2007-134 5A

LOUISVILLE WATER COMPANY
550 SOUTH THIRD STREET • LOUISVILLE, KENTUCKY 40202
TEL 502-569-3600 WWW.LOUISVILLEWATER.COM

September 18, 2007

RECEIVED
SEP 18 2007
PUBLIC SERVICE COMMISSION

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40601

Re: Open Records Request Received July 18, 2007

Dear Ms. O'Donnell:

In my Open Records Response dated July 30, 2007, I advised you I would supplement my response should there be any other documents responsive to the Public Service Commission's Open Records Request. Louisville Water Company submits the following supplemental response:

2. All documents (including studies, analyses, and reports) that have been prepared or commissioned since January 1, 1994 and that address the cost, whether known or estimated, to LWC of providing water or water-related services to KAWC.

Response: *In addition to the documents produced in LWC's July 30, 2007 response, please find the following document:*

- *Comparison of the Louisville Pipeline and Pool 3 Options to Serve Central Kentucky Water Customers, Final Report, September 2007*

LWC agrees to further supplement this response should other responsive documents come to our attention. Please contact me at 502/569-0808 if you have questions regarding our response.

Sincerely,

Barbara K. Dickens
Vice President, General Counsel and
Official Custodian of the Records

Final Report

RECEIVED
SEP 18 2007
PUBLIC SERVICE
COMMISSION

Comparison of the Louisville Pipeline and Pool 3 Options to Serve Central Kentucky Water Customers

Louisville Water Company

September 2007

R·W·BECK

Final Report

RECEIVED
SEP 18 2007
PUBLIC SERVICE
COMMISSION

Comparison of the Louisville Pipeline and Pool 3 Options to Serve Central Kentucky Water Customers

Louisville Water Company

September 2007

R·W·BECK

Comparison of the Louisville Pipeline and Pool 3 Options to Serve Central Kentucky Water Customers

Louisville Water Company

Table of Contents

List of Tables

List of Figures

List of Appendices

Section 1
PROJECT INTRODUCTION

R·W·BECK

Section 1
PROJECT INTRODUCTION

1.1 Background

A number of communities in the Lexington area are facing a long-term water supply shortage resulting from safe yield limitations of the Kentucky River. The major water purveyor in the area, Kentucky American Water Company (KAW), currently receives all of its' raw water from Pool 9 of the Kentucky River. Beginning in the early 1990's, KAW began looking for alternative supplies for future system growth. After evaluation of 50 alternatives, KAW selected an alternative that involved the purchase of treated water from the Louisville Water Company (LWC) and transmission of the water some 75 miles across central Kentucky to Lexington. A purchase and sale agreement was executed between KAW and LWC, but in response to opposition by certain potentially affected stakeholders, KAW determined not to pursue the pipeline project.

A number of the communities surrounding Lexington formed the Bluegrass Water Supply Commission (BWSC) in 2004 with a mission to develop a solution to the long-term water supply problem. Both KAW and the BWSC have analyzed their water supply alternatives over the past few years, and have each decided to pursue Pool 3 of the Kentucky River as the preferred water supply source for the foreseeable future. KAW has recently completed the engineering design and permitting processes for the implementation of a 20 MGD Pool 3 project, and have invited the BWSC to piggyback their project for an additional 5 MGD to serve the needs of their member communities.

Since 2003, the LWC has made four distinct proposals to the BWSC and its' member governments at their request. All proposals established a point of delivery at the intersection of Interstate 64 and KY-53 in Shelby County. These proposals are summarized below:

- August 8, 2003 (amended proposal from July 9)- presented two scenarios, one a 5 MGD base flow and 10 MGD reserve capacity (25 MGD design capacity) and the other a 9 MGD base flow with an 18 MGD reserve capacity (45 MGD design capacity). Fixed costs were assigned for the base flow amount, a separate rate charged up to the reserve capacity, and the wholesale rate charged for usage above the reserve capacity up to the design capacity of the pipeline.
- December 15, 2005- five alternatives were presented, with minimum purchase amounts ranging from 2 MGD to 6.2 MGD, and design capacities ranging from 10 MGD up to 31 MGD. Most alternatives suggested a three-tiered rate structure, with one option involving reserve capacity quantity that varied from the design capacity of the pipeline.

Section 2
FINANCIAL MODEL AND ASSUMPTIONS

R·W·BECK

Section 2
FINANCIAL MODEL AND ASSUMPTIONS

The modeling objective is to determine the life-cycle cost impact of the two alternatives on the customers within Central Kentucky. These customers are currently served by both KAW and BWSC member governments. The goal is to analyze the alternatives from both a present-worth cost basis and an annualized cost per 1,000 gallons basis.

There are two major components to any life-cycle cost comparison—capital costs and operating expenses. R.W. Beck did not develop any independent cost estimates for either the capital or operating components of the projects. Much of the cost information was derived from two previously prepared engineering reports:

2. *Final Report for the Water System Regionalization Feasibility Study*, prepared for the Bluegrass Area Development District by O'Brien & Gere Engineers, Inc., February, 2004
3. *Water Supply Study,* prepared for Kentucky American Water Company by Gannett Fleming, Inc., March, 2007

R. W. Beck also reviewed numerous documents provided by LWC, containing Kentucky Public Service Commission testimony and previous presentations by KAW, LWC and O'Brien & Gere on behalf of the BWSC, incorporating the data into the models as appropriate.

2.1 Capital Costs

Capital cost information was obtained from various sources and adjusted to 2007 dollars by the Engineering News Record (ENR) Construction Cost Index. Estimated construction costs were inflated for contingency, and soft costs added for engineering, legal, administrative expenses, permitting, easements and land purchases. The add-on percentages were held consistent with those used by both O'Brien & Gere and Gannett Fleming in their studies. Capitalized interest was charged during an assumed two-year construction period for Phase 1, and issuance costs were assumed for debt financing. Future capital expenditures were inflated by the Handy Whitman index for both pipeline and treatment plant cost elements.

The model translates the capital expenditures into an annual cost allocation by determining the principal and interest on a municipal bond issue for the publicly-financed portions of the project, or applying KAW's after-tax allowable rate of return on their rate base (7.75%).

The following table outlines the capital cost assumptions used as part of the baseline case in the financial model.

2.4 Model Output

The financial model generates results in two basic ways. First, a present worth cost is determined by taking the annual cost for each year over the timeframe modeled, and discounting back to 2007 using an assumed discount rate of 4.7% based on the opportunity cost of capital to the impacted customers. The difference in the present worth cost represents the difference paid by the end users for the two alternatives over the 20 or 40-years of operation in today's dollars.

The second output from the model is a plot of the cost per 1,000 gallons over the timeframe analyzed. This approach provides a more graphical representation of the financial impacts to customers over time for the two alternatives.

Section 3
PHASE 1 (2030) ANALYSIS

R·W·BECK

Section 3
PHASE 1 (2030) ANALYSIS

The first phase of the investigation was to perform a financial analysis of two alternatives:

1. Kentucky River Pool 3 option, involving a 25 MGD intake, water treatment plant and high-service pump station at Pool 3, and a 30 mile, 42-inch transmission main from the treatment plant to the connection to the KAW system at Iron Works Road (KY 1973) and Newtown Pike (KY 922) in Fayette County.
2. A 42 mile, 42-inch finished water transmission main from KY 53 in Shelby County, along the I-64 corridor to approximately the same point of connection with the KAW system in Fayette County.

Both of the above alternatives include a booster pump station and a 3 million gallon storage tank along the transmission pipeline route, including the land acquisition costs.

The analysis for each alternative includes the capital construction cost in 2007 dollars, plus the operating and maintenance (O&M) expenses over 20 years starting in 2010. This initial investigation (Phase 1) is expected to provide a 20-year solution, assuming that Pool 3 can sustain a 30 MGD withdrawal under peak day flow conditions, and that customer growth will result in approximately 0.5 MGD of additional flow each year from an initial value of 6 MGD.

The wholesale rate from LWC is initially $1.71/1,000 gallons, and inflates at 3% per year through 2030. Both the Pool 3 and LWC pipeline options include the Kentucky River Authority withdrawal permit fee of $0.05/1,000 gallons. The Pool 3 alternative also includes a capital project to address the Long-Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR), published by the U.S. EPA in the Federal Register on January 6, 2006 with a 2012 compliance deadline. For the purpose of this investigation, we have assumed that the Pool 3 treatment plant will require an additional 1-log inactivation of Cryptosporidium, and that the likely technology to achieve the additional treatment credit will be with ultraviolet light (UV). The costs for UV disinfection were estimated in the March 2007 Gannett Fleming report and are included in the Pool 3 model assuming an installation date of 2011. Investments in the LWC system to comply with future drinking water regulations are included in the future increases in their wholesale rate.

Table 3-2
Capital Costs - Pool Three Option (2007 $1,000)

Intake, Pump Station and Treatment Plant	$ 54,867
Raw Water Main	402
42" Transmission Pipeline	48,300
Booster Pump Station/Storage tank	4,743
Construction Cost Estimate	$108,312
Contingency @ 20%	21,662
Probable Construction Cost	$129,974
Permitting/Easements @ 5%	6,499
Engineering, Legal, and Administrative @ 20%	25,995
Land	788
Subtotal- Capital Cost	$163,256
Capitalized Interest @ 6.5% for two years	3,183
Issuance Costs @ 1% of long-term debt	980
Total Pool 3 Phase 1 Project Cost	**$167,419**

Table 3-3
Capital Costs - Pool Three Option
UV Capital Expenditure (2011 $1,000)

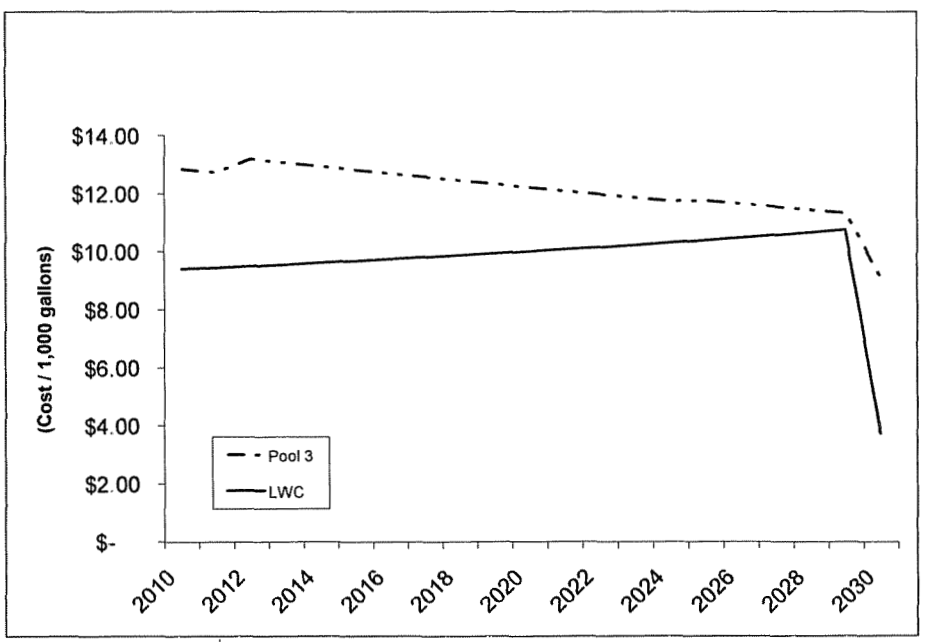
UV Disinfection Costs	$ 5,355
Contingency @ 20%	1,070
Probable Construction Cost	$ 6,425
Permitting @ 5%	321
Engineering, Legal, and Administrative @ 20%	1,285
Subtotal- Capital Cost	$ 8,031
Capitalized Interest @ 6.5% for two years	261
Issuance Cost @ 1% of long-term debt	80
Total UV Project Cost	**$ 8,372**

Table 3-4
Comparison of Present Worth Costs
2010-2030 Analysis ($1,000)

	Constant Flow 6 MGD	Increasing Flow 0.5 MGD/yr
Pool 3 Option	$ 316,518	$ 326,431
LWC Option	$ 250,258	$ 297,688
Difference	$ 66,260	$ 28743
%	21%	9%

The model also compares the two options on a cost per 1,000 gallons basis. Figure 3-1 and 3-2 plot the cost of each option over the 20-year analysis period for the two baseline cases. When the flow rates remain constant, the Louisville pipeline option is always less expensive on a unit cost basis as shown in Figure 3-1. The LWC option curve goes up because both the operating expenses and the wholesale rate are increasing. The Pool 3 option curve goes down because asset depreciation is reducing the return to KAW on their portion of the project, and that reduction is greater than the increases in operating expenses. After 20 years, the municipal revenue bonds used to fund the LWC pipeline and 20% of the Pool 3 option are retired, which will reduce the unit costs in 2030 to below $4/1,000 gallons for LWC and below $10/1,000 gallons for Pool 3.

Figure 3-1
Unit Cost Comparison (6 MGD Constant)



3.4 Sensitivity to LWC Wholesale Rate

The most significant variable in the analysis is the assumed increase in the rate charged by Louisville Water Company to its' wholesale customers. Over the past 15 years, the LWC wholesale rate has increased by an average of 2%. The baseline case presented above assumed an annual increase of the wholesale rate of 3% from the current rate of $1.71/1,000 gallons purchased. The model was used to analyze the effect of varying the future rate increases from 1% to 5% per year over 20 years.

The lower increase of 1% was chosen to reflect the potential that selling wholesale water to Central Kentucky customers spreads the fixed cost of operation across a larger volume of water distributed, and could result in rate increases below the 2% per year average over the past 15 years. The upper limit of 5% recognizes the potential that addition of enhanced treatment at both the Crescent Hill and B.E. Payne treatment plants to meet the 2012 regulations could cause a short-term wholesale rate increase above the rate of inflation.

Figure 3-3 presents the present worth cost of each alternative through the year 2030. The results indicate that at a 6 MGD constant flow rate, the difference between the Pool 3 option and the LWC option ranges from $76 million at 1% annual increase to $54 million at a 5% annual increase. The second set of plots show the same comparison for the 0.5 MGD per year flow increase. In this case, the LWC option is lower on a present worth basis by $48 million at 1% annual increase in the wholesale rate, down to a $3.5 million advantage at a 5% increase.

Figure 3-3
Phase 1 (2030) Present Worth Cost Comparison

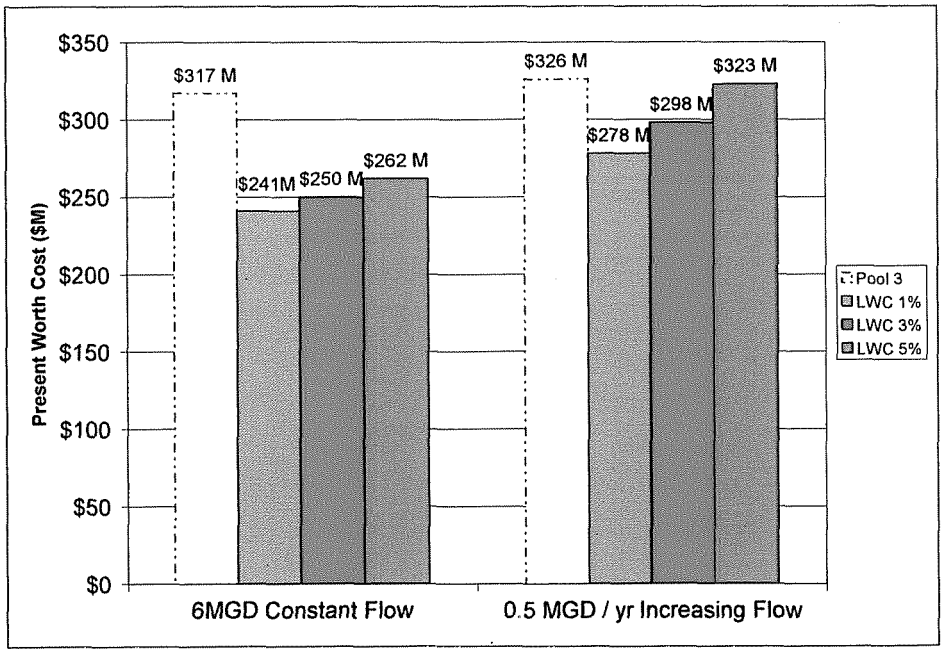
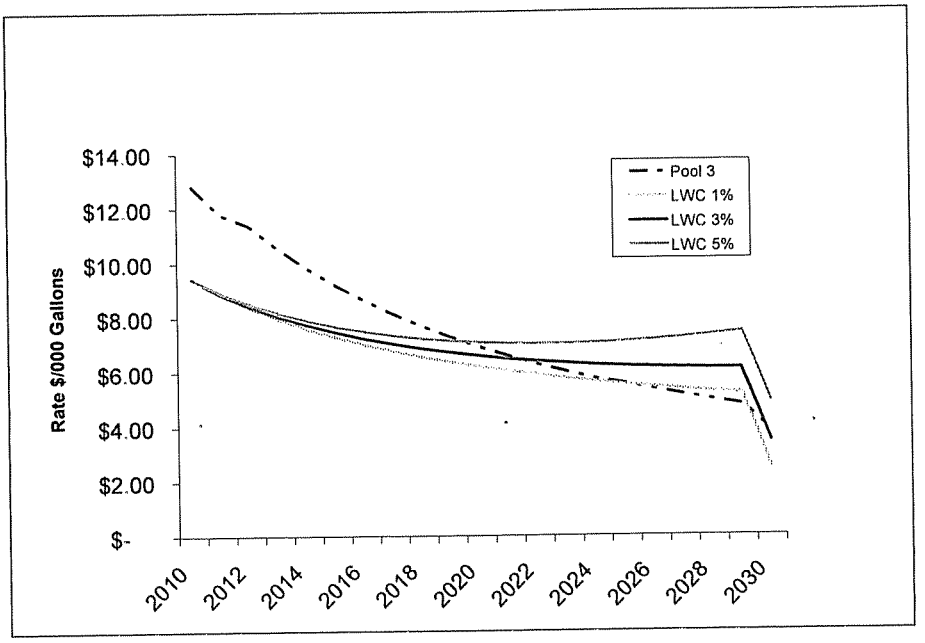


Figure 3-5
Unit Cost Comparison (0.5 MGD / yr Increase)



Section 4
PHASE 2 (2050) ANALYSIS

Section 4
PHASE 2 (2050) ANALYSIS

Previous studies acknowledge that a Pool 3 solution on the Kentucky River is likely a 20 to 25-year solution based on projected regional growth and an assumed 30 MGD of available capacity. The recommended Kentucky River solution outlined in the O'Brien & Gere study contemplated a second phase raw water pipeline to the Ohio River from Pool 3 at some point in the future.

Given the need for source water from the Ohio River, our Phase 2 investigation analyzes options to expand on the initial 25 MGD plan. If we assume that demand continues to increase by 0.5 MGD each year, phase 2 options will need to provide an additional 10 MGD average flow over that timeframe, for a total peak capacity of 45 MGD. Since the previously constructed 42-inch transmission mains can carry up to 31 MGD, the additional 14 MGD can be accommodated with a 30-inch diameter line for both the new raw water main and the parallel treated water transmission lines in both alternatives.

Phase 2 of the Pool 3 option will therefore include the following capital components:

- Construction of a new 15 MGD river intake and raw water pump station in the Ohio River
- Construction of a new 30 mile, 30-inch raw water main from the Ohio River to the Pool 3 WTP
- Expansion of the treatment plant and associated facilities to 45 mgd
- Construction of a parallel 30-inch transmission main from Pool 3 to Lexington
- Addition of a new booster pump station for the 30-inch treated water main
- Addition of a new 2 million gallon storage tank along the 30-inch pipeline route

Phase 2 of the LWC pipeline option will include:

- Construction of a parallel 30-inch transmission main from Shelbyville to Lexington
- Addition of a new booster pump station for the 30-inch main
- Addition of a new 2 million gallon storage tank along the 30-inch pipeline route

Since the current peak day capacity of the LWC treatment plants is 240 MGD, one or both of their plants will need to be expanded by at least 10 MGD by 2030 to accommodate the 45 MGD peak day flow for Central Kentucky. LWC has indicated they will increase the capacity of the B.E. Payne plant by 15 to 30 MGD before 2030, and those costs will be reflected in the wholesale rate.

Table 4-2
Phase 2 Capital Costs - Pool Three Option (2007 $1,000)

Ohio River Intake and pump station	$ 3,774
Raw Water Main	34,060
Treatment plant expansion	35,765
Transmission Pipeline	34,060
Booster Pump Station/Storage tank	3,165
Land	200
Construction Cost Estimate	$111,024
Contingency @ 20%	22,165
Probable Construction Cost	$133,189
Permitting/Easements @ 5%	6,659
Engineering, Legal, and Administrative @ 20%	26,638
Subtotal- Capital Cost	$166,486
Capitalized Interest @ 6.5% for two years	3,871
Issuance Costs @ 1% of long-term debt	998
Total Pool 3 Phase 2 Project Cost	**$171,355**

4.2 Operation and Maintenance Expenses

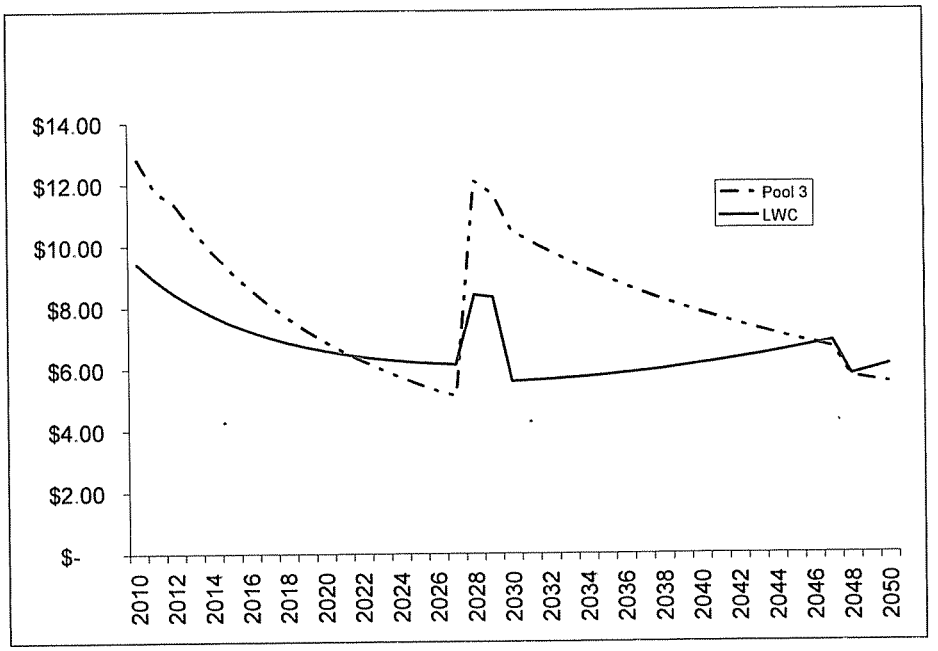
O&M expenses in phase 2 were computed in similar fashion as was done for Phase 1. Two additional staff are assumed for the new Ohio River intake and raw water pump station facilities. Other fixed treatment plant costs were increased by the rate of inflation, while variable costs increased by both the rate of inflation and flow rate. Wholesale rate increases were once again assumed at 3% per year to be consistent with the assumed rate of inflation and construction cost increases.

4.3 Modeling Results

The model was run through the year 2050 under two distinct scenarios.

1. Both the Pool 3 and LWC option continue to provide 6 MGD on an average day basis throughout the analysis period. Under this scenario, the second phase of capacity expansion is not constructed.

Figure 4-2
Unit Cost Comparison (0.5 MGD Increase)



Section 5
ALTERNATIVE LWC PIPELINE PROPOSAL

Section 5
ALTERNATIVE LWC PIPELINE PROPOSAL

Louisville Water Company believes that delivering up to 25 MGD from Louisville can be accomplished with a 36-inch pipeline rather than the 42-inch pipe utilized in the modeling effort. The reason for using a 42-inch pipeline, our model from Shelby County was to have an "apples-to-apples comparison" between the Pool 3 project and the LWC option. The 42-inch pipeline was chosen to transport the water from the Pool 3 facility to Fayette County in order to maintain water velocity below a nominal 5 feet per second (fps) at up to a 30 MGD flow rate. The larger diameter pipe also dissipates less energy (head loss) over the length of pipeline to be constructed, thereby reducing the need for additional booster pumping and lowering power costs to transport the water.

R.W. Beck was asked to consider the viability of a 36-inch pipeline for this project. While a detailed engineering study of the pipeline plan and profile would be required to fully understand the issues surrounding the use of a smaller pipeline, it appears the 36-inch alternative has merit in this application for the following reasons:

1. Given the lower cost of a 36-inch pipe, the total project cost could be as much as 20% less than the 42-inch option modeled based on lower construction costs and if lower contingencies and engineering cost assumptions are used;
2. The 5 fps velocity criterion is violated when flows exceed 23 MGD, which would occur only under the most severe peak flow conditions anticipated (at 25 MGD the velocity is 5.5 fps); and
3. Energy loss across the pipeline is about twice as large for the 36-inch versus the 42-inch pipeline, which will likely require an additional booster pumping station and higher electrical costs to operate.

5.1 Capital Costs

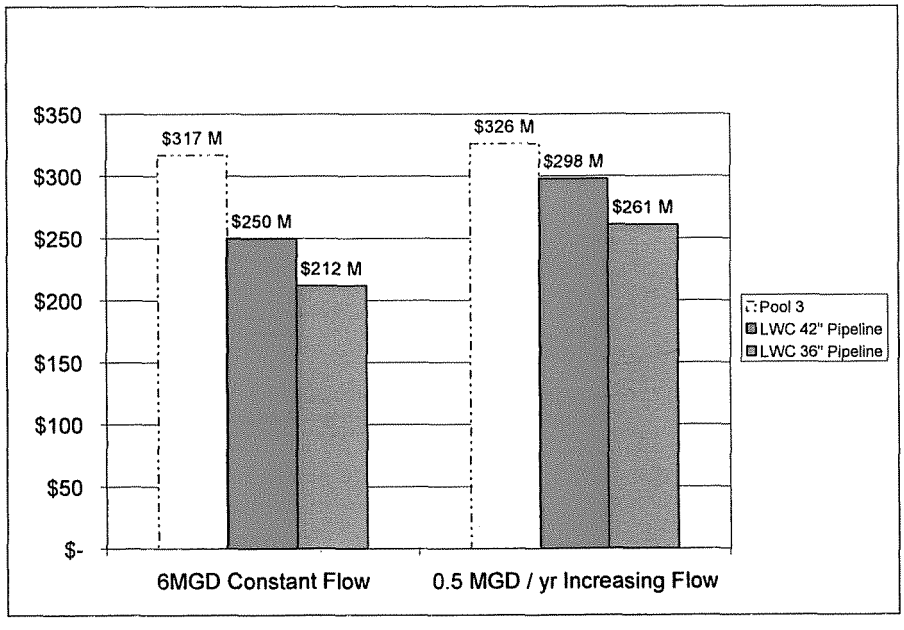
The following capital costs were used as input to the financial model for an assumed 36-inch pipeline alternative from Shelby County to Fayette County. This alternative includes an additional booster pump station along the pipeline alignment, but also includes lower contingency and engineering costs typically associated with pipeline projects. The total project cost for the 36-inch alternative is $25 million (22%) less than the cost for the 42-inch pipeline.

Table 5-2
Comparison of Present Worth Costs
2010-2030 Analysis ($1,000)

	Constant Flow 6 MGD	Increasing Flow 0.5 MGD/yr
Pool 3 Option	$ 316,518	$ 326,431
36-inch LWC Option	$ 211,614	$ 261,078
Difference	$ 104,904	$ 65,353
%	33%	20%

Figure 5-1 presents the present worth costs for the Pool 3 option and both LWC options under both scenarios. A comparison was also made between the unit costs of the three options for both scenarios as shown on Figures 5-2 and 5-3. These results clearly demonstrate the benefits of using the smaller diameter pipeline to deliver water from Louisville to Central Kentucky, and the enhanced benefit of that alternative over the Pool 3 option.

Figure 5-1
Phase 1 (2030) Present Worth Cost Comparison



Section 6
SUMMARY AND CONCLUSIONS

Section 6
SUMMARY AND CONCLUSIONS

6.1 Capital Costs

The capital costs for the Pool 3 and LWC pipeline options were compared. R.W. Beck performed no independent cost estimates, but rather extracted the estimated capital costs from previous engineering studies. Our investigation also included a 36-inch pipeline alternative from Louisville, as well as a Phase 2 project to expand both options in the case of increasing flows and capacity needs beyond the year 2030. Table 6-1 presents a summary of the capital cost comparison.

Table 6-1
Capital Cost Comparison (2007 $ million)

	Pool 3	LWC-42"	LWC-36"
Phase 1 (2007-2030)			
Construction Estimate	$ 108.3	$ 73.0	$ 64.5
Contingency	21.6	14.6	6.4
Probable Construction Cost	$ 129.9	$ 87.6	$ 70.9
Engineering/permitting/admin	33.3	22.0	14.3
Interest/financing	4.2	3.7	2.9
Total Phase 1 Project Cost	**$ 167.4[1]**	**$ 113.3**	**$ 88.1**
% difference	**---**	**32%**	**47%**
Phase 2 (2030-2050)			
Construction Estimate	$ 111.0	$ 54.1	
Contingency	22.2	10.8	
Probable Construction Cost	$ 133.2	$ 64.9	
Engineering/permitting/admin	33.3	16.2	
Interest/financing	4.8	2.4	
Total Phase 2 Project Cost	**$ 171.3**	**$ 83.5**	
% difference	**---**	**51%**	

1 Not including UV project

The only scenario that produced similar present worth costs between the LWC and Pool 3 options was the case where the LWC wholesale rate increased by 5% each year as opposed to the 3% per year assumption used in the baseline models. In discussing this with LWC, we believe it is possible that rate increases of that magnitude are possible in the short term, but unlikely over a sustained 20 or 40-year period. The economic conditions assumed in the model include a 2.4% inflation rate and an annual capital construction cost increase of 3%. Given these metrics and the fact that the LWC wholesale rate has increased by an average of 2% over the past 15 years, R.W. Beck is comfortable with the 3% per year wholesale rate increase assumption.

6.3 Conclusions

Delivering water from the Louisville Water Company to Central Kentucky customers through a publicly-owned pipeline from Shelby County is a more cost-effective alternative than constructing the proposed new intake and treatment plant on Pool 3 of the Kentucky River. Although the Pool 3 option becomes more cost-effective with increasing flows and better utilization of the assets, the LWC wholesale rate must increase by 5% per year for more than 20 years in order for the LWC pipeline option to approach the Pool 3 present worth cost.

Increasing flows will eventually deplete the capacity of Pool 3 and require an Ohio River supply. The capital cost to provide an Ohio River expansion of the Pool 3 option is twice the cost of a parallel pipeline to Louisville, and translates into significantly higher present worth costs for the Pool 3 option beyond 2030.

Appendix A
INCREASING FLOW SCENARIO
SAMPLE MODEL OUTPUT

R·W·BECK

Appendix A-1
POOL 3 OPTION

R·W·BECK

Water Analysis
Louisville Water Company
Pool Three Option

	Basis %	Basis $	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital Expenditures													
Intake, Pump Station, Treatment Plant[1]	3.10%	$ 53,217,500	$ 54,867,243	$ 27,433,621	$ 27,433,621	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
UV Disinfection Costs (2011)[2]	3.10%						6,425,271						
Raw Water Main[3]	3.10%	390,000	402,098	201,045	201,045								
Transmission Line (4 additl borings)[4]	3.10%	48,300,000	48,300,000	24,150,000	24,150,000								
Storage Tank[5]	3.10%	2,100,000	2,165,100	1,082,550	1,082,550								
Booster Pump Station[5]	3.10%	2,500,000	2,577,500	1,288,750	1,288,750								
Initial Capital Expenditures		$ 106,507,500	$ 108,311,533	$ 54,155,966	$ 54,155,966	$ -	$ 6,425,271	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency[6]	20%	$ 11,143,500	$ 11,488,949	$ 5,744,474	$ 5,744,474	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Line Contingency[7]	20%	10,159,000	10,173,438	5,086,719	5,086,719								
Total Contingency		$ 21,301,500	$ 21,662,387	$ 10,831,193	$ 10,831,193								
Opinion of Probable Construction Cost		$ 127,809,000	$ 129,974,319	$ 64,987,160	$ 64,987,160	$ -	$ 6,425,271	$ -	$ -	$ -	$ -	$ -	$ -
Land[8]	2.42%	$ 770,000	$ 788,468	$ 394,240	$ 394,240	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting[9]	5.03%	6,390,450	6,498,716	3,249,358	3,249,358		321,264						
Engineering, Legal, Administrative[10]	20%	25,561,800	25,994,864	12,997,432	12,997,432		1,285,054						
Capital Cost		$ 160,531,250	$ 163,256,379	$ 81,628,189	$ 81,628,189	$ -	$ 8,031,589	$ -	$ -	$ -	$ -	$ -	$ -
Long Term Debt[11]	60%	$ 96,318,750	$ 97,953,827	$ 48,976,914	$ 48,976,914								
Issuance Cost[11]	1.0%	$ 963,188	$ 979,538	$ 489,769	$ 489,769	$ -	$ 80,316	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest[12]	8.50%		3,183,499	1,591,750	1,591,750		241,027						
Total Phase One Capital Expenditure			$ 167,419,416	$ 83,709,708	$ 83,709,708	$ -	$ 8,372,931	$ -	$ -	$ -	$ -	$ -	$ -
Phase Two Capital Expenditures													
15 MGD Intake and Pump Station at the Ohio River		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
30 Mile 30" Raw water main from Ohio River to Pool 3													
20 MGD Treatment Plant Expansion		$ -	-	-	-	-	-	-	-	-	-	-	-
30 mile 30" Transmission main to Lexington													
New booster pump station and storage		$ -	-	-	-	-	-	-	-	-	-	-	-
Land													
Initial Capital Expenditures			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency[6]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Plant Contingency[7]													
Total Contingency		$ -	$ -										
Opinion of Probable Construction Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting[9]			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative[10]													
Capital Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost[11]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest[12]													
Total Phase Two Capital Expenditure		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$ -	$ 167,419,416	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Operating Expenses													
WTP Operations and Maintenance Expenses[13]													
Chemicals	2.4%		$ -	$ -		$ 168,555	$ 189,984	$ 206,209	$ 228,231	$ 247,104	$ 268,859	$ 291,496	$ 315,075
Labor	2.4%					650,518	666,130	682,117	698,488	715,252	732,418	749,996	767,996
Security	2.4%					309,699	307,293	314,573	322,123	329,853	337,770	345,876	354,177
Maintenance (Plant)	2.4%					314,573	322,123	329,853	337,770	345,876	354,177	362,678	371,382
Treatment Plant Electricity	2.4%					526,415	583,970	643,684	706,543	771,733	839,646	910,373	984,013
Total Annual Operating and Maintenance Expenses		$ -	$ -	$ -	$ -	$ 1,969,691	$ 2,069,497	$ 2,176,726	$ 2,291,154	$ 2,409,816	$ 2,532,891	$ 2,660,420	$ 2,792,643
Booster Pump and Transmission Line O&M													
Maintenance (Transmission Line)	2.4%					62,915	64,426	65,971	67,554	69,175	70,835	72,536	74,276
Booster Pump Electricity[14]	2.4%					120,273	133,423	147,135	161,428	176,323	191,839	207,999	224,823
Total Booster Pump and Transmission O&M		$ -	$ -	$ -	$ -	$ 183,188	$ 197,848	$ 213,106	$ 228,982	$ 245,498	$ 262,675	$ 280,534	$ 299,100
Total Operating Expenses		$ -	$ -	$ -	$ -	$ 2,143,249	$ 2,294,254	$ 2,389,834	$ 2,520,136	$ 2,655,317	$ 2,795,535	$ 2,940,954	$ 3,091,743
Total Annual Operating Expenses ($/000 gallon)		$ -	$ -	$ -	$ -	$ 0.98	$ 0.95	$ 0.94	$ 0.92	$ 0.91	$ 0.90	$ 0.89	$ 0.89
Other Operating Expenses													
Property Taxes[15]	2.4%	$ -	$ -	$ -	$ -	$ 1,212,834	$ 1,241,942	$ 1,271,749	$ 1,302,271	$ 1,333,526	$ 1,365,530	$ 1,398,303	$ 1,431,862
KRA Withdrawal Fee[16]	$0.05					$ 169,500	$ 118,625	$ 127,750	$ 136,875	$ 146,000	$ 155,125	$ 164,250	$ 173,375
Phase I Project													
KAWC Cost of Capital (60%)[17]						16,839,675	16,504,824	16,172,973	15,841,121	15,509,270	15,177,419	14,845,568	14,513,717
UV Cost of Capital (100%)[24]								1,048,462	1,019,929	992,788	965,956	939,124	912,292
Muni Debt Service (20%)[17]						4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629
Phase 2 Project													
KAWC Cost of Capital (60%)[23]													
Muni Debt Service (20%)[18]													
Total Other Operating Expenses		$ -	$ -	$ -	$ -	$ 22,784,639	$ 22,461,021	$ 23,214,553	$ 22,895,517	$ 22,577,213	$ 22,259,659	$ 21,942,874	$ 21,626,875
Renewal and Replacement Fund													
R&R (TP)[19]	2.5%	$ -	$ -	$ -	$ -	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928
R&R (UV)[20]	2.5%							$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323
R&R (TL)[19]	1.3%					982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129
Total Renewal and Replacement Fund Costs (Depreciation)						$ 3,236,057	$ 3,236,057	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381
Total Expenses		$ -	$ -	$ -	$ -	$ 28,133,945	$ 27,991,332	$ 29,049,767	$ 28,861,034	$ 28,677,911	$ 28,500,575	$ 28,329,208	$ 28,163,998
Total Expenses ($/000gallon)		$ -	$ -	$ -	$ -	$ 12.85	$ 11.79	$ 11.37	$ 10.54	$ 9.82	$ 9.19	$ 8.62	$ 8.12
Discounted Value		$ -	$ -	$ -	$ -	$ 23,956,162	$ 22,740,364	$ 22,565,030	$ 21,412,060	$ 20,321,109	$ 19,288,872	$ 18,312,218	$ 17,388,181
Total Discounted Cost[21]			$ 326,431,457										
Discount Rate			4.7%										

Notes:

1 Price adjusted to reflect cost of 25 MGD Plant - Gannett Fleming Report
2 UV Facility with Contingency included - Adjusted to reflect cost of 25 MGD plant - GF Report Page 26
3 1,500 foot pipe @ $300 per foot
4 Transmission Line - $48m with Additional Borings - $300k - Gannett Fleming Report Page 28
5 Gannett Fleming Report Page 29
6 20% of Treatment Plant Expenditures
7 20% of Transmission Line Expenditures
8 Swindland Testimony
9 Based on percentage of Probable Construction Cost
10 Amount of Capital cost to be financed
11 Cost of issuing bonds - 1% of Long Term Debt
12 Interest on funds used during construction
13 Table 4 Kentucky American Water Annual Operation & Maintenance Costs
14 Increases with rate of inflation and with water usage (MGD) - Table 4 KAW Annual O & M Costs New WTP
15 Linda Bridwell Testimony
16 $ 0.05 Paid per thousand gallons used - O'Brien and Gere Report Page 4
17 Series of payments of principal and interest paid on debt based on 7.75% at 20 years
18 2.5% Depreciation Rate Utilized for Plant and UV - Based on 40 Year Life
19 1.3% Depreciation Rate Utilized for Lines - Based on 75 Year Life
20 2.5 Depreciation Rate Utilized
21 Total of all expenses discounted to 2007 dollars
22 Annualized Phase 1 Project Costs
23 Annualized Phase 2 Project Costs
24 Annualized UV Costs

Water Supply Plan Analysis
Louisville Water Company
Pool Three Option

	Basis %	Basis $	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Capital Expenditures															
Intake, Pump Station, Treatment Plant[1][2]	3.10%	$ 53,217,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
UV Disinfection Costs (2011)[2][3]	3.10%														
Raw Water Main[2][4]	3.10%	390,000													
Transmission Line (4 additional)[2][5]	3.10%	48,300,000													
Storage Tank[2][6]	3.10%	2,100,000													
Booster Pump Station[2][7]	3.10%	2,500,000													
Initial Capital Expenditures		$ 106,507,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency[2][8]	20%[9]	$ 11,143,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Line Contingency[2][9]	20%[9]	10,158,000													
Total Contingency		$ 21,301,500													
Opinion of Probable Construction Cost		$ 127,809,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Land[2][10]	2.4%[9]	$ 770,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting[2][11]	5.0%[9]	6,390,450													
Engineering, Legal, Administrative[2][12]	20%[9]	25,561,800													
Capital Cost		$ 160,531,250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Long Term Debt[2][13]	60%[9]	$ 96,318,750													
Issuance Cost[2][14]	1.0%[9]	$ 963,188	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest[2][15]	6.59%[9]														
Total Phase One Capital Expenditure			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase Two Capital Expenditures															
15 MGD Intake and Pump Station at the Ohio River		$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
30 Mile 30" Raw water main from Ohio River to Pool 3															
20 MGD Treatment Plant Expansion		$													
30 mile 30" Transmission main to Lexington															
New booster pump station and storage		$													
Land															
Initial Capital Expenditures			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency[2][8]		$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Plant Contingency[2][9]															
Total Contingency		$													
Opinion of Probable Construction Cost		$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting[2][11]			$ -	$ -	$ -	$ -	$ -	$ -	$ -				$ -	$ -	$ -
Engineering, Legal, Administrative[2][12]															
Capital Cost		$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost[2][14]		$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest[2][15]										$ -	$ -	$ -			
Total Phase Two Capital Expenditure		$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Operating Expenses															
WTP Operations and Maintenance Expenses[2][16]			$ 339,618	$ 365,157	$ 391,727	$ 419,361	$ 448,099	$ 477,969	$ 509,018	$ 541,282	$ 574,802	$ 609,618	$ 645,775	$ 683,316	$ 722,287
Chemicals	2.4%[9]		789,428	895,302	824,629	844,420	864,686	885,439	906,689	1,097,945	1,124,295	1,151,270	1,178,909	1,207,203	1,236,176
Labor	2.4%[9]		362,678	371,382	380,295	389,422	398,768	408,339	418,139	428,174	438,450	448,973	459,749	470,783	482,081
Security	2.4%[9]		389,295	389,422	398,768	408,339	418,139	428,174	438,459	448,973	459,749	470,783	482,081	493,651	505,499
Maintenance (Plant)	2.4%[9]		1,060,662	1,140,424	1,223,493	1,309,709	1,399,452	1,492,742	1,589,718	1,690,382	1,795,166	1,903,982	2,016,823	2,134,069	2,255,778
Treatment Plant Electricity	2.4%[9]														
Total Annual Operating and Maintenance Expenses			$ 2,929,680	$ 3,071,687	$ 3,218,822	$ 3,371,251	$ 3,529,142	$ 3,692,670	$ 3,862,015	$ 4,206,856	$ 4,392,463	$ 4,584,555	$ 4,783,337	$ 4,989,021	$ 5,201,822
Booster Pump and Transmission Line O&M															
Maintenance (Transmission Line)	2.4%[9]		76,069	77,884	79,754	81,668	83,628	85,635	87,690	89,795	91,950	94,157	96,416	98,730	101,100
Booster Pump Electricity[2][16]	2.4%[9]		242,336	260,560	279,516	299,237	319,741	341,058	363,213	386,235	410,153	434,996	460,796	487,584	515,392
Total Booster Pump and Transmission O&M		$	$ 318,395	$ 338,444	$ 359,272	$ 380,905	$ 403,369	$ 426,692	$ 450,903	$ 476,029	$ 502,102	$ 529,153	$ 557,212	$ 586,314	$ 616,491
Total Operating Expenses			$ 3,248,075	$ 3,410,131	$ 3,578,094	$ 3,752,156	$ 3,932,511	$ 4,119,363	$ 4,312,918	$ 4,682,885	$ 4,894,565	$ 5,113,708	$ 5,340,550	$ 5,575,335	$ 5,818,313
Total Annual Operating Expenses ($/000 gallon)		$	$ 0.89	$ 0.89	$ 0.89	$ 0.89	$ 0.90	$ 0.90	$ 0.91	$ 0.95	$ 0.96	$ 0.97	$ 0.98	$ 0.99	$ 1.00
Other Operating Expenses															
Property Taxes[2][17]	2.4%[9]	$	$ 1,466,227	$ 1,501,416	$ 1,537,460	$ 1,574,349	$ 1,612,133	$ 1,650,825	$ 1,690,444	$ 1,731,015	$ 1,772,559	$ 1,815,101	$ 1,858,663	$ 1,903,271	$ 1,948,950
KRA Withdrawal Fee[2][18]	$0.05		$ 182,500	$ 191,625	$ 200,750	$ 209,875	$ 219,000	$ 228,125	$ 237,250	$ 246,375	$ 255,500	$ 264,625	$ 273,750	$ 282,875	$ 292,000
Phase I Project															
KAWC Cost of Capital (60%)[2][19]			14,181,885	13,650,014	13,518,163	13,186,312	12,854,461	12,522,609	12,190,758	11,858,922	11,627,771	11,295,920	10,964,069	10,632,217	10,300,366
UV Cost of Capital (100%)[2][20]			885,459	858,627	831,795	804,963	778,131	751,299	724,467	697,635	670,803	643,971	617,138	590,306	563,474
Mum Debt Service (20%)[2][21]			4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	-
Phase 2 Project															
KAWC Cost of Capital (60%)[2][22]			-	-	-	-	-	-	-	-	-	-	-	-	-
Mum Debt Service (20%)[2][23]															
Total Other Operating Expenses		$	$ 21,311,691	$ 20,997,312	$ 20,683,798	$ 20,371,128	$ 20,059,354	$ 19,748,487	$ 19,438,549	$ 19,230,276	$ 18,922,263	$ 18,615,246	$ 18,309,250	$ 18,004,299	$ 13,104,790
Renewal and Replacement Fund															
R&R (TP)[2][24]	2.5%[9]	$	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928
R&R (UV)[2][25]	2.5%[9]		$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323
R&R (TL)[2][26]	1.3%[9]		982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129
Total Renewal and Replacement Fund Costs (Depreciation)			$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381
Total Expenses		$	$ 28,005,137	$ 27,852,824	$ 27,707,273	$ 27,568,665	$ 27,437,247	$ 27,313,231	$ 27,190,847	$ 27,358,543	$ 27,292,208	$ 27,174,334	$ 27,095,180	$ 27,025,015	$ 22,368,484
Total Expenses ($/000gallon)		$	$ 7.67	$ 7.27	$ 6.90	$ 6.57	$ 6.29	$ 5.99	$ 5.73	$ 5.55	$ 5.34	$ 5.13	$ 4.95	$ 4.78	$ 3.93
Discounted Value		$	$ 16,513,946	$ 15,686,849	$ 14,904,393	$ 14,164,099	$ 13,463,779	$ 12,801,263	$ 12,174,514	$ 11,697,131	$ 11,132,706	$ 10,598,684	$ 10,093,421	$ 9,615,361	$ 7,691,329
Total Discounted Cost[2][27]		$ 329,431,457													
Discount Rate		4.7%[9]													

as:

Price adjusted to reflect cost of 25 MGD Plant - Gannett Fleming Report
UV Facility with Contingency included - Adjusted to reflect cost of 25 MGD plant - GF Report Page 29
1,300 foot pipe @ $300 per foot
Transmission Line - $48m with Additional Bonds - $300k - Gannett Fleming Report Page 28
Gannett Fleming Report Page 28
20% of Treatment Plant Expenditures
20% of Transmission Line Expenditures
Swindland Testimony
Based on percentage of Probable Construction Cost
Amount of Capital cost to be financed
Cost of issuing bonds - 1% of Long Term Debt
Interest on funds used during construction
Table 4 Kentucky American Water Annual Operation & Maintenance Costs
Increases with rate of inflation and with water usage (MGD) - Table 4 KAW Annual O & M Costs New WTP
Linda Bridwell Testimony
$.05 Paid per thousand gallons used - O'Brien and Gere Report Page 4
Series of payments of principal and interest paid on debt based on 7.75% at 20 years
2.5% Depreciation Rate Utilized for Plant and UV - Based on 40 Year Life
1.3% Depreciation Rate Utilized for Lines - Based on 75 Year Life
2.5 Depreciation Rate Utilized
Total of all expenses discounted to 2007 dollars
Annualized Phase 1 Project Costs
Annualized Phase 2 Project Costs
Annualized UV Costs

Appendix A-2
LWC OPTION

R·W·BECK

Water Supply Option Analysis
Louisville Water Company
Louisville Water Company Option

	Basis %	Basis $	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Phase One Capital Expenditure												
Pipeline [1]	3.1%	$ 66,528,000	$ 66,528,000	$ 33,264,000	$ 33,264,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ky. River Crossing	3.1%	$ 1,700,000	$ 1,700,000	850,000	850,000							
Booster Pump Station & Storage [2]	3.1%	4,600,000	4,742,600	2,371,300	2,371,300	-	-	-	-	-	-	-
Initial Capital Expenditures		$ 72,828,000	$ 72,970,600	$ 36,485,300	$ 36,485,300	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency [3]	20%	14,565,600	14,594,120	7,297,060	7,297,060	-	-	-	-	-	-	-
Opinion of Probable Construction Cost		87,393,600	87,564,720	43,782,360	43,782,360	-	-	-	-	-	-	-
Easements and Permitting [4]	5%	$ 4,369,680	$ 4,378,236	$ 2,189,118	$ 2,189,118	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative [4]	20%	17,478,720	17,512,944	8,756,472	8,756,472	-	-	-	-	-	-	-
Land (4 Acres for Booster Pump Station) [5]	2.40%	85,000	87,040	43,520	43,520	-	-	-	-	-	-	-
Capital Cost		$ 109,327,000	$ 109,542,940	$ 54,771,470	$ 54,771,470	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost [7]	1%	$ 1,093,270	$ 1,095,429	$ 547,715	$ 547,715	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest [6]	4.7%	2,569,185	2,574,259	1,028,885	1,028,885	-	-	-	-	-	-	-
Total Phase One Capital Expenditure		$ 112,989,455	$ 113,212,628	$ 56,348,070	$ 56,348,070	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less Grant			$ -									
Total Net Capital Cost			$ 113,212,628									
Phase Two Capital Expenditures												
44 Mile 30" *Parallel Transmission* Line	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Kentucky River Crossing												
New booster Pump Station and storage	0.00%	-	-	-	-	-	-	-	-	-	-	-
Initial Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency [3]	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Opinion of Probable Construction Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting [4]	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative [4]	0%	-	-	-	-	-	-	-	-	-	-	-
Capitalized Interest [6]	0%	-	-	-	-	-	-	-	-	-	-	-
Capital Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost [7]	0%	-	-	-	-	-	-	-	-	-	-	-
Total Phase Two Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$ -	$ 113,212,628	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operations and Maintenance Expenses												
Electricity [8]		$ -	$ -	$ -	$ -	$ 172,266	$ 191,100	$ 210,739	$ 231,211	$ 252,544	$ 274,768	$ 297,913
Maintenance [14]	2.40%	-	-	-	-	94,489	96,756	99,078	101,456	103,891	106,385	108,938
Wholesale Water Cost [9]		-	-	-	-	3,744,900	4,178,684	4,635,125	5,115,192	5,619,891	6,150,268	6,707,410
Meter Charge		-	$ 16,950	-	-	18,200	18,746	19,308	19,888	20,484	21,099	21,732
Total Annual Operating Expenses ($/000 gallon)		$ -	$ -	$ -	$ -	$ 4,029,854	$ 4,485,287	$ 4,964,251	$ 5,467,747	$ 5,996,810	$ 6,552,519	$ 7,135,993
Total Annual Operating Expenses ($)		$ -	$ -	$ -	$ -	$ 1.84	$ 1.89	$ 1.94	$ 2.00	$ 2.05	$ 2.11	$ 2.17
Other Operating Expenses												
Debt Service - Phase One [10]		$ -	$ -	$ -	$ -	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320
Debt Service - Phase Two [10]		-	-	-	-	-	-	-	-	-	-	-
KRA Withdrawal Fee	$0.05	-	-	-	-	109,500	118,625	127,750	136,875	146,000	155,125	164,250
Total Other Operating Expenses		$ -	$ -	$ -	$ -	$ 15,647,820	$ 15,656,945	$ 15,666,070	$ 15,675,195	$ 15,684,320	$ 15,693,445	$ 15,702,570
Renewal and Replacement Fund (Transmission) [11]	1.33%	-	-	-	-	950,275	887,040	887,040	887,040	887,040	887,040	887,040
Renewal and Replacement Fund (Treatment Plant) [12]	2.5%	-	-	-	-	-	-	-	-	-	-	-
Total R & R Fund						950,275	887,040	887,040	887,040	887,040	887,040	887,040
Total Annual Expenses ($)		$ -	$ -	$ -	$ -	$ 20,627,948	$ 21,029,271	$ 21,517,361	$ 22,029,981	$ 22,568,170	$ 23,133,004	$ 23,725,602
Total Annual Expenses ($/000 gallon)		$ -	$ -	$ -	$ -	$ 9.42	$ 8.86	$ 8.42	$ 8.05	$ 7.73	$ 7.46	$ 7.22
Discounted Value		$ -	$ -	$ -	$ -	$ 17,564,777	$ 17,102,670	$ 16,714,071	$ 16,344,088	$ 15,991,759	$ 15,656,150	$ 15,336,412

Total Discounted Cost [13]	$ 297,687,580
Discount Rate	4.7%

Notes:

1 42 mile pipe @ $300/foot KAW Request for Documents - Bridwell/Swindland
2 Storage Tank - $2.1m Booster Pump Station - $2.6m both inflated to 2007 $'s: Gannett Fleming Report
3 20% of Initial Capital Expenditures
4 As a percentage of Opinion of Probable Construction Cost
5 4 Acres Testimony - Swindland
6 Interest on funds used during construction @ 4.7% assuming 2 year buildout
7 Cost of issuing bonds - 1% of Capital Cost
8 Electricity increases with rate of inflation and water usage - Table 4 Annual O & M Costs New WTP KAW
9 *Rate - Begins at $1.71 increasing at determined rate between 0% and 5% - Presentation to BWSC*
10 Series of payments of principal and interest paid on debt based on 4.7% at 20 years
11 Based on 1.33% of life with assumed life of 75 years
12 Based on 2.5% of life with assumed life of 40 years
13 Total of all expenses discounted to 2007 dollars
14 KAW Annual O & M Expenses

Water Supply Option Analysis
Louisville Water Company
Louisville Water Company Option

	Basis %	Basis $	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Phase One Capital Expenditure																
Pipeline (1)	3.1%	$ 66,528,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ky. River Crossing	3.1%	$ 1,700,000														
Booster Pump Station & Storage (2)	3.1%	4,600,000														
Initial Capital Expenditures		$ 72,828,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency (3)	20%	14,565,600														
Opinion of Probable Construction Cost		87,393,600														
Easements and Permitting (4)	5%	$ 4,369,680	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative (4)	20%	17,478,720														
Land (4 Acres for Booster Pump Station) (5)	2.40%	85,000														
Capital Cost		$ 109,327,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost (7)	1%	$ 1,093,270	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest (6)	4.7%	2,569,185														
Total Phase One Capital Expenditure		$ 112,989,455	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less Grant																
Total Net Capital Cost																
Phase Two Capital Expenditures																
44 Mile 30" Parallel Transmission Line	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Kentucky River Crossing																
New booster Pump Station and storage	0.00%	-	-	-	-	-	-	-	-	-	$ -	$ -	$ -	-	-	-
Initial Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency (3)	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Opinion of Probable Construction Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting (4)	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative (4)	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized Interest (6)	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost (7)	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Phase Two Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operations and Maintenance Expenses		$ -	$ 322,011	$ 347,094	$ 373,196	$ 400,350	$ 428,593	$ 457,961	$ 488,492	$ 520,224	$ 553,198	$ 587,456	$ 623,039	$ 659,991	$ 698,359	$ 738,188
Electricity (8)																
Maintenance (14)	2.40%	-	111,552	114,230	116,971	119,779	122,653	125,597	128,611	131,698	134,859	138,095	141,409	144,803	148,279	151,837
Wholesale Water Cost (9)			7,292,445	7,908,545	8,550,929	9,226,859	9,935,650	10,678,664	11,457,316	12,273,077	13,127,472	14,022,085	14,958,560	15,938,604	16,963,987	18,036,549
Meter Charge		-	22,384	23,055	23,747	24,459	25,193	25,949	26,727	27,529	28,355	29,206	30,082	30,984	31,914	32,871
Total Annual Operating Expenses ($/000 gallon)		$ -	$ 7,748,392	$ 8,390,924	$ 9,064,843	$ 9,771,447	$ 10,512,089	$ 11,288,170	$ 12,101,147	$ 12,952,528	$ 13,843,884	$ 14,776,842	$ 15,753,090	$ 16,774,383	$ 17,842,539	$ 18,959,445
Total Annual Operating Expenses ($)		$ -	$ 2.23	$ 2.30	$ 2.37	$ 2.43	$ 2.50	$ 2.58	$ 2.65	$ 2.73	$ 2.81	$ 2.89	$ 2.98	$ 3.08	$ 3.15	$ 3.25
Other Operating Expenses																
Debt Service - Phase One (10)		$ -	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ 15,538,320	$ -
Debt Service - Phase Two (10)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KRA Withdrawal Fee	$0.05	-	173,375	182,500	191,625	200,750	209,875	219,000	228,125	237,250	246,375	255,500	264,625	273,750	282,875	292,000
Total Other Operating Expenses		$ -	$ 15,711,695	$ 15,720,820	$ 15,729,945	$ 15,739,070	$ 15,748,195	$ 15,757,320	$ 15,766,445	$ 15,775,570	$ 15,784,695	$ 15,793,820	$ 15,802,945	$ 15,812,070	$ 15,821,195	$ 292,000
Renewal and Replacement Fund (Transmission) (11)	1.33%	-	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040
Renewal and Replacement Fund (Treatment Plant) (12)	2.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total R & R Fund			887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040
Total Annual Expenses ($)		$ -	$ 24,347,127	$ 24,998,784	$ 25,681,827	$ 26,397,557	$ 27,147,324	$ 27,932,530	$ 28,754,631	$ 29,615,138	$ 30,515,619	$ 31,457,701	$ 32,443,075	$ 33,473,492	$ 34,550,773	$ 20,138,485
Total Annual Expenses ($/000 gallon)		$ -	$ 7.02	$ 6.85	$ 6.70	$ 6.57	$ 6.47	$ 6.38	$ 6.30	$ 6.24	$ 6.19	$ 6.16	$ 6.13	$ 6.11	$ 6.11	$ 3.45
Discounted Value		$ -	$ 15,031,681	$ 14,741,173	$ 14,464,133	$ 14,199,843	$ 13,947,621	$ 13,706,820	$ 13,476,824	$ 13,257,048	$ 13,046,937	$ 12,845,964	$ 12,653,627	$ 12,469,452	$ 12,292,987	$ 6,843,524
al Discounted Cost (13)	$ 297,687,580															
Discount Rate	4.7%															

nile pipe @ $300/foot KAW Request for Documents - Bridwell/Svindland
age Tank - $2.1m Booster Pump Station - $2.6m both inflated to 2007 $'s: Gannett Fleming Report
of Initial Capital Expenditures
a percentage of Opinion of Probable Construction Cost
ires Testimony - Svindland
rest on funds used during construction @ 4.7% assuming 2 year buildout
t of issuing bonds - 1% of Capital Cost
tricity increases with rate of inflation and water usage - Table 4 Annual O & M Costs New WTP KAW
- Begins at $1.71 increasing at determined rate between 0% and 5% - Presentation to BWSC
es of payments of principal and interest paid on debt based on 4.7% at 20 years
ed on 1.33% of life with assumed life of 75 years
ed on 2.5% of life with assumed life of 40 years
l of all expenses discounted to 2007 dollars
V Annual O & M Expenses

Appendix B
CONSTANT 6 MGD FLOW SCENARIO
SAMPLE MODEL OUTPUT

R·W·BECK

Appendix B-1
POOL 3 OPTION

R·W·BECK

Water Treatment Plant Analysis
Louisville Water Company
Pool Three Option

	Basis %	Basis $	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital Expenditures													
Intake, Pump Station, Treatment Plant[1,2]	3.10%	$ 53,217,500	$ 54,867,243	$ 27,433,621	$ 27,433,621	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
UV Disinfection Costs (2011)[2,3]	3.10%						6,425,271						
Raw Water Main[2,3]	3.10%	390,000	402,690	201,045	201,045								
Transmission Line (w adutl borings)[3,4]	3.10%	48,300,000	48,300,000	24,150,000	24,150,000								
Storage Tank[3,4]	3.10%	2,100,000	2,165,100	1,082,550	1,082,550								
Booster Pump Station[2,3]	3.10%	2,500,000	2,577,500	1,288,750	1,288,750								
Initial Capital Expenditures		$ 105,507,500	$ 108,311,933	$ 54,155,966	$ 54,155,966	$ -	$ 6,425,271	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency[5,6]	20%	$ 11,143,500	$ 11,488,949	$ 5,744,474	$ 5,744,474	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Line Contingency[7]	20%	10,158,000	10,173,438	5,086,719	5,086,719								
Total Contingency		$ 21,301,500	$ 21,662,387	$ 10,831,193	$ 10,831,193								
Opinion of Probable Construction Cost		$ 127,809,000	$ 129,974,319	$ 64,987,160	$ 64,987,160	$ -	$ 6,425,271	$ -	$ -	$ -	$ -	$ -	$ -
Land[8,9]	2.41%	$ 770,000	$ 788,480	$ 394,240	$ 394,240	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting[9,10]	5.01%	6,399,450	6,468,716	3,249,358	3,249,358		321,264						
Engineering, Legal, Administrative[9,10]	20%	25,561,800	25,994,664	12,997,432	12,997,432		1,285,054						
Capital Cost		$ 160,531,250	$ 163,256,379	$ 81,628,189	$ 81,628,189	$ -	$ 8,031,589	$ -	$ -	$ -	$ -	$ -	$ -
Long Term Debt[11,12]	60%	$ 96,318,750	$ 97,953,827	$ 48,976,914	$ 48,976,914								
Issuance Cost[11,12]	1.01%	$ 963,188	$ 979,538	$ 489,769	$ 489,769	$ -	$ 80,316	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest[12,13]	6.50%		3,183,499	1,591,750	1,591,750		261,027						
Total Phase One Capital Expenditure			$ 167,419,416	$ 83,709,708	$ 83,709,708	$ -	$ 8,372,931	$ -	$ -	$ -	$ -	$ -	$ -
Phase Two Capital Expenditures													
15 MGD Intake and Pump Station at the Ohio River		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
30 Mile 30" Raw water main from Ohio River to Pool 3													
20 MGD Treatment Plant Expansion		$ -	-	-	-	-	-	-	-	-	-	-	-
30 mile 30" Transmission main to Lexington													
New booster pump station and storage		$ -	-	-	-	-	-	-	-	-	-	-	-
Land													
Initial Capital Expenditures			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency[5,6]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Plant Contingency[7]													
Total Contingency		$ -	$ -										
Opinion of Probable Construction Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting[9,10]			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative[9,10]													
Capital Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Long Term Debt	60%		$ -										
Issuance Cost[11,12]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest[12,13]													
Total Phase Two Capital Expenditure		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$ -	$ 167,419,416	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Operating Expenses													
WTP Operations and Maintenance Expenses[14,15]													
Chemicals	2.4%		$ -	$ -	$ -	$ 168,555	$ 172,699	$ 176,743	$ 180,985	$ 185,328	$ 189,776	$ 194,331	$ 198,995
Labor	2.4%					650,518	666,130	682,117	698,488	715,252	732,418	749,996	767,999
Security	2.4%					300,000	307,200	314,573	322,123	329,853	337,770	345,876	354,177
Maintenance (Plant)	2.4%					314,573	322,123	329,853	337,770	345,876	354,177	362,678	371,382
Treatment Plant Electricity	2.4%					526,415	539,049	551,987	565,234	578,800	592,691	606,916	621,482
Total Annual Operating and Maintenance Expenses		$ -	$ -	$ -	$ -	$ 1,960,061	$ 2,007,102	$ 2,055,273	$ 2,104,599	$ 2,155,110	$ 2,206,832	$ 2,259,796	$ 2,314,032
Booster Pump and Transmission Line O&M													
Maintenance (Transmission Line)	2.4%					62,915	64,425	65,971	67,554	69,175	70,835	72,536	74,278
Booster Pump Electricity[14]	2.4%					120,273	123,160	126,116	129,143	132,242	135,416	138,666	141,994
Total Booster Pump and Transmission O&M		$ -	$ -	$ -	$ -	$ 183,188	$ 187,584	$ 192,088	$ 196,697	$ 201,417	$ 206,251	$ 211,201	$ 216,270
Total Operating Expenses			$ -	$ -	$ -	$ 2,143,249	$ 2,194,687	$ 2,247,359	$ 2,301,296	$ 2,356,527	$ 2,413,084	$ 2,470,998	$ 2,530,302
Total Annual Operating Expenses ($/000 gallon)		$ -	$ -	$ -	$ -	$ 0.98	$ 1.00	$ 1.03	$ 1.05	$ 1.08	$ 1.10	$ 1.13	$ 1.16
Other Operating Expenses													
Property Taxes[16,17]	2.41%	$ -	$ -	$ -	$ -	$ 1,212,834	$ 1,241,942	$ 1,271,749	$ 1,302,271	$ 1,333,526	$ 1,365,530	$ 1,398,303	$ 1,431,862
KRA Withdrawal Fee[18,19]	$0.05					$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500
Phase 1 Project													
KAWC Cost of Capital (60%)[20,21]						16,836,675	16,504,824	16,172,973	15,841,121	15,509,270	15,177,419	14,845,568	14,513,717
UV Cost of Capital (100%)[21,22]								1,046,452	1,019,629	992,788	965,956	939,124	912,292
Mum Debt Service (20%)[21,22]						4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629
Phase 2 Project													
KAWC Cost of Capital (60%)[23,24]													
Mum Debt Service (20%)[23,24]													
Total Other Operating Expenses		$ -	$ -	$ -	$ -	$ 22,754,639	$ 22,451,896	$ 23,196,303	$ 22,868,142	$ 22,540,713	$ 22,214,034	$ 21,888,124	$ 21,563,000
Renewal and Replacement Fund													
R&R (TP)[20,21]	2.5%	$ -	$ -	$ -	$ -	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928
R&R (UV)[22,23]	2.5%							$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323
R&R (TL)[19,24]	1.3%					982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129
Total Renewal and Replacement Fund Costs (Depreciation)						$ 3,236,057	$ 3,236,057	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381
Total Expenses		$ -	$ -	$ -	$ -	$ 28,133,945	$ 27,882,640	$ 28,889,043	$ 28,614,818	$ 28,342,621	$ 28,072,499	$ 27,804,502	$ 27,538,682
Total Expenses ($/000gallon)		$ -	$ -	$ -	$ -	$ 12.85	$ 12.73	$ 13.19	$ 13.07	$ 12.94	$ 12.82	$ 12.70	$ 12.57
Discounted Value		$ -	$ -	$ -	$ -	$ 23,956,162	$ 22,676,385	$ 22,440,184	$ 21,229,392	$ 20,083,523	$ 18,999,155	$ 17,973,644	$ 17,002,117
Total Discounted Cost[25]		$ 316,517,695											
Discount Rate		4.7%											

Notes:

1 Price adjusted to reflect cost of 25 MGD Plant - Gannett Fleming Report
2 UV Facility with Contingency included - Adjusted to reflect cost of 25 MGD plant - GF Report Page 26
3 1,300 foot plow @ $300 per foot
4 Transmission Line - $48m with Additional Bonnes - $300k - Gannett Fleming Report Page 28
5 Gannett Fleming Report Page 28
6 20% of Treatment Plant Expenditures
7 20% of Transmission Line Expenditures
8 Sundland Testimony
9 Based on percentage of Probable Construction Cost
10 Amount of Capital cost to be financed
11 Cost of issuing bonds - 1% of Long Term Debt
12 Interest on funds used during construction
13 Table 4 Kentucky American Water Annual Operation & Maintenance Costs
14 Increases with rate of inflation and with water usage (MGD) - Table 4 KAW Annual O & M Costs New WTP
15 Linda Bridwell Testimony
16 $ 0.05 Paid per thousand gallons used - O Brien and Gere Report Page 4
17 Series of payments of principal and interest paid on debt based on 7.75% at 20 years
18 2.5% Depreciation Rate Utilized for Plant and UV - Based on 40 Year Life
19 1.3% Depreciation Rate Utilized for Lines - Based on 75 Year Life
20 2.5 Depreciation Rate Utilized
21 Total of all expenses discounted to 2007 dollars
22 Annualized Phase 1 Project Costs
23 Annualized Phase 2 Project Costs
24 Annualized UV Costs

Water [illegible] Analysis
Louisville Water Company
Pool Three Option

	Basis %	Basis $	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Capital Expenditures															
Intake, Pump Station, Treatment Plant[1]	3.10%	$ 53,217,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
UV Disinfection Costs (2011)[2]	3.10%		-	-	-	-	-	-	-	-	-	-	-	-	-
Raw Water Main [3]	3.10%	390,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission Line (w additl borings)[4]	3.10%	48,300,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Storage Tank [5]	3.10%	2,100,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Booster Pump Station [5]	3.10%	2,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Initial Capital Expenditures		$ 106,507,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency [6]	20%	$ 11,143,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Line Contingency [7]	20%	10,158,000													
Total Contingency		$ 21,301,500													
Opinion of Probable Construction Cost		$ 127,809,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Land [8]	2.4%	$ 770,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting [9]	5.0%	6,390,450	-	-	-	-	-	-	-	-	-	-	-	-	-
Engineering, Legal, Administrative [9]	20%	25,561,800	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Cost		$ 160,531,250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Long Term Debt [10]	60%	$ 96,318,750													
Issuance Cost [11]	1.0%	$ 963,188	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest [12]	6.50%														
Total Phase One Capital Expenditure			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Phase Two Capital Expenditures															
15 MGD Intake and Pump Station at the Ohio River		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
30 Mile 30" Raw water main from Ohio River to Pool 3			-	-	-	-	-	-	-	-	-	-	-	-	-
20 MGD Treatment Plant Expansion		$ -	-	-	-	-	-	-	-	-	-	-	-	-	-
30 mile 30" Transmission main to Lexington			-	-	-	-	-	-	-	-	-	-	-	-	-
New booster pump station and storage		$ -	-	-	-	-	-	-	-	-	-	-	-	-	-
Land			-	-	-	-	-	-	-	-	-	-	-	-	-
Initial Capital Expenditures			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Treatment Plant Contingency [6]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission Plant Contingency [7]															
Total Contingency		$ -													
Opinion of Probable Construction Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting [9]			$ -	$ -	$ -	$ -	$ -	$ -	$ -				$ -	$ -	$ -
Engineering, Legal, Administrative [9]															
Capital Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Long Term Debt	60%														
Issuance Cost [11]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest [12]										$ -	$ -	$ -			
Total Phase Two Capital Expenditure		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Operating Expenses															
WTP Operations and Maintenance Expenses [13]															
Chemicals	2.4%	-	$ 203,771	$ 208,681	$ 213,689	$ 218,797	$ 224,048	$ 229,425	$ 234,932	$ 240,570	$ 246,344	$ 252,256	$ 258,310	$ 264,509	$ 270,858
Labor	2.4%	-	788,428	805,302	824,629	844,420	864,686	885,439	906,689	1,097,945	1,124,295	1,151,279	1,178,909	1,207,203	1,236,176
Security	2.4%	-	362,678	371,382	380,295	389,422	398,768	408,339	418,139	428,174	438,450	448,973	459,749	470,783	482,081
Maintenance (Plant)	2.4%	-	380,295	389,422	398,768	408,339	418,139	428,174	438,450	448,973	459,749	470,783	482,081	493,651	505,499
Treatment Plant Electricity	2.4%	-	636,397	651,671	667,311	683,326	699,726	716,519	733,716	751,325	769,357	787,822	806,729	826,091	845,917
Total Annual Operating and Maintenance Expenses		$ -	$ 2,369,568	$ 2,426,438	$ 2,484,672	$ 2,544,305	$ 2,605,368	$ 2,667,897	$ 2,731,926	$ 2,966,987	$ 3,038,195	$ 3,111,112	$ 3,185,778	$ 3,262,237	$ 3,340,531
Booster Pump and Transmission Line O&M															
Maintenance (Transmission Line)	2.4%	-	76,059	77,884	79,754	81,668	83,628	85,635	87,690	89,795	91,950	94,157	96,416	98,730	101,100
Booster Pump Electricity [14]	2.4%	-	145,402	148,891	152,466	156,124	159,871	163,708	167,637	171,660	175,780	179,998	184,318	188,742	193,272
Total Booster Pump and Transmission O&M		$ -	$ 221,461	$ 226,779	$ 232,218	$ 237,792	$ 243,499	$ 249,343	$ 255,327	$ 261,455	$ 267,729	$ 274,155	$ 280,735	$ 287,472	$ 294,372
Total Operating Expenses			$ 2,591,029	$ 2,653,214	$ 2,716,891	$ 2,782,096	$ 2,848,866	$ 2,917,239	$ 2,987,253	$ 3,228,442	$ 3,305,925	$ 3,385,267	$ 3,466,513	$ 3,549,710	$ 3,634,903
Total Annual Operating Expenses ($/000 gallon)		$ -	$ 1.18	$ 1.21	$ 1.24	$ 1.27	$ 1.30	$ 1.33	$ 1.36	$ 1.47	$ 1.51	$ 1.55	$ 1.58	$ 1.62	$ 1.66
Other Operating Expenses															
Property Taxes[15]	2.4%	$ -	$ 1,466,227	$ 1,501,416	$ 1,537,450	$ 1,574,349	$ 1,612,133	$ 1,650,825	$ 1,690,444	$ 1,731,015	$ 1,772,559	$ 1,815,101	$ 1,858,663	$ 1,903,271	$ 1,948,950
KRA Withdrawal Fee [16]	$0.05		$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500
Phase 1 Project															
KAWC Cost of Capital (80%) [17]			14,181,865	13,850,014	13,518,163	13,186,312	12,854,461	12,522,609	12,190,758	11,959,622	11,627,771	11,295,920	10,964,069	10,632,217	10,300,366
UV Cost of Capital (100%) [18]			885,459	858,627	831,795	804,963	778,131	751,299	724,467	697,635	670,803	643,971	617,138	590,306	563,474
Muni Debt Service (20%) [17]			4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	4,595,629	-
Phase 2 Project															
KAWC Cost of Capital (80%) [17]			-	-	-	-	-	-	-	-	-	-	-	-	-
Muni Debt Service (20%) [17]			-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Operating Expenses		$ -	$ 21,238,681	$ 20,915,187	$ 20,592,538	$ 20,270,753	$ 19,949,854	$ 19,629,862	$ 19,310,799	$ 19,093,401	$ 18,776,263	$ 18,460,121	$ 18,145,000	$ 17,830,924	$ 12,922,290
Renewal and Replacement Fund															
R&R (TP) [19]	2.5%	$ -	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928	$ 2,253,928
R&R (UV) [20]	2.5%		$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323	$ 209,323
R&R (TL) [21]	1.3%	-	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129	982,129
Total Renewal and Replacement Fund Costs (Depreciation)			$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381	$ 3,445,381
Total Expenses		$ -	$ 27,275,091	$ 27,013,781	$ 26,754,809	$ 26,498,230	$ 26,244,102	$ 25,992,482	$ 25,743,432	$ 25,787,224	$ 25,527,568	$ 25,290,768	$ 25,056,894	$ 24,826,014	$ 20,002,573
Total Expenses ($/000gallon)		$ -	$ 12.45	$ 12.34	$ 12.22	$ 12.10	$ 11.98	$ 11.87	$ 11.75	$ 11.77	$ 11.66	$ 11.55	$ 11.44	$ 11.34	$ 9.13
Discounted Value		$ -	$ 16,083,456	$ 15,214,299	$ 14,392,017	$ 13,614,133	$ 12,878,288	$ 12,182,250	$ 11,523,901	$ 11,016,763	$ 10,424,354	$ 9,864,045	$ 9,334,124	$ 8,832,968	$ 6,797,338
Total Discounted Cost [22]		$ 316,517,695													
Discount Rate		4.7%													

es:

Price adjusted to reflect cost of 25 MGD Plant - Gannett Fleming Report
UV Facility with Contingency included - Adjusted to reflect cost of 25 MGD plant - GF Report Page 28
1,300 foot pipe @ $300 per foot
Transmission Line - $48m with Additional Borings - $300k - Gannett Fleming Report Page 28
Gannett Fleming Report Page 28
20% of Treatment Plant Expenditures
20% of Transmission Line Expenditures
Swindland Testimony
Based on percentage of Probable Construction Cost
Amount of Capital cost to be financed
Cost of issuing bonds - 1% of Long Term Debt
Interest on funds used during construction
Table 4 Kentucky American Water Annual Operation & Maintenance Costs
Increases with rate of inflation and with water usage (MGD) - Table 4 KAW Annual O & M Costs New WTP
Linda Bridwell Testimony
$.05 Paid per thousand gallons used - O'Brien and Gere Report Page 4
Series of payments of principal and interest paid on debt based on 7.75% at 20 years
2.5% Depreciation Rate Utilized for Plant and UV - Based on 40 Year Life
1.3% Depreciation Rate Utilized for Lines - Based on 75 Year Life
2.5 Depreciation Rate Utilized
Total of all expenses discounted to 2007 dollars
Annualized Phase 1 Project Costs
Annualized Phase 2 Project Costs
Annualized UV Costs

Appendix B-2
LWC OPTION

R·W·BECK

Water Supply Option Analysis
Louisville Water Company
Louisville Water Company Option

	Basis %	Basis $	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Phase One Capital Expenditure												
Pipeline (1)	3.1%	$ 66,528,000	$ 66,528,000	$ 33,264,000	$ 33,264,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ky. River Crossing	3.1%	$ 1,700,000	$ 1,752,700	876,350	876,350	-	-	-	-	-	-	-
Booster Pump Station & Storage (2)	3.1%	4,600,000	4,742,600	2,371,300	2,371,300	-	-	-	-	-	-	-
Initial Capital Expenditures		$ 72,828,000	$ 73,023,300	$ 36,511,650	$ 36,511,650	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency (3)	20%	14,565,600	14,604,660	7,302,330	7,302,330	-	-	-	-	-	-	-
Opinion of Probable Construction Cost		87,393,600	87,627,960	43,813,980	43,813,980	-	-	-	-	-	-	-
Easements and Permitting (4)	5%	$ 4,369,680	$ 4,381,398	$ 2,190,699	$ 2,190,699	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative (4)	20%	17,478,720	17,525,592	8,762,796	8,762,796	-	-	-	-	-	-	-
Land (4 Acres for Booster Pump Station) (5)	2.40%	85,000	87,040	43,520	43,520	-	-	-	-	-	-	-
Capital Cost		$ 109,327,000	$ 109,821,990	$ 54,810,995	$ 54,810,995	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost (7)	1%	$ 1,093,270	$ 1,098,220	$ 548,110	$ 548,110	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest (6)	4.7%	2,569,185	2,576,117	1,029,629	1,029,629	-	-	-	-	-	-	-
Total Phase One Capital Expenditure		$ 112,989,455	$ 113,294,327	$ 56,388,733	$ 56,388,733	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less Grant			$ -									
Total Net Capital Cost			$ 113,294,327									
Phase Two Capital Expenditures												
44 Mile 30" Parallel Transmission Line	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Kentucky River Crossing												
New booster Pump Station and storage	0.00%	-	-	-	-	-	-	-	-	-	-	-
Initial Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency (3)	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Opinion of Probable Construction Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting (4)	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative (4)	0%	-	-	-	-	-	-	-	-	-	-	-
Capitalized Interest (6)	0%	-	-	-	-	-	-	-	-	-	-	-
Capital Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost (7)	0%	-	-	-	-	-	-	-	-	-	-	-
Total Phase Two Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$ -	$ 113,294,327	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operations and Maintenance Expenses		$ -	$ -	$ -	$ -	$ 172,266	$ 176,400	$ 180,634	$ 184,969	$ 189,408	$ 193,954	$ 198,609
Electricity (8)						94,489	96,756	99,078	101,456	103,891	106,385	108,938
Maintenance (14)	2.40%	-	-	-	-	3,744,900	3,857,247	3,972,964	4,092,153	4,214,918	4,341,365	4,471,606
Wholesale Water Cost (9)		-	-	-	-	18,200	18,746	19,308	19,888	20,484	21,099	21,732
Meter Charge		-	$ 16,950	-	-							
Total Annual Operating Expenses ($/000 gallon)		$ -	$ -	$ -	$ -	$ 4,029,854	$ 4,149,149	$ 4,271,985	$ 4,398,466	$ 4,528,702	$ 4,662,803	$ 4,800,885
Total Annual Operating Expenses ($)		$ -	$ -	$ -	$ -	$ 1.84	$ 1.89	$ 1.95	$ 2.01	$ 2.07	$ 2.13	$ 2.19
Other Operating Expenses		$ -	$ -	$ -	$ -	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533
Debt Service - Phase One (10)		-	-	-	-	-	-	-	-	-	-	-
Debt Service - Phase Two (10)		-	-	-	-	109,500	109,500	109,500	109,500	109,500	109,500	109,500
KRA Withdrawal Fee	$0.05	-	-	-	-							
Total Other Operating Expenses		$ -	$ -	$ -	$ -	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033
Renewal and Replacement Fund (Transmission) (11)	1.33%					950,275	887,040	887,040	887,040	887,040	887,040	887,040
Renewal and Replacement Fund (Treatment Plant) (12)	2.5%					-	-	-	-	-	-	-
Total R & R Fund						950,275	887,040	887,040	887,040	887,040	887,040	887,040
Total Annual Expenses ($)		$ -	$ -	$ -	$ -	$ 20,639,161	$ 20,695,222	$ 20,818,057	$ 20,944,539	$ 21,074,774	$ 21,208,875	$ 21,346,957
Total Annual Expenses ($/000 gallon)		$ -	$ -	$ -	$ -	$ 9.42	$ 9.45	$ 9.51	$ 9.56	$ 9.62	$ 9.68	$ 9.75
Discounted Value		$ -	$ -	$ -	$ -	$ 17,574,325	$ 16,831,004	$ 16,170,873	$ 15,538,706	$ 14,933,542	$ 14,353,931	$ 13,798,838
Total Discounted Cost (13)	$ 250,257,039											
Discount Rate	4.7%											

Notes:

1 42 mile pipe @ $300/foot KAW Request for Documents - Bridwell/Svindland
2 Storage Tank - $2.1m Booster Pump Station - $2.6m both inflated to 2007 $'s: Gannett Fleming Report
3 20% of Initial Capital Expenditures
4 As a percentage of Opinion of Probable Construction Cost
5 4 Acres Testimony - Svindland
6 Interest on funds used during construction @ 4.7% assuming 2 year buildout
7 Cost of issuing bonds - 1% of Capital Cost
8 Electricity increases with rate of inflation and water usage - Table 4 Annual O & M Costs New WTP KAW
9 Rate - Begins at $1.71 increasing at determined rate between 0% and 5% - Presentation to BWSC
10 Series of payments of principal and interest paid on debt based on 4.7% at 20 years
11 Based on 1.33% of life with assumed life of 75 years
12 Based on 2.5% of life with assumed life of 40 years
13 Total of all expenses discounted to 2007 dollars
14 KAW Annual O & M Expenses

Water Supply Option Analysis
Louisville Water Company
Louisville Water Company Option

	Basis		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	%	$														
Phase One Capital Expenditure																
Pipeline [1]	3.1%	$ 66,528,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ky. River Crossing	3.1%	$ 1,700,000														
Booster Pump Station & Storage [2]	3.1%	4,600,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Initial Capital Expenditures		$ 72,828,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency [3]	20%	14,565,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opinion of Probable Construction Cost		87,393,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Easements and Permitting [4]	5%	$ 4,369,680	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative [4]	20%	17,478,720	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land (4 Acres for Booster Pump Station) [5]	2.40%	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Cost		$ 109,327,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost [7]	1%	$ 1,093,270	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capitalized Interest [6]	4.7%	2,569,185	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Phase One Capital Expenditure		$ 112,989,455	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less Grant																
Total Net Capital Cost																
Phase Two Capital Expenditures																
44 Mile 30" Parallel Transmission Line	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Kentucky River Crossing																
New booster Pump Station and storage	0.00%	-	-	-	-	-	-	-	-	-	$ -	$ -	$ -	-	-	-
Initial Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency [3]	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Opinion of Probable Construction Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Easements and Permitting [4]	0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering, Legal, Administrative [4]	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized Interest [6]	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Issuance Cost [7]	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Phase Two Capital Expenditures		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total Capital Expenditures - Phase One and Two		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operations and Maintenance Expenses																
Electricity [8]		$ -	$ 203,376	$ 208,257	$ 213,255	$ 218,373	$ 223,614	$ 228,980	$ 234,476	$ 240,103	$ 245,866	$ 251,767	$ 257,809	$ 263,997	$ 270,332	$ 276,820
Maintenance [14]	2.40%	-	111,552	114,230	116,971	119,779	122,653	125,597	128,611	131,698	134,859	138,095	141,409	144,803	148,279	151,837
Wholesale Water Cost [9]		-	4,605,755	4,743,927	4,886,245	5,032,832	5,183,817	5,339,332	5,499,512	5,664,497	5,834,432	6,009,465	6,189,749	6,375,442	6,566,705	6,763,706
Meter Charge		-	22,384	23,055	23,747	24,459	25,193	25,949	26,727	27,529	28,355	29,206	30,082	30,984	31,914	32,871
Total Annual Operating Expenses ($/000 gallon)		$ -	$ 4,943,066	$ 5,089,469	$ 5,240,218	$ 5,395,443	$ 5,555,277	$ 5,719,858	$ 5,889,326	$ 6,063,828	$ 6,243,512	$ 6,428,533	$ 6,619,049	$ 6,815,226	$ 7,017,230	$ 7,225,235
Total Annual Operating Expenses ($)		$ -	$ 2.26	$ 2.32	$ 2.39	$ 2.46	$ 2.54	$ 2.61	$ 2.69	$ 2.77	$ 2.85	$ 2.94	$ 3.02	$ 3.11	$ 3.20	$ 3.30
Other Operating Expenses																
Debt Service - Phase One [10]		$ -	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ 15,549,533	$ -
Debt Service - Phase Two [10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KRA Withdrawal Fee	$0.05	-	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500
Total Other Operating Expenses		$ -	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 15,659,033	$ 109,500
Renewal and Replacement Fund (Transmission) [11]	1.33%	-	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040
Renewal and Replacement Fund (Treatment Plant) [12]	2.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total R & R Fund			887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040	887,040
Total Annual Expenses ($)		$ -	$ 21,489,139	$ 21,635,541	$ 21,786,290	$ 21,941,515	$ 22,101,350	$ 22,265,931	$ 22,435,399	$ 22,609,900	$ 22,789,584	$ 22,974,605	$ 23,165,122	$ 23,361,298	$ 23,563,302	$ 8,221,775
Total Annual Expenses ($/000 gallon)		$ -	$ 9.81	$ 9.88	$ 9.95	$ 10.02	$ 10.09	$ 10.17	$ 10.24	$ 10.32	$ 10.41	$ 10.49	$ 10.58	$ 10.67	$ 10.76	$ 3.75
Discounted Value		$ -	$ 13,267,187	$ 12,757,951	$ 12,270,147	$ 11,802,837	$ 11,355,125	$ 10,926,153	$ 10,515,103	$ 10,121,193	$ 9,743,675	$ 9,381,834	$ 9,034,989	$ 8,702,486	$ 8,383,702	$ 2,793,950
al Discounted Cost [13]	$ 250,257,639															
Discount Rate	4.7%															

nile pipe @ $300/foot KAW Request for Documents - Bridwell/Svindland
age Tank - $2.1m Booster Pump Station - $2.6m both inflated to 2007 $'s; Gannett Fleming Report
1 of Initial Capital Expenditures
1 percentage of Opinion of Probable Construction Cost
ires Testimony - Svindland
rest on funds used during construction @ 4.7% assuming 2 year buildout
t of issuing bonds - 1% of Capital Cost
tricity increases with rate of inflation and water usage - Table 4 Annual O & M Costs New WTP KAW
1 - Begins at $1.71 increasing at determined rate between 0% and 5% - Presentation to BWSC
es of payments of principal and interest paid on debt based on 4.7% at 20 years
ed on 1.33% of life with assumed life of 75 years
ed on 2.5% of life with assumed life of 40 years
l of all expenses discounted to 2007 dollars
V Annual O & M Expenses