

Commonwealth of Kentucky
Before the Public Service Commission

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT OF) Case No. 2012-00520
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.

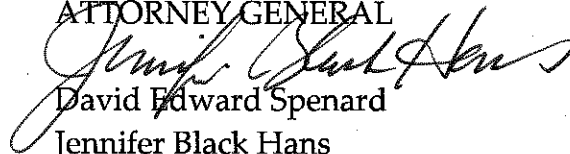
(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer;

and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(10) As the company discovers errors in its filing and/or responses, please provide an update as soon as reasonable that identifies such errors and provide the documentation to support any changes.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL



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Respectfully submitted,

Notice of Filing, Certifications, and Notice of Service

Undersigned counsel provides the following notice with regard to the filing of this material, certifications for the filing, and notice of the service of information to the other parties of record. Pursuant to Numbered Paragraph 3 Ordering paragraph 3 of the Commission's 17 December 2012 Order of procedure, the material was filed through uploading an electronic version of each document via the Commission's E-Filing System. Furthermore, the original

and one paper copy of the material will be filed at the Commission's office on the next business day following the electronic filing.

Consistent with Numbered Paragraph 10 of the Commission's December 17th Order of procedure, undersigned certifies that the electronic version of the filing is a true and accurate version of each document filed in paper medium; that the electronic version has been transmitted to the Commission; and a copy of the filing in paper medium has been mailed to all parties that the Commission has excused from participation by electronic means.

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

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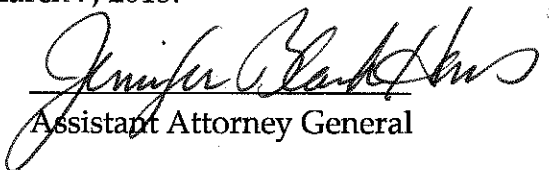
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The electronic filing took place on March 6, 2013, with the filing of the documents in paper medium scheduled for March 7, 2013.


Assistant Attorney General

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1. RD – Reference KAW's response OAG First Information Request No. 42 in Case No. 2012-00520. Does the Burgess & Niple demand study provide an estimate of the maximum hour demand for residential customers? If so, please identify the page number(s) of the referenced demand study that addresses residential maximum hour demand ratios. If not, please explain how the Company determined the residential maximum hour demand factor used in its class cost-of-service study.

2. G – Reference the Company's proposed DSIC Rider in Exhibit No. 2, at page 29 of 29. Please explain how any over- or under-recovery balance of allowable DSIC costs, which exists at the time new base rates are established, would be refunded or recovered from customers, as applicable.

3. G – Reference the General Description section of the Company's proposed DSIC Rider in Exhibit No. 2, at page 25 of 29. The referenced tariff language states that the "initial annual prospective DSIC year will be the first full twelve month period following the Forecast Test Period utilized by the Commission in establishing Base Rates of the Company in its prior Base Rate Case proceeding."
 - a. Would all DSIC eligible utility plant investment recorded during the initial DSIC year be included in the proposed DSIC formula?

 - b. Suppose that a portion of the DSIC eligible investment recorded during the initial DSIC year were previously included in the Forecast Test Period from the Company's last base rate case, i.e., the completion of the applicable projects was delayed beyond the previous Forecast Test Period. Would KAW include such "delayed" investment in its proposed DSIC formula? Please explain your response.

 - c. If the response to part (b) is no, please identify the portion(s) of the Company's proposed DSIC Rider that would ensure that ratepayers are not charged a DSIC surcharge for investment that was previously included in base rates via the Company's Forecast Test Period.

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4. RR – With reference to KAWC's response to OAG First Information Request No. 137, the initial reply was nonresponsive. Please itemize the amount of non- rate case legal expense for 2010, 2011 and 2012 to date. For each distinct item over \$25,000, show payee, amount, account and indicate what services were performed and what the subject matter of the services was.
 - a. Provide copies of all invoices which exceed \$25,000. This should be the complete document including a complete description of work performed. (Case No. 2010-00036; OAG 1-390)

5. RR – Please provide a detailed explanation for the following in reference KAWC's response to OAG First Information Request No. 118 in Case No. 2012-00520:
 - a. What is the cause of the decline in the amount of tax depreciation in excess of book depreciation on both the federal and state basis from 2010 through 2012?
 - b. Is this trend expected to continue?
 - c. Provide estimates for 2013 and 2014 if available.

6. RR – Please provide the following in reference to KAWC's response to OAG First Information Request No. 158 in Case No. 2012-00520:
 - a. What is the new in-service date for the Northern Connection, by component?
 - b. Provide a valuation and detailed explanation of all the changes expected to the Company's current rate case as a result of the response to item 1.

7. RR – Please provide the following in reference to KAWC's response to OAG First Information Request No. 158 in Case No. 2012-00520:

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- a. Provide all analyses performed as part of KAWC's "due diligence" regarding the purchase of the Owenton Water Treatment Plant, other facilities and the associated service territory
 - b. At the time of purchase was KAWC aware of the numerous operating deficiencies of the Owenton Plant?
 - c. If the response to Item 7b is no, when did KAWC become aware of the numerous operating deficiencies of the Owenton Plant and why were the deficiencies not identified at the time of purchase?
 - d. By party and date, when did KAWC inform the Commission or other affected parties of the numerous operating deficiencies of the Owenton Plant?
 - e. What was the amount KAWC paid for the Owenton Plant?
 - f. What was the net book cost of the Owenton Plant (plant, less depreciation, less any contributed funds)?
 - g. If Item 7e is not available, what value did KAWC place of the Owenton Plant and how was this value established?
 - h. When are the various phases of the Northern Connection and improvements to any Owenton facilities expected to be completed and in-service?
 - i. Provide all documentation and analyses supporting the responses to Items 7a through 7h.
8. RR – Please provide the following in reference to KAWC's response to OAG First Information Request No. 138 in Case No. 2012-00520:
- a. A detailed explanation of the cause of the increase in the cost of maintaining lines of credit.

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- b. A summary of the amounts and associated detailed explanation of the uses of the funds available through the lines of credit.
9. RR – Please provide the following in reference to KAWC's response to OAG First Information Request No. 121 in Case No. 2012-00520:
 - a. The twelve month period included in each of the Tax Years listed, by taxing authority.
 - b. The date by which payment must be postmarked for each of the taxing authorities listed.
 - c. Explain the variance in payment dates from year to year. For example: the largest Kentucky payment was made 9/23/12 for 2012, 1/17/12 for 2011, 12/16/10 for 2010 and 6/24/10 for 2009.
10. RR – For each Regulatory Asset listed, please provide the following in reference to KAWC's response to OAG First Information Request No. 119 in Case No. 2012-00520:
 - a. A detailed explanation of each item and the circumstances that gave rise to its recognition on KAWC's books.
 - b. A detailed explanation of why it is appropriate to recognize each amount in the determination of revenue requirement in a rate case.
 - c. The amount of each item included in KAWC's base period and forecast period.
11. RR – Please reference KAWC's response to OAG First Information Requests Nos. 88 and 169 in Case No. 2012-00520:
 - a. Are the BT costs allocated/charged to KAWC as discussed in IR 169 (specifically page 5 of 17) included in the amounts provided in response to IR 88 (page 2 of 2)?

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- b. If the response to item 11a is yes, please identify amounts by IR 169 category that were/will be allocated/charged to IR 88 category, by year for 2009 through 2014.
 - c. If the response to item 11a is no, please identify how BT costs were/will be allocated/charged to KAWC, by year, by account for 2009 through 2014.
12. RR – Please reference KAWC's response to OAG First Information Requests Nos. 88 and 169 in Case No. 2012-00520:
- a. What were the total costs allocated/charged to KAWC by American Water affiliates in 2009 through 2012, in as much detail as available?
 - b. What amount of total costs from American Water affiliates is included in the base and future periods in the current rate case? Provide amounts in as much detail as available.
 - c. What amount of total costs from American Water affiliates was included in the cost of service in KAWC's last two rate cases, by case, by base and future period, in as much detail as available?
13. RR – Please provide the following in reference to KAWC's response to OAG First Information Request No. 167 in Case No. 2012-00520:
- a. By what amount has the accumulated deferred income tax balances included in the base and future periods been reduced as a result of the recognition of uncertain tax positions according to FIN 48?
 - b. Provide an explanation and valuation of all the effects on KAWC's rate case of the recognition of FIN 48, by item.
 - c. Provide all rationale for including the effects on revenue requirement discussed in Items 13a and 13b in the current rate case?

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- d. Provide all documentation, analyses and authoritative treatises relied on by KAWC supporting Item 13c.
14. RR – Please provide a detailed explanation for the following in reference KAWC's response to OAG First Information Request No. 88 in Case No. 2012-00520:
- a. All explanations and support for the increase in Information Technology Systems costs.
 - b. All explanations and support for the increase in Customer Service center costs.
15. RR – Please provide the following Internal Audit reports and supporting documentation in reference KAWC's response to OAG First Information Request No. 59 in Case No. 2012-00520:
- a. 07/16/2010 REGULATED OPERATIONS & SERVICE COMPANY
Chemical Procurement Process
 - b. 07/29/2010 ALL
2009 Annual Incentive Plan Review
 - c. 12/23/2010 SERVICE COMPANY
Service Company Cost Distribution
 - d. 12/23/2010 REGULATED OPERATIONS
Business Transformation Program Governance Report
 - e. 02/22/2011 ALL
Travel and Business Expenses
 - f. 04/18/2011 REGULATED OPERATIONS & SERVICE COMPANY
Disbursements
 - g. 10/17/2011 ALL
Board of Directors and Executive Management Travel and Business Expenses

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- h. 11/17/2011 ALL
2010 AIP and 2011 LTIP Review

- i. 10/08/2012 ALL
2011 AIP/ 2012 LTIP Review