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February 11, 2008

Via Hand Delivery
Hon. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: ***Application of Kentucky-American Water Company, a/k/a Kentucky American Water for Certificate of Convenience and Public Necessity Authorizing Construction of Kentucky River Station II ("KRS II"), Associated Facilities, and Transmission Line*; Case No. 2007-00134.**

Dear Ms. O'Donnell:

Pursuant to the order of the Public Service Commission of the Commonwealth of Kentucky dated January 16, 2008, we have enclosed for filing an original and ten (10) copies each of (1) the prefiled testimony of Gregory C. Heitzman, President of Louisville Water Company and (2) Edward Wetzel, Executive Vice President of R.W. Beck, Inc.

Thank you, and if you have any questions, please call me.

Very Truly Yours,

John E. Selent

JES/ki

Enclosures
cc: All Parties of Record (w/encl.)
Barbara K. Dickens (w/encl.)
Edward T. Depp, Esq. (w/o encl.)

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Application of Kentucky-American Water	**)**	
Company, a/k/a Kentucky American Water	**)**	
for Certificate of Convenience and Public	**)**	
Necessity Authorizing Construction of Kentucky	**)**	**Case No. 2007-00134**
River Station II ("KRS II"), Associated	**)**	
Facilities, and Transmission Line	**)**	

PREFILED SUPPLEMENTAL TESTIMONY OF GREGORY C. HEITZMAN ON BEHALF OF LOUISVILLE WATER COMPANY

February 11, 2008

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Application of Kentucky-American Water Company, a/k/a Kentucky American Water for Certificate of Convenience and Public Necessity Authorizing Construction of Kentucky River Station II ("KRS II"), Associated Facilities, and Transmission Line	))))))	**Case No. 2007-00134**

PREFILED SUPPLEMENTAL TESTIMONY OF GREGORY C. HEITZMAN
ON BEHALF OF
LOUISVILLE WATER COMPANY

Q. WHAT IS YOUR NAME?

A. My name is Gregory C. Heitzman.

Q. WHO IS YOUR EMPLOYER?

A. My employer is the Louisville Water Company ("LWC").

Q. WHAT IS YOUR POSITION AT LOUISVILLE WATER COMPANY?

A. I am the President of LWC.

Q. HAVE YOU PREVIOUSLY CAUSED TESTIMONY TO BE PREFILED IN THIS CASE?

A. Yes, I have. That testimony was filed prior to the public hearing held on November 26, 27, and 28, 2007 in this matter.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?

A. It is my understanding that the Commission's January 16, 2008 order in this matter gave all parties the opportunity to file any new evidence regarding alternative means of expanding KAWC's water supply, provided that such evidence is filed in the form of verified written testimony. Since the November 2007 hearing, LWC has continued working to identify: (i) alternative measures that KAWC could implement to alleviate its additional 10 MGD need in 2010; and (ii) additional

information clarifying the Louisville Pipeline proposal and LWC's ability to complete the Louisville Pipeline by 2012, as described in my previous testimony.

Q. PLEASE SUMMARIZE THE MAIN POINTS OF YOUR TESTIMONY TODAY.

A. My testimony today addresses the following topics. First, I will identify certain interim measures that KAWC could implement to meet its forecasted 10 MGD demand by 2010. Second, I will provide an update regarding LWC's engineering, design, and permitting progress with respect to the proposed I-64 route for the Louisville Pipeline. Third, I will identify certain additional information LWC has learned with respect to Pool 3 of the Kentucky River and related facilities. Fourth, I will describe additional information we have learned with respect to the availability of public financing and grants in connection with the Louisville Pipeline. Fifth, I will provide an update with respect to the refinement of certain details associated with the Louisville Pipeline proposal set forth in my previously-filed rebuttal testimony. And finally, I will update the Commission regarding the growing number of entities who have endorsed the Louisville Pipeline as the best solution to Central Kentucky's water supply deficit.

Q. THE FIRST POINT YOU IDENTIFIED RELATED TO INTERIM WATER SUPPLY MEASURES AVAILABLE TO KAWC. WHAT ARE THOSE INTERIM MEASURES?

A. LWC has identified four interim measures by which KAWC could: (i) avoid the significant cost premiums associated with the Pool 3 proposal; and (ii) alleviate any urgency with respect to the 2010 World Equestrian Games or other high-demand conditions that may arise between now and 2010. Those measures are as follows.

First, LWC has discovered that – by July of this year (2008) – Versailles can provide 2 MGD of water to KAWC. KAWC and Versailles are already interconnected at Huntertown Road, and Versailles has sufficient excess capacity to supply this amount of water. Implementation of this interim measure would require either the upgrading of Versailles's existing pump station or the installation of a temporary, diesel-powered, portable booster pump. Please see the attached

memorandum from Versailles Mayor Fred Siegelman (Exhibit 1) and the attached letter from GRW Engineers (Exhibit 2).

Second, LWC has discovered that – by July of 2009 – Versailles can supplement this amount with an additional 3 MGD of water (raising its total available interim supply to 5 MGD). (*See* Exs. 1-2.) This can be accomplished by the installation of a permanent booster pump station and some additional piping for only $158,850, as estimated in 2006. (*See* Ex. 2.) Frankfort can also provide (through existing interconnection with Georgetown) an additional 2 MGD of water to KAWC by this time. Please see the attached letter from Frankfort Plant Board Manager Warner J. Caines (Exhibit 3) and the November 20, 2007 resolution of the Frankfort Plant Board (Exhibit 4) for confirmation of this possibility. Taken together, then, LWC has discovered that KAWC could avail itself of up to 7 MGD of water by July of 2009 (before its proposed plant would even be close to completion).

Third, LWC's ongoing engineering and design work on the Louisville Pipeline proposal (discussed in more detail below) confirms that – by July of 2010 – it will have completed a pipeline connecting to the Frankfort Plant Board. (*See infra.*) As a result of LWC's connection to the Frankfort Plant Board system, the Frankfort Plant Board will be able to devote up to an additional 3 to 5 MGD of water to KAWC's needs with additional piping connecting the Frankfort Plant Board to the KAWC system. (*See* Rebuttal Test. of G. Heitzman at 5:38-41.) Therefore, by July of 2010, KAWC will have access to a water supply of 10 to 12 MGD.

With this additional 10 to 12 MGD interim supply available from Versailles and Frankfort, KAWC will have satisfied its forecasted additional 10 MGD need for 2010. (*See* Direct Test. of L. Bridwell at Table 2.) In addition to demand-side management measures, KAWC could then use that 10 to 12 MGD being supplied by Versailles and Frankfort to address any temporary water supply needs that may arise prior to July of 2012, when the Louisville Pipeline would be operational and capable of supplying 25 to 30 MGD of water at a lower capital and ratepayer cost than the 20 to 25 MGD Pool 3 proposal.

Fourth, LWC has learned that the KRA's work on Dam 9 of the Kentucky River has been designed to accommodate the installation of crestgates on that dam. (*See* "Money for Kentucky River May Flow Again," *Lexington Herald Leader*, A. Mead, Feb. 5, 2008, attached hereto as Exhibit 5.) Based on information identified in Exhibit 5, those dam improvements are scheduled to be completed by the end of 2008. (*See id.*) Crestgates could be added to the dam to further increase the water supply by 2010. (*See id.*) Thus, for the approximately $5,000,000 to $6,000,000 investment associated with the installation of crest gates at Dam 9, an additional one billion gallons of water can be stored in Pool 9. (*See id.*) This would provide an additional estimated 10 MGD supply over a 100 day period for the benefit of KAWC's ratepayers. This storage would be in addition to the 10 to 12 MGD water supply discussed above.

I also believe it is important to emphasize that these are only interim measures that LWC has identified. There may be other interim measures (such as demand-side management) available to address KAWC's water supply issues, but the responsibility of reviewing and evaluating interim measures should rest with KAWC. In light of the 2010 Equestrian Games and the drought of 2007, it may be advisable for KAWC to develop a contingency plan to address the possibility that easement acquisition problems or other delays may hinder its ability to complete construction on the Pool 3 proposal by July of 2010.

Q. SO, CAN YOU PLEASE PROVIDE THE COMMISSION WITH A SUMMARY CHRONOLOGY OF THE ADDITIONAL WATER SUPPLY THAT COULD BE MADE AVAILABLE TO SATISFY KAWC'S PROJECTED 10 MGD DEMAND IN 2010?

A. Yes. In addition to any other interim supply measures that may be available to KAWC, the following amounts of water appear to be available to KAWC by the following dates.

Timeframe	**Total Available Water Supply**
• July 2008:	Up to 2 MGD available from Versailles.
• July 2009:	Up to 7 MGD available from Versailles and

	Frankfort, combined.
• July 2010:	Up to 12 MGD available from Versailles, Frankfort, and LWC, combined. Additional supplies may be secured through the installation of crestgates at the improved Dam 9.
• July 2012:	Up to 25 to 30 MGD available through the Louisville Pipeline. Additional reserve supplies may be available to KAWC from other regional water providers or increased storage at Pool 9, as needed.

Q. YOU ALSO INDICATED THAT LWC HAS DISCOVERED ADDITIONAL INFORMATION REGARDING THE FEASIBILITY OF THE LOUISVILLE PIPELINE'S PROPOSED I-64 ROUTE. PLEASE DESCRIBE WHAT LWC HAS LEARNED.

A. Certainly. In general, LWC's ongoing engineering and design work indicates that the Louisville Pipeline's proposed I-64 route is feasible and on-track for completion by 2012, as I have previously testified.

More specifically, however, I would note that LWC is now under contract with Camp Dresser & McKee engineers ("CDM") to design the Jefferson County portion of the Louisville Pipeline. As the attached Status Report (Exhibit 6)from CDM indicates, LWC already possesses one-third of the Jefferson County easements necessary for the Louisville Pipeline, and the project is scheduled for bidding in the fourth quarter of 2008. (*See id.*) In addition, LWC's communications with the Division of Water and the Army Corps of Engineers have indicated that LWC's design methodology for the Jefferson County portion of the Louisville Pipeline are acceptable. Those same communications have indicated that there is no reason to believe that LWC's progress and design methodologies will be different for the Shelby County portion (or any other portion) of the Louisville Pipeline.

Simultaneously with LWC's progress, LWC has joined in a partnership with the Frankfort Plant Board, North Shelby Water Company, West Shelby Water District, Shelbyville Water and

Sewer, and the U.S. 60 Water District to construct a pipeline that will provide additional water to Shelby County and Franklin County water providers. This group is called the Shelby-Franklin Water Management Group. The Shelby-Franklin Water Management Group has accepted proposals for engineering services associated with the Shelby County and Franklin County portions of the Louisville Pipeline. (*See* RFP No. 08-001, attached hereto as Exhibit 7.) This RFP requested engineering services in connection with a pipeline "to provide an additional source of potable water to participating water purveyors between Shelbyville and Frankfort...." *Id.* The scope of the engineering services can be easily augmented, as necessary, to upsize and/or extend the pipeline to meet the needs of KAWC and other interested water suppliers. After all, the pipeline from Louisville to Frankfort covers approximately sixty-five to seventy percent (65 to 70%) of the route for the Louisville Pipeline proposal to supply water to Central Kentucky.

The final thirty to thirty-five percent (30 to 35%) of the Louisville Pipeline proposal would extend from Frankfort through portions of Franklin, Woodford, and Scott Counties, ultimately connecting with KAWC in Fayette County. There are three potential routes for this section of the Louisville Pipeline. The first, and preferred, route would take the pipeline along Highway 60 to I-64, where it would follow the interstate to connect with KAWC at the intersection of I-64 and Newtown Pike in Lexington. (*See* Route Map, "Alternate A," attached hereto as Exhibit 8.) A second route would take the pipeline along Highway 421 to Midway, where it would follow I-64 to connect with KAWC at the intersection of I-64 and Newtown Pike in Lexington. (*See id.*, "Alternate B.") The third route, which intervenor CAWS has vigorously and vehemently opposed, would take the pipeline along Ironworks Pike to connect with KAWC in Lexington. (*See id.*, "Alternate C.") LWC has advocated the first of these routes ("Alternative A") due to the apparent lack of public opposition to that route and the already encumbered status of the land adjacent to the interstate corridor.

In addition to this design and engineering work that is presently underway, LWC would also like to update the Commission regarding its ongoing investigation of environmental and permitting matters related to the Louisville Pipeline.

From an environmental/cultural impact perspective, LWC has begun investigating any environmental impact that could be associated with the Louisville Pipeline proposal. LWC has contacted the Kentucky Nature Preserves to determine whether that organization has any knowledge of any endangered species located along the proposed route for the Louisville Pipeline. (*See* January 30, 2008 Ltr. from Sara Hines to Andy Williams, attached hereto as Exhibit 9.) LWC has also contacted the Kentucky Department of Fish and Wildlife Resources for the same purpose. (*See* January 28, 2008 Ltr. from Doug Dawson to Andy Williams, attached hereto as Exhibit 10.) These issues will continue to be addressed and appropriately considered in connection with the engineering and design work referenced above.

LWC has also participated in several meetings with the Highway Department to confirm that – in those isolated instances where LWC is unable to obtain an easement for the Louisville Pipeline – it will be possible to install the pipeline longitudinally in the interstate right-of-way. The Highway Department's files contained a letter to LFUCG Councilwoman Linda Gorton stating that longitudinal installations are permissible, and the Highway Department's official policy confirms this representation. (*See* September 25, 2007 Ltr. from Marc D. Williams to Linda Gorton, attached hereto as Exhibit 11; *see also* P.E.-202-2 Policy of Highway Department, attached hereto as Exhibit 12.) (LWC notes that while this letter indicates that I received a courtesy copy, LWC has no record of my having received this letter.)

LWC has also learned that intervenor LFUCG is presently proceeding with plans to install approximately two miles (9672 linear feet) of thirty inch (30") sewer force main longitudinally in the I-64 and I-75 rights-of-way in Lexington. (*See* September 25, 2007 Ltr. from Joseph L. Henry to Greg Heitzman, attached hereto as Exhibit 13; *see also* Contract Documents and Specifications,

attached hereto as Exhibit 14.) Accordingly, there seems to be no legitimate basis for KAWC to challenge the possibility that a portion of the Louisville Pipeline may be installed (if needed) longitudinally in the I-64 right-of-way.

Q. WE HAVE DISCUSSED INTERIM SOLUTIONS AVAILABLE TO KAWC, AS WELL AS ENGINEERING, DESIGN, ENVIRONMENTAL, AND PERMITTING STEPS THAT ARE BEING COMPLETED. CAN YOU UPDATE THE COMMISSION ON YOUR DISCOVERIES WITH RESPECT TO POOL 3 OF THE KENTUCKY RIVER AND ANY RELATED FACILITIES?

A. Yes. Since the November hearing in this case, LWC has been in contact with the KRA regarding the safe-yield of Pool 3, as well as the condition of facilities that impact the water supply in Pool 3. What we have learned is that the KRA is presently under contract with Fuller Mossbarger Scott & May Engineers to assess the condition of the dams along the Kentucky River. In essence, the KRA has contracted its engineer to determine whether certain dams are unstable and/or in need of repair or replacement. That study is not yet complete. In discussions about that study, however, the KRA has also indicated that it is not aware of a present safe-yield analysis for Pool 3.

KAWC, having conducted no safe-yield study of the very pool on which its proposed water treatment plant will be situated, asks the Commission to assume that the Pool 3 proposal is feasible without the benefit of any legitimate basis to do so. The KRA, however, is presently doing KAWC's due diligence to determine whether Pool 3 is structurally sound to supply KAWC's proposed water treatment plant. Even if there is sufficient water in that pool, it would not undermine the significant capital and ratepayer savings associated with the Louisville Pipeline. Nevertheless, LWC is hopeful that the Commission will consider the KRA's dam condition assessment as it evaluates whether the Pool 3 proposal is feasible. (Again, while this may involve some brief delay, this delay could have been avoided had KAWC done its own due diligence with respect to investigating the reliability and feasibility of a Pool 3 water treatment plant. This question is too important to leave to chance.)

Q. I UNDERSTAND LWC HAS ALSO MADE FURTHER INVESTIGATION WITH RESPECT TO PUBLIC FINANCING AND GRANTS THAT MAY BE AVAILABLE FOR THE LOUISVILLE PIPELINE. COULD YOU DESCRIBE WHAT YOU'VE DISCOVERED WITH RESPECT TO AVAILABLE PUBLIC FINANCING AND GRANTS?

A. Yes. In addition to all of the previous investigations, LWC has also conducted additional research into whether a predominantly public (or entirely public) project such as the Louisville Pipeline would have access to grants and/or the low interest rates associated with public financing. Discussions we have had with the Kentucky Infrastructure Authority ("KIA") have indicated that the significant public ownership of Louisville Pipeline would enable access to financing opportunities through Fund F, Fund B, or Fund C with the KIA. (*See* February 7, 2008 Ltr. from Tim Thomas to Greg Heitzman, attached hereto as Exhibit 15.) Those funds provide low interest loans to government agencies at below-market interest rates of 0.6% to 3.0%, thereby lowering the long-term cost of the Louisville Pipeline. (*See id.*) For example, in fiscal year 2008, the KIA has authorized approximately $126.6 million in low interest loans for publicly-owned water and sewer projects.

We have also had discussions with the Kentucky League of Cities ("KLC"), the Kentucky Association of Counties ("KACO") and the Kentucky Rural Water Association ("KRWA"). These entities have, likewise, indicated that the significant public ownership of the Louisville Pipeline would enable access to additional low-interest loans financing from the KLC. (*See* February 7, 2008 Ltr. from Garrett L. Drakeford to Greg Heitzman, attached hereto as Exhibit 16; *see also* February 5, 2008 Ltr. from Grant Satterly to Greg Heitzman, attached hereto as Exhibit 17; *see also* February 7, 2008 Ltr. from Gary Larimore to Greg Heitzman, attached hereto as Exhibit 18.) As with the KIA funds, these funds would provide financing at below-market interest rates, thereby lowering the long-term cost of the Louisville Pipeline. (*See id.*)

Finally, LWC has also participated in meetings with several Central Kentucky legislators regarding the possibility of securing grant money in connection with the Louisville Pipeline. Since

2000, the Commonwealth has granted more than $600 million in state funds for publicly-owned water and sewer projects such as the Louisville Pipeline. Access to these state grants would further reduce the costs of the Louisville Pipeline.

To illustrate the magnitude of cost impact that increased public financing has on large capital projects, we have prepared a chart illustrating the present worth cost difference of financing $10 million over periods of 20, 30, and 40 years. (*See* "Analysis of Difference in Cost of Public versus Private Financing of $10,000,000," attached hereto as Exhibit 19.)

For example, if we examine a $88 million project like the Louisville Pipeline, the chart illustrates that a five percent (5.0%) difference in interest rates between private and public financing would result in present value interest savings from public financing of approximately $39.8 million over twenty years. ($4,525,503 * 8.8 = $39,824,426) (*See id.*) If that same project is financed over forty years, the savings from public financing increase to approximately $65.2 million. ($7,411,517 * 8.8 = $65,221,349.) (*See id.*)

Likewise, if we examine a $160 million project like the Pool 3 proposal, the chart illustrates that a five percent (5.0%) difference in interest rates between private and public financing would result in present value savings from public financing of approximately $72.0 million over twenty years. ($4,525,503 * 16 = $72,408,048) (*See id.*) If that same project is financed over forty years, the savings from public financing increase to approximately $118.5 million. ($7,411,517 * 16 = $118,584,272.) (*See id.*)

In total, LWC has learned that the public-ownership aspect of its Louisville Pipeline proposal is likely to generate significant cost savings in the form of both: (i) low-interest public financing opportunities from the KIA, the KLC, the KACO, the KRWA, and potentially other entities; and (ii) significant grants to offset the costs of the project.

Q. BASED ON THE KAWC RATE INCREASE APPROVED FOLLOWING THE NOVEMBER HEARING IN THIS MATTER, HAS LWC HAD AN OPPORTUNITY TO

EVALUATE THE ESTIMATED RATE IMPACT ASSOCIATED WITH KAWC'S POOL 3 PROPOSAL?

A. Yes. In short, we have determined that – based upon KAWC's and LWC's 2008 rate schedules – KAWC's ratepayers will pay significantly more for water produced by a Pool 3 water treatment plant than they will for water delivered through the Louisville Pipeline. R. W. Beck addresses much of this analysis in its "Supplemental Report: Financial Analysis of the Pool 3 vs. Louisville Pipeline Options to Serve Central Kentucky Water Customers," (dated February 2008) (hereinafter "Supplemental Report") but that report must be understood in light of the current KAWC and LWC rates.

There can be no dispute that KAWC customers will typically pay higher monthly water bills than those paid by similarly situated customers of LWC in 2008. For example, KAWC's residential customers using 6,000 gallons per month will pay more than twenty-four percent (24%) more for service in 2008 than an LWC residential customer using that same amount of water. (*See* Rate Comparison Chart, attached hereto as Exhibit 20.) For residential customers using 6,000 gallons per month, this translates into LWC customers saving more than $5 per month compared to KAWC customers. (*See id.*)

LWC's wholesale savings are even more impressive. For example, KAWC's wholesale customers using 40 million gallons per month will pay more than fifty-six percent (56%) more for service in 2008 than an LWC wholesale customer using the same amount of water. (*See id.*) For wholesale customers using 40 million gallons per month, this translates into LWC customers saving nearly $40,000 per month, compared to KAWC customers. (*See id.*)

These savings, then, serve as the backdrop to R. W. Beck's Supplemental Report. LWC's residential customers currently save more than twenty-four percent (24%) in comparison to KAWC's residential customers. (*See supra.*) LWC's wholesale customers currently save more than fifty-six percent (56%) in comparison to KAWC's wholesale customers. When the Louisville Pipeline's

lower capital costs, lower financing costs, and greater access to grant money is layered on top of the existing rate differential, the cost implications are too great to ignore. The Louisville Pipeline is simply more beneficial to KAWC's ratepayers.

Q. SINCE THE NOVEMBER HEARING, HAS LWC REFINED THE DETAILS OF ITS LOUISVILLE PIPELINE PROPOSAL?

A. Yes. The Louisville Pipeline proposal remains the same, but LWC has used the intervening time to clarify some elements that had received criticism from KAWC.

First, although there are other potential routes, LWC has clarified the preferred route by which its connection to the Frankfort Plant Board will interface with the Lexington-to-Frankfort portion of the pipeline. In essence, LWC proposes that the pipeline will connect with KAWC's existing water main at the intersection of I-64 and Newtown Pike (in Lexington), travel west along the I-64 corridor to the intersection of I-64 and Highway 60 (near Frankfort). From there, it will travel north along Highway 60 to the East-West Connector (KY-676), where it will travel west – past the Commission's offices – to the existing Frankfort water treatment plant. We are providing a map identifying this specific route (identified as "Alternative A") for the convenience of the Commission. (*See* Route Map, attached hereto as Exhibit 8.)

Second, LWC has reviewed the status of its budgeted water treatment plant capacity expansions, and it can provide the following status report to the Commission. In 2007 a study conducted by CH2MHill (previously filed with the Commisison in response to KAWC initial data request number 50) confirmed that the firm capacity of LWC treatment facilities is 240 MGD. In order to assure treatment capacities are maintained in excess of 15% above the maximum demand day in the future, LWC included capital improvement projects to expand the B.E. Payne Water Treatment Plant ("BEPWTP") from 60 MGD to 90 MGD and Crescent Hill Water Treatment Plant ("CHWTP") from 180 MGD to 210 MGD in its 2008 capital improvement plan. BEPWTP expansion projects are budgeted and scheduled for 2010 through 2012, and CHWTP expansion

projects are budgeted and scheduled for 2013 through 2017. The 2008 capital improvement plan was approved by the LWC Board of Water Works on November 13, 2007. Therefore, LWC currently has 35 MGD available capacity, and with these improvements, we will have 65 MGD available capacity by 2012, with 95 MGD available capacity by 2017.

Third, we believe that there may have been some confusion from KAWC with respect to its ability to "ramp up" demand or expand beyond the 2:1 reserve ratio under the Louisville Pipeline proposal. The Louisville Pipeline proposal was specifically crafted to enable flexibility with respect to demand, and I would emphasize that pricing provisions in the proposal (as described in my previously-filed rebuttal testimony) will allow KAWC to access a supply of 25 to 30 MGD of water while only obligating it to pay for this capacity when it is needed for growth or for days approaching its maximum demand.

Fourth, LWC has reviewed the publicly available bid results presented by KAWC following the November hearing. (*See* December 19, 2007 E-Mail from A. W. Turner to All Counsel of Record.) That data reveals that KAWC underestimated the price of proposed water treatment plant and overestimated the price of its proposed pipeline. (*See id.*) More specifically, the "construction only" bid costs for KAWC's proposed pipeline totaled approximately $298 per foot. (*See id.*) R. W. Beck's September 2007 (Revised November 2007) "Final Report: Comparison of the Louisville Pipeline and Pool 3 Options to Serve Central Kentucky Water Customers" estimated the pipeline costs associated with KAWC's water main to be $300 per foot. (*See id.* at Appendix A-1, n.3.) This close correlation between R. W. Beck's estimate and the actual results of KAWC's pipeline bids only strengthens the credibility of R. W. Beck's project analysis and its resultant conclusion regarding the significant present worth cost advantages of the Louisville Pipeline.

Finally, I would further emphasize that the Louisville Pipeline proposal provides the opportunity for significant cost-savings in the form of the low interest loans and grants previously described in this testimony. KAWC has not investigated whether public entities such as the BWSC,

LFUCG, the KRA, the KIA, or others could participate in a public-private ownership for the Lexington-to-Franklin portion of the Louisville Pipeline. It has done no investigation of the Louisville Pipeline at all. Other than with respect to the BWSC's potential minority ownership of the Pool 3 facilities, there is no evidence in the record that KAWC has investigated whether these additional, potential public partners could participate in its Pool 3 proposal. If any of these entities were to participate in the construction and ownership of the Louisville Pipeline, it could result in even greater access to grant money and low-cost public financing. Obviously, these savings could greatly benefit KAWC's ratepayers.

Q. THANK YOU, MR. HEITZMAN. CAN YOU PLEASE TELL THE COMMISSION WHO HAS ENDORSED LWC'S LOUISVILLE PIPELINE PROPOSAL AS THE BEST SOLUTION FOR CENTRAL KENTUCKY'S WATER SUPPLY DEFICIT?

A. Certainly. Support for the Louisville Pipeline seems to be growing as we continue to move forward with Shelby County and Franklin County water providers. At this point, however, the following entities have endorsed the Louisville Pipeline as the best solution for Central Kentucky's water supply deficit.

- City of Simpsonville
- U.S. 60 Water District
- City of Shelbyville
- Shelby County Fiscal Court
- Spencer County Fiscal Court
- Frankfort Plant Board
- Franklin Fiscal Court

(*See* Endorsements, attached hereto as Exhibit 21.)

Q. DO YOU HAVE ANY OTHER STATEMENTS YOU WOULD LIKE TO MAKE, MR. HEITZMAN?

A. Yes. I would reiterate that LWC is sensitive to Central Kentucky's water needs. There is obviously a long history to this issue, and I think all the parties are united in their goal to ensure that the problem is timely and responsibly solved. That being said, KAWC's application should be denied for the following reasons.

KAWC's Pool 3 proposal is not a responsible solution to Central Kentucky's water supply deficit. First, considering the magnitude of the investment, KAWC has not conducted a safe-yield analysis of the very pool from which it proposes to withdraw water. KAWC has, likewise, not studied the stability of the dams surrounding Pool 3. The KRA is looking into these issues, but at this point, KAWC has no evidence with respect to these crucial issues. There are simply too many unknowns with respect to Pool 3 and its related facilities. Second, KAWC has not thoroughly evaluated the Louisville Pipeline as an alternative solution to the water supply deficit. There is no credible contest that the Louisville Pipeline is significantly more cost effective from both capital cost and ratepayer perspectives. There is no credible contest that the Louisville Pipeline will have access to greater amounts of public grants and low-cost public financing. Likewise, there is no legitimate reason to believe that the Louisville Pipeline cannot be completed by 2012, as I have previously testified.

Even since the November hearing in this matter, we have made significant engineering and design progress. In that same time, we have also made significant progress with the Highway Department regarding access to interstate rights-of-way. And in any event, the Louisville Pipeline is not plagued by the same public hostility that confronted a different Louisville-to-Lexington pipeline ten years ago. In light of my experience overseeing the construction of thousands of miles of water mains, and in light of the progress we have made to date, I remain confident that the Louisville Pipeline can be completed by 2012. Therefore, the Louisville Pipeline is a more responsible solution to Central Kentucky's water supply deficit.

And this highlights my second point, which is that there is simply no reason to believe that the only timely solution to Central Kentucky's water supply deficit is KAWC's Pool 3 proposal. Once more, I would reiterate that LWC takes no issue with the urgent need for a solution to Central Kentucky's water supply deficit. What we take issue with is KAWC's unwillingness to evaluate interim solutions that could temper that urgency so that a more responsible solution like the Louisville Pipeline can be implemented.

KAWC was clear at the November hearing that it has not investigated the possibilities of securing its short-term supply needs from Versailles, Frankfort, LWC, increased storage at Pool 9, or other means. As I have testified today, these measures – if KAWC were to implement them – would permit KAWC to meet its forecasted 10 MGD water supply for 2010. Moreover, it would do so at a tiny fraction of the cost associated with the Pool 3 proposal. But most importantly, it would drought-proof Central Kentucky while the Louisville Pipeline was being completed. Then, in 2012, the Louisville Pipeline's Ohio River supply would be able to satisfy Central Kentucky's needs more cost-effectively, more flexibly (as related to demand), and more reliably (given the uncertainties surrounding Pool 3) than KAWC's Pool 3 proposal could ever accomplish.

Now that the Commission, LWC, and others have discovered the potential interim solutions that KAWC failed to evaluate, it is obvious to me that KAWC's urgency to secure a CPCN for its Pool 3 proposal is purely a manufactured emergency. Quite simply, KAWC does not need a new water treatment plant and pipeline in order to secure an additional 10 MGD water supply for its customers by 2010. To the contrary, if KAWC would shift its focus away from increasing shareholder assets and concentrate, instead, on serving its customer base, it would see that the better solution lies with implementing interim measures now so that the Louisville Pipeline can be completed by 2012.

Accordingly, the Commission should deny KAWC's application for a CPCN to begin construction of the Pool 3 proposal.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

VERIFICATION

I hereby verify that the foregoing testimony is true and accurate to the best of my knowledge and belief.

Gregory C. Heitzman,
President of Louisville Water Company

COMMONWEALTH OF KENTUCKY)
)SS
COUNTY OF JEFFERSON)

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by GREGORY C. HEITZMAN, to me known, in his capacity as President of Louisville Water Company, this 11th day of February, 2008.

My commission expires: 4/5/2008.

Notary Public

CERTIFICATE OF SERVICE

It is hereby certified that the Prefiled Supplemental Testimony of Gregory C. Heitzman on behalf of Louisville Water Company was served via first-class United States mail, sufficient postage prepaid, on the following individuals this 11th day of February, 2008:

Honorable David Jeffrey Barberie
Corporate Counsel
Lexington-Fayette Urban County Government
Department of Law
200 East Main Street
Lexington, KY 40507

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
2110 CBLD Building
Cincinnati, OH 45202

Thomas J. FitzGerald
Counsel & Director
Kentucky Resources Council, Inc.
Post Office Box 1070
Frankfort, KY 40602

Honorable Lindsey W. Ingram, III
Attorney at Law
Stoll Keenon Ogden PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801

John N. Hughes
124 West Todd Street
Frankfort, Kentucky 40601

Kentucky River Authority
70 Wilkinson Boulevard
Frankfort, KY 40601

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
2110 CBLD Building
Cincinnati, OH 45202

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Honorable Damon R. Talley
Attorney at Law
P.O. Box 150
Hodgenville, KY 42748-0150

Honorable A.W. Turner, Jr.
Attorney at Law
Kentucky-American Water Company aka
Kentucky American Water
2300 Richmond Road
Lexington, KY 40502

Counsel to Louisville Water Company

Fred Siegelman
Mayor
(859) 873-4581

Allison B. White
Clerk/Treasurer
(859) 873-5436

Bruce Southworth
Public Works Director
(859) 873-2245

City Of Versailles

"A Renaissance Kentucky City"

William K. Moore
City Attorney
(859) 873-6207

John F. Wilhoit
Police Chief
(859) 873-3126

Frankie Shuck
Fire Chief
(859) 873-5829

MEMORANDUM

TO: **409 WATER MANAGEMENT COUNCIL**

FROM: **FRED SIEGELMAN, MAYOR**
CITY OF VERSAILLES, KENTUCKY

DATE: **JANUARY 17, 2008**

SUBJECT: **POSSIBLE INTERIM WATER SHORTFALL SOLUTION**

This memorandum shall serve to inform the Water Management Council that the Versailles City Council approved a resolution at their January 15, 2007 meeting, which authorizes the City's Municipal Utilities to proceed with possible negotiations for partnering with the Louisville Water Company and the Frankfort Water Plant and Electric Board to assist in providing an interim solution to the water shortfall in the central Kentucky area..

In closing, the Versailles City Council and myself continue to appreciate the need for communities to partner together in order to protect the health and welfare of our community citizens. Thank you for the opportunity and we are very optimistic that Versailles can be a proven community partner.

Fred Siegelman

Kentucky UNBRIDLED SPIRIT

196 South Main Street, P.O. Box 625, Versailles, Kentucky 40383
(859) 873-5969 Facsimile

801 Corporate Drive
Lexington, KY 40503
Tel 859 / 223-3999
Fax 859 / 223-8917

GRW Engineers, Inc.

Engineering
Architecture
Planning
GIS
Aviation Consultants

Arlington, TX
Cincinnati, OH
Indianapolis, IN
Knoxville, TN
Louisville, KY
Nashville, TN

April 14, 2006

Mr. Bruce Southworth
Utilities Director
City of Versailles
City Hall
196 South Main Street
Versailles, KY 40383

Re: BWSC Emergency Water Supply Study
Versailles Water System
City of Versailles, Kentucky
GRW Project No. 2676-18

Dear Mr. Southworth:

Per your request, we have evaluated the ability of City of Versailles's water systems to provide emergency water to the Bluegrass Water Supply Commission (BWSC) at the existing Kentucky American Water Company connection on Huntertown Road.

We utilized Bentley's WaterCAD V 7.0 modeling software to model the existing system and the proposed BWSC water demand. Three (3) different flow rate scenarios were considered in this study. 2mgd, 3mgd and 5mgd. These rates were assumed to be constant rates over a 24-hour period, i.e. 2mgd / (24 hrs/day * 60 hrs/min) = 1,388 gpm or ~ 1,400 gpm. It was also assumed in this analysis that the water system improvements currently under construction had been completed and the system is operating as designed.

As you know, the current improvements will create a new pressure zone in the southeast portion of the Versailles service area. This will include constructing a new 2,000 gpm booster pump station and a new 1 million gallon tank. The booster station was designed per the Recommended Standard for Water Works, with one 2,000 gpm primary pump, a second standby pump and provisions for a third future pump. The hydraulic grade line for this zone (tank overflow elevation) will be 1,110 feet. It is my understanding that KAWC's hydraulic grade line at the connection point is slightly higher at 1,132 feet. This difference in hydraulic grade will have to be overcome to allow Versailles to supply the requested water. This report is based on providing the requested demands at the metering point and does not address exactly how KAWC (or the BWSC) would achieve this additional pressure boost. We would assume that KAWC would reduce the HGL down to match Versailles, if possible, or a booster pump/station would be installed near the KAWC connection point.

2 MGD SCENARIO

To begin this evaluation, we modeled the 2 mgd (1,400 gpm) water demand with the booster pump station as it is currently being constructed, that is with one worker pump operating. This resulted in excessive run times, approximately 20 hrs/day, for the new booster station. This result is easily seen by comparing the total system demand verses the booster station pump discharge rate; the Versailles current peak demand (675 gpm) plus the proposed BWSC (1,400 gpm) equals 2,075 gpm compared to the 2,000 gpm pumping rate.

The next step in the analysis was to add the third pump to the booster station, which is currently under construction. This would allow the City to run two (2) pumps with one standby pump. This, at the current Versailles water demand for the new pressure zone, would allow the pump station to operate at an acceptable 14 hrs/day. The system maintained adequate pressures (min. pressure - 52 psi at Node J-411) while meeting the additional 2mgd water demand. Turnover in the new tank was rapid, but acceptable.

This scenario indicated that two short sections of 16-inch diameter water main would have high line velocities, in the 5 to 6 ft/sec range. If the BWSC and Versailles are planning to utilize the KAWC's connection point as a continuous purchase point, then the City may require that new parallel mains to be installed to reduce these velocities and associated friction losses.

The estimated construction cost for this scenario is as follows.

Pump Station 3rd Pump & Controls	$ 71,350.00
1,750 LF of 16" Water @ $50/ft (optional)	*$ 87,500.00*
Total Construction Cost (2mgd)	$158,850.00

Fire flows were also modeled for a 2 hour, 775 gpm fire in Sycamore Estates with and without the additional BWSC water demand. The 2 mgd demand resulted only in an additional pressure drop of approximately 8 psi in the Sycamore area; however, the system pressure stayed within an acceptable range.

3 MGD SCENARIO

The 3 mgd demand was modeled with the assumptions described above and with the third booster pump described in the 2 mgd scenario being installed in the booster station that is currently under construction. The estimated run time for the booster station, at the current Versailles demand plus the additional 3 mgd to the BWSC, is 17 hr/day. The system also was able to maintain the required pressures of 30 psi (44.5 psi at Node J-411).

Also, the velocities in the above mentioned mains increased to the 5 to 7 ft/sec. range. As stated above, these velocities will need to be addressed if the 3 mgd purchased by BWSC is intended to be a "normal" operating situation.

A 775 gpm fire flows scenario resulted in pressures very near the minimum required pressures for Sycamore Estates. During this time, the pressure within Sycamore fell to approximately 17 psi. To avoid this pressure drop, several thousand feet of water main would need to be added to Sycamore. A more cost-effective solution would be to simply limit the amount of water available to the KAWC meter in the event of a fire.

Along these same lines, if the City elects to pursue this alternative, consideration should be given to the expected growth in the new pressure zone and the potential need to reduce the amount of water available to KAWC/BWSC as this growth occurs.

5 MGD SCENARIO

The same modeling assumptions as stated above for the 3 mgd scenario were modeled with the 5 mgd demand. The booster pumping station, as it is currently being constructed (including the third pump), was unable to supply sufficient water to meet the City's needs and the desired 5 mgd BWSC demand.

In an attempt to satisfy the 5 mgd demand, we ran another scenario utilizing larger pumps in the booster pump station. This proposed adjustment satisfied the desired demands for the new pressure zone, however, it also highlighted a larger issue with trying to meet the requested water demand. The Versailles Water Treatment Plant is only rated for 10 mgd. The City's Water Plant currently operates in the 4 to 5 million gallons per day range. If an additional 5 mgd in demand were given to the BWSC, the plant would be operating at capacity, leaving no room for expansion within Versailles or even daily maintenance at the Water Plant. Additional concerns with this would be meeting the required one day storage volume for the distribution system.

Given the above, the City of Versailles should strongly consider the many improvements that would be needed to the system and the extensive associated costs before agreeing to a 5 mgd rate.

Without fully knowing the details of the potential agreement between the City of Versailles and the Bluegrass Water Supply Commission and the intended demand patterns, it is difficult to make a firm recommendation. However, it would appear that the City of Versailles could provide temporary emergency water at the KAWC connection at a rate of 2 to 3 million gallons per day without negatively impacting their operation if the above discussed improvements are implemented. It would further appear that a 5 mgd purchase by BWSC would be impractical with the limiting factor being the capacity of the Versailles Water Treatment Plant.

Should you have any questions or comments, feel free to contact Brad Montgomery or me at the above phone number.

Very truly yours,

Michael Jacobs, P.E.
Project Engineer

Warner J. Caines
General Manager

Frankfort Plant Board™

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January 22, 2008

Mr. Greg O. Heitzman
President and CEO
Louisville Water Company
550 South Third Street
Louisville, Kentucky 40202

Dear Greg:

I received your letter dated January 14, 2008 related to your request to discuss Emergency Supply Contracts, details of the Louisville Pipeline Supply along I-64 and how the current waterline proposal can be extended to serve Lexington and Kentucky American Water.

Your letter was presented to the Frankfort Electric and Water Plant Board in the regularly scheduled monthly board meeting Tuesday, January 15, 2008 for consideration.

The Board directed Staff to continue negotiations with Louisville Water Company as indicated within the parameters of the Resolution approved by the Board November 20, 2007.

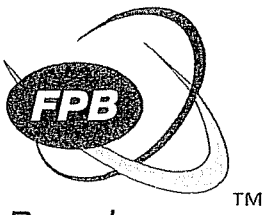
Sincerely,

Warner J. Caines
General Manager

WJC/abb

cc: Bruce Southforth
Versailles Municipal Utilities
Bart Miller
City of Versailles

Warner J. Caines
General Manager



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November 21, 2007

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

RE: Case No. 2007-00134
Kentucky-American Water Company

Dear Ms. O'Donnell:

Enclosed is a Resolution regarding Kentucky American Water's proposal that is currently pending before the Commission. We ask that it be filed in this matter.

I appreciate your assistance. If you have any questions, please contact me at 352-4541 or hprice@fewpb.com.

Sincerely,

Warner J. Caines
General Manager

HP/abb
Enclosure

RESOLUTION OF THE ELECTRIC AND WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

WHEREAS, the Electric and Water Plant Board of the City of Frankfort, Kentucky desires that the residents of Frankfort and the surrounding area be provided a safe, secure, stable and quality water supply, and

WHEREAS, to this end the Electric and Water Plant Board of the City of Frankfort, Kentucky has been presented various proposals to ensure that the residents of Frankfort and the surrounding area are provided a continuing safe, secure, stable and quality water supply, and the Electric and Water Plant Board of the City of Frankfort, Kentucky has reviewed the proposals submitted to it and being fully apprised therefrom,

NOW, THEREFORE, BE IT RESOLVED that:

1. The Members of the Electric and Water Plant Board of the City of Frankfort, Kentucky have concluded that Kentucky American Water's plan for construction of a water treatment plant on pool three of the Kentucky river and connecting pipeline will not best meet the long term needs of its customers.

2. That its Staff is authorized to pursue a supplemental water supply via a pipeline connection from Louisville Water Company.

3. That its Staff may begin discussions with potential partners for sharing costs of construction, use of minimum daily water purchase requirements and possible joint ownership of pipeline.

4. That its Staff may begin the selection process for consulting services related to this project's implementation.

RESOLVED this 20 day of November, 2007.

Joseph Smith
Chairman

Attest:

Ann B. Bohannon

Lexington Herald-Leader (KY)
2008-02-05
Section: City&Region
Edition: Final
Page: B1

MONEY FOR KY. RIVER MAY FLOW AGAIN Beshear's Budget Includes $17.5 Million in Vetoed Projects

Andy Mead
Amead@herald-Leader.Com

Gov. Steve Beshear's proposed budget includes $17.5 million for Kentucky River locks and dams -- money that then-Gov. Ernie Fletcher vetoed two years ago. Some of the work lawmakers envisioned when they put that appropriation in the 2006 budget already has begun, with the river's water customers, not the state's general fund, footing the bill.

But Stephen **Reeder**, the executive director of the Kentucky River Authority, said there always is a need for more money to shore up an old navigation system that now serves chiefly to hold water supplies for Lexington and other Central Kentucky cities.

The oldest dam on the river -- No. 1 near Carrollton -- was put into operation in 1839. The youngest -- No. 14 near Beattyville, came on line in 1917.

In the last several years, the river authority has scurried to make emergency repairs to crumbling concrete on the dams, some of which are built on timber frames.

Failing equipment also has forced the state agency to close most of the locks that allow boat traffic to move through dams.

State help seemed unlikely two years ago, until legislators meeting in a conference committee worked out a surprise $55 million plan that was hailed as a victory for water supply planners and tourism.

The plan called for $17.5 million from state funds for Dam No. 9 at Valley View, the century-old structure that holds Lexington's water supply.

The authority also was given permission to raise fees to replace other dams and locks.

Although Fletcher vetoed the money for No. 9 along with a host of other projects, the river authority went ahead with the replacement plan because it still had the go-ahead to raise fees.

Construction started on the project early last year. The new dam -- a row of steel cylinders, each 52 feet in diameter -- will sit in front of the existing dam.

Although work has stopped for the winter, **Reeder** said the project is on schedule to be completed by the end of the year.

In December, the river authority agreed to raise fees to pay for the dam. The increase will be about 30 cents a month for the average water customer on the Kentucky's main stem. It will go into effect in April. Water utilities pay the authority based on how much water they withdraw from the river, and pass the fee along to customers.

Also by year's end, the authority hopes to have under way a replacement for Dam No. 3 at Monterey north of Frankfort.

No one pulls water from the pool behind No. 3, but Kentucky American Water has proposed building a new treatment plant there to augment the region's water supply.

The Kentucky American proposal is before the state Public Service Commission. A decision is expected soon.

Reeder said, however, that the dam will be replaced regardless of what the PSC decides. That's because the stability of No. 3 is linked to the stability of No. 4, which holds Frankfort's water supply.

Engineers say the water being held in pool 3 pushes against the downstream side of No. 4, helping offset the pressure of water flowing down the river and pressing against the upstream side.

"They're all interdependent, sort of like a stack of dominos," **Reeder** said of the system of dams.

Replacing No. 3 is expected to require another 30-cent increase, **Reeder** said. Even if the legislature approves the $17.5 million that Beshear is asking for, the money won't be available until the second year of the budget.

The $17.5 million could be used to replace the lock in Dam 4, which gets a lot of use by pleasure boaters, and to include a lock in the replacement No. 3. Having those two locks operating would significantly increase the distance boats could travel on the river, **Reeder** said. But they still won't be able to reach the Ohio River and the world beyond. The lock on No. 1 is broken, and there are no short-range plans to repair or replace it.

The authority also wants to use money from the legislature to add a four-foot gate on the top of Dam 9. The gate would lay flat most of the time, but would be raised in dry times to hold an extra billion gallons of water, he said. It could be built as the dam is being completed late this year.

Those three projects -- two locks and a gate -- are expected to cost $5 million to $6 million each.

The gate on No. 9 eventually will be needed to get the region through a record drought even if Kentucky American's proposed plant behind No. 3 is built, **Reeder** said.

Another, smaller project would put a valve in Dam No. 8 to allow water to be moved downriver during low flows. It could work in tandem with the gate on No. 9.

At one point, the authority had hoped that it would by now have a new, higher dam to replace No. 10 at Fort Boonesborough State Park.

Nine years ago, then-U.S. Rep. Fletcher persuaded Congress to authorize $24 million for that project. But it hasn't received any funding in the last seven years. **Reeder** said he hopes to eventually convert it to a state project to get it back on track.

Reeder said he thinks money requested by Beshear has as good a chance of being approved as any of the other vetoed items included in the budget proposal.

Senate President David Williams, who was instrumental in getting into the budget the money that eventually was vetoed in 2006, said last week that he had not been briefed on how much work has been done on the river since that time.

But, he said, taking care of the old lock and dam system still is "an extremely important infrastructure goal."

"Not only from water supply, but from a navigational and recreational purpose, I think it's crucial that we do something about the lock and dams on the Kentucky River," Williams said.

Reach Andy Mead at (859) 231-3319 or 1-800-950-6397, ext. 3319.

CDM
9100 Shelbyville Road, Suite 150
Louisville, Kentucky 40222
tel: 502 339-0988
fax: 502 339 1958

February 7, 2008

Mr. Greg Heitzman, P.E.
President
Louisville Water Company
550 South Third Street
Louisville, Kentucky 40202

Subject: Louisville Water Company
I-64 Transmission Main/Booster Pump Station
Status Report No. 1

Dear Mr. Heitzman:

Attached is Status Report No. 1 for the subject project and is provided for your information.

Please feel free to contact me if you have any questions.

Very truly yours,

Michael A. Taylor, P.E.
Principal
Camp Dresser & McKee Inc.

MAT:klb

cc: B. Maloy (w/Attachment)

File: 1409-61780

CDM

Status Report No. 1
Louisville Water Company
I-64 Transmission Main/Booster Pump Station
February 1, 2008

I. Route Analysis

A. Preliminary route analysis has been completed.

B. Ground survey has been completed from the Booster Pump Station to the Jefferson County line.

II. Regulatory Agencies/Permits

A. Meetings were held with the following Regulatory Agencies on the dates noted:

1. Kentucky Division of Water - 12/10/2007
2. LG&E - 12/13/2007
3. U.S. Army Corps of Engineers - 12/13/2007
4. Kentucky Transportation Cabinet - 12/20/2007
5. Metro Public Works - 1/15/2008

B. Permits

1. Kentucky Division of Water - will issue a 401 Permit for crossing Floyds Fork and will review other minor stream crossings as required. Estimated review time is 60 days.

   The Plan Review Division - will review the Plans and Specifications. Estimated review time is 45 days.

2. LG&E - no permits required. Require 48 hours notification prior to excavating near overhead electrical towers.
3. U.S. Army Corps of Engineers - will issue a 404 Permit for crossing Floyds Fork and will review other minor stream crossings as required. Estimated review time is 60 days.
4. Kentucky Transportation Cabinet - will require only one encroachment permit. Estimated review time is 30 days.
5. Metro Public Works - will require four encroachment permits. Estimated review time is 30 days.

C. Permit Applications

1. The intent is to submit all permit applications by July 1, 2008. This is approximately 75 days before the anticipated Bid Advertisement Date of September 10, 2008.

III. Easements

A. The pipeline is approximately 28,677 lineal feet. Currently, approximately 9,692 lineal feet of the pipeline is within existing roadway, LWC, MSD and LG&E easements.

B. Easement plat preparation is on-going and is 50% complete for the remaining portion of easements to be acquired. 100% completion is anticipated to be by February 20, 2008.

C. It is estimated that easement acquisition will take 6-9 months. The anticipated completion date is August 20, 2008 - November 20, 2008.

D. Easement negotiations for the remaining portions of easements to be acquired are scheduled to start February 13, 2008.

IV. Environmental Concerns

A. Kentucky Department of Fish and Wildlife Resources - In a letter dated January 28, 2008 addressed to Andrew Williams, P.E. of the LWC, the agency "Does not anticipate any significant impacts from the proposed project to fish and wildlife resources due to the nature of the proposed project."

B. Kentucky State Nature Preserves Commission - In a letter dated January 30, 2008 addressed to Andy Williams of the LWC, the agency recommends that a site specific survey be performed relative to endangered, threatened, or special concern plants and animals or exemplary natural communities. This survey will be performed during Final Design.

V. Design and Specification Elements

A. Three piping materials are currently being evaluated for use in the project:

1. Ductile Iron
2. Steel
3. Pre-stressed Concrete Cylinder Pipe

B. The suction header sizing to the Booster Pump Station is currently under evaluation and should be completed by February 8, 2008.

C. Layout of the Booster Pump Station should be completed by February 29, 2008.

VI. Project Schedule

A. The Project Schedule is shown below:

1. Complete easement plats - February 20, 2008
2. Begin easement negotiations - February 13, 2008
3. Complete Preliminary Design Report - March 14, 2008
4. Begin Final Design - March 21, 2008
5. Complete easement negotiations - August 20, 2008 - November 20, 2008
6. Submit permit applications - July 1, 2008
7. Complete Final Design - September 10, 2008
8. Bid Advertisement - September 19, 2008
9. Bid Award - November 6, 2008
10. Begin Construction - December 8, 2008
11. In service by - June 30, 2010

VII. Kentucky Transportation Cabinet I-64 Interchange Reconstruction

A. Based upon our meeting with KTC on 12/20/2007, there are no definite interchange modifications that can be identified at this time.

JEFFERSON COUNTY
PROPOSED I-64 PIPELINE
TRANSMISSION ROUTE
PROPOSED BOOSTER PUMP STATION
JEFFERSON COUNTY
SHELBY COUNTY
LOJIC
Legend
English Station 10 MGD Stand Pipe
EXISTING EASEMENT / ROADWAY
EASEMENT TO BE ACQUIRED
PTD ROADS_JEFF
State ROW
BPS Easement
Parcels
County Boundary
2" MAIN
3" MAIN
4" MAIN
6" MAIN
8" MAIN
10" MAIN
12" MAIN
14" MAIN
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20" MAIN
24" MAIN
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DATE: 11/21/07
SCALE: 1"= 24,000'
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43%
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677 FEET
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REQUEST FOR PROPOSAL

RFP No. 08-001

ENGINEERING SERVICES RELATED TO THE I-64 PIPELINE FEASIBILITY STUDY

The Shelby – Franklin Water Management Group (SFWMG) is accepting Proposals from qualified firms for *Engineering Services*. The Request for Proposals (RFP) is available from:

David Billings, P.E.
SFWMG Engineering Committee
C/O Frankfort Plant Board
PO Box 308
Frankfort, KY 40601
502-352-4468
dbillings@fewpb.com

The RFP provides background information on the project, contact person for the project, general scope of services, required contents of the Proposal, rating / selection process, and the time and date to respond.

A firm will be considered qualified by having experience in the evaluation, design, and construction of water transmission projects having a design capacity of 10 MGD or greater.

1. BACKGROUND

During the periods of drought conditions that occurred over Central Kentucky recently, the Shelby – Franklin Water Management Group (SFWMG) was loosely formed in an effort to construct, own, and operate a regional pipeline that will deliver potable water purchased from Louisville Water Company.

Member Participants in the SFWMG consist of (from west to east):

- Louisville Water Company (LWC)
- West Shelby Water District
- Shelbyville Municipal Water and Sewer Commission
- Shelby County Fiscal Court
- US 60 Water District
- North Shelby Water Company
- Frankfort Electric and Water Plant Board

The SFWMG is currently investigating different forms of governance and is expecting to become an independent legal entity in the near future.

The intent of the SFWMG I-64 Pipeline is to provide an additional source of potable water to participating water purveyors between Shelbyville and Frankfort in an effort to augment existing sources of supply.

Member participants have collectively pledged **$75,000** for the work to be performed as outlined in the Scope of Services. A supplemental grant will be requested through the KIA in the very near future

2. CONTACT FOR INFORMATION

Consulting firms responding to this solicitation should direct all inquiries to:

David Billings, P.E.
SFWMG Engineering Committee
C/O Frankfort Plant Board
PO Box 308
Frankfort, KY 40601
502-352-4468
dbillings@fewpb.com

Any contact with other members or representatives of SFWMG in connection with this RFP is expressly forbidden and will be reason for disqualification of the firm or team of firms.

3. SCOPE OF SERVICES

The Scope of Services may include but is not limited to:

- Inventory of existing water facilities and capacities (plant, pumping, storage, pipeline) located near I-64 corridor that may be utilized for the project
- 20 year (2030) water demand projections for all participants (winter average, summer average, peak)
- Route analysis along I-64 and potential connection points. The analysis shall specify potential issues for consideration, e.g., wetlands; endangered species; historical, archeological, and cultural conflicts; existing utility facility conflicts; difficult construction areas such as railways, blue-line stream, long bores, etc.; number of necessary easements; permits; service access; etc. The consultant shall identify a preferred route and a preferred alternative(s) for further consideration.
- Preliminary hydraulic analysis for pipeline and system inter-connections
- Preliminary facility sizing and cost estimates (pipe, pumping, storage, etc)
- Attending progress meetings as directed by SFWMG
- Scope of Services may be expanded pending additional funding.

4. DELIVERABLES

Deliverables may include but are not limited to:

- A report documenting the findings and proposed facilities as described in this Scope of Services. Ten copies of the draft report shall be presented to the SFWMG Engineering Committee for review and comment. Ten copies of the final report as reviewed and revised shall be submitted to the SFWMG.
- Presentations of findings and proposed facilities to SFWMG and governing bodies of individual member entities as required

5. TIME FRAME

The draft report shall be complete and submitted for review within 120 calendar days from the Notice to Proceed.

The final report shall be revised and submitted within 30 calendar days of receiving final comments.

6. CONTENT OF THE PROPOSAL

Proposals are limited to 25 single-sided pages including letter of transmittal and appendices. The Proposal should be structured as follows:

LETTER OF TRANSMITTAL

Summarize in the Letter of Transmittal the reasons for which you or your firm should be selected for the engineering services related to the project. The letter should identify the primary contact/project manager for the project. The letter should be limited to two pages.

QUALIFICATIONS AND EXPERIENCE OF THE FIRM

Provide a list of clients for which the firm has provided similar services over the last ten years. The list should include a minimum of three municipal entities with the focus on very similar projects. The list should include the name of the client, a client contact person and phone number, a description of the project, the firm's role in the project, and innovative techniques employed.

Provide a description of any ongoing investigations or litigation matters since January 1, 1995 involving the firm and any and all members of the proposed project team.

Provide assurance that the firm currently is not in violation of the rules of any governmental regulatory agencies, industry association, or other rule-making bodies.

Identify any existing or potential conflicts of interest that may preclude performing the services set forth in the Scope of Services.

INDIVIDUAL QUALIFICATIONS

Identify and include a resume for each member of the firm who will be assigned to this project, an organizational chart, and office location of each person assigned to this project. Resumes should include a listing of current pertinent projects and level of responsibility for each project. For each team member, identify tasks each person will perform and the percentage of time each person will devote to the identified tasks. A list of other projects the Project Manager is currently overseeing shall be provided.

PROJECT APPROACH

Describe the firm's approach and plan for meeting the requirements identified in the Scope of Services. Include any unique opportunities or recommendations that your firm feels are appropriate for consideration by SFWMG.

7. RATING CRITERIA

The proposals will be evaluated according to the following criteria:

Qualifications of the Project Manager	25 Points
Qualifications of the Firm or Team**	15 Points
Related Project Experience similar in size and nature	30 Points
Project Approach	30 Points
Total	100 Points

** Favorable consideration may be given to a firm that partners with local expertise such that the team could provide unique opportunities and or advantages appropriate to the project.

8. SELECTION PROCESS

A selection committee will rate the proposals according to the criteria listed. The top ranked firms (approximately three) **may** be asked to make presentations to the selection committee. Selection will be based upon both the Proposal and the interview (if conducted) applying the criteria listed above. Following the presentation, project specific discussions relating to specific scope and fee will be conducted with the top ranked firm. Based upon discussion with the top ranked firm, the SFWMG will decide to either: (1) attempt to negotiate a professional services agreement with the top ranked firm, or (2) dismiss the top ranked firm and initiate discussion with the second ranked firm. This procedure may be repeated as many times as necessary until an agreement can be negotiated that is satisfactory to both parties.

Firms should be aware of and comply with the following:

- Procurement of all goods, contracts, equipment, professional services and non-professional services shall be done in accordance with the provisions of the Kentucky Revised Statutes.
- SFWMG reserves the right to waive any irregularities in proposals submitted in response to this RFP

9. CONTRACTING ARRANGEMENT

SFWMG expects to enter into an Agreement for the services listed in this RFP. Fee type is anticipated to be on a Lump Sum basis.

The firm selected will be required to provide insurance in the following levels:

Professional Liability	$2,000,000
General Liability	$1,000,000
Automobile Liability	$1,000,000
Worker's Compensation	Statutory Amount

The indefinite services delivery agreement will not guarantee nor exclude any firm's future work with SFWMG.

10. SCHEDULE

Pre-Proposal Meeting

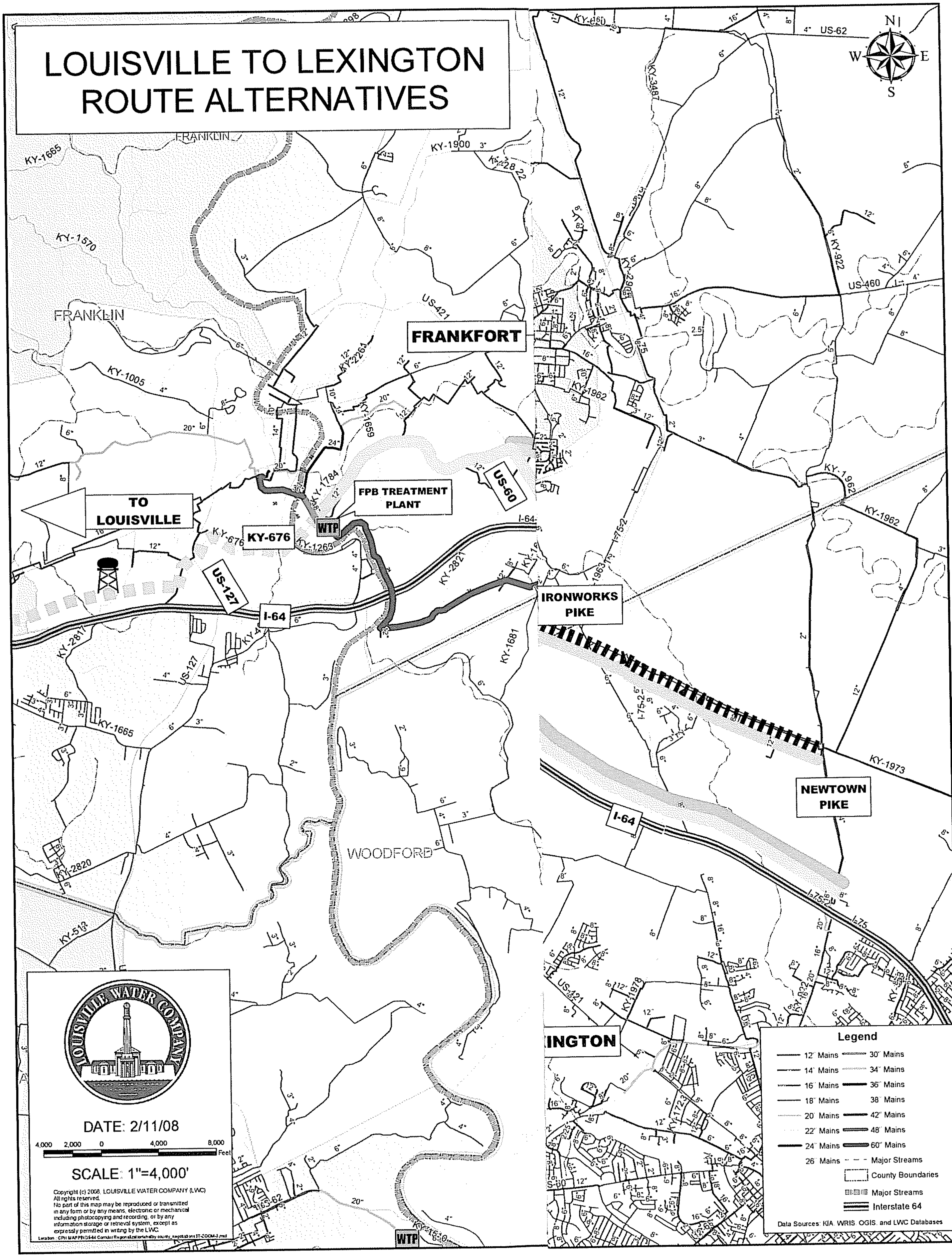
If requested, a pre-proposal meeting may be conducted with the SFWMG Engineering Committee to discuss the project and answer questions. The date for the meeting is anticipated to be during the week of January 28th. *Respondents wishing to have a* meeting should make the request to the contact person outlined in Section 2 of this RFP.

Submittal Deadline

In order to be considered, 10 copies of the Proposal must be received by SFWMG on or before February 7, 2008 by 2:00 p.m. Eastern Standard Time. All Proposals should be in a sealed package marked:

PROPOSAL
ENGINEERING SERVICES RELATED TO THE
I-64 PIPELINE FEASIBILITY STUDY

Proposals should be delivered to the primary contact person outlined in Section 2 of this RFP.


LOUISVILLE TO LEXINGTON
ROUTE ALTERNATIVES
FRANKFORT
TO LOUISVILLE
FPB TREATMENT PLANT
WTP
KY-676
US-127
I-64
US-60
IRONWORKS PIKE
NEWTOWN PIKE
KY-1973
FRANKLIN
WOODFORD
INGTON
US-421
US-460
US-62
KY-1962
KY-1681
KY-1665
KY-1570
KY-1005
KY-2820
I-75
DATE: 2/11/08
SCALE: 1"=4,000'
Copyright (c) 2008, LOUISVILLE WATER COMPANY (LWC)
All rights reserved.
No part of this map may be reproduced or transmitted in any form or by any means, electronic or mechanical including photocopying and recording, or by any information storage or retrieval system, except as expressly permitted in writing by the LWC.
Legend
12" Mains
14" Mains
16" Mains
18" Mains
20" Mains
22" Mains
24" Mains
26" Mains
30" Mains
34" Mains
36" Mains
38" Mains
42" Mains
48" Mains
60" Mains
Major Streams
County Boundaries
Major Streams
Interstate 64
Data Sources: KIA, WRIS, OGIS, and LWC Databases

Steven L. Beshear
Governor

Robert D. Vance
Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Kentucky State Nature Preserves Commission
801 Schenkel Lane
Frankfort, Kentucky 40601-1403
502-573-2886 Voice
502-573-2355 Fax

Donald S. Dott, Jr.
Director

January 30, 2008

Andy Williams
Louisville Water Company
550 South Third Street
Louisville, KY 40202

Data Request **08-106**

Dear Mr. Williams:

This letter is in response to your data request of January 25, 2008 for the Interstate 64 - Pipeline Route Analysis project. We have reviewed our Natural Heritage Program Database to determine if any of the endangered, threatened, or special concern plants and animals or exemplary natural communities monitored by the Kentucky State Nature Preserves Commission occur near the project area along Interstate 64 from Louisville to Lexington, as shown on the map provided to us. Please see the attached reports for more information, which reflect analysis of the project area with three buffers applied:

1-mile for all records – 20 records
5-mile for aquatic records – 14 records
5-mile for federally listed species – 38 records
10-mile for mammals and birds – 60 records

Arabis perstellata (Braun's rock cress, federally listed endangered, KSNPC threatened) occurs on steep wooded slopes in rocky soil often near limestone outcroppings or at the base of slopes along stream courses. Appropriate habitat that may be impacted by this project should be searched for this plant during its flowering period (early April through mid-May).

Lesquerella globosa (Globe Bladderpod, federal candidate, KSNPC Endangered) is known from the area. This plant has recently been designated as a candidate for listing by the United States Fish and Wildlife Service. The plant is found on calcareous rocks and barrens, and wooded cliff edges. Surveys for this species should be conducted prior to disturbance of the site.

Myotis grisescens (Gray myotis, federally listed endangered, KSNPC threatened) is known to occur within one mile, and *Myotis sodalis* (Indiana myotis, federally listed endangered, KSNPC

endangered) is known to within ten miles of the proposed project. A thorough survey for these species should be conducted by a qualified biologist if suitable habitat will be disturbed. The survey should include a search for potential roost and winter sites, and a mistnetting census at numerous points within the proposed corridor, particularly in preferred summer habitat. Summer foraging habitats include upland forests, bottomland forests and riparian corridors. Suitable roost and winter sites include sandstone and limestone caves, rockhouses, clifflines, auger holes, and abandoned mines. In order to avoid impacts to bats, bottomland forests and riparian corridors, particularly near caves, should not be disturbed.

I would like to take this opportunity to remind you of the terms of the data request license, which you agreed upon in order to submit your request. The license agreement states "Data and data products received from the Kentucky State Nature Preserves Commission, including any portion thereof, may not be reproduced in any form or by any means without the express written authorization of the Kentucky State Nature Preserves Commission." The exact location of plants, animals, and natural communities, if released by the Kentucky State Nature Preserves Commission, may not be released in any document or correspondence. These products are provided on a temporary basis for the express project (described above) of the requester, and may not be redistributed, resold or copied without the written permission of the Kentucky State Nature Preserves Commission's Data Manager (801 Schenkel Lane, Frankfort, KY, 40601. Phone: (502) 573-2886).

Please note that the quantity and quality of data collected by the Kentucky Natural Heritage Program are dependent on the research and observations of many individuals and organizations. In most cases, this information is not the result of comprehensive or site-specific field surveys; many natural areas in Kentucky have never been thoroughly surveyed, and new plants and animals are still being discovered. For these reasons, the Kentucky Natural Heritage Program cannot provide a definitive statement on the presence, absence, or condition of biological elements in any part of Kentucky. Heritage reports summarize the existing information known to the Kentucky Natural Heritage Program at the time of the request regarding the biological elements or locations in question. They should never be regarded as final statements on the elements or areas being considered, nor should they be substituted for on-site surveys required for environmental assessments. We would greatly appreciate receiving any pertinent information obtained as a result of on-site surveys.

If you have any questions or if I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Sara Hines
Data Manager

SLD/SGH

Enclosures: Data Report and Interpretation Key

KENTUCKY DEPARTMENT OF FISH & WILDLIFE RESOURCES
COMMERCE CABINET

Steven L. Beshear
Governor

#1 Sportsman's Lane
Frankfort, Kentucky 40601
Phone (502) 564-3400
1-800-858-1549
Fax (502) 564-0506
fw.ky.gov

Marcheta Sparrow
Secretary

Dr. Jonathan W. Gassett
Commissioner

January 28, 2008

Andrew F. Williams, P. E.
Louisville Water Company
550 South Third Street
Louisville, KY 40202

RE: Proposed Louisville to Lexington Water Pipeline

Dear Mr. Williams:

The Kentucky Department of Fish and Wildlife Resources (KDFWR) have received your request for the above-referenced information. The Kentucky Fish and Wildlife Information System indicate that the federally endangered gray bat, *Myotis grisescens* and Indiana bat, *Myotis sodalis* are known to occur or could occur within close proximity to the project area. Please be aware that our database system is a dynamic one that only represents our current knowledge of the various species distributions.

- The Indiana bat utilizes a wide array of habitats, including riparian forests, upland forest, and fencerows for both summer foraging and roosting habitat. Indiana bats typically roost under exfoliating bark, in cavities of dead and live trees, and in snags (i.e., dead trees or dead portions of live trees). Trees in excess of 16 inches diameter at breast height (DBH) are considered optimal for maternity colony roosts, but trees in excess of 9 inches DBH appear to provide suitable maternity roosting habitat. Removal of suitable Indiana bat roost trees due to construction of the proposed project should be completed between October 15 and March 31 in order to avoid impacting summer roosting Indiana bats.
- In areas where bats are known to occur, cave entrances, mine portals, and/or rock shelters that exist within the project area should be surveyed for potential use by such species as gray bats, and Indiana bats. KDFWR recommends avoiding those areas that provide adequate habitat for bats.
- To minimize impacts to aquatic resources and bat foraging areas, strict erosion control measures should be developed and implemented prior to construction to minimize siltation into streams located within the project area. Such erosion control measures may include, but are not limited to silt fences, staked straw bales, brush barriers, sediment basins, and diversion ditches. Erosion control measures will need to be installed prior to construction and should be inspected and repaired regularly as needed.

For more information on how to proceed with the federally listed threatened/endangered species please contact the US Fish and Wildlife Service Kentucky Field Office at (502) 695-0468.

KDFWR recommends that you contact the appropriate US Army Corps of Engineers office and the Kentucky Division of Water prior to any work within the waterways or wetland habitats of Kentucky. Additionally, KDFWR recommends the following for the portions of the project that crosses intermittent or perennial streams:

- Any channel changes proposed within the project area should incorporate natural stream channel design.
- Development/excavation during low flow period to minimize disturbances.
- When crossing a stream, the pipe should be laid perpendicular to the stream bank to minimize the direct impacts to the streambed.
- Replanting of disturbed areas after construction, including stream banks and Right-of-Ways, with native vegetation for soil stabilization and enhancement of fish and wildlife populations.
- Return all disturbed instream habitat to a stable condition upon completion of construction in the area.
- Preservation of any tree canopy overhanging the stream.
- Return all right-of-ways to original elevation.

Our agency does not anticipate any significant impacts from the proposed project to fish and wildlife resources due to the nature of the proposed project. I hope this information proves helpful to you. If you have any questions or require additional information, please call me at (800) 852-0942 Extension 366.

Sincerely,

Doug Dawson

Doug Dawson
Wildlife Biologist III

Cc: Environmental Section File

TRANSPORTATION CABINET
Frankfort, Kentucky 40622
www.kentucky.gov

Ernie Fletcher
Governor

Bill Nighbert
Secretary

Marc Williams
Commissioner of Highways

FILE COPY

September 25, 2007

The Honorable Linda Gorton
Councilmember-At-Large
Lexington Fayette Urban County Government
200 East Main Street
Lexington KY 40507

Dear Councilwoman Gorton:

Thank you for your recent letter concerning the request for guidance on the possibility of the Kentucky Department of Highways permitting a water line easement along sections of Interstate 64 in order to provide additional water supply opportunities for Central Kentucky.

The Department of Highways would be willing to work with local area leaders in Central Kentucky to explore possibilities for a utility easement of this type along some sections of Interstate 64 and/or other state highways in the region. There are a number of questions and issues that will need to be addressed in the evaluation of this request. First and foremost, we will need to ensure that the proposed easement doesn't have a significant impact on our ability to adequately maintain our highway facilities. Concurrence and acceptance by the Federal Highway Administration (FHWA) will also be needed for any easements along interstate right-of-way.

Additionally, we will need to address the overall public interests for such a facility and balancing any potential equity issues that might arise by granting a new easement that would potentially be utilized by utilities in competition with other entities.

Finally, there will be extensive details to be worked out in terms of the requirements for the design, location, construction and maintenance of the sections of the utility line that would fall within our rights-of-way. For instance, the Department of Highways will likely require that if sections of the line need to be relocated at some future time for highway maintenance work, the cost and responsibility for relocating the line would be solely born by the agency or organization having ownership of the line.

While there are some complex matters to be addressed, the opportunity for such service to be considered is, again, something the Department of Highways is willing to explore with leaders in Central Kentucky. We would be happy to meet with you in the future to address this matter further and provide additional information.

Sincerely,

Marc D. Williams, P.E.
Commissioner of Highways

MDW:jp

c: Greg Heitzman, Louisville Water Company
Nick Rowe, Kentucky American Water Company
Tom Caulkins, Bluegrass Water Commission
Bill Nighbert, Secretary of Transportation
Scott Williamson, Deputy Executive Director, Lexington

PERMITS

Section

CONDITIONS AND REQUIREMENTS

Subject

Utility Installations - Fully Controlled Access Highways

Summary: This subject details the requirements that must be considered when installing utilities on fully controlled access highways.

UTILITY INSTALLATIONS:

WHERE ARE THEY PERMITTED? - Generally, a utility will not be permitted to be installed longitudinally within the control of access lines of interstate or other fully controlled access highways. Exceptions may be allowed only when the utility owner can show:

A. **No Adverse Affects** - The utility facility will not adversely affect the safety, design, construction, operation, maintenance, or stability of the freeway;

B. **Construction/Servicing** - The utility facility will not be constructed and/or serviced by direct access from the through traffic roadways or connecting ramps;

C. **No Interference** - The utility facility will not interfere with or impair the present use or future expansion of the freeway; and

D. **Alternative Location Not in the Public Interest** - This determination would include an evaluation of the direct and indirect environmental and economic effects including, but not limited to, the loss of any productive agricultural land or productivity of any agricultural land which would result from the disapproval of the use of such right-of-way for the accommodation of such utility.

Utilities may be located along frontage roads or utility strips where they can be serviced without access from the through roadways or ramps.

UTILITY CROSSINGS:

AT GRADE SEPARATION STRUCTURES - Where a utility follows a crossroad, street, or railroad which is carried over or under an interstate or other fully controlled highway, the utilities are to be located within the normal right-of-way of the existing or relocated crossroad, street, or railroad. They may cross through the highway grade separation structure, provided installation and servicing can be accomplished without access from the interstate through traffic roadways or ramps. Where distinct advantages and appreciable cost savings are effected by locating the utilities outside the normal right-of-way of the crossroad, street, or railroad, they may be located and treated in the same manner as utility lines

UTILITY CROSSINGS (CONT.):

AT GRADE SEPARATION STRUCTURES (CONT.) -

crossing the interstate highway at points removed from grade separation structures.

OVERHEAD UTILITY LINES - Overhead utility lines crossing an interstate or other fully controlled highway outside the normal right-of-way of a crossroad, street, or railroad should be adjusted so that supporting structures are located outside the control of access lines. In any case, a clear zone must be provided as designated in the current edition of the AASHTO publication "Roadside Design Guide." Supporting poles must be a minimum of 30 feet beyond the edge of the shoulder. Supporting poles must not be placed in medians 80 feet or less in width. Where right-of-way lines and control of access lines are not one and the same, supporting poles may be located on right-of-way outside the controlled access right-of-way. In extraordinary cases, where such spanning of the roadway is not feasible, consideration should be given to conversion to underground facilities to cross the interstate or other fully controlled highway.

Vertical Clearance -The vertical clearance of overhead utility lines crossing any interstate or other fully controlled highway must be a minimum of 24 feet as required by the state. In no case can the clearance by less than that required by the National Electrical Safety Code. At interchange areas in general, supports for overhead utilities will be permitted only where all of the following conditions are met:

- The necessary clearance is provided (24 feet required in Kentucky).
- The minimum lateral clearance is in accordance with AASHTO "Roadside Design Guide", latest edition, at least 20 feet from edge of ramp shoulder.
- Essential sight distance is not impaired.
- The utility can be serviced without direct access from the through-traffic roadway and ramps of the interstate or other fully controlled highway.

UNDERGROUND - Underground utility crossings of interstate or other fully controlled highways must be installed so there will be minimal, if any, disturbance to the roadway when performing maintenance or expansion projects. Encasement of utility lines under the highway right-of-way are required except in unusual circumstances where it is not feasible or if the Department doesn't consider it necessary. In such cases, special designs may be considered. The minimum depth of burial is 30" under roadways, ramps, and ditches and 18" in other areas. Valves, vents, drips, blow-offs, etc., must be located outside the right-of-way.

UTILITY CROSSINGS (CONT.): **UNDERGROUND (Cont.) -**

Provisions must be made so that these facilities can be maintained without access from through-traffic roadways or ramps.

Encasement Requirements - Encasements may be constructed of concrete, steel, or iron pipe of sufficient size to allow the carrier pipe to be removed or replaced, if necessary. The diameter of the hole through which the encasement is placed cannot be more than one inch larger than the outside diameter of the encasement.

Conditions Where Encasement Not Required - The following lists conditions where encasement is not required by the Department:

a. Cathodically protected carrier pipe is used that is coated and wrapped by a substantial girdling cover and is sufficiently oversized so, in case of failure, a smaller carrier pipe can be placed in it. For example: if the carrier pipe on each side of the encasement area is 12" in diameter, the carrier pipe within the right-of-way limits should be 18" in diameter.

b. Coated and wrapped cathodically protected carrier pipe with extra heavy wall thickness within the right-of-way limits in accordance with current USA Standard Code for Pressure Piping, Gas Transmission and Distribution Piping Systems. (See Reference and Example Book Reference No. 613-B)

Excavating - Pavements, shoulders, roadways, or ramps cannot be excavated by the open trench method except where there is no alternative and then only with the approval of the Department and the Federal Highway Administration (where applicable). The methods that are used instead of open trenching are auguring, jacking, boring, pushing and tunneling. All overbreaks and voids must be filled with suitable materials approved by the Chief District Engineer.

Existing Underground Utility - Where an underground utility already exists within the proposed right-of-way of a freeway and the grade elevation is such that it need not be relocated, it may remain provided it can be serviced, maintained and operated without access from the through traffic roadways or ramps. It also must not adversely affect the safety, design, construction, operation, maintenance or stability of the freeway. Consideration must be given to the existing alignment, the adequacy of design, and the strength and longevity of materials, in determining whether the utility is to remain, be rehabilitated in the same location, or be relocated.

◆◆◆

801 Corporate Drive
Lexington, KY 40503
Tel 859 / 223-3999
Fax 859 / 223-8917

GRW Engineers, Inc.

Engineering
Architecture
Planning
GIS
Aviation Consultants

Arlington, TX
Cincinnati, OH
Indianapolis, IN
Knoxville, TN
Louisville, KY
Nashville, TN

September 25, 2007

Mr. Greg Heitzman, P.E.
President
Louisville Water Company
435 South Third St.
Louisville, KY 40202

Re: Interstate Encroachment of Utilities
Lexington-Fayette Urban Co. Govt.
GRW No. 0105

Dear Greg,

In follow up to our brief phone conversation concerning encroachment of utilities on Interstate I-64, I have enclosed a chapter from the Utilities and Rail Manual for Highway Design, Kentucky Transportation Cabinet. Four criteria must be demonstrated before the approval process can initiate, these are:

1. The accommodation will not adversely affect the safety, design, construction, operation, maintenance, or stability of the freeway.

2. The accommodation will not be constructed and/or serviced by direct access from the through traffic roadways or connecting ramps.

3. The accommodation will not interfere with or impair the present use or future expansion of the freeway.

4. Any alternative location would be contrary to public interest.

The Lexington-Fayette Urban County Government (LFUCG) will be initiating construction of a 30" force main along I-75 right-of-way, between US 60 @ Winchester Rd. and US 27, near Paris Pike. GRW prepared a summary of alternatives for the LFUCG demonstrating the above criteria, presenting a design concept of safety barriers and road signing, and a request to construct. Numerous meetings with the Kentucky Transportation Cabinet (KYTC), Federal Highway Administration (FHWA), and LFUCG were conducted. The request was submitted to the KYTC in the form of an "Encroachment Permit". Upon submittal, the LFUCG Mayor, Kentucky Transportation Cabinet Secretary, and the Governor's Office became involved in the process. The resulting timeframe was approximately 24 months from initial discussions to permit approval.

I hope this information assists with your efforts. If I can be of any further assistance, please do not hesitate to call.

Very truly yours,

Joseph L. Henry, P.E.
Vice-President

Enclosure

Shaping Our Community

ENGINEERING

Contract Documents and Specifications

Project Name: North Elkhorn Force Main Sanitary Sewer Project LEXINGTON FAYETTE URBAN COUNTY GOVERNMENT

Bid No. 17-2008

Prepared by:

GRW Engineers, Inc.
801 Corporate Dr.
Lexington, KY 40503
(859) 223-3999

Bid Date: 2:00 P.M. MARCH 4, 2008

ADVERTISEMENT FOR BIDS

North Elkhorn Force Main
Lexington-Fayette Urban County Government
Bid No. 17-2008

1. INVITATION

Sealed proposals for the following work will be received by the Lexington-Fayette Urban County Government (LFUCG) until 2:00p.m., local time, March 4, 2008, for furnishing all labor and/or materials and performing all work as set forth by this advertisement, conditions (general and special), specifications, and/or the drawings prepared by and for Lexington-Fayette Urban County Government, Division of Water and Air Quality. Immediately following the scheduled closing time for reception of bids, all proposals which have been submitted in accordance with the above will be publicly opened and read aloud.

A non-mandatory pre-bid meeting will be held at 10 AM local time, February 13, 2008 at the Town Branch WWTP Administration Building, 301 Lisle Industrial Avenue, Lexington, KY 40511.

2. *DESCRIPTION OF WORK*

Construction of the **North Elkhorn Force Main** includes the installation of approximately 40,000 LF of 30" and 36" pipe through Lexington, Kentucky. Included with the work are nine road and railroad bores, plug valves, air valves, pavement replacement, yard restoration, and all other included work. A significant portion of the work will involve Interstate I-75 right-of-way encroachment.

3. OBTAINING PLANS, SPECIFICATIONS, AND BID DOCUMENTS

Specifications, Plans, and Bid Documents may be examined at the following places:

Lexington-Fayette Urban County Government
Division of Central Purchasing
200 East Main Street, Third Floor, Room 338
Lexington, Kentucky 40507
(859) 258-3320

F.W. Dodge/AGC
950 Contract Street, Suite 100
Lexington, Kentucky 40505
(859) 425-6630

Builders Exchange of Louisville
2300 Meadow Drive
Louisville, Kentucky 40218
(502) 459-9800

ABC/Reed Construction Data
1812 Taylor Avenue
Louisville, Kentucky 40213
(502) 479-5661

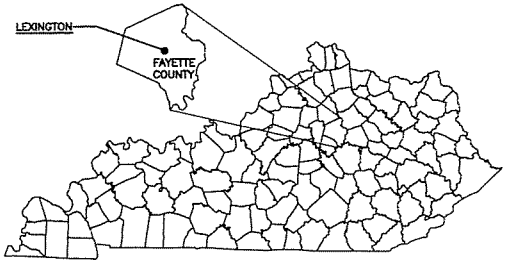
ABC/Reed Construction Data
1300 New Circle Road
Lexington, KY 40505
(859) 231-8455

NORTH ELKHORN FORCE MAIN

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

LEXINGTON, KENTUCKY

LFUCG BID NO. 17-2008



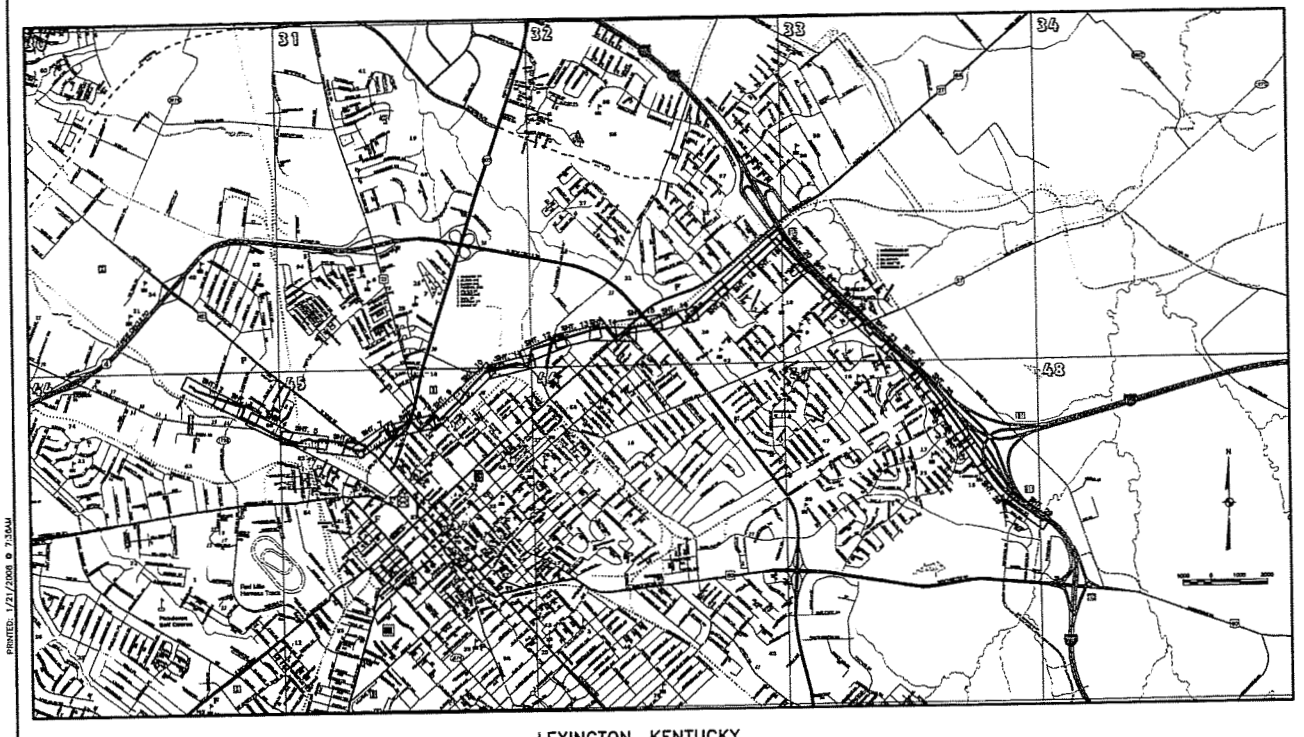
INDEX OF SHEETS

GRW Engineers, Inc.
Engineers, Architects, Planners
801 CORPORATE DRIVE – LEXINGTON, KY. 40503
PH. (859)223-3999 FAX (859)223-8917
LEXINGTON LOUISVILLE NASHVILLE INDIANAPOLIS

STATE OF KENTUCKY
JOSEPH LEE HENRY
13555
LICENSED PROFESSIONAL ENGINEER

JANUARY, 2008

GRW PROJECT NO. 3005



LEXINGTON, KENTUCKY
VICINITY MAP
1" = 2000'

	EXISTING	PROPOSED
PROPERTY LINE	——P/L——	
RIGHT-OF-WAY	——R/W——	
SEWER FORCE MAIN	———	———
GRAVITY SEWER LINE	——S——	
GAS LINE	——G——	
WATER LINE	——W——	
TELEPHONE	——T——	
LINE PLUG	⌋	⌋
MANHOLE	○	
VALVES	⋈	
HYDRANTS		
AIR VALVE	Ⓐ	Ⓐ
ROCK SOUNDING		B1 PLAN, B1 PROFILE

GENERAL NOTES:

1. CONTRACTOR SHALL KEEP ALL WORK INSIDE THE RIGHT OF WAY OR TEMPORARY CONSTRUCTION EASEMENT.
2. SEWER, WATER, AND GAS SERVICES TO EXISTING HOUSES ARE TENTIVELY INDICATED ON THE DRAWINGS CONTRACTOR SHALL BE RESPONSIBLE FOR LOCATION AND PROTECTION OF EXISTING SERVICES. ALL DAMAGED UTILITY MAINS AND SERVICES ARE THE RESPONSIBILITY OF THE CONTRACTOR AND SHALL BE IMMEDIATELY REPAIRED AT THE CONTRACTOR'S EXPENSE.
3. ALL PAVED DRIVEWAYS & ENTRANCES THAT ARE CUT, SHALL BE BACKFILLED WITH CRUSHED STONE, NOT SOIL UNLESS OTHERWISE INDICATED ON THE CONTRACT DRAWINGS. ALL PAVED ROADS ARE INTENDED TO BE OPEN-CUT UNLESS INDICATED TO BE BORED & JACKED ON THE CONTRACT DRAWINGS.
4. THE CONTRACTOR IS ADVISED TO EXERCISE CAUTION IN HIS OPERATIONS IN AREAS WHERE PLANS INDICATE THE PRESENCE OF A GAS LINE OR OTHER LINES CARRYING HAZARDOUS MATERIAL.
5. THE CONTRACTOR SHALL VERIFY ALL UTILITIES IN THE FIELD AND NOTIFY ALL UTILITY COMPANIES PRIOR TO INSTALLATION OF FORCE MAIN.
6. THE AERIAL PHOTOGRAPHS ARE SUBJECT TO SCALE INACCURACIES AND SHOULD NOT BE USED FOR SCALED QUANTITY TAKEOFFS. STATIONS SHOWN ARE FIELD MEASURED.
7. WHERE FORCE MAIN TRENCH EXCAVATION IS ADJACENT TO POWER AND/OR TELEPHONE POLES OR UNDERGROUND TELEPHONE CONDUIT, CONTRACTOR SHALL NOTIFY RESPECTIVE UTILITY COMPANIES PRIOR TO BEGINNING ANY CONSTRUCTION.
8. TREES WITHIN THE ACTUAL CONSTRUCTION LIMITS THAT CANNOT BE PRESERVED AND REPLACED SHALL NOT BE REMOVED BY THE CONTRACTOR UNLESS APPROVAL IS GRANTED BY THE ENGINEER.
9. CONTRACTOR SHALL MAINTAIN 18" MIN. VERTICAL CLEARANCE OR 10' MIN. HORIZONTAL CLEARANCE BETWEEN THE PROPOSED FORCE MAIN AND EXISTING WATER MAINS.

UNDERGROUND UTILITIES

TWO WORKING DAYS BEFORE YOU DIG
CALL 1-800-752-6007 (TOLL FREE)
KENTUCKY UTILITIES PROTECTION SERVICE
NON-MEMBERS MUST BE CALLED DIRECTLY

UTILITY INFORMATION

SANITARY SEWER : LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

STORM SEWER : LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

WATER : KENTUCKY AMERICAN WATER

GAS : MARATHON ASHLAND PIPELINE
COLUMBIA GAS TRANSMISSION
DELTA GAS

TELEPHONE : AT&T
SPRINT
ALLTEL
BELL SOUTH

ELECTRIC : KENTUCKY UTILITIES

CABLE TV : INSIGHT CABLE

NO.	DESCRIPTION	DATE	BY

REVISIONS

STATE OF KENTUCKY
JOSEPH LEE HENRY
19555
LICENSED PROFESSIONAL ENGINEER

GRW PROJECT NO. 3005

VICINITY MAP, LEGEND & UTILITY INFORMATION
NORTH ELKHORN FORCE MAIN
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

GRW Engineers, Inc.
Engineers, Architects, Planners
LEXINGTON LOUISVILLE NASHVILLE INDIANAPOLIS

DESIGNED	RLT	DATE: JANUARY, 2008
DRAWN	RLT	SCALE: 1" = 5' VERT. 1" = 50' HORZ
REVIEWED	JLH	SHEET NO. 1
APPROVED	JLH	

PRINTED: 1/21/2008 @ 7:38AM
FILE NAME: U:\3005\Cadd\FORCE_MAIN\3005-01.dwg

EASEMENT NUMBER	PROPERTY ADDRESS	OWNER NAME DEED BOOK & PAGE	OWNER ADDRESS	PHONE NUMBER
29	551 ASHTON DR.	[illegible] DB 580, PG 481	549 ASHLEY CANYON RD. NICHOLASVILLE, KY. 40356	XXX-XXXX
30	555 ASHTON DR.	BETTY IKNAI DB 1882, PG 86	555 ASHTON DR. LEXINGTON, KY. 40505	XXX-XXXX
31	559 ASHTON DR.	JOHN MOORE DB 1692 PG 543	559 ASHTON DR. LEXINGTON, KY. 40505	XXX-XXXX

PI NO.	NORTHING	EASTING
PI 87	205407.52	1585095.82
PI 88	205346.19	1585162.09
PI 89	205289.87	1585234.63
PI 90	205199.07	1585377.29
PI 91	205147.29	1585411.80
PI 92	205104.53	1585453.66

PI NO.	NORTHING	EASTING
PI 93	204977.02	1585548.20
PI 94	204879.66	1585627.46
PI 95	204867.43	1585908.31

I-75 & I-64

TEMPORARY CONCRETE BARRIERS

END TEMPORARY CONCRETE BARRIERS

BEGIN TEMPORARY CONSTRUCTION FENCE

STA. 331+28½ 12" RELEASE VALVE (SET AT HIGH POINT)

STA. 331+88½ 30" 22½° BEND

STA. 334+82 30" 22½° BEND

STA. 337+51 30" 22½° BEND

PROPOSED 30" FORCE MAIN

MATCH LINE FOR CONT. SEE SHT. 23

MATCH LINE FOR CONT. SEE SHT. 25

NOTE : FULLY EXTEND RESTRAINED JOINT PIPE TO REMOVE ALL EXPANSION MOVEMENT WITHIN THE PIPE

RESTRAINED JOINT PIPE

FROM STA.	TO STA.
330+75	331+32
342+95	343+45

STATION 330+00 SEE SHT. 23

STA. 331+28½ 12" AIR RELEASE VAULT (SET AT HIGH POINT)

GROUND PROFILE

STATION 344+50 SEE SHT. 25

3" WELDED OUTLET BY PIPE MANUFACTURER

PROPOSED 30" FORCE MAIN

NOTE : ALL DUCTILE IRON PIPE AND FITTINGS SHALL BE COATED WITH 401 PROTECTO IN ACCORDANCE WITH THE SPECIFICATIONS.

GRW PROJECT NO. 1885

STA. 330+00 TO STA. 344+50
NORTH ELKHORN FORCE MAIN
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

REVISIONS

NO.	DESCRIPTION	DATE	BY

JOSEPH LEE HENRY 12555 LICENSED PROFESSIONAL ENGINEER

GRW Engineers, Inc.
Engineers, Architects, Planners
LEXINGTON LOUISVILLE FRANKFORT BOWLING GREEN

DESIGNED	BLT	DATE JANUARY, 2008
DRAWN	BLT	SCALE 1" = 5' VERT. 1" = 50' HORIZ
CHECKED	JLH	SHEET NO. 24
APPROVED	JLH	

KENTUCKY INFRASTRUCTURE AUTHORITY

Steven L. Beshear
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
www.kia.ky.gov

Tim Thomas
Executive Director

February 7, 2008

Mr. Gregory C. Heitzman, President & CEO
Louisville Water Company
550 South Third Street
Louisville, Kentucky 40202

Dear Mr. Heitzman:

You have requested an overview of public financing assistance available through this agency for drinking water projects. This letter is in response to that request. The Kentucky Infrastructure Authority (KIA) administers a number of programs, both federal and state in nature, to assist with various community infrastructure needs. Assistance for drinking water projects may be provided through three of these programs; Fund F, Fund B, and Fund C.

The federally assisted **Drinking Water State Revolving Fund - Fund F (DWSRF)** is KIA's largest program for drinking water projects, and is dedicated solely to that purpose. Fund F provides low interest loans to governmental agencies, other than federal agencies, for facilities necessary to achieve or maintain compliance with the Safe Drinking Water Act or to protect public health. A borrower must demonstrate financial, managerial, and technical capacity to comply with the federal and state requirements. In addition, the project must be on the Drinking Water State Revolving Fund Priority List developed by the Division of Water. The maximum award per year to a Governmental Agency is $4 million per capitalization grant.

Interest rates for Fund F are set annually by the KIA board. The current standard rate is 3.0% and the non-standard rate is I.0 %. Criteria for the non-standard rate are Median Household Income of jurisdiction or service area, regionalization, orders or judgments, public health or safety issues, environmental concerns, and financial considerations. The repayment period is 20 years from project completion, with repayments commencing within one year of project completion. Thirty-year terms may be available for disadvantaged communities. The DWSRF has a 0.25% loan service fee on the unpaid balance of the loan annually.

Fund F may also be utilized for **Planning and Design loans -** The designated project must meet the same requirements as Fund F loans for construction financing. Interest rates are set annually by the KIA board on July 1, and the current rate is 3.0%. If a planning and design loan is combined with a construction loan, the interest rate will convert to the rate offered for the permanent financing. Principal on any planning/design loan must be repaid over a period not to exceed five years. If these loans are converted to permanent construction financing, the usual repayment terms for Fund F apply.

The **Infrastructure Revolving Fund – Fund B** provides low interest loans to governmental agencies for any type of eligible infrastructure. Interest rates are set by the KIA board based on the 20-year General Obligation Bond Index rate less 2% for the standard rate or less 4% for the non-standard rate. To qualify for a non-standard rate, a community must be below state median household income. Action by the board on February 7, 2008 established an interest rate for the period January 1, 2008 through March 31, 2008 at 2.6% for the above-median rate and 0.6% for the below median rate. The repayment period for Fund B loans is 20 years from project completion, dependent on the useful life of the project and source of repayment. Repayment will commence within one year of project completion. Thirty year terms may be offered based on the financial viability of the applicant and the expected useful life of the project. Fund B has a 0.20% loan service fee on the unpaid balance of the loan paid annually.

The **Governmental Agencies Program – Fund C**, which has subsidized interest rates and flexible terms, is being restructured. The program is available to governmental agencies for economically feasible projects that will benefit the general public. A project may be for any type of infrastructure that generates a revenue stream sufficient to meet operating expenses and debt service.

Currently, Fund C has a fixed interest rate set by the KIA board. The rate at this time is 3%. The repayment period for Fund C loans is 20 years from project completion. Longer terms may be offered based on the financial viability of the applicant and the expected useful life of the project. Fund C has a 0.20% loan service fee on the unpaid balance of the loan paid annually.

In addition to the loan programs, KIA also administers line item grants identified by the General Assembly for water and wastewater projects. From 2000 to the present, approximately $391 million has been appropriated to provide or improve water service to the citizens of Kentucky.

We hope that you will find this information on potential KIA funding for drinking water projects helpful. Please contact us if you have questions or need further details on the loan funds described.

Sincerely,

Tim Thomas
Executive Director

February 6, 2008

RECEIVED

FEB - 8 2007

LOUISVILLE WATER COMPANY
OFFICE OF THE PRESIDENT

Greg Heitzman
President
Louisville Water Company
550 South 3rd. Street
Louisville, KY 40202

Dear Mr. Heitzman:

I recently spoke with Vince Guenthner in your office concerning the financing of the proposed pipeline from Louisville to Frankfort. It is my understanding that Louisville Water Company has partnered with North Shelby Water Company, West Shelby Water District , Shelbyville Water and Sewer, U.S. 60 Water District the Frankfort Plant Board and Shelby County government to form the Shelby/Franklin Water Management Group. I would like to take this opportunity to tell you a little bit about the Kentucky League of Cities' finance programs.

I am the Director of Financial Services and have been with KLC for over fifteen years. However, KLC's finance programs predate my tenure at the League. KLC's first loan program was created in 1989. Since that time, we have loaned over $600,000,000 to cities, utilities, and special districts all across the state. Any project or purchase by a public entity for a public purpose will qualify for financing through KLC's loan programs. The fact that the borrower is a public entity and the project is for a public purpose is an important one. As long as these two criteria are met, the borrower (the Louisville Water Co. in this case) can borrow money at a tax-exempt interest rate. This interest rate is much lower than what a private company could obtain. That, of course, benefits the ratepayer. Lower financing costs means lower water rates.

KLC loans money to public entities out of tax-exempt bond pools. A "bond pool" is where a large volume of tax-exempt bonds are issued at one time. The proceeds of the bond issue can then be loaned to any number of public entities for their projects. The size of KLC's bond pools have varied between $50 and $150 million dollars. There are several advantages to the bond pool format:

- By taking advantage of economies of scale, KLC can keep the cost of issuance extremely low. Whether you issue $1,000,000 or $100,000,000 in bonds, you still have to hire bond counsel, a financial advisor, a rating agency etc. A bond pool spreads those costs out and keeps your costs down.
- Speed. KLC can typically close a loan within 30 to 45 days.
- Hassle. Because the bonds have already been issued, you avoid the hassle of issuing your own bonds.

- Flexibility. A loan from a KLC bond pool can be either a variable rate loan or a fixed rate loan depending on your needs.
- Credit. Unlike most stand alone bond issues that are backed by bond insurance, KLC's loan pools are backed by a letter of credit (LOC) bank with a strong rating. As you may know, many bond insurers are struggling and have had their credit ratings downgraded.
- KLC does not review the project specifications or place any restrictions on how the loan proceeds are to be expended. The only restriction is that the money be used for the project for which it was borrowed.

In addition to our standard bond pools, KLC has approximately $100,000,000 in short term (1 – 5 years) money available with **no closing costs**. These funds are perfect for interim or construction costs. Once the project is completed, you can, if you choose, issue your own bonds and pay this loan off with no prepayment penalties.

I hope I have answered some of your questions concerning KLC's finance programs. If you have any questions or need any additional information please do not hesitate to contact me. I look forward hearing from you.

Sincerely,

Garrett L. Drakeford
Director of Financial Services

KENTUCKY ASSOCIATION OF COUNTIES
LEASING TRUST
380 King's Daughters Drive, Frankfort, Kentucky 40601
502-223-7667 • 800-264-5226 • Fax 502-875-7262 • www.kaco.org
"Working For You In Ways You Never Imagined"
Director of Financial Services

February 5, 2008

Mr. Greg Heitzman, President
Louisville Water Company
550 South Third Street
Louisville, KY 40202

Dear Mr. Heitzman:

Per my conversation with Mr. Vince Gunther of your office, I want to express our interest and ability for the Kentucky Association of Counties Leasing Trust to offer financing for your proposed project to provide water pipeline service from the Louisville Water Company to the water providers in Shelby County and to the Frankfort Plant Board.

The Kentucky Association of Counties Leasing Trust has been providing tax-exempt financing to counties and political subdivisions since 1989. We issue tax-exempt bonds to create blind lending pools, which then provide direct service to our public borrowers. There are neither minimum nor maximum limits to the amount we can lend. Further, we can lend these funds for terms up to thirty (30) years. All of our loans are made directly from the trust accounts that manage our lending pools to the borrower. This means that our clients avoid the need of hiring a financing team to structure the issue and it saves the time and effort it takes to access the tax-exempt market directly. We offer these financings on either a fixed or variable rate basis, or a combination thereof. Most importantly, there are no costs-of-issuance or any other closing cost to our borrowing clients.

Currently, our borrowing rate on our daily variable basis is 2.65%. Our fixed rate for a twenty (20) year term is currently 4.18%. For thirty (30) years our current rate has been 4.49%. These are rates as of today. The final borrowing rate will be set on the day of closing.

If you have any questions, please feel free to call me at any time at (800) 264-5226. The Kentucky Association of Counties looks forward to the opportunity to serve you and your partners.

Respectfully,

Grant Satterly
Director of Financial Services

Kentucky Rural Water Association

Helping water and wastewater utilities help themselves

February 7, 2008

Greg Heitzman, President
Louisville Water Company
550 South Third Street
Louisville, KY 40202

It is my understanding that the Louisville Water Company is partnering with all of the Shelby County water providers and the Frankfort Electric and Water Plant Board for the purpose of building a regional water line from Louisville to Frankfort. Financing for this type of project can be very attractive by utilizing low interest rate, tax-exempt public financing. The Kentucky Rural Water Finance Corporation (the "KRWFC") has several programs that may work for your group and this particular project.

The following is a brief description of the KRWFC Flexible Term Loan Program (the "Program") that we have available and have had tremendous success in providing much needed capital to Kentucky water, sewer and gas systems.

Program Summary

- KRWFC started in 1995 at the request of water and sewer systems
- KRWFC is governed and managed by the Kentucky Rural Water Association
- The Program provides capital for entities with infrastructure related projects
- Bonds are issued by the KRWFC and loaned to participants via a loan agreement
- Bonds are secured by loan agreements; loan agreements secured by project revenues
- Minimum loan size of $100,000; maximum loan based on credit of the participant
- The structure is a pooled loan program with no cross liability among participants
- The structure offers numerous economies of scale resulting in low cost of issuance
- The Program structure is tax-exempt with fixed rate loans
- Semi-annual interest and annual principal with monthly sinking fund requirements
- Terms range from 1-30 years
- Program rating of "AA-" by Standard & Poor's
- No additional credit enhancement necessary by participants
- Program can be enhanced with AAA bond insurance, if economical
- Program offers a program level DSR fund; the participant is not responsible for the DSR debt
- Quick and simple application process
- Funding typically in 60-120 days

To date, the KRWFC has issued nearly $500 million in debt to fund infrastructure related projects throughout the Commonwealth for hundreds of projects. Please do not hesitate to contact me if you have questions.

Sincerely,

Gary Larimore, Executive Director

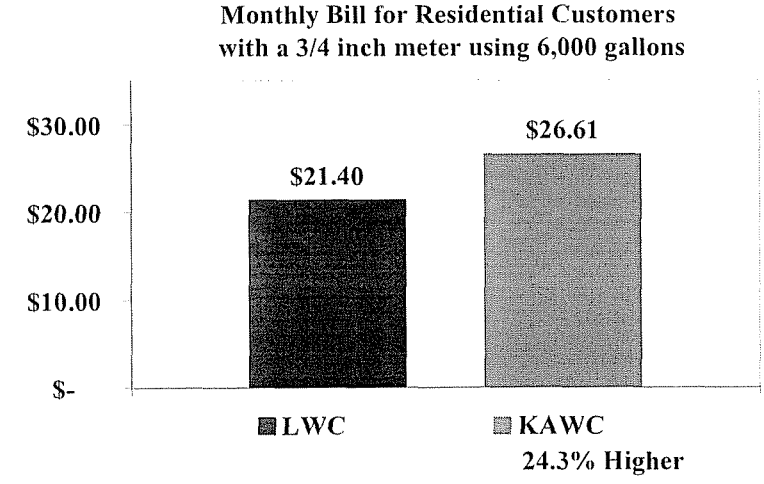
Post Office Box 1424 · 3251 Spring Hollow Avenue · Bowling Green, KY 42102-1424 · Phone 270.843.2291 · Fax 270.796-8623

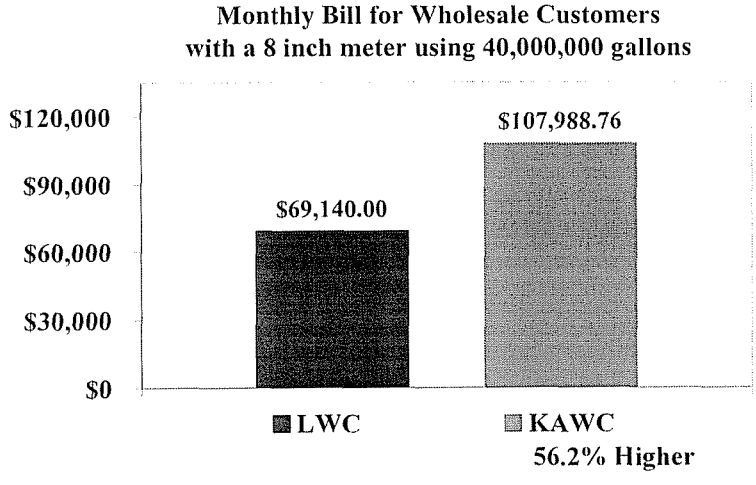
www.krwa.org

	Analysis of Difference in Cost of Public versus Private Financing of $10,000,000						
Percentage Difference	1%	2%	3%	4%	5%	6%	7%
Present Value Over 20 Years	$824,845	$1,691,382	$2,598,158	$3,543,490	$4,525,503	$5,542,175	$6,591,382
Present Value Over 30 Years	$1,084,984	$2,245,318	$3,476,520	$4,773,257	$6,129,628	$7,539,423	$8,996,379
Present Value Over 40 Years	$1,288,132	$2,684,160	$4,178,042	$5,758,008	$7,411,517	$9,126,109	$10,890,086

* Difference in Annual Interest Payments Discounted to Present Value Using 4.7% Discount Factor

Kentucky-American Water Company customers typically pay higher monthly bills for water service than those paid by similarly situated customers of Louisville Water Company:





CITY OF SIMPSONVILLE, KENTUCKY
104 VEECHDALE ROAD
P.O. BOX 378
SIMPSONVILLE, KENTUCKY
502-722-8110

November 9, 2007

Mark D. Goss, Chairman
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

re: Case No. 2007-00134
Kentucky-American Certificate
Of Convenience and Necessity

Dear Chairman Goss:

Attached is our Resolution No. 2007-005 supporting a pipeline to Louisville as a means to provide our community with adequate water supply at a reasonable cost.

This decision is important to ALL of Central Kentucky and it is critical that leaders make careful deliberations as we must be accountable to our tax payers.

We wish you well in your discussions.

Yours truly,

Steve Eden, Mayor

CITY OF SIMPSONVILLE
RESOLUTION NO- 2007-005

WHEREAS, City of Simpsonville desires for the residents of the City to be provided a safe, secure, stable and quality water supply; and

WHEREAS, to this end the City of Simpsonville has been presented various proposals to ensure that the City residents are provided a continuing safe, secure, stable and quality water supply, and the City has reviewed the proposals submitted to the City and being fully apprised there from,

NOW, THEREFORE, BE IT RESOLVED that:

1. The City of Simpsonville supports a water supply strategy that includes access to water from the Ohio River, the largest river east of the Mississippi , for the reason that this access will provide protection against drought, and will protect against interruption of the public water supply due to circumstances that may make the Kentucky River unusable or unavailable for periods of time.

2. The City of Simpsonville opposes the construction by Kentucky American Water Company of a large pipeline through western portions of Scott County and the northern portions of Franklin County, and the associated water production facilities along Pool 3 of the Kentucky River, under the terms of that pipeline proposal currently under application with the Kentucky Public Service Commission in Case No.2007-00134. The Fiscal Court is of the position that the proposed construction will be unnecessarily burdensome on citizens of Central Kentucky, and will unnecessary duplicate available water supply facilities that the Louisville Water Company has indicated it can supply to Central Kentucky at a rate of ninety-five (95) million gallons per day of treated water.

3. The City of Simpsonville supports and urges discussions between all interested parties including Kentucky American Water Company, the Lexington Fayette Urban County Government and Louisville Water Company, regarding a connection between these two major regional water supplies so that there will be ample, reliable, safe and quality water supplied in a timely manner to Shelby County, Kentucky and the central Kentucky region.

DONE this 11th day of October 2007, at Simpsonville, Kentucky.

Steve Eden, Mayor

U.S. 60
Water District

PO Box 97
Bagdad, KY 40003
(502) 747-8942

October 15, 2007

RECEIVED
NOV 15 2007
PUBLIC SERVICE COMMISSION

Mark D. Goss, Chairman
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Re: Case No. 2007-00134
Kentucky-American Certificate
of Convenience and Necessity

Dear Chairman Goss:

Attached please find the resolution of the US 60 Water District Board of Commissioners asking the COMMISSION to consider the needs of all of central Kentucky by requiring Kentucky-American to construct a pipeline to connect to the Louisville Water Company at Shelbyville. Public policy cries out for leadership in solving all of central Kentucky's water woes not just Lexington and Kentucky-American's.

A pipeline connection to Louisville meets the long term needs of the entire region, adds to the drought-proofing needs, protects against localized catastrophe, is cost effective for the ratepayers and will do a minimum amount of damage to the environment. This solution also meets the statutory requirements about wasteful duplication of services.

Thank you for asking for input from the entire region. This decision will have impact on the ratepayers and the region for 30-50 years.

Yours truly,

William Eggen

William Eggen, Chairman

WE:pcb

cc: Warner Broughman, Engineer
Darrell Dees, Manager

C:\Q\US 60\GENERALV-psc 10-15-07 dot

U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES, KENTUCKY

WHEREAS, the Board of Commissioners (the "Board") of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky ("U.S. 60 Water District") desires for the residents of Shelby, Franklin and Spencer Counties to be provided a safe, secure, stable and quality water supply; and

WHEREAS, to this end the Board is aware of various proposals to ensure that Shelby, Franklin and Spencer County residents are provided a continuing safe, secure, stable and quality water supply, and U.S. 60 Water District is familiar with the various proposals which have been submitted to the Kentucky Public Service Commission,

NOW, THEREFORE, BE IT RESOLVED that:

1. U.S. 60 Water District supports a water supply strategy that includes access to water from the Ohio River, the largest river east of the Mississippi, for the reason that this access will provide protection against drought, and will protect against interruption of the public water supply due to circumstances that may make the Kentucky River unusable or unavailable for periods of time.

2. The existing water source for U.S. 60 Water District, being the Kentucky River, while marginally adequate in capacity at this time except for severe drought conditions, will not be adequate in the future even for ordinary non-drought levels of consumption, and having a second source of water would protect against contamination of the Kentucky River by an accident or an act of terrorism, and would further protect against severe drought conditions.

3. U.S. 60 Water District opposes the construction by Kentucky American Water Company of a large pipeline through western portions of Scott County and the northern portions of Franklin County, and the associated water production facilities along Pool 3 of the Kentucky River, under the terms of that pipeline proposal currently under application with the Kentucky Public Service Commission in Case No. 2007-00134. The Board is of the position that the proposed construction will be unnecessarily burdensome on citizens of Central Kentucky, and will unnecessarily duplicate available water supply facilities that the Louisville Water Company has indicated it can supply to Central Kentucky at a rate of ninety-five (95) million gallons per day of treated water.

4. U.S. 60 Water District supports and urges discussions between all interested parties, including Kentucky-American Water Company, the Lexington Fayette Urban County Government and Louisville Water company, regarding a connection between these two major regional water supplies so that there will be ample, reliable, safe and quality water supplied in a timely manner to Shelby, Franklin and Spencer Counties, and the rest of central Kentucky region.

ADOPTED this 18th day of September, 2007, at Bagdad, Kentucky.

William Eggen, Chairman

Stephen D. Miller, Secretary

RESOLUTION OF THE CITY OF SHELBYVILLE, KENTUCKY

WHEREAS, the City of Shelbyville, Kentucky desires that the residents of Shelbyville and the surrounding area be provided a safe, secure, stable and quality water supply for both the short term and especially the long term, and

WHEREAS, the City of Shelbyville and its Shelbyville Municipal Water and Sewer Commission (Commission) has been concerned that reliance on a single source (Guist Creek Lake) of supply may result in severe consequences in the event of:

(1) Contamination of the lake through either accidental of intentional means,
(2) Decreasing supply capability of the lake caused by future long term siltation of the lake,
(3) Potential failure of the dam,

WHEREAS, the Louisville Water Company has expressed a strong interest in providing treated water through Shelby County via a major water line along the I-64 corridor, and the Commission is interested in a redundant supply of water, said water line would supply the Commission's territory south of I-64, and also provide an alternate, and redundant source of supply for the City of Shelbyville and Shelby County as a whole,

NOW, THEREFORE BE IT RESOLVED that:

a. The Shelbyville Municipal Water and Sewer Commission is hereby authorized to pursue a redundant supply of water through the availability of a connection to the Louisville Water Company's proposed water line along the I-64 corridor through Shelby County, in order to best meet the long term needs of the City of Shelbyville, and Shelby County.
b. The Shelbyville Municipal Water and Sewer Commission shall report its findings to the City of Shelbyville at the conclusion of negotiations with the Louisville Water Company.

RESOLVED this 6th day of December, 2007.

Thomas Hardesty
Mayor, City of Shelbyville, and
Chairman, Shelbyville Municipal Water & Sewer Commission

ATTEST:

Inez Harris
City Clerk, City of Shelbyville

COMMONWEALTH OF KENTUCKY
SHELBY COUNTY FISCAL COURT

RESOLUTION

WHEREAS, Shelby County, Kentucky desires that the residents of Shelby County and the surrounding area be provided a safe, secure, stable and quality water supply for both the short term and especially the long term,

WHEREAS, Shelby County, Kentucky and the Shelbyville Municipal Water and Sewer Commission are concerned that reliance on a single source of supply (as the situation currently exists in Shelby County, Kentucky with its sole reliance on Guist Creek Lake) may result in severe consequences in the event of contamination of that source by either accidental or intentional means, decreasing supply capability of that supply caused by future long term siltation of the lake, or potential dam failure, and

WHEREAS, Shelby County, Kentucky has been informed that the Louisville Water Company has expressed a strong interest in providing treated water through Shelby County via a major water line along the Interstate 64 corridor, and the Shelbyville Municipal Water and Sewer Commission has expressed an interest in having a redundant supply of water that such a water line would provide since said water line would provide water for the Shelbyville Municipal Water and Sewer Commission's territory south of Interstate 64, and also provide an alternate and redundant source of supply for the City of Shelbyville and Shelby County as a whole,

NOW THEREFORE, BE IT RESOLVED by the County of Shelby as follows:

1. The Shelbyville Municipal Water and Sewer Commission is hereby authorized to pursue a redundant supply of water through the availability of a connection to the Louisville Water Company's proposed water line along the Interstate 64 corridor through Shelby County in order to best meet the long term needs of Shelby County, and

2. The Shelbyville Municipal Water and Sewer Commission shall report its findings to the Shelby County Fiscal Court at the conclusion of negotiations with the Louisville Water Company.

APPROVED at a regular meeting of the Fiscal Court of Shelby County, Kentucky, this 18th day of December, 2007.

ROB ROTHENBURGER,
Shelby County Judge/Executive

ATTEST:

SUE CAROLE PERRY, Shelby County Clerk

SPENCER COUNTY TAYLORSVILLE

DAVID JENKINS, SPENCER COUNTY JUDGE EXECUTIVE

Spencer County *"A Great Place to Live, Work and Play"*
P.O. Box 397 ~ Taylorsville, KY 40071 (502) 477-3205

October 16, 2007

Mark D. Goss, Chairman
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Re: Case No. 2007-00134
Kentucky-American Certificate
of Convenience and Necessity

Dear Chairman Goss:

Attached please find the resolution of the Spencer County Fiscal Court asking the COMMISSION to consider the needs of all of central Kentucky by requiring Kentucky-American to construct a pipeline to connect to the Louisville Water Company at Shelbyville. Solving all of central Kentucky's water woes, not just Lexington and Kentucky-American's, is the charge of the Public Service Commission.

A pipeline connection to Louisville meets the long term needs of the entire region, including Spencer County, enhances the drought-proofing needs, protects against localized catastrophe should something happen to the Kentucky River, is cost effective for the ratepayers and will do a minimum amount of damage to the environment. This solution does not extend the wasteful duplication of services mantra that Kentucky has been so wont to continue.

Thank you for asking for input from the entire region. This decision will have impact on the region for 30-50 years.

David Jenkins

David Jenkins, Spencer County Judge Executive

Spencer County, Kentucky
Resolution No. 4
Fiscal Year 2008 Series

WHEREAS, Spencer County Fiscal Court desires for the residents of the County to be provided a safe, secure, stable and quality water supply; and

WHEREAS, to this end Spencer County Fiscal Court has been presented various proposals to ensure that the County residents are provided a continuing safe, secure, stable and quality water supply, and the Spencer County Fiscal Court has reviewed the proposals submitted to the Court and being fully apprised there from,

NOW, THEREFORE, BE IT RESOLVED that:

1. The Spencer County Fiscal Court supports a water supply strategy that includes access to water from the Ohio River, the largest river east of the Mississippi , for the reason that this access will provide protection against drought, and will protect against interruption of the public water supply due to circumstances that may make the Kentucky River unusable or unavailable for periods of time.
2. The Spencer County Fiscal Court opposes the construction by Kentucky American Water Company of a large pipeline through western portions of Scott County and the northern portions of Franklin County, and the associated water production facilities along Pool 3 of the Kentucky River, under the terms of that pipeline proposal currently under application with the Kentucky Public Service Commission in Case No.2007-00134. The Fiscal Court is of the position that the proposed construction will be unnecessarily burdensome on citizens of Central Kentucky, and will unnecessary duplicate available water supply facilities that the Louisville Water Company has indicated it can supply to Central Kentucky at a rate of ninety-five (95) million gallons per day of treated water.
3. The Spencer County Fiscal Court supports and urges discussions between all interested parties, including Kentucky-American Water Company, the Lexington Fayette Urban County Government and Louisville Water Company, regarding a connection between these two major regional water supplies so that there will be ample, reliable, safe and quality water supplied in a timely manner to Spencer County, Kentucky and the central Kentucky region.

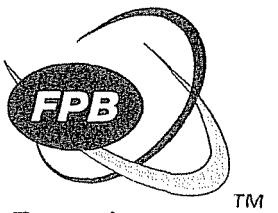
DONE this 15th day of October, 2007, at Taylorsville, Kentucky.

David Jenkins, County Judge/Executive

Attest:

Spencer County Fiscal Court Clerk

Warner J. Caines
General Manager



Frankfort Plant Board™

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Electric
Security
Local Phone
Digital Cable
Long Distance
Community TV
Ethernet/Internet
Cable Modem/ISP
Cable Advertising

November 21, 2007

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

RE: Case No. 2007-00134
Kentucky-American Water Company

Dear Ms. O'Donnell:

Enclosed is a Resolution regarding Kentucky American Water's proposal that is currently pending before the Commission. We ask that it be filed in this matter.

I appreciate your assistance. If you have any questions, please contact me at 352-4541 or hprice@fewpb.com.

Sincerely,

Warner J. Caines
General Manager

HP/abb
Enclosure

RESOLUTION OF THE ELECTRIC AND WATER PLANT BOARD OF THE CITY OF FRANKFORT, KENTUCKY

WHEREAS, the Electric and Water Plant Board of the City of Frankfort, Kentucky desires that the residents of Frankfort and the surrounding area be provided a safe, secure, stable and quality water supply, and

WHEREAS, to this end the Electric and Water Plant Board of the City of Frankfort, Kentucky has been presented various proposals to ensure that the residents of Frankfort and the surrounding area are provided a continuing safe, secure, stable and quality water supply, and the Electric and Water Plant Board of the City of Frankfort, Kentucky has reviewed the proposals submitted to it and being fully apprised therefrom,

NOW, THEREFORE, BE IT RESOLVED that:

1. The Members of the Electric and Water Plant Board of the City of Frankfort, Kentucky have concluded that Kentucky American Water's plan for construction of a water treatment plant on pool three of the Kentucky river and connecting pipeline will not best meet the long term needs of its customers.

2. That its Staff is authorized to pursue a supplemental water supply via a pipeline connection from Louisville Water Company.

3. That its Staff may begin discussions with potential partners for sharing costs of construction, use of minimum daily water purchase requirements and possible joint ownership of pipeline.

4. That its Staff may begin the selection process for consulting services related to this project's implementation.

RESOLVED this 20 day of November, 2007.

Joseph Smith
Chairman

Attest:

Ann B. Bohannon

COPY

Ted Collins
Franklin County Judge/Executive

Franklin County Court House Annex
315 West Main Street
Frankfort, Kentucky 40601

Fred H. Goins
Deputy County Judge/Executive

502/875-8751
Fax 502/875-8755
website: www.franklincounty.ky.gov

November 15, 2007

Kerry W. Ingle
Paralegal
Dinsmore & Shohl LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202

Dear Mr. Ingle:

As requested, attached is a certified copy of Resolution No. 17-2007 as adopted by Franklin County Fiscal Court pertaining to the proposed water pipeline through Franklin County.

Sincerely,

Shirley Brown
Fiscal Court Clerk

FRANKLIN COUNTY FISCAL COURT
RESOLUTION NO- \7 - 2007

WHEREAS, Franklin County Fiscal Court desires for the residents of the County to be provided a safe, secure, stable and quality water supply; and

WHEREAS, to this end Franklin County Fiscal Court has been presented various proposals to ensure that the County residents are provided a continuing safe, secure, stable and quality water supply, and the Franklin County Fiscal Court has reviewed the proposals submitted to the Court and being fully apprised therefrom,

NOW, THEREFORE, BE IT RESOLVED that:

1. The Franklin County Fiscal Court supports a water supply strategy that includes access to water from the Ohio River, the largest river east of the Mississippi, for the reason that this access will provide protection against drought, and will protect against interruption of the public water supply due to circumstances that may make the Kentucky River unusable or unavailable for periods of time.

2. The Franklin County Fiscal Court does not support the construction by Kentucky American Water Company of a large pipeline through eastern and northern portions of Franklin County, and the associated water production facilities along Pool 3 of the Kentucky River, under the terms of that pipeline proposal currently under application with the Kentucky Public Service Commission in Case No.2007-00134. The Fiscal Court is of the position that the proposed construction will be unnecessarily burdensome on citizens of Franklin County and the environment, and will unnecessary duplicate available water supply facilities that the Louisville Water Company has indicated it can supply to Franklin County at a rate of ninety-five (95) million gallons per day of treated water.

3. The Franklin County Fiscal Court supports and urges discussions between all interested parties, including Kentucky-American Water Company and Louisville Water Company, regarding a connection between these two major regional water supplies so that there will be ample, reliable, safe and quality water supplied in a timely manner to Franklin County, Kentucky and the central Kentucky region.

RESOLVED this 1 day of June, 2007.

Ted Collins
Franklin County Judge/Executive

Attest:

Shirley Brown
Fiscal Court Clerk

CERTIFICATION OF DOCUMENT

I, Shirley Brown, Clerk of the Fiscal Court of Franklin County, Kentucky, do hereby certify and declare that the foregoing is a true and correct copy of Resolution No. 17-2007, as adopted by Franklin County Fiscal Court at a duly convened meeting held on June 1, 2007, and of record in Fiscal Court Order Book 22, Page 95.

Certified this 15 day of November, 2007.

Shirley Brown
Fiscal Court Clerk
Franklin County, Kentucky