

Commonwealth of Kentucky
Before the Public Service Commission

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PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR A CERTIFICATE OF) Case No. 2007-00134
CONVENIENCE AND NECESSITY AUTHORIZING)
THE CONSTRUCTION OF KENTUCKY RIVER)
STATION II, ASSOCIATED FACILITIES AND)
TRANSMISSION MAIN)

ATTORNEY GENERAL'S
FIRST REQUEST FOR INFORMATION
TO KENTUCKY-AMERICAN WATER

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits this Request for Information to the Kentucky-American Water Company.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

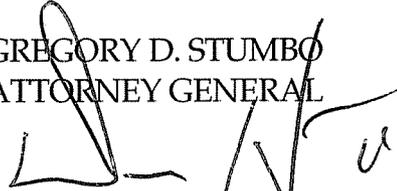
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

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

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL



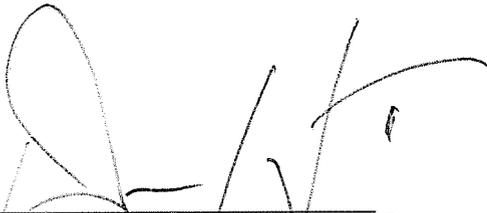
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Notice of Filing and Certificate of Service

Counsel gives notice that the original and ten photocopies of the Attorney General's First Request for Information to Kentucky-American Water were filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601 on this 17 day of May, 2007.

Counsel also certifies service of this document by mailing a true and correct photocopy of the same, first class postage prepaid, to: Lindsey W. Ingram, Jr., Lindsey W. Ingram III, Stoll Keenon Ogden, 300 West Vine Street, Suite 2100, Lexington, Kentucky 40507-1801; A. W. Turner, Jr. Kentucky-American Water Company, 2300 Richmond Road, Lexington, Kentucky 40502; Damon R. Talley, P. O. Box 150, Hodgenville, Kentucky 42748; and David Barberie, Lexington-Fayette Urban County Government, Department of Law,

200 East Main Street, Lexington, Kentucky 40507; and David F. Boehm and Michael L. Kurtz, Boehm, Kurtz & Lowry, 36 East Seventh Street, 2100 CBLD Building, Cincinnati, Ohio 45202; all on this ^{7th} day of May, 2007. (Counsel has also on this day transmitted an electronic version of this document (in Word) to Counsel for Kentucky-American Water Company.)



Assistant Attorney General

Attorney General's First Request for Information

- AG -1-1) RE: Application, Numbered Paragraph 6. For the period beginning 1 January 1997 to present, please identify by date, location, and attendees any formal or informal presentations by Kentucky-American Water or on behalf of KAW to the Kentucky River Authority or any committee of the KRA. Please provide a copy of any documents distributed or received at these meetings.
- AG -1-2) RE: Application, Numbered Paragraph 7. The portion of the Least Cost/Comprehensive Planning Study identified in this paragraph discusses a need "to assure uninterrupted water supply and to supply system growth." Please provide:
- a) The corresponding definition of "system growth" for this statement (e.g. growth in customer usage, growth in customer base, growth in service territory, etc.).
 - b) Indicate whether Kentucky-American's current proposal seeks to assure this type of "system growth."
 - c) Identify Kentucky-American Water's "system growth," by year, for the period 1993 through 2006.
 - d) Kentucky-American Water's current projections for "system growth," by year, for the period 2010 through 2030.
 - e) Provide the basis (assumptions, strategic plan, etc.) for KAW's current projections for "system growth," for each year for the period 2010 through 2030.
- AG -1-3) RE: Application, Numbered Paragraph 9. With regard to The Louisville Pipeline project, please answer the following.
- a) Did Kentucky-American Water need any type of formal approval from the Lexington-Fayette Urban County Government in order to implement the Louisville Pipeline plan (e.g. a certificate of convenience from the LFUCG, a permit, etc.)?
 - b) If Kentucky-American Water was required to obtain a formal approval from the LFUCG, please state whether KAW sought approval and the corresponding result or outcome.

c) Identify (i) the party responsible for Kentucky-American Water's decision to abandon its pursuit of the Louisville Pipeline project (e.g. AWWC's Board of Directors, KAW's Board of Directors, KAW's Officers; etc.) and (ii) the act of abandonment (e.g. vote of the Board, memorandum, etc.). For part ii, supply a copy of any corresponding written record relating to the act of abandonment.

- AG -1-4) RE: Application, Numbered Paragraphs 7 through 11. For the period beginning 1 January 1997 to present, supply (i) the Kentucky-American Water Board of Directors' minutes (and the minutes or records of any sub-committee or *ad hoc* group) in which Kentucky-American Water's source of supply and treatment problems are discussed, and (ii) the agendas for each Kentucky-American Water Board of Directors' (and any sub-committee or *ad hoc* group) meetings for the same period.
- AG -1-5) RE: Application, Numbered Paragraph 10. Please provide a complete copy of the study (including all supporting analyses, projections, or workpapers) on which KAW relies for the projection "that the average daily demand for treated water by its customers would be 60 MGD" if another drought of record recurs in 2020.
- AG -1-6) RE: Application, Numbered Paragraph 10. Please provide a list of the studies on which KAW relies for the statement that the safe yield of Pool 9 of the Kentucky River is 35 MGD of raw water. Please provide a complete copy of each such study that was prepared after 1997.
- AG -1-7) RE: Application, Numbered Paragraph 10. Please provide a list of the studies on which KAW relies for the statement that the "rated capacities of its current treatment plants, KRS I and RRS, are inadequate to meet its future obligations." Please provide a complete copy of each such study that was prepared after 1997.
- AG -1-8) RE: Application, Numbered Paragraph 11. Please provide a copy of all documents on which KAW relies in reaching the conclusion that the proposed project is "the most cost effective and feasible solution to the source of supply deficit."

AG -1-9) RE: Application, Numbered Paragraph 11.

- a) Please describe in detail the alternatives that KAW evaluated against the proposed project to determine that the proposed project was “the most cost effective” solution.
- b) How does KAW define and determine cost effectiveness for purposes of reaching this conclusion?
- c) If it is not apparent from the documents provided in response to the previous question, please list each assumption that KAW used in evaluating the relative cost effectiveness of each alternative, and provide all workpapers and other documents supporting the reasonableness of each such assumption.
- d) Did KAW evaluate different ownership options in evaluating the cost effectiveness of its proposed solution? If so, and if it is not apparent from the documents provided in response to the previous question, please list each ownership option evaluated and provide all workpapers and other documents supporting the methodology used to model each such ownership option. If not, please explain why not.
- e) Please describe in detail the alternatives that KAW evaluated against the proposed project to determine that the proposed project was “the most ... feasible” solution.
- f) How does KAW define and determine feasibility for purposes of reaching this conclusion?

AG -1-10) RE: Application, Numbered Paragraph 13. Did the Bluegrass Water Supply Commission propose an option under which Kentucky-American Water (or, alternatively, American Water Works Company or any of its affiliates or subsidiaries) would design/build/operate a Kentucky River treatment plant and related transmission facilities (to be owned by the Bluegrass Water Supply Commission) through which Kentucky-American Water could purchase treated water? If yes, please (i) summarize the proposal and (ii) the action taken by Kentucky-American Water regarding the proposal.

- AG -1-11) RE: Application, Numbered Paragraph 13. For the period beginning 1 January 1997 to present, please provide (i) the dates for each Kentucky-American Water meeting with the Bluegrass Water Supply Commission and (ii) for each meeting please provide a summary of the meeting (including a copy of any corresponding agenda or activity list for the meeting).
- AG -1-12) RE: Application, Numbered Paragraph 14. This paragraph does not specifically list any consultation with the Kentucky River Authority. For the period beginning 1 January 2001 to present please list and describe in each meeting, conversation, and/or correspondence between KAW and the Kentucky River Authority concerning the proposed project or any alternatives to the proposed project.
- AG -1-13) For the period beginning 1 January 1997 to present, please provide a copy of (i) every Kentucky-American Water correspondence sent to the Louisville Water Company that discusses, in any fashion, the Louisville Pipeline project, Kentucky-American Water's source of supply and treatment deficits, or any contract between Kentucky-American Water and The Louisville Water Company and (ii) every correspondence received by Kentucky-American Water from The Louisville Water Company that discusses, in any fashion, the Louisville Pipeline project, Kentucky-American Water's source of supply and treatment deficits, or any contract between Kentucky-American Water and The Louisville Water Company. This question expressly includes any correspondence sent or received through the agents or representatives of either entity.
- AG -1-14) With regard to participation by the Bluegrass Water Supply Commission in Kentucky-American Water's project, have the parties come to an agreement regarding priority to treated water in the event that there is a raw water withdrawal curtailment such that the amount of water available for treatment is less than the rated capacity of the treatment plant? If yes, please provide a summary of the agreement. If no, please indicate whether such an agreement will be part of any contract between the BWSC and KAW.
- AG -1-15) With regard to the treatment capacity of the proposed plant and Kentucky-American's current projections and under a scenario in which the BWSC does not participate in the project, please identify

(i) the year that 20 MGD will no longer be adequate to meet the needs of Kentucky-American Water such that an increase in the treatment capacity of the facility will be required and (ii) under the further assumption that the treatment capacity of the facility is eventually expanded to 30 MGD, the year that 30 MGD will no longer be adequate to meet the needs of Kentucky-American Water such that an increase in treatment capacity will be required.

AG -1-16) With regard to the treatment capacity of the proposed plant and Kentucky-American's current projections and under a scenario in which the BWSC does participate in the project, please identify (i) the year that 20 MGD will no longer be adequate to meet the needs of Kentucky-American Water such that an increase in the treatment capacity of the facility will be required and (ii) under the further assumption that the treatment capacity of the facility is eventually expanded to 30 MGD, the year that 30 MGD will no longer be adequate to meet the needs of Kentucky-American Water such that an increase in treatment capacity will be required.

AG -1-17) Does Kentucky-American Water compile, report, or otherwise document (i) Kentucky-American Water's water withdrawal activity (e.g. gallons per day withdrawal from the Kentucky River, Reservoir #1, and Reservoir #4) or (ii) Kentucky-American Water's water treatment activity for the Richmond Road and Kentucky River treatment facilities? If yes to either or both, please supply copies of all reports for the period beginning 1 January 2004 to present.

AG -1-18) How does Kentucky-American Water incorporate (i) growth in its customer base within its existing service territory and (ii) growth attributable to expansion of its service territory into its water demand projects?

AG -1-19) With regard to the proposed 20 MGD plant and Kentucky-American's current projections and under a scenario in which the BWSC does not participate in the project, please identify the cost per 1,000 gallons for Kentucky-American Water for the first year of operations.

AG -1-20) With regard to the proposed 25 MGD plant and Kentucky-American's current projections and under a scenario in which the BWSC does participate in the project, please identify the cost per 1,000 gallons for Kentucky-American Water for the first year of operations.

AG -1-21) RE: Bridwell pre-filed testimony. The witness refers to a Least Cost Comprehensive Planning Study (LCCPS) performed in 1986 and updated in 1992. Concerning this:

- a) Has the LCCPS been updated since 1992? If so, please list the date of each update. If not, please explain why not.
- b) Please provide the most recent update to the LCCPS.

AG -1-22) RE: Bridwell pre-filed testimony, page 8. The witness describes an analysis in which the Ohio River project was selected from "over 50 alternatives as the most feasible, cost effective solution" in 1992-1993. Has a similar analysis been conducted to support KAW's current view that the proposed project is the most feasible, cost effective solution? If so, please provide a copy of the study. If not, please explain why not.

AG -1-23) RE: Bridwell pre-filed direct testimony, page 26. Please provide a copy of KAW's September 2006 presentation to the BWSC.

AG -1-24) RE: Bridwell pre-filed direct testimony, pages 26-28 and Table 1.

- a) Please provide a schedule that separately identifies "public" water amounts and "unaccounted for water" amounts.
- b) Please provide a complete copy of the demand projections study.
- c) Please provide a working copy of the spreadsheet model, with all formulas and links intact, that is used to prepare the demand projections, including but not limited to Table 1.
- d) If it is not apparent from the documents and spreadsheet provided above, please list all assumptions used in preparing the demand projections study and provide copies of all workpapers and source documents that support the reasonableness of the assumptions.

AG -1-25) RE: Bridwell pre-filed direct testimony, page 29. The witness lists three potential conservation programs (toilet replacements, a ban on new customers, and mandatory odd/even watering). Concerning this:

- a) Are these the only conservation programs evaluated by KAW? If so, please explain why these were the only programs

evaluated. If not, please provide a complete list of the potential conservation programs evaluated by KAW, and all analyses conducted by KAW to determine the likely costs and benefits of each such program.

- b) Please provide KAW's complete analysis of the likely costs and benefits of each of the three potential conservation programs listed in the witness's testimony.
- c) In 2005, KAW proposed a drought response tariff that would include customer-specific water budgets. Is KAW still pursuing such a tariff change? If so, what is the current status of this effort and what is the estimated impact of such a program on the projected water demands of KAW customers during the drought of record? If not, please explain why not.

AG -1-26) RE: Svindland pre-filed direct testimony. Please explain what Mr. Svindland means by the phrases "substantial completion" and "final completion" and significance of each.

AG -1-27) RE: Walters pre-filed direct testimony. Please provide a copy of Kentucky-American Water's business plan(s) other any other strategic plan(s) covering, to any extent, Kentucky-American Water operations or activities during the period beginning 1 January 2006 through 31 December 2012.

AG -1-28) RE: Walters pre-filed direct testimony. Please provide, by month, the projected spending for the project.