

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-143
PUBLIC SERVICE COMMISSION'S FIRST SET OF INFORMATION REQUESTS
ITEMS 1 – 33

Witness Responsible:

Michael A. Miller

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.

Response:

See attached. For the electronic version, refer to KAW_R_PSCDR1#19_052107.pdf.

Retiree Medical

For union employees covered by the RWE Promise, there will be no change to your retiree medical benefits or eligibility requirements.

RWE Promise

Commitments detailed under the RWE/American Water acquisition agreement will be honored. You receive lifetime retiree medical and life insurance benefits if you were covered under the American Water Works Pension Plan on the January 10, 2003 closing date, and if you were at least 55 years with at least 70 points on January 10, 2003 (i.e., your age plus your service are greater than 70). Specifically, if you meet these criteria on January 10, 2003, you will be eligible for the same post-retirement health care and life insurance benefits defined in the plan at the close of the RWE transaction on January 10, 2003. Employees who came to American Water through an acquisition where post-retirement healthcare was not provided or has been reduced are not covered under this RWE Promise.

Eligible for Standard Retiree Medical Benefits

If your benefit package includes standard retiree medical benefits, we will continue to offer you retiree medical and dental coverage with some changes for 2006. The eligibility age to begin receiving retiree medical benefits has changed – effective January 1, 2006 – to the earlier of (a) 55 years of age with at least 20 years service or (b) age 65.

If you retire before January 1, 2006 and are eligible to receive retiree medical benefits at the time of your retirement, you will remain eligible and will receive the benefits as described below. Remember, if you are covered by the RWE Promise, your retiree medical benefits will remain unchanged.

Pre-65 Coverage

If you retire before age 65, you will be able to choose between the three active medical plans and their corresponding dental coverage. See page 9 of this guide for details of the active medical plans. You will pay a monthly contribution consisting of two parts:

- The surcharge based on your age at retirement, and
- 50% of the current active monthly contribution, which will change annually.

The monthly surcharge is based on your age at the time of your retirement. This surcharge will be in place until you reach age 65 – meaning that it does not change each year. For example, if you retire at age 56, you will pay \$90 per month plus 50% of the current active contribution rate, until you reach age 65.

The surcharge rates are as follows:

EARLY RETIREMENT MONTHLY SURCHARGE RATES	
Age at Retirement	Monthly Surcharge
55	\$100
56	\$90
57	\$80
58	\$70
59	\$60
60	\$50
61	\$50
62-64	\$0

Post-65 Coverage (Medical and Rx Only)

Post-65 retirees need to enroll in both Medicare parts A and B. Then, your American Water post-65 coverage coordinates with your Medicare medical coverage. You will receive your prescription drug coverage through American Water. The prescription drug coverage for post-65 retirees is the same as the active prescription drug coverage. See page 6 of this guide for the details of the prescription drug benefit. Post-65 retiree monthly contributions will be \$50 for single coverage, \$100 for single and one dependent, and \$125 for family. The plan does not offer a vision or dental benefit.

This year, Medicare is introducing a new prescription drug benefit, called Part D. If you retire in 2006 and are age 65 or older, you will likely find that your American Water prescription drug benefit is more generous than Medicare Part D's benefit. If this is the case, you should seriously consider not enrolling in Part D.

Not Eligible for Standard Retiree Medical Benefits

The following unions receive retiree medical benefits according to their individual collective bargaining agreements:

- St. Louis, MO (UWUA Local 335)
- Woodbridge, IL (UFCW Local 1546)
- Gary, IN (Steelworker Local 13584 and Local 13584-01)
- Sacramento, CA (Operating Engineers Local 39)
- Franklin, OH (Operating Engineers Local 185)

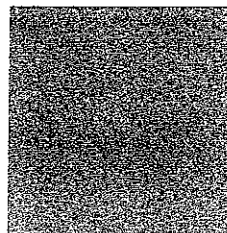
If you are in one of the above unions, you will receive a retiree medical reimbursement account (RMRA).

Retiree Medical Reimbursement Account

For employees listed in the prior section that do not receive the standard retiree medical benefit, we are introducing a retiree medical reimbursement account to help pay for retiree medical expenses. Beginning in 2006, American Water will contribute \$500 each year to your RMRA — you do not contribute anything. Once you retire, you can use your account to help pay for medical expenses.

Post-Retirement Basic Life Insurance

American Water provides you with post-retirement basic life insurance of \$10,000 at no cost to you.



Retiree Medical

For non-union employees covered by the RWE Promise, there will be no change to your retiree medical benefits or eligibility requirements.

RWE Promise

Commitments detailed under the RWE/American Water acquisition agreement will be honored. You receive lifetime retiree medical and life insurance benefits if you were covered under the American Water Works Pension Plan on the January 10, 2003 closing date, and if you were at least 55 years with at least 70 points on January 10, 2003 (i.e., your age plus your service are greater than 70). Specifically, if you meet these criteria on January 10, 2003, you will be eligible for the same post-retirement health care and life insurance benefits defined in the plan at the close of the RWE transaction on January 10, 2003. Employees who came to American Water through an acquisition where post-retirement healthcare was not provided or has been reduced are not covered under this RWE Promise.



Regulated Non-Union Employees Hired Before January 1, 2002

If you are in this group of employees, we will continue to offer you retiree medical and dental coverage in 2006 but with some changes to contribution costs and plan design. There are, however, no changes in the eligibility rules.

For active non-union employees who came to American Water through an acquisition and who had retiree medical benefits at the time of the acquisition, there will be no change to your retiree medical benefits as of the time of the acquisition.

For all other active non-union employees whose benefit package did not include retiree medical coverage, there is no change.

Pre-65 Coverage

If you retire before age 65, you will be able to choose between the three active medical plans and their corresponding dental coverage. See page 9 of this guide for details of the active medical plans. You will pay a monthly contribution consisting of two parts:

- The surcharge based on your age at retirement, and
- 50% of the current active monthly contribution, which will change annually.

The monthly surcharge is based on your age at the time of your retirement. This surcharge will be in place until you reach age 65 — meaning that it does not change each year. For example, if you retire at age 56, you will pay \$90 per month plus 50% of the current active contribution rate, until you reach age 65.

The surcharge rates are as follows:

EARLY RETIREMENT MONTHLY SURCHARGE RATES	
Age at Retirement	Monthly Surcharge
55	\$100
56	\$90
57	\$80
58	\$70
59	\$60
60	\$50
61	\$50
62-64	\$0

Post-65 Coverage (Medical and Rx Only)

Post-65 retirees need to enroll in both Medicare parts A and B. Then, your American Water post-65 coverage coordinates with your Medicare medical coverage. You will receive your prescription drug coverage through American Water. The prescription drug coverage for post-65 retirees is the same as the active prescription drug coverage. See page 6 of this guide for the details of the prescription drug benefit. Post-65 retiree monthly contributions will be \$50 for single coverage, \$100 for single and one dependent, and \$125 for family. The plan does not offer a vision or dental benefit.

This year, Medicare is introducing a new prescription drug benefit, called Part D. If you retire in 2006 and are age 65 or older, you will likely find that your American Water prescription drug benefit is more generous than Medicare Part D's benefit. If this is the case, you should seriously consider not enrolling in Part D.

Post-Retirement Basic Life Insurance

For those employees hired before January 1, 2002, American Water provides you with post-retirement basic life insurance of \$10,000 at no cost to you.

American Water Works Company, Inc. – Retiree Medical Comparison Chart
 RWE PROMISE GROUP (excluding Pennsylvania)

	Pre-65 Retirees		Post-65 Retirees
	PPO In-Network	PPO Out-of-Network	
Vendor	Horizon BCBSNJ		Horizon BCBSNJ
Deductible (single/family)	None	\$200/\$600	\$150/\$300
Coinsurance	90%	70%	80%
Out-of-pocket maximum (single/family)	\$1,000/\$3,000	\$3,000 per person	\$1,000/\$3,000
Lifetime maximum benefit	Unlimited		Unlimited
Preventive Care			
Routine physical exam	100% after \$15 copay (one per 24 months)	Not covered	80% after deductible (one per 24 months)
Immunizations	100% after \$15 copay	Not covered	80% after deductible (one per 24 months)
Routine eye and hearing exam	100% after \$15 copay (one per 24 months)	Not covered	80% after deductible (one per 24 months)
Routine OB/GYN exam	100% after \$15 copay (one per calendar year)	Not covered	80% after deductible (one per calendar year)
Mammography	100% after \$15 copay (one baseline—ages 35-39, annual screening age 40 and above)	Not covered	80% after deductible (one baseline—ages 35-39, annual screening age 40 and above)
Physician and Hospital Services			
Office visits	100% after \$15 copay	70% after deductible	80% after deductible
Specialists	100% after \$15 copay	70% after deductible	80% after deductible
Allergy testing and treatment centers	100% after \$15 copay	70% after deductible	80% after deductible
Diagnostic X-ray and lab	Independent lab: 100% Physician's office: 100% after \$15 copay	70% after deductible	80% after deductible
Hospital inpatient services	90%	70% after deductible and \$250 copay per confinement	100% for first 120 days; 80% thereafter
Hospital outpatient surgery	100%	70% after deductible	80% after deductible
Emergency room	100% after \$25 copay (waived if admitted)	100% after \$25 copay (waived if admitted)	80% after deductible
Ambulance	90% (if medically necessary)	90% (if medically necessary)	80% after deductible
Outpatient preadmission testing	100%	70% after deductible	80% after deductible
Home health care	90% (120-visit maximum per calendar year)	70% after deductible (120-visit maximum per calendar year)	80% after deductible (120-visit maximum per calendar year)
Private duty nursing	90% (70-shift maximum per calendar year)	90% (70-shift maximum per calendar year)	80% after deductible

**American Water Works Company, Inc. – Retiree Medical Comparison Chart
RWE PROMISE GROUP (excluding Pennsylvania)**

	Pre-65 Retirees		Post-65 Retirees
	PPO In-Network	PPO Out-of-Network	Supplemental Comprehensive Plan
Skilled nursing facility	90% (120-day maximum)	70% after deductible (120-day maximum)	80% (120-day maximum)
Hospice inpatient	90% (90-day lifetime maximum)	70% after deductible (90-day lifetime maximum)	80% after deductible
Hospice outpatient	90% (\$5,000 lifetime maximum)	70% after deductible (\$5,000 lifetime maximum)	80% after deductible (\$5,000 lifetime maximum)
Durable medical equipment	90%	90%	80% after deductible
Short-term rehabilitation	90% (60-day maximum per calendar year for acute conditions only)	70% after deductible (60-day maximum per calendar year for acute conditions only)	80% after deductible
Mental Health and Chemical Dependency			
Inpatient treatment of mental/nervous conditions	90% (45-day maximum per calendar year)	70% after deductible (45-day maximum per calendar year)	80% after deductible
Outpatient treatment of mental/nervous conditions	100% after \$20 copay (20-visit maximum per calendar year)	50% after deductible (20-visit maximum per calendar year)	80% up to \$500 per calendar year; then 50% after deductible
Inpatient alcohol/drug treatment	90% (45-day maximum per calendar year, 2 courses of treatment during lifetime)	70% after deductible and \$250 copay per confinement (45-day maximum per calendar year, 2 courses of treatment during lifetime)	80% after deductible (45-day maximum per calendar year--- coverage for retiree only)
Outpatient alcohol/drug treatment	100% after \$20 copay (20-visit maximum per calendar year)	50% after deductible (20-visit maximum per calendar year)	80% up to \$500 per calendar year; then 50% after deductible (coverage for retiree only)
Prescription Drugs: Administered by Horizon BCBSNJ			
Retail (34-day supply)			
• Generic		10%	10%
• Preferred brand		20%	20%
• Non-preferred		20%	20%
Mail order (90-day supply)			
• Generic		\$5	\$5
• Preferred brand		\$15	\$15
• Non-preferred		\$15	\$15

**American Water Works Company, Inc. – Retiree Medical Comparison Chart
RWE PROMISE GROUP (excluding Pennsylvania)**

	Pre-65 Retirees
Dental	
Vendor	Aetna
Deductible • (single/family)	\$50/\$100
Preventive care	100% covered expenses with no deductible
Basic and major services	80% after deductible
Calendar year maximum	\$1,000
Orthodontia	\$1,500 lifetime maximum; pays 50% of covered expenses after deductible (covers retirees and eligible dependents)

This chart only highlights medical option features, and certain limits may apply to some features. Benefits may be subject to Reasonable and Customary (R&C) limits. Official Plan documents govern in the event of any inconsistency between the provisions shown here and in the Plan documents.