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AUG 27 2007

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE 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

**LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S RESPONSES TO LOUISVILLE
WATER COMPANY'S INITIAL REQUEST FOR INFORMATION**

Comes now the Lexington-Fayette Urban County Government (the "LFUCG"), by counsel and files the following responses to Louisville Water Company's Initial Requests for Information.

Louisville Water Company

1. Identify each person who participated in the consideration and preparation of your answers to these Discovery Requests and identify to which particular Discovery Request each person was involved in answering.

ANSWER: David J. Barberie, Attorney Senior.

2. Please explain whether (and why) you would/would not support a proposal such as that attached as Exhibit 2 to the prefiled direct testimony of Greg Heitzman.

ANSWER: The Lexington-Fayette Urban County Government ("LFUCG") has significant concerns that to date the water supply deficit issue has still not been addressed. With respect to any proposal that has been provided by the Louisville Water Company in this case or otherwise, there have not been enough details made available to make a meaningful comparison to the project being considered in this case. In the event that a detailed proposal to address the water supply deficit was timely presented to LFUCG for consideration it is likely that LFUCG would consider a variety of factors in determining whether to support such a proposal, including, but not limited to, the level of detail contained in the proposal, whether the project could be completed on a timely basis, the feasibility of completing the project, the level and type of support the project has from the Bluegrass Water Supply

Commission and others that are affected or impacted, the level and type of support the project has from appropriate federal, state, or local agencies, and the total cost.

3. Please explain the basis for your adoption of a resolution to use the Kentucky River as your water source.

ANSWER: The LFUCG objects to the form of the question as it is not clear which resolution is being referred to. Resolution No. 679-99, a copy of which is attached hereto, speaks for itself and includes much of the basis for its adoption in its WHEREAS clauses.

IV. REQUESTS FOR PRODUCTION OF DOCUMENTS

1. Please produce all documents referenced, relied upon, or identified in response to the interrogatories set forth above.

RESPONSE: Attached is Resolution No. 679-99. In addition, LFUCG previously provided documents related to the water supply deficit issue as part of its response to an open records request in PSC Case No. 2001-00117, the record of which has been incorporated into this action by Order of the Public Service Commission. The remaining documents have either been filed by other parties in this case, and/or have been generated by the Louisville Water Company.

Respectfully submitted,

LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT

BY:



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ATTORNEYS FOR LEXINGTON-FAYETTE
URBAN COUNTY

CERTIFICATE OF SERVICE

I hereby certify that an original and eight (8) copies of this document was served by first class U.S. Mail delivery, postage prepaid, to Beth O'Donnell, Executive Director, Public Service Commission, P.O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class U.S. Mail delivery, postage prepaid, on the following, all on this the 24th day of August 2007:

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Public Service Commission
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Hon. David Edward Spenard
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Utility & Rate Intervention Division
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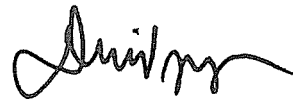
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ATTORNEY FOR LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT

DJB/00134020

RESOLUTION NO. 679-99

A RESOLUTION ENDORSING A WATER SUPPLY PLAN FOR LEXINGTON-FAYETTE COUNTY.

WHEREAS, the Urban County Council adopted Resolution 390-99 in July 1999 calling for the Urban County Council to gather information from experts and existing studies about water supply alternatives for Lexington-Fayette County and to endorse a plan for long-term supply; and

WHEREAS, this Council, sitting as a Committee of the Whole, reviewed studies, including the complete report of the Lexington-Fayette Water Supply Planning Council, Harza Report, Kentucky River Basin Water Supply Assessment Study done by the Kentucky Water Resources Research Institute, and others, and heard testimony from experts in the field including the U.S. Army Corps of Engineers, Kentucky Geological Survey, Kentucky Water Resources Research Institute, Kentucky American Water Company, Kentucky River Authority, Office of the Attorney General, interested parties and members of the public; and

WHEREAS, the Urban County Council recognizes the critical importance of an adequate and reliable water supply to guarantee the continued economic growth and health and safety of Fayette County; and

WHEREAS, the drought of 1999 in Lexington-Fayette County and the surrounding region required the imposition of water usage restrictions under a water shortage full alert thereby vividly underscoring the value of water as a precious resource to be protected, conserved and managed and the need to put a plan in place to provide a secure water supply for the future; and

WHEREAS, the Urban County Council recognizes the Kentucky-American Water Company for focusing the attention of the public

on the significance of the water supply deficit and water treatment capacity deficit, and for being an active participant in this extensive fact-finding process; and

WHEREAS, the Urban County Council recognizes that any water supply alternative must ensure the highest water quality and least adverse impact to the Kentucky River basin and land environment; and

WHEREAS, efficient water management and sufficient water supply are vital not only to residents in their daily lives, but also to the industry, agriculture, business, horse and livestock farming, recreation and tourism of Lexington-Fayette County; and

WHEREAS, it has long been recognized that the Kentucky River is the most immediate source of water supply for Lexington-Fayette County; and

WHEREAS, the time has come to move ahead with measures to ensure an adequate and sufficient water supply management system, based upon demand projections and the best available assessment of available alternatives.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 - That the Lexington-Fayette Urban County Council, based upon its hearings and study, does hereby make the following findings and recommendations in the public interest:

FINDINGS

1. The Council concludes that water supply projections estimate a current water supply deficit under drought of record conditions of approximately one (1) billion gallons in the Lexington-Central Kentucky area growing to potentially approximately three (3) billion gallons by the year 2020.

2. The Council concludes that to maintain unrestricted demand there is a present water treatment capacity deficit of approximately 9.36 million gallons daily (mgd) within the

service area of Kentucky-American Water Company, which is projected to rise to approximately 18-20 million gallons daily by 2020.

3. The Council concludes that a water conservation and demand management plan should be developed to educate the public on water conservation practices to reduce overall water consumption, especially on peak day demands.

4. The Council concludes that any alternative to provide additional water supply and water treatment capacity must be fairly and equitably financed.

RECOMMENDATIONS

1. The Council recommends that future water supply for Lexington-Fayette County should come from the Kentucky River based on its findings that:

a. This solution is cost effective because it can be financed in incremental phases with various funding sources and shared options; and

b. This recommendation supports a regional water supply effort and encourages regional cooperation; and

c. This recommendation supports potential recreation opportunities throughout the region; and

d. This recommendation ensures the maintenance of the existing water infrastructure.

2. The following schedule of improvements as presented by the Kentucky River Authority, Kentucky American Water Company and others should be met within the 2000-2002 time period:

a. Complete acquisition of lock and Dams 6, 7, 8, 9 & 11; and

b. Complete geo-technical study for lock and Dam # 10; and

c. Start and complete engineering design on Dam # 10; and

d. Start and complete environmental assessment of Dam # 10; and

e. Complete a general assessment of locks and dams 5-14 to determine which dam should follow Dam # 10 in rehabilitation effort; and

f. Study modifications to East Kentucky Power intakes; and

g. Begin design plans for water treatment plant capacity upgrades coincident with committed construction funding for Dam # 10; and

h. Investigate a regional solution to long-term water supply through a joint effort between and among the Urban County Government, Kentucky American Water (KAWC), Kentucky River Authority, and our surrounding counties, including information to be provided by June 1, 2000 to the Urban County Council by the regional Bluegrass Water Supply Consortium detailing their concept of a regional plan with a time schedule for implementation, cost implications, intergovernmental agreements among and between counties and water providers; and other pertinent facts; and

i. Develop a mutually agreeable water conservation and demand management plan involving Urban County Government, Kentucky American Water Company, Kentucky River Authority, the University of Kentucky Water Resources Research Institute and the Fayette County Agricultural Extension Office, for educating the public on practices and techniques to reduce water consumption.

3. The following schedule of improvements as presented by the Kentucky River Authority, Kentucky-American Water Company and others should be met within the 2002-2004 time period:

a. Start and complete construction work on Dam # 10; and

b. Start and complete geo-technical study for Dam #9 rehabilitation; and

c. Start and complete engineering design on Dam #9 rehabilitation; and

d. Start and complete environmental assessment on Dam #9 rehabilitation; and

e. Implement conservation practices; and

f. Consider demand management options, if necessary, to meet supply demands.

4. Kentucky American Water should start design to increase water treatment capacity for 15 mgd (million gallons daily) when Kentucky River Authority can document existing or imminent increased water supply as a result of Kentucky River improvements and/or management. An additional 5- mgd treatment capacity should be available by 2012 if needed.

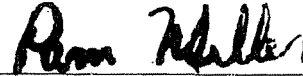
Section 2 - The Urban County Council, in conjunction with the Kentucky River Authority, Kentucky American Water Company and the UK Water Resources Research Institute, will study the success of improving water supply on the Kentucky River, progress on water treatment plant expansion and conservation measures. If sufficient progress on the improvements is not made, a reassessment of all alternatives, including the Ohio River pipeline, and pipelines from regional counties, will be made in 2003. The Council will receive a progress report in June 2000, and in each November annually thereafter.

Section 3 - The Urban County Council recognizes the need for the Kentucky River Authority to act and thereby urges and supports the Authority in its efforts to proceed with all due speed to obtain the monies and/or means to fully undertake the required improvements to existing dams on the Kentucky River.

Section 4 - That the Clerk of the Urban County Council is directed to send a copy of this Resolution, duly adopted, to:

Kentucky Governor Paul Patton; Lexington's delegation to the Kentucky General Assembly; the Kentucky Natural Resources Cabinet - Division of Water; the Kentucky Public Service Commission; the Office of the Attorney General; the Kentucky River Authority; the Lexington-Fayette Water Supply Planning Council; the U.S. Army Corps of Engineers; the Kentucky American Water Company; East Kentucky Power Company; University of Kentucky Water Resources Research Institute; Fayette County Agricultural Extension Office; Winchester Municipal Utilities; Frankfort Plant Board; City of Nicholasville Utilities; City of Paris Utilities; Congressman Hal Rogers, Chair, House of Representatives, Subcommittee on Energy and Water Development, Congressman Ernest Fletcher; and U.S. Senators Mitch McConnell and Jim Bunning.

PASSED URBAN COUNTY COUNCIL: December 9, 1999



MAYOR

ATTEST:



CLERK OF URBAN COUNTY COUNCIL

PUBLISHED: December 15, 1999-1t

EWG/res017

Lexington
Fayette
Urban
County
Government



OFFICE OF THE COUNCIL CLERK

December 27, 1999

The Honorable Paul Patton
Governor
State of Kentucky
700 Capitol Avenue
Suite 100
Frankfort, Kentucky 40601

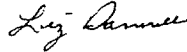
Dear Governor Patton:

I have been directed by the Lexington-Fayette Urban County Council to send you a copy of Resolution No. 679-99, which was passed at a meeting of the Council held on December 9, 1999.

This Resolution endorses a water supply plan for Lexington-Fayette County.

Your attention to this matter is greatly appreciated.

Sincerely,



Liz Damrell
Council Clerk

Enclosure