

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Adjustment of Rates of Kentucky- )  
American Water Company )

Case No. 2004-00103

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

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits this Supplemental Request for Information to 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  
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502-696-5453  
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*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. 19 July 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 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 16 July 2004. He also certifies service of an electronic copy, by electronic mail, to KAWC.

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; 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. (See attached) 16 July 2004 is the date of filing in electronic medium.

/s/ David Edward Spenard  
Assistant Attorney General

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

1. Reference: KAWC response to PSC 1 - 4. Please provide actual financial results, in the same format, for 1999 and 2000.
2. Reference: KAWC response to PSC 1 - 31. Please provide a copy of the "1971 Agreement" between American Water Works Service Company, Inc., and Kentucky-American Water Company. Also, provide copies of any other service agreements between KAWC and any of its affiliates, including the Call Center, Corporate Offices, and other affiliates, from which KAWC receives services, not previously provided in response to PSC 1 - 31.
3. Reference: KAWC response to PSC 2 - 75. Please provide a narrative describing all restructuring efforts that are currently in process or which are planned for 2004-2005.
4. Reference: KAWC Response AG 1 - 39. With respect to page 29, line 8 to page 33, line 2, and Schedule C of Exhibit\_(JVW-1), please provide a complete electronic version, in Microsoft Excel format, of the monthly data used in the analysis. The Excel file should have all formulas intact.
5. Reference: KAWC Response AG 1 - 40. With respect to page 33, line 14 to page 35, line 13, and Schedule D of Exhibit\_(JVW-1), please provide a complete electronic version, in Microsoft Excel format, of the annual data used in the analysis. The Excel file should have all formulas intact.
6. Reference: KAWC Response AG 1 - 41. With respect to page 33, line 14 to page 35, line 12, and Schedule E of Exhibit\_(JVW-1), please provide a complete electronic version, in Microsoft Excel format, of the annual data used in the analysis. The Excel file should have all formulas intact.
7. Reference: KAWC Response AG 1 - 43. With respect to Schedule A of Exhibit\_(JVW-1), please provide a complete electronic version, in Microsoft Excel format, of the exhibit that shows each of the cost of equity calculations. The Excel file should have all formulas intact.
8. Reference: KAWC Response AG 1 - 44. With respect to Schedule B of the Exhibit\_(JVW-1), please provide a complete electronic version, in Microsoft Excel format, of the exhibit that shows each of the cost of equity calculations. The Excel file should have all formulas intact.

9. Reference: KAWC response to AG 1 - 48. The response references a document "W/P-2-10." Is this a typographical error? If yes, please identify the correct document. If no, please identify the location of the document.
10. Reference: KAWC response to AG 1 - 56. How does KAWC determine whether an advance or contribution is required and if required, how much of an advance or contribution to obtain?
11. Reference: KAWC response to AG 1 - 57. Please provide a description of the "Business Change Project."
12. Reference: KAWC response to AG 1 - 70. Please provide a full description for the "Other" incentive plan payments.
13. Reference: KAWC response to AG 1 - 94. Please provide copies of all proposals received in response to the RFP and provide all reports and analysis evaluating the proposals.
14. Reference: KAWC response to AG 1 - 100. Please identify, for each of the past five years, the Company's sources of supply and identify how much of its supply needs were met with each source (excluding purchases from third parties).
15. Reference: KAWC response to AG 1 - 146. Please indicate whether the reports required per item 36 of Appendix A of the Commission's 20 December 2002 Order in Case No. 2002-00317 have been and are being submitted to the Kentucky Public Service Commission. If yes, please indicate the date of submission for each report and whether the filing was made to the record in PSC Case No. 2002-00277. If no, please explain why the reason for the lack of reporting.
16. Reference: KAWC response to AG 1 - 147. Does the Company have a cost allocation manual? If so, please provide a copy. If not, please indicate why no cost allocation manual has been prepared.
17. Reference: KAWC response to AG 1 - 150. Please identify, for the base period and future test year, the amount included in Southeast Region's management fees for each of the requested expense categories.
18. Reference: KAWC Response AG 1 - 157. With respect to page 10, lines 1 - 8, please provide a complete electronic version, in Microsoft Excel format, 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. The Excel file should have all formulas intact.

19. Reference: KAWC response to AG 1 - 168. Please answer the following:
- a. How many hours were spent by KAWC personnel on leak detection activities for each of these clients in the test year?
  - b. The response to AG 1 - 168 (c) indicates that "Kentucky American Water believes these services to be part of its regulated services since the expense and revenues are booked above the line." Did the Company seek formal Commission approval for the provision of this activity? If yes, when. Please provide the docket number for the proceeding.
  - c. Does the Company have a tariff provision describing the terms and conditions for the provision of this service?
  - d. Is the provision of this service done under Special Contract?
  - e. 168 (d) states: "Please indicate the revenue for this activity and whether it is being booked above-the-live or below-the-line for ratemaking purposes." The response states: "These revenues are booked above the line." The response does not disclose, as per the request, the revenue for the activity. Provide a summary consistent with the presentation of expenses for the response to AG 1 - 168 (a) that shows, by city or municipal utility, the revenue amount, to date, for the activity.
20. Reference: KAWC response to LFUCG 1 - 52. Who is currently performing the "day-to-day operations of KAWC" and the functions relating to the "condemnation effort" now that Mr. Mundy has resigned?
21. Reference: KAWC response to LFUCG 1 - 78. The response identifies Counsel for Kentucky-American Water Company as the participant in the discussions with Commission Staff. Please provide a copy of the legal billing invoices for this activity.
22. Reference: KAWC response to LFUCG 1 - 87. Did the Public Service Commission issue any Orders relating to either contract? If yes, please provide the docket number(s) and the date(s) of the Orders. Please supply any cover letter or other correspondence (including any material by a



- third-party that was copied to KAWC) in the Company's possession regarding the submission of these contracts to the Commission.
23. Please describe the process used by KAWC to approve all annual costs to KAWC from any of its affiliates, including the Service Company, the Call Center, Corporate Offices, and other affiliates from which KAWC receives services.
  24. What impact does the resignation of Mr. Mundy have on the Company's filing?
  25. For each component of CWIP included in the Application, please state if the project is revenue-producing.
  26. For each revenue-producing project for which CWIP was included in the Application, please identify a) the amount of CWIP included and b) the number of customers to be added in each of the next three years as a result of the project.
  27. Please provide the statutory payment dates for the Company's federal and state income taxes as well as the percentage of taxes due on each of those dates.
  28. For each "Other" type of tax included in Exhibit 37-B, page 82, please provide the statutory payment dates as well as the percentage of taxes due on each of those dates.
  29. It is the understanding of the Attorney General that certain lead/lag days are being supported in this case based on a lead/lag study conducted for a sister company. In that regard, please provide the workpapers and calculations used to develop the lead/lag days shown in Exhibit 37B, page 82 for Service Company Charges, Group Insurance, OPEB's, Pensions, Insurance Other than Group, Postage Expense, Stock Expense, and Waste Disposal Expense.
  30. Per PSC Case No. 2000-00120, the Public Service Commission mandates that Kentucky-American shall formally apply for Commission approval before accruing an expense as a regulatory asset. Please answer and provide the following: (For this question, "Commission" includes any Commissioner, member of Staff, other employee, or agent of the Public Service Commission.)

- a. Please provide any letters, e-mails, or other correspondence that Kentucky-American, a parent, or an affiliate has sent or caused to be sent to the Public Service Commission regarding this mandate.
- b. Please indicate whether any lobbyist, officer, director, or employee of Kentucky-American, a parent, or an affiliate has engaged in any discussion with the Public Service Commission regarding this mandate. Provide a list of names, dates, Commission participants, and locations of the discussions.
- c. Please admit or deny whether any lobbyist, officer, director, or employee of Kentucky-American, a parent, or an affiliate engaged in any discussions or communications with the Commission regarding any of the deferred debits (which are presently before the Commission in this case) for the time period of November 27, 2000, until December 12, 2003. If there have been discussions or communications, please provide a list of names, dates, Commission participants, a copy of any written materials or documentary evidence relating to the exchange, and locations of the discussions.
- d. Please admit or deny whether any lobbyist, officer, director, or employee of Kentucky-American, a parent, or an affiliate engaged in any discussions or communications with the Commission regarding any of the deferred debits (which are presently before the Commission in this case) for the time period of December 12, 2003, to the present. If there have been discussions or communications, please provide a list of names, dates, Commission participants, a copy of any written materials or documentary evidence relating to the exchange, and locations of the discussions.
- e. Please admit or deny whether any lobbyist, officer, director, or employee of Kentucky-American, a parent, or an affiliate engaged in any discussions or communications with the Commission regarding the merits of any aspect of the application presently before the Commission in this case either before the filing of the application or following the filing of the application. If there have been discussions or communications, please provide a list of names, dates, Commission participants, a copy of any written materials or documentary evidence relating to the exchange, and locations of the discussions.