

**COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

<b>THE JOINT PETITION OF KENTUCKY-AMERICAN )</b>	
<b>WATER COMPANY, THAMES WATER AQUA )</b>	
<b>HOLDINGS GMBH, RWE AKTIENGESELLSCHAFT, )</b>	
<b>THAMES WATER AQUA US HOLDINGS, INC., )</b>	<b>CASE NO. 2006-00197</b>
<b>AND AMERICAN WATER WORKS COMPANY, )</b>	
<b>INC. FOR APPROVAL OF A CHANGE IN CONTROL )</b>	
<b>OF KENTUCKY-AMERICAN WATER COMPANY )</b>	

**RESPONSES TO ATTORNEY GENERAL'S  
SECOND REQUEST FOR INFORMATION  
DATED JULY 21, 2006**

**Item No. 17**

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**Witness:**

17. Concerning response to AG 1-45, RWE Supervisory Board minutes of 11/4/05, page 4. On this page it states that "rises in efficiency [at AWW] were not implemented as planned." Please specifically describe the increases in efficiency that were planned, delineate when they should have been implemented, and explain why they were not implemented.

**RESPONSE:**

The above quote from the Supervisory Board minutes is a generalized statement regarding efficiencies that were not implemented as planned.

Significant potential initiatives that were planned for implementation extending over 3-7 years but which have not yet been implemented include:

- STEP, Phase II, consisting of enhancements to system information technology to replace aging information and data handling systems and to improve operational efficiency. Implementation of such systems has been delayed due to resource constraints associated with ensuring that AWW is Sarbanes-Oxley compliant.
- Corporate Standard Operating Procedures/Best Operating Procedures, designed to increase operating efficiency through adoption of standard procedures and identification and implementation of more efficient operating procedures. This initiative has not been implemented in its entirety due to a number of factors including changed expectations regarding expected benefits based on more current evaluations and internal resource constraints to properly manage implementation.

- Sales Max Revenue program, designed to improve the effectiveness of revenue collection. This program has not been implemented nationally yet due to inconclusive results from pilot programs, IT capacity, and internal business constraints.
- HR Benefit initiatives designed to achieve cost reductions and improve the efficiency of employee benefits. These initiatives were not fully implemented because a number of them are subject to collective bargaining with unions and agreement has not yet been reached.