

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF KENTUCKY-) CASE NO. 2004-00103
AMERICAN WATER COMPANY)

**LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUESTS FOR INFORMATION**

Comes now the Lexington-Fayette Urban County Government (the "LFUCG"), by counsel and pursuant to the Public Service Commission's Scheduling Order of May 28, 2004 and submits its Supplemental Requests for Information to Kentucky-American Water Company ("KAWC") to be answered in accord with the following:

(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 counsel for the LFUCG.

(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 that 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 counsel for the LFUCG 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.

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1. Does KAWC currently provide any services for public fire hydrants for which it is not the owner of the hydrant? If so, please describe the terms of any such arrangement in detail, and provide all supporting documentation, including but not limited to copies of any agreements. Would KAWC be willing to discuss with the LFUCG the feasibility of the LFUCG acquiring and owning some or all of the additional public fire hydrants that would be needed to service Fayette County in the future; or, in the alternative, the LFUCG acquiring and owning existing and future public fire hydrants in Fayette County?

2. Reference Exhibit 36 to the Application, at page 6 of 40. The cost of service study filed by KAWC in Case No. 2000-00120 concludes that public fire protection should contribute 4.0% of total sales revenues.

a. Does KAWC agree that 4.0% of the projected sales revenue of \$49,647,830 from Exhibit 37M-3 to the Application, page 1 of 54, would produce a revenue requirement for public fire protection of \$1,985,913? If not, please explain in detail why not, and provide any supporting documentation for this response.

b. Does KAWC agree that the public fire protection revenues at proposed rates of \$2,078,218 (Exhibit 37M-3 to the Application, page 1 of 54) represents 4.2% of the total company sales revenues at proposed rates of \$49,647,830? If not, please explain in detail why not, and provide any supporting documentation for this response.

c. Please explain in detail why, without an updated cost of service study, public fire protection should be required to provide a higher percentage of the sales revenue requirement than was found to be reasonable in the study presented in Case No. 2000-00120.

3. KAWC's proposed revenue requirement of 15.3% includes an upward adjustment for weather normalization. Please state whether KAWC believes that it is appropriate to increase public fire rates due to weather normalization, and if so, explain in detail why such an increase is appropriate and provide any supporting documentation for this response.

4. Please state what percentage of the 15.3% proposed overall revenue increase is attributable to the weather adjustment, and reference and/or provide the supporting documentation for this response.

5. Please state whether KAWC is aware of any fire incident(s)(or any other occasion) in its history upon which 8000 gallons of water per minute for four (or more) hours was needed. If so, please provide a detailed explanation of all such incident(s), including but not limited to the date(s), the approximate location of the incident and the amount of water used.

a. If there are no such incidents, please provide the same information requested above for the incident(s) incident that most closely approaches this level of intensive water demand.

b. Please provide the information requested above for all incident(s) in which 5000 gallons of water per minute for four (or more) hours was needed.

c. Please state the fire incident of the greatest magnitude in KAWC's history, including the duration of flow, the magnitude of flow, and the date of such incident.

6. Reference Exhibit 37B to the Application, page 61 of 90, line 29, Project Number 12020204 – Source of Supply Project. This is included in CWIP as of July 30, 2004, at a level of \$429,185, and is stated to be 100% complete. Please provide a detailed narrative description of this project, and what expenditures are included.

7. Reference Exhibit 37B to the Application, page 63 of 90, Line 11, Project Number 12020204 – LEX – Source of Supply Proj. This is included in CWIP as of November 30, 2005, at a level of \$1,889,067, including \$87,053 of AFUDC capitalized, and is stated to be 26.65% complete. Please provide a detailed narrative description of this project, and what expenditures are included.

8. Are the projects referred to in Question numbers 6 and 7, above in any way related to each other? If so, please explain the relationship between the two projects.

9. Is KAWC seeking to earn a return on the CWIP amount referred to in either Question Numbers 6 or 7, above in this proceeding? If so, what is the revenue impact of this rate base item(s)?

10. Are the source of supply costs referred to for 2003 and 2004 by Ms. Bridwell in her testimony included in either or both of the CWIP amounts referred to in Question Nos. 6,7, or 9, above?

11. Refer to Exhibit 37B, Page 69 of 90, Line 26, Project Number 12020204, of the application. This project is listed as having been begun in July 1992, with an expected completion date of May, 2001, but is also stated to be only 31.48% complete. Its total project expenditures as of November 30, 2003, is stated to be \$1,889,067, the same amount as in CWIP as of November 30, 2005, referred to in Question No. 7, above. Please state whether this project began as the proposed pipeline to the Louisville Water Company, or is any other way related to that project.

a. Please state all current activity being assigned to this project number, and the reason for the increase in CWIP for this project between July 30, 2004 and November 30, 2005.

b. Please state when CWIP began accruing to this project number.

c. Please provide the detail for the current budget estimate of \$6,000,000 for this project, and when this project is now expected to be completed.

d. Please state whether this CWIP as of November 30, 2005, includes any expenditures related to planning for a pipeline as a source of supply alternative. If so, please provide a detailed explanation of such planning.

e. Please reconcile the planned expenditures on this project with the Response to Question No. 47, LFUCG's Requests for Information, which states that "no additional work on the long-term treatment capacity deficit has been pursued other than through the Bluegrass Water Supply Consortium."

12. Please explain in detail the relationship, if any, between Project Number 12029212 on WP1-5, page 3 of 182 (provided in Response to Commission Staff's First Set of Information Requests), and Project Number 12020204.

13. It has recently been reported that Roy Mundy has resigned as the President of KAWC. Please verify that this information is accurate and provide the following information pertaining to this event, along with copies of any documents that support the response.

- a. What is the effective date of Mr. Mundy's resignation?
- b. What person(s) are replacing Mr. Mundy, and when?
- c. Please describe in detail all of the job functions of Mr. Mundy's replacement(s), and provide a breakdown of the amount of time that such individual(s) will spend on condemnation-related matters.
- d. Does the resignation of Mr. Mundy serve as a basis to modify any of the expenses projected by KAWC in its forecasted test year? If so, please provide all such modifications.
- e. Does Mr. Mundy's resignation completely sever his relationship with KAWC and/or its affiliates? Is Mr. Mundy being retained by any of these companies going forward in time? If so, please provide a detailed explanation of the arrangement and provide copies of any supporting documents, including but not limited to any contract(s).
- f. Was Mr. Mundy provided any severance pay as a result of his resignation? If so, please provide the amount of payment and a copy of any supporting documents.

14. Please refer to the KAWC's annual reports for 2002 and 2003. Please explain in detail the basis for the decrease in the company's revenues and net profits.

15. Reference Miller Testimony, page 52. Is it correct that in the base period, only Mr. Mundy was eligible for a Long-term Incentive Plan ("LIP") payment?

- a. Will Mr. Mundy's successor(s) be eligible for LIP payments (or benefits)?
- b. Will any other KAWC employee be eligible for this program? If so, please state which employees.
- c. Please state whether the forecasted expense for LIP will change in any way as a result of Mr. Mundy's departure from KAWC.

16. Reference Response to Question No. 8, LFUCG's Requests for Information. Please state how KAWC was able to determine that there were "no compelling changes that would significantly change the cost of service allocations on this case" if it did not update its prior cost of service study, or conduct a draft cost of service study for this proceeding. Provide copies of any documents or workpapers that support this position.

17. Reference Response to Question No. 12(b), LFUCG's Requests for Information. Please list all new fees or other charges, or any portion of modified fees or charges, that KAWC believes are not subject to the LFUCG franchise fee, with an explanation as to why such fee or charge is not covered by the definitions contained in the franchise agreement.

18. Reference Responses to Question No. 14, LFUCG's Requests for Information. Attached hereto as LFUCG Exhibit No. 1, is a press release and a statement issued by the Public Service Commission on June 30, 2004 (available on the PSC website at http://psc.ky.gov/agencies/psc/press/062004/0630_r01.pdf), in which the Commission favorably refers to rate comparisons between Kentucky's electric and gas utilities and other utilities without reference to any of the additional factors cited by KAWC in its response to the LFUCG's question.

a. Please provide the information previously requested by the LFUCG concerning rates charged by other water providers in Kentucky, regardless of whether such information is contained in a particular analysis meeting all of KAWC's other parameters for evaluation.

b. Please state whether to KAWC's knowledge its "average customer" (as defined in KAWC's application) will pay more than, less than, or approximately the same, for service under KAWC's proposed rates as would a customer in the following service areas: (i) Louisville – Jefferson County; (ii) Owensboro; (iii) Bowling Green; (iv) Frankfort; and (v) any other utility service territory that KAWC desires to provide.

19. In a press release dated April 30, 2004 (a copy is attached hereto as LFUCG Exhibit No. 2), Mr. Mundy is quoted as saying that "our customers will continue to believe that they are getting good value for what they pay for water." The release further compares KAWC rates to those paid for other utility service. The release further states that KAWC's customers "believe their water is reasonably priced".

a. Please provide all information reviewed by Mr. Mundy and KAWC in making these statements.

b. Please state how customers can make a judgment as to the "good value" they are getting "for what they pay for water" and believe that their water is "reasonably priced" without having any information to compare what they are paying to what customers of other water utilities in Kentucky are paying for comparable service.

c. Please state whether KAWC believes that it is irrelevant as part of the rate making process for customers to have a rational basis to understand the value of the service that they pay for, or the reasonableness of the price that they pay for water.

d. Please provide all information in KAWC's possession concerning the comparability of rates between KAWC and other water utilities in Kentucky that will assist KAWC's customers to rationally understand the "good value" that they are getting "for what they pay for water" and the reasonableness of the price they pay versus what they would pay if they were customers of other water utilities in Kentucky.

e. Please state the reason why KAWC believes that while it is appropriate to compare the water bills to bills for other utilities without considering any of the factors stated in KAWC's Response to LFUCG No. 14, a comparison with other water utility rates for comparable service is irrelevant and arbitrary.

f. Please provide a copy of the questions asked in the "recent survey" done by KAWC.

g. Please state whether KAWC asked its customers (as part of this survey) if they believe that it is reasonable for them to pay a higher rate for their water service than customers with comparable usage in Louisville, Owensboro or Bowling Green.

h. Please state whether KAWC is aware that customers of other Kentucky water providers with the same usage as KAWC's "average" customer in this application pay a substantially lower amount for the same amount of usage than that proposed as reasonable by KAWC in this proceeding.

20. On May 3, 2004, the *Lexington Herald-Leader* published an op-ed piece attributed to Mr. Mundy that discusses this rate case (a copy is attached hereto as LFUCG Exhibit No. 3). Please state whether this opinion piece was prepared by Mr. Mundy or under his direction.

a. Please state and quantify the benefit to KAWC's ratepayers of Mr. Mundy's op-ed piece.

b. Please state the cost in labor and related expense of preparing the op-ed piece.

c. Please reconcile Mr. Mundy's statement that KAWC is "not a political body. Our only priority is to provide water", with the Company's intention in this rate case to recover labor costs incurred in educating the public as to KAWC's position on the politics and the reasonableness of the condemnation action.

d. Please reconcile the statement that "revenue from customers is used to run the water company and pay for its operation, maintenance and capital investment needs" with KAWC's intention in this rate case to recover from ratepayers for the labor and related costs of employees, and Service Company charges, that are incurred on behalf of shareholders to oppose condemnation.

e. Please provide the factual basis for the claim that "water will still be the lowest utility bill customers pay each month."

f. Please state the relevance of a comparison of a customer's water bill to a completely different utility service.

g. Please provide the factual basis for the statement that water "will continue to be a great value."

i. In particular, provide all information in the Company's possession that compares the cost for a KAWC customer to the cost for customers of other water utilities in Kentucky for the same amount of service.

ii. Please state how KAWC's customers can rationally determine the "great value" they receive from KAWC's service absent such a comparison.

21. Reference Response to Question No. 33, LFUCG's Requests for Information. Please explain in detail why KAWC has not assigned any hydrant costs to other customer classes, given the annual system use of hydrants to flush the KAWC system. Please provide copies of any documents that support this response.

22. Reference Response to Question No. 36, LFUCG's Requests for Information. Please provide the industry standard service life for fire hydrants.

23. Reference Response to Question No. 40, LFUCG's Requests for Information. Please state what portion of the stated usage is for public fire protection, and what portion is for private fire protection, and provide the monthly public fire usage for each month for the past ten years. If the monthly usage report does not segregate public and private fire usage, please provide the total monthly fire usage for each month for the past ten years.

24. Reference Response to Question No. 42, LFUCG's Requests for Information. Please provide a corrected version of Exhibit 37, Schedule M-3C, that incorporates the adjustments to base period public and private fire revenues provided by KAWC in the attachment to this response.

25. Reference Response to Question No. 51, LFUCG's Requests for Information. Please state whether any of the expenditures defined as "political activities" in Exhibit 37, Schedule F, page 11, have been included in the base period or the forecasted period for ratemaking purposes. If any have been removed, please state where an adjustment(s) has been made.

a. Do the "political activities" expenditures include any time of any KAWC employees, or any employees allocated to KAWC by the Service Company or any other affiliated entity? If so, please detail the amount of such expenditures, the employee or allocated employee involved, and the nature of such activity.

b. Were any of the "political activities" expenditures incurred by KAWC contractors or other external consultants? If so, please state the amount of such expenditures, the contractor or consultant involved, and the nature of the activity.

c. Please provide a detailed breakdown of such activities as previously requested.

26. Reference Response to Question No. 52, LFUCG's Requests for Information. In Mr. Jarrett's testimony at page 5, Mr. Jarrett specifically stated as follows with respect to Mr. Mundy's responsibilities: "The **Board** has **directed** Mr. Mundy to devote his **full time and energy** to defending the Company. ... It is **essential** that Mr. Mundy be available to coordinate and direct these efforts on a **full time basis**." [emphasis added]. Please provide the date of the referenced board directive, as well as copies of any supporting documents, including but not limited to the directive itself and copies of the Board's minutes from the meeting at which this decision was made.

27. Reference Response to Question No. 52, LFUCG's Requests for Information. The response indicates that Mr. Mundy was not testifying in part due to "the level of his workload in relation to day-to-day activities...". Please provide the specific language in Mr. Jarrett's testimony that supports this assertion.

a. Please explain why Mr. Miller responded to this question, rather than Mr. Jarrett.

b. Please state whether Mr. Miller or Mr. Jarrett has the authority to override board directives and/or instructions pertaining to Mr. Mundy's duties. If KAWC believes that such authority exists, please explain the basis for such authority.

28. Please explain in detail the benefit to ratepayers of Mr. Mundy's activities in opposition to the condemnation proceeding.

a. Please quantify any benefits to be received by KAWC ratepayers due to private, as opposed to public, ownership.

b. Please provide any study conducted by KAWC or its affiliates, or in the possession of KAWC, which supports the position that ratepayers will somehow benefit by KAWC's efforts to oppose condemnation.

c. Please provide any authority known to KAWC which would support having ratepayers pay the costs for employee time spent in opposing a condemnation effort.

29. Please provide a detailed narrative of all actions taken by Mr. Mundy in connection with the condemnation proceeding. In particular, please describe Mr. Mundy's activities with respect to:

a. Coordinating activities with the group known as the Coalition Against a Government Takeover or members of that group;

b. Reviewing advertising on behalf of said Coalition and providing information to said coalition to assist in its advertising or lobbying efforts;

c. Meetings with said Coalition or its members to discuss issues relating to the condemnation proceeding, communications to the public concerning condemnation related issues;

d. Attendance by Mr. Mundy at LFUCG council meetings or committee or subcommittee meetings where condemnation issues are discussed;

e. Conversations by Mr. Mundy with individual council members to represent KAWC's position with respect to condemnation issues;

f. Meetings with the public or other communications to the public to educate the public as to KAWC's views on the condemnation and to persuade the public to support KAWC's position; and

g. All other activities intended to influence the public, local leaders, customers or others to support KAWC's position on the condemnation proceeding.

30. Please provide a detailed narrative of all actions taken by any other employee of KAWC in connection with the condemnation proceeding, including but not limited to the two employees identified by Mr. Bush as spending a considerable percentage of their time on condemnation issues (Mr. David Whitehouse and Ms. Barbara Brown). In particular, please describe such activities with respect to:

a. Coordinating activities with the group known as the Coalition Against a Government Takeover or members of that group;

b. Reviewing advertising on behalf of said Coalition and providing information to said coalition to assist in its advertising or lobbying efforts;

c. Meetings with said Coalition or its members to discuss issues relating to the condemnation proceeding, communications to the public concerning condemnation related issues;

d. Attendance at LFUCG council meetings or committee or subcommittee meetings where condemnation issues are discussed;

e. Conversations with individual council members to represent KAWC's position with respect to condemnation issues;

f. Meetings with the public or other communications to the public to educate the public as to KAWC's views on the condemnation and to persuade the public to support KAWC's position; and

g. All other activities intended to influence the public, local leaders, customers or others to support KAWC's position on the condemnation proceeding.

31. Please provide a detailed analysis of all time or expenses billed by the Service Company to KAWC that is related to the LFUCG condemnation action, including but not limited to discussing, consulting or otherwise assisting KAWC or its allies in its activities opposing the condemnation.

a. Please specify in detail and quantify the benefit to ratepayers from charges for advice and consultation concerning the condemnation proceeding;

b. Please provide any study conducted by KAWC or its affiliates, or in the possession of KAWC, which supports the position that ratepayers will benefit by KAWC's efforts to oppose condemnation.

c. Please provide any authority known to KAWC which would support having ratepayers pay the costs for the Service Company charges incurred as a result of opposing a condemnation effort.

32. Reference Response to Question No. 55, LFUCG's Requests for Information. Please state whether KAWC continues to assert that Mr. Mundy's role has not changed, despite Mr. Jarrett's unequivocal testimony that Mr. Mundy has been directed by the Board to spend full time directing efforts to oppose condemnation.

a. Please state whether KAWC continues to assert that how the President of KAWC spends his time is irrelevant to the inclusion of his salary, benefits and other expenses in rates to be paid by KAWC ratepayers. If so, please explain the basis for this position.

b. Please state whether Mr. Mundy will appear at the public hearing in this matter to respond to questions about his job functions and activities.

c. Please state the percentage of his time that Mr. Mundy's successor(s) will spend on condemnation-related activities, and state whether KAWC will track time spent on such activities in the future. If KAWC is not willing to track such time please explain in detail why it is not willing to do so.

d. Please state whether Mr. Mundy's successor(s) will appear at the public hearing in this proceeding and respond to questions.

33. Reference Response to Question No. 57, LFUCG's Requests for Information. Please reconcile Mr. Jarrett's response that Mr. Mundy is "responsible for and involved in the day to day efforts to serve the customers of Kentucky American Water and is devoting his **remaining** time and effort to the takeover action instituted by the government" (emphasis added), with his sworn testimony that the KAWC board had instructed Mr. Mundy to devote "his full time and energies to defending the Company" (testimony of Chris Jarrett, page 5 of 8).

34. Reference Response to Question No. 58, LFUCG's Requests for Information. Please state whether the time spent by Barbara Brown and David Whitehouse on the "source of supply" issue is properly charged to ratepayers in this proceeding, given the Commission's findings with respect to cost recovery for source of supply activities in Case No. 2000-00120. If KAWC believes these charges are appropriate, please explain why.

35. Reference Response to Question No. 60, LFUCG's Requests for Information. Please provide a record of all time charged to KAWC for the condemnation-related conversations described in this response.

a. If such conversations are merely an "additional duty" for Service Company employees that results in no increase in cost to the Service Company, please explain why KAWC ratepayers should pay for such charges.

b. Please explain the distinction (if any) between "external costs" with respect to the condemnation proceeding that have been removed from this application, and service company charges to KAWC for issues related to condemnation.

36. Please confirm whether all "external" costs related to the condemnation proceeding are contained in AWW Account 930210 (JDE Object 575250) as shown on W/P-3-13, page 5 of 7 (provided in response to Commission Staff's First set of Requests for Information). If costs are assigned to other accounts as well, please specify which other accounts are involved.

a. Please confirm whether all of the costs contained in AWW Account No. 930210 (JDE Object 575250) are related to the condemnation proceeding initiated by the LFUCG, and if not, please provide a breakdown and explanation of all costs that are not.

b. Please state whether the base period costs on W/P-3-13, pages 5, 6 and 7, include projected costs, or only actual expenditures for a portion of the base period. If they are only actual expenditures, please state the period of time for which the expenditures are provided.

c. Please reconcile the amounts stated in W/P-3-13, page 5 of 7 for AWW Account 930210 (JDE Object 575250) for the base period with the amounts shown on the Trial Balance (provided in Response to Commission Staff's Second Set of Information Requests, Question No. 28) for account #575250 at pages 122 and 123 of 200.

37. Reference Response to Question No. 63, LFUCG's Requests for Information. Please provide an estimate of KAWC and Service Company time devoted to the condemnation proceeding. Please state whether KAWC is willing to track the time spent by its executives and the Service Company on condemnation issues. If not, please state why not.

38. Reference Response to Question No. 68, LFUCG's Requests for Information. Please state whether any regulatory approvals are required prior to KAWC acquiring Owenton.

a. Please state whether KAWC's opinion as to the lack of necessity for Commission approval for the acquisition of Owenton was based in part on an opinion, formal or otherwise, from the Commission. If so, please provide any documents that discuss this opinion.

b. Please explain why no forecast of estimated revenues from Owenton is included in the forecasted test period.

c. Please provide a copy of the January 15, 2004, Asset Purchase Agreement between KAWC and Owenton.

39. Reference Responses to Question No. 72, LFUCG's Requests for Information. Please state whether Warren Rogers and/or his business are employed by, paid by or compensated by any American Water Works affiliate for any purpose. If so please, provide all supporting documentation. In addition, the LFUCG did not receive copies of any of the documents referred to in the response. Please provide copies of the same.

40. Reference Response to Question No. 74, LFUCG's Requests for Information. Does KAWC represent, in light of the relevance objection made in KAWC's response, that none of these meetings involved discussions of any issues related to this proceeding and/or the accrual proceeding (Commission Case No. 2003-00478) that has been consolidated with this action?

a. If issues relevant to this proceeding were discussed at any of these meetings, please provide the issues discussed, any notes or memoranda or other writings produced with respect to such meetings, a list of those present, and any resolution with respect to issues discussed at these meetings.

b. If issues relevant to this proceeding were discussed, but KAWC still objects to the relevance of such discussions, please explain in detail the basis for such objection.

41. Reference Response to Question No. 76, LFUCG's Requests for Information. Does KAWC represent, in light of the relevance objection made in KAWC's response, that this meeting did not involve discussions of any issues related to this proceeding and/or the accrual proceeding (Commission Case No. 2003-00478) that has been consolidated with this action?

a. If issues relevant to this proceeding were discussed at this meeting, please provide the issues discussed, any notes or memoranda or other writings produced with respect to the meeting, a list of those present, and any resolution with respect to the issues discussed.

b. If issues relevant to this proceeding were discussed, but KAWC still objects to the relevance of such discussions, please explain in detail the basis for such objection.

42. Reference Response to Question No. 77, LFUCG's Requests for Information. Does KAWC represent, in light of the relevance objection made in KAWC's response, that this meeting did not involve discussions of any issues related to this proceeding and/or the accrual proceeding (Commission Case No. 2003-00478) that has been consolidated with this action?

a. If issues relevant to this proceeding were discussed at this meeting, please provide the issues discussed, any notes or memoranda or other writings produced with respect to the meeting, a list of those present, and any resolution with respect to the issues discussed.

b. If issues relevant to this proceeding were discussed, but KAWC still objects to the relevance of such discussions, please explain in detail the basis for such objection.

43. Reference Question No. 78(b), LFUCG's Requests for Information. Please provide a list of the Commission staff participants in discussions with KAWC counsel as originally requested, and explain why billing records for KAWC counsel would not provide the dates of these discussions.

44. Reference Response to Question No. 86, LFUCG's Requests for Information. Please provide copies of the documents **submitted by KAWC** to the Kentucky Department of Revenue for property tax purposes for the past three years, as previously requested.

45. Reference Response to the Question No. 85, Attorney General's First Requests for Information. Please state whether the detailed monthly service company bills that are available at KAWC's offices include a specific designation of the part of such bills that is for advice, consultation or services with respect to the condemnation proceeding.

46. Reference Responses to Question Nos. 99 and 100, Attorney General's First Requests for Information. Please explain in detail the disparity in the amount of water treated between years 2001 and 2003. If the explanation differs, please also provide an explanation for the disparity in the amount of water sold for these same years.

47. Reference Response to Question No. 150, Attorney General's First Requests for Information. Please state the total amount of legal fees from the Service Company included in Management fees for the base period and the forecasted period.

48. Reference Response to Question No. 159(d), Attorney General's First Requests for Information. Please explain why KAWC is seeking only a portion of the forecasted expense for the company picnic.

49. Reference Responses to Question No. 171, Attorney General's First Requests for Information, and the copy of the article attached hereto as LFUCG Exhibit No. 4, which appeared in the June 28, 2004 edition of the *Lexington Herald Leader*. Please reconcile the complaints made in said article with KAWC's responses to this question.

- a. Was KAWC previously aware of any of the concerns raised in this article?
- b. What, if anything, does KAWC intend to do to ensure that the service and/or response problems identified in the article do not take place in the future?
- c. Is KAWC willing to track and maintain the information requested in the Attorney General's question in the future? If not, please explain in detail why not.

50. Reference Responses to Question No. 175, Attorney General's First Requests for Information, as well as Exhibit 37, Schedule F, to the application. With respect to the "employee appreciation basket" from "A Basket Buzz", please explain why this is not included Schedule F as an employee gift, and provide an explanation of how KAWC determines what expenses are to be included in this schedule.

- a. Is this the only "employee appreciation basket" purchased from "A Basket to Buzz"? If not, please provide the total amount included in the base period and the forecasted test year for such purchases.
- b. Is KAWC aware of similar type employee gifts that were not included or accounted for in Schedule F for which KAWC is seeking above-the-line treatment? (For example, are the multiple entries for "A Blooming Miracle" provided in the Trial Balance exhibit also "employee appreciation baskets", or similar-type purchases?) If so, please provide a list of such expenses, as well as the total amount sought by KAWC to be recovered from the ratepayers for such expenses.

51. Reference Response to Public Service Commission Data Requests, Question No. 28 (Trial Balance). Please provide copies of the invoices or receipts that correspond to the following entries, and indicate whether each such expense receives above-the-line or below-the-line treatment (all references to page numbers are to that page out of the total 200 pages provided in the response)

- a. Document #40629613 – VHS COPY OF NEWSCAST, \$1,798.70, Page 62.
- b. Document #30141466 – Atlanta conference 2004, \$17,746.54, Page 71.
- c. Document #40646194 – COACHING WITH STACY O, \$750.00, Page 76.
- d. Document #50188 – BEST BUY, \$1,220.49, Page 99.
- e. Document #40688666 – Performance by Drum Choir, \$250.00, Page 114.
- f. Document #40708167 – radio copy of newsca, \$2,067.40, Page 116.
- g. Document #40560666 – SHOWERPRO MASSAGEW, \$1,448.76, Page 120.
- h. Document #109984 – A1 LIMOUSINE, \$125.00, Page 127
- i. Document #37942 – MASHTATERS, \$1,208.00, Page 130.
- j. Document #34322 – LEXINGTON PROF MASSA, \$105.00, Page 158.

52. Please provide a breakdown of each individual line item provided in the Trial Balance Exhibit explaining whether KAWC seeks above-the-line treatment for that particular item.

53. Reference Response to Commission Staff's Second Set of Information Requests, Question No. 5. Please state whether the Emergency Pricing Tariff has now been withdrawn by KAWC.

a. If so, please explain why rate case expenses should include costs related to the Emergency Pricing Tariff, and state the total cost of preparing and presenting that tariff, including consultant fees, legal expenses and any other relevant costs.

b. If not, please explain in further detail KAWC's intent with respect to this tariff in this case.

54. Reference Response to Commission Staff's Second Set of Information Requests, Question No. 58. Please confirm that the full costs of Mr. Brown's and Ms. Whitehouse's labor and other expenses are included in both the base period and forecasted period, and that no adjustment has been made to remove any portion of such costs for ratemaking purposes.

a. If this is incorrect, please state the portion of their labor and other expenses that has been removed in either period.

b. Please provide the total labor and other expenses included for Mr. Brown and Ms. Whitehouse in both the base period and the forecasted period.

55. Reference Response to Commission Staff's Second Set of Information Requests, Question No. 59. Please reconcile this response with KAWC's inclusion of employee costs and service company charges for condemnation- related activities in both the base and forecasted period.

56. Reference Responses to Commission Staff's Second Set of Information Requests, Question No. 120. Please provide a detailed explanation as to exactly what KAWC's proposed level of commitment to Phase I and Phase II of the referenced project includes, and the basis for its understanding of this level of commitment.

a. Is it KAWC's belief that it is funding a significant portion of the construction of this project? If so, what is the basis for this belief?

b. Does KAWC expect to be in any way reimbursed by the Bluegrass Water Supply Consortium for any of the proposed expenditures? Please provide a detailed explanation.

c. Has KAWC provided the Bluegrass Water Supply Consortium (or any of its members), with any information pertaining to its proposed level of commitment to this project? If so, please explain in detail, and provide copies of any documents provided to the Bluegrass Water Supply Consortium or its members. If not, explain how KAWC determined the budgeted amounts.

d. Has KAWC previously provided any information to the Commission or its staff pertaining to its proposed level of commitment and/or this project? If so, please explain in detail, and provide copies of any supporting documents.

Respectfully submitted,

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CERTIFICATION

In accordance with the Commission's procedural order of May 27, 2004, the undersigned counsel hereby certifies that the original and one copy of the foregoing document have been filed by United States Mail, first class postage prepaid, to Elizabeth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602-0615, and by uploading the document to the file transfer protocol site designated by the Commission. The undersigned counsel hereby certifies that the electronic version is a true and accurate copy of the document(s) filed in paper medium, the electronic version has been transferred to the Commission, and the Commission and other parties have been notified by electronic mail that the electronic version has been transmitted to the Commission. Undersigned counsel also certifies that a copy of the foregoing was served by first class U.S. Mail delivery, postage prepaid, on the following, all on this the 8th day of July 2004:

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