

**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. 2007-00134
THE CONSTRUCTION OF KENTUCKY RIVER)
STATION II, ASSOCIATED FACILITIES AND)
TRANSMISSION MAIN)

**LWC'S RESPONSES TO THE DATA REQUESTS OF THE
OFFICE OF THE ATTORNEY GENERAL**

Louisville Water Company ("LWC"), by counsel, hereby responds to the data requests of the Office of the Attorney General of the Commonwealth of Kentucky ("Attorney General") as follows.

1. Re: Heitzman testimony, p. 3, lines 9-15. According to the testimony, the PowerPoint presentation on July 10, 2007, was made to Lexington Fayette Urban City Council. Concerning this presentation:
 - a) Within the past 12 months, has LWC made a similar presentation concerning the provision of wholesale water to KAWC to any other entity? If so, please provide a copy of each such presentation.
 - b) Within the past 12 months, has LWC made a formal proposal to KAWC to supply KAWC with a firm wholesale water supply? If so, please provide a copy of all documents that represent the proposal made to KAWC. If not, please explain why not.
 - c) Does LWC believe that Lexington Fayette Urban City Council has the ability and/or legal authority to enter into a wholesale water supply contract with LWC? If so, please explain in detail. If not, why did LWC make a presentation to the Council on July 10, 2007?

RESPONSE:

- a) The presentation by LWC to the Lexington Fayette Urban County Government City Council ("LFUCG") was for water service to Central Kentucky and did not include a

reference to “provision of wholesale water to KAWC.” LWC has made several presentations to other entities regarding the provision of wholesale water, but none have referenced KAWC.

b) No. LWC has an existing water sales agreement (dated November 12, 1998) (“Water Supply Agreement”) with KAWC, and it has not been invited by KAWC to make a new formal proposal subsequent to the negotiation and execution of the existing agreement.

c) LWC objects to this request insofar as it seeks LWC’s legal opinions regarding LFUCG’s authority to enter into contracts. Accordingly, LWC does not have an opinion on the ability and/or legal authority of LFUCG to enter into a wholesale water supply contract with LWC. LWC made the presentation to the Council on July 10, 2007 at LFUCG’s invitation and request.

2. Please state with precision all terms and conditions under which LWC would sell a firm wholesale water supply to KAWC.

RESPONSE:

In general, LWC will provide water service to new customers if all of the following conditions are met: it is in the best interest of the customer to be served by the Company; it is in the long-term interest of LWC’s stockholder to provide the service; it is in the long-term interest of existing customers of the Company to provide the service; the service will meet regulations for quality, quantity, pressure and reliability; and the Company can reasonably expect to recover the cost of service from the customer.

Regarding service to KAWC, LWC is willing to sell a firm wholesale water supply to KAWC under the terms of the existing LWC tariff for wholesale customers, or under the terms of the existing Water Supply Agreement, or under terms mutually agreeable to both parties, all of

which are subject to approval by the Public Service Commission of the Commonwealth of Kentucky (“Commission”).

3. Please provide all documents in LWC’s possession that show the proposed route for a pipeline through which LWC would provide KAWC with a firm wholesale supply of water.

RESPONSE:

LWC has not conducted a detailed, final design of the Louisville Pipeline. Such a design would include a route analysis and final route selection. LWC favors a route along I-64 because it would follow a route that already has significant development and is already encumbered by the interstate highway and other utilities.

Additional detail regarding the route and projected costs of the Louisville Pipeline are (or will be) available in (i) Exhibit 2 to the prefiled direct testimony of Greg Heitzman; and (ii) the R. W. Beck study (referenced in LWC’s response to Data Request No. 2) that is expected to be complete in September.

4. Please provide a list of all permits that would be required for LWC to provide KAWC with a firm wholesale supply of water using the pipeline route provided in response to the previous question. For each such permit, please state the following:
 - a) The agency from which the permit must be obtained;
 - b) The approximate amount of time it takes to obtain the permit, measured from the date of application for the permit;
 - c) Whether LWC has obtained the permit;

- d) If not, the date on which LWC applied for, or will apply for, the permit; and
- e) The date on which LWC anticipates obtaining the permit.

RESPONSE:

a-b) Please see the chart, below.

Type of Activity	Permit or Approval	Entity	Estimated Time to Obtain
Blue Line Stream Crossings	Approval	Kentucky Division of Water	4-8 Weeks
Blue Line Stream Crossings	Permit	US Army Corps of Engineers	8-12 Weeks
Flood Plain Crossing	Permit	US Army Corps of Engineers	8-12 Weeks
Flood Control Device Crossing	Permit	US Army Corps of Engineers	12-16 Weeks
Kentucky River Crossing	Approval	Kentucky River Authority	12-16 Weeks
ROW Activity	Permit	Kentucky Department of Transportation	2-8 Weeks
ROW Activity	Permit	Municipality Road or Public Works Dept.	1-2 Weeks
ROW Activity	Permit	County Road or Public Works Dept.	1-2 Weeks
Water Main Design	Approval	Kentucky Division of Water	4-8 Weeks
Railroad Crossings	License	Various railroads	16-20 Weeks

c-e) LWC would typically obtain permits during the design phase of a transmission project. LWC would begin final design when KAWC requests water under the existing Water Supply Agreement, or when some other water supply contract is signed.

5. Re: Heitzman testimony, p. 5, lines 1-2. Please provide all documents forming the basis for the witness’s opinion that “this alternative proposal will result in lower water rates than those that will result from the proposed Kentucky River Station II construction.” The documents provided should include all assumptions made concerning the cost and level of operations of both KAWC’s Kentucky River Station II and LWC’s facilities.

RESPONSE:

LWC has retained R. W. Beck to perform an independent analysis to update cost estimates for the Louisville Pipeline to 2007 cost levels. It will also compare the estimated cost

of the Louisville Pipeline to the KAWC Pool 3 proposal described in KAWC's application for a certificate of public convenience and necessity ("CPCN"). The final R. W. Beck analysis and report is expected to be completed in September, and a complete copy will be produced to the Commission and the parties at that time.

6. Re: Heitzman testimony, p. 5, lines 10-11. Please define what the witness means by the "Bluegrass Region." If this encompasses more than KAWC's existing service area, please describe the entire service area referred to by the witness.

RESPONSE:

The Bluegrass Region (sometimes also referred to by LWC as "Central Kentucky region" or the "Central Kentucky area") includes KAWC's service area and the area served by the Bluegrass Water Supply Commission members. The Louisville Pipeline would provide water service to this area on a wholesale basis. The water suppliers of the Bluegrass Region would then distribute the water to their retail customers.

7. Re: Heitzman testimony, p. 5, lines 13-14. Concerning this statement, please provide:
- a) All documents forming the basis for the witness's opinion that his proposal would involve "less cost to end-user customers" than KAWC's proposal;
 - b) All documents forming the basis for the witness's opinion that his proposal would involve "less environmental impact" than KAWC's proposal; and
 - c) What does the witness mean when he states that his proposal would involve a "more permanent solution" than KAWC's proposal?

RESPONSE:

a). The Bluegrass Water Supply Commission's Water System Regionalization Feasibility Study prepared by O'Brien & Gere Engineers identifies the Louisville Pipeline as the low cost solution for the Bluegrass Region. KAWC has acknowledged in public presentations

(for example, the August 21, 2007 presentation by KAWC to LFUCG) that the Louisville Pipeline has a lower capital cost than its own Pool 3 proposal reflected in KAWC's application for a CPCN. In addition, LWC has retained R. W. Beck to perform an independent analysis to update cost estimates for the Louisville Pipeline to 2007 cost levels. It will also compare the estimated cost of the Louisville Pipeline to the KAWC Pool 3 proposal described in KAWC's application for a certificate of public convenience and necessity ("CPCN"). The final R. W. Beck analysis and report is expected to be completed in September, and a complete copy will be produced to the Commission and the parties at that time.

b) The Louisville Pipeline alternative includes installation of a 42 mile 36-inch pipeline adjacent to or within the existing Interstate 64 right-of-way (from Kentucky Highway 53 to Newtown Pike). In comparison, the KAWC proposal includes construction of a 42 mile pipeline, as well as a 20 MGD treatment plant. The area along I-64 is already encumbered with an interstate highway, a communications utility, and a natural gas pipeline. A portion of this corridor has already developed or will develop over the next 20 years, requiring utility construction to accommodate that growth. Furthermore, the Kentucky Department of Transportation is presently widening I-64 to six lanes from I-265 in Jefferson County to Franklin County. The Louisville Pipeline will be constructed parallel to this major road project

c) The Louisville Pipeline will provide water from the Ohio River, using existing reserved treatment capacity. The Ohio River is an abundant supply with substantially more volume than the Kentucky River. The Louisville Pipeline offers a "more permanent solution" for the Bluegrass region because of LWC's immediate access to this abundant supply of water, as well as its existing reserved water treatment capacity, thereby avoiding duplication of facilities. KAWC and the Bluegrass Water Supply Commission ("BWSC") have both admitted

that if the KAWC Pool 3 proposal is approved, the Bluegrass Region will require an additional source of water supply from the Ohio River as soon as 2030.

8. Is LWC recommending that the Public Service Commission deny KAWC's application for a certificate? If so, please state the specific facts on which LWC believes the Commission should rely in making that determination. If not, then what action does LWC recommend the Commission should take in this case?

RESPONSE:

LWC objects that this data request is premature in that discovery and the filing of testimony is still ongoing. Without waiving this objection, LWC has not recommended that the Public Service Commission of the Commonwealth of Kentucky ("Commission") take any particular course of action regarding KAWC's application for the referenced certificate. LWC has previously stated that securing a safe, reliable, and cost-effective water supply is an important issue for Central Kentucky. Determining the source of such a water supply needs to be resolved by the water supply professionals, community, and elected leaders of Central Kentucky.

9. Please provide a copy of the following presentation listed on Mr. Heitzman's vitae: "Regional Water Planning in Kentucky," co-authored with Roger Rectenwald, June 2002, American Water Works Association, Denver, CO."

RESPONSE:

Please see the attached document.

10. In a January 4, 2005, article in the Louisville Courier-Journal concerning LWC's extension of water service in Jefferson County, the following statement appears about the source of funds for the line extensions: "Most of the rest comes from a \$5,450 fee assessed to each property owner, said Greg Heitzman, the water company's vice president and chief engineer. A \$700 fee assessed to builders in the extension area for each new water meter has provided \$6.3 million more." Concerning this:

- a) Did Mr. Heitzman include the \$5,450 connection fee in his analysis of the relative costs paid by customers of LWC and customers of KAWC? If not, please provide an updated calculation showing the true cost paid by LWC customers.
- b) Does LWC offer to allow customers to pay the connection fee over time? If so, what is the customer's monthly payment; over how long do these payments have to be made; and what interest rate does LWC charge the customer?
- c) Did Mr. Heitzman include the \$700 meter fee in his analysis of the relative costs paid by customers of LWC and customers of KAWC? If not, please provide an updated calculation showing the true cost paid by LWC customers.
- d) Will customers of KAWC served by water from LWC be expected to pay similar types of fees to LWC and/or KAWC? If so, please provide an estimate of such fees. If not, please explain why not.

RESPONSE:

a-b) No. The apportionment program would not apply to the Louisville Pipeline. The apportionment program (as described in KRS 96.265) is applicable only to retail water service in Jefferson County.

c) No. Mr. Heitzman did not include the \$700 system development charge on page 5 line 5 of his testimony dated July 30, 2007. The system development charge is a one-time fee charged, with certain exceptions, for service connections to water mains installed after 1991. The true cost paid by a typical LWC customer on a monthly water bill is correct as stated in the testimony.

d) LWC objects to this data request insofar as it requires LWC to make assumptions regarding KAWC's business practices. Without waiving its objection, LWC responds in the negative and states that customers of KAWC will not be expected to pay any fees or charges to LWC. LWC assesses fees and charges directly to its wholesale customers and does not reach past its wholesale customers to assess fees and charges to the retail end-users of its wholesale customers. LWC does not have an opinion as to fees and charges by KAWC.

11. RE: Board of Water Works Meeting materials, 26 August 2003, (Strategy III, pages 22 and 23). With regard to LWC's strategy to increase water revenue by selling more water, please answer the following:

- a) Please provide a definition of the "regional retail" market.
- b) Please provide a definition of the regional "wholesale" market.
- c) Please describe the construction projects associated with the "backbone transmission system to provide capacity to serve" the regional market and also supply (i) the corresponding project number and project name for each, (ii) the project cost for each, and (iii) the status of each project.
- d) Please describe the steps necessary to "improve O&M system efficiencies and capabilities for serving an expanded regional service area." Also supply (i) the corresponding project number and project name for each of these steps, (ii) the project cost for each, and (iii) the status of each project.

RESPONSE:

a-b) LWC's retail market includes Jefferson County and portions of Oldham and Bullitt County. LWC's wholesale market includes Shelby, Spencer and Nelson counties, as well as portions of Oldham and Bullitt counties.

c) Backbone transmission mains are needed to transfer bulk quantities of treated water (> 5 MGD) over long distances. These backbone mains comprise the backbone

transmission system, and generally follow routes along existing roadways, interstates, or utility easements to serve areas adjacent to the existing LWC service area. One example of a backbone transmission main is the Louisville Pipeline that could satisfy the water needs of the Bluegrass Region. A copy of the Louisville Water Company 2007 Annual Budget and Long Range Financial Plan (“2007 Annual Budget”), which includes transmission main projects, is attached.

d) O&M system efficiencies and capabilities include capital projects as referenced in the 2007 Annual Budget. In addition, operating and maintenance efficiencies include preventative maintenance programs, such as tank cleaning, valve exercising, leak detection, that are also included in the 2007 Annual Budget.

12. RE: Board of Water Works Meeting materials for 8 June 1999, please supply a copy of all documents and materials (including any minutes) for the closed session on Regional Water Supply Issues.

RESPONSE:

Minutes of closed session discussions are not required to be kept by law, and they are not kept by LWC. No action is taken in a closed session. There are no minutes of record for the closed session of the Board of Water Works meeting for June 8, 1999.

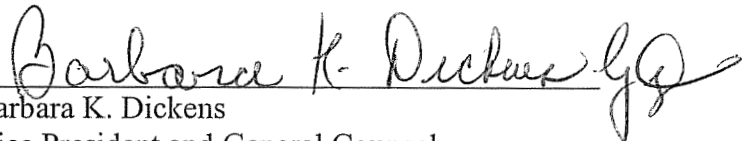
13. Please identify all individuals and entities (e.g. engineering firms, law firms, etc.) that have provided or are providing consulting services to the LWC for any proposal or proposals to supply water service to central Kentucky. For each individual or entity, please provide (i) the date the individual or entity was retained (the starting date for the

provision of service or representation) and, if applicable, (ii) the date the provision of service terminated (the ending date).

RESPONSE:

LWC objects to the extent that this request seeks information that is privileged and confidential pursuant to the attorney-client privilege or attorney work product doctrine. Without waiving its objection, LWC states that (on July 3, 2007) it retained the consulting firm of R.W. Beck to address issues regarding Central Kentucky water service. R. W. Beck continues to provide service to LWC as of this date.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by was served via first-class United States mail, sufficient postage prepaid, on the following individuals this 21st day of August, 2007:

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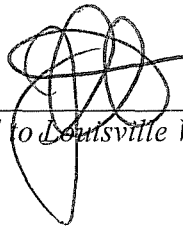
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