COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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

CERTIFICATE OF SERVICE

This is to certify that the original and eight (8) copies of the Kentucky American Water's Responses to the Commission's Post-Hearing Data Requests have been filed with the Public Service Commission this the 9th day of January, 2008, and a copy mailed to:

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STOLL KEENON OGDEN PLLC

By _____
Counsel for Kentucky American Water

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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

CERTIFICATION OF RESPONSES TO INFORMATION REQUESTS

This is to certify that I have supervised the preparation of Kentucky-American Water Company's January 9, 2008 Responses to the Commission's Post-Hearing Data Requests and that the responses are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: 1-8-08

Nick O. Rowe
President
Kentucky-American Water Company

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134

PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 1 of 9

Witness: Linda C. Bridwell

1. Identify each alternative to the construction of the facility proposed in Kentucky-American's application that Kentucky-American has considered within the past 5 years. For each such alternative, provide:

   A. A brief description of the alternative.

   B. The names and positions of the persons who identified or proposed the alternative.

   C. The time period in which Kentucky-American considered the alternative.

   D. The name and position of the person(s) who evaluated the alternative on Kentucky-American's behalf.

   E. The name and position of any non-Kentucky-American or American Water Works Company personnel who evaluated the alternative.

   F. The best estimation of the cost of the alternative over a 30-year period as a present day value.

   G. The best estimation of the rate impact of the alternative.

   H. The best estimation of the time period for completing construction of the alternative.

   I. A narrative of the findings and conclusions of the person(s) identified in subparagraphs (d) and (e) above as having evaluated the alternative which includes the basis for not pursuing the alternative.

Response:

In February 2004, O'Brien and Gere Engineers completed a feasibility study for the Bluegrass Water Supply Consortium that reviewed 40 different alternatives for solving the regional water supply problem. Kentucky American Water was an active participant in that process. As a part of that study, O'Brien and Gere reviewed studies that had considered over 50 different alternatives for a new regional water supply, and they narrowed the scope down to feasible projects. In 2005, Kentucky American Water hired

Gannett-Fleming Engineers to do an independent review of the source of supply problem and the O'Brien and Gere report. Because it was neither necessary nor prudent to re-study all of the alternatives, Gannett-Fleming studied the best four alternatives not included in the O'Brien and Gere report. Both reports are in the record in this case. The O'Brien & Gere Report was filed in Case No. 2001-00117 (which has been incorporated into this case) on June 28, 2004. Also, an October 12, 2005 letter from O'Brien & Gere which supplemented the study was filed in this case as an attachment to KAW's response to Item No. 6 of the Commission Staff's First Set of Interrogatories. Likewise, the Gannett-Fleming Report was filed as attachment to that same data response.

Please see the attached document detailing each of the alternatives reviewed with the information requested. To the extent that present worth estimates or rate impact information was developed, it has been included but no additional present worth calculations or rate impacts have been created.

Case No. 2[illegible]
Post-Hear[illegible]equest
Item 1
Kentucky Am[illegible]an Water Post Hearing Data Requests Dated January 9, 2008
Case No 2007-134

	Alternative	a. Description	b. Name and Position of Person Identifying Alternative	c. Time Period Kentucky-American Considered	d. Name and Position of Kentucky American person who evaluated alternative	e. Name and Position of non-KAW personnel	f. Best estimate of 30-year cost	g. Best estimate of rate impact	h. Best Estimate of time Period	i. Narrative of Findings
1	BWSC Plan	31 mgd treatment facility on Kentucky River with raw water main to Ohio River, transmission line to Central Kentucky and grid connections to each member, with proportionate costs of total project based on treatment capacity allocation.	Collaborative Team from KAW/AW: Linda Bridwell (Project Delivery and Developer Services Manager), Rich Svindland (Technical Services Manager), David Kaufman (SER Engineering Director), Gary Naumick (AW Capital Assets Program Director)	July 2005-December 2006	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming	$172,257,696 estimated in 2006 dollars through 2030.	Because this alternative was clearly more expensive, a proposed rate impact was not developed.	3-5 years from initiation.	Although project was clearly feasible, it did not appear to be the most cost effective and there were concerns about initiation, therefore, a regional treatment plant initiated by KAW was deemed the preferred alternative.
2	Louisville Pipeline	Originally proposed 36-inch pipeline from Gene Snyder Freeway to connection point in Central Kentucky, with metering point in Shelby County and KAW paying for all construction. Revised cost estimate includes LWC construction of portion to metering point, 12.5 mgd minimum purchase.	Collaborative Team from KAW/AW: Linda Bridwell (Project Delivery and Developer Services Manager), Rich Svindland (Technical Services Manager), David Kaufman (SER Engineering Director), Gary Naumick (AW Capital Assets Program Director)	July 2005- March 2007	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming	$154,438,125 estimated in 2006 dollars - Present Worth through 2030. $311,598,084 Present Worth estimated by Harold Walker in rebuttal testimony.	54.17% rate impact estimated in response to Item 13 of Citizens For Alternative Water Solutions' First Data Request Dated May 21, 2007.	December 2012	Although project was clearly feasible, it did not appear to be the most cost effective and there were concerns about initiation, therefore, a regional treatment plant initiated by KAW was deemed the preferred alternative.
3	Expansion of KAW Facilities	Increase reliable capacity of existing facilities to 80 mgd, including upgrades to Intake, Kentucky River Station, raw water transmission line to RRS, improvements to RRS and improvements to Distribution system.	Collaborative Team from KAW/AW: Linda Bridwell (Project Delivery and Developer Services Manager), Rich Svindland (Technical Services Manager), David Kaufman (SER Engineering Director), Gary Naumick (AW Capital Assets Program Director)	July 2005-March 2006	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming	An estimated capital cost of $80,300,000 in 2006. Because this alternative did not have the reliable capacity necessary, a Present Worth was not calculated.	Because this alternative did not have the reliable capacity necessary, a rate impact was not developed.	A timeframe was not estimated because it did not have the reliable capacity.	The project did not meet the reliability criteria and was not considered a long term solution.
4	Construct New Water Treatment Plant on Kentucky River at Pool 3	KAW construct new 20 mgd water treatment plant, expandable to 30 mgd on Kentucky River at Pool 3, new transmission main to KAW distribution system, booster pump station and intermediate storage tank.	Collaborative Team from KAW/AW: Linda Bridwell (Project Delivery and Developer Services Manager), Rich Svindland (Technical Services Manager), David Kaufman (SER Engineering Director), Gary Naumick (AW Capital Assets Program Director)	July 2005- March 2007	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming	$152,365,542 estimated in 2006 dollars - Present Worth through 2030. $257,401,565 estimated 30-year Present Worth estimated by Harold Walker in rebuttal testimony	45.96 % rate impact estimated in response to Item 31a of the Commission's First Data Request dated May 21, 2007. 50.65% rate impact estimated in response to Item 13 of Citizens For Alternative Water Solutions' First Data Request Dated May 21, 2007. 45.31% rate impact estimated in response to Item 4 of Citizens For Alternative Water Solutions' Second Data Request Dated June 18, 2007. **37.35% for 20 mgd plant estimated January 8, 2008 with actual bids, 31.63% for 80% of 25 mgd plant from Item 9 of this same data request.**	April 2010	The project was considered the most cost effective, feasible alternative, and KAW initiated design of the project.
5	10 MGD Plant on Kentucky River	Construct 10 MGD Plant on Kentucky River at Pool 2 or Pool 3, expandable to 20 mgd.	Gannett-Fleming Team including Dale Glatfelter (Project Manager)	July 2005-December 2005	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming	Because this alternative did not meet the capacity required, a present worth analysis was not undertaken.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	A timeframe was not estimated because it did not have the reliable capacity.	Alternative was not fully pursued as it did not solve the source of supply deficit or treatment capacity deficit.
6	Purchase 2-3 mgd from Versailles	Purchase up to 2-3 mgd from City of Versailles on Interim basis.	Vernon Azevedo, Winchester Municipal Utilities	February 2006-January 2007	Linda Bridwell, Project Delivery and Developer Services Manager, Michael Galavotti, Senior Operations Engineer	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Bryan Lovan, O'Brien and Gere, Brad Montgomery, GRW Engineers	Because this alternative did not meet the capacity required, a present worth analysis was not undertaken. A capital cost estimate of $185,000-$400,000 was developed in 2006.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	A timeframe was not estimated because it did not have the reliable capacity.	Because the project would not meet the capacity required and facilities installed would not be utilized once a solution was in place, it was not determined to be a cost effective alternative to pursue.

Post Hearing Data Requests Dated January 9, 2008

	Alternative	a. Description	b. Name and Position of Person Identifying Alternative	c. Time Period Kentucky-American Considered	d. Name and Position of Kentucky American person who evaluated alternative	e. Name and Position of non-KAW personnel	f. Best estimate of 30-year cost	g. Best estimate of rate impact	h. Best Estimate of time Period	i. Narrative of Findings
7	Purchase Finished Water - Cincinnati Water Works via Boone Florence Water Commission	Purchase 45 mgd treated water from Cincinnati, transferred via Boone Florence Water Commission to a point north of Scott County.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members, Cincinnati Water Works	August 2002-February 2004	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$386,100,000 estimated for 40-year period.	Because this alternative was clearly more expensive and this alternative was not considered the preferred alternative, a rate impact was not calculated.	3-5 years from initiation.	Alternative did not score as the top project in a collaborative ranking of all criteria, and was not pursued.
8	Purchase Finished Water - Cincinnati Water Works via Bracken County	Purchase 45 mgd treated water from Cincinnati, transferred via Bracken County and construct transmission to a grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members, Cincinnati Water Works	August 2002-February 2004	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$356,000,000 estimated for 40-year period.	Because this alternative was clearly more expensive and this alternative was not considered the preferred alternative, a rate impact was not calculated.	3-5 years from initiation.	Alternative did not score as the top project in a collaborative ranking of all criteria, and was not pursued.
9	Purchase Finished Water - Louisville Water Company	Purchase 45 mgd from LWC at a connection in Shelby County, construct facilities to a grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002-December 2006	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$293,700,000 estimated for 40-year period based on only 18 mgd guaranteed capacity.	A Rate impact was not calculated on this specific alternative, but was calculated by KAW on alternative #2.	3-5 years from initiation.	Alternative did not score as the top project in a collaborative ranking of all criteria, and was not pursued.
10	Purchase Finished Water - Northern KY Water District	Purchase water from Northern Kentucky Water District and construct transmission main to a grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	A timeframe was not estimated because it did not have the reliable capacity.	Alternative did not adequately score in all criteria when compared to ten other short-term solutions.
11	New WTP at Maysville/Dover	Construct a new water treatment plant on the Ohio River near Maysville/Dover and construct a transmission line to a grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002-February 2004	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$333,400,000 estimate for 40-year period.	Because this alternative was clearly more expensive and this alternative was not considered the preferred alternative, a rate impact was not calculated.	3-5 years from initiation	Alternative did not score as the top project in a collaborative ranking of all criteria, and was not pursued.
12	New WTP at Warsaw	Construct a new water treatment plant on the Ohio River near Warsaw and construct a transmission line to a grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002-February 2004	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$343,700,000 estimated for 40-year period.	Because this alternative was clearly more expensive and this alternative was not considered the preferred alternative, a rate impact was not calculated.	3-5 years from initiation.	Alternative did not score as the top project in a collaborative ranking of all criteria, and was not pursued.

	Alternative	a. Description	b. Name and Position of Person Identifying Alternative	c. Time Period Kentucky-American Considered	d. Name and Position of Kentucky American person who evaluated alternative	e. Name and Position of non-KAW personnel	f. Best estimate of 30-year cost	g. Best estimate of rate impact	h. Best Estimate of time Period	i. Narrative of Findings
13	Raw water from Ohio River, new WTP in Central Kentucky	Construct a raw water intake on the Ohio River or river bank, and transmission main to a new water treatment plant located within Central Kentucky. Provide treated water from the new plant to a grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$333,600,000 estimated for 40-year period.	Because this alternative was clearly more expensive and this alternative was not considered the preferred alternative, a rate impact was not calculated.	3-5 years from initiation.	Alternative did not adequately score in all criteria when compared to ten other short-term solutions.
14	Raise Dams 9, 11, 12, & 14 of KY River, expand WTPs	Provide additional source of water supply in the Kentucky River and expand members existing facilities.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented in 3-5 years.
15	Raise Dam 10 of Kentucky River	Raise Dam 10 by 4-6 feet, thus providing additional source of water supply in the Kentucky River and expand members existing facilities. Construct grid system for non-Kentucky River supply members	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	This alternative was considered to be part of the baseline of all alternatives and cost estimates were not separately developed.	This alternative was considered to be part of the baseline of all alternatives and rate impact estimates were not separately developed.	This alternative was considered part of the baseline of all alternatives and a timeframe was not estimated.	Alternative was considered part of BWSC baseline solution.
16	New Dams 10A and 12A, expand existing WTPs	Construct new dams in Kentucky River, thus providing additional source of water supply in the Kentucky River and expand members existing facilities. Construct grid system for non-Kentucky River supply members.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented in 3-5 years.
17	High Bridge Dam, expand WTPs	Construct new dam on Kentucky River in Pool 7, thus providing additional source of water supply in the Kentucky River. Construct additional water treatment facilities downstream on the Kentucky River.	Don Haney, Kentucky Geological Survey (retired)	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented in 3-5 years.
18	Pumpback from lower pools to upper pools of KY River, expand existing WTPs	Utilize pumping system to transfer water over each dam of the Kentucky River, expand existing water treatment plants.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002-May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity criteria and could not be implemented in the required timeframe, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative would not have capacity above 10 mgd.
19	Dredge KY River	Deepen channel of Kentucky River through dredging thus providing more storage of raw water in each pool. Expand existing water treatment plants.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity required and could not be implemented in the required timeframe, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative would not have capacity above 10 mgd.
20	New WTP at Pool 3 of KY River	Construct new WTP at Pool 3 of Kentucky River and transmission main to grid system in Central Kentucky.	George Rest, O'Brien & Gere	August 2002-December 2006	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$330,600,000 estimated for 40-year period.	A Rate impact was not calculated on this specific alternative, but was calculated by KAW on alternative #3.	April 2010	Alternative was ranked as the highest scoring and selected as the preferred alternative.

Case No. 2
Post-Hear :equest
Item 1
Kentucky American Water Post Hearing Data Requests Dated January 9, 2008
Case No 2007-134

	Alternative	a. Description	b. Name and Position of Person Identifying Alternative	c. Time Period Kentucky-American Considered	d. Name and Position of Kentucky American person who evaluated alternative	e. Name and Position of non-KAW personnel	f. Best estimate of 30-year cost	g. Best estimate of rate impact	h. Best Estimate of time Period	i. Narrative of Findings
21	Increase withdrawals by negative consumptive use	Utilize existing sanitary sewer discharges to reallocate permitted withdrawals by BWSC members. Expand existing water treatment plants.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002-May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	This alternative was considered to be part of the baseline of all alternatives and cost estimates were not separately developed.	This alternative was considered to be part of the baseline of all alternatives and rate impact estimates were not separately developed.	This alternative was considered part of the baseline of all alternatives and a timeframe was not estimated.	Alternative was considered part of baseline approach for BWSC.
22	Utilize Buckhorn Lake or Carr Fork Lake	Transfer additional raw water from upstream reservoirs on Kentucky River, and expand existing water treatment plants.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the capacity required, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative did not have capacity above 10 mgd and was not carried forward in the analysis.
23	Cave Run Lake raw water diversion	Transfer raw water from Cave Run Lake to new water treatment plant in Central Kentucky, construct transmission line to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the capacity required, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative did not have capacity above 10 mgd, and was not carried forward in the analysis.
24	WTP at Cave Run Lake	Construct new water treatment plant at Cave Run Lake and transmission main to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the capacity required, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative did not have capacity above 10 mgd, and was not carried forward in the analysis.
25	Lake Cumberland raw water diversion	Transfer raw water from Lake Cumberland to new water treatment plant in Central Kentucky, construct transmission line to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative was hindered due to interbasin transfer issues and potential impacts to hydropower, but could be considered as a long-term solution.
26	WTP at Lake Cumberland	Construct new water treatment plant at Lake Cumberland and transmission main to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative was hindered due to interbasin transfer issues and potential impacts to hydropower, but could be considered as a long-term solution.
27	Herrington Lake	Transfer additional raw water from Herrington Lake to new water treatment facilities in Central Kentucky, construct transmission line to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the capacity required, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative did not appear to BWSC to have adequate capacity above 10 mgd during drought periods.
28	Scott County Reservoir	Provide additional raw water to new water treatment facilities from Scott County Reservoir and construct transmission main to grid system in Central Kentucky	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members	August 2002 - March 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the capacity criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the capacity required, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative did not appear to BWSC to have adequate capacity above 10 mgd during drought periods.

	Alternative	a. Description	b. Name and Position of Person Identifying Alternative	c. Time Period Kentucky-American Considered	d. Name and Position of Kentucky American person who evaluated alternative	e. Name and Position of non-KAW personnel	f. Best estimate of 30-year cost	g. Best estimate of rate impact	h. Best Estimate of time Period	i. Narrative of Findings
29	Station Camp Creek new reservoir on KY River	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
30	Sturgeon Creek new reservoir on KY River	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
31	Lower Devils Creek new reservoir on KY River	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
32	Four Mile Creek new reservoir on KY River	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
33	Upper Howard Creek new reservoir on KY River	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
34	Contrary Creek new reservoir on KY River	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
35	Eagle Lake new reservoir	Provide additional raw water from new reservoir built in Scott and Owen Counties to new water treatment facilities and connect to grid system in Central Kentucky.	Dr. Jack Sheperd, Georgetown Dentist	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
36	Eagle Creek Lake new reservoir	Provide additional raw water from new reservoir built in Grant and Owen Counties to new water treatment facilities and connect to grid system in Central Kentucky.	Kentucky River Basin Technical Advisory Committee	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.

Post Hearing Data Requests Dated January 9, 2008

	Alternative	a. Description	b. Name and Position of Person Identifying Alternative	c. Time Period Kentucky-American Considered	d. Name and Position of Kentucky American person who evaluated alternative	e. Name and Position of non-KAW personnel	f. Best estimate of 30-year cost	g. Best estimate of rate impact	h. Best Estimate of time Period	i. Narrative of Findings
37	Boonesville new reservoir	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
38	Muddy Creek Dam new reservoir	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
39	Walkers Creek Dam new reservoir	Provide additional raw water on Kentucky River from new reservoir built on tributary of the Kentucky River. Expand existing water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
40	Jackson County Reservoir new reservoir on KY River	Provide additional raw water from new reservoir built in Jackson County to new water treatment facilities and connect to grid system in Central Kentucky.	Collaborative Team from O'Brien & Gere based on review of previous studies	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative could not be implemented in the required timeframe, a rate impact was not calculated.	Greater than 5 years	Alternative could not be implemented within 3-5 and was not carried forward.
41	Purchase water from Carrollton/CCWD#1	Purchase treated water from Carrollton or Carroll County Water District #1 and construct transmission main to Central Kentucky grid system.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members, USGS	August 2002-February 2004	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$413,000,000 estimated for 40-year period.	Because this alternative was clearly more expensive and this alternative was not considered the preferred alternative, a rate impact was not calculated.	3-5 years from initiation	Alternative did not score as the top project in a collaborative ranking of all criteria, and was not pursued.
42	BWSC well system near Carrollton	Construct wells and treatment facilities in Carroll County near Carrollton and construct transmission main to Central Kentucky grid system.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members, USGS	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the short-term criteria, a rate impact was not calculated.	Greater than 5 years	Alternative could potentially cause friction with water provider in the area, and would likely not be able to be developed within the timeframe, and so was not pursued.
43	Purchase Water from Greater Fleming Water Commission	Purchase treated water from Greater Fleming Water Commission and construct transmission main to Central Kentucky grid system.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members, Greater Fleming Water Commission	August 2002-February 2004	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	$182,400,000 estimated for 15 mgd only for 40-year period.	Because this alternative was clearly more expensive and this alternative was not considered the preferred alternative, a rate impact was not calculated.	3-5 years from initiation	Alternative did not score as the top project in a collaborative ranking of all criteria primarily because it did not have the required capacity, and was not pursued.

Case No. [illegible]4
Post-Hea Request
Item 1
Kentucky American Water Post Hearing Data Requests Dated January 9, 2008
Case No 2007-134

	Alternative	a. Description	b. Name and Position of Person Identifying Alternative	c. Time Period Kentucky-American Considered	d. Name and Position of Kentucky American person who evaluated alternative	e. Name and Position of non-KAW personnel	f. Best estimate of 30-year cost	g. Best estimate of rate impact	h. Best Estimate of time Period	i. Narrative of Findings
44	BWSC well system near Maysville	Construct wells and treatment facilities in near Maysville and construct transmission main to Central Kentucky grid system.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members, USGS	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the short-term criteria, a rate impact was not calculated.	Greater than 5 years	Alternative could potentially cause friction with water provider in the area, and would likely not be able to be developed within the timeframe, and so was not pursued.
45	Indiana wells across Ohio River from Louisville	Purchase treated water from well system in Indiana, construct transmission main to grid system in Central Kentucky	Doug Ralston, DLR Consultants	November 2003-February 2004	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria, a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the short-term criteria, a rate impact was not calculated.	Greater than 5 years	Alternative was not fully explored due to distance from Central Kentucky.
46	Groundwater other than along Ohio River	Construct wells and treatment facilities other than along Ohio River and construct transmission main to Central Kentucky grid system.	Collaborative Team from O'Brien & Gere, Bluegrass Water Supply Consortium Members, USGS	August 2002 - May 2003	Linda Bridwell, Project Delivery and Developer Services Manager	Rich Svindland, SER Technical Services Manager David Kaufman, SER Engineering Director, Gary Naumick, AW Capital Asset Program Director, Dale Glatfelter, Project Manager Gannett-Fleming, Collaborative team from BWSC including Technical Advisory Group, Bryan Lovan and George Rest of O'Brien and Gere Engineers	Because this alternative did not meet the short-term criteria nor the capacity required , a present worth was not calculated, nor were capital costs calculated.	Because this alternative did not meet the short-term criteria nor the capacity required, a rate impact was not calculated.	Because this alternative did not have the capacity required, a timeframe for implementation was not estimated.	Alternative did not have adequate capacity above 10 mgd.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134

PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 2 of 9

Witness: Linda C. Bridwell

2. Describe how circumstances have changed, if at all, from the time Kentucky-American decided not to pursue the construction of a water transmission pipeline to interconnect with LWC in the 1990s.

Response:

In the early 1990's, Kentucky American Water (KAW) pursued a solution to its water supply and treatment capacity deficits through a connection to purchase water from the Louisville Water Company. In electing to pursue this option, KAW was challenged on numerous issues. The Public Service Commission (PSC) opened an investigation of the issue in Case No. 93-434, in which KAW was strongly challenged about the need for any additional water supply or treatment capacity. The issue of need was resolved in the first phase of the case; however, KAW was ordered by the PSC to refrain from pursuing a solution until the Kentucky River Authority (KRA) could complete its comprehensive study of the Kentucky River Basin and the water supply available from the basin. In 1997, the PSC concluded the case and ordered KAW to "take the necessary and appropriate measures to obtain sources of supply so that the quantity and quality of water delivered to its distribution system shall be sufficient to adequately, dependably and safely supply the total reasonable requirements of its customers under maximum consumption through the year 2020." After over a decade of study at that point, KAW immediately began work on the construction of a water transmission pipeline to interconnect with LWC because KAW believed that project to be the least cost, most feasible project to its customers. This was compared at that time to over 50 alternatives, including various alternatives utilizing the Kentucky River at Pool 9, or Pool 6, with additional water supply coming from new or increased dams upstream of KAW's existing facilities. Additionally, Herrington Lake and the Ohio River were considered as source of supply alternatives.

By the late 1990s, circumstances changed in a number of ways and it became necessary to re-evaluate the project to interconnect with the LWC. As opposition had grown, the LFUCG established a technical committee to review the situation and, on December 9, 1999, the LFUCG passed resolution 679-99 after months of review of the water supply situation. That resolution recommended among other things that "the future water supply for Lexington-Fayette County should come from the Kentucky River . . . ." The resolution further stated "in the 2000-2002 time period, the Kentucky River Authority, Kentucky American Water Company and others should...(i)nvestigate a regional solution to long-term water supply through a joint effort

between and among the Urban County Government, Kentucky American Water, Kentucky River Authority, and our surrounding counties, including information to be provided by June 1, 2000 to the Urban County Council by the regional Bluegrass Water Supply Consortium detailing their concept of a regional plan with a time schedule for implementation, cost implications, intergovernmental agreements among and between counties and water providers; and other pertinent facts . . . ."

Prior to the LFUCG resolution, KAW had reviewed a number of alternatives to the pipeline route, which route initially required 100% private easements. KAW then pursued the use of public right-of-way along I-64, and was denied access. KAW subsequently looked at a route adjacent to I-64, and continued to face stiff opposition to the route and an endangered species located on both sides of the right-of-way in one location.

Most importantly, as part of the LFUCG review, a group of regional water utilities stepped forward with an idea for a regional partnership. While the very vocal opposition to the project to purchase water from LWC was not insurmountable, the considerable delays that KAW felt were inevitable based on the vehemence of the opposition and the LFUCG resolution were going to extend the project implementation longer than other alternatives which might be developed with regional consensus. KAW did not want to leave its customers at risk for an even greater period of time.

Although KAW stopped work on the interconnection to LWC, it has continued to be an alternative compared to others since that time, as exemplified by the numerous proposals the BWSC solicited or received from LWC.

Since the decision to stop work on the project to interconnect with the LWC, circumstances have continued to change. First, when KAW was previously reviewing solutions in the 1990's, it considered only Pool 9 of the Kentucky River (where its existing facilities are) as a possible Kentucky River solution. It had never considered a solution at Pool 3 of the Kentucky River. Only when KAW worked on the problem as part of a regional solution with BWSC, and as a result of extensive conversations with the DOW, the many advantages of a Pool 3 solution became apparent.

Second, the KRA was a fledgling agency a decade ago and now has the experience and respect to fulfill its primary mission -- the protection of the Kentucky River watershed. The KRA has initiated work on the stabilization of Dam 9. The KRA has designed improvements for Dam 10. The KRA has implemented a plan to ensure the long-term reliability of Dam 3 and it has endorsed KAW's proposal in this case. The KRA stands ready to work with KAW to solve the region's supply problem through use of Pool 3.

Third, when KAW considered a pipeline to Louisville in the late 1990's, it was acting alone. It had no regional partner. Now its regional partner is the BWSC which did not exist as a Commission until 2004. The presence of the BWSC as KAW's regional partner is a significant change in cooperation and collaboration. The BWSC has contributed to the cost of design of facilities, and KAW has negotiated with the BWSC an opportunity for equity ownership in the project. By collaborating with the BWSC, KAW learned of the great advantages of a Pool 3

solution, which is also the BWSC's preferred solution. Moreover, both BWSC members and KAW customers will benefit from the economies of scale that will result if the BWSC exercises any of the options available to it under the November 20, 2007 contract between the BWSC and KAW. In short, a regional solution to the problem is desirable and, for the first time ever, has a real chance to work.

Fourth, one of the many reasons KAW stopped work on the idea of a pipeline to Louisville in the late 1990's was the LFUCG resolution mentioned above. KAW concluded it was inappropriate to implement a plan that included a pipeline to Louisville in the face of that resolution without considerable effort to look at the Kentucky River and a regional solution. Certainly, much has happened with respect to KAW's relationship with the LFUCG since that time, including a failed effort by the LFUCG to condemn KAW.

Fifth, there is a glaring and important difference between the Louisville pipeline that was proposed in the late 1990's and the pipeline that has been proposed by KAW in this case. As explained in KAW's Response to Hearing Data Request No. 3, 96-100% of the various alternative pipeline alignments that KAW considered in the 1990's were going to be placed on private property. In contrast, significant portions of the pipeline KAW has proposed in this case will be located in the state right-of-way. Although it is impossible to measure the level of opposition to any project, to the extent a pipeline can be placed in a state right-of-way, the impact on nearby landowners will be less than if it is placed on private property. KAW is firmly committed to mitigating the impact of the installation and presence of its proposed pipeline as much as possible for all those affected by it.

Sixth, since 1999, KAW implemented short-term measures to increase the operational capacity of its existing treatment plants, essentially buying it some time to participate in the regional efforts while still meeting the demands of its customers. KAW is continuing to increase the reliability of its existing treatment plants. But the drought in the summer of 2007 highlighted the real need for additional water supply. KAW has added 17,041 customers between the end of 1999 and 2007 in its Central Division alone, with 9,859 new customers in the last five years. KAW customers demanded more water in 2002 than KAW's existing plants can reliably provide and only met those needs because of the short-term measures that were implemented. Any further delay in implementation of a water supply project will involve significant economic, health and safety risks to KAW's customers.

Seventh, there is a strong public understanding now for the need for additional water based on two serious droughts in eight years that did not exist in the late 1990's. While the public is much more aware of conservation, as evidenced by declining per capita water use among KAW's customers, the public is clearly aware of the need.

Finally, the AG did *not* support KAW's Louisville pipeline proposal of the late 1990's. Here, acting as the statutory representative of *all* consumers in the Commonwealth, including LWC and KAW customers, the AG supports the Kentucky River solution at Pool 3 as KAW has proposed (with some conditions, most of which KAW has endorsed).

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134
PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 3 of 9

Witness: Linda C. Bridwell/Nick O. Rowe

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

Response:

Kentucky American Water (KAW) has had countless communications with various employees and elected officials of the LFUCG over the last twenty-five years about the source of supply. The documents related to those communications since 1999 were included in response to Item No. 30 of the Commission's May 21, 2007 First Data Request in this case. Since that response was made, KAW had subsequent correspondence with representatives of the LFUCG which is attached to this response and described below.

In 1989, then LFUCG Mayor Scotty Baesler formed and chaired the Kentucky River Basin Steering Committee ("KRBSC") to review water supply situation for the entire Kentucky River watershed. KAW was an active member of the Committee, providing technical support and contributing $125,000 of the total project costs for a study by HARZA Engineers.

In 1992, KAW completed its Least Cost/Comprehensive Planning Study, which built on the findings of the KRBSC. On September 28, 1992, KAW met with PSC Staff and Commissioners, Attorney General and LFUCG representatives to review the LC/CPS. On January 26, 1993, KAW Manager Bob Edens made a presentation to the LFUCG Council identifying the Louisville pipeline alternative as the preferred solution. The LFUCG was a party to Case No. 93-434 which began on November 19, 1993 and concluded on September 29, 1997.

Beginning in 1997, the Fayette County Water Supply Planning Council began meeting to develop Fayette County's required report. Council members Gloria Martin, Al Mitchell

and Sandy Schafer and LFUCG staff members Steve Bowers, Darryl Bennett, Ed Gardner and Jim Rebmann were members of that council and they participated along with KAW and other members of the public. In July 1999, the Fayette County Water Supply Planning Council concluded its report, recommending the proposed Louisville pipeline as the preferred alternative by an 8 – 4 vote. Members who voted against the plan identified their preferred solution. The three LFUCG Council members did not participate in the vote and did not sign the document.

In September 1999, the LFUCG Council established a series of informational meetings to review the issues and to formulate its recommended solution to the water supply problem. The Council created a Technical Advisory Group to establish consensus on the technical aspects of the issue including the demand projections and scope of deficit. KAW was an active member of the Technical Advisory Group. On October 11, 1999, the LFUCG Council met to review the report from the Technical Advisory Group. On October 26, 1999, the Council met to review project costs, including treatment plant costs. The Council continued its fact-finding efforts by taking a tour of Kentucky River Dam 10 and of KAW's treatment facilities. On November 8, 1999, KAW made its presentation to the Council on the Ohio River supply project. On November 22, 1999 Steve Reeder, Executive Director of the KRA, made a presentation about then-current plans and status of potential projects on the Kentucky River. Mr. Reeder made it clear that regardless of whether or not the Kentucky River supply was enhanced, the dams would have to be stabilized to simply maintain the current supply.

On November 29, 1999, the Council held its last meeting and heard public comments, as well as a proposal from regional utilities for a shared treatment capacity solution. A proposed schedule for water supply enhancements was presented by the Kentucky Water Resources Research Institute ("KWRRI") to the LFUCG in 1999 to supply an additional 3.0 billion gallons of water to KAW. This included raising Dams 10, 9, 12, and 13. The KWRRI proposed several plans, including raising Dams 9 and 11 while further mining Pools 12 and 13. None of these specific plans have been adopted by the KRA, nor do any of them resolve the total basin deficit.

On December 9, 1999 the LFUCG Council passed a resolution that made a series of findings and recommendation in the public interest. The findings included a confirmation of the magnitude of the source of supply and production capacity deficit. A copy of the resolution is attached in Exhibit A of Linda Bridwell's Direct Testimony in this case.

Following the Resolution of the LFUCG, KAW began meeting with other regional water utilities to discuss the potential for regional solutions to both raw water supply and treatment capacity deficits. This group was coordinated by the Bluegrass Area Development District ("BGADD") and used a KRA Board member as a facilitator. The group became known as the Bluegrass Water Supply Consortium (Consortium) and began working to find common ground on water issues.

The group initially included Winchester Municipal Utilities, Georgetown Municipal Water and Sewer Service, the City of Nicholasville, the Frankfort Electric and Water

Plant Board, the City of Versailles, the LFUCG, and KAW. The BGADD made a presentation to the LFUCG on June 27, 2000 on the progress of the Consortium.

Subsequent updates to the LFUCG Council on the resolution were provided by the BWSC and KAW in written form.

Beginning in 2001, members of the LFUCG Council began to initiate efforts for condemnation of KAW. While KAW continued to work with the LFUCG on water supply as joint members of the BWSC, conversations with LFUCG elected officials regarding water supply were more limited. In 2003, David Shultz of American Water discussed the idea of LFUCG participation in a pipeline to Louisville with some individual LFUCG council members.

On November 20, 2006, KAW hosted a Customer Service Council meeting where LFUCG employee David Gabbard was in attendance. The water supply issue was discussed and the agenda is attached.

Beginning in January 2007, Nick Rowe sent a letter to Mayor Newberry that included assurances regarding KAW's commitment to resolving the water supply issue. A copy of the letter is attached. On January 31, 2007, Nick Rowe met with Council member Don Blevins. On February 12, 2007, Linda Bridwell and Fred White of KAW met with Charlie Martin and Don Kelly of the LFUCG to discuss a number of issues including public-private joint ventures to install water and sanitary replacement lines simultaneously. On that same day, Susan Lancho sent an e-mail update to all Council members and the Mayor advising them of the finalized route of the proposed project, attaching a map of the route. A copy is attached. On February 22, 2007, KAW again hosted a Customer Service Council meeting where LFUCG David Gabbard was in attendance and the water supply issue was discussed. A copy of the agenda is attached. On February 26, 2007, Nick Rowe and Susan Lancho met with Council member David Stevens to discuss issues regarding the former Reservoir No. 2. On March 2 and again on March 20, 2007, Nick Rowe met with Council member Ed Lane.

On March 30, 2007, KAW employee Susan Lancho sent an e-mail to the Mayor and LFUCG Council members. The e-mail attached KAW's press release regarding this case, a Question and Answer document on the project, and a Facts sheet on the project. A copy of the e-mail and all attachments is attached to this data response. On May 15, 2007 Nick Rowe met with Council member Ed Lane. On May 31, 2007, Susan Lancho sent another e-mail to the Mayor and Council members regarding drought conditions and available water supply. On June 28, 2007, Susan Lancho sent an additional e-mail updating the Council on the water supply project, attaching a comparison of the LWC proposed idea and the Kentucky River project, and the resolution of the BGADD supporting the regional project. A copy of the e-mail and all attachments are attached to this response.

On July 5, 2007, Linda Bridwell met with LFUCG Councilmember Jay McChord to discuss the potential for acquiring joint easements on the proposed project to be used for

KAW pipeline and for a biking trail for the Healthways program. On July 10, 2007 the LFUCG Council Planning Committee heard a presentation from LWC and KAW representative. On July 11-12, 2007 Linda Bridwell and Nancy Wiser of Wiser and Hemlepp Associates attended the Greater Lexington Chamber of Commerce Washington, DC Fly-in to discuss regional issues with the congressional representatives. Mayor Newberry, Vice Mayor Gray, and Council members Beard and Stevens were also on the trip. Individual conversations took place regarding the water supply issue with each LFUCG representative.

On August 16, 2007, Nick Rowe, David Whitehouse and Linda Bridwell met with Vice Mayor Gray to discuss the Pool 3 project and comparison of costs to the proposed LWC idea. Nick Rowe and David Whitehouse also met with Mayor Newberry. On August 21, 2007, Linda Bridwell met with Council member Stevens and on September 12, 2007, met with Council member Crosbie. On August 21 and September 18, 2007, KAW made presentations to and answered questions from the LFUCG Council Planning Committee. On August 20, 2007, Nick Rowe sent a letter to each of the Council members discussing the water supply project and included extensive information about the water supply issue. A copy of the letter and its attachments are attached to this data request. On August 24, 2007, Nick Rowe met with Mayor Newberry and on August 28 he met with Council member Andrea James.

On September 17, 2007, Nick Rowe sent an additional letter to the Mayor and LFUCG Council members, updating them on activities on the water supply project. A copy is attached. On October 3, 2007, the KAW Customer Service Council met at KAW with LFUCG Council member Andrea James in attendance. The water supply project was discussed and a copy of the agenda is attached. On October 8, Nick Rowe met with Mayor Newberry again to provide a status update on water supply. On November 20, 2007, Nick Rowe sent an additional update letter to the Mayor and LFUCG Council members. On December 6, Nick Rowe sent another letter to the LFUCG Council members with an attachment regarding the efforts in 1999. A copy of both of these letters is attached to this data response. On December 5, 2007, the KAW Customer Service Council met with LFUCG Council member James in attendance. A copy of the agenda is attached.

KAW employee David Whitehouse has had extensive conversations both in person and by telephone with various elected officials of the LFUCG over the last ten years regarding water supply in addition to what has been identified above. Linda Bridwell has also had frequent contact regarding water supply with LFUCG staff members, Fire Department personnel, LFUCG Council staff and LFUCG employee and former BWSC representative Paul Schoninger. Additionally, conversations with LFUCG members of the Bluegrass Water Supply Consortium and then the Bluegrass Water Supply Commission have been frequent and ongoing since December 1999. Related correspondence, where relevant, is attached. KAW has also distributed five communications called "Connections" that discusses the water supply project. LFUCG Council members and the Mayor received these documents and they are attached.

Kentucky American Water®

Customer Service Council

November 30, 2006

■ Welcome	Susan Lancho	11 – 11:10 a.m.
■ Water supply deficit/solution – History and current status	Linda Bridwell	11:10 – 11:50 a.m.
■ Wise Water Use campaign	Linda/Susan	11:50 – Noon
■ Break		Noon – 12:15 p.m.
■ Lunch begins (meeting continues during lunch)		12:15 p.m.
■ Fayette County Fire Hydrants	Wayne Mattingly	12:15 – 12:30 p.m.
■ Q and A – Open discussion		12:30 – 1 p.m.
■ Adjourn		1 p.m.

RWE GROUP

(Similar letter to all LFUCC members.)

Kentucky American Water®

Nick O. Rowe
President
859 268 6333

January 24, 2007

Hon. Jim Newberry
Lexington Fayette Urban County Government
200 East Main Street
Lexington, KY 40508

Dear ~~Mayor~~ Jim

On behalf of Kentucky American Water, I want to extend best wishes to you as you embark on a new year in public service for our community.

Like you, we are committed to serving this community in the most professional, responsive manner possible. Should you ever need assistance from a member of our team – whether it be to familiarize yourself with a water issue or gain information to answer a constituent's concern – please don't hesitate to contact us. My personal office number is 268-6333, and my cell phone number is (859) 556-1231. I can also be reached through my assistant, Peggy Slone, by calling 268-6361. In addition, please find enclosed a listing of other key contact persons at the company.

While many of you may already be familiar with our company and its operations, we recognize that others may be interested in learning more through a site visit. Some council members have already participated in a tour of our facilities during their membership on Kentucky American Water's Customer Service Council, which meets quarterly. We are pleased to offer such a tour to other members of the council as well, should you be interested.

Finally, as discussion regarding water supply continues, I want to assure you that plans to augment Central Kentucky's water supply are progressing, and that we will make every effort to keep you apprised of this important project. We remain on target for filing a plan for constructing an additional treatment plant and water transmission main with the Kentucky Public Service Commission this spring. Again, in the meantime, please call if you have any questions or need more information.

Kentucky American Water appreciates the opportunity to serve our customers and pledges to provide quality, reliable service 24 hours a day, every day of the year. We look forward to working with you in the new year and beyond.

Sincerely,

Nick

Nick O. Rowe
President

Mayor, We Appreciate All your efforts. And We Are In Agreement with Partnership going Forward!

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Lexington, KY 40502
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F +1 859 268 6327
I www.amwater.com

c: David Whitehouse Susan Lancho

RWE Group

Susan L
Lancho/KAWC/AWWSC
02/12/2007 06:07 PM

To mayor@lfucg.com, jgray@lfucg.com, ajames@lfucg.com, jbeard@lfucg.com, kccrosbie@lfucg.com, dblevins@lfucg.com, lgorton@lfucg.com, tblues@lfucg.com,
cc Nick Rowe/KAWC/AWWSC@AWW, David Whitehouse/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW
bcc

Subject Update on water supply project

This is simply to advise you that Kentucky American Water continues to make progress on design plans for a new water treatment plant and water transmission line to address Central Kentucky's water supply deficit. Just today we forwarded letters to property owners in Fayette, Franklin, Scott and Owen counties regarding our selection of a general route the new waterline would follow, pending Kentucky Public Service Commission approval of the project. (Please see attached map. We have been reviewing three potential routes -- a "southern," "middle" and "northern" route. We selected the "southern" route based on a variety of factors, including cultural and environmental assessments, property owner feedback, project costs and feasibility of construction.) The new water treatment plant will be constructed on the Kentucky River near Monterey, in Owen County.

We plan to file this case with the PSC in the spring of this year, and are hopeful to obtain PSC approval in 2007. This would enable us to mobilize contractors later this year to begin work, and to complete the project by early summer 2010.

Please let me know if you have questions or need additional information. It is our intention to provide you with timely updates on this important project.

Sincerely,

Susan Lancho

FINAL ROUTE MAP.pdf

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Susan Lancho
Communications Manager
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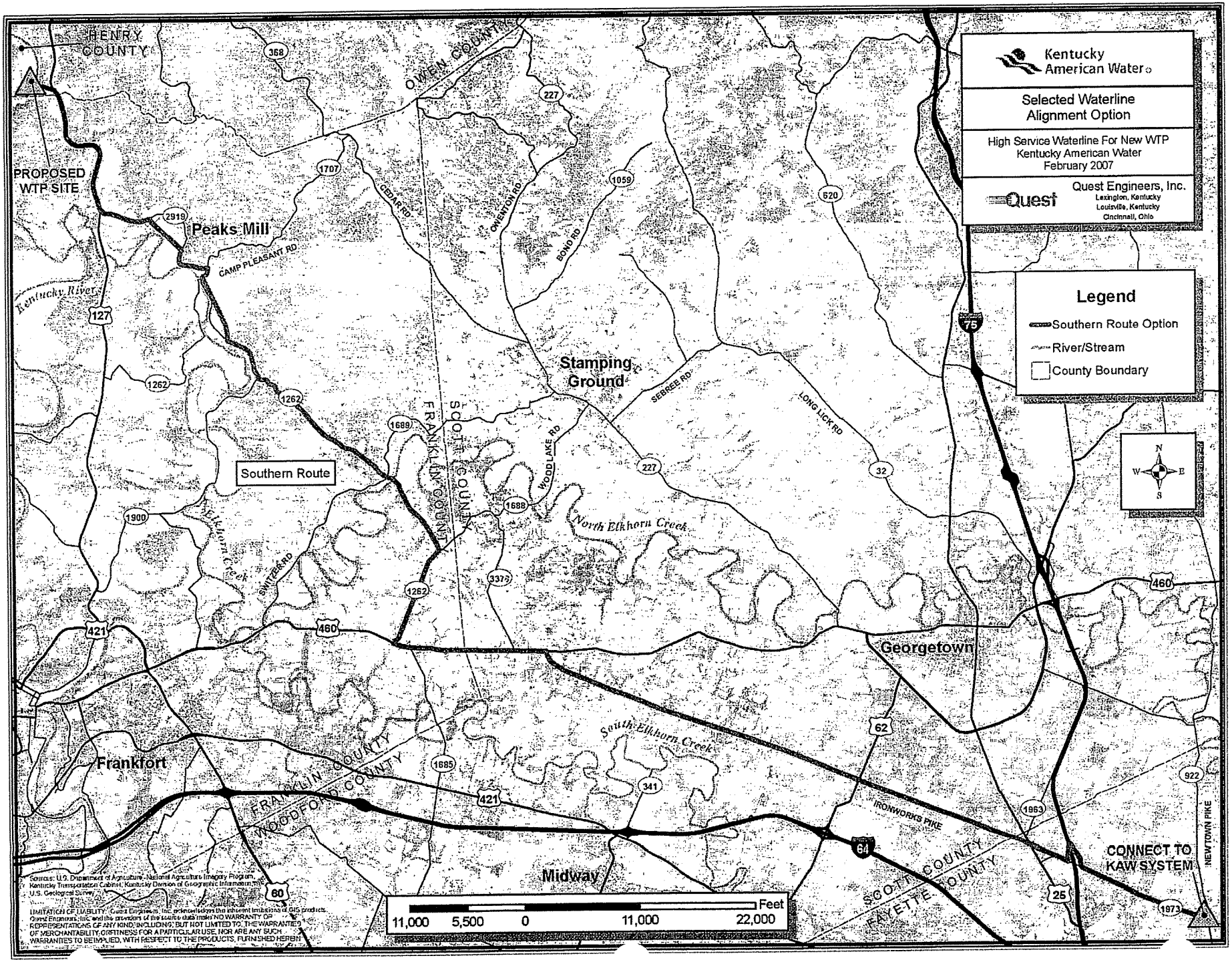
Kentucky American Water
Selected Waterline Alignment Option
High Service Waterline For New WTP
Kentucky American Water
February 2007
Quest
Quest Engineers, Inc.
Lexington, Kentucky
Louisville, Kentucky
Cincinnati, Ohio
Legend
Southern Route Option
River/Stream
County Boundary
HENRY COUNTY
OWEN COUNTY
PROPOSED WTP SITE
Peaks Mill
CAMP PLEASANT RD
Kentucky River
CEDAR RD
OVERTON RD
BOND RD
Stamping Ground
SEBREE RD
LONG LICK RD
WOOD LAKE RD
SCOTT COUNTY
FRANKLIN COUNTY
Southern Route
Elkhorn Creek
SWITZER RD
North Elkhorn Creek
Georgetown
South Elkhorn Creek
Frankfort
WOODFORD COUNTY
IRONWORKS PIKE
Midway
FAYETTE COUNTY
CONNECT TO KAW SYSTEM
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Sources: U.S. Department of Agriculture - National Agriculture Imagery Program
Kentucky Transportation Cabinet; Kentucky Division of Geographic Information
U.S. Geological Survey
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Kentucky American Water®

Customer Service Council

February 22, 2007

- Opening Comments/Updates — Susan Lancho
  - Water Supply Project Update
  - Main Breaks
  - Kentucky River Authority Fees
  - Environmental Grant Program
  - Ripple Effect Scholarship Program
- What is On and Behind Your Bill? — Coleman Bush
- Lunch/Informal discussion — Group
- Adjourn (by 1 p.m.)

RWE GROUP

Susan L
Lancho/KAWC/AWWSC
03/30/2007 02:31 PM

To jgray@lfucg.com, ajames@lfucg.com, jbeard@lfucg.com, kccrosbie@lfucg.com, dblevins@lfucg.com, lgorton@lfucg.com, tblues@lfucg.com, davids@lfucg.com,
cc David Whitehouse/KAWC/AWWSC@AWW
bcc

Subject Today's Water Supply Project filing

Please see attached information re: today's Kentucky American Water water supply project filing with the PSC.

Water Supply Project Filing Release.pdf Q & A_ Mar 30 07.pdf Facts at a Glance.pdf

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American Water

News Release

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FOR IMMEDIATE RELEASE

KENTUCKY AMERICAN WATER FILES APPLICATION WITH PUBLIC SERVICE COMMISSION FOR WATER SUPPLY PROJECT

Approval requested for constructing new water treatment plant and waterline to address Central Kentucky's water supply deficit

Lexington, Ky., (March 30, 2007) –Today Kentucky American Water filed an application with the Kentucky Public Service Commission (PSC) for approval to construct a new water treatment plant near Monterey in Owen County, an intake site in Franklin County, and a transmission line into Fayette County. This will allow the company to withdraw water from the Kentucky River from the area between locks 3 and 4, known as pool 3. Currently, Kentucky American Water draws water only from pool 9, which is upstream from pool 3.

The new plant will treat 20 million gallons of water per day and could be expanded to treat 5 million more if plans proceed for a partnership with the Bluegrass Water Supply Commission (BWSC). The BWSC, which includes 10 area municipally-owned water utilities, could purchase additional water from the new plant. This could occur through a joint-ownership arrangement of the new plant or through negotiated purchase-water agreements. The water eventually could serve all or parts of Bourbon, Clark, Fayette, Franklin, Harrison, Jessamine, Scott, Madison and Montgomery counties.

Additionally, the PSC filing includes copies of plans and specifications for all parts of the project as well as background information, referred to as testimony, from Kentucky American Water staff members.

"This is an important step in solving the water supply deficit facing central Kentucky," Nick Rowe, Kentucky American Water President, said. "This projected shortage cannot be solved by cutting back on watering the lawn or by not washing your car. It is far more than conservation alone can manage. It is about making sure we have the necessary, safe water supply for all residents, businesses, health care facilities and government entities in our region. It is imperative that we move forward as quickly as possible to prevent significant water shortages in the future."

-MORE-

RWE GROUP

Water supply project filed with PSC

Kentucky American Water has been studying the problem and seeking solutions for many years. Since the drought of 1999, the company has been an active participant with the BWSC, examining a variety of methods to find the best, most cost-effective ways of using a regional approach to address this issue. Kentucky American Water made a commitment to the PSC last year to move forward with a plan to solve the problem.

Since that time, the company has been studying and securing the plant and intake locations, researching the best routes for the underground water transmission lines, and meeting with property owners, government officials and other community leaders. In mid-February, Kentucky American Water announced it had selected a water transmission route to bring water from the new plant into Lexington. This route runs from the Owen County plant site through parts of Franklin, Scott and Fayette counties and will link to Kentucky American Water's waterlines on Newtown Pike.

During the next few months, Kentucky American Water will continue to research the best alignment of the route for the transmission line. This will be done with significant input from property owners along the route and always with the intention of creating the least disruption to the environment.

The company plans to begin construction this fall with the project being completed in 2010. Cost of the project is estimated at $160 million. For more information and to follow the development of this project, visit www.bluegrasswater.com.

Kentucky American Water is based in Lexington and serves more than 114,000 customers (approximately 326,000 individuals) in portions of 10 Central Kentucky counties. American Water, the parent company of Kentucky American Water, is headquartered in Voorhees, N.J., and employs approximately 7,000 dedicated professionals who provide high quality water, wastewater and other related services to more than 17 million people in 29 states and Canada. More information can be found by visiting www.kawc.com and www.amwater.com.

-MORE-

Additional Facts

- BWSC entered an agreement to provide 1.6 million gallons of water per day by 2009 to Seikusi-SLEC America for its Winchester plant expansion. Kentucky American Water is partnering with the BWSC to provide a regional solution to this water supply challenge through a possible plant expansion.

  - The six counties in the Lexington Metropolitan area were responsible for about 70 percent of the region's $10 billion retail trade. Retail trade increased by more than 56 percent in the past nine years. *Source: Bluegrass Tomorrow's Bluegrass Region Economic Analysis*

  - The members of the BWSC are "commuting partners," relying on each other for jobs. For instance, Fayette County serves as the workplace for nearly 50,000 out-of-county residents. *Source: Bluegrass Tomorrow's Bluegrass Region Economic Analysis*

  - Toyota, a Scott County customer of Kentucky American Water, has approximately 7,000 team members who live in about 75 counties. The plant has 90 suppliers based in Kentucky and has generated 35,000 jobs in the state. *Source: Toyota Motor Manufacturing of Kentucky*

  - Sixty-four percent of those needing the services of Lexington's hospitals reside outside the county. *Source: Commerce Lexington*

  - More than 2.6 million visitors spent at least one night at an area hotel, shopped in our stores, ate in our restaurants and attended sporting events throughout the year. *Source: Commerce Lexington*

  - Hundreds of thousands of visitors will be coming to the Bluegrass for the Alltech FEI World Equestrian Games in 2010.

- end -

American Water

Water Supply Project
Questions & Answers

Susan Lancho
Kentucky American Water
T: 859-268-6332
Susan.lancho@amwater.com

Q. What did Kentucky American Water file on March 30?
A. Kentucky American Water filed an application for Kentucky Public Service Commission approval to construct a new 20 million-gallon-a-day water treatment plant and an approximately 30-mile underground water transmission line. The PSC regulates the company's rates and service and must approve projects such as this. This will be the most significant water utility project built in Kentucky – in terms of size and cost – in 30 years.

Q. Where will the treatment plant and waterline be located?
A. The proposed water treatment plant will be located near Monterey, in Owen County, and the water transmission line will run from the water treatment plant site through Franklin and Scott counties, then tie into Kentucky American Water's existing distribution system in Fayette County.

Q. What and where is the source of water for this plant?
A. The treatment plant will draw water from pool 3 of the Kentucky River. The intake for the treatment plant will be located in Franklin County.

Q. Does this new project replace existing facilities?
A. This water supply project is being built to augment Kentucky American Water's existing sources of water supply and water treatment facilities.

Q. Why is this project important?
A. More than 20 years of substantial research by multiple organizations clearly indicates that a sufficient supply of water is not currently available to meet the needs of Kentucky American Water's customers during a drought of record. In fact, the company is currently under mandate by the PSC to address the problem. PSC Order No. 93-434, dated August 21, 1997, states:

"Kentucky-American shall take the necessary and appropriate measures to obtain sources of supply so that the quantity and quality of water delivered to its distribution system shall be sufficient to adequately, dependably, and safely supply the total reasonable requirements of its customers under maximum consumption through the year 2020."

The new water treatment plant and underground waterline will address this need through 2030. This project is not being built for a future need – it is being constructed for an existing need.

Q. What will happen if this project doesn't occur?
A. Many Kentuckians depend on the Central Kentucky region for jobs, health care, education and other services. If a lack of sufficient water supply occurs, businesses and organizations may be required to curtail services, reduce operations, or even shut down temporarily – all of which could have long-term effects.

Q. When will construction begin? End?
A. We are hopeful that the PSC will approve the project in time for us to begin construction later this year, and complete the project by early summer 2010.

RWE GROUP

Water Supply Project Q and A

Revised March 30, 2007

Q. When was the last drought?
A. The last significant drought in this region was in 1999. The company's demand management plan, designed to encourage reduction of water use during emergency times, was in effect for 18 weeks – from June 23 through October 25. The company has 15,000 more customers today than it did in 1999.

Q. Why can't customers simply conserve more water? Is that a solution?
A. The company has made a concerted effort to encourage Central Kentuckians to use water wisely through an ongoing consumer education campaign, and will continue to do so, but the water supply problem is beyond the point where conservation will solve it.

Q. How much will this project cost?
A. The project's estimated cost is $160 million.

Q. Will rates increase because of this project?
A. Any infrastructure project of this magnitude will certainly have an impact on rates. A greater economic burden would be felt by the community, though, if we do not solve the water supply problem. We estimate that, as a result of this project, the average water bill may increase approximately $8 – $10 a month. Customers would begin seeing a portion of that total increase on their bills by mid-construction of the project.

Q. Is this a project to benefit Lexington/Fayette County only?
A. Kentucky American Water serves customers in portions of 10 counties, and this project will initially help meet the needs of customers in seven of those counties, including Fayette, Bourbon, Clark, Harrison, Jessamine, Scott and Woodford.

A partnership with the Bluegrass Water Supply Commission would mean several other communities will also depend on this water treatment plant and waterline, including Berea, Cynthiana, Frankfort, Georgetown, Lancaster, Mount Sterling, Nicholasville, Paris and Winchester.

The water supply problem is a regional issue, not a "Lexington" issue.

Q. Will this project create new jobs?
A. We project that there will be seven new jobs created for staffing the new water treatment plant.

Q. What is the Bluegrass Water Supply Commission?
A. The BWSC is a group of municipal representatives in the region who have also been studying the water supply deficit and who have concluded through their research that a water supply solution is needed. The company has been working with the group for eight years.

The company is currently in negotiations with the BWSC on a potential joint partnership of the water treatment plant and water transmission line. The BWSC's board approved in January 2007 to fund a second design of the treatment plant, which expands the plant's treatment capacity to help meet BWSC communities' additional water demands (which totals approximately 5 MGD).

Q. I thought the Kentucky River didn't have enough water to meet our needs.
A. The company currently withdraws water from pool 9 of the Kentucky River. It will continue to do so, but, with the new treatment plant, it will also be able to withdraw from pool 3, which is located downstream from pool 9. Between pools 9 and 3, there are numerous cities that discharge

Water Supply Project Q and A

Revised March 30, 2007

treated wastewater back into the river, and there are additional tributaries which flow into the river, providing ample supply to use. In addition, there are no other communities downstream from pool 3 that rely on the river for water supply.

Q. How is the water quality in pool 3?
A. The water quality in pool 3 has been researched and the pool is appropriate for use as a drinking water source. The company intends to provide water from the new plant that meets the same nationally-recognized water quality standards as it currently does from its two Fayette County facilities.

Q. In the 1990s, the company proposed running a pipeline from the Louisville Water Company to Lexington, but then pulled back from that solution at the Lexington-Fayette Urban County Councils' request. Was the company wrong about that solution?
A. In the 1990s the company determined that the Louisville Water Company solution was the most economical solution for our customers, and no other area providers had addressed a regional approach. In 1999 we agreed to explore a Kentucky River solution and to work on more of a regional solution with other municipalities. That is what we have done, and the outcome is the project we have submitted to the PSC. In today's dollars, the two projects are actually quite comparable in cost. The project we have filed is the least cost, most feasible solution.

Q. Why not add a pipeline from the Ohio River to the plant as well?
A. At this time we do not believe there is a need to construct a pipeline to the Ohio River, and it would not be appropriate to ask our customers to pay for this additional cost.

Q. When will you start construction?
A. We must first receive PSC approval for the project. We are hopeful that we can begin construction in the fall of 2007, allowing us to complete the project by early summer 2010, several months before the Alltech FEI World Equestrian Games.

Q. Won't the new waterline impact private property or natural areas?
A. Kentucky American Water reviewed several potential routes for the 30-mile underground waterline, and then selected one route over the others after reviewing a variety of factors – environmental and cultural concerns, feasibility of construction and operation, and cost. We also solicited feedback from property owners in the area.

There will be some short-term disruption during construction, however we intend to minimize the impact to the area as much as feasible by laying the waterline in existing roadways as possible, diverting the route around sensitive areas as much as possible, etc. We will work quickly to restore disrupted areas so there will be little evidence of the construction. We have been communicating with property owners along the route since December, and will continue to remain in close contact with them to answer questions and address their concerns.

Kentucky American Water is sensitive to property owners' concerns and is an environmentally friendly company.

Q. What kinds of environmental projects is the company involved in?
A. Kentucky American Water is the first utility in the state to join the Kentucky Department of Environmental Protection's Kentucky EXCEL environmental leadership program. A few other examples:

Water Supply Project Q and A

Revised March 30, 2007

- Leading corporate sponsor of the Lexington-Fayette Urban County Government's Reforest the Bluegrass project since its inception in 1999
- Annual sponsor of Arbor Day at the Arboretum, the state's official botanical garden
- 2007 title sponsor of the Downtown Lexington Corporation's Downtown Sweepstakes cleanup event
- Long-time leading supporter of McConnell Springs, commonly regarded as the place where Lexington was named
- Corporate property in Fayette County is deemed wildlife friendly by the Kentucky Department of Fish and Wildlife's Business Conservation Partnership program
- Company provides funding annually to watershed protection causes and organizations through the American Water Environmental Grant Program
- Company sponsors an annual scholarship for high school seniors focused on environmental stewardship – the Ripple Effect Scholarship Program, as well as an annual watershed protection poster contest.

Q. How can I learn more about the project?
A. Visit www.bluegrasswater.com for more information on the project and to stay current on new developments with it. You may also call 1-877-24WATER to request more information.

RWE GROUP

American Water

Water Supply Project
Facts-at-a-Glance

Susan Lancho
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Background

Kentucky American Water is under mandate from the Kentucky Public Service Commission to resolve the water supply problem in Central Kentucky. The company has studied this issue extensively and has worked in earnest to resolve the problem, which has the potential to severely hamper the economic viability of this region.

Following is a brief history:

1986 – Kentucky American Water identified in its Comprehensive Planning Study a need for additional treatment capacity and additional raw water supply.

1988 – The region experienced a moderate drought, bringing the issue to the forefront.

1992 – The company completed a new Comprehensive Planning Study and announced that it would begin work on a pipeline from Lexington to Louisville, which would cost $50 million. The pipeline would connect Kentucky American Water's system with that of Louisville Water Company. The company would purchase treated water from Louisville, which uses the Ohio River as its source of supply.

1993 — The Kentucky Public Service Commission opened an investigation into the water supply issue.

1997 — The investigation was completed, confirming the need for additional water sources and the company began work on the 36-inch, 55-mile pipeline.

1998 – Kentucky American Water executed an agreement with Louisville Water Company to purchase up to 23 MGD of treated supply. Louisville Water Company would install 13.7 miles of pipe.

1998 (September and October) – Kentucky American Water's business and residential customers experienced watering restrictions. After a relatively dry winter and spring the region moved toward a severe drought, with customers on watering restrictions for four months in the summer of 1999, reaching a total ban on outdoor watering.

1999 – The pipeline design was 60% complete but concerns over this solution by residents and government officials put it on hold.

The LFUCG Council eventually voted to express its preference for a Kentucky River – not an Ohio River – solution to the water supply problem, and it encouraged the company to work with a regional group of municipal systems that was forming to solve the problem. The company pulled back on the pipeline effort and agreed to work with the regional group, the Bluegrass Water Supply Consortium. The organization first met informally in 1999.

RWE GROUP

Water Supply Project

Facts-at-a-Glance

Since that time Kentucky American Water has taken numerous steps to expand treatment capacity as an interim measure:

- Obtained temporary re-rating of combined production capacity to 70 MGD (2000)
- Completed hydraulic improvements to Richmond Road Station that increased operating capacity to 30 MGD (not reliable)

2001 – The PSC opened an additional investigation into water supply, with the BWSC a party to the proceeding. That same year the BWSC received congressional funding for a feasibility study of a regional solution, which matched state dollars used for the same.

2002 – Demand from customers due to the hot summer resulted in 30 days of pumpage exceeding 60 MGD. That summer the company also reached a one-day pumpage of 71.82 MGD, exceeding its approved volume and setting an all-time demand record.

2004 – The BWSC completed its study and recommended as the regional solution a 45 MGD plant on pool 3 of the Kentucky River with a raw water line to the Ohio River for additional supply, and a grid system to supply water throughout the region. The cost would be $265 million.

That same year the Bluegrass Water Supply Consortium became the Bluegrass Water Supply Commission under Kentucky Revised Statute 74. By law, a private utility like Kentucky American Water can not be a voting member of the group.

2005 - In December it was announced that the World Equestrian Games will be held in Central Kentucky in 2010. The games will bring a projected 300,000 people to the region.

Additionally, Sekisui, a Japanese manufacturer, announced it will build a plant in Winchester, adding 100 new jobs. This new manufacturer, which will be served by Winchester Municipal Utilities, will require approximately 1.9 MGD and is scheduled to begin operations in 2009. Winchester Municipal Utilities cannot meet this additional capacity without a new water source.

Kentucky American Water requested the Kentucky Public Service Commission convene an informal conference with all parties involved/interested in the resolution of Central Kentucky's water supply problem.

2006 - The BWSC approached the company about discussing the issue in new terms, exploring possible public/private partnerships, etc., before the informal conference.

Following the March PSC meeting, which included input from an organization representing some of Kentucky American Water's industrial customers, Kentucky American Water committed to submitting a project plan to the PSC in the spring of 2007.

The company then began the design process for a water treatment plant and transmission line. Kentucky American Water presented its plan to the BWSC in September and offered a partnership arrangement.

In December, property owners along potential routes were notified by letter of the plan, which included three potential water transmission line routes. A series of informational meetings were held with those who might be affected by the project to get their input regarding the

Water Supply Project

Facts-at-a-Glance

potential routes. Follow-up communication continues with any area residents who have concerns, questions or suggestions.

2007 - In January, the Bluegrass Water Supply Commission voted to fund a portion of the water plant design and to continue negotiations with Kentucky American Water regarding a business relationship in which it would have a 20 percent ownership. Kentucky American Water will use 20 MGD and the BWSC would use 5 MGD.

In February, Kentucky American Water selected one of the three routes for the water transmission line and announced its decision through letters to all previously notified property owners and a news release to local newspapers. A letter also was sent in March letting property owners along the selected route know the company would be submitting its application to the PSC at the end of the month and that representatives would subsequently contact owners individually to discuss the best alignment of the route on each property.

The application to construct the water treatment plant and transmission line will be filed with the Public Service Commission March 30.

Susan L
Lancho/KAWC/AWWSC
05/31/2007 05:50 PM

To mayor@lfucg.com, jgray@lfucg.com, ajames@lfucg.com, jbeard@lfucg.com, kccrosbie@lfucg.com, dblevins@lfucg.com, lgorton@lfucg.com, tblues@lfucg.com,
cc sstraub@lfucg.com

bcc David Whitehouse/KAWC/AWWSC@AWW; Nick Rowe/KAWC/AWWSC

Subject Drought conditions and water supply

We at Kentucky American Water have had several media inquiries re: the hot, dry conditions in our region and whether or not we anticipate water use restrictions. At this point Kentucky American Water remains in the "Preliminary Watch Phase" of its demand management plan, which we enter each year at the onset of hot weather. This basically means we are carefully monitoring river levels, pumpage and weather forecasts. We have not asked for any reductions in usage by our customers, but certainly we always encourage our customers to use water wisely, and will continue closely monitoring the situation. We will alert you should we move into phase 2 of our demand management plan, which would involve asking our customers to voluntarily reduce outdoor water usage.

Consistent with past practice, we currently have TV, radio and print ads in place that provide practical water conservation tips.

Also, FYI, we do have conservation kits available, which include conservation literature, low-flow showerheads, toilet tank water displacement bags, faucet aerators and toilet leak detection tablets. These are available to customers for no charge. Customers may also request a kit by calling our toll-free hotline at 1-877-24WATER.

Please let me know if I can assist further.

~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

Susan Lancho
Communications & Corporate Responsibility Manager
Kentucky American Water
2300 Richmond Road . Lexington, Kentucky 40502
859.268.6332 (office) 859.537.0736 (cell)
859.268.6327 (fax)
susan.lancho@amwater.com
www.kawc.com . www.bluegrasswater.com
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

Susan L
Lancho/KAWC/AWWSC
06/28/2007 05:04 PM

To mayor@lfucg.com, jgray@lfucg.com, ajames@lfucg.com, jbeard@lfucg.com, kccrosbie@lfucg.com, dblevins@lfucg.com, lgorton@lfucg.com, tblues@lfucg.com,
cc David Whitehouse/KAWC/AWWSC@AWW
bcc Nick Rowe/KAWC/AWWSC; mary@wiserhemlepp.com; nancy@wiserhemlepp.com; Valeria Swope
Subject Water Supply Project - Update

Recent news reports indicate that there may be some confusion regarding the proposed water supply solution for Fayette and surrounding counties. We are hopeful the attached documents are helpful to you. Please call or write if you have questions or need additional information. You will also find more detailed information on the project website at www.bluegrasswater.com.

Secondly, the rainfall our region has experienced during the past week has allowed us to refrain from issuing any watering restrictions for our customers. Please know, however, that we continue to monitor the drought situation closely and have met with members of the LFUCG administration re: next steps should we need to move into Phase 2 of our Demand Management Plan, voluntary water use restrictions.

Thank you,

Susan


Louisville Water vs Kentucky River solution.pdf


Resolution BGADD 6-20-07.pdf

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Susan Lancho
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American Water

Water Supply Project

Comparing Louisville Water vs Kentucky River Solution

Susan Lancho
Kentucky American Water
T: 859-268-6332
Susan.lancho@amwater.com

- Kentucky American Water and the Bluegrass Water Supply Commission are committed to the construction of a water treatment plant on pool 3 of the Kentucky River and an approximately 30-mile underground water main to transport water from the plant south to Fayette County for distribution throughout the region.

- The Louisville Water Company solution is a more expensive option for solving Kentucky American Water's water supply issue alone, solving the Bluegrass Water Supply Commission communities' water supply issue alone, and for jointly solving the water needs of Kentucky American Water and the Bluegrass Water Supply Commission.

- This Kentucky River project will be sufficient to meet the water supply needs through 2030, which is Kentucky American Water's current planning horizon. It may also be sufficient for future needs. Kentucky American Water routinely assesses its facilities, and well before the next increment is needed, it will re-evaluate all options for additional water needs.

- The Lexington-Fayette Urban County Government is a member of the Bluegrass Water Supply Commission, represented by Charlie Martin. It is also an intervenor in Kentucky American Water's water supply case currently under review by the Kentucky Public Service Commission.

- The Kentucky River solution currently being reviewed by the Kentucky Public Service Commission is a quicker solution. It could be operational by summer of 2010.

- Running the underground water main along the I-64 right-of-way from Louisville, as some have proposed, was twice denied by the Federal Highway Administration when requested by the Kentucky Transportation Cabinet. Such a route would still require easements from a significant number of property owners.

- The route for the previous Louisville Water solution proposed by Kentucky American Water in the 1990s was adjusted as feasible to minimize concerns. The last route considered before the project was halted was adjacent to I-64. It was still adamantly opposed by numerous groups.

- The Louisville solution proposed by Kentucky American Water in the 1990s and the Kentucky River solution proposed now are different in scope. Today's project addresses a regional need, not just that of Kentucky American Water's customers.

- more -

RWE GROUP

Water Supply Project

Louisville Water vs Kentucky River plans

- The Kentucky Division of Water has changed its method of evaluating water withdrawal permits since 1999, requiring less passing flow minimum amounts as one heads downstream of the Kentucky River. This, along with proposed facilities for Dam 3, allow much more water to be available to Kentucky American Water both now and well into the future than was considered in 1999.

- In 1999, the Lexington-Fayette Urban County Council passed a resolution 13-1 in support of Kentucky American Water stopping work on its Louisville Water Company solution, which was more than 60 percent designed but had not been filed with the PSC, and asked the company to refocus its energies on a regional and Kentucky River solution.

- In addition to being supported by Kentucky American Water, the Bluegrass Water Supply Commission, and the Bluegrass Area Development District, the Kentucky River solution has been selected as the best water solution for our region's water supply problem by two independent, national engineering firms: O'Brien and Gere, and Gannett Fleming.

RESOLUTION

RESOLUTION OF THE BLUEGRASS AREA DEVELOPMENT DISTRICT IN REGARD TO THE IMPORTANCE OF THE BLUEGRASS WATER SUPPLY COMMISSION'S EFFORTS TO ADDRESS IN THE NEAR TERM THE SERIOUS WATER SUPPLY SITUATION THAT ADVERSELY IMPACTS THE REGION

WHEREAS, the Bluegrass Area Development District (the "ADD") has been involved in addressing water supply issues for its entire 36 year existence;

WHEREAS, the ADD was among the leaders of the water supply expansion effort that began in 1999 with the ADD's involvement with the Bluegrass Water Supply Consortium and continues to this present time with its successor organization, the Bluegrass Water Supply Commission (the "BWSC");

WHEREAS, working through the ADD, a comprehensive engineering and financial study, entitled *Water System Regionalization Feasibility Study* (the "Study") was undertaken utilizing a nationally acclaimed team of professionals with the published 2004 study receiving a unanimous approval by the participating cities/water utilities;

WHEREAS, the Study recommended a joint equity ownership effort with Kentucky American Water (KAW) in the construction of a new water treatment plant using as its source Kentucky River's Pool 3 in northern Franklin County and the installation of a large diameter water transmission line from that new water treatment plant in a southeasterly direction to the Central Bluegrass region to connect with an already existing KAW water line network;

WHEREAS, the BWSC also plans to install, in its Phase I effort, potable water pipelines to connect the municipal water utilities of Winchester, Nicholasville, Georgetown, Frankfort, and Paris. Further, the BWSC has Phase II plans to reach the municipal water systems of Mt. Sterling, Lancaster, Berea, Cynthiana, and perhaps even others as the need dictates;

WHEREAS, a safe, adequate, dependable, and affordable source of potable water is required to supplement existing water sources in many areas of the Central Kentucky region for the purpose of sustaining the quality of life and to sustain the economic vitality of the region;

NOW THEREFORE, BE IT RESOLVED BY THE BLUEGRASS AREA DEVELOPMENT DISTRICT, ACTING BY AND THROUGH ITS EXECUTIVE BOARD OF DIRECTORS, AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. The ADD recognizes that the availability of safe, adequate, dependable, and affordable source of potable water is vital to the health, safety, and the economic vitality of the region as a whole.

Section 3. The matter of supplementing the available water supply is one that can best and most economically be addressed in a cooperative and collaborative manner through a public/private partnership.

Section 4. The ADD believes that the success of this effort is one that will benefit all cities and all counties in the region inasmuch as a significant benefit to most within the region will in fact have a spillover effect to benefit all by enhancing the overall regional infrastructure and by promoting the economic vitality of the entire region. To a great extent, all of the region's cities and counties will succeed or will fail to succeed together.

Section 5. The ADD recognizes the BWSC water supply effort and the project that embodies the effort as the region's *most important* effort for the present time.

Section 6. Inasmuch as the ADD identifies this effort and this project as *the paramount project* for the region, it respectfully requests the Executive Branch and the Legislative Branch of State Government to collaborate in promoting and providing the requested $25 million in state financial support that is required for this effort to move forward toward implementation by mid-2010.

Section 7. This Resolution shall take effect upon its adoption.

The Chairman declared the foregoing Resolution adopted on 6/20/07, 2007.

BLUEGRASS AREA DEVELOPMENT DISTRICT

By: _____
R. W. GILBERT, CHAIRMAN

ATTEST:

_____
LARRY TINCHER, SECRETARY

Kentucky American Water®

Nick O. Rowe
President
859 266 6333

August 20, 2007

Lexington-Fayette Urban County Council
200 East Main
Lexington, KY. 40507

Dear Council Member:

The Kentucky American Water team looks forward to meeting with the Planning Committee tomorrow to discuss our plan to solve the area's water supply deficit. There has been a significant amount of important work accomplished over the past several months by the company and the Bluegrass Water Supply Commission ("BWSC").

Let me first say that our company has enjoyed a long, professional relationship with Louisville Water Company. While we respect them as water professionals, the proposal they have made has been reviewed and rejected twice before, most recently by the BWSC. Further review of this alternative will only lead to more delay in solving a problem that has been exhaustively debated for more than 20 years.

Council members and key stakeholders have known for more than a year that Kentucky American Water and the BWSC have been working in a spirit of regional collaboration to solve the water supply deficit. I believe both the company and the BWSC will tell you that it has been hard, but successful and very important work. The Central Kentucky solution includes the ability for 10 municipalities to solve this challenge collaboratively while being equity partners in an historic public/private partnership.

The people of Fayette County are ready to solve the problem. The fact that we are now under water restrictions reminds each of us every day that time is of the essence. Research shows that nearly 80 percent of Fayette County residents see the water supply deficit as a problem, and more than 85 percent believe the issue has been debated long enough.

Our Central Kentucky solution is fully designed, well documented, well researched and ready to face the scrutiny of the Public Service Commission in October. We are taking bids on the project in early October and have more than 90 percent of the permitting completed. We are prepared to break ground this fall. In addition, we have regional support from the BWSC, the Attorney General, the Bluegrass Area Development District, the Kentucky River Authority, the Owen County Fiscal Court and multiple Chambers of Commerce.

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F +1 859 268 6327
I www.amwater.com

RWE Group

Kentucky American Water and the BWSC look forward to the support of the Lexington-Fayette Urban County Government because our Central Kentucky plan is the right project at the right time for the right reasons, and it is supported by a significant majority of the people of Fayette County.

My team and I look forward to the presentation tomorrow and to answering any questions you may have. Thank you for your consideration of this important project and for your ongoing commitment to the well-being of our community.

Sincerely,

Nick O. Rowe
President

cc: Mayor Jim Newberry
Tom Calkins
Don Hassall
Charlie Martin
Paul Schoninger

American Water

News Release

Valeria Cummings Swope
Kentucky American Water
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Valeria.swope@amwater.com

FOR IMMEDIATE RELEASE

KENTUCKY AMERICAN WATER GOES BEFORE PLANNING COMMITTEE

Company explains why it should continue with Kentucky River plan

Lexington, Ky., (August 21, 2007) – Kentucky American Water went before the Lexington Urban County Council Planning Committee this afternoon to once again show why it's joint proposal with the Bluegrass Water Supply Commission (BWSC) is the best water supply solution for Central Kentucky.

In 1999, the LFUCG asked the company to focus on the Kentucky River and to work with regional water utilities to find a Central Kentucky solution. Kentucky American Water has done both. Its plan for a Central Kentucky solution to the water supply deficit is a regional solution; one that will meet the water needs of 500,000 Central Kentucky residents for decades to come.

Unlike the proposal from Louisville Water, Kentucky American Water's plan is fully designed and out for bids. The estimated cost before bids remains at $160-$170 million. "When you look at options today, there is no other complete package that is as cost effective, scalable, regional, flexible and achievable as this plan," said Kentucky American Water Engineering Manager Linda Bridwell.

In addition, Kentucky American Water's plan is what customers want. A recent survey conducted by Kentucky American Water shows a significant majority of our customers endorse the water company plan and more than 70 percent agree they can trust the water company to build projects like the Kentucky River treatment plant in a business-like and cost-effective manner.

"We're committed to seeing this project through because we know the bluegrass solution is the right way to go," said Nick Rowe, President of Kentucky American Water. "It's complete, it's well researched, it's well documented, it's less expensive, more timely and prepared to meet the strict review of the Public Service Commission."

"In addition we have regional support from the Bluegrass Water Supply Commission, the Attorney General, the Bluegrass Area Development District, the Kentucky River Authority, the Owen County Fiscal Court and Multiple Chambers of Commerce. All are convinced this is the best solution," said Rowe.

RWE GROUP

News Release

Kentucky American Water Goes Before Planning Committee

Kentucky American Water is based in Lexington and serves more than 115,000 customers in portions of 10 Central Kentucky counties. American Water, the parent company of Kentucky American Water, is headquartered in Voorhees, N.J., and employs approximately 7,000 dedicated professionals who provide high quality water, wastewater and other related services to more than 17 million people in 29 states and Canada. More information can be found by visiting www.kawc.com and www.amwater.com.

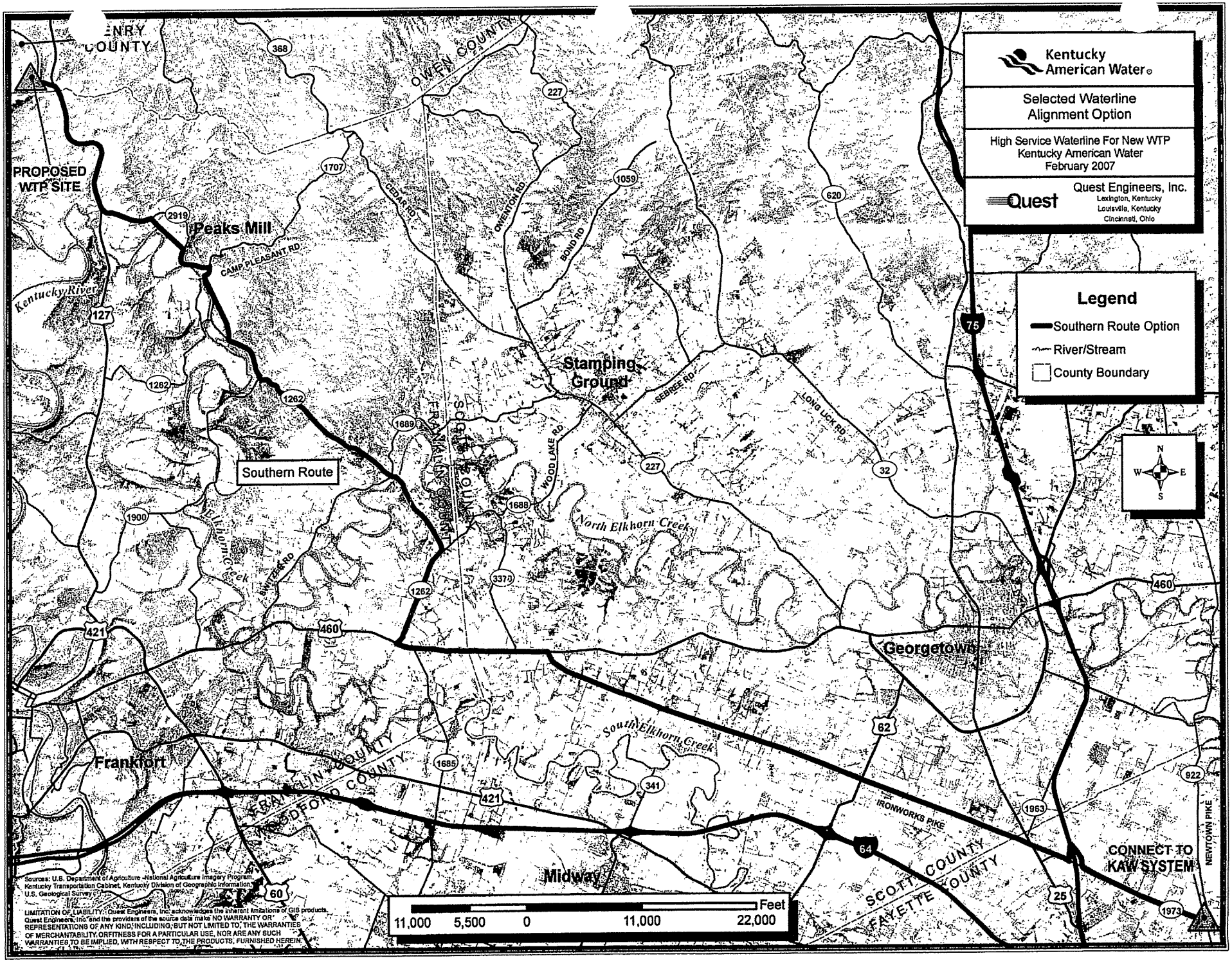
- end -

Bluegrass Water Supply Project Background (Q&A)

Exhibits:

1. Proposed waterline route
2. Bluegrass Water Supply Commission – Equity Ownership Option Map
3. Resolution of the Bluegrass Area Development District (BGADD) dated June 20, 2007
4. Resolution of the Kentucky River Authority dated May 25, 2007
5. Owen County Chamber of Commerce letter to Public Service Commission dated July 24, 2007
6. Letters of support and Op Ed
    - Pat Freibert, Kentucky American Water board member
    - Ed Councill, Elkhorn Trust President
    - Linda Bridwell Op Ed
7. Brief bio – Nick Rowe & Linda Bridwell

August 16, 2007


Kentucky American Water
Selected Waterline Alignment Option
High Service Waterline For New WTP
Kentucky American Water
February 2007
Quest
Quest Engineers, Inc.
Lexington, Kentucky
Louisville, Kentucky
Cincinnati, Ohio
Legend
Southern Route Option
River/Stream
County Boundary
PROPOSED WTP SITE
Peaks Mill
Stamping Ground
Southern Route
Georgetown
Frankfort
Midway
CONNECT TO KAW SYSTEM
Kentucky River
North Elkhorn Creek
South Elkhorn Creek
Elkhorn Creek
OWEN COUNTY
FRANKLIN COUNTY
WOODFORD COUNTY
SCOTT COUNTY
FAYETTE COUNTY
CAMP PLEASANT RD
CEDAR RD
OWENTON RD
BOND RD
SEBREE RD
LONG LICK RD
WOOD LAKE RD
SWITZER RD
IRONWORKS PIKE
NEWTOWN PIKE
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Sources: U.S. Department of Agriculture -National Agriculture Imagery Program, Kentucky Transportation Cabinet, Kentucky Division of Geographic Information, U.S. Geological Survey
LIMITATION OF LIABILITY: Quest Engineers, Inc. acknowledges the inherent limitations of GIS products. Quest Engineers, Inc. and the providers of the source data make NO WARRANTY OR REPRESENTATIONS OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, THE WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR USE, NOR ARE ANY SUCH WARRANTIES TO BE IMPLIED, WITH RESPECT TO THE PRODUCTS FURNISHED HEREIN.

Kentucky American Water

BLUEGRASS WATER---Q&A

What did Kentucky American Water file on March 30?

Kentucky American Water filed an application for Kentucky Public Service Commission approval to construct a new 20 million-gallon-a-day water treatment plant and an approximately 30-mile underground water transmission line. The PSC regulates the company's rates and service and must approve projects such as this. This will be the most significant water utility project built in Kentucky - in terms of size and cost - in 30 years.

Where will the treatment plant and waterline be located?

The proposed water treatment plant will be located near Monterey, in Owen County, and the water transmission line will run from the water treatment plant site through Franklin and Scott counties, then tie into Kentucky American Water's existing distribution system in Fayette County.

What and where is the source of water for this plant?

The treatment plant will draw water from pool 3 of the Kentucky River. The intake for the treatment plant will be located in Franklin County.

Does this new project replace existing facilities?

This water supply project is being built to augment Kentucky American Water's existing sources of water supply and water treatment facilities.

Why is this project important?

More than 20 years of substantial research by multiple organizations clearly indicates that a sufficient supply of water is not currently available to meet the needs of Kentucky American Water's customers during a drought of record. In fact, the company is currently under mandate by the PSC to address the problem. PSC Order No. 93-434, dated August 21, 1997, states:

"Kentucky-American shall take the necessary and appropriate measures to obtain sources of supply so that the quantity and quality of water delivered to its distribution system shall be sufficient to adequately, dependably, and safely supply the total reasonable requirements of its customers under maximum consumption through the year 2020."

The new water treatment plant and underground waterline will address this need through 2030. This project is not being built for a future need - it is being constructed for an existing need.

Kentucky American Water

What will happen if this project doesn't occur?

Many Kentuckians depend on the Central Kentucky region for jobs, health care, education and other services. If a lack of sufficient water supply occurs, businesses and organizations may be required to curtail services, reduce operations, or even shut down temporarily - all of which could have long-term effects.

When will construction begin? End?

We are hopeful that the PSC will approve the project in time for us to begin construction later this year, and complete the project by early summer 2010.

When was the last drought?

The last significant drought in this region was in 1999. The company's demand management plan, designed to encourage reduction of water use during emergency times, was in effect for 18 weeks - from June 23 through October 25. The company has 15,000 more customers today than it did in 1999.

Why can't customers simply conserve more water? Is that a solution?

The company has made a concerted effort to encourage Central Kentuckians to use water wisely through an ongoing consumer education campaign, and will continue to do so, but the water supply problem is beyond the point where conservation will solve it.

How much will this project cost?

The project's estimated cost is $160 million for the 20 mgd facility and water line.

Will rates increase because of this project?

Any infrastructure project of this magnitude will certainly have an impact on rates. A greater economic burden would be felt by the community, though, if we do not solve the water supply problem. We estimate that, as a result of this project, the average water bill may increase approximately $8 - $10 a month. Customers would begin seeing a portion of that total increase on their bills by mid-construction of the project.

Is this a project to benefit Lexington/Fayette County only?

Kentucky American Water serves customers in portions of 10 counties, and this project will initially help meet the needs of customers in seven of those counties, including Fayette, Bourbon, Clark, Harrison, Jessamine, Scott and Woodford.

A partnership with the Bluegrass Water Supply Commission would mean several other communities will also depend on this water treatment plant and waterline, including

Berea, Cynthiana, Frankfort, Georgetown, Lancaster, Mount Sterling, Nicholasville, Paris and Winchester.

The water supply problem is a regional issue, not a "Lexington" issue.

Will this project create new jobs?

We project that there will be seven new jobs created for staffing the new water treatment plant.

What is the Bluegrass Water Supply Commission?

The BWSC is a group of municipal representatives in the region who have also been studying the water supply deficit and who have concluded through their research that a water supply solution is needed. The company has been working with the group for eight years.

The company is currently in negotiations with the BWSC on a potential joint partnership of the water treatment plant and water transmission line. The BWSC's board approved in January 2007 to fund a second design of the treatment plant, which expands the plant's treatment capacity to help meet BWSC communities' additional water demands (which totals approximately 5 MGD).

I thought the Kentucky River didn't have enough water to meet our needs.

The company currently withdraws water from pool 9 of the Kentucky River. It will continue to do so, but, with the new treatment plant, it will also be able to withdraw from pool 3, which is located downstream from pool 9. Between pools 9 and 3, there are numerous cities that discharge treated wastewater back into the river, and there are additional tributaries which flow into the river, providing ample supply to use. In addition, there are no other communities downstream from pool 3 that rely on the river for water supply.

How is the water quality in pool 3?

The water quality in pool 3 has been researched and the pool is appropriate for use as a drinking water source. The company intends to provide water from the new plant that meets the same nationally-recognized water quality standards as it currently does from its two Fayette County facilities.

In the 1990s, the company proposed running a pipeline from the Louisville Water Company to Lexington, but then pulled back from that solution at the Lexington-Fayette Urban County Councils' request. Was the company wrong about that solution?

In the 1990s the company determined that the Louisville Water Company solution was the most economical solution for our customers, and no other area providers had addressed a regional approach. In 1999 we agreed to explore a Kentucky River solution and to work on more of a regional solution with other municipalities. That is what we have done, and the outcome is the project we have submitted to the PSC. The project we have filed is the least cost, most feasible solution.

Why not add a pipeline from the Ohio River to the plant as well?

At this time we do not believe there is a need to construct a pipeline to the Ohio River, and it would not be appropriate to ask our customers to pay for this additional cost until there is a need.

When will you start construction?

We must first receive PSC approval for the project. We are hopeful that we can begin construction in the fall of 2007, allowing us to complete the project by early summer 2010, several months before the Alltech FEI World Equestrian Games.

Won't the new waterline impact private property or natural areas?

Kentucky American Water reviewed several potential routes for the 30-mile underground waterline, and then selected one route over the others after reviewing a variety of factors - environmental and cultural concerns, feasibility of construction and operation, and cost. We also solicited feedback from property owners in the area.

There will be some short-term disruption during construction. However, we intend to minimize the impact to the area as much as feasible by laying the waterline in existing roadways as possible, diverting the route around sensitive areas as much as possible, etc. And, we will work to quickly restore disrupted areas so there will be little evidence of the construction. We have been communicating with property owners along the route since December, and will continue to remain in close contact with them to answer questions and address their concerns.

Kentucky American Water is sensitive to property owners' concerns and is an environmentally friendly company.

Kentucky American Water

What kinds of environmental projects is the company involved in?

Kentucky American Water is the first utility in the state to join the Kentucky Department of Environmental Protection's Kentucky EXCEL environmental leadership program. A few other examples:

- Leading corporate sponsor of the Lexington-Fayette Urban County Government's Reforest the Bluegrass project since its inception in 1999
- Annual sponsor of Arbor Day at the Arboretum, the state's official botanical garden
- 2007 title sponsor of the Downtown Lexington Corporation's Downtown Sweepstakes cleanup event
- Long-time leading supporter of McConnell Springs, commonly regarded as the place where Lexington was named
- Corporate property in Fayette County is deemed wildlife friendly by the Kentucky Department of Fish and Wildlife's Business Conservation Partnership program
- Company provides funding annually to watershed protection causes and organizations through the American Water Environmental Grant Program
- Company sponsors an annual scholarship for high school seniors focused on environmental stewardship - the Ripple Effect Scholarship Program, as well as an annual watershed protection poster contest.

How can I learn more about the project?

Visit **www.bluegrasswater.com** for more information on the project and to stay current on new developments with it. You may also call 1-877-24WATER to request more information.

RESOLUTION

RESOLUTION OF THE BLUEGRASS AREA DEVELOPMENT DISTRICT IN REGARD TO THE IMPORTANCE OF THE BLUEGRASS WATER SUPPLY COMMISSION'S EFFORTS TO ADDRESS IN THE NEAR TERM THE SERIOUS WATER SUPPLY SITUATION THAT ADVERSELY IMPACTS THE REGION

WHEREAS, **the Bluegrass Area Development District (the "ADD") has been involved in addressing water supply issues for its entire 36 year existence;**

WHEREAS, **the ADD was among the leaders of the water supply expansion effort that began in 1999 with the ADD's involvement with the Bluegrass Water Supply Consortium and continues to this present time with its successor organization, the Bluegrass Water Supply Commission (the "BWSC");**

WHEREAS, **working through the ADD, a comprehensive engineering and financial study, entitled *Water System Regionalization Feasibility Study* (the "Study") was undertaken utilizing a nationally acclaimed team of professionals with the published 2004 study receiving a unanimous approval by the participating cities/water utilities;**

WHEREAS, **the Study recommended a joint equity ownership effort with Kentucky American Water (KAW) in the construction of a new water treatment plant using as its source Kentucky River's Pool 3 in northern Franklin County and the installation of a large diameter water transmission line from that new water treatment plant in a southeasterly direction to the Central Bluegrass region to connect with an already existing KAW water line network;**

WHEREAS, **the BWSC also plans to install, in its Phase I effort, potable water pipelines to connect the municipal water utilities of Winchester, Nicholasville, Georgetown, Frankfort, and Paris. Further, the BWSC has Phase II plans to reach the municipal water systems of Mt. Sterling, Lancaster, Berea, Cynthiana, and perhaps even others as the need dictates;**

WHEREAS, **a safe, adequate, dependable, and affordable source of potable water is required to supplement existing water sources in many areas of the Central Kentucky region for the purpose of sustaining the quality of life and to sustain the economic vitality of the region;**

NOW THEREFORE, BE IT RESOLVED BY THE BLUEGRASS AREA DEVELOPMENT DISTRICT, ACTING BY AND THROUGH ITS EXECUTIVE BOARD OF DIRECTORS, AS FOLLOWS:

Section 1. **The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.**

Section 2. **The ADD recognizes that the availability of safe, adequate, dependable, and affordable source of potable water is vital to the health, safety, and the economic vitality of the region as a whole.**

Section 3. **The matter of supplementing the available water supply is one that can best and most economically be addressed in a cooperative and collaborative manner through a public/private partnership.**

Section 4. **The ADD believes that the success of this effort is one that will benefit all cities and all counties in the region inasmuch as a significant benefit to most within the region will in fact have a spillover effect to benefit all by enhancing the overall regional infrastructure and by promoting the economic vitality of the entire region. To a great extent, all of the region's cities and counties will succeed or will fail to succeed together.**

Section 5. **The ADD recognizes the BWSC water supply effort and the project that embodies the effort as the region's *most important* effort for the present time.**

Section 6. **Inasmuch as the ADD identifies this effort and this project as *the paramount project* for the region, it respectfully requests the Executive Branch and the Legislative Branch of State Government to collaborate in promoting and providing the requested $25 million in state financial support that is required for this effort to move forward toward implementation by mid-2010.**

Section 7. **This Resolution shall take effect upon its adoption.**

The Chairman declared the foregoing Resolution adopted on 6/20/07, **2007.**

BLUEGRASS AREA DEVELOPMENT DISTRICT

By: R. W. Gilbert

R. W. GILBERT, CHAIRMAN

ATTEST:

Larry Tincher

LARRY TINCHER, SECRETARY

KENTUCKY RIVER AUTHORITY

WHEREAS, Kentucky-American Water Company has filed an Application with the Public Service Commission of the Commonwealth of Kentucky seeking approval to build a wat treatment plant near Pool 3 on the Kentucky River, Case No 2007-00134, and

WHEREAS, Kentucky-American Water Company intends to utilize water from Pool 3 for the plant, and

WHEREAS, the water treatment plant is designed to produce 20 million gallons of wat a day, and is expandable to 30 million gallons of water a day, and

WHEREAS, the Division of Water, Department for Environmental Protection, Environmental and Public Protection Cabinet has issued Water Withdrawal Permit 1572 to Kentucky-American Water Company for its withdrawal of water from Pool 3 of the Kentucky River, and

WHEREAS, the Bluegrass Water Supply Commission has entered into an Agreement with Kentucky-American Water Company for the performance of the incremental engineering design work necessary to increase the water treatment plant capacity from 20 million gallons a day to 25 million gallons of water per day, and

WHEREAS, the Kentucky River Authority has been established to manage the surface water and ground water of the Kentucky River Basin, and

WHEREAS, the Kentucky River Authority supports and endorses the regional use of water in the Kentucky River, and

WHEREAS, the capital plan of the Kentucky River Authority includes the renovation the lock and dam at Dam 3 and the addition of a crest gate to provide and additional 1.5 billion gallons of water in Pool 3 for drought mitigation,

NOW, THERFORE, in consideration of the premises and the mission of the Kentucky River Authority, be it

RESOLVED, that the Kentucky River Authority endorses the use of Pool 3 of the Kentucky River by Kentucky-American Water Company and the Bluegrass Water Supply Commission as a source of raw water for regional use.

Adopted this 25th day of May, 2007.

Stephen Reeder, Executive Director

Robert Ware, Chairman

2007-134

Owen County Chamber of Commerce

P.O. 475, Owenton, Ky. 40359 • 502-484-9900

July 24, 2007

Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Dear Ms. O'Donnell:

During the June meeting of the Owen County Chamber of Commerce, the membership in attendance unanimously voted to support the Application of Kentucky-American Water Company to the Public Service Commission seeking approval to build a water treatment plant near Pool 3 on the Kentucky River in Owen County, Kentucky.

Kentucky-American Water Company provides city water to more than 3,280 customers and wastewater service to more than 885 customers in Owen County, Kentucky. It provides the services as a result of its acquisition of the assets of Tri-Village Water District, Elk Lake Shores and the city of Owenton previously used in supplying those services.

We believe Kentucky-American Water Company's proposed treatment plant and transmission line will solve Central Kentucky's water problems, will create employment in Owen County, will increase the tax revenue for Owen County and will make further economic development in Owen County more probable.

The Owen County Chamber of Commerce wholeheartedly supports the Application of Kentucky-American Water Company and encourages the Public Service Commission to grant its approval.

Sincerely,

Stuart Bowling

Stuart Bowling, President
Owen County Chamber of Commerce

Lexington Herald-Leader
Saturday, July 28, 2007

READERS' VIEWS

Water-supply remedy

Central Kentucky is facing a serious threat: an inadequate water supply. This issue is not exclusive to Lexington; it's a regional issue. And it has been documented, discussed and studied for years by a variety of entities.

Many local municipal water utilities, which form the Bluegrass Water Supply Commission, and Kentucky American Water have joined forces to address this regional issue.

The solution they have deemed best involves the construction of an additional water treatment plant on the Kentucky River in Owen County and an underground water transmission line connecting the plant to Central Kentucky.

Experts agree this issue has been studied more than adequately, and that the best solution has been found.

For the sake of our region, it's time to act on that recommendation.

Pat Freibert
Lexington

Water for the Bluegrass Region: Our Life Insurance Policy

By
Ed Councill, Elkhorn Trust President (1992-2007)

Kentucky is a water rich state. We have more fresh water, free-flowing streams than any of the 'Lower 48'. Plus, we have numerous lakes, two boundaries involving America's largest and third largest rivers, and an above average annual rainfall of 45+ inches. Our problem is that the distribution and timing of rain events is unpredictable and uneven, putting ample water supply at temporary risk at times.

Recent droughts, environmental accidents, and seasonal demand require immediate attention. A decision to build a grid, much like the electric energy industry had done years ago, helps direct flows to temporarily deficient water districts. A conservation policy involving restrictions on water use is in place for Lexington-Fayette County, as well as an additional 20,000 Kentucky American Water (KAW) customers in surrounding counties.

In 2005, these actions were insufficient to avert an extended water shortfall against peak demands. Even Frankfort, whose location and capacity is among the most immune from drought, came within 1 million gallons per day of requiring restrictions in Franklin County during the moderate drought that year. The conclusion is that a more aggressive conservation program would not be the sole answer to adequately address the Bluegrass Region's future water supply needs. Nor would a freeze on new rezoning requests to curb additional development avert an impending shortage.

Nine central Kentucky municipal water utilities (now expanded to include 10) and KAW joined forces to seek a cost-effective solution to meet this need. The Kentucky General Assembly allocated funds for an engineering study in 2000. Extensive efforts, which included public meetings in multiple locations, concluded that a new water treatment plant was needed to treat water from the Kentucky River's Pool 3, a significantly more reliable source than that currently supplying Lexington from Pool 9 near Valley View.

Today, the Bluegrass Water Supply Commission and its constituent water utilities, KAW and relevant state agencies are on board with implementing a cooperative plan. At $170 million, building a shared equity treatment facility and transmission line from the Kentucky River is the least expensive and most preferred option of the more than 40 scenarios evaluated. Implementation has begun with site acquisition, plant design and a proposed 42-inch pipeline routed to connect the water treatment plant to the regional grid near the Kentucky Horse Park. An application to the Kentucky Public Service Commission was submitted on March 30; and an exhausting detailed review process is underway.

These events have been conducted openly with public information sessions in several places during the plan development and route selection phases. On several occasions, additional meetings were held at the request of concerned citizens. State review agency representatives were driven along the chosen route for a field evaluation of the particular resource they are entrusted with protecting. This on-site visit was accomplished in early March.

Each attending agency representative indicated his/her appreciation for the opportunity to field check the project's potential impact. To date, not a single one has identified an impact that was not averted or mitigated during this trip. I am therefore convinced that 90 percent of the trees that add to the area's canopy and shade for rural roads, all of its related stone fences, historic sites, the environmental issues associated with the single crossing of Elkhorn Creek, and picturesque scenery will remain intact.

Thus, my initial concerns that were focused on preserving this part of our Bluegrass have been satisfied. This project is a win/win for the Bluegrass -- its people, corporate citizens, and the thousands of visitors who marvel at our canopied backcountry roads, stone fences, and careful stewardship of our culture and historical sites. Therefore, we will maintain our regional competitiveness globally by managing smart growth while assuring prosperity for future generations.

Furthermore, to show that it is a "green utility", KAW is not only working closely with property owners to make alignment adjustments where feasible to minimize impact; but it is also open to working with interested parties who want to see roadside rights-of-way be available for biking and hiking trails and for access or additions to existing parklands to improve their quality and function.

Let's move beyond the talking and debating stage and resolve our water deficit for the betterment of our region.

#

Central Kentucky has a serious water supply deficit. It's real, it's here now, and it must be corrected soon.

Kentucky American Water and other Central Kentucky water utilities invested extensive resources over 20 years to develop not just *a* solution, but *the best* solution.

That's why we say with confidence that the best—the least expensive and most feasible--option for solving our water supply problem is to build a water treatment plant on Kentucky River's Pool 3 and bring treated water to our system through an underground water line.

It's the best option for our customers in Fayette and nine other counties, and the Bluegrass Water Supply Commission (BWSC) selected it as best for customers in Berea, Cynthiana, Frankfort, Georgetown, Lancaster, Lexington, Nicholasville, Paris, Mt. Sterling and Winchester.

Two nationally recognized, independent engineering firms analyzed numerous alternatives in helping make this determination: buying treated water from utilities in Louisville, Northern Kentucky and from east of the region; rehabilitating the lock and dam system; and a number of other potential solutions. Evaluation factors included supply capacity, water quality, cost, feasibility, risk of delay, and flexibility.

Pains were taken to compare "apples to apples." Proposals to BWSC, assessed by engineering firm O'Brien & Gere, clearly demonstrated that construction and production costs for Louisville's bid, the closest cost-wise, would be at least 50% higher than the Kentucky River option.

That's why plans are under way for a 25 million gallon-per-day (mgd) treatment facility and 30.7-mile underground transmission line to be a joint equity project of Kentucky American Water and BWSC. We have filed an application with the Public Service Commission (PSC) to construct the line and a 20 mgd plant, which will be increased to 25 mgd once partnership details are complete.

This historic public/private collaboration, along with subsequent enhancements in the BWSC plan, will meet the water supply needs of nearly half-a-million residents and numerous businesses in Central Kentucky well beyond 2030.

Our plan is complete, well documented, well researched and will stand up to the tough PSC review. In fact, the attorney general recently announced his agreement, a rarity for such a project, but even greater evidence of this plan's merit.

The attorney general, the Bluegrass Area Development District, Kentucky River Authority and other supporters realize, with the changes that have occurred over the past eight years, that our plan is the most cost effective and feasible option. It beats all others, including bringing water from Louisville, which would require Central Kentuckians to pay the higher cost of already-treated water over many years to come.

This plan has been publicly discussed for years through extensive media coverage and BWSC's efforts to involve the public. As we continue the regulatory process, we welcome questions and invite the public to visit bluegrasswater.com, where we have posted extensive information.

Time is of the essence. We and our BWSC partners are held accountable in meeting the water demands of our customers. While individual water use has decreased, overall demand is up.

Kentucky River's Pool 3 is the answer to our water supply problems. It consistently contains more water than we need, even in drought conditions. Planned improvements will further increase its abundance. Together, Pools 9 and 3, which are quite distant from each other, will provide ample and safe raw water sources for years to come.

We're also committed to protecting the environment, historic elements and private property. Most residents soon forget about underground water lines since grass, trees, landscaping, fencing and other enhancements are promptly replaced.

It requires a sizeable investment, but the $160-$170 million in construction costs will be offset by lower overall water costs than other alternatives. The planned partnership with BWSC provides even greater economies of scale and the water-line grid connecting the many cities will grant opportunities for enhanced system redundancies. The investment is a value when human health, economic viability and the impact on customer rates are considered.

So many facets of our lives depend on clean, fresh tap water in our homes and businesses that we are committed to promptly meeting the region's water infrastructure challenges. It is time to stop studying alternatives and build our future.

Linda Bridwell
Engineering Manager
Kentucky American Water

Exh. 7

Brief Biography

Nick Rowe
President

As president of Kentucky American Water, Nick Rowe has direct responsibility for production and distribution operations of the company in addition to indirect oversight of other functional areas, including engineering, water quality, security and human resources.

Nick joined the American Water system in 1987 as management assistant at West Virginia American Water. He was subsequently promoted into various management positions with responsibility for the day-to-day operations of American facilities in several states, giving him experience in numerous fields of the water industry, and was named president of Kentucky American Water in 2006. His wide variety of involvement in Virginia, West Virginia, Maryland, Pennsylvania, Kentucky, Tennessee, North Carolina, Georgia and Florida has created an array of expertise in water systems from small to large facilities. His involvement with various regulatory agencies, civic organizations and professional associations provides a broad overview of operations and the industry as a whole.

Nick earned a bachelor's degree in civil engineering from Western Kentucky University and an MBA from Lebanon Valley College in Annville, Pennsylvania. Over the years, he has served on numerous boards and commissions. He currently serves on Lexington Industrial Foundation Board, Commerce Lexington Board, Central Bank Advisory Board and New Century Lexington Board. In May, he was named Communicator of the Year by the Lexington chapter of the Public Relations Society of America.

Linda Bridwell
Manager, Engineering

Linda Bridwell is responsible for the coordination of the Engineering Department at Kentucky American Water, leading a team of 21 in two states. She is extensively experienced in reviewing facility needs, developing comprehensive plans for improvement and growth, and project implementation. Her work has included coordination with various regulatory agencies, an in-depth understanding of water treatment and distribution, and experience in staff management of professional and skilled personnel.

She is project manager for the company's water supply deficit resolution, including serving on the Bluegrass Water Supply Commission, which is a group of 10 municipal utility representatives. She also oversees regulatory compliance and interaction, personnel development, budgetary management, safety and environmental issues, quality control, business development, operations support, and strategic planning.

Linda earned bachelor's and master's degrees in civil engineering from the University of Kentucky and an MBA from Xavier University. She is active in the community serving on a wide variety of boards and has been honored for her work in engineering.

Kentucky American Water®

Nick O. Rowe
President
859 268 6333

September 17, 2007

Lexington-Fayette Urban County Council
Government Center, 5th Floor
200 East Main
Lexington, KY 40507

Dear Council Member:

I want to update you on Kentucky American Water's activities related to the water supply deficit.

First, I am enclosing a customer communication that is being inserted in the *Herald-Leader* and regional newspapers. The Bluegrass Water Supply Commission (BWSC) and Kentucky American Water believe it's important that our customers understand the Central Kentucky Solution, so we will continue to communicate throughout the project.

Secondly, I am sure you are aware that the Kentucky Public Service Commission (PSC) has agreed to evaluate a proposal from Louisville Water Company as part of the process we initiated. The PSC is the right venue for that review as they will determine the best solution for residents of Central Kentucky. That is why we believe the Lexington-Fayette Urban County Council should support the regulatory process and the professional staff of the PSC as they consider the proposals.

However, should the Urban County Council choose to voice its opinion, we urge the members to endorse the Central Kentucky Solution for the following reasons:

- The Central Kentucky Solution is the best, most cost-efficient solution for our customers.
- The Central Kentucky Solution is a Kentucky River and regional solution, both of which were requested by the Urban County Council in 1999. The water company and the BWSC developed a solid proposal at the Council's request.
- The Urban County Government has been a full voting member of the BWSC and part of the group that has endorsed the Central Kentucky Solution.
- The Central Kentucky Solution is the only one that can be in place and operational by 2010 and hopefully before the next drought.
- A majority of our customers and your constituents want the problem solved, they trust Kentucky American Water to solve it, and they want the additional treatment plant to go forward. Our research indicates that a majority of residents of Fayette County support our proposal.

American Water
2300 Richmond Road
Lexington, KY 40502
USA
T +1 859 269 2386
F +1 859 268 6327
I www.amwater.com

RWE Group

Kentucky American Water®

- The Central Kentucky Solution is a plan to develop an historic public-private partnership in which local municipalities may be equity partners with Kentucky American Water.

- A pipeline to Louisville has been considered and rejected multiple times by government agencies.

Lastly, below is a chart comparing the Central Kentucky Solution and the Louisville proposal. Information relating to Louisville's proposal is from public information and Kentucky American Water's best estimates. Our colleagues at Louisville Water Company may present information on Tuesday that alters this view, but we believe this is a fair representation of the comparison between the two projects as of today.

	Central Kentucky Solution	**LWC proposal**
The proposal	25-mgd plant on Pool 3 of the Kentucky River; expandable to 30-mgd; 30.7 mile, 42-inch diameter transmission line; booster pump; tank station	42-mile transmission line from KY53 in Shelby County to Fayette County using I-64 right of way
Status of design	Complete	Not started
Status of needed approvals	All permits applied for; 70 percent obtained; awaiting PSC approval	None applied for; will require PSC approval
Status of construction	Out for bid; ready to break ground	No design to bid
Initial estimated construction cost	$160-$170 million	$120-$130 million
Estimated long-term (30 years) cost, including operations	$200-$205 million	$300-$305 million
Estimated completion date	April 2010	TBD

With the Central Kentucky Solution, the region is now closer than it's ever been to solving the serious water supply deficiency that has been discussed for 20 years. We are excited about the opportunity to solve this problem and feel strongly that our solution will do so in the most cost effective manner. We look forward to the PSC's evaluation and your support of this project.

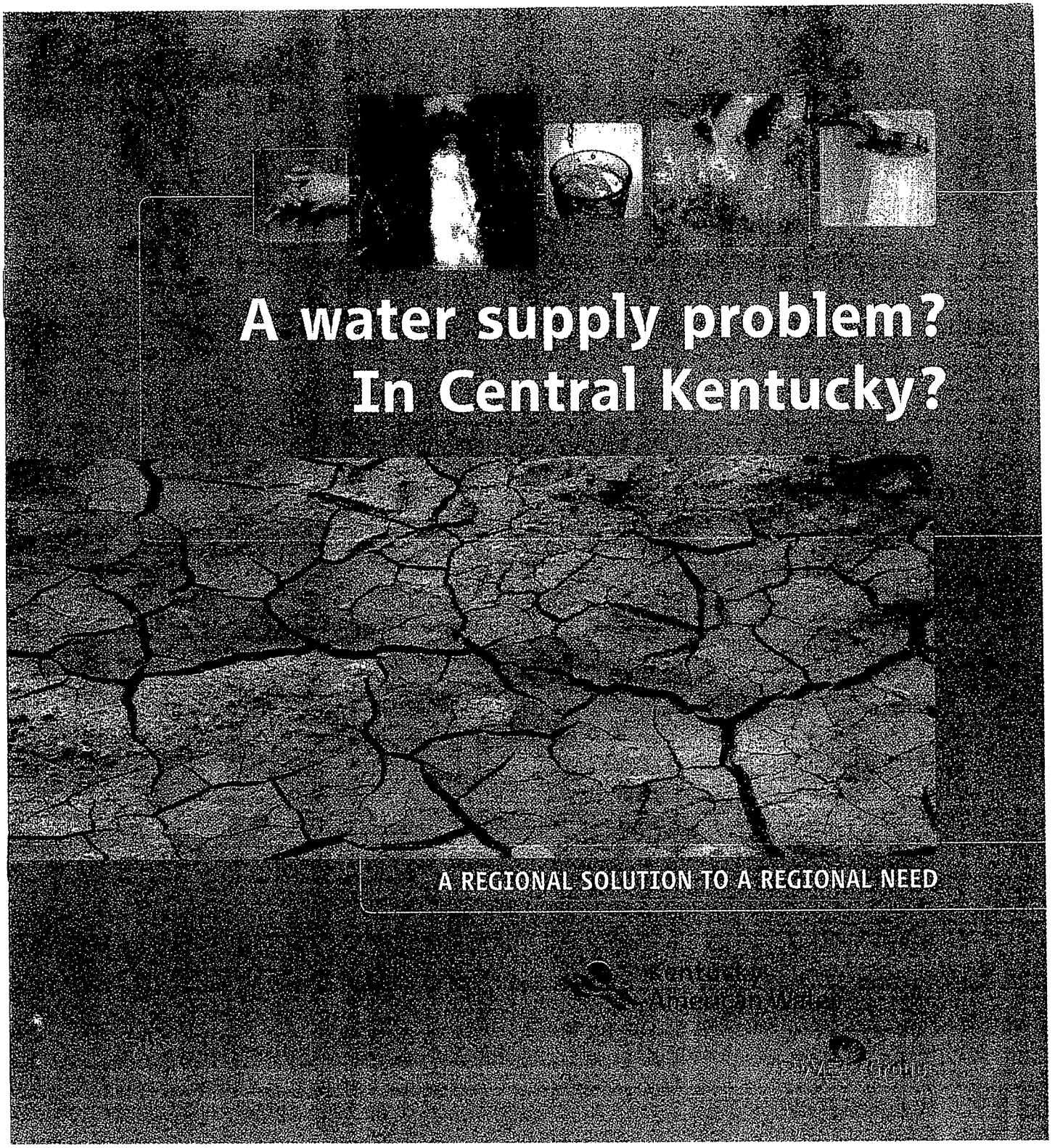
If you have any questions, please do not hesitate to call.

Sincerely,

Nick O. Rowe
President

Enclosure
c: Mayor Jim Newberry

RWE Group


A water supply problem?
In Central Kentucky?
A REGIONAL SOLUTION TO A REGIONAL NEED

Water supply dwindles as demand grows

AN ABUNDANT WATER supply is sometimes taken for granted in many parts of the country. The Bluegrass area is fortunate to have ample rainfall most months, which is evident through the lush green landscapes the region is internationally known for. But, there have been years in which water was not so plentiful, and the options for new sources of water were few.

"There are several serious threats to the supply of clean water brought to the homes and businesses in central Kentucky," Nick Rowe, president of Kentucky American Water, said. "The day-to-day demand for water is increasing with the growth of the entire region and we need an additional source of water supply."

Kentucky American Water first identified the need for an additional source for water more than 20 years ago. The three greatest stressors regarding water supply for the region are a severe drought, increased demand and an insufficient source of water supply.

There have been a number of technical studies conducted by governmental bodies, water utilities and other groups about the water supply over the years. Last year William E. Grier, P.E., of the Kentucky River Authority, wrote a three-part series about the water supply issue for Business Lexington that provides an overview of the threats to our supply by drought and unreliable sources.

But perhaps the greatest evidence of the need for a better water supply is the extraordinary efforts taken in 1999 by water utilities throughout Central Kentucky to unite to study and resolve this issue. All have a mandate of providing water for the customers they serve, and all share concerns that

Perhaps the greatest evidence of the need for a better water supply is the extraordinary efforts taken in 1999 by water utilities throughout Central Kentucky to unite to study and resolve this issue.

alternative water sources are needed for a reliable supply. Kentucky American Water has actively participated in and helped fund the Bluegrass Water Supply Commission (BWSC) as the regional group is now known. In 2004 BWSC released its Water System Regionalization Feasibility Study, which outlined the need for a new system to improve access to, and treatment and distribution of, water for Central Kentucky water districts. The report detailed the need for additional treated water for the Central Kentucky region and options for creating a regional solution to the problem. Based on this and other extensive research, it is clear that a major deficit in water supply currently exists and steps to address it must be taken.

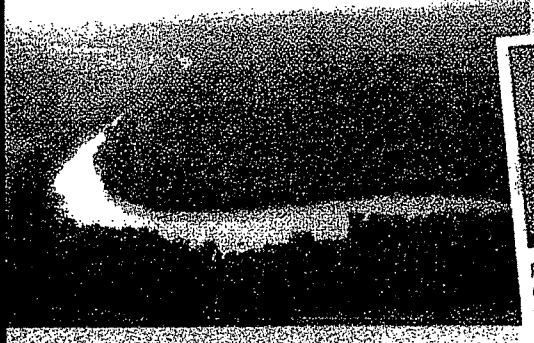
"Kentucky American Water received a mandate from the Kentucky Public Service Commission, which regulates and oversees private utilities, to develop a solution to the water supply situation," Linda Bridwell, P.E., Kentucky American Water's manager of engineering, said. "In accordance with that directive, we filed a plan in late March of this year with the PSC to build an additional water treatment plant to provide customers with ample water supplies for the next several years."

Kentucky American Water meets slightly more than half of the water demand for Central Kentucky water districts. The service area includes a portion of Bourbon, Clark, Fayette, Gallatin, Grant, Harrison, Jessamine, Owen, Scott, and Woodford counties.

In addition, ample supplies of water help fuel the jobs and services that people throughout the region rely on. For instance, Fayette County serves as the workplace for nearly 50,000 out-of-county residents. Toyota, in Scott County, has approximately 7,000 team members who live in about 75 counties. The plant has 90 suppliers based in Kentucky and has generated 35,000 jobs in the state.

Sixty-four percent of the adults and children needing care at Lexington's hospitals live outside the county. Additionally, Kentucky American Water serves more than 2.6 million visitors who spend at least one night or an hour in local stores, hotels, restaurants and attend sporting events throughout the year. All of these economic initiatives will be in jeopardy if the water supply issue is not addressed.

As a result of growing interdependence, the water supply issue is a regional one that requires cooperation and support of many in this part of the state to assure the quality of life we enjoy is maintained or enhanced for generations to come.



Ponds and streams are drying up all across Kentucky. While the state could see some rain this weekend, it probably won't be enough to put a dent in the drought. Page A8

The 1999 drought earned headlines for numerous days.

Water-shortage watch grows by 24 counties

STAFF WIRE REPORT

102° *That number at the left was the high in Lexington yesterday, a figure last seen in 1988; weather forecasters say today will be another scorcher.*

county, the advisory said.

Ten water systems in East
n and Central Kentucky coun-
s have banned non-essential
ter use, the advisory said,
at covered a range of uses,
m sprinkling lawns to serving
er in restaurants.

Systems banning non-essen-
water use: Manchester Water
k; Hindman Municipal;
Water Association and
n Sterling Water and Sew-
ch in Montgomery County;
) Woodford and Northeast
lford water districts; Ver-
; Municipal; Bath County
District; and Owingsville
Works and Sharpsburg
District, both in Bath

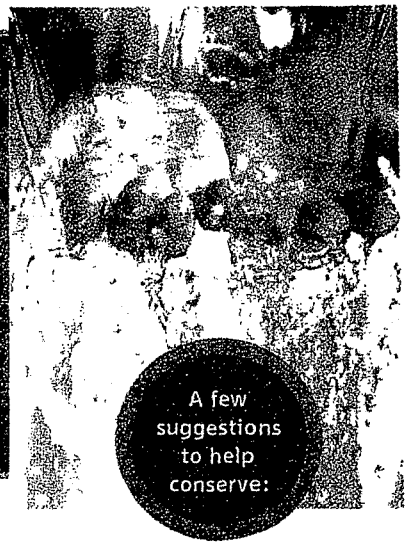
ington has issued mandh-
tory odd-even restrictions on
watering.

Meanwhile, electricity de-
mand reached an all-time high in
the 82 Kentucky and West Vir-
ginia counties served by KU De-

Edmonson, Grayson, Green, Hardin, Hart, Jefferson, LaRue, Marion, Meade, Metcalfe,

slipped from mild drought into moderate drought under a widely used

USING WATER WISELY



FROM THE GREAT LAKES TO the Great Barrier Reef and from California to Calcutta, people are facing the scary reality that their water supply is in trouble. Residents have taken to the streets in India to protest water cutbacks, and in Australia, severe water restrictions are in place. In the U.S., the problem is not quite as dire as it is abroad, but there are many areas that face major challenges.

In the Great Lakes area, lawmakers from eight states are reviewing a compact that prevents others from staking a claim to their water. It also requires each state to adopt a conservation plan and regulate water use.

Out West, lack of water is a major source of concern. The Colorado River supplies water to seven states, but scientists have concluded that demand is exceeding supply. They've also determined that conservation, although important and necessary, can't do the job alone.

In California's Santa Clarita Valley, water officials say it's not just conservation, but using water more efficiently that will help the area maintain its precious resource. Every May the local water agency participates in California Water Awareness Month, where it offers demonstrations on water pollution, landscaping workshops and information on water saving tips.

Here in Central Kentucky the issue is not as severe as in some places, but it could be in a few years if steps are not taken now. As in the western part of the country, conservation alone won't cure our water supply ills, but it is important to conserve.

Per person water use among Kentucky American Water customers is down, thanks in part to people being more aware of conservation measures. At the same time, demand all across the Bluegrass region is continuing to increase as our population and economy grow and more people depend on this area for jobs, education and health care.

Research shows that 84 percent of Kentucky American Water's customers practice some type of water conservation, and one quarter said they are more aware of conservation measures now than they were just one year ago.

The last significant drought in this region was as recent as 1999. During that time Kentucky American Water's demand management plan, designed to encourage reduction of water use during emergency times, was in effect for 18 weeks - from June 23 through October 25. The company has 15,000 more customers today than it did in 1999, so it is vitally important to be aware of the role conservation can play.

"Although they might sound like small steps, it is still important to do the little things like running the dishwasher and washing machine only when they are full or using low-flow toilets and shower heads," Susan Lancho, Kentucky American Water's manager of Communications and Corporate Social Responsibility, said. "If we all pay attention to how we use our water, we can make a difference. We know that conservation alone can't replace the need for an additional source of water, but in the long run, conservation measures will help."

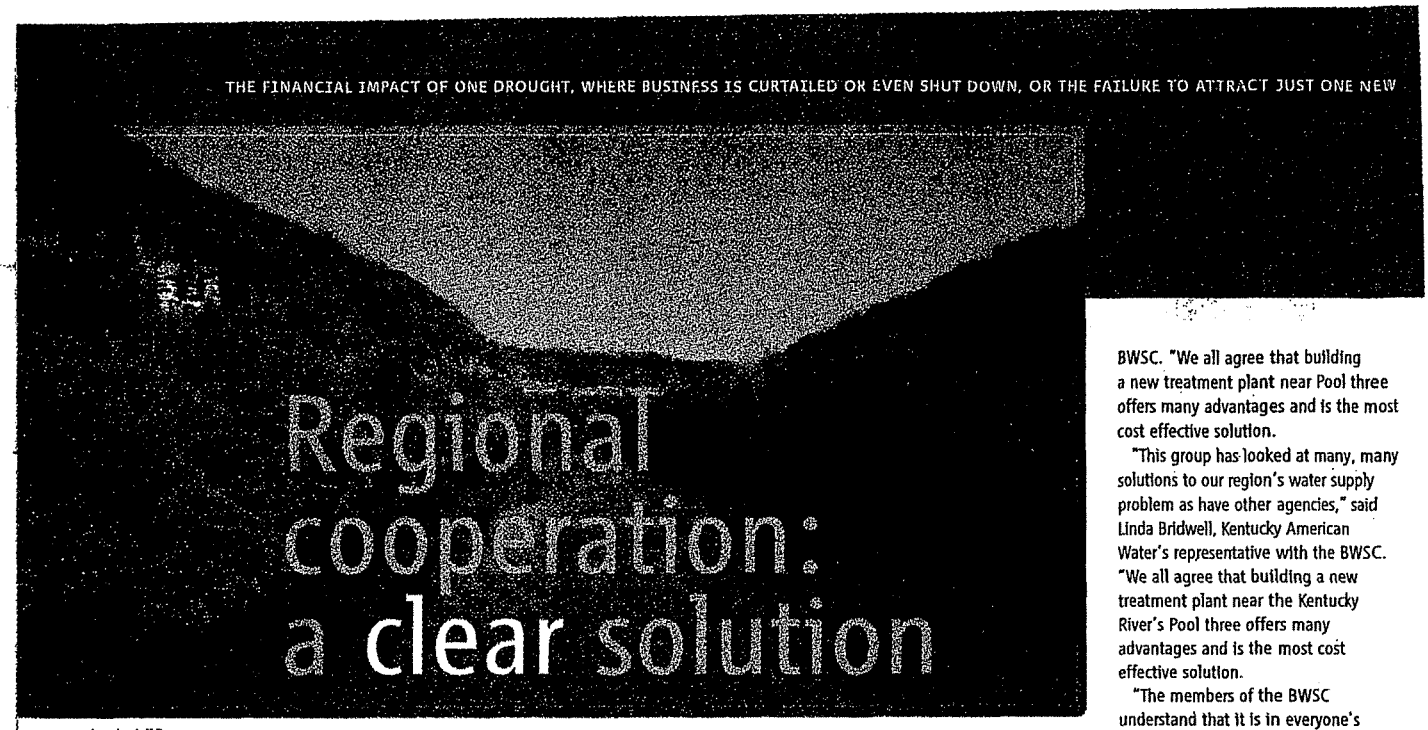
Per person water use among Kentucky American Water customers is down, thanks in part to people being more aware of conservation measures. At the same time, demand all across the Bluegrass region is continuing to increase as our population and economy grow.

A few suggestions to help conserve:

- When washing dishes by hand, fill up one side of your sink with soapy water and the other side with rinse water.
- Water flowers in the early morning to minimize evaporation.
- Use low-flow toilets and showerheads.
- Keep showers to less than five minutes.
- Turn off the water while brushing your teeth and shaving.
- Track water usage from month to month, and call Kentucky American Water immediately if you suspect you have a leak.
- Fix leaky faucets and toilets. Don't forget outside faucets.
- Know where your master shut off valve is located so you can turn off water quickly if a problem arises.
- Use organic mulch to keep water around your plants longer.
- Clean your driveway and sidewalks with a broom instead of a water hose.
- Collect rain water and use it to water plants.

Kentucky American Water offers conservation information, low-flow shower heads and educational programs in schools. For more information, contact Lancho at 859-268-6332 or visit www.awwa.org/waterwiser.

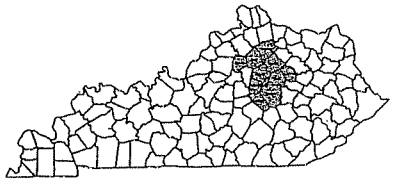
THE FINANCIAL IMPACT OF ONE DROUGHT, WHERE BUSINESS IS CURTAILED OR EVEN SHUT DOWN, OR THE FAILURE TO ATTRACT JUST ONE NEW



Regional cooperation: a clear solution

photo by Jeff Rogers

Communities all across the country are discovering the many advantages of working together to bring in new businesses, consolidate services and solve problems. Central Kentucky is no exception, and our water supply clearly is a regional issue that requires a regional solution.



Today the members of the Bluegrass Water Supply Commission (BWSC) are Berea, Cynthiana, Frankfort, Georgetown, Lancaster, Lexington-Fayette, Mt. Sterling, Nicholasville, Paris and Winchester. Kentucky American Water participates as a non-voting member, as do the Kentucky Infrastructure Authority and the Kentucky River Authority.

Kentucky American Water is a regional company serving customers in 10 counties – Fayette, Clark, Scott, Woodford, Jessamine, Bourbon, Harrison, Owen, Gallatin and Grant – with a population of approximately 326,000. The average residential customer pays less than $22 a month for water service.

Since 1999 Kentucky American Water has been working with a group of municipal water utilities seeking a regional solution, and in 2004, the Bluegrass Water Supply Commission (BWSC) was officially created. Today the members are Berea, Cynthiana, Frankfort, Georgetown, Lancaster, Lexington-Fayette, Mt. Sterling, Nicholasville, Paris and Winchester. Kentucky American Water participates as a non-voting member, as do the Kentucky Infrastructure Authority and the Kentucky River Authority.

"This group has looked at many, many solutions to our region's water supply problem as have other agencies," said Linda Bridwell, Kentucky American Water's representative on the BWSC. "We all agree that building a new treatment plant near Pool three offers many advantages and is the most cost effective solution.

"This group has looked at many, many solutions to our region's water supply problem as have other agencies," said Linda Bridwell, Kentucky American Water's representative with the BWSC. "We all agree that building a new treatment plant near the Kentucky River's Pool three offers many advantages and is the most cost effective solution.

"The members of the BWSC understand that it is in everyone's interest to work toward a regional solution because we all face the same problem," she said. "Anyone who thinks this is only a Lexington issue might be surprised to learn how crucial the solution is to all of our surrounding counties."

The BWSC's mission is to solve Central Kentucky's long-standing lack of dependable water supply–particularly during dry times. Although it is imperative that residents of the region have a dependable source of water, the BWSC's effort is linked to economic development as well. Without a safe, dependable, affordable supply of potable water, the region's economic vitality cannot be sustained over time. The financial impact of one drought,

THE *WONDER* OF WATER QUIZ

1. What percentage of the earth's water is fresh?
   a. 10
   b. 3
   c. 20

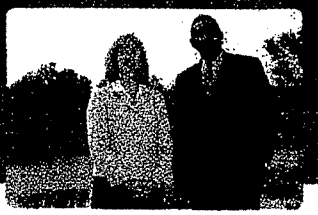
2. What is the source of energy for the hydrologic or water cycle?
   a. wind
   b. rain
   c. sun

3. What is not one of the three largest oceans?
   a. Pacific
   b. Indian
   c. Atlantic
   d. Arctic

4. What is the capacity of porous material, such as sand and gravel, to transmit water?
   a. Portability
   b. Potability
   c. Permeability

5. What is the term used to describe the area drained by a river and its tributaries?
   a. Watershed
   b. Aquifer
   c. Forest

6. What is a water-saturated land where aquatic plants and animals live?
   a. Aqueduct
   b. River
   c. Wetland



Linda Bridwell, Kentucky American Water's manager of engineering, and Nick Rowe, president, are proud of the regional solution developed to solve the area's water supply deficit. Bridwell also represents the company at Bluegrass Water Supply Commission meetings.

where business is curtailed or even shut down, or the failure to attract just one new industry far exceeds the cost of the new water supply project.

"The Central Kentucky economy is very much connected to all local communities," said Tom Calkins, Nicholasville's representative on the BWSC and the group's chair. "We all benefit from having new employers locate in the region, and we all depend on our local universities and technical colleges for workforce development. It's imperative that we have a water supply that makes our area attractive to new employers or existing businesses that want to expand."

Winchester Mayor Ed Burtner is looking at the Kentucky American Water-BWSC supply solution to fulfill the commitment his community made to provide 1.6 million gallons more water a day for a new plant that will create 100 new jobs.

Burtner summed up what many have been trying to communicate, "If we can't cooperate on this, we can't cooperate on anything. I implore all of us to work in common cause..."

Because of the interconnectivity of the economy, the region's leaders meet regularly to discuss water issues and a number of other important matters. The Blue Grass Area Development District, local chambers of commerce, Bluegrass Tomorrow and several other groups meet frequently to discuss how to improve the Bluegrass area.

THE GROUP HAS LOOKED AT MANY, MANY SOLUTIONS TO OUR REGION'S WATER SUPPLY PROBLEM... WE ALL AGREE THAT BUILDING A NEW TREATMENT PLANT NEAR POOL 3 OFFERS MANY ADVANTAGES AND IS THE MOST COST EFFECTIVE SOLUTION.

Other areas of the country are looking into solving issues with regional partners as well. For example, a group of local business leaders recently learned how cities in the Denver metropolitan area have joined forces on a number of different projects that save money and increase efficiency. In fact, Boulder leaders said they missed a good opportunity to help another community solve a water problem. By not working with that community, the final solution was not as positive as it could have been.

It is likely more Central Kentucky issues will be solved in a regional manner in the future. Although it's important for each community to retain its identity and those things that make each one special, the region can't overlook the positive outcomes for all by working together.

Preserving Our Way of Life

Kentucky American Water is dedicated to preserving and protecting the environment of Central Kentucky. The company is involved in a wide variety of programs that promote clean water, reforestation and wildlife preservation. Here are a few examples.

- First utility in the state to join the Kentucky Department of Environmental Protection's Kentucky EXCEL environmental leadership program.
- Leading corporate sponsor of the Lexington-Fayette Urban County Government's Reforest the Bluegrass project since its inception in 1999
- Annual sponsor of Arbor Day at the Arboretum, the state's official botanical garden
- 2007 title sponsor of the Downtown Lexington Corporation's Downtown Sweepstakes cleanup event
- Long-time leading corporate supporter of McConnell Springs, commonly regarded as the place where Lexington was named
- Corporate property in Fayette County is deemed wildlife friendly by the Kentucky Department of Fish and Wildlife's Business Conservation Partnership program
- Provides funding annually to watershed protection causes and organizations through the American Water Environmental Grant Program
- Sponsors an annual scholarship for high school seniors focused on environmental stewardship, the Ripple Effect Scholarship Program, as well as an annual watershed protection poster contest
- Helps sponsor a bird blind at the Clyde E. Buckley Wildlife Sanctuary in Frankfort
- One of the first donors to HealthWay Trail, a biking trail under construction throughout Lexington

7. What uses on average 26% of the water in a home?
a. shower
b. dishwasher
c. toilet flushing

8. What percentage of the human body is composed of water?
a. 60%
b. 50%
c. 40%

9. What is the percentage of water that covers the earth?
a. 70%
b. 80%
c. 50%

10. What is the average number of gallons of water treated in the U.S. for each person every day?
a. 160 gallons
b. 150 gallons
c. 180 gallons

11. How much water on average do people use taking a shower?
a. 15-30 gallons
b. 20-40 gallons
c. 25-45 gallons

12. How much water does it take on average to brush our teeth?
a. 2 gallons of water
b. 3 gallons of water
c. 1 gallon of water

Questions taken from U.S. Environmental Protection Agency *Thirsty's Questions and Answers*

Answers can be found on the back page

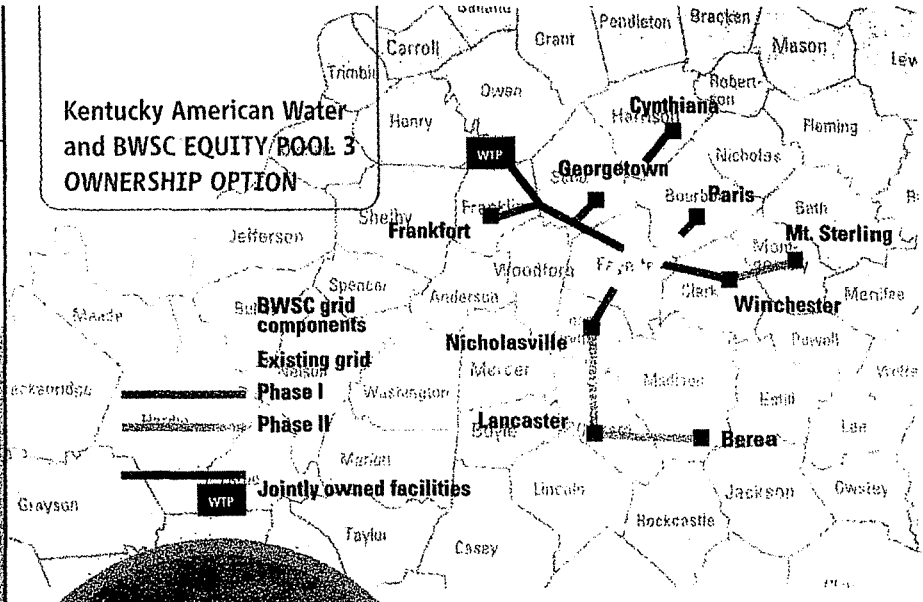
Kentucky American Water one of first to receive EPA award

Kentucky American Water is a member of the national Partnership for Safe Water, which was developed jointly by the U.S. Environmental Protection Agency (EPA), American Water Works Association, and other national drinking water organizations. The Partnership's members make voluntary commitments to continued improvement that is designed to help utilities provide safer water to millions of Americans by implementing prevention programs more stringent than those required by law. These preventive measures focus on optimizing treatment plant performance, thereby increasing protection against microbial contamination.

Kentucky American Water began participating in the Partnership for Safe Water in 1996, and by 1998 became one of the first utilities in the country to receive the EPA's Director's Award. This award is given to facilities that successfully complete the Phase III Self-Assessment requirements of this program. In 2002, both Kentucky American Water treatment facilities in Lexington were awarded the prestigious Five Year Directors Award, recognizing the company's continued participation and overall excellence in treatment optimization.

Although many other facilities have now come to the Director's Award, Kentucky American Water is proud that it remains one of only three water systems in Kentucky to have this distinguished honor. The company also is very proud that through diligence and commitment to excellence by the management and technical support staff, along with teamwork on the challenging application, Kentucky American Water continues to provide excellent filtered water quality performance in good standing with the Partnership for Safe Water. Kentucky American Water continues to participate in the Partnership for Safe Water and is committed to providing its customers with safe water 100% of the time.

Kentucky American Water sponsors an exhibit at the Explorium of Lexington that teaches children about the community's precious water resources.



Solving the water supply shortage

Kentucky American Water filed an application on March 30 with the Kentucky Public Service Commission (PSC) for approval to construct a new 20 million-gallon-a-day (mgd) water treatment plant and an approximately 30-mile underground water transmission line. The amount of treated water will increase to 25 mgd if a potential business agreement with the Bluegrass Water Supply Commission proceeds as planned.

The PSC regulates Kentucky American Water's rates and service and must approve expansion projects. This will be the most significant water utility project built in Kentucky – in terms of size and cost – in 30 years.

Cost of the project is estimated at $160 - $170 million.

Here are some of the most often asked questions about the project.

Where will the treatment plant and water line be located?

The proposed water treatment plant will be located near Monterey, in Owen County, and the water transmission line will run from the water treatment plant site through Franklin and Scott counties, then tie into Kentucky American Water's existing distribution system in Fayette County.

The treatment plant will draw water from Pool three of the Kentucky River.

Why is this project important?

More than 20 years of substantial research by multiple organizations clearly indicates that a sufficient supply of water is not currently available to meet the needs of Kentucky American Water's customers during a drought of record. In fact, the company is currently under mandate by the PSC to address the problem. PSC Order No. 93-434, dated August 21, 1997, states:

> *"Kentucky-American shall take the necessary and appropriate measures to obtain sources of supply so that the quantity and quality of water delivered to its distribution system shall be sufficient to adequately, dependably, and safely [supply the total reasonable requirements of its customers under maximum consumption through the year 2020."*

The new water treatment plant and underground water transmission line will address this need through 2030, which is Kentucky American Water's current planning horizon, and can be connected with additional water sources if needed. This project is not being built for a future need. It is being constructed for an existing need.

Kentucky American Water is careful to maintain the original landscape when water transmission lines are installed. This photo shows an area on Parker's Mill Road in Lexington where an underground water line is located.

What will happen if this project doesn't occur?
Many Kentuckians depend on the Central Kentucky region for jobs, health care, education and other services. If a lack of sufficient water supply occurs, businesses and organizations may be required to curtail services, reduce operations, or even shut down temporarily – all of which could have long-term effects.

Is this a project to benefit Lexington/Fayette County only?
The water supply problem is a regional issue, not a "Lexington" issue. Kentucky American Water serves customers in portions of 10 counties, and this project will initially help meet the needs of customers in seven of those counties, including Fayette, Bourbon, Clark, Harrison, Jessamine, Scott and Woodford.

An agreement with the Bluegrass Water Supply Commission means several other communities also will depend on this water treatment plant and water line, including Berea, Cynthiana, Frankfort, Georgetown, Lancaster, Mount Sterling, Nicholasville, Paris and Winchester.

Why not add a pipeline from the Ohio River to the plant as well?
At this time, there is no need to construct a pipeline to the Ohio River, and it would not be appropriate to ask customers to pay for this additional cost. That will remain an option for us should the need arise for an additional water source.

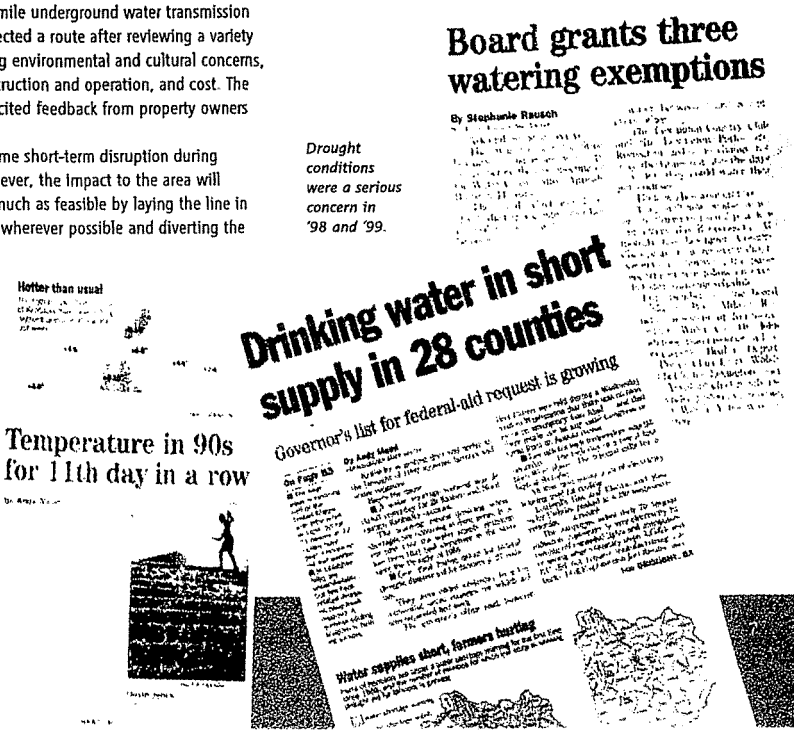
When will construction begin?
Construction will begin as soon as the PSC approves the project. Kentucky American Water would like to begin construction in January of 2008, which would allow completion by early summer 2010, several months before the Alltech FEI World Equestrian Games.

Won't the new water line impact private property or natural areas?
Kentucky American Water considered several potential routes for the 30-mile underground water transmission line, and then selected a route after reviewing a variety of factors including environmental and cultural concerns, feasibility of construction and operation, and cost. The company also solicited feedback from property owners in the area.

There will be some short-term disruption during construction. However, the impact to the area will be minimized as much as feasible by laying the line in existing roadways wherever possible and diverting the route around sensitive environmental and cultural areas. Kentucky American Water will work to quickly restore disrupted areas so there will be little evidence of the construction. The company has been communicating with property owners along the route since December, and will continue to remain in close contact with them to answer questions and address their concerns.

Kentucky American Water is sensitive to property owners' concerns and is an environmentally friendly company.

Drought conditions were a serious concern in '98 and '99.


Board grants three watering exemptions

By Stephanie Rausch

Hotter than usual

Temperature in 90s for 11th day in a row

Drinking water in short supply in 28 counties

Governor's list for federal-aid request is growing

Water supplies short, farmers hurting

KENTUCKY AMERICAN WATER has served Central Kentucky since 1885. Our service area has grown as communities have asked us to provide residents and other water companies with tap water, wastewater treatment and related services. We take great pride in the quality and dependability of our water, our work ethic, and our role as a corporate citizen.

Communities Served	10 counties: Fayette, Clark, Scott, Woodford, Jessamine, Bourbon, Harrison, Owen, Gallatin, Grant
Customers Served	Central Division: approximately 116,00 water customers; approximately 700 wastewater customers Northern Division: 1,133 water customers; 622 wastewater customers
Population Served	Approximately 326,000; 20,000 through bulk water sales

Bluegrass Water Supply Commission

City of Berea
City of Cynthiana
City of Frankfort
City of Georgetown
City of Lancaster
Lexington-Fayette Urban County Government
City of Mt. Sterling
City of Nicholasville
City of Paris
City of Winchester

www.bluegrasswater.com

Kentucky American Water
2300 Richmond Road
Lexington, KY 40502

Answers to the Wonder of Water Quiz, page 4

Kentucky American Water®

Customer Service Council

October 3, 2007

■ *Gather in 3rd Floor Meeting Area*	*11:00 a.m. – 11:05 a.m.*	*Group*
■ *Welcome*	*11:05 a.m. – 11:10 a.m.*	*Susan Lancho Communications Mgr.*
■ *Greetings*	*11:10 a.m. – 11:15 a.m.*	*A.W. Turner Vice President*
■ *Introduction of Council Members*	*11:15 a.m. – 11:20 a.m.*	
■ *Board Van/Trip to Plant*	*11:20 a.m. – 11:30 a.m.*	
■ *Richmond Road Plant Tour*	*11:30 a.m. – 12:30 p.m.*	*Mitzi Combs Operations Supv.*
■ *Lunch & Manager Introductions*	*12:30 p.m. - 1:00 p.m.*	

- *Stacy Owens – Customer Service Advocate*
- *Jarold Jackson – Operations, Network Superintendent*
- *Linda Bridwell – Drought and Water Supply, Engineering Manager*

■ *Dismissal* *1:00 p.m.*

RWE GROUP

Kentucky American Water®

Nick O. Rowe
President
859 268 6333

November 20, 2007

TO: Lexington-Fayette Urban County Council

Dear Council Member:

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

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

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

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

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

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

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I www.amwater.com

RWE Group

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

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

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

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

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

Sincerely,

Nick O. Rowe
President

Kentucky American Water®

Customer Service Council

December 5, 2007

■ Welcome	Susan Lancho	11 – 11:05 a.m.
■ What's in the News	Susan Lancho	11:05 – 11:15 a.m.
o Water supply update o Rate order		
■ Customer Service	Stacy Owens	11:15 – 11:45 a.m.
■ Break / Boxed Lunches Delivered		11:45 – Noon
■ Lunch (meeting continues during lunch)		Noon
■ Field Services	Jarold Jackson	Noon – 12:45 p.m.
o Tough book demonstration o Fire hydrant update o Meter reading	Bill Buckner	
■ Q and A – Open discussion		12:45 – 1 p.m.
■ Adjourn		1 p.m.

RWE GROUP

Kentucky American Water®

Nick O. Rowe
President
859 268 6333

December 6, 2007

TO: Lexington-Fayette Urban County Council

Dear Council Member:

The 1999 Council resolution is important work by your predecessors to address the water supply deficit eight years ago. The 1999 resolution was one of several factors that led to a re-evaluation of options for solving the water supply deficit. Another factor was an assessment of the capacity of Kentucky River Pool 3 following work done by the Bluegrass Water Supply Commission (BWSC). The Kentucky River Pool 3 project was selected unanimously by the BWSC after their objective review. The Kentucky River Authority agrees that Pool 3 has ample raw water capacity for the future, even beyond the plans for a 25 MGD water treatment plant. The Kentucky American Water (KAW) and BWSC project is now appropriately called "The Central Kentucky Solution," and it will be implemented once the Public Service Commission (PSC) approves it.

Since 1999, the BWSC has evaluated all possible alternatives – including a pipeline from Louisville – before unanimously recommending the Kentucky River solution as the best choice for customers. Last week, members of the BWSC – including the LFUCG – unanimously approved an agreement that creates the opportunity for a historic collaboration between KAW and regional municipalities.

Three days of hearings before the PSC last week showed the water supply solution developed by the BWSC and KAW to be a project that is cost-effective, environmentally acceptable, and one that can be implemented by the summer of 2010, the time of the Alltech FEI World Equestrian Games. Nearly 25 hours of testimony culminated with the realization that Louisville Water Company (LWC) *does not* have a plan that is designed or ready and that its study was incomplete. In the end, the LWC option is an idea, not a plan, and it will take LWC longer than anyone knows to deliver water to our region.

Our case before the PSC is complete except for final legal briefs. We look forward to a positive order from the PSC in January, and we are prepared to immediately begin construction of a new regional water treatment plant on Pool 3 of the Kentucky River.

Years of study, collaboration, taxpayer dollars and time have been invested by your predecessors, the BWSC, KAW, and the numerous agencies of state government that have collaborated on this solution. Attached is a fact sheet for your reference. As always, I look forward to answering any questions you have.

Sincerely,

Nick O. Rowe
President

Attachment

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RWE Group

Kentucky American Water®

Facts At-A-Glance

The Central Kentucky Solution

A partnership between
Bluegrass Water Supply Commission
and Kentucky American Water

WHAT PRECEDED THE 1999 COUNCIL RESOLUTION? During the 1980s and 1990s, Kentucky American Water conducted extensive studies to determine the best way to solve the region's water supply needs. The company initiated an aggressive water conservation education program with significant customer cooperation, which is why we still use this program today. Based on circumstances at that time, we determined a water pipeline to Louisville was a viable approach to meeting the needs of the region. But following significant public opposition to that approach, the LFUCG passed the 1999 resolution calling for a Kentucky River solution. That resolution concisely stated all the study and work that had been done.

WHAT DID THE COMPANY DO AFTER THE RESOLUTION WAS PASSED? The 1999 Council resolution led to a re-evaluation of options, including an assessment of the Kentucky River capacity following completion of Kentucky River Authority projects to strengthen the dams. *The 1999 Council resolution **is not** the primary basis of our application to the Public Service Commission (PSC).* The re-evaluation of options, led by the Bluegrass Water Supply Commission (BWSC), included dozens of options, including several from the Louisville Water Company (LWC), which were rejected. The Kentucky River Pool 3 project was selected unanimously by the BWSC members after their objective review. Lexington-Fayette County is a member of the BWSC.

WHY IS THE KENTUCKY RIVER A BETTER OPTION NOW THAN LOUISVILLE WATER COMPANY? Since 1999, the Kentucky River Authority has completed several important projects that improve the reliability of the Kentucky River as a dependable source of supply. In addition, studies of water supply availability at Pool 3 of the Kentucky River confirm the ability to meet water supply needs for the foreseeable future. The BWSC has been formed, has evaluated dozens of options, and unanimously selected the Kentucky River Pool 3 as the best solution for Central Kentucky. The idea being put forward by Louisville Water Company to use the Ohio River has not been designed, permitted, financed, studied, environmentally assessed, or submitted to the Kentucky Public Service Commission for approval.

WHEN WILL CONSTRUCTION START AND FINISH? Construction will start as soon as Kentucky American Water receives approval from the Kentucky PSC, which is anticipated in January 2008. The project is scheduled to be completed by summer 2010. Almost two years of work has resulted in a project that is: fully designed; 11 of 12 permits needed to begin construction have been received; bids have been received and we are finalizing our evaluation of them. An initial review of the bids confirms the total is consistent with our engineering estimates of $160 million. Approximately 55 percent of the pipeline will be constructed in state road right-of-way and 45 percent of the pipeline is in easements. Until we receive PSC approval we will not actively begin work on this part of the project.

WILL THE PROJECT HARM THE ENVIRONMENT? Great pains are being taken to avoid any adverse impact to the environment. Kentucky American Water hired a national consulting engineering firm to conduct an environmental study. The firm's study determined there are no threatened or endangered species along the 30.6 mile water pipeline route.

RWE GROUP

Paul Schoninger
<paulas@lfucg.com>
03/23/2006 01:15 PM

To "'bridwell@kawc.com'" <bridwell@kawc.com>
cc
bcc
Subject Private Fire Hydrants

Linda:

I hope all is well. The issue of private fire hydrants was placed in Council Committee for discussion. It may be addressed as early as April-May.

As you know I'm ignorant about many things, including private hydrants.
If KAWC wants to be involved in these discussions or has positions, etc.
just let me know or I can keep you/your staff posted on this item.

Paul Schoninger
258-3208
paulas@lfucg.com

"Paul Schoninger" <paulas@lfucg.com>
06/28/2007 04:34 PM

To <bridwell@kawc.com>
cc
bcc
Subject FW: Water Company Presentation

FYI

Paul S
3208

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

The following email is from Council Member Linda Gorton-

Council Members-

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

Thanks,
Linda Gorton, RN
Council Member At-Large

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

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

"Paul Schoninger"
<paulas@lfucg.com>
07/03/2007 01:52 PM

To <bridwell@kawc.com>
cc
bcc
Subject CM Gorton Letter to Louisville Water

Linda:

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

Paul S
258-3208

<<LWCLETTER.pdf>>

LWCLETTER.pdf

Lexington-Fayette
Urban County Council

July 3, 2007

435 South Third St.
Louisville, KY 40202

Dear Mr. Heitzman:

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

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

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

Lexington-Fayette
Urban County Council

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

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

Sincerely,

Linda Gorton

Linda Gorton, RN
Council Member At-Large

CC: Mayor
Council Members
Don Kelly
Charles Martin
Rebecca Langston

"Paul Schoninger" <paulas@lfucg.com>
07/16/2007 09:22 AM

To <ksmith@lwcky.com>, <pscinfo@ky.gov>, <kslewis@ky.gov>, <bridwell@kawc.com>, <bwsc@bluegrasswater.com>, <Stephen.reeder@ky.gov>
cc "Charles Martin" <chmartin@lfucg.com>, "Linda Gorton" <lgorton@lfucg.com>, "Julian Beard" <jbeard@lfucg.com>, "Logan Askew" <laskew@lfucg.com>
bcc
Subject Aug 21 Council Planning Committee

Recently the Lexington Fayette Urban County Council heard a presentation from Louisville Water regarding a proposal to run a pipeline from the Ohio River into Fayette County to serve future water needs. The Council decided to consider this water supply option further by referring this to the Council Planning Committee.

The Planning Committee will meet on Tuesday August 21 at 1:00 PM to hear more about this proposal. The meeting will be held in the 2nd floor Council Chambers of the Government Center, 200 East Main Street, Lexington.

If you have any written information that you or your organization would like the Council to consider prior to the meeting please forward it to my attention. I will need to have the information before the end of business Wednesday August 15.

You are also encouraged to attend and offer testimony on this proposal at the Aug 21 meeting.

Should you need any further information please do not hesitate to contact this office.

Paul Schonionger
859-258-3208
paulas@lfucg.com

"Paul Schoninger"
<paulas@lfucg.com>
07/17/2007 09:02 AM

To <bridwell@kawc.com>
cc
bcc
Subject FW: Scanned document <16 pages ~608 KB> -- 7/17/2007 8:06:20 AM

Linda:

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

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

Paul S
3208

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

This PDF file was created using the eCopy Suite of products. For more information about how you can eCopy paper documents and distribute them by email please visit http://www.ecopy.com
<<louiswaterproposal.pdf>>

louiswaterproposal.pdf

"Paul Schoninger"
<paulas@lfucg.com>
07/17/2007 01:57 PM

To <bridwell@kawc.com>
cc
bcc
Subject Aug 21 Council Planning Committee: Committee membership

Planning Committee Membership

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

Paul S
3208

"Paul Schoninger"
<paulas@lfucg.com>
08/16/2007 11:57 AM

To "Council Members" <CouncilMembers@lfucg.com>, "Council Staff" <CouncilStaff@lfucg.com>, "Pat Tatum" <ptatum@lfucg.com>, "Christopher Edwards"
cc
bcc
Subject Aug 21 Planning Committee

Attached is the Planning Committee packet for Tuesday Aug 21. As usual hard copies are also being distributed.

Malcolm: Please post to the web.

Paul Schoninger
258-3208
paulas@lfucg.com

<<planningcommitteepacket070821.pdf>>

planningcommitteepacket070821.pdf

"Paul Schoninger"
<paulas@lfucg.com>
08/27/2007 08:27 AM

To <ksmith@lwcky.com>, <pscinfo@ky.gov>, <kslewis@ky.gov>, <bridwell@kawc.com>, <bwsc@bluegrasswater.com>, <Stephen.reeder@ky.gov>,
cc "Charles Martin" <chmartin@lfucg.com>, "Linda Gorton" <lgorton@lfucg.com>, "Julian Beard" <jbeard@lfucg.com>, "Logan Askew" <laskew@lfucg.com>
bcc

Subject RE: Aug 21 Council Planning Committee

Just a reminder that the water supply discussion will continue at the Sept 18 Council Planning Committee 1:00 PM in the 2nf floor Council Chambers of the Government Center, 200 East Main Street. You are encouraged to provide any written materials to be no later than Wednesday Sept 12 so that it will be in the Committee packet and Councilmember's can review the materials prior to the meeting.

We look forward to seeing you on Tuesday Sept 18. Thanks.

Paul Schoninger
859-258-3208

"Paul Schoninger"
<paulas@lfucg.com>
09/02/2007 10:30 AM

To <jsmith@lwcky.com>, <gheitzman@lwcky.com>, <vguenther@lwcky.com>, <kslewis@ky.gov>, <bridwell@kawc.com>, <bwsc@bluegrasswater.com>,
cc "Charles Martin" <chmartin@lfucg.com>, "Linda Gorton" <lgorton@lfucg.com>, "Julian Beard" <jbeard@lfucg.com>, "Logan Askew" <laskew@lfucg.com>, "David Barberie"
bcc

Subject Sept 18 Council Planning Committee

This is to remind you that to please provide a copy of any written presentation for the Sept 18 Council Planning Committee to me no later than Wed Sept 12 so the material can be in the Committee packet. This will afford the Council time to review the materials prior to the meeting.

If you have to bring new materials to the Sept 18 meeting please bring enough copies for the Committee, other interested parties and the general public. Thanks. We look forward o seeing you on Tuesday September 18.

Paul Schoninger
859-258-3208
paulas@lfucg.com

Linda
Bridwell/KAWC/AWWSC
09/18/2007 04:36 PM

To Paul Schoninger
cc
bcc Nick Rowe/KAWC/AWWSC@AWW; "LINDSEY INGRAM" <ingramjr@skp.com>; ingram3@skp.com; rsvindland@intse.com; Susan L Lancho/KAWC/AWWSC@AWW; David Whitehouse/KAWC/AWWSC@AWW; Gary Naumick; David Kaufman; A W Turner/ADMIN/CORP/AWWSC@AWW; Michael D Galavotti/KAWC/AWWSC@AWW
Subject Follow-up to today' meeting

Dear Paul,
Please share with Chairman Gorton and the other members of the Planning Committee the information I have on KAW's recent rate increases from our rates department:

In 2000 - 6.43% increase
In 2004 - 9.95%
The current settlement agreement before the PSC as of this morning is 15.09%

So from 1998 - 2007, the rate increases average 3.15% per year (this includes the 2007 proposed increase that would go into effect in December)
Please let me know if you need any additional information.
Linda

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

"Paul Schoninger"
<paulas@lfucg.com>
12/05/2007 08:19 AM

To <bridwell@kawc.com>
cc
bcc
Subject FW: Ed Lane Letter to PSC

<<lanepsclet.pdf>> Linda:

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

Paul S
3208

lanepsclet.pdf

CM LANE's Letter

Lexington-Fayette Urban County Council

December 4, 2007

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

Dear Chairman Goss and Vice Chairman Clay,

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

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

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

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

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

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

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

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

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

Thanks for your work on behalf of our constituents.

Sincerely yours,

Jim Gray Vice-Mayor	Linda Gorton Council At-Large	Chuck Ellinger, II Council At-Large
Andrea James 1st District	Tom Blues 2d District	Dick DeCamp 3d District
Julian Beard 4th District	David Stevens, MD 5th District	Kevin Stinnett 6th District
K.C. Crosbie 7th District	George Myers 8th District	Jay McChord 9th District
Don Blevins 10th District	Richard Moloney 11th District	Ed Lane 12th District

"Paul Schoninger" <paulas@lfucg.com>
12/05/2007 08:20 AM

To <bridwell@kawc.com>
cc
bcc
Subject FW: 00146410.DOC

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

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

MOTION

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

_____
Dick DeCamp, Councilmember
Third District

"Paul Schoninger" <paulas@lfucg.com>
12/05/2007 09:08 AM

To "Paul Schoninger" <paulas@lfucg.com>, <bridwell@kawc.com>
cc
bcc
Subject RE: 00146410.DOC

Linda:

I understand that David Barberie has taken DeCamp's motion and is working on resolution. When I receive his draft
I will forward to you.

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

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

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

MOTION

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

_____
Dick DeCamp, Councilmember
Third District

"Paul Schoninger"
<paulas@lfucg.com>
12/05/2007 12:07 PM

To <bridwell@kawc.com>
cc
bcc
Subject FW: Letter from PSC<1 page ~29 KB> -- 12/5/2007 9:48:24 AM

<<Letter from PSC.pdf>> fyi

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


Letter from PSC.pdf

"Paul Schoninger" <paulas@lfucg.com>
12/06/2007 08:15 AM

To <bridwell@kawc.com>
cc
bcc
Subject FW: Water Resolution

Fyi

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

Paul -

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

Water Supply Resolution (00146684).PDF

"Paul Schoninger" <paulas@lfucg.com>
12/07/2007 10:56 AM

To <bridwell@kawc.com>
cc
bcc
Subject FW: Info from Councilmember DeCamp

fyi

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

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

Thanks!

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


DeCamp memo re Water Supply Resolution.pdf

Resolution 390 99.pdf

Resolution 679 99.pdf

New Resoultion from DeCamp.pdf

LEXINGTON-FAYETTE URBAN COUNTY COUNCIL

Memorandum

TO: Council Members

FROM: Dick DeCamp
3rd District Councilmember

DATE: December 7, 2007

Attached you will find three resolutions.

1. Resolution No. 390-99, which went into effect on July 15, 1999.

2. Resolution No. 679-99, which superseded No. 390-99 and went into effect on December 15, 1999.

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

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

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

Thanks for your consideration.

RESOLUTION NO. 390-99

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

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

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

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

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

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

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

PASSED URBAN COUNTY COUNCIL: July 8, 1999

Pam Miller
MAYOR

ATTEST:

Liz Damuth
CLERK OF URBAN COUNTY COUNCIL

PUBLISHED: July 15, 1999-1t

EWG/res015

RESOLUTION NO. 679-99

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

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

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

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

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

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

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

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

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

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

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

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

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

FINDINGS

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

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

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

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

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

RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

f. Study modifications to East Kentucky Power intakes; and

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

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

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

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

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

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

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

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

e. Implement conservation practices; and

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

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

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

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

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

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

PASSED URBAN COUNTY COUNCIL: December 9, 1999

MAYOR

ATTEST:

CLERK OF URBAN COUNTY COUNCIL

PUBLISHED: December 15, 1999-1t

EWG/res017

DRAFT 12-05-07

RESOLUTION NO. _____-2007

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

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

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

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

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

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

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

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

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

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

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

PASSED URBAN COUNTY COUNCIL:

_____
MAYOR

ATTEST:

_____
CLERK OF URBAN COUNTY COUNCIL

PUBLISHED:

00146611

Lear, William

From: David Barberie [dbarberi@lfucg.com]
Sent: Monday, December 10, 2007 8:54 AM
To: Lear, William
Cc: Logan Askew
Subject: Resolution
Attachments: Water Reso (pdf) (00147060).PDF

Mr. Lear -

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

David J. Barberie
Attorney Senior
Lexington-Fayette Urban County Government
Department of Law (11th floor)
200 East Main Street
P.O. Box 34028
Lexington, Kentucky 40588-4028
Telephone: (859)258-3500
Facsimile: (859)258-3538
dbarberi@lfucg.com

RESOLUTION NO. _____

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

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

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

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

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

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

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

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

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

PASSED URBAN COUNTY COUNCIL:

_____
MAYOR

ATTEST:

_____
CLERK OF URBAN COUNTY COUNCIL

PUBLISHED:

Linda
Bridwell/KAWC/AWWSC
08/30/2007 04:27 PM

To kcrosbie@lfucg.com
cc
bcc Nick Rowe/KAWC/AWWSC@AWW
Subject

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

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

"Mary Hemlepp"
<mary@wiserhemlepp.com>
09/05/2007 08:53 AM

To <Linda.Bridwell@amwater.com>
cc "'Pat Ballard'" <pat.ballard@amwater.com>, <Valeria.Swope@amwater.com>, <David.Whitehouse@amwater.com>,
bcc
Subject FW: [SPAM] RE: Kentucky American Water

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

Mary-

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

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

Thanks.

KC

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

Hi K.C.

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

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

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

Mary

219-1295

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134

PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 4 of 9

Witness: Linda C. Bridwell

4. Provide in narrative form, together with any relevant documents, a summary of all contacts with LWC regarding the future supply of water to KAWC's customers, including any and all discussions of any public-private partnership involving LWC to provide such supply of water.

Response:

In the late 1980s, conversations began between Kentucky American Water (KAW) and Louisville Water Company (LWC) about a possible connection. The discussions were strictly preliminary while KAW explored other possibilities, including Kentucky and Ohio River options. During Case No. 93-434, there were virtually no conversations other than to keep all parties apprised of the situation. In August 1997, upon receipt of the Order from the Public Service Commission, conversations began in earnest. Preliminary engineering work was undertaken, a contract was negotiated, design was initiated, and easements were identified.

In 1999, KAW stepped back from the project to work with the Bluegrass Water Supply Consortium (Consortium) and further evaluate Kentucky River options as requested by the Lexington-Fayette Urban County Government. LWC was notified by KAW of the decision to step back from the project, and subsequently paid LWC for all of its engineering efforts to that point per the terms of the executed contract between the two parties.

Beginning in 2002, the Consortium began conversations with various water providers who may be able to provide additional water supply to Central Kentucky. As a member of the Consortium, KAW was involved in many of the conversations. As LWC participated in the conversations, KAW representatives had the opportunity to review various proposals and occasionally talk to LWC representatives prior to or after Consortium meetings. LWC provided four separate proposals between 2003 and 2006 to the Consortium and later the Bluegrass Water Supply Commission (BWSC) that came out of the Consortium. Each time, the BWSC evaluated the LWC proposal and rejected it for the Kentucky River treatment plant.

In March 2006, KAW began working on design of a Kentucky River treatment plant while continuing its relationship with the BWSC. KAW had evaluated the LWC project independently, using the less expensive terms and conditions of the originally executed 1999 agreement with LWC (compared to the proposals made by LWC in this case), and determined that the Kentucky River treatment plant continued to be the lowest cost alternative either as a stand alone project for KAW or combined with the BWSC. Because LWC had already given a number of proposals to the BWSC, KAW felt it was not prudent to contact LWC outside of the conversations with the BWSC with the intention of negotiating alternatives Moreover, KAW had no reason to believe LWC would offer anything other than what had previously been offered to and rejected by the BWSC with KAW's participation.

In May 2007, LWC made a presentation to the BWSC and Greg Heitzman, LWC president, subsequently called Nick Rowe, KAW president. Mr. Rowe emphasized that while KAW would be happy to meet with the LWC to discuss re-evaluating the previous project, it would not do so without its regional partner, the BWSC. Mr. Rowe spoke with Mr. Heitzman about a possible meeting on July 3, however, all parties were not available and the meeting did not take place.

On July 6, 2007 Damon Talley and Bryan Lovan of the BWSC, Linda Bridwell and Greg Heitzman met briefly to discuss the request by the LFUCG to LWC for a presentation on July 10.

On August 15, 2007, Linda Bridwell met with members of the BWSC, Mr. Heitzman and Mr. Guenther of the LWC in Frankfort to discuss various alternatives. No decisions or subsequent actions came from that meeting.

Additionally, please see the documents attached to KAW's response to Item No. 4 of the Commission Staff's First Set of Interrogatories.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134
PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 5 of 9

Witness: Linda C. Bridwell

5. List and describe all public-private joint ventures involving the delivery of water or sewage services to the public in which Kentucky-American has engaged in the last 20 years.

Response:

1. November 2002 Contract for the Operation of water and sewer services at the Bluegrass Station (formerly Avon Army Depot in Fayette County). This includes the operation of a water distribution and fire suppression system with water purchased from KAW, and the operation and maintenance of a small sanitary sewer plant.
2. January 2002 Contract for the operation and maintenance of the water production and distribution system of Martin County Water District.
3. January 2002 Contract for the operation and maintenance of the water production and distribution system, and sanitary sewer collection and treatment system in the City of Pineville.
4. Assistance in the operation of the distribution system in the City of Jackson as requested from October 2001 – 2006.
5. October 2001 Contract with Kentucky River Authority to provide leak detection services to communities in the Kentucky River Basin.

Kentucky American has not included contracts for sanitary sewer billing or bulk water sales in its response.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134

PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 6 of 9

Witness: Linda C. Bridwell/Michael A. Miller

6. List and describe all public-private joint ventures involving the delivery of water or sewage services to the public that affiliates of the American Water Works Company have engaged in the last 20 years.

Response:

Please see the attached listing. Kentucky American Water has excluded Canadian contracts and agreements in which a company simply provides billing services for sanitary sewer service. Additionally, American Water Works Company, Inc. ("AWW") has not historically kept a central repository of information on public-private joint arrangements, so information regarding contracts that have expired more than three years ago involving AWW or its affiliates is not available.

..merican Water Public Private Joint Ventures

State	City or County	Contract Start and End Dates	Capacity	Scope of Work	Project Description	# Customers/ Population Served
AL	Fort Rucker	9/25/03 12/25/53	5 mgd 2.5 mgd 0.5 mgd	Water Supply and Treatment Water Distribution Wastewater Treatment Wastewater Collection	American Water operates and maintains the water and wastewater systems on the military base, providing all labor, management, permitting, equipment, supplies, materials for the facilities. The operation includes a water treatment facility, distribution system, two wastewater treatment plants, and collection system. American Water is responsible for capital investment for upgrades or new facilities.	11,000 (Population) 1,200 (Connections)
AZ	Cave Creek	5/1/02 – 1/31/08		Water treatment and distribution, Wastewater treatment and collection	American Water is responsible for the water treatment and distribution, and wastewater collection and treatment systems.	3,000 connections
AZ	Maricopa		13.5 mgd, expandable to 80 mgd	Water treatment plant	Design/Build/Operate. AWS is responsible for the design, construction, and operation of the new White Tanks Regional Water Treatment Plant with the Maricopa Water District.	27,000 connections
AZ	Surprise	1/51/02 -		Water treatment and distribution system	American Water operates and maintains the water treatment and distribution systems. Contract was renewed in February 2007.	14,170 connections
AZ	Phoenix	8/1/03 2/1/22	80mgd	Water Treatment	Design/Build/Operate. AWS is the project lead and guarantor for this $336 million project, the largest water DBO in North America. Plant to begin operations in July 2007 and will eventually be expanded to 320mgd. Also part of the plant is a 40-million gallon finished-water storage reservoir and pump station which will supply water to distribution systems.	80,000 (Population)
CA	East Palo Alto	2001-2026		Water treatment and distribution system	California American operates the water treatment and distribution systems for East Palo Alto.	4,000 connections
CA	Fillmore		1.8 mgd, expandable to 2.4mgd	Wastewater Treatment	Design/Build Operate. American Water was awarded a DBO. The project calls for the construction of a new wastewater recycling plant which will replace Fillmore's existing 50-year-old facility. American Water will operate the new treatment plant, as well as the City's collection and recycled water systems, for 20 years.	15,000 (Population)
CT	Waterbury	7/1/03 6/30/08	38mgd	Water Treatment	Operations and maintenance contract for the Water Treatment Plant.	25,770 (Connections) 105,000 (Population)
FL	Tampa Bay Water Authority	11/15/04 11/15/24	25mgd	Water Treatment	Design/Build/Operate and Maintain. Joint venture of American Water and Pridessa to resolve defects in a desalination plant undertaken by earlier developer. Plant is online, operating as originally guaranteed. AWE is providing O&M resources to the facility, under a long-term 18-year contract once the plant is operational.	
GA	Fulton County	4/4/02 4/4/19	24mgd	Design/Build New 16mgd WW Facility; Rehab and Upgrade Existing WW Facility to 8mgd Wastewater Treatment	Design/Build/Operate and Maintain for WWTP and pumping stations. Management of the Industrial Pretreatment Program. Design/Build portion of the contract totals $81 million	80,000 (Population)
IA	Sioux City	1/1/05 12/31/24	30mgd	Design, Construction Management, Operations and Maintenance	Design-Operate. Operation and expansion of the city's wastewater facility under a 20-year, $114 million contract. American Water will manage the existing treatment plant, collection system and industrial pre-treatment program while implementing a large expansion project estimated at $26.1 million over two years.	85,000 (Population)
IL	Scott Air Force Base	2008		Water distribution system	American Water recently was awarded a 50-year contract to operate the water distribution system and the Air Force Base.	
IN	Clarksville	7/1/96 12/31/09	5mgd	Wastewater Treatment Collection System	American Water is responsible for the operations and maintenance of the Wastewater Treatment Facility and collection system. A 5-year contract renewal was unanimously approved in October 2004.	6,500 connections;
IN	Evansville	3/3/97 3/3/12	60mgd	Water Treatment Distribution	American Water is responsible for the water treatment plant and distribution system operations and maintenance.	65,000 connections; 151,000 retail population
KS	Fort Leavenworth	9/26/03 12/26/53	5.3 mgd	Water Supply and Treatment Water Distribution Wastewater Collection	American Water is responsible for the operation and maintenance of the water and wastewater systems serving a population of 9,500 enlisted personnel, family members and civilian employees. The water system a treatment plant and distribution system. The collection system pumps wastewater to the City of Leavenworth for treatment and disposal.	9,500 population

American Water Public Private Joint Ventures

State	City or County	Contract Start and End Dates	Capacity	Scope of Work	Project Description	# Customers/ Population Served
LA	Jefferson Parish	10/1/00 9/30/15	33mgd	Wastewater Treatment Effluent pump station Pure oxygen odor-abatement facilities Offsite sludge transportation	American Water is responsible for the operations and maintenance of the East Bank Water Treatment Plant, the largest wastewater treatment facility within Jefferson Parish, the principal suburban community adjacent to New Orleans. American Water has provided cost savings to Jefferson Parish while investing in infrastructure of the plant.	Services 150,000 connections
MA	Cohasset	7/1/98 6/30/12	3mgd	Water Treatment Distribution	Water supply, treatment and distribution services.	2,300 connections; 7,000 population
NC	Spruce Pine	12/8/98 6/30/09	1.6mgd (Water) 2mgd (Wastewater)	Water Treatment Distribution Wastewater Services	American Water is responsible for the operations and maintenance of the water treatment, distribution and wastewater collection and treatment systems.	5,000 connections; 12,500 population served
NJ	Avalon	9/1/95 1/1/12	Not Applicable	Supply/Transmission Treatment/Distribution Wastewater/Stormwater Metering, Billing, Collections Customer Service	American Water manages the operation, maintenance and management of a municipal water treatment and distribution system, wastewater collection and treatment system.	2,500 connections year round and 45,000 summer residents
NJ	Edison	7/1/97 6/30/17	Not Applicable	Water Distribution, Meter Reading, Billing and Collection	New Jersey American is responsible for the operations and maintenance of water distribution system.	35,000 (Population) 11,890 (Connections)
NJ	North Brunswick	10/1/02 9/30/22	9mgd	Water treatment and distribution systems, billing, meter reading and customer service.	American Water provides operation, maintenance, management and repair services to the City's water treatment and distribution system.	10,500 connections 34,000 population
NJ	Elizabeth	7/1/98 6/30/38	Not Applicable	Water Distribution, Meter Reading, Water and Sewer Billing and Collection	New Jersey American is responsible for the operation and maintenance of the water distribution system. They are also responsible for the wastewater operation through a 20-year contract.	120,000 (Population) 17,780 (Connections)
NY	Buffalo	9/1/97 7/1/03	160mgd	Water Treatment Distribution	American Water is responsible for the operations and maintenance of the water treatment and distribution system.	84,000 connections; 320,000 population
OH	Strongsville	10/1/99 9/30/09	2.5mgd 1.8mgd	Wastewater Treatment Wastewater Collection	American Water provides full-service management, operation and maintenance services for the pump stations, treatment plants and industrial pretreatment program.	48,000 population
OK	Fort Sill	5/29/03 8/17/53	0.5 mgd Small Package Plant 4.3 mgd	Water Distribution Small Package Water Treatment Plant Waste Water Collection Waste Water Treatment	American Water is fully responsible for operation and maintenance of this system for this military base near Lawton, OK under a long-term contract with the US Army. American Water is responsible for all aspects of wastewater system and equipment operation and maintenance at Fort Sill. This includes procurement of all commodities and management of sludge dewatering and disposal activities, plant security and building and grounds maintenance. The water is supplied by the City of Lawton, OK and American Water is responsible for the operations and maintenance of the distribution system and two small packaged treatment systems serving remote sites not connected to the piping infrastructure.	Approx. 17,000 (Population)
PA	Ashland	12/27/94 10/31/07	0.3mgd (Wells) and 0.4mgd (Surface)	Water Supply and Treatment	American Water is responsible for the operation of a water supply and treatment system, as well as a distribution system.	4,000 (Population)
PA	Beaver Meadows	6/1/06 5/31/09	0.25mgd	Wastewater Treatment and Collection	American Water is responsible for the operations and maintenance of wastewater treatment plant and collection system	350 (Connections)
PA	Benton	6/1/06 8/31/11	0.25mgd 0.15mgd	Water and Wastewater Treatment	American Water is responsible for the water system operation and maintenance and wastewater collection and treatment system.	400 (Connections)

American Water Public Private Joint Ventures

State	City or County	Contract Start and End Dates	Capacity	Scope of Work	Project Description	# Customers/ Population Served
PA	West Chester			Wastewater Treatment Facilities	American Water is responsible for the operations and maintenance of the wastewater treatment facilities with Birmingham Township.	
PA	Borough of Brookhaven			Wastewater Treatment Facilities	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
PA	Llewellyn			Wastewater Treatment Facilities	American Water is responsible for the operations and maintenance of the wastewater treatment facilities with Branch Cass Municipal Authority.	
PA	Butler	1/1/99 4/29/06	0.30	Wastewater Treatment and Collection	American Water is responsible for the operations and maintenance of wastewater treatment plant and collection system.	1,200 (Population)
PA	Downingtown			Wastewater Treatment Facilities	American Water is responsible for the operations and maintenance of the wastewater treatment facilities with East Brandywine Township Municipal Authority.	
PA	Foster	5/1/06 4/30/09	N/A	Wastewater Pump Stations	American Water is responsible for the operations and maintenance of two pump stations.	300 (Connections)
PA	Girardville	12/15/01 12/15/01	0.25mgd	Wastewater Treatment Collection System – Maintenance Management	American Water is responsible for the start up, operations and maintenance of a new activated sludge treatment plant with U/V disinfection as well as collection system.	3,200 (Population)
PA	Hopewell			Wastewater Treatment Facilities	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
PA	Kennett Township			Wastewater Treatment Facilities	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
PA	Kline, Banks and McAdoo	11/1/05 10/31/10	0.7mgd	Wastewater Treatment	American Water is responsible for the operations and maintenance of a wastewater treatment plant.	500 (Connections)
PA	Lake Wynonah (Schuykill Haven)	6/3/97 6/2/12	Water: 0.5mgd; Wastewater: 0.5mgd	Water Treatment Distribution Wastewater Services	American Water is responsible for management services provided on a fulltime basis for Water Treatment, Distribution and Wastewater Services. No collection system is in place in this community. All sewage is pumped and trucked from the residence to the WWTP.	2,200 (Population)
PA	Meadville	6/1/98 10/1/13	3mgd	Water Treatment Distribution Meter Reading Billing Laboratory	American Water is responsible for the operations and maintenance of a water treatment and distribution system.	16,000 Population 5,400 (Connections)
PA	NESJMA	10/24/01 10/23/08	0.25mgd	Wastewater Treatment	American Water is responsible for the start up and maintenance of a new activated sludge treatment plant with U/V disinfection.	3,000 (Population)
PA	Newburg			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities with Newburg Hopewell Joint Authority.	
PA	Nuremberg	11/1/04 10/31/10	0.16mgd	Wastewater Treatment	American Water is responsible for the operations and maintenance of wastewater treatment plant, two pump stations and collection system.	250 (Connections)
PA	Orbisonia			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities with Orbisonia – Rockhill Joint Municipal Authority.	
PA	Ringtown			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
PA	Rush Township	3/1/01 1/1/09	Not Applicable	Collection System Maintenance Utility Billing Services	American Water is responsible for the collection system and conveyance equipment to regional treatment plant (operated by others). Utility Billing and Collection services are provided on a quarterly basis. Customer service and problem resolution as well as monthly and year end financial reports are provided routinely.	3,200 (Population)
PA	Schuykill Valley			Wastewater Treatment	American Water is responsible for the operations and maintenance of the Schuylkill Valley Wastewater treatment plant.	
PA	Shenandoah	4/24/41 9/30/08	1mgd	Water Treatment Distribution	American Water is responsible for the management of the Water Treatment and Distribution system.	9,500 (Population)
PA	South Coventry Township			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
PA	South Woodbury Township			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	

American Water Public Private Joint Ventures

State	City or County	Contract Start and End Dates	Capacity	Scope of Work	Project Description	# Customers/ Population Served
PA	Thornbury Township			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
PA	Upper Pottsgrove Township			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
PA	Valley Township			Water Treatment	American Water is responsible for the operations and maintenance of the water treatment facilities.	
PA	Westtown Township Worcester Township			Wastewater Treatment	American Water is responsible for the operations and maintenance of the wastewater treatment facilities.	
VA	Danville	7/1/98 6/30/08	24mgd	Wastewater Treatment Wastewater Collection Industrial Pretreatment Program Computerized Maintenance Management	American Water has a 10-year operation, maintenance and management contract for a new 24-MGD wastewater treatment plant, 11 pump stations and industrial pretreatment program.	48,100 (Population)
WA	Seattle	5/28/97 2/14/16	120mgd	Design, Build, Operate, Maintain	Design/Build/Operate. American Water is part of team for City of Seattle contract. Responsibilities include design and construction of a new water treatment plant as well as the operation and maintenance of the facility.	430,000 (Population)
WV	Mercer/Summers	1997 – present	5 mgd	Public Private Partnership	West Virginia American responsible for the construction, operation and maintenance of 80 miles of distribution system, treatment plant, and tank. Partnered with the Mercer County Commission, the Summers county Commission, 2 cities and 1 Public Service District.	45,000 people
WV	Fayette	1994-present	4 mgd	Public Private Partnership	West Virginia American responsible for the construction, operation and maintenance of treatment plant and distribution system. Partnered with the Fayette County Commission and 3 PSDs.	1,200 homes
WV	Boone	1995 – present	N/A	Public Private Partnership	West Virginia American responsible for the construction, operation and maintenance of 90 miles of distribution system, 6 tanks, and 4 boosters. Partnered with the Boone County PSD.	21,600 residents
WV	Cabell	1995 – present	N/A	Public Private Partnership	West Virginia American responsible for the construction, operations and maintenance of 99 miles of distribution system and 6 booster stations. Partnered with the Cabell County Commission and the Salt Rock Water PSD.	4,100 residents
WV	Kanawha	1995 – present	N/A	Public Private Partnership	West Virginia American responsible for the construction, operations and maintenance of 1000 miles of main, 5 boosters and 6 tanks. Partnered with the Kanawha County Commission and the Kanawha County Regional Development Authority.	1,740 homes
WV	Putnam	1999 – present	N/A	Public Private Partnership	West Virginia American responsible for the construction, operation and maintenance of the 61 miles of main. Partnered with the Putnam County Commission.	888 homes
WV	Lewis	1999 – present	N/A	Public Private Partnership	West Virginia American responsible for the construction, operation and maintenance of 20 miles of main. Partnered with the Lewis County Commission and the Lewis County Economic Development Authority.	225 homes
WV	Walkersville	2007	N/A	Public Private Partnership	West Virginia American responsible for the construction, operation and maintenance of 20 miles of main.	350 homes
TN	Marion	2002-present	N/A		Tennessee American Water was responsible for the construction of the facilities and operation of the distribution system.	185 customers
TN	Marion	2003-2006	N/A		Tennessee American Water was responsible for the construction of the facilities and operation, until TAW purchased the system from the Utility District.	200 customers

KENTUCKY-AMERICAN WATER COMPANY
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PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 7 of 9

Witness: Linda C. Bridwell

7. Provide a copy of all documents received by Kentucky-American in conjunction with its request for bids for construction of the facilities identified in Kentucky-American's application.

Response:

The requested documents are confidential and proprietary and have been filed under seal in connection with Kentucky American Water's January 9, 2008 Motion for Confidential Treatment.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134

PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 8 of 9

Witness: Harold Walker, III

8. Refer to Kentucky-American's rebuttal testimony of Harold Walker, III, dated November 13, 2007, Schedule 1. Provide a revised and updated Schedule 1 that reflects the accepted bids on the proposed facilities.

Response:

The attached revised Schedule 1 reflects the actual construction bids for a 25 MGD plant as part of the total Pool 3 project. Because the bids have now locked the pricing until February 5, 2008, the inflation costs that were estimated in Column B have been reduced. Therefore, the total Pool 3 project estimate in Column E has been reduced to $161,760,903. This is a reduction from the $182,148,769 estimate in Schedule 1, Column E of Mr. Walker's November 13, 2007 testimony. Additionally, the attached revised Schedule reflects a reduced Annual Depreciation Accrual. These reductions would result in both a reduced Annual Revenue Requirement and a reduced Present Worth calculation of the total project. Please also see the response to Item 9 of these data requests.

Kentucky American Water Company
Jan-08
Estimated Pool 3 Capital Requirements

Acct	Rate		A Construction Costs 2007 $	B Inflation @ 3.00% Over 2-yrs(1)	C Average Capital Cost 2008-09	D KAW AFUDC @ 7.75% Over 2-yrs	E Pool 3 Total	F KAW Share @ 80%	G BWSC Share @ 20%	H KAW 2010 Rate Base Value	I KAW Annual Depreciation Accrual
306.00	2.29	Lake, River and Other Intakes	$1,254,715	$0	$1,254,715	$97,240	$1,351,955	$1,081,564	$270,391	$1,081,564	$24,768
		Raw Water Pumping Station									
304.20	1.94	Structure	8,657,532	0	8,657,532	670,959	9,328,491	7,462,793	1,865,698	7,462,793	144,778
311.20	2.45	Electric Pumping Equipment	1,505,658	0	1,505,658	116,688	1,622,346	1,297,877	324,469	1,297,877	31,798
309.00	1.82	Supply Mains	1,129,243	0	1,129,243	87,516	1,216,759	973,407	243,352	973,407	17,716
		Water Treatment Plant									
304.30	1.91	Structure	53,469,668	0	53,469,668	4,143,899	57,613,567	46,090,854	11,522,713	46,090,854	880,335
320.10	2.21	Equipment	10,841,574	0	10,841,574	840,222	11,681,796	9,345,437	2,336,359	9,345,437	206,534
311.20	2.45	Electric Pumping Equipment	5,190,304	0	5,190,304	402,249	5,592,553	4,474,042	1,118,511	4,474,042	109,614
331.00	1.66	Finished Water Main	56,242,157	0	56,242,157	4,358,767	60,600,924	48,480,739	12,120,185	48,480,739	804,780
330.10	2.25	Transmission Storage	3,132,704	0	3,132,704	242,785	3,375,489	2,700,391	675,098	2,700,391	60,759
		Transmission Water Pumping Station									
304.20	1.94	Structure	4,827,339	0	4,827,339	374,119	5,201,458	4,161,166	1,040,292	4,161,166	80,727
311.20	2.45	Electric Pumping Equipment	2,048,762	0	2,048,762	158,779	2,207,541	1,766,033	441,508	1,766,033	43,268
		Land									
303.40		Intake and Water Treatment Plant	783,595	0	783,595	0	783,595	626,876	156,719	626,876	0
303.30		Transmission Storage and Pumping	97,234	0	97,234	0	97,234	77,787	19,447	77,787	0
303.50		Finished Water Main	1,087,195	0	1,087,195	0	1,087,195	869,756	217,439	869,756	0
			$150,267,680	$0	$150,267,680	$11,493,223	$161,760,903	$129,408,722	$32,352,181	$129,408,722	$2,405,077

Note: (1) Inflaction is zero since the bids lock the price.
Source of Information : Company provided

Schedule 1
PHDR 8 Update

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2007-00134
PUBLIC SERVICE COMMISSION'S POST-HEARING DATA REQUESTS

Item 9 of 9

Witness: Linda C. Bridwell/Harold Walker, III/Michael A. Miller

9. Refer to Kentucky-American's rebuttal testimony of Harold Walker, III, dated November 13, 2007, Schedule 1 and to the Kentucky-American Intermediate Bid Evaluation for Kentucky River Pool 3 Project Phase 1 (20 MGD) and Phase 2 (5 MGD), dated December 19, 2007. Reconcile the Intermediate Bid Evaluation with the Column A of Schedule 1.

Response:

Mr. Walker's November 13, 2007 rebuttal testimony (at Column A of Schedule 1) states the estimated cost of a 25 MGD plant as part of the total Pool 3 project to be $161,839,538. That estimate included legal, engineering, permitting, administrative, and contingency expense estimates.

Kentucky American Water's Intermediate Bid Evaluation 25 MGD project figure is $126,640,001. That figure is for construction only, and, therefore, does not include legal, engineering, permitting, administrative and contingency expense estimates.

The $35,199,537 difference ($161,839,538 - $126,640,001 = $35,199,537) between Mr. Walker's Schedule 1 Column A estimate 25 MGD Intermediate Bid Evaluation figure is comprised of the following:

$4,993,961 savings between actual bids and estimated construction costs;
$5,525,910 savings in estimated inflation costs in treatment plant construction estimate (which is no longer applicable);
$19,959,266 for legal engineering, permitting, administrative and contingencies;
$3,000,000 estimate for electric service facilities to the electric service provider; and
$1,720,400 for land costs.

Based on the actual bid numbers, the revised cost is $144,646,445 for a 20 MGD project and $150,267,680 for a 25 MGD project. The $150,267,680 corresponds with the revised Column A provided in response to Item 8 of these data responses. These costs include legal, permitting,

engineering, land, administrative, and contingency expenses. Please see the attached rate impact analysis.

Kentucky American Water Company
Response to Commission Post Hearing Data Request Number 8 - Case #2007-00134
Rate Impact to KAW Customers from Source Of Supply - Pool 3 Project

	Based on Responses to PSCDR1#31 & CAWSDR2#4 and on Org. Est. for 20 MGD Pool 3 Project	Based on Bid Cost for 20 MGD Pool 3 Project	Based on Bid Cost for 25 MGD Pool 3 Project
Average Residential Monthly Bill	$20.02 (1)	$23.43 (2)	$23.43 (4)
Rate Increase %	45.31%	37.35%	31.63%
Estimated increase in Avg. Res. Monthly Bill from SS Project	$9.07	$8.75 (3)	$7.41 (5)

Notes:
(1) Original Response was prepared using the rates approved in Case #2004-00103, prior to Order in Case #2007-00143
(2) Based on rates approved in Case #2007-00143
(3) Based on 20 MGD Project with no BWSC participation
(4) Based on rates approved in Case #2007-00143
(5) Based on 25 MGD Project with BWSC Public/Private Partnership owning 20% undivided interest in Project