

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
CITIZENS FOR ALTERNATIVE WATER SOLUTION**

LWC (“LWC”), by counsel, hereby responds to the data requests of Citizens for Alternative Water Solutions (“CAWS”) as follows.

Data Request No 1

Has the LWC adopted a formal position concerning whether the Public Service Commission (PSC) should issue the Certificate of Public Convenience and Necessity (CPCN) requested by Kentucky American Water Company (KAWC) in this case?

- a. If so, what is that position?
- b. Please provide all studies, reports, analyses, and other bases relied upon in support of that position. To the extent that those documents are already of record in this proceeding, a reference to the title, author and date of the document will be sufficient.

RESPONSE:

- a. 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.

b. Because LWC does not yet have a formal position with respect to KAWC's application for a CPCN in this matter, there are no responsive documents at this time.

Data Request No. 2

Please provide all studies or analysis not previously filed in this case, regarding your evaluation(s) of the studies conducted by or believed to be relied upon by KAWC or the Bluegrass Water Supply Consortium in concluding that the Pool 3 Project is the lowest-cost option for KWC and BWSC.

RESPONSE:

In response to the Commission's open records request, LWC agreed to supplement its responses with documents that were being finalized but which were not yet complete at the time of the response (July 30, 2007). The study being conducted (by R.W. Beck) to analyze the respective costs of the Louisville Pipeline and KAWC's Pool 3 Treatment Plant is being finalized and is expected to be complete in September. LWC will supplement its response to the Commission's open records request upon completion of that study.

Data Request No. 3

Please provide all studies or analysis, not previously submitted in this case, pertaining to issues in this case that are not included within the request in the previous paragraph.

RESPONSE:

Please see LWC's response to CAWS's Data Request No. 2.

Data Request No. 4

Have you identified a specific route or a limited number of potential specific routes that could be used to connect the LWC water system to Lexington's water system? If so, please describe those routes, the projected costs for construction along such routes, and whether you believe that there are legal, engineering, or other impediments that would prevent such construction.

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. LWC does not believe that there are any legal, engineering, or other impediments that would prevent construction of the Louisville Pipeline.

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.

Data Request No. 5

Please describe LWC's programs to promote water conservation. Does LWC have any water conservation programs directed towards industrial or other large water consumers? If yes, please describe.

RESPONSE:

LWC promotes wise water use in Section 2 of its award-winning “*Pure Tap Adventures in Water!*” multi-disciplinary curriculum developed by LWC according to the Core Content Standards under the Kentucky Education Reform Act. It has been used by hundreds of elementary schools in Kentucky. A copy of Section 2 of this curriculum is included with these responses.

Aside from its promotion of wise water use, LWC does not have a formal water conservation program as a result of: (i) the abundant supply of water available in the Ohio River; and (ii) LWC’s reserve production capacity.

Data Request No. 6

What percentage of LWC’s water production is lost or otherwise “non-revenue.” What programs are in place to minimize such loss?

RESPONSE:

LWC objects that the phrase “lost or otherwise ‘non-revenue’” is vague and ambiguous. Without waiving its objection, LWC states that the percentage of LWC’s production that is not metered in 2006 was 15.5%. This percentage does not include any adjustment for water used in firefighting, system flushing, or other appropriate and known uses. LWC minimizes the amount of water that is not metered and billed through four major programs:

- LWC is an industry leader in the replacement and rehabilitation of buried infrastructure. Since 1993, LWC has replaced or rehabilitated approximately 420 miles of water main to reduce water main breaks and leaks and to increase water quality, flow, and pressure.

- LWC has an active leak detection program. Each year, LWC surveys approximately 600 miles of water mains for leaks.
- LWC tests and replaces water meters on a regular basis to ensure accurate readings and to ensure proper water accounting.
- LWC plans and executes further water loss control activities annually based upon a water audit analysis performed each year using the International Water Association format.

Data Request No. 7

The witness for the Office of the Attorney General has raised a question concerning your ability to build this pipeline in a timely manner (i.e. by 2010); to gain access to the necessary rights of way along I-64; and whether you would indeed charge a wholesale rate of \$1.71 /1000 gallons. Do you stand by these claims and what assurances can you provide to justify them?

RESPONSE:

Yes. Based on LWC's experience, LWC believes it can build such a project in approximately thirty (30) months. LWC's ability to timely construct the Louisville Pipeline (i.e. by 2010) is contingent upon when a contract is signed to provide water to the Bluegrass Region. However, LWC offers the following assurances with respect to the Louisville Pipeline.

- LWC is prepared and willing to fulfill its obligations pursuant to its existing water sales agreement with KAWC.
- LWC is prepared and willing to enter into good-faith negotiations with other utilities for the sale of wholesale water under terms and conditions that are acceptable to both parties.
- LWC has served new customers through the expansion of its transmission and distribution system by nearly 100 miles each year since 1991.

- LWC currently sells more than 1.6 billion gallons of water each year to its wholesale customers at its current standard wholesale rate of \$1.71 per 1000 gallons.
- LWC has significant experience timely and efficiently obtaining easements necessary to construct, operate, and maintain facilities such as the Louisville Pipeline.

Furthermore, the Louisville Pipeline will connect water systems along the I-64 route that have existing reserve capacity (production and transmission) that may be utilized to meet the 2010 water demands of the Bluegrass Region on a short term basis (2010 to 2015). The Louisville Pipeline can be built using multiple construction contracts and in multiple phases to accommodate the water supply needs and the delivery schedule.

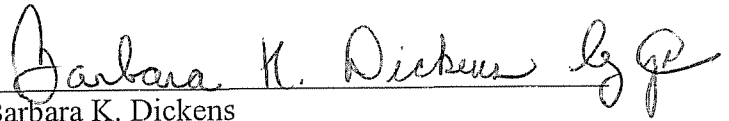
Data Request No. 8

In your experience, would the impending initial public offering (“IPO”) of the parent company of KAWC be affected, positively or negatively, if KAWC secures the CPCN being sought? Would the impending IPO of the parent company of KAWC be adversely affected if KAWC does not secure the CCPN being sought and/or is, instead, required to meet its water supply needs by some other means, such as purchasing its water wholesale from your company?

RESPONSE:

KAWC's projected earnings are likely to be a key variable in evaluating the impending IPO of KAWC's parent company.

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 27th day of August, 2007:

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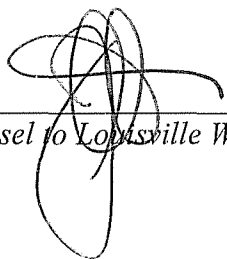
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