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August 13, 2007

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AUG 13 2007

PUBLIC SERVICE
COMMISSION

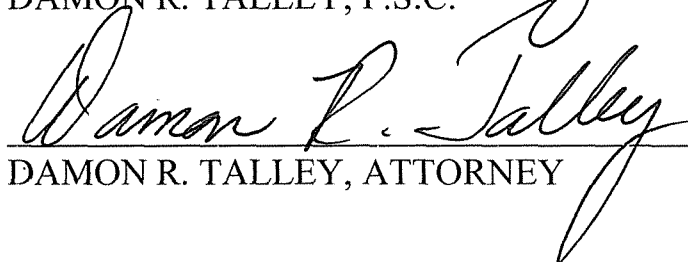
Ms. Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Case No. 2007-00134
Kentucky-American Water Company

Dear Ms. O'Donnell:

Enclosed are the original and ten (10) copies of the First Set of Interrogatories and Request for Production of Documents to the Louisville Water Company. This filing is being made on behalf of the Bluegrass Water Supply Commission.

Yours truly,
DAMON R. TALLEY, P.S.C.


DAMON R. TALLEY, ATTORNEY

DRT/ms

Enclosure

cc: All Parties of Record

7/BWSC/O'Donnell 8-13-07

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)
CONVENIENCE AND NECESSITY)
AUTHORIZING THE CONSTRUCTION OF)
KENTUCKY RIVER STATION II, ASSOCIATED)
FACILITIES AND TRANSMISSION MAIN)
)

CASE No. 2007-00134

**BLUEGRASS WATER SUPPLY COMMISSION'S
FIRST SET OF INTERROGATORIES AND REQUEST
FOR PRODUCTION OF DOCUMENTS TO
LOUISVILLE WATER COMPANY**

The BLUEGRASS WATER SUPPLY COMMISSION (the "BWSC"), by Counsel, pursuant to the Public Service Commission's (the "Commission") Orders dated April 20, 2007 and August 2, 2007, submits this First Set of Interrogatories and Request for Production of Documents to the Louisville Water Company (the "LWC"). Please respond in accord with the following instructions:

- (1) In each case where a request seeks data provided in response to a request made by another party, reference to the appropriate request item will be deemed a satisfactory response rather than duplicating the information requested.

(2) Please identify the 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 LWC receives or generates additional information within the scope of these requests between the time of the response and the time of the hearing.

(4) If any request appears confusing, please request clarification directly from counsel for BWSC.

(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 that would not be self evident to a person not familiar with the printout.

(7) If LWC has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify counsel for BWSC 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 LWC 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.

**BWSC'S FIRST SET OF INTERROGATORIES
AND REQUEST FOR PRODUCTION OF DOCUMENTS**

1. Refer to Heitzman Prefiled Direct Testimony, page 3.
 - a. Mr. Heitzman refers to a 36 inch pipeline to be built from Jefferson County, Kentucky to Fayette County, Kentucky. Where, in Fayette County, is the proposed termination point?
 - b. If the proposed termination point is not at the same location as the termination point of KAWC's proposed 42 inch pipeline (i.e. near the Kentucky Horse Park near the intersection of Newtown Pike and Ironworks Pike), please explain why a different termination point was selected.

2. Refer to Heitzman Prefiled Direct Testimony, page 5, where he states that the current standard LWC wholesale rate is \$1.71 per thousand.
 - a. List the LWC standard wholesale rate for each of the last five (5) years (2002 through 2006).
 - b. What has been the percentage increase in the LWC standard wholesale rate for each of the last five (5) years (2003 through 2007)?
 - c. What is the amount of LWC's standard wholesale rate projected to be in 2010 if the proposed 36 inch pipeline is constructed and placed into service in 2010?
 - d. What is the amount of LWC's standard wholesale rate projected to be in 2011 if the proposed 36 inch pipeline is constructed and placed into service in 2011?
 - e. Is LWC proposing to sell water to wholesale customers located in central Kentucky at its standard wholesale rate of \$1.71 per thousand gallons?
 - f. If so, under what conditions or limitations?

3. Refer to Heitzman Prefiled Direct Testimony, Exhibit 2, page 8, where he states, "LWC will provide alternative wholesale rates based upon minimum purchase, duration of contract, capacity reserved, and contributed capital." Assume the point of delivery for LWC is in Shelby County at the intersection of Interstate 64 and Kentucky Highway 53.
 - a. What will be the wholesale rate if one or more wholesale customers in central Kentucky collectively contract to "reserve" LWC plant capacity in the amount of 25 million gallons of water per day ("MGD")?

- b. To achieve the lowest wholesale rate possible, will it be necessary for the wholesale customers to contract to purchase, at a minimum, 12.5 MGD, which is one half (1/2) of the “reserved capacity” (i.e. 25 MGD x 1/2 = 12.5 MGD)?
 - c. What impact will it have on the wholesale rate if the wholesale customers contract to purchase, at a minimum, only 5 MGD, which represents 20% of the “reserved capacity” of 25 MGD rather than 50% of the “reserved capacity”?
4. Refer to Heitzman Prefiled Direct Testimony, Exhibit 2, page 10. If LWC finances the portion of the pipeline from Kentucky Highway 53 to Fayette County, will LWC expect to recoup this capital investment by either adding a surcharge or increasing the wholesale rate?
5. Refer to Heitzman Prefiled Direct Testimony, Exhibit 2, page 11.
- a. In order for a 36 inch pipeline to provide 30 MGD of supply capacity as represented by Mr. Heitzman in LWC’s presentation to the Lexington-Fayette Urban County Council on July 10, 2007, what will be the velocity (in feet per second) of the water moving through the pipeline?
 - b. In previous proposals to BWSC, the LWC has indicated that a 36 inch pipeline would only provide 20 MGD. Please explain why LWC is now promoting the construction of a 36 inch pipeline to supply 30 MGD.

6. Refer to Heitzman Prefiled Direct Testimony, Exhibit 2, page 11. LWC states that the estimated cost of a 36 inch pipeline from Jefferson County to Fayette County is \$82 million.
 - a. Does LWC have an Opinion of Probable Cost from a professional engineer licensed in Kentucky to support this estimate? If so, please provide this Opinion.
 - b. If not, please provide the basis for this cost estimate.
 - c. Are any facilities other than the pipeline itself (e.g. booster pump stations, water storage tanks, etc.) included in this cost estimate?
 - d. If the answer to 6c is yes, please describe, in detail, these additional facilities.

7. Refer to Heitzman Prefiled Direct Testimony, Exhibit 2, page 11. According to Mr. Heitzman's presentation to the Lexington-Fayette Urban County Council on July 10, 2007, the estimated cost of the 36 inch pipeline from Kentucky Highway 53 in Shelby County to Fayette County is \$56 million (\$82 million less \$26 million = \$56 million). Presumably, this is the portion of the pipeline that would be constructed, paid for, and operated by the water providers in central Kentucky which contract to purchase wholesale water service from LWC.
 - a. Does LWC have an Opinion of Probable Cost from a professional engineer licensed in Kentucky to support this estimate? If so, please provide this Opinion.
 - b. If not, please provide the basis for this cost estimate.

- c. Are any facilities other than the pipeline itself (e.g. booster pump stations, water storage tanks, etc.) included in this cost estimate?
 - d. Constructing a 36 inch pipeline in Franklin County along Interstate 64 will require crossing the Kentucky River, drilling and blasting solid limestone rock, handling the demands of the challenging physical terrain, and managing other construction challenges likely to be encountered. Were these factors considered by LWC in arriving at the \$56 million estimate for the entire cost of the pipeline from Shelbyville to Fayette County?
 - e. If so, what is the estimated cost for the Franklin County portion of the pipeline?
 - f. If LWC did not consider the factors included in 7d, please explain why they were not considered?
8. Please identify the amount of each of the following project costs which are included in the \$56 million estimated cost of constructing the proposed 36 inch pipeline from Kentucky Highway 53 in Shelby County to Fayette County:
- a. Engineering Design fees;
 - b. Construction Inspection fees;
 - c. Regulatory and Permitting approval costs;
 - d. Legal fees;
 - e. Real property and right-of-way acquisition costs; and
 - f. Construction contingencies.

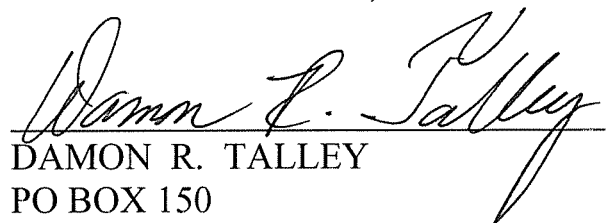
9. If any of the project costs enumerated in question 8 were not included in the \$56 million cost estimate, please explain why that cost was omitted.

10. Various engineers have publicly stated and advised BWSC that in order to deliver 25 MGD from a LWC pipeline to Fayette County at a point near the intersection of Newtown Pike and Ironworks Road, the following additional facilities will be required: (1) a booster pump station and water storage facilities located in Shelby County; (2) a booster pump station and water storage facilities located on the east side of Frankfort; and (3) water storage facilities located in Fayette County near the terminus of the pipeline (the “Additional Facilities”).

- a. Under the proposal made by LWC to the Lexington-Fayette Urban County Council on July 10, 2007, would LWC pay for the design, construction, operation and maintenance of these Additional Facilities as well as the 36 inch pipeline from Louisville to Fayette County and still sell water at its standard wholesale rate of \$1.71 per thousand gallons?
- b. If so, under what conditions or limitations?
- c. If not, please explain.
- d. If the cost of constructing the pipeline from Shelby County to Fayette County and the Additional Facilities exceeds \$56 million, will LWC still provide wholesale water service at the rate of \$1.71 per thousand gallons or will it expect to recoup the additional costs by charging a higher rate?

This 13th day of August, 2007.

Respectfully submitted,
DAMON R. TALLEY, P.S.C.



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ATTORNEY FOR BWSC

CERTIFICATE OF SERVICE

This is to certify that a true copy of the foregoing document has been served by first class U.S. Mail, postage prepaid, this 13th day of August, 2007, to the following:

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