

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company ("Kentucky-American"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due 14 days from the issuance of this request. 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 the 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.

Kentucky-American shall make timely amendment to any prior response 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 request to which Kentucky-American fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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 application, paragraph 8, page 4. 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 percent level of detail.

a. When does Kentucky-American anticipate having these documents at 100 percent level of detail?

b. Describe what the remaining 40 percent of both documents would comprise.

2. Provide a discussion of any impending risks or hazards to Kentucky-American staff at the Richmond Road Station (“RRS”) filter building and how those risks are currently mitigated.

3. State whether the application includes a request for the approval of the design and construction of a new clear well.

4. Provide all inspection reports that Kentucky-American has directly or indirectly prepared for the RRS filter building since January 1, 2008, that review or discuss the structural condition of the filter building. Omit the September 2013 HDR Engineering, Inc. (“HDR”) report submitted with Kentucky-American’s application.

5. Provide all correspondence, memoranda, electronic mail messages, and any other documents since January 1, 2008, in which Kentucky-American or its agents discuss the structural condition of the RRS filter building and possible repairs to the filter building.

6. Describe the routine maintenance protocol and schedule for the RRS filter building for the period from January 1, 2008, to October 1, 2013.

7. Refer to the Direct Testimony of Brent E. O’Neill at page 3. Mr. O’Neill states that “[d]uring a regular review of the facilities, concerns were raised of the severe continued deterioration of the concrete support beams of the operating floor located above the pipe gallery.”

a. Describe the “regular review” process for the RRS filter building for the period from January 1, 2008, to October 1, 2013.

b. State the date of the regular review referenced in Mr. O’Neill’s testimony.

c. State the dates of the regular reviews of the RRS filter building for the period from January 1, 2008, to October 1, 2013.

d. For each regular review conducted since January 1, 2008, state whether Kentucky-American prepared a report documenting the review. For each report prepared, provide a copy of the report.

8. Refer to the Direct Testimony of Brent E. O'Neill at page 4. Mr. O'Neill states that "remedial measures were installed to provide temporary support of the operating floor during June 2013 to avoid a likely failure in the building."

- a. Describe the remedial measures that were installed.
- b. Provide a schedule listing the cost Kentucky-American incurred in installing the remedial measures.
- c. State whether Kentucky-American had considered the installation of remedial measures to provide temporary support of the RRS filter building operating floor prior to the regular review of facilities referenced in Mr. O'Neill's testimony.
- d. Provide the reasons why Kentucky-American allowed the deterioration of the RRS Filter Building to persist.

9. At pages 4 and 5 of his direct testimony, Mr. O'Neill refers to Kentucky-American's request for proposals to evaluate the RRS filter building, to the five proposals Kentucky-American received, and to the selection of HDR to conduct the evaluation.

- a. Provide a copy of the request for proposal that Kentucky-American issued to solicit proposals to evaluate the RRS filter building.
- b. Provide copies of the five proposals Kentucky-American received.
- c. Provide a list of all Kentucky-American and American Water Works Company ("American Water") employees who participated in the evaluation and selection process. For each employee listed, provide the employee's:

- (1) Name;

- (2) Title;
- (3) Length of employment; and
- (4) Job duties.

d. Provide all correspondence, electronic mail, analyses, notes, memoranda, studies, and related documents that were prepared as part of the evaluation process.

e. Provide a detailed analysis, with the pros and cons of each of the five proposals that were submitted. Include in the analysis the reasons why the proposal from HDR was selected.

10. Refer to Mr. O'Neill's direct testimony at page 7 and to the application, Exhibit B, Richmond Road Station Water Treatment Plant Filter Building Evaluation ("HDR Evaluation Report"), Section 2 – Available Options.

a. Provide a schedule that compares the annual operational costs of each of the 13 options evaluated. Include workpapers, calculations, and assumptions used to develop the annual operational cost estimates.

b. Provide a list of all Kentucky-American and American Water employees who participated in the development of the HDR Evaluation Report. For each employee listed, provide the employee's:

- (1) Name;
- (2) Title;
- (3) Length of employment; and
- (4) Job duties.

c. Provide the minutes of each "Vetting" workshop that was held between employees of Kentucky-American and HDR.

d. Provide all correspondence, electronic mail, analyses, notes, memoranda, studies, and related documents that were prepared as part of the evaluation of the 13 options.

11. At page 10 of his direct testimony, Mr. O'Neill states that it is likely that the Kentucky Division of Water ("DOW") would consider Membrane Filtration and Ozone Enhanced Biological Filtration to be new technologies or newer un-tested processes that may need a one-year pilot test.

a. Identify any water treatment facilities operating in Kentucky that use either Membrane Filtration or Ozone Enhanced Biological Filtration.

b. State whether Kentucky-American has contacted DOW to inquire about the DOW's requirements for Membrane Filtration or Ozone Enhanced Biological Filtration.

12. At pages 10 and 11 of his direct testimony, Mr. O'Neill explains that based upon the HDR recommendation, Kentucky-American decided to proceed with the development of a design and construction drawings and sent a request for proposal to three engineering consultants.

a. Explain why Kentucky-American limited its request for proposal to three engineering consultants.

b. Identify the three engineering consultants and describe the criteria Kentucky-American used in its selection of the three consultants.

c. Provide copies of the three proposals received from the engineering consultants.

d. Provide all correspondence, electronic mail, analyses, notes, memoranda, studies, and related documents that were prepared as part of the evaluation of the three proposals received.

13. At page 13 of his direct testimony, Mr. O'Neill states that "[t]he facility has been primarily designed by Hazen and Sawyer, with significant input throughout the process by KAW and AWW [American Water]."

a. Provide a list of all Kentucky-American and American Water employees who participated in the design of the RRS filter building. For each employee listed, provide the employee's:

- (1) Name;
- (2) Title;
- (3) Length of employment; and
- (4) Job duties.

b. Provide all correspondence, electronic mail, analyses, notes, memoranda, studies, and related documents that were prepared as part Kentucky-American and American Water employees' involvement in the design of the RRS filter building.

14. At page 13 of his direct testimony, Mr. O'Neill describes meetings between DOW and Kentucky-American concerning DOW's approval of the RRS filter building project. Provide all correspondence, electronic mail, analyses, notes, memoranda,

studies, minutes of meeting, and related documents that were prepared as part of Kentucky-American's meetings with DOW.

15. At page 18 of his direct testimony, Mr. O'Neill explains that Kentucky-American sent a request for proposal to three pre-qualified contractors to build the RRS filter building.

a. Explain the term "pre-qualified contractors" and describe the process a contractor must follow to become pre-qualified.

b. Explain why Kentucky-American limited its request for proposal to three pre-qualified contractors.

c. Identify the three pre-qualified contractors and describe the criteria Kentucky-American used in its selection of the three contractors.

d. Provide copies of the three proposals received from the pre-qualified contractors.

e. Provide all correspondence, electronic mail, analyses, notes, memoranda, studies, and related documents that were prepared as part of the evaluation of the three pre-qualified contractors.

16. At page 19 of his direct testimony, Mr. O'Neill explains that the three "Contractor at Risk" proposals were evaluated by a team of four Kentucky-American employees and representatives of Hazen and Sawyer.

a. Provide a list of all Kentucky-American and American Water employees and Hazen and Sawyer representatives who participated in the evaluation of the three "Contractor at Risk" proposals. For each Kentucky-American employee listed, provide the employee's:



- (1) Name;
- (2) Title;
- (3) Length of employment; and
- (4) Job duties.

b. Provide all correspondence, electronic mail, analyses, notes, memoranda, studies, and related documents that were prepared as part of the evaluation of the three "Contractor at Risk" proposals.

17. At page 21 of Mr. O'Neill's direct testimony is a breakdown of the estimated project cost of \$15,600,000; however, in the HDR Evaluation Report, HDR estimates that the total project cost will be \$13,602,628.

a. Provide a cost breakdown for the \$13,602,628 HDR estimate similar to the schedule in Mr. O'Neill's testimony.

b. Provide a detailed explanation for the approximate \$2 million difference between the two cost estimates.

c. Provide a more detailed cost breakdown of the estimated construction cost of \$13,568,055 that appears on line 9, page 21 of Mr. O'Neill's direct testimony. Include all assumptions and work papers.

d. State whether the estimated cost of the project of \$15 million includes an estimated cost of construction contingencies, and if so, identify the estimated cost of construction contingencies.

18. At page 4 of her direct testimony, Linda Bridwell states that "[t]he project will initially be funded by available funds from a previous financing or short-term bank

borrowings. . . .” In Case No. 2012-00393,<sup>1</sup> Kentucky-American was authorized to participate in the American Water Capital Corporation borrowing program and to issue securities in the form of notes or debentures in an aggregate amount of \$20 million, prior to December 31, 2014. On May 15, 2013, Kentucky-American issued \$7,859,000 of debt, leaving a balance of debt to be issued of \$12,141,000.

a. Provide the expected issuance date(s) for the remaining long-term debt of \$12,141,000.

b. Identify the amount of the long-term debt that will be used to refinance Kentucky-American’s short-term debt.

c. Identify the amount of long-term debt that will be available to fund the RRS Filter Building.

d. In Case No. 2012-00393, Kentucky-American projected that American Water Works Company would make equity infusions of \$8 million during the two-year period from November 2012 to November 2014. Identify any of the \$8 million that will be available to Kentucky-American to fund the RRS filter building.

19. Refer to Kentucky-American’s Response to the Commission Staff’s First Request for Information in Case No. 2012-00520,<sup>2</sup> Item 10. Kentucky-American’s 2015 construction budget included a project at the RRS filter building that cost \$5 million.

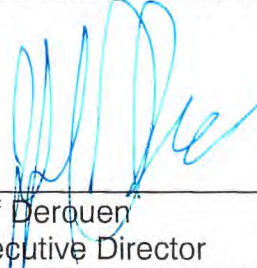
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<sup>1</sup> Case No. 2012-00393, *Application of Kentucky-American Water Company for Issuance of Indebtedness and Continued Participation with American Water Capital Corp.* (Ky. PSC Oct. 29, 2012).

<sup>2</sup> Case No. 2012-00520, *Application of Kentucky-American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year*, Response to Commission Staff’s First Request for Information, Item 10 (filed Jan. 23, 2013).

a. Provide a detailed description of the budgeted project identified in Case No. 2012-00520.

b. Provide a comparison and reconciliation of the budgeted project in Case No. 2012-00520 to the requested construction at the RRS filter building submitted in this proceeding.



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DATED SEP 03 2014

cc: Parties of Record

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