

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143
PUBLIC SERVICE COMMISSION'S FIRST SET OF INFORMATION REQUESTS
ITEMS 1 – 33

Witness Responsible:

Michael A. Miller

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.

Response:

- a. Please refer to Exhibit 35 KAW_APP_EX35_043007.pdf of the Company's filing for a comprehensive list and detailed description of services rendered to Kentucky-American by the AWWSC and ACS. Also see the testimony of Patrick Baryenbruch and Michael Miller concerning services provided by AWWSC and AWCC.
- b. **AWWSC** – As described in the testimony of Mr. Baryenbruch and Mr. Miller, the Company receives these services at or below the cost it would incur in the market. AWWSC provides the Company FTE's and expertise on a shared basis in many areas critical to the provision of water service that would not be possible to replicate in the market place or locally. Through AWWSC, KAWC has available one of the premier water quality labs in the nation on an as-needed basis, accounting and tax expertise, national purchasing power, water industry engineering expertise, rate expertise, finance and management expertise and many other disciplines required to provide effective water service. KAWC could not cost-effectively replace these services and expertise locally. Because KAWC has these services available on a shared basis through AWWSC, it receives the services and expertise in many cases on a partial FTE basis. In order to duplicate those costs locally, KAWC would need to attract employees with cross disciplinary skills, such as an employee would need to be proficient in both water quality and design engineering, or in water quality and finance. It is simply impractical that

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employees with multiple disciplinary skills are available at the local level. Over the last few years, there has been some movement towards more sharing of resources from AWWSC versus local employees for the Company. Please see the testimony of Mr. Miller and Exhibit MAM-7 which describes the increase in Service Company charges and the net financial benefit from those transitions.

ACS – The carbon leases from ACS were obtained at or below market costs.

AWCC – See testimony of Mr. Miller for answers to questions 14-16 which describe the benefits of utilizing AWCC to obtain the debt capital for KAWC. Also see Exhibit MAM-4 attached to Mr. Miller's testimony for a recap of the financial savings related to debt obtained from AWCC.