

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2015-00418
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Witness: Christine Karlsson

- 16.** Refer to KAWC's response to Staff's Second Request, Item 27.a., and refer to KAWC's response to Staff's First Request, Item 18.a., the 2015 Annual Incentive Plan Attachment A, 2015 Financial Payout Curve, and Attachment B, 2015 AIP Non-Financial Performance Measures. Either confirm that these are the financial and operational targets that are used for KAWC's Long Term Performance Plan ("LTTP") or provide the financial and operational targets used for KAWC's LTTP.

Response:

The Long Term Performance Plan (LTTP) includes stock options, (20%), Restricted Stock Units (RSUs), (20%), and a performance based stock component, which awards Performance Stock Units (PSUs), (60%). The financial and operational targets used for the Annual Performance Plan (APP) are the same targets used for the LTTP with the exception that 50 percent of the of PSU financial targets are based on EPS thresholds and the other 50 percent of PSU is based on total shareholder return relative to an industry peer group. The overall target award pool would be available if the Company's goals are achieved for all of the overall performance metrics. If some, but less than all, of the performance goals are achieved, the funding is diminished accordingly. All of the metrics operate on a sliding scale that includes a threshold (minimum) level of performance and a maximum level. No funding pool is created if the financial threshold (minimum) performance measures are not achieved to ensure the financial viability of the plans.

The 2016 LTTP brochure is attached.

Supplemental Response 6-29-16

The 2016 LTTP brochure is attached. The brochure contains confidential information and is subject to a petition for confidential protection.

**ATTACHMENT TO KAW_R_PSCDR3_NUM016_SUPP_062916
FILED UNDER SEAL PURSUANT TO PETITION FOR
CONFIDENTIAL TREATMENT FILED ON JUNE 29, 2016**