

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
)
THE APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR A CERTIFICATE OF) **CASE NO. 2014-00258**
CONVENIENCE AND NECESSITY AUTHORIZING)
THE CONSTRUCTION OF RICHMOND ROAD)
STATION FILTER BUILDING IMPROVEMENTS)

APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY

Pursuant to KRS 278.020(1) and 807 KAR 5:001, Section 15, Kentucky-American Water Company (“KAW”), by counsel, hereby petitions the Kentucky Public Service Commission (the “Commission”) for a certificate of public convenience and necessity authorizing the construction of a filter building, eight filters, a chlorine contact basin and a backwash tank at KAW’s Richmond Road Station to replace the existing filter building which was built ninety years ago. The public convenience and necessity require the construction of these improvements so that KAW can safely meet both present and future water quality and operational needs. In support of its Application, KAW states as follows:

1. KAW is a corporation organized and existing under the laws of the Commonwealth of Kentucky with its principal office, place of business, and mailing address at 2300 Richmond Road, Lexington, Kentucky 40502. KAW can be contacted by e-mail via the e-mail addresses of its counsel set forth below. KAW was incorporated on February 27, 1882 and is currently in good standing in the Commonwealth of Kentucky as evidenced by the Certificate of Existence attached as Exhibit A.

2. KAW is a wholly-owned subsidiary of American Water Works Company, Inc. and is engaged in the distribution and sale of water in its Central Division, consisting of Bourbon, Clark, Fayette, Harrison, Jessamine, Scott and Woodford Counties and its Northern Division, consisting of Gallatin, Owen and Grant Counties. It currently owns, operates and maintains potable water production, treatment, storage, transmission and distribution systems for the purpose of furnishing potable water for residential, commercial, industrial and governmental users in its service territory.

3. A certified copy of the Articles of Incorporation of KAW, together with all amendments thereto, are incorporated herein by reference as authorized by 807 KAR 5:001, Section 10(1)(b)(3) and Section 8(3), and were filed as Filing Exhibit No. 4 in Case No. 95-554, *Notice of the Adjustment of the Rates of Kentucky-American Water Company effective on and after February 29, 1996.*

4. KAW operates a water treatment plant in Lexington, Kentucky known as the Richmond Road Station. The filter building at the Richmond Road Station houses sixteen filters, which are critical in transforming raw water into potable water that complies with federal and state water quality standards. The filter building was originally constructed in 1924 and was further expanded in 1938 and 1953. Each of the existing sixteen filters has a capacity of 1.56 million gallons per day (“MGD”) for an overall capacity of 25 MGD. Although improvements have been made to certain components, no major improvements have occurred since the facilities were expanded in 1953.

5. The filter building, a portion of which was constructed ninety years ago, has severely deteriorated. Specifically, there has been a significant loss of the concrete support beams of the operating floor that is located above the pipe gallery. The loss of concrete caused

reinforcing bar, or rebar, to be exposed to a corrosive atmosphere, which posed a potentially catastrophic structural risk. Although remedial measures were undertaken in June 2013 to provide temporary support to the operating floor to avoid a catastrophic failure, it is imperative that a long-term solution is implemented.

6. KAW engaged HDR Engineering, Inc. (“HDR”) to evaluate the existing filter building and provide recommendations to remediate same. HDR’s evaluation demonstrated that the filter building suffered deficiencies with respect to water quality, the required maintenance, its electrical system, its structural integrity, and the clearwell located under the filter building. HDR compiled and analyzed thirteen options for addressing the deficiencies ranging from conventional filtration measures, such as a new filtration building, to alternative technologies, such as ozone biofiltration. A copy of HDR’s evaluation and report is attached as Exhibit B.

7. After thorough review and consideration of the HDR evaluation and report, KAW determined that the construction of a new filter building with eight filters, a chlorine contact basin and a backwash tank was the most reasonable least-cost solution to the pressing concerns at the Richmond Road Station. These improvements, which are described more fully in the direct testimony of Brent E. O’Neill (see attached), are considered a conventional water treatment process that will not require pilot testing. In accordance with 807 KAR 5:001, Section 15(2)(a), the facts relied upon to show that the construction proposed herein is required by public convenience and necessity are set forth in this Application, the HDR evaluation and study attached as Exhibit B, and Mr. O’Neill’s direct testimony.

8. In accordance with 807 KAR 5:001, Section 15(2)(c) and (d)(2), the construction of the facilities shall be completed in accordance with Hazen and Sawyer Basis of Design Memo attached as Exhibit C; the Hazen and Sawyer Specifications and Contract Documents attached as

Exhibit D; the Hazen and Sawyer Project Drawings attached as Exhibit E,¹ and Mr. O’Neill’s testimony. The proposed facilities will not compete with any other public utility, corporation, or person. Exhibit E includes a map to suitable scale as required under 807 KAR 5:001, Section 15(2)(d)(1) showing the location of the proposed facilities.

9. The total estimated capital cost of the project is \$15.6 million. The construction of the facilities as requested herein will be the most reasonable in terms of the investment in relation to efficiency and productivity and will not result in wasteful duplication of facilities or an unnecessary multiplicity of properties. As required by 807 KAR 5:001, Section 15(2)(e), KAW states that the project will initially be funded by available funds from a previous financing or short-term bank borrowings. The manner in which KAW intends to finance the project is set forth more fully in the direct testimony of Linda C. Bridwell, which is attached.

10. As required by 807 KAR 5:001, Section 15(2)(f), KAW anticipates that the annual cost of operation after the proposed facilities are placed into service will be \$135,000 as explained in Ms. Bridwell’s testimony.

11. In accordance with 807 KAR 5:001, Section 15(2)(b) and as explained in Mr. O’Neill’s testimony, the following permits and/or authorizations are required for the project:

(a) Kentucky Division of Water Approval of Plans and Specifications, which has been obtained and is attached as Exhibit F;

(b) Building Permit from the Lexington-Fayette Urban County Government (“LFUCG”) which KAW will apply for later this year;

¹ The Hazen and Sawyer Specifications and Contract Documents (Exhibit D) and the Hazen and Sawyer Project Drawings (Exhibit E) are, at this time, considered to be at the 60% level of detail. In the near future, those documents will be revised until 100% of construction detail is shown. Also, Exhibit E contains critical utility infrastructure information which is confidential, and, therefore, is being submitted confidentially with a Petition for Confidential Treatment filed contemporaneously with this Application.

(c) Land Disturbance Permit from LFUCG which will be applied for in 2015 and which process will also include KAW issuing a Notice of Intent to disturb the land to the Kentucky Division of Water and the Division of Water's subsequent approval thereof; and

(d) Demolition/Wrecking Permit from the LFUCG which will be sought in 2016.

12. As stated, KAW does not have all of the permits and approvals described above in hand, but will file them in this matter as they are obtained. KAW does not believe that a deviation from 807 KAR 5:001, Section 15(2)(b) is required, however, to the extent the Commission disagrees, KAW respectfully requests such a deviation in accordance with 807 KAR 5:001, Section 22 for the good cause of adhering to a permitting timeline process that maximizes efficiencies.


WHEREFORE, KAW respectfully requests that the Commission, pursuant to the authority contained in KRS 278.020(1) and 807 KAR 5:001, Section 15, issue a certificate of public convenience and necessity for the Richmond Road Station Filter Improvements.

Date: July 31, 2014

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that Kentucky American Water's July 31, 2014 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing was transmitted to the Commission on July 31, 2014; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; that a paper copy of the filing will be hand-delivered to the Commission no later than two business days after the electronic filing; and that on July 31, 2014, electronic mail notification of the electronic filing will be provided to the following:

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