

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

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)

DIRECT TESTIMONY OF ELIZABETH FELGENDREHER

1 **Please state your name, address, and your occupation.**

2 My name is Elizabeth C. Felgendreher, and I am a resident

3 and a property owner in Franklin County, Kentucky. My address is Holly

4 Oak Farm, 6708 Georgetown Road, Midway, KY 40347.

5 My occupation is horse farm owner and manager.

6 **In what capacity are you giving testimony today?**

7 As a Board Member of Citizens for Alternative Water Solutions.

8 **What is Citizens for Alternative Water Solutions?**

9 Citizens for Alternative Water Solutions, or CAWS for short, is a

10 non-profit, volunteer organization comprised of residents of central

11 Kentucky. CAWS supports the development of environmentally

12 sound, fiscally responsible, and socially just solutions to central

13 Kentucky's water needs. We support the search for solutions that

14 will have the least overall impacts on the communities and cultural

15 and ecological resources of the region.

1 CAWS was formed to oppose the proposed construction of a water treatment
2 plant at Pool 3 in Owen County and the 30-mile pipeline that would connect
3 that treatment plant to Kentucky American Water Company's water system
4 in Fayette County.

5 **Why does CAWS oppose the proposal of KAWC to construct a new**
6 **treatment plant at Pool 3 and the associated transmission line?**

7 CAWS believes that there are alternatives to this project that are better for
8 the ratepayers of Kentucky-American Water Company, for the residents of
9 central Kentucky, and for the environment.

10 **Before we turn to the specifics of what alternatives CAWS believes to be**
11 **better than that proposed by KAWC, could you provide more background**
12 **concerning CAWS members' concerns?**

13 Certainly. CAWS membership is comprised of residents and landowners in
14 Franklin and Owen County whose property, aesthetic and recreational interests
15 would be adversely affected by the proposed routing of the transmission line.

16 CAWS is not, however, simply an organization of individuals who oppose the
17 specific routing of a transmission line. CAWS members include ratepayers of
18 KAWC who live in Fayette County, as well as others who lives in the central
19 Kentucky region and who share a concern that the least impact alternatives have
20 not been adequately investigated.

21 **What do you understand the issues before the Commission to be in this**
22 **case?**

23 My understanding as a lay person is that KAWC is seeking a "certificate of

1 convenience and necessity” that is required before construction of any plant or
2 facility can be built by a regulated utility. As it has been explained to me by our
3 counsel, state law requires that the utility prove and the Commission find that
4 “public convenience and necessity require the service or construction.” The
5 inquiry involves, as it has been explained to me, two questions – one of whether
6 there is a need that has been demonstrated to exist, and then whether in the
7 proposal to address that need there is an absence of wasteful duplication.

8 **Does CAWS believe that the need exists for additional water supply for the**
9 **Kentucky-American Water Company system?**

10 CAWS accepts that, using the drought of record as the benchmark for
11 determining need for water supply for KAWC’s customer base, that demand
12 would exceed available supply during a prolonged drought absent some action.
13 CAWS does not believe, however, that all reasonable measures that could be
14 implemented at lower cost in order to moderate demand both during peak and
15 normal demand times, have been adequately evaluated by KAWC, and that
16 prior to approving any capital expenses that will result in structural increases to
17 rates for many years, such reasonable demand moderation measures should be
18 exhausted first. It is only after such measures have been evaluated that the
19 applicant can state and the Commission can find that there is a “need” that can
20 only be met through augmentation of supply.

21 **What is the basis for CAWS’ belief that KAWC has not done enough in the**
22 **area of demand moderation?**

23 In response to several questions posed by CAWS of KAWC in the Second

1 Supplemental Data Requests, specifically Questions 17, 18, and 19, it became
2 apparent that KAWC has not exhausted reasonable approaches to addressing
3 demand management. When asked to describe and provide documentation
4 concerning any analysis that KAWC has conducted or commissioned regarding
5 the water-savings potential from implementation of list of water conservation
6 measures, KAWC responded that it retained an engineering firm in 1991 to
7 “do an extensive analysis of various conservation programs[,]” and that the
8 1991 study indicated “clearly that conservation alone would not resolve KAW’s
9 water supply program and recommended a program that was cost effective.”
10 KAWC further stated that after “piloting some of the programs, KAW found that
11 the most cost effective effort has been in community education and has focused
12 on that area. KAW has not commissioned any other studies regarding conser-
13 vation practices.” Bridwell, Answer #17.

14 It appears that KAWC has not evaluated implementation of any other measures
15 to moderate demand since 1991, and has specifically not considered whether
16 those demand-moderation measures are more cost-effective incrementally than
17 the new proposed plant and line.

18 **What do you mean, incrementally?**

19 KAWC underscores that the 1991 study indicated that “conservation alone would
20 not resolve KAWC’s water supply program.” I assume they meant “problem”
21 there, but the point is not whether demand moderation would erase any worst-
21 case deficit, but instead whether it could lower the gap between peak worst-case
22 demand in order to allow for a lower cost alternative than construction of

1 the new proposed plant and pipeline.

2 **Did KAWC indicate anything further concerning conservation?**

3 Yes. In answer to Question 18 from that same supplemental set of data requests,
4 KAWC was asked what efforts have been made to assist commercial and indus-
5 trial customers to identify means to reduce process water consumption.

6 KAWC answered that they have an annual meeting with their 25 largest
7 customers to discuss various issue regarding water service, and have quarterly
8 Customer Service Council meetings. Those efforts fall far short of what could be
9 done to assist business and industry in this regard.

10 **What sorts of efforts are you referring to?**

11 A number of water utilities across the nation provide free audits for residential,
12 commercial, institutional and industrial customers in water conservation, yet
13 from KAWC's response it does not appear that such audits are available. Meeting
14 with groups of customers 5 times a year is hardly an active program of working
15 with specific users to identify cost-effective ways to lower water usage.

16 Additionally, incentives and structural approaches to encourage demand manage-
17 ment and more efficient use do not appear to have been considered.

18 When asked whether KAWC offers any incentives, such as design and
19 engineering support, grants, or low-interest loans, to assist customers to assess
20 and implement water conservation initiatives, KAWC answered "no."

21 CAWS believes that before ratepayers are asked to shoulder an additional average
22 increase in monthly bills of \$10.14, according to KAWC, (Miller Answer 2(e) to

1 CAWS First Supplemental Data Request) that KAWC should be obligated to
2 revisit the array of available water conservation measures that could
3 moderate the peak during the drought of record and lower the projected deficit
4 and the corresponding cost of meeting that need.

5 **Assuming that reasonable cost-effective measures are mandated by the**
6 **Commission and there is still a water deficit for Kentucky-American**
7 **Water Company's customers during a recurrence of the drought of record,**
8 **does CAWS oppose the proposal to construct a new water treatment plant**
9 **at Pool 3, and the associated transmission line?**

10 Yes. As mentioned earlier, CAWS believes that there are alternatives to this
11 project that are better for the ratepayers of Kentucky-American Water Company,
12 for the residents of central Kentucky, and for the environment.

13 **What would those alternatives include?**

14 Foremost among the alternatives would be evaluation of an interconnection with
15 Louisville Water Company, either through a direct pipeline constructed from the
16 proposed eastern terminus of the LWC system at Kentucky Highway 53 in
17 Shelbyville, or through interconnection between the Louisville Water Company
18 system and the Frankfort system.

19 Louisville Water Company, as I understand, has available treated water capacity
20 in excess of their current demand. From a public policy, as opposed to private
21 standpoint, construction of a new water treatment plant in Pool 3 is a wasteful
22 duplication of facilities, since both LWC and KAWC ratepayers could benefit
23 from the optimization of use of available raw and treated water capacity in the

1 Ohio River rather than funding new treatment plant construction.

2 **When you say that both LWC and KAWC ratepayers could benefit,**
3 **do you mean financially or otherwise?**

4 Financially, it is my understanding that the option of interconnection with the
5 Louisville Water Company will be a lower-cost option than the proposed Pool
6 3 / Pipeline option. Beyond that, however, there are other benefits, among them
7 being a flexibility in supply sources that allows for supplementation of
8 available supply from the Kentucky River in the event of drought or source dis-
9 ruption due to spills or releases in the river making the raw water unavailable,
10 or disruptions in treatment capacity. The “twin rivers” solution provides more
11 reliability and drought protection for central Kentucky.

12 **To your knowledge, does the Louisville Water Company have sufficient**
13 **reserve capacity to meet central Kentucky’s water needs?**

14 According to a presentation made by the LWC before the Lexington-Fayette
15 Urban County Council on July 10, 2007, the raw water availability is virtually
16 limitless. The Ohio River has, according to that presentation, an average flow of
17 90 billion gallons per day. During the 1999 drought, LWC used less than ½ of
18 1% of the available river capacity. In terms of treated water, LWC indicated that
19 it has “enough reserve capacity to meet the water supply needs of Central
20 Kentucky[,]” with “existing reserve capacity of 35 MGD (million gallons per day)
21 that can easily be increased to 95 MGD.” A copy of that presentation should be
22 provided by LWC in response to the Commission’s Open Records Request;
23 if it is not, CAWS will supplement this testimony with a copy of that presentation.

1 **To your knowledge, would an interconnection with LWC to augment**
2 **available supply have any negative impacts?**

3 In terms of water supply and drought protection, no. The Kentucky River
4 Authority, however, could be negatively impacted since a portion of the funds
5 for maintenance and rehabilitation of the Kentucky River Lock and Dam
6 system is derived from water withdrawals from the Kentucky River so that
7 water transmitted from the Ohio River into the central Kentucky region could
8 translate to some loss of fee revenue to the Kentucky River Authority.

9 **Has CAWS considered that problem and possible solutions?**

10 Yes. CAWS believes that making the Kentucky River Authority “whole” is an
11 important component of a regional water supply solution, since the augmentation
12 of Kentucky River supply with supply from LWC would not replace or displace
13 the Kentucky River as the primary source of supply to central Kentucky. A line
14 charge that would offset any loss of revenue from interbasin transfer would be
15 one of several approaches that would assure the continued revenue stream
16 necessary to make the KRA whole and to allow for continued maintenance of the
17 lock and dam system.

18 **You testified earlier that CAWS believes that alternatives to the KAWC**
19 **proposal would be environmentally preferable. Won't the effects of**
20 **construction of a pipeline and treatment plant be the same regardless**
21 **of the location?**

22 While the direct effects of excavation and construction might not be different
23 from a purely mechanical standpoint (such as width of excavation, depth of the

1 trench, etc.) the routing of the transmission line can result in greater or lesser
2 environmental impacts depending on the nature of the land and water resources
3 that would be encountered and impacted.

4 **How so?**

5 If, for example, a water transmission line is located adjacent to an interstate
6 highway and immediately outside of the right of way, one would expect that the
7 impact on cultural and archaeological resources, as well as impact on habitat of
8 protected species, would be lower given the existence of the roadway.

9 According to research conducted by CAWS, the proposed pipeline route
10 will go through a section of the Elkhorn Creek that is host to *Alasmidonta*
11 *marginata*, a mussel that is considered threatened by the Kentucky State Nature
12 Preserves Commission. Additionally, the region in which the pipeline is proposed
13 is habitat to numerous other rare species, including *Arabis perstellata* (Braun's
14 rockcress, USFWS Endangered, KSNPC Threatened Species; *Lesquerella*
15 *globosa* (globe bladderpod, USFWS Candidate, KSNPC Endangered Species);
16 *Elymus svensonii* (Svenson's wildrye, KSNPC Special Concern, species of federal
17 interest); *Rana pipiens* (northern leopard frog, KSNPC Special Concern Species);
18 *Gallinula chloropus* (common moorhen, KSNPC Threatened Species); and
19 *Alasmidonta marginata* (Elktoe [mussel], KSNPC Threatened Species).

20 The proposed route also goes through priority watersheds identified by the
21 Division of Water including source water protection area for Georgetown's Royal
22 Springs and the South Elkhorn Creek.

23 The Elkhorn Creek from mile 0.0 to 18.2 is designated by Kentucky as fully

1 supporting secondary contact recreation, fish and aquatic life and North Elkhorn
2 Creek at mile 0.7 to 7.4 fully supports aquatic life.

3 In terms of cultural resources, the proposed route will cross next to the Switzer
4 Covered Bridge which is the heart of a small rural community in Northern
5 Franklin County. The route also goes through the Pfeiffer Fish Hatchery.

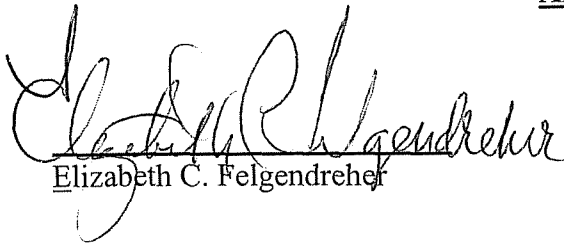
6 In total, the proposed pipeline route will cross over more than 20 streams, poten-
7 tially impact critical habitat areas, and potentially affect water quality in
8 priority watersheds.

9 In viewing alternatives, routing is an important consideration and the impacts of a
10 pipeline cannot be considered interchangeable without regard for the nature of the
11 land and water resources, and the existing land use(s). As a CAWS member
12 whose property is directly in the path of the proposed KAWC pipeline, I can state
13 unequivocally that CAWS goal is not simply to move the line to someone else's
14 "backyard," but to assure that the least-impact alternative that satisfies the
15 reasonable needs of the region at the lowest ratepayer and societal cost is selected
16 after full and fair consideration of all options. In this case, CAWS believes that
17 such a consideration has not been provided to date.

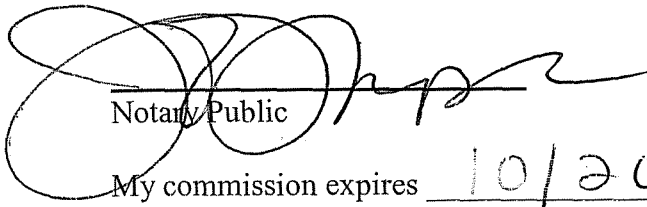
18 **Does this conclude your testimony?**

19 Yes, it does.

AFFIDAVIT


Elizabeth C. Felgendreher

Subscribed and sworn to before me, a notary public in the Commonwealth of Kentucky, by Elizabeth Felgendreher, this 30th day of July, 2007.


Notary Public Julie A. Thompson
My commission expires 10/2010

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Direct Testimony of Intervenor Elizabeth C. Felgendreher, Board Member of CAWS, was served by first-class mail upon the following individuals, and on KAWC's Counsel and Commission Staff electronically, this 30th day of July, 2007:

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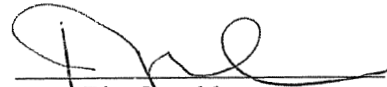
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