

Barbara Stokes Graves
143 Idle Hour Drive
Lexington, KY 40502

RECEIVED

NOV 26 2007

PUBLIC SERVICE
COMMISSION

23 November 2007

TO: MEMBERS OF THE PUBLIC SERVICE COMMISSION

This is to add yet another citizen's voice to the issue of whether we go for the Louisville water pipeline or Kentucky American Water Company's proposal for the Kentucky River—the latter of which is, interestingly enough, in their (KAW's) future plans for water supply for our area.

Having read many articles and had many discussions on the merits of both proposals with several folks who are pretty savvy on this subject, please allow me to submit to you for your consideration an article written by one of our most informed, dedicated and fair-minded public servants, Mrs. Ann Ross, who says it all better than I could or would.

While the matter of our Lexington public officials' nonchalance regarding the future of our water supply (the "oil" of our twenty first century) is ours to deal with locally-and, is indeed, regrettable-it does not obviate the critical relevant factors Mrs. Ross so cogently summarizes in her article.

I appeal to you to vote in the PUBLIC INTEREST and be true to the PUBLIC SERVICE building block of your organization's mission.

Thank you for what I sincerely hope will be your deliberate, intensive, thorough consideration of this issue and all of its ramifications. Please deny KAW's proposal and enable the pursuit of the Ohio River solution.



Barbara Stokes Graves

Citizen

Lex Herald's deadline

City officials must jump into water-plan debate

By Ann Ross

When it comes to dealing with long-term water supply issues, the drought continues at the Urban County Government. Lexington's ship of state is cruising toward a critical decision that will set the course for our water supply for decades to come, and the mayor and some members of the Urban County Council didn't even book passage.

One council member has even taken the stunning position that city should defer to the state Public Service Commission and not be involved at all. To suggest that the city should not be involved in a decision that will set an irreversible course for our most critical natural resource and cost millions of dollars — 90 percent of which will be paid for by ratepayers in Lexington — is an unimaginable dereliction of duty.

If there ever was an issue that begged for leadership from city hall, the future of our water supply would seem to be the one. The stakes for Central Kentucky water customers are enormous, but they are highest for Lexington.

That is reason enough to expect Lexington officials to take a more active and energetic role in the outcome. Individually or collectively, the mayor and council speak with a powerful voice. It needs to be heard.

But given the chance to make a difference, they have shown nothing but indifference, content to let the PSC tell us what the answer to our supply issue will be rather than playing a leadership role in determining what it should be.

There are two options on the table: RWE/Kentucky American Water's proposal to build a new treatment plant on the Kentucky River in

Owen County and connect it via a new pipeline through private property in Franklin, Scott and Fayette counties; and Louisville Water Co.'s proposal to sell us water it draws from the Ohio River and deliver it via a pipeline from Shelby County that would follow the route of Interstate 64.

It is a complex issue that the mayor and council should be helping unravel. Instead, while a lot of people are engaged in a high-stakes effort to influence the decision, the people who are supposed to be representing us are not among them.

The issue is made more complicated by a number of other factors:

- Kentucky American is a private entity whose primary responsibility is to maximize profits for its shareholders, not to find a solution that is best for the region at the lowest cost to ratepayers. In fact, utility companies are provided profits on the basis of capital investment; the bigger the investment, the more they can charge and the more money they can make.

- Louisville Water's proposal to extend its existing pipeline from Shelby County was introduced after a lot of people had decided Kentucky American's plan was the best solution, even though at the time it was the only solution being offered.

- The PSC is driving the decision-making process even though its role is limited. The PSC's job is to determine whether Kentucky American's proposal makes sense for it, not to determine whether it is the best solution for Lexington.

- The PSC's policy is not to consider the impact on rates when ruling on Kentucky

American's proposal. Only after receiving approval for the project will the utility present a rate increase request — and it will be a big one.

Kentucky American last requested an increase of 29 percent to cover \$60 million in capital expenditures. After negotiations, the state attorney general and the utility scaled that back to 17 percent, which the PSC is considering.

The cost of the project now before the PSC is estimated at \$160 million. You do the math.

Within two years, the company will be back asking for another increase.

- Kentucky American's proposal is not intended to be a long-term solution. The proposal has a Phase 2 that would cost even more and involves, among other things, building a separate pipeline to the Ohio River.

- There are other stakeholders involved. Water systems serving other communities in the region are current or potential customers for water. The Bluegrass Water Supply Commission, whose members include Lexington, recommended the Kentucky American plan before Louisville Water made its proposal, but Lexington's leaders have not asked the commission to reconsider.

And the issue is made needlessly more complicated by the fact that the mayor and council should be the ones leading the discussion, but they are not. Rather than control our destiny, we are allowing others to control it for us.

The mayor and council should raise their voices and make sure all of the options are thoroughly considered.



Ann Ross of Lexington is a former vice mayor.