

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT IN) CASE NO. 2015-00418
WATER RATES)

ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits his Second Request for Information to Kentucky-American Water Company ("Kentucky American Water" or "Company") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following instructions:

(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 witness(es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Kentucky American Water with an electronic version of these data requests, upon request.

(4) 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.

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

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) 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.

(8) 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.

(9) 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.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded

statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) 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.

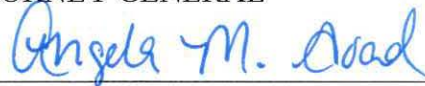
(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



ANGELA M. GOAD
REBECCA W. GOODMAN
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE, SUITE 200
FRANKFORT KY 40601-8204
PHONE: (502) 696-5453
FAX: (502) 573-1005
Angela.Goad@ky.gov
Rebecca.Goodman@ky.gov

1. Reference the article, “Proposed rate increase puts Kentucky American in the Top 30 most expensive taps in country” at this website <http://www.wkyt.com/content/news/If-granted-Kentucky-American-Waters-rate-increase-places-it-in-the-Top-50-371569261.html> to answer the following questions:
 - a. Confirm or deny that according to the Food and Water Watch survey, Kentucky American Water’s average bill ranked 69th highest out of 500 public and private utility companies that were compared.
 - b. Confirm or deny that according to the Food and Water Watch survey, if the Company is granted the requested increase then Kentucky American Water’s average bill would be ranked in the top 30 most expensive water bills in the country.
2. Reference Kentucky American Water’s Application generally to answer the following:
 - a. Provide a detailed comparison between Kentucky American Water’s current average monthly rates for all customer classes, and the national average monthly rates for all customer classes.
 - b. Provide a detailed comparison between Kentucky American Water’s proposed average monthly rates for all customer classes, and the national average monthly rates for all customer classes.
 - c. Provide a detailed chart comparing Kentucky American Water’s current average monthly residential rates to all other privately and publicly owned water utilities average monthly residential rates in Kentucky.

- d. Provide a detailed chart comparing Kentucky American Water's proposed average monthly residential rates to all other privately and publicly owned water utilities average monthly residential rates in Kentucky.
3. Reference Kentucky American Water's response to AG 1-43, and provide an updated response that reflects actual revenues received in each month of 2016 to date.
4. Reference Kentucky American Water's Application in general and provide, by customer class, the total anticipated Base Period usage (volumes and revenues) and the actual usage (volumes and revenues) for the eleven months ending March 31, 2016.
5. Reference Kentucky American Water's response to AG 1-44. Do the "Total Payments to Willis Towers Watson" include the amounts allocated to KY from AWWSC, or are they in addition to the amounts allocated to KY from AWWSC?
6. Reference Kentucky American Water's response to AG 1-48(a). Regarding the statement that "no awards have been issued from the American Water APP plan" confirm that the name of the Annual Incentive Plan ("AIP") is being changed and that the APP is the same plan except for the change in name. If this assumption is not correct, then list and explain all differences between the APP and the AIP.
7. Reference Kentucky American Water's Application in general and identify all categories of employees (if applicable) that a) do not currently participate in any incentive compensation program; b) will not participate in any incentive compensation program in 2017.
8. Reference Kentucky American Water's response to AG-1-55. Confirm that the Company's claim is based on the total budgeted positions shown in Item 21 of the Commission Staff's First Request for Information.

9. Reference Kentucky American Water's response to AG 1-69. Regarding the Fuel and Power cost adjustment of \$122,463 discussed, quantify the amount of this adjustment that is based on estimated unit cost increases/decreases (as opposed to current fuel and power unit costs).
10. Reference Kentucky American Water's response to AG 1-70. Regarding the Chemical cost adjustment of \$148,890 discussed, quantify the amount of this adjustment that is based on estimated unit cost increases/ decreases (as opposed to current chemical unit costs).
11. Reference Kentucky American Water's response to AG 1-77. Quantify the amount of a) the annual reduction in the Grounds Keeping contract and b) the annual increase in the Janitorial contract.
12. Reference Kentucky American Water's response to AG 1-92, and state if the balances shown on pages 2-3 of this response are net of Bad Debt Recoveries (part b).
13. Reference Kentucky American Water's response to AG 1-94, and provide a narrative describing the Company's credit card arrangements and fees, including when Kentucky American Water began accepting credit cards, the party responsible for any applicable fees, the percentage of customers currently using credit cards, how Kentucky American Water proposes to recover any credit card fees, and any other information or documentation supporting the Company's claim for credit card fees.
14. Reference Kentucky American Water's Application in general and identify all Chambers of Commerce dues included in the Company's claim. Separately identify and quantify amounts allocated from the Service Company and amounts incurred directly by Kentucky American Water.

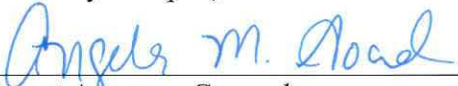
15. Reference Kentucky American Water's response to AG 1-107. Did the Company specifically exclude 50% of meals and entertainment expenses from its filing, i.e., the percentage disallowed by the IRS? If so, indicate where this adjustment was made. If the Company did not specifically exclude 50% of these costs, then explain why no portion of the Company's meals and entertainment expenses are subject to the IRS 50% exclusion.
16. Reference Kentucky American Water's response to AG 1-136, and quantify the annual removal costs net of salvage included in the Company's Forecast Period.
17. Reference Kentucky American Water's response to AG 1-141. Do the accrued pensions reflected in rate base relate to a prepaid pension asset, i.e., an excess of pension contributions over amounts that have been reflected in annual pension costs pursuant to FAS 87? If so, provide all supporting calculations showing the development of the accrued pension asset and provide a cite to a Commission Order authorizing recovery of a prepaid pension asset in rate base. If accrued pensions do not relate to a prepaid pension asset, then fully describe what gives rise to the accrued pensions included in rate base and explain why it is appropriate for shareholders to earn a return on this amount.
18. Reference Kentucky American Water's Application, Exhibit 37, Schedule C-1, page 2. Provide actual Base Period results for each category of revenues and expenses for the eleven months ending March 31, 2016.
19. Reference Kentucky American Water's Application, Exhibit 37, Schedule B-1, and update this exhibit to show actual rate base balances at March 31, 2016.
20. Reference Kentucky American Water's response to PSC 2-32. Are the APP and LTPP amounts of \$537,596 and \$243,452 respectively the Kentucky allocation of Service Company costs or the total Service Company costs?

21. Reference Kentucky American Water's response to PSC 2-55. It appears that there are formula errors on pages 2 and 4. For example, on page 2, the "Actual" Net Utility Plant in Service balance does not include Accumulated Depreciation and similarly the total Rate Base amounts at the bottom of page 2 contain errors. There are similar issues with regard to total revenues on page 4. Verify all amounts on the exhibit and provide a revised exhibit, if applicable.

Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on April 11, 2016; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original of the foregoing is being filed with the Commission on April 12, 2016,

this 11th day of April, 2016.



Assistant Attorney General