

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 SECOND 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 Second 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.

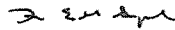
(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(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 Electronic Filing, Filing, and Certificate 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 16<sup>th</sup> Order of procedure, undersigned counsel certifies that the electronic version is a true and accurate copy of the material filed in paper medium (except for the redaction of information for which there is a request for confidential treatment), 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 16<sup>th</sup> 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/](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 16<sup>th</sup> Order) with an unredacted copy filed with the Commission under seal.

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

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The electronic filing took place on 9 May 2010 with the filing of the documents in paper medium scheduled for 10 May 2010.

  
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Assistant Attorney General

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

1. Refer to the Company's response to Staff data request PSC-1, where the Company provided Workpapers WP 3-1 through WP 3-15 for O&M expenses and WP -1 through WP-9 for other components of KAW's filing. To the extent that any of such workpapers or supporting calculations were prepared using Excel, or an electronic spreadsheet similar to Excel, (and not already provided in response to AG-1-1) please provide such workpapers electronically in Excel.
2. Refer to the Company's response to AG-1-15.
  - a. Please confirm there is no LTIP expense in any of these periods for KAW employees:
    - 1) 2009;
    - 2) 2010; and
    - 3) Future test year.
  - b. If there is any LTIP in any of the periods identified in response to part a, please identify the amount and account.
3. Refer to the Company's response to AG-1-15.
  - a. Please confirm there is no LTIP expense in any of these periods for AWWSC employees whose cost is allocated or charged to KAW:
    - 1) 2009;
    - 2) 2010; and
    - 3) Future test year.
  - b. If there is any LTIP in any of the periods identified in response to part a, please identify the amount and account.

4. Refer to the Company's response to AG-1-15, pages 9-10 of 39. Also refer to KAW's supplemental response to AG-1-15.

a. Is KAW now requesting \$436,987 for forecasted AIP awards? If not, explain fully why not and identify the amount that KAW is requesting.

b. Please provide the same level of detail for the \$436,987 that was provided for the original amount of \$349,529.

c. Please identify the specific TARGET amounts of each of the following AIP award determinants related to the Corporate Multiplier for each period, (2008, 2009, 2010, base period, and future test year)

1) Diluted Earnings Per Share (EPS),

2) Operating Cash Flow (GAAP),

3) Revenue Growth,

4) Safety,

5) Environment,

6) Customer Satisfaction,

7) Business Transformation, and

8) Diversity.

d. Please identify the specific ACTUALLY ACHIEVED amounts of each of the following AIP award determinants related to the Corporate Multiplier for each period, (2008, 2009, 2010, base period, and future test year)

1) Diluted Earnings Per Share (EPS),

2) Operating Cash Flow (GAAP),

3) Revenue Growth,

- 4) Safety,
  - 5) Environment,
  - 6) Customer Satisfaction,
  - 7) Business Transformation, and
  - 8) Diversity.
- e. Please provide the documents and supporting calculations for specific ACTUALLY ACHIEVED amounts of each of the following AIP award determinants related to the Corporate Multiplier for each period, (2008, 2009, 2010, base period, and future test year)
- 1) Diluted Earnings Per Share (EPS),
  - 2) Operating Cash Flow (GAAP), and
  - 3) Revenue Growth.
5. Refer to the Company's response to AG-1-15, page 11 of 39.
- a. Please identify, quantify and explain any and all "uncontrollable events" that affected the Corporate Multiplier of the AIP for each period, (2008, 2009, 2010, base period, and future test year).
  - b. For each period, please show the amount of Corporate Multiplier and AIP award both (1) with taking into account the "uncontrollable events" and (2) without taking into account the "uncontrollable events."
6. Refer to the Company's response to AG-1-15, page 14 of 39.
- a. Show in detail how each of the listed Company "Financial Performance Factor" amounts (1.39, 0.94, 0.50 and 0.00) were derived.
  - b. Show in detail how each of the listed Company "Non-Financial Performance Factor" amounts (0.77, 1.12, 0.50 and 0.00) were derived.

- c. Are each of the "Company" Financial Performance Factors based on the parent company American Water Works? If not, explain fully why not, and show in detail how subsidiary company results are considered.
7. Refer to the Company's response to AG-1-15. Pages 4-23 of 39 are the American Water 2009 Annual Incentive Plan Highlights Brochure.
  - a. Is there a more detailed document available? If not, explain fully why not. If so, provide it.
  - b. That document is dated February 2009. Is there a more recent document available? If not, explain fully why not. If so, provide it.
8. Refer to the Company's response to AG-1-15, page 2 of 39.
  - a. Please show in detail how the "Future Test Year AIP" amounts for each of the filled positions was developed.
  - b. Please show in detail how the "Future Test Year AIP" amounts for each of the vacant positions was developed.
  - c. For each position with no amount in the "Future Test Year AIP" please explain fully and in detail why no AIP for the future test year for such position is projected.
  - d. What does (N) indicate in the "Job Title" column?
9. Please identify in detail all payroll expense, benefits expense, AIP expense, and payroll tax expense KAW has included in the future test year for vacant positions. Please show all amounts by account and also for each vacant position.
10. Refer to the Company's response to AG-1-15, pages 24-29 of 39. Please identify all amounts of expense in each period (2008, 2009, 2010, base period, and future test year) related to the American Water Works Company, Inc., 2007 Omnibus Equity Compensation Plan. Provide the amount of such expense recorded in each account for each period.
11. CIAC. Refer to the Company's response to AG-1-18.



a. Does the Company maintain an amortization schedule for CIAC? If not, explain fully why not. If so, please provide it in Excel, showing in detail the full amortizations that produced each of the following amounts:

- 1) \$146,561 for December 2007,
- 2) \$111,722 for December 2008,
- 3) \$116,239 for December 2009, and
- 4) \$117,900 for March 2010.

b. Explain fully the negative CIAC amortization in March 2008 and provide the related journal entries, journal entry workpapers and journal entry descriptions.

12. Refer to the Company's response to AG-1-18, AG-1-19, AG-1-31 and to the amounts of property taxes recorded by KAW in Object/Account 685200 (NARUC B40811) for each year (2008, 2009, 2010, base period, and future test year). Please identify, quantify and explain the amount of property taxes in each period that relates to Plant and CWIP that has been financed with CIAC or Advances. If no property taxes relate to Plant that has been financed with CIAC or Advances please explain why not.

13. Refer to the Company's response to AG-1-237.

a. Please show the Company's total assessed values by taxing authority as of each date: (1) 12/31/2007, (2) 12/31/2008 and (3) 12/31/2009.

b. Please show the total assessed values by taxing authority that correspond with the amounts of property taxes paid listed on KAW's response to AG-1-237, page 2 of 15.

c. Have the assessed values of any of the Company's property decreased since 12/31/2008? If not, explain fully why not. If so, please identify, quantify and explain the decreases.

- d. Are the amounts of property taxes paid by the Company related to the assessed values of its property? If not, explain fully why not. If so, please identify, quantify and explain the relationship.
- e. Please show in detail the basis for the additional assessment of \$265,087 for Fayette County for 2008 listed on KAW's response to AG-1-237, page 2 of 15.
- f. Please show in detail the basis for the additional assessment of \$14,903 for Scott County for 2008 listed on KAW's response to AG-1-237, page 2 of 15.
- g. Explain why there are no refunds or additional assessments listed for 2006 and only a \$398 refund for 2007 on KAW's response to AG-1-237, page 2 of 15.
- h. Please show in detail the basis for the refund of \$131,974 for Owen for 2008 listed on KAW's response to AG-1-237, page 2 of 15.

14. Refer to the Company's response to AG-1-24.

- a. Explain in detail why there is no Retirement Work in Progress for any months from March 2009 through March 2010.
- b. Explain why there are negative amounts for Retirement Work in Progress for January and February 2009.
- c. Identify and explain all changes in accounting in 2008, 2009 or 2010 that KAW implemented that affected Retirement Work in Progress.

15. Refer to the Company's response to AG-1-27 and AG-1-148.

- a. Please identify the amount of Regulatory Asset associated with Deferred Income Taxes for each month listed on the response to AG-1-27.
- b. Please show in detail the amount of SFAS 109 Regulatory Asset by month that KAW utilized in determining the Accumulated Deferred Income Tax rate base reduction.

- c. Explain fully the "Reg Liab income tax refund thru rates" items listed on KAW's response to AG-1-27, page 2 of 2. Specifically explain what the "inc tax refund" is and how this is "thru rates."
- d. Please identify, quantify and explain the net amount of income tax expense in the FTY related to FAS 109.
- e. Please identify, quantify and explain the net amount of rate base in the FTY related to FAS 109.

16. Refer to the Company's response to AG-1-28.

- a. Please provide the attachment electronically in Excel.
- b. Please explain each column on pages 2 through 29 of 29.
- c. For each item listed in column W on pages 2 through 27 of 29, please indicate whether the item is reflected in KAW's rate base, and if not, explain fully why not.
- d. Please explain the heading on line 30 "Long-Term Temporary Differences (Non-Reg) and for each of the items listed on lines 31 through the line entitled "Subtotal Long Term Temporary Differences (Non-Reg)", explain fully and in detail why KAW considers each such item to be "Non-Reg."

17. Refer to the Company's response to AG-1-32.

- a. Please provide each of the attachments electronically in Excel.
- b. Refer to Attachment A, number of employees. Please provide actual in similar detail for April and May 2010.
- c. Refer to Attachment A, number of employees. Please explain why the differences between Actual March 2010 and Projected April 2010 for hourly, salaried and hourly union are so large.
- d. Refer to Attachment C, regular payroll. Explain why the expense for each of following months is so much higher than the other months:

- 1) July 2007;
- 2) March 2008;
- 3) December 2008;
- 4) March 2009;
- 5) June 2009;
- 6) November 2009;
- 7) March 2010;
- 8) December 2010;
- 9) March 2011; and
- 10) August 2011.

e. Refer to Attachment D, overtime payroll. Explain why the expense for each of following months is so much higher than the other months:


- 1) February 2007;
- 2) July 2008;
- 3) June 2009;
- 4) July 2010;
- 5) November 2010;
- 6) December 2010; and
- 7) July 2011.

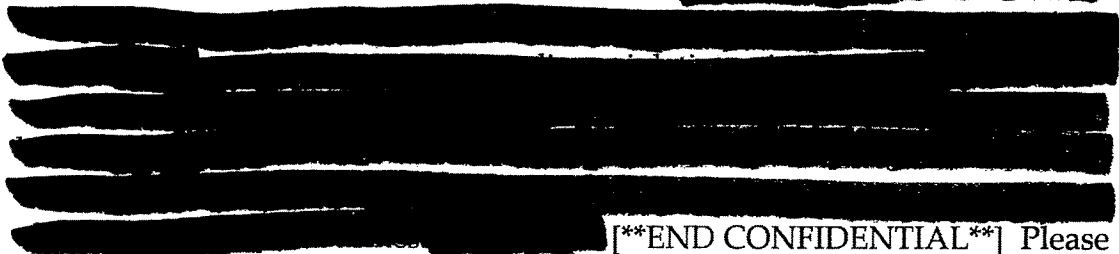
f. Refer to Attachment D, overtime payroll. Explain why total overtime pay in 2009 is lower than either 2008 or 2007.

- g. Refer to Attachment C, regular payroll and Attachment D, overtime payroll. Explain why there are no amounts for Other for any month April 2010 through September 2011.
  - h. Refer to Attachment C, regular payroll and Attachment D, overtime payroll. Explain why there are amounts for Other in each month January 2007 through March 2010.
  - i. Explain what functions are included in Other on Attachment D.
18. Refer to the Company's response to AG-1-35, AG-1-37 and to AG-1-32 Attachment A.
- a. Please identify and explain the 6 positions difference for Hourly between actual March 2010 and projected April 2010.
  - b. Please identify and explain the 3 positions difference for Salaried between actual March 2010 and projected April 2010.
  - c. Please identify and explain the 4 positions difference for Union Hourly between actual March 2010 and projected April 2010.
  - d. Please reconcile the 8 not filled positions (responses to AG 1-37 and aG-1-37) with the 13 position difference between actual March 2010 and projected April 2010 in AG-1-32 Attachment A. Identify the other 5 positions and indicate whether and when they are projected to be filled.
19. Refer to the Company's response to AG-1-38. Please provide the 2009 and 2009 AIP performance review forms for all supervisor, management and higher personnel.
20. Refer to the Company's response to AG-1-38. Please provide the 2009 and 2009 AIP performance review forms for all supervisor, management and higher personnel at American Water Works Service Company ("AWWSC") who charge or allocate cost to KAW.
21. Refer to the Company's response to AG-1-39.
- a. Does the targeting of base compensation at the 50<sup>th</sup> percentile apply to both (1) KAW and to (2) AWWSC employees who charge or

allocate cost to KAW? If not, explain fully why not, and explain in detail how the base and incentive compensation are developed for AWWSC employees who charge or allocate cost to KAW.

- b. Does the targeting of incentive compensation at the 65<sup>th</sup> percentile apply to both (1) KAW and to (2) AWWSC employees who charge or allocate cost to KAW? If not, explain fully why not, and explain in detail how the base and incentive compensation are developed for AWWSC employees who charge or allocate cost to KAW.
- c. Please show in detail how the "market based compensation levels" were developed for each year, 2008, 2009 and 2010. If different for KAW and for AWWSC employees, provide both.
- d. Please identify and provide a copy of all studies that were used to determine the "market based compensation levels" for each year, 2008, 2009 and 2010. If different for KAW and for AWWSC employees, provide both.

22. Refer to the Company's response to AG-1-41 and AG-1-43. The two policies attached to AG-1-41 are dated June 26 and June 29, 2007 respectively. These indicate that **[\*\*BEGIN CONFIDENTIAL\*\*]** 



**[\*\*END CONFIDENTIAL\*\*]** Please identify and provide a copy of all reports by Corporate Human Resources and if different by Human Resources for each year 2009, 2009 and 2010.

23. Refer to the Company's response to AG-1-44. Please identify and provide a copy of all "reforecast process" changes that occurred in 2009 and 2010.

24. Stock based compensation. Refer to the Company's response to AG-1-47.

- a. Please provide the stock based compensation amounts broken out by executive for each period.

- b. For each stock-based compensation program in existence for 2008, 2009, 2010 or the future test year, please provide the documents, contracts, agreements, and communications materials.

25. Defined benefit pension expense. Refer to the Company's response to AG-1-49.

- a. Please identify each KAW affiliate that has treated the actuarial reports for the American Water Works Company defined benefit pension plan as public, non-confidential documents in their respective rate cases during 2008, 2009 and 2010.
- b. Please explain fully and in detail why the actuarial reports for the American Water Works Company defined benefit pension plan are confidential for KAW but not for other affiliated water companies in their respective rate cases during 2008, 2009 and 2010.
- c. Please provide the comparable actuarial reports for 2008 and 2009.
- d. Explain fully and in detail why the 2009 amount listed in response to AG-1-49 part c is more than double the respective amounts listed for 2008 and 2009.
- e. Show in detail how the defined benefit pension plan expense for the FTY (listed in response to AG-1-49 part b) was determined and reconcile that amount to the actuarial reports. Identify, quantify and explain each reconciling item.
- f. Do the amounts listed in response to AG-1-49 parts a, b and c, include amounts for the American Water Works Company defined benefit pension plan that were/are charged to KAW from the affiliated Service Company in the affiliated Management Fee? If not, explain fully why not, and provide the affiliate charged amounts by account.
- g. Are the amounts listed in AG-1-49 parts a, b and c based on FAS 87? If not, explain fully why not, and provide the FAS 87 amounts for each period.

26. Defined benefit pension expense. Refer to the Company's response to AG-1-49.





- h. Refer to KAW AG-1-49 page 120 of 136. Please detail exactly what the **[\*\*BEGIN CONFIDENTIAL\*\*]** **[REDACTED]** **[\*\*END CONFIDENTIAL\*\*]** was paid for, and indicate to whom it was paid.
  - i. Refer to KAW AG-1-49 page 120 of 136. Please provide the studies and documentation relating to the changes in the **[\*\*BEGIN CONFIDENTIAL\*\*]** **[REDACTED]** **[\*\*END CONFIDENTIAL\*\*]**.
27. OPEB. Refer to the Company's response to AG-1-50, pages 80-130 of 130 **[\*\*BEGIN CONFIDENTIAL\*\*]** **[REDACTED]** **[\*\*END CONFIDENTIAL\*\*]**.
- a. Refer to page 83 of 130. Please show in detail how the **[\*\*BEGIN CONFIDENTIAL\*\*]** **[REDACTED]** **[\*\*END CONFIDENTIAL\*\*]** were allocated to KAW for each year. Please show separately how each of those amounts was allocated to the affiliate AWWSC and allocated from AWWSC to KAW for each year.
  - b. Please reconcile the amount KAW requested in rates with the information shown in the American Water Works Company, Inc. Retiree Welfare Plan, April 2010. Identify, quantify and explain each reconciling item.
  - c. Refer to page 83 of 130. Please identify the participant contributions for each year.
  - d. Refer to page 83 of 130. Please explain the **[\*\*BEGIN CONFIDENTIAL\*\*]** **[REDACTED]** **[\*\*END CONFIDENTIAL\*\*]**.
  - e. Refer to page 83 of 130. Please show in detail how the **[\*\*BEGIN CONFIDENTIAL\*\*]** **[REDACTED]** **[\*\*END CONFIDENTIAL\*\*]** Include supporting calculations, journal entries and journal entry descriptions relating to adjusting the Company's deferred tax asset on the balance sheet.

- f. Refer to page 86 of 130, explain the following: **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED] **[\*\*END CONFIDENTIAL\*\*]**
- g. Refer to page 106 of 130. Explain why the **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED] **[\*\*END CONFIDENTIAL\*\*]**
- h. Provide in detail the studies and support for the assumed **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED] **[\*\*END CONFIDENTIAL\*\*]**

28. Refer to the Company's response to AG-1-56. Please provide the attachment electronically in Excel.

29. Refer to the Company's response to AG-1-56.

- a. Explain fully and in detail why the 2010 pension is higher than 2009.
- b. Show in detail how the 2010 pension amounts reconcile with the actuarial report provided in response to AG-1-50.
- c. Show in detail how the capital and O&M percentages for each type of benefit were derived for the 2010 and 2011 amounts.
- d. Explain fully why the DCP OPEBs have no amounts for either 2010 or 2011.
- e. Explain fully why there are no Long Term Incentive Plan amounts in 2007 or 2009 and only for the period March-May in 2008.
- f. Show in detail how the Long Term Incentive Plan amounts for 2010 and 2011 were derived. Include detailed supporting calculations and reconcile the amounts for each of these years to the specific incentive targets that were achieved.

- g. Show in detail how the 2007, 2008 and 2009 Annual Incentive Plan amounts related to the specific financial and non-financial targets that were achieved in each year.
- h. Do any of the Annual Incentive Plan amounts relate to employees who work on Capital projects? If not, explain fully why not. If so, please identify the amounts for each year.
- i. Please show in detail each of the specific financial targets that are assumed to have been achieved for the 2010 and 2011 Annual Incentive Plan costs, respectively.
- j. Please provide all Service Company invoices related to the Rate Case Expenses listed on KAW's response to AG-1-64, pages 18 through 23 of 23.
- k. Refer to page 23, for the 2010 KAW rate case. Why is there no amount in the "Cost of Money" column?

30. Refer to the Company's response to AG-1-65. Was any of the cost of any of the judgments or settlements listed in the response to AG-1-65 included in the historic or future test year? If not, explain fully why not. If so, please identify the amount and accounts for the base period and FTY separately.

31. Refer to the Company's response to AG-1-66.

- a. What was the \$20,500 Robert Half expense for?
- b. Please provide the invoice.
- c. Please identify all other costs by account relating to the same contract or project that the \$20,500 Robert Half expense was for.

32. Refer to the Company's response to AG-1-67.

- a. Are each of the dollar amounts listed in the response also in the future test year expense? If not, explain fully why not. Identify, quantify and explain the corresponding future test year amounts, by account.

- b. Please provide the corporate and human resources brochures that relate to the \$7,843 expense.
33. Refer to the Company's response to AG-1-69. Please provide the attachment electronically in Excel.
34. Refer to the Company's response to AG-1-73.
- a. Please explain the negative actual recorded amounts for each year, 2007, 2008 and 2009 for Injuries and Damages.
  - b. Please show in detail what the budgeted amounts were for each year, 2007, 2008 and 2009.
  - c. Please show in detail how the 2010 and 2011 budget amounts were developed.
35. Refer to the Company's response to AG-1-74. Please provide the attachment electronically in Excel.
36. Refer to the Company's response to AG-1-74.
- a. Why has D&O increased by 1049% in 2008?
  - b. Why does KAW include items in the Rate Case Forecast that are not included in the 2010 budget?
  - c. Show in detail how each of the amounts on the "retros/contingency" line were derived and provide the supporting documents.
  - d. Provide a copy of the Executive Risk policy and invoice and explain why no amounts for this type of insurance were include in the Actual 2010 or 2009 or 2008 or 2007 results.
  - e. For each item that is listed with a "premium expiration" of 4/30/2010 or earlier, please provide the last invoice, indicate whether there was any renewal in 2010 and provide the most current invoice and expense.

37. Refer to the Company's response to AG-1-82. What sources did Mr. Baryenbruch search as the basis for his conclusion that water company specific data was not available? Identify each source.

38. Refer to the Company's response to AG-1-84. Identify the "prime contractor" for each audit of affiliated charges listed in AG-1-84.

39. Refer to the Company's response to AG-1-85.

- a. Identify each "previous cost comparison study" for American Water performed by Baryenbruch and Company or by Baryenbruch.
- b. Identify each "previous cost comparison study" for utility clients other than American Water performed by Baryenbruch and Company or by Baryenbruch.
- c. Provide the complete other "study" from which the graph on KAW's response to AG-1-85, page 3 of 15 was derived.
- d. Provide all of Mr. Baryenbruch's testimony and exhibits in each case listed on pages 7 and 8 of 15 of KAW's response to AG-1-85 that was for an American Water affiliate.
- e. Refer to page 11 of 15 of KAW's response to AG-1-85. "American Water - Mr. Baryenbruch has acted as an expert witness on the issue of service company charges in 23 rate cases."
  - 1) Identify each of the 23 rate cases.
  - 2) Identify and provide a copy of the Baryenbruch testimony in each such rate case that related to service company charges.
- f. Refer to page 11 of 15 of KAW's response to AG-1-85: "Duke Energy - "Mr. Baryenbruch is currently involved with Duke's enterprise-wide re-engineering of its accounting function and its merger with Cinergy Corporation. ... Mr. Baryenbruch is currently assisting Duke with its merger with Cinergy."
  - 1) Identify the dates of Mr. Baryenbruch's work for Duke regarding the merger with Cinergy.

- 2) Identify and provide a copy of all related recommendations related to the Duke "accounting function and its merger with Cinergy."
- g. Refer to page 12 of 15. Has Mr. Baryenbruch retained work product or filed reports for any of the Commission-ordered management audits listed there (his Exhibit 1, page 3 of 4)? If not, explain fully why not. If so, please identify and provide a copy of the reports, or, at minimum, the sections of the reports which address the affiliated transactions.

40. Refer to the Company's response to AG-1-86.

- a. Refer to page 6 of 11.
  - 1) Explain what "FRCC" is.
  - 2) Explain in detail the concern about the FRCC not being closer to the \$253,000.
  - 3) Identify exactly where the \$253,000 appears in the Baryenbruch study.
- b. Refer to page 7 of 11.
  - 1) Provide the referenced Excel file pivot table.
  - 2) Provide the basis for the "assumed 50% for benefits" including the supporting documentation.
- c. Refer to page 11 of 11. Please identify, quantify and explain the "software and hardware expenses" that were included in account 534999 General Overhead but that were apparently excluded in the Baryenbruch calculation of the Service Company's hourly rates.
- d. Were the "software and hardware expenses" included in account 534999 charged by the Service Company to KAW? If not, explain fully why not.

41. Are any functions or services that are provided to KAW from the affiliated Service Company subject to competitive bidding?

- a. If not, explain fully why not.
- b. If so, please identify all such services provided to KAW from the Service Company in 2007, 2008, 2009 and 2010 which were subject to competitive bidding.
- c. Please provide the competitive bid documentation related to your response to part b.

42. Refer to the Company's response to AG-1-89.

- a. Please provide the attachment electronically in Excel.
- b. Please confirm that the listing by account is only for affiliated Service Company charges to KAW. If this is not what the information shows, please provide by account, the listing of affiliated Service Company charges to KAW for the two periods. (Also provide this electronically in Excel.)
- c. Referring to account 501712:
  - 1) Explain the negative amount for the 12 months ended 9/30/09.
  - 2) Explain the zero amount for the 12 months ended 9/30/11.
- d. Refer to accounts 501716 and 501718. Explain the significant increases.
- e. Explain the decrease in account 506100 Pension.
- f. For each of the "Contract Services" accounts (531000 through 536000) is this for outside contractors that were hired by the affiliated Service Company? If not, explain in detail what it is for.
- g. Please provide a detailed itemization of the 12 months ended 9/30/2011 amounts in each of the "Contract Services" accounts (531000 through 536000).

- h. Please provide a detailed itemization of the costs included in each of the following accounts for the 12 months ended 9/30/2011:
- 1) 575030 Advertising;
  - 2) 575340 Employee Expense P/R JE;
  - 3) 575640 Penalties Nondeductible;
  - 4) 575670 Relocation Expense;
  - 5) 575775 Trade Shows;
  - 6) 625000 Misc Maintenance; and
  - 7) 541000, Rents-Real Property.
- i. Explain the increase in Account 541000, Rents-Real Property.
- j. Refer to page 4 of 4 of the response to AG-1-89. Are any Service Company charges in any accounts from 690110 (FIT Current) through 840000 (Other Interest Expense) included in KAW's future test year expenses? If not, explain fully why not. If so, identify and explain each such account that contains affiliated Service Company charges that is included in KAW's future test year expenses.

43. Refer to the Company's response to AG-1-90.

- a. Please provide a clear "yes" or "no" answer to AG-1-90.
- b. If the answer is "yes" please provide all data beyond 9/30/2009 and all related analysis of data beyond 9/30/2009. Include all related Excel files electronically.

44. Refer to the Company's response to AG-1-91. Please provide a clear "yes" or "no" answer to AG-1-91(b).

45. Refer to the Baryenbruch & Company report. Has Mr. Baryenbruch or anyone from his company or anyone from KAW or KAW's affiliated Service Company ever asked any of the companies that have a higher cost per customer than Baryenbruch shows for KAW to explain why their cost per



customer is so much higher? If so, please identify all such instances and provide the related notes and documentation.

46. Refer to the Baryenbruch & Company report. Has Mr. Baryenbruch or anyone from his company ever presented a cost-per customer comparison to a regulatory commission for any of the companies that have a higher cost per customer than Baryenbruch shows for KAW? If so, please identify all such instances and provide the related study and documents.
47. The response to AG-1-91 states in part that: "Mr. Baryenbruch uses the overall service company cost per customer comparison, one of several data points, to conclude as to the reasonableness of a client regulated utility's charges from service company affiliates."
- a. Identify each of the other "data points" relied upon by Mr. Baryenbruch for his conclusion.
  - b. Please confirm that Mr. Baryenbruch concludes that a company showing below average affiliated service company cost per customer has a reasonable level of such costs. If this cannot be confirmed, explain fully why not.
  - c. Please explain in detail why it would not be equally logical to conclude using the same data that a company showing above average affiliated service company cost per customer has an unreasonable level of such costs.
  - d. Please confirm that Mr. Baryenbruch concludes that a company showing below average customer service cost per customer has a reasonable level of such costs. If this cannot be confirmed, explain fully why not.
  - e. Please explain in detail why it would not be equally logical to conclude using the same data that a company showing above average customer service cost per customer has an unreasonable level of such costs.
48. Refer to the Baryenbruch report. Please explain in detail how Mr. Baryenbruch and his firm would adjust and modify the FERC Form 60 and FERC Form 1 data for a presentation of per-customer information to a

regulatory commission for a firm such as PHI, Entergy, Allegheny, Northeast, National Grid or Duke that he shows as having a much higher than average result.

49. The response to AG-1-91(a) states in part that: "it is not possible to answer why some service companies have a higher per customer cost." The response to AG-1-92(a) states in part that: "it is not possible to answer why some service companies have a higher or lower per customer cost." Please confirm that no one at Mr. Baryenbruch's firm or at KAW or at the affiliate AWWSC knows "exactly" or specifically or even roughly why any of the companies analyzed by Mr. Baryenbruch's firm have a lower or higher per customer affiliated service company cost than KAW because no one has done a detailed analysis of why the cost is lower or higher.
  - a. If this cannot be confirmed without reservation, provide all of the related analysis and explanations of exactly or specifically or even roughly the other companies' per customer affiliated service company costs are higher or lower than KAW's.
  
50. Please admit that Mr. Baryenbruch does not know why, and has not investigated any specific reasons why, the affiliated Service Company charges to KAW are higher or lower than any other utility's affiliated service company charges.
  - a. If your answer is anything other than an unqualified admission, please explain fully and provide all explanations and analysis that Mr. Baryenbruch possesses which identify specific and reasons why one company's cost per customer is higher or lower than another company's.
  
51. Comparable information for KAW and its utility affiliates. Refer to the Company's response to AG-1-96.
  - a. Please provide the underlying information used to produce the O&M Expense per Connection comparisons show on KAW's response to AG-1-96, page 3 of 3. To the extent that such calculations or any related calculations were made in Excel, please provide such information in Excel.

- b. Please identify any and all other per-customer expense data that KAW and its affiliates have available, including but not limited to per-account information, in the format that is available for 2008 and 2009 that could be used to compare KAW with the other American Water Works Company affiliated water utility companies. To the extent that such comparable information is available in Excel, please include the related Excel files.

52. Refer to the Company's response to AG-1-97. The Company's response did not provide the requested consolidating accounting information. (The Attorney General notes that the Company's response to AG 1-97 is the subject of a Motion to Compel. While the Attorney General reserves the right to ask supplemental questions for any response the Commission may compel, the Attorney General, nonetheless, submits these supplemental questions.)

- a. 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.
- b. Please provide consolidating accounting information for American Water Works for the first quarter of 2010. Please show the amounts for each subsidiary by account and all eliminations and adjustments in the consolidation.
- c. Please provide all consolidating schedules and accounting information that American Water Works supplied to PriceWaterhouseCoopers for 2008 and 2009 and for the first quarter of 2010.
- d. Please provide the information requested in AG-1-97 and in parts a through c above electronically in Excel.
- e. Please admit that the American Water Works Company Inc. 2008 and 2009 audited financial statements referenced in the response to AG-1-97 do NOT include the consolidating information detail that was requested in AG-1-97. If your response is anything other than an unqualified admission, explain fully and identify and provide a copy of the documents relied upon.

- f. Please admit that American Water Works Company Inc., prepares consolidating information each year and provides such information to its independent auditors. If your response is anything other than an unqualified admission, explain fully and identify and provide a copy of the documents relied upon.
- g. Please admit that it is not burdensome to provide to the Kentucky AG the same information that already exists that American Water Works Company Inc., has already prepared and has provided to its auditors, PriceWaterhouseCoopers. If your response is anything other than an unqualified admission, explain fully and identify and provide a copy of the documents relied upon.
- h. Please admit that American Water Works Company Inc., prepares consolidating information not only for financial statement preparation purposes but also for purposes of preparing and filing its consolidated federal income tax return. If your response is anything other than an unqualified admission, explain fully and identify and provide a copy of the documents relied upon.
- i. Please admit that each of the American Water Works Company Inc. utility operating subsidiaries is required to maintain accounting records using the Uniform System of Accounts. If your response is anything other than an unqualified admission, explain fully and identify and provide a copy of the documents relied upon.
- j. Please admit that each of the American Water Works Company Inc., utility operating subsidiaries does in fact maintain accounting records using the Uniform System of Accounts. If your response is anything other than an unqualified admission, explain fully and identify and provide a copy of the documents relied upon.
- k. Please admit that accounting information maintained pursuant to the Uniform System of Accounts for water utilities may be more relevant and useful for purposes of comparing KAW's expenses per customer than electric utility information which uses a different Uniform System of Accounts. If your response is anything other than an unqualified admission, explain fully and identify and provide a copy of the documents relied upon.

1. Please provide the number of customers served by each affiliated water and wastewater utility as of each of the following dates: 12/31/2006, 12/31/2007, 12/31/2008, 12/31/2009 and 3/31/2010.
  
53. Please provide all pre-consolidated and consolidating information for KAW and for American Water Works Company Inc. for all income statement accounts for 2007, 2008 and 2009.
  
54. Please provide all pre-consolidated and consolidating information for KAW and for American Water Works Company Inc. for all balance sheet accounts for 2007, 2008 and 2009.
  
55. Refer to the response to PSC DR1-1, WP3-1, pages 31 through 33 of 42.
  - a. Explain why several positions do not have anything in the "Date Hired" column.
  - b. Explain the items "portion to Boonesboro" and "portion to sewer" on page 33.
  
56. Refer to the response to PSC DR1-1, WP3-1, pages 34-39 of 42.
  - a. Please identify, quantify and explain all 401(k) amounts related to Incentive Compensation.
  - b. Explain why 401(k) amounts are computed on Incentive Compensation for certain employees and provide the related employee communications.
  - c. Identify the amount of 401(k) expense related to Incentive Compensation for each period: 2008, 2009, 2010, base period, and future test year.
  
57. Refer to the response to PSC DR1-1, WP3-1, page 40. Please provide the AIP performance evaluation forms for 2008 and 2009 for each position listed on that page (i.e., each position that exceeds the FICA base).
  
58. Refer to the response to PSC DR1-1, WP3-1, pages 41-42 of 42.
  - a. Please show in detail how each figure in the "AIP Rate 2009" column was derived.

- b. Please provide the AIP performance evaluation forms 2009 for each position listed on those pages.
- c. The title of the pages is "AIP & LTIP." Please break out the amounts shown between (1) AIP and (2) LTIP, showing the AIP and LTIP amounts separately.

59. Refer to the response to PSC DR1-1, WP3-2. Please show exactly how KAW adjusted its budgeted fuel and purchased power cost to synchronize with the adjusted water sales levels proposed by KAW for the future test year. If KAW has not yet done this, please provide all information necessary to make such calculations.

60. Refer to the response to PSC DR1-1, WP3-2. Has KAW included any fuel and purchased power costs based on assumed rate increase that have not been approved by the Kentucky Public Service Commission? If so, please identify, quantify and explain all such amounts.

61. Refer to the response to PSC DR1-1, WP3-3.

- a. Please show exactly how KAW adjusted its chemical cost budget for chemical usage to synchronize with the adjusted water sales levels proposed by KAW for the future test year. If KAW has not yet done this, please provide all information necessary to make such calculations.
- b. Has KAW included any chemical costs based on assumed price increases that are not supported by actual contracts or by supplier invoices? If so, please identify, quantify and explain all such amounts.

62. Waste disposal. Refer to the response to PSC DR1-1, WP3-4.

- a. Provide the invoices and supporting documentation for the \$245,000 on page 2 of 3.
- b. Provide the invoices and supporting documentation for the \$184,628 on page 2 of 3.
- c. Provide a citation to any orders or rulings relied upon for the deferral and prospective amortization of the \$245,000.

- d. Explain in detail how the amortization period for the \$245,000 was selected.
63. Please provide a copy of the American Water Works consolidated federal income tax returns for tax years 2007, 2008 and 2009 including all supporting schedules and consolidating schedules.
64. Affiliate Management Fees. Refer to the response to PSC DR1-1, WP3-5, page 3 of 3.
- a. Show in detail how the "Original Budget" amount of \$8,975,578 was developed. Include complete supporting detail. To the extent the detail was developed using Excel, please include all related Excel files.
  - b. Why is the forecast amount of \$9,082,929 higher than the "Original Budget" amount of \$8,975,578? Identify, quantify and explain all additional costs that were added to the Original Budget to derive the forecast amount for these affiliated charges.
65. Affiliate Management Fees. Refer to the response to PSC DR1-1, WP3-5, page 2 of 3.
- a. Show in detail how each amount listed on WP3-5, page 2, for each affiliated company department and function was developed, including all supporting budget detail and assumptions.
  - b. Explain what each affiliated department listed on that page does, and identify all services provided by each department to KAW.
  - c. Why are the "Mngt Fees-Corporate" a subtraction?
  - d. What is the "Aud Going out to K" function? Provide a detailed breakout of the services and costs included in that line item.
  - e. For each affiliated department that charges cost to KAW listed on WP3-5, page 2 of 3, please provide comparable information for each period: 2008, 2009, 2010, base period, and future test year.
  - f. Identify, quantify and explain all Business Development activities in each period: 2008, 2009, 2010, base period, and future test year.

- g. Explain what SSC is and what services it provides.
- h. Explain what CSC is and what services it provides.
- i. Explain what ITS is and what services it provides.
- j. Provide a breakout of all costs in the Management Fees – Eastern Division line.
- k. Why does the title on page 2 state: “Revised 2010 management fee plan 12/23/09”?
  - 1) Have there been subsequent revisions after 12/23/09 to the projected management fees for any of these line items? If not, explain fully why not. If so, please provide each subsequent revision.
  - 2) Please provide the version of the “management fee plan” before the revision.
  - 3) Please identify, quantify and explain each item that was revised.

66. Refer to the response to PSC DR1-1, WP3-6.

- a. Referring to page 2 of 6, how many KAW employees “opted out” of medical coverage in each year, 2008, 2009, and 2010?
- b. Why is there a line item for employees “opting out”?
- c. How was the 82.66% “percentage to operations” derived?
- d. Show in detail how the each of the “Reimbursements” amounts was derived.
- e. Explain the “voluntary” component of each “Life – Voluntary” line item.
- f. Provide the invoices and support for each item in the “Rates Effective 1/1/2010” column.



- g. Provide the invoices and support for each item in the "Billing Determinant Coverage" column.
- h. Why is the Employee and Family coverage for non-union (\$1,433) so much more expensive than for Employee and Family coverage for union (\$1,198)?

67. FAS 106. Refer to WP3-6, page 3 of 6.

- a. Identify the number of covered employees and retirees for each line item for each year.
- b. Show in detail how the allocation percentages were derived. Include supporting calculations in Excel.
- c. Why is the Northern Illinois plan separate?
- d. How many employees and retirees are covered by the Northern Illinois plan?
- e. Please reconcile the \$1,122,000 and \$1,094,500 FAS 106 costs on WP3-6, page 3 of 6 for KAW with the \$910,407 for 505100.16 OPEBs AWW Acct 926100 on WP3-6, page 5 of 6. Identify, quantify and explain each reconciling item.
- f. Please reconcile the \$145,326 total premium and \$144,907 actives' subtotal for Group Ins costs on WP3-6, page 3 of 6 for KAW with the \$116,928 per month for 504100.16 OPEBs AWW Acct 926110 on WP3-6, page 5 of 6. Identify, quantify and explain each reconciling item.
- g. Is each item in the "Continuation of Coverage" subtotal on page 6 of 6 paid for (i.e., reimbursed) by the employee or retiree? If not, explain fully why not.
- h. Provide the actuarial report and all communications to and from the actuary for each amount on WP3-6, page 3.
- i. Reconcile the total amounts listed on WP3-6, page 3, to an actuarial report, and provide a copy of the actuarial report. Identify, quantify and explain each reconciling item.

68. Pension. Refer to the response to PSC DR1-1, WP3-7.

- a. Explain why the total system pension cost and the KAW amount peaked in 2009 and are projected to decline in each year subsequent to 2009.
- b. Provide the actuarial report and all communications to and from the actuary for each amount on WP3-7, page 3.
- c. Reconcile the total amounts listed on WP3-7, page 3, to an actuarial report, and provide a copy of the actuarial report. Identify, quantify and explain each reconciling item.
- d. Refer to WP3-7, page 4. Why are no pension costs capitalized?
- e. Show pension capitalized credits (506-100.16 AWW Acct 926800) for each period: 2008, 2009, 2010, base period, and future test year.
- f. Show Pension Current Expense amounts (506-100.16 AWW Acct 926400) for each period: 2008, 2009, 2010, base period, and future test year.

69. Rate Case Expense. Refer to the response to PSC DR1-1, WP3-8.

- a. Provide a detailed amortization schedule for all prior rate case amounts.
- b. Provide a detailed itemization of all AWWS charges. Indicate each AWWS department that has charges for KAW rate case cost, provide the billing rate and invoices.
- c. To the extent not already provided elsewhere, please provide the contracts and invoices for each component of cost for the current rate case 2010-00036.
- d. To the extent not already provided elsewhere, please provide the contracts and invoices for each component of cost for each prior case for which KAW seeks to charge rate case expense in the current rate case. This includes but is not limited to 2008-00427 and 2007-00143.

- e. Show in detail how the amortization periods for each component of KAW's requested rate case cost were derived.
- f. When does KAW anticipate filing its next rate case?
- g. Does KAW or AWWC maintain budgets or forecasts that indicate when the utility's next rate case is anticipated? If not, explain fully why not. If so, please provide such forecasts.

70. Insurance other than group. Refer to the response to PSC DR1-1, WP3-9.

- a. For each cost on WP3-9, please provide comparable amounts for each period: 2008, 2009, 2010, base period, and future test year. Include Excel files electronically.
- b. Refer to page 2 of 14. Please confirm that the "Summary of Percentage Changes" are multipliers, i.e., the 1.15 is an increase of 15% not an increase of 1.15%; the 1.05% is a 5% increase, not a 1.05% increase, etc.
- c. Refer to page 3 of 14. Provide the most current actual invoices for each type of insurance.
- d. Provide complete documentation for each amount on the "Contingency" line.
- e. For each policy having a date in the "Date" column that has past, indicate whether the insurance has been renewed, and provide the most current annual and monthly cost for the renewed policy.
- f. Why is there no date for the Executive Risk premium?
- g. Why is there no amount for Executive Risk in 2009?
- h. Refer to page 4 of 14. Indicate to what actual month each item F1 through F12 relates.
- i. Refer to page 5. For each affiliate listed on that page with no allocation, explain why there is no allocation?

- j. Provide the invoice for the amounts of premium, taxes and "consultation fee" listed on page 5 of 14.
- k. Please identify the dates for each column.
- l. Explain the information shown in each column:
  - 1) WC;
  - 2) WC Taxes;
  - 3) Total WC and WC taxes;
  - 4) GL/PR;
  - 5) AL; and
  - 6) Consultation Fee.
- m. Refer to page 5 of 14. Show in detail how the "Loss Assumptions" and "Exposure Assumptions" shown as percentages on the top of the page impacted the dollar amounts of "Coverage".
- n. Refer to page 6 of 14. Show in detail how the "Loss Assumptions" and "Exposure Assumptions" shown as percentages on the top of the page impacted the dollar amounts of "Coverage".
- o. Refer to page 12 of 14. Provide the invoices for the \$218,000 Network Security Cyber Risk Beazley/Axis amount.
- p. Explain why some of the affiliates are not allocated a portion of the \$218,000 Network Security Cyber Risk Beazley/Axis amount on page 12 of 14.
- q. Refer to pages 13 and 14 of 14. For each entity listed on those pages that has cost for "Employed Lawyers" identify the number of lawyers and provide the policy invoices.
- r. Provide complete support for the \$2 million "Retro" on pages 13 and 14 of 14.

- s. Identify, quantify and explain the comparable amount of "Retro" for each of the past 11 years through calendar 2009.
- t. For each entity on pages 13 and 14 that does not have an allocation of a particular type of premium, explain fully and in detail whether the utility has business or operations which relate to the premium and if so, why there is no allocation of any premium amount.

71. Uncollectibles. Refer to the response to PSC DR1-1, WP3-10.

- a. Please provide the amount of Billed Revenues (similar to page 6 of 9) for each prior year: 2001 through 2006.
- b. Page 6 shows Forecast Billed Revenues for the future test period of \$64,753,488. Please provide KAW's requested amount of adjusted future test year billed revenue at present rates.
- c. Please provide monthly uncollectibles for each month of 2010, similar to pages 3 through 5 of 9.
- d. Please provide actual billed revenues for each month of 2010.

72. Rent Expense. Refer to the response to PSC DR1-1, WP3-11.

- a. Did KAW remove all rents for equipment for which the lease has expired? If not, explain fully why not.
- b. Refer to page 4 of 82. What is the FRCC expense?
- c. Refer to pages 45 through 82 of 82. Why is KAW paying for copiers and other office equipment that is leased by and billed to affiliates located in Mount Laurel, NJ, Cherry Hill, NJ, and Chicago IL, etc.? For each copier and other item of office equipment for which KAW has included rental expense, please identify the lessee (if not KAW directly) and the location of the equipment (if not at a KAW office in Kentucky).
- d. For each copier and other item of office equipment for which KAW has included rental expense that is at an affiliate location, please explain why the cost has not been included in the allocation to KAW of the affiliate Management Fee charges.

73. General Office. Refer to the response to PSC DR1-1, WP3-12.

- a. Where is the location of the General Office that is charging cost to KAW as shown in WP3-12?
- b. Is the General Office cost in addition to the affiliated Management Fee charges? If so, explain why KAW needs a General Office as well as the affiliated services that are charged to KAW via the affiliated Management Fee.
- c. Refer to page 2 of 5. Explain what the OS, RS and BGS are.
- d. Show in detail how the allocations to OS, RS and BGS are determined.
- e. Provide the invoices for the Credit Line fees of \$82,000 on page 2.
- f. For each item of General Office cost, please provide comparable information for each period: 2008, 2009, 2010, base period, and future test year. To the extent that such comparable information is available in Excel, please include the related Excel files electronically.

74. Miscellaneous Expense. Refer to the response to PSC DR1-1, WP3-13.

- a. For each item of Miscellaneous Expense, please provide comparable information for each period: 2008, 2009, 2010, base period, and future test year. To the extent that such comparable information is available in Excel, please include the related Excel files electronically.
- b. What is the "Going out to K\_cos10" on page 1?
- c. Are the 401(k) and DCP Expense and Retiree Medical expense on page 2, 5 and 6 of 7, duplicative of any of the costs for Labor in WP3-1 and/or the costs for Group Insurance in WP3-6 and/or the cost for Pension in WP 3-7? If so, please identify, quantify and explain any such duplication.

- d. Are the fuel costs on page 4 of 7 duplicative of any of the costs for Fuel and Purchase Power in WP3-2? If so, please identify, quantify and explain any such duplication.
- e. Provide the invoices, contracts and supporting documentation for the Water Res Conservation of \$186,684 on page 6 of 7.
- f. Provide a detailed itemization of the costs included in the Misc Oper AG 930210 for BU 120205.
- g. For each BU on pages 5 through 7 of 7, explain what the business unit is and where it is located.
- h. Refer to pages 5-7 of 7. Show in detail how the allocations to OS, RS and BGS are determined.

75. Maintenance Expense. Refer to the response to PSC DR1-1, WP3-14.

- a. For each item of Maintenance Expense, please provide comparable information for each period: 2008, 2009, 2010, base period, and future test year. To the extent that such comparable information is available in Excel, please include the related Excel files electronically.
- b. For each item of Deferred O&M please provide a citation to the Commission order or other authority upon which KAW is relying for the deferral.
- c. How was the 180 months on pages 4-7 of 7 determined?

76. Purchased Water. Refer to the response to PSC DR1-1, WP3-15. How was the amount of purchased water cost requested by KAW synchronized between (1) the budgeted amounts shown in the workpapers and (2) the weather normalized adjusted water sales levels reflected in KAW's filing? Show in detail.

77. Depreciation Expense. Refer to the response to PSC DR1-1, WP4-1.

- a. Are any of the depreciation rates different than the most recent Commission authorized depreciation rates? If so, please identify and explain all differences.

- b. Are any of the depreciation rates different than the depreciation rates recommended by KAW witness Mr. Spanos in his Depreciation Rate Study? If so, please identify and explain all differences.
- c. Has KAW requested an average future test year rate base for Plant in Service and CIAC? If not, explain fully why not.
- d. Has KAW requested a 9-30-2011 balance in rate base for Plant and CIAC? If not, explain fully why on WP4-1, page 2, Depreciation Expense on 9/30/2011 is shown.
- e. Please refer to WP4-1, page 2, and clarify what amount of Depreciation Expense KAW is requesting.
- f. Refer to page 3 of 13. Are the amortization amounts shown in parentheses () a credit to expense? If not, explain fully why not.
- g. Refer to pages 4-8 of 13. Are these the current Commission approved depreciation rates for each plant account? If not, explain in detail what the information on pages 4-8 of 13 represents, and provide the current Commission approved depreciation rates and similar details.
- h. Refer to pages 7 and of 13. For each item of "Unrecovered Reserve to Be Amortized" show in detail how the "unrecovered" amount was calculated. Include supporting calculations in Excel.

78. Property Taxes. Refer to the response to PSC DR1-1, WP5-1.

- a. Refer to each item of "Property Taxes Paid" on page 2 of 120. Please provide comparable information for each item, based on the most recent payment. Show the amount and date of each such payment. For example, the Bourbon County amount is listed as paid on /28/2009 and the Fayette County/ LFUCG amount paid on 12/8/2008. Please provide the more current payment amounts (presumably in March or April of 2010 for Bourbon County, and in December 2009 for Fayette County/ LFUCG), etc.



- b. Also, include the total for the most recent round of actual payments that would be comparable to the \$2,728,119, and provide such payment and total information in Excel.

79. Deferred Taxes Related to UPIS Investment. Refer to the response to PSC DR1-1, WP6-1.

- a. Explain the \$161,828,374 change in Book Basis and \$161,522,693 change in Tax Basis on page 2 of 7 for September 2010.
- b. Explain the \$4,833,342 change in Book Basis and \$3,707,274 change in Tax Basis on page 2 of 7 for December 2010.
- c. Provide comparable information to that shown on page 2 of 7 for each period: 2008, 2009, 2010, and base period.
- d. Please show the income tax rate used to compute the amounts in the "Deferred SIT Expense" and "Deferred FIT Expense" columns.
- e. Are each of the amounts in the "Deferred SIT" and "Deferred FIT" and "Total Deferred Taxes" columns balance sheet amounts? If not, explain fully why not.
- f. Has KAW included in its requested rate base the \$46,291,510 "Total Deferred Taxes" amount listed on page 2 of 7? If not, explain fully why not and identify the amount of Accumulated Deferred Income Taxes included in rate base by KAW related to plant.
- g. Is the \$46,291,510 "Total Deferred Taxes" amount listed on page 2 of 7 an addition (increase) to rate base?
- h. Does KAW use accelerated income tax depreciation? If not, explain fully why not. If so, explain why KAW has a large addition to rate base for ADIT related to Plant.
- i. Was KAW's Accumulated Deferred Income Tax balance related to Plant extinguished at any point as a result of ownership changes? If so, please identify, quantify and explain in detail when that occurred and the related circumstances.

- j. Is the (\$7,979,767) amount in the "Regulatory Asset/Liab" column on page 2 of 7 a subtraction from rate base? If not, explain fully why not.
- k. Show in detail how each amount in the "Regulatory Asset/Liab" column on page 2 of 7 was derived.
- l. Refer to the "book basis" information shown on pages 3 and 4 of 7. Provide comparable information to that shown on page 3 and 4 of 7 for each period: 2008, 2009, 2010, base period, and future test year. Include related Excel files.
- m. Refer to the "tax basis" information shown on pages 5 and 6 of 7. Provide comparable information to that shown on page 3 and 4 of 7 for each period: 2008, 2009, 2010, and base period.
- n. Refer to page 7 of 7. Show in detail how the monthly amortization of \$6,687 was derived.
- o. Explain the decrease from August 2010 to September 2010 in the "Grossup" amount.
- p. Show in detail how the "Equity Gross-up" amount for each month is derived.
- q. Provide comparable information for the "Equity Gross-up" amounts and monthly amortization of same for each period: 2008, 2009, 2010, and base period.
- r. Refer to page 7 of 7. Why does the "Grossup" amount bottom out in December 2010 and then increase for each month in 2011?

80. Refer to the response to PSC DR1-1a, WP6-2.

- a. Refer to page 1 of 8. Provide comparable information for each period: 2008, 2009, 2010, and base period. Include related Excel files in your response electronically.
- b. Are the items in the "Balance" column a regulatory asset? If not, explain fully why not.

- c. Do the negative items in the "Amortization of Regulatory Assets and Liabilities" columns decrease the Regulatory Asset and increase Deferred Income Tax Expense? If not, explain fully why not.
- d. Do the positive items in the "Amortization of Regulatory Assets and Liabilities" columns increase the Regulatory Asset and decrease Deferred Income Tax Expense? If not, explain fully why not.
- e. Has KAW reflected all items listed on page 1 of 8 in its rate base and net operating income? If not, explain fully why not, and identify, quantify and explain all items that KAW has not reflected.
- f. What is the "Other" item on page 1 of 8 and how was it calculated? Show in detail.
- g. What are the "Excess Deferred Taxes" on page 1 of 8? How were those amounts calculated? Show in detail.
- h. Why is there a "gross up" on Investment Tax Credit (ITC)? Explain fully and show in detail how it was calculated.

81. Has FAS 109 accounting had any net impact on the rate base KAW is requesting the current rate case? If not, explain fully why not. If so, please identify the net impact and show how it was derived.

82. Has FAS 109 accounting had any net impact on the amount of deferred income tax expense KAW is requesting the current rate case? If not, explain fully why not. If so, please identify the net impact and show how it was derived.

83. Refer to the response to PSC DR1-1a, WP6-3.

- a. Refer to pages 1 through 8 of 8. Provide comparable actual monthly information for each period: 2008, 2009, 2010 to date, and base period. Include related Excel files in your response electronically.

84. Refer to the response to PSC DR1-1a, WP6-4.

- a. Refer to pages 1 through 3 of 3. Provide comparable actual information for each period: 2008, 2009, 2010 to date, and base period. Include related Excel files in your response electronically.

85. Refer to the response to PSC DR1-1a, WP7-1 through 7-6, Workpapers for Capitalization.

- a. Please provide similar monthly capitalization information for the parent company, American Water Works Company, Inc. Include related Excel files in your response electronically.
- b. Please provide comparable actual information for KAW for each period: 2008, 2009, 2010 to date, and base period. Include related Excel files in your response electronically.

86. Weather normalization. Refer to the response to PSC DR1-1, WP9-1.

- a. Refer to pages 50-54. Has the methodology or data been updated since April 2007? If not, explain fully why not. If so, please explain each change to the methodology and each change to the data.
- b. Refer to pages 53-54. Please explain how the "State Code Table" was utilized.
- c. Did any state information for any state other than Kentucky have any impact on the results for KAW in the current KAW rate case? If not, explain fully why not. If so, please identify the impact on the KAW results from all states other than Kentucky.
- d. Refer to pages 22-35 and 56-69 of 80. Please confirm that only 10 observations were read and used for each month. If this cannot be confirmed explain fully why not and identify the number of observations read and used for each month and explain why that is different from the information on the referenced pages.
- e. Please confirm that pages 5-6 of 80 show data for the period January 1998 through December 2009, a period of 12 years. If this cannot be confirmed explain fully why not.

- f. Please confirm that pages 2-3 of 80 show data for the period January 1998 through December 2009, a period of 12 years. If this cannot be confirmed explain fully why not.
- g. Refer to pages 2-3 and 5-6 (and elsewhere) of 80. Please identify all of the data and periods listed on pages 2-3, 5-6 (and elsewhere) of 80 that was NOT used in the model runs which appear to specify at pages 22-35 and 56-69 of 80 that only 10 observations for each month were used in the modeling for KAW.
- h. To the extent that data (or "observations") were available (such as that specified on pages 2-3, 5-6, and elsewhere of 80) that could have been included in the model runs but for whatever reasons were not included, please provide model runs using the full amount of available data (and "observations") and provide the results in similar format to the WP9-1 workpapers. To the extent that related calculations are done in Excel, please also provide the related Excel files electronically.

87. Cash working capital. Refer to the response to PSC DR1-1, WP1-12.

- a. Explain in detail each step involved from the meter read date to the billing date.
- b. Has KAW or American Water Works ever benchmarked its "Billing Lag" against any other utilities? If not, explain fully why not. If so, please provide the analysis and results.
- c. Please identify the systems used for meter reading, including identification and discussion of automated meter reading used by KAW for each area.
- d. Please identify and explain the time related to each non-automated process that occurs between metering reading and billing.
- e. Are all meters on all routes read each month? If not, please identify the approximate number of and proportion of estimated billings for each month in the test year ending 11/30/09 that was used by KAW to develop its "Billing Lag."

- f. Are all KAW customers billed monthly? If not, explain fully why not and identify each customer group that is billed on some frequency other than monthly.
- g. What is the "Billing Lag" that KAW used for estimated billings, i.e., for billings for which meters were not read for the billing period? Identify, quantify and explain in detail.

88. Cash working capital. Refer to the response to PSC DR1-1, WP1-12.

- a. Refer to pages 137-143. Are the Accounts Receivable Balances listed there net of the Reserve for Uncollectibles? If not, explain fully why not, and provide the related Reserve for Uncollectibles for each date.
- b. Provide this information on daily Reserve for Uncollectibles requested in part a electronically in Excel.
- c. What due date or payment date is printed on customer bills? If different for different classes of customers, provide for each class.
- d. What payment due period is printed on customer bills? If different for different classes of customers, provide for each class.
- e. Does KAW charge late fees? If not, explain fully why not. If so, please identify the tariff provisions relating to late fees.
- f. Does KAW have any policies or procedures regarding the application of late fees? If not, explain fully why not. If so, please provide those policies and procedures.

89. Cash working capital. Refer to the response to PSC DR1-1, WP1-12.

- a. Provide each Management Fee invoice used for page 149.
- b. Please identify when the affiliated service company AWWSC pays each type of cash expense to its employees and vendors.
- c. Has a lead-lag study ever been conducted of AWWSC payments to its employees and vendors? If not, explain fully why not. If so, please identify and provide a copy of each such study.

90. Cash working capital. Refer to the response to PSC DR1-1, WP1-12.

- a. Has KAW included any Prepayment balances in rate base? If not, explain fully why not. If so, please show in detail each type of prepayment KAW has included in rate base.
- b. Has KAW included any Prepayment balances for insurance in rate base?

91. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to pages 151 and 152.

- a. Please identify each actual cash payment and the related "service period" for any and all payments by KAW for OPEBs in 2007, 2008 and 2009.
- b. Please identify each actual cash payment and the related "service period" for any and all payments by the parent company AWWC for OPEBs in 2007, 2008 and 2009.
- c. Please identify each actual cash payment and the related "service period" for any and all payments by KAW for pensions in 2007, 2008 and 2009. Provide this for each type of pension offered by KAW.
- d. Please identify each actual cash payment and the related "service period" for any and all payments by the parent company AWWC for pensions in 2007, 2008 and 2009. Provide this for each type of pension offered by AWWC.
- e. As of each month end in 2007, 2008, 2009 and 2010 to date, provide the Accrued OPEB liability on KAW's books by account.
- f. As of each month end in 2007, 2008, 2009 and 2010 to date, provide the Accrued pension liability on KAW's books by account. Provide this for each type of pension offered by KAW.
- g. Please identify, quantify and explain the base period and FTY amounts for (1) OPEB funding payments and (2) OPEB costs recorded pursuant to accrual accounting on KAW's books, and separately on the parent company and AWWSC's books.

- h. Please identify, quantify and explain the base period and FTY amounts for (1) pension funding payments and (2) pension costs recorded pursuant to accrual accounting on KAW's books, and separately on the parent company and AWWSC's books.

92. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to page 153.

- a. Provide each "document" or invoice used for the amounts and service periods listed on that page.
- b. Please identify all amounts on page 153 for payments to AWWSC or other affiliates.
- c. Has KAW included any prepaid regulatory expense in rate base? If not, explain fully why not. If so, please identify the amount by account and sub-account.
- d. Has KAW included any costs that it recorded in Account 182 in rate base? If not, explain fully why not. If so, please identify the amounts.
- e. Please identify the payee for each payment listed on page 153.

93. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to page 154.

- a. Please identify the payee for each payment listed on page 154.
- b. Please identify all amounts on page 154 for payments to AWWSC or other affiliates.
- c. Has KAW included any costs that it recorded in Account 165200 in rate base? If not, explain fully why not. If so, please identify the amounts.

94. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to page 155.

- a. Please identify the payee for each payment listed on page 155.



- b. Please identify all amounts on page 155 for payments to AWWSC or other affiliates.
- c. Please provide the invoice and voucher and explain the Rent item on line 14 with a 1 day service period.
- d. For each Rent item with a 45 day service period, explain when the rental period ceased, and why no renewal payment is reflected.
- e. For each Rent item with a 13.5 day service period, explain when the rental period ceased, and why no renewal payment is reflected.
- f. Does the \$7,820 amount constitute the complete amount of Rent in the base period? If not, explain fully why not, and identify what other Rent amounts in the base period were not analyzed for CWC purposes.

95. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to page 156-160.

- a. Please identify all amounts on these pages for payments to AWWSC or other affiliates.
- b. Please identify all amounts on these pages for payments to KAW's rate case consultants and attorneys.
- c. Do the expenses listed represent the total amounts recorded in each account? If not, explain fully why not and identify other amounts in each account that were not included in KAW's analysis.

96. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to page 161.

- a. Please identify all amounts on these pages for payments to AWWSC or other affiliates.
- b. Provide the invoice, voucher and check copy of the item on line 17 for \$10,740.
- c. Provide the invoice, voucher and check copy of the item on line 8 for \$11,589.

- d. Provide the invoice, voucher and check copy of the item on line 13 for \$10,740.
- e. Provide the invoice, voucher and check copy of the item on line 14 for \$7,061.

97. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to page 162.

- a. Please identify the date and amount of all cash payments for Kentucky state income taxes made by KAW (and the tax year to which each such payment relates) for each year 2007, 2008, 2009 and to date for 2010.
- b. Please identify the date and amount of all cash payments for Kentucky state income taxes made by AWWC and AWWSC (and the tax year to which each such payment relates) for each year 2007, 2008, 2009 and to date for 2010.
- c. Please identify the date and amount of all cash payments for federal income taxes made by KAW (and the tax year to which each such payment relates) for each year 2007, 2008, 2009 and to date for 2010. Also, indicate the payee.
- d. Please identify the date and amount of all cash payments for federal income taxes made by AWWC and AWWSC (and the tax year to which each such payment relates) for each year 2007, 2008, 2009 and to date for 2010.
- e. Which entity in the AWWC group makes cash payments for Kentucky state income taxes?
  - 1) Identify the date and amount of all cash payments for Kentucky income taxes made by that entity (and the tax year to which each such payment relates) for each year 2007, 2008, 2009 and to date for 2010.
- f. Which entity in the AWWC group makes cash payments for federal income taxes?

- 1) Identify the date and amount of all cash payments for federal income taxes made by that entity (and the tax year to which each such payment relates) for each year 2007, 2008, 2009 and to date for 2010.

98. Cash working capital. Refer to the response to PSC DR1-1, WP1-12.

- a. Refer to page 163. Please explain the annual tax assessment, billing and payment calendar for each different type of property taxes paid by KAW.
- b. Refer to page 165. Please explain the annual tax assessment, billing and payment calendar for each different type of utility taxes paid by KAW.

99. Cash working capital. Refer to the response to PSC DR1-1, WP1-12. Refer to page 164 (payroll tax) and page 144 (labor).

- a. Please identify each type of payroll withholding included in each Payroll amount on page 144, and provide the related amounts of each type of withholding, and indicate in detail the number of additional days beyond the payroll paid date before each type of withholding is remitted.
- b. Does KAW remit FICA directly to a bank or tax authority? If not, explain fully why not. If so, please identify, quantify and explain in detail how the FICA remittance is coordinated with the payment of the payroll to which it relates.
- c. Does KAW remit FICA to an affiliate? If so, please explain the arrangement and timing.

Refer to the Company's response to AG-1-229.

- d. How much R&D credit did KAW reflect in the base period? Show in detail how the amount was calculated.
  - e. How much R&D credit did KAW reflect in the future test year? Show in detail how the amount was calculated.
  - f. Provide the best current estimates of the 2009 R&D credit.
100. Refer to the Company's response to AG-1-104. Please provide the attachment electronically in Excel.
101. Refer to the Company's response to AG-1-105.
- a. Explain how the chemical invoices can reflect contract pricing if the contracts are not final.
  - b. Please provide the pricing and payment term sections and appendices from the 2010 contracts.
102. Refer to the Company's response to AG-1-109.
- a. Please provide the attachment electronically in Excel.
  - b. For each Service Company cost listed (for each "Object Description") that is paid by the Service Company in cash, please indicate the service period and cash payment as paid by the Service Company to the payee.
103. Refer to the Company's response to AG-1-110.
- a. Please provide a detailed description of the services performed by each "BU Designation".
  - b. What is the Corp –Business Change?
  - c. What is the Corp – AWE Pass Thru?
  - d. What is AWE?

- e. What are the Corp – Non-Departmental Costs?
- f. Under Business Development, what are the Corp, WE, CE, SE and NE?
- g. What is the CSC?
- h. What is the CCA and CCP within the CSC?
- i. Provide the comparative cost of CCA and CCP Call Handling for each year, 2006, 2007, 2008 and as budgeted for 2010 and the future test year.
- j. Indicate how many calls were “handled” by CCA and CCP Call Handling for each year, 2006, 2007, 2008, 2009 and as budgeted for 2010 and the future test year.
- k. Are there any registered lobbyists in the External Affairs/Communications function of AWWSC? If not, explain fully why not. If so, please identify each registered lobbyist by position title and annual salary and benefits. Also identify all lobbying time for each lobbyist in 2009 and provide the related time sheets.
- l. Why is KAW being charged for External Affairs from all of these: Corp, WE, CE, SE and NE? Please identify and explain the specific services provided to KW by each of the five distinct affiliated External Affairs business units for 2009.
- m. Please detail all costs included in the Corp Marketing 032068, \$1,417,355 amount for 2009.
- n. What is the Corp IFRS Finance?
- o. Why is KAW being charged for Finance from all of these business units: Corp, WE, CE, SE and NE? Please identify and explain the specific services provided to KW by each of the five distinct affiliated Finance business units for 2009.
- p. Why is KAW being charged for Human Resources from all of these business units: Corp, WE, CE, SE and NE? Please identify and

explain the specific services provided to KW by each of the five distinct affiliated Human Resources business units for 2009.

- q. What is CORP-ITS-BAD?
  - r. Please identify and explain the specific legal services that KAW received from each of these five distinct affiliated Legal business units for 2009: Corp, WE, CE, SE and NE.
  - s. Please identify and explain the specific services that KAW received from each of these five distinct affiliated Operational Risk business units for 2009: Corp, WE, CE, SE and NE.
  - t. What is Corp-COE?
  - u. Please identify and explain the specific services that KAW received from each of these five distinct affiliated Supply Chain business units for 2009: Corp, WE, CE, SE and NE.
  - v. What is ED-Customer Relations?
  - w. Please identify and explain the specific services that KAW received from ED-Customer Relations in 2009.
  - x. Explain what CORP-Regulatory UFS does.
  - y. Identify all specific services provided by CORP-Regulatory UFS to KAW during 2009.
  - z. What is SSC?
  - aa. What is SSC-AWE and why is that being charged to KAW?
  - bb. Please identify and explain the specific services that KAW received from each of the AWWSC Business Units under "SSC" including 032084 SSC-Accounts Payable through 032580 SSC-AWE.
  - cc. Please identify the specific projects that AWWSC SSC-Rates & Regulation performed during 2009.
104. Refer to the Company's response to AG-1-111.

- a. Please provide the pre-revision budget and indicate which specific items were revised and by how much.
  - b. Why is the Corp-Non-Departmental Costs a negative amount for 2010.
  - c. Please show in detail how the 2010 original and revised budget amounts for each AWWSC Business Unit were developed.
105. Refer to the Company's response to AG-1-114.
- a. Please explain why there was no cost for 501716, 501717 or 501718 (options, restricted stock and restricted stock units, respectively) in 2007?
  - b. Why are the 2009 amounts for 501716 and 501718 (options, restricted stock units, respectively) for 2009 so much higher than 2008?
  - c. Why is the 2009 amount for 541001 rents-real property intercompany so much higher than either 2007 or 2008?
  - d. Why is the 2009 amount for 5457000 insurance general liability so much higher than either 2007 or 2008?
  - e. Why is KAW being charged by the affiliated Service Company for account 680112, Depreciation Exp-Non-Utility?
  - f. How much expense for affiliated Service Company charges for account 680112, Depreciation Exp-Non-Utility did KAW include in its base period and FTY expenses?
  - g. Why have affiliated Service Company property taxes charged to KAW for 2009 decreased by so much compared to 2007 and 2008?
  - h. How much expense for affiliated Service Company charges for account, 685200, Property Taxes did KAW include in its base period and FTY expenses?

- i. How much expense for affiliated Service Company charges for each of the following items did KAW include in its base period and FTY expenses?
    - 1) 690120, FIT prior year adjustment,
    - 2) 690220, SIT prior year adjustment,
    - 3) 690620, Deferred FIT prior year adjustment,
    - 4) 690720, Deferred SIT prior year adjustment,
    - 5) 722306, Gains Other Non-OR (what does the OR stand for?),
    - 6) 721304, Gains (Losses) NUP Disposals (what does the NUP stand for?),
    - 7) 810301, Interest Cap Lease-AW02,
    - 8) 830100 Interest on Short Term Debt Inside, and
    - 9) 840000 Other Interest Expense.
  - j. With respect to account 810301, Interest Cap Lease-AW02, please provide the amount of outstanding lease balance as of 12/31/2007, 12/31/2008, 12/31/2009 and for each month of the future test year.
  - k. With respect to account 810301, Interest Cap Lease-AW02 please provide a schedule of monthly lease payments.
106. Refer to the Company's response to AG-1-116 and 117. Please provide the attachments electronically in Excel.
107. Refer to the Company's response to AG-1-118.
- a. Please provide the attachment electronically in Excel.
  - b. Explain on page 7 of 9 why there are no Direct Read meter replacements after June 2011.
  - c. Do the "Direct Read" need to be manually read?



- d. Are the Direct Read meters obsolete in terms of today's technology and considerations of meter-reading efficiency? If not, explain fully why not.
  - e. Why is KAW continuing to buy and install Direct Read meters in 2010 (page 8) and in 2011 (through June)?
108. Refer to the Company's response to AG-1-125.
- a. Show in detail how the amounts for each year were derived including, but not limited to, all application of the five year average process to derive each year's amount.
  - b. The response indicates that "An AW subsidiary can enjoy a lower premium with an effective loss control and safety program which mitigates frequency and severity of claims." Please identify, quantify and explain KAW's loss control and safety program.
  - c. Please identify, quantify and explain exactly how KAW as an AW subsidiary has reduced its premiums.
  - d. Please identify all losses incurred by KAW for each year, 2000 through 2009 and as projected for 2010 and 2011.
  - e. Are the credit amounts for each year 2007, 2008 and 2009 listed in the response a reduction to expense? If not, explain fully why not.
109. Refer to the Company's response to AG-1-133.
- a. Explain why there is AFUDC of over \$2 million in the 2008 rate case and the KRS II certification case but zero in the current rate case.
  - b. Identify all AFUDC that KAW has recorded on KRS II by month actual, and as projected for the remainder of the FTY period.
110. Refer to the Company's response to AG-1-138. Does Dr. Spitznagel have any other studies, treatises or documents to support his premise that: "Water has a very inelastic demand compared with other utilities" besides the description provide in that response? If not, explain fully why not. If

so, please identify the other studies, treatises or documents that support his premise.

111. Refer to the Company's response to AG-1-139. Was Dr. Spitznagel's weather normalization methodology ever not accepted in any utility rate case in which it was presented? If so, please identify the case and explain fully the circumstances.
112. Refer to the Company's response to AG-1-141.
  - a. Explain exactly what caused the actual kWh decrease from 2007 to 2008 and from 2008 to 2009.
  - b. Explain in detail why the 2009 actual kWh was so much lower than budgeted.
  - c. Explain in detail why the 2009 actual electric costs were so much lower than budgeted.
  - d. Does the 2010 budget reflect a continuing decline in kWh and electric costs from 2009? If not, explain fully why not.
  - e. Does the FTY forecast reflect a continuing decline in kWh and electric costs from 2009? If not, explain fully why not.
113. Refer to the Company's response to AG-1-143.
  - a. Please identify each affiliated utility that has implemented CMMS and the date of their implementation.
  - b. Please identify, quantify and explain all identifiable savings at each each affiliated utility that has implemented CMMS since its date of implementation.
  - c. Has KAW included \$8,107 in the FTY for CMMS? If not, explain fully why not and identify the amount included by KAW by account.
114. Refer to the Company's response to AG-1-151.

- a. Please identify the annual amounts KAW billed to the Kentucky River Authority or any other entities for leak detection services for each year, 2005 through 2009, and for 2010 to date.
  - b. Please identify the annual leak detection expenses related to providing leak detection services for non-affiliated entities in each year, 2005 through 2009, and for 2010 to date.
115. Refer to the Company's response to AG-1-159. Please provide the attachments electronically in Excel.
116. Refer to the Company's response to AG-1-160. Was any operational savings reflected in the base period or FTY related to the implementation of any of the systems listed in the response? If not, explain fully why not. If so, please identify, quantify and explain the related operating cost savings for the base period, and separately for the FTY.
117. Refer to the Company's response to AG-1-161.
- a. What was the final cost of the E-CIS?
  - b. If the final cost was different from the \$71,416,845 mentioned on page 5 of 21 of the response, please identify, quantify and explain all differences between that amount and the final E-CIS cost.
  - c. Please identify all rate base and depreciation expenses included in the BASE PERIOD and FTY by KAW related to the E-CIS by account.
  - d. Was any amount of rate base for E-CIS included in KAW's last rate case? If not, explain fully why not. If so, please identify, quantify and explain in detail.
  - e. Was any amount of depreciation expense for E-CIS included in KAW's last rate case? If not, explain fully why not. If so, please identify, quantify and explain in detail.
  - f. Did KAW have a choice as to whether or not to participate in the AWWC national call center? If not, explain fully why not. If so, please explain all factors considered by KAW in making its decision to participate.

- g. What was the cost of the E-CIS at the time that KAW made its decision to participate in the national call center?
  - h. Please show by account KAW's customer service cost for the two years before KAW began participation in the AWWC national call center, and for each year after KAW began participation in the AWWC national call center through 2009.
  - i. Are there any other costs in KAW's filing related to the AWWC national call center besides the pro rated amounts of CSC Totals (\$1,824,352 for 2010 affiliated Service Company charges and \$1,799,179 for 2011 affiliated Service Company charges) shown on the responses to AG-1-111 and 112, respectively? If not, explain fully why not. If so, please identify, quantify and explain all additional costs and charges to KAW in the FTY related to the national call center.
118. Refer to the Company's response to AG-1-166. This response indicates that KAW records a liability for annual incentive plan expense and then reduces that liability when the AIP is paid. Please show in detail exactly where and how KAW reflected the AIP cost in its lead-lag study, and how KAW determined the payment lag related to AIP.
119. Refer to the Company's response to AG-1-168. Did KAW include any AFUDC in the income statement in its filing related to KAW's inclusion of CWIP in rate base? If not, explain fully why not. If so, please identify the amount of AFUDC included in the base period and FTY.
120. Refer to the Company's response to AG-1-177. Please respond to the request posed in AG-1-177 with respect to 2010 and 2011.
121. Refer to the Company's response to AG-1-178.
- a. Please show specifically and in detail exactly how KAW removed from the base period and FTY "all costs specifically ordered by the Commission to not be recovered in rates."
  - b. Please identify each cost that KAW believes was "specifically ordered by the Commission to not be recovered in rates."

122. Has KAW or AWWSC or AWWC changed its income tax accounting for repair and maintenance method?

- a. If so, when was this done?
- b. Please identify and provide all related correspondence and estimates.
- c. What impact has the change in the income tax accounting for repair and maintenance had on the Accumulated Deferred Income Tax balances as of 12/31/2008 and 12/31/2009 and for each month of the FTY? Show in detail all impacts and include workpapers and supporting calculations.

123. Refer to the Company's response to AG-1-181.

- a. Refer to page 74 of 107. Please identify all impacts on rate base and income tax in the base period and FTY related to the following item: **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED]

**[\*\*END CONFIDENTIAL\*\*]**

- b. Refer to page 37 of 107. Did any of the **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED]

**[\*\*END CONFIDENTIAL\*\*]** If not, explain fully why not. If so, please provide the same written advice that KAW provided to PriceWaterhouseCoopers.

124. Refer to the Company's response to AG-1-181, page 35 of 107. Please provide the filings and disclosures made by KAW and AWWC related to **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED]

**[\*\*END CONFIDENTIAL\*\*]**

125. Refer to the Company's response to AG-1-181, page 37 of 107. Please provide the details and documentation maintained by KAW for 2009 for

the following **CONFIDENTIAL**

**CONFIDENTIAL**

126. Refer to the Company's response to AG-1-181, page 37 of 107. Please provide the details and documentation maintained by KAW for 2009 for **CONFIDENTIAL**

**CONFIDENTIAL**

127. Refer to the Company's response to AG-1-181, page 38 of 107. Please identify and provide a copy of all documentation, analysis and workpapers maintained by KAW and KAW's affiliates related to 2008 and 2009 showing how **CONFIDENTIAL**

**CONFIDENTIAL**

128. Refer to the Company's response to AG-1-181, pages 38 and 86 of 107.

- a. Refer to page 38 Please identify and provide a copy of all documentation, analysis and workpapers maintained by KAW of **CONFIDENTIAL**

**CONFIDENTIAL**

- b. Has KAW included any amount as Plant in Service for **CONFIDENTIAL** **CONFIDENTIAL** in the FTY? If not, explain fully why not. If so, please identify the amount and account.

- 1) Please also identify all Depreciation Expense and Accumulated Depreciation amounts in the FTY related to KAW's recording **CONFIDENTIAL**

[REDACTED] **CONFIDENTIAL** as Plant in Service.

- c. Has KAW ever included business transformation costs as Plant in Service in any prior rate case? If not, explain fully why not. If so, please identify the amounts included in each prior KAW rate case.
  - d. What is the useful life and amortization period of business transformation costs, as reflected in KAW's base period and FTY filings?
  - e. Refer to page 86. Please indicate the amount of **CONFIDENTIAL** [REDACTED] **CONFIDENTIAL**.
  - f. Were any additional amounts for such costs incurred after 12/31/2009? If not, explain fully why not. If so, please identify all such amounts and show the total and the KAW allocated costs.
  - g. Are any additional amounts for such costs budgeted or forecast to be incurred after 12/31/2009? If not, explain fully why not. If so, please identify all such amounts through 9/30/2011 and show the total and the KAW allocated costs.
  - h. Please explain in detail exactly what the **CONFIDENTIAL** [REDACTED] **CONFIDENTIAL** was spent on.
129. Refer to the Company's response to AG-1-181, page 92.
- a. **CONFIDENTIAL** [REDACTED] **CONFIDENTIAL**.
  - b. What benefit did AWWC and/or KAW derive from this **CONFIDENTIAL** [REDACTED] **CONFIDENTIAL** expenditure? Explain fully and in detail.





- b. What is **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED] **[\*\*END CONFIDENTIAL\*\*]** and how is it determined?
- c. Refer to page 75. Please provide the details of each **[\*\*BEGIN CONFIDENTIAL\*\*]** [REDACTED] **[\*\*END CONFIDENTIAL\*\*]** that was identified for KAW for 2008 and 2009. Show the amounts and accounts for each such difference.
132. Please identify the amount of regulatory liability for cost of removal that KAW has recorded, by account, as of each of the following dates: 12/31/2007; 12/31/2008; 12/31/2009; 3/31/2010 and each month of the FTY.
133. Concerning the response to AGDR 1-423. For each of the last ten years, please provide KAW's actual system maximum hour to maximum day ratio.
134. Concerning the response to AGDR 1-428. Please provide a calculation for KAW of the number of person-days required to read each class of meters, as described in the response.
135. Concerning the response to AGDR 1-430 and the file **Net Charge-Offs by Class.xls**, it appears that Factor 20 was developed using net charge-offs for all utility types:
- Is this a correct statement of the data used for factor 20?
  - What do each of the Utility Codes (W, S, O, U) stand for?
  - Which Utility Codes are related to the billing for services that are part of the proposed revenue requirement in this case (that is, those associated with the provision of water service)?
  - Are customer classes that are not shown in the file (such as Industrial) accounted for separately, or did they have no net charge-offs during the period December 2008 through November 2009?
  - Do the amounts shown on the printed attachment (430b) reflect all net charge-offs or only those for certain Utility Codes (and, if so, which codes)? Please provide a comparable table showing net

charge-offs only for the Utility Codes identified in subpart c of this question.

136. Concerning the response to AGDR 1-432 and KAW Exh. 36, p. 43 of 44:

- a. Is it correct that the "Billing and Collecting" cost shown in the exhibit is the total of "Billing & Collecting" and "Uncollectible Accounts" costs shown in the attachment to the data request? If not, please provide a workpaper showing the development of the "Billing and Collecting" cost in the exhibit.
- b. Subpart b of the response to the data request states that "such costs were allocated directly to private and public fire classifications in the attached schedule." Please state specifically where in the schedule attached to the data request uncollectible accounts costs were allocated directly to the fire classes.