

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

AUG 27 2007

THE APPLICATION OF KENTUCKY-)
AMERICAN WATER COMPANY FOR A)
CERTIFICATE OF CONVENIENCE AND)
NECESSITY AUTHORIZING THE)
CONSTRUCTION OF KENTUCKY RIVER)
STATION II, ASSOCIATED FACILITIES)
AND TRANSMISSION MAIN)

PUBLIC SERVICE
COMMISSION

CASE No. 2007-00134

*** ** **

**RESPONSES OF
BLUEGRASS WATER SUPPLY COMMISSION
TO CITIZENS FOR ALTERNATIVE WATER
SOLUTIONS, INC'S DATA REQUESTS**

*** ** **

Comes the Bluegrass Water Supply Commission (the "BWSC"), and for its Responses to the Data Requests propounded by the Citizens For Alternative Water Solutions, Inc. (the "CAWS"), states as shown on the following pages.

**GENERAL OBJECTION
AND NON-WAIVER**

As a matter of procedure, an Intervenor, such as BWSC, has no obligation nor duty to file Intervenor Testimony. The deadline for submitting Intervenor Testimony was July 30, 2007. Having elected not to file Intervenor Testimony, BWSC does not have an obligation or duty to produce any witnesses at the Formal Hearing before the Commission for cross examination by the other parties.

In the interest of providing the Commission and the public with as much information as possible, however, BWSC is responding to the Data Requests of CAWS and producing all relevant documents. Some of the documents contain opinions and analyses of engineers and other experts. By producing these documents and responding to CAWS's Data Requests, BWSC is not obligating itself to produce these expert witnesses at the Formal Hearing. BWSC hereby places all parties on notice that it has no intention of producing these witnesses at the Formal Hearing.


DAMON R. TALLEY, P.S.C.

DAMON R. TALLEY
PO BOX 150
HODGENVILLE, KY 42748
ATTORNEY FOR BWSC

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY AUTHORIZING) CASE NO. 2007-134
THE CONSTRUCTION OF KENTUCKY RIVER)
STATION II, ASSOCIATED FACILITIES AND)
TRANSMISSION MAIN)

**CERTIFICATION OF RESPONSES TO THE CITIZENS FOR
ALTERNATIVE WATER SOLUTIONS, INC.'S DATA REQUEST**

This is to certify that I have supervised the preparation of the Bluegrass Water Supply Commission's Responses to the Citizens For Alternative Water Solutions, Inc.'s Data Request. The responses are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: 8-27-07

Thomas P. Calkins
Thomas P. Calkins, Chair
Bluegrass Water Supply Commission

CERTIFICATE OF SERVICE

This is to certify that a true copy of the attached document has been served by first class U.S. Mail, postage prepaid, this 27th day of August, 2007, to the following:

Hon. A. W. Turner, Jr., Gen. Counsel
Kentucky –American Water Co.
2300 Richmond Road
Lexington, Kentucky 40502

Hon. Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 2110
Cincinnati, Ohio 45202

Hon. Lindsey W. Ingram, Jr.
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-
1801

Hon. Thomas J. Fitzgerald
Kentucky Resources Council, Inc.
PO Box 1070
Frankfort, KY 40602

Hon. David E. Spenard
Assistant Attorney General
1024 Capital Center Drive, Suite
200
Frankfort, KY 40601-8204

Hon. Stephen Reeder
Kentucky River Authority
70 Wilkinson Blvd.
Frankfort, KY 40601

Hon. David J. Barberie
Lexington-Fayette Urban Co.
Gov.
Department of Law
200 East Main Street
Lexington, KY 40507

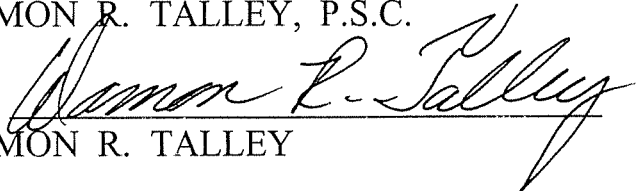
Hon. John E. Selent
Dinsmore & Shohl LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202

Hon. David F. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 2110
Cincinnati, Ohio 45202

Hon. Barbara K. Dickens
Louisville Water Company
550 South Third Street
Louisville, KY 40202

DAMON R. TALLEY, P.S.C.

BY:


DAMON R. TALLEY

Has BWSC adopted a formal position concerning whether the Public Service Commission (PSC) should issue the Certificate of Public Convenience and Necessity (CPCN) requested by Kentucky American Water Company (KAWC) in this case?

a. If so, what is that position?

Answer:

Yes. BWSC strongly supports and endorses the project proposed by KAWC.

b. Please provide all studies, reports, analyses, and other bases relied upon in support of that position. To the extent that those documents are already of record in this proceeding, a reference to the title, author and date of the document will be sufficient.

Answer:

KAWC is seeking a CPCN to construct a water treatment plant on Pool 3 of the Kentucky River, associated facilities and a water main transmission line from the treatment plant to central Kentucky (the “KAWC Project”). The KAWC Project is essentially the same project recommended by the 2004 Water System Regionalization Feasibility Study (the “Regional Study”) prepared by O’Brien and Gere Engineers, Inc. for the Bluegrass

Area Development District in association with the Bluegrass Water Supply Consortium. The Regional Study was filed with the Commission on June 28, 2004 in Case No. 2001-00117. The Commission has incorporated by reference all records from Case No. 2001-00117 into the record of this case.

The BWSC's support of a Kentucky River Pool 3 solution is based primarily upon the recommendation of the Regional Study. KAWC's independent decision to construct a water treatment plant on Pool 3 underscores the validity of the Regional Study.

In addition, BWSC has revisited the Kentucky River Pool 3 solution on numerous occasions since the Regional Study was released in 2004. The BWSC has received numerous proposals from the Louisville Water Company (the "LWC"). The BWSC has also studied and rejected the possibility of obtaining water from multiple suppliers in lieu of Pool 3 of the Kentucky River.

Attached is a copy of the following studies and reports:

- (1) Preliminary Review and Analysis of Louisville Water Company Proposal, December 15, 2005;
- (2) June 4, 2007 Letter from Bryan K. Lovan, O'Brien and Gere Engineers, Inc. to Don R. Hassall, General Manager, BWSC;
- (3) July 23, 2007 Program Manager's Report to BWSC; and
- (4) Various other monthly Program Manager's Reports presented at BWSC meetings (Included with the Minutes attached to Data Request No. 15).

**Preliminary Review & Analysis
Louisville Water Company (LWC) Proposal
(Dated December 15, 2005)**

LWC point of delivery for finished water to be located in the vicinity of Interstate 64 and Highway 53. LWC's potable, finished water supply could be delivered at a hydraulic grade of 900-950 msl, and working pressure of 40-60 psi (ground elevation 810). LWC will design, build, own, and operate the water transmission main, pump station and storage facilities to the point of delivery near KY Highway 53.

LWC will contribute the required capital to fully fund construction of a 10 mgd capacity delivery system terminating at KY Highway 53 for all of the supply options specified. These facilities will consist of a 24-inch water main along Interstate 64 from the Snyder Freeway (Interstate 265) to KY Highway 53, a booster pump station in Jefferson County at Interstate 265 and a 2 million gallon storage facility at Highway 53 in Shelby County. The BWSC will be responsible for any additional costs of upsizing these facilities to meet the required reserved capacities specified. In consideration of such a capital commitment, LWC requires, at a minimum, a 50-year contract with renewal options.

Below is the LWC option evaluated in this preliminary analysis for the full capacity and comparison with the New Kentucky River WTP at Pool 3 with Ohio River Pipeline.

Option 1

Provide 6.2 mgd base rate of flow with maximum day design capacity of 31 mgd. LWC recommends a 42-inch water main along Interstate 64 from the Snyder Freeway (I-265) to Highway 53, a booster pump station in Jefferson County at Interstate 265 and a 6 million gallon storage facility at Highway 53 in Shelby County. Alternatively, parallel 30-inch transmission facilities are recommended to reduce the higher operating risk and allow future maintenance while maintaining operations to deliver the base rate of flow. To ensure reliable service to meet this demand, improvements in LWC transmission, clear well and finished water pumping facilities will be needed. Costs for these improvements are estimated to be \$10 million.

As noted above, the BWSC will be responsible for the costs of upsizing these facilities from the base 10 mgd option to deliver the 31 MGD reserved capacity requested to KY Highway 53 in addition to the \$10 million required to upgrade LWC plant and core transmission facilities.

- Option 1 - Reserved capacity of 31 mgd, with minimum daily purchase of 6.2 mgd:
- The rate per thousand gallons for minimum daily purchase up to 6.2 mgd is \$2.70.
 - The rate per thousand gallons above 6.2 mgd, but not exceeding the reserved capacity of 31 mgd, is \$0.57.
 - The rate per thousand gallons above the reserved capacity of 31 mgd is \$1.63.

LWC Cost = \$18.51 million

BWSC Upgrade Cost = \$31.93 million

In addition, BWSC's construction cost to transport LWC supply to within the BWSC service area via Duckers Station Road (Phase I Project) is estimated at approximately \$57.10 million. The total capital cost for transporting the LWC supply to the Phase I project is estimated at approximately \$89.03 million (Construction Cost + Upgrade Cost).

Below is the LWC option that will be used in the evaluation for the interim source of supply and comparison with the upgrade capacity of the Frankfort Plant Board (FPB) WTP study.

Options 3 & 4 (For Interim Source Supply)

Provide 2 mgd base rate of flow with a maximum day design capacity of 10 mgd. This option requires installation of a 24-inch water main along Interstate 64 from the Snyder Freeway (Interstate 265) to KY Highway 53, a booster pump station in Jefferson County at Interstate 265 and a 2 million gallon storage facility at Highway 53 in Shelby County. LWC will fully fund, design, build own, and operate these facilities to the point of delivery at KY Highway 53.

Option 3 - Reserved capacity of 10 mgd, with minimum daily purchase of 2 mgd:

- The rate per thousand gallons for minimum daily purchase up to 2 mgd is \$2.70.
- The rate per thousand gallons above 2 mgd but not exceeding the reserved capacity of 10 mgd is \$0.57.
- The rate per thousand gallons above the reserved capacity of 10 mgd is \$1.63.

LWC Cost = \$18.51 million

BWSC Upgrade Cost = \$ 0

Option 4 - Reserved capacity of 5 mgd, available capacity of 10 mgd, with minimum daily purchase of 2 mgd:

- The rate per thousand gallons for minimum daily purchase up to 2 mgd is \$1.67.
- The rate per thousand gallons above 2 mgd but not exceeding the reserved capacity of 5 mgd is \$0.57.
- The rate per thousand gallons above the reserved capacity of 5 mgd is \$1.63.

LWC Cost = \$18.51 million

BWSC Upgrade Cost = \$ 0

In addition, BWSC's construction cost to transport LWC supply to within the BWSC service area via Duckers Station Road (Phase I Project) is estimated at approximately \$57.10 million. The total capital cost for transporting the LWC supply to the Phase I project is estimated at approximately \$57.10 million (Construction Cost + Upgrade Cost).

Preliminary Summary of LWC Proposal

In reviewing the proposal and comparison with the Kentucky River WTP at Pool 3 with Ohio River Pipeline alternative, the capital cost for the LWC Option 1 was lower than the Kentucky River Pool 3 option by almost 18%; however, the annual O&M present worth cost of the LWC Option 1 is much greater (more than double) than the Kentucky River Pool 3 option.

Combining these two factors into a present worth indicates that the Kentucky River Pool 3 option would be the preferred option for the long-term source of supply for BWSC, with a present worth cost that is 23% lower than the LWC option, based on this recent proposal.

Once the assessment of the Frankfort option is completed, we will assess the interim source of supply options (#3 & #4) presented by LWC, and provide a final recommendation.

Figure 1 -- Unit Project Capital Cost and Present Worth of Annual O&M Cost per Gallon of Capacity

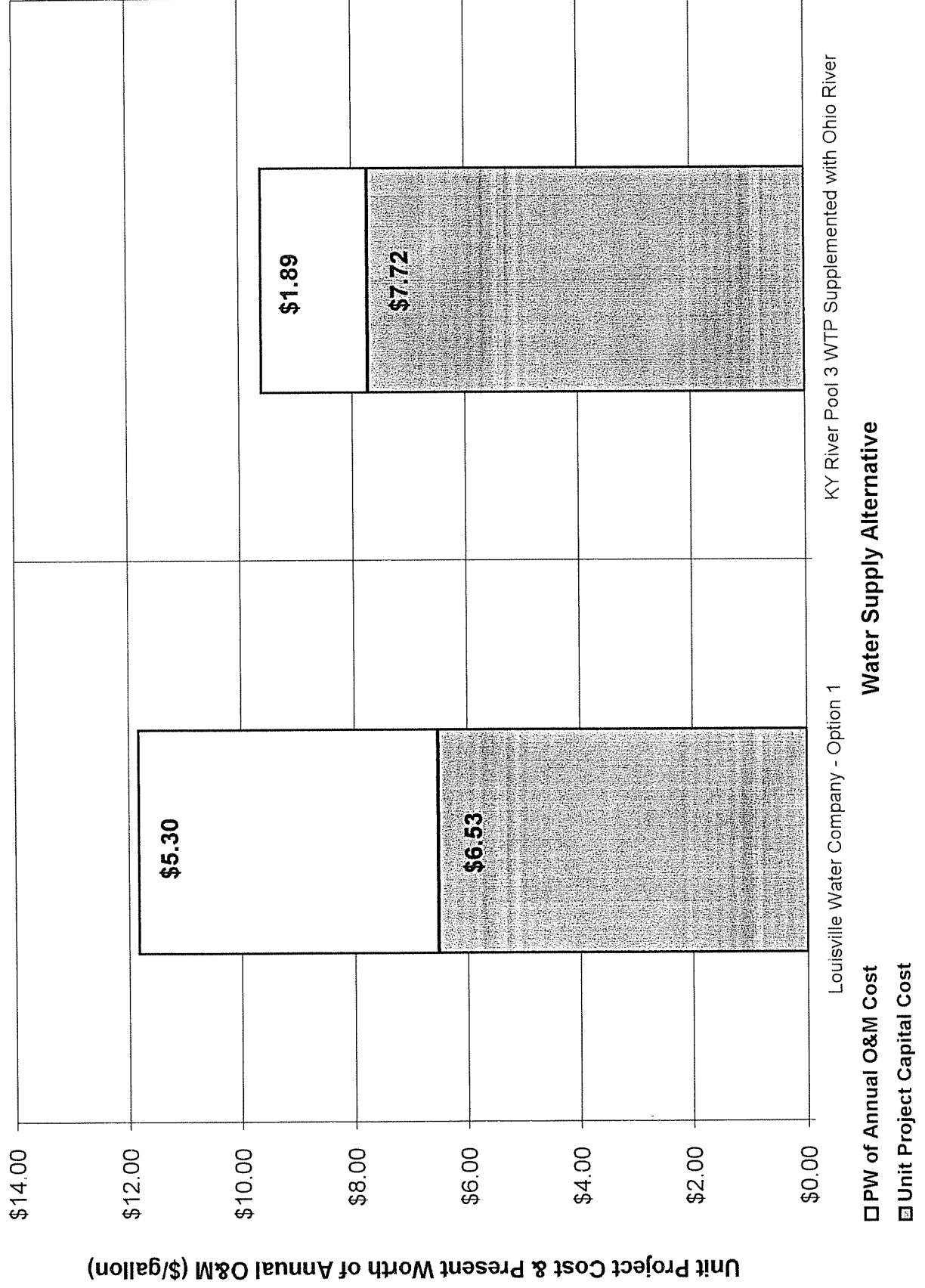
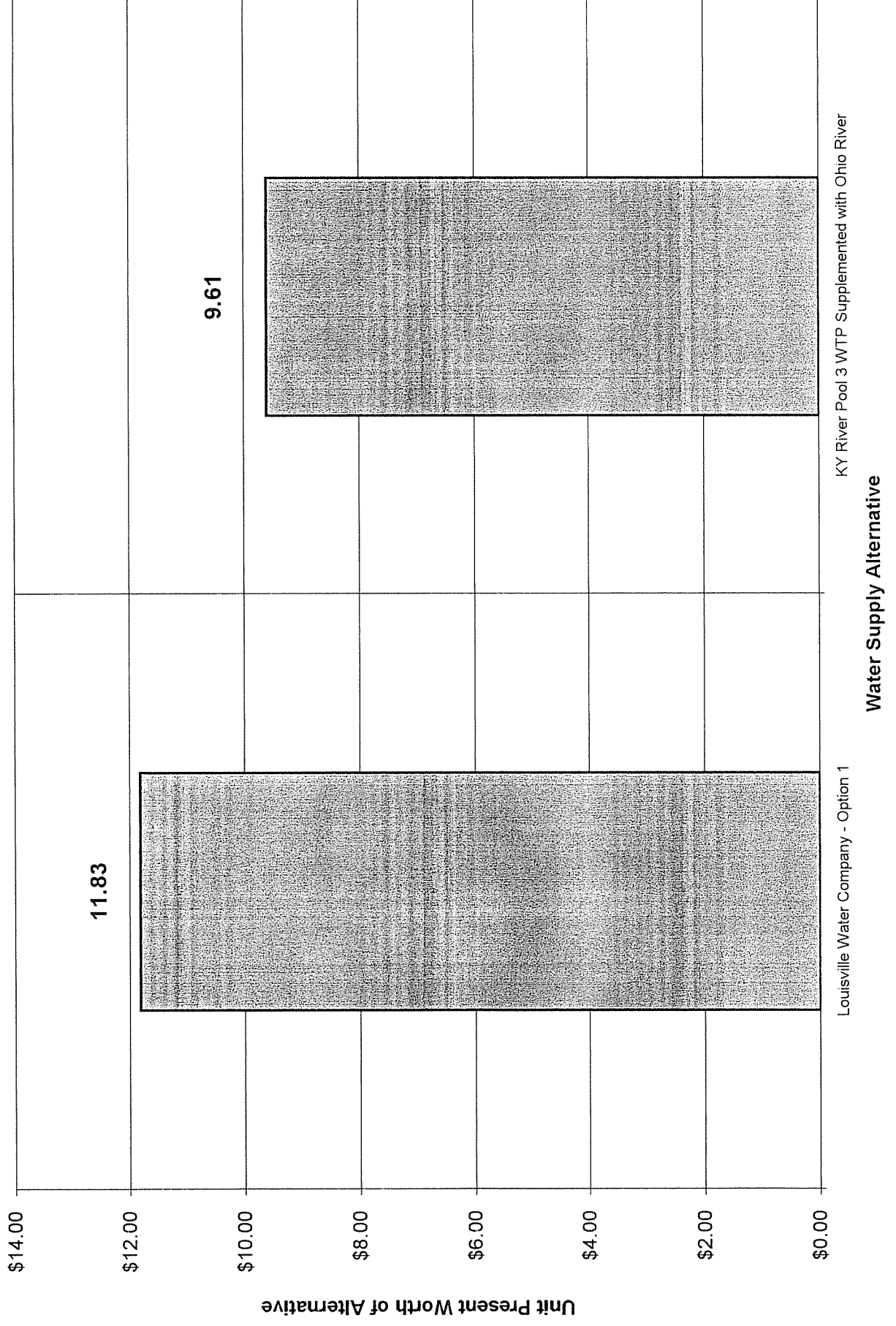


Figure 2 -- Total Unit Present Worth of Alternatives (40 years)



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O'BRIEN & GERE

June 4, 2007

Mr. Don R. Hassall, PE, General Manager
Bluegrass Water Supply Commission
c/o Bluegrass Area Development District
699 Perimeter Drive
Lexington, KY 40517-4120

Re: Lowest Cost Alternative
Water Supply
File: 36270

Dear Don,

This letter is to provide an update and to clarify a matter of significance, which may not have been fully understood during the course of the Feasibility Study. On a number of recent occasions, we have heard some concern that BWSC's approach for regional water supply is not the lowest cost option. The implication seemed to be that some members of the General Assembly, the general public and possibly some of the participants in the BWSC believed that the Kentucky River Pool 3 hybrid alternative is not the lowest cost alternative. Without commenting on the merit of this concern, the fact of the matter is that the recommended option from the Feasibility Study (Kentucky River Pool 3 with a supplemental pipeline to the Ohio River) was both the highest rated and lowest cost, when evaluated "apples to apples" with a firm capacity of 45 MGD from all sources. For your convenience, we attach Figures 1 through 4 which show information presented at Workshops No. 5 and 6. Figures 1 & 2 show cost comparisons with the Louisville Water Company's original and revised pricing, respectively. Figures 3 & 4 shows weighted scoring comparisons with the Louisville Water Company's original and revised pricing.

You no doubt recall that during Workshop No 5, upon showing the results illustrated by Figures 1 & 3, there was a request from Louisville Water Company for a second submittal of their cost proposal. The opportunity to make a second submittal was then provided to all four of the entities which had offered wholesale water supply. Only one, Louisville Water Company, made a second offer (Offer letter dated July 9, 2003). Their second offer was for a substantially lower cost, but also for a substantially lower amount of reserved (guaranteed) capacity. Specifically, the first offer was for 45 MGD

“reserved” capacity, while the second offer was for 18 MGD “reserved” capacity, with provision for up to 45 MGD “if available”. Because the primary driver for the Bluegrass Water Supply Program is the drought deficit, the reserved or guaranteed capacity is a significant issue. The inherent reliability of the Pool 3/Ohio River Pipeline option is more comparable to the 45 MGD “reserved” capacity of the first Louisville Water Company proposal.

At Workshop No. 6, the second offer was considered and the scores were adjusted to use the new, lower cost (Figure 2) for the 45 MGD “if available” capacity. However, the Pool 3/Ohio River Pipeline option was still ranked higher than all others (Figure 4), and O'Brien & Gere independently recommended that option. We stand by that recommendation today, because on an "apples to apples" comparison, it is both the lowest cost and overall best fit, using the criteria developed for the Feasibility Study. In hindsight, we suspect that the reduction in “reserved” capacity and only providing 45 MGD “if available” in Louisville Water Company's second offer was not fully understood at Workshop No. 6, for if it was, then the Pool 3/Ohio Pipeline option should have scored better under the "Adequate Capacity" criteria, thereby making it even more preferred.

In December 2005, Louisville Water Company submitted a third offer letter for a “reserved” capacity of 31 MGD. In reviewing the proposal and comparing with the Kentucky River 31 MGD water treatment plant at Pool 3 with Ohio River Pipeline alternative, the capital cost for the LWC option was lower than the capital cost of the Kentucky River Pool 3 option by almost 18%; however, the annual O&M present worth cost of the LWC option was more than double the present worth cost of the Kentucky River Pool 3 option. Combining these two factors into a present worth analysis indicates that the Kentucky River Pool 3 option would be the preferred option for the long-term source of supply of 31-MGD for BWSC, with a present worth cost that is 23% lower than the LWC option.

In October 2006, BWSC had received another proposal from Louisville Water Company (LWC) for wholesale supply of finished water. The latest proposal was focused on a water supply alternative to meet the needs of BWSC members only (9 MGD or less). The latest option presented by LWC was to have a maximum day to minimum purchase ratio of 2:1 with the standard wholesale water rate of \$1.63 per thousand gallons. This option does not provide a “reserve” capacity and would restrict BWSC to the same water restrictions imposed by LWC on all wholesale customers during a drought or water emergency.

Again, comparing the proposals from LWC with the now equity ownership option with Kentucky American Water Company for a 25 MGD water treatment plant on the Kentucky River resulted in the lower cost for the Kentucky River Pool 3 option. The LWC option resulted in an overall present worth cost of more than 50% greater than the equity ownership option with Kentucky American Water. The primary reason for this significant difference is that the joint ownership option allows BWSC the ability to utilize

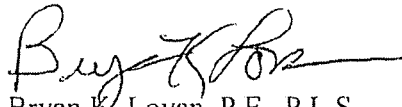
Mr. Don R. Hassall, PE
June 4, 2007
Page 3

Kentucky American Water Company's existing infrastructure with multiple connections to their grid in order to convey the potable water to the BWSC members in Phase I without having to build a separate pipeline grid.

Given the importance of this issue, we request the opportunity to discuss it at the next meeting of the Bluegrass Water Supply Commission meeting. If you have any questions, please contact me.

Very truly yours,

O'BRIEN & GERE

A handwritten signature in black ink, appearing to read "Bryan K. Lovan", with a long horizontal flourish extending to the right.

Bryan K. Lovan, P.E., P.L.S.
Project Manager

CC: George Rest, P.E.

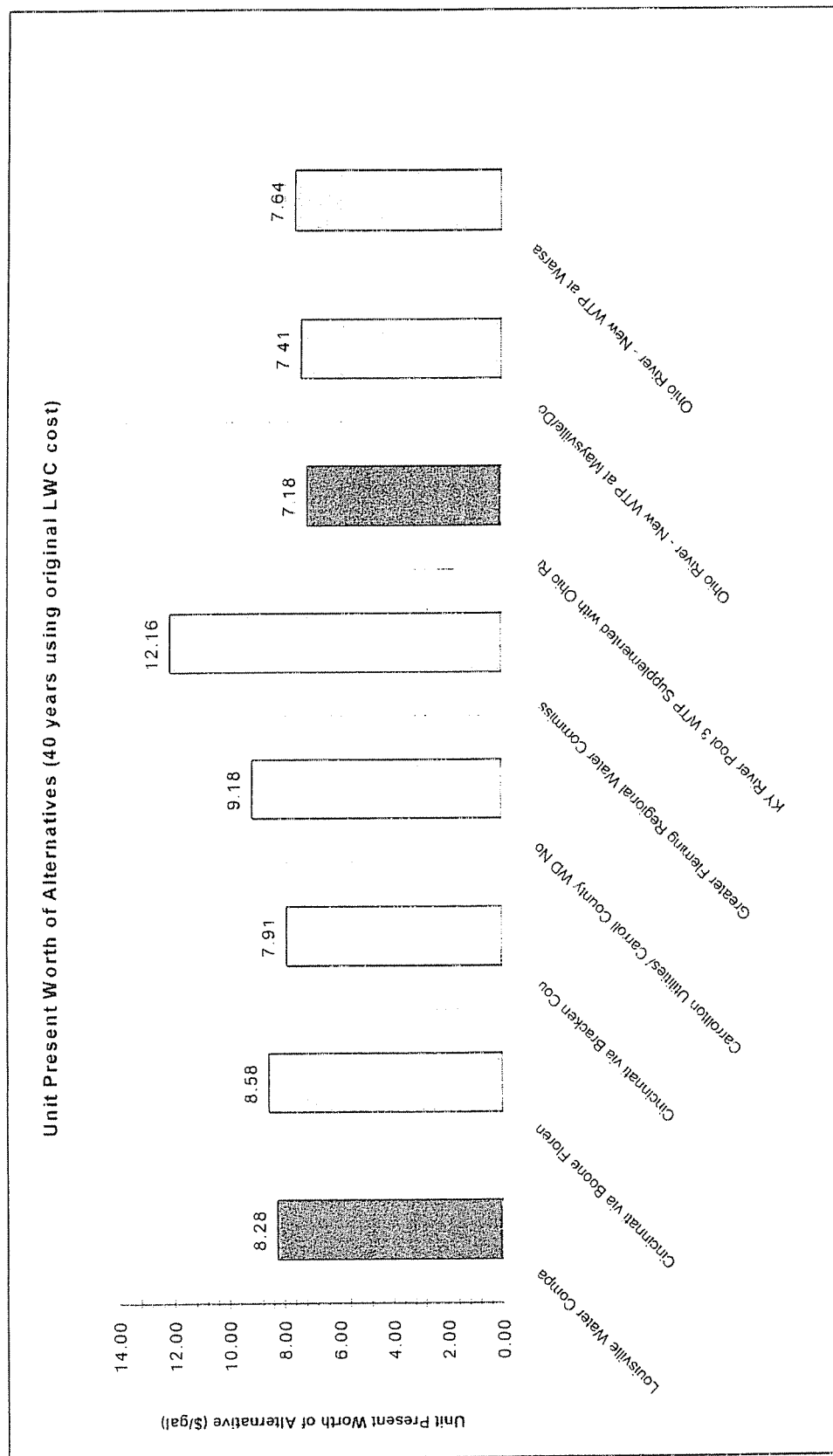


Figure 1 Presented in Workshop No. 5 in July 2003

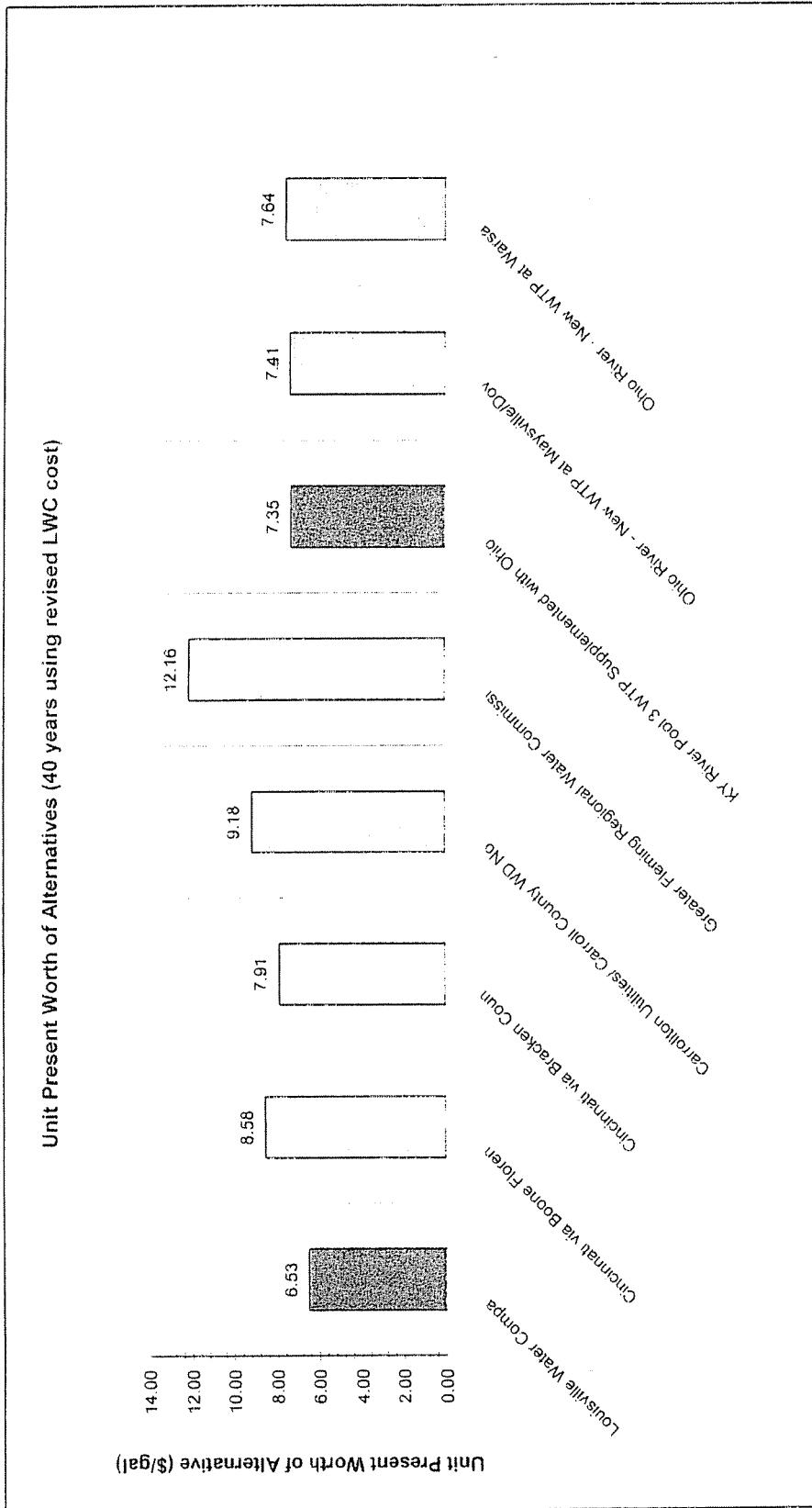
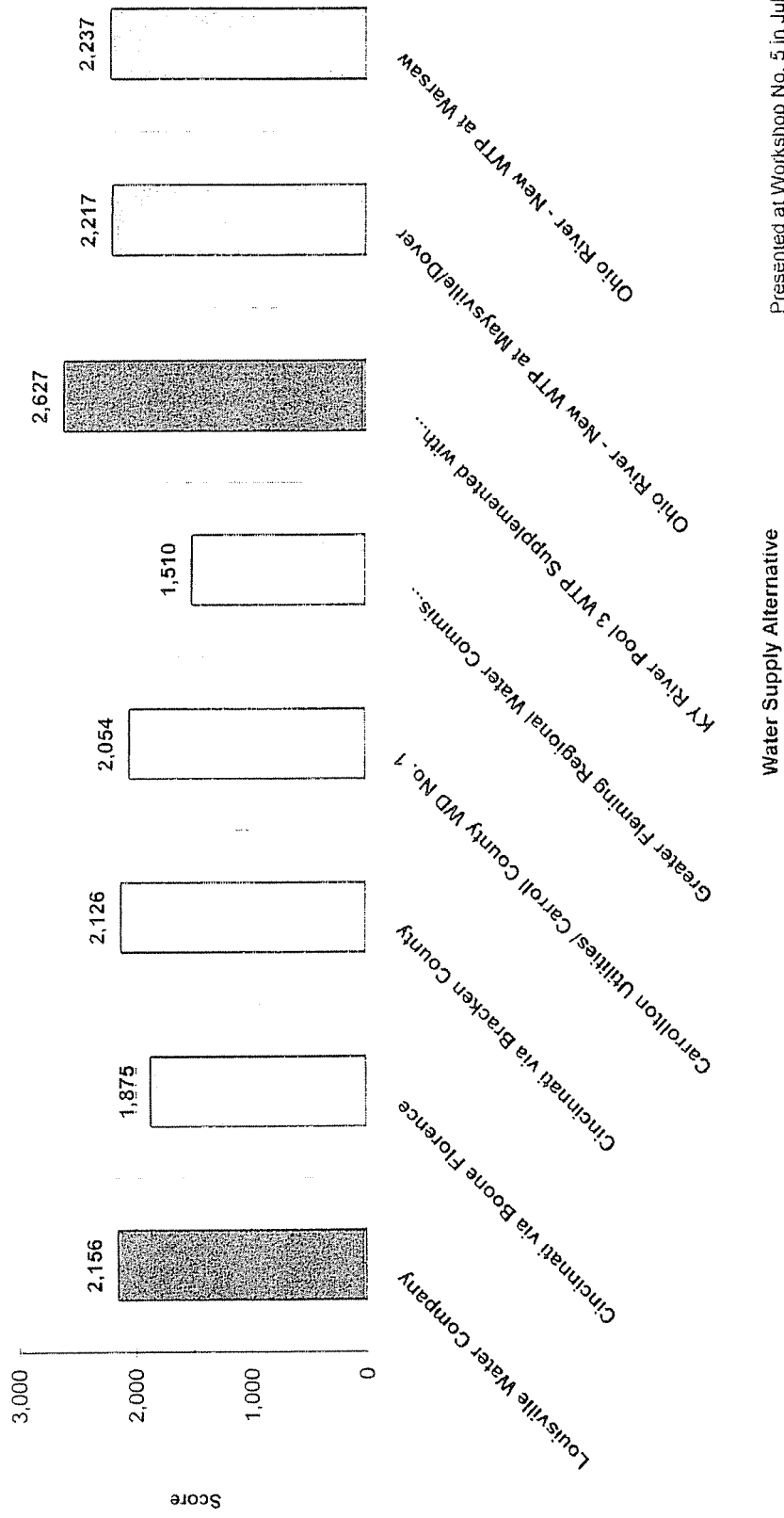


Figure 2 Presented in Workshop No. 6 in August 2003

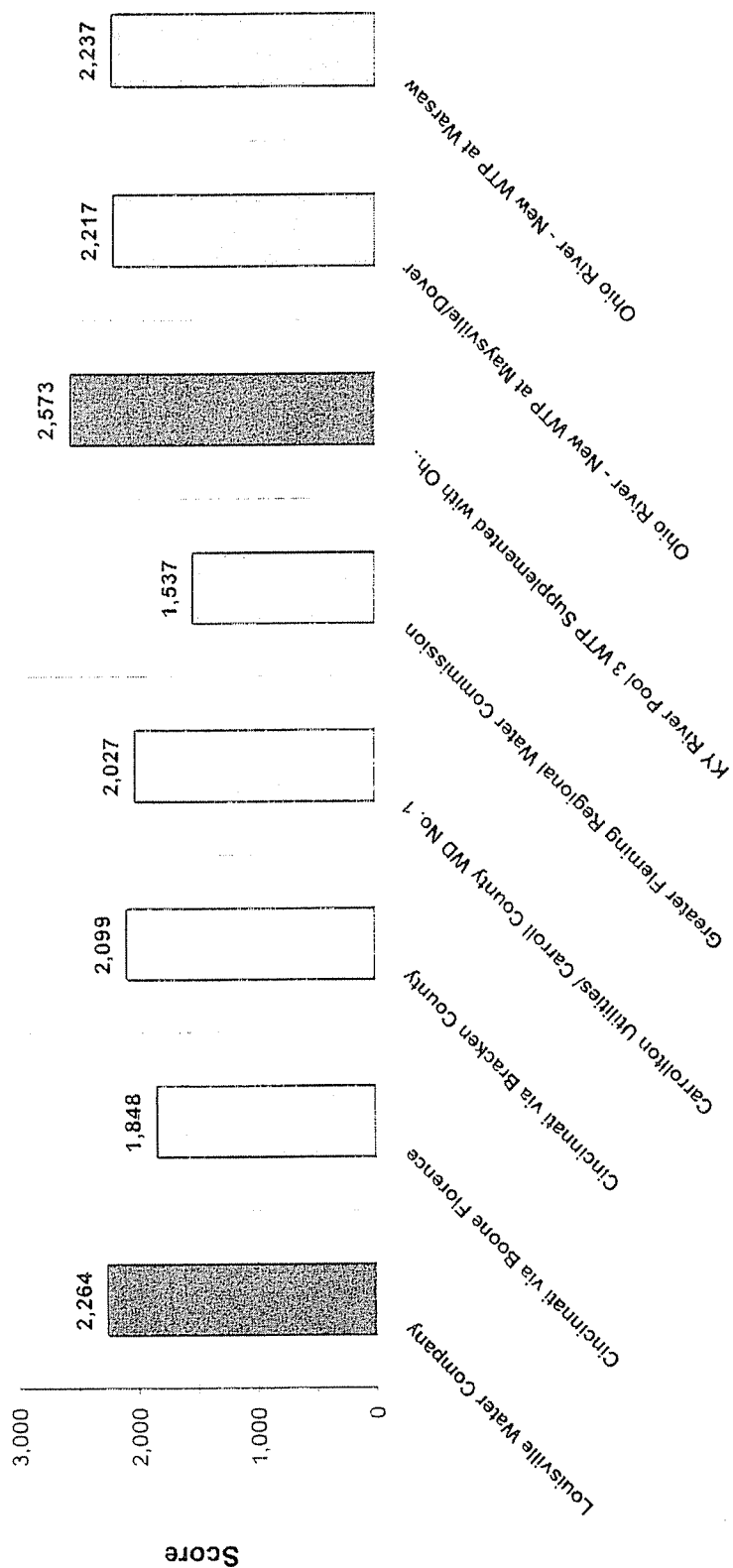
Results of Tech Group Pairwise Comparison (Workshop 5 using original LWC cost)
(Highest Scores are Most Preferred)



Presented at Workshop No. 5 in July 2003

Figure 3

Results of Tech Group Pairwise Comparison (August 2003 using revised LWC cost)
(Highest Scores are Most Preferred)

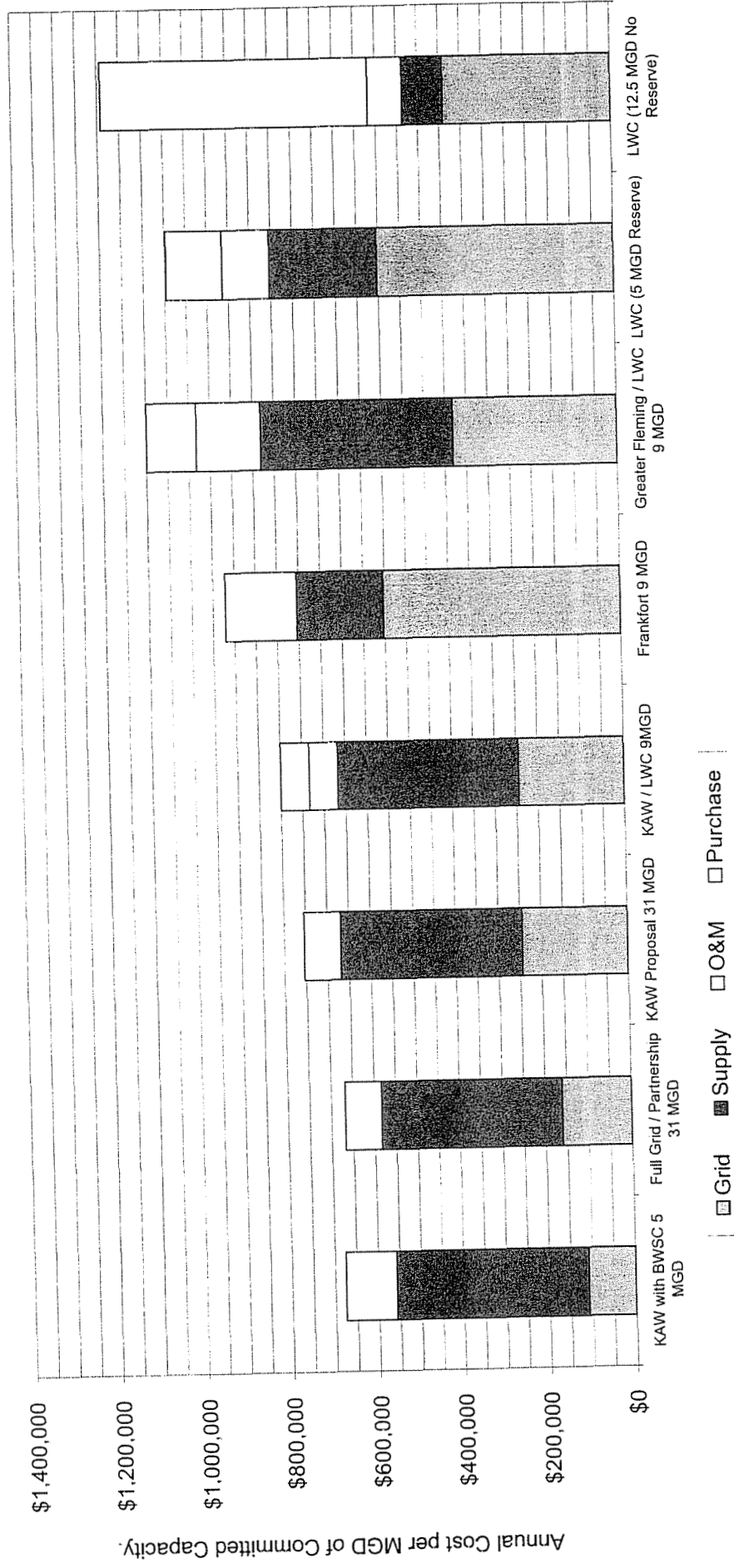


Water Supply Alternative

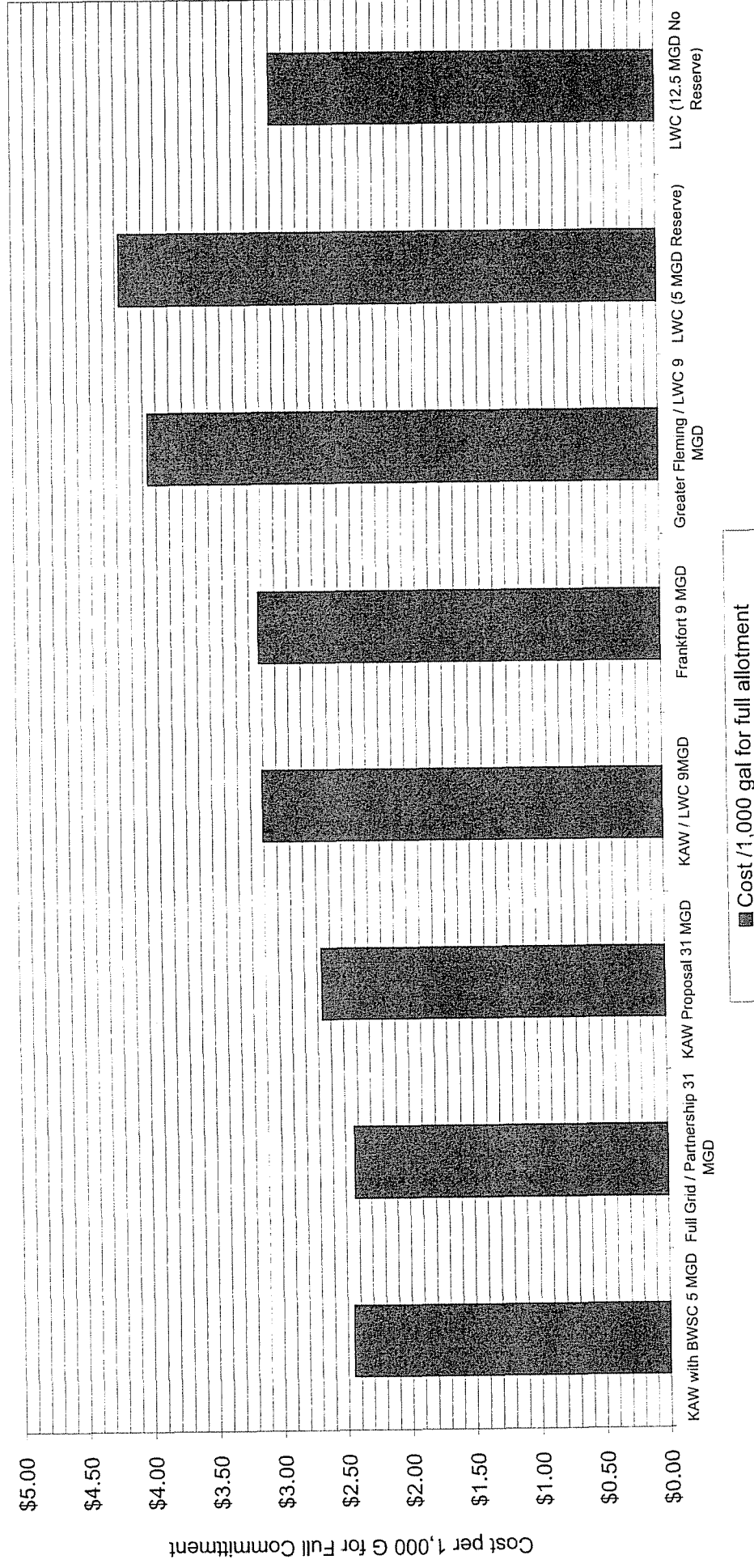
Prepared by O'Brien & Gere in August 2003

Figure 4

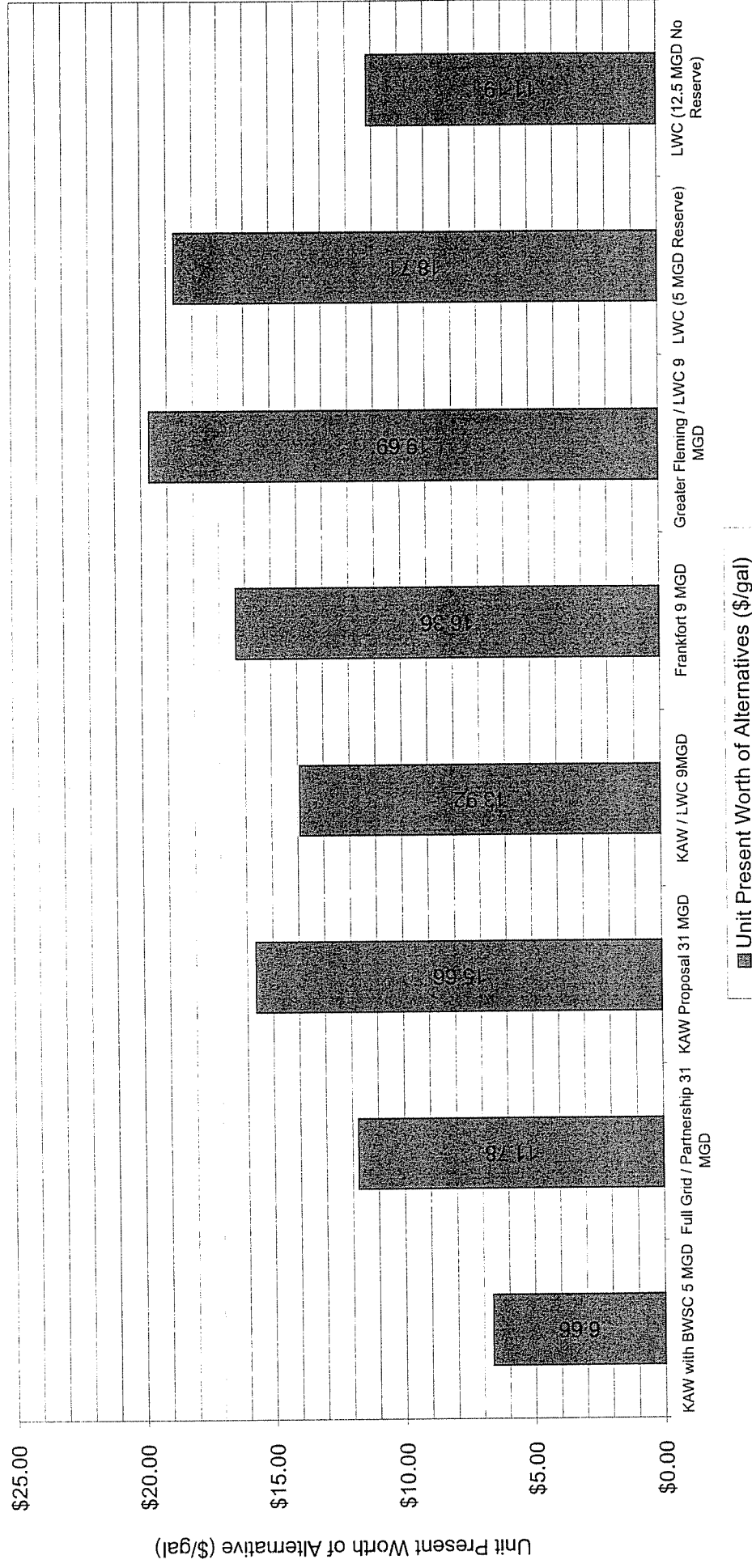
COST COMPARISON



UNIT COST COMPARISON



UNIT COST COMPARISON Unit Present Worth of Alternatives (40 years)





O'BRIEN & GERE

Program Manager's Agenda
Bluegrass Water Supply Commission
July 23, 2007

1. Review of Program Manager Budget
2. Status Report

Task Order #2

- Kentucky River Pool #3 – Water Withdrawal Application – On Hold

Task Order #4 & Task Order #5

- Review of Alternatives and Update on Least Cost Alternatives



O'BRIEN & GERE

**Program Manager Status Report
Bluegrass Water Supply Commission
July 23, 2007 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 139,000.00	\$ 98,890.59	\$ 40,109.41
Task Order #3	\$ 79,000.00	\$ 77,099.37	\$ 1,900.63
Task Order #4	\$ 59,500.00	\$ 30,537.57	\$ 28,962.43
Task Order #5	\$ 63,730.00	\$ 63,248.69	\$ 481.31
Total	\$ 341,230.00	\$ 269,776.22	\$ 71,453.78

TASK ORDER #2

• **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5 and needs to be addressed as to whether the application is withdrawn or still pending. Notification will need to be submitted to KDOW.

TASK ORDER #4 & TASK ORDER #5

▪ **PRELIMINARY REVIEW & ANALYSIS**

We are preparing the final report of the alternative analysis and will submit to the Master Planning and Capital Construction committee for review and comments. After we have received final comments from the committee, we will finalize the report and present to the full commission.

Attached is a preliminary summary of the various letter/proposals from Louisville Water Company and their offer to supply water to BWSC.

**Program Manager Status Report
Bluegrass Water Supply Commission
July 23, 2007 Board Meeting**

July 9, 2003 Proposal --

- Scenario 2 – Provide 9 mgd base rate of flow with a maximum day design capacity of 45 mgd. This scenario requires installation of a 60-inch water main to Interstate 64, two parallel 36-inch water mains along Interstate 64 to Highway 53, a booster pump station in Jefferson County at Interstate 265 and a 5 million gallon storage facility at Highway 53 in Shelby County. To ensure reliable service to meet this demand, facility improvements such as pumping and clear well upgrades are also needed. We recommend parallel facilities to reduce the higher operating risk and allow future maintenance while maintaining operations to deliver the base rate of flow. Parallel facilities will also allow phased construction and capital investment approach. The estimated cost for this option is \$47 million, subject to adjustment based upon final design, right-of-way acquisition, and competitive bidding.
- Annual fixed cost for **minimum average day of 9 mgd** and requested **reserved production capacity of 45 mgd** is estimated at \$7,508,100.
- Variable cost per 1,000 gallons above minimum average day is estimated at \$0.54 up to requested reserved production capacity.
- Imputed rate per 1,000 gallons is \$2.33.

August 8, 2003 Proposal --

- Scenario 2 – Provide 9 mgd base rate of flow with a maximum day design capacity of 45 mgd. (Same as in July 9, 2003 letter.)
- Annual fixed cost for **minimum average day of 9 mgd** and requested **reserved production capacity of 18 mgd** and **available capacity of up to 45 mgd** is estimated at \$4,103,300.
- Variable cost per 1,000 gallons above minimum average day is estimated at \$0.54 up to requested reserved production capacity. Variable cost per 1,000 gallons above requested reserved production capacity is estimated at \$1.35, our standard wholesale rate, up to available capacity.
- Imputed rate per 1,000 gallons is \$1.28.

**Program Manager Status Report
Bluegrass Water Supply Commission
July 23, 2007 Board Meeting**

December 15, 2005 Proposal –

- Option 1: Provide 6.2 mgd base rate of flow with maximum day design capacity of 31 mgd. LWC recommends the installation of a 42-inch water main along Interstate 64 from the Snyder Freeway (1265) to Highway 53, a booster pump station in Jefferson County at Interstate 265 and a 6 million gallon storage facility at Highway 53 in Shelby County. LWC will design, build, own, and operate these facilities to the point of delivery at KY Highway 53. Alternatively, parallel 30-inch transmission facilities are recommended to reduce the higher operating risk and allow future maintenance while maintaining operations to deliver the base rate of flow. To ensure reliable service to meet this demand, improvements in LWC transmission, clear well and finished water pumping facilities will be needed. Costs for these improvements are estimated to be \$10 million.

As noted above, the BWSC will be responsible for the costs of upsizing these facilities from the base 10 mgd option to deliver the 31 MGD reserved capacity requested to KY Highway 53 in addition to the \$10 million required to upgrade LWC plant and core transmission facilities.

- **Reserved capacity of 31 mgd, with minimum daily purchase of 6.2 mgd.**
The rate per thousand gallons for minimum daily purchase up to 6.2 mgd is \$2.70.
- The rate per thousand gallons above 6.2 mgd, but not exceeding the reserved capacity of 31 mgd, is \$0.57.
- The rate per thousand gallons above the reserved capacity of 31 mgd is \$1.63.

**Program Manager Status Report
Bluegrass Water Supply Commission
July 23, 2007 Board Meeting**

October 25, 2006 Proposal –

- Same delivery point as previous proposals (at Highway 53 in Shelby County); however, this proposal is for a minimum purchase to maximum daily purchase or reserved capacity ratio of 2:1.
- The minimum purchase amount would depend upon the size and capacity of the transmission main.

Transmission Size	Purchase Range	Max Day Range (2:1)	Rate
20-inch	1 – 3.5 MGD	2 – 7 MGD	\$ 1.63
24-inch	2 – 5 MGD	4 – 10 MGD	\$ 1.63
30-inch	3 – 7.5 MGD	6 – 15 MGD	\$ 1.63
36-inch	5 – 10 MGD	10 – 20 MGD	\$ 1.63

- The rate per thousand gallons above is based on the standard wholesale rate of \$1.63. The amount is based on BWSC being a wholesale customer and subject to restrictions as they apply to wholesale customers.

July 10, 2007 Proposal to Lexington-Fayette Urban County Government –

While BWSC was not a party to the latest proposal from LWC to Lexington-Fayette Urban County Government City Council on Tuesday, July 10th, we have made a preliminary review of the information presented. Based on statements that was heard about the LWC pipeline to Lexington the following is based on the presentation:

- 36-inch pipeline from Louisville to Lexington - Total Cost = \$ 82 million
- 36-inch pipeline from Louisville to KY Highway 53 - Total Cost = \$ 26 million
- Difference in above to get from KY Highway 53 to Lexington - Total Cost \$ 56 million
- Capacity of pipeline is 25 MGD, therefore using a peaking factor of 2:1 in order to get standard wholesale water rate minimum purchase must be 12.5 MGD
- Using wholesale water rate of \$1.71 and a peaking factor of 2:1, therefore minimum purchase of 12.5 MGD
- Second booster pump station and storage facility needed after KY River crossing to get into KAW's distribution system north of Lexington

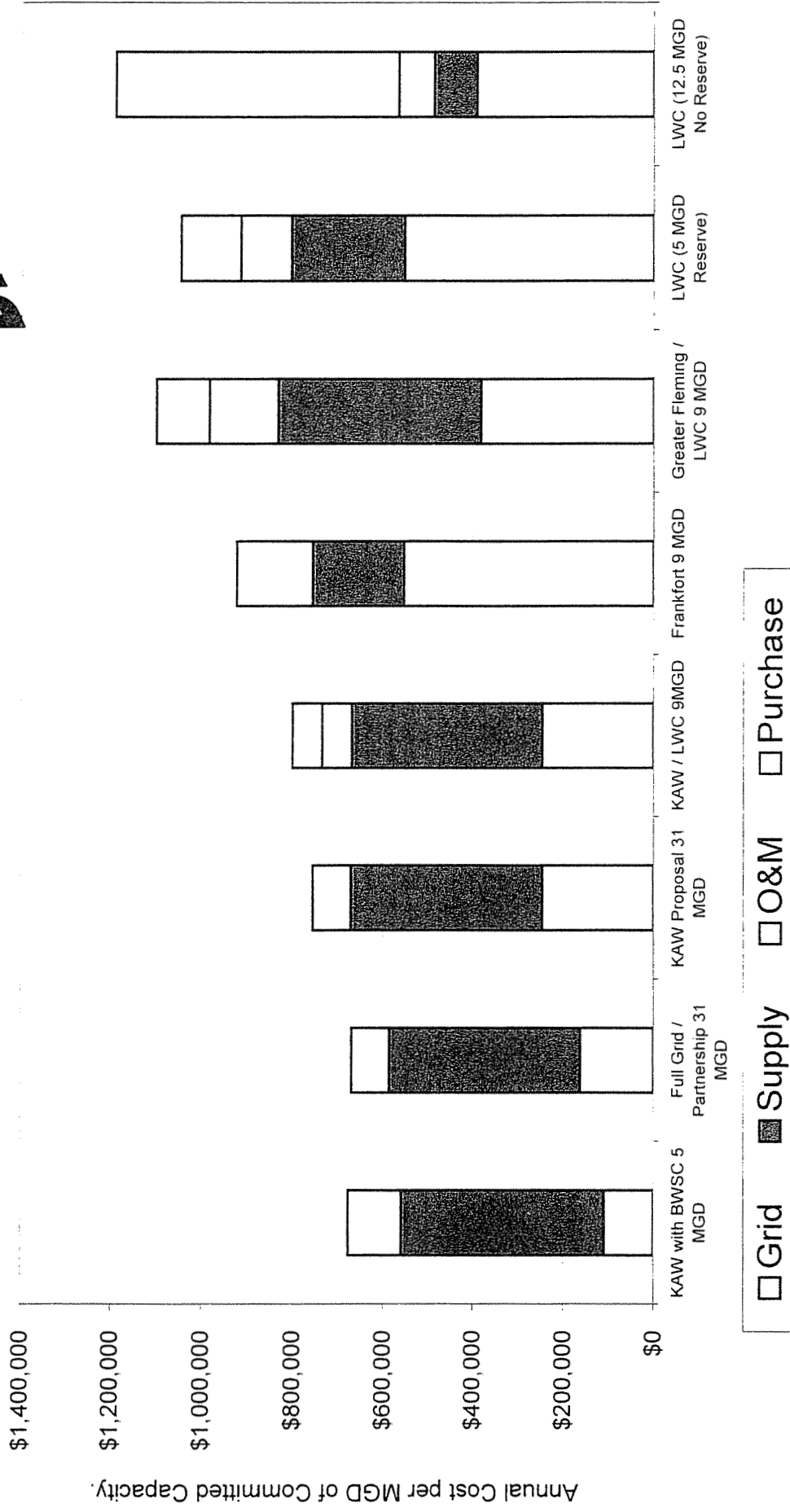
**Program Manager Status Report
Bluegrass Water Supply Commission
July 23, 2007 Board Meeting**

- Assuming that BWSC would purchase 5 MGD and KWAC would purchase 7.5 MGD (This was assumed in order to compare the current project and use the Phase I Grid system cost)

As can be seen in the attached graphs, the current project is still the least cost over the Louisville pipeline option. In comparison with the Louisville pipeline, the unit present worth cost is very close to the original project (Full Grid/Partnership 31 MGD), but this is comparing the 25 MGD option from LWC to the 31 MGD Pool 3 WTP.

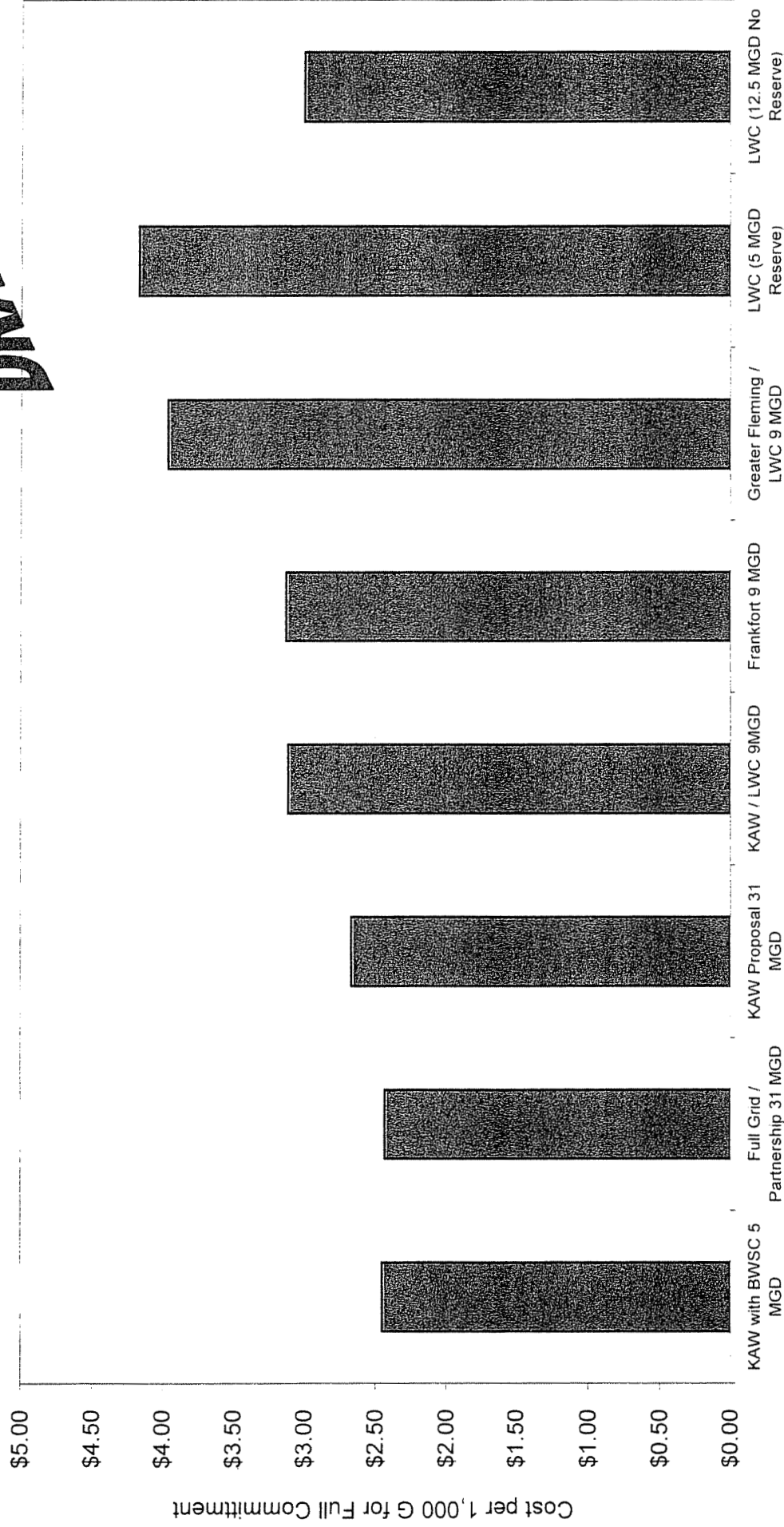
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COST COMPARISON



UNIT COST COMPARISON

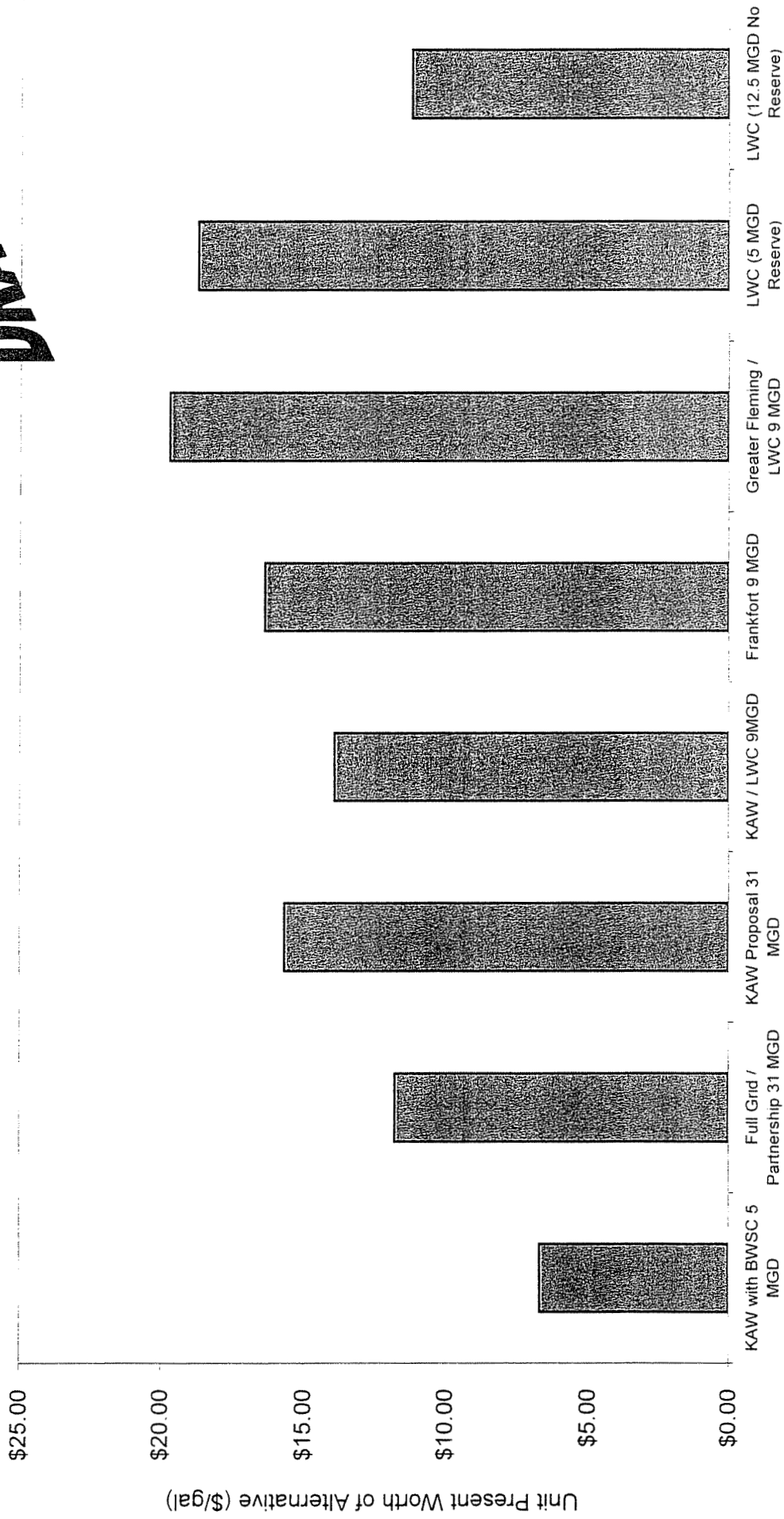
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■ Cost /1,000 gal for full allotment

DRAFT

UNIT COST COMPARISON
Unit Present Worth of Alternatives (40 years)



Unit Present Worth of Alternatives (\$/gal)

Data Request No. 2

Please identify the member entities of the BWSC, and for each member, please identify the short-and long-term water supply deficits and needs identified by that member and the basis for those projected needs. If possible, provide that information by individual member entities, and identify the projected needs and the time frame for such projections, and the basis for assumptions of projected demand and supply.

Answer:

The current members of BWSC are:

Berea	Lexington
Cynthiana	Mt. Sterling
Frankfort	Nicholasville
Georgetown	Paris
Lancaster	Winchester

Appendix A of the 2004 Water System Regionalization Feasibility Study (the “Regional Study”) prepared by O’Brien and Gere Engineers, Inc. for the Bluegrass Area Development District in association with the Bluegrass Water Supply Consortium contains the information requested. The Regional Study was filed with the Commission on June 28, 2004 in Case No. 2001-00117. The Commission has incorporated by reference all records from Case No. 2001-00117 into the record of this case. There have been no updates since the Regional Study was published.

Please describe the relationship of BWSC to the proposed Pool 3 treatment plant and pipeline (Pool 3 Project).

a. Please provide any contract or intent to participate, or other document evidencing the decision by BWSC to participate as an owner or interest-holder in the proposed plant and/or pipeline.

Answer:

KAWC and BWSC are still negotiating the terms of the proposed agreement whereby BWSC will acquire an undivided 20% ownership interest in the Pool 3 water treatment plant which will be constructed by KAWC and will have a capacity of 25 million gallons per day (“MGD”) rather than 20 MGD originally proposed by KAWC for its own needs. BWSC also plans to acquire an undivided 20% ownership interest in the associated facilities and the 42 inch transmission main. The agreement between KAWC and BWSC will be filed with the Commission as soon as it has been approved and executed by both parties.

The Minutes of the BWSC Meeting held on January 22, 2007 documents BWSC’s decision to participate in the Pool 3 Project.

b. Please identify the costs, both in construction and in operation, that would be incurred by BWSC for participation in the Pool 3 project, and the percentage that would be allocated to each member and the basis for that cost allocation.

Answer:

The total project costs for BWSC's participation in the Pool 3 Project and the inner grid to connect the "close-in" member entities is estimated to be \$61 million. This estimate includes planning, engineering, construction, contingencies, real property acquisition, legal, permitting, capitalized interest, and other financing costs.

The costs, both capital and operations, will not be allocated to the member entities. Instead, the costs will be recovered through "take or pay" water purchase agreements between BWSC and its member entities which "reserve capacity" in the Pool 3 plant and contract to purchase water from BWSC.

c. Please identify the source(s) of funding that BWSC intends to utilize in order to acquire a participatory interest in the Pool 3 project, and how much of the cost of participation each source is being asked to provide.

Answer:

BWSC is seeking federal funding in the amount of \$35 million and state funding in the amount of \$25 million. The balance can be financed by issuing tax-exempt water revenue bonds.

d. Please describe the status of BWSC efforts to obtain state or federal funding for support of BWSC's participation in the Pool 3 project. To date, has BWSC received any federal or state support for the operations of BWSC, and specifically, to support BWSC participation in the KAWC Pool 3 Project?

Answer:

BWSC's efforts to obtain state and federal funding for BWSC's participation in the Pool 3 Project are in the preliminary stages. A Leadership Briefing for central Kentucky elected officials was conducted on May 21, 2007 at High Bridge. On June 20, 2007 the Bluegrass Area Development District unanimously adopted a Resolution declaring the Pool

3 Project to be the paramount project for the central Kentucky region and requesting state funding in the amount of \$25 million for BWSC's portion of the Project.

On July 11-12, 2007, BWSC Chair Tom Calkins participated in the Annual Washington Fly-In sponsored by Commerce Lexington. The delegation of central Kentucky leaders met with all eight (8) members of Kentucky's Congressional delegation.

Several elected officials from central Kentucky have written letters to Governor Fletcher and their respective state legislators seeking financial support from the 2008 Session of the General Assembly for BWSC's participation in the Pool 3 Project.

BWSC has not yet received any state or federal funding for participation in the KAWC Pool 3 Project. BWSC has received two (2) \$900,000 grants from the state to pay for engineering services, master planning activities, other engineering studies, easement and real property acquisitions, general operational, administrative and capital expenses, and other operational expenses related to the development of a regional water supply and transmission system.

e. What are the anticipated or projected costs of water from the Pool 3 project to the BWSC with, and without, and with various amounts of federal or state support to BWSC?

Answer:

As stated at the May 21, 2007 Leadership Briefing at High Bridge, without substantial federal and state assistance approaching the requested amount, the project is “not affordable” for BWSC and its member entities. With the requested assistance, the project is “affordable.”

f. What amount of financial support is being sought by BWSC and/or its member entities to support BWSC’s obtaining an interest in the Pool 3 project?

Answer:

BWSC is seeking federal funding in the amount of \$35 million and state funding in the amount of \$25 million. The balance can be financed by issuing tax-exempt water revenue bonds. This includes funding for BWSC’s interest in the Pool 3 Project and Phase I of the pipeline grid (inner grid).

g. Will BWSC participate in the Pool 3 project absent state or federal financial support?

Answer: It is highly unlikely

h. When is your deadline to sign an agreement with Kentucky-American concerning participation in the Pool 3 Project?

Answer: February 15, 2008

i. To date, how many BWSC members have signed-on to participate in the project, and how much have they pledged to contribute?

Answer: No binding Agreements have been executed by any BWSC member entity as of this date.

j. What is the project cost of the Pool 3 Treatment Plant and pipeline, and what percentage of the total cost would BWSC be required to pay? What percentage of water supply would BWSC receive for that financial contribution?

Answer: Based on estimates furnished by KAWC to the PSC and recent public comments by KAWC, the project cost will be approximately \$160 to \$170 million. BWSC will pay 20% of these costs. In return, BWSC will

acquire an undivided 20% ownership interest in the 25 MGD treatment plant, associated facilities and 42-inch transmission main.

In addition, BWSC will be required to pay 100% of the costs of constructing the grid of pipelines to enable it to wholesale water to its member entities. The estimated cost of the “Inner Grid” is approximately \$20 million and the “Outer Grid” estimates range from \$21 to \$46 million.

k. Has BWSC discussed with KAWC whether, if the BWSC contracted with the LWC to purchase finished water for its members, KAWC would be required to or be willing to wheel water through its system at a reasonable cost?

Answer:

The BWSC and its predecessor, Bluegrass Water Supply Consortium, have publicly discussed the purchase of water from alternate and multiple sources since 1999. KAWC official have been present at many, if not most, of these meetings. KAWC officials have also attended some of the meetings BWSC has had with LWC and other alternate water providers.

Data Request No. 4

What is the current position of the BWSC with respect to participation in the Pool 3 project? Does BWSC still maintain that Kentucky-American's Pool 3 project is in the best interest of BWSC member groups and their constituents?

Answer:

BWSC strongly supports and endorses the Pool 3 Project. Yes, BWSC believes that acquiring an undivided 20% ownership interest in the proposed 25 MGD water treatment plant on Pool 3 is in the best interest of BWSC and its member entities.

Data Request No. 5

What consideration has been and is being given to alternatives, including connection with the Louisville Water Company?

Answer:

BWSC has considered numerous alternatives and combinations of various alternatives, including numerous proposals from the Louisville Water Company ("LWC"). Participating with KAWC in the Pool 3 Project is still the best and lowest cost alternative for BWSC.

BWSC is considering connecting to the proposed LWC pipeline at Kentucky Highway 53 in Shelby County as part of BWSC's Phase II Project. The line would extend from Shelbyville to Frankfort to provide Frankfort with a redundant source of supply. (See the presentation made at the High Bridge BWSC Meeting on May 21, 2007. The presentation is attached in response to Data Request No. 6).

Data Request No. 6

Please provide a copy of the presentation made by the BWSC or its member entities at the High Bridge gathering.

Answer:

The presentation is attached.

Bluegrass Water Supply Commission

Leadership Briefing

May 21, 2007

The Problem ...

■ Water Supply of Central Kentucky

- Unreliable during droughts
- Subject to catastrophic events
- Necessary for economic vitality

The Answer ...

- **Regional Solution**

Regional Solution: Joint Ownership

- **Bluegrass Water Supply Commission**
- **Kentucky American Water Company**

Bluegrass Water Supply Commission Members

- | | |
|--------------|---------------------|
| ■ Berea | ■ Lexington-Fayette |
| ■ Cynthiana | ■ Mt. Sterling |
| ■ Frankfort | ■ Nicholasville |
| ■ Georgetown | ■ Paris |
| ■ Lancaster | ■ Winchester |

~ Regional Solution ~

Two Independent Supplies:

- Kentucky River - Pool No. 3
- Ohio River via Louisville Water Co.

~ Regional Solution ~

Major Components:

Pool No. 3 Jointly Owned Facilities:

- **25 MGD Water Treatment Plant**
- **42-inch Transmission Main**

BWSC Owned Facilities:

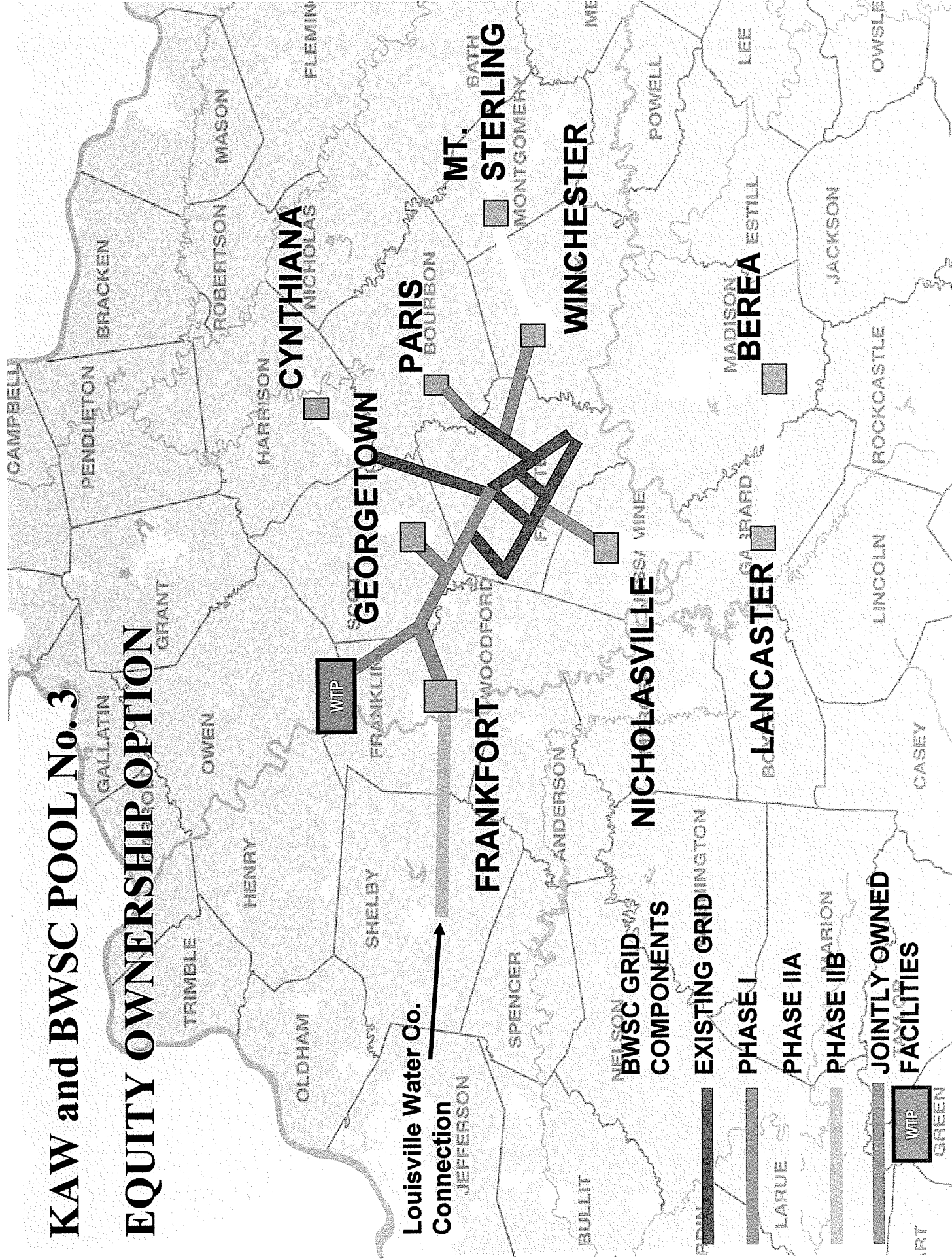
- **Regional Grid:**
 - Can be built in Phases

Total Project Cost

Water Treatment Plant	\$ 86 million
Transmission Main	\$ 85 million
<u>Regional Grid</u>	<u>\$ 66 million</u>
Total Cost	\$ 237 million

KAW and BWSC POOL No. 3

EQUITY OWNERSHIP OPTION



BWSC Cost - Phase I

Water Treatment Plant	\$ 21 million
Transmission Main	\$ 20 million
<u>Regional Grid (Inner)</u>	<u>\$ 20 million</u>
Total Cost	\$ 61 million

BWSC Costs - All Phases

Phase 1 (Pool No. 3 + Inner Grid)	\$ 61 million
Phase IIA (Outer Grid)	\$ 21 million
<u>Phase IIB (LWC Connection)</u>	<u>\$ 25 million</u>
Total BWSC Cost	\$107 million

The Need... Financial Assistance

- **State -- \$25 million**
- **Federal -- \$35 million**

BWSC Rate Impact: Phase I

- **Without Assistance - Not Affordable**
- **With Assistance - Affordable**

Advantages

- **Adequate**
- **Reliable**
- **Redundant**

Issues

- **Financial Commitment**
- **Timeframe**

Action Plan

Summary

- **Cost-Effective Solution**
- **Uniform Rate**
- **Economic Vitality for the Region**

Bluegrass Water Supply Commission

Leadership Briefing

May 21, 2007

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■ Water Supply of Central Kentucky

- Unreliable during droughts
- Subject to catastrophic events
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- **Kentucky American Water Company**

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- | | |
|--------------|---------------------|
| ■ Berea | ■ Lexington-Fayette |
| ■ Cynthiana | ■ Mt. Sterling |
| ■ Frankfort | ■ Nicholasville |
| ■ Georgetown | ■ Paris |
| ■ Lancaster | ■ Winchester |

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~ Regional Solution ~

Major Components:

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BWSC Owned Facilities:

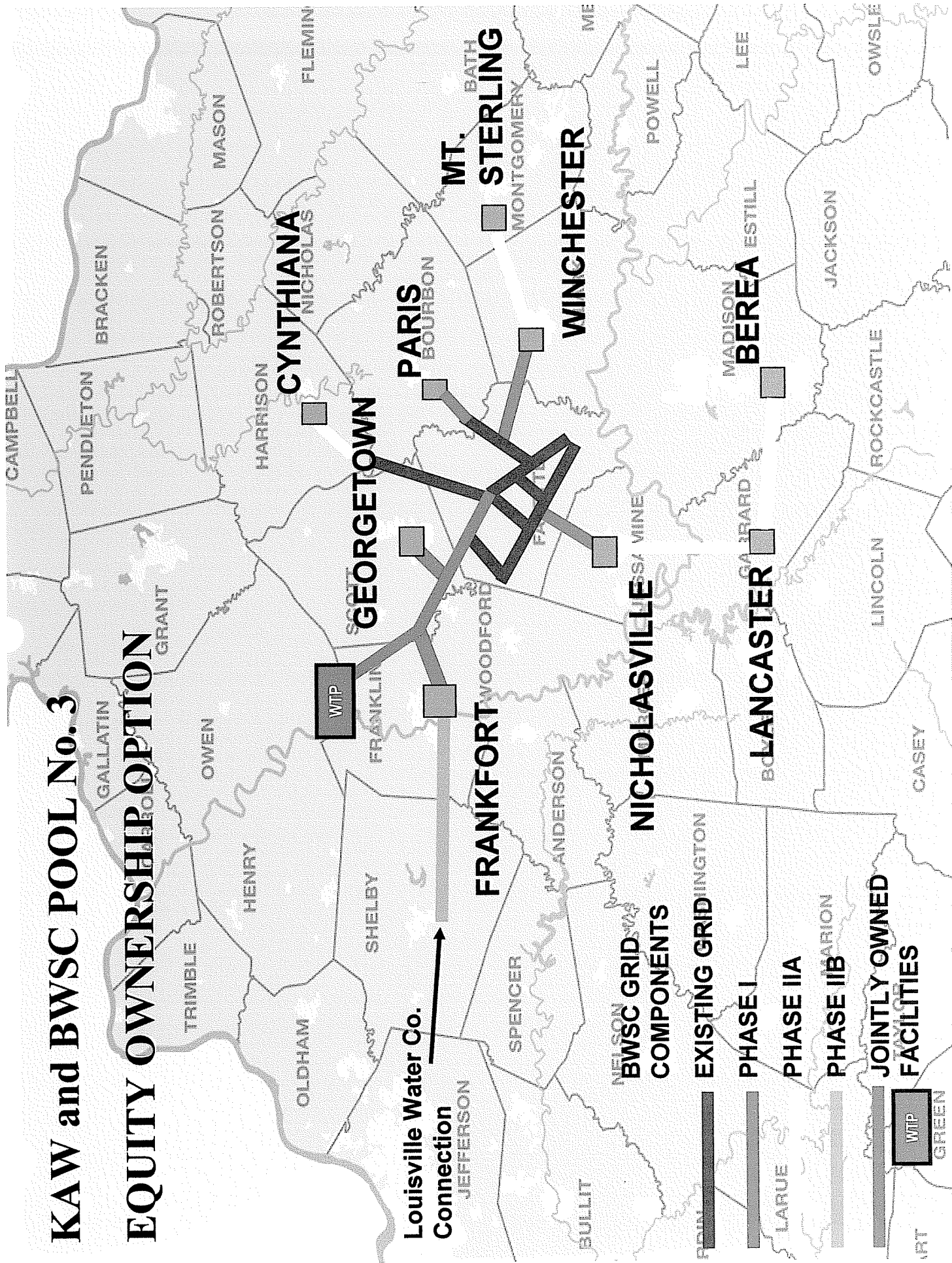
- **Regional Grid:**
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Total Project Cost

Water Treatment Plant	\$ 86 million
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KAW and BWSC POOL No. 3

EQUITY OWNERSHIP OPTION



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Phase 1 (Pool No. 3 + Inner Grid)	\$ 61 million
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The Need... Financial Assistance

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- **Without Assistance - Not Affordable**
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- **Adequate**
- **Reliable**
- **Redundant**

Issues

- **Financial Commitment**
- **Timeframe**

Action Plan

Summary

- **Cost-Effective Solution**
- **Uniform Rate**
- **Economic Vitality for the Region**

Data Request No. 7

Has BWSC or its members discussed the possibility of purchasing water from Louisville Water Company or other entities, and having that water transported or “wheeled” through the KAWC system to BWSC member(s)?

Answer: See response to Data Request No. 3k.

a. Please provide a copy of any documents evidencing such communications, or describe such communications to the extent documentation is absent.

Answer: See the BWSC Minutes which have been provided in response to Data Request No. 15.

b. Has KAWC indicated whether it would charge for such wheeling, or would refuse such wheeling, if KAWC did not participate in the Pool 3 project or, conversely, whether it would waive any wheelage costs as a part of a Pool 3 project agreement?

Answer: No.

c. Has KAWC given any indication of what the charges would be for wheelage?

Answer: No.

Data Request No. 8

Please describe the process by which BWSC determined to support the KAWC project, and the date and context in which the decision was made.

a. Was the vote unanimous?

Answer: Yes. The unanimous vote occurred at the BWSC Meeting held in Lexington on January 22, 2007.

b. Was the vote made in the context of comparative review of options?

Answer: Yes.

c. If so, what other options were considered, and why were they rejected?

Answer: See the Minutes of the January 22, 2007 BWSC Meeting and the attached Program Manager's Report. These documents are attached in response to the Data Request No. 15.

d. Since determining to participate in the Pool 3 project, has BWSC considered whether to pursue other options to meet identified water needs? If so, please describe?

Answer: Yes. See the documents attached in Response to Data Request No. 1.

Data Request No. 9

Have any BWSC member entities indicated that they will or will not participate in the Pool 3 Project?

Answer:

No. Discussions with member entities are ongoing.

Data Request No. 10

Please provide any analyses, engineering studies, comparative assessments or other reports generated or commissioned by BWSC assessing the relative merits and demerits and anticipated costs of participation in the Pool 3 project and for other alternatives that would meet the projected water supply and water treatment needs of BWSC. For any such studies, reports or analyses, identify the funding source that supported the work.

Answer:

See the documents attached in response to Data Request No. 1. In addition, see the Program Manager's reports which are included as attachments to the BWSC Minutes which were filed in response to Data Request No. 15.

Funding sources for BWSC activities, including the engineering studies, include the following: (1) annual contributions from member entities; (2) \$165,000 loan from Kentucky Municipal Finance Corporation; (3) \$165,000 loan from Kentucky Association of Counties Leasing Trust; and (4) two (2) \$900,000 grants from the Kentucky General Assembly.

Data Request No. 11

Please provide copies of any correspondence with Louisville Water Company since this case was filed wherein BWSC asked for information or requested a proposal from LWC to address BWSC water needs.

Answer:

See the attached letter from Bryan K. Lovan of O'Brien and Gere Engineers, Inc. to Jim Smith of LWC dated July 31, 2007. To date, LWC has not replied to the letter.



O'BRIEN & GERE

Mr. Jim Smith
Louisville Water Company
550 South Third Street
Louisville, Kentucky 40202

Re: Request for Updated Proposal

Dear Mr. Smith:

On behalf of the Bluegrass Water Supply Commission (BWSC), we invite the Louisville Water Company (LWC) to update their proposal to furnish finished water to the Central Kentucky region. LWC has previously provided proposals with the latest proposal dated October 25, 2006. Since that time several things have changed, including your presentation to the Lexington-Fayette Urban County Government Council on July 10, 2007.

Recognizing that there may be several options that affect the LWC proposal, we would like to receive a revised proposal with the following specifics:

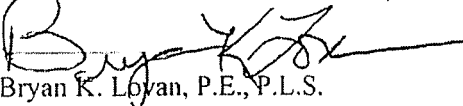
1. A firm capacity of 25 MGD, available and uninterrupted for any day/every day, 24 hours per day, 365 days per year.
2. Point of delivery shall be the intersection of Ironworks Pike and Newtown Road in northern Fayette County.

Based on the above specifics, we will need to know the following:

1. Size and capacity of the transmission main from LWC to the point of delivery and proposed corridor route or alignment envisioned by LWC.
2. Minimum daily purchase amount or base-load amount required and the wholesale purchase rate per 1,000 gallons.
3. Anticipated completion date when service will be available to BWSC and Kentucky American Water Company.

We request your reply by August 3, 2007. If you have any questions, please contact me at 859-223-0137, ext. 11 or email lovanbk@obg.com.

Respectfully,
O'BRIEN & GERE ENGINEERS, INC.


Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: Mr. Don Hassall, BWSC
Mr. George Rest, O'Brien & Gere

Data Request No. 12

Please explain the nature of the BWSC, and identify any specific statutory authority for the creation of the BWSC, and the basis for the mission and membership of the Consortium.

Answer: BWSC is a regional water commission created pursuant to the provisions of KRS 74.420 to 74.520. Its primary purpose is to acquire, develop, manage and operate sources of supply of water, as defined in KRS 74.420(1), and to improve and extend them in the manner provided in KRS 74.420 to 74.520. By statute, it cannot provide retail water service to consumers. It can only provide wholesale water service.

All members of the Bluegrass Water Supply Consortium were invited to become a member of BWSC. Nine (9) entities initially participated in the creation of BWSC. Berea became a member on March 27, 2007.

The Mission Statement of BWSC as stated in Article IV of its Bylaws follows:

BWSC will ensure adequate potable water supply and treatment reliability under any conditions to utility customers and contractual partners. BWSC will maximize utilization of the Kentucky River as a raw water source, maintain reasonable rates, and ensure compliance with all water quality and other regulations.

Data Request No. 13

Please provide the criteria, and the weighting of criteria, that have been and are utilized by BWSC in assessing options for satisfying the projected water needs for member entities.

Answer:

The criteria used in the 2004 Water System Regionalization Feasibility Study prepared by O'Brien and Gere Engineers for the Bluegrass Area Development District in association with the Bluegrass Water Supply Consortium (the "Regional Study") are as follows:

1. Adequate Capacity;
2. Raw / Finished Water Quality;
3. Cost;
4. Implementability; and
5. Flexibility

Appendix E of the Regional Study defines the criteria, describes the pairwise comparisons and lists the weighting factors. The Regional Study was filed with the Commission on June 28, 2004 in Case No. 2001-00117. The Commission has incorporated by reference all records from the Case No. 2001-00117 into the record of this case.

The Regional Study concluded that constructing a water treatment plant on Pool 3 of the Kentucky River with a supplemental raw water line to the Ohio River was the best alternative.

Data Request No. 14

Please provide any business plan developed by or for BWSC regarding meeting the projected water needs of members, and provide any contingency plan that has been developed to address such needs in the absence of participation in the Pool 3 project.

Answer:

BWSC's business plan is still in the preliminary stages of development. BWSC does not have any such contingency plan.

Data Request No. 15

Please provide a copy of the Minutes of all BWSC Meetings at which the KAWC Pool 3 Project has been discussed, including but not limited to the July 23, 2007 Meeting in Berea.

Answer:

The KAWC Pool 3 Project, for which KAWC is seeking a Certificate of Convenience and Necessity, has been discussed at most if not all of the BWSC Meetings since KAWC presented an overview of the Project at the September 25, 2006 BWSC Meeting held in Cynthiana. A copy of the Minutes of each BWSC Meeting held since that date is attached. **It should be noted that BWSC did not meet in November 2006, March 2007, or June 2007.**

MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION

September 25, 2006

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its monthly meeting on Monday, September 25, 2006. Chair Calkins convened the meeting at 9:30 a.m. in the headquarters building of Blue Grass Energy in Cynthiana.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
Vernon Azevedo	Winchester
David Billings	Frankfort
Thomas P. Calkins	Nicholasville
Kevin Crump	Paris
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
Charles Martin	LFUCG
David Pearce	Mt. Sterling
Donna Powell	Lancaster
Bob Riddle	Georgetown
Virgie Wells	Cynthiana

Commissioners absent:

None

Associates, staff and contractors who were present included:

Donald Blackburn	Berea Utilities
Linda Bridwell	Kentucky American Water Company
Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC
George Rest	O'Brien & Gere Engineers

Others present included:

Tim Ball	JJG Engineers
Bill Caldwell	KY DOW
Angie Elser	FMSM Engineers
Larry Gaddis	Black & Veatch Engineers
Joseph Henry	GRW Engineers
Susan Lancho	Kentucky American Water
Jamie Luche	Lexington Herald-Leader
John P. Martin	Mayor, City of Nicholasville
Andy Mead	Lexington Herald-Leader
Mike Redmon	ACIPCO
Bob Smallwood	GRW Engineers
Jim Smith	Louisville Water Company
John Steinmetz	CDP Engineers`
Robert J. Sturdivant	Quest Engineers
Mark Willis	Burgess & Niple Engineers
Nancy Wiser	Wiser, Hemlepp & Assoc.
Mike Woolum	Strand Associates
Chris Yeary	KY DOW

Mayor Virgie Wells welcomed the group and expressed appreciation to the host company, Blue Grass Energy.

Consideration of the Minutes of the Previous Meeting

Minutes of the August 21, 2006 regular BWSC Meeting were then considered. Upon a motion by Mayor Wells and a second by Mayor Powell, and, by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the August financial report, which included the accounts payable. Following a motion by Mr. Crump and a second by Mr. Pearce, the total financial report—including the accounts payable listing—was approved unanimously. The August financial report is appended as *Attachment A*.

Comments from the Public

Chairman Calkins opened the floor for comments by members of the public. There were no comments.

Old Business

There was no Old Business.

Committee Report and Recommendations

Mr. Azevedo announced that the Administrative Guidelines Committee had no report.

Mr. Riddle announced that the Financial Guidelines Committee had no report.

Mr. Martin reported that the Master Planning and Capital Construction Committee met on September 8, 2006 and reviewed a draft of the GRW Engineers—prepared Frankfort Electric and Water Plant Board Water Treatment Plant Study. The two committee's recommendations are included in the MPCC Committee report which is appended as *Attachment B*.

Joe Henry and Bob Smallwood of GRW Engineers, then presented a PowerPoint summary of the key aspects of the Frankfort Water Treatment Plant Study. The PowerPoint presentation is appended to the minutes as *Attachment C*.

One basic conclusion became apparent early in the GRW Engineers study. That is that recent year peak day water demands upon the Frankfort Water Treatment Plant strongly suggest that Frankfort has no appreciable unused capacity during dry times and that the FEWPB is close to having to plan a water treatment plant expansion if only for itself.

Various scenarios were painted for the BWS Commission—Frankfort water treatment expansions of 5 MGD, 9 MGD, and 18 MGD as well as the delivery system improvements (i.e., water distribution system improvements) that would be required to convey 5 MGD, 9 MGD, or 18 MGD to two possible connection points, either of which could be utilized by the BWSC as a starting point for a Frankfort to Fayette County potable water transmission line.

Upon a motion by Mr. Martin, seconded by Mr. Riddle, and by unanimous action, the BWS Commission authorized O'Brien & Gere Engineers to review the conclusions of the GRW Engineers—prepared Frankfort *Water Treatment Plant Study* and to complete tasks as directed in O'Brien & Gere's Task Orders 4 and 5. Mr. Billings recused himself from the vote on the motion.

Mr. Crump announced that the Operations and Maintenance Committee had no report.

Program Manager's Report

Mr. Lovan presented the Program Manager's report, which is appended as *Attachment D*.

New Business

Inasmuch as it was deemed expedient to establish a Negotiating Committee for the purpose conducting communication with Kentucky American Water, Mr. Azevedo made a motion, seconded by Mr. Crump that the following commissioners be named to serve on a negotiating committee.

Mr. Pearce

Mr. Riddle

Mr. Calkins

Mr. Martin

The motion was approved unanimously. It was made clear that the Negotiation Committee had no authority of its own—that being reserved to the full BWS Commission.

Ms. Bridwell then delivered an 11-page PowerPoint presentation which communicated Kentucky American Water's analysis and suggested plan of action to the BWS Commission. That presentation is attached to these minutes as *Attachment E*.

A Q&A and comments period followed Ms. Bridwell's presentation.

Mr. Calkins reported that there was no need for an executive session.

Designation of Time/Place for the August Meeting

Mr. Billings offered the use of the FEWPB Clubhouse as the site of the October meeting. A meeting date/time of Monday, October 23 beginning at 9:30 a.m. was established. Mr. Billings' offer was accepted for the October meeting in Frankfort.

Commissioner's and General Manager's Comments/Business

Mr. Riddle pointed out that there was to be a PFM Seminar on financial management—scheduled in Memphis on November 16-17, 2006 that might be worth the \$125 registration fee.

Mr. Grier suggested that it would be timely for BWSC to renew its efforts to seek grant support on the event of an early construction project.

Mr. Hughes said that grants continue to be available, but the available grant funds are expected to be less over time. Mr. Hughes urged consideration of a BWSC option that would utilize existing unused treatment capacity of others. Mr. Hughes said that the Kentucky General Assembly has invested an aggregate of about \$500 million in water/sewer infrastructure in the last two sessions of the General Assembly.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:15 .m.

Respectfully Submitted,

Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
ROBERT L. RIDDLE, SECRETARY

Attachments A-E

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
THOMAS P. CALKINS, CHAIR

DATE APPROVED: _____

10/02/06

BWSC Financial Report for August, 2006

Attachment A
Page 1 of 3

Beginning Balance per Bank Statement - 8/01/06 \$ 40,205.50

August Deposits

Interest	\$ 98.35	
Cynthiana Local Contribution	2,500.00	
Frankfort Local Contribution	5,000.00	
Kentucky American Water Local Contribution	5,000.00	
Nicholasville Local Contribution	5,000.00	
Paris Local Contribution	2,500.00	
Sub Total	\$ 20,098.35	20,098.35

BWSC Checks Paid in August

Check 1063 Damon Talley, P.S.C.	\$ (15,708.50)	
Sub Total	\$ (15,708.50)	(15,708.50)
Ending Balance Per Bank Statement 8/31/06		\$ 44,595.35

Checks Outstanding

Check 1062 Bluegrass ADD	\$ (280.53)	
Check 1064 O'Brien & Gere Engineers	(28,879.03)	
Sub Total	\$ (29,159.56)	(29,159.56)
Checkbook Balance End of August 2006		\$ 15,435.79

.....
Certificates of Deposit – end of August \$63,000
.....

Accounts Payable

O'Brien & Gere (Task Order 2-August)	\$ 2,768.09	
O'Brien & Gere (Task Order 4-August)	600.00	
O'Brien & Gere (Task Order 5-August)	6,799.36	
Bluegrass ADD - July	1,843.53	
Bluegrass ADD - August	3,625.86	
Total	\$15,636.84	

Accounts Receivable (contributions) – Billed

Lexington-Fayette UCG	\$ 5,000.00	
Berea	2,500.00	
Total	\$ 7,500.00	

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

BLUEGRASS WATER SUPPLY COMMISSION
March 2006 to September 2006

APPROVED EXPENSES

	March	April	May	June	July	August	September	Sub-Total
Bluegrass ADD	\$ 4,641.97	\$ 6,033.29	\$ 4,888.58	\$ 3,509.30	\$ 5,750.01	\$ 280.53	\$ 3,625.86	\$ 28,449.01
Bluegrass ADD (additional expense for July)						15,708.50	1,843.53	2,124.06
Damon Talley		17,616.39						33,324.89
Flint Group								
O'Brien & Gere - Task Order 2	1,070.73	6,988.52	5,124.93	3,384.92	3,386.33	10,218.63	2,768.09	32,942.15
O'Brien & Gere - Task Order 3								
O'Brien & Gere - Task Order 4	4,450.00	150.00	1,661.13	1,058.90	1,050.00		600.00	8,970.03
O'Brien & Gere - Task Order 5					1,600.00	18,660.40	6,799.36	27,059.76
RR Consultants								
Office Expense				2,767.50				2,767.50
City of Versailles-Hydraulic Model for BWSC				3,352.14				3,352.14
KACo All Lines Fund, Liability Coverage, 12 mo.								
CDP Engineers, KIA grant administration								
KIA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.								
Total	507.50							507.50
	\$10,670.20	\$30,788.20	\$11,674.64	\$14,072.76	\$11,786.34	\$44,868.06	\$15,636.84	\$139,497.04

INCOME

	March	April	May	June	July	August	September	Sub-Total
Interest Income	\$ 184.16	\$ 168.39	\$ 595.75	\$ 111.61	\$ 87.37	\$ 98.35	\$ 1,245.63	\$ 471.21
CD Interest					471.21			2,500.00
Cynthiana Contribution						2,500.00		5,000.00
Frankfort WEPB Contribution						5,000.00		5,000.00
Georgetown MWSS Contribution					5,000.00			5,000.00
KAWC Contribution			2,500.00					2,500.00
Lancaster Contribution								
LFUCG Contribution					2,500.00			2,500.00
Mt. Sterling WSC Contribution						5,000.00		5,000.00
Nicholasville Contribution						2,500.00		5,000.00
Paris Contribution								
Winchester Municipal Utilities Contribution								
KACo Loan			5,000.00					16,322.27
KIA Tobacco Development Grant								
Totals	\$ 16,506.43	\$ 168.39	\$ 8,095.75	\$ 111.61	\$ 8,058.58	\$ 20,098.35	\$	\$ 50,539.11

LIABILITIES

KLC Loan of \$165,000 plus Interest
KACo Loan of \$165,000 plus Interest



September 18, 2006

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

Enclosed is the August invoice for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

Task Order No. 2	\$ 2,768.09
Task Order No. 3	\$ 0.00
Task Order No. 4	\$ 600.00
Task Order No. 5	\$ 6,799.36
Total Invoice Amount	\$10,167.45

- Preparation for and attendance to August Commission meeting and other various program management duties
- Attendance to various Commission committee meetings for the month of August
- Evaluated alternatives of water supply options for TO#5 and developed unit cost figures for various water supply alternatives. Preparation of figures, spreadsheets and presentation for meeting with BWSC
- Conducted second workshop for Task Order 5 after August Board meeting

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,

O'BRIEN & GERE ENGINEERS, INC.

Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: File

Attachment: Invoice No. 1085206

**MASTER PLANNING / CAPITAL CONSTRUCTION
COMMITTEE REPORT
MEETING DATE 9/8/06**

Attendees – Vernon Azevedo, David Billings, Bob Riddle, Charlie Martin, Damon Talley, Bryan Lovan and Don Hassall

Recommendations

1. Schedule a presentation by Joe Henry of GRW Engineers for September BWSC monthly meeting. Topic of presentation to be Frankfort Water and Electric Plant Board (FWEPB) - Water Treatment Plant Study.
2. Recommend that BWSC authorize OBG to complete tasks associated with potential water supply from (FWEPB) water treatment plant as directed in Task Orders 4 & 5.

Water Treatment Plant and Distribution System Evaluation

Frankfort Electric and Water Plant Board

**Engineers Presentation
September 19, 2006**

GRW

Engineers . Architects . Planners

801 Corporate Drive . Lexington, KY 40503 . 859-223-3999 . www.grwinc.com



Program Manager's Agenda
Bluegrass Water Supply Commission
September 25, 2006

1. Review of Program Manager Budget
2. Status Report
 - Task Order #2
 - Kentucky River Pool #3 – Water Withdrawal Application
 - Phase I Pipeline Routing Study Amendment – On Hold
 - Task Order #4
 - FPB Water Treatment Plant Evaluation – Presentation by GRW Engineers
 - Task Order #5
 - Review of Alternatives and Update – Preliminary Analysis of Alternatives



O'BRIEN & GERE

**Program Manager Status Report
Bluegrass Water Supply Commission
September 25, 2006 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 94,000.00	\$ 80,780.56	\$ 13,219.44
Task Order #3	\$ 79,000.00	\$ 76,911.58	\$ 2,088.42
Task Order #4	\$ 59,500.00	\$ 18,387.57	\$ 41,112.43
Task Order #5	\$ 63,730.00	\$ 27,059.76	\$ 36,670.24
Total	\$ 311,230.00	\$ 218,136.91	\$ 93,093.09

TASK ORDER #2

- **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

We have received a letter from the Kentucky Division of Water (copy attached) stating that there is sufficient water in Pool 3 to meet the needs of BWSC for a regional water treatment plant of up to 31 MGD. The current regulations allow for a withdrawal permit to be issued up to three years of actual withdrawal with quarterly reporting of certain milestone activities to demonstrate reasonable and steady progress of the project.

The "Schedule of Milestones" included with the letter must be completed with the start and end dates before issuance of the actual withdrawal permit. Pending the final outcome of the alternative evaluation in Task Order #5, we will not submit this milestone schedule until so directed by the Commission.

- **AMENDING PHASE I ROUTING STUDY**

This item has been placed on hold by the Master Planning and Capital Construction Committee with the recommended that the selection of the final route be tabled until the completion of Task Order No. 5's alternative evaluation.

**Program Manager Status Report
Bluegrass Water Supply Commission
September 25, 2006 Board Meeting**

TASK ORDER #4

• **FPB WATER TREATMENT PLANT EVALUATION**

We have received a copy of the final report from FPB on the evaluation of their WTP. GRW Engineers will be presenting the final report to the Commission as part of the scope of work.

This item has been placed on hold by the Master Planning and Capital Construction Committee with the final recommendation being tabled until the completion of Task Order No. 5's alternative evaluation.

TASK ORDER #5

• **SUMMARY OF WATER SUPPLY ALTERNATIVES**

In an effort to continue moving forward with the analysis of the revised list of water supply alternatives, a workshop was conducted at the August Commission meeting.

A draft summary of the workshop presentation has been presented to the Master Planning and Capital Construction Committee for review and comments. O'Brien & Gere has developed initial concept level costs for the several alternatives, although we refrained from discussions with potential sellers until so directed.

A preliminary summary of our interim findings on the cost evaluation was that if BWSC develops Pool 3 water supply independent of KAW, unit costs would be nearly 2-1/2 times the unit costs if KAW and BWSC worked in partnership. (Loss in economy of scale) and the current 9 MGD committed capacity results in very high unit costs. While phasing can defer some grid costs for other members, it is relatively ineffective at reducing unit cost.

Our independent view of the alternatives and preliminary recommendations are that the current 9 MGD regional water system with an independent grid may be too expensive and BWSC members may need to increase commitment to about 15 MGD in order to have reasonable unit cost (still higher than the 31MGD option)

Other options could be to:

- Develop an acceptable partnership with KAW for the regional WTP., or
- Secure substantial grant funding for the project in order to reduce the unit cost for the 9 MGD committed capacity



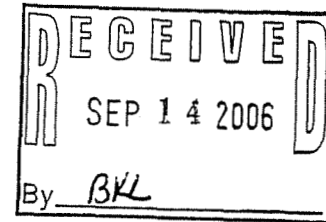
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Ernie Fletcher
Governor

Division of Water
14 Reilly Road
Frankfort, Kentucky 40601-1190
www.kentucky.gov

LaJuana S. Wilcher
Secretary

September 11, 2006



Bryan K. Lovan
Project Manager
O'Brien and Gere Engineers Inc.
1019 Majestic Drive / Suite 110
Lexington, KY 40513

**RE: Water withdrawal permit for
Bluegrass Water Supply Commission –
Kentucky River Pool 3**

Dear Mr. Lovan:

Thank you for allowing us the time to thoroughly review your request for a water withdrawal permit in Pool Three of the Kentucky River. We have determined that there is sufficient water available at the proposed site to meet your stated needs. There will be times, however, when some curtailments to withdrawals from Pool Three will be necessary to help protect flow necessary for aquatic life, water quality, and the rights of other users. At this time the details of these curtailments are being developed for inclusion in the final permit.

Kentucky Administrative Regulations allow the issuance of a water withdrawal permit up to three (3) years in advance of actual water withdrawals (401 KAR 4:010). Per this regulation you will be required to report on a quarterly basis the status of certain milestone activities to demonstrate reasonable and steady progress toward the completion of the project and eventual withdrawal of water. You will find enclosed a form that you should use to submit these quarterly reports.

I have included a very basic set of milestones for your consideration, but feel free to suggest changes to suit your specific project and timelines. Please review the "Schedule of Milestones" and submit to the Division a "Start Date" and "End Date" for each milestone. These dates will serve as yardsticks to measure progress and justify the continued reservation of available water for your water withdrawal permit.

Bryan K. Lovan
September 11, 2006
Page Two

Your initial submittal should also include a brief description of the following components of the project:

- The anticipated source(s) of funding for the project
- Any environmental studies that will be required for the project

Upon receipt of your completed "Milestone Schedule" and "Component Descriptions" we will proceed with the issuance of the water withdrawal permit.

Please contact me at 502-564-3410 ext. 419 if you have any questions. As this is one of the first permits to be considered under the new regulation please look at the milestones carefully and offer any suggestions that you might have.

Sincerely,



Bill Caldwell, Supervisor
Water Quantity Management
Kentucky Division of Water

14 Reilly Road
Frankfort, KY 40601

Watershed Management Branch

Kentucky Division of Water

Bluegrass Water Supply Commission
Schedule of Milestone Submittals to Fulfill
Conditions for a Water Withdrawal Permit

Quarterly Report of Progress: Bluegrass Water Supply Commission

Kentucky River Pool 3

Proposed water withdrawal location:

Date:

Milestone	Start Date	End Date	Milestone Status**	Comments
Plan for Financing				
Engineering Design				
Capacity Development Plan				
Environmental Review(s)				
Begin Construction *				
Site Preparation (grading, foundations etc.)				
Raw Water Intake				
Treatment Process Infrastructure & Equipment				
Transmission Infrastructure & Equipment				
Source Water Assessment and Protection Plan***				
Initial Water Withdrawal				

* Anchor Date for all subsequent activities

** Indicate satisfactory progress relative to "End Date" with an "X". Please use the space provided under "Comments" to document delays or anticipated changes to a Milestone End Date.

*** A Source Water Assessment and Protection Plan is required for a new or existing Intake for Suppliers of Potable Water

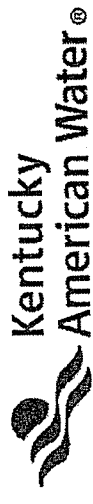


Bluegrass Water Supply Commission

Kentucky American Water

Partnership/Status

BWSC – KAW Partnership/Status

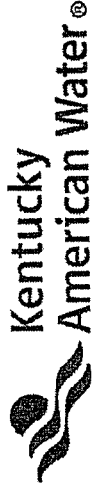


■ KAW Status:

- Options executed WTP, intake sites
- 3 routes identified from plant to KAW system
- Design begun - 20 mgd WTP expandable to 30 mgd
- RFPs for design of pipe/boosters
- On target: file Certificate of Conv & Nec w/PSC Spring 2007
- On target for plant on line in 2010
- KAW will participate only in Phase 1 of grid system



BWSC – KAW Partnership/Status



■ BWSC Status:

- Routing study for Frankfort/Lexington segment
- Treatment Plant/Intake property option executed
- Consultant reviewed option: BWSC go alone
- Have retained Financial Advisor
- City of Berea to join in September



BWSC – KAW Partnership/Status



■ Other Considerations:

- Outstanding 1997 PSC Order to address source of supply
- Risk of Moderate Drought Impact



BWSC – KAW Partnership/Status

■ Partnership Status

– March 2006

- KAW & BWSC meet on partnership

- PSC Conference – KAW commits to design of WTP in Spring 2007

– May 2006

- KAW offers option to BWSC to purchase water, BWSC to build grid

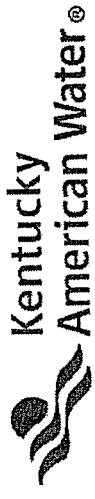
– June 2006

- BW SC indicated not interested in water purchase from KAW plant

– July/August 2006

- KAW reviewed impact of shared ownership and potential options

BWSC – KAW Partnership/Status



■ Partnership Status (cont'd)

- KAW will participate in Phase 1 of grid, BWSC will be responsible for remaining grid components
- KAW can wheel water through its system in lieu of additional grid components



BWSC – KAW Partnership/Status

- KAW's facilities alone estimated cost \$144 million

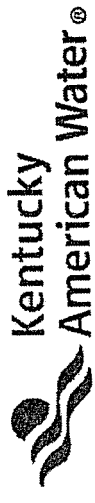
<u>Facility</u>	<u>20 mgd WTP</u>
Treatment Plant/Pumping	\$69
Phase 1 Grid	\$75
Total	\$144

BWSC – KAW Partnership/Status

- Regional plant estimated at \$154 million
- Grid Costs do not include Berea

<u>Facility</u>	<u>30 mgd WTP</u>	
	KAW-21mgd	BWSC-9 mgd
Treatment Plant/Pumping	\$55	\$24
Phase 1 Grid System	\$52	\$23
Sub- Total	\$107	\$47
Remainder of Grid System	\$0	\$65
Total	\$107	\$112

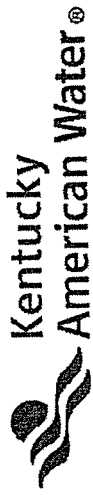
BWSC – KAW Partnership/Status



- 1) BWSC shares in project with upfront funding while project underway
 - BWSC determines volume of commitment
 - BWSC determines upfront funding available
 - KAW designs/builds facilities with expanded commitment
 - KAW operates co-owned facilities under contract w/BWSC
 - BWSC owns portion of facilities proportionate to investment
 - Grid costs reduced w/more utilization of KAW system



BWSC – KAW Partnership/Status



- 2) BWSC shares in project at later date with contribution of appropriate costs
- BWSC determines volume and funding commitment after PSC Certificate Case
 - KAW designs/builds facilities based on commitment
 - KAW operates co-owned facilities under contract w/BWSC
 - BWSC owns portion of facilities related to investment
 - Grid costs reduced with more utilization of KAW system

BWSC – KAW Partnership/Status



- Where do we go from here?
 - Letter of Intent between KAW and BWSC
 - BWSC determines level of commitment
 - Negotiate agreements
 - BWSC determines level of funding available



MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION

October 23, 2006

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its monthly meeting on Monday, October 23, 2006. Chair Calkins convened the meeting at 9:30 a.m. in the Frankfort Electric and Water Plant Board Clubhouse.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
David Billings	Frankfort
Thomas P. Calkins	Nicholasville
Kevin Crump	Paris
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
Charles Martin	LFUCG
David Pearce	Mt. Sterling
Donna Powell	Lancaster
Bob Riddle	Georgetown

Commissioners absent:

Vernon Azevedo	Winchester
Virgie Wells	Cynthiana

Associates, staff and contractors who were present included:

Donald Blackburn	Berea Utilities
Linda Bridwell	Kentucky American Water Company
Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC
George Rest	O'Brien & Gere Engineers

Others present included:

Tim Ball	JJG' Engineers
David Duttlinger	Tetra Tech Engineers
David Hamilton	KRA
Beth Nodurft	Quest Engineers
Ryan Owen	Bell Engineering
Dan Pence	MSE Engineers
Mike Redmon	ACIPCO
Jim Smith	Louisville Water Company
John Steinmetz	CDP Engineers
Nancy Wiser	Wiser, Hemlepp & Assoc.
Mike Woolum	Strand Associates
Chris Yeary	KY DOW

Consideration of the Minutes of the Previous Meeting

Minutes of the September 25, 2006 regular BWSC Meeting were then considered. Upon a motion by Mr. Billings and a second by David Pearce, and, by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the September financial report, which included the accounts payable. Following a motion by Mr. Riddle and a second by Mayor Powell, the total financial report—including the accounts payable listing—was approved unanimously. The September financial report is appended as *Attachment A*.

Comments from the Public

Chairman Calkins opened the floor for comments by members of the public. There were no comments.

Old Business

There was no Old Business.

Committee Report and Recommendations

Mayor Powell announced that the Administrative Guidelines Committee had no report.

Mr. Riddle announced that the Financial Guidelines Committee had no report.

Mr. Martin reported that the Master Planning and Capital Construction Committee has a meeting planned for 10:00 a.m. Wednesday, October 25, 2006 at the office of Georgetown Municipal Water and Sewer Service to receive a revised proposal from the Louisville Water Company on the topic of possible potable water sales by the LWC to the BWSC.

Mr. Crump announced that the Operations and Maintenance Committee had no report.

Program Manager's Report

Mr. Lovan presented the Program Manager's report, which is appended as *Attachment B*. Most of the Program Manager's report involved work on O'Brien & Gere's Task 5—dealing with the water supply alternatives. That discussion is well covered on page 2 and 3 of *Attachment B*.

Mr. Rest reiterated that certain specific information is now in hand that will facilitate the final decision – making process on water supply alternatives. He mentioned,

- the receipt of preliminary cost figures from the Louisville Water Company
- information and projected costs from the Frankfort Water Treatment Plant Study
- the Kentucky American Water proposal, and
- input from Public Financial Management (PFM) relative to projections of unit cost for BWSC water.

New Business

Mr. Lovan reported that O'Brien & Gere was ready to meet with Negotiating Committee as soon as the October 25 LWC meeting is complete and as additional information is made available by Kentucky American Water.

Mr. Talley reported that necessary paperwork regarding Berea's entry to the BWSC should be in Mayor Connelly's hands very soon.

In response to an inquiry by Mr. Grier, the Kentucky River Authority's David Hamilton replied that the reconstruction of Kentucky River Dam 9 was set

to be advertised for bids within one month. (The pool created by that dam is the primary water source of Kentucky American Water.) The dam is to be reconstructed as its existing height. Mr. Hamilton further reported that there has been no recent change in the plans for the reconstruction of Dam 10. The project continues to languish because of insufficient federal financial support. However, Mr. Hamilton reported that the stabilization work had been completed on the toe of existing Dam 10.

Ms. Bridwell reported that the basis of design of the new regional water treatment plant on Pool 3 should be available to O'Brien & Gere Engineers before the end of October.

Commissioners' and General Manager's Business

Mr. Talley reported on current efforts to achieve the release of funds on the \$900,000 KIA grant approved by the General Assembly earlier this year. Mr. Talley said he hoped that the project paperwork would be ready to go to the December meeting of the General Assembly's Capital Projects Oversight Committee.

Designation of Time/Place for the next Meeting

Monday, December 4, 2006 was tentatively selected as the date of the next regular meeting of the BWSC. The City of Paris would host the meeting at a site yet to be selected.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:35 a.m.

Respectfully Submitted,

Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
ROBERT L. RIDDLE, SECRETARY

Attachments A-B

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
THOMAS P. CALKINS, CHAIR

DATE APPROVED: _____

10/24/06

**BWSC Financial Report
for September, 2006**

Beginning Balance per Bank Statement - 9/01/06 \$ 44,595.35

September Deposits

Interest	\$ 25.37	
Sub Total	\$ 25.37	25.37

BWSC Checks Paid in September

Check 1062 Bluegrass ADD	\$ (280.53)	
Check 1064 O'Brien & Gere Engineers	(28,879.03)	
Sub Total	\$ (29,159.56)	(29,159.56)
Ending Balance Per Bank Statement 9/30/06		\$ 15,461.16

Checks Outstanding

Check 1065 O'Brien & Gere Engineers	\$ (10,167.45)	
Check 1066 Bluegrass ADD	(1,843.53)	
Sub Total	\$ (12,010.98)	(12,010.98)
Checkbook Balance End of September 2006		\$ 3,450.18

Accounts Payable Approved but as yet unpaid

Bluegrass ADD	\$ 3,625.86
---------------	-------------

Certificates of Deposit – end of September \$63,000

Accounts Payable

O'Brien & Gere (Task Order 2-September)	\$ 1,959.79
O'Brien & Gere (Task Order 3-September)	129.58
O'Brien & Gere (Task Order 5-September)	9,775.00
Bluegrass ADD - September (3 bi-weekly payrolls)	6,256.86
Frankfort Electric and Water Plant Board	34,000.00
Total	\$52,121.23

Accounts Receivable (contributions) – Billed

Lexington-Fayette UCG	\$ 5,000.00
Berea	2,500.00
Total	\$ 7,500.00

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

*KIA KRA/BWSC Grant 1 Wire Transfer of \$26,337.46
received 10/06/06

*KIA KRA/BWSC Grant 1 Draw Request of \$34,000.00
submitted 10/09/06

10/18/2006

BLUEGRASS WATER SUPPLY COMMISSION
April 2006 to October 2006

APPROVED EXPENSES

	April	May	June	July	August	September	October	Sub-Total
Bluegrass ADD	\$ 6,033.29	\$ 4,888.58	\$ 3,509.30	\$ 5,750.01	\$ 280.53	\$ 3,625.86	\$ 6,256.86	\$ 23,807.04
Bluegrass ADD (additional expense for July)								2,124.06
Bluegrass ADD - September (3 bi-weekly payrolls)	17,618.39				15,708.50			33,324.89
Damon Talley								
Flint Group								
Frankfort Electric and Water Plant Board								
O'Brien & Gere - Task Order 2	6,988.52	5,124.93	3,384.92	3,386.33	10,218.63	2,768.09	1,959.79	33,831.21
O'Brien & Gere - Task Order 3							129.58	129.58
O'Brien & Gere - Task Order 4	150.00	1,661.13	1,058.90	1,050.00		600.00		4,520.03
O'Brien & Gere - Task Order 5				1,600.00	18,660.40	6,799.36	9,775.00	36,834.76
RR Consultants								
Office Expense			2,767.50					2,767.50
City of Versailles-Hydraulic Model for BWSC			3,352.14					3,352.14
KACo All Lines Fund, Liability Coverage, 12 mo.								
-CDP Engineers, KIA grant administration								
KJA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.								
Total	\$30,788.20	\$11,674.64	\$14,072.76	\$11,786.34	\$44,868.06	\$15,638.84	\$52,121.23	\$180,948.07

INCOME

	April	May	June	July	August	September	October	Sub-Total
Interest Income	\$ 168.39	\$ 595.75	\$ 111.61	\$ 87.37	\$ 98.35	\$ 25.37	\$ 1,086.84	\$ 1,086.84
CD Interest				471.21				471.21
Cynthiana Contribution					2,500.00			2,500.00
Frankfort WEPB Contribution					5,000.00			5,000.00
Georgetown MWSS Contribution				5,000.00				5,000.00
KAWC Contribution		2,500.00			5,000.00			5,000.00
Lancaster Contribution								
LFUCG Contribution				2,500.00				2,500.00
Mt. Sterling WSC Contribution					5,000.00			5,000.00
Nicholasville Contribution					2,500.00			2,500.00
Paris Contribution								
Winchester Municipal Utilities Contribution								
KACo Loan								
KIA Tobacco Development Grant								
Totals	\$ 168.39	\$ 8,095.75	\$ 111.61	\$ 8,058.58	\$ 20,098.35	\$ 25.37	\$ 36,558.05	\$ 36,558.05

LIABILITIES

KLC Loan of \$165,000 plus Interest
KACo Loan of \$165,000 plus Interest

10-18-2006



O'BRIEN & GERE

October 17, 2006

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

Enclosed is the August invoice for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

Task Order No. 2	\$ 1,959.79
Task Order No. 3	\$ 129.58
Task Order No. 4	\$ 0.00
Task Order No. 5	\$ 9,775.00
Total Invoice Amount	\$11,864.37

- Preparation for and attendance to September Commission meeting and other various program management duties
- Attendance to various Commission committee meetings for the month of September
- Teleconference with Kentucky Division of Water discussing various options under Task Order #5
- Evaluated alternatives of water supply options for TO#5 and development and updating unit cost figures for various water supply alternatives. Preparation of figures, spreadsheets and presentation for meeting with BWSC Administrative and Master Planning and Capital Construction Committees
- Conducted committee briefing for Task Order 5 after September Board meeting to the Administrative committee

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,

O'BRIEN & GERE ENGINEERS, INC.

Bryan K. Lohan, P.E., P.L.S.
Project Manager

cc: File
Attachment: Invoice No. 1085732

1013 Majestic Drive / Suite 110 / Lexington, KY 40513
(859) 223-0137 / FAX (859) 223-0520 • <http://www.obg.com>

...with offices in 25 major metropolitan areas and growing.

Q:\Engineering\Projects\BWSC\36270 BWSC\1_ExpenseInvoices\August14 Invoice Letter.doc



Program Manager's Agenda
Bluegrass Water Supply Commission
October 23, 2006

1. Review of Program Manager Budget
2. Status Report
 - Task Order #2
 - Kentucky River Pool #3 – Water Withdrawal Application – On Hold
 - Phase I Pipeline Routing Study Amendment – On Hold
 - Task Order #4
 - FPB Water Treatment Plant Evaluation
 - Task Order #5
 - Review of Alternatives and Update – Preliminary Analysis of Alternatives



O'BRIEN & GERE

**Program Manager Status Report
Bluegrass Water Supply Commission
October 23, 2006 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 94,000.00	\$ 82,740.35	\$ 11,259.65
Task Order #3	\$ 79,000.00	\$ 77,041.16	\$ 1,958.84
Task Order #4	\$ 59,500.00	\$ 18,387.57	\$ 41,112.43
Task Order #5	\$ 63,730.00	\$ 36,834.76	\$ 26,895.24
Total	\$ 311,230.00	\$ 230,001.28	\$ 81,228.72

TASK ORDER #2

- **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5; we will not submit this milestone schedule until so directed by the Commission.

- **AMENDING PHASE I ROUTING STUDY**

This item has been placed on hold by the Master Planning and Capital Construction Committee with the recommendation that the selection of the final route be tabled until the completion of Task Order No. 5's alternative evaluation.

TASK ORDER #4

- **FPB WATER TREATMENT PLANT EVALUATION**

We have received a copy of the final report from FPB on the evaluation of their WTP and after the presentation by GRW Engineers at the September Board meeting, we are reviewing the documents for inclusion in the final alternative evaluation under Task Order #5.

TASK ORDER #5

• SUMMARY OF WATER SUPPLY ALTERNATIVES

- 1) On Wednesday, October 18th, a meeting of the Committee Chairs was held at the offices of O'Brien & Gere, where PFM made a presentation on proposed unit costs. On Friday, October 20th, O'Brien & Gere and PFM conducted a teleconference to review each others cost models. PFM will conduct additional analysis to provide more of the details. The major differences in the two cost models that were presented were:

- The difference in debt term in years and interest rates PFM's model used 25 years at 5%, while O'Brien & Gere's model used 30 years at 4%.
- The addition of 15% to the debt burden to provide rate coverage.
- PFM's model included capitalized interest payments while O'Brien & Gere's did not
- PFM's model added closing fees, etc to O'Brien & Gere's project cost estimates.

Since we do not know what is included in KAW's partnership proposal costs, it's a good idea to add these costs for future analysis.

In summary, PFM's model used a more conservative approach than O'Brien & Gere's model. These differences in projected unit costs are in the above four factors, all of which are real. **All these factors (plus secure substantial grant funding in order to reduce the unit cost) merit BWSC's attention, so that the final unit costs come as close as possible to the lower rates projected by O'Brien & Gere.** While, O'Brien & Gere's model is valid for the purpose of comparing alternatives, we will look for guidance on using these more conservative assumptions (as in PFM's model) for the purpose of projecting wholesale rates.

- 2) Continuing with the analysis of water supply alternatives, we have been exploring the KAW partnership proposal and comparing the costs of the proposed Partnership with other supply options available to BWSC. We have also identified those issues/supply options that merit further investigation.

Similarities of the KAW Partnership proposal to the 2004 Feasibility Study Concepts are:

- Pool 3 Supply, including Phase 1 transmission main, with shared supply costs
- WTP on-line in 2010
- Wheel through KAW's existing pipelines
- BWSC can connect at multiple locations
- KAW's cost estimates are equivalent to O'Brien & Gere's

While the differences from 2004 Feasibility Study Concepts are:

- Defers the Ohio River supplemental supply components
- BWSC alone finances new grid components, other than Phase 1 pipeline

**Program Manager Status Report
Bluegrass Water Supply Commission
October 23, 2006 Board Meeting**

Additional information will need to be furnished by KAW for further evaluation of the proposal.

- 3) From the previous list of potential alternatives that were evaluated, currently the most unlikely ones to be further considered are:

- Separate BWSC Pool 3 supply
- Herrington Lake/Danville
- Ohio River at Maysville

and the ones that are still active are:

- KAW Partnership at Pool 3
- Louisville Water Co.
- Frankfort Plant Board
- Greater Fleming Regional Water Commission
- or Combinations of the above

- 4) Our next steps are to:

- Respond to KAW Proposal
- Meet with Louisville Water Co.
- Integrate Financial Consultants input
- Complete the Alternatives Analysis (Task Order #5)

A Master Planning and Capital Construction Committee meeting is planned for Wednesday, October 25th to review the latest proposal from Louisville Water Company.

MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION

December 4, 2006

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its regular meeting on Monday, December 4, 2006. Chair Calkins convened the meeting at 9:30 a.m. in the Parish Center of the Church of the Annunciation in Paris, Kentucky.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
Vernon Azevedo	Winchester
David Billings	Frankfort
Thomas P. Calkins	Nicholasville
Kevin Crump	Paris
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
Charles Martin	LFUCG
David Pearce	Mt. Sterling
Donna Powell	Lancaster
Bob Riddle	Georgetown
Virgie Wells	Cynthiana

Commissioners absent:

None

Associates, staff and contractors who were present included:

Donald Blackburn	Berea Utilities
Linda Bridwell	Kentucky American Water Company
Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC

Others present included:

Connie Allen	CDP Engineers
Bob Blankenship	HMB Engineers
Fred Goins	Franklin County Fiscal Court
Joe Gormley	Woodford County Judge-Executive
Eugene Kelley	Mayor, City of Carlisle
Dan Pence	MSE Engineers
Mike Redmon	ACIPCO
Jim Smith	Louisville Water Company
Bob Sturdivant	Quest Engineers
Mark Willis	Burgess & Niple Engineers
Nancy Wiser	Wiser, Hemlepp & Assoc.
Kenneth York	City of Cynthiana

Consideration of the Minutes of the Previous Meeting

Minutes of the October 23, 2006 regular BWSC Meeting were then considered. Upon a motion by Mr. Martin and a second by David Pearce, and, by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the October financial report, which included the accounts payable. Following a motion by Mr. Riddle and a second by Mr. Billings, the total financial report—including the accounts payable listing—was approved unanimously. The October financial report is appended as *Attachment A*.

Comments from the Public

Chairman Calkins opened the floor for comments by members of the public. Mr. Blankenship spoke on behalf of the Greater Fleming Water Commission. Mr. Blankenship stated that the GFWC continues to be interested in selling potable water to all or part of the BWSC.

Old Business

There was no Old Business.

Committee Report and Recommendations

Mr. Azevedo announced that the Administrative Guidelines Committee had no report.

Mr. Riddle announced that the Financial Guidelines Committee had no report.

Mr. Martin reported that the Master Planning and Capital Construction Committee met twice since the October 23 BWSC meeting and that the issues discussed there would be reported upon under the Program Manager's report.

Mr. Crump announced that the Operations and Maintenance Committee had no report.

Program Manager's Report

Mr. Lovan presented the Program Manager's report, which is appended as *Attachment B*. Issues relating to work to be performed under Task Orders 2 and 4 are *on hold* pending additional significant progress on the water supply alternatives evaluation which is the thrust of Task Order 5. The Program Manager's Report consisted primarily of a report of two meetings with representatives of Kentucky American Water. That report is summarized in some detail within pages 2 through 4 of the Program Manager's report.

Mr. Lovan concluded by calling attention to a 10:00 a.m. to 12:30 p.m. Tuesday, December 12 meeting of the BWSC Negotiating Committee with Nick Rowe et al. of the Kentucky American Water Company. Mr. Lovan said that he thought the O'Brien & Gere Engineers could conclude its water supply alternatives analysis by the next regular meeting of the BWSC on January 22, 2007.

New Business

Mr. Talley presented his draft of Resolution 2006-02, a resolution of the BWSC accepting KIA Grant ID# 445N-2007: authorizing the grant assistance agreement, authorizing the amendment of the local budget, and authorizing a BWSC representative to sign all related documents.

Mr. Martin moved and Mr. Pearce seconded for an amendment to Section 1 of Resolution 2006-02 so that Section 1 would read as follows:

"That the Sub-Grantee hereby accepts the grant award and approves the Agreement, in substantially the form on file with the Sub-Grantee, with such modifications as the Chair, upon advice of counsel and the Chair of the Financial Guidelines and Budget Committee, may subsequently approve, as evidenced by his signature thereon, for the purpose of providing a portion of the necessary financing for the Project."

Following the unanimous approval of the amendment, upon a motion by Mr. Martin and a second by Mr. Riddle, and by unanimous vote, the Commission approved the amended motion. The amended motion is appended as *Attachment C*.

It was anticipated that the project budget would receive the appropriate review and oversight in order that the Grant Assistance Agreement could be submitted to the Kentucky River Authority before its December 14, 2006 meeting. It is the stated hope and expectation of BWSC that all paperwork associated with KIA Grant 445N-2007 could be ready for the appropriate legislative oversight committee so that the *release of funds* for this KIA Grant No. 2 could occur as early as possible in calendar year 2007.

Commissioners' and General Manager's Business

Mr. Grier and others asked Mr. Hughes if and how KIA grant funds could be applied to the BWSC project. Mr. Hughes said that, at times, the General Assembly has identified a few projects that needed an *extra boost* to get them to advance. Grants have generally been just below or just above the \$1 million mark.

Mr. Hassall commended Mr. Calkins for the BWSC progress report Mr. Calkins made to the October 25 Bluegrass Area Development District Board of Directors—a meeting at which Governor Fletcher was in attendance.

Mr. Hassall reported that under the announced rules, BWSC has only about seven months remaining to draw down its \$250,000 Community Economic Growth Grant (CEGG) which *was* to be used to acquire lands and rights-of-way in connection with what was to have been the BWSC Phase I pipeline project.

Mr. Hassall reported that at its recent annual planning meeting, the Kentucky River Authority reaffirmed its support for the BWSC and its efforts to deal decisively and soon with the regional potable water supply deficit. Plans to reconstruct Dam 3 are high on the KRA's "to do" list. Mr. Hassall also praised KRA Executive Director Steve Reeder for his April 2006 efforts to bring before the House-Senate Conference Committee (on the State budget) issues related to the raw and potable water needs of Central Kentucky. Mr. Hassall said that the efforts of the BWSC and the KRA appear to be complimentary.

Mayor Powell invited all attendees to the 2:00 p.m. Sunday, December 10 dedication of Lancaster's new City Hall, the Billy C. Moss Municipal Center, located at 309 West Maple Street, Lancaster.

Mr. Azevedo suggested that the Commission move to Executive Session at the end of regular business to discuss items related to the acquisition of real property.

Mayor Wells acknowledged that her term as Cynthiana's Mayor will expire at the end of the calendar year and said that she was extremely honored to have served on the BWSC with a group of professionals whose purpose was so noble.

Designation of Time/Place for the next Meeting

Monday, January 22, 2007 was selected as the date of the next regular meeting of the BWSC. Lexington-Fayette would host the meeting at the Town Branch WWTP beginning at 9:30 a.m.

Upon motion by Mr. Azevedo, a second by Mr. Billings, and unanimous action, the Commission moved to Executive Session at 10:58 a.m. to discuss items related to the acquisition of real property.

No action items came from the Executive Session.

ADJOURNMENT

There being no further business, the regular BWSC meeting was adjourned at 11:22 a.m.

Respectfully Submitted,

Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
ROBERT L. RIDDLE, SECRETARY

Attachments A-C

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
 THOMAS P. CALKINS, CHAIR

DATE APPROVED: _____

**BWSC Financial Report
for October, 2006**

Attachment A
Page 1 of 2

Beginning Balance per Bank Statement - 10/01/06		\$ 15,461.16
<u>October Deposits</u>		
Bank Account Interest	\$ 56.51	
CD Interest	714.58	
KIA Grant 1 Draw (10/6/06)	26,337.46	
KIA Grant 1 Draw (10/24/06)	34,000.00	
Sub Total	<u>\$ 61,108.55</u>	61,108.55
<u>BWSC Checks Paid in October</u>		
Check 1065 Bluegrass ADD	\$ (1,843.53)	
Check 1066 O'Brien & Gere Engineers	(10,167.45)	
Check 1067 Bluegrass ADD	(3,625.86)	
Check 1068 O'Brien & Gere Engineers	(11,864.37)	
Check 1069 Bluegrass ADD	(6,256.86)	
Sub Total	<u>\$ (33,758.07)</u>	(33,758.07)
Ending Balance Per Bank Statement 10/31/06		\$ 42,811.64
<u>Checks Outstanding</u>		
Check 1070 Frankfort Water Plant Board	\$ (34,000.00)	
Sub Total	<u>\$ (34,000.00)</u>	(34,000.00)
Checkbook Balance End of October 2006		\$ 8,811.64

Certificates of Deposit – end of October \$63,000

Accounts Payable

O'Brien & Gere (Task Order 2-October)	\$ 2,160.39
O'Brien & Gere (Task Order 4-October)	600.00
O'Brien & Gere (Task Order 5-October)	8,831.79
Bluegrass ADD - October	5,647.89
CDP Engineers, KIA grant 2 administration	157.50
Total	<u>\$17,397.57</u>

Accounts Receivable (contributions) – Billed

Lexington-Fayette UCG	\$ 5,000.00
Berea	2,500.00
Total	<u>\$ 7,500.00</u>

Outstanding Loans

3 KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

BLUEGRASS WATER SUPPLY COMMISSION
May 2006 to November 2006

APPROVED EXPENSES

	May	June	July	August	September	October	November	Sub-Total
Bluegrass ADD	\$ 4,888.58	\$ 3,509.30	\$ 5,750.01	\$ 280.53	\$ 3,625.86	\$ 6,256.86	\$ 5,647.89	\$ 23,421.64
Bluegrass ADD (additional expense for July)				15,708.50	1,843.53			2,124.06
Bluegrass ADD - September (3 bi-weekly payrolls)								6,256.86
Damon Talley								15,708.50
Flint Group								34,000.00
Frankfort Electric and Water Plant Board								29,003.08
O'Brien & Gere - Task Order 2	5,124.93	3,384.92	3,386.33	10,218.63	2,768.09	1,959.79	2,160.39	129.58
O'Brien & Gere - Task Order 3						129.58		4,970.03
O'Brien & Gere - Task Order 4	1,661.13	1,058.90	1,050.00		600.00		600.00	45,666.55
O'Brien & Gere - Task Order 5			1,600.00	18,660.40	6,799.36	9,775.00	8,831.79	
RR Consultants								2,767.50
Office Expense		2,767.50						3,352.14
City of Versailles-Hydraulic Model for BWSC		3,352.14					157.50	157.50
KACo All Lines Fund, Liability Coverage, 12 mo.								
CDP Engineers, KIA grant 2 administration								
KIA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.								
Total	\$11,674.64	\$14,072.76	\$11,786.34	\$44,868.06	\$15,636.84	\$52,121.23	\$17,397.57	\$167,557.44

INCOME

	May	June	July	August	September	October	November	Sub-Total
Interest Income	\$ 595.75	\$ 111.61	\$ 87.37	\$ 98.35	\$ 25.37	\$ 56.51	\$ 714.58	\$ 974.96
CD Interest			471.21					1,185.79
Cynthiana Contribution				2,500.00				2,500.00
Frankfort WEPB Contribution				5,000.00				5,000.00
Georgetown MWSS Contribution			5,000.00					5,000.00
KAWC Contribution	2,500.00			5,000.00				2,500.00
Lancaster Contribution								2,500.00
LFUCG Contribution			2,500.00					5,000.00
Mt. Sterling WSC Contribution				5,000.00				2,500.00
Nicholasville Contribution				2,500.00				5,000.00
Paris Contribution	5,000.00							
Winchester Municipal Utilities Contribution								
KACo Loan								26,337.46
KIA Tobacco Development Grant								34,000.00
KIA 1 Draw (10/6/06)								
KIA 1 Draw (10/24/06)								
Totals	\$ 8,095.75	\$ 111.61	\$ 8,058.58	\$ 20,098.35	\$ 25.37	\$ 61,108.55	\$	\$ 97,498.21

LIABILITIES

KLC Loan of \$165,000 plus interest
KACo Loan of \$165,000 plus interest

Program Manager's Agenda
Bluegrass Water Supply Commission
December 4, 2006

1. Review of Program Manager Budget
2. Status Report
 - Task Order #2
 - Kentucky River Pool #3 – Water Withdrawal Application – On Hold
 - Phase I Pipeline Routing Study Amendment – On Hold
 - Task Order #4
 - FPB Water Treatment Plant Evaluation - On Hold
 - Task Order #5
 - Review of Alternatives and Update – Preliminary Analysis of Alternatives



**Program Manager Status Report
Bluegrass Water Supply Commission
December 4, 2006 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 94,000.00	\$ 84,900.74	\$ 9,099.26
Task Order #3	\$ 79,000.00	\$ 77,041.16	\$ 1,958.84
Task Order #4	\$ 59,500.00	\$ 18,987.57	\$ 40,512.43
Task Order #5	\$ 63,730.00	\$ 45,666.55	\$ 18,063.45
Total	\$ 311,230.00	\$ 241,593.46	\$ 69,636.54

TASK ORDER #2

- **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5.

- **AMENDING PHASE I ROUTING STUDY**

This item has been placed on hold by the Master Planning and Capital Construction Committee with the recommendation that the selection of the final route be tabled until the completion of Task Order No. 5's alternative evaluation.

TASK ORDER #4

- **FPB WATER TREATMENT PLANT EVALUATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5.

Program Manager Status Report
Bluegrass Water Supply Commission
December 4, 2006 Board Meeting

TASK ORDER #5

• SUMMARY OF WATER SUPPLY ALTERNATIVES

- 1) Continuing with the analysis of water supply alternatives, we have been able to attend two meetings with KAW to explore the technical and engineering aspects of their proposed Pool 3 WTP project. These meetings were necessary to allow us to evaluate and compare the partnership proposal from KAW with other supply options available to BWSC.

Reiterating the similarities of the KAW Partnership proposal to the 2004 Feasibility Study Concepts are:

- Pool 3 Supply, including Phase 1 transmission main, with shared supply costs
- WTP on-line in 2010
- Wheel through KAW's existing pipelines
- BWSC can connect at multiple locations
- KAW's cost estimates are equivalent to O'Brien & Gere's

While the differences from 2004 Feasibility Study Concepts are:

- Defers the Ohio River supplemental supply components
- BWSC alone finances new grid components, other than Phase 1 pipeline

From the meeting with KAW we were able to receive the following information concerning their project in order to further evaluate the proposal. The KAW Basis of Design report (Draft Version) presented has an anticipated WTP capacity (as currently designed for KAW only) as follows:

Minimum	4 MGD
Winter Average	6 MGD
Summer Average	15 MGD
Maximum	20 MGD
Ultimate (Future Build-out)	30 MGD

The firm rated plant capacity and/or process unit sizing criteria is generally based with one unit of the largest capacity out-of-service. The ultimate capacity of 30 MGD is based on providing additional pumps, intake screen, basins, and filters in the future. There are various underground piping and other facilities which are not easily expandable that would have a hydraulic capacity of 40 MGD.

The design criteria of the proposed WTP is to meet KDOW & EPA regulatory requirements and to achieve "Partnership for Safe Water" goals. The plant will be a conventional treatment plant with rapid mix, flocculation, sedimentation/clarification, filtration, disinfection, and post-chemical additions. The plant's residual sludge will be disposed on site or on

**Program Manager Status Report
Bluegrass Water Supply Commission
December 4, 2006 Board Meeting**

adjacent property optioned by KAW. Decant water will be discharge back to the Kentucky River.

The plant has provisions for UV disinfection to be installed in the future, if necessary or required, and replacement of the dual filter media with granular activated carbon (GAC) for taste and order control, if necessary. Provisions for on-site and off site finished water storage and pumping are included in the project.

The proposed WTP building will be concrete and CMU construction (with uncovered exterior flocculation/sedimentation basins) with support facilities to include laboratories, individual chemical bulk storage and feed rooms, offices, control room, storage and maintenance rooms, lunchroom/conference room, etc.

The plant's process control and instrumentation will be fully automated via SCADA system for remote monitoring and operations; however, the plant will be manned 24 hours per day, 7 days per week.

The finished water transmission main is proposed to be a 42-inch pipeline with three alternative routes and the ending point near Ironworks & Newtown Pike. The final route selection has not yet been determined; however, KAW prefers the western route (similar to BWSC Phase I Alignment).

The transmission main will be bid with all three pipe materials as an option, i.e., steel pipe, ductile iron pipe, and pre-stressed concrete pipe. One booster pump station and storage tank approximately half way between the WTP and ending point is proposed. KAW is still assessing the need to strengthen their existing grid to receive the 20 or 30 MGD capacity into their system and to deliver the 9 MGD to the BWSC members.

The finished water transmission main size was determined based on several criteria with the major component being system pressures and hydraulic gradient for both the 20 or 30 MGD capacity. KAW has indicated that a second pipeline would be required for capacity over the 30 MGD with the exact capacity of the pipe yet to be identified.

The project cost as presented in the meetings with KAW and pending any update information from the 30% design submittal is as follows:

Proposed Cost – 20 MGD WTP Facilities (pending 30% Design Update)	
Raw Water Intake Facilities	\$ 9,474,000
WTP Facilities	\$ 46,906,000
WTP Residual Facilities	\$ 7,403,000
 Cost - Transmission Main (pending 30% Design Update)	
Booster Pumping Facility	\$ 3,750,000
Intermediate Storage Facility	\$ 3,150,000
Pipeline – 42-inch	\$ 73,065,000
 Total Project Cost – WTP & Transmission Main	 \$143,748,000

**Program Manager Status Report
Bluegrass Water Supply Commission
December 4, 2006 Board Meeting**

This total project cost includes a 20% contingency and 25% for permitting, legal, easements, engineering, and other associated costs.

In summary:

- Pool 3 WTP uses conventional technologies, with flexibility to add advanced technology.
- Pool 3 facilities have reasonable level of conservatism
- Overall, the design approach is same as O'Brien & Gere envisioned in the Feasibility Study
- KAW's preferred western transmission route is similar to BWSC's Phase I Pipeline route
- Proposed Pool 3 project cost are expected to be similar to those presented at the September meeting in Cynthiana

A Master Planning and Capital Construction Committee meeting was held on Thursday, November 30th to present the above information and gather any additional questions or comments.

2) Our next steps are to:

- Respond to KAW Proposal
- Integrate Financial Consultants input
- Complete the Alternatives Analysis (Task Order #5)

RESOLUTION 2006-02

WX21067004

GRANT ID# 445N-2007

RESOLUTION OF THE BLUEGRASS WATER SUPPLY COMMISSION ("SUB-GRANTEE") ACCEPTING THE GRANT; APPROVING THE GRANT ASSISTANCE AGREEMENT; AUTHORIZING THE AMENDMENT OF LOCAL BUDGET; AND AUTHORIZING A REPRESENTATIVE TO SIGN ALL RELATED DOCUMENTS

WHEREAS, the General Assembly has appropriated funds for infrastructure projects in the 2006-2008 Budget of the Commonwealth; and

WHEREAS, the Bluegrass Water Supply Commission (the "Sub-Grantee") has previously determined that it is in the public interest to undertake certain water project engineering services, master planning activities, other engineering studies, easement and real property acquisitions, and other pre-construction activities related to the development of a regional water supply and transmission system (the "Project"); and

WHEREAS, the Sub-Grantee desires funding from the Kentucky Infrastructure Authority (the "Authority") for the purpose of undertaking and completing the Project; and

WHEREAS, the Grant Assistance Agreement (the "Agreement") will be between the Authority, as Grantor; the Kentucky River Authority, as Grantee, for and on behalf of the Bluegrass Water Supply Commission; and the Bluegrass Water Supply Commission, as Sub-Grantee;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Bluegrass Water Supply Commission as follows:

SECTION 1. That the Sub-Grantee hereby accepts the grant award and approves the Agreement, in substantially the form on file with the Sub-Grantee, with such modifications as the Chair, upon advice of counsel and the Chair of the Financial Guidelines and Budget Committee, may subsequently approve, as evidenced by his signature thereon, for the purpose of providing a portion of the necessary financing for the Project.

SECTION 2. That Thomas P. Calkins, Chair of the Bluegrass Water Supply Commission, is hereby authorized, directed and empowered by the Sub-Grantee to execute the Agreement and all other necessary documents or agreements, and to otherwise act on behalf of the Sub-Grantee in implementing the Project.

SECTION 3. That the Sub-Grantee hereby includes in its annual budget the receipt and expenditures of funds subject to the Agreement with the Authority and the Kentucky River Authority.

SECTION 4. This Agreement shall take effect immediately upon adoption.

ADOPTED on December 4, 2006.

BLUEGRASS WATER SUPPLY COMMISSION (SUB-GRANTEE)

BY: Thomas P. Calkins
THOMAS P. CALKINS, CHAIR

ATTEST:

BY: Robert L. Riddle
ROBERT L. RIDDLE, SECRETARY

MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION

January 22, 2007

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its regular meeting on Monday, January 22, 2007. Chair Calkins convened the meeting at 9:40 a.m. in the Fellowship Hall of Broadway Baptist Church in Lexington, Kentucky.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
Vernon Azevedo	Winchester
David Billings	Frankfort
Thomas P. Calkins	Nicholasville
Kevin Crump	Paris
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
Charles Martin	LFUCG
David Pearce	Mt. Sterling
Donna Powell	Lancaster
Bob Riddle	Georgetown
Virgie Wells	Cynthiana

Commissioners absent:

None

Staff, associates and contractors who were present included:

Donald Blackburn	Berea Utilities
Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC

Others present included:

Bob Blankenship	HMB Engineers and Greater Fleming County Regional Water Commission
Linda Bridwell	Kentucky American Water Company
Solitha Dharman	KY Division of Water
Stan Galbraith	Paris City Commissioner
Michael Galovotti	Kentucky American Water
Joe Gormley	Woodford County citizen
Laura Hackney	MSE Engineers
John Martin	KY River Authority
Andy Mead	Lexington Herald-Leader
Beth Nordurft	Quest Engineers
Mike Redmon	ACIPCO
Jim Smith	Louisville Water Company
John Steinmetz	CDP Engineers
Tim Wells	Harrison County citizen
Mark Willis	Burgess & Niple Engineers
Nancy Wiser	Wiser, Hemlepp & Assoc.
Mike Woolum	Strand Associates

Consideration of the Minutes of the Previous Meeting

Minutes of the December 4, 2006 regular BWSC Meeting were then considered. Upon a motion by Mr. Crump and a second by Mr. Martin, and, by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the November and December financial reports, which included the accounts payable. Following a motion by Mr. Martin and a second by Mr. Pearce, the accounts payable listing was approved unanimously. The second page of the financial reports was discovered to have errors. As such, staff was directed to correct the errors and to bring both reports to the February meeting.

Accounts Payable approved were as follows:

November

Bluegrass ADD – administrative services for November	\$ 3,448.84
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December

Damon Talley – legal service July-December	\$32,346.75
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Bluegrass ADD – administrative services for December	\$ 3,831.40
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O’Brien & Gere – Task Order 2 for November and December	\$ 3,112.14
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O’Brien & Gere – Task Order 5 for November and December	\$10,810.15
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Note: As of January 22, 2007, BWSC continued to owe O’Brien & Gere \$5,501.79 for Task Order 5 work undertaken in October. The invoice had been approved, but the check had not been issued.

Mr. Hassall informed the Commission that Draw 5 of KIA Grant 1 was submitted to the Kentucky Infrastructure Authority on January 8, 2007. The draw request was in the amount of \$249,864.62. Electronic payment on the draw request is expected by month’s end.

Comments from the Public

There were no comments from the public.

Chairman Calkins recognized former Cynthiana Mayor Virgie Wells for her tireless efforts on behalf of her community and the region to deal with water supply issues. Ms. Wells was presented with a *certificate of appreciation* signed by all commissioners, ex-officio members, and associates. Further, Mr. Calkins presented Ms. Wells with a plaque as a symbol of the high regard in which she is held by the BWSC. Ms. Wells responded with kind words. A copy of the text of Ms. Wells’s *certification of appreciation* and her plaque are appended as *Attachment A*.

Committee Report and Recommendations

Administrative Guidelines Committee

Committee Chair Azevedo reported on a recent committee meeting at which an *Attorney Conflict of Interest Waiver* letter was discussed. One attorney who has offered and continues to offer advice to the BWSC is now a member of a large law firm that includes Kentucky American Water’s attorney. The waiver letter, if

approved and signed, would permit both attorneys to function in their capacities. The waiver letter would be revocable, said Mr. Azevedo.

Further, Mr. Azevedo reported that it was time to contact those firms that had competed—more than a year ago—for the engineering design work and for easement and property acquisition work associated with projects that had, at that time, been identified as the BWSC's Phase 1 Project. The contacts would officially notify the competing firms that the effort would not proceed further under the auspices of the BWSC. Further, also to be notified is the contractor on the nearly completed Phase 1 Project Routing Study. That contractor should be informed that work on the last three or four percent of that project would not be pursued.

Mr. Calkins suggested that the committee soon turn its attention to the Lexington-to-Winchester water line connector that needed to be in place by 2009.

Financial Guidelines Committee

To Mr. Riddle's report, Mr. Talley added that several conference calls and one-on-one telephone calls to the BWSC's financial advisor, Public Financial Management (PFM) had been productive. Expected from PFM within the next month are the following:

- projections of cost of water per 1,000 gallons under various scenarios, and
- the draft of a business plan for the BWSC.

Master Planning and Capital Construction Committee

Committee Chair Martin said that the committee had met twice since the December 4, 2006 BWSC meeting and he would defer the committee report until the Program Manager had made his report.

Operations and Maintenance Committee

Committee Chair Crump reported that the Operations and Maintenance Committee had not met and that he had nothing to report.

Program Manager's Report

Mr. Lovan of O'Brien & Gere Engineers presented the Program Manager's report which is appended as *Attachment B*.

The appended report is significant, because, from its findings, crucial decisions concerning the direction of the BWSC effort are expected to be made. Attention is directed to the interim findings on water supply alternatives as listed on page 3 of the Program Manager's report where a discussion of the possible BWSC / KAW business relationship appears. Following that discussion is the conclusions segment on page 4 followed by the recommendations on page 5.

The recommendations of the Program Manager are considered to be of such importance that those five sentences are replicated below:

- *It is recommended that BWSC negotiate with KAW for cost sharing of a 25 MGD facility.*
- *If KAW accepts the 5 MGD initial share in Pool 3, then this will allow for lesser unit cost to BWSC for the initial phase and explore further the possibility to combine that with a supplemental supply from the Ohio River for the remainder of the 4MGD.*
- *Based on an estimated minimum purchase amount of 5 MGD, the calculated unit cost to the Commission would be in the range of \$2.45 to \$2.55 per 1,000 gallons.*
- *It should be noted that the costs per 1,000 gallons are dependent on several factors (terms of borrowing, interest rates, rate coverage, daily withdrawal rates, etc.) which should be common to all options.*
- *Both O'Brien & Gere and PFM will work together to conduct additional analysis to provide a more detailed cost analysis of the rates and will look for guidance on using the appropriate factors for the purpose of projecting wholesale rates.*

At the conclusion of the Program Manager's report, Mr. Martin again addressed the commission in his capacity of Master Planning and Capital Construction Committee chair.

Several attempts were made to word a motion to address the Program Manager's conclusions. After several false starts, Mr. Martin offered the following motion that was seconded by Mr. Billings:

--that the Commission instruct its Negotiating Committee to continue negotiating with KAW toward a joint equity ownership of a 25 MGD project with KAW owning 20MGD and BWSC owning 5 MGD.

The motion was approved unanimously.

Mr. Martin then moved with Mr. Riddle seconding that the Commission authorize the reimbursement to KAW, at a time to be determined later, the sum of \$171,000 for engineering design costs associated in upsizing the regional water treatment plant from 20 MGD to a new daily capacity of 25 MGD.

The motion was approved unanimously.

Mr. Azevedo discussed the public sector investments that have been made by the Commission in planning and engineering beginning in year 2000. He suggested that KAW be asked to reimburse the BWSC for those costs since KAW was utilizing much of those results in its own project apart from the BWSC.

Mr. Billings suggested that the BWSC Negotiating Committee make this line of thought one of its issues as it negotiates with KAW.

New Business

Mr. Talley offered additional information covering the waiver of conflict issue subject that had been initially discussed under the Administrative Guidelines Committee report. Upon a motion by Mr. Azevedo, seconded by Ms. Powell, and unanimously approved, the BWSC chairman was authorized to sign the *attorney conflict of interest waiver* letter.

There was no other new business.

Commissioners' and General Manager's Comments / Business

Mr. Hassall reported upon a meeting held on January 18, 2007 at the GOLD office in Frankfort. Attendees were Tom Calkins, Damon Talley, Don Hassall, Jody Hughes, and three GOLD officials. The meeting related to the \$250,000 Community Economic Growth Grant (CEGG) commitment for lands and right-of-way acquisition along the Phase 1 pipeline route. Since the particular task is

defined in the project description is, according to present plans, to be a KAW effort, various options were explored as to how the CEG grant could be retained and expended. Mr. Hughes offered a scenario at that January 18 meeting under which the grant funds could be drawn down under the grant scope as it was originally defined. Mr. Talley will assist Mr. Hassall as together they work with KAW to that end. All CEG grant funds need to be expended prior to June 30, 2007.

Mr. Riddle announced to the Commission his retirement from the Georgetown Municipal Water and Sewer Services as of January 31, 2007. He will be able to continue as a BWSC commissioner.

Mr. Talley announced that documents have been prepared and forwarded to the City of Berea would likely lead to Berea's officially joining the BWSC. Mr. Martin will work with Mayor Jim Newberry and the LFUCG Department of Law to the end that such a public hearing on this issue could be held by Mayor Newberry within 30 to 45 days.

Ms. Powell related that while she continues to represent the City of Lancaster in the BWSC, she is no longer affiliated with Lancaster city government. Rather, she is now serving as Garrard County Judge-executive John Wilson's special assistant.

Mr. Calkins called for a recess at 11:14 a.m. The Commission reconvened the meeting at 11:28 a.m. Mr. Azevedo made a motion, seconded by Mr. Martin that the Commission go in to Executive Session for the discussion of the acquisition of lands and rights-of-way. The motion was unanimously approved.

The Commission later returned to public session. No action was taken as a result of the Executive Session.

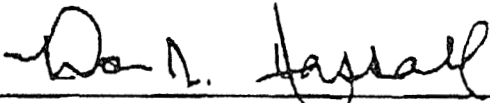
Designation of Time/Place for the next Meeting

Monday, February 26 was selected as the date of the next regular meeting of the BWSC. Winchester would host the meeting at a site in Winchester yet to be selected. The meeting will begin at 9:30 a.m.

ADJOURNMENT

There being no further business, and upon a motion by Mr. Billings, seconded by Mr. Riddle, and unanimous action, the January 22, 2007 meeting was adjourned.

Respectfully Submitted,


Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION


BY: 
ROBERT L. RIDDLE, SECRETARY

Attachments A-B

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: 
THOMAS P. CALKINS, CHAIR

DATE APPROVED: January 26, 2007

*Appreciation
to*

WHEREAS, the mission of the Bluegrass Water Supply Commission is to ensure adequate potable water supply and treatment reliability under any conditions to utility customers and contractual partners, and

WHEREAS, the members and associates of the Bluegrass Water Supply Consortium and its successor organization, the Bluegrass Water Supply Commission, have been at work since 1999 to cooperatively and collaboratively deal with the water supply deficit in the Bluegrass Region, and

WHEREAS, Mayor Virgie Wells has been a founding member of these groups and has offered perseverance and outstanding leadership in those ongoing efforts to deal with the regional water supply deficit, and

WHEREAS, Mayor Virgie Wells has served as a commissioner of the Bluegrass Water Supply Commission from 2004 to 2007 and

WHEREAS, the Board of Commissioners of the Bluegrass Water Supply Commission together with the Commission's associates recognize the outstanding service of our friend and associate, Mayor Virgie Wells in this ongoing effort to serve our fellowmen,

NOW THEREFORE, on this 22nd day of January, 2007, we the undersigned register our thanks and appreciation to Mayor Wells and choose by this means to recognize her service to multiple water utilities within the region and to the hundreds of thousands of water customers that those utilities serve.

[illegible]

Bluegrass Water Supply Commission letterhead logo

In Recognition
of
Mayor Virgie F. Wells

The Board of Commissioners of the Bluegrass Water Supply Commission recognizes the outstanding service of our friend and associate, Mayor Virgie Wells, in the ongoing effort to develop and to secure a reliable, affordable supplemental source of potable water for the citizens of the City of Cynthiana and for the Bluegrass Region.

Presented this 22nd day of January, 2007



O'BRIEN & GERE

Attachment B
Page 1 of 6

Program Manager's Agenda
Bluegrass Water Supply Commission
January 22, 2007

1. Review of Program Manager Budget
2. Status Report

Task Order #2

- Kentucky River Pool #3 – Water Withdrawal Application – On Hold
- Phase I Pipeline Routing Study Amendment – On Hold

Task Order #4 & Task Order #5

- Review of Alternatives and Update on Least Cost Alternatives –
Executive Summary of Analysis



**Program Manager Status Report
Bluegrass Water Supply Commission
January 22, 2007 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 94,000.00	\$ 88,012.88	\$ 5,987.12
Task Order #3	\$ 79,000.00	\$ 77,041.16	\$ 1,958.84
Task Order #4	\$ 59,500.00	\$ 18,987.57	\$ 40,512.43
Task Order #5	\$ 63,730.00	\$ 56,476.70	\$ 7,253.30
Total	\$ 311,230.00	\$ 255,515.75	\$ 55,714.25

TASK ORDER #2

- **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5.

- **AMENDING PHASE I ROUTING STUDY**

This item has been placed on hold by the Master Planning and Capital Construction Committee with the recommendation that the selection of the final route be tabled until the completion of Task Order No. 5's alternative evaluation.

TASK ORDER #4

- **LOUISVILLE WATER COMPANY PROPOSAL**

BWSC has received several proposals from Louisville Water Company (LWC) for wholesale supply of finished water. The latest proposal was focused on a water supply alternative to meet the needs of BWSC members only (9 MGD or less). If BWSC agreed to a long term contract with minimum purchase provisions, LWC would contribute the required capital to fully fund construction of a 24-inch main with a 10 MGD capacity terminating at KY Highway 53 for all of the supply options specified.

**Program Manager Status Report
Bluegrass Water Supply Commission
January 22, 2007 Board Meeting**

The various options specified either design or reserved capacity with minimum daily purchases and a variety of rate options. The latest option presented by LWC was to have a maximum day to minimum purchase ratio of 2:1 with the standard wholesale water rate of \$1.63 per one thousand gallons.

Based on an estimated purchase amount of 2 MGD to 3 MGD, the calculated unit cost to the Commission would be greater than \$4.00 per 1,000 gallons.

- **CITY OF VERSAILLES PROPOSAL**

The City of Versailles recently completed construction of a WTP with capacity in excess of their near term demands. Since KAW service area abuts Versailles, it is plausible that KAW could receive water from Versailles to address current deficits, and in turn, convey water to Winchester to address their near term deficit. In reviewing this information, all of the flow rates from the City of Versailles would require additional pumping on BWSC's behalf in order to deliver the water into KAW's system on a short-term basis. (This analysis is based on a five-year term.)

Preliminary estimates of these booster pump options and the City of Versailles' improvements are in the range of \$185,000 to \$400,000.

Based on an estimated purchase amount of 2 MGD to 3 MGD, the calculated unit cost to the Commission would be in the range of \$2.40 to \$2.50 per 1,000 gallons.

- **FPB WATER TREATMENT PLANT EVALUATION**

Frankfort Plant Board (FPB), in cooperation with BWSC, retained GRW Engineers to evaluate the existing FPB WTP for the possibility to meet the short-term needs of Kentucky American Water (KAW). The study also looked at expanding FPB's capacity to meet the needs of BWSC, or to meet the partial needs of both KAW and BWSC.

In summary, the report by GRW Engineers indicates that the historical raw water pumping demands during peak days and the 3-day running annual average has approached 16 MGD on a few occasions and was recommended that the 16 MGD demand be used as the critical present day peak demand. As a result, there is no reliable treatment plant capacity available for BWSC without substantial improvements to expand the water treatment plant and distribution system in the range of \$17 to \$32 million.

Based on an estimated purchase amount of 2 MGD to 3 MGD, the calculated unit cost to the Commission would be greater than \$3.00 per 1,000 gallons.

**Program Manager Status Report
Bluegrass Water Supply Commission
January 22, 2007 Board Meeting**

TASK ORDER #5

• SUMMARY OF WATER SUPPLY ALTERNATIVES

A Master Planning and Capital Construction Committee meeting was held on January 3rd and January 12th, 2007 to present the conclusion of Task Orders No. 4 & No. 5. A presentation and draft copy of the report has been given to the Master Planning and Capital Construction Committee for review and comments. The following is a summary of these conclusions.

In response to Kentucky American Water's (KAW) offer to construct capacity at Pool 3 for BWSC, BWSC authorized O'Brien & Gere to undertake Task Order No. 5. The intent of Task Order No. 5 is to support BWSC through review of KAW's Preliminary Design Memorandum for a new Water Treatment Plant on Pool 3 of the Kentucky River and to review, update and reassess other alternatives for water supply and grid alternatives to the members of BWSC.

O'Brien & Gere developed initial concept level costs for the several alternatives. Some of the alternatives evaluated included looking at a smaller WTP on Pool #3, purchasing water from Louisville Water Company, increasing the capacity at FPB's WTP, purchasing water from Greater Fleming Regional Water Commission, as well as others, and various combinations.

Interim Findings

- If BWSC develops a 15 MGD Pool 3 water supply independent of KAW, unit costs will be nearly 2-1/2 to 3 times the unit costs if KAW and BWSC worked in partnership, due to loss in economy of scale
- If the BWSC facilities were reduced down to the current 9 MGD committed capacity, the capital costs would be less, but the unit costs would be even higher
- Phasing can defer costs for some members, but is relatively ineffective at reducing unit cost
- Of the other (not Pool 3) BWSC-Only Alternatives, the most preferred, based on cost appear to be :
 - Frankfort Plant Board
 - Greater Fleming, including combinations with FPB & LWC
- The above unit costs are nearly double the BWSC/KAW Pool 3 option, and may not satisfy FPB's desire for a substantial back-up supply

• BWSC/KAW PARTNERSHIP

KAW presented to the BWSC on September 25, 2006, a proposal to construct a 20 MGD facility in Pool 3 of the Kentucky River. O'Brien & Gere has been reviewing the KAW partnership proposal and comparing the costs of the proposed Partnership with other supply options available to BWSC.

**Program Manager Status Report
Bluegrass Water Supply Commission
January 22, 2007 Board Meeting**

KAW proposes to provide multiple connections to BWSC, in order to reduce the size and cost of the BWSC grid. This approach is consistent with the 2004 Feasibility Study, but different than the "independent grid" approach favored by the Commission.

The project cost as presented in the meetings with KAW and pending any update information from the 30% design submittal is as follows:

Proposed Cost – 20 MGD WTP Facilities (30% Design)

Raw Water Intake Facilities	\$ 18,492,892
WTP Facilities	\$ 42,600,616
WTP Residual Facilities	\$ 12,258,535

Proposed Cost - Transmission Main (30% Design)

Booster Pumping Facility	\$ 3,055,467
Intermediate Storage Facility	\$ 5,101,998
Pipeline – 42-inch	\$ 76,718,778

Total Project Cost – WTP & Transmission Main \$158,228,286

CONCLUSIONS

O'Brien & Gere has re-evaluated the alternatives to KAW's proposal. There are a couple of problems that impact nearly all alternatives:

- **The independent grid is too expensive for BWSC to finance alone, with commitments of 9 MGD.**
- **If BWSC commits to 15 MGD, the unit wholesale costs are more reasonable, but the impact on customer's bills is excessive.**

The estimated cost of the KAW proposal is roughly \$0.20 to \$0.30 per 1,000 gallons more than the "all-in" approach with an independent grid. Assuming that BWSC agrees to using multiple connections to KAW (to avoid cost of the independent grid), the cost could be reduced. It is recommended that BWSC propose to take a smaller share of the Pool 3 facilities (5 MGD out of 25 MGD vs. 9 MGD out of 30 MGD). This allows for a lesser unit cost for the facility and less grid cost to the members.

**Program Manager Status Report
Bluegrass Water Supply Commission
January 22, 2007 Board Meeting**

RECOMMENDATIONS

It is recommended that BWSC negotiate with KAW for cost sharing of a 25 MGD facility.

If KAW accepts the 5 MGD initial share in Pool 3, then this will allow for lesser unit cost to BWSC for the initial phase and explore further the possibility to combine that with a supplemental supply from the Ohio River for the remainder of the 4 MGD.

Based on an estimated minimum purchase amount of 5 MGD, the calculated unit cost to the Commission would be in the range of \$2.45 to \$2.55 per 1,000 gallons.

It should be noted that the costs per 1,000 gallons are dependent on several factors (terms of borrowing, interest rates, rate coverage, daily withdrawal rates, etc) which should be common to all options.

Both O'Brien & Gere and PFM will work together to conduct additional analysis to provide more detail cost analysis of the rates and will look for guidance on using the appropriate factors for the purpose of projecting wholesale rates.

**MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION**

February 26, 2007

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its regular meeting on Monday, February 26, 2007. Chair Calkins convened the meeting at 9:30 a.m. at the UK Extension Service Offices in Winchester, Kentucky.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
Vernon Azevedo	Winchester
Thomas P. Calkins	Nicholasville
Kevin Crump	Paris
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
David Pearce	Mt. Sterling
Donna Powell	Lancaster

Commissioners absent:

David Billings	Frankfort
Charles Martin	LFUCG
Bob Riddle	Georgetown
Virgie Wells	Cynthiana

Staff, associates and contractors who were present included:

Donald Blackburn	Berea Utilities
Billy Jenkins	Georgetown MWSS
Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC

Others present included:

Linda Bridwell	Kentucky American Water Company
Ed Burtner	Mayor, City of Winchester
David Bush	Ludwig, Blair and Bush, PLLC
Solitha Dharman	KY Division of Water
Sandy Dunahoo	Nesbitt Engineers
Angie Elser	FMSM Engineers
Stan Galbraith	Paris City Commissioner
Jim Hagerty	Brown & Caldwell Engineers
Bill McDonald	Venture Enterprises
Andy Mead	Lexington Herald-Leader
Mike Redmon	ACIPCO
Jim Smith	Louisville Water Company
John Steinmetz	CDP Engineers
Robert Sturdivant	Quest Engineers
Nancy Wiser	Wiser, Hemlepp & Assoc.
Mike Woolum	Strand Associates

Consideration of the Minutes of the Previous Meeting

Chair Calkins appointed Don R. Hassall to serve as Acting Secretary in the absence of Secretary Riddle.

Minutes of the January 22, 2007 regular BWSC Meeting were then considered. Upon a motion by Mr. Crump and a second by Mr. Azevedo, and, by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the November, December and January financial reports. Only the January financial report contained *accounts payable* that had **not** previously been approved. Following a motion by Mr. Pearce and a second by Mr. Azevedo, the November, December and January financial reports were unanimously approved together with the January *accounts payable*. November, December and January financial reports are appended as *Attachments A, B, and C*.

January *Accounts Payable* approved were as follows:

Bluegrass ADD (January 2007 Administrative Services)	\$ 2,768.29
CDP Engineers (grant admin. on KIA Grant 2)	1,592.50
CDP Engineers (additional grant admin. on KIA Grant 2)	1,000.00
O'Brien & Gere Task Order 2 (January 2007)	2,100.00
O'Brien & Gere Task Order 4 (January 2007)	6,450.00
O'Brien & Gere Task Order 5 (January 2007)	<u>2,100.00</u>
Total	\$16,010.79

Comments from the Public

There were no comments from the public.

David Bush, of the CPA firm Ludwig, Blair & Bush, PLLC, presented the Audit Report for the years ended June 30, 2005 and June 30, 2006. Mr. Bush stated that the Audit Report is a "clean" one and does not contain any reportable conditions. The Commission decided to take the Audit Report under advisement, to distribute the Audit Report to those Commissioners absent from the February 26, 2007 Meeting, and to consider acceptance of the Audit Report at the March BWSC Meeting.

Old Business

Ms. Bridwell brought a report on the status of the KAW regional water treatment plant / potable water transmission line effort. The water plant design effort is progressing on target, with the engineering design nearing the 90 percent completion level. Completion of engineering design is expected in late March. KAW still plans in late March to file with the Public Service Commission its request for the issuance of a certificate of public convenience and necessity.

Some opposition is being posed, she said, to the selected potable water transmission line route in northeastern Franklin County, but KAW continues to believe that it has selected the most environmentally acceptable route. The engineering cost estimate has not changed from that previously presented to BWSC and discussed. A public hearing before the PSC in mid-summer continues to be likely. Ms. Bridwell welcomed the involvement of the BWSC program manager as plan submission to DOW approaches. KAW has established a website concerning its effort. The website address is www.bluegrasswater.com.

Ms. Bridwell said that KAW was conducting a cultural and environmental review investigation and that no requirement for an Environmental Impact Statement (EIS) is anticipated.

Mr. Talley then brought a progress report on efforts to bring Berea into the BWSC family. It is likely, he said, that LFUCG Mayor Newberry will schedule a public hearing on this matter for 5pm Tuesday, March 27 in the Urban County Council Chambers. After that public hearing, Mayor Newberry may issue an order approving the addition of Berea to the BWSC.

Committee Reports and Recommendations

Administrative Guidelines Committee

Mr. Azevedo said that there was no report from the Committee.

Financial Guidelines Committee

Mr. Hassall said that a meeting of the Committee was scheduled at the close of the February 26 BWSC meeting.

Master Planning and Capital Construction Committee

Mr. Calkins said that there was no report from the Committee.

Operations and Maintenance Committee

Mr. Crump said that there was no report from the Committee.

Program Manager's Report

Mr. Lovan's brief report is appended as *Attachment D*. The program manager awaits feedback upon the preliminary analysis of alternative sources of supply that had previously been presented to the Master Planning and Capital Construction Committee.

New Business

Mr. Talley stated that he had in hand from Public Financial Management (PFM) the skeleton of a draft business plan. Commissioner input was requested by PFM.

Messrs. Calkins, Azevedo, Talley, Hughes, and Hassall reported upon various meetings involving the BWSC that were held in Frankfort in February. The following meetings occurred during the month:

- a meeting with the Governor's Office,
- a meeting with the State Budget Director, and
- a meeting / presentation before the Central Kentucky Legislative Caucus.

All meetings were viewed as positive but no financial support from the Executive Branch or the Legislative Branch was promised.

Commissioners' and General Manager's Comments / Business

Mr. Talley discussed initiatives to secure from Frankfort and from Georgetown a strong statement of interest in purchasing BWSC water. Mr. Azevedo referred to similar discussions with the Winchester leadership. Mr. Calkins discussed ongoing economic initiatives in Nicholasville—development that could require additional potable water.

Designation of Time/Place for the next Meeting

The next monthly BWSC meeting will be Monday, March 19, 2007 BWSC meeting at the same site as the prior BWSC meeting in Lancaster—that being the First Southern National Bank's *Community Room* on southeast corner of Lancaster's Public Square. That meeting will commence at 9:30 a.m.

Executive Session

Mr. Calkins called for a brief recess at 10:30 a.m. The meeting reconvened at 10:45 a.m. Upon a motion by Mr. Azevedo, second by Mr. Pearce and unanimous action, the Commission went into Executive Session to discuss the acquisition of real property.

No action resulted from the Executive Session.

ADJOURNMENT

Upon a motion by Mr. Crump, second by Mr. Azevedo and unanimous action, the meeting was adjourned at 11:10 a.m.

Respectfully Submitted,

Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
DON R. HASSALL, ACTING SECRETARY

Attachments A-D

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
THOMAS P. CALKINS, CHAIR

DATE APPROVED: _____

BWSC Financial Report for November, 2006

Attachment A
Page 1 of 2

Beginning Balance per Bank Statement - 11/01/06 \$ 42,811.64

November Deposits

Bank Account Interest	\$	43.31		
LFUCG Contribution		5,000.00		
Sub Total	\$	5,043.31		5,043.31

BWSC Checks Paid in November

Check 1070 Frankfort EWP Board	\$	(34,000.00)		
Sub Total	\$	(34,000.00)		(34,000.00)

Ending Balance Per Bank Statement 11/30/06 \$ 13,854.95

Checks Outstanding

None

Checkbook Balance End of November 2006 \$ 13,854.95

Certificates of Deposit – end of November \$63,000

Accounts Payable

Bluegrass ADD - November	\$	3,448.84		
Total		\$3,448.84		

Accounts Receivable (contributions) – Billed

Berea	\$	2,500.00		
Total	\$	2,500.00		

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

BLUEGRASS WATER TREATMENT PLANT COMMISSION
June 2006 to December 2006

APPROVED EXPENSES

	June	July	August	September	October	November	(Accounts Payable) December	Sub-Total
Bluegrass ADD	\$ 3,509.30	\$ 5,750.01	280.53	\$ 5,469.39	6,256.86	\$ 5,647.89	\$ 3,448.84	\$ 30,362.82
Damon Talley			15,708.50					15,708.50
Flint Group								
Frankfort Electric and Water Plant Board					34,000.00			34,000.00
O'Brien & Gere - Task Order 2	3,384.92	3,386.33	10,218.63	2,768.09	1,959.79	2,160.39		23,878.15
O'Brien & Gere - Task Order 3					129.58			129.58
O'Brien & Gere - Task Order 4	1,058.90	1,050.00		600.00		600.00		3,308.90
O'Brien & Gere - Task Order 5		1,600.00	18,660.40	6,799.36	9,775.00	8,831.79		45,666.55
RR Consultants								
Office Expense	2,767.50							2,767.50
City of Versailles-Hydraulic Model for BWSC	3,352.14							3,352.14
KACo All Lines Fund, Liability Coverage, 12 mo.						157.50		157.50
CDP Engineers, KIA grant 2 administration								
KIA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.								
Total	\$14,072.76	\$11,786.34	\$44,868.06	\$15,636.84	\$52,121.23	\$ 17,397.57	\$ 3,448.84	\$ 159,331.64

INCOME

	June	July	August	September	October	November	December	Sub-Total
Interest Income	\$ 111.61	\$ 87.37	\$ 98.35	\$ 25.37	\$ 56.51	\$ 43.31	\$	\$ 422.52
CD Interest		471.21			714.58			1,185.79
Cynthiana Contribution			2,500.00					2,500.00
Frankfort WEPB Contribution			5,000.00					5,000.00
Georgetown MWSS Contribution		5,000.00						5,000.00
KAWC Contribution			5,000.00					5,000.00
Lancaster Contribution								
LFUCG Contribution						5,000.00		5,000.00
ML Sterling WSC Contribution		2,500.00						2,500.00
Nicholasville Contribution			5,000.00					5,000.00
Paris Contribution			2,500.00					2,500.00
Winchester Municipal Utilities Contribution								
KACo Loan								
KIA Tobacco Development Grant								
KIA 1 Draw (10/6/06)					26,337.46			26,337.46
KIA 1 Draw (10/24/06)					34,000.00			34,000.00
Totals	\$ 111.61	\$ 8,058.58	\$ 20,098.35	\$ 25.37	\$ 61,108.55	\$ 5,043.31	\$	\$ 94,445.77

LIABILITIES

KLC Loan of \$165,000 plus Interest
KACo Loan of \$165,000 plus Interest

BWSC Financial Report for December, 2006

Attachment B
Page 1 of 3

Beginning Balance per Bank Statement - 12/01/06 \$ 13,854.95

December Deposits

Bank Account Interest	\$	12.30	
Sub Total	\$	12.30	12.30

BWSC Checks Paid in December

Check 1071 CDP Engineers (KIA Grant 1 Admin)	\$	(157.50)	
Check 1072 Bluegrass ADD - November Service		(5,647.89)	
Check 1073 O'Brien & Gere Engineers for:			
Task Order 2 (2,160.39)			
Task Order 4 (600.00)			
Task Order 5 (3,150.00)		(5,910.39)	

Note: An additional \$5,581.79 payment was approved and payable to O'Brien & Gere for Task Order 5 efforts, but the check has not yet been issued.

Sub Total	\$	(11,715.78)	(11,715.78)
-----------	----	-------------	-------------

Ending Balance Per Bank Statement 12/31/06 \$ 2,151.47

Checks Outstanding

None

Checkbook Balance End of December 2006 \$ 2,151.47

Certificates of Deposit – end of December \$63,000

Accounts Payable

Damon Talley (legal services for July-December 2006)	\$	32,346.75
Bluegrass ADD (Dec. 2006 Administrative Services)		3,831.40
O'Brien & Gere Task Order 2 (Nov. and Dec. 2006)		3,112.14
O'Brien & Gere Task Order 5 (Nov. and Dec. 2006)		10,810.15
Total		\$50,100.44

Accounts Receivable (contributions) – Billed

Berea	\$	2,500.00
Total	\$	2,500.00

Outstanding Loans

KY League of Cities	\$165,000 + Interest
ΛCo	\$165,000 + Interest

Note: Draw 5 on KIA Grant 1 was submitted on January 8, 2007 in the amount of \$249,864.62.

BLUEGRASS WATER SUPPLY COMMISSION
July 2006 - January 2007

APPROVED EXPENSES

	July	August	September	October	November	December	(Accounts Payable) January	Sub-Total
\$	5,750.01	280.53 \$ 15,708.50	5,469.39	6,256.86 \$	5,647.89 \$	3,448.84 \$	3,831.40 \$ 32,346.75	30,684.92 48,055.25
Bluegrass ADD								
Damon Talley								
Flint Group				34,000.00				34,000.00
Frankfort Electric and Water Plant Board				1,959.79				23,605.37
O'Brien & Gere - Task Order 2	3,386.33	10,218.63	2,768.09	129.58	2,160.39		3,112.14	129.58
O'Brien & Gere - Task Order 3					600.00			2,250.00
O'Brien & Gere - Task Order 4	1,050.00		600.00					
O'Brien & Gere - Task Order 5	1,600.00	18,660.40	6,799.36	9,775.00	8,831.79		10,810.15	56,476.70
RR Consultants								
Office Expense								
City of Versailles-Hydraulic Model for BWSC								
KACo All Lines Fund, Liability Coverage, 12 mo.					157.50			157.50
CDP Engineers, KIA grant 2 administration								
KIA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.								
Total	\$11,786.34	\$44,868.06	\$15,636.84	\$52,121.23	\$17,397.57	\$3,448.84	\$50,100.44	\$195,359.32

INCOME

	July	August	September	October	November	December	January	Sub-Total
\$	87.37 \$ 471.21	98.35 \$	25.37 \$	56.51 \$ 714.58	43.31 \$	12.30 \$		323.21 1,185.79
Interest Income								
CD Interest								
Cynthiana Contribution		2,500.00						2,500.00
Frankfort WEPB Contribution		5,000.00						5,000.00
Georgetown MWSS Contribution	5,000.00	5,000.00						5,000.00
KAWC Contribution								
Lancaster Contribution					5,000.00			5,000.00
LFUCG Contribution								2,500.00
Mt. Sterling WSC Contribution	2,500.00	5,000.00						5,000.00
Nicholasville Contribution		2,500.00						2,500.00
Paris Contribution								
Winchester Municipal Utilities Contribution								
KACo Loan								
KIA Tobacco Development Grant				26,337.46				26,337.46
KIA 1 Draw (10/6/06)				34,000.00				34,000.00
KIA 1 Draw (10/24/06)								
Totals	\$8,058.58	\$20,098.35	\$25.37	\$61,108.55	\$5,043.31	\$12.30		\$94,346.46

LIABILITIES

KLC Loan of \$165,000 plus Interest
KACo Loan of \$165,000 plus Interest



January 19, 2007

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

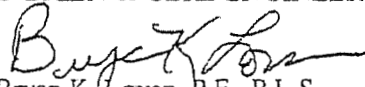
Enclosed is the August invoice for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

Task Order No. 2	\$ 3,112.14
Task Order No. 3	\$ 0.00
Task Order No. 4	\$ 0.00
Task Order No. 5	\$ 10,810.15
Total Invoice Amount	\$ 13,922.29

- Preparation for and attendance to December Commission meeting and other various program management duties.
- Attendance to various Commission committee meetings for the month of November and December.
- Various meetings and teleconferences with Kentucky American Water to review plans and cost estimates for proposed WTP and possible public-private partnership.
- Evaluation of alternatives for TO#5 and updating unit cost figures for various water supply alternatives. Preparation of figures, spreadsheets and presentation for meetings for BWSC committees.
- Conducted teleconference and planning sessions with PFM, committee chairpersons and staff in November and December
- Preparation of and attendance to negotiation meeting for public-private partnership in December with KAW.
- Conducted various briefings for Task Order 5 to the Master Planning and Capital Construction committee.

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,
O'BRIEN & GERE ENGINEERS, INC.


Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: File
Attachment: Invoice No. 1087756

**BWSC Financial Report
for January, 2007**

Attachment C
Page 1 of 3

Beginning Balance per Bank Statement - 1/01/07 \$ 2,151.47

January Deposits

Bank Account Interest	\$ 49.12	
CD Interest	714.58	
Draw 5 on KIA Grant 1	249,864.62	
CD Matured 1-29-07	63,000.00	
Sub Total	<u>\$ 313,628.32</u>	313,628.32

BWSC Checks Paid in January

Check 1074 O'Brien & Gere (from October)	\$ (5,600.00)	
Check 1075 O'Brien & Gere	(13,922.29)	
Task Order 2 (Nov. & Dec.) (\$3,112.14)		
Task Order 5 (Nov. & Dec.) (\$10,810.15)		
Check 1076 Bluegrass ADD (Nov. & Dec. 2006)	(7,280.24)	
Check 1077 Damon Talley (July-Dec. 2006)	(32,346.75)	
Sub Total	<u>\$ (59,149.28)</u>	<u>(59,149.28)</u>

Ending Balance Per Bank Statement 1/31/07 \$ 256,630.51

Checks Outstanding

None

Checkbook Balance End of January 2007 \$ 256,630.51

Certificates of Deposit – \$.00

Accounts Payable

Bluegrass ADD (Jan. 2007 Administrative Services)	\$ 2,768.29
CDP Engineers (grant admin. on KIA Grant 2)	1,592.50
CDP Engineers (additional grant admin. on KIA Grant 2)	1,000.00
O'Brien & Gere Task Order 2 (January 2007)	2,100.00
O'Brien & Gere Task Order 4 (January 2007)	6,450.00
O'Brien & Gere Task Order 5 (January 2007)	2,100.00
Total	<u>\$16,010.79</u>

Accounts Receivable (contributions) – Billed

Berea	\$ 2,500.00
Total	<u>\$ 2,500.00</u>

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

BLUEGRASS WATER SUPPLY COMMISSION
August 2006 - February 2007

APPROVED EXPENSES

	August	September	October	November	December	January	February	Sub-Total
Bluegrass ADD								
Damon Talley	280.53 \$	5,469.39	6,256.86 \$	5,647.89 \$	3,448.84 \$	3,831.40 \$	2,768.29 \$	27,703.20
Flint Group	15,708.50					32,346.75		48,055.25
Frankfort Electric and Water Plant Board			34,000.00					34,000.00
O'Brien & Gere - Task Order 2	10,218.63	2,768.09	1,959.79	2,160.39		3,112.14	2,100.00	22,319.04
O'Brien & Gere - Task Order 3			129.58					129.58
O'Brien & Gere - Task Order 4		600.00		600.00			6,450.00	7,650.00
O'Brien & Gere - Task Order 5	18,660.40	6,799.36	9,775.00	8,831.79		10,810.15	2,100.00	56,976.70
RR Consultants								-
Office Expense								-
City of Versailles-Hydraulic Model for BWSC				157.50			2,592.50	2,750.00
KACo All Lines Fund, Liability Coverage, 12 mo.								-
CDP Engineers, KIA grant 2 administration								-
KIA, administration fee on \$900,000 grant								-
Public Equity Insurance Corp.								-
Total	\$44,868.06	\$15,636.84	\$52,121.23	\$17,397.57	\$3,448.84	\$50,100.44	\$16,010.79	\$199,583.77

INCOME

	August	September	October	November	December	January	February	Sub-Total
Interest Income								
CD Interest								
CD Matured 1-29-07		25.37 \$	56.51 \$	43.31 \$	12.30 \$	49.12 \$		284.96
Cynthiana Contribution	2,500.00		714.58			714.58		1,429.16
Frankfort WEPB Contribution	5,000.00					63,000.00		63,000.00
Georgetown MWSS Contribution	5,000.00							2,500.00
KAWC Contribution								5,000.00
Lancaster Contribution				5,000.00				5,000.00
LFUCG Contribution								5,000.00
Mt. Sterling WSC Contribution	5,000.00							5,000.00
Nicholasville Contribution	2,500.00							2,500.00
Paris Contribution								-
Winchester Municipal Utilities Contribution								-
KACo Loan								-
KIA Tobacco Development Grant			26,337.46					26,337.46
KIA 1 Draw (10/6/06)			34,000.00					34,000.00
KIA 1 Draw (10/24/06)						249,864.62		249,864.62
KIA 1 Draw 5								-
Totals	\$ 20,098.35	\$ 25.37	\$ 61,108.55	\$ 5,043.31	\$ 12.30	\$ 313,628.32	\$	\$ 399,916.20

LIABILITIES

KLC Loan of \$165,000 plus Interest
KACo Loan of \$165,000 plus Interest



O'BRIEN & GERE

February 19, 2007

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

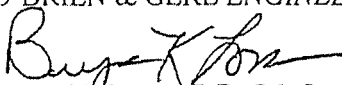
Enclosed is the August invoice for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

Task Order No. 2	\$ 2,100.00
Task Order No. 3	\$ 0.00
Task Order No. 4	\$ 6,450.00
Task Order No. 5	\$ 2,100.00
Total Invoice Amount	\$10,650.00

- Preparation for and attendance to January Commission meeting and other various program management duties.
- Attendance to various Commission committee meetings for the month of January.
- Various meetings and teleconferences with Kentucky American Water to review plans and cost estimates for proposed WTP and possible public-private partnership.
- Evaluation of alternatives and updating unit cost figures for various water supply alternatives. Preparation of figures, spreadsheets and presentation for meetings for BWSC committees for draft report of Task Order #4 and Task Order #5.
- Conducted teleconference and planning sessions with PFM and committee chairpersons in January.
- Conducted various briefings for Task Order #4 and Task Order #5 to the Master Planning and Capital Construction committee.

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,
O'BRIEN & GERE ENGINEERS, INC.


Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: File
Attachment: Invoice No. 1088367



Program Manager's Agenda
Bluegrass Water Supply Commission
February 26, 2007

1. Review of Program Manager Budget
2. Status Report

Task Order #2

- Kentucky River Pool #3 – Water Withdrawal Application – On Hold
- Phase I Pipeline Routing Study Amendment

Task Order #4 & Task Order #5

- Review of Alternatives and Update on Least Cost Alternatives



**Program Manager Status Report
Bluegrass Water Supply Commission
February 26, 2007 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 94,000.00	\$ 90,112.88	\$ 3,887.12
Task Order #3	\$ 79,000.00	\$ 77,041.16	\$ 1,958.84
Task Order #4	\$ 59,500.00	\$ 25,437.57	\$ 34,062.43
Task Order #5	\$ 63,730.00	\$ 58,576.70	\$ 5,153.30
Total	\$ 311,230.00	\$ 266,165.75	\$ 45,064.25

TASK ORDER #2

• **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5.

• **AMENDING PHASE I ROUTING STUDY**

With the announcement by Kentucky American Water to construct a water treatment plant on the Kentucky River at Pool 3, the proposed Phase I Pipeline has been tabled as recommended by the Master Planning & Capital Construction Committee. The routing study consultant has notified that all remaining work related to the study will not be completed.

TASK ORDER #4 & TASK ORDER #5

▪ **PRELIMINARY REVIEW & ANALYSIS**

BWSC authorized O'Brien & Gere to perform Task Order #4 and Task Order #5 in order to update the analysis of alternative sources of supply and to investigate approaches that could meet short-term needs of BWSC. The circumstances of the project have changed over the course of the past nine months with Kentucky American Water's (KAW) announcement that they plan to construct a 20 million gallon per day (MGD) treatment facility on the Kentucky River in Pool No. 3, and

**Program Manager Status Report
Bluegrass Water Supply Commission
February 26, 2007 Board Meeting**

more recently, their offer to cooperate with BWSC in a larger (25 to 30 MGD) supply, similar to the recommendation in O'Brien & Gere's 2004 Feasibility Study.

A preliminary analysis was submitted to the Master Planning and Capital Construction committee for review and comments. We are waiting for the committee's comments prior to finalizing the report.

MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION

April 16, 2007

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its regular meeting on Monday, April 16, 2007. Chair Calkins convened the meeting at 9:30 a.m. in the Community Room of the First Southern National Bank Building in downtown Lancaster, Kentucky.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
Vernon Azevedo	Winchester
David Billings	Frankfort
Donald Blackburn	Berea
Thomas P. Calkins	Nicholasville
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
Charles Martin	LFUCG
David Pearce	Mt. Sterling
Donna Powell	Lancaster
Bob Riddle	Georgetown

Commissioners absent:

Mayor Jim Brown	Cynthiana
Kevin Crump	Paris

Staff, associates and contractors who were present included:

Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC

Others present included:

Linda Bridwell	Kentucky American Water Company
Sandy Broughman	Broughman & Associates Engineers
Ed Burtner	Mayor, City of Winchester
Solitha Dharman	KY Division of Water
Sandy Dunahoo	Nesbitt Engineers
Wayne Dunson	GRW Engineers
Lynne Harris	Bluegrass ADD
Phil Kerrick	CCEIDA
Joe Lewis	Quest Engineers
Mike Redmon	ACIPCO
Don Rinthen	Mayor, City of Lancaster
Fred Simpson	Magistrate, Garrard County
Jim Smith	Louisville Water Company
John Steinmetz	CDP Engineers
Lenny Stoltz	Executive Director, Bluegrass ADD
Garland VanZant	Woodford County Health Department
John Wilson	Judge-executive, Garrard County
Nancy Wiser	Wiser, Hemlepp & Assoc.
Mike Woolum	Strand Associates

Donna Powell introduced Garrard County Judge-executive John Wilson and Lancaster Mayor Don Rinthen.

Consideration of the Minutes of the Previous Meeting

Minutes of the February 26, 2007 regular BWSC Meeting were then considered. Upon a motion by Mr. Azevedo and a second by Mr. Martin, and by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the February and March financial reports. Following a motion by Mr. Billings and a second by Mr. Azevedo, the February and March financial reports, including the accounts payable, were unanimously approved and are appended as *Attachments A and B*.

Comments from the Public

There were no comments from the public.

Old Business

Ms. Bridwell gave an oral report concerning KAW's progress on the water treatment plant project and the 42-inch diameter water transmission line project.

- Engineering plans on the water transmission line were submitted to KDOW on March 5.
- Engineering plans on the 20 MGD water treatment plant were submitted to KDOW on March 9.
- In mid March, there was a 90 percent engineering completion plan review session that was attended by BWSC program manager O'Brien & Gere's Bryan Lovan.
- The 404 permit request has been submitted to the USACE.
- The 401 permit request has been submitted to KDOW.
- DOT highway encroachment permit requests have been filed.
- KAW filed, on March 30, its request for a *Certificate of Convenience and Necessity* with the KY Public Service Commission.
- KAW expects to be ready to seek construction bids by about June 1, although that date could be pushed back.
- The concept of the water transmission line is expected to be aired at the April 19 meeting of the Franklin County Fiscal Court. Don Hassall is expected to present the BWSC's case to the fiscal court. David Billings will speak on behalf of the Frankfort Water Plant Board.

On behalf of David Bush, Mr. Azevedo presented the modestly amended audit report of BWSC for the period ending June 30, 2006. The audit's conclusions remained unchanged. Upon a motion by Mr. Azevedo and a second by Mr. Riddle, and by unanimous vote, the Commission accepted and approved the audit report as presented.

Committee Reports and Recommendations

Administrative Guidelines Committee

Mr. Azevedo said that there was no report from the Committee.

Financial Guidelines Committee

Mr. Riddle said that a meeting of the Financial Guidelines Committee will be scheduled at an early date.

Master Planning and Capital Construction Committee

Mr. Martin said that there was no report from the Committee.

Operations and Maintenance Committee

Mr. Calkins said that there was no report from the Committee.

Program Manager's Report

Mr. Lovan's brief report is appended as *Attachment C*. The program manager's report indicates that budget ceilings for Tasks 2, 3, and 5 are being approached.

New Business

Chairman Calkins introduced Bluegrass ADD Executive Director Lenny Stoltz. Mr. Stoltz reported that the ADD would schedule, at an early date, meetings with affected mayors, judges-executive and selected other local officials in an effort to marshal solid support for the BWSC's efforts. Further, Mr. Stoltz reported that meetings would be scheduled with state representatives, state senators, and selected other leaders in an attempt to gain tangible support for BWSC's efforts to supplement the region's supply of potable water. Mr. Calkins suggested that an

optional level of outside financial support would be \$35 million from the Federal Government and \$25 million from State Government.

Mr. Talley spoke to the opportunity for BWSC to seek to be a friendly intervenor in PSC Case 2007-00134. Upon a motion by Mr. Azevedo, a second by Mr. Martin and unanimous action, the Commission authorized its attorney, Damon R. Talley, to file a Motion for Full Intervention on behalf of BWSC in PSC Case No. 2007-00134.

In response to Mr. Martin's question as to the deadline for BWSC to come up with local financial commitments, Ms. Bridwell, Mr. Calkins and others remarked that February to early Spring, 2008 or nine months after KAW's bid opening on its water treatment plant project would be the likely deadline. Mayor Burtner asked for a cleaner definition of "commitment at the local level." Mr. Talley said that local commitment could best be described in two levels which were:

- a resolution of strong interest now, and
- a take or pay contract to purchase water by early 2008.

Mayor Burtner said that Winchester and others will need to know in more definite terms what BWSC's water rates are likely to be.

Commissioners' and General Manager's Comments / Business

Mr. Grier brought a report on the Kentucky River Dam 9 reconstruction efforts.

Mr. Hughes suggested that BWSC be prepared to address questions concerning average existing residential water customer water rates as well as proposed rates with and without federal/state financial participation.

Mr. Hassall discussed recent news that:

- Governor Fletcher had approved grants totaling \$25 million for selected Lake Cumberland-affected municipal water utilities and how that financial commitment might impact State support for the BWSC efforts.
- Harrodsburg city officials were discussing an expansion of the municipal water treatment plant to 6 MGD from the current 4.0 MGD rated capacity.

Mr. Talley announced that, with the execution of Mayor Jim Newberry's March 27, 2007 order, Berea had joined the BWSC family as the tenth municipal member. Donald Blackburn is Berea's designated commissioner to the BWSC. Mr. Blackburn's term would expire on August 1, 2009.

Designation of Time/Place for the next Meeting

The next regular BWSC meeting will be held in Nicholasville at a date and place yet to be determined.

ADJOURNMENT

There being no further business, Chairman Calkins adjourned the meeting at 11:00 a.m.

Respectfully Submitted,

Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
BOB RIDDLE, SECRETARY

Attachments A-C

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
THOMAS P. CALKINS, CHAIR

DATE APPROVED: _____

**BWSC Financial Report
for February, 2007**

Attachment A
Page 1 of 3

Beginning Balance per Bank Statement - 2/01/07 \$ 256,630.51

February Deposits

Bank Account Interest	\$	393.73	
Sub Total	\$	393.73	393.73

BWSC Checks Paid in February

None - -

Ending Balance Per Bank Statement 2/28/07 \$ 257,024.24

Checks Outstanding

1078 Bluegrass ADD (January Admin. Services)	\$	(2,768.29)	
1079 CDP Engineers (KIA Grant 2 Administration)		(2,592.50)	
1080 O'Brien & Gere Engineers (January efforts)		(10,650.00)	
Sub Total	\$	(16,010.79)	(16,010.79)

Checkbook Balance End of February 2007 \$ 241,013.45

Certificates of Deposit – \$.00

.....
Accounts Payable

Bluegrass ADD (Feb. 2007 Administrative Services)	\$	4,054.12
O'Brien & Gere Task Order 2 (February 2007)		461.64
O'Brien & Gere Task Order 4 (February 2007)		2,550.00
O'Brien & Gere Task Order 5 (February 2007)		1,171.99
Public Equity Insurance Corp (annual insurance prem.)		507.50
Total	\$	8,745.25

Accounts Receivable (contributions) – Billed

Berea	\$	2,500.00
Total	\$	2,500.00

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

3/19/2007

BLUEGRASS WATER SUPPLY COMMISSION
September 2006 to March 2007

APPROVED EXPENSES

	September	October	November	December	January	February	March	Sub-Total
Bluegrass ADD	\$ 5,469.39	\$ 6,256.86	\$ 5,847.89	\$ 3,448.84	\$ 3,831.40	\$ 2,768.29	\$ 4,054.12	\$ 31,476.79
Damon Talley					32,346.75			32,346.75
Flint Group		34,000.00						34,000.00
Frankfort Electric and Water Plant Board	2,768.09	1,959.79	2,160.39		3,112.14	2,100.00	461.64	12,562.05
O'Brien & Gere - Task Order 2		129.58						129.58
O'Brien & Gere - Task Order 3	600.00		600.00			6,450.00	2,550.00	10,200.00
O'Brien & Gere - Task Order 4	6,799.36		8,831.79		10,810.15	2,100.00	1,171.99	39,488.29
O'Brien & Gere - Task Order 5		9,775.00						
RR Consultants								
Office Expense								
City of Versailles-Hydraulic Model for BWSC								
KACo All Lines Fund, Liability Coverage, 12 mo.			157.50			2,592.50		2,750.00
CDP Engineers, KIA grant 2 administration								
KIA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.							507.50	507.50
Total	\$ 15,636.84	\$ 52,121.23	\$ 17,397.57	\$ 3,448.84	\$ 50,100.44	\$ 16,010.79	\$ 8,745.25	\$ 163,460.96

INCOME

	September	October	November	December	January	February	March	Sub-Total
Interest Income	\$ 25.37	\$ 56.51	\$ 43.31	\$ 12.30	\$ 49.12	\$ 393.73	\$	\$ 580.34
CD Interest		714.58			714.58			1,429.16
CD Matured 1-29-07					63,000.00			63,000.00
Cynthiana Contribution								
Frankfort WEPB Contribution								
Georgetown MWSS Contribution								
KAWC Contribution								
Lancaster Contribution			5,000.00					5,000.00
LFUCG Contribution								
Mt. Sterling WSC Contribution								
Nicholasville Contribution								
Paris Contribution								
Winchester Municipal Utilities Contribution								
KACo Loan								
KIA Tobacco Development Grant		26,337.46						26,337.46
KIA 1 Draw (10/6/06)		34,000.00						34,000.00
KIA 1 Draw (10/24/06)					249,864.62			249,864.62
KIA 1 Draw 5								
Totals	\$ 25.37	\$ 61,108.55	\$ 5,043.31	\$ 12.30	\$ 313,628.32	\$ 393.73	\$	\$ 380,211.58

LIABILITIES

KLC Loan of \$165,000 plus interest
KACo Loan of \$165,000 plus interest

3-19-2007



O'BRIEN & GERE

March 12, 2007

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

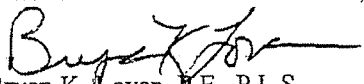
Enclosed is the February invoice for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

Task Order No. 2	\$ 461.64
Task Order No. 3	\$ 0.00
Task Order No. 4	\$ 2,550.00
Task Order No. 5	\$ 1,171.99
Total Invoice Amount	\$ 4,183.63

- Preparation for and attendance to February Commission meeting and other various program management duties.
- Attendance to various Commission committee meetings for the month of February.
- Preparation of draft report for various water supply alternatives, figures, spreadsheets and presentation to BWSC committees for Task Order #4 and Task Order #5.
- Conducted various briefings for Task Order #4 and Task Order #5 to the Master Planning and Capital Construction committee.

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,
O'BRIEN & GERE ENGINEERS, INC.


Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: File
Attachment: Invoice No. 108

**BWSC Financial Report
for March, 2007**

Attachment B
Page 1 of 3

Beginning Balance per Bank Statement - 3/01/07 \$ 257,024.24

March Deposits

Bank Account Interest	\$	411.91	
Sub Total	\$	411.91	411.91

BWSC Checks Paid in March

1078 Bluegrass ADD (January Admin. Services)	\$	(2,768.29)	
1079 CDP Engineers (KIA Grant 2 Administration)		(2,592.50)	
1080 O'Brien & Gere Engineers(Jan.2007 efforts)		(10,650.00)	
1081 O'Brien & Gere Engineers (correction for underpayment on O'B& invoice 1086713)		(81.79)	
Sub Total	\$	(16,092.58)	(16,092.58)

Ending Balance Per Bank Statement 3/31/07 \$ 241,343.57

Checks Outstanding

None	\$	-	-
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Checkbook Balance End of March 2007 \$ 241,343.57

Certificates of Deposit – \$.00

Accounts Payable

Bluegrass ADD (March 2007 Administrative Services - represents 3 - 2 week pay periods)	\$	8,445.78
O'Brien & Gere Task Order 2 (March 2007)		1,841.71
O'Brien & Gere Task Order 3 (March 2007)		58.21
O'Brien & Gere Task Order 5 (March 2007)		500.00
Total	\$	10,845.70

Accounts Receivable (contributions) – Billed

Berea	\$	2,500.00
Total	\$	2,500.00

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

BLUEGRASS WATER SUPPLY COMMISSION
October 2006 to April 2007

APPROVED EXPENSES

	October	November	December	January	February	March	(Accounts Payable) April	Sub-Total
Bluegrass ADD								
Damon Talley								
Flint Group								
Frankfort Electric and Water Plant Board								
O'Brien & Gere - Task Order 2	34,000.00	2,160.39		3,112.14	2,100.00	461.64	1,841.71	11,635.67
O'Brien & Gere - Task Order 3	1,959.79				6,450.00	2,550.00	58.21	187.78
O'Brien & Gere - Task Order 4	129.58	600.00			2,100.00	1,171.99	500.00	9,600.00
O'Brien & Gere - Task Order 5	9,775.00	8,831.79		10,810.15				33,188.93
RR Consultants								
Office Expense								
City of Versailles-Hydraulic Model for BWSC					2,592.50			2,750.00
KACo All Lines Fund, Liability Coverage, 12 mo.		157.50						
CDP Engineers, KIA grant 2 administration								
KIA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.								
Total	\$ 52,121.23	\$ 17,397.57	\$ 3,448.84	\$ 50,100.44	\$ 16,010.79	\$ 8,745.25	\$ 10,845.70	\$ 158,668.82

INCOME

	October	November	December	January	February	March	Sub-Total
Interest Income							
CD Interest							
CD Matured 1-29-07							
Cynthiana Contribution							
Frankfort WEPB Contribution							
Georgetown MWSS Contribution							
KAWC Contribution							
Lancaster Contribution							
LFUCG Contribution							
Mt. Sterling WSC Contribution							
Nicholasville Contribution							
Paris Contribution							
Winchester Municipal Utilities Contribution							
KACo Loan							
KIA Tobacco Development Grant							
KIA 1 Draw (10/6/06)							
KIA 1 Draw (10/24/06)							
KIA 1 Draw 5							
Totals	\$ 61,108.55	\$ 5,043.31	\$ 12.30	\$ 313,628.32	\$ 393.73	\$ 411.91	\$ 380,598.12

LIABILITIES

KLC Loan of \$165,000 plus interest
KACo Loan of \$165,000 plus interest



APR 10 2007

April 9, 2007

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

Enclosed is the March invoice for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

Task Order No. 2	\$ 1,841.71
Task Order No. 3	\$ 58.21
Task Order No. 4	\$ 0.00
Task Order No. 5	\$ 500.00
Total Invoice Amount	\$ 2,399.92

- Preparation for and attendance to various Commission committee meetings for the month of March and other various program management duties.
- Preparation of white paper, exhibits, and various reports for briefings to Governor Fletcher and the Central Kentucky Legislative Caucus concerning the proposed regional water supply plan.

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,
O'BRIEN & GERE ENGINEERS, INC.

Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: File
Attachment: Invoice No. 1089243



O'BRIEN & GERE

Program Manager's Agenda
Bluegrass Water Supply Commission
April 16, 2007

1. Review of Program Manager Budget
2. Status Report
 - Task Order #2
 - Kentucky River Pool #3 – Water Withdrawal Application – On Hold
 - Task Order #4 & Task Order #5
 - Review of Alternatives and Update on Least Cost Alternatives
 - Awaiting Comments from MP&CC Committee
3. Wholesale Agreements
 - Draft Wholesale Agreements for BWSC Members



O'BRIEN & GERE

**Program Manager Status Report
Bluegrass Water Supply Commission
April 16, 2007 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 94,000.00	\$ 92,416.23	\$ 1,583.77
Task Order #3	\$ 79,000.00	\$ 77,099.37	\$ 1,900.63
Task Order #4	\$ 59,500.00	\$ 27,987.57	\$ 31,512.43
Task Order #5	\$ 63,730.00	\$ 60,248.69	\$ 3,481.31
Total	\$ 311,230.00	\$ 272,749.30	\$ 38,480.70

TASK ORDER #2

• **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5 and needs to be addressed as to whether the application is withdrawn or still pending. Notification will need to be submitted to KDOW.

TASK ORDER #4 & TASK ORDER #5

▪ **PRELIMINARY REVIEW & ANALYSIS**

A preliminary analysis was submitted to the Master Planning and Capital Construction committee for review and comments. We are waiting for the committee's comments prior to finalizing the report.

MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION

May 21, 2007

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its regular meeting on Monday, May 21, 2007. Chair Calkins convened the meeting at 9:35 a.m. in the High Bridge Park Pavilion at High Bridge, Kentucky.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
Vernon Azevedo	Winchester
David Billings	Frankfort
Donald Blackburn	Berea
Thomas P. Calkins	Nicholasville
Kevin Crump	Paris
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
Charles Martin	LFUCG
David Pearce	Mt. Sterling
Donna Powell	Lancaster
Bob Riddle	Georgetown

Commissioners absent:

Mayor Jim Brown	Cynthiana
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Staff, associates and contractors who were present included:

Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC

Others present included:

Scott Althausen	Richmond Utilities
Matt Belcher	Paris Asst. City Manager
Tom Buford	State Senator (22 nd District)
Ed Burtner	Mayor, City of Winchester
Bob Casher	Paris City Manager
Ed Councill	Canoe Kentucky
David Carlstedt	City of Wilmore
Wm. Neal Cassity	Jessamine County Judge-Executive
Ted Collins	Franklin County Judge-Executive
Shannon Cox	City Commissioner, Winchester
Sandy Dunahoo	Nesbitt Engineers
David Duttlinger	Bluegrass ADD
Ira Fannin	Franklin County Magistrate
Wayne Foster	Jessamine County Economic Development Authority
Jamie Franklin	House Majority Caucus Office of Rep. Charlie Hoffman
Michael Galavotti	Kentucky American Water Company
Stan Galbraith	Paris City Commissioner
Fred Goins	Franklin County Judge-Executive's office
Vince Guenther	Louisville Water Company
Tara Hackney	MSE Engineers of KY
Mike Haydon	House Majority Rep. Rocky Adkins' Office
Greg Heitzman	Louisville Water Company
Billy Jenkins	Georgetown Municipal Water Service
Phil Kerrick	CCEIDA
Jeff Laake	Woodford County Economic Development Authority
Joe Lewis	HDR/Quest Engineers
Tom Marshall	Attorney for Peaks Mill Water District
Andy Mead	Lexington Herald-Leader
Russ Meyer	Mayor, City of Nicholasville
Bart Miller	City of Versailles
Dan Pence	MSE Engineers of KY
Don Pratt	citizen, Lexington
Mike Redmon	ACIPCO
Carl Rollins	State Representative (56 th District)
Peggy Sharon	Woodford County Economic Development Authority
Ned Sheeby	LFUCG
Jim Smith	Louisville Water Company
Ron Sturgeon	Franklin County Magistrate
Roger C. Wallin	Toyota Motor Manufacturing
John Wilson	Garrard County Judge-Executive
Nancy Wiser	Wiser, Hemlepp & Assoc.
Bob Vaughan	Strand Associates

Consideration of the Minutes of the Previous Meeting

Minutes of the April 16, 2007 regular BWSC Meeting were then considered. Upon a motion by Mr. Pearce and a second by Mr. Martin, and by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the April financial report. Following a motion by Mr. Martin and a second by Mr. Pearce, the April financial report, including the accounts payable, was unanimously approved and is appended as *Attachment A*. Mr. Hassall announced that a draw request in the amount of \$82,183.40 had been submitted to the Kentucky Infrastructure Authority against the BWSC's initial grant.

Program Manager's Report

Mr. Lovan presented the Program Manager's written report which is appended as *Attachment B*.

Old Business

Mr. Galavotti, representing Ms. Bridwell of the Kentucky American Water Company (KAWC), presented an update on the KAWC water treatment plant and water transmission line effort. Milestones enumerated included the following:

- Engineering plans on the 42-inch water transmission line were submitted to the Division of Water on March 5.
- Engineering plans on the 20 MGD water treatment plant were submitted to Kentucky Division of Water on March 9. The plans are such that the water plant could be expanded to 25 MGD before a construction start.
- KAW has received Division of Water approval on the water treatment plant engineering plans.
- KAW has received from the Kentucky Transportation Cabinet's District 6 the needed encroachment permit for the use of the highway right-of-way in Owen County.
- The Corps of Engineers continues its review of the required 404 permit.
- The Division of Water continues its review of the required 401 permit.
- The Kentucky Transportation Cabinet's Districts 5 and 7 continue their review of encroachment permit requests.
- Under review by KDOW is the KAW's request for a KPDES permit for the discharge of residuals supernatant.
- Under review by the Division of Water are the plans for the water booster pumping station.

- KAW is beginning in May the easement acquisition effort with a joint team of consultants. Letters to all property owners along the route went out in mid-May explaining some of the terms of easements and what to expect.
- KAW has continued to respond to information requests, including recent presentations to *Leadership Central Kentucky* on May 9 and to the Switzer Ruritan Club on May 7.
- The Public Service Commission has issued its procedural order—with a hearing likely in October. Hopefully, this will result in a PSC decision by the end of 2007.
- KAW is preparing to request construction bids in early August with bids due in early October—just prior to the PSC hearing. The bids would contain a 90-day *hold* provision.
- KAW expects to file today (May 21) its response to the first data requests from the Public Service Commission.
- KAWC plans to send a representative to Washington, DC with the Greater Lexington Chamber of Commerce in July to push for federal funding for a portion of the BWSC effort.
- KAWC is to the point of choosing to work soon on a partnership agreement with the Bluegrass Water Supply Commission.

Mr. Talley updated the Commission on BWSC's intervention KAWC's case before the Public Service Commission.

At the present time, intervenors include:

- the Kentucky Attorney General's Office
- LFUCG
- BWSC
- Kentucky Industrial Water Users
- Citizens for Alternative Water Supply (CAWS)

From the Finance Committee, Mr. Riddle brought a recommendation that the ceiling on O'Brien & Gere's Task Order 2 be increased by \$45,000 since more work of a miscellaneous nature was being required than was initially anticipated. Upon a motion by Mr. Riddle, a second by Mr. Pearce, and unanimous action, the Task Order 2 ceiling increase of \$45,000 was approved.

Leadership Briefing/Discussion

Mr. Azevedo made a PowerPoint presentation to area leaders. That presentation is appended as *Attachment C*.

Comments from the Public

Comments were entertained. Mr. Azevedo sought to reply to the comments as appropriate.

Mr. Grier discussed the status of the Kentucky River Dam 9 reconstruction effort.

Designation of Time/Place for the next Meeting

The next regular BWSC meeting will be held in Berea at a date and place yet to be determined.

ADJOURNMENT

There being no further business, Chairman Calkins adjourned the meeting at 11:10 a.m.

Respectfully Submitted,

Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
BOB RIDDLE, SECRETARY

Attachments A-C

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
THOMAS P. CALKINS, CHAIR

DATE APPROVED: _____

**BWSC Financial Report
for April, 2007**

Attachment A
Page 1 of 3

Beginning Balance per Bank Statement - 4/01/07 \$ 241,343.65

April Deposits

Bank Account Interest	\$	386.09		
Sub Total	\$	386.09		386.09

BWSC Checks Paid in April

1082 Bluegrass ADD (February Admin. Services)	\$	(4,054.12)		
1083 O'Brien & Gere Engineers (February efforts)		(4,183.63)		
1084 Bluegrass ADD (March Admin. Services)		(8,445.78)		
1085 O'Brien & Gere Engineers (March efforts)		(2,399.92)		
1086 Public Equity Insurance Corp. (annual ins. prem.)		(507.50)		
Sub Total	\$	(19,590.95)		(19,590.95)

Ending Balance Per Bank Statement 4/30/07 \$ 222,138.79

Checks Outstanding

None	\$	-		-
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Checkbook Balance End of April 2007 \$ 222,138.79

Certificates of Deposit – \$.00

Accounts Payable

Bluegrass ADD (April 2007 Administrative Services)	\$	4,559.91
Damon Talley - legal services for Jan.1-April 30, 2007		26,860.59
O'Brien & Gere Task Order 2 - April Task Order 2		3,196.08
O'Brien & Gere Task Order 3 - April Task Order 4		450.00
O'Brien & Gere Task Order 5 - April Task Order 5		1,500.00
Total	\$	<u>36,566.58</u>

Accounts Receivable (contributions) – Billed

Berea	\$	2,500.00
Total	\$	<u>2,500.00</u>

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

5/11/2007

BLUEGRASS WATER SUPPLY COMMISSION
October 2006 to April 2007

APPROVED EXPENSES

	November	December	January	February	March	April	May	Sub-Total
Bluegrass ADD	\$ 5,647.89	\$ 3,448.84	\$ 3,831.40	\$ 2,768.29	\$ 4,054.12	\$ 8,445.78	\$ 4,559.91	\$ 32,756.23
Damon Talley			32,346.75				29,860.59	59,207.34
Flint Group								
Frankfort Electric and Water Plant Board	2,160.39		3,112.14	2,100.00	461.84	1,841.71	3,196.08	12,871.98
O'Brien & Gere - Task Order 2						58.21		58.21
O'Brien & Gere - Task Order 3	600.00			6,450.00	2,550.00		450.00	10,050.00
O'Brien & Gere - Task Order 4	8,831.79		10,810.15	2,100.00	1,171.99	500.00	1,500.00	24,913.93
O'Brien & Gere - Task Order 5								
RR Consultants								
Office Expense								
City of Versailles-Hydraulic Model for BWSC								
KACo All Lines Fund, Liability Coverage, 12 mo.				2,592.50				2,750.00
CDP Engineers, KIA grant 2 administration	157.50							
KIA, administration fee on \$900,000 grant								
Public Equity Insurance Corp.					507.50			507.50
Total	\$ 17,397.57	\$ 3,448.84	\$ 50,100.44	\$ 16,010.79	\$ 8,745.25	\$ 10,845.70	\$ 36,566.58	\$ 143,115.17

INCOME

	November	December	January	February	March	April	May	Sub-Total
Interest Income	\$ 43.31	\$ 12.30	\$ 49.12	\$ 393.73	\$ 411.99	\$ 386.09	\$	\$ 1,286.54
CD Interest			714.58					714.58
CD Matured 1-29-07			63,000.00					63,000.00
Cynthiana Contribution								
Frankfort WEPB Contribution								
Georgetown MWSS Contribution								
KAWC Contribution								
Lancaster Contribution	5,000.00							5,000.00
LFUCG Contribution								
Mt. Sterling WSC Contribution								
Nicholasville Contribution								
Paris Contribution								
Winchester Municipal Utilities Contribution								
KACo Loan								
KIA Tobacco Development Grant								
KIA 1 Draw (10/6/06)								
KIA 1 Draw (10/24/06)								
KIA 1 Draw 5			249,864.62					249,864.62
Totals	\$ 5,043.31	\$ 12.30	\$ 313,628.32	\$ 393.73	\$ 411.99	\$ 386.09	\$	\$ 319,875.74

LIABILITIES

KLC Loan of \$165,000 plus Interest
KACo Loan of \$165,000 plus Interest



O'BRIEN & GERE

May 11, 2007

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

Enclosed is the April invoice for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

Task Order No. 2	\$ 3,196.08
Task Order No. 3	\$ 0.00
Task Order No. 4	\$ 450.00
Task Order No. 5	\$ 1,500.00
Total Invoice Amount	\$ 5,146.08

- Preparation for and attendance to various Commission committee meetings for the month of April and other various program management duties.
- Preparation of exhibits and various reports for briefings to Central Kentucky Local Mayors and Judge Executives concerning the proposed regional water supply plan.
- Preparing final report for various water supply alternatives, figures, spreadsheets for completion of Task Order #4 and Task Order #5.

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,
O'BRIEN & GERE ENGINEERS, INC.


Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: File
Attachment: Invoice No. 1090010



**Program Manager Status Report
Bluegrass Water Supply Commission
May 21, 2007 Board Meeting**

SUMMARY OF PROGRAM MANAGER BUDGET

	Budget	Effort Spent to Date	Remaining Budget
Task Order #2	\$ 94,000.00	\$ 95,612.31	(\$ 1,612.31)
Task Order #3	\$ 79,000.00	\$ 77,099.37	\$ 1,900.63
Task Order #4	\$ 59,500.00	\$ 28,437.57	\$ 31,062.43
Task Order #5	\$ 63,730.00	\$ 61,748.69	\$ 1,981.31
Total	\$ 311,230.00	\$ 277,895.38	\$ 33,334.62

TASK ORDER #2

- **KENTUCKY RIVER POOL 3 – WATER WITHDRAWAL APPLICATION**

This item has been placed on hold pending the final outcome of the alternative evaluation in Task Order #5 and needs to be addressed as to whether the application is withdrawn or still pending. Notification will need to be submitted to KDOW.

TASK ORDER #4 & TASK ORDER #5

- **PRELIMINARY REVIEW & ANALYSIS**

We are preparing the final report of the alternative analysis and will submit to the Master Planning and Capital Construction committee for review and comments. After we have received final comments from the committee, we will finalize the report and present to the full commission.

Bluegrass Water Supply Commission

Leadership Briefing

May 21, 2007

The Problem ...

■ Water Supply of Central Kentucky

- Unreliable during droughts
- Subject to catastrophic events
- Necessary for economic vitality

The Answer ...

- **Regional Solution**

Regional Solution: Joint Ownership

- **Bluegrass Water Supply Commission**
- **Kentucky American Water Company**

Bluegrass Water Supply Commission Members

- | | |
|--------------|---------------------|
| ■ Berea | ■ Lexington-Fayette |
| ■ Cynthiana | ■ Mt. Sterling |
| ■ Frankfort | ■ Nicholasville |
| ■ Georgetown | ■ Paris |
| ■ Lancaster | ■ Winchester |

~ Regional Solution ~

Two Independent Supplies:

- Kentucky River - Pool No. 3
- Ohio River via Louisville Water Co.

~ Regional Solution ~

Major Components:

Pool No. 3 Jointly Owned Facilities:

- **25 MGD Water Treatment Plant**
- **42-inch Transmission Main**

BWSC Owned Facilities:

- **Regional Grid:**
 - Can be built in Phases

Total Project Cost

Water Treatment Plant	\$ 86 million
Transmission Main	\$ 85 million
<u>Regional Grid</u>	<u>\$ 66 million</u>
Total Cost	\$ 237 million

EQUITY OWNERSHIP OPTION



BWSC Cost - Phase I

Water Treatment Plant	\$ 21 million
Transmission Main	\$ 20 million
<u>Regional Grid (Inner)</u>	<u>\$ 20 million</u>
Total Cost	\$ 61 million

BWSC Costs - All Phases

Phase 1 (Pool No. 3 + Inner Grid)	\$ 61 million
Phase IIA (Outer Grid)	\$ 21 million
<u>Phase IIB (LWC Connection)</u>	<u>\$ 25 million</u>
Total BWSC Cost	\$107 million

The Need... Financial Assistance

- State -- \$25 million
- Federal -- \$35 million

BWSC Rate Impact: Phase I

- Without Assistance - Not Affordable
- With Assistance - Affordable

Advantages

- **Adequate**
- **Reliable**
- **Redundant**

Issues

- **Financial Commitment**
- **Timeframe**

Action Plan

Summary

- **Cost-Effective Solution**
- **Uniform Rate**
- **Economic Vitality for the Region**

MINUTES
of the
BLUEGRASS WATER SUPPLY COMMISSION
July 23, 2007

The Board of Commissioners of the Bluegrass Water Supply Commission (BWSC) held its regular meeting on Monday, July 23, 2007. Chair Calkins convened the meeting at 9:34 a.m. in the Council Chambers at the Berea Municipal Building in Berea.

The following commissioners were present:

<u>Commissioners</u>	<u>Representing</u>
Vernon Azevedo	Winchester
David Billings	Frankfort
Donald Blackburn	Berea
Thomas P. Calkins	Nicholasville
Kevin Crump	Paris
Bill Grier	KRA ex-officio member
Jody Hughes	KIA ex-officio member
Charles Martin	LFUCG
David Pearce	Mt. Sterling
Donna Powell	Lancaster
Bob Riddle	Georgetown

Commissioners absent:

Mayor Jim Brown	Cynthiana
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Staff, associates and contractors who were present included:

Don Hassall	General Manager, BWSC
Bryan Lovan	O'Brien & Gere Engineers
Damon Talley	Legal Counsel, BWSC

Others present included:

Ed Burtner	Mayor, City of Winchester
Steve Connelly	Mayor, City of Berea
Michael Eirich	Berea Utilities
Michael Galavotti	Kentucky American Water Company
Stan Galbraith	Paris City Commissioner
Fred Goins	Franklin County Judge-Executive's office
Jim Gray	Vice-mayor, LFUCG
Bart Miller	City of Versailles
Dan Pence	MSE Engineers of KY
Mike Redmon	ACIPCO
Jim Smith	Louisville Water Company
John Steinmetz	CDP Engineers
Randy Stone	City Administrator, Berea
Jason Walton	City of Versailles
Ruth Webb	Legislative Research Commission
Nancy Wiser	Wiser, Hemlepp & Assoc.
Mike Woolum	Strand Associates

Consideration of the Minutes of the Previous Meeting

Minutes of the May 21, 2007 BWSC meeting were then considered. Upon a motion by Mr. Martin and a second by Mr. Pearce, and by unanimous vote, the Commission approved the minutes as presented.

Consideration of the Financial Report

Mr. Hassall presented the financial report for the May-June, 2007 period. Berea's \$2,500 voluntary contribution was received during the period as was a KIA draw of \$82,183.40. Following a motion by Mr. Martin and a second by Mr. Pearce, the financial report, including the accounts payable, was unanimously approved and is appended as *Attachment A*. Approval of the invoice from the BWSC's auditor was withheld pending the completion of the work with regard to guidance on the establishment of an improved financial reporting system.

Comments from the Public

Winchester Mayor Ed Burtner addressed the Commission to announce that he had named himself to represent Winchester on the BWSC, replacing Mr. Azevedo whose term will expire on August 1, 2007. Members of the Commission expressed their admiration and appreciation of Mr. Azevedo who advocated regional action on the topic of water supply long before such cooperative action was popular.

Old Business

Representing KAWC's Linda Bridwell, Michael Galavotti reported on progress on the KAWC water treatment plant, intermediate booster pump station and tank, and water transmission line effort. He reported that:

- Data requests by the Public Service Commission are being handled expeditiously.
- Highway rights-of-way encroachment permits are continuing to be pursued.
- The USACE 404 permit and the KDOW 401 permit are being sought.
- KDOW approval of *all* engineering plans and specifications has been received.
- KAWC is prepared to commence the bidding process on August 2, 2007 seeking bids on all construction contracts with October 2 being established as the date bids are to be received. Once received, the construction bids would then have a 90-day life.
- A PSC hearing date of October 9 has been established and a decision by PSC is expected before the end of the calendar year.
- KAWC is seeking to acquire 109 easements.
- KAWC's anticipated schedule would suggest a "project-in-service" date of about 32 months after the October 2, 2007 reception of construction bids.

Mr. Talley reported on the KAWC certificate case pending before the Public Service Commission.

Mr. Talley also reported that there have been no recent face-to-face negotiations between the BWSC Negotiating Committee and KAWC, but he has had numerous discussions with KAWC's attorney. The next step is to refine the BWSC discussion points before scheduling a formal negotiating session with KAWC.

Committee Reports and Recommendations

Mr. Riddle reported that Financial Guidelines Committee would meet following the July 23 Commission meeting.

Mr. Martin reported the Master Planning and Capital Construction Committee would likely need to meet several times before the August 2007 Commission meeting.

No other committee reports were rendered.

Program Manager's Report

Mr. Lovan reviewed and summarized the Program Manager's budget for Tasks 2, 3, 4 and 5. That information together with the "on hold" status of the water withdrawal permit application is summarized as follows:

SUMMARY OF PROGRAM MANAGER BUDGET

	<u>Budget</u>	<u>Effort Spent To Date</u>	<u>Remaining Budget</u>
Task Order #2	\$139,000.00	\$ 98,890.59	\$40,109.41
Task Order #3	79,000.00	77,099.37	1,900.63
Task Order #4	59,500.00	30,537.57	28,962.43
Task Order #5	63,730.00	63,248.69	481.31
Total	\$341,230.00	\$269,776.22	\$71,453.78

Task Order #2

- Kentucky River Pool 3 – Water Withdrawal Application

This item has been placed on hold pending the final outcome of the alternatives evaluation in Task Order #5 and needs to be addressed as to whether the application is withdrawn or still pending. Notification will need to be submitted to KDOW.

Mr. Lovan, together with many others, discussed various versions and aspects of proposals brought by the Louisville Water Company (LWC) beginning with the initial July 3, 2003 proposal and continuing through July 10, 2007 proposal before the Lexington-Fayette Urban County Council. Mr. Lovan sought to define the difference between *reserved capacity* and *available capacity* in the context of various proposals brought by the Louisville Water Company. The LWC was encouraged to craft a comprehensive offer to furnish potable water to Central Kentucky and to do so as soon as possible and in writing. LFUCG Vice-mayor Jim Gray said he felt the Urban County

Council would like to see an evaluation matrix that would compare *apples to apples* before the Urban County Council Planning Committee (UCC) meets at 1:00 p.m. on August 21. Vice-mayor Gray said he expected the Planning Committee would likely meet as a committee of the full Council. Councilperson Gorton chairs that UCC committee.

Discussion on this topic was extensive. Jim Smith, a representative of LWC, was present to reply to some of the comments.

New Business

Election of Officers

Mr. Calkins then opened the floor for nominations for BWSC officers for the year beginning August, 2007. A motion was made by Mr. Azevedo and seconded by Mr. Martin to elect the following officers:

Chair	-	Tom Calkins
Vice-Chair	-	Donna Powell
Secretary	-	Bob Riddle
Treasurer	-	David Pearce

The motion was approved by unanimous vote.

Washington, D. C. Fly-in of July 11-12, 2007

Mr. Calkins described the July 11-12 fly-in to Washington, D. C. by Central Kentucky leaders to meet with all eight members of the Kentucky Congressional delegation. Mr. Calkins described the sessions as both cordial and beneficial. He related that the congresspersons seemed receptive to the plea for federal support for the region's top priority of dealing conclusively and soon to solve the region's water supply deficit. Mr. Calkins encouraged area mayors and judges-executive to return to Washington in October to press again for federal support for the effort.

Discussion of the BWSC's FY 08 Budget Preparation and the Need to Consider Retaining a Qualified Legislative Consultant

Mr. Calkins said he had undertaken a start at the development of a FY 08 Budget for BWSC that he wished to discuss with the Financial Guidelines Committee. Further, he reported it appeared timely to consider retaining professional services to work with legislators at the federal and state levels. That issue too would be aired before the Financial Guidelines Committee.

Commissioner's and General Manager's Comments/Business

Mr. Grier briefed the Commission on current issues before the Kentucky River Authority including the Dam 9 reconstruction effort.

Mr. Calkins distributed a listing of current standing committee assignments and requested that commissioners express to him their committee assignment preferences as soon as possible.

Mr. Hughes reported he was retiring from the Kentucky Infrastructure Authority and his last meeting with the BWSC would be July 23 meeting. On behalf of the Commission, Chairman Calkins thanked Mr. Hughes for his faithful service to the BWSC and his insightful contributions to the regional water supply effort. Mr. Hughes reported Tim Thomas had been named as the new executive director of the Kentucky Infrastructure Authority.

Mr. Azevedo reported on his recent telephone conversation with the Kentucky River Authority's Stephen Reeder. Mr. Azevedo suggested Mr. Talley develop, for BWSC consideration at the August meeting, a resolution that would express the official *opposition* of the BWSC for the utilization of any KRA water withdrawal fees for recreational purposes such as river locks rehabilitation / construction / reconstruction.

Designation of Time/Place for the next Meeting

Mr. Pearce invited the Commission to Mt. Sterling for its August 2007 meeting. A meeting date of Thursday, August 16 was selected. The normal starting time of 9:30 a.m. will be observed. The precise meeting place in Mt. Sterling will be announced at a later date.

ADJOURNMENT

There being no further business, Chairman Calkins adjourned the meeting at 11:50 a.m.

Respectfully Submitted,

Don R. Hassall, General Manager

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
BOB RIDDLE, SECRETARY

Attachment A

APPROVAL OF MINUTES

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Bluegrass Water Supply Commission at a meeting held on the date shown below:

BLUEGRASS WATER SUPPLY COMMISSION

BY: _____
THOMAS P. CALKINS, CHAIR

DATE APPROVED: _____

BWSC Financial Report for May-June, 2007

Attachment A
Page 1 of 3

Beginning Balance per Bank Statement - 5/01/07 \$ 222,138.79

May Deposits

Bank Account Interest	\$	380.51
Berea Contribution		2,500.00
Sub Total	\$	2,880.51

June Deposits

Bank Account Interest	\$	398.45
KIA Draw		82,183.40
Sub Total	\$	82,581.85

Total Deposits for May & June	\$	85,462.36	85,462.36
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BWSC Checks Paid in May

1087 Damon Talley - legal services Jan.-Apr. 2007	\$	(26,860.56)	
1088 Bluegrass ADD - Admin. Services April 2007		(4,559.91)	
1089 O'Brien & Gere Engineers - April 2007		(5,146.08)	
Sub Total	\$	(36,566.55)	(36,566.55)

BWSC Checks Paid in June

None	\$	-	-
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Ending Balance Per Bank Statement 6/30/07 \$ 271,034.60

Checks Outstanding

None	\$	-	-
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Checkbook Balance End of June 2007		\$ 271,034.60
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Certificates of Deposit – \$.00

Accounts Payable

Bluegrass ADD - May-June 2007 Admin. Services	\$	12,086.37
Damon Talley - legal services - May-June 2007		10,335.60
O'Brien & Gere Task Order 2 - May-June 2007		3,278.28
O'Brien & Gere Task Order 4 - May-June 2007		2,100.00
O'Brien & Gere Task Order 5 - May-June 2007		1,500.00
Total	\$	29,300.25

Accounts Receivable (contributions)

None

Outstanding Loans

KY League of Cities	\$165,000 + Interest
KACo	\$165,000 + Interest

BLUEGRASS WATER UTILITY COMMISSION
January 2007 - July 2007

APPROVED EXPENSES

	January	February	March	April	May	(Accounts Payable) June-July	Sub-Total
Bluegrass ADD							
Damon Talley	3,831.40	2,768.29	4,054.12	8,445.78	4,559.91	12,086.37	35,745.87
Flint Group	32,346.75				26,860.56	10,335.60	69,542.91
Frankfort Electric and Water Plant Board							
O'Brien & Gere - Task Order 2	3,112.14	2,100.00	461.64	1,841.71	3,196.08	3,278.28	13,989.85
O'Brien & Gere - Task Order 3				58.21			58.21
O'Brien & Gere - Task Order 4		6,450.00	2,550.00		450.00	2,100.00	11,550.00
O'Brien & Gere - Task Order 5	10,810.15	2,100.00	1,171.99	500.00	1,500.00	1,500.00	17,582.14
RR Consultants							
Office Expense							
City of Versailles-Hydraulic Model for BWSC							
KACo All Lines Fund, Liability Coverage, 12 mo.		2,592.50					2,592.50
CDP Engineers, KIA grant 2 administration							
KIA, administration fee on \$900,000 grant							
Public Equity Insurance Corp.							
Total	50,100.44	16,010.79	8,745.25	10,845.70	36,566.55	29,300.25	151,568.98

INCOME

	January	February	March	April	May	June	Sub-Total
Interest Income							
CD Interest	49.12	393.73	411.99	386.09	380.51	398.45	2,019.89
CD Matured 1-29-07	714.58						714.58
Berea Contribution	63,000.00				2,500.00		63,000.00
Cynthiana Contribution							
Frankfort WEPB Contribution							
Georgetown MWSS Contribution							
KAWC Contribution							
Lancaster Contribution							
LFUCG Contribution							
Mt. Sterling WSC Contribution							
Nicholasville Contribution							
Paris Contribution							
Winchester Municipal Utilities Contribution							
KACo Loan							
KIA Tobacco Development Grant							
KIA 1 Draw (10/6/06)							
KIA 1 Draw (10/24/06)							
KIA 1 Draw 5							
Totals	249,864.62	393.73	411.99	386.09	2,880.51	82,183.40	332,048.02
	\$ 313,628.32	\$	\$	\$	\$	\$	\$ 400,282.49

LIABILITIES

KLC Loan of \$165,000 plus Interest
KACo Loan of \$165,000 plus Interest



O'BRIEN & GERE

JUL 13 2007

July 12, 2007

Mr. Donald Hassall, P.E., General Manager
Bluegrass Water Supply Commission
699 Perimeter Drive
Lexington, Kentucky 40517

Re: Task Orders No. 2,3,4 & 5
File: 36270.200.100#2

Dean Mr. Hassall,

Enclosed are the May and June invoices for Task Order No. 2, 3, 4, & 5. A summary of the types of efforts expended during this period is listed below:

May Invoice – Dated June 12, 2007

Task Order No. 2	\$ 1,005.25
Task Order No. 3	\$ 0.00
Task Order No. 4	\$ 1,800.00
Task Order No. 5	\$ 1,200.00
Total Invoice Amount	\$ 4,005.25

June Invoice – Dated July 10, 2007

Task Order No. 2	\$ 2,273.03
Task Order No. 3	\$ 0.00
Task Order No. 4	\$ 300.00
Task Order No. 5	\$ 300.00
Total Invoice Amount	\$ 2,873.03

- Preparation for and attendance to various Commission meetings and committee meetings for the months of May and June and other various program management duties.
- Preparation of exhibits and various reports for briefings for filing of the BWSC project profile with the 409 Council for the proposed regional water supply plan.
- Preparing final report and revising cost information for various water supply alternatives, figures, spreadsheets for completion of Task Order #4 and Task Order #5.

If you have any questions on the attached scopes or budgets, please contact the undersigned, or George Rest.

Respectfully,
O'BRIEN & GERE ENGINEERS, INC.

Bryan K. Lovan, P.E., P.L.S.
Project Manager

cc: File
Attachment: Invoice No. 1090716 & 1091366