

**Bluegrass Water Supply Consortium
C/O Bluegrass Area Development District
699 Perimeter Drive
Lexington, KY 40517
(859) 269-8021**

February 20, 2004

Executive Director Tom Dorman
KY Public Service Commission
PO Box 615
Frankfort, KY 40601

RECEIVED

FEB 24 2004

**PUBLIC SERVICE
COMMISSION**

Subject: Drinking Water Supply for Central Kentucky

Dear Executive Director Dorman:

The Bluegrass Water Supply Consortium has a plan to deal with the drinking water problem in many areas of Central Kentucky. We ask from the General Assembly a 2004 appropriation of **\$4 million** to apply toward Phase I of dealing decisively and soon with the water supply problem that threatens to cripple the economic vitality of this large region of Kentucky.

Points you may wish to consider are these:

1. Central Kentucky has a serious problem with drinking water supply, well exhibited in 1988 and 1999 and, to a lesser degree, since 1999.
2. In the last year and a half, 17 water utilities from 15 Central Kentucky counties have worked together to develop an affordable solution upon which we could all agree. **We have found one.**
3. Eleven communities have chosen to stay with the regional group to work together toward implementation of the regional drinking water project.
4. The identified solution would provide a reliable drinking water supply to existing water utilities that serve 600,000 Kentuckians—fully 15 percent of Kentucky's population.
5. With our plan, local decision-making in utility matters would continue.
6. Our cooperative efforts enjoy a high level of public acceptance and support.
7. Project implementation will likely be phased. The first phase will involve the installation of a water line grid that will begin to **link** the participating water utilities.
8. The regional approach to a supplemental drinking water supply will assure water supply reliability that we do not presently enjoy.
9. We would expect to have a construction start toward having **pipe in the ground** within 24 months of the availability of State funds.

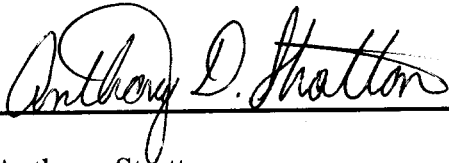
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If you have questions or comments, you are invited to contact Jas Sekhon or Don Hassall at the Bluegrass Area Development District.

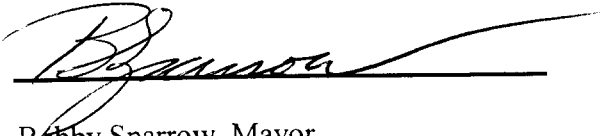
February 20, 2004 BWSC letter

Anderson County

Signature Page

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Anthony Stratton
Anderson County Judge-executive

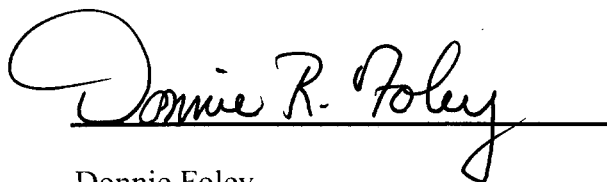
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Bobby Sparrow, Mayor
City of Lawrenceburg

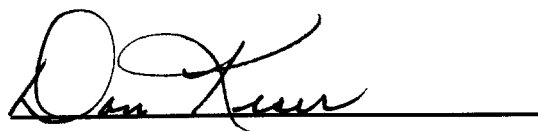
February 20, 2004 BWSC letter

Bourbon County

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Donnie Foley
Bourbon County Judge-executive

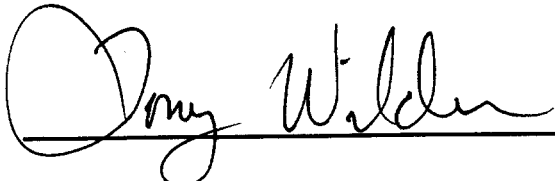
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Don Kiser, Mayor
City of Paris

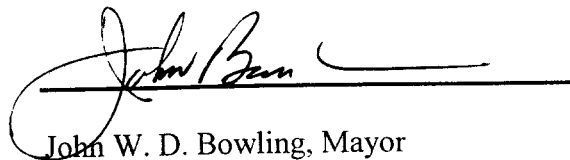
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Boyle County

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Tony Wilder
Boyle County Judge-executive

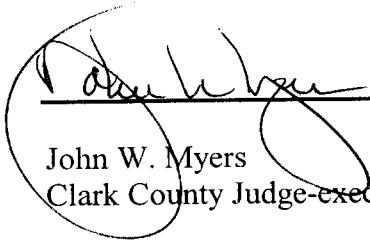
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John W. D. Bowling, Mayor
City of Danville

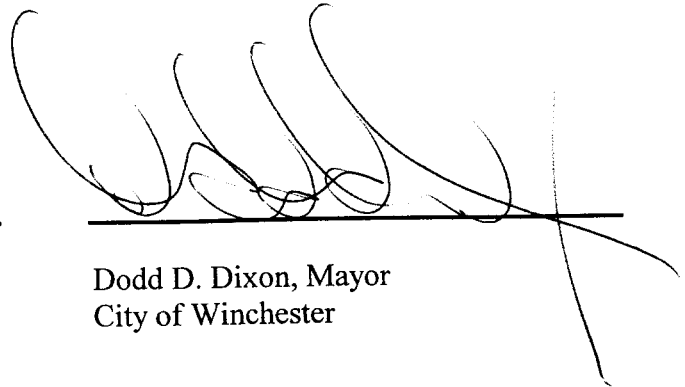
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Clark County

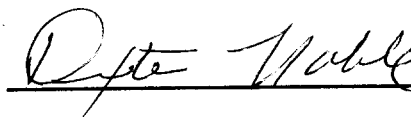
Signature Page




John W. Myers
Clark County Judge-executive



Dodd D. Dixon, Mayor
City of Winchester



Dexter Noble, Chairman
Winchester Municipal Utilities

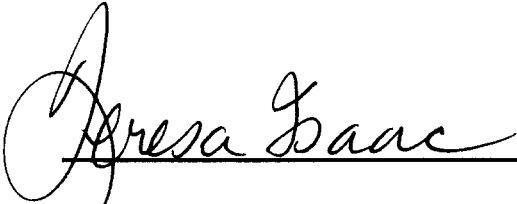


Vernon Azevedo, Manager
Winchester Municipal Utilities

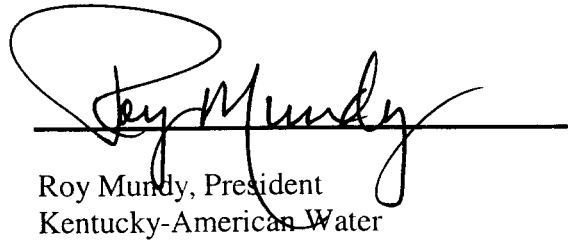
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**Lexington-Fayette Urban
County Government**

Signature Page

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Teresa Isaac, Mayor
Lexington-Fayette

A handwritten signature in cursive script, reading "Roy Mundy", written over a horizontal line.

Roy Mundy, President
Kentucky-American Water

A handwritten signature in cursive script, reading "Wayne Waddell", written over a horizontal line.

Wayne Waddell, Commissioner
LFUCG Dept. of Public Works

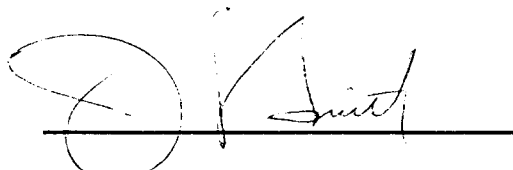
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Franklin County

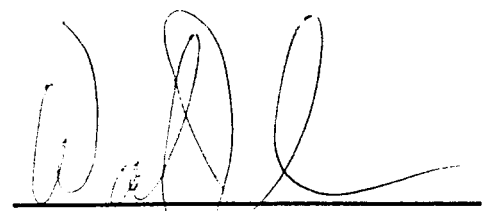
Signature Page

Teresa Barton
Franklin County Judge-executive

William I. May, Mayor
City of Frankfort



Joseph E. Smith, Chair
Frankfort Electric and Water Plant
Board



Warner Caines, Manager
Frankfort Electric and Water Plant Board


February 20, 2004 BWSC letter

Garrard County

Signature Page

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E. J. Hasty
Garrard County Judge-executive

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Billy C. Moss, Mayor
City of Lancaster

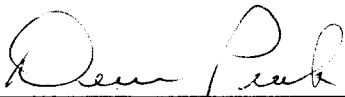
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Donna Powell, Mayor Pro-tem
City of Lancaster

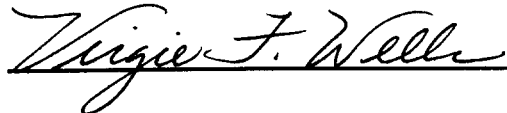
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Harrison County

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Dean Peak
Harrison County Judge-executive

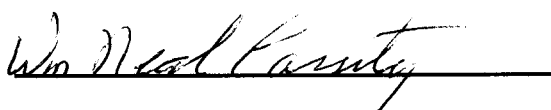
A handwritten signature in cursive script, reading "Virgie F. Wells", positioned above a horizontal line.

Virgie Wells, Mayor
City of Cynthiana

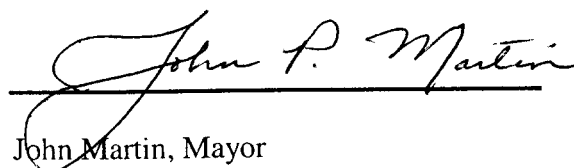
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Jessamine County

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William Neal Cassity
Jessamine County Judge-executive

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John Martin, Mayor
City of Nicholasville

A handwritten signature in cursive script, reading "Harold Rainwater", written over a horizontal line.

Harold Rainwater, Mayor
City of Wilmore

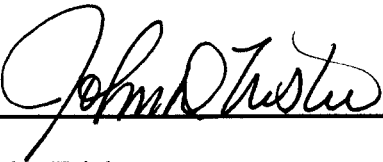
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Tom Calkins, Manager
Nicholasville Combined Utilities

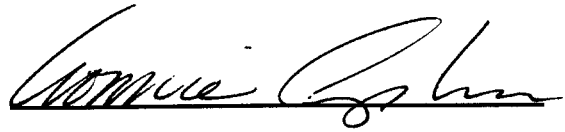
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Mercer County

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John Trisler
Mercer County Judge-executive

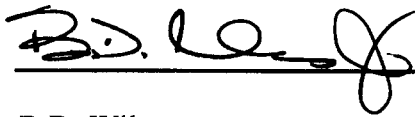
A handwritten signature in cursive script, appearing to read "Lonnie Campbell", written over a horizontal line.

Lonnie Campbell, Mayor
Mayor of Harrodsburg


February 20, 2004 BWSC letter

Montgomery County

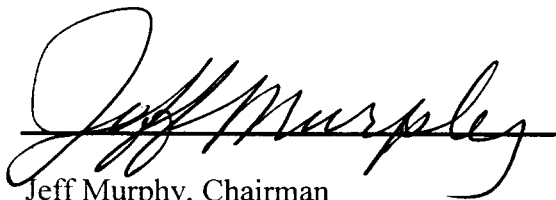
Signature Page

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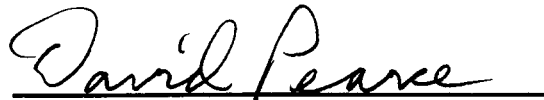
B.D. Wilson
Montgomery County Judge-executive

A handwritten signature in cursive script, appearing to read "Gary Williamson", written over a horizontal line.

Gary Williamson, Mayor
City of Mt. Sterling

A handwritten signature in cursive script, appearing to read "Jeff Murphy", written over a horizontal line.

Jeff Murphy, Chairman
Mt. Sterling Water and Sewer
Commission

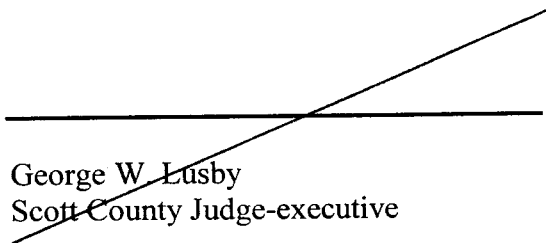
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Dave Pearce, Manager
Mt. Sterling Water and Sewer
Commission

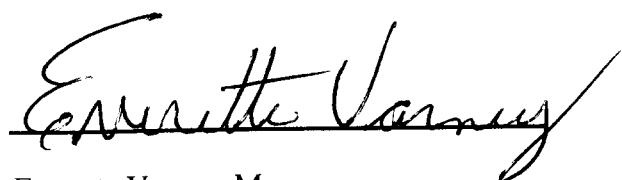
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Scott County

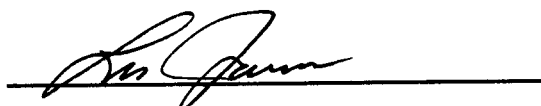
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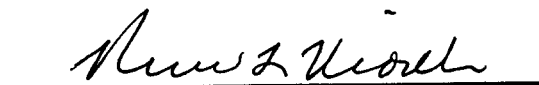
George W. Lusby
Scott County Judge-executive



Everette Varney, Mayor
City of Georgetown



Les Jarvis, Chair.
Georgetown Municipal Water and
Sewer Service

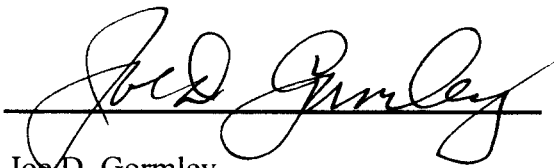


Bob Riddle, Manager
Georgetown Municipal Water and Sewer
Service

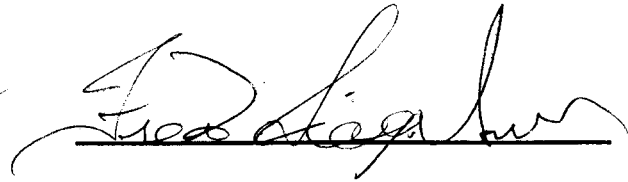
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Woodford County

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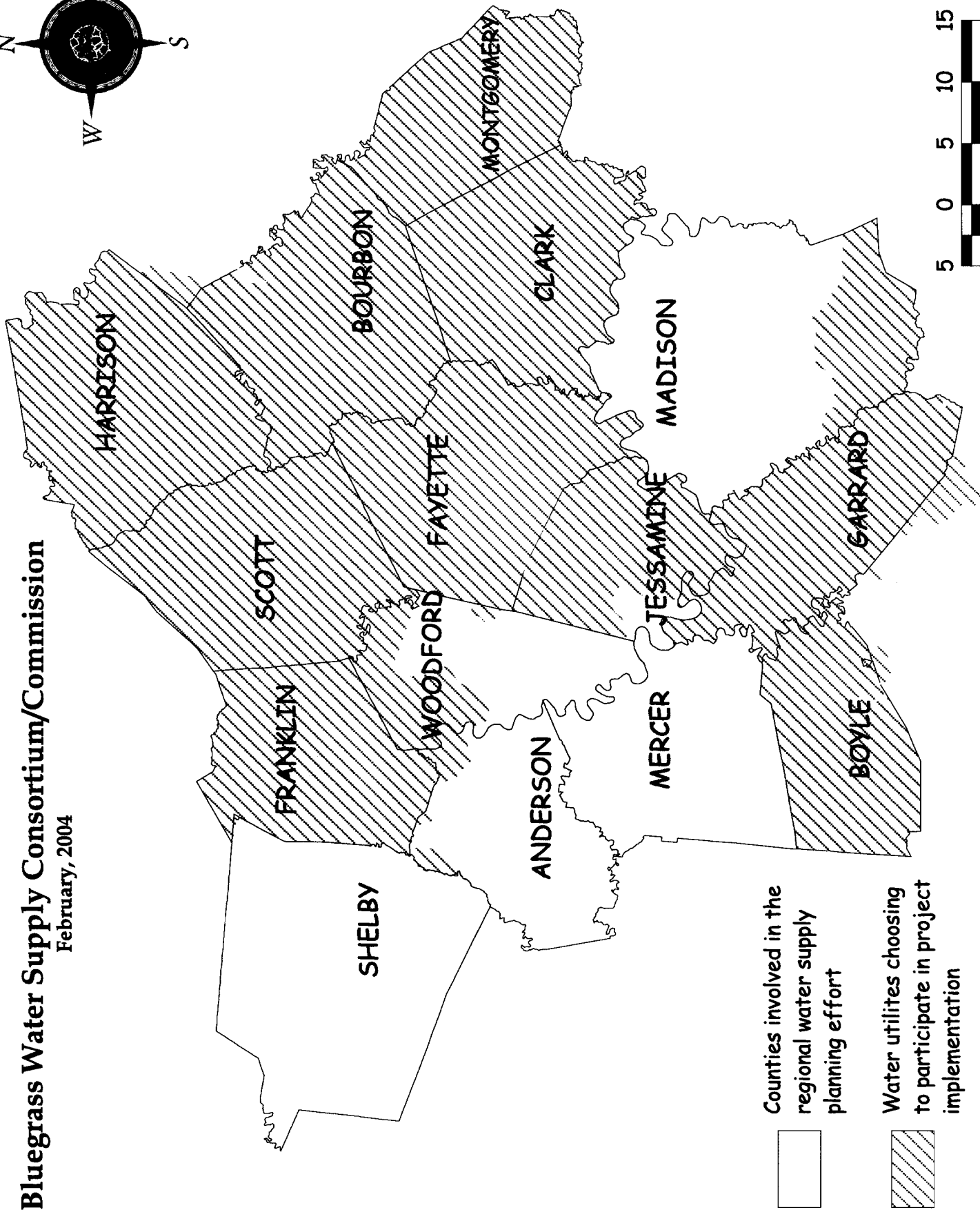
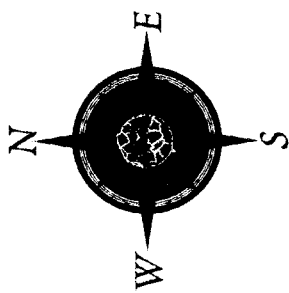
Joe D. Gormley
Woodford County Judge-executive

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Fred Siegelman, Mayor
City of Versailles

Bluegrass Water Supply Consortium/Commission

February, 2004

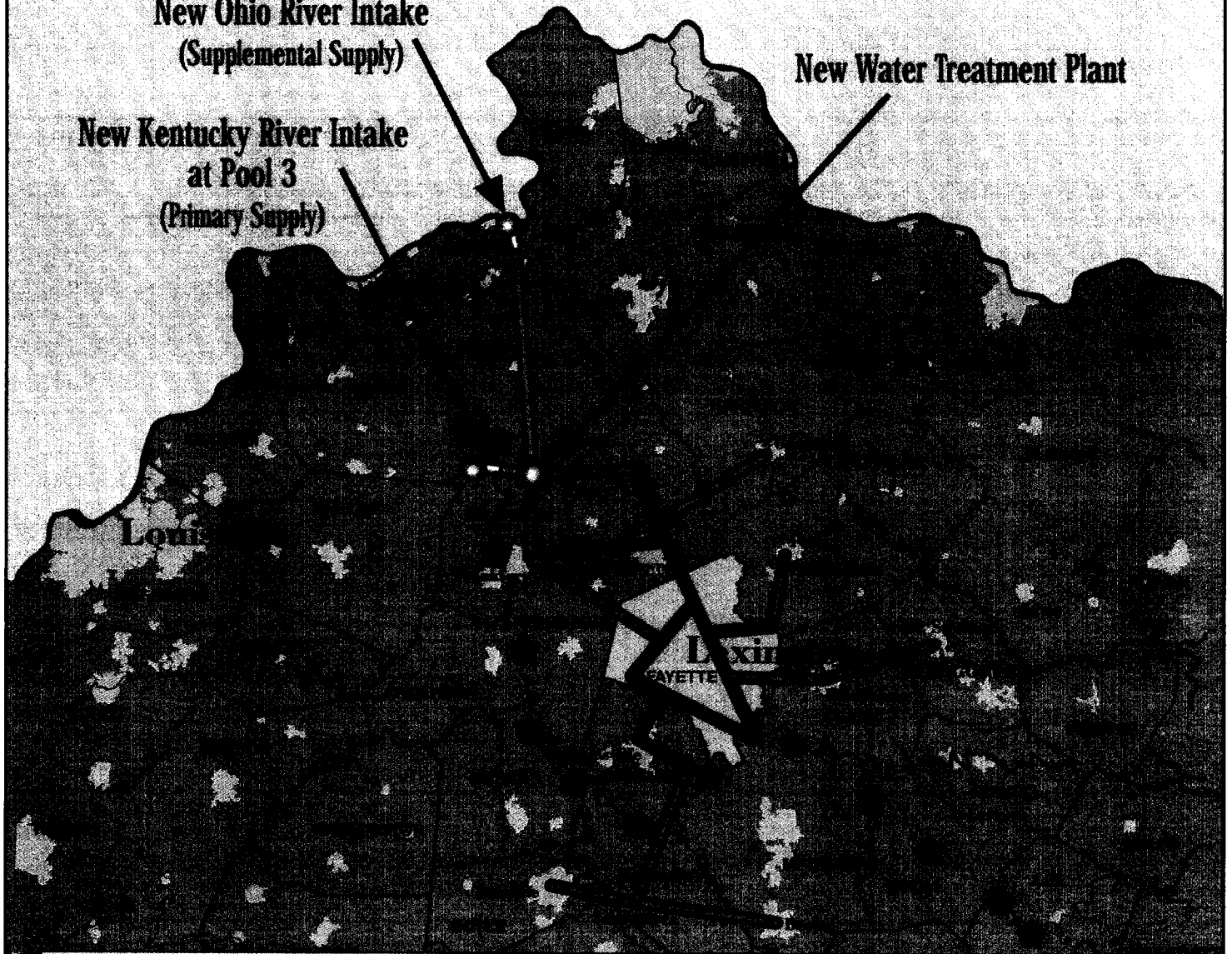


Bluegrass Water Supply Commission Regional Water Supply

New Ohio River Intake
(Supplemental Supply)

New Kentucky River Intake
at Pool 3
(Primary Supply)

New Water Treatment Plant



- | | | |
|-------------------------------|-----------------------|-----------------|
| River Intake and Pump Station | Water Treatment Plant | County Boundary |
| Proposed Raw Water Pipe | River Lock & Dam | River |
| Proposed Finished Water Pipe | Metropolitan Area | |
| Existing Finished Water Pipe | Lake | |

ApolloMacMaps/jal.gae/WR.gam/BGADD/0204/BGADD_Map_R4_021904.ft9



O'BRIEN & GERE
ENGINEERS, INC.

CDP
ENGINEERS, INC.
CARTER DIXON PARTNERS

Points to Consider in Relation to the Bluegrass Area Water Supply Problem

- Central Kentucky has a serious problem with drinking water supply, well exhibited in 1988 and 1999, and, to a lesser degree, since 1999. In 2003, we had rainfall that was 7 inches *above* normal. In 2002, we had rainfall that was 3 inches *above* normal. Just as *above* normal rainfall years occurs in some years, so will years of *below* normal rainfall. *Doing nothing* about our regional water supply problem is to court disaster. We have for too long done nothing substantive to deal with this serious problem that is a threat to our regional economy and to our quality of life.
- In the last year and a half, 17 water utilities from 15 Central Kentucky counties have worked together to develop an affordable solution upon which we could all agree. *We have found one*, and it has general concurrence of the regulators at the KY Division of Water.
- As the effort moves now from a pure planning phase and in the direction of implementation, we have asked each of the 17 utilities “Who chooses to stay with the regional group and who chooses to exit?” Eleven communities have chosen to stay *with* the regional group to work together toward implementation of the regional drinking water supply project. The eleven are Winchester Municipal Utilities, Nicholasville Combined Utilities, Georgetown Municipal Water and Sewer Service, Frankfort Electric and Water Plant Board, Kentucky American Water, Berea, Mt. Sterling Water and Sewer Commission, Paris, Cynthiana, Lancaster, and Danville. Lexington-Fayette Urban County Government is also a participating entity.
- To date, the water utilities have cooperated as an ad hoc group. That will change in the coming months as the participants are taking steps *now* to form a regional water commission under the provisions of KRS Chapter 74. Commission formation should be complete by Autumn 2004.
- The identified solution would provide a reliable drinking water supply to existing water utilities that serve some 600,000 Kentuckians—fully 15 percent of the Commonwealth’s population.
- The identified solution, although costly, will be *far less expensive* than would be the implementation of individual solutions for each of the eleven participating water utilities.
- Major customers served in the region include the University of Kentucky, Toyota, State Government, Square D, Lexmark, Winchester Farm Dairies, McKechnie Motor Vehicles Components, 3M, Berea College, and many others as well as a number of rural water utilities (i.e., water districts and

water associations). All depend upon one or more of the participating water utilities to provide them with a safe, *dependable* supply of drinking water.

- The eleven water utilities together already *have reserved* over 31 million gallons per day of potable water capacity in the proposed regional project which involves
 1. the development of a pipeline grid to link the participating utilities and to permit drinking water from a new source to be conveyed to or through participating water utilities to the point of need,
 2. the construction of a new regional water treatment plant sized somewhere in the 30 to 45 million gallons per day range downstream (north) of Frankfort on the Kentucky River's Pool 3, and
 3. the installation of a large diameter water line from the Ohio River (considered to be an inexhaustible source of water supply) to the new water treatment plant proposed for construction on Pool 3 of the Kentucky River. The Ohio River raw water line would likely be seldom used in the early years. Nevertheless, the raw water supply line is needed to provide uninterruptible water service at all times.
- The soon to be created Bluegrass Water Supply Commission would be a *wholesale only* provider of drinking water. By Kentucky law, the new regional commission could only sell water wholesale to water utilities whose job it then is to retail to individual customers.
- The abolition, merger, or consolidation of existing water utilities will not occur because of our regional efforts. No existing water treatment plants would be forced to close. For the most part, new drinking water supplies infused into the pipeline grid would supplement existing water treatment facilities.
- Local decision-making in utility matters will continue.
- Our efforts enjoy a high level of public acceptance and support.
- Project implementation will likely be phased. The first components will be portions of the grid that will link some of the participating water utilities.
- Eventually, large sums of money will have to be borrowed, granted, or otherwise made available for capital construction.

- The regional approach to supplemental drinking water supply will assure water supply reliability—something that we do not presently enjoy.
- The need now, however, is for money for ***start-up costs*** including a start on the first “pipe-in-the-ground” that will give citizens the assurance that we ***can and will*** be successful at an early date.
- Requested from the Kentucky General Assembly is a budget line item for \$4.0 million. With that sum, we can continue with more detailed planning for the total project ***and*** we will have the first pipeline in the ground and operational within 24 months of the availability of the State funds. Whether this infusion of start-up financing occurs through the Kentucky Infrastructure Authority or some other mechanism is for the General Assembly to decide. However, to insure the continued economic vitality of this large region of Kentucky will require some financial assistance from State Government. If the Kentucky General Assembly intends to invest in Kentucky’s future, our claim is that this proposal well fits that aim.

If you have questions or comments, they can be directed to Jas Sekhon or Don Hassall at the Bluegrass Area Development District at (859) 269-8021 or dhassall@bglife.com.

be a governmental agency, it will be eligible for tax-exempt financing, and state and federal grants and low interest loans.

Extensive public involvement

BWSC conducted a uniquely open study, with extensive opportunities for input from the public, elected officials, and governmental agencies through the use of public workshops and informational meetings, routine updates via newsletters/mailers/e-mail, agency briefings and technical meetings and extensive press coverage.

What are the next steps?

BWSC identified that the following key items need to be addressed in the near term:

- Form the Bluegrass Water Supply Commission.
- Implement near term improvements for communities with the greatest needs.
- Continue working with KDOW to formalize commitments on water credits, Kentucky River Pool No. 3 permitting, Ohio River permitting, and grid water quality.
- Pursue grant funding and/or low interest loans.

The Bluegrass Water Supply Consortium is moving forward aggressively with these and other action items. By endorsing the recommendations of this study, BWSC is “driving a stake in the ground”, completing the first step in the long process to bring ample water supplies to the residents of central Kentucky.

For more information, please call:

Don Hassall, P.E.

Assistant Executive Director

Bluegrass Area Development District

859-269-8021

dhassall@bglife.com

Bluegrass Water Supply Consortium

Results of the Water System Regionalization Feasibility Study

Winter-Spring 2004

Bluegrass Water Supply Consortium
C/O Bluegrass Area Development District
699 Perimeter Drive
Lexington, KY 40517

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C/O Bluegrass Area Development District
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Lexington, KY 40517
(859) 269-8021**

February 20, 2004

Executive Director Tom Dorman
KY Public Service Commission
PO Box 615
Frankfort, KY 40601

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**PUBLIC SERVICE
COMMISSION**

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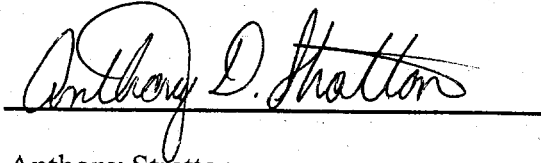
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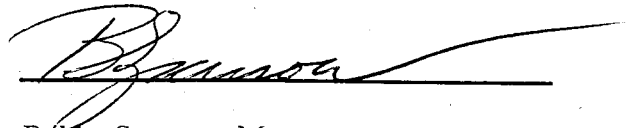
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Anderson County

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Anthony Stratton
Anderson County Judge-executive

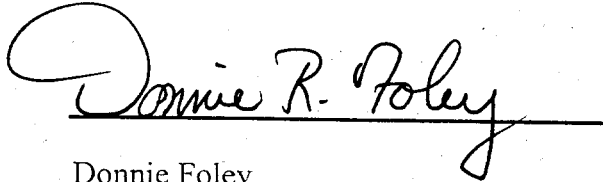
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Bobby Sparrow, Mayor
City of Lawrenceburg

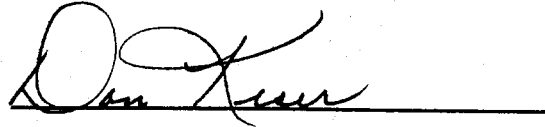
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Donnie Foley
Bourbon County Judge-executive

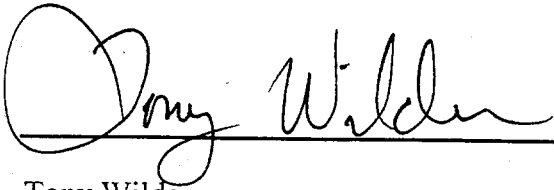
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Don Kiser, Mayor
City of Paris

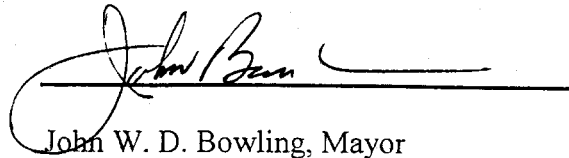
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Boyle County Judge-executive

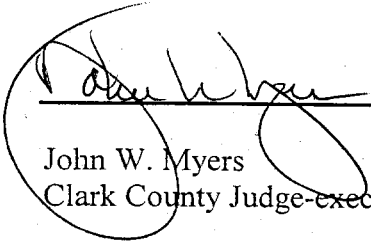
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John W. D. Bowling, Mayor
City of Danville

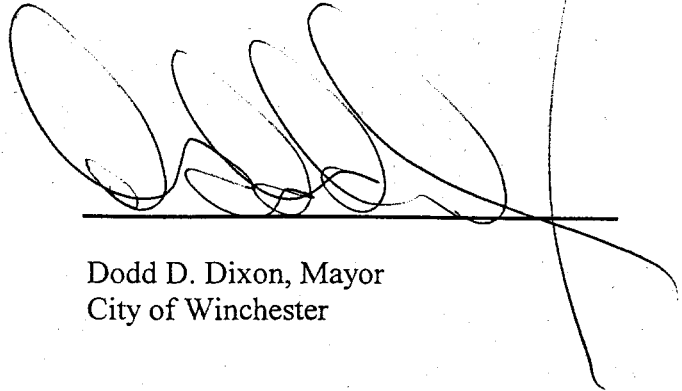
February 20, 2004 BWSC letter

Clark County

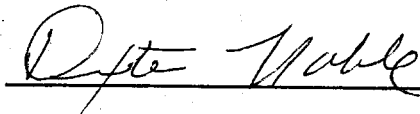
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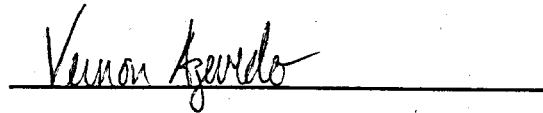
John W. Myers
Clark County Judge-executive



Dodd D. Dixon, Mayor
City of Winchester



Dexter Noble, Chairman
Winchester Municipal Utilities

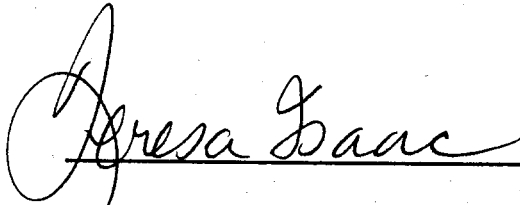


Vernon Azevedo, Manager
Winchester Municipal Utilities

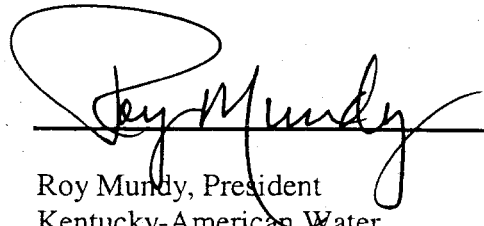
February 20, 2004 BWSC letter

**Lexington-Fayette Urban
County Government**

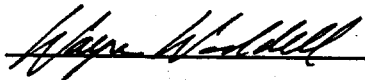
Signature Page

A handwritten signature in cursive script, reading "Teresa Isaac", written over a horizontal line.

Teresa Isaac, Mayor
Lexington-Fayette

A handwritten signature in cursive script, reading "Roy Mundy", written over a horizontal line.

Roy Mundy, President
Kentucky-American Water

A handwritten signature in cursive script, reading "Wayne Waddell", written over a horizontal line.

Wayne Waddell, Commissioner
LFUCG Dept. of Public Works

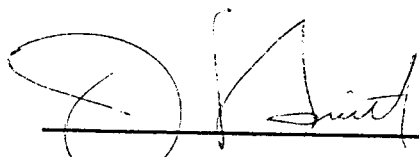
February 20, 2004 BWSC letter

Franklin County

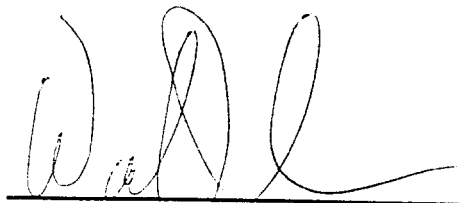
Signature Page

Teresa Barton
Franklin County Judge-executive

William I. May, Mayor
City of Frankfort



Joseph E. Smith, Chair
Frankfort Electric and Water Plant
Board



Warner Caines, Manager
Frankfort Electric and Water Plant Board

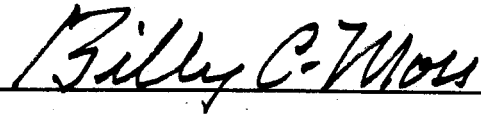
February 20, 2004 BWSC letter

Garrard County

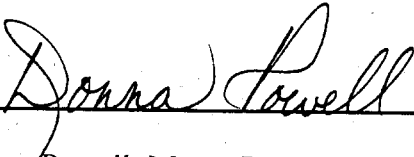
Signature Page

A handwritten signature in cursive script, reading "E J Hasty", written over a horizontal line.

E. J. Hasty
Garrard County Judge-executive

A handwritten signature in cursive script, reading "Billy C. Moss", written over a horizontal line.

Billy C. Moss, Mayor
City of Lancaster

A handwritten signature in cursive script, reading "Donna Powell", written over a horizontal line.

Donna Powell, Mayor Pro-tem
City of Lancaster

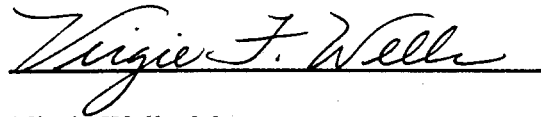
February 20, 2004 BWSC letter

Harrison County

Signature Page

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Dean Peak
Harrison County Judge-executive

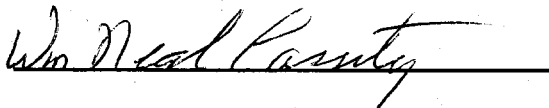
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Virgie Wells, Mayor
City of Cynthiana

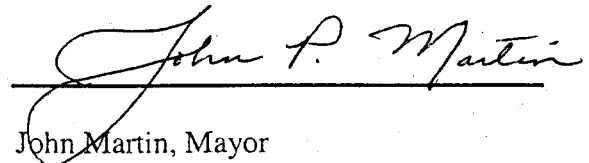
February 20, 2004 BWSC letter

Jessamine County

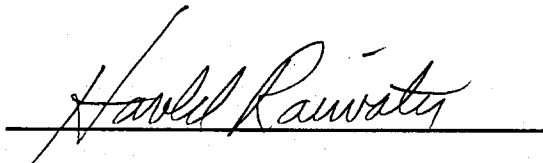
Signature Page

A handwritten signature in cursive script, reading "William Neal Cassity", written over a horizontal line.

William Neal Cassity
Jessamine County Judge-executive

A handwritten signature in cursive script, reading "John P. Martin", written over a horizontal line.

John Martin, Mayor
City of Nicholasville

A handwritten signature in cursive script, reading "Harold Rainwater", written over a horizontal line.

Harold Rainwater, Mayor
City of Wilmore

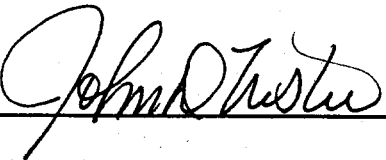
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Tom Calkins, Manager
Nicholasville Combined Utilities

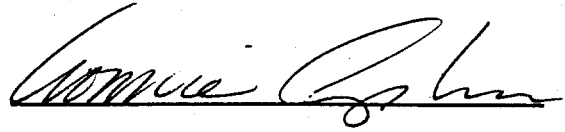
February 20, 2004 BWSC letter

Mercer County

Signature Page

A handwritten signature in cursive script, reading "John Trisler", written over a solid horizontal line.

John Trisler
Mercer County Judge-executive

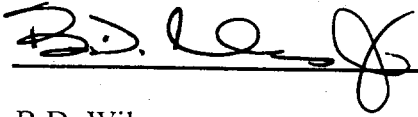
A handwritten signature in cursive script, reading "Lonnie Campbell", written over a solid horizontal line.

Lonnie Campbell, Mayor
Mayor of Harrodsburg

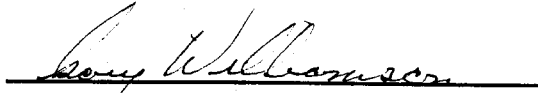
February 20, 2004 BWSC letter

Montgomery County

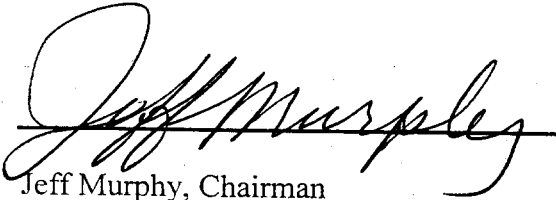
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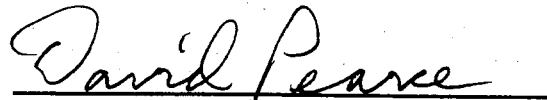
B.D. Wilson
Montgomery County Judge-executive



Gary Williamson, Mayor
City of Mt. Sterling



Jeff Murphy, Chairman
Mt. Sterling Water and Sewer
Commission

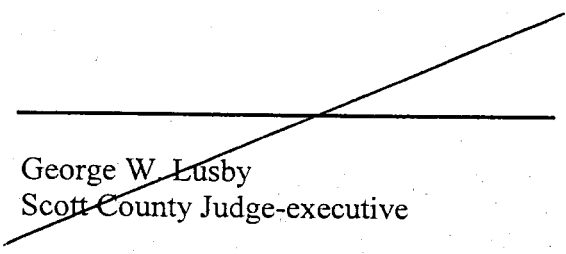


Dave Pearce, Manager
Mt. Sterling Water and Sewer
Commission

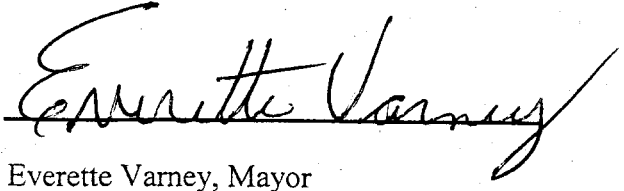
February 20, 2004 BWSC letter

Scott County

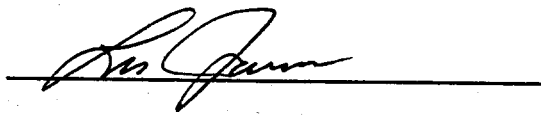
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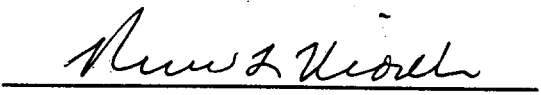
George W. Lusby
Scott County Judge-executive



Everette Varney, Mayor
City of Georgetown



Les Jarvis, Chair.
Georgetown Municipal Water and
Sewer Service

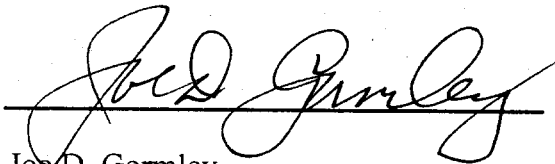


Bob Riddle, Manager
Georgetown Municipal Water and Sewer
Service

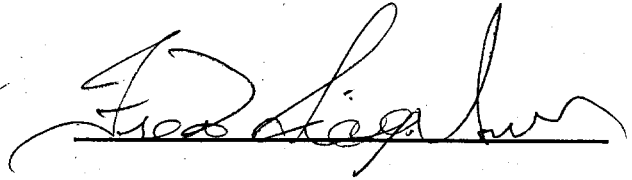
February 20, 2004 BWSC letter

Woodford County

Signature Page

A handwritten signature in cursive script, reading "Joe D. Gormley", written over a horizontal line.

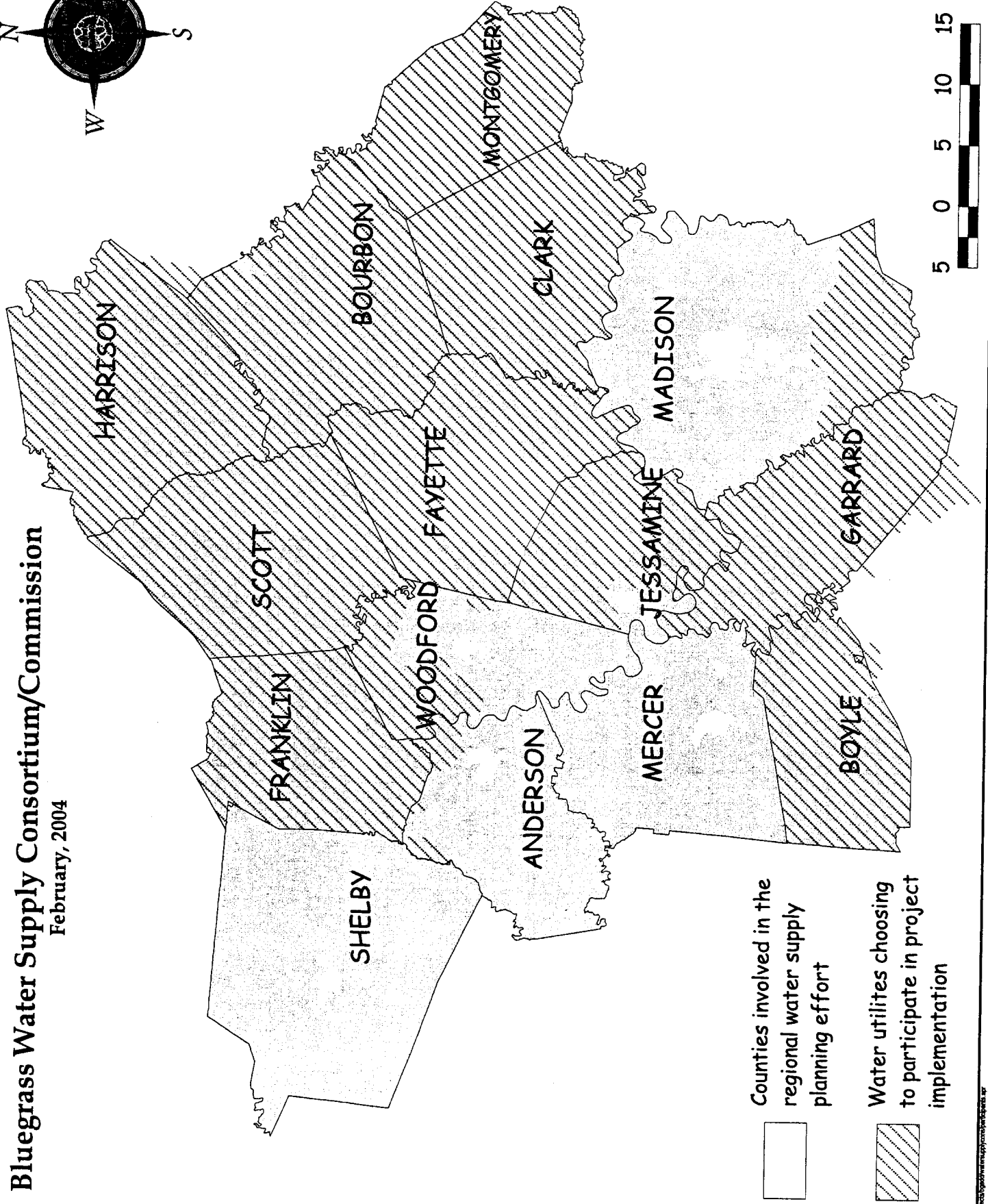
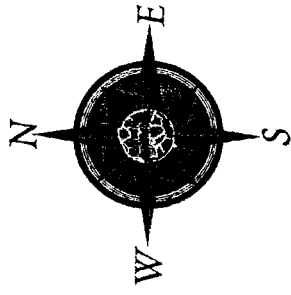
Joe D. Gormley
Woodford County Judge-executive

A handwritten signature in cursive script, reading "Fred Siegelman", written over a horizontal line.

Fred Siegelman, Mayor
City of Versailles

Bluegrass Water Supply Consortium/Commission

February, 2004



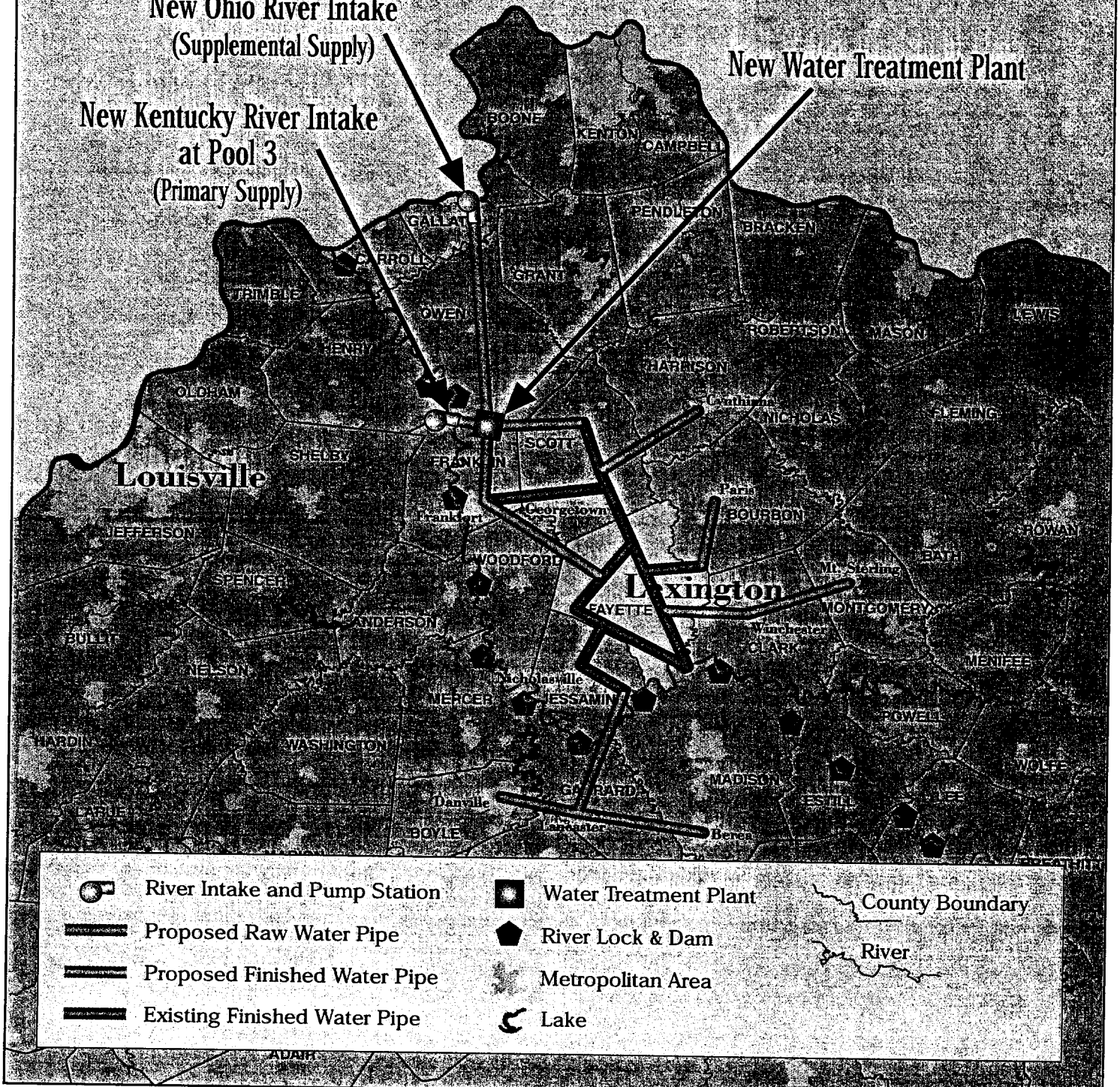
BGADD

Bluegrass Water Supply Commission Regional Water Supply

**New Ohio River Intake
(Supplemental Supply)**

**New Kentucky River Intake
at Pool 3
(Primary Supply)**

New Water Treatment Plant



River Intake and Pump Station



Proposed Raw Water Pipe



Proposed Finished Water Pipe



Existing Finished Water Pipe



Water Treatment Plant



River Lock & Dam



Metropolitan Area



Lake

County Boundary

River

ApolloMacMaps/jal.gae/WR.gam/BGADD/0204/BGADD_Map_R4_021904.th9



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ENGINEERS, INC.

CDP
ENGINEERS, INC.
CARTER DIXON PARTNERS

Points to Consider in Relation to the Bluegrass Area Water Supply Problem

- Central Kentucky has a serious problem with drinking water supply, well exhibited in 1988 and 1999, and, to a lesser degree, since 1999. In 2003, we had rainfall that was 7 inches *above* normal. In 2002, we had rainfall that was 3 inches *above* normal. Just as *above* normal rainfall years occurs in some years, so will years of *below* normal rainfall. *Doing nothing* about our regional water supply problem is to court disaster. We have for too long done nothing substantive to deal with this serious problem that is a threat to our regional economy and to our quality of life.
- In the last year and a half, 17 water utilities from 15 Central Kentucky counties have worked together to develop an affordable solution upon which we could all agree. *We have found one*, and it has general concurrence of the regulators at the KY Division of Water.
- As the effort moves now from a pure planning phase and in the direction of implementation, we have asked each of the 17 utilities “Who chooses to stay with the regional group and who chooses to exit?” Eleven communities have chosen to stay *with* the regional group to work together toward implementation of the regional drinking water supply project. The eleven are Winchester Municipal Utilities, Nicholasville Combined Utilities, Georgetown Municipal Water and Sewer Service, Frankfort Electric and Water Plant Board, Kentucky American Water, Berea, Mt. Sterling Water and Sewer Commission, Paris, Cynthiana, Lancaster, and Danville. Lexington-Fayette Urban County Government is also a participating entity.
- To date, the water utilities have cooperated as an ad hoc group. That will change in the coming months as the participants are taking steps *now* to form a regional water commission under the provisions of KRS Chapter 74. Commission formation should be complete by Autumn 2004.
- The identified solution would provide a reliable drinking water supply to existing water utilities that serve some 600,000 Kentuckians—fully 15 percent of the Commonwealth’s population.
- The identified solution, although costly, will be *far less expensive* than would be the implementation of individual solutions for each of the eleven participating water utilities.
- Major customers served in the region include the University of Kentucky, Toyota, State Government, Square D, Lexmark, Winchester Farm Dairies, McKechnie Motor Vehicles Components, 3M, Berea College, and many others as well as a number of rural water utilities (i.e., water districts and

water associations). All depend upon one or more of the participating water utilities to provide them with a safe, *dependable* supply of drinking water.

- The eleven water utilities together already *have reserved* over 31 million gallons per day of potable water capacity in the proposed regional project which involves
 1. the development of a pipeline grid to link the participating utilities and to permit drinking water from a new source to be conveyed to or through participating water utilities to the point of need,
 2. the construction of a new regional water treatment plant sized somewhere in the 30 to 45 million gallons per day range downstream (north) of Frankfort on the Kentucky River's Pool 3, and
 3. the installation of a large diameter water line from the Ohio River (considered to be an inexhaustible source of water supply) to the new water treatment plant proposed for construction on Pool 3 of the Kentucky River. The Ohio River raw water line would likely be seldom used in the early years. Nevertheless, the raw water supply line is needed to provide uninterruptible water service at all times.
- The soon to be created Bluegrass Water Supply Commission would be a *wholesale only* provider of drinking water. By Kentucky law, the new regional commission could only sell water wholesale to water utilities whose job it then is to retail to individual customers.
- The abolition, merger, or consolidation of existing water utilities will not occur because of our regional efforts. No existing water treatment plants would be forced to close. For the most part, new drinking water supplies infused into the pipeline grid would supplement existing water treatment facilities.
- Local decision-making in utility matters will continue.
- Our efforts enjoy a high level of public acceptance and support.
- Project implementation will likely be phased. The first components will be portions of the grid that will link some of the participating water utilities.
- Eventually, large sums of money will have to be borrowed, granted, or otherwise made available for capital construction.

- The regional approach to supplemental drinking water supply will assure water supply reliability—something that we do not presently enjoy.
- The need now, however, is for money for *start-up costs* including a start on the first “pipe-in-the-ground” that will give citizens the assurance that we *can and will* be successful at an early date.
- Requested from the Kentucky General Assembly is a budget line item for \$4.0 million. With that sum, we can continue with more detailed planning for the total project *and* we will have the first pipeline in the ground and operational within 24 months of the availability of the State funds. Whether this infusion of start-up financing occurs through the Kentucky Infrastructure Authority or some other mechanism is for the General Assembly to decide. However, to insure the continued economic vitality of this large region of Kentucky will require some financial assistance from State Government. If the Kentucky General Assembly intends to invest in Kentucky’s future, our claim is that this proposal well fits that aim.

If you have questions or comments, they can be directed to Jas Sekhon or Don Hassall at the Bluegrass Area Development District at (859) 269-8021 or dhassall@bglife.com.