2012-00520

I will say that KAW did not put into their request for rate increase that they were lowering their income because Toyota getting smaller water useage.

Stanley Houston

HERALD-LEADER EDITORIAL

20 Jan 2013

Who'll pay: investors or ratepayers?

KENTUCKY AMERICAN PUSHED THROUGH COSTLY PLANT AS DEMAND DECLINED

Kentucky American Water fought hard in 2007 and 2008 to build a treatment plant on the Kentucky River in Owen County. Construction of a booster station and 31 miles of pipeline pushed the price to $164 million.

This new infrastructure — the "largest project completed by American Water in any of its regulated businesses," according to a company official — began operating in 2010.

Now Kentucky American is citing a 10-year decline in customer demand, dating to 2002, as a justification for increasing rates by 17.6 percent.

If approved by the Public Service Commission, this increase, the third in five years, would transfer $12.3 million annually from households and businesses in the Bluegrass to KAW's corporate parent in New Jersey.

In filings with the PSC, KAW says its average residential customer is using 780 gallons of water less a year and that this trend will accelerate as more efficient plumbing fixtures and appliances replace older models.

At this point, you may wonder: Why did KAW insist on such an expensive water supply solution when it knew demand was declining, not just here but nationwide.

Rest assured, says Linda Bridwell, American Water's regional rates and regulation manager, this downward trend is "absolutely not" evidence the project might have been excessive as many, including then-vice mayor, now Mayor Jim Gray tried to warn.

"As demonstrated as recently as the summer of 2012 when KAW utilized 72.8 percent of its water treatment capacity including Kentucky River Station II, the plant was and is necessary for KAW to meet the reasonable demands of its customers," Bridwell told the PSC.

We must be missing something here because 27 percent excess capacity during a drought when there were no watering restrictions or aggressive conservation measures sounds like a pretty comfortable cushion, especially when demand is declining.

KAW also is saying it needs a rate increase to replace revenue the company lost when it ended its billing contract with Lexington. KAW collected city sewer and landfill fees along with water payments.

Lexington paid Kentucky American $1.59 million a year but is now paying the Greater Cincinnati Water Works $2.29 million to handle the city's billing — an additional cost to ratepayers of $700,000 a year.

We'll let that double whammy to your wallet sink in before sharing KAW president Cheryl Norton's explanation.

Ending the billing contract was the only "logical decision," Norton testified, because multiple charges on water bills confused customers.

"One of our key missions is to help customers understand the value of the water service they receive and a key component of that understanding (is) to make the bills as transparent and uncomplicated as possible. The additional services contained in a combined bill continued to undermine that mission."

In other words, suck it up, clarity has its price.

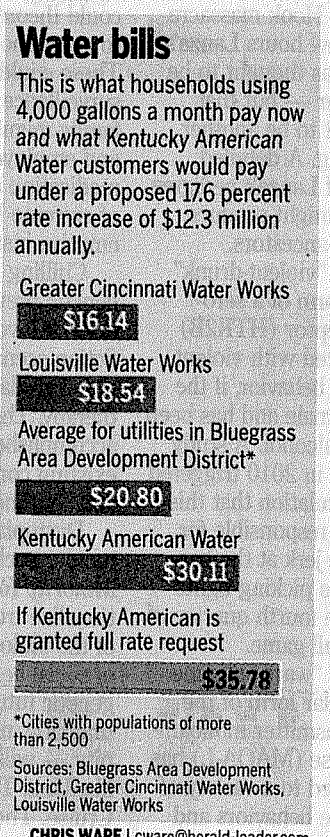
We understand KAW needs adequate revenue from consumers to replace and upgrade infrastructure. Regulated utilities are entitled to a return on equity. (KAW's expert says its return should be in the 10-11 percent range.)

But American Water and its stockholders also should bear some financial risk for the company's decisions.

The PSC, which has the responsibility for allocating that risk, has enabled some bad decisions about Lexington's water in the past. This rate request deserves deeper scrutiny than provided by past PSCs.

Water bills

This is what households using 4,000 gallons a month pay now and what Kentucky American Water customers would pay under a proposed 17.6 percent rate increase of $12.3 million annually.



*Cities with populations of more than 2,500

Sources: Bluegrass Area Development District, Greater Cincinnati Water Works, Louisville Water Works

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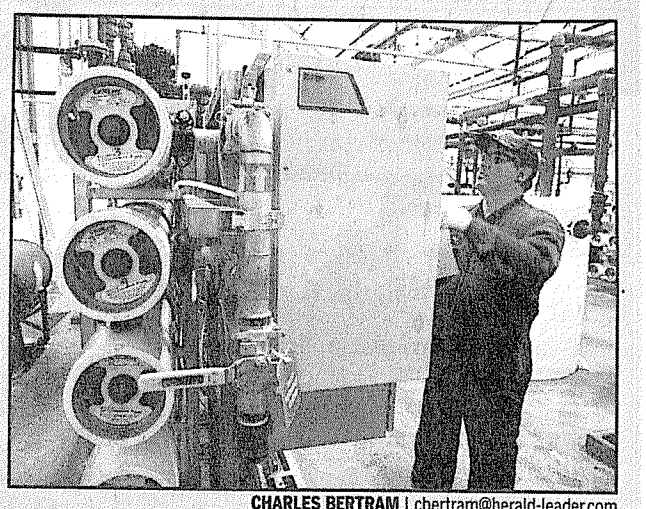
INDUSTRIAL INNOVATION

Georgetown Toyota plant slashing water usage



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Doug Brinker worked in the reverse osmosis room at the Toyota plant in Georgetown. The plant uses roughly 1 million gallons of water each day it operates.

By Scott Sloan
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GEORGETOWN — Trying to reduce costs and help the environment, Toyota's sprawling plant in Georgetown launched a new system this month that they say will save 17 million gallons of water annually.

The plant, Toyota's flagship in North America, uses roughly 1 million gallons of water each of the 260 or so days it's in operation in a year. The water is vital in processes such as painting the Camrys, Avalons and Venzas assembled on site.

Over the years, the factory's workers have found ways to steadily reduce their water usage. For instance, workers once used water to rinse vehicles at four separate points in the painting process. Each vehicle is still rinsed four times, but now the water that's used in the first step is reused in the remaining rinses.

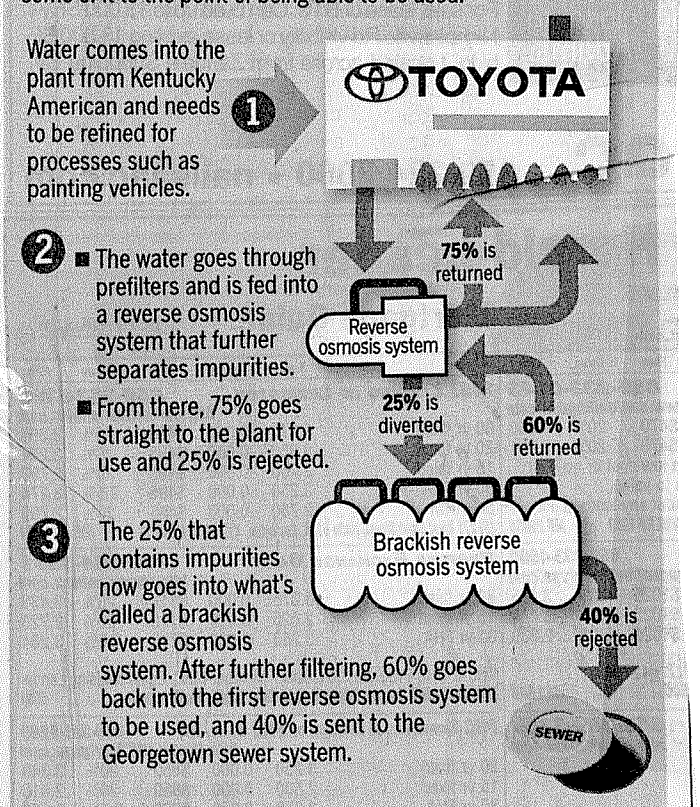
But one area of improvement the plant has sought was to be able to use more of the water that comes to it from provider Kentucky American Water.

The water used in automotive applications must be so

See TOYOTA, B8

SAVING MORE WATER

Toyota has installed a new water system that allows it to process more efficiently the water used on site. Called a brackish reverse osmosis system, it takes water once considered unusable after going through a first reverse osmosis filtering system and cleans some of it to the point of being able to be used.



Source: Toyota Motor Manufacturing Kentucky

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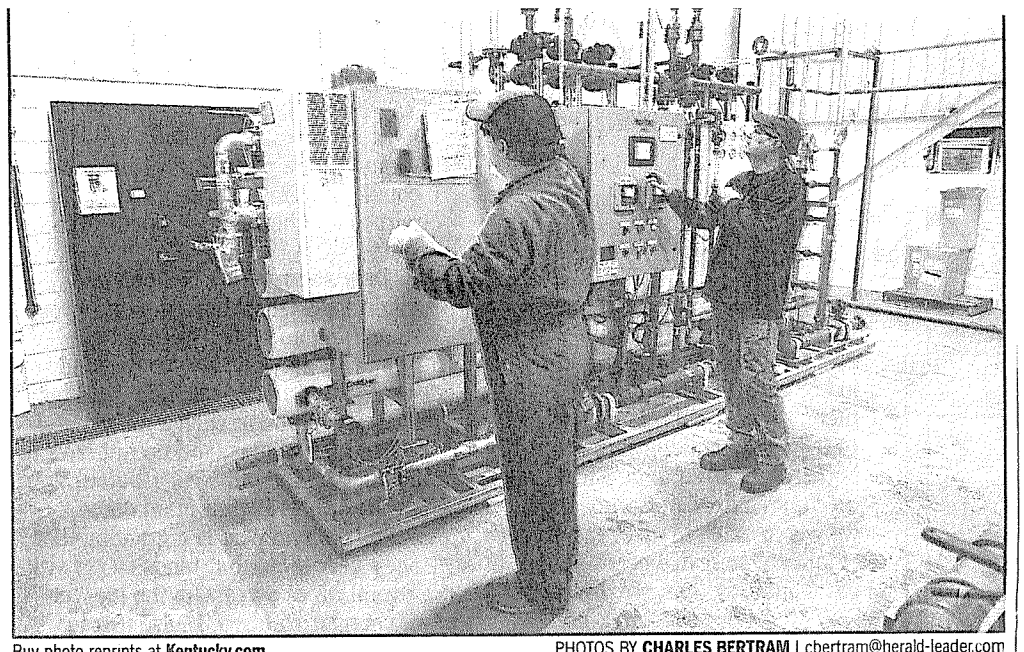

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PHOTOS BY CHARLES BERTRAM | cbertram@herald-leader.com

Doug Brinker, left, and Jeff Bacchus monitored the Georgetown Toyota plant's stringent water refinement system. In an effort to vastly reduce water usage, unfit water is filtered a second time.

TOYOTA

From Page B1

refined that it must be filtered extensively before use, said manufacturing support specialist Bethany Giordano. In 1998, the plant installed a system that uses a process called reverse osmosis, which filters water using high pressures, to help refine the resource.

Once water was filtered through the system, only 75 percent of it was deemed acceptable enough to continue on for use by workers. The remaining 25 percent was sent down the drain, so to speak, to the Georgetown sewer system.

But beginning five months ago, workers began installation of a second reverse osmosis system to essentially filter the filtered water.

"It was a very quick project," Giordano said.

The idea came indirectly from Toyota's factory in Cambridge, Ontario, where the government has sought ways to reduce water usage. Workers at the plant designed a system similar to what Georgetown has installed, and executives at Toyota's manufacturing headquarters in Erlanger, in Northern Kentucky, passed along the idea.

The brackish reverse osmosis system, as it is called, takes the 25 percent of water that is rejected by the first reverse osmosis system and filters it again rather than allowing it to go straight to the sewer. Once filtered, 60 percent of that water is sent back to the first reverse osmosis system to be used again with the remainder sent to the sewer system.

Now less than half of the water that had been rejected for years ultimately ends up down the drain.

The new system is expected to save 17 million of gallons annually, which is roughly the amount of water used on 17 production days. In dollars, it's more than $70,000 a year in savings, said Bill Thiry, assistant manager of utilities engineering and energy management.

The savings are so dramatic that the new system will pay for itself in just seven months, Giordano said.

And it's a better way to truly reduce water usage, Thiry said, noting that some savings in previous years had come by using water that collected in on-site retention ponds.

"We were counting that as water savings, but when you think about it, are you really saving?" he said. "Now we're using something we've already used. We're not taking it from the environment."

Being able to use more of the water it filters will allow the Georgetown Toyota plant to save nearly 17 million gallons a year in water usage. The second reverse osmosis system workers built will pay for itself in just seven months.

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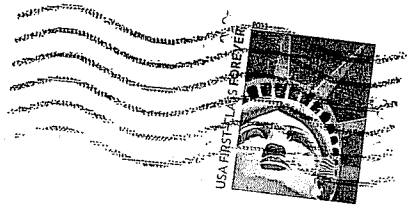

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