

PUBLIC SERVICE COMMISSION
Case No. 2007-00134

KENTUCKY-AMERICAN WATER COMPANY

**Responses to Citizens For Alternative Water
Solution's Second Supplemental Data Requests**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 16 2007

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF KENTUCKY-AMERICAN
WATER COMPANY FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY AUTHORIZING
THE CONSTRUCTION OF KENTUCKY RIVER
STATION II, ASSOCIATED FACILITIES AND
TRANSMISSION MAIN

CASE NO. 2007-00134

CERTIFICATE OF SERVICE

This is to certify that on the 16th day of July, 2007, the original and eight (8) copies of Kentucky-American Water Company's Responses to Citizens For Alternative Water Solution's Second Supplemental Data Requests were filed with the Public Service Commission and a copy of each served upon:

David E. Spenard, Esq.
Dennis G. Howard II
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204
Via hand delivery

David Barberie, Esq.
Leslye M. Bowman, Esq.
Lexington-Fayette Urban County Gov't.
Department of Law
200 East Main Street
Lexington, Kentucky 40507
Via hand delivery

Tom FitzGerald
Kentucky Resources Council, Inc.
P.O. Box 1070
Frankfort, Kentucky 40602
Via U.S. Mail

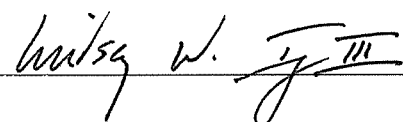
David F. Boehm, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
Via U.S. Mail

Damon R. Talley, Esq.
112 N. Lincoln Blvd.
P.O. Box 150
Hodgenville, Kentucky 42748-0150
Via U.S. Mail

Stephen Reeder
Robert Ware
Kentucky River Authority
70 Wilkinson Boulevard
Frankfort, Kentucky 40601
Via U.S. Mail

STOLL KEENON OGDEN PLLC

By



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**THE APPLICATION OF KENTUCKY-AMERICAN
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STATION II, ASSOCIATED FACILITIES AND
TRANSMISSION MAIN**


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CASE NO. 2007-00134

CERTIFICATION OF RESPONSES TO INFORMATION REQUESTS

This is to certify that I have supervised the preparation of Kentucky-American Water Company's July 16, 2007 Responses to the Citizens for Alternative Water Solution's Second Supplemental Data Request and that the responses are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: 7/12/07



Nick O. Rowe
President
Kentucky-American Water Company

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134**

**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 1 of 28

Witness: Michael Miller

1. With reference to the answer provided by Mr. Miller to Item 2(b) of CAWS First Supplemental Data Request, where will KAWC get the balance (40 percent) of the funds required to build the plant? If the answer is "internally", what is the internal rate of return assumed on those funds?

Response:

Approximately 40% of the funds for design and construction of the new plant will be obtained through the issuance of common equity.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 2 of 28

Witness: Michael Miller

2. With reference to the answer provided by Mr. Miller to Item 2(c) of CAWS First Supplemental Data Request, where will KAWC get the balance (40 percent) of the funds required to build the pipeline? If the answer is "internally", then what is the internal rate of return assumed on those funds?

Response:

Approximately 40% of the funds for design and construction of the pipeline will be obtained through the issuance of common equity.

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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 3 of 28

Witness: Michael A. Miller/Linda C. Bridwell

3. With reference to the answer provided by Mr. Miller to Item 2(d) of CAWS First Supplemental Data Request, the possibility of obtaining funding through assuming tax-exempt debt is mentioned.
- (a) What would be the source of that tax-exempt funding?
 - (b) Have there been discussions or do you anticipate discussions with any elected or appointed government officials about the possibility of obtaining grants, loans or other taxpayer supported funding?
 - (c) If so, with whom?
 - (d) Please provide any documentation concerning such communications.

Response:

- (a) Owen County, Kentucky could be the issuer of tax-exempt bonds as authorized by KRS 103.200 – 103.285, Section 142 of the Internal Revenue Code and a grant of an allocation by the Kentucky Private Activity Bond Allocation Committee.
- (b) No.
- (c) Not applicable.
- (d) Not applicable.

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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 4 of 28

Witness: Michael Miller

4. With reference to the answer provided by Mr. Miller to Item 2(e) of CAWS First Supplemental Data Request, he states that the KAWC proposed project is anticipated to raise the current average residential bill by approximately \$10.14 per month.
- (a) Please provide the detail regarding how that value was calculated and what factors were utilized or assumed in making the calculation.
 - (b) If the average residential bill increase were \$10.14 per month, what would be the average percentage of increase in the current average residential bill?
 - (c) If the Owen County Plant and associated pipeline are approved and built, what is the increase that is expected in rates for industrial customers?
 - (d) If the Owen County Plant and associated pipeline are approved and built, what is the increase that is expected in rates for wholesale customers?
 - (e) Please provide the detail of the calculations of the rates for each class of customers.

Response:

- a. The factors and assumptions in arriving at the estimated rate increase are shown on the schedules attached to both CAWSDR1#13 and PSCDR1#31. The \$10.14 increase per month referenced in the response to CAWSDR1#2(e) was determined as follows:

Average Residential Monthly Bill @ present rates	\$20.02
Rate increase % per CAWSDR#13	<u>50.66%</u>
Estimated increase in Aver. Res. Monthly Bill	\$10.14

Based on the response to PSCDR1#31, which provided a more detailed calculation of the rate impact from the source of supply project, the rate increase would be as follows:

Average Residential Monthly Bill @ present rates	\$20.02
Rate increase % per PSCDR1#31	<u>45.31%</u>
Estimated increase in Aver. Res. Monthly Bill	\$9.07

- b. Please see the response to part a. above.
- c. The Company has not performed a cost of service study to determine the final allocation of the cost of service after completion of the source of supply project among the various customer classifications. For purposes of this estimate it is assumed that the estimated increase in rates from the source of supply project will be spread evenly (across the board) among the customer classifications.
- d. Please see the response to part c. above.
- e. Please see the response to part c. above.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 5 of 28

Witness: Linda C. Bridwell

5. In KAWC's analysis or consideration of the cost of a pipeline that would connect its distribution system and a Louisville Water Company (LWC) pipeline, have you or any consultant hired by you included any contribution of capital by Louisville Water Company?
- (a) If so, please specifically state the amount that was included and to which capital contribution the amount was assigned?
 - (b) If the contribution associated with planned construction of a pipeline by Louisville Water Company to Kentucky Highway 53 has not been included, please explain why not?
 - (c) Is KAWC aware as to whether anticipated or proposed capital contributions by LWC were included in any of the reports or analysis provided to the Bluegrass Water Supply Commission, including any reports provided by O'Brien & Gere?

Response:

No. In 1999 LWC made it clear that KAW would be responsible for the cost of a 36-inch line and all facilities to provide KAW's requested water service to the metering point. LWC indicated that it would fund any enhancement of facilities above those required by KAW. LWC has never indicated, to our knowledge, that they would ever contribute capital for KAW facilities.

- (a) Not applicable.
- (b) There has been no indication from LWC that a capital contribution was available to either KAW or BWSC for their required facilities without a significant increase in the rate for water purchase. The BWSC has reviewed multiple proposals from the LWC and has concluded that it is not the least cost alternative.
- (c) No, to our knowledge, there have been none included.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 6 of 28

Witness: Linda C. Bridwell

6. Were anticipated contributions or payments to the Kentucky River Authority, either for Tier 1 or Tier 2 fees, included in the calculations in reports prepared by your consultants, including O'Brien and Gere and Gannett Fleming. If so, please specifically state in what way they were included and provide copies of the pages reflecting the inclusion of these prospective fees.

Response:

No, they were not.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134**

**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 7 of 28

Witness: Linda C. Bridwell

7. Please provide any documents or correspondence between KAWC and the Kentucky River Authority regarding the proposed project for which this certificate is being sought, including any discussion or references of the need for improvements to the dam(s) associated with Pool 3 of the Kentucky River.

Response:

Attached is a letter dated 7/14/06 between KAW and Kentucky River Authority, which was inadvertently omitted from previous responses pertaining to correspondence to the Kentucky River Authority.

Nick O. Rowe

President

859 268 6333

July 14, 2006

Mr. Steve Reeder, Executive Director
Kentucky River Authority
70 Wilkinson Boulevard
Frankfort, KY 40601

Dear Steve,

Kentucky American Water (KAW) has continued to be encouraged by the efforts of the Kentucky River Authority (KRA) in providing a reliable source of water supply for Central Kentucky. Recent funding by the Kentucky legislature as well as ongoing progress to construct a new Dam 9 at Valley View are a testament to the KRA's perseverance and leadership in securing the Kentucky River.

As we discussed, KAW is currently planning to build an intake and water treatment facility on the Kentucky River that would withdraw water from the pool impounded by Lock and Dam No. 3, subject to the approval of the Kentucky Public Service Commission (PSC). To that end, we have been negotiating with property owners and are in preliminary engineering efforts. A withdrawal permit application has been made to the Division of Water. It is our intention to apply for a Certificate of Convenience and Necessity with the PSC in Spring of 2007, with construction beginning in 2008 and facilities placed in service by 2010.

KAW is still pursuing the potential of a public-private partnership with the Bluegrass Water Supply Commission, although currently the details of that partnership are still unclear.

KAW understands that the existing Lock and Dam No. 3 has had a number of issues over the last couple of years requiring emergency repairs. In light of KAW's intention to construct a major treatment facility that would depend on that structure, we would ask the KRA to move as expeditiously as possible to upgrade and secure Lock and Dam No. 3.

American Water
2300 Richmond Road
Lexington, KY 40502
USA
T +1 859 269 2386
F +1 859 268 6327
I www.amwater.com

S. Reeder, KRA
July 14, 2006
Page 2

Again, Steve, we appreciate all the hard work and dedication of the KRA staff and members in assisting to secure the drinking water supply for Central Kentucky. Please let me know if I can answer any questions or provide additional information to the KRA on KAW's efforts.

Sincerely,



Nick Rowe
President

c: L. Bridwell
H. Miller

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134**

**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 8 of 28

Witness: Richard C. Svindland

8. Please provide any documentation, including long-range plans, reports, or correspondence, concerning the possibility of construction of a pipeline or waterline from the proposed Owen County Treatment Plant to the Ohio River.
- (a) Has KAWC purchased, leased, optioned, or otherwise reserved land along or adjacent to the Ohio River which could be used for purposes associated with the withdrawal or treatment of water?

Response:

KAW has not produced a long-range plan or report concerning the construction of a pipeline from its proposed Pool 3 to the Ohio River. KAW had a corridor aerially photographed in early 2006 from the Pool 3 plant site(s) to the Ohio River and prepared an informal and preliminary cost estimate of this route that was not formally. The preliminary cost estimate was based on a 31 mile long water main at \$150 to \$300 per foot depending on final pipe size plus 20% for contingency and 25% for permitting, legal, design and land acquisition. Pipeline cost was estimated to between \$37M and \$74M depending on pipe size. No detailed costs were estimated for the two to three pump stations that would likely be needed to pump from the Ohio River to the Pool 3 site, but each pump station would likely be in the \$5M - \$8M range.

- (a) No.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 9 of 28

Witness: Linda C. Bridwell

9. In KAWC's response to Item 5 of CAWS's First Supplemental Data Request, no documentation was provided supporting the necessity of an expedited procedural schedule. Is it correct that no such documentation existed at the time that KAWC made its motion for an expedited procedural schedule in this case?

Response:

No other documentation existed other than the information with regard to the existing need for the project already filed in Case No. 2001-00117 and in this case.

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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 10 of 28

Witness: Linda C. Bridwell

10. Has KAWC considered the alternative of building a pipeline to meet and connect to the Louisville Water Company line at Kentucky Highway 53 in Shelby County, rather than building a plant and pipeline as proposed in Case 2007-00134?
- (a) If not, why not?
 - (b) If so, what was the conclusion of the analysis, including relative cost and time required to complete the project?
 - (c) If such an analysis was performed, please provide all documentation or communication regarding the analysis and conclusions.
 - (d) If more than one analysis was conducted, please provide the aforementioned information for each analysis.

Response:

No.

- (a) Regardless of the point of the proposed connection, there has been no indication that KAW's cost would decrease, and, therefore, no need for additional consideration.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 11 of 28

Witness: Linda C. Bridwell

11. In KAWC's response to Item 7 of CAWS's First Supplemental Data Request, it was stated that KAWC has a representative planning to attend the Greater Lexington Chamber of Commerce Fly-in to Washington D.C.

- (a) When is the Fly-In scheduled to occur?
- (b) Is KAWC paying any of the cost of the Greater Lexington Chamber of Commerce Fly-in other than reimbursing your employee's personal travel expenses?
- (c) Is KAWC a "sponsor" or "underwriter" of the Fly-in?
- (d) When did the Greater Lexington Chamber of Commerce vote to support congressional funding of any of the cost of the construction of the plant in Owen County or the associated pipeline?

Response:

- (a) July 11-12, 2007.
- (b) No.
- (c) No.
- (d) On June 18, 2007, by the Greater Lexington Chamber of Commerce Board.

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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 12 of 28

Witness: Linda C. Bridwell

12. In reference to the answer to Item 9 in CAWS's First Supplemental Data Request, please describe in detail and rank all of the factors that caused KAWC to discontinue its efforts in the 1990's to build a pipeline that would have obtained water from Louisville Water Company.

Response:

Please refer to Commission Staff's First Set of Interrogatories and Request for Production of Documents Item 3 of 34.

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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 13 of 28

Witness: Linda C. Bridwell

13. With reference to the answer provided by KAWC to Item 19(e) of CAWS's First Supplemental Data Request, please provide the names and business phone numbers of the persons with governmental agencies with whom KAWC's consultant has coordinated in regards to an endangered species survey.
- (a) Please identify the consultant(s) that are conducting any biological assessment and any cultural and historic resources assessments.

Response:

The following agencies and people were contacted directly by KAW or KAW's consultant:

1. Kentucky Division of Water, Barbara Scott, (502) 564-3410.
 2. USACE Louisville District, Greg McKay, (502) 315-6685.
 3. Kentucky State Nature Preserve Commission, Ryan Evans, (502) 573-2886.
 4. USACE Louisville, Patti Grace-Jarrett, (502) 315-6685.
 5. US Fish and Wildlife Service, Mindi Lawson, (502) 695-0468 x103.
- (a) Gannett Fleming (GF) has been retained to perform environmental studies as needed to obtain permits for the entire project. GF has sub-contracted the cultural and historic resources assessments to Lexington based Cultural Resource Analysts, Inc.

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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 14 of 28

Witness: Linda C. Bridwell

14. Can Dam 9 on the Kentucky River be improved by installation of gates or otherwise so as to provide additional water in the associated pool? If not, please explain and provide supporting documentation.

Response:

KAW has not studied this option as the dam is owned by the Kentucky River Authority to whom the question should be addressed.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 15 of 28

Witness: Linda C. Bridwell / Richard C. Svindland

15. Does KAWC agree that it can expand its current treatment facilities, if additional water is available in the pools that serve those facilities. If so, please explain or describe any evaluation or study that has been conducted concerning expansion of existing treatment facilities. If not, please explain with specificity and provide all supporting documentation.

Response:

Yes. KAW prepared cost estimates for expanding its Richmond Road Station in the analysis to select the project to build a pipeline to the Louisville Water Company. KAW prepared a cost estimate for the expansion of its Kentucky River Station for the LFUCG Council as part of its 1999 review of the water supply situation. Also, please refer to the Gannett Fleming report referenced in the response to Commission Staff's First Set of Interrogatories and Request for Production of Documents Item 6 of 34. In Section 5.3 of that report GF identifies the needed improvements to reliably produce 80 MGD out the existing facilities.

Because there are no plans to provide sufficient additional water supply to the Kentucky River Pool 9 without restrictions, no further analysis has been considered.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 16 of 28

Witness: Linda C. Bridwell

16. In the testimony of Linda Bridwell, at p. 22, it is stated that the "project cost estimates have not been revised to account for the actual commitments being less than the projected deficits in the study." Please provide an updated project cost estimate.
- (a) Additionally, has KAWC solicited an updated cost estimate from the Louisville Water Company, since their circumstances have also changed in that their meter point is now closer to Lexington than it was at the time of the study?
 - b) Considering that relevant factors have changed since the previous planning study was published, is it appropriate to reassess the costs of the various options previously studied?

Response:

The statement in the testimony is incorrect.

The project cost estimates referred to at page 22, line 30, were prepared by O'Brien and Gere for the Bluegrass Water Supply Consortium and had not been updated by them in a formal report but were updated in December 2005 to \$239 million.

- (a) No. Although the proposed metering point has shifted east one exit from the previous point discussed, there have been no indications that a significant overall cost change has been proposed.
- (b) The last cost comparison was made and completed by Gannett Fleming in March 2007. KAW does not believe relevant factors have changed since that time that would warrant additional reassessment.

KENTUCKY-AMERICAN WATER COMPANY
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CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST

Item 17 of 28

Witness: Linda C. Bridwell

17. Please describe and provide documentation concerning any analysis that KAWC has conducted or commissioned regarding the water-saving potential from implementation of these water conservation technologies and practices:

- (a) high-efficiency washing machines (residential and commercial)?
- (b) low-flow toilets?
- (c) dry composting toilets?
- (d) greywater reuse systems?
- (e) rainwater harvesting for irrigation and toilets?
- (f) xeriscaping
- (g) native landscaping
- (h) low-flow showerheads and faucet aerators
- (i) conservation-oriented pricing of water
- (j) other water conservation measures?

Response:

In 1991, KAW retained Brown and Caldwell Engineering to do an extensive analysis of various conservation programs. A copy of this report was filed in Case No. 92-452.

Many industry experts have published extensive studies on the water-saving potential from implementation of the various items listed; however, the 1991 study indicated clearly that conservation alone would not resolve KAW's water supply program and recommended a program that was cost effective. After piloting some of the programs, KAW found that the most cost effective effort has been in community education and has focused on that area. KAW has not commissioned any other studies regarding conservation practices.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 18 of 28

Witness: Linda C. Bridwell

18. What efforts have been made to assist commercial and industrial customers to identify means to reduce process water consumption?

Response:

KAW hosts an annual meeting with its largest 25 customers to discuss various issues regarding water service and to serve as a forum for ideas such as conservation. Additionally, KAW hosts a quarterly Customer Service Council which includes representatives from commercial and industrial customers. Again, these meetings are used to discuss a variety of issues regarding water service.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 19 of 28

Witness: Linda C. Bridwell

19. Does KAWC offer any incentives, such as design and engineering support, grants, or low-interest loans, to assist customers to assess and implement water conservation initiatives?

Response:

No.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 20 of 28

Witness: Linda C. Bridwell

20. Has KAWC assessed the feasibility of purchasing treated water from the Frankfort Electric and Water Plant Board?

Response:

Yes.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 21 of 28

Witness: Linda C. Bridwell / Richard C. Svindland

21. If the Frankfort Electric and Water Plant Board could expand their plant capacity from 18 mgd to 36 mgd at a cost of about \$35 million, wouldn't this meet 90% of the projected near-term supply deficit at a lower cost than the Pool 3 proposal? Has this option been considered? Please provide any documentation, and if it has not been pursued, please explain why not.

Response:

We are unable to answer this question as the total cost, including the costs of the interconnecting mains and any needed booster pump stations, as well as the purchase water costs are not known. Without these items a cost comparison cannot be determined.

No, this option has not been considered for either a regional solution or a "KAW alone" solution. It would be inappropriate to consider alternatives that do not meet the needs of water entities involved.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 22 of 28

Witness: Linda C. Bridwell

22. If the Bluegrass Water Supply Commission receives federal funding to support their participation in the proposed Pool 3 project, does KAWC agree or disagree that environmental documentation, in the form of a categorical exclusion, an environmental assessment, or an Environmental Impact Statement will be required prior to construction of this project?

Response:

Since a number of factors would influence what, if any, documentation may be necessary or when, it would be speculative and inappropriate to attempt to respond to this hypothetical question.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 23 of 28

Witness: Linda C. Bridwell

23. What studies has KAWC conducted or will KAWC conduct to ensure that no federally-listed endangered and threatened species along the pipeline route will be harmed by the proposed project?
- (a) Please provide a copy of any assessments that have been conducted, and any review letters from federal or state agencies.

Response:

Gannett Fleming is currently completing an endangered and threatened species survey on behalf of KAW. Field work done to date has found no threatened and endangered plants, birds or bats. Additional field work is still ongoing. A final report will be prepared to summarize the findings.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 24 of 28

Witness: Linda C. Bridwell

24. What studies has KAWC conducted to determine the impact of the pipeline on sub-surface water flows along the entire route from Pool 3 to the end point on Ironworks Pike?
- (a) Has KAWC made a determination concerning the possibility of damage or loss of wells or springs along the pipeline route?
 - (b) Has KAWC conducted an assessment of the extent of impact on creeks or streams and on private water supplies along the route? Please provide all related documentation.

Response:

KAW has not specifically initiated a study to determine the impact of the pipeline on sub-surface water flows because water main construction does not normally impact groundwater supplies.

- (a) Yes, for one specific land owner.
- (b) Yes. KAW has submitted two permits to the appropriate governmental agencies for review and approval. These two permits (State 401 and Federal 404) along with their supporting documentation cover all the creek and stream crossings along the water main route and meet all requirements in regards to impact on streams and creeks. Copies of these permit applications were filed in this case in response to Commission Staff's First Set of Interrogatories and Request for Production of Documents Item 4 of 34.

KAW is not familiar with the term "private water supply" as the Commonwealth of Kentucky owns and regulates all the water within the state.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134**

**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 25 of 28

Witness: Linda C. Bridwell

25. In the cost analysis for the various water supply options considered, why was the Louisville Water Company's option analyzed using an assumed peaking ratio of 5:1? What peaking ratios were used for the other options analyzed?

Response:

Louisville Water Company's rates were based on the anticipated peaking factor. A minimum water purchase for water quality of 2 mgd or 5 mgd would require a peaking factor of 5:1 for maximum delivery of 10 mgd or 25 mgd, respectively.

Gannett Fleming used a 4.6:1 ratio for the alternatives in its evaluation as the water purchase agreement used did not impact the cost.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134**

**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 26 of 28

Witness: Linda C. Bridwell / Richard C. Svindland

26. Is it KAWC's position that Pool 3 will provide drought protection sufficient to address the projected deficit in the recurrence of the 1930 drought of record?
- (a) Will the Pool 3 plant meet the full projected demands of KAWC's ratepayers and central Kentucky during a 100-year drought, in 2020, or 2030?
 - (b) If not, what is KAWC's plan for providing long-term drought protection to its customers and central Kentucky?
 - (c) Is KAWC planning a Phase II pipeline to the Ohio River at Carrollton, as has been stated publicly and as recommended in the 2004 study by BWSC?
 - (d) What would be the cost of Phase II be and what impact would that second phase have on ratepayers?
 - (e) What would be the cost of upgrading the proposed treatment plant at Pool 3 to accommodate additional raw water from the Ohio River?

Response:

Yes.

- (a) Yes, to the extent BWSC members have included drought demands in their planned needs.
- (b) Not applicable.
- (c) No, not at this time. Please refer to the response to Item 8(a) of the Citizens for Alternative Water Solution's First Supplemental Data Request dated June 18, 2007.
- (d) Not applicable.
- (e) KAW does not anticipate a cost differential in the Pool 3 plant based on the Ohio River as an additional raw water source instead of the Kentucky River. KAW has roughly estimated an additional \$10 million for either a 5 mgd or 10 mgd plant expansion.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 27 of 28

Witness: Linda C. Bridwell

27. With reference to Item 3 of CAWS's First Supplemental Data Request, please answer specifically and directly the following questions:

- (a) Does KAWC agree, or disagree, that the PSC has the authority to order KAWC to "wheel" (allow transmission of water from one utility source through the KAWC system to another utility)?
- (b) Does KAWC currently, or has KAWC in the past, allowed such wheelage of water through its system from a supplier other than KAWC to an end user that was another utility system? If so, please provide the details concerning the volume of water wheeled through the system and any tariff or line charge imposed by KAWC.
- (c) Understanding that negotiations are ongoing concerning the terms of participation of the BWSC in the Pool 3 project, has KAWC discussed with BWSC that BWSC's participation as an equity interest holder in the KAWC project for Pool 3 would enable BWSC to have "free" use of the KAWC distribution system or grid?
- (d) Assuming that BWSC chose to purchase 5mgd of finished water from the Louisville Water Company rather than to participate in the Pool 3 Project,
 - (1) What capacity would KAWC size the Pool 3 Project treatment plant?
 - (2) Does KAWC agree or disagree that the PSC has the authority to obligate KAWC to "wheel" (allow transmission of) that 5 mgd of water through its system from Georgetown to Winchester, Nicholasville, or another end-user?

Response:

- (a) Please refer to the response to Item 3b of the Citizens for Alternative Water Solution's First Supplemental Data Request.
- (b) No.
- (c) Please refer to the response to Item 3d of the above mentioned data request.

- (d) (1) If the BWSC chooses not to participate in the proposed project, KAW would construct a 20 mgd plant.
- (2) Please refer to the response to Item 3b of the above mentioned data request.

**KENTUCKY-AMERICAN WATER COMPANY
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**CITIZENS FOR ALTERNATIVE WATER SOLUTION'S
SECOND SUPPLEMENTAL DATA REQUEST**

Item 28 of 28

Witness: Linda C. Bridwell

28. With reference to the answer to Item 3b in the CAWS's First Set of Supplemental Data Requests, does the KAWC agree or disagree that the "jurisdiction over KAW's rates and services" that the PSC possesses includes the authority to order the KAWC to accept an interconnection and to require KAWC to "wheel" (allow transmission of water from one utility supplier through the KAWC system) to another end-user utility? If KAWC disagrees, please explain the basis for your assertion that KAWC has no obligation to do so or that the PSC has no authority to so order.

Response:

We have not researched the question and have no opinion at this time.