

Commonwealth of Kentucky
Before the Public Service Commission

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT OF) Case No. 2010-00036
RATES SUPPORTED BY A FULLY)
FORECASTED TEST YEAR)

ATTORNEY GENERAL'S REQUEST FOR INFORMATION
TO KENTUCKY-AMERICAN WATER COMPANY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits his first Request for Information to the Kentucky-American Water Company.

(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 the Office of Attorney General.

(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 which 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 the Office of the Attorney General 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.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL

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Notice of Filing, Certifications, and Notice of Service

Undersigned counsel provides the following notice with regard to the filing of this material, certifications for the filing, and notice of the service of information to the other parties of record. Pursuant to Ordering paragraph 2 of the Commission's 16 February 2010 Order of procedure, the Attorney General files the original and one copy in paper medium and one copy in electronic medium. Per Ordering paragraph 6 of the February 16th Order of procedure, undersigned counsel certifies that the electronic version is a true and accurate copy of the material filed in paper medium, the electronic version has been transmitted to the Commission, and notice has been provided to the Commission and the other parties of record, by electronic mail, that the filing has been transmitted to the Commission. With regard to the electronic filing, in

conformity with Ordering paragraph 4 of the February 16th Order, the Attorney General has submitted his electronic copies of the information by uploading the material to the PSC's Web Application Portal at https://psc.ky.gov/psc_portal/. With regard to the original and paper copy, the material will be filed at the Commission's offices on the next business day following the electronic filing (consistent with the instruction contained in ordering paragraph 12 of the February 16th Order).

The Attorney General has provided notice to the Commission and other parties, by electronic mail, of this filing.

dbarberi@lfucg.com;

lbowman@lexington.ky.gov;

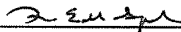
a.turner@amwater.com;

louise.magee@amwater.com;

l.ingram@skofirm.com; and

batesandskidmore@gmail.com.

The electronic filing took place on 5 April 2010 with the filing of the documents in paper medium scheduled for 6 April 2010.


Assistant Attorney General

ATTORNEY GENERAL'S REQUEST FOR INFORMATION
TO KENTUCKY-AMERICAN WATER
KY PSC CASE NO. 2010-00036

1. Please provide any and all workpapers KAWC used to produce the schedules in the Company's filing, testimony exhibits, and Filing Requirements. To the extent they are in Excel (or similar spreadsheet program), please provide such workpapers electronically, with formulas and calculations intact.
2. Please provide the Excel files, with formulas and calculations intact that were used to produce the Company's filing, testimony, exhibits, studies and workpapers.
3. For each KAWC witness that filed testimony, please provide a complete set of workpapers supporting the witness's testimony and exhibits.
4. For each KAWC witness that filed testimony, please identify all documents relied upon by the witness.
5. To the extent not already provided in response to discovery or other filings made in the current KAWC rate case, or in the witness' workpapers being provided in response to data requests, please provide a copy of the documents relied upon by each KAWC witness.
6. For each KAWC witness filing testimony, please provide the testimony electronically in native format (e.g., Word) and provide all exhibits and supporting calculations electronically in native format (e.g., Excel).
7. Lead-Lag Study. Please provide the electronic Excel files, with formulas and calculations intact, which were used to produce the lead-lag study that was used for the current rate case.
8. Data requests of others: With regard to all data requests served on the Company concerning the testimony of KAWC witnesses and other issues being addressed in this proceeding and to the extent that any of the responses to these data requests involve calculations using a program such as Microsoft Excel, or Access, provide a complete copy of the electronic files, with formulas, calculations, macros, and cell references intact.
9. Chart of Accounts. Please provide the detailed chart of accounts used by the Company during the test year, and how the accounts used by the Company relate

to and correspond with the NARUC Uniform System of Accounts for Water Utilities. Update for any subsequent changes.

10. Please provide a complete copy of KAWC's detailed general ledger for 2007, 2008 and 2009 and as budgeted/forecasted for 2010 through 9/30/2011. In addition, please provide new monthly data as it becomes available through the course of this proceeding.
11. Please provide a copy of KAWC's trial balances for 12/31/2007, 12/31/2008 and 12/31/2009 and for each month in 2010. In addition, please provide new monthly data as it becomes available through the course of this proceeding.
12. Accounting Manuals. Please provide a complete copy of all of the Company's internal accounting manuals, directives, policies and procedures.
13. Please provide a list of all internal audit reports for 2008 through 2010 to date for departments and/or operations which charge costs to KAWC.
14. Gross Revenue Conversion Factor (GRCF). Refer to Exhibit 37, Schedule H.
 - a. Show in detail how the Uncollectibles factor was derived. Include all supporting calculations in Excel. Include all supporting workpapers and documentation.
 - b. Show in detail how the PSC Fees factor was derived. Include all supporting calculations in Excel. Include all supporting workpapers and documentation.
15. Please provide a copy of all incentive compensation/bonus plans and provide the level of related bonus payments included in 2008, 2009, 2010 and for the forecast test year. In addition, please provide the level of bonus payments included in the Company's future test year cost of service.
16. Please provide the monthly level of prepaid taxes by type of tax for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
17. Please provide the monthly level of Materials and Supplies in total and by type for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
18. Please provide the monthly level of Contributions in Aid of Construction for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.

19. Please provide the monthly level of Customer Advances for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
20. Please provide the monthly level of Deferred Maintenance by component for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
 - a. Please identify and explain each item of Deferred Maintenance, when it first arose, when amortization commenced, when amortization will be completed, why the maintenance was deferred, and commission authorization for each maintenance item that is being deferred.
21. Please provide the monthly level of Deferred Debits by component for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
 - a. Please, identify and explain each item of Deferred Debits, when it first arose, when amortization commenced, when amortization will be completed, why the cost was deferred, and commission authorization for each Deferred Debit item that is being requested for inclusion in rate base.
22. Please provide the monthly level of Contract Retentions for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
23. Please provide the monthly level of Unclaimed Extension Deposit Refunds, for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
24. Please provide the monthly level of Retirement Work in Progress for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
25. Please provide the monthly level of Deferred Compensation for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
26. Please provide the monthly level of Accrued Pension for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
27. Please provide the monthly level of each Deferred Credit item on KAWC's balance sheet for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
28. Accumulated Deferred Income Taxes (ADIT).

- a. Please provide a detailed itemization of each item of ADIT, in total, as of 12/31/2007, 12/31/2008, 12/31/2009, and by month for 2010 through 9/30/2011.
 - b. Please provide the monthly level of Accumulated Deferred Income Taxes, by timing difference item, for 2007, 2008, 2009, for each month in 2010 actual, and as projected, by month through 9/30/2011.
 - c. For each item, identify the book/tax-timing difference that causes the ADIT, explain when that temporary timing difference first arose, identify the amount of the timing difference as of each date, and describe in detail whether and how that particular timing difference relates to an item of utility rate base, utility revenue and/or utility expense, and how the related item has been reflected in the Company's filing for ratemaking purposes.
29. Accumulated Deferred Income Taxes (ADIT). Please identify by amount and account, the corresponding regulatory asset/(liability) and/or other deferred debit/(credit) relating to each item that comprises the total ADIT of that KAWC has included in rate base. For each component of ADIT, please provide the following information:
 - a. Description of each item of ADIT that comprises the total amount KAWC has reflected in rate base.
 - b. Balance sheet account in which KAWC recorded the ADIT.
 - c. Related deferred asset, deferred credit or liability account for each component of ADIT.
 - d. Identification of whether and where the related deferred asset, deferred credit or liability account for each component of ADIT is included in KAWC's proposed rate base, and for each item, if not, a detailed explanation of why not.
30. Is the Company claiming a test year depreciation expense on contributed property? If so, please quantify the depreciation expense, depreciation reserve, deferred tax expense, and deferred tax reserve amounts associated with this claim.
31. Is the Company claiming any property tax expense related to CIAC or contributed property? If so, please quantify and explain the property tax expense. If not, explain fully why not.
32. Please provide the following monthly labor data, in total, for 2007, 2008, 2009 actual, and projected through 9/30/2011, showing annual totals.

- a. Number of actual employees broken down between type (e.g. salaried, hourly, union, non-union, temporary, etc.).
 - b. Number of authorized employees broken down between type (e.g. salaried, hourly, union, non-union, temporary, etc.).
 - c. Regular payroll broken down between expensed, capitalized and other.
 - d. Overtime payroll broken down between expensed, capitalized and other.
 - e. Temporary payroll broken down between expensed, capitalized and other; and
 - f. Other payroll (specify).
33. Please provide the actual number of employees for each month in 2007, 2008, 2009 and 2010 to date.
 34. Provide the budgeted number of employees for each month in 2007, 2008, 2009 and 2010 through 9/30/2011.
 35. Provide a detailed explanation of all variations between actual and budgeted employee counts for 2008 through the present.
 36. Please provide the wage rate increases granted by the Company by date and employee category for 2007, 2008 and 2009, and for to date, and as projected for 2010 and 2011.
 37. Please indicate if the employee positions used in the Company's labor calculations are authorized or actually filled positions. Identify, quantify and explain all labor-related costs in KAWC's filing that is for positions that have not been filled as of March 31, 2010.
 38. Please provide a detailed list of responsibilities and duties that eligible incentive compensation employees must have or perform in addition to those necessary to meet the standards for base salary compensation in order to receive incentive compensation.
 39. Please explain what adjustments, if any, were made to base salary compensation levels of eligible incentive compensation employees at the time any such incentive compensation plan(s) were initiated.
 40. Please explain how the Company determines that the achievements of any incentive compensation goals are reached as a result of the incentive compensation plan, as opposed to other reasons. Provide all supporting empirical data.

41. Please provide a description of the Company's merit and cost of living wage rate increase policies.
42. Does the Company anticipate reducing the number of employees, including any voluntary early retirement or other force reduction programs, during 2010 or 2011? If yes, state the timing and number of affected employees. Also state the projected costs and savings of any such plan.
43. Payroll. Given the current state of the U.S. and state economy, please explain fully and in detail whether the Company has considered implementing a freeze on its wages, 401k contributions, incentive compensation, etc. If so, please explain which freezes the Company would consider and when such freezes would be implemented. If not, explain fully why not.
44. Payroll. Please explain how the Company determines that its work force level is not excessive and provide all related supporting documentation.
45. Payroll. Please provide complete calculations, documents and supporting workpapers for the pro forma amount of payroll cost, by account, by position, that KAWC has reflected in its filing.
46. Executive Compensation. Please explain fully and in detail how the Company determines that its total compensation package for executives, and/or separate parts thereof, reasonably compare with the competitive markets for such executives. In addition, provide copies of all related surveys, analyses, studies, etc.
47. Stock-Based Compensation.
 - a. List, by amount and account, all stock-based compensation expense charged to KAWC during the test year, including but not limited to executive stock options, performance share awards, accruals made pursuant to SFAS 123R and any other stock-based compensation awards that resulted in cost being charged to KAWC during the test year.
 - b. Please provide a description of each distinct stock-based compensation program that resulted in charges to KAWC during the test year.
 - c. List, by amount and account, all stock-based compensation expense in KAWC's cost of service for the future test year, including but not limited to executive stock options, performance share awards, accruals made pursuant to SFAS 123R and any other stock-based compensation awards that are projected to be charged to KAWC during the future test year.

- d. Please provide a description of each distinct stock-based compensation program that is projected to be included in the charges to KAWC during the future test year ended.
48. Supplemental Executive Retirement Program (SERP).
- a. Please provide the level of SERP expense, by account, included in the Company's cost of service for the base period.
 - b. Please provide the level of SERP expense, by account, included in the Company's cost of service for the future test year.
 - c. Please provide the comparable SERP expense for each year, 2007, 2008 and 2009.
 - d. Provide the most recent three actuarial reports for SERP.
 - e. Provide all actuarial studies, reports and estimates used for SERP for the future test year.
49. Defined Benefit Plan pension expense.
- a. Please provide the level of Defined Benefit Plan pension expense, by account, included in the Company's cost of service for the base period
 - b. Please provide the level of Defined Benefit Plan pension expense, by account, included in the Company's cost of service for the future test year.
 - c. Please provide the comparable Defined Benefit Plan pension expense for each year, 2007, 2008 and 2009.
 - d. Provide the most recent three actuarial reports for Defined Benefit Plan pension.
 - e. Provide all actuarial studies, reports and estimates used for Defined Benefit Plan pension for the future test year.
50. Other Post Employment Benefits (OPEB) expense.
- a. Please provide the level of OPEB expense, by account, included in the Company's cost of service for the base period.
 - b. Please provide the level of OPEB expense, by account, included in the Company's cost of service for the future test year.

- c. Please provide the comparable OPEB expense for each year, 2007, 2008 and 2009.
 - d. Provide the most recent three actuarial reports for OPEB.
 - e. Provide all actuarial studies, reports and estimates used for OPEB for the future test year.
51. Please provide the following for each employee position during the base period and future test year and the actual periods 2008 and 2009, that experienced, or are projected to experience, a change of incumbent:
- a. Position title;
 - b. Employee replaced;
 - c. Annual salary of replaced employee;
 - d. Replacement employee;
 - e. Annual salary of replacement employee; and
 - f. Date of replacement
52. Please provide a description of each employee benefit program or plan.
53. Concerning worker's compensation expense:
- a. Please provide the most current workers' compensation premiums and related invoices.
 - b. Show in detail how the current workers' compensation premiums and/or invoices were used to derive KAWC's requested amount of workers' compensation cost.
 - c. Reconcile the amount of KAWC's requested amount of workers' compensation cost to the most current invoices. Identify, quantify and explain all differences.
54. Concerning health care cost:
- a. Please provide the most current health care premiums and related invoices.
 - b. Show in detail how the current health care premiums and/or invoices were used to derive KAWC's requested amount of health care cost.

- c. Reconcile the amount of KAWC's requested amount of health care cost to the most current invoices. Identify, quantify and explain all differences.
55. Please provide the basis for the Company's cost of each separate employee benefit (e.g., flat rate per employee, percentage of payroll, claims experience, etc.), and provide the most current known cost rate for each separate benefit.
56. Please provide the monthly level of each separate benefit cost broken down between expensed, capitalized and other for 2007, 2008, 2009 actual and as projected for 2010 and 2011 with annual totals.
57. Please provide the level of current accumulated pension plan funding and explain how such amounts are treated for ratemaking purposes, and why.
58. Please provide an analysis (description, dates and amounts) of any gains or losses on utility property sold during 2007, 2008, 2009 and estimated by month through 9/30/2011. Also, please explain how such amounts have been treated for ratemaking purposes.
59. Please provide the level of country club dues incurred in the test year and indicate how they have been treated for cost of service purposes.
60. Please provide the level of lobbying included in cost of service by separate payee, along with a description of each payee.
61. Please provide the requested level of self-funded reserve accruals and balances for all types of injuries, claims and damages by type of item.
62. Does KAWC have any self-funded reserves? If so, please provide the following monthly data for each separate type of self-funded reserve for injuries, claims and damages in 2007, 2009, 2009 and projected, budgeted or forecast through 9/30/2011, and provide the level reflected in revenue requirement and explain how such amounts have been treated for ratemaking purposes. Also, please provide new monthly data as it becomes available through the course of this proceeding.
 - a. Accruals;
 - b. Actual claims; and
 - c. Balance
63. Please identify the amounts included in cost of service during the test year for the following items:

- a. Membership dues in service, social and professional organizations (identify);
- b. Lobbying expenses;
- c. Charitable contributions;
- d. Investor relations expenses;
- e. Public relations expense, including an explanation of the nature and purpose of the activities, and
- f. Advertising expenses broken down by categories including product, marketing, corporate, institutional, informational, etc.

64. Rate Case Expense.

- a. Please provide supporting documentation (e.g. invoices, quotes, etc.) for each of the rate case expenses.
- b. Please identify the test year, filing date and rate effective date for the Company's last five rate cases.
- c. Please provide the level of rate case expense incurred for the last five rate cases broken down by payee or type of activity.
- d. Please explain fully and in detail why the Company normalized rate case expense over three years versus some other period.

65. Please provide, in list form, the details of all judgments and/or settlements resulting from suits brought which involved the Company, its parent (American Water Works), its affiliated service company (American Water Works Service Company), or any other affiliates that charge cost to KAWC, as a defendant, 2008, 2009 or 2010 which resulted in the payment during agreement to pay or being ordered to pay an amount in excess of \$10,000, including but not limited to:

- a. The case name;
- b. The date filed;
- c. The date of settlement or the date of judgment; and
- d. The amount the Company was ordered or agreed to pay
- e. Provide this information even if appeals are pending and note every instance of an appeal.

66. Outside Services Expense. Please provide an itemization of outside services expense in excess of \$20,000 for 2007, 2008, 2009 and by month for 2010 through 9/30/2011. Indicate in what accounts the amounts are recorded, or would be recorded when incurred for the budgeted/forecast items.
67. Please identify the amounts included in cost of service during the test year from the Service Company for the following items:
 - a. Membership dues in service, social and professional organization (identify);
 - b. Lobbying expenses;
 - c. Charitable contributions;
 - d. Investor relations expenses;
 - e. Public relations expense, including an explanation of the nature and purpose of the activities, and
 - f. Advertising expenses broken down by categories including project, marketing, corporate, institutional, informational, etc.
68. Please provide the most recent actual property tax assessments and rates.
69. Uncollectibles. Please provide the following annual data related to uncollectible accounts for 2007, 2007, 2009 and by month as budgeted or forecast for 2010 through 9/30/2011:
 - a. Bad debt expense;
 - b. Bad debt write-offs;
 - c. Collections of written-off accounts;
 - d. Billed revenues
70. Uncollectibles. Please provide the net charge-off percentage for uncollectibles for 2007, 2008 and 2009 and as budgeted/forecasted for 2010 through 9/30/2011. Explain any material variations in the percentage between years.
71. Filing Information. As the Company discovers errors in its filing, identify such errors and provide documentation to support any changes. Please update this response as additional information becomes available.

72. Precedent. Are there any aspects of the Company's accounting adjustments and revenue requirement claim which represents a conscious deviation from the principles and policies established in prior Commission Orders? If so:
- a. Identify each area of deviation, and for each deviation explain the Company's perception of the principle established in the prior Commission Orders.
 - b. Explain how the Company's proposed treatment in this rate case deviates from the principles established in the prior Commission Orders.
 - c. Explain the dollar impact resulting from such deviation. Show which accounts are affected and the dollar impact on each account for each such deviation.
73. Injuries and Damages. State the amount of injuries and damages expense for 2007, 2008 and 2009 and as budgeted/forecasted for 2010 through 9/30/2011.
74. Insurance Expense. Itemize each component of insurance expense included in the test year, and provide comparative information for calendar year 2007, 2008 and 2009 and as budgeted/forecasted for 2010 through 9/30/2011. Indicate the accounts and amounts in which each item of insurance is recorded.
75. Legal Expense. Please itemize the amount of non-rate case legal expense, by account, for the test year. For each distinct item over \$20,000, show payee, amount, account, and indicate what services were performed and what the subject matter of the services was.
76. Are any one time or non-recurring expenses included in the base period or the future test year? If so, provide the dollar amount, account and a brief description of the expense.
77. Pension Expense. Please reconcile the amount of pension expense in the test year to the most recent actuarial reports concerning the determination of the net periodic benefit cost for each pension plan in which KAWC employees participate. Identify, quantify and explain each reconciling item.
78. OPEB Expense. Please reconcile the amount of OPEB expense in the test year to the most recent actuarial reports concerning the determination of the net periodic benefit cost for each Postretirement Benefit Plan in which KAWC employees participate. Identify, quantify and explain each reconciling item.
79. Mike Miller Exhibits and workpapers in Excel. To the extent not provided in Questions 3 and 4, please provide all of KAWC witness Mike Miller's exhibits and the related workpapers in Excel, with formulas and references intact. This

includes, but is not limited to, Exhibits MAM-1 through MAM-8 and all supporting workpapers that were prepared in Excel.

80. Patrick Baryenbruch Exhibits and workpapers in Excel. To the extent not provided in Questions 3 and 4, please provide all of KAWC witness Patrick Baryenbruch's exhibits and the related workpapers in Excel, with formulas and references intact. This includes, but is not limited to, all calculations, data compilations, analysis, and summaries in the Market Cost Comparison and all exhibits related to that and all supporting workpapers that were prepared in Excel.
81. Provide all workpapers for the Baryenbruch testimony and report that are not in Excel.
82. Did KAWC or Mr. Baryenbruch compare KAWC or AWWSC to any water companies? If not, explain fully why not. If so, please identify where that is reflected and provide all related documents.
83. Refer to Baryenbruch testimony page 1, lines 24-26. Provide a copy of the audit reports prepared by his firm for Southern California Edison's 2002, 2003, 2004 and 2005 transactions with its non-regulated affiliate companies.
84. Refer to Baryenbruch testimony page 1, lines 19-23. Provide the audit reports for affiliate charges and allocation of corporate expenses listed there, including:
 - a. Connecticut Light and Power
 - b. Connecticut Natural Gas
 - c. General Water Corporation
 - d. Philadelphia Suburban Water Company
 - e. Pacific Gas & Electric Company.
85. Provide a complete copy of the contract and all invoices related to the work performed by Mr. Baryenbruch and his firm.
86. Identify and provide a copy of all communications between (1) Mr. Baryenbruch and his firm and (2) KAWC and KAWC affiliates.
87. Refer to the Baryenbruch report and testimony. Were any categories of Service Company hourly charges higher than any outside service providers? If so, please identify all such instances.
88. Is KAWC using outside service providers for any services that the Service Company is capable of providing? If so, please explain why and identify the

specific services, their cost by account, how they were accounted for in the 12 month period ending 9/30/09.

89. For each Service Company cost element that was compared or evaluated for the period ending 9/30/2009 by Baryenbruch , please identify: (1) KAWC's actual cost or expense by account for the 12 months ending 9/30/2009; (2) KAWC's comparable budgeted or forecast cost by account for the future test year; and (3) the amount of increase in such cost from the period ending 9/30/2009 to the period ending 9/30/2011.
90. Is Mr. Baryenbruch expressing any opinion on any KAWC or Service Company costs beyond 9/30/2009? If not, explain fully why not. If so, please state such opinions and provide all of the analysis relied upon.
91. Refer to the Baryenbruch & Company report at page 11. (a) Please explain why the annual service company costs per customer for each of these companies is so much higher than the average: (1) PHI, (2) Entergy; (3) Allegheny; (4) Northeast; (5) Nat Grid; and (6) Duke. (b) Is a per customer Service Company cost that is so much higher than the average an indication of unreasonableness of such cost? If not, explain fully why not. If so, please explain fully.
92. Refer to the Baryenbruch & Company report at page 11. (a) Please explain why the annual service company costs per customer for each of these companies is so much lower than the average: (1) Great Plains; (2) Black Hills; (3) Energy East; (4) NiSource; (5) Alliant; (6) Xcel; (7) AEP; (8) FirstEnergy; (9) Progress; (10)Ameren. (b) Is a per customer Service Company cost that is so much lower than the average an indication of reasonableness of such cost or of good management? If not, explain fully why not. If so, please explain fully.
93. Refer to the Baryenbruch & Company report at page 11. Please explain why KAWC's cost per customer is so much higher than these three comparables: (1) Great Plains; (2) Black Hills; (3) Energy East.
94. Refer to the Baryenbruch & Company report at page 30. Please explain why KAWC's cost per customer is so much higher than these comparables: (1) Louisville Gas & Electric; (2) Interstate Power & Light; (3) Virginia Electric Power; (4) Monongahela Power; (5) Dayton Power & Light; (6) Ohio Edison; (7) Cleveland Electric Illuminating; (8) Indianapolis Power & Light; (9) Union Electric; (10) Illinois Power; (11) Aquila; (12) Toledo Edison; (13) Central Illinois Public Service; (14) Wheeling Power.
95. Refer to the Baryenbruch & Company report at page 30. Is a per customer Customer Accounts cost that is so much lower than the average an indication of reasonableness of such cost or of good management? If not, explain fully why not. If so, please explain fully.

96. Does KAWC or its affiliates including the affiliated Service Company have any information concerning how KAWC's expenses in total or on a per customer basis compare with other American Water Works water utility subsidiaries? If not, explain fully why not. If so, please provide all such information for 2008 and 2009 that KAWC and its affiliates have.
97. Please provide consolidating accounting information for American Water Works for 2008 and 2009. Please show the amounts for each subsidiary by account and all eliminations and adjustments in the consolidation.
98. For each KAWC and American Water Works pension plan for 2008, 2009 and 2010, please provide a list of the pension plan investments by category or type of investment, and please provide the earned return for each investment category for 2008 and 2009, and in total.
99. Why is KAWC requesting CWIP in rate base in the current rate case? Explain fully.
100. Provide an itemization of each project that is included in KAWC's future test year request for inclusion of CWIP in rate base.
101. Please show in detail how the CWIP included by KAWC in the future test year would be financed.
102. Provide the details of KAWC's AFUDC rates for each year, 2007, 2008, 2009, and as budgeted or forecast for 2010 and 2011.
103. Provide a complete description of KAWC's procedures for accruing AFUDC including how KAWC identifies which construction projects accrue AFUDC.
104. Provide the details of each type of chemical purchased by KAWC for each year 2007, 2008, 2009, and as budgeted or forecast for 2010 and 2011, including the following: (a) quantity; (b) total cost; (c) unit cost; (d) reason and analysis for year-to-year change in usage quantity; (e) reason and analysis for year-to-year change in unit price.
105. For each type of chemical used by KAWC, please provide the most current actual contracts and invoices.
106. Please provide a detailed breakout of the \$9.028 million of AWWSC costs included in the KAWC filing (Mike Miller page 15), including complete details on the costs included for each AWWSC department and function that has charged or allocated cost to KAWC.

107. Affiliate management fee charges. Please refer to the table below (from a recent California American Water rate case) and provide the equivalent actual 2009 information, and budgeted/forecast information for 2010 and for the 12 months ending 9/30/2011 in similar detail that was used as the basis for the amount of National Service Company and Local Service Company charges reflected in KAWC's current Kentucky rate case:

2008	As Filed 2008
Description	
<u>Operating Expenses - Dollars:</u>	
National Service Company	
Service Company - Belleville Laboratory	302,875
Service Company - Call Center	2,802,618
Service Company - Finance	581,351
Service Company - Human Resources	296,649
Service Company - Information Technology	1,786,495
Service Company - "NSC Functions"	1,489,659
Service Company - Operation / Network	267,594
Service Company - Shared Services	1,141,013
Service Company - Procurement	152,311
Subtotal National Service Company	8,820,565
Local Service Company	3,471,949

108. Affiliate management fee charges. (a) Please refer to the table below (from a recent California American Water rate case) and provide the equivalent information in similar detail that underlies the KAWC expenses for affiliate service company cost allocations:

**American Water Works Service Company, Inc.
Formula 100792 CP-CUST CALL CNTR REG CO'S**

CO #	COMPANY NAME	WATER	WASTEWATER	Customer Count 12/31/07	Revised %
05	CALIFORNIA-AMERICAN	169,196	2,248	171,444	5.11%
09	ILLINOIS-AMERICAN	284,593	22,147	306,740	9.15%
10	INDIANA-AMERICAN	282,632	454	283,086	8.44%
11	IOWA-AMERICAN	60,403	-	60,403	1.80%
12	KENTUCKY-AMERICAN	117,088	705	117,793	3.51%
13	MARYLAND-AMERICAN	4,833	-	4,833	0.14%
17	MISSOURI-AMERICAN	463,999	1,088	465,087	13.87%
18	NEW JERSEY-AMERICAN	606,572	28,385	634,957	18.94%
19	NEW MEXICO-AMERICAN	16,774	-	16,774	0.50%
22	OHIO-AMERICAN	51,000	6,578	57,578	1.72%
23	ARIZONA-AMERICAN	102,683	50,835	153,518	4.58%
24	PENNSYLVANIA-AMERICAN	630,132	14,588	644,720	19.23%
26	TENNESSEE-AMERICAN	74,540	-	74,540	2.22%
27	VIRGINIA-AMERICAN	54,253	-	54,253	1.62%
28	WEST VIRGINIA-AMERICAN	167,909	-	167,909	5.01%
30	HAWAII-AMERICAN	-	9,273	9,273	0.28%
38	LONG ISLAND-AMERICAN	73,873	-	73,873	2.20%
42	UNITED WATER VIRGINIA	2,535	-	2,535	0.08%
50	TEXAS-AMERICAN	4,026	1,063	5,089	0.15%
54	Edison	12,161	-	12,161	0.36%
55	Liberty	18,040	-	18,040	0.54%
31	AWE -- Surprise, AZ	18,722	-	18,722	0.56%
	Total	3,215,964	137,364	3,353,328	100.00%

- (b) Please provide similar information as of each of the following dates: (1) 12/31/2008 actual; (2) 12/31/2009 actual; (3) projected/budgeted for calendar 2010; and (4) projected/budgeted for the 12 months ending 9/30/2011.

109. Please identify, quantify and explain all expenses included in the Company's filing (a) in the base period and (b) in the future test year, for each of the following types of affiliated Service Company (National, Regional and Local) charges and functions:

1. Business Development Expense
2. Corporate Contributions
3. Legislative Influence Expense
4. "Non-Departmental" & "NSC Functions" Expense
5. "Non Departmental" Interest Income and Income Tax
6. Sales and Marketing Expense
7. Payroll Reserve
8. Call Center
9. Divestiture Support
10. Depreciation
11. Interest Income Outside
12. Interest Cap Lease-AW21
13. Penalties
14. Trade Shows
15. Injuries and Damages
16. Relocation
17. Research & Development
18. Advertising
19. Contract Services-Legal
20. Contract Services-Litigation

21. Contract Services-Other
 22. Expat Labor
 23. Incentive Plan
 24. Long Term Incentive Plan
 25. Retention/Completion
 26. Group Insurance
 27. Expat Group Insurance
 28. PBOP
 29. Pension
 30. Expat Pension
 31. Corporate PBOP Adjustment
 32. Corporate Pension Adjustment
 33. Employee Expenses
 34. Conferences & Registrations
-
110. Please provide the actual 2009 American Water Works Service Company results by Business Unit, preferably in Excel, and show the charges from each Business Unit to KAWC.
 111. Please provide the budgeted/forecast 2010 American Water Works Service Company results by Business Unit, preferably in Excel, and show the charges from each Business Unit to KAWC.
 112. Please provide the budgeted/forecast 2011 American Water Works Service Company results by Business Unit, preferably in Excel, and show the charges from each Business Unit to KAWC.
 113. Please provide the budgeted/forecast American Water Works Service Company results by Business Unit, preferably in Excel, and show the charges from each Business Unit to KAWC for the 12 months ending 9/30/2011.

114. Please provide actual charges from AWWSC to KAWC for each year 2007, 2008 and 2009 (preferably in Excel) for each of the following Service Company “objects”:

LABOR & LABOR RELATED

1. 501200 Labor
2. 501203 Internal Labor Recharge
3. 501205 Expat Labor
4. 501711 Incentive Plan
5. 501712 Long Term Incentive Plan
6. 501715 Retention/Completion
7. 504100 Group Insurance
8. 504105 Expat Group Insurance
9. 505100 PBOP
10. 506100 Pension
11. 506105 Expat Pension
12. 507100 401K
13. 508100 EIP
14. 508101 DCP Oper AG
15. 685320 FUTA
16. 685325 FICA
17. 685350 SUTA

OTHER EXPENSES

18. 504500 Other Welfare
19. 504610 Employee Awards
20. 504620 Employee Physical Exams
21. 504660 Tuition Aid
22. 504670 Training
23. 531000 Contract Services-Engineering

24. 532000 Contract Services-Accounting
25. 533000 Contract Services-Legal
26. 533001 Contract Services-Litigation
27. 535000 Contract Services-Other
28. 535001 Contract Services-Temp Employee
29. 535002 Contract Services-STEP Backfill
30. 536000 Contract Services-Lab Testing
31. 541000 Rents-Real Property
32. 541400 Rents-Equipment
33. 550000 Transportation
34. 550001 Transportation-Lease Cost
35. 550002 Transportation-Lease Fuel
36. 550003 Transportation-Lease Maintenance
37. 556000 Insurance-Vehicle
38. 557000 Insurance-General Liability
39. 558000 Insurance-Work Comp
40. 559000 Insurance-Other
41. 575000 Miscellaneous
42. 575002 Misc General Office
43. 575030 Advertising
44. 575100 Bank Service Charges
45. 575130 Brochures & Handouts
46. 575140 Charitable Contribution-Deductible
47. 575220 Community Relations
48. 575280 Dues & Memberships Deduct
49. 575320 Electricity
50. 575340 Employee Expenses

51. 575342 Conferences & Registrations
52. 575350 Meals & Travel Deduct
53. 575351 Meals & Travel NonDeduct
54. 575420 Forms AG
55. 575460 Ground keeping
56. 575480 Heat - Oil & Gas
57. 575490 Injuries and Damages
58. 575500 Janitorial
59. 575620 Office Supplies
60. 575625 Overnight Shipping
61. 575640 Penalties
62. 575660 Postage
63. 575670 Relocation
64. 575680 Research & Development
65. 575710 Security
66. 575715 Software & License Support
67. 575740 Telephone
68. 575741 Cell Phones
69. 575742 Data Lines
70. 575775 Trade Shows
71. 575780 Trash Removal
72. 675000 Maintenance Misc
73. 675250 Maintenance Computer Equip
74. 675350 Maintenance HVAC
75. 675450 Maintenance Office Equip
76. 685200 Property Taxes
77. 685430 Other Taxes & Licenses

- 78. 680110 Depreciation
 - 79. 710400 Int Income Outside
 - 80. 810301 Int Cap Lease-AW21
 - 81. 810400 Int LTD-Inside
 - 82. 830000 Interest on STD
 - 83. 840000 Other Interest
-
- 115. Please provide an organizational chart of the Local and Regional Service Company offices that serve KAWC: (1) as of 2008 and, (2) if different, as of currently and/or 12/31/2009, (3) as projected for 12/31/2010, and (4) as projected for 9/30/2011.
 - 116. Please identify all charges by year by account in 2008 and 2009 to KAWC from the Regional Service Company by function and account. Please show in detail how such charges are allocated to KAWC and the other affiliates served by the Regional Service Company.
 - 117. Please identify all budgeted/forecast charges by year by account for (1) calendar 2010 and (2) the 12 months ending 9/30/2011 to KAWC from the Regional Service Company by function and account. Please show in detail how such charges are allocated to KAWC and the other affiliates served by the Regional Service Company.
 - 118. Meter replacements. (a) Please provide the dollar amount and quantity of meters, by type, (1) in service and (2) replaced as of December 31 for each of the past five years through December 31, 2009. (b) Please provide the dollar amount and quantity of meters, by type, for each month of 2010 and 2011 through 9/30/2011.
 - 119. Please provide a copy of the Company's meter change-out program.
 - 120. Has the Company included any rate case expense or non-cash items in its request for cash working capital? If not, explain fully why not. If so, please identify (1) all rate case expense and (2) any and all non-cash expenses, included in KAWC's cash working capital calculations.
 - 121. Has the Company included any rate case expense in rate base? If so, please identify the amount and account.

122. Does the Company's request for rate case expense include any amounts related to past cases? If not, explain fully why not. If so, please identify the amount, and identify and explain the basis for including expense for past cases.
123. Please identify each type of revenue based tax and revenue based assessment that was paid during the test year. Also, please provide the related returns, and the amount and date of each such payment, and identification as to which type of revenue-based tax each such payment was for.
124. Has the Company included any wells or other plant in rate base for which the Company has not received proper permits to begin construction? If so, please identify the amounts by account.
125. Does the Company's claim for insurance expense include any "retrospective" or "retroactive" amounts? If not, explain fully why not. If so, please identify all such amounts, and provide comparative amounts for each of the past 6 calendar years through December 31, 2009. Also, show in detail how all such amounts are allocated to KAWC from the Service Company and/or total American Water Works amounts for each year.
126. Has the Company included any plant in rate base for which it has not received final invoices? If not, explain fully why not. If so, please identify the amounts by account.
127. Refer to Ms. Bridwell's testimony at page 3. Please provide all supporting calculations in Excel relating to the use of a five-year average for tap fees.
128. Please list the number of taps by type in each year, 2005, 2006, 2007, 2008, and 2009.
129. Please list the total cost for taps, and the costs for each type of tap, for each year: 2005, 2006, 2007, 2008, and 2009.
130. Please list the total budgeted/forecast cost for taps for each period: (1) calendar 2010; (2) 12 months ending 9/30/2011.
131. Please list the budgeted/forecast number of taps for each period: (1) calendar 2010; (2) 12 months ending 9/30/2011.
132. Refer to Ms. Bridwell's testimony at page 4-5. Please identify the total cost for each consultant, by account. How has KAWC treated such cost in its filing? Please identify and explain fully.
133. Refer to Ms. Bridwell's testimony concerning the water supply and treatment project.

- a. Please identify, quantify and explain each cost overrun that has occurred for the project through 3/31/2010.
 - b. Please identify how much KAWC is requesting in rate base for the plant in excess of the cost estimates that KAWC had previously provided to the Commission when it was seeking approval. Include supporting calculations and provide references to sources for the amounts used.
 - c. Has KAWC included the entire cost of the project in rate base? If not, explain fully why not. If so, please identify exactly how that was reflected.
 - d. Has KAWC reflected the project in rate base on a 13-month average basis? If not, explain fully why not. If so, please show exactly how that was done.
134. In the context of the future test year ending 9/30/2011, how much of the KRS II project is beyond KAWC's current capacity needs? Please explain and quantify.
 135. Refer to Ms. Bridwell's testimony at page 23. Please identify and provide a copy of all written or emailed responses from each of the BWSC utilities concerning KAWC's attempts at seeking a regional partnership for KRS II.
 136. Please provide a working model of Dr. Spitznagel's weather normalization study.
 137. To the extent not provided in Questions 3 and 4, please provide the data in Excel used to produce ELS Appendix B through Appendix E.
 138. Please identify, quantify and explain in detail how Dr. Spitznagel accounted for and modeled the impact of the economic difficulties experienced in 2008 and 2009 on customer water usage.
 139. Has the type of weather normalization proposed by Dr. Spitznagel in the current KAWC rate case ever been proposed by any of the other American Water Works water utility subsidiaries for adjusting test year water sales? If not, explain fully why not. If so, please identify each such instance (by affiliate name, jurisdiction, docket number, and date) and provide a copy of the related testimony and regulatory authority decision.
 140. Refer to the testimony of Mr. Cartier at page 4. (a) When is KRS II expected to be operational and treating the minimum 6 million gallons per day? (b) How has KAWC reflected in its filing efficiencies from using KRS II for treatment of at least 6 million gallons per day versus other older facilities? Identify, quantify and explain fully and in detail how KAWC has quantified and reflected all such efficiencies.

141. Electricity and power expense. Please identify KAWC's electricity usage and related power cost for each of these actual and projected periods: (1) each year, 2007 through 2009 actual; (2) each year 2007 through 2009 budgeted; (3) budgeted/forecast for calendar 2010; (4) budgeted/forecast for the 12 months ending 9/30/2011.
142. Water related staffing. Refer to the testimony of Mr. Cartier at page 14. Please provide comparative information (position counts, salaries, and total costs) on water related staffing for each of the following periods: (1) each year, 2007 through 2009 actual; (2) each year 2007 through 2009 budgeted; (3) budgeted/forecast for calendar 2010; (4) budgeted/forecast for the 12 months ending 9/30/2011.
143. Computerized Maintenance Management System. Refer to the testimony of Mr. Cartier at page 15. (a) Please identify, quantify and explain the cost of the new CMMS. (b) Is the same CMMS in use at any other of American Water Works water utility operating subsidiaries? If not, explain fully why not. If so, please identify which other subsidiaries are using the same CMMS and, for each, when they first started using it. (c) Please provide all work orders and accounting entries related to the CMMS. (d) Please identify, quantify and explain all cost savings that the CMMS is expected to produce. (e) Please identify, quantify and explain how KAWC has reflected each item of cost savings identified in response to part d in its filing.
144. Pension Trust Fund Assets. Please provide the following:
 - a. The overall expected rate of return used for pension assets;
 - b. The expected rates of return for alternative assets classes (long-term bonds, common stock) used in determining the overall expected rate of return used for pension assets; and
 - c. Copies of all documentation used in determining the expected rates of return for alternative assets classes (long-term bonds, common stock).
145. To the extent not provided in Questions 1 and 2, please provide the original electronic spreadsheet files in Excel used to create each Schedule in Exhibit 37, with all formulas and links intact, including all files linked thereto that are necessary for the proper functioning of the file. If any of the links are to a mainframe database or application, please provide the version of the output from such database or application that was used to produce Exhibit 37.
146. To the extent not provided in Questions 1 and 2, please provide in Microsoft Excel or Excel compatible format, copies of all schedules and workpapers created in the process of filing the current rate increase request. This specifically includes all accounting schedules and related workpapers filed as Exhibit No. 37 and the

workpapers provided in response to discovery. Please provide files with all formulae intact, and provide any linked files.

147. Please show in detail how KAWC has reflected the inclusion of net negative salvage in accumulated depreciation (a rate base reduction). For forecasting purposes, indicate whether Mr. Spanos's cost of removal proposals were used to estimate these amounts, and how they were used.
148. Refer to Sheila Miller's testimony at pages 13-14.
 - a. Please identify, quantify and explain all impacts on expenses and rate base from SFAS 109.
 - b. When did the Company adopt SFAS 109 for financial reporting purposes?
 - c. Is this the first rate case in which KAWC has attempted to apply SFAS 109 for ratemaking purposes? If not, explain fully why not, and identify the other rate cases in which KAWC attempted to use SFAS 109 for ratemaking purposes. If so, explain fully why.
149. Please show in detail how meter costs are considered in the derivation of KAWs proposed tap fees.
150. Re AMR meters, please respond to the following:
 - a. How are these meters handled for rate base purposes? In other words, are they included in rate base?
 - b. Please provide the number of meters paid for in tap fees, as well as the total dollar amount collected.
 - c. For the computation of meter cost that is included in the tap fee calculation, does KAW use the actual meter cost, or the meter cost plus an estimate for net salvage? Explain fully and show calculations.
 - d. Provide the amounts included in tap fees for each type of meter. In other words, the "full cost" for each meter.
151. Leak detection revenue.
 - a. Please explain how KAWC tracks revenues and expenses related to the provision of leak detection services for other utilities.
 - b. Are any of these revenues or expenses included in the base or test year periods? If yes, explain where they are located in the filing and the rationale for including them.

152. Please provide all support and workpapers relating to any forecasted increase in fuel and power costs. Include any correspondence and/or other material received from KU or other electric service providers relating to these estimates.
153. Please provide all support and workpapers related to the forecasted increase in chemical prices. Include any correspondence with suppliers.
154. Please provide a copy of "The American Systems Operations Manual."
155. Please provide a list of the capital improvements made since the last case. Show the applicable accounts and amounts.
156. Please provide a list of the items included in the increase to ratebase since the last case. In both cases, show the applicable accounts and amounts.
157. Please reconcile the ratebase in this case with the ratebase in the most recent prior case, by element. Identify, quantify and explain each reconciling item.
158. Are any costs related to the Divestiture and/or Sarbanes-Oxley Act (SOX) included in the filing as costs allocated to the Company by the Service Company? If so, please list all amounts and provide supporting documents. Also, indicate where in the filing the costs are included.
159. Please provide the "Business Plans" pertaining to KAWC, AWWSC and American Water Works (parent company) for 2009, 2010 and 2011.
160. Please identify and explain all new or upgraded software and systems costing over \$20,000 per year for KAWC since the last KAWC rate case, including software and systems charged to KAWC from AWWSC or other affiliates. For each new software and system:
 - a. Please provide all costs and expenses associated with the 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 software? If yes, please provide those reviews. If not, explain why not.
 - d. Please provide any cost-benefit studies conducted prior to purchasing such software.

161. 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.
162. Re. Spitznagel Direct Testimony. To the extent not provided in Questions 3 and 4, please provide all workpapers and calculations underlying his testimony and exhibits. Provide any calculations in Microsoft Excel or Excel compatible format, with all formulae intact.
163. Please provide copies of December year-to-date financial, operating and/or statistical reports for 2006, 2007, 2008 and 2009 and 2010 year to date.
164. Please provide a copy of the Board of Directors minutes for 2007, 2008, 2009 and 2010 to date.
165. Please explain in detail any major changes in accounting treatment for O&M expenses, retirements, replacements and removal costs instituted by the Company since 2007.
166. Please provide a copy of each out-of-period accounting adjustment (i.e., journal entry) recorded during 2008 and 2009, and past 2009 to the present, along with an explanation of each adjustment.
167. Please provide an analysis (description, dates and amounts) of any gains or losses on utility property sold in 2007, 2008, 2009 or anticipated in 2010 and 2011.
168. Please provide a complete breakdown of other income, net, for 2007, 2008 and 2009 and projected for 2010 and 2011. Identify the jurisdictional portion of each element.
169. Provide the Company's 2007, 2008 and 2009 Annual Reports to the KY PSC.
170. Provide the monthly financial and operating reports for every month from December 2007 to the present.
171. Provide the twelve months-ending return on common equity for each month from January 2007 to the present.
172. Provide each and every statement or memorandum by management discussing the Company's level of earnings and/or return from January 2007 to the present.
173. Please provide the latest 3-year operating forecasts.
174. Please supply a copy of the latest Ten Year Demand Forecast.

175. Please provide a complete side-by-side presentation of the filing showing actual 2009, base period ending May 31, 2010 and forward-looking test period ending September 30, 2011.
176. Please list all year end closing accounting entries, both internal and those made by your external auditors, for 2007, 2008 and 2009.
177. List each change in accounting principles made by the Company during 2007, 2008, 2009 and as forecasted for 2010 and 2011.
 - a. For each such change, state the revenue and/or expense or capital impact in this filing.
178. Please list all procedures the Company follows to ensure that there was a proper assignment of costs to the test year and that the test year only includes charges incurred during the test period.
179. Provide an accounts payable register for calendar 2009 and for the entire base year. This may also sometimes be referred to as a voucher/register, distribution journal and/or a subsidiary ledger.
180. Provide a copy of each adjusting entry proposed by the Company's independent Auditors in the two most recent audits of the Company, the parent company, and the affiliated service company. Include supporting documentation.
181. Provide a copy of the Company's (and the parent company's) two most recent management letters and recommendations received from the Company's independent auditors.
182. List each internal audit completed, scheduled, or in progress at the Company for 2007, 2008 and 2009. For each, list subject of audit, date of audit, date of report and title of report.
183. Provide a copy of the Company's most recent management and operations audit.
184. Have there been any independent audits or regulatory commission sponsored reviews done of AWWSC in 2008, 2009 or 2010? If so, please identify each such review and provide a copy of the related reports and testimony.
185. If applicable, list the expense associated with the most recent management audit. If the Company is amortizing the expense, list the amount of base and test period expense, the unamortized amount at December 31, 2007, 2008 and 2009 and state when the amortization will end.
186. List each proposed pro forma entry which was considered in this filing but not made and state the reason(s) why the entry was not made.

187. Please provide, in Microsoft Excel or Excel compatible format, the year-end balances from December 31, 2008 through December 31, 2009, May 31, 2010 and the 13-month September 30, 2008 average total jurisdictional balances for the following:
- a. Plant in Service (by category, both total and depreciable)
 - b. CWIP
 - c. Construction completed not classified
 - d. Accumulated Depreciation (by categories provided in part a, above)
 - e. Plant Held for Future Use
 - f. Customer Contributions in Aid of Construction
 - g. Customer Advances
 - h. Prepayments (by type)
 - i. Materials and Supplies - Operating by category
 - j. Materials and Supplies - Undistributed Stores Expense
 - k. Other Current Assets (by type)
 - l. Other Deferred Charges (by type)
 - m. Accumulated Deferred Income Taxes - Depreciation
 - n. Accumulated Deferred Income Taxes - Other (by type)
 - o. Miscellaneous Reserves (by type)
 - p. Retirement Work in Progress (by plant category)
188. Please provide an explanation of all items included in the following accounts (by subaccount if any) and provide the appropriate jurisdictional amounts for the year ended December 31, 2007, December 31, 2008, December 31, 2009 and May 31, 2010 (as projected; provide actual 5/31/2010 when it is available):
- a. Other Accounts Receivable
 - b. Accrued Utility Revenues

- c. Miscellaneous Deferred Debits
 - d. Miscellaneous current and accrued liabilities
 - e. Other Deferred Credits
189. Please provide a comparison by month, or if not available, by quarter, of budgeted versus actual retirements for each month of 2007, 2008 and 2009. Please explain any significant variations.
190. Indicate the treatment of customer discounts for prompt payment of bills and budget billing accounts interest payments or income in the revenue portion of the cash working capital calculation.
191. Indicate whether and how check-clearing time was included in the revenue or expense lag calculations in the lead-lag study. If included in the study, indicate the number of days it added to the lead or lag by category.
192. If check-clearing time was not included in the revenue or expense lag calculations in the lead-lag study, indicate the number of days between the receipt of a customer's payment and the time the Company has use of the funds. Also, provide an estimate of the number of days after a check mailed to a vendor is reduced from the Company's bank account. If the number of days varies by type of expense or vendor, indicate those differences if known. Indicate any payments made by wire (in total by expense category).
193. Indicate whether tax payment lead days are calculated on actual or statutory percentages and payment dates in the cash working capital calculation.
194. Indicate whether in the cash working capital calculation, the payroll expense lead day result is based upon a composite of the separate net wage lag and withholding deposit period lag, or whether it is based on the single lag associated with gross wages (i.e., middle of pay period to payroll date).
195. Indicate the average period of time between rendering of service to customers to meter reading date (by type of customer if different), meter reading to billing date, and billing date to receipt of payment for Kentucky jurisdictional customers, if known; otherwise for total company if known.
196. Provide for each month from December 2007 to the present, the following by customer class on a jurisdictional basis (if not available by class, provide on a total jurisdictional basis):
- a. Monthly revenues
 - b. Accounts receivable (aging and amounts) net of uncollectibles

197. Provide for each year 2007, 2008 and 2009 the total dollar write-offs to uncollectibles reserve with and without subsequent recoveries.
198. Indicate any contractor retentions being held by the Company or for the Company during 2007, 2008 and 2009 in relation to a major construction project or acquisition.
199. Customer Advances.
 - a. What is the ratemaking treatment for customer advances proposed by the Company in its filing? Where is such proposal found in the filing?
 - b. Provide the monthly level of customer advances for the period December 2007 thru March 2010 and also provide through May 2010 when available.
 - c. Provide the monthly interest expense paid by the Company on customer advances for the same period.
200. Customer Deposits.
 - a. What is the ratemaking treatment for customer deposits proposed by the Company? Where is such proposal found in the filing?
 - b. Provide the monthly level of customer deposits for the period December 2007 thru March 2010.
 - c. Provide the monthly interest expense paid by the Company on customer deposits for the same period.
201. Customer Deposits.
 - a. What is the contractual interest rate on customer deposits?
 - b. Identify the tariff or statute that establishes the interest rate.
 - c. Does the Company accrue interest on inactive customer deposits?
 - d. How often is interest on customer deposits paid?
 - e. Is interest on customer deposits paid by check, in the form of a bill credit, or credited as an addition to the customer deposit balance?
 - f. What is the Company's policy on customer deposits for collection, refund, and use as an offset against an uncollectible balance?

- g. Provide a copy of the Company's policy(s) relating to customer deposits.
202. For the base year and the preceding two years, has the Company sold any property which had formerly been included in Plant Held for Future Use or devoted to utility service? If so, for each sale, describe the property sold; state whether, when and in what manner it had been included in rate base; show the details of how the gain or loss was calculated; indicate when the sale occurred; explain how and whether the Company is amortizing such gain or loss; and show how such amortization was computed.
203. The following questions are related to the Company's policies regarding accounting for CWIP, plant in service and depreciation:
- a. For each item of CWIP which the Company has transferred into utility plant in service for purposes of this filing, has a full 12 months of depreciation expense been included in the cost of service?
 - b. For each item of CWIP which the company has transferred into utility plant in service for the purposes of this filing, has an amount representing a full 12 months of depreciation expense been added to the total accumulated depreciation by which rate base is reduced?
 - c. Provide the same information as requested in subsection b. above for the deferred taxes related to the depreciation timing differences.
204. For major plant construction projects representing plant additions costing more than \$5 million added during 2007, 2008 and 2009 to date please state the following:
- a. Description of project.
 - b. Any economic feasibility studies done in a relationship to the project.
 - c. Any related cost savings achieved as a result of adding the addition.
 - d. Whether the project was for replacement, for new growth, environmental, or other.
 - e. Description of why the project was necessary.
205. Explain in detail the Company's procedure for accruing AFUDC and provide examples of AFUDC accrued during 2007, 2008 and 2009. Discuss specifically how the Company computes the AFUDC rate, computes AFUDC monthly, adjusts AFUDC for the impact of the Alternative Minimum Tax and for interest that is capitalized for federal income tax purposes. Show examples of each

calculation. Also provide references to PSC Orders which authorize or approve the calculation methods used by the Company.

206. List all revenue, expense and rate base amounts by account included in the test year relating to any Company or affiliate owned or leased airport, airplane and helicopter facilities, if applicable.
207. Identify how much of the Company's materials and supplies balance at December 31, 2007, December 31, 2008, December 31, 2009 and 2010 is related to construction activities.
208. Please provide a copy of the parent company's corporate federal tax returns and supporting "M" schedules and all consolidating schedules for 2007, 2008 and 2009.
209. Please provide detailed calculations of federal income taxes and state income taxes (budgeted and/or actual) for the following accounting periods:
 - a. The year ended December 31, 2008 (actual);
 - b. The year ended 2009 (actual).
210. Please provide workpapers detailing the calculation of each statutory addition and deduction used in arriving at taxable income in the above calculation, as well as the calculations provided in Schedule E to the filing. Also provide a narrative explanation of the effect of each statutory addition and deduction on tax and/or book income, and the Internal Revenue Code Section or Treasury Regulation calling for the adjustment.
211. For 2007, 2008 and 2009, please provide a copy of the parent company and KAWC's U.S. Corporation Income Tax Return, and the Kentucky Corporate Income Tax Return and all other Kentucky Tax Returns. If separate returns were not prepared, please provide the detailed worksheets that were used to prepare the consolidated return.
212. Please provide the following information regarding deferred income taxes:
 - a. Calculation of all timing differences reflected in DFIT; show book amount and tax amount; indicate when amounts were included in book and in tax returns;
 - b. Tax rate applied to each timing difference;
 - c. Calculation of actual DFIT;

- d. If different, reconcile book amount per cost of service and book amount in DFIT calculation. Identify and quantify all reconciling items.
 - e. For each year 2007 through 2009 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account. For each item by year, please reconcile the gross to net additions and explain how that reconciliation was derived.
 - f. For 2009 and 2010 (to date) please provide information requested in (e) above for each month.
213. Please provide a Consolidated Tax Savings calculation by year for each year 2005 through 2009.
214. Provide the following effective (reflecting all consolidated tax savings) tax rates for 2004, 2005, 2006, 2007, 2008 and 2009 and a derivation thereof:
- a. Federal Income
 - b. Kentucky Income
215. Please state whether the Company has or will file a consolidated federal or state tax return for 2005, 2006, 2007, 2008 and 2009 and if so, list those companies which will be included in the consolidated return.
216. Please list the name and business function of all Company subsidiaries and affiliates and separately list those which are included in this case, and which have or are projected to charge cost to KAWC during 2008, 2009, the base period, or the future test year for ratemaking purposes.
217. Please provide worksheets which reconcile book and tax income and tax liability on the books and on the tax return for 2007, 2008 and 2009.
218. Please list and explain in detail the allocation methods used to allocate state and federal tax liability and tax credits between the Company and its subsidiaries and between the Company and other American Water companies. Please provide worksheets which show a detailed derivation of the allocations for 2007, 2008 and 2009. The derivation should include separate listing of contributions, indebtedness cost, NOL (current, carryforwards and carrybacks), each credit by type (such as the investment tax credit, jobs credit), intercompany transactions.
219. Please list all typical intercompany transactions which are taxed by the federal government in the year of the transaction or the following year if a separate return is filed, but on which the tax is deferred if a consolidated return is filed. For each

- transaction please identify it by company, and type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each account.
220. Separately for 2007, 2008 and 2009 list all intercompany transactions which would be taxed by the federal government in that year if a separate return was filed, but will not be taxed that year because a consolidated return was filed. For each transaction please identify it by company, type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each amount.
 221. Please list all typical intercompany transactions which are taxed by Commonwealth government in the year of the transaction or the following year if a separate return is filed, but on which the tax is deferred if a consolidated return is filed. For each transaction please identify it by company, and type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each amount.
 222. Separately for 2007, 2008 and 2009 please list all intercompany transactions which would be taxed by Commonwealth government in that year if a separate return was filed, but will not be taxed that year because a consolidated return was filed. For each transaction please identify it by company, type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each amount.
 223. Please provide worksheets which derive the gross revenue and pre-tax accounting income and federal taxable income (loss), on a consolidated basis and on a separate return basis for each year for 2007, 2008 and 2009.
 224. Please provide worksheets which derive the gross revenue and pre-tax accounting income and Commonwealth taxable income (loss), on a consolidated basis and on a separate return basis for 2007, 2008 and 2009. Include in the worksheets a detailed reconciliation of book and tax income.
 225. Please provide for each year from 2007 through 2009 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account.
 - a. For each item by year please reconcile the gross to net additions and explain how that reconciliation was derived.
 226. Please provide detailed worksheets showing the derivation of "excess tax over book depreciation" for 2007, 2008 and 2009.
 227. Please provide the beginning and ending balances for 2007, 2008 and 2009 for Accumulated Deferred Income Taxes and Provisions for Deferred Income Taxes broken down by sub-account with the name and number of each sub-account.
 228. Please provide the following amounts for 2007, 2008 and 2009:

- a. Income tax expense, current, deferred, deferred-credit, investment tax credit deferred and investment tax credit amortized from prior years. Identify by Uniform System Account number.
 - b. Identify and explain the book-timing accounting difference giving rise to each charge.
 - c. Divide federal and state amounts.
 - d. Cite the order or ruling on which the Company bases rate treatment of these benefits (normalized or flow-through). Note rate treatment (normalized or flow-through).
 - e. State the accumulated total for each as it appears on the test year balance sheets. Identify by Uniform System Account Number.
 - f. State the rate base treatment of each item (e.g. deducted from rate base, cost-free capital, treated as equity, etc.).
 - g. Cite the order or ruling on which the Company bases treatment identified in f.
229. Please provide a detailed derivation of 2007, 2008 and 2009 research and development credits, including:
- a. A list of all research, development and experimentation expenditures, and for each item provide;
 - b. Separately the amounts payable to inside and outside contractors;
 - c. The amount payable in the test year;
 - d. The total expenditures to be expensed in determining federal taxable income; and
 - e. The total expenditures qualifying for the R & E credit under I.R.C. paragraph 44f.
230. Identify all net operating loss carrybacks and carryforwards for American Water and each American Water subsidiary for 2006, 2007, 2008 and 2009.
231. What amount of American Water interest expense for tax purposes and separately for book purposes was allocated to Kentucky on a combined and intrastate basis during the test year? Please explain and provide a reconciliation of the difference.

232. Regarding the investment tax credit, please provide the amount of 3%, 4%, 7%, 10%, and 11% credits the company generated, booked for ratemaking purposes, and/or used as a credit against federal tax liability for each year from 2006 through 2009 and the derivation of each of those amounts.
233. For each distinct tax-timing difference for which the Company has provided deferred taxes, please identify the amount of excess deferred income taxes (i.e. deferred taxes accrued by the Company at federal tax rates higher than the current corporate tax rate; the excess is the difference over the current rate) existing on the Company's books at December 31, 2006 which can be flowed back to ratepayers on an accelerated basis (i.e. such amortization is not prohibited by the normalization requirements of the Internal Revenue Code). Show how these amounts are calculated.
234. Will the amount of investment tax credits utilized be increased if the Company is granted its requested rate increase in these proceedings? If not, why not? If so, provide calculations showing the Company's best estimate as to how much ITC will be utilized.
235. Provide detailed descriptions of any IRS audit, settlements with the Internal Revenue Service, or audit adjustments made during the three years ending December 31, 2009.
236. Provide a copy of any and all revenue ruling requests, IRS responses, and correspondence between the Company and the IRS during the ten years ending December 31, 2009.
237. List total property taxes and property tax refunds or abatements each year, for the test year and the most recent three years for which actual information is available. Describe and show the accounting treatment accorded to each item, showing journal entries, dates, accounts, amounts and descriptions.
238. List all amounts of property taxes under dispute at December 31, 2009, and indicate the tax year and the taxing district to which each relates.
239. List all property tax refunds, by geographical area and taxing authority, by year, received in the most recent three years through 2009.
240. Please explain and provide all workpapers and source documents supporting the derivation of the taxable bases for Kentucky income and property taxes for 2007, 2008, 2009, and forecasted for the year ended 9/30/2011.
241. Provide full supporting documentation, workpapers and correspondence associated with refunds of any and all taxes other than income taxes received in 2007, 2008 and 2009. Indicate which accounts were affected and the associated

dollar amounts. Also describe how the Company intends to treat this item for rate case purposes

242. Please state whether any settlements, penalties or interest resulting from audits by taxing authorities are included in expense per books in 2007, 2008 and 2009 either as incurred by the Company or as charged by American Water. If so, provide full details including the periods and issues resolved, the dollar amounts of settlement by issue, the taxing authority penalty or interest by issue, the taxing authority involved, the date of settlement, the current status of the payment, and the final resolution of the matter or status of the protest if unresolved.
243. Provide hard copies of all workpapers underlying the Depreciation Study prepared by Mr. John Spanos of Gannett Fleming.
244. To the extent not provided in Questions 3 and 4, please provide all information obtained by Mr. Spanos and Gannett Fleming, Inc. from Company operating personnel, and separately, financial management personnel relative to current operations and future expectations in the preparation of the study.
245. Please provide all notes taken during any meetings with Company personnel regarding the depreciation study. Identify by name and title, all Kentucky-American Water Company ("KAWC" or "the Company") personnel who provided the information, and explain the extent of their participation and the information they provided.
246. Identify all plant tours taken during the preparation of the Depreciation Study.
 - a. Identify those in attendance and their titles and job descriptions.
 - b. Provide all conversation notes taken during the tour.
 - c. Provide all photographs and images taken during the tour.
247. Regarding the current and proposed depreciation rates:
 - a. Did Mr. Spanos or the Company originally intend to submit whole-life rates? If yes, please explain the switch to remaining life rates.
 - b. How are the depreciation rates currently in use calculated?
 - c. If Mr. Spanos has calculated whole-life rates, please provide them in electronic format (Excel), with all formulae intact.
248. Does Mr. Spanos' depreciation study include any adjustment or calculation to amortize the variance between the book depreciation reserve and the calculated accrued depreciation?

- a. If so, please provide that calculation in electronic (Excel) format with all formulae intact. If not, explain fully why not.
 - b. Based on Mr. Spanos's calculations, does KAWC have a reserve excess or deficiency?
 - c. Is Mr. Spanos proposing an amortization of the reserve imbalance? If yes, explain where that is shown in his study and also in the Company's revenue requirement filing.
249. Provide all internal and external audit reports, management letters, consultants' reports etc. which address in any way, the Company's property accounting and/or depreciation practices.
 250. Please provide copies of all Board of Director's minutes and internal management meeting minutes in which the subject of the Company's depreciation rates or retirement unit costs were discussed.
 251. Provide copies of all internal correspondence which deals in any way with the Company's retirement unit costs, depreciation rates, and/or the Depreciation Study.
 252. Provide copies of all external correspondence, including correspondence with Mr. Spanos and Gannett Fleming, Inc., which deals in any way with the Company's retirement unit costs, depreciation rates, and/or the Depreciation Study.
 253. Provide copies of all industry statistics available to Mr. Spanos and/or the Company relating to water company depreciation rates.
 254. Identify all industry statistics upon which Mr. Spanos relied in formulating the depreciation proposals.
 255. Which accounting method is reflected in the life studies; "location-life" or "cradle-to-grave"?
 256. What is impact of the accounting method used, i.e., "location-life or "cradle-to-grave" on the lives calculated in the Depreciation Study?
 257. Provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.
 258. Provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.

259. Provide a copy of the Company's current capitalization policy. If the policy has changed at all since 2007, provide a copy of all prior policies in effect during any portion of that period.
260. Identify and explain all changes since the last depreciation study which might affect depreciation rates.
261. Please provide the most recent Asset Management Plan for KAWC.
262. Please provide on diskette or CD all tabulations included in the Depreciation Study and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of the study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Please include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the Depreciation Study, with all formulae intact.
263. If not provided elsewhere, please provide Mr. Spanos's amortization calculations and workpapers for general plant accounts in electronic format (Excel) with all formulae intact.
264. Please explain why only plant transaction data from 1995 forward was analyzed. Does KAWC maintain this data prior to 1995? If not, explain fully why not.
265. For each plant account, and for each year since the inception of the account up to and including 2006, please provide the following standard depreciation study data as identified at pages 30-33 of the August 1996 NARUC Public Utility Depreciation Practices Manual ("NARUC Manual"). Provide the data in electronic format (Excel or .txt). Include data prior to 1995 if available. Also, provide aged vintage data if available. Use the codes identified for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company's coding system.

<u>Code</u>	<u>Data Type</u>
9	Addition
0	Ordinary Retirement
1	Reimbursement
2	Sale

3	Transfer – In
4	Transfer – Out
5	Acquisition
6	Adjustment
7	Final retirement of life span property (see NARUC Manual, Chapter X)
8	Balance at Study Date
	Initial Balance of Installation

266. If the depreciation study data provided in response to the preceding question is not the exact set of data used for the depreciation study submitted in this case, explain all differences and reconcile the amounts provided to those used in the case.
267. If not provided elsewhere, provide the cost of removal and gross salvage data used in the Depreciation Study net salvage calculation. If this data differs from that reflected on the Company's books, please explain the differences and provide a reconciliation. Please provide this data in electronic (Excel or .txt) format.
268. Provide the following annual accumulated depreciation amounts for all plant accounts for the last 15 years (up to, and including, 2009). If the requested data is not available for the last 15 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format (Excel or .txt).
- a. Beginning and ending reserve balances,
 - b. Annual depreciation expense,
 - c. Annual retirements,
 - d. Annual cost of removal and gross salvage,
 - e. Annual third party reimbursements.
269. Please provide a comparison of the annual cost of removal and gross salvage amounts shown on KAWC's federal tax returns with the corresponding book

amounts, for the last 5 years. Provide the annual deferred tax expense associated with each of the differences. Also, provide the beginning and ending accumulated deferred tax balances and state whether they are rate base additions or rate base deductions.

270. Provide a summary of annual maintenance expense by USOA account (for all accounts) for the last 10 years. If the requested data is not available for the last 10 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format.
271. Explain what consideration, if any, was given to annual maintenance expense data in Mr. Spanos's estimation of service lives, dispersion patterns and net salvage.
272. If not provided elsewhere, provide the calculation of the rates proposed in the Depreciation Study in electronic format (Excel) with all formulae intact.
273. Please provide the proposed depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.
274. Please provide a calculation of the theoretical reserves reflecting both Mr. Spanos's proposed procedures and the existing procedures. Provide these calculations in electronic format (Excel) with all formulae intact and include all supporting calculations and workpapers.
275. Does the Company maintain its book reserve by plant account? If not, explain why not.
276. If the Company does not maintain its book reserve by plant account, provide the calculation of the book reserve shown in the depreciation study.
277. Was reciprocal, harmonic, or ELG weighting used in any of the depreciation rate calculations? If yes, please provide all calculations using direct weighting. Also, provide this in hardcopy and electronic format (Excel).
278. If applicable, calculate all depreciation rates using the same weighting procedure used in the current depreciation rates, i.e., the same procedure used the last time depreciation rates were calculated.
279. If not provided elsewhere, please provide all remaining life calculations resulting from the depreciation study in electronic format (Excel) with all formulae intact.
280. If not provided elsewhere, provide electronic (Excel) versions of the net salvage studies included in the depreciation study, with all formulae intact.
281. Please provide the "net salvage estimates from previous studies of this company and other water companies" discussed on page II-24 of the Depreciation Study.

282. If not provided elsewhere, please provide all workpapers supporting terminal net salvage (decommissioning) estimates for each account for which terminal net salvage is a factor. Include any decommissioning studies relied upon, and explain how the results of those studies were incorporated into the net salvage estimate proposed by Mr. Spanos. Please include all calculations in electronic format (Excel), with all formulae intact.
283. Do Mr. Spanos's net salvage recommendations, including any terminal net salvage estimates, incorporate inflation expected to be incurred in the future? If yes, please explain fully how this inflation is factored into each recommendation, and provide supporting calculations in electronic format (Excel). If not, please provide support showing no future inflation was included.
284. If Mr. Spanos's net salvage recommendations include inflation expected to be incurred in the future, please provide the net present value of Mr. Spanos's net salvage recommendations.
285. Does Mr. Spanos agree that including inflation expected to be incurred in the future in net salvage estimates results in charging today's ratepayers for tomorrow's inflation? Please explain why or why not.
286. Does Mr. Spanos believe that including future inflation in net salvage estimates falls under the "known and measurable" standard usually followed in rate cases? Please explain why or why not.
287. On an account-by-account basis, for each of the five years ending 2006, explain whether the gross salvage and cost of removal incurred was normal or abnormal and why.
288. Refer to the discussion on Services cost of removal on pages II-25 to II-25 of the Study and the analysis on pages III-98 and III-99, Account 311.20 through 311.54, pumping equipment.
- a. Why is recorded cost of removal so high for 1992 and 2008?
 - b. How is cost of removal determined for this account, specifically?
 - c. If any research was conducted to determine the validity of the 2008 amount, please provide that research.
 - d. Do the amounts on page III-98 reflect the recorded amount?
289. Refer to the discussion on Services cost of removal on pages II-25 to II-25 of the Study and the analysis on pages III-106 and III-107, Account 333, services.
- a. Why is recorded cost of removal so high for 2001 through 2004?

- b. How is cost of removal determined for this account, specifically?
 - c. If any research was conducted to determine the validity of the 2001 through 2004 amounts, please provide that research.
290. Refer to page II-26 of the study, which states that the net salvage estimates were based on judgment which considered the nature of the plant and equipment, reviews of available historical data, and a general knowledge of net salvage percents for similar equipment in other water companies.
- a. Please identify the other water companies for which Mr. Spanos or his firm have conducted depreciation rate studies during the period 2007 through March 2010.
 - b. Please identify and provide a copy of each depreciation study identified in response to part a.
291. It appears from the net salvage analyses included in the depreciation study that retirements, gross salvage and cost of removal were not recorded during the years 1995 through 1998. Please explain why this is the case. Were the amounts recorded at a later date? If so, please provide all supporting workpapers.
292. Explain, and provide examples of, the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.
293. Were any retirements, classified as sales or reimbursements, excluded to the extent to which the salvage receipt represents recovery of original cost? If yes:
- a. Provide, by account, the annual retirements and the related salvage that has been excluded for the 10 years ending 2009.
 - b. Provide the Commission Orders and Decisions approving the exclusion of these retirements.
 - c. Demonstrate how the retirements were excluded from the life studies.
294. Explain the Company's accounting procedures for gross salvage and cost of removal.
295. Explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.
296. Does KAWC agree that, in the case of a replacement, KAWC has control over how much of the cost of the replacement is assigned to the retirement as cost of

removal, and how much is capitalized to plant-in-service? If not, explain fully why not. Please explain the answer fully.

297. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies on the assignment of capital costs and net salvage with regard to the replacement of retired plant. Also, please provide a sample workorder for a replacement project, showing these cost assignments.
298. Identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Please provide the basis for these expectations.
299. Please provide the Company's construction and capital budgets for the years 2009-2011 inclusive. Please identify all retirements, replacements, new additions and cost of removal reflected in these budgets. Please provide by account where available and explain how the cost estimates are derived for these items.
300. Provide narrative explanations of the Company's aging and pricing procedures.
301. Explain how the Company accounts for third party reimbursements and how they are reflected in the depreciation study.
302. If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?
303. If not provided in the workpapers, please provide the retirement rate analysis ranking of best-fit life/curve combinations for each account. If the service life indications resulting from the analyses are not the best-fit life/curves, please explain how they were selected.
304. For any accounts where Mr. Spanos did not base his service life/curve selection on the results of his retirement rate analysis, explain why he did not. Also, explain in detail how those service life/curve combinations were selected.
305. Please explain, on an account-by-account basis, the rationale behind the selection of the experience band that was used for each retirement rate analysis.
306. Provide copies of any and all actuarial and semi-actuarial studies prepared by the Company since the last depreciation study.
307. Identify and explain all Company programs which might affect plant lives.
308. Provide all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance or capital, designed to extend lives and/or increase capacity of its existing plant-in-service. Identify the functions to which these studies relate.

309. Provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, provide the data for as many years as are available.
- a. Date of retirement
 - b. Amount of retirement
 - c. Account
 - d. Reason for retirement
 - e. Whether or not retirement was excluded from historical interim retirement rate studies.
310. Refer to page II-23 of the Depreciation Study, where it states “For most of the mass plant accounts and subaccounts, the statistical analyses resulted in good to excellent indications of significant survivor patterns.” Please provide a full explanation of how Mr. Spanos determined this. In other words, what are the criteria Mr. Spanos uses to determine that a statistical analyses “results in good to excellent indications of significant survivor patterns.”
311. Was the life span methodology utilized in the prior studies? If so, please provide a comparison, by account and location, of the probable retirement year forecasted in the prior studies, with the probable retirement year forecasted in the Depreciation Study.
312. Please provide the specific calculation of each probable retirement year in the Depreciation Study. Also, please provide the installation date for each location.
313. Do the life span analyses include interim additions? If so, please provide a detailed explanation of how and why interim additions are included.
314. Identify all circumstances unique to Kentucky which influence or have an impact on the life span estimates.
315. For all accounts and locations for which Mr. Spanos is proposing the life span method, provide the following information to support Mr. Spanos’s final retirement dates. Please respond to each item.
- a. Economic studies. (NARUC, p. 146)
 - b. Retirement plans. (NARUC, p. 146)
 - c. Forecasts. (NARUC, p. 146)

- d. Studies of technological obsolescence. (NARUC, p. 146)
 - e. Studies of adequacy of capacity. (NARUC, p. 146)
 - f. Studies of competitive pressure. (NARUC, p. 146)
 - g. Relationships of type of construction to remaining life span.
 - h. Relationship of attained age to remaining life span.
 - i. Relationship of observed features and conditions at the time of field visits to remaining life span.
 - j. Relationship of specific plans of management to remaining life span.
316. If not provided in the response to the immediately preceding question, please provide the source for the life spans selected by Mr. Spanos.
317. Provide a copy of the Company's most recent prior depreciation study and the Order(s) establishing the present depreciation rates.
318. Please provide a calculation of the current depreciation rates in electronic format (Excel) with all formulae intact. Show all parameters used, and provide a source for those rates and underlying parameters. If the rates and parameters are not the same as approved in the most recent prior case, please explain why not. Also, if there are any differences in the account numbers used, please provide a reconciliation.
319. Identify and explain all changes between the current study and the most recent prior study.
320. Please explain any changes in procedures, methods or techniques used to calculate the existing depreciation rates and those used to calculate the rates proposed in Mr. Spanos's Depreciation Study.
321. Provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Provide additional explanations of the "other changes."
322. Please provide the current depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.
323. Provide any and all internal studies and correspondence concerning the Company's and the parent company's (American Water Works) implementation of FASB Statement No. 143 and FIN 47.

324. Provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143 and FIN 47:
- a. External auditors and other public accounting firms.
 - b. Consultants
 - c. External counsel
 - d. Federal and State regulatory agencies
 - e. Internal Revenue Service
325. Regarding FASB Statement No. 143 and FIN 47, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."
326. For any asset retirement obligations identified above, provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Provide all assumptions and calculations underlying these amounts.
327. Provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's depreciation rates; retirement unit costs; SFAS No. 143; and FIN 47.
328. Please provide the accounting entries (debits and credits) used to implement SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.
329. Has KAWC recorded any regulatory asset or regulatory liability relating to cost of removal or accounting for asset retirement obligations? If so, please identify the amounts recorded in each account for (1) cost of removal and (2) AROs, as of each date: (a) 12/31/2007; (b) 12/31/2008; and (c) 12/31/2009.

330. Does KAWC record any removal costs as O&M expense? If not, explain fully why not. If so, please identify the amounts of removal costs recorded as O&M expense by account for each of the five years through 2009.
331. Provide an analysis of the regulatory liability for cost of removal since inception identifying and explaining each debit and credit entry and amount.
332. What impact did the application of FIN 47 have upon the proposed depreciation rates and expense in this rate case? Provide all workpapers supporting the answer.
333. Provide KAWC's projection of the annual year-end balance in the regulatory liability for cost of removal shown in its most current two Annual Reports, for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is available. If this projection has not been made, please explain why not.
- a. For this projection assume that all of KAWC's proposed depreciation rates are approved as requested. Provide in hard copy and in electronic format with all formulae intact.
 - b. Explain all assumptions used to make this projection.
334. Provide the calculation of the annual amount of future net salvage incorporated into KAWC's existing depreciation rates and in its proposed depreciation rates by account. If the amount is reduced by the total amount of non-legal AROs included in year-end accumulated depreciation, show that calculation.
335. With respect to the Regulatory Liability relating to asset cost of removal which you reclassified out of accumulated depreciation:
- a. Do you agree that this constitutes a regulatory liability for regulatory purposes in Kentucky? If not, please explain why not.
 - b. Do you agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?
 - c. Please explain the repayment provisions associated with this regulatory liability.
 - d. Explain when you expect to spend this money for cost of removal.
 - e. Explain what you have done with this money as you have collected it. If you say that you have spent it on plant additions, please prove it.

- f. Identify and explain all other similar examples of KAWC's advance collections of estimated future costs for which it does not have a legal obligation.
 - g. Does KAWC agree that the Kentucky Public Service Commission will never know whether or not KAWC will actually spend all of this money for cost of removal until and if KAWC goes out of business? If not, why not?
 - h. Does KAWC believe that amounts recorded in accumulated depreciation represent capital recovery? If not, why not?
 - i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?
336. For all accounts for which KAWC has collected removal costs not related to AROs, but instead recorded a regulatory liability, please provide the fair value of the related asset retirement cost as of December 31, 2006; December 31, 2007, December 31, 2008 and December 31, 2009. For the purposes of this question, assume that KAWC has legal AROs for these accounts, and use the life and dispersion assumptions reflected in Mr. Spanos's depreciation study.
337. For the budgets supplied in response to Exhibit No. 13, please provide a description of all variations from actual expense levels which are due to known and certain changes, providing supporting documentation. Indicate all variations from actual levels which result from the application of inflation or escalation factors. In those instances where inflation or escalation factors were utilized, explain the derivation of the factors used in each case. If a single factor was used, a summary description will suffice.
338. Please indicate, if known and quantifiable, any anticipated changes in jurisdictional allocation factors and the impacts thereof on the future test year.
339. Indicate the number of and expenses related to temporary or seasonal employees included in 2007, 2008, 2009 and projected 2010 and 2011 jurisdictional expenses.
340. Provide as complete a breakdown as possible of the expenses billed by American Water and included in jurisdictional expense for 2007, 2008, 2009, and forecasted for the years 2010 and 2011. Include separately:
- a. Labor
 - b. Employee benefits (by type)
 - c. Employment taxes

- d. Outside services
- e. Promotional, institutional and/or corporate advertising
- f. Contributions (by entity)
- g. dues to organizations and social clubs (by entity)
- h. Computer time
- i. Regulatory costs (list docket no., jurisdictional entity, dates and description)
- j. Travel costs
- k. Lobbying or politically related activities
- l. Miscellaneous. (describe)

Identify all assumptions and provide all workpapers, calculations and source documents relied upon in projecting the 2007 base year and 2008 test year forecasted level of expense.

- 341. Please provide jurisdictional totals and amounts by payee, and an explanation of the services provided, for all amounts charged to outside services during 2007, 2008 and 2009 and for the base period (the 12 months ended May 31, 2010) and forecasted for the future test year.
- 342. Please provide copies of any studies or analyses prepared by or for the Company, the Service Corporation or any American Water subsidiary regarding the level of the Company's or the Service Company's wages compared to the wages paid by other utilities, service companies, or any other entity.
- 343. Please provide the FICA wage base dollars included in total wages paid for the year ended December 31, 2008 and 2009.
- 344. Please provide the FICA wage base anticipated for the base and test years and explain its derivation.
- 345. Please provide a copy of the Company's two most recent pension plan and post-retirement benefits actuarial studies.
- 346. Please provide a copy of all incentive compensation/bonus plans and provide the level of related bonus payments included in cost of service.

347. Please provide the percent of wages, employee benefits, overheads by type, employment taxes and other expenses charged to O&M on the basis of labor dollars (by the various labor categories, if possible) for 2007, 2008 and 2009 and as forecasted for 2010 and 2011. Please indicate the causes of any differences between the percentages (over 3 percent) from year to year.
348. Please provide a copy of the most recent Salary Administration Program.
349. State whether the filing includes any provision for corporate performance awards. If so, list the dollar amount for each program. Identify into which accounts and in what amounts it has been accrued.
350. List the amount accrued for compensated absences by month from January, 2007 through the present. Show amounts separately for banked sick time, for accrued vacation and for banked vacation. Indicate which accounts were affected and the associated dollar amounts.
351. Does overtime include normal pay plus premium or just premium? Identify the level of premium pay for 2007, 2008 and 2009 to date.
352. Please provide a copy of any Company labor productivity analyses which have been performed during the past three years.
353. With regard to pension expense:
- a. Please provide the most recent actuarial study.
 - b. Please identify the amount of pension expense included in 2007, 2008 and 2009 and 2010 and 2011 as forecasted. Also please provide workpapers showing the derivation of these amounts.
 - c. Please state whether the pension expense provided in part b, includes interest charges or earnings based on the time of payment. If yes, please identify the amount and provide workpapers or supporting documentation.
 - d. Please state the frequency with which pension contributions are made and the relationship of the payment date(s) to the period for which the contribution is being made. If the pension contributions are paid to the parent or service company, please identify both Company payment date(s) and the date(s) on which the contribution is actually made by the affiliate.
 - e. Please identify where pension expense has been included in the last working capital study and how the pension contribution date was recognized in determining the lag days for that category.

- f. Please describe and quantify the effects FASB 87 and 88 would have on the pension plans for the Company for 2007, 2008 and 2009 if fully reflected.
354. What rate of return is the Company currently earning on its pension plan fund balance?
355. Has the Company considered reducing the amount of post retirement health care, dental and life insurance coverage? If yes, provide details of any proposed reductions. If no, provide an explanation of why not.
356. Provide a complete copy of any and all actuarial reports prepared by or for the Company during the past three years concerning the cost of post retirement benefits other than pensions.
357. Post Retirement benefits other than pensions (OPEB's).
- a. Please provide complete workpapers showing the derivation of OPEB expense for 2007, 2008, 2009, and the base year and future test year.
 - b. Please show all assumptions and the basis of all calculations.
358. List expense amounts for workers compensation insurance and claims for each year 2007, 2008, 2009 and 2010 to date. Indicate in which expense accounts these items are recorded.
359. Please state whether any amounts have been booked during the test year by the Company for the liability created pursuant to any employment severance compensation agreements.
360. List employee relocation expense for the base and test years and the previous three years. Indicate annually the amounts and accounts in which such expense is recorded.
361. Provide a complete copy of the Company's policy with respect to employee relocation, including full details as to cost reimbursement.
362. List each athletic and employee association to which the Company contributes and the associated amounts for the test year and preceding year. State how the Company has treated these expenses in the test year.
363. List the dollar value of discounts for service and merchandise the Company provides to employees. Provide for the test year. Show in what accounts and amounts such expense was recorded. What employees are eligible to receive such discounts?

364. List all Company owned automobiles, other than service vehicles, and state the Company's policy for charging employees for the personal use of these automobiles and the Company policy of reporting the personal usage of these automobiles for Federal income tax purposes.
365. Does the Company maintain any recreational sites for the use of the public and/or Company employees? If so, please:
- a. Identify each site and the type of recreational facility.
 - b. State whether each site is for public use or exclusively for employee use.
 - c. For each site identified in (a) above, state the amount of expense incurred during the test year to maintain it.
366. For the base year list all payments made for employee gifts, employee awards, employee luncheons and dinners, employee picnics and all other similar type items. For each, list the dollar amount paid, the payee, the account charged and state the purpose. Provide copies of invoices which exceed \$5,000.
367. Identify all expenses incurred during the base and test years for athletic events, tickets, sky boxes and all sporting activities.
- a. Specifically identify the activity and dollar amount.
 - b. Provide copies of paid vouchers and invoices supporting these expenditures.
368. Does the Company or any affiliates employ chauffeurs? If so, identify the expenses included in the test year.
369. Please list all steps the Company has taken to reduce the cost of medical insurance.
- a. Does the Company's insurance coverage require a coordination of benefits and, if so, how does it function?
 - b. Does the Company plan require a co-pay percentage by the employee? If so, what is the percentage and has it increased over the past three years? State the various levels over the past three years.
370. With regard to research and development (R&D) expenditures, please provide:
- a. A monthly breakdown of the R&D expenses by project included in 2007, 2008 and 2009 and for the base period and future test year.

- b. A comparison of actual vs. budgeted expenditures for 2007, 2008 and 2009.
 - c. A detailed explanation of the causes of any increase from 2007 levels to 2008 levels and from 2008 to the 2009 and from the 2009 level to the future test year forecast level and why such an increase is necessary and reasonable.
 - d. A summary description of each of the R&D projects identified and the benefit to be derived by ratepayers.
 - e. Please provide the costs by project for each year of 2007, 2008, 2009 and 2010 to date.
371. With regard to R&D projects charged to KAWC, does it realize any royalties, profits from commercialization, or other forms of reimbursement or funding? If yes, please identify the amounts of all such items in 2007, 2008, 2009 actual and 2010 and 2011 as forecasted and explain how these amounts are recognized in the billings to KAWC. If they are not recognized, please explain why not.
372. Please indicate all items included in jurisdictional regulatory expense for 2007, 2008 and 2009 by item and docket number and description of case.
373. For each advertising expense over \$10,000 recorded or forecast by the Company during the base and test years, state the payee, amount, date and purpose. Also provide a copy of the associated invoice and a copy of (or if a non-print ad, the text of) each advertisement.
374. Are there any advertising costs being incurred by the Company which cannot be identified with a specific advertisement? If so, please itemize and describe each such cost, and list the associated amounts for each year 2007, 2008 and 2009.
375. Break down the Company's advertising expense for the test year and the three years, 2007, 2008 and 2009 into its components, i.e., labor, overhead, materials and fees to agencies, etc.
376. Does the Company have any studies as to the effectiveness of its advertising and marketing programs? If so, describe by name, date and contents each study the Company has. Provide a copy of all such studies in the last three years.
377. Please provide a listing of and a copy of any and all Commission Orders the Company has reviewed or relied upon in preparation of its filing in this case concerning the ratemaking treatment of costs for each distinct type of advertising expense it incurs, including but not limited to these categories: (1) sales or promotional, (2) institutional, (3) conservation related, (4) rate case, and (5) other.

378. Does the Company's proposed rate increase include any claim for attrition or suppression of sales?
- a. If so, please reference where this is presented. If not, explain fully why not.
 - b. Provide a complete copy of any and all attrition studies or analyses prepared by or for the Company during the period 2006 through 2010.
379. Explain the method used by the Company to project uncollectibles for the future test year. Include an explanation of all assumptions used and a detailed explanation, including examples, of whether and how historical data was used in making this projection.
380. Please list by customer and amount and by year for the period 2007 through 2009 and in 2010 any uncollectible accounts which have been written off and which exceeded \$10,000,000.
381. List and describe in detail any cost-saving programs implemented 2007 through the present.
- a. For each program listed in response to this request, show the anticipated and achieved savings. Include calculations of savings amounts and explain any assumptions used in such calculations.
 - b. Provide the cost-benefit analyses for each such program.
 - c. Show the impact of any such cost-saving programs on the test year.
382. Provide a complete explanation of any and all expense reduction goals (cost savings programs) the Company has concerning the development of the 2009, 2010 and 2011 budgets.
383. Provide a copy of the Annual Report of every organization of which Company is a dues-paying member during 2007, 2008 and 2009 when available.
384. Do any of the Company's personnel actively participate on Committees and/or any other work for any industry organization to which the Company belongs?
- a. If so, state specifically which employees participate, how they are compensated for their time (amount and source of compensation), and the purpose and accomplishments of any such association related work.
 - b. List any and all reimbursements received from industry associations, for work performed for such organizations by Company employees.

385. Please provide copies of all expense reports (or similar documents) which exceed \$1,000 submitted by Company officers during 2007, 2008 and 2009 to date for reimbursement of business or personal expenses.
386. For each injury and damage claim, where the settlement exceeded \$10,000 for the years 2007, 2008 and 2009 and as forecasted for 2010 and 2011, list by year each such claim, the basis for the claim, the dollar amount of the claim paid and the associated legal fees.
387. State the amount of injuries and damages expense for each of the last three years through 2009.
388. Itemize each component of insurance expense included in the base and test years, and provide comparative information for 2007, 2008 and 2009. Indicate the accounts and amounts in which each item of insurance expense is recorded.
 - a. For any component of the Company's insurance expense which has fluctuated by more than 10% or \$10,000 from one year to the next, provide an explanation as to the cause of such fluctuation.
389. Itemize the legal services expenses included in 2007, 2008 and 2009 for rate case related work. For each distinct item state: payee; amount; account; purpose; docket, case, or proceeding reference; and describe briefly the nature of the case or legal service received.
390. Please itemize the amount of non-rate case legal expense for 2007, 2008 and 2009 to date. For each distinct item over \$5,000 show payee, amount, account and indicate what services were performed and what the subject matter of the services was.
 - a. Provide copies of all invoices which exceed \$10,000. This should be the complete document including a complete description of work performed.
391. List all fees during the test year, the base year, and 2007, 2008 and 2009 for maintaining lines of credit. List such fees for each line of credit which the Company maintains. Indicate in which account such fees are recorded.
392. Does the Company employ a fringe-benefit or overhead factor to assign overhead costs to specific projects? If so, state what these factors were in 2007, 2008 and 2009 and show in detail how they were calculated.
393. List and describe all maintenance programs and expenses which have been deferred into the test year from prior years, and for each item, explain the Company's reason for such deferral.

394. List all merchandise-related revenue, expense and rate base items included in the test year by account and amount.
395. List each abnormal or non recurring charge or credit which occurred during 2007, 2008 and 2009 to date, and which exceeded \$10,000.00.
 - a. For each such charge or credit, state the basis and dollar magnitude of each.
 - b. Provide copies of invoices, journal entries or other documentation to support each abnormal or non recurring item.
396. Itemize all expenses over \$5,000 recorded by the Company during 2007, 2008 and 2009 to date in General Office Expense and Miscellaneous Expense. For each, state the payee, amount, date, purpose and subaccount. Also provide a copy of the associated invoice for amounts over \$10,000.00.
397. List by account the Company's annual O&M expenses for the ten years ending 2009, plus 2010 and 2011 as forecasted. For each account having a variance over the prior year exceeding 10%, explain the cause of such variance, listing and describing each significant causative item and the associated dollar amount.
398. Penalties and fines. List and describe any and all penalties and fines in the base and test years and the preceding three years. Indicate in which account each such item was recorded.
399. List all productivity savings expected to be realized by the Company as a result of increased employee experience.
400. List each facility, location and asset which is included as rental expense. For each item include a description, the annual or monthly rental rate, the account and amount included in the base and test year expense.
401. Please list storm damage expense for each year for the 10-year period ending with 2009.
402. Provide, by year, all affiliated operating expenses charged to the Kentucky jurisdiction for the 10 years ending 2009 plus as forecasted for 2010 and 2011.
403. For the base and test years, provide detailed support for all Management Fees included in the filing. Provide this in Microsoft Excel or compatible format. Include total charges incurred by each corporate department and the amount each of these departments allocated to KAWC. Also include the number of employees in each department and the method used to allocate charges for each department.

404. Provide a general ledger listing or similar report of all transactions that comprise the corporate and affiliated charges allocated to KAWC.
405. Provide the most recent 2010 and 2011 American Water Works and AWWSC operating expense budgets and 2010 and 2011 forecasts of American Water and AWWSC operating expense. Please identify all assumptions, workpapers, calculations and source documents relied upon and provide the development of all escalation factors.
406. Please identify the total American Water, AWWSC and American Water Capital Corporation (AWCC) interest costs and the amount billed to the KAWC during 2007, 2008 and 2009 and as forecasted for the future test year by account.
407. Tapping Fees (Bridwell). Please provide workpapers showing the following:
 - a. Actual cost of installations, by service size for each year from 2005 through 2009;
 - b. Number of installations, by service size for each year from 2005 through 2009; and,
 - c. Basis for projecting the number of installations shown on WP8-1 (1300 3/4", 60 1", and 40 2").
408. Conservation (Bridwell). Please provide a copy of the Strand Associates report to KAW.
409. Conservation (Bridwell). On page 5, Ms. Bridwell states that the Strand Report found that KAW has "low water costs compared to other states." Please provide all documents provided to Strand Associates by KAW concerning the cost of water for KAW.
410. Class Revenue Allocation (Herbert). Please explain why one of the rate design guidelines is that no class's rates should increase by more than 50%. Why was 50% chosen as opposed to some other number?
411. Class Revenue Allocation (Herbert). Concerning the allocation of the proposed increase:
 - a. Is it correct that the Industrial class is the only customer class where the rate increase was limited by the guideline that no class's rates should increase by more than 50%?
 - b. What guidelines and/or procedures were used to determine how the revenue shortfall from the Industrial class should be recovered from the other customer classes?

- c. Why was it decided to recover the entire Industrial class revenue shortfall from the Residential class?
412. Cost of Service Study (Herbert). Please provide all documents used to estimate class demands, as describe in Mr. Herbert's testimony, p. 7, lines 19-22.
413. Cost of Service Study (Herbert). Please provide the cost of service study (KAW Exh. 36) in a fully functioning electronic spreadsheet file, with all formulas, references, and links intact.
414. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 9 of 44. Please explain the meaning of footnote (a) and provide a workpaper showing the breakout of miscellaneous sales from other residential revenues.
415. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 11 of 44. Purchased water costs are allocated using factor 1. Concerning this:
- a. In what service areas, and under what conditions, does KAW purchase water?
 - b. Are any of the purchased water costs related to peaking conditions (for example, is there a capacity or demand component to the charge)?
 - c. Please provide a copy of each purchased water contract that will be in effect during the projected period.
 - d. Please provide a copy of each purchased water invoice KAW received during 2009 and to-date in 2010.
416. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 11 of 44. Why is Pump Fuel and Power Purchase allocated using factor 1 while all other pumping-related costs are allocated using factor 6?
417. Cost of Service Study (Herbert). Re: KAW Exh. 36, pp. 15 and 37 of 44. Why are Collecting & Impounding Reservoirs allocated differently from other sources of supply (such as structures & improvements and intakes)?
418. Cost of Service Study (Herbert). Re: KAW Exh. 36, pp. 16 and 37 of 44. Why is there a negative plant balance for Office Furniture and Equipment (and some components thereof, as shown in the depreciation schedule on p. 16)?
419. Cost of Service Study (Herbert). Re: KAW Exh. 36, pp. 16 and 38 of 44. Why is there a negative plant balance for Stores Equipment, but the same account is shown with a positive depreciation expense on p. 16?

420. Cost of Service Study (Herbert). Re: KAW Exh. 36, pp. 17 and 38 of 44. Why is there a negative plant balance for Other Tangible Property?
421. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 17 of 44. Why is the amortization of Property Losses allocated using factor 2? What property was associated with this amortization?
422. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 21 of 44. How was it determined that the "system demand for fire protection is 10,000 gallons per minute for 10 hours"? Please provide all workpapers or other documents used in deriving this figure.
423. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 23 of 44. How was it determined that the system maximum hour ratio is 2.5? Please provide all workpapers or other documents used in deriving this figure.
424. Cost of Service Study (Herbert). Re: KAW Exh. 36, pp. 24-25 of 44. The document states that a 3-hour demand for fire flow is used, but the calculation on page 25 show a 10 hour demand for fire flow (10 hours also is used on p. 21). Please review this apparent discrepancy and provide any necessary corrections. If a 3-hour demand is correct, please explain why that is appropriate for storage facilities when mains and other facilities are designed for a 10-hour fire demand.
425. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 26 of 44. Please provide an electronic spreadsheet file containing the data and calculations used to determine the horsepower of pumps associated with each category shown on this page.
426. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 27 of 44. Please provide an electronic spreadsheet file containing the data and calculations used to determine the footage of mains associated with each category shown on this page.
427. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 31 of 44. Please provide a workpaper detailing the adjustment referred to in the footnote on this page.
428. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 33 of 44. Concerning the allocation of meter reading costs:
- a. Did the witness consider any other method to allocate meter reading costs (such as a method based on the cost or efficiency of reading meters for each class of customers)? If so, please provide copies of all analyses and workpapers evaluating such other methods. If not, please explain why not.
 - b. Within the past five years, has the witness used other methods to allocate meter reading costs for other affiliates of American Water Works Co.? If

so, please describe the other method(s) and explain why they were not used in this case.

429. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 34 of 44. Why were “purchased water, power, chemicals and waste disposal” removed from the allocation of administrative and general expenses?
430. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 39 of 44.
- a. Over what time period were net charge-offs evaluated to develop factor 20?
 - b. Please provide the net charge-offs, by customer class, for each of the calendar years 2005 through 2009.
431. Cost of Service Study (Herbert). Re: KAW Exh. 36, pp. 29 and 43 of 44. Why are different meter ratios used for allocating meter costs to customer classifications (p. 29) and developing the meter charges under proposed rates (p. 43)?
432. Cost of Service Study (Herbert). Re: KAW Exh. 36, p. 43 of 44.
- a. What is the source for the figures shown in column (2) on this page? The reference is to Schedule D which does not appear to be correct.
 - b. Why do the number of meter equivalents, service equivalents, and customers not match the comparable figures on pages 28, 30, and 33, respectively?
433. Cost of Service Study (Herbert). Was a cost of service study performed that allocates all costs to functions (base, maximum day, etc.) before allocating costs to the customer classes, as KAW apparently has done in previous cases? If so, please provide that study in a fully functioning electronic spreadsheet file, with all formulas, references, and links intact. If not, why not?
434. Please provide electronic (Microsoft Excel) copies of all rate of return, capital structure, and debt cost rate schedules with all data and formulas intact. These would include Exhibits 23, 37J and 37K.
435. Please provide copies of all presentations made to rating agencies and/or investment firms by American Water Works Company (“AWWC”) and/or Kentucky American Water Company (“KAWC”) between January 1, 2009 and the present.

436. Please provide copies of all prospectuses for any security issuances by AWWC and KAWC since January 1, 2008.
437. Please provide copies of all studies performed by AWWC and/or KAWC, or by consultants or investment firms hired by AWWC and/or KAWC, to assess (1) the KAWC's financial performance, (2) the performance of the KAWC relative to other utilities, or (3) the adequacy of the KAWC's return on equity or overall rate of return.
438. Please provide copies of all investment reports on AWWC published since January 1, 2009.
439. Please provide copies of credit reports for AWWC and KAWC from the major credit rating agencies (S&P, Moody's, and Fitch) published since January 1, 2008.
440. Please provide the S&P and Moody's credit and bond ratings for AWWC and KAWC for the past five years.
441. Please provide the breakdown in the expected return on pension plan assets for KAWC. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.
442. Please provide the authorized and earned return on common equity over the past five years for the KAWC. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
443. Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for KAWC for 2007, 2008, and 2009. Please include 2009 financial statements when they become available. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
444. For the past three years, please provide the dates and amount of: (1) cash dividend payments made by KAWC to AWWC; and (2) cash equity infusions made by AWWC into KAWC.
445. Please provide the SEC 10-k reports for AWWC and KAWC for 2008 and 2009. If the 2009 10-k is not yet available, please provide it when it becomes available.

446. With respect to Exhibit MAM-3, please provide (1) all data, work papers, and copies of source documents used in the development of the capitalization amounts (13 Month Average Amounts, and adjustments as reflected in the Add (1) column, and (2) an electronic version (Microsoft Excel) of Exhibit MAM-3, and all supporting Schedules and work papers used to determine the 13-month capitalization amounts, with all data and equations left intact.
447. With respect to Exhibit MAM-3, please provide (1) all data, work papers, assumptions, and calculations used to determine the costs and interest rates in all pro forma financings, and other data used to determine the cost rates for short-term debt, long-term debt, and preferred stock, and (2) an electronic version (Microsoft Excel) of all supporting Schedules and work papers used to determine the senior capital costs, with all data and equations left intact.
448. With respect to Exhibit MAM-4, please provide (1) all data, work papers, assumptions, and calculations used in the analysis of the savings associated with the financings, and (2) an electronic version (Microsoft Excel) of all supporting Schedules and work papers used in the analysis, with all data and equations left intact.
449. With respect to Exhibit MAM-5, please provide (1) a copy of page 2 of Exhibit MAM-5, which is missing, (2) all data and work papers used in the analysis of interest rates, as well as an detailed explanation of the analysis which is performed in Exhibit MAM-5, and (2) an electronic version of Exhibit MAM-5 (pages 1 and 2) along with all supporting Schedules and work papers used in the analysis, with all data and equations left intact.
450. With respect to Exhibit MAM-6, please provide (1) all data, work papers, assumptions, and calculations used to short-term interest rate paid by KAWC and the Fed Funds rate, and (2) an electronic version (Microsoft Excel) of all supporting Schedules and work papers used to determine the senior capital costs, with all data and equations left intact.
451. With respect to page 3, lines 8-23, please provide copies of Dr. James H. Vander Weide's last three cases in which he gave little or no weight to his CAPM results due to the Betas or market capitalization.
452. With respect to page 15, lines 1-5, and Appendix 2, please provide copies of all theoretical and empirical studies known to Dr. Vander Weide which compare and contrast the quarterly and annual DCF models.
453. With respect to pages 17-18, please indicate (1) why Dr. Vander Weide has chosen to use the earnings forecasts reported by I/B/E/S and not another service like Zack's or First Call?, (2) how does the analysts coverage of I/B/E/S compare to the analysts coverage of the other major earnings reporting services?, and (3)

are the I/B/E/S earnings forecasts available free of charge on the Internet and, if so, where?

454. With respect to page 18, lines 1-5, please provide all studies known to Dr. Vander Weide which indicate that "I/B/E/S growth rates are widely used by institutional and other investors."
455. With respect to page 18, lines 12-20, please provide a copy of the article written by Dr. Vander Weide from the *Journal of Portfolio Management*.
456. With respect to page 19, lines 14-18, please provide (1) a copy of the updated study by State Street Financial Advisers; and (2) copies of the work papers, data, and analyses used in the updated study. Please provide the data in Microsoft Excel format, with all data and formulas in intact.
457. With respect to page 20, lines 13-23, please provide (1) estimates of the floatation costs (direct expenses as well as market pressure costs) of the equity issued by KAWC over the past five years, (2) the prospectuses for all equity issues by KAWC over the past five years.
458. With respect to page 22, lines 17-22, please indicate: (1) the water companies eliminated by each of the screens applied to the companies listed in the Value Line Investment Survey; (2) the reason each was eliminated.
459. With respect to page 26, lines 1-2 (Table), (1) please provide copies of the I/B/E/S analyst research reports for the water companies in the proxy group, and (2) for companies covered in the Plus edition of Value Line, please indicate the source used by Value Line for the earnings growth rate since Value Line does not provide long-term earnings forecasts for these companies.
460. With respect to page 27, lines 7-17, please indicate (1) all companies considered as part of the natural gas industry groups, (2) what gas companies were eliminated by each of the screens applied to the companies listed in the Value Line Investment Survey; (3) the reason each was eliminated.
461. With respect to page 29, lines 1-3, please provide copies of the I/B/E/S analyst research reports for the gas companies in the proxy group.
462. With respect to page 30, lines 1-19, and Schedule 3 of Exhibit ____(JVW-1), please provide (1) copies of all source documents, data, and work papers used in Dr. Vander Weide's ex ante risk premium study, (2) an electronic version (Microsoft Excel) of the data used in the analysis, with all data and equations left intact, and (3) copies of the regressions run on the data.

463. With respect to page 32, line 1 to page 37, line 27, and Schedule 4 of Exhibit ____(JVW-1), please provide (1) copies of all source documents, data, and work papers used in Dr. Vander Weide's ex post risk premium study using the S&P 500, (2) the sources of the data items employed, (3) an electronic version (Microsoft Excel) of the data used in the analysis, with all data and equations left intact, and (4) copies of the regressions run on the data.
464. With respect to page 32, line 1 to page 37, line 27, and Schedule 5 of Exhibit ____(JVW-1), please provide (1) all source documents, data, and work papers used in Dr. Vander Weide's ex post risk premium study using the S&P Utilities Stock Index, (2) the sources of the data items employed, and (3) an electronic version (Microsoft Excel) of the data used in the analysis, with all data and equations left intact.
465. With respect to page 39, lines 8-13, and Schedule 8 of Exhibit ____(JVW-1), please provide (1) copies of the data, work papers, and source documents used in preparation of the CAPM study in Schedule 8; (2) for each company listed in the S&P 500, the data, the number of analysts providing an EPS growth rate forecast as well as the market capitalization weight used for each company, (3) the names and growth rates for the S&P 500 companies that are not included in Schedule 8, (4) the company name, dividend, price, expected growth, cost of equity, and market cap for all companies in the S&P 500, not just those shown in Schedule 8; and (4) an electronic version (Microsoft Excel) of all data and work papers used in the analysis, with all data and equations left intact.
466. Please provide an electronic version (Microsoft Excel) of the following Schedules, with all data and equations left intact: Schedules 1,2,3,4,5,6,7,and 8.