

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:)	
)	
THE INVESTIGATION INTO THE FEASIBILITY)	CASE NO. 2001-117
AND ADVISABILITY OF KENTUCKY- AMERICAN)	
WATER COMPANY'S PROPOSED SOLUTION TO)	
ITS WATER SUPPLY DEFICIT)	

RESPONSE OF KENTUCKY-AMERICAN WATER COMPANY
TO THE COMMISSION'S ORDER DATED JANUARY 11, 2002

On January 11, 2002, the Public Service Commission issued an Order in Case No. 2001-117 and asked for comments upon and objections thereto by January 22, 2002. The Order presented the background of the Commission's review of Kentucky-American Water Company's (KAWC) water supply deficit and preliminary findings of fact in the current status of the resolution of KAWC's water supply and treatment capacity deficits.

The Commission has prepared an in-depth review of both the background and current information available in its efforts. KAWC recognizes the Commission's extensive analysis of information from stakeholders that have heretofore been only on the periphery of Commission proceedings. The comprehensiveness of the proceeding and data gathering is appropriate and responsible.

As the Commission noted, on December 9, 1999, the Lexington-Fayette Urban County Government (LFUCG) Council passed a resolution indicating its preference for a Kentucky River solution. KAWC elected to acquiesce to the resolution because a Kentucky River solution appeared to be the most likely to be implemented in a reasonable time period as the public focus and stakeholder cooperation attendant to the government's process would

accelerate implementation. As the Commission has concluded, information available since 1999 has made the implementation of a Kentucky River solution appear less feasible and, if even possible, in only an unacceptably long timeframe.

Any Kentucky River solution that includes withdrawals from Pool 4 or above will require the enhancement of storage capacity to meet the existing deficit. Therefore, resolving the source of supply and treatment capacity deficits will require either a new treatment facility on the Kentucky River in Pools 1, 2 or 3, or water from an Ohio River treated water facility.

The Commission expressed its concern with the difference between actual population growth and population projections used throughout the water supply investigations. Since actual growth has been greater than projected growth, the water treatment and source of supply deficits are even greater than originally presented in Case No. 93-434. The 2020 peak day demand projection has grown from 74.12 mgd in 1994¹ to the current 83.66 mgd² due to increases in population projections. The demand projections are currently being revised to incorporate 2001 demands and 2000 census information. This underestimation of demand based on Kentucky State Data Center population projections further increases the already existing urgency for a timely solution that was highlighted by the drought of 1999.

As requested by the LFUCG Council in its resolution, KAWC has worked with other area water utilities to pursue regional solutions through the Bluegrass Water Supply Consortium (Consortium). The Bluegrass Area Development District is facilitating the Consortium efforts. As the Commission noted in its Order, there is a water supply deficit in the entire Kentucky River basin. Further, other Central Kentucky utilities are facing treatment capacity deficits. The

¹ Rebuttal Testimony of Linda C. Bridwell, PE, Kentucky-American Water Company, Attachment A, 1994, Case No. 93-434.

² Report to Public Service Commission, filed by Kentucky-American Water Company, March 21, 2001.

Consortium's efforts are designed to achieve an equitably shared, long-term solution that can also enhance reliability for each Consortium member. The findings of the Commission can help direct the Consortium's efforts in implementing a solution. The Consortium has initiated an alternatives study which will be completed this fall. The purpose of this study is to clearly define the most technically sound, cost effective, feasible solution for the region. The study will incorporate ratepayer impact estimates and an implementation plan.

Kentucky-American applauds the efforts of the Commission in establishing this proceeding and its comprehensive review of the most current information available. The protection of public health and sustained economic viability of Central Kentucky is dependent on adequate water availability, and the resolution of the current deficits should be a shared goal for all stakeholders. The revised procedural schedule allows for a reasonable review of any additional information or objections. Kentucky-American Water Company looks forward to participation in this critical agenda, and will use the results of this Commission toward a focused direction for a timely resolution of the water supply deficit.

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ATTORNEYS FOR KENTUCKY-AMERICAN
WATER COMPANY

CERTIFICATION

In conformity with paragraph 10 of the Commission's Order dated May 15, 2001, this is to certify that the electronic version of this Response is a true and accurate copy of this Response filed in paper medium; that the electronic version of the filing has been transmitted to the Public Service Commission; that Kentucky-American Water Company has notified the Commission, the Attorney General, N.O.P.E., Inc., the Bluegrass Water Supply Consortium and the Lexington-Fayette Urban County Government by electronic mail that the electronic version of this Notice has been transmitted to the Commission; that a copy has been served by mail upon David E. Spenard, Esq., Assistant Attorney General, Utility and Rate Intervention Division, 1024 Capital Center Drive, P.O. Box 2000, Frankfort, Kentucky 40602-2000; Edward W. Gardner, Esq. and David Barberie, Esq., Lexington-Fayette Urban County Gov't., Department of Law, 200 East Main Street, Lexington, Kentucky 40507; Phillip J. Shepherd, Esq. and Joe F. Childers, Esq., 307 West Main Street, P. O. Box 782, Frankfort, Kentucky 40602; Damon R. Talley, P.O. Box 150, 112 North Lincoln Boulevard, Hodgenville, Kentucky 42748, and hand delivered to Gerald E. Wuetcher, Esq., Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, and that the original and three (3) copies have been filed with the Public Service Commission in paper medium, all this the 22nd day of January, 2002.

STOLL, KEENON & PARK, LLP

BY: /s/ Lindsey W. Ingram, Jr.