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OCT 29 2007

PUBLIC SERVICE  
COMMISSION

October 29, 2007

**VIA HAND-DELIVERY**

Hon. Beth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

***Re: Application of Kentucky-American Water Company, a/k/a Kentucky American Water for Certificate of Convenience and Public Necessity Authorizing Construction of Kentucky River Station II ("KRS II"), Associated Facilities, and Transmission Line; Case No. 2007-00134***

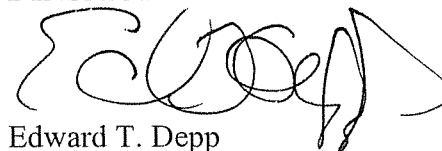
Dear Ms. O'Donnell:

We have enclosed, for filing with the Public Service Commission of the Commonwealth of Kentucky ("Commission"), an original and ten (10) copies, of the Louisville Water Company's Responses to The Bluegrass Water Supply Commission's Supplemental Data Requests.

Thank you, and if you have any questions, please call us.

Very truly yours,

**DINSMORE & SHOHL LLP**



Edward T. Depp

ETD/bmt  
Enclosures

cc: All Parties of Record (w/enclosures)  
Barbara K. Dickens, Esq. (w/enclosures)  
John E. Selent, Esq. (w/o enclosures)

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OCT 29 2007

PUBLIC SERVICE  
COMMISSION

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

LOUISVILLE WATER COMPANY'S RESPONSES TO THE  
BLUEGRASS WATER SUPPLY COMMISSION'S  
SUPPLEMENTAL DATA REQUESTS

For its responses to the supplemental data requests of the Bluegrass Water Supply Commission ("BWSC"), Louisville Water Company ("LWC"), by counsel hereby states as follows.

**REQUESTS FOR INFORMATION**

1. Refer to Wetzel Rebuttal Testimony, page 5, line 23 through page 6, line 5 and Section 1.2 of the Final Report prepared by R.W. Beck, (the "Beck Report"), which is attached as Exhibit 2 to the Wetzel Rebuttal Testimony.
  - a. What is the basis for the assumption that the proposed LWC pipeline from Shelby County to Fayette County would be 100% publicly owned?

**Responsible Witness: Ed Wetzel**

**RESPONSE:** R.W. Beck evaluated an alternative to the KAWC Pool 3 option that was in the best interests of the future ratepayers in Central Kentucky. A 100% publicly-owned pipeline would have a lower life-cycle, present worth cost than a pipeline that is partially or wholly-owned by KAWC.

- b. Did LWC officials instruct Mr. Wetzel to make this assumption?

**Responsible Witness: Ed Wetzel**

**RESPONSE:** No.

c. Does LWC propose to own the entire pipeline from Louisville to Lexington?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** No; LWC proposes to own Section 1 of the Louisville Pipeline from I-265 in Jefferson County to Highway 53 in Shelby County.

d. If not, what public or governmental entities does LWC anticipate owning the portion of the proposed pipeline from Shelby County to Fayette County?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Please refer to the response to Commission Supplemental Request No. 2(b) and LFUCG Request Nos. 9, 10, and 11.

2. Refer to Heitzman Rebuttal Testimony, page 5, lines 8 – 11 where Mr. Heitzman states, “This section is proposed to be designed, built, financed, and owned by a public – private partnership involving Central Kentucky water providers, appropriate state and local governing bodies, and potentially LWC.”
- a. Is this the same section of the proposed pipeline that the Beck Report assumes will be 100% publicly owned?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Yes.

- b. If so, please reconcile the conflict between the assumption contained in the Beck Report and the assumption made by Mr. Heitzman that this section of the proposed pipeline will be owned by a “public – private partnership.”

**Responsible Witness: Greg Heitzman**

**RESPONSE:** LWC objects that the use of the word "conflict" implies or connotes a conclusion with which LWC does not agree. Without waiving its objection, LWC states that the financial analysis in the R. W. Beck report assumes 100 percent public ownership of the Louisville Pipeline. In this case, the partnership would consist of only public entities, and provide a lower life-cycle present worth cost. Any portion of private ownership will increase the cost and reduce the amount of savings to Central Kentucky ratepayers. At the request of LWC, R. W. Beck is analyzing a number of partnership scenarios that will demonstrate variations of public and private ownership interests in Section 2 of the Louisville Pipeline (i.e. 80/20; 50/50; 20/80 public/private ownership percentages). Upon completion, these additional analyses will be made available to the Commission and all parties, no later than Friday, November 9, 2007.

3. Refer to the Beck Report, Section 2, page 2-1, where it states, “R.W. Beck did not develop any independent cost estimates for either the capital or operating components of the projects.”
  - a. Is R.W. Beck in the process of preparing an Opinion of Probable Cost for the capital components of the proposed LWC pipeline?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** No; R. W. Beck is not preparing an Opinion of Probable Cost at this time. As referenced in its report (at Section 2, page 2-1), R. W. Beck did not prepare independent cost estimates, but used cost estimates prepared by O'Brien & Gere Engineers for BWSC and cost estimates prepared by Gannett Fleming, Inc. for KAWC. As noted in the R. W. Beck report (at Section 2, page 2-1), these cost estimates were updated to 2007 dollars by the methodology detailed in the report.

- b. If so, when will it be completed?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Not applicable.

4. Refer to Heitzman Rebuttal Testimony, page 5, lines 21-29 where Mr. Heitzman states that these “project costs are preliminary estimates.”

- a. Does LWC have an Opinion of Probable Cost from a professional engineer licensed in Kentucky to support the estimated project costs? If so, please provide this Opinion.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** No.

- b. If not, when does LWC anticipate obtaining an Opinion of Probable Cost?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** LWC will obtain more detailed cost estimates during the design of the project, which will be initiated when LWC has executed a contract to supply water. Notwithstanding this, LWC has engaged Camp Dresser & McKee to design transmission, pump station and storage facilities for the Jefferson County portion of Section 1 of the project. This contract includes permitting, acquisition of rights-of-way, and land acquisition, as well as a cost estimate.

5. Refer to Heitzman Rebuttal Testimony, page 5, line 8 where the project cost for the Shelby County to Fayette County portion of the proposed pipeline (Section 2 of the proposed pipeline) is estimated to be \$88.1 million. In Mr. Heitzman's Prefiled Direct Testimony, Exhibit 2, page 11, the estimated cost for Section 2 was \$52 million. Please explain why the cost of this portion of the proposed pipeline as estimated in Mr. Heitzman's Rebuttal Testimony is nearly 70% higher than the cost estimate contained in Mr. Heitzman's Prefiled Direct Testimony.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** The estimated cost for Section 2 in the referenced document was \$56 M, not \$52 million. The \$56 M figure was based on a conceptual level estimate of construction costs utilized for planning purposes. The \$88.1 M estimate is a total project cost prepared by R. W. Beck. The difference between the two estimates is attributable to additional costs for:

- Kentucky River Crossing
- Additional storage and booster pump station
- Construction contingency @10%
- Permitting & easements @ 5%
- Engineering, legal and administration @ 15%
- Land
- Capitalized interest @4.7% for 2 years, and
- Debt issuance @ 1%.

Specific amounts for the items noted can be found in the RW Beck report (Section 5, page 5-2, Table 5-1).

6. Refer to Heitzman Rebuttal Testimony, page 5, lines 26-27.

- a. Has LWC engaged the services of an engineering firm or other consultant to recommend a selected route for Section 2 of the proposed pipeline? If so, please identify the engineering firm or consultant.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** No.

- b. Has LWC engaged the services of an engineering firm to prepare the final design of Section 2? If so, please identify the firm.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** No.

- c. Has LWC engaged the services of an engineering firm to design the storage facilities and pump stations described in LWC's Proposal? If so, please identify the firm or firms.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Please refer to the response to Supplemental Request 4(b).

- d. Has LWC engaged the services of an engineering firm or other consultant to assist with permitting, right-of-way acquisitions, and acquiring ownership of the land where the storage facilities and pump stations will be located? If so, please identify the firm or firms.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Please refer to the response to Supplemental Request 4(b).



7. Refer to Heitzman Rebuttal Testimony, page 5, lines 31-49.

- a. Explain why the portion of the 36-inch pipeline from Frankfort to Lexington will not have to be constructed at the same time as the rest of Section 2.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** The 36-inch pipeline from Highway 420 to U. S. Highway 60 can be constructed at the same time as the other portions of Section 2, but will not be available for service until July 2012. This allows Frankfort’s existing water treatment plant capacity to be used to supply Central Kentucky 6 MGD by July 2010.

- b. Please identify the existing infrastructure that can be utilized to deliver 6 MGD to Newtown Pike in Fayette County if the proposed 36-inch pipeline from Frankfort to Newtown Pike is not constructed.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Frankfort has existing 36-inch and 24-inch transmission capacity that can transport 6 MGD supply from the existing 18 MGD water treatment plant to U. S. Highway 60 near I-64..

8. Refer to Heitzman Rebuttal Testimony, page 6, lines 31-45.

- a. Does LWC's Proposal permit the Central Kentucky water providers to "reserve capacity" in LWC's water treatment plants or merely "reserve capacity" in the proposed 36-inch pipeline?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** The LWC proposal allows Central Kentucky water providers to reserve capacity in the 36-inch pipeline. LWC proposes to maintain a 15 percent reserve treatment plant capacity for the benefit of all customers.

- b. Will water providers along Section 1 of the proposed pipeline be permitted to "reserve capacity" in the proposed pipeline? If so, then how can 25 MGD be available for use by the customers of BWSC and KAWC?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Yes, water providers along both sections of the pipeline will be allowed to reserve pipeline capacity, and if the total reserve capacity need exceeds the pipeline design capacity of 25 MGD, the pipeline size can be increased to accommodate the additional reserve capacity request. Further, LWC will make available capacity above the pipeline design capacity of 25 MGD (up to 10 MGD additional supply) for use by water providers during emergency conditions (i.e. drought).

- c. If one or more water providers in Central Kentucky seek to "reserve" 25 MGD capacity in the proposed pipeline, will it be necessary for the water provider(s) to contract to purchase, at a minimum, 12.5 MGD, which is one half (1/2) of the "reserved" amount (i.e.  $25 \text{ MGD} \times \frac{1}{2} = 12.5 \text{ MGD}$ )?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Yes, a reserve capacity of 25 MGD will require a minimum purchase of 12.5 MGD, in order to maintain a 2 to 1 reserve to minimum purchase ratio. A reserve capacity of 12 MGD will require a minimum purchase of 6 MGD.

9. Refer to Heitzman Rebuttal Testimony, page 6, line 47 through page 7, line 2.
- a. Have any water providers executed a contract or other binding commitment to purchase water either along Section 1 of the proposed pipeline or at the terminus of Section 1 near the intersection of Kentucky Highway 53 and I-64?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Not at this time. Shelby County water providers and Frankfort are evaluating their water supply needs for the future and will be allowed to reserve pipeline capacity from the Louisville Pipeline.

- b. If so, please identify the name of each water provider and the amount of the minimum daily purchase by each water provider.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Not applicable.

- c. If so, please produce a copy of each contract or document evidencing this binding commitment.

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Not applicable.

10. Refer to Heitzman Rebuttal Testimony, page 7, lines 25 through 28 where a deadline of March 1, 2008 is imposed for acceptance of the LWC Proposal and contract execution.

- a. Will LWC commence “final design” of Section 1 of the proposed pipeline before contracts, which collectively guarantee minimum daily purchases of 5 MGD, are executed?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Please refer to the response to Supplemental Request 4(b).

- b. If not, when will “final design” of Section 1 commence and when will it be completed?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Not applicable.

- c. Will LWC commence “final design” of Section 2 of the proposed pipeline before contracts, which collectively guarantee minimum daily purchases of 5 MGD, are executed?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** No.

- d. If not, when will “final design” of Section 2 commence and when will it be completed?

**Responsible Witness: Greg Heitzman**

**RESPONSE:** Please refer to the projected final design schedule contained in the response to LFUCG Request No. 2(a).

11. Please produce all documents referenced, relied upon, or identified in response to the various requests for information set forth above.

**Responsible Witness: Greg Heitzman**

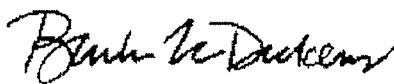
**RESPONSE:** Documents relied upon, if any, in responding to a data request have been produced in conjunction with the response to that specific data request.

12. Refer to the Beck Report. Please provide a copy of Appendix A-1, A-2, B-1 and B-2 in legible print that can be read by a person with 20/20 vision (at least font size 8). The copy quality should be clear and dark enough that it can be enlarged on a copy machine.

**Responsible Witness: Ed Wetzel**

**RESPONSE:** Please refer to the electronic version of the R. W. Beck study LWC has produced as a supplement to its open records response.

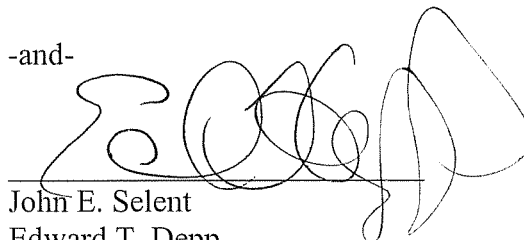
Respectfully submitted,



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-and-



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*Counsel to Louisville Water Company*

**CERTIFICATION**

I hereby certify that I have supervised the preparation of Louisville Water Company's responses to the initial and supplemental data requests of the Bluegrass Water Supply Commission and that the responses contained herein (and for which I am designated the responsible witness) are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

\_\_\_\_\_  
Gregory C. Heitzman,  
President of Louisville Water Company

Date: \_\_\_\_\_

**CERTIFICATION**

I hereby certify that I have supervised the preparation of Louisville Water Company's responses to the supplemental data requests of the Bluegrass Water Supply Commission and that the responses contained herein (and for which I am designated the responsible witness) are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry.

\_\_\_\_\_  
Edward Wetzel,  
Executive Vice President of R. W. Beck

Date: \_\_\_\_\_



**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 29th day of October, 2007:

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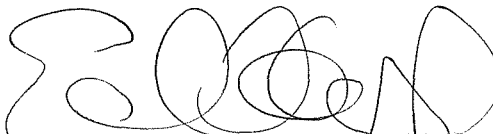
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