

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR AN ADJUSTMENT OF)
RATES SUPPORTED BY A FULLY) CASE NO. 2012-00520
FORECASTED TEST YEAR)

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recordings of the evidentiary hearing conducted June 4 – June 5, 2013 in this proceeding;
- Certification of the accuracy and correctness of the digital video recordings;
- All exhibits introduced at the evidentiary hearing conducted June 4 – June 5, 2013 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recordings of the evidentiary hearing conducted June 4 – June 5, 2013.

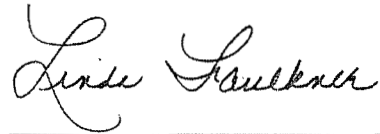
A copy of this Notice, the certification of the digital video records, hearing logs, exhibit list, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recordings of the hearing in Windows Media format may download a copy at:

http://psc.ky.gov/av_broadcast/2012-00520/2012-00520_04Jun13_Inter.asx

http://psc.ky.gov/av_broadcast/2012-00520/2012-00520_05Jun13_Inter.asx

Parties wishing annotated digital video recordings may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for copies of these recordings.

Done at Frankfort, Kentucky, this 14th day of June 2013.

A handwritten signature in cursive script that reads "Linda Faulkner".

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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C E R T I F I C A T E

I, Melinda A. Ernst, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on **June 4-5, 2013**; (excluding any confidential segments, which were recorded on a separate DVD and will be maintained in the non-public records of the Commission, along with the Confidential Exhibits and Hearing Log). The hearing was recorded on **June 4-5, 2013**. (Confidential portions were also recorded separately).

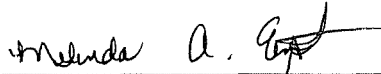
2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the hearing of **June 4-5, 2013** (excluding any confidential segments);

4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of **June 4-5, 2013** (excluding any confidential exhibits).

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of **June 4-5, 2013** (excluding any confidential segments) and the time at which each occurred.

Given this 14th day of June, 2013.



Melinda A. Ernst, Notary Public
State at Large
Notary ID 458201
My commission expires: 2/4/2016



Session Report - Detail

2012-00520_04June13

Kentucky-American Water
Company

Date:	Type:	Location:	Department:
6/4/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner

Witness: Brian Kalcic LFUCG; Brian Kalcic OAG; Carl Myers KAWC; Cheryl Norton KAWC; David Baker KAWC; Gary VerDouw KAWC; Jack Burch CAC; Keith Cartier KAWC; Linda Bridwell KAWC; Melissa Schwarzell KAWC; Paul Herbert KAWC; Scott Rungren KAWC; OAG Stephen Rackers; Stephen Rackers LFUCG; William O'Mara LFUCG

Clerk: Melinda Ernst

Event Time	Log Event	
9:09:22 AM	Session Started	
9:09:33 AM	Chairman Armstrong Note: Ernst, Melinda	Offered preliminary remarks and introduction of Vice Chairman Jim Gardner and Commissioner Linda Breathitt.
	Note: Ernst, Melinda	Staff representing the Public Service Commission: Gerald Wuetcher, Mark Frost, Eddie Beavers, George Wakim, Leah Faulkner, David Foster, Sam Reid, Scott Lawless, and Jonathon Beyer.
	Note: Ernst, Melinda	Counsel for Kentucky-American Water Company: Lindsey Ingram and Monica Braun. Counsel for the Office of Attorney General: David Spenard and Jennifer Hans. Counsel for Lexington-Fayette Urban County Government: David Barberie and Jacob Walbourn. Counsel for the Community Action Counsel: Iris Skidmore.
9:12:13 AM	Public Notice Note: Ernst, Melinda	Mr. Wuetcher stated appropriate public notice had been given.
9:12:22 AM	Confidentiality Motions Note: Ernst, Melinda	Mr. Wuetcher, PSC, stated several outstanding motions were addressed at a conference that was held prior to the hearing.
9:13:32 AM	Chairman Armstrong Note: Ernst, Melinda	Called for comments from the public.
9:13:54 AM	Tom Marshall, Citizen Note: Ernst, Melinda	Provided comments on the cas. He requested that Commissioners take a look at all aspects of the case and the long-term affects they will have on Kentucky-American's customers.
9:23:45 AM	Chairman Armstrong Note: Ernst, Melinda	Called for further comments from the public. There being none, he proceeded with the hearing.
9:24:54 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Requested that parties identify any witnesses that will be asked to provide testimony by teleconference.
9:26:34 AM	Mr. Ingram, KAWC Note: Ernst, Melinda	David Baker and Paul Herbert will testify via telephone.
9:26:57 AM	Mr. Spenard Note: Ernst, Melinda	Brian Kalcic will testify by telephone and Stephen Rackers is present at the hearing to testify.
9:27:37 AM	Ms. Skidmore, CAC Note: Ernst, Melinda	Objected to the telephonic testimony. She previously agreed to video testimony, but did not know witnesses would be testifying by telephone. She understands it is the fault of no one, but prefers witnesses be present to testify.
9:29:23 AM	Mr. Ingram, KAWC Note: Ayer, Pam	Called David Baker to testify via telephone.

9:30:37 AM	Chairman Armstrong Note: Ernst, Melinda	Swore in Witness David Baker. Mr. Baker announced that he was accompanied by Ed Hay, as counsel.
9:31:51 AM	Mr. Ingram, KAWC Note: Ernst, Melinda	Questioned Mr. Baker on his current position and address. He stated that he currently serves as the Senior Vice President of American Water Northeast Division and provided his office address in New Jersey.
9:32:37 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda Note: Ernst, Melinda	Questioned Mr. Baker regarding his affiliation with American Water Works Company. Mr. Wuetcher questioned Mr. Baker regarding his position and work with American Water Works Company. Questioned Mr. Baker regarding managed contracts and his work prior to membership on the steering committee for Business Transformation. Mr. Wuetcher continued to question the witness regarding managed contracts and when decisions were made to discourage the use of managed contracts by subsidiaries.
9:34:23 AM	Mr. Baker, Witness, KAWC Note: Ayer, Pam	Testified that he became a member of the committee and was asked to review third-party contracts. He explained that American Water Works was not a party to the contracts; they were managed by the state subsidiaries. He testified that the contract between KAWC and LFUCG was one of the largest third-party contracts. Mr. Baker testified that the decision was made to exit managed contracts in December 2011.
10:04:01 AM	PSC Exhibit 1 Note: Ernst, Melinda	Email and documentation from David Baker to AWWC member subsidiaries dated 08/01/2011, 4:32 p.m. regarding Billing Services Plan.
10:04:39 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda Note: Ernst, Melinda	Questioned Mr. Baker regarding PSC Exhibit 1 and AWWC's decision to exit all billing contracts by December 1, 2011. Questioned Mr. Baker regarding the recommended transition from limiting the number of third-party contracts to the elimination of all third-party contracts.
10:17:57 AM	PSC Exhibit 2 Note: Ernst, Melinda	Email message from David Baker to Cheryl Norton dated 02/09/2012, 12:14 p.m. regarding "Nice win for our clients."
10:18:03 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Baker regarding PSC Exhibit 2.
10:18:23 AM	Post Hearing Data Request 1 Note: Ayer, Pam	Mr. Wuetcher requested confirmation from KAWC that all emails produced in discovery are complete that show the change in American Water's decision to completely terminate billing services.
10:24:00 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned Mr. Baker regarding the third-party contracts
10:24:44 AM	Post Hearing Data Request 2 Note: Ernst, Melinda	Mr. Barberie, LFUCG, requested a list of current American Water operating subsidiaries currently having a billing services contract in place and the location of the contract.
10:25:43 AM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. Baker regarding his testimony on third-party contracts and his tenure as senior vice president of American Water Northeast Division.
10:32:00 AM	Chairman Armstrong Note: Ernst, Melinda	Excused the witness.

10:32:22 AM	Mr. Ingram, KAWC Note: Ernst, Melinda	Called Cheryl Norton, President, Kentucky-American Water, to testify.
10:32:54 AM	Chairman Armstrong Note: Ernst, Melinda	Swore in the witness.
10:33:22 AM	Mr. Ingram Note: Ernst, Melinda	Confirmed Ms. Norton's prior testimony.
10:33:49 AM	Jennifer Hans, OAG Note: Ernst, Melinda Note: Ernst, Melinda	Ms. Hans questioned Ms. Norton regarding the Northern Division and Owenton facility. Further questioned Witness Cheryl Norton as ultimate authority for KAWC. She asked her questions regarding the previous rate case brought before the Commission, 2012-00096, and the current case before the Commission. She questioned KAWC's efforts to expand services throughout the state.
10:43:30 AM	OAG Exhibit 1 Note: Ernst, Melinda	Email from Dillard Griffin to Lance Williams dated 11/18/2008, 01:45 p.m. regarding Owenton Water Treatment Plant.
10:45:11 AM	Cheryl Norton, KAWC Note: Ernst, Melinda	At the request of Ms. Hans, witness read aloud contents of OAG Exhibit 1. She further testified regarding long-term plans for the Owenton Water Treatment Plant.
10:50:24 AM	OAG Exhibit 2 Note: Ernst, Melinda	Final Order in Case No. 2010-00036, page 87.
10:51:48 AM	Ms. Hans, OAG Note: Ernst, Melinda Note: Ernst, Melinda	She questioned Ms. Norton regarding legislative initiatives and lobbying activities of KAWC, specifically legislation for solutions in advancing services to low-income customers. Questioned Ms. Norton regarding OAG Exhibit 2 and the Commission's requests outlined in the exhibit.
10:58:08 AM	Mr. Ingram, KAWC Note: Ernst, Melinda	Objected to questioning by Ms. Hans.
10:58:58 AM	Ms. Hans, OAG Note: Ernst, Melinda	Continued examination of witness regarding overall water loss.
10:59:56 AM	Ms. Norton, KAWC Note: Ernst, Melinda	Testified overall water loss for the past twelve months was below 15 percent.
11:00:32 AM	Ms. Hans, OAG Note: Ernst, Melinda	Continued examination of the witness regarding the affordability study.
11:02:08 AM	Post Hearing Data Request 3 Note: Ernst, Melinda	Ms. Hans requested the dates of meetings Ms. Norton attended regarding collaborative efforts and the affordable study.
11:03:51 AM	Ms. Hans, OAG Note: Ernst, Melinda	Continued questioning the witness regarding wholesale water contracts.
11:04:38 AM	Session Paused	
11:17:18 AM	Session Resumed	
11:17:29 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Stated that at the request of KAWC, the PSC began the hearing at 9:00 a.m. Public notice was given; however, one member of the public arrived at 10:00 a.m. wishing to provide comments. He requested that public comments be allowed.

11:18:13 AM	Public Comments Note: Ernst, Melinda	Ms. Mitchell, Lexington, Kentucky, provided comments on the case before the Commission.
11:18:13 AM 11:19:55 AM	Camera Lock Deactivated Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned Witness Cheryl Norton regarding possible acquisition of the KRS 2 plant and wholesale water contracts. He further questioned the witness regarding KAWC's decision to discontinue the contract with LFUCG.
11:25:07 AM	Ms. Norton, KAWC Note: Ernst, Melinda	Testified there was much confusion among customers regarding services and whom customers were to contact when needing assistance with those services. Customers were confused regarding rate increases and where those rate increases were included on customers' bills.
11:27:31 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Continued questioning Ms. Norton regarding KAWC's decision to terminate the billing contract with LFUCG.
11:28:01 AM	LFUCG Exhibit 1 Note: Ernst, Melinda	Kentucky-American Water bill dated March 22, 2011 with name, address, and account number redacted.
11:31:00 AM	Post Hearing Data Request 4 Note: Ernst, Melinda	Mr. Barberie requested KAWC provide information on the decrease in late fees and reconnections provided in Ms. Norton's testimony.
11:31:52 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Continued examination of Ms. Norton. He further questioned her regarding reasons for termination of the billing contract with LFUCG.
11:33:27 AM	Ms. Norton Note: Ernst, Melinda	Testified that customers overall were pleased with the separation of billing contracts with LFUCG. Positive comments have been received regarding customers' realization of the true amounts of their water bills and how much easier it was for them to understand their bills.
11:35:26 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned Ms. Norton regarding PSC Exhibit 2. He questioned the origination of the email and to what the email was referring.
11:37:18 AM	Ms. Sizemore, CAC Note: Ernst, Melinda	Questioned the witness regarding the number of customers below the poverty level. She referred to rebuttal testimony regarding assistance to low-income customers which was filed by the witness.
11:40:50 AM	Ms. Norton, KAWC Note: Ernst, Melinda	Testified about services KAWC provides to low-income customers and the lack of increases to these services as compared to the increases in rates that have been approved for the KAWC.
11:42:39 AM	CAC Exhibit 1 Note: Ernst, Melinda	Herald-Leader Editorial "Don't give utility new rate control; KAW seeks increase, less scrutiny," dated 05/23/2013.
11:44:52 AM	Ms. Skidmore, CAC Note: Ernst, Melinda	Questioned the witness regarding the editorial. She referred to Ms. Norton's rebuttal testimony that legislation was the best way to provide relief to low-income customers.
11:48:06 AM	Ms. Norton, KAWC Note: Ernst, Melinda	Testified regarding her beliefs in legislation and other ways to provide assistance to low-income customers.

11:49:31 AM	Ms. Skidmore, CAC Note: Ernst, Melinda	Referred to the Final Order in Case No. 2010-00036 regarding CAC's proposal that KAWC perform a study to restructure their rate design.
11:50:57 AM	Mr. Ingram, KAWC Note: Ernst, Melinda	Objects to Ms. Skidmore's question regarding CAC's proposal that KAWC perform at study to restructure their rate design and whether KAWC has completed the study.
11:54:32 AM	Ms. Skidmore, CAC Note: Ernst, Melinda Note: Ernst, Melinda Note: Ernst, Melinda	Continued examination of Ms. Norton regarding the Final Order in Case No. 2010-00036 and suggestions made by the Commission in that Order. She further questioned the witness regarding legislation proposed and supported by KAWC. She referred to the CAC Exhibit 1 regarding negotiations with cities to sell water Nicholasville and Paris. She referenced Ms. Norton's rebuttal testimony on page 3. She questioned the witness regarding minimal communications between KAWC and CAC and the lack of progress made toward affordability options.
12:04:38 PM	Ms. Norton, KAWC Note: Ernst, Melinda	Denied that KAWC is in negotiations to sell water to Nicholasville and Paris.
12:05:40 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda Note: Ernst, Melinda	Questioned the witness whether KAWC completed a survey regarding their bills and services provided that were included on their bill. Questioned the witness regarding third-party billing and studies completed in that respect. He questioned whether KAWC had completed a cost-of-service study following the termination of the contract with LFUCG. He further questioned whether KAWC had completed studies regarding cost of services.
12:10:57 PM	Post Hearing Data Request 5 Note: Ernst, Melinda	Mr. Wuetcher requested copies of the results of surveys completed by KAWC regarding customer billing and the termination of the KAWC's contract with LFUCG.
12:11:52 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Continued questioning Ms. Norton regarding legislation proposed by KAWC.
12:13:40 PM	Post Hearing Data Request 6 Note: Ernst, Melinda	Mr. Wuetcher requested a final draft of proposed legislation of the collaborative agencies.
12:14:42 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned when KAWC made the decision to terminate its contract with LFUCG.
12:15:52 PM	Ms. Norton, KAWC Note: Ernst, Melinda	Testified that the decision was made in May or June of 2011. Official notice was provided to LFUCG on 10/03/2011; however, verbal notice had been provided prior to that date.
12:17:08 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned the witness regarding the Northern Division project and capital projects needed to bring the Owenton facility into acceptable standards. He further questioned the use of a unified rate structure and whether consideration was made to spread the cost of improvements to the system or portions of the system throughout the entire customer base.

12:23:38 PM	Ms. Norton, KAWC Note: Ernst, Melinda	Testified that existing customers receive benefit in the growth of the overall system. Growth may include a minimal increase in overall billing to customers, but may include a decrease because costs are spread over the entire system. She further testified the Owenton acquisition was a good investment for the company and the customers.
12:29:37 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	The Northern Division and Central Division are not yet connected. He questioned Ms. Norton regarding the tariff that would be provided for the overall system.
12:31:19 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned the witness regarding purchases KAWC incurred in the acquisition of the Owenton system. He questioned whether Ms. Norton thought the Commission should approve proposed acquisitions.
12:37:20 PM	Ms. Norton, KAWC Note: Ernst, Melinda	Questioned Ms. Norton regarding energy-efficiency projects and the type of projects being considered by KAWC. Questioned the witness regarding the unified rate schedule.
12:41:09 PM	Vice Chairman Gardner Note: Ernst, Melinda	Testified in response to Vice Chairman Gardner's questions. She stated that the termination of the contract with LFUCG was a success for KAWC. It helps customers to better understand the cost of water services provided by KAWC.
12:44:26 PM	Commissioner Breathitt Note: Ernst, Melinda	Further questioned the witness regarding acquisition of the Owenton system and progress made in that system. He questioned the witness regarding the contracts with LFUCG and AWWA.
12:48:40 PM	Ms. Norton, KAWC Note: Ernst, Melinda	Questioned the witness regarding percentages of increases and comments from customers. She further questioned Ms. Norton regarding proposed expansions.
12:49:52 PM	Commissioner Breathitt Note: Ernst, Melinda	Testified that KAWC is not currently seeking any specific expansions; however, the company has been contacted regarding possible expansions.
12:55:10 PM	Chairman Armstrong Note: Ernst, Melinda	Questioned the witness regarding ways to improve due diligence in finding solutions to concerns and issues. She further questioned the witness regarding water and energy efficiency programs.
12:57:15 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Questioned Ms. Norton regarding the Clean Water Act and if KAWC is meeting those mandates. He further questioned KAWC's public education activities.
1:00:27 PM	KAWC Exhibit 1 Note: Ernst, Melinda	Redirect of Witness Cheryl Norton. He questioned Ms. Norton regarding the request of KAWC to the Commission regarding approval to acquire the Owenton facility and the submission of a unified rate schedule in the next rate case.
1:02:18 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Email to William O'Mara and Jane Driskell from Cheryl Taylor dated 07/01/2011, 4:35 p.m. regarding KAW meeting. He further questioned the witness on efforts to low-income customers and meetings in which KAWC and other entities were involved.

	Note: Ernst, Melinda	Questioned Ms. Norton regarding KAWC Exhibit 1. The exhibit outlines notification of KAWC's termination of the billing contract with LFUCG and the decrease in the collection rate.
1:07:27 PM	Ms. Hans, OAG Note: Ernst, Melinda Note: Ernst, Melinda	Objected to questions regarding negotiations by the OAG's office. Questioned the witness regarding earlier testimony on CAC Exhibit 1. She further questioned the witness regarding the third-party billing process and increases or surcharges included in KAWC's bills.
	Note: Ernst, Melinda	Questioned the witnesses' understanding of OAG's involvement in efforts to draft legislation.
1:16:35 PM	Ms. Skidmore, CAC Note: Ernst, Melinda	In cross examination of Ms. Norton, questioned her concerns of the number of customers on the low poverty level.
1:18:47 PM	Mr. Barberie, LFUCG Note: Ernst, Melinda	In cross examination of Witness Cheryl Norton, questioned the status of Business Transformation and implementation of these efficiency initiatives.
1:21:43 PM	Post Hearing Data Request 7 Note: Ernst, Melinda	Mr. Barberie requested emails showing the the OAG did not support legislation drafted by collaborative members.
1:22:19 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	In cross examination of witness, questioned the flow of command with KAWC and to whom does Ms. Norton report her activities. He further questioned reports that were to be supplied to the Commission regarding legislative activities.
1:23:22 PM	Post Hearing Data Request 8 Note: Ayer, Pam	Mr. Wuetcher requested information showing that LFUCG's collection rate charges included on KAWC's bills was decreasing prior to termination of the contract between LFUCG and KAWC.
1:24:36 PM	Vice Chairman Gardner Note: Ernst, Melinda	In cross examination of witness, he questioned Ms. Norton on usage figures and activities of the collaborative group.
1:27:08 PM	Session Paused	
2:32:59 PM	Session Resumed	
2:33:25 PM	Session Ended	



Session Report - Detail

2012-
00520_04June13_After_Conf
Kentucky American Water
Company

Date:	Type:	Location:	Department:
6/4/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner
Clerk: Melinda Ernst

Event Time	Log Event
2:44:15 PM	Session Started
2:44:16 PM	Chairman Armstrong Note: Ernst, Melinda
	Excused Witness Cheryl Norton.
2:44:52 PM	Mr. Ingram, KAWC Note: Ernst, Melinda
	Called Keith Cartier, Vice President Operations for KAWC, to testify.
2:45:18 PM	Chairman Armstrong Note: Ernst, Melinda
	Swore in Mr. Cartier.
2:45:33 PM	Mr. Ingram, KAWC Note: Ernst, Melinda
	Verified testimony offered by Mr. Cartier.
2:45:43 PM	Ms. Hans, OAG Note: Ernst, Melinda
	Questioned Mr. Cartier regarding DSIC charges.
2:48:40 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda
	Questioned Mr. Cartier regarding his responses to PSC Staff's Second Request for Information, Item 50, and PSC Staff's Third Request for Information, Item 20. He questioned Mr. Cartier regarding management of the third-party contracts.
2:56:54 PM	Vice Chairman Gardner Note: Ernst, Melinda
	Questioned Witness Keith Cartier regarding energy efficiency projects in which KAWC has invested.
2:57:20 PM	Camera Lock Deactivated
2:58:20 PM	Mr. Cartier, KAWC Note: Ernst, Melinda
	Testified regarding KAWC efficiency projects at Jacobson Park and Richmond Road
3:00:02 PM	Vice Chairman Gardner Note: Ernst, Melinda
	Further questioned Mr. Cartier whether KAWC would be looking at pump replacements near the Kentucky River.
3:02:45 PM	Ms. Hans, OAG Note: Ernst, Melinda
	Redirect of witness. She questioned KAWC's percentage of water loss due to leaks. She questioned the difference in water loss percentages and water loss due to leaks.
3:04:55 PM	Chairman Armstrong Note: Ernst, Melinda
	Excused Witness Keith Cartier.
3:05:19 PM	Mr. Ingram, KAWC Note: Ernst, Melinda
	Mr. Ingram called Paul Herbert, Gannett-Fleming, President, Valuation & Rate Design, to testify.
3:05:59 PM	Chairman Armstrong Note: Ernst, Melinda
	Swore in Mr. Herbert.
3:06:17 PM	Ms. Braun, KAWC Note: Ernst, Melinda
	Verified Mr. Herbert's testimony.

3:06:43 PM	Ms. Skidmore, CAC Note: Ernst, Melinda	Questioned Mr. Herbert regarding his rebuttal testimony on the rate increase. She questioned Mr. Herbert regarding the Final Order in Case No. 2010-00036 and the recommendations on CAC's rate design proposal. She further questioned Mr. Herbert regarding his knowledge of services to low-income customers and how to address those services.
3:17:59 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Herbert regarding increases in public fire hydrant revenues and the methodology used to figure those increases.
3:19:54 PM	Mr. Herbert, KAWC Note: Ernst, Melinda	Testified that the costs proposed for public fire hydrant revenues includes the lines and equipment for fire hydrants.
3:20:59 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Herbert regarding third-party billing services and cost-of-service studies. He further questioned the witness regarding KAWC's recovery of costs attributed to connection of the Central Division to the Northern Division and single tariff pricing.
3:28:21 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. Herbert regarding his testimony on rate design and the cost-of-service study and instructions he received from KAWC in preparing these figures. He further questioned the witness regarding his recommendations for an increase in customer charges.
3:34:27 PM	Commissioner Breathitt Note: Ernst, Melinda	Questioned Mr. Herbert regarding the increase in demand for private fire units over public fire units. She further questioned the approximately 20 percent increase in public fire hydrant costs.
3:38:19 PM	Chairman Armstrong Note: Ernst, Melinda Note: Ernst, Melinda	He called counsel to the bench and conferred with all parties. Excused Witness Paul Herbert.
3:42:24 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Called Witness Scott Rungren, Financial Analyst, AWWSC, to testify.
3:42:58 PM	Chairman Armstrong Note: Ernst, Melinda	Swore in Witness Scott Rungren.
3:43:20 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Rungren regarding what effect the upgrade of long-term debt would have on KAWC.
3:45:03 PM	PSC Post Hearing Data Request 9 Note: Ernst, Melinda	Mr. Wuetcher requested a revised capital structure and workpapers from Moody's and Standard & Poor's recent upgrades to American Water's credit rating.
3:45:57 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. Rungren regarding the reason he upgrade KAWC to the long-term debt plan.
3:50:10 PM	Chairman Armstrong Note: Ernst, Melinda	Questioned Mr. Rungren regarding KAWC's upgrade in the Standard & Poor index.
3:52:08 PM	Post Hearing Data Request 10 Note: Ernst, Melinda	Chairman Armstrong requested copies of reports issued by Moody's and Standard & Poor's regarding upgrades to American Water's credit rating.
3:52:47 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Called Carl Myers, Director of Income Tax, AWWC, to testify.
3:53:31 PM	Chairman Armstrong Note: Ernst, Melinda	Swore in the witness.

3:53:53 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Witness Mr. Myers verified his testimony with minor corrections.
3:54:32 PM	Mr. Spenard, OAG Note: Ernst, Melinda	Questioned Mr. Myers regarding his rebuttal testimony regarding accounting methods and tax deductions.
4:01:51 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Myers regarding the resolution of the FIN 48 Tax Liability. He further questioned the probability that KAWC will be audited by the IRS in the near future. He continued questioning the witness regarding KAWC's accounting methods.
4:06:46 PM	Post Hearing Data Request 11 Note: Ernst, Melinda	Mr. Wuetcher requested a list by year of the annual amount of FIN 48, total accumulated amount, and an explanation of any change from year to year.
4:07:34 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. Myers regarding tax accounting methods and liabilities of AWWA.
4:13:19 PM	Post Hearing Data Request 12 Note: Ernst, Melinda	Vice Chairman Gardner requested a list of forecasted repairs included in KAWC's FIN 48.
4:15:32 PM	Vice Chairman Gardner Note: Ernst, Melinda	Continued to question the witness regarding extrapolation of the assets.
4:18:29 PM	Chairman Armstrong Note: Ernst, Melinda	Excused Witness Mr. Myers.
4:19:33 PM	Chairman Armstrong Note: Ernst, Melinda	Adjourned the hearing for the day. The hearing will continue at 9:00 a.m. tomorrow morning.
4:20:27 PM	Session Ended	



Session Report - Detail

2012-00520_05June13_

Kentucky American Water
Company

Date:	Type:	Location:	Department:
6/5/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner
 Clerk: Melinda Ernst

Event Time	Log Event
9:09:33 AM	Session Started
9:09:34 AM	Ms. Braun, KAWC Note: Ernst, Melinda
9:09:59 AM	Chairman Armstrong Note: Ernst, Melinda
9:10:29 AM	Ms. Braun, KAWC Note: Ayer, Pam
9:10:42 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda
9:12:13 AM	PSC Exhibit 6 Note: Ernst, Melinda
9:13:28 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda
9:20:34 AM	Post Hearing Data Request 13 Note: Ayer, Pam
9:21:02 AM	Ms. Schwarzell, KAWC Note: Ernst, Melinda
9:23:37 AM	Commissioner Breathitt Note: Ernst, Melinda
9:25:26 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda
9:31:03 AM	Vice Chairman Gardner Note: Ernst, Melinda
9:34:19 AM	KAWC Exhibit 2 Note: Ernst, Melinda

Called Melissa Schwarzell, Financial Analyst, AWWSC, to testify.

Swore in Witness Melissa Schwarzell.

Verified Ms. Schwarzell's testimony.

Questioned Ms. Schwarzell regarding PSC Staff's Second Data Request, Question 78.

Kentucky American Water, Case No. 2012-00520, Commission Staff's Second Information Request, Question 78, Revenue Requirement & Average Customer Bill Impact of Termination of Billing Services.

Continued questioning the witness regarding PSC Exhibit 6. He questioned expenses listed in reference to an email from David Baker.

Mr. Wuetcher requested information on other rate classes not included in KAWC's response to Commission Staff's Second Information Request, Question 78.

Testified regarding Mr. Wuetcher's questions regarding PSC Exhibit 6 and figures on an average customer bill.

Questioned the witness regarding the discount outlined in PSC Exhibit 6 and cost sharing.

Continued with questions for the witness regarding the methodology for calculation of meter reading and customer billing for water and expenses related to LFUCG.

Questioned the witness regarding the termination date of the contract with LFUCG and revenue requirements. He further questioned the number of disconnections.

Kentucky American Water Monthly Reconnect Fees, January 2012-March 2013 graph.

9:35:31 AM	Mr. Ingram, KAWC Note: Ernst, Melinda	Clarified the termination dates for KAWC's contract with LFUCG. KAWC provided notice of the termination in October 2011 with an effective date of March 2012. However, KAWC continued the contract until September 2012 until another entity could take over billing services for LFUCG.
9:37:48 AM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Ms. Schwarzell regarding KAWC Exhibit 2.
9:38:34 AM	Post Hearing Data Request 14 Note: Ayer, Pam	Vice Chairman Gardner requested that KAWC Exhibit 2 be updated to include information beginning January 1, 2008.
9:39:57 AM	Commissioner Breathitt Note: Ernst, Melinda	Questioned the witness regarding the reconnection fees and the number of reconnections.
9:41:07 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned Ms. Schwarzell regarding the impact to residential, commercial, industrial, etc. customers following the termination of KAWC's contract with LFUCG.
9:42:17 AM	Post Hearing Data Request 15 Note: Ayer, Pam	Mr. Barberie requested an analysis as outlined in KAWC Exhibit 2 for other classes served by KAWC.
9:44:13 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Continued to question Ms. Schwarzell regarding KAWC's Exhibit 2.
9:45:52 AM	Ms. Skidmore, CAC Note: Ernst, Melinda Note: Ernst, Melinda	Clarified line items and figures included in KAWC Exhibit 2. Questioned Ms. Schwarzell regarding the ending date of KAWC's contract with LFUCG and KAWC Exhibit 2.
9:48:28 AM	Ms. Braun, KAWC Note: Ernst, Melinda	Questioned Ms. Schwarzell regarding the line item for postage that was not included on KAWC Exhibit 2.
9:49:00 AM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Further questioned Ms. Schwarzell regarding KAWC's Exhibit 2.
9:52:15 AM	Post Hearing Data Request 16 Note: Ernst, Melinda	Mr. Wuetcher requested data on KAWC's disconnections beginning in January 2011 to date for those not paying water bills.
9:54:13 AM	Chairman Armstrong Note: Ernst, Melinda	Excused Witness Ms. Schwarzell.
9:54:35 AM	Mr. Ingram, KAWC Note: Ernst, Melinda	Called Linda Bridwell, Manager, Rates and Regulation (KY-TN), Central Division, AWWSC, as witness and verified her direct testimony.
9:55:22 AM	Chairman Armstrong Note: Ernst, Melinda	Swore in Ms. Bridwell as witness for KAWC.
9:55:45 AM	Mr. Spenard, OAG Note: Ernst, Melinda	Questioned Ms. Bridwell regarding her direct and rebuttal testimony.
9:56:29 AM	OAG Exhibit 5, OAG Exhibit 6, OAG Exhibit 7 Note: Ernst, Melinda Note: Ernst, Melinda	Requested the Commission take Administrative Notice of OAG Exhibits 5, 6, and 7. OAG Exhibit 5-Contents of Order in Case No. 92-452 regarding Forecasted Test Year Revenues. OAG Exhibit 6-Contents of Order in Case No. 2001-00117 regarding Weather Normalization. OAG Exhibit 7-Contents of Order in Case No. 2007-00134 regarding Weather Normalization.

10:00:34 AM	Mr. Spenard, OAG Note: Ernst, Melinda Note: Ernst, Melinda Note: Ernst, Melinda	Continued questioning Ms. Bridwell regarding the Kentucky Infrastructure Authority and its connection with KAWC. He questioned Ms. Bridwell at length regarding KAWC's work with outside entities to provide water services. Questioned the witness regarding engineering costs associated with expansion and construction projects sought by KAWC. Questioned Ms. Bridwell regarding weather normalization data that was accepted by the Commission in previous cases and how it relates to water usage by customers. He further questioned KAWC figures for water usage in specific times of the year and how weather normalization figures affect that usage.
10:35:29 AM	Ms. Bridwell, KAWC Note: Ernst, Melinda	Testified and answered questions from Mr. Spenard regarding water usage, weather normalization, KAWC's work with outside entities, engineering costs associated with construction projects, slippage, and the third-party billing contract with LFUCG.
10:47:09 AM	Session Paused	
11:00:01 AM	Session Resumed	
11:00:07 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned Ms. Bridwell regarding the decreased water usage by residential customers. He further questioned the witness regarding LFUCG's Second Data Request, Item 8 regarding electronic data.
11:01:03 AM	Camera Lock Deactivated	
11:04:12 AM	Post Hearing Data Request 17 Note: Ernst, Melinda	Mr. Barberie requested an update to information KAWC provided in LFUCG's Second Data Request, Item 8 regarding electronic data.
11:04:41 AM	LFUCG Exhibit 2 Note: Ernst, Melinda	Kentucky-American Water Company Case No. 2012-00520 Lexington-Fayette Urban County Government's First Request for Information, Item 30 and response.
11:04:44 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned the witness regarding her response in LFUCG Exhibit 2. He further questioned the witness regarding LFUCG's First Data Request Item 6 regarding prospective sales of water to communities outside Fayette County.
11:11:50 AM	LFUCG Exhibit 3 Note: Ernst, Melinda	Kentucky-American Water Company Case No. 2012-00520 Lexington-Fayette Urban County Government's First Request for Information Item 6 and Response.
11:12:47 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Continued questioning Ms. Bridwell regarding expansion of KRS 2, when that would occur and possible impacts on the existing system. He then questioned the witness about tariffs and franchising fees.
11:18:14 AM	LFUCG Exhibit 4 Note: Ernst, Melinda	KAWC Tariff filed with PSC dated 5/12/2013.
11:21:02 AM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned the fee included in the tariff entitled Georgetown Hydrant Fee.
11:21:50 AM	CAC Exhibit 2 Note: Ernst, Melinda	Content of PSC Order in Case No. 2010-00036, pages 73 - 76.
11:23:34 AM	Ms. Skidmore, CAC Note: Ernst, Melinda	She questioned KAWC's response to CAC First Data Request, Question 9 and contributions made to H2O, Help to Others. She further questioned how KAWC could provide assistance to low-income customers with a rate increase.

	Note: Ernst, Melinda	Questioned Ms. Bridwell regarding CAC Exhibit 2. She asked if KAWC had completed surveys related to the impact of rate increases on customers.
	Note: Ernst, Melinda	She questioned Ms. Bridwell regarding inclining block rates and whether KAWC had completed a study on this issue.
11:37:41 AM	Ms. Wuetcher, PSC	
	Note: Ernst, Melinda	Questioned the definition and meaning of SWAG.
11:38:28 AM	PSC Post Hearing Data Request 18	
	Note: Ernst, Melinda	Mr. Wuetcher requested the schedules and supporting workpapers for KAWC's base period update in Excel format through the online web portal and electronic media.
11:39:11 AM	Mr. Wuetcher, PSC	
	Note: Ernst, Melinda	Questioned Ms. Bridwell regarding page 46 of 54 of Schedule B in the application.
11:40:26 AM	Post Hearing Data Request 19	
	Note: Ernst, Melinda	Mr. Wuetcher requested the figure for Dollar Days for Chemicals included in Exhibit 37 of the application.
11:42:52 AM	Mr. Wuetcher, PSC	
	Note: Ernst, Melinda	Questioned Ms. Bridwell regarding customer call center services and provisions for amending the agreement for those services. He further questioned the witness regarding the Slippage factor. He referred to KAWC's response to PSC's Second Request for Information, Item 73, Subitem G.
11:49:11 AM	Post Hearing Data Request 20	
	Note: Ernst, Melinda	Mr. Wuetcher requested a copy of any rules and/or guidance KAWC has provided to call center representatives to track water and sewer customer calls.
11:50:11 AM	Mr. Wuetcher, PSC	
	Note: Ernst, Melinda	Questioned the witness on ways to finance upgrades of the existing system.
	Note: Ernst, Melinda	Mr. Wuetcher questioned the witness on reconnection charges that have increased in this application. He inquired as to how the customer is assessed the reconnection charges and asked whether the process will remain the same if the modifications requested in the application are approved.
	Note: Ernst, Melinda	Continued to question Ms. Bridwell regarding KAWC's expansion efforts to neighboring water systems and communities. He questioned the witness regarding KAWC's unified rate structure. He referred to testimony previously provided on June 4 in this case.
	Note: Ernst, Melinda	He referred to Ms. Bridwell's rebuttal testimony regarding the calculation of usage.
	Note: Ernst, Melinda	Questioned Ms. Bridwell regarding the increase in revenues for public fire hydrants. He questioned the witness about weather normalization and models used to determine these figures.
	Note: Ernst, Melinda	Questioned KAWC counsel if there were objections to additional written questions to Carl Myers, Director of Income Tax, AWWC.
12:11:12 PM	PSC Post Hearing Data Request 21	
	Note: Ernst, Melinda	Mr. Wuetcher requested the methodology of calculations on 88 gallons of usage per customer per day as outlined in Ms. Bridwell's rebuttal testimony.
12:11:48 PM	Vice Chairman Gardner	
	Note: Ernst, Melinda	Questioned Ms. Bridwell regarding water services to the city of Midway. He further questioned the significant increase in the customer charge and its connection to AMR meters. He asked if there had been a reduction in the number of meter readers due to the use of AMR meters.

	Note: Ernst, Melinda	He questioned her response in LFUCG Exhibit 3 regarding expansion activities and whether KAWC has the capacity to provide needed water services.
	Note: Ernst, Melinda	Questioned Ms. Bridwell's responses regarding KAWC's call centers, the reduction in the number of calls received, and the budgeted amounts for those calls..
12:22:54 PM	Post Hearing Data Request 22 Note: Ernst, Melinda	Vice Chairman Gardner requested the breakdown in the calculation of a 6 percent increase in the call center budget.
12:24:02 PM	Vice Chairman Gardner Note: Ernst, Melinda	He questioned Mr. Ingram and Ms. Bridwell regarding total water sales outlined in OAG Exhibit 3-Confidential. He further questioned Ms. Bridwell regarding methodology of rate configuration and the effect of weather normalization on rates and sales volumes.
	Note: Ernst, Melinda	He referred the witness to page 38 of her direct testimony. He questioned the meaning of her response.
	Note: Ernst, Melinda	Questioned the witness regarding figures included in KAWC's response to PSC's Staff First Request for Information, Item 10.
12:39:35 PM	Post Hearing Data Request 23 Note: Ernst, Melinda	Vice Chairman Gardner requested the information on base usage per customer class for ten years.
12:41:44 PM	PSC Post Hearing Data Request 24 Note: Ernst, Melinda	Vice Chairman Gardner requested KAWC submit a comparison of the declining use figures from November 2012 to April 2013 and the two prior years.
12:43:42 PM	Post Hearing Data Request 25 Note: Ernst, Melinda	Vice Chairman Garder requested KAWC submit data for the six months used to normalize for weather in calculating declining use.
12:44:14 PM	Commissioner Breathitt Note: Ernst, Melinda	She questioned the witness regarding cost of service and the largest item increase in the cost of service.
	Note: Ernst, Melinda	Questioned Ms. Bridwell regarding the addition of customer service classifications and DSIC and purchase power and chemical charges. KAWC is requesting approval from the PSC for automatic rate adjustments for these items.
12:48:58 PM	Chairman Armstrong Note: Ernst, Melinda	Referred to the lack of water resources available and questioned the witness regarding the amount of Kentucky River water used by KAWC.
12:54:15 PM	Session Paused	
2:07:47 PM	Session Resumed	
2:08:05 PM	OAG Hearing Exhibit 8 Note: Ernst, Melinda	KAW Estimated Per Capital Usage submitted in Case No. 2007-00134.
2:09:06 PM	Mr. Spenard, OAG Note: Ernst, Melinda	Introduced OAG Exhibit 8. He questioned Ms. Bridwell regarding her rebuttal testimony, page 9. He requested clarification of the the data included on the graph.
2:12:05 PM	Commissioner Breathitt Note: Ernst, Melinda	Requested clarification of Ms. Bridwell's testimony regarding customer usage per day.
2:12:47 PM	Post Hearing Data Request 26 Note: Ernst, Melinda	Mr. Spenard requested KAWC submit a color copy of OAG Exhibit 8 containing data from 2006 through 2011.

2:16:37 PM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Questioned Ms. Bridwell regarding the ability of the treatment plant to serve customers.
2:17:36 PM	Post Hearing Data Request 27 Note: Ernst, Melinda	Mr. Barberie requested a copy of KAWC's contract with the city of Georgetown on fire hydrants and/or a copy of the ordinance.
2:19:27 PM	Post Hearing Data Request 28 Note: Ernst, Melinda	Mr. Wuetcher requested an itemized list for the cost of each project included in KAWC's response to PSC Staff's Third Data Request, Item 20, page 2 of 2. Include an explanation of any costs total \$100 or more. He further requested to know which projects were not competitively bid and the reason(s) why.
2:22:14 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda Note: Ernst, Melinda Note: Ernst, Melinda Note: Ernst, Melinda	Questioned Ms. Bridwell regarding the proposed changes in classification. A change in classification may result in a change in revenues and taxes. Questioned Ms. Bridwell regarding the 30+ percent water loss for the Northern Division and the effect on the entire KAWC system. He questioned whether KAWC had studied possible ways to reduce the water loss for the Northern Division to 15 percent or below. Questioned Ms. Bridwell regarding the customer call center and the increase in cost from the last rate case. Questioned the witness regarding line loss in KAWC response to PSC Staff's Third Request for Information, Item 33. He further questioned the reasoning for separate Northern and Central Divisions if KAWC uses a unified rate base.
2:37:58 PM	Post Hearing Data Request 29 Note: Ernst, Melinda	Mr. Wuetcher requested KAWC submit data on the expected chemical expense for KRS 2, power expense for KRS 2, and purchase power expense related to Northern Division for pumping.
2:39:46 PM	Vice Chairman Gardner Note: Ernst, Melinda Note: Ernst, Melinda	Questioned the witness regarding cost calculations for the call center. Questioned Ms. Bridwell regarding weather normalization figures and the months used to determine the data.
2:44:24 PM	Post Hearing Data Request 30 Note: Ernst, Melinda	Vice Chairman Gardner requested an outline of changes in cost allocation for the call centers from year to year including the percentage of call volume prior to the change in contracts and afterward.
2:45:49 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Ms. Bridwell regarding testimony provided by Stephen Rackers, Consultant, Brubaker & Associates, Inc. and calculation of the declining water use.
2:48:38 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Redirect question to Ms. Bridwell in order to clarify her testimony regarding weather normalization.
2:49:45 PM	Chairman Armstrong Note: Ernst, Melinda	Excused Witness Ms. Bridwell.
2:50:06 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Called Gary Ver Douw, Director of Rates, Central Division, AWWSC, and verified his direct and rebuttal testimony with one correction.
2:50:28 PM	Chairman Armstrong Note: Ernst, Melinda	Swore in Mr. Ver Douw.

2:51:50 PM	Mr. Spenard, OAG Note: Ernst, Melinda	Questioned Mr. Ver Douw regarding his review of previous cases and preparation for the hearing today.
2:52:31 PM	OAG Exhibit 9; OAG Exhibit 10 Note: Ernst, Melinda	Mr. Spenard introduced OAG Exhibit 9, Kentucky PSC Case No. 2012-00512 Docket Number and Filing Date List and OAG Exhibit 10, Kentucky-American Water Company Case No. 2012-00520 Commission Staff's Third Request for Information Response by Gary VerDouw, Item 19.
2:55:29 PM	Mr. Spenard, OAG Note: Ernst, Melinda	Questioned Mr. VerDouw regarding similarities in the filing of rate applications outlined in OAG Exhibit 9 and OAG Exhibit 10. He further questioned Mr. VerDouw regarding his rebuttal testimony, page 9.
3:04:53 PM	OAG Exhibit 11 Note: Ernst, Melinda	Order filed in PSC Case No. 10423, The Tariff Application of Kentucky-American Water Company Procedure for Computing Revenue Requirements received 05/10/1989.
3:07:32 PM	Post Hearing Data Request 31 Note: Ernst, Melinda	Mr. Spenard requested the percentage amount of KAWC's chemical and purchase power for total cost of service.
3:08:13 PM	OAG Exhibit 12; OAG Exhibit 13 Note: Ernst, Melinda	Mr. Spenard introduced OAG Exhibit 12 Resolution Endorsing and Co-Sponsoring "The Distribution System Improvement Charge"; OAG Exhibit 13 Resolution Supporting Consideration of Regulatory Policies Deemed as "Best Practices."
3:11:58 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. VerDouw regarding his rebuttal testimony on customer information software purchased by various utility companies and average cost to customers to purchase those systems. He further questioned the witness regarding AWWC's and KAWC's leak detection efforts.
3:17:22 PM	Mr. VerDouw Note: Ernst, Melinda	Testified regarding AWWC's and KAWC's efforts to maintain clean, affordable water for its customers.
3:22:38 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. VerDouw regarding the use of historical test periods to obtain data to predict anticipated revenue requirements. He continued examination of Mr. VerDouw regarding his direct and rebuttal testimony regarding DSIC.
	Note: Ernst, Melinda	Questioned witness regarding his previous testimony to Mr. Spenard regarding total purchase power and chemical expense cost.
3:38:26 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Questioned witness on redirect regarding a confidential comprehensive planning study that was provided in response to an OAG request.
3:40:20 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned the witness if the study was itemized by state. He further questioned the witness regarding Mr. Baker's telephonic testimony provided in this hearing on 06/04/2013.
3:44:58 PM	Chairman Armstrong Note: Ernst, Melinda	Excused the witness.
3:45:17 PM	Session Paused	
3:59:30 PM	Session Resumed	

3:59:35 PM	Mr. Spenard OAG Note: Ernst, Melinda	Called Stephen Rackers, Consultant, Brubaker & Associates, Inc., to testify and verified his testimony with minor changes.
4:00:49 PM	Chairman Armstrong Note: Ernst, Melinda	Swore in the witness.
4:01:07 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Questioned Mr. Rackers regarding SMR 1 working papers and figures contained therein on working capital. He further questioned the witness regarding OAG's response to PSC Staff's Request for Information, Question 17 on working capital.
	Note: Ernst, Melinda	He questioned Mr. Rackers regarding his testimony, page 12 on DSIC. He continued to question the witness regarding his testimony and projections in this case.
	Note: Ernst, Melinda	Questioned Mr. Rackers regarding OAG's response to PSC Staff's Request for Information, Question 13 and inclusion of a FIN 48 in rate base.
	Note: Ernst, Melinda	Questioned witness regarding KAWC's history of rate cases on working capital and revenue requirement.
	Note: Ernst, Melinda	He further questioned the witness regarding KAWC's decision to discontinue the billing contract with LFUCG. He questioned Mr. Rackers' expected obligation of KAWC to locate services to replace those being terminated with LFUCG.
4:02:13 PM	Camera Lock Deactivated	
4:26:44 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Rackers regarding rainfall levels and water usage levels in 2012. He questioned Mr. Rackers' reasoning for using 2012 as a normal year. He further questioned the witness regarding his direct testimony.
4:33:42 PM	Mr. Spenard, OAG Note: Ernst, Melinda	Questioned Mr. Rackers on redirect to clarify whether his testimony was his own or testimony of the OAG. Questioned the witness regarding his attempt to attain information from KAWC regarding customer account numbers.
4:38:54 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Agreed that Mr. Rackers had made a good faith effort to obtain information from KAWC.
4:39:30 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. Rackers regarding the Missouri Commission's rejection of his argument on FIN 48. He further questioned the witness regarding his testimony on revenue requirement adjustments.
4:43:25 PM	Chairman Armstrong Note: Ernst, Melinda	Excused Witness Mr. Rackers.
4:43:45 PM	Ms. Hans, OAG Note: Ernst, Melinda	Called Brian Kalcic, Principal, Excel Consulting, as a witness. She verified his testimony. Mr. Kalcic stated he is testifying for OAG and LFUCG.
4:44:50 PM	Chairman Armstrong Note: Ernst, Melinda	Swore in the witness.
4:45:08 PM	Ms. Skidmore, CAC Note: Ernst, Melinda	Questioned Mr. Kalcic regarding the cost-of-service study and recommended rate design and classification. She questioned the witness on his methodology of revenue allocations and whether he agrees with Mr. Rackers calculations on revenue requirement and working capital.

	Note: Ernst, Melinda	Questioned witness further regarding his written testimony. Ms. Skidmore asked the witness if he had taken into consideration any issues of low-income customers before he offered figures on rate design and cost-of-service study.
5:02:03 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Kalcic on his direct testimony regarding proposed customer service charges.
5:07:48 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. Kalcic regarding customer charges indicated by the cost-of-service study.
5:10:24 PM	Chairman Armstrong Note: Ernst, Melinda	Excused Witness Mr. Kalcic.
5:10:49 PM	Mr. Barberie, LFUCG Note: Ernst, Melinda	Called William O'Mara, Commissioner of Finance, LFUCG, and verified his testimony.
5:11:25 PM	Commissioner Armstrong Note: Ernst, Melinda	Swore in the witness.
5:12:04 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Questioned Mr. O'Mara regarding his testimony and third-party billing services which included sewer, storm water, and landfill services offered by the city of Lexington. He further questioned the witness regarding the decrease in collection rate of billing services provided by LFUCG.
5:16:59 PM	Mr. O'Mara, LFUCG Note: Ernst, Melinda	Testified regarding the termination of the billing services contract with KAWC and affects of the termination of that contract.
5:19:13 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Provided a copy of KAWC Exhibit 1 to Mr. O'Mara and questioned LFUCG's awareness of KAWC's wish to terminate the billing services contract. He further questioned whether it was a benefit to citizens of Lexington to terminate the billing services contract and the effects the termination of that contract
5:22:58 PM	KAWC Exhibit 3 Note: Ernst, Melinda	Printed news report from WKYT 27 and WYMT entitled, "Water and sewer bills to be separated in Lexington."
5:24:59 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned the witness regarding the billing services contract between LFUCG and KAWC and the drop in services that occurred. He further questioned the witness regarding the change in accounting methods approved by the PSC for KAWC in 2010 and the effects those changes had on LFUCG and its customers.
5:34:16 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. O'Mara regarding slippage reduction in payments LFUCG received following the termination of the billing services contract and anticipated growth in revenue.
5:36:22 PM	Commissioner Breathitt Note: Ernst, Melinda	Questioned Mr. O'Mara regarding the upgrade of its computer platform. She further questioned the witness regarding the effects of the termination of the billing services contract.
5:40:16 PM	Chairman Armstrong Note: Ernst, Melinda	Excused Witness Mr. O'Mara.
5:40:38 PM	Ms. Skidmore, CAC Note: Ernst, Melinda	Called Jack Burch, Executive Director, Community Action Council, to testify and verified his testimony with one correction on page 12.
5:41:29 PM	Chairman Armstrong Note: Ernst, Melinda	Swore in the witness.

5:42:13 PM	Ms. Braun, KAWC Note: Ernst, Melinda Note: Ernst, Melinda	Questioned regarding his written testimony regarding rate increases and KAWC's contribution to H2O. She further questioned Mr. Burch regarding Community Action Kentucky and lobbying actions of that organization. Questioned Mr. Burch regarding collaborative efforts with CAC, KAWC, OAG and LFUCG. She questioned meetings among collaborative members and the lack of legislation proposed regarding inclining block rates.
5:52:21 PM	KAWC Exhibit 4 Note: Ernst, Melinda	Press Release from West Virginia American Water entitled, "West Virginia American Water Petitions PSC to Approve Discount Program for Low-Income Customers."
5:55:50 PM	Ms. Braun, KAWC Note: Ernst, Melinda	Questioned Mr. Burch regarding KAWC Exhibit 4. She further questioned the witness regarding the average household income and size.
5:58:00 PM	KAWC Exhibit 5 Note: Ernst, Melinda	Median Income Per Household Size in Kentucky.
6:01:20 PM	Ms. Hans, OAG Note: Ernst, Melinda	Questioned the witness regarding the testimony of affordability of water.
6:01:56 PM	Ms. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Burch regarding membership of the collaborative and its efforts to expand the membership to other utilities or groups in support of low-income consumers.
6:06:34 PM	Vice Chairman Gardner Note: Ernst, Melinda	Questioned Mr. Burch regarding concerns CAC held for service to low-income customers.
6:07:50 PM	Ms. Skidmore, CAC Note: Ernst, Melinda	Questioned the witness on redirect regarding other options of the collaborative and interest in those options by the member organizations.
6:10:09 PM	Mr. Wuetcher, PSC Note: Ernst, Melinda	Questioned Mr. Burch regarding a report filed by KAWC in response to paragraph 10.
6:11:48 PM	Post Hearing Data Request 32 Note: Ernst, Melinda	Vice Chairman Gardner requested an updated report on collaborative efforts of KAWC, OAG, LFUCG, and CAC.
6:12:34 PM	Chairman Armstrong Note: Ernst, Melinda	Excused Witness Mr. Burch.
6:14:11 PM	Mr. Ingram, KAWC Note: Ernst, Melinda	Requested 15 days in which to submit Post Hearing Data Request. A list of those requests will be submitted to all parties.
6:15:35 PM	Commissioner Armstrong Note: Ernst, Melinda	Closing remarks and the hearing adjourned..
6:17:13 PM	Session Ended	



Exhibit List Report

2012-00520_04June13

Kentucky-American Water
Company

Name:	Description:
CAC Exhibit 01	Kentucky.com Herald Leader Editorial Published 05/23/13
CAC Exhibit 02	Order in Case No. 2010-00036, Pages 73-76
KAWC Exhibit 01	Email message from Cheryl A. Taylor to William O'Mara and Jane Driskell dated 07/01/2011
KAWC Exhibit 02	KAWC Monthly Reconnect Fees 01/2012-03/2013
KAWC Exhibit 03	WKYT 27 News Report "Water and Sewer Bills to be Separated in Lexington"
KAWC Exhibit 04	Press Release "West Virginia American Water Petitions PSC to Approve Discount Program for Low-Income Customers"
KAWC Exhibit 05	Median Income per Household Size in Kentucky, American Community Survey
LFUCG Exhibit 01	KAWC Bill dated 03/22/11 Redacted
LFUCG Exhibit 02	KAWC's Response to LFUCG First Request for Information, Question 30
LFUCG Exhibit 03	KAWC's Response to LFUCG First Request for Information, Question 6
LFUDG Exhibit 04	KAWC Tariff PSC KY No. 6 Seventh Revised Sheet No. 28.1 Cancelling Sixth Revised Sheet No. 28.1
OAG Exhibit 01	Email message from Dillard Griffin to Lance Williams dated 11/18/2008
OAG Exhibit 02	Order in Case No. 2010-00036, Page 87
OAG Exhibit 03	Order in Case No. 92-452, Pages 22-24
OAG Exhibit 04	Order in Case No. 2001-00117, Pages 25-27
OAG Exhibit 05	Order in Case No. 2007-00134, Pages 29-30
OAG Exhibit 06	KAW Estimated Per Capital Usage
OAG Exhibit 07	Case No. 2012-00512, Docket List and Filing Date
OAG Exhibit 08	KAWC's Response to Commission Staff's Third Request for Information, Question 19 in Case No. 2012-00520
OAG Exhibit 09	Order in Case No. 10423
OAG Exhibit 10	Resolution Endorsing and Co-Sponsoring "The Distribution System Improvement Charge"
OAG Exhibit 11	Resolution Supporting Consideration of Regulatory Policies Deemed as "Best Practices"
PSC Exhibit 01	Email from David Baker dated 08/01/2011, Billing Services Plan
PSC Exhibit 02	Email from David Baker dated 02/09/2012, "Nice win for our clients!"
PSC Exhibit 03	KAWC's Response to Commission Staff's Second Request for Information, Question 78

Owenton Water treatment plant**Dillard Griffin** to: Lance E Williams

11/18/2008 01:45 PM

Cc: kruchirk, rick.buchanan, keith.cartier

History: This message has been replied to.

Lance, do you know the status of the investigation about the long term plans for the Owenton Water treatment plant. I know that some were looking into evaluating the site to see the probability of connecting the Owenton distribution network into the new pipeline or should we leave that plant in service. Also, do we know the status of the chemical repair and upgrade project that was planned?

I am hearing rumors that we may want to leave that plant open and not consider connecting it into the New pipeline network and that the plans are to proceed with the chemical upgrades. If this is the case then there is much more work that we need to start planning for. One being a plan for disposing of the residuals which have accumulated at the old plant site. If we are going to continue to operate the existing plant then we need a residuals plan, then we need to get into a budget a plan for this.

If you can provide an update on the status or the current thinking about the existing plant then we will know more about plans for maintenance, equipment, and some more firm multi year operating plans. with residuals disposal and the existing old plant being large items that we need to get an operating plan in place for.

Dillard Griffin
Manager, Production Operations
Kentucky American Water
office 859 268 6340
mobile 859 537 0739
dillard.griffin@amwater.com

service is terminated for non-payment. This plan shall further identify the cost of implementing such plan and the time necessary for implementation.

11. Unless the Commission otherwise directs, Kentucky-American shall implement the plan submitted in accordance with ordering paragraph 10 within 120 days of the date of this Order.

12. No later than the filing of its next application for general rate adjustment Kentucky-American shall file a revised demand management plan with the Commission.

13. a. Within 60 days of the date of this Order, Kentucky-American shall initiate the collaborative effort described in this Order by convening a meeting of all interested parties, to include all parties of record in this case, to identify and study potential regulatory and legislative solutions to enhance and improve the affordability of water service for low-income customers.

b. No later than January 31, 2011, and every month thereafter, Kentucky-American shall file with the Commission a written report on the efforts of the collaborative group to develop potential regulatory and legislative solutions to enhance and improve the affordability of water service for low-income customers.

c. No later than November 1, 2011, Kentucky-American shall file with the Commission a final written report on the collaborative group's efforts.

14. Until granted a deviation from 807 KAR 5:006, Section 14, authorizing such practice, Kentucky-American shall refrain from its practice of applying monies collected from a customer for LFUCG to landfill disposal and water quality management fees before applying those monies to LFUCG sanitary sewer charges and from terminating water service to a customer who has failed to pay fully all LFUCG fees and

Utility Plant in Service	\$ 151,355,296
CWIP	1,970,366
Deferred Maintenance	2,949,707
Deferred Debits	72,252
Cash Working Capital Allowance	2,168,000
Other Working Capital Allowance	479,135
Subtotal	<u>\$ 158,994,756</u>
Less:	
Accumulated Depreciation Reserve	\$ 20,443,030
Accumulated Amortization Reserve	7,869
Utility Plant Acquisition Adjustment	579,567
Contributions In Aid Of Construction	9,129,549
Customer Advances for Construction	10,924,691
Deferred Income Taxes	13,099,428
Unamortized Investment Tax Credit	207,527
Subtotal	<u>\$ 54,391,661</u>
Rate Base	<u>\$ 104,603,095</u>

Revenues

Forecasted Test Year Revenues. Kentucky-American has projected revenues for the forecasted test year to be \$29,182,279. This projection is based on a methodology regularly used by Kentucky-American to forecast revenues in the preparation of its annual operating budgets.⁵⁵ Kentucky-American has shown that this revenue forecasting methodology has been very accurate over the past decade.⁵⁶ Therefore, the projected test year operating revenues should be approved.

Nonetheless, the Commission is concerned that Kentucky-American did not sufficiently adjust forecasted test year revenues for the affects of abnormal weather. Although some utilities use

⁵⁵ Direct Testimony of Edwin L. Oxley, filed on January 22, 1993, pages 4-5.

⁵⁶ Kentucky-American's Response to Item 81 of the Commission's Order dated March 4, 1993 and Kentucky-American's Response to Item 114 of the Commission's Order dated April 8, 1993.

econometric models to forecast water sales and adjust revenues for normal weather, Kentucky-American believes its budgeting process, which is a system-wide approach that implicitly considers usage patterns, customer growth, and weather factors, is a reasonable means upon which to base its rate request.⁵⁷ Even though this budgeting process has performed well in the past, Kentucky-American should begin immediately to develop in-house expertise in weather normalization models and econometric techniques in order to improve its short-term revenue forecasting capabilities.

Nor has Kentucky-American made any attempt to determine the impact of water management and conservation programs on its future water sales. It merely projects water savings to continue at 1992 levels throughout the forecasted test year.⁵⁸ Regrettably, given the limited nature of Kentucky-American's conservation efforts and the fact that no new programs will be implemented during the test year, Kentucky-American's assumption of static water savings is probably reasonable. By the time of its next rate case, Kentucky-American should markedly improve its ability to forecast the impact on water sales of conservation programs and its commitment to water conservation efforts.

⁵⁷ Kentucky-American's Response to Item 27 of the Commission's Order dated April 8, 1993.

⁵⁸ Transcript of Evidence, Vol. II, pages 343-344; Kentucky-American's Response to Item 87 of the Commission's Order dated March 4, 1993; and Kentucky-American's Response to Item 29 of the Commission's Order dated April 8, 1993.

Kentucky-American was questioned about its methodologies to make assumptions, adjustments and projections underlying its revenue forecast due to a lack of clear and concise information in the testimony, workpapers and exhibits. Should Kentucky-American again utilize a future test period, the process used to forecast revenues must be clearly described and illustrated.

Allowance for Funds Used During Construction ("AFUDC").
Kentucky-American included AFUDC of \$203,824 in its forecasted operating revenues. The Commission has recalculated AFUDC of \$101,152 based on adjusted CWIP available for AFUDC and the rate of return found reasonable herein. This results in a decrease to operating revenue of \$102,672 and a decrease to net operating income of \$62,173.

Expenses

Kentucky-American reported base period utility operating income of \$8,615,890⁵⁹ and forecasted utility operating income of \$8,964,969.⁶⁰ The forecast is reasonable and has been accepted for rate-making purposes with the following exceptions:

Fuel and Power. Kentucky-American applied its forecasted pumpage to a 6-year average of actual kwh per million gallons to arrive at total kwh required. In some instances, Kentucky-American used operational judgement to adjust the averages. The forecasted

⁵⁹ Kentucky-American Exhibit 38, Schedule A, page 1 of 1.

⁶⁰ Id.

Utility Plant	\$ 180,121,211
Utility Plant Acquisitions Adjustment	(125,986)
Accumulated Depreciation	(29,426,200)
Accumulated Amortization	<u>(7,674)</u>
Net Utility Plant Investment	\$ 150,561,351
CWIP	2,802,902
Working Capital Allowance	903,476
Other Working Capital Allowance	394,263
Contributions In Aid Of Construction	(13,014,723)
Customer Advances	(11,480,600)
Deferred Income Taxes	(17,057,461)
Deferred Investment Tax Credits	(181,139)
Deferred Maintenance	2,926,635
Deferred Debits	396,318
Contract Retention	<u>(173,283)</u>
Net Investment Rate Base	<u>\$ 116,077,739</u>

Income Statement

Kentucky-American reported base period and forecasted period net utility operating income of \$10,296,264 and \$9,595,949, respectively.⁵⁵ Kentucky-American's forecast is reasonable and has been accepted for rate-making purposes with the following exceptions:

Weather Normalization. In Case No. 92-452, Kentucky-American began using a forecasted test year to support its rate application. At that time, the Commission directed Kentucky-American to begin weather normalizing its water demand projections for selected customer classes. The Commission was aware that Kentucky-American lacked sufficient data to build a rigorous model. Consequently, Kentucky-American has been employing a two step weather normalization procedure.⁵⁶ First, an annual series of

⁵⁵ Exhibit 38, Schedule A, page 1.

⁵⁶ Direct Testimony of Edward J. Grubb, pages 17-18 and KAWC Workpapers W/P-2-2.

weather forecasts is obtained using monthly data for each year of data. Then to further account for weather variations over time, the annual forecasts are averaged together.

The AG, criticizing Kentucky-American's forecasting procedure as being inherently flawed and too imprecise to generate reliable forecasts, recommended that Kentucky-American be ordered to construct a more statistically sound weather normalization model.⁵⁷ The AG conceded the existence of flaws in his own weather normalization model and acknowledged that his corrected forecasts were very close to Kentucky-American's.⁵⁸ Based upon the assumption that Kentucky-American continues to file rate cases on a regular basis, the AG recommended that Kentucky-American's obligation to weather normalize its demand forecasts be reconsidered.⁵⁹

Taken broadly, the Commission finds merit in the AG's criticism of Kentucky-American's weather normalization procedure. Due to the frequency of Kentucky-American rate case filings, its forecasts tend to be short term in nature and any systematic forecasting error present in the model will tend to be small. However, if the time between Kentucky-American's rate cases should lengthen, the reliability of its forecasts could erode quickly. The Commission finds that Kentucky-American's weather normalization procedures are reasonable for the short-run and, therefore, appropriate for use in this case. However, in its next rate case Kentucky-American should, in addition

⁵⁷ See generally Rubin Direct Testimony at Section V, Rebuttal, Rubin Surrebuttal, and Brief of AG, page 13.

⁵⁸ Id. and Transcript of Evidence ("T.E."), Vol. II, pages 151-161, 178-188.

⁵⁹ Brief of AG, page 13.

to using its own weather normalization procedures, construct and utilize a single model based upon all the reliable data available.

Monthly Billing. Kentucky-American has proposed to implement monthly meter reading and billing for all customers. Currently, Kentucky-American bills a small number of customers on a monthly basis with the majority of customers billed on a quarterly basis. Kentucky-American cited numerous advantages to itself and its customers with monthly billing. These include improved cash flow and budgeting, the ability to identify leaks in a more timely manner and lower customer payments for hidden leaks, resulting in better utility-customer relations. In addition, uncollectible expense should decrease as a result of a shorter billing period and customers will be sent more timely signals regarding their water usage and its cost. Many customers will also find it easier to budget due to a monthly bill rather than a quarterly bill.⁶⁰

All parties of record (except the limited intervenor who neither appeared at the hearing or otherwise participated in the case) agreed that monthly billing would be in the best interest of both Kentucky-American and its customers. The Commission finds that Kentucky-American's proposal to implement monthly meter reading and billing is reasonable and is approved.

Cell Site Revenue. The AG proposed an adjustment to increase revenue by \$2,000 for the potential lease to BellSouth Mobility of a site next to the Lexington Reservoir to locate a cellular telephone antenna.⁶¹ The adjustment was based on

⁶⁰ Direct Testimony of Roy W. Mundy II, pages 8-9.

⁶¹ Direct Testimony of Thomas C. DeWard, Schedule 18.

Deferred Debits	380,571
Contract Retention	(173,792)
Accrued Pension Expense	(242,540)
Unclaimed Extension Deposit Refunds	(74,882)
Unamortized KU Refund	(47,562)
Meter Deviation - Net Plant Savings	(63,940)
Net Investment Rate Base	<u>\$ 125,749,355</u>

Income Statement

Kentucky-American reported base period and forecasted period net utility operating income of \$10,408,700 and \$10,899,642, respectively.⁵⁸ Kentucky-American's forecast is reasonable and has been accepted for rate-making purposes with the following exceptions:

Weather Normalization. In Kentucky-American's last rate case, Case No. 95-554, it used a two step weather normalization procedure to adjust test period operating revenues. The Commission found that, for short-term use, Kentucky-American's model was sufficient, but if the time between rate cases should lengthen, the reliability of Kentucky-American's forecasts could erode quickly. Therefore, the Commission ordered Kentucky-American to develop a more rigorous single model based upon all the reliable data available.

In the instant case, Kentucky-American constructed and utilized a statistical weather normalization model which uses actual and historical meteorological data and other known predictor variables to predict customer water utilization or sales levels. These weather-normalized sales levels are then applied to forecasted number of bills for the various customer classes to determine projected test period operating revenues.

⁵⁸ Exhibit 38, Schedule C-2, page 1.

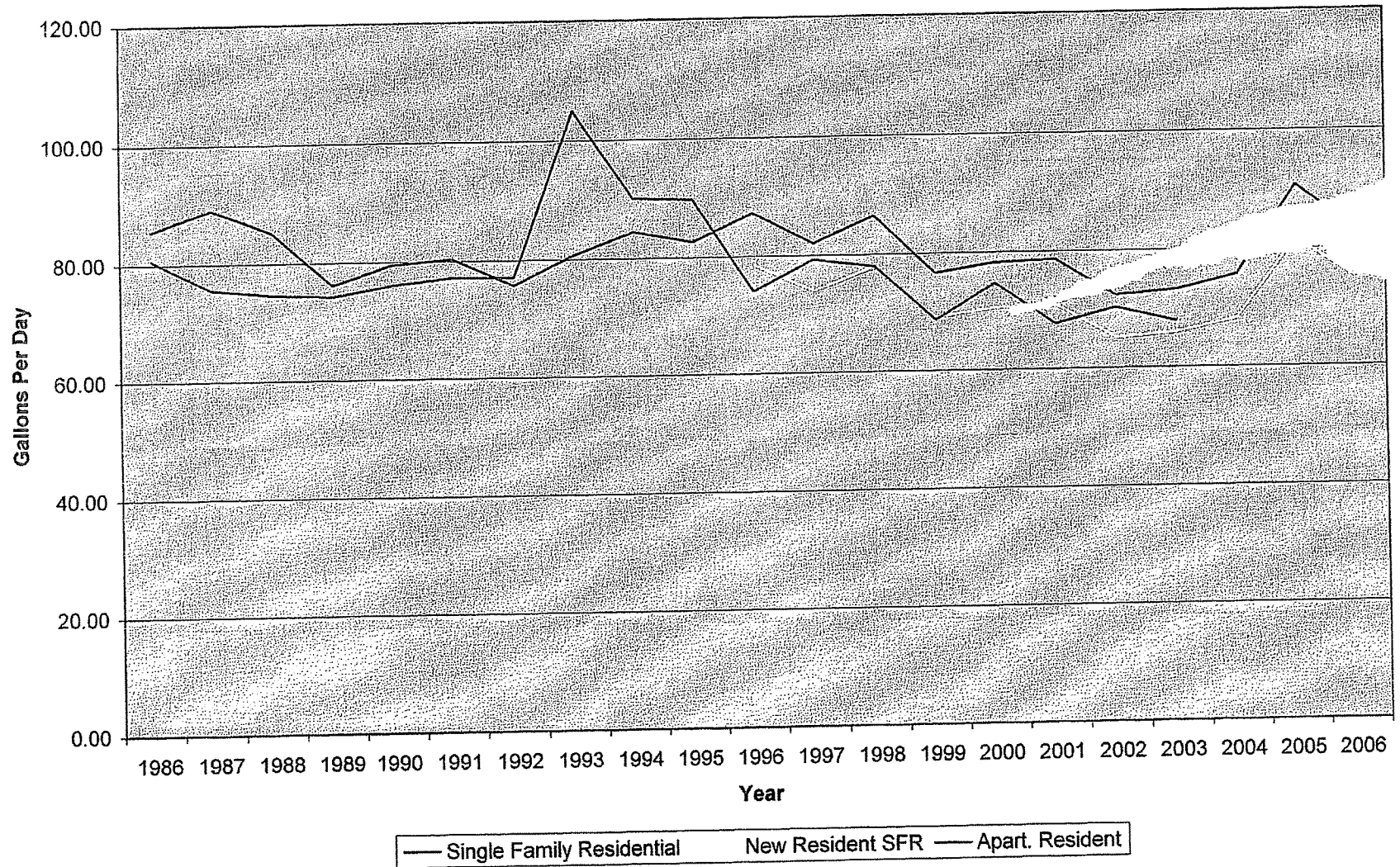
Following preliminary tests on its new model, Kentucky-American found that the significant predictor variables are a drought severity index, calendar month, and calendar year. Kentucky-American modified its weather normalization model to include only these variables. Furthermore, preliminary tests proved that the water utilization levels of only four customer classes proved to be sensitive to weather, namely, the residential, commercial quarterly, commercial monthly, and Other Public Authority ("OPA") monthly classes. Kentucky-American's final weather normalization model was then used to predict sales levels for these four customer classes.

The Commission is satisfied that Kentucky-American has constructed a reasonable and appropriate weather normalization model which will reliably predict water utilization or sales levels for customer classes whose water usage is sensitive to changes in weather conditions. The Commission accepts Kentucky-American's weather normalization model for use in this case.

Monthly OPA Sales. Kentucky-American's projected weather normalized monthly OPA sales included sales to the Bluegrass Army Depot ("Depot"). According to Kentucky-American, the Depot had abnormally high usage from January 1992 through February 1994 apparently due to numerous water leaks. Therefore, Kentucky-American used operational judgment to forecast a realistic sales level.⁵⁹ The AG maintains that forecasted weather normalized sales data for the OPA class should exclude sales to the Depot. Kentucky-American agreed and proposed to increase its net revenue amount by

⁵⁹ Kentucky-American Response to Item 16 of the AG's Second Data Request.

KAW Estimated Per Capital Usage



	Docket Number	Filing Date
1	Case No. 9482	17-Jan-86
2	Case No. 10069	1-Dec-87
3	Case No. 10481	3-Jan-89
4	Case No. 89-348	28-Dec-89
5	Case No. 90-321	27-Nov-90
6	Case No. 91-361	27-Nov-91
7	Case No. 92-452	22-Dec-93
8	Case No. 94-197	29-Jun-94
9	Case No. 95-554	30-Jan-96
10	Case No. 97-034	28-Feb-97
11	Case No. 2000-120	28-Apr-00
12	Case No. 2004-103	30-Apr-04
13	Case No. 2007-143	30-Apr-07
14	Case No. 2008-427	31-Oct-08
15	Case No. 2010-36	26-Feb-10
16	Case No. 2012-520	28-Dec-12

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

Witness: Gary M. VerDouw

19. List each American Water subsidiary that currently uses a tariff rider similar to Kentucky-American's proposed DSIC and state the frequency of its general rate adjustment proceedings for the 10 years prior to implementing the tariff rider and the frequency of general rate adjustment proceedings since adopting the tariff rider.

Response:

Please see the attached schedule.

Exhibit GMV Reb-4

Response to Commission's Third Request for Information
Item 19

Company	Docket No.	Filing Date	Days	Years	
Pennsylvania American	R-860397	4/30/1986			
	R-870825	10/2/1987	520.00	1.4	
	R-891208	1/27/1989	483.00	1.3	
	R-901652	3/16/1990	413.00	1.1	
	R-911909	7/19/1991	490.00	1.3	
	R-922428	7/24/1992	371.00	1.0	
	R-932670	10/28/1993	461.00	1.3	
	R-943231	10/28/1994	365.00	1.0	
	DSIC Authorized in 1996 with first DSIC Effective 1/1/1997				
		R-973944	4/4/1997	889.00	2.4
	R-994638	4/30/1999	756.00	2.1	
	R-00016339	4/27/2001	728.00	2.0	
	R-00038304	4/30/2003	733.00	2.0	
	R-00072229	4/27/2007	1,458.00	4.0	
	R-2009-2097323	4/24/2009	728.00	2.0	
	R-2011-2232243	4/29/2011	735.00	2.0	
Missouri American	WR 93-204	12/23/1992			
	WR 94-166	11/24/1993	336.00	0.9	
	WR 95-145	10/28/1994	338.00	0.9	
	WR 96-263	2/9/1996	469.00	1.3	
	WR 97-382	3/14/1997	399.00	1.1	
	WR 2000-281	10/15/1999	945.00	2.6	
	WR 2001-0844	6/21/2001	615.00	1.7	
	WR-2003-0500	5/19/2003	697.00	1.9	
	ISRS (DSIC) Authorized 2003 with first ISRS rates Effective 12/31/2003				
		WR-2007-0216	12/15/2006	1,306.00	3.6
	WR-2008-0311	3/31/2008	472.00	1.3	
	WR-2010-0131	10/30/2009	578.00	1.6	
	WR-2011-0337	6/30/2011	608.00	1.7	
Indiana American	Cause No. 40103	12/14/1994			
	Cause No. 40703	12/6/1996	723.00	2.0	
	Cause No. 41320	10/28/1998	691.00	1.9	
	Cause No. 42049 (1)	6/29/2001	975.00	2.7 (1)	
	DSIC Authorized in 2000 with first DSIC Effective 3/2003				
		Cause No. 42520	9/30/2003	823.00	2.3
		Cause No. 43187	12/1/2006	1,158.00	3.2
		Cause No. 43680	4/30/2009	881.00	2.4
		Cause No. 44022	5/2/2011	732.00	2.0

Illinois American	Docket 95-0076		2/1/1995		
	Docket 97-0102		1/31/1997	730.00	2.0
	Docket 00-0340		4/17/2000	1,172.00	3.2
	Docket 02-0690		9/20/2002	886.00	2.4
	QIP (DSIC) Authorized 2/1/2005 with first QIP rates Effective 1/1/2006				
	Docket 07-0507		8/31/2007	1,806.00	4.9
	Docket 09-0319		5/29/2009	637.00	1.7
Docket 11-0767		10/27/2011	881.00	2.4	
Long Island Water Corp.	Case 93-W-xxxx	(2)	4/30/1993		(2)
	Case 98-W-0475	(3)	3/30/1998	1,795.00	4.9 (3)
	Case 04-W-0577	(2)	5/3/2004	2,226.00	6.1 (2)
	DSIC Authorized Case 3/21/2005 with first DSIC rates Effective 12/1/2006				
	Case 07-W-0508	(2)	5/1/2007	1,093.00	3.0 (2)
	Case 11-W-2011	(2)	4/29/2011	1,459.00	4.0 (2)
	New Jersey American	WR03070511		7/10/2003	
WR06030257			3/31/2006	995.00	2.7
WR08010020			1/14/2008	654.00	1.8
WR10040260			4/9/2010	816.00	2.2
WR11070460			7/29/2011	476.00	1.3
DSIC Authorized 6/4/2012 with first DSIC rates to Effective no sooner than 6/1/2013					
No DSIC filings made to date					

Notes:

- (1) Authorized two-year step rate increase plan.
- (2) Authorized three-year step rate increase plan.
- (3) Authorized three-year step rate increase plan which was subsequently modified in part and extended through 3/31/2005.

RECEIVED

MAY 10 1989

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

Division of Consumer Protection
Utility Section
Frankfort, Kentucky

In the Matter of:

THE TARIFF APPLICATION OF KENTUCKY-)
AMERICAN WATER COMPANY PROCEDURE) CASE NO. 10423
FOR COMPUTING REVENUE REQUIREMENTS)

O R D E R

Background

On October 27, 1988, Kentucky-American Water Company ("Kentucky-American") filed a proposed tariff, Computation of the Revenue Requirement Applicable to the Improvements Authorized by a Certificate of Convenience and Necessity in Case No. 10365.¹ This tariff, if accepted, would allow Kentucky-American to adjust its rates, outside of a general rate case, to include the additional revenue requirement associated with the 30-inch raw water main authorized by this Commission in Case No. 10365.

Kentucky-American stated that the tariff was needed for it to earn a return on this investment in a timely manner. Kentucky-American also stated that if the tariff was accepted in this case, a similar tariff would be filed to allow for an adjustment of rates to include the additional revenue requirement associated with the improvements to the Richmond Road treatment plant and the

¹ Case No. 10365, Application of Kentucky-American Water Company for a Certificate of Public Convenience and Necessity Authorizing the Construction of Approximately 35,000 Feet of 30 Inch Raw Water Transmission Facilities.

initial construction of the Kentucky River Station II with the associated pipeline.

A public hearing was scheduled and held on March 22, 1989, at the Commission's offices in Frankfort, Kentucky. Intervening in this proceeding and participating at the hearing were the Attorney General's Utility and Rate Intervention Division and the Lexington-Fayette Urban County Government ("AG/LFUCG"). Witnesses appearing on behalf of Kentucky-American were: Roy L. Ferrell, assistant treasurer of Kentucky-American and director of Rates and Revenues for the Southern Region of American Water Works Service Company; and Chris E. Jarrett, vice president and treasurer of Kentucky-American Water Company. Appearing on behalf of the AG/LFUCG was James W. Freeman, associate professor at the University of Kentucky, College of Business and Economics.

Simultaneous briefs were filed by Kentucky-American and the AG/LFUCG on March 31, 1989. All additional information requested at the hearing has been filed.

Discussion

In support of its proposed tariff, Kentucky-American stated that this filing was being used as a "bellwether" or "trial balloon"² in an effort to receive philosophical approval of this method of recovering a revenue requirement associated with capital investment. If this method is approved, Kentucky-American would file similar tariffs for its Kentucky River Station II construction project.

² Kentucky-American's Brief filed March 31, 1989, page 1.

Since that project and the improvements to the Richmond Road treatment plant, as well as the 30-inch raw water main, would require a substantial investment in plant, nearly doubling the current investment in plant in service, Kentucky-American felt that traditional methods of rate-making would not allow them sufficient opportunity to earn an authorized rate of return. Under traditional rate-making methodology, Kentucky-American predicts that it ". . . will only earn approximately two-thirds of what it is authorized to earn as an average for the next four years" ³ This is due primarily to the lag between the time an investment is made in plant and rates are adjusted to reflect a revenue requirement associated with that investment.

Kentucky-American proposed this tariff in an attempt to either eliminate or substantially reduce this delay. Without this relief, Kentucky-American has stated that it will be necessary to file at least seven additional rate cases over the next 4 years in order to maintain its financial integrity.

In opposition to the tariff the AG/LFUCG stated that:

1. Kentucky-American's situation is not unique and that larger construction projects have been examined without a change in the historical test-year concept.

2. The Commission should not accept this tariff outside of a full generic administrative proceeding since it would establish a precedent for other utilities.

³ Ibid., page 4.

3. It is not necessary to deviate from established rate-making methodology in this particular instance since Kentucky-American's \$2 million investment in the 30-inch raw water main is neither burdensome nor unique.

4. Since the Commission allows, but does not guarantee, an authorized rate of return, inability to earn that return is insufficient grounds on which to allow a deviation.

The Commission agrees with the AG/LFUCG's position that a deviation from traditional rate-making methodology is not warranted for Kentucky-American's investment in the 30-inch raw water main. Nor would the 30 days' notice, prior to future tariffs going into effect, allow the Commission adequate opportunity to fully review the proposed tariff, the additional investment in plant, and its associated revenue requirement. Any additional suspension period required would tend to negate Kentucky-American's purpose for requesting deviation, to substantially reduce or eliminate regulatory lag. Therefore, the Commission is of the opinion that the proposed special tariff should be denied.

This does not preclude Kentucky-American from investigating and pursuing other alternatives, such as the inclusion of committed construction in rate base, as currently proposed in Case No. 10481⁴ or filing a general rate case based on a future or projected test period.

⁴ Case No. 10481, Notice of Adjustment of Rates of Kentucky-American Water Company effective on February 2, 1989.

IT IS THEREFORE ORDERED that Kentucky-American's proposed tariff be and it hereby is denied.

Done at Frankfort, Kentucky, this 9th day of May, 1989.

By the Commission

ATTEST:

Forest M. Skaggs
Executive Director

Resolution Endorsing and Co-Sponsoring "The Distribution System Improvement Charge"

WHEREAS, The Pennsylvania Public Utility Commission and the Pennsylvania Legislature have adopted a promising and unique regulatory approach that encourages the acceleration of the needed remediation of aging water utility infrastructures; *and*

WHEREAS, The Distribution System Improvement Charge is an automatic adjustment charge that enables recovery of infrastructure improvement costs on a quarterly basis in between rate cases for projects that are non-revenue producing and non-expense reducing such as main cleaning and relining, fire hydrant replacement and main extensions to eliminate dead ends; *and*

WHEREAS, A videotape which explains this unique approach is being prepared by the National Association of Water Companies to help educate and inform other regulatory agencies and legislatures about the benefits of this unique approach; *and*

WHEREAS, The U.S. EPA within its Drinking Water Infrastructure Needs Survey has identified a magnitude of national infrastructure needs of \$77.2 billion in pending expenditures; *and*

WHEREAS, As the magnitude of need may be too great to be accomplished under traditional ratemaking methodologies; *and*

WHEREAS, The Distribution System Improvement Charge provides benefits to ratepayers such as improved water quality, increased pressure, fewer main breaks, fewer service interruptions, lower levels of unaccounted for water, and more time between rate cases which leads to greater rate stability; *and*

WHEREAS, Ratepayer protections are incorporated in the Pennsylvania approach: the surcharge is limited to a maximum of 5% of the water bill, annual reconciliation audits are conducted where overcollections will be refunded with interest and undercollections will be billed into future rates without interest recovery, the surcharge is reset to zero at the time of the next rate case, the charge is reset to zero if the company is over-earning, customer notice is provided, and all charges reflect used and useful plant; *now, therefore, be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened at its 1999 Winter Meetings in Washington, D.C, agrees to endorse the mechanism as an example of an innovative regulatory tool that other Public Utility Commissions may consider to solve infrastructure remediation challenges in their States; *now be it further*

RESOLVED, That NARUC agrees to co-sponsor with the National Association of Water Companies the videotape of the Distribution System Improvement Charge as an educational tool to inform other regulatory agencies and legislatures about this promising new mechanism.

*Sponsored by the Committee on Water
Adopted February 24, 1999*

Resolution Supporting Consideration of Regulatory Policies Deemed as "Best Practices"

WHEREAS, A number of innovative regulatory policies and mechanisms have been implemented by public utility commissions throughout the United States which have contributed to the ability of the water industry to effectively meet water quality and infrastructure challenges; *and*

WHEREAS, The capacity of such policies and mechanism to facilitate resolution of these challenges in appropriate circumstances supports identification of such policies and mechanisms as "best practices"; *and*

WHEREAS, During a recent educational dialogue, the "2005 NAWC Water Policy Forum," held among representatives from the water industry, State economic regulators, and State and federal drinking water program administrators, participants discussed (consensus was not sought nor determined) and identified over 30 innovative policies and mechanisms that have been summarized in a report of the Forum to be available on the website of the Committee on Water at www.naruc.org; *and*

WHEREAS, As public utility commissions continue to grapple with finding solutions to meet the myriad water and wastewater industry challenges, the Committee on Water hereby acknowledges the Forum's *Summary Report* as a starting point in a commission's review of available and proven regulatory mechanisms whenever additional regulatory policies and mechanisms are being considered; *and*

WHEREAS, To meet the challenges of the water and wastewater industry which may face a combined capital investment requirement nearing one trillion dollars over a 20-year period, the following policies and mechanisms were identified to help ensure sustainable practices in promoting needed capital investment and cost-effective rates: a) the use of prospectively relevant test years; b) the distribution system improvement charge; c) construction work in progress; d) pass-through adjustments; e) staff-assisted rate cases; f) consolidation to achieve economies of scale; g) acquisition adjustment policies to promote consolidation and elimination of non-viable systems; h) a streamlined rate case process; i) mediation and settlement procedures; j) defined timeframes for rate cases; k) integrated water resource management; l) a fair return on capital investment; *and* m) improved communications with ratepayers and stakeholders; *and*

WHEREAS, Due to the massive capital investment required to meet current and future water quality and infrastructure requirements, adequately adjusting allowed equity returns to recognize industry risk in order to provide a fair return on invested capital was recognized as crucial; *and*

WHEREAS, In light of the possibility that rate increases necessary to remediate aging infrastructure to comply with increasing water quality standards could adversely affect the affordability of water service to some customers, the following were identified as best practices to address these concerns: a) rate case phase-ins; b) innovative payment arrangements; c) allowing the consolidation of rates ("Single Tariff Pricing") of a multi-divisional water utility to spread capital costs over a larger base of customers; *and* d) targeted customer assistance programs; *and*

WHEREAS, Small water company viability issues continue to be a challenge for regulators, drinking water program administrators and the water industry; best practices identified by Forum participants include: a) stakeholder collaboration; b) a memoranda of understanding among relevant

State agencies and health departments; c) condemnation and receivership authority; and d) capacity development planning; *and*

WHEREAS, The U.S. Environmental Protection Agency's "Four-Pillar Approach" was discussed as yet another best practice essential for water and wastewater systems to sustain a robust and sustainable infrastructure to comprehensively ensure safe drinking water and clean wastewater, including: a) better management at the local or facility level; b) full-cost pricing; c) water efficiency or water conservation; *and* d) adopting the watershed approach, all of which economic regulators can help promote; *and*

WHEREAS, State drinking water program administrators emphasized the following mechanisms which Forum participants identified as best practices: a) active and effective security programs; b) interagency coordination to assist with new water quality regulation development and implementation, such as a memorandum of understanding; c) expanded technical assistance for small water systems; d) data system modernization to improve data reliability; e) effective administration and oversight of the Drinking Water State Revolving Fund to maximize infrastructure remediation, along with permitting investor owned water companies access in all States; f) the move from source water assessment to actual protection; *and* g) providing State drinking water programs with adequate resources to carry out their mandates; *now therefore be it*

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened in its July 2005 Summer Meetings in Austin, Texas, conceptually supports review and consideration of the innovative regulatory policies and practices identified herein as "best practices;" *and be it further*

RESOLVED, That NARUC recommends that economic regulators consider and adopt as many as appropriate of the regulatory mechanisms identified herein as best practices; *and be it further*

RESOLVED, That the Committee on Water stands ready to assist economic regulators with implementation of any of the best practices set forth within this Resolution.

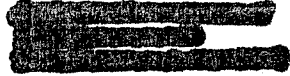
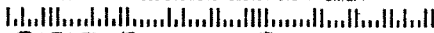
*Sponsored by the Committee on Water
Adopted by the NARUC Board of Directors July 27, 2005*



Kentucky American Water
 PO Box 371880
 Pittsburgh, PA 15250-7880

For Service To: [REDACTED]

003104 1 AV 0 335 3104/3104/003104 010 1 PCMQPF



ACCOUNT NUMBER	
AMOUNT DUE	\$35.15
DUE DATE	Mar 22, 2011
Amount Paid	ELECTRONIC PAYMENT

Please return this portion with check
 Payable to the address below

Kentucky American Water
 PO Box 371880
 Pittsburgh, PA 15250-7880



Please check here to change address or telephone number and print information on reverse side

Customer Account Information

For Service To: [REDACTED]

Account Number: [REDACTED]
 Premise Number: [REDACTED]

Billing Period & Meter Information

Billing Date: Mar 10, 2011
 Billing Period: Feb 05 to Mar 07 (30 days)
 Next reading on/about: Apr 07, 2011
 Rate Type: Residential

Meter readings in current billing period:

Meter Number 077866113J is a 5/8-inch meter.
 Present-actual 237
 Last-actual 235
 100 Cubic Feet used 2
 1 cu. ft. equals 7.50 gallons
 Gallons used 1500

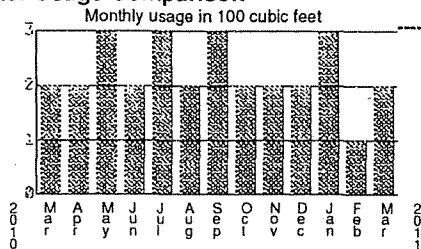
Billing Summary

-----Prior Balance-----
 Balance from last bill \$24.72
 Payments as of Mar 10, 2011. Thanks! -24.72
 Total prior balance, Mar 10, 2011 .00
 -----Current Water Charges-----
 Meter Service Charge 8.90
 Water Usage (\$3.975300 x 2.00) 7.95
 Total water charges, Mar 10, 2011 16.85
 -----Current Wastewater Charges-----
 LFUCG - Sewer Minimum Fee 4.75
 Sewer Usage (\$.00000 x 1.00) .00
 (\$ 3.58000 x 1.00) 3.58
 Total Use Billed 8.33
 -----Other Current Charges-----
 LFUCG - Wtr Qual Mgmt Fee 4.32
 LFUCG - Land Fill Fee 4.50
 Total other charges, Mar 10, 2011 8.82
 -----Taxes-----
 KRA Withdrawal Fee - 100CF .13
 School Tax .51
 Franchise Fee - LFUCG .51
 Total taxes, Mar 10, 2011 1.15
 -----Total Current Charges----- 35.15
 -----TOTAL AMOUNT DUE-----

\$24.72
-24.72
.00
8.90
7.95
16.85
4.75
.00
3.58
8.33
4.32
4.50
8.82
.13
.51
.51
1.15
35.15
\$35.15

Do not send payment. Total Amount Due will be deducted from your bank account on Mar 22, 2011

Water Usage Comparison



Messages from Kentucky American Water

*Local Office: 2300 Richmond Road (Lexington) and 102 Main Street (Owenton).
 ** To pay by credit card, debit card or electronic check, call TOLL FREE 1-800-678-6301. Pay online at www.water.paymybill.com. A service fee will apply. Customers can also pay their water bills at our local office at 2300 Richmond Road in Lexington, participating Shell Food Marts, and at Xsell in Winchester. Call 1-800-678-6301 for location information, or visit our Web site at www.kentuckyamwater.com.
 *Add \$1 to your monthly water bill and help low-income customers with their water bill payments.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
FIRST REQUEST FOR INFORMATION

Witness: **Linda C. Bridwell**

30. Please provide a list of all local governments in Kentucky (other than Lexington) who obtain water from KAWC and the terms of each such arrangement. As KAWC adds additional customers of this type, please explain whether such customers will reduce the burden of the new treatment plant and pipeline on existing customers, or whether they will in any way reduce the cost of future water rates.

Response:

KAW provides water to the City of Nicholasville, the City of Versailles, the City of Midway, and the City of North Middletown on a wholesale basis in which Nicholasville and Versailles supplement their supplies and Midway and North Middletown provide service for all of their citizens. Additionally, KAW provides service in Owen County, the City of Owenton, the City of Monterey, the City of Sadieville, the City of Glencoe, Scott County, Harrison County, Woodford County, Bourbon County, Clark County and Jessamine County. Those local governments purchase water for individual government properties and fire services under KAW approved tariffs. KAW generally negotiates wholesale water purchases in accordance with cost of service based agreements, therefore any additional customers would be required to cover the cost of the service requested. Currently, the new treatment plant has been designed and constructed for a capacity to meet KAW's current customers during hot, dry periods and droughts, and to meet projected population increases within the area that KAW currently serves through the year 2030 including in all government jurisdictions that KAW serves. Any additional wholesale customer would need to pay for the cost of a plant expansion and the prorated portion of shared facilities (such as the transmission main). KAW customers would benefit through the economies of scale of utilizing shared facilities with either reduced rates or delayed rate increases depending on the size and scope of any future expansions.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2012-00520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
FIRST REQUEST FOR INFORMATION**

Witness: Linda C. Bridwell

6. Please provide all information relating to prospective sales of water to communities or facilities outside Fayette County, and more specifically, whether such efforts are being increased due to additional water availability. If not, please explain. Please also explain any marketing or other efforts in detail and provide copies of any business or marketing plans.

Response:

KAW has maintained relationships with other water utilities in Central Kentucky for decades, and frequently discusses the opportunities for additional water sales to other utilities during the course of conversation. No specific prospective sales of water to communities or facilities outside Fayette County currently exist other than recent discussions with the Harrison County Water Association to provide an additional connection point. Harrison County Water Association is currently a bulk sales customer and projected growth for all bulk sales water customers through population growth was included as part of the capacity planning efforts in determining the water supply and treatment deficits that led to the construction of Kentucky River Station II at Hardin's Landing (KRS II). Efforts are not being increased because there is not additional water available. The size of the facilities that was designed and constructed was solely for KAW's current customers and projected population growth through 2030 for the area that KAW currently serves. There is no excess capacity that is available for marketing to other utilities. KAW determined that it would be more cost beneficial for all of its customers to shut down the current Owenton treatment plant and shift the customers supplied by water from the Owenton plant to a treated water supply from the KRS II plant rather than continued investment to upgrade the Owenton plant. However, all of these customers were KAW customers at the time of the construction of the new facilities and this shift is projected only to accelerate by a year or two the projected need to expand the KRS II plant at the end of the planning horizon, while significantly reducing the operating expenses for all customers. This effort was described in detail in the application for a Certificate of Convenience and Necessity in Case No. 2012-00096. The partnership with the Bluegrass Water Supply Commission ("BWSC") required the BWSC to make a financial commitment that would expand the plant capacity to make additional water available to the members of the BWSC. When the BWSC did not pursue the expansion, additional facilities were not constructed. KAW remains ready, willing and able to enter into arrangements with any BWSC member for water supply that will benefit KAW's customers.



PO Box 371880, Pittsburgh, PA 15250-7880

For Service To: 433 E MAXWELL ST

Check this box for address changes and note new address on back.

JOHN B. DOE
 1 FIRST STREET
 LEXINGTON, KY 40504

0001012210013524033000000000010637016

2	Account Number	1012-210012345678
3(T)	Due Date	November 14, 2012
4(T)	Total Due	\$106.37
5	If Paid After Due Date	\$108.16 after 11/14/12

Amount Enclosed \$

KENTUCKY AMERICAN WATER
 PO BOX 371880
 PITTSBURGH, PA 15250-7880



Please return this portion with your payment.

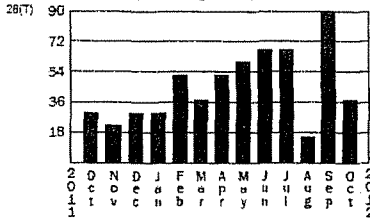
BILLING PERIOD AND METER READINGS

- Billing date: October 30, 2012
- Due Date: November 14, 2012
- Billing period: Sep 28 to Oct 30 (33 Days)
- Next reading on or about: Dec 03, 2012
- Customer Type: Residential
- Meter Reading Measurement:
 1 unit = 100 CF or 7.48 gallons of water
- Billing Measurement: 100 gallons (CGL)

Meter No.	8891B456N
Size of meter	5/8"
Current Read	160 (Actual)
Previous Read	155 (Actual)
Total water used this billing period	5 units (3,740 gallons)

- Total Water Use Comparison (in 100 gallons)
- Current billing period 2012: 37.40 CGL
- Same billing period 2011: 29.92 CGL

Billed Use Graph (100 gallons)



BILLING SUMMARY

Prior Balance	
- Balance from last bill	69.73
TOTAL PAST AMOUNT - DUE IMMEDIATELY	69.73
Current Water Service	
- Water Service Charge	8.90
- Water Usage Charge (\$0.530040 x 37.40)	19.82
- Total Water Service Related Charges	28.72
Other Charges	
- Georgetown Hydrant Fee	2.28
- Water Late Payment Charge	3.49
- Total Other Charges	5.77
Taxes	
- KRA Withdrawal Fee (\$0.007165 x 37.40)	0.27
- Franchise Fee	0.94
- City School Tax	0.94
- Total Taxes	2.15
TOTAL CURRENT CHARGES	36.64

TOTAL AMOUNT DUE **\$106.37**

- Pay your bill online: www.water.paymybill.com
- Pay by phone: 24-hours a day, every day at 1-888-422-5269
- Pay in person: Residential customers may obtain a listing of payment locations by visiting www.amwater.com/myh2o

Important messages from Kentucky American Water

- This area will be used for important messages from American Water
- The due date pertains to current charges only. Any past due balance should be paid immediately.
- Copies of your annual water quality report (Consumer Confidence Report) can be obtained by visiting our website printed at the bottom of this bill.
- Need to update your contact information? Check out our self service options at www.amwater.com/myH2O

Questions about this bill? Call our 24-Hour Customer Service Center: 1-800-678-6301

www.kentuckyamwater.com

KENTUCKY PUBLIC SERVICE COMMISSION
 JEFF R. DEROUEN
 EXECUTIVE DIRECTOR
 TARIFF BRANCH
 10000003803

Brent Kirtley
 PUBLIC KY
 5/12/2013
 PURSUANT TO 907 KAR 5:011 SECTION 9 (1)

ISSUED: December 18, 2012

EFFECTIVE: May 1, 2012

ISSUED BY: Cheryl D. Norton
 Cheryl D. Norton
 President

2300 Richmond Rd., Lexington, KY 40502
 Address

Kentucky.com

Next Story >

Pass a federal media shield law; DOJ spying on AP reinforces need

Herald-Leader Editorial

Don't give utility new rate control; KAW seeks increase, less scrutiny

Published: May 23, 2013 Updated 6 hours ago

American Water stockholders are looking forward to their fifth straight dividend increase in five years, while ratepayers can look forward to higher water bills.

Lexington consumers are already paying 71 percent more for water than six years ago as a result of three rate increases, and soon the Public Service Commission will hear Kentucky American's request for another increase.

To put that into perspective, almost 20,000 poor households will spend 2 percent to 4 percent of their total incomes on a natural resource that falls from the sky and that no one can live without, if the American Water subsidiary gets its way.

That's according to testimony filed with the PSC by Jack Burch, head of the Community Action Council, which, along with the state Attorney General's Office and Urban County Government, is contesting the rate request.

Kentucky American is not just seeking a 17.6-percent increase, but also a change in the way its rates are calculated that would make it easier to increase water bills in the future.

The utility wants to be allowed to automatically pass along to ratepayers capital spending on infrastructure, as well as the cost of chemicals and electricity, without the approval now required from state regulators. Rate increases would become more frequent and subject to less scrutiny.

The PSC should reject this anti-consumer proposal out of hand, with the possible exception of electricity. KAW can't negotiate the price of electricity, but the broader adjustment it's seeking would lessen the company's incentive to bargain with contractors and vendors for better prices.

Poor Kentucky families may be giving up some other necessity to pay for water, but things are going great for New Jersey-based American Water and its stockholders.

In a May 6 announcement president and CEO Jeff Sterba said: "On a compounded basis, our annualized earnings have increased by 14 percent from 2010 to 2012. This dividend increase is in recognition of this earnings momentum and demonstrates our commitment to striking the right balance between increased dividend payouts to shareholders and continued proactive investment in our systems on behalf of our customers."

To keep that balance right, Kentucky American says it must collect an additional \$12.3 million a year because it has spent \$58 million on system upgrades at a time when customers are using less water.

In other words, you need to pay more for the water you didn't use.

And the water you didn't use is expensive because Kentucky American insisted on building a \$164 million treatment plant that opened in 2010 on the Kentucky River in Owen County and 31 miles of pipeline to Lexington. Why? To meet KAW's projected increasing demand for water. An earlier PSC bit and approved the plan.

CAC EXHIBIT /

Water shortages must no longer be a worry: Kentucky American has enough excess capacity that it is negotiating agreements to sell water to Nicholasville and Paris.

In a double whammy for consumers, KAW also says you should pay more to make up for the money it lost by ending its billing contract with the city.

In testimony to the PSC, LFUCG finance commissioner William O'Mara says the water company's decision to exclude city sewer and garbage charges from its bills is costing the government at least \$500,000 more a year, "has not resulted in any benefit" to the city or its citizens and "will likely result" in higher fees.

There seems to be a lot of material here for those contesting the rate increase, but really they can only affect the margins.

Lexington voters opened the spigot on their wallets in 2006, when they rejected public purchase of the water utility.

IF YOU GO

Public Service Commission to hear public comments on Kentucky American's proposed 17.6 percent rate increase

When: 5:30 p.m., Tuesday, May 28

Where: Bryan Station High School, 201 Eastin Rd.

Formal hearing: 10 a.m. June 4 at PSC offices in Frankfort.

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[Next Story >](#) **Toddler's death all too predictable**

Pass a federal media shield law; DOJ spying on AP reinforces need

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reasonableness of the costs in the proposed test period. Those rates and charges will produce the required revenue requirement based upon the forecasted sales. For a residential customer who uses an average of 5,000 gallons per month, these rates will increase his or her monthly bill from \$27.46 to \$35.40, or approximately 28.9 percent.

Service to Low-Income Customers

The Commission recognizes that a significant portion of Kentucky-American's customers have annual incomes that are at or below the Federal Poverty Guideline.²¹⁵ We further recognize that the approved rate adjustment will more adversely affect these customers than those with higher annual incomes. CAC has presented several proposals to provide some relief to the customers. Having carefully considered each of these proposals, we find that each should be implemented or given further study and consideration.

CAC has proposed that Kentucky-American be required to maintain more complete records regarding customer payment and termination of service for non-payment in a manner that permits systematic analysis. It notes that Kentucky-American presently cannot ascertain the number of customers who make late payments, a customer's frequency of late payments, the number of terminations for late payments, or

²¹⁵ In 2008, approximately 15.4 percent of Fayette County residents were living at or below the Federal Poverty Guideline. Of the remaining eight counties in which Kentucky-American provides water service, the percentage of persons living at or below the poverty line in 2008 ranged from 9.7 percent to 17.0 percent. It is estimated that 15.4 percent of Fayette County residents were at or below the Federal Poverty Guideline in 2008. Of the remaining eight counties in which Kentucky-American has operations, the percentage of individuals at or below the poverty line ranged from 9.7 percent to 17.0 percent. See U.S. Census Bureau Small Area Income and Poverty Estimates, *available at* <http://www.census.gov/did/www/saipe/data/index.html> (last visited Nov. 2, 2010).

the specific service (e.g., water, sewer, water quality) for which non-payment has occurred and serves as the basis for termination.²¹⁶ CAC witness Burch testified this information would provide a better means of assessing the affordability of Kentucky-American's rates and developing policies to assist low income customers.²¹⁷ Kentucky-American confirms that its present records system will not allow quick and cost-effective analysis on these subjects.²¹⁸

If the Commission is to properly review and assess the affordability of Kentucky-American's rates, we must have accurate and reliable information regarding customer payment. Given the limitations of Kentucky-American's record systems, that information is presently unavailable. Accordingly, we find that Kentucky-American should develop and implement as soon as possible a plan to accurately record and determine the number of customers making payments after the due date, the frequency of late payments by each customer, the number of service terminations for nonpayment for each customer account and company-wide, and the specific services that were not paid when water service is terminated for non-payment.

CAC urges the Commission to restructure Kentucky-American's proposed rate design to create a graduated, tiered rate structure. It asserts that an inclining block structure that provides for a minimum quantity of water at an inexpensive level and increasing rates based upon increased usage would benefit all customers. Such a rate

²¹⁶ CAC's Brief at 6-7.

²¹⁷ VR: 8/11/10; 15:41:45-15:43:20.

²¹⁸ Kentucky-American's Response to CAC's Second Request for Information, Item 1.

structure, CAC argues, would make a minimum quantity of water affordable to low-income customers and would promote conservation. As an alternative to immediately implementing such rate design, CAC requests that Kentucky-American be directed to “work with the Attorney General, low income advocates, and other interested parties to design a rate system on this concept.”²¹⁹ It further proposes that the Commission establish a collaborative effort that includes all interested parties and Commission Staff to address affordability issues. All other parties appear in agreement with the proposal to create a working group to study rate design issues.

We find insufficient evidence in the record to support CAC’s rate design proposal or to clearly demonstrate that the implementation of such proposal will benefit low-income customers or create appropriate pricing signals. Accordingly, we have not incorporated CAC’s rate design proposal into Kentucky-American’s rates. We find, however, that CAC’s proposal should be further studied and additional customer data gathered to permit a thorough assessment of the proposal’s potential effects.

Recognizing that the affordability of water service is a complex and multi-faceted subject that must be approached on several levels, the Commission finds considerable merit to CAC’s proposal to undertake a collaborative effort to study this subject. Such an effort, however, should not be limited to examining potential rate design options to enhance the affordability of water service, but should consider all potential regulatory and legislative solutions to this perplexing issue. We find that Kentucky-American should initiate this collaborative effort by arranging, within 60 days of the date of this Order, a meeting of all interested parties to discuss and study potential regulatory and

²¹⁹ CAC’s Brief at 8.

legislative solutions to the increasing lack of affordability of water service for low income customers. Moreover, Kentucky-American should file with the Commission periodic written reports on the status of these meetings and submit a final written report on the collaborative group's efforts no later than November 1, 2011. We direct Commission Staff to assist the collaborative group's efforts to the fullest extent that its limited resources permit and encourage all interested parties, including those groups that did not intervene in this proceeding, to actively participate.

Other Issues

Tap-On Fees. Kentucky-American proposes to increase its tap-on fees from 13 percent to 22 percent to reflect the five-year average cost of a service connection. Kentucky-American's tap fees are currently based upon an average of actual costs of connections from 2005 to 2007. Kentucky-American witness Bridwell testified that significant increases in connection costs have occurred since that time. Raw material costs increased dramatically in 2008 and have not yet returned to pre-2008 levels. Additionally, the number of new service connections significantly decreased in 2008 and 2009 due to a reduction in economic activity. As a result, there were fewer installations over which to spread the fixed costs related to such installations.²²⁰

Kentucky-American has historically used a three-year average of connection costs to establish its tap-on fees. In the present case, it proposes to base these fees on a five-year average to reduce the effect of increasing costs and current economic conditions. The Commission acknowledges and supports Kentucky-American in its

²²⁰ Direct Testimony of Linda C. Bridwell at 2-3.

Janet Graham

From: Cheryl A Taylor [ctaylor2@lexingtonky.gov]
Sent: Friday, July 01, 2011 4:35 PM
To: William O'Mara; Jane C Driskell
Cc: Charles Martin; Julie Mantrom; Richard Moloney
Subject: KAW Meeting

Hi Jane and Bill—I wanted to mention that I had lunch with Cheryl Norton and Susan Lancho from KAW today to discuss a couple of programs on pharmaceuticals collections and watershed educational festivals. We did talk briefly about the issue regarding water billing and Cheryl Norton repeated her commitment to give us time to adjust (aka they won't just pull the rug out from under LFUCG), but if you did not already know it, they are hoping to meet with you soon to review the plan to transition collections from KAW to the city---so I know they are planning on withdrawing their billing services sooner rather than later. You may already be working on a plan, but I just wanted to be sure you know they are expecting to start to see movement in that direction.

The other thing they mentioned that is not project related is that they are seeing a steady drop off in not only collections of WQMF but also the \$4.50 landfill fee. People have figured out we have no clear enforcement strategy so they are not paying anything except sanitary sewer and water bills. This will be a major problem in meeting consent decree requirements if the collections drop off.....we might be looking at adding it to other billing that does have "teeth" to require payment, but I am not sure what is viable.

So, I guess I wanted to inform you about what I heard today and suggest that we meet soon to talk over the strategy---Cheryl Norton mentioned that she plans to set a meeting up with Jane in the next week or so to talk about all this including falling collections----so we can meet either before or after that --- whichever you think is most helpful. Happy New Fiscal Year and 4th of July.

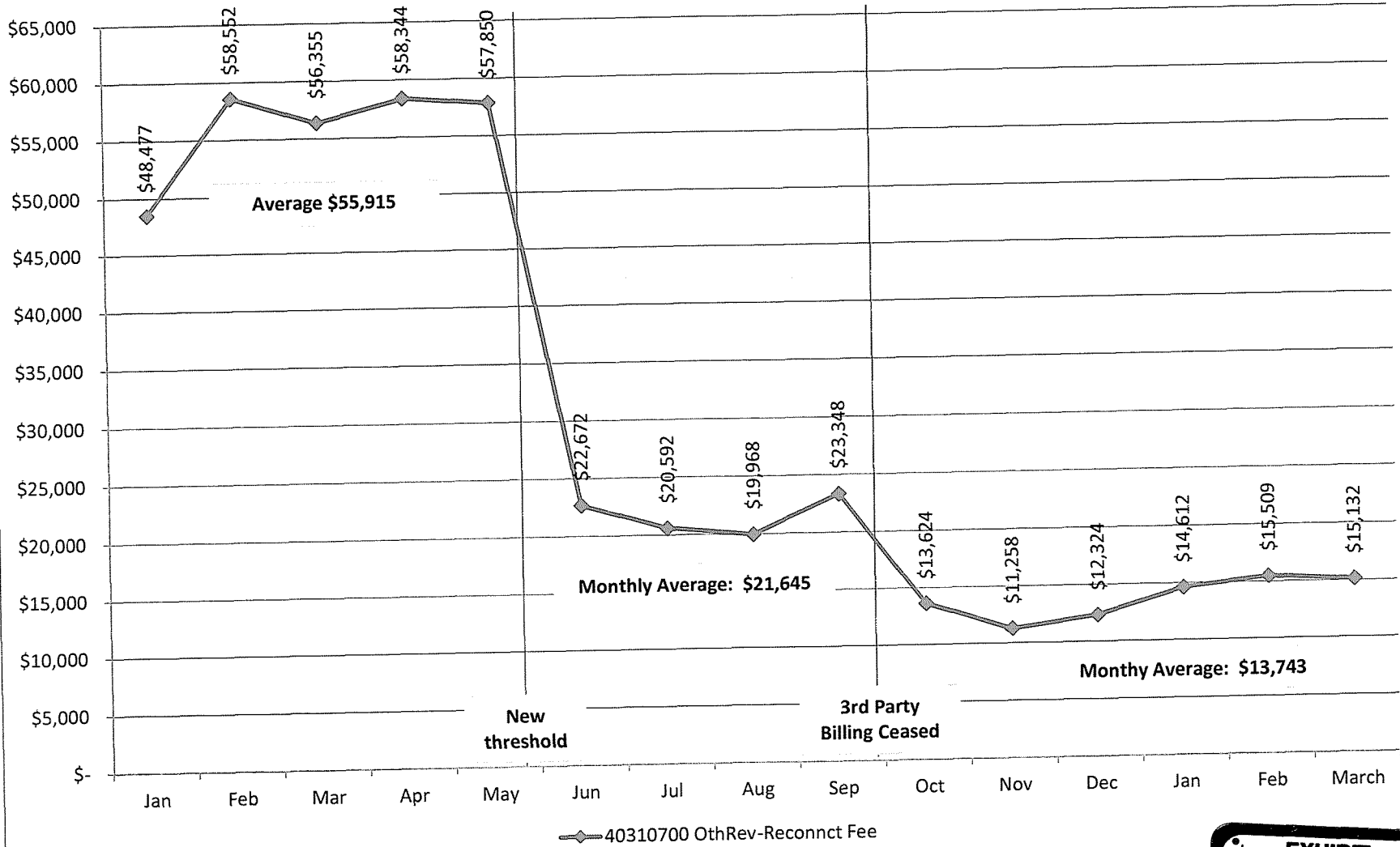
Cheryl A. Taylor
Commissioner
Department of Environmental Quality
and Public Works
200 East Main Street
Lexington, Ky. 40507
ph (859) 425-2800
fax (859) 425-2859

04/28/2013

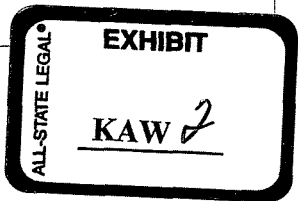
KAWC EXHIBIT 1



Kentucky American Water Monthly Reconnect Fees January 2012 - March 2013

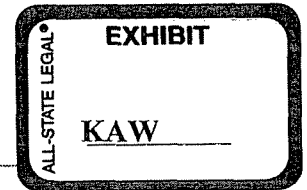


KAWC EXHIBIT 2

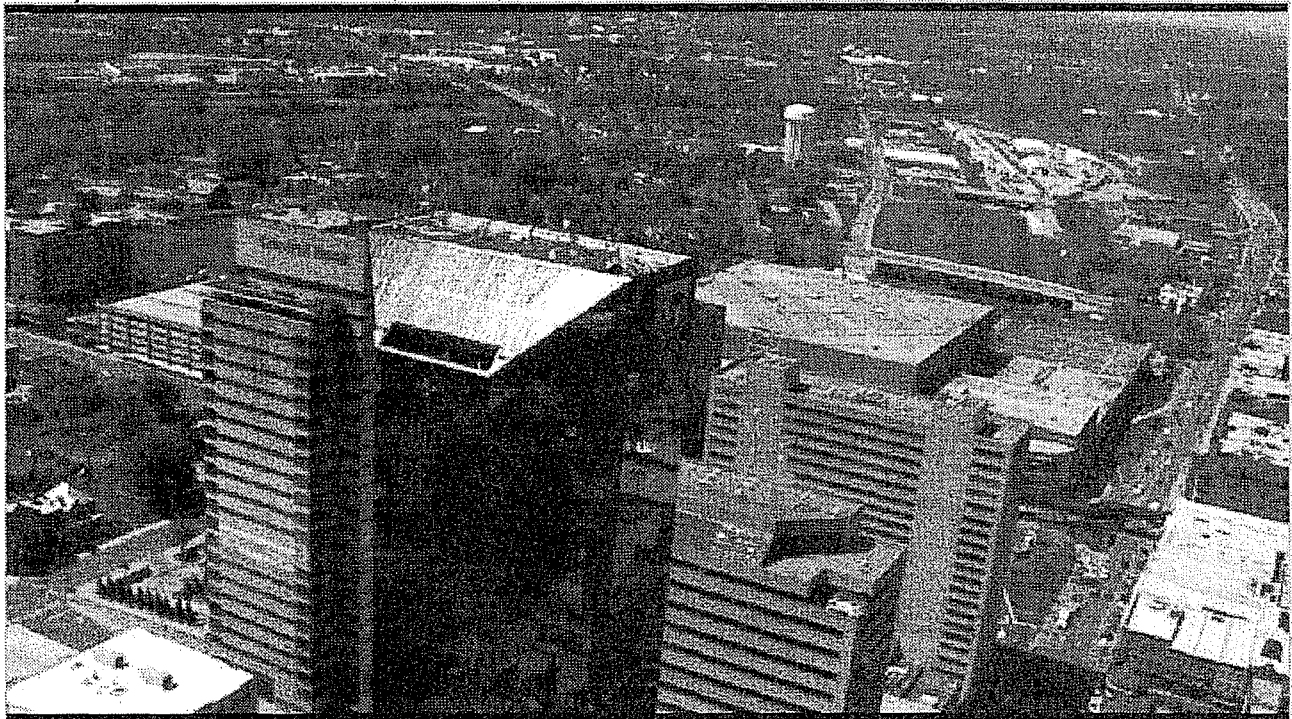




Water and sewer bills to be separated in Lexington



Updated: Thu 11:51 PM, Jul 26, 2012



Soon folks in Fayette County will see a new bill in the mail for a service they've always paid for.

For years, Kentucky American Water has had a contract with the city of Lexington to bill customers for their water, and related sewer fees.

Kentucky American is discontinuing that contract, and now the city will take over billing for sanitary sewer and garbage fees. Both sides say it simplifies the process for customers.

"So our water customers actually will have a simpler water bill," Susan Lancho of Kentucky American Water said. "I think they will be more able to determine their water charges without getting confused, which we've seen somewhat over the years."

"The benefit to the citizens is they'll have a great explanation of the fees they are paying, plus there is a lot of payment options," Mark York, of the Lexington Division of Environmental Quality and Public Works said.

Customers should have already received an insert in their Kentucky American Bill notifying them of the changes.

KAWC EXHIBIT 3

Find this article at:

<http://www.wkyt.com/home/headlines/Change-in-Lexington-bill-163966596.html>



Check the box to include the list of links referenced in the article.

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PRESS RELEASE



Laura Jordan, External Affairs Manager
Laura.Jordan@amwater.com
304-340-2089
www.westvirginiaamwater.com

West Virginia American Water Petitions PSC to Approve Discount Program for Low-Income Customers

Proposal would offer year-round financial assistance to qualifying customers

CHARLESTON, W.Va. (July 19, 2012) – West Virginia American Water filed a petition with the Public Service Commission of West Virginia today, seeking a rate discount for certain low-income customers.

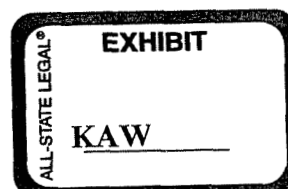
“While we have made sincere efforts to make water service even more affordable for those customers in the greatest need, water service costs have increased over the years due to much needed capital investment to ensure the reliability of water service and to meet new, more stringent regulations,” said President Jeff McIntyre. “We embarked on this effort as a way to lessen this impact for customers struggling to make ends meet.”

If granted, residential West Virginia American Water customers would be able to receive a 20-percent discount on their monthly bill if they receive Social Security Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), Temporary Assistance for Needy Families-Unemployed Parent Program (TANF-UP) or assistance from the Supplemental Nutrition Assistance Program (SNAP) if they are 60 years of age or older. Under the program, the average residential household bill (3,550 gallons) would be discounted from \$41.37 to \$33.10 per month and the minimum bill (1,500 gallons) would be discounted from \$21.67 to \$17.34 per month.

“Although water and sewer bills are among the lowest household bills West Virginians pay, our rates must reflect the true cost of providing service, which includes our capital investments as well as all of the operating costs associated with the treatment, monitoring and distribution of your water,” McIntyre said. “Our current rates provide our customers with high quality water service at an exceptional value –

PRESS RELEASE

KAWC EXHIBIT 4



www.westvirginiaamwater.com

West Virginia American Water Petitions PSC to Approve Discount Program for Low-Income Customers

approximately a penny per gallon. With this discount program in place, some customers will now receive this service for even less than a penny per gallon.”

The discounted rate program, which is administered through the West Virginia Department of Health and Human Resources and is already in place for electric and gas utilities, was recently expanded to include private water utilities through legislation. The bill passed due to the collaborative effort of the state Legislature, Public Service Commission, Consumer Advocate Division, AARP and West Virginia American Water. The customer savings associated with this program would not be subsidized by other West Virginia American Water customers. Rather, the company would be reimbursed through a credit toward its state business and occupation tax.

In the past, West Virginia American Water has offered utility assistance through the Dollar Energy Fund, which historically has provided one-time grants to a few hundred eligible West Virginia American Water customers each year. This new low income customer assistance program would allow thousands of customers to receive assistance each month year round.

West Virginia American Water, a subsidiary of American Water (NYSE: AWK), is the largest water utility in the state, providing high-quality and reliable water services to approximately 600,000 people. Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs approximately 7,000 dedicated professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in more than 30 states and parts of Canada. More information can be found by visiting www.westvirginiaamwater.com.

Connect with us: [Facebook.com/wvamwater](https://www.facebook.com/wvamwater) • [Twitter.com/wvamwater](https://twitter.com/wvamwater) • [YouTube.com/wvamwater](https://www.youtube.com/wvamwater)

###

MEDIAN INCOME PER HOUSEHOLD SIZE IN KENTUCKY

	Estimate	Margin of Error
Total:	51,917	+/-717
2-person families	45,866	+/-704
3-person families	54,485	+/-1,780
4-person families	66,409	+/-2,333
5-person families	59,389	+/-3,855
6-person families	63,647	+/-3,571
7-or-more-person families	52,419	+/-12,742

Source:

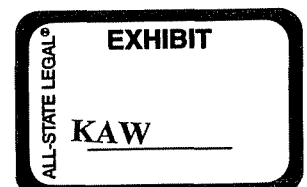
MEDIAN FAMILY INCOME IN THE PAST 12 MONTHS (IN 2011 INFLATION-ADJUSTED DOLLARS) BY FAMILY SIZE

Data Set: 2011 American Community Survey 1-Year Estimates

Survey: American Community Survey, Puerto Rico Community Survey

Available at:

<http://www.census.gov/hhes/www/income/data/statemedian/>



From: David K Baker/SERVCO/AWWSC
 To: Frank Kartmann/MOAWC/AWWSC@AWW, Karla A Teasley/LAWC/AWWSC@AWW, Randy A Moore/LAWC/AWWSC@AWW, Paul G Townsley/CAWC/AWWSC@AWW, Robert G MacLean/ADMIN/CORP/AWWSC@AWW, Alan J DeBoy/INAWC/AWWSC@AWW, David K Little/CAWC/AWWSC@AWW, William Varley/LIWC/AWWSC@AWW, Deron E Allen/TAWC/AWWSC@AWW, William Walsh/VAWC/AWWSC@AWW, Wayne Morgan/ADMIN/CORP/AWWSC@AWW, Kathy L Pape/PAWC/AWWSC@AWW, John Bigelow/ADMIN/CORP/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Cheryl D Norton/LIWC/AWWSC@AWW, Meg Neafsey/ADMIN/CORP/AWWSC@AWW,
 Cc: Walter Lynch/SERVCO/AWWSC@AWW, Ellen C Wolf/ADMIN/CORP/AWWSC@AWW, Kellye L Walker/LEGAL/SERVCO/AWWSC@AWW, Mark Strauss/AAET/AWWSC@AWW, Martin D Kerckhoff/MOAWC/AWWSC@AWW, Andrew S Twadelle/ADMIN/CORP/AWWSC@AWW, Tammy T MacLaughlin/CALLCTR/CORP/AWWSC@AWW, Jody E McCracken/SERVCO/AWWSC@AWW, John C Clarkson/SHARVCS/AWWSC@AWW, Traci A Cross/PAWC/AWWSC@AWW, Trisha Etedali/SHARVCS/AWWSC@AWW, Stacy Owens/KAWC/AWWSC@AWW, Doneen S Hobbs/ADMIN/CORP/AWWSC@AWW, David S Derr/PAWC/AWWSC@AWW, Emily A Ashworth/SERVCO/AWWSC@AWW, Mark S Smith/SERVCO/AWWSC@AWW
 Date: 08/01/2011 04:32 PM
 Subject: Billing Services Plan
 Sent by: Debbie Hendrix

Presidents and other leaders: Per our recent meetings and emails, the decision has been made to exit all billing contracts within the regulated business Your teams should begin contacting the clients now to prepare for exit. All contracts must be exited as soon as possible, but not later than the term expiration. By December 1, 2011, you must determine and notify Tammy MacLaughlin in Business Transformation of any contracts which cannot be terminated by October 31, 2012.

As promised, attached below is an instructions spreadsheet. Take a look at all the tabs. The tabs provide the expiration dates for your agreements and the time when you need to communicate and then terminate the service (see the billing contract terms calendar). The IT work required to unwind the agreements is quite time-consuming; it is critical that the contracts are terminated based upon the billing contract terms calendar. Additionally, the multiple tabs provide other pertinent information. A communications plan is provided in the second attachment.

Due to the complexities and regulatory requirements, no standard price was developed system-wide for provision of shut-off services and data usage (meter reads). Each state should reconfirm or establish its *standard pricing*.

The ELT has decided that the total costs of retention of any of these contracts will be born by the states which retain them. This includes a pro-rata share of the SAP enabling (fixed = \$500K) costs and the \$40K variable set up costs per contract.

It is up to each state to execute this plan. Each Division's Customer Service Director worked on the team to develop this exit plan and is your contact person for assistance with the technical/IT aspects, scheduling questions, etc.

Thanks for your cooperation

Walter Lynch and David Baker

American Water Billing Services Communications Plan

Table of Contents

1. Situation analysis
2. Stakeholder analysis
3. Communications strategies
4. External & internal key messages
5. Timeline
6. Sample contract termination letter
7. Sample regulatory notification letter
8. Sample bill message
9. Sample internal messages

1. SITUATION ANALYSIS

Current Situation – American Water has decided to exit all billing agreements as soon as possible. Because of the complexity involved in implementing this decision, there is a need for standardized messaging and strategies to ensure a consistent approach to dealing with stakeholders and employees throughout the business.

2. STAKEHOLDER ANALYSIS

Internal stakeholders

- Employees
- Customer Service Center representatives
- Business Development and Management Teams

External stakeholders

- Municipalities /All Billing Clients
 - Government leadership including mayors, council presidents, clerks, etc.
- Public Utility Commissions/Public Service Commissions
 - Commissioners
 - Key staff
- Government
 - Other local government leaders
 - State government leaders
- Impacted Customers

3. COMMUNICATIONS STRATEGIES (CUSTOMIZE TO FIT STATE PLANS)

External Strategy

- Communicate to Clients and Regulatory Commissions that American Water has made a strategic decision to exit the billing services line of business.
- STATE American Water will work with each client to ensure a smooth and timely transaction, provide names of other billing services companies that may be able to assist, and continue offering data usage services and sewer shut-off services where permitted/applicable.
- There will need to be some customization of talking points and information for each affected state subsidiary based on local circumstances and issues surrounding this business process change.

Internal Strategy

- Use SplashPoints and "*News You Need to Know*."
- Hold a national Communications Partner Network (CPN) call to update employees.
- Develop and distribute talking points for our Customer Service Center team and team leaders in the field for use at tailgate or other in-house meetings
- Update progress of this initiative using the employee intranet site.
- Use Toughbook as a means to communicate with field employees when official announcement is made to ensure they are aware of the changes.
- Partner with Human Resources and Legal to communicate with employees concerning any staffing level impacts.

4. KEY MESSAGING (CUSTOMIZE TO FIT STATE PLANS)

Exit from Billing Services Agreements

Primary Message - American Water has made a strategic decision to exit the Billing Services line of business and will focus efforts on its core service of providing high-quality water service and reliable wastewater service to *communities we serve*.

- **Supporting Messages** - American Water's information technology systems are antiquated and need to be replaced. With the needed changes in company technology, the ability to support billing services for outside organizations will be limited.
- ~~STATE~~ American Water will work with each client to ensure a smooth and timely transaction and, if possible, provide names of other billing services companies that may be able to assist.
- We will also offer data usage services and sewer shut-off services, where permitted.

5. TIMELINE (CUSTOMIZE TO FIT STATE PLANS)

August and September 2011

- Create a list identifying the primary contact(s) at each municipality with whom an initial meeting should be held.
- Identify priority contacts that should be addressed first (due to contract terms, size of/relationship with municipality, etc.).
- Identify local operations/GA/BD/legal leads that should be present for each meeting and determine who will set up initial meetings.
- Reach out to local billing vendors to see if they are interested in being listed as for referral purposes.
- Begin holding personal meetings with municipalities explaining that the company will be exiting its billing services line and that we wish to work with them to ensure a smooth and timely transition. Discuss alternate vendors and costs associated with continuing to provide data usage information and shut-off services.
- Begin mailing official contract termination letters as required by contract terms and state needs.
- Where applicable, send letter of notification and/or meet with PSC/PUC staff and/or commissioners to inform them of the company's decision (this may need to occur prior to meeting with municipalities depending on state regulatory requirements and/or relationships).
- Determine the operational impact on local staff and/or CSC special accounts department with regards to sewer notifications, shut-off requests, etc.
- Notify employees of the company's plan to exit billing services contracts over time and send out talking points. Stress the need for confidentiality and the state subsidiary's timeline for communication with external stakeholders.

November and October 2011

- Hold follow-up meetings with municipal leaders to discuss process/timeline.
- Send out follow-up communications to employees regarding the company's exit from billing services agreements.

December 2011

- Submit to BT a final list of contracts that need to be converted to SAP until contract terms or other requirements can be satisfied.

January – October 2012 or as contracts come to a close

- Work with municipalities to notify customers of billing transitions.
- Send out follow-up communications to employees regarding the company's exit from billing services agreements.

6. SAMPLE CONTRACT TERMINATION LETTER (to be customized at the discretion of each state president with legal counsel guidance)

September 1, 2011

Dear Sewer Authority,

Please consider this letter as our official notice to terminate the billing agreement between STATE American Water and Sewer Authority on good terms ending December 31, 2011. This notification abides by Article III of the contract, which requires a 90-day written advance notice for either party to discontinue the automatic annual contract renewal.

As you are aware, American Water has made a strategic decision to exit the Billing Services line of business to better focus our efforts on our core service of providing high-quality water service and reliable wastewater service to communities we serve. American Water's information technology systems are antiquated and are in the process of being replaced. With the needed changes in company technology, our ability to support billing services for outside organizations is limited.

We value your business and will work with you ensure a smooth and timely transition for your billing services. We look forward to maintaining our partnership by continuing to provide usage data and sewer shut-off services.

If you have any questions about this contract termination, please contact at ~~(###) ###-####~~. Thank you.

Sincerely,

7. SAMPLE REGULATORY NOTIFICATION LETTER (to be customized by each state president with legal consultation to fit his or her state regulatory environment)

September 1, 2011

Dear

This summer, American Water made a strategic decision to exit the Billing Services line of business. We have already held preliminary meetings with our partner sewer authorities throughout <STATE>, and will be working with each of them over the next few months to ensure a smooth and timely transition. We have provided each entity with information on alternative billing services companies, and have committed to continue offering data usage and sewer shut-off services

The company's decision to exit the billing service business is, first and foremost, the result of American Water's constant reevaluation of its operations. We realized a need to better focus our efforts on our core business of providing high-quality water service and reliable wastewater service to communities we serve, rather than continuing to support outside billing services that are not part of our core business.

Furthermore, American Water's information technology systems are antiquated and are in the process of being replaced. With the needed changes in company technology, our ability to continue supporting billing services for outside entities is limited.

If you have any questions about this process, please contact at (###) ###-####. Thank you.

Sincerely,

8. SAMPLE BILL MESSAGE

****Effective December 31, 2011, your charges from Sewer Authority will no longer appear on your STATE American Water bill. Rather, you will be billed separately for your monthly Sewer Authority charges by Billing Vendor or Sewer Authority Name. If you have any questions about your water bill, please contact STATE American Water's customer service center at 1-800-685-8660. If you have any questions about your sewer/municipal fees bill, please contact Sewer Authority at ###-###-####.**

9. SAMPLE INTERNAL MESSAGES

Internal Draft Template 1

As you may be aware, American Water has made a strategic decision to exit the Billing Services line of business to better focus our efforts on our core service of providing high-quality water service and reliable wastewater service to communities we serve

American Water's information technology systems are antiquated and are in the process of being replaced. With the needed changes in company technology, the ability to support billing services for outside organizations is limited. The company is working with affected municipalities to ensure a smooth and timely transition of these billing services.

In some communities, the company will maintain its valued partnerships by continuing to provide usage data and sewer shut-off services. As always, our goal at American Water is to maintain strong relationships with the customers and communities we serve across the country.

Internal Draft Template 2

This summer, American Water made a strategic decision to exit the Billing Services line of business. We have already held preliminary meetings with our partner sewer authorities throughout <state>, and will be working with each of them over the next few months to ensure a smooth and timely transition. We have provided each entity with information on alternative billing services companies, and have committed to continue offering data usage and sewer shut-off services.

The company's decision to exit the billing service business is, first and foremost, the result of American Water's constant re-evaluation of its operations. We realized a need to better focus our efforts on our core business of providing high-quality water service and reliable wastewater service to communities we serve, rather than continuing to support outside billing services that are not part of our core business

Furthermore, American Water's information technology systems are antiquated and are in the process of being replaced. With the needed changes in company technology, our ability to continue supporting billing services for outside entities is limited.

Table of contents

Goals and Targets

Documents the directive and goals concerning the decision to exit AW billing services agreements.

Contract and Terms

Documents key information concerning the billing agreements in each state including customer count and contract terms.

Planning Calendar

High level overview of billing services exit activities over the next 6 months

Billing Contract Terms Calendar

Documents the planned termination dates of all AW billing contracts. The next available termination date of each contract is populated in the corresponding month and year and highlighted in green. The red cells represent notification requirements of intent to terminate the contract. The calendar will be used to plan exit activities and coordinate with IT who will be responsible for transitioning the billing back to the municipalities or new service providers.

Usage Data and Sewer Shut-off

Recommendations on new usage data and sewer shut-off agreements.

IT Requirements & Constraints

Documents general guidelines, parameters and constraints impacting IT's ability to exit the contracts.

Billing Services Vendors

Documents potential vendors that may be able to offer billings services to the municipalities.

SAP Standard Offering

Describes billing services in current agreements and contract them to the standard offering that will be available for those contracts that will need to be converted to SAP until they are eventually exited.

Issues Log

Documents questions and issues that arise during the process.

Term Dates Summary

Summarizes the contract exit dates by month and year terminating as well as customer count.

Decision and Goals Concerning Billing Contracts

- 1 **We will exit these agreements as soon as possible under the terms of the contracts.**
- 2 In an ideal world, all agreements would be exited to align with the deployment of the new CIS; this cannot happen, so **BT will have to enable SAP to handle the agreements.**
- 3 A standard SAP offering will be available - no exceptions. This means that we will perform the billing services exactly that way upon CIS deployment.
- 4 The SAP Fixed cost \$500K will be charged directly to the states on a per contract pro-rata basis (if you set up no contracts in SAP, you pay nothing) and the variable cost of approx. \$40K will also be charged to that state.
- 5 **The list of contracts which will remain after CIS deployment will need to be provided to BT by 12/31/11.**

State	City	Employee Name	Position	Rate	Contract	Renewal Date	Term	Notice	Termination Date	Comments
CA	Descanso	Tedd Brown / Chris Mills	CA					1 year extension clause	July 15, 2012	
IA	Riversdale	Sonya Metcalfe	IA	160	100	12/31/2002	1 yr - automatic renewal yr to yr	90 day written notice of intent not to renew. 90 day written notice to terminate for cause.	December 3, 2011	HO
IL	Metro East	Sonya Metcalfe	IL	81	81	8/17/2010		120 day written notice of intent not to renew. 90 day written notice to terminate for cause.	August 17, 2015	HO
IL	Seunepia	Sonya Metcalfe	IL	180	180	11/10/2004	1 yr - automatic renewal yr to yr	90 day written notice of intent not to renew. 90 day written notice to terminate for cause.	November 10, 2011	HO
IL	Centerville	Sonya Metcalfe	IL	220	220	12/31/2005	1 yr - automatic renewal yr to yr	90 day notice of termination of renewal. Town can terminate upon 90 days written notice. Company can terminate upon 90 days written notice.	November 1, 2011	HO
IL	Village of Falmont	Sonya Metcalfe	IL	725	725	7/15/2007	Contract until 7/1/12 then 1 yr - automatic renewal year to year	90 day notice of termination of renewal. Town can terminate upon 90 days written notice. Company can terminate upon 90 days written notice.	July 15, 2012	HO
IL	Reading Tyasp	Sonya Metcalfe	IL	760	760	7/31/2009	1 yr - automatic renewal yr to yr	90 day notice of termination of renewal. Town can terminate upon 90 days written notice. Company can terminate upon 90 days written notice.	July 31, 2010	HO
IL	City of Sibley	Sonya Metcalfe	IL	1,100	1,100	12/31/2005	1 yr - automatic renewal yr to yr	90 day written notice of intent not to renew. 90 day written notice to terminate for cause.	September 2, 2011	HO
IL	Whedon	Sonya Metcalfe	IL	1650	1650	3/31/2008	Contract until 9/30/11 then 1 yr - automatic renewal yr to yr	90 day written notice of intent not to renew. 90 days written notice. Company can terminate upon 90 days written notice.	September 30, 2011	HO
IL	Steeding Saver and Trashi	Sonya Metcalfe	IL	6,300	6,300	11/5/2002	1 yr - automatic renewal yr to yr	90 day written notice of intent not to renew. 90 day written notice to terminate for cause.	December 2, 2011	HO
IL	E. St. Louis	Sonya Metcalfe	IL	7,150	7,150	4/11/1999	1 yr - automatic renewal yr to yr	90 day written notice of intent not to renew. 90 day written notice to terminate for cause.	April 1, 2011	HO

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IL	Alton - Sewer	Sonya Metcalfe	1	10,100	10A	8/1/2008	Contract until 03/31/2012 then 1 yr automatic renewal yr to yr.	60 day written notice prior to termination date	September 30, 2011	NO
IL	Alton - Trash	Sonya Metcalfe	1	10,520	11A	4/1/2007	Contract until 03/31/2012 then 1 yr automatic renewal yr to yr.	60 day written notice prior to termination date	September 30, 2011	NO
IL	Peoria	Sonya Metcalfe	1	13,000	11A	11/26/2001	1 yr automatic renewal yr to yr.	90 day written notice of intent not to renew. 60 day written notice to terminate for cause.	August 1, 2012	NO
IL	Bolingbrook - Sewer	Sonya Metcalfe	1	20,380	11A	7/25/2002	Contract until 12/31/2012 then 1 yr automatic renewal yr to yr.	90 day written notice of intent not to renew. 60 day written notice to terminate for cause.	December 31, 2012	NO
IL	Bolingbrook - Storm water	Sonya Metcalfe	1	21,000	11A	7/25/2002	Contract until 12/31/2012 then 1 yr automatic renewal yr to yr.	90 day written notice of intent not to renew. 60 day written notice to terminate for cause.	December 31, 2012	NO
IL	Peoria - Trash	Sonya Metcalfe	1	34,720	11A	12/26/2003	1 yr automatic renewal yr to yr.	120 day written notice of termination of contract. If trash fee repeated by City, 30 days will terminate for cause.	January 1, 2011	NO
IL	DURPA Water, Utilities - Water & Surcharges	Sonya Metcalfe	2	130,160	11A	6/1/2009	Contract until 12/31/10 then renew for 3 successive terms of 10 years	120 day notice of termination of renewal. 30 days notice for unilateral breach after 60 allowance to cure breach.	December 2, 2010	NO
IL	Richmond	Jeff Henson	1	14,729	27B.00	5/1/1994	Current term 1/1/05-12/31/14; renew by affirmative extension	Refusal to renew	December 31, 2014	No
IL	Farmersburg	Jeff Henson	1	514		1/1/1999	Current term 12/15/10-12/15/15; auto renewal	Mutual agreement	December 15, 2015	No
IN	Sullivan	Jeff Henson	1	2,000		5/1/1997	Current term 12/14/06-12/14/11	End of term unless both parties agree to renew	December 14, 2011	No
IN	Hendburgh	Jeff Henson	1	9,134	2,275.00	6/1/1997	Current term 5/3/02 with auto renewal	160 days notice	May 31, 2012	No

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IN	Summitville	Jeff Henson	366	366	5/20/1998	Current term expires 6/6/13 with auto renewal	60 days notice at end of term	June 9, 2013	No
IN	Wrebasht	Jeff Henson	4,318	4,364	7/1/1998	Through 12/31/01; not renewed but services still provided	Terminated	Anytime	No
IN	Terre Haute	Jeff Henson	22,405	27,593	2/1/1995	Current term 4 years with auto 1 year renewals	180 days prior to end of term	February 1, 2012	No
IN	Winfield	Jeff Henson	1,109	1,187	9/30/2008	5 years with auto renewal for 1 year terms	60 days prior to end of term	September 30, 2011	No
IN	Diamond Run Conservatory	Jeff Henson	268	268	8/6/2008	5 years with auto renewal for 1 year terms	91 days prior to end of a term	June 6, 2013	No
IN	114 White Oak	Jeff Henson	10	10	None	None	None	None	No
IN	Crawfordsville Sewer	Jeff Henson	5,419	5,419	10/19/2009	5 years with auto renewal for 2 year terms	60 days notice	October 19, 2014	No
IN	Crawfordsville Storm	Jeff Henson	Included in above	Included in above	See above	5 years with auto renewal for 2 year terms	60 days notice	October 19, 2014	No
IN	Greenwood	Jeff Henson	17,354	23,178	1/7/2010	5 years with auto 2 year renewals	60 days notice	January 7, 2015	No
IN	Shorewood	Jeff Henson	825	825	1/20/2009	5 years with auto 2 year renewals	60 days notice	January 20, 2014	No
KY	Lexington-Fayette Urban County Government (LFUCG) Sewer	Takisha Walker / Rachel Cole / Bryan Siler	104,422	104,422	10/1/2007	4 yrs. with automatic 1 yr renewals	90 day written notice of intent not to renew. 180 day written notice to terminate for any reason.		No
KY	Landfill (majority also sewer customers)	Takisha Walker / Rachel Cole / Bryan Siler	82,157	82,157	10/1/2007	4 yrs. with automatic 1 yr renewals	90 day written notice of intent not to renew. 180 day written notice to terminate for any reason.	October 1, 2011	No
KY	Storm Water (majority also sewer customers)	Takisha Walker / Rachel Cole / Bryan Siler	95,778	94,197	8/1/2009	2.2 yrs. with automatics 1 yr renewals	90 day written notice of intent not to renew. 60 day written notice to terminate for any reason.	October 1, 2011	No
KY	Treasure	Takisha Walker / Rachel Cole / Bryan Siler	189	189	1/2/1997	Indeterminate	- Remains in effect until either party may terminate - Terminates when Rockwell Village system is connected to Winchester system.	October 1, 2011	No
KY	Yerma Hills	Takisha Walker / Rachel Cole / Bryan Siler	154	154	1/2/1/1999	Indeterminate	Remains in effect until either party terminates	July 11, 2011	No
KY	Saddleville	Takisha Walker / Rachel Cole / Bryan Siler	111	111	7/1/1997	1 yr. with an opportunity for annual renewals	90 day written notice to terminate	July 11, 2011	No
KY	Georgetown	Takisha Walker / Rachel Cole / Bryan Siler	75	75		3 yrs. with automatic 1 yr. renewals	60 day written notice of intent not to renew. 180 day written notice to terminate for any reason.	September 12, 2011	No

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MO	Silver Creek	Sonya Metcalfe	1	250	247	3	9/14/2010	1yr - automatic renewal yr to yr	60 day notice of termination of renewal. Village can terminate upon 60 days written notice. Company can terminate upon 90 days written notice.	September 13, 2012	No
MO	Brunswick Sewer & Trash	Sonya Metcalfe	1	390	390	10A	9/25/1995	1yr - automatic renewal yr to yr	6 months written notice of intent not to renew.	September 1, 2012	No
MO	Village of Duquesne	Sonya Metcalfe	1	500	545	5	7/13/2009	1yr - automatic renewal yr to yr	60 day notice of termination of renewal. City can terminate upon 60 days written notice. Company can terminate upon 90 days written notice.	July 13, 2012	No
MO	Village of Country Club Surchin	Sonya Metcalfe	1	555	555	10A	1/1/2009	Contract until 6/28/13 then 1 yr - automatic renewal yr to yr	60 day notice of termination of renewal. Village can terminate upon 60 days written notice. Company can terminate upon 90 days written notice.	August 20, 2013	No
MO	Riverside	Sonya Metcalfe	1	660	660	10A	12/1/2002	1yr - automatic renewal yr to yr	9 month written notice of intent not to renew.	May 29, 2012	No
MO	City of Paulville	Sonya Metcalfe	1	1800	1800	10A	5/10/2001	1yr - automatic renewal year to year	9 month written notice of intent not to renew.	May 10, 2012	No
MO	Warrensburg	Sonya Metcalfe	1	7,150	7,150	10A	12/31/2005	1yr - automatic renewal yr to yr	60 days written notice of intent not to renew.	December 31, 2011	No
MO	Jefferson City	Sonya Metcalfe	1	10,730	10,730	10A	5/1/2009	On month to month basis.	90 day written notice of intent not to renew.	December 1, 2011	No
MO	Joplin Garbage	Sonya Metcalfe	1	17,250	17,100	150	4/1/2004	1yr - automatic renewal yr to yr	60 day written notice of intent not to renew. 60 day written notice to terminate for cause.	Apr 1, 2012	No
MO	Joplin Sewer	Sonya Metcalfe	1	21,400	21,170	230	2/1/1990	1yr - automatic renewal yr to yr	6 months written notice of intent not to renew.	January 1, 2012	No
MO	St. Joseph	Sonya Metcalfe	1	26,020	26,020	10A	1/1/1995	1yr - automatic renewal year to year	180 days advance notice + additional 180 days can be requested	December 31, 2011	No
PA	Baldwin Twp	Cheryl Disant	1	940	940	0	3/1/2000	3 year term contracts. Automatically renewed for successive ones (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term. Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	03/01/12	NO
PA	Wallace boggs	Cheryl Disant	1	357	313	44	10/22/2001	3 year term contracts. Automatically renewed for successive ones (1) year terms.	180 days notice 4/6/2012	10/03/12	NO

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PA	City/Twp	Cheryl Disantill	1	202	239	43	4/2/2002	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 10/9/2011	NO
PA	Carnegie	Cheryl Disantill	1	3293	3293	0	3/14/2000	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 9/16/2011	NO
PA	Cecil Twp	Cheryl Disantill	1	2814	2804	10	1/25/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 7/29/2012	NO
PA	Chatham	Cheryl Disantill	1	2881	2881	0	8/27/2003	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 2/29/2012	NO
PA	Collier Twp	Cheryl Disantill	1	2008	2794	14	9/26/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 4/2/2012	NO
PA	Crafton	Cheryl Disantill	1	2272	2272	0	2/15/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 9/26/2012	NO
PA	Castle Shannon	Cheryl Disantill	1	3170	3170	0	6/29/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 6/18/2011	NO
PA	Dormont	Cheryl Disantill	1	3292	3292	0	12/12/2000	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 1/12/2012	NO
PA	Elizabeth	Cheryl Disantill	1	640	640	0	4/17/1998	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 6/16/2012	NO
PA	Greenfield	Cheryl Disantill	1	2057	2057	0	3/22/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 10/20/2011	NO
PA	Hickoryburg	Cheryl Disantill	1	826	929	0	10/22/2002	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 9/24/2011	NO
PA	Homesford	Cheryl Disantill	1	1193	1193	0	2/14/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 4/5/2012	NO
PA	Ingram Bar	Cheryl Disantill	1	1239	1239	0	1/9/2002	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 6/18/2011	NO
PA	Kane Bar	Cheryl Disantill	1	2970	2937	33	12/9/2002	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 7/13/2012	NO
PA	McDonald	Cheryl Disantill	1	1005	1005	0	4/20/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 6/12/2012	NO

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PA	Mr. Lebaun	Cheryl Disonil	11462	11462	0	1/22/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	100 days notice 7/26/2012	1/22/2013	NO
PA	Mr. Oliver	Cheryl Disonil	1230	1230	0	6/23/2003	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 12/26/2011	6/23/2012	NO
PA	W. Hanover	Cheryl Disonil	2402	1649	753	3/18/2005	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 9/20/2011	3/18/2012	NO
PA	Rossyt	Cheryl Disonil	174	174	0	6/10/2003	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 12/13/2011	6/10/2012	NO
PA	Scott Twp	Cheryl Disonil	5493	5493	0	11/13/2002	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 9/17/2012	11/13/2012	NO
PA	S. Foyette	Cheryl Disonil	5711	5699	12	3/5/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 9/7/2011	3/5/2012	NO
PA	Warrent City of	Cheryl Disonil	4206	4193	13	no agreement on file	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	no agreement on file		NO
PA	Glasport	Cheryl Disonil	1952	1952	0	6/11/2004	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 12/4/2011	6/11/2012	NO
PA	Wilmington	Cheryl Disonil	528	528	0	6/7/2003	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 2/9/2012	6/7/2012	NO
PA	Yardley	Cheryl Disonil	666	663	13	10/11/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 4/1/2012	10/11/2012	NO
PA	Commonwealth Boro	Cheryl Disonil	191	191	0	10/23/2003	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 4/26/2012	10/23/2012	NO
PA	W. Lanesford	Cheryl Disonil	947	947	0	12/17/2003	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 6/20/2012	12/17/2012	NO
PA	Coiler Twp Squire	Cheryl Disonil	combined with Coiler Twp Municipal			9/29/2001	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 4/1/2012	9/29/2012	NO
PA	Thompson Boro	Cheryl Disonil	109	0	109	4/5/2004	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 10/8/2011	4/5/2012	NO
PA	Spring Twp	Cheryl Disonil	8166	7998	268	9/3/2004	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice 3/7/2012	9/3/2012	NO

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PA	Brentwood Bar	Cheryl D'Santi	4009	4008	0	11/12/2003	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 5/5/2012	11/11/2012	NO
PA	Upper St. Clair	Cheryl D'Santi	5978	6978	0	8/2/2005	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 12/9/2011	6/2/2012	NO
PA	Clarks Summit	Cheryl D'Santi	2281	2248	33	8/6/2005	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	100 days notice 2/10/2012	8/0/2012	NO
PA	S. Franklin	Cheryl D'Santi	188	189	0	11/29/2005	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 5/2/2012	11/29/2012	NO
PA	W. Lawn Bar	Cheryl D'Santi	891	0	691	9/3/2004	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 3/7/2012	9/3/2012	NO
PA	Northmont	Cheryl D'Santi	9386	9359	17	10/25/2005	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 4/28/2012	10/25/2012	NO
PA	Baldwin Bar	Cheryl D'Santi	7799	7793	0	1/17/2005	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 7/21/2012	1/17/2013	NO
PA	Pleasant Hills Bar	Cheryl D'Santi	3119	3119	0	12/19/2005	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 6/22/2012	12/19/2012	NO
PA	Soudary Twp	Cheryl D'Santi	580	580	0	10/29/2006	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 4/28/2012	10/29/2012	NO
PA	S. Coatesville	Cheryl D'Santi	449	449	0	10/11/2006	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 4/11/2012	10/11/2012	NO
PA	Belliet Park	Cheryl D'Santi	12343	12331	12	7/12/2007	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 1/3/2012	7/11/2012	NO
PA	Birdsboro Bar	Cheryl D'Santi	2156	2156	0	8/29/2008	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 3/2/2012	8/29/2012	NO
PA	Forest City	Cheryl D'Santi	713	713	0	8/4/2008	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 2/8/2012	8/4/2012	NO
PA	Richampton Twp	Cheryl D'Santi	3383	3328	55	1/29/2009	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 8/22/2011	1/29/2012 (end of 3 year term)	NO
PA	Clarks Green Twp	Cheryl D'Santi	647	640	7	5/12/2009	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination at least (180) days prior to the expiration of initial term or any subsequent renewal term.	160 days notice 1/14/2011	5/12/2012 (end of 3 year term)	NO

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PA	Painier Trasp					1299			0	7/26/2009	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination of least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice. 7/31/2012		NO			
PA	H. Lombardi Trasp			2425		2415		10	7/26/2009	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination of least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice. 1/31/2012		NO				
PA	Union Trasp			224		219		5	11/19/2009	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination of least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice. 5/23/2012		NO				
PA	Canonburg			4371		4360		3	2/25/2010	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination of least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice. 6/29/2012		NO				
PA	Upper Providence			110		110		0	3/22/2010	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination of least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice. 3/3/2012		NO				
PA	New Castle/Union			1957		1957		0	10/22/2010	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination of least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice. 4/25/2013		NO				
PA	Lemoine Borough		54	1610		1610		0	12/21/2010	3 year term contracts. Automatically renewed for successive one (1) year terms.	Written notice of termination of least (180) days prior to the expiration of initial term or any subsequent renewal term.	180 days notice. 6/24/2013		NO				
TH	Chalenoega			50,694		50,694			4/22/1950	Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Fort Ongethorpe Sever			723		723			3/20/1968	Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Fort Ongethorpe Fixed Charge			597		597				Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Lookout Mountain GA Sever									Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Lookout Mountain GA Fixed Charge									Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Rossville Sever			1,395		1,395			11/22/1994	Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Rossville Fixed Chg			1,631		1,631				Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Rossville Admin Fee			3,066		3,066			6/26/1972	Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Redbank Hamilton Sever			2,949		2,949				Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Redbank Hamilton Fixed Charge			3,284		3,284				Automatic one year renewal.	6 month notice of cancellation.	September 30, 2012		Yes				
TH	Redbank Hamilton Garage			6,115		6,115			7/14/1993	Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	E. Ridge Hamilton Sever			7,809		7,809				Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	E. Ridge Hamilton Fixed Charge			7,462		7,462				Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	Hamilton County Sever			345		345				Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	Hamilton County Fixed charge			154		154				Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	Ridgeville Hamilton City Sever			7		7				Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	Ridgeville Hamilton City fixed Charge			322		322				Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	Walker County Sever			443		443				Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				
TH	E. Ridge Glorn Hamilton Sever									Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012		Yes				

State	County	City	Address	Zip	Phone	Contract No.	Contract Value	Contract Start	Contract End	Contract Type	Contract Status	Contract Description	Contract Termination Date	Contract Termination Reason	Contract Termination Status
TH	E. Ridge Glenn Hamilton Fixed Charge Garbage	Rachel Baitley		7,608	7,608					Automatic one year renewal.	6 month notice of cancellation.	November 30, 2012	Yes		
TH	E. Ridge Glenn Hamilton Fixed Charge Garbage	Rachel Baitley		442	442					Automatic one year renewal.	6 month notice of cancellation. Self-renewing for periods of 5 yrs thereafter. Agreement date: 9/21/2004	November 30, 2012	Yes		
TH	Ringsold Sewer	Rachel Baitley		12	12	527/2004				30 years from the date of the first billing of sewer charges		December 31, 2012	Yes		
TH	Lookout Mountain TN Hamilton Sewer	Rachel Baitley		837	837	5/3/2005				Automatic one year renewal.	6 month notice of cancellation.	December 31, 2012	Yes		
TH	Lookout Mountain TN Hamilton Fixed Charge Garbage	Rachel Baitley		820	820	9/1/1999				Automatic one year renewal.	6 month notice of cancellation.	December 31, 2012	Yes		
TH	Lookout Mountain TN Hamilton Garbage	Rachel Baitley								Automatic one year renewal.	6 month notice of cancellation.	December 31, 2012	Yes		
TH	Lene Oak	Rachel Baitley		126	126					Automatic one year renewal.	6 month notice of cancellation.	December 31, 2012	Yes		
VA	Hewesville Sewer & Refuse	Toni Monk / Linda Bouvette		8,017	8,017	8/19/1999	0			10 yr. w/ automatic renewal	Either party may terminate with 1 yr. written notice of termination.	Either party may terminate with 1 yr. written notice of termination.	No		
VA	Hepewell Tax	Toni Monk / Linda Bouvette		25,304	25,304		0			40 yr. w/ automatic renewal	Either party may terminate with 1 yr. written notice of termination.	Either party may terminate with 1 yr. written notice of termination.	No		
VA	Alexandria Sewer	Toni Monk / Linda Bouvette		288	288		0						Yes		
VA	Alexandria Refuse	Toni Monk / Linda Bouvette											Yes		
VA	Alexandria Tax & Sewer	Toni Monk / Linda Bouvette											Yes		
WV	Huntington Sewer	Jeff Ferrell/Linda Bouvette		21,545	21,545	10/1/1955	0			Automatic one year renewal.	30 day notice of termination required.	December 31, 2011	Yes		
WV	Beaumontville	Jeff Ferrell/Linda Bouvette		1,791	1,791	10/1/1998	0			Automatic one year renewal.	30 day notice of termination required.	December 31, 2011	Yes		
WV	Green Acres	Jeff Ferrell/Linda Bouvette		103	103	10/6/1997	0			Automatic one year renewal.	30 day notice of termination required.	December 31, 2011	Yes		
WV	Spring valley	Jeff Ferrell/Linda Bouvette		528	528	10/1/1998	0			Automatic one year renewal.	30 day notice of termination required.	December 31, 2011	Yes		
WV	Spisomville	Jeff Ferrell/Linda Bouvette		1644	1644	10/1/1998	0			Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes		
WV	Unmont	Jeff Ferrell/Linda Bouvette		85	85	10/1/1998	0			Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes		
WV	Chestnut	Jeff Ferrell/Linda Bouvette		80	80	10/1/1998	0			Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes		
WV	Hutton	Jeff Ferrell/Linda Bouvette		1,208	1,208	12/1/2004	0			Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes		
WV	Esquire Est	Jeff Ferrell/Linda Bouvette		141	141	12/1/2001	0			Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes		

Agency	Contractor Name	Contract Number	Contract Value	Start Date	End Date	Renewal Type	Notice of Termination	Termination Date	Yes/No
WV	Belle	Jeff Ferrell/Linda Bouvette	625	1/1/6/1998	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Marmot	Jeff Ferrell/Linda Bouvette	660	1/1/6/1998	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Chesapeake	Jeff Ferrell/Linda Bouvette	700	1/1/6/1998	0	Automatic one year renewal.		December 31, 2011	Yes
WV	Elk Valley	Jeff Ferrell/Linda Bouvette	4,137	7/20/1990	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	WV Bluffsfield	Jeff Ferrell/Linda Bouvette	4622	1/1/12/2004	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Smithers Small Bd	Jeff Ferrell/Linda Bouvette	300	4/5/2004	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Big Bend	Jeff Ferrell/Linda Bouvette	107	1/26/2004	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Culloden	Jeff Ferrell/Linda Bouvette	1211	7/1/2007	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Holiday Park	Jeff Ferrell/Linda Bouvette	28	9/25/2007	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Town of Avisland	Jeff Ferrell/Linda Bouvette	629	9/7/2010	0	Automatic one year renewal.	90 day notice of termination required.	June 20, 2012	Yes
WV	Montgomery Small Bd	Jeff Ferrell/Linda Bouvette	711	1/1/02/2011	0	Automatic one year renewal.	90 day notice of termination required.	December 31, 2011	Yes
WV	Surcharge (64 Districts)	Jeff Ferrell/Linda Bouvette	Not in scope						Statutory
WV	2 1/2 Texas (36 Districts)	Jeff Ferrell/Linda Bouvette	Not in scope						Statutory
WV	Washington Rev.	Jeff Ferrell/Linda Bouvette	Not in scope						Statutory

Item	Description	Quantity	Unit	Material	Notes
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The image displays a large, dense grid of data, likely a spreadsheet or ledger, oriented vertically. The grid consists of numerous rows and columns, with the text within the cells being extremely small and difficult to read. The overall appearance is that of a highly detailed data table or report. The grid is oriented vertically on the page.

Cost Analysis of Partially Served Customers

Each state must decide its individual strategy/pricing for these agreements. No standard AW system wide pricing or policy will be generated

Sewer Shut Off Agreements

Each state must decide upon its costs charged for sewer shut off agreements. There will be no standard, system wide rate; regulatory and cost differences drive this decision.

	<p>Municipal services (i.e. sewer, garbage, stormwater) can be added and billed to premises with company owned services. The revenue associated with municipal charges can be easily separated from company owned revenue. Only revenues associated with a company owned service (mutual) will be billed. Non-mutual premises, including accepting reads from a 3rd party water utility, are not part of the standard offering as this requires a system enhancement and AW will be left with needing to maintain premises and business partners who are not part of the AW system. Business partner, once set up cannot be deleted or removed. Billing will occur on active American Water accounts, we will not be able to continue billing for municipal services when the AW owned water service is not active. Billing will be in accordance with AW meter read/bill dates and will include AW standard proration where applicable, (i.e. opening and closing bills are prorated)</p>
<p>Services Billed</p>	<p>AW currently receives meter readings from another water utility in some areas such as Chandler & Evansville, IT (bill for Town of Newburgh sewer), Sneydville, IT (bill for Town of Hanover sewer), Barksdale, IT (bill for Greenwood sewer), Shillington, PA. There are also areas that bill non-mutual customers as a flat rate or information provided by the city - some examples are Joplin, MO (sewer and trash), Richmond, IT (sewer)</p>
<p>Billing</p>	<p>All charges applicable to a connection subject/premise will be billed to the customer taking responsibility for the water. Example of exception - Joplin currently has separate trash only premises set up to bill the owner of the property, this will not be part of the standard offering in SAP. Currently each city that observes winter averaging has their own set up in ECIS to calculate the average as well as when to bill the average. Will have one method of calculation as well as when the average is billed in SAP.</p>
<p>Billing Schedule</p>	<p>There are several different payment allocation matrices set up in ECIS based on the specific contracts. Examples of exception to the standard SAP offering are - IT (bill contracts except E, SL, Conoverville & Hending) partial payments are prorated across water & sewer based on amount owed then trash is paid any remaining dollars if applicable, IT - partial payments are prorated across all utilities based on amount owed, MO - water is paid first then sewer & trash prorated if applicable. In some areas that have more than one sewer charge (Village of Country Club) water is paid first, then St. Joe sewer, then Village sewer collection charge.</p>
<p>Account Set Up</p>	<p>We currently provide recurring late fee assessment in IT (Sterling) and MO (St. Joseph & Jefferson City).</p>
<p>Winter Averaging</p>	<p>Payment arrangements created will include municipal services (except where not allowed by Commission, ex. PA)</p>
<p>Payment Application</p>	<p>American Water will make adjustments to the sewer billing charges in accordance with American Water's adjustment policies unless the adjusted consumption occurred during one of the billed winter average months. Additional adjustments for sewer approved by the City can be submitted to and processed by American Water Special Accounts Department.</p>
<p>Late Fee Application</p>	<p>Recommendation is for one disbursement cycle (i.e. weekly/monthly) based on the amount collected, not the amount billed. The cost of providing the billing services will be deducted from the disbursement amount, not invoiced. Closed municipal accounts with balances will not be sent to Third Party Collectors. The same applies for sending closed municipal accounts with balances to the First Party Agency prior to write off reversal.</p>
<p>Installment Plans</p>	<p>The unpaid municipal billing must be reversed and balance information returned to the municipality. New interfaces and File Formats will be developed for placement on existing OAM. File format will continue to be Excel or CSV.</p>
<p>Bill Adjustments</p>	<p>Current disbursement are done as follows - IT - daily, MO - monthly, IT - weekly, bi-weekly & monthly, IA - monthly. All are based on amount collected. IT, MO & IA - fees are withheld from disbursement, IA - fees are billed through bill.</p>
<p>Disbursements</p>	<p>Currently IT, IA, IT & MO balances are sent to the first party agency prior to write off reversal.</p>
<p>Collections</p>	<p>IT, IA & IA - balances are brought back from agency prior to reversal and are not sent to the third party agency. MO - balances are sent to third party agency for collection.</p>
<p>Collections Online Account Manager</p>	

<p>Are Arizona contracts in scope? There are three contracts that are operated by the non regulated business in the regulated ECIS system.</p>	<p>Are the CA contracts in scope? East Palmdale is operated by AWE in a separate non-regulated ECIS environment?</p>
<p>Are the IU contracts in scope? Liberty is operated by AWE in a separate non-regulated ECIS environment. Avalon is also operated by AWE in a separate non-regulated ECIS environment.</p>	<p>Are the Michigan contracts in scope? These contracts are operated in a separate billing system, not ECIS?</p>
<p>Some Service Company functions are currently preparing 2012 budgets. Should these functions anticipate some budget reductions as a result of exiting the billing arrangements?</p>	<p>Issues common to all groups: - Maintaining these critical relationships with municipalities and various political entities - Planning to offset the revenue stream resulting from contract sever billing</p>
<p>Will there be an analysis of the cost to exit the billing contracts?</p>	<p>Term dates are estimations based on legalities and discussions that must occur prior to notification of termination can occur. Some concern regarding selling incorrect expectation.</p>
<p>Term dates for most municipalities are identified in the contracts. These should be the starting point for exiting target dates. In the event there is no designated termination or renewal dates in contracts but there are provisions governing termination where either party can terminate the agreement if specific provisions are satisfied (e.g. 6 month notification, regulatory approval, etc), then states should determine reasonable termination dates allowing for notifications and approvals.</p>	<p>Total customer count drives decisions regarding resources, timelines, costs and the ability to transition smoothly. Need to consider current set up in ECIS, as not all accounts have usage data sever authority codes impacting count (data cleansing). Also need consistency across the business on how total customers are reported.</p>
<p>Agreed</p>	<p>Considerations for sever shut offs: 1 master contract, 1 process, provisions for loss revenue and fee will vary by state municipalities</p>
<p>Per Dave Orr and Kim Nye, it could probably adjust if necessary if some months end up with a large number of unplanned contracts wanting to exit prior to their scheduled time.</p>	<p>Do we have the ability to exit a large number of contracts in the event many municipalities decide to exit early, assuming it is not prohibited by the terms of the contract.</p>
<p>It would be beneficial overall. It wo could get some of the contracts to exit earlier and fill some the months of Sept, Oct and Nov, 2011.</p>	<p>The "Term Calendar" currently has some open months in September, October and November of 2011.</p>
<p>The preference would be to have municipalities under that scenario exit all services at the same time.</p>	<p>There are a few municipalities in which AW bills more than one service. Some of these have separate agreements for each service with differing term dates. How will those be handled.</p>
<p></p>	<p></p>
<p></p>	<p>How will special authorization accounts (franchise agreements or fire water for municipal accounts), e.g. Swansea, IL - usage is tracked until minimum volume is</p>

Year	# of Contracts Expiring	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	5												5
2012	122	11	11	7	6	7	8	14	12	12	11	13	8
2013	13	6	1	1	0	0	2	0	1	0	1	0	1
2014	4	1	0	0	0	0	0	0	0	0	2	0	1
2015 & Beyond	6	Various dates from 01/07/15 through 12/31/12											

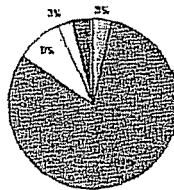
150

Customer Count	Percent
< 1,000	73
1,000 - 4,999	46
> 5,000	37
	156

Deliver

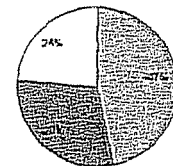
Year	# of Contracts Expiring
2011	3%
2012	81%
2013	9%
2014	3%
2015 & Beyond	4%

Contract Count by Term Year




2011 2012 2013 2014 2015 & Beyond

Contracts by Customer Count



< 1,000 1,000 - 4,999 > 5,000



Re: Fw: Nice win for our clients! 

David K Baker to: Cheryl D Norton

02/09/2012 12:14 PM

Cc: John Bigelow, Robert G MacLean, "Cheryl Norton", "David Baker",
John C Clarkson, "Nick Rowe", Keith L Cartier

History: This message has been replied to

Cheryl - I understand. I was not implying that you guys did not deliver the message clearly - you did it absolutely correctly. Just to be clear, though, in the end the steering committee decided to exit all of the contracts - regardless of the willingness of the subsidiary or client to assume the costs of SAP implementation. We will be completely out of that business line. That decision was made several months after you contacted the City.

David

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Cheryl D Norton

David - while the company push was to get out o

02/09/2012 11:33:43 AM

From: Cheryl D Norton/KAWC/AWWSC
To: David K Baker/SERVCO/AWWSC/AWW
Cc: John Bigelow/ADMIN/CORP/AWWSC/AWW, Robert G MacLean/CAWC/AWWSC/AWW,
"Cheryl Norton" <Cheryl.Norton@amwater.com>, "David Baker" <David.Baker@amwater.com>,
John C Clarkson/SHARSVCS/AWWSC/AWW, "Nick Rowe" <Nick.Rowe@amwater.com>, Keith L
Cartier/KAWC/AWWSC
Date: 02/09/2012 11:33 AM
Subject: Re: Fw: Nice win for our clients!

David - while the company push was to get out of these contracts, I recall that if we stayed in, there would be a large charge to cover the implementation costs and an ongoing fee to maintain it. From a local perspective, we try to take credit (or blame) for the decisions that are made whenever possible. If we say "corporate made us do it" then they accuse us of being ruled by NJ. We told them if we didn't end the agreement, LFUCG would be responsible for a large fee due to corporate changes but we didn't tell them that corporate made us exit.

Thanks,

Cheryl

Cheryl D. Norton
President
Kentucky American Water
2300 Richmond Road

Kentucky American Water

Case No 2012-00520, Commission Staff's 2nd Information Request, Question 78

Revenue Requirement & Average Customer Bill Impact of Termination of Billing Services

Line	Item	Case No. 2012 - 00520		
		Case No. 2012-00520	If Billing Contract Still in Place	Variance Due to Discontinuation
1	Revenues at Present Rates	\$ 84,157,833	\$ 85,777,332	\$ (1,619,499)
2	O&M	33,892,179	33,976,206	(84,027)
3	Gen Tax	5,114,771	5,124,207	(9,436)
4	Depreciation & Amortization	13,331,863	13,406,863	(75,000)
5	Income Tax	7,639,106	8,203,560	(564,454)
6	Utility Operating Income ("UOI") at Present Rates (Line 1 - Lines 2 through 5)	\$ 24,179,914	\$ 25,066,497	\$ (886,583)
7				
8	Rate Base	\$ 385,994,705	\$386,710,309	\$ (715,604)
9	Rate of Return	8.20%	8.20%	
10	Operating Income Required (Line 8 x Line 9)	\$ 31,651,566	\$31,710,245	\$ (58,680)
11				
12	Less UOI at Present Rates	\$ 24,179,914	\$ 25,066,497	\$ (886,583)
13	Deficiency Before Gross-Up (Line 10 - Line 12)	\$ 7,471,652	\$ 6,643,749	\$ 827,903
14				
15	Gross Up	1.648591	1.648591	1.648591
16	Rate Request (Line 13 x Line 15)	\$ 12,317,702	\$ 10,952,827	\$ 1,364,875
17				
18	Revenue Requirement (Line 1 + Line 16)	\$ 96,475,535	\$ 96,730,160	\$ (254,625)
19				
20				
21	Total Variance in Rate Request (Line 16 Variance)	\$ 1,364,875		
22				
23	Approximate Allocation to Residential	89.96%		
24				
25	Impact of Variance to Residential (Line 21 x Line 23)	\$ 1,227,841		
26				
27	Total Residential Revenue Requirement (Schedule M)	\$ 52,378,073		
28				
29	Fraction of Proposed Residential Revenues Related to Variance (Line 25 / Line 27)	2.3%		
30				
31	Average Residential Bill at Proposed Rates (Exhibit N)	\$ 38.51		
32				
33	Average Residential Bill Less Variance Percent (Line 31 x (1-Line 29))	\$ 37.61		
34				
35	Impact to Average Residential Bill (Line 31 - Line 33)	\$ 0.90		