

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF KENTUCKY-AMERICAN WATER)
COMPANY FOR A DETERMINATION BY THE)
PUBLIC SERVICE COMMISSION OF THE ADEQUACY)
OF ITS WATER STORAGE CAPACITY ANALYSIS) CASE NO. 2005-00546
DATED DECEMBER 21, 2005 AND FOR A DEVIATION)
FROM 807 KAR 5:066, SECTION 4 (4), UNTIL)
DECEMBER 31, 2020, PURSUANT TO 807 KAR 5:066,)
SECTION 18)

KENTUCKY-AMERICAN WATER COMPANY'S
RESPONSE TO ATTORNEY GENERAL'S MOTION FOR ABEYANCE

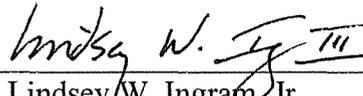
Comes Kentucky-American Water Company (Kentucky American Water), by counsel, and for its Response to the Attorney General's February 13, 2006 Motion for Abeyance, hereby tenders this response.

In its Application in this case, Kentucky American Water availed itself of the right afforded to it pursuant to 807 KAR 5:066, Section 18 to seek a deviation from the requirement set forth in 807 KAR 5:066, Section 4(4) that "the minimum storage capacity for systems shall be equal to the average daily consumption." In support of its Application, Kentucky American Water submitted its December 21, 2005 Storage Capacity Analysis which evidences Kentucky American Water's belief that its existing potable water storage, raw water storage, emergency pumping and production capability and planned construction are sufficient to meet the intent of 807 KAR 5:066, Section 4(4) and to provide reasonable service to customers during various emergency situations. As part of its planned construction, Kentucky American Water proposes to construct an additional 3,000,000 gallon potable water storage tank.

The Attorney General has moved the Commission to hold this case in abeyance because the exact cost and location of the proposed 3,000,000 gallon tank are not known. Kentucky American Water is in the process of addressing its source of supply and treatment needs and the location and cost of the tank are issues that will be addressed as part of that process. Therefore, the Attorney General argues that this case should be held in abeyance until the cost and location of the tank are known.

Kentucky American Water's efforts towards its source of supply and treatment needs are wholly independent from the issues presented in this case: whether its December 21, 2005 Storage Capacity Analysis is adequate and whether it should be permitted a deviation from 807 KAR 5:066, Section 4(4). While it is true that the location and cost of the proposed 3,000,000 gallon tank will be affected by the resolution of the source of supply and treatment issues, that fact has no bearing on whether Kentucky American Water is entitled to the requested deviation. As set forth in its Application, Kentucky American Water believes that its facilities and planned construction satisfy the intent of the regulation and that it is able to provide reasonable service in emergency situations. The exact location of the proposed tank is irrelevant to whether Kentucky American Water meets the intent of the regulation. Therefore, Kentucky American Water exercised its right to seek the requested deviation and this case should proceed.

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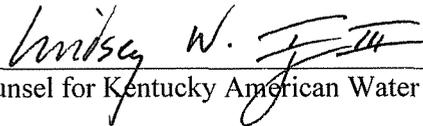
ATTORNEYS FOR KENTUCKY AMERICAN WATER

CERTIFICATE OF SERVICE

This is to certify that an original and ten copies of the foregoing have been filed with the Kentucky Public Service Commission by hand-delivery of same to the Kentucky Public Service Commission on this 3rd day of March, 2006. This further certifies that a true and accurate copy of the foregoing has been served, via U.S. Mail, on this 3rd day of March, 2006 upon the following:

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