

Item No. 1 A schedule for the study

The Bluegrass Regional Water Supply Study commenced in November 2002, and is approximately 80% complete as of this date. Five of the six workshops are complete, and substantial progress has been made regarding the primary decisions: future wholesale water supply organization, additional source of supply to correct the deficit, a grid network to optimize use of current and future water resources, and financing. The second and final public meeting (evening) is scheduled for September 22, 2003. The sixth and final public workshop is scheduled for October 22, 2003. The other primary elements of remaining work are the final report, and continuing support via meetings with member utilities, regulatory agencies, and response to public input.

The Bluegrass Regional Water Supply Study will be substantially complete by December 31, 2003. This is expected to include the final report incorporating public input at the final public meeting and Workshop No. 6. Continuing study efforts beyond 12/31/03 could include coordination with Consortium members to assist them in their decision whether to join the future proposed organization, and continuing support in pursuit of grant funding.

Item 2. A discussion of the issues that will be addressed in the Study

A summary of the scope of work for the Bluegrass Regional Water Supply Study is provided below. This summary is an accurate reflection of the work effort as performed and anticipated. The detailed, eight - page scope of work from the contract with our Consultant, O'Brien & Gere Engineers, Inc. is also available upon request.

EXECUTIVE SUMMARY

Scope of Work

O'Brien & Gere Engineers Consulting Team Bluegrass Regional Water Supply Study

The O'Brien & Gere Team will endeavor to optimize the contributions and insight of the Bluegrass Water Supply Consortium (BWSC) and the Consultant Team through a combination of independent reviews of prior studies, preparation of technical memoranda and briefing papers, and extensive use of interactive workshops, to facilitate decision making in each of the five study components:

- Water Supply Alternatives - Selecting the sources of water supply
- Wheeling - How to move the water throughout the region
- Management/Ownership Alternatives - Who will own and operate new regional supply facilities
- Financial Considerations - Cost and impact on customer bills
- Communication and Public Outreach - Communication among the BWSC members and the Public

The key elements of each Study Component are listed below:

Water Supply Alternatives

- Review and compilation of annual average water demand projections provided by each BWSC member.
- Analysis of peak demand data and comparison of regional peaking versus individual community, peaking patterns.
- Literature search of prior water source of supply investigations.
- Identification of water supply options.
- System Components
- Cost

- Yield/Reliability
- Water Quality
- Screening of Supply Options and Recommendations.

Wheeling

- Develop a computer model of the regions water transmission system.
- Use the computer model to identify the new components (pipes, pumps, etc.) to move water around the region.
- Develop cost estimates and a phasing plan.

Management/Ownership Alternatives

- Identify advantages and disadvantages of Management and Ownership Alternatives.
- Benchmarking study of other regional utilities
- Coordinate with BWSC's legal counsel
- Options for Public and Private Members
- Grant eligibility
- Propose Management & Ownership Plan
- Draft Policy Guidance for new organization
- Framework for State Enabling Legislation (if required)

Financial Considerations

- This component is closely linked to the Management/Ownership Alternatives and involves identification of the cost impacts, including:
- Review of tax code/tax-exempt utility status
- Assess opportunities for grants and low interest loans
- Develop simple Financial model to estimate impacts on retail water rates

Communication and Public Outreach

- Participate in two Public Meetings
- Conduct six workshops in open format, providing opportunity for public input.
- Prepare technical briefing materials for use by BWSC and BGADD
- Participate in briefings for elected officials and public agencies.

Item 3. Time-line for the implementation of study recommendations once accepted by the Consortium

The Study has not yet developed an implementation timeline. However, based on progress to date, it is expected that the recommendations will be adopted and implemented, pending the availability of funds. The following time-line represents the best current estimate, and will be refined following acceptance of the recommendations (cumulative time shown in months):

- a) Non-binding letters of intent to purchase water submitted to Consortium (3)
- b) Proposed Bluegrass Regional Water Commission formed (7)
- c) Comprehensive Preliminary Engineering started (9)
- d) Initial phase grid enhancements started (12)
- e) Preliminary Engineering completed, key permits submitted (24)
- f) Final Design Started (30)
- g) Initial phase grid enhancements in place (36-48)

- h) Final Designs completed (42)
- i) Construction of major components starts (48)
- j) Construction of major components completed (84)