

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN INVESTIGATION INTO THE FEASIBILITY AND)
ADVISABILITY OF KENTUCKY-AMERICAN WATER) CASE NO.
COMPANY'S PROPOSED SOLUTION TO ITS WATER) 2001-00117
SUPPLY DEFICIT

LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT'S MOTION

Comes now the Lexington-Fayette Urban County Government ("LFUCG"), by counsel, and in support of its Motion for the Commission to Order Kentucky-American Water Company ("KAW") to Supplement the Record in this Proceeding with the consultant report identified in PSC Case No. 2006-00197, states as follows.

1. In PSC Case No. 2006-00197, KAW raised the issue of its need for capital to fund its water supply deficit plan. In response to a question from the Attorney General¹, KAW indicated that it had engaged a consultant to review both the Bluegrass Water Supply Commission's ("BWSC") regional plan and its own plan. KAW has to date refused to provide the consultant's report in that case (the "Report"), stating that it is a draft report and that it will not be

¹ Case No. 2006-00197, Joint Petitioners' Response to Attorney General Requests for Information, Request No. 30.

provided until KAW files a certificate of convenience case for “the new water treatment plant in the Spring of 2007.”²

2. One of the major purposes for the Commission initiating Case No. 2001-00117 was to compare the cost-effectiveness of measures proposed by various parties to resolve the water supply faced by KAW. In its order of May 15, 2001, at page 3, the Commission defined the scope of the investigation in this proceeding as follows:

The purpose of this investigation is fourfold: first, to identify the measures necessary to enable the Kentucky River to adequately supply the total requirements of Kentucky-American's customers in 2020; second, to ascertain their cost and the likelihood of their implementation in sufficient time to meet 2020 customer demand; ***third, to compare the cost-effectiveness and feasibility of these measures with other alternatives***; and fourth, to assess Kentucky-American's ability to meet its short-term deficit. We further recognize that, as this investigation proceeds, some consideration may also need to be given to the effect of Kentucky-American's plans on other utilities that rely upon the Kentucky River as a source of supply as well as the effect of those utilities' usage. (emphasis added).

3. On March 14, 2006, KAW publicly announced for the first time (at an informal PSC conference in this proceeding requested by the company) that it intended to build its own treatment plant to meet the water supply deficit, rather than pursuing a regional solution to water supply concerns for the entire Central Kentucky region in conjunction with the BWSC.

² Case No. 2006-00197, Joint Petitioners' Response to Attorney General Supplemental Request No. 3 and LFUCG Supplemental Request No. 7.

4. On July 21, 2006, the BWSC filed a Supplement Engineering Report prepared by its engineering firm, which indicated that a regional treatment plant would result in lower costs for all Central Kentucky water users, ***including KAW's customers***, than would KAW's go-it alone approach. See Supplement Engineering Report on Behalf of Bluegrass Water Supply Commission, PSC Case No. 2001-00117.

5. KAW apparently does not intend to compare the cost-effectiveness and feasibility of its preferred measure with the BWSC alternative as part of this proceeding unless ordered to do so by Commission.

6. It is clear that there are now two separate plans moving forward to address the Central Kentucky water supply deficit, with KAW making little (if any) apparent effort to consider a potential lesser cost alternative to meet both its own or the regional deficit.

7. Any solution to the water supply deficit issue that ignores a potentially lower cost solution for KAW's ratepayers is not in the public interest.

8. By ordering KAW to provide this Report, the Commission will have a more complete record of material information that directly relates to the cost-effectiveness comparison that has been defined by the Commission as a central issue in this proceeding since May 2001.

9. It is not efficient, economical, or reasonable for KAW to withhold the type of information contained in the Report until its own plan has proceeded

to the point of requesting a certificate of convenience. This is an issue of direct concern to the LFUCG as well as thousands of ratepayers in its jurisdiction, and such an approach will not result in rational least cost decision-making.

10. In order for the Commission and the parties to expeditiously and rationally compare the cost-effectiveness and feasibility of the two plans for KAW ratepayers, the Report must be made available for immediate review.

WHEREFORE, the Lexington-Fayette Urban County Government, respectfully requests that the Commission Order Kentucky-American Water Company to immediately file in the record of this case the consultant report referred to by the company in PSC Case No. 2006-00197, and to timely supplement it as additional information becomes available.

Respectfully submitted,

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CERTIFICATION

In accordance with the Commission's procedural orders the undersigned counsel hereby certifies that the original and three copies of the foregoing document have been filed by United States Mail, first class postage prepaid, with Elizabeth O'Donnell, Executive Director, Public Service Commission, P.O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615, and by uploading the document to the file transfer protocol site designated by the Commission. The undersigned counsel hereby certifies that the electronic version is a true and accurate copy of the document(s) filed in paper medium, the electronic version has been transferred to the Commission, and the Commission and other parties have been notified by electronic mail that the electronic version has been transmitted to the Commission. Undersigned counsel also certifies that a copy of the foregoing was served by first class U.S. Mail delivery, postage prepaid, on the following, all on this the 8th day of September, 2006:

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