

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT PETITION OF KENTUCKY-AMERICAN)
WATER COMPANY, THAMES WATER AQUA)
HOLDINGS GMBH, RWE AKTIENGESELLSCHAFT,)
THAMES WATER AQUA US HOLDINGS, INC.,) CASE NO. 2006-00197
AND AMERICAN WATER WORKS COMPANY,)
INC. FOR APPROVAL OF A CHANGE IN CONTROL)
OF KENTUCKY-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 June 19, 2006 and submits its Supplemental Requests for Information to the Joint Petitioners 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.

(10) The respective Joint Petitioners and certain other entities are identified by commonly used acronyms. For example, Kentucky-American Water Company is "KAW", American Water Works Company is "AWW", and the Securities and Exchange Commission is the "SEC".

(11) All references to informational requests or responses pertain to the respective intervenor's Initial Requests for Information, or the Joint Petitioners' Responses thereto, unless otherwise stated.

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1. If the underwriters involved in this transaction will only agree to market the number of shares for which they have obtained purchase commitments, explain whether they could be required to identify and report to the Petitioners if any person or entity is interested in, or intends to acquire, 10% or more of AWW stock (Response to Staff No. 27(c)). If not, explain in detail all legal and other bases for your answer.

2. Are the Petitioners willing to agree to immediately report to the Kentucky PSC if any investor acquires a significant interest in AWW as defined by the SEC (Responses to LFUCG No's. 8 and 9).

a. Will AWW agree to report to the Kentucky PSC if an institutional investor crosses the 5% threshold, but does not have to report such acquisition within 10 days to the SEC? If not, explain specifically why such a requirement would be unreasonable.

3. Given that the closing date for the IPO is not known (Response to LFUCG No. 11), do the Petitioners believe that it would be reasonable for the Commission to limit any approval of the Application so as to require that the IPO be closed within a certain period of time after approval or the approval will be void? If so, what period of time would the Petitioners suggest? If the Petitioners believe that such a limitation would be unreasonable, state specifically all reasons why such a requirement would be unreasonable.

4. With respect to the refinancing of AWW debt with RWE detailed in the Responses to LFUCG No. 13(a) and Staff No. 21:

a. State whether, absent the proposed IPO, the \$24 million note maturing on June 12, 2007, would be replaced by a new note between AWW and RWE. If the answer is "no", provide a detailed explanation.

b. State whether the proposed IPO will have an impact on the timing of the refinancing of the \$24 million note. Include in the response an explanation of the refinancing plan for this note should the IPO not be completed by the maturity date of the note, and also explain the benefits and drawbacks of an early call for this note under current market conditions.

c. State whether the \$14 million note with an interest rate of 4.75% maturing on March 1, 2014 could be refinanced at a comparable interest rate if recalled early under current market conditions. If not, explain whether the interest rate would likely be higher or lower, and what market interest rate would apply to a similar note under current market conditions.

d. State specifically all reasons why the Petitioners' believe it would be unreasonable for the Kentucky PSC to find that any increased costs associated with refinancing the \$14 million note maturing on March 1, 2014, should not be imposed on KAW's customers, given that the sole reason for calling and refinancing this note is RWE's desire to sell off AWW.

5. Refer to the Attachment to Response to LFUCG No. 22. For each employee listed under Status "SC" state the allocation of that employee's time to KAW duties, as opposed to other duties.

a. For each such employee or position, provide the percentage of the compensation and benefits for that employee or position that was charged to KAW ratepayers in KAW's last rate case before the Commission (Case No. 2004-00103).

6. Refer to the Response to LFUCG No. 23. For each employee listed whose percentage of time spent on KAW business is less than 100%, state whether such employee's compensation and benefits are paid entirely by KAW.

a. State whether the Petitioners believe it would be reasonable for the Commission to impose a condition in this proceeding that KAW ratepayers should only be responsible for the compensation and benefits for such employees at the level of time actually spent on KAW business, and that any additional expenses currently included in KAW's rates should be returned to KAW ratepayers through an immediate rate reduction. If not, state specifically all the reasons that the Petitioners believe that such a condition would be unreasonable.

7. In their Response to LFUCG No. 53, the Petitioners refer to their Response to Attorney General No. 30, which references a third-party analysis of the cost of the Bluegrass Water Supply Commission's proposed solution to the water supply issues, and the cost and scope of KAW's proposed water treatment plant. Provide a complete copy of this analysis.

8. State whether the Petitioners believe that it would be unreasonable for the Commission to impose a condition as suggested in LFUCG No. 54. If so, state specifically all of the reasons why the Petitioners believe that such a condition would be unreasonable.

9. State whether the Petitioners believe that it would be unreasonable for the Commission to impose a condition in this proceeding similar to the condition restricting payments of dividends adopted in Case No. 2002-00018. (LFUCG No. 57) If so, state specifically all of the reasons that the Petitioners believe that such a condition would be unreasonable.

10. Do the Petitioners agree that no costs related to setting up processes and systems for SEC compliance will be charged to KAW ratepayers? (Response to Attorney General No. 44) If not, explain what costs the Petitioners recommend be charged to KAW ratepayers, the basis for the recommendation and the projected amounts of such costs.

11. Is it the intent or belief of any of the Petitioners that the findings in this case should impact: (a) the pending appeal of the last rate (PSC Case No. 2004-00103); (b) the water supply deficit case (PSC Case No. 2001-00117); or (3) a future rate case? If so, provide a detailed response as to how and in what ways.

12. Describe the allocations (percentages) for distribution of costs to KAW for services performed under any agreement with AWW, and provide supporting documentation of the same, including copies of the agreement(s). Will the proposed transaction result in any changes to these allocations? If so, list all such changes.

Respectfully submitted,

LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT

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CERTIFICATION, NOTICE OF FILING, CERTIFICATE OF SERVICE

Pursuant to Commission Order, counsel certifies that the electronic version of this document is a true and accurate copy of the document filed in paper medium, a copy in paper medium has been served on all the parties of record as further certified below, the electronic version has been transmitted 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, and an electronic version has been uploaded to the file transfer protocol site designated by the Executive Director. I further certify that an original and one (1) copy of this document were served by first class U.S. Mail delivery, postage prepaid, to Beth O'Donnell, Executive Director, Public Service Commission, P.O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class U.S. Mail delivery, postage prepaid, on the following, all on this the 21st day of July 2006:

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