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Mark David Goss, Chairman
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort KY 40601

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PUBLIC SERVICE
COMMISSION

Case 2007-00134

Dear Chairman Goss:

The fact is that more time is needed in this case because the Louisville Water Company (LWC) has not had sufficient time to fully develop its proposal. This is partly due to the uncooperative nature of Kentucky-American Water (KAW), which wants to quash the LWC plan.

KAW's main issue is that it is ready to proceed now and LWC is not...that delaying will be more costly and will not allow more water in time for the 2010 Equestrian Games.

While it is true that inflation can increase the capital costs of either project, inflation costs could be peanuts compared to savings from the lowest cost solution. Additionally, there is no guarantee that either plan would be finished by 2010 due to the vast number of unknowns in both proposals. Thus, the Versailles temporary water availability stop-gap measure should be pursued in either case to insure water availability by 2010. This makes hurrying moot. Once you get past the need to hurry, KAW has not much to offer. Please do not be swayed by the political allies of KAW who are urging a rush to judgment.

Yes, LWC has questions about going over or under the Kentucky River and the precise path of its pipeline, but so does KAW need to cut across valuable Scott and Franklin County farms with 100 easements which might wind up in court. Yes, there have been protests over the LWC plan but there are likely even more now about the KAW plan. Yes, both plans have significant unanswered questions, but that is par for the course with any huge project and these are huge.

On the other hand, it appears that the LWC plan is hands-down the winner on costs. Projections of the 25-year cost savings of the LWC proposal range from \$60 million to \$180 million. Of the three analyses of which I am aware, none show advantage for KAW. The Bluegrass Water Supply Commission's own study by O'Brien and Gere shows substantial savings from the LWC plan. And the Beck study shows the same. Rubin's analysis shows the proposals to be similar in cost. But as Mr. Heitzman of LWC pointed out to the PSC, Rubin was operating without all of the information which might well have resulted in agreement with the other two if he had more data.

Everyone seems to agree that after about 2030, additional access to Ohio River water will be needed. Since the LWC proposal would also make that less costly, it appears another financial advantage. And why does KAW refuse to place a cap on future water rates if its proposal is accepted, while LWC has already guaranteed future rates. KAW's refusal should disqualify its proposal out of hand.

Finally, this evaluation should be only about what is best for water customers, not what is fastest or more flexible. And it should certainly not be because, as one Fayette County Council member has said, "Louisville Water did not play nice." The lower cost plan is best because KAW is guaranteed a profit on its costs which will result in the lowest rates. Since KAW will make a profit with either proposal, why is it so onerously and strenuously trying to sell Pool 3? Why would it need to resort to misleading statements in its full-court press to sell its plan? Why is it dead-set against allowing even 30 more days for LWC to explain its case further?

KAW is either fighting so hard to save the water customers money or to make greater profits which will come at the expense of higher rates. If it were to save money for customers, you would think that one of the studies would show that? They do not. And you would think that KAW would want to take whatever time necessary to find the best plan., But it does not. Therefore, I would hope that it would be crystal clear to the PSC, the Fayette County Council, the public and the Attorney General's Office that KAW's plan is not best for water consumers? Please send this back to KAW to look for an alternative which is a more cost effective, and thus a better deal for water consumers.

Thanks....

A handwritten signature in black ink, appearing to read "Martin Solomon", with a long, sweeping horizontal flourish extending to the right.

Martin Solomon