

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST SET OF INFORMATION
REQUESTS TO KENTUCKY-AMERICAN WATER COMPANY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Kentucky-American Water Company ("Kentucky-American") shall file with the Commission the original and one paper copy and one electronic copy of the following information no later than 20 days from the date on which Kentucky-American tenders its application for rate adjustment to the Commission. Kentucky-American shall serve notice of its filing upon each party to this proceeding in accordance with the Commission's Order of April 22, 2004. Each copy of the information requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided.

Each response shall be under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky-American shall make timely amendment to any prior response if it obtains information upon the basis of which it knows that the response was incorrect when made, or though correct when made is now incorrect in any material respect. For any request to which Kentucky-American fails to furnish the requested information, Kentucky-American shall provide a written explanation of the specific grounds for its failure to furnish.

Careful attention shall be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be provided for total company operations and jurisdictional operations, separately.

1. a. Provide a copy of the workpapers and calculations that Kentucky-American used to develop its forecasted test-period financial information.

b. State all assumptions that Kentucky-American used to develop its forecasted test-period financial information.

2. Provide a copy of all Kentucky-American internal accounting manuals, directives, policies, and procedures.

3. a. Provide a complete copy of all Kentucky-American budget instructions, assumptions, directives, manuals, policies and procedures, timelines, and descriptions of budget procedures.

4. a. Provide a comparison of Kentucky-American's monthly operating budgets to the actual results, by account, for each of the following calendar years: 2001, 2002, and 2003. Kentucky-American's response shall include comparisons for the following major expense categories:

- (1) Fuel and Power Expense
- (2) Chemical Expense
- (3) Management Fee Expense
- (4) Customer Accounting Expense
- (5) General Office Expense
- (6) Miscellaneous Expense
- (7) Maintenance Expense

b. Provide, for each yearly account variance that exceeds 5 percent, a detailed explanation for the variance.

5. Provide the same information for calendar year 2004 requested in Item 4 as it becomes available.

6. Provide a reconciliation and a detailed explanation of each difference, if any, in the capitalization and the net investment rate base of Kentucky-American for the base period.

7. Provide a rate base, capital structure, and statement of income for Kentucky-American for the most recent actual 12-month period at the time of the company's application for rate adjustment and for the base period used in the company's application. Provide detailed explanations necessary to reconcile this information with the filed base period revenue requirement information.

8. Describe the process that Kentucky-American uses to plan and approve construction projects.

9. Provide Kentucky-American's long-term construction planning program in effect as of the date of the filing of Kentucky-American's application.

10. a. For each construction project that Kentucky-American has commenced since January 1, 1994, provide the information listed below in the format contained in Schedule 1:

- (1) Project number.
- (2) Project title and description.
- (3) Annual actual cost.
- (4) Annual original budgeted cost.
- (5) Variance between annual actual cost and annual original budgeted cost in dollars.
- (6) Variance between annual actual cost and annual original budgeted cost as a percentage.
- (7) Percentage of total construction budget that proposed project comprises for the budgeted year.
- (8) Total actual project cost.
- (9) Total budgeted project cost.
- (10) Variance between total actual project cost and total budgeted project cost.
- (11) Date the original budget projected the project to start.
- (12) Date the original budget projected the project to be completed.
- (13) Date construction of project actually commenced.
- (14) Date construction of the project was actually completed.

b. For each project in which a variance between actual and budgeted cost occurred or in which a delay in its start or completion occurred, describes the variance or delay and the reasons for such variance or delay.

11. Provide, in the format provided as Schedule 2, an analysis of the Construction Work in Progress as defined in the Uniform System of Accounts for the 12 months preceding the base period, the base period, and the forecasted test period.

12. For each construction project listed in Kentucky-American's response to Item 11, provide the information listed below in the format contained in Schedule 3:

- a. Project number.
- b. Date on which construction began.
- c. Estimated date of project completion.
- d. Time elapsed since the beginning of construction as a percentage of total estimated time of construction.
- e. Original budget estimate of project's cost.
- f. Most recent budget estimate of project's cost.
- g. Total expenditure on project.
- h. Total project expenditure as percentage of total budgeted estimate.

13. a. Provide Kentucky-American's budgeted and actual regular wages, overtime wages, and total wages by employee group, by month, for the most recent 2 years available in the format provided as Schedule 4. Kentucky-American shall supplement its response as further information becomes available.

b. For each variance that exceeds 5 percent in a monthly period, state the reasons for the variance.

14. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, and surveys that Kentucky-American has conducted, commissioned, or used.

15. State for each employee group the amount, percentage increases, and effective dates for general wage increases and, separately, for merit increases granted for calendar years 2002 and 2003, the base period and the forecasted period.

16. a. Provide complete details of all early retirement plans or other employee reduction programs that Kentucky-American or American Waterworks Company ("American Waterworks") intends to offer to its employees during base period and the forecasted test period.

b. For each program listed above, provide all cost-benefit analyses or studies upon which the program is based.

17. a. List all fringe benefits available to Kentucky-American employees and indicate which fringe benefits, if any, are limited to management employees.

b. For each benefit listed above, state the expected cost of each benefit in the base period and the forecasted test period and its historical cost for each of the 2 years preceding the base period.

c. List each change in fringe benefits or the availability of fringe benefits that have occurred within 2 years of the start of the base period.

18. List separately the budgeted and actual number of full- and part-time employees by employee group, by month and by year, for the five years immediately preceding the base period, the base period, and the forecasted period.

19. Provide a detailed description of each Other Post-retirement Employee Benefits (“OPEB”) package that Kentucky-American or American Waterworks provides to Kentucky-American employees.

20. Provide all employment contracts between Kentucky-American and its non-management employees that are currently in effect and the most recent contracts previously in effect.

21. Provide a complete copy of each group medical insurance policy that Kentucky-American currently maintains for its employees.

22. a. Provide for each major functional plant property group or account in the format shown in Schedule 5:

- (1) Plant beginning balance.
- (2) Plant ending balances.
- (3) Gross additions occurring in the forecasted test period.
- (4) Retirements occurring in the forecasted test period.
- (5) Transfers for Kentucky-American occurring in the forecasted

test period.

b. Provide, for any account in which transfers regularly occur in the normal course of business, a general description of the nature of the transfers.

23. Provide in the format shown in Schedule 6 for each property leased to the utility or improvement to leased property:

- a. An identification or reference number.
- b. A description of the property’s type and use.
- c. The name of the lessor.

- d. The frequency of lease payments.
- e. The amount of each lease payment.
- f. The original value of the property, together with annual lease payments.
- g. An explanation of the method that Kentucky-American uses to capitalize the lease payment.

24. Provide in the format shown in Schedule 7 for each property held for future:

- a. A description of the property.
- b. The date of its acquisition.
- c. Its original cost.
- d. Its accumulated depreciation.
- e. Its expected in-service date.
- f. Its expected use.

25. Provide in the shown format the information listed in Schedule 8 regarding Certain Deferred Credits, Accumulated Deferred Income Taxes, and Other Rate Base items included in the forecasted test period rate base.

26. Provide the following monthly account balances and a calculation of the average (13 month) account balances for the total company and jurisdictional operations (original cost):

- a. Plant in Service.
- b. Plant Purchased or Sold.
- c. Property Held for Future Use.

d. Construction Work in Progress (Separate this balance into CWIP eligible for capitalized interest and other CWIP).

e. Completed Construction Not Classified.

f. Accumulated Depreciation and Amortization.

g. Plant Acquisition Adjustment.

h. Amortization of Utility Plant Acquisition Adjustment.

i. Materials and Supplies.

j. Balance in Accounts Payable Applicable to each account in (i) above

(If actual cannot be determined, give reasonable estimate.)

k. Unamortized Investment Tax Credit - Pre-Revenue Act of 1971.

l. Unamortized Investment Tax Credit - Revenue Act of 1971.

m. Accumulated Deferred Income Taxes.

n. A Summary of Customer Deposits

o. Computation and Development of Minimum Cash Requirements.

p. Balance in accounts payable applicable to amounts included in utility plant in service (If actual cannot be determined, give reasonable estimate.).

q. Balance in accounts payable applicable to prepayments by major category or subaccount.

r. Balance in accounts payable applicable to amounts included in plant under construction (If actual cannot be determined, give reasonable estimate).

s. All Current Assets and Current Liability Accounts not included above.

27. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income for the base period and the forecasted period in the format shown in Schedule 9.

28. Provide a trial balance as of the last day of the base period showing account number, account title, and actual base period accounts. All income statement accounts should show activity for 12 months.

29. a. State the date on which Kentucky-American implemented Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

b. State the effect(s) on Kentucky-American's financial statements as a result of implementing Statement of Financial Accounting Standards No. 109.

c. State whether the base period or forecasted period includes any effect of the implementation of Statement of Financial Accounting Standards No. 109.

d. If Kentucky-American's base period or forecasted period includes any effect of the implementation of Statement of Financial Accounting Standards No. 109, describe each effect in detail.

30. a. State whether Kentucky-American's 1989 service contract with the American Waterworks Service Company ("Service Company") has been modified, amended, or replaced.

b. If the 1989 service contract has been modified, amended, or replaced, provide a complete copy of the current service contract and identify the areas in that contract that differ from the 1971 and 1989 service contracts.

31. a. Provide a copy of all other service agreements and contracts that Kentucky-American has with any affiliate company.

b. Describe in detail the pricing policies of Kentucky-American and its affiliates with regard to affiliate company transactions.

32. a. List and describe each service that any affiliated company renders to Kentucky-American.

b. For each service listed above, describe the benefit(s), if any, that Kentucky-American derives from the provision of this service from the affiliate.

33. Provide a comprehensive list and detailed description of the services that Kentucky-American has provided to any affiliated companies.

34. a. Provide separate detailed comparisons, using the 1971 and 1989 contracts (or the current contract), of allocated charges expensed by Kentucky-American in the base period, and the projected allocated amount expensed in the forecasted period, in the format shown in Schedule 10a.

b. Provide a detailed analysis of the Service Company charges directly billed to Kentucky-American and expensed during the base period, and the projected expenses for the forecasted period in the format shown in Schedule 10b.

c. Provide a separate detailed analysis of the Service Company charges allocated or directly billed to Kentucky-American and capitalized during the base period, and the projected amounts for the forecasted period.



Thomas M. Dorman
Executive Director
Public Service Commission
Post Office Box 615
Frankfort, KY 40602-0615

Dated: _____

cc: Parties of Record

Case No. 2004-00103

Kentucky-American
Case No. 2004-00103
Construction Projects

As of _____

Data: ___ Base Period ___ Forecasted Period
Type of Filing: ___ Original ___ Updated ___ Revised
Workpaper Reference No(s): _____

Schedule 1
Page 1 of 1
Witness Responsible:

Project No.	Project Title/Description	Annual Actual Cost	Annual Original Budget	Variance In Dollars	Variance As Percent	Percent Of Budget	Total Actual Project Cost	Total Budget Project Cost	Variance In Dollars	Date Original Budget Start	Date Original Budget End	Date Actual Start	Date Actual End
-------------	---------------------------	--------------------	------------------------	---------------------	---------------------	-------------------	---------------------------	---------------------------	---------------------	----------------------------	--------------------------	-------------------	-----------------

Kentucky-American
Case No. 2004-00103
Construction Work in Progress
As of _____

Data: ___ Base Period ___ Forecasted Period
Type of Filing: ___ Original ___ Updated ___ Revised
Workpaper Reference No(s): _____

Schedule 2
Page 1 of 1
Witness Responsible:

Line No. (A)	Project No. (B)	Description of Project (C)	Accumulated Costs			Total Cost (G=D+E+F)	Estimated Physical Percent Completed (H)
			Construction Amount (D)	Indirect AFDUC Capitalized (E)	Costs Other (F)*		
			\$	\$	\$	\$	\$

TOTAL

*Explain the nature of all other indirect costs in footnotes.

Kentucky-American
Case No. 2004-00103
Monthly Payroll Variance Analysis
As of _____

Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s): _____

Schedule 4
Page 1 of 1
Witness Responsible:

Date	Employee Group	Monthly Budget			Monthly Actual			Variance Percent		
		Reg.	OT	Total	Reg.	OT	Total	Reg.	OT	Total

Kentucky-American
Case No. 2004-00103
Gross Additions, Retirements, and Transfers
From _____ To _____

Data: ___ Base Period ___ Forecasted Period
Type of Filing: ___ Original ___ Updated ___ Revised
Workpaper Reference No(s): _____

Schedule 5
Page 1 of 1
Witness Responsible:

Line No.	Acct. No.	Account Title	Beginning Balance	Additions	Retirements	Transfers/Reclassifications		Ending Balance
						Amount	Explanation of Transfers Other Accounts Involved	
			\$	\$	\$	\$		\$

Kentucky-American
Case No. 2004-00103
Leased Property
(Total Company)
As of _____

Data: ___ Base Period ___ Forecasted Period
Type of Filing: ___ Original ___ Updated ___ Revised
Workpaper Reference No(s): _____

Schedule 6
Page 1 of 1
Witness Responsible:

Identification or Reference Number	Description of Type and Use of Property	Name of Lessee	Frequency of Payment	Amount of Lease Payment	Dollar* Value of Property Involved	Explain Method of Capitalization
--	--	-------------------	-------------------------	----------------------------	---	-------------------------------------

*If not available, an estimate should be furnished.

Kentucky-American
Case No. 2004-00103
Certain Deferred Credits and Accumulated Deferred Income Taxes
As of _____

Data: ___ Base Period ___ Forecasted Period
Type of Filing: ___ Original ___ Updated ___ Revised
Workpaper Reference No(s): _____

Schedule 8
Page 1 of 1
Witness Responsible:

Line No.	Account No.	Description
		Customers' Advances for Construction
		Contributions in Aid of Construction
		Investment Tax Credits:
		Pre 1971 3% Credit
		1971 4% Credit
		1975 6% Additional Credit
		1981 10% Credit on Recovery Property
		ITC Tax Benefits Sold
		Deferred Income Taxes:
		Accelerated Amortization
		Liberalized Depreciation
		ACRS Tax Benefits Sold
		Other (Specify and list separately)
		Other (Specify and list separately)

Also provide the ITC option elected in 1971 and 1975 under Section 46(f) of the 1954 Internal Revenue Code

Kentucky-American
Case No. 2004-00103
Adjusted Jurisdictional ____ Federal and ____ State Income Taxes*
For the 12 Months Ended _____

Data: ____ Base Period ____ Forecasted Period
Type of Filing: ____ Original ____ Updated ____ Revised
Workpaper Reference No(s): _____

Schedule 9
Page 1 of 3
Witness Responsible:

Line No.	Description	At Current Rates			At Proposed Rates	
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjustments (4)	Adjusted (5)
1	Operating Income Before Income Taxes	\$	\$	\$	\$	\$
2	Reconciling Items:					
3	Interest Charges					
4	Tax Accelerated Depreciation					
5	Book Depreciation	_____	_____	_____	_____	_____
6	Excess of Tax Over Book Depreciation					
7	Other Reconciling Items (Specify and List)	_____	_____	_____	_____	_____
8	Total Reconciling Items					
9	Taxable Income	_____	_____	_____	_____	_____
10	Income Tax Rates:					
11	\$ _____ @ ____%					
12	\$ _____ @ ____%					
13	\$ _____ @ ____%					
14	\$ _____ @ ____%					
15	Over \$ _____ @ ____%	_____	_____	_____	_____	_____
16	Federal (State) Income Tax Liability	_____	_____	_____	_____	_____

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 2004-00103
Adjusted Jurisdictional ____ Federal and ____ State Income Taxes*
For the 12 Months Ended _____

Data: ____ Base Period ____ Forecasted Period
Type of Filing: ____ Original ____ Updated ____ Revised
Workpaper Reference No(s): _____

Schedule 9
Page 2 of 3
Witness Responsible:

Line No.	Description	At Current Rates Schedule 49			At Proposed Rates	
		Unadjusted (1)	Adjustments (2)	Adjusted (3)	Adjustments (4)	Adjusted (5)
17	Investment Tax Credits	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
18	Federal (State) Income Taxes – Current	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
19	Deferred Income Taxes:					
20	Tax Accelerated Depreciation					
21	Tax Straight-Line Depreciation	_____	_____	_____	_____	_____
22	Excess of Accelerated Over Straight-Line Depreciation					
23	Deferred Income Tax @ _____%					
24	Amortization of Prior Years Deferred Income Taxes	_____	_____	_____	_____	_____
25	Net Deferred Income Taxes Resulting from Depreciation					
26	Investment Tax Credit Deferred					
27	Amortization of Prior Years I.T.C.	_____	_____	_____	_____	_____

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 2004-00103
Adjusted Jurisdictional Federal and State Income Taxes*
For the 12 Months Ended _____

Data: Base Period Forecasted Period
Type of Filing: Original Updated Revised
Workpaper Reference No(s): _____

Schedule 9
Page 3 of 3
Witness Responsible:

Line No.	Description	At Current Rates			At Proposed Rates	
		Unadjusted (1)	Schedule 49		Adjustments (4)	Adjusted (5)
			Adjustments (2)	Adjusted (3)		
28	Investment Tax Credit - Net	\$	\$	\$	\$	\$
29	Other Tax Deferrals (Specify and List Separately)	_____	_____	_____	_____	_____
30	Total Deferred Income Taxes	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
31	Total Federal (State) Income Taxes (18 + 30)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 2004-00103
Service Company Contract Comparison

From _____ To _____

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s): _____

Schedule 10a
Page 1 of 1
Witness Responsible:

<u>Description</u>	<u>1971 Contract</u>	<u>Difference</u>	<u>1989 Contract</u>
Administrative			
Regional Office			
General Office			
Engineering			
Regional Office			
General Office			
Customer Relations			
Regional Office			
General Office			
Employee Relations			
Regional Office			
General Office			
Water Quality			
Regional Office			
General Office			
Secretarial			
Regional Office			
General Office			
Accounting			
Regional Office			
General Office			
Treasury			
Regional Office			
General Office			
Data Processing-			
General			
Internal Auditing			
Total			
Regional Office			
General Office			
Data Processing			
Authorization			
Total A/C _____			
Customer Billing A/C _____			
Auth/Water Quality/Var Accounts			
Construction/Maintenance			
Grand Total			

Kentucky-American
Case No. 2004-00103
Service Company Contract Comparison

From _____ To _____

Data: ___ Base Period ___ Forecasted Period
 Type of Filing: ___ Original ___ Updated ___ Revised
 Workpaper Reference No(s): _____

Schedule 10b
 Page 1 of 1
 Witness Responsible:

<u>Description</u>	<u>Base Period</u>	<u>Forecasted Period</u>
Administrative		
Regional Office		
General Office		
Engineering		
Regional Office		
General Office		
Customer Relations		
Regional Office		
General Office		
Employee Relations		
Regional Office		
General Office		
Water Quality		
Regional Office		
General Office		
Secretarial		
Regional Office		
General Office		
Accounting		
Regional Office		
General Office		
Treasury		
Regional Office		
General Office		
Data Processing-		
General		
Internal Auditing		
Total		
Regional Office		
General Office		
Data Processing		
Authorization		
Total A/C _____		
Customer Billing A/C _____		
Auth/Water Quality/Var Accounts		
Construction/Maintenance		
Grand Total		