

Dear Mr. Gaffield :

Your comments have been received and will be placed into the case file for the commission's consideration as it deliberates in this matter. For your reference, the case number in this matter is 2007-00134. Please reference this number in any future correspondence with the PSC.

Thank you for your interest.

Andrew Melnykovich
Director of Communications
Kentucky Public Service Commission
(502) 564-3940 x 208

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COMMISSION

From: PSC - Public Information Officer
Sent: Thursday, January 31, 2008 9:36 PM
To: Melnykovich, Andrew (PSC)
Subject: FW: KAWC Pipeline Proposal, Pool 3, Owen County

From: E-MAIL ADDRESS REDACTED [SMTP: E-MAIL ADDRESS REDACTED]
Sent: Thursday, January 31, 2008 9:35:41 PM
To: PSC - Public Information Officer
Cc: Attorney General (KYOAG)
Subject: KAWC Pipeline Proposal, Pool 3, Owen County
Auto forwarded by a Rule

Dear Commissioners:

I am writing on behalf of the Fayette County Neighborhood Council, a 501(c)(3) organization, to recommend that the Public Service Commission reject the proposal from Kentucky American Water Company to construct a pipeline and build a new water plant in Owen County. The FCNC has approximately one hundred thirty (130) member neighborhood associations in Fayette County, and the FCNC Board of Directors has recommended this action until such time as due diligence is done to determine the best alternative to provide an adequate water supply for Central Kentucky both in terms of cost to consumers and the provision of a long term solution.

The FCNC is perplexed that a majority of Lexington's Urban County Council and its Mayor have shown no interest in determining an optimal solution to the water supply issue even to the point of not hiring an impartial University of Kentucky economist for \$15,000 to evaluate alternative solutions. When the PSC requested that Lexington consider a public/private solution that could obtain funding from tax-free local government bonding authority potentially without the 9% to 13% markup that KAWC receives for capital expenditures, Lexington's response was tepid. The PSC and the Office of the Attorney General have an obligation to look out for the interests of ratepayers, and this is especially the case in the absence of impartial outside analysis. A

Council Member stated publicly that the water issue was simply too complex for Council consideration and then voted against the \$15,000 appropriation to obtain expert advice from the University of Kentucky.

When KAWC was proposing a pipeline solution to Louisville and the Ohio River, it touted the Louisville solution as the most cost-effective. Now, without any changes (except for several that make the Louisville solution more attractive economically), KAWC is saying that the Owen County solution is optimal. Did KAWC tell the truth the first time or the second time in testimony to the PSC, or is it trying to maximize profits for its shareholders? Lexington has never officially supported either the Owen County or the Louisville solution. It recommended the repair and raising of dams elsewhere on the Kentucky River and the expansion of an existing water plant. Governor Beshear has included a capital project for the repair of locks and dams for the Kentucky River Authority in the current Executive Branch Budget Bill, House Bill 406.

KAWC has "hijacked" the Bluegrass Water Consortium by deciding to go its own way and allowing Central Kentucky communities to participate if they so choose. The widely respected Frankfort Water Plant Board has pulled out of the Consortium as a result indicating that the KAWC proposal is too costly, less efficient than other alternatives, and environmentally costly.

The Mayor of Lexington indicated in his campaign for Mayor that he would endorse public ownership of Lexington's water utility if it could be done without use of eminent domain. Also, the Council Members who seem disinterested in their constituents' water rates or considering alternatives have indicated that the choice should belong to the "experts" at the PSC. The PSC should accept the Council Members' request that it exercise its expertise and reject the KAWC proposal as not considering alternative solutions, minimizing costs, or adequately considering environmental consequences. Then Lexington's Mayor would have an opportunity to honor his campaign commitment and evaluate public/private financing or ownership of any pipeline and water plant.

Sincerely,

Walter Gaffield, President
Fayette County Neighborhood Council, Inc.