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AUG 28 2007

PUBLIC SERVICE  
COMMISSION

August 27, 2007

**VIA FEDERAL EXPRESS**

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 eleven (11) copies, each, of the responses of Louisville Water Company ("LWC") to the data requests of:

- (i) the Commission; ✓
- (ii) the Attorney General; ✓
- (iii) the Bluegrass Water Supply Commission; and
- (iv) the Citizens for Alternative Water Solutions. ✓

Please file-stamp one copy of each response and return it to us in the enclosed, self-addressed stamped envelope.

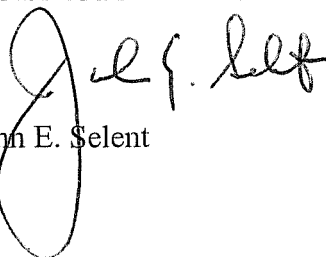
In addition, please note that, as a result of the voluminous nature of the data requests that LWC received in this matter, it has been yet unable (despite its best efforts) to complete its responses to the 134 data requests (not counting subparts) that Kentucky-American Water Company ("KAWC") served upon it. LWC is continuing to work on its responses to KAWC's data requests, and it will file those responses as soon as possible (with copies of documents responsive to those data requests being filed and served the following week).

Please also note that, due to the voluminous nature of the data requests it received in this matter, LWC has not had sufficient time to gather and copy the responsive documents that are referenced in its responses being filed today. Document gathering and copying work is ongoing at LWC, and LWC anticipates filing the responsive documents associated with today's filings by the end of this week.

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

Very truly yours,

**DINSMORE & SHOHL LLP**



John E. Selent

JES/mbt

Enclosures

cc: All Parties of Record (w/encl.)  
Barbara K. Dickens, Esq. (w/ encl.)  
Edward T. Depp, Esq. (w/o encl.)

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 28 2007

PUBLIC SERVICE  
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 COMMISSION**

Louisville Water Company (“LWC”), by counsel, hereby responds to the data requests of the Public Service Commission of the Commonwealth of Kentucky (“Commission”) as follows.

1. Provide all correspondence, electronic mail, and memoranda between LWC and the Kentucky Transportation Cabinet or Kentucky Highways Department regarding the construction of a water transmission main that is 24 or more inches in diameter along Interstate Highway 64.

**RESPONSE:**

None.

2. Provide all correspondence, electronic mail, and memoranda between LWC and any federal government agency regarding the construction of a water transmission main that is 24 or more inches in diameter along Interstate Highway 64.

**RESPONSE:**

None.

3. List and describe all meetings and conversations between representatives of LWC and the Kentucky Transportation Cabinet or Kentucky Highways Department regarding the construction of a water transmission main that is 24 or more inches in diameter along Interstate Highway 64.

**RESPONSE:**

LWC objects that the phrase “representatives of LWC and the Kentucky Transportation Cabinet or Kentucky Highways Department” is vague and ambiguous. Without waiving its objections, LWC states that it has not had any contact with Kentucky Transportation Cabinet or Kentucky Highways Department officials regarding this issue, although it has had preliminary discussions with District 5 Highway Department officials regarding the widening of I-64 in Jefferson County. LWC has had discussions with highway design consultants regarding the feasibility of constructing utilities in the right-of-way.

4. List and describe all meetings and conversations between representatives of LWC and any federal government agency regarding the construction of a water transmission main that is 24 or more inches in diameter along Interstate Highway 64.

**RESPONSE:**

None.

5. Assume Kentucky-American Water Company (“Kentucky-American”) contracts with LWC for the supply of water to central Kentucky and that LWC constructs a water transmission main from its current facilities to Fayette County to transport the purchased water.

Describe the portions of the transmission main that would be located in or along Interstate Highway 64 right-of-way.

**RESPONSE:**

LWC has a contract with KAWC for the supply of water to central Kentucky in an agreement dated November 12, 1998.

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 it would follow a route that already has significant development and is already encumbered by the interstate highway and other utilities. LWC anticipates that its facilities would be installed parallel to I-64 along with other existing utility easements on that route.

6. Assume that Kentucky-American Water Company contracts with LWC for the supply of water to central Kentucky, that LWC constructs a water transmission main from its current facilities to Fayette County to transport the purchased water, and that LWC is not allowed access to the proposed transmission from Interstate Highway -64 for construction or maintenance.

- a. State the width of the right-of-way that LWC will require for the proposed transmission main.
- b. State whether LWC must purchase access right of ways to the right of way for the proposed transmission main.

**RESPONSE:**

a) LWC's standard practice is to obtain fifty foot (50') easements for transmission mains.

b) Where necessary, LWC typically purchases easements (with rights of ingress and egress) required for pipeline construction, operation and maintenance.

7. Describe the differences in right-of-way purchases, construction methods, and maintenance practices when a 36-inch water transmission main parallels a limited access interstate highway and when such main parallels a state highway or local road.

**RESPONSE:**

The right of way purchases, construction methods, and maintenance practices are similar when a water main is constructed parallel to a limited access interstate highway, compared to a state highway or local road. In the case of a interstate right of way, the permit granted by the Highway Department will control the access and restrictions involved with construction and maintenance from the interstate highway. Where easements and/or property is purchased, the agreement will include access rights from a public right of way (i.e. an intersecting or parallel state or local right of way). The easement agreement will include provisions for ingress and egress for construction, operation and maintenance. In addition, temporary easements or permits can be obtained to facilitate construction of the pipeline facilities. LWC has several pipeline facilities located parallel to existing interstate right of ways.

8. Describe LWC's experience constructing water transmission mains along interstate highway corridors.

**RESPONSE:**

LWC has extensive experience in constructing water transmission mains ranging from 16-inches to 60-inches in diameter along and across the following interstate highway corridors: (i) I-264, I-265, I-64, I-65 and I-71 in Jefferson County; (ii) I-65 in Bullitt County; and (iii) I-71

in Oldham County. Most recently, LWC installed a 36-inch water main both parallel to and crossing the Gene Snyder Express (I-265) in northeast Jefferson County, a 16-inch crossing of I-71 near Highway 329 in Oldham County, a 16-inch crossing of I-65 near Highway 480 in Bullitt County, and a 16-inch crossing of I-65 near Chapeze Lane in Bullitt County.

9. Assume Kentucky-American Water Company contracts with LWC for the supply of water to central Kentucky and that LWC constructs a water transmission main from its current facilities to Fayette County to transport the purchased water.

- a. Describe the benefits of constructing the water transmission main along an interstate highway corridor.
- b. Describe the disadvantages of constructing the water transmission main along an interstate highway corridor.
- c. List and describe the permits and approvals necessary to construct a water transmission main along an interstate highway. State the expected time required to obtain each permit or approval.

**RESPONSE:**

a) The primary benefit of the I-64 route is that the interstate corridor already exists as a major transportation corridor, including communications and natural gas utilities. Furthermore, I-64 is being widened from Jefferson County to Franklin County, with construction presently underway for the portion in eastern Shelby County. The portion of I-64 from I-265 to Kentucky Highway 53 will be under construction in 2008 and coordination of the pipeline installation with this major interstate work will reduce pipeline construction costs.

b) LWC is not aware of any significant disadvantages associated with the Louisville Pipeline.

c) Please refer to the following chart.

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

10. State whether LWC's estimate of \$56 million for the cost of constructing 42 miles of water transmission mission, as set forth in its presentation to Lexington-Fayette Urban County Government, includes the costs associated with a crossing of the Kentucky River.

**RESPONSE:**

LWC's initial cost estimates included customary base costs for a Kentucky River crossing. LWC acknowledges that there are potentially higher-than-base costs that may be associated with a Kentucky River crossing, and the consulting firm of R. W. Beck has been retained by LWC to conduct an independent analysis and update cost estimates for the Louisville Pipeline to 2007 cost levels. R. W. Beck 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"). This effort will include any premium costs associated with a Kentucky River crossing. 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.



11. Assume Kentucky-American Water Company contracts with LWC for the supply of water to central Kentucky and that LWC constructs a water transmission main from its current facilities to Fayette County to transport the purchased water. Identify the permits and regulatory approvals that are necessary for a crossing of the Kentucky River.

**RESPONSE:**

Please refer to the response to data request 9(c).

12. On July 31, 2007, LWC filed with the Commission its response to a request for records that Commission Staff submitted pursuant to the Open Records Act. State whether LWC's response is complete and contains all records that were requested. If not, provide all documents not previously provided that are responsive to Commission Staff's request.

**RESPONSE:**

LWC's response to the Commission's open records request was complete and accurate as of the date of the response. As stated in the response, there were at least two known documents not completed at the time of the July 30, 2007 response and LWC agreed to supply those documents upon receipt of them. LWC is providing one of those documents (the Plant Capacity Study) with its document production related to these requests. The second document (the R. W. Beck study being conducted to analyze the respective costs of the Louisville Pipeline and KAWC's Pool 3 proposal) is being finalized and is expected to be complete in September. LWC will supplement its response to the Commission's open records request upon finalization of that study.

13. Refer to the Prefiled Direct Testimony of Greg Heitzman, Exhibit 2 at 10. State whether entities taking water from the Interstate 64 Pipeline at any point from Interstate Highway 265 to Kentucky Highway 53 will pay a charge in addition to the proposed wholesale rate of \$1.71 per 1,000 gallons to cover the cost of the Pipeline.

**RESPONSE:**

LWC will not assess an additional charge to cover the cost of the Louisville Pipeline between I-265 and Highway 53.

14. Refer to the Prefiled Direct Testimony of Greg Heitzman, Exhibit 2 at 10. State whether, if LWC finances the portion of the water transmission main from Kentucky Highway 53 to Fayette County, an additional charge will be assessed to entities that receive water from a point east of Kentucky Highway 53. If yes, state the anticipated amount of this charge.

**RESPONSE:**

Several entities could finance this portion of the Louisville Pipeline, but if the participating utilities request that LWC finance this portion of the project, LWC would expect to recoup the full amount of this capital investment, plus a return on this investment as a part of the terms and conditions negotiated with utilities buying wholesale water delivered through the pipeline. LWC has not yet conducted the detailed cost of service study that would be necessary to project the anticipated amount of this charge.

15. Refer to the Prefiled Direct Testimony of Greg Heitzman, Exhibit 2 at 11. State whether the total expected cost of \$82 million to construct the Interstate Highway 64 Pipeline to Fayette County includes the cost of purchasing highway right-of-way.

**RESPONSE:**

LWC has not performed a detailed, final design of a pipeline of a pipeline to Fayette County. LWC's initial construction cost estimates of \$82 million were developed using customary conceptual level costs for capital budget planning purposes. LWC has retained R. W. Beck to conduct an independent analysis to update estimates of the Louisville Pipeline alternative 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"). This effort will include updating estimated costs associated with purchasing necessary access to rights-of-way. 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.

16. Refer to the Prefiled Direct Testimony of Greg Heitzman, Exhibit 2 at 11. Explain the meaning of the term "Minimum Capacity" as used in the table.

**RESPONSE:**

The minimum capacity as used in the table is the approximate quantity of water, in millions of gallons per day, which can be delivered through a pipeline of that size at a velocity of five feet per second.

17. Refer to the Prefiled Direct Testimony of Greg Heitzman, Exhibit 2 at 11. State the meaning of the term "Minimum Take or Pay." Describe how the minimum amount was determined.

**RESPONSE:**

The minimum take or pay as used in the table is the quantity of water, in millions of gallons per day, which a utility must agree to purchase from LWC as part of a long term contract in order to connect a water main of that size to the LWC system at the intersection of I-64 and Highway 53. The minimum amount was determined by considering the anticipated earnings from that quantity of water sales and the associated investment risk.

18. Provide all studies, analyses, and reviews that LWC performed to obtain the proposed rate of \$1.71 per 1,000 gallons.

**RESPONSE:**

Please refer to paragraph 6.03 of the attached LWC 2007 Rate Schedule. Please also refer to schedules 1-7 in the attached LWC 2007 Rate Study.

19. Refer to the Prefiled Direct Testimony of Greg Heitzman, Exhibit 2 at 9. State the basis for the statement that central Kentucky needs an “[a]dditional reliable source of supply by 2010.”

**RESPONSE:**

In addition to KAWC’s repeated public comments regarding this issue, LWC notes that KAWC’s website also contains at least one document stating that “Central Kentucky needs an additional reliable source of supply by 2010. This document is available at: <http://www.bluegrasswater.com/news/2007-03-30-wsp.html> with the following headline and dateline:

**KENTUCKY AMERICAN WATER FILES APPLICATION WITH PUBLIC  
SERVICE COMMISSION FOR WATER SUPPLY PROJECT**

**Approval requested for constructing new water treatment plant and waterline to  
address Central Kentucky's water supply deficit**

Lexington, Ky., (March 30, 2007)

The document contains the following two statements from KAWC.

- “The company plans to begin construction this fall with the project being completed in 2010.”
- “Hundreds of thousands of visitors will be coming to the Bluegrass for the Alltech FEI World Equestrian Games in 2010.”

20. Refer to Letter from Barbara K Dickens, LWC Vice President and General Counsel, to Beth O'Donnell, Executive Director (July 30, 2007). In response to Item 9 of Commission Staff's request for documents pursuant to the Open Records Act, LWC states that it has provided a copy of a presentation that LWC made to Oldham County Water District on April 11, 2007. A copy of this presentation has not been found in the materials that LWC provided. Provide a copy of this presentation.

**RESPONSE:**

The Oldham County presentation is being provided to the Commission as a part of LWC's document production related to these requests. It had been inadvertently omitted during the course of assembling LWC's voluminous response to the open records request.

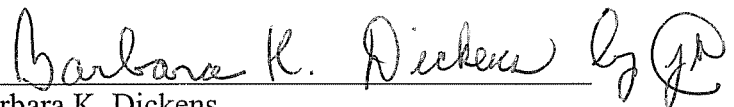
21. Refer to Letter from Barbara K Dickens, LWC Vice President and General Counsel, to Beth O'Donnell, Executive Director (July 30, 2007). In response to Items 7 and 8 of

Commission Staff's request for documents pursuant to the Open Records Act, LWC provided a copy of its 2002-2020 Facilities Plan. The copy of Volume 2 does not contain Chapters 5 through 7. Provide a complete copy of Volume 2.

**RESPONSE:**

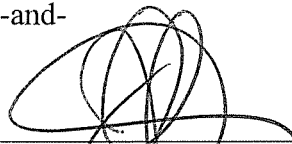
Chapters 5 through 7 of the Facilities Plan were inadvertently omitted during the copying of LWC's voluminous response. Those chapters have been subsequently provided to the Commission and KAWC.

Respectfully submitted,



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-and-



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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 27<sup>th</sup> day of August, 2007:

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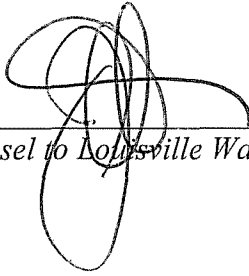
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*Counsel to Louisville Water Company*