

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2004-00103
PUBLIC SERVICE COMMISSION'S THIRD SET OF INFORMATION REQUESTS
ITEMS 1-66

Witness Responsible:

Michael A. Miller

36. Refer to Kentucky-American's Response to Commission Staff's Second Set of Information Requests, Item 93. The response was not responsive. Identify the utilities whose incentive plans are in line with that of Kentucky-American and provide a copy or summary of each utility's incentive plan.

Response:

As was stated in the response to Item 93 of the Public Service Commission's Second set of information requests, the Company has performed no studies of this issue. Also, the Company is not in possession of the incentive plans of other utilities. However, the Company has requested a consultant to provide from their existing databases information regarding the prevalence of incentive plans in the utility industry. The response to that request is attached.

The Company cannot commit to providing copies of other utility incentive plan information or summaries of such information, as it may not be available to the Company. Such information as is available to our consultant from other utilities, which contains identifying information, is not available to the Company. The consultant has indicated the Company could retain them to prepare a report containing comparative information from their database without providing identification of individual utilities. Also it is possible to retrieve certain incentive plan information for certain employees of publicly traded utilities from proxy statements filed with the SEC. The Company has not attempted to retrieve such information as it would require additional work effort, and the information would be of limited value.

Please see attached file KAW_R_PSC3#36_attachment_080603.

**TOWERS
PERRIN**

Memorandum

DATE: August 3, 2004

TO: Debbie Krauss-Kelleher — American Water
Timothy Mckitrick — American Water

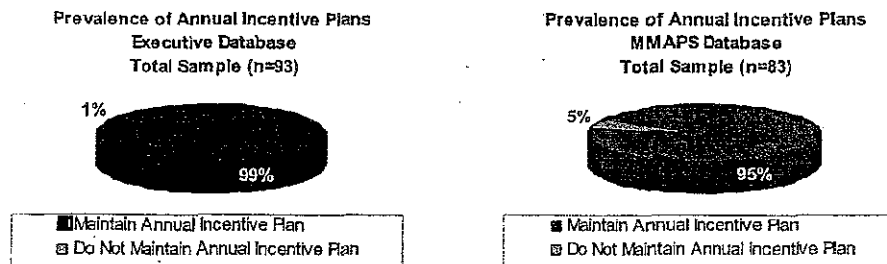
FROM: James Dickinson — Towers Perrin
Amani Macaulay — Towers Perrin

RE: ANNUAL INCENTIVE PLAN PREVALENCE

American Water requested that Towers Perrin provide information regarding the prevalence of annual incentive plans in the utility industry. In response, we collected prevalence information based on the total sample of companies that provided data to our energy/utility compensation databases. Specifically, data were collected from the following sources:

- Towers Perrin's 2003 Energy Services Industry Executive Compensation Database
- Towers Perrin's 2003 Energy Services Industry Middle Management & Professional (MMAPS) Database

The following charts provide prevalence information for the companies in each database.



The charts show that annual incentive plans are very prevalent in the energy/utility industry, with 99 percent and 95 percent of energy/utility companies in our executive and middle management & professional compensation databases, respectively, maintaining a formal annual incentive plan.

A listing of the companies included in both samples is provided on the following pages.

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2003 Energy Services Industry Executive Compensation Database Participants

AES	Equitable Resources	Pinnacle West
AGL Resources	Exelon	PNM Resources
Allegheny Energy	FirstEnergy	Portland General Electric
Allete	FPL Group	PPL
Alliant Energy	Great Plains Energy	Progress Energy
Ameren	Hawaiian Electric	Public Service Enterprise Group
American Electric Power	IDACORP	Puget Energy
American Transmission	KeySpan	Reliant Resources
Atmos Energy	LG&E Energy	Salt River Project
Avista	Lower Colorado River Authority	SCANA
Black Hills	MDU Resources	SEMCO Energy
Calpine	MGE Energy	Sempra Energy
CenterPoint Energy	MidAmerican Energy	Southern Company
Central Vermont Public Service	Mirant	STP Nuclear Operating
CH Energy Group	National Grid USA	TECO Energy
Cinergy	New York Power Authority	Tennessee Valley Authority
Cleco	Nicor	TNP Enterprises
CMS Energy	Northeast Utilities	Tractebel
Consolidated Edison	NorthWestern Energy	TransCanada
Constellation Energy Group	NRG Energy	TXU
Dominion Resources	NSTAR	UIL Holdings
DTE Energy Services	Nuclear Management	UniSource Energy
Duke Energy	NUI	United States Enrichment
Dynegy	NW Natural	Unitil
Edison International	OGE Energy	Vectren
El Paso Corporation	Oglethorpe Power	Washington Gas
Energen	Omaha Public Power	Westar Energy
Energy East	Otter Tail	Williams Companies
Energy Northwest	Pacific Gas & Electric	Wisconsin Energy
Enron	PacifiCorp	WPS Resources
Entergy	Pepco Holdings	Xcel Energy

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2003 Energy Services Industry Middle Management & Professional Database
Participants

AES	FirstEnergy	PPL
AGL Resources	Great Plains Energy	Progress Energy
Allegheny Energy	Hawaiian Electric	Public Service Enterprise Group
Alliant Energy	IDACORP	Puget Energy
Ameren	KeySpan	Reliant Resources
American Electric Power	LG&E Energy	Salt River Project
American Transmission	Lower Colorado River Authority	SCANA
Atmos Energy	MGE Energy	SEMCO Energy
Avista	MidAmerican Energy	Sempra Energy
Black Hills	Mirant	Southern Company
Calpine	New York Power Authority	STP Nuclear Operating
CenterPoint Energy	Nicor	TECO Energy
Central Vermont Public Service	Northeast Utilities	Tennessee Valley Authority
CH Energy Group	NorthWestern Energy	TNP Enterprises
Cinergy	NRG Energy	Tractebel
Cleco	NSTAR	TransCanada
CMS Energy	Nuclear Management	TXU
Consolidated Edison	NW Natural	UIL Holdings
Constellation Energy Group	OGE Energy	UniSource Energy
Dominion Resources	Oglethorpe Power	United States Enrichment
Duke Energy	Omaha Public Power	Unitil
Dynegy	Otter Tail	Washington Gas
Edison International	Pacific Gas & Electric	Westar Energy
El Paso Corporation	PacifiCorp	Williams Companies
Energy East	Pepco Holdings	Wisconsin Energy
Enron	Pinnacle West	WPS Resources
Entergy	PNM Resources	Xcel Energy
Exelon	Portland General Electric	

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Debbie, we hope this information satisfies your request. Please feel free to call if you have any questions or should you require further information.

cc: Larry Parks — Towers Perrin

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