

RECEIVED

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

JAN 09 2008  
PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

|                                            |   |            |
|--------------------------------------------|---|------------|
| THE APPLICATION OF KENTUCKY-AMERICAN WATER | ) |            |
| COMPANY FOR A CERTIFICATE OF CONVENIENCE   | ) |            |
| AND NECESSITY AUTHORIZING THE CONSTRUCTION | ) | CASE NO.   |
| OF KENTUCKY RIVER STATION II, ASSOCIATED   | ) | 2007-00134 |
| FACILITIES AND TRANSMISSION MAIN           | ) |            |

**LEXINGTON-FAYETTE URBAN COUNTY  
GOVERNMENT'S RESPONSES TO ORDER OF DECEMBER 21, 2007**

Comes now the Lexington-Fayette Urban County Government (the "LFUCG"), by counsel, and files the following responses to the Public Service Commission's Post-Hearing Requests for Information pursuant to its Order of December 21, 2007. All responses have been prepared by the undersigned legal counsel for the Lexington-Fayette Urban County Government based upon its request for the information from the members of the Urban County Council and the Office of the Mayor.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**CASE NO. 2007-00134**  
**PUBLIC SERVICE COMMISSION'S POST HEARING DATA REQUEST**  
**ITEM 1**

1. Provide in narrative form, together with any relevant documents, a summary of any and all contacts with Kentucky-American regarding the future supply of water to Kentucky-American's customers, including any and all discussion of any public private partnership involving LFUCG to construct a new water treatment facility on the Kentucky River.

Response:

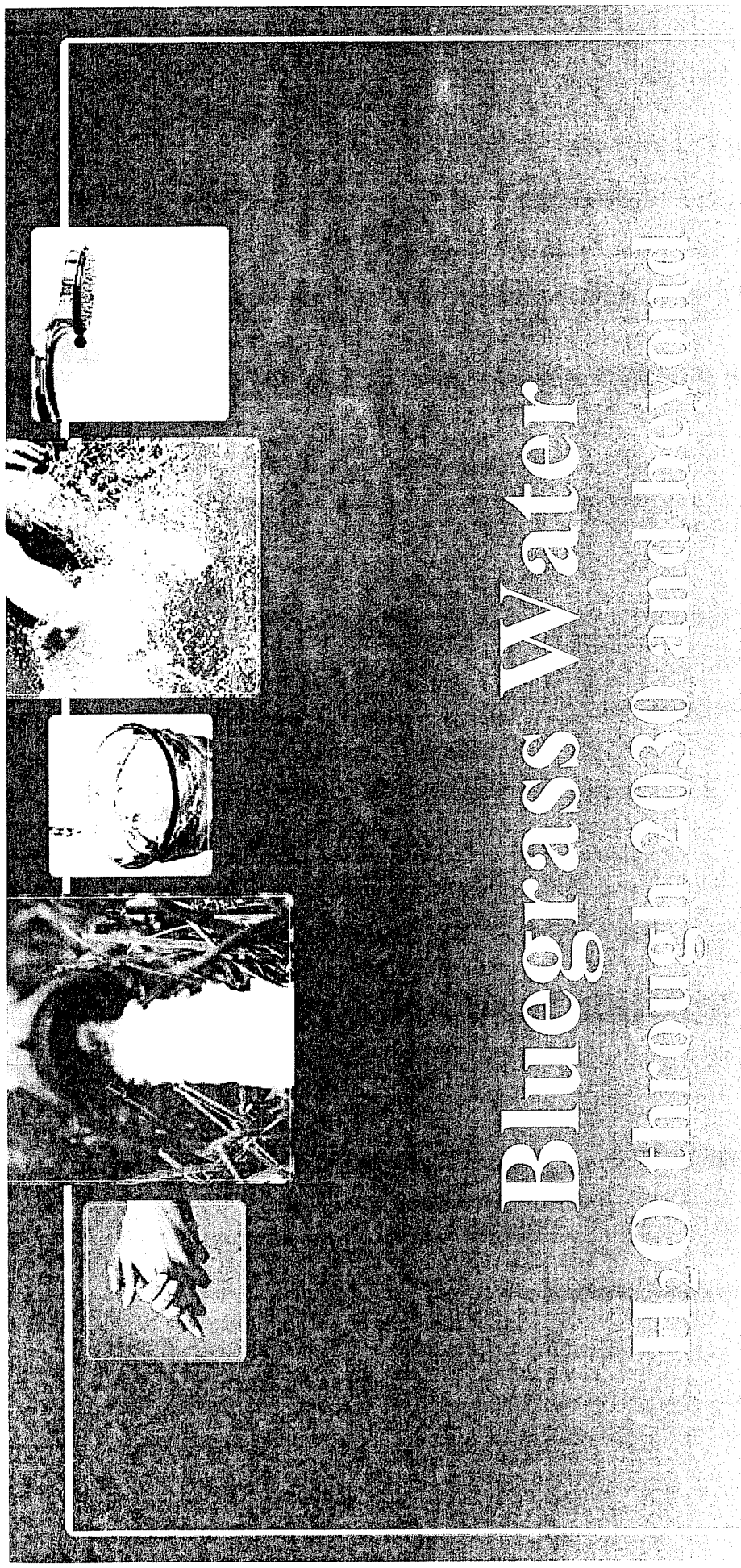
LFUCG states that its Council can only take official action through the adoption of legislation, and it believes that all such legislation regarding the water supply issue (none of which has been adopted since 1999) has previously been made available, and is part of the record of this case.

LFUCG assumes that the Commission is not referring to contacts, discussions, or documents related to the condemnation lawsuit that LFUCG filed against Kentucky-American Water Company ("KAWC") in 2003 (Lexington-Fayette Urban County Government v. Kentucky-American Water Company, et al., Civil Action No. 03-CI-2804, Fayette Circuit Court, Third Division)(the "condemnation lawsuit"), and further assumes that the Commission is aware of the documents previously provided by LFUCG in Case No. 2001-00117 in response to the Commission's May 16, 2001 open records request (the record of which has been incorporated into this case), and therefore does not refer to, or include any information related to that lawsuit (or the events that preceded it), or to that open records response in this response.

There were a number of contacts and discussions related to the future supply of water to KAWC's customers in the context of LFUCG condemning KAWC's facilities, both before, during and after the filing of the condemnation lawsuit up until the general election of November 7, 2006, in which more than 60% of those voting on the ballot issue voted against LFUCG acquiring KAWC through eminent domain, as well as contacts and discussions involving KAWC's proposal and other water supply-related issues. However, there have been no substantive contacts or discussions with KAWC involving the construction of a new treatment facility and a public-private partnership involving solely LFUCG and KAWC, or LFUCG as a direct partner with KAWC in the financing or ownership of such a project. LFUCG acknowledges any contacts or discussions referred to, and any related documents produced by, KAWC in its responses to the Commission's December 21, 2007 order.

LFUCG has been a member of the Bluegrass Water Supply Commission ("BWSC") since its creation, and believes that numerous contacts and discussions involving BWSC and KAWC have taken place, but defers to BWSC as the appropriate party to respond with any such information.

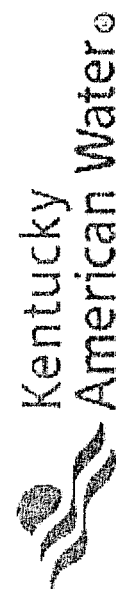
In addition, KAWC did present information regarding its proposal in this case to the members of the Urban County Council's Planning Committee meetings on August 21, 2007 and September 18, 2007, following a presentation by the Louisville Water Company. A copy of this information is attached (000001-6), along with other responsive documents, including a document provided by Linda Bridwell of KAWC comparing the costs of various water supply projects that was provided during a meeting with an Urban County Council member (000018).



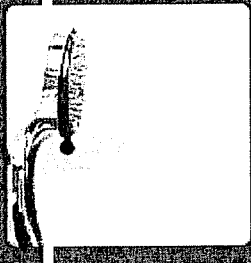
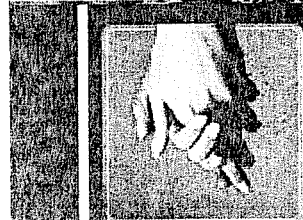
# Bluegrass Water

## H<sub>2</sub>O through 2030 and beyond

000001

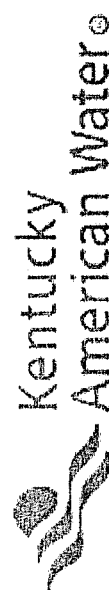


[www.bluegrasswater.com](http://www.bluegrasswater.com)



# Bluegrass Water

A regional need. A regional solution.



[www.bluegrasswater.com](http://www.bluegrasswater.com)





## KAW/BWSC vs. Louisville - Schedule

- KAW/BWSC Project
  - Pool 3 design initiated - April, 2006
  - Project substantial completion April, 2010
  - Total project time since design initiated - 4 years

## Louisville Proposal



Kentucky  
American Water

[www.bluegrasswater.com](http://www.bluegrasswater.com)

# KAW-BWSC vs. LWC Schedule

|                                  | KAWC/BWSC Pool 3<br>Project |        |                      | Louisville Proposal |        |                      |
|----------------------------------|-----------------------------|--------|----------------------|---------------------|--------|----------------------|
|                                  | Start                       | Finish | Duration<br>(months) | Start               | Finish | Duration<br>(months) |
| Engineering Report               | 4/06                        | 3/07   | 11                   | 7/07                | 6/08   | 11                   |
| Contract Negotiations            | 9/06                        | 2/08   | 17                   | 1/08                | 7/08   | 6*                   |
| Design                           | 4/06                        | 8/07   | 16*                  | 7/08                | 7/09   | 12*                  |
| Permits (50% design)             | 2/06                        | 10/07  | 10                   | 1/09                | 11/09  | 10                   |
| Land Acquisition<br>(25% design) | 8/06                        | 12/07  | 16                   | 10/08               | 10/10  | 24*                  |
| Bidding                          | 8/07                        | 2/08   | 6*                   | 6/10                | 12/10  | 6*                   |
| PSC Approval                     | 3/07                        | 12/07  | 9*                   | 1/10                | 10/10  | 9                    |
| Construction                     | 2/08                        | 4/10   | 26*                  | 12/10               | 12/12  | 24*                  |

\* Critical Path Item (Timing critical to schedule for completion)



# Louisville Capacity

- Currently have 35 mgd reserve capacity
- 2002 Black & Veatch Study for Louisville demand projections by 2020
  - growth of Louisville Metro Service Area

0000005

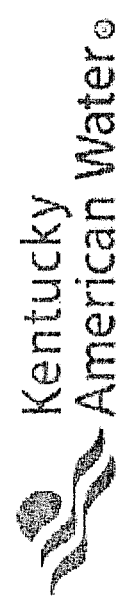




# Bluegrass Water

## H<sub>2</sub>O through 2030 and beyond

000006



[www.bluegrasswater.com](http://www.bluegrasswater.com)

**Fax**

To Mayor Jim Newberry From Nick Rowe  
Company Lexington-Fayette Urban County Government  
Phone 859-268-6333  
Fax 258-3194 Fax 859-268-6327  
Pages 11 Date November 20, 2007

**RE: Kentucky American Water/Bluegrass Water Supply Commision Agreement**

A copy of the above-mentioned agreement & my letter to the council members are attached.

American Water  
2300 Richmond Road  
Lexington, KY 40502  
T +1 859.268.6326  
F +1 859.268.6327  
I www.amwater.com

000007

**AGREEMENT**

THIS AGREEMENT is entered into this the \_\_\_\_ day of November, 2007, between BLUEGRASS WATER SUPPLY COMMISSION ("BWSC"), a Regional Water Commission created pursuant to the provisions of Kentucky Revised Statutes 74.420 to 74.520, 699 Perimeter Drive, Lexington, Kentucky 40517, and KENTUCKY-AMERICAN WATER COMPANY ("KAWC"), a Kentucky corporation, with offices at 2300 Richmond Road, Lexington, Kentucky 40502.

**WITNESSETH:**

WHEREAS, BWSC is a Regional Water Commission duly organized, in good standing and created to develop and implement a regional solution to the water supply deficit in Central Kentucky, and

WHEREAS, BWSC's current membership is the cities of Berea, Cynthia, Frankfort, Georgetown, Lancaster, Mt. Sterling, Nicholasville, Paris, and Winchester and the Lexington-Fayette Urban County Government, and

WHEREAS, KAWC is a public utility subject to the jurisdiction of the Public Service Commission of the Commonwealth of Kentucky ("PSC") and has filed with the PSC an Application for a Certificate of Convenience and Necessity authorizing the construction of a raw water intake and a 20 million gallons per day ("MGD") water treatment plant on Pool 3 of the Kentucky River, approximately 160,000 linear feet of a 42" diameter transmission main, a booster pump station and water storage tank, and

WHEREAS, BWSC entered into an Agreement with KAWC on February 27, 2007, to fund the incremental engineering design work necessary to increase the proposed water treatment plant capacity from 20 MGD to 25 MGD, and

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WHEREAS, BWSC has expressed a desire to own an undivided 20% interest in the intake, 25 MGD treatment plant, transmission line, booster pump station, water storage tank, and the land necessary (collectively "Facilities"), and

WHEREAS, KAWC has solicited and received bids for the construction of the intake, 20 MGD treatment plant with an alternative for a 25 MGD treatment plant, transmission line, booster pump station and water storage tank, and

WHEREAS, the bids will expire on February 6, 2008, and

WHEREAS, the successful bidder for the water treatment plant will require timely notification of the decision to build a 20 MGD or 25 MGD water treatment plant,

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, the parties agree as follows:

1. OPTION A. On or before April 1, 2008, BWSC may elect Option A in this Agreement by so notifying KAWC in written form of its intention to acquire a 20% ownership interest in the Facilities and delivering to KAWC collected funds in an amount equal to 20% of the bids accepted by KAWC for construction of the Facilities, to be adjusted to the final cost. The election of Option A shall obligate KAWC to provide BWSC with a 20% undivided interest in the Facilities. The election of Option A shall not obligate BWSC or any of its members to purchase any water produced by the water treatment plant but will obligate them to pay 20% of the cost of operation and maintenance of the Facilities on a monthly basis. When the Facilities are placed into service, KAWC shall provide BWSC with an accounting for the final cost of the Facilities, which cost would be that sum added to the rate base of KAWC by reason of construction of the Facilities if KAWC were the sole owner, and which shall be used as a basis for the determination of the final cost of the obligation of BWSC to acquire a 20% ownership

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interest of the Facilities. If BWSC elects Option A, it may purchase up to 5 MGD of potable water directly from the Facilities or from KAWC (at locations to be mutually agreed upon that are hydraulically reasonable and neither party shall unreasonably withhold its agreement) at a rate designed to recover 20% of the cost of operation and maintenance of the Facilities. This rate shall be revised annually in accordance with the cost of operation and maintenance of the Facilities for the preceding calendar year. The actual cost of operation and maintenance in any year shall mean the necessary and reasonable expenses of operating, maintaining and repairing the Facilities; and without limiting the generality of the foregoing, all administrative and operation expenses, insurance, engineering and legal expenses, materials, supplies, labor, rental of equipment and other property, utility services, any taxes which may be lawfully imposed; but not including any allowance for return on capital, depreciation or amortization. BWSC's purchase of potable water directly from the Facilities or from KAWC shall be memorialized by a written agreement.

2. OPTION B. On or before April 1, 2008, BWSC may elect Option B in this Agreement by so notifying KAWC in written form of its intention to acquire a 20% undivided ownership interest in the Facilities and delivering to KAWC a written commitment from one or more of its members guaranteeing that commitment, which guarantee must be acceptable to KAWC and which acceptance shall not be withheld unreasonably. The election of Option B shall obligate BWSC and its guaranteeing member(s) to pay KAWC a monthly fee, beginning with the first month after the Facilities are placed into service, consisting of three components: (1) a monthly amortization of 20% of the final cost of the Facilities that would be included in KAWC's rate base, if it were the sole owner, amortized over 30 years; (2) KAWC's cost of the unamortized portion of the cost of the Facilities that would be in its rate base if it were the sole

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owner, determined to be the latest PSC approved overall return with the portion of the overall return attributed to KAWC's return on equity to be adjusted for state and federal income taxes; and (3) 20% of the cost of operation and maintenance (as defined in Option A above), all on a monthly basis, for which BWSC will be entitled to no more than 5 MGD of potable water directly from the Facilities or from KAWC (at locations to be mutually agreed upon that are hydraulically reasonable and neither party shall unreasonably withhold its agreement). Prepayment of any part of the final cost may be made by BWSC at any time without penalty.

3. OPTION C. On or before April 1, 2008, BWSC may elect Option C in this Agreement by so notifying KAWC in written form of that commitment and providing written commitment(s) from one or more of its members guaranteeing that commitment, which guarantee must be acceptable to KAWC and which acceptance shall not be withheld unreasonably. The election of Option C shall obligate BWSC and its guaranteeing member(s) to purchase or pay for 5 MGD of water each and every day for 30 years at a volumetric rate consistent with the principles enumerated in American Water Works Association Manual of Water Supply Practices, M1, 5<sup>th</sup> Edition. Option C shall include the right of BWSC to acquire a 20% undivided interest in the Facilities at any time prior to the expiration of five (5) years from the date the plant is first placed in service. That date shall be memorialized by letter from KAWC to BWSC. The acquisition cost for purposes of this Agreement only shall be the cost of the Facilities in KAWC's rate base as of December 31 of the year immediately prior to acquisition. Upon acquisition, BWSC shall pay 20% of the actual costs of operating and maintaining the Facilities as defined in Option A above.

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4. CAPITAL IMPROVEMENTS. After the Facilities are placed in service, any capital improvements will be paid for by the owners in accordance with their ownership interest(s).

5. SECURITY. As security for the financial obligations BWSC may incur as a result of its election of Option B herein, at the time of any such election BWSC will execute and deliver to KAWC a recordable document(s) that will grant to KAWC a lien upon the real estate and a security interest in the Facilities elected to be acquired by BWSC.

6. TIME. Time is of the essence of this Agreement.

7. PSC APPROVAL. This Agreement shall be subject to approval of the PSC.

8. FACILITIES OPERATION. In the event BWSC elects Option A or Option B herein, KAWC shall have the sole obligation and authority to manage, control, maintain and operate the Facilities, giving due consideration to the interest of BWSC as may be determined herein. If BWSC elects any option of ownership, KAWC and BWSC shall form a KRS II Operating Committee which shall be composed of not less than ten (10) members with representation from each owner in proportion to its ownership interest in the Facilities. The KRS II Operating Committee shall meet monthly and shall advise KAWC, if it chooses to do so, on all matters pertaining to the maintenance and operation of the Facilities and the production of potable water. The KRS II Operating Committee shall elect a chairman annually who shall be responsible for the preparation of an agenda and distribution of all necessary information for each meeting.

9. NOTICES. Notices required hereby shall be given to Nick O. Rowe, President, Kentucky-American Water Company, 2300 Richmond Road, Lexington, Kentucky 40507, and

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Don Hassall, General Manager, Bluegrass Water Supply Commission, 699 Perimeter Drive, Lexington, Kentucky 40517.

10. SEVERANCE. If for any reason any paragraph, clause or provision of this Agreement shall be held invalid by any court of competent jurisdiction, the invalidity of such paragraph, clause or provision shall not affect the validity of any of the remaining portions of this Agreement.

11. AMENDMENTS. This Agreement may be amended at any time in writing by mutual agreement of the parties hereto.

12. MERGER. The parties agree that the execution of this Agreement operates to terminate any and all agreements heretofore entered into by the parties for the delivery of water to BWSC or any of its members from the Facilities.

13. GOVERNING LAW. The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the Commonwealth of Kentucky.

14. FORUM SELECTION. Any dispute arising from this Agreement which cannot be resolved by the parties shall be litigated in the Fayette Circuit Court.

15. EXCLUSIVITY. Options A, B and C above are mutually exclusive and an election of an option under this Agreement cannot be revoked or modified in any way.

16. RIGHT OF FIRST REFUSAL. If at any time during BWSC's ownership of a portion of the Facilities or any process where it is acquiring ownership of a portion of the Facilities, BWSC desires to sell its ownership interest and it receives a bona fide offer from any entity to purchase BWSC's ownership interest, that offer shall be forwarded to KAWC within five (5) days of its receipt by BWSC. KAWC shall then have the opportunity to obtain PSC

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approval to match the terms of the bona fide offer. If that approval is sought and obtained, KAWC shall have ninety (90) days thereafter to match the terms of any such bona fide offer and acquire BWSC's interest in the Facilities.

17. **NULL AND VOID.** Absent an election of either Option A, B or C, this Agreement and all of its provisions will become null and void at 12:01 a.m., April 2, 2008.

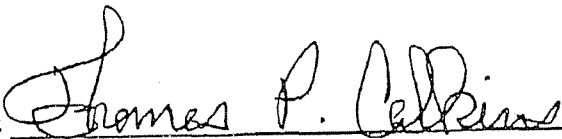
18. **PURCHASE NON-EXCLUSIVITY.** Neither this Agreement nor any election made under this Agreement shall preclude BWSC and/or any of its members from purchasing water from any other entity.

19. **SUBSEQUENT AGREEMENTS:** Subsequent to an election of Option A, B or C of this Agreement, the parties to this Agreement will, in good faith, negotiate and enter into any and all subsequent written agreements that may become necessary to accomplish the purposes of the election made.

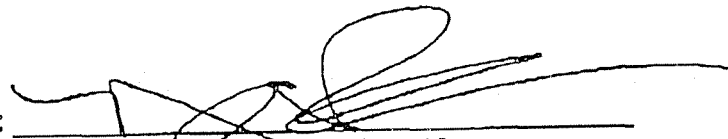
20. **ULTRA VIRES.** KAWC and BWSC each represent and warrant that they have all due authority and power to execute and perform this Agreement and that it is not subject to being limited or prohibited as ultra vires or beyond the scope of authority. BWSC further represents that any guarantee provided by one or more of its members as contemplated in this Agreement shall be enforceable and binding on the guaranteeing member(s).

WITNESS the signatures of the appropriately authorized officers of the parties hereto this the \_\_\_\_ day of November, 2007.

**BLUEGRASS WATER SUPPLY COMMISSION**

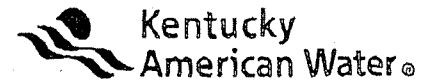
BY:   
Thomas P. Calkins, Chair

**KENTUCKY-AMERICAN WATER COMPANY**

BY:   
Nick O. Rowe, President

000015





Nick O Rowe

President

859 268 6333

November 20, 2007

TO: Lexington-Fayette Urban County Council

Dear Council Member:

As the Kentucky Public Service Commission hearings begin November 26, I wanted to update you on The Central Kentucky Solution. We are pleased with the progress that has been made since our last update.

I am very pleased to inform you that yesterday the Bluegrass Water Supply Commission voted unanimously to approve a water supply agreement with Kentucky American Water. The agreement provides an opportunity for equity ownership in The Central Kentucky Solution among other supply options. Yesterday's action by the BWSC is a significant step toward solving the region's water supply deficit.

We have received the final bids for construction of the water treatment facility, the pipeline, and the booster station. We are currently evaluating and checking bid details, but we are pleased to report the bids are in line with our engineering estimates.

Eleven of the twelve required permits are in hand and we expect the last one any day now. This has been more than a year-long process, which is fairly standard.

Two new reports have just been completed which should be of particular interest to you. The first is an environmental assessment that was conducted by our consulting engineering firm, Gannett Fleming. The assessment was conducted this past spring and summer and concluded there were no threatened or endangered species within 50 feet on either side of the 30.6-mile transmission main route.

The second report was prepared by Harold Walker, III, a Gannett Fleming financial analysis expert. His in-depth review of Louisville Water Company's (LWC) R.W. Beck report found numerous inconsistencies all of which favored the LWC. Mr. Walker has performed a more valid comparison of the LWC proposal and The Central Kentucky Solution.

American Water

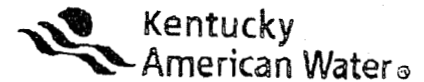
2300 Richmond Road  
Lexington, KY 40502  
USA

T +1 859 269 2386

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I www.amwater.com

000016



Page 2

Following are several important findings that our consultant's analysis has identified:

1. The LWC pipeline present value cost would be 21% higher, \$54 million, than the present value cost of The Central Kentucky Solution over a 20-year period.
2. Using LWC's own criteria, LWC does not have sufficient water treatment plant capacity to meet the commitment it has made to central Kentucky, while meeting its future customers' demands.
3. LWC will incur significant financial burdens as a result of this project, including \$35 million for the section of pipeline it plans to build to KY 53, wholesale water rates that do not keep pace with inflation, and the need to increase capacity to meet commitments. If wholesale rates follow the schedule included in the R.W. Beck report, they will not cover these costs, and LWC's existing customers will be required to subsidize that cost liability. The risk of customer backlash places significant uncertainty on LWC rate commitments to central Kentucky customers.

Walker's analysis also reviewed estimates LWC representatives had given the LFUCG Council. He found that cost estimates provided by LWC for its pipeline project increased dramatically over a 3-month period. In total, their pipeline estimate increased \$42 million, or 52%, between July and September.

The more we learn in this review process, the more it reinforces The Central Kentucky Solution as the best, least expensive and most timely answer to our water supply deficit. The reports will be posted on the PSC website if you would like to review them.

Thank you for your interest in, and attention to, this project. Please let us know if we can provide additional information or assist you in any way.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick O. Rowe", with a long horizontal flourish extending to the right.

Nick O. Rowe  
President

000017



## KAW-BWSC vs. LWC Costs

|                                   | KAWC/BWSC<br>Pool 3<br>Plant/Water Main | LWC Water<br>Main*<br><small>*Operating costs based on<br/>details proposed to the<br/>BWSC in October 2006.</small> | LWC Water Main<br>42" Main Est.* |
|-----------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Capital Cost – Treatment<br>Plant | \$68.9                                  |                                                                                                                      |                                  |
| Booster & Tank                    | \$6.5                                   |                                                                                                                      | \$6.5                            |
| Pipeline                          | \$61.9 (\$390/ft)                       | \$56.0 (\$252/ft)                                                                                                    | \$86.7 (\$390/ft)                |
| Sub-Total                         | \$137.3                                 | \$56.0                                                                                                               | \$86.7                           |
| Facilities to connect             |                                         | \$5.2                                                                                                                | \$5.2                            |
| Eng, Interest,<br>Contingencies   | \$32.4                                  | \$14.4                                                                                                               | \$25.4                           |
| Total Capital<br>Expenditures     | \$169.7                                 | \$75.6                                                                                                               | \$123.8                          |
| 30-year Operating<br>Expenses     | \$33.1                                  | \$181.9                                                                                                              | \$181.9                          |
| <b>Total Costs</b>                | <b>\$202.8</b>                          | <b>\$257.6</b>                                                                                                       | <b>\$305.7</b>                   |

---

**From:** Paul Schoninger  
**Sent:** Thursday, June 28, 2007 4:35 PM  
**To:** 'bridwell@kawc.com'  
**Subject:** FW: Water Company Presentation

FYI

Paul S  
3208

-----Original Message-----

**From:** Melynda Milburn  
**Sent:** Thursday, June 28, 2007 3:05 PM  
**To:** Council Members  
**Cc:** Council Staff; Jim Newberry; Jim Newberry - Mayor; Arty Greene  
**Subject:** Water Company Presentation

The following email is from Council Member Linda Gorton-

Council Members-

On July 10 at Work Session, Mr. Greg Heitzman, President-Elect of the Louisville Water Company, will be making a presentation in regards to a potential water line along I-64 towards Lexington. Are there any specific issues that you would like for him to cover? Please let me know ASAP, no later than 5 PM, Friday June 29<sup>th</sup>, 2007.

Thanks,  
Linda Gorton, RN  
Council Member At-Large

**Melynda Milburn**

Aide to Council Member Linda Gorton  
At-Large, Lexington-Fayette Urban County Council  
200 East Main Street  
Lexington, KY 40507

Council Office: (859) 258-3200  
Direct Line: (859) 258-3828  
mmilburn@lfucg.com

000015

**From:** Paul Schoninger  
**Sent:** Tuesday, July 03, 2007 1:53 PM  
**To:** 'bridwell@kawc.com'  
**Subject:** CM Gorton Letter to Louisville Water

**Attachments:** LWCLETTER.pdf



LWCLETTER.  
pdf (79 KB)

Linda:

Hope the summer is finding you well.  
I have attached correspondence from  
Councilmember Gorton to Louisville  
Water re the July 10 presentation  
to Council on the pipeline.

Paul S  
258-3208

000020





# Lexington-Fayette Urban County Council

**Jim Gray**  
*Vice Mayor*

**Linda Gorton**  
*At-Large Member*

**Chuck Ellinger II**  
*At-Large Member*

**Andrea James**  
*1st District*

**Tom Blues**  
*2nd District*

**Dick DeCamp**  
*3rd District*

**Julian Beard**  
*4th District*

**David B. Stevens**  
*5th District*

**Kevin O. Stinnett**  
*6th District*

**K. C. Crosbie**  
*7th District*

**George G. Myers**  
*8th District*

**Jay McChord**  
*9th District*

**Don Blevins**  
*10th District*

**Richard P. Moloney**  
*11th District*

**Ed Lane**  
*12th District*

July 3, 2007

435 South Third St.  
Louisville, KY 40202

Dear Mr. Heitzman:

There is an interest within Fayette County to discuss the possibilities of an I-64 pipeline to carry water from Louisville to Lexington. On June 19<sup>th</sup>, 2007, the Lexington Fayette Urban County Council voted to ask the Louisville Water Company to make a presentation regarding this possibility. Council Members are particularly interested in learning whether this potential water supply source would be cost effective for the rate payers.

In order to give some structure to the presentation, I have solicited questions from my Council colleagues. It has been suggested that the presentation be simple in delivery for those who may not be well-versed on the previous water issue. The following are the submitted questions:

- How large of an aqueduct (pipe) is necessary to supply Central Kentucky?
- How will the price of water be determined?
- How long would it take to build the pipeline and be in operation?
- Has Louisville Water Company been talking with other communities about water supply? Are you able to say which communities?
- What would be the guaranteed water capacity versus the committed water capacity to Lexington?
- Who will pay for the extension of a pipeline to Louisville?
- What is your capacity for those you serve and is your planned capacity growing (10%, 20%, 30%) over the next 25-30 years?
- What is the feasibility of this project? Can it actually be done on the north side of I-64, with approval to use the State Right of Way?
- What is the comparison to alternatives in terms of reliability?
- What would be the potential cost to consumers?





# Lexington-Fayette Urban County Council

**Jim Gray**  
*Vice Mayor*

**Linda Gorton**  
*At-Large Member*

**Chuck Ellinger II**  
*At-Large Member*

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**Ed Lane**  
*12th District*

- What would be the effects on those who are our regional partners in the Bluegrass Regional Water Commission?
- What is the potential development impact along a Louisville to Lexington pipeline route?
- What are potential downsides?

Many thanks for your willingness to make this presentation on July 10, 2007. Our meeting begins at 3:00 PM in the Council Chamber at 200 East Main Street. We look forward to meeting with you.

Sincerely,

Linda Gorton, RN  
Council Member At-Large

CC: Mayor  
Council Members  
Don Kelly  
Charles Martin  
Rebecca Langston

000022

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**From:** Paul Schoninger  
**Sent:** Tuesday, July 17, 2007 9:03 AM  
**To:** 'bridwell@kawc.com'  
**Subject:** FW: Scanned document <16 pages ~608 KB> -- 7/17/2007 8:06:20 AM

**Attachments:** louiswaterproposal.pdf



louiswaterpro  
osal.pdf (612 KI

Linda:

Here is the presentation from Louisville Water. If you want a hard copy just let me know. The first couple of pages are questions supplied by CM Gorton to LWC.

Regarding getting together I am out of the office Wed July 18- Fri July 20.  
Do you have any time Tuesday July 24 or Wed July 25?

Paul S  
3208

-----Original Message-----

**From:** Paul Schoninger  
**Sent:** Tuesday, July 17, 2007 8:36 AM  
**To:** Paul Schoninger  
**Subject:** Scanned document <16 pages ~608 KB> -- 7/17/2007 8:06:20 AM

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000023

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**From:** Paul Schoninger  
**Sent:** Tuesday, July 17, 2007 1:57 PM  
**To:** 'bridwell@kawc.com'  
**Subject:** Aug 21 Council Planning Committee: Committee membership

Planning Committee Membership

At-Large Councilmember Linda Gorton, Chair  
Tom Blues, 2<sup>nd</sup> District, Vice Chair  
Vice Mayor Jim Gray  
Chuck Ellingeer, At-Large  
Andrea James, 1<sup>st</sup> District  
Julian Beard, 4<sup>th</sup> District  
David Stevens, 5<sup>th</sup> District  
Kevin Stinnett, 6<sup>th</sup> District  
K.C. Crosbie, 7<sup>th</sup> District  
Jay McChord, 9<sup>th</sup> District

Paul S  
3208

000024

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**From:** Linda.Bridwell@amwater.com  
**Sent:** Thursday, August 30, 2007 4:27 PM  
**To:** KC Crosbie

K.C.,

I just wanted to follow-up with a brief note and offer to answer any questions I can about the water supply proposal we have right now. I don't know if you have any additional concerns after the meeting, but I'd be happy to sit down even for just fifteen minutes if you'd like to talk about it. I know the discussion is a little more formal in the council chambers than it can be in a smaller setting. I thought your request to send a letter to the Ky Transportation Cabinet was a great one - I know its tough when you feel like you're getting two contradictory opinions on any issue. Knowing you're stretched for time - if there's any way I can help keep this as straightforward as possible, I'd be willing to do it. Thanks, Linda

Linda Bridwell, PE  
Project Delivery & Developer Services Manager - WV, KY TN Southeast Region 2300 Richmond  
Road Lexington, KY 40502  
Tel: 859-268-6373  
Fax: 859-268-6374

000025



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**From:** Mary Hemlepp [mary@wiserhemlepp.com]  
**Sent:** Wednesday, September 05, 2007 8:53 AM  
**To:** 'Crosbie, Kristin C'  
**Cc:** Allison Hallett  
**Subject:** RE: [SPAM] RE: Kentucky American Water

I'll make sure to get this on her calendar. Thanks so much.

-----Original Message-----

**From:** Crosbie, Kristin C [mailto:kristin\_crosbie@merck.com]  
**Sent:** Wednesday, September 05, 2007 8:44 AM  
**To:** Mary Hemlepp  
**Cc:** Allison Hallett  
**Subject:** [SPAM] RE: Kentucky American Water

Mary-

I can meet on September 12 in the afternoon around 1:30. She can come to my office on the 5th floor of the Government Center.

If anything comes up, please contact Allison Hallett, my aide, at 258-3214. You can also email me at [kc@kccrosbie.com](mailto:kc@kccrosbie.com).

Thanks.

KC

---

**From:** Mary Hemlepp [mailto:mary@wiserhemlepp.com]  
**Sent:** Wednesday, September 05, 2007 7:02 AM  
**To:** Crosbie, Kristin C  
**Subject:** Kentucky American Water

Hi K.C.

Linda Bridwell from Kentucky American Water is off this week spending some time with her two-year-old but she wanted me to contact you in her absence. Linda would appreciate meeting with you to explain in more detail the Kentucky American/BWSC plan and to answer any questions you might have.

She is available on the 11<sup>th</sup>, most of the day on the 12<sup>th</sup>, the afternoon of the 13<sup>th</sup> and the afternoon of the 14<sup>th</sup>. If none of those times fits your schedule, please let me know and we'll try to accommodate what's best for you.

Hope you and your family are well. See you soon.

Mary

219-1295

000026

12/27/2007

No virus found in this outgoing message.

Checked by AVG Free Edition.

Version: 7.5.485 / Virus Database: 269.13.5/988 - Release Date: 9/4/2007 9:14 AM

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Version: 7.5.485 / Virus Database: 269.13.5/990 - Release Date: 9/4/2007 10:36 PM

No virus found in this outgoing message.

Checked by AVG Free Edition.

Version: 7.5.485 / Virus Database: 269.13.5/990 - Release Date: 9/4/2007 10:36 PM

000027

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**From:** Paul Schoninger  
**Sent:** Wednesday, December 05, 2007 8:20 AM  
**To:** 'bridwell@kawc.com'  
**Subject:** FW: 00146410.DOC

**From:** Barbara Sledd  
**Sent:** Tuesday, December 04, 2007 2:36 PM  
**To:** Jeannette Williams; Rebecca Langston; Arty Greene  
**Cc:** Logan Askew  
**Subject:** 00146410.DOC

Folks: Councilmember DeCamp has asked for the following motion. It is my understanding he intends to make it at Work Session. Logan is talking with him now, but Arty, you might double check at the meeting to make sure the Councilmember has a copy. Thanks

---

MOTION

I move to place on the docket for the December 6, 2007 Council Meeting a Resolution rescinding Resolution No. 390-99 which, among other things, identified the Kentucky River as Fayette County's preferred water supply source.

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Dick DeCamp, Councilmember  
Third District

000028

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**From:** Paul Schoninger  
**Sent:** Wednesday, December 05, 2007 8:19 AM  
**To:** 'bridwell@kawc.com'  
**Subject:** FW: Ed Lane Letter to PSC

**Attachments:** lanepsclet.pdf



lanepsclet.pdf  
f (83 KB)

inda:

Here is copy of letter CM Lane plans to send to PSC next week regarding water supply issue. When I track down resolution from DeCamp rescinding 699-99 I will forward to you as well.

Paul S  
3208

000029



# Lexington-Fayette Urban County Council

C M LANE'S  
Letter

December 4, 2007

Jim Gray  
*Vice-Mayor*

Linda Gorton  
*At-Large Member*

Chuck Ellinger  
*At-Large Member*

Andrea James  
*1<sup>st</sup> District*

Tom Blues  
*2<sup>nd</sup> District*

Dick DeCamp  
*3<sup>rd</sup> District*

Julian Beard  
*4<sup>th</sup> District*

David B. Stevens  
*5<sup>th</sup> District*

Kevin Stinnett  
*6<sup>th</sup> District*

K. C. Crosbie  
*7<sup>th</sup> District*

George Myers  
*8<sup>th</sup> District*

Jay McChord  
*9<sup>th</sup> District*

Don Blevins  
*10<sup>th</sup> District*

Richard Moloney  
*11<sup>th</sup> District*

Ed Lane  
*12<sup>th</sup> District*

Chairman Mark David Goss  
Vice Chairman John W. Clay  
Kentucky Public Service Commission  
P.O. Box 615, 211 Sower Blvd.  
Frankfort, KY 40602-0615

Dear Chairman Goss and Vice Chairman Clay,

We are writing in regard to Kentucky American Water Company's (KAWC) pending application in Case No. 2007-00134, being heard by the Kentucky Public Service Commission. As elected council members representing Lexington-Fayette County's ratepayers, we wish to express our position in this matter. This letter reflects our individual opinions and is not an official action of the Lexington-Fayette Urban County Government.

In our view, there are four primary criteria KAWC'S application must meet to merit the commission's approval.

**Cost-Effective.** The water supply solution should be cost-effective for the ratepayers.

**Long-term Solution.** Central Kentucky ratepayers require a water solution that has the potential to provide an adequate supply for the next 50 to 100 years.

**Environmental Impact.** The water supply solution should have a minimal impact on the environmental integrity of our commonwealth.

**Timeliness.** The feasibility of the water supply solution should be highly probable so there will be no unnecessary delays or inflationary cost in implementing its development.

000030



Chairman Goss and Vice Chairman Clay

December 4, 2007

Page Two

We are relying on the professionals and financial experts at the PSC to carefully analyze the capital investment and long-term operating costs for KAWC's proposed water supply solution and any other alternative water supply proposals.

Obviously, providing a fair and balanced "apples to apples" cost comparison would be highly appropriate and beneficial to all stakeholders in this matter.

Because of the complexity of this analysis and the numerous sources of information/data being presented by interested parties, we believe that the PSC is the most competent entity to evaluate water supply options for Central Kentucky. The region for at least 20 years has been vulnerable to water supply deficiencies during drought periods. A final resolution on this matter is welcomed.

Thanks for your work on behalf of our constituents.

Sincerely yours,

---

Jim Gray  
Vice-Mayor

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Linda Gorton  
Council At-Large

---

Chuck Ellinger, II  
Council At-Large

---

Andrea James  
1<sup>st</sup> District

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Tom Blues  
2d District

---

Dick DeCamp  
3d District

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Julian Beard  
4<sup>th</sup> District

---

David Stevens, MD  
5<sup>th</sup> District

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Kevin Stinnett  
6<sup>th</sup> District

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K.C. Crosbie  
7<sup>th</sup> District

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George Myers  
8<sup>th</sup> District

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Jay McChord  
9<sup>th</sup> District

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Don Blevins  
10<sup>th</sup> District

---

Richard Moloney  
11<sup>th</sup> District

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Ed Lane  
12<sup>th</sup> District

000031

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**From:** Paul Schoninger  
**Sent:** Wednesday, December 05, 2007 12:08 PM  
**To:** 'bridwell@kawc.com'  
**Subject:** FW: Letter from PSC<1 page ~29 KB> -- 12/5/2007 9:48:24 AM

**Attachments:** Letter from PSC.pdf



Letter from  
SC.pdf (33 KE

yi

-----Original Message-----

**From:** Jeannette Williams  
**Sent:** Wednesday, December 05, 2007 9:25 AM  
**To:** Council Members; Council Staff  
**Subject:** Letter from PSC<1 page ~29 KB> -- 12/5/2007 9:48:24 AM

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Ernie Fletcher  
Governor

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

Timothy J. LeDonne  
Commissioner  
Department of Public Protection



Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Vice Chairman

Caroline Pitt Clark  
Commissioner

November 30, 2007

Lexington-Fayette Urban County Council  
Lexington-Fayette Government Center  
200 East Main Street  
Lexington, KY 40507

Re: Case No. 2007-00134

Ladies and Gentlemen:

Thank you for your comments in Case No. 2007-00134, the application by Kentucky-American Water Co. for a certificate of public convenience and necessity to construct a water treatment plant and associated pipeline in Owen, Franklin, Scott and Fayette counties. Your comments have been entered into the case file for the Commission's consideration as it deliberates in this matter. The Commission appreciates your interest and your input.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", with a stylized flourish at the end.

Beth O'Donnell  
Executive Director



---

**From:** Paul Schoninger  
**Sent:** Thursday, December 06, 2007 8:16 AM  
**To:** 'bridwell@kawc.com'  
**Subject:** FW: Water Resolution  
**Attachments:** Water Supply Resolution (00146684).PDF

Fyi

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**From:** David Barberie  
**Sent:** Thursday, December 06, 2007 8:11 AM  
**To:** Paul Schoninger  
**Subject:** RE: Water Resolution

Paul -

Attached is the "substitute" resolution. The resolution actually on the docket now rescinds Resolution No. 390-99

000034

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**From:** Paul Schoninger  
**Sent:** Friday, December 07, 2007 10:56 AM  
**To:** 'bridwell@kawc.com'  
**Subject:** FW: Info from Councilmember DeCamp  
**Attachments:** DeCamp memo re Water Supply Resolution.pdf; Resolution 390 99.pdf; Resolution 679 99.pdf; New Resoultion from DeCamp.pdf

fyi

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**From:** Marian Zeitlin  
**Sent:** Friday, December 07, 2007 9:52 AM  
**To:** Council Staff  
**Subject:** Info from Councilmember DeCamp

A hard copy of Mr. DeCamp's memo and the resolutions have been placed in each mailbox.

Thanks!

Marian C. Zeitlin  
Legislative Aide  
L.F.U.C.G.  
(859) 258-3201

000035

12/28/2007

**LEXINGTON-FAYETTE URBAN COUNTY COUNCIL**  
*Memorandum*

---

TO: Council Members

FROM: Dick DeCamp  
3<sup>rd</sup> District Councilmember

DATE: December 7, 2007

Attached you will find three resolutions.

1. Resolution No. 390-99, which went into effect on July 15, 1999.
2. Resolution No. 679-99, which superseded No. 390-99 and went into effect on December 15, 1999.
3. The resolution that I put forward, which had first reading yesterday, Thursday, December 6, 2007. This resolution will have second reading on Tuesday, December 11, 2007. If it passes, this will supersede Resolution No 679-99 dated December 15, 1999.

As there was some concern pointed out to me last night about referring to Kentucky-American Water Company specifically, I am planning to ask at our meeting on Tuesday, that the references in paragraphs #3 and #5 be deleted from the resolution which I have put forward.

I strongly believe that we should keep all options open as to where we receive an additional water supply for Fayette County. I hope that you concur.

Thanks for your consideration.

000035

RESOLUTION NO. 390-99

A RESOLUTION SUPPORTING THE USE OF THE KENTUCKY RIVER FOR FAYETTE COUNTY'S PREFERRED WATER SOURCE, SUPPORTING WATER SUPPLY OPTIONS WHICH ARE THE MOST COST EFFECTIVE TO FAYETTE COUNTIANS, EXPRESSING THE COUNCIL'S INTENT TO ESTABLISH A COMMITTEE TO GATHER INPUT FOR THE PURPOSE OF ENDORSING WATER SUPPLY OPTIONS WHICH OFFER THE GREATEST VALUE TO THE PEOPLE OF FAYETTE COUNTY AND REQUESTING THE WATER SUPPLY PLANNING COUNCIL NOT TO SUBMIT PHASE II OF ITS WATER SUPPLY PLAN TO THE KENTUCKY DIVISION OF WATER UNTIL THE COUNCIL COMPLETES ITS STUDY OF WATER SUPPLY OPTIONS.

---

BE IT RESOLVED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 - The Lexington-Fayette Urban County Government supports the use of the Kentucky River for Fayette County's preferred source of water.

Section 2 - The Lexington-Fayette Urban County Government supports whatever water supply options are the most cost effective to the people of Fayette County.

Section 3 - The Urban County Council will establish an ad hoc council committee to gather input from all principals involved in the water supply issue including, but not limited to, Harza Engineering, the University of Kentucky, the Kentucky Water Resources Research Institute, the Kentucky River Authority, Kentucky-American Water Company and the Attorney General, and to gather any other available water supply analyses for the purpose of endorsing water supply options which offer the greatest value to the people of Fayette County and the Kentucky River Basin.

Section 4 - The Lexington-Fayette Urban County Government requests the Fayette County Water Supply Planning Council to not submit Phase II of its Water Supply Plan to the Kentucky Division of Water until the Urban County Government completes its study of the water supply issues.

000037

Section 5 - This Resolution shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL: July 8, 1999

*Sam Miller*  
MAYOR

ATTEST:

*Liz Danneel*  
CLERK OF URBAN COUNTY COUNCIL

PUBLISHED: July 15, 1999-1t

EWG/rea015

000038

RESOLUTION NO. 679-99

A RESOLUTION ENDORSING A WATER SUPPLY PLAN FOR LEXINGTON-FAYETTE COUNTY.

---

WHEREAS, the Urban County Council adopted Resolution 390-99 in July 1999 calling for the Urban County Council to gather information from experts and existing studies about water supply alternatives for Lexington-Fayette County and to endorse a plan for long-term supply; and

WHEREAS, this Council, sitting as a Committee of the Whole, reviewed studies, including the complete report of the Lexington-Fayette Water Supply Planning Council, Harza Report, Kentucky River Basin Water Supply Assessment Study done by the Kentucky Water Resources Research Institute, and others, and heard testimony from experts in the field including the U.S. Army Corps of Engineers, Kentucky Geological Survey, Kentucky Water Resources Research Institute, Kentucky American Water Company, Kentucky River Authority, Office of the Attorney General, interested parties and members of the public; and

WHEREAS, the Urban County Council recognizes the critical importance of an adequate and reliable water supply to guarantee the continued economic growth and health and safety of Fayette County; and

WHEREAS, the drought of 1999 in Lexington-Fayette County and the surrounding region required the imposition of water usage restrictions under a water shortage full alert thereby vividly underscoring the value of water as a precious resource to be protected, conserved and managed and the need to put a plan in place to provide a secure water supply for the future; and

WHEREAS, the Urban County Council recognizes the Kentucky-American Water Company for focusing the attention of the public

000039

on the significance of the water supply deficit and water treatment capacity deficit, and for being an active participant in this extensive fact-finding process; and

WHEREAS, the Urban County Council recognizes that any water supply alternative must ensure the highest water quality and least adverse impact to the Kentucky River basin and land environment; and

WHEREAS, efficient water management and sufficient water supply are vital not only to residents in their daily lives, but also to the industry, agriculture, business, horse and livestock farming, recreation and tourism of Lexington-Fayette County; and

WHEREAS, it has long been recognized that the Kentucky River is the most immediate source of water supply for Lexington-Fayette County; and

WHEREAS, the time has come to move ahead with measures to ensure an adequate and sufficient water supply management system, based upon demand projections and the best available assessment of available alternatives.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 - That the Lexington-Fayette Urban County Council, based upon its hearings and study, does hereby make the following findings and recommendations in the public interest:

#### FINDINGS

1. The Council concludes that water supply projections estimate a current water supply deficit under drought of record conditions of approximately one (1) billion gallons in the Lexington-Central Kentucky area growing to potentially approximately three (3) billion gallons by the year 2020.

2. The Council concludes that to maintain unrestricted demand there is a present water treatment capacity deficit of approximately 9.36 million gallons daily (mgd) within the

service area of Kentucky-American Water Company, which is projected to rise to approximately 18-20 million gallons daily by 2020.

3. The Council concludes that a water conservation and demand management plan should be developed to educate the public on water conservation practices to reduce overall water consumption, especially on peak day demands.

4. The Council concludes that any alternative to provide additional water supply and water treatment capacity must be fairly and equitably financed.

#### RECOMMENDATIONS

1. The Council recommends that future water supply for Lexington-Fayette County should come from the Kentucky River based on its findings that:

a. This solution is cost effective because it can be financed in incremental phases with various funding sources and shared options; and

b. This recommendation supports a regional water supply effort and encourages regional cooperation; and

c. This recommendation supports potential recreation opportunities throughout the region; and

d. This recommendation ensures the maintenance of the existing water infrastructure.

2. The following schedule of improvements as presented by the Kentucky River Authority, Kentucky American Water Company and others should be met within the 2000-2002 time period:

a. Complete acquisition of lock and Dams 6, 7, 8, 9 & 11; and

b. Complete geo-technical study for lock and Dam # 10; and

c. Start and complete engineering design on Dam # 10; and



d. Start and complete environmental assessment of Dam # 10; and

e. Complete a general assessment of locks and dams 5-14 to determine which dam should follow Dam # 10 in rehabilitation effort; and

f. Study modifications to East Kentucky Power intakes; and

g. Begin design plans for water treatment plant capacity upgrades coincident with committed construction funding for Dam # 10; and

h. Investigate a regional solution to long-term water supply through a joint effort between and among the Urban County Government, Kentucky American Water (KAWC), Kentucky River Authority, and our surrounding counties, including information to be provided by June 1, 2000 to the Urban County Council by the regional Bluegrass Water Supply Consortium detailing their concept of a regional plan with a time schedule for implementation, cost implications, intergovernmental agreements among and between counties and water providers; and other pertinent facts; and

i. Develop a mutually agreeable water conservation and demand management plan involving Urban County Government, Kentucky American Water Company, Kentucky River Authority, the University of Kentucky Water Resources Research Institute and the Fayette County Agricultural Extension Office, for educating the public on practices and techniques to reduce water consumption.

3. The following schedule of improvements as presented by the Kentucky River Authority, Kentucky-American Water Company and others should be met within the 2002-2004 time period:

a. Start and complete construction work on Dam # 10; and

b. Start and complete geo-technical study for Dam #9 rehabilitation; and

c. Start and complete engineering design on Dam #9 rehabilitation; and

d. Start and complete environmental assessment on Dam #9 rehabilitation; and

e. Implement conservation practices; and

f. Consider demand management options, if necessary, to meet supply demands.

4. Kentucky American Water should start design to increase water treatment capacity for 15 mgd (million gallons daily) when Kentucky River Authority can document existing or imminent increased water supply as a result of Kentucky River improvements and/or management. An additional 5- mgd treatment capacity should be available by 2012 if needed.

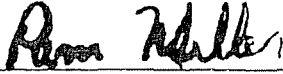
Section 2 - The Urban County Council, in conjunction with the Kentucky River Authority, Kentucky American Water Company and the UK Water Resources Research Institute, will study the success of improving water supply on the Kentucky River, progress on water treatment plant expansion and conservation measures. If sufficient progress on the improvements is not made, a reassessment of all alternatives, including the Ohio River pipeline, and pipelines from regional counties, will be made in 2003. The Council will receive a progress report in June 2000, and in each November annually thereafter.

Section 3 - The Urban County Council recognizes the need for the Kentucky River Authority to act and thereby urges and supports the Authority in its efforts to proceed with all due speed to obtain the monies and/or means to fully undertake the required improvements to existing dams on the Kentucky River.

Section 4 - That the Clerk of the Urban County Council is directed to send a copy of this Resolution, duly adopted, to:

Kentucky Governor Paul Patton; Lexington's delegation to the Kentucky General Assembly; the Kentucky Natural Resources Cabinet - Division of Water; the Kentucky Public Service Commission; the Office of the Attorney General; the Kentucky River Authority; the Lexington-Fayette Water Supply Planning Council; the U.S. Army Corps of Engineers; the Kentucky American Water Company; East Kentucky Power Company; University of Kentucky Water Resources Research Institute; Fayette County Agricultural Extension Office; Winchester Municipal Utilities; Frankfort Plant Board; City of Nicholasville Utilities; City of Paris Utilities; Congressman Hal Rogers, Chair, House of Representatives, Subcommittee on Energy and Water Development, Congressman Ernest Fletcher; and U.S. Senators Mitch McConnell and Jim Bunning.

PASSED URBAN COUNTY COUNCIL: December 9, 1999

  
\_\_\_\_\_  
MAYOR

ATTEST:

  
\_\_\_\_\_  
CLERK OF URBAN COUNTY COUNCIL

PUBLISHED: December 15, 1999-lt

BWG/res017

RESOLUTION NO. \_\_\_\_\_-2007

A RESOLUTION CLARIFYING THE URBAN COUNTY COUNCIL'S POSITION ON THE WATER SUPPLY DEFICIT PROBLEM AND STATING THAT THE FUTURE SOURCE OF WATER SUPPLY FOR LEXINGTON-FAYETTE COUNTY DOES NOT NECESSARILY NEED TO COME FROM THE KENTUCKY RIVER, AND THAT THE COUNCIL WANTS ANY AND ALL OPTIONS FOR ADDRESSING THIS ISSUE FULLY EXPLORED AND CONSIDERED BY THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00134, REGARDLESS OF WHETHER THE ULTIMATE SOURCE OF THE ADDITIONAL WATER SUPPLY IS OBTAINED FROM THE KENTUCKY RIVER.

---

WHEREAS, on December 9, 1999, the Urban County Council adopted Resolution No. 679-99 endorsing a water supply plan for Lexington-Fayette County (the "Resolution"); and

WHEREAS, there were a number of recommendations made in the Resolution that were not timely implemented, or never came to pass; and

WHEREAS, the Council believes that the Resolution has been, from time-to-time, erroneously interpreted by certain parties, including Kentucky-American Water Company, as requiring any solution to Central Kentucky's water supply problem to be focused solely on the Kentucky River as the source of supply of water; and

WHEREAS, the Council recognizes that more than one option for addressing the water supply problem may potentially exist, and further recognizes that not all options rely on the additional water supply to be drawn from the Kentucky River; and

WHEREAS, the Council is desirous of clarifying for all parties or entities that have an interest in the issue of the water supply problem, including, but not limited to the Kentucky-American Water Company and the Kentucky Public Service Commission, that the Council wants any and all feasible options for addressing this issue fully explored and considered, regardless of whether the ultimate source of the additional water supply is obtained from the Kentucky River.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 – That the Preamble to this Resolution be incorporated by reference as if fully set out herein.

Section 2 - That the Urban County Council hereby clarifies its position on the

**DRAFT 12-05-07**

water supply deficit problem, and states that the future water supply for Lexington-Fayette County does not necessarily need to come from the Kentucky River, and that the Council wants any and all feasible options for addressing this issue fully explored and considered by the Kentucky Public Service Commission in Case No. 2007-00134, regardless of whether the ultimate source of the additional water supply is obtained from the Kentucky River.

Section 3 - That this Resolution shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CLERK OF URBAN COUNTY COUNCIL

PUBLISHED:

00146611

000046

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**From:** David Barberie  
**Sent:** Monday, December 10, 2007 8:54 AM  
**To:** 'william.lear@skofirm.com'  
**Cc:** Logan Askew  
**Subject:** Resolution  
**Attachments:** Water Reso (pdf) (00147060).PDF

Mr. Lear -

Per your voice mail message, it is my understanding that the Council substituted the attached resolution last Thursday night for Mr. DeCamp's original proposal and gave it a first reading, and that the vote to substitute passed 8-7 (I do not know the breakout on the vote). As a result, I believe that this is scheduled for second reading at the 6 p.m. meeting tomorrow night (I have yet to see the docket to verify this, but normally it would be available on LFUCG website later today or early tomorrow). That's pretty much all I know at this point, but you can give me a call if you have any additional questions.

**NOTICE: ANY LEGAL OPINION PROVIDED IN THIS ELECTRONIC MAIL TRANSMISSION IS PROVIDED IN THE COURSE OF MY LEGAL REPRESENTATION OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AND SHOULD NOT BE DISSEMINATED TO THE PUBLIC. THIS TRANSMISSION IS FOR THE USE OF THE NAMED INDIVIDUAL OR ENTITY TO WHICH IT IS DIRECTED, AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED OR CONFIDENTIAL. IT IS NOT TO BE TRANSMITTED TO OR RECEIVED BY ANYONE OTHER THAN THE NAMED ADDRESSEE (OR PERSON AUTHORIZED TO DELIVER IT TO THE NAMED ADDRESSEE). IT IS NOT TO BE COPIED OR FORWARDED TO ANY UNAUTHORIZED PERSONS. IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR, DELETE IT FROM YOUR SYSTEM WITHOUT COPYING OR FORWARDING IT, AND NOTIFY THE SENDER OF THE ERROR BY REPLYING VIA E-MAIL OR BY CALLING THE DEPARTMENT OF LAW AT (859) 258-3500, SO THAT OUR ADDRESS RECORD CAN BE CORRECTED.**

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000047

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION CLARIFYING THE URBAN COUNTY COUNCIL'S POSITION ON THE WATER SUPPLY DEFICIT PROBLEM AND STATING THAT THE FUTURE SOURCE OF WATER SUPPLY FOR LEXINGTON-FAYETTE COUNTY DOES NOT NECESSARILY NEED TO COME FROM THE KENTUCKY RIVER, AND THAT THE COUNCIL WANTS ANY AND ALL OPTIONS FOR ADDRESSING THIS ISSUE FULLY EXPLORED AND CONSIDERED BY THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00134, REGARDLESS OF WHETHER THE ULTIMATE SOURCE OF THE ADDITIONAL WATER SUPPLY IS OBTAINED FROM THE KENTUCKY RIVER.

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WHEREAS, on December 9, 1999, the Urban County Council adopted Resolution No. 679-99 endorsing a water supply plan for Lexington-Fayette County (the "Resolution"); and

WHEREAS, there were a number of recommendations made in the Resolution that were not timely implemented, or never came to pass; and

WHEREAS, the Council believes that the Resolution has been, from time-to-time, erroneously interpreted by certain parties, including Kentucky-American Water Company, as requiring any solution to Central Kentucky's water supply problem to be focused solely on the Kentucky River as the source of supply of water; and

WHEREAS, the Council recognizes that more than one option for addressing the water supply problem may potentially exist, and further recognizes that not all options rely on the additional water supply to be drawn from the Kentucky River; and

WHEREAS, the Council is desirous of clarifying for all parties or entities that have an interest in the issue of the water supply problem, including, but not limited to the Kentucky-American Water Company and the Kentucky Public Service Commission, that the Council wants any and all feasible options for addressing this issue fully explored and considered, regardless of whether the ultimate source of the additional water supply is obtained from the Kentucky River.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 – That the Preamble to this Resolution be incorporated by reference as if fully set out herein.

Section 2 - That the Urban County Council hereby clarifies its position on the water supply deficit problem, and states that the future water supply for Lexington-

000048

Fayette County does not necessarily need to come from the Kentucky River, and that the Council wants any and all feasible options for addressing this issue fully explored and considered by the Kentucky Public Service Commission in Case No. 2007-00134, regardless of whether the ultimate source of the additional water supply is obtained from the Kentucky River.

Section 3 - That this Resolution shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CLERK OF URBAN COUNTY COUNCIL

PUBLISHED:



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
CASE NO. 2007-00134  
PUBLIC SERVICE COMMISSION'S POST HEARING DATA REQUEST  
ITEMS 2-4**

2. State whether any calculations have been made by LFUCG, or at LFUCG's request, which would show the cost of constructing a new water treatment facility on the Kentucky River including the construction of mains sufficient to transmit such water to Kentucky-American's system.

Response:

See the Response to No. 1 above, which is incorporated herein by reference. LFUCG has not made or requested any calculations regarding the cost of construction, and has instead relied upon the information and calculations provided by the witnesses in this case as well as those previously performed by O'Brien and Gere Engineers, Inc., as a consultant hired by the BWSC, of which LFUCG is a member.

3. If such calculations referred to in Item No. 2 have been made, provide such calculations in a reasonably understandable format.

See the Response to No. 2 above, which is incorporated herein by reference. No such calculations have been performed.

4. Provide all internal memoranda in which LFUCG officials discuss meetings or communications with Kentucky-American regarding possible solutions to Kentucky- American's water supply needs, including the construction of a new water treatment facility and water transmission mains.

See the Response to No. 1 above, which is incorporated herein by reference. LFUCG is not aware of any relevant documents.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**CASE NO. 2007-00134**  
**PUBLIC SERVICE COMMISSION'S POST HEARING DATA REQUEST**  
**ITEM 5**

5. a. State whether LFUCG has considered entering into a public-private venture with Kentucky-American to construct facilities necessary to expand Kentucky-American's existing water supply.

See the Response to No. 1 above, which is incorporated herein by reference. LFUCG has not considered such a venture.

b. If yes, describe each option considered, the actions that LFUCG took to pursue the option, and the result of these actions.

None.

c. If not, explain why such options have not been considered.


KAWC, not LFUCG, is the water purveyor in Fayette County, Kentucky, and it has been ordered by the Commission to address its water supply deficit problem. LFUCG has been a member of the BWSC (and its predecessor, the Bluegrass Water Supply Consortium) since its inception, and it, not LFUCG, is the entity that has been dealing with KAWC regarding public-private water ventures.

The KAWC has never approached LFUCG in an attempt to gauge its interest in such a venture, which is perhaps understandable given that LFUCG had previously filed the condemnation lawsuit, which was followed by a general election ballot issue in November 2006 in which more than 60% voted against LFUCG acquiring KAWC. Finally, it is LFUCG's belief, based upon KAWC's position in this case, as well as its representations to the BWSC, that KAWC has absolutely no desire in pursuing a project in which it would not own and operate a substantial majority of the assets. As a result, the ability to use certain types of public financing (i.e., pursuant to KRS Chapter 58) to construct such a project would be questionable.

Respectfully submitted,

LEXINGTON-FAYETTE URBAN  
COUNTY GOVERNMENT

BY:



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URBAN COUNTY

### **CERTIFICATE OF SERVICE**

I hereby certify that an original and eight (8) copies of this document and the corresponding informational documents were served by hand-delivery, to the Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class U.S. Mail delivery, postage prepaid, on the following, all on this the 9th day of January 2008:

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