

Monday, March 10, 2008

Mark David Goss, Chairman
Kentucky Public Service Commission
21 1 Sower Boulevard
Frankfort KY 40601

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COMMISSION**

Case 2007-00134

Dear Chairman Goss:

Thank you for the opportunity to testify at your hearing on Wednesday, March 5, 2008. I hope that you and Mr. Clay will deny Kentucky American Water its petition to build a \$160 million water treatment plant and pipeline to Pool 3 on the Kentucky River. I have several reasons for my plea:

1. It seems clear that virtually all studies that have been done by engineering companies and by Mr. Rubin find that the KAWC plan is not the most cost effective and will tax consumers at a higher rate than necessary.
2. If either the KAWC or the LWC proposal is to be preferable, it seems clear that the LWC plan is more desirable because it is less costly. But in addition to that, it is modular in the sense that water customers would only pay for the incremental increases in water use required over time, whereas the KAWC plan asks them to immediately pay for capacity only needed 25 or 30 years from now.
3. The LWC plan offers another sizable advantage by providing a second source of water from the Ohio, giving the Bluegrass expansion capacity beyond 2030 and extra security in case of disruption or dam collapse on the Kentucky River.
4. My analysis shows that KAWC's projection of needed capacity is surely exaggerated. Using historical usage patterns, KAWC may not need another 10 mgd until 2030, but certainly not until 2018, while it claims it needs that by 2010. That is clearly absurd since maximum daily usage has been increasing by about 140,000 gallons per year and they claim they will need an increase of 10 mgd by 2010.
5. In my mind, and I hope in yours, the more prudent plan is to wait 5 years to see what the actual demand turns out to be. In the meantime, it seems that sufficient additional access to treated water can be obtained from a variety of sources including water from Versailles, from Frankfort, through conservation, through reduction in non-revenue water and, possibly, through an upgrade in technology at existing water treatment plants.
6. Finally, since KAWC refused to cap its construction costs, the resulting rate increase resulting from approval of its request is simply a crap shoot. This should not be allowed.

The citizens of the Bluegrass are counting on you to prevent us from being overcharged for our water.

Thank you for your concern,



Martin Solomon