

Saturday, January 26, 2008

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

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COMMISSION

Case 2007-00134

Dear Chairman Goss:

I have heard it said that Scott J. Rubin, "made a case for Kentucky-American Water." But I cannot believe that anyone would make such a statement in the face of his testimony before you when he said, "*it is not possible to accurately assess whether the Pool 3 Project is more expensive than the LWC pipeline option.*"

As you recall, a more complete version of his statement is:

"I conclude, therefore, that it is not possible to accurately assess whether the Pool 3 Project is more expensive than the LWC pipeline option. There is a great deal of uncertainty about the actual cost and feasibility of an LWC pipeline. It appears, however, that the Pool 3 Project and LWC pipeline are likely to be fairly close in cost in the early years, with the LWC pipeline becoming more expensive as KAWC needs more water. Given the need for KAWC to do something immediately, it is my opinion that it is reasonable for KAWC to undertake the Pool 3 Project, so long as certain conditions are met."

Since he could not accurately compare the costs of the two proposals, anything else he said was pure speculation and surely pure speculation should not be considered in making important decisions.

But his last phrase is important. One of the conditions being insisted on by the Attorney General's office is for Kentucky-American to place a cap on its costs if its proposal were to be adopted. Kentucky-American has refused this and thus, that, in itself, should be grounds for dismissal of its case.

Also, Mr. Rubin assumed that there was an urgent need to get moving as soon as possible. But this is not true. There is concern about having sufficient water for the 2010 Equestrian Games and that problem can be resolved by a short-term contract with Versailles to obtain the necessary extra water until the longer-term facilities are available. Since there is no guarantee that either the KAW or the LWC proposal would actually be finished by 2010 because both have large uncertainties facing them, it would be prudent to pursue the Versailles stop-gap measure in either case, but to do it now.

So, in conclusion, based upon the Beck study and the O'Brien and Gere study, it seems abundantly clear that the Kentucky-American proposal is hugely more expensive and, therefore, would translate into higher rates for Bluegrass water customers. Since we all want the most cost effective solution for our citizens, it is clearly not that of Kentucky-American.

Thank you,



Marty Solomon