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PUBLIC SERVICE
COMMISSION

November 9, 2007

VIA HAND DELIVERY

Hon. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40601

Re: Open Records Request Received July 18, 2007

Dear Ms. O'Donnell:

In its Open Records Response dated July 30, 2007, LWC advised you it would supplement its response should there be any other documents responsive to the Public Service Commission's Open Records Request. Louisville Water Company submits the following supplemental response:

2. All documents (including studies, analyses, and reports) that have been prepared or commissioned since January 1, 1994 and that address the cost, whether known or estimated, to LWC of providing water or water-related services to KAWC.

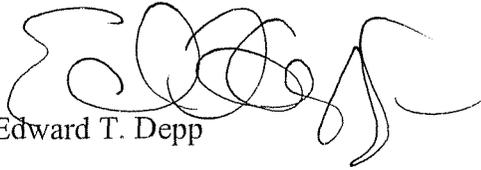
Response: In addition to the documents produced in LWC's July 30, 2007; September 18, 2007; and October 29, 2007 responses, please find the following documents:

- *November 6, 2007 Letter regarding Results of the Financing Alternatives Analyses for Phase 1.*

This letter provides additional analysis of different hypothetical scenarios posed in a number of supplemental data requests in Kentucky Public Service Commission Case No. 2007-00134, and that analysis was performed using the numbers from the Revised Beck Analysis provided on Monday, November 5, 2007.

LWC agrees to further supplement this response should other responsive documents come to its attention. Please contact us or in-house counsel to LWC (at 502/569-0808) if you have questions regarding this response.

Sincerely,



Edward T. Depp

ETD/lb

cc: All parties of record (Case No. 2007-00134) (w/encl.)
Barbara K. Dickens, Esq. (w/encl.)
John E. Selent, Esq. (w/ encl.)

November 9, 2007



Mr. Jim Smith
Manager, Infrastructure Planning
Louisville Water Company
550 South Third Street
Louisville, KY 40202

Subject: **Results of the Financing Alternatives Analyses for Phase 1**

Dear Jim:

We have completed the additional requested analyses utilizing the corrected rate of 4.7% interest on municipal bonds. Based on Louisville Water Company's (LWC's) proposal to the PSC filed with Greg Heitzman's testimony on October 15th, 2007, LWC is the least cost alternative in each of the scenarios which are summarized below and illustrated in Exhibit 1.

1. Kentucky River Pool 3 option, including a 25 MGD intake, water treatment plant and high-service pump station at Pool 3, and a 30 mile, 42-inch transmission main from the treatment plant to the connection to the KAW system at Iron Works Road (KY 1973) and Newtown Pike (KY 922) in Fayette County.
2. A 42 mile, 42-inch finished water transmission main from KY 53 in Shelby County, along the I-64 corridor to approximately the same point of connection with the KAW system in Fayette County.
3. A 42 mile, 36-inch finished water transmission main from KY 53 in Shelby County, along the I-64 corridor to approximately the same point of connection with the KAW system in Fayette County.

These models were completed using financing alternatives, including:

1. 100% Public Ownership.
2. 80% Public/20% Private Ownership.
3. 50% Public/50% Private Ownership.
4. 20% Public/80% Private Ownership.
5. 100% Private Ownership.

The wholesale water rate for the pipeline increases as follows:

2011 – 2015: remains flat at the rate of \$1.71 per thousand gallons.

2016: Rate increases to \$1.93 per thousand gallons to reflect cumulative inflation from 2011-2015.

2017 – End of study period: increases annually at inflation plus two percent, or 4.4% annually.

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The results of the analyses are presented in Exhibit 1 as summarized below:

1. 100% Public Ownership provides a range of savings between \$117 million and \$157 million.
2. 80% Public/20% Private Ownership provides a range of savings between \$109 million and \$148 million.
3. 50% Public/50% Private Ownership provides a range of savings between \$96 million and \$136 million.
4. 20% Public/80% Private Ownership provides a range of savings between \$84 million and \$123 million.
5. 100% Private Ownership provides a range of savings between \$76 million and \$115 million.

Exhibits 2 and 3 present a graphical representation of the results shown in Exhibit 1.

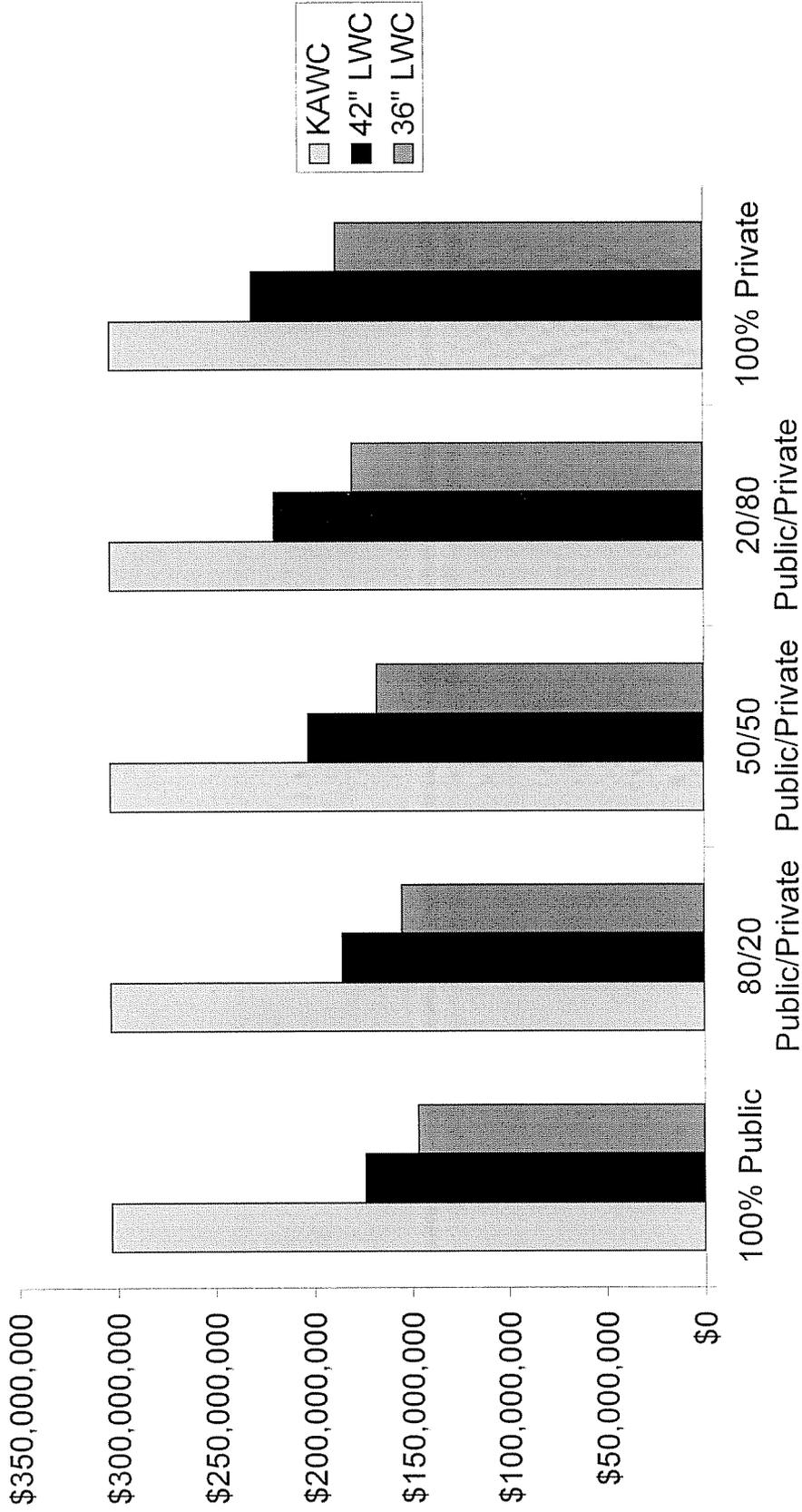
Very truly yours,
R. W. BECK, INC.

A handwritten signature in cursive script, appearing to read 'Edward D. Wetzel', written in black ink.

Edward D. Wetzel, Ph.D., P.E.
Executive Vice President

cc: Barbara Dickens

Financing Alternatives - 6MGD Flat Usage



Financing Alternatives- 6MGD 1/2 MGD Annual Increase

