

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00143
ATTORNEY GENERAL'S REQUEST FOR INFORMATION
Item 64 of 312

Witness: Michael A. Miller

64. Re. M. Miller Direct Testimony, p. 22.
- a. Please provide all costs and expenses associated with the ORCOM E-CIS software since inception. Include both capital costs associated with this software and as well as any O&M expenses. Include a description of each cost or expense.
 - b. For the costs and expenses shown in part a., please indicate how much of each cost and expense was charged to KAWC.
 - c. Were any prudence reviews conducted prior to purchasing the ORCOM E-CIS software? If yes, please provide those reviews. If not, explain why not.
 - d. Please provide any cost-benefit studies conducted prior to purchasing the ORCOM software.
 - e. Has any other jurisdiction in which American Water operates disallowed a cost allocation for the Customer Call Center and/or the ORCOM software? If yes, please provide the orders relating to that disallowance.

Response:

The Company does not have the information available at this time to respond to this question, but will provide a response as soon as possible.

For electronic version, refer to KAW_R_AGDR1#64_061807.pdf

Supplemental Response:

- a. See table below that summarizes the cost to install the ORCOM/ECIS software system for the AWW system. Please see the attached schedules for the detailed costs and descriptions.

SUMMARY OF TOTAL COSTS OF ECIS SYSTEM

Cost Category	Total
Accenture/Anderson	\$ 18,264,130
AFUDC Debt	3,109,358
AFUDC Equity	3,003,906
Balance Forward	6,159,747
Company Labor/OH	3,334,514
Orcom Payments	20,030,007
Other	287,208
Other Prof Svc Vendor	1,316,190
Service Co - IBM Costs	1,938,356
Service Company Charges	14,092,992
Travel	296,155
Additional Research Required	1,908,715
TOTAL	\$ 73,741,278

- b. See table below. Please see the response to part a. above for the detailed costs and descriptions.

**SUMMARY OF TOTAL COSTS OF
ECIS SYSTEM - Kentucky American**

Cost Category	Total
Accenture/Anderson	\$676,299
AFUDC Debt	295,078
AFUDC Equity	359,277
Balance Forward	363,690
Company Labor/OH	297,128
Orcom Payments	797,351
Other	63,937
Other Prof Svc Vendor	9,238
Service Co - IBM Costs	70,982
Service Company Charges	470,580
Travel	32,150
Additional Research Required	(106,285)
Total	\$3,329,423

- c. No such requests were made in Kentucky at the initiation of the project in 1996. At that time and during the subsequent 8 year period in which the project was implemented, the total of \$3.3 million in capital spending was not considered significant relative to other capital projects to merit a prudence review.
- d. Prior to the initiation of the ORCOM project in 1996, the software was evaluated by a team of American Water Personnel and compared with other options available at the time. The decision to migrate from the EDIS legacy software to the ORCOM/ECIS software was necessary because the EDIS was not Y2K compliant, was not capable of meeting expected future customer service and billing requirements, operated in a batch processing environment which limited ready access to current customer status and information, was not uniform across the AWW system which caused inefficiencies in

software programming modifications, and was limited in its ability to accept modifications to improve the functionality of the software.

Please see the attached documents that were prepared at the end of 1995 regarding recommendations to move forward with the ORCOM/ECIS project. These documents were not intended to include the full implementation costs of the project but only a review of the base software. The costs included in the documents at that time reflect only the base software portion of the project as estimated at that time. The estimates were preliminary and at that point did not include all of the software modifications that were necessary and placed into the final implementation. Those estimates also did not include the cost to convert EDIS data, additional hardware, or the implementation cost for each operating subsidiary.

- e. The Indiana Utility Regulatory Commission disallowed a portion of the costs for the ORCOM ECIS project and a portion of the Call Center start up costs in Cause Number 42520. Please see attached file. The California Public Utility Commission did not allow deferral and recovery of Call Center start up costs due to technical provisions of their ratemaking policies, but the Commission did not rule on the merits of the project. California PUC Decision 03-02-030.

For electronic versions, please refer to the following files:

- KAW_R_AGDR1#64_Supplemental_062507.pdf
- KAW_R_AGDR1#64a_Part1_Supplemental_062507.pdf
- KAW_R_AGDR1#64a_Part2_Supplemental_062507.pdf
- KAW_R_AGDR1#64a_Part3_Supplemental_062507.pdf
- KAW_R_AGDR1#64a_Part4_Supplemental_062507.pdf
- KAW_R_AGDR1#64d_Part1_Supplemental_062507.pdf
- KAW_R_AGDR1#64d_Part2_Supplemental_062507.pdf
- KAW_R_AGDR1#64e_Part1_Supplemental_062507.pdf
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