

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Adjustment of Rates of Kentucky- ) Case No. 2004-00103  
American Water Company )

ATTORNEY GENERAL'S WRITTEN COMMENTS  
FOR KENTUCKY-AMERICAN WATER'S  
EMERGENCY PRICING TARIFF PROPOSAL

The Attorney General tenders his written comments to the Kentucky-American Water Company's report to the Commission for an Emergency Pricing Tariff. The Attorney General notes the following concerns.

During a period in which there is a suppression of or reduction in water production, there will be decreases in certain expenses, for example, chemicals and electricity. Thus, there will be incremental savings associated with the implementation of an Emergency Pricing Tariff, and any mechanism to calculate "over/under" recovery should track or otherwise reflect incremental savings as well as incremental expenses.

A more fundamental concern is that while drought conditions are outside the control of Kentucky-American Water, the responsibility for meeting the reasonably expected demands of its customers (including the demands during reasonably expected drought conditions) is upon Kentucky-American. The Attorney General does not object to a mechanism that will prevent financial harm to Kentucky-American and that will also protect the Company's customers

during the occurrence of a catastrophic event. He does not, however, support a mechanism that serves to remove Kentucky-American from adverse consequences resulting from its decisions for meeting reasonably expected business conditions. The Attorney General does not want to see a shift of drought planning risks from Kentucky-American to its customers.

WHEREFORE, the Attorney General respectfully requests his Written Comments to Kentucky-American Water's report.

Respectfully submitted,

GREGORY D. STUMBO  
ATTORNEY GENERAL  
/s/ David Edward Spenard  
David Edward Spenard  
Dennis G. Howard II  
Assistant Attorneys General  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204  
T 502-696-5457  
F 502-573-8315

*Submission of Filing in Paper Medium*

Per Instructions 3 and 13 of the Commission's 27 May 2004 Order, Counsel submits for filing, by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, the original and one copy in paper medium of the document. 6 February 2006 is the date for the filing in paper medium.

/s/ David Edward Spenard  
Assistant Attorney General

*Certificate of Service*

Per Instructions 4, 8 (d), and 12 of the May 27<sup>th</sup> Order, Counsel certifies service of a true and correct photocopy of the document by mailing the photocopies, first class postage prepaid, to the other parties of record on 3 February 2006.

The following are the other parties of record: David Jeffrey Barberie, Leslye M. Bowman, Lexington-Fayette Urban County Government, Department of Law, 200 East Main Street, Lexington, Kentucky 40507; Coleman D. Bush, Kentucky-American Water Company, 2300 Richmond Road, Lexington, Kentucky 40502; Joe F. Childers, 201 West Short Street, Suite 310, Lexington, Kentucky 40507; Roy L. Ferrell, West Virginia American Water Company, 1600 Pennsylvania Avenue, Charleston, West Virginia 25302; Lindsey W. Ingram III, Stoll, Keenon & Park, LLP, 300 West Vine Street, Suite 2100, Lexington, Kentucky 40507-1801; Lindsey W. Ingram, Jr., Stoll, Keenon & Park, LLP, 300 West Vine

Street, Suite 2100, Lexington, Kentucky 40507-1801; Michael A. Miller, West Virginia American Water Company, 1600 Pennsylvania Avenue, Charleston, West Virginia, 25302; Jon Parker, 201 W. Short Street, Suite 310, Lexington, Kentucky 40507; Bluegrass FLOW, Inc., c/o Foster Ockerman, Jr., 200 N. Upper Street, Lexington, Kentucky 40507; and Roy W. Mundy II, Kentucky-American Water Company 2300 Richmond Road, Lexington, Kentucky 40502.

/s/ David Edward Spenard  
Assistant Attorney General

*Certification Regarding Electronic Filing*

Counsel certifies that he has (per Instructions 3 and 8 (b) of the May 27<sup>th</sup> Order) submitted one copy of the document in electronic medium. Pursuant to Instructions 8 (a) and 8 (c) of the May 27<sup>th</sup> Order, he certifies that the electronic version of the filing is a true and accurate copy of the document filed in paper medium and that he has, by electronic mail, notified the Commission and the other parties that the electronic version of the filing has been transmitted to the Commission. 3 February 2006 is the date of filing in electronic medium.

/s/ David Edward Spenard  
Assistant Attorney General