

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
REGARDING ACTUAL RESULTS AND REBUTTAL TESTIMONY

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.

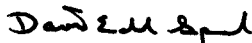
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(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


Dennis G. Howard II
David Edward Spenard
Assistant Attorneys 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. 25 October 2004 is the date for the filing in paper medium.


Assistant Attorney General

Certificate of Service

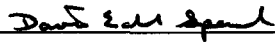
Per Instructions 4, 8 (d), and 12 of the May 27th Order, Counsel certifies service of a true and correct photocopy of the document by mailing the photocopies, first class postage prepaid, to the other parties of record on 22 October 2004. He also certifies service of an electronic copy of the request, in proper format, 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; Foster Ockerman, Jr., Martin, Ockerman & Brabant LLP, 200 North Upper Street, Lexington, Kentucky 40507; and Roy W. Mundy II, Kentucky-American Water Company 2300 Richmond Road, Lexington, Kentucky 40502.

David Edward Spence
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) 22 October 2004 is the date of filing in electronic medium.


Assistant Attorney General

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

1. Reference: Rebuttal Testimony of Dr. Vander Weide, page 25, lines 1-10. Please provide copies of all studies that support Dr. Vander Weide's assertion that a higher net plant to revenues ratio for a regulated public utility is related to the business and financial risks.
2. Reference: Rebuttal Testimony of Dr. Vander Weide, page 26, lines 14-21. Please provide copies of any refereed publications in which Dr. Vander Weide has published his findings found in Appendix 1 of his original testimony that his quarterly DCF model is appropriate in estimating the cost of equity.
3. Reference: Rebuttal Testimony of Dr. Vander Weide, page 29, lines 3-10 and Attachment A. With respect to Attachment A, please provide the following:
 - a. In what State Street Global Advisers or other publications has the study found in Appendix A been published? Please provide copies of all such publications.
 - b. Please indicate any participation by Dr. Vander Weide in the preparation of the study.
 - c. Please indicate any association between Dr. Vander Weide and State Street Global Advisers and/or the authors of the study – Anita Xu and Ami Teruya.
 - d. Please provide all data used in the study in electronic format (Microsoft Excel readable) on a CD ROM. The individual data items should be provided in a format such that all regressions can be duplicated.
4. Reference: Rebuttal Testimony of Dr. Vander Weide, page 30, lines 7-11. Provide the data employed and show all statistical tests that were performed to conclude that the difference between historic and projected growth rates in explaining stock prices is statistically significant.
5. Reference: Rebuttal Testimony of Dr. Vander Weide, page 35, lines 16-23. Please provide copies of all studies that support Dr. Vander Weide's assertion that 'survivorship bias' is not a major issue in assessing return in U. S. capital markets.

6. Is there an error in the update to Schedule B-1, page 1? Specifically, should the depreciation reserve be subtracted from utility plant-in-service? If so, please provide an updated schedule.
7. Please provide a narrative describing all adjustments made to the Company's forecast period salary and wage claim in its updated filing and include all workpapers.
8. Please provide a narrative describing all adjustments made to the Company's forecast period fuel and power claim in its updated filing and include all workpapers.
9. Please provide an update to the response to PSC-2-115 consistent with the Company's updated rate base claim.
10. Please provide updates to PSC-2-57 and PSC-2-52 consistent with the Company's updated expense claim.
11. Please provide the current number of vacant employee positions.
12. Reference: Rebuttal Testimony of Linda Bridwell, page 2. Given the history of solids removal from Lake Ellerslie, what documentation can the Company provide to support its contention that solids removal will be conducted on an annual basis, as discussed on page 2 of Ms. Bridwell's Rebuttal Testimony?
13. Reference: Rebuttal Testimony of Coleman Bush, page 2, line 33. Regarding Mr. Bush's contention on page 2, line 33 of his Rebuttal Testimony that an acquisition does not have to result in immediate benefits in order to receive rate recognition, how long after the acquisition does Mr. Bush believe benefits can occur in order to justify inclusion of an acquisition adjustment?
14. Reference: Rebuttal Testimony of Coleman Bush, page 4. Regarding page 4 of Mr. Bush's Rebuttal Testimony, please provide the total overtime hours incurred by the Company in each of the past five years.
15. Reference: Rebuttal Testimony of Michael A. Miller, page 17, lines 21-28. Please provide the amount of debt used to finance the Tri-Village system that was outstanding at the time of the acquisition of the system by KAWC.

16. Reference: Rebuttal Testimony of Michael A. Miller. Please describe, with specificity, the criteria used to determine the amount of the LIP in each of the past three years, as discussed on page 38 of Mr. Miller's Rebuttal Testimony.
17. Reference: Rebuttal Testimony of James Salser, page 2. Please provide all supporting calculations, documentation, and workpapers for the Service Company expense lag of (1.34) days.
18. Reference: Rebuttal Testimony of James Warren. Please provide a list of all testimonies filed with state regulatory commissions by Mr. Warren and provide the date that each such testimony was filed.
19. Reference: Rebuttal Testimony of James Warren. Please provide the three most recent testimonies filed by Mr. Warren that addressed consolidated income tax adjustments.
20. Reference: Rebuttal Testimony of James Warren. Does Mr. Warren agree that consolidated income tax adjustments do not violate the normalization requirements of the Internal Revenue Service?
21. Reference: Rebuttal Testimony of James Warren. Does Mr. Warren agree that American Water Works claimed that there were benefits to filing a consolidated income tax return when it presented its organizational structure as part of the RWE acquisition?
22. Reference: Rebuttal Testimony of James Warren, page 8 line 8. Does Mr. Warren agree that the "actual taxes paid" used by Ms. Crane was used solely to determine the effective tax rate, and was not used in determining the actual income tax expense to include in rates?
23. Reference: Rebuttal Testimony of Michael A. Miller, page 3, lines 8 to 10. Is Mr. Miller referring to 807 KAR 5:001 Section 10 (8) (c)?
24. Reference: Rebuttal Testimony of Michael A. Miller. Please provide a photocopy of the Order (or Orders) of the Kentucky Public Service Commission in which the Commission made findings of fact and rendered conclusions of law that Kentucky-American Water Company did not achieve its authorized ROE for Year 2002 or for Year 2003.
25. Reference: Rebuttal Testimony of Michael A. Miller, page 26, lines 24 through 28. Mr. Miller provides his conclusion that the Attorney General's proposal regarding CWIP and cash working capital has been

made contrary to Kentucky law and PSC regulations. Is it the Company's position that Mr. Miller is competent (or otherwise qualified) to offer assessments and conclusion relating to Kentucky law and PSC regulations?

26. Reference: Rebuttal Testimony of Michael A. Miller. Is it Mr. Miller's opinion that the number of errors and omissions in the Company's application in Case No. 2004-00103 is greater than, less than, or equal to the number of errors and omissions in the Company's application for Case No. 2000-00120?

27. Reference: Rebuttal Testimony of Coleman Bush, pages 6 and 7. Mr. Bush's response includes the following scurrilous and demagogic verbiage. "After the collaborative beginning to the tariff design, it is disappointing that we did not get more meaningful input from the Attorney General during this proceeding rather than coming down from the hills after the battle is over to simply shoot the wounded." Please answer the following.

- a. In OAG 1 – 18, the Company was asked to 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. Please confirm that June 16, 2000, is the most recent meeting for which materials are available.
- b. Please confirm that June 16, 2000, is most recent meetings of the six meetings identified in Mr. Bush's prefiled testimony discussing the Company's effort to seek input during the "early stages" of the development of this tariff (Q/A 18).
- c. Please confirm that the Office of the Attorney General did have a representative at the June 16, 2000, meeting.
- d. Please provide a copy of any e-mail or letter from Kentucky-American to the Office of the Attorney General for the time period from June 16, 2000, to the date of the filing of Case No. 2004-00103, that invites the Office of the Attorney General to attend a meeting with representatives of Kentucky-American to discuss development of a drought pricing tariff or an emergency pricing tariff.
- e. Please provide the first date on which Mr. Bush, another representative or agent of Kentucky-American, or Counsel for the

Company provided the Office of the Attorney General with a copy of the Emergency Pricing Tariff submitted as part of Case No. 2004-00103 for the OAG's comments or input. Please also provide copies of any correspondence (from June 16, 2000, to the date of the filing of Case No. 2004-00103) to the Office of the Attorney General relating to this matter and the dates of the subsequent transmissions of drafts or revisions of said Tariff to the OAG.

- f. In that Mr. Bush's Rebuttal Testimony readily concedes that Kentucky-American's provision of an opportunity to provide input (in the "early stages" of the process) relates to developing a **foundation** for the Emergency Pricing Tariff (page 6, line 32), please provide the date on which an employee of Kentucky-American, a representative of Kentucky-American, or one of its agents or Counsel contacted the Office of the Attorney General for the specific purpose of seeking input on the first draft of the Emergency Pricing Tariff proposal for Case No. 2004-00103 as part of the preparation of the pending application.