

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF KENTUCKY- ) CASE NO. 2007-00143  
AMERICAN WATER COMPANY )

ORDER

Finding that additional information is required to ensure a full and complete examination of the proposed rate adjustment, the Commission, on its own motion, HEREBY ORDERS that Kentucky-American Water Company ("KAWC") shall file with the Commission no later than September 14, 2007, the original, one paper copy and one electronic copy of the following information, with a paper copy to all parties of record. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KAWC shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which

KAWC fails or refuses to furnish all or part of the requested information, KAWC shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. On June 25, 2007, KAWC filed revisions to Exhibit 37 of its Application. The tables below compares the amounts listed on the original exhibit and the revised exhibit. For each revision to the original exhibit, describe the revision and explain why the revision was required.

<b>TABLE I</b>			
	Original Exh. 37	Adjustment	Revised Exh. 37
Rate Base			
Plant in Service	366,185,081	-	366,185,081
Acquisition Adjustment	38,065	-	38,065
Accumulated Depreciation	(85,950,991)	(8,672,196)	(94,623,187)
Accumulated Amortization	(7,674)	7,674	-
Construction Work in Process	23,186,818	-	23,186,818
Working Capital Allowance	4,403,000	(807,000)	3,596,000
Other Working Capital Allowance	523,761	-	523,761
Contributions in Aid of Construction	(46,562,799)	-	(46,562,799)
Customer Advances	(21,380,918)	-	(21,380,918)
Deferred Taxes	(30,854,190)	-	(30,854,190)
Deferred Investment Tax Credits	(94,805)	-	(94,805)
Deferred Maintenance	1,741,451	-	1,741,451
Deferred Debits	1,897,923	-	1,897,923
Other Rate Base Elements	<u>(1,552,510)</u>	<u>-</u>	<u>(1,552,510)</u>
Total Rate Base	211,572,212	(9,471,522)	202,100,690

**TABLE II**  
Operating Statement Revenues

	Original Exh. 37	Adjustment	Revised Exh. 37
Water Sales	48,789,765	453,140	49,242,905
Other Operating Revenue	<u>3,760,392</u>	-	<u>3,760,392</u>
Total Revenues	<u>52,550,157</u>	<u>453,140</u>	<u>53,003,297</u>
Expenses			
Labor	6,318,580	(70,103)	6,248,477
Purchased Water	477,463	-	477,463
Fuel and Power	2,986,277	-	2,986,277
Chemicals	1,505,218	(2)	1,505,216
Waste Disposal	262,237	-	262,237
Management Fees	6,246,717	(45,523)	6,201,194
Group Insurance	1,887,912	(11,017)	1,876,895
Pensions	503,733	(1,049)	502,684
Regulatory Expense	292,196	(1)	292,195
Insurance Other Than Group	671,331	(7,421)	663,910
Customer Accounting	1,461,534	(85,162)	1,376,372
Rents	52,165	-	52,165
General Office Expense	475,196	-	475,196
Miscellaneous Expense	3,034,793	(32,504)	3,002,289
Maintenance-Other	1,507,210	-	1,507,210
Depreciation	8,038,653	-	8,038,653
Amortization	450,971	-	450,971
Property Taxes	3,054,079	(325,029)	2,729,050
PSC Fee	85,184	748	85,932
Payroll	487,918	(5,131)	482,787
Miscellaneous Tax		-	
State Income Tax	398,263	88,558	486,821
Federal Income	<u>2,046,597</u>	<u>447,089</u>	<u>2,493,686</u>
Total Expenses	<u>42,244,227</u>	<u>(46,547)</u>	<u>42,197,680</u>
Operating Income	<u>10,305,930</u>	<u>499,687</u>	<u>10,805,617</u>

2. In its Response to Commission Staff's Third Set of Information Requests,

Item 46, KAWC states:

Revenue targets were established for each classification based on moving existing revenue toward the indicated cost of service while avoiding any large increase to any one particular class. Revenues from proposed customer charges were subtracted from the revenue targets. The remaining revenue was divided by the pro forma consumption units for

each class to determine the consumption charge by class.  
See attached calculation of consumption charges.”

Identify the location within KAWC’s Cost-of-Service Study where the “attached calculation of consumption charges” is reflected.

3. On June 25, 2007, KAWC filed revisions to Exhibit 37 of its Application. Provide a revised cost-of-service study, including all schedules and work papers, that reflects all revisions made to Exhibit 37. Provide an electronic copy of this revised study, which including all schedules and work papers, in Excel 1997-2003 format. All linked references, formulas and cell references shall be self-contained and operable.

4. In its Response to Commission Staff’s Third Set of Information Requests, Item 50, KAWC refers to “the revised revenue requirement and cost of service study.” Provide an electronic copy of all schedules and work papers in Excel 1997-2003 format that are part of or used to develop the revised revenue requirement and cost-of-service study. All linked references, formulas and cell references shall be self-contained and operable.

5. Refer to KAWC’s Application, Exhibit 36, Schedule G. The hidden leak rate found in Schedule G does not appear to equal the rate as calculated using the hidden leak policy in KAWC’s current tariff. KAWC’s proposed tariffs do not contain any revisions to KAWC’s current hidden leak policy.

a. Describe how KAWC established the hidden leak rate in Schedule G. Provide all work papers, state all assumptions, and show all calculations used to derive the listed rate.

b. State KAWC expects its current hidden leak rate to produce sufficient revenues to recover the amount of revenue requirement that KAWC's Cost-of-Service Study allocates to the charge. Explain.

Done at Frankfort, Kentucky, this 6<sup>th</sup> day of September, 2007.

By the Commission

ATTEST:

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Executive Director