

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

MAY 07 2007

In the Matter of:

PUBLIC SERVICE
COMMISSION

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

MOVANT FOR INTERVENTION CITIZENS FOR ALTERNATIVE WATER SOLUTION'S FIRST DATA REQUEST TO KENTUCKY-AMERICAN WATER COMPANY, INC.

Pursuant to the scheduling order adopted by the Commission in this case, Movant for Intervention Citizens for Alternative Water Solutions (CAWS) requests that Kentucky-American Water Company, Inc (KAWC) file with the Commission the following information, with a copy to all parties of record, within the time specified in the Commission's Order. For each response to data request,

(1) Please identify the individual responsible for answering each request.

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

(3) A request to identify a document means to state the date or dates, author or originator, the subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian.

(4) To the extent that the specific document, study or information requested does not exist, but a similar document, study or information does exist, please provide the similar document, study or information.

(5) 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.

(6) If KAWC objects to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify CAWS' Attorney of Record as soon as possible.

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

(8) In the event any document called for has been destroyed or transferred beyond the control of the company, please state the identity of the person by whom it was destroyed or transferred; 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.

(9) Where the information requested is the same as has been provided to another party in response to data request, it is sufficient to identify that response rather than duplicating the information requested.

Data Request 1

Concerning the application filed with the Commission by KAWC on March 30, 2007:

a. In Numerical Paragraph 7, the 1986 Least Cost/Comprehensive Planning Study of KAW is quoted. Please identify and provide any Least Cost/Comprehensive Planning Study that has been prepared or any supplements to the 1986 study prepared since that time, and indicate why the 1986 study was used in lieu of any more recent study.

b. In numerical paragraph 9, the December 1999 Lexington Fayette Urban County Council resolution is referenced as “urging a Kentucky River solution to Kentucky American Water’s source of supply.” Is the current proposal before the PSC the first phase of a two-phase plan that would ultimately bring raw water from the Ohio River to the proposed water treatment plant on Pool 3 of the Kentucky River?

c. Please identify the anticipated cost of Phases I (the current application) and II (a pipeline to the Ohio River) of the proposed plan, and the anticipated cost of each of these Phases to each class of customers expressed in additional cost and as a percentage of current average bills for each class of customer.

d. Please identify any study or studies indicating that the proposed treatment plant and transmission main project to Pool 3 of the Kentucky River is the most cost-effective water supply option for KAWC, and provide a copy of such study or studies.

e. Please explain whether KAWC agrees or disagrees with the conclusion reached in the “Water System Regionalization Feasibility Study” prepared by O’Brien and Gere Engineers, Inc. (2004) and in the “KAW Least Cost/Comprehensive Planning Study-1992” (at page 3-24, 25) that the most cost effective option is a connection to the

Louisville Water Company, and provide in detail the basis for KAWC's agreement or disagreement with that conclusion.

f. In Numerical Paragraph 11 the application indicates that "Kentucky American Water has concluded that the most cost effective and feasible solution to the source of supply deficit is the construction of a raw water intake, raw water pumping station and water treatment plant located adjacent to Pool 3 on the KY River with and associated transmission main and required booster station and water storage tank."

(i) Please identify the criteria or decision matrix utilized to support the conclusion expressed in this paragraph.

(ii) Would the purchase of treated water from the Louisville Water Company eliminate the need for additional investments in plant capacity to overcome the treatment plant deficit identified by KAWC?

(iii) In the June 1998 Bluegrass Water Project Update published by KAWC, it was indicated that the company "has deliberately and responsibly reviewed over 50 options available for development of an additional source of supply. Recognizing the practical and emotional issues that surround the damming of the Kentucky River, as well as the reliability of the river, Kentucky American Water has identified the construction of a 52.5 pipeline to the Ohio River as the best alternative to Lexington and surrounding county water needs." Please indicate whether any additional options have been evaluated since that time, and for each option evaluates, indicate whether there are studies, reports or other documents describing the nature of that exploration. Please indicate what circumstances have changed since 1998 that would require KAWC to shift from the alternative of purchasing treated water from Louisville to a two-phase approach of creating a new treatment plant at Pool 3 on the Kentucky River and then a new raw water pipeline to the Ohio River?

g. In numerical paragraph 13 of the application, KAWC describes the Bluegrass Water Supply Commission (BWSC) as "a regional alliance of government agencies and

water utilities that has been working cooperatively, with KAW, to address the raw water source of supply deficit in Central Kentucky.” The Commission members are Frankfort Electric and Water Plant Board, Georgetown Municipal Water and Sewer Services, Paris, Cynthiana, Nicholasville, Mt. Sterling, Lancaster, Berea, Winchester Municipal Utilities and Lexington-Fayette Urban County Government.

(i) The Bluegrass Water Supply Consortium, a precursor to the BWSC, commissioned a study released in 2004 entitled “Water System Regionalization Feasibility Study” prepared by O’Brien and Gere Engineers, Inc. This study recommended that a Regional Water Commission be established under Chapter 74 of the Kentucky Revised Statutes to construct, own, operate and maintain the proposed waterworks facilities. As a partner on the Consortium, why did KAW decide to proceed instead with a plan on its own?

(ii) In Numerical paragraph 13, a cooperative agreement between KAW and the BWSC is referenced that would increase the capacity of the Water Treatment Plant on Pool 3 from 20 mgd to 25 mgd. Footnote 6 states that the additional 5 mgd has been allocated to Winchester, Frankfort, Georgetown and Nicholasville. Which of these four communities have signed a contract to purchase additional water from the BWSC? When is the deadline for each community to respond to this offer? How much will each of these communities pay for this water?

(iii) Where is the source of revenue for payments for the site work (including drilling) and property acquisition that is being done at the site of the proposed water treatment plant in Owen County?

h. In Numerical paragraph 14(2), KAWC mentions receiving a water withdrawal permit from the Kentucky Division of Water, Water Withdrawal Permit 1572. To your knowledge, was the Kentucky River Authority consulted under KRS 224.70-140? Please provide any documentation indicating whether such consultation occurred.

i. In numerical paragraph 12, KAWC asks the Commission to deviate from any requirement that all permits required be filed with the Application. Please describe and provide supporting documentation on the basis for the company’s claim of necessity for exemption from this requirement? Please identify when the company first became aware of the exigencies or circumstances relied upon to support the need for such exemption.

j. In numerical paragraph 15, KAWC indicates that approval is requested as expeditiously as possible so the water facilities will become operational by the summer of 2010.

(i) Why is it important to have these facilities in operation by the summer of 2010?

(ii) Has KAWC calculated the amount of additional capacity that will be needed by 2010?

(iii) What contingency plans has KAWC developed to provide the additional water needed in 2010 should this proposal not be approved in that timeframe.

Data Request 2

In the June 1998 “Bluegrass Water Project Update” it is stated that “[r]eports from the Army Corps of Engineers, a study performed by the Kentucky River Basin Steering Committee, a Comprehensive Planning Study conducted by KAWC and a recently completed study by the University of Kentucky Water Research Institute acknowledge the dramatic deficit existing in the Kentucky River.”

a. Please provide a copy of each study.

b. In the “Least Cost/Comprehensive Planning Study-1992” at pp. 3-23, it is stated that “[a]nother set of alternatives studied involved transmission of raw water from the Ohio River for treatment at Kentucky American Water’s Richmond Road Station. An expansion would be needed for this purpose. However, there are several significant drawbacks to this approach including the operational, maintenance and water quality concerns regarding a raw water pipeline of this length. Also, this approach would severely hinder Kentucky American Water’s ability to provide regionalized service to potential customers or to provide any water sales to public water suppliers anywhere along the entire pipeline route.” Would these same water quality concerns and the inability to provide regionalized service apply to Phase II of the current plan—a raw water pipeline from the Ohio River to your proposed water treatment plant on Pool 3? If no, why?

c. Please explain when Phase II (the raw water pipeline from the Ohio River is anticipated to be completed, and what contingencies KAWC has in the event that it is not completed by that time.

Data Request 3

Please provide, in terms of percentage and quantity, data on project and actual sales by KAWC of water to each class of customers at retail and wholesale for each year from 2000 to 2006. To the extent that there has been a decline or an increase, please explain the factors that caused such a change. What is your projected sales volume for 2007, and what are the actual sales in 2007 thus far? Do you anticipate producing and selling less in 2008?

Data Request 4

Regarding permits and authorizations required for the proposed treatment plant or transmission main:

(i) Please identify the maximum allowed water withdrawal during the summer months under KAWC's water withdrawal permits by location of withdrawal point.

(ii) What are the special wastes for which KAWC must receive a permit from the Division of Waste Management? What are the constituents of concern and the typical concentration of such constituents in such waste, and the basis for that estimate?

(iii) Does KAW currently beneficially reuse the special wastes from its other two water treatment plants in Fayette County, and if so, how?

(iv) Will material, including solid or sediments, be deposited in Pool 3 as a result of the construction and operation of the new treatment plant? What is the anticipated quantity, and who will be responsible for dredging the material? What consideration has been given to whether that discharge will affect the operation of the lock at dam #3 or the dam.

Data Request 5

Has KAWC applied for or received any federal funding, permit or authorization? Will any such funding, permit or authorization be necessary for either or both of Phase I or II of the project? Has an environmental assessment or environmental impact statement been developed? If so, please provide a copy of that document.

Data Request 6

Please provide in detail the plans for construction, restoration and revegetation of areas to be disturbed in support of the transmission main. Please provide a description of the current plan and proposed plan for assessment, maintenance and repair of such lines.

Data Request 7

The Lexington resolution included a recommendation that KAWC should implement conservation practices and consider demand management options.

a. Please describe in detail the measures that KAWC has taken to educate customers concerning demand management, the funds that have been spent on conservation and demand management by category, and the benchmarks used by KAWC to assess whether those programs are effective.

b. Please indicate the percentage of water usage by category and explain how conservation measures are addressed with each category of users.

Data Request 8

On page 27 of Ms. Bridwell's testimony, projections for water needs are indicated to include "unaccounted for amounts" - is that water leakage from the KAWC system? How much water is lost from leakage in existing pipelines owned by KAWC, and what is the incremental cost of inspection and maintenance to reduce leakage?

Date Request 9

It appears that KAWC based the treatment requirements for the water to be withdrawn from Pool 3 on the standards it uses at Pool 9 and somewhat at lock and dam #2. Why was raw water quality in Pool 3 not used, specifically below the mouth of the Elkhorn Creek?

Is it accurate to state that the water quality in Pool 3 is different from Pool 9 in that approximately 2/3 of the water in Pool 3 is "water return" flow that includes the discharges from sewage treatment plants in Lexington and several other communities? Please provide any qualitative sampling results of the water quality at various river flow conditions in Pool 3.

Data Request 10

Referencing the testimony of Richard Svindland:

(i) Please provide the location and the details of the investigation into and negotiations concerning each of the six sites KAWC considered for the proposed water treatment plant on Pool 3?

(ii) Please provide the criteria used to select the water treatment plant location and to reject the other sites?

(iii) Has site preparation work begun at the proposed location of the water treatment plant? If yes, please describe what has been done and how much money has been expended on site preparation to date? Please provide a list of all contractors that have performed work and how much has been paid to each.

(iv) Should the project not move forward, what actions will be required to restore the affected site, what will be the cost and will this cost be paid by the ratepayers?

(v) Mr. Svindland's testimony indicates that newer technologies in water treatment plants were not selected because of cost. Please provide the cost differences in the technology selected and the newer technologies mentioned.

(vi) Please provide any report or sampling indicating whether KAWC anticipates that it will be required to install treatment capacity for microbial pollutants (including giardia and Cryptosporidia) at either Pool 9 or Pool 3, and if so, the additional cost for any treatment upgrades to meet those requirements.

(vii) Regarding the design considerations around upgrading from 20 mgd to 25 mgd, assuming you stay on schedule, when is the deadline for deciding if the plant will be built for 20 or 25 mgd?

(viii) Mr. Svindland indicates that "riverbank infiltration" was screened for use at Pool 3. Who determined that this location was not suitable for "riverbank infiltration" and what were the bases for that conclusion.

(ix) Mr. Svindland's testimony indicates that the treatment plant will be "substantially" completed by April 2010. What will not be completed by then, will the

plant be fully operational despite being only “substantially” completed, and when will it be “fully” completed?

(x) Is the construction cost estimate of a 20 mgd plant still around \$58.3 million dollars? What is the estimated cost to construct a 25 mgd plant?

Data Request 11

Questions based on Ms. Bridwell’s testimony:

(i) Will KAWC pay property taxes on the water treatment plant and the intake facilities? Can you estimate the amount?

(ii) Permits for water withdrawal were requested by KAW and the Bluegrass Water Supply Commission. Please explain why both entities applied for withdrawal permits on Pool 3?

(iii) Is a Ohio River connection necessary in meeting the supply needs of Central Kentucky?

(iv) Please explain the basis for concluding that the project under consideration is the least cost alternative to meeting the needs of your Central Kentucky customers?

(v) Will Pool 3 alone provide KAWC customers with adequate water supply in times of severe, prolonged drought?

Data Request 12

The 2001 Report indicates that problems were encountered in attempting to use I-64 right-of-way as a pipeline route. Please provide documentation of discussions, correspondence, and engineering or other plans between the KAWC and state or federal transportation officials?

Data Request 13

Please provide the costs by category and anticipated rate of return expected on the proposal to build treatment plant in Pool 3 as compared with earlier pipeline proposal for treated water from the Ohio River via a connection with the Louisville Water Company?

Data Request 14

Please provide a copy of any draft or final agreement or contract negotiated with the Louisville Water Company to purchase treated water. Please provide a copy of any correspondence between the two companies concerning the cessation of negotiations on such contract or agreement and the reasons for KAWC determining not to finalize such agreement.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that the original and 10 copies have been mailed this day for filing by overnight service to the Commission and has been served by first-class mail upon the following individuals this 7th Day of May, 2007:

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