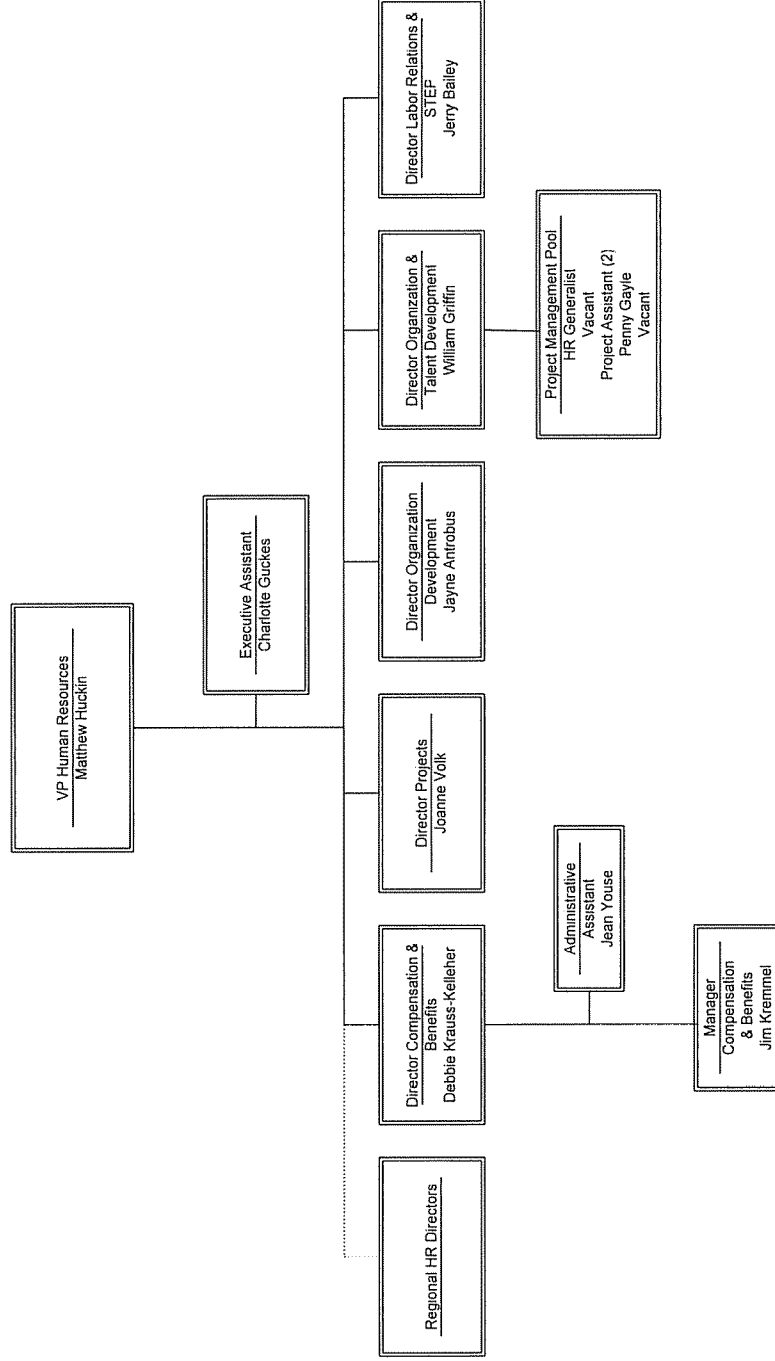




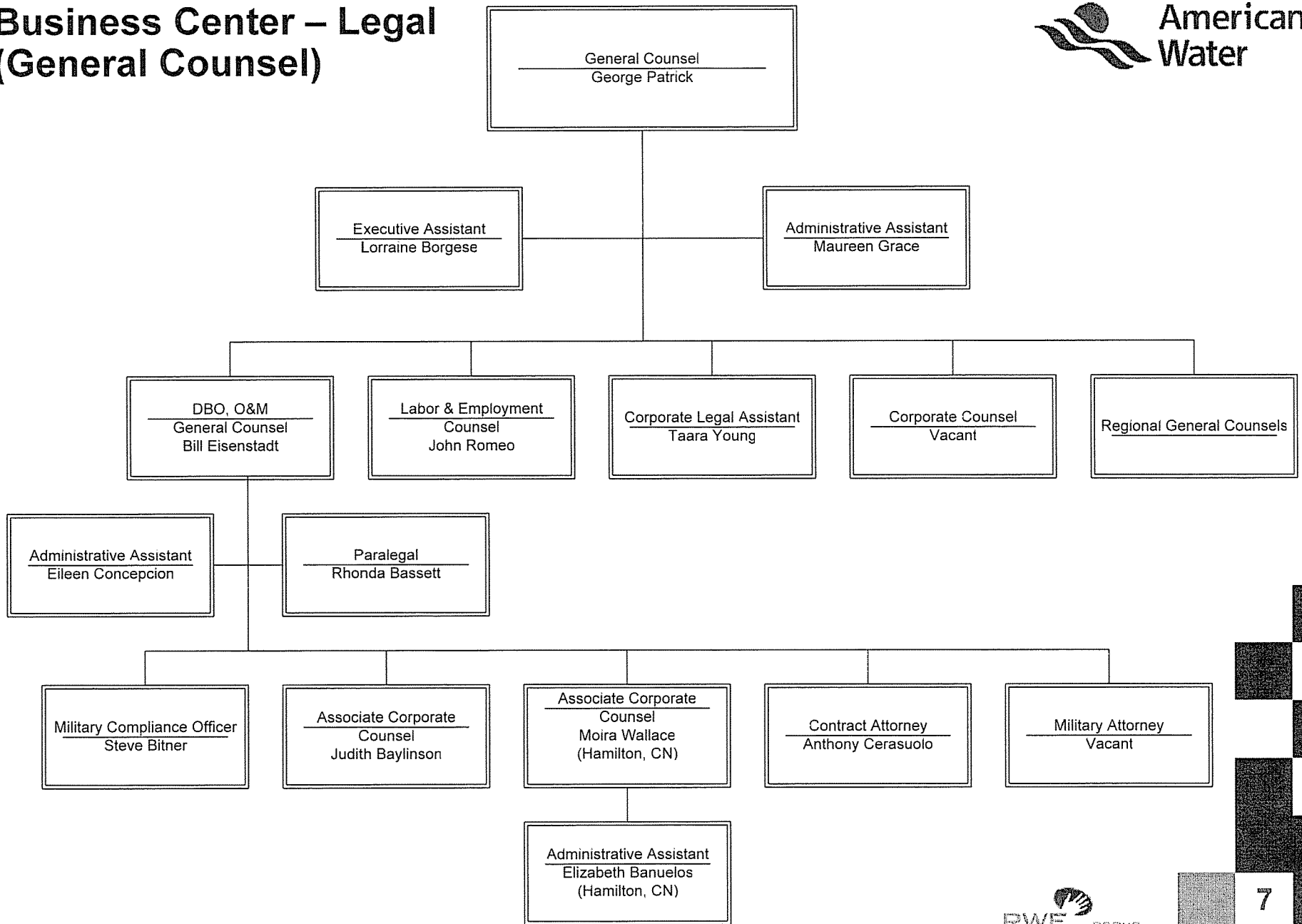
# Business Center – Finance



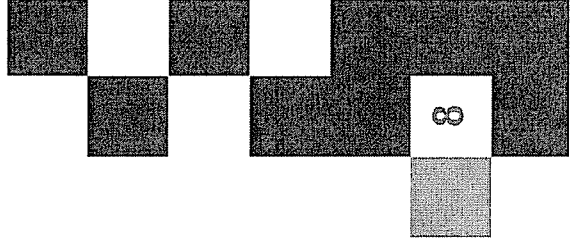
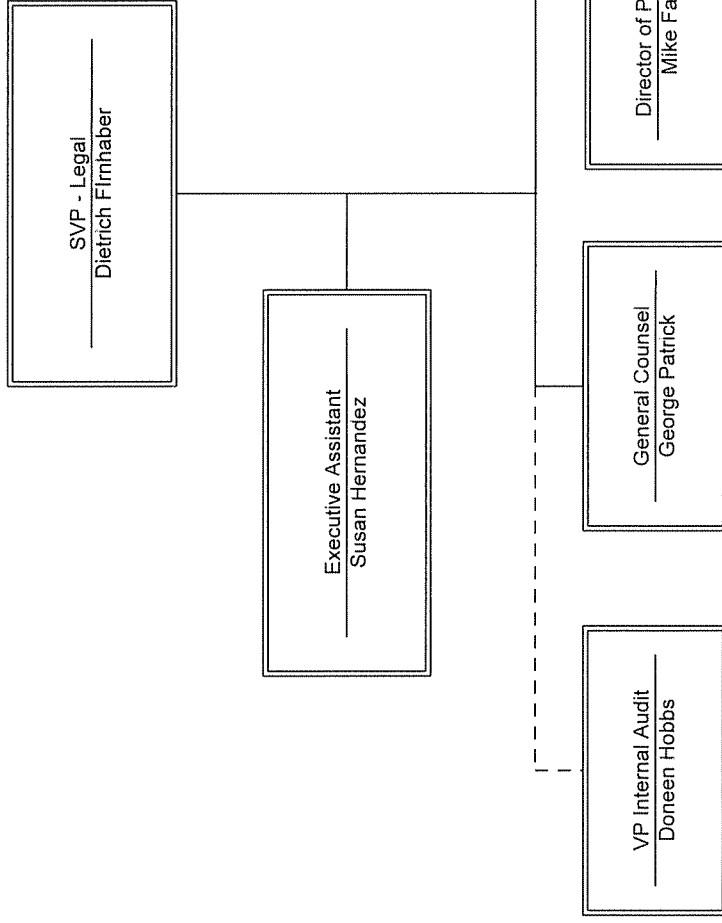
# Business Center – Human Resources



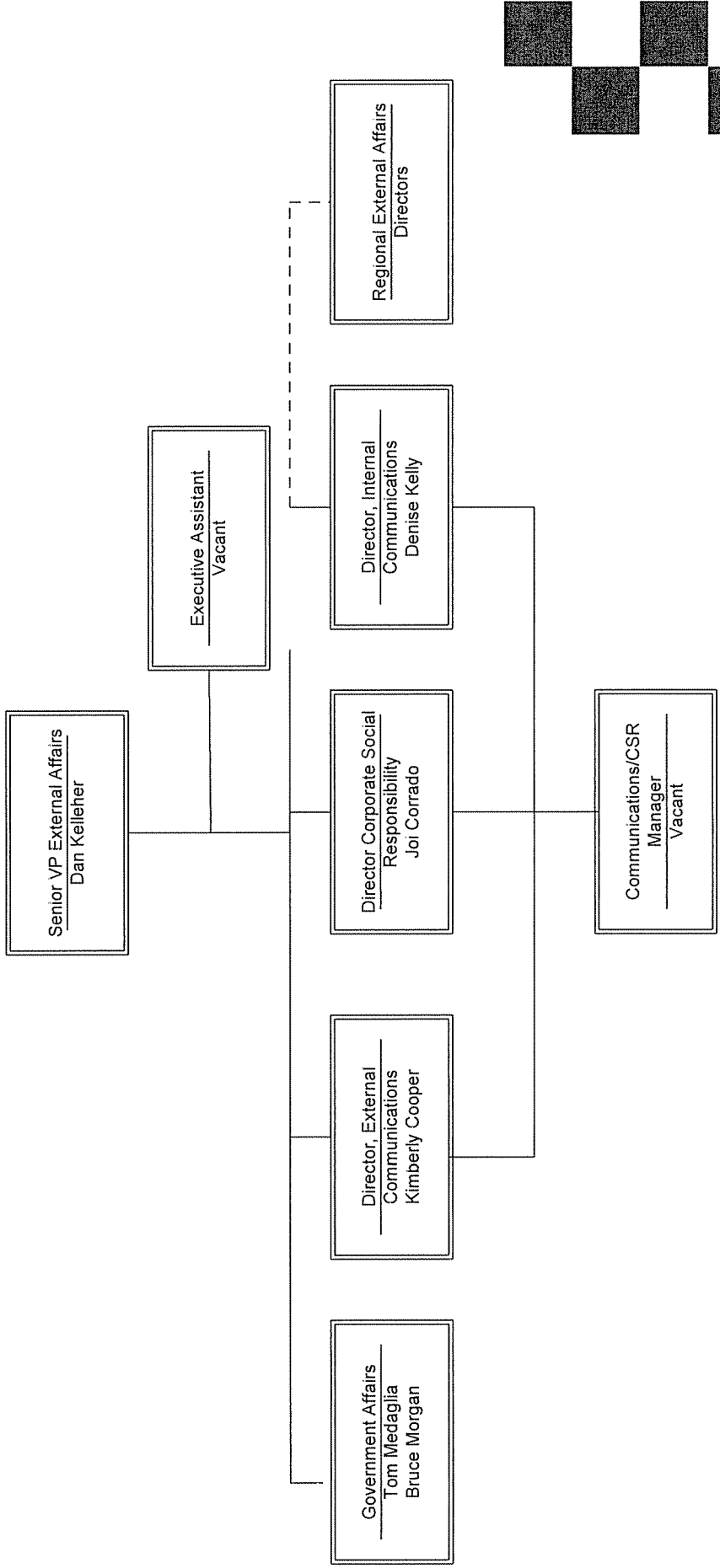
# Business Center – Legal (General Counsel)



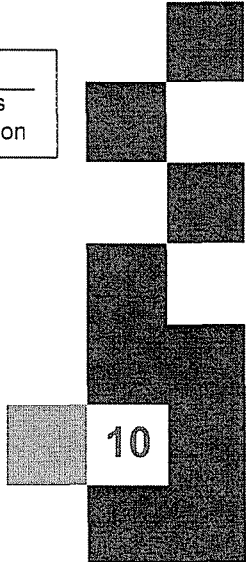
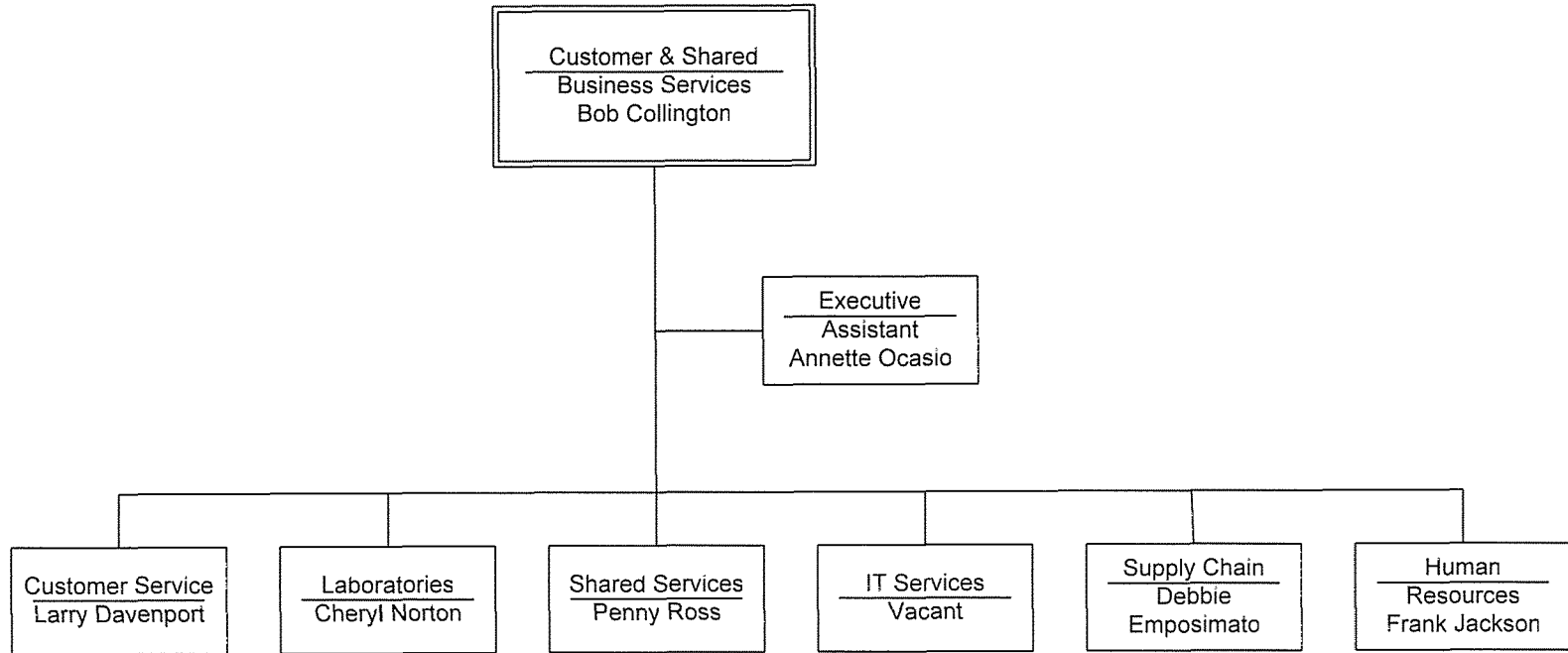
# Business Center – Legal, Audit, Property



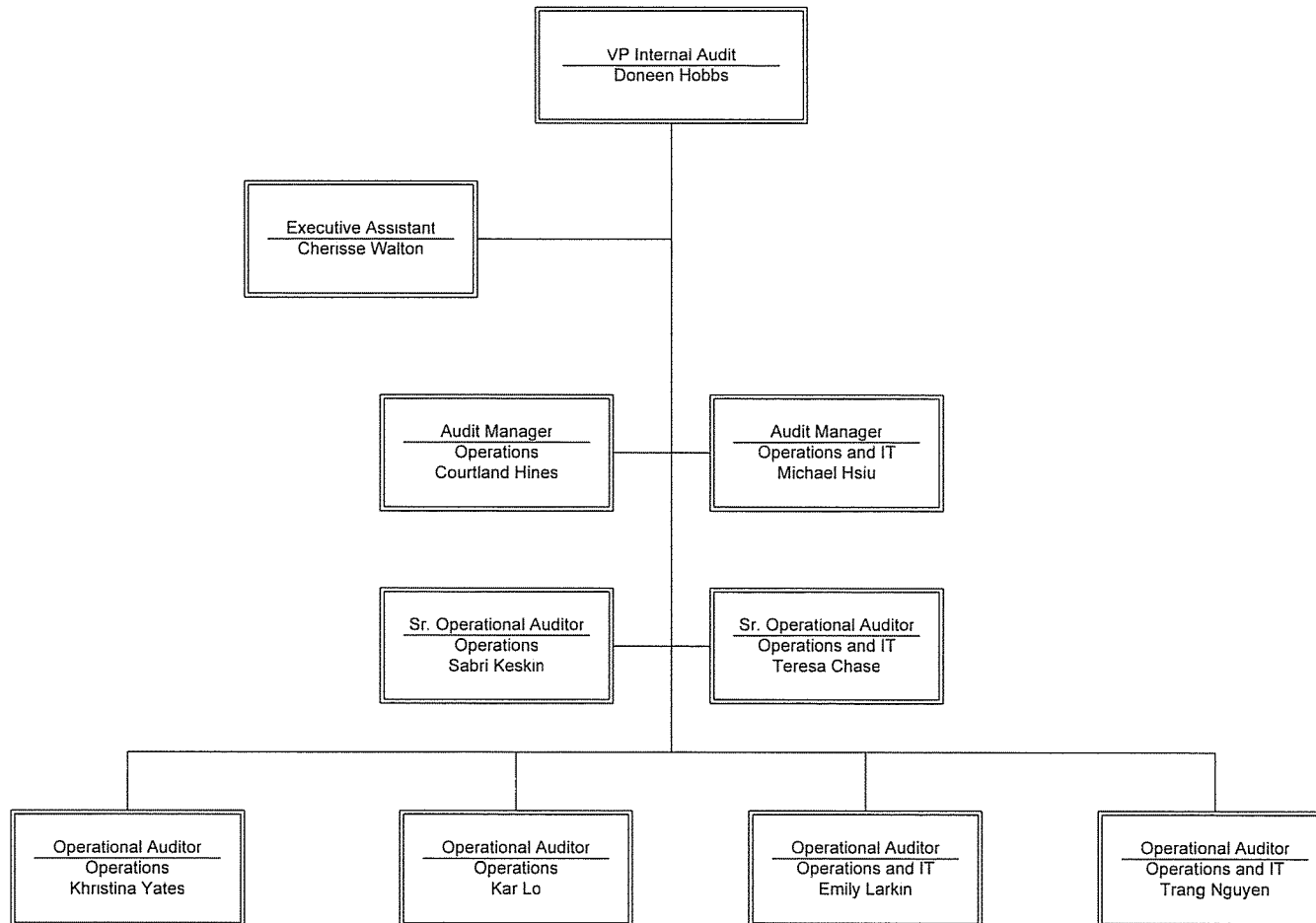
# Business Center - External Affairs



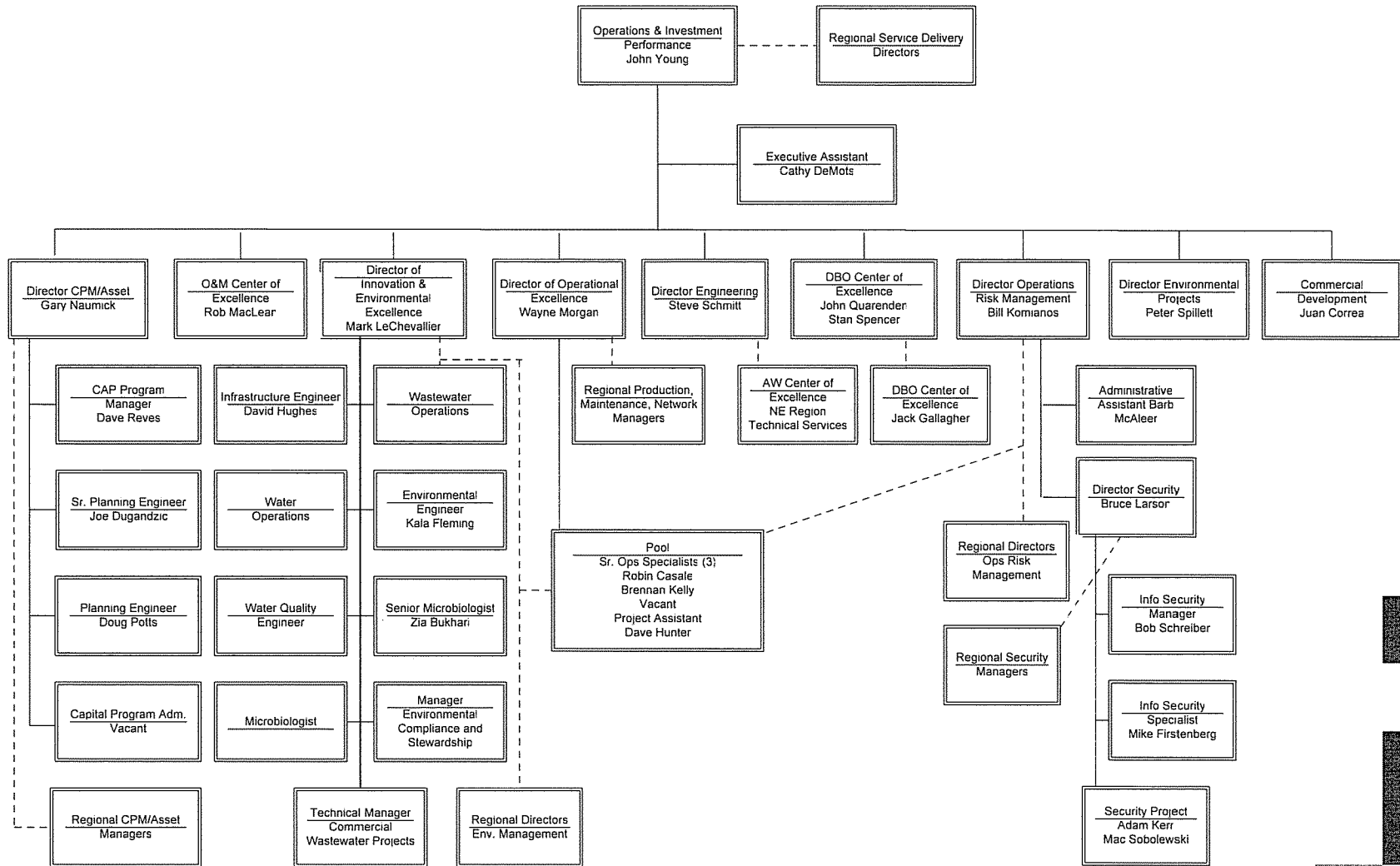
# Customer & Shared Business Services



# Business Center - Internal Audit

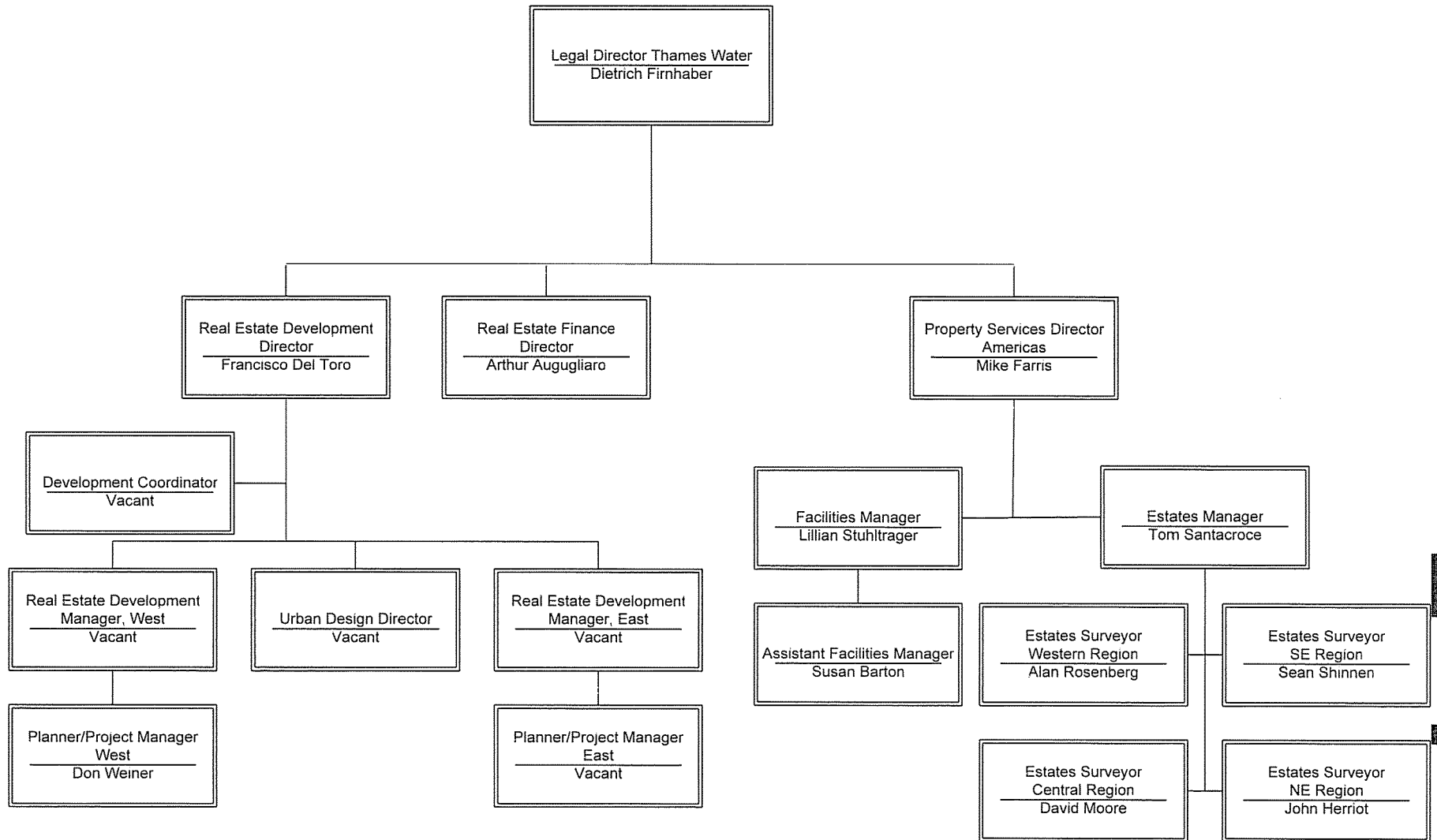


# Business Center – Operational & Investment Performance

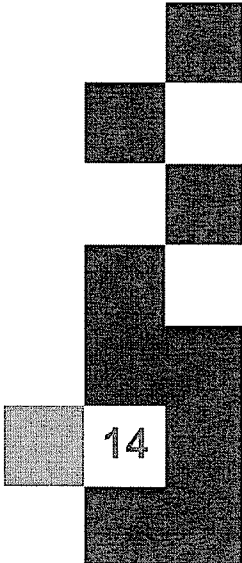
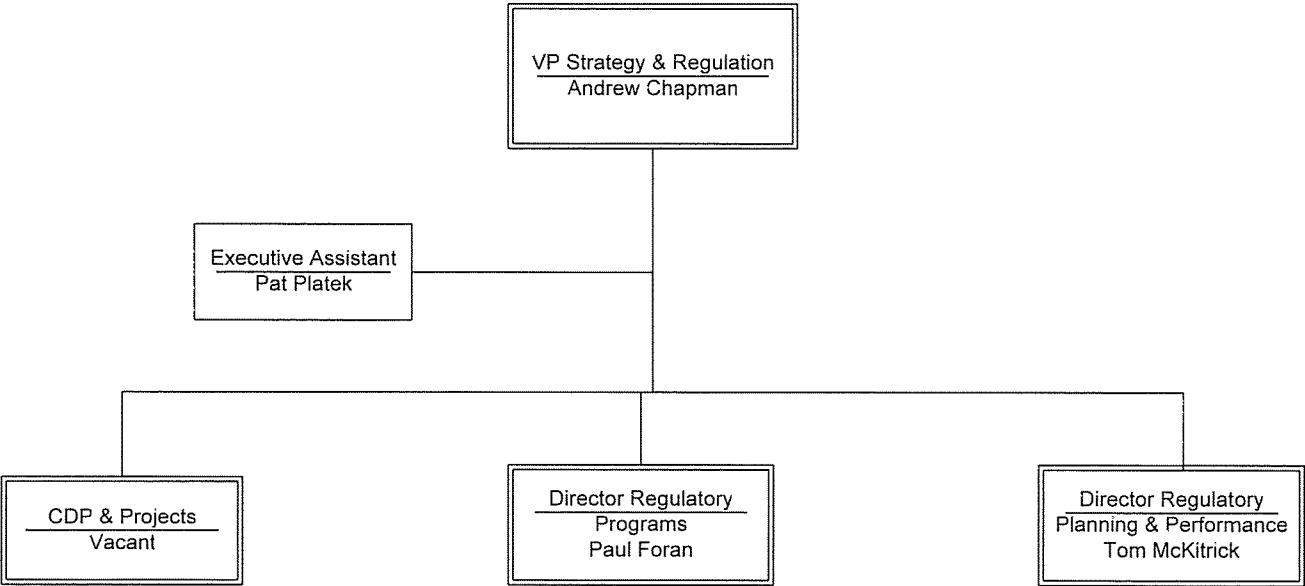




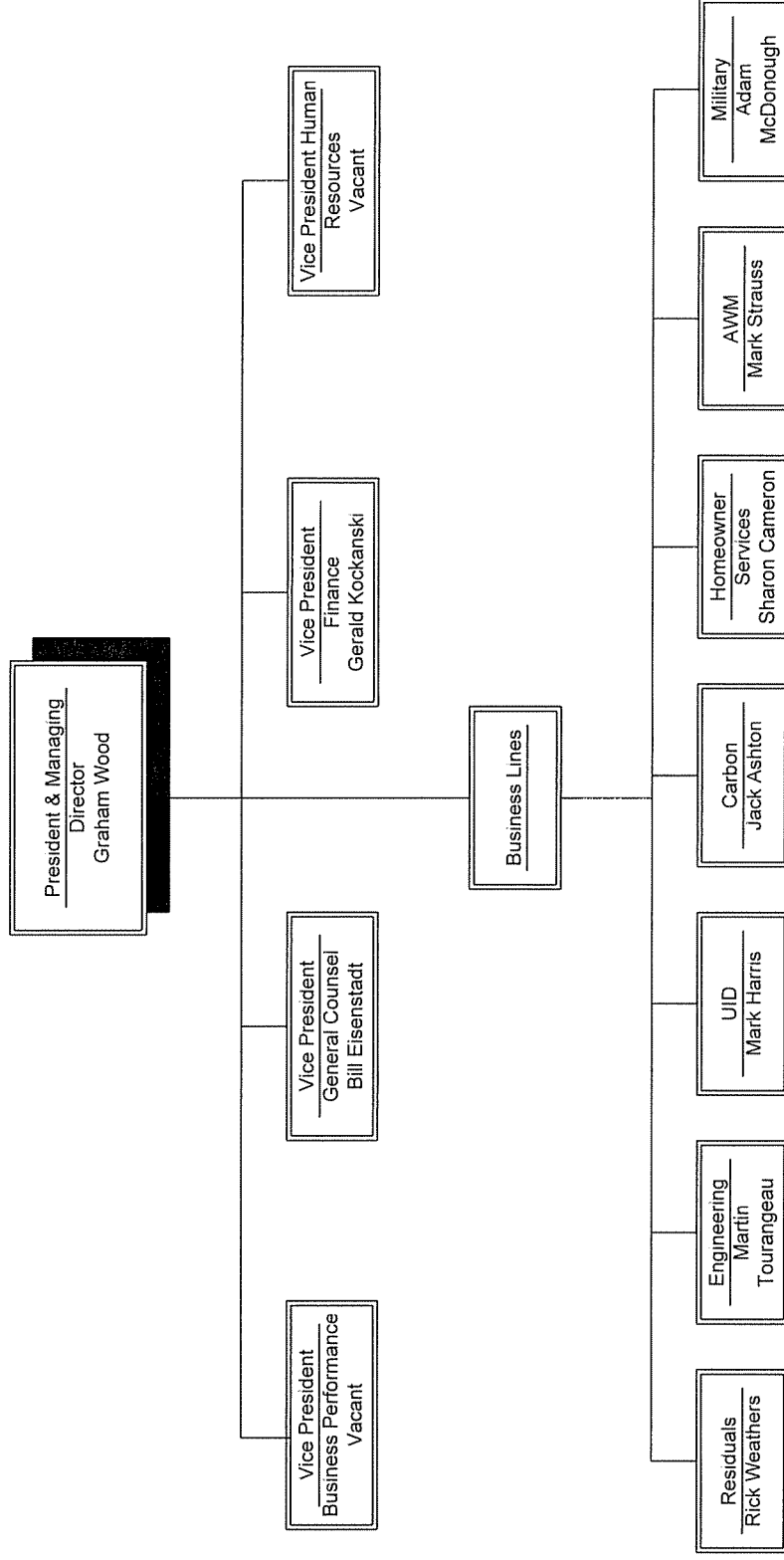
# Business Center – Property



# Business Center – Strategy & Performance

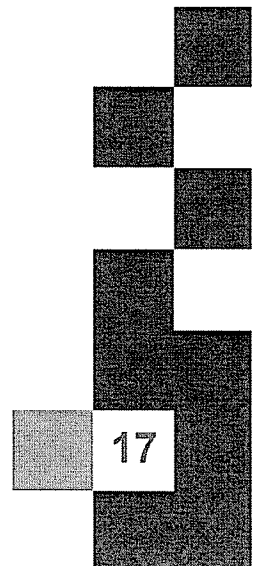
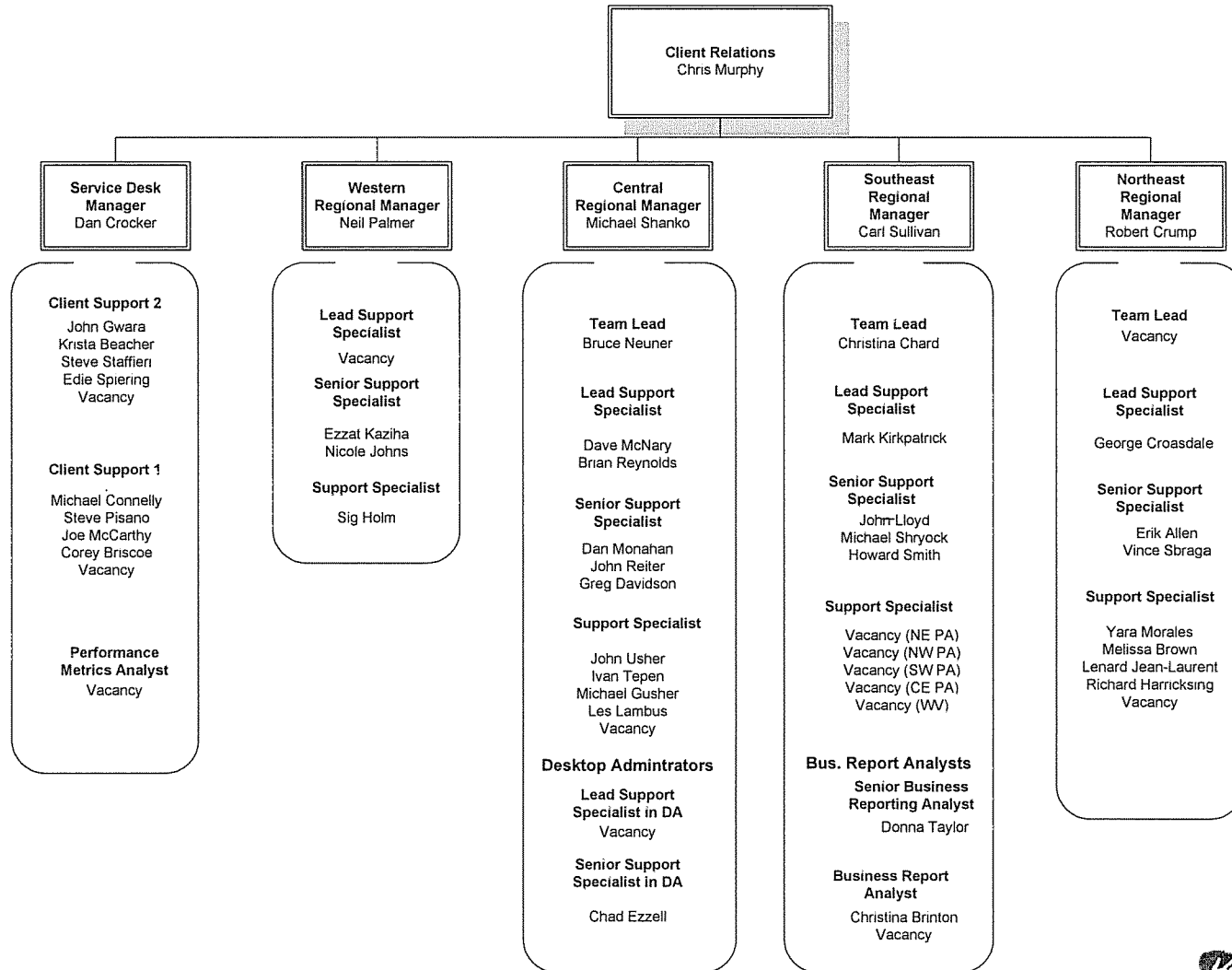


# Business Center – American Water Enterprises

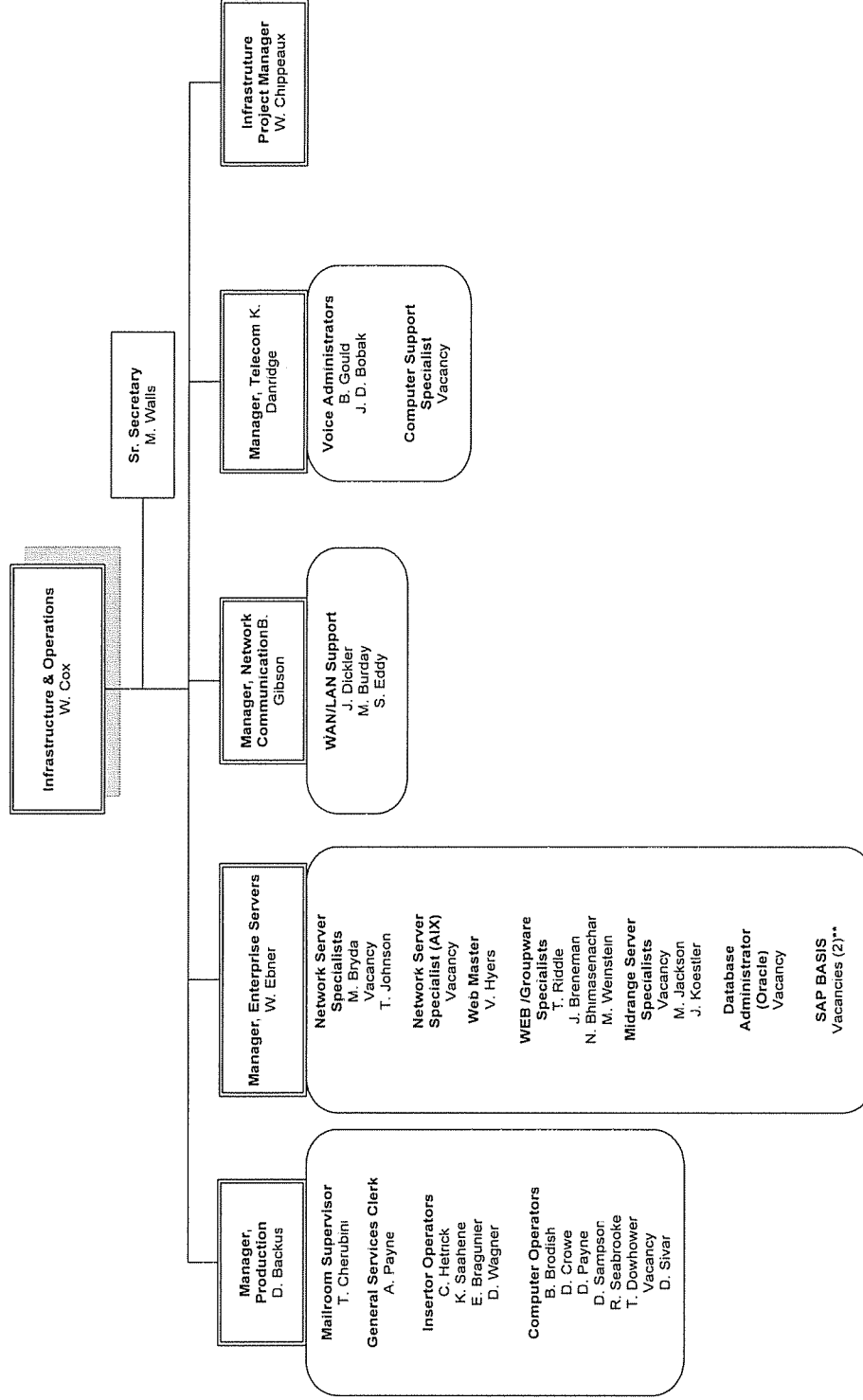




# Business Center – IT Client Relations



# Business Center – ITS Infrastructure & Operations



\*\* Planned for 2005 April

# ITS - Core Business Systems Development & Support

