

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Adjustment of Rates of Kentucky-
American Water Company

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Case No. 2004-00103

ATTORNEY GENERAL'S REQUEST FOR INFORMATION
TO THE KENTUCKY-AMERICAN WATER COMPANY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits this Request for Information to the Kentucky-American Water Company.

(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 company 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 the Office of Attorney General.

(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 which 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 the Office of the Attorney General 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.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL
/s/ David Edward Spenard
David Edward Spenard
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204
502-696-5453
(FAX) 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. 14 June 2004 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 27th 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 10 June 2004. He also certifies service of an electronic copy, by electronic mail, to KAWC.

The other parties of record: Leslye M. Bowman, LFUCG, Department of Law, 200 East Main Street, Lexington, Kentucky 40507; David Jeffrey Barberie, LFUCG, 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; 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 27th Order) submitted one copy of the document in electronic medium. Pursuant to Instructions 8 (a) and 8 (c) of the May 27th 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. (See attached) 10 June 2004 is the date of filing in electronic medium.

/s/ David Edward Spenard
Assistant Attorney General

**Attorney General's Request for Information
to the Kentucky-American Water Company**

1. Re: Exhibit 2 (Proposed Tariff). On the pages of the proposed tariff that refer to service in the former Elk Lake and Tri-Village areas, the tariff uses the term "formally served." Should this be changed to "formerly served"? If not, please explain the intention of this phrase.
2. Re: Exhibit 2 (Proposed Tariff), pages 3 and 12.
 - a. Why is the Company proposing to retain pre-existing miscellaneous charges (e.g., service run, penalty, etc.) for the former Elk Lake and Tri-Village customers, rather than having those customers subject to the same miscellaneous charges as other KAWC customers?
 - b. Why is the Company proposing to retain pre-existing tapping fees for the former Elk Lake and Tri-Village 5/8-inch customers, rather than having those customers subject to the same tapping fees as other KAWC customers?
3. Re: Exhibit 2 (Proposed Tariff), page 12:
 - a. The tariff for former Tri-Village customers contains a mandatory \$40 deposit for new service. Does KAWC believe such a deposit requirement to be consistent with the statutes and regulations that govern its provision of service? If so, please state specifically why KAWC believes a mandatory deposit is lawful. If not, does KAWC propose to eliminate this provision from its tariff?
 - b. This page of the tariff does not contain any definitions or descriptions of the miscellaneous charges. Does the Company intend to include such definitions and/or descriptions in its tariff? If so, please provide the text of those tariff changes. If not, why not?
4. Re: Exhibit 2 (Proposed Tariff), page 8 (Low Income Water Discount). The tariff requires a customer's income to be "annually certified by the state or federal government or an independent organization acceptable to" KAWC. Concerning this provision:
 - a. Please provide all documents discussing how the Company will implement this provision, including but not limited to, correspondence with any independent organizations that may be used to perform such certification.
 - b. Please state specifically which state and federal government agencies certify that a household's income is at or below the federal

poverty level. For each such agency, please state the program for which such certification is granted.

- c. What procedure would an independent organization follow in order to be found “acceptable” to KAWC for purposes of certifying the income of KAWC customers?
 - d. Does KAWC have walk-in locations where a customer could bring documentation to certify their income eligibility for this program? If so, please identify the location of each walk-in location.
 - e. Would a customer be able to certify his or her income eligibility for the program by telephone? If not, why not?
 - f. Would a customer be able to certify his or her income eligibility by mail? If not, why not?
5. Re: Exhibit 2 (Proposed Tariff), page 9 (New Account Set Up). The proposed tariff states that the proposed activation fee would apply to customers who “request a new account or a change in ownership of an existing account” and that the fee “covers the cost of meter reading and record change.” Concerning this provision:
- a. If a property is being served for the first time by KAWC, would the customer pay both a tapping fee and an activation fee? If so, explain why there would be a separate visit to the property for meter reading when a new meter would have been installed by Company personnel as part of the tapping fee.
 - b. If a customer account is transferred (for example, the property is sold) on the same date as a scheduled meter reading, would the activation fee still apply? If so, why?
6. Re: Exhibit 3 (Rate Comparison), page 3. The exhibit shows no change in the existing tapping fee schedule for the former Elk Lake service area, but the proposed tariff (Exhibit 2, page 10) states that KAWC’s main system tapping fees apply in the entire service area except the former Tri-Village area. Further, Ms. Bridwell’s testimony (pages 30-31) discusses changes in the Elk Lake tapping fees for larger than 5/8-inch taps, but those changes do not appear in either Exhibit 2 or Exhibit 3. Please clarify the Company’s proposal regarding tapping fees for the former Elk Lake area and, if necessary, provide corrected pages for the proposed tariff.
7. Re: Testimony of Michael Miller, page 63. Mr. Miller states: “the Company plans to propose in its next rate case a move to a uniform tariff for all customers.” Concerning this statement:
- a. Why hasn’t the Company made such a proposal in this case?

- b. Recognizing the Company's right to oppose specific aspects of any such proposal, would the Company oppose, in principle, beginning the movement toward a uniform tariff in this case? If so, please explain why.
8. Re: Testimony of Michael Miller, page 64, concerning the proposed activation fee.
 - a. Please describe the specific activities that the Company performs in order to initiate service for a new residential customer in an existing building.
 - b. Please describe the specific activities that the Company performs in order to initiate service for a new non-residential customer in an existing building.
 - c. Would the proposed activation fee apply to both residential and non-residential customers? If so, would there be any difference in the amount of the fee, depending on the customer class, meter size, or other factors?
9. Re: Testimony of Michael Miller, page 65. Mr. Miller states that "there are many instances where such [activation] fees have been approved for water and sewer utilities." Concerning this statement:
 - a. Please identify the specific utilities to which Mr. Miller is referring.
 - b. To the best of Mr. Miller's knowledge, do any water or sewer utilities regulated by the Kentucky PSC charge an activation fee? If so, please identify each such utility and state the amount of the fee that each utility is authorized to charge.
10. Does the Company presently charge a customer for a temporary disconnection and reconnection (for example, if a customer will be away for three months and asks to disconnect service)?
 - a. If so, please indicate the tariff provision that authorizes such a payment. If not, is the Company proposing such a charge in this case?
 - b. Approximately how many such requests did the Company receive during each of the last three calendar years?
11. Re: Testimony of Michael Miller, page 65, concerning the low-income discount.
 - a. The testimony states that the discount would apply to "those customers at or below the federal poverty levels." Is there more than one federal poverty level that would be used to determine customer eligibility for the discount? If so, please identify the

different federal poverty levels that would apply to each type of customer.

- b. Is the reference to “federal poverty levels” meant to refer to 100% of the federal poverty level, or to some other percentage of the poverty level?
 - c. Mr. Miller states that the annual cost of the low-income discount would be approximately \$30,000, which would imply that approximately 1,180 customers would qualify for the discount. Please provide the source for the estimated number of customers who would be eligible for the discount.
 - d. How would the Company determine eligibility for the discount in a household that consists of two or more unrelated adults (for example, two unrelated people sharing an apartment)?
 - e. Would a full-time college student be eligible for the low-income discount if the student has an annual income below the federal poverty level for a single person? Please explain your answer.
12. Re: Testimony of Michael Miller, page 66. Mr. Miller states that the Water for Life Fund had available \$6,263 during 2003.
- a. Of this amount, how much was distributed to low-income customers having difficulty paying their water bills?
 - b. During 2003, did the Company have an unmet need for assistance (that is, did the Company receive requests for assistance after the money ran out)? If so, what did the Company do with customers whose need could not be met?
 - c. How does the Company inform customers about the existence of assistance through the Water for Life Fund? Please provide copies of all documents distributed or otherwise used during 2003 and 2004 that provide such information to customers.
 - d. Approximately how much assistance does the average recipient receive?
 - e. Does the assistance take the form of a credit to the water bill? If not, in what other form(s) is assistance provided?
 - f. Do customers who receive assistance from the Fund receive any other aid from the Company (for example, leak repairs, water conservation assistance, education, referral to community-based organizations, etc.)? If so, please describe the other types of aid that are provided by the Company.

- g. Who administers the Water for Life Fund? That is, if a customer wants to apply for assistance, who does the customer contact?
 - h. Is there an income limitation on customers who are eligible for assistance from the Fund? If so, what is the limitation and how does the Company verify the customer's eligibility? If not, why not?
- 13. Has the Company considered the impact of its proposed activation fee on low-income customers? If so, please provide all documents discussing that impact. If not, why not?
- 14. Re: Testimony of Michael Miller, pages 67-68.
 - a. Is the Company asking for PSC approval of an economic development tariff, or any elements of such a tariff, in this case?
 - b. Is the Company specifically seeking PSC approval of the draft tariff, or any portions thereof, contained in MAM-10?
 - c. Does the Company envision having an economic development tariff in place before the completion of any projects that are necessary to ensure a reliable, long-term supply of water? If so, why does the Company believe it is reasonable and prudent to encourage expanded consumption prior to having the facilities that could reliably serve such consumption?
 - d. Does the Company expect the foregone revenue from an economic development tariff to be borne by all other customers, certain customer classes, by the Company's stockholders, or by some combination thereof?
 - e. Please provide a workpaper or electronic spreadsheet file showing if a 30% discount in the Company's lowest consumption charge would recover more than the base cost of water.
 - f. Please provide a workpaper or electronic spreadsheet file showing if a 30% discount in the Company's lowest consumption charge would recover more than incremental cost of producing and distributing the water to an economic development customer.
- 15. Several portions of W/P-9-1 (Tapping Fee) appear to have been cut-off in the electronic filing, such that it is not possible to see the detail for each year. (See for example, Accounts 303.1, 404.1, 103.1, and 108.1.) Please provide a complete electronic version of the file in both Adobe Acrobat and Microsoft Excel formats (the Excel file should have all formulas intact).
- 16. Please describe all changes between the method approved by the PSC in KAWC's last rate case and the method used in this filing in the calculation

- of tapping fees. For each such change (other than the change in the years), explain why KAWC proposes to make the change.
17. Re: Testimony of Coleman Bush, page 10. Mr. Bush states that the proposed account activation fee would apply in both the Central and Northern Divisions of the Company.
- a. Please explain the inter-relationship between the proposed account activation fee and the existing reconnection charges in both Northern Division utilities (Exhibit 2, pages 3 and 12). That is, when would a customer pay an activation fee and when would a customer pay a reconnection charge?
 - b. Would a customer in the former Tri-Village service area be required to pay both the activation fee and the new account deposit of \$40 (Exhibit 2, page 12)? If not, please provide proposed tariff language to reflect this fact.
18. Re: Testimony of Coleman Bush, page 10. Mr. Bush states that other American Water subsidiaries have account activation fees. Please provide a listing of each American Water subsidiary that shows whether it has such a fee and, if so, the amount of the fee.
19. Re: W/P-2-4 (Activation Fee), page 2 of 13.
- a. Why was the IRS mileage rate used instead of the Company's actual transportation-related costs per mile?
 - b. What were the Company's actual transportation-related costs per mile during the base period?
 - c. What are the Company's estimated transportation-related costs per mile during the forecasted test year?
 - d. The Company estimates that the number of service orders will increase from 73,728 in 2003 to 77,409 in the forecasted test year. Please explain the reasons for this increase and provide all documents that show how the estimate for the forecasted test year was derived.
20. Several entries on W/P-2-4 (Activation Fee) contain the notation "formula" without any explanation as to the contents of the formula, while other entries are not readable. Please provide the original electronic version of this workpaper (e.g., the original Microsoft Excel or Lotus 1-2-3 file) with all formulas intact.
21. Re: Testimony of Coleman Bush, page 11. Please provide a breakdown of the \$672,000 estimated revenue from the account activation fee by Division.

22. Re: Testimony of Coleman Bush, page 12. Please provide all hand-outs, presentations, notes, memoranda, and other documents in the Company's possession from each of the drought-pricing tariff meetings referred to in Q/A 18.
23. Re: Testimony of Coleman Bush, page 15. Why would implementation of a drought emergency plan result in additional costs to read meters?
24. Re: Testimony of Coleman Bush, pages 15-16, concerning the proposed deferral mechanism:
- a. How does the Company propose to determine if there is an excess or shortfall? For example, would it propose to compare all revenues to all expenses; only drought emergency surcharge revenues to drought emergency expenses; or something else?
 - b. Would there be a baseline level of revenues and expenses to which the actual revenues and expenses would be compared and, if so, how would that baseline level be determined?
 - c. Under the Company's proposal, would there be any element of the deferral and true-up that includes return on rate base? For example, if revenues exactly equaled expenses during a drought emergency period, would the Company claim its revenues were deficient because it achieved a zero rate of return during that time?
25. Re: Testimony of Coleman Bush, pages 16-19:
- a. In determining the base usage for residential customers, would the Company include any provisions that allow customers to show that the November-April period is not representative of their base consumption during the summer?
 - i. For example, if a customer has children away at college during the school year, but who are at home during the summer, would the customer be able to seek an adjustment in his/her base consumption?
 - ii. Similarly, if a customer has a significant change in circumstances after the base period (such as an increase in family size), would the customer be able to seek an adjustment in his/her base consumption?
 - b. Are apartment buildings considered residential or commercial customers for purposes of the drought emergency tariff? Does the answer depend on the number of units in the building (for example, are four-unit buildings treated the same as 40-unit buildings)?

- c. Why are the commercial, other public authority, and sales for resale baselines based on a 12-month average while the residential baseline is based on a six-month, non-summer average?
 - d. Why is the industrial baseline based on a six-month, summer average, while the residential baseline is based on a six-month, non-summer average?
 - e. To the best of the Company's knowledge, approximately what percentage of water sold to its sales for resale customers is ultimately used to serve residential customers?
 - f. Please list each of the Company's sales for resale customers.
 - g. Please provide copies of the provisions in each of the Company's sales for resale contracts that discuss the curtailment of sales due to droughts or other emergency conditions.
 - h. Please provide copies of each of the studies referred to on pages 17-19.
26. RE: Testimony of Dr. James H. Vander Weide. With respect to page 2, lines 14-17, please provide a list of the articles and books authored by Dr. James H. Vander Weide.
27. RE: Testimony of Dr. James H. Vander Weide. With respect to page 6, lines 11-12, please indicate how equity investors define and measure 'comparable risk.'
28. RE: Testimony of Dr. James H. Vander Weide. With respect to page 17, lines 5-15, please indicate (1) why Dr. Vander Weide has chosen to use the earnings forecasts reported by I/B/E/S and not another service like Zack's or First Call?, (2) how does the analysts coverage of I/B/E/S compare to the analysts coverage of the other major earnings reporting services?, and (3) are the I/B/E/S earnings forecasts available free of charge on the Internet and, if so, where?
29. RE: Testimony of Dr. James H. Vander Weide. With respect to page 18, lines 1-3, please provide of all studies known to Dr. Vander Weide which indicate that "investors use analysts' forecasts to estimate future earnings growth."
30. RE: Testimony of Dr. James H. Vander Weide. With respect to page 18, lines 4-12, please provide a copy of the article written by Dr. Vander Weide from the *Journal of Portfolio Management*.

31. RE: Testimony of Dr. James H. Vander Weide. With respect to page 21, line 1-5, please provide the estimates of the floatation costs (direct expenses as well as market pressure costs) of the equity issued by KAWC over the past five years.
32. RE: Testimony of Dr. James H. Vander Weide. With respect to page 21, line 1-5, please provide the estimates of the floatation costs (direct expenses as well as market pressure costs) of the equity issued by RWE over the past five years.
33. RE: Testimony of Dr. James H. Vander Weide. With respect to page 21, line 1-5, please provide details (size, planned date, and pro forma issuance expenses) of all planned equity offerings by RWE over the next year.
34. RE: Testimony of Dr. James H. Vander Weide. With respect to page 22, lines 10-18, please indicate what water companies were eliminated by each of the four screens applied to the companies listed in the Value Line Investment Survey.
35. RE: Testimony of Dr. James H. Vander Weide. With respect to page 23, lines 5-9, please provide copies of all studies performed by Dr. Vander Weide which indicate that “analysts’ growth rate forecasts best approximate the growth rate forecasts used by investors in making buy and sell decisions.”
36. RE: Testimony of Dr. James H. Vander Weide. With respect to page 24, lines 1-3 (Table), please provide copies of the I/B/E/S analyst research reports for the six water companies in the proxy group.
37. RE: Testimony of Dr. James H. Vander Weide. With respect to page 26, lines 9-10, please provide copies of all studies performed by Dr. Vander Weide which indicate that the LDCs are similar in business and financial risk to (1) KAWC and (2) the proxy group of water companies.
38. RE: Testimony of Dr. James H. Vander Weide. With respect to page 27, line 1. please provide (1) the exact methodology employed by Value Line in developing its ‘Safety Rank,’ (2) how Value Line’s ‘Safety Rank’ compares to other measures of risk employed by Dr. Vander Weide; (3) the number and percentage of companies followed by Value Line that have a safety rank of 1, 2, and 3; and (4) copies of all studies known to Dr. Vander Weide that evaluate Value Line’s ‘Safety Rank.’

39. RE: Testimony of Dr. James H. Vander Weide. With respect to page 29, line 8 to page 33, line 2, and Schedule C of Exhibit __ (JVW-1), please provide (1) copies of all workpapers used in Dr. Vander Weide's ex ante risk premium study, (2) an electronic version of the monthly data used in the analysis, and (3) copies of the regressions run on the data.
40. RE: Testimony of Dr. James H. Vander Weide. With respect to page 33, line 14 to page 35, line 13, and Schedule D of Exhibit __ (JVW-1), please provide (1) copies of all workpapers used in Dr. Vander Weide's ex post risk premium study using the S&P 500, (2) the sources of the data items employed, and (3) an electronic version of the annual data used in the analysis.
41. RE: Testimony of Dr. James H. Vander Weide. With respect to page 33, line 14 to page 35, line 13, and Schedule E of Exhibit __ (JVW-1), please provide (1) all workpapers used in Dr. Vander Weide's ex post risk premium study using the S&P Utilities Stock Index, (2) the sources of the data items employed, and (3) an electronic version of the annual data used in the analysis.
42. RE: Testimony of Dr. James H. Vander Weide. With respect to page 42, line 5, please provide copies of all studies performed that compare the business risk of KAWC and the proxy group of water companies.
43. RE: Testimony of Dr. James H. Vander Weide. With respect to Schedule A of Exhibit __ (JVW-1), please provide an electronic version of the exhibit that shows each of the cost of equity calculations.
44. RE: Testimony of Dr. James H. Vander Weide. With respect to Schedule B of Exhibit __ (JVW-1), please provide an electronic version of the exhibit that shows each of the cost of equity calculations.
45. RE: Testimony of Dr. James H. Vander Weide. With respect to Schedule B of Exhibit __ (JVW-1), please provide copies of the I/B/E/S analyst research reports for the proxy group of LDCs.
46. RE: Testimony of Dr. James H. Vander Weide. With respect to Schedule F of Exhibit __ (JVW-1), please provide (1) a copy of the Value Line used for each of the companies in the Water and LDC proxy groups and (2) show the calculations of short-term debt, long-term debt, preferred equity, and common equity.

47. Please provide a copy of the 2004 and, if available, 2005 operating budget for KAWC.
48. Please provide, by operating expense account, the actual expenses incurred by the Company in each of the past three calendar years, as well as for the base year and the forecasted test period.
49. Please identify all sales for resale customers, and provide the quantity of water sold to each such customer for each of the past five years.
50. Please describe all sources of rental income and provide a current lease or rental agreement for each source of such income.
51. Please describe how the Company forecast the "Other Revenues" shown on W/P 2-3, page 2.
52. For each of the past five years, please provide a) the amount of bad debts written-off, b) the amount of bad debts written-off that were subsequently recovered, c) the amount of any addition to a bad debt reserve, and d) the total revenues from water sales.
53. Please provide the capital budgets, including all supporting detail, approved by the KAWC Board of Directors in each of the past five years.
54. Regarding the Investment Projects discussed on pages 10-14 of Ms. Bridwell's testimony, please identify which of these projects, if any, were included in the Company's claim in its last base rate case.
55. Regarding IP 01-11 (12300111) discussed on page 11 of Ms. Bridwell's testimony, please provide any financial analysis comparing the costs of this project with the expected revenues to be received from new customers.
56. Does the Company utilize a financial model to determine if a main extension project should be funded by the Company or funded with contributions in aid of construction or advances? If so, please provide a copy of the model and state what assumptions are used by the Company in the model.
57. Does the Company's rate base include any amounts allocated from the Corporate Offices, Regional Offices, Service Company, Call Center, or Information Technology Service Centers? If so, please identify all such amounts and state the basis for the allocation.

58. Please identify any costs claimed in rate base for the Bluegrass Water Project, discussed on page 19 of Ms. Bridwell's testimony.
59. Please identify all capital projects that have been undertaken since the Company's last base rate case and that are expected to be completed by the end of the future test year. For each such project, please identify, by year, the amount of plant additions associated with the project. Please provide this information separately for routine projects and investment projects.
60. For each of the past ten years, please provide a) the total capital expenditures approved by the Board of Directors, b) the actual plant-in-service additions, c) the amount of contributions received, d) the amount of advances received and e) the amount of advances refunded. Please provide this information separately by routine projects and investment projects.
61. Please identify the AFUDC rate used for each month since January 1, 2002 and provide the derivation of the rate.
62. Please state when KAWC begins to accrue AFUDC on its plant construction projects.
63. Has the Company made any changes in its AFUDC accrual policy during the past five years? If so, please explain all such changes made.
64. Please provide a brief narrative description for each category of deferred maintenance shown on W/P 1-11.
65. For each category of deferred maintenance shown on W/P 1-11, please state if Commission approval for the Company's proposed ratemaking treatment has been granted and provide a cite to the applicable Commission order.
66. For each category of deferred debit shown on W/P 1-12, please state if Commission approval for the Company's proposed ratemaking treatment has been granted and provide a cite to the applicable Commission order.
67. Please provide the lead/lag days filed by the Company in its last base rate case.

68. How long do materials and supplies stay in inventory before they are used, for either a capital project or for a project that is expensed?
69. For each of the past five years, please provide the percentage of salaries and wages capitalized vs. expensed.
70. Please describe all incentive compensation programs available to employees and provide the amount of incentive compensation awarded in each of the past five years or each such program.
71. When do employees receive salary increases, i.e. do all employees receive increases on a specific date or are increases granted on the employee's anniversary date?
72. Regarding page 1 of the schedule attached to Mr. Bush's testimony, please describe how the "office cost" for each employee was determined.
73. Regarding page 1 of the schedule attached to Mr. Bush's testimony, what does "PIT" stand for?
74. Please provide the current medical insurance rates and provide a copy of the most recent medical insurance invoice(s).
75. Please provide the most recent actuarial reports for the Company's a) pension plan and b) post-retirement benefits other than pension plan.
76. Please provide, for each of the past five years as well as for the base year and forecast test period, the Company's FAS 87 expense and the actual contributions made to the pension fund.
77. Please provide, for each of the past five years as well as for the base year and forecast test period, a) the Company's FAS 106 expense and b) the actual out-of-pocket costs (pay-as-you-go) incurred by the Company.
78. Does the Company actually fund its FAS 106 liability? If so, please identify the amount of contributions in each of the past five years.
79. Please provide all available contracts for rate case services supporting the Company's rate case cost claim.
80. Please provide a copy of the Management Audit referenced on page 50, line 21, of Mr. Miller's testimony.

81. Please provide an organizational chart showing American Water Works Company and subsidiaries and affiliates, and provide a brief description of the services provided by each entity.
82. Please identify the officers and board members for each corporate entity identified in response to the previous question.
83. Please provide each amount allocated or directly charged by KAWC to an affiliated entity, including the parent company, for each of the last five years as well as for the base year and forecast test period.
84. For each amount identified in response to the previous question, please provide a) a description of the services provided and b) the method used for the allocation or direct charge.
85. Please provide each amount allocated or directly charged by an affiliated entity to KAWC for each of the past five years as well as for the base year and forecast test period.
86. For each amount identified in response to the previous question, please provide a) a description of the services received and b) the method used for the allocation or direct charge.
87. Please identify by title, all employees that perform work for KAWC as well as for other subsidiaries or divisions of AWWC.
88. During the past five years, was any work performed by an employee or a director of KAWC Company for an affiliated entity for which no charges were made?
89. Please provide a description of all unregulated services provided by KAWC.
90. Regarding the Assessment of Service Company Services furnished with Mr. Baryenbruch's testimony, please provide the number of employees at the Corporate Office, the National Call Center, Regional Office, Shared Services Center and Information Technology Service Centers.
91. Regarding the Assessment of Service Company Services furnished with Mr. Baryenbruch's testimony, please provide a copy of each annual survey used to determine market rates for a) management consultants, b) attorneys, and c) certified public accountants, referenced on page 17 of the Assessment.

92. Regarding Schedules 5, 7, and 8 of the Assessment of Service Company Services, provided as an exhibit to Mr. Baryenbruch's testimony, how did Mr. Baryenbruch determine the appropriate "Typical Percent of Time Spent" for each category?
93. Regarding page 24 of the Assessment of Service Company Services, provided with Mr. Baryenbruch's testimony, please provide the Belleville Lab study comparing its costs to costs of outside testing laboratories.
94. Did the Company issue a Request for Proposal for call center services prior to transferring these services to the National Call Center? If not, please state why no RFP was issued.
95. Is the Company allocated any costs from RWE Thames Water? If so, please identify all such costs included in the base year and forecast test period.
96. With regard to chemical expenses, please provide the base year and forecast test period pro forma expenses for chemical expense by type of chemical and identify the volume assumed for each chemical.
97. For each type of chemical for which costs are included in the filing, please provide a) the quantity utilized and b) the total cost, for each of the past five years.
98. Regarding page 7, lines 19-22 of Ms. Valentine's testimony, please provide, for each of the past five years, a) the total waste disposal costs incurred (including cleanings) and b) the amount of waste disposal costs incurred for cleanings.
99. Please provide, for each of the past five years as well as for the base year and forecast test period, the total quantity of water treated by KAWC.
100. Please provide, for each of the past five years as well as for the base year and forecast test period, a) the total quantity of water pumped from wells, b) the total quantity of water purchased from third party suppliers (by supplier), and c) the total quantity of water sold.
101. Please provide copies of all current contracts for purchased water.
102. How does the Company forecast the contractual amounts of purchased water that it will require?

103. Please identify any costs incurred by, or allocated to, KAWC associated with its acquisition by RWE Thames Water.
104. Regarding W/P 1.1, how many new services is the Company projecting to add between August 2003 and November 2005?
105. Regarding W/P 1-1, please itemize the significant additions to office furniture and equipment in the Central Division projected to be added during the period August 2003 to July 2004, and state why these additions are necessary.
106. Regarding W/P 1-1, pages 1-3, please provide, by account, the actual additions and retirements from August 2003 through the latest month available.
107. Regarding W/P 1-2, please explain how the acquisition adjustment was allocated among the Central Division, Tri-Village, and Elk Lake.
108. Regarding W/P 1-2, does this adjustment include the Tri-Village and Elk Lake acquisitions? If so, please explain why these acquisitions are also included in deferred debits.
109. We are having difficulty reconciling the workpapers to the Company's CWIP claim of \$6,124,953. Please identify which specific workpapers comprise the CWIP claim included in the Company's rate base claim.
110. Does the Company's CWIP claim include a 13-month average of all estimated CWIP or only CWIP associated with certain projects? Please explain.
111. We are having difficulty reconciling the workpapers of the Company's claim for contributions in aid of construction with the rate base amount of \$34,547,915. Please identify which specific workpapers comprise the CIAC claim included in the Company's rate base claim.
112. Please describe how depreciation expense on contributed property is treated for ratemaking purposes.
113. Regarding Deferred Investment Tax Credits, why didn't the Company use an average future test year balance per W/P 1-10, page 2 of 2, rather than the balance at November 2005?

114. Regarding Deferred Investment Tax Credits, W/P 1-10, page 2 of 2, please explain how the "Deferred ITC (JDITC - 4% and 10%)" is reflected in the Company's claim.
115. Regarding W/P 1-12, page 11, please provide all supporting workpapers for the accrued pension amounts shown on this workpaper.
116. Regarding Exhibit 37D, page 1, what is the rationale for eliminating all unbilled revenue?
117. Regarding the forecasted "Other Revenue - Collection for Others" per W/P 2-3, page 2, please describe all billing and collection services provided by KAWC on behalf of other entities and provide a copy of each such contract for billing and collection services.
118. Regarding W/P 2-3, page 2, please explain how each forecasted amount was determined.
119. Please provide the total overtime hours included in salaries and wages separately for the base period and the forecast test year.
120. Please identify all contractual union increases from August 2003 through November 2005.
121. Please identify, separately for union and non-union employees, the actual salary and wage increases granted from January 1, 2001, through the latest date available.
122. The workpapers do not appear to support the Company's labor expense adjustment shown on Schedule D-1, page 10, in the amount of \$227,312. Please identify the specific workpapers included in W/P 3-1 where this amount can be found.
123. Please provide a copy of each incentive plan currently in effect.
124. Regarding W/P 3-2, what are the basis for the energy, demand, and fuel adjustment cost rates used in this exhibit?
125. Regarding the W/P 3-2, please explain the "Surcharge" and "Merger Surcredit" shown in this schedule including the derivation of these amounts.

126. Please provide the total chemical cost incurred in each of the past five years, and as forecast for the base period and the future test year.
127. Regarding the entities shown in W/P 3-5, page 1, please provide the Management Fees charged to KAWC from each of these entities for each of the past five years.
128. For each entity shown in WP 3-5, please provide the total costs incurred by the entity in each of the past five year and the percentage allocated each year to KAWC.
129. Please provide any studies showing how the corporate costs allocated to KAWC compare with corporate costs allocated to, or incurred by, other utilities.
130. Do the Company's labor costs include costs allocated from affiliates or are all of these costs included in the Management Fee?
131. Please provide the reason for the increase of over 25% in Management Fees from the base period to the future test year.
132. Please provide a copy of the Company's employee handbook.
133. Please reconcile the total costs of \$937,643 per W/P 3-6, page 1 with the forecasted cost of \$1,724,407 per Schedule D-2.3, page 1.
134. Regarding W/P 3-6, page 1, for each type of insurance shown, please provide the actual costs in each of the last three years, and for the base period.
135. Regarding W/P 3-7, page 2, please explain why each entity has a different annualized rate of valuation earnings.
136. Regarding W/P 3.8, page 1, do the "Cost of Service Study" and "Demand Study" relate to prior cases? If so, please provide a cite to a Commission order approving these amortizations.
137. Please reconcile the base period customer accounting costs of \$852,207 per Schedule D-2.3, page 2 with the base period cost of \$999,541 shown on W/P 3-10, page 1.
138. Regarding W/P 3-11, page 1, please provide the current lease cost for each lease shown in this workpaper.

139. Regarding W/P 3-11, page 2, please provide a brief narrative describing each lease.
140. Please reconcile the base period miscellaneous expenses of \$3,080,829 per Schedule D-2.3, page 2 with the base period expenses of \$3,113,699 per W/P 3-13, page 7.
141. Regarding W/P 3-14, page 2, please describe how the Company forecast the future test year amount for each maintenance category (excluding amortizations).
142. What is the basis for the uncollectible percentage used in Schedule H of the Application?
143. Regarding Schedule H of the Application, why is the PSC fee assessment factor higher in the Elk Lake system?
144. For each of the past five years, a) please provide a list of the companies that have filed a consolidated income tax return with KAWC, b) please provide, by year, the taxable income or tax losses incurred by each company, and c) identify which companies are regulated utilities.
145. Please provide all reports submitted by RWE, Thames, TWUS, AWWC, and KAWC regarding the adoption and implementation of best practices, per item 19 of Appendix A of the Commission's Order in Case No. 2002-00317, dated December 20, 2002.
146. Please provide all reports submitted by Thames, TWUS, and AWWC regarding the actual cumulative costs of the merger, per item 36 of Appendix A of the Commission's Order in Case No. 2002-00317, dated December 20, 2002.
147. Please provide a copy of the Company's cost allocation manual.
148. Regarding page 5, lines 26-32 of Mr. Bush's testimony, please quantify the costs included in the base period and future test year for each of the following corporate business units: a) administrative and general, b) communications, c) customer service, d) engineering, e) government relations, f) human resources, g) loss control, and h) water quality.
149. Regarding the business units identified in the previous question, please identify the number of KAWC employees in each unit.

150. Regarding page 5, lines 26-32 of Mr. Bush's testimony, please quantify the total costs projected to be allocated to KAWC by the Service Company in the base period and future test year for each of the following corporate business units: a) business development, b) legal, c) information systems, rates and revenues.
151. Please make available to the Attorney General's consultant someone from the Company who is knowledgeable regarding the cash working capital workpapers provided in W/P 8-1.
152. Please provide KAWC's quarterly capitalization, including short-term debt, in both dollar amounts and ratios for the past three years. Also, please indicate the current contracted interest rate on short-term debt.
153. With respect to page 4, lines 2-11, and Exhibit MAM-2, please provide copies of the projected thirteen monthly capitalization figures used to compute the thirteen month average capital structure.
154. With respect to page 9, lines 1-13, and Exhibit MAM-3, please provide copies of any workpapers and/or studies performed that demonstrate the (1) source and (2) the magnitude of the "Basis Point Savings" and the "Avoided Issuance Costs" associated with the three securities issues listed in Exhibit MAM-3.
155. With respect to page 9, lines 1-13, and Exhibit MAM-4, please provide the workpapers and copies of the data sources used to assess the interest rate spreads between Treasury yields and 'A' rated public utility bonds. In addition, please indicate how the interest savings highlighted in Exhibit MAM-3 are accounted for in the study of the yield differentials.
156. With respect to page 9, lines 18-22, please provide a copy of the Value Line fed funds rate forecast and a copy of the study that demonstrates how the 40 basis point premium was determined.
157. With respect to page 10, lines 1-8, please provide a copy (in paper and electronic form) of the amounts and costs of the individual debt issues and the methodology that was employed to compute the cost of long-term debt and preferred stock.
158. Please identify the entities that have been given presentations by Kentucky-American regarding the outsourcing of management, contract

operations, partnerships, transfer of assets, merger, or any other form of consolidation or change in control. Supply a listing of entities and presentations from January 1, 2002, to present. Include copies of all correspondence and meeting materials. (The response does not need to include any materials for the February 2002 proposal to Owenton that were previously supplied in PSC Case No. 2002-00018 in response to AG 1-24 in that case.) Include in the response the name(s) of the presenter(s) or participants for each presentation.

159. Reference: Application, Exhibit 37, Schedule F.
- a. Is Company seeking above-the-line treatment for any of its social and service club dues for the forecasted period? If yes, please identify the expense amount for which Kentucky-American seeks recovery through rates.
 - b. Is Company seeking above-the-line treatment for any of its charitable contributions for the forecasted period? If yes, please identify the expense amount for which Kentucky-American seeks recovery through rates.
 - c. Is the Company seeking above-the-line treatment for any of its initiation fees/country club expenses for the forecasted period? If yes, please identify the expense amount for which Kentucky-American seeks recovery through rates.
 - d. Is the Company seeking above-the-line treatment for any of its employee party, outing and gift expense for the forecasted period? If yes, please identify the expense amount for which Kentucky-American seeks recovery through rates.
 - e. Is Company seeking above-the-line treatment for any of its customer service, sales promotion and miscellaneous advertising expense for the forecasted period? If yes, please identify the expense amount for which Kentucky-American seeks recovery through rates.
 - f. Is the Company seeking above-the-line treatment for any of its advertising expense for the forecasted period? If yes, please identify the expense amount for which Kentucky-American seeks recovery through rates.

- g. Is Company seeking above-the-line treatment for any of its social and service club dues for the forecasted period? If yes, please identify the expenses for which Kentucky-American seeks recovery through rates.

160. With regard to advertising expense, the Company's recent advertising campaign includes an advertisement in Fall 2003 Issue of City - The Community Issues Magazine of the Kentucky League of Cities. (page 7 of the issue) Please provide the following:

- a. Indicate the cost of running the advertisement in the magazine.
- b. Indicate the entity responsible for creating the advertisement.
- c. Indicate the cost of creating the advertisement.
- d. How does the Company determine the percentages for allocating the cost of all of its advertising to its regulated water operations, regulated sewer operations, and its non-regulated operations?
- e. How does the Company identify the amount of spending on its various advertisements that is proper for recovery through its rates?
- f. For the base period and the forecasted period, what is the dollar amount of advertising that will be allocated to non-regulated operations?
- g. Please indicate whether the advertisement in the Fall 2003 Issue of City produces a material benefit for the ratepayers. If yes, indicate how.

161. With regard to employee gifts and award banquets, social events and parties, other employee-related social expenses, how are these costs allocated to non-regulated activities?

162. Reference: Bush Testimony - pages 4 and 5. Please provide a copy of the following.

- a. City of Pineville, Kentucky Operations, Maintenance and Management Services Agreement - non-regulated;

- b. Bluegrass Station Division Operations and Maintenance Contract – non-regulated;
 - c. Kentucky River Authority Leak Detection Services annual contract; City of Jackson, Kentucky – Advisory Services Agreement;
163. Reference: Bush Testimony – page 6, lines 25 through 28. The testimony indicates that, for the preparation of his allocation schedule, Mr. Bush selected Company employees whose efforts benefited more than just the customers of the Central Division of Kentucky American Water. Concerning this testimony, please answer the following.
- a. Are “the customers of the Central Division of Kentucky American Water” the retail and wholesale customers who receive service under tariffs subject to the regulation of the Commission or does this definition include recipients of non-regulated activity?
 - b. Does the Company allocate the efforts of Linda Bridwell or Nick Rowe? If yes, how? If not, why not?
164. Please provide a list of the officers of the Kentucky-American Water Company. For each officer, identify the entity that employs the officer and the date of that officer’s employment for or assignment to the position.
165. Please provide a chart that shows the organizational structure (e.g. business units, officers, all directors (such as Governmental Affairs), all managers (such as Human Resources), and lines of reporting) of the Kentucky-American Water Company.
166. Reference: Bush Testimony, pages 15 and 16. Identify the statutory basis under the current regulatory framework in Kentucky authorizing the implementation of the surcharge discussed on line 3 of page 16.
167. Reference: Bridwell Testimony, page 18. Regarding the Louisville Water Company, please provide the following:
- a. Is the 7 November 1998 Water Supply Agreement between the Louisville Water Company and the Kentucky-American Water Company still effective?

- b. If yes, have there been any amendments to the contract? (Please supply a copy of any amendments.) If no, when and why did the contract terminate? (Please explain.)
- c. Please provide a list of the dates of any meetings between the LWC and KAWC since January 1, 2000. Include on the list the names of the attendees of each meeting.
- d. Please provide copies of all correspondence (regular mail, e-mail, or otherwise) between LWC and KAWC since January 1, 2000.
- e. Please provide copies of any internal memoranda, communications, or correspondence generated since January 1, 2000, by Kentucky-American regarding the Louisville Water Company, the Louisville Pipeline, or the 1998 Water Supply Agreement.
- f. Please provide copies of any internal memoranda, communications, or correspondence generated by RWE and any of its affiliates or subsidiaries (including Thames GmbH, American Water Works Company, and American Water Services) to Kentucky-American regarding the Louisville Water Company, the Louisville Pipeline, or the 1998 Water Supply Agreement.
- g. Have representatives of Kentucky-American, American Water Services, or any affiliate of American Water Works or its parent RWE given presentations to the Louisville Water Company or Metro Louisville officials regarding the purchase of LWC assets, transfer of control of LWC, any type of "public/private" partnership, or contract management of LWC by KAWC or an RWE family affiliate? If yes, please supply a listing of the dates, the attendees of each presentation, and any material presented or distributed during the meeting.

168. Reference: Bridwell Testimony, page 31, lines 15 to 18.

- a. Please indicate the cost to Kentucky-American of the provision of services to the City of Hazard, the City of Jackson, Georgetown Municipal Water and Sewer Services, and the City of Versailles.
- b. Please indicate whether the expenses for the activity are being booked above-the-line or below-the-line for ratemaking purposes.

- c. Please indicate whether these services are regulated or non-regulated services of the Kentucky-American Water Company.
 - d. Please indicate the revenue for this activity and whether it is being booked above-the-line or below-the-line for ratemaking purposes.
169. Reference: Jarrett Testimony. Please identify Mr. Jarrett's current employer. (Is Mr. Jarrett an employee of the American Water Works Service Company, Thames GmbH, etc?)
170. Reference: Miller Testimony - page 13, lines 17 through 20. What efforts did Kentucky-American undertake to follow-up on the September 6, 2001, letter? (For example, after 30 days without any response, did the Company contact the Executive Director of the Commission?) Please explain the efforts in detail and provide all correspondence (including letters and e-mails) and memoranda concerning and relating to the follow-up activity.
171. Reference: Miller Testimony - page 17, lines 3 through 23.
- a. Please document the Kentucky-American Water Company's customers' demand for "full" service. (For example, please provide copies of customer complaints to the Kentucky Public Service Commission, letters from customers demanding access to automated call answering, etc.) The Company may limit its response to the time period of January 1, 2000, to the present. If it limits the response, please indicate.
 - b. In the time period that corresponds with the time period for the above response, have any of Kentucky-American's customers expressed an interest in the enhancement or maintenance of customer service representatives that provide in person service in Fayette County and the surrounding counties. (For example, have any customers visited the Company's facilities at 2300 Richmond Road and requested to speak with a Company representative in person rather than over the telephone?) Please explain.
 - c. Does the Company consider the provision of local, in person, customer service (customer contact by means other than telephone or e-mail) part of "full" service? If yes, please detail how Kentucky-American delivers that component of full service. If no, please indicate why not.

- d. What does Mr. Miller mean when he states (on lines 18 and 19) that “we will still provide customer contact as required”?
172. Reference: Miller - Testimony, page 36. Since January 1, 1980, has the Kentucky Public Service Commission Ordered Kentucky-American to participate in any corporate realignment or corporate reorganization? If yes, please supply a reference to the corresponding Commission Order(s).
173. Reference: Miller - Testimony, pages 65 through 67. Please identify the statutory basis under the current regulatory framework in Kentucky authorizing the implementation of the low income tariff discussed in Mr. Miller’s testimony.
174. Reference: Miller - Testimony, pages 67 through 69. Please identify the statutory basis under the current regulatory framework in Kentucky authorizing the implementation of the New and Expanded Economic Development Tariff discussed in Mr. Miller’s testimony.
175. Reference: Application, Exhibit 28 (Trial Balance). Please provide the invoices or other source documents (e.g. receipts) that correspond to the following entries.
- a. Doc # 163862 - A Basket Buzz, \$50.00 (Page 65 of 200, line 4)
 - b. Doc # 40518379 - 1 medium pizza & drin, \$17.00 (page 126 of 200, line 6 in section for Employee expenses AG)
 - c. Doc # 166335 - Hotel Hershey.Gift/JW, \$29.99 (page 129 of 200)
 - d. Doc # 120649 - Planet Hollywood, \$208.36 (page 194 of 200)
 - e. Doc# 120708, 120709, 120710, and 120771 - Disney Hilton (page 194 of 200)
 - f. For each of these expenses, please indicate whether the expense receives above-the-line or below-the-line treatment.
 - g. Please explain the Company’s policy for reimbursing or otherwise providing employee meals and entertainment.
176. Reference: Application, Exhibit 25. Please provide a copy of Kentucky-American’s current strategic business plan.

177. Reference: Application, Exhibit 31, Operating Unit Managing Director Report, 2004 - January, page 12 of 13. Please provide the dates of the discussions between Kentucky-American and (PSC) Staff regarding the deferral of security costs, and the RWE conditions filing of March 31.
178. Reference: KAWC Response to PSC 1, Item 2, page 23 of 75. This page of the response for the PDF file is blank (except for the header). If this is in error, please supply a correct page.
179. Reference: KAWC Response to PSC 1, Item 2, page 32 of 75. Please supply the executed Regulatory Asset Authorization Form that corresponds to each regulatory asset for which the Company seeks rate recovery in this case.
180. Since January 1, 2000, has the Company issued any bill credits to customers or sent checks to customers in connection with or relating to the Company's survey activities? If yes, please provide a summary of the program.