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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

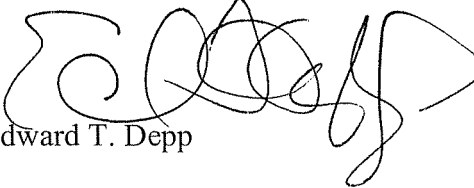
Dear Ms. O'Donnell:

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 Lexington-Fayette Urban County Government's 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)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 29 2007

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

**LOUISVILLE WATER COMPANY'S RESPONSES TO LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT'S DATA REQUESTS**

For its responses to the data requests of the Lexington-Fayette Urban County Government ("LFUCG"), Louisville Water Company ("LWC"), by counsel hereby states as follows.

REQUESTS FOR INFORMATION

1. Please explain in detail the entire basis for the assertion that Section 1 of the proposal will be available for service by July 2010. (Heitzman, page 5).

Responsible Witness: Greg Heitzman

RESPONSE: LWC possesses the technical, managerial, and financial capacity to complete Section 1 (from I-265 to Highway 53) by July 2010. LWC has retained engineering consultants CDM Engineers to design the Jefferson County portion of Section 1. Section 1 can be expedited due to several factors, including the following.

1. Section 1 from I-265 to the Jefferson County line has been approved for design by LWC.
2. Section 1 follows the route selected by LWC and KAWC in 1998, thereby eliminating the need for a route study and extensive environmental review.
3. Easements have been acquired along a portion of the route selected for Section 1, and CDM Engineers is presently engaged to acquire any remaining easements that may be required within Jefferson County.
4. Section 1 from the Jefferson County line to Highway 53 has been endorsed by the Shelby County water providers. Both Franklin County Fiscal Court and Spencer County Fiscal Court have adopted resolutions endorsing the Louisville Pipeline. (Each of these resolutions have already been filed in the record of this case.)

5. Section 1 is fully funded by LWC, with a project value of \$35 million in accordance with the proposal described in Mr. Heitzman's rebuttal testimony.
6. Section 1 will be built regardless of the decision by KAWC to build a treatment plant on Pool 3 of the Kentucky River. The proposed size of the main is 24-inch (10 to 15 MGD capacity), and it can easily be upsized to 36-inch (23 to 35 MGD capacity) at the time of the bid.
7. LWC currently has 35 MGD reserve capacity (easily expandable to 95 MGD reserve capacity) to supply Section 1.
8. Section 1 provides opportunity for water supply to six water providers in the region (LWC, West Shelby Water District, Shelbyville, North Shelby Water District, U. S. 60 Water District, and Frankfort). Section 1 utilizes the existing infrastructure of these water providers to provide a supply of water for drought protection, emergency disruptions to the water supply (natural and man made), as well as system growth.
9. I-64 is being reconstructed (widened to the center) from I-265 in Jefferson County to Franklin County. This construction schedule will coincide with the Louisville Pipeline construction, allowing coordination and potential cost savings due to the economy of concurrent road and pipeline work. Pipeline interconnections at interstate interchanges will be coordinated to provide access to each water supplier along the route. The I-64 reconstruction will also allow local water providers to coordinate upgrades of their water infrastructure, with partial reimbursement from the Federal Highway administration (i.e. local water utilities pay only for betterment per KRS 76.630.).
10. Section 1 has been identified by the KIPDA Water Management Council as a priority project for the KIPDA region (ref. KIPDA regional project number WX21211068). Section 1 constitutes a regional project as defined by the Kentucky Infrastructure Authority, making it attractive for State and Federal grants and low interest loans.

The schedule for design and construction of Section 1 is as follows (assuming a March 2008 contract execution):

- a Preliminary design - October 2007 to January 2008;
- b Easement acquisition and permit - November 2007 to December 2008;
- c Final Design - February 2008 to October 2008;
- d Project Bid November 2008;
- e Construction - January 2009 to December 2010;
- f Section 1 in service by July 2010.

2. Please explain in detail the entire basis for the assertion that Section 2 of the proposal will be completed by 2012. (Heitzman, page 6).
 - a. By what date in 2012 will this section be completed?

Responsible Witness: Greg Heitzman

RESPONSE: If necessary, and in partnership with Central Kentucky water providers, LWC is prepared to construct Section 2 of the project from Highway 53 to Newtown Pike by July 2012. LWC possesses the technical, managerial and financial capacity to complete Section 2. In addition to the factors identified in Response #1, LWC offers the following factors for consideration.

1. Section 2 is proposed to be built in 2 phases, providing 6 MGD capacity to KAWC by July 2010. This is accomplished by connecting Section 1 to Frankfort's existing transmission system on the west side of the Kentucky River at Highway 420. This will allow Frankfort's water treatment plant on the east side of the Kentucky River to provide up to 6 MGD to Central Kentucky on an interim basis until the full 25 MGD capacity is available by July 2012.
2. Section 2 from Highway 53 in Shelby County to Highway 420 in Franklin County will be completed by July 2010. This section has the endorsement of water providers in Shelby, Spencer and Franklin Counties.
3. Section 2 utilizes the available infrastructure capacity (treatment, transmission, and storage) from existing water systems along the route to minimize the need to build additional facilities.
4. The most challenging portion of section 2 will be along I-64 from Highway 420 to U. S. Highway 60, including the crossing of the Kentucky River. An alternative route is being evaluated that takes the pipeline along U. S. Highway 127 to the Frankfort East-West Connector (Hwy 676), then across the Kentucky River to U. S. Highway 60. This alternative route can tie to either Hwy 421 (Leestown Pike) in Frankfort or back to I-64. This corridor has the advantage of an existing state right-of-way that is adequate to accommodate a 36-inch transmission main. This route also has an advantage with its proximity to Frankfort's existing 36-inch transmission main and 18 MGD water treatment plant.
5. Section 2 will require an environmental assessment, estimated to be completed in 12 months from execution of an agreement.

The schedule for design and construction of Section 2 is as follows (assuming a January 2008 contract execution):

Section 2 - Phase A (Highway 53 to Highway 420 and U. S. Highway 60 to Newtown Pike):

- a. Preliminary design - March 2008 to June 2008;
- b. Easement acquisition and permit - March 2008 to March 2009;
- c. Final Design - July 2008 to January 2009;
- d. Project Bid - February 2009;
- e. Construction - April 2009 to December 2010;
- f. Section 2 - Phase A in service by July 2010 (provides 6 MGD).

Section 2 - Phase B (Highway 420 to U. S. Highway 60, including Kentucky River Crossing)

- a. Preliminary design and route selection - March 2008 to August 2008;
- b. Easement acquisition and permits - March 2008 to July 2009;
- c. Final Design - September 2008 to May 2009;
- d. Project Bid - June 2009;
- e. Construction - August 2009 to July 2012 (provides 25 MGD);
- f. Section 2 - Phase B in service by July 2012 (provides 25 MGD).

3. Has Louisville Water Company (“LWC”) obtained the necessary permission, authority, or approvals to have Section 2 constructed adjacent, along, or within the Interstate 64 corridor? Please explain in detail and provide any and all related documents.

Responsible Witness: Greg Heitzman

RESPONSE: Section 2 (from Highway 53 to Newtown Pike) is proposed to be constructed along the I-64 right-of-way, either within easements parallel to I-64 or by permit within a portion of the right-of-way. As of October 29, 2007, LWC has not acquired the easements or permits necessary to construct Section 2. Upon execution of the agreement, LWC will expeditiously acquire the necessary easements and permits to complete construction of Section 2 by July 2012.

- a. From what entities has LWC obtained any such permission, authority, or approvals?

Responsible Witness: Greg Heitzman

RESPONSE: Please refer to LWC's response to Request Nos. 3 and 3(b).

- b. From what entities will such permission, authority, or approvals be required?

Responsible Witness: Greg Heitzman

RESPONSE: Easements will be required from property owners along the route; the Kentucky Department of Transportation will issue permits for any use of the Interstate or State Highway rights-of-way.

- c. If LWC has not obtained such, permission, authority, or approvals what is the estimated time for acquiring them?

Responsible Witness: Greg Heitzman

RESPONSE: The estimated time to acquire the necessary easements and permits is 12 to 15 months.

- d. If LWC has not yet obtained such permission, authority, or approvals, please explain in detail what steps, if any, that it has taken to do so, and provide any and all related documents.

Responsible Witness: Greg Heitzman

RESPONSE: LWC entered into a contract with CDM engineers on October 11, 2007 to begin design on the Jefferson County portion of Section 1. LWC has some easements for Section 1, and it has authorized CDM Engineers to acquire easements for the remaining portions of Section 1. Upon execution of a water supply agreement for Central Kentucky, it will begin the process to acquire the necessary easements and/or approvals for the remainder of Section 1 and Section 2.

- e. If LWC has not yet obtained such permission, authority, or approvals, please explain in detail why LWC believes that it is more likely that they will be obtained today than it was during the original Louisville pipeline proposal (1998-99).

Responsible Witness: Greg Heitzman

RESPONSE: In 1998, there was significant opposition to the pipeline route proposed by KAWC. This route followed an existing natural gas pipeline easement through portions of Shelby, Franklin and Woodford Counties. The current proposed route along I-64 has a number of benefits, including the following.

- a. The water providers and elected officials in Spencer, Shelby, and Franklin Counties have endorsed the Louisville Pipeline along I-64. (LWC has not produced the Spencer County or Franklin County resolutions as those resolutions have already been made a part of the case file in this matter.)
- b. Since 1998, the proposed route has experienced development at the interchanges and a fiber optic communications utility has been installed along this route.
- c. This route is expected to have less environmental impact than the proposed KAWC Pool 3 proposal along Ironworks Pike.
- d. KDOT is reconstructing I-64 from Jefferson County to Franklin County and concurrent construction of the pipeline with the roadway improvements will minimize the impact to the public as well as impacted property owners.
- e. Shelby County has experienced a significant water shortage during 2007 and a pipeline to supply water from Louisville to Shelby County will be built within the next three years regardless of the water solution for Central Kentucky.

Therefore the Louisville Pipeline proposal will reduce the total impact to the environment, by eliminating duplication of facilities.

By following existing rights of way, the pipeline is not likely to bisect any historic or environmentally sensitive property.

4. When will all necessary land rights for the entire proposal be obtained? Please provide a detailed explanation and any supporting documentation.

Responsible Witness: Greg Heitzman

RESPONSE: Please refer to the responses to Request Nos. 1 and 2 above.

5. Please explain in detail how “providing up to 10 MGD to Frankfort on the west side of the Kentucky River” makes 6 MGD capacity available from its treatment plant (Heitzman, page 5).

Responsible Witness: Greg Heitzman

RESPONSE: The initial phase of construction of Sections 1 and 2 will complete a grid to connect Louisville water supply with Frankfort’s water supply. Up to 10 MGD will be provided to Frankfort to supplement their 18 MGD water treatment capacity for a total capacity of 28 MGD. This will allow Frankfort to provide 6 MGD to Central Kentucky from its existing 18 MGD water treatment plant. This supply will be transported through an existing 24-inch transmission main parallel to I-64 at U. S. Highway 60. The balance of the project, including the crossing of the Kentucky River, will be completed by July 2012, providing 25 MGD to Central Kentucky.

- a. To whom is this water made available, and how would it be transported to them?

Responsible Witness: Greg Heitzman

RESPONSE: The Louisville Pipeline will provide water to the Central Kentucky water providers through a 36-inch pipeline along I-64 connecting to KAWC’s 24-inch pipeline at Newtown Pike. Consistent with the KAWC proposal, water will be wheeled through KAWC’s water system to provide access to water to other Central Kentucky water providers.

6. With respect to reserve capacity (Heitzman, page 6), in what ways does LWC ensure that such capacity is available?

Responsible Witness: Greg Heitzman

RESPONSE: LWC will ensure that such reserve capacity is available in two ways: first, by limiting the reserve capacity of customers contracting for service from the pipeline to not more than the design capacity of the pipeline (25 MGD for 36-inch pipeline); and second, by ensuring adequate treatment and delivery capacity is available to deliver water to the pipeline. LWC proposes to maintain a fifteen percent (15%) reserve treatment plant capacity for the benefit of all customers.

- a. How much of such capacity would be available and guaranteed for use by Fayette County?

Responsible Witness: Greg Heitzman

RESPONSE: The capacity available and guaranteed for use by Fayette County would be established by contract, up to the design capacity of the pipeline, currently proposed as 36-inch and 25 MGD. The minimum purchase quantity requires a 2:1 reserve capacity ratio.

- b. What happens in the event that there is an increased need by another customer?

Responsible Witness: Greg Heitzman

RESPONSE: LWC will provide water supply to other water providers along the route up to the design capacity of the pipeline. Once the design capacity is reached, no additional reserve capacity will be provided to any single water provider. LWC however will provide up to 50 percent capacity above the design capacity of the pipeline for use under emergency conditions, such as a drought. The proposed Louisville Pipeline size of 36-inch will provide up to 10 MGD of additional emergency reserve (total 35 MGD), that will be made available to all water providers along the pipeline route. This added benefit will extend the design life of the facilities and defer the need to build additional water treatment capacity.

- c. How long would any related guarantees as to reserve capacity last?

Responsible Witness: Greg Heitzman

RESPONSE: The guarantees as to reserve capacity would last for the life of the contract, proposed as fifty years.

7. How has the current drought affected the provision of water in any area currently supplied by LWC? Are there any voluntary or mandatory water restrictions in place? If so please explain in detail, including the types of restrictions, what governing body or entity has imposed the restrictions, and the basis for which the restrictions were imposed.

Responsible Witness: Greg Heitzman

RESPONSE: The drought of 2007 has not impacted the quality and quantity of water supply to areas served by LWC. During 2007, there have been no voluntary or mandatory water restrictions for LWC's retail customers or to LWC's wholesale service area. Water providers in Shelby County (outside of LWC's wholesale service area) have issued water restrictions due to the drought and as a result are working with LWC for a supplemental water supply along I-64.

8. How would the proposed Central Kentucky customers be prioritized and/or treated in relation to LWC's other customers in the event of an emergency or other scenario under which LWC was unable to provide sufficient water to all of its customers?

Responsible Witness: Greg Heitzman

RESPONSE: In the event of an emergency or other scenario under which LWC was unable to provide sufficient water to all of its customers, LWC would prioritize and/or treat the proposed Central Kentucky customers the same as other similarly situated customers in Jefferson County.

9. Is LWC willing to commit to designing, building, owning and operating Section 2 of its proposal? If not, please explain in detail.

Responsible Witness: Greg Heitzman

RESPONSE: At this time, LWC is not willing to make a commitment to design, build, own and operate Section 2 of the pipeline. LWC believes that it is in the best interest of Central Kentucky for the water providers to own Section 2 of the Pipeline. This can best be accomplished by a public-private partnership involving Central Kentucky water providers, appropriate state and local governing bodies, and potentially LWC.

- a. If the answer to the above is “yes”, is LWC willing to commit that the cost that is ultimately passed through to Central Kentucky’s customers will not exceed its estimated \$88.1 million project cost? If not, please explain in detail. If the answer to the above is “no”, in what way(s), if any, is LWC willing to guarantee that its estimated project cost for Section 2 will not be exceeded?

Responsible Witness: Greg Heitzman

RESPONSE: LWC is not willing to guarantee that its estimated project cost for Section 2 will not be exceeded, just as KAWC has not guaranteed its project costs. LWC recommends Section 2 of the pipeline to be designed and bid to provide assurances the project is feasible and beneficial to the water customers of Central Kentucky. Any cost savings will be passed on to the customers being served by the Louisville Pipeline and any cost premium will be absorbed by the customers being served by the Louisville Pipeline. In accordance with the Louisville Pipeline proposal described in Mr. Heitzman's rebuttal testimony, LWC is willing to guarantee the cost and commitment for completion off Section 1 to Shelbyville Highway 53.

- b. Assuming LWC did design, build, own, and operate Section 2, what would be estimated wholesale rate that would apply to its Central Kentucky customers? Does this change if LWC does not operate Section 2?

Responsible Witness: Greg Heitzman

RESPONSE: At this time, LWC has not prepared a water rate for designing, building, owning, and operating Section 2. Upon request, and with the concurrence of the Central Kentucky water providers, LWC could prepare such a rate estimate.

10. Assuming LWC did design, build, own, and operate Section 2, would it be willing to later sell Section 2 to a public entity(s), the Bluegrass Water Supply Commission, and/or Kentucky-American Water Company, and what would be the anticipated purchase price above the cost of build? If the answer differs depending upon the purchaser, please explain why.

Responsible Witness: Greg Heitzman

RESPONSE: Pursuant to the assumption that LWC would design, build, own, and operate Section 2, LWC would consider selling Section 2 to a public entity(s), the Bluegrass Water Supply Commission, and/or Kentucky-American Water Company. LWC has not estimated a sale price, but could evaluate such an option if requested by the Central Kentucky water suppliers. LWC does not contemplate that the asking price would differ depending upon the identity of the purchaser. LWC would also consider financing all or a portion of Section 2 of the pipeline.

11. If Section 2 is not ultimately designed, built, owned, and operated by a “public” entity(s) or a public-private partnership, but is instead built, owned, and operated solely by Kentucky-American Water Company (“KAWC”), how much of an increase in the \$88.1M estimated project cost is anticipated? (assume that all other factors would be the same and utilizing the return on rate base used by Attorney General witness Scott Rubin).

Responsible Witness: Greg Heitzman

RESPONSE: LWC has not computed an estimated project cost based upon sole ownership by Kentucky-American. There may be some increase in costs with private ownership due to potential tax savings under public ownership alternatives (i.e. 6 percent materials sales tax). It may be appropriate for KAWC to provide such a cost estimate for Section 2 from Highway 53 in Shelby County to Newtown Pike in Fayette County.

12. What public and private entity(s) does LWC envision or anticipate designing, building, owning, and/or operating Section 2?

Responsible Witness: Greg Heitzman

RESPONSE: The public/private ownership would be open to all water providers benefiting from the Louisville Pipeline as well as local and state government entities. This includes existing public entities such as the LFUCG, Bluegrass Water Supply Commission, the Kentucky River Authority, the Kentucky Infrastructure Authority, or others.

13. With respect to the proposed Shelby County and Franklin County pump stations please provide the following information and any and all related documents:
- a. Date(s) that all necessary approvals will be obtained
 - b. Date that construction will commence.
 - c. Date construction will be completed.

Responsible Witness: Greg Heitzman

RESPONSE: The required approvals for the pipeline, pumping, and storage facilities will be obtained and completed in time to enable the construction and completion of the Louisville Pipeline, as described in the proposal set forth in the rebuttal testimony of Greg Heitzman. A project schedule is provided in response to Request Nos. 1 and 2 above.

14. With respect to the proposed Shelby County and Franklin County storage facilities please provide the following information and any and all related documents:
- a. Date(s) that all necessary approvals will be obtained.
 - b. Date that construction will commence.
 - c. Date construction will be completed.

Responsible Witness: Greg Heitzman

RESPONSE: Please see the response to Request No. 13 above.

15. When will a detailed “final design” for a pipeline solution be conducted and completed?

Responsible Witness: Greg Heitzman

RESPONSE: The final design for the various sections will be completed in accordance with the schedule identified in the response to Request Nos. 1 and 2 above.

16. When will a “water blending” analysis be conducted and completed?

Responsible Witness: Greg Heitzman

RESPONSE: A water blending analysis will be conducted as part of the preliminary design and will be completed in accordance with the schedule identified in the response to Request No. 2 above.

17. When will a detailed “final design” to the transmission system to Fayette County be conducted and completed?

Responsible Witness: Greg Heitzman

RESPONSE: Please refer to the response to Request No. 15 above.

18. When will the necessary detailed hydraulic analyses be conducted and completed?

Responsible Witness: Greg Heitzman

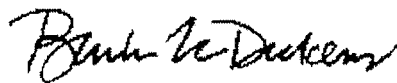
RESPONSE: A detailed hydraulic analysis will be conducted as part of the preliminary design and will be completed in accordance with the schedule identified in the response to Request No. 2 above.

19. Please provide any and all related documents that support your answers to any of the above questions.

Responsible Witness: Greg Heitzman

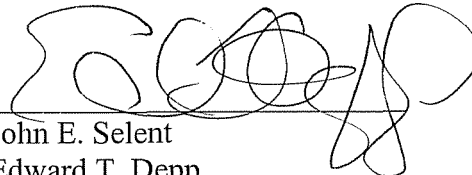
RESPONSE: Documents relied upon, if any, in responding to a data request have been produced in conjunction with the response to that specific data request.

Respectfully submitted,



Barbara K. Dickens
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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 data requests of the Lexington-Fayette Urban County Government 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 data requests of the Lexington-Fayette Urban County Government 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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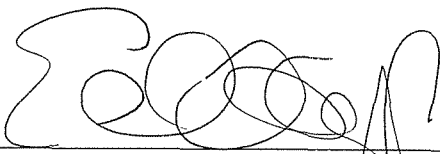
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