

COMMONWEALTH OF KENTUCKY
BEFORE THE 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)

COMMISSION STAFF'S SECOND SET OF INTERROGATORIES
AND REQUEST FOR PRODUCTION OF DOCUMENTS TO
LOUISVILLE WATER COMPANY

Louisville Water Company ("LWC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 29, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

LWC shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which LWC fails or refuses to furnish all or part of the requested information, the LWC shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Final Report, Comparison of the Louisville Pipeline and Pool 3 Options to Serve Central Kentucky Water Customers (“Beck Report”), Table 3-1.

a. State the basis for the estimate that the cost of permitting and easements will equal 5 percent of construction cost. Provide all studies and analyses that the Beck Report’s authors used to derive this estimate.

b. State the basis for the estimate that engineering, legal, and administrative costs will equal 20 percent of construction costs. Provide all studies and analyses that the Beck Report’s authors used to derive this estimate.

c. State whether the authors of the Beck Report reviewed and considered Ms. Linda Bridwell’s written testimony in this matter when developing his estimate of easement costs and legal costs. If yes, state the weight given to this testimony.

d. Provide a detailed calculation of the construction cost estimate of \$73,023 for the pipeline from KY 53 to Lexington as shown at Table 3-1.

2. Refer to the Beck Report, Section 1.2.

a. Explain why the Beck Report’s authors assume that the Louisville Pipeline Option (“LWC Pipeline”) will have 100 percent public ownership.

b. Identify the public entity or entities that are expected to own the LWC Pipeline. For each public entity listed, list and describe the financial resources that such entity will have available to finance the construction of the LWC Pipeline.

c. Identify the entity that will oversee construction of the LWC Pipeline.

d. (1) Provide a revised Phase 1 (2030) Analysis that assumes Kentucky-American Water Company ("Kentucky-American") will fund 80 percent of the cost of the LWC Pipeline Option and the remaining 20 percent will be publicly financed. Provide all workpapers, show all calculations and state all assumptions used to prepare this revised analysis.

(2) Provide a revised Phase 2 (2050) Analysis that assumes Kentucky-American will fund 80 percent of the cost of the LWC Pipeline Option and the remaining 20 percent will be publicly financed. Provide all workpapers, show all calculations and state all assumptions used to prepare this revised analysis.

e. Identify all public entities with which LWC has discussed construction and ownership of the pipeline from KY 53 to Lexington.

f. In his rebuttal testimony, Mr. Heitzman states that the LWC Pipeline will be completed in 2012. State the basis for this anticipated completion date.

g. Kentucky-American estimates that the proposed Pool 3 project will be completed in April 2010, approximately 2 years sooner than the LWC Pipeline. Describe the economic effects on Central Kentucky of a 2-year delay in the source of supply project if a drought of record occurs during that time.

h. Explain why the LWC Pipeline cannot be completed by 2010.

3. Refer to Kentucky-American's Response to Commission Staff's First Set of Interrogatories and Requests for Production of Documents, Item 6 at 21. State whether the authors of the Beck Report considered any of the non-economic factors considered in the Gannet Flemming Report. If yes, describe the weight given to each listed non-economic factor. If no, explain why these factors were not considered.

4. Refer to the Beck Report, Appendix B-1. Reconcile the amount reported for each operating expense account for the year 2010 in the Pool 3 Option to those included at page 6 of Kentucky-American's Application.

5. Refer to the Beck Report, Section 3, Phase 1 (2030) Analysis. Provide all workpapers and show all calculations that were made to develop this analysis.

6. Refer to the Beck Report, Section 4, Phase 2 (2050) Analysis. Provide all workpapers and show all calculations that were made to develop this analysis.

7. Refer to the Beck Report, Section 5, Alternative LWC Pipeline Proposal. Provide all workpapers and show all calculations that were made to develop the 36-inch pipeline alternative.

8. Refer to the Beck Report, Appendices A and B.

- a. Provide the tables in these appendices in a font size of 12 or greater.
- b. Explain why state and federal income taxes are not included in operating expenses that will result from the return on the capital invested in the new facilities for the Pool 3 Option.
- c. Explain why the purchased water costs of the LWC option do not reflect the LWC rates included in the proposal included in Mr. Heitzman's Rebuttal Testimony.

d. Describe how the Beck Report was used to develop the proposal set forth in Mr. Heitzman's Rebuttal Testimony.

9. In Section 4, Phase 2 (2050) Analysis, of the Beck Report, its author states that "LWC has indicated they will increase the capacity of the B.E. Payne Plant by 15 to 30 MGD before 2030, and those costs will be reflected in the wholesale rate."

a. Provide a cost estimate for the B.E. Payne Plant expansion.

b. Describe how the LWC wholesale rate was adjusted to reflect the recovery of the B.E. Payne Plant expansion.


10. At page 2 of his rebuttal testimony, Mr. Heitzman states that "LWC will guarantee the rate of \$1.71 at the delivery point through December 31, 2015."

a. State whether the Beck Report reflects this price guarantee.

b. If the Beck Report does not reflect this price guarantee, state the effect, if any, that the proposed guarantee has upon the Beck Report analysis. Provide all workpapers and show all calculations used to compute the impact.

c. State whether, in light of the LWC Pipeline's projected completion of 2012, the proposed price guarantee is effectively limited to a 3-year period.

11. State whether LWC has considered assuming ownership of the entire LWC Pipeline from the point of origination in Jefferson County, Kentucky to the point of termination in Fayette County, Kentucky. If yes, explain why LWC has not proposed this option as an alternative. If no, explain why not.



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DATED: October 15, 2007
cc: Parties of Record